Interim Results Press Release

INVICTA FOCUSING ON OPTIMISING CURRENT OPERATIONS

- Revenue remained flat at R5.3 billion (Sep 2018: R5.3 billion)
- Profit for the period up 228% to R208 million (Sep 2018*: R63 million)
- Headline earnings per share increased by 2 029% to 149 cents (Sep 2018*: 7 cents)
- Cash generated from operations up 426% to R518 million (Sep 2018*: R99 million)
- Tangible net asset value per share up 3.9% to R35.50 (Mar 2019: R34.17)

** Restated*

25 November 2019: **Invicta Holdings Limited (Invicta)**, an investment holding and management company that distributes engineering products, agricultural machinery, construction and earthmoving machinery, forklifts and related spare parts, reported interim results for the six months ended 30 September 2019 today. Despite an increasingly challenging environment, Invicta managed to maintain Group revenue at R5.3 billion and gross profit at R1.6 billion compared to the prior period.

Operating profit declined by 6% to R383 million, which is reflective of the prevailing tough trading conditions. The non-recurrence of the comparative period's once-off tax provision contributed to profit for the period increasing by 228% to R208 million. Basic earnings per share increased by 1 046% from 13 cents to 149 cents and headline earnings per share increased by 2 029% from 7 cents to 149 cents.

Arnold Goldstone, CEO of Invicta, said that a pleasing feature of the period has been the major improvement in cash generated from operations that increased by 426% from R99 million (September 2018) to R518 million for the current period. "*Invicta's strategic focus is based upon optimising current operations and cash flows to right-sizing the level of debt that resulted from the 2018 tax settlement of R750 million."*

As a result, the Board has resolved not to declare an interim dividend given the higher gearing levels and will resume a normal dividend policy once cash flow and debt levels permit.

The Engineering Solutions Group (ESG) held its own against the background of uncertainty in the industrial and mining sectors and the impact of load shedding, with revenue up 7% to R2.7 billion. Of this amount, R216 million came from the two acquisitions made during the period, namely the Forge Industrial Group acquired on 1 September 2018, as well as the Propshaft Rebuilders Group acquired on 1 December 2018.

Gross margins declined by about 1 % due to an increase in the sales of tools and belting, which are lower margin products. Operating profit before interest on capital equipment financing transactions and foreign exchange movements grew by 8% to R225 million, of which the acquisitions contributed R29 million.

"Without the acquisitions, ESG's operating profit before interest on capital equipment financing transactions and foreign exchange movements would have declined by 6%, which is testimony of the impact of the difficult trading conditions the Group is facing," Goldstone reiterated. To counter the decline in performance, overheads have been reduced commensurately, the full effect of which will only be realised in the second half of the year.

The Capital Equipment Group's (CEG's) performance was influenced by the lack of investment in infrastructure development in South Africa, the demise of numerous large local construction companies, a downturn in the Asian markets and drought in the South African agricultural sector. These factors have resulted in revenue declining by 8% to R2.3 billion.

Goldstone commented: *"Lack of liquidity and uncertainty in the agricultural sector resulted in a decline in demand for combine harvesters and higher kilowatt tractors. Despite the decline in volumes in every construction equipment sector, there is still activity in higher value, large equipment used in the mining sector."*

Operating profit before interest on capital equipment financing transactions and foreign exchange movements decreased by 21% to R148 million. Overheads were well contained in response to the revenue and margin pressures.

In Kian Ann, the Group's South East Asian business, trading has been negatively influenced by the escalating trade tension between the USA and China and a material decline in global demand for construction equipment was experienced for the period under review.

The Group's tangible net asset value per share was up 3.9% from R34.17 as at 31 March 2019 to R35.50 as at 30 September 2019. Invicta has strong fundamentals and enjoys significant competitive advantages which will benefit the Group once trading conditions improve, both locally and offshore.

"Management will continue to consolidate the strengths of the current businesses and pursue complementary acquisitions to ensure that Invicta remains one of the leading suppliers of industrial consumable products, capital equipment and spare parts in Southern Africa and South East Asia," concluded Goldstone.

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