



Mustek

L I M I T E D

SUMMARISED AUDITED CONSOLIDATED
FINANCIAL RESULTS FOR THE YEAR
ENDED 30 JUNE 2024



SALIENT FEATURES

REVENUE

**DOWN
16%**

2024: R8.5 billion
2023: R10.1 billion

HEADLINE EARNINGS PER SHARE

**DOWN
82%**

2024: 67.13 cents
2023: 375.18 cents

NET ASSET VALUE PER SHARE

**UP
3%**

2024: 2 801.15 cents
2023: 2 724.36 cents

BASIC EARNINGS PER SHARE

**DOWN
90%**

2024: 37.31 cents
2023: 377.05 cents

DIVIDEND PER SHARE

**DOWN
90%**

2024: 7.50 cents
2023: 77.00 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 30 June 2024 R000	Audited 30 June 2023 R000
Revenue	8 507 282	10 126 197
Cost of sales	(7 467 164)	(8 713 918)
Gross profit	1 040 118	1 412 279
Foreign currency gains (losses)	32 252	(123 146)
Impairment losses on trade receivables	(25 265)	(11 092)
Distribution, administrative and other operating expenses	(768 585)	(823 251)
Profit from operations	278 520	454 790
Investment income	14 356	23 650
Finance costs	(220 066)	(174 532)
Loss from equity accounted investments	(19 359)	(12 799)
Impairment on investment in associate	(13 743)	–
Other non-operating gains	450	1 555
Profit before tax	40 158	292 664
Income tax expense	(18 761)	(73 052)
Profit for the year	21 397	219 612
Other comprehensive income		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(325)	(531)
Exchange differences recycled to profit or loss on liquidation of foreign subsidiary	782	2 150
Other comprehensive income for the year net of taxation	457	1 619
Total comprehensive income for the year	21 854	221 231
Earnings per share:		
Basic earnings per ordinary share (cents)	37.31	377.05
Diluted earnings per ordinary share (cents)	37.31	377.05



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 30 June 2024 R000	Audited 30 June 2023 R000
ASSETS		
Non-current assets		
Property, plant and equipment	247 775	258 978
Investment property	9 883	9 785
Right-of-use assets	96 457	62 889
Goodwill	43 345	46 550
Intangible assets	110 865	124 862
Investments in associates	83 943	116 984
Other loans	10 605	12 915
Deferred tax assets	25 828	40 735
	628 701	673 698
Current assets		
Inventories	2 352 401	2 790 335
Trade and other receivables	1 572 740	1 856 627
Contract assets	8 467	34 869
Foreign currency assets	411	17 658
Current tax receivable	7 442	936
Cash and cash equivalents	303 596	349 258
	4 245 057	5 049 683
Non-current assets held for sale	15 000	–
Total assets	4 888 758	5 723 381
EQUITY AND LIABILITIES		
Equity		
Share capital	–	–
Retained earnings	1 510 986	1 562 726
Foreign currency translation reserve	5 328	4 871
	1 516 314	1 567 597
Liabilities		
Non-current liabilities		
Borrowings and other liabilities	272	34 010
Contract liabilities	23 201	22 765
Deferred tax liabilities	3 760	5 609
Lease liabilities	79 191	38 230
	106 424	100 614
Current liabilities		
Trade and other payables	2 542 189	3 552 478
Borrowings and other liabilities	32 720	2 274
Foreign currency liabilities	19 154	14 923
Lease liabilities	23 609	29 806
Contract liabilities	39 013	63 654
Current tax payable	9 378	10 557
Bank overdrafts	599 957	381 478
	3 266 020	4 055 170
Total liabilities	3 372 444	4 155 784
Total equity and liabilities	4 888 758	5 723 381

CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 30 June 2024 R000	Audited 30 June 2023 R000
Cash flows from operating activities		
Cash receipts from customers	8 737 072	9 732 798
Cash paid to suppliers and employees	8 676 383	(9 535 104)
Net cash generated from operations	60 689	197 694
Interest income received	14 356	23 650
Finance costs paid	(220 066)	(174 532)
Dividends paid	(44 306)	(44 840)
Tax paid	(14 124)	(47 787)
Net cash used in operating activities	(203 451)	(45 815)
Cash flows from investing activities		
Purchase of property, plant and equipment	(35 437)	(67 712)
Sale/recoupment of property, plant and equipment	26 556	211
Purchase of intangible assets	(7 631)	(26 676)
Capital contribution to associate	(15 060)	–
Proceed from loans to associate	–	2 118
Receipts from other loans	2 762	2 362
Net cash used in investing activities	(28 810)	(89 697)
Cash flows from financing activities		
Buy back of ordinary shares	–	(21 857)
Repayment of borrowings	(2 274)	(2 366)
Proceeds from bank overdraft	218 479	159 213
Cash repayment of lease liabilities	(29 606)	(25 543)
Net cash generated from financing activities	186 599	109 447
Total cash movement for the year	(45 662)	(26 065)
Cash and cash equivalents at beginning of the year	349 258	375 323
Cash and cash equivalents at end of the year	303 596	349 258



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary stated capital R000	Foreign currency translation reserve R000	Retained earnings R000	Total equity R000
Balance at 1 July 2022	–	3 252	1 409 811	1 413 063
Profit for the year	–	–	219 612	219 612
Other comprehensive income	–	1 619	–	1 619
Buy back of shares	–	–	(21 857)	(21 857)
Dividends paid	–	–	(44 840)	(44 840)
Balance at 30 June 2023	–	4 871	1 562 726	1 567 597
Profit for the year	–	–	21 397	21 397
Other comprehensive income	–	457	–	457
Treasury shares	–	–	(28 831)	(28 831)
Dividends paid	–	–	(44 306)	(44 306)
Balance at 30 June 2024	–	5 328	1 510 986	1 516 314

SUMMARISED SEGMENT ANALYSIS

Business segments	Total		Mustek	
	30 June 2024 R000	30 June 2023 R000	30 June 2024 R000	30 June 2023 R000
Revenue	8 507 282	10 126 197	5 826 429	6 634 401
EBITDA*	349 221	508 638	252 122	341 354
Depreciation and amortisation	(70 701)	(53 848)	(56 511)	(41 070)
Profit (loss) from operations	278 520	454 790	195 611	300 284
Investment revenues	14 356	23 650	2 437	5 822
Finance costs	(220 066)	(174 532)	(142 766)	(108 194)
Impairment of investment in associate	(13 743)	–	–	–
Other non-operating gains (losses)	450	1 555	(1)	191
Loss from equity-accounted investments	(19 359)	(12 799)	–	–
Profit (loss) before tax	40 158	292 664	55 281	198 103
Income tax (expense) benefit	(18 761)	(73 052)	(17 716)	(52 508)
Profit (loss) for the year	21 397	219 612	37 565	145 595
<i>* Earnings before interest, taxation, depreciation and amortisation.</i>				
ASSETS				
Segment assets	4 782 373	5 605 460	3 198 497	3 362 132
Investment in associates	83 943	116 984	–	–
Non-current asset held for sale	15 000	–	–	–
Current tax assets	7 442	936	7 442	936
Consolidated total assets	4 888 758	5 723 380	3 205 939	3 363 068
LIABILITIES				
Segment liabilities	3 363 066	4 145 226	2 284 469	2 483 709
Current tax liabilities	9 378	10 557	5 478	7 673
Consolidated total liabilities	3 372 444	4 155 783	2 289 947	2 491 382



Rectron		MIE		Group		Eliminations	
30 June 2024 R000	30 June 2023 R000	30 June 2024 R000	30 June 2023 R000	30 June 2024 R000	30 June 2023 R000	30 June 2024 R000	30 June 2023 R000
2 837 214	3 738 483	85 134	97 983	8 967	–	(250 462)	(344 670)
90 046 (12 403)	145 488 (10 899)	16 407 (4 632)	32 441 (4 657)	(9 354) –	(10 645) –	– 2 845	– 2 778
77 643 10 483 (77 457) – (203) –	134 589 19 372 (66 550) – 1 493 –	11 775 – (93) – – –	27 784 – (223) – – –	(9 354) 64 733 – (13 743) – (19 359)	(10 645) 21 256 – – (5 639) (12 799)	2 845 (63 297) 250 – 654 –	2 778 (22 800) 435 – 5 510 –
10 466 (1 616) 8 850	88 904 (21 082) 67 822	11 682 (2 400) 9 282	27 561 (7 165) 20 395	22 277 2 971 25 248	(7 827) 7 703 (124)	(59 548) – (59 548)	(14 077) – (14 077)
1 511 669 – – –	2 124 667 – – –	55 252 – – –	52 097 – – –	70 001 83 943 15 000 –	82 876 116 984 – –	(53 046) – – –	(16 312) – – –
1 511 669	2 124 667	55 252	52 097	168 944	199 860	(53 046)	(16 312)
1 068 392 3 178	1 648 341 2 032	12 116 722	18 112 852	– –	– –	(1 911) –	(4 935) –
1 071 570	1 650 373	12 838	18 964	–	–	(1 911)	(4 935)

SUMMARISED SEGMENT ANALYSIS continued

Geographical segments	Total		South Africa		Mustek East Africa		Mecer Technology (Taiwan)	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	R000	R000	R000	R000	R000	R000	R000	R000
Revenue	8 507 282	10 126 197	8 448 914	10 058 643	58 328	67 486	40	68
Profit/(loss) before tax	40 158	292 664	24 077	288 155	8 567	(4 972)	7 514	9 481
Income tax (expense) benefit	(18 761)	(73 052)	(13 761)	(75 233)	(2 570)	2 435	(2 430)	(254)
Profit/(loss) for the year	21 397	219 612	10 316	212 922	5 997	(2 537)	5 084	9 227
ASSETS								
Segment assets	4 881 316	5 722 444	4 782 642	5 608 838	68 714	60 631	29 960	52 975
Current tax assets	7 442	936	7 442	798	–	138	–	–
Consolidated total assets	4 888 758	5 723 380	4 790 084	5 609 636	68 714	60 769	29 960	52 975



COMMENTARY

Headline earnings and dividend per ordinary share

	Audited 30 June 2024	Audited 30 June 2023
Weighted number of ordinary shares in issue	57 353 763	58 245 548
Ordinary number of shares in issue	57 540 000	57 540 000
Ordinary number of shares outstanding (excluding treasury shares)	54 131 857	57 740 000
Dividend per ordinary share – declared (cents)	7.50	77.00
Dividend per ordinary share – paid (cents)	77.00	76.00
Headline earnings per ordinary share (cents)	88.05	375.18
Reconciliation between basic and headline earnings (R000)		
Basic earnings attributable to owners of the parent	21 397	219 612
Group's share of loss on disposal/recoupment of property, plant and equipment and intangible assets	1 179	1 055
Exchange differences recycled to profit or loss on liquidation of foreign subsidiary	782	(2 150)
Gain on deregistration of subsidiaries	(1 460)	–
Impairment of associate	13 743	–
Write off of goodwill	3 205	–
Non-headline items within associate equity-accounted earnings		
Group's share of loss on sale of property, plant and equipment	(343)	10
Headline earnings	38 503	218 527
Net asset value per share (cents)	2 801.15	2 724.36

Operating results

The operating environment for the year ended 30 June 2024 was marked by tough economic conditions and cautious market sentiment leading up to the general elections in South Africa. Prevailing uncertainty froze corporate and government spending and the unexpected abatement of loadshedding abruptly ended the renewable energy boom, which fuelled our growth last year. Reduced demand for green energy products put us in a challenging situation with surplus stock in a tough macro-economic environment with high interest rates. Accordingly, the Group's performance declined.

Financial Highlights

Revenue

Revenue decreased by 16% to R8.5 billion (FY23: R10.13 billion) mainly due to lower sales of green energy products, which declined by approximately R1.35 billion year on year. The traditional ICT distribution part of the business was relatively stable. The Group's two largest businesses,

Mustek Operations and Rectron, saw their revenue decline by 12% and 24% respectively. Our IT training company, Mecer Inter-Ed, experienced a decline in revenue to R85 million (FY23: R98 million) in unfavourable market conditions.

Gross Profit

The gross profit margin declined to 12.2% (2023: 13.9%) due to competitive forces in the market for green energy products, product composition and efforts to lower stock levels. Gross profit on green energy products reduced by approximately R338 million year on year. Margins on green energy products reduced from an average of 22% to 14% year on year, whilst margins on the rest of the business have remained stable.

Forex risk management

The Group realised forex profit of R32 million versus a forex loss of R123 million last year. Although there were fluctuations in foreign exchange rates, lower volatility contributed to the improved outcome.

COMMENTARY continued

Operating costs

Distribution, administration and other operating expenses declined by 6.6%. In light of the tough conditions, costs have been carefully managed.

Finance Costs

Finance costs remained a focus area for the Group. Higher interest rates in the period resulted in a 36.6% increase in net finance costs to R206 million (FY23: R151 million). The below table illustrates the impact of the change in average interest rates applicable to the group on the net finance cost.

Net financing cost versus average market interest rates (%)

	FY24	FY23	FY22	FY21	FY20
Net finance costs (R million)	206	151	70	70	101
Average prime rate (%)	11.75	10.2	7.4	7.0	9.4
Secured overnight financing rate (%)	5.28	3.8	0.2	0.1	1.2

The Secured overnight financing rate (SOFR) is a USD rate, impacting a portion of the Group's working capital facilities. The increase in this rate played a big role in the increased finance costs.

Associate performance

Associates contributed a loss of R19.4 million (FY23: R12.8 million) mainly due to the continued poor performance of Zaloserve, which continued to face operational challenges and cash flow constraints. The investment was classified as held for sale at year-end. An impairment loss of R13.7 million was recognised in the current year in accordance with IFRS 5.

Encouragingly, Khauleza, despite posting a loss for the year is showing positive prospects and is expected to be profitable by the first half of the 2025 financial year. Continuous Power Systems and YOA also grappled with challenging market conditions and maintained their market share.

Working capital

The combination of inventory and receivables reduced from a peak in the comparable period. Although we achieved satisfactory results, further working capital reduction remains a key focus area for management.

Stock ordering processes to manage inventory levels are still under the spotlight. Inventory reduced from R2.8 billion to R2.35 billion at 30 June 2024.

Although trade receivables improved from R1.86 billion to R1.57 billion at 30 June 2024, debtors' days (62) are still higher than the Group's average of 55 days. The longer cycle is due to delays in project-based deals as well as debtors asking for longer-payment terms given the tough economic conditions. The Group has also been prudent and increased its provision for estimated credit losses in the current year by R25.2 million.

Cash flow

The Group was able to generate R60.7 million (2023: R197.7 million) from operations. The majority of the cash released from working capital was utilised to settle trade financing loans. Management continues to focus on optimal working capital management as it is a driver of the Group's profitability.

The Group has sufficient banking facilities.

Group prospects

The Mustek Group's dynamic operating context is shaped by global megatrends, industry trends and increasing regulation of our industry. We continuously assess the material impacts of these trends in our risk and opportunity identification process, strategic planning sessions and measurement of performance against strategic objectives. We thus ensure the Group remains uniquely positioned to deliver sustainable value to stakeholders.



Consolidating the Group and streamlining management of critical functions, to strengthen our financial position, remains a strategic priority into 2025. This will include disposing of non-performing assets and consideration of complementary acquisitions that align with our core competencies and pursuit of diverse revenue streams. These include growing our IT training business beyond technical courses to include Internet of Things robotics, among other emerging trends driven by AI adoption and cybersecurity investments.

We foresee a more stable period ahead and are aiming for a substantial improvement in cash flow, further reduction in working capital and a stronger balance sheet.

Share repurchase programme

Mustek did not acquire any of its ordinary share capital in the financial year ended 30 June 2024.

As of 30 June 2024, the Group held 3 408 143 shares of its own shares, which were acquired at an aggregate cost of R28.8 million. These shares are recorded at cost and are presented as a deduction from equity in the consolidated statement of financial position.

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

Dividend declaration date	Thursday, 19 September 2024
Last day of trade <i>cum</i> dividend	Tuesday, 8 October 2024
First day to trade <i>ex</i> dividend	Wednesday, 9 October 2024
Record date	Friday, 11 October 2024
Payment date	Monday, 14 October 2024

No share certificates may be dematerialised or rematerialised between Wednesday, 9 October 2024 and Friday, 11 October 2024, both days inclusive.

During the current year, 2 250 000 shares were appropriated from the estate late: DC Kan to part settle a loan owing by the estate to the Mustek Executive Share Trust.

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 7.50 cents (2023: 77.00 cents) per ordinary share for the financial year ended 30 June 2024.

Notice is hereby given that a final cash dividend of 7.50 cents per ordinary share for the year ended 30 June 2024 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 57 540 000 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 6.0 cents per ordinary share to shareholders who are not tax exempt.



Post-balance sheet events

Management has concluded negotiations for the sale of its investment in Zaloserve for R15 million. The sale is to be effective 1 October 2024.

Effective 12 September 2024 Mustek purchased a 70% equity-interest in CyberAntix (Pty) Limited for R8 million. CyberAntix is a SOCaas (Security Operations Centre-as-a-Service) company. It offers state-of-the-art implementation of managed cybersecurity services, focusing on managed detection and response with associated advanced services (proactive hunting, forensics code reviews, vulnerability assessments).

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 2024 has been prepared in accordance with the framework concepts and measurement and recognition requirements of IFRS Accounting Standards and the SA financial reporting requirements, 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 2023.

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

Audit report

Mustek's independent auditor, BDO South Africa Incorporated, has issued an unmodified audit report dated 19 September 2024 on the consolidated financial statements for the year ended 30 June 2024. The audit was conducted in accordance with International Standards on Auditing. The directors take full responsibility for the preparation of this summarised 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. The consolidated financial statements together with the unmodified audit report is available for inspection at the company's registered office and on the company's website at <https://mustek.co.za/financial/>. The auditor's report does not necessarily report on the information contained in this report. 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 report 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 (i.e. as prices) or indirectly (i.e. 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).

		Audited 30 June 2024 R000	Audited 30 June 2023 R000
Financial assets and liabilities	Level		
Fair value through profit or loss: Foreign currency assets			
These financial assets consist of foreign currency forward contracts 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/losses.	2	411	17 658
Fair value through profit or loss: Foreign currency liabilities			
These financial liabilities consist of foreign currency forward contracts 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/losses.	2	19 154	14 923

COMMENTARY continued

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:

	Audited 30 June 2024 R000	Audited 30 June 2023 R000
Sales of goods (revenue earned at a point in time)		
Hardware sales	8 385 084	9 791 054
Dealers	6 062 840	6 471 249
Retailers	563 979	1 280 738
Public sector supplies	1 326 270	1 779 835
Export	279 108	259 232
Software sales	152 887	195 041
Dealers	63 362	111 516
Retailers	4 502	15 760
Public sector supplies	34 746	54 714
Export	15 487	3 341
Cloud services (agent)	34 790	9 710
Rendering of services (revenue earned over time)	109 440	106 316
Maintenance and support contracts – net of deferred revenue	32 161	13 507
Training courses – net of deferred revenue	77 279	92 809
Rendering of services (revenue earned at a point in time)	12 758	33 786
Repair services	12 758	33 786
Total revenue (external)	8 507 282	10 126 197

Transformation

Following an audit by an accredited verification agency, Mustek achieved a level 1 B-BBEE 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

Effective 1 September 2023, Isaac Mophatlane was appointed as an independent non-executive director to the Board and then subsequently appointed as the chairperson of the board at the AGM held on 23 November 2023.

Retirement benefit plan

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

On behalf of the Board of directors

Hein Engelbrecht CA(SA)

Group chief executive officer

Shabana Aboo Baker Ebrahim CA(SA)

Group financial director (preparer of Group results)

19 September 2024

Midrand

CORPORATE INFORMATION

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