JASCO ELECTRONICS
HOLDINGS LIMITED

Incorporated in the Republic of South Africa
Registration number 1987/003293/06
Share code: JSC
ISIN: ZAE000003794
("Jasco" or "the company" or "the group")

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# UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

**↑ REVENUE UP 12%** **↓ OPERATING PROFIT DOWN 8%** **↑ PROFIT AFTER TAX UP 21%**

**↑ EPS UP 56%** **↓ HEPS DOWN 27%** **↑ NAV PER SHARE UP 7%**

## INTRODUCTION

The group's core businesses improved their performance for the six months to December with revenue up 12% due to market share growth in most businesses. However, adverse market conditions severely impacted the performance of Lighting Structures and Telecom Structures, as well as the group's associate, M-TEC, which reduced overall group profitability. With effect from 1 December 2012, Lighting Structures was sold to Jasco's international partner in this business for R2,1 million. Telecom Structures was restructured and the investment in M-TEC is under review.

## FINANCIAL OVERVIEW

Revenue increased by 12% to R552,1 million (2011: R493,9 million).

The majority of the group's businesses presented good profitability, with the exception of Lighting Structures (Energy) and Telecom Structures (ICT). The group's operating profit decreased by 8% to R19,0 million (2011: R20,6 million). Operating profit was also impacted by two once-off events:

- R8,8 million profit on the disposal of the group's head office property
- A R4,4 million loss on disposal of Lighting Structures

Net interest paid increased to R9,8 million (2011: R6,2 million). This was mainly due to the expected reduction of the interest received from the group's long term rental contract with Transnet Freight Rail, as well as an increase in interest paid on the group's mortgage bond, which increased by R13 million in the second half of F2012. Furthermore, the interest paid on the overdraft increased due to the higher working capital demand.

The share of income from the group's associate, M-TEC was substantially lower than the comparative period due to project delays from a major customer, which particularly impacted the aluminium conductor business. Jasco's 51% share of profit was down 84% to R0,8 million from R4,9 million.

The taxation expense was a R3,6 million credit compared to a R8,1 million charge in the comparative period. This reduction was mainly due to a R3,3 million reversal of deferred taxation related to the property disposal and the planned utilisation of historic tax losses. The effective tax rate has reduced to below the statutory rate. The group believes this will persist for the next two to three years as statutory efficiencies are achieved.

Consequently, profit after tax increased by 21% to R13,6 million (2011: R11,9 million).

Outside shareholders' interest represented R0,6 million share of losses (2011: R2,2 million share of profits), which was attributable to Jasco's international technology partners. LeBLANC International's share of losses more than offset NewTelCo GmbH's share of first-time profit in Co-location Solutions.

Profit attributable to ordinary shareholders was 57% up to R14,2 million (2011: R9,1 million). Earnings per share (EPS) was 56% up to 10,1 cents per share (2011: 6,4 cents per share). A net negative headline earnings adjustment of R7,2 million (2011: R0,6 million positive adjustment), decreased headline earnings by 27% to R7,1 million (2011: R9,7 million).

Net working capital days of 29 improved from the 35 days reported for December 2011. This was largely due to the improvement in stock days from 31 days to 29 days and debtors days from 80 days to 76 days. The creditor days were unchanged at 75 days. The improvement also reflects the impact of the disposal of the Lighting Structures business.

The statement of cash flows reflects the utilisation of cash in working capital to fund revenue growth in the period. The net outflow from investing activities reflects the investment primarily in group IT and machinery at Electrical Manufacturers on the back of secured orders. As a result, Jasco's net short term borrowings increased from R38,4 million at the start of the period to R65,1 million at the period end. The overdraft remains within the group's facility limits.

The disposal of the property will improve the debt:equity ratio once the proceeds are applied to the group's liabilities. A debt restructuring programme is also currently under way to improve financing ratios.

## DISPOSAL OF SUBSIDIARY

With effect from 1 December 2012, the group sold Lighting Structures to the group's international partner, LeBlanc International. The purchase consideration of R2,1 million will be settled in cash. This decisive step was taken as the business no longer met the strategic criteria for inclusion in Jasco's asset portfolio.

## SUBSEQUENT EVENTS

There are no material subsequent events to report.

## OPERATIONAL OVERVIEW

Jasco is structured into the three verticals of Information and Communications Technology (ICT) Solutions, Industry Solutions and Energy Solutions to ensure an integrated business development and a unified customer focus. ICT Solutions comprises the Carrier and Enterprise Solutions businesses of Jasco. Industry Solutions comprises the Security business and the low voltage Power Solutions business, with Energy Solutions comprising Electrical Manufacturers and the now disposed of Lighting Structures. To clearly indicate the impact of the associate M-TEC, it is now separately disclosed and no longer included in the ICT and Energy Solutions verticals.

The divisional operating results are disclosed on a consolidated basis in line with these segments.

## DIVISIONAL PERFORMANCE

### *ICT SOLUTIONS - 68% OF CONSOLIDATED REVENUE*

**ICT Carrier Solutions – 48% of consolidated revenue**

Revenue increased by 25% to R292,4 million (2011: R234,7 million). Despite tough market conditions, the group experienced market share growth across the board, with the exception of Telecom Structures. Telecoms Structures experienced significant market changes which included site sharing by major mobile operators and a slowdown in infrastructure roll-out. The business model was changed to accommodate these impacts. The restructure was completed during the period.

ICT Carrier won orders from five new blue-chip groups. Consolidated operating profit of R20,9 million was flat (2011: R20,7 million), largely due to investment in the voice and data annuity connectivity business. This annuity business grew by 156% to R17,4 million per annum compared to the same period last year. The operating margin was down from 8,8% to 7,1%, mainly due to losses in Telecom Structures and business development costs.

**ICT Enterprise Solutions – 20% of consolidated revenue**

Revenue was maintained at R96,7 million (2011: R95,9 million) against continued slow corporate spend. The defensive nature of the large annuity revenue base in Enterprise Solutions cushioned the impact of this slowdown in spend. Operating profit for the period was therefore flat at R6,3 million (2011: R6,5 million) following a change in product mix due to normal fluctuating demand cycles. Strategic new customers were also acquired during the period at slightly reduced margins. However, the annuity service business from these customers will flow through at traditional margins.

### *INDUSTRY SOLUTIONS – 14% OF CONSOLIDATED REVENUE*

Revenue increased by 35% to R81,2 million (2011: R60,4 million) due to the first-time inclusion of Power Solutions and the continued improvement in the Fire Solutions business where sales were up 236% from the comparative period.

Operating profit decreased by 13% from R4,6 million to R4,0 million on the first-time allocation of overheads of R1,8 million from group level to the vertical, as well as a R1,9 million expected decrease in interest received from Transnet. During the period, the benefit of increased group collaboration (cross-selling) was prominent in this vertical, with a number of contracts won with the ICT Solutions vertical.

### *ENERGY SOLUTIONS – 18% OF CONSOLIDATED REVENUE*

Electrical Manufacturers' revenue increased by 7% to R71,5 million (2011: R67,0 million) following increased orders from the white goods market. Operating profit increased by 27% to R8,6 million (2011: R6,8 million) due to synergies and improved efficiencies after the integration of the two old factories into one new larger facility. The operating margin at the end of the period therefore improved to 12,0% (2011: 10,1%).

Lighting Structures' revenue dropped sharply by 43% to R30,8 million (2011: R53,9 million) on a lack of orders from the largely municipal customer base. The business incurred an operating loss of R1,1 million versus a profit of R3,0 million in the comparative period. Given the concerns over the sustainability of selling to municipalities through electrical contractors, the business was sold during the period.

### *ASSOCIATED INVESTMENT IN M-TEC*

Although the operational management of M-TEC has improved, equity accounted income from the associate reduced sharply by 84% to R0,8 million (2011: R4,9 million). This was largely due to a R100 million decline in aluminium conductor volumes at M-TEC's major client, due to project delays.

## PROSPECTS

The Jasco group is halfway through its three-year repositioning programme.

Phase one, the re-grouping of Jasco into three focused verticals, is complete, with the benefits of operating as an integrated group starting to flow through.

Phase two, which focuses on increasing customer centricity, is currently rolling out. The group's sales initiatives have already improved through a focused performance and delivery culture and the cross-selling initiatives delivering early successes.

Superfluous legal entities will continue to be closed and deregistered to further simplify the group structure and to increase the planned statutory benefits.

Going forward, the group continues to strive for increased market share in the ICT Solutions vertical, with a focus on new customer acquisition and an increased share of wallet with existing customers. The group will also continue to move up the value chain through continuing to sign new agency agreements to add to its integration expertise and full turnkey capabilities. Investment in the annuity voice and data connectivity business is also expected to continue.

Industry Solutions will continue to grow its Fire Solutions business and its focus on the emerging energy management opportunities. The entry into the low voltage power market has shown early success, which the impetus expected to continue over the next period.

The Electrical Manufacturers business in the Energy vertical has stabilised following the integration of the two factories into one facility. The relationship with Arcelik, the new owners of the group's large client, Defy, has been cemented. Volumes are expected to continue increasing over the next six months, albeit at slightly reduced margins. A strategic review of the other non-core businesses is under way.

As outlined to the market before, management committed to take decisive action if its investment in M-TEC did not improve performance. Following the poor performance during the period, management has placed this investment under review.

The group's long term debt restructure is progressing well, with a number of cost-effective alternatives being considered. The finalisation of the process can be expected before the June financial year end.

The group remains committed to ensuring earnings enhancement, whilst improving the return on equity on a sustainable basis.

Any forecast or forward looking information included in this announcement has not been reviewed or reported on by the company's independent auditors.

## BASIS OF PREPARATION

The unaudited results comply with IAS 34 – Interim Financial Reporting as well as the AC500 standard as issued by the Accounting Practices Board. The accounting policies and methods of computation used in the preparation of this report are consistent with those used in the preparation of the annual financial statements for the year ended 30 June 2012, which comply with International Financial Reporting Standard ("IFRS"), the Listings Requirements of the JSE Limited and the Companies Act (2008) of South Africa.

## DIVIDEND

In line with the group's annual policy, the board has not declared an interim dividend.

For and on behalf of the board

**Dr ATM Mokgokong**
*(Non-executive chairman)*

**AMF da Silva**
*(Chief executive officer)*

**WA Prinsloo**
*(Chief financial officer)*
7 February 2013

**Directors and Secretary**

Dr ATM Mokgokong (Non-executive chairman), MJ Madungandaba (Non- executive deputy chairman), JC Farrant (Lead independent non-executive), JA Sherry (Non-executive), M Malebye (Independent non-executive), H Moolla, (Independent non–executive), AMF da Silva (CEO) (Executive), WA Prinsloo (CFO) (Executive), S Lutchan (Group company secretary)

**Registered Office**

Jasco Park, C/O 2nd Road & Alexandra Avenue, Midrand, 1685

**Transfer Secretaries**

Link Market Services SA (Pty) Ltd, 13th Floor Rennie House, 19 Ameshoff Street, Braamfontein, 2001

**Sponsor**

Grindrod Bank Limited, Building 3, 1st Floor, North Wing, Commerce Square, 39 Rivonia Road, Corner Helling Road, Sandton 2156

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## Summarised consolidated statement of comprehensive income

| (R'000) | Unaudited Dec 2012 6 months | Unaudited Dec 2011 6 months | % change | Audited Jun 2012 12 months |
|---|---|---|---|---|
| **Revenue** | **552 124** | 493 940 | 11,8% | 989 992 |
| Turnover | **551 858** | 490 855 | 12,4% | 983 693 |
| Interest received | **266** | 3 085 | | 6 299 |
| **Operating profit before interest and taxation** | **18 999** | 20 569 | -7,6% | 31 213 |
| Interest received | **266** | 3 085 | -91,4% | 6 299 |
| Interest paid | **(10 074)** | (9 276) | 8,6% | (20 581) |
| Equity accounted income from associates | **793** | 4 937 | -83,9% | 10 080 |
| Profit before taxation | **9 984** | 19 315 | -48,3% | 27 011 |
| Taxation | **3 607** | (8 057) | -144,8% | (7 009) |
| **Profit for the period/year** | **13 591** | 11 258 | 20,7% | 20 002 |
| Other comprehensive income | - | 625 | | 872 |
| **Total comprehensive income for the period/year** | **13 591** | 11 883 | 14,4% | 20 874 |
| Profit attributable to: | | | | |
| - non-controlling interests | **(625)** | 2 177 | -128,7% | (1 933) |
| - equityholders of the parent | **14 216** | 9 081 | 56,5% | 21 935 |
| **Profit for the period/year** | **13 591** | 11 258 | 20,7% | 20 002 |
| Total comprehensive income attributable to: | | | | |
| - non-controlling interests | **(625)** | 2 177 | -128,7% | (1 933) |
| - equityholders of the parent | **14 216** | 9 706 | 46,5% | 22 807 |
| **Total comprehensive income for the period/year** | **13 591** | 11 883 | 14,4% | 20 874 |
| **Reconciliation of headline earnings** | | | | |
| Net earnings attributable to equityholders of the parent | **14 216** | 9 081 | 56,5% | 21 935 |
| Headline earnings adjustments | **(7 152)** | 584 | | 1 802 |
| - Remeasurement of associate | **-** | - | | 382 |
| - Profit on disposal of property | **(8 837)** | - | | - |
| - Tax on disposal of property | **(3 319)** | - | | - |
| - Loss on disposal of Lighting Structures | **4 491** | - | | - |
| - Loss on disposal of other fixed assets | **513** | 584 | | 1 420 |
| **Headline earnings** | **7 064** | 9 665 | -26,9% | 23 737 |
| Number of shares in issue ('000) | **146 399** | 146 399 | | 146 399 |
| Treasury shares ('000) | **5 322** | 5 599 | | 5 481 |
| Weighted average number of shares on which earnings per share is calculated ('000) | **141 077** | 140 801 | | 140 918 |
| Weighted average number of shares on which diluted earnings per share is calculated ('000) | **141 077** | 140 801 | | 140 918 |
| **Ratio analysis** | | | | |
| Attributable earnings (R'000) | **14 216** | 9 081 | 56,5% | 21 935 |
| EBITDA (R'000) | **27 693** | 31 120 | -11,0% | 64 063 |
| Earnings per share (cents) | **10,1** | 6,4 | 56,2% | 15,6 |
| Diluted earnings per share (cents) | **10,1** | 6,4 | 56,2% | 15,6 |
| Headline earnings per share (cents) | **5,0** | 6,9 | -27,1% | 16,8 |
| Diluted headline earnings per share (cents) | **5,0** | 6,9 | -27,1% | 16,8 |
| Dividend per share - final (cents) | **-** | - | | 3,0 |
| Net asset value per share (cents) | **248,1** | 232,9 | 6,5% | 241,2 |
| Net tangible asset value per share (cents) | **160,5** | 151,5 | 5,9% | 148,0 |
| Debt:Equity (%) | **47,2** | 47,5 | | 44,4 |
| Interest cover (times) | **2,0** | 4,1 | -51,0% | 3,0 |

## Summarised segmental reports

| | Unaudited 31 Dec 2012 | | Unaudited 31 Dec 2011 | | Unaudited 30 June 2012 | |
|---|---|---|---|---|---|---|
| (R'000) | Revenue | Operating profit/(loss)* | Revenue | Operating profit/(loss)* | Revenue | Operating profit/(loss)* |
| ICT - Carrier | 292 397 | 20 904 | 234 715 | 20 676 | 455 649 | 38 864 |
| ICT - Enterprise | 96 650 | 6 277 | 95 869 | 6 463 | 224 849 | 16 415 |
| Industry Solutions | 81 195 | 3 742 | 60 381 | 4 626 | 130 065 | 6 607 |
| Energy Solutions | 102 312 | 7 545 | 108 116 | 10 910 | 199 588 | 15 865 |
| M-TEC ** | 430 275 | 3 212 | 529 795 | 21 219 | 1 042 773 | 31 631 |
| **Sub-total operating divisions** | **1 002 829** | **41 680** | **1 028 876** | **63 894** | **2 052 924** | **109 382** |
| Other | - | (17 036) | 223 | (17 654) | 6 691 | (35 979) |
| Adjustments | (450 705) | (5 645) | (535 159) | (25 671) | (1 042 613) | (42 190) |
| **Total** | **552 124** | **18 999** | **493 940** | **20 569** | **1 017 002** | **31 213** |

* Segmental revenue and operating profit/(loss) includes the revenue and profit from the associate (ICT Carrier and Energy Solutions) as well as the gross and net interest on the finance lease receivable (Industry Solutions) and is stated before making adjustments for inter-group interest and administration fees.

** M-TEC has been shown separately in the interest of improved disclosure.

## Summarised consolidated statement of financial position

| (R'000) | Unaudited Dec 2012 | Unaudited Dec 2011 | Audited Jun 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | **471 891** | 436 566 | 414 927 |
| Property, plant and equipment | **56 524** | 105 691 | 57 109 |
| Investment in associates | **190 588** | 185 035 | 189 795 |
| Intangibles | **123 683** | 114 598 | 131 273 |
| Deferred tax asset | **18 669** | 6 830 | 22 119 |
| Other financial assets | **82 427** | 24 412 | 14 631 |
| **Non current assets held for sale** | **-** | - | 50 284 |
| **Current assets** | **375 450** | 313 913 | 350 043 |
| Inventories | **86 847** | 74 421 | 94 642 |
| Trade and other receivables | **288 603** | 239 492 | 244 709 |
| Taxation prepaid | **-** | - | 5 195 |
| Cash and cash equivalents | **-** | - | 5 497 |
| **Total assets** | **847 341** | 750 479 | 815 254 |
| **EQUITY AND LIABILITIES** | | | |
| Share capital and reserves | **359 588** | 346 611 | 354 432 |
| **Non-current liabilities** | **16 733** | 150 554 | 38 534 |
| Interest bearing liabilities | **9 046** | 149 333 | 24 125 |
| Deferred maintenance revenue | **7 687** | 1 221 | 1 719 |
| Deferred tax liability | **-** | - | 12 690 |
| **Non-current liability held for sale** | **28 956** | **-** | 29 976 |
| **Current liabilities** | **442 064** | 253 314 | 392 312 |
| Interest bearing liabilities | **131 887** | 15 160 | 103 184 |
| Bank overdraft | **65 084** | 38 414 | 37 328 |
| Non-interest bearing liabilities | **212 546** | 167 193 | 227 175 |
| Deferred maintenance revenue | **27 699** | 29 895 | 20 247 |
| Taxation liability | **4 848** | 2 652 | 4 378 |
| **Total equity and liabilities** | **847 341** | 750 479 | 815 254 |

## Summarised consolidated statement of changes in equity

| (R'000) | Unaudited Dec 2012 6 months | Unaudited Dec 2011 6 months | Audited Jun 2012 12 months |
|---|---|---|---|
| **Attributable to equity holders of the parent** | | | |
| Opening balance | **339 842** | 323 363 | 323 363 |
| Treasury shares - Share Incentive Trust | **458** | - | 47 |
| Transactions between shareholders | **-** | (3 187) | (3 188) |
| Share based payment expense | **136** | 600 | 336 |
| Utilisation of share based payment reserve | **(324)** | - | - |
| Total comprehensive income | **14 216** | 10 331 | 22 807 |
| - Profit for the period/year | **14 216** | 9 706 | 21 935 |
| - Other comprehensive income | **-** | 625 | 872 |
| Dividends declared | **(4 254)** | (3 195) | (3 523) |
| Closing balance | **350 074** | 327 912 | 339 842 |
| **Non-controlling interests** | | | |
| Opening balance | **14 590** | 19 835 | 19 835 |
| Subsidiaries disposed of during the period/year | **(4 451)** | - | - |
| Transactions between shareholders | **-** | (3 313) | (3 312) |
| Total comprehensive income | **( 625)** | 2 177 | (1 933) |
| - Profit/(Loss) for the period/year | **( 625)** | 2 177 | (1 933) |
| - Other comprehensive income | **-** | **-** | **-** |
| Closing balance | **9 514** | 18 699 | 14 590 |
| **Total equity** | **359 588** | 346 611 | 354 432 |

## Summarised consolidated statement of cash flows

| (R'000) | Unaudited Dec 2012 6 months | Unaudited Dec 2011 6 months | Audited June 2012 12 months |
|---|---|---|---|
| Cash generated from operations before working capital changes | **19 509** | 33 077 | 55 441 |
| Working capital changes | **(20 313)** | (38 674) | (30 961) |
| Cash (utilised in)/generated from operations | **(804)** | (5 597) | 24 480 |
| Net financing costs | **(9 808)** | (6 191) | (14 282) |
| Net taxation paid | **(462)** | (3 670) | (8 790) |
| Dividends paid | **(4 254)** | (3 195) | (3 523) |
| Cash flow from operating activities | **(15 328)** | (18 653) | (2 115) |
| Cash flow from investing activities | **(16 883)** | (10 586) | (22 715) |
| Cash flow from financing activities | **(1 042)** | 7 759 | 9 934 |
| **Decrease in cash resources** | **(33 253)** | (21 480) | (14 896) |



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