Invicta
HOLDINGS LIMITED
Registration No: 1966/002182/06

Final Results Press Release

A YEAR OF POSITIVE, ALBEIT DRAMATIC, CHANGES FOR INVICTA

Continuing operations
- Revenue down 9% to R6.3 billion
- Operating profit up 270% to R592.5 million
- Profit for the year increased by 187% to R457.5 million
- Headline earnings per share up 129% to 206 cents
- Net debt:equity ratio (excl IFRS 16) of 16% (2020: 44%)
- Final dividend of 60 cents per share declared

28 June 2021: **Invicta Holdings Limited (Invicta)**, the investment holding and management company consisting of the Engineering Solutions Group (ESG), the Capital Equipment Group (CEG) and the Kian Ann Group (KAG) based in Singapore, reported a sterling set of results for the year ended 31 March 2021 during a year of dramatic changes.

Steven Joffe, CEO of Invicta, said: *"The year has been characterised by major but very positive changes for the Group, which included the sale of the CEG's agricultural and earthmoving businesses and the in principle agreement reached to restructure the Kian Ann Group. The severe lockdown conditions of April and May 2020 led to a right-sizing of the South African businesses, and the support functions became skilled at working remotely. This, together with a strong focus on working capital management, all resulted in excellent cash generation and a significant reduction of debt, reducing the Group's net debt:equity ratio, excluding right-of-use liabilities, from 44% at 31 March 2020 to 16% at 31 March 2021."*

Revenue for the continuing operations of the Group decreased by 9% to R6.3 billion. Gross margin at "normal" levels of 32% reflect a year-on-year increase of 2%, following the additional stock provisions taken in the prior year in response to revised sell-through rates. The Group recorded a profit of R76.8 million on the disposal of the agricultural businesses and a profit of R21.8 million on the disposal of branches to independent empowerment entities that service mines.

Further, the results are presented after a goodwill impairment of R21.4 million, and retrenchment costs of R28.9 million. Operating profit improved by 283% to R585.2 million from a loss of R319.2 million in the prior year; however, the prior year was impacted by R1.1 billion in impairments in the context of the Covid-19 pandemic, of which goodwill was R639 million, property was R196 million, and deferred tax assets were R71 million.

Discontinued operations comprise the results of the KAG and nine months of trading of the CEG's agricultural and earthmoving businesses. The total profit for nine months from the discontinued agricultural and earthmoving business was R91.6 million, reflecting a 13.8% increase from the full year of trading in the prior year. The KAG recorded a total loss for the year of R12.3 million after taking a fair value impairment loss of R76.9 million triggered by the loss of control following the categorisation of the business as held-for-sale. This valuation is based on the valuation of the business in its current structure, and does not recognise the post-transaction position.

The Group recorded an increase of 156% in total profit for the year to R376.1 million from a prior year loss of R673.3 million after the impairments. This is reflected in the basic earnings per share of 285 cents and headline earnings per share of 316 cents, increases of 140% and 445% respectively.

Revenue for the **ESG** was down 12.7% on the prior year. Consumables amounted to 62% (2020: 61%) of revenue and Engineering, which includes value-added products, amounted to 37.9% (2020: 39%) of revenue. As noted last year, ESG businesses in Africa and Europe are growing faster than in South Africa.

Revenue for the **CEG** was down 10.6% on the prior year. Agriculture and forestry accounted for 48% (2020: 50%) of the revenue, with construction accounting for 45% (2020: 43%). Material handling remained at approximately 7%. The expenses of the operation are covered by the revenue stream from parts, services and rentals.

Revenue for the **KAG**, in Singapore dollars, was down 8.1% year-on-year. The business activities in this region were impacted by the ongoing pandemic. However, the demand for parts in North America, where KAG has a parts distribution business, is expected to remain stable. Heavy machinery accounted for 72% (2020: 78%) of revenue and automotive accounted for 28% (2020: 22%).

"The Board has approved a final dividend of 60 cents per share following the good cash flow generation that reduced our debt levels significantly. This is based on the normal dividend policy of 2.75 times dividend cover based on normalised earnings, excluding results from discontinued operations, profit and loss from disposals and impairments," commented Joffe.

Subsequent to year end, the Group entered into a series of inter-linked transactions as a result of which its 100% interest in the KAG will reduce to 48.81%. The effective loss of control triggers a deemed disposal. At year-end the decision was taken to proceed with the transactions; however, agreements still needed to be finalised, conditions met and statutory processes followed, with the expected effective date to be within the financial year ended 31 March 2022. (Refer to the announcement on the Stock Exchange News Service ("SENS") dated 28 May 2021 and 10 June 2021 for more detail.)

The proceeds on the disposal of the four businesses within CEG, namely Northmec, CSE, NHSA and Landboupart, to CNH Industrial, effective 1 January 2021, comprised of the net asset value of R176.6 million and goodwill of US$6 million. At year-end, the Group had only received R74 million towards the net asset value and US$1 million towards goodwill. Subsequent to year-end, the Group received the balance due on the net asset value. Regarding the disposal of the Samrand Property, the Group received further non-refundable deposits of R3.5million in respect of the disposal of the Samrand property, subsequent to year end.

Joffe concluded: *"Management will focus primarily on implementing the proposed restructure of the Kian Ann Group and pursuing growth opportunities. Additionally, the Group will remain guided by the principles of targeting lower debt levels, driving operational performance on return on equity and assets, and the simplification of both the Group structure and our reporting. On a personal note, I would like to thank all our staff for their commitment and excellent performance during these uncertain times and under challenging trading conditions. worldwide. We are confident that the Group, having successfully faced the initial challenges including the Covid-19 pandemic, will continue to grow from strength to strength."*

-Ends-

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Background

The operations within Invicta comprise of:

- ESG (Engineering Solutions Group) - a distributor of engineering products (bearings, belts, tools, electric motors, and hydraulics), technical services and solutions.
- CEG (Capital Equipment Group) - a distributor of construction, forklifts and related parts.
- KAG (Kian Ann Group), based in Singapore, has a heavy machinery division and an automotive division.