

**ALARIS**  
THE RF TECHNOLOGY GROUP



INSPIRING THE NEXT SOLUTION

# Alaris Holdings Ltd

The RF Technology Group

Interim Financial Results to 31 December 2023



# Agenda

1. Welcome and Introduction
2. Group Overview
3. Financial Overview
4. Strategy
5. Interposing of UK entity
6. Closing comments
7. Q&A

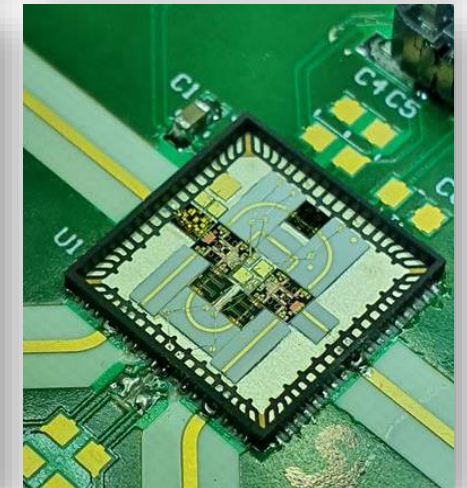
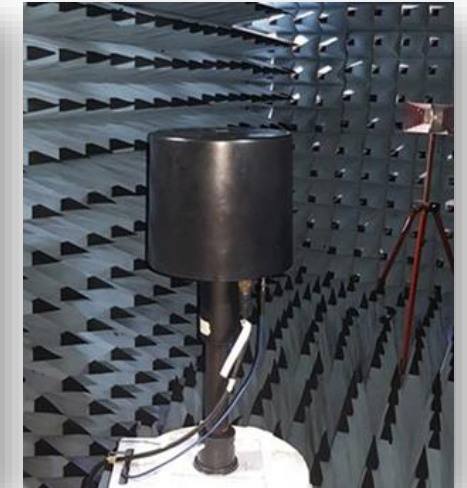
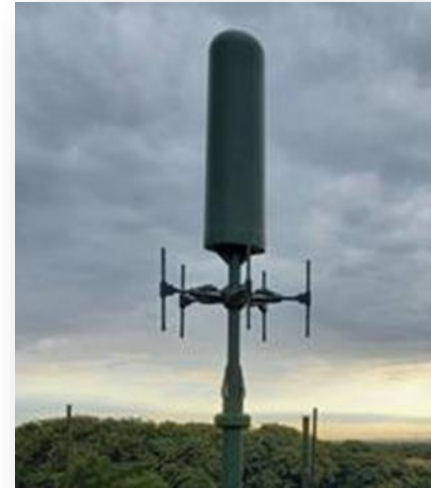
Information contained will be publicly available on the Group's website.



# Welcome

Thank you for joining us

- Presenting today are:
  - Juergen Dresel – Group CEO
  - Chris Buckenham – Group CFO
  - Chris Vale – Group CTO





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# Group Overview

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# Alaris Group Structure





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FY24 - H1 Observations

# Reflection on H1 of financial year 2024



## CHALLENGES / ANOMALIES

- Scarce skills in RF technology engineering field globally remains a challenge (Engineering, Sales and other technical positions).
- Timely execution of product developments due to capacity and capability constraints.
- Long lead times of critical components.
- Delay in getting the interposing of UK entity concluded impairs operational and strategic growth of the Group.
- Significant operational issues at mWAVE with execution, capacity and commercials focused on a major group customer project. Losses incurred as a result, addressed but with impact on H1 and FY24 results which pull down the overall performance.
- Market delays, healthcare in particular, impacting the FY24 results including a slower start to H1. Alaris Linwave and Alaris Kuhne both seeing delays.
- Increase in inventory levels due to delayed outputs.

## POSITIVE DEVELOPMENTS

- Significant strides in addressing our skills and recruitment needs.
- Strong interest in latest innovations and technology projects from customers:
  - Steerable Beam Antenna
  - Direction Finding Antennas (11 products)
  - Satcom Antennas and Converters
- Highest order book value for DF development projects in history.
- Positive development of more complex projects. Strong collaboration and synergies amongst the Group subsidiaries.
- Increase in business opportunities, especially from the US market through AUSA.
- Building order book for FY25 and beyond.



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# Financial Overview

for the

## Six months ended 31 December 2023

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# H1 Summary – FY24 vs FY23



**Revenue** increased by **14%**  
from R223m  
to **R255m**

**Gross Profit** increased  
in value by **9%**, reducing by  
**3%** as a %  
from R137m to **R149m**  
at **58.5%** (from 61.5%)



**Profit for the period**  
decreased by **66%**  
from R27m to **R9m**

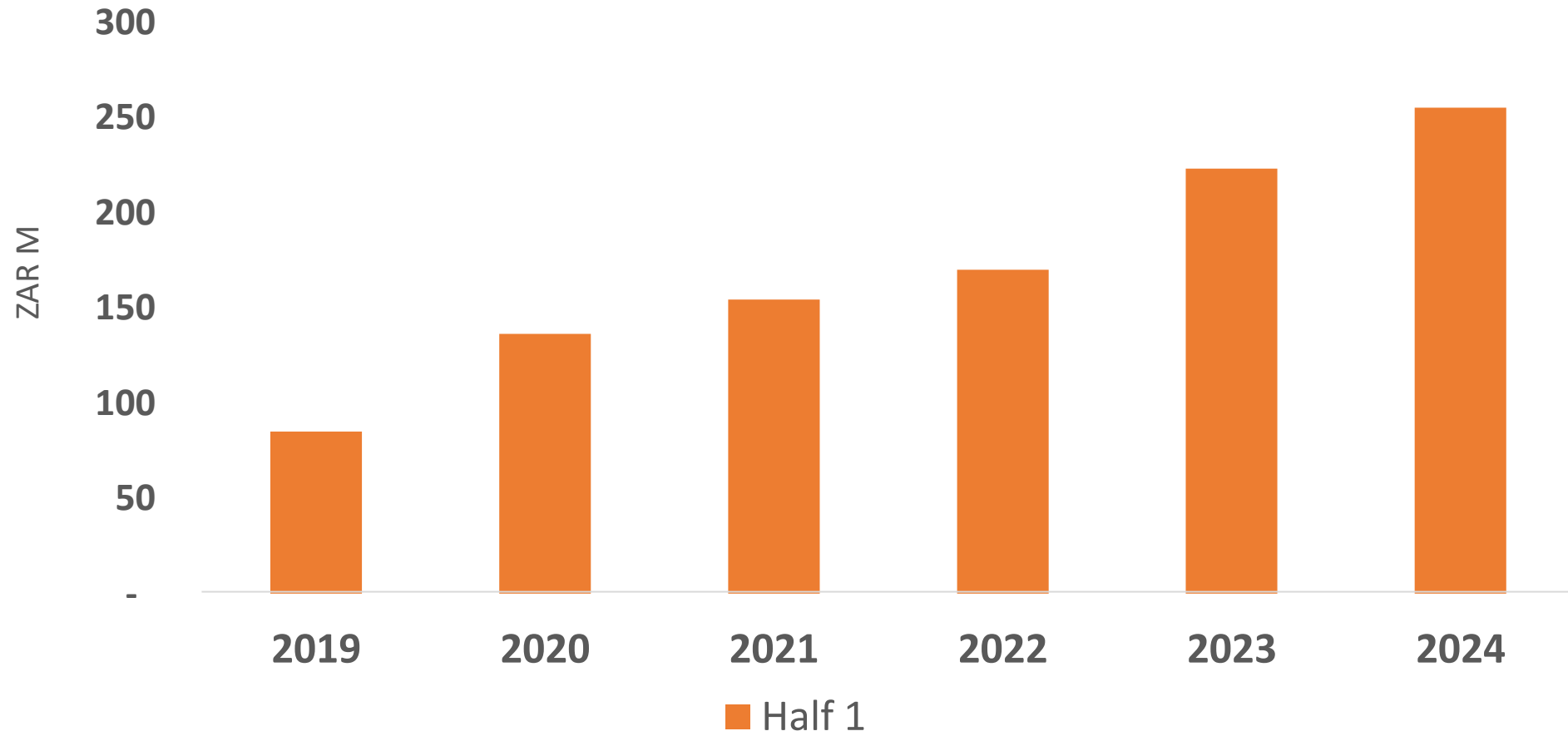
**Normalised Earnings per Share**  
(NEPS) decreased by  
**66%**  
from 22.04 cents  
to **7.56 cents**



# Group Revenue – H1



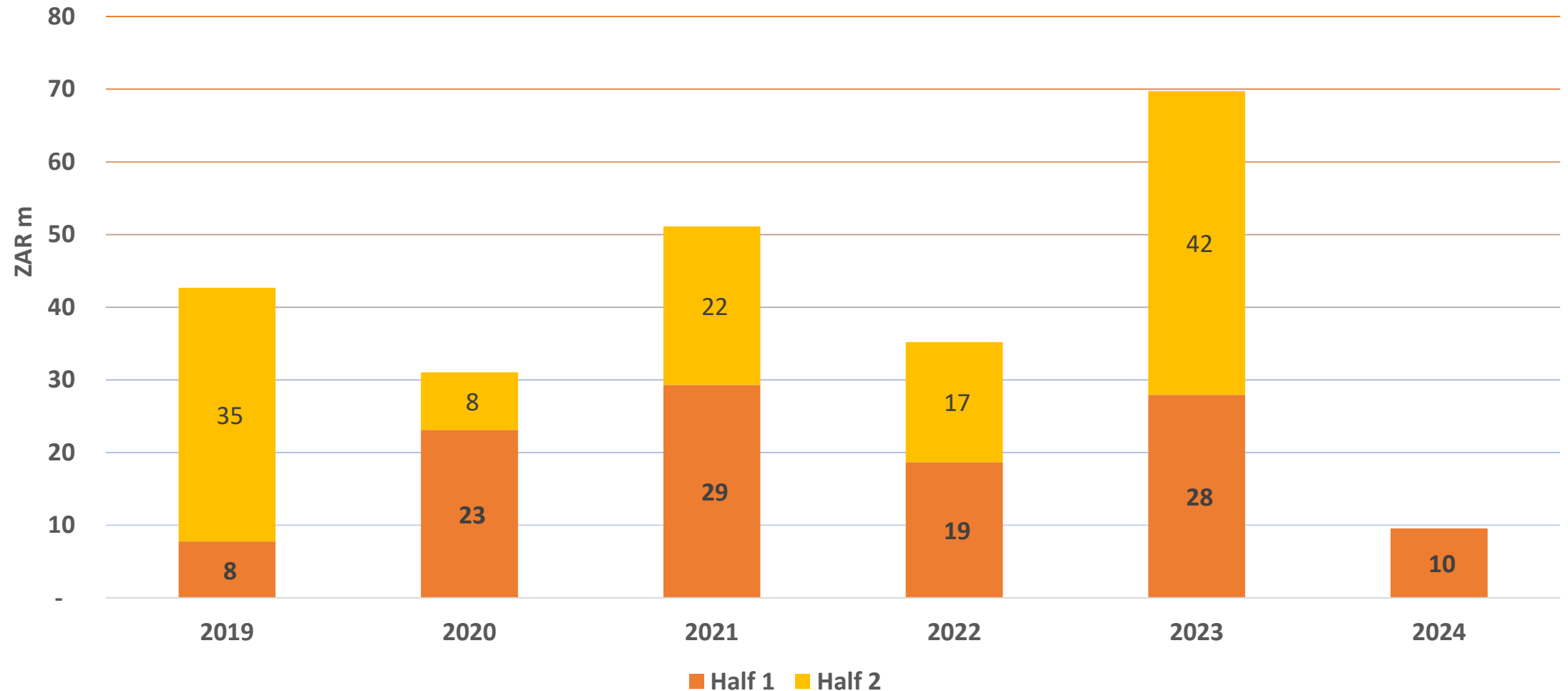
## H1 Revenue



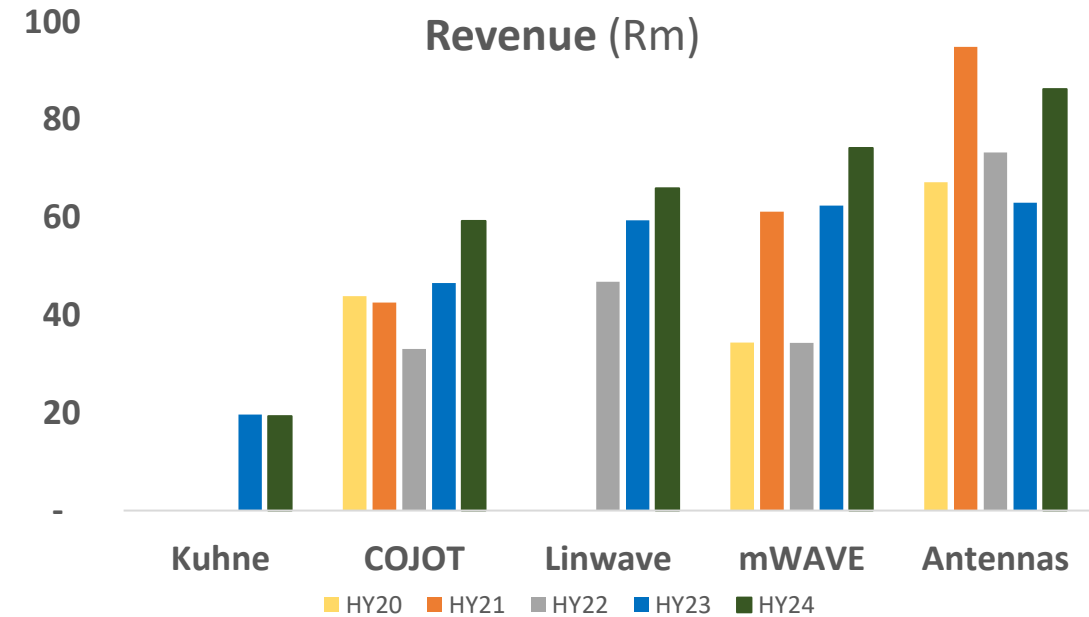
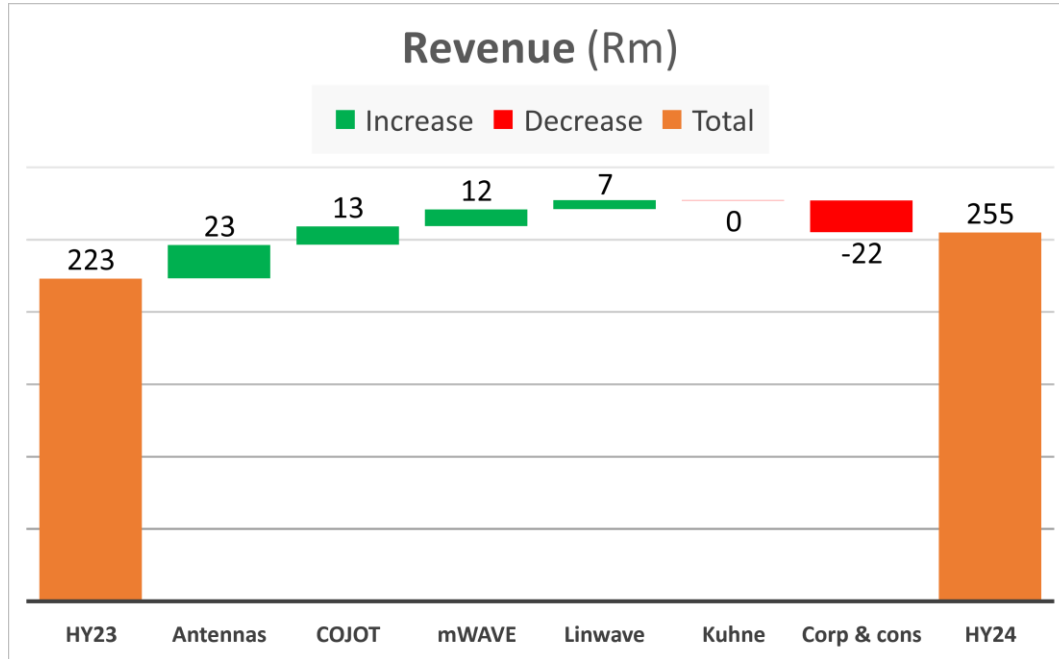
# Normalised Group PAT (Profit after tax – removing non-recurring items)



## Normalised PAT - H1 / H2

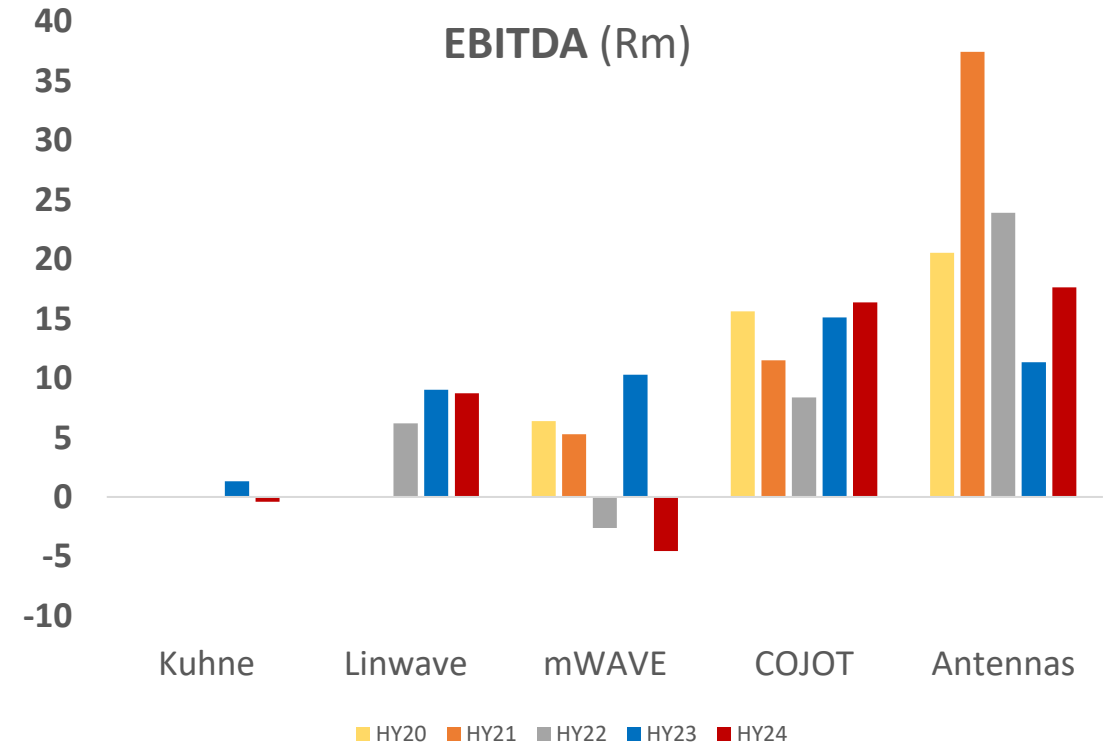
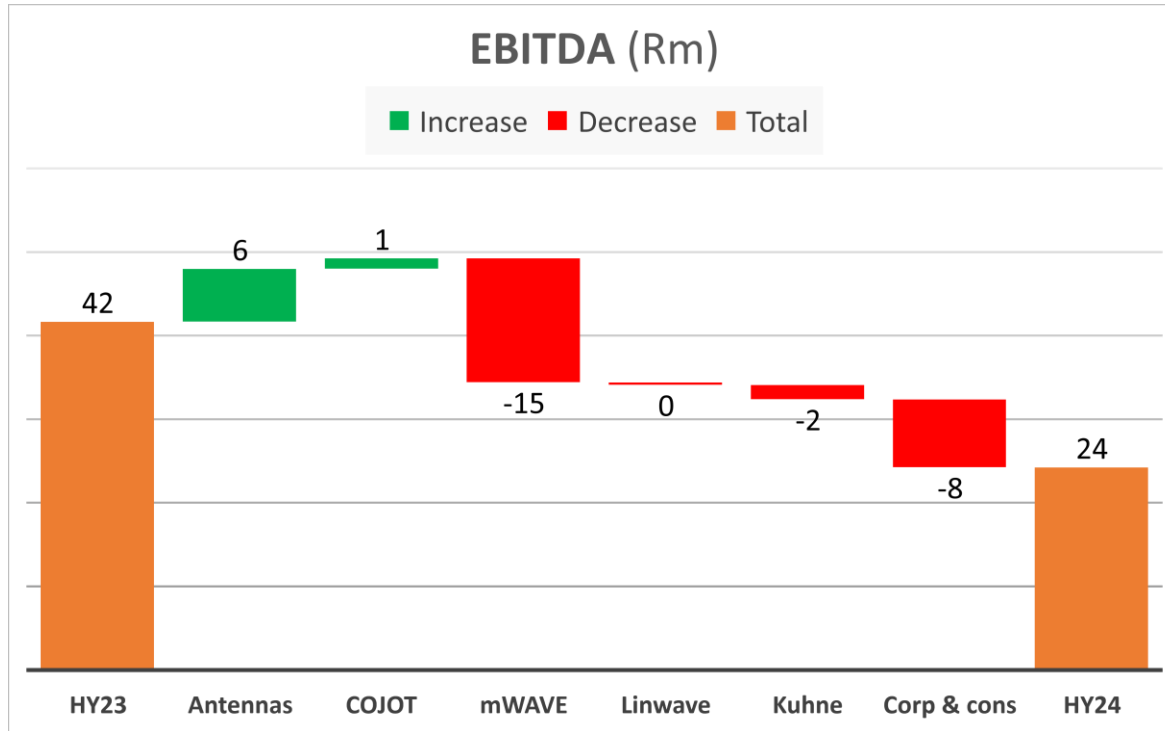


# Revenue

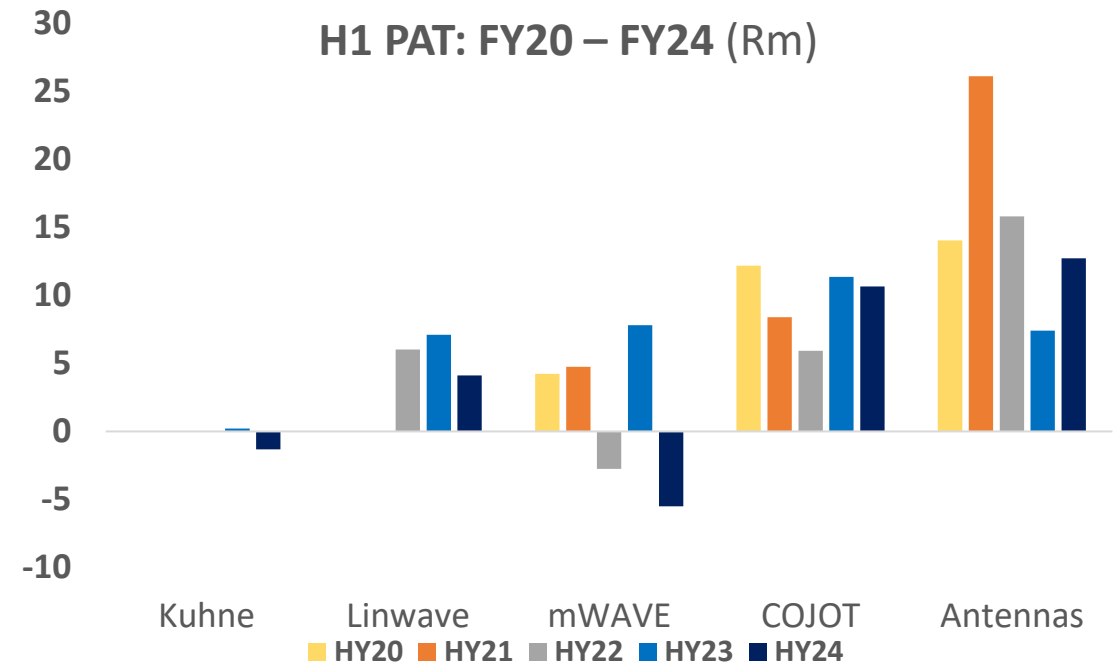
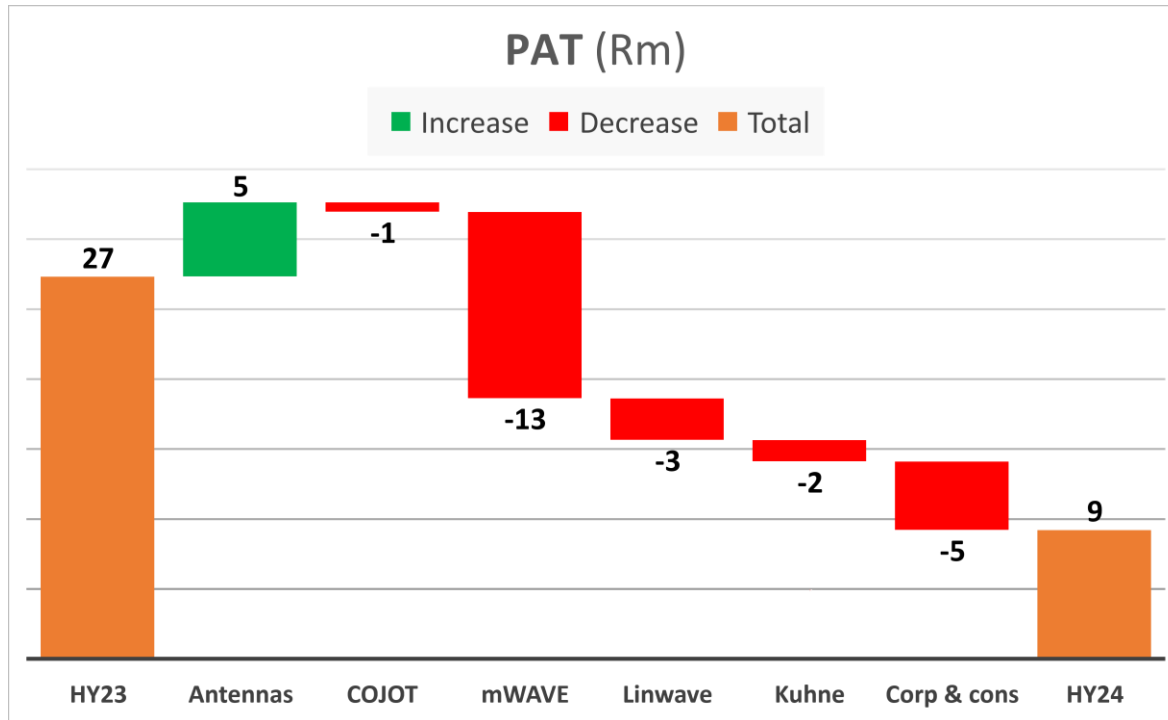


- Record revenue for the period in H1 with all sites contributing positively
- Increase in intergroup revenues continuing to reinforce the cross group selling opportunities
- Antennas reports below the FY21 high and Kuhne equal to PY. Antennas up 37% on H1 FY23
- mWAVE revenues increased 19%, however operational and growth issues resulted in losses

# EBITDA (Earnings before interest, depreciation and amortisation)



- Revenue driven uplift in gross margin offset through reduced % returns:
  - AUSA, as US reseller for the group, remained profitable whilst the manufacturing arm, mWAVE suffered operational issues that reduced the group margin by c6% overall vs H1 FY23. These issues have been structurally addressed but do serve to impact H1 and will not fully recover through H2
  - Weaker ZAR exchange rates against all major trading currencies - \$, € and £



- Antennas improvement at PAT not replicated groupwide
- Challenging first half with project execution delays through customer pushbacks and new supply issues and mWAVE losses
- H1 FY23 provisions reflected the FY22 sentiment whilst skills investments through H1 FY24 have further impacted the first half
- H2 FY24 is expected to reflect continued delays pushing activity into FY25 with the order book backlog already building

# Statement of Profit and Loss (extract)

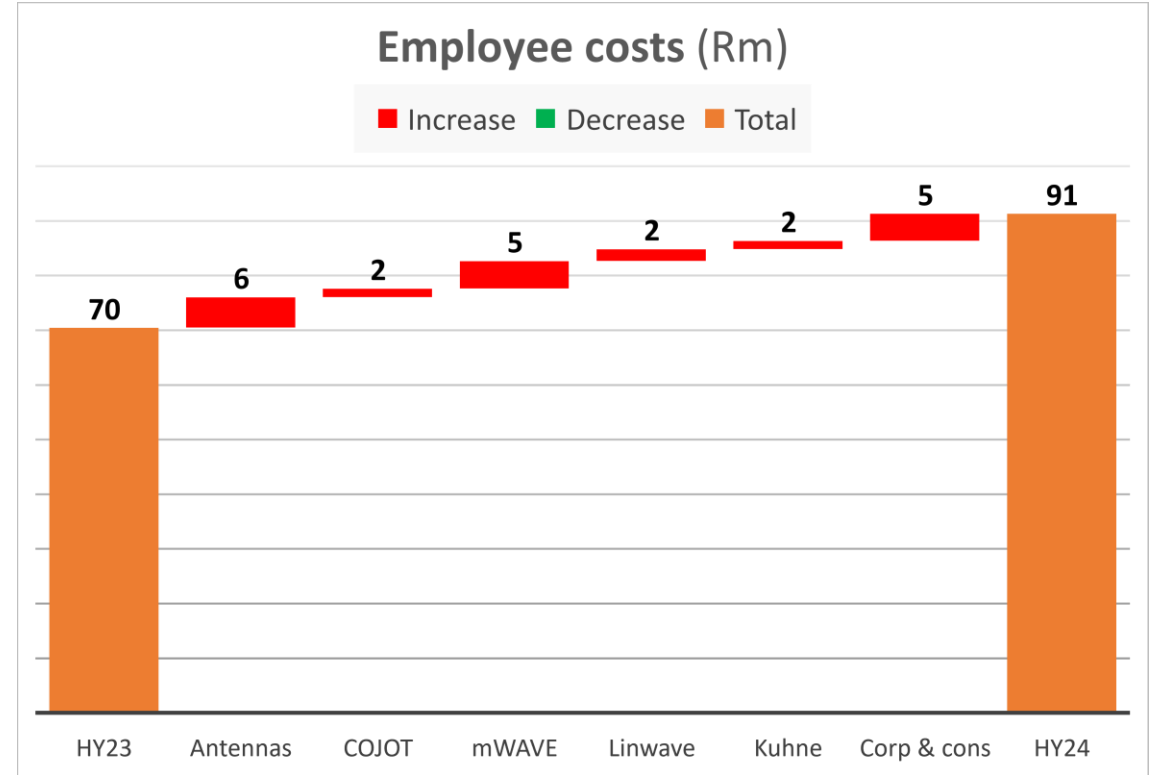
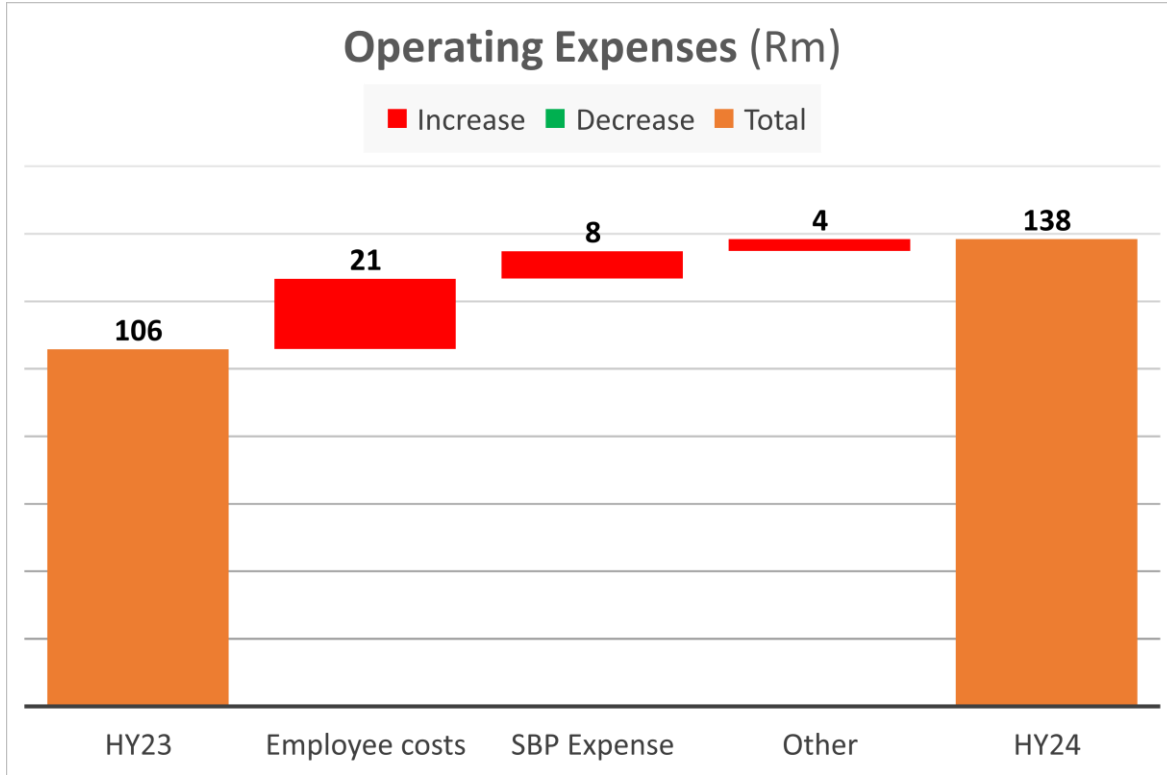


R'000	Unaudited six months ended		Audited
	Dec-23	Dec-22	June 2023
Revenue	255 058	223 192	564 377
Cost of sales	(105 798)	(86 018)	(174 636)
<b>Gross profit</b>	<b>149 260</b>	<b>137 174</b>	<b>389 741</b>
Other income	(303)	952	1 224
Operating expenses	(138 438)	(105 851)	(309 937)
<b>Trading operating profit</b>	<b>10 519</b>	<b>32 275</b>	<b>81 028</b>
Finance income	1 198	543	1 350
Finance costs	(892)	(784)	(1 346)
<b>Profit before taxation</b>	<b>10 825</b>	<b>32 034</b>	<b>81 032</b>
Taxation	(1 601)	(4 712)	(14 499)
<b>Profit for the period</b>	<b>9 224</b>	<b>27 322</b>	<b>66 533</b>
Foreign currency translation reserve	(1 197)	9 374	38 839
<b>Total comprehensive income</b>	<b>8 027</b>	<b>36 696</b>	<b>105 372</b>
Weighted average number of ordinary shares in issue	126 305 859	126 799 736	126 327 181
Weighted average number of diluted ordinary shares in issue	126 808 075	127 298 219	126 839 842
Basic earnings per ordinary share (cents)	7.30	21.55	52.67
Diluted basic earnings per ordinary share (cents)	7.27	21.46	52.45

Rm	Unaudited six months ended		Audited
	Dec 2023	Dec 2022	June 2023
Fully configured products	211	196	453
Newly developed products	44	27	111
	<b>255</b>	<b>223</b>	<b>564</b>

- Revenue increase of 14% reinforces market opportunity
- Margins reduced and profitability impacted through:
  - mWAVE commercials
  - Investment in skills
  - Accelerated recognition of costs
  - Exchange rates – weakening ZAR

# Operating Expenses



- Increased employment costs across the group addressing skills and resource shortfalls
- Successful focus on recruitment in H1 addressing key skills identified previously as a key risk to the Group
- SBP cost change reflected a low expectation in FY23 (off the back of FY22 results) – catchup H2 FY23
- Higher cost base recognised to underpin and invest in growth whilst inflationary pressures impact worldwide



# Statement of Cashflow

R'000	Unaudited six months ended		Audited
	Dec-23	Dec-22	June 2023
<b>Cash flows from operating activities</b>			
Profit before taxation	10 825	32 034	81 032
Adjusted for non-cash items	17 286	12 290	52 266
Working capital changes	7 305	(4 133)	(56 526)
<b>Cash generated from operations</b>	<b>35 416</b>	<b>40 191</b>	<b>76 772</b>
Net finance (charges)/income	552	86	429
Taxation (paid)	(13 117)	(4 811)	(14 106)
<b>Net cash generated from operating activities</b>	<b>22 851</b>	<b>35 466</b>	<b>63 095</b>
<b>Cash flows from investing activities</b>			
Assets inc Right of Use assets: Additions / Disposals	(6 117)	(4 842)	(18 130)
Acquisition of subsidiary	-	(13 248)	(13 248)
<b>Net cash flow (used in) investing activities</b>	<b>(6 117)</b>	<b>(18 090)</b>	<b>(31 378)</b>
<b>Cash flows from financing activities</b>			
(Decrease)/Increase in loans and borrowings	(682)	1 399	2 232
Shares repurchased	(129)	-	(1 928)
Net (Decrease) in treasury shares			
– Share Incentive Scheme	(6 669)	(499)	(1 257)
Payment of lease liabilities	(4 171)	(2 663)	(2 441)
<b>Net cash flow (used in) financing activities</b>	<b>(11 651)</b>	<b>(1 763)</b>	<b>(3 394)</b>
Net increase in cash and cash equivalents for the period	5 083	15 613	28 323
Cash and cash equivalents at beginning of the year	63 414	35 834	35 834
Effect of exchange rate movement on cash balances	(666)	(273)	(743)
<b>Total cash and cash equivalents at end of the period</b>	<b>67 831</b>	<b>51 174</b>	<b>63 414</b>

- Cash reserves increased to R68m
- Some pinch points seen with short-term working capital funding at specific sites, but cash forecast overall remains robust and Group position positive
- Operational cash inflow remained strong despite reduction in profitability. mWAVE remains offset by AUSA where profitability remained
- Working capital benefits from an R11m swing vs H1 FY23, whilst higher tax outflows continue to reflect FY23 record profits
- Share incentive scheme - vesting reflected in R7m outflow (net of vesting payroll taxes borne with net vesting preferred by most recipients)

# Statement of Financial Position (extract)



R'000	Unaudited six months ended		Audited
	December-23	December-22	June 2023
<b>Assets</b>			
<b>Non-Current Assets</b>			
	<b>200 367</b>	<b>168 655</b>	<b>198 404</b>
<b>Current Assets</b>			
Inventories	<b>119 313</b>	105 979	115 233
Trade and other receivables	<b>158 548</b>	99 439	16 030
Tax receivable	<b>14 471</b>	7 308	7 040
Cash and cash equivalents	<b>67 831</b>	53 408	63 414
	<b>360 163</b>	<b>266 134</b>	<b>345 717</b>
<b>Total Assets</b>	<b>560 530</b>	<b>434 789</b>	<b>544 121</b>
<b>Equity and Liabilities</b>			
<b>Total equity</b>	<b>395 432</b>	<b>307 409</b>	<b>387 551</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Loans and borrowings	<b>9 504</b>	8 437	9 876
Lease liabilities	<b>21 875</b>	11 977	12 449
Deferred tax liabilities	<b>8 889</b>	5 111	8 697
	<b>40 268</b>	<b>25 525</b>	<b>31 022</b>
<b>Current Liabilities</b>	<b>124 830</b>	<b>101 855</b>	<b>125 548</b>
<b>Total Liabilities</b>	<b>165 098</b>	<b>127 380</b>	<b>156 570</b>
<b>Total Equity and Liabilities</b>	<b>560 530</b>	<b>434 789</b>	<b>544 121</b>

- Inventory remains high as previously reported. Delayed outputs have further increased stock holding:
  - Components purchased in advance to counter supply chain shortages
  - mWave / Linwave increases with large deliveries delayed into 2024
- Non-current assets and liabilities increase - additional lease liabilities (Right of Use assets) through expansion at COJOT to accommodate growth and project confidentiality / new (extended) lease at Antennas on existing premises
  - New investment with lease extension including solar and battery power sources
- Increase in current assets and liabilities through inventory; cash; trade receivables – up 59% H1 FY24 vs H1 FY23 and payables (up 24% H1 FY24 vs H1 FY23) due to activity levels through the final months



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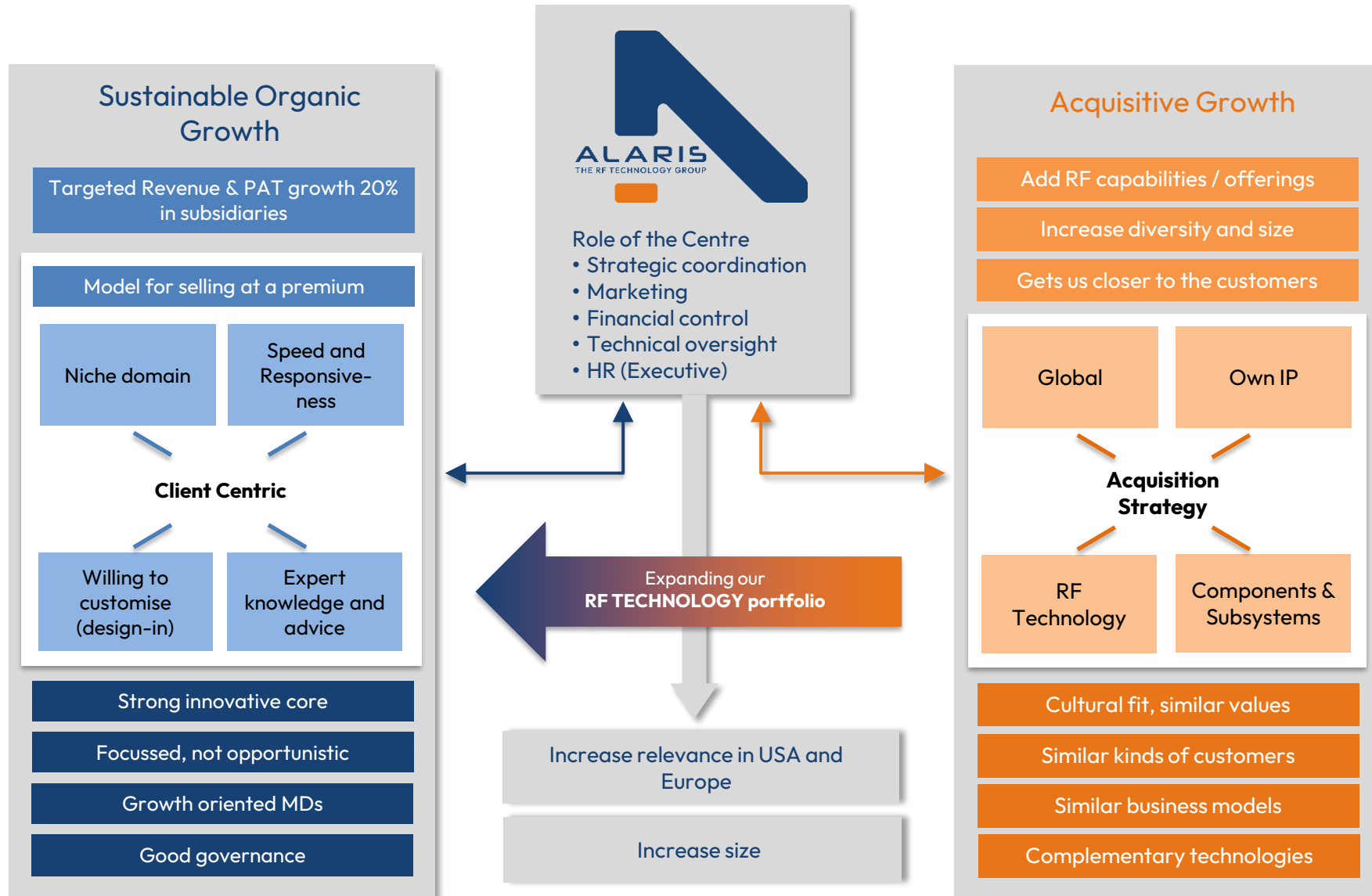


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**Strategy**

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# Value Creation Strategy



## Pushing up in the value chain

Organic growth through higher value, more sophisticated products

- **Stated strategy has been to add value by pushing products up in the value chain towards ‘systems’,**
- **Two driving forces**

### Innovation funding

Enables and accelerates the development of new strategic, integrated products.

Opens opportunities for new product types

Continues to prompt the emergence of innovative product ideas in the subsidiaries

### Alaris Group combined capabilities

Increasing number of opportunities that speak to contributions of more than one subsidiary in a project. Six significant ones at present on our tracking lists

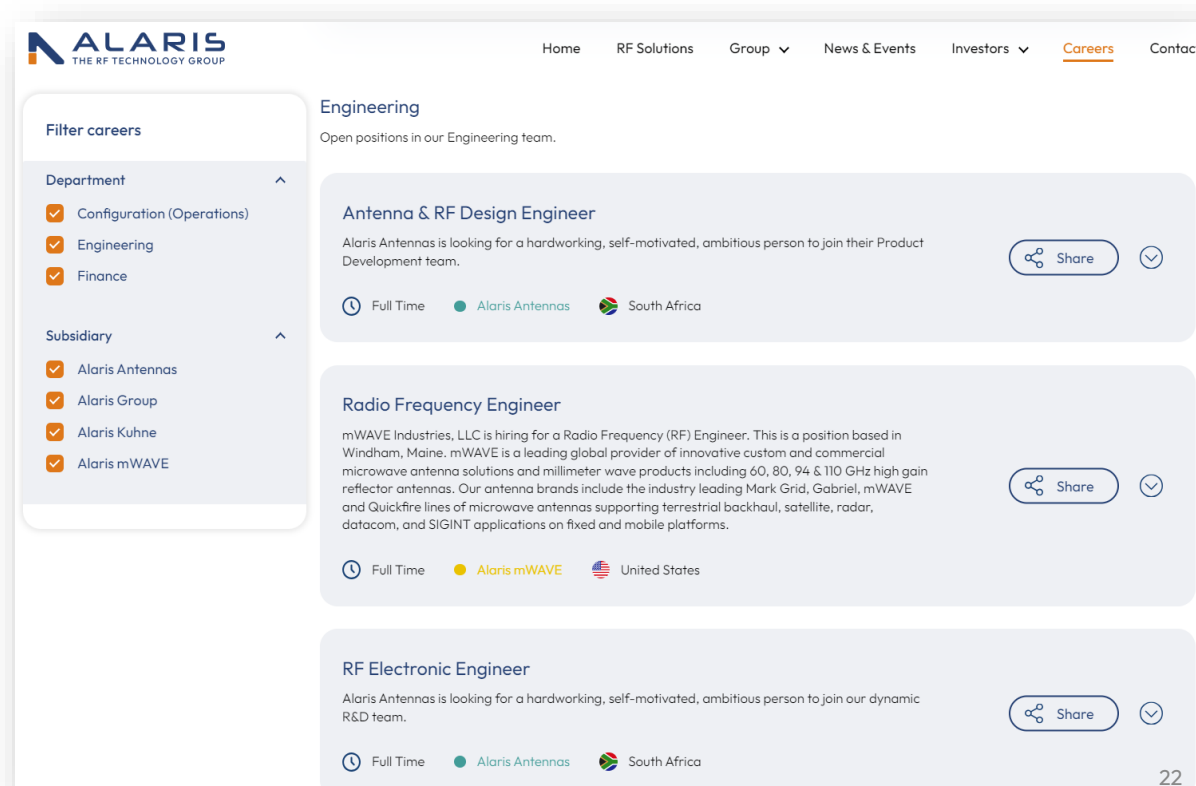
Ability to advertise and then incorporate ‘team efforts’ in responding to customers’ enquiries provides added value for the Group.

Focus on streamlining these new collaborations in the Group to ensure we remain responsive and competitive for our customers.

# Skills and capability

## Recruitment of RF/antenna engineering skills

- **Intense competition for skilled engineers in the market affecting many of the territories we operate**
- **Some focus since late 2023**
- **November 2023: 23 technical and related roles were identified as in need of filling**
- **By January 2024: 7 roles filled**
- **By April 2024: 14 roles filled**
- **Present: 9 roles remain open**
- **We continue to look to the various territories for skilled people to grow our capabilities and provide the needed scalability for the business.**



The screenshot shows the Alaris website's careers page for the Engineering department. The page is titled "Engineering" and lists three open positions:

- Antenna & RF Design Engineer**: Alaris Antennas is looking for a hardworking, self-motivated, ambitious person to join their Product Development team. Location: South Africa. Full Time.
- Radio Frequency Engineer**: mWAVE Industries, LLC is hiring for a Radio Frequency (RF) Engineer. This is a position based in Windham, Maine. mWAVE is a leading global provider of innovative custom and commercial microwave antenna solutions and millimeter wave products including 60, 80, 94 & 110 GHz high gain reflector antennas. Our antenna brands include the industry leading Mark Grid, Gabriel, mWAVE and Quickfire lines of microwave antennas supporting terrestrial backhaul, satellite, radar, datacom, and SIGINT applications on fixed and mobile platforms. Location: United States. Full Time.
- RF Electronic Engineer**: Alaris Antennas is looking for a hardworking, self-motivated, ambitious person to join our dynamic R&D team. Location: South Africa. Full Time.

The left sidebar shows filters for Department (Configuration (Operations), Engineering, Finance) and Subsidiary (Alaris Antennas, Alaris Group, Alaris Kuhne, Alaris mWAVE).



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# Interposing of a UK entity

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## Interposing of UK entity – expansion strategy

- Alaris continues to work with the South African authorities to achieve our goals.
- It remains a key part of the Group's strategy.







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**In Closing**

## Outlook



- Activities in global markets picked up considerably during this past year.
- The second half of FY24 has a positive outlook with a solid order book.
- Execution of product development and production will be monitored closely to ensure timely delivery by FY end.
- Orders spanning over multiple years have been secured, adding to the backlog of orders for FY25 which have been confirmed already. A strong order book is developing for FY25.
- Continuous focus is placed on the interposing of the company into a UK entity.
- Emphasis remains on providing new, higher value technology offerings and moving up the value chain.



QUESTIONS  
&  
ANSWERS

Thank you for your attendance