MIX - Mix Telematics Limited - Audited summary consolidated financial 11 Jun 2012

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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")
AUDITED SUMMARY CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012
Financial highlights
Revenue increased by 14,8% to R1 018 million
EPS increased by 44,0% to 15,7 cents per share
Adjusted HEPS increased by 33,3% to 18,8 cents per share
EBITDA increased by 19,0% to R238 million
Annuity revenue increased by 14,7% to R577 million
Net cash increased to R46 million
Dividend declared 8 cents per share, a 33% increase
Cash generated from operations R166 million
The audited consolidated financial results were prepared under the supervision of M Pydigadu CA(SA) in her capacity as Financial Director of the Group and were made available on 11 June 2012.
A WORD FROM THE CEO, STEFAN JOSELOWITZ
The 2012 financial year has been outstanding for the MiX Telematics Group ("MiX"). We broke through the billion-rand sales barrier for the first time, while our after tax profits exceeded R100 million - two fantastic milestones!
We maintained and improved on the momentum that we established in the first half of the year and finished the year with headline earnings growth of over 40% - a great achievement! Adjusted HEPS grew 33,3% to 18,8 cents per share.
MiX is focused on all levels of vehicle telematics, combining vehicle tracking and recovery, fleet management, driver and passenger safety and compliance services. MiX services customers in 111 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 as well as our regional operations source products and services from the business we call MiX International - this operation, based in Stellenbosch, South Africa, is responsible for 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 product and services to our regional operations and distributors. MiX International showed strong growth both at the revenue and EBITDA level.
Most of our regional businesses performed ahead of plan:
- Our USA operation made great progress in the implementation of the mega-deals that it won last year and showed top-line year-on-year growth of over 200%. This business finished in the green for the first time with EBITDA of R13,5 million.
- Moving across the pond to our UK/European business, investors that review our segmental analysis will observe that revenue at this business has declined. Although an accurate observation, this does not paint a balanced picture of the performance during the year and we in fact did deliver reasonable subscriber growth even in the midst of very tricky trading conditions. The declines at the revenue and EBITDA lines are due mainly to one-off restructuring costs which can be summarised as follows:
- We disposed of the non-core vehicle conversion business called One Stop Shop in the opening months of the year under review.
- We have concluded the conversion of those customers that were utilising legacy Datatrak products onto our mainstream MiX platform (at a lower revenue per subscriber which further skews the revenue comparison) and the dilapidation and shutdown of the proprietary Datatrak network was completed during the year.
These actions will lower overheads in this business moving forward and allows our local leadership team to focus on our core objectives free of the distraction of legacy issues.
- Our Middle East and Australasia business performed well through turbulent conditions.
- The political upheaval in the Middle East region did cause our Dubai-based outfit some disruptions yet despite this, the business showed top-line growth and in the latter half of the year, signed two significant deals with oil and gas multi-nationals which will contribute to earnings in future years.
- Our operations in Australia have been ideally placed to take advantage of the resource boom and we expect to see continued strong growth from this region.
- In Africa, our Fleet and Consumer businesses have grown to a point where dedicated focus on each sector is required. To accommodate this, I have made some structural changes and have welcomed two new executives onto my team. Brendan Horan is now heading up the Consumer business and Gert Pretorius is running point on our African fleet operation. Both Brendan and Gert have managed various portfolios within our Group over the past several years and know the industry well. Riette Botha has a wealth of experience and is now working on various projects including globalisation of our Consumer business. Looking back at FY2012, the performances of our African businesses were a mixed bag:
- Our African fleet business grew nicely at both a top-line and EBITDA level.
- Strong growth came from our Enterprise division which enjoys a BBBEE level 2 contributor status. This business services medium to large fleets in South Africa and just one of the successes this year has been the ongoing rollout of MiX systems and services into the Eskom fleet.
- Another initiative was the formation of an exclusive relationship with Intellichain, which has developed an integrated supply-chain management software platform. This technology dovetails perfectly with our current MiX

Telematics offerings and enhances our ability to further grow the Software as a Service ("SaaS") component of our annuity stream.

- We are also starting to see payback from our efforts north of the borders and are earning great orders from multi-national owned fleets operating in East Africa. We recently opened a permanent sales office in Uganda to aid our expansion plans in the region.
- Our consumer and stolen-vehicle-recovery ("SVR") business and home of the leading Matrix brand was flat at the revenue line although the team did deliver modest subscriber growth. The main reason for the EBITDA decline was due to the investment in our major new product, "Beam-e", that we believe will position the Group to compete in the high-volume low-cost end of the SVR market - a space that we haven`t traditionally played in. As I reported at the half-year, we are incredibly excited about Beam-e. It is a whole new species of asset tracking with unique features, positioning us to aggressively grow our market share. Just some of the advantages of Beam-e are that the low-cost device is completely wireless thus dramatically cutting down on installation time and costs whilst at the same time expanding on the concealment options within a vehicle. With a multi-year internal battery (and absolutely no reliance on external power), the Beam-e market is much broader than just motor vehicles; we envisage Beam-e protecting assets such as trailers, containers, motorbikes and even bicycles. Watch this space!

As usual and again at the risk of boring long-term investors in our business, I tend to stick to my perennial favourites when highlighting a few financial indicators:

Annuity revenue: This remains one of our key performance measures and we are happy to yet again show strong growth in this area. For the 2012 financial year, the Group added more than 40 000 new subscribers (after churn) and annuity revenue grew to R577 million (up from R503 million for FY2011) and represents over 56% of total revenue.

Foreign revenue: Foreign currency revenue grew to R482 million for the year (up from R368 million for FY 2011) and represents over 47% of total revenue.

Cash: The Group generated cash from operations of nearly R166 million for the year. Although less than the previous financial year, this performance was in line with our expectations for the following reasons:

- The rollout phase of the mega-deals that we won increased working capital.
- We appointed dual manufacturers for most key products as part of our on-going risk management. During the transition we ramped up our inventories to ensure no interruption in supplies.

Despite the increased drain on cash, we improved our positive net cash position by
R39 million and this was achieved after paying out dividends to shareholders last year of R43 million (including STC)!

Arising out of the strong financial performance of the Group, the Board has approved a final full year dividend of 8 cents per share. This is an increase of 33% over FY2011 and takes into account the change in the South African tax code`s treatment of dividends. The Board has also approved that this dividend payment will be earlier than in the past, and should be paid to shareholders in early July 2012. The Board has approved a change in dividend policy resulting in an interim and final dividend going forward. Interim dividends will be paid out in December.

During the year Afzal Patel, one of our long-standing non-executive directors (and a personal friend), resigned due to ill health. We wish him well in his recovery and we are grateful to him for all his efforts on the Board over the past seven years.

MiX operates more globally now than ever and our industry remains highly competitive. We have proved that we can compete successfully both locally and abroad and our innovative product offerings, coupled with a strong annuity base, position us well for future growth.

Our strong performance this past year is a tribute to all the people in the business including our employees and partners; their hard work and commitment to serving our loyal customers shows in these results. On behalf of the Board of directors, I thank you all. To our non-executive directors, thank you again for your time, effort and wise counsel. I look forward to the year ahead and the challenges and rewards it will bring.

SUMMARY CONSOLIDATED INCOME STATEMENT

	12 months ended 31 March 2012 Audited R`000	12 months ended 31 March 2011 Audited R`000
Revenue	1 018 482	886 604
Cost of sales	(390 926)	(340 168)
Gross profit	627 556	546 436
Other income - net	7 008	4 877
Operating expenses	(488 176)	(434 133)
Operating profit (note 4)	146 388	117 180
Finance income	2 392	2 193
Finance cost	(5 265)	(13 625)
Profit before taxation	143 515	105 748
Taxation	(40 275)	(34 247)
Profit for the year attributable to shareholders	103 240	71 501

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	12 months ended 31 March 2012 Audited R`000	12 months ended 31 March 2011 Audited R`000
Profit for the year	103 240	71 501
Other comprehensive income/(losses):		
Exchange differences on translating foreign operations	29 816	(3 872)
Fair value reserve on available-for-sale financial asset	-	(167)
Exchange differences on net investments in		

foreign operations	(6 718)	(2 547)
Other comprehensive income/(loss) for the year, net of tax	23 098	(6 586)
Total comprehensive income for the year attributable to shareholders	126 338	64 915
Ordinary shares (`000)		
- in issue	657 200	657 000
- weighted average	657 045	657 000
- diluted weighted average	662 322	658 366
Attributable earnings per share (cents)		
- basic	15,7	10,9
- diluted	15,6	10,9

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2012 Audited R`000	31 March 2011 Audited R`000
ASSETS		
Non-current assets		
Property, plant and equipment	45 386	44 805
Intangible assets	643 086	647 013
Deferred tax assets	13 267	11 302
Total non-current assets	701 739	703 120
Current assets		
Inventory	46 014	34 549
Inventory held in client vehicles	29 709	28 039
Trade and other receivables	163 125	114 744
Loans to external parties	6 001	-
Taxation	-	1 897
Restricted cash	3 133	1 852
Cash and cash equivalents	118 695	110 007
Total current assets	366 677	291 088
Total assets	1 068 416	994 208
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	13	13
Share premium	787 589	787 353
Retained earnings	139 233	75 413
Other reserves	(154 745)	(179 844)
Total equity	772 090	682 935
Non-current liabilities		
Borrowings	-	36 070
Deferred tax liabilities	25 816	28 170
Provisions	-	1 092
Total non-current liabilities	25 816	65 332
Current liabilities		
Trade and other payables	157 038	133 190
Borrowings	22 941	27 508
Taxation	11 403	4 669
Provisions	28 963	40 606
Bank overdraft	50 165	39 968
Total current liabilities	270 510	245 941
Total equity and liabilities	1 068 416	994 208
Net cash (note 8)	45 589	6 461
Net asset value per share (cents)	117,5	103,9
Net tangible asset value per share (cents)	19,6	5,5
Capital expenditure		
- incurred	50 740	56 929
- authorised but not spent	37 303	34 815

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R`000	Share premium R`000	Other reserves R`000	Retained earnings R`000	Total R`000
Balance at 31 March 2010	13	787 353	(174 306)	36 762	649 822
Dividends declared of 5 cents per share (note 10)	-	-	-	(32 850)	(32 850)
Total comprehensive (loss)/income for the year	-	-	(6 586)	71 501	64 915
Share-based payments	-	-	1 048	-	1 048
Balance at 31 March 2011	13	787 353	(179 844)	75 413	682 935
Dividends declared of 6 cents per share (note 10)	-	-	-	(39 420)	(39 420)
Total comprehensive income for the year	-	-	23 098	103 240	126 338
Shares issued in relation to share options exercised	*	236	-	-	236
Share-based payments	-	-	2 001	-	2 001
Balance at 31 March 2012	13	787 589	(154 745)	139 233	772 090

*Amount less than R1 000

SUMMARY SEGMENTAL ANALYSIS

	Total segment revenue R`000	Inter-segment revenue R`000	EBITDA* R`000	Assets R`000
12 months ended 31 March 2012				
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 -	131 393	-	14 528	72 333

Fleet solutions				
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
12 months ended 31 March 2011				
Africa - Consumer solutions	342 795	(8 696)	90 368	246 560
- Fleet solutions	199 922	(740)	59 433	50 414
Europe - Fleet solutions	154 397	-	(362)	87 744
North America - Fleet solutions	51 698	-	(1 309)	14 369
Middle East and Australasia - Fleet solutions	109 953	-	15 469	51 475
International - Fleet solutions and development	201 342	(164 067)	49 441	224 027
Total	1 060 107	(173 503)	213 040	674 589
Corporate and consolidation entries	-	-	(12 897)	430 104
Inter-segment elimination	(173 503)	173 503	-	(110 485)
Total	886 604	-	200 143	994 208

*Previously EBITDAR (note 3)

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months ended 31 March 2012 Audited R`000	12 months ended 31 March 2011 Audited R`000
Operating activities		
Cash generated from operations	165 751	189 781
Net financing costs	(3 632)	(9 896)
Taxation paid	(35 769)	(35 577)
Net cash generated from operating activities	126 350	144 308
Investing activities		
Capital expenditure	(50 739)	(56 929)
Loans granted to external parties	(5 486)	-
Proceeds on sale of property, plant and equipment and intangible assets	867	572
Net cash used in investing activities	(55 358)	(56 357)
Financing activities		
Proceeds from share capital issued	236	-
Net borrowings repaid	(41 548)	(103 488)
Dividends paid	(39 374)	(32 812)
Net cash used in financing activities	(80 686)	(136 300)
Net decrease in cash and cash equivalents	(9 694)	(48 349)
Net cash and cash equivalents at beginning of the year	70 039	119 664
Exchange gains/(losses) on cash and cash equivalents	8 185	(1 276)
Net cash and cash equivalents at end of the year	68 530	70 039

RECONCILIATION OF HEADLINE AND ADJUSTED HEADLINE EARNINGS

	12 months ended 31 March 2012 Audited R`000	12 months ended 31 March 2011 Audited R`000
Profit for the year	103 240	71 501
Adjusted for:		
Net loss on disposal of property, plant and equipment and intangible assets	430	61
Impairment of available-for-sale financial asset	-	2 552
Impairment of intangible assets	1 332	580
Exchange gain on settlement of net investment in foreign operation	-	(174)
Tax effect on the above components	(323)	22
Headline earnings	104 679	74 542
Headline earnings per share (cents)		
- basic	15,9	11,3
- diluted	15,8	11,3
Headline earnings	104 679	74 542
Amortisation of intangible assets arising out of business combinations	18 500	21 405
Trading loss from business unit disposed of during the year (note 7)	3 509	-
Tax effect on the amortisation of intangible assets arising out of business combinations	(3 235)	(3 231)
Adjusted headline earnings	123 453	92 716
Adjusted headline earnings per share (cents)		
- basic	18,8	14,1
- diluted	18,6	14,1

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL RESULTS

1. Independent audit

These summary consolidated financial results have been audited by our independent auditors, PricewaterhouseCoopers Inc., who have performed their audit in accordance with the International Standards on Auditing. A copy of their unqualified audit report is available for inspection at the Company`s registered office.

2. Basis of preparation and accounting policies

These summary consolidated financial statements have been derived from the audited consolidated financial statements of MiX Telematics Limited for the year ended 31 March 2012, and have been prepared in accordance with Section 8.57 of the Listings Requirements of the JSE Limited and the requirements of

the Companies Act of South Africa, as applicable to summary financial statements. A copy of the full set of consolidated financial statements is available for inspection at the Company`s registered office.
The accounting policies applied are consistent in all material respects with those applied in the preparation of the consolidated annual financial statements for the year ended 31 March 2011.
The Group has adopted all the new, revised or amended accounting pronouncements as issued by the International Accounting Standards Board ("IASB") which were effective for the Group from 1 April 2011. None of the adopted pronouncements had a material impact on the consolidated results for the year ended 31 March 2012.
3. Operating segments
The MiX Telematics businesses are managed primarily on a geographic and also on a product basis. During the year under review, the profit measures previously applied (EBITDA and EBITDAR) were reduced to only include EBITDAR as previously defined as earnings before interest, tax, depreciation, amortisation, impairment of assets, negative goodwill and the amortisation of inventory held in client vehicles recognised during the current year. In addition, although the definition remained consistent, the acronym used was changed from EBITDAR to EBITDA. This is in accordance with the profit measures as evaluated by the chief operating decision maker of the Group. A reconciliation of EBITDA to operating profit is set out in note 4.
4. Operating profit and EBITDA

	12 months ended 31 March 2012 Audited R`000	12 months ended 31 March 2011 Audited R`000
Operating profit	146 388	117 180
Add: depreciation, amortisation and impairments (note 5)	91 164	82 963
EBITDA per segmental analysis	237 552	200 143
5. Depreciation, amortisation and impairment		
Depreciation and amortisation	48 083	37 427
Amortisation of intangible assets arising out of business combinations	18 500	21 405
Impairment of available-for-sale financial asset	-	2 552
Impairment of intangible assets	1 332	580
Inventory in client vehicles amortised	23 249	20 999
Total	91 164	82 963

6. Effective tax rate
The effective tax rate reduced from 32,4% in the prior year to 28,1% in the current year primarily as a result of MiX North America now being profitable and utilising assessed losses for which deferred tax had not been recognised in the past.
7. Related party transactions
In June 2011, MiX Telematics Europe Limited and Imperial Commercials Limited, a subsidiary of a significant shareholder, entered into an agreement whereby Imperial Commercials Limited purchased the business and assets of MiX Telematics Europe Limited`s vehicle conversion business, One Stop Shop. The business and related assets were sold to Imperial Commercials Limited for R2,3 million. The trading loss from this business, which is not considered to be a discontinued operation in terms of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, has been added back in determining adjusted headline earnings. No other significant related party transactions were concluded during the year.
8. Net cash
Net cash/(debt) is calculated as being net cash and cash equivalents, excluding restricted cash less interest-bearing borrowings.
9. Borrowings
Borrowings decreased from R63,6 million at the end of the prior year to R22,9 million at the end of the current year. This decrease in borrowings primarily contributed to the decrease in finance costs from R13,6 million in the prior financial year to R5,3 million during the current financial year.
10. Dividends
A final dividend of R39,4 million (2011: R32,9 million) was declared during the year under review and paid on 1 August 2011. Using shares in issue of 657 million (2011: 657 million) this equates to a dividend of 6,0 (2011: 5,0) cents per share.
11. Contingent liabilities
Connection incentives
The Group receives connection/upgrade incentives from Mobile Telephone Networks Proprietary Limited for connecting subscribers to their network. In the event that a subscriber contract is terminated during the contract period, the full amount of the connection/upgrade incentive received for this subscriber contract becomes repayable. In the unlikely event that every subscriber contract is terminated prematurely, the potential liability would amount to R70,1 million
(31 March 2011: R75,4 million). No loss is expected under this arrangement.
Taxation
MiX Telematics Africa Proprietary Limited, one of the subsidiaries of the Group, received a query and a subsequent reassessment of their tax liability relating to the claiming of tax allowances in terms of section 24C of the Income tax Act of 1962. In terms of this assessment, the South African Revenue Services ("SARS") have disallowed the S24C allowance going back to 2008 and has charged interest thereon amounting to R4 million. MiX Telematics Africa Proprietary Limited has been claiming the S24C allowance on the basis of legal opinion obtained from a prominent law firm. The S24C allowance had always been fully disclosed in the tax return and has been previously allowed by SARS. MiX Telematics Africa Proprietary Limited is disputing this and has already formally responded to SARS in this regard. If the Group is unsuccessful in defending the matter, it will result in a reclassification from non-current deferred tax liabilities to current taxation liabilities of approximately R10 million. In addition, the claim for interest referred to above has not been provided for.

12. Exchange rates

	31 March 2012 R`000	31 March 2011 R`000
The following major rates of exchange were used:		
SA Rand : United States Dollar - closing	7,69	6,83
- average	7,43	7,21
SA Rand : British Pound - closing	12,29	10,95
- average	11,84	11,21

13. Events after reporting period
Other than the dividend declared, appointment of R Shough (note 14) and the transaction entered into with Intellichain Proprietary Limited ("Intellichain") further explained below, the directors are not aware of any matters material or otherwise arising since 31 March 2012 and up to the date of this report, not otherwise dealt with herein.
Dividend declared
Subsequent to year end, the Board declared a dividend of 8 cents per share.
Acquisition of Intellichain
On 1 May 2012, the Group acquired the business of Intellichain for an amount equal to the outstanding balance of the loan provided to Intellichain by the Group on the effective date of the transaction approximating R6 million. Due to the transaction only becoming effective shortly prior to the release of the annual results the identification and allocation of fair values to the assets and liabilities acquired have not yet been finalised. This process will be completed within 12 months after transaction date, as allowed in accordance with International Financial Reporting Standards ("IFRS").
14. Changes to the Board
On 10 January 2012, Afzal Patel, an independent non-executive director, resigned from the Board of MiX. Chris Ewing was appointed as an independent non-executive director to the Board and as a member of the Audit and Risk Committee in Afzal`s place.
On 1 June 2012, Roy Shough was appointed as an independent non-executive director to the Board and as a member and Chairman of the Audit and Risk Committee. Richard Bruyns, the current Chairman of the Audit and Risk Committee, will step down as Chairman of the Audit and Risk Committee but will remain on the Audit and Risk Committee as a member.
For and on behalf of the Board:
SR Bruyns SB Joselowitz
Midrand
7 June 2012
Registered office: Matrix Corner, Howick Close, Waterfall Park, Midrand
Directors: SR Bruyns* (Chairman); SB Joselowitz (CEO); R Botha; HR Brody*; TE Buzer; C 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
11 June 2012
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