Results Note
12 March 2025

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Metrofile Holdings Ltd

South Africa's Bottomline Turns

12m Target Price	347cps
Share Price	160cps
Implied Return	117%

Share Code: MFL – Market Cap: R0.7bn – PE: 14x – DY: 8%

Business Support | South Africa

H1:25 Results: The Good Offset by the Bad

- Metrofile reported a disappointing H1:25 as improvements in MRM South Africa were offset by struggles in other non-digital areas. Group continuing revenue increased by 4%, driven by secure storage and cloud services, but this was impacted by declines in content services and image processing.
- While MRM South Africa improved operating profit by 19%, MRM Rest of Africa & MRM Middle East faced challenges, and Normalised HEPS decreased by 18% to 10.7cps (H1:24 – 13cps).
- Newly classified segment, "Cloud & Content Services", saw revenue increased by 9% to R74m, but operating profit decreased by 10% to R10m. Metrofile Cloud (previously, IronTree) demonstrated consistent growth but (project-driven) Metrofile VYSION had a slower period.
- Management focus remains on building a digital offering, generating free cash flow, and reducing the Group's debt.

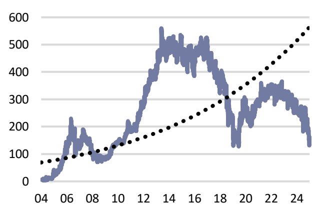
Our Thoughts: "Cloud & Content Services" Segment Revealed

- The exit of Tidy Files and separating of the Group's digital businesses into the "Cloud & Content Services" segment allow us to value this segment separately.
- Due to this, we have added a Sum-of-the-Parts (SOTP) model focussing on EV/EBITDA relative multiples drawn from listed digital document/file storage companies.

Forecast, Valuation & Implied Return: 250~300cps fair value range

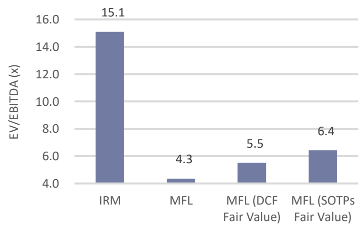
- While we have maintained our DCF approach as a sense-check, we have changed our valuation methodology to an EV/EBITDA driven Sum-of-the-Parts (SOTP) given the different profile that the newly disclosed "Cloud & Content Services" segment has from the rest of the Group and, thus, the different multiple it could arguably demand in the market.
- Based off this, we see Metrofile's fair value as 297cps (previously: 347cps), implying an EV/EBITDA of 6.4x & a PE of 16.7x. Rolling our fair value forward, we arrive at a total return 12m TP of 347cps (previously: 403cps).
- This agrees with our DCF Model's views and, broadly, we think that the Group's fair value range is from c.250cps to c.300cps.

10-year Share Price – Metrofile Holdings Ltd



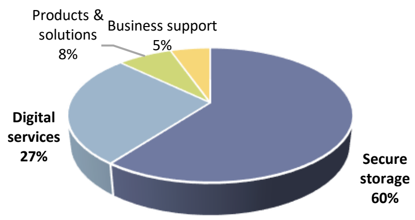
Sources: I-Net Bridge, Blue Gem Research

EV/EBITDA Comparison – IRM vs MFL



Sources: Refinitiv, Blue Gem Research

Group Revenue Split – Types of Business



Sources: Various, Blue Gem Research estimates

Key Forecast (R m)	YoY %	FY 23A	YoY %	FY 24A	YoY %	H1:25A	FY 25E	YoY %	FY 26E	YoY %
Revenue	*5%*	1134	*16%*	1141	*1%*	537	1077	*-6%*	1161	*8%*
EBITDA	*1%*	345	*6%*	287	*-17%*	148	297	*3%*	317	*7%*
HEPS (cps)	***-3%***	**32.1cps**	***4%***	**16.5cps**	***-49%***	**8.1cps**	**17.6cps**	***7%***	**25.9cps**	***47%***
Return on Equity (%)	-	*24.5%*	-	*3.2%*	-	*12.6%*	*13.4%*	-	*18.0%*	-
Price Earnings Ratio (x)	-	*5.0x*	-	*9.7x*	-	*13.8x*	*9.1x*	-	*6.2x*	-
DPS (cps)	*20%*	18cps	*0%*	14cps	*-22%*	4cps	9cps	*-36%*	13cps	*44%*
Dividend Yield (%)	-	*11.3%*	-	*8.8%*	-	*6.9%*	*5.6%*	-	*8.1%*	-

Sources: Profile Media, Refinitiv, Metrofile Holdings, & Blue Gem Research workings and assumptions

Keith McLachlan*

BLUE GEM RESEARCH

Key Forecast (R m)	**FY 23A**	***YoY %***	**FY 24A**	***YoY %***	**H1:25A**	**FY 25E**	***YoY %***	**FY 26E**	***YoY %***
Revenue	**1134**	***16%***	**1141**	***1%***	**537**	**1077**	***-6%***	**1161**	***8%***
MRM South Africa	613	*14%*	606	*-1%*	352	703	*16%*	731	*4%*
MRM Rest of Africa	105	*15%*	104	*0%*	54	110	*5%*	118	*8%*
MRM Middle East	99	*15%*	120	*21%*	57	115	*-4%*	130	*13%*
Cloud & Content Services***	318	*20%*	311	*-2%*	74	148	*-52%****	181	*22%****
EBITDA	**345**	***6%***	**287**	***-17%***	**148**	**297**	***3%***	**317**	***7%***
EBITDA Margin (%)	*30.4%*	-	*25.2%*	-	*27.5%*	*27.6%*	-	*27.3%*	-
Operating Profit	255	*6%*	200	*-22%*	100	201	*1%*	219	*9%*
Net finance charges	-58	*18%*	-68	*17%*	-38	-74	*10%*	-67	*-9%*
Net Profit (Parents)	**138**	*3%*	**17**	*-88%*	**33**	**74**	*348%*	**109**	*47%*
*Weighted Ave. Number of Shares (millions)**	*429.2*	*-1%*	*422.6*	*-2%*	*422.2*	*422.2**	*0%*	*422.2**	*0%*
EPS (Continuing Operations – cps)	**32.1cps**	*4%*	**3.9cps**	*-88%*	**7.8cps**	**17.6cps**	*348%*	**25.9cps**	*47%*
HEPS (cps)	**32.1cps**	*4%*	**16.5cps**	*-49%*	**8.1cps**	**17.6cps**	*7%*	**25.9cps**	*47%*
Normalized HEPS (cps)**	**-**	-	**20.0cps**	-	**10.7cps**	**20.2cps**	*1%*	**25.9cps**	*28%*
Price Earnings Ratio (x)	*5.0x*	-	*9.7x*	-	*13.8x*	*9.1x*	-	*6.2x*	-
Dividend Per Share (cps)	**18cps**	***0%***	**14cps**	***-22%***	**4cps**	**9cps**	***-36%***	**13cps**	***44%***
Dividend Yield (%)	*11.3%*	-	*8.8%*	-	*6.9%*	*5.6%*	-	*8.1%*	-
Dividend Cover (x)	*1.8x*	-	*1.2x*	-	*2.0x*	*2.0x*	-	*2.0x*	-
Property, Plant & Equipment	607	*-1%*	612	*1%*	598	577	*-6%*	550	*-5%*
Goodwill	374	*0%*	307	*-18%*	307	307	*0%*	307	*0%*
Intangible Assets	70	*3%*	61	*-13%*	61	61	*0%*	61	*0%*
Total Assets	1575	*6%*	1509	*-4%*	1479	1520	*1%*	1586	*4%*
Shareholder's Equity (Parent)	563	*1%*	516	*-8%*	524	553	*7%*	608	*10%*
NAV per share (cps)	133cps	*3%*	122cps	*-8%*	124cps	131cps	*7%*	144cps	*10%*
Net Debt	496	*11%*	537	*8%*	521	456	*-15%*	384	*-16%*
Net Debt:EBITDA (x)	*1.4x*	-	*1.9x*	-	*3.5x*	*1.5x*	-	*1.2x*	-
Net Debt:Equity (%)	*0.9*	-	*1.0*	-	*1.0*	*0.8*	-	*0.6*	-
Free Cash Flow	169	*-21%*	218	*129%*	145	209	*96%*	194	*93%*
Free Cash Flow / EBITDA Conversion (%)	*49%*	-	*76%*	-	*98%*	*70%*	-	*61%*	-
Free Cash Flow Yield (%)	***14.1%***	**-**	***18.2%***	**-**	***24.2%***	***17.5%***	**-**	***16.2%***	**-**
Return on Equity (%)	***24.5%***	**-**	***3.2%***	**-**	***12.6%***	***13.4%***	**-**	***18.0%***	**-**
Return on Assets (%)	***8.8%***	**-**	***1.1%***	**-**	***4.5%***	***4.9%***	**-**	***6.9%***	**-**
Price Earnings Ratio (x)	*5.0x*	-	*9.7x*	-	*13.8x*	*9.1x*	-	*6.2x*	-
Price-to-Book (x)	*1.2x*	-	*1.3x*	-	*1.3x*	*1.2x*	-	*1.1x*	-
Current Ratio	*0.5*	-	*1.6*	-	*1.9*	*2.0*	-	*2.3*	-

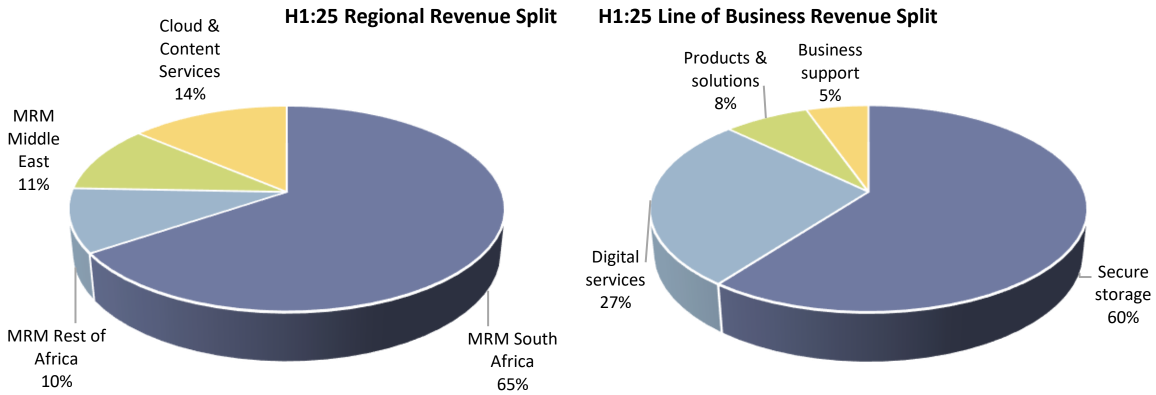
*Sources: Metrofile Holdings various reports, Refinitiv, Iress, Profile Media, & Blue Gem Research workings & assumptions; * We do not forecast any share buy-backs, though we note that management have specifically highlighted this as part of their capital allocation strategy, and we expect this to be forthcoming & earnings enhancing at the current share price; ** Normalized HEPS as per management disclosure; *** Previously "Product & Services" segment and, thus, % changes y/y are meaningless as Tidy Files exit has distorted base figures.*

Summary of H1:25 Results

Metrofile Holdings (code: MFL) reported disappointing H1:25 results where a turnaround in MRM South Africa's operations was overshadowed by pressure in the rest of the Group's non-digital businesses:

- **Revenue:** Excluding the full exit of Tidy Files, Group revenue increased by 4% with growth in secure storage and cloud services offset by a reduction in content services and image processing. Demand for cloud services remained strong, contributing 36% of digital services revenue, though project-driven Metrofile VYSION and MRM Middle East both disappointed as project revenues came in lower (arguably off a high previous period base).
- **Profitability:**
  - Operating profit decreased by 11% to R100m and EBITDA decreased by 8% to R148m.
  - The turnaround in MRM South Africa improved operating profit by 19% to R108m, but this was offset by challenges in the MRM Rest of Africa and MRM Middle East.
- **Earnings:**
  - EPS decreased by 40% to 7.8cps.
  - HEPS decreased by 38% to 8.1cps.
  - Normalised HEPS decreased by 18% to 10.7cps (this adjusted figure excludes one-offs during the period, for example, retrenchment costs at Tidy File).
- **Dividend:** Dividend per share decreased by 43%, with an interim dividend of 4cps declared.
- **Cash Flow & Debt:** Net debt reduced by 3% to R521m due to continued strong cash generation – this would have been higher but for funding the final IronTree vendor payment. Thus, the resulting net finance costs were 16% higher at R38m than the prior period.

Figure 1: Metrofile Holdings Regional & Segmental Revenue



Sources: Metrofile Holdings various reports & Blue Gem Research workings and assumptions

- **Major Events/Developments:**
  - Exit of Tidy Files was completed – note the one-off costs incurred in this process.
  - Final payment related to the IronTree acquisition was settled, increasing net finance costs.
  - A new CEO and CFO have now been appointed while the previous CFO has stepped directly into the critical MRM South Africa business to turn it around (the results are already apparent in the segmental numbers).
- On that note, management expect the turnaround in MRM South Africa to continue in H2:25E (we tend to agree) but anticipates challenging trading conditions in the Middle East and Rest of Africa (we also tend to agree here, though hope quicker digital sales traction is gained in Kenya).
- Critically, management remain focused on building a digital offering while generating positive free cash flow and continuing degearing the Group's balance sheet – all these trajectories remain intact.

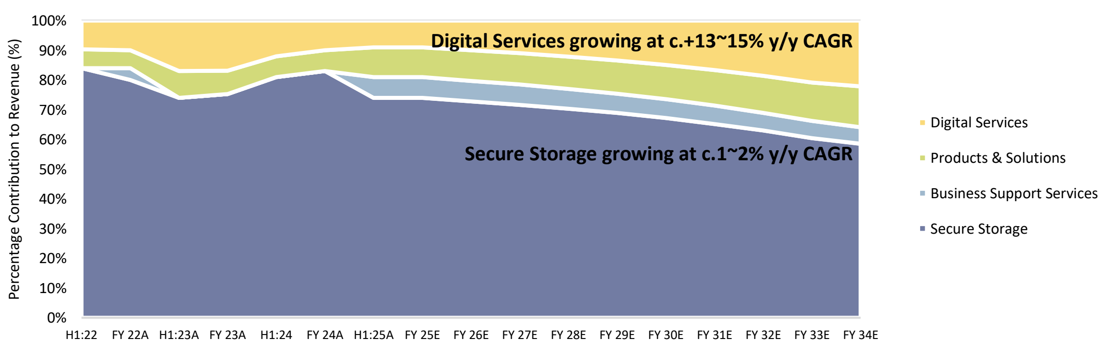
MRM South Africa

Forecast & DCF (Rm's):	H1:24	FY 24A	H1:25A	FY 25E	FY 26E	FY 27E	FY 28E	FY 29E	FY 30E	FY 31E	FY 32E	FY 33E	FY 34E
Net Box Growth (y/y %)	*-1.0%*	*-1.4%*	*2.1%*	*-1.1%*	*-0.1%*	*-0.2%*	*-0.9%*	*-1.7%*	*-2.4%*	*-3.2%*	*-3.9%*	*-4.7%*	*-5.4%*
Non-storage Revenue (%)	*19.0%*	*17.0%*	*26.0%*	*26.1%*	*27.2%*	*28.3%*	*29.6%*	*31.1%*	*32.8%*	*34.8%*	*37.0%*	*39.5%*	*41.4%*
EBITDA Margin (%)	*34.4%*	*34.6%*	*37.6%*	*37.5%*	*35.7%*	*34.1%*	*32.4%*	*30.4%*	*28.0%*	*25.3%*	*22.3%*	*19.0%*	*14.2%*
Revenue	**312**	**606**	**352**	**703**	**731**	**764**	**797**	**828**	**856**	**883**	**909**	**933**	**943**
Growth (y/y %)	*2.8%*	*-3.2%*	*13.1%*	*16.2%*	*4.0%*	*4.5%*	*4.3%*	*3.9%*	*3.5%*	*3.1%*	*2.9%*	*2.7%*	*1.0%*
EBITDA	107	210	133	264	261	261	258	251	240	223	202	177	134
Working Capital	-	26	-	-20	-4	-5	-4	-4	-4	-4	-3	-3	1
Capex	-	-18	-	-10	-10	-12	-12	-12	-12	-11	-11	-11	-10
Tax	-24	-47	-29	-58	-58	-57	-57	-55	-52	-48	-43	-37	-25
Free Cash Flow (FCF)	**84**	**171**	**103**	**176**	**190**	**187**	**186**	**180**	**172**	**160**	**145**	**127**	**100**
Discount Factor				*0.94*	*0.84*	*0.74*	*0.66*	*0.58*	*0.52*	*0.46*	*0.41*	*0.36*	*R0.32*
Discounted FCF				**166**	**158**	**138**	**122**	**105**	**89**	**73**	**59**	**46**	**297**
Enterprise Value (EV)													**R1253m**
EV/EBITDA (x)													***5.3x***

Sources: Metrofile Holdings, Iress, Profile Media & Blue Gem Research workings & assumptions

- **Revenue:** Increased by 3% in the latest reporting period from continuing operations, driven by growth in secure storage and product sales, but this was offset by a reduction in image processing volumes. Including the exited Tidy Files manufacturing operation, revenue decreased by 12% to R352m (H1:24 – R399m).
- **Net boxes** were largely flat (-1% p/p) but this hides the fact that inflows were relatively robust as destructions (i.e. outflows of boxes) remained elevated. Management is planning for destructions to remain elevated, though this is not a certainty. We have adjusted our forecasts to reflect this elevated destructions figure but kept pricing flat.
- **Profitability:**
    - Operating profit increased by 19% to R108m (H1:24 – R91m).
    - EBITDA increased by 15% to R133m (H1:24 – R116m). Compared to the second half of the previous financial year, EBITDA improved by 20%, which is important to consider in terms of the operational initiatives to improve this business and this bodes well for H2:25E.
    - Reflective of this, operating profit margin increased to 31% (H1:24 – 23%) and EBITDA margin increased to 38% (H1:24 – 29%).
- **Operational Summary:**
    - **Turnaround Initiatives:** Positive progress has been made in resolving operational challenges, leading to improvements in financial performance. Enhanced focus on customer service and resolution of operational challenges contributed to a recovery in margin and an increase in the sales pipeline, which we believe is sustainable into H2:25E and beyond.
    - **Cash Collections:** Cash collections increased, contributing to the overall Group improvement in cash generated from operations. This was due to the successful resolution of long-standing customer queries, enhanced customer engagement, and the resolution of the operational challenges noted previously.

Figure 2: MRM South Africa - Revenue Contribution (Historical & Forecast)



Sources: Metrofile Holdings, various records & Blue Gem Research workings & assumptions

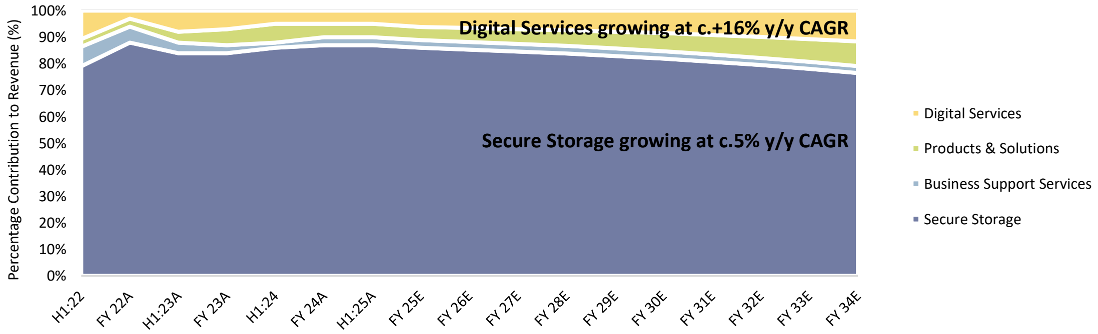
MRM Rest of Africa

Forecast & DCF (Rm's):	H1:24	FY 24A	H1:25	FY 25E	FY 26E	FY 27E	FY 28E	FY 29E	FY 30E	FY 31E	FY 32E	FY 33E	FY 34E
Net Box Growth (y/y %)	*1.0%*	*3.5%*	*3.5%*	*3.7%*	*5.0%*	*4.5%*	*4.0%*	*3.5%*	*3.0%*	*2.5%*	*2.0%*	*1.5%*	*1.0%*
Non-storage Revenue Contribution (%)	*14.0%*	*13.0%*	*13.0%*	*14.0%*	*14.7%*	*15.4%*	*16.2%*	*17.1%*	*18.1%*	*19.2%*	*20.5%*	*21.9%*	*23.5%*
EBITDA Margin (%)	*60.3%*	*54.6%*	*34.8%*	*36.1%*	*36.3%*	*36.7%*	*37.0%*	*37.0%*	*36.7%*	*36.3%*	*35.7%*	*34.9%*	*34.0%*
Revenue	**49**	**104**	**54**	**110**	**118**	**128**	**138**	**149**	**159**	**170**	**181**	**192**	**204**
Growth (y/y %)	*-53.3%*	*-0.3%*	*10.1%*	*5.1%*	*7.9%*	*8.3%*	*7.9%*	*7.5%*	*7.1%*	*6.8%*	*6.5%*	*6.2%*	*5.9%*
EBITDA	29	57	19	40	43	47	51	55	58	62	65	67	69
Working Capital	-	4	-	-2	-1	-1	-1	-1	-1	-1	-1	-1	-1
Capex	-	-9	-	-19	-29	-29	-29	-28	-27	-25	-22	-18	-13
Tax	-6	-12	-2	-5	-5	-6	-7	-8	-9	-10	-10	-11	-11
Free Cash Flow (FCF)	**24**	**40**	**17**	**13**	**8**	**11**	**14**	**17**	**21**	**26**	**31**	**37**	**44**
Discount Factor				*0.87*	*0.66*	*0.50*	*0.38*	*0.29*	*0.22*	*0.17*	*0.13*	*0.09*	*R0.07*
Discounted FCF				**12**	**5**	**5**	**5**	**5**	**5**	**4**	**4**	**4**	**54**
Enterprise Value (EV)													**R103m**
EV/EBITDA (x)													***2.2x***

Sources: Metrofile Holdings, Iress, Profile Media & Blue Gem Research workings & assumptions

- **Revenue:** Increased by 10% to R54m (H1:24 – R49m), though given the below noted investment into the digital offering in Kenya, this growth was somewhat disappointing. We think that, particularly in the digital space, sales have a good chance of picking up momentum in the H2:25E period.
- **Profitability:**
  - Operating profit decreased significantly by 64% to R7m (H1:24 - R18m) but EBITDA decreased by 36% to R19m (H1:24 – R29m).
  - This resulted in the operating profit margin declining to 13% (H1:24 - 38%) and the EBITDA margin decreased to 35% (H1:24 – 60%).
- **Key Drivers:** Botswana and Mozambique continued to generate growth and increased profitability by 11%. The overall decrease in operating profit was primarily due to the inclusion of a one-off gain in the prior year following the positive resolution of a long-standing dispute with a customer in Kenya (this created a high base for this year). As mentioned earlier, additional costs were incurred in Kenya related to Cloud Services setup and higher operating costs though (to date) the sales generated by this investment have disappointed (this and generally weak operations leading to an impairment of goodwill attributed to the Kenyan business by R53.5 million at a Group level).
- **Net box** volumes increased by 2%, slightly below our 3% expectation, but pricing seems to be holding up and the roll-out of digital revenues may pick up from H1:25's low bar.
- Management expect trading conditions to remain challenging in the Rest of Africa. As part of the turnaround, there will be a review of the geographical footprint of Metrofile, though this is not limited to only the Rest of Africa operations.

Figure 3: MRM Rest of Africa - Revenue Contribution (Historical & Forecast)



Sources: Metrofile Holdings, various records & Blue Gem Research workings & assumptions

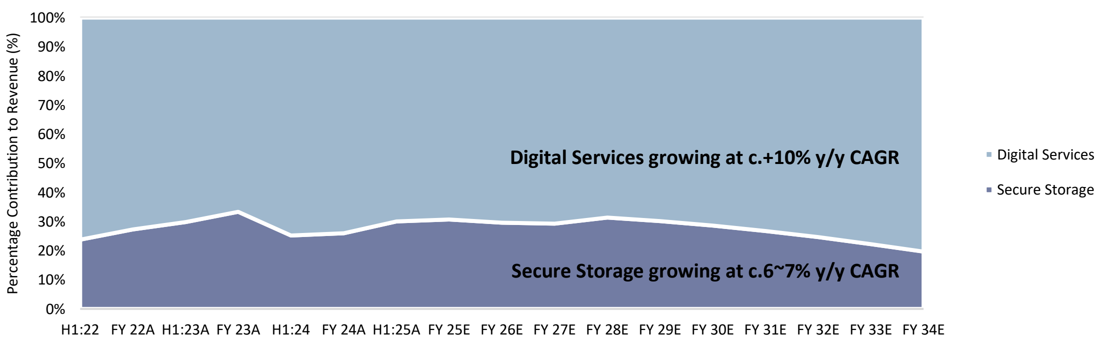
MRM Middle East

Forecast & DCF (Rm's):	H1:24	FY 24	H1:25	FY 25E	FY 26E	FY 27E	FY 28E	FY 29E	FY 30E	FY 31E	FY 32E	FY 33E	FY 34E
Net Box Growth (y/y %)	*4.0%*	*13.3%*	*13.8%*	*12.3%*	*10.3%*	*8.3%*	*6.3%*	*4.3%*	*2.3%*	*0.3%*	*-1.7%*	*-3.7%*	*-5.7%*
Non-storage Revenue Contribution (%)	*75.0%*	*74.0%*	*70.0%*	*69.3%*	*70.4%*	*70.7%*	*68.6%*	*69.8%*	*71.4%*	*73.2%*	*75.4%*	*77.8%*	*80.3%*
EBITDA Margin (%)	*12.5%*	*6.0%*	*1.2%*	*2.2%*	*7.6%*	*13.6%*	*10.7%*	*15.6%*	*19.7%*	*23.4%*	*26.6%*	*29.6%*	*32.4%*
Revenue	**61**	**120**	**57**	**115**	**130**	**148**	**152**	**172**	**192**	**215**	**239**	**265**	**294**
Growth (y/y %)	*27.6%*	*21.2%*	*-6.7%*	*-3.7%*	*12.8%*	*13.9%*	*3.1%*	*12.6%*	*12.0%*	*11.6%*	*11.2%*	*11.0%*	*10.9%*
EBITDA	8	7	1	3	10	20	16	27	38	50	64	78	95
Working Capital	-	3	-	-2	-2	-2	-1	-2	-2	-2	-3	-3	- 2.1628 4878
Capex	-	-9	-	-21	-21	-20	-17	-13	-8	-1	-8	-7	-7
Tax	-	-0	0	0	-0	-1	-1	-2	-3	-4	-5	-6	-8
Free Cash Flow (FCF)	**8**	**1**	**1**	**-20**	**-13**	**-3**	**-2**	**10**	**25**	**43**	**48**	**62**	**78**
Discount Factor				*0.89*	*0.71*	*0.57*	*0.45*	*0.36*	*0.29*	*0.23*	*0.18*	*0.14*	*R0.12*
Discounted FCF				**-18**	**-9**	**-1**	**-1**	**4**	**7**	**10**	**9**	**9**	**170**
Enterprise Value (EV)													**R179m**
EV/EBITDA (x)													***993.3x***

Sources: Metrofile Holdings, Iress, Profile Media & Blue Gem Research workings & assumptions

- **Revenue:** Decreased by 7% to R57m (H1:25 – R61m) following a slowdown of new projects. The prior period(s) had some large, one-off project revenues that have been closed out and did not recur in this period as a more cautious and competitive environment pervaded the region – see below.
- **Profitability:**
  - Disappointingly, the segment made an operating loss of R2m (H1:24 – R6m operating profit) and EBITDA decreased significantly to R0.7m (H1:24 – R7.7m).
  - This saw operating profit margin declined to -4% (H1:24 – 9%) and EBITDA margin decreased to 1% (H1:24 – 13%).
- Competitor pressure impacted the trading period and severely dented margins. Two new large competitors (Iron Mountain is one of these) entered the region and priced aggressively to win market share. As per Iron Mountain's typical playbook (which they followed in South Africa several years ago), this saw them discounting box prices to grab market share. If the South African market experience is anything to go by, we expect this pressure to remain for another year or two before prices stabilize and then revert back to a more sustainable level.
- Despite this pressure, it was reassuring to see the segment grow **net boxes** by 5%, albeit below our expectations for the region (c.+10~11% y/y growth per our previous note). We have not yet adjusted long-term assumptions here, as we expect a gradual recovery in growth, but we do note this as a risk to our view.
- Management does not expect an immediate change in the environment in the Middle East and has implemented various measures to mitigate challenges.

Figure 4: MRM Middle East - Revenue Contribution - (Historical & Forecast)



Sources: Metrofile Holdings, various records & Blue Gem Research workings & assumptions

Cloud & Content Services

Cloud & Content Services

Forecast & DCF (Rm's):	**H1:24**	**FY 24**	**H1:25**	**FY 25E**	**FY 26E**	**FY 27E**	**FY 28E**	**FY 29E**	**FY 30E**	**FY 31E**	**FY 32E**	**FY 33E**	**FY 34E**
Non-storage Revenue Contribution (%)	*100.0%*	*99.0%*	*98.0%*	*99.0%*	*99.2%*	*99.3%*	*99.3%*	*99.4%*	*99.5%*	*99.5%*	*99.6%*	*99.6%*	*99.6%*
EBITDA Margin (%)	*17.7%*	*17.1%*	*21.6%*	*21.7%*	*26.1%*	*27.0%*	*27.8%*	*28.6%*	*29.3%*	*30.1%*	*30.8%*	*31.4%*	*28.7%*
Revenue	**156**	**311**	**74**	**148**	**181**	**208**	**239**	**274**	**315**	**362**	**415**	**477**	**513**
Growth (y/y %)	*-3.2%*	*-2.1%*	*-52%***	*-52%***	*22.1%*	*14.8%*	*14.8%*	*14.8%*	*14.8%*	*14.9%*	*14.9%*	*14.9%*	*7.5%*
EBITDA	28	53	16	32	47	56	66	78	92	109	128	150	147
Working Capital	-	17	-	18	-4	-3	-3	-4	-5	-5	-6	-7	-1
Capex	-	-18	-	-12	-13	-14	-15	-17	-19	-21	-23	-25	-27
Tax	-4	-9	-3	-6	-9	-11	-14	-17	-20	-24	-28	-34	-32
Free Cash Flow (FCF)	**23**	**43**	**13**	**33**	**22**	**28**	**34**	**41**	**49**	**59**	**71**	**84**	**86**
Discount Factor				*0.94*	*0.84*	*0.74*	*0.66*	*0.58*	*0.52*	*0.46*	*0.41*	*0.36*	*0.32*
Discounted FCF				**31**	**18**	**20**	**22**	**24**	**25**	**27**	**29**	**30**	**521**
Enterprise Value (EV)													**R748m**
EV/EBITDA (x)													***17.9x***

*Sources: Metrofile Holdings, Iress, Profile Media & Blue Gem Research workings & assumptions; *IIronTree is now 100%-held, which boosts this segment's EV and means that IronTree minorities are no longer taken out of the Sum-of-the-Parts (SOTP) in **Table 7**; ** Previously "Product & Services" segment and, thus, % changes y/y are meaningless as Tidy Files exit has distorted base figures.*

- Revenue increased by 9% to R74m (H1:24 – R68m) but operating profit decreased by 10% to R10m (H1:25 – R11m).
- With operating leverage, EBITDA followed suite by -16% to R16.1m (H1:24 – R19.1m) resulting in the EBITDA Margin decreasing to 22% (H1:24 – 28%).
- **Key Drivers:** Metrofile Cloud (previously IronTree) demonstrated consistent growth, improving operating profit by 10% to R11m, mainly due to growth in hosting services. Offsetting this growth, Metrofile VYSION (which includes workflow automation services) had a challenging period with operating profit declining to a loss of R1m (H1:24 – operating profit of R1m) – this business remains more project driven and, thus, has lumpier results than Metrofile Cloud. We remain positive on both businesses and consider both to be well positioned for long-term growth.
- It is worth noting that Metrofile now owns 100% of IronTree (the final vendor payment flowed out during H2:24).
- Management's focus is to build a robust digital offering and laying the foundation for the next generation of technology-driven solutions.
- In our opinion, this is the correct focus and introduces complexity in both forecasting and valuing the Group. Although we have maintained our Discounted Free Cash Flow (DCF) Model that is segmentally built as a valuation tool, we have decided to build a Sum-of-the-Parts (SOTP) relative value approach that values each segment differently based on its profile and peer set's market multiples (**Table 9**). Given both its growth profile and it highly-rated peers on other stock exchanges, this technology segment is a classic example of a segment that should attract a different multiple than the rest of the Group.

Macro Environment

- **Economic growth:** South Africa's economic growth remains low. In 2024, the South African economy experienced moderate growth, expanding by an estimated 0.6%, and the International Monetary Fund (IMF) projects a 1.5% growth rate for 2025. While we are starting to see local GDP forecasts picking up, the reality is that the GDP/capita measure is still in decline and the local economy remains rather stagnant and vulnerable to external economic shocks. This all puts pressure on Metrofile's client-base and likely makes them more price sensitive with potentially stagnant volumes/demand.
- **Inflation:** While inflation has been declining, there are still concerns about potential inflationary pressures. In December 2024, the inflation rate reached 3%, but the South African Reserve Bank (SARB) has pointed out potential upside risks from food prices, electricity tariffs and wage settlements. This is a two-edged blade for Metrofile as it could add pressure to the operations margins but also see price increases that leverage fixed costs. Perhaps, more importantly right now, it

is how this view on inflation is affecting the SARB's interest rate decisions that ultimately effects the cost of Metrofile's debt.

- **Interest rates:** The SARB's recent interest rate cuts, with the repo rate at 7.5%, aim to stimulate economic growth. While the start and expected continuation of this cutting cycle should see finance costs pressure on Metrofile ease over this year, the cutting cycle is both expected to be short and shallow. Indeed, when compared with other central banks around the world, the SARB's interest rate cuts have been positively restrictive but communication implies that this policy is unlikely to change in the short term. We have decided *not* to try forecast interest rate cuts and its effects on Metrofile's finance expense but note it as a potential upside risk to our forecast.
- **Political & SOE Instability:** The formation of a Government of National Unity (GNU) has lead to some political stabilisation, though the currently stalled National Budget is a good example of the risk of this political structure. Likewise, Eskom (and, indirectly, Transnet) remain huge headwinds on and downside risks to the local economy (unless, somehow, they are sustainably turned around).

Forecast, Valuation & 12m TP Update

- Earlier in this note, we highlighted some of our segmental-level assumptions adjusted.
- The 'Product & Services' segment no longer exists, and Metrofile Cloud (previously IronTree) along with Metrofile VYSION form the core of the newly-disclosed 'Cloud & Content Services' segment.
- Thus, we have kept our segmental DCF's but also adopted a SOTPs EV/EBITDA model (**Table 9**).

Discounted Free Cash Flow (DCF) Model

- We have updated some model-wide assumptions, namely:
    - Adjusted our risk-free rate to reflect the South African 10-year bond's higher yield of 10.53% (previously: 9.41%), and
    - Lowered our Cost of Debt to reflect the current interest rates (we have not forecast any interest rate cuts during the period, though note that a shallow rate cutting cycle appears to be occurring).
- The combination of the segmental-level work and the updated global assumptions arrive at a Sum-of-the-Parts (SOTP) fair value of 250cps (previously: 347cps).

Table 7: Metrofile Group's Sum-of-the-Parts (SOTP) Fair Value & 12m TP

Discounted Cash Flow Models	Sum-of-the-Parts	Implied EV/EBITDA (x)	Implied Price Earnings (x)
MRM South Africa	R1 253 087 209	5.3x	
MRM Rest of Africa	R102 953 138	2.2x	
MRM Middle East	R178 786 914	993.3x	
Cloud & Content Services	R748 208 189	17.9x	
Group Central Costs	(R699 823 704)	-	
Enterprise Value (EV)	R1583 211 746	5.5x	
Less: Net Debt	(R521 205 000)		
Fair Value	**R1 062 006 746**		**15.2x**
Fair Value (cps)	**250cps**		**15.2x**
12m TP (cps)	**293cps**		**16.6x**

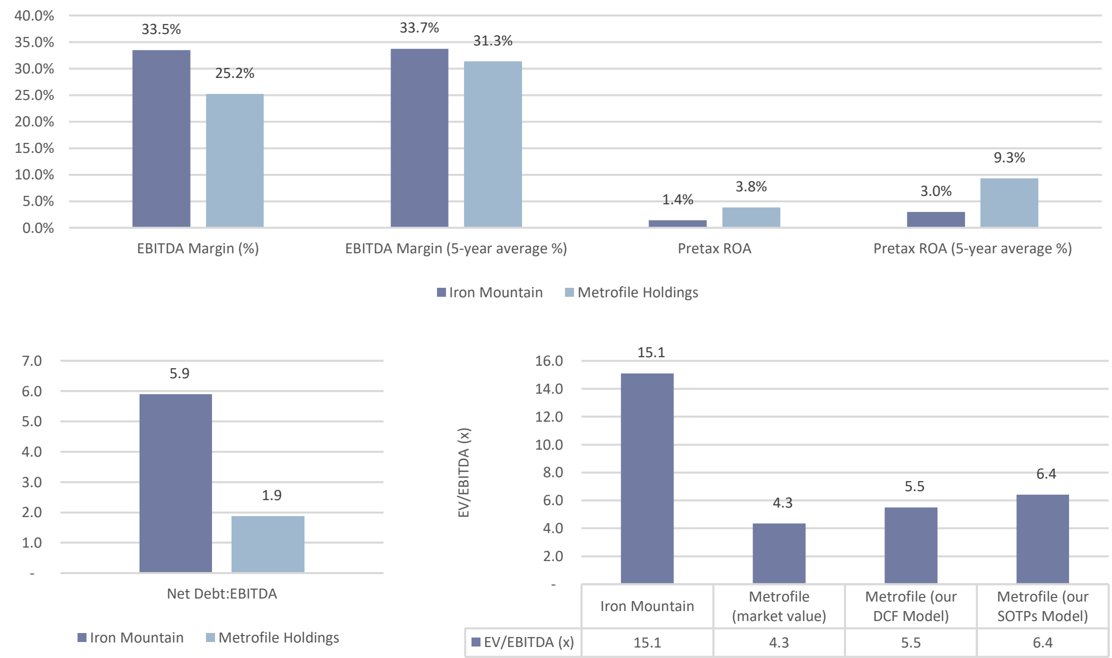
Sources: Metrofile, Refinitiv, Iress, Profile Media, & Blue Gem Research workings & assumptions

- **Table 7's** DCF fair value for Metrofile implies an EV/EBITDA of 5.5x (Previously: 7.0x) and a Price Earnings (PE) of 15.2x (Previously: 21.1x).
- This compares reasonable against global peers (**Table 9**).

Sum-of-the-Parts (SOTP) Relative Model

- Despite the use of the segmental-DCF model earlier, we think that a SOTPs model may be more relevant going forward for valuing Metrofile due to:
  - The level of volatility of underlying performances across segments is increasing the forecast risk and forecasting is intrinsically linked to our DCF model's outcomes, &
  - The separate disclosure of the "Cloud & Content Services" segment allows us to value it using a *different* peer set than the MRM regional segments.
- **Figure 6** shows Metrofile (the Group) versus Iron Mountain (the largest listed document storage peer in the world):

Figure 6: Metrofile Holdings versus Iron Mountain



Sources: Refinitiv, InvestPro, Koyfin & Blue Gem Research workings and assumptions (March 2025)

- More pointedly, we can compare Metrofile to Iron Mountain in **Table 8.**
- **Table 8** also shows the peer set we have selected for our "Cloud & Content Services" segmental valuation and their resulting multiples (including various other comparative metrics)

Table 8: Metrofile Holdings versus Iron Mountain, Equinix, Digital Realty Trust & Dropbox Inc

Name	Market Cap. (USD)	EV/EBITDA (x)	FCF Yield (%)	PE (x)	P/S (x)	Dividend Yield (%)	Dividend Yield (5-year average %)	Pretax ROA	Pretax ROA (5-year average %)
Iron Mountain	$24.5bn	15.1x	21.5%	137.4x	6.1x	2.4%	5.7%	1.4%	3.0%
Metrofile Holdings	$38m	4.3x	18.2%	13.8x	0.6x	6.9%	5.2%	3.8%	9.3%
Metrofile Discount		***71%***	***-15%***	***90%***	***90%***	***189%***	***-8%***		
Digital Storage Peer Average		**22.8x**	**3.7%**	**67.7x**	**7.2x**	**2.7%**	**2.6%**	**6.8%**	**3.9%**
Equinix Inc	$82bn	27.0x	0.7%	97.2x	9.6x	2.2%	1.8%	2.9%	2.8%
Digital Realty Trust Inc	$52bn	28.2x	-1.1%	88.0x	9.0x	3.3%	3.5%	1.4%	2.5%
Dropbox Inc	$8.5bn	13.2x	11.6%	18.0x	3.0x	-	-	16.2%	6.3%

Sources: Refinitiv, ValuePro, various company reports & Blue Gem Research workings & assumptions (March 2026)

- Using **Table 8** as a basis for peer relatives (we like EV/EBITDA due to its debt- and tax-rate neutral characteristics), appropriate discounts (Emerging Market and Small Size discounts), we can build the following SOTPs for Metrofile:

Table 9: Sum-of-the-Parts of Metrofile

Sum-of-the-Parts Model	Normalized TTM EBITDA (Rm)	Peer Group EV/EBITDA (x)	*Discount Applied (%)**	Value (Rm)
MRM South Africa	R235.0	15.1x	*50%*	1774
MRM Rest of Africa	R46.2	15.1x	*75%*	174
MRM Middle East	R0.2	15.1x	*75%*	1
Cloud & Content Services	R41.8	22.8x	*67%*	315
Group Central Costs	-R47.9	10.4x**	*0%*	(497)
Enterprise Value				**R1767m**
Implied Group EV/EBITDA (x)				*6.4x*
Net Debt				(R521m)
Fair Value (Rm)				**R1252m**
Number of shares (millions)				*422.2m*
Fair Value (cps)				**297cps**
12m Target Price (cps)				**347cps**

*Sources: Metrofile, various companies, Koyfin, Refinitiv and analyst own workings and assumptions; * Discount are analysts discretion; ** Based of Cost of Equity with inflationary increases as a perpetuity*

- The resulting SOTP fair value of 297cps (round to 300cps) would place Metrofile shares on an EV/EBITDA of 6.4x, or not too far off from our DCF SOTP's multiple of c.5.5x.
- Thus, we are comfortable with our SOTP fair value for Metrofile of 297cps.
- Rolling this fair value forward by our Cost of Equity, we arrive at a total return 12m TP of c.347cps (previously: 403cps) which implies a c.117% return from these levels.

Key Risks to our Forecast & Valuation

A summary of the key risks to our view and valuation of Metrofile:

- **Downside risks:**
  - Global and domestic inflationary and recessionary pressures, particularly in how these influence interest rates via Central Bank decisions,
  - Sovereign, geopolitical and macro risks, including South African, African & Middle Eastern (particularly relevant due to the current conflict in the region, and any expansion that may threaten Metrofile's existing Middle Eastern business) and economic/political deterioration and prospects,
  - A faster macro transition to digital and/or a higher decline in the physical document storage market than we have predicted (some of this has come to bear and we have adjusted longer-term assumptions here downwards – refer to Segmental sections for details),
  - Any growth or pricing assumptions missing to the downside,
  - Poor execution on or weak traction gained with Metrofile Holdings' digital strategy, &
  - All the numerous domestic and macro risks we highlighted in our macro section of this report.
- **Upside risks:**
  - Sovereign and macro risks, including South African, African & Middle Eastern economic/political alleviating or improving,
  - A slower macro transition to digital and/or a lower decline in the physical document storage market than we have predicted (seeming increasingly unlikely),
  - Any growth or pricing assumptions missing to the upside (noting the Middle Eastern box pricing dynamic here as a variable),
  - Excellent execution on or strong traction gained with Metrofile Holdings' digital strategy.

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** Market prices have all been taken as of the closing prices on 7 March 2025.*

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