

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")

UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2023 AND CASH DIVIDEND DECLARATION

SALIENT FEATURES - CONTINUING(1) OPERATIONS

- Strong operational execution driving pleasing results from core continuing operations.
- Effective 1 July 2023 Altron Managed Solutions sold the ATM Hardware and Support Business (the "ATM Business").
- Revenue of R4.3 billion, up 4% (11%(2) growth excluding the ATM Business).
- EBITDA of R724 million, grew 21% (26%(2) growth excluding the ATM Business).
- Operating Profit improved 25% to R362 million (32%(2) growth excluding the ATM Business).
- HEPS increased 19% to 50 cents.
- EPS was flat at 38 cents per share, negatively impacted by a goodwill impairment raised at the Altron Group level of R33 million (9 cents per share) in relation to Altron Nexus.

R million	CONTINUING(1) INCLUDING ATM BUSINESS			CONTINUING(1) EXCLUDING ATM BUSINESS(2)		
	HY24	HY23(4)	Change	HY24	HY23(4)	Change
Revenue	4 321	4 150	+4%	3 988	3 605	+11%
EBITDA(3)	724	598	+21%	709	562	+26%
Operating Profit(3)	362	290	+25%	352	266	+32%
Net profit after tax	155	148	+5%			
HEPS	50 cents	42 cents	+19%			
EPS	38 cents	38 cents	-			

Notes

- Continuing operations excludes Altron Documents Solutions, Altron Nexus and Altron Rest of Africa.
- Revenue; Earnings before interest, taxation, depreciation, amortisation, capital items, equity accounted profits and foreign exchange gains and losses on cash and cash equivalents ("EBITDA") and operating profit before capital items ("Operating Profit") were adjusted for the impact of the sale of the ATM Business to show a like-for-like comparison of results. The comparative period was adjusted to ensure consistency across both periods.
- Capital items excluded from EBITDA and Operating Profit, comprise loss and costs on disposals, impairments, capital rental devices written off, and lease modifications and terminations where applicable.
- Comparative information has been restated for:
 - The classification of Altron Nexus as a discontinued operation; and
 - The net profit or loss arising from foreign exchange exposures relating to cash and cash equivalents was previously disclosed within Operating Profit and EBITDA. The net impact of these exposures has been reclassified and disclosed after Operating Profit as a separate line item on the statement of comprehensive income due to its nature.

Certain financial information presented in this results announcement constitutes pro-forma financial information in terms of the JSE Listings Requirements. The pro-forma financial information includes adjusting for the impact of the sale of businesses to show a like-for-like comparison of results and is prepared for illustrative purposes only. The pro-forma financial information is the responsibility of the directors.

All growth rates quoted are year-on-year and refer to the six months ended 31 August 2023 compared to the six months ended 31 August 2022, unless otherwise stated.

SALIENT FEATURES - ALTRON GROUP

- Altron Group results were impacted by provisions and impairments (collectively referred to as the "Non-Cash Adjustments") raised in two non-core subsidiaries, namely Altron Nexus of R334 million, in relation to the restructuring of Altron Nexus due to the loss of the Gauteng Broadband Network contract and the City of Tshwane exposure, and Altron Document Solutions of R95 million. This includes the goodwill impairment raised at Altron Group level of R33 million in relation to Altron Nexus.
- Revenue increased by 3% to R5.5 billion.
- EBITDA decreased by 54% to R268 million.
- Operating loss before capital items of R106 million.
- HEPS decreased by over 100% to (63) cents per share.
- EPS decreased by over 100% to (86) cents per share.
- Cash generated from operations grew 16% to R654 million.
- Interim dividend up 56% to 25 cents per share, supported by an increase in the dividend payout ratio from at least 40%; to at least 50% of headline earnings from continuing operations of 50 cents per share.

R million	ALTRON GROUP (including discontinued operations)		
	HY24	HY23(4)	Change
Revenue	5 454	5 271	+3%
EBITDA(3)	268	584	(54%)
Operating Profit(3)	(106)	248	>(100%)
Net profit after tax	(313)	96	>(100%)
HEPS	(63) cents	34 cents	>(100%)
EPS	(86) cents	24 cents	>(100%)
Dividend	25 cents	16 cents	+56%

KEY BUSINESS HIGHLIGHTS

- Netstar achieved industry-leading subscriber growth of 26%, growing subscribers to over 1.5 million. Net customer

- additions improved 91% to 187 273.
- During the six months ended 31 August 2023, Netstar achieved over 80% of the total subscriber growth it generated for the full 12-month period in 2023.
- Netstar surpassed the billion-rand revenue mark for the first time in a six-month period, with revenue growing 12% to R1 billion and EBITDA growing 21% to R364 million.
- The profit improvement strategy in Altron Systems Integration delivered operating leverage with a 5% increase in revenue and a 127% increase in EBITDA to R34 million. Operating Profit generated of R31 million, amounts to 80% of the total Operating Profit earned cumulatively over the past three years.
- Altron Karabina delivered an increase in EBITDA of 29%, underpinned by an 8% increase in revenue and improved margins.
- Altron Arrow delivered strong revenue growth of 32% to R424 million and EBITDA growth of 65% to R38 million, supported by strong demand and a continued focus on operational efficiencies.
- Effective 1 March 2024, the Altron Group will simplify its operating model through combining the businesses of Altron Systems Integration, Altron Karabina and Altron Managed Solutions into a new unified Altron Digital Business.

Commenting on the results, Altron Group Chief Executive Werner Kapp said "We are executing on our strategy to become the Leading Platform and IT Services business in our chosen markets. We are in the early phases of our journey, however, the successful profit improvement strategies in Altron Systems Integration and Netstar, together with focused execution on our growth levers, have delivered pleasing results. Operating profit in our core operations increased 25%. This positive momentum, which is yielding improved cash flow generation, combined with our strong balance sheet, allowed us to positively adjust our dividend payout to improve distributions to shareholders. Our discontinued operations have been restructured, management has been strengthened and profit improvement strategies implemented to return these businesses to profitability whilst we manage them for value through their disposal process."

FINANCIAL OVERVIEW

Continuing operations, adjusted for the sale of the ATM Business, grew revenue 11% to R4 billion, despite tougher trading conditions. Successful execution of our strategy delivered a 26% improvement in EBITDA to R709 million with Operating Profit growth of 32% to R352 million.

Continuing operations, including the ATM Business, delivered revenue growth of 4% to R4.3 billion, impacted by a realignment of the base through exiting businesses that did not deliver profitable revenue growth. In addition, the prior period included six months of revenue generated by the ATM Business in comparison to only four months in the current period. At a profitability level, continuing operations, including the ATM Business, grew EBITDA 21% to R724 million with Operating Profit increasing 25% to R362 million. HEPS increased by 19% to 50 cents, with EPS flat at 38 cents per share.

Strong operational execution drove pleasing results from core continuing operations. Notwithstanding, the Altron Group results were negatively impacted by the Non-Cash Adjustments. Altron Group, including discontinued operations, grew revenue by 3% to R5.5 billion. EBITDA decreased 54% to R268 million with an operating loss of R106 million, down from a profit of R248 million.

The Altron Group continues to remain highly cash-generative and is sufficiently capitalised, providing a solid platform to execute its immediate strategic initiatives.

Enhancements in Altron's operating model

In line with our strategy to become the Leading Platform and IT Services business in our chosen markets, effective 1 March 2024, the Altron Group will operate a simplified model through combining the businesses of Altron Systems Integration, Altron Karabina and Altron Managed Solutions into a new unified Altron Digital Business. The benefits include improved cross-selling, collaboration, removing cost duplication and providing an integrated value proposition with improved solutions for customers. The Altron Digital Business, together with Altron Security, will together form part of the new IT Services segment. Netstar, Altron FinTech and Altron HealthTech will continue to operate as part of the Own Platforms segment. Altron Arrow will operate separately under a new Distribution segment.

Altron Nexus and Altron Document Solutions are classified as held-for-sale in discontinued operations.

Segmental overview

R million	CONTINUING(1) INCLUDING THE ATM BUSINESS			CONTINUING(1) EXCLUDING THE ATM BUSINESS(2)		
	HY24	HY23(4)	%	HY24	HY23(4)	%
REVENUE						
Own Platforms	1 761	1 627	+8%			
Digital Transformation	1 445	1 370	+5%			
Managed Services	724	900	(20%)	391	355	+10%
Other	391	253	+55%			
EBITDA						
Own Platforms	568	493	+15%			
Digital Transformation	141	109	+29%			
Managed Services	34	36	(6%)	19	0	>100%
Other	(19)	(40)	+53%			

Own Platforms

The Own Platforms segment grew revenue by 8% to R1.8 billion, with EBITDA growing 15% to R568 million and Operating Profit up 6% to R283 million.

- Netstar's revenue improved 12% to R1 billion, with subscribers growing at an industry-leading growth rate of 26% to 1.5 million subscribers. Enterprise customers increased 13% with consumer customers growing 8%, as Netstar continues to gain market share. Net additions of 187 273 improved 91%. With a core focus on customers and an investment in an in-house customer retention team, Netstar improved churn to 16%, down from 22% at year-end. 21 new fitment centre partnerships and additional operational efficiencies led to a reduction in fitment time and resulted in a 96% contract fulfilment rate. At the end of the financial year 2023, Netstar was fitting one car every four minutes, Netstar now fits four cars every one minute. Pre-fitments remain an important focus area, with Netstar increasing its pre-fitment

conversion ratio from 32% at year-end to 66%. Netstar's profit improvement strategy successfully improved EBITDA by 21% to R364 million, with Operating Profit growing 9% to R101 million. Efforts made in improving customer satisfaction were externally recognised with Netstar receiving the AskAfrica 2023/2024 award as the customer experience winner in the car tracking industry.

- Altron FinTech grew revenue 2% to R552 million with EBITDA improving 3% to R151 million and Operating Profit flat at R132 million. This performance is measured against a strong comparable base that benefitted from abnormally large hardware sales, due to regulatory and compliance-driven hardware refreshes. Despite a tough comparative, Altron FinTech maintained performance, supported by higher demand in the payment and collections business, combined with continued strong hardware sales and a growing annuity revenue base. Altron FinTech won the PAX Technology Preferred Partner of the Year for 2022.
- Altron HealthTech delivered revenue growth of 8% to R190 million. Growth was supported by a 19% improvement in the corporate health business which added 11 new logos. Despite a mature market, revenue grew 5% in the practice management business. EBITDA and Operating Profit expanded 13% to R53 million and 16% to R50 million, respectively.

Digital Transformation

The Digital Transformation segment generated revenue of R1.4 billion, up 5%, with EBITDA improving by 29% to R141 million and Operating Profit by 62% to R115 million.

- Altron Systems Integration's profit improvement strategy is progressing well, with the business showing early signs of improvement. The profit improvement strategy is focussed on three areas:
 - Scaling outsourcing, infrastructure, and workforce management to expand gross margin over time;
 - Delivering on the new sales strategy; and
 - Reducing costs through efficiencies.

Altron Systems Integration delivered on all three areas, signing up, amongst others, two large workforce transactions, one of which was the largest workforce management contract on the continent. In addition, it signed the largest outsourcing contract in its history and, lastly, it expanded its infrastructure business. Operational efficiencies resulted in an EBITDA expansion of 127% to R34 million and generated Operating Profit of R31 million in comparison to R2 million in the prior period. Altron Systems Integration's notable achievements were highlighted at the Huawei Awards by securing the titles of, inter alia, Enterprise Sales Partner and Cloud Fast Growth Partner. This reaffirms Altron Systems Integration's position as Huawei's longest-standing Enterprise Partner for 2023.

- Altron Karabina delivered 8% growth in revenue to R184 million due to increased demand in business applications and software services. A continued focus on operating leverage delivered a 29% increase in EBITDA to R27 million and 73% increase in Operating Profit to R19 million.
- Altron Security remains an industry leader in digital and identity security in a high-growth market. Revenue of R281 million, up 6%, was supported by a 26% increase in revenue from software sales, with a focus on higher margin own intellectual property software sales. The business is focused on providing an end-to-end solution by converting projects into higher-margin managed services. EBITDA expanded 10% to R80 million with Operating Profit growth of 12% to R65 million.

Managed Services

Altron Managed Solutions concluded the disposal of the ATM Business effective 1 July 2023, generating R216 million in cash flow over the disposal period, comprised of:

- A transaction consideration of R132 million consisting of a cash consideration of R13 million and R119 million received from retained trade receivables; and
- The business further organically unlocked R84 million through a reduction in associated working capital before the effective date of the sale.

Altron Managed Solutions, adjusting for the sale of the ATM Business, improved revenue by 10% to R391 million from R355 million, underpinned by the expansion of two large retailers. The profit improvement strategy that was successfully implemented in the business improved EBITDA from nil to R19 million, supported by a higher margin mix and operating efficiencies in warehousing and distribution.

Other

Altron Arrow delivered R424 million revenue, up 32%. The strong performance in revenue can be attributed to an increase in product demand and product cost inflation. Improved efficiency across its operations delivered operating leverage, with EBITDA growth of 65% to R38 million and Operating Profit growth of 76% to R37 million.

Discontinued operations

Altron Document Solutions and Altron Nexus are classified as held-for-sale and accounted for in discontinued operations. Both businesses have been restructured and the management teams strengthened. Profit improvement strategies have been implemented with a view to improving cash flow generation and returning these businesses to profitability. Active disposal processes are currently underway, however, the market remains challenging. During the disposal processes, both businesses will continue to be managed for value.

Altron Document Solutions generated revenue of R630 million up 13%, however, provisions raised totalling R95 million contributed to a reduction in EBITDA to a loss of R118 million, with an operating loss of R118 million.

Altron Nexus' results were negatively impacted by provisions and impairments raised of R334 million and restructuring costs of R11 million. Despite revenue growth of 2%, EBITDA reduced to a loss of R332 million, with an operating loss of R343 million.

Details of the restructuring and Non-Cash Adjustments that impacted these businesses can be found in the trading statement released on 26 July 2023 via the following link (https://www.altron.com/wp-content/uploads/2023/11/altron.com_SENS_20230726_S477988.pdf).

Capital structure and working capital

In comparison to cash held at 31 August 2022, the Altron Group increased its cash balance by R258 million to R723 million and by R42 million against the closing balance at February 2023. Cash in held-for-sale entities increased from R12 million at February 2023 to R16 million. Altron Group net debt at 31 August 2023 was R558 million, with a net debt to attributable EBITDA ratio of 0.23 times.

Working Capital reduced from R1.3 billion at 28 February 2023 to R829 million. The R447 million working capital reduction includes R398 million attributed to the Non-Cash Adjustments. The reduced working capital investment levels represent a more sustainable working capital level, which the Altron Group will continue to optimise in line with performance.

Key investing activities to support growth, comprised the following items:

- Acquisition of PPE to the sum of R72 million and intangible assets of R51 million; and
- An increase in capital rental devices of R153 million in Netstar.

The Altron Group continues to operate in line with the capital allocation framework presented to shareholders and will actively explore acquisition opportunities that meet its investment hurdles and that fit within its capital allocation framework.

INTERIM DIVIDEND

Pursuant to the strong balance sheet and increase in cash generation of the Altron Group, the Board took the decision to increase the dividend payout ratio from at least 40% of headline earnings from continuing operations, to at least 50% of headline earnings from continuing operations.

As such, an interim dividend of 25.0339 cents per share (20.02712 cents net of 20% dividend withholding tax) has been declared for the six months ended 31 August 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, as amended, 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 410 988 079 including 32 287 468 treasury shares.

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

DIVIDEND DATES	2023
Last day to trade cum dividend	Tuesday, 28 November
Commence trading ex-dividend	Wednesday, 29 November
Record date	Friday, 1 December
Interim Dividend Payment date	Monday, 4 December

Share certificates may not be dematerialised or re-materialised between Wednesday, 29 November 2023 and Friday, 1 December 2023, both days inclusive.

OUTLOOK

Despite the ongoing economic challenges facing South Africa, which continue to put pressure on Altron and its customers, the Altron Group will continue to focus on executing on its strategy to become the Leading Platform and IT Services business in its chosen markets. The pleasing results achieved by core operations is evidence of the successful execution on strategy. In addition, the profit improvement strategies implemented in both Altron Systems Integration and Netstar are encouraging, with early leading indicators in both businesses showing positive momentum, repositioning both businesses for future growth.

INTERIM RESULTS PRESENTATION

An investor presentation will be hosted virtually via webcast at 9:30am CAT on 13 November 2023, to present the Altron Group's financial results for the six months ended 31 August 2023. Registration to attend the webcast can be accessed via the following link: (<https://78449.themediaframe.com/links/altron231113.html>).

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/Interim.pdf> and which is also available on our website at: <https://www.altron.com/financial-reporting/>.

Copies of the full announcement may also be requested from Mbali Ngcobo at mbali.ngcobo@altron.com.

For and on behalf of the Board.

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Chairman

Mr. W Kapp
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Group Company Secretary
Ms M Ngcobo

13 November 2023

Johannesburg