

INTERIM RESULTS PRESENTATION
FOR THE SIX MONTHS ENDED 31 DECEMBER

2020

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BUSINESS OVERVIEW



ABOUT ADAPT IT



1 077 employees

53 Countries served worldwide

10 000+ customers

Level 1 B-BBEE contributor

National offices: Johannesburg, Durban, Cape Town

International offices: Mauritius, Australia, Botswana, Singapore, Ireland, Kenya, Nigeria and New Zealand

Strategic Partners: SAP™ | Oracle™ | Microsoft™ | IBM™ | Moodle™ | Amazon Web Services (AWS)

DIRECTORATE



NON-EXECUTIVE DIRECTORS



**CRAIG
CHAMBERS**



**OLIVER
FORTUIN**



**CATHERINE
KOFFMAN**



**ZIPHO
NYANGA**

CFA, PDM, BCom

Independent
Chairman

Appointed
3 May 2011

Chairperson
Nominations Committee

Member
Remuneration Committee

MBA

Lead Independent
Director

Appointed
8 February 2013

Chairperson
Social and Ethics Committee

Member
Audit and Risk Committee

**BA, LLB, LLM Admitted
Attorney**

Independent
Director

Appointed
9 February 2015

Chairperson
Remuneration Committee

Member
Audit and Risk Committee
Nominations Committee
Social and Ethics Committee

CA (SA), GDP

Independent
Director

Appointed
27 May 2019

Chairperson
Audit and Risk Committee

Member
Remuneration Committee
Nominations Committee
Social and Ethics Committee

EXECUTIVE DIRECTORS



**SIBUSISO (SBU)
SHABALALA**

BCom

Chief Executive
Officer

Appointed
5 December 2007



**TIFFANY
DUNSDON**

CA (SA)

Chief Commercial
Officer

Appointed
18 April 2002



**NOMBALI
MBAMBO**

CA (SA)

Chief Financial
Officer

Appointed
18 August 2016

SECTOR FOCUS



EDUCATION

SOFTWARE SOLUTIONS

- Student Lifecycle Management
- Campus Administration
- eLearning
- Compliance Training
- Timetabling Solutions
- Corporate Training

Education's student management solutions allows the team to solve complex problems for the Higher Education (HE) and Technical Vocational Education and Training (TVET) sectors.

The division assists students, institutional administrators, lecturers and management, to effectively manage the entire student lifecycle through customised solutions including, financial management, timetabling, human capital and resource management efficiencies.



MANUFACTURING

SOFTWARE SOLUTIONS

- Resource Management
- Logistics Management
- Anti-Fraud
- Safety and Maintenance
- Operations Management
- Shift Management

Manufacturing solutions improve the safety, compliance and efficiency of maintenance activities through - permit to work, operational risk and energy isolation management software.

Within the sugar industry, the division provides ongoing support and maintenance of custom-built ERP's, warehousing and management systems. The division also has cost-effective business management tools that provide control, enforce compliance and automate tedious processes.



FINANCIAL SERVICES

SOFTWARE SOLUTIONS

- Financial Statements
- Auditing Solutions
- Regulatory Technology Solutions
- All-in-one Tax Solution
- Secretarial Management
- Time and Billing

Financial services solutions automate the production of financial statements, and streamline assurance engagements, practice management, secretarial work and tax management.

The division ensures that finance professionals are equipped with innovative software that is compliant with all country specific disclosure requirements.

SECTOR FOCUS



ENERGY

SOFTWARE SOLUTIONS

- A full spectrum SAP™ Partner
- Oil & Gas Business Management Solution
- Advanced Human Capital Management and Payroll
- Terminal Automation and Control Solutions
- Infrastructure and Applications for Fuel Marketers
- Advanced Planning, Transport and Distribution
- Fuel POS Technology, Software and Retail Automation



COMMUNICATIONS

SOFTWARE SOLUTIONS

- Customer Experience & Mobility
- Advanced Analytics
- Next-Gen VAS & Internet of Things (IoT)
- Fraud Prevention
- Fintech
- Data Management



HOSPITALITY

SOFTWARE SOLUTIONS

- On-premise and Cloud Restaurant Management Solutions
- Cloud and Mobile Restaurant POS Platform
- Hotel Management System
- Enterprise platform for Hotel Operations and Distribution

Energy's Supply Chain professionals design, implement and support SAP and leading supply chain solutions within the Oil and Gas sector.

The division's solutions seamlessly integrate between ERP, Terminal Automation and Management, Fleet Management and Routing, Warehousing and Fuel Retail Network Management.

Communication's provides products and solutions across an MNO's Core Network, from Next-Gen Value Added Services through to Data Analytics and IoT Management. The divisions solutions are cloud and security ready, dynamic and flexible with our modules able to operate independently or harmoniously with other third-party solutions.

The technology expense solutions provide customers with strategic insight and recommendations on their technology and vendor spend and integrate disparate financial data to improve budgeting and forecasting year on year.

Hospitality's team offers cloud and on-premise food and beverage and hospitality solutions, that improve control through offering a single view into multi-site, multi-concept and varying locations.

The divisions stable technology platform enables clients to utilise reporting to see what is happening at each location, further providing support for delivery as well as user revenue-generating options.

PERIOD REVIEW



COVID-19 UPDATES

THE IMPACT OF COVID-19 ON ADAPT IT

Adapt IT continues to be affected by the impact of the Covid-19 pandemic, the aftereffects of which will be felt globally well into the future. Our divisions continue to pursue recovery and long-term sustainability in a challenging environment.

Project delays and the inability of Adapt IT to be on site negatively impacted several divisions, most specifically the **Energy division**, which is facing a slower recovery as a result of projects being postponed or cancelled in the market. All divisions have delivered ongoing value add to clients throughout the period, with **some divisions showing improved performance compared to the pre Covid-19 environment**.

RESPONSE PLAN

The Adapt IT Covid-19 project management office continues to manage the impact of the pandemic:

- **Finance Tracking**
 - **Risk Monitoring**
 - **Operations**
 - **Employee Engagement**
 - **Customer Engagement**
 - **Innovation and Response Hub**
- **Real time risk management** remains a primary focus across the company's divisions.

ACTIONS TAKEN

-  **Office re-mobilisation** – Adapt IT offices have been prepared for a phased return of employees, with safety measures in place to mitigate the risk of exposure.
-  **Team downsizing** – where permanent market contraction has been experienced (e.g. Hospitality division), downsizing was applied to the team.
-  **Retrenched employee support** – where downsizing was required, retrenched employees received ex gratia payments above the minimum, in addition to severance pay and extended medical aid cover.
-  **Company policies** – policies have been adjusted to accommodate necessary changes, including flexible work hours.
-  **Employee Wellness** – a confidential helpline is available to all employees and their immediate family members.
-  **Hygiene** – the recommended hygiene protocols have been put in place at the all offices, including temperature monitoring, sanitising stations, card access etc.
-  **Communication** – there has been increased employee and customer engagement to provide business updates as well as general encouragement.

KEY BUSINESS UPDATES

PROGRESS MADE

Adapt IT has successfully navigated the reporting period despite the challenging economic and social environment present in the marketplaces it serves. This was achieved primarily by safeguarding the **wellbeing of employees**, driving the company's **value-based culture**, **restructuring** divisions where the market had permanently shifted, and **providing best practice** and support where required.



Cash generation has been a priority and concerted efforts have resulted in a significant improvement in cash generated and the consequent reduction in net debt levels. This was achieved by providing central support to the divisions in terms of debt collection measures and related best practices.



The **restructuring** of key divisions, which was precipitated by permanent changes to the market, has delivered increased profitability off lower revenues and the divisions are now stable and poised for growth.



Growth remains Adapt IT's **primary objective** and sustained effort is made to ensure that the company's market approach is aligned to areas of opportunity that have been identified for further growth.



Significant emphasis is being placed on **identifying and investing into strategic growth initiatives**. This includes identifying and supporting new startups and internal green shoot projects, leveraging Adapt IT's significant client base.



Innovation and product development remain key priorities. Beyond this, the company continues to drive expansion into new geographies and to build its portfolio of offerings to the industries it serves.

Adapt IT's strategy is to create sustainable long-term shareholder value by providing specialised software and digitally-led business solutions.

DEBT REDUCTION

The group has been focused on cost reduction and containment, as well as strict cash and working capital management. Consequently the **net debt level has reduced significantly by R140 million** from R464 million to R324 million. Cash balances were up **93%** to **R142 million**.



Net gearing was down by 38% to **42,40%** reduced from **68,58%** and all debt covenants were met as at 31 December 2020.



Cash generated from operations was **R124 million**, up from **R74 million** in 2019, representing a **cash conversion ratio of 1,55 times**.



The board has **prioritised the reduction of borrowings** and has **remained prudent in preserving cash** during these unprecedented times.



LEVEL 1 B-BBEE CONTRIBUTOR

SCORECARD	TARGET SCORE	2020 Actual Level 1
Ownership	25	20,07
Management & Control	23	16,74
Skills Development	25	12,82
Enterprise Development	55	54,00
Socio-Economic Development	12	12,00
OVERALL SCORE	140	115,63

Through Adapt IT (Pty) Ltd's contribution to the Youth Employment Service ("YES") Programme, the company has achieved its Level 1 B-BBEE status and continues to focus on maintaining a Level 1 B-BBEE score.

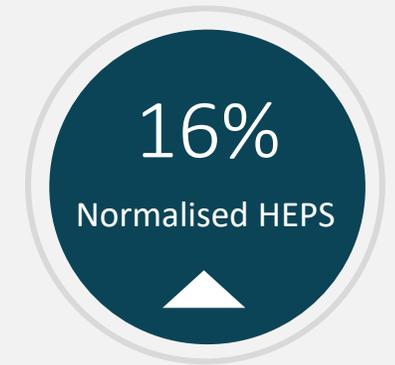
FINANCIAL RESULTS



INTERIM RESULTS 31 DECEMBER 2020



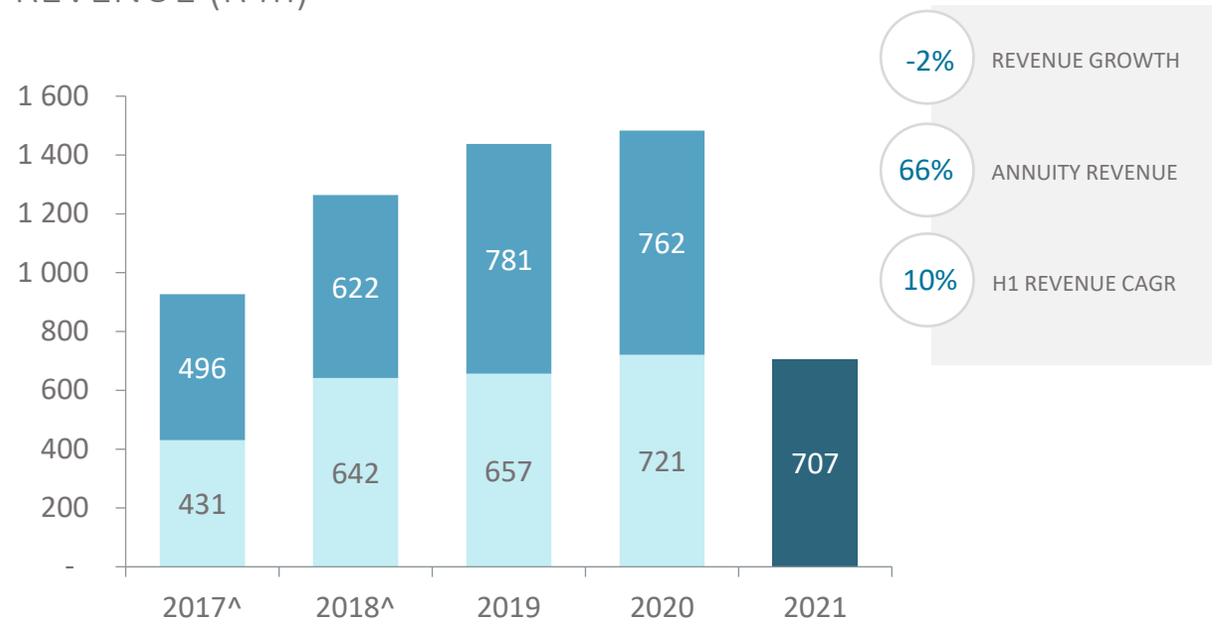
FINANCIAL HIGHLIGHTS



ADI 5 YEAR REVIEW

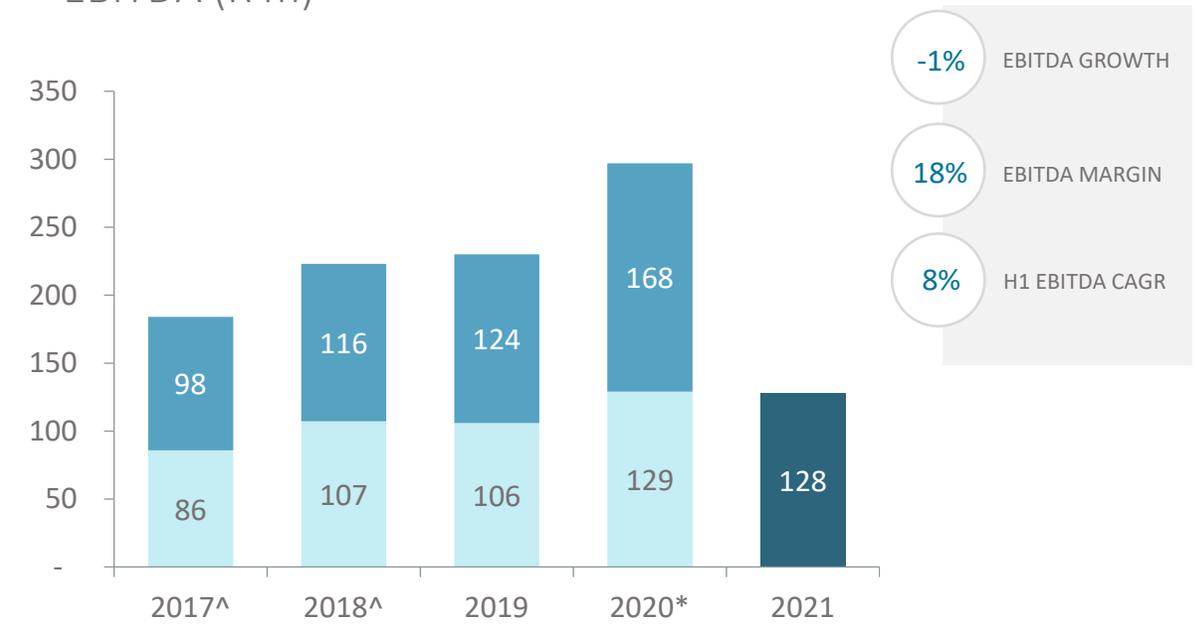


REVENUE (R'm)



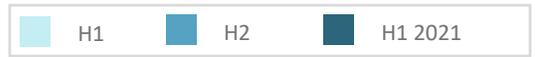
- 2% REVENUE GROWTH
- 66% ANNUITY REVENUE
- 10% H1 REVENUE CAGR

EBITDA (R'm)

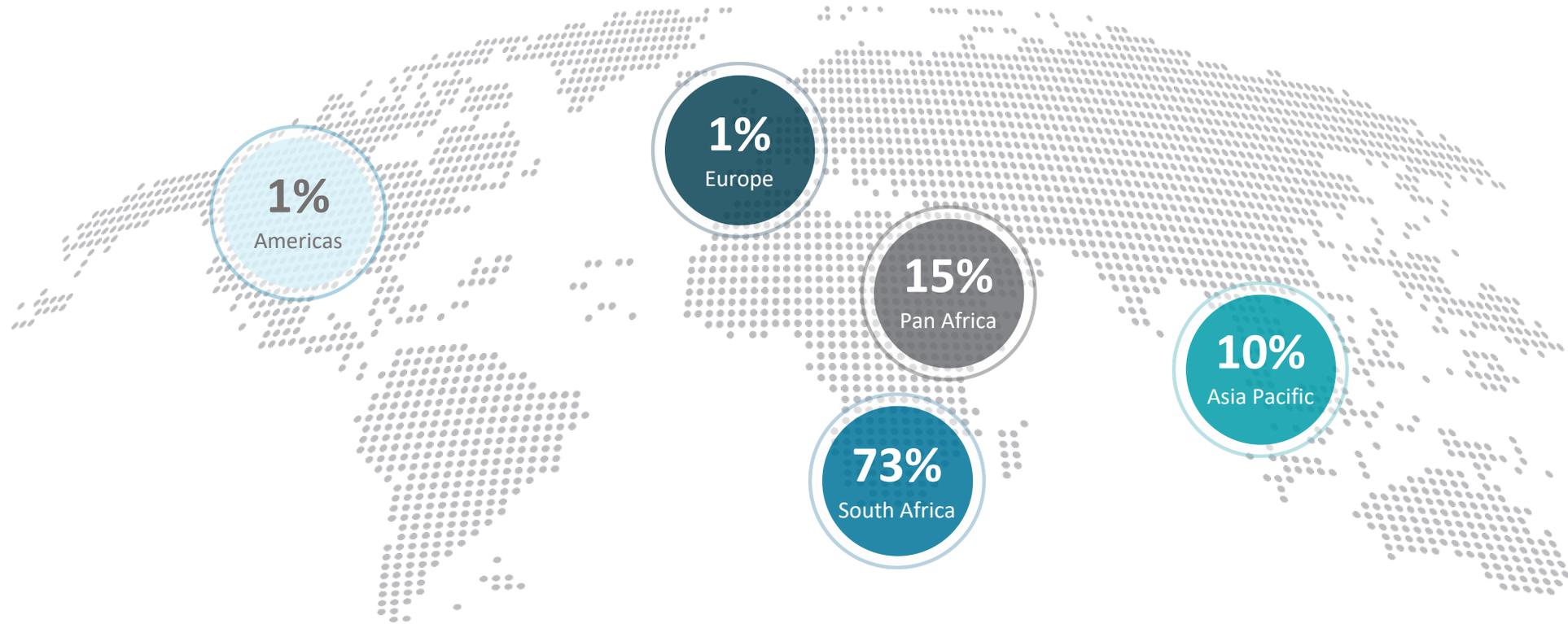


- 1% EBITDA GROWTH
- 18% EBITDA MARGIN
- 8% H1 EBITDA CAGR

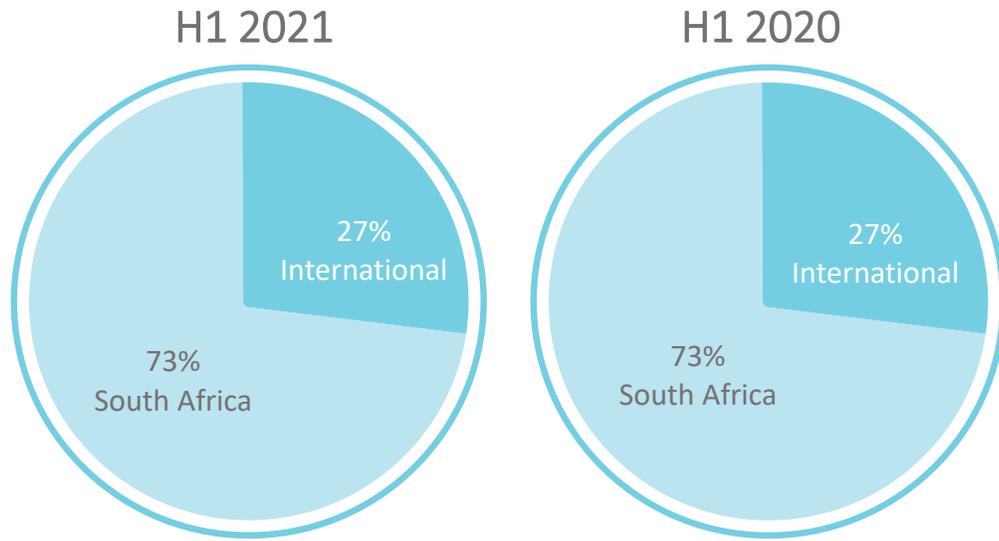
[^] From continuing operations
^{*} Restated



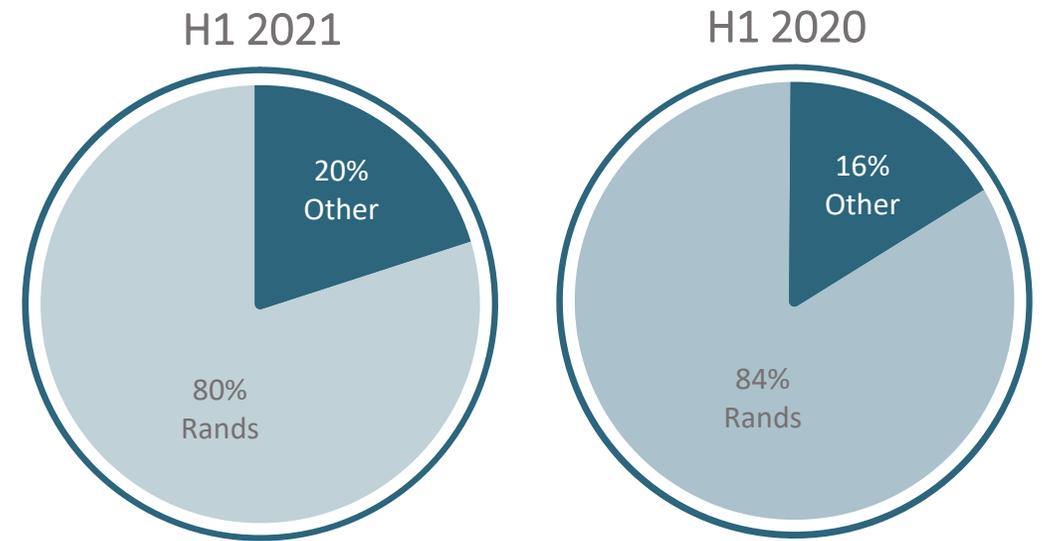
GEOGRAPHIC REVENUE DIVERSIFICATION



REVENUE DIVERSIFICATION



GEOGRAPHY



CURRENCY

Adapt IT has selected specific markets for diversification where it has realised success, these being the Pan African market contributing 15% to revenue from 32 other African countries and Asia Pacific markets contributing 10% revenue and 2% from other markets.

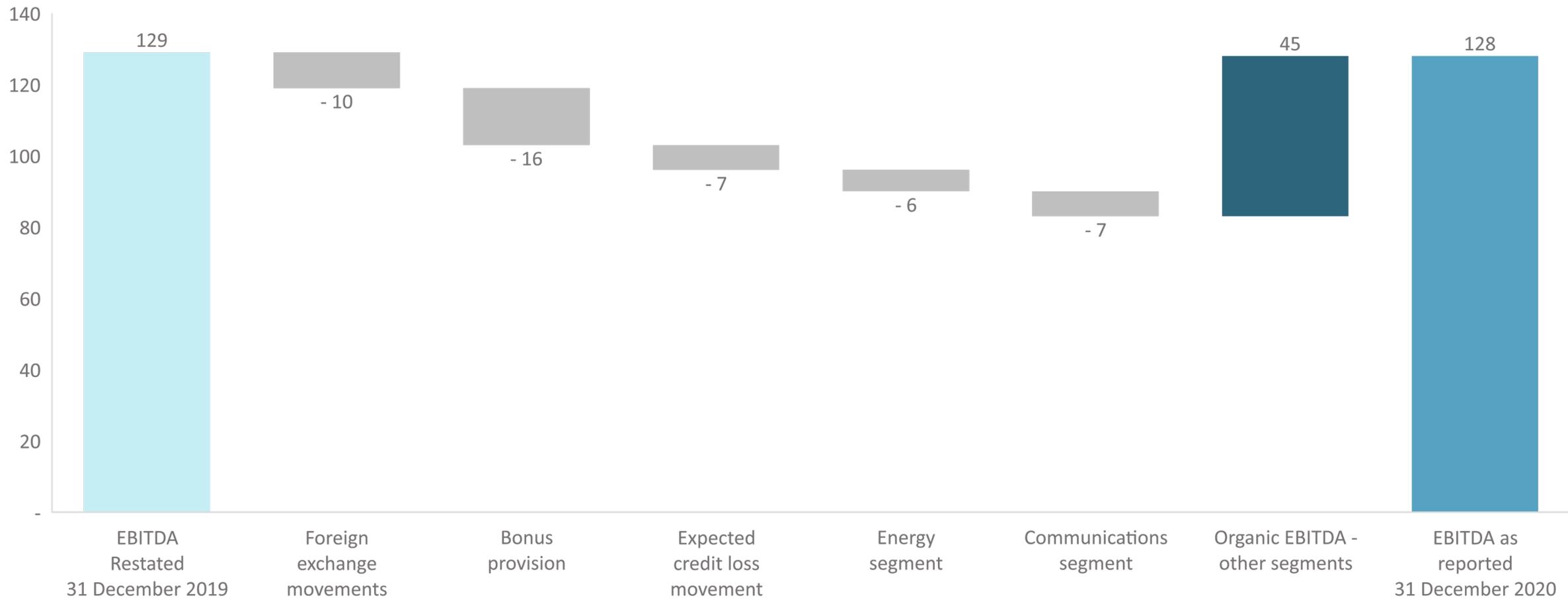
ADI ABRIDGED CONSOLIDATED STATEMENTS

COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 Dec 2020 R'000	Unaudited 6 months ended 31 Dec 2019* R'000	Unaudited year-ended 30 June 2020 R'000	Period on period % Change
Revenue	707 394	721 249	1 483 347	(2)
Cost of sales	(321 117)	(318 019)	(661 285)	1
Gross profit	386 277	403 230	822 062	(4)
Operating expenses	(258 595)	(274 041)	(524 798)	(6)
EBITDA	127 682	129 189	297 264	(1)
Depreciation and amortisation	(27 436)	(27 741)	(56 502)	(1)
Amortisation of intangible assets acquired	(20 418)	(22 316)	(43 574)	(9)
Profit from operations	79 828	79 132	197 188	1
Net finance cost	(33 561)	(42 359)	(82 367)	(21)
Profit before taxation	46 267	36 773	114 821	26
Income tax expense	(18 794)	(16 780)	(44 029)	12
Profit for the period	27 473	19 993	70 792	37
Headline earnings	28 394	19 761	91 807	44
Amortisation of intangible assets acquired net of deferred tax	15 372	16 674	32 663	(8)
Fair value adjustment to financial liability	162	1 589	3 286	(90)
Subsequent remeasurement of contingent liabilities	-	-	(22 017)	-
Normalised headline earnings	43 928	38 024	105 739	16
Weighted average number of ordinary shares in issue	137 262	137 262	137 262	-
HEPS (cents)	20,69	14,40	66,88	44
Normalised HEPS (cents)	32,00	27,70	77,03	16

* Restated

EBITDA BRIDGE (R'm)

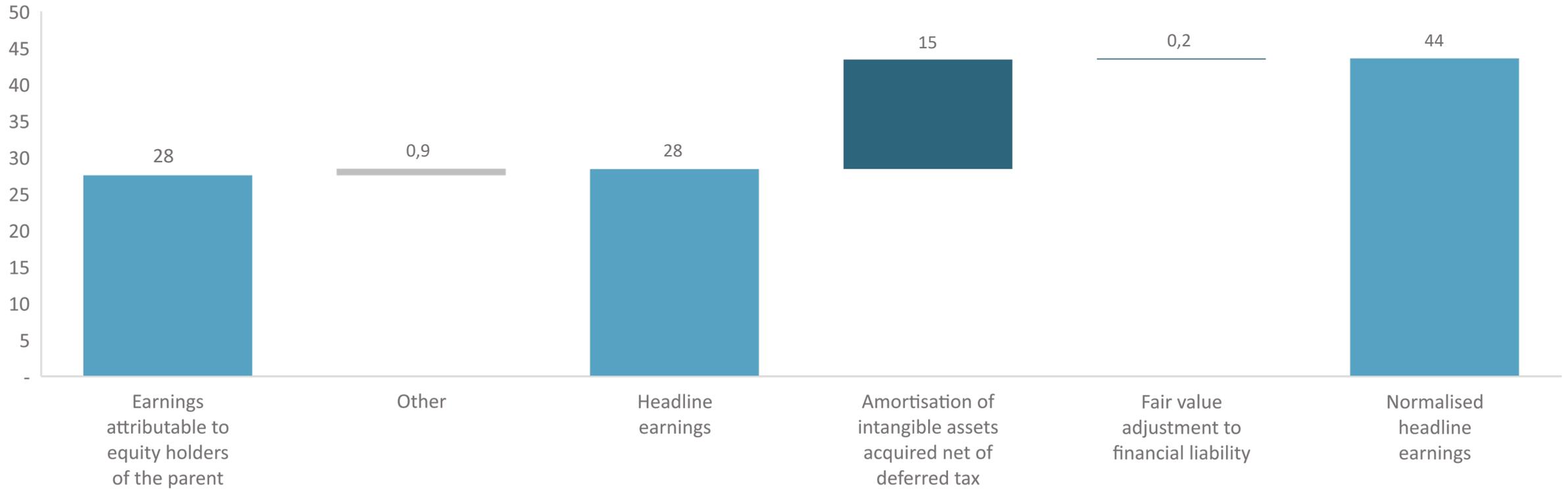


EARNINGS BRIDGE (R'm)



EARNINGS, HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS

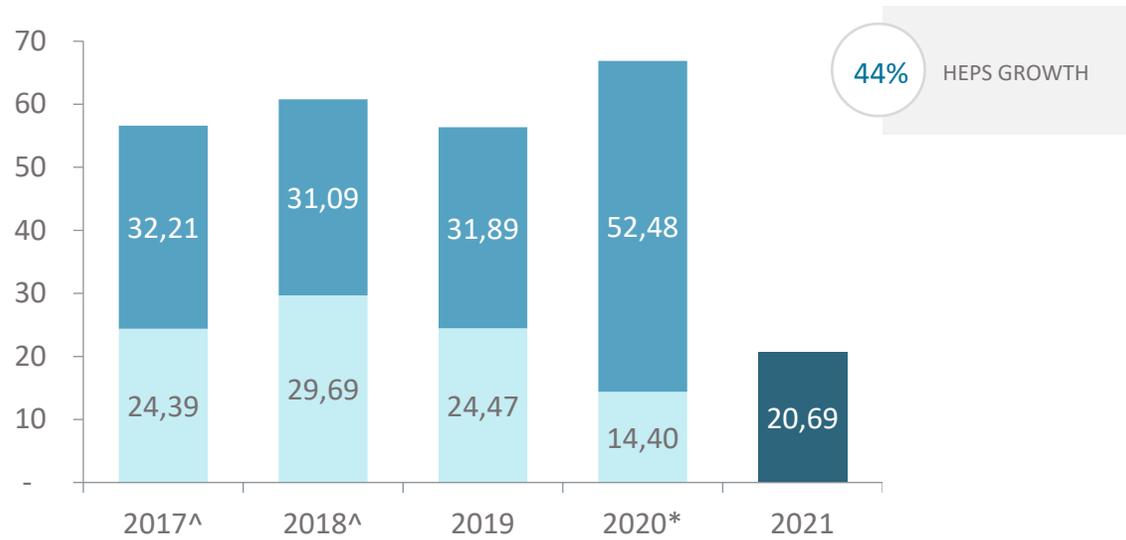
31 DECEMBER 2020



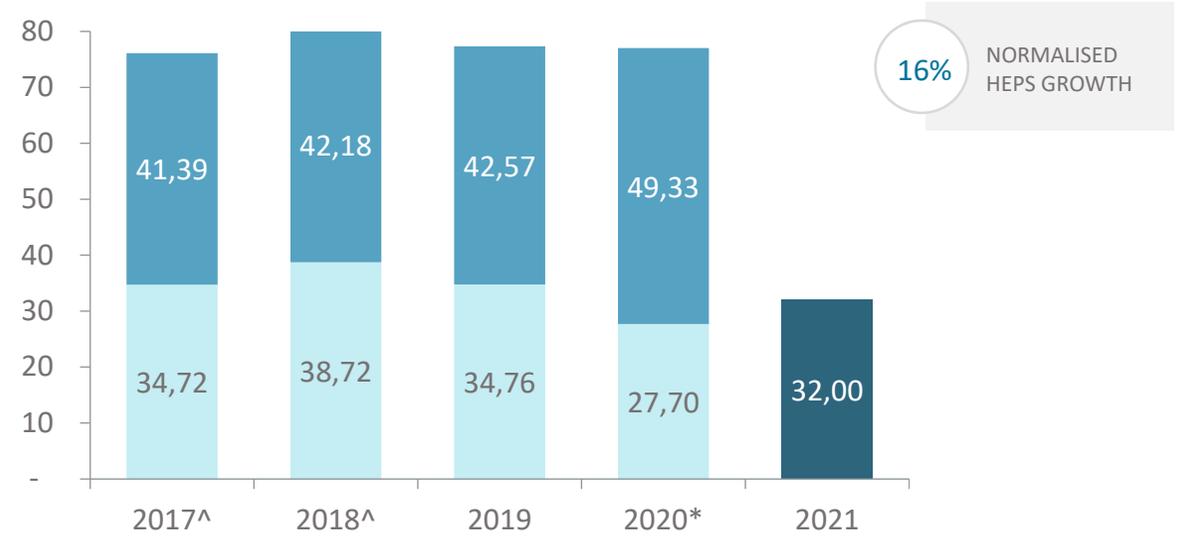
ADI 5 YEAR REVIEW



HEPS (cents)



NORMALISED HEPS (cents)



[^] From continuing operations
^{*} Restated



ADI ABRIDGED CONSOLIDATED STATEMENTS



FINANCIAL POSITION

	Unaudited 6 months ended 31 Dec 2020 R'000	Unaudited 6 months ended 31 Dec 2019* R'000	Unaudited year- ended 30 June 2020 R'000
Goodwill	699 599	703 998	705 099
Intangible assets acquired	178 863	222 323	205 628
Other non-current assets	404 302	455 958	427 794
Total non-current assets	1 282 764	1 382 279	1 338 521
Current assets	488 572	459 992	589 797
Non-current assets classified as held for sale	9 500	7 826	9 500
Total assets	1 780 836	1 850 097	1 937 818
Total equity	763 790	676 715	746 494
Non-current liabilities	731 844	853 442	806 040
Current liabilities	285 202	319 940	385 284
Total liabilities	1 017 046	1 173 382	1 191 324
Total equity and liabilities	1 780 836	1 850 097	1 937 818
Net gearing ratio	42,40%	68,58%	45,21%

* Restated

ADI ABRIDGED CONSOLIDATED STATEMENTS



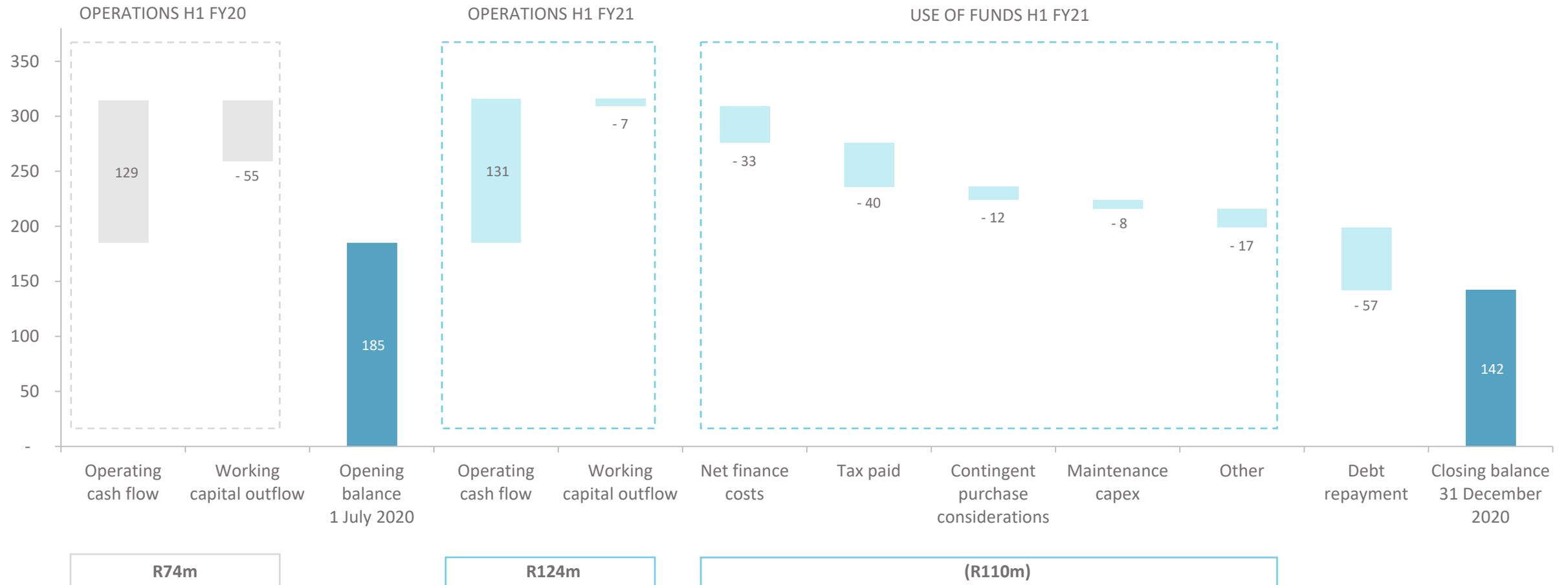
CASH FLOWS

	Unaudited 6 months ended 31 Dec 2020 R'000	Unaudited 6 months ended 31 Dec 2019* R'000	Unaudited year- ended 30 June 2020 R'000
OPERATING ACTIVITIES			
Operating cash flow	130 651	129 231	305 383
Working capital outflow	(6 822)	(54 894)	(31 022)
Cash generated from operations	123 829	74 337	274 361
Finance income	435	621	2 332
Finance costs	(33 011)	(26 184)	(79 980)
Taxation paid	(40 247)	(32 207)	(55 582)
Net cash flow generated from operating activities	51 006	16 567	141 131
Net cash flow utilised in investment activities	(21 774)	(11 970)	(22 706)
Net cash flow from financing activities	(67 171)	10 152	1 683
Net (decrease) / increase in cash resources	(37 939)	14 749	120 108
Exchange differences on translation	(4 990)	87	6 050
Cash and cash equivalents at the beginning of the period	184 563	58 405	58 405
Cash and cash equivalents at end of period	141 634	73 241	184 563

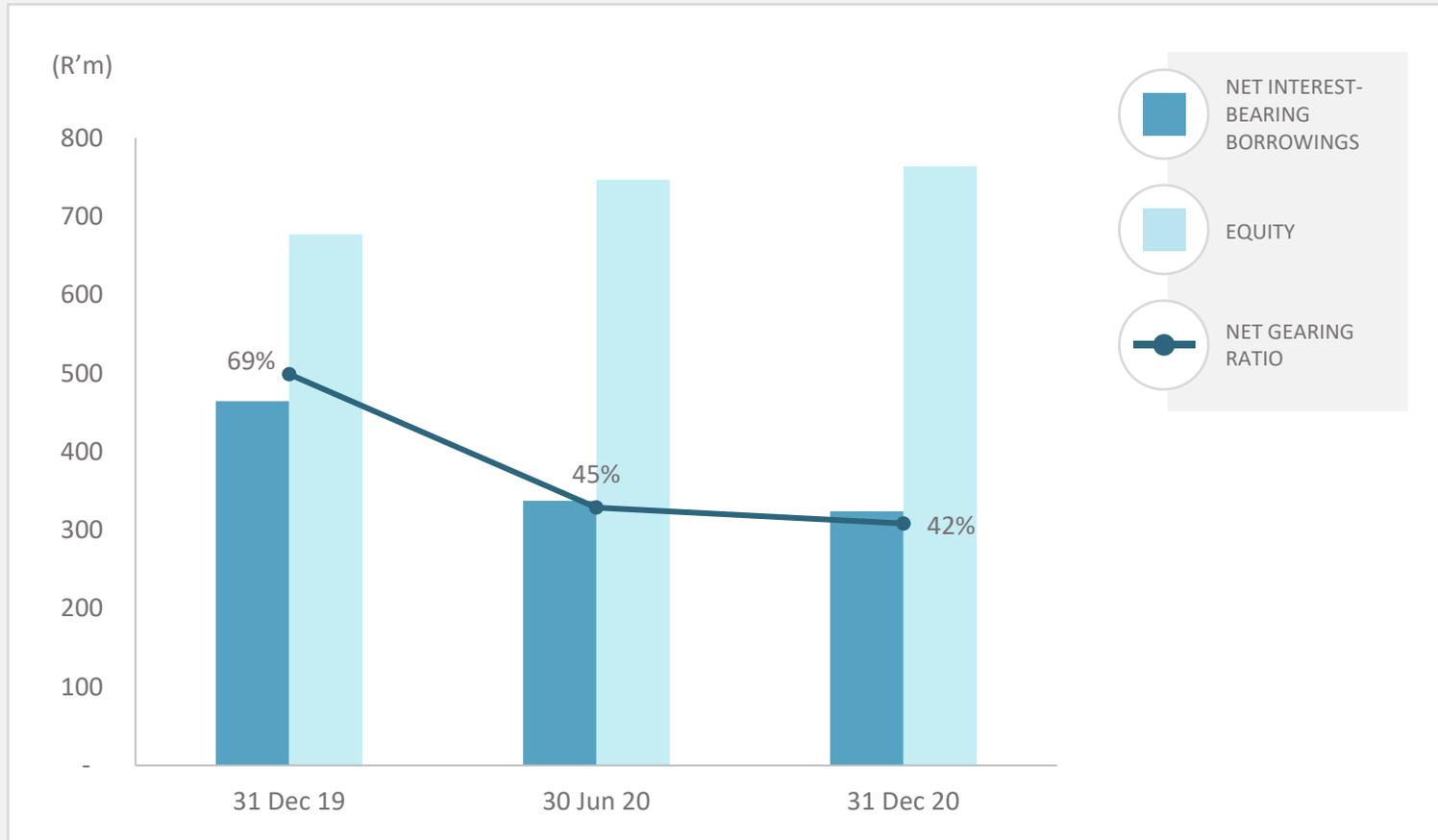
* Restated

Cash generated from operations increased by **67%** to **R 124 million** (2019: **R 74 million**). The cash conversion ratio achieved was **1,55 times** (2019: 0,94 times).

CASH FLOW BRIDGE (R'm)



NET DEBT REDUCTION



INTEREST-BEARING BORROWINGS

Net interest-bearing borrowings decreased by R140 million (30%) to R324 million (2019: R464 million).

Interest expense on borrowings decreased by 30%.

Debt capital repayments of R57 million were made during the six month period to 31 December 2020.

Committed debt capital repayments for H2 FY21 will amount to R17 million under the current Standard Bank of South Africa facilities.

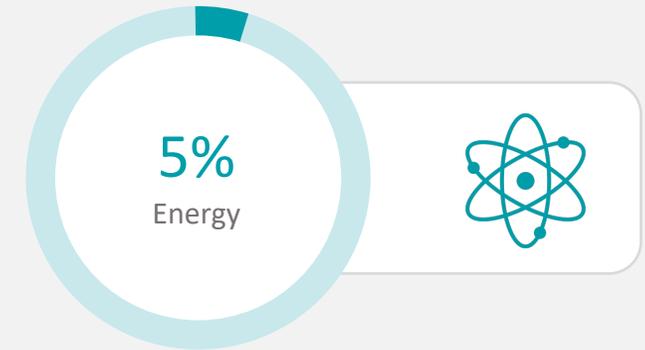
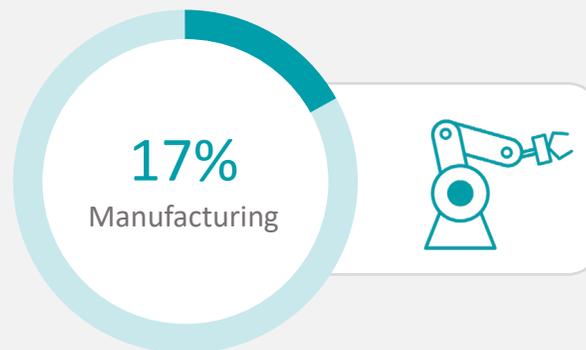
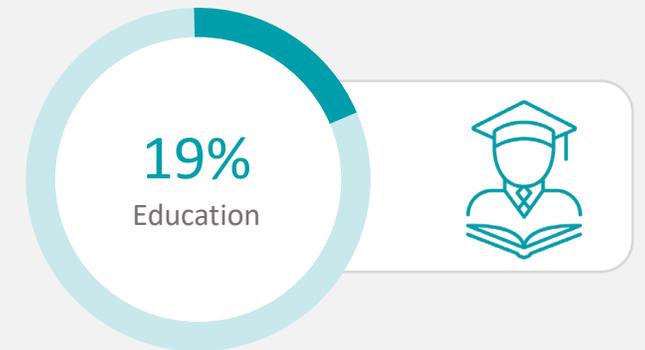
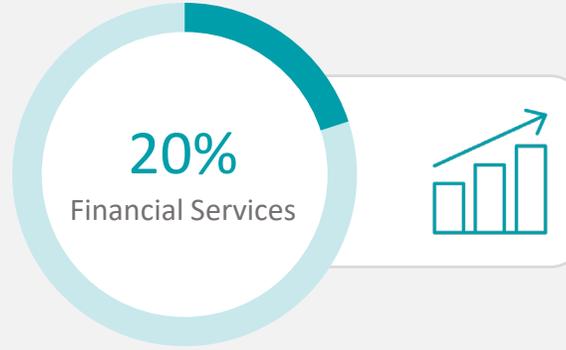
FINANCIAL COVENANTS

Standard Bank of South Africa financial covenants were met with sufficient headroom at 31 December 2020.

SECTOR RESULTS



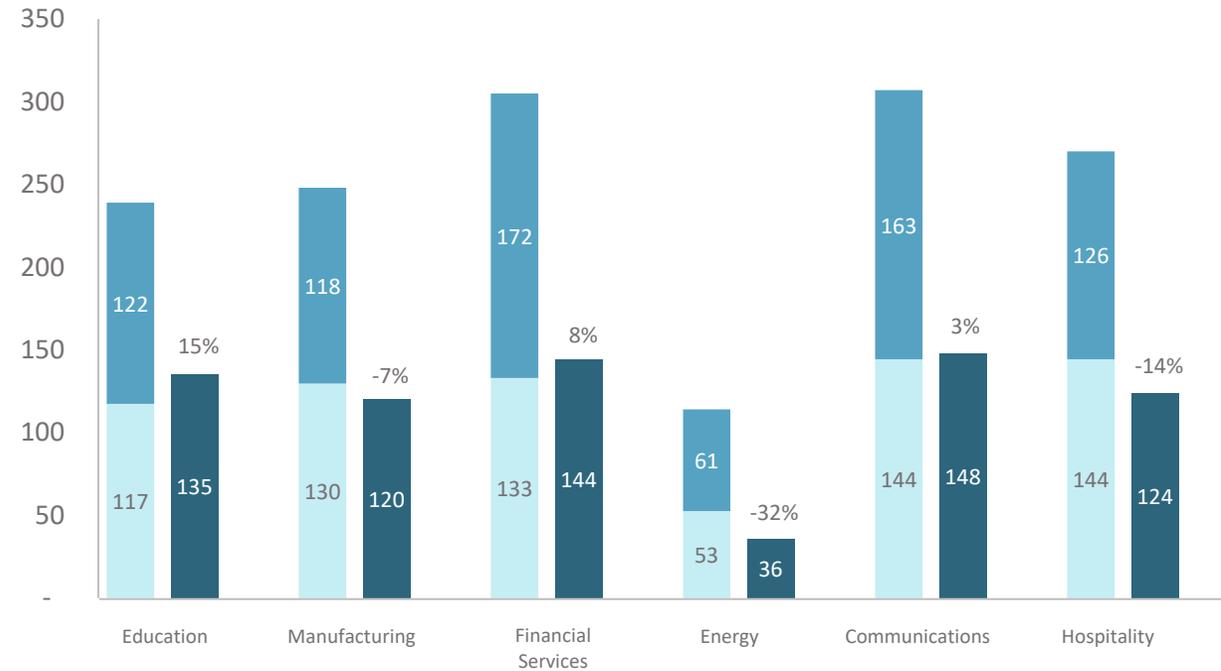
SECTOR DIVERSIFICATION – REVENUE CONTRIBUTION



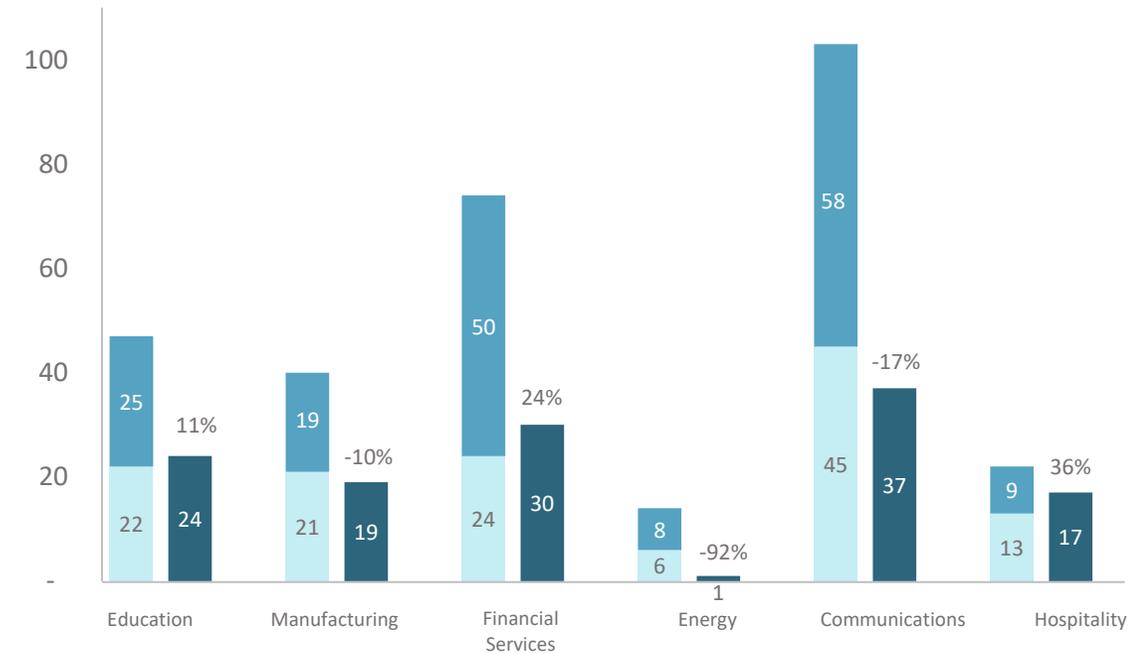
SECTOR PERFORMANCE (R'm)



REVENUE



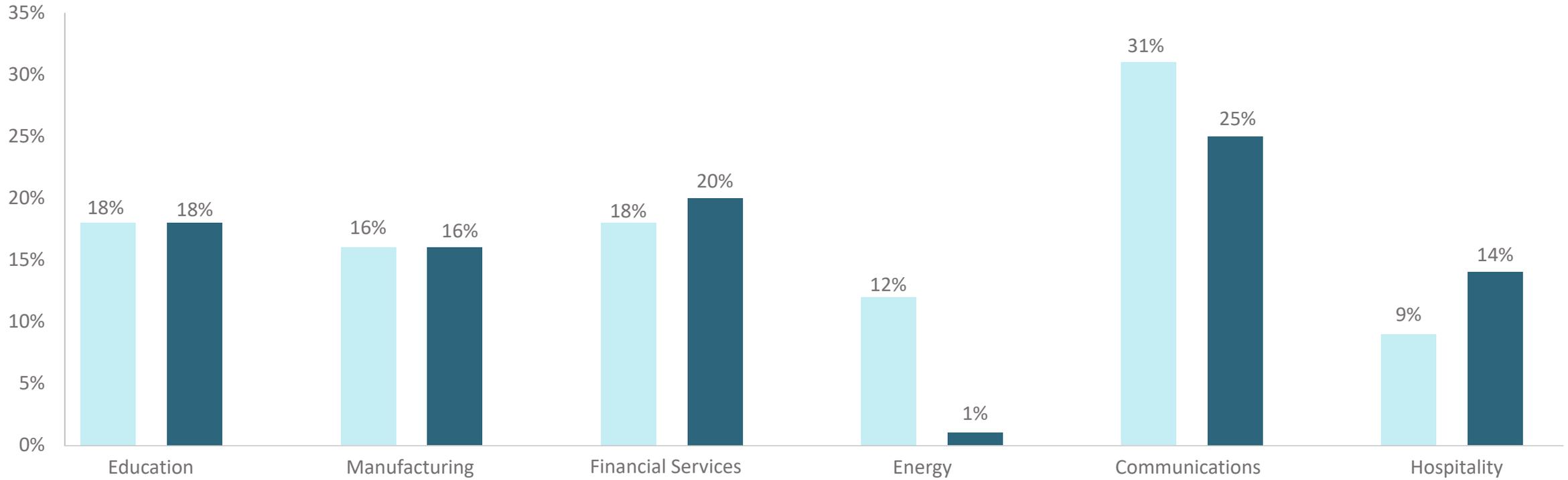
EBITDA



* Restated



EBITDA MARGIN BY SECTOR



* Restated



IN CONCLUSION



SOCIAL RESPONSIBILITY

2020 ADOPT-A-SCHOOL FOUNDATION



Adapt IT has a long track record of investing in the upliftment of disadvantaged South African communities and remains committed to continuing with this practice through its sustainable finance practices and policy of extending the impact of projects to embrace more beneficiaries.

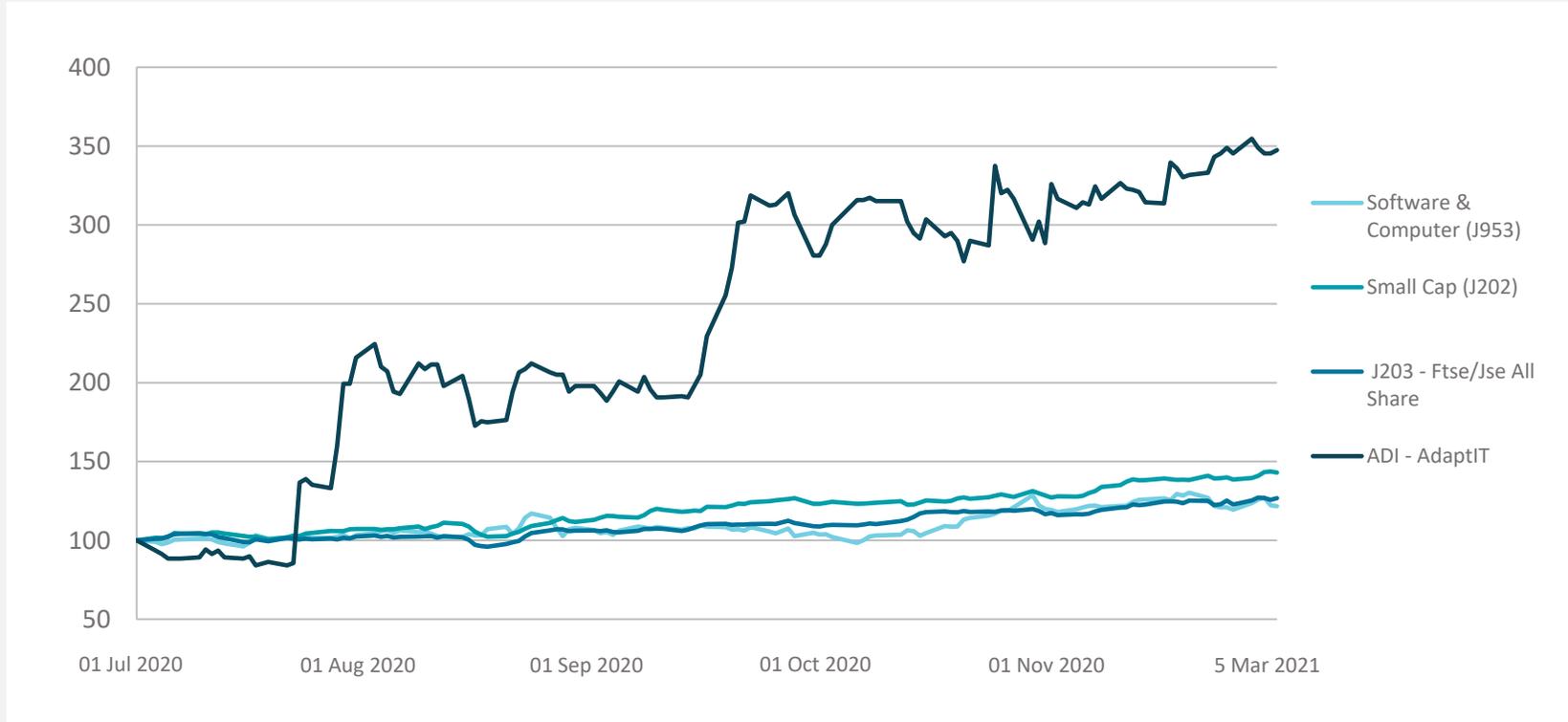
The company continues to invest in larger longer-term initiatives that are sustainable and provide the most benefit for disadvantaged South African communities.

Supporting **616** schools | Benefitting **1 224 866** learners | Adapt IT donation **R 7 880 500**

SHARE STATISTICS



SHARE MOVEMENT BASED TO 100



Shareholder distribution	31 DECEMBER 2020
Free Float	77%
Directors, Management and Staff	18%
Treasury Shares	5%
Share Liquidity	23%

WHERE TO NEXT

**GROWTH
ENABLEMENT**
(new opportunities
+ strategic
investments)

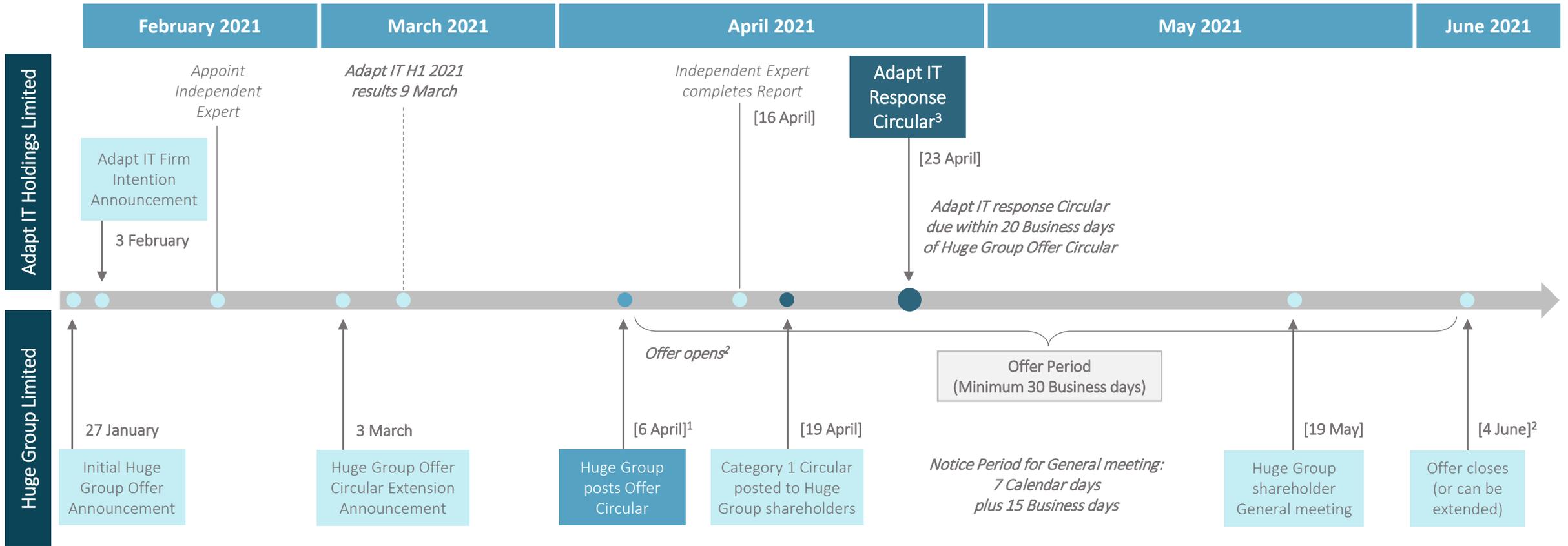
**IMPROVE
PROFITABILITY**
(specialisation +
optimisation)

**OPTIMISE CASH
GENERATION**
(accelerated debt
reduction)

Achieve more.
(all stakeholders)

HUGE GROUP OFFER

INDICATIVE TIMING CONSIDERATIONS AND MILESTONES*



*All dates in square brackets are estimated

[1] [2] [3] See next page

 **Merchantec**
capital
Sponsor

 **Standard Bank**
Financial Adviser

WEBBER WENTZEL
in alliance with > Linklaters
Legal Adviser

nodus
Independent Expert

INDICATIVE TIMING CONSIDERATIONS

1. Huge Group Limited (“Huge Group”) Offer Circular

- Huge Group was required to issue an Offer Circular to Adapt IT shareholders within 20 Business days after the publication of the Firm Intention Announcement of 3 February 2021, being 3 March 2021.
- As disclosed in a SENS announcement the Takeover Regulation Panel ("TRP") has granted an extension to Huge Group to issue its Offer Circular in relation to the Adapt IT Offer. The Circular will now be published by no later than 6 April 2021. We have assumed that the Offer Circular is published on 6 April 2021 for illustrative purposes in this timetable.

2. Offer Period

- The Huge Group Offer opens when Huge Group posts its Offer Circular.
- Adapt IT shareholders who do not take action to accept the Huge Group Offer will retain their Adapt IT shares.

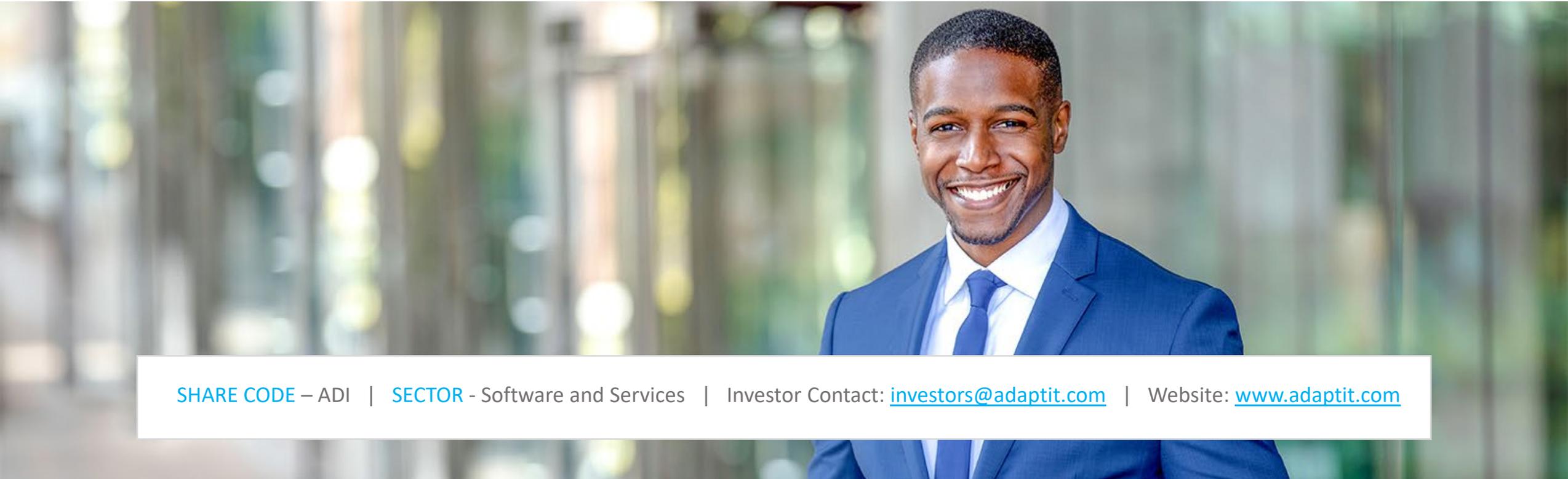
3. Adapt IT Response Circular

- While Adapt IT has 20 Business days from the date on which Huge Group posts its Offer to issue its Response Circular, containing the Independent Expert’s Report and Independent Board’s views, it is envisaged that the Response Circular will be issued sooner than the 20-day Period – currently scheduled for [23 April 2021].

*All dates in square brackets are estimated



THANK YOU



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