

# ***Investor Presentation***

***19 February 2015***

*Please note Poynting is in a  
**closed period** until interim  
results have been released*



# Agenda

- ✓ Poynting Shareholders
- ✓ Compart transaction – selling loss-making businesses and CEO leaving
- ✓ What remains – Defence and Aucom
- ✓ The future – good organic potential
- ✓ ARA transaction – taking Poynting to the next level

# Poynting salient features

- ✓ Current share price: ~ **R 1.80**
- ✓ Current market cap: ~ **R 300m**
- ✓ Number of people: ~**120**

Shareholder	AFTER COMPART		AFTER PREF CONVERSION	
	Number (m)	%	Number (m)	%
<b>Total issued shares (m)</b>	<b>162.6</b>	<b>100%</b>	<b>183.0</b>	<b>100%</b>
Aucom (Villiers, Rudy, Tebogo)	60.0	37%	60.0	33%
PSG	30.8	19%	51.2	28%
Andre Fourie	20.0	12%	20.0	11%
Derek Nitch (Commercial CTO)	9.8	6%	9.8	5%
Juergen Dresel (CEO)	8.1	5%	8.1	4%
	<b>128.9</b>	<b>79%</b>	<b>149.3</b>	<b>82%</b>
Investec	12.2	8%	12.2	7%

## PSG - preference share

- **3 year** redeemable, convertible preference share
- Total subscription: **R51m**
- Issued 30 June 2014
- Pref dividends paid monthly:  $72\% * (\text{prime} + 3\%) = \mathbf{8.82\%}$
- Converts at any time at PSG's election at **R2.50**

## PSG - ordinary shares

- December 2013: Invested **R49m at R1.59 per share**

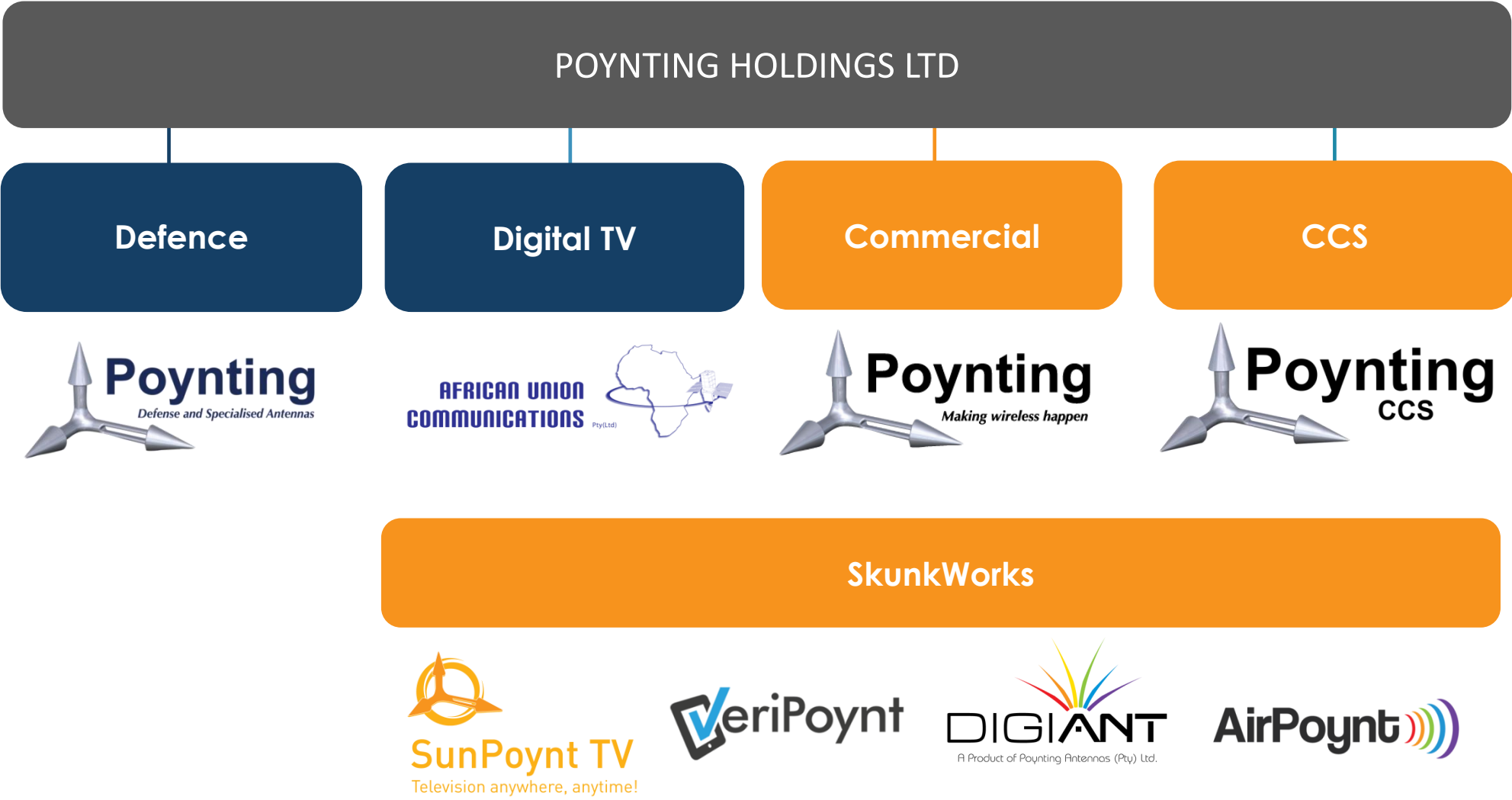
# Compart transaction - rationale

- Compart business all **loss-making**
- **Doubt** existed on how long it will take to **turn around** but more importantly, how long before significant **profit contributor** to the group
- **Alternative** was closing some parts which would have resulted in significant **impairments**
- Results in much **more focused** group

# Compart transaction

- Sold all **loss-making business** (“Compart”) to Andre Fourie for **14 m POY shares**, effective **27 December 2014**
- **Transaction implemented**, Andre resigned as CEO and from board and now running Compart
- **Shareholders meeting** to be held early March 2015 to finally conclude. [No risk; 79% irrevocables]

# Group Overview – BEFORE Compart sale



# Group Overview – AFTER Compart sale

POYNTING HOLDINGS LTD

Defence



Digital TV





# Defence business

- Specialised direction finding, jamming and communication **antennas** – **defence** market
- **Niche, specialised** products  
Average price R140k, small quantity
- High gross **margins**
- **Global business**, 75%+ of sales outside of South Africa
- **Sell to system integrators** who sell to defence forces
- Long product **lifecycle** – good barrier to entry

# Defence business - financials

## ■ Profit history

<b>Rm</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>8 yr CAGR</b>	<b>3 yr CAGR</b>
Sales	9.3	11.6	12.7	17.5	30.5	37.1	34.7	47.4	76.7	30%	27%
Op. EBIT	2.9	1.4	2.1	1.0	7.7	11.5	6.0	10.2	19.3	26%	19%
PAT							5.7	9.1	15.8		

# Defence business - products



# Defence business - customers



**REUTECH**



# Digital TV business (Aucom)

- Design **broadcasting systems**, then sell & implement the equipment for television broadcasters
- ~**50% Africa** / 50% SA
- Aucom **expert in field** of scarce skills;
- Africa distributor for equipment **world leaders**
- Acquired business 1 Jul'13 (effective date 28 Feb'14) at **4 PE** ratio, all in Poynting shares at 75cents per share

# Aucom - financials

## ■ Profit history:

Rm	2011 actual	2012 actual	2013 actual	2014 actual	2014 guar.	2015 guar.	2016 guar.	CAGR acquired
Revenue	55	53	199	104				
Profit after tax	5	5	21	14	11	13	15	15%

- Cumulative **profit warranty** of R 38m
  - 30 June 2014: R11.0m PAT (vs actual R13.8m PAT)
  - 30 June 2015: R12.5m PAT
  - 30 June 2016: R14.5m PAT



# Aucom - products



**harmonic**  
REDEFINING VIDEO DELIVERY

**ENESYS**  
Technologies

**SeaChange**

**Dektec**

**NAGRA**  
KUDELSKI

**SMART TV**

**global invacom**  
completing the picture

**TERRASAT**  
Communications, Inc.

**KATHREIN**

**magnaquest**

**Skyline**  
COMMUNICATIONS

**Newtec**  
SHAPING THE FUTURE OF SATELLITE COMMUNICATIONS

**RT-RK**  
COMPUTER BASED SYSTEMS

**FOXCOM**  
A DIVISION OF ONEPATH NETWORKS

**electrosys**  
re-engineering and infrastructure support

**Poynting**  
Holdings Limited

## Aucom - clients





# Aucom organic growth prospects

## ■ Growth:

- **Digital TV migration** is slow (state broadcasters) but provides good opportunity for next 3-5years
- Numerous **new private operators** in Africa
- Adding more '**maintenance**' revenue
- Chinese competes with aggressive **funding** – evaluating potential lease and funding opportunity

# The Group future (organic)

- **Defence** 8 year compounded EBIT growth of **26%**
- **Aucom** profit warrantees implies growth of **15%** until 30 June 2017
- **Head office** costs included few exceptional once-off items; we are making it priority to contain costs

# US footprint - strategic importance

- **United States** defence budget larger than next 9 countries combined, 3x more than second largest spender (China)
- **Difficult to penetrate** market:
  - Buy America Act, ITAR regulations
  - Patriotism
  - Defence curtain – US vs Other
- **Various acquisition opportunities evaluated** over the last few years
- Antenna Research Associates (**ARA**) – best opportunity we've seen!

# ARA deal

- Announced on **SENS** on 19 February 2015
- Binding **heads of agreement signed**, subject to
  - Due diligence
  - Regulatory approval
  - Shareholder approval
- Transaction
  - **US\$ 5m cash** to ARA vendors
  - **75,6 m Poynting shares** (~US\$ 12 m at current R 1.80 share price)
  - Total deal value US\$ 17m (for US\$ 1m expected PAT in year 1)

# ARA turnaround

- Logen Thiran joined April 2014, CEO from 1 August 2014
  - Family fled Sri Lanka
  - Alone to the USA, worked & studied
  - Started & sold own start-up, American dream
  - For last 9 years managed DRS defence business (\$200m revenue , 5 facilities, >500 employees)
  - Smart people! Big ambition, good relevant experience
- Order pipeline shows improvement, business has turned

# Why ARA makes sense

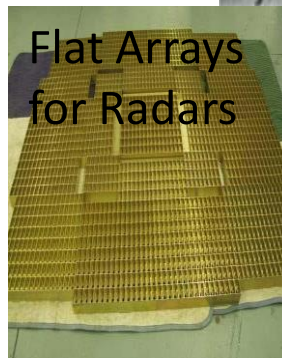
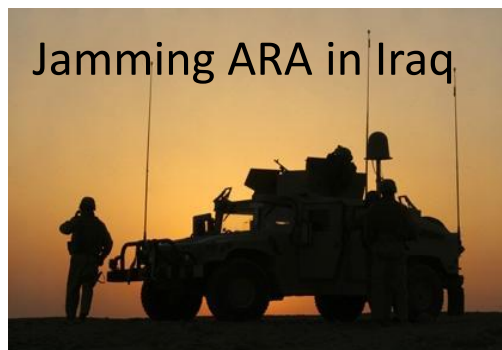
- We **understand** this business very well – this is what we do
- **US** footprint – the land of milk & honey; first world
- **De-risk** the current Poynting DS business  
(customer, geographic, manufacturing capability, fin. lumpiness)
- Production, engineering and sales **synergies**  
(Limited product and client overlap)
- Buy US company on the **low end of defence spending cycle**
- Organic plan (excl. synergies) to build out business significantly,  
ARA management has bigger **ambitions** incl. US listing
- Same values – **good culture fit**

# POY shareholding after ARA transaction

	AFTER COMPART		AFTER ARA, before pref conversion		AFTER ARA, <u>after</u> pref conversion	
Shareholder	Number (m)	%	Number (m)	%	Number (m)	%
<b>Total issued shares (m)</b>	<b>162.6</b>	<b>100%</b>	<b>238.2</b>	<b>100%</b>	<b>258.6</b>	<b>100%</b>
ARA shareholders*			75.6	32%	75.6	29%
Aucom vendors	60.0	37%	60.0	25%	60.0	23%
PSG Private Equity	30.8	19%	30.8	13%	51.2	20%
Andre Fourie	20.0	12%	20.0	8%	20.0	8%
Investec	12.2	8%	12.2	5%	12.2	5%
Juergen Dresel (POY CEO)	8.1	5%	8.1	3%	8.1	3%

\* Logen Thiran (ARA CEO) to own ~3% of Poynting. Currently owns 10.2% of ARA

# ARA - products



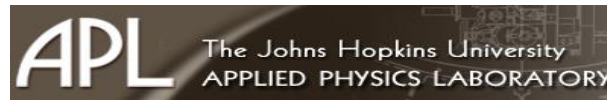


# ARA - clients

**BAE SYSTEMS**



**SAIC**



**THALES**



**QUALCOMM**

**Raytheon**



# Thank You

## Q&A

[www.poynting.co.za](http://www.poynting.co.za)