Invicta HOLDINGS LIMITED
Registration No: 1966/002182/06

Final Results Press Release

INVICTA DELIVERS EXCEPTIONAL RESULTS, SHOWING RESILIENCE DESPITE CHALLENGING CONDITIONS AND CIRCUMSTANCES

- Revenue increased by 8.4% to R11.5 billion (2016: R10.6 billion) *
- Operating profit (before foreign exchange movements) increased by 35.9% to R1.16 billion (2016: R853 million) *
- Profit attributable to ordinary shareholders increased by 25.7% to R533 million (2016: R424 million) *
- Headline earnings per share increased by 37.3% to 500 cents (2016: 364 cents) *
- Ordinary dividend per share increased by 18% to 167 cents per share (2016: 142)

(*) These 31 March 2017 results represent the total continuing and discontinued operations.

26 June 2017: **Invicta Holdings Limited (Invicta)**, the investment holding and management company, reported exceptional results for the year ended 31 March 2017 today.

The CEO, Arnold Goldstone, explains that extremely difficult circumstances such as unusually high volatility in the Rand exchange rate, the worst drought in the history of South Africa and continued political turmoil negatively impacted Invicta. “If that was not bad enough, a recession in the third and fourth quarters of the financial year also tested the resolve of the business and its management alike. I am very pleased with the resilience Invicta demonstrated and despite all these hindrances, delivered more than pleasing results,” Goldstone said.

A decision was taken during the year to dispose of the **Building Supply Group (BSG)**, consisting of the MacNeil and Tiletoria group of companies, allowing Invicta to focus on the core competency of the Group, being industrial consumables, capital equipment and parts. BSG is therefore accounted for as discontinued operations while continuing operations for this reporting period are the **Engineering Solutions Group (ESG)**, a distributor of engineering products, technical services and solutions including bearings, tools, electric motors, hydraulics and **Capital Equipment Group (CEG)**, focusing on agricultural machinery, construction machinery, forklifts and related parts and includes Kian Ann Engineering, based in Singapore.

Revenue from continuing operations increased by 9.5% to R9.6 billion from R8.8 billion in the previous year. Operating profit increased by 48.34% from R681 million to R1.010 billion. This was underpinned by improved gross profit management, cost containment and reduced foreign exchange cost.

Profit for the year from continuing operations settled at R575 million, an increase of 22.0% from R472 million in 2016. Basic earnings per share from continuing operations grew by 24.3% to 465 cents per share from 374 cents per share in 2016. Invicta declared an ordinary dividend of 167 cents per share, up 18.0% from 142 cents per share.

All operations contributed to solid cash generation of R1.35 billion, an increase of 130% from R586 million in the prior year. Invicta ended the year with cash and cash equivalents of R701 million, 26.1% up on the previous year.

A restatement of the prior year results has resulted in the prior year comparative numbers being restated. The effect of this is not material and has resulted in a minor increase of R5.5 million of the comparative period net profit after taxation.

The **Engineering Solutions segment** grew revenue by 8.5% to R4.665 billion for the year. “This was as a direct result of a combination of careful gross margin management and cost containment, which impacted operating profit, improving it by 18.1% to R480 million,” says Goldstone, adding that the R350 million construction and infrastructural expansion programme at BMG World in Johannesburg has been successful. The relocation of staff and inventory from the Durban facilities are complete and the office has been closed and sold.

While not all efficiencies from the programme have been realised, some are already evident. The main benefits are however projected to come through after September 2017, when the new warehouse management and demand forecasting systems will become fully operational, Goldstone went on to explain.

The footprint of Engineering Solutions branches has grown with new branches opened in Tanzania, DRC and Ghana which are gaining momentum and enhancing the African operations already in place in Zambia, Mozambique, Swaziland, Namibia and Botswana.

The **Capital Equipment segment** continues to focus on the growing importance and contribution of original manufactured and aftermarket parts. Goldstone explained that, “This segment had a fantastic year, despite operating in a market severely impacted by the worst drought in South Africa, which resulted in agricultural equipment volume declines.”

Notwithstanding this, revenue grew by 10.5% to R4.955 billion through a combination of increased market share and an improved sales mix. Good gross margin management and exceptional cost control led to an impressive increase in operating profit to R470 million, an increase of 30.0%.

On 1 February 2017 Invicta announced that CEG had reached an agreement with **CNH Industrial (CNH)** whereby CNH would distribute their New Holland brand agricultural products directly into South Africa, Swaziland, Lesotho, Botswana and Namibia effective from 1 May 2017. Goldstone clarifies that the impact on the results for the 2018 financial year is not expected to be material. “The distribution rights for the remaining CNH branded products, CASEIH & CASE Construction, are not affected by this agreement and CEG will continue to support the New Holland agricultural products in the aftermarket,” commented Goldstone.

The **Building Supplies segment** (included under discontinued operations) achieved a 3% increase in revenue to R1.896 billion and a highly commendable increase of 55% in operating profit to R108 million. Investment in and construction of the new distribution facility in Midrand, Gauteng to the value of R150 million is in progress. This hub, focused on logistics and warehousing, will provide the infrastructure base for the continued robust growth expected from the Gauteng market and Southern African territories.

In February this year, Invicta announced the disposal of BSG to Steinhoff Doors and Building Materials Proprietary Limited. “I am pleased to report that all conditions precedent have been met, except for Competition Commission approval, which is expected in the next few months,” said Goldstone.

The purchase price is based on an enterprise value of R732 million for the entire shareholding of BSG. Excluded are certain manufacturing and property businesses which currently form part of BSG, which will be disposed of separately.

In its existing businesses, the Group's strategic focus remains on cash generation and to invest in sound acquisitions that diversify the Group's revenue streams both geographically and within its product groups. "We remain resolute in our efforts to produce results above market benchmarks and our competitors," commented Goldstone.

While the Group expects trading conditions to remain challenging for the year ahead, the businesses within the Group have strong fundamentals and enjoy significant competitive advantage.

"Management will continue to consolidate the strengths of the current businesses, that make Invicta one of the leading suppliers of industrial consumable products, capital equipment and parts in Southern Africa, to further strengthen the Group's position in the markets in which it operates," concluded Goldstone.

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