

HUGE GROUP LTD
(Registration number 2006/023587/06)
Share code: HUG ISIN: ZAE000102042
("Huge" or "Huge Group" or "the Group" or "the Company")

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2020

The board of directors of Huge Group (the Board) is pleased to present the unaudited condensed consolidated interim results for the six months ended 31 August 2020 (the Interim Results).

CEO'S COMMENTS

The Growing Huge Strategy remains on track. The pandemic has had an impact on Huge's operating companies - that much is clear from the 5.5% decline in revenue. Although the revenue decline can largely be attributed to Huge Telecom, Huge's largest operating company, the pandemic did put pay to revenue growth across Huge's other operating companies as well.

On 26 February 2020, shareholders of the Company overwhelmingly approved the granting of options to the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. IFRS requires the Company to create a share-based payment equity reserve equal to the independent calculation of the value of the options and to do so by making non-cash charges in the income statement. An independent valuer determined that the value of the options is R42 million and the Company will create a share-based payment reserve of this amount by charging the Company's income statements over time. This period's charge amounts to R24.1 million, leaving R17.9 million to be charged to future income statements (R10.5 million in the next 6 months and another R7.4 million in FY2022). These charges are non-cash charges that have no effect on overall equity. In order to deal with accounting transactions similar to this share-based payment expense, Huge has introduced, and will continue to use, additional measures of EPS and HEPS which better reflect normalised profit for a period. This will be extended to various reports and statements.

Normalised EPS & HEPS for the period were about 27% lower than the prior comparative period and this translates into a normalised profit for the period of R35.6 million, which is R15.1 million or 29.8% lower than the comparative period's normalised profit of R50.7 million. The decline in revenue contributed to about a R9.7 million decline in gross profit and operating profit, based on the prior period's gross margin. In addition, the prior period's gross margin of 73.7%, which benefited from once-off credits to cost of sales, adjusted downwards to this period's gross margin of 61.4%, which is sustainable, accounts for a further R28.5 million of the decrease in gross profit and operating profit, which was partially offset by a R13.2 million reduction in net operating costs. This accounts for the R25 million decline in normalised EBITDA for the period, from R94.7 million in the prior period to R69.7 in the current period. Had it not been for the lower revenue, normalised, sustainable EBITDA for the period would have printed at R77.9 million instead of R69.7 million, based on an additional R13.3 million in revenue at a gross margin of 61.4%. In the absence of the effects of the pandemic and in the absence of any growth, Huge's normalised, sustainable, annualised EBITDA is circa R155 million. Based on Huge's current share price of 420 cents, net shares in issue of circa 164 million, interest-bearing debt of circa R171 million, Huge is trading on an enterprise value to EBITDA multiple of about 5.5.

SALIENT FEATURES

Extracted from the unaudited Group interim financial results for the six months ended 31 August 2020:

NORMALISED CONDENSED CONSOLIDATED INTERIM RESULTS

	Unaudited 31 August 2020 (6 months) R'000	Unaudited 31 August 2019 (6 months) R'000
Revenue	231 298	244 676
Operating profit	51 777	71 655

Earnings per share	21.50	29.43
Headline earnings per share	21.15	29.21

The normalised condensed consolidated interim results (the Normalised Results) are the responsibility of the Board and are provided to shareholders to illustrate the performance of the Group had the Group not had to raise the R24.1 million IFRS2 share-based payment expense relating to the Executive Share Option Agreements. However, because of their nature they may not fairly present the Interim Results. A comprehensive analysis and explanation of the Executive Share Option Agreements is provided in the 2020 Integrated Report on pages 90-91.

CONDENSED CONSOLIDATED INTERIM RESULTS

	Unaudited 31 August 2020 (6 months) R'000	Unaudited 31 August 2019 (6 months) R'000
Figures in Rand		
Revenue	231 298	244 676
Operating profit	27 683	71 655
Earnings per share	6.92	29.43
Headline earnings per share	6.57	29.21

The condensed consolidated statement of comprehensive income includes the R24.1 million IFRS2 share-based payment expense relating to the Executive Share Option Agreements. The Board is of the view that the expense is a non-cash IFRS charge unrelated to the actual performance of the Group and therefore the Normalised Results presented is a better representation of the Group's performance.

DIVIDEND

The Board is cognisant that these are very uncertain times, and it is prudent to preserve cash due to uncertainties relating to COVID-19. Ordinary shareholders are advised that the Board has decided that no interim dividend will be declared (HY2020: 6.25 cents per ordinary share).

SHORT FORM ANNOUNCEMENT

This short form announcement is the responsibility of the Board and is only a summary of the information contained in the full announcement (the Full Announcement).

This short-form announcement does not contain full or complete details pertaining to the Group's results. Any investment decisions by investors and/or shareholders should therefore be based on consideration of the Full Announcement which may be downloaded from the Group's website at www.hugegroup.com/huge-group-unlocking-business-opportunity-financials/ and may be viewed at the registered offices of the Company and the Sponsor, at no charge, during office hours from the date of this announcement for a period of 30 days. The Full Announcement is also available on the JSE's website at <https://senspdf.jse.co.za/documents/2020/jse/isse/HUG/ie2020.pdf>.

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Johannesburg
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