# Metrofile Group

**UNAUDITED SUMMARISED GROUP RESULTS** 

EBITDA

for the six months ended 31 December 2017

## Revenue

**▲**R456,1m (2016: R380,7 million)

Summarised consolidate	dinc	ome statei	ment	
R'000		Unaudited six months ended 31 Dec 2017	Unaudited six months ended 31 Dec 2016	Audited 12 months ended 30 Jun 2017
Revenue		456 050	380 651	769 239
Earnings before interest, taxation, depreciation and amortisation (EBITDA) Depreciation		127 573 (20 376)	127 456 (17 556)	247 329 (34 917)
<b>Operating profit before finance costs</b> Net finance costs		107 197 (15 781)	109 900 (8 882)	212 412 (18 056)
Finance income Finance costs		825 (16 606)	1 791 (10 673)	3 649 (21 705)
Profit on disposal of business		12 544	-	-
Profit before taxation Taxation		103 960 (25 975)	101 018 (27 610)	194 356 (54 979)
Profit for the period		77 985	73 408	139 377
Attributable to: Owners of the parent Non-controlling interests		77 474 511	70 777 2 631	135 019 4 358
Profit for the period		77 985	73 408	139 377
Further information Number of ordinary shares in issue (the	ousands)	416 164	422 846	421 103
Weighted average number of ordinary shares in issue (the	ousands)	417 233	424 994	425 954
Basic earnings per ordinary share Basic earnings per ordinary share	(cents)	18,6	16,7	31,8
Diluted earnings per ordinary share Diluted earnings per ordinary share	(cents)	18,6	16,7	31,8
Headline earnings per ordinary share Headline earnings per ordinary share	(cents)	15,6	16,7	31,8
Dividend per ordinary share Interim dividend per ordinary share – proposed/paid Final dividend per ordinary share – proposed/paid	(cents) (cents)	13,0	13,0	13,0 17,0

## Summarised consolidated statement of cash flows

R'000	Unaudited 12 months ended 31 Dec 2017	Unaudited 12 months ended 31 Dec 2016	Audited 12 months ended 30 Jun 2017
Cash generated from operations before net working capital changes (Increase)/decrease in net working capital	129 101 (9 473)	129 994 8 477	251 620 24 568
Cash generated from operations Net finance costs paid Normal taxation paid	119 628 (15 781) (31 595)	138 471 (8 882) (33 231)	276 188 (18 056) (60 191)
Net cash inflow from operating activities Net cash outflow from investing activities: Investment in property: expansion Investment in plant and equipment: expansion Investment in plant and equipment: replacement Proceeds on disposal of property, plant and equipment Translation of foreign fixed assets Investment in associate and joint venture	72 252 (23 266) (21 895) (6 027) 479 450 (1 500)	96 358 (24 305) (15 252) (1 707) 352 -	197 941 (37 669) (36 398) (5 832) 1 326 1 827 (7 259)
Proceeds on disposal of business Acquisition of business Net cash inflow/(outflow) from financing activities: Issue of shares Purchase of treasury shares Dividends paid Loans repaid Loans drawn down	(1 800) 12 545 (77 862) - (19 937) (71 214) (2 244) 129 515	- (11 009) (80 823) (16 733) 75 000	(* 203) - - 39 234 (58 732) (135 900) (34 317) 75 000
Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at the beginning of the period	(8 704) 24 593	21 881 25 372	(779) 25 372
Cash and cash equivalents at the end of the period	15 889	47 253	24 593
Represented by: Bank balances Bank overdrafts	31 505 (15 616)	48 170 (917)	27 866 (3 273)

Summarised consolidated	sta	tement of	financial p	osition
		Unaudited	Unaudited	Audite
		six months	six months	12 month
		ended	ended	ende
R'000 No	otes	31 Dec 2017	31 Dec 2016	30 Jun 201
ASSETS				
Non-current assets		878 588	743 913	769 06
Property	1	341 069	304 439	317 80
Plant and equipment		229 590	214 727	220 30
Goodwill		287 963	217 177	216 93
Intangible assets		-	1 770	
Investment in unlisted associates		8 796	449	7 73
Long-term receivable		2 528	525	37
Deferred tax asset		8 642	4 826	5 90
Current assets		251 957	236 125	212 00
Inventories		27 267	18 805	19 06
Trade receivables		155 508	126 702	134 58
Other receivables		35 241	42 448	30 49
Taxation		2 436	-	
Bank balances		31 505	48 170	27 86
Total assets		1 130 545	980 038	981 07
EQUITY AND LIABILITIES				
Equity and reserves		625 633	641 594	647 64
Equity attributable to owners of the parent		610 215	620 679	624 00
Non-controlling interests		15 418	20 915	23 63
Non-current liabilities		348 602	199 850	181 97
Interest-bearing liabilities	2	321 948	174 263	156 90
Deferred taxation liability		26 654	25 587	25 07
Current liabilities		156 310	138 594	151 44
Trade and other payables		84 954	66 856	73 76
Deferred revenue		13 986	13 413	12 96
Bank overdraft		15 616	917	3 27
Provisions		899	137	2 35
Taxation		-	764	2 81
Interest-bearing liabilities	2	40 855	56 507	56 28
Total equity and liabilities		1 130 545	980 038	981 07

Companying a second idea of statements of financial position

EPS

The majority of the groups properties have been pledged as security against certain loans to the group. Long term interest-bearing liabilities represent the Metrofile (Pty) Ltd amortising and revolving facilities. Short term interest-bearing liabilities include the portions of the Metrofile (Pty) Ltd amortising loan facility and Group company loan agreements payable within one year. The Metrofile (Pty) Ltd borrowings are JIBAR linked, whilst the other borrowings are prime linked.

## Summarised consolidated statement of comprehensive income

	Unaudited six months	Unaudited six months	Audited 12 months
	ended	ended	ended
R'000	31 Dec 2017	31 Dec 2016	30 Jun 2017
Profit for the period	77 985	73 408	139 377
Other comprehensive income for the period net of tax*			
Currency movement on translation of foreign subsidiaries	(2 273)	(3 889)	(5 064
Total comprehensive income for the period	75 712	69 519	134 313
Attributable to:			
Owners of the parent	76 205	68 433	132 206
Non-controlling interests	(493)	1 086	2 107
*All items will subsequently be reclassified to profit an	d loss		
Reconciliation of headline ear			
Reconciliation of headline ear	Unaudited	Unaudited	/ 10 01100
Reconciliation of headline ear	Unaudited six months	six months	12 months
	Unaudited six months ended	six months ended	Audited 12 months ended
R'000	Unaudited six months ended 31 Dec 2017	six months ended 31 Dec 2016	12 months ended 30 Jun 2017
R'000 Profit attributable to owners of the parent	Unaudited six months ended 31 Dec 2017 77 474	six months ended 31 Dec 2016 70 777	12 months ended 30 Jun 2017
R'000 Profit attributable to owners of the parent Profit on disposal of Rainbow business	Unaudited six months ended 31 Dec 2017 77 474 (12 544)	six months ended 31 Dec 2016 70 777 0	12 months ended 30 Jun 2017 135 019 0
R'000 Profit attributable to owners of the parent Profit on disposal of Rainbow business Loss/(profit) on disposal of plant and equipment	Unaudited six months ended 31 Dec 2017 77 474 (12 544) 71	six months ended 31 Dec 2016 70 777 0 (71)	12 months ended 30 Jun 2017 135 019 0 (132
R'000 Profit attributable to owners of the parent Profit on disposal of Rainbow business	Unaudited six months ended 31 Dec 2017 77 474 (12 544)	six months ended 31 Dec 2016 70 777 0	12 months ended 30 Jun 2017 135 019 0 (132
R'000 Profit attributable to owners of the parent Profit on disposal of Rainbow business Loss/(profit) on disposal of plant and equipment	Unaudited six months ended 31 Dec 2017 77 474 (12 544) 71	six months ended 31 Dec 2016 70 777 0 (71)	12 months

## Commentary on the results

DPS

Metrofile is Africa's market leader in records and information management, offering a range of physical storage and digital services, as well as the confidential destruction and recycling of records. Founded and listed in South Africa, the Group is growing steadily in the Middle East and other African countries.

→ **13,0C** (2016: 13,0 cents)

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The Records Management division operates from 52 facilities, at 27 locations, covering 101 309 square metres of warehousing and office space.

Metrofile is a 57,4% black-owned company. Its empowerment partner and shareholder of reference, Mineworkers Investment Company ("MIC"), owns 37,24% of Metrofile's equity.

## Overview of interim results

**HEPS** 

+15,6C (2016: 16,7 cents)

Revenue increased by 19.8% to R456,1 million, and EBITDA remained relatively unchanged at R127,6 million. Basic earnings per share ("EPS") increased by 11.4% to 18.6 cents per share, whilst headline earnings per share ("HEPS") decreased by 6.6% to 15.6 cents per share, as a result of the gain on sale of Rainbow Paper Management of R12,5 million

Cash generated from operations before net working capital changes remained relatively unchanged at R129,1 million, while cash generated from operations decreased 13.6% to R119,6 million.

R51,2 million in capital expenditure was incurred of which R45,2 million was expansionary capex.

The Group's net interest-bearing debt amounted to R378,4 which equates to an annualised Debt: EBITDA ratio of approximately 1,48 times. After the acquisition of G4S Secure Data Solutions (Kenya) Limited, which was effective after the reporting date, debt is expected to increase to R659,8 million which represents a 2.59 times multiple to current annualised EBITDA. The Board has targeted maintaining debt levels of between 1,5 and 2,5 times sustainable EBITDA.

Business growth during the reporting period has been adversely impacted by continued weak economic condition in South Africa, the continued delay in the implementation of a governmental contract in South Africa, and the ongoing embargo implemented against Qatar by selected GCC States.

## Alleged irregularities at a subsidiary company

It was previously reported that alleged irregularities were discovered in Cleardata (a non-material subsidiary), which were subject to a forensic audit. The forensic audit has been substantially concluded. As a result thereof, criminal charges were initiated against a former executive. The alleged irregularities appear to have reduced the reported earnings of this division in prior periods but no current expense has been incurred in addition.

#### Growth outside of South Africa

Markets outside of South Africa continue to offer significant growth opportunities, as evidenced by improved operating performance in Botswana, Mozambique and Zambia.

Notwithstanding the unresolved socio-economic and political disruption in the GCC States of the Middle East, Metrofile recorded revenue growth of 10,1% from our operations outside of South Africa, which contributed 10,3% of the total revenue for the period.

The Group continues to seek strategic acquisitions in targeted geographies in Africa and the Middle East.

#### Corporate activity

In line with its acquisition strategy, and focus on core cradle to grave Records and Information Management business, the following changes in investments occurred during the period:

#### Acquisition of Tidy Files (SA) Proprietary Limited

In July 2017, the Group acquired a 100% interest in Tidy Files (SA) Proprietary Limited, a company registered and operating in South Africa for a consideration of R77,9 million from cash resources. Tidy Files is a leading provider of end-to-end document management and storage solutions in Southern Africa, renowned for the design, supply and implementation of Paper-based and Electronic Document and Records Management Solutions

#### Acquisition of Minority Shareholder's Interest in Cleardata Proprietary Limited

During the period, the Group acquired the remaining 30% minority interest in Cleardata for nominal value.

were prepared using accounting policies that comply with IFRS, and are consistent with those applied in the financial statements for the year ended 30 June 2017.

Certain accounting pronouncements became effective during the current financial period; however, these do not have an impact on either transactions or disclosures.

#### **Related parties**

In terms of a consulting agreement, and as approved at the Annual General Meeting, fees of R0,81 million (2016: R0,77 million) were paid to MIC during the period under review.

#### Directorate and corporate governance

The board currently comprises of two executive and eight non-executive directors, of whom five are independent directors.

Mr IN Matthews remains the lead independent director, however, as per the SENS announcement he will retire on 30 June 2018.

Ms S Zilwa, a member of the Audit, Governance and Risk Committee, was appointed as the Chairman of the Committee with effect from 1 July 2017, in place of Mr IN Matthews, who remains on the Committee as a Committee member.

Ms L Mthimunye-Bakoro was appointed as an Independent Non-Executive Director and a member of its Audit, Governance and Risk Committee and Social, Ethics and Transformation Committee with effect from 1 July 2017.

#### Dividends

The Board has targeted maintaining debt levels at least at 1,5 times EBITDA. At the end of the previous financial year, the Board resolved to reduce dividend cover from a target of 1,5 times to a target range of 1,25 to 1,5 times and until the minimum debt levels were achieved, the Board resolved to pay dividends with cover below the target range.

The interim dividend for the period of 13,0 cents per share represents dividend cover of 1.2 times interim HEPS.

Notice is hereby given that an interim gross cash dividend of 13,0 cents per share in respect of the period ended 31 December 2017 has been declared payable, from income reserves, to the holders of ordinary shares recorded in the books of the Company on Friday, 13 April 2018. The last day to trade cum-dividend will therefore be Tuesday, 10 April 2018 and Metrofile shares will trade ex-dividend from Wednesday, 11 April 2018. Payment of the dividend will be on Monday, 16 April 2018. Share certificates may not be dematerialised or rematerialised between from Wednesday, 11 April 2018 (which is ex-date) to Friday, 13 April 2018, both days inclusive. Withholding tax on dividends will be deducted for all shareholders who are not exempt in terms of the legislation at a rate of 20% which will result in a final net cash dividend of 10.4 cents per share. The Company's issued share capital at the period end is 435 140 268 shares and the Company's tax number is 9375/066/71/0.

#### Commitments

Metrofile owns or leases premises based on the prevailing economic realities in each country where we operate. Operating lease commitments amount to R86,7 million for the next five years. Capital investment plans for the full financial year amount to R108.6 million.

#### Events after the reporting date Acquisition of G4S Secure Data Solutions (Kenya) Limited

As previously announced, in January 2018, the Group acquired a 100% interest in the issued share capital of G4S Secure Data Solutions (Kenya) Limited, the largest records management company in East Africa, for a maximum purchase consideration of KES2.125 billion (approximately R281.4 million.)

#### Establishment of Dexterity Digital Solutions (Pty) Limited

In line with the Group's value creation strategy to provide annuity related services in the cloud environment, which compliment the traditional annuity based RIM offering, the Group acquired a 62.5% investment in Dexterity Digital Solutions (Pty) Limited.

## There have been no other material events after the reporting date

Share issues and Buy-backs

During the year, under the share repurchase program sanctioned by the Board, a total of 5 000 000 shares were acquired at a price range of R3,96 to R4,01 (average price R3,99)

Data and information management is growing in importance as

the world becomes increasingly digitally connected. As the value

of transforming raw data into usable information is recognised and

becomes widespread, the wealth of data that Metrofile stores or digitises is increasingly a sought-after resource. Metrofile remains well placed in the forefront of an industry that is evolving rather than

## Disposal of Rainbow Paper Management Proprietary Limited

The Group disposed of its 100% interest in Rainbow Paper Management There are accordingly 416 164 210 shares in issue, net of treasury Proprietary Limited, resulting in a profit on disposal of investment of shares, at 31 December 2017. R12.5 million Outlook and opportunities

#### Value creation strategy

- Metrofile intends to enhance its growth prospects and expansion by:
- Targeting more direct organic growth in South Africa;
- Broadening its offering of products and services, particularly in the digital space;
- Expanding in Africa, the Middle East and other emerging markets through acquisition and partnerships; and
- Evolving into a technology company grounded on record storage.
- More specifically, Metrofile is:
- · Rolling out best practices from each business unit across the group; Re-inventing and enhancing our services based on shifting customer
- Bringing in new or outsource partners in complementary niches; and
- Continuing its focus on acquiring relevant, complementary businesses in the technology and RIM sectors.

## Basis of preparation and accounting policies

The Group results have been prepared, under the supervision of Mr MC McGowan CA(SA). The summarised financial information has been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guidelines and AC 500 Standards as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the information as required by IAS 34: Interim Financial Reporting, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. These interim results

#### shrinking. Metrofile anticipates stronger second half earnings. This statement has not been reviewed or audited by Metrofile's auditors. Christopher Seabrooke Pfungwa Serima Group Chief Executive Officer Non-executive Chairman Senderwood. Gauteng 13 March 2018

#### **Corporate information**

Metrofile Holdings Limited: Incorporated in the Republic of South Africa (Registration number 1983/012697/06) Share code: MFL ISIN: ZAE000061727 ("Metrofile" or "the Company" or "the group") Registered office: 41 Wordsworth Avenue Senderwood Bedfordview 2007 www.metrofileholdings.com

Sponsor: The Standard Bank of South Africa Limited Transfer secretaries: Computershare Investor Services (Pty) Limited Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 Directors: CS Seabrooke'\* (Chairman), MS Bomela\* (Deputy Chairman), PG Serima (CEO), MC McGowan (CFO), P Langeni<sup>\*</sup>, CN Pongweni<sup>\*</sup>, L Mthimunye-Bakoro\*, IN Matthews\*\*, GD Wackrill\*, SV Zilwa\*\* Company Secretary: P Atkins +Lead independent \*Independent \*Non-executive

## Summarised segmental information

<u> </u>								
		REVENUE			EBITDA			
R'000	Unaudited six months ended 31 Dec 2017	Unaudited six months ended 31 Dec 2016	Audited 12 months ended 30 Jun 2017	Unaudited six months ended 31 Dec 2017	Unaudited six months ended 31 Dec 2016	Audited 12 months ended 30 Jun 2017		
Records Management	321 744	313 867	629 701	85 484	91 623	165 304		
Property Companies (Occupied by Records Management businesses) Tidy Files	36 689 72 195	33 082	66 964	36 689 8 520	33 082	66 964		
CSX Customer Services Other	40 058 27 760	31 400 41 335	69 337 85 983	(613) (2 507)	(2 541) 5 292	(2 362) 17 423		
Intergroup	(42 396)	(39 033)	(82 746)	-	-	_		
Total	456 050	380 651	769 239	127 573	127 456	247 329		
South African operations Non-South African operations	409 117 46 933	338 037 42 614	682 726 86 513	122 418 5 155	121 738 5 718	235 635 11 694		
	0	TANGIBLE ASSETS						

UPERATING PROFIT				TANGIBLE ASSETS		
Unaudited six months ended 31 Dec 2017	Unaudited six months ended 31 Dec 2016	Audited 12 months ended 30 Jun 2017	Unaudited six months ended 31 Dec 2017	Unaudited six months ended 31 Dec 2016	Audited 12 months ended 30 Jun 2017	
71 703	77 984	138 589	346 636	327 686	337 861	
36 689	33 082	66 964	341 398	305 742	318 151	
5 705	-	-	38 617	-	-	
(3 568)	(2 723)	(3 439)	33 469	24 589	32 428	
(3 332)	1 557	10 298	65 024	97 799	62 047	
107 197	109 900	212 412	825 144	755 816	750 487	
104 869 2 328	107 022 2 878	205 407 7 005	747 245 77 899	682 926 72 890	674 040 76 447	
	Unaudited six months ended 31 Dec 2017 71 703 36 689 5 705 (3 568) (3 332) 107 197 104 869	Unaudited six months ended 31 Dec 2017         Unaudited six months ended 31 Dec 2016           71 703         77 984           36 689         33 082           5 705         -           (3 568)         (2 723)           (3 332)         1 557           107 197         109 900           104 869         107 022	Unaudited six months ended 31 Dec 2017         Unaudited six months ended 31 Dec 2016         Audited 12 months ended 30 Jun 2017           71 703         77 984         138 589           36 689         33 082         66 964           5 705         -         -           (3 568)         (2 723)         (3 439)           (3 332)         1 557         10 298           107 197         109 900         212 412           104 869         107 022         205 407	Unaudited six months ended         Unaudited six months ended         Audited 12 months ended         Unaudited six months ended           31 Dec 2017         31 Dec 2016         30 Jun 2017         31 Dec 2017           71 703         77 984         138 589         346 636           36 689         33 082         66 964         341 398           5 705         -         -         38 617           (3 568)         (2 723)         (3 439)         33 469           (3 332)         1 557         10 298         65 024           107 197         109 900         212 412         825 144           104 869         107 022         205 407         747 245	Unaudited six months ended 31 Dec 2017         Unaudited six months ended 31 Dec 2016         Audited 12 months ended 30 Jun 2017         Unaudited six months ended 31 Dec 2017         Unaudited six months ended 31 Dec 2017           71 703         77 984         138 589         346 636         327 686           36 689         33 082         66 964         341 398         305 742           5 705         -         -         38 617         -           (3 568)         (2 723)         (3 439)         33 469         24 589           (3 332)         1 557         10 298         65 024         97 799           107 197         109 900         212 412         825 144         755 816           104 869         107 022         205 407         747 245         682 926	

"Records Management" represents the global document storage and management and scanning business units which are managed and operated geographically. "Other" includes Metrofile Holdings, Rainbow Paper Management, Global Continuity and Cleardata.

## Summarised consolidated statement of changes in equity

	Share capital	Share premium	Accumulated profits	Other reserves	Total equity before minority apportionment	Non- controlling	Total
Balance at 30 June 2016	2 625	579 359	50 047	11 367	643 398	16 943	660 341
Purchase of Treasury Shares	-	(11 009)	-	-	(11 009)	-	(11 009)
IFRS2 Equity reserve relating to share schemes	-	-	-	3 477	3 477	-	3 477
Minority contribution on acquisition of subsidiary	-	-	-	-	-	2 886	2 886
Share scheme settlement	-	-	-	(2 797)	(2 797)	-	(2 797)
Dividends declared	-	-	(80 823)	-	(80 823)	-	(80 823)
Total comprehensive income for the period ended							
31 December 2016	-	-	70 777	(2 344)	68 433	1 086	69 519
Balance at 31 December 2016	2 625	568 350	40 001	9 703	620 679	20 915	641 594
Purchase of Treasury Shares	-	(47 723)	-	-	(47 723)	-	(47 723)
Shares issued	50	39 184	-	-	39 234	-	39 234
IFRS2 Equity reserve relating to share schemes	-	-	-	2 721	2 721	-	2 721
Reversal of prior year non-controlling interest and loss of joint							
venture	-	-	731	-	731	1 700	2 431
Dividends declared	-	-	(55 407)	-	(55 407)	-	(55 407)
Total comprehensive income for the period ended 30 June 2017	-	-	64 242	(469)	63 773	1 021	64 794
Balance at 30 June 2017	2 675	559 811	49 567	11 955	624 008	23 636	647 644
Purchase of Treasury Shares	-	(19 937)	-	-	(19 937)	-	(19 937)
IFRS2 Equity reserve relating to share schemes	-	· -	-	2 548	2 548	-	2 548
Acquisition of remaining 30% shareholding in Cleardata	-	-	7 725	-	7 725	(7 725)	-
Disposal of 100% shareholding in Rainbow Paper Management	-	-	(4 952)	-	(4 952)	-	(4 952)
Share scheme settlement	-	-		(3 996)	(3 996)	-	(3 996)
Dividends declared	-	-	(71 386)	-	(71 386)	-	(71 386)
Total comprehensive income for the period ended 31 December 2017	-	-	77 474	(1 269)	76 205	(493)	75 712
Balance at 31 December 2017	2 675	539 874	58 428	9 238	610 215	15 418	625 633