

H1 FY19

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2018



Agenda

1 Delivering growth

Mteto Nyati
Chief Executive

2 Financial results

Mteto Nyati
Chief Executive

3 Operational overview

Andrew Holden
Chief Operations Officer

4 Strategy and outlook

Mteto Nyati
Chief Executive

01

OVERVIEW – A SOLID PERFORMANCE

Mteto Nyati
Chief Executive



Results Highlights



Normalised Revenue

+44%

R 9.8 billion



Normalised EBITDA

+16%

R 686 million



Normalised HEPS

+25%

71 cents per share



Free Cash Flow

+220%

R 295 million



ROCE

19%

Adjusted net debt of

R 991 million

(including deferred disposal receipts)

Interim dividend of 28c per share

Delivering Innovation That Matters



Healthcare Management

64 of 81 primary health clinics use Altron e-health record system



Safety and Security

Vehicle on mines fitted with collision avoidance system with a 360 view in-vehicle display



Financial Inclusion

Pioneered the technology to help 40 000 lenders become compliant with the National Credit Regulator



Skills Development

48 IT graduates certified in end-user computing in Kwa-Mashu

Key Achievements



Successfully Integrated Two acquisitions



70% of our operations have net promoter scores above industry average



Powertech Transformers and Altech UEC disposals completed



Number one Microsoft licencing partner in the UK



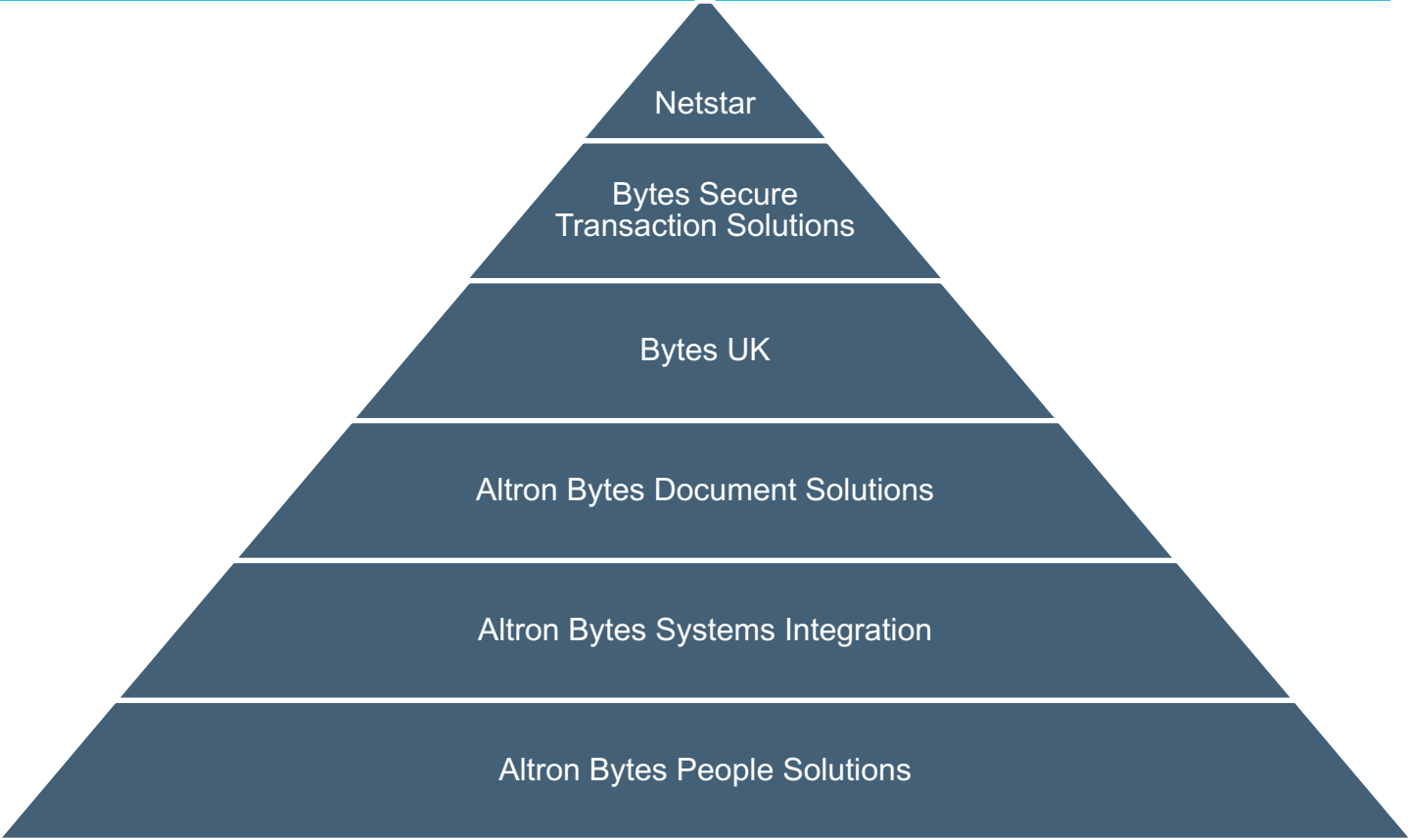
57% of our revenue offshore
35% of our EBITDA offshore



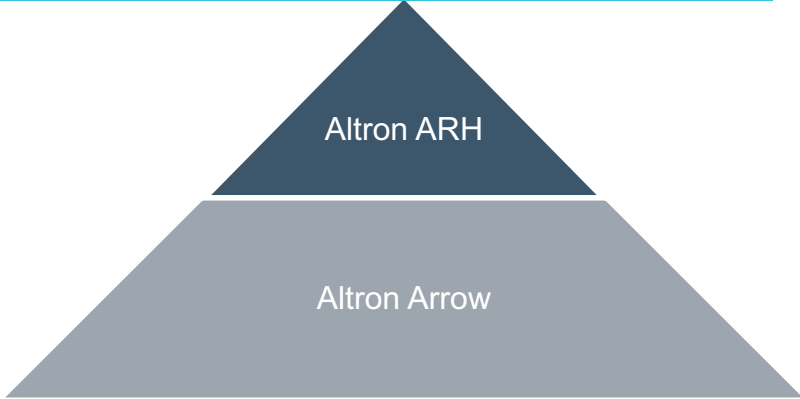
Strong Covenant ratio

H1 Performance Overview

Solid Performing Operations



Underperforming Operations



Disposal of Non-core Assets

Discontinued operations	Status	Realised		Deferred	Expected date of receipt
Powertech Batteries	Sale concluded	R227 million	●	R107 million	Quarterly receipts of ±R6.5m per quarter
Aberdare (17.5% put option)	Sale concluded	R928 million	●	R94 million	June 2019
PTSI	Sale concluded	R20 million	●		
Swanib Cables	Sale concluded	R56 million	●		
Crabtree	Sale concluded	R39 million	●		
Switchgear/Quadpro	Sale concluded	R10 million	●		
Powertech Transformers	Sale concluded	R100 million	●	R189 million	R39m in October 2018; R50m in July 2019; R100m in Feb 2021
Altech Multimedia/UEC	Sale concluded	R25 million	●	R7 million	September 2019
CBI Telecoms	Sale terminated, new process initiated		●		

02

FINANCIAL RESULTS

Mteto Nyati
Chief Executive



Summarised Income Statement

Continuing operations

6 months ended 31 August R'million	Statutory H1 FY19	Once-off costs ¹	Normalised H1 FY19	Statutory H1 FY18	Once-off costs ¹	Normalised H1 FY18	% change (normalised)
Revenue	9 779		9 779	6 792		6 792	44
Operating profit before capital items	421	9	430	334	49	383	12
EBITDA	677	9	686	544	49	593	16
EBITDA margin (%)	6.9		7.0	8.0		8.7	
Net finance expenses	(90)		(90)	(88)		(88)	
Capital items	16		16	(16)		(16)	
Taxation	(78)	(3)	(81)	(60)	(13)	(73)	
Net profit after tax	269	6	275	170	36	206	34
HEPS (cents)	70		71	47		57	25
EPS (cents)	73		74	44		54	37
ROCE (%) ²	18.5		18.9	14.9		16.0	
GBP / ZAR average exchange rate	17.26			16.83			

Please note that the group's results were previously presented on a constant currency basis (prior period GBP values translated at current period exchange rate). This has not been done for the current period.

1 – once-off costs include retrenchment and restructuring costs;

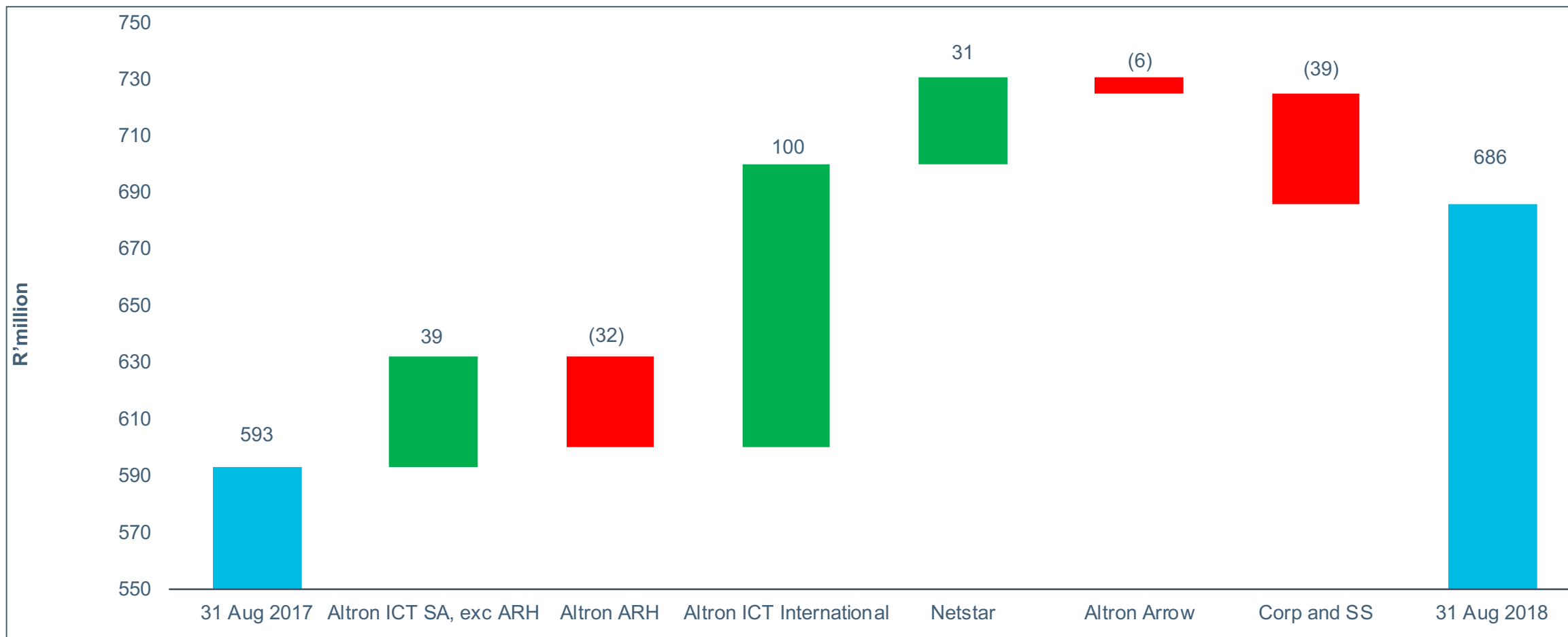
2 – ROCE is calculated as follows: (Operating income from continuing operations) x 2 / (Total Equity+ Borrowings)

EBITDA Margin Reconciliation

R'm	Revenue	EBITDA	Margin	Prior Year	Comments
Normalised	9 779	686	7.0%	8.7%	
Phoenix acquisition	(1 527)	(62)			Client mix in public sector
National Health Service contract ("NHS") in Bytes UK	(518)	(3)			Lower margin due to deliberate strategic intention to secure future business from NHS..
Altron ARH	(496)	-			
Brand refresh		22			
Adjusted	7 238	643	8.9%	8.7%	

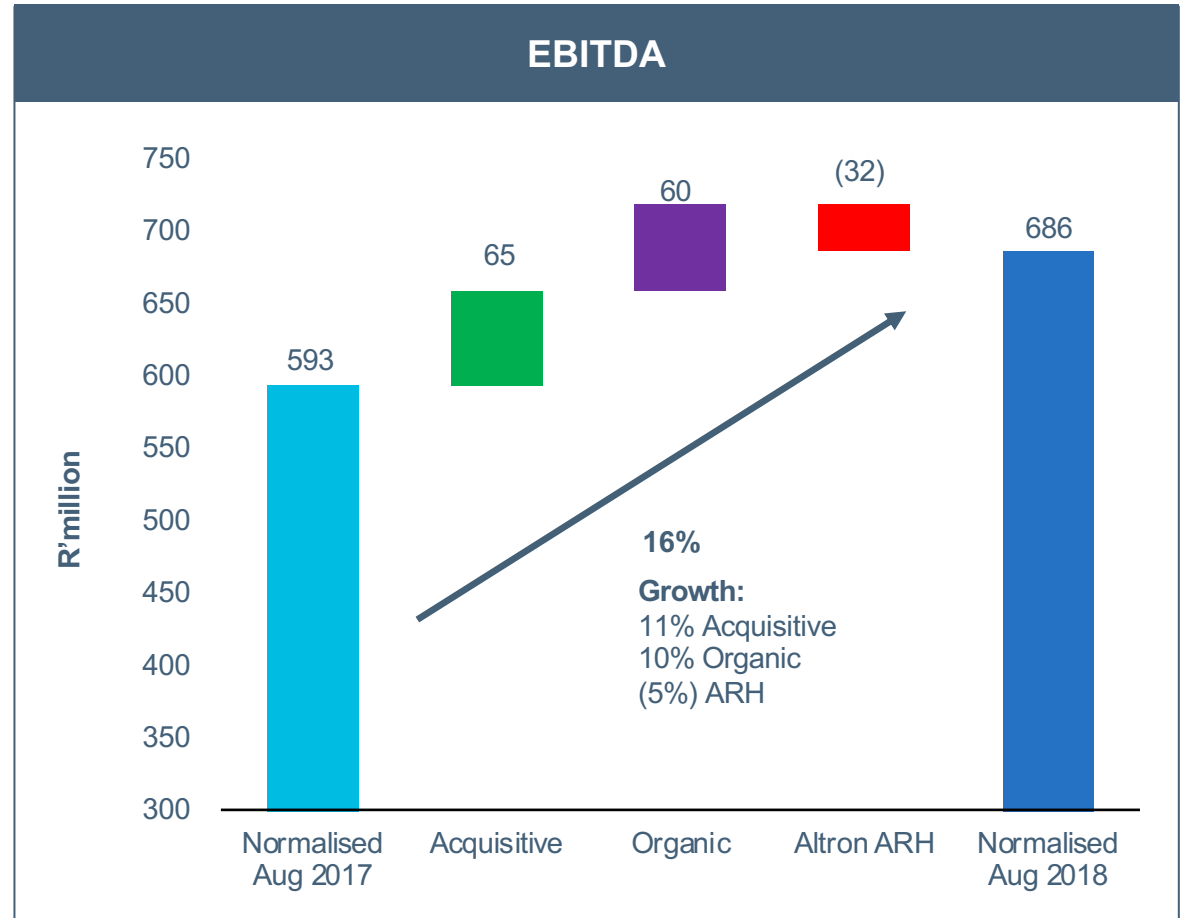
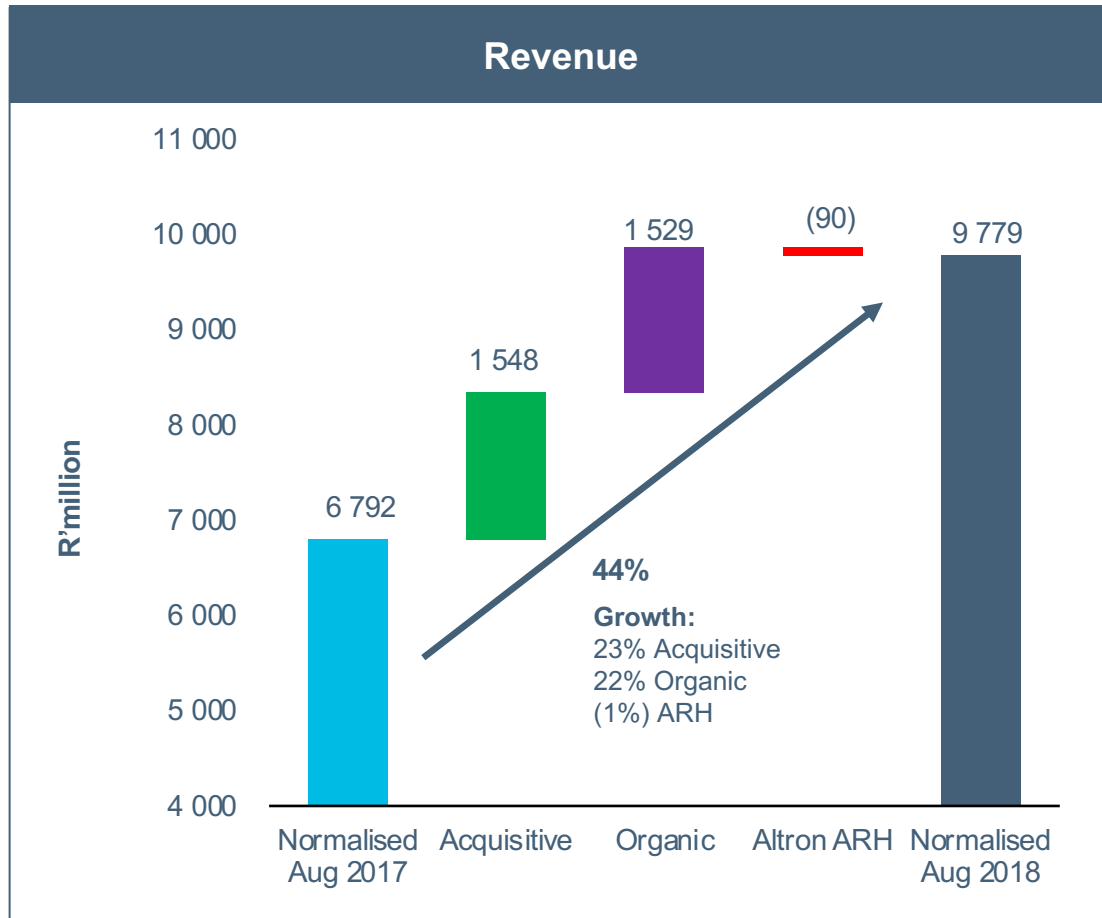
Normalised EBITDA

Continuing operations

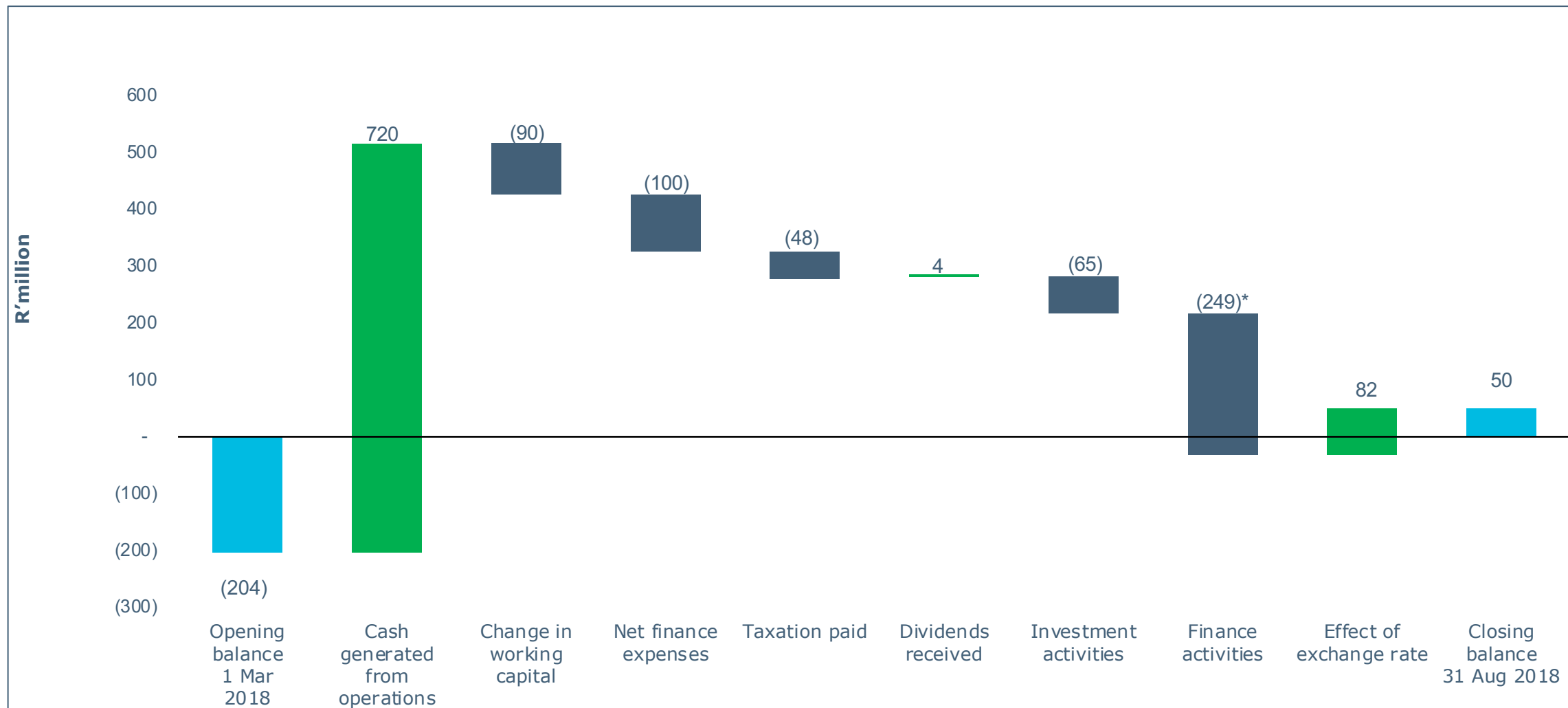


Organic vs Acquisitive

Continuing operations



Cash Flow Bridge



Unutilised facilities – R980m overnight facilities available to the South African cash pool plus £20m undrawn HSBC UK facility

* Repayment of long term debt to lenders

Group Cash Flow Statement

ALTRON




Condensed consolidated statement of cash flows			R millions
	Six months ended 31.08.18 (Unaudited)	Six months ended 31.08.17 (Unaudited)	Year ended 28.02.18 (Audited)
Cash flows from operating activities	486	15	582
Cash generated by operations	720	598	1 234
Interest received	77	86	178
Interest paid	(177)	(214)	(417)
Dividends received from equity accounted investees and other investments	4	1	32
Changes in working capital	(90)	(363)	(298)
Taxation paid	(48)	(90)	(141)
Cash available from operating activities	486	18	588
Dividends paid, including to non-controlling interests	-	(3)	(6)
Cash flows utilised in investing activities	(65)	(296)	(971)
Cash flows (utilised in) / from financing activities	(249)	73	(160)
Net increase / (decrease) in cash and cash equivalents	172	(208)	(549)
Net cash and cash equivalents at the beginning of the period	(204)	329	329
Cash and cash equivalents at the beginning of the period	(204)	417	417
Cash previously classified as held-for-sale	-	(88)	(88)
Effect of exchange rate fluctuations on cash held	82	20	16
Bank overdraft classified as held-for-sale	-	123	-
Net cash and cash equivalents at the end of the period	50	264	(204)

Unutilised facilities – R980m overnight facilities available to the South African cash pool plus £20m undrawn HSBC UK facility

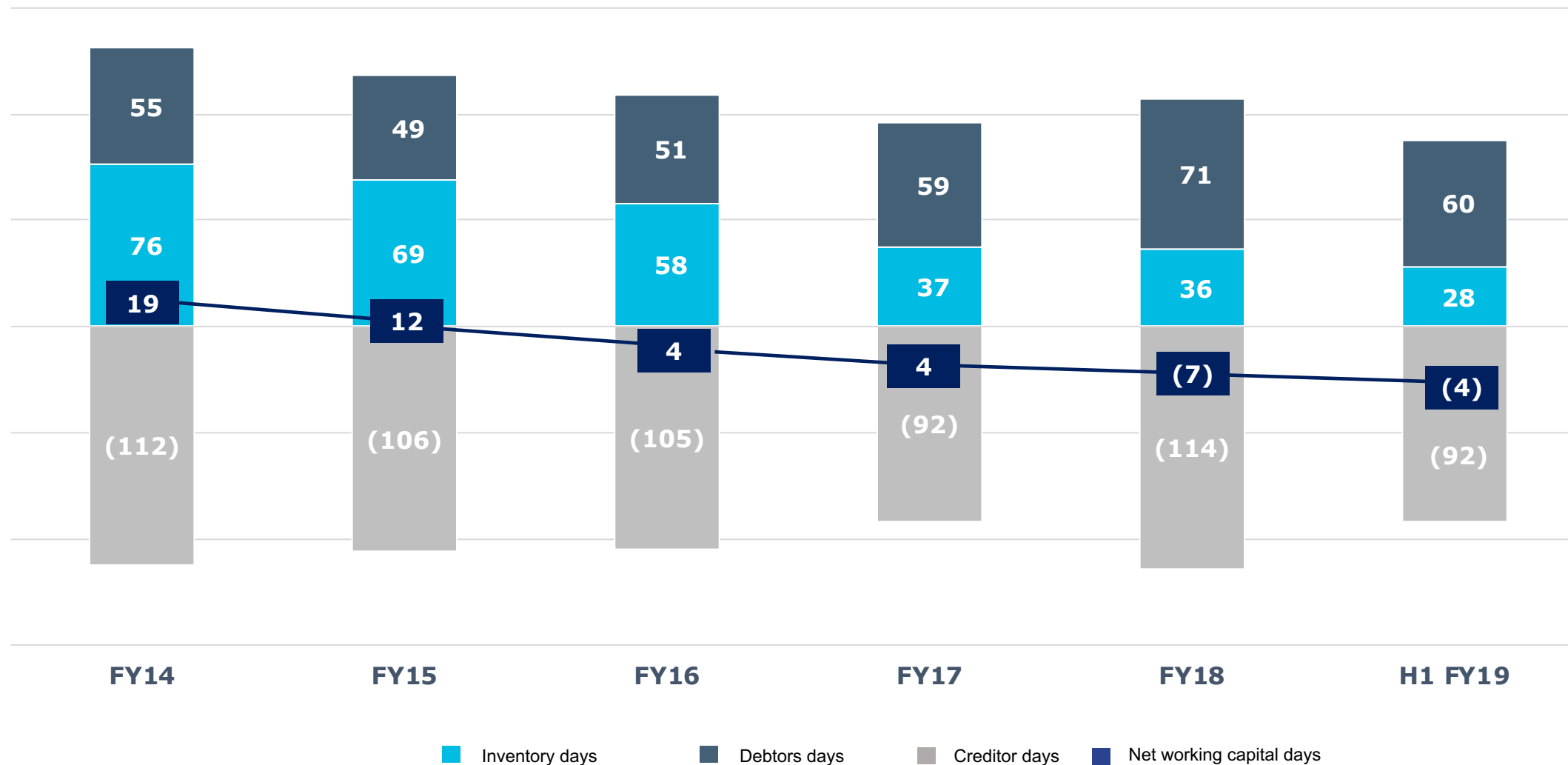
Summarised Balance Sheet

As at 31 August R'million	H1 FY19	H1 FY18	% Change	Commentary
Total non-current assets	3 787	3 187	19	Acquisition of Phoenix
Current assets	4 658	3 541	32	Debtors ARH and acquisitions
Assets held-for-sale	274	1 013	(73)	Powertech & Altech Multimedia disposals
Cash balance	1 237	1 072	15	
Total assets	9 956	8 813	13	
Equity holders of Altron	3 264	2 760	18	
Non-controlling interests	(202)	(237)	(14)	
Long term loans	1 128	1 633	(31)	Movement includes repayment of debt / reclassification to short term loans
Other non-current liabilities	64	61	5	
Short term loans	354	323	10	Long term debt reclassified to short term
Other current liabilities	3 965	2 726	45	Acquisition of Phoenix
Liabilities held-for-sale	196	739	(73)	Powertech & Altech Multimedia disposals
Bank overdraft	1 187	808	47	
Total equity and liabilities	9 956	8 813	13	
Net debt	1 432	1 834	–	
NAV per share (cents)	880	744	18	Shares in issue, net of treasury shares – 371m (2018: 371m)

Adjusted Net Debt Reconciliation

R'million		H1 FY19	H1 FY18	FY18
Net debt as reported		 1 432	1 834	1 940
Less: Net asset value of disposal group		(78)	(274)	(249)
Less: Net debt in disposal group		-	(142)	-
Less: Deferred disposal receipts		(363)	(269)	(201)
Adjusted net debt (including deferred disposal receipts)		991	1 149	1 490
Covenant ratios (using R1,432m for covenant purposes)	Covenant			
Net debt : Attributable EBITDA	< 2.5x	 1.04x	1.6x	1.6x
Attributable EBITDA interest cover	> 3.5x	 7.05x	4.1x	5.4x

Working Capital



Dividends

The Group has resumed paying dividends since the year ended 29 February 2016

Dividend policy considerations:

- Maintaining sufficient headroom in facilities
- Well within debt covenants
- 2.5 times dividend cover on continuing operations going forward

The board has declared an interim dividend of 28 cents per share for the reporting period

03

OPERATIONAL OVERVIEW

Andrew Holden
Chief Operations Officer



Results Highlights



Normalised Revenue

+44%

R 9.8 billion



Normalised EBITDA

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R 686 million



Normalised HEPS

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Free Cash Flow

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ROCE

19%

Adjusted net debt of

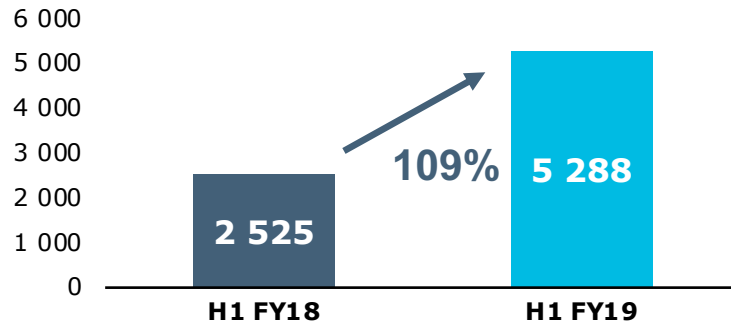
R 991 million

(including deferred disposal receipts)

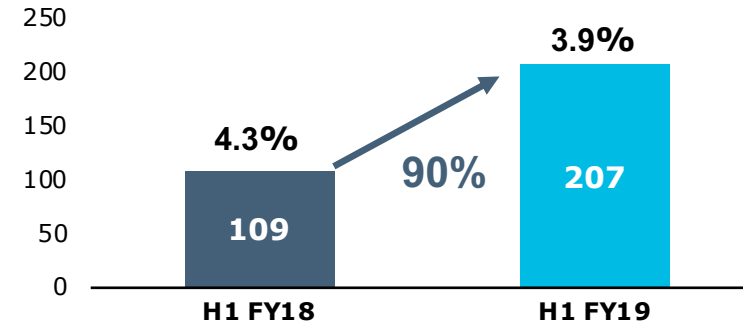
Interim dividend of 28c per share

Bytes Technology Group UK (with Phoenix) - *normalised*

REVENUE (R'm)



EBITDA (R'm) and EBITDA margin (%)



Interims at a glance

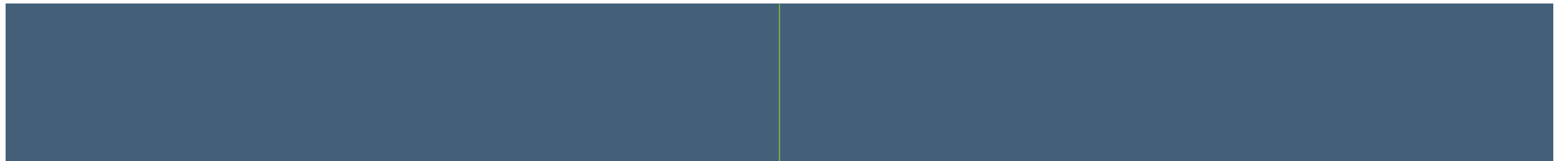
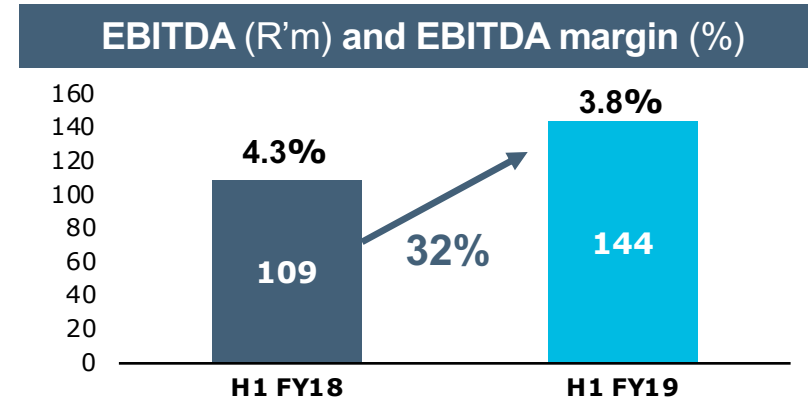
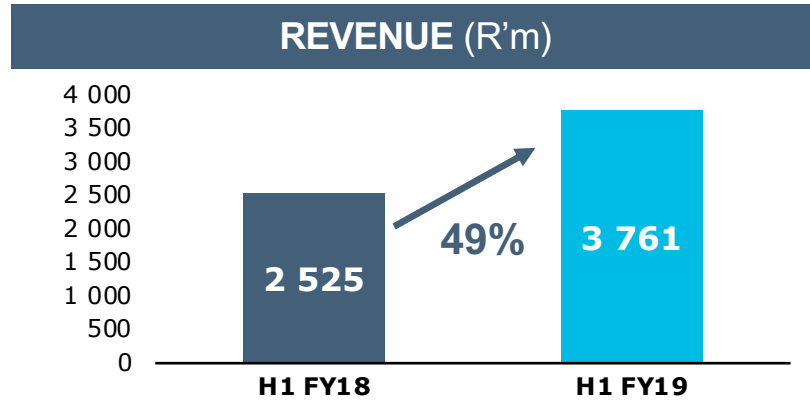
- Performance positively impacted by the acquisition of Phoenix.
- Bytes Software Services secured a five year £150 million contract with UK's National Health Service.
- Overall good performance by the UK operations
- In GBP terms, revenue and EBITDA growth of 104% and 84% respectively. Organic growth of 45% on revenue and 29% on EBITDA.

Strategy

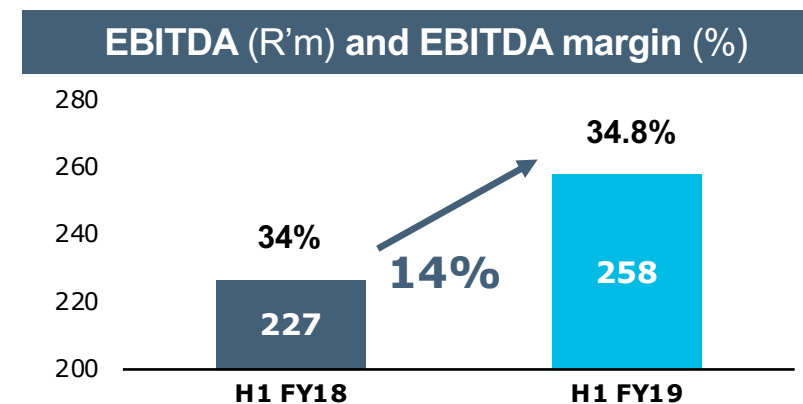
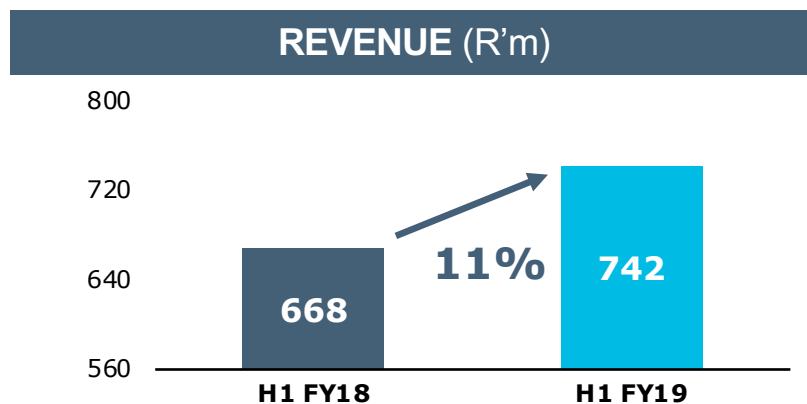
- Focus on the cloud and cloud migration
- Cross selling into 5 000 accounts within the UK
- Acquire strategic businesses
- Use SA IP to promote additional appropriate solution sets into our UK customers



Bytes Technology Group UK (without Phoenix) – *normalized* **ALTRON**



Netstar (with EZY2C*) – normalized



Interims at a glance

- Continued improvements in the performance
- Improved subscriber growth, particularly in stolen vehicle recovery, with churn and retentions under close control
- Australian acquisition performing in line with expectations
- 9% Australian market share following EZY2C acquisition in July 2017

Strategy

- Focus on growing market share in telematics and fleet management
- Geographic expansion
- Alternative routes to market – direct sales to vehicle manufactures and insurers



180%
growth in net
connections



ISO 9001:2015
certification



Insurance Telematics
fast report device

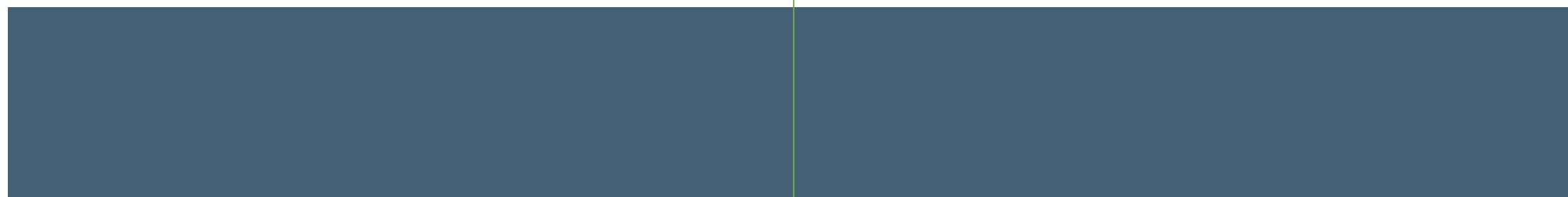
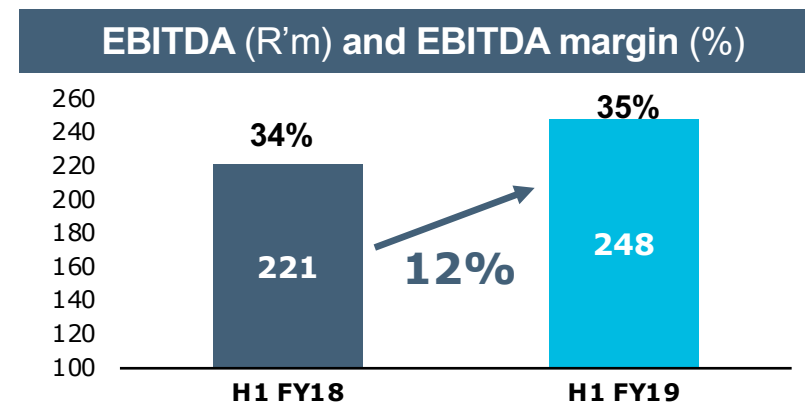
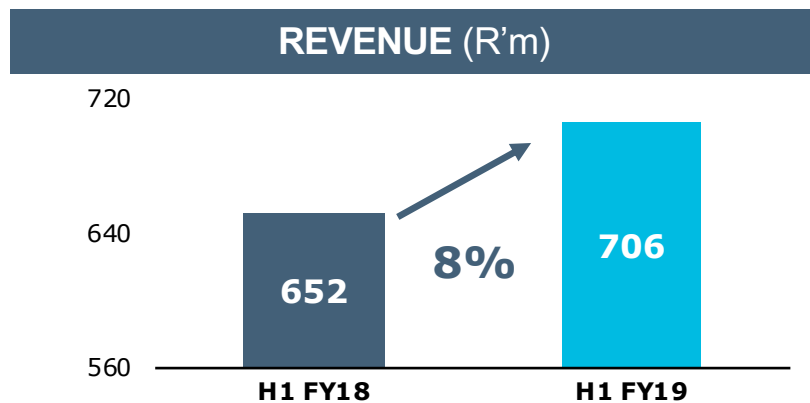


**Jamming
resistant
solution**



**Car park
jamming
solution**

Netstar (without EZY2C) - normalised



180%
growth in net
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Insurance Telematics
fast report device

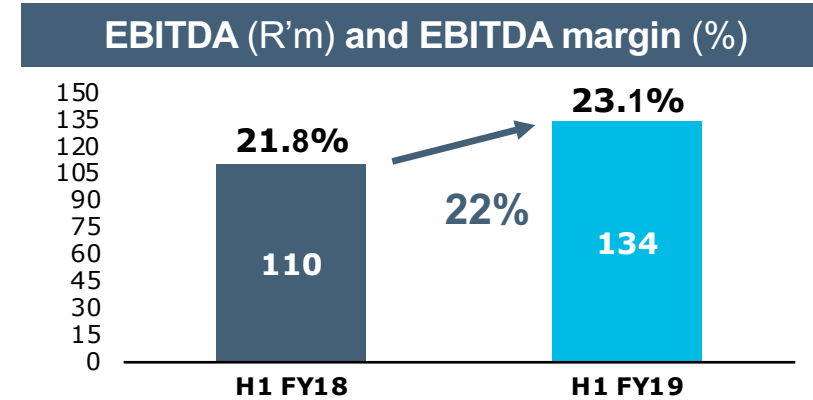
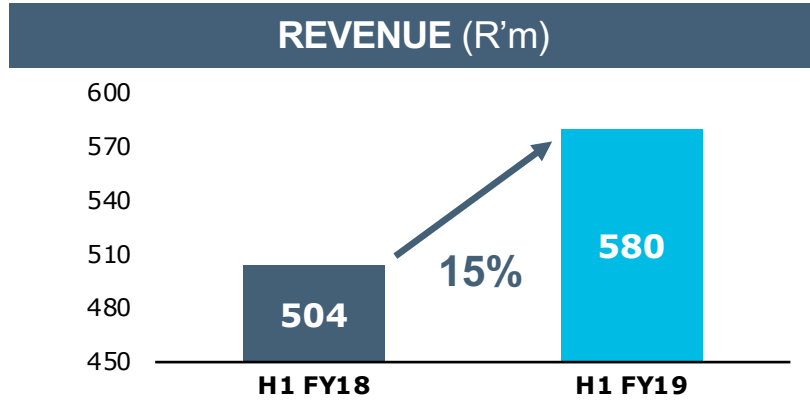


**Jamming
resistant
solution**



**Car park
jamming
solution**

Altron Bytes Secure Transaction Solutions - *normalised*



Interims at a glance

- Good revenue and EBITDA growth due to new contracts secured
- HealthTech companies continue to deliver to expectation
- Solid growth from FinTech with exceptional growth in the NuPay environment

Strategy

- HealthTech – continues to grow eco systems and platforms to deliver higher value services to health care professionals as well as public health sector
- FinTech – evolve new product offerings into the unbanked environment – significant growth opportunity
- CyberTech – Built a technology centre to provide security for customer networks



+R1 billion
Collections/mth



+6.7 million
transactions/mth



10 000
health service providers

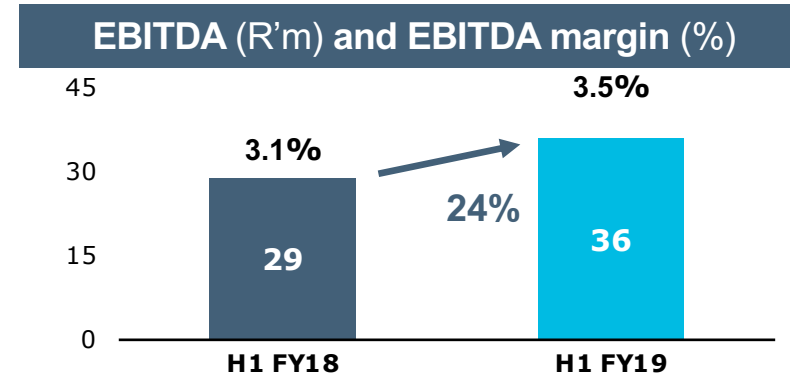
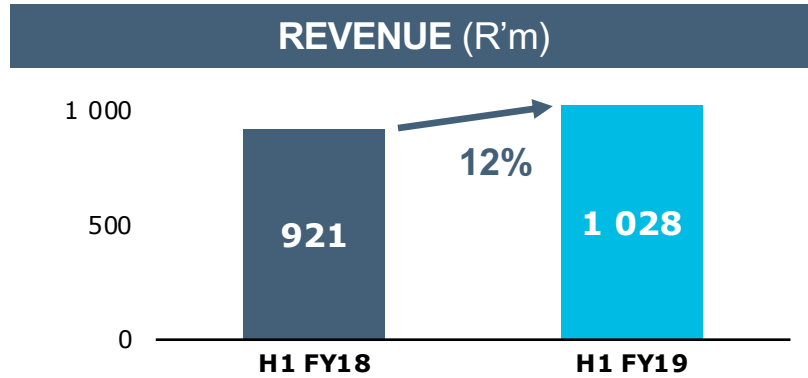


Own IP
of solutions



7.8 million member
claims/mth

Altron Bytes Systems Integration - *normalised*



Interims at a glance

- Strong EBITDA results, benefitting from integration gains.
- Increase in EBITDA margin

Strategy

- Refining the operating model through streamlining of the business
- Altron's engine room to drive IoT, Security, Big Data and Cloud Solutions
- Improving EBITDA margin by:
 - focusing on high growth areas
 - reducing overhead costs



30 000

service desk calls managed per month



ISO 9001

certified



Gold Partner



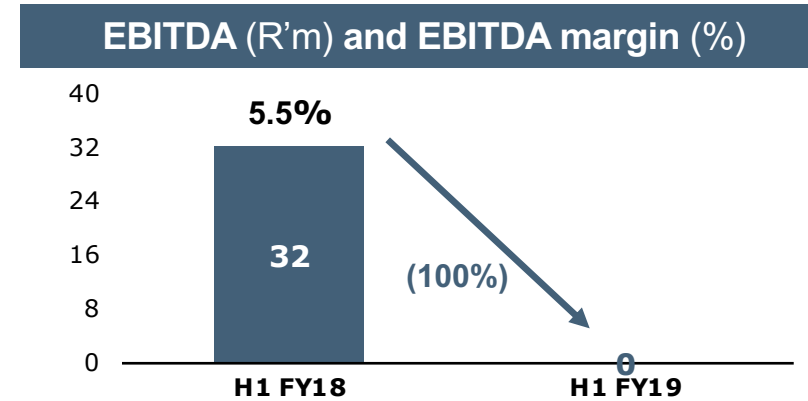
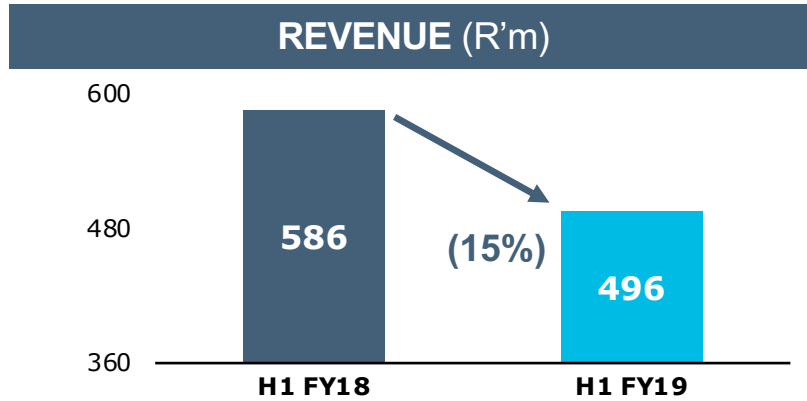
named Best Partner in a Networking Project



Partnership

with Lumidigm

Altron ARH - normalised



Interims at a glance

- Delays in public sector contracts
- City of Tshwane broadband project delays due to legal action and other public projects delays due to protracted processes

Strategy

- To win and deliver on current opportunities presented by broadband
- To evolve into the preferred safe city solution provider for the smart city evolution
- Start building similar competencies in selected markets within rest of Africa



1460 sites
Gauteng
Broadband Network



130 business
partners in SA



Double
Huawei certified

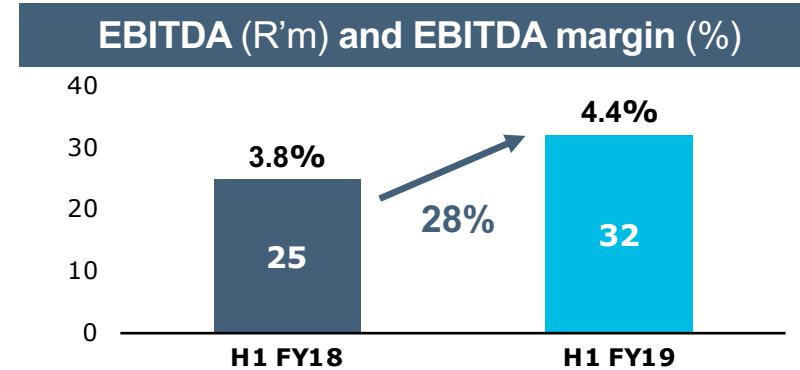
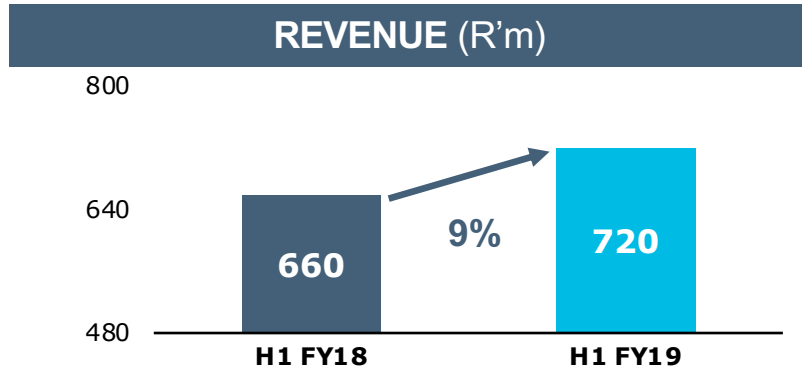


71 708
incidents managed 24/7 at the National
Network Operations Centre



largest distributor of two-
way radios

Altron Bytes Document Solutions - *normalised*



Interims at a glance

- Improved margins in the production systems division
- Good equipment revenue

Strategy

- Focus our attention on only three growth areas:
 - Managed print services
 - A4 print environment
 - High-end production environment
- Continue our growth strategy into Rest-of-Africa
- Collaborative cross-selling of other Altron products and services into BDS's +4 500 customers



50%
market share
high-end printers



Largest Xerox distributor in the world



4 665
active customers

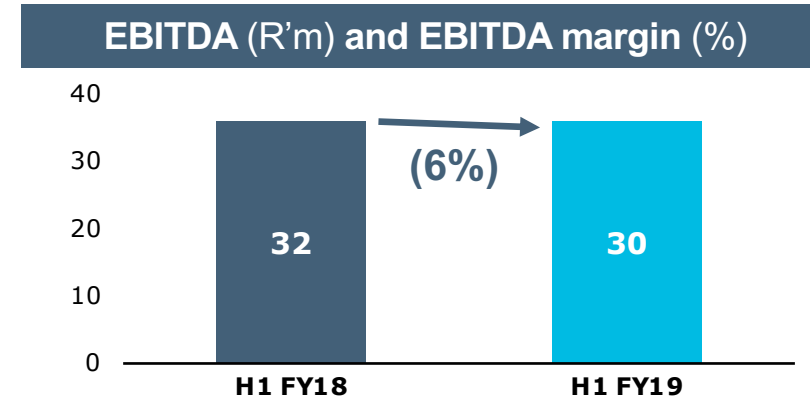
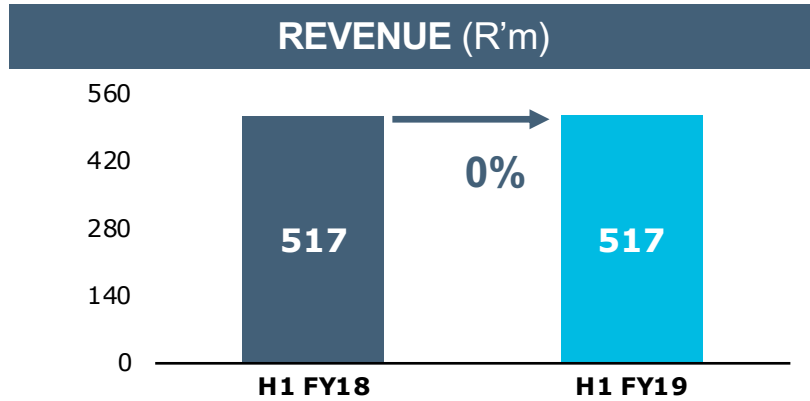


Stockholding
188 locations
788 items
526 147 units



ISO 9001
certified

Altron Bytes Managed Solutions - *normalised*



Interims at a glance

→ Revenue and EBITDA in line with prior year

Strategy

- Convert the traditional retail sector with new technologies such as self-service checkout
- Expand managed services to incorporate the Internet-of-Things (IoT)
- Currently launching cloud-based retail solutions for the hospitality and restaurant sector



259 949
retail devices



14
African countries



+13 500
ATMs serviced
per month

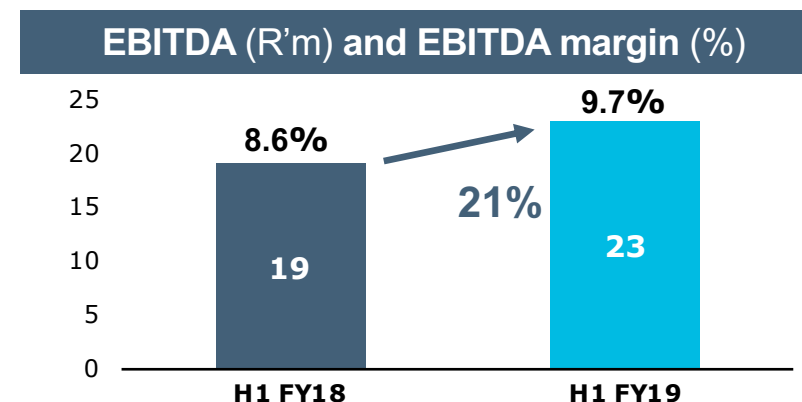
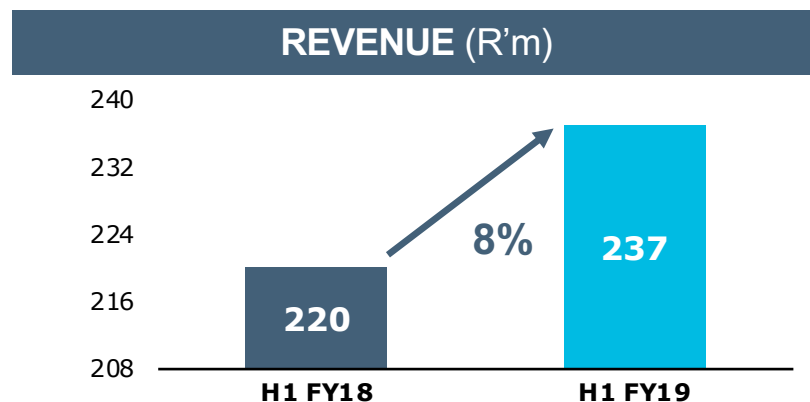


3 million
DELL devices



+40 000
service calls per month

Altron Bytes People Solutions - *normalised*



Interims at a glance

- Improved EBITDA due to the call centre business
- New MD appointed
- Focused on outbound sales campaigns

Strategy

- Broadening skills development offering beyond ICT sector training
- Drive efficiencies in BPO environment by focusing on enabling technologies – robotic processes and multi-channels



+100 000
student days
delivered annually



+12 000
People received
workplace experience



+2.4 million
calls managed monthly

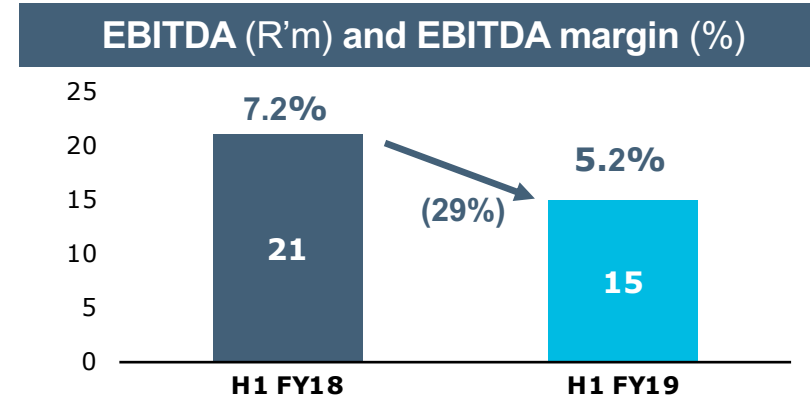
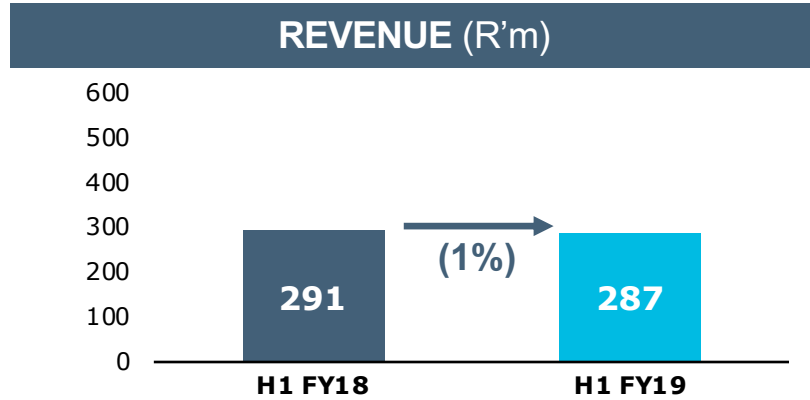


+1 650 people with
disabilities gained workplace
experience



1.1 million
sales calls
dialled monthly

Altron Arrow – normalized

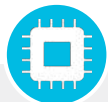


Interims at a glance

→ Reduction in EBITDA following lower gross margin levels and overall market pricing pressures, together with exchange rate fluctuations and supply chain delays.

Strategy

→ Busy with key new lines of business
 → Strong order book on hand and sizeable new business opportunities
 → Drive eCommerce business



No1
 electronic component distributor



27%+
 market share



customers across electronic industry sectors



Joint Venture Partner with high growth \$27bn Arrow Electronics



Blue chip IoT
 connectivity

04

STRATEGY & OUTLOOK

Mteto Nyati
Chief Executive



ONE STRATEGY

ONE PURPOSE

Delivering innovation that matters

ONE GOAL 2-5-1

Double (2) EBITDA in 5 years and become number 1 in market

- Leading returns
- Great place to work
- Exceptional customer service
- Doing good business while doing good

ONE SET OF VALUES

- Openness, honesty and integrity
- Collaborate across teams
- Embrace diversity and inclusion
- Get things done and enjoy doing it
- Leading returns for shareholders
- Passionate about employees, customers, partners and communities

ONE VISION

Be the leading technology solutions provider

ONE SET OF STRATEGIC PRIORITIES

- Revenue growth
- Improving profitability
- Transform the customer experience
- Employee excellence

ALTRON

There when it matters.

GROWTH AREAS



Cloud Services



Internet of Things



Data Analytics



Security

SOCIETAL IMPACT

SAFETY AND SECURITY

SKILLS DEVELOPMENT

FINANCIAL INCLUSION

HEALTHCARE MANAGEMENT

Altron Group - Outlook

- Expect double digit EBITDA growth.
- Fully integrate Altron Karabina
- Strong Cloud and Data Analytics capabilities
- Operationalise Huawei and Altron internet of things partnership
- Establish presence in India through Netstar
- Finalise debt refinance with our lenders

THANK YOU