METROFILE HOLDINGS LIMITED

AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

metrofile

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Revenue	Operating profit*	EPS
R1 141m	R200m	3.9c
↑ 1%	↓ 22%	↓ 88%

HEPS	DPS	Improvement in Net Debt**
16.5c	14c	R537m
↓ 49%	↓ 22%	↓ 9%

* Operating profit before retrenchment and closure costs and impairment of goodwill
** Excluding lease obligations and including acquisition related liabilities

Summarised consolidated statement of profit and loss

R'000	Notes	Audited 12 months ended 30 June 2024	Audited 12 months ended 30 June 2023
Revenue		1 140 546	1 134 380
Operating profit before interest, taxation, depreciation and amortisation (EBITDA)	6	**287 337**	344 682
Depreciation on property, plant and equipment		(37 603)	(38 128)
Depreciation on right-of-use asset		(36 162)	(38 757)
Amortisation		(13 802)	(13 177)
Operating profit before items below		**199 770**	254 620
Retrenchment and closure costs	7	(19 914)	–
Impairment of goodwill	13	(53 588)	–
Operating profit		**126 268**	254 620
Net finance costs		**(67 533)**	(57 619)
Finance income		688	5 777
Finance costs		(54 362)	(49 336)
Finance costs on lease liabilities		(13 859)	(14 060)
Profit before taxation		**58 735**	197 001
Taxation		(36 119)	(57 912)
Profit for the year		**22 616**	139 089
Attributable to:			
Owners of the parent		16 615	137 914
Non-controlling interests		6 001	1 175
Profit for the year		**22 616**	139 089
Profit attributable to owners of the parent:			
Basic earnings per share (cents)	4	3.9	32.1
Diluted earnings per share (cents)	4	3.8	30.9

Summarised consolidated statement of other comprehensive income

R'000	Audited 12 months ended 30 June 2024	Audited 12 months ended 30 June 2023
Profit for the year	22 616	139 089
Other comprehensive income for the year		
Currency movement on translation of foreign subsidiaries	(4 141)	(1 048)
Total comprehensive income for the year	**18 475**	138 041
Attributable to:		
Owners of the parent	12 688	134 607
Non-controlling interest	5 787	3 434

Summarised consolidated statement of financial position

R'000	Notes	Audited as at 30 June 2024	Audited as at 30 June 2023
ASSETS			
Non-current assets			
Property, plant and equipment		611 966	606 524
Goodwill	13	307 107	373 542
Intangible assets		60 854	69 794
Right-of-use assets		104 413	111 818
Long-term vendor consideration		–	3 500
Deferred taxation assets		16 295	17 080
Total non-current assets		**1 100 635**	1 182 258
Current assets			
Inventories		14 418	18 129
Trade receivables		231 452	243 490
Other receivables		72 713	65 834
Taxation receivable		12 736	6 999
Cash and cash equivalents		62 169	58 632
		393 488	393 084
Assets classified as held for sale	14	15 000	–
Total current assets		**408 488**	393 084
Total assets		**1 509 123**	1 575 342
EQUITY AND LIABILITIES			
Equity		**522 238**	568 628
Equity attributable to owners of the parent		516 105	562 559
Non-controlling interests		6 133	6 069
Non-current liabilities		**738 579**	151 215
Interest-bearing liabilities		599 525	–
Lease liabilities		90 251	101 902
Deferred taxation liabilities		48 803	49 313
Current liabilities		**248 306**	855 499
Trade and other payables		153 983	120 193
Provisions		22 874	19 193
Deferred revenue		19 786	22 197
Taxation payable		12 473	13 273
Bank overdraft		10	63 039
Interest-bearing liabilities		–	491 313
Lease liabilities		39 180	34 367
Acquisition related liabilities		–	91 924
Total equity and liabilities		**1 509 123**	1 575 342

Summarised consolidated statement of changes in equity

R'000	Note	Share capital and share premium	Accumulated profit/(loss)	Other reserves	Attributable to owners of the parent	Non-controlling interest	Total equity
Balance as at 30 June 2022		**573 833**	**(14 007)**	**(235)**	**559 591**	**18 285**	**577 876**
IFRS 2 expense		–	–	2 346	2 346	–	2 346
Dividends declared		–	(77 477)	–	(77 477)	(5 540)	(83 017)
Transactions with non-controlling interests	9	–	(22 747)	–	(22 747)	(10 110)	(32 857)
Share buy-back		(33 761)	–	–	(33 761)	–	(33 761)
Total comprehensive income for the year ended 30 June 2023		–	137 914	(3 307)	134 607	3 434	138 041
Balance as at 30 June 2023		**540 072**	**23 683**	**(1 196)**	**562 559**	**6 069**	**568 628**
IFRS 2 expense		–	–	7 495	7 495	–	7 495
Dividends declared		–	(67 623)	–	(67 623)	(4 856)	(72 479)
Subsequent measurement of acquisition related liability		–	4 510	–	4 510	–	4 510
Transactions with non-controlling interests	9	–	867	–	867	(867)	–
Share buy-back		(4 391)	–	–	(4 391)	–	(4 391)
Total comprehensive income for the year ended 30 June 2024		–	16 615	(3 927)	12 688	5 787	18 475
Balance as at 30 June 2024		**535 681**	**(21 948)**	**2 372**	**516 105**	**6 133**	**522 238**

Summarised consolidated statement of cash flows

R'000	Audited 12 months ended 30 June 2024	Audited 12 months ended 30 June 2023
Cash flows from investing activities		
Cash generated from operations before net working capital changes	266 922	344 430
Decrease/(increase) in net working capital	42 065	(68 520)
Cash generated from operations	308 987	275 910
Finance cost paid	(68 608)	(63 346)
Finance income received	688	5 777
Normal taxation paid	(41 692)	(56 601)
Net cash inflow from operating activities	**199 375**	161 740
Cash flows from investing activities		
Capital expenditure: expansion	(48 504)	(33 819)
Capital expenditure: replacement	(4 477)	(13 223)
Long-term vendor consideration	3 500	–
Proceeds from sale of property, plant and equipment	1 986	511
Net cash outflow from investing activities	**(47 495)**	(46 531)
Cash flows from financing activities		
Repayment of interest-bearing liabiities	–	(40 041)
Interest-bearing liabilities raised	108 584	50 000
Payment of lease liabilities	(36 037)	(33 677)
Purchase of treasury shares	(4 391)	(33 761)
Settlement of acquisition related liabilities	(79 719)	–
Acquisition of non-controlling interest	–	(15 286)
Dividends paid to non-controlling interest	(4 856)	(5 540)
Dividends paid	(66 135)	(77 114)
Net cash outflow from financing activities	**(82 554)**	(155 419)
Net increase/(decrease) in cash and cash equivalents	69 326	(40 210)
(Overdraft)/cash and cash equivalents at the beginning of the year	(4 407)	34 936
Effects of exchange rate movement on cash balances	(2 760)	867
Net cash and cash equivalents/(overdraft) at the end of the year	**62 159**	(4 407)
Represented by:		
Cash and cash equivalents	62 169	58 632
Bank overdraft	(10)	(63 039)

Notes to the financial statements

1. Basis of preparation and accounting policies

The directors take full responsibility for the preparation of these audited summarised consolidated financial statements. The Group audited summarised consolidated financial statements and the full set of consolidated financial statements have been prepared under the supervision of Mr S Mansingh, CA(SA), MBA. The summarised financial information has been prepared in accordance with the framework concepts, measurement and recognition requirements of the IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), the SA financial reporting requirements, and as a minimum contain the information as required by IAS 34: Interim Financial Reporting, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The accounting policies and basis of preparation for the financial statements are in all respects consistent with those applied in the 2023 annual financial statements.

2. Audit opinion

The independent auditor, BDO, has issued its unmodified audit opinion, on the consolidated financial statements for the year ended 30 June 2024, in accordance with International Standards on Auditing. These summarised consolidated financial statements have been derived from the consolidated financial statements and are consistent in all material respects, with the consolidated financial statements. The unmodified audit report thereon is available in Appendix A of this report.

The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a full copy of the auditor's report, together with the accompanying consolidated financial information, from the issuer's registered office or on the Company's website: *https://www.metrofile.com/investor-relations/* Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Company's auditor.

3. Summarised segmental information

The segmental information is based on information provided to the chief operation decision makers and operating profit is the key measure of segmental performance. Segmental disclosure consists of Metrofile Records Management ("MRM") South Africa, MRM Rest of Africa, MRM Middle East, Products and Services South Africa and Central and Eliminations.

	Revenue		EBITDA	
R'000	Audited 12 months ended 30 June 2024	Audited 12 months ended 30 June 2023*	Audited 12 months ended 30 June 2024	Audited 12 months ended 30 June 2023*
MRM South Africa	605 548	625 973	209 575	255 790
MRM Rest of Africa	104 315	104 651	56 920	44 288
MRM Middle East	119 601	98 646	7 148	27 238
Products and Services South Africa	311 082	305 110	53 239	52 432
Central and Eliminations	–	–	(39 545)	(35 066)
Total	**1 140 546**	**1 134 380**	**287 337**	**344 682**
South African operations	916 630	931 083	223 269	273 156
Non-South African operations	223 916	203 297	64 068	71 526

	Operating profit		Tangible assets**	
R'000	Audited 12 months ended 30 June 2024	Audited 12 months ended 30 June 2023*	As at 30 June 2024	As at 30 June 2023
MRM South Africa	173 751	212 246	751 107	750 380
MRM Rest of Africa	39 777	27 096	157 218	144 143
MRM Middle East	2 148	22 288	110 551	101 058
Products and Services South Africa	34 498	33 057	117 376	135 595
Central and Eliminations	(50 404)	(40 067)	(11 385)	(16 249)
Total	**199 770**	**254 620**	**1 124 867**	**1 114 927**
South African operations	157 845	205 236	857 097	869 726
Non–South African operations	41 925	49 384	267 770	245 200

* *Prior periods for MRM South Africa and Products and Services South Africa were re-classified following the re-allocation of secure storage previously reported under Products and Services South Africa to MRM South Africa.*

** *Tangible assets comprise property, plant and equipment, right-of-use asset, inventories, trade and other receivables, tax and loan receivables and cash and cash equivalents.*

Notes to the financial statements continued

3. Summarised segmental information continued

R'000	Revenue streams Audited 12 months ended 30 June 2024	Audited 12 months ended 30 June 2023
Secure storage	624 028	592 382
Digital services	298 317	295 685
Products and solutions	157 619	178 087
Business support services	60 582	68 226
Total	**1 140 546**	**1 134 380**

4. Reconciliation of headline earnings

R'000	Audited 12 months ended 30 June 2024	Audited 12 months ended 30 June 2023
Reconciliation of headline earnings		
Profit attributable to owners of the parent	16 615	137 914
Profit on disposal of plant and equipment	(480)	(293)
Impairment of goodwill	53 588	–
Tax effect of above items	130	79
Headline earnings	**69 853**	137 700
Reconciliation of normalised headline earnings		
Headline earnings	69 853	137 700
Retrenchment and closure costs	19 914	–
Tax effect of above items	(5 377)	–
Normalised headline earnings	**84 390**	137 700
Weighted average number of shares in issue ('000)	422 634	429 229
Diluted weighted average number of shares in issue ('000)*	440 329	446 426
Earnings per share (cents)		
– Basic	3.9	32.1
– Diluted	3.8	30.9
Headline earnings per share (cents)		
– Basic	16.5	32.1
– Diluted	15.9	30.8
Normalised headline earnings per share (cents)		
– Basic	20.0	32.1
– Diluted	19.2	30.8
Dividend per share (cents)	14.0	18.0
– Interim dividend per share paid (cents)	7.0	9.0
– Final dividend per share proposed/paid (cents)	7.0	9.0

** Dilutive shares for the year ended 30 June 2024 amounted to 17 695 shares (2023: 17 197).*

Notes to the financial statements continued

5. Financial risk

The Group is exposed to fixed and variable interest rates (3 month JIBAR interest rate benchmark plus interest rate scale) within its debt profile.

The interest rate exposure of the existing facilities is as follows:

R'000	Total facilities	Unutilised as at 30 June 2024	Capital outstanding as at 30 June 2024	Variable interest rate
RCF loan facility	150 000	–	150 000	3 month JIBAR plus margin
Bullet loan facility	352 000	–	352 000	3 month JIBAR plus margin
Accordion bullet RCF	100 000	–	100 000	3 month JIBAR plus margin
Working capital facility	150 000	130 220	19 780	Prime interest rate minus 1%
Total committed facilities	752 000	130 220	621 780	
Total uncommitted facilities	100 000	100 000		

Interest rate scale – margin premium

	Bullet/RCF loan (3 month JIBAR plus) %	Accordion loan (3 month JIBAR plus) %
Gross debt/EBITDA multiple		
Greater than 2.5 times	2.75	2.50
Greater than 2.0 times, less than 2.5 times	2.50	2.25
Less than 2.0 times	2.25	2.00

6. Operating profit before interest, taxation, depreciation and amortisation (EBITDA)

R'000	Audited 12 months ended 30 June 2024	Audited 12 months ended 30 June 2023
Items included in EBITDA for the year are as follows:		
Materials and consumables	(128 549)	(127 594)
Staff costs	(413 455)	(379 074)
Other operating expenses	(336 712)	(299 022)
Other operating income	25 507	15 992

7. Retrenchment and closure costs

The Tidy Files' business consisted of the manufacture of files and folders, reseller of archiving products, secure storage, and business outsourced services. During the period under review, a decision was made to proceed with the closure of the manufacturing component of Tidy Files. This initiated a closure process within this operation as well as a sale process of the manufacturing assets and the Tidy Files brand name. Metrofile continues to trade with all other components of the Tidy Files business. The closure of the manufacturing component of Tidy Files has resulted in expected retrenchment and closure costs of R16.6 million. The corresponding provision has been raised as at 30 June 2024.

Due to cost reduction initiatives, retrenchment costs of R3.3 million were incurred in Metrofile (Pty) Ltd and other subsidiaries.

8. Statement of financial position movements

The movement in goodwill is as result of an impairment as disclosed in note 13. Trade and other receivables decreased due to improvements in customer collections, particularly towards the end of the financial year. Trade and other payables increased resulting in a decrease in the net debt position following improved working capital management. The debt refinance concluded at the start of the 2024 financial year as resulted in the movement in interest-bearing liabilities.

9. Transactions with non-controlling interests

In the current year, the Group purchased the remaining 30% shareholding of IronTree for R70 million. As a result, the remaining balance of NCI relating to IronTree of R0.9 million was transferred to accumulated profits. In the prior year, the Group purchased an additional 15% shareholding in E File Masters LLC which resulted in a reduction in NCI of R10.1 million.

10. Fair value estimates

The carrying value of financial instruments approximates their fair value.

11. Commitments

Capital investment plans for the next 12 months are expected to be R68 million (2023: R68 million).

12. Subsequent events

Effective 1 August 2024, Metrofile concluded the sale of assets and brand name for R15 million to a third party as part of the closure of the Tidy Files manufacturing operation that were held for sale as at 30 June 2024. This sale has had a negligible impact on profit or loss in the new financial year. This is a non-adjusting event.

To the knowledge of the directors, no further material events have occurred between the reporting date and the date of approval of these financial statements that would affect the ability of the users of the financial statements to make proper evaluations and decisions.

13. Goodwill

In line with the annual requirement to assess goodwill for impairment, the various cash-generating units (CGUs) were assessed accordingly using the discounted cash flow method to determine the value-in-use. For the goodwill allocated to the asset held for sale, fair value less costs of disposal was used to assess for impairment.

Goodwill attributable to these CGUs was assessed for impairment and the following key assumptions were applied:
– Revenue growth rates of between 4% and 16% (2023: 5% - 16%).
– Cost growth rates of between 6% and 8% (2023: 4% - 12%).
– Discount rates (pre-tax WACC) of between 14% and 32% (2023: 14% - 30%).

	Consolidated	
R'000	**2024**	**2023**
Net carrying value of goodwill attributable to the following groups of CGUs:		
MRM South Africa	151 641	132 323
MRM Kenya	47 131	100 719
MRM Botswana	26 165	27 116
Tidy Files*	–	53 566
Vysion **	24 048	–
Global Continuity**	–	1 696
IronTree Internet Services	58 122	58 122
	307 107	373 542
Opening balance	373 542	372 193
Goodwill impaired	(53 588)	–
Goodwill reclassified as held for sale	(11 896)	–
Effect of foreign exchange differences	(951)	1 349
Closing balance	307 107	373 542

* *Following management's decision to sell the manufacturing assets of the products division of Tidy Files, and the continuation of the reseller business within MRM SA, the goodwill was reallocated based on relative values of the divisions, namely, Product, Storage and Digital Services. Value-in-use models were prepared to support the reallocation of goodwill. The net carrying value of the goodwill of R54m was split as follow: Products (R28m), Storage (R4m), Digital Services (R22m). The Storage and Products' goodwill was allocated to MRM SA CGU except for the portion relating to the sale of the manufacturing operation of R11.9m (refer to note 14). The Digital Services goodwill was allocated to a newly created CGU – Vysion. The goodwill has been tested for impairment annually within the relevant CGUs.*

** *As majority of Global Continuity's operations was transferred during the current year to Metrofile VYSION (an existing digital business), the goodwill now reflects as part of the Vysion CGU.*

Notes to the financial statements continued

13. Goodwill continued

13.1 Goodwill impairment testing

Goodwill is allocated to the appropriate CGUs according to the type of business and where it operates. The CGUs represent the identifiable assets for which an active market exists and which generate independent cash flows.

The carrying amount of goodwill is subject to impairment testing on an annual basis. The impairment tests are carried out on all goodwill balances within each CGU. Various economies have traded under challenging circumstances within which these CGUs are located. The goodwill assessments have included consideration of these factors in the growth rates and discount rates in the value-in-use models. As at 30 June 2024, an impairment was identified in the MRM Kenya CGU.

Impairment of goodwill arises when the recoverable amount of the CGU is less than the carrying value including goodwill. For the purpose of the goodwill impairment tests the carrying value of goodwill is grossed up to include the non-controlling interest.

The recoverable amount is determined as the greater of the fair value, less costs to sell or the value-in-use. Therefore the value-in-use method is used to assess the goodwill for impairment. Refer to notes 13.2 and 13.3 for further detail.

The sensitivity analysis performed by management on the MRM Kenya CGU identified that the following changes in certain key assumptions individually will impact the current impairment as documented in the table below.

Sensitivity analysis on MRM Kenya CGU	Effect to current impairment	
R'm	Increase	Decrease
Annual revenue growth rate (1% movement increase)		5.3
Annual revenue growth rate (1% movement decrease)	5.1	
WACC rate (1% movement increase)	5.6	
WACC rate (1% movement decrease)		6.2

A sensitivity analysis was performed on the other CGUs by reasonably changing the key assumptions in 13.2 below to their high and low end ranges and no impairment was identified on any CGUs.

13.2 Key assumptions used in value-in-use calculations

Cash flow projections in functional currency

The value-in-use is calculated using the forecasted cash inflows and outflows which are expected to be derived from continuing use of the CGU and its ultimate disposal. Cash flow projections for financial forecasts are based on past experience, expected revenue, operating margins, working capital requirements and capital expenditure, based on approved budgeted financial information as well as available external market data.

The expected revenues are based on market assumptions, volume growth and price increases. No significant change in market share was assumed during the forecasted period of five years and is based on the average market share in the period immediately before the forecast period. Volume growth was based on average growth experienced in recent years. The cash flows are determined in foreign currency and discounted using rates appropriate for that currency. The present value is then translated at the spot exchange rate on the date of reporting.

Operating margins reflect past experience but are adjusted for any expected changes for the individual CGU. Cash flow projections cover a five-year forecast period, and are then extrapolated into perpetuity using applicable terminal growth rates.

The key inputs used in arriving at projected cash flows were as follows:

Revenue growth rates

Revenue growth rates applied in revenue and margins are determined based on future trends within the industry, references to economic indicators e.g. inflation rates, annual GDP growth rates, geographic location and past experience within the operating divisions. Growth rates can fluctuate from year to year based on the assumptions used to determine these rates.

The Group used steady growth rates to extrapolate revenues beyond the forecasted period, which were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the respective CGUs operate.

Notes to the financial statements continued

13. Goodwill continued

13.2 Key assumptions used in value-in-use calculations continued

Discount rates applied

A key assumption in the impairment assessment is the discount rate. The discount rates were determined by management using an independent specialist and present the current market assessment of the risks for each CGU. The rates take into consideration the time value of money and the individual risks of the underlying assets that have not been taken into account in the cash flow projections. The discount rate calculations were derived from the CGUs' weighted average cost of capital being the cost of debt and the cost of equity.

The cost of equity was arrived at by using the capital asset pricing model (CAPM) which, where necessary, takes into account an equity risk premium, country risk premiums and a small stock premium. The CAPM uses market betas of comparable entities in arriving at the cost of equity. In some markets, equity risk premiums have decreased slightly, primarily due to lower country risk premiums. The cost of debt is based on the cost of interest-bearing borrowings and lease obligations the CGU has to service. The cost of debt has increased across all markets.

The debt-to-equity ratio applied by arriving at the weighted average cost of capital was determined by applying market value weights based on theoretical target gearing levels, giving consideration to industry averages and using data of comparable entities. The inclusion of lease obligations into cost of debt has increased the debt weighting in the cost of capital. The increase in cost of debt across all markets has been balanced by the slight decrease in cost of equity which has resulted in similar discount rates to those applied last year.

Management is of the view that the key assumptions used in the goodwill impairment tests as disclosed above, remain appropriate.

	Discount rates (pre-tax WACC)		Revenue growth rates	
CGU	**2024**	**2023**	**2024**	**2023**
MRM South Africa	18% – 21%	16% – 20%	5% – 8%	9% – 12%
MRM Kenya	29% – 32%	25% – 30%	4% – 10%	9% – 12%
MRM Botswana	14% – 20%	14% – 20%	6% – 9%	6% – 10%
Tidy Files		17% – 22%		6% – 14%
Vysion	18% – 22%		6% – 9%	
IronTree Internet Services	20% – 24%	19% – 23%	13% – 16%	8% – 16%

13.3 Impairment of goodwill

The impairment charges to goodwill are included in the summarised consolidated statement of profit or loss.

The goodwill accumulated impairments by CGUs were as follows:

R'm	Accumulated impairment of goodwill	
CGU	**2024**	**2023**
MRM Kenya*	151.1	97.5
Tidy Files**	–	20.9
	151.1	**118.4**

* *The financial performance of MRM Kenya has continued to be challenging and has resulted in an impairment of R53.6 million recognised during the year under review. New local management has been appointed and has begun to secure additional work which is expected to improve its financial performance.*

** *At the time when the net carrying value of Tidy Files' goodwill of R54m was split to the respective CGUs, the accumulated impairment of R20.9m was written off against the cost of goodwill. There was no impact to profit and loss.*

Notes to the financial statements continued

14. Assets held for sale

As at 30 June 2024, the carrying amount of assets classified as held for sale consists of property, plant and equipment and a portion of goodwill relating to the manufacturing operations of Tidy Files. It is considered probable that the sale will occur and proceeds will be collected within one year. Refer to note 12.

R'000	
Property, plant and equipment	3 104
Goodwill	11 896
	15 000

15. Going concern

In assessing the Group as a going concern, the directors took into consideration the growth strategy for the future, the profitability of the operations and the Group's solvency and liquidity. The following factors were taken into account in the directors' considerations:

- The Group's cash requirements for debt servicing and capital repayments are satisfactorily covered by the Group's current and projected cash flows.
- Working capital will continue to be strictly monitored.
- Approved short and long-term financing, with access to sufficient additional short-term working capital borrowing capacity, if required.
- Statement of financial position assets have been carefully tested for impairment and none are over-valued as at the reporting date.
- Budgets to June 2025 reflect a continuation of positive trading.
- Key executive management is in place.
- Metrofile (Pty) Ltd is compliant with all aspects of the Common Terms of Agreement of Standard Bank of South Africa Limited and all loan covenant requirements.
- Capital expenditure for the 2025 financial year will be limited to essential and committed expenditure.

On this basis, the Board has assessed the Group as a going concern for at least the next twelve months form the date that the annual financial statements were approved.

Commentary on the results

The Group in context

Over the past four decades, Metrofile has established a credible and trusted reputation of being a leader in information governance and management offering quality products and specialised services to organisations of all sizes and sectors across South Africa, Kenya, Botswana, Mozambique and the Middle East. We operate from 72 facilities at 36 locations covering 119 000 square meters of warehousing space. Metrofile's services assist clients in structuring, managing and accessing their information in any format, in any location, at any given time. Our clients are guided to ensure that adherence to all legislative requirements is met and that their most valuable asset, their information, is protected. We partner with our clients on their digital transformation journey with our digital services and solutions, whilst retaining our core offerings, such as the physical management of records and information, and our expertise in space optimisation. These digital offerings include the provision of data management services, including cloud backup, disaster recovery and specialised hosting in a private cloud, as well as business process optimisation through the use of advanced electronic information management systems. By providing end-to-end services across all aspects of the information management life cycle, we are well placed to meet the evolving demands of our clients and to assist them on their digital transformation journey, which includes digitising processes from end-to-end. Empowerment partner and strategic shareholder, Mineworkers Investment Company, owns 39.20% (2023: 39.06%) of Metrofile's equity (net of treasury shares).

Results overview

- Revenue increased by 1% to R1 141 million as growth in secure storage was offset by a reduction in product sales
- Operating profit decreased by 22% to R200 million and EBITDA decreased by 17% to R287 million
- Cash generated from operations increased by 12% to R309 million
- EPS decreased by 88% to 3.9c, HEPS decreased by 49% to 16.5c and NHEPS decreased by 38% to 20.0c
- Dividend per share decreased by 22% to 14c for the year, with a final dividend of 7c declared
- Net debt reduced by 9% to R537 million
- Concluded the final settlement of the remaining 30% of IronTree Internet Services (Pty) Ltd for R70 million during the period
- Purchased 1 479 985 shares (R4.4 million) under the share buy-back programme

Results review

Results for the 12 months ended 30 June 2024 were negatively impacted by low volume growth across the business and a challenging trading environment, with revenue marginally increasing by 1% and EBITDA declining by 17% year on year. Pleasingly, cash generation from operations for the year increased by 12% to R309 million contributing to a 9% reduction in net debt, excluding lease liabilities.

Financial review

Revenue

Revenue increased by 1% to R1 141 million (2023: R1 134 million), due to price increases offset by lower volume growth. General market conditions were weak. Demand for cloud services remained strong and now contributes 32% (2023: 26%) of our digital services revenue. Confidential destruction gained further traction due to the continued adoption of POPIA legislative requirements and positive results from our customer acquisition strategy.

Furthermore, we noted increased office activity as our paper services improved however box volumes remained flat. These results were negatively impacted by three key factors: the increase in interest rates; 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 going forward.

Secure storage contributed 55% to Group revenue and was up 5% due to a favourable box rate mix as well as increased paper services following additional requests from our clients, mainly in the retail sector, particularly in the second half of the financial year. Closing box volumes for the Group remained flat at 11.1 million (2023: 11.1 million) as at 30 June 2024. Gross box volumes intake increased by 6% from new and existing clients and was offset by destructions and withdrawals of 6%, with the majority of destructions occurring in the first and fourth quarter of the financial year. Net box volumes decreased in South Africa by 1% but showed growth in the Rest of Africa and the Middle East of 3% and 13% respectively.

Digital services contributed 26% to Group revenue and remained flat year on year following a reduction in content services and the digitisation of physical records, particularly in South Africa. This reduction was offset by continued growth in cloud services, with a notable increase in hosting. Digital services continued to be our second largest revenue contributor and despite a weaker period, this solution offering has been our largest growth area over the recent years.

Commentary on the results continued

Financial review continued

Revenue continued

Products and solutions' revenue decreased by 11% as demand for filing solutions through Tidy Files was lower than anticipated, particularly from the public sector. Business support services decreased by 11% following a reduction in work area recovery services offset by an increase in confidential destruction. Products and solutions and business support services contributed 14% and 5% respectively to Group revenue.

Operating profit

Operating profit, before impairments, retrenchment, and closure costs, reduced by 22% to R200 million (2023: R255 million). This was mainly due to low growth in revenue, inflationary cost pressures, as well as a significant reduction in profit margins in the Middle East. We anticipate an improvement in margin going forward, following cost reduction interventions, particularly in South Africa.

Cash and debt

Improvements in working capital resulted in a 12% improvement in cash generated from operations. Net finance costs were 17% higher at R68 million (2023: R58 million) due to net debt and an increase in interest rates. Net debt, including acquisition related liabilities, reduced by 9% to R537 million (2023: R587 million). During the period, we concluded the payment of the final tranche of R70 million in relation to the IronTree acquisition as a result of significant growth in the business since acquisition. 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 R752 million committed and R100 million uncommitted as at 30 June 2024.

Review of operations

MRM South Africa

Revenue from MRM South Africa reduced by 3% to R606 million (2023: R626 million) mainly as a result of lower product sales and lower revenue from digital services which was offset by growth in secure storage following an improved price mix as well as higher paper services. Operating profit was down by 18% to R174 million (2023: R212 million) and operating margin reduced due to the lower than inflationary growth in revenue as well as internal process challenges within our scanning centres.

Corrective action was taken during fourth quarter of the 2024 financial year and we have started the 2025 financial year well with improvements in MRM South Africa and enhanced EBITDA margins. Cash collections in July and August 2024 have increased following the successful resolution of various long-standing customer queries, enhanced customer engagement and the successful resolution of some operational challenges.

Following the action plans to address the 2024 challenges and an enhanced focus on customer service, we have started to yield positive results as demonstrated by an increase in pipeline growth over the past month, both in secure storage as well as requests for digitisation through IPC. Pleasingly, we are experiencing positive activity in the public sector and we expect this to yield higher sales conversion in the 2025 financial year.

MRM Rest of Africa

MRM Rest of Africa consists of operations in Kenya, Botswana and Mozambique. Revenue reduced by 1% to R104 million (2023: R105 million) and operating profit increased by 47% to R40 million (2023: R27 million) following a positive resolution on a long-standing dispute with a customer in Kenya. Excluding this item, margin was similar to the previous year and operating profit was marginally lower than the prior year. MRM Kenya experienced an overall decline in financial performance that resulted in an impairment of R54 million of goodwill. With new management now in place we are confident of improved trading and financial performance in the 2025 financial year and going forward.

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 21% to R120 million (2023: R99 million). Operating profit decreased by 90% to R2 million (2023: R22 million) due to a significantly lower margin on an isolated project as well as lower margins on a new project. Given the competitive environment, although we anticipate continued growth in revenue, we remain cautious of the low margin environment as well as pressure on EBITDA.

Commentary on the results continued

Financial review continued

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 2% to R311 million (2023: R305 million) with operating profit increasing by 4% to R35 million (2023: R33 million) mainly as a result of growth experienced in IronTree, offset by poor financial performances from Tidy Files and Metrofile VYSION. Metrofile VYSION was significantly lower compared to the prior period, with workflow automation related sales reducing due to a longer than anticipated sales cycle. 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.

During the 2024 financial year, a decision was taken to close the Tidy Files manufacturing component. Subsequent to year-end, effective 1 August 2024, Metrofile concluded the sale of assets and brand name for R15 million to a third party as part of the closure of the Tidy Files manufacturing operation. A provision for retrenchment and closure costs of R16.6 million was recognised as at 30 June 2024.

Share buy-back programme

During the first half of the 2024 financial year, the Company purchased 1 479 985 shares (R4.4 million) at an average price of R2.97 per share, with a total of 11 524 739 treasury shares held at 30 June 2024.

Dividend declaration

The dividend cover policy range of between 1.5x and 2.0x remains in place. The Board declared a final cash dividend of 7 cents per share, bringing the total dividend for the year to 14 cents per share.

Notice is hereby given that a final gross cash dividend of 7 cents per share in respect of the year ended 30 June 2024 has been declared payable, from income reserves, to the holders of ordinary shares recorded in the books of the Company on Friday, 4 October 2024. The last day to trade cum-dividend will therefore be Tuesday, 1 October 2024 and Metrofile shares will trade ex-dividend from Wednesday, 2 October 2024. Payment of the dividend will be on Monday, 7 October 2024. Share certificates may not be dematerialised or rematerialised from Wednesday, 2 October 2024 to Friday, 4 October 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

Effective 30 September 2024, Pfungwa Serima will resign as Group Chief Executive Officer and Thabo Seopa will be appointed effective 1 October 2024.

Outlook

We anticipate trading conditions to remain challenging throughout the 2025 financial year however strategic initiatives undertaken are expected to support recovery in the financial performance. We have seen a positive start to the 2025 financial year, resulting from these initiatives and actions, in addition to driving a more sales focused approach across the business. The closure of Tidy Files will further support the improvement in the margins of the Group going forward. While we do not expect an immediate change in the environment in the Middle East, we have implemented various measures to mitigate these challenges. We remain agile in our approach as we adapt to the change in competitive landscape. We expect to continue to generate positive free cash flow in the 2025 financial year, with a focus on de-gearing our balance sheet.

Forward-looking statement

Statements on future financial performance have not been reviewed or audited by the Group's external auditors. The Group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue relianceon these. The Group disclaims any intention and assumes no obligation to update or revise any forward-looking statement, even if new information becomes available as a result of future events or for any other reason, other than as stipulated by the JSE Listings Requirements.

Phumzile Langeni
Chairman of the Board

Pfungwa Serima
Group Chief Executive Officer

Illovo
16 September 2024

Corporate information

Directors

P Langeni (Chairman)^*, MS Bomela (Deputy Chairman)*, PG Serima (CEO), S Mansingh (CFO), SV Zilwa†*, A Khumalo^*, LE Mthimunye^*, CS Seabrooke^*, STM Seopa^*, DL Storom*, L Rood (Alternate)^*.

^ *Independent*
* *Non-executive*
† *Lead independent*

Company Secretary

EM Smuts

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Sponsor

The Standard Bank of South Africa Limited

Transfer secretaries

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METROFILE HOLDINGS LIMITED:
Incorporated in the Republic of South Africa
(Registration number 1983/012697/06)
Share code: MFL ISIN: ZAE000061727
("Metrofile" or "the Company" or "the Group")

Appendix A

Independent Auditor's Report on the Summary Consolidated Financial Statements to the shareholders of Metrofile Holdings Limited

Opinion

The summary consolidated financial statements of Metrofile Holdings Limited, contained in the accompanying report, which comprise the summarised consolidated statement of financial position as at 30 June 2024, the summarised consolidated statement of profit and loss, the summarised consolidated statement of other comprehensive income, the summarised consolidated statement of changes in equity and the summarised consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Metrofile Holdings Limited for the year ended 30 June 2024.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements described below and set out in note 1 to the summary financial statements and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other Matter

We have not audited future financial performance and expectations by management included in the accompanying summary consolidated financial statements and accordingly do not express any opinion thereon.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and our Report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 16 September 2024. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' Responsibility for the Summarised Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements as described below and set out in note 1 to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The Listings Requirements require summary consolidated financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS Accounting Standards as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditor

Mandisi Mantyi
Director
Registered Auditor
16 September 2023

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

metrofile