UNAUDITED SUMMARISED GROUP INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

SHORTFORM

Revenue	EBITDA	DPS	EPS	HEPS	Share buy-back
R564M	R166M	9C	15.0C	15.0C	R22.6M
▲19%	▲6%	▶0%	▲1%	▲1%	

Summarised financials

	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Revenue (R'000)	564 056	474 289
EBITDA (R'000)	166 028	157 327
EPS (cents)	15.0	14.9
HEPS (cents)	15.0	14.9
DPS (cents)	9.0	9.0
Number of shares in issue*	427 157 354	433 699 958

** Net of treasury shares.*

Results overview

Results overview for the period:

- Revenue increased by 19% to R564 million.
- EBITDA and operating profit increased by 6% and 5% respectively.
- Interim dividend per share was maintained at 9c.
- EPS and HEPS grew marginally by 1% to 15.0c.
- Purchased 6 542 604 shares (R22.6 million) under the share buy-back programme.

Financial review

Revenue

Revenue increased by 19% to R564 million (1HFY2022: R474 million). Metrofile concluded the acquisition of IronTree Internet Services (Pty) Ltd ("IronTree") in the prior period and this acquisition has now been included for the full six months under review. Excluding the acquisition related revenue growth of IronTree, organic revenue increased by 13% primarily as a result of significant growth in digital services. The start of the current financial year has also seen the gradual return to offices by some of our clients which has increased the demand for products and services. Furthermore, actions taken in the last quarter of FY22, including the investment in the go-to-market industry team, has already yielded positive results with growth in secure storage, digital services and products and solutions. Outside South Africa, Mozambique, Botswana, Kenya and MRM Middle East traded in line with expectations.

Operating profit

Operating profit, before acquisition related costs, grew by 5% to R118 million (1HFY2022: R112 million) as a result of increased revenue. Operating margin was lower due to additional costs as well as a change in revenue mix, mainly as a result of lower margin related to image processing. Additional costs were driven mainly by inflationary pressure, investment in the go-to-market industry team and an increase in IT related costs following the upgrades to our IT infrastructure and application environment.

Cash and debt

Net finance costs were 16% higher at R27 million (1HFY2022: R23 million) following an increase in interest rates and net debt. Net debt rose by 10% to R493 million (1HFY2022: R448 million). This was due to the settlement of the first tranche of the IronTree payment, which became payable on the achievement of the earn-out during 2HFY2022, higher dividends and an increase in debtors. The increase in debtors related to the higher level of revenue achieved in the last two months of the period, with average revenue of approximately R100 million per month achieved.

Review of operations

MRM South Africa

Revenue from MRM South Africa increased by 14% to R303 million (1HFY2022: R265 million) mainly as a result of growth in image processing, paper services and improved sales volumes of flat boxes. Operating profit grew by 4% to R94 million (1HFY2022: R91 million) as a result of revenue growth and includes the additional costs related to the go-to-market industry team. Operating margin reduced due to the change in revenue mix, however we anticipate a recovery in margin by the continued growth in the utilisation of investments made.

MRM Rest of Africa

MRM Rest of Africa consists of operations in Kenya, Botswana and Mozambique. Revenue increased by 17% to R52 million (1HFY2022: R45 million) and operating profit grew by 32% to R13 million (1HFY2022: R10 million). Positive results were achieved in all territories with growth in net box volumes as well as digital services from existing and new clients.

MRM Middle East

MRM Middle East consists of operations in the United Arab Emirates and Oman. This region continued to grow and expand its digital project pipeline with revenue increasing by 3% to R48 million (1HFY2022: R47 million). As previously reported, the prior period included once-off billing that has not been repeated in the current period, which has resulted in a lower comparable operating margin and lower operating profit of 23% to R11 million (1HFY2022: R14 million).

Products and Services South Africa

Our Products and Services South Africa suite of offerings includes Tidy Files, Cleardata, Metrofile VYSION and IronTree. Overall, revenue increased by 37% to R161 million (1HFY2022: R118 million) with revenue increasing by 12% excluding the previously acquired IronTree. Operating profit grew by 31% to R18 million (1HFY2022: R13 million). Tidy Files achieved improved revenue due to increased demand from our clients, notwithstanding a challenging operating environment. Productivity was impacted by extended loadshedding schedules implemented across South Africa, as well as an early factory closure in December due to flooding. Metrofile VYSION, which was launched 18 months ago, has continued to grow significantly with workflow automation related sales improving by more than 50%. IronTree continued to grow in line with expectations, with the addition of Sendmarc to its SecureIT suite of services.

Share buy-back programme

The Board has authorised a share buy-back programme under the general authority of the Company and we have purchased 6 542 604 shares (R22 650 310) at an average price of R3.46 per share. The Board considers the value-add to shareholders of the capital allocation decisions relating to acquisitions, expansion, share buy-backs and dividends, and the judicious use of available cash and debt resources.

Dividend declaration

The dividend cover policy range of between 1.5x and 2.0x remains in place. The Board has declared an interim cash dividend maintained at 9 cents per share. Notice is hereby given that an interim gross cash dividend of 9 cents per share in respect of the period ended 31 December 2022 has been declared payable, from income reserves, to the holders of ordinary shares recorded in the books of the Company on Friday, 31 March 2023. The last day to trade cum-dividend will therefore be Tuesday, 28 March 2023 and Metrofile shares will trade ex-dividend from Wednesday, 29 March 2023. Payment of the dividend will be on Monday, 3 April 2023. Share certificates may not be dematerialised or rematerialised from Wednesday, 29 March 2023 (which is ex-date) to Friday, 31 March 2023, 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 net cash dividend of 7.2 cents per share. The Company's issued share capital at the end of the period is 433 699 958 shares (427 157 354 net of treasury shares) and the Company's tax number is 9375/066/71/0.

Changes to the board of directors and company secretary

There were no changes to the Board for the six months ended 31 December 2022 or up to the date of this report. Elmarie Smuts was appointed as the Company Secretary in a permanent capacity, in addition to her role as the Group Risk Officer, effective 1 November 2022.

Outlook

The expansion of our core capabilities in digital and cloud services has distinguished Metrofile from both traditional competitors and digital providers in our industry. Continued growth in the revenue contribution from digital services has validated our strategy of innovating across our core offerings, including cloud services and workflow automation solutions, to assist our customers in becoming digitally transformed enterprises. We are transforming our Company and making it digital and cloud ready by pivoting our investments to strategic growth areas that enable us to focus on accelerated growth opportunities in the market. With an increased focus to support customers on their digital transformation journey, the Group's operations expanded their sales team to include industry experts and streamlined internal operations to offer holistic and differentiated services in an ever-increasing competitive landscape. Metrofile continues to be well positioned, capable and ready to be at the core of this exciting journey.

This shortform announcement is the responsibility of the directors and is only a summary of the information in the full announcement. The information contained herewith has not been reviewed or reported on by the auditors. The full announcement is published on:

- The JSE website at https://senspdf.jse.co.za/documents/2023/jse/isse/mfl/MFLH1FY23.pdf
- The Company's website at https://www.metrofilegroup.com/investor-relations/

Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement. Electronic copies of the full announcement may be requested by contacting Elmarie Smuts: elmaries@metrofileholdings.com and from the sponsor at jsesponsor@standardbank.co.za and will be available for inspection at Metrofile's registered office.

Metrofile Holdings Limited: Incorporated in the Republic of South Africa ("Metrofile" or "the Company" or "the Group") • **Registered office:** First Floor, 28 Fricker Road, Illovo, 2196, Gauteng, South Africa • www.metrofile.com • **Registration number:** 1983/012697/06 • **Share code:** MFL ISIN: ZAE000061727 • **Investor relations** Anne Dunn: 082 448 2684 anne@annedunn.co.za • **Sponsor:** The Standard Bank of South Africa Limited • **Transfer secretaries:** Computershare Investor Services (Pty) Ltd