

SUMMARY OF AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2020 AND SUBSEQUENT EVENTS

Financial results (year-on-year changes)

-17%	-67%	-77%	-280%
Revenue	EBITDA from operations*	EBITDA	Earnings
R939,2 million	R39,6 million	R12,7 million	-R110,9 million

*before head office costs

Introduction

The group faced tough trading conditions in the first half to December 2019, particularly in the ICT-Carriers business due to a sharp reduction in spend by a major telecommunications operator. These challenges continued into the start of the second half of the year before disaster struck, with the announcement of an immediate national lockdown in response to the COVID-19 pandemic. The resultant impact in the fourth quarter was a devastating revenue impact of approximately R163 million and approximately R59 million impact on operating profit.

Jasco Electronics Holdings Limited publishes its audited year-end results to 30 June 2020.

For the full announcement, refer to the company's website, www.jasco.co.za.

Achievement and disappointments

Achievements

- The reduction in the overhead costs at head office and the majority of the businesses; and
- The expected disposal of Reflex Solutions for R76 million (*cum dividend*) post year-end.

Disappointments

- The severe impact of the COVID-19 lockdown on revenue and EBITDA;
- The cancellation of the Electrical Manufacturers' disposal transaction in June 2020 due to the impact of the lockdown on the purchaser's funding;
- The reversal of the R11,5 million revenue recognised relating to a voice recording solution implemented during the year;
- The impairment of goodwill in RAMM Technologies on reduced revenue and profitability; and
- The deterioration in the debt to equity ratio due to significant losses.

Financial summary

- Revenue was down to R939,2 million (2019: R1,14 billion). The fourth quarter was severely impacted by the COVID-19 lockdown, with revenue down by R163 million.
- The operating loss before net interest was R60,3 million (2019: R11,3 million profit) mainly due to the drop in revenue, once-off restructure costs and the impairment of goodwill. The COVID-19 lockdown had a R59 million negative impact during the fourth quarter.
- The group earnings loss per share (EPS) was 49,4 cents per share (2019: 12,9 cents loss per share) and the headline earnings loss per share (HEPS) was 44,5 cents per share (2019: 10,7 cents loss per share).
- Jasco's working capital management remained an area of focus during the year, with a pleasing reduction in short-term receivables and payables.
- The statement of cash flows reflects an inflow in cash generated from operations before working capital changes of R29,9 million compared to R57,8 million in F2019.

Key internal initiatives

Reducing debt levels and the interest burden

The priority is to continue to reduce the debt obligation over the next financial year and to introduce a new commercial banking partner to reduce the Bank of China working capital loan. Due to the reduction in the cost base across the group, improved profitability and cash generation are expected going forward. This will assist in systematically reducing the debt levels.

The gearing percentage is 315% (from 81%) due to the significant loss reported. This includes the Bank of China's working capital term loan facility which replaced the previous overdraft facilities. Following the potential disposal of Reflex Solutions (refer to Subsequent events), the bulk of the proceeds will be utilised to reduce debt and return the gearing ratio closer to the target levels.

Improving profitability of business units

The desired improvement in the profitability was not achieved. Although aggressive cost cutting was undertaken throughout the year, with a number of business areas being rationalised or closed, the impact of the COVID-19 lockdown was severe. Consequently, a further fundamental organisational restructure was completed in the new financial year following the appointment of the interim CEO.

Working capital management

Management will continue its focus on working capital and maintain the high standards achieved in debtors' and inventory management.

Group prospects

The economic outlook for F2021 remains very challenging. However, management will remain focused on executing their strategic goals.

The key focus areas for the next 12 months are:

- Stabilise the balance sheet by disposing non-core assets and reducing debt;
- Improve earnings by addressing the head office costs and underperforming business units to meet profitability targets;
- Accelerate growth through investment in key growth markets and launch new smart solution offerings of open access networks, internet-of-things, and cloud workforce management;

- Continue to focus on effective people engagement, development and retention through further investment in the group's online training platform; and
- Reduce and optimise the legal and operational structure.

The performance thus far during the first half of the new financial year is pleasing with improving revenue following the easing of the COVID-19 lockdown. Although the revenue is still lower than the same period last year, the gross margins are steady, the overhead expense base has reduced by 25% and operating profit is consequently higher.

Subsequent events

The group entered into share subscription and put option agreements, as well as several related agreements with the minority shareholders of Reflex Solutions on 18 September 2020. As a consequence, Jasco will relinquish control of Reflex Solutions on the share subscription date and will accordingly equity account the business. This transaction was approved by the board on 9 September 2020. There is no impact on the current financial year.

The board approved the exercise of the put option by the company to dispose of the 510 shares in Reflex Solutions for R76,0 million (including the dividend of R3,2 million). As this is a Category 1 transaction, it will be subject to all required shareholder and regulatory approvals. The disposal proceeds will be utilised to reduce debt (the corporate bond and working capital loan). The circular is expected to be distributed to shareholders by 31 January 2021.

The company obtained an extension of the working capital loan facility from the Bank of China to 27 December 2021.

The COVID-19 lockdown levels eased to Level 1 and business volumes have improved during the first quarter of the new financial year. Certain of the business units have improved faster than others.

Changes to the board

The board welcomed Mr AMF (Pete) da Silva back as the interim CEO from 1 June 2020, following the resignation of Mr M (Mark) Janse van Vuuren on 31 May 2020. Mr T (Thapelo) Petje resigned from the board on 29 February 2020. The Board thanks them both for their dedicated and loyal service to the group.

Dividend

A dividend is not proposed due to the group's current financial position.

Audit opinion

The auditors, Mazars, have audited the consolidated annual financial statements for the year ended 30 June 2020 from which the summarised report has been derived and on which an unmodified opinion was expressed. The annual financial statements and a copy of the unmodified audit opinion, which includes key audit matters, are available for inspection at Jasco's registered office and on the company's website at www.jasco.co.za

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/2020/jse/isse/JSC/JSC2020.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.

Posting of the integrated annual report and notice of annual general meeting

Shareholders are further advised that the company's integrated annual report for the year ended 30 June 2020, containing the annual financial statements and notice of annual general meeting, will be distributed on Friday, 18 December 2020.

Included in the integrated annual report is a notice of annual general meeting of shareholders, which will be held in the company's boardroom, Jasco Office Park, Corner Alexandra Avenue and Second Street, Midrand, on Tuesday, 19 January 2021, at 14:00 to transact the business as stated in the notice of the annual general meeting to be distributed to shareholders on 18 December 2020.

The record date, for purposes of determining which shareholders are entitled to receive the notice of annual general meeting, will be 4 December 2020.

The last day to trade and the record date for shareholders to be eligible to participate in and vote at the annual general meeting are 5 January 2021 and 8 January 2021 respectively.

The integrated annual report will be available on the company website: www.jasco.co.za from 18 December 2020.

For and on behalf of the board

Dr ATM Mokgokong (Non-executive chairman)	AMF da Silva (Chief executive officer)	WA Prinsloo (Chief financial officer)
15 December 2020		

More information is available at: www.jasco.co.za

Directors and Secretary: Dr ATM Mokgokong (Chairman), MJ Madungandaba (Deputy Chairman), DH du Plessis*, S Bawa*, P Radebe*, T Zondi* (Non-executive), AMF da Silva (CEO), WA Prinsloo (CFO) (Acting company secretary) *Independent

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