Metrofile Group

# Results for the year ended 30 June 2021

Pfungwa Serima / Shivan Mansingh

15 September 2021

# Agenda

| | |
|---|---|
| **Welcome and introduction** | Pfungwa Serima |
| **Update on key priorities** | Pfungwa Serima |
| **Strategy update** | Pfungwa Serima |
| **Financial and operational results** | Shivan Mansingh |
| **Outlook** | Pfungwa Serima |

# FY21 key priorities and achievements

## 1 Physical storage

- High customer retention
- Good box growth achieved in East Africa and Middle East
- Reduction in service related box revenue such as handling fees due to less retrievals

## 2 Rationalise operations

- Successful execution of various cost saving initiatives
- Significant reduction in capex due to improvement in warehouse capacity management

## 3 Drive digital offering

- Improvement in digital services revenue by 23% year-on-year
- Successful launch of Metrofile Vysion which has already started to deliver on key contracts won
- Significant improvement and revenue growth achieved in the Middle East from digital automation contracts

## 4 Internal IT solutions

- Continued enhancement of cyber security
- Key IT foundational infrastructure components have been built to support future business requirements

## 5 Financial metrics

- Extensive cost reduction exercise has ensured improvement in margins
- Key focus on capital allocation as well as working capital management has resulted in a significant reduction in net debt

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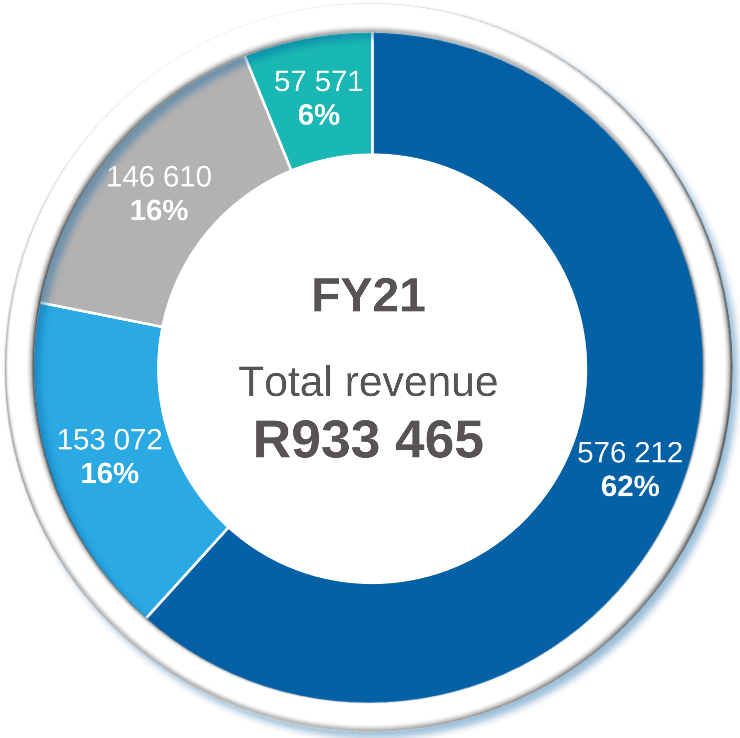
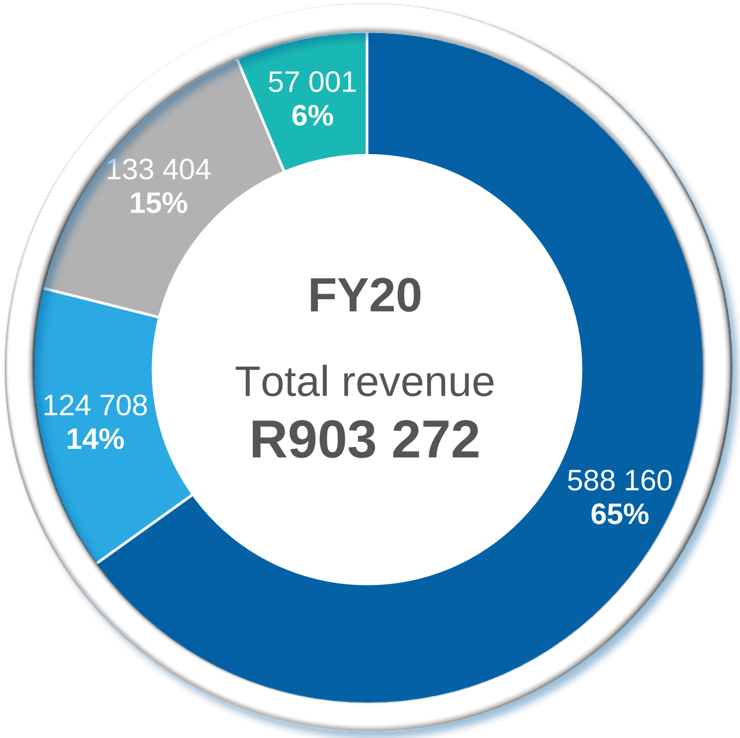
# Revenue drivers – FY21 (R'000)




Secure storage

Digital services

Products and solutions

Business support services

- Secure storage contributed 62% to revenue down 2% due to reduction in service-related revenue
- Improvement in core storage revenue due to improved price mix
- Digital services contributed 16%, up 23% due to increased digital work flow solutions and increased number of images processed
- Additional digital work in Middle East
- Positive contribution from Metrofile Vysion which provides digital work flow solutions and enhanced our core capabilities in providing value to customers
- Products and solutions and Business support services contributed 16% (up 10%) and 6% (up 1%) respectively

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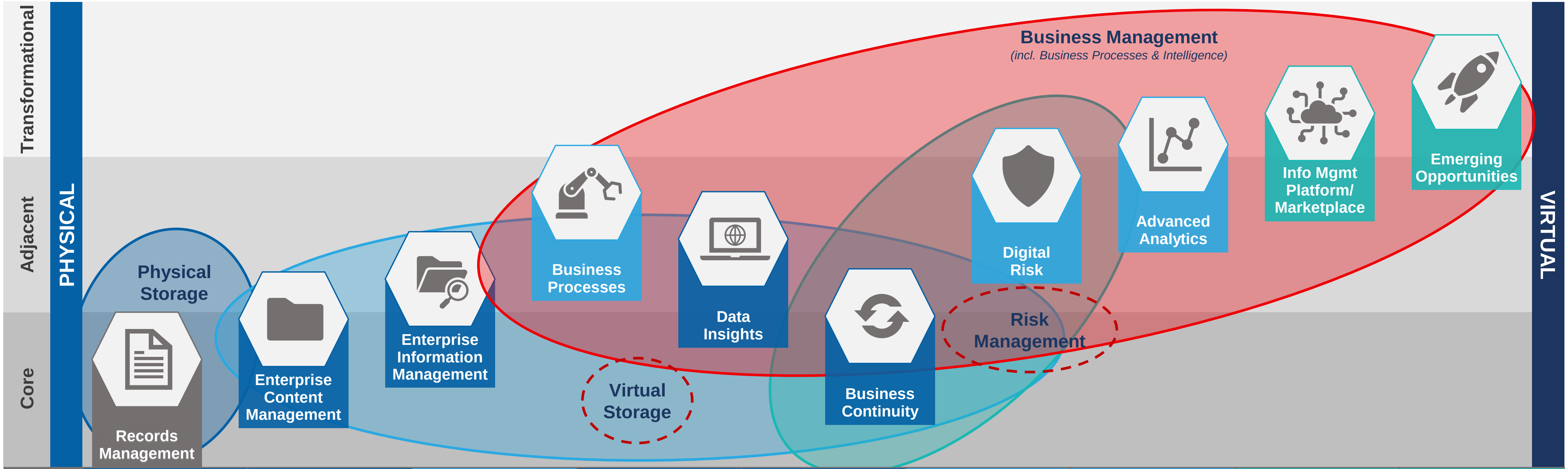
# Strategy

# Strategy update and core capabilities




| Step | ECM | EIM | Business processes | Data insights | Business continuity | Digital risk | Advanced analytics | Info mgmt platform/ marketplace | Emerging mega-trends |
|---|---|---|---|---|---|---|---|---|---|
| Market definition | *Lower-level systems for capturing, storing, preservation and delivery of content from documents* | *Higher-level systems for indexing, search, management, insight and collaboration for customer data* | *Data capture at source, process optimisation and management, workflow solutions and automation* | *Basic data analysis of customer data to produce descriptive insights that support business intelligence* | *Virtual backup of business data to mitigate downtime from business disruptions* | *Digital risk services focused on data protection, disaster recovery, cybersecurity and interruption insurance* | *Artificial intelligence, machine learning and deep learning capabilities for advanced analytical business support* | *The platform economy has a large global market and is fast growing. It is a new format of conducting business and extracting value from data through 3rd party APIs.* | *Blockchain, AI, Cloud and Platform enabled businesses. Market definition is fluid and shaped over time by emerging mega-trends* |

# Financial and operating results

# FY21 salient features

| Revenue | Operating profit | Free cash flow* |
|---|---|---|
| R933m | R241m | R184m |
| ↑3% | ↑11% | ↑42% |

| Net debt** improved to | HEPS | EPS |
|---|---|---|
| R434m | 31.8c | 31.9c |
| ↓17% | ↑28% | ↑>100% |

| DPS |
|---|
| 15c |
| ↑15% |

*  *Non-IFRS measure*
** *Net debt excludes IFRS 16 lease liabilities*

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# Income statement

## For the 12 months ended 30 June 2021

| | Jun 2021 R’000 | Jun 2020 R’000 | % change |
|---|---|---|---|
| **Revenue** | **933 465** | **903 272** | **3%** |
| **EBITDA** | **322 651** | **301 696** | **7%** |
| **Operating profit** | **240 801** | **217 274** | **11%** |
| Net finance costs | (49 447) | (65 313) | (24)% |
| **Profit before tax** | **191 354** | **17 348** | **1003%** |
| Tax | (49 384) | (33 743) | 46% |
| **Profit after tax** | **141 970** | **(16 395)** | **966%** |
| **EBITDA %** | **35%** | **33%** | **2%** |
| **Operating profit %** | **26%** | **24%** | **2%** |
| **HEPS (cents)** | **31.8** | **24.8** | **28%** |
| **EPS (cents)** | **31.9** | **(3.4)** | **>100%** |
| **DPS (cents)** | **15.0** | **13.0** | **15%** |

**Key features**

- Revenue increased 3% due to recovery after easing of lockdown regulations
- EBITDA rose 7% as a result of improved operational performance
- Operating profit increased 11% following improved trading performance and tighter cost control

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# Statement of financial position

## For the 12 months ended 30 June 2021

| Assets | Jun 2021 R'000 | Jun 2020 R'000 |
|---|---|---|
| Property, plant and equipment | 595 454 | 598 162 |
| Goodwill | 313 947 | 316 661 |
| Intangible assets | 43 867 | 50 498 |
| Right-of-use asset | 113 337 | 126 185 |
| Deferred tax | 14 136 | 12 177 |
| Cash and cash equivalents | 37 184 | 37 187 |
| Other assets (inventories, trade receivables, vendor consideration) | 234 640 | 237 367 |
| **Total assets** | **1 352 565** | **1 378 237** |

| Liabilities | Jun 2021 R'000 | Jun 2020 R'000 |
|---|---|---|
| Total equity | 569 793 | 507 882 |
| Interest bearing borrowings | 470 022 | 559 306 |
| Bank overdraft | 1 626 | 4 988 |
| Trade and other payables | 108 585 | 100 078 |
| Lease liabilities | 121 833 | 103 543 |
| Deferred tax and other liabilities | 80 705 | 73 544 |
| **Total equity and liabilities** | **1 352 565** | **1 378 237** |

**Key features**

- Free cash flow increased 42% to R184m due to improved working capital and reduced capex following enhanced focus on capital allocation
- Capex reduction of 22% to R44m as capital allocation a key priority
- Net debt reduced 17% to R434m following improved cash generation and working capital management
- Majority of R156m overdraft facility not utilised at 30 June 2021 due to improved cash generation
- Net debt:EBITDA (pre-IFRS 16) improved to 1.55x  (FY20: 2.02x)

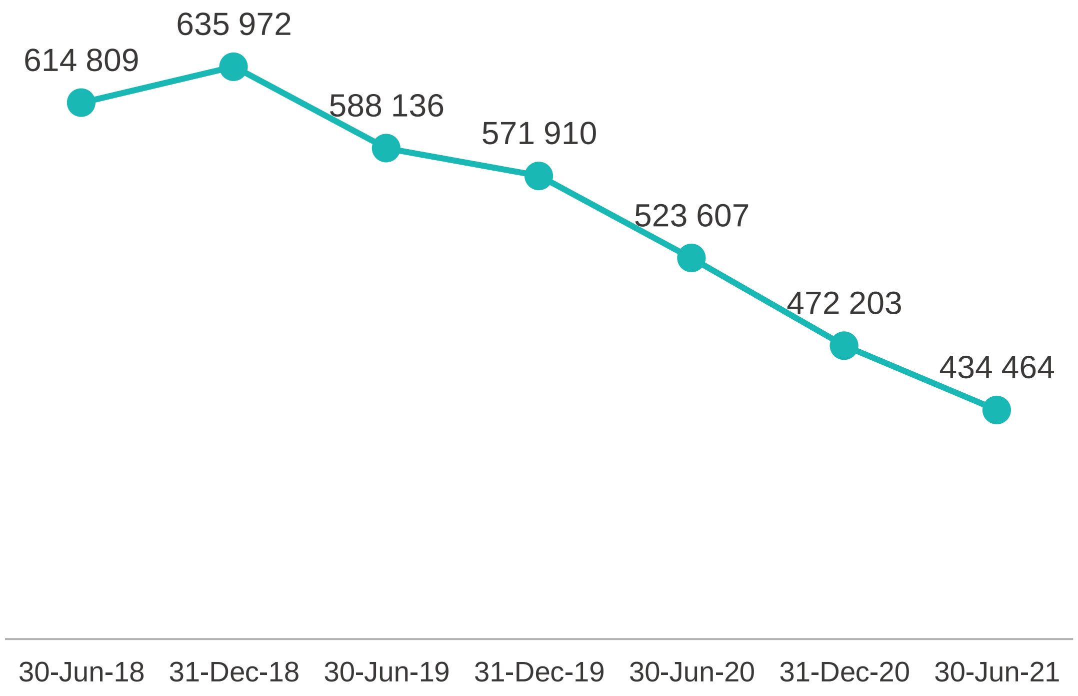
# Sound capital management

**17% reduction in net debt to R434m finance costs down 24% to R49m**

**Remaining well within covenants**

**Improved liquidity and solvency headroom R156m facilities unutilised**

**Net debt* trend (R ’000)**




** Net debt excludes IFRS 16 lease liabilities*

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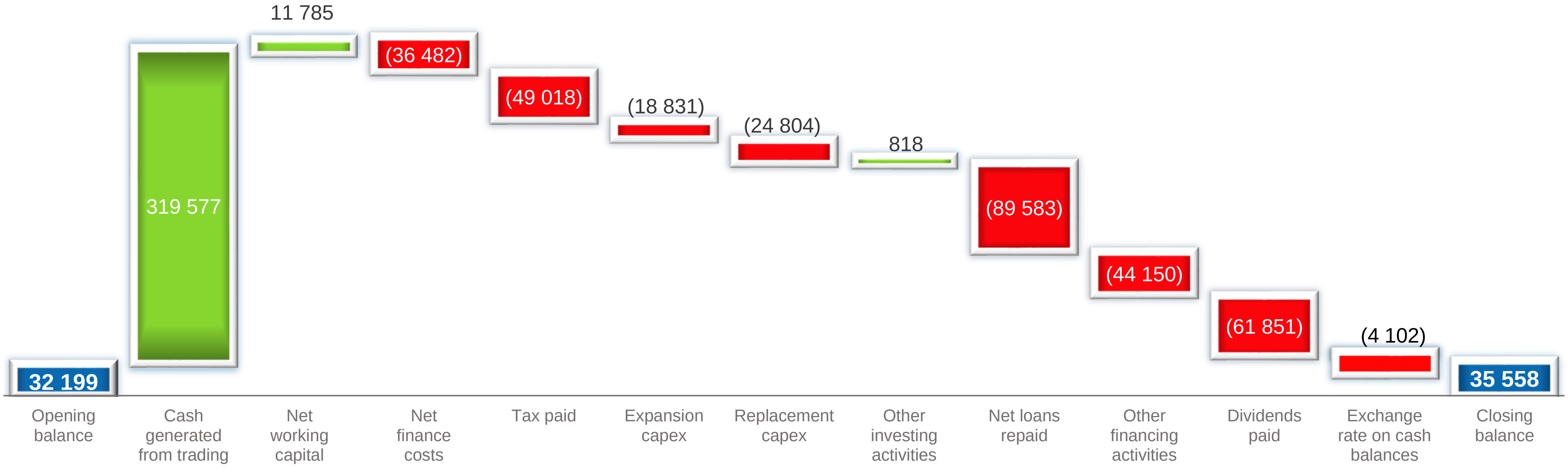
# Cash flow

## For the 12 months ended 30 June 2021

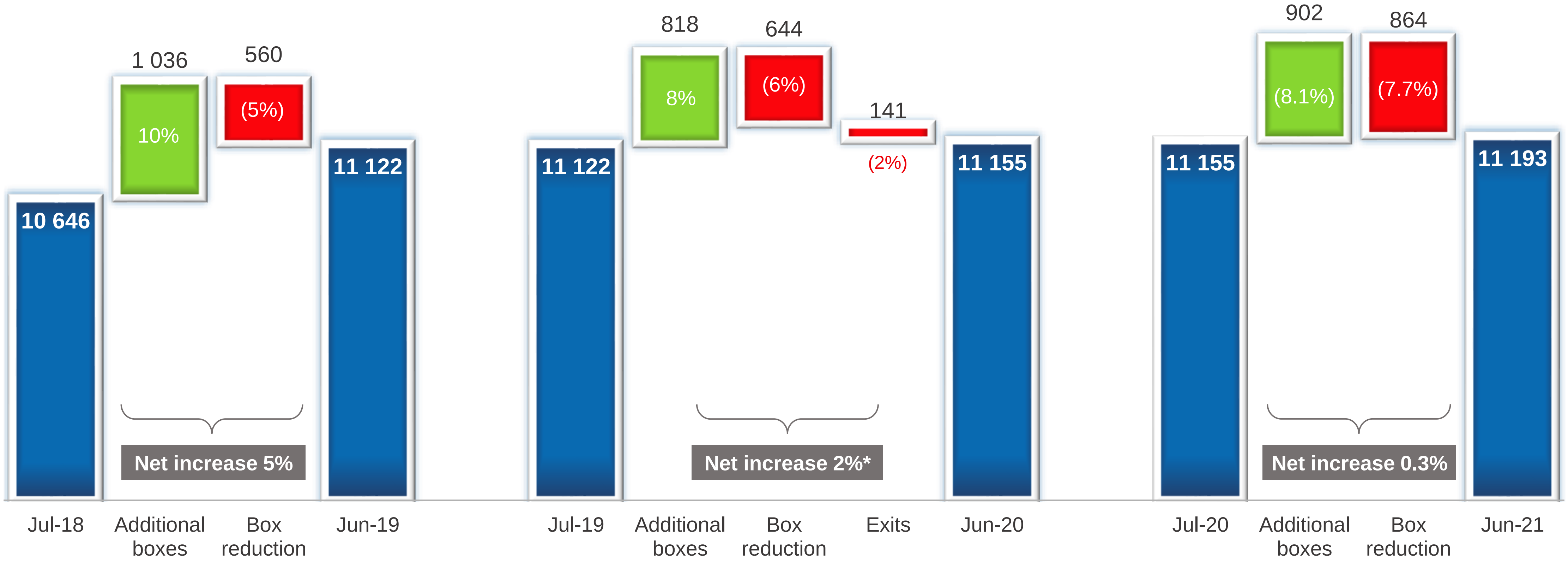



- Improvement in operating cash conversion ratio to 103% (FY20: 94%) as a result of improved working capital management
- Significant capex reduction of 22% to R44m, expected to be maintained in short term. Careful consideration of capital allocation for further expansion where required
- Net debt reduced 17% to R434m

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

# Historical box movements

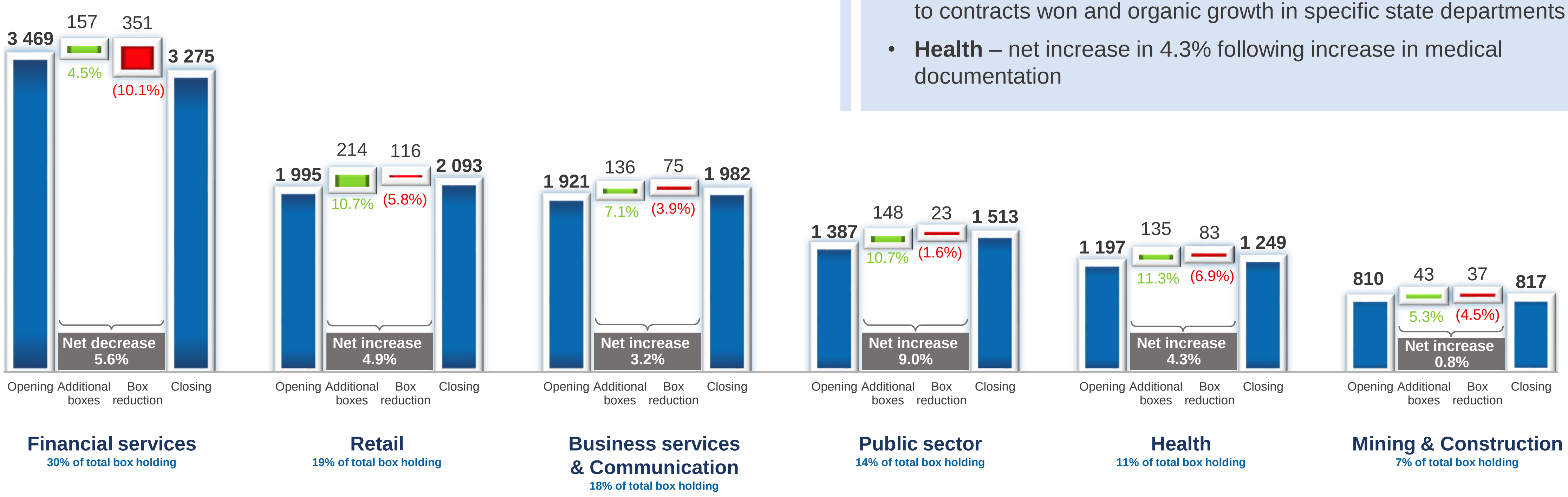
## Group box movements ('000)




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

# Industry Analysis box movements

## Box movements per Industry ('000)




- **Group net box** volumes flat YoY – enhanced capacity management linked to capital allocation and overall improvement in price mix
- **Financial services** – organic growth of 4.5% in additional boxes – lower than prior year due to severe impact of COVID and work from home on financial services. Planned cyclical destruction cycle by sector led to box destructions of 10.1%
- **Retail** – contributed positively. Net increase of 4.9% as clients in retail sector not severely impacted
- **Public sector** – net increase of 9% from public sector mainly due to contracts won and organic growth in specific state departments
- **Health** – net increase in 4.3% following increase in medical documentation

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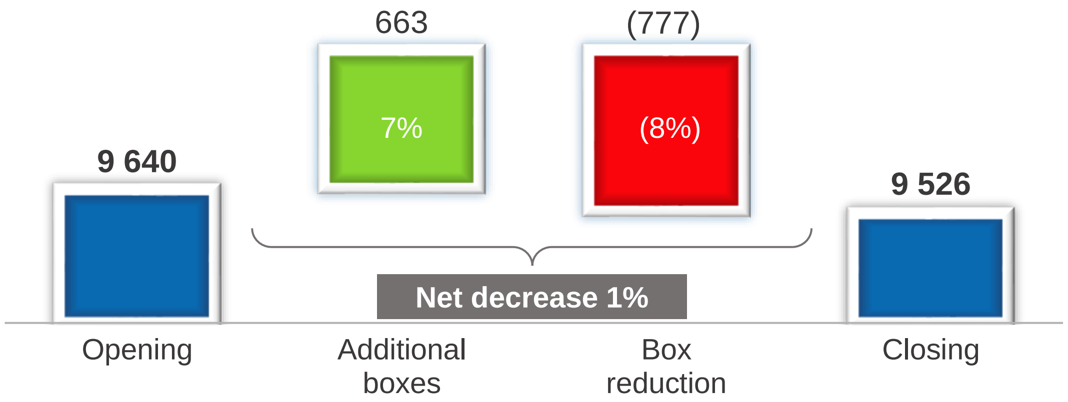
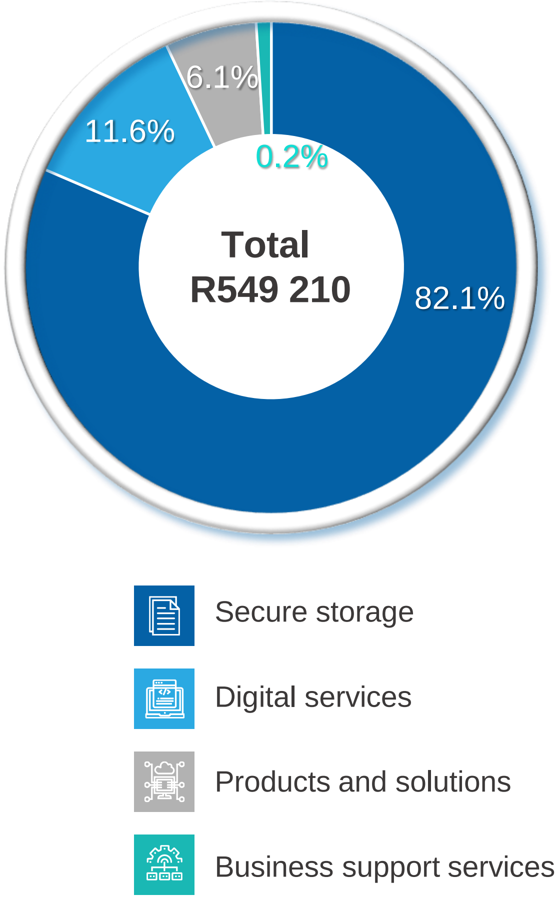
# Divisional analysis: MRM South Africa

| R'000 | June 2021 | June 2020 | Variance |
|---|---|---|---|
| Revenue | 549 210 | 543 027 | 1% |
| Operating profit | 213 566 | 207 280 | 3% |
| EBITDA | 253 518 | 254 151 | (0.2%) |
| Operating profit margin | 39% | 38% | 1% |
| EBITDA margin | 46% | 47% | (1%) |

## Box movements ('000)




## Revenue drivers FY21 (R'000)




- Operating profit increased 3% to R214m due to cost reduction and revenue increasing 1%
- Rise in revenue due to 3% growth in core storage, digital workflow solutions and scanning revenue, partially offset by lower box service related revenue
- New box volume intake expected to increase as efficiencies in our warehouses improve
- 2022 focus area: continued operationalisation of digital services pipeline and key projects

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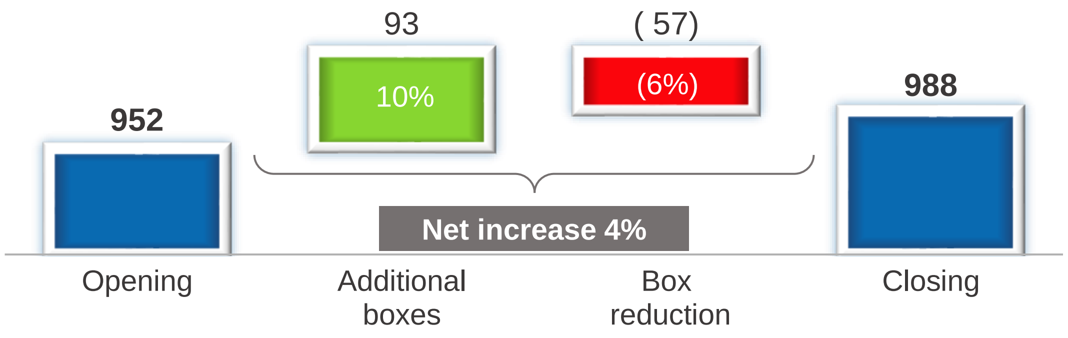
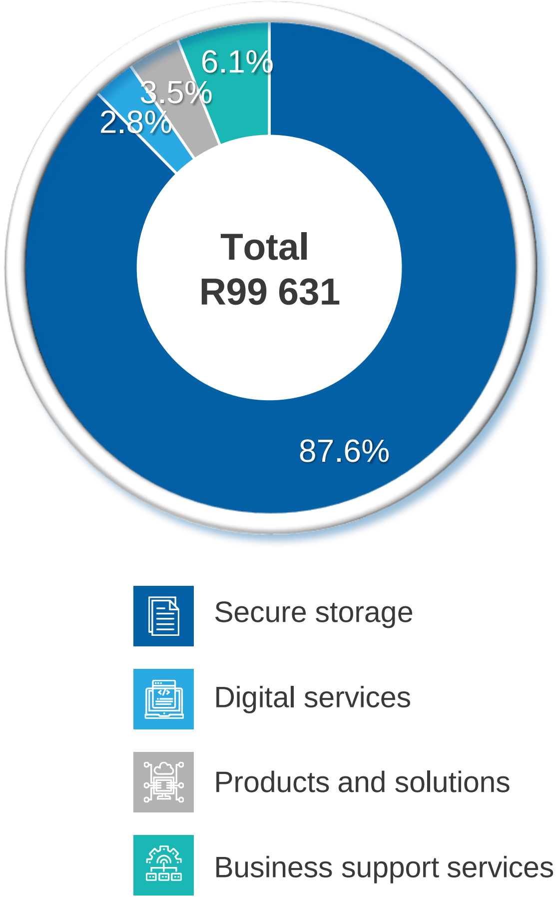
# Divisional analysis: MRM Rest of Africa

| R'000 | June 2021 | June 2020 | Variance |
|---|---|---|---|
| Revenue | 99 631 | 106 030 | (6%) |
| Operating profit | 34 955 | 30 345 | 15% |
| EBITDA | 56 800 | 48 160 | 18% |
| Operating profit margin | 35% | 29% | 6% |
| EBITDA margin | 57% | 45% | 12% |

## Box movements ('000)




## Revenue drivers FY21 (R'000)




- Operations in Botswana, Kenya and Mozambique
- Improved trading conditions positively impacted operating profit – increased 15%
- Revenue decreased 6% due to disposal of Zambian business and closure of Nigerian business in prior year
- Net box volume growth expected to continue, particularly in greater East African region

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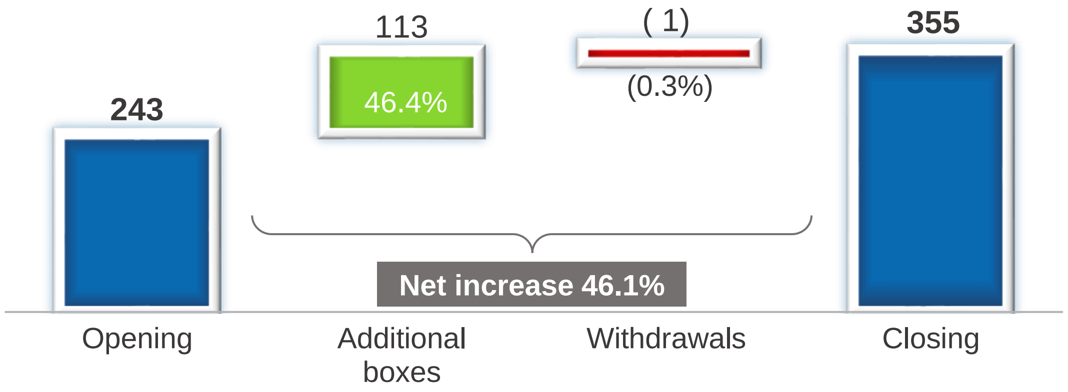
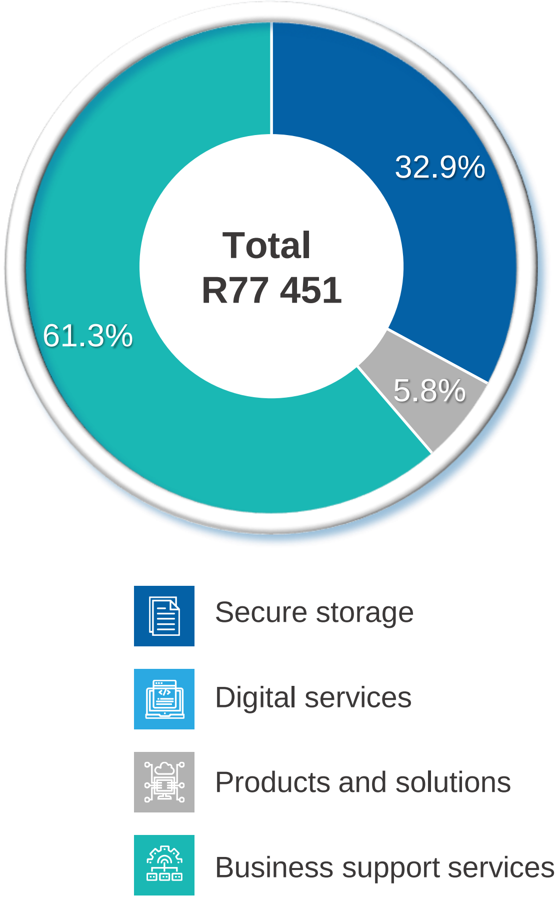
# Divisional analysis: MRM Middle East

| R’000 | June 2021 | June 2020 | Variance |
|---|---|---|---|
| Revenue | 77 451 | 54 666 | 42% |
| Operating profit | 13 046 | 1 997 | 553% |
| EBITDA | 14 582 | 4 692 | 211% |
| Operating profit margin | 17% | 4% | 13% |
| EBITDA margin | 19% | 9% | 10% |

**Box movements ('000)**




**Revenue drivers FY21 (R’000)**




- Operations in United Arab Emirates and Oman
- Revenue increased by 42% following focus on materialising key digital projects and securing long term pipeline of projects
- Operating profit rose by 553% due to improved pipeline, operationalisation of key projects and higher box volumes

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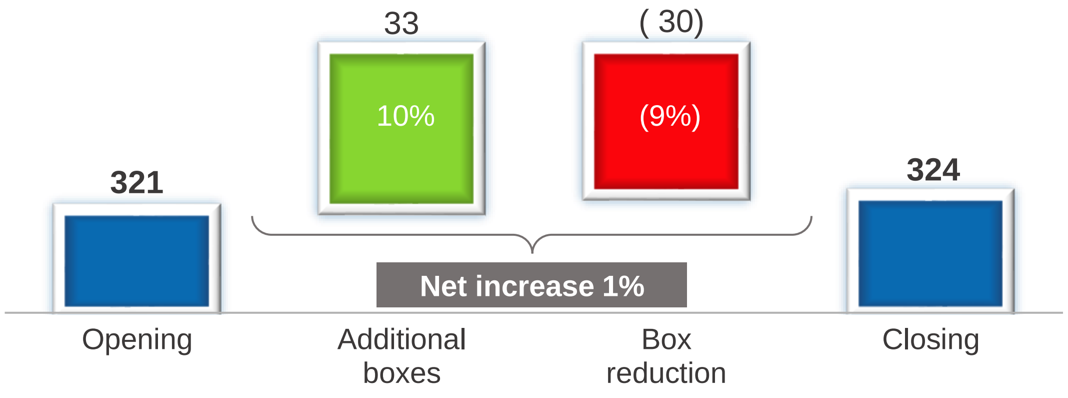
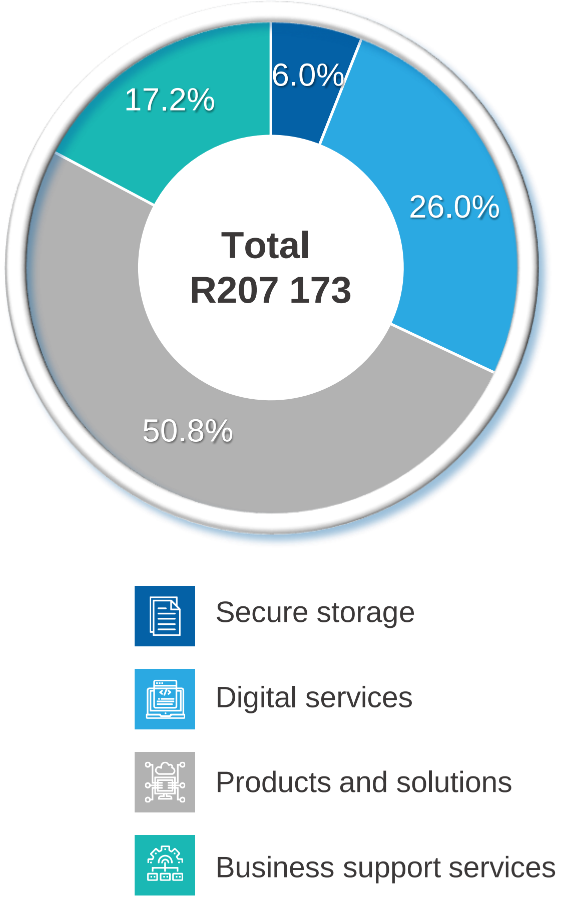
# Divisional analysis: Products and Services

| R'000 | June 2021 | June 2020 | Variance |
|---|---|---|---|
| Revenue | 207 173 | 199 549 | 4% |
| Operating profit | 16 974 | 7 726 | 120% |
| EBITDA | 33 265 | 25 115 | 32% |
| Operating profit margin | 8% | 4% | 4% |
| EBITDA margin | 16% | 13% | 3% |

**Box movements ('000)**




**Revenue drivers FY21 (R'000)**




- Products and Services consists of Tidy Files, Cleardata and Global Continuity
- Operating profit increased by 120% due to significant cost reduction initiatives
- Trading conditions in South Africa have been tough during lockdown restrictions and operating market has slowly improved out of lockdown with revenue increasing 4%

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# Outlook


78%
172.29 – 4.49
1,023.88 – 13.73
0.00 + 0.00
24,285.95 –178.74
6,952.86 – 7.46
11,192.69 + 54.20
25,927.68 – 91.73

# Outlook

- **Defend and extend market position in information storage**
- **Scale our position in information management**
- **Continue our focus on capital allocation and capacity management**
- **Enhance our core capabilities through introducing new services for our customers**

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# Thank you