

# Altron

## Mixed performance in H126

For H126, Altron has seen the benefit of a diversified portfolio in a challenging market environment. The IT Services business has suffered from constrained IT budgets and price pressure, with an operating loss expected for Altron Digital Business (ADB). The Platforms business conversely saw double-digit revenue growth and strong growth in EBITDA, and a change in depreciation policy in Netstar further boosted operating profit. We have revised our forecasts to reflect a weaker outlook for ADB, a better performance for Altron Fintech and Altron Security, and a longer depreciation period for Netstar devices, driving upgrades to continuing HEPS of 10.3% in FY26 and 9.5% in FY27.

Year end	Revenue (ZARm)	PBT (ZARm)	EPS (ZAR)	HEPS (ZAR)	DPS (ZAR)	P/E (x)	Yield (%)
2/24	9,603.0	570.0	1.04	1.03	0.58	18.2	3.1
2/25e	9,588.0	912.0	1.83	1.78	0.90	10.3	4.8
2/26e	9,759.1	969.6	1.74	1.75	0.85	10.8	4.5
2/27e	10,387.8	1,147.7	2.05	2.13	1.03	9.2	5.5

Note: Revenue, PBT and diluted EPS are for continuing operations. PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items. HEPS: basic continuing headline EPS.

## Platforms strong, tough conditions for IT Services

At a group level for H126, including discontinued operations, Altron expects to report marginally lower revenue year-on-year, flat EBITDA and single-digit growth in operating profit. Revenue from continuing operations is expected to be flat. The Platforms business expects to report double-digit revenue growth and strong growth in EBITDA and operating profit. Altron Fintech is expected to report double-digit revenue, EBITDA and operating profit growth, driven by strong volume growth in collections and payments. Netstar changed its depreciation policy from 1 March, boosting operating profit from that date. Within IT Services, ADB expects to report an operating loss while Altron Security and Altron Document Solutions are both expected to report healthy growth. Revenue and operating profit for Altron Arrow is expected to decline year-on-year. The disposal of Nexus completed on 31 July, a month later than originally targeted.

## Factoring in weaker IT Services, accounting change

We have revised our forecasts to reflect the H126 performance, a weaker outlook for ADB and the new Netstar depreciation policy. The net effect is to reduce revenue by 2.0% in FY26 and 1.8% in FY27 and EBITDA by 5.1% and 3.7%, respectively. Due to the lower depreciation charges in Netstar, our operating profit forecasts increase by 3.4% in FY26 and 5.7% in FY27, driving upgrades to our basic continuing HEPS forecasts of 10.3% and 9.5%, respectively.

## Valuation: Turnaround of ADB the key driver

Using a sum-of-the-parts valuation on our revised forecasts and after a 30% holding company/South Africa discount, we arrive at a valuation of ZAR27.7 per share (down from ZAR28.6), 47% above the current share price. In our view, evidence of continued progress towards medium-term operating margin targets, including a recovery in ADB revenue and margins, should support share price upside.

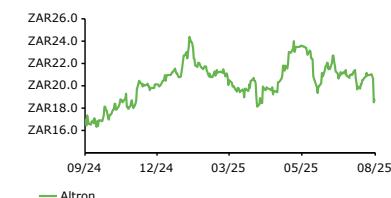
## Pre-close H126 trading update

Software and comp services

1 September 2025

<b>Price</b>	<b>ZAR18.83</b>
<b>Market cap</b>	<b>ZAR7,178m</b>
Net cash/(debt) at end FY25	ZAR(113.0)m
Shares in issue	381.2m
Free float	35.7%
Code	AEL
Primary exchange	JSE
Secondary exchange	N/A

## Share price performance



	1m	3m	12m
Abs	(10.4)	(19.2)	10.9
52-week high/low	ZAR24.5	ZAR15.7	

## 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 FY25, 90% of revenue was generated in South Africa and annuity revenue made up 63% of total revenue.

## Next events

H126 results	3 November
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## Changes to forecasts

Netstar has increased the expected useful life of capital devices from three to five years, effective from 1 March. This reflects market practice and commercial reality. We have revised our forecasts to reflect the H126 performance: we have increased our forecasts for Altron Security and Altron Fintech and have reflected the new depreciation policy for Netstar, which results in increased operating profit. We have revised down our revenue and profit forecasts for ADB. Management noted that it is taking action in ADB to reduce the cost base and is in the final month of a three-month process to take out c 20% of cost. As the Nexus disposal completed a month later than originally targeted, we have added an extra month of Nexus trading to discontinued operations.

### Exhibit 1: Changes to forecasts

ZARm	FY26e		FY26e		y-o-y	FY27e		FY27e		y-o-y
	Old	New	Change	y-o-y		Old	New	Change		
Revenues	9,961.0	9,759.1	-2.0%	1.8%	10,583.5	10,387.8	-1.8%	6.4%		
EBITDA	2,007.0	1,905.1	-5.1%	4.6%	2,270.5	2,187.8	-3.6%	14.8%		
EBITDA margin	20.1%	19.5%	-0.6pp	0.5pp	21.5%	21.1%	-0.4pp	1.5pp		
Operating profit before capital items	1,009.1	1,043.4	3.4%	7.3%	1,177.4	1,244.4	5.7%	19.3%		
Operating margin before capital items	10.1%	10.7%	0.6pp	0.6pp	11.1%	12.0%	0.9pp	1.3pp		
Normalised operating profit	1,030.5	1,065.6	3.4%	6.8%	1,175.4	1,244.7	5.9%	16.8%		
Normalised operating margin	10.3%	10.9%	0.6pp	0.5pp	11.1%	12.0%	0.9pp	1.1pp		
Reported operating profit	988.5	1,023.6	3.5%	20.1%	1,155.4	1,224.7	6.0%	19.6%		
Reported operating margin	9.9%	10.5%	1.2pp	9.8%	10.9%	11.8%	1.0pp	9.8%		
Normalised PBT	934.5	969.6	3.8%	6.3%	1,079.4	1,148.7	6.4%	18.5%		
Reported PBT	892.5	927.6	3.9%	21.1%	1,059.4	1,128.7	6.5%	21.7%		
Normalised net income - continuing operations	658.4	723.4	9.9%	0.8%	756.7	837.1	10.6%	15.7%		
Reported net income	444.4	499.0	12.3%	27.9%	749.4	822.1	9.7%	64.8%		
Normalised basic EPS - continuing operations (ZAR)	1.73	1.90	9.9%	0.4%	1.99	2.20	10.6%	15.7%		
Normalised diluted EPS - continuing operations (ZAR)	1.67	1.84	9.9%	0.5%	1.92	2.13	10.6%	15.7%		
Headline basic EPS - continuing operations (ZAR)	1.68	1.85	10.3%	3.8%	2.00	2.20	9.5%	18.5%		
Headline basic EPS - discontinued operations (ZAR)	(0.47)	(0.49)	4.1%	11.8%	0.00	0.00	N/A	-100.0%		
Headline basic EPS - group (ZAR)	1.21	1.36	11.8%	1.1%	2.00	2.19	9.5%	61.8%		
Headline diluted EPS - continuing operations (ZAR)	1.63	1.80	10.3%	3.8%	1.94	2.13	9.5%	18.5%		
Headline diluted EPS - discontinued operations (ZAR)	(0.46)	(0.48)	4.1%	11.8%	0.00	0.00	N/A	-100.0%		
Headline diluted EPS - group (ZAR)	1.18	1.32	11.8%	1.1%	1.94	2.13	9.5%	61.8%		
Reported basic EPS (ZAR)	1.17	1.31	12.3%	27.5%	1.97	2.16	9.7%	64.8%		
Dividend per share (ZAR)	0.81	0.90	10.3%	-0.2%	0.97	1.06	9.5%	18.5%		
Net debt - company adjusted*	125	190	51.3%	67.7%	4	173	4765.9%	-8.8%		
Net debt - as reported	(141)	(76)	-45.7%	-50.0%	(262)	(93)	-64.5%	21.9%		

Source: Edison Investment Research

**Exhibit 2: Financial summary**

	ZAR m	2021	2022	2023	2024	2025	2026e	2027e
		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>Year end 28 February</b>								
<b>INCOME STATEMENT</b>								
Revenue	7,505	7,930	8,445	9,603	9,588	9,759	10,388	
Costs	(6,472)	(6,790)	(7,194)	(8,167)	(7,766)	(7,854)	(8,200)	
EBITDA	1,033	1,140	1,251	1,436	1,822	1,905	2,188	
Normalised operating profit	371	518	621	677	998	1,066	1,245	
Amortisation of acquired intangibles	0	(20)	(22)	(27)	(26)	(22)	0	
Exceptionals/capital items	(23)	(213)	(59)	(35)	(120)	(20)	(20)	
Share-based payments	0	0	0	0	0	0	0	
Reported operating profit	348	285	540	615	852	1,024	1,225	
Net Interest	(179)	(146)	(142)	(109)	(89)	(96)	(96)	
Joint ventures & associates (post tax)	(41)	3	3	2	3	0	0	
Exceptionals	0	0	0	0	0	0	0	
Profit Before Tax (norm)	151	375	482	570	912	970	1,149	
Profit Before Tax (reported)	128	142	401	508	766	928	1,129	
Reported tax	(34)	(63)	(105)	(121)	(150)	(213)	(282)	
Profit After Tax (norm)	111	209	356	425	743	747	861	
Profit After Tax (reported)	94	79	296	387	616	714	846	
Minority interests	12	(9)	(17)	(23)	(25)	(23)	(24)	
Discontinued operations	12,048	(174)	(283)	(534)	(201)	(192)	0	
Net income (normalised)	123	200	339	402	718	723	837	
Net income (reported)	12,154	(104)	(4)	(170)	390	499	822	
Basic average number of shares outstanding (m)	372	372	377	379	380	381	381	
EPS - diluted normalised (ZAR)	0.33	0.53	0.88	1.04	1.83	1.84	2.13	
EPS - basic reported (ZAR)	32.70	(0.28)	(0.01)	(0.45)	1.03	1.31	2.16	
EPS headline basic (ZAR)	1.35	0.37	0.29	(0.29)	1.34	1.36	2.19	
Dividend (ZAR)	1.44	0.30	0.35	0.58	0.90	0.90	1.06	
Revenue growth (%)	1.7%	5.7%	6.5%	13.7%	-0.2%	1.8%	6.4%	
EBITDA Margin (%)	13.8%	14.4%	14.8%	15.0%	19.0%	19.5%	21.1%	
Normalised Operating Margin (%)	4.9%	6.5%	7.4%	7.0%	10.4%	10.9%	12.0%	
<b>BALANCE SHEET</b>								
Fixed Assets	3,793	3,965	4,013	4,561	4,519	4,883	5,240	
Intangible Assets	1,623	1,918	2,105	2,258	2,327	2,422	2,516	
Tangible Assets	1,719	1,476	1,346	1,575	1,651	1,920	2,183	
Investments & other	451	571	562	728	541	541	541	
Current Assets	6,592	5,404	5,649	4,802	4,593	4,363	4,561	
Stocks	833	972	1,023	971	822	821	847	
Debtors	2,497	1,961	2,055	2,185	2,379	2,421	2,577	
Cash & cash equivalents	1,454	757	740	1,140	1,017	940	957	
Other (including assets held for sale)	1,808	1,714	1,831	506	375	180	180	
Current Liabilities	(3,753)	(2,917)	(3,274)	(3,331)	(3,316)	(3,264)	(3,321)	
Creditors	(2,319)	(1,853)	(1,964)	(2,321)	(2,398)	(2,395)	(2,452)	
Tax and social security	(28)	(77)	(103)	(127)	(116)	(116)	(116)	
Short-term borrowings	(710)	(244)	(62)	(708)	(647)	(647)	(647)	
Lease liabilities	(108)	(117)	(111)	(85)	(95)	(95)	(95)	
Other (including liabilities held for sale)	(588)	(626)	(1,034)	(90)	(60)	(11)	(11)	
Long-Term Liabilities	(1,766)	(2,098)	(2,088)	(1,955)	(1,612)	(1,612)	(1,612)	
Long-term borrowings	(602)	(854)	(851)	(649)	(217)	(217)	(217)	
Lease liabilities	(971)	(896)	(788)	(741)	(733)	(733)	(733)	
Other long-term liabilities	(193)	(348)	(449)	(565)	(662)	(662)	(662)	
Net Assets	4,866	4,354	4,300	4,077	4,184	4,370	4,869	
<b>CASH FLOW</b>								
Op Cash Flow before WC and tax	968	440	346	187	817	1,007	1,245	
Working capital	393	(44)	194	579	184	(44)	(125)	
Exceptional & other	859	672	755	845	735	630	698	
Tax	(226)	(94)	(50)	(131)	(104)	(218)	(282)	
Net operating cash flow	1,994	974	1,245	1,480	1,632	1,374	1,535	
Capex	(484)	(396)	(473)	(567)	(708)	(751)	(805)	
Acquisitions/disposals	309	(76)	(76)	27	12	0	0	
Net interest	(165)	(127)	(127)	(104)	(64)	(95)	(96)	
Equity financing	0	0	0	0	0	0	0	
Dividends	(220)	(442)	(152)	(170)	(285)	(359)	(372)	
Other	(432)	(408)	(361)	(304)	(221)	(245)	(245)	
Net Cash Flow	1,002	(475)	56	362	366	(77)	17	
Opening net debt/(cash)	1,336	453	811	563	313	113	190	
FX	29	(3)	11	4	(5)	0	0	
Other non-cash movements	(148)	120	181	(116)	(161)	0	0	
Closing net debt/(cash) – company adjusted*	453	811	563	313	113	190	173	
Closing net debt/(cash) – as reported	(142)	341	173	217	(153)	(76)	(93)	

Source: Altron, Edison Investment Research

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