

Metrofile

Group

Results for the year ended 30 June 2019

Pfungwa Serima / Shivan Mansingh
10 September 2019



Agenda

Welcome and introduction

Pfungwa Serima

Progress update on key priorities

Pfungwa Serima

Strategy update

Pfungwa Serima

Financial and operational results

Shivan Mansingh

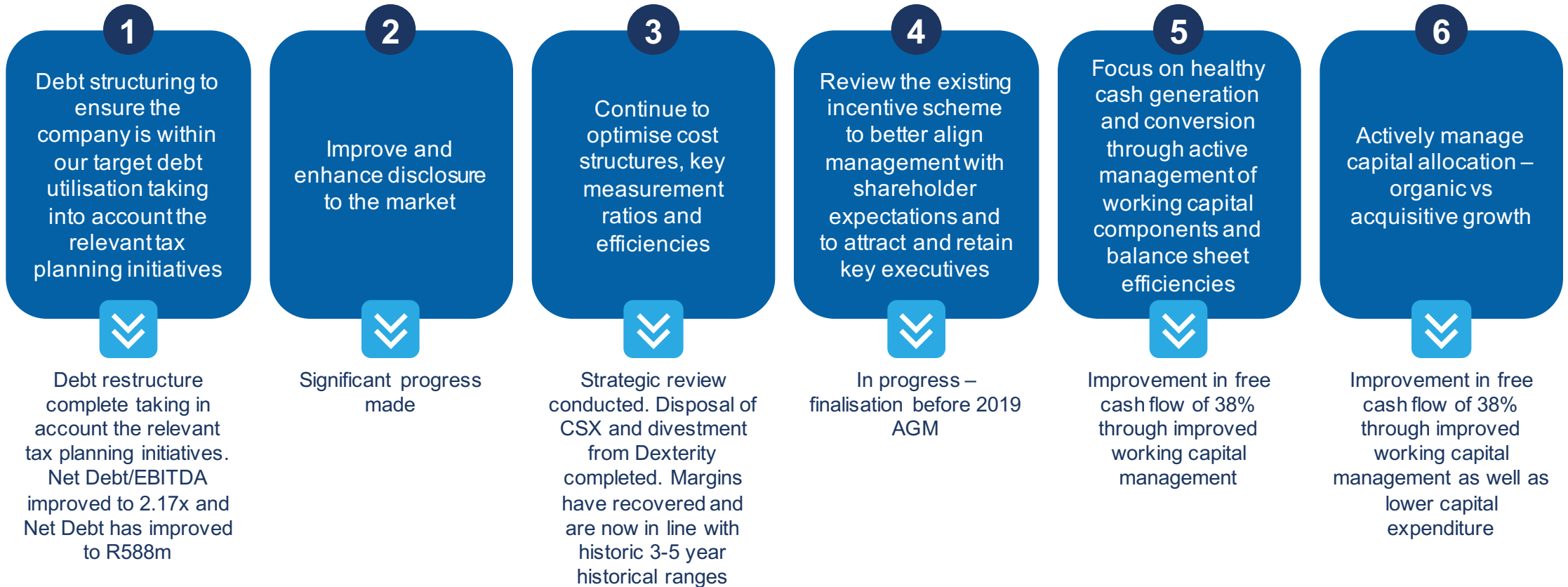
Key priorities for FY2020

Shivan Mansingh

Outlook

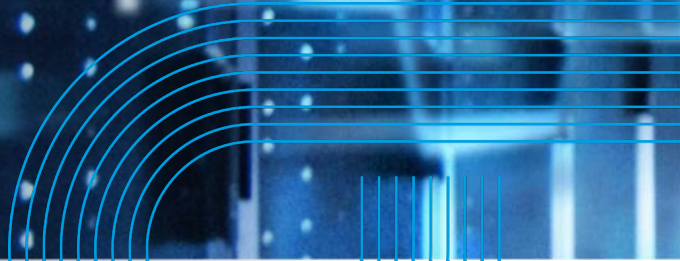
Pfungwa Serima

Progress update on key priorities

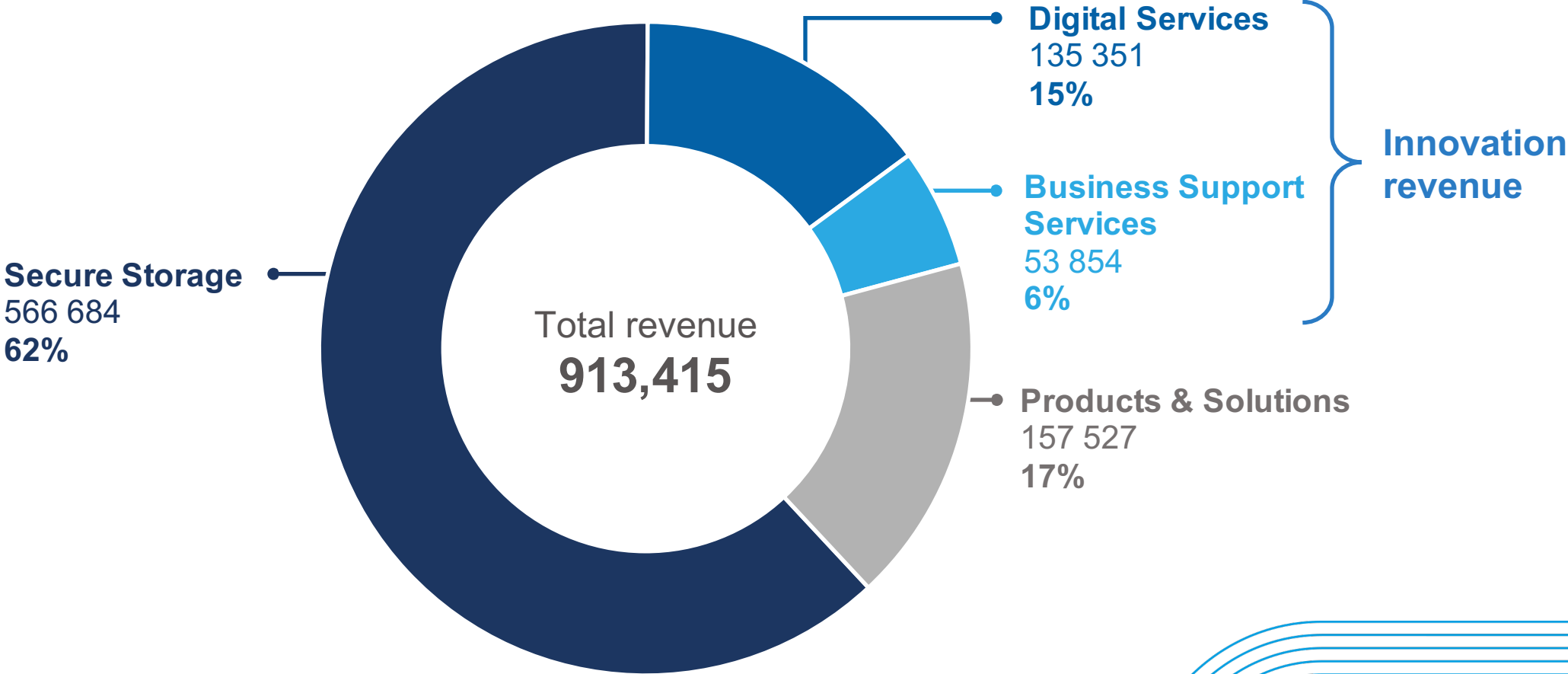




Strategy update



Revenue drivers – FY19 (R'000)





Protecting the base – Secure Storage



CURRENT PORTFOLIO

- Secure Storage
- Storage related services
- Vault
- Destructions



STATUS AND PROJECTION

- Fully monetised
- Projected to continue net volume growth over the next 5 years



RESPONSE PLAN

- Cost reduction through automation
- Reduce labour costs – increase productivity
- Lock in high margins in Rest of Africa



INVESTMENT REQUIREMENTS

- Normal replacement and growth capex
- Evaluate lift and shift warehouse strategy
- Automation on a case-by-case basis



KEY METRICS

- Maintain and improve margins over the short to medium term
- Recurring revenue >80%
- Carefully consider capital allocation going forward

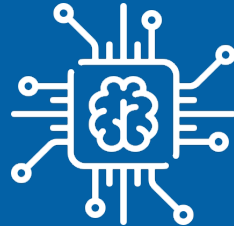
Metrofile digital offerings



**LOB and
industry
solutions**



**Business
Continuity
as a service**



**Disaster
recovery
as a service**



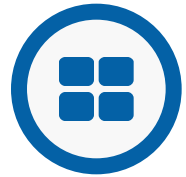
**Data
protection
services**



**Document
imaging**

**Powered by set of emerging technologies –
BlockChain, AI, Robotics, and many more**

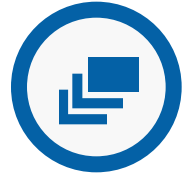
Line of business solutions landscape



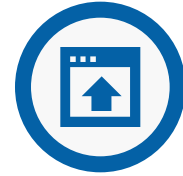
KYC – outsourced / insourced / software delivered



Verification reporting



Data capturing, enrichment (using robotics) and verification services



Document imaging



Contract management



A variety of solutions specific for banks



HR document management



Turnkey digitisation of building plans

Comprehensive business support services



Business continuity as a service

- Risk assessment services
- Business continuity strategy and review services
- Business continuity management platform



Disaster recovery as a service

- Work area recovery
- Online backup and recovery services



Data protection services

- Secure file archive services
- Blockchain based notarisisation services
- Cyber security services



Industry solutions

- Financial services
- Public sector



Plan of action



Drive growth through conversion of delivered projects into saleable assets



Thought leadership in use of emerging technologies to drive value



Co-innovate with customers



Be the trusted advisor for implementation of regulatory instruments (POPIA, GDPR)



Cement strategic partnership with leading technology providers



Where applicable, drive growth through selected acquisitions



Financial and operational results

Financial results salient features – FY2019

Revenue up 5% to

 **R913m**

EBITDA maintained at

 **R271m**

HEPS down 29% to

 **20.5c**

NHEPS down 14% to

 **27.2c**

Free cash flow up 38%

 **R119m**

DPS down 52% to

 **10c**

Net debt improved by 4% to

 **R588m**

Income statement

For the 12 months ended 30 June 2019

	Jun 2019 R'000	Jun 2018 R'000	% change
Continuing operations			
Revenue	913 415	873 531	5%
EBITDA	271 173	271 689	0%
Operating profit	223 734	230 463	(3%)
Extraordinary items*	(73 273)	(7 903)	(+100%)
Net finance costs	(69 375)	(46 241)	(50%)
Profit before taxation	81 085	176 319	(54%)
Taxation	(55 342)	(50 185)	(10%)
Profit after tax	25 743	126 134	(80%)
Loss for the year from discontinued operations	(30 301)	(2 280)	(+100%)
EBITDA %	30%	31%	(1%)
Operating profit %	24%	26%	(2%)
Tax rate	68%	28%	(40%)
NHEPS (cents)	27,2	31,8	(14%)
HEPS (cents)	20,5	28,9	(29%)

Key features

- Revenue from continuing operations increased by 5% as a result of net box volume growth of 5% and the inclusion of prior year acquisitions for the full 12 months
- EBITDA maintained and an improvement from 1HFY19 to 2HFY19 due to improved cost control and improved trading
- Secure Storage contributed 62% to Group revenue and was up 9% year-on-year, Digital Services contributed 15% and was 1% down year-on-year
- Products and Solutions and Business Support Services contributed 17% and 6% respectively to Group revenue, these revenue streams decreased 4% and 1% respectively.

* Extraordinary items relate to impairments, retrenchment and restructuring costs for FY19 and acquisition related costs and profit on sale of subsidiary for FY18

Statement of financial position

For the 12 months ended 30 June 2019

Assets

Property
Plant and equipment
Goodwill and intangibles
Vendor consideration
Trade and other receivables
Bank balances
Other assets

Total Assets

Liabilities

Total equity
Interest bearing borrowings
Bank overdraft
Trade and other payables
Deferred tax and other liabilities

Total equity and liabilities

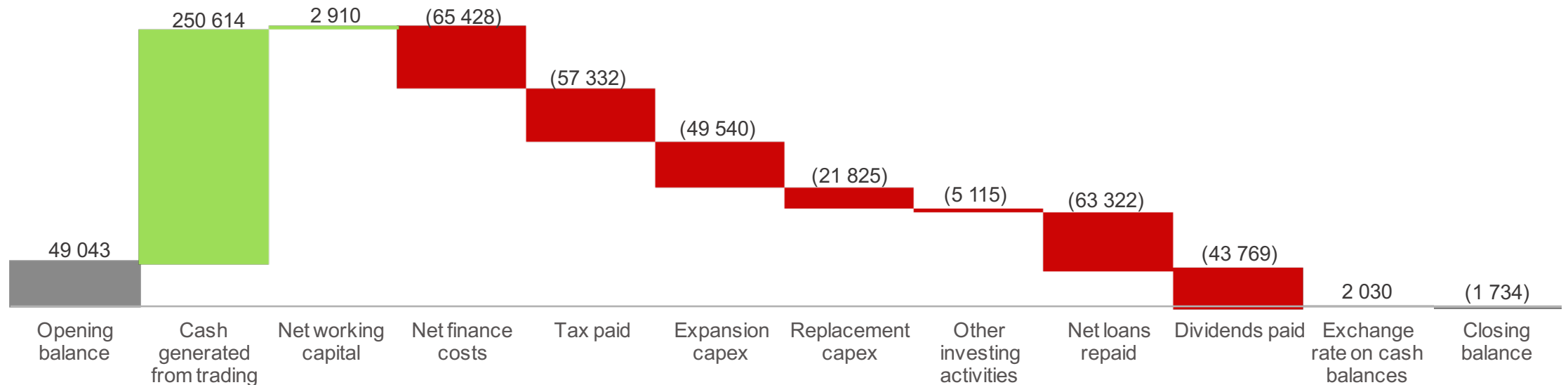
Jun 2019 R'000	Jun 2018 R'000
356 764	359 213
224 349	230 605
496 182	544 073
14 032	-
226 586	213 861
34 983	52 331
22 622	55 974
1 375 518	1 456 057
Jun 2019 R'000	Jun 2018 R'000
561 830	621 853
600 434	663 852
36 717	3 288
109 750	101 765
66 787	65 299
1 375 518	1 456 057

Key features

- Reduction in net debt to R588 million of 4% (FY2018: R615 million). Net debt is net of loan receivable
- CSX sold effective 30 June 2019 for R14 million
- Group debt successfully restructured and refinanced, resulting in an efficient debt structure
- Better working capital and cost controls together with cash saving from the optional cash/scrip dividend expected to further reduce debt over time to a target of under 1,75 times EBITDA

Cash flow

For the 12 months ended 30 June 2019

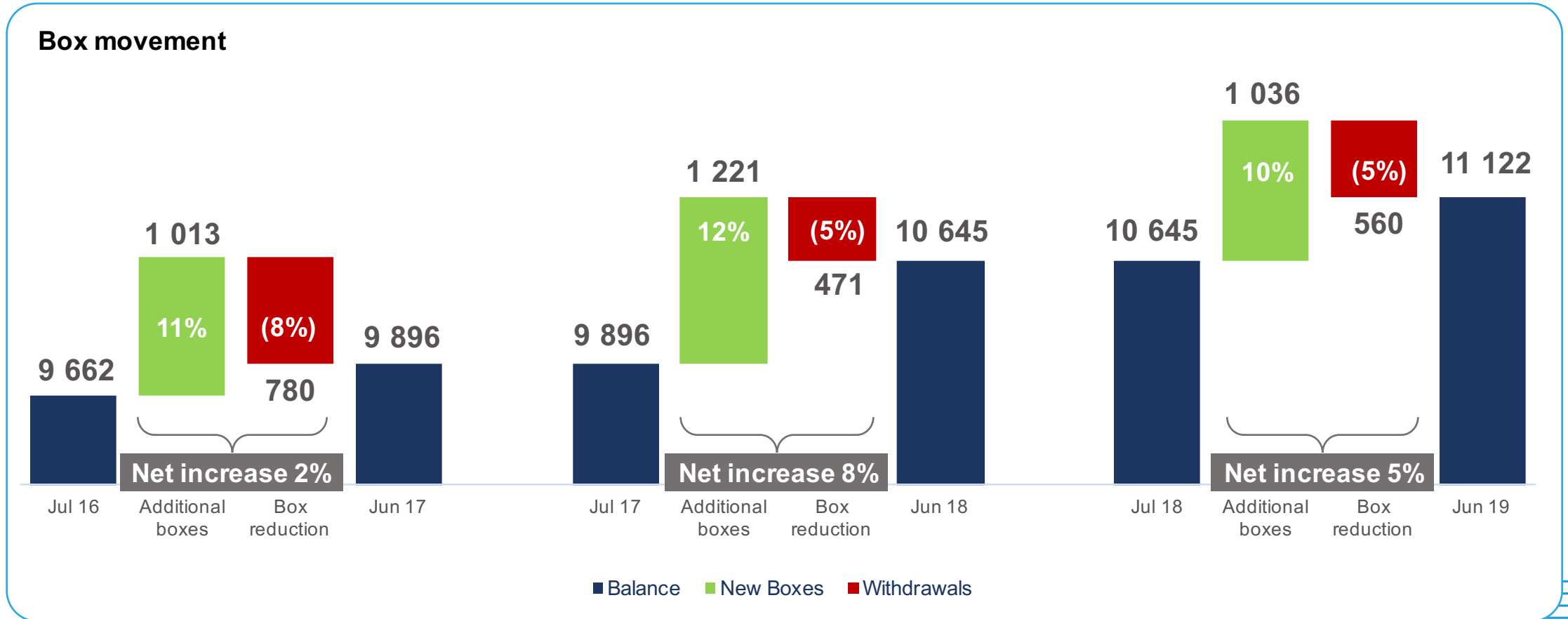


- Improvement in operating cash conversion ratio to 93% (FY18: 85%) as a result of improved working capital management
- Improvement in free cash flow of 38% to R119 million (FY18: R86 million) as a result of improved working capital management and lower capex
- Net debt reduced by 4% to R588 million

Free cash flow – cash generated from trading plus net working capital changes less tax paid (excluding interest impact) less capex
 Operating cash conversion ratio – EBITDA divided by (cash generated from trading plus net working capital)

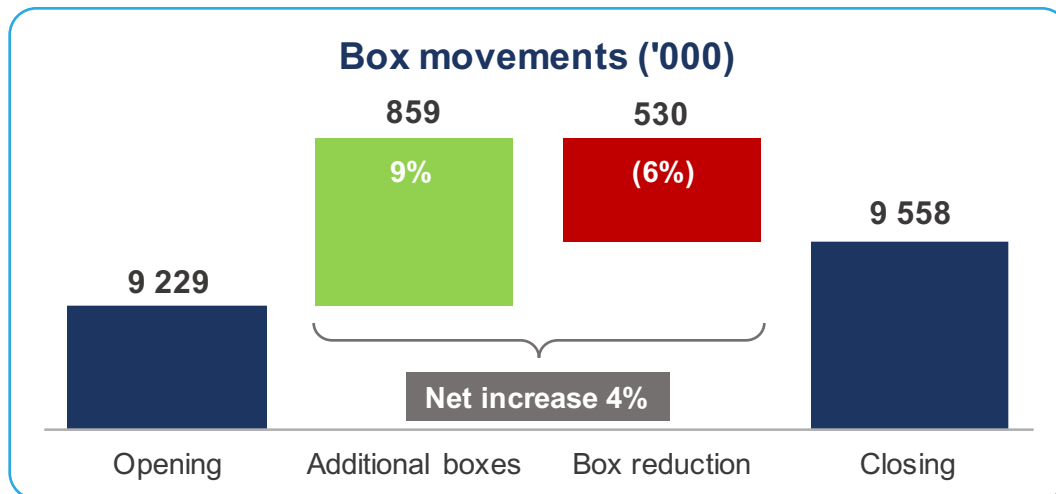
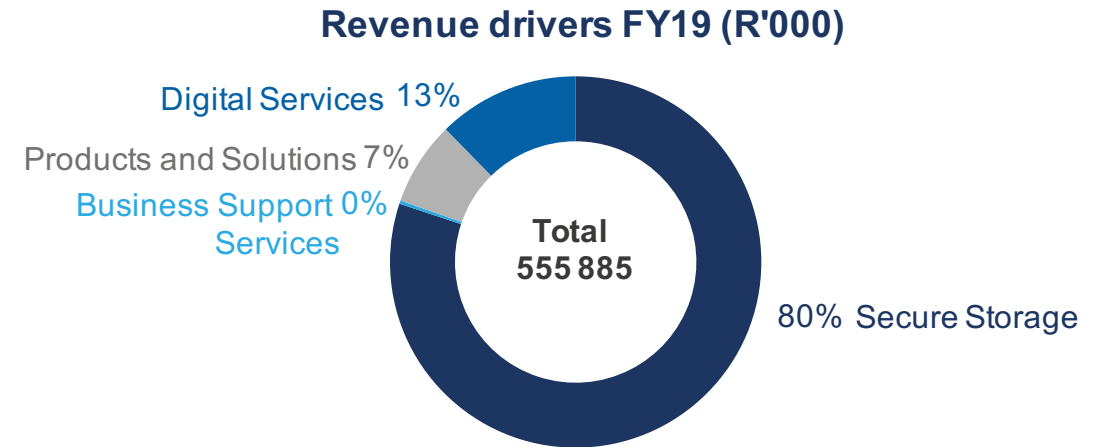
Metrofile Group – historical box movements

Group box movements ('000)



Divisional analysis: MRM South Africa

	June 2019	June 2018
Revenue	555 885	550 024
Operating profit	204 165	222 187
EBITDA	233 652	246 507
Operating profit margin	36.7%	40.4%
EBITDA Margin	42.0%	44.8%

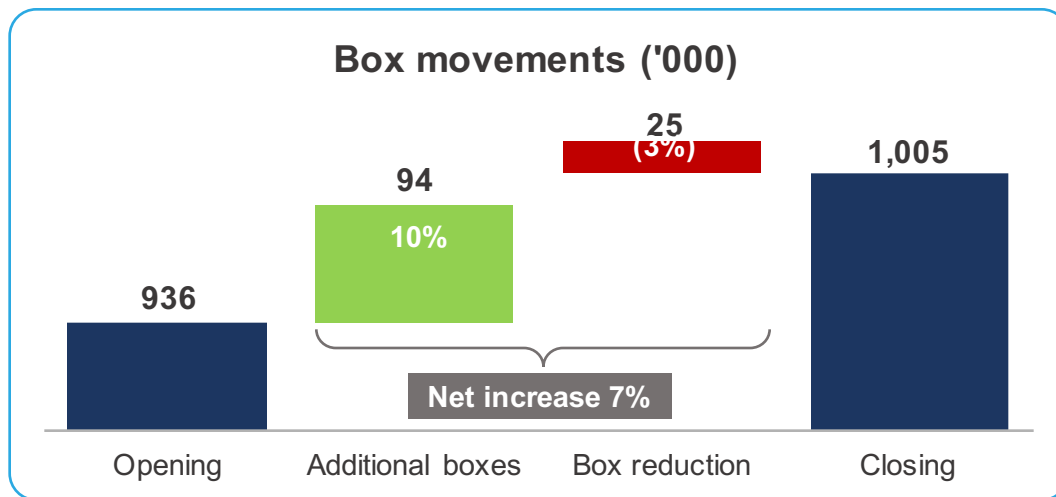
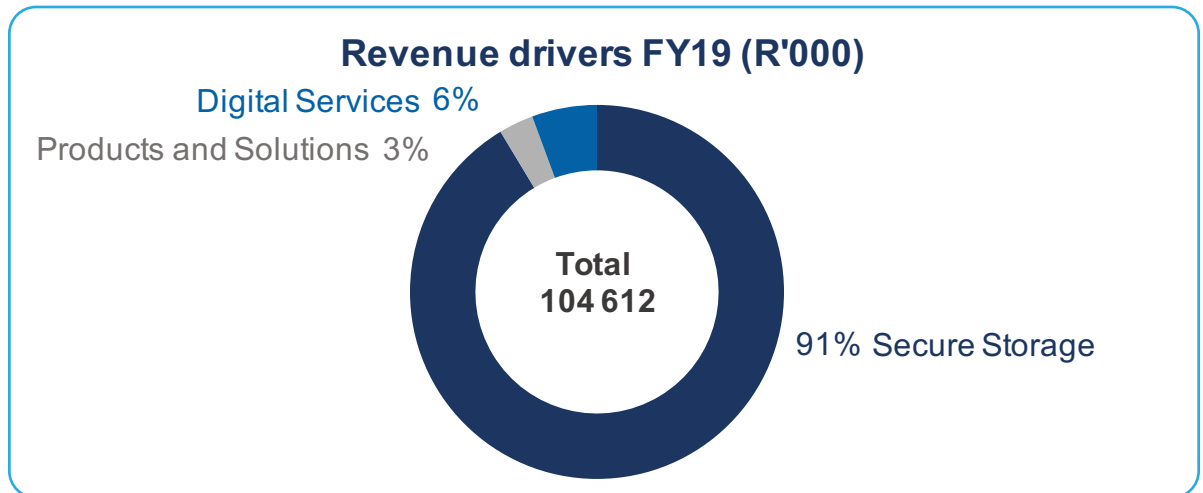


Comments:

- Revenue marginally increased at R556 million (FY2018: R550 million) despite an improvement of 4% in net box volume growth. Net box volume growth is expected to increase in FY2020
- Decrease in revenue from digital services, specifically image processing, which resulted from external project delays as well as the tough economic environment. The operationalisation of the improved digital services pipeline is expected to be realised in the new financial year
- Operating profit declined by 8% to R204 million (FY2018: R222 million) as a result of the inflationary impact on the mostly fixed cost base, as well as an increase in depreciation

Divisional analysis: MRM Rest of Africa

	June 2019	June 2018
Revenue	104 612	68 740
Operating profit	34 539	18 976
EBITDA	39 249	22 116
Operating profit margin	33.0%	27.6%
EBITDA margin	37.5%	32.2%



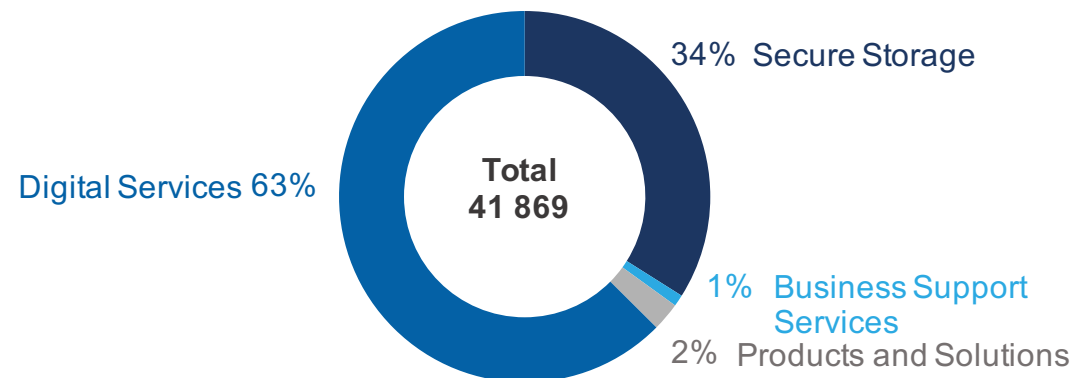
Comments:

- Operations in Botswana, Kenya, Mozambique, Nigeria and Zambia.
- Overall trading environment was positive and revenue increased by 52% as a result of an improvement in net box volume growth of 7% and the inclusion of prior year acquisition for the full 12 months
- Operating profit was also positively impacted by improved trading conditions as an increase of 82% to R35 million (FY2018: R19 million) was achieved
- Net box volume growth is expected to increase going forward as the foundation to participate in the greater East African region is currently being established

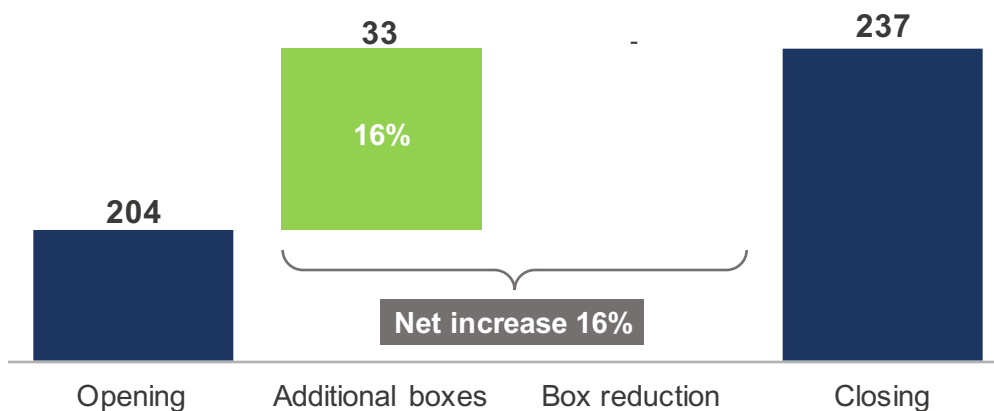
Divisional analysis: MRM Middle East

	June 2019	June 2018
Revenue	41 869	40 824
Operating profit	(8 286)	(8 827)
EBITDA	(5 602)	(5 988)
Operating profit margin	(19.8%)	(21.6%)
EBITDA margin	(13.4%)	(14.7%)

Revenue drivers FY19 (R'000)



Box movements ('000)

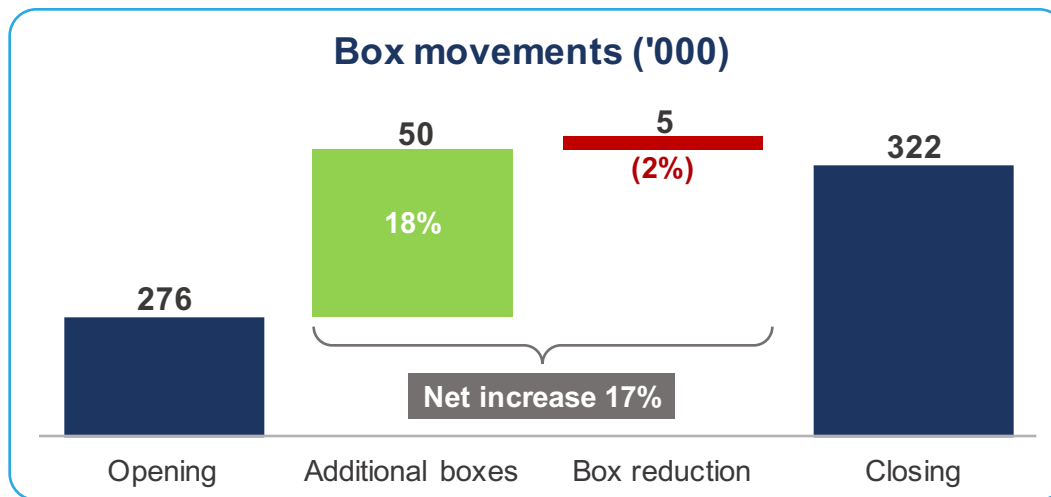
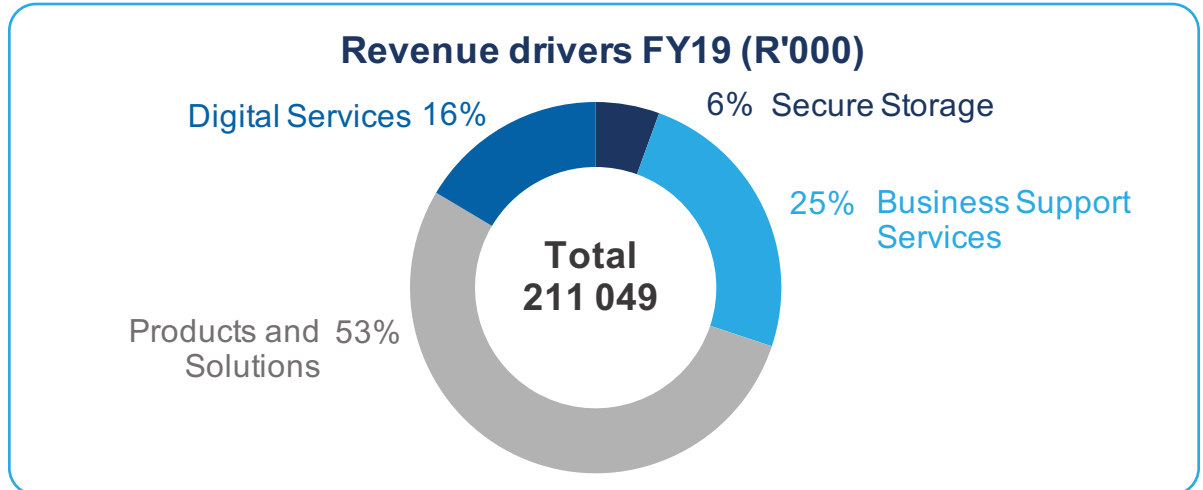


Comments:

- Operations in Egypt and the United Arab Emirates
- Trading conditions have been tough, particularly in Egypt as revenue improved by 3%
- Net box volume growth increased by 16%, however, this was offset by a significant reduction in digital services, particularly image processing.
- The operating loss marginally improved to R8 million (FY2018: R9 million)
- Operation is currently under review

Divisional analysis: Products and Services

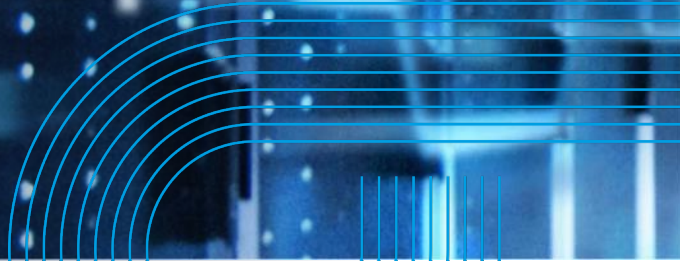
	June 2019	June 2018
Revenue	211 049	213 942
Operating profit	19 338	22 677
EBITDA	29 707	33 415
Operating profit margin	9.2%	10.6%
EBITDA margin	14.1%	15.6%



- Comments:**
- Products and Services consists of Tidy Files, Cleardata and Global Continuity
 - Trading conditions in South Africa and the operational market of Product and Services has been challenging. Revenue decreased by 1% to R211 million (FY2018: R214 million)
 - Operating profit declined 5% to R19 million (FY2018: R23 million) as a result of the inflationary impact on the cost base
 - Through the existing pipeline and introduction of a new product range, performance is expected to improve in the next financial year

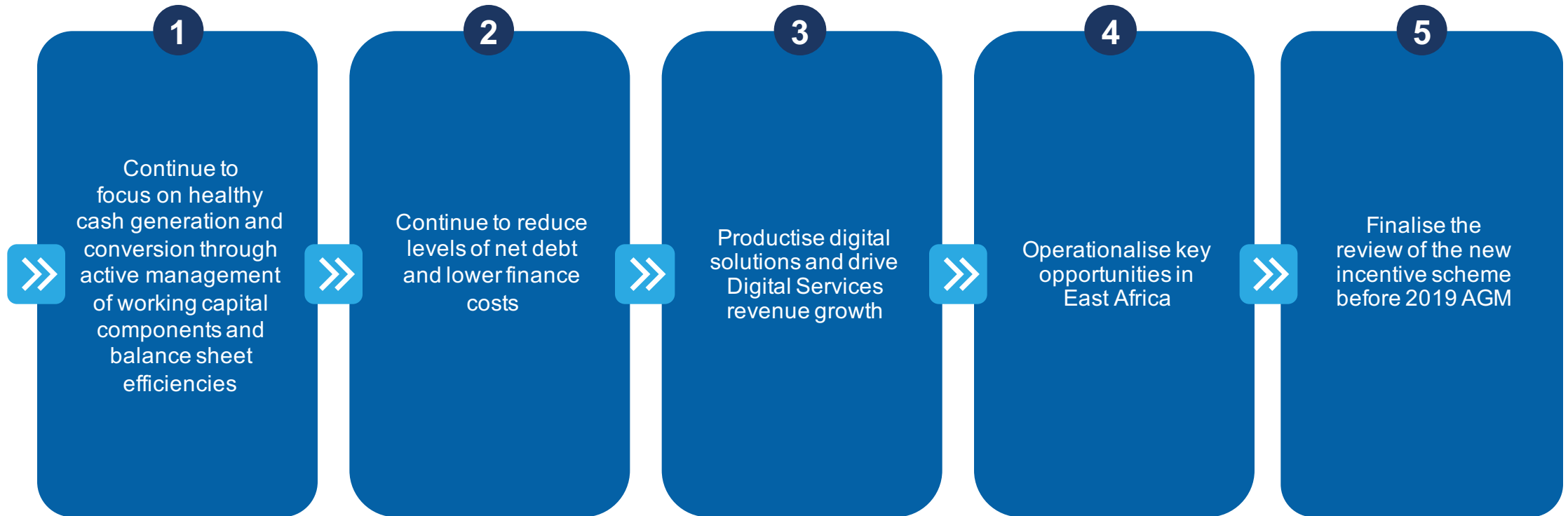


Key priorities for FY2020



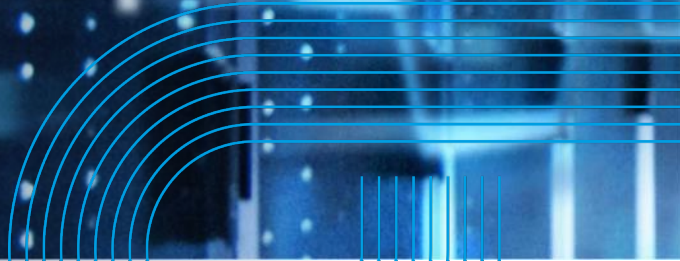


2020 focus areas





Outlook





Outlook

- The **positive effects** of the strategic review and restructuring were evident especially in the second half of the year
- These are expected to continue to **positively impact** the performance of the Group in the new financial year
- While **challenging trading conditions** are expected to persist, the Group remains optimistic as net box volume growth is anticipated throughout the various regions
- **Growth** is further expected from our digital offerings driven primarily by existing and new solutions we will bring to the market

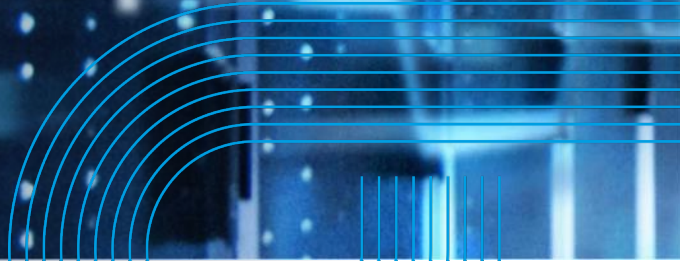


THANK YOU

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Annexures: Case studies for existing Digital Services



Digital: Archiving of 3D spatial data for municipality

Customer's challenge

- E-government strategy to provide innovative government services
- Implement integrated plans for commercial, government, residential and agricultural buildings and projects with three-dimensional electronic models that mimic the reality
- Produce three-dimensional spatial data
 - 500,106 files constantly requested for construction transactions; service to be provided quickly and accurately
 - 106,500 files from 1976: 48,659 of which had no project numbers

Our solution

- Electronic archiving of the files
- Linking these plans with the spatial component
- Providing all information in one screen accurately and quickly
- Latest innovations and technology, eg drones to photograph exterior building facades and overlaying them on digital 3D models
- Vehicle-borne terrestrial LiDAR survey techniques to accurately capture characteristics of buildings in the field (such as dimensions and specifications); features such as roads, bridges, tunnels, power transmission lines, and survey of desert areas for urban planning purposes

Client benefits

1. Confidentiality and security of information, preventing tampering and damage
2. Saved time and effort while allowing access to the files by several employees in different departments simultaneously
3. Easy searchability

Digital: Financial Services

Launch pad for a paperless environment underpinned by business intelligence, speed to market, client satisfaction and effective collateral management

Customer's challenge

- Significant amount of physical records requiring stringent adherence to industry regulations
- Inefficiencies in process, control, accuracy and collation
- Records in multiple departments with high level of duplication
- Complex system of paper-based information with high risk of fraudulent activity
- Multiple internal and external service providers with attendant costs

Our solution

- Integrated electronic filing system across multiple departments and divisions
- Management of entire document control process from generation to destruction, creating files from first document received
- Highly advanced tracking capability - impossible to lose documents
- Single electronic platform access for credit communications, including barcoding, tracking and seamless integration into client systems



Digital: Financial Services

Launch pad for a paperless environment underpinned by business intelligence, speed to market, client satisfaction and effective collateral management

Client benefits

- Significant cost savings
- More accurate customer intelligence
- Creation of a platform for a true paperless environment
- Mitigation of risks associated with complex processes
- Streamlined costs and maximum efficiencies, while ensuring accuracy and security of valuable documents
- Documents processed immediately, reducing risk of loss of information; instantly highlighting missing information
- Removing physical documents and freeing up valuable space
- Facilitating all required checks and balances on documents, ensuring legislative compliance
- Automatic prompts for necessary actions during document lifecycle, reducing redundant and incomplete files

Consolidation:

- Decreasing active files by 40%
- Reducing documentation process to 24 hours, surpassing all previous benchmarks
- Reducing distribution of default letters by 62,5%
- Multiple indexing delivered seamless document retrieval
- More efficient credit communications resulted in increased customer payments
- Tracking capability led to 13% decline in errors within fiduciary function

Digital: Electronic credit management

Customer's challenge

- Loss of money when debtors default on credit agreement
- Proof of requisite communication for legal proceedings
- Compliance with the National Credit Act

Our solution

- Management system to assist with creation, distribution and tracking of credit management communication
- Accurate communication tracking and retrieval when defaults escalate to legal proceedings
- Compliance with the National Credit Act assured
- All electronic and physical communication linked and directly integrated into the client system per customer file
- All communication electronically barcoded on generation and linked to a postal distribution sheet
- Entire process tracked and linked
- Processing hub can process thousands of letters per day and provide proof and confirmation within 24 hours of distribution

The result

1. Integrated electronic system with easy accessibility
2. Accurate tracking
3. Compliance with National Credit Act



Digital: HR file management

Cost savings and process automation

Customer's challenge

- Manual, cost and time consuming paper based onboarding
- Procedural and legal compliance related to employee management lacking audit trail
- Incomplete employee information
- Inefficient access to records

Our solution

- Cloud based e-Tracker providing single client interface for managing onboarding and compliance and adherence to taxonomy, business rules and legislative requirement
- Full audit trail on physical and digital records, assuring record compliance
- Direct integration into ERP/CRM/payroll with automated event notifications, training, certification renewals, etc.
- Paperless drag-and-drop process for ongoing management of employee records
- Enforced taxonomy and continuity across multiple platforms
- Active filing, storage and tracking in secure vaults of physical records
- Automated digital communication distribution and interfiling

The result

1. Integrated electronic system with easy accessibility anywhere, anytime
2. Accurate tracking, collation management and compliance assurance
3. Significant cost, time and resource savings across organisation

Digital: E-Tracker platform

Robotics processing eliminates inefficiencies

Customer's challenge

- Time consuming data capturing of a large volume of information resulting in delayed delivery of regular tasks

Our solution

- e-Tracker platform, specialist staff and the use of Robotics Process Automation
- Direct integration with client information systems to expedite creation and filing of information
- Preparation and validation
- Barcoding of physical content and digital content
- Imaging, document identification, separation and searchability through hardware based OCR
- Content linked via robotics and indexed into e-Tracker platform, eliminating human error
- Additional business intelligence provided to client confirming any missing information

The result

1. Single platform for electronic search and retrieval of documents
2. 24/7 robotics processing eliminates inefficiencies and human error while providing detailed and accurate reporting
3. Efficient tracking and accessibility of files via cloud based platform
4. Thousands of documents can be processed daily providing proof and confirmation to customers
5. Cost savings

Digital: Financial Services

+15 processes digitised, creating structure and predictable business imperatives

Customer's challenge

- High volume of unstructured correspondence, and reliance on manual paper driven process impacting turnaround times
- Need to differentiate from competitors
- Multiple internal users receiving multiple client correspondence items, resulting in cumbersome administration and risk of using incorrect or outdated information
- Lack of verification of correspondence and FICA documents
- High printing costs
- Duplication of processes

Our solution

- Digital roadmap for over 15 processes, prioritising digitisation of business critical correspondence
- Platform to build processes less reliant on paper documents
- Scanned over 6 million pages and stored in Metrofile's proprietary Electronic Document Management application, DataSTOR
- 14 years later: ~5 terabytes encrypted, stored data

The result

1. Secure, auditable processes
2. Realised ROI within 6 months
3. Effective and efficient administrative processes, allowing for predictable client SLAs
4. Basic principle of completeness has positive impacts on operational and legal compliance



Disclaimer

Certain statements made in this presentation constitute forward-looking statements. Forward-looking statements are typically identified by the use of forward-looking terminology such as ‘believes’, ‘expects’, ‘may’, ‘will’, ‘could’, ‘should’, ‘intends’, ‘estimates’, ‘plans’, ‘assumes’ or ‘anticipates’ or the negative thereof or other variations thereon or comparable terminology, or by discussions of, e.g. future plans, present or future events, or strategy that involve risks & uncertainties. Such forward-looking statements are subject to a number of risks & uncertainties, many of which are beyond the company's control & all of which are based on the company's current beliefs & expectations about future events. Such statements are based on current expectations &, by their nature, are subject to a number of risks & uncertainties that could cause actual results & performance to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statement. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks & uncertainties facing the company & its subsidiaries. The forward-looking statements contained in this presentation speak only as of the date of this presentation. The company undertakes no duty to, & will not necessarily, update any of them in light of new information or future events, except to the extent required by applicable law or regulation.

The forward-looking statements contained in this presentation have not been reviewed and reported on by our external auditors.



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