

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

Annual Results for the year ended 28 February 2023, Cash Dividend Declaration and Change to the Board

SALIENT FEATURES - CONTINUING OPERATIONS

- Revenue up by 19%, to R9.5 billion underpinned by all segments growing revenue;
- Earnings before interest, taxation, depreciation, amortisation, capital items and equity accounted profits ("EBITDA") improved by 2% to R1.2 billion, negatively impacted by a provision raised for Altron's exposure to the City of Tshwane of R134 million ("COT") and a provision raised for excess inventory held as a result of the Gauteng Broadband Network contract which was not renewed of R31 million, collectively referred to as the "COT and GBN Non-Cash Adjustments";
- EPS increased by 80% to 36 cents with HEPS decreasing by 8% to 47 cents; and
- To provide an indication of core FY2023 performance, adjusting for the impact of the COT and GBN Non-Cash Adjustments, EBITDA expanded 11% to R1.3 billion, EPS increased 79% to 77 cents and HEPS grew 19% to 89 cents.

Note: All growth rates referred to throughout this announcement are year on year growth rates unless stated otherwise.

R'million	CONTINUING			ADJUSTED CONTINUING		
	2023	2022	Change %	2023(1)	2022(2)	Change %
Revenue	9 464	7 930	+19%	9 464	7 930	+19%
EBITDA	1 161	1 140	+2%	1 326	1 194	+11%
Operating profit before capital items	462	498	(7%)	627	552	+14%
Net profit after tax	150	79	+90%	306	165	+85%
HEPS	47 cents	51 cents	(8%)	89 cents	75 cents	+19%
EPS	36 cents	20 cents	+80%	77 cents	43 cents	+79%

- (1) To provide an indication of core FY2023 performance, adjustments include the removal of the provisions relating to the COT exposure of R134 million and the GBN contract inventory provision of R31 million.
- (2) FY2022 EBITDA was adjusted by a total amount of R54 million, to remove the impact of severance costs and the IFRS 2 charge which relates to the modification of share-based payments because of the Bytes UK demerger. HEPS was adjusted by the same R54 million adjustment in addition to the AIMS vendor financing loan impairment of R47 million plus the tax impact of the adjustments.

SALIENT FEATURES - GROUP

- Revenue up by 14% to R10.9 billion;
- EBITDA down by 4% to R1.1 billion, negatively impacted by the COT and GBN Non-Cash Adjustments as well as Altron Document Solutions ("ADS") raising a provision for inventory held and an impairment on an outstanding receivable, referred to as the ADS Non-Cash Adjustment;
- EPS increased by 96% to (1) cents with HEPS decreasing by 22% to 29 cents;
- DPS increased by 17% to 35 cents;
- Free cash flow increased by R163 million to R412 million; and
- Net Debt: EBITDA at 0.22 times, down from 0.36 times at FY2022.

Year-to-date performance

R'million	GROUP		
	2023	2022	Change %
Revenue	10 848	9 518	+14%
EBITDA	1 053	1 095	(4%)
Operating profit before capital items	346	440	(21%)
Net profit after tax	13	(95)	+114%
HEPS	29 cents	37 cents	(22%)
EPS	(1) cents	(28) cents	+96%
DPS	35 cents	30 cents	+17%

KEY BUSINESS HIGHLIGHTS ACHIEVED IN FY2023

- The integration of Lawtrust for a full 12 months - a leader in digital security;
- Competition approval received for the disposal of the banking business in Altron Managed Solutions to NCR;
- Exit of non-core assets in Rest of Africa progressing, with exit from Kenya post year end on 1 April 2023 and Namibia sale agreement signed with exit targeted to be concluded in FY2024;
- The turnaround of Altron Karabina and Altron Managed Solutions continues to show positive results;
- Altron FinTech becoming a billion-rand business with EBITDA increasing 22%;
- Grant Fraser appointed as the Managing Director of Netstar and Collin Govender appointed as the Managing Director of Altron Systems Integration to drive the profit improvement strategies in each respective business; and
- Capex investment of R57 million in Netstar and R11,7 million in Altron HealthTech's platform businesses to grow and drive Big Data as a Service.

Commenting on the results Altron Group CEO Werner Kapp said "Altron's revenue growth of 19% demonstrates our resilience in the face of extremely tough economic conditions. As we look into FY2024, we have a clear growth strategy against which we are executing and we are already seeing the positive results of our profit improvement strategy in our two biggest businesses, Netstar and Altron Systems Integration. As a Group we remain focused on driving revenue growth and improving operating leverage whilst investing in our growth businesses. Customer obsession is at the core of our strategy as we partner with our customers on their digital transformation journeys, whilst also protecting them from increased cyber security risks. Despite continuing tough trading conditions, I am excited by the opportunity before us."

FINANCIAL OVERVIEW

Notwithstanding the increasingly tough trading conditions, continuing operations delivered double digit revenue growth of 19% to R9.5 billion for the year, with EBITDA growing 2% to R1,161 million and operating income declining 7% to R462 million, negatively impacted by the COT and GBN Non-Cash Adjustments. Adjusting for the impact of these two provisions, EBITDA grew to R1,326 million and operating income improved to R627 million, representing a +11% and +14% growth respectively, compared to adjusted FY2022 EBITDA and operating income.

The Group's operations delivered robust 14% revenue growth, evidencing Altron's resilient high annuity and diversified earnings base. EBITDA and operating income were negatively impacted by the COT and GBN Non-Cash Adjustments and the ADS Non-Cash Adjustment, with EBITDA down 4% to R1,053 million and operating income (before capital items) down 21% to R346 million.

The Group continues to remain strongly cash generative and is well capitalised with low gearing ratios, providing flexibility to pursue its growth strategy.

Segmental Review

R'million	CONTINUING REPORTED			CONTINUING ADJUSTED		
	2023	2022	Change %	2023	2022	Change %
REVENUE						
Own Platforms	3 253	2 847	+14%	3 253	2 847	+14%
Digital Transformation	2 789	2 216	+26%	2 789	2 216	+26%
Managed Services	2 917	2 563	+14%	2 917	2 563	+14%
Other	505	304	+66%	505	304	+66%
EBITDA						
Own Platforms	1 003	955	+5%	1 003	955	+5%
Digital Transformation	152	130	+17%	152	138	+10%
Managed Services	36	121	(70%)	201	121	+66%
Other	(30)	(66)	+55%	(30)	(20)	(50%)

Own Platforms

The Own Platforms segment grew revenue by 14% to R3.25 billion, with EBITDA growing 5% to R1.0 billion and operating profit down 5% to R521 million. Margin pressures experienced in Netstar, negatively impacted the performance of the segment.

- Netstar revenue of R1.86 billion, delivered 11% revenue growth with subscribers growing 20% to over 1.37 million subscribers. Subscriber growth was strong in the Original Equipment Manufacturer segment and in Malaysia, up 46% and 80% respectively. Netstar continues to deliver a high Software as a Service annuity base of 83%. EBITDA of R629 million remained relatively flat and operating profit declined 27% to

R192 million due to ongoing margin pressures. Operating income was negatively impacted due to the increased activity on pre-fitments with lower than acceptable conversion rates, compounded by the increase in component costs. Netstar's profit improvement strategy, being driven by its new Managing Director, Mr. Grant Fraser, is well underway with benefits already evident in operational efficiencies and growing Software as a Service. The conversion rates on pre-fitments have increased from 32% to 47% post-year end and the group fulfilment rate on contracts has improved to 48%. Its investment into its platform and bureau service will open key opportunities in the Big Data space, as it continues to digitalize mobile assets for its customers.

- Altron FinTech grew revenue 22% to R1.04 billion, EBITDA improved 22% to R271 million and operating income expanded 21% to R233 million. Performance was supported by all of FinTech's offerings delivering revenue and profit growth. The Card Issuance and Personalisation division improved revenue by 7% due to compliance refreshes of card issuance machines within the banking sector. Revenue generated by the integrated transaction solutions division increased 85%, due to higher hardware sales, following a migration of clients from Linux to Android operating system terminals, together with an increase in volumes and values processed through FinTech's switch. The payments and collections business saw an increase of 12% in revenue supported by higher collections and an increase in customers. For FY2024, the stronger than normal hardware revenue is expected to normalise, with an estimated impact on hardware revenue of between R25 million to R30 million.
- Altron HealthTech delivered revenue growth of 8% to R350 million. Growth was supported by a 23% improvement in the corporate health business which added 9 new clients, as well as an increase in transaction value processed, up 7%. EBITDA and operating income grew 2% to R103 million and 5% to R96 million respectively. The EBITDA and operating income delivered is after fully absorbing a R11.7 million investment into building our new cloud platform. The investment into the platform is targeted to scale the business and deliver new revenue streams with our local and international partners. These new revenue streams will include solutions leveraging the deep insights we have gained as a result of processing 99.8 million medical claims per annum.

Digital Transformation

The Digital Transformation segment grew revenue 26% to R2.79 billion, supported by revenue growth in Altron Karabina, Altron Security and Altron Systems Integration. EBITDA improved by 17% to R152 million and operating profit by 57% to R77 million, driven largely by a strong performance by Altron Karabina and by Altron Security with the inclusion of Lawtrust for 12 months. However, margin pressures within Altron Systems Integration negatively impacted the performance of the Digital Transformation segment. Excluding Lawtrust's performance, Digital Transformation revenue of R2.47 billion was down 17% against the prior year with EBITDA of R76 million and operating profit of R19 million down 31% and 47% respectively.

- Within Altron Security, changes in regulations, an increase in supply chain governance and accelerating digital transformation across our customers, continued to support increased demand for security solutions in FY2023. Altron Security's capabilities are uniquely positioned to deliver into this demand, with revenue of R436 million increasing by over 100%. FY2023 results include a full 12 months of Lawtrust, the digital security solutions company we acquired last year. When excluding LawTrust's performance, revenue increased by 9% against the prior year, EBITDA by 26% and operating income by 57%, evidencing good fiscal discipline in controlling costs to drive improved operational leverage.
- Altron Karabina delivered a solid 10% growth in its revenue of R350 million largely due to increased demand in data and analytics, business applications and software services. A continued focus on cost savings delivered operating leverage with EBITDA of R43 million and operating income of R23 million, growing 19% and 44% on the prior year.
- Altron Systems Integration increased revenue to R2 billion up 18%, with EBITDA of R5 million and an operating loss of R20 million. Although the business achieved revenue growth across most of its market offerings, margin pressures were experienced in its software engineering, contact center, smart manufacturing and operations businesses. In addition, results were negatively impacted by R23 million in restructuring costs incurred. In October 2022, Collin Govender was appointed as Managing Director of Altron Systems Integration to drive and implement its profit improvement strategy. Loss-making businesses have been closed and through the restructuring, the cost base has been rightsized, resulting in an estimated R50 million annual cost savings, to return the business to profitability and reset it on its growth path.

Managed Services

The Managed Services segment's revenue of R2.9 billion increased by 14%, with EBITDA of R36 million, down 70% and an operating loss of R62 million. EBITDA was down 70% negatively impacted by the COT and GBN Non-Cash Adjustments. Adjusting for the impact of these two provisions, EBITDA grew 66% to R201 million and operating income improved to R103 million, up from R6 million in FY2022.

- Altron Managed Solutions delivered 7% revenue growth to R1.88 billion and 34% growth in EBITDA, demonstrating the improved delivery on operational leverage. Its operating profit of R74 million was up by over 100% compared to the prior year. The sale of the banking business is progressing, with all Competition Commission approvals being received, and the parties looking to close the transaction towards the middle of the calendar year.
- Altron Nexus's revenue of R1.03 billion achieved 29% growth, however an EBITDA loss of R82 million and an operating loss of R136 million were negatively impacted by the COT and GBN Non-Cash Adjustments. Adjusting for the impact of these two Non-Cash Adjustments, the business achieved a 152% growth in EBITDA to R83 million and R29 million in operating profit, a R57 million improvement against the prior year's loss of R28 million. As the GBN contract rolls off, the business is actively right-sizing its cost base and diversifying its revenue streams across private sector industries. Progress continues to be made on the COT legal process. In parallel with the section 116 (3) of the Municipal Management Finance Act process which the COT's Municipal Council approved for the undisputed portion of our claim, the arbitration process with COT regarding the disputed portion of our claim commenced in April with the first hearing set for June 2023. The Arbitrator indicated that he would make an award shortly thereafter and then provide further directions. Based on legal opinions we have received, our case remains strong with the arbitration process set to determine the quantum of the disputed claim, as the contract has already been determined valid and binding by the Constitutional Court ruling on 19 May 2021, hence the COT is abiding with this decision and accordingly agreed to the Section 116 (3) process and the arbitration process.

Other

Altron Arrow

Altron Arrow grew revenue by 34% to R679 million and EBITDA by 108% to R52 million. Operating profit grew to R50 million, up 117%. The strong performance in revenue can be attributed to an increase in product demand, a broadening of the customer base and product cost inflation. Improved operational efficiencies from the adoption of artificial intelligence across its operations delivered operating leverage.

DISCONTINUED OPERATIONS

Despite the termination of the sale of ADS to Bi-Africa, Altron continues to classify ADS as held for sale as it continues to explore options to exit this business. ADS grew revenue for the year by 10% to R1.2 billion, however, EBITDA of R60 million was negatively impacted by the ADS Non-Cash Adjustment relating to a provision on inventory held of R74 million and an impairment of R30 million on an outstanding receivable.

Altron Rest of Africa's revenue of R190 million was lower than the prior year by 32%. EBITDA loss of R52 million and operating loss of R52 million increased relative to the prior year loss by 16% and 6% respectively.

Altron remains committed to completing the disposal of all assets held for sale in discontinued operations.

CASH MANAGEMENT

The Group increased its cash balance by R82 million for the financial year to R681 million, representing a 14% improvement against the prior year.

Key investing activities for the year to support our growth largely comprised the following items:

- The deferred purchase consideration of R54 million for the acquisition of Ubusha and R30 million for the acquisition of Lawtrust;
- Acquisition of PPE to the sum of R96 million and intangible assets of R118 million; and
- An increase in capital rental devices of R259 million driven by our Netstar business.

Final Dividend

The Board remains committed to maintaining Altron's dividend cover of 2.5 times headline earnings on continuing operations. The final dividend is calculated based on current continuing operations HEPS, adjusted to remove the impact of the COT and GBN Non-Cash Adjustments.

As such, a final dividend of 19 cents per share (15.20000 cents net of 20% dividend withholding tax) is declared for the financial year ended 28 February 2023, 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 410 805 451 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, 30 May 2023
Commence trading ex-dividend	Wednesday, 31 May 2023
Record date	Friday, 2 June 2023
Final Dividend Payment date	Monday, 5 June 2023

Share certificates may not be dematerialised or re-materialised between Wednesday, 31 May 2023 and Friday, 2 June 2023, both days inclusive.

DIRECTORATE AND COMMITTEE CHANGES

During the financial year, our Board continued to provide valuable input to the Group in realising its strategic goals. The Board and its Committees underwent several changes during the year, and these were announced on various SENS announcements.

The Company underwent leadership changes when Mr. Mteto Nyati, Group Chief Executive and Executive Director of the Board, resigned on 30 June 2022 and the Chairman, Mr Stewart van Graan was appointed as acting Group Chief Executive and Executive Chairman with Dr. Phumla Mnganga appointed as the Lead Independent Director between 1 July 2022 to 30 September 2022. Mr. Werner Kapp was appointed as the Company's Group Chief Executive and Executive Director with effect from 1 October 2022 and as a member of the Investment Committee with effect from 13 February 2023.

Mr. Samuel "Sam" Sithole (Non-Executive Director) and Mr. Tapiwa Ngara (in his capacity as the Alternate Non-Executive Director to Mr. Antony Ball) resigned on 20 March 2023. Mr. Ngara was subsequently appointed as the Non-Executive Director of the Company and Chairman of the Investment Committee on 20 March 2023.

The Board adopted a decision to restructure the Remuneration, Social, Ethics and Sustainability Committee into two stand-alone committees, namely:

- The Remuneration Committee comprising of Dr Phumla Mnganga (Chairperson), Mr. Antony Ball (Member), Ms. Sharoda Rapeti (Member) and Mr. Robert Venter (Member); and
- The Social, Ethics and Sustainability Committee comprising of Ms. Sharoda Rapeti (Chairperson), Ms. Alupheli Sithebe (Member), Mr. Robert Venter (Member) and Mr. Werner Kapp (Member).

KEY SUBSIDIARY COMPANY DIRECTORATE

Messrs Venter and Dawson were appointed on the Netstar Board to provide guidance to the Netstar management team. Mr. Grant Fraser has since been appointed as Managing Director of Netstar and as part of further streamlining governance, the Board has resolved to resign Messrs Venter and Dawson as non-executive directors of Netstar. Ms. Alupheli Sithebe's appointment as the Chairperson of Netstar's Financial Reporting and Accounting Committee will also be terminated. The Altron Board will continue to provide guidance and oversight to the Netstar Management team as it does with all its other operations.

OUTLOOK

Management expects the ongoing challenges facing the industry including loadshedding, inflationary and currency pressures to continue to put pressure on Altron and its customers' businesses. Profit improvement strategies have been implemented in Altron Systems Integration and Netstar with early leading indicators in both businesses showing positive momentum, repositioning both businesses for growth. Into FY2024 the Group's focus will be on executing its clear growth strategy to grow revenue and drive operating leverage, whilst investing in its growth businesses.

CHANGES TO THE BOARD - RESIGNATION AND APPOINTMENT OF CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Mr Nicholas Bofilatos, has made the decision to permanently move to the Netherlands with his family, and as such has advised the Board of his intention to step down as the Group's Chief Financial Officer and Executive Director.

The Board undertook an intense search for Mr. Bofilatos' replacement and is pleased to announce the appointment of Mr. Carel Snyman as the Group's Chief Financial Officer and Executive Director with effect from 1 June 2023.

Mr. Snyman is a qualified CA (SA) with over 20 years of financial experience which includes significant experience as a financial executive at Naspers, MultiChoice Africa where he was Chief Financial Officer and most recently, as the Chief Financial Officer at Aztomix Proprietary Limited, a company he co-founded.

Mr. Bofilatos will continue in the leadership team of the Company until 31 October 2023 while Mr. Snyman transitions into the role.

The Board congratulates Mr. Snyman on his appointment and looks forward to his contribution and thanks Mr. Bofilatos for his contribution to Altron over the past four years.

YEAR END RESULTS PRESENTATION

An investor presentation will be hosted virtually via webcast at 09:30 CAT on 15 May 2023, to present the Group's financial results for the year ended 28 February 2023. Registration to attend the webcast can be accessed via the following link:
<https://event-rsvp.com/AltronFinancialResults2023/1/E2PLLZVFV3>.

FURTHER INFORMATION

This short-form announcement is the responsibility of the directors and contains forward-looking statements that relate to Altron's future operations and performance. Such statements are not intended to be interpreted as guarantees of future performance, achievements, financial or other results. They rely on future circumstances, some of which are beyond management's control, and the outcomes implied by these statements could potentially be materially different from future results. No assurance can be given that forward-looking statements will be accurate, thus, undue reliance should not be placed on such statements. Altron does not undertake any obligations to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of this report or to reflect the occurrence of unanticipated events. It 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 which is available at: <https://senspdf.jse.co.za/documents/2023/jse/isse/aele/YE23.pdf> and which is also available on our website at: <https://www.altron.com>.

The directors of Altron take full responsibility for the preparation of this provisional 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 ISA 701) can be viewed via the full independent auditor's unmodified audit report and the annual financial statements at: <https://www.altron.com>.

Copies of the full announcement may also be requested from Mbali Ngcobo at mbali.ngcobo@altron.com. The full announcement is also available at our registered office for inspection, at no charge, during office hours.

For and on behalf of the Board

Mr. S van Graan
Chairman

Mr. W Kapp
Group Chief Executive

Mr. N Bofilatos
Chief Financial Officer

Registered Office
Altron Campus, 20 Woodlands Drive, Woodlands Office Park, Woodmead, Gauteng, South Africa, 2191

Sponsor
Investec Bank Limited

Transfer Secretaries

Computershare Investor Services Proprietary Limited, 1st Floor, Rosebank Towers, 15 Biermann Avenue,
Rosebank, 2196

Directors

Mr. SW van Graan (Chairman), Mr. WG Kapp (Group Chief Executive)*, Mr. N Bofilatos (Chief Financial Officer)*,
Mr. A Ball, Mr. BW Dawson, Mr. GG Gelink, Dr. P Mnganga, Ms. AK Sithebe, Mr. RE Venter, Ms. S Rapeti, Mr. TR Ngara

* Executive Director

Group Company Secretary
Ms M Ngcobo

15 May 2023

Johannesburg