

The Mustek logo is rendered in a bold, italicized, white sans-serif font. The letter 'M' is particularly stylized with a sharp, upward-pointing peak. The background of the entire page is a dark blue field filled with a dense, vertical stream of small, multi-colored characters (0s, 1s, and some red and green) that resemble a digital data stream or code. Several bright, glowing cyan lines cut across the field, creating a sense of depth and movement, similar to a 3D data visualization or a network map.

Mustek

L I M I T E D

SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2021

#relevant

HIGHLIGHTS

Revenue
up 25.6%
2021: R8.04 billion
2020: R6.40 billion

Headline earnings per share
up 247.5%
2021: 441.81 cents
2020: 127.13 cents

Basic earnings per share
up 242.2%
2021: 424.54 cents
2020: 124.05 cents

Dividend per share
up 246.2%
2021: 90.00 cents
2020: 26.00 cents

Net asset value per share
up 28.0%
2021: 2 046.07 cents
2020: 1 598.08 cents

Summarised consolidated statement of comprehensive income

	Audited 30 June 2021 R000	Audited 30 June 2020 R000
Revenue	8 035 521	6 397 419
Cost of sales	(6 847 554)	(5 487 275)
Gross profit	1 187 967	910 144
Foreign currency gains (losses)	10 476	(56 768)
Distribution, administrative and other operating expenses	(711 046)	(600 405)
Impairment losses on trade receivables	(14 942)	(52 012)
Profit from operations	472 455	200 959
Investment income	4 968	4 536
Finance costs	(75 144)	(105 409)
Other non-operating losses	(314)	(2 055)
Income from equity-accounted investments	5 292	17 460
Profit before tax	407 257	115 491
Income tax expense	(110 830)	(27 441)
Profit for the year	296 427	88 050
Other comprehensive (loss) income		
<i>Items that will be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	(4 569)	6 878
Other comprehensive (loss) income for the year net of taxation	(4 569)	6 878
Total comprehensive income for the year	291 858	94 928
Profit attributable to:		
Owners of the parent	293 772	86 837
Non-controlling interest	2 655	1 213
	296 427	88 050
Total comprehensive income attributable to:		
Owners of the parent	289 203	93 715
Non-controlling interest	2 655	1 213
	291 858	94 928
Basic earnings per ordinary share (cents)	424.54	124.05
Diluted basic earnings per ordinary share (cents)	424.54	124.05

Summarised consolidated statement of financial position

	Audited 30 June 2021 R000	Audited 30 June 2020 R000
ASSETS		
Non-current assets		
Property, plant and equipment	200 899	187 939
Right-of-use assets	79 274	29 956
Goodwill	54 627	55 627
Intangible assets	90 004	71 205
Investments in associates	140 787	140 231
Other loans	61 772	55 627
Deferred tax assets	43 365	30 710
	670 728	571 295
Current assets		
Inventories	1 439 558	1 609 086
Loan to associate	1 473	–
Trade and other receivables	1 228 313	1 163 960
Current tax receivable	5 895	9 106
Contract assets	6 105	5 012
Foreign currency assets	7 311	5 063
Cash and cash equivalents	267 679	263 632
	2 956 334	3 055 859
TOTAL ASSETS	3 627 062	3 627 154
EQUITY AND LIABILITIES		
Stated capital	–	–
Retained earnings	1 345 440	1 109 124
Foreign currency translation reserve	4 966	9 535
Equity attributable to equity holders of the parent	1 350 406	1 118 659
Non-controlling interest	7 174	8 012
Total equity	1 357 580	1 126 671
LIABILITIES		
Non-current liabilities		
Borrowings and other liabilities	43 479	42 264
Lease liabilities	58 823	10 139
Deferred tax liabilities	2 642	6 213
Contract liabilities	23 014	17 686
	127 958	76 302
Current liabilities		
Trade and other payables	2 040 993	2 229 395
Borrowings and other liabilities	2 246	–
Foreign currency liabilities	9 305	21 529
Lease liabilities	23 057	23 670
Contract liabilities	30 373	30 245
Current tax payable	4 172	510
Bank overdrafts	31 378	118 832
	2 141 524	2 424 181
Total liabilities	2 269 482	2 500 483
TOTAL EQUITY AND LIABILITIES	3 627 062	3 627 154

Summarised consolidated statement of cash flows

	Audited 30 June 2021 R000	Audited 30 June 2020 R000
CASH FLOWS FROM OPERATING EXPENSES		
Cash receipts from customers	7 963 498	6 203 189
Cash paid to suppliers and employees	(7 532 188)	(5 703 207)
Cash generated from operations	431 310	499 982
Interest income received	4 455	4 536
Finance costs paid	(75 144)	(105 409)
Dividends paid	(21 693)	(21 649)
Tax paid	(118 166)	(37 940)
Net cash from operating activities	220 762	339 520
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(32 414)	(18 663)
Sale of property, plant and equipment	616	148
(Increase) decrease in investments and loans to associates	(5 000)	2 571
Advances of other loans	(10 000)	(461)
Receipts from other loans	6 261	1 213
Purchase of intangible assets	(24 081)	(23 377)
Net cash used in investing activities	(64 618)	(38 569)
CASH FLOWS FROM FINANCING ACTIVITIES		
Buy back of ordinary shares	(39 256)	–
Proceeds from borrowings	–	40 000
Repayment of borrowings	(187)	–
Payment on lease liabilities	(25 200)	(24 382)
Decrease in bank overdrafts	(87 454)	(274 656)
Net cash used in financing activities	(152 097)	(259 038)
Total cash movement for the year	4 047	41 913
Cash and cash equivalents at the beginning of the year	263 632	221 719
Cash and cash equivalents at the end of the year	267 679	263 632

Summarised consolidated statement of changes in equity

	Ordinary stated capital R000	Retained earnings R000	Foreign currency translation reserve R000	Equity attributable to equity holders of the parent R000	Non- controlling interest R000	Total equity R000
Balance at 1 July 2019	–	1 043 287	2 657	1 045 944	7 448	1 053 392
Profit for the year	–	86 837	–	86 837	1 213	88 050
Other comprehensive income	–	–	6 878	6 878	–	6 878
Dividends paid	–	(21 000)	–	(21 000)	(649)	(21 649)
Balance at 30 June 2020	–	1 109 124	9 535	1 118 659	8 012	1 126 671
Profit for the year	–	293 772	–	293 772	2 655	296 427
Other comprehensive loss	–	–	(4 569)	(4 569)	–	(4 569)
Buy back of shares	–	(39 256)	–	(39 256)	–	(39 256)
Dividends paid	–	(18 200)	–	(18 200)	(3 493)	(21 693)
Balance at 30 June 2021	–	1 345 440	4 966	1 350 406	7 174	1 357 580

Summarised segment analysis

Business segments (audited)	Total		Mustek		Rectron		Group		Intersegment	
	30 June 2021 R000	30 June 2020 R000								
	Revenue	8 035 521	6 397 419	5 504 528	4 488 142	2 800 916	2 154 110	–	–	(269 923)
EBITDA*	515 999	247 237	416 284	200 604	134 426	57 628	(34 711)	(10 995)	–	–
Depreciation and amortisation	(43 544)	(46 278)	(33 807)	(35 136)	(10 268)	(11 142)	–	–	531	–
Profit (loss) from operations	472 455	200 959	382 477	165 468	124 158	46 486	(34 711)	(10 995)	531	–
Investment income	4 968	4 536	617	2 332	2 106	2 486	2 245	(282)	–	–
Finance costs	(75 144)	(105 409)	(51 229)	(70 378)	(24 291)	(35 031)	–	–	376	–
Other non-operating losses	(314)	(2 055)	–	–	–	–	(314)	(2 055)	–	–
Income from equity-accounted investments	5 292	17 460	–	–	–	–	5 292	17 460	–	–
Profit (loss) before tax	407 257	115 491	331 865	97 422	101 973	13 941	(27 488)	4 128	907	–
Income tax (expense) benefit	(110 830)	(27 441)	(92 044)	(27 281)	(27 184)	(3 318)	8 398	3 158	–	–
Profit (loss) for the year	296 427	88 050	239 821	70 141	74 789	10 623	(19 090)	7 286	907	–
Attributable to:										
Owners of the parent	293 772	86 837	239 821	70 141	72 134	9 410	(19 090)	7 286	907	–
Non-controlling interest	2 655	1 213	–	–	2 655	1 213	–	–	–	–
	296 427	88 050	239 821	70 141	74 789	10 623	(19 090)	7 286	907	–

* Earnings before interest, taxation, depreciation and amortisation.

Summarised segment analysis *continued*

Geographical segments (audited)	Total		South Africa		East Africa		Taiwan	
	30 June 2021 R000	30 June 2020 R000						
Revenue	8 035 521	6 397 419	7 993 751	6 358 746	41 290	37 250	480	1 423
Profit (loss) before tax	407 257	115 491	403 121	113 869	1 654	(1 352)	2 482	2 974
Income tax expense	(110 830)	(27 441)	(108 185)	(24 403)	(1 705)	(1 406)	(940)	(1 632)
Profit (loss) for the year	296 427	88 050	294 936	89 466	(51)	(2 758)	1 542	1 342
Attributable to:								
Owners of the parent	293 772	86 837	292 281	88 253	(51)	(2 758)	1 542	1 342
Non-controlling interest	2 655	1 213	2 655	1 213	–	–	–	–
	296 427	88 050	294 936	89 466	(51)	(2 758)	1 542	1 342

Commentary

Headline earnings and dividend per ordinary share

	Audited 30 June 2021	Audited 30 June 2020
Weighted number of ordinary shares in issue	69 197 929	70 000 000
Ordinary shares in issue	66 000 000	70 000 000
Dividend per ordinary share – paid (cents)	26.00	30.00
Dividend per ordinary share – declared (cents)	90.00	26.00
Headline earnings per share (cents)	441.81	127.13
Reconciliation between basic and headline earnings (R000)		
Basic earnings attributable to owners of the parent	293 772	86 837
Group's share of loss on disposal of property, plant and equipment and intangible assets	1 430	274
Impairment of goodwill	1 000	–
Group's share of profit on part sale of associate	(673)	–
Group's share of impairment of associate	–	1 881
Non-headline items within associate equity-accounted earnings:		
Group's share of loss on sale of investment in subsidiary	2 965	–
Group's share of impairment of property, plant and equipment	7 533	–
Group's share of profit on disposal of property, plant and equipment	(301)	–
Headline earnings	305 726	88 992
Net asset value per share (cents)	2 046.07	1 598.08

Operating results

The Group had an exceptional trading performance for the financial year to 30 June 2021 with our diversified portfolio of products and services providing a clear advantage in the marketplace. Revenue continued the growth trajectory that started during the previous financial year due to surging demand sparked by remote working requirements and remote learning.

The Group's revenue increased by 25.6% to R8.04 billion (2020: R6.40 billion). It is pleasing to note that the revenue growth was across the Board with the Group's two largest segments Mustek and Rectron growing their revenue by 22.6% and 30.0% respectively. Rectron benefited from the surge in demand for their products. The addition of HP Printers, Zebra and DJI Enterprise to their range of products towards the end of the 2020 financial year, assisted their growth.

The gross profit percentage increased to 14.8% (2020: 14.2%) predominantly as a result of the increased demand for the Group's products and worldwide supply shortages.

The ZAR/USD exchange rate strengthened during the year and the Group managed to earn foreign currency profits of R10.5 million compared to foreign currency losses of R56.8 million in the comparative period.

Distribution, administrative and other operating expenses increased by 18.4%, mainly due to an increase in commissions and incentive bonuses due to the overperformance by the Group.

Net finance charges decreased from R100.9 million to R70.2 million predominantly as a result of lower interest rates.

Commentary continued

Operating results continued

The contribution from associates decreased from R17.5 million to R5.3 million. The contribution from Sizwe was negatively impacted by a loss on the sale of an investment in a subsidiary and the impairment of property, plant and equipment. The Group's share of these losses of R3.0 million and R7.5 million respectively, are added back in the calculation of headline earnings. The Group owns 25.1% of YOA, an associate company that manufactures fibre optic cable. YOA continues to grow its market and contributed R11.6 million towards associate income.

Inventories include goods in transit of R166.7 million (2020: R213.5 million). Inventory days (excluding inventories in transit) improved to 67.8 days (2020: 92.8 days).

Trade receivable days improved to 49.2 days (2020: 55.0 days).

Mustek's headline earnings per share is 247.5% higher at 441.81 cents (2020: 127.13 cents) and basic earnings per share is 242.2% higher at 424.54 cents (2020: 124.05 cents).

Cash flow

The Group generated strong cash flows and R431.3 million (2020: R500.million) cash was generated from operations. The strong cash flow performance was achieved despite a reduction of R188.4 million in trade and other payables. Management continues to focus on optimal working capital management as it is a driver of the Group's profitability.

The Group have sufficient banking facilities and no bank covenants have been breached during the year.

Corporate activities

The Group owns 36.07% of Sizwe Africa IT Group Proprietary Limited (Sizwe) after selling 3.93% of the company on 30 June 2021 to Zaloser Management Proprietary Limited, a company owned by Sizwe's management team for a total consideration of R11.0 million payable on or before 30 June 2026. The outstanding amount will attract interest at the repo rate plus 1%.

Group prospects and industry outlook

As an IT-focused business, the Mustek Group is ideally placed in an industry benefiting from the 'new normal' that includes working from home and remote learning across basic education and higher education sectors. We are confident that the working and learning from home reality is more than a passing trend. Employees had a glimpse of what their workplaces can be, and most will demand this type of flexibility from their employers in future. This scenario has created, and is still building a new valuable customer base for our business.

Our investments in new product lines such as networking equipment, sustainable energy and fibre are starting to contribute meaningfully to both revenue and profit. The growth in fibre to the home is not only assisting our fibre sales, but also increasing the demand for new devices in order to fully benefit from the faster internet speeds. The Group will continue to look for opportunities to add additional products to its product offering in order to better utilise its infrastructure.

We have seen a marked increase in the demand for our products since the level 5 lockdown and believe that the device market size is increasing which bodes well for future replacement cycles. The increased device market size will also drive the demand for new infrastructure in order to support these devices and will accelerate the growth of the information communication technology (ICT) industry over the short and medium term.

In conjunction with strategic partners from across the ICT industry, Mustek is well positioned for the forthcoming years.

Dividend

The declaration of cash dividends will continue to be considered by the Board in conjunction with an evaluation of current and future funding requirements and opportunities to repurchase shares. It will be adjusted to levels considered appropriate at the time of declaration. To this end, the Board has declared a final dividend of 90 cents (2020: 26 cents) per ordinary share for the financial year ended 30 June 2021.

Notice is hereby given that a final dividend of 90 cents per ordinary share for the year ended 30 June 2021 is declared, payable to shareholders recorded in the books of the company at the close of business on the record date appearing below. This dividend is declared out of income reserves. The company's income tax reference number is 9550081716 and the company has 66 000 000 ordinary shares in issue and ranking for dividend at the date of this declaration. The South African dividend tax rate is 20% resulting in a net dividend of 72.00000 cents per ordinary share to shareholders who are not tax exempt.

The salient dates applicable to the final dividend are as follows:

Last day of trade <i>cum</i> dividend	Tuesday, 5 October 2021
First day to trade <i>ex</i> dividend	Wednesday, 6 October 2021
Record date	Friday, 8 October 2021
Payment date	Monday, 11 October 2021

No share certificates may be dematerialised or rematerialised between Wednesday, 6 October 2021 and Friday, 8 October 2021, both days inclusive.

COVID-19 claim

The Group has an assets all risks policy in place, covering the physical assets of the Mustek Group. The policy includes loss of gross profit following business interruption triggered by specified perils. The business interruption section previously included a contagious disease extension limited to R10.0 million for Mustek and R10.0 million for Rectron. Mustek's claim has been paid in full and an amount of R8.7 million (ex VAT) has been included in the 2021 financial statements. Rectron's claim is still in progress and the Group has not accounted for any asset relating to this claim.

Corporate information

Mustek is a public company incorporated and domiciled in South Africa. The main business of Mustek, its subsidiaries and associates is the assembling, marketing and distribution of ICT products and services.

Basis of preparation

The summarised audited consolidated financial results for the year ended 30 June 2021 has been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS) and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and as a minimum contain the information required by IAS 34 *Interim Financial Reporting*, the Listings Requirements of the JSE Limited and the requirements of the Companies Act of South Africa. The audited consolidated financial statements and this set of summarised financial information, which are based on reasonable judgements and estimates, have been prepared using accounting policies and methods of computation that comply with IFRS.

The accounting policies are consistent with those applied in the consolidated financial statements for the year ended 30 June 2020 other than those amendments adopted in the current year. The impact of these amendments were not material.

The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

Commentary continued

Audit report

Mustek's independent auditor, BDO South Africa Incorporated, has issued an unmodified audit report on the consolidated financial statements for the year ended 30 June 2021. The audit was conducted in accordance with International Standards on Auditing. The directors take full responsibility for the preparation of this provisional report and the financial information has been derived from the consolidated financial statements and are consistent in all material aspects with the consolidated financial statements. Their unmodified audit report for the consolidated annual financial statements is available for inspection at the company's registered office and on the company's website. The auditor's report does not necessarily report on the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a full copy of the auditor's report, together with the accompanying financial information from the issuer's registered office. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditor.

Fair value measurement of financial instruments

Fair value measurements of financial assets and liabilities are analysed as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets and liabilities	Level	Audited 30 June 2021 R000	Audited 30 June 2020 R000
Fair value through profit or loss: Foreign currency assets			
These financial assets consist of foreign currency forward contracts and options, and are measured using discounted cash flows. Future cash flows are estimated based on the observable yield curves of forward interest rates at the end of the reporting period, as well as contract interest rates. The revaluation of these assets are included in foreign currency gains	2	7 311	5 063
Fair value through profit or loss: Foreign currency liabilities			
These financial liabilities consist of foreign currency forward contracts and options, and are measured using discounted cash flows. Future cash flows are estimated based on the observable yield curves of forward interest rates at the end of the reporting period, as well as contract interest rates. The revaluation of these assets are included in foreign currency gains	2	9 305	21 529

Disaggregation of revenue

The Group has assessed that the disaggregation of revenue by customer segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed in order to evaluate the financial performance of the entity. The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	GROUP	
	2021 R000	2020 R000
Sale of goods (revenue earned at a point in time)	7 948 044	6 348 879
Hardware sales	7 643 455	6 103 890
Dealers	4 482 309	3 462 679
Retailers	1 402 848	1 095 084
Public sector supplies	1 534 958	1 331 861
Export	223 340	214 266
Software sales	304 589	244 989
Dealers	224 267	176 074
Retailers	25 711	34 087
Public sector supplies	21 260	33 102
Export	33 351	1 726
Rendering of services (revenue earned over time)	37 021	35 814
Maintenance and support contracts	5 615	11 520
Deferred revenue	(1 189)	(778)
Training courses	32 595	25 072
Rendering of services (revenue earned at a point in time)	50 456	12 726
Repair services	50 456	12 726
Total revenue	8 035 521	6 397 419

Commentary *continued*

Transformation

Following an audit by an accredited verification agency, Mustek achieved a level 1 BBBEE rating, using the amended ICT sector codes.

Management has continued to meaningfully extend its initiatives in employment equity, skills development and corporate social investment during the period. The Group is committed to a process of further transformation and economic empowerment of its stakeholders, while continuing to ensure the sustainability and prosperity of the Group in a competitive market sector.

Board of directors

Ms Shelley Thomas and Ms Grathel Motau were appointed as independent non-executive directors with effect from 30 April 2021 in place of Ms Lindani Dhlamini and Dr Mdu Gama who resigned with effect from 28 February 2021 and 31 March 2021 respectively. Ms Grathel Motau resigned on 13 May 2021 and Ms Pamela Marlowe was appointed as an independent non-executive director with effect from 16 July 2021.

The Board would like to thank Ms Lindani Dhlamini and Dr Mdu Gama for their contributions to the Board and wishes them success with their future endeavours.

Retirement benefit plan

The Mustek Group Retirement Fund is a defined contribution fund and payments to the plan are expensed as they fall due. The majority of the Group's employees belong to this fund. The Group does not provide additional post-retirement benefits.

Post-balance sheet events

Mustek's branch in KwaZulu-Natal has been significantly damaged as a result of being looted and then set on fire. Losses to inventory and equipment amounted to R21.8 million. The loss of profit due to business interruption will be quantified in due course. The Group has appropriate insurance cover and has notified its insurers accordingly. Temporary warehouse and office space has been secured and the branch was operational again from 29 July 2021.

The directors are not aware of any other material event which occurred after year-end and up to the date of this report that requires adjustment or disclosure.

On behalf of the Board of directors

David Kan

Chief executive officer

9 September 2021

Midrand

Neels Coetzee CA(SA)

Financial director (preparer of Group results)

Corporate information

Mustek Limited

Incorporated in the Republic of South Africa

Registration number: 1987/070161/06

JSE share code: MST

ISIN: ZAE000012373

“Mustek” or “the Group”

www.mustek.co.za

Company secretary

Sirkien van Schalkwyk

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Sponsor

Deloitte & Touche Sponsor Services Proprietary Limited

