

SUMMARY OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

HIGHLIGHTS

- Operating profit increased by 132%
- Cash generated from operations increased by 218%
- Earnings per share increased by 168%
- Headline earnings per share increased by 70%
- New, more efficient operating structure implemented
- Disposal of Reflex Solutions on track, with shareholders' meeting set for 21 April 2021
- Group leadership and succession plan successfully executed

Introduction

The first half of the 2021 financial year continued to be affected by the impact of COVID-19 on Jasco's customers and the general South African economy. Although the group's revenue improved in the last six months, it was still lower than the comparative six-month period to 31 December 2019.

However, as committed to the market and in line with the stringent focus on cost-cutting and efficiencies, the operating profit before interest and taxation pleasingly improved from losses for the comparative six months to 31 December 2019 and for the year-end to 30 June 2020 to a profit for the six months to 31 December 2020.

The group was restructured to ensure ongoing improvement in uncertain markets, with a new group structure from 1 November 2020. The 2019 comparative results have been restated in the segmental review to facilitate meaningful comparison.

In line with the group's succession planning, the recent appointment of a permanent chief executive officer (CEO) and chief financial officer (CFO) from within the group will ensure continuity of leadership. The new head office team and the restructured divisional teams with fewer management members will also result in lower head office costs and divisional overheads.

Reflex Solutions

Jasco relinquished control of Reflex Solutions (Reflex) on 20 September 2020.

The loss in control gave rise to a profit of R14,7 million to Jasco during the period, with the investment being equity-accounted from 20 September 2020.

The disposal transaction is well advanced, with the circular distributed to shareholders on 19 March 2021, calling for a general meeting to be held on 21 April 2021 to approve the disposal. As detailed in the circular, the major shareholders, representing approximately 65%, have provided irrevocable written undertakings to vote in favour of the disposal transaction. Refer to the circular at www.jasco.co.za for more information.

Financial summary

The results of Reflex are separately disclosed as a discontinued operation for the current and prior reporting periods.

- Revenue of R351,3 million from continuing operations was 16% lower (Dec 2019: R416,9 million), mainly due to the ongoing effect of the COVID-19 related lockdowns.
- Profit before interest and taxation from continuing operations improved to a profit of R1,9 million (Dec 2019: R6,2 million loss). This was due to significant cost savings across the group, which were somewhat offset by a R14,0 million decrease in profit by Datavoice in Communication Solutions.
- Reflex's revenue was R70,9 million for the two-months and 20 days it was still included in the Jasco results (Dec 2019: R128,3 million (full six months)). Its operating profit contribution decreased by 45% to R6,6 million for the two-months and 20-day period compared to R12,1 million for the six months to December 2019. Included in the discontinued operation's operating profit line is the R12,7 million net profit arising from the loss in control of Reflex.
- Jasco's earnings per share (EPS) increased from a 6.0 cents per share loss to a profit of 4.1 cents per share. Headline earnings per share improved from a loss of 5.2 cents per share to a loss of 1.5 cents per share.
- The statement of cash flows reflects cash generated from operations before working capital changes of R34,3 million compared to R27,9 million in December 2019. Working capital changes reflect an outflow of R5,5 million (Dec 2019: R18,8 million outflow).
- The closing cash balance of R31,7 million pleasingly increased from R21,3 million in June 2020 and from R28,7 million in December 2019.

Group prospects and key internal initiatives

Jasco's primary focus in the short-term will remain on delivering sustained profits and addressing the optimal way to recapitalise the group.

The management team will also continue to execute the group's strategy and concentrate on the following additional key areas:

Optimal capital structure

The group plans to fully redeem the corporate bond and reduce the Bank of China working capital loan in the second half following the conclusion of the Reflex disposal transaction. The optimal capital structure is being evaluated to further reduce debt.

Improving operating margins and performance

The management team will remain focused on cost control in all areas of the group and securing higher-margin quality revenue.

This will be executed through adding new products and services to Jasco's portfolio, with an emphasis on managed solutions as a faster-growing and higher-margin business area within the Intelligent Solutions portfolio.

Working capital management

Although inventories and trade receivables are well managed, trade payables in certain divisions have aged due to the impact of historic losses and the ongoing difficult trading conditions. Poor group credit ratings and the withdrawal of credit insurance cover are also impacting negatively on a number of key suppliers' trade terms. The group is addressing this as a matter of urgency.

Transformation

The transformation of Jasco is receiving ongoing attention, with the following areas a priority:

- Skills development and training of employees.
- Employment equity – achieving targets at all management levels.

Changes to the board and the company secretary

On 1 March 2021, Mr Warren Prinsloo was appointed as CEO and Miss Liska Prigge as CFO. Mr Pete da Silva resigned as interim CEO and returned to his duties as an alternative non-executive director to the deputy chairman.

MCP Managerial Services Proprietary Limited, represented by Mr Joel Naidoo, was appointed as Jasco's company secretary, with effect from 1 March 2021.

Subsequent events

The unlisted corporate bond was due to mature on 31 January 2021 and was replaced by new notes on 29 January 2021 for R45 million. The maturity date for the new bond is 31 July 2021 and the interest rate is unchanged at JIBAR plus 325 points. The financial covenants, which are measured quarterly, were relaxed to cater for the group's current financial position.

In addition, the new note was split on 3 February 2021 and Community Investment Holdings Proprietary Limited acquired R20 million of the notes from the existing bondholder. The corporate bond is expected to be fully settled by no later than 30 April 2021.

There were no other material subsequent events.

Directors' statement of responsibility

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. The full announcement can be found on the company's website at www.jasco.co.za or <https://senspdf.jse.co.za/documents/2021/jse/isse/JSC/JSCHY2020.pdf>. Copies of the full announcement may also be requested at the company's registered office and at the office of the sponsor, at no charge, during office hours. Any investment decision should be based on the full announcement published on the company's website.

For and on behalf of the board

Dr ATM Mokgokong

(Non-executive chairman)

WA Prinsloo

(Chief executive officer)

LA Prigge

(Chief financial officer)

30 March 2021