# Adapt IT shows resilience in a tough climate

***Diversification, strong cash generation and a reduction in debt provide resilience***

- Cash generated from operations improved by 39% to R382 million
- Net gearing ratio down to 17% from 45%
- Revenue increased by 1% to R1,5 billion
- EBITDA before corporate activity costs and bonus* improved by 4% to R309 million
- EBITDA down 10% to R267m
- Earnings per share (EPS) down 2% to 50 cents
- Normalised HEPS up 6% to 82 cents
- Level 1 B-BBEE retained

*on a like for like basis with the prior year as no bonus was paid in FY20

**Johannesburg, 28 September 2021** – JSE-listed Adapt IT, which provides specialised software and digitally-led business solutions to over 10,000 customers in 55 countries in the Education, Manufacturing, Financial Services, Energy, Communications and Hospitality sectors, today announced results for the financial year ended 30 June 2021.

**Financial performance**

Revenue increased by 1% to R1,503 billion (2020: R1,483 billion), comprising muted organic growth of 1%. The sector and geographic diversification had served the company well as some divisions had outperformed while others had been affected by the Covid-19 pandemic. Segment contributions to revenue were as follows:

- The Education division delivered excellent revenue growth of 27% compared to the prior period. This was driven primarily by increased demand for eLearning solutions. The division contributed 20% to total revenue and delivered Earnings before interest, tax, depreciation and amortisation (EBITDA) margin of 17% (2020: 20%).
- The Manufacturing division delivered revenue similar to the prior period. However, it has significantly improved its EBITDA margin to 23% (2020: 16%) as a result of improved operational efficiencies. The division contributed 17% to total revenue.
- The Financial Services division achieved revenue growth of 7%, contributing 22% to total revenue, with an EBITDA margin of 23% (2020: 24%).
- The Energy division experienced a decrease in revenue of 46%, contributing just 4% to total revenue. This is mainly due to the decrease in project-based revenue as a result of projects being postponed or cancelled and the inability of Adapt IT's personnel to be onsite. This negatively impacted this division and resulted in a slower recovery. The EBITDA margin was -4% (2020: 12%), with further operational efficiency projects currently underway. Business development capability will be maintained to drive the sales pipeline.
- The Communications division's revenue declined by 3% due to attrition in this team impacting project delivery. It achieved an EBITDA margin of 26% (2020: 34%) and contributed 20% to total revenue.
- The Hospitality division was impacted by the measures implemented by the government in response to the Covid-19 pandemic in this industry and consequently, revenue declined by 3%. EBITDA margin improved considerably to 11% (2020: 8%) due to the operational efficiencies put in place by the company in response to the Covid-19 pandemic. The division contributed 17% to total revenue.

International revenue contribution was 24%, of which 14% was from 38 African countries outside South Africa and 8% was from Asia Pacific, Europe and the Americas contributed 2%. The annuity revenue ratio increased on the previous reporting period to 66% (2020: 62%).

EBITDA before corporate activity costs and bonus paid (on a like for like basis with the prior period) improved by 4% to R309 million. (2020: R297 million). The restructuring of certain divisions in the prior period through operational efficiency projects, which were precipitated by permanent changes to the market, has delivered increased profitability off lower revenue bases. The group had been highly defensive on cost and liquidity management and was pleased with the EBITDA margin before corporate activity costs and bonus paid (on a like for like basis with the prior period) improving to 21% (2020: 20%), and EBITDA at 18% (2020: 20%).

EPS reduced by 2% to 50 cents and normalised HEPS grew 6% to 82 cents.

Cash generated from operations was R382 million (2020: R274 million) representing a cash conversion ratio of 2,25 times. Stringent focus was placed on working capital management and cost control and this focus will remain going forward.

**Debt reduction**

Net gearing was reduced to 17% from 45%. This was a result of the strong cash generation and the ability of the business to service and reduce its debt with operating cash flows. All debt covenants were met at 30 June 2021. The board has prioritised the reduction of borrowings and has remained prudent in preserving cash during these unprecedented times.

**The year in review**

Apart from Covid-19, the weak economy and the impact of the social unrest which have affected many South African businesses, the past eight months have seen Adapt IT face two corporate activities and a change of CEO. The unsolicited Huge Group share swap offer closed with 1,9% of Adapt IT shareholders having accepted it. Huge subsequently disposed of all these shares. On 30 June 2021, the shareholder vote in favour of the Volaris deal was carried at 87%. There are several conditions precedent which remain to be fulfilled and the deal is now in the final regulatory approval processes which are expected to be implemented in December 2021.

**B-BBEE Transformation**

Adapt IT maintained its Level 1 B-BBEE contributor status.

"Adapt IT has long been committed to transformation as a social and a strategic imperative. We are pleased Volaris is aligned with us and supportive that we maintain our high level of transformation going forward," said Tiffany Dunsdon, CEO of Adapt IT.

**Impact of Covid-19**

The year was dominated by global macroeconomic challenges and the Covid-19 pandemic, Adapt IT again proved to be highly resilient, through its sound underlying business model of providing mission-critical software to its clients on a long-term basis.

The key focus of managing the impact of the Covid-19 pandemic on the business was ensuring employee safety, providing continuous service to customers, supporting clients who were hardest hit by the pandemic and the civil unrest, and managing cash flow stringently to ensure no liquidity squeeze.

"The response of our people to these ongoing difficult circumstances has been outstanding, with continuous service delivery to our customers. The already advanced state of our migration to Cloud platforms was a significant enabler of our success, but the attitude of our people was the key success factor. We were delighted with the improved results of our annual independent employee engagement survey," said Dunsdon.

**Prospects**

"Adapt IT continues to take advantage of its underlying diversification. This is done by assisting the current client base more effectively as well as cross-selling and carefully expanding on the Pan Africa and the Asia Pacific strategy. With our debt level significantly reduced from two years ago, we are also ready to resume our acquisitive strategy," concluded Dunsdon.

**– ENDS –**

**NOTE TO EDITORS**

## About Adapt IT

The Adapt IT Holdings Limited group is Johannesburg Stock Exchange (JSE) listed and a Level 1 Broad-Based Black Economic Empowerment (B-BBEE) contributor that provides 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.

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