JASCO
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JASCO ELECTRONICS HOLDINGS LIMITED

Registration number 1987/003293/06
JSE share code: JSC
ISIN: ZAE000003794
("**Jasco**" or "**the company**" or "**the group**")

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

INTRODUCTION

Group overview

Jasco delivers technologies across Information and Communication Technology (ICT), security and fire, power and renewables.

The group's strategy is to provide solutions that assists its customers in a rapidly changing business environment created by disruptive technology. These products and solutions range from the infrastructure level to analytics and business consulting at the top end of the value chain where the group has the ability to differentiate itself in the market.

Jasco is developing from a product development, distributor and reseller model to that of a systems integrator and service provider of choice. To achieve this, the group is transforming each of the respective business units to progress higher up the value chain.

Context to the interim results

The disposal of Jasco's Electrical Manufacturers business is well advanced, with all suspensive conditions expected to be met before the end of April 2020. Consequently, the results of Electrical Manufacturers are separately disclosed as "discontinued operations" for the current reporting period.

The implementation of IFRS 16 Leases had a material impact on the results for the six months ended 31 December 2019 and on the statement of financial position. More information on this is contained in the full announcement published on Jasco's website.

The most prominent issue all businesses are facing globally and in South Africa at the moment is the COVID-19 outbreak and its impact. The group has taken immediate preventative measures to ensure employee, customer and supplier safety. Jasco has also implemented its business continuity plan and risk and mitigation processes. This is managed on a daily basis through the risk and mitigation committee. A work from home policy has been implemented for those functions where this is possible, with key customers being serviced remotely. The employees who are unable to work from home are on mandatory annual leave, with the December 2020 and January 2021 annual shutdown period to be shortened. While it is still too early to fully understand all the consequences, we are hopeful that our actions thus far will assist in minimising the impacts on our business.

Operational performance

Although the performance from continuing operations for the six months to December 2019 was weaker than the comparative period to December 2018, it improved from the preceding six months ended June 2019.

The performance for the six months to 31 December 2019 was impacted by poor results from ICT-Carriers and continuing losses in Power & Renewables. This offset the good performance from ICT-Enterprise (Datavoice and Reflex Solutions), the turnaround of Security & Fire, and a strong first half by Electrical Manufacturers.

The restructure of the cost base at head office was concluded at the end of February 2020 and ICT-Carriers will be concluded by the end of April 2020. A solution has been found for the Midrand offices and will result in further savings for the head office. However, the group expects any related cost reductions to materialise only in the new financial year starting in July 2020.

Financial performance

Profit attributable to ordinary shareholders from continuing operations decreased from a profit of R1.6 million in December 2018 to a R19.1 million loss in December 2019. It improved by R23.6 million from the R42.7 million loss in the preceding six months ended June 2019. Including the profit from the discontinued operation, the total profit attributable to ordinary shareholders decreased from a profit of R2.9 million in December 2018 to a R13.5 million loss in December 2019. However, this improved by R23.9 million from the R37.4 million loss in the preceding six months ended June 2019.

Earnings per share (EPS) decreased from 1.3 cents per share to a loss of 6.0 cents per share, although it improved compared to the 14.0 cents loss per share in the preceding six months to June 2019. The weighted average number of shares in issue decreased from 228,660 million shares to 226,281 million shares due to an increase in the number of treasury shares from 0,659 million to 3,039 million. This did not have a material impact on the comparison to the prior period.

Headline earnings per share decreased from 1.3 cents per share to a loss of 5.2 cents per share, but improved compared to the 11.9 cents loss per share in the preceding six months to June 2019.

The difference between earnings and headline earnings this year relates to a loss on disposal of fixed assets and the loss on disposal of a small subsidiary.

The main contributors to the results were:

- ICT-Carriers' revenue decreased by 50.0% to R100.0 million (Dec 2018: R200.1 million), mainly in Webb Industries due to a slowdown in spend for a network infrastructure roll-out by a major telecommunications operator. This resulted in operating profit decreasing by 89.7% to R3.4 million (Dec 2018: R32.8 million) due to lower revenue. Operating margin deteriorated to 3.4% (Dec 2018: 16.4%).
- ICT-Enterprise's revenue for the year increased by 9.0% to R279.9 million (Dec 2018: R256.8 million), mainly due to strong volumes in Reflex Solutions from existing and new customers, new international projects in Datavoice (Channel), and the extension of a co-location services maintenance contract for a regional telecommunications operator. The Broadcast, Property Technology Management and RAMM businesses were flat on the prior period and Contact Centres was down 27% on the loss of a large financial client. The award of a new client only partly offset this. The annuity service level agreement revenue base was maintained in Enterprise Communications. This resulted in a 10.0% decline in operating profit to R21.7 million (Dec 2018: R24.1 million) and a margin of 7.8% (Dec 2018: 9.4%). The decrease was due to the completion of a significant contract in the first quarter and offset a strong performance from the Datavoice (Channel) business. Reflex Solutions was down on the prior year due to additional investment to cater for future expansion and capacity.
- Security & Fire's revenue increased by 53.3% to R47.8 million (Dec 2018: R31.2 million) following higher volumes due to projects with new customers. The operating profit of R0.9 million was a pleasing turnaround from the loss of R6.1 million in December 2018 on the higher volumes. Operating margins improved to 1.9% from the previous period's loss position.
- Power & Renewables revenue declined by 31.5% to R3.2 million (Dec 2018: R4.7 million) on a lack of projects. To address this, the business model was changed from being an engineer, procure and construct provider to a Power Purchase Agreement and Rent-to-Own provider. The operating loss deteriorated from a loss of R2.7 million in December 2018 to a loss of R3.2 million due to additional sales resource capacity being employed to secure new revenue with the change in the business model.
- Electrical Manufacturers' revenue increased by 29.1% to R115.9 million (Dec 2018: R89.8 million) due to increased volumes from its major customer. The operating profit increased by 331.2% to R8.5 million (Dec 2018: R2.0 million) on higher volumes. Cost control remains very tight, and the operating margin of 7.3% increased from 2.2% last year. The continued focus on diversifying the revenue base is delivering good results, with reduced reliance on this business's major customer and an improved margin mix.

PROSPECTS

The group continues to operate against difficult economic and market conditions in all its markets, with the outbreak of COVID-19 creating exceptionally challenging conditions. The exchange rate volatility in South Africa also makes trading more difficult. The risk of a credit ratings downgrade of South Africa's sovereign debt is high and the electricity crisis continues to be a real threat to economic growth.

To counter this, Jasco will focus on executing its strategy by concentrating on the following additional key areas:

- maintain its focus on costs and ensure a continued improvement in sustainable profitability levels in all business units;
- reduce the financial gearing below the internal target of 50% from the cash generated by Jasco's operations;
- add new products and services to Jasco's portfolio, with an emphasis on new organic fast-growing and higher-margin business areas; and
- continue transforming the group to remain relevant.

Jasco's primary focus in the short-term will therefore remain on delivering sustained profits through a combination of organic growth and cost containment, subject to the impact of COVID-19 on the business. The full impact of this cannot yet be fully determined.

Shareholders are advised that any forward-looking information or statements contained in this announcement have not been reviewed or reported on by Jasco's independent auditors.

For and on behalf of the board

Dr ATM Mokgokong	M Janse van Vuuren	WA Prinsloo
(Non-executive chairman)	*(Chief executive officer)*	*(Chief financial officer)*

30 March 2020

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. Copies of the full announcement may also be requested at the company's registered office and at the offices 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.

Directors and Secretary: Dr ATM Mokgokong (Chairman), MJ Madungandaba (Deputy Chairman), DH du Plessis*, S Bawa*, P Radebe*, T Zondi*, AMF da Silva# (Non-executives), M Janse van Vuuren (CEO), WA Prinsloo (CFO) (Executives), WA Prinsloo (Company Secretary) *Independent # Alternate

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Transfer secretaries: Link Market Services SA (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001

Sponsor: Grindrod Bank Limited, Fourth Floor, Grindrod Tower, 8A Protea Place, Sandton, 2146

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

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