

ISA Holdings Limited  
(Incorporated in the Republic of South Africa)  
(Registration number: 1998/009608/06)  
Share code: ISA  
ISIN: ZAE000067344  
("ISA" or "the Company" or "the Group")

SHORT-FORM ANNOUNCEMENT: ABRIDGED SUMMARISED CONSOLIDATED AUDITED RESULTS FOR  
THE YEAR ENDED 29 FEBRUARY 2020

	Change	Audited year ended 29 Feb 20 R'000	Audited year ended 28 Feb 19 R'000
Highlights from Statement of Comprehensive Income			
Turnover	-16%	101,219	120,073
Profit before Other income and expenses	-11%	46,248	52,093
Profit after tax	-22%	23,425	29,957
Earnings per share (cents)	-22%	15.0	19.2

Highlights from Statement of  
Financial Position

Total assets	-34%	80,610	121,711
Cash and cash equivalents	-27%	45,929	63,047
Equity	-39%	57,627	95,354
Total liabilities	-13%	22,802	26,357

Highlights from Statement of  
Changes in Equity

Dividends paid during the year	188%	61,152	21 213
Net asset value per share at end of period (cents)	-40%	36.9	61.1
Headline earnings per share (cents)*	-22%	15.0	19.2
Diluted headline earnings per share (cents)*	-22%	15.0	19.2

\* There have been no reconciling items that would result in a change to the  
Headline earnings per share and the Diluted headline earnings per share.

Operational Review

I am pleased to present our results for the full year ended 29 February 2020 ("the current reporting period"), which continued to be underpinned by a high proportion of recurring revenue, a robust financial position and strong cash flows. In the context of the exceptionally challenging trading conditions in which we operate, together with the extreme pressure on the local economy, overall performance remains satisfactory.

During the current reporting period, two key factors marred our performance when viewed against that of our previous corresponding reporting period ("prior reporting period"), namely the reseller tier downgrade by one of our strategic vendor partners and the effects of the volatile and fluctuating exchange rate.

As explained via the Stock Exchange News Service ("SENS"), Check Point downgraded our position in their reseller program from the highest tier available to the lowest. Despite our reconciliatory efforts, it seems unlikely that we will be able to re-establish a healthy and trustworthy relationship with Check Point any time soon, given their untraditional and unreasonable demands for reinstatement. As anticipated, the downgrade has and will continue to have a negative effect on turnover, but this is expected to improve over time as our plans to transition our customers to those recently onboarded 'NextGen' security brands that have already displaced Check Point's leadership position both locally and on the global stage takes shape.

Forex fluctuation and volatility is also a major factor in our business, for two main reasons. Firstly, when the Rand price of imported goods increases rapidly due to exchange rate fluctuation or volatility, customer budgets are negatively affected and seldom have the flexibility needed to absorb the impact of the change, which then adds pressure on anticipated deal-flows and margin. Secondly, as a large portion of our cash is held in Dollars and Pounds, currently accounting for 63% of our R45.9 million cash reserve, the revaluation of this foreign currency through the statements of comprehensive income can have a material effect on our results in any one reporting cycle.

#### Financial

Largely due to the Check Point downgrade, revenue decreased by 16% to R101.2 million and profit before other income and expenses decreased by 11% to R46.2 million compared to the prior reporting period of R52.1 million. While this decrease in both revenue and gross profit is most unfortunate, I am satisfied that management understand the cause for this decline and is fully committed to executing the plans set in motion during the period under review, while maintaining a heightened focus on overall customer experience and service levels in order to mitigate the risk of us becoming too inwardly focused during the transition. On a more pleasing note, the revenue contribution from our Managed Security Services portfolio increased by a healthy 33% during the current reporting period, which is partially a result of the favourable response to our recently introduced range of advance threat detection and threat seeking services.

Operating expenses decreased by a pleasing 10% to R21.5 million during the current reporting period, from R23.9 million in the prior reporting period, which reflects management's continued focus on cost containment within the business. Profits derived from the revaluation of our foreign cash reserves during the current reporting period unfortunately reduced by R4.8 million compared to the profits recorded in the prior reporting period, effectively declining from R7.4 million to R2.5 million. If we were to exclude the effect of foreign currency revaluation in both reporting periods, profit before tax would have decreased by 13% in the current reporting period, as opposed to the 22% decline actually recorded, which would be palatable in context of the large decline in turnover.

During the period under review, our business partner settled their loan thereby reducing loans receivable to R2.5 million from R24.1 million. Net of the R61.1 million cash distribution to shareholders during the period under review, as detailed below, our cash reserve reduced to R45.9 million from R63.0 million in the prior reporting period. Total comprehensive income unfortunately decreased to R23.4 million during the current reporting period, from R29.9 million, which decrease represents a decline in headline and earnings per share to 15.0 cents from 19.2 cents achieved in the prior reporting period.

## Distribution

As referred above, dividends amounting to R61.1 million were declared and paid to shareholders during the period under review, representing a gross distribution of 39.2 cents per share, comprising 19.2 cents per share ordinary dividend and 20.0 cents per share special dividend. After substantial reflection and consideration, the board has decided that it will not distribute further cash reserves at this time, as we believe it prudent to preserve the strength of our balance sheet through these uncertain times, as well as to provide management the headroom needed to focus on building a robust and sustainable revenue structure around the recently onboarded security brands. As such, the board has not declared a final dividend for this year.

## Market and prospects

In the short to medium term, I anticipate a sharp reduction in revenue due to the aforementioned Check Point downgrade, as well as due to the severe economic damage and business disruption caused by the coronavirus lockdown legislation imposed by our government in an attempt to manage the COVID-19 pandemic. While an early reflection of our sales pipeline is encouraging, especially noting those loyal customers and new prospects that are excited at the prospect of moving over to the more robust and scalable 'NextGen' security technologies that we now have to offer, the journey to reaching and exceeding our former turnover and profitability levels is likely to be somewhat tougher and longer than initially anticipated.

In the longer term however, I continue to be optimistic about our long-term prospects, as the key drivers of the information security market remain robust. With the continued evolution and persistence of threats and attack vectors against corporate information and IT resources, together with the increased regulatory and legislative compliance requirements, stakeholders continue to elevate the importance of IT security within their organisations. By leveraging this positive sentiment towards the information and infrastructure security market, as well as our positioning as a thought leader in this niche market segment, we are likely to continue delivering above average tangible returns over time.

## Conclusion

On behalf of the board, I would like to take this opportunity to thank the ISA team for their continued dedication and hard work. My appreciation is also extended to my colleagues on the board for their wise counsel and valuable input. Finally, I thank all stakeholders, customers and vendors for their support, and I look forward to meeting shareholders at the Annual General Meeting to be held on Wednesday, 1 July 2020.

## Integrated Annual Report

Shareholders are advised that the integrated annual report has been distributed to shareholders and will be available on the company's website at [www.isa.co.za](http://www.isa.co.za).

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of shareholders of ISA ("Annual General Meeting") will be held at 10:00 on Wednesday, 1 July 2020.

## SHORT-FORM ANNOUNCEMENT

The content of this short-form announcement is the responsibility of the directors of the company. The short-form announcement contains only a summary of the information in the full announcement which is available at: <https://senspdf.jse.co.za/documents/2020/jse/isse/isa/ye20.pdf> and is also published on the Company's website at [http://www.isa.co.za/includes/downloadFile.php?display=Full\\_Announcement\\_2020.pdf](http://www.isa.co.za/includes/downloadFile.php?display=Full_Announcement_2020.pdf) ("Full Announcement"), and accordingly does not contain full or complete details. Any investment decisions by investors or shareholders should be based on the consideration of the Full Announcement.

The information in this short-form announcement has been extracted from the Abridged Summarised Consolidated Audited Results for the year ended 29 February 2020, but the short-form announcement itself has not been reviewed or audited by the company's auditors.

The Abridged Summarised Consolidated Audited Results for the year ended 29 February 2020 and have been audited by Mazars, who expressed an unmodified audit opinion. The key audit matters addressed in the auditor's report are the impact of the COVID-19 lockdown legislation on the financial statements and the impact of the loss of a significant supplier.

Due to the lockdown restrictions imposed as a result of the COVID-19 pandemic, neither the short-form announcement nor the Full Announcement will be available for inspection at the registered offices of ISA or the Designated Adviser, Merchantec Capital, during business hours. However, copies thereof may be obtained at no cost on request from the Company Secretary who is contactable on +27 11 325 6363 or isa@acorim.co.za.

For and on behalf of the board,

Clifford Katz  
Chief Executive Officer  
Johannesburg  
29 May 2020

Directors: CS Katz (Chief Executive Officer), PJG Green (Chief Technical Officer), P Mogoboya (Financial Director), AJ Naidoo#, C. Pillay#, DC Seaton\*, N Maphothi\*, O Seku\*(Chairperson)

# Non-executive

\* Independent non-executive

Designated Advisor: Merchantec Capital

[www.isaholdings.co.za](http://www.isaholdings.co.za)