

An abstract graphic on the left side of the slide, consisting of a dark blue silhouette of a person's head and shoulders in profile, facing right. Overlaid on this and the background is a network of white dots connected by thin white lines, resembling a molecular or digital structure.

Alaris Holdings Ltd

Financial Year End Results
for the year ended
30 June 2022

21 September 2022



Please note that the information shared in this presentation is confidential and for shareholder's intent only.

Therefore, please do not disclose any of this information to anybody else other than shareholders.

Agenda

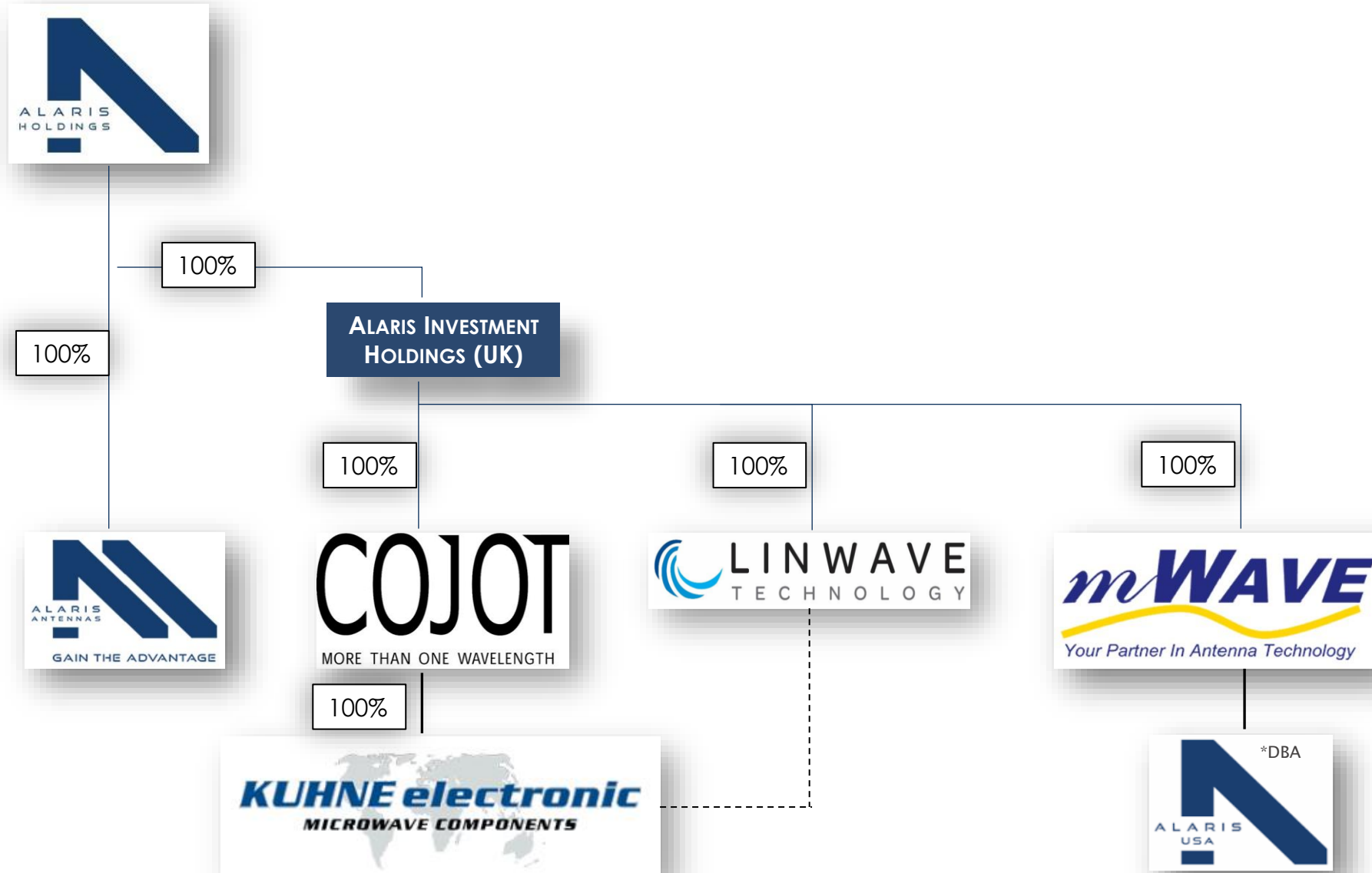
1. Welcome and Introduction
2. Group Overview
3. Financials
4. Strategy
5. Closing comments
6. Q&A





GROUP OVERVIEW

Alaris Holdings Group Structure



Group Overview

Alaris Holdings and
Alaris Antennas,
Centurion, RSA



COJOT,
Espoo, Finland



mWAVE and Alaris USA,
Windham, Maine, USA



Linwave,
Lincoln, UK



Kuhne electronic
Hof, Germany

Alaris Holdings:

- A strategic technology holdings company
- Radio Frequency (RF) and microwave technology
- Design and manufacturing: own IP, own products
- Approach: customer intimate, competent trusted advisor
- Customer base: B2B - global, biggest market in US, Europe

Currently:

Turnover: US\$23m

EBITDA: US\$3.1m (**Normalised:** \$3.6m)

PAT: US\$1,2m (**Normalised:** \$2.3m)

Staff: ~200

Total shares in issue: 127m

Reflection on the financial year 2022

CHALLENGES / ANOMALIES

- Rapidly changing geo-political environment:
 - Orders delayed and lost
 - Onshoring of supply chain
 - Ringfencing of components
- Component shortages
- Scarce skills in RF technology engineering field globally
- Significant negative impact on revenue due to challenges in the USA:
 - Sales cycles were longer due to people working from home and decision-taking delayed
 - In-person customer meetings could not take place due to people being concerned about Covid and working from home

POSITIVE DEVELOPMENTS

- Strong interest in latest innovations and technology projects from customers:
 - SBA
 - Direction Finding antennas
 - Satellite antennas
 - BUC's (block up-converters)
- Increase in defence budgets will have a positive impact in the medium to longer term
- Synergies amongst the subsidiaries in the Group
- Uniquely combined skill set across the five entities
- Acquisition of Kuhne electronic in Germany



Kuhne electronic acquisition

Kuhne electronic acquisition - rationale

Rationale

- European territory – important post BREXIT
- Germany has a strong economy, 4th largest in the world
- Increased defence spending by €100 billion
- Extending global footprint and being closer to European customers
- Strong synergies between Linwave and Kuhne electronic and adding additional RF electronics competence to the Group
- Production capabilities for RF electronics PCB assembly and testing, including a pick-and-place facility
- Products that are complimentary to the rest of the Group in various market segments and applications
- Large customer database
- Good quality reputation in German industry
- Increasing the pool of scarce, highly-skilled resources

Purchase agreement

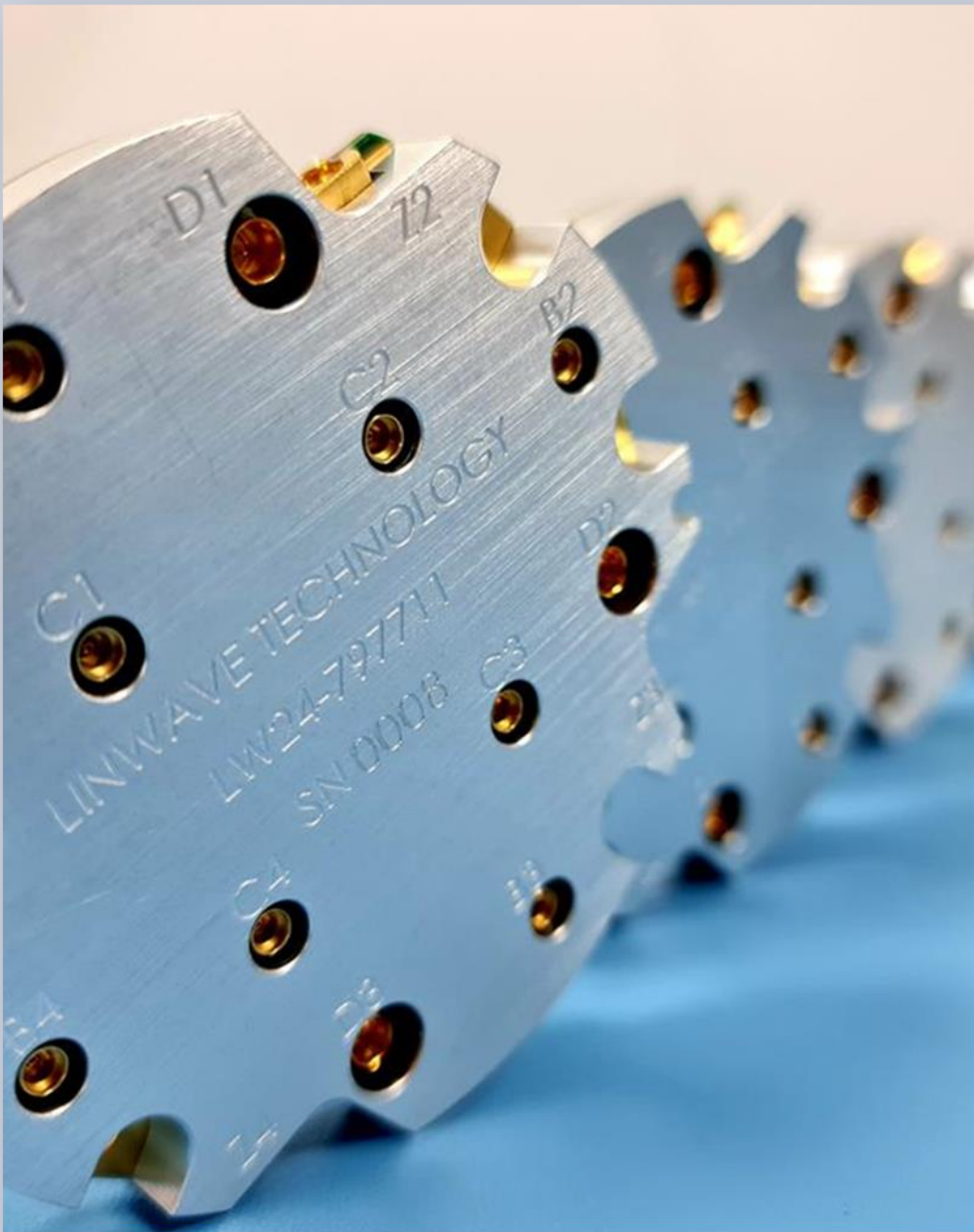
- Share purchase agreement to acquire 100% of Kuhne was signed on 28 June 2022, with effective date 1 July 2022
- The purchase consideration for the acquisition was:
 - Euro 1.6 million for Kuhne electronic GmbH
 - Euro 1.1 million for the building
 - Earnout of 50% of profits made from 1 July – 31 December 2022
- A multiple of approximately 5 EBITDA was paid



Kuhne electronic Overview

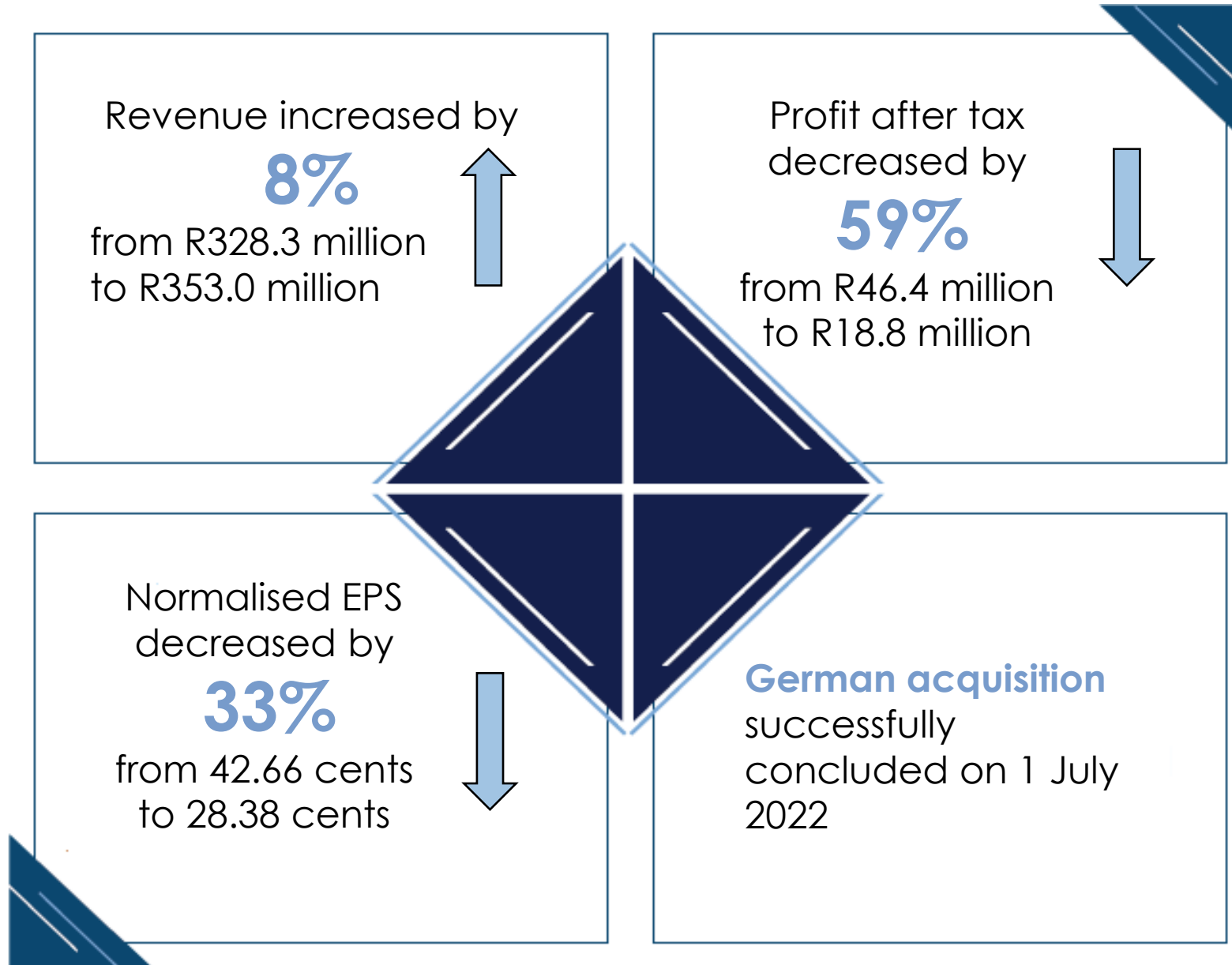
- Based in Berg, Bavaria (Germany)
- Founded in 1994, started as a family business and has now a staff compliment of 17
- The company is a RF and Microwave electronics house, which develops, manufactures, and sells products and components
- Market segments: healthcare, industrial, radio amateur and defense market segments
- High-frequency and microwave technology in a special range from 100 MHz to 50 GHz.
- State-of-the-art laboratory and equipped with high-quality, innovative measurement technology



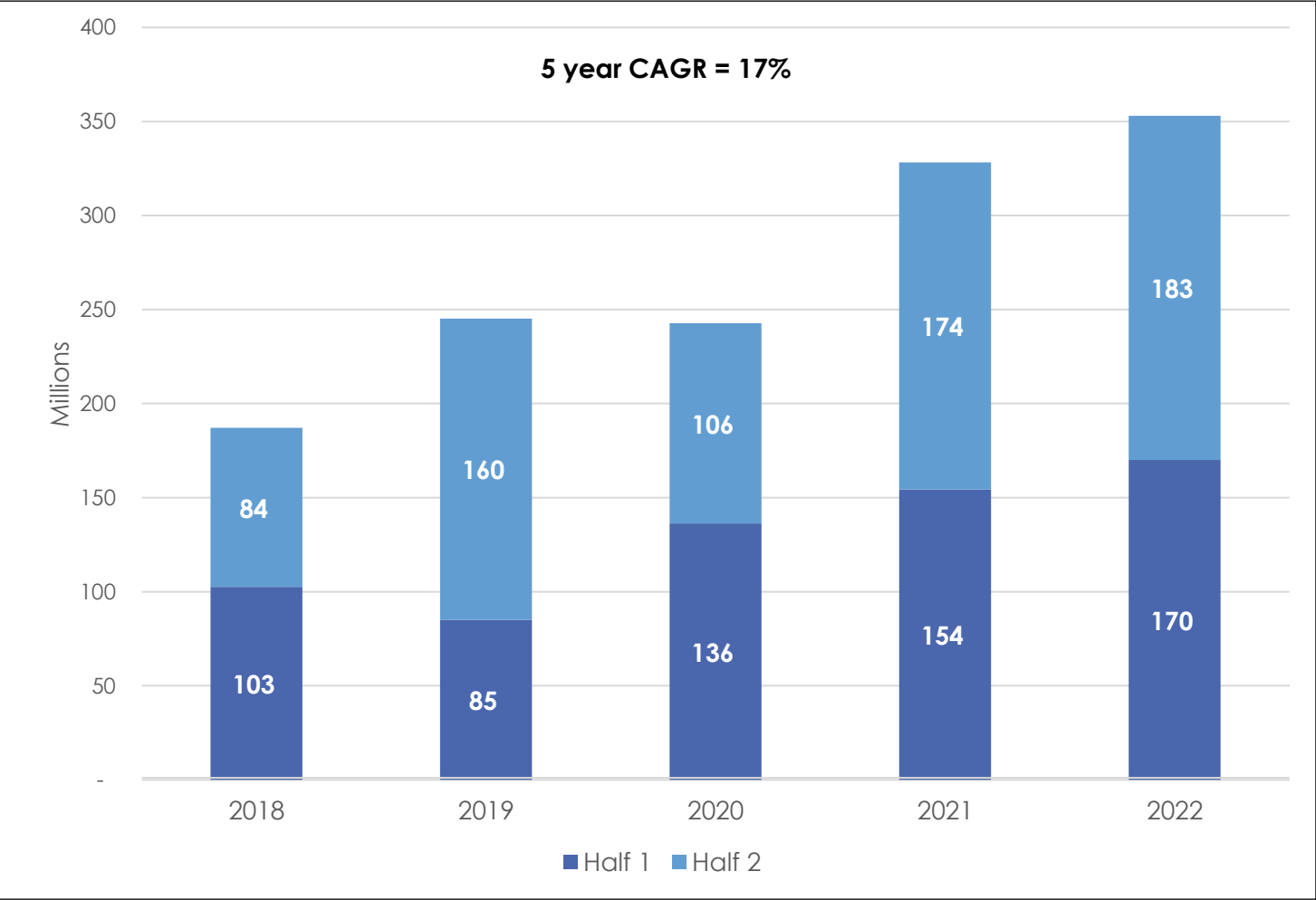


FINANCIALS

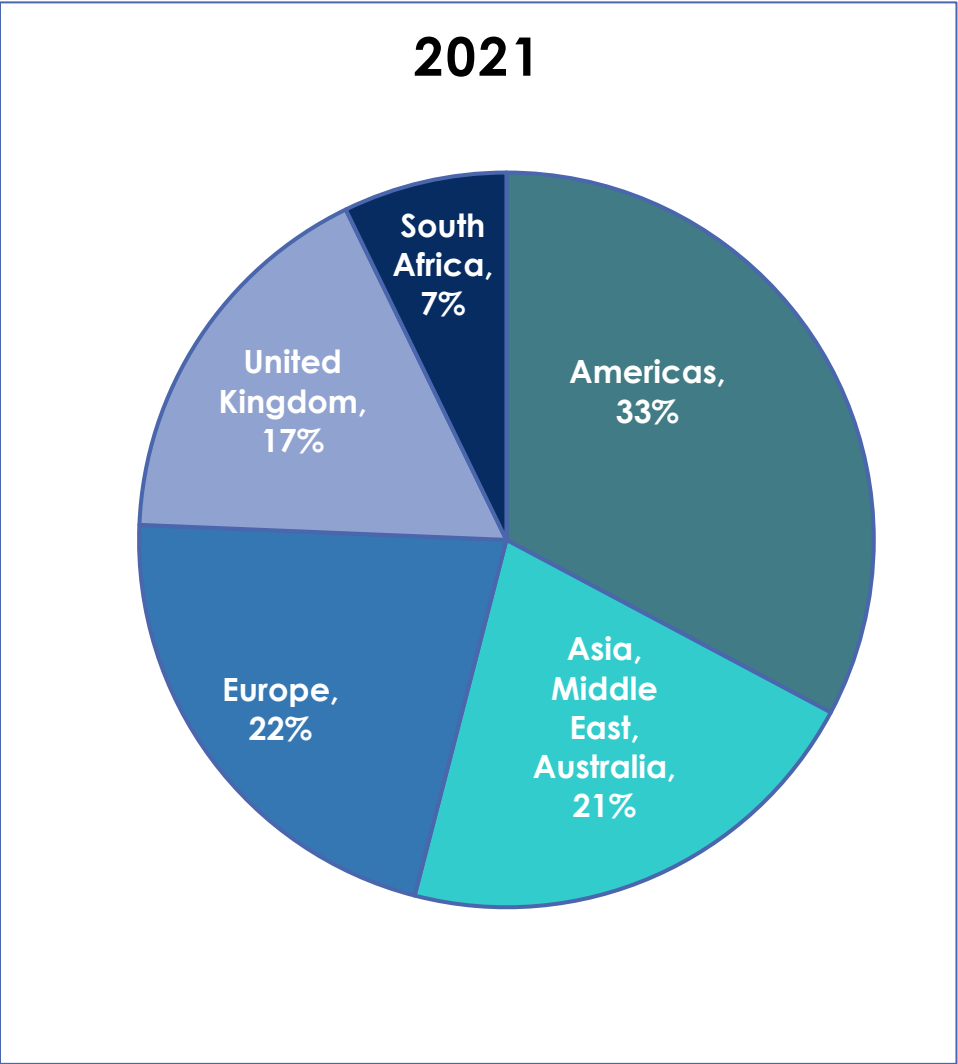
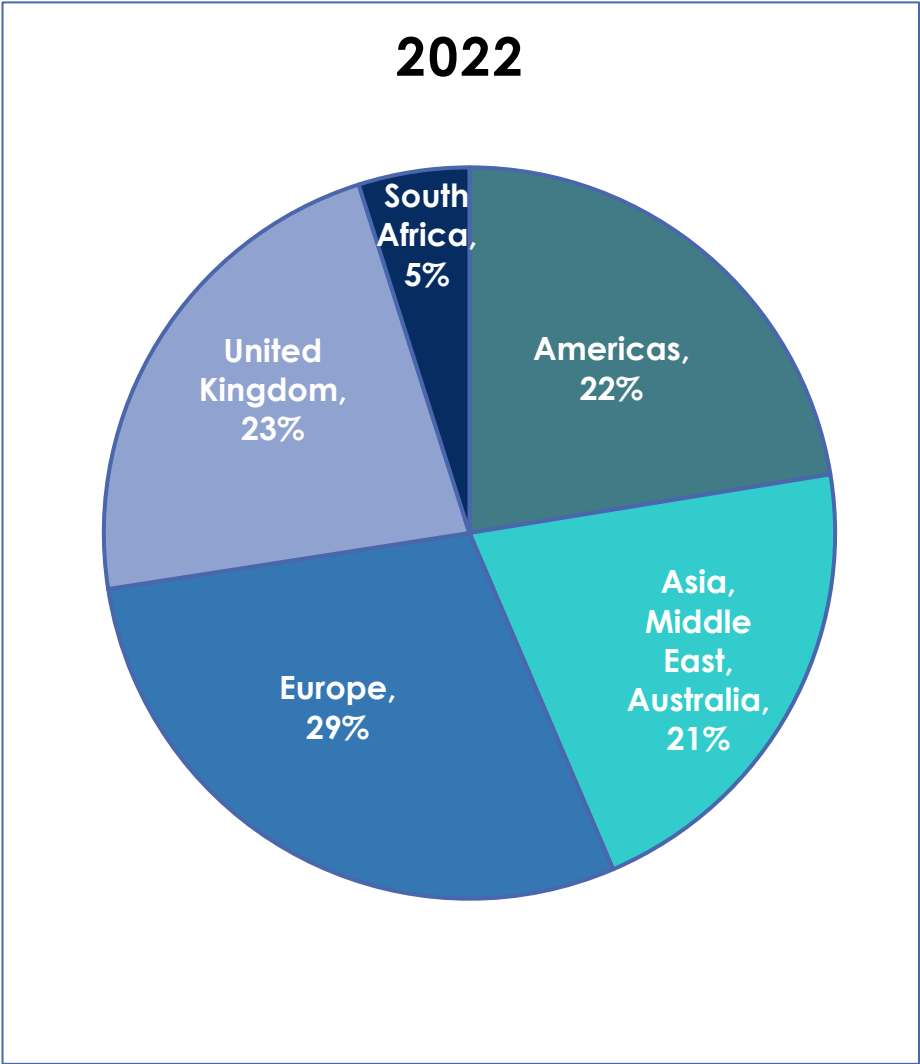
Summary



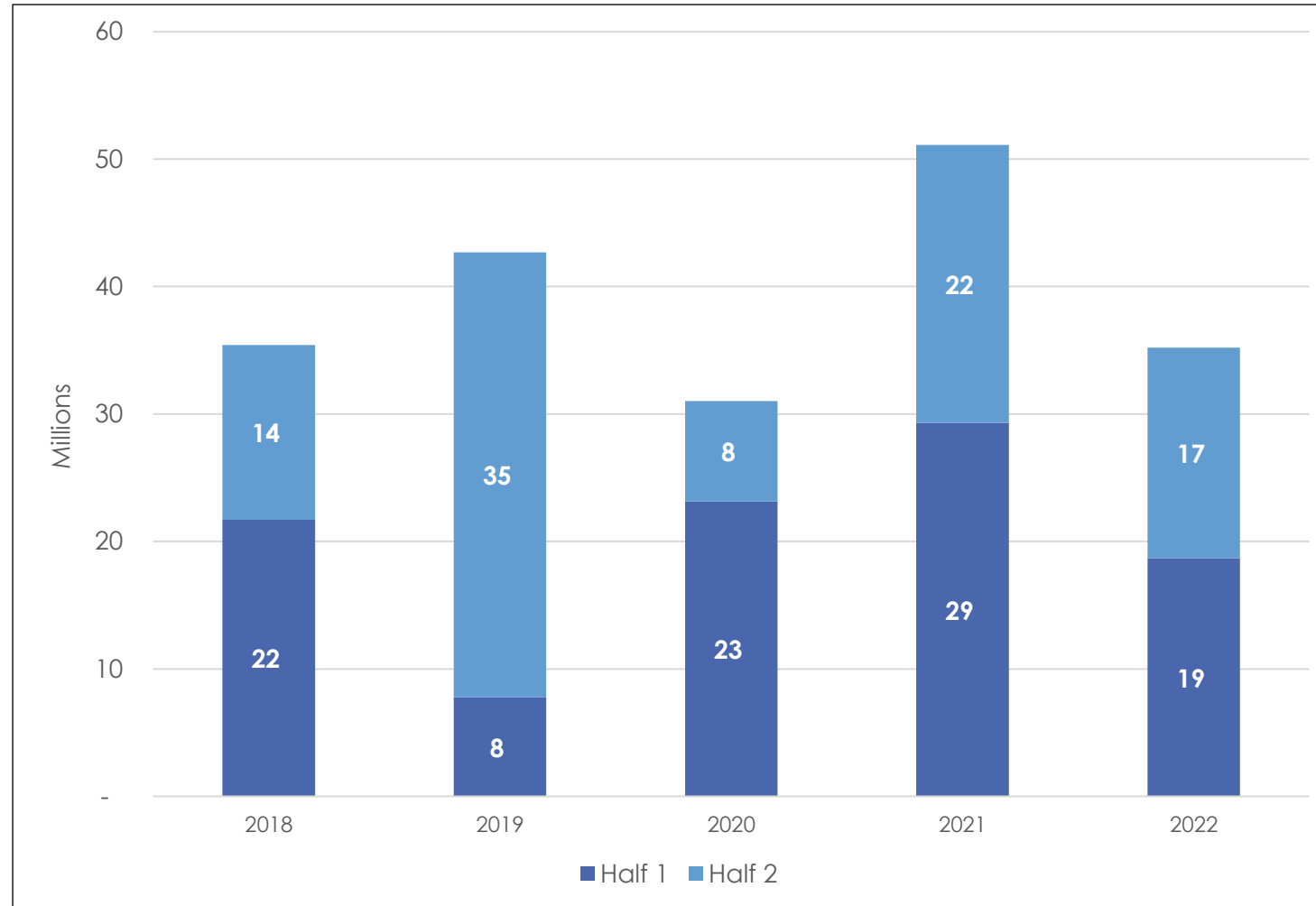
Group Revenue



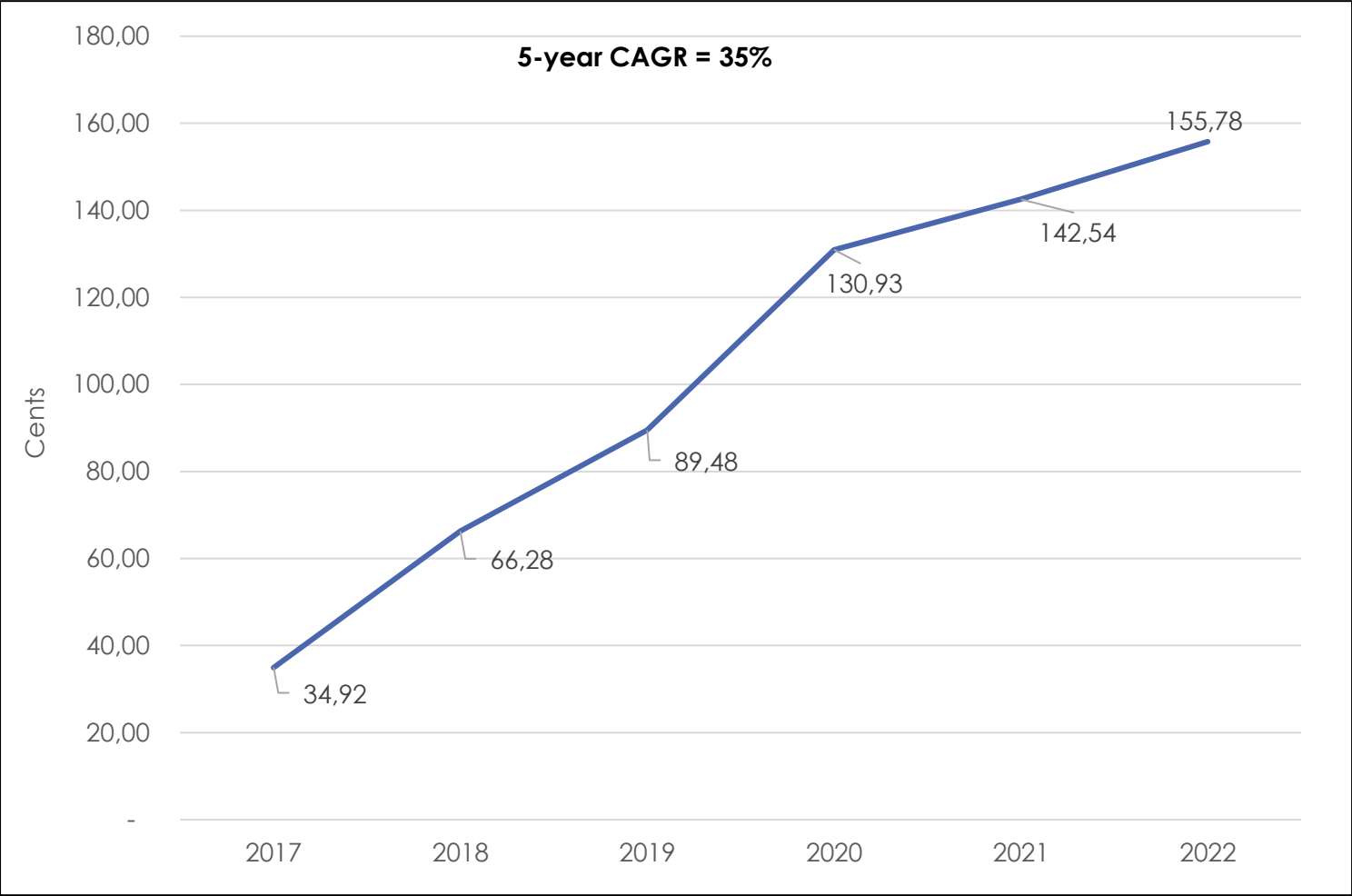
Geographical Sales



Normalised Group PAT



Tangible Net Asset value per share





SEGMENT REPORTING



Segment – Alaris Antennas

Revenue

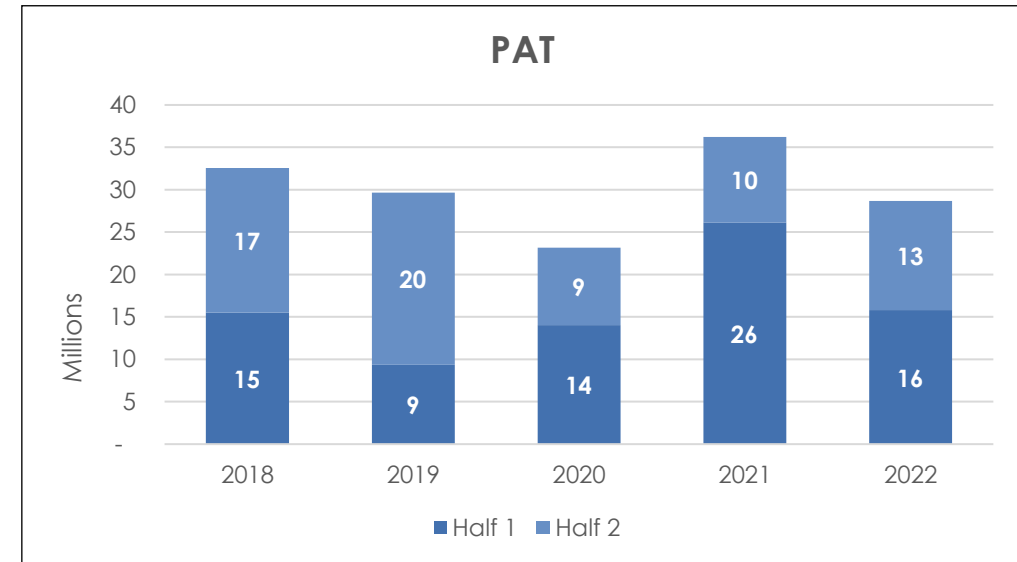
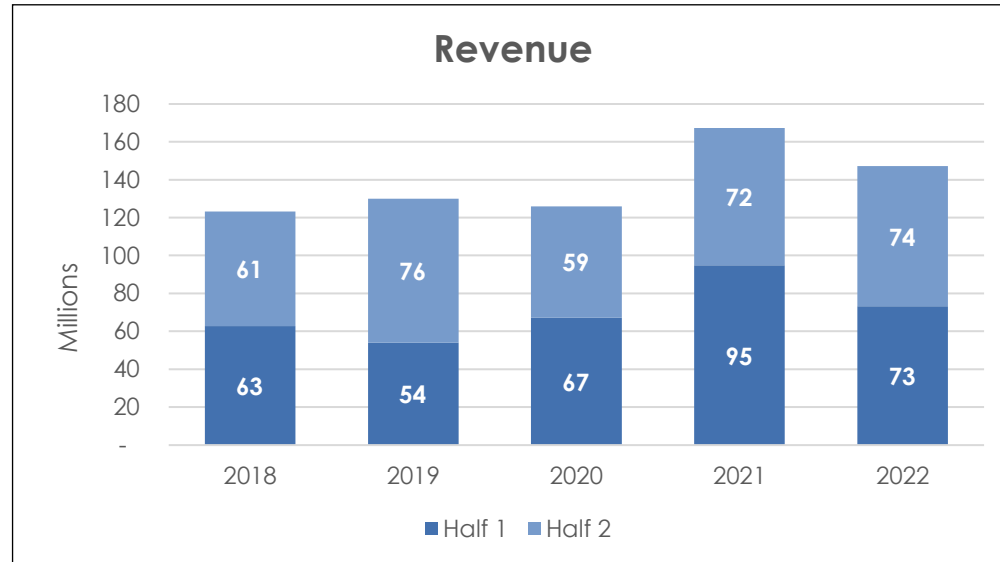
12%

EBITDA

23%

PAT

21%



- Prior year was the best in history. Big portion was a roll over of revenue from June 2020.
- Started off the year with a low open order book.
- Sales to the USA decreased by R30 million impacting the revenue and profits negatively.
- Some opportunities were placed on hold due to Ukrainian war.
- Large orders manufactured on risk:
 - Ensured that the products were delivered during this financial year
 - Impacted the cash negatively



COJOT

MORE THAN ONE WAVELENGTH

Segment – COJOT

Revenue

7%

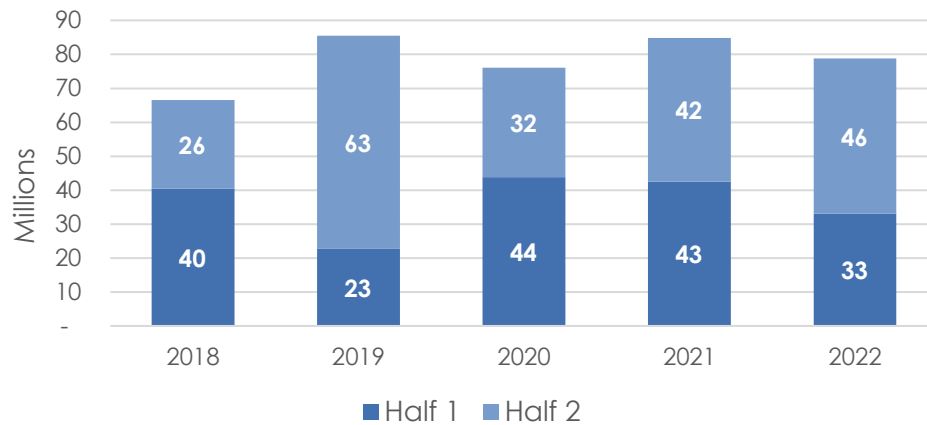
EBITDA

7%

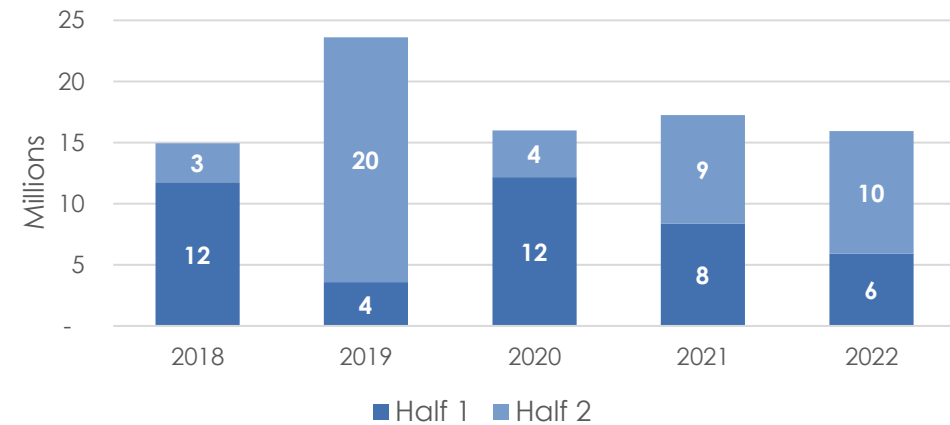
PAT

8%

Revenue



PAT

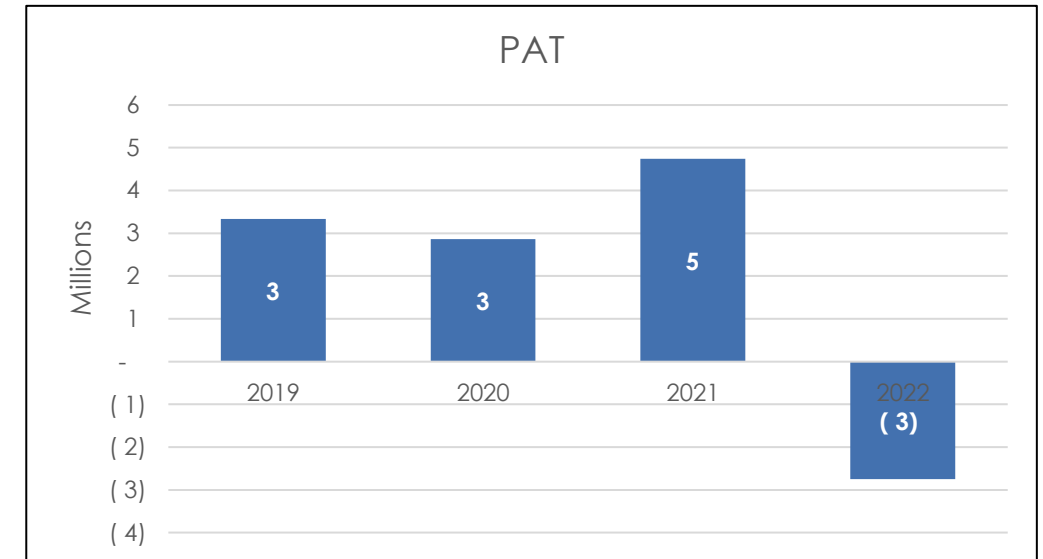
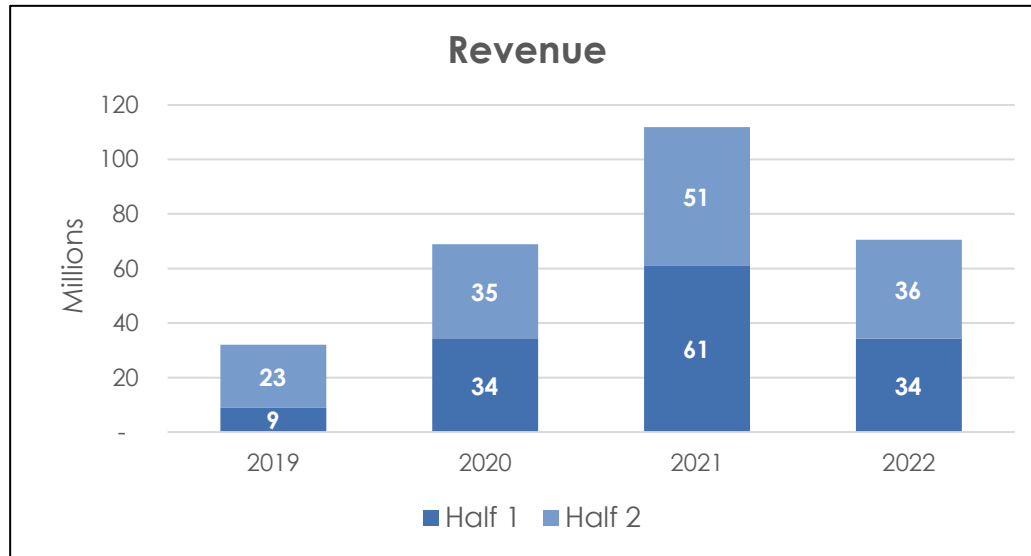
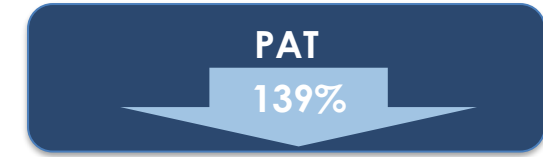
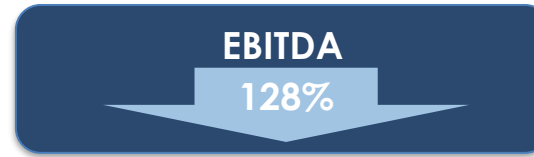


- Revenue stayed stable in Euro's – decreased in ZAR
- Worldwide component shortage delayed some large deliveries
- Growth from the SBA products looks encouraging:
 - Several good sales projects successfully completed
 - Holdings allocated innovation funding towards further technological enhancements for the SBA
 - Large orders received in the new FY
- Open order book for FY23 is currently at a healthy level



***m*WAVE**
Your Partner in Antenna Technology

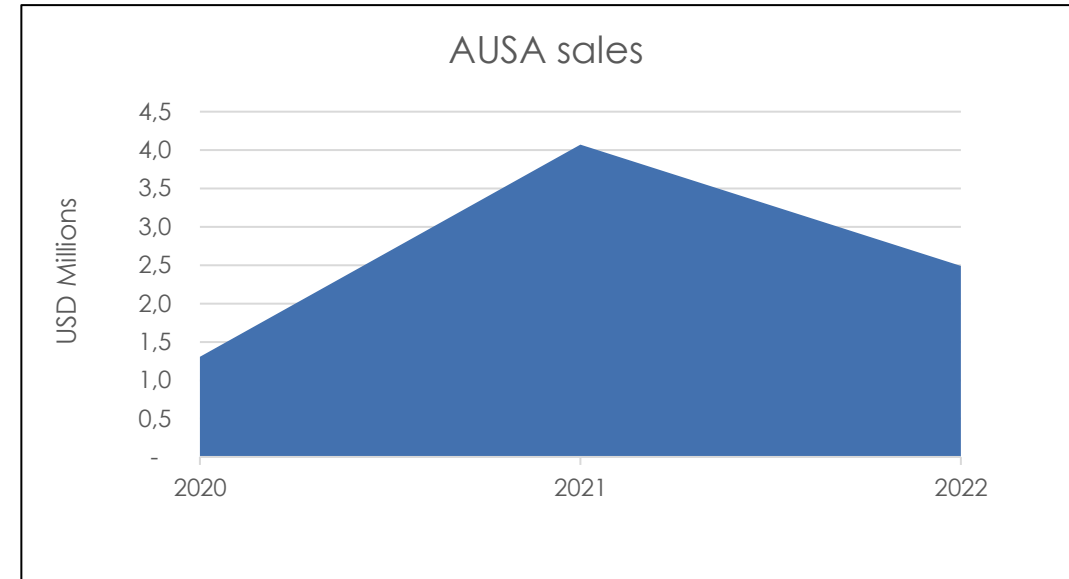
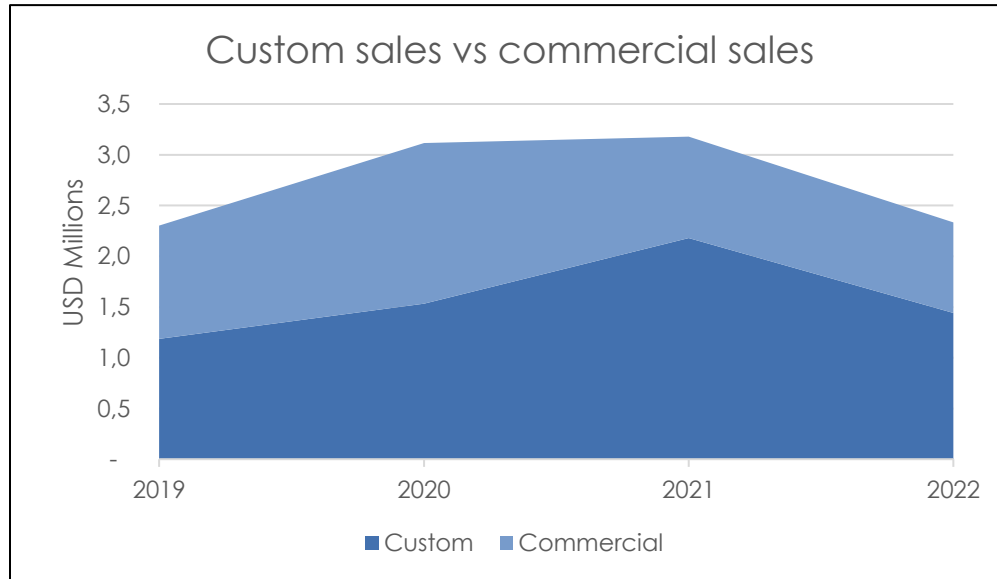
Segment – mWAVE incl AUSA



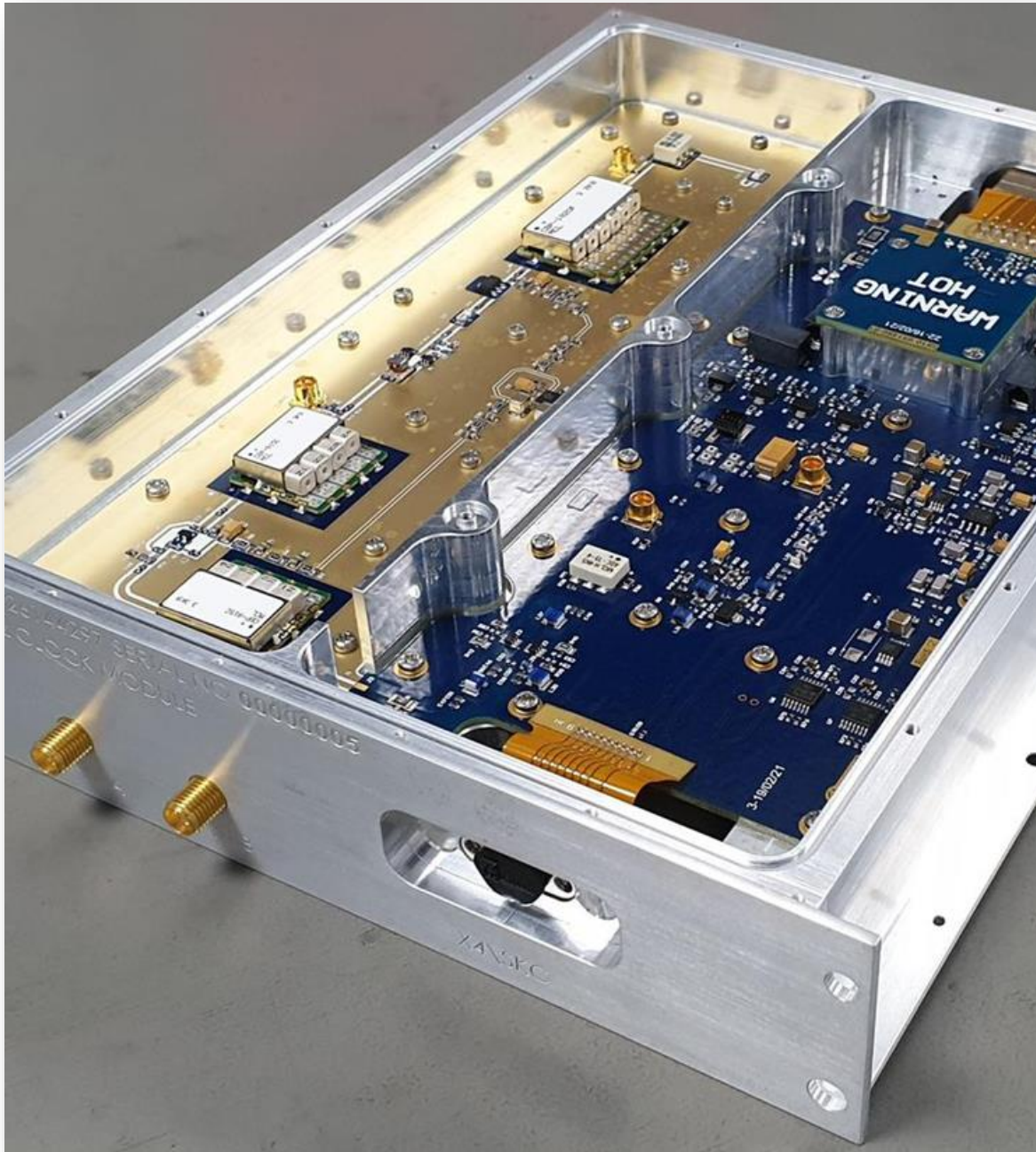
* 2019: only 9 months

- Tough year and closing orders were challenging.
- PPP loan forgiveness was included in comparative period.
- COVID-19 delayed client decision making in the USA, postponing projects.
- Of all the countries in which the Group is operating in, the USA was one of the last countries to progress with decision making and movement in projects, to placing orders.
- Towards the end of June, activities started picking up and Alaris USA observed more opportunities coming through from customers, even those that were in the pipeline before COVID already.

Segment – mWAVE

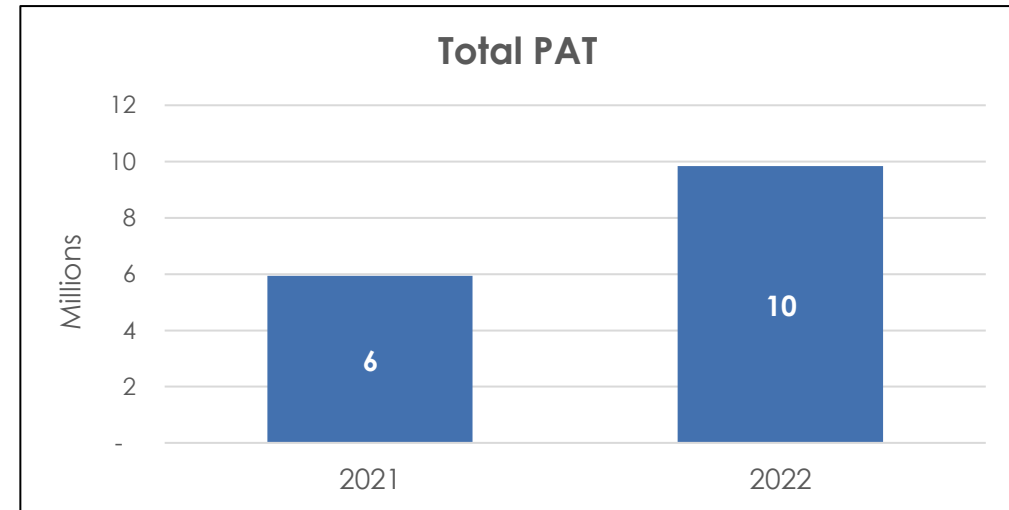
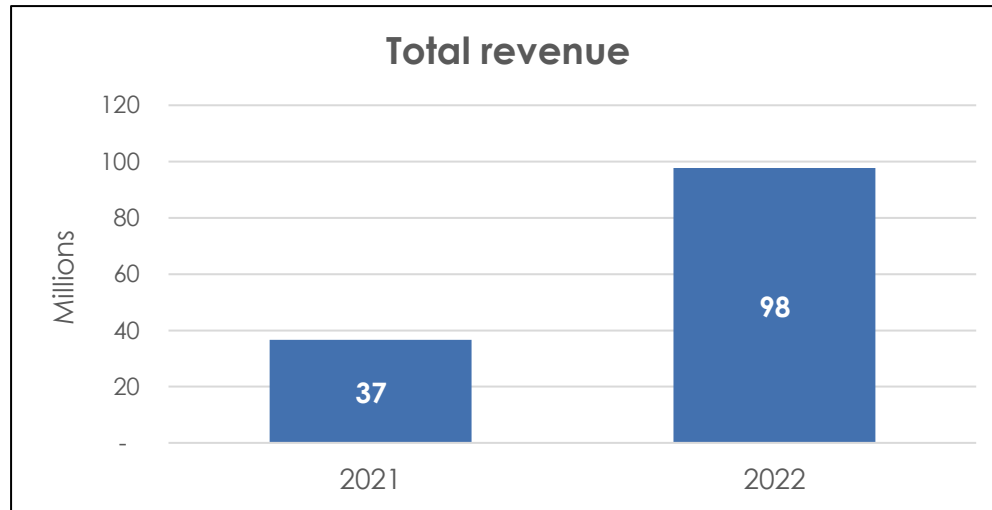
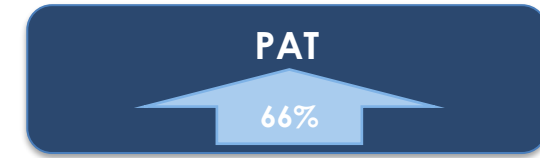
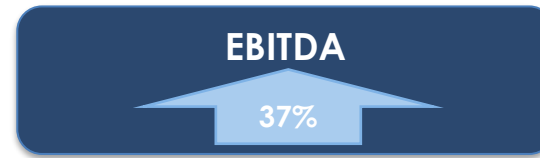
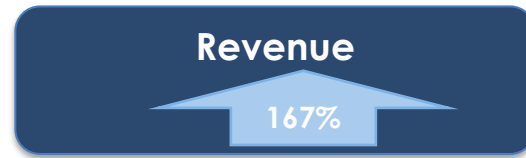


- **mWAVE:**
 - Custom sales reduced by 34%
 - Commercial sales reduced by 11%
 - Custom product sales:
 - Sales cycle about 12-18 months from when opportunity is seen
 - USA locked down during COVID-19 not seeing customers face to face
 - Effect of COVID-19 only seen in FY22
 - Orders for custom sales have improved in FY23 – forecast currently looking better
 - As a mitigating effort, expenses were cut during the year to ensure as little as possible losses
- **Alaris USA:**
 - Alaris USA sales reduced by 39%
 - This impacted Alaris Antennas negatively reducing the sales to the USA for AA by R30 mil
 - Still made a profit for the year (R1.9 mil of profits)
 - Open order book for FY23 looking much better – already larger than the sales for FY22



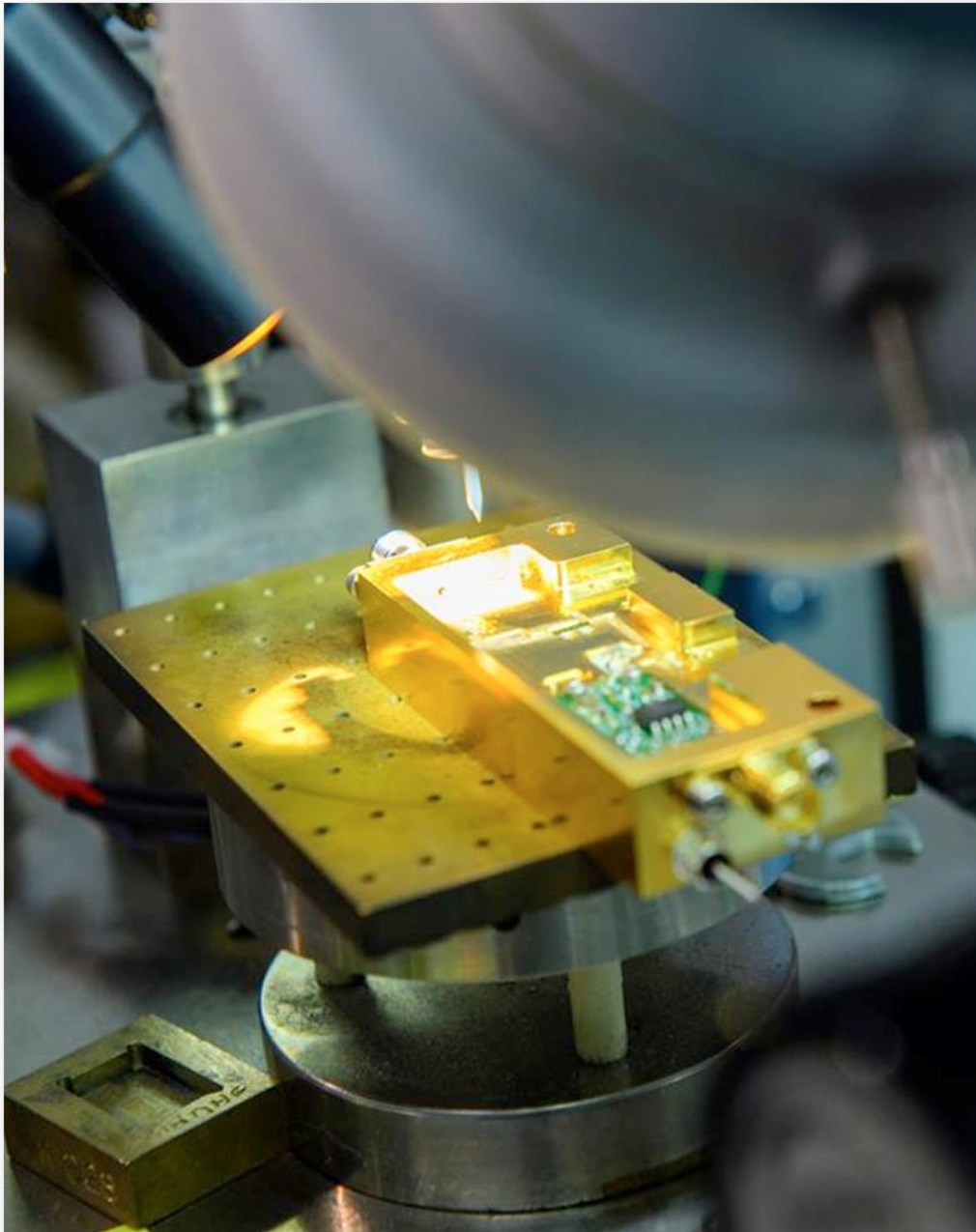
 **LINWAVE**
TECHNOLOGY

Segment – Linwave



* 2021: only 4 months

- Linwave included from March 2021. First 12 months to be included.
- Worldwide component shortage delayed some large deliveries.
- Large tax benefits due to R&D. Get 230% tax deduction for every 1 GBP spent.
- Linwave will move to the Group ERP system. This will assist with the costing of products.
- Linwave has secured a forward orderbook of 90% of its budget for FY 2023.
- Component shortage still an issue and delivery of the open orders are at risk.
- Focus for FY 23 will be on improving margins by doing activity-based costing.



Corporate & Consolidation

Segment – Corporate and Consolidation

R'000	2022	2021
Net FX losses/(gains)	(690)	1 087
Employee costs, board fees & SBP	8 150	11 447
Legal, consulting & listing fees	7 767	6 243
Impairment of subsidiary	8 938	-
Innovation funding	3 650	-
Amortisation of customer relationships	4 973	4 858
Net Other costs	136	(3 666)
	32 924	19 969

- No bonuses will be paid to Group employees as targets were not met.
- Share based payment expenses were reversed due to targets not being met.
- The legal and consulting fees include:
 - R4.4 million paid to delist Alaris from the AltX
 - R3.1 million related to Kuhne acquisition
- During the year the revenue for mWAVE decreased significantly indicating an impairment. The carrying amount was greater than the recoverable amount and an amount of R8.9 million (EUR 0.5 million) had to be impaired for mWAVE
- Innovation funding of R3.65 million was spent for the first time this year
 - Already seeing the benefit of the innovation funding with orders coming in for the new products.
- Amortisation of customer relationships remained the same during the year

Overview of summarised financials



Statement of Profit and Loss

R'000	2022	2021
Revenue	353 013	328 305
Cost of sales	(133 365)	(110 106)
Gross profit	219 648	218 199
Other income	3 320	6 921
Operating expenses	(200 647)	(167 622)
Trading operating profit	22 321	57 498
Finance income	439	1 133
Finance costs	(898)	(760)
Profit before taxation	21 862	57 871
Taxation	(3 064)	(11 461)
Profit for the year	18 798	46 410
Weighted average number of ordinary shares in issue	124 067 215	119 829 488
Basic earnings per ordinary share (cents)	15.15	38.73
Headline earnings per ordinary share (cents)	22.36	38.78

- Linwave included for 12 months vs 4 months in prior year
- Revenue increased by 8%, excl Linwave revenue decreased by 27%
- Gross margin down by 4% due to lower margins at Linwave. Focus will be on improving margins at Linwave
- Prior year other income includes \$263k Covid relief grant received from the USA government for mWAVE
- Included in operating expenses are:
 - Impairment of mWAVE of R8.9 mil
 - Innovation funding for the first year of R3.7 mil
 - Total R&D costs incl innovation funding of R48 mil (14% of revenue)
 - R4.4 mil for delisting
 - Full year of expenses for Linwave
- Decrease in finance income as result of less excess cash in the Group
- Effective tax rate much lower due to
 - Additional R&D tax deduction
 - Change in tax rate from 28% to 27%
- mWAVE had a significant negative effect on the group's profit
- Weighted shares:
 - Issue of shares for Linwave acquisition in full this year.
 - As part of the delisting the treasury shares reduced and increased the weighted average number of ordinary shares

Statement of Financial Position

R'000	2022	2021
Assets		
Non-Current Assets		
Plant and equipment	14 170	12 047
Right-of-use-asset	18 230	22 098
Goodwill	52 864	61 986
Intangible assets	20 056	25 787
Deferred tax assets	20 781	19 316
	126 101	141 234
Current Assets		
Inventories	69 849	40 681
Trade and other receivables	113 633	74 693
Sundry debtors	27 144	–
Tax receivable	5 682	2 004
Cash and cash equivalents	41 728	93 177
	258 036	210 555
Total Assets	384 137	351 789
Equity and Liabilities		
Total equity	270 676	261 425
Liabilities		
Non-Current Liabilities	19 493	22 005
Current Liabilities		
Loans and borrowings	1 117	802
Lease liabilities	5 910	5 609
Trade and other payables	80 585	61 902
Bank Overdraft	5 894	–
Tax payable	462	46
	93 968	68 359
Total Liabilities	113 461	90 364
Total Equity and Liabilities	384 137	351 789

- Goodwill decreased as a result in impairment of mWAVE for EUR0.5 mil.
- Inventory increased significantly. Components purchased in advance as a result of component shortage.
- Debtors were much higher at year end as most of the revenue was only invoiced in June.
- Sundry debtors consist of EUR1.6 million paid to the sellers of Kuhne electronics. The effective date of the acquisition is 1 July 2022, and the financials will be consolidated in from 1 July 2022.
- Cash compared to June 2021 decreased as a result of:
 - Increase in inventory and debtors
 - Cash paid to the sellers of Kuhne electronic
- Creditors increased as result of advance purchases for components to ensure delivery in the new year.
- An overdraft at Alaris Antennas was needed to cover payment of creditors. The Group does not have any excess cash left as everything was used for acquisitions.
- Healthy liquidity – current ratio of 2.75:1 and quick ratio of 2:1

Cash flow

R'000	2022	2021
Cash flows from operating activities		
Profit before tax	21 862	57 871
Adjusted for non-cash items	28 644	9 545
Working capital changes	(49 425)	1 850
Cash generated from operations	1 081	69 266
Finance income	439	1 133
Finance cost	(190)	(169)
Tax paid	(5 982)	(18 475)
Net cash flow from operating activities	(4 652)	51 755
Cash flows from investing activities		
Additions to plant and equipment	(6 362)	(4 457)
Additions to intangible assets	(778)	(1 101)
Prepayment for acquisition for subsidiary	(27 144)	-
Acquisition of a subsidiary	-	(56 611)
Net cash flow used in investing activities	(34 284)	(62 169)
Cash flows from financing activities		
(Decrease)/Increase in loans and borrowings	1 312	(495)
Net increase in treasury shares – Share Incentive Scheme	(14 042)	451
Payment of lease liabilities	(5 626)	(6 932)
Net cash flow used in financing activities	(18 356)	(6 976)
Net increase/(decrease) in cash and cash equivalents for the year	(57 292)	(17 390)
Cash and cash equivalents at beginning of the year	93 177	110 268
Effect of exchange rate movement on cash balances	(51)	297
Total cash and cash equivalents at end of the year	35 834	93 177

- Non-cash items include impairment of R8.9 mil
- Working capital cash outflow
 - Late invoicing in Jun 2022
 - Inventory purchased in advance due to component shortage
- Less tax paid this year due to losses made at mWAVE, lower profits overall at other subsidiaries and larger R&D tax credits
- Prepayment of EUR1.6 mil to sellers of Kuhne electronic
- As part of the delisting process some share options vested and shares were transferred from treasury shares to the employees



**IN
CLOSING**

- Activities in the markets are picking up again, providing a more positive outlook for FY23
- Travel, in-person customer visits and attendance at shows have returned to normal, except for some visa challenges
- Focus for the new financial year will be on organic growth
- Acquisitive growth for FY23 has been deprioritised, however an acquisition pipeline is maintained
- Going forward, smaller acquisitions will be placed under subsidiaries in the Group
- Continued focus on mWAVE to regain profitability and to retain the strategic geographic footprint in a large market
- Emphasis placed on new, higher value technology offerings, moving up in the value chain



QUESTIONS & ANSWERS

Thank you for your attendance