

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

UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2024 AND CASH DIVIDEND DECLARATION

SALIENT FEATURES – CONTINUING(1) OPERATIONS

- Strong growth in profitability primarily driven by the performance of the Platforms segment.
- Targeted guidance updated to accommodate the inclusion of Altron Document Solutions (“ADS”) in continuing operations.
- R4.9 billion revenue, down 2%, impacted by the sale of the ATM Business(2).
- R905 million EBITDA, up 49%.
- R477 million operating profit, up over 100%.
- 79 cents HEPS, increased over 100%.
- 75 cents EPS, increased over 100%.
- Excluding ADS and the ATM Business(2), revenue grew 4%, EBITDA increased 23%, operating profit increased 29%, HEPS increased 50% and EPS increased 84%.

	CONTINUING(1) REPORTED				CONTINUING(1) EXCLUDING ADS AND THE ATM BUSINESS			
	H1 FY25	Previously published H1 FY24	Restated H1 FY24(3)	% Change(3)	H1 FY25(4)	H1 FY24(4)	% Change	
R million								
Revenue	4 868	4 321	4 951	(2%)	4 151	3 988	+4%	
EBITDA(5)	905	724	607	+49%	870	707	+23%	
Operating profit(5)	477	362	233	>100%	452	350	+29%	
Net profit after tax	298	155	70	>100%				
HEPS	79	50	28	>100%	72	48	+50%	
EPS	75	38	15	>100%	68	37	+84%	

Notes

- (1) Continuing operations include Netstar, Altron FinTech, Altron HealthTech, Altron Digital Business, Altron Security, ADS, Altron Arrow and excludes Altron Nexus.
- (2) The ATM Business of Altron Managed Solutions was sold effective 1 July 2023, with four months trading included in the comparative results.
- (3) ADS was previously reported as part of discontinued operations. For H1 FY25 ADS is reported as a continuing operation. H1 FY24 period has been restated for the classification of ADS as a continuing operation. The % changes have been calculated using the restated results.
- (4) To make comparisons more meaningful, continuing operations adjusted to exclude the ATM Business(2) and exclude ADS have also been presented.
- (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.

All growth rates quoted are year-on-year and refer to the six months ended 31 August 2024 compared to the six months ended 31 August 2023, unless stated otherwise.

SALIENT FEATURES – GROUP

- Focused execution on strategy delivered strong results in comparison to H1 FY24, which was negatively impacted by provisions and impairments raised.
- R5.1 billion revenue, down 6%, impacted by the sale of ATM Business(2) and a decrease in Altron Nexus’ revenue.

- R891 million EBITDA, up from R268 million.
- R463 million operating profit, improved from an operating loss of R118 million.
- 74 cents HEPS, increased over 100%.
- 70 cents EPS, increased over 100%.
- Interim dividend up 60% to 40 cents per share.

GROUP (INCLUDING DISCONTINUED OPERATIONS)

R million	H1 FY25	Previously published H1 FY24	Restated H1 FY24(3)	% Change(3)
Revenue	5 104	5 454	5 454	(6%)
EBITDA(5)	891	268	268	>100%
Operating profit(5)	463	(106)	(118)	>100%
Net profit after tax	276	(313)	(315)	>100%
HEPS	74 cents	(63) cents	(65) cents	>100%
EPS	70 cents	(86) cents	(87) cents	>100%
Dividend	40 cents	25 cents	25 cents	+60%

KEY BUSINESS HIGHLIGHTS

- Netstar continued its growth trajectory, growing connected devices 26% to 2.4 million, and increasing subscribers by 21% to 1.9 million. This translated to strong financial performance, with revenue growing 11%, EBITDA improving 34% and operating profit increasing 45%.
- Altron FinTech grew revenue 10%, EBITDA by 54% and operating profit by 63% driven by an increase in SME customers and the value of debit orders processed in the collections and payments business.
- ADS was reclassified as a continuing operation following a review of strategic options. ADS made a positive EBITDA contribution of R30 million, from an EBITDA loss of R123 million. H1 FY24 included R95 million of provisions raised.
- R330 million growth capital expenditure was invested, focused on Netstar, Altron FinTech, and systems and platforms.

Commenting on the results CEO Werner Kapp said “I am pleased with our overall financial results, evidencing strong growth in profitability and a 60% increase in our interim dividend. The leverage in our platform businesses led to excellent segmental performance as we continued to add scale. Our customer-centric focus and higher margin annuity revenue mix, are laying a strong foundation for future performance.”

DETAILED FINANCIAL OVERVIEW

As reported at the 29 February 2024 year-end results, the successful implementation of the profit improvement strategies and target operating models in Altron’s operations led to improved performance in the second half of the 2024 financial year. This positive momentum has continued into the 2025 financial year, resulting in a stronger performance in comparison to H1 FY24, which was negatively impacted by provisions and impairments.

Reported continuing operations revenue was down 2%, impacted by the sale of the ATM Business(2). EBITDA improved 49% to R905 million with operating profit growing over 100% to R477 million. Improvement in profitability was driven largely by the Platforms segment which delivered a 37% increase in EBITDA and a 47% increase in operating profit. HEPS increased to 79 cents from 28 cents, with EPS at 75 cents, up from 15 cents last year.

In management’s view, the most meaningful comparison is the performance of continuing operations, adjusted for the sale of the ATM Business(2) and excluding ADS. On this basis, revenue grew 4% to R4.2 billion. EBITDA improved 23% to R870 million, with operating profit growth of 29% to R452 million. HEPS increased to 72 cents from 48 cents, with EPS at 68 cents, up from 37 cents last year.

Group revenue was down 6%, impacted by the sale of the ATM Business(2) and a decrease in Altron Nexus’ revenue. EBITDA and operating profit increased over 100% to R891 million and R463 million,

respectively. The improved Group performance was supported by a reduction in the operating loss of Altron Nexus from R343 million to a loss of R14 million.

The Group remains cash-generative and well-capitalised, providing a robust foundation for executing its immediate strategic initiatives.

Segmental overview

In line with our strategy to become the leading platform and IT services business in our chosen markets, effective 1 March 2024, the Group reorganised into the following three operating segments:

- Platforms: Netstar, Altron FinTech, and Altron HealthTech.
- IT Services: Altron Digital Business, Altron Security and ADS.
- Distribution: Altron Arrow.

Altron Nexus will continue to be classified as held-for-sale in discontinued operations.

CONTINUING(1) REPORTED

R million	H1 FY25	Restated H1 FY24(3)	% Change(3)
REVENUE			
Platforms	1 943	1 761	+10%
IT Services	2 597	2 819	(8%)
Distribution	376	424	(11%)
Other	(48)	(53)	+9%
EBITDA(5)			
Platforms	776	568	+37%
IT Services	157	53	>100%
Distribution	35	38	(7%)
Other	(63)	(52)	(21%)
OPERATING PROFIT(5)			
Platforms	415	283	+47%
IT Services	120	3	>100%
Distribution	35	37	(5%)
Other	(93)	(90)	(3%)

Platforms

The Platforms segment grew revenue by 10% to R1.9 billion, with EBITDA growing 37% to R776 million and operating profit up 47% to R415 million.

- Netstar revenue improved 11% to R1.1 billion and EBITDA increased 34% to R489 million with a seven percentage point expansion in EBITDA margin. Operating profit increased 45% to R146 million with a three percentage point expansion in operating profit margin.
 - Netstar's growth in market share continued, increasing connected devices by 26% to 2.4 million, with the subscriber base growing 21% to 1.9 million. 255 000 gross subscribers were added, with 150 000 net subscriber additions.
 - Consumer subscribers grew 14%, with enterprise customers growing 21%. Churn increased slightly from 16% to 17%.
 - Operational efficiencies were improved through 10 additional fitment centre partnerships, which together with our expanded reach and our new Startag device, led to improved installation times and assisted in maintaining our contract fulfilment rate above 90%. Our continued focus on the conversion of pre-fitments ensured our conversion ratio was maintained above the targeted 60%, with the benefits of the higher conversion rate supporting growth in operating profit.

- The new fleet bureau positively impacted our enterprise business, which since its recent launch, added over 30 000 managed assets into the bureau, further expanding our managed service solution.
- Altron FinTech grew revenue 10% to R607 million off a high comparative base, supported by an increase in higher-margin annuity revenue from 69% to 82%. EBITDA increased 54% to R232 million, while operating profit increased 63% to R215 million. This strong performance was supported by a 33% growth in revenue in our collections and payments business. Sales efforts were concentrated on the SME market, growing the customer base by 17%, with an 18% increase in the value of debit orders processed.
- Altron HealthTech increased revenue 6% to R201 million, supported by 92% annuity revenue. EBITDA increased 4% to R55 million, after expensing a R15 million investment into its platform, up from R5 million last year. Operating profit grew 8% to R54 million. The corporate segment added 7 new logos and grew revenue 22%, supported by larger switching revenue and growth in occupational health. Despite adding 504 net new practice management customers, revenue growth within the practice management business was flat. We continue to see positive momentum in using our data to expand our service offerings, with our recently launched oncology solution which has grown its market share, adding 18 new oncology practices.

IT Services

The IT Services segment generated revenue of R2.6 billion, reflecting an 8% decrease, primarily due to the sale of the ATM Business(2). EBITDA improved from R53 million to R157 million and operating profit increased to R120 million, up from R3 million. Prior year performance was negatively impacted by a R95 million provision raised in ADS. Excluding ADS and the ATM Business(2), revenue increased 2% to R1.9 billion, EBITDA decreased 21% to R127 million, with operating profit down 22% to R100 million.

- The integration of Altron Systems Integration, Altron Karabina and Altron Managed Solutions into Altron Digital Business is progressing smoothly. Key appointments were made during the period and sales incentive plans were adjusted to align with company objectives. A solid foundation has been established for Altron Digital Business to focus on revenue growth, customer engagement and operational excellence. Leading indicators are positive, with the benefits of the integration targeted to be realised primarily in FY26. However, the profitability of Altron Digital Business was disappointing, negatively impacted by non-recurring project expenses relating to historic contracts that have now been closed, and three material project delays that have subsequently commenced in the second half. In addition, two large customers reduced spend. Excluding the ATM Business(2), revenue grew 5% to R1.6 billion as we started to see the early benefits of our integrated sales model, however, EBITDA decreased 42% to R47 million compared to R81 million last year, with operating profit down 46% to R34 million.
- Altron Security experienced a 12% decline in revenue to R247 million. This decrease was attributed to capex constraints at a large customer and a change in the revenue mix between agency and principal revenue. The corrective actions implemented last year are having a positive impact, shifting revenue to higher annuity business, with annuity revenue growing from 69% to 84%. Despite the decline in revenue, gross margin expanded seven percentage points. EBITDA remained stable at R80 million, with EBITDA margin expanding 4 percentage points and operating profit increasing 1% to R66 million.
- ADS was reclassified from a discontinued operation to a continuing operation during the period, after considering the strategic alternatives for the business, including purchase offers received. Its profit improvement strategy is showing positive results but is early on in its implementation. With a secure future in Altron, engagements with clients on long-term material contracts are now possible. Revenue increased 11% to R731 million, supported by new logos and an increase in public sector contracting. The business turned EBITDA positive, generating R30 million with an operating profit of R20 million.

Distribution

Altron Arrow reported revenue of R376 million, down 11%. As previously guided, the electronic component distribution industry is entering a global cyclical downturn to pre-COVID levels, which is anticipated to affect performance this financial year. Despite a contraction in the market of 5.7%, we estimate our market share has increased by over 3 percentage points. Our emphasis on innovative revenue, has supported gross margin, which expanded 1 percentage point. Additionally, Arrow launched its Inventory Management-as-a-Service offering towards the end of the period, which is targeted to grow annuity revenue. EBITDA decreased 7% to R35 million with operating profit down 5% to R35 million. However, EBITDA and operating profit margins were stable at 9%, in line with guidance.

Discontinued operations

Altron Nexus is now only a critical communications business. It is progressing with its profit improvement strategy, under a new management team appointed last year. Altron Nexus delivered revenue of R236 million compared to R463 million last year. EBITDA and operating profit improved from a loss of R332 million and R343 million respectively, to a loss of R14 million. A focus on working capital led to a R35 million improvement.

Capital structure and working capital

The Group continued to generate strong operating cash flows of R712 million, with net cash of R646 million on hand at 31 August 2024.

Working capital increased R144 million to R1.6 billion, reflecting the growth in the business, particularly in the Platforms segment.

The Group invested R359 million in capital expenditures, of which R330 million supported growth initiatives. This includes R211 million investment in Netstar's capital rental devices and a R65 million investment in systems and platforms to support growth.

INTERIM DIVIDEND

The Board approved a 60% increase in the interim dividend to 40.00 cents per share (32.00 cents net of 20% dividend withholding tax) for the six months ended 31 August 2024. This dividend will be payable to shareholders registered with the Company as of the close of business on the record date listed below.

The Board confirmed 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 411 392 173 including 31 384 273 treasury shares.

The key dates related to the interim dividend are as follows:

Dividend Dates	2024
Last day to trade cum dividend	Tuesday, 19 November
Commence trading ex-dividend	Wednesday, 20 November
Record date	Friday, 22 November
Interim Dividend Payment date	Monday, 25 November

Share certificates may not be dematerialised or re-materialised between Wednesday, 20 November 2024 and Friday, 22 November 2024, both days inclusive.

OUTLOOK

Commenting on the outlook, CEO Werner Kapp said, "Altron continues to execute on its strategy to become the leading platform and IT services business in its chosen markets. Despite the tough

economic conditions, we have demonstrated our resilience through our customer obsession and innovative solutions, high annuity income base, and focus on execution. We remain on track to achieve our medium-term targets of +19% operating margin in our Platforms segment and +7% in our IT Services segment. With the inclusion of ADS in continuing operations, together with its successful profit improvement strategy, we have increased our operating profit target for continuing operations to R1.15 billion by FY26.”

INTERIM RESULTS PRESENTATION

An investor presentation will be hosted virtually via webcast at 9:30am CAT on 4 November 2024, to present the Group’s financial results for the six months ended 31 August 2024. Registration to attend the webcast can be accessed via the following link:(<https://78449.themediaframe.com/links/altron241104.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 have not been reviewed or reported on by the Company’s external auditors and 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.

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/2024/jse/isse/aele/Interim.pdf> and on our website at: <https://www.altron.com>.

For and on behalf of the Board.

Mr. S van Graan
Chairman

Mr. W Kapp
Group Chief Executive

Mr. C Snyman
Chief Financial Officer

1 November 2024

Registered Office: Altron Campus, 20 Woodlands Drive, Woodlands Office Park, Woodmead, Gauteng

JSE Equity Sponsor: Investec Bank Limited

Transfer Secretaries: Computershare Investor Services Proprietary Limited

Directors

Mr. SW van Graan (Chairman)#, Mr. WG Kapp (Chief Executive Officer)*, Mr. C Snyman (Chief Financial Officer)*, Mr. GG Gelink#, Dr. P Mnganga#, Ms. S Rapeti#, Ms. AK Sithebe#, Mr. G Kouteris#, Mr. TR Ngara, Mr. A Ball, Mr. BW Dawson.

*Executive Director

Independent Non-Executive Director

Group Company Secretary
Ms M Ngcobo

4 November 2024