

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

ANNUAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2022 AND FINAL DIVIDEND ANNOUNCEMENT

FINANCIAL HIGHLIGHTS - Continuing operations

- Revenue up 5.7% to R7.9 billion
- Operating income was up 34.2% to R498 million
- HEPS increased by 37.8% to 51 cents per share
- Normalised HEPS increased by 82.9% to 75 cents per share
- Working capital decreased by R35 million

Continuing operations R millions	February 2022	February 2021**	Change %
Gross Invoiced Income*	8 203	7 802	5.1%
Revenue	7 930	7 505	5.7%
EBITDA	1 140	1 033	10.4%
Operating income before capital items	498	371	34.2%
Net profit after tax	79	94	(16.0%)
Earnings per share	20 cents	29 cents	(31.0%)
Headline earnings per share	51 cents	37 cents	37.8%
Normalised Headline earnings per share	75 cents	41 cents	82.9%
Dividend per share	30 cents	2 998 cents***	(99%)

* Gross invoiced income represents the total invoiced revenue to customers, including cloud-based sales (and related licenses). This differs from statutory reported revenue, because in terms of IFRS 15, the Group acts as an agent on these transactions and therefore recognises only the margin as revenue.

** The prior year has been restated to account for discontinued operations, namely Bytes UK, Altron Document Solutions ("ADS"), and Altron Rest of Africa ("AROA"), as well as the investment in Altron Arrow which is no longer classified as held for sale.

*** The dividend comprises of a final dividend of 15 cents per share, interim dividend of 33 cents per share, a dividend in specie of 2 854 cents per share and a special dividend of 96 cents per share. The dividend in specie and special dividend relates to the Bytes UK transaction. The final dividend of 15 cents per share in the prior year represented the full dividend associated with continuing operations for FY21, and therefore is a fair comparative to the 30 cents per share declared in the current year representing a 100% increase.

KEY BUSINESS HIGHLIGHTS ACHIEVED IN FY22

- The acquisition of Lawtrust - a leader in digital security;
- Disposal of ADS to BiAfrica (pending regulatory approval);
- Disposal of Altron People Solutions' ("APS") business process outsourcing business to the ISON and APS' learning services business to LRMG;
- The turnaround of Altron Karabina and AMS;
- Altron Nexus collecting over R900 million of debtors largely from the public sector in the midst of the COVID-19 pandemic;
- Altron Arrow becoming a half a billion Rand business; and
- Reducing Head Office costs by R98 million.

Mteto Nyati, Group Chief Executive commented:

This is my final message following the announcement to the market in January 2022 wherein shareholders were informed of my decision to leave the Group in June 2022. Despite the fact that FY22 was a tough year due to the sustained COVID-19 pandemic, a global shortage of electronic components / semiconductor chips and significant cutback on capital expenditure by our large enterprise customers, we delivered a solid performance growing revenue by 5.7% year on year, with double-digit growth in operating income and HEPS at 34.2% and 37.8% respectively.

This performance was driven by the resilience of our Own Platform segment that is characterised by high annuity revenue; the turnaround of Altron Karabina and Altron Managed Solutions ("AMS"); exceptional performance of Altron Arrow and a strong focus on cost reduction at the centre.

Our net working capital slightly improved on the previous year, in an environment where we tactically increased inventory in Altron Arrow, Altron Fintech, AMS and Netstar to counter global component shortages. Altron Nexus collected over R900 million of debtors during the year, reducing their closing balance by R263 million compared to the prior year. However, we have not yet finalised the settlement agreement with the City of Tshwane that will see Altron Nexus collect the outstanding R309 million worth of debt associated with that contract.

We are progressing with setting up Altron 2.0 by disposing capital heavy and loss-making businesses and acquiring assets in high growth segments of the market. Altron 2.0 is characterised by the following financial metrics and key performance indicators across the Group, namely:

- high annuity revenue;
- capital light;
- own Intellectual Property;
- net debt to EBITDA ratio of <1;
- software and high value services; and
- differentiated offerings in cloud, security, data and software application development.

FINANCIAL OVERVIEW

Continuing operations

- The Continuing operations achieved revenue of R7.9 billion, which is R425 million ahead of the prior year. This is a 5.7% improvement against the comparative and 5.2% against FY20. Operating income of R498 million exceeded the prior year by 34.2% and 8.9% against FY20.

The Managed Services segment achieved revenue of R2.6 billion, which is 3.3% ahead of the prior year and 13.3% against FY20.

- Managed Solutions' revenue of R1.8 billion showed strong growth of 21% against the prior year and 26.3% against FY20. After a challenging start to the year, management's agility to course correct the business resulted in a R34 million operating income being achieved, representing a 30.8% improvement against the prior year.
- Altron Nexus revenue of R803 million fell by R223 million compared to FY21. Revenue is down by 21.7% against the prior year and 7.5% against FY20. The decline was driven by lower Broadband revenues. This combined with once-off items over and above the R19 million provision raised against the City of Tshwane and Thobela Telecoms resulted in an operating loss of R28 million, a R46 million reduction from the prior period.

In Digital Transformation, revenue of R2.2 billion was down 2.2% compared to the prior year. Customer capital expenditure spending remains weak with investment projects being delayed or cancelled. The operating income of R52 million was 16.1% lower than the prior year and 33.3% when analysed against FY20.

- Altron Systems Integration ("ASI") achieved R1.7 billion of revenue which was down by R254 million or 13.3% against the prior year. Customer decision times are taking longer, and budgets are being kept tight. The global chip shortage has severely impacted lead times in getting hardware into the country and fulfilling customer orders. Hardware deals closed but on backlog due to lead times amount to R93 million. The operating income result of R13 million was R36 million lower compared to the prior year and R85 million compared to FY20. ASI's infrastructure business performed weakly during the financial year mainly due to customer budget constraints and the global component shortages, with certain lead times extending over 300 days. When segmenting the business between hardware and services, the services business performed reasonably well, with Dev Ops growing by low single digits year on year, and Smart Manufacturing making a good recovery after completing problematic contracts in the financial year resulting in > 100% growth on operating income. Managed services business recorded a 10% year on year growth on operating income due to efficiencies implemented.
- Altron Security's revenue of R204 million including Lawtrust is 100% up from the prior year. On the exclusion of Lawtrust, revenue is ahead by 7.8% year on year. For the original security business ("Ubusha"), the capital expenditure freeze from financial services customers impacted software sales. Dev Ops was resilient in FY22 and experienced good revenue growth.

The operating income of R23 million including operating income of R13 million from Lawtrust is down against the prior year by 20.7%. Ubusha recorded an operating income of R10 million, R19 million down from the prior year. Profitability was impacted by the set-up costs incurred during the investment phase of the UK business, whose revenue contribution has been slower than expected while it develops its reference sites in the UK market.

- Altron Karabina, demonstrated a strong revenue performance of R317 million exceeding the prior year by 47.4%. Operating income of R16 million is a R32 million improvement from prior year, and a R37 million improvement from the FY20 loss, demonstrating a strong and sustained turnaround of the operation.

The Own Platform segment remained resilient, aided by its high annuity revenue profile. The segment's revenue amounted to R2.9 billion, increased by 6.2% from the prior year. Operating income of R546 million exceeded the prior year by 16.9% and FY20 by 5.4%.

- Netstar's revenue of R1.7 billion was a 7.8% increase from the prior year (7.0% in South Africa and 19.4% in Australia). Supported by a strong performance in Australia, the South African business continues to stabilise operational issues that have placed pressure on its subscriber churn rates during the period. Netstar South Africa has seen consistent net subscriber growth since June 2021. The operating income of R262 million is 12.4% higher than the prior year. The component shortage has negatively impacted the business in several ways. The ability to source components has placed pressure on the production of units.
- Altron FinTech's revenue of R854 million exceeded the prior year by 4.5%. Operating income of R193 million increased on the prior year by 43%. This profitability has been aided by adding two new insurance products, funeral cover and credit life, and short-term bridging financing for our customers in the microfinancing space.
- Altron HealthTech's revenue of R323 million is 2.9% up against the prior year. The operating income of R91 million is R8 million lower than the prior year. With the current investment into its new platform, Altron HealthTech will be able to capture the next generation of medical practitioners, which has been a challenge due to the current ageing technology and offerings.

Altron Arrow exceeded its goal of R500 million in revenue by recording R507 million for the year, which is a 34.5% increase from the prior year. The global components shortage has aided its strong performance, which has driven up the prices and demand for components. This business is no longer classified as held-for-sale and has been reclassified by management within continuing operations. Strong revenue performance, robotics process automation ("RPA") implementation, and further efficiencies improved overall profitability and achieved an operating income of R23 million, which is a 91.7% improvement from the prior year.

Discontinued operations

ADS revenue of R1.08 billion before any IFRS 5 adjustments for held for sale assets exceeded the prior year by 7.6%. The operating income of R21 million exceeded the prior year by >200%.

AROA's revenue of R280 million before any IFRS 5 adjustments for held for sale assets exceeded the prior year by 4.1%. The operating loss of R49 million is R34 million greater than prior year.

As previously reported, APS was disposed of during the current year and generated revenue of R224 million up to date of disposal (October 2021).

CASH MANAGEMENT

The opening cash balance for the year included a R355 million (net of treasury shares) reserve for the special dividend that was paid out on the 17 May 2021. Excluding the R355 million from the opening balance to represent a like for like comparative, the Group increased its cash balance by R150 million for the financial year, representing a 33.4% improvement against the prior year.

Key investing activities during the year comprised the following items:

- Consideration paid for the acquisition of Lawtrust amounting to R206 million;
- Deferred purchase consideration for both Altron Karabina and Ubusha amounting to R62 million;
- Proceeds received on the disposal of subsidiaries and/or businesses:
 - APS of R7 million;
 - Powertech Transformers (SGB Smit) of R102 million;
- Acquisition of PPE and intangible assets amounting to R213 million;
- Increase in capital rental devices amounting to R183 million; and
- Proceeds received from SAMRAS amounting to R29 million.

Net finance expenses paid have decreased by R38 million from the prior year due to lower average debt levels despite interest rate increases.

DIVIDEND

The Board remains committed to maintaining Altron's dividend cover of 2.5 times headline earnings on continuing operations. The final dividend has been calculated on the current continuing operations HEPS for the 12 months ended 28 February 2022, adjusted to reverse the impact of the IFRS 2 charge which relates to the modification of share-based payments, AIMS impairments, and severance costs.

As such, a final cash dividend of 23 cents per share (18.4 cents net of 20% dividend withholding tax) has been declared for the financial year ended 28 February 2022, payable to shareholders recorded in the register of the Company at the close of business on the record date appearing below.

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 407 631 713, including 32 287 468 treasury shares.

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

Dividend dates

Last day to trade cum dividend	Tuesday, 31 May 2022
Commence trading ex-dividend	Wednesday, 1 June 2022
Record date	Friday, 3 June 2022
Payment date	Monday, 6 June 2022

Share certificates may not be dematerialised or re-materialised between Wednesday, 1 June 2022 and Friday, 3 June 2022.

DIRECTORATE AND COMMITTEE CHANGES

Mr. Andrew Holden, Altron's Chief Operating Officer (and prescribed officer) resigned on 31 May 2021. Mr. Cedric Miller, Altron's Chief Financial Officer and executive director of the Altron Board resigned on 30 June 2021. Mr. Nicholas Bofilatos was appointed as the Acting Chief Financial Officer on 1 July 2021. Mr. Bofilatos was subsequently appointed as Altron's Chief Financial Officer, executive director of the Altron Board and member of the Altron Risk Management Committee effective from 29 July 2021.

Altron's long-standing Chairman, Mr. Mike Leeming retired following the Company's Annual General Meeting held on 28 July 2021. Mr. Stewart van Graan was appointed as Chairman of the Altron Board effective from 28 July 2021. Mr. van Graan resigned as member of Altron's Audit Committee on 28 July 2021 and was appointed as the Chairman of Altron's Nomination Committee on 28 July 2021. Ms. Alupheli Sithebe was appointed as a non-executive director and member of the Altron Audit Committee on 28 July 2021.

Ms. Berenice Francis resigned as an independent non-executive director of the Board and member of the Altron Audit Committee and Altron Risk Committee on 10 September 2021. Mr. Tapiwa Ngara was appointed as a non-executive alternate director to Mr. Antony Ball on 13 September 2021.

The Board adopted a decision to restructure and streamline its Committees on 13 September 2021 which resulted in the constitution of the following Committees:

- The Altron Audit and Risk Committee ("AARC") initially comprised of Mr. Grant Gelink (Chairman); Ms. Alupheli Sithebe (Member) and Mr. Robert Venter (Member). Messrs. Nyati and Bofilatos resigned as members of Altron's erstwhile Risk Committee on 13 September 2021.

- The Altron Remuneration, Social, Ethics and Sustainability Committee ("RemSec") initially comprised of Dr Phumla Mnganga (Chair); Mr. Antony Ball (Member); Mr. Tapiwa Ngara (Alternate to Mr. Antony Ball) and Mr. Robert Venter (Member). Messrs. Nyati and van Graan resigned as member and chairman respectively, from Altron's erstwhile Social, Ethics and Sustainability Committee on 13 September 2021.

Ms. Sharoda Rapeti was appointed as an independent non-executive director of the Altron Board, RemSec and AARC on 19 November 2021. Mr. Venter resigned as a member of the AARC on 19 November 2021.

Following the announcement on 11 January 2022 that Mr. Mteto Nyati will step down from his role as Chief Executive on 30 June 2022, he will also step down as a member of the Altron Investment Committee from this date. Mr. Stewart van Graan has been appointed as the Executive Chairman and acting Chief Executive of Altron from 1 July 2022 until 30 September 2022. Dr Phumla Mnganga has been appointed as the Lead Independent Director of the Board during this period (1 July 2022 until 30 September 2022).

SUBSIDIARY COMPANY DIRECTORATE

Mr. Stewart van Graan resigned as a non-executive director and Chairman from the Netstar Board on 13 September 2021. Mr. Robert Venter was appointed as a non-executive director and Chairman of the Netstar Board on 14 September 2021. Ms. Alupheli Sithebe was appointed as the Chair of the Netstar Financial Reporting and Review Committee ("FRARC") on 14 September 2021. Mr. Nicholas Bofilatos was appointed as a member of the Netstar FRARC on 9 May 2022.

OUTLOOK

We foresee continued pressure on supply chain and pricing due to the global component shortage. The resilience we have seen from our Own Platform segment will carry through into HY1 of FY23, with Altron FinTech seeing a strong performance to the start of the new financial year. Within the Digital Transformation segment, a strong focus will be placed on the turnaround of ASI to improve its performance. The segment will be strengthened by Altron Security's performance with the addition of Lawtrust, which goes through its peak cycle during the first half of our financial year. Altron Karabina is expected to continue its strong growth trajectory against the HY22 performance. Management is in advanced discussions with a potential buyer to acquire the banking business from AMS in moving towards our strategic objective of being a capital-light organisation.

FURTHER INFORMATION

This short form announcement is the responsibility of the directors and 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 on the full announcement accessible from Monday, 16 May 2021 on the Company's website at: https://www.altron.com/financial-reporting/#annual_results and on the JSE website at: <https://senspdf.jse.co.za/documents/2022/jse/isse/aele/YE22.pdf>

The full announcement is also available at our registered office for inspection, at no charge, during office hours. Copies of the full announcement may be requested by contacting the Company Secretary, Ms. Nicole Morgan on email: nicole.morgan@altron.com.

Any forecast financial information contained in this announcement is the responsibility of the directors and has not been reviewed or reported on by the external auditors.

The independent auditor's audit reports by PricewaterhouseCoopers Inc. do not report on all the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the independent auditor's engagement they should obtain a copy of the unqualified independent auditor's audit reports on the summary consolidated financial statements and the consolidated annual financial statements together with the accompanying financial information from Altron's registered office or can be downloaded from the Company's website: https://www.altron.com/financial-reporting/#annual_results

The directors of Altron take full responsibility for the preparation of this preliminary report and the financial information has been correctly extracted from the underlying audited financial statements.

Any investment decisions made by investors and/or shareholders should be based on consideration of the full annual financial results as a whole and investors and/or shareholders are encouraged to review the full annual financial results at https://www.altron.com/financial-reporting/#annual_results

The key audit matters (pursuant to IAS 701) can be viewed via the full independent auditor's audit report and the annual financial statements at https://www.altron.com/financial-reporting/#annual_results

For and on behalf of the Board.

Mr. Stewart van Graan
Chairman

Mr. Mteto Nyati
Chief Executive

Mr. Nicholas Bofilatos
Chief Financial Officer

Registered office:

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Sponsor:

Investec Bank Limited

Transfer secretaries:

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Directors:

Mr. S van Graan (Chairman), Mr. M Nyati (Chief Executive)*, Mr. N Bofilatos (Chief Financial Officer)*,

Mr. AC Ball, Mr BW Dawson, Ms. AK Sithebe, Mr. GG Gelink, Dr P Mnganga, Mr. S Sithole
(Zimbabwean), Ms. S Rapeti, Mr. RE Venter, Mr. T Ngara (Alternate Director to Mr. AC Ball).
* Executive

Group Company Secretary:
Ms. N Morgan

16 May 2022