metrofile

ANNUAL FINANCIAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2024

Revenue	Operating profit*	EPS	HEPS	DPS	Improvement in net debt**
R1 141m	R200m	3.9c	16.5c	14c	R537m
1%	22%	88%	49%	22%	9%

Summarised financials

	12 months ended 30 June 2024	12 months ended 30 June 2023
Revenue (R'000)	1 140 546	1 134 380
Operating profit (R'000)*	199 770	254 620
EPS (cents)	3.9	32.1
HEPS (cents)	16.5	32.1
DPS (cents)	14.0	18.0
Number of shares in issue ('000)***	422 175	423 655

* *Operating profit before retrenchment and closure costs and impairment of goodwill*
** *Excluding lease obligations and including acquisition related liabilities*
*** *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
- 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 R309m 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. 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.

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.

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 activities 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.

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.

Report of the independent auditors

The consolidated financial statements for the year ended 30 June 2024 have been audited by BDO South Africa Incorporated, who expressed an unmodified opinion thereon. The consolidated financial statements and auditor's report, including the key audit matter, are available on the Company's website *https://www.metrofile.com/investor-relations*

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.

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16 September 2024

Metrofile will host a webcast of the financial results at 10:30 on Wednesday, 18 September 2024.

Registration for the webcast: *https://78449.themediaframe.com/links/metrofile240910.html*

The presentation will also be available on the Group's website: www.metrofile.com

This shortform announcement is the responsibility of the directors and is only a summary of the information in the audited annual financial statements and does not contain full or complete details. The audited annual financial statements are published on:

– The JSE website at *https://senspdf.jse.co.za/documents/2024/jse/isse/mfl/mflfy24.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 audited annual financial statements, which are also available for inspection at our registered offices at no charge during office hours. Full electronic copies may be requested from Elmarie Smuts: *elmaries@metrofileholdings.co.za* and from the sponsor at *jsesponsor@standardbank.co.za*. Statements on future financial performance have not been reviewed or audited by the Group's external auditors.

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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