

ETION LIMITED

(Incorporated in the Republic of South Africa)

(Registration Number: 1987/001222/06)

(Share Code: ETO)

(ISIN: ZAE000097028)

("Etion" or "the Company" or "the Group")



UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

1. SALIENT FEATURES**FINANCIAL HIGHLIGHTS**

	30 Sept 2021	30 Sept 2020	Change
Revenue (R'm)	550.2	247.4	122%
EBITDA (R'm)	100.1	22.1	353%
Basic earnings per share (cents)	12.07	0.87	1287%
Headline earnings per share (cents)	12.07	0.87	1287%

Note: No dividends have been declared for the six months ended 30 September 2021 or 30 September 2020.

Etion's improved financial performance during H12022 reflects the Group's recovery from the varying effects of COVID-19 and the positive impact of our response to the pandemic. The increase in profit after tax to R68.2 million (H12021: R4.9 million total comprehensive income) is attributed to a combination of growth in demand for products and services across all operations and the realignment of costs. Connect underwent a significant restructure in the 2021 financial year to align its cost base with its business model and related revenue. Corporate was restructured to align its cost base with that of a listed investment holding company.

ZAR/USD volatility resulted in net foreign exchange losses of R3 million (H12021: gains of R2.7 million). As an importer of product from a US supplier, Connect is vulnerable to fluctuations in ZAR/USD. However, its effective hedging programme limited its exposure to foreign exchange volatility on imported products.

LAWTrust was reported as a discontinued operation in terms of IFRS 5 – *Non-Current Assets Classified as Held for Sale and Discontinued Operations* for FY2021 and H12022. Consequently, the Group reclassified its investment in the underlying assets and liabilities of LAWTrust to assets/liabilities held for sale (Refer to note 6). As LAWTrust represents a separate major line of business, its results are presented as a discontinued operation in the unaudited condensed consolidated interim Statement of Profit or Loss and Other Comprehensive Income, including the re-presentation of the comparative H12021 financial information.

Revenue from the continuing operations grew by 181% to R387.9 million, largely due to increased investment by Connect's customers in infrastructure to support demand for fibre to homes and businesses and a surge in orders from Create's local and international mining and defence customers. On 1 October 2021, the committed order books for continuing

operations amounted to R579 million, which bodes well for the remainder of 2022 and the 2023 financial year.

The gross profit margin of continuing operations improved from 20% to 22% year-on-year due to an improvement in Create's product mix, sound cost management and the negotiation of discounted prices from Connect's US supplier.

Operating costs from the continuing operations remained under control, increasing only marginally by 7% to R44.4 million, despite rapid growth in business activity.

LAWTrust delivered improved financial performance for the first half of the year, resulting in an increase in profit from discontinued operations to R44.4 million (H12021: R19.6 million). The increase included significant growth in most lines of business as well as revenue earned from the provision of a major certificate-based security solution to a South African public sector organisation following the re-award of the contract for a further five years in October 2020.

The Group generated headline earnings per share (HEPS) of 12.07 cents (H12021: 0.87 cents) from continuing and discontinued operations and HEPS of 4.16 cents (H12021: 2.59 cents loss) from continuing operations.

The Group's net cash position increased by 230% to R196 million, R33.4 million of which was attributable to LAWTrust. The increase in cash generated by the continuing operations was attributable to their focus on inventory management and debt collection, as well as favourable credit terms from Connect's primary US-based supplier, despite challenges in their operating environments such as global silicon shortages and COVID-19 related supply chain disruptions.

Etion Create (incorporating Etion Digitise)

During the reporting period, revenue increased by 63% from R85.9 million to R139.9 million as a result of the global reopening of economies and the resumption of growth cycles in Create's targeted markets. Segment profit increased by 441% to R15.7 million due to an improvement in profit margin attributable to the mix of Create's business and sound cost management.

Etion Connect

Strong revenue and profit growth due to focus on key account management to increase sales and logistics and servicing of a growing pipeline of orders resulted in an increase in revenue of 375% from R52.2 million to R248.1 million. Segment profit increased by 1635% to R29.5 million due to the resurgence in demand for fibre connectivity that prompted network operators to increase investment in the infrastructure.

Etion Secure

Revenue increased by 48% from R109.4 million to R162.3 million due to the renewal of a major certificate-based security solution contract to a South African public sector organisation for a further five years in October 2020. The development of internal software for customer solutions and replication of internally developed solutions across the growing customer base allowed for economies of scale and the improvement in the gross profit margin resulting in an increase in segment profit of 139% to R49.3 million. Secure has been sold with effect from 1 October 2021 for a total purchase consideration of R311 million – sale consideration of R236 million (including a net debt and working capital adjustment) and pre-closing dividend of R75 million.

2. SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of the Company. It contains only a summary of the information in the full announcement ("**Full Announcement**") and does not contain full or complete details. The Full Announcement can be found at:
<https://senspdf.jse.co.za/documents/2021/jse/isse/etoe/H1FY2022.pdf>

Copies of the Full Announcement is also available for viewing on the Company's website at: <http://www.etion.co.za/investor-relations> or may be requested in person, at the Company's registered office or the office of the designated advisor, at no charge, during office hours.

Any investment decisions by investors and/or shareholders should be based on consideration of the Full Announcement, as a whole.

These interim results have neither been reviewed nor audited by the Company's auditors.

30 November 2021
Pretoria

Designated Adviser

PSG Capital

