Final Results Press Release

INVICTA RESULTS REFLECTIVE OF MARKET CONDITIONS BUT OUTLOOK POSITIVE

- Revenue flat at R9.6 billion*
- Operating profit (before foreign exchange movements) down 11% to R940 million*
- Profit attributable to ordinary shareholders (before specific tax provision) decreased by 23% to R526 million*
- Headline earnings per share (before specific tax provision) down 23% to 464 cents*
- Headline earnings per share (after specific tax provision) down 81% to 90 cents*

(*) These 31 March 2018 results represent the continuing operations.

18 June 2018: **Invicta Holdings Limited (Invicta)**, the investment holding and management company, reported results for the year ended 31 March 2018 which reflects the challenging market conditions faced in the regions served by the Group. South Africa, representing 77% of the Group's revenue, experienced low economic growth, political uncertainty and low business confidence for the bulk of the financial year, whilst the rest of world showed improved growth.

Arnold Goldstone, CEO of Invicta, stated that: *"Whilst revenue from continuing operations was flat at R9.6 billion, gross profit declined by 3.1% to nearly R3.0 billion, reflecting the depressed conditions in which the Group trades in South Africa, especially in the mining, agriculture, manufacturing and construction sectors. We continued to focus on strict cost control measures which resulted in a negligible 0.8% increase in costs. However, the previous year reflected an exceptional 34% increase in operating profit over the FY2016 figures which could not be sustained during this year and as a result, operating profit before foreign exchange movement showed a decline of 10.6% to R940 million. The volatility of the Rand resulted in the net foreign exchange costs increasing by R30 million to R71 million at year end. On 30 September 2017, we disposed of the Building Supply Group (BSG) business"*

Profit before taxation from continuing operations decreased by 15.3% to R760 million. The Board of Invicta has noted both stakeholder and market commentary over the potential tax consequences of certain transactions which Invicta entered into several years ago, and which were referred to by the Independent Auditors in their report in the 2017 Annual Financial Statements ('the transactions'). Based upon legal advice received, the Board is of the view that these transactions are tax compliant. However, the Board is of the view that the ongoing uncertainty is affecting the Group and hampering its ability to use equity to fund expansion and that a pragmatic solution which provides certainty is preferable to potentially protracted negotiations and costly litigation which would require significant management time and result in material opportunity cost for the Group. The Board continues to negotiate with the South African Revenue Services (SARS) with a view to reaching an agreement regarding the tax consequences of these transactions. Should an agreement not be reached with SARS and, on the basis that it elects to issue revised assessments, the Group will defend its position fully. A decision was therefore reached, in consultation with the Group's auditor and legal advisor, to provide for an additional amount of R400 million for taxation in the Annual Financial Statements for the March 2018 financial year.

The Board will be proposing to pay a 50 cent dividend to ordinary shareholders instead of applying the normal dividend policy of a total dividend cover ratio of 3.5 times at interim results adjusted to 2.75 times at year-end.

Cash generated from operations was reduced by an increase in stock holdings in the period under review utilising cash resources. This was a result of a management decision to acquire specific stock ranges in advance of commodity and tariff increases, as well as to ensure stock availability for the expanded BMG World warehouse facility while the new systems and physical stock was being implemented and moved. This is expected to reverse over the following financial year.

"The Group settled its material financial debts and released certain financial investments during the year. The settlement resulted in a non-recurring loss of R20 million which has been included in Selling, Administration and Distribution costs. This was a once off cost that reduced earnings and will not be repeated next year" said Goldstone.

Engineering Solutions Group's (ESG's) revenue of R4.5 billion was 2% below last year, largely as a result of challenging trading conditions in South Africa. The division did well to keep its operating profit before foreign exchange movements decline to only 0.2% below last year, at R478.7 million. Most of the industries serviced by ESG have struggled, which is evidenced by the muted, but solid results. The resizing of the business through cost saving initiatives and the "Simplify for Success" programme will continue into the new year and are expected to bear fruits in the coming year.

The only acquisition undertaken by ESG during the year was that of the Fenner Beltings Sales and Marketing business, which was effective 1 February 2018. It did not have a material impact on the results under review. It is, however, expected to make an important contribution to both revenue and profitability in the year ahead.

On 3 May 2018 the Group announced the purchase of the Forge Industrial Group. It comprises of tools and related products (Toolquip and Allied), machining tools (F and H Machine Tools) and industrial conveyer belting and related components (Belt Brokers). It operates through 11 branches countrywide including 3 distribution centres in Gauteng. The acquisition will be completed after the fulfilment of certain conditions precedent, including Competition Commission approval.

Capital Equipment Group (CEG) improved revenue by 2.5% despite relinquishing the New Holland Agricultural Equipment agency in May 2017. The results from CEG's South African businesses declined due to challenging conditions in agricultural machinery and construction machinery markets, whilst the non - South African results improved as global economic conditions improved. The gross profit percentage of CEG declined in line with prevailing market conditions in South Africa. CEGs operating profit before foreign exchange movements declined by 3.8%, but a focused effort by the division resulted in good cash generation.

Goldstone reiterated: *"As a Group, we continue to focus on improving efficiencies and processes in our existing operations. An overall improvement in world commodity prices and market conditions in the coming year is expected to add momentum to the Group's performance. In addition, ESG is actively seeking further acquisitions and management is currently engaged in discussions with third parties on potential acquisitions. CEG is also looking for suitable acquisitions. On 2 January 2018, the Shamrock business was acquired by CEG. Shamrock supplies and services forklifts and machines of the highest quality in niche markets with quality brands "Moffett", "Combilift", "Agrimac", "Innolift" and "Multi Sweep."*

"The process of internationalising the Group in order for it to be able to list offshore is on track for conclusion by the end of the financial year ending 31 March 2019. We would like to remind stakeholders that the rationale for this decision is to enable Invicta to list on an international stock exchange in addition to its current listing on the JSE. The listing on an international stock exchange will provide improved access to international funding for debt and/or equity, as the Group looks to expand its international footprint in a measured and focussed approach;" concluded Goldstone.

Ends

Contact: **Invicta Holdings Limited**
Arnold Goldstone (CEO)
Tel: (021) 929 4780

Issued and released by: **Keyter Rech Investor Solutions**
Marlize Keyter 087 351 3810 / 083 701 2021

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