

## Adapt IT still striving for growth, despite tough trading environment

### *Diversification strategy provides resilience*

- **Revenue** increased by 10% to R721million
- **EBITDA\*\*** remained level at R106 million
- **Cash generated from operations\*\*** was R51 million
- **Normalised HEPS\*\*** down 10% to 31,18 cents

All comparative figures are restated as per the restatements disclosed in 30 June 2019 Integrated Annual Report

\*\*before the impact of adopting IFRS 16, like for like operating and cash performance

Johannesburg, 24 February 2020 – JSE-listed Adapt IT, which provides specialised software and digitally-led business solutions to the education, manufacturing, financial services, energy, communications and hospitality sectors, today announced interim results for the six months ended 31 December 2019.

“Adapt IT achieved a 10% growth in revenue to R721 million (2018: R657 million) in the interim results, aided by the contribution from strategic acquisitions made in the previous financial year whilst weaker trading conditions in South Africa continued to weigh on the organic growth for some divisions reliant on Adapt IT’s primary market.” said Adapt IT CEO, Sbu Shabalala.

The acquisitions contributed a positive 11% to revenue growth from the contributions of Strive Software for two months, Conor Solutions for six months and Wisenet group for six months and created additional geographic diversification of revenue. Adapt IT strengthened its Pan African footprint, resulting in this region contributing 16% (2018: 14%) to revenue with a heightened presence in East Africa. Asia Pacific contributed 8% (2018: 6%) strengthened by the acquisition of the Australian-based Wisenet group. As a result of this diversification strategy, international revenue for the six months improved to 27% (2018: 22%).

Shabalala adds: “Weaker trading conditions in South Africa persisted affecting some of the operating segments, most notably the Hospitality segment which saw revenue dropping 6% and EBITDA reducing by R13m. Annuity revenue improved to a healthy 60% (2018: 58%), aiding the businesses in defending the underlying revenue to remain static at -1% (2018: 0%) organic growth.”

Earnings before interest, tax, depreciation and amortisation (EBITDA) remained flat at R106 million impacted by Hospitality segment underperformance. The EBITDA margin, whilst still high for the sector, was under pressure and declined from 16% to 15%.

Once-off impacts on earnings included a negative foreign exchange movement of R1,2 million and a net increase in loss allowances of R3,6 million pursuant to the adoption of IFRS 9.

Cash generated from operations in the six month period was R51m\*\* (2018: R54 million). Net gearing is at 66% being net interest bearing borrowings of R464m (2018: R309 million) resulting in an increase of R10,4 million in interest paid to lenders. Whilst this is higher than the preferred target gearing of 50%, owing to a planned capital raise that did not proceed due to the decline in the share price, the debt remains serviceable by the business.

EPS\*\* and HEPS\*\* decreased by 22% and 23% to 19,18 cents and 18,93 cents, respectively. Normalised HEPS\*\* decreased by 10% to 31,18 cents impacted by the weaker operational performance and the increase in finance costs.

#### Prospects

“The South African market remains challenging, however, Adapt IT continues to focus on leveraging its underlying diversification to offer more value to the current client base more effectively, focusing on sales in a cohesive manner, driving efficiencies and carefully expanding on the Pan Africa and Asia Pacific diversification strategy. Whilst a review of the company’s capital structure is underway, the Board took a decision not to declare a dividend.” concluded Shabalala.

- ENDS -

#### NOTE TO EDITORS

Adapt IT strategic priorities:

1. Generate above industry organic growth
2. Develop strategic consulting capability
3. Pursue geographic diversification
4. Enhance organisational culture
5. Strategic acquisitions
6. Improve operating structures

#### About Adapt IT

Adapt IT is a provider of leading specialised software and digitally-led business solutions that assist clients across the targeted industries to Achieve more by improving their Customer Experience, Core Business Operations, Business Administration, Enterprise Resource Planning and Public Service Delivery. For more information, visit: [www.adaptit.com](http://www.adaptit.com)



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