Results for the year ended 30 June 2020

Pfungwa Serima / Shivan Mansingh

15 September 2020

Agenda

Welcome and introduction	Pfungwa Serima
Update on key priorities	Pfungwa Serima
Strategy update	Pfungwa Serima
Financial and operational results	Shivan Mansingh
Key priorities for FY21	Pfungwa Serima
Outlook	Pfungwa Serima

Progress update on key priorities identified in FY19

1. Continued to focus on healthy cash generation and conversion through active management of working capital components and balance sheet efficiencies

- Capital allocation was a key priority
- 21% reduction in capex to R56m
- Operating cash conversion ratio improved to 94%

2. Continued to reduce levels of net debt and lower finance costs

- Significant reduction in net debt and finance costs
- Improved active cash management

3. Productised digital solutions

- New digitisation contracts secured in the UAE
- Operationalisation challenges due to lockdown measures

4. Operationalised key opportunities in East Africa

- Improved trading achieved pre-lockdown
- Impact of lockdown resulted in impairment of goodwill
- Outlook remains promising subject to operationalisation in current environment

5. Finalise review of new incentive scheme before 2019 AGM

- Completed and approved by shareholders at November 2019 AGM

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Key achievements in FY20

- **Exiting non-core businesses – Zambia, Egypt, Nigeria**
- **Changed operating model for Middle East business**
- **Sound capital management and significant cash generation**
- **Strict cost control**

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Strategy

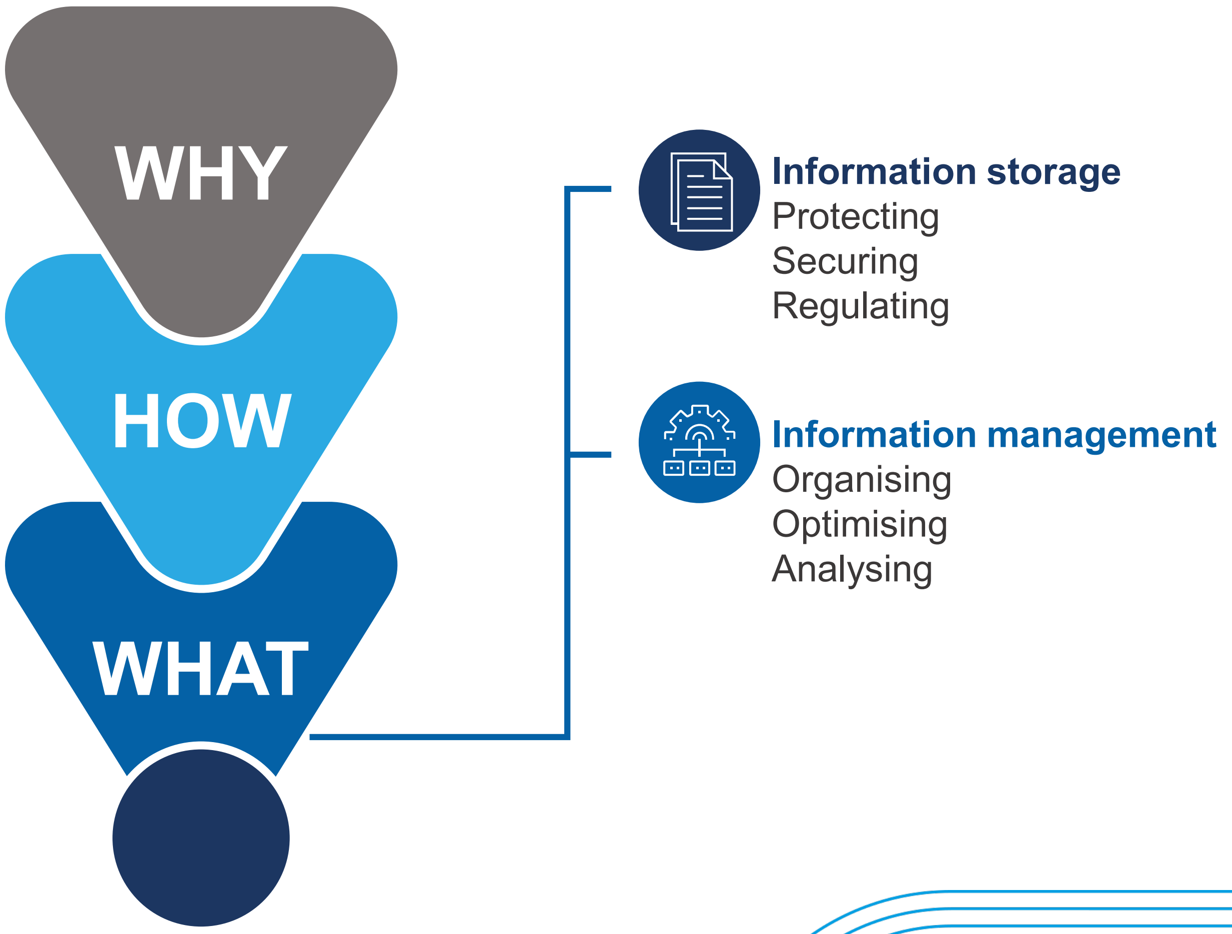
Managing information securely

To deliver confidence and peace of mind to everyday business decisions

By building trust among our customers in the security and reliability of their business information

We store and manage information securely

Our landscape aligned to regulatory requirements (privacy, GDPR, POPIA)



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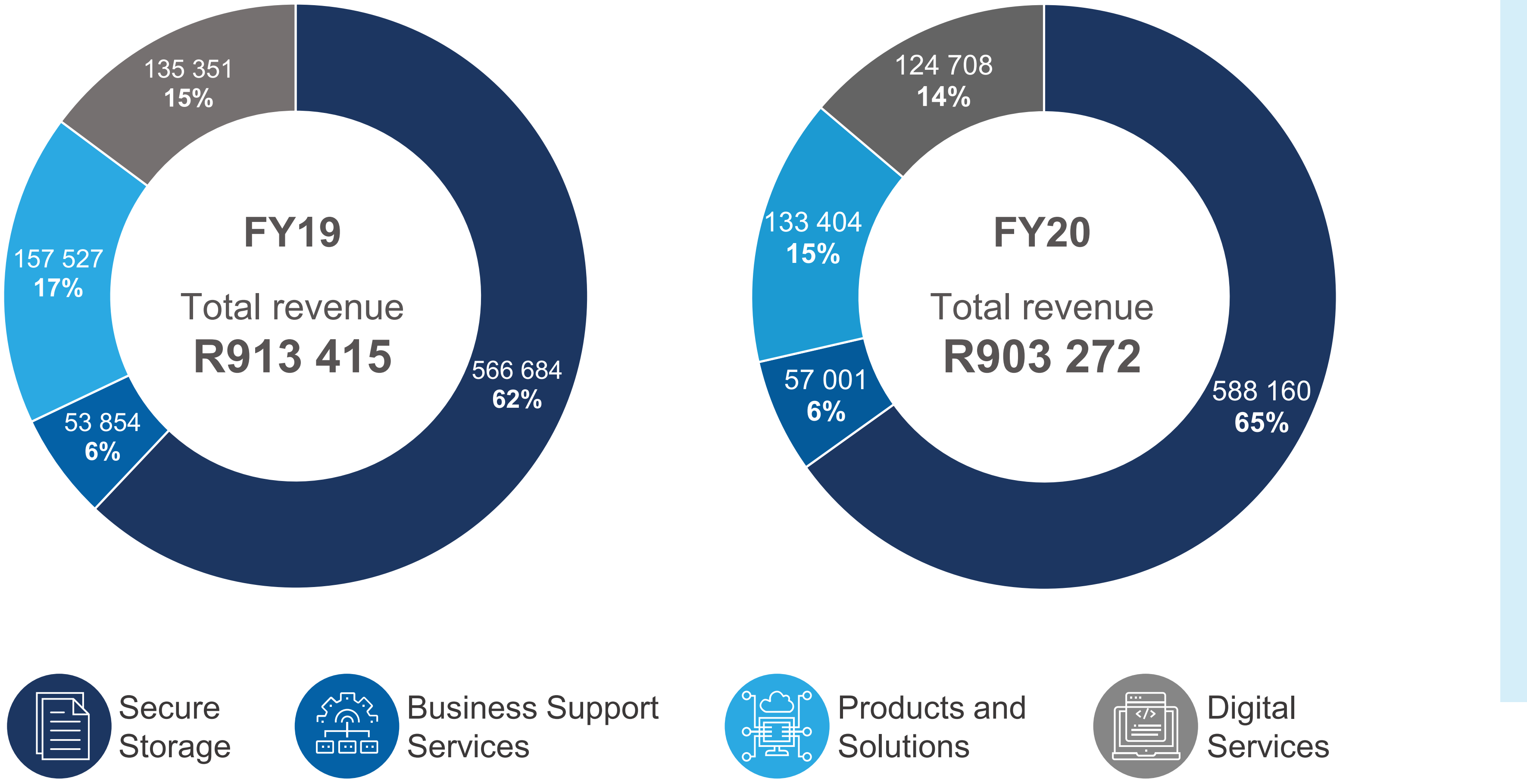
Revenue drivers – FY20 (R'000)



- Secure storage contributed 65% to Group revenue and was up 4% mainly as a result of increased box volumes
- Digital services down 8% and products and solutions down 15%

  Digital services largely impacted due to reduction in scanning activity in 2HFY20 due to lockdown measures
- Products and solutions largely impacted by mandatory temporary closure of manufacturing facility during April 2020

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Financial and operating results

Recap 1HFY20 salient features

Revenue	Operating profit	Net debt*
▲ 8%	▲ 12%	▼ 3%
R473m	**R108m**	**R572m**

EPS	HEPS	DPS
▲ 19%	▲ 26%	▲ 20%
12.1c	**12.9c**	**6c**

** Net debt excludes IFRS 16 lease liabilities*

Impact of the lockdown

Continuing operations (R '000)	**2HFY20**	**2HFY19**	**Variance**	**Variance %**
Revenue	**430 500**	**475 735**	**(45 235)**	**(10%)**
Secure storage	286 893	281 691	5 202	2%
Digital services	62 214	79 763	(17 549)	(22%)
Products and solutions	53 417	87 064	(33 647)	(39%)
Business support services	27 977	27 217	760	3%
Operating profit	**109 332**	**127 170**	**(17 838)**	**(14%)**

Key features

- 2HFY20 revenue down 10% vs PY 2HFY19
- 2HFY20 operating profit down 14% vs PY 2HFY19
- Reduction in operating profit in 2H resulted in decrease in EPS of 3c
- Adoption of IFRS 16 Leases had a negative effect on EPS of 0.7c

Trends during lockdown

- Less retrievals and handling of boxes
- Reduced box intake, product sales and image processing, gradual ramp up since April 2020
- Reduced paper shredding due to lower office-based usage
- People impact and headcount reduction
- 26 cases/no deaths

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Impact of the lockdown

Our response

- Costs reduced significantly during April 2020 lockdown – critical costs incurred with executive approval
- Only critical labour on-site to facilitate required volume levels. Since April 2020 staff brought back only where supported by volumes
- Various rental leases negotiated with improved terms
- Operational health, safety and compliance measures implemented (daily screening, sanitising/hand washing stations, social distancing, operational hygiene, training/awareness, face masks and PPE, ongoing compliance monitoring and reporting), quarantine of boxes

Expected outcome

- Trading expected to be subdued in the short term
- Resilient business model with improved efficiencies
- Continued cash generation and de-gearing
- Digital offering will begin to enhance core business going forward
- Our solutions will assist clients in the new digital workplace

FY20 salient features

Revenue	Operating profit	Net debt*	Finance costs
▼ 1%	▼ 3%	▼ 11%	▼ 18%
R903m	R217m	R524m	R59m

EPS	HEPS	NHEPS	DPS
▼ >100%	▲ 21%	▼ 2%	▲ 30%
(3.4c)	24.8c	26.8c	13c

** Net debt excludes IFRS 16 lease liabilities*

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Income statement

For the 12 months ended 30 June 2020

	Jun 2020 R'000	Jun 2019 R'000	% change
Continuing operations			
Revenue	**903 272**	**913 415**	**(1%)**
EBITDA	**301 696**	**271 173**	**11%**
Operating profit	**217 274**	**223 734**	**(3%)**
Extraordinary items	(134 612)	(73 273)	(84%)
Net finance costs	(65 313)	(69 375)	6%
Profit before tax	**17 348**	**81 085**	**(79%)**
Tax	(33 743)	(55 342)	39%
Profit after tax	**(16 395)**	**25 743**	**>(100%)**
EBITDA %	**33%**	**30%**	**3%**
Operating profit %	**24%**	**24%**	**0%**
NHEPS (cents)	**26.8**	**27.2**	**(2%)**
HEPS (cents)	**24.8**	**20.5**	**21%**
EPS (cents)	**(3.4)**	**1.8**	**>(100%)**
DPS (cents)	**13.0**	**10.0**	**30%**

Key features

- Revenue decreased 1% due to impact of lockdown on revenue streams from digital services and products and solutions
- EBITDA rose 11% as a result of adoption of IFRS 16
- Operating profit decreased 3% due to decrease in revenue, offset by reduced costs
- Extraordinary items:
  - R11.8m retrenchment costs following planned workforce reduction
  - R118.4m impairment of goodwill relating to Rest of Africa (mainly Kenya) and Tidy Files
  - R4m loss on disposals of Egypt and Zambia
- Net finance costs dropped 6% following adoption of IFRS 16. Excluding this impact, finance costs improved 18% due to lower debt levels

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Statement of financial position

For 12 months ended 30 June 2020

Assets	Jun 2020 R'000	Jun 2019 R'000
Property, plant and equipment	598 162	581 113
Goodwill	316 661	438 702
Intangible assets	50 498	57 480
Right-of-use asset	126 185	-
Deferred tax	12 177	5 128
Cash and cash equivalents	37 187	34 983
Other assets (inventories, trade receivables, vendor consideration)	237 367	254 612
Total assets	**1 378 237**	**1 375 518**

Liabilities	Jun 2020 R'000	Jun 2019 R'000
Total equity	507 882	561 830
Interest bearing borrowings	559 306	560 053
Bank overdraft	4 988	36 717
Trade and other payables	100 078	109 750
Lease liabilities	133 210	-
Deferred tax and other liabilities	72 773	66 787
Total equity and liabilities	**1 378 237**	**1 375 518**

Key features

- Net debt (pre-IFRS 16) reduced 11% to R524m following improved cash generation and working capital management
- Capex reduction of 21% as capital allocation has become a key priority
- Majority of R120m overdraft facility not utilised at 30 June 2020 due to improved cash generation
- Net debt:EBITDA (pre-IFRS 16) improved to 2.02x (FY19: 2.16x). Target of 1.75x remains, anticipated to be achieved in the short term

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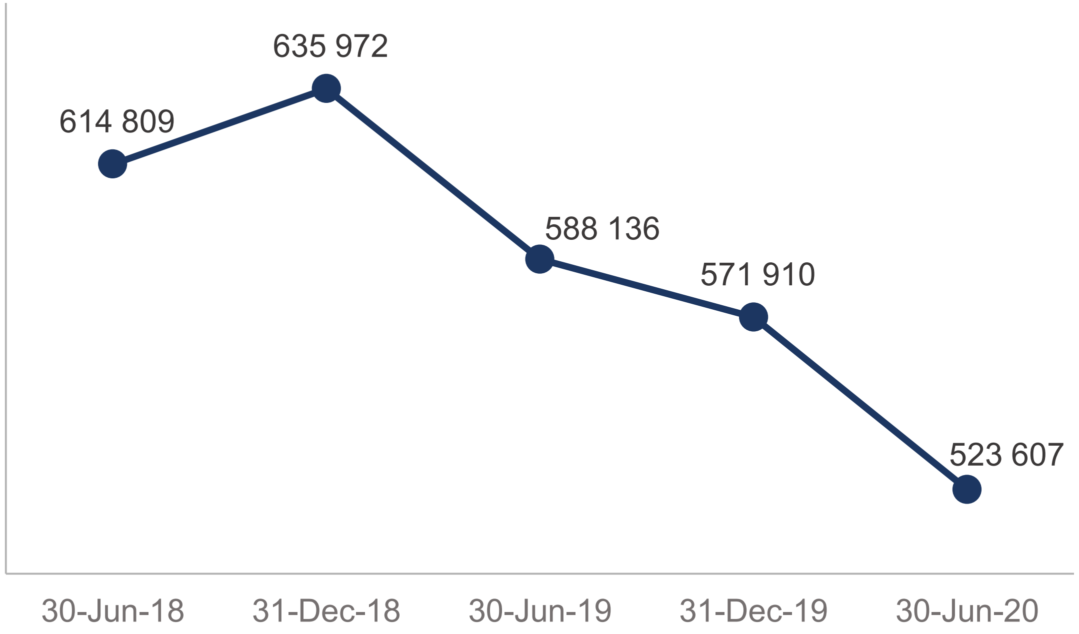
Sound capital management

Significant reduction in net debt and finance costs

Remaining well within covenants

Improved liquidity and solvency headroom
R116m overdraft facility unutilised

Net debt* trend (R ‘000)



** Net debt excludes IFRS 16 lease liabilities*

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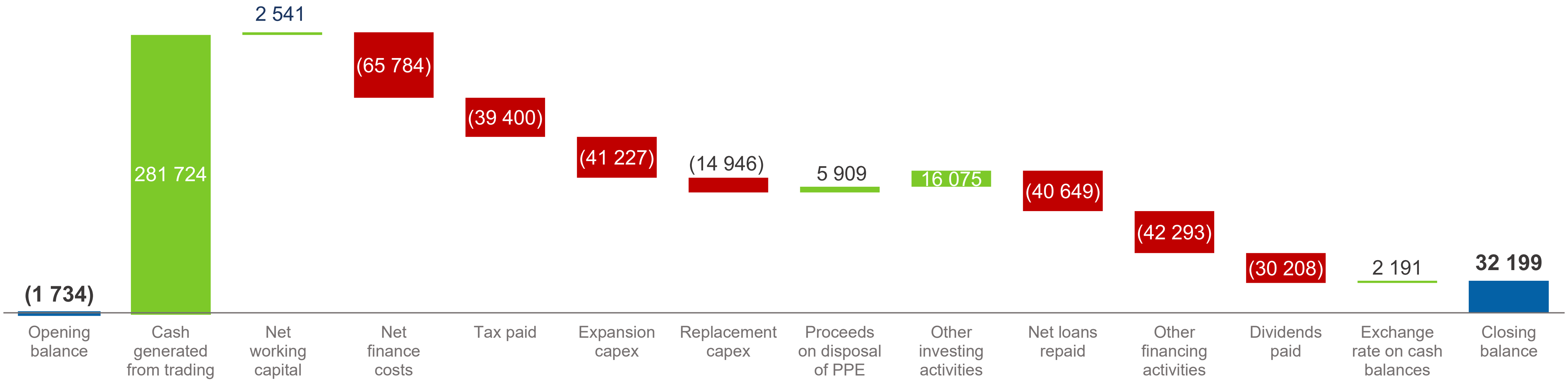
Cash flow

For the 12 months ended 30 June 2020



- Improvement in operating cash conversion ratio to 94% (FY19: 93%) as a result of improved working capital management
- Significant capex reduction of 21% to R56m, expected to be maintained in short term. Careful consideration of capital allocation for further expansion where required
- Net debt reduced 11% to R524m

Operating cash conversion ratio – (cash generated from trading plus net working capital) divided by EBITDA

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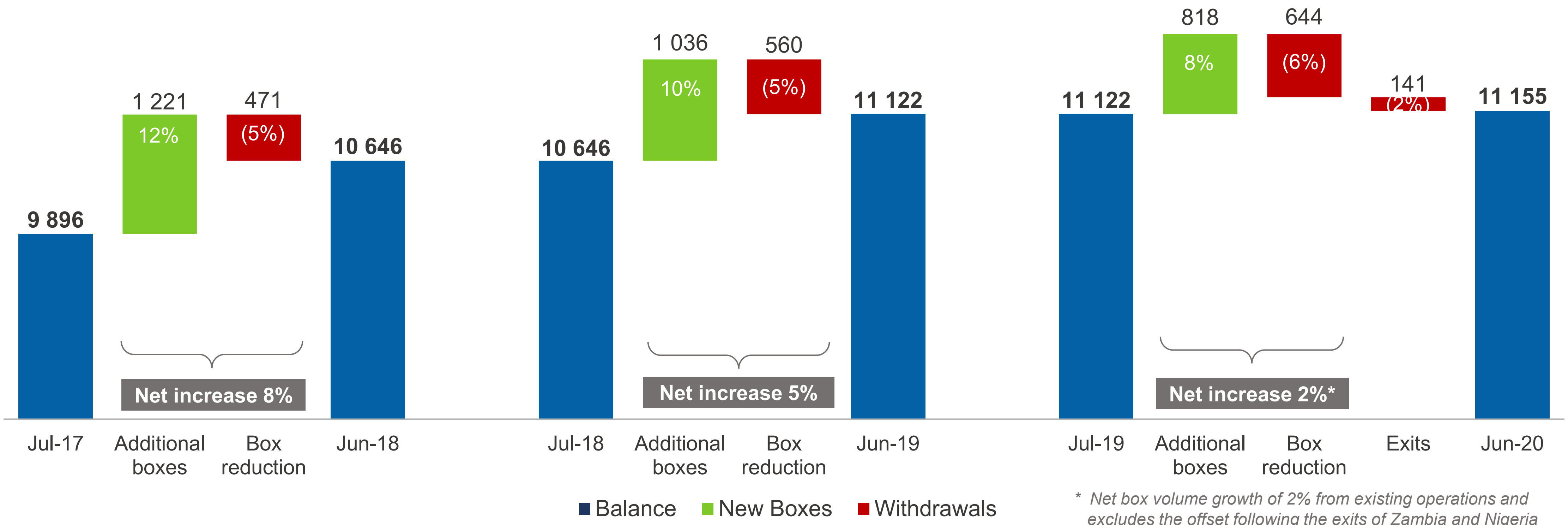
Historical box movements

Group box movements ('000)



* *Net box volume growth of 2% from existing operations and excludes the offset following the exits of Zambia and Nigeria*

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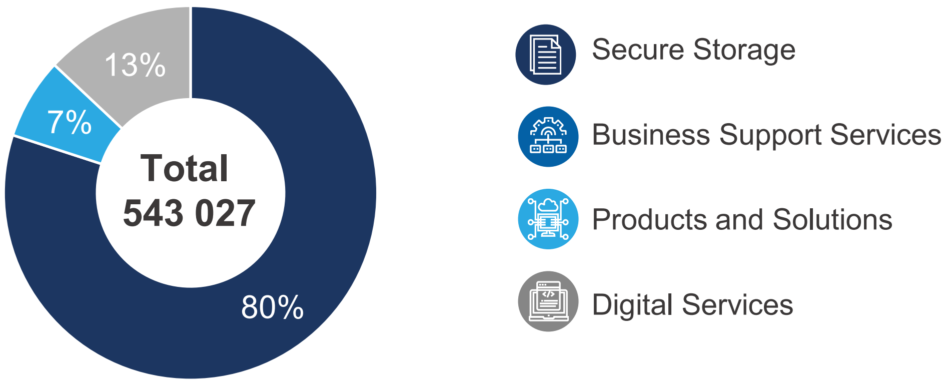
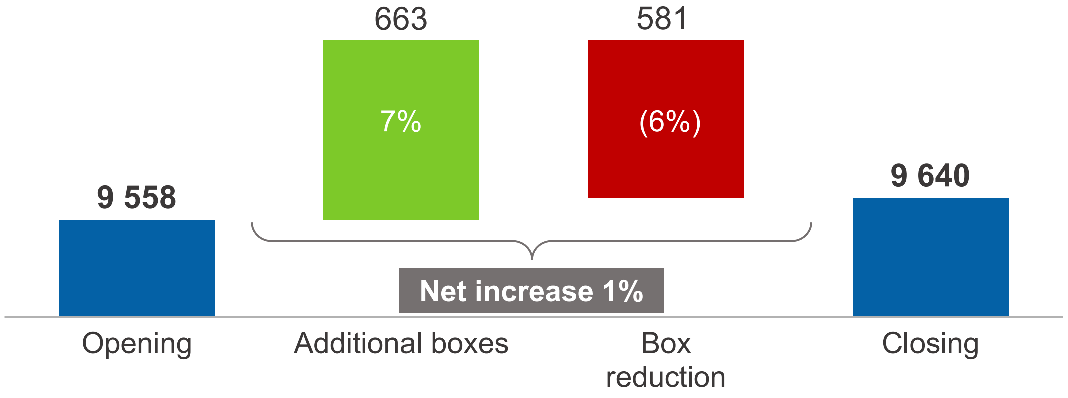
Divisional analysis: MRM South Africa

R'000	June 2020	June 2019	Variance %
Revenue	543 027	555 885	(2%)
Operating profit	207 280	204 165	2%
EBITDA	254 151	233 652	9%
Operating profit margin	38.2%	36.7%	4%
EBITDA Margin	46.8%	42.0%	11%

Revenue drivers FY20 (R'000)



Box movements ('000)

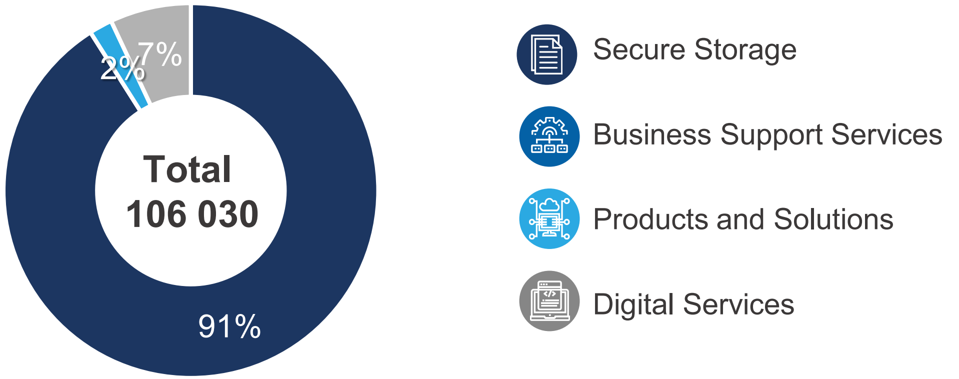


- Revenue decreased 2% following reduction in digital services, specifically image processing due to lockdown. Offset by 1% rise in net box volume growth
- New box volume intake expected to continue to increase while reduction in box related services expected to persist in short term
- Continued operationalisation of digital services pipeline a key priority in FY21

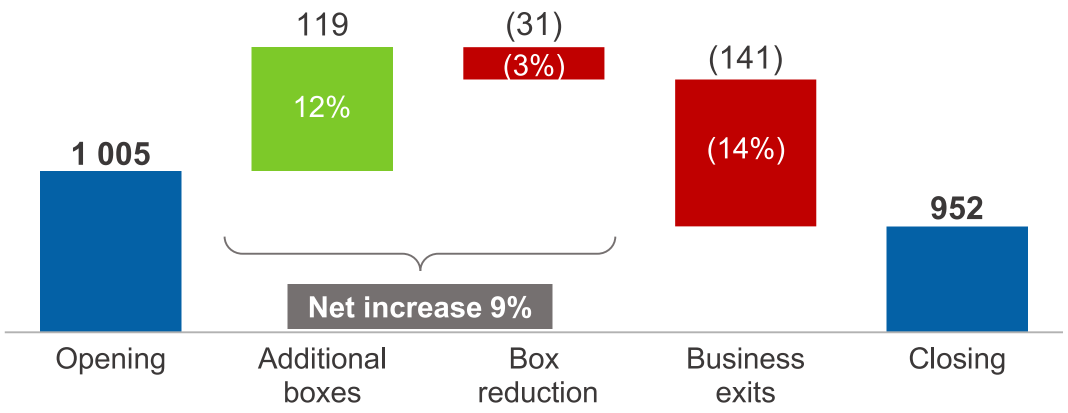
Divisional analysis: MRM Rest of Africa

R'000	June 2020	June 2019	Variance %
Revenue	106 030	104 612	0.4%
Operating profit	30 345	34 539	(12%)
EBITDA	48 160	39 249	23%
Operating profit margin	28.9%	33.0%	(12%)
EBITDA margin	45.9%	37.5%	22%

Revenue drivers FY20 (R'000)



Box movements ('000)

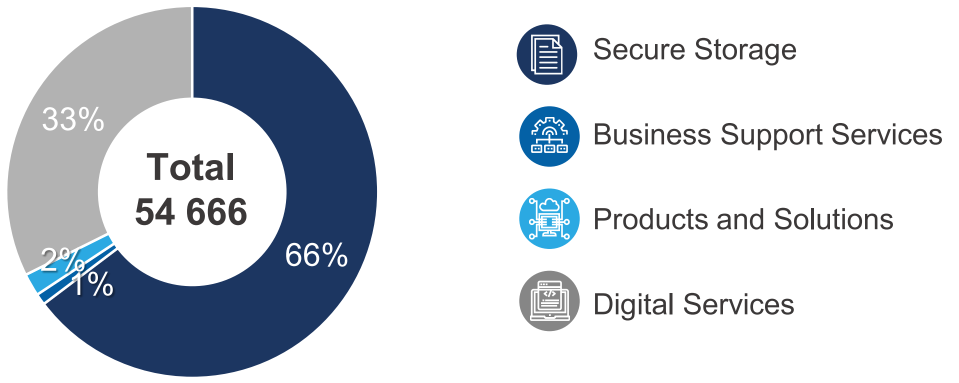


- Operations in Botswana, Kenya and Mozambique. Zambia included for 10 months to 30 April 2020
- Revenue stable – marginal increase of 1% as net box volume growth increased by 9% (offset by 14% due to exiting Zambia and Nigeria)
- Service-related revenue impacted by lockdown
- Operating profit decreased 12% mainly due to increased IFRS 9 ECL assumptions relating to doubtful debt following impact of lockdown
- Net box volume growth expected to continue particularly in greater East African region

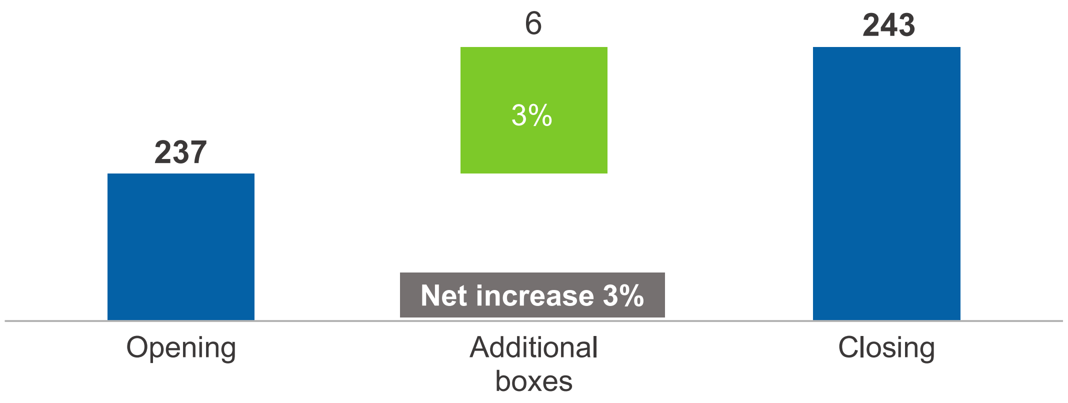
Divisional analysis: MRM Middle East

R'000	June 2020	June 2019	Variance %
Revenue	54 666	41 869	31%
Operating profit	1 997	(8 286)	124%
EBITDA	4 692	(5 602)	184%
Operating profit margin	3.7%	(19.8%)	119%
EBITDA margin	8.6%	(13.4%)	164%

Revenue drivers FY20 (R'000)



Box movements ('000)

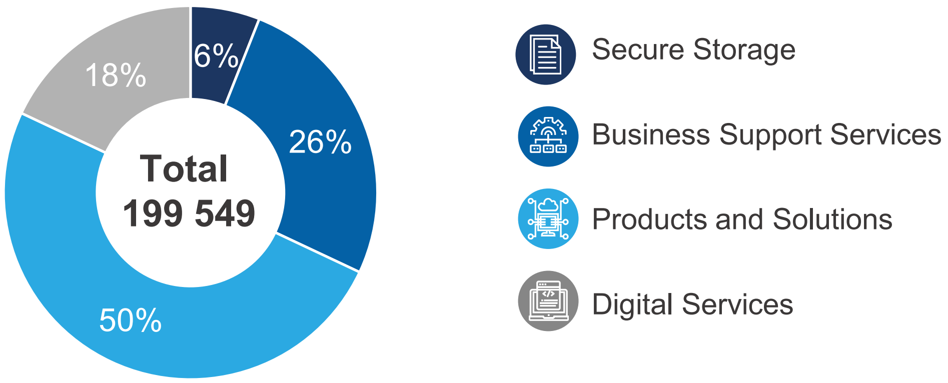


- Operations in United Arab Emirates and Oman
- Revenue increased 31% following a significantly improved project pipeline
- Operating profit grew from loss of R8m to profit of R2m which included partial loss from Egypt which was included for 1H before exit

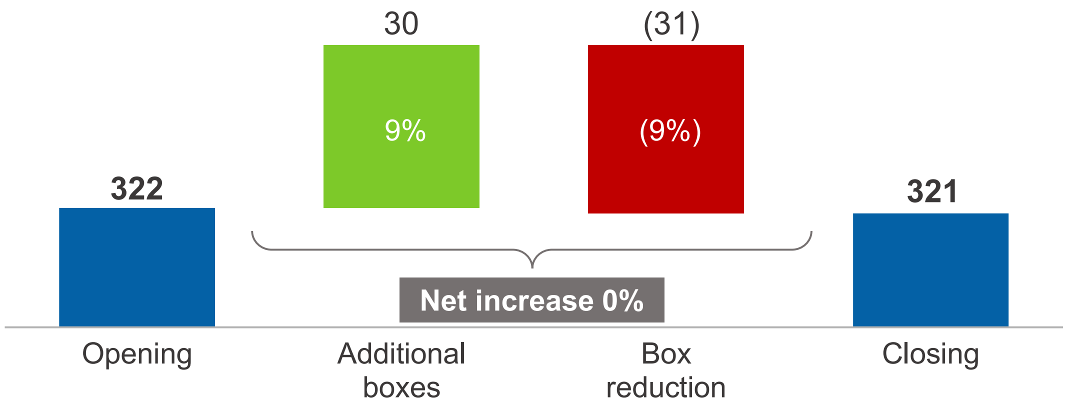
Divisional analysis: Products and Services

R'000	June 2020	June 2019	Variance %
Revenue	199 549	211 049	(5%)
Operating profit	7 726	19 338	(60%)
EBITDA	25 115	29 707	(15%)
Operating profit margin	3.9%	9.2%	(58%)
EBITDA margin	12.6%	14.1%	(11%)

Revenue drivers FY20 (R'000)



Box movements ('000)



- Products and Services consists of Tidy Files, Cleardata and Global Continuity
- This segment most significantly impacted due to lockdown
- Revenue decreased 5% and operating profit 60%
- Through the existing pipeline, performance is expected to improve in FY21

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1QFY21 observations

- Continued subdued trading impacting revenue
- Cost initiatives
- Solid EBITDA performance
- Improved margins
- Steady improvement month-on-month

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Key priorities for FY21

FY21 key strategic themes

Physical storage

Rationalise operations

Drive digital offering

Internal IT solutions

Financial metrics

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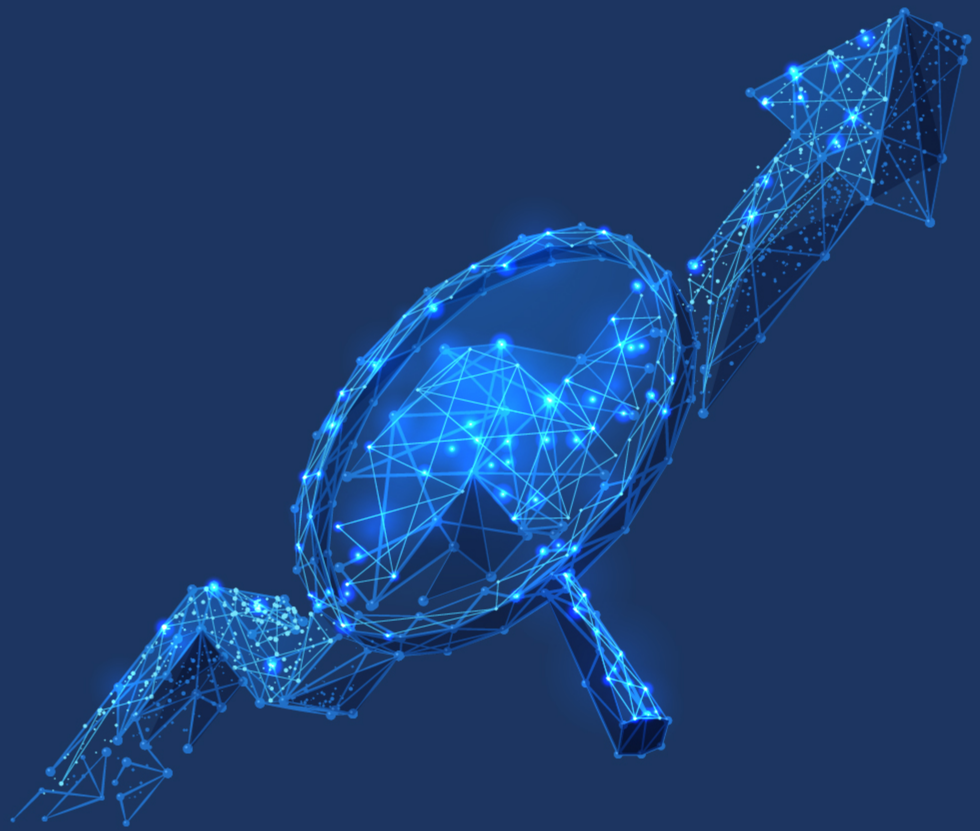
Outlook



Outlook

- Good start to new financial year and expect 1QFY21 to return to previous levels of profitability
- Our business model will be strengthened by acceleration of digital offerings as part of subscription model
- Extensive cost reduction exercise to ensure profitability is protected despite economic challenges
- Will evolve our offer to lead industry through changes and challenges
- Will continue to monitor impact of Covid-19 and macro-economic outlook

THANK YOU

www.metrofilegroup.com