

GROUP PERFORMANCE

FINANCIAL HIGHLIGHTS

- Revenue increased by 243% from R701m to R2.4bn
- Headline earnings increased by 316% from R119m to R496m
- Headline earnings per share increased by 316% from the 24.24c to 100.89c
- Net cash generated from operating activities increased by 9% from R131m to R143m
- Net asset value per share increased by 13% from 1 152.98c to 1 304.15c
- Total assets at year-end have grown to R7.4bn
- Gross final dividend of 6 cents per share declared to shareholders, which equates to a total dividend of 17 cents for the 2019 financial year
- A total dividend to shareholders for the 2019 financial year equates to R83.5m

The Group delivered excellent revenue growth due to both organic and acquisitive growth predominately from the technology and fishing and brands divisions respectively. Revenue increased significantly by 243% from R701m to R2.4bn as a result of recognising revenue growth of R1.6bn from the technology division and R83m from the fishing and brands division. In the prior year, the technology division was accounted for as an associate and thus excluded from the Group's revenue as the division was equity accounted in terms of IAS 28 Investment in Associates.

Effective 21 December 2018, the Group obtained control over AYO Technology Solutions Ltd ("AYO"), previously accounted for as an investment in associate. AYO was therefore treated as a subsidiary from the aforementioned effective date as AEEI had the ability to exercise its power over AYO in line with IFRS 10 Consolidated Financial Statements. The technology division's financial performance for the eight-month period has therefore been consolidated into the Group's statement of profit and loss and other comprehensive income. Refer to details below under significant events.

During the year, AEEI regained control over its investment in AYO and the Group therefore incurred a once-off accounting loss on deemed disposal (IFRS 10) of associate amounting to R2.4bn in the current year. This resulted in the Group's profit before tax decreasing from R6.01bn to a loss of R2.38bn and earnings per share decreasing from 1 016.01c to a loss per share of 304.09c.

Headline earnings increased by 316% from R119m to R496m. Headline earnings per share ("HEPS") increased by 316% from 24.24c to 100.89c, indicating the strategic plans in place driving both organic and acquisitive growth in revenue and earnings.

The NAV increased by 12% from R5.67bn to R6.4bn as a result of the strengthened financial position.

The NAV per share amounted to 1 304.15c despite a challenging national economy, stakeholder scrutiny and market forces.

AEEI is a proud Level 1 Contributor in terms of the Department of Trade and Industry's Code of Good Practice on Broad-Based Black Economic Empowerment Amendment Act No 53 of 2003, with the Amended Generic Scorecard being applied, with black ownership at 73.55% and black female ownership of 39.39%.

FISHING AND BRANDS

The fishing and brands division, Premier Fishing and Brands Limited ("Premier" or the "Premier Group") operates a vertically integrated fishing business which specialises in the harvesting, processing and marketing of fish and fish-related products. The Premier Group holds medium to long-term fishing rights in squid, lobster, small pelagics, hake deep-sea trawl, hake longline, horse mackerel, swordfish and tuna. The Premier Group also owns an abalone farm and invests in organic fertilisers through the "Seagro" range of products.

The fishing and brands division performed in line with expectations with revenue increasing by 17%. The division benefited from the excellent sales performance from the deep sea lobster and squid divisions, including the financial performance of Talhado Fishing Enterprises (Pty) Ltd for a full year. The pelagic division performed admirably despite industry-wide catch rates. This was offset by the lower operational performance of the lobster division as result of lower total allowable quotas obtained for the west coast rock lobster division.

Sales volumes declined in the abalone division due to an exogenous factor that arose as a result of the political situation in Asia. The farm expansion is progressing well and is on track with construction to be completed in the 2020 financial year.

TECHNOLOGY

The information and communications technology (“ICT”) subsidiary, AYO Technology Solutions Ltd (“AYO”) is one of the largest Broad-based Black Economic Empowerment ICT companies in South Africa. AYO delivers end-to-end ICT solutions to multiple industries in South Africa’s public and private sectors through strategic partnerships. These partnerships enable them to service customers across Africa, North America, Europe and Mauritius.

The technology division achieved significant organic growth in its revenue as a result of the acquisitions in Sizwe Africa IT Group Ltd (“Sizwe”), SGT Solutions (Pty) Ltd (“SGT”) via Main Street 1653 (Pty) Ltd (“Main Street”) and Global Command and Control Technologies (Pty) Ltd (“GC²T”). These acquisitions took place effective 19 December 2018, 28 February 2019 and 1 March 2019 respectively. AYO contributed R1.6bn to the Group’s revenue for the year. Refer to the business combination note further below.

As a result of the change in control (as referred to under “Significant Events,” the technology division was recognised as a subsidiary from 21 December 2018. Despite the additional requirements from the JSE and the litigation from stakeholders, organic growth was achieved as well as acquisitive growth.

On 31 May 2019, AYO received a summons issued by the Public Investment Corporation (“PIC”) and the Government Employees Pension Fund (“GEPPF”). The summons seeks a declaration that the subscription agreement entered into between the PIC and AYO be declared unlawful and set aside and that AYO be ordered to pay the PIC R4.2bn together with interest of 10.25% per annum accrued from 22 December 2017 to the date of final payment. AYO has instructed its attorneys to oppose the action.

In the event that the PIC and GEPPF are successful in their court application, management believes that they will be able to reconfigure AYO into a pure investment holding company. AYO has several subsidiaries that have been in existence for more than 20 years, delivering both satisfactory trading performance and dividend income for AYO. These subsidiaries are expected to continue trading at an optimal level independent of the PIC funding.

AEEI’s associate investment in BT Communication Services SA (Pty) Ltd (“BT”) continually produces consistent earnings and it contributed positively to the Group’s profit from equity accounted investments.

HEALTH AND BEAUTY

The companies in the health and beauty division focus on the importation and distribution of cosmetic brands and make-up as well as the manufacturing, sales and marketing of an extensive range of natural products that are human, animal and plant safe and internationally recognised in the food, agriculture, hygiene, beauty and general health sectors.

Revenue from the health and beauty businesses declined during the year due to subdued consumer demand in the current economic climate. However, management expects an improvement in the businesses in the next financial year.

BIOTECHNOLOGY

Genius Biotherapeutics, one of Africa’s largest medical biotechnology companies, in collaboration with research partners at the University of Cape Town will commence with clinical trials on breast cancer next year. The Group is currently in the process of acquiring the intellectual property in relation to the dendritic cell vaccine project and is preparing for the recruitment phase of selected patients for its pending human clinical trials.

EVENTS AND TOURISM

The events and tourism division manages and owns an events planning and production company, espAfrika (Pty) Ltd (“espAfrika”); a travel services company, Tripos Travel (Pty) Ltd (“Tripos Travel”) and a radio station Magic 828 (Pty) Ltd (“Magic 828”) (managed under the corporate division). During the year the Group acquired additional shares in espAfrika increasing its shareholding from 75% to 100%.

espAfrika, a Group subsidiary, hosted their annual 20th annual Cape Town International Jazz Festival event promoting the well-established brand. The company did not achieve its expected revenue during a challenging year due to the local economic uncertainty. Magic 828, which has operated for over four years, contributed R12m to the Group’s gross revenue for the year. Its listenership continues to increase year-on-year.

STRATEGIC INVESTMENTS

The Group’s strategic investments consist of: BT Communications Services South Africa (Pty) Ltd (“BT”) which is now reported under the technology division; Saab Grintek Defence (Pty) Ltd (“SGD”); African Legend Investments (Pty) Ltd (“ALI”) and Sygnia Ltd (“Sygnia”).

AEEI has minority equity stakes in BT, SGD, ALI and Sygnia. The strategic investments have shown consistent growth in earnings with regular dividend payments on an annual basis. The Pioneer Foods Ltd’s (“PFG”) shares were disposed of on 15 March 2019 and Quantum Foods Ltd’s shares were disposed of on 27 May 2019. Refer to the disposal of the PFG investment below for full details.