Interim Results Presentation

for the period ended 31 December 2018

Agenda

1. Operating context
2. Strategy update
3. Financial and operational review
4. Outlook
5. Q & A

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Operating context

Operating context

Challenges

- Perfect storm of various challenges
- Certain businesses performed below expectations
- Cost pressure
- Continued geo-political challenges in the Middle East
- Intense globalised competition

Positive factors

- Improved operating markets in Rest of Africa
- Higher storage rates and margins in emerging markets
- Need for professional information management due to automation and drive towards accountability for information protection

Strategy update

Strategy update

Strategic pillars

- Secure storage
- Business support services
- Products and solutions
- Digital services

Strategic objectives

- Restructuring our strategic pillars
- Reducing our exposure in non-performing businesses whilst focusing on capital allocation in relation to strategic acquisitions and expansion projects
- Enhancing our client relationships
- Nimble and tailor-made solutions
- Evolution into the digital space to ensure a sustainable business model

Financial and operational review

Key features

Revenue up 7.5% at R490 million

EBITDA down 3% to R124 million

Operating margin down 3% to 21%

Net debt up 3% to R636 million

EPS down 45.2% to 10.2 cents

HEPS down 34.6% to 10.2 cents

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Income statement

Income Statement for the six months ended	Dec 2018 R'000	Dec 2017 R'000	% change
Revenue	**490 197**	**456 050**	**7%**
- South African operations	417 317	409 117	2%
- Non-South African operations	72 880	46 933	55%
EBITDA	**123 747**	**127 573**	**(3%)**
Operating profit	**101 172**	**107 197**	**(6%)**
- South African operations	87 028	104 869	(17%)
- Non-South African operations	14 144	2 328	508%
Net finance income / (costs)	(33 554)	(15 781)	(113%)
Profit before taxation	**67 618**	**103 960**	**(35%)**
Taxation	(26 885)	(25 975)	(4%)
Profit after tax	**40 733**	**77 985**	**(48%)**
Operating profit %	**21%**	**24%**	**(3%)**
- South African operations	21%	26%	(5%)
- Non-South African operations	19%	5%	14%
Tax rate	**40%**	**25%**	**(15%)**
Headline earnings per share (cents)	**10.2**	**15.6**	**(35%)**

Income Statement key features:

- Revenue up 7.5% mainly as a result of the inclusion of the acquisition in Kenya (concluded in H2 of FY18)
- Operating profit down 6% as a result of an increase in costs in South Africa
- Tax rate at 40% for the period ended 31 December 2018 higher than historical tax rates
- Expected to return to a normalised effective tax rate of approximately 29% over the next six to twelve months
- Interest cost higher than anticipated due to high debt utilisation in first half of the financial year

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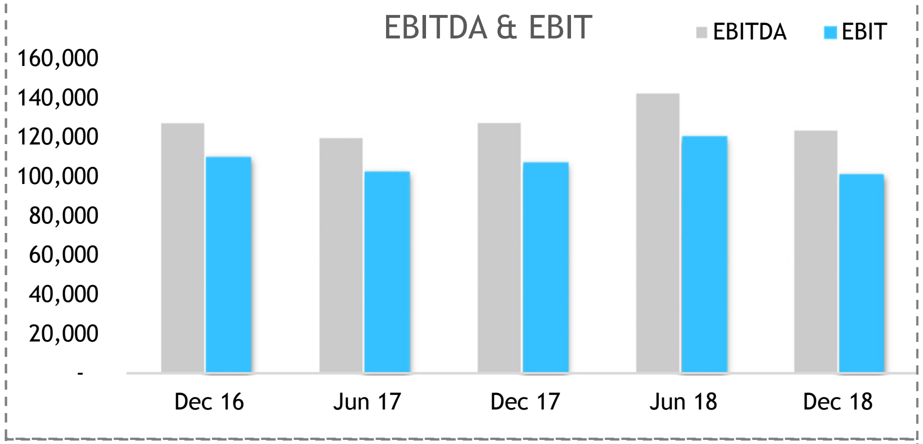
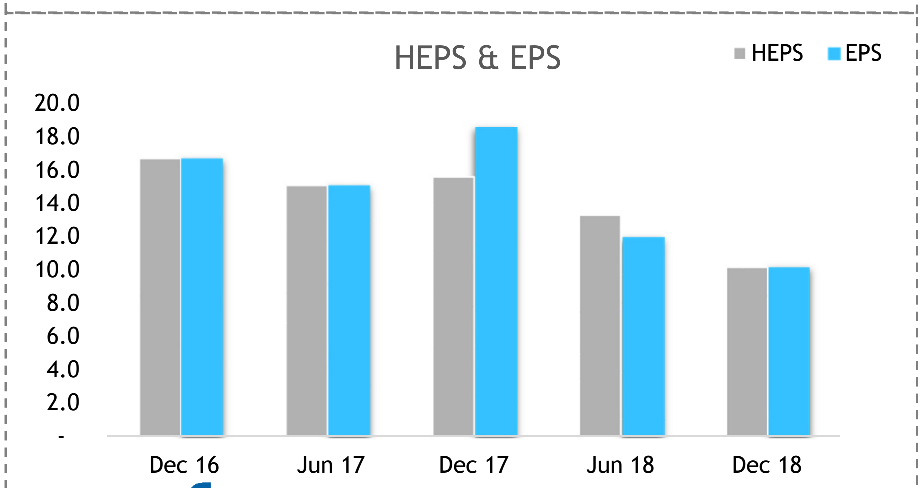
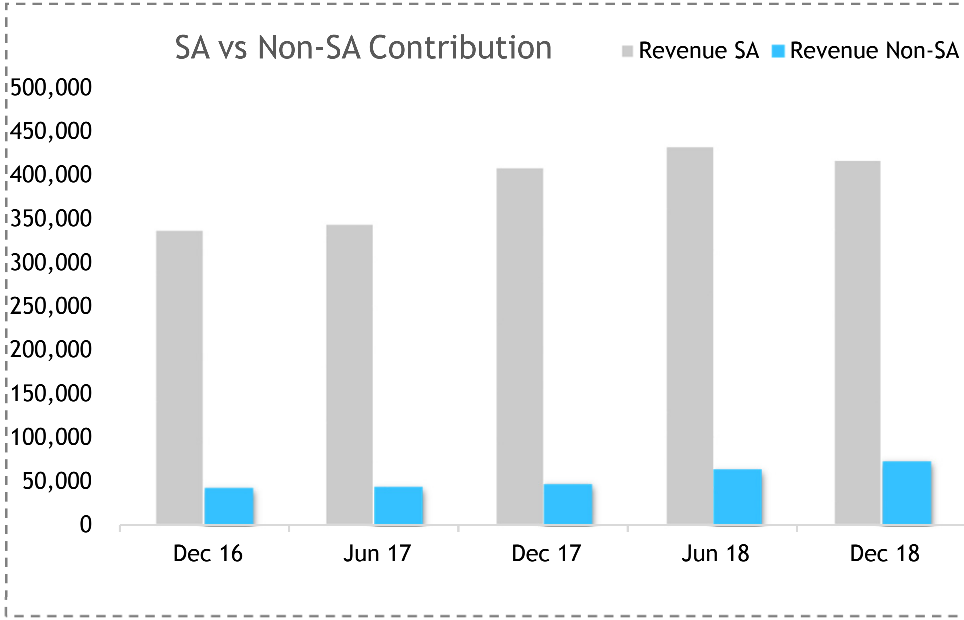
Income statement – 6 monthly







- Increased revenue from Non-South African territories following the acquisition in Kenya and organic growth in other territories
- June 2018 and December 2018 six monthly HEPS/EPS impacted by increased debt and higher tax rates
- We have seen an improvement in volumes however price pressures have impacted revenue

Statement of financial position

ASSETS	Dec 2018 R'000	Jun 2018 R'000
Property	359 213	359 213
Plant and equipment	240 064	230 605
Goodwill and intangibles	548 350	544 073
Inventories	32 948	34 747
Trade and other receivables	236 134	213 861
Bank balances	57 990	52 331
Other assets	18 247	21 227
TOTAL ASSETS	**1 492 946**	**1 456 057**

LIABILITIES	Dec 2018 R'000	Jun 2018 R'000
Total equity	631 128	621 853
Interest bearing borrowings	683 557	663 852
Bank overdraft	10 405	3 288
Trade and other payables	99 356	101 765
Deferred tax and other liabilities	68 500	65 299
TOTAL EQUITY AND LIABILITIES	**1 492 946**	**1 456 057**

Statement of financial position key features:

- Higher trade and other receivables impacted by the increase in ageing of the debtors' book mainly from long standing customers which is being actively managed at Group level
- Net debt of R636 million, up 3% (R21 million)
- Gross interest-bearing debt of R694 million: higher than our target maximum debt utilisation
- Better working capital and cost controls together with cash saving from the introduction of an optional cash/scrip dividend expected to reduce debt over time to a target of under 1,75 times EBITDA

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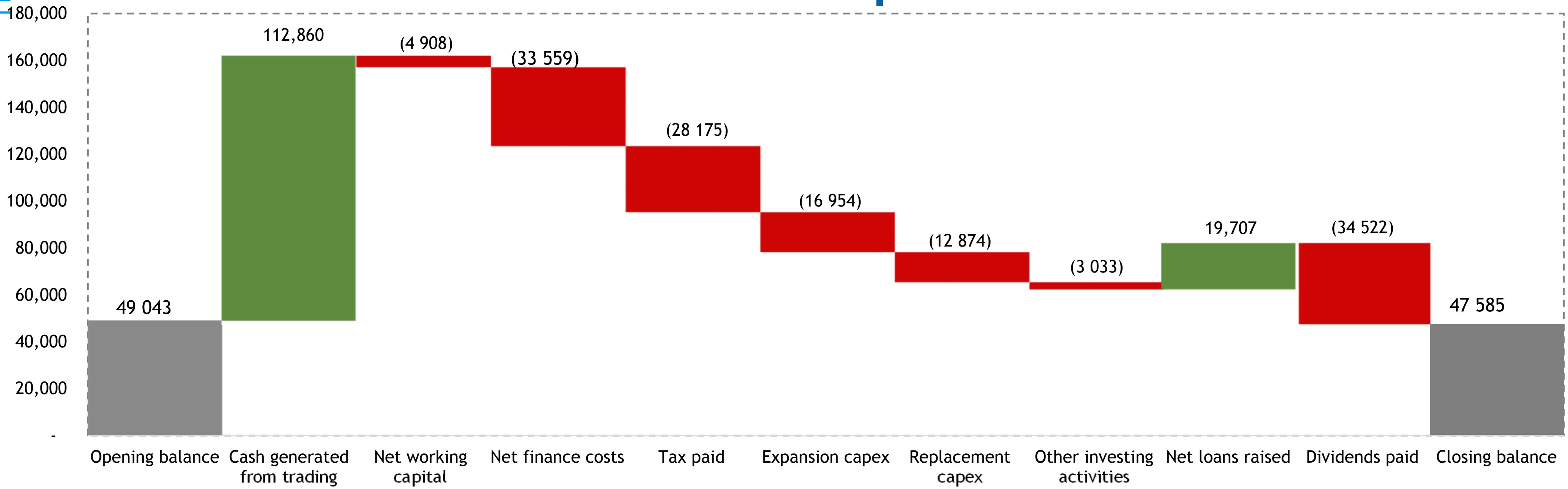
Cash flow for the interim period



- Cash conversion ratio at 59% and free cash flow ("FCF") from operations of R67 million for the period
- Prior year cash conversion ratio was at 64% resulting in an average cash conversion ratio of 62% over the two periods
- FCF primarily used to service debt and pay dividends

Free cash flow - cash generated from trading plus net working capital changes less tax paid less replacement capex
Cash conversion ratio - free cash flow divided by cash generated from trading

Divisional analysis

SOUTH AFRICA

Metrofile Records & Information Management SOUTH AFRICA

CLEARDATA DOCUMENT DESTRUCTION SPECIALISTS

CSX Knowledge. Solutions. Success

Tidy Files Filing Solutions

GLOBAL CONTINUITY

litigator

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Dexterity DIGITAL

AFRICA

Metrofile Records & Information Management MOZAMBIQUE

Metrofile Records & Information Management NIGERIA

Metrofile Records & Information Management BOTSWANA

Metrofile Records & Information Management ZAMBIA

Metrofile Records & Information Management KENYA

UNITED ARAB EMIRATES

eFILE MANAGE INFORMATION SECURELY

Al Bidda warehousing

Divisional analysis – Records Management

	6 months ended		6 months ended				
	Dec 2018 R'000	Dec 2017 R'000	Dec 2018 R'000	Jun 2018 R'000	Dec 2017 R'000	Jun 2017 R'000	Dec 2016 R'000
Revenue	344 322	321 744	344 322	349 929	321 744	315 834	313 867
Operating profit	63 402	71 703	63 402	62 491	71 703	60 605	77 984
Operating profit margin	18%	22%	18%	18%	22%	19%	25%
Tangible assets	433 600	346 636	433 600	411 637	346 636	337 861	327 686

Records Management

- The South African operation performed below expectation as revenue decreased due to once off projects included in the prior year. The result of lower revenue and inflationary related increase in costs resulted in a lower operating profit when compared to the prior year. Although volumes have increased, we have experienced a decline in the average price, which further impacted the decline in operating profit margin
- The Kenyan operation performed in line with expectations with an accretive operating margin. The Kenyan acquisition increased the Non-South African revenue contribution and positively contributed to the operating profit contribution
- The remaining businesses in the rest of Africa increased revenue and operating profit when compared to the prior period
- Revenue and operating profit from the Middle East was lower than the comparative period due to country specific challenges as well as a project that was cancelled in Qatar

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Metrofile Records & Information Management

Divisional analysis – Tidy Files

	6 months ended		6 months ended		
	Dec 2018 R'000	Dec 2017 R'000	Dec 2018 R'000	Jun 2018 R'000	Dec 2017 R'000
Revenue	71 381	72 195	71 381	86 733	72 195
Operating profit	1 702	5 705	1 702	8 531	5 705
Operating profit margin	2%	8%	2%	10%	8%
Tangible assets	43 034	38 617	43 034	41 984	38 617

Tidy Files

- Revenue for the 6 months was 1% lower than prior year as a result of softer filing solution product sales, following an extended sales cycle in the public sector
- The Business Outsource Services and Archive Storage divisions have operated in line with expectations
- Operating profit was significantly lower mainly due to the inflationary linked increase in costs as well as lower revenue

Tidy Files Filing Solutions

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Divisional analysis – CSX

	6 months ended		6 months ended				
	Dec 2018 R'000	Dec 2017 R'000	Dec 2018 R'000	Jun 2018 R'000	Dec 2017 R'000	Jun 2017 R'000	Dec 2016 R'000
Revenue	52 517	40 058	52 517	39 399	40 058	37 937	31 400
Operating profit	4 608	(3 568)	4 608	774	(3 568)	(716)	(2 723)
Operating profit margin	9%	(9%)	9%	2%	(9%)	(2%)	(9%)
Tangible assets	28 920	33 469	28 920	37 453	33 469	32 428	24 589

CSX

- CSX has had a solid six months as revenue for the period increased by 31% when compared to December 2017
- Major contributors to this success have been education departments in Botswana, Namibia and South Africa, as well as the Botswana Electoral Commission voter's roll project. CSX's revenue was positively affected by these non-recurring projects

Knowledge. Solutions. Success

Digital strategy

Metrofile's digital strategy will primarily focus on:

- Provision of Records Management Solutions offering to address ever increasing customer demand for a hybrid model (physical and digital records management). Metrofile has existing on-premise and cloud assets and a credible customer base;
- Partner with Microsoft Cloud team to offer hosted platform for data and information storage (where necessary we will extend the relationship to other providers based on the customer's preference);
- Joint Ventures with selected specialist Partners to address Line of Business document processing requirements;
- Rationalisation of operational processes (through automation) to reduce costs and improve efficiencies; and
- Co-innovation with customers on digitalisation of stored physical documents.

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Dexterity DIGITAL

Key strategic financial priorities

The following are our key strategic financial priorities going forward:

- Debt structuring to ensure the company is within our target debt utilisation taking into account the relevant tax planning initiatives;
- Improve and enhance disclosure to the market;
- Continue to optimise cost structures, key measurement ratios and efficiencies;
- Review the existing incentive scheme to better align management with shareholder expectations and to attract and retain key executives;
- Focus on healthy cash generation and conversion through active management of working capital components and balance sheet efficiencies; and
- Actively manage capital allocation – organic vs acquisitive growth.

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Outlook

Outlook

- Trading conditions remain difficult especially in South Africa and the Middle East;
- We anticipate an improvement in the second half of the financial year;
- Successful execution of various potential projects is currently a key initiative as this will support the expected improvement in the second half performance as well as creating a positive foundation for the next financial year; and
- Digital services strategy continues to progress and will grow through co-innovation with existing and new customers as well as selected joint ventures with specialised digital solution providers.

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THANK YOU

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