

Interim Results Presentation

5 March 2015



Agenda

- ✓ Poynting salient features
- ✓ Compart transaction
- ✓ What remains – Defence and Aucom
- ✓ Interim results
- ✓ The future – good organic potential
- ✓ ARA transaction – taking Poynting to the next level
- ✓ New Company Name

Poynting salient features

Poynting salient features

- ✓ Current share price: **R 2.23**
- ✓ Current market cap: **~ R 360m**
- ✓ Number of people: **~120**

Shareholder	AFTER COMPART		AFTER PREF CONVERSION	
	Number (m)	%	Number (m)	%
Total issued shares (m)	162.6	100%	183.0	100%
Aucom (Villiers, Rudy, Tebogo)	60.0	37%	60.0	33%
PSG	30.8	19%	51.2	28%
Andre Fourie	20.0	12%	20.0	11%
Juergen Dresel (CEO)	8.1	5%	8.1	4%
	119.0	73%	139.4	76%
Investec	12.2	8%	12.2	7%

Compart Transaction

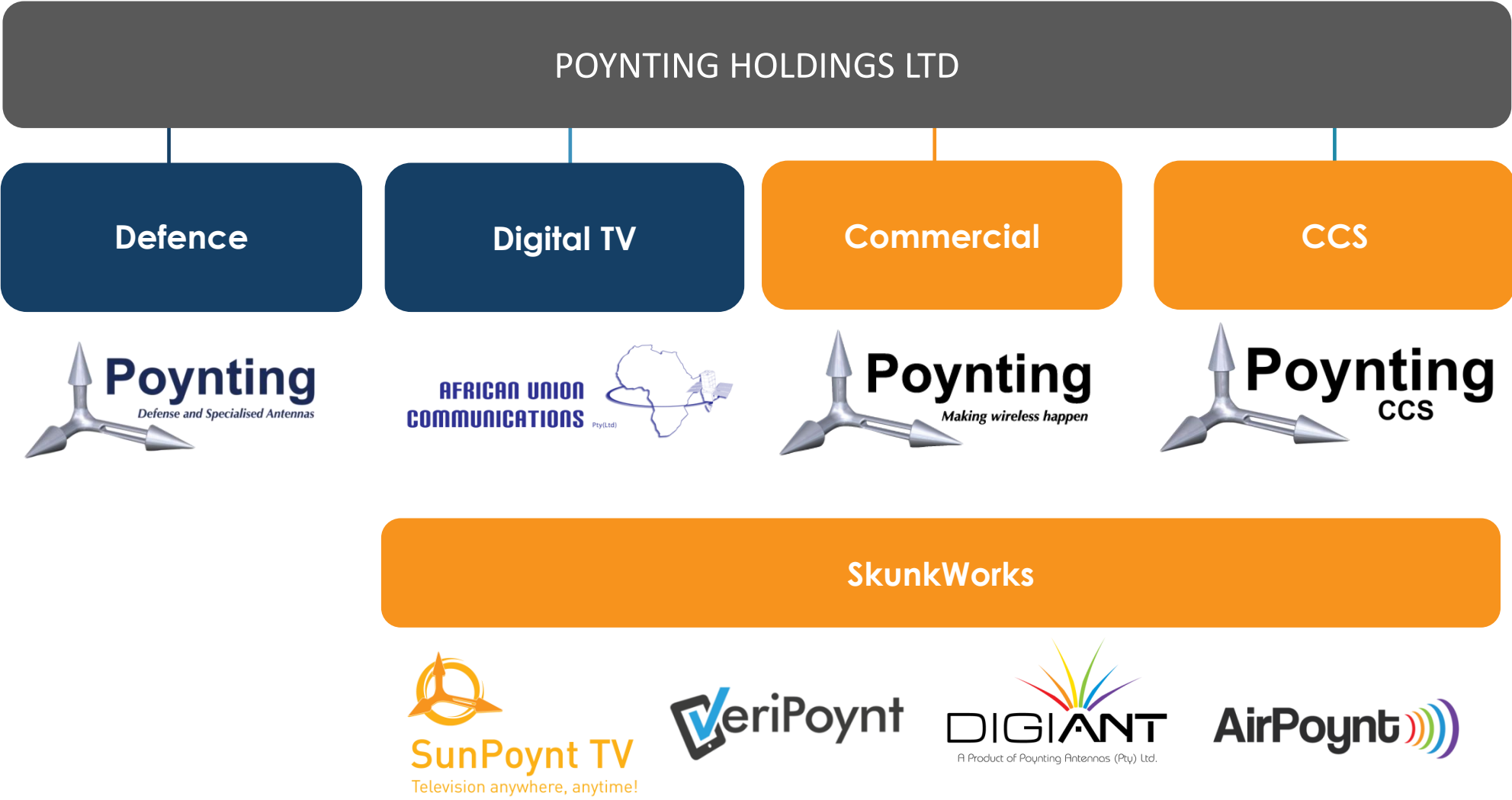
Compart transaction - rationale

- Compart business all **loss-making**
- **Doubt** existed on how long it will take to **turn around** but more importantly, how long before significant **profit contributor** to the group
- **Alternative** was closing some parts
- Results in much **more focused** group

Compart transaction - concluded

- Sold all **loss-making business** (“Compart”) to Andre Fourie for **14 m POY shares**, effective **22 December 2014**
- **Transaction implemented**, Andre resigned as CEO and from board and now running Compart
- **Shareholders meeting** to be held 23 March 2015 to finally conclude. [No risk; 79% irrevocables]

Group Overview – BEFORE Compart sale



Group Overview – AFTER Compart sale

POYNTING HOLDINGS LTD

Defence



Digital TV



**What remains,
what does Poynting do?**

The group now better positioned

- We are a now a much more **focused** group
- **Innovation** remains core
 - Defence developed 73 products in FY 2014.
 - 16 Engineers.
- We will find the right **balance** between investment and profitability
- We share some **technology and resources**
- We do what **we are good at**
(more strategic)

Defence Business

Defence business

- Specialised direction finding, jamming and communication **antennas** – **defence** market
- **Niche, specialised** products
Average price R140k, small quantity
- High gross **margins**
- **Global business**, 75%+ of sales outside of South Africa
- **Sell to system integrators** who sell to defence forces
- Long product **lifecycle** – good barrier to entry

Defence business – historic financials

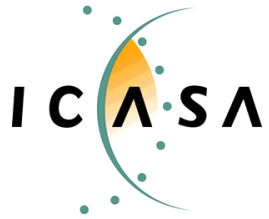
■ Profit history

Rm	2006	2007	2008	2009	2010	2011	2012	2013	2014	8 yr CAGR	3 yr CAGR
Sales	9.3	11.6	12.7	17.5	30.5	37.1	34.7	47.4	76.7	30%	27%
Op. EBIT	2.9	1.4	2.1	1.0	7.7	11.5	6.0	10.2	19.3	26%	19%
PAT							5.7	9.1	15.8		

Defence business - products



Defence business - customers



Digital TV Business

Digital TV business (Aucom)

- Design **broadcasting systems**, then sell & implement the equipment for television broadcasters
- ~**50% Africa** / 50% SA
- Aucom **expert in field** of scarce skills;
- Africa distributor for equipment **world leaders**
- Acquired business 1 Jul'13 (effective date 28 Feb'14) at **4 PE** ratio, all in Poynting shares at 75cents per share

Aucom - financials

▪ Profit history:

Rm	2011 actual	2012 actual	2013 actual	2014 actual	2014 guar.	2015 guar.	2016 guar.	CAGR acquired
Revenue	55	53	199	104				
PAT	5	5	21	14	11	13	15	15%

- Cumulative **profit warranty** of R 38m
 - 30 June 2014: R11.0m PAT (vs actual R13.8m PAT)
 - 30 June 2015: R12.5m PAT
 - 30 June 2016: R14.5m PAT

Aucom - products



harmonic
REDEFINING VIDEO DELIVERY

ENESYS
Technologies

SeaChange

Dektec

NAGRA
KUDELSKI

SMART TV

global invacom
completing the picture

TERRASAT
Communications, Inc.

KATHREIN

magnaquest

Skyline
COMMUNICATIONS

Newtec
SHAPING THE FUTURE OF SATELLITE COMMUNICATIONS

RT-RK
COMPUTER BASED SYSTEMS

FOXCOM
A DIVISION OF ONEPATH NETWORKS

electrosys
re-engineering and infrastructure support

Poynting
Holdings Limited

Aucom - clients



Aucom - organic growth prospects

■ Growth:

- **Digital TV migration** is slow (state broadcasters) but provides good opportunity for next 3-5years
- Numerous **new private operators** in Africa
- Adding more '**maintenance**' revenue
- Chinese compete with aggressive **funding** – evaluating potential lease and funding opportunity

Interim Results

Interim Results - Headlines

- **Disposal** of loss making divisions (R6.5m loss)
- **Cash** on hand 75.8m
- **Defence** revenue increased to R 42m (13%), PAT R8.5m
- **Aucom** optimistic to achieve profit warranty
- **Funny money**
 - **R25.2m** “positive” fair value adjustment - deferred consideration shares to **Aucom** vendors
 - **R2.4m** profit on **Compart** disposal
- **HEPS** positive, however six months not on track

Profit after tax - reconciliation

R'm	Unaudited six months		Audited Year
	Dec'14	Dec'13	Jun'14
Defence	8.5	10.4	16.2
Digital TV	0.3	-	(3.3)
Corporate and consolidation	(2.2)	(0.5)	(4.0)
Profit after tax for continuing operations	6.6	9.9	9.0
Compart losses – discontinued operations	(6.5)	(6.1)	(11.7)
Operational profit after tax	0.1	3.8	(2.7)
Fair value adjustments	25.2	-	(9.4)
Profit on sale of Compart	2.4	-	-
Goodwill impairment	-	-	(95.0)
Total comprehensive income	27.7	3.8	(107.1)

Profit per share

	Unaudited six months		Audited Year
	Dec'14	Dec'13	Jun'14
HEPS			
Headline Earnings (Rm)	25.3	3.8	(12.1)
Weighted average number of shares (m)	124.6	92.1	105.5
HEPS(cents)	20.3	4.1	(11.5)
ADJUSTED HEPS - CONTINUING OPERATIONS			
Adjusted Headline Earnings - Continuing Operations (Rm)	6.6	9.9	9.0
Weighted average number of shares (m)	124.6	92.1	105.5
Adjusted HEPS(cents)	5.3	10.8	8.5

Results: Defence

R'm	2014 interim	2013 interim	30 June 2014 Full year
Revenue	42.4	37.6	76.7
EBITDA	12.3	15.6	23.6
PAT	8.5	10.4	16.2

- Good growth in revenue; typically better 2nd half
- Pressure on profitability due to:
 - Move to new premises from Wynberg to Samrand (move costs and higher rent)
 - New spray booth facility
 - New ERP system
 - Increase in capacity (man power) to enable further growth

Results: Aucom

R'm	2014 interim	2013 interim	30 June 2014 4 months
Revenue	33.1	-	19.2
EBITDA	0.8	-	(5.0)
PAT	0.3	-	(3.3)

- Aucom management optimistic to make profit warranty (R12.5m PAT)
- Obtained a R50.2m order in January (just after closure for half year)

The future – good organic potential

The Group future (organic)

- **Defence** 8 year compounded EBIT growth of **26%**
- **Aucom** profit warrantees implies growth of **15%** until 30 June 2017
- **Head office** costs included few exceptional once-off items; we are making it priority to contain costs

ARA Transaction

US footprint - strategic importance

- **United States** defence budget larger than next 9 countries combined, 3x more than second largest spender (China)
- **Difficult to penetrate** market:
 - Buy America Act, ITAR regulations
 - Patriotism
 - Defence curtain – US vs Other
- **Various acquisition opportunities evaluated** over the last few years
- Antenna Research Associates (**ARA**) – best opportunity we've seen!

ARA deal

- Announced on **SENS** on 19 February 2015
- Binding **heads of agreement signed**, subject to
 - Due diligence
 - Regulatory approval
 - Shareholder approval
- Transaction
 - **US\$ 5m cash** to ARA vendors
 - **75,6 m Poynting shares** (~US\$ 12 m at share price of R 1.80, as on 19 February 2015)
 - Total deal value US\$ 17m
(for US\$ 1m expected PAT in year 1)

ARA management

- **Logen Thiran** joined April 2014, CEO from 1 August 2014
 - Family fled Sri Lanka
 - Alone to the USA, worked & studied
 - Started & sold own start-up, American dream
 - For last 9 years managed DRS defence business (\$200m revenue , 5 facilities, >500 employees)
 - Smart people! Big ambition, good relevant experience
- Order pipeline shows improvement, **business has turned**

Why ARA makes sense

- We **understand** this business very well – this is what we do
- **US** footprint – the land of milk & honey; first world
- **De-risk** the current Poynting DS business
(customer, geographic, manufacturing capability, fin. lumpiness)
- Production, engineering and sales **synergies**
(Limited product and client overlap)
- Buy US company on the **low end of defence spending cycle**
- Organic plan (excl. synergies) to build out business significantly, ARA management has bigger **ambitions** incl. US listing
- Same values – **good culture fit**

POY shareholding after ARA transaction

	AFTER COMPART		AFTER ARA, before pref conversion		AFTER ARA, <u>after</u> pref conversion	
Shareholder	Number (m)	%	Number (m)	%	Number (m)	%
Total issued shares (m)	162.6	100%	238.2	100%	258.6	100%
ARA shareholders*			75.6	32%	75.6	29%
Aucom vendors	60.0	37%	60.0	25%	60.0	23%
PSG Private Equity	30.8	19%	30.8	13%	51.2	20%
Andre Fourie	20.0	12%	20.0	8%	20.0	8%
Investec	12.2	8%	12.2	5%	12.2	5%
Juergen Dresel (POY CEO)	8.1	5%	8.1	3%	8.1	3%

* Logen Thiran (ARA CEO) to own ~3% of Poynting. Currently owns 10.2% of ARA

ARA - products



ARA - clients



New Company Name

Alaris Antennas

(Letters to clients this week)

Alaris Holdings

(23 March)

A word of caution...

A word of caution...

- Significant **ARA Transaction costs** to be incurred in next few months
- **ARA** only consolidated in **next financial year**
- **Aucom “liability”** will continue to **distort** EPS/HEPS

Thank You

Q&A

www.poynting.co.za

PSG - preference share

- **3 year** redeemable, convertible preference share
- Total subscription: **R51m**
- Issued 30 June 2014
- Pref dividends paid monthly: $72\% * (\text{prime} + 3\%) = \mathbf{8.82\%}$
- Converts at any time at PSG's election at **R2.50**

PSG - ordinary shares

- December 2013: Invested **R49m at R1.59 per share**