

ALARIS HOLDINGS LTD
INTERIM FINANCIAL RESULTS
For the 6 months ended 31 December 2019



AGENDA

	Slide#
Summary	3
Operational Highlights	4
Reflection on interim period	5
Group Overview	6 – 19
Financial information	20 – 30
Growth Plan	31 – 32
Alaris Investment Attributes	33
Covid-19	34
Q&A	35

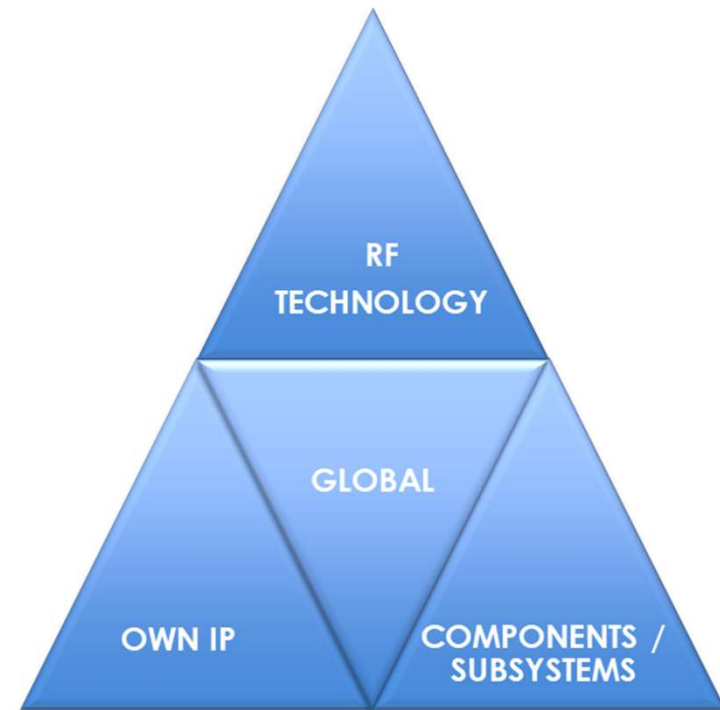
SUMMARY

- Revenue increased by 60% from R85.0 million to R136.3 million.
- Profit after tax increased by 260% from R6.4 million to R23.1 million.
- Headline EPS increased by 256% from 5.42 cents to 19.27 cents.
- Strong cash position of R82.1 million as at 31 December 2019.
- Buoyant first half:
 - due to large and repeat orders secured in the previous financial year;
 - mWAVE results consolidated for a full 6 months.



OPERATIONAL HIGHLIGHTS

- The Group's focused strategy is being implemented through 4 core strategic objectives:
 - Radio Frequency Technology
 - Components / Subsystems
 - Own IP
 - Global
- High value and large repeat orders at Alaris Antennas and COJOT.
- Handover process of US customers from Alaris Antennas and COJOT to d.b.a. Alaris USA completed
- At mWAVE:
 - Operational activities were aligned to the group
 - A new ERP system successfully implemented.
 - Office and lab extension (incl. indoor test facility) completed.



REFLECTION ON INTERIM PERIOD

CHALLENGES / ANOMALIES:

- Scarce skills in RF technology engineering field globally
- Long sales cycles
- Low margins at mWAVE for part of the business
- South Africa remains a challenging environment
 - Supply chain, load shedding, freight, etc.

POSITIVE DEVELOPMENTS:

- Increased access to large US defence market via mWAVE and its d.b.a. Alaris USA division
- Demand for smart antennas on the increase
 - Convergence of antennas and RF electronics
- Developing group CTO role / Technology Committee



GROUP OVERVIEW

GROUP OVERVIEW

Technology holding company listed on
the JSE AltX since July 2008



Alaris Holdings

Alaris Investment
Holdings (UK)

Alaris Antennas (RSA)



COJOT (Finland)

COJOT
MORE THAN ONE WAVELENGTH

mWave (USA)

mWAVE
Your Partner in Antenna Technology

d.b.a.
Alaris USA





ALARIS ANTENNAS

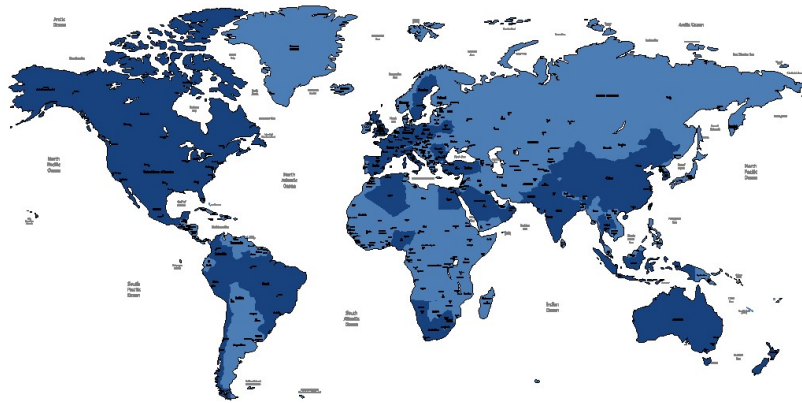
WHAT DOES ALARIS ANTENNAS DO?

- Designs, develops, manufactures and sells specialised broadband antennas and other Radio Frequency products
- About 90% of revenue received from exports
 - mainly Americas, Europe and Asia
- Holds patents for several antenna designs
- Own IP is a key strength
- Customers are system integrators, frequency spectrum regulators, test & measurement companies and players in the homeland security space

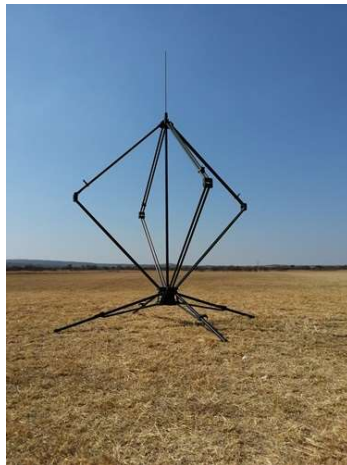
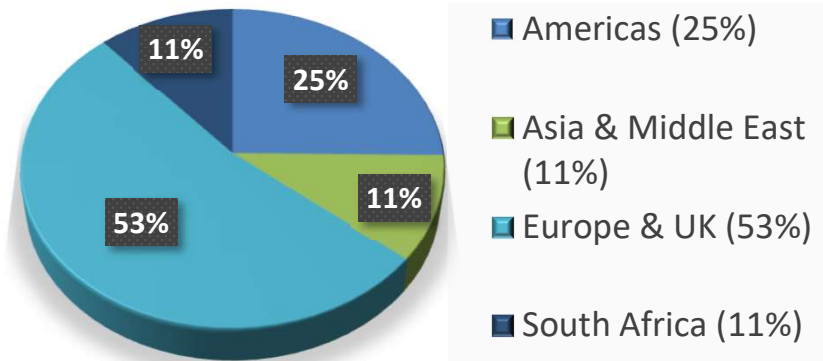


ALARIS ANTENNAS MARKET & TERRITORIES

■ Presence ■ No Presence



Alaris Antennas sales by territory
for H1 2020



ALARIS ANTENNAS OFFERINGS



Jamming



Direction finding



Monitoring



Masts



Communication



Counter - RCIED



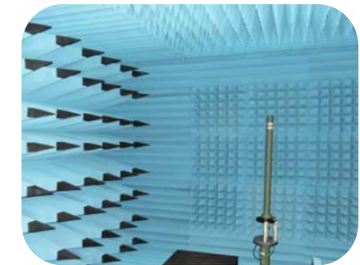
Test & Measure.



RF Electronics



Counter-Drone



Services



OMNI-A0306 – High power multi-port antenna - 100 – 6000 MHz

- The antenna is intended for use primarily on vehicles, but can be used in fixed installation applications
- Consists of 4x independent frequency bands with high transmit power capability of up to 150W
- Rugged construction to withstand the harsh battlefield environments
- The antenna is used for jamming purposes.

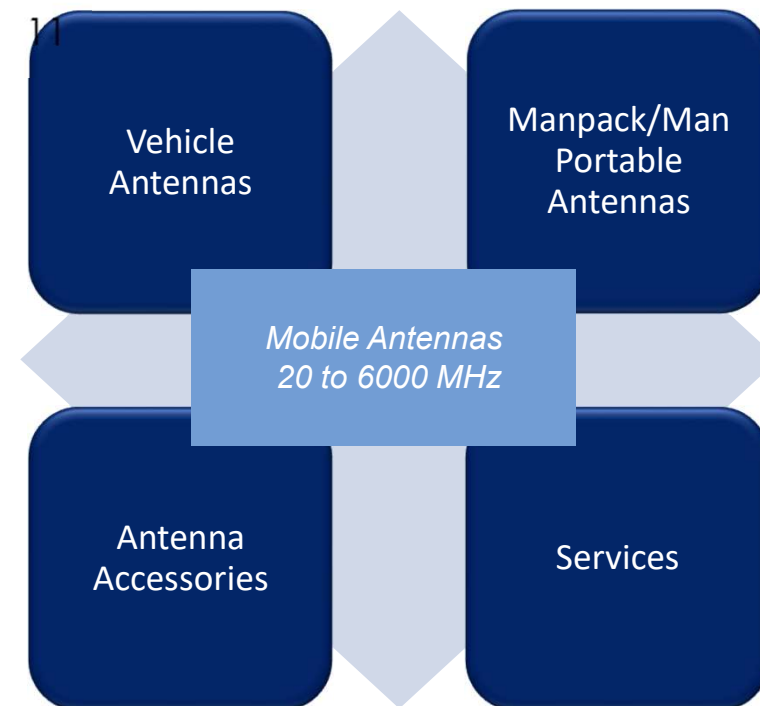
OMNI-A0306



COJOT

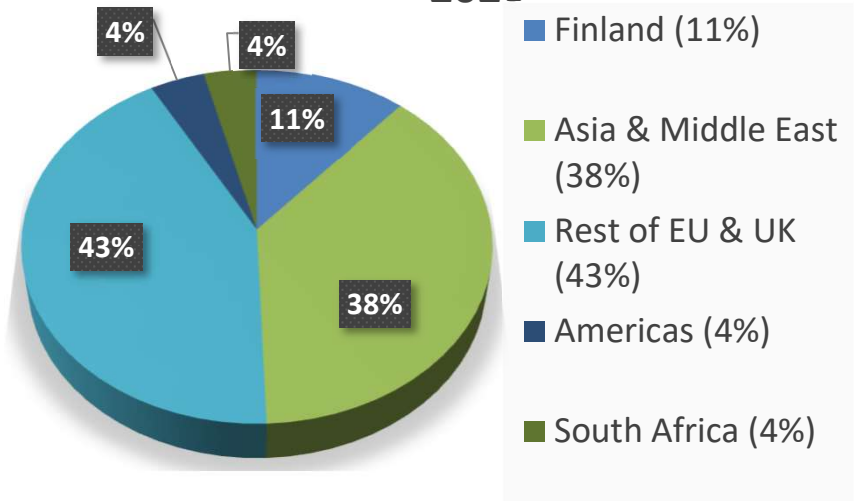
WHAT DOES COJOT DO?

- 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
- Supplying antenna technology in some of the most demanding global environments



COJOT MARKET AND TERRITORIES

- Presence



COJOT OFFERINGS

WIDEBAND ANTENNAS FOR MILITARY APPLICATIONS



ECM (Electronic Countermeasure)



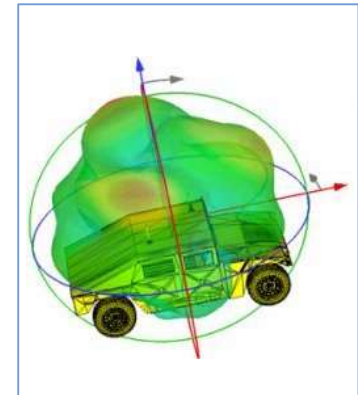
Communications



Monitoring



Smart antennas



Services



SBA2458XDB

High Power Dual Band Switched Beam Antenna for 2.4 and 5.8 GHz frequency

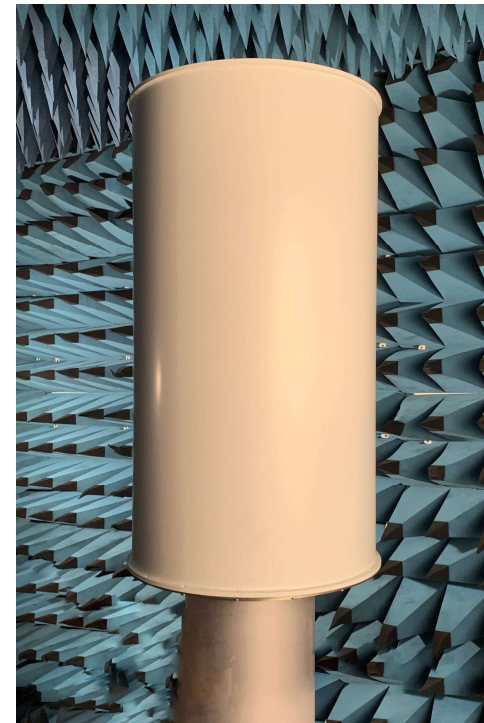
- A high-power dual band switched beam antenna suitable for drone detection and jamming applications.
- Can be switched by remote control to achieve optimal gain in the desired direction and to avoid interference from unwanted directions.
- The antenna provides superior gain performance with low side lobe levels.



mWAVE

WHAT DOES mWAVE DO?

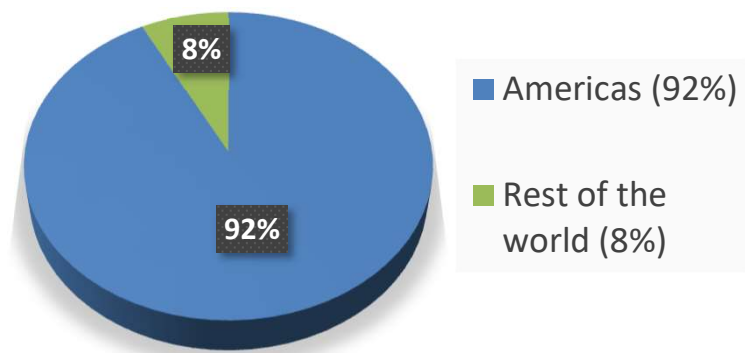
- Designs, manufactures and supports a wide range of standard and custom microwave antenna products for commercial, government and defense applications.
- Specialises in parabolic grids, solid parabolic, millimeter-wave and wide band feed assemblies
- Antenna product range covers VHF to 100 GHz frequency range
- Own IP
- Own outdoor and indoor antenna test ranges are used to support new antenna development & production verification
- Offers third party testing for its customers.



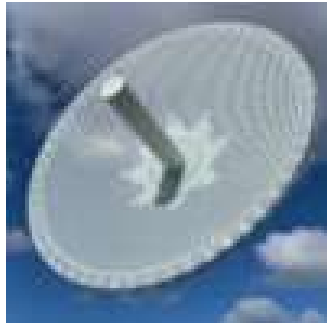
mWAVE MARKET AND TERRITORIES



mWAVE sales by territory for H1 2020



mWAVE OFFERINGS



Parabolic
Antennas



High Performance
Antennas



Grid Antennas



Radomes



Custom Products



Millimeter Wave



Testing Services



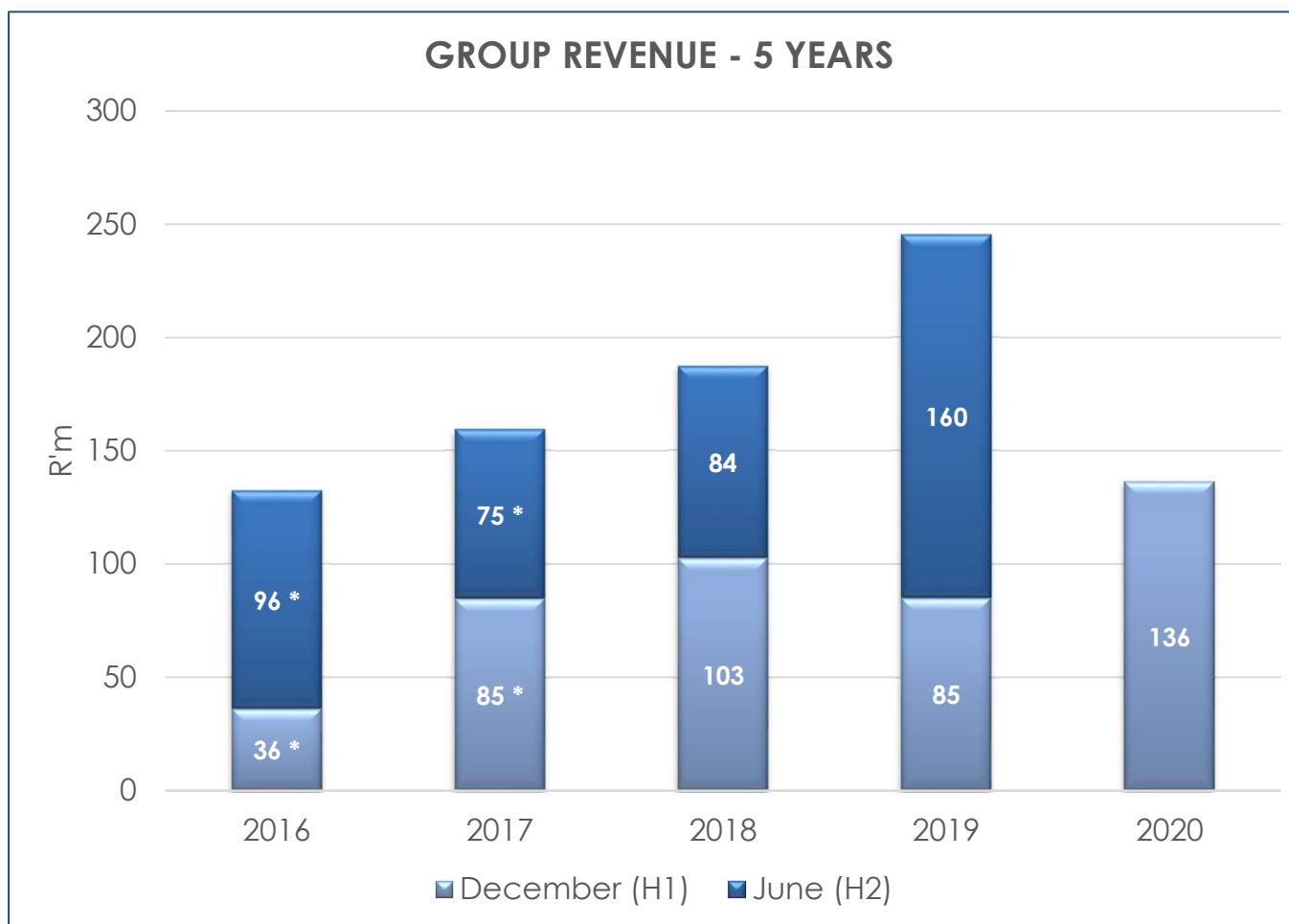
Custom 17-in. (43cm) High Band Offset Antenna

- 1.6 – 3.8 GHz
- High Band Antenna
- Dual linear polarized
- Single offset composite reflector
- Optional scope
- Used for a customer specific application



FINANCIALS

ALARIS GROUP REVENUE



* Continuing operations

ALARIS GROUP REVENUE

Two revenue streams:

Newly developed products

- Differentiator - customisation and design
- R&D: partial financial contribution by customers
- Different business models are applied to protect IP
- Convert to fully configured products



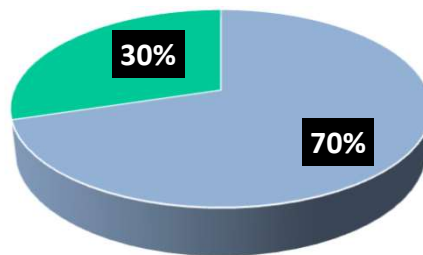
Fully configured products

- Recurring business

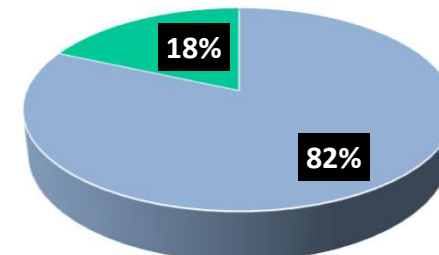
Increase in newly developed products:

- mWAVE: increased to 43%. Development moved over from prior year to current FY
- Alaris Antennas: client centric - changed more existing products into new products for customers
- COJOT: designed a new product for a US customer

Dec-19



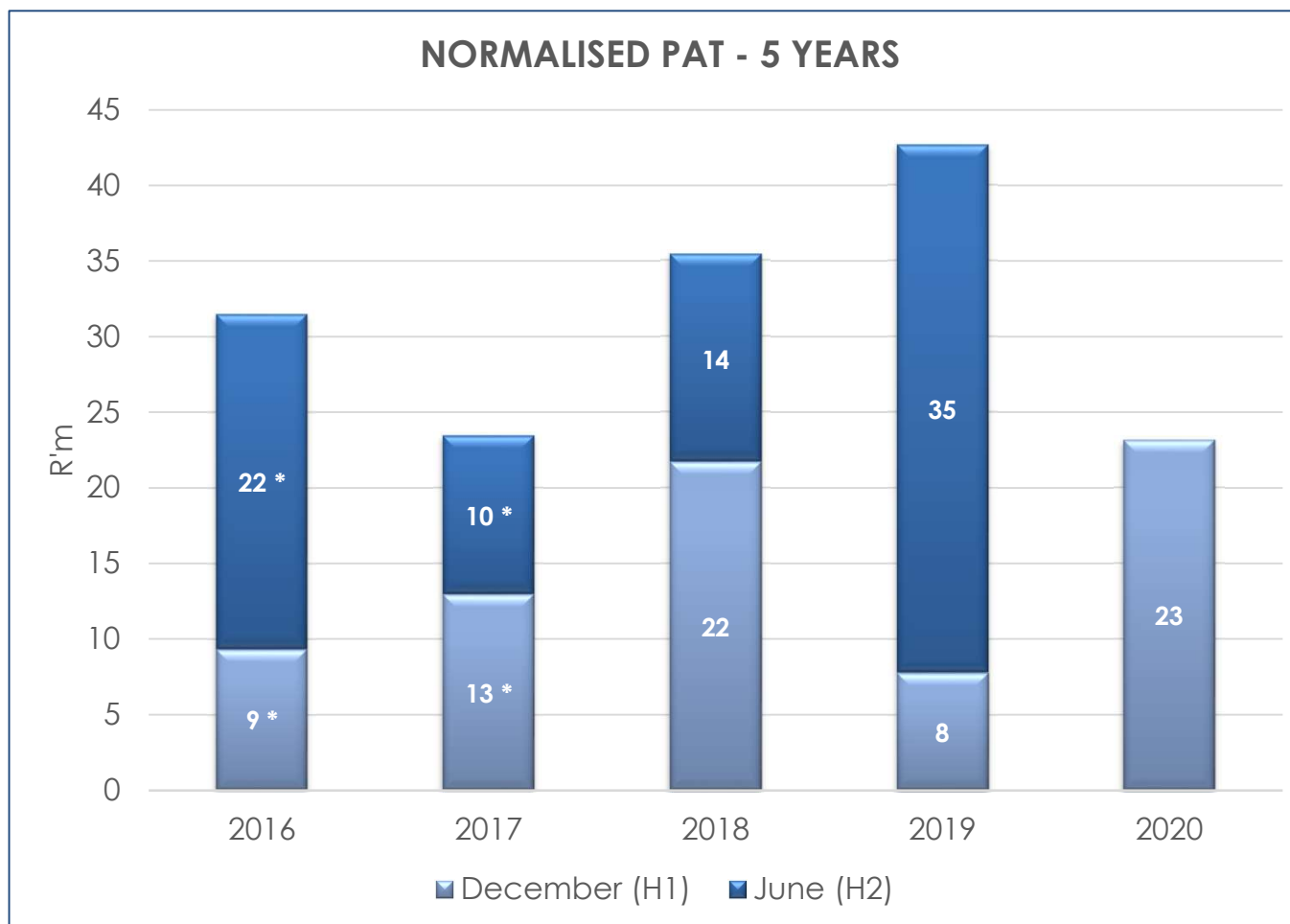
Dec-18



■ Fully configured ■ Newly developed

■ Fully configured ■ Newly developed

ALARIS GROUP NORMALISED PROFIT AFTER TAX (PAT)

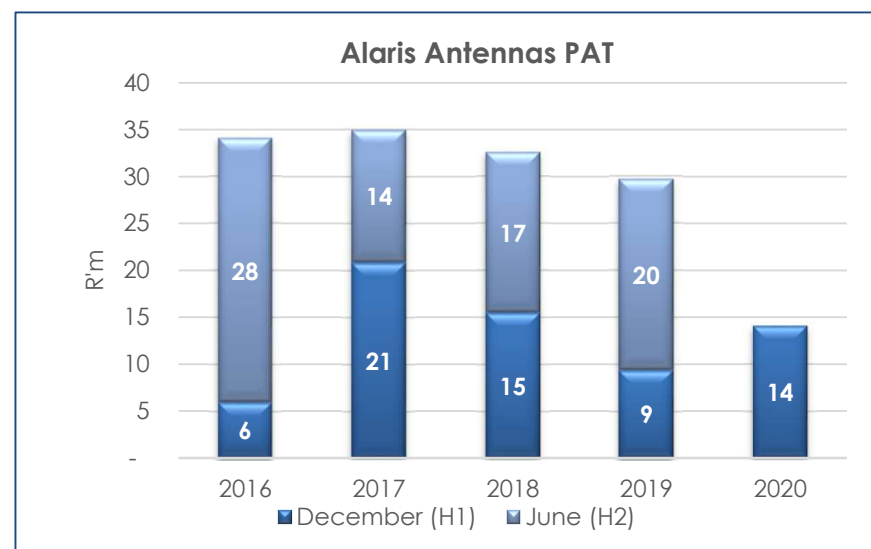
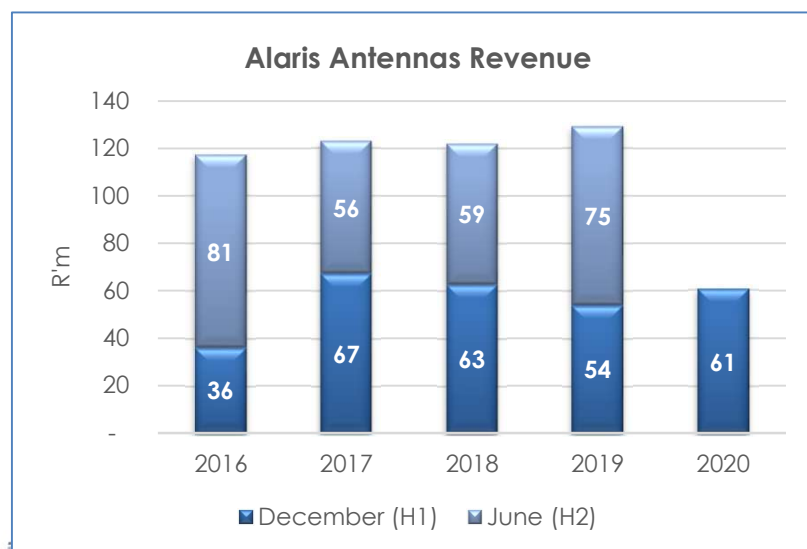


* Continuing operations

SEGMENT – ALARIS ANTENNAS

	Unaudited six months ended		Audited year ended
R'000	Dec 2019	Dec 2018	Jun 2019
Revenue	60 528	53 943	129 075
Revenue Growth y-o-y	12%	-14%	6%
PAT	14 037	9 367	29 663
PAT growth y-o-y	50%	-40%	-9%
PAT Margin	23%	17%	23%

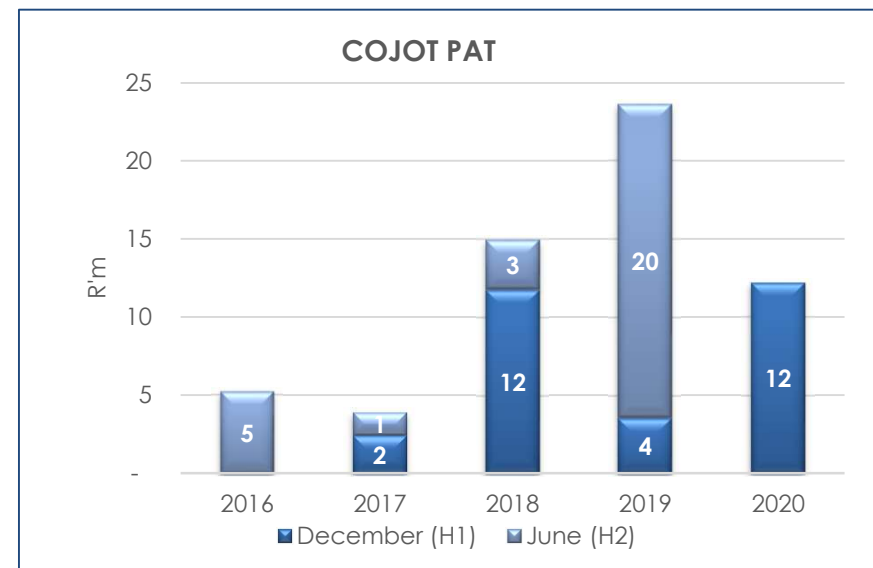
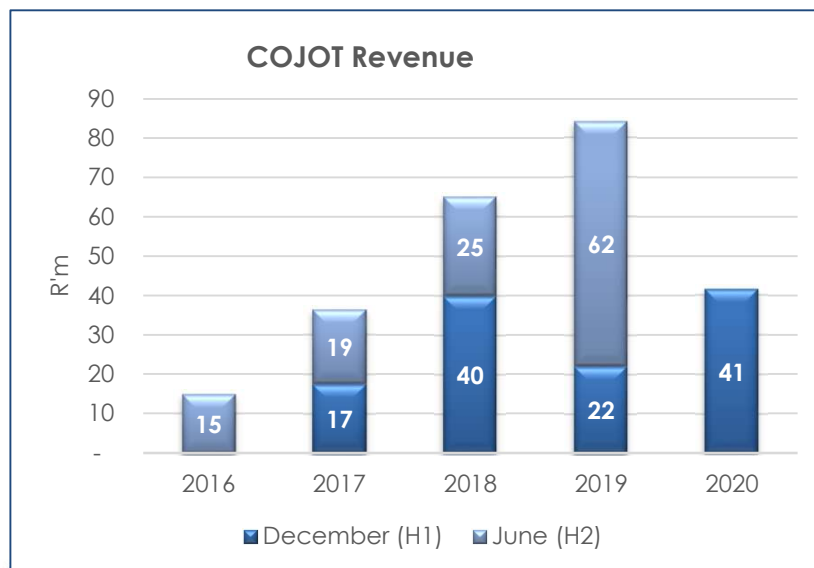
- Satisfactory first half
- Good mix of repeat orders in the pipeline
- First signs of trend reversal



SEGMENT – COJOT

	Unaudited six months ended		Audited year ended
R'000	Dec 2019	Dec 2018	Jun 2019
Revenue	41 454	22 071	84 058
<i>Revenue Growth y-o-y</i>	88%	-45%	29%
PAT	12 170	3 579	23 611
<i>PAT growth y-o-y</i>	240%	-70%	58%
<i>PAT Margin</i>	29%	16%	28%

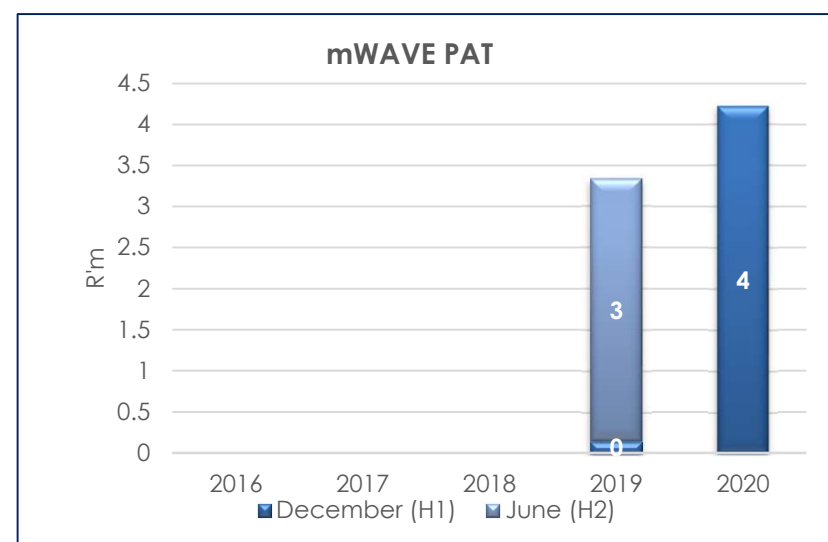
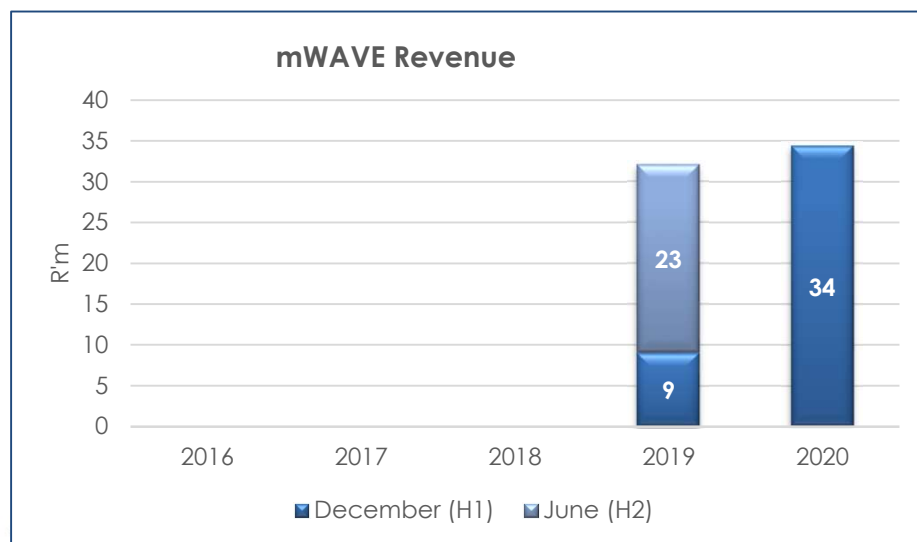
- Good first half vs comparative period
- Benefits of scaling revenue to cover fixed overhead costs
- Order intake decreased towards end of first half



SEGMENT – mWAVE

	Unaudited six months ended		Audited year ended
R'000	Dec 2019	Dec 2018	Jun-19
Revenue	34 357	9 029	32 051
Revenue Growth y-o-y	281%		
PAT	4 217	146	3 332
PAT growth y-o-y	2788%		
PAT Margin	12%	2%	10%

- Full 6 months contribution vs 3 months in prior half
- Focus remains on improving margins
- ERP system successfully implemented
- Alaris USA division contributed R6.4m of cross-selling



SEGMENT – CORPORATE & CONSOLIDATION

R'000	Unaudited six months ended		Audited year ended
	Dec 2019	Dec 2018	Jun 2019
Loss for the period	(7 314)	(6 670)	(15 525)

Main costs **before** tax:

- Net foreign exchange gains of R0.2 million (Dec 2018: R0.5 million)
- Employee costs, cost of the share incentive option scheme for Group executives and board fees totaling R6.1 million (Dec 2018: R4.0 million)
- Legal and consulting fees including the costs to be listed on the JSE, advisory fees, group audit fees and legal fees for the mWAVE acquisition totaling R1.2 million (Dec 2018: R2.9 million)

STATEMENT OF PROFIT AND LOSS

	Unaudited six months ended		Audited
R'000	December 2019	December 2018 Restated	June 2019
Revenue	136 339	85 043	245 184
Cost of sales	(42 549)	(27 699)	(77 871)
Gross profit	93 790	57 344	167 313
Other income	170	585	1 111
Operating expenses	(64 643)	(49 896)	(114 299)
Trading operating profit	29 317	8 033	54 125
Finance income	856	180	430
Finance costs	(364)	(81)	(174)
Profit before taxation	29 809	8 132	54 381
Taxation	(6 699)	(1 710)	(13 300)
Profit for the period	23 110	6 422	41 081
Weighted average number of ordinary shares in issue	120 014 648	118 436 265	119 810 497
Headline earnings per ordinary share (cents)	19.27	5.42	34.29

- All 3 subsidiaries had a very good first half resulting in good revenue growth of 60%
- Operating profit margin improved to 22% from prior period's 9%
- mWAVE in for full 6-month period
- Higher cash balance led to more finance income
- Effective tax rate of 22% (R&D tax rebate)

STATEMENT OF FINANCIAL POSITION

	Unaudited six months ended		Audited
R'000	December 2019	December 2018 Restated	June 2019
Assets			
Non-Current Assets			
Plant and equipment	8 852	7 351	7 242
Goodwill	41 132	42 898	42 034
Intangible assets	13 659	18 681	15 945
Deferred tax assets	13 239	8 604	11 229
Right-of-use-asset	5 013	-	-
	81 895	77 534	76 450
Current Assets			
Inventories	21 765	25 124	19 080
Current tax receivable	73	5 678	94
Trade and other receivables	55 897	38 841	80 935
Cash and cash equivalents	82 065	18 458	41 836
	159 800	88 101	141 945
Total Assets	241 695	165 635	218 395
Total Equity	187 342	133 495	165 182
Liabilities	54 353	32 140	53 213
Total Equity and Liabilities	241 695	165 635	218 395
Net Asset Value per share	156.68	110.25	137.87

- IFRS 16 implemented – On balance sheet accounting model for lessees
- Strong cash position. Surplus cash will continue to support the Group's intention to expand the global footprint through suitable acquisitions. It will also assist us to weather future impacts of the Coronavirus.
- Net asset value per share increased by 42%

CASH FLOW

	Unaudited six months ended		Audited
R'000	December 2019	December 2018	June 2019
Profit before taxation	29 809	8 132	54 381
Adjusted for non-cash items	6 072	3 911	9 765
Working capital changes	21 961	(9 262)	(31 143)
Cash generated from operations	57 842	2 781	33 003
Net finance income	737	96	213
Taxation paid	(12 442)	(5 755)	(7 284)
Net cash from/ (used in) operating activities	46 137	(2 878)	25 932
Net cash used in investing activities	(3 441)	(31 391)	(32 734)
Net cash (used in)/ from financing activities	(2 344)	94	(3 000)
Cash and cash equivalents at the beginning of the year	41 836	51 679	51 679
Effect of exchange rate movement on cash balances	(123)	954	(41)
Total cash and cash equivalents at end of the half year	82 065	18 458	41 836

- Working capital inflow based on collecting large debtors' balances end of June 2019
- Provisional taxes paid in December 2019 based on stronger FY20 profits
- 59% of cash in hard currency
- Cash used in financing activities increased as result in IFRS 16. Rental expenses used to be included in cash from operating activities and now it has moved to financing activities



GROWTH PLAN

FOCUS AREAS FOR GROWTH

- International expansion through acquisitive growth
 - Europe and USA
- Diversified territorial sales channels, allowing us to be closer to our customers
 - Emphasis on d.b.a. Alaris USA
- Product roadmap – increased focus on smart antennas
- Focus on design-in solutions to benefit from repeat orders (wish to be seen by customers as “competent trusted advisor”)
- First signs of growth improvement at Alaris Antennas
- Expanding of COJOT premises
- Enhance synergies across the Group
- Utilise benefits of an international supply chain made available through international divisions

ALARIS INVESTMENT ATTRIBUTES

- About 90% hard currency denominated revenue
- Gross margin of about 70%
- Inhouse technical expertise, own IP and registered patents
- Small player in large global antenna market with good growth potential
- Established 19-year track record selling to blue chip western defense companies
- 12 years listed on the JSE AltX



COVID - 19

- The Alaris group is acutely aware of and recognises this threat.
- Each subsidiary, depending on the legal framework in the jurisdiction it operates under, has taken all the necessary steps we could have possibly thought of, to protect its employees, customers, suppliers and other stakeholders.
- We wish to assure our shareholders that we do everything in our power to protect their investment in Alaris.
- We are diversified and fortunate in these uncertain times:
 - to operate in a number of different jurisdictions, where governments might offer financial relief.
 - to have a reasonably strong balance sheet at present



Q & A



**THANK
YOU**