

ADAPT IT POSTS STRONG EARNINGS AND REVENUE GROWTH FOR SIX MONTHS TO DECEMBER 2016

The company's acquisitive growth strategy, which saw it consolidate CQS and acquire EasyRoster, has resulted in 48% turnover growth

- Turnover up 48% to R461 million (2015: R310 million)
- EBITDA up 44% to R90 million (2015: R62 million)
- Operating profit up 32% to R69 million (2015: R53 million)
- Normalised HEPS up 20% to 34,74 cents (2015: 28,89 cents)

Durban, 13 February 2017: JSE-listed Adapt IT, a provider of specialised software solutions and services to the Education, Manufacturing, Energy and Financial Services sectors, continues to benefit from its acquisitive growth strategy, as reflected in its interim results for the six months ended 31 December 2016.

Turnover increased 48% to R461 million for the half-year, with acquisitive growth contribution of 44% following the acquisitions of CQS, a specialist in the development and deployment of software for financial professionals, and EasyRoster, a provider of rostering optimisation software solutions.

The acquisition of CQS was effective from 31 December 2015 and had no contribution in the prior interim results.

The purchase price of R87 million for 100% of EasyRoster was funded through a combination of the issue of 1 million Adapt IT shares with the balance payable in cash over four years, subject to an earn-out agreement. The transaction was effective 1 August 2016.

"We have been consistent in pursuing diversification through an organic and acquisitive growth strategy, which has contributed to this positive set of results for Adapt IT," says Adapt IT CEO, Sbu Shabalala.

Earnings before interest, tax, depreciation and amortisation (EBITDA) grew 44% to R90 million, from R62 million the prior year.

Adapt IT has disclosed normalised headline earnings per share (HEPS) for the first time as a result of the high non-cash expenses in terms of International Financial Reporting Standards (IFRS) related to its acquisitions. These expenses are mainly amortisation of intangible assets (such as internally developed software and customer relationships) and notional interest on deferred purchase considerations, which depend on the achievement of profit warranties.

Non-cash amortisation costs of R13.5 million and notional interest costs of R5.3 million were expensed, which totalled R18.8 million (2015: R7.7m) for the half year. As acquisitions will be an ongoing hallmark of Adapt IT, in line with its growth strategy, it has stated that it will report normalised earnings on an ongoing basis, as management believes this will add value to the user of the financial reports.

Normalised HEPS grew 20% to 34.74 cents (2015: 28.89 cents). By comparison, IFRS HEPS grew 2% after taking into account the non-cash expenses described above, together with higher bank interest. This resulted from the change in capital structure arising from the R160 million new debt taken on to fund the CQS acquisition, together with the debt acquired in CQS, which saw bank interest grow to R10 million from R4.5 million.

“Utilising significant gearing for the first time to acquire CQS was beneficial for our shareholders, as Adapt IT could quite comfortably take on the debt, avoiding unnecessary shareholder dilution,” said Shabalala.

In December 2016, Adapt IT utilised the general authority granted by its shareholders at the latest Annual General Meeting to issue shares for cash, raising R84.0 million of fresh equity in support of its acquisitive growth strategy. These funds have been temporarily offset against borrowings until they are applied in due course.

“Despite the challenging market conditions, our outlook remains positive as we continue to build on the strong, well-diversified foundation, to create a sizeable, leading ICT business that delivers above ICT sector average growth and returns,” concludes Shabalala.

About Adapt IT

Adapt IT provides a variety of specialised IT software solutions and services to Education, Manufacturing, Financial Services and Energy sector clients. Adapt IT has over 800 employees and customers in 40 countries in Africa, Asia, Australasia, Europe, South America and North America, and its services and solutions span the complete software IT life cycle, from consulting and application design and development, through to delivery and support. For more information, visit www.adaptit.co.za.

About EasyRoster

EasyRoster is the leading provider of rostering optimisation software services to staffing solutions businesses in South Africa and the rest of Africa. EasyRoster has more than 20 years’ experience in providing a niche software solution for rostering. The acquisition of this software-as-a-service (SaaS) solutions business bolsters the manufacturing services segment of Adapt IT. For more information, visit www.easyroster.net.

About CQS

CQS Technology Holdings is one of SA’s leading software houses specialising in the design, development and deployment of software solutions for financial professionals. CQS provides a full range of professional services and “best of breed” solutions to over 2 500 customers spanning Audit, Risk Management and Corporate Performance Management. For more information, visit www.cqs.co.za.

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