Invicta HOLDINGS LIMITED
Registration No: 1966/002182/06

Interim Results Press Release

INVICTA DELIVERS A SOLID PERFORMANCE UNDER CHALLENGING CONDITIONS

- Revenue increased by 8% to R5,8 billion (Sep 2015: R5,3 billion)
- Operating profit up 6% to R485 million (Sep 2015: R457 million)
- Profit attributable to ordinary shareholders up 7% to R270 million (Sep 2015: R253 million)
- Headline earnings per share increased by 32% to 254 cents (Sep 2015: 193 cents)
- Interim dividend for the period up 7% to 72 cents per share (Sep 2015: 67 cents per share)

14 November 2016: **Invicta Holdings Limited** (Invicta), an investment holding and management company operating through three segments, namely Engineering Solutions Group (BMG and associated companies), Capital Equipment Group and Building Supplies Group, reported a solid set of results for the six months ended 30 September 2016. "Against the background of the challenging South African market conditions and the weak Asian economic environment, we believe that the interim results are outstanding;" said Arnold Goldstone, Executive Deputy Chairman of Invicta.

The Group reported revenue growth of 8% to R5,75 billion despite poor South African GDP growth, volatile exchange rates, political uncertainty, the severe drought gripping the country, a drop in demand for earthmoving machinery and subdued demand for commodities, both in Africa and Asia. Acquisitions made in the second half of the last financial year contributed R184 million or 3.5% of the growth over the period, with 4.5% of the growth being generated organically. Revenue generated in South Africa equates to 78% of Group. Operating profit grew by 6% to R485 million. If the effect of the once-off profit on the sale of property in the prior period is removed, operating profit grew by 22%. Acquisitions contributed R18 million or 4% to the growth in operating profit, with the balance of the growth driven by excellent gross margin management and cost containment in the period.

Revenue and operating profit for the **Engineering Solutions Group** was up by 13% to R2,35 billion and 24% to R241 million, respectively. Operating margin improved to a pleasing 10.3% from 9.3% in the prior period. Acquisitions added R175 million (8%) to the sales growth and R21 million (11%) to the operating profit growth. The excellent management of gross margins and tight expense controls offset weak demand in the period. Although overall volumes improved marginally in the period compared to the prior six month period, the consumable segments, especially the automotive and tools and equipment segments, performed very well, while the engineering-orientated segments (drives, materials handling and fluid technology) were hampered by an ongoing lack of project activity in the mining and industrial markets.

Goldstone commented: "The progress made on the BMG World distribution facility in Johannesburg during the reporting period is commendable. The project will be delivered on time and within budget and is expected to settle from the beginning of the new financial year, bringing in significant cost savings and efficiencies for BMG."

The Group sold Wegezi Power Holdings to a black industrialist company, Vele Investments, with effect from 1 April 2016, but will continue to support the business through the BMG distribution channels.

The **Capital Equipment Group** reported a 4% increase in revenue to R2,38 billion driven by an excellent performance by the South African business. The weak Asian economic conditions further negatively impacted Kian Ann's results, however, the business generated satisfactory cash which led to a significant reduction in its Singapore Dollar debt. "Our turnaround strategy is well underway and includes the expansion of Kian Ann's geographical footprint which should benefit the company going forward." Operating profit of the Capital Equipment Group increased by 21% to R219 million with the operating profit margin improving from 7.9% to 9.2% in the period. The construction of the new expanded assembly facility for the South African operations has begun in Camperdown, KwaZulu-Natal.

The **Building Supplies Group's** revenue increased by 9% to R1,02 billion with operating profit remaining flat at R45 million. The operating profit margin declined from 4.9% to 4.4%. The good performances from the tile operations and export operations were offset by a decline in performance from the wholesale operations. The latter was driven by intense pressure on gross margins. The plastic pipe manufacturing, a key element in the value chain, has been turned around in the period making a contribution to profit.

Earnings attributable to ordinary shareholders increased by 7% to R271 million. After adjusting for once-off items, headline earnings increased by a very pleasing 32% to R272 million. Earnings per share for the period was up by 7% to 253 cents whilst headline earnings per share increased 32% to 254 cents. An interim dividend of 72 cents per share has been declared, maintaining the interim dividend cover ratio of 3.5 times.

Cash generated by operations improved substantially to R732 million. A positive net working capital inflow of R173 million was generated over the six months since March 2016 as opposed to a R409 million net working capital outflow over the same period ended September 2015. Capital expenditure of R187 million was incurred during the period. Net operational debt reduced by R78 million since March 2016, reducing the net operating debt: equity ratio to 32% at 30 September 2016 from 34% at 31 March 2016.

"We are expecting the markets in which the Group trades and the African and Asian economies to remain challenging. A sustainable upturn is not yet evident in the markets and economies as a whole, but there are positive signs that the world commodity markets have bottomed and that the devastating drought in South Africa may be abating. Improved confidence in the resource and construction markets in Africa and Asia is required before investment and expansion in the markets the Group serves, returns. Management will continue to focus on generating cash in the businesses whilst preparing for the next phase of growth;" concluded Goldstone.

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Issued and released by:	**Keyter Rech Investor Solutions** Marlize Keyter 087 351 3810 / 083 701 2021
Issue date:	14 November 2016
JSE code:	IVT
Web-site:	www.invictaholdings.co.za