



# **Alaris Holdings Limited**

**Interim Financial Results  
for the 6 months ended 31 December 2020**

24 March 2021

# Agenda

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





## GROUP OVERVIEW

# Alaris Holdings Group structure



South Africa  
JSE ALTX listed since 2008



**As at 31 December 2020**

**REVENUE (H1):** R154.4M

**PAT (H1):** R29.1M

**Number of staff:** 164

**ALARIS INVESTMENT  
HOLDINGS (UK)**



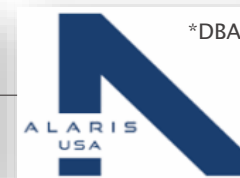
Centurion, RSA



Espoo, Finland



Windham, Maine, USA



Lincoln, UK

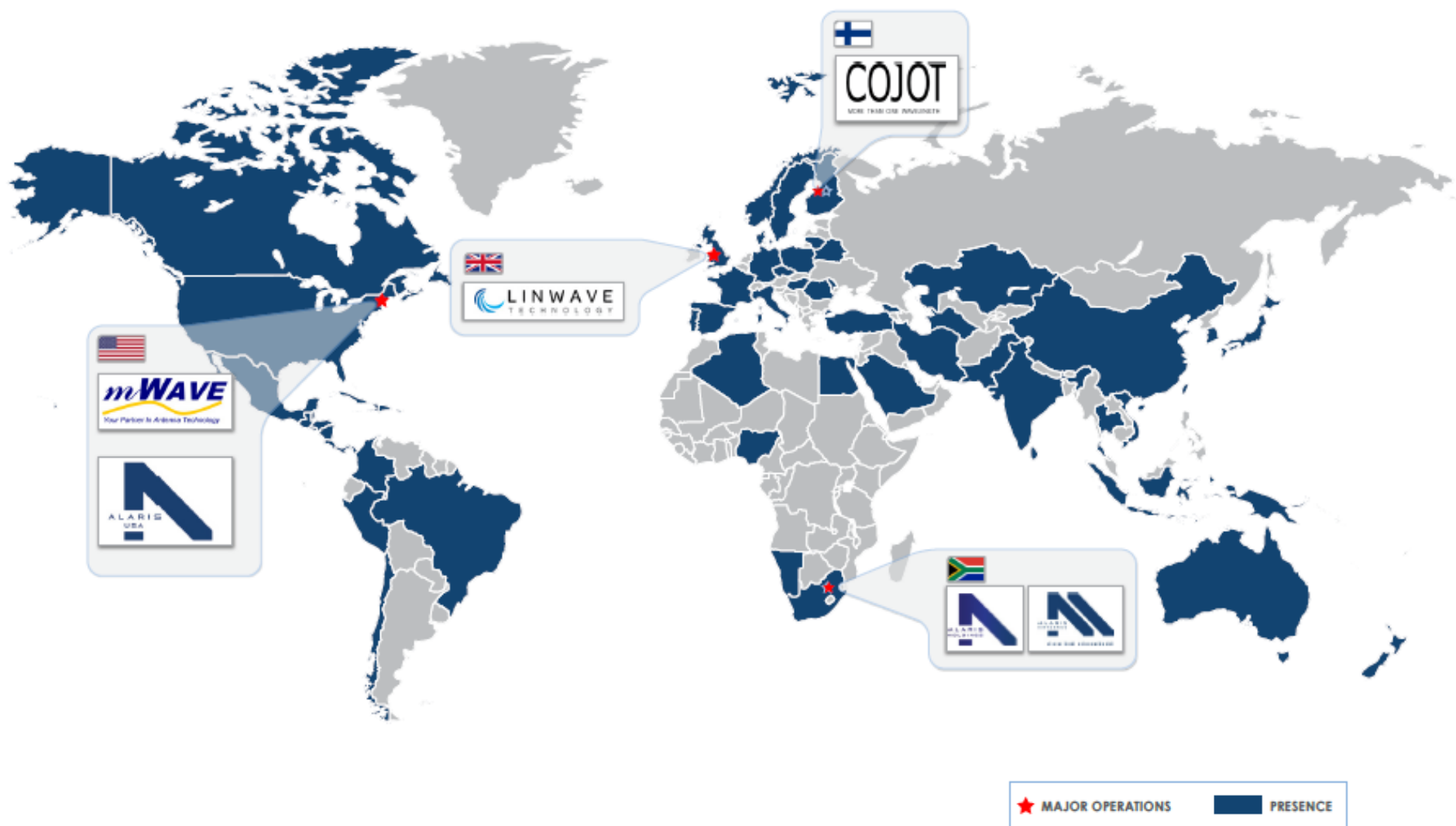


## Strategic Technology Holdings Company

- Radio Frequency (RF) Technology
- Design and Manufacturing: own IP, own products
- Approach: customer intimate, competent trusted advisor
- Customer base: B2B - global, biggest market in US, Europe



# Global presence





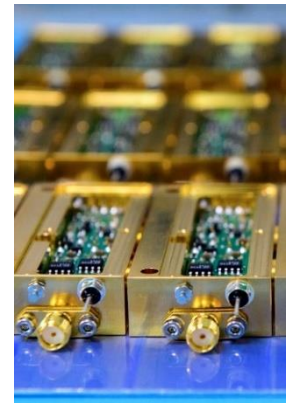
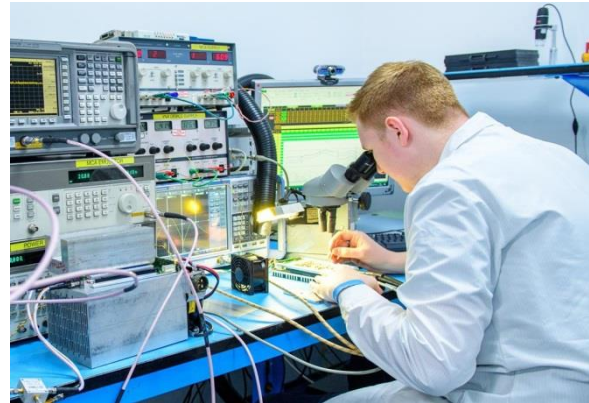
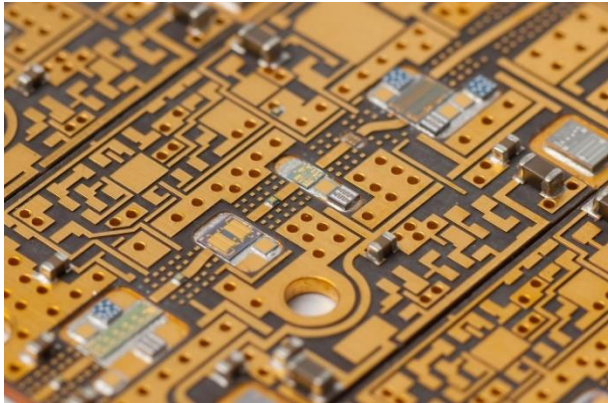
# Linwave Technology acquisition

- A strategic win
- Adding RF electronics competence to Group and increasing our global footprint
- Approximately 6.4 PE paid
- Share purchase agreement was signed on 26 February 2021
- The purchase consideration for the acquisition:
  - GBP 3.2 million of which GBP 0.2 million was paid by issuing 1 823 145 Alaris ordinary shares at a value of R2.27 per share



# Linwave Overview

- Founded in 2003 and based in Lincoln, UK
- Leading supplier of innovative, custom RF & Microwave electronic products
- Multiple markets from defence, aviation, marine and wireless, to industrial and healthcare
- State-of-the-art microwave simulation tools for circuit modelling and optimisation are used to provide robust product solutions based on their customers' demand
- Turnover of GBP 5m and PAT of about 10%, 37 staff



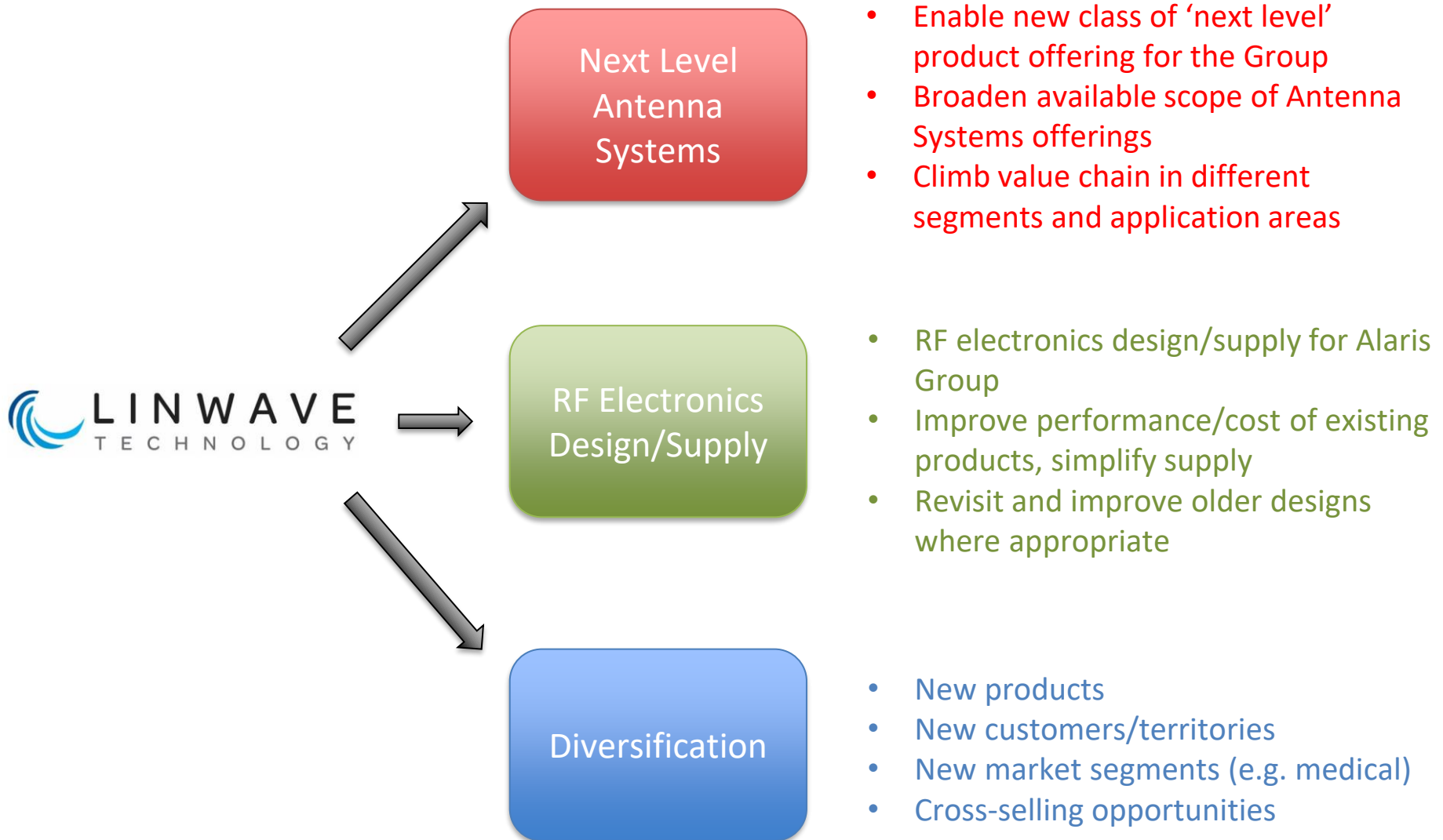


# Linwave facilities and capabilities

- Custom built design & manufacturing facility completed 2012
- 11,000 sq ft over 2 floors
- 2,500 sq ft class 10,000 clean room facility
- Internal access control points installed
- Environmental initiatives in-built – LED lighting, Rainwater harvesting
- High levels of ISO certification achieved (AS 9100 and ISO 9001)



# Linwave – Three areas of contribution





# Highlights

LINWAVE TECHNOLOGY acquisition  
successfully concluded on 26  
February 2021

Revenue

13%

Profit after tax

26%

HEPS

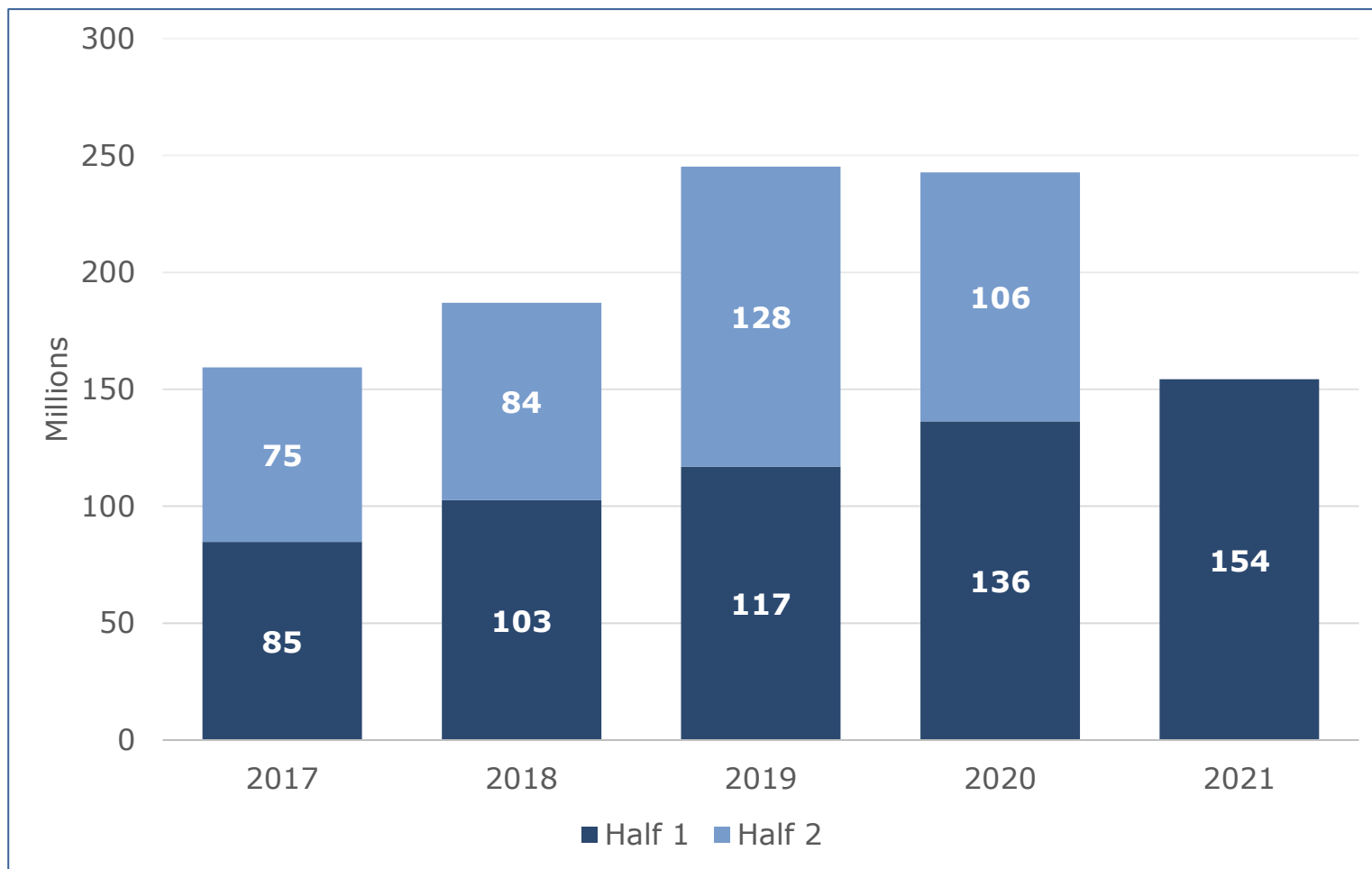
27%

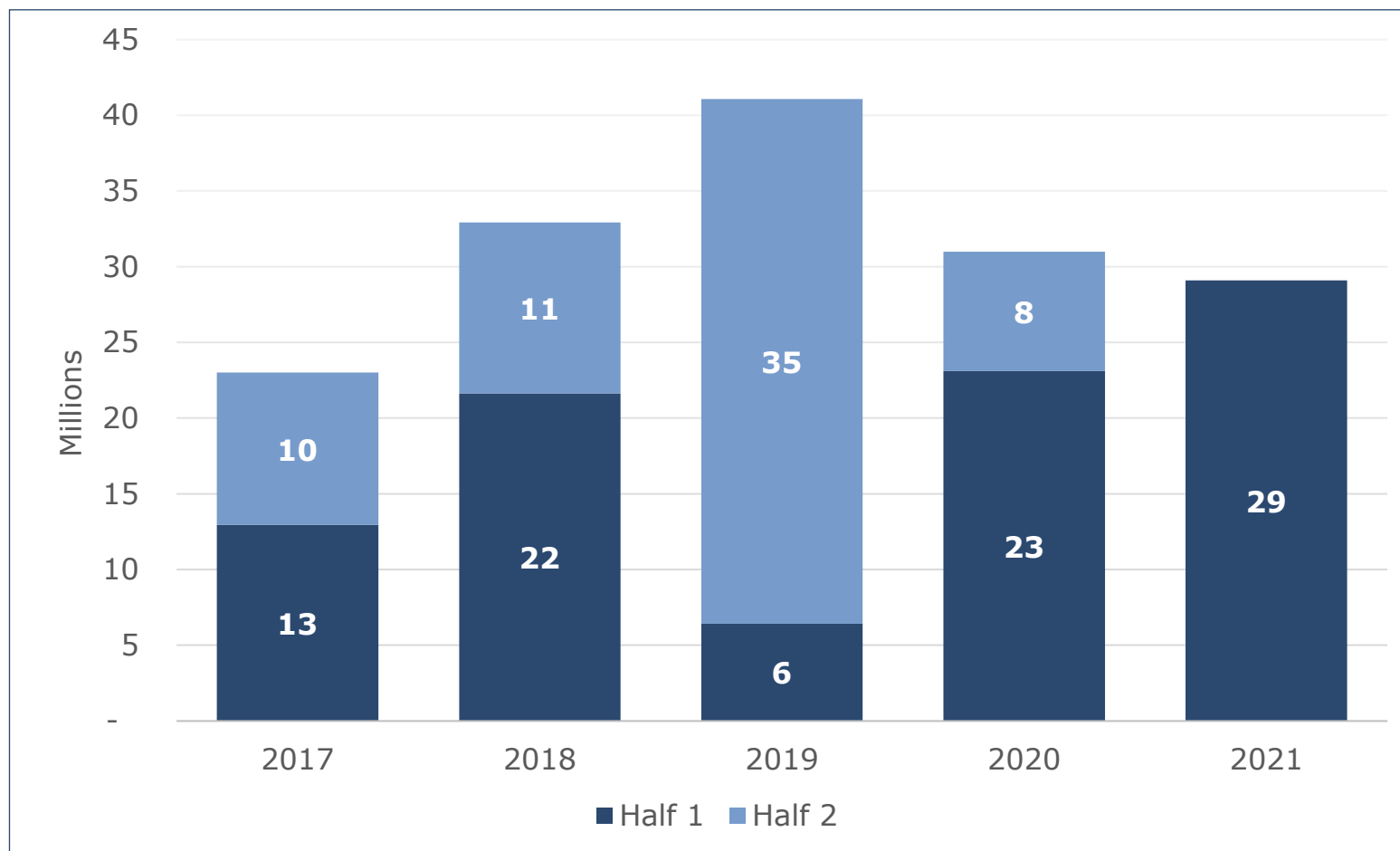
Strong cash position of R130.8 million  
as at 31 December 2020





# Group Revenue





# Segment Reporting





ALARIS  
ANTENNAS

GAIN THE ADVANTAGE



ALARIS  
HOLDINGS





# Segment – Alaris Antennas

## Revenue

41%

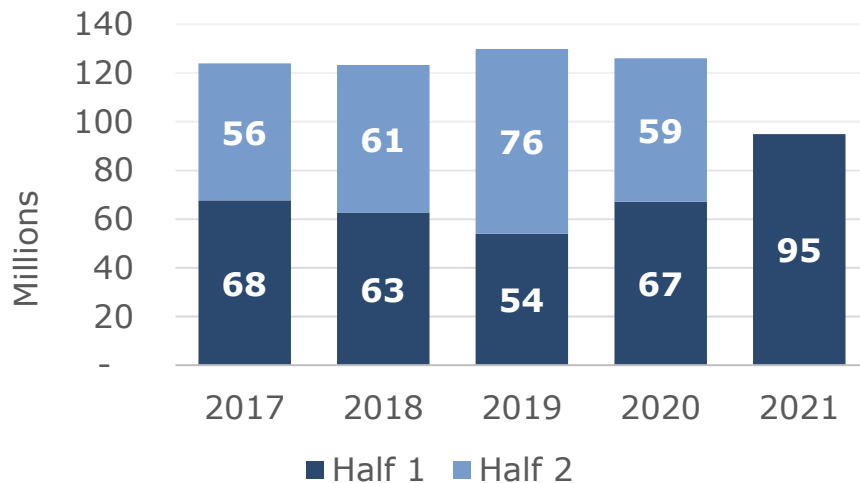
## EBITDA

82%

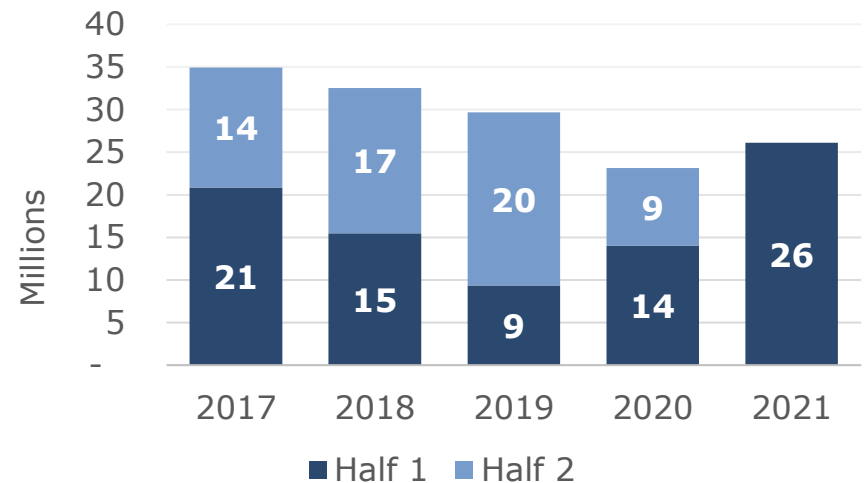
## PAT

86%

### Revenue



### PAT



- Very strong half for Alaris Antennas
- Started the period with a strong order book
- Inter-segmental sales increased significantly from R6.6m to R39.0m
  - Mainly Alaris USA, with most of the profit staying in Alaris Antennas
  - Need to look at total sales (including inter-segmental) to assess performance
- Higher margin product mix in this period
- Reduced travel costs from the pandemic, more virtual workshops with key customers
- New COO appointed

# COJOT

MORE THAN ONE WAVELENGTH



# Segment – COJOT

## Revenue

3%

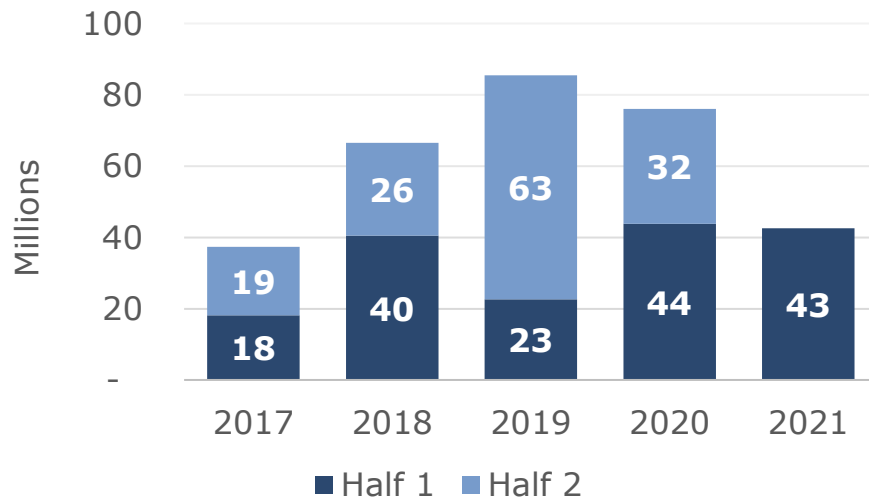
## EBITDA

26%

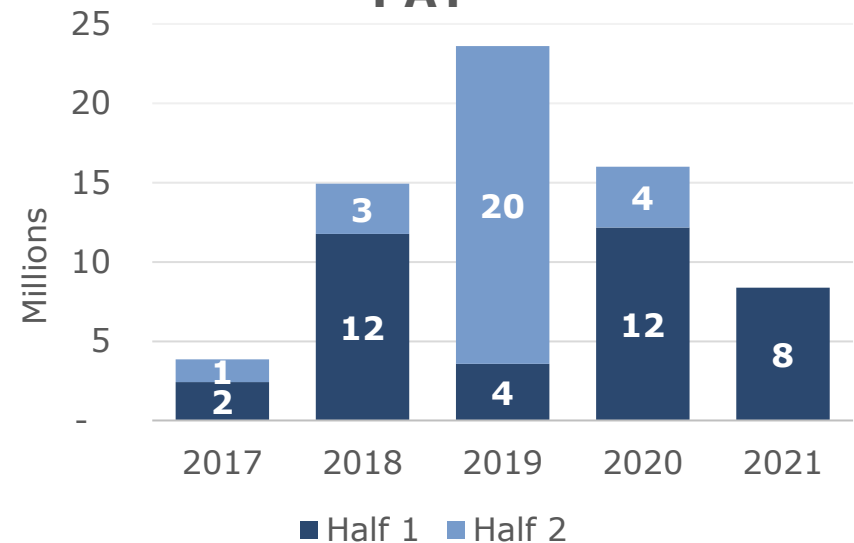
## PAT

31%

### Revenue



### PAT



- Inter-segmental sales increased from R2.4m to R5.1m
- COVID-19 impacted revenue negatively
  - Delayed decision making on projects by customers
  - Prohibitions on travel
- Margins lower from one large over budget Switched Beam Antennas (SBA) project
  - But we see it as an investment for the future in SBA
  - Multiple SBA orders in the pipeline





# Segment – mWAVE

## Revenue

78%

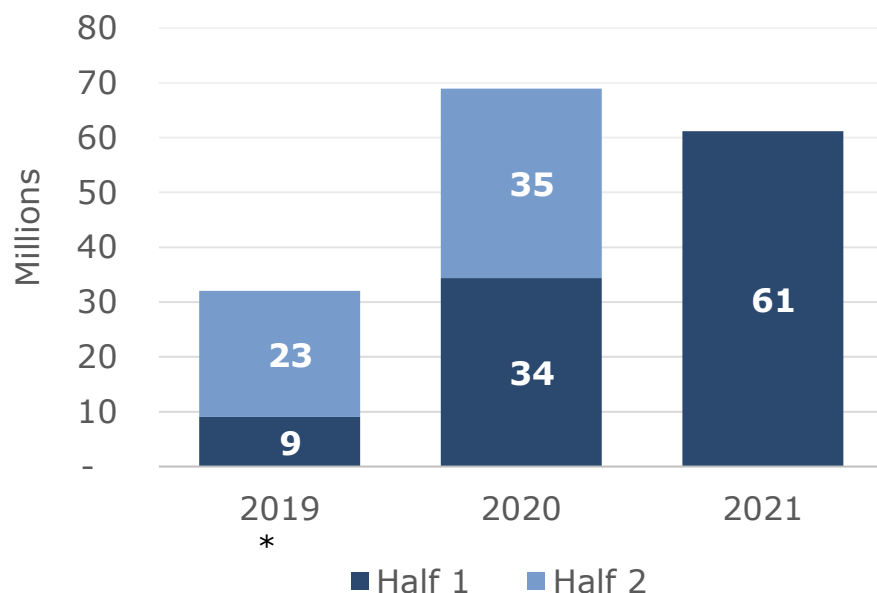
## EBITDA

17%

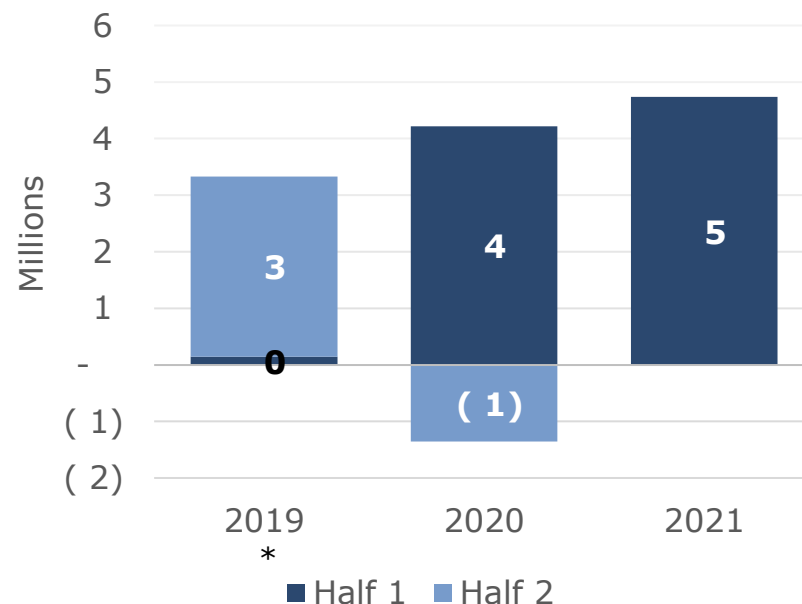
## PAT

12%

### Revenue



### PAT



\* 2019: only 9 months

- R37.5 million cross-selling included at lower margin. Alaris USA as the “channel partner”
- R&D tax refund claimed for new developments
- Focus remains on improving product margins
- COVID-19 delayed client decision making in the USA, postponing projects
- Added sales representative on the West Coast of the USA



# **Corporate & Consolidation**



# Segment – Corporate and Consolidation

R'000	Unaudited six months ended		Audited year ended
	Dec 2020	Dec 2019	June 2020
Net foreign exchange loss / (gain)	1 745	(167)	(1 250)
Employee costs and bonuses	4 579	4 430	5 947
Share-based payments	2 248	1 166	2 615
Board fees	686	515	1 021
Legal, consulting fees and costs to be listed	1 527	1 221	2 307
Net Other costs / (gains)	(652)	150	392
	<b>10 134</b>	<b>7 314</b>	<b>11 032</b>

- Non-cash IFRS 2 Share-based payment expense is based on making targets over 3 years. Should targets not be achieved, the expense would be reversed
- The legal and consulting fees include non-recurring costs of R0.2 million for the acquisition. Most of the acquisition cost was incurred subsequent to Dec 2020.

# Overview of summarized financials





# Statement of profit and loss

	Unaudited six months ended		Audited
<b>R'000</b>	<b>Dec 2020</b>	<b>Dec 2019</b>	<b>June 2020</b>
Revenue	154 365	136 339	242 753
Cost of sales	(47 664)	(42 549)	(79 876)
<b>Gross profit</b>	<b>106 701</b>	<b>93 790</b>	<b>162 877</b>
Other income	3 557	170	1 689
Operating expenses	(73 456)	(64 643)	(125 031)
<b>Trading operating profit</b>	<b>36 802</b>	<b>29 317</b>	<b>39 535</b>
Finance income	570	856	1 802
Finance costs	(333)	(364)	(558)
<b>Profit before taxation</b>	<b>37 039</b>	<b>29 809</b>	<b>40 779</b>
Taxation	(7 942)	(6 699)	(9 794)
<b>Profit for the period</b>	<b>29 097</b>	<b>23 110</b>	<b>30 985</b>
Weighted average number of ordinary shares in issue	119 255 536	120 014 648	119 734 262
Headline earnings per ordinary share (cents)	24.40	19.27	25.89

- Revenue increased by 13%
- Other income includes \$263k Covid relief grant received from the USA government
- Operating profit up 26%. (Excluding Other income, it was up 14%.)
- Lower Finance income. Cash mostly accumulated outside South Africa to pay for the acquisition. In the prior year, cash generated interest income in South Africa.

# Statement of financial position

	Unaudited six months ended		Audited
R'000	Dec 2020	Dec 2019	June 2020
<b>Assets</b>			
<b>Non-Current Assets</b>	<b>94 477</b>	<b>81 895</b>	<b>100 324</b>
<b>Current Assets</b>			
Inventories	23 349	21 765	30 681
Current tax receivable	1 709	73	1 426
Trade and other receivables	55 220	55 897	40 689
Cash and cash equivalents	130 795	82 065	110 268
	<b>211 073</b>	<b>159 800</b>	<b>183 064</b>
<b>Total Assets</b>	<b>305 550</b>	<b>241 695</b>	<b>283 388</b>
<b>Equity</b>			
Equity attributable to owners of the Company			
Share capital	6	6	6
Share premium	204 157	206 139	205 250
Share-based payment reserve	22 157	13 228	17 350
Foreign currency translation reserve ("FCTR")	5 894	(4 761)	17 899
Accumulated profit (loss)	9 702	(27 270)	(19 395)
<b>Total Equity</b>	<b>241 916</b>	<b>187 342</b>	<b>221 110</b>
<b>Non-Current Liabilities</b>	<b>12 057</b>	<b>6 666</b>	<b>18 864</b>
<b>Current Liabilities</b>	<b>51 577</b>	<b>47 687</b>	<b>43 414</b>
<b>Total Liabilities</b>	<b>63 634</b>	<b>54 353</b>	<b>62 278</b>
<b>Total Equity and Liabilities</b>	<b>305 550</b>	<b>241 695</b>	<b>283 388</b>

- Strong cash balance:
  - to weather the storm of the pandemic
  - to pay for the bulk of the acquisition in cash
- Group has moved to an accumulated profit position
- Negligible debt (R1.2m)
- Healthy liquidity – current ratio of 4.1:1 and quick ratio of 3.6:1 allows the Group to pay cash for the acquisition

# Cash flow

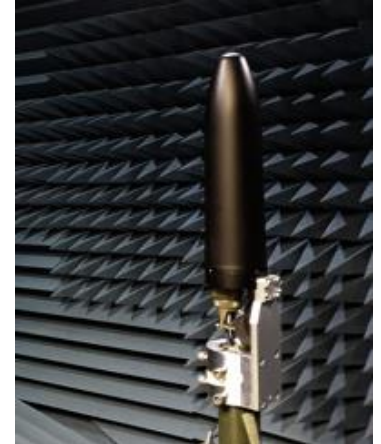
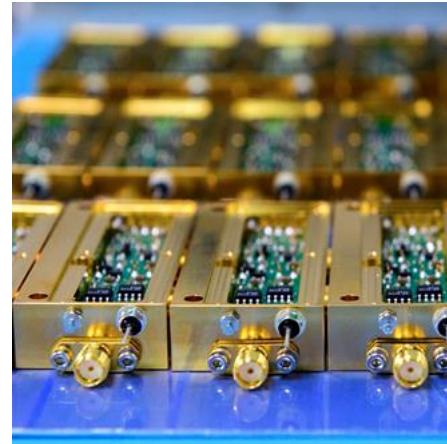
	Unaudited six months ended		Audited
R'000	Dec 2020	Dec 2019	June 2020
Profit before taxation	37 039	29 809	40 779
Adjusted for non-cash items	5 003	6 072	28 663
Working capital changes	(1 415)	21 961	20 558
<b>Cash generated from operations</b>	<b>40 627</b>	<b>57 842</b>	<b>90 000</b>
Net finance income	237	737	1 602
Taxation paid	(7 628)	(12 442)	(16 637)
<b>Net cash from/ (used in) operating activities</b>	<b>33 236</b>	<b>46 137</b>	<b>74 965</b>
<b>Net cash used in investing activities</b>	<b>(2 515)</b>	<b>(3 441)</b>	<b>(6 193)</b>
<b>Net cash used in financing activities</b>	<b>(9 087)</b>	<b>(2 344)</b>	<b>(445)</b>
Net increase/(decrease) in cash and cash equivalents for the period	21 634	40 352	68 327
Cash and cash equivalents at the beginning of the year	110 268	41 836	41 836
Effect of exchange rate movement on cash balances	(1 107)	(123)	105
<b>Total cash and cash equivalents at end of half year</b>	<b>130 795</b>	<b>82 065</b>	<b>110 268</b>

- Healthy overall cash flow despite COVID pandemic
- Late invoicing in Dec 2020 is the main contributor to the cash outflow from working capital
- Less tax paid this half due to large R&D tax credits received at mWAVE
- No new equipment was purchased/leased during the 6 months and current equipment finance leases were paid back. The IFRS 16 liability also reduced due to rental payments.



**IN CLOSING**

- Outlook is positive for remainder of the financial year
- Integration of Linwave into the Group
- Future acquisitive growth continues to be part of the strategy
- The Group structure allows for easier acquisition integration
- Emphasis on new, higher value technology offerings
- Fostering synergies and increasing cross-selling within the Group
- Trends point towards good growth in the RF technology space





# Investment Attributes

- **Export:** more than 90% revenue is hard currency denominated
- **Healthy gross margin** of about 70%
- Inhouse technical expertise, **own IP** and registered patents
- Competes successfully in a first world environment with unique, **technologically advanced products**
- **Niche player** in large global market with good growth potential
- **19-year track record** selling to blue chip western defense companies
- Listed on **JSE AltX** for 13 years.





**Questions & Answers**

**THANK YOU**