

## ALTRON LIMITED

(Registration number 1947/024583/06)  
(Incorporated in the Republic of South Africa)  
Share code: AEL ISIN: ZAE000191342  
("Altron" or "Altron Group" or "the Company")

### Unaudited Consolidated Interim Results for the six months ended 31 August 2021 and interim dividend announcement

#### HIGHLIGHTS - Continuing Operations

- Revenue up by 2% to R3.5 billion
- Operating profit up by 71% to R173 million
- HEPS increased by 238% to 11 cents per share
- Operating free cash flow of R81 million up by 742%

	August 2021	August 2020*	Change %
<b>R millions</b>			
Revenue	R3.54 billion	R3.48 billion	2%
Operating profit	R173 million	R101 million	71%
Operating profit after capital items	R119 million	R106 million	12%
Net profit after tax	R34 million	R(58) million	159%
Headline earnings per share	11 cents	(8) cents	238%
Interim Dividend per share	7 cents	33 cents	(79)%

\*Comparative information has been restated for the discontinued operations and for equity accounted investment no longer considered to be held for sale.

#### HIGHLIGHTS – Altron Group

- Cash generated from operations up 79% to R527 million
- Group working capital is down by R446 million, resulting in a 22% improvement

#### ALTRON GROUP CHIEF EXECUTIVE MR MTETO NYATI COMMENTED:

##### CONTINUING OPERATIONS

"During the first half of the year our business delivered a very resilient performance in the face of a challenging operating environment, demonstrating the benefits of our diverse and high-quality portfolio of businesses operating across the Own Platforms, Digital Transformation and Managed Services segments resulting in Altron 2.0 delivering an operating profit growth of 71%.

**The Own Platform segment** performed well within the first 6 months, demonstrating the strength of its annuity revenue which has continued to deliver stability to the group, while the segment delivers high ROIC accretive returns. The segment generated R1.4 billion in revenue which is up 6% against the prior year, while the operating profit of R251 million has grown by 27%. Our Business Transformation Program within Altron Netstar South Africa has yielded positive operational improvements which will continue to enhance our customers' experience. Netstar's revenue of R836 million is a 9% growth on the prior year, which has been supported by the strong performance of Australia, while the South African business continues to focus on its transformation program. Altron FinTech achieved revenue of R400 million, with its operating profit of R77 million being a 75% improvement on the prior year. HealthTech's revenue of R161 million and operating profit of R44 million have remained stable against the prior year.

**The Digital Transformation segment** recorded revenue of R1.1 billion, which results in an 11% decline compared to the prior year. This was underpinned by Altron Systems Integration's underperformance against expectations and the prior year. Despite the increase in remote working conditions as a result of the Covid-19 pandemic, the acceleration to digital transformation benefited certain of our operations, namely Altron Security and Altron Karabina as they aided clients to migrate their platforms into cloud-based solutions and offered enhanced digital security protection in mitigating the increased threat from what we see as our new way of working. Altron Systems Integration who was still highly aligned to hardware sales and infrastructure integration was negatively impacted as clients continued to hold onto

their CAPEX spend for larger projects due to future uncertainties and protecting their liquidity. Based on the size of Altron Systems Integration, their revenue of R863 million, which is down by R186 million on the prior year, adversely impacted the entire digital transformation segment for the financial period. Management realigned the business to simplify its offerings to its clients, and right sized the business to focus on the identified high growth areas of Cloud, Data, DevOps and Security. This resulted in a positive turn around between Q1 and Q2 which has set the business up to focus on achieving its H2 expectations. Altron Karabina's revenue growth at 43% is tracking well and the operation continued to leverage the strong relationship it has built with Microsoft. Altron Security was recently recognised as Old Mutual Limited's partner in the annual Identity Excellence Awards. With the bolt-on acquisition of LawTrust being finalized on 1 October 2021, this will enhance the digital security growth area; contribute to a high-annuity base and go to market on the own IP offering in respect of the Signing-Hub and advanced digital signatures.

**The Managed Services segment** incurred an operating loss of R(9) million compared to the prior year profit of R21 million. Altron Managed Solutions' banking segment has come under pressure. In order to address operational issues in this business, management embarked on a Section 189 restructure as contemplated in terms of the Labour Relations Act 66 of 1995 ("Section 189 restructure"). Altron Nexus encountered challenges due to the freezing of capital expenditure and diversion of funds by its government customers to COVID-19 PPE and social development programmes. Mr Kennedy Chinganya (former FD of Altron Nexus) was appointed as the MD of the business during the reporting period and he has been tasked with ensuring the long-term stability of Altron Nexus. The business remains successful in servicing its various government customers."

### **Discontinued Operations**

The Board previously announced its intention to dispose of the operations which are no longer aligned to the Altron 2.0 Strategy. At half year, the operations that are held for sale, namely: Altron People Solutions ("APS"); Altron Document Solutions ("ADS"); Altron Rest of Africa ("AROA"); and Altron Arrow performed in line with expectations. The star performer in this segment was Altron Arrow, they grew operating profit by 800%. Altron Arrow's order book is the highest in years and this has been driven by global component shortages.

As announced by voluntary business update on 1 October 2021, we have been able to split the APS business and sell the Business Process Outsourcing (BPO) and Customer Experience Technology (CXTech) business to iSON Xperiences, a global organisation with headquarters in Dubai which is looking to expand their African footprint. The Learning Solutions part of the business was acquired by South African management consultancy LRMG.

In respect of ADS and Altron Arrow, management are in discussion with prospective buyers and we are positive that the disposal of these operations in the short to medium-term.

Having assessed its strategic footprint in Africa, the Board took a decision around June 2021 to disinvest from Altron Rest of Africa ("AROA") operations and at the end of H1, Altron will retain a presence in Africa through a partnership operating model.

### **COVID-19 and the business**

Whilst Covid-19 has impacted the business, the Group has been agile in adopting a hybrid way of work and in August 2021, management conducted a COVID-19 survey, we established that 53% of our staff were vaccinated and a further 19% of the workforce were planning to do so in the near future. In line with our value of embracing diversity and inclusion, we have chosen to encourage our staff to vaccinate instead of going the mandatory route.

Pressure on the global supply chain will impact our order lead times, impacting operations such as Altron Managed Services, Altron Systems Integration, Netstar and Altron FinTech. This may have an adverse impact on increasing inventory levels and management will mitigate this risk accordingly.

### **INTERIM DIVIDEND**

The Board remains committed to maintaining the group's dividend cover of 2.5 times on headline earnings relating to continuing operations. The Board made the decision to deviate and improve on the

dividend cover, by giving shareholders the benefit of normalising the headline earnings for the negative non-operational impact of the additional share-based payment expenses recognised as a result of the Bytes UK demerger. Accordingly, a gross interim cash dividend of 7 cents per share (5.6 cents net of 20% dividend withholding tax) has been declared for the financial half-year ended 31 August 2021, payable to shareholders recorded in the register of the company at the close of business on the record date appearing below. The interim dividend of 33 cents declared in the comparative period was based on continued operations' headline earnings which included the profits of Bytes UK for the full 6 months.

The Board has confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008, as amended, has been duly considered, applied and satisfied. This is a dividend as defined in the Income Tax Act, No. 58 of 1962 and is payable from income reserves. The income tax number of the company is 9725149711.

The number of ordinary shares in issue at the date of this declaration is 405 635 971 including 32 287 468 treasury shares.

The salient dates applicable to the interim dividend are as follows:

#### **DIVIDEND DATES**

Last day to trade cum dividend	Tuesday, 9 November 2021
Commence trading ex-dividend	Wednesday, 10 November 2021
Record date	Friday, 12 November 2021
Interim Dividend Payment date	Monday, 15 November 2021
Share certificates may not be dematerialised or re-materialised between	Wednesday, 10 November 2021 and Friday, 12 November 2021.

#### **DIRECTORATE**

During the financial half-year, our Board continued to provide valuable input to the group in realising Altron's vision and mission through the steadfast implementation of the Altron 2.0 strategy. In the past six months, the following directors retired and/or resigned from the Altron Board: Mr Mike Leeming (effective 28 July 2021); Ms Berenice Francis (effective 10 September 2021); and Mr Cedric Miller (effective 30 June 2021)\*.

The following directors/alternate director/s were appointed to the Altron Board in the past six months: Mrs Alupheli Sithebe (effective 28 July 2021); Mr Nicholas Bofilatos\* (effective 29 July 2021); and Mr Tapiwa Ngara\*\* (effective 13 September 2021).

\* Executive Director

\*\* Alternate Director (to Mr A Ball)

#### **OUTLOOK**

Management will continue to drive and embed the Altron 2.0 strategy for the remainder of this financial year. We are optimistic about the prospects for the second half of the year, after a number of non-operational costs impacted the half year results. Traditionally, we experience a trend of elevated results in the latter part of the financial year, which has been consistent over the last several years. We are positive about the Group's growth in automation, cloud computing, data and security aligned with the segments in which the Group operates in. The Group is focused on driving high annuity revenue, ownership of its intellectual property and capital light operations. The finalisation of the LawTrust acquisition will allow us to focus on driving the security services in other jurisdictions outside of South Africa. The Board is considering potential acquisitions which are aligned to the own platform and digital transformation segments.

#### **KEY FOCUS AREAS H2 FY22**

- Integration of LawTrust into Altron Security.
- Acceleration of Altron Systems Integration profitable revenue growth.
- Building and qualifying acquisition pipelines.
- Focus on attraction and retention of key and critical skills within the Group.

- The disposal of ADS and Altron Arrow and the disinvestment of the AROA operations.

## **FURTHER INFORMATION**

This short-form announcement is the responsibility of the directors and contains forward-looking statements that relate to Altron's future operations and performance. Such statements are not intended to be interpreted as guarantees of future performance, achievements, financial or other results. They rely on future circumstances, some of which are beyond management's control, and the outcomes implied by these statements could potentially be materially different from future results. No assurance can be given that forward-looking statements will be accurate; thus, undue reliance should not be placed on such statements. Altron does not undertake any obligations to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of this report or to reflect the occurrence of unanticipated events. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based in the full announcement which is available at: <https://senspdf.jse.co.za/documents/2021/jse/isse/aele/h1fy21.pdf> and which is also available on our website at: <https://www.altron.com/investors/reports-results/interim-results/>

Copies of the full announcement may also be requested from: [nicole.morgan@altron.com](mailto:nicole.morgan@altron.com)

For and on behalf of the Board.

Mr S van Graan  
Chairman

Mr M Nyati  
Chief Executive

Mr N Bofilatos  
Chief Financial Officer

Registered office

Altron Campus, 20 Woodlands Drive, Woodlands Office Park, Woodmead, Gauteng, South Africa, 2191

Sponsor

Investec Bank Limited

Transfer secretaries

Computershare Investor Services Proprietary Limited, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Directors

Mr S van Graan (Chairman), Mr M Nyati (Chief Executive)\*, Mr N Bofilatos (Chief Financial Officer)\*, Mr A Ball, Mr B Dawson, Mr GG Gelink, Dr P Mnganga, Mr S Sithole (Zimbabwean), Mrs A Sithebe, Mr RE Venter, Mr T Ngara (alternate to Mr A Ball)

\* Executive Director

Group Company Secretary

Ms N Morgan

25 October 2021

Johannesburg

Sponsor: Investec Bank Limited