Invicta HOLDINGS LIMITED
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Interim Results Press Release

INVICTA'S STRATEGY STARTS PAYING OFF, REPORTING STRONG CASH FLOW AND IMPROVED BALANCE SHEET

- Basic earnings per share (EPS) increased by 15% to 172 cents (Sep 2019: 149 cents)
- Adjusted EPS for continuing operations up by 18% to 129 cents
- Closing net cash balance of R1.5 billion (Sep 2019: R722 million)
- Net debt:equity ratio 34% at 30 September 2020 (31 March 2020: 55%)
- Net tangible asset value per share up 4% to R36.43 (31 March 2020: R34.86)

30 November 2020: **Invicta Holdings Limited (Invicta)**, the investment holding and management company of the Engineering Solutions Group (ESG), Capital Equipment Group (CEG) and Kian Ann Group (KAG) based in Singapore, today reported results for the six months ended 30 September 2020.

Despite the negative impact of Covid-19 and related uncertainties, the Group is starting to see its strategy paying off. Steven Joffe, CEO of Invicta, comments: *"Our strategic focus is based on lowering debt levels, optimising return on equity, simplifying structures and focusing on key operational areas. We believe that this strategy is resolute and the cash balance at the end of the reporting period was R1.5 billion with a marked decrease in our net debt:equity ratio from 55% at year-end, 31 March 2020, to 34% at 30 September 2020."*

Joffe reiterated that previous statements around trading conditions in South Africa were still challenging, with global trade uncertainties weighing on the foreign operations, remained true for the current period, with the added handicap of the effects of Covid-19. As a result, the Group reported revenue from continuing operations of R3.6 billion, down 18% from R4.3 billion (September 2019) and gross profit down 21% to R1.1 billion (September 2019: R1.4 billion). Profit for the period, including discontinued operations, increased by 8% from R208 million (September 2019) to R224 million (September 2020). Included in these results, is once-off retrenchment costs amounting to R33 million. Excluding these costs, earnings per share for continuing operations increased by a commendable 18% to 129 cents.

"Our focus for this reporting period has been on cost containment, working capital management and close monitoring of cash flows," said CEO Steven Joffe, adding that attention had also been given to implementing the sale of certain of the CEG businesses and the disposal of the Samrand property. The shareholder and South African Competition Commission approvals required as part of the disposal of the CEG operating divisions to CNH were received after the reporting date and the transaction is targeted to be effective on 1 January 2021. An agreement, subject to a number of conditions precedent being met, was concluded during November 2020 to dispose of the Samrand property classified as an asset held-for-sale at 31 March 2020. The selling price is R140 million, before transaction costs.

Other initiatives included BMG's digital and e-commerce platform, the oxygen helmet and ventilator project within ESG, as well as the restructuring certain businesses and reviewing the KAG business model.

The **Engineering Solutions Group** has adapted swiftly and effectively during the financial year, which began with Covid-19 and a country-wide lockdown, by taking the tough decisions required to review and reset the levels of working capital, overheads, and capital expenditure. Revenue was 24% lower at R2.1 billion, while gross profit margin has been maintained at a level of 35%. Operating profit before net finance income on financing transactions and foreign exchange movements fell by 35% to R143 million, resulting in an operating profit margin of 6.8% compared to 8.0% in the prior period.

BMG acquired the Melnic Technical Services business, including the intellectual property and proprietary information..

The **Capital Equipment Group** reported an excellent performance, which reflects the recovery in the agricultural markets as well as the strict cost containment measures implemented. Improved infrastructure spending and mining activity have increased the demand for earthmoving equipment. Rental demand in the logistics (forklift) market is also increasing. CEG performed well under the Covid-19 circumstances, with revenue declining by only 10% to R600 million, with gross profit on the continuing businesses increasing by 1%. A highly commendable 46% increase in operating profit of R85 million was achieved.

Despite the continued USA and China trade wars and Covid-19 lockdown in South East Asia, the **Kian Ann Group** had managed to limit its revenue decline to only 5% to R709 million. Gross profit and operating profit declined by 18% and 17%, respectively, underpinning the tough trading conditions and the battle for whatever business was available. The investment in KKB the roller manufacturer in China and the distribution operations primarily in the USA, performed strongly in the period under review growing by 45%. This resulted in a commendable increase in profit before tax of 25% over the prior period for the Kiann Ann Group.

The agreements reached with bankers to establish new covenants that accommodate Covid-19 trading conditions, have been revised to reflect the results of the six-month period and which have exceeded expectations. All covenants were thus met for the period ended 30 September 2020.

Invicta will issue 3 000 000 ordinary shares to the CEO Steven Joffe in terms of a subscription agreement, which will result in an IFRS 2 charge estimated at R7.5 million. The share issue was approved at a general meeting held on 27 November 2020.

Joffe concluded: *"The businesses that make up the Group have significant competitive advantages and have demonstrated the ability to deliver strong results despite the operational challenges. 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 spare parts in Southern Africa and South East Asia."*

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