



Summarised financials

	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Revenue (R'000)	577 047	564 056
EBITDA (R'000)	159 760	166 028
Operating profit (R'000)	111 467	117 953
EPS (cents)	13.0	15.0
HEPS (cents)	13.0	15.0
DPS (cents)	7.0	9.0
Number of shares in issue*	422 175 219	427 157 354

*Net of treasury shares

Results overview

Results overview for the period:

- Revenue increased by 2% to R577 million following growth in secure storage offset by lower demand in products, services and digital.
- EBITDA decreased by 4% to R160 million and operating profit decreased by 5% to R111 million.
- EPS and HEPS decreased by 13% to 13c mainly as a result of the increase in finance costs following higher interest rates.
- Interim dividend per share decreased by 22% to 7c for the period.
- Purchased 1 479 985 shares (R4.4 million) under the share buy-back programme during the period with a cumulative 11 524 739 treasury shares held as at 31 December 2023.

Financial review

Revenue

Revenue increased by 2% to R577 million (1HFY2023: R564 million), as the start of the financial year saw a positive demand for all services following a strong period in the prior financial year however general market conditions softened during the second quarter of our financial year. Demand for cloud services remained strong and now contributes c.30% of our digital services. Confidential destruction gained more traction following the further adoption of POPI legislative requirements as well as positive results from our customer acquisition strategy. Furthermore, we noted increased office activity as our paper services improved with a slight uptick in box volumes during our second quarter. These positive results were unfortunately negatively impacted by three main aspects. In particular, our trading was mainly impacted by the increase in interest rates (c. R6.4m), customer retention investment in UAE and internal process challenges within our scanning centres in MRM SA that eroded our margins. While we have limited control over interest rates, we have introduced measures to limit further impact of the other two areas in 2HFY2024.

Operating profit

Operating profit was down by 5% to R111 million (1HFY2023: R118 million) as a result of lower than inflation increase in revenue. Operating margin decreased mainly as a result of inflationary pressure as well as 11% increase in labour following internal process challenges within our scanning centres in MRM SA. These have been addressed and we anticipate an improvement in margin going forward.

Cash and debt

Net finance costs were 20% higher at R32 million (1HFY2023: R27 million) following an increase in interest rates and net debt. Net debt rose by 3% to R507 million (1HFY2023: R493 million). This was due to increased working capital mainly attributable to higher trade and other receivables as well as capital allocated to the share buy-back programme and the increase in the investment in our Middle East operation. Interest-bearing liabilities were refinanced during the period following a revised debt facilities' agreement, with the new term facilities effective on 31 August 2023. This process has resulted in total debt facilities of R852 million comprising R652 million committed and R200 million uncommitted.

Review of operations

MRM South Africa

Revenue from MRM South Africa increased by 1% to R311 million (1HFY2023: R309 million) mainly as a result of growth in secure storage following an improved rate mix as well as higher paper services. Operating profit was down by 10% to R87 million (1HFY2023: R97 million) and operating margin reduced due to the lower than inflationary growth in revenue as well as internal process challenges within our scanning centres. These challenges have been resolved and we anticipate operational improvement in 2HFY2024.

MRM Rest of Africa

MRM Rest of Africa consists of operations in Kenya, Botswana and Mozambique. Revenue decreased by 7% to R49 million (1HFY2023: R52 million) and operating profit increased by 40% to R18 million (1HFY2023: R13 million) following a positive resolution on a long-standing legal dispute in Kenya. Excluding this, margin was in line with expectations. Positive operational 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 28% to R61 million (1HFY2023: R48 million). Operating profit however decreased by 48% to R6 million (1HFY2023: R11 million) due to a significant lower margin on an isolated project as well as lower margins on a new take-on project.

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 1% to R156 million (1HFY2023: R154 million) with operating profit increasing by 2% to R15.5 million (1HFY2023: R15.2 million). IronTree continues to grow ahead of expectations and we are currently planning the expansion of its services into the other geographies in which we operate. Metrofile VYSION was significantly lower compared to the prior period, with workflow automation related sales reducing due to a longer than anticipated sales cycle.

Share buy-back programme

During the first half of FY2024 the Company purchased 1 479 985 shares (R4 391 000) at an average price of R2.97 per share, which we anticipate will achieve an accretive return, with a total of 11 524 739 treasury shares held at 31 December 2023.

Dividend declaration

The dividend cover policy range of between 1.5x and 2.0x remains in place. The Board declared an interim cash dividend maintained at 7 cents per share.

Notice is hereby given that an interim gross cash dividend of 7 cents per share in respect of the period ended 31 December 2023 has been declared payable, from income reserves, to the holders of ordinary shares recorded in the books of the Company on Friday, 5 April 2024. The last day to trade cum-dividend will therefore be Tuesday, 2 April 2024 and Metrofile shares will trade ex-dividend from Wednesday, 3 April 2024. Payment of the dividend will be on Monday, 8 April 2024. Share certificates may not be dematerialised or rematerialised from Wednesday, 3 April 2024 to Friday, 5 April 2024, 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 final net cash dividend of 5.6 cents per share. The Company's issued share capital at the period end was 433 699 958 shares (422 175 219 net of treasury shares) and the Company's tax number is 9375/066/71/0.

Changes to the Board of Directors

There were no changes to the Board for the six months ended 31 December 2023 or up to the date of this announcement.

Outlook

Metrofile's physical and digital subscription business currently contributes 62% of the Group's overall revenue. Plans are in place to ensure growth in the subscription-based business to achieve an optimal mix that will support predictable growth. This mix will be achieved partially organically but also through investments into digital assets such as the successful and value enhancing IronTree acquisition. This will ensure the move of our primary offerings towards non-paper based subscriptions, while retaining our dominant position in paper based storage in South Africa. Whilst we expect a challenging economic environment given the current macro-economic situation and upcoming elections, we believe we will see positive results from our operational interventions that stemmed from challenges experienced during 1HFY2024.

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/2024/jse/isse/mlf/mlfh1fy24.pdf>
- The Company's website at <https://www.metrofile.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: elmarie@metrofileholdings.com and from the sponsor at jesponsor@standardbank.co.za and will be available for inspection Metrofile's registered office at no charge during office hours.

Metrofile Holdings Limited: Incorporated in the Republic of South Africa ("Metrofile" or "the Company" or "the Group")

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