

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 Consolidated Results and Cash Dividend Declaration
for the year ended 29 February 2024

SALIENT FEATURES - CONTINUING(1) OPERATIONS

- Strategy execution driving strong results from core continuing(1) operations.
- Revenue up 8% (excluding the ATM Business(2) sold).
- EBITDA(3) up 27% (excluding the ATM Business(2) sold).
- Operating Profit(3) up 33% (excluding the ATM Business(2) sold).
- HEPS increased 36% to 116 cents.
- EPS increased 46% to 108 cents.

	CONTINUING(1)	INCLUDING ATM BUSINESS		CONTINUING(1)	EXCLUDING ATM BUSINESS(2)	
R million	FY24	FY23(4)	% Change	FY24	FY23(4)	% Change
Revenue	8 250	8 445	(2%)	7 917	7 336	+8%
EBITDA(3)	1 502	1 251	+20%	1 505	1 185	+27%
Operating Profit(3)	739	599	+23%	742	560	+33%
Net profit after tax	433	296	+46%			
HEPS	116 cents	85 cents	+36%			
EPS	108 cents	74 cents	+46%			

SALIENT FEATURES - ALTRON GROUP

- Shareholders are referred to the SENS announcement released on 13 November 2023, highlighting that the 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. A goodwill impairment was raised at Altron Group level of R33 million in relation to Altron Nexus.
- Revenue down (5%) to R10.3 billion (+3% growth excluding the ATM Business(2) sold).
- EBITDA(3) declined (6%) to R985 million (+1% growth excluding the ATM Business(2) sold).
- Operating Profit(3) down (39%) to R210 million ((30%) decline excluding the ATM Business(2) sold).
- HEPS decreased to (25) cents, from 29 cents per share.
- Loss per share of (43) cents, from (1) cents per share.
- Final dividend per share increased 74% to 33 cents.
- Cash generated from operations grew 25% to R1.6 billion.
- Net debt reduced by (44%) to R313 million.

	ALTRON GROUP (including the ATM Business and discontinued operations)		
R million	FY24	FY23(4)	% Change
Revenue	10 325	10 848	(5%)
EBITDA(3)	985	1 049	(6%)
Operating Profit(3)	210	342	(39%)
Net profit after tax	(141)	13	>(100%)
HEPS	(25) cents	29 cents	>(100%)
EPS	(43) cents	(1) cents	>(100%)
Final Dividend	33 cents	19 cents	+74%

Notes
Refer below for footnotes.

COMMENTARY FROM THE CEO

Commenting on the results, Altron Group CEO Werner Kapp said, "Our purpose is to use technology to transform today into a simpler, safer and smarter tomorrow. We are guided by a clear strategy to become the leading platform and IT services business in our chosen markets. Our execution of this strategy resulted in a pleasing 36% increase in headline earnings per share from our continuing operations. Increased cash generation supported by a strong balance sheet allowed us to increase our final dividend per share by 74%.

As a purpose-driven, customer-obsessed organisation, we are poised for growth to transform our aspirations into achievements as we continue to partner with our customers on their digital transformation journey."

FINANCIAL OVERVIEW

On a statutory basis, continuing operations generated revenue of R8.3 billion, down (2%) due to including only 4 months of the ATM Business compared to a full year in FY23. Despite a reduction in revenue, gross profit increased 11% with gross margin expanding 5 percentage points to 41%. At a profitability level, EBITDA increased 20% to R1.5 billion with Operating Profit increasing 23% to R739 million. A focus on margin expansion improved EBITDA margin by 3 percentage points to 18% and Operating Profit margin by 2 percentage points to 9%. HEPS increased by 36% to 116 cents, with EPS up 46% to 108 cents.

Strong operational execution delivered pleasing results from core continuing operations. Continuing operations, adjusted for the sale of the ATM Business(2), generated revenue of R7.9 billion up 8%. Annuity revenue increased 9% and contributed 61% to overall revenue. EBITDA grew 27% to R1.5 billion and Operating Profit increased 33% to R742 million.

Despite this, the Non-Cash Adjustments raised in the first half of FY24 negatively impacted Altron Group's results. Altron Group revenue decreased by (5%) to R10.3 billion. EBITDA declined by (6%) to R985 million, with Operating Profit of R210 million, down from R342 million.

R567 million was invested in capital expenditure, of which R463 million was invested for growth to support strategic initiatives. The Altron Group's cash-generative capability is reflected in its cash generated from operations increasing 25% to R1.6 billion, supported by a cash release from working capital of R152 million. The Altron Group remains highly cash-generative and is sufficiently capitalised, providing a solid platform to execute its immediate strategic initiatives. The Board declared a final dividend of 33 cents per share, growing 74%.

Segmental overview

R million	CONTINUING (1) INCLUDING THE ATM BUSINESS			CONTINUING (1) EXCLUDING THE ATM BUSINESS (2)		
	FY24	FY23 (4)	% Change	FY24	FY23 (4)	% Change
REVENUE						
Own Platforms	3 547	3 253	+9%			
Digital Transformation	2 852	2 789	+2%			
Managed Services	1 179	1 882	(37%)	846	773	+9%
Other	672	521	+29%			
EBITDA						
Own Platforms	1 233	1 003	+23%			
Digital Transformation	243	152	+60%			
Managed Services	51	117	(56%)	54	51	+6%
Other	(25)	(21)	(19%)			
OPERATING PROFIT						
Own Platforms	613	521	+18%			
Digital Transformation	195	77	>100%			
Managed Services	33	73	(55%)	36	34	+6%
Other	(102)	(72)	(42%)			

Notes

Refer below for footnotes.

Own Platforms

The Own Platforms segment grew revenue by 9% to R3.5 billion, with EBITDA growing 23% to R1.2 billion and Operating Profit up 18% to R613 million.

- Netstar surpassed the R2 billion milestone, growing revenue by 12% to R2.1 billion. This was supported by a 27% increase in subscribers to over 1.7 million subscribers, with 2.3 million connected devices. This growth reflects industry-leading rates and a notable market share gain, with enterprise customers increasing 33% and consumer customers increasing 14%. Net subscriber additions improved by 60% to c.370,000. Customer retention efforts reduced churn from 22% in FY23 to 16%, enhancing customer loyalty.

Operational efficiencies were supported through 67 fitment centre partnerships, which improved installation times, increased Netstar's customer reach and achieved a 94% contract fulfilment rate, up from 72% in FY23. The focus on conversion of pre-fitments led to the conversion rate doubling from 32% to 66% at year-end. These improvements led to a 27% increase in EBITDA to R797 million, and a 16% increase in Operating Profit to R222 million. EBITDA margin expanded 4 percentage points.

Netstar continues solidifying its position as a leading telematics service provider, launching the continent's largest and most advanced real-time global fleet bureau to address the evolving needs of the logistics sector and its growing enterprise customer base. The business is scaling into new markets and products through partnerships and integrations. Netstar has broadened its reach in the OEM market, adding new OEMs such as Kinto and UD trucks. The Toyota partnership has driven further expansion into Southeast Asia. The partnership with Here Technologies has been extended into the Asia-Pacific territories. Together with Microsoft, Netstar has built the industry's first fleet copilot.

The launch of 5 new products reaffirms Netstar's commitment to innovation, which commitment was recently recognised by several TT100 awards, including the Enterprise winner accolade for Innovation, and the Department of Science and Technology Minister award for Overall Excellence.

- Altron FinTech grew revenue by 5% to R1.1 billion, against a strong comparable base that benefitted from abnormally large hardware sales in FY23. A strategic focus on growing annuity revenue, improved annuity revenue by 12%, now contributing 74% of revenue, up from 70%. A 4 percentage point expansion in EBITDA and Operating Profit margin, together with tight expense management improved profitability. EBITDA increased 22% to R330 million and Operating Profit grew 24% to R289 million.
- Altron HealthTech's revenue increased 7% to R374 million. EBITDA increased 3% to R106 million and Operating Profit grew 6% to R102 million, impacted by R22 million in investment expensed, compared to R12 million in the prior period. The business continued to expand its ecosystem through partnerships, adding 5 new partners onto its platform. A recent collaboration between Dis-Chem Oncology and a leading oncologist, introduced a pioneering solution supporting the oncology ecosystem, with the goal of improving the quality of care, and enhancing cost efficiency.

Digital Transformation

The Digital Transformation segment generated revenue of R2.9 billion, up 2%, with EBITDA improving by 60% to R243 million and Operating Profit by 153% to R195 million.

- Altron Systems Integration's profit improvement strategy delivered strong results, building on the positive momentum achieved in the first half of FY24. Growth in gross profit of 16% with a 3 percentage point expansion in gross margin and a (13%) reduction in operating expenses, supported EBITDA growth to R93 million from R5 million, and Operating Profit growth to R87 million from a loss of (R20 million). Revenue growth of 2% was intentionally impacted by exiting non-profitable revenue business, however, the integration into Altron Digital Business marks a strategic move to support growth in higher-margin annuity-based revenue.
- Altron Karabina generated R362 million in revenue, increasing 3%. Focussing on higher-margin business and project efficiencies led to a 31% increase in gross profit with a 9 percentage point expansion in gross margin. EBITDA grew 14% to R49 million and Operating Profit increased 57% to R36 million.
- Altron Security grew revenue by 3% to R449 million with EBITDA decreasing (3%) to R101 million and Operating Profit down (3%) to R72 million. Despite a 10% increase in software sales, the business faced challenges in project services, where projects were delayed or cancelled due to customer capital expenditure constraints. Corrective action has been implemented to address these challenges.

Managed Services

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

Adjusting for the sale of the ATM Business(2), Altron Managed Solutions improved revenue by 9% to R846 million. EBITDA and Operating Profit increased 6% to R54 million and R36 million respectively.

Other

Altron Arrow delivered a strong performance with revenue increasing 18% to R802 million. A reduction in operating costs and streamlining of business processes led to further operating leverage, with EBITDA growth of 33% to R69 million and Operating Profit growth of 34% to R67 million, despite a strong comparative base.

Discontinued operations

- Altron Document Solutions reported revenue of R1.4 billion, an increase of 13%. However, provisions raised totalling R95 million in the first half of FY24 led to an EBITDA loss of (R65 million) and an Operating Loss of (R65 million). The profit improvement strategy for Altron Document Solutions showed promising results in the second half of FY24, achieving an Operating Profit of R53 million, together with positive cash flow generation.
- Altron Nexus' results were negatively impacted by provisions and impairments raised of R334 million, alongside restructuring costs

and delays experienced at the port. Revenue decreased by (35%) to R659 million and EBITDA decreased to a loss of (R421 million), resulting in an Operating Loss of (R433 million).

Both businesses are actively being managed for value during their ongoing disposal processes. Altron Document Solutions and Altron Nexus improved their management of working capital through releasing cash of R182 million. Cash generated from discontinued operations increased 26%. Both businesses operate financially independently and do not rely on additional funding from the Altron Group.

Details of the restructuring and Non-Cash Adjustments that impacted these businesses can be found here (<https://altron-investors.com/sens-article.php?articleID=13873>).

Capital structure and working capital

The Altron Group increased cash generated by operations by 25% to R1.6 billion, and subsequently repaid R425 million of its revolving debt facilities. As a result, cash balances at 29 February 2024 of R624 million were R57 million down from R681 million in the prior year. Cash in held-for-sale entities was R12 million at 29 February 2024. Net debt of R313 million improved from R563 million in the prior year, with an adjusted net debt to attributable EBITDA ratio of (0.09) times.

R152 million in cash was released from working capital, supported by a R59 million release from the managed services segment and R182 million release from discontinued operations. This together with R400 million attributed to the Non-Cash Adjustments, resulted in overall Working Capital (excluding contract liabilities and contract fulfilment costs extending beyond 12 months) improving from R2 billion to R1.4 billion. Altron Group will continue to optimise working capital in line with performance.

The Altron Group continues to evaluate capital deployment opportunities that align with its strategic objectives, meet investment return thresholds and that adhere to its capital allocation framework, to drive overall value creation.

Enhancements in the operating model

In line with the strategy to become the Leading Platform and IT Services business in our chosen markets, effective 1 March 2024 the Altron Group is operating 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. 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 will continue to be classified as held-for-sale in discontinued operations.

Notes

Refer below for footnotes.

Final dividend

Pursuant to the strong balance sheet and improved cash generation, the Board increased the dividend payout ratio in the first half of FY24 from at least 40% of headline earnings from continuing operations, to at least 50% of headline earnings from continuing operations.

A final dividend of 33 cents per share (26.40000 cents net of 20% dividend withholding tax) has been declared for the year ended 29 February 2024, 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 411 225 319 including 32 287 468 Treasury shares.

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

Last day to trade cum dividend	2024 Tuesday, 4 June
Commence trading ex-dividend	Wednesday, 5 June
Record date	Friday, 7 June
Final dividend payment date	Monday, 10 June

Share certificates may not be dematerialised or re-materialised between Wednesday, 5 June 2024 and Friday, 7 June 2024, both days inclusive.

OUTLOOK

Commenting on the outlook, Altron Group CEO Werner Kapp said, "Looking ahead, as we navigate through a challenging economic landscape exacerbated by political uncertainty, we remain committed to achieving our medium-term guidance. By 2026, we are targeting an Operating Profit margin of +19% for our platforms segment and +7% for our IT services segment. Additionally, we are targeting Operating Profit of R1.1 billion from continued operations. Our strategic positioning within the platform and IT services sectors, supported by our proprietary IP solutions, enables us to identify opportunities and solve real-world problems for our customers. We remain dedicated to enhancing long-term shareholder value through the execution of our strategy, disciplined capital management, strategic investments, and a strong focus on sustainable, profitable growth."

ANNUAL RESULTS PRESENTATION

Altron Group CEO Werner Kapp invites all who would like to attend the Altron Group's 2024 annual results presentation webcast at 9:30am today, to please register via the following link: (<https://78449.themediaframe.com/links/altron240520.html>).

Notes

1. Continuing operations excludes Altron Documents Solutions, Altron Nexus and Altron Rest of Africa.
2. Adjusted for the impact of the sale of the ATM Business, effective 1 July 2023 to show a like-for-like comparison of results. The comparative period was adjusted to ensure consistency across both periods.
3. 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.
4. 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 year ended 29 February 2024 compared to the year ended 28 February 2023, unless stated otherwise.

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. This announcement 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/2024/jse/isse/aele/YE24.pdf> and which is also available on the website at: <https://www.altron.com>.

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

For and on behalf of the Board

Mr. S van Graan
Chairman

Mr. W Kapp
Chief Executive Officer

Mr. C Snyman
Chief Financial Officer

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Directors

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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

20 May 2024

Johannesburg