Metrofile Group

Results for the six months ended 31 December 2021

Pfungwa Serima / Shivan Mansingh

8 March 2022

Agenda

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Operating context

South Africa

- Despite unforeseen events that affected two significant operating regions during the period, we have had a positive start to the year.
- During the first quarter we experienced destructions of higher priced boxes from various sectors following the implementation of POPIA.
- In the second quarter there was an increase in box intake and a reduction in destructions, however local government elections impacted the timing of various government related projects, which we expect to conclude in the second half of the financial year.
- The addition of IronTree to the Group will enhance our core capabilities in providing value-add services in virtual storage and information risk management.

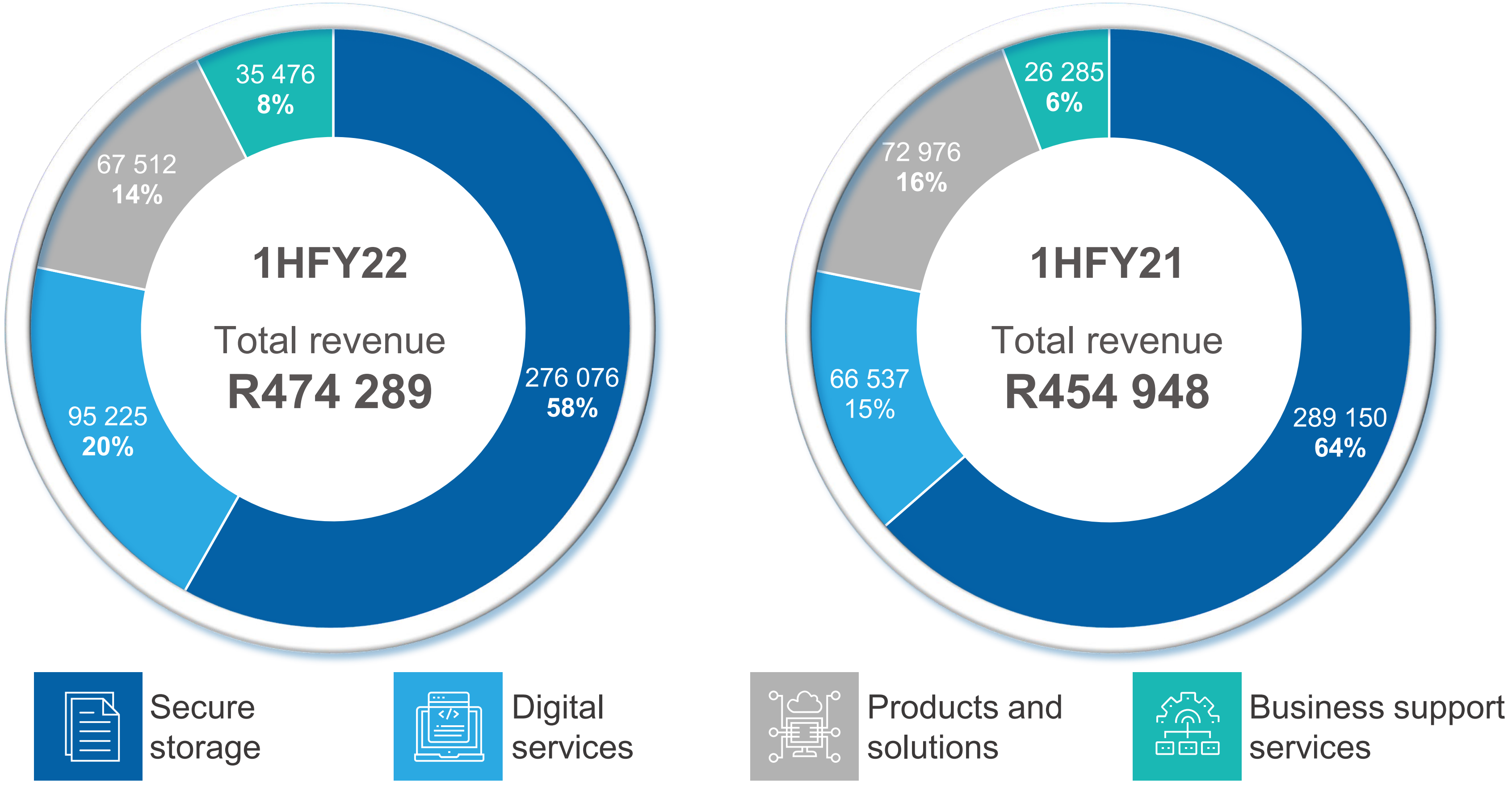
Rest of Africa

- Botswana and Mozambique achieved pleasing results for the period under review, however Kenya experienced several headwinds particularly in the financial services sector that contributes the majority to the operation's revenue.
- This in turn led to significant pressure on the services revenue within Metrofile Kenya for the period under review, specifically active filing and image processing.

Middle East

- MRM Middle East has demonstrated significant growth over the past 18 months and is now our largest region outside of South Africa.
- Current initiatives are more project orientated and we expect growth in project pipeline to be reflective of global digitisation trends, however we are currently working towards building a strong digital annuity base.

Revenue drivers – 1HFY22 (R'000)



- Secure storage contributed 58% to revenue down 5% year-on-year due to a 5% reduction in paper service and paper storage being flat year-on-year
- Digital services contributed 20%, up 43% mainly as a result of an increase in digital projects in South Africa, as well as an increase in digitisation activities in the Middle East
- Digital services is now our second largest revenue stream contributor and growth over the past 18 months has demonstrated the effect of the Group's introduction of relevant digital service offerings
- Products and solutions contributed 14%, down 7% due to local challenges that impacted demand for archiving products
- Business support services contributed 8%, up 35% mainly as a result of customers won through our confidential destruction business.

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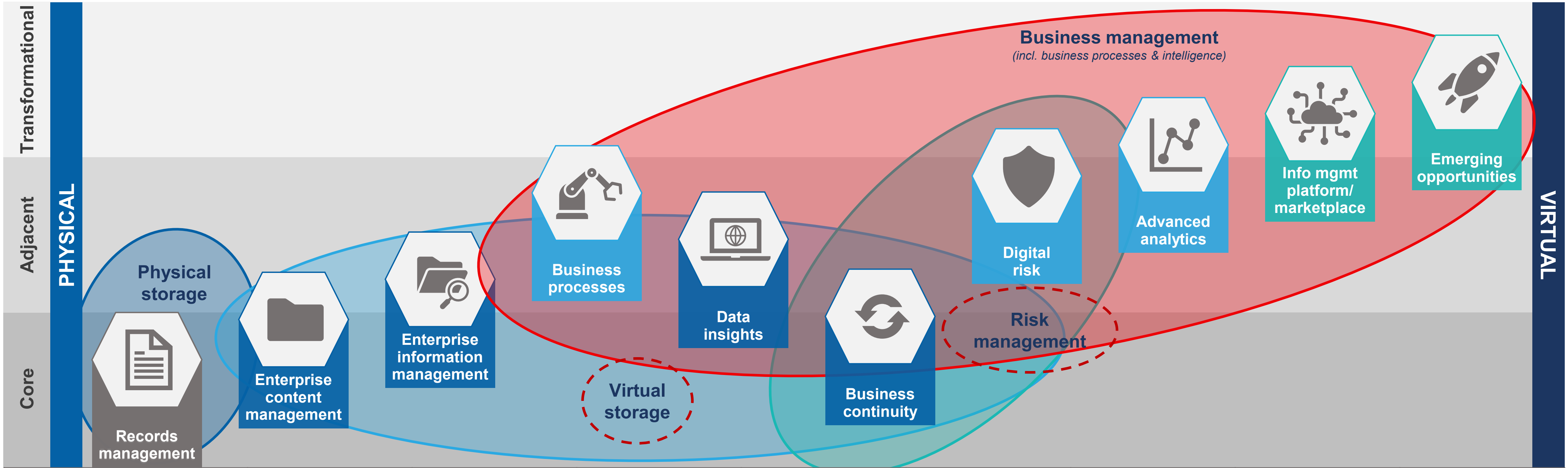
Strategy update

Strategy update



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*

Update on FY22 key priorities

1
Defend and extend market position in information storage

- Key focus on customer retention, business integration as well as product rationalisation
- Integration focus on robust infrastructure & cost containment supported by key transformation projects

2
Scale our position in information management

- Through Metrofile Vysion, we have made significant inroads and further developed our go-to-market software
- Achieved through significant growth in Metrofile Vysion and development on the back of customer investment

3
Continue our focus on capital allocation and capacity management

- 5% reduction in net debt to R448m, despite acquisition of IronTree
- Finance cost down 11% to R23m
- Healthy cash generation and sufficient liquidity headroom

4
Enhance our core capabilities through introducing new services for our customers

- With the acquisition of IronTree, effective 1 December 2021, Metrofile now has a “digital twin” offering for our core service, which is providing secure storage whether it be physical or digital
- IronTree will strengthen Metorile’s core capabilities in virtual storage and digital risk management and also provides the Group access to products in high growth segments such as cybersecurity and digital compliance

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IronTree is a data back up and ancillary product provider

IronTree
love your data™

IronTree provides data management services including cloud backup, disaster recovery and specialised server hosting in a private cloud. IronTree also offers cybercrime and ransomware prevention, ongoing privacy law compliance management, and business continuity planning services

IronTree solutions

Data management	**IronTree backup:** 100% secure online backup **DRaaS*:** Providing business continuity by ensuring business applications and data are always available and ready to run in the cloud
Cybersecurity	**Cybersecurity**: Ensuring that devices are protected against malicious attacks
Continuity	**Cloud / VPS hosting**: Specialised Virtual Private Server hosting **Plan4Continuity:** Plan, build, schedule, simulate and audit client business continuity
Compliance	**POPIA services**: Compliance software to assist clients with Protection of Personal Information Act processes, procedures, practices and policies

Source: https://irontree.co.za/
*Disaster Recovery as a Service

Financial and operating results

Salient features – 1HFY2022

Revenue	EBITDA	Operating profit*
R474m ↑ 4%	R157m ↑ 1%	R112m ↓ 2%

Net debt** reduced to	EPS	HEPS
R448m ↓ 5%	14.9c ↑ 1%	14.9c ↑ 1%

DPS
9c ↑ 29%

*Operating profit before acquisition related costs.
** Net debt excludes IFRS 16 lease liabilities.

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Statement of comprehensive income

For the 6 months ended 31 December 2021

	Dec 2021 R'000	Dec 2020 R'000	% change
Revenue	**474 289**	**454 948**	**4%**
EBITDA	**157 327**	**155 074**	**1%**
Operating profit	**112 356**	**114 179**	**(2)%**
Net finance costs	(23 220)	(25 998)	(11)%
Profit before tax	**84 729**	**88 181**	**(4)%**
Tax	(16 521)	(22 881)	(28)%
Profit after tax	**68 208**	**65 300**	**4.5%**
EBITDA %	**33%**	**34%**	**(1)%**
Operating profit %	**24%**	**25%**	**(1)%**
HEPS (cents)	**14.9**	**14.8**	**1%**
EPS (cents)	**14.9**	**14.8**	**1%**
DPS (cents)	**9.0**	**7.0**	**29%**

Key features

- Revenue increased by 4% despite unforeseen events that affected two significant operating regions during the period (South Africa and Kenya)
- During the first quarter we experienced destruction of higher priced boxes following the implementation of POPIA
- In the second quarter there was an increase in box intake and a reduction in destructions
- EBITDA increased by 1%
- Operating profit before acquisition related costs decreased by 2% mainly as a result of a decline in higher margin paper services' activities offset by increased digital services
- DPS up 29% to 9c per share following continued healthy cash generation

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Statement of financial position

As at 31 December 2021

Assets	Dec 2021 R'000	Dec 2020 R'000
Property, plant and equipment	609 790	584 138
Goodwill	381 953	314 726
Intangible assets	39 933	47 203
Right-of-use asset	129 890	112 770
Deferred tax	20 091	12 807
Cash and cash equivalents	69 842	52 979
Other assets (inventories, trade receivables, vendor consideration)	225 319	215 745
Total assets	**1 476 818**	**1 340 368**

Liabilities	Dec 2021 R'000	Dec 2020 R'000
Total equity	541 745	525 498
Interest-bearing borrowings	500 187	519 706
Bank overdraft	17 225	8 975
Trade and other payables	110 471	82 030
Lease liabilities	148 796	122 590
Deferred tax and other liabilities	158 394	81 569
Total equity and liabilities	**1 476 818**	**1 340 368**

Key features

- Capital expenditure has been focused on internal transformation projects and amounted to R23m
- Net debt reduced by 5% to R448m for the 12 month period since 31 December 2020 despite the new acquisition in 1HFY2022
- Majority of R108m overdraft facility not utilised at 31 December 2021 due to improved cash generation
- Net debt:EBITDA (pre-IFRS 16) reduced to 1.52x (31 December 2020: 1.80x)

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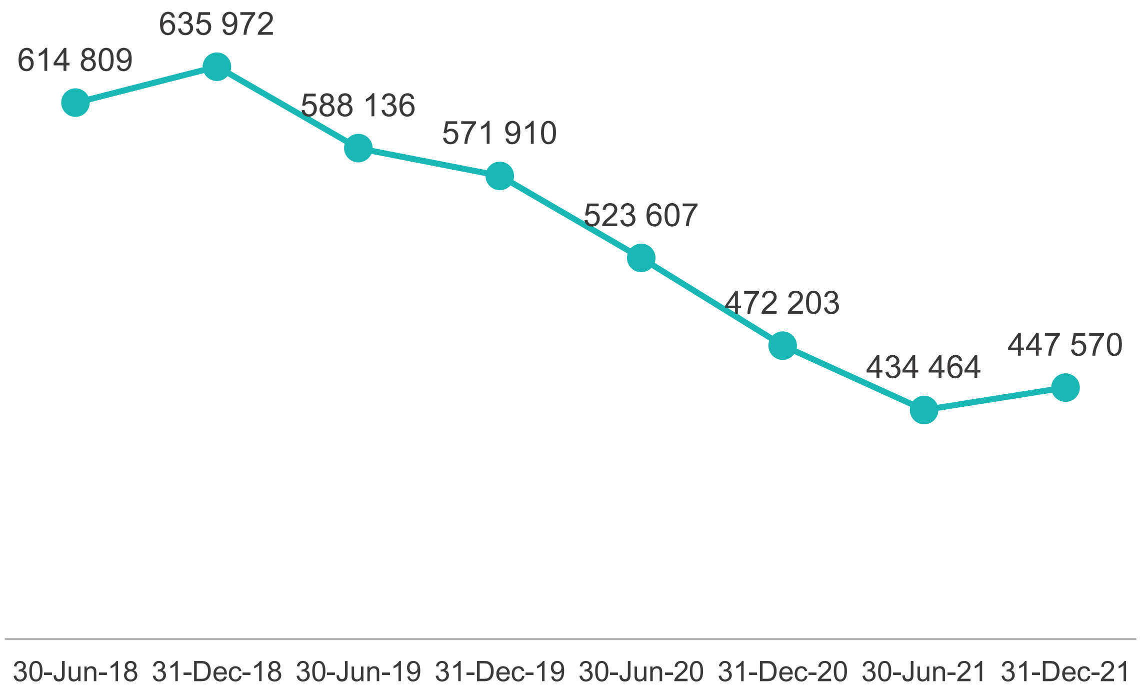
Sound capital management

5% reduction in net debt to R448m finance costs down 11% to R23m

Remaining well within covenants

Net debt as at 31 Dec 21 includes cR49m payment in relation to the IronTree acquisition. R91m facilities unutilised, with R70m cash on hand

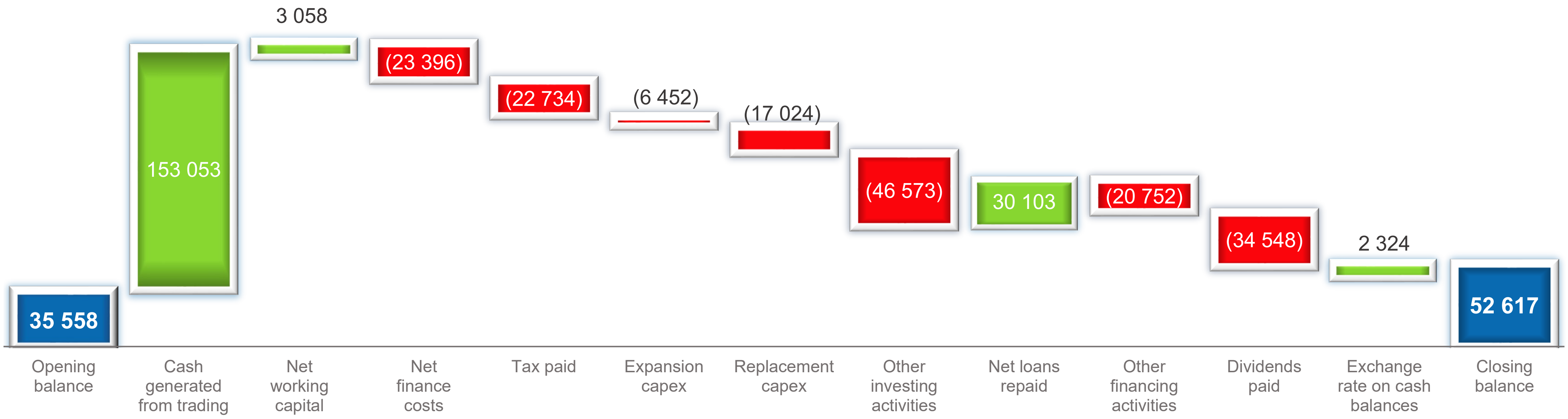
Net debt* trend (R ’000)



** Net debt excludes IFRS 16 lease liabilities.*

Cash flow

For the 6 months ended 31 December 2021



- Operating cash conversion ratio* decreased to 99% (FY21: 103%) as a result of improved working capital management
- Capital expenditure has been focused on internal transformation projects in order to increase efficiencies within the Group. The Group continues to strictly monitor capital expenditure in order to ensure positive working capital management
- Net debt reduced by 5% to R448m

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

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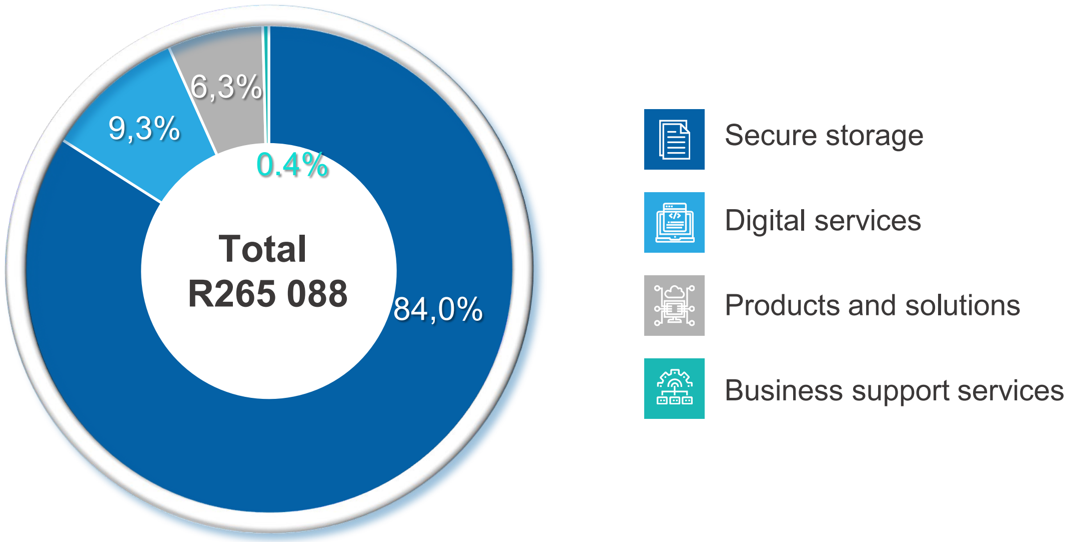
Divisional analysis: MRM South Africa

R'000	Dec 2021	Dec 2020	Variance
Revenue	265 088	267 494	(1)%
Operating profit	90 913	98 983	(8)%
EBITDA	116 307	123 293	(6)%
Operating profit margin	34%	37%	(3)%
EBITDA margin	44%	46%	(2)%

Revenue drivers (R'000)



- Revenue decreased by 1% to R265m due to a continued decline in paper services
- Partially offset by an increase in digital services, specifically image processing projects
- Core storage remained in line with the prior year
- Overall decline in operating margin with operating profit decreasing by 8% to R91m due to a decline in higher yield paper services and additional costs incurred during the period of social unrest in Gauteng and KwaZulu Natal

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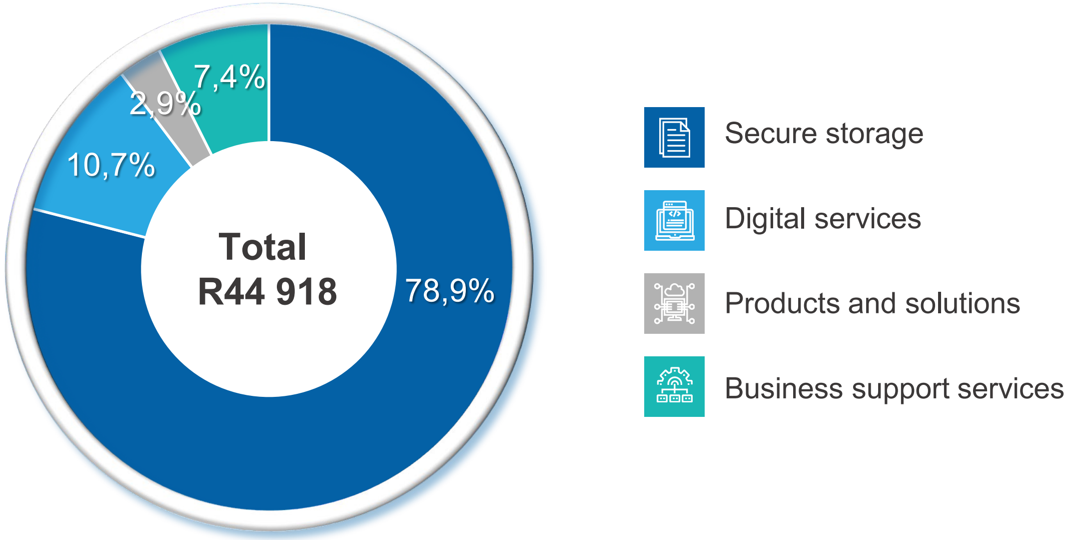
Divisional analysis: MRM Rest of Africa

R'000	Dec 2021	Dec 2020	Variance
Revenue	44 918	51 748	(13)%
Operating profit	9 953	15 219	(35)%
EBITDA	21 325	23 653	(10)%
Operating profit margin	22%	29%	(7)%
EBITDA margin	47%	46%	1%

Revenue drivers (R'000)



- Operations in Botswana, Kenya and Mozambique
- The financial services sector in Kenya encountered regulatory moratoriums on lending repayments as well as premiums, which led to significant cost reduction measures within this sector. This lead to significant pressure on services revenue within Metrofile Kenya, specifically active filing and image processing
- Revenue decreased by 13% to R45m despite an improvement in net box volume growth of 3%
- Operating profit was similarly impacted, which resulted in a decrease of 35% to R10m

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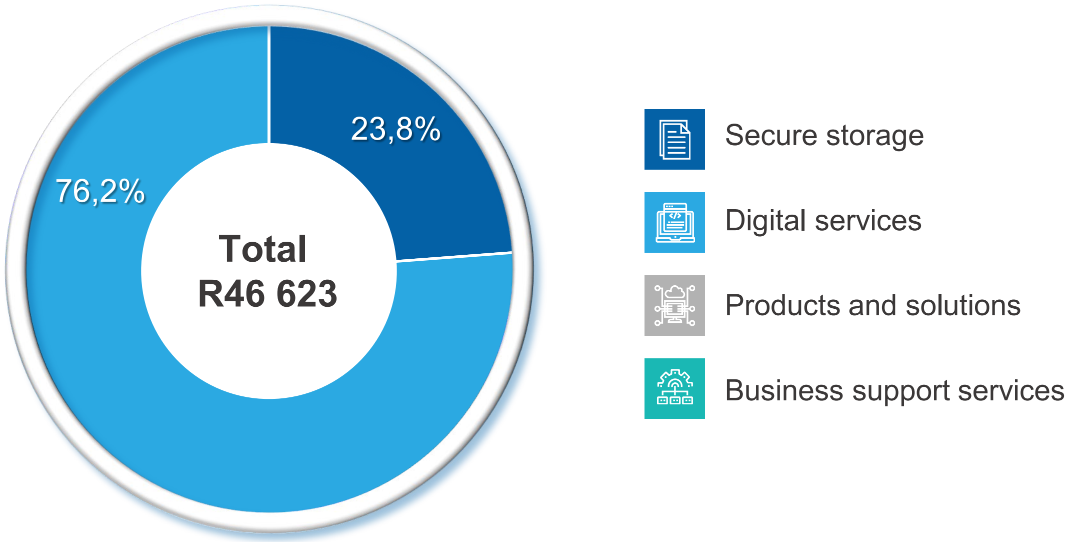
Divisional analysis: MRM Middle East

R'000	Dec 2021	Dec 2020	Variance
Revenue	46 623	38 614	21%
Operating profit	13 865	5 391	157%
EBITDA	14 667	6 232	135%
Operating profit margin	30%	14%	17%
EBITDA margin	31%	16%	15%

Revenue drivers (R'000)

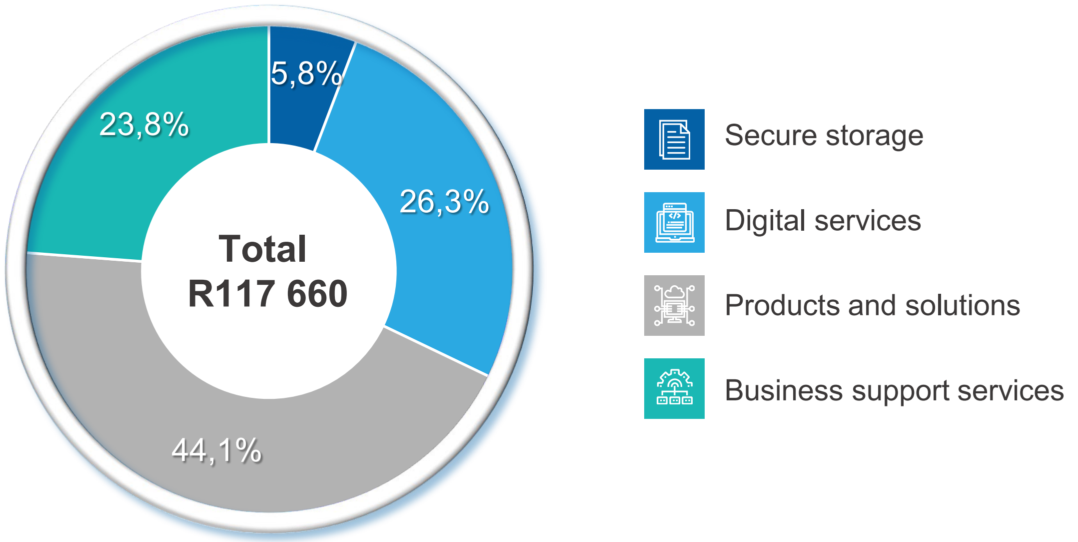


- Operations in United Arab Emirates and Oman
- Continued to grow and expand its digital project pipeline despite continued challenges with lockdown measures during the period
- Revenue increased by 21% R47m
- Operating profit rose by 157%

Divisional analysis: Products and Services

R'000	Dec 2021	Dec 2020	Variance
Revenue	117 660	97 092	21%
Operating profit	13 335	7 968	67%
EBITDA	21 519	16 106	32%
Operating profit margin	11%	8%	3%
EBITDA margin	18%	17%	1%

Revenue drivers (R'000)



- Consists of Tidy Files, Cleardata, Global Continuity, Metrofile Vysion and the recently acquired IronTree
- Despite the challenging trading environment during 1HFY2022, segment performed in line with expectation, with significant growth achieved through the digital offering of Metrofile Vysion
- Overall, revenue increased by 21% to R118m and operating profit increased by 67% to R13m
- Tidy Files experienced a difficult period (decline in revenue and margin for the period)
- IronTree was included effective 1 December 2021, for one month during the reporting period and performance is in line with expectations in relation to growth targets set

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Outlook


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

- The contribution of digital services has now exceeded 20% of revenue. MRM Middle East will continue to contribute significantly as we expect to operationalize projects already won within the next 18 months.
- Continue our focus on appropriate levels of capital allocation
- Improving efficiencies and integrating our services to provide enhanced value to our clients
- Predictable annuity-based revenue will continue to be the key characteristic in both information storage and information management
- Expect an increase in office activity due to less restrictive lockdown measures and an improvement in performance in 2HFY22

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Thank you