Adapt IT Holdings Limited
Incorporated in the Republic of South Africa
(Registration number 1998/017276/06)
Share code: ADI ISIN: ZAE000113163
("**Adapt IT**" or "**the Company**")

VOLUNTARY TRADING UPDATE FOR THE TWELVE MONTHS ENDED 30 JUNE 2021

Adapt IT has successfully navigated the financial year ended 30 June 2021 ("**Reporting Period**") despite the economic and social challenges present in the marketplaces it serves. This was achieved primarily by safeguarding the wellbeing of employees, driving the Company's values-based culture, maintaining close customer interaction, restructuring divisions where the market had permanently shifted, and providing best practices and support where required.

Similar to many other corporates, Adapt IT has been impacted by the continued Covid-19 pandemic and related regulations and lockdowns, with some divisions being more affected than others. Project delays and the inability of Adapt IT's personnel to be onsite negatively impacted project-based revenue, with the Energy division being the most impacted. As a result of projects being postponed or cancelled, this division is facing a slower recovery. The restructuring of certain divisions in the prior period, which was precipitated by permanent changes to the market, has delivered increased profitability off lower revenue bases and the divisions are now stable and poised for growth.

Cash generation has been a priority for Adapt IT and concerted efforts have resulted in a significant improvement in cash generated from operations and the consequent continued reduction in net debt levels. A cash conversion ratio of 2,10 times was achieved for the Reporting Period and net gearing reduced to 17%, as compared to the 45% reported for the period ended 30 June 2020 ("**Prior Period**").

Revenue for the Reporting Period increased by 1% to R1,503 billion (2020: R1,483 billion). Annuity revenue remains healthy at 66%, up from the Prior Period (2020: 62%).

Earnings before interest, tax, depreciation and amortisation ("**EBITDA**") before corporate activity costs and bonus incentives increased by 7% to R319 million, representing improved operational performance on a comparable basis to the Prior Period (2020: R297 million). Post the bonus incentives, which were not awarded in the Prior Period, EBITDA was R289 million, representing an EBITDA margin of 19% (2020: 20%). EBITDA after corporate activity costs and bonus incentives was R278 million.

Over and above the corporate activity costs of R11 million (2020: Rnil), earnings were also impacted by *inter alia* a negative foreign exchange movement of R27 million (2020: R17 million positive foreign exchange movement) due to the strengthening of the Rand at 30 June 2021 and an increase in the allowance for expected credit losses of R13 million, notwithstanding that the average debtors' days outstanding improved to 56 days (2020: 63 days). The interest expense on borrowings decreased by 41% to R29 million (2020: R49 million).

Sector and geographic diversification have served Adapt IT well as some divisions have outperformed while others have found it difficult during the Reporting Period, these being the segments with more project-based revenue, suffering due to longer lead times. Segment contribution for the Reporting Period was as follows:

- The Education division delivered excellent revenue growth of 27% compared to the Prior Period.

This was driven primarily through increased demand for eLearning solutions. This division contributed 20% to total revenue and delivered an EBITDA margin of 17% (2020: 20%).

- The Manufacturing division delivered revenue similar to the Prior Period, however significantly improved its EBITDA margin to 23% (2020: 16%) as a result of improved operational efficiencies. The Manufacturing division contributed 17% to total revenue.
- The Financial Services division achieved revenue growth of 7%, contributing 22% to total revenue with an EBITDA margin of 23% (2020: 24%).
- The Energy division experienced a decrease in revenue of 46%, due to the decrease in project-based revenue, contributing just 4% to total revenue. Its EBITDA margin was -4% (2020: 12%), with further operational efficiency projects currently underway. Business development capability will be maintained to drive the sales pipeline.
- The Communications division revenue declined by 3% due to attrition in this team impacting on project delivery, achieving an EBITDA margin of 26% (2020: 34%) and contributing 20% to total revenue.
- The Hospitality division was impacted by the measures implemented by government in response to the Covid-19 pandemic in this industry and consequently revenue declined by 3%. EBITDA margin improved considerably to 11% (2020: 8%) due to the operational efficiencies put in place by the Company in response to the Covid-19 pandemic. The Hospitality division contributed 17% to total revenue.

Adapt IT is in the process of finalising the external audit process for the year ended 30 June 2021 and expects to publish its audited results on or about 28 September 2021. The financial information contained in this trading update is based upon a review by management and has not been reviewed or reported on by Adapt IT's auditors.

31 August 2021
Johannesburg

Sponsor
Merchantec Capital