EDISON

Altron

H127 trading update

Platforms continue to drive performance

Software and comp services

2 September 2026

Altron's pre-close update confirmed that trading in the first five months of FY27 has broadly been in line with management expectations and is expected to continue in a similar vein for the rest of FY27. The Platforms segment is trading ahead of our expectations, offset by weaker performance in IT Services, mainly from Altron Security. We have revised our forecasts to reflect this weighting, with Platforms continuing to generate a growing proportion of operating profit.

Year end	Revenue (ZARm)	PBT (ZARm)	EPS (ZAR)	HEPS (ZAR)	DPS (ZAR)	P/E (x)	Yield (%)
2/25	9,588.0	912.0	1.83	1.78	0.90	15.6	3.2
2/26	9,637.0	1,173.0	2.34	2.39	2.40	12.2	8.4
2/27e	10,258.3	1,288.0	2.32	2.36	1.14	12.3	4.0
2/28e	10,887.1	1,457.0	2.58	2.56	1.24	11.0	4.4

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.

EBITDA and operating profit: Low-to-mid teen growth

For the five months ended 31 July 2026 (5M27), Altron's continuing operations saw revenue growth in the low-single digits and EBITDA and operating profit growth in the low-to-mid teens. Platforms revenue growth was in the high-single digits, and IT Services saw modest growth (we assume low-single digit). The Distribution business saw strong momentum and a book-to-bill above 1x. All Platforms businesses increased EBITDA by at least the mid-teens y-o-y. Group operating margin expanded year-on-year and the company closed the five-month period in a net cash position, even after paying the special dividend.

Platforms weighting increases

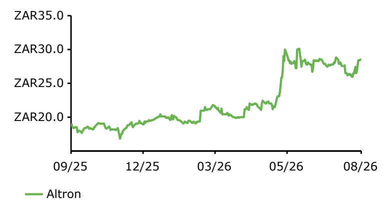
We have revised our forecasts to reflect the relative performance of the three segments: we upgrade Platforms and Distribution revenue and profitability, offset by weaker IT Services expectations. Our operating profit forecast reduces by 5% in FY27 and is broadly unchanged in FY28. We have also updated our forecasts to reflect a slightly higher tax rate in FY27 and the recent issue of performance shares. Our basic continuing HEPS forecast reduces by 8.7% in FY27 and 3.8% in FY28. Management continues to focus on driving the organic growth of the group, directing investment at high-margin, annuity-based growth opportunities, including Netstar's platform modernisation, and the expansion of Altron FinTech.

Valuation: Platforms provide upside potential

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 ZAR33.8 per share (marginally up from ZAR33.2 when we last wrote), 19% above the current share price. The increased proportion of profits from the Platforms businesses has more than offset the effect of the higher share count. In our view, evidence of continued progress towards medium-term operating margin targets, including sustained recovery in ADB revenue and margins, would be the key driver of share price upside.

Price	**ZAR28.50**
Market cap	**ZAR11,149m**
Net cash/(debt) at end FY26	ZAR190.0m
Shares in issue	391.2m
Free float	35.7%
Code	AEL
Primary exchange	JSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	0.9	6.6	68.4
52-week high/low		ZAR29.3	ZAR15.1

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 FY26, 88% of revenue was generated in South Africa and annuity revenue made up 66% of total revenue.

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H127 results	2 November

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Edison profile page

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H127 pre-close trading update

On 31 August, Altron provided an update on trading year to date. The commentary on financial performance covers continuing operations for the five months to 31 July 2026 (5M27) compared to the same period a year ago (5M26).

Group-level performance

Trading and operational performance for 5M27 has been broadly in line with management expectations and the group expects trading for H127 to follow a similar trend.

Group revenue growth for 5M27 was in the low-single digits, and the company expects to see a similar pattern in FY27 as in FY26, with H227 performance expected to be stronger than in H127.

Group EBITDA and operating profit increased by low-to-mid-teen percentages. The group operating margin was higher year-on-year for 5M27 reflecting operating leverage in the Platforms business and improved profitability in the IT Services segment.

The company maintained a positive net cash position and an ungeared balance sheet, having made dividend payments of ZAR750m in June (this comprised the ZAR0.72 final dividend and ZAR1.20 special dividend).

Segmental performance

Platforms continues to drive revenue and profits

The Platforms segment delivered high-single-digit revenue growth in 5M27 and made up c 45% of group revenue while accounting for c 95% of operating profit.

- **Netstar:** the company did not provide a revenue growth metric but noted that EBITDA increased in the mid-teens, ahead of our high-single-digit growth expectation. This was supported primarily by the continued strong performance of the South African business, with management noting strong demand from OEMs, good growth in some enterprise markets and better retention in the consumer market. In FY27, Netstar management is targeting investment at sales execution, platform modernisation (where it is investing in a new ERP system to ultimately provide better data analytics), customer acquisition and strengthening long-term competitiveness.
- **Altron FinTech:** the business grew revenue and EBITDA by mid-to-high teens – this was ahead of our high-single-digit growth expectations. The business saw continued customer acquisition, healthy transaction volume growth, lower-than-expected customer churn and ongoing expansion of its payments and collections ecosystem. Annuity revenue exceeded 85%, helped by strong take-up of its point-of-sale rental offering.
- **Altron HealthTech:** the business delivered solid profitability and cash generation with mid-teens EBITDA growth. Revenue growth is improving and management is focused on accelerating momentum through enhanced commercial execution, particularly in the corporate market and data monetisation initiatives.

IT Services improved year-on-year but was below our expectations

The IT Services segment delivered modest revenue growth in 5M27, and profitability improved as Altron Digital Business returned to profitability.

- **Altron Digital Business (ADB):** the business saw a strong improvement in performance as a result of the profit improvement strategy undertaken in FY26 and the momentum achieved in H226 continued into 5M27. The business delivered positive EBITDA and operating profit compared to losses a year ago. Performance was supported by improved order intake, contract renewals and focused cost management, with the availability of AI Factory a useful hook for renewals or new business.
- **Altron Security:** EBITDA and operating profit were impacted by the timing of software revenue recognition (shifting from H127 to H227) and IT services segment pressures. The platform side of the business (identity and digital signing) performed well whereas IT services continued to feel the pressure from the constrained enterprise spending environment. The group continues to pursue corrective actions to improve IT services profitability. Based on the growth rates expected for the group and the Platforms segment, we estimate that Altron Security revenue must have declined in the mid-teens y-o-y with a significant reduction in EBITDA margin.

- **Altron Document Solutions (ADS):** revenue was 'flattish' year-on-year. EBITDA growth was in the low-20s (below our expectations) due to a higher proportion of higher-margin services and disciplined cost management. The business continues to deliver consistent profitability and cash generation.

Distribution sees book-to-bill above one

Altron Arrow had a strong start to the year, entering FY27 with positive momentum. The company believes the business has moved through the bottom of the cycle, and the business now has a growing order book. Book-to-bill was above 1x during 5M27, for the first time in two years.

B-BBEE ownership status increased

The company noted that it has undertaken a comprehensive reassessment of broad-based black economic empowerment (B-BBEE) ownership usage methodology. This has resulted in a re-rating of its Black Owned status, from 63% overall (up from 38%), and for Black Women Owned status, from 21% to 35%. These ownership credentials flow through to the relevant South African operating entities, taking them above key ownership thresholds and strengthening their competitiveness in government and enterprise procurement. This also provides Altron with better flexibility in achieving targeted B-BBEE outcomes, meaning that it can increasingly direct investment towards initiatives that deliver meaningful and sustainable impact.

Outlook and changes to forecasts

Management confirmed that trading and operational performance in 5M27 was broadly in line with its expectations, and it expects trading for H227 to follow a similar trend. We have made the following changes to our forecasts:

- **Platforms:** overall we have increased our revenue growth and margin expectations for FY27. We have slightly trimmed our Netstar revenue growth assumption but increased our EBITDA margin assumption. For Altron FinTech, we have increased our growth and margin assumptions. For Altron HealthTech, we have slightly trimmed our revenue growth assumption, but we have increased our EBITDA margin assumption.
- **IT Services:** we have reduced segmental revenue and profit expectations for FY27 and FY28. The company did not provide revenue, EBITDA or operating profit growth rates for ADB or Altron Security for 5M27, but, based on the data provided for the Platforms business, ADS and group performance, we assume that both revenue growth and profitability were weaker than we had expected for ADS and, more significantly, for Altron Security. We have reduced our ADB EBITDA margin for FY27 and left FY28 growth and margin assumptions unchanged. For Altron Security, we have reduced our FY27 revenue growth rate and our EBITDA margin forecast, and we have slightly reduced our FY28 EBITDA margin. For ADS, we have slightly reduced our FY27 revenue growth rate and EBITDA margin forecast. We leave our FY28 growth and margin forecasts unchanged.
- **Distribution:** for Altron Arrow we have increased our full-year revenue growth rate and maintained our EBITDA margin forecast. We leave our FY28 growth and margin forecasts unchanged.

At a group level, this results in revenue growth for FY27 declining slightly from 6.6% to 6.4%. EBITDA growth reduces from 14.2% to 10.2% with the margin decreasing from 22.2% to 21.5%. This drops through to operating profit growth of 8.0% (down from 14.0%) and an operating margin of 12.8% (down from 13.5%). We have increased our tax rate assumption from 25% to 27% in FY27 – we had assumed this would be a transition year to the standard 27% rate, but management confirmed that the full amount is likely to apply for FY27. We have also factored in a higher share count to reflect shares issued so far in FY27. Basic continuing HEPS for FY27 decreases from ZAR2.59 to ZAR2.36 and for FY28 from ZAR2.67 to ZAR2.56.

Exhibit 1: Changes to forecasts

	FY27e	FY27e			FY28e	FY28e		
ZARm	**Old**	**New**	**Change**	**y-o-y**	**Old**	**New**	**Change**	**y-o-y**
Revenues	10,275.2	10,258.3	-0.2%	6.4%	10,831.6	10,887.1	0.5%	6.1%
EBITDA	2,286.2	2,205.3	-3.5%	10.2%	2,467.6	2,468.1	0.0%	11.9%
EBITDA margin	22.2%	21.5%	-0.8pp	0.7pp	22.8%	22.7%	-0.1pp	1.2pp
Operating profit before capital items	1,388.2	1,315.5	-5.2%	8.0%	1,488.5	1,498.7	0.7%	13.9%
Operating margin before capital items	13.5%	12.8%	-0.7pp	0.2pp	13.7%	13.8%	0.0pp	0.9pp
Normalised operating profit	1,402.8	1,330.0	-5.2%	8.5%	1,489.1	1,499.0	0.7%	12.7%
Normalised operating margin	13.7%	13.0%	-0.7pp	0.2pp	13.7%	13.8%	0.0pp	0.8pp
Reported operating profit	1,267.8	1,195.0	-5.7%	11.5%	1,349.1	1,359.0	0.7%	13.7%
Reported operating margin	12.3%	11.6%	-0.7pp	0.5pp	12.5%	12.5%	0.1pp	0.8pp
Normalised PBT	1,360.8	1,288.0	-5.3%	9.8%	1,447.1	1,457.0	0.7%	13.1%
Reported PBT	1,225.8	1,153.0	-5.9%	13.2%	1,307.1	1,317.0	0.8%	14.2%
Normalised net income – continuing operations	1,010.2	927.4	-8.2%	0.4%	1,039.5	1,043.6	0.4%	12.5%
Reported net income	905.2	827.9	-8.5%	13.9%	937.3	941.4	0.4%	13.7%
Normalised basic EPS – continuing operations (ZAR)	2.64	2.40	-9.2%	-0.9%	2.71	2.67	-1.7%	11.4%
Normalised diluted EPS – continuing operations (ZAR)	2.55	2.32	-9.1%	-0.9%	2.62	2.58	-1.6%	11.4%
Headline basic EPS – continuing operations (ZAR)	2.59	2.36	-8.7%	-0.9%	2.67	2.56	-3.8%	8.4%
Headline basic EPS – discontinued operations (ZAR)	0.00	0.00	N/A	-100.0%	0.00	0.00	N/A	N/A
Headline basic EPS – group (ZAR)	2.59	2.36	-8.7%	3.2%	2.71	2.67	-1.7%	12.8%
Headline diluted EPS – continuing operations (ZAR)	2.50	2.29	-8.7%	-0.8%	2.58	2.48	-3.8%	8.5%
Headline diluted EPS – discontinued operations (ZAR)	0.00	0.00	N/A	-100.0%	0.00	0.00	N/A	N/A
Headline diluted EPS – group (ZAR)	2.50	2.29	-8.7%	3.3%	2.62	2.58	-1.6%	12.9%
Reported basic EPS (ZAR)	2.36	2.14	-9.5%	12.3%	2.45	2.41	-1.6%	12.5%
Dividend per share (ZAR)	1.25	1.14	-8.7%	-52.4%	1.29	1.24	-3.8%	8.5%
Net debt - company adjusted*	406	466	14.9%	-345.4%	440	499	13.5%	7.1%
Net debt/(cash) – as reported	159	219	38.0%	-150.2%	193	252	30.9%	15.0%

Source: Edison Investment Research *Excludes cash held for merchants

Exhibit 2: Financial summary

ZAR m	2022	2023	2024	2025	2026	2027e	2028e
Year end 28 February	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT							
Revenue	7,930	8,445	9,603	9,588	9,637	10,258	10,887
Costs	(6,790)	(7,194)	(8,167)	(7,766)	(7,635)	(8,053)	(8,419)
EBITDA	1,140	1,251	1,436	1,822	2,002	2,205	2,468
Normalised operating profit	518	621	677	998	1,226	1,330	1,499
Amortisation of acquired intangibles	(20)	(22)	(27)	(26)	(8)	(15)	0
Exceptionals/capital items	(213)	(59)	(35)	(120)	(146)	(120)	(140)
Share-based payments	0	0	0	0	0	0	0
Reported operating profit	285	540	615	852	1,072	1,195	1,359
Net Interest	(146)	(142)	(109)	(89)	(56)	(42)	(42)
Joint ventures & associates (post tax)	3	3	2	3	3	0	0
Exceptionals	0	0	0	0	0	0	0
Profit Before Tax (norm)	375	482	570	912	1,173	1,288	1,457
Profit Before Tax (reported)	142	401	508	766	1,019	1,153	1,317
Reported tax	(63)	(105)	(121)	(150)	(203)	(308)	(356)
Profit After Tax (norm)	209	356	425	743	938	944	1,064
Profit After Tax (reported)	79	296	387	616	816	845	961
Minority interests	(9)	(17)	(23)	(25)	(14)	(17)	(20)
Discontinued operations	(174)	(283)	(534)	(201)	(75)	0	0
Net income (normalised)	200	339	402	718	924	927	1,044
Net income (reported)	(104)	(4)	(170)	390	727	828	941
Basic average number of shares outstanding (m)	372	377	379	380	382	387	391
EPS - diluted normalised (ZAR)	0.53	0.88	1.04	1.83	2.34	2.32	2.58
EPS - basic reported (ZAR)	(0.28)	(0.01)	(0.45)	1.03	1.90	2.14	2.41
EPS headline basic (ZAR)	0.37	0.29	(0.29)	1.34	2.29	2.36	2.67
Dividend (ZAR)	0.30	0.35	0.58	0.90	2.40	1.14	1.24
Revenue growth (%)	5.7%	6.5%	13.7%	-0.2%	0.5%	6.4%	6.1%
EBITDA Margin (%)	14.4%	14.8%	15.0%	19.0%	20.8%	21.5%	22.7%
Normalised Operating Margin (%)	6.5%	7.4%	7.0%	10.4%	12.7%	13.0%	13.8%
BALANCE SHEET							
Fixed Assets	3,965	4,013	4,561	4,519	4,764	5,218	5,660
Intangible Assets	1,918	2,105	2,258	2,327	2,529	2,689	2,844
Tangible Assets	1,476	1,346	1,575	1,651	1,794	2,089	2,375
Investments & other	571	562	728	541	441	441	441
Current Assets	5,404	5,649	4,802	4,593	4,884	4,444	4,611
Stocks	972	1,023	971	822	832	888	926
Debtors	1,961	2,055	2,185	2,379	2,480	2,640	2,802
Cash & cash equivalents	757	740	1,140	1,017	1,351	695	662
Other (including assets held for sale)	1,714	1,831	506	375	221	221	221
Current Liabilities	(2,917)	(3,274)	(3,331)	(3,316)	(2,885)	(2,999)	(3,077)
Creditors	(1,853)	(1,964)	(2,321)	(2,398)	(2,367)	(2,481)	(2,559)
Tax and social security	(77)	(103)	(127)	(116)	(148)	(148)	(148)
Short-term borrowings	(244)	(62)	(708)	(647)	(213)	(213)	(213)
Lease liabilities	(117)	(111)	(85)	(95)	(122)	(122)	(122)
Other (including liabilities held for sale)	(626)	(1,034)	(90)	(60)	(35)	(35)	(35)
Long-Term Liabilities	(2,098)	(2,088)	(1,955)	(1,612)	(2,194)	(2,194)	(2,194)
Long-term borrowings	(854)	(851)	(649)	(217)	(701)	(701)	(701)
Lease liabilities	(896)	(788)	(741)	(733)	(634)	(634)	(634)
Other long-term liabilities	(348)	(449)	(565)	(662)	(859)	(859)	(859)
Net Assets	4,354	4,300	4,077	4,184	4,569	4,469	5,000
CASH FLOW							
Op Cash Flow before WC and tax	440	346	187	817	1,180	1,315	1,499
Working capital	(44)	194	579	184	(197)	(102)	(122)
Exceptional & other	672	755	845	735	961	626	674
Tax	(94)	(50)	(131)	(104)	(88)	(308)	(356)
Net operating cash flow	974	1,245	1,480	1,632	1,856	1,531	1,695
Capex	(396)	(473)	(567)	(708)	(800)	(850)	(906)
Acquisitions/disposals	(76)	(76)	27	12	(34)	0	0
Net interest	(127)	(127)	(104)	(64)	(28)	(42)	(42)
Equity financing	0	0	0	0	0	0	0
Dividends	(442)	(152)	(170)	(285)	(394)	(959)	(447)
Other	(408)	(361)	(304)	(221)	(311)	(336)	(333)
Net Cash Flow	(475)	56	362	366	289	(656)	(33)
Opening net debt/(cash)	453	811	563	313	113	(190)	466
FX	(3)	11	4	(5)	(13)	0	0
Other non-cash movements	120	181	(116)	(161)	27	0	0
Closing net debt/(cash) – company adjusted*	811	563	313	113	(190)	466	499
Closing net debt/(cash) – as reported	341	173	217	(153)	(437)	219	252

Source: Altron, Edison Investment Research

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