

# FINAL RESULTS PRESENTATION

For the six months ended 30 September 2020

Presented by Steven Joffe  
Chief Executive Officer



# Disclaimer

The information contained in this presentation may differ from the financial information pertaining to Invicta Holdings Limited's (Invicta's) results as published on SENS in terms of the JSE Limited's Listings Requirements.

The additional normalised financial information has not been reviewed or reported on by the Company's auditors. The normalised financial information has been prepared for illustrative purposes only and is the responsibility of the directors of Invicta.

This presentation may contain certain forward-looking statements that relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words "believe", "expect", "anticipate", "intend", "estimate", "forecast", "project", "will", "may", "should" and similar expressions identify forward-looking statements but are not the exclusive means of identifying such statements. Such forward-looking statements are not a guarantee of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Invicta and are difficult to predict, that may cause the actual results, performance, achievements or developments of Invicta or the industry in which it operates to differ materially from any future results, performance, achievements or developments expressed by or implied from the forward-looking statements. Each member of Invicta expressly disclaims any obligation or undertaking to provide or disseminate any updates or revisions to any forward-looking statements contained in this announcement.

## 01 Welcome & Introduction

## 02 Group Financial Overview

## 03 Divisional Review

Engineering Solutions Group (ESG)

Capital Equipment Group (CEG)

Kian Ann Group (KAG)



## 04 Prospects & Strategy

## The Period at a Glance

- The six months under review were impacted by Covid-19. Notwithstanding, we are extremely proud of how our businesses performed during the period
- Profit attributable to ordinary shareholders increased by 15%
- In our analysis, sustainable operating profit from total operations, including the share of profits from associates and joint ventures, was 6% higher than the previous period
- In our analysis, sustainable operating profit from continuing operations, including the share of profits from associates and joint ventures, was 6% lower than the previous period
- Reduction in net debt and lower prime interest rates resulted in lower net finance costs and preference share dividends of R22 million
- Reduced net debt by R873 million (R937 million including IFRS 16)

# Group Financial Overview



## Normalised Operating Profit HY2020 vs HY2019

Operating Profit 2020 vs Operating Profit 2019 (before net finance income on financing transactions & FX)		
	September	
	2020	2019
	R'000	R'000
<b>Operating profit before net finance income on financing transactions and FX as reported</b>	<b>260,953</b>	<b>325,089</b>
Add back: Retrenchment costs related to continuing operations	31,414	-
Less: IFRS 16 adjustment to reflect rental charge	(26,301)	(25,738)
<b>Normalised operating profit before net finance income on financing transactions and FX from continuing operations*</b>	<b>266,066</b>	<b>299,351</b>
<b>Operating profit before net fin income on financing transactions and FX from discontinued operations as reported</b>	<b>99,288</b>	<b>59,763</b>
Add back: Retrenchment costs related to discontinued operations	1,500	-
Less: IFRS 16 adjustment to reflect rental charge	(939)	(1,507)
<b>Normalised operating profit before net fin income on financing transactions and FX from total operations**</b>	<b>366,854</b>	<b>357,607</b>

**Adjusted for once-off costs and to reflect actual rental charge rather than IFRS 16 impact.**

\* HY2020: R266m normalised operating profit + R44m share of profits from Assoc's and JV's = R310m  
vs HY=2019: R299m normalised operating profit + R29m share of profits from Assoc's and JV's = R328m

\*\* HY2020: R367m normalised operating profit + R44m share of profits from Assoc's and JV's = R411m  
vs HY2019: R358m normalised operating profit + R29m share of profits from Assoc's and JV's = R387m

## Normalised Results at a Glance

(Including Held-for-Sale Businesses)

### Operating profit\*\*

Before net finance income and forex

↑ 2%

to R366 m

### EBITDA\*

↑ 5%

to R565 m

### Net profit\*

↑ 19%

to R248 m

### TNAV per share^

↑ 4%

to R36.43

### NAV per share^

↑ 4%

to R37.28

### HEPS\*

↑ 30%

to 194 cents

\* Adjusted for once-off costs.

\*\* Adjusted for once-off costs and to reflect actual rental charge rather than IFRS 16 impact.

^ NAV and TNAV are as at 31 March 2020 vs 30 September 2020



## Normalized Results at a Glance

(Continuing Operations)

### Operating profit\*\*

Before net finance income and forex

↓ 11%

to R266 m

### EBITDA\*

↓ 3%

to R461 m

### Net profit\*

↑ 8%

to R178 m

### TNAV per share^

↑ 4%

to R36.43

### NAV per share^

↑ 4%

to R37.28

### HEPS\*

↑ 18%

to 129 cents

\* Adjusted for once-off costs.

\*\* Adjusted for once-off costs and to reflect actual rental charge rather than IFRS 16 impact.

^ NAV and TNAV are March 20 vs Sep 20



# Statement of Comprehensive Income

(Extract)

	September 2020		
	Actual	Prior Year	Variance
	R'000	R'000	%
<b>Continuing operations</b>			
Revenue	3 572 419	4 372 029	-18%
Cost of sales	(2 495 315)	(3 006 777)	-17%
<b>Gross profit</b>	<b>1 077 104</b>	<b>1 365 252</b>	<b>-21%</b>
	<b>30%</b>	<b>31%</b>	<b>-3%</b>
Overheads	(816 151)	(1 040 163)	-22%
	-23%	-24%	
<b>Operating profit before interest on financing transactions and FX movements</b>	<b>260 953</b>	<b>325 089</b>	<b>-20%</b>
	<b>7%</b>	<b>7%</b>	<b>-2%</b>
Net interest received from financing trans (CEG)	5 844	4 398	33%
Net foreign exchange movement	697	(10 629)	>100%
<b>Operating profit</b>	<b>267 494</b>	<b>318 858</b>	<b>-16%</b>
	<b>7%</b>	<b>7%</b>	<b>0%</b>
<b>EBITDA</b>	<b>429 955</b>	<b>477 488</b>	<b>-10%</b>

# Statement of Comprehensive Income

(Extract)

	September 2020		
	Actual	Prior Period	Variance
	R'000	R'000	%
Interest and dividends received	29,119	56,960	-49%
Finance cost	(112,452)	(150,697)	-25%
Share of profits from associates and JVs	43,940	29,119	51%
<b>Profit before taxation</b>	<b>228,101</b>	<b>254,240</b>	<b>-10%</b>
Effective Tax Rate	32%	35%	
Taxation	(72,777)	(89,295)	-18%
<b>Net profit for the period</b>	<b>155,324</b>	<b>164,945</b>	<b>-6%</b>
Profit for the period from discontinued operations	68,538	42,927	60%
<b>Net profit for the period</b>	<b>223,862</b>	<b>207,872</b>	<b>8%</b>
Non-controlling interest	(9,785)	(6,638)	47%
Preference dividend paid	(30,102)	(41,500)	-27%
<b>Profit attributable to ordinary shareholders</b>	<b>183,975</b>	<b>159,734</b>	<b>15%</b>

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## Statement of Financial Position: Assets

	30 September 2020	31 March 2020
	R'000	R'000
<b>Assets</b>		
Property, plant and equipment	1,647,822	1,738,241
IFRS16 - Right of use asset	362,079	423,271
Financial investments and other financial assets	5,104	5,241
Investments in associates and joint ventures	320,579	293,136
Goodwill	27,989	24,847
Other intangible assets	64,584	77,183
Finance lease and long-term receivables	89,553	94,050
Deferred taxation	236,162	240,805
<b>Total non-current assets</b>	<b>2,753,872</b>	<b>2,896,774</b>
Inventories	3,229,736	4,221,757
Trade receivables	1,141,421	1,523,040
Other receivables	327,297	351,143
Current portion of other financial assets	30,973	31,513
Current portion of finance lease and long-term receivables	120,989	113,009
Taxation prepaid	47,719	27,795
Bank balances and cash	1,819,272	1,131,704
<b>Total current assets</b>	<b>6,717,407</b>	<b>7,399,961</b>
Asset classified as held-for-sale	1,037,230	126,532
<b>Total assets</b>	<b>10,508,509</b>	<b>10,423,267</b>

## Property Plant Equipment: Additions

Capital Expenditure and WIP	
	R'000
<b>CAPEX</b>	
	<b>29,247</b>
Additions to property plant equipment	24,867
Additions to intangible assets	4,380
<i>Expansion capex</i>	<b>(11,059)</b>
<i>Rental Assets</i>	<b>(11,059)</b>
<i>Maintenance capex</i>	<b>18,188</b>
Depreciation and amortisation excluding IFRS 16 related	<b>78,392</b>

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# Inventory

Inventory and Related Provisions 30 September 2020			
	Gross value	Provision	Net value
<b><u>CEG ZAR</u></b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Sep/20	1 254 929	186 017	1 068 912
Mar/20	1 318 982	176 992	1 141 991
Sep/19	1 429 970	170 528	1 259 442
<b><u>ESG ZAR</u></b>			
Sep/20	2 159 728	325 910	1 833 819
Mar/20	2 246 829	313 711	1 933 119
Sep/19	2 409 215	135 836	2 273 379
<b><u>KA SGD</u></b>			
Sep/20	90 211	16 043	74 168
Mar/20	98 013	14 139	83 875
Mar/19	107 521	10 134	97 387
<b><u>MacNeil Plastic ZAR</u></b>			
Sep/20	53 920	1 783	52 136
Mar/20	79 450	3 017	76 433
Mar/19	48 555	2 373	46 182
<b><u>Invicta Group ZAR</u></b>			
Sep-20 (as reported)	3 821 676	591 940	3 229 736
Sep-20 (discontinued)	775 000	117 000	658 000
Sep-20 (total)	4 596 676	708 940	3 887 736
Mar/20	4 889 179	667 422	4 221 757
Mar/19	5 165 014	425 256	4 739 758



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Goodwill	27,989	24,847
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<b>Total current assets</b>	<b>6,717,407</b>	<b>7,399,961</b>
Asset classified as held-for-sale	1,037,230	126,532
<b>Total assets</b>	<b>10,508,509</b>	<b>10,423,267</b>

## Statement of Financial Position: Equity & Liabilities

	30 September 2020	31 March 2020
	R'000	R'000
<b>Shareholders' equity</b>	<b>4,794,653</b>	<b>4,634,517</b>
Long-term borrowings & lease liabilities	2,037,319	2,394,927
IFRS 16 - Lease liability	387,211	443,430
Taxation liability	-	100,000
Deferred taxation	58,344	68,197
<b>Total non-current liabilities</b>	<b>2,482,874</b>	<b>3,006,554</b>
Trade payables	950,441	1,350,795
Other payables and short-term provisions	543,747	509,942
Current portion of financial liability	75,130	75,287
Taxation liabilities	173,008	146,327
Shareholders for dividends	18,049	35,058
Current portion - Borrowings and lease liabilities	572,819	268,885
Current portion of IFRS 16 - Lease liability	78,467	86,831
Bank overdrafts	277,082	309,071
<b>Total current liabilities</b>	<b>2,688,743</b>	<b>2,782,196</b>
Liabilities associated with assets held-for-sale	542,239	-
<b>Total liabilities</b>	<b>5,713,856</b>	<b>5,788,750</b>
<b>Total equity &amp; liabilities</b>	<b>10,508,509</b>	<b>10,423,267</b>
<b>Net cash on hand</b>	<b>1,542,190</b>	<b>822,633</b>

# Total Net-interest Bearing Debt

Net-interest bearing debt Sept 2020 vs Mar 2020		
	R'000	R'000
	at 30 Sep 2020	at 31 March 2020
Borrowings	2 463 012	2 528 353
Lease liabilities	147 126	135 459
SARS	100 000	200 000
Cash	(1 819 272)	(1 131 704)
Overdraft	277 082	309 071
<b>Net debt excluding IFRS</b>	<b>1 167 948</b>	<b>2 041 179</b>
IFRS 16 ROU lease liabilities	465 678	530 261
<b>Net debt</b>	<b>1 633 626</b>	<b>2 571 440</b>

## Covenants 2021

**We have complied with the common loan covenants adapted to Covid-19 operating conditions, calculated on a fully IFRS compliant basis, excluding Kian Ann Group:**

- Sales on a cumulative YTD basis to be  $\geq$  80% of the forecast sales
- Normalised EBITDA on a cumulative YTD basis to be  $\geq$  + 85% of the forecast EBITDA
- The net cash flows on a cumulative YTD basis to be  $\geq$  80% of the forecast sales
- The cash balance on a cumulative YTD basis to be  $\geq$  80% of the forecast sales
- Liquidity ratio (free cash flow/ debt service) to be  $\geq$  3 at 30 September 2020
- The free cash flow to be  $\geq$  R100 million on 30 September 2020

**Net Debt: EBITDA on full Group, full IFRS basis = 1.62 vs covenant of 3 (31 Mar 20 :2.61)**  
EBITDA on a rolling 12 months basis with add back of 2020 retrenchment costs, 2019 impairments and super stock provision

# Cash Flow Statement

	30 September 2020	30 September 2019
	R'000	R'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	1,108,270	518,124
Net finance costs	(91,733)	(95,248)
Net dividends paid	(47,111)	(48,516)
Tax paid	(193,781)	(118,916)
<b>Net cash inflow from operating activities</b>	<b>775,645</b>	<b>255,444</b>
<b>Cash flows from investing activities</b>		
Proceeds on disposal of PPE and other intangible assets	24,016	9,262
Additions to PPE and intangible assets	(29,247)	(126,222)
Acquisition of business and NCI	(5,097)	(1,043)
Net decrease/(increase) in other financial assets	7,380	(17,290)
<b>Net cash outflow from investing activities</b>	<b>(2,948)</b>	<b>(135,293)</b>
<b>Cash flows from financing activities</b>		
Decrease in borrowings	(23,560)	(107,351)
Increase/(decrease) in lease liabilities	20,986	(8,922)
Decrease in IFRS 16 lease liabilities	(42,421)	(41,479)
Proceeds from issue of shares to non-controlling interests	203	-
<b>Net cash outflow from financing activities</b>	<b>(44,792)</b>	<b>(157,752)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>727,905</b>	<b>(37,601)</b>
Cash and cash equivalents at the beginning of the period	822,633	752,475
Effect of foreign exchange rate movement on cash balances	(8,348)	6,686
<b>Cash and cash equivalents at the end of the period</b>	<b>1,542,190</b>	<b>721,560</b>

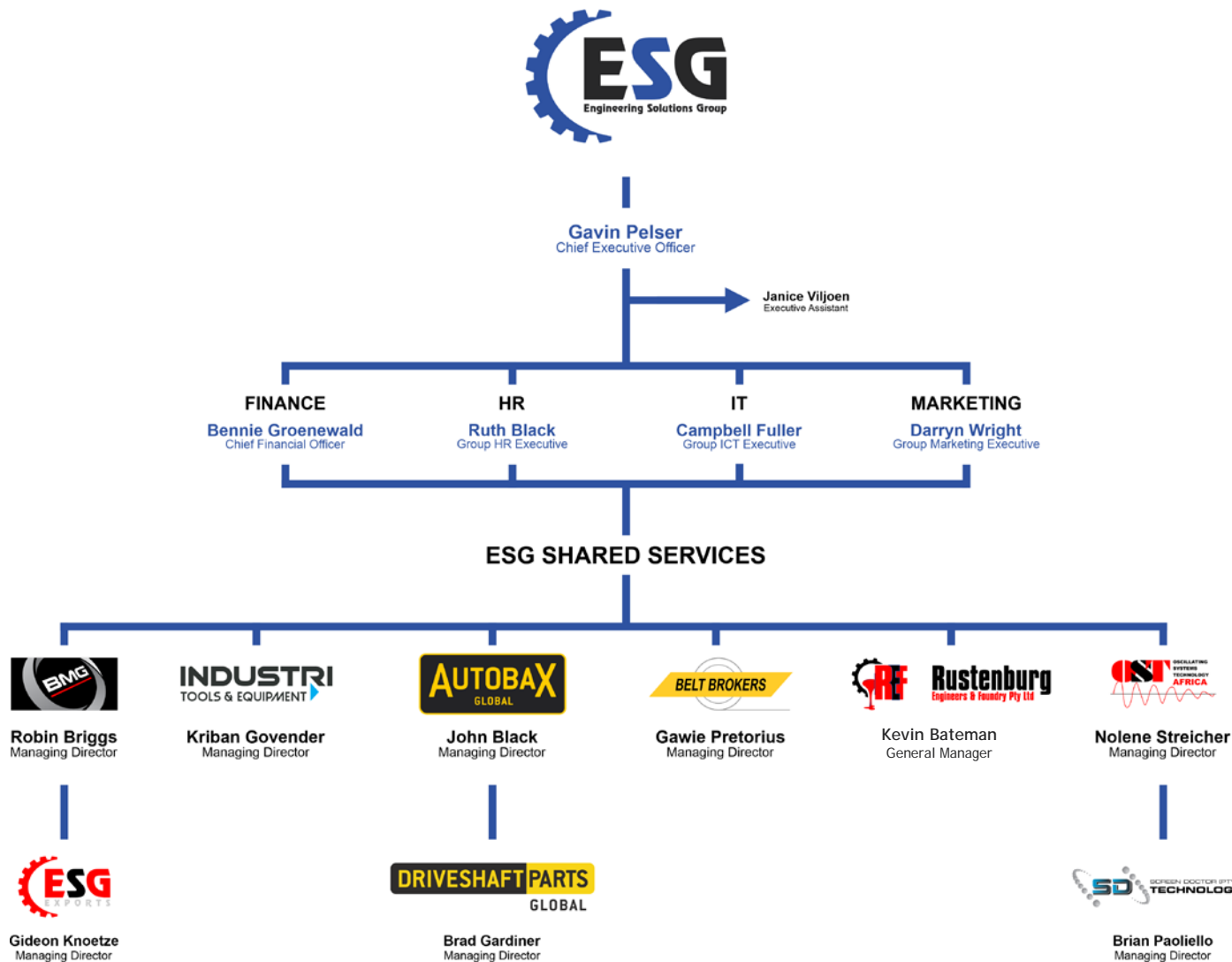
# Divisional Review







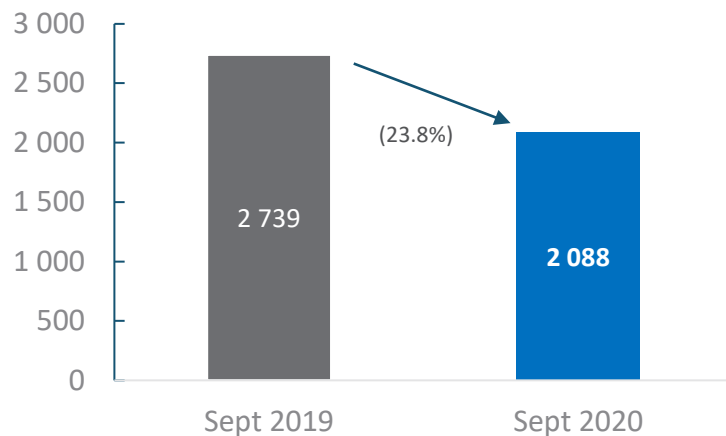
# Executive Structure (Excluding Head Office)



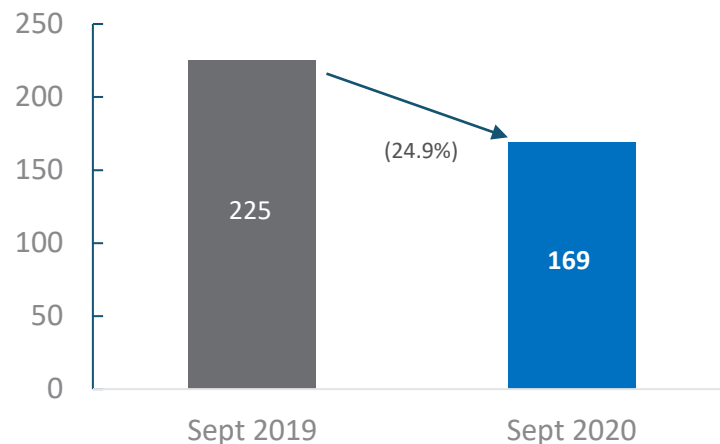
# Interim Results Summary

## 30 September 2020

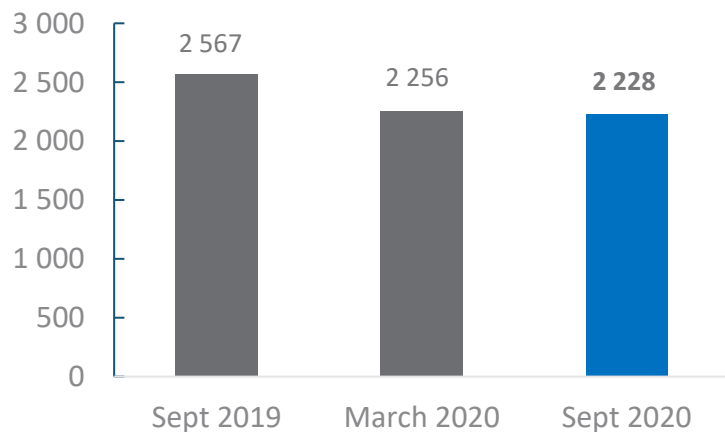
Revenue (R'm)



Sustainable Operating Profit (R'm)

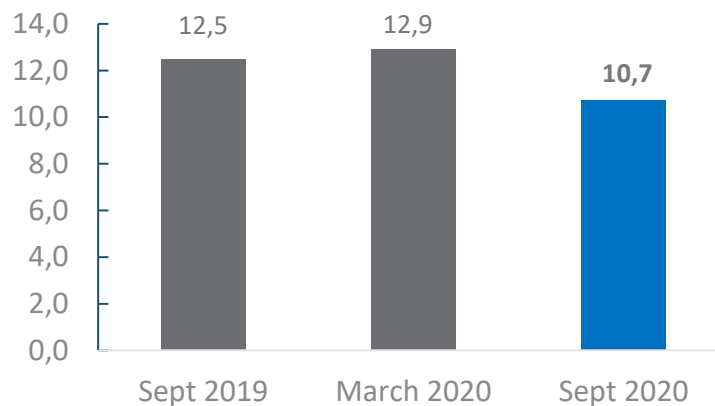


Net Operating Assets (R'm)



Return on Net Operating Assets (%)

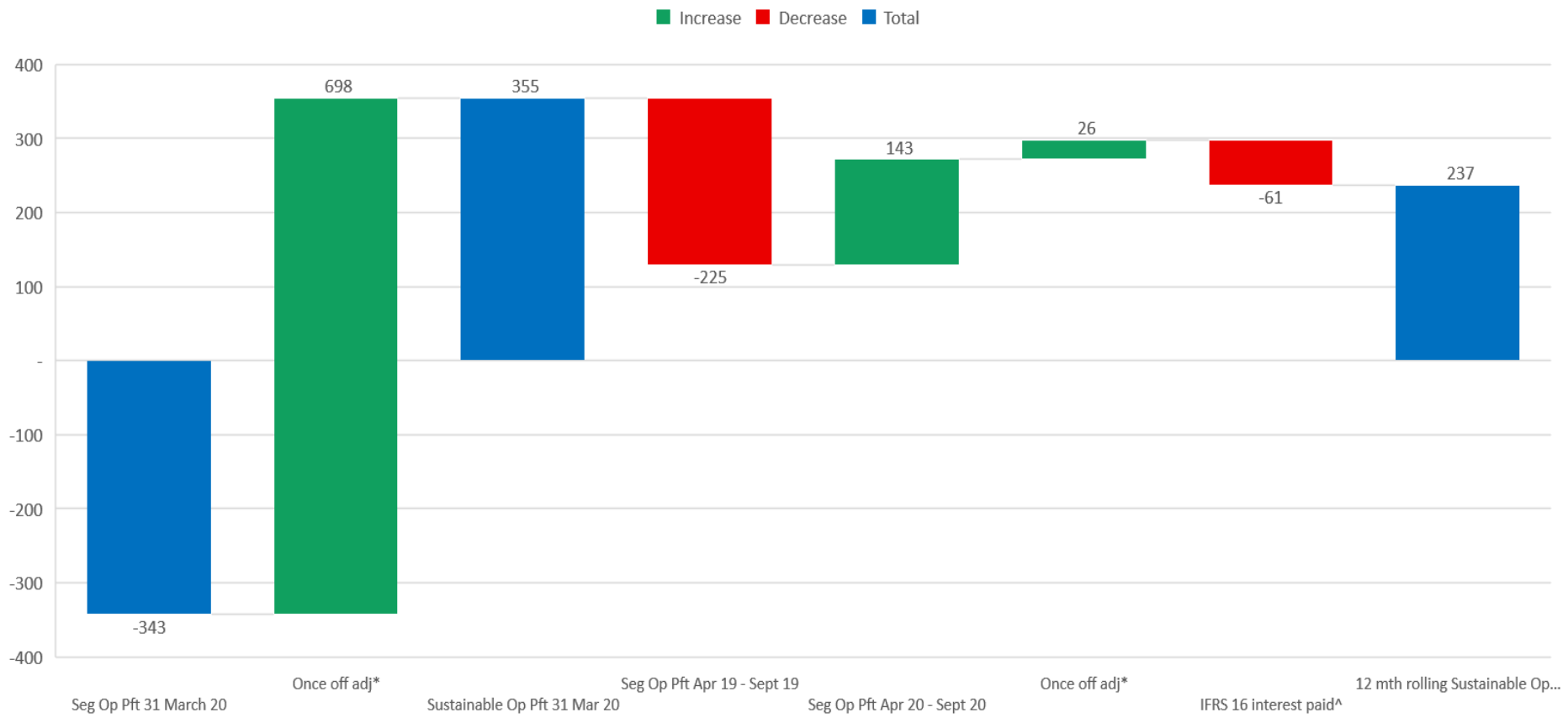
*calculated using 12 month rolling sustainable operating profit*



# Interim Results Summary

## 30 September 2020

12 month rolling Sustainable Operating Profit - 30 September 2020 (R'm)

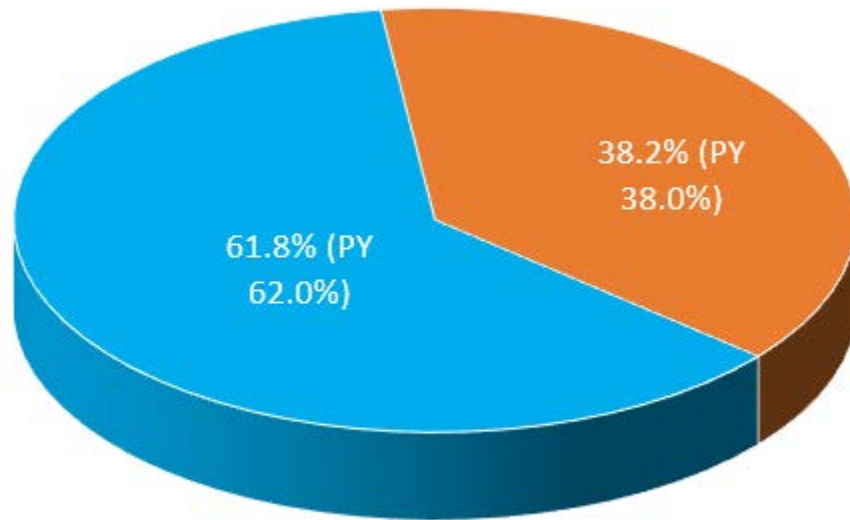


\* Once-off adjustment comprise: (31 March 2020) goodwill impairment, super stock provision, IFRS 9 increase due to Covid-19, cost of exit from property lease, (30 September 2020) employee retrenchment costs.

^ IFRS 16 interest paid is deducted as it falls outside of operating profit and the corresponding IFRS 16 liability is included in calculation of net operating assets.

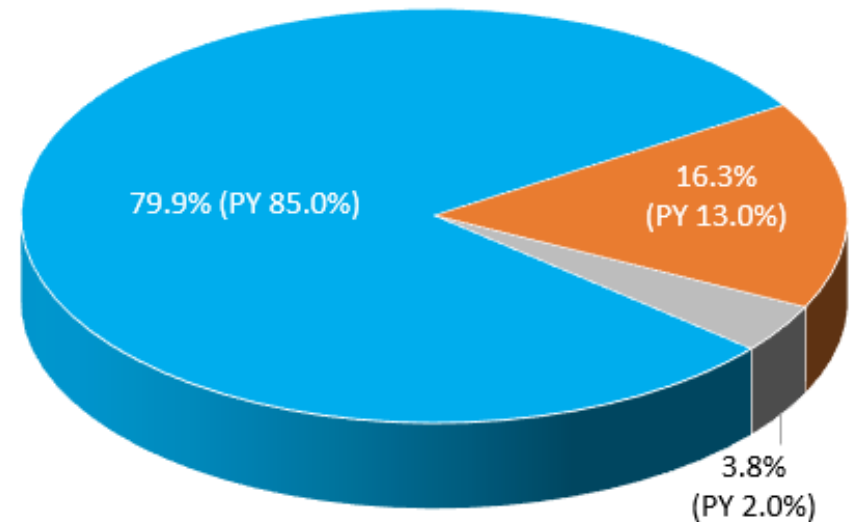
## Revenue Contribution

Revenue Stream



■ Consumables ■ Engineering

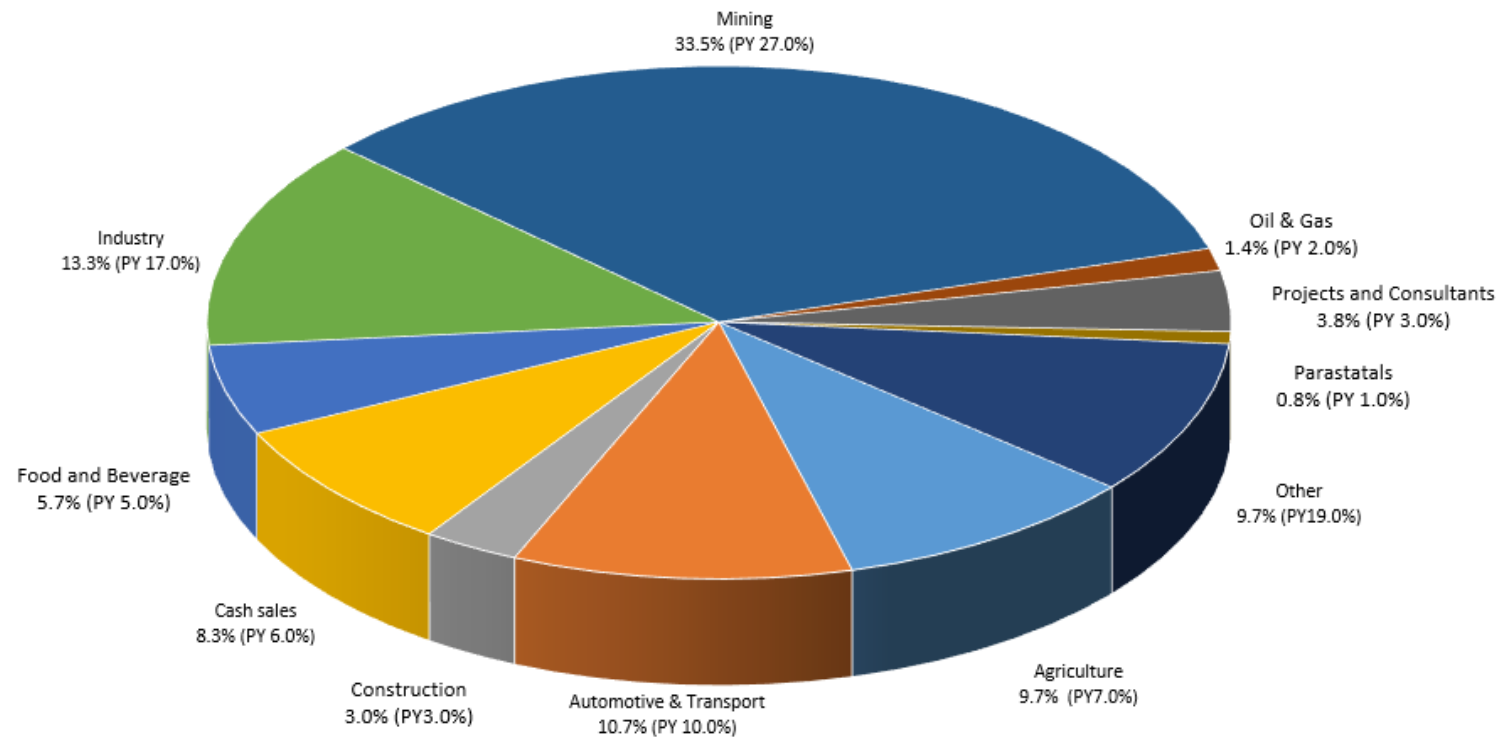
Region



■ South Africa ■ Africa ■ Other

# Revenue Contribution

## By Sector



- The 20/21 financial year started with Covid-19 and a countrywide Level 5 lockdown
- This has created and forced a new look to review, reset and refocus our business
- We have rationalised our operations throughout and across the ESG business
- New focus on the following market segments;
  - Food & Beverage
  - Oil & Gas
  - Renewable Energy
  - Recycling
  - Alternative Energy: Bio-Gas
  - ESG Medical Equipment
- Internal focus on cash generation by:
  - Collection of Overdue Debtors
  - Stock Reduction
  - Minimal Capex Spend

- Route to market reviewed
  - On-line digital platform
    - Cross sell, on sell, up sell - both to existing business (B2B) and to new business to customer B2C
- Direct delivery to customer from world class distribution center
- Right-size existing branch network – consolidation and review to Express Stores (smaller but efficient)
- Grow the 51% B-BBEE localised businesses (AME's)
- Traditional markets are going to be tough for 2020/21
  - Mining – Commodities
  - Process – Steel, Paper and Sugar
  - Industrial – Engineering

We however will continue to focus on these markets to add value and gain market share



- Forecast
  - Mining to operate at 70%-80% of pre-Covid-19 levels
  - Industrial and engineering business to follow this as mining is their largest customer base
  - Agriculture and as a result Food and beverage expected to be in line (or better) than pre-Covid-19 levels
  - Automotive to remain strong in the next 6 months
  - Sales and Exports into Europe expected to be down due to 2nd wave of Covid-19
- General
  - Concern for 2nd wave of Covid-19 to hit Africa in early 2021
  - Consistency of supply from global sources will remain challenging as a result of the pandemic
  - Our markets remains very volatile with a lot of margin pressure as companies battle for sales to survive





Chief Executive Officer  
Tony Sinclair

SA companies

Non SA company



Northmec

MD  
Johan van  
der Merwe



HPE Africa

MD  
Ross Collard



Landboupart

DH  
Danie van  
Aswegen



Doosan

MD  
Darrel  
Holton



CSE

MD  
Graham  
Forte



Shamrock

MD  
Brenton  
Kemp



Criterion  
Equipment

MD  
Brenton  
Kemp



ESP

MD  
Andrew  
Grobler



NHSA

DH  
David Visser



CCC

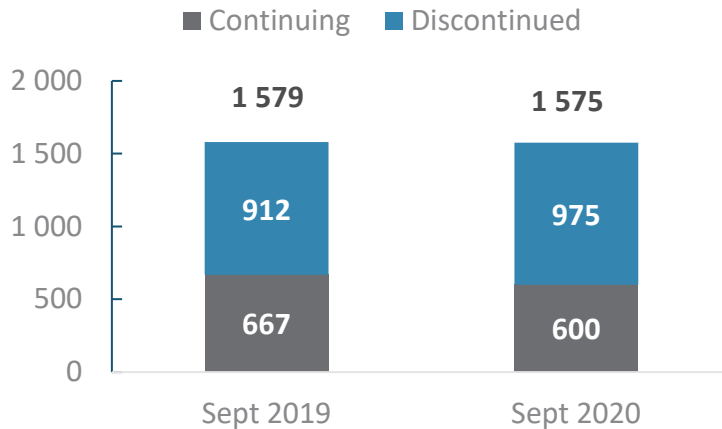
MD  
John McHarg

Being sold to CNH Industrial

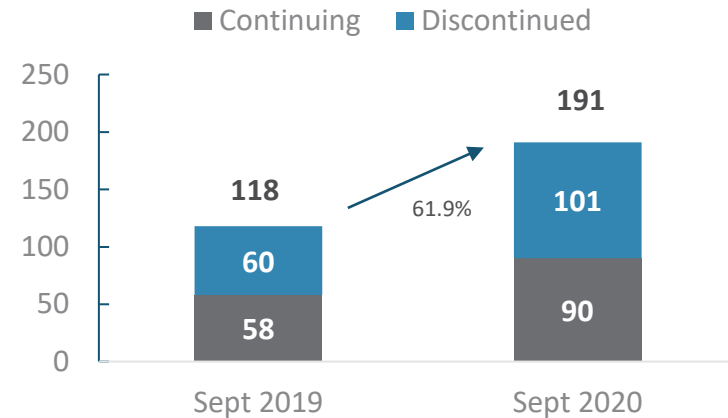
# Interim Results Summary

30 September 2020

## Revenue (R'm)

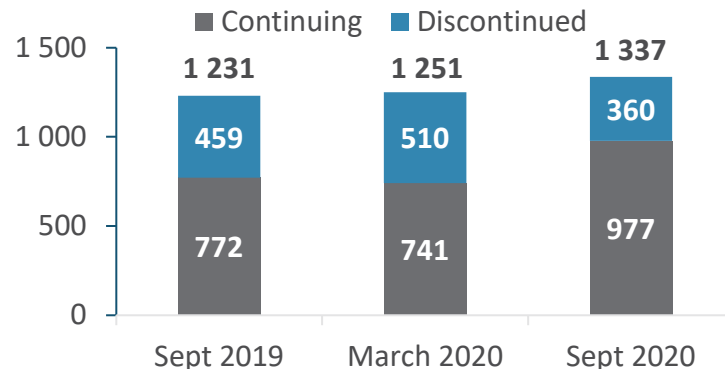


## Sustainable Operating Profit (R'm)



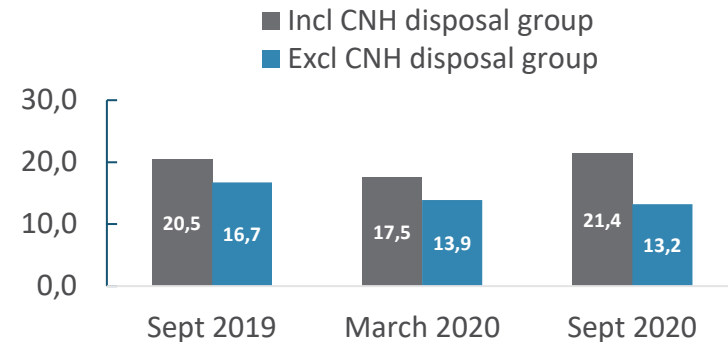
## Net Operating Assets (R'm)

*Continuing operations includes all CEG cash & cash equivalents, as these are not being disposed of as part of the CNH deal*



## Return on Net Operating Assets (%)

*Calculated using 12 month rolling sustainable operating profit*

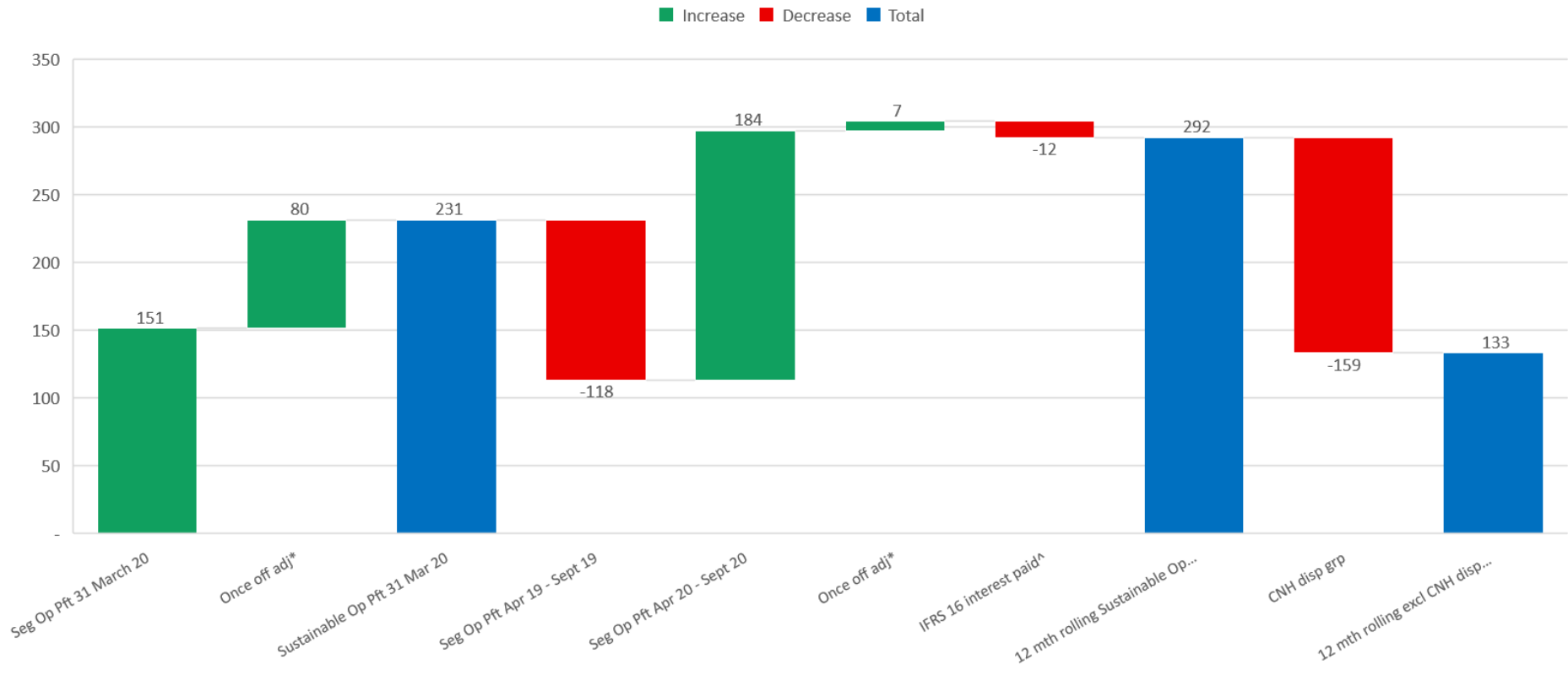


RONOA has been impacted by high cash holdings in the segment

# Interim Results Summary

## 30 September 2020

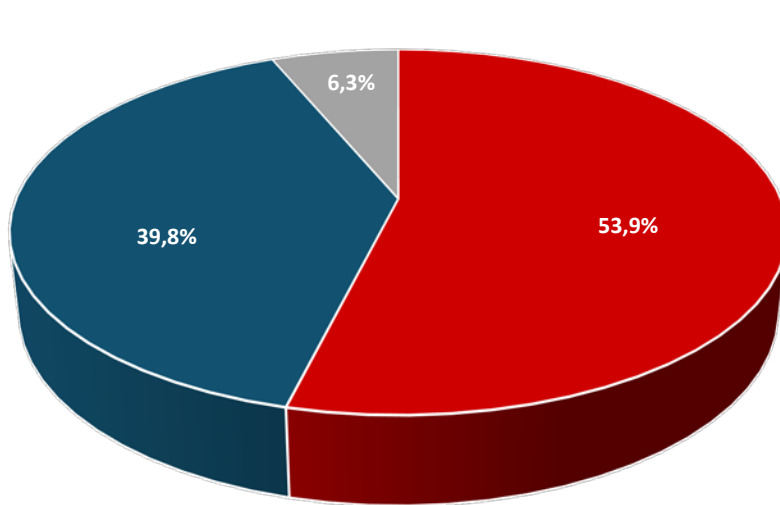
12 month rolling Sustainable Operating Profit - 30 September 2020 (R'm)



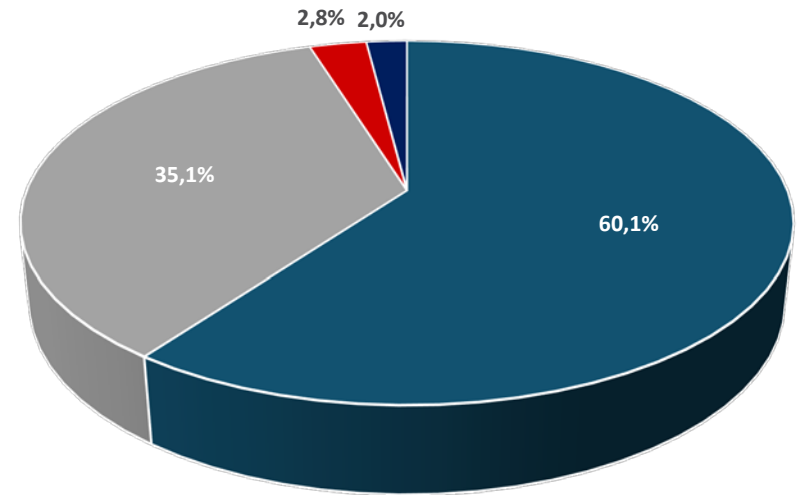
\* Once off adj comprise: (31 March 2020) goodwill impairment and IFRS 9 increase due to Covid-19, (30 September 2020) employee retrenchment costs.

^ IFRS 16 interest paid is deducted as it falls outside of operating profit and the corresponding IFRS 16 liability is included in calculation of net operating assets.

## Revenue Contribution By Revenue Stream

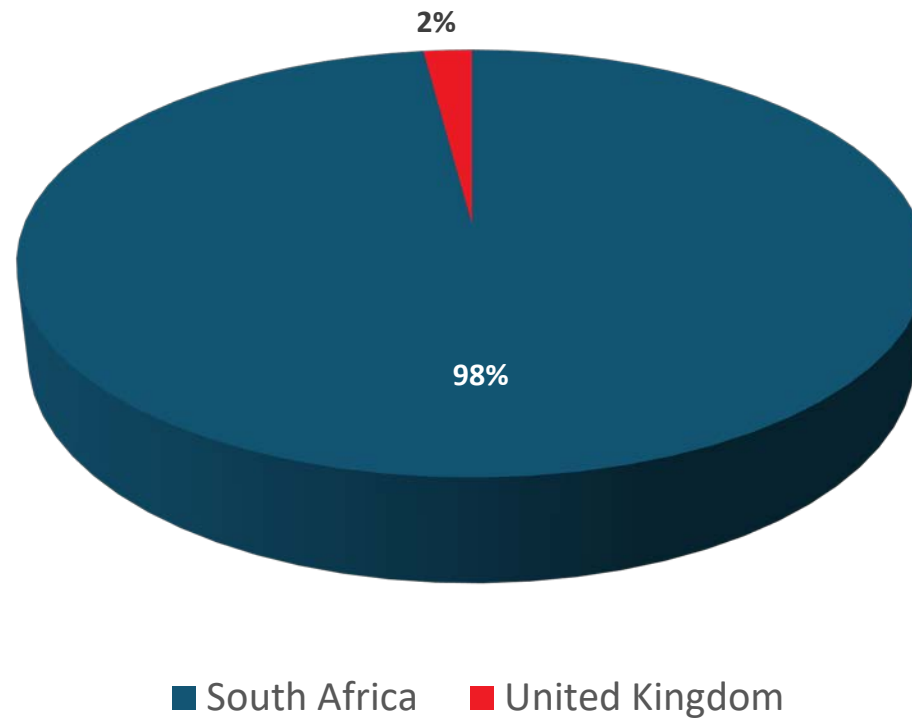


■ Agriculture & Forestry ■ Construction ■ Materials Handling



■ Equipment ■ Parts ■ Rental ■ Service

## Revenue Contribution By Country





- Markets showing signs of recovering
- Excellent cash generation
- Working capital value in line with demand
- Expenses reduced – leaner group
- Good ROCE



## Agriculture

- Very good first season
- Second season looking promising
- Farmers more confident and liquidity improving
- Commodity prices favourable
- High value of used equipment in the market



## Forklifts (Logistics)

- Market demand below expectations
- Rentals demand increasing



## Construction

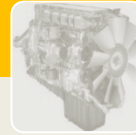
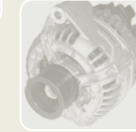
- Infrastructure spending improving
- Mining continuing to lead the way in demand for equipment
- Large number of small companies emerging
- Bank financing for the sector remains difficult



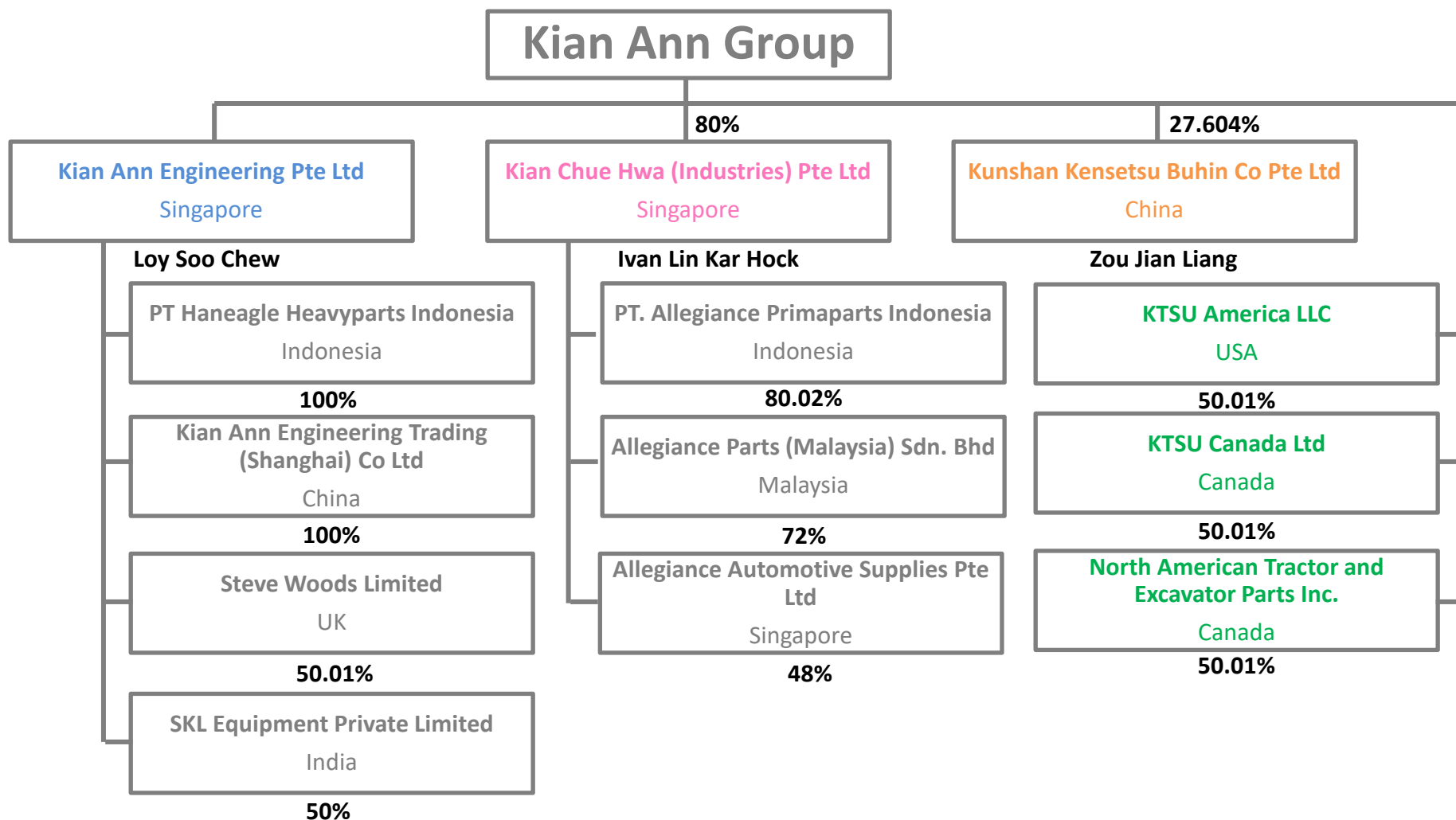
## Aftermarket Spare Parts

- Performing beyond expectations in construction and agriculture markets

# KIAN ANN ENGINEERING PTE LTD & ITS SUBSIDIARIES



# Corporate Structure



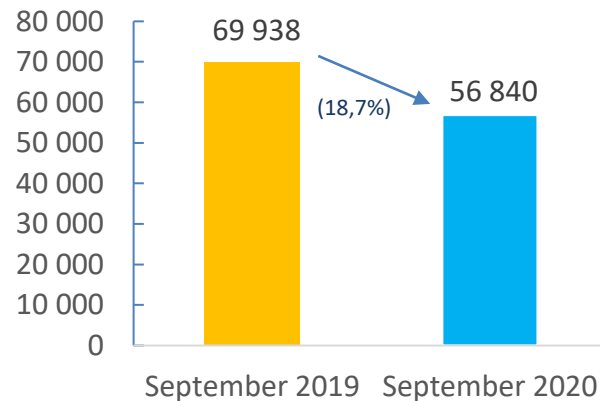
**KIAN ANN GROUP**



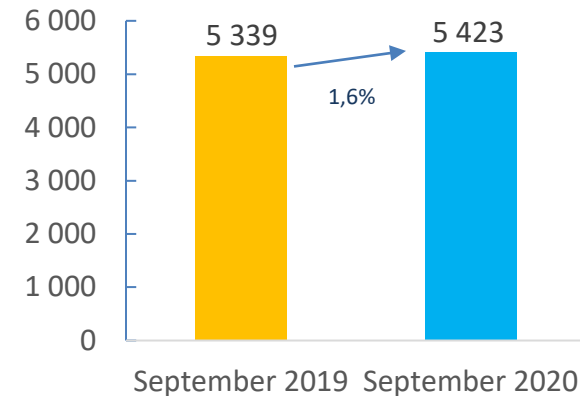
# Results Summary – 30 September 2020



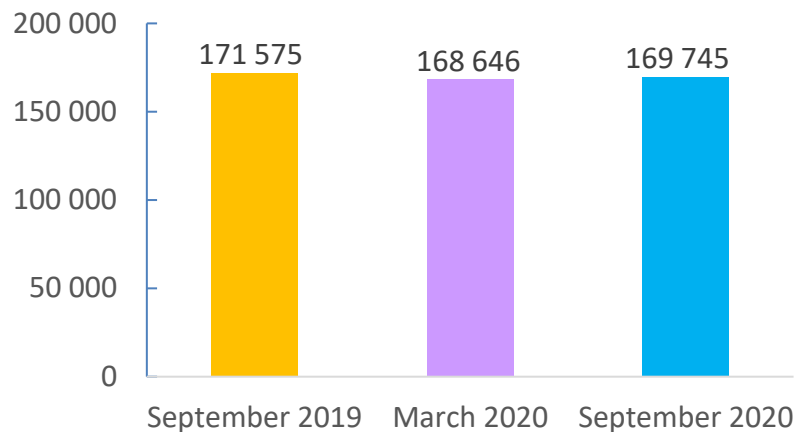
**Revenue (\$\$'000)**



**Sustainable Operating Profit\* (\$\$'000)**

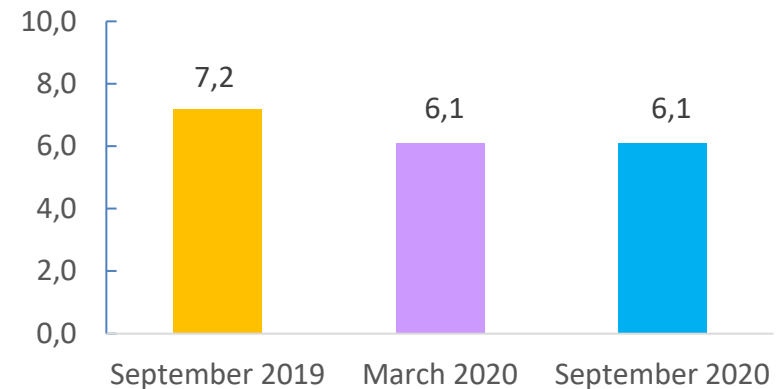


**Net Operating Assets (\$\$'000)**



**Return on Net Operating Assets (%)**

*Calculated using 12 month rolling sustainable operating profit*



\* Sustainable operating profit includes share of profits from Assoc's and JV's



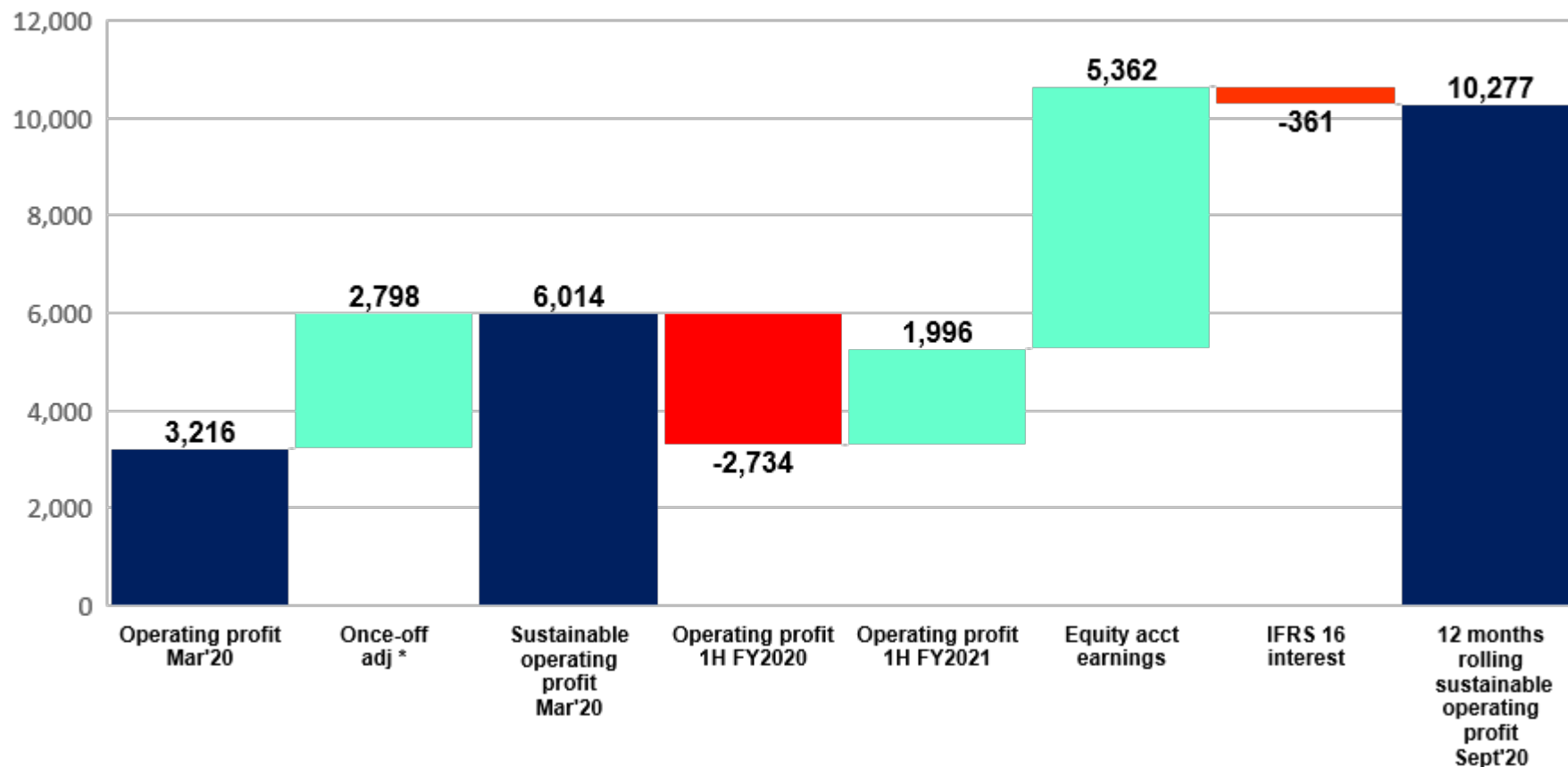
**KIAN ANN GROUP**



# Results Summary – 30 September 2020



12 months rolling Sustainable Operating Profit – 30 September 2020 (S\$'000)



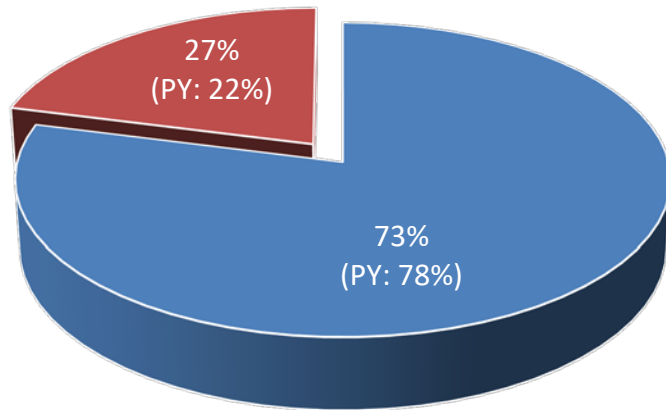
\*Once-off adj comprise: Goodwill impairment, additional specific stock provision and fair value gain on derivatives



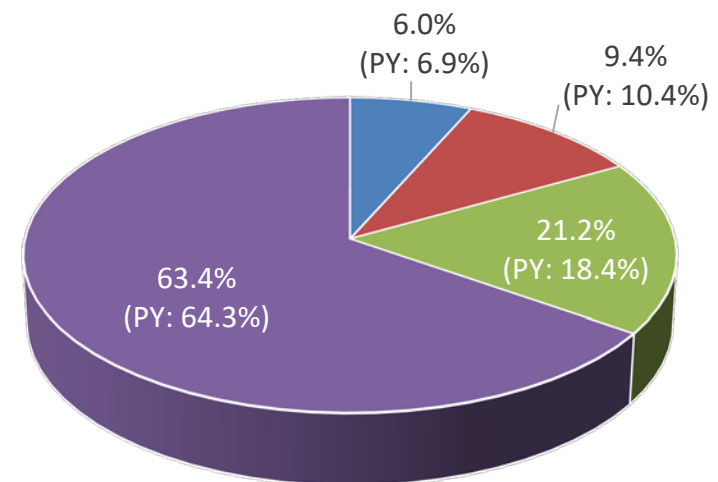
KIAN ANN GROUP



# Revenue Contribution by Revenue Stream



■ Heavy Machinery ■ Automotive



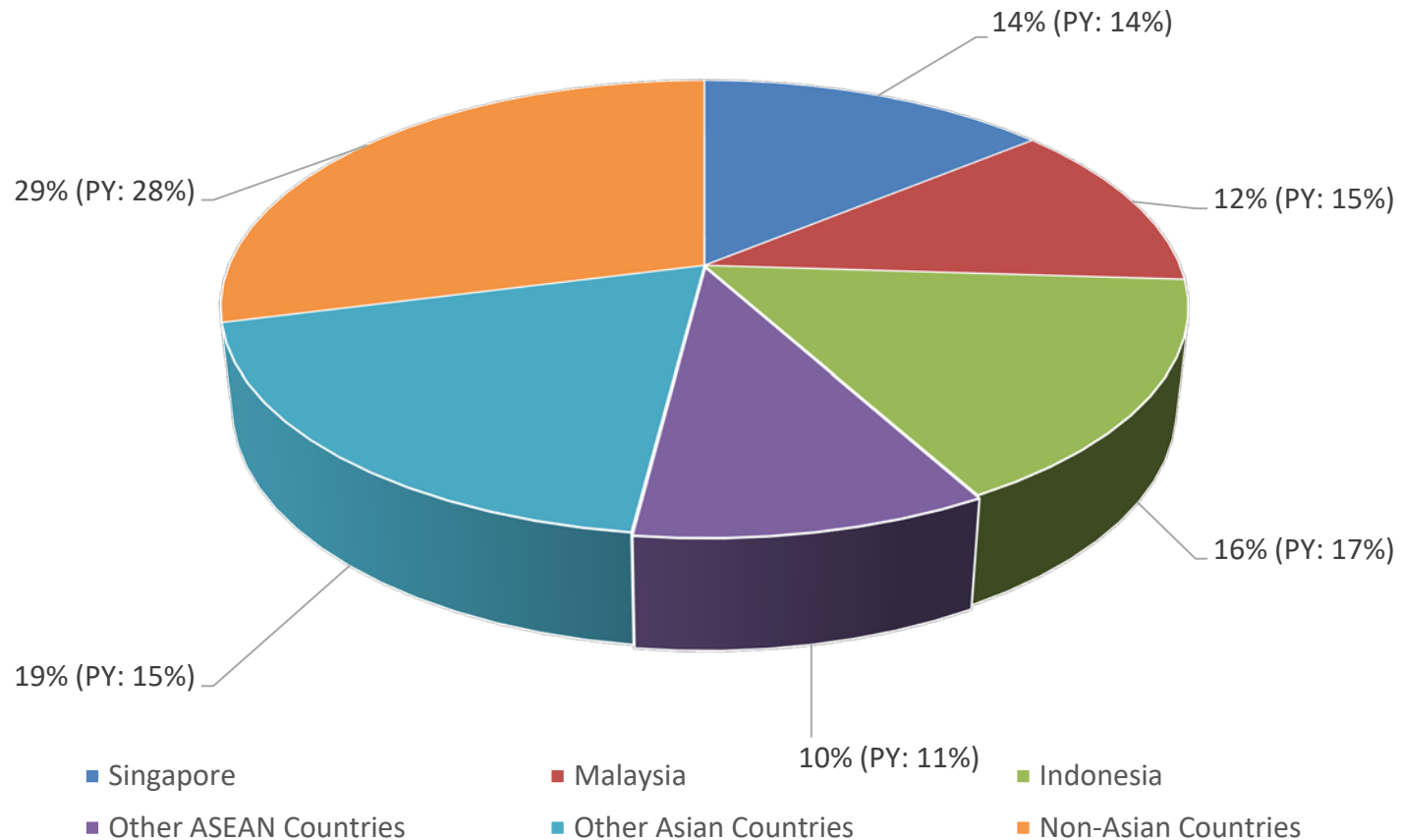
■ Construction ■ Agriculture & Forestry  
■ Mining ■ General Trading



**KIAN ANN GROUP**



# Revenue Contribution by Country





# Business Outlook



- In general, outlook for South East Asia will remain challenging as business activities for coal mining in Indonesia and logging industry in Malaysia are expected to be sluggish
- However, demand for parts beyond South East Asia, especially in North America, is expected to remain stable
- KAG's positive return from its investment in China, roller manufacturer Kunshan Kensetsu Buhin outside of Shanghai, has made a strong contribution to KAG's results during 1H2021. KAG has the option to increase its shareholding from 27.6% to 50% and is currently exploring this option
- KAG further has a 50% shareholding in a product distribution company in the USA and Canada, with the former performing strongly during 1H2021
- Key for KAG in FY2021 will be to conserve cash and to identify markets in which it operates which are successfully recovering after the Covid-19 pandemic and related economic constraints to increase and focus our business activities
- KAG is further looking at improving stockholding and certain restructuring options in order to improve the return on the investment in its operations



# Prospects & Strategy



# Covid-19 New Operational Reality

## **First response has stabilised into a new normal**

- Protect staff, sanitize premises, temperature checks on entry
- Issue of personal protective equipment, cordoned off work areas, shift work
- Remote working

## **Managing the business in the short-term for the long-term; Still cautious of a second wave**

- Three-month forecast rolled weekly
- MTD income statement
- Revised budgets for 2021

## **Reduced overall operating costs to ensure business sustainability**

# CNH Deal

## THE TRANSACTION

Invicta reached an agreement with CNH Industrial to dispose of four businesses within CEG:

- **Landboupart** a distributor of replacement spare parts for the agricultural and industrial markets
- **Northmec** a supplier of farming OEM spare parts
- **CSE** a distributor of earthmoving, construction and turf-grooming machinery,
- **NHSA** a supplier of OEM and Non-OEM spare parts

## Consideration

A cash consideration equal to the tangible NAV excluding interest bearing debt and net cash plus an additional US\$6 million goodwill. The payment will be as follows:

- 1/3 of the NAV and US\$1million on completion
- 1/3 of the NAV within 60 days
- 1/3 of the NAV within 90 days
- US\$2 million within two years
- US\$3 million within three years

## The rationale

- **Invicta** is to apply the proceeds in the short-term, to reduce debt
- **CNH** following strategy of direct operational footprint and infrastructure in South Africa

## Financial information of the four businesses

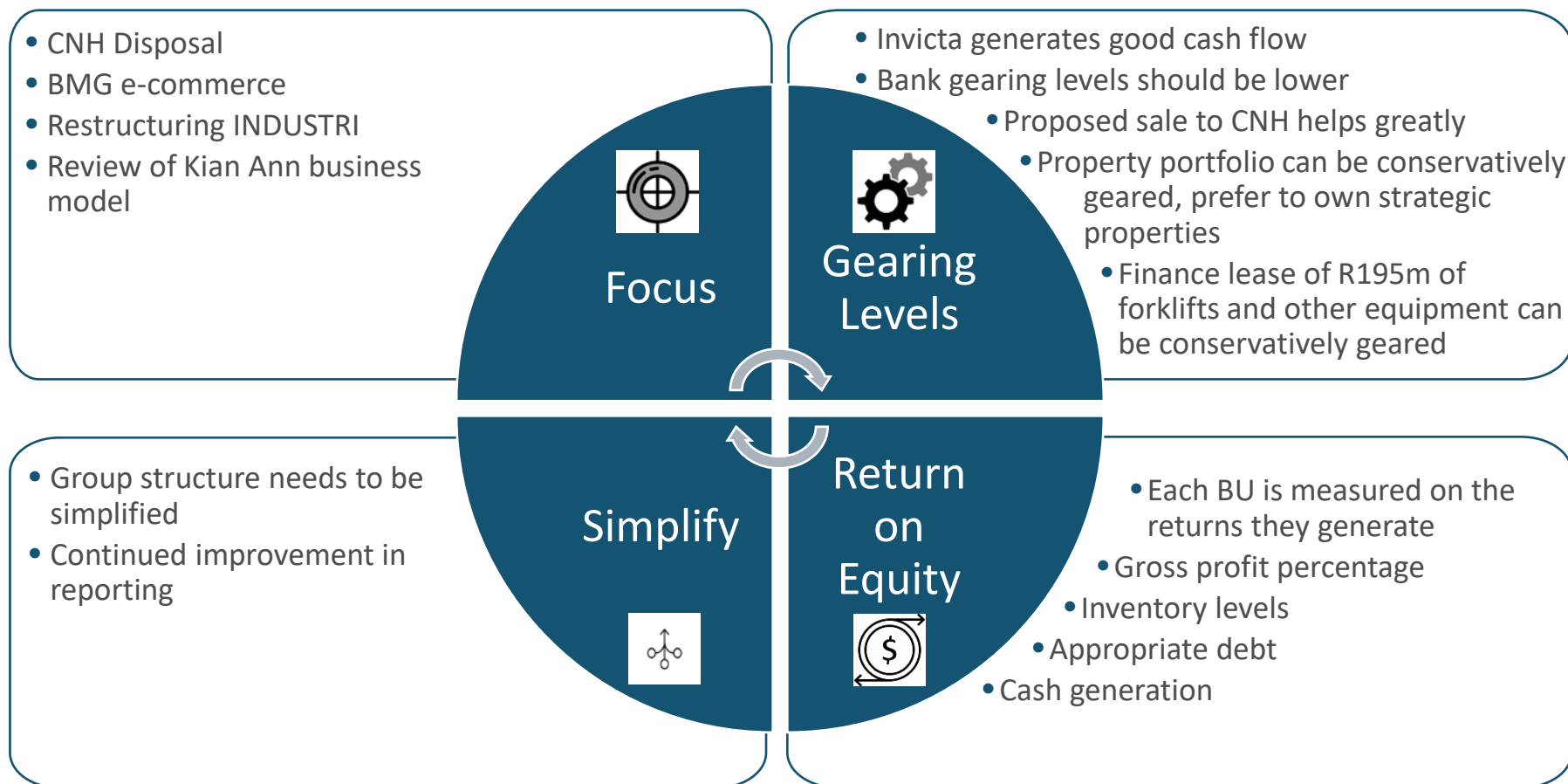
The unaudited results for period ended 30 September 2020 were:

- EBITDA R104 million
- Profit after tax R69 million
- NAV excluding goodwill, interest-bearing debt and cash R368 million

## Progress to date

- SA Competition Commission approval obtained in November 2020
- IVT shareholder approval obtained
- Operational Planning for CNH handover in progress

# Looking Forward



# Thank you for your attendance & participation

[www.invictaholdings.co.za](http://www.invictaholdings.co.za)

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