

ALTRON LIMITED

(Registration number 1947/024583/06)

(Incorporated in the Republic of South Africa)

Share Code: AEL ISIN: ZAE000191342

("Altron" or "Group")

OPERATIONAL UPDATE AND TRADING STATEMENT

In terms of the JSE Limited Listings Requirements, a listed company must publish a trading statement once it is satisfied that a reasonable degree of certainty exists that its financial results for the period to be reported on next, will differ by at least 20% from the reported financial results for the previous corresponding period.

Shareholders are referred to the SENS announcement released on 26 July 2023 and 13 November 2023, highlighting that the results for the six months ended 31 August 2023 ("H1 FY24") were negatively impacted by provisions and impairments totalling R462 million (collectively referred to as the "Non-Cash Adjustments"). These Non-Cash Adjustments were raised within two discontinued operations namely, Altron Nexus of R334 million and Altron Document Solutions of R95 million, together with an impairment raised at a Group level of R33 million, in relation to goodwill held on the Group balance sheet for Altron Nexus.

The Non-Cash Adjustments raised in H1 FY24 negatively impacted the results for the twelve months ended 29 February 2024 ("Reporting Period") and have necessitated the release of a trading statement.

Accordingly, shareholders are hereby advised that a reasonable degree of certainty exists that the financial results for the Reporting Period will differ by at least 20% from the comparative twelve months ended 28 February 2023 ("Comparative Period") as set out below, largely because of the Non-Cash Adjustments raised in H1 FY24:

- Headline earnings per share ("HEPS") from Continuing Operations¹ is estimated to be between 99 cents and 105 cents, representing an increase of between 16% and 24% compared to HEPS from Continuing Operations of 85 cents² reported for the Comparative Period;
- Group HEPS is estimated to be between (21) cents and (16) cents, compared to Group HEPS of 29 cents reported for the Comparative Period, largely impacted by the Non-Cash Adjustments raised in H1 FY24;
- Earnings per share ("EPS") from Continuing Operations is estimated to be between 89 cents and 101 cents, representing an increase of between 20% and 36% compared to EPS from Continuing Operations of 74 cents² reported for the Comparative Period; and
- Group EPS is forecast to be at least (35) cents lower when compared to Group EPS of (1) cents reported for the Comparative Period, largely impacted by the Non-Cash Adjustments raised in H1 FY24.

Notes

1. Continuing operations excludes Altron Documents Solutions, Altron Nexus and Altron Rest of Africa (“Continuing Operations”).
2. 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.
3. Earnings before interest, taxation, depreciation, amortisation, capital items, equity accounted profits and foreign exchange gains and losses on cash and cash equivalents (“EBITDA”).
4. Operating profit before capital items (“Operating Profit”).
5. 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.

Certain financial information presented in this 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.

Altron performs an annual fair-value evaluation of its defined benefit plan surplus, which will commence after its year-end. This may necessitate an adjustment that could result in the financial results for the Reporting Period falling outside the outlined ranges above. In this event, an updated trading statement will be issued.

OPERATIONAL UPDATE

Continuing operations

The Group's Continuing Operations are evidencing a strong year-to-date performance. Normalising for the sale by Altron Managed Solutions of its ATM Hardware and Support Business (the “ATM Business”), which was effective 1 July 2023, the Group's Continuing Operations are delivering year-to-date revenue growth, with double-digit growth in EBITDA^{3,5} and Operating Profit^{4,5}.

The effective implementation of the target operating models established in H1 FY24, is enabling the positive momentum achieved in H1 FY24 to carry over into the second half of the fiscal year 2024 (“H2 FY24”), with all operations on track to achieve their growth objectives.

Own Platforms

The Own Platforms segment is delivering a strong year-to-date performance, with Altron FinTech, Altron HealthTech and more significantly, Netstar, all growing revenue, together with notable growth in EBITDA and Operating Profit.

Netstar's performance into H2 FY24 is stronger than that of H1 FY24, reflecting the effectiveness of strategic initiatives, operational enhancements, and market share growth. As at 31 January 2024, Netstar surpassed the significant milestone of over 2 million connected devices, with subscribers growing to over 1.7 million, supported by strong double-digit growth in enterprise and consumer customers.

Netstar remains an exciting business within the Group. The launch of its new state-of-the-art Global Fleet Bureau will unlock key opportunities in the Big Data space, further advancing the digitalisation of mobile assets for its customers.

Digital Transformation

Enhanced operational efficiencies within Altron Karabina and Altron Systems Integration are supporting robust performance within the Digital Transformation segment, with Altron Systems Integration experiencing stronger performance into H2 FY24 compared to H1 FY24.

Managed Services

Post the reclassification of Altron Nexus as a discontinued operation, the Managed Services segment consists only of the Altron Managed Solutions business.

Normalising for the sale of the ATM Business, the remaining Altron Managed Solutions business is to date delivering a slightly stronger performance in H2 FY24 in comparison to H1 FY24, as it continues to focus on driving top-line growth and delivering operational efficiencies.

Other

Altron Arrow continues to outperform expectations against prior years. A reduction in operating costs and streamlining of business processes, is leading to further operating leverage across the business.

Discontinued operations

Following developments during H1 FY24, the Group took decisive actions to streamline Altron Nexus and Altron Document Solutions, two non-core operations. These actions adversely impacted the overall Group financial performance, as detailed in H1 FY24 results. As a result, both Altron Nexus and Altron Document Solutions will report an EBITDA and operating loss for the Reporting Period.

Both businesses were restructured and the management teams strengthened in H1 FY24. Profit improvement strategies were implemented, to improve cash flow generation and return these businesses to profitability.

The profit improvement strategy implemented within Altron Document Solutions is resulting in stronger trading into H2 FY24 compared to H1 FY24, with the business generating a positive EBITDA and Operating Profit in H2 FY24 to date.

Active disposal processes are currently underway. During the disposal processes, both businesses will continue to be managed for value.

Capital structure and working capital

Working capital will be optimised in line with performance. Inventory levels have normalised within Netstar and Altron Arrow, post the chip shortage and floods in Kwa-Zulu Natal, and accounts receivables remain well managed.

Altron has made considerable progress on its strategic priorities and will maintain focus on growing revenue and driving operating leverage to increase profitability. The Group remains highly cash-generative and continues to degear. This supports its already strong balance sheet position and provides a solid platform to execute its immediate strategic initiatives and deliver long-term value to shareholders.

The financial information on which this operational update and trading statement is based is the responsibility of the directors of Altron and has not been reviewed or reported on by the Group's independent external auditor. The Group's financial results for the Reported Period are expected to be released on SENS on 20 May 2024.

Johannesburg

26 February 2024

Sponsor

Investec Bank Limited