



# ALARIS HOLDINGS

2017 HALF YEAR FINANCIAL RESULTS

6 MONTHS TO DECEMBER 2016



# AGENDA



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# FINANCIAL HIGHLIGHTS



- Revenue from continuing operations increased by 135% from R36.1m to R84.7m.
- Profit after tax from continuing operations increased by 378% from R2.7m to R12.9m.
- Normalised earnings from continuing operations increased by 40% from R9.3m to R13.0m.

# OPERATIONAL HIGHLIGHTS



- We are further streamlining the group in terms of our strategy
  - Global
  - Own IP
  - RF technologytherefore in the process of disposing Aucom
- Improving scalability of Alaris Antennas through fit for growth projects

# REFLECTION ON H1 OF 2017



## **CHALLENGES / ANOMALIES:**

- Fluctuations on foreign exchange
- Talent and supply chain pressures

## **POSITIVE DEVELOPMENTS:**

- The Aucom disposal transaction is progressing according to plan
- We are growing with our clients – the orders are increasing
- MIDAS product launch
- Much improved global footprint through COJOT acquisition
- Initial synergy benefits through cross selling between Alaris Antennas and COJOT
- Simplified business and balance sheet structure

# GROUP OVERVIEW



# GROUP OVERVIEW



Technology holding company listed on  
the JSE AltX since July 2008



**Alaris Holdings**

**Alaris Antennas (RSA)**



**COJOT (Finland)**



**Aucom (RSA)**



\*The Group is in the process of disposing Aucom.



# AUCOM DISPOSAL



## THE DEAL

- Aucom disposed through a specific repurchase of 30m Alaris shares at R2.00 per share; and
- Repurchase of 10m Alaris shares for cash at R2.00 per share.

## RATIONALE

- The Group's strategy is to focus on development, manufacturing and selling of RF (Radio Frequency) products to global niche markets.
- Aucom is a value-added reseller in the broadcasting and satellite communications industry and does not fit the group strategy.
- The BBBEE structure is critical for Aucom and can be achieved more easily outside a listed environment.



# ALARIS ANTENNAS



# WHAT DOES ALARIS ANTENNAS DO?



- Designs, manufactures and sells specialised broadband antennas and other Radio Frequency RF products
- Own IP and manufactured locally
- Clients across the globe
- Exports about 85% of revenue (mainly Americas, Europe and Asia)
- Customers are system integrators, frequency spectrum regulators, test & measurement bus. and players in the homeland security space



# WHAT DOES ALARIS ANTENNAS DO?



Jamming



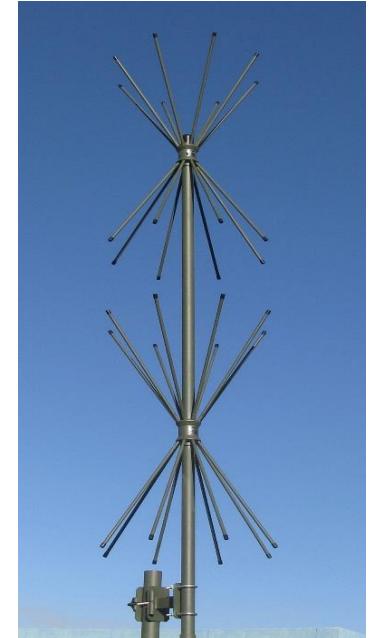
Direction finding



Monitoring



Masts



Communication



Counter - RCIED



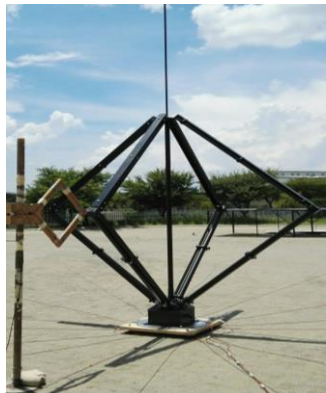
Direction finding



RF Electronics



LPDA



DF-A0115

## High Sensitivity HF NVIS DF Antenna DF-A0115

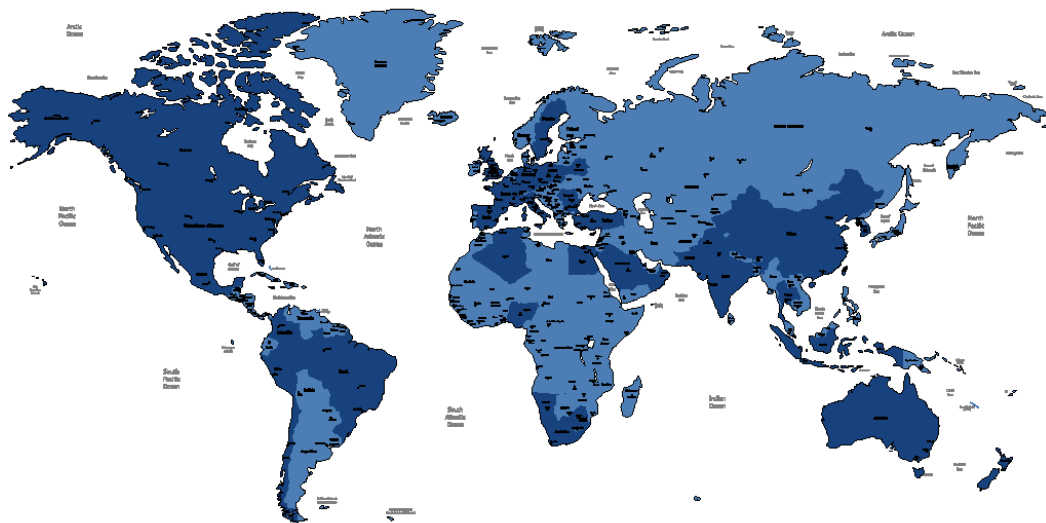
- Makes use of Alaris Antennas' patented cross loop technology
- Was designed for extreme environmental conditions with an emphasis on long term durability
- Designed and manufactured from concept to delivered product in relatively large volumes in a very short timeframe



Always by your side

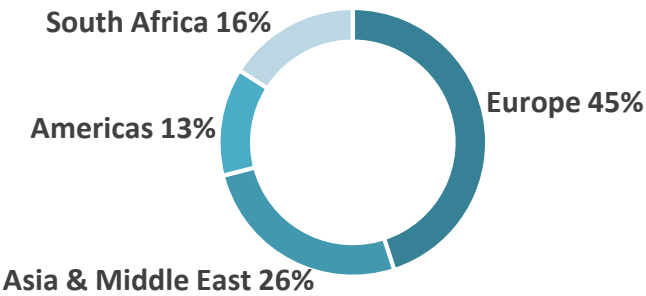


# ALARIS ANTENNAS MARKET & TERRITORIES



 Presence  No Presence

**Sales % per Territory**



**10** PRODUCT LINES

**792** PRODUCTS

**34** DISTRIBUTORS



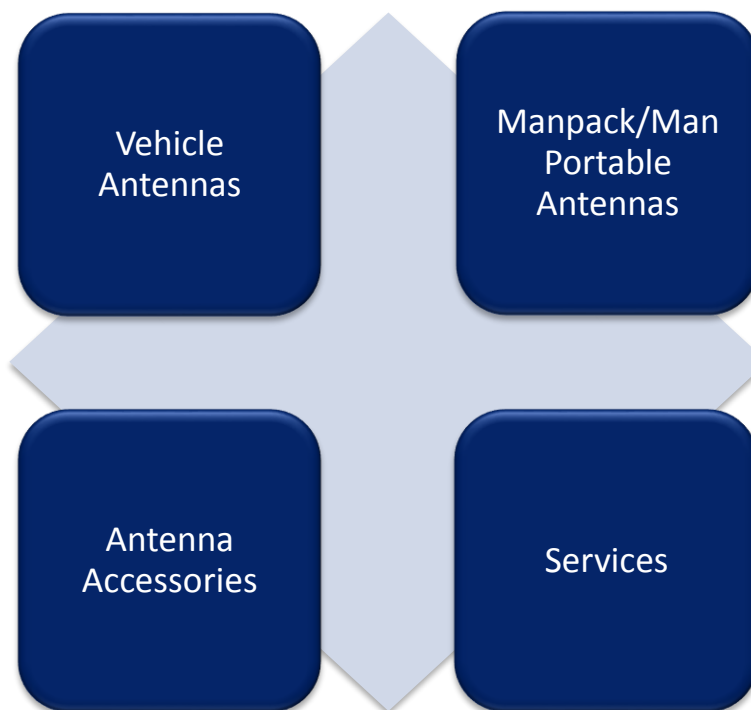
# COJOT

ALARIS  
HOLDINGS



# WHAT DOES COJOT DO?

- Designs, develops and manufactures innovative antenna products, serving public safety and military markets globally
- Develops innovative broadband antennas to improve connectivity, coverage, and competitiveness of radio equipment deployed to save lives and protect property
- Own brand and IP







# WHAT DOES COJOT DO?



Handheld  
Antenna



Adaptive Handheld  
Antenna



Vehicle  
Antenna



Wideband Vehicle  
Antenna



MIDAS

## **MIDAS-Mission Adaptive Antennas**

- The mission adaptive antennas provide significant performance improvements for SDRs and tactical communication systems



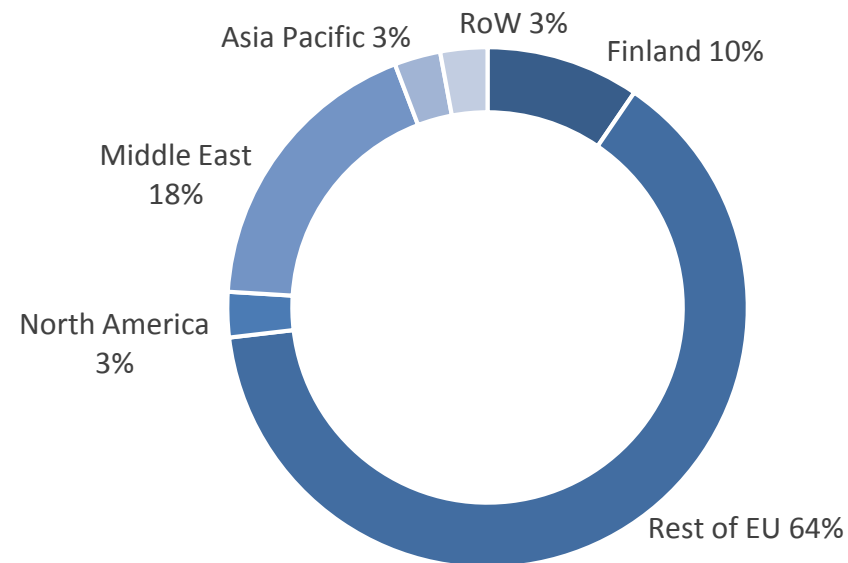
Manpack  
Antenna

# COJOT MARKET AND TERRITORIES

- Expertise in radio frequency technology.
- Supplying antenna technology in some of the most demanding global environments.



**Sales % per Territory**





# AUCOM



# WHAT DOES AUCOM DO?

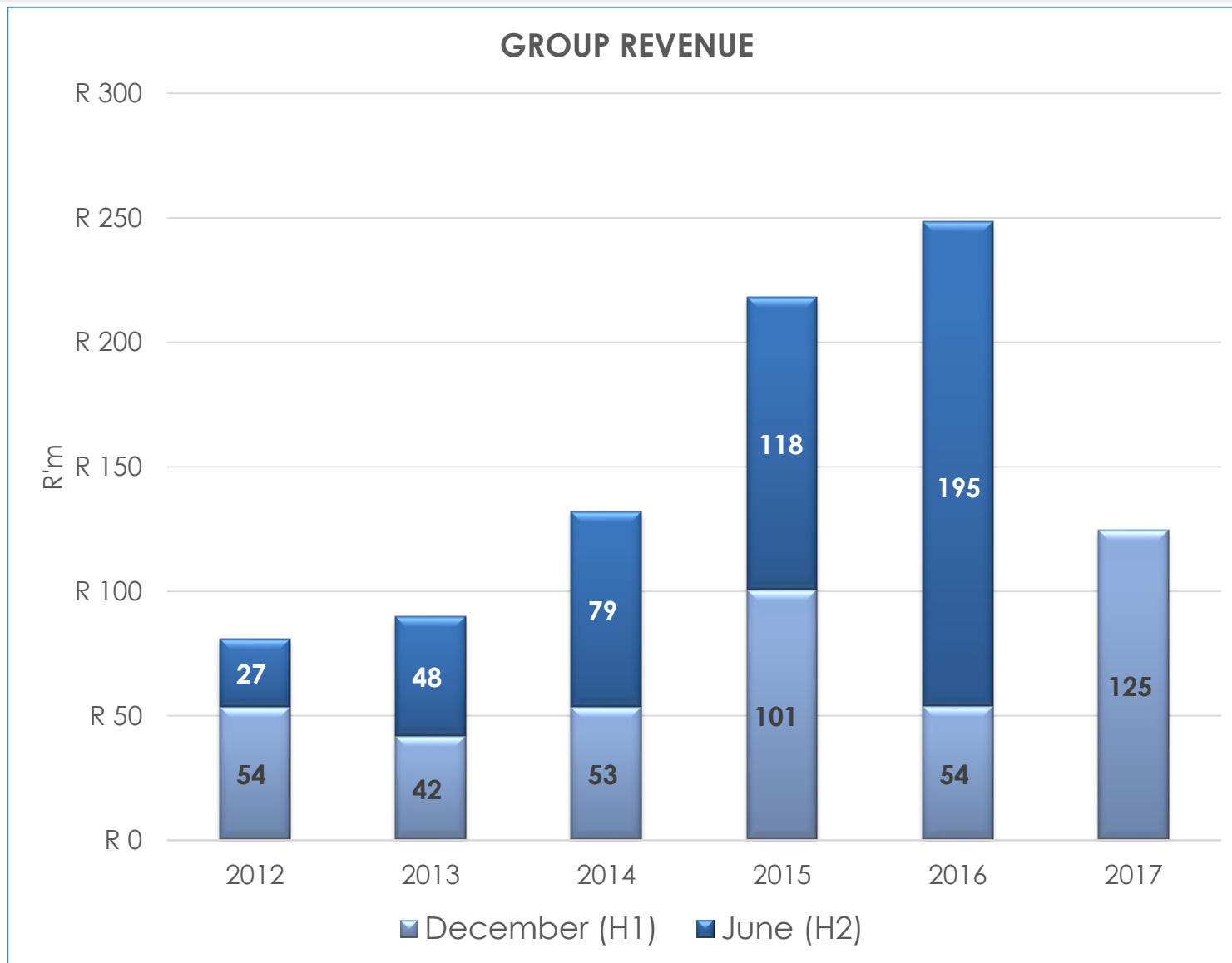


- Designs, integrate and implements end-to-end Multi-Media solutions for Broadcasters and Network operators
- Specific expertise in digital compression platforms for Digital Terrestrial Television, signal distribution, multiscreen and over-the-top systems
- Migration to digital television and radio services across Africa
- Clients located in Africa and South Africa
- Service level agreements with annuity revenue

# FINANCIALS



# ALARIS GROUP REVENUE

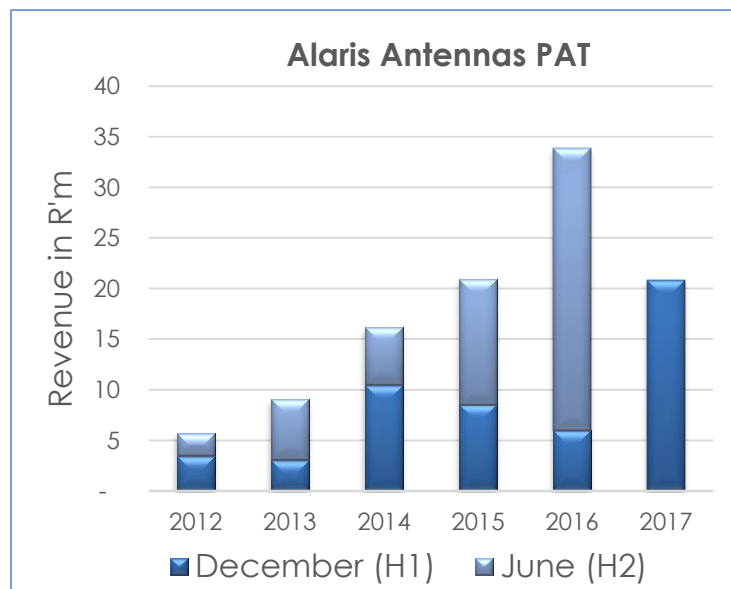
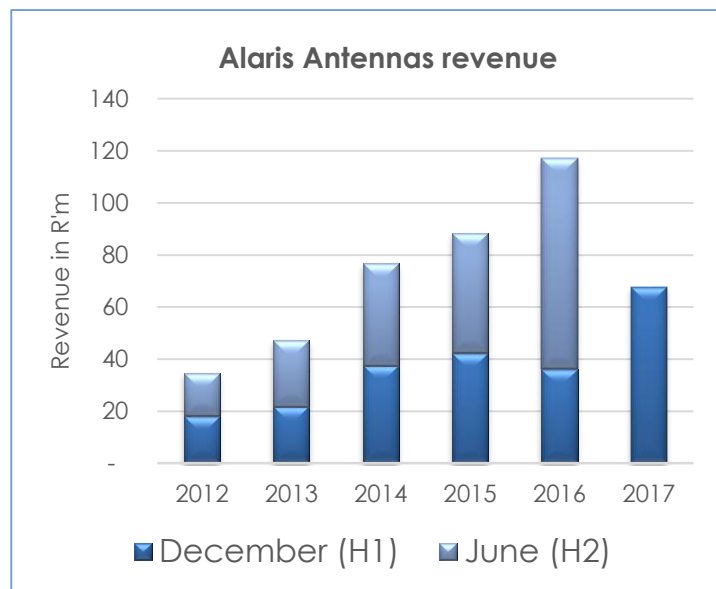


# SEGMENT – ALARIS ANTENNAS



	Unaudited six months ended		Audited year ended
R'000	Dec 2016	Dec 2015	Jun 2016
Revenue	67 269	36 125	117 294
<i>Revenue growth y-o-y</i>	86%	(15%)	33%
PAT	20 845	5 967	33 910
<i>PAT growth y-o-y</i>	249%	(30%)	62%
<i>PAT margin</i>	31%	17%	29%

- Pleased with healthy revenue compared to a tough comparative period.
- Satisfied with margin performance.



# SEGMENT – COJOT



	Unaudited six months ended		Audited year ended
R'000	Dec 2016	Dec 2015	Jun 2016*
Revenue	17 454	-	14 822
<i>Revenue growth y-o-y</i>	-	-	-
PAT	2 433	-	5 193
<i>PAT growth y-o-y</i>	-	-	-
<i>PAT margin</i>	14%	-	35%

- Reasonable performance based on run-rate business
- Integration proceeding according to plan

\*Two months consolidated in the year ended June 2016

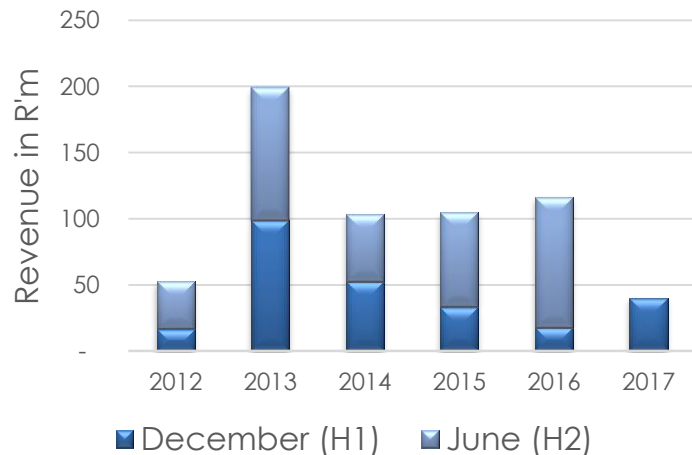
# SEGMENT – AUCOM



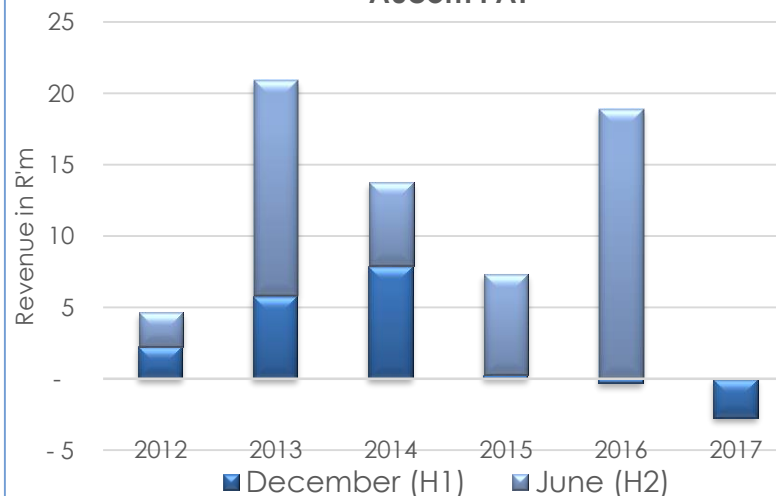
- Healthy revenue
- Challenges on cash collection

	Unaudited six months ended		Audited year ended
R'000	Dec 2016	Dec 2015	Jun 2016
Revenue	40 075	17 770	116 383
Revenue growth y-o-y	126%	(46%)	11%
PAT	(2 731)	(304)	18 606
PAT growth y-o-y	798%	(212%)	155%
PAT margin	(7%)	(2%)	16%

**Aucom revenue**



**Aucom PAT**



# STATEMENT OF PROFIT AND LOSS – CONTINUED OPERATIONS



	Unaudited six months ended		Re-presented year ended
R'000	Dec 2016	Dec 2015	Jun 2016
<b>Continuing Operations</b>			
Revenue	84 723	36 126	132 116
Cost of sales	(22 457)	(11 551)	(35 057)
<b>Gross profit</b>	<b>62 266</b>	<b>24 575</b>	<b>97 059</b>
Other income	130	11 754	14 628
Operating expenses	(41 387)	(23 696)	(67 396)
<b>Trading operating profit</b>	<b>21 009</b>	<b>12 633</b>	<b>44 291</b>
Finance income	307	575	836
Contingent consideration asset adjustment	-	(3 954)	(22 206)
Finance costs	(2 516)	(2 329)	(4 953)
<b>Profit before taxation</b>	<b>18 800</b>	<b>6 925</b>	<b>17 968</b>
Taxation	(5 858)	(4 227)	(13 578)
<b>Profit from continuing operations</b>	<b>12 942</b>	<b>2 698</b>	<b>4 390</b>

- Strong group revenue growth flowing through to profit





# NORMALISED EARNINGS – CONTINUED OPERATIONS

	Unaudited six months ended		Re- presented year ended
R'000	Dec 2016	Dec 2015	Jun 2016
<b>Profit for the period</b>	<b>12 942</b>	<b>2 698</b>	<b>4 390</b>
Legal and consulting costs for acquisitions and disposals	25	2 679	4 894
Contingent consideration asset	-	3 954	22 206
<b>Normalised earnings after tax</b>	<b>12 967</b>	<b>9 331</b>	<b>31 490</b>
Weighted average number of ordinary shares in issue ('000)	<b>156 615</b>	110 510	159 539
<b>Normalised earnings per ordinary share (cents) – Continuing Operations</b>	<b>8.28</b>	<b>8.45</b>	<b>19.74</b>

- Weighted average shares impacted by Aucom earn-out mechanism



# STATEMENT OF PROFIT AND LOSS – DISCONTINUED OPERATIONS

	Unaudited six months ended		Re-presented year ended
R'000	Dec 2016	Dec 2015	Jun 2016
<b>Discontinued Operations</b>			
Revenue	40 075	17 769	116 383
Cost of sales	(25 792)	(11 510)	(76 338)
<b>Gross profit</b>	<b>14 283</b>	<b>6 259</b>	<b>40 045</b>
Other income	62	3 571	3 503
Operating expenses	(19 480)	(11 661)	(20 282)
<b>Trading operating (loss) / profit</b>	<b>(5 135)</b>	<b>(1 831)</b>	<b>23 266</b>
Finance income	307	361	696
Finance costs	(11)	(12)	(258)
<b>(Loss) / profit before taxation</b>	<b>(4 839)</b>	<b>(1 482)</b>	<b>23 704</b>
Taxation	1 356	426	(6 603)
<b>(Loss) / profit from discontinued operations</b>	<b>(3 483)</b>	<b>(1 056)</b>	<b>17 101</b>

- Healthy revenue
- Challenges on cash collection

# ASSETS



	Unaudited six months ended		Re-presented year ended
R'000	Dec 2016	Dec 2015	Jun 2016
<b>Assets</b>			
<b>Non-Current Assets</b>			
Plant and equipment	5 710	6 956	7 904
Goodwill	24 150	22 115	47 101
Intangible assets	12 193	11 465	17 486
Deferred tax assets	3 495	7 468	5 420
	<b>45 548</b>	<b>48 004</b>	<b>77 911</b>
<b>Current Assets</b>			
Inventories	13 749	14 030	18 040
Other financial assets	-	8 955	6 969
Current tax receivable	272	179	1 617
Assets classified as held-for-sale	<b>71 755</b>	-	-
Contingent consideration asset	-	18 251	-
Trade and other receivables	38 231	51 176	78 819
Cash and cash equivalents	64 215	99 582	94 481
	<b>188 222</b>	<b>192 173</b>	<b>199 926</b>
<b>Total Assets</b>	<b>233 770</b>	<b>240 177</b>	<b>277 837</b>

- Aucom assets classified as held for sale



# EQUITY AND LIABILITIES

	Unaudited six months ended		Re-presented year ended
R'000	Dec 2016	Dec 2015	Jun 2016
<b>Equity</b>	<b>134 070</b>	<b>115 902</b>	<b>133 646</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Preference share liability	-	50 111	50 111
Loans and borrowings	-	-	581
Other financial liabilities	-	-	-
Deferred tax liabilities	1 126	1 853	2 941
	<b>1 126</b>	<b>51 964</b>	<b>53 633</b>
<b>Current Liabilities</b>			
Preference share liability	50 111	-	-
Loans and borrowings	166	843	153
Trade and other payables	18 076	58 036	81 348
Current tax payable	2 039	5 974	3 264
Provisions	2 478	3 985	3 576
Other financial liabilities	-	3 473	2 217
Liabilities classified as held-for-sale	25 704	-	-
	<b>98 574</b>	<b>72 311</b>	<b>90 558</b>
<b>Total Liabilities</b>	<b>99 700</b>	<b>124 275</b>	<b>144 191</b>
<b>Total Equity and Liabilities</b>	<b>233 770</b>	<b>240 177</b>	<b>277 837</b>

- Aucom liabilities classified as held for sale
- PSG preference share liability has moved from non current to current

# CASH FLOW



R'000	Unaudited six months ended		Re-presented year ended
	Dec 2016	Dec 2015	Jun 2016
Profit before taxation	13 961	5 443	41 672
Adjusted for non-cash items	1 666	(4 205)	36 240
Working capital changes	(22 339)	16 362	2 698
<b>Cash (utilised in) / generated from operations</b>	<b>(6 712)</b>	<b>17 600</b>	<b>80 610</b>
Net finance cost	(1 913)	(1 405)	(3 679)
Taxation paid	(6 288)	(3 696)	(22 754)
<b>Net cash (used in) / from operating activities</b>	<b>(14 913)</b>	<b>12 499</b>	<b>54 177</b>
<b>Net cash used in investing activities</b>	<b>(7 367)</b>	<b>(3 114)</b>	<b>(35 819)</b>
<b>Net cash from financing activities</b>	<b>67</b>	<b>756</b>	<b>638</b>
Net (decrease) / increase in cash and cash equivalents for the period	(22 213)	10 141	18 996
Cash classified as held-for-sale	(8 029)	-	-
Cash and cash equivalents at the beginning of the year	94 481	74 386	74 386
Effect of exchange rate movement on cash balances	(24)	15 055	1 099
<b>Total cash and cash equivalents at end of the period</b>	<b>64 215</b>	<b>99 582</b>	<b>94 481</b>

- Working capital outflow timing related - high values invoiced towards period end.

# GROWTH PLAN



# FOCUS AREAS



- COJOT integration
- Disposing of Aucom
- Projects to improve efficiencies and our operational scalability
  - Price for profit
  - Team up for growth
  - Production for client centricity
- Pursue global acquisitions to align with our strategy

# ALARIS INVESTMENT ATTRIBUTES



- Own IP exported globally
- Global exports contribute 85% of revenue
- Local manufacturing
- High margin business
- Global footprint expanded through COJOT acquisition with several synergies





**Q&A**

**Thank you**