

**COGNITION HOLDINGS LIMITED**  
**Incorporated in the Republic of South Africa**  
**(Registration number: 1997/010640/06)**  
**Share code: CGN ISIN: ZAE000197042**  
**("Cognition" or "the Group" or "the Company")**

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**SHORT FORM – REVIEWED PRELIMINARY CONDENSED CONSOLIDATED RESULTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**HIGHLIGHTS**

	<b>Change</b>	<b>30 June 2019</b>	<b>30 June 2018</b>
		<b>R'000</b>	<b>R'000</b>
Total assets	59.97%	354 808	221 800
Cash and cash equivalents	18.25%	123 440	104 391
Equity	98.56%	297 949	150 052
Total liabilities	-20.75%	56 859	71 748

**Financial Performance for the period:**

		<b>30 June 2019</b>	<b>30 June 2018</b>
		<b>R'000</b>	<b>R'000</b>
Revenue	36.27%	215 149	157 884
Gross profit	62.41%	155 325	95 640
Profit before tax	-9.11%	25 833	28 422

**Net asset value and earnings per share:**

Net asset value per share	6.97%	116.05 cents	108.49cents
Basic earnings per share	-45.17%	8.17 cents	14.90 cents
Headline earnings per share	-37.43%	9.31 cents	14.88 cents

The results for the period under review were a reflection of a low growth domestic market, with protracted tough economic conditions.

Many of our clients that we provide support services to did not anticipate the extent to which the market would deteriorate and many were forced to reduce their budgets and promotional activity, resulting in reduced work to a number of our Group's operating divisions.

The Group increased its Gross Revenue by 29.4%, of which 10.2% was achieved organically via its legacy businesses, and a further 19.2% by means of the acquisition of Private Property. Gross revenue, which includes revenue earned by the Group for facilitating agency-based payment services, amounted to R239 million compared to R193 million in the previous financial year. The legacy businesses are the businesses

that made up the Group prior to the acquisition of Private Property and comprise of FoneWorx, BMi Research and BMi Sport Group.

Revenue for the Group increased to R215 million, compared to R157 million in the previous financial year. This increase was achieved despite a significant reduction in Revenue of R27.5 million earned from the Group's Fax2email and Research assets, whereas the legacy businesses showed resilient growth of R16.4 million for the year. The addition of Revenue from Private Property results in a net increase of 36.3% revenue growth.

Revenue from both divisions, Active Data Exchange Services and Knowledge Creation and Management segments, increased by 15.9% and 46.7%, respectively. Gross Profit for Active Data Exchange Services increased by R14.4 million to R49.9 million from R35.5 million. This was achieved organically. The Gross Profit for the Knowledge Creation and Management segment increased by 75.3% from R60 million to R105.5 million which can mostly be attributed to Private Property.

The Group's operational cost increased significantly to R52.1 million from R18.3 million. The legacy businesses' operating costs increased 28% primarily due to significant transaction fees relating to the Acquisition. Private Property operating costs for the five months amounted to R31 million resulting in the 184% total increase for the Group this year. Staff costs for the year increased by 48.9% with the inclusion of Private Property. The staff cost of the legacy businesses increased marginally by 2.9% from R52.5 million to R54 million for the year.

The impact of the increased expenditure was not offset by the additional revenue of the Group, resulting in a reduction of Total Comprehensive Income of 17.1% from R20.6 million to R17 million. Based on the weighted average number of shares in issue for the period of 179 079 268 shares (2018: 137 615 798), earnings per share ("EPS") declined by 45.17% from 14.9 cents in the 2018 financial year to 8.17 cents this financial year. Headline earnings per share ("HEPS") declined from 14.88 cents per share to 9.32 cents per share.

The Group's cash resources increased from R104 million in the previous financial year to R123 million, an increase of 18.25%.

The Cognition Group is made up of a number of, what may appear to be, disparate offerings. However, the common thread or theme attributable to each offering is the collection, processing and management of personal data and the ability for our clients to manage and monetise such data in a structured, compliant and insightful manner.

Each of our operational offerings, as explained more fully hereunder, is either a technology or a process which enables our clients to have deeper insight and understanding of their customers so that they are better able to develop more meaningful and relevant communication with their customers.

## **Divisional Performance**

### Active Date Exchange Services ("ADES")

ADES, in layman's terms, comprises all of the Group's technologies that are used in any form of messaging, such as short message services (SMS), unstructured supplementary service data (USSD), email services and faxing services. These are all marketed to our clients via our brand, MediaWorx, and our clients use these services as "Call2Action" campaigns, essentially encouraging their customers to enter a promotion or competition for some form of reward or prize.

By adopting these ADES, we enable our clients, not only to engage with their customers, but also to collect valuable data about their customers.

Brands need to understand their consumers at a deeper level (granular level) and hence this form of data exchange is ideal. Data, and in particular personal data, has become central to every single aspect of running any business.

Although the ADES industry is very competitive, the benefits that our Group have are:

- that the technology platform is proprietary;
- we are contracted with all mobile and fixed line networks in South Africa;
- we have designed remote access to over 80 mobile networks into Africa; and
- we offer a turnkey solution on technology, consulting, service design and fulfilment of physical or virtual rewards.

During the period under review, MediaWorx managed over 300 campaigns on behalf of 70 clients covering 160 brands including: Liberty, Rohloff, Lindor, Gemini, Matriach, Duel, SA Homeloans, Imana – Pick n Pay, Cassava, Vamara, Computershare, Datacore Media, ABInBev (Hansa, Redds, Carling Cup, Carling Black Label and Castle Lager), Defy, Lion Match, Pep, Ackermans, Premier Foods, Marico, Checkers, Soweto TV, Cambridge, Lucky Star, Bokomo, AfriSam and Bokomo.

MediaWorx is one of the largest and most innovative USSD suppliers in South Africa.

We are confident that our platform and innovative approach to using ADES can assist clients in building much needed personal databases which must ultimately be compliant with privacy legislation such as the Protection of Personal Information Act (“POPIA”) and the General Data Protection Regulations (“GDPR”).

As discussed in the aforementioned ‘Group Performance’ paragraph, the trading conditions throughout Africa deteriorated substantially during the year which resulted in many of our existing clients reducing their marketing and promotional budgets, which meant that we managed fewer services on their behalf. With a protracted low growth domestic economy, we anticipate this trend will continue. On the positive side, our proprietary platforms are both well managed and instantly scalable, meaning that when the economy turns, we can immediately host an unlimited number of campaigns.

#### Document Exchange Services

These services, which form part of ADES, include our Fax2Email, Email2Fax and SecurDox. Whilst faxing continues to decline, we still maintain an active database of around 73,000 subscribers (2018: 90,000) and process around 28 000 faxes per day.

SecurDox, which is a more secure encrypted document transfer system using Blockchain, continues to be an alternative to Fax2Email and will become a more suitable alternative to clients when POPIA becomes fully enacted.

#### Channel Incentive and Loyalty

Brands typically have some form of reward or incentive methodology to “sell-in” stock into a retail environment or store and a “sell-out” strategy to promote stock to consumers.

The Group has developed a proprietary platform which is web and mobile based. It enables brands to incentivise staff, agents and contractors (“incentive member”) by rewarding them for selling defined products to consumers.

Our proprietary platform has various modules including FICA registration, claims processing, moderation, payment of funds (rewards) into a wallet and a Mastercard allocated to each incentive member who can then transfer their allocated funds (rewards) from the wallet to their card. Since the development of the platform in November 2015, we have processed over R400 million via an average of 10,000 active cards, although more cards have been issued.

During the period under review, we have seen a renewed interest in our incentive platform offering from a number of new clients and we are currently engaging with them to structure possible incentive programmes similar to those we currently provide.

When economic conditions become stressed, brands typically look to more innovative ways to stimulate sales and this programme and platform offers such an opportunity.

#### Platform Technology and Knowledge Management

Although brands are aware that Big Data is becoming central to the running of a business, they are not all aware as to what data to collect and how to collect, process and manage such data.

To this end, Cognition has developed a 15-step process or roadmap to guide clients through this process in a structured and focussed manner. The methodology is referred to as Knowledge 350°.

The aim of this process is to collect the desired personal data (demographic / psychographic) and store it in a manageable platform so that the data can be used for research, marketing and to drive desired consumer behaviour.

The process is “non-invasive” and typically provides for “volunteered data” or “self-curated data”, placing the consumer in control of their data, but on a permission-based principle enabling brands to have access to such rich and dynamic data.

We refer to such a platform as Personal Information Management platform (“PIM”) which conforms to the best of class privacy regulations, such as POPIA and GDPR.

Each of the services previously referred to in this report (ADES and Channel Incentive) would be engaged to ultimately interface to the PIM platform and be deployed to either collect or manage data.

To ultimately facilitate and enhance the manner in which insights can be extracted from the PIM platform, research and analytical skills need to be deployed. To acquire these skills and businesses as going concerns, the Group has over the past five years made the following acquisitions:

#### **BMi Research Proprietary Limited (“BMiR”)**

BMiR provides total research solutions for the following sectors: retail, manufacturing, packaging, food services, automotive, telecoms and financial services.

The services offered include: market performance, shopper insights, data management and integration, analytics and consulting, mystery shopping, print ads, EPOS and ISOS.

During the period under review, a large services project came to its natural conclusion resulting in revenue dropping by 24% and profit before tax being down 62%. At the end of the financial year (June), the CEO of 11 years, Gareth Pearson, decided to retire from the business and he was replaced by Kevin Kruger, previously the managing director of IRi South Africa. Kevin has a wealth of experience in the services offered by BMiR and is currently putting into place a re-engineered strategy to take the business into the next decade. We would like to thank Gareth Pearson for his contribution and loyalty to BMiR over his long tenure.

### **BMi Sport Info Proprietary Limited (“BMiS”)**

BMiS provides a defined range of sport - and sponsorships - related services. These services include: sport tracking and sponsorship consulting, e-gaming, millennial tracking, socio-economic and sporting impact evaluation and bespoke sporting evaluation.

BMiS is gearing up to launch a database management programme for defined sporting codes which will operate as a multi-sided platform for brands, spectators and sport participants.

The period under review was challenging as the poor economic conditions resulted in many blue-chip clients cutting back on sponsorships and research.

### **Livingfacts Proprietary Limited (“Livingfacts”)**

Livingfacts provides customised research solutions with “deep dive” compatibility, both on a quantitative and qualitative level that assists boards and management to implement insightful and intelligent strategies.

Revenue for the period was up 10%, however with margins under pressure, profit before tax showed no growth on the previous year.

### **Corporate Transactions**

During the period under review, the Group acquired 50.01% in Private Property from CTP Limited. The Acquisition was effective from 7 February 2019 and was settled by the issuing of 105 833 333 Cognition shares at 120 cents per share, for a purchase consideration of R127 million.

Private Property is one of South Africa’s largest property portals, and has been in operation since 1998. The company Private Property holds a significant market share in the South African property market.

Private Property is a multi-site marketing property platform that presents property listings, news and advice to property shoppers and charges property professionals to market to that audience. The revenue growth for Private Property is driven by increased property listings on its platform which leads to an increased audience, increased leads and a higher number of successful transactions.

Prior to the acquisition of Private Property from CTP Limited, Caxton and CTP Publishers and Printers Limited (“Caxton”) was a material (34.57%) shareholder of Cognition. Post the Acquisition, Caxton’s shareholding in Cognition is currently 63%.

## DIVIDEND ANNOUNCEMENT

The Board has declared a gross final dividend of 10 cents per share for the financial year ended 30 June 2019 (2018: 6 cents per share), which is adjusted for withholding tax. The final dividend has not been included as a liability in these reviewed preliminary condensed consolidated results as it was declared subsequent to year end. The final dividend for June 2019 is payable to all shareholders on the Register of Members on Friday, 1 November 2019 October 2019. In terms of the dividends tax, effective 1 April 2012, the following additional information is disclosed:

- the local dividend tax rate is 20%;
- the dividends will be payable from income reserves;
- the dividend tax to be withheld by the Company amounts to 2 cents per share;
- therefore the net dividend payable to shareholders who are not exempt from dividends tax amounts to 8 cents per share, while the gross dividend payable to shareholders who are exempt from dividend tax amounts to 10 cents per share;
- the issued share capital of the Company at the declaration date comprises 243 449 131 ordinary shares; and
- the Group's income tax reference number is 9087/450/84/8.

Declaration date	Wednesday, 18 September 2019
Last day to trade cum dividend	Tuesday, 29 October 2019
Date trading commences ex the dividend	Wednesday, 30 October 2019
Record date	Friday, 1 November 2019
Date of payment	Monday, 4 November 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 October 2019 and Friday, 1 November 2019, both dates inclusive.

The content of this short form announcement is the responsibility of the directors. Shareholders are advised that this short form announcement represents a summary of the information contained in the full long form announcement which is available at <https://senspdf.jse.co.za/documents/2019/JSE/ISSE/CGN/YE19> and also published on the Company's website at [http://www.cognitionholdings.co.za/pages/display/annual\\_results](http://www.cognitionholdings.co.za/pages/display/annual_results). Any investment decisions by investors and/or shareholders should be based on a consideration of the full announcement as a whole and investors and shareholders are encouraged to review the full announcement, which is available as detailed herein.

Copies of the full announcement may also be requested at the Company's registered office or the office of the sponsor, Merchantec Capital, at no charge, during office hours. Any investment decision should be based on the full announcement released on SENS and published on the Company's website.

For and on behalf of the Board

Ashvin Mancha  
Chairman

Mark Smith  
Chief Executive Officer

Pieter Scholtz  
Financial Director

Johannesburg  
18 September 2019

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Directors: Ashvin Mancha#\* - Chairman, Mark Smith – Chief Executive Officer, Pieter Scholtz - Financial Director, Gaurang Mooney#\* (Botswana), Graham Groenewaldt – Sales Director, Paul Jenkins#\*, Roger Pitt#\*, Marc du Plessis#, Piet Greyling#, Trevor Ahier#\*, Dennis Lupambo#\*

# *Non-executive*

\* *Independent*

Company Secretary: Stefan Kleynhans, BA Bluris LLB LLM (Banking Law)/(Corporate Law) ACIS

Auditor: BDO South Africa Incorporated

Transfer Secretaries: Computershare Investor Services Proprietary Limited

Sponsor: Merchantec Capital