

# ALARIS HOLDINGS

INTERIM FINANCIAL RESULTS

for the 6 months ended 31 December 2017





# AGENDA

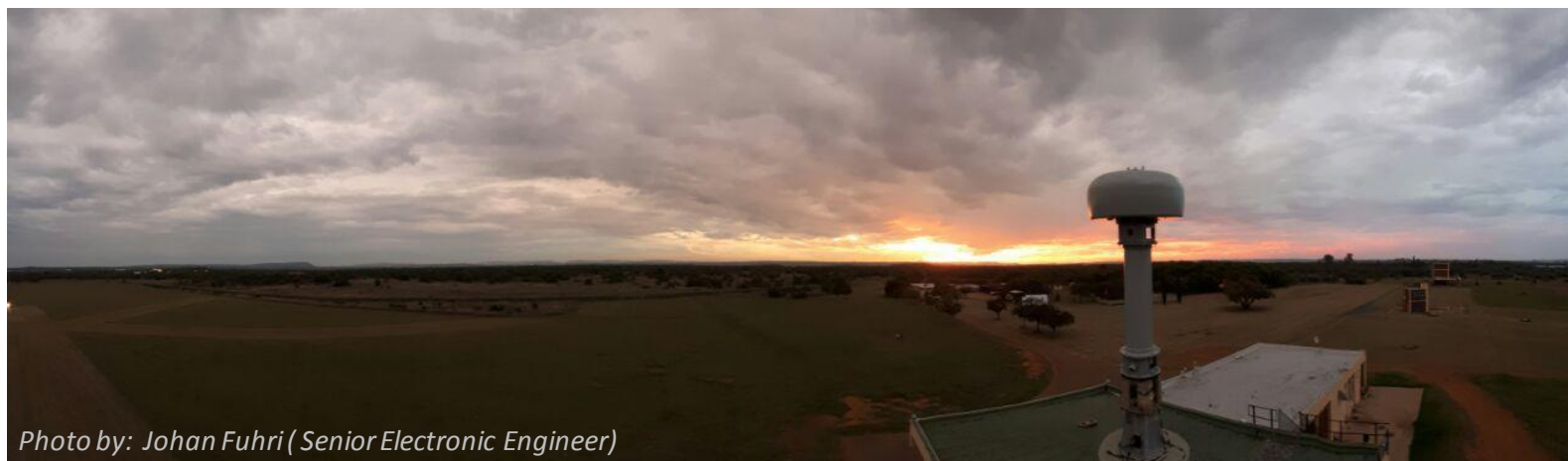
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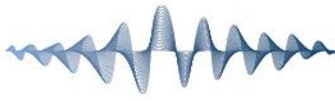


# FINANCIAL HIGHLIGHTS

- Revenue from continuing operations increased by 21% from R84.7 million to R102.6 million.
- Headline earnings per share from continuing operations increased by 125% from 8.26 cents to 18.62 cents
- Normalised earnings from continuing operations increased by 67% from R13.0 million to R21.7 million.
- Net cash from operating activities increased by R33.3 million from an outflow of R14.9 million to an inflow of R18.4 million for the half year.



*Photo by: Johan Fuhri (Senior Electronic Engineer)*



# OPERATIONAL HIGHLIGHTS

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- The Group's objective of becoming the preferred supplier of innovative RF products worldwide is gaining momentum:
  - Global footprint
  - Own IP and patents
  - RF technology
- Closer interaction between Alaris and COJOT ensured continuous expansion of regional and product diversity
- Environmental Stress Screening equipment: installation to be completed at the end of April
- Previously delayed orders from Europe were received in H1



# REFLECTION ON THE HALF YEAR

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## CHALLENGES / ANOMALIES:

- Local supplier availability during December period
- Precision engineering resulting in longer delivery time
- Fluctuations on foreign exchange managed through hedging



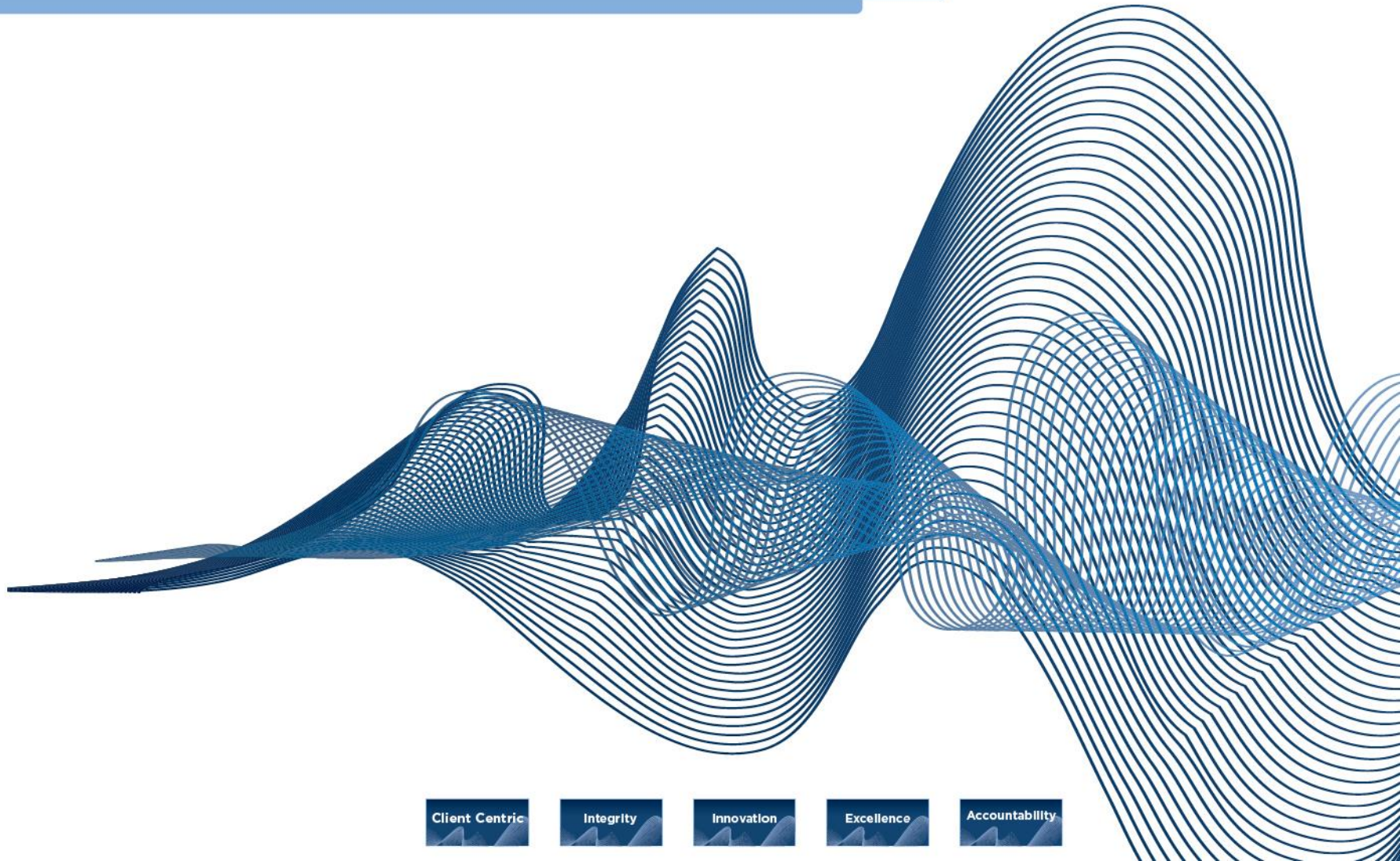
## POSITIVE DEVELOPMENTS:

- Requests for highly specialised antennas are increasing
- US defense spending is increasing
- Large orders in Europe resulting in a pleasing first half year
- Stronger interaction between global teams
- Increased product diversity
- Investment in specialised production and machine shop resources



# GROUP OVERVIEW

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Client Centric

Integrity

Innovation

Excellence

Accountability



# GROUP OVERVIEW

Technology holding company listed on  
the JSE AltX since July 2008



**Alaris Holdings**

**Alaris Antennas (RSA)**



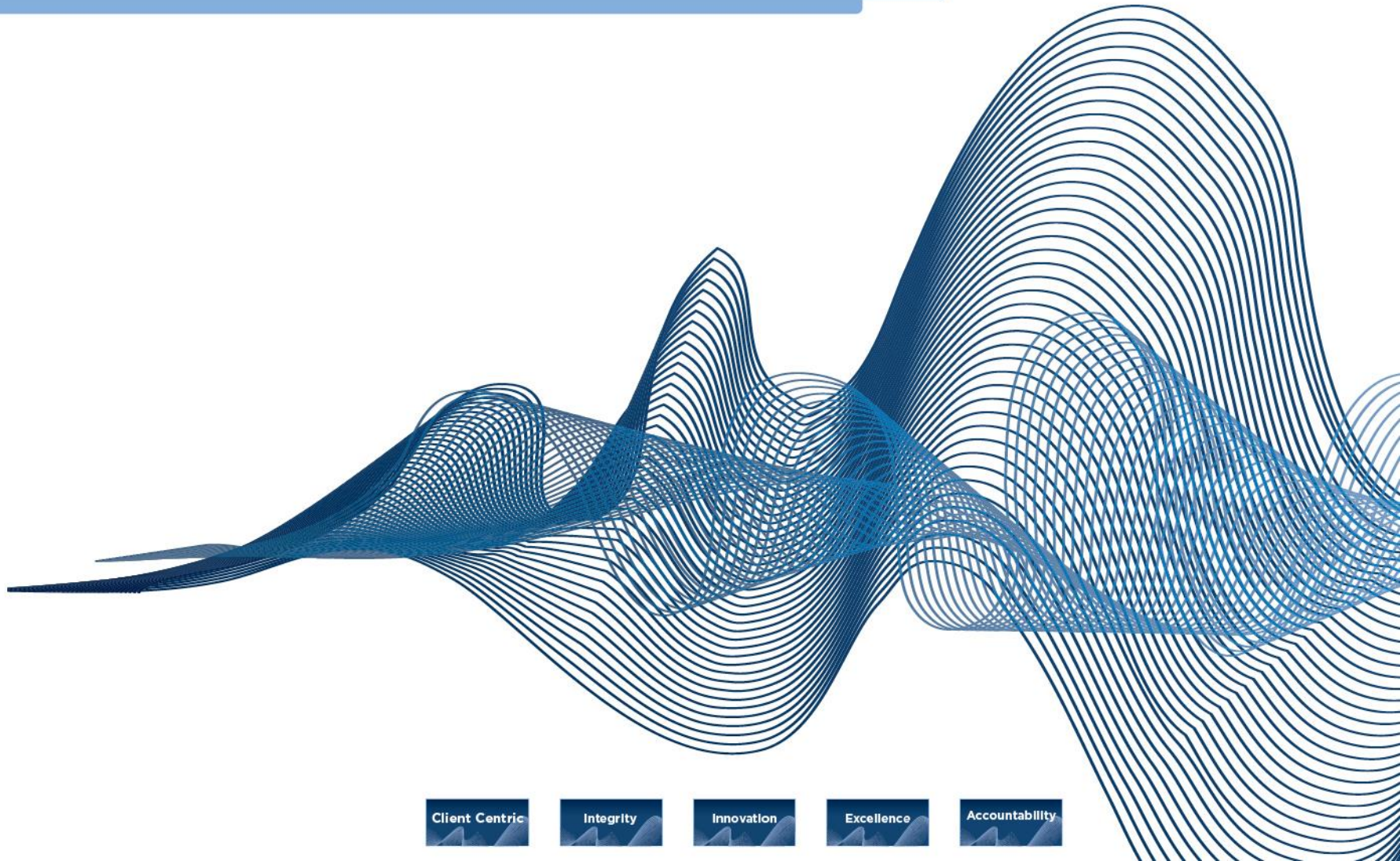
**COJOT (Finland)**

**COJOT**  
MORE THAN ONE WAVELENGTH



# ALARIS ANTENNAS

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# WHAT DOES ALARIS ANTENNAS DO?

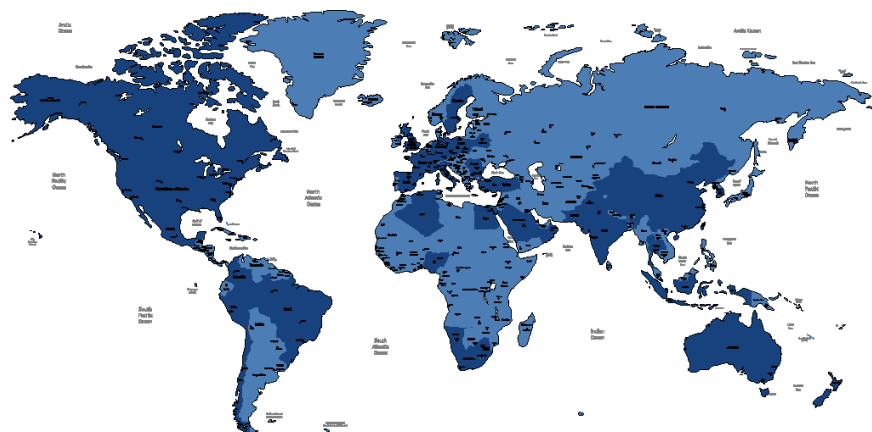
- Designs, manufactures and sells specialised broadband antennas and other Radio Frequency products
- More than 90% of revenue received from exports
  - mainly Americas, Europe & Asia
- Holds patents for several antenna designs
- Own IP is a key strength
- Customers are system integrators, frequency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



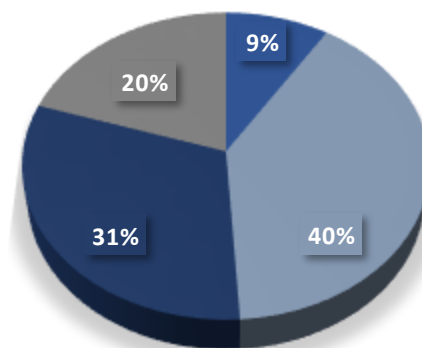


# ALARIS ANTENNAS MARKET & TERRITORIES

 Presence  No Presence

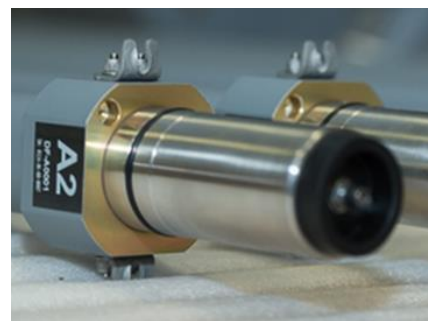


Sales % per Territory



- South Afrca 9%
- Amercas 40%
- Asia & Middle East 31%
- Europe & UK 20%

**843** Products  
**10** Product categories  
**14** Active Distributors





# WHAT DOES ALARIS ANTENNAS DO?



Jamming



Direction finding



Monitoring



Masts



Communication



Counter - RCIED



Test & Meas.



RF Electronics



LPDA



Services



DF-A0085

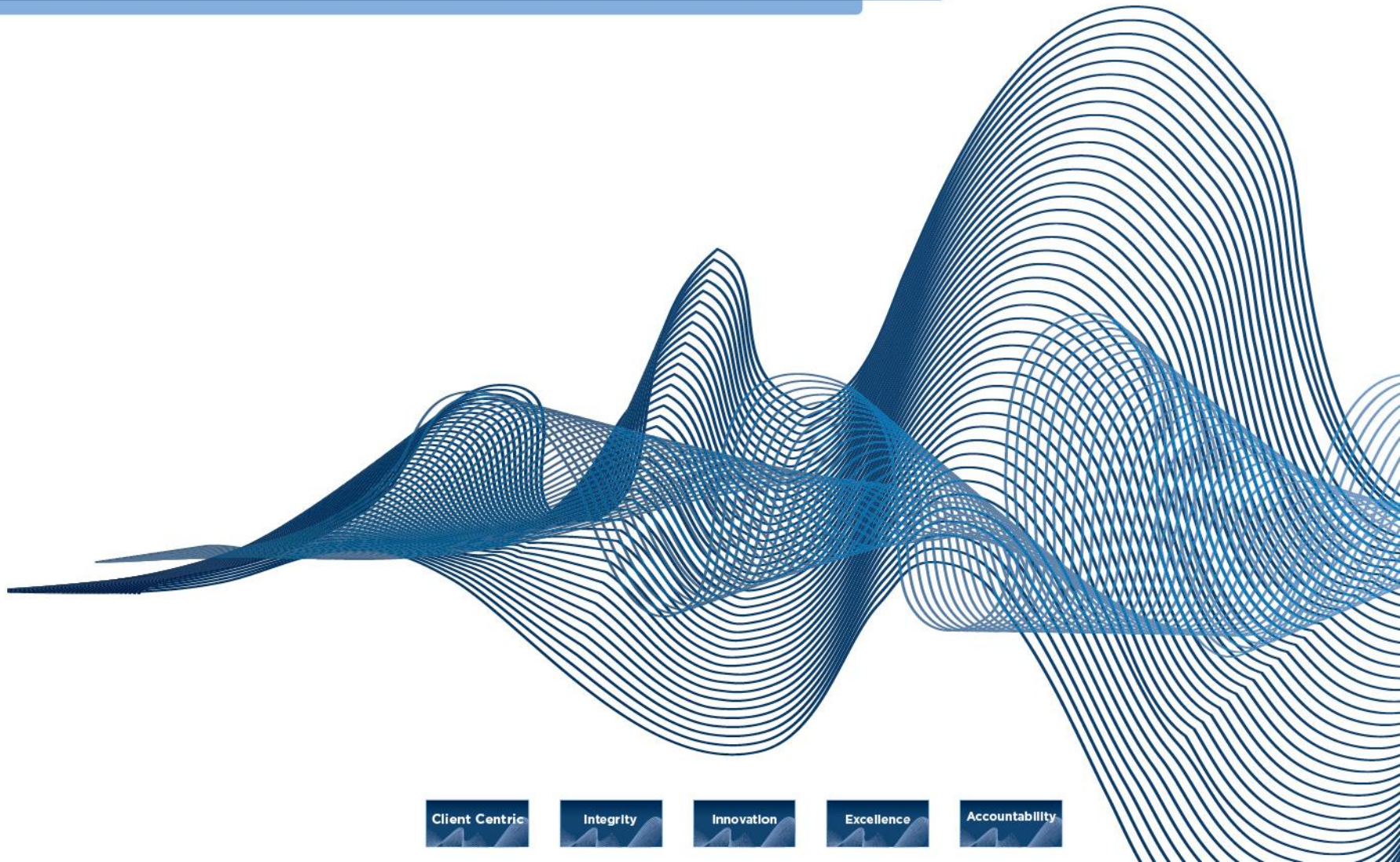
## Dual and Circular Polarised Direction Finding Antenna: DF-A0085

- Adds HP components to existing VP antenna designs and incorporates spiral antennas (evolution on existing Alaris IP).
- Allows the user to gather information about more incoming signals.
- Manufactured on-site and qualified at a South African test site.



# COJOT

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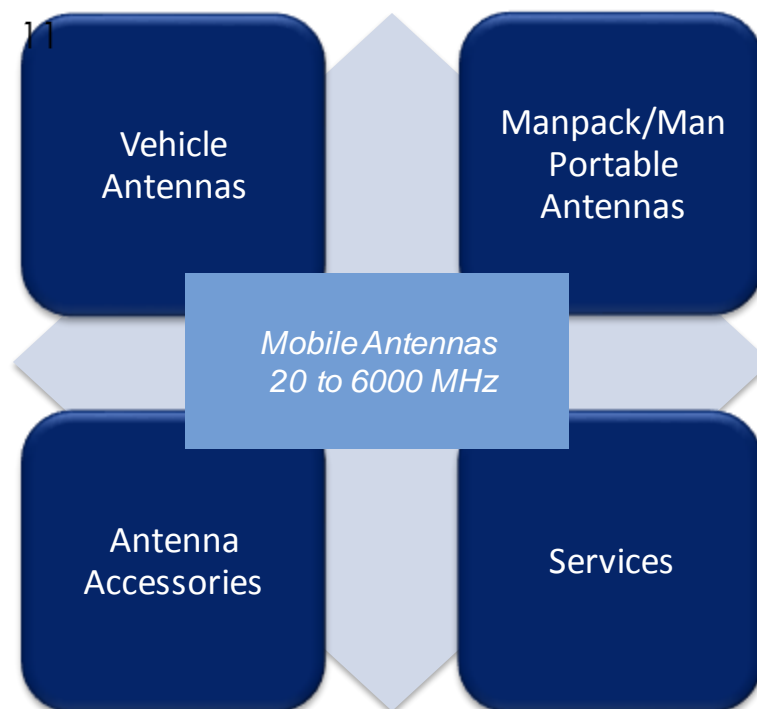
Accountability





# 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



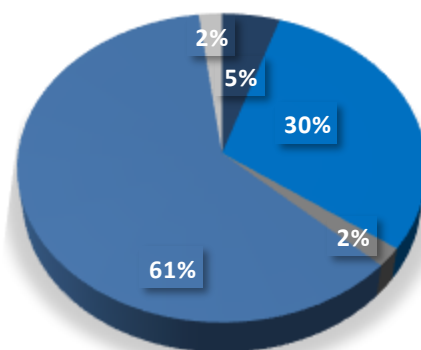


# COJOT MARKET AND TERRITORIES



● Presence

Sales % per Territory



- Finland 5%
- Rest of EU & UK 30%
- Americas 2%
- Asia & Middle East 61%
- Australia 2%

**75** Products  
**5** Product categories  
**2** Active Distributors





# WHAT DOES COJOT DO?

## WIDEBAND ANTENNAS FOR MILITARY APPLICATIONS



ECM (Electronic Countermeasure)



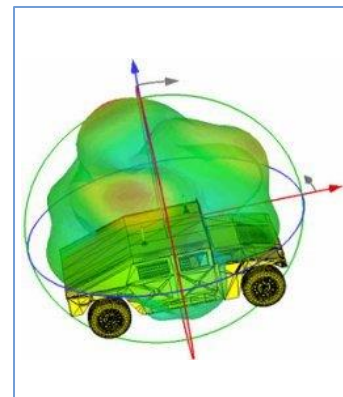
Communications



Monitoring



Adaptive antennas



Services



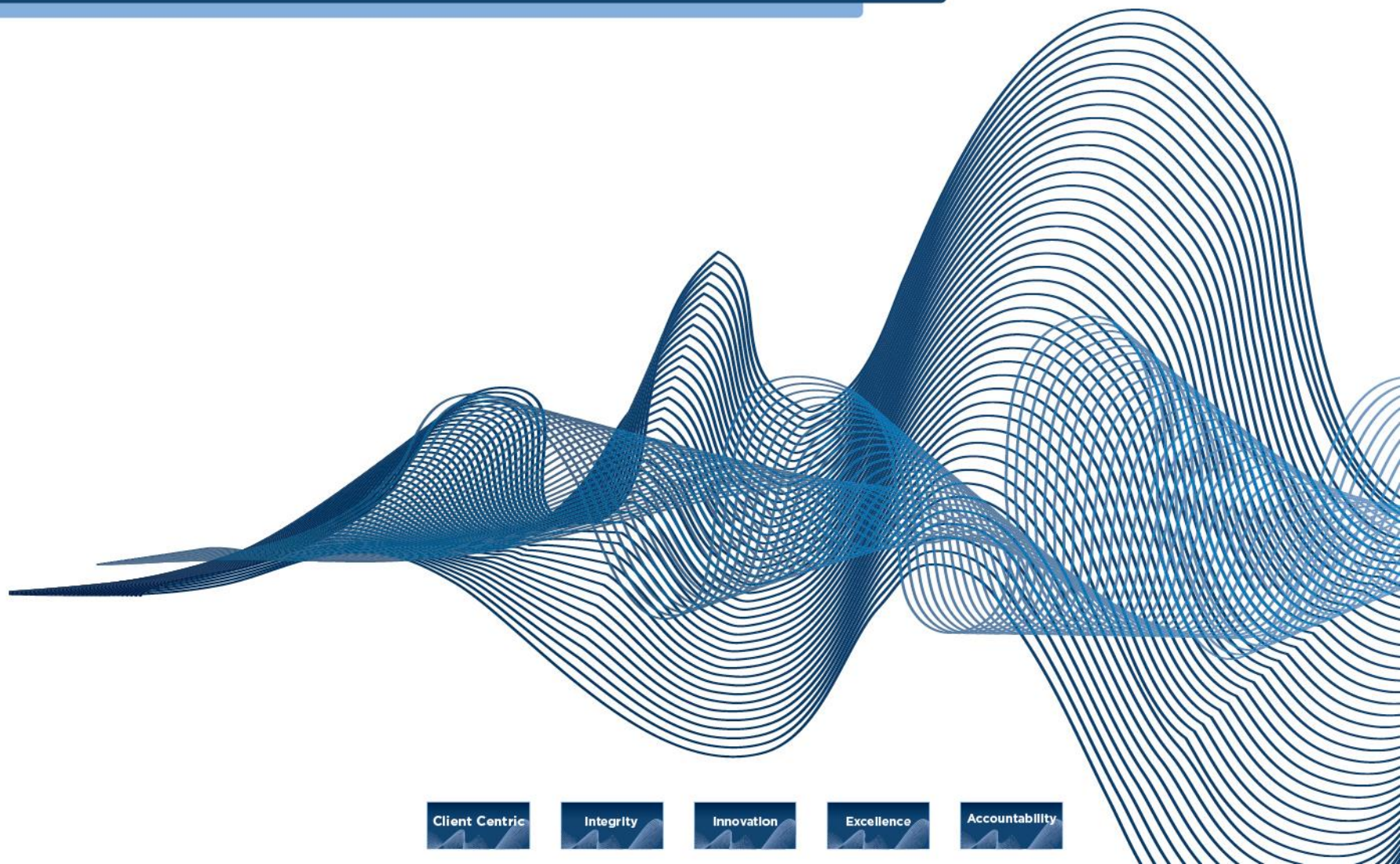
Switched Beam Antenna

### Switched Beam Antenna

- The antenna can be switched by remote control to achieve optimal gain to the desired direction and to avoid interference from unwanted directions.
- Superior gain performance with very low side lobe levels.
- Its extremely fast beam switching ability makes the antenna suitable for complex node network in tactical communication.
- Low profile antenna with superior gain performance to enhance radio coverage. Great directivity with very low side lobe levels to undesired direction.
- Fast beam switching by using RS-485 based communication

# FINANCIALS

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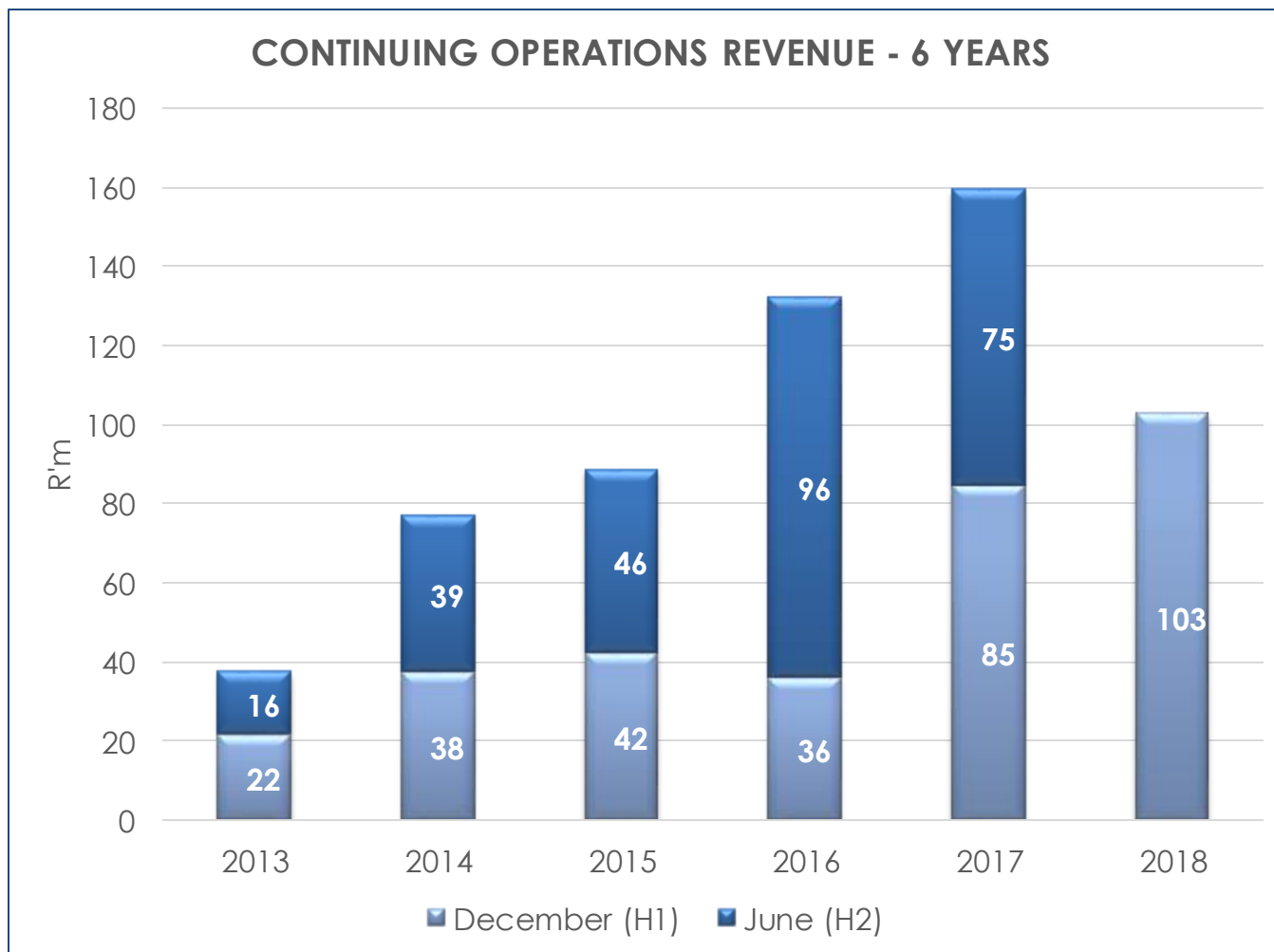
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# ALARIS GROUP REVENUE

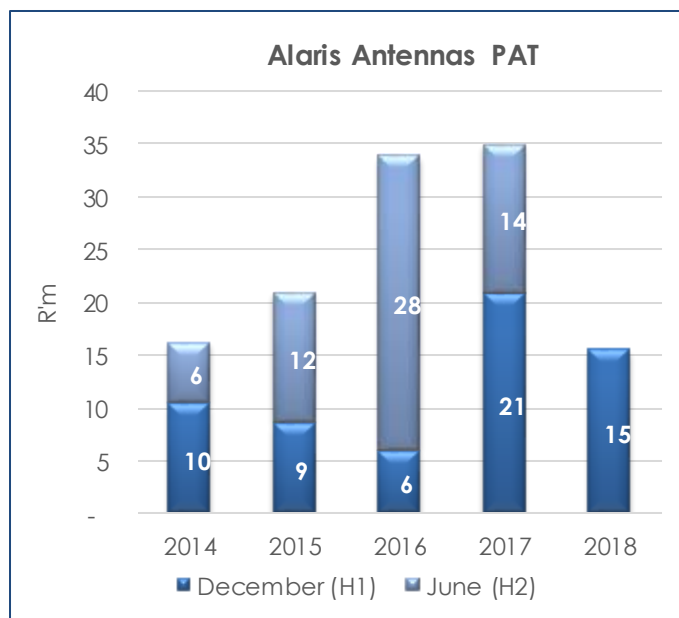
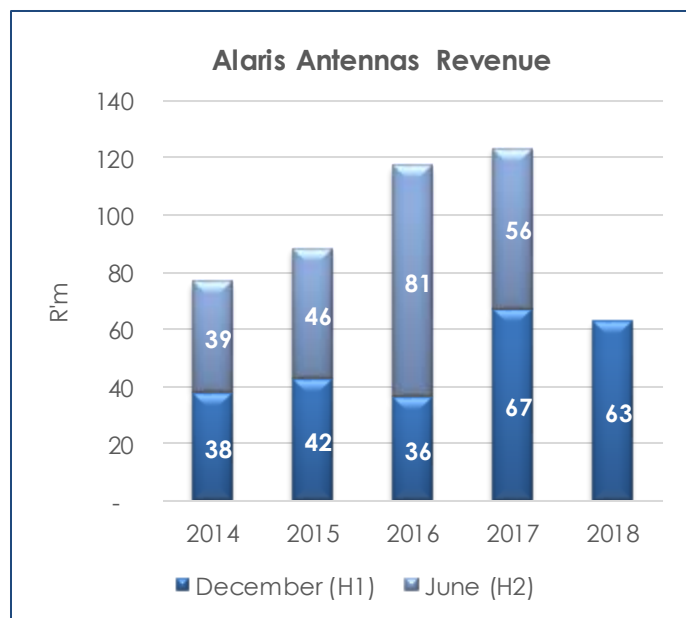




# SEGMENT – ALARIS ANTENNAS

	Unaudited six months ended		Audited year ended
R'000	Dec 2017	Dec 2016	Jun 2017
Revenue	62 713	67 269	123 044
Revenue growth y-o-y	-7%	86%	5%
PAT	15 492	20 845	34 946
PAT growth y-o-y	-26%	249%	3%
PAT margin	25%	31%	28%

- More precision engineering projects in the mix, resulting in fewer deliveries and invoicing delays. Will be delivered in 2<sup>nd</sup> half
- Margin impacted by lower revenue and investment in highly skilled staff and resources

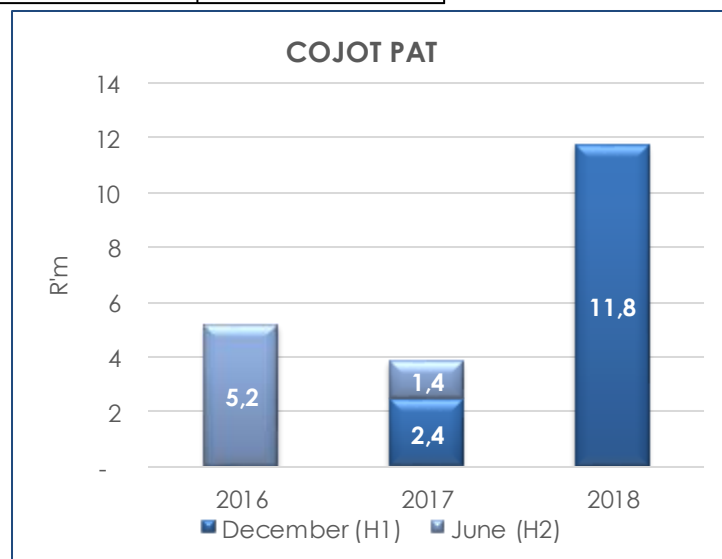
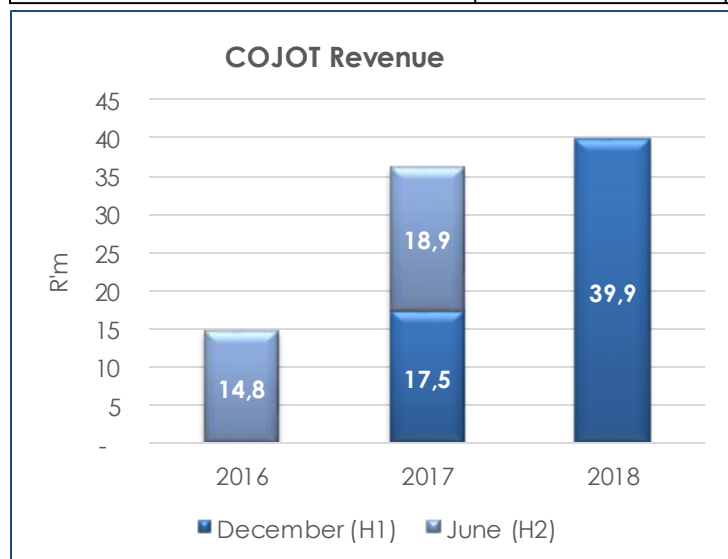




# SEGMENT – COJOT

	Unaudited six months ended		Audited year ended
R'000	Dec 2017	Dec 2016	Jun 2017
Revenue	39 882	17 454	36 306
<i>Revenue Growth y-o-y</i>	<i>128%</i>	<i>-</i>	<i>145%</i>
PAT	11 763	2 433	3 854
<i>PAT growth y-o-y</i>	<i>383%</i>	<i>-</i>	<i>-26%</i>
<i>PAT Margin</i>	<i>29%</i>	<i>14%</i>	<i>11%</i>

- Pleased with 128% revenue growth
- Several larger European orders
- Healthy revenue contributed to higher profit margin
- Expecting lower revenue in 2<sup>nd</sup> half





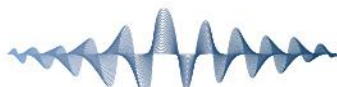
# SEGMENT – CORPORATE & CONSOLIDATION

R'000	Unaudited six months ended		Audited year ended
	Dec 2017	Dec 2016	Jun 2017
Normalised loss after tax	(5 556)	(10 311)	(15 380)

Main costs **before** tax:

- Net foreign exchange losses of R0.1 million (Dec 2016: R4.2 million)
- The repayment of the PSG Alpha preference shares on 3 July 2017 resulted in minimal interest being paid in the six months ending 31 December 2017 (Dec 2016: R2.5 million)
- Employee costs, cost of the share incentive option scheme for Group executives and board fees of R5.0 million (Dec 2016: R4.1 million)
- Legal and consulting fees including the costs to be listed on the JSE, advisory fees and group audit fees of R1.1 million (Dec 2016: R1.0 million)





# STATEMENT OF PROFIT AND LOSS – CONTINUING OPERATIONS

	Unaudited six months ended		Audited
R'000	December 2017	December 2016	June 2017
<b>Continuing Operations</b>			
Revenue	102 595	84 723	159 350
Cost of sales	(27 770)	(22 457)	(44 042)
<b>Gross profit</b>	<b>74 825</b>	<b>62 266</b>	<b>115 308</b>
Other income	63	130	212
Operating expenses	(47 344)	(41 387)	(78 204)
<b>Trading operating profit</b>	<b>27 544</b>	<b>21 009</b>	<b>37 316</b>
Finance income	140	307	740
Finance costs	(265)	(2 516)	(4 907)
<b>Profit before taxation</b>	<b>27 419</b>	<b>18 800</b>	<b>33 149</b>
Taxation	(5 794)	(5 858)	(10 147)
<b>Profit from continuing operations</b>	<b>21 625</b>	<b>12 942</b>	<b>23 002</b>
Weighted average number of ordinary shares in issue	116 116 771	156 615 401	153 985 264
HEPS: Continuing operations	18.62	8.26	14.94

- Satisfactory performance with revenue increasing by 21%
- Operating profit increased by 31%, helped by reduced net foreign exchange losses
- Discontinuation of preference share interest
- Lower average tax rate owing to COJOT contributing >50% of profits at a 20% tax rate
- Shares in issue reduced



# ASSETS

R'000	Unaudited six months ended		Audited
	December 2017	December 2016	June 2017
<b>Assets</b>			
<b>Non-Current Assets</b>			
Plant and equipment	7 301	5 710	5 793
Goodwill	24 749	24 150	24 902
Intangible assets	12 247	12 193	12 381
Deferred tax assets	3 802	3 495	3 252
	<b>48 099</b>	<b>45 548</b>	<b>46 328</b>
<b>Current Assets</b>			
Inventories	16 560	13 749	13 592
Assets classified as held-for-sale	-	71 755	-
Current tax receivable	1 108	272	2 967
Trade and other receivables	<b>48 882</b>	38 231	27 782
Cash and cash equivalents	<b>31 542</b>	64 215	65 083
	<b>98 092</b>	<b>188 222</b>	<b>109 424</b>
<b>Total Assets</b>	<b>146 191</b>	<b>233 770</b>	<b>155 752</b>

- High invoicing in the last month of the period
- R51m PSG preference shares repaid 3 July 2017



# EQUITY AND LIABILITIES

	Unaudited six months ended		Audited
R'000	December 2017	December 2016	June 2017
<b>Total equity</b>	<b>99 938</b>	<b>134 070</b>	<b>77 830</b>
<b>Non-Current Liabilities</b>			
Loans and borrowings	1 299	-	361
Deferred tax liabilities	1 025	1 126	1 073
	<b>2 324</b>	<b>1 126</b>	<b>1 434</b>
<b>Current Liabilities</b>			
Loans and borrowings	301	166	93
Preference share liability	-	<b>50 111</b>	51 000
Trade and other payables	35 010	18 076	25 395
Current tax payable	4 898	2 039	-
Provisions	-	2 478	-
Liabilities classified as held-for-sale	-	25 704	
Bank overdraft	<b>3 720</b>	-	-
	<b>43 929</b>	<b>98 574</b>	<b>76 488</b>
<b>Total Liabilities</b>	<b>46 253</b>	<b>99 700</b>	<b>77 922</b>
<b>Total Equity and Liabilities</b>	<b>146 191</b>	<b>233 770</b>	<b>155 752</b>

- R51m PSG preference shares repaid 3 July 2017
- Overdraft settled by 31 January 2018



# CASH FLOW

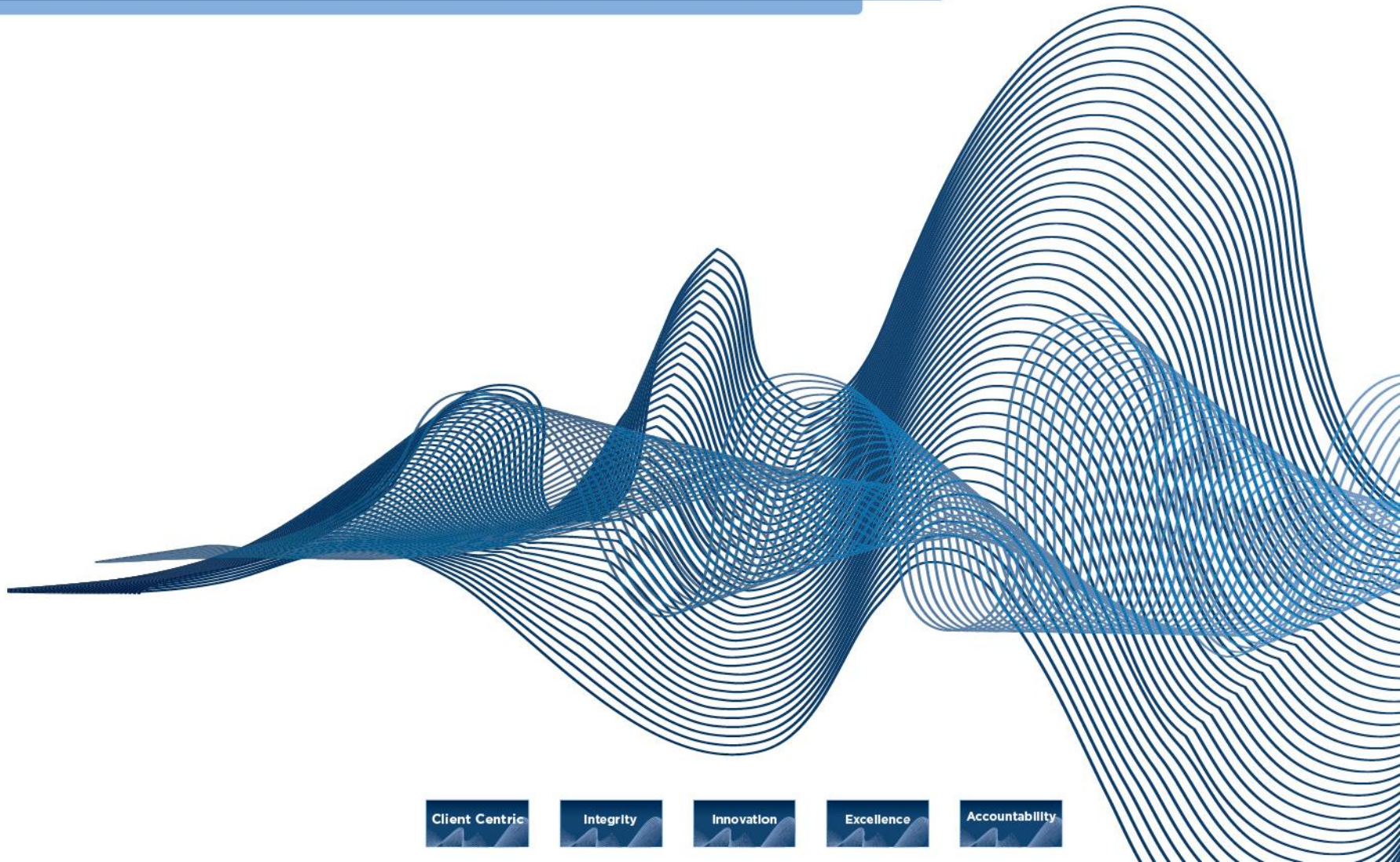
<b>R'000</b>	<b>Unaudited six months ended</b>		<b>Audited</b>
	<b>December 2017</b>	<b>December 2016</b>	<b>June 2017</b>
Profit before taxation	27 419	13 961	41 644
Adjusted for non-cash items	5 011	1 666	(2 560)
Working capital changes	(14 453)	(22 339)	(6 703)
<b>Cash generated from/ (used in) operations</b>	<b>17 977</b>	<b>(6 712)</b>	<b>32 381</b>
Net finance cost	(125)	(1 913)	(3 825)
Taxation received/ (paid)	<b>508</b>	(6 288)	(15 265)
<b>Net cash from/ (used in) operating activities</b>	<b>18 360</b>	<b>(14 913)</b>	<b>13 291</b>
<b>Net cash used in investing activities</b>	<b>(3 856)</b>	<b>(7 367)</b>	<b>(22 962)</b>
<b>Net cash (used in) / from financing activities</b>	<b>(49 853)</b>	<b>67</b>	<b>(19 695)</b>
Cash and cash equivalents at the beginning of the year	65 083	94 481	94 481
Effect of exchange rate movement on cash balances	(1 912)	(24)	(32)
<b>Total cash and cash equivalents at end of the year</b>	<b>27 822</b>	<b>64 215</b>	<b>65 083</b>

- Provisional taxes paid in January 2018
- R51m PSG preference shares repaid 3 July 2017



# GROWTH PLAN

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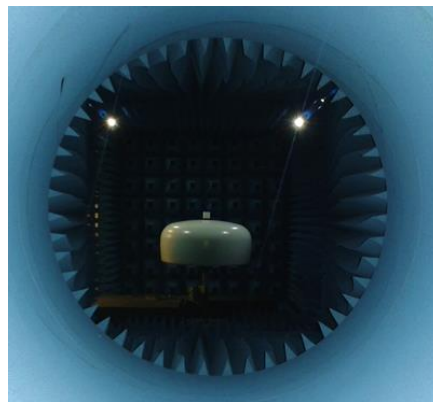
Excellence

Accountability



# FOCUS AREAS

- Acquisitive growth in various regions, specifically the US
- Organic growth through specialised engineering solutions
- Understanding our customers' needs and providing cutting-edge technology and solutions
- Increase our global footprint and product diversity
- Capitalise on synergies between Alaris and COJOT





# ALARIS INVESTMENT ATTRIBUTES

- Majority of customers are international
- More than 90% export based revenue in hard currency
- Alaris and COJOT hold their own IP and registered patents
- Local manufacturing
- Stable and proven track record of 16 years in the industry
- Increased global footprint



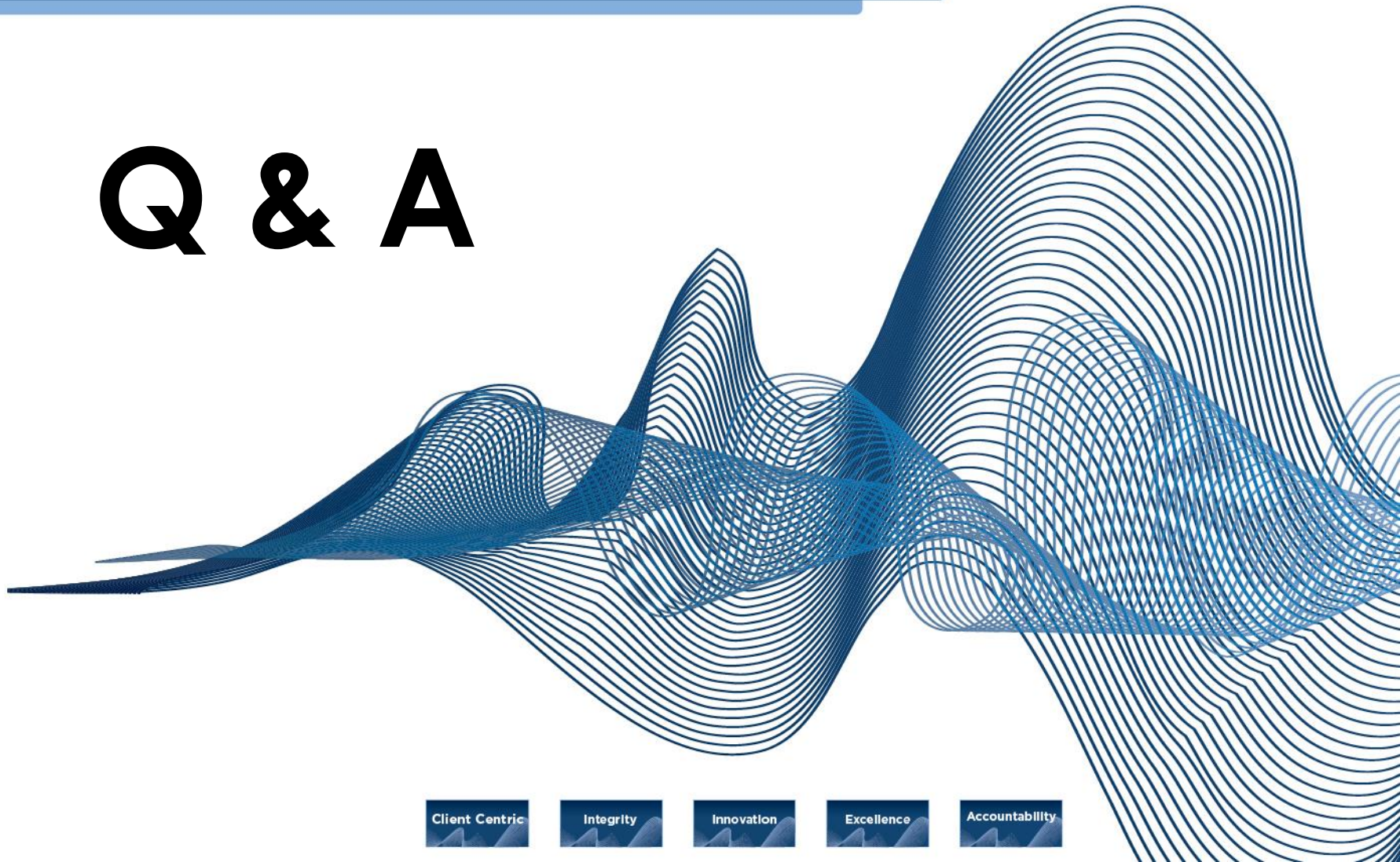


# THANK YOU

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## Q & A



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