

Altron

Keeping Altron Document Solutions

AGM trading update

Software and comp services

Altron's AGM trading update confirmed that the positive momentum seen in H224 has continued so far in H125. The company also announced that it had decided to stop the sale process for Altron Document Solutions (ADS) and bring the business back into continuing operations within the IT Services segment. We maintain our forecasts pending further clarity on ADS financials, noting that the business returned to profitability in H224 and is self-funding.

Year end	Revenue* (ZARm)	PBT** (ZARm)	Diluted EPS** (ZAR)	HEPS*** (ZAR)	DPS (ZAR)	P/E (x)	Yield (%)
02/23	8,445	482	0.88	0.85	0.35	18.5	2.2%
02/24	8,250	634	1.15	1.16	0.58	14.2	3.6%
02/25e	8,404	725	1.31	1.29	0.63	12.4	3.9%
02/26e	9,076	871	1.57	1.59	0.77	10.3	4.8%

Note: *Continuing operations. **PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items, and are for continuing operations. ***Basic continuing headline EPS.

Altron's AGM update on 31 July provided an update on trading by division as well as announcing that it had decided to keep ADS and move it back into continuing operations. ADS provides print solutions and digital document management services across South Africa, sub-Saharan Africa and the Indian Ocean islands, and is the largest Xerox distributor globally. ADS has been classified as held for sale since FY21 and the company has been through a lengthy process to find a buyer. Offers under consideration did not reach the value that management believes is fair and carried execution risk. Under the management of Warren Mande since May 2023, ADS returned to EBITDA and operating profitability in H224 (ZAR53m) and is self-financing from a cash perspective. Management believes that removing the 'for sale' sign should provide a confidence boost for existing and potential customers. The shift from discontinued to continuing operations will require accounting review and retrospective restatement; we therefore leave ADS within discontinued operations until further detail is available. We estimate that ADS's contribution to continuing operations net income is likely to be relatively neutral in the near term. We have attributed no value to ADS in our sum-of-parts valuation and we note that book value, before a ZAR381m intercompany loan, was ZAR504m at the end of FY24.

Separately, Altron noted that for continuing operations, the positive momentum seen in H224 has continued and year-to-date (ytd) performance is stronger year-on-year. It expects EPS and HEPS, continuing (with or without ADS) and group, for H125 to be at least 20% higher year-on-year. The Own Platforms segment has seen a strong performance ytd, with all three businesses growing revenue, EBITDA and operating profit. Within the IT Services segment, Altron Digital Business delivered ytd revenue growth in line with the market but profitability was suppressed by one-off costs on historical projects and delays in some newer projects. Altron Security has seen some benefit from the corrective actions taken in H224. Altron Arrow saw weaker revenue, as expected, but continues to target a flat operating margin for FY25.

7 August 2024

Price **ZAR16.26**

Market cap **ZAR6.2bn**

Net debt (ZARm) at end FY24 313

Shares in issue 379.9m

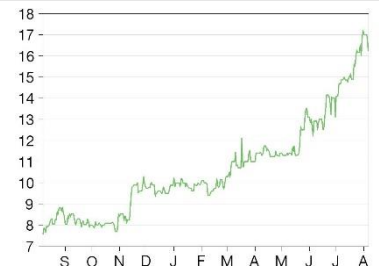
Free float 35.7%

Code AEL

Primary exchange JSE

Secondary exchange N/A

Share price performance



Business description

Altron is a South African provider of platforms and IT services. The company operates via three divisions: IT Services, Platforms and Altron Arrow. In FY24, 89% of revenue was generated in South Africa and annuity revenue made up 60% of total revenue.

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