Final Results Press Release

INVICTA RESULTS REFLECT UPTICK, BUT MARKET CONDITIONS REMAIN CHALLENGING

- Revenue up 5% to R10.4 billion
- Profit for the year increased by 21% to R229 million
- Profit attributable to ordinary shareholders increased by 61% to R135 million
- Headline earnings per share up 93% to 112 cents

24 June 2019: **Invicta Holdings Limited (Invicta)**, the investment holding and management company, today reported results for the year ended 31 March 2019 which continue to reflect challenging market conditions in what has been one of the toughest years on record, according to CEO Arnold Goldstone. Despite this, revenue for the Group increased by 5% to R10.450 billion.

"Almost every sector served by the Group in South Africa – which makes up around 76% of revenue – has been under severe economic pressure. The generally poor economic conditions in South Africa, plus months of uncertainty leading up to the general election in May 2019 contributed to a general decline in demand for products across our range," said Goldstone, adding that a number of acquisitions made during the year contributed R254 million to revenue.

Goldstone added that the challenging trading conditions resulted in a decline in gross margin, whilst overheads increased due to take-on and rationalisation costs of acquisitions and once-off costs related to right-sizing some existing underperforming businesses. As a result, operating profit declined from R839 million to R690 million.

Profit for the year grew by 21% to R229 million, with basic earnings per share up 62% and headline earnings per share up 93%.

"The tax dispute with SARS was settled for R750 million during the year and is fully provided for in the accounts, of which R550 million was provided in prior years and R200 million in this year. R450 million of the settlement has been paid to SARS to date and the balance is payable over the next four years."

In light of the tax settlement and the resultant higher gearing in the group, the board resolved not to declare a final dividend.

Engineering Solutions Group's (ESG's) revenue grew by 15% to R5.238 billion, R254 million of which came from acquisitions. Trading conditions were challenging, with the significant sectors serviced by ESG (mining, manufacturing, agriculture, general industry and construction) all experiencing headwinds during the year. These market conditions presented good acquisition opportunities, which ESG took advantage of.

The acquisition of The Forge Industrial Group, which operates mainly in the tool and belting sectors, and of the Driveshafts Parts business, operating in South Africa and Poland, were concluded during the year. A total investment of R331 million was made in these businesses.

The tool business was amalgamated with ESG's Mandirk business, but major restructuring was required to turn the business around.

"The turnaround strategy has, unfortunately, taken longer than expected to implement, but the combined tool business is expected to be profitable during the first quarter of the new financial year. The other core businesses in ESG business have grown and the first phase of the consolidation and rationalisation of logistics operations at BMG World are finally being completed and bedded down," commented Goldstone.

Capital Equipment Group (CEG) revenue declined by 5% to R4.831 billion largely due to a decline in demand for product. The sectors serviced by CEG – agricultural machinery, construction machinery and the forklift sector – all experienced a significant decline in unit sales in South Africa due to the prevailing conditions.

"Fortunately, the focus on annuity type business gave the business some protection and the improved contribution from Kian Ann Engineering Group in Singapore helped CEG to limit its decline. The business also maintained its market share in South Africa and has once again managed to contain costs and generate cash."

Looking to the future, Goldstone said that whilst trading conditions have settled since the elections, they still remain challenging. *"Management expects the coming year to be more positive than the year under review but anticipates a slow return to growth. We will focus on bedding down acquisitions and prioritising cash generation and return on equity."*

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Issued and released by:	**Keyter Rech Investor Solutions** Marlize Keyter 087 351 3810 / 083 701 2021
Issue date:	24 June 2019
JSE code:	IVT
Web-site:	www.invictaholdings.co.za
