Close this window PRINT this article

MIX TELEMATICS LIMITED - Unaudited group interim financial results for the six month period ended 30 September 2012 12 Nov 2012

MIX 201211120002A
Unaudited group interim financial results for the six month period ended 30 September 2012

MIX TELEMATICS LIMITED
Incorporated in the Republic of South Africa.
Registration number 1995/013858/06
JSE code: MIX ISIN: ZAE000125316.
(MiX or the Company or the Group)

Unaudited group interim financial results for the six month period ended 30 September 2012

Highlights
Revenue R564 million up 20,3%
Annuity revenue R324 million up 14,9%
Foreign revenue R276 million up 29,0%
EBITDA R130 million up 43,9%
Operating profit R76 million up 60,8%
Adjusted HEPS 9,3 cents per share up 43,1%
First interim dividend declared of 4 cents per share
Subscriber base increased by more than 40 000 subscribers

The unaudited financial results were prepared under the supervision of ML Pydigadu CA(SA) in her capacity as Financial Director of the Group and were made available on 12 November 2012.

A WORD FROM THE CEO, STEFAN JOSELOWITZ
The MiX group has got off to a fantastic start for this financial year. We have seen top-line growth continue to accelerate. For me, the most exciting number is that we grew net subscribers by more than 40 000 over the past six months, double the growth in the comparative period. This is a sure sign that the long-term strategic projects and technology investments that we have been making over the past years are really starting to pay off. Your group is competing more effectively than ever before.
Whilst trading conditions remain challenging in many of the territories in which we operate, most of our businesses have delivered performances ahead of plan for the year thus far. The group grew half-year revenue to R564 million (R469 million for the first half of last year), an increase of over 20%. EBITDA grew 44% to R130 million (compared to R90 million for the comparative period last year).
Headline earnings for the six months were up 79% at R55 million (R31 million in 2011) which translates to 8,3 cents per share (cps) (4,7 cps in 2011). Adjusted headline earnings were R61 million or 9,3 cps, up 44% from the comparative period (R42 million or 6,5 cps in 2011). The difference between normal- and adjusted- is attributable to the write-back of the amortization of intangible assets arising on acquisitions.
I would like to take this opportunity to help potential investors understand the essence of the MiX Telematics Group:
MiX Telematics is a global leader in fleet management, driver safety and vehicle tracking Solutions, helping customers world-wide to effectively manage their mobile assets through our SaaS (Software-as-a-Service) delivery model combined with value-added services including stolen vehicle recovery, consulting and driver training.
To this end, we have organised the group into two primary divisions: Fleet Telematics (the home of our MiX Fleet Manager and MiX SafeDrive brands) and Consumer Telematics (the home of our Matrix and Beam-e brands). Both divisions share some commonality in terms of base technology and platforms, but the services that each provide are significantly different:
Fleet Solutions Currently accounting for roughly 70% of our group revenue and profits, this division is built on a typical SaaS model. Our customers rely on MiX Telematics on-board computers and accessories, web-based software (including powerful reporting and analytics tools) and value-added services to improve their overall productivity, operate more safely, and bring about significant cost and risk reductions. Our SaaS model is highly scalable in terms of adding new subscribers and territories as evidenced by the fact that we operate globally, on six continents, in 112 countries. In six of those countries we own and manage regional operations and engage directly with our customers. In the balance of the countries we deal through third-party distributors. All of our distributors (135 in total) and our regional operations source products and services from the business we call MiX International this operation, based in Stellenbosch South Africa, is responsible for much of the design, development and procurement of the MiX range of products and services. In effect, MiX International is a central services organisation that wholesales our products and services to our regional operations and distributors who in turn, deal with our end-customers. MiX International showed strong growth both at the revenue and EBITDA level. Most of our regional FLEET operations performed ahead of plan for the period under review:

- AFRICA This operation enjoyed a great six months with impressive growth at both top-line and profit level. Some new product offerings, which include a trailer-tracking solution, are finding favour with both new and existing customers. We are also pleased with our recent acquisition of Intellichain which has bedded down nicely. Intellichains integrated supply-chain management software dovetails perfectly with our current MiX Fleet Manager offerings and enhances our ability to further grow the SaaS component of our annuity stream.
- North America We have made great progress in implementing the mega-deals carried forward from last year. We are competing on a number of high-value tenders and need to see at least one turn into an order shortly. Our current exclusive focus on the Oil-and-Gas industry in this territory means that it is a feast-or-famine kind of business the sales cycles on these big deals are long. We are at the stage of our evolvement in this territory where we need to broaden our focus the team has been tasked with identifying new verticals in addition to Oil-and-Gas. In the meantime, our geographic diversification is paying off and we are seeing our efforts in Latin America starting to gain momentum.
- EUROPE This business has performed behind plan for the year so far. Thankfully, we are still growing subscribers in the region albeit at a painfully slow rate. Revenue is well down on the previous comparative period for two reasons:
  Last year, we still had some revenue from One-Stop-Shop, the business we disposed of in that period.
  Investors might also recall that we converted the legacy DataTrak subscribers onto our core MiX platform and then

shut down the DataTrak network. This
conversion resulted in a lower revenue per subscriber.

- MIDDLE EAST Although not an easy region to operate in right now, we have a well-established and experienced operation in place with a committed dealer channel in multiple countries. Our team has delivered a series of solid wins that have not only kept us on plan for the period, but also bode well for coming months.
- AUSTRALIA This operation has delivered an excellent first-half performance and in the process has concluded a few mega-deals, which ensures that we have an abundantly full pipeline going forward.

Consumer Solutions Through our powerful offerings, we provide our customers not only with stolen-vehicle-recovery services but also a broad range of value-added safety and convenience features such as Crash-Alert, No-Go-Zones, and even an automated Tax Logbook. This division delivered great performance so far this year particularly at the subscriber growth level. Market acceptance of our new Beam-e offering has been fantastic.

Analysis of the numbers will reveal that the subscriber growth does not appear to have flowed through to the revenue line this is not the case. During the period under review, we changed the cellular data package that we use in this division to a non-CIB (connection incentive bonus) package. The quid-pro-quo for foregoing this CIB (and the resultant negative impact on our revenue line) is that our monthly cellular data costs have reduced and the overall effect is that the move is earnings enhancing.

Our consumer business currently operates primarily in South Africa but our team is in the process of taking the first major step towards globalisation. Watch this space!

Returning to a few additional financial indicators:

Annuity revenue: This remains one of our key performance measures and we are happy to yet again show strong growth in our recurring revenue. For the six months under review, annuity revenue grew to R324 million (up from R282 million as at September 2011) and it now represents a healthy 57% of total revenue.

Cash: Frankly, I am disappointed with our cash performance for this period. The group generated cash from operations of R66 million for the half-year period.

This is R10 million less than the 2011 comparative period. In accounting speak we could say that we have invested heavily in additional working capital but I am not an accountant. The reality is that we were ineffective in following up on some slow payments from a handful of large debtors. Although we have made good progress in rectifying this situation in October, we intend to make sure that we dont let ourselves down again going forward.

Foreign revenue grew to R276 million for the half-year period (up from R214 million as at September 2011) and represents close to half of total revenue.

Arising out of the strong financial performance of the group, the Board has for the first time approved an interim dividend of 4 cents per share.

We have enjoyed a great start to the year but I must confess that we remain nervous about the economies in some of the key territories in which we operate. Of particular concern is the Eurozone where we are experiencing very tough trading conditions. Trading conditions aside, we believe that we have the talent and technologies to meet our medium-term objectives. Once again, I would like to extend the Boards and my deep appreciation to our fantastic employees for their superb efforts over the past six months.

CONDENSED CONSOLIDATED INCOME STATEMENT

	6 months ended 30 September 2012 Unaudited R'000	6 months ended 30 September 2011 Unaudited R'000	12 months ended 31 March 2012 Audited R'000
Revenue	564 341	468 974	1 018 482
Cost of sales	(210 945)	(182 820)	(390 926)
Gross profit	353 396	286 154	627 556
Other income net	4 598	3 148	7 008
Operating expenses	(281 649)	(241 833)	(488 176)
Operating profit (note 3)	76 345	47 469	146 388
Finance income	1 090	865	2 392
Finance cost	(1 993)	(3 373)	(5 265)
Profit before taxation	75 442	44 961	143 515
Taxation	(21 972)	(14 751)	(40 275)
Profit for the period attributable to shareholders	53 470	30 210	103 240

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2012 Unaudited R'000	30 September 2011 Unaudited R'000	31 March 2012 Audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment	47 788	44 070	45 386
Intangible assets	643 791	654 712	643 086
Deferred tax assets	17 735	15 584	13 267
Loans to external parties		5 738	
Total non-current assets	709 314	720 104	701 739
Current assets			
Inventory	50 307	46 299	46 014
Inventory held in client vehicles	33 647	29 879	29 709
Trade and other receivables	206 755	141 251	163 125
Loans to external parties			6 001
Taxation		1 441	
Restricted cash	6 656	2 274	3 133
Cash and cash equivalents	93 176	113 367	118 695
Total current assets	390 541	334 511	366 677
Total assets	1 099 855	1 054 615	1 068 416
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	13	13

Share premium	789 397	787 353	787 589
Other reserves	(135 863)	(153 316)	(154 745)
Retained earnings	140 127	66 203	139 233
Total equity	793 674	700 253	772 090
Non-current liabilities			
Borrowings		15 783	
Deferred tax liabilities	12 572	25 892	25 816
Total non-current liabilities	12 572	41 675	25 816
Current liabilities			
Trade and other payables	153 938	163 882	157 038
Borrowings	2 885	11 668	22 941
Taxation	16 297	7 651	11 403
Provisions	31 253	45 569	28 963
Bank overdraft	89 236	83 917	50 165
Total current liabilities	293 609	312 687	270 510
Total equity and liabilities	1 099 855	1 054 615	1 068 416
Net cash (note 6)	1 055	1 999	45 589
Net asset value per share (cents)	120,5	106,6	117,5
Net tangible asset value per share (cents)	22,8	6,9	19,6
Capital expenditure			
incurred	26 748	24 047	50 740
authorised but not spent	20 943	33 330	37 303

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 September 2012 Unaudited R'000	6 months ended 30 September 2011 Unaudited R'000	12 months ended 31 March 2012 Audited R'000
Operating activities			
Cash generated from operations	65 968	75 758	165 751
Net financing costs	(1 148)	(2 339)	(3 632)
Taxation paid	(34 598)	(17 690)	(35 769)
Net cash generated from operating activities	30 222	55 729	126 350
Investing activities			
Capital expenditure	(26 748)	(24 047)	(50 739)
Loans granted to external parties		(5 485)	(5 486)
Acquisition of subsidiary, net of cash acquired (note 11)	23		
Proceeds on sale of property, plant and equipment	18	429	867
Net cash used in investing activities	(26 707)	(29 103)	(55 358)
Financing activities			
Proceeds from share capital issued	1 808		236
Net borrowings repaid	(20 185)	(36 884)	(41 548)
Dividends paid	(52 520)	(39 370)	(39 374)
Net cash used in financing activities	(70 897)	(76 254)	(80 686)
Net decrease in cash and cash equivalents	(67 382)	(49 628)	(9 694)
Net cash and cash equivalents at beginning of the period	68 530	70 039	70 039
Exchange gains on cash and cash equivalents	2 792	9 039	8 185
Net cash and cash equivalents at end of the period	3 940	29 450	68 530

RECONCILIATION OF HEADLINE AND ADJUSTED HEADLINE EARNINGS

	6 months ended 30 September 2012 Unaudited R'000	6 months ended 30 September 2011 Unaudited R'000	12 months ended 31 March 2012 Audited R'000
Profit for the period	53 470	30 210	103 240
Adjusted for:			
Net (gain)/loss on disposal of property, plant and equipment	(18)	453	430
Impairment of product development costs capitalised	4 066		1 332
Foreign currency translation reserve released due to liquidation of intermediary subsidiary holding company (note 11)	(1 619)		
Tax effect on the above components	(1 135)	(4)	(323)
Headline earnings	54 764	30 659	104 679
Headline earnings per share (cents)			
basic	8,3	4,7	15,9
diluted	8,1	4,6	15,8
Headline earnings	54 764	30 659	104 679
Amortisation of intangible assets arising out of business combinations	8 158	9 830	18 500

Trading loss from business unit disposed of during the year		3 594	3 509
Tax effect on the amortisation of intangible assets arising out of business combinations	(1 619)	(1 618)	(3 235)
Adjusted headline earnings	61 303	42 465	123 453
Adjusted headline earnings per share (cents)			
basic	9,3	6,5	18,8
diluted	9,1	6,4	18,6

CONDENSED consolidated STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 September 2012 Unaudited R'000	6 months ended 30 September 2011 Unaudited R'000	12 months ended 31 March 2012 Audited R'000
Profit for the period	53 470	30 210	103 240
Other comprehensive income/ (losses):			
Exchange differences on translating foreign operations	16 504	32 304	29 816
Exchange differences on net investment in foreign operations	1 429	(6 724)	(6 718)
Taxation relating to components of other comprehensive income			
Other comprehensive income for the period, net of tax	17 933	25 580	23 098
Total comprehensive income for the period attributable to shareholders	71 403	55 790	126 338
Ordinary shares ('000)			
in issue	658 825	657 000	657 200
weighted average	657 289	657 000	657 045
diluted weighted average	671 954	660 841	662 322
Attributable earnings per share (cents)			
basic	8,1	4,6	15,7
diluted	8,0	4,6	15,6

CONDENSED SEGMENTAL ANALYSIS

		Total revenue R'000	Intersegment revenue R000	EBITDA R000	Assets R'000
6 months ended 30 September 2012 (Unaudited)					
Africa	Consumer Solutions	173 866	(5 442)	39 843	270 768
	Fleet Solutions	136 859	(2 724)	41 627	97 182
Europe	Fleet Solutions	55 198		(6 978)	61 067
North America	Fleet Solutions	91 312		5 531	59 926
Middle East and Australasia	Fleet Solutions	108 561		18 626	95 667
International	Fleet Solutions and Development	161 641	(154 930)	46 396	253 660
Total		727 437	(163 096)	145 045	838 270
Corporate and consolidation entries				(15 356)	415 355
Inter-segment elimination		(163 096)	163 096		(153 770)
Total		564 341		129 689	1 099 855
6 months ended 30 September 2011 (Unaudited)					
Africa	Consumer Solutions	166 831	(4 342)	35 205	246 473

	Fleet Solutions	109 870	(1 195)	32 304	58 257
Europe	Fleet Solutions	64 882		(5 826)	83 787
North America	Fleet Solutions	57 412		2 771	47 138
Middle East and Australasia	Fleet Solutions	56 390		5 648	60 164
International	Fleet Solutions and Development	129 813	(110 687)	32 012	257 292
Total		585 198	(116 224)	102 114	753 111
Corporate and consolidation entries				(11 969)	429 309
Inter-segment elimination		(116 224)	116 224		(127 805)
Total		468 974		90 145	1 054 615
12 months ended 31 March 2012 (Audited)					
Africa	Consumer Solutions	342 324	(8 546)	73 523	253 162
	Fleet Solutions	232 542	(2 953)	79 040	79 082
Europe	Fleet Solutions	126 782		(6 541)	71 110
North America	Fleet Solutions	156 013	(298)	13 532	54 365
Middle East and Australasia	Fleet Solutions	131 393		14 528	72 333
International	Fleet Solutions and Development	286 433	(245 208)	83 450	258 692
Total		1 275 487	(257 005)	257 532	788 744
Corporate and consolidation entries				(19 980)	408 349
Inter-segment elimination		(257 005)	257 005		(128 677)
Total		1 018 482		237 552	1 068 416

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	Share capital R'000	Share premium R000	Other reserves R000	Retained earnings R000	Total R000
Balance at 31 March 2011	13	787 353	(179 844)	75 413	682 935
Dividends declared of 6 cents per share (note 8)				(39 420)	(39 420)
Total comprehensive income for the period			25 580	30 210	55 790
Share-based payments			948		948
Balance at 30 September 2011	13	787 353	(153 316)	66 203	700 253
Total comprehensive (loss)/income for the period			(2 482)	73 030	70 548
Shares issued in relation to share options exercised	*	236			236
Share-based payments			1 053		1 053
Balance at 31 March 2012	13	787 589	(154 745)	139 233	772 090
Dividends declared of 8 cents per share (note 8)				(52 576)	(52 576)
Total comprehensive income for the period			17 933	53 470	71 403
Shares issued in relation to share options exercised	*	1 808			1 808
Share-based payments			949		949
Balance at 30 September 2012	13	789 397	(135 863)	140 127	793 674

*Amount less than R1 000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. Basis of preparation and accounting policies

These condensed unaudited Group interim financial results for the half year ended 30 September 2012 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and are in compliance with IAS 34: Interim Financial Reporting, the AC 500 Standards as issued by the Accounting Practices Board or its successor, the Listings Requirements of the JSE Limited and the South African Companies Act. The interim financial results have not been audited

or reviewed by the Groups external auditors.
The condensed unaudited Group interim financial results do not include all the information and disclosures required in the annual financial results and should be read in conjunction with the Groups annual financial statements for the year ended 31 March 2012, which have been prepared in accordance with IFRS.
The accounting policies applied are consistent with those followed in the preparation of the Groups annual financial statements for the year ended 31 March 2012, except where the Group has adopted new or revised accounting standards, none of which had a material impact on the Groups results.

2. Operating segments

The MiX Telematics businesses are managed primarily on a geographic, and also on a product basis. A reconciliation of EBITDA to operating profit is set out in note 3.

3. Operating profit and EBITDA

	6 months ended 30 September 2012 Unaudited R'000	6 months ended 30 September 2011 Unaudited R'000	12 months ended 31 March 2012 Audited R'000
Operating profit	76 345	47 469	146 388
Add: depreciation, amortisation and impairments (note 4)	53 344	42 676	91 164
EBITDA per segmental analysis	129 689	90 145	237 552

4. Depreciation, amortisation and impairment

Depreciation and amortisation	28 703	21 953	48 083
Amortisation of intangible assets arising out of business combinations	8 158	9 830	18 500
Impairment of product development costs capitalised	4 066		1 332
Inventory in client vehicles amortised	12 417	10 893	23 249
Total	53 344	42 676	91 164

5. Effective tax rate

The effective tax rate reduced from 32,8% in the six month period ended 30 September 2011 to 29,1% for this reporting period. This is primarily due to the change in South Africas tax code treatment of dividends whereby Dividends Tax on shareholders has replaced Secondary Tax on Companies.

6. Net cash

Net cash is calculated as being net cash and cash equivalents, excluding restricted cash less interest-bearing borrowings.

7. Borrowings

Borrowings decreased from R22,9 million at 31 March 2012 to R2,9 million at 30 September 2012. The decrease in borrowings is due to repayments of R20,2 million during the period. The reduction in borrowings has contributed to a decrease in finance costs compared to the first half of the previous financial year.

8. Dividends

A final dividend of R52,6 million (2011: R39,4 million) was declared during the period under review and paid on 9 July 2012. Using shares in issue of 657,2 million (2011: 657,0 million) this equates to a dividend of 8,0 (2011: 6,0) cents per share.

9. Contingent liabilities

Network Services Agreement

In terms of a network service agreement with Mobile Telephone Networks Proprietary Limited (MTN), MTN is entitled to claw back payments from MiX Africa in the event of early cancellation of the agreement or certain minimum base connections not being maintained over the term of the agreement. The maximum potential liability under the arrangement is R68,8 million. No loss is expected under this arrangement.

Taxation

MiX Africas dispute with SARS in respect of the disallowance of the Section 24C deduction going back to 2008, as set out in full in our annual report for the year ended 31 March 2012, is ongoing. Our maximum exposure remains R4 million.

10. Exchange rates

The following major rates of exchange were used:

		30 September 2012	30 September 2011	31 March 2012
SA Rand : United States Dollar	closing	8,31	7,91	7,69
	average	8,19	6,94	7,43
SA Rand : British Pound	closing	13,44	12,36	12,29
	average	12,94	11,24	11,84

11. Significant events

Acquisition of the business of Intellichain Proprietary Limited (Intellichain)

On 1 May 2012, the Group acquired the business of Intellichain (constituting employees and specific assets and liabilities), a software solution company that focuses on fleet management and supply chain execution. The services offered by Intellichain are compatible with the Groups existing fleet management Solutions and the acquisition broadens the array of services offered to current and future fleet management customers. The purchase consideration amounted to the outstanding balance of the loan provided to Intellichain in the 2012 financial year. The provisional fair values of assets acquired and liabilities assumed are as follows:

	R000
Property, plant and equipment	183
Software	5 739
Trade receivables	756
Cash and cash equivalents	23
Trade and other payables	(655)
Total identifiable assets	6 046
Acquisition date fair value of consideration paid	6 046

The Group has elected to finalise the identification and allocation of fair values to all assets and liabilities acquired within a period of 12 months from the effective date, as allowed in accordance with IFRS.

The revenue earned during the period of R3,0 million and the post acquisition loss incurred of R1,1 million have been included in the condensed consolidated results.

No material acquisition related expenses were incurred during the acquisition of the business.

Sunstore liquidation

An internal restructuring process was undertaken in the 2012 financial year, whereby certain of the Groups investments were transferred to the parent company from Sunstore Ltd, an intermediary offshore holding company. The liquidation of Sunstore Ltd has now been completed. In line with the Groups elected accounting policy to recycle cumulative exchange differences on the date of disposal, change in control or liquidation of a subsidiary,a credit amount of R1,6 million has been released to the income statement.

12. Subsequent events

Other than the interim dividend declared and the share conversion described below, the directors are not aware of any matter material or otherwise arising since the period end and up to the date of this report, not otherwise dealt with herein.

Share conversion

On 16 October 2012 the new Memorandum of Incorporation was accepted by the Companies and Intellectual Property Commission. As a result the issued share capital of MiX Telematics of 659 450 000 shares was converted from shares of 0,002 cent each to shares of no par value.

Interim dividend declared

Shareholders are advised that, subsequent to 30 September 2012, an interim cash dividend of 4 cents per share has been declared by the Board. The dividend timetable is set out below:

Last date to trade cum distribution	Friday, 30 November
Shares trade ex distribution	Monday, 3 December
Record date	Friday, 7 December
Payment date	Monday, 10 December

Share certificates may not be dematerialised or rematerialised between Monday, 3 December 2012 and Friday, 7 December 2012, both dates inclusive.

In terms of the Listings Requirements of the JSE Limited regarding the new Dividends Tax effective 1 April 2012, the following additional information is disclosed:

1. The dividend has been declared out of income reserves;
2. The local dividend tax rate is 15%;
3. There are no Secondary Tax on Companies credits utilised against the dividend;
4. The gross local dividend amount is 4 cents per share for shareholders exempt from paying the new Dividends Tax;
5. The net local dividend amount is 3,4 cents per share for shareholders liable to pay the new Dividends Tax;
6. The stated capital of MiX Telematics is 659 450 000 shares of no par value;
7. MiX Telematics tax reference number is 9155/661/84/7.

For and on behalf of the Board:
SR Bruyns SB Joselowitz

Midrand

7 November 2012

Registered office: Matrix Corner, Howick Close, Waterfall Park, Midrand
Directors: SR Bruyns* (Chairman); SB Joselowitz (CEO); R Botha; HR Brody*; TE Buzer;
CH Ewing*; RA Frew*; R Friedman*; ML Pydigadu; F Roji*; HG Scott; RA Shough*; CWR Tasker; AR Welton*
*Non-executive

Company secretary: Probity Business Services Proprietary Limited

Auditors: PricewaterhouseCoopers Inc.

Sponsor: Java Capital

For more information please visit our website at:
www.mixtelematics.com

Close this window PRINT this article