Final Results Press Release

INVICTA RELEASES STRONG RESULTS ATTRIBUTABLE TO GROWTH IN OFFSHORE OPERATIONS

"We are especially proud of how we were able to grow basic earnings per share from continuing operations by 18%, from 408 to 481 cents, considering the challenges faced in the 2023 financial year." – Steven Joffe, Invicta CEO

Highlights

- Sustainable headline earnings per share up 33% to 464 cents
- Net asset value (NAV) per ordinary share up 23% to R46.34

26 June 2023: **Invicta Holdings Limited (Invicta)** today released strong results for the year ended 31 March 2023, with revenue increasing by 8% to R7.8 billion and sustainable headline earnings per share up 33% to 464 cents. Invicta distributes world-leading earthmoving, industrial, automotive and agricultural products, often exclusively, which are overlaid with a technical and service solution. Value is added through the distribution chain, product availability and by providing technical support.

Steven Joffe, CEO of Invicta, commented: *"A notable achievement for the year was our Singapore-based Kian Ann business, which had a standout performance, increasing sustainable headline earnings by 58%.*

"While we take no joy from the rapid depreciation of the Rand, each year we are required to revalue our foreign businesses at the closing rate relative to the Rand. Work over the last few years in building our offshore businesses resulted in a foreign exchange gain of R439 million, contributing towards the increase of our net asset value per ordinary share for the year by 23% to R46.34. We also repurchased approximately 5% of both our ordinary shares and preference shares."

The gross profit margin increased from 30.7% to 32.5% – this was a significant focus for the Group, with management teams working hard to restore the margin.

Sustainable operating profit before net finance income on financing transactions and forex improved by 7% to R647 million.

With net cash on hand of R730 million, net interest-bearing debt to equity remains a healthy 18%.

"We were pleased to generate R639 million in cash from operations after investing R247 million in working capital. We have also paid R164 million in dividends to shareholders," said Joffe.

The Group purchased 4.9 million ordinary shares for R131 million and 375 000 preference shares for R36 million on the open market. On October 6, 2023, these shares were cancelled. The Group also repurchased an additional 1.2 million ordinary shares for R34 million, now reflected as treasury shares. Post the year-end, in May 2023, Invicta opened an odd lot offer to its shareholders holding less than 100 shares each.

Going on to expand on operating conditions, Joffe said that in February 2023 with the lifting of the restrictions related to the zero Covid policy in China, all countries in which the Group operates have substantially lifted all Covid-imposed restrictions.

"Unfortunately, the war in Ukraine continues, which has contributed to the resultant worldwide inflation we are currently experiencing. Many central banks have substantially hiked interest rates to curb inflation. In South Africa, we experienced severe flooding in KwaZulu-Natal in April 2022, increased loadshedding and water supply disruptions. We have experienced upward pressure in supplier pricing, volatility in currencies as well as supply chain challenges, including shipping and logistics disruptions.

"Notwithstanding the challenging environment, we are extremely proud of how our businesses performed during the year. The resilient character of our management teams and the robust nature of our consumable parts businesses shone through.

"With the lifting of Covid restrictions, we focused on visiting our clients and suppliers and attending trade shows. We also managed to relocate our Ukrainian warehouse from Chernihiv to Lviv, from where we have continued trading profitably. Throughout the year we assessed many acquisition opportunities but were not able to find appropriate targets, so we preferred to buy back our shares."

Operational performance

Replacement Parts Services and Solutions: Earthmoving equipment (RPE) supplies after-market replacement spare parts, ground engaging tools and undercarriage parts for earthmoving equipment and other capital equipment, with operations in South Africa, the United Kingdom (UK) and the United States of America (US).

Revenue increased by 80% to R986 million, with sustainable operating profit of R108 million.

RPE worked hard on bringing the working capital to the appropriate levels in the UK and, in the US, has identified that obtaining a bonded status for its warehouses will support strong growth in the region and create a hub to be able to leverage off. "*As the process evolves, we will have a clearer picture of what the correct level of working capital in the US will be,"* Joffe indicated.

All revenue in this segment is from replacement parts. Earthmoving, which includes mining and construction, contributed 85% to revenue, while the 15% balance is derived from agricultural and forestry markets.

"We are seeing good demand for our parts in all the markets we service and, are increasing our inventory levels to take advantage of these growth opportunities and to ensure that through the logistical challenges our businesses face, we remain able to meet our customers' requirements."

Kian Ann (KA) supplies and manufactures replacement parts for heavy machinery and the automotive industry. The business has expanded regionally and globally, with subsidiary and related companies in China, Indonesia, Malaysia, India and the UK, with distribution businesses in the US and Canada.

Invicta now owns 48.8% of Kian Ann, although part of RPE, the Kian Ann results are reported separately given the size and scale of the business. It should also be noted that these results commented on below, reflect the full Kian Ann financial position in Singapore Dollars and not only the Invicta ownership interest. Revenue increased to S$291 million, with a sustainable operating profit of S$36 million and net cash on hand of S$40 million.

Replacement Parts Services and Solutions: Industrial (RPI) is an importer and local manufacturer of industrial consumable products, services, and solutions for all industries in southern Africa. RPI offers world-class solutions and products, with the aim of improving the efficiency of Invicta's customers and ensuring that they remain globally competitive.

Revenue for RPI was 8% higher than last year at R4,8 billion, with sustainable operating profit 29% higher at R317 million. This increase was partly due to improved gross profits and a well-controlled overhead base.

"Mining continues to be our biggest single industry served by RPI, and we supply all types of mines, including gold, coal, platinum, chrome, copper, manganese, and diamonds. Other than mining we continue to serve a diverse range of customers," said Joffe.

"We are seeing a very healthy order book, especially in engineered items. We are seeing good opportunities in Africa and are excited with our prospects in China. Maintaining our traditional margins and strong working capital management will continue to be an area of focus for the year ahead."

Replacement Parts Services and Solutions: Auto Agri (RPA) operates in South Africa and certain European countries, focusing on the importation, assembly and distribution of automotive aftermarket parts and Original Equipment Manufacturer (OEM) kits, as well as driveshaft parts and other replacement parts for the agricultural industry.

Revenue for the RPA segment was 6% higher than last year at R551 million, with sustainable operating profit 22% higher than the previous year at R111 million.

"With the withdrawal of the Russian troops from Chernihiv in Ukraine, we moved our business to Lviv on the Polish border. Considering our Ukrainian business only operated for eight months the growth in turnover of this small business was a good achievement. RPA's sustainable operating profit was 22% higher than the previous year," said Joffe.

"We have further consolidated our automotive and agricultural businesses in South Africa and the cross-selling opportunities are already bearing fruit. We continue to experience good growth in our agricultural brand APG (Agriparts Global). As a result of the challenging logistical environment, we have elected to increase our inventory levels to ensure service to our customers. With our good inventory holdings, we are well positioned to support our customers."

Capital Equipment and related parts and services (CE) sells capital equipment, spare parts and provides related services to the earthmoving and logistics industries.

Revenue for CE was slightly lower than last year at R1,1 billion, with sustainable operating profit reducing by 28% to R81 million.

In this segment, earthmoving, which includes construction and mining, accounted for 77% of revenue and material handling 23%. *"With parts, service, and rental accounting for 34% of revenue, we can cover the cost of these operations based on these revenue streams."*

Joffe added that as customers extend the working life of their equipment, the replacement parts business continues to do well. *"Good mining activity continued this year, with good demand for larger capital equipment. We are hopeful that the anticipated infrastructure spend will further assist our construction-facing businesses. Demand for electric forklifts is encouraging."*

Outlook

Looking forward, Joffe added that the war in Ukraine and its associated impacts on commodity and food prices would continue to be felt worldwide. *"Rising inflation globally has increased borrowing costs, thus creating more pressure on the consumer. The way forward will require a disciplined capital allocation approach and the ability to adapt as the markets evolve. We believe that our businesses are well placed in their respective markets and, we can meet the challenges that lie ahead."*

"With so much uncertainty in the world, we will continue working hard to reduce our net debt position. When we think of net debt, we include the listed preference shares. Having a relatively debt-free business, gives you time to respond to difficult situations and at the same time provides the capacity for us to implement our acquisition strategy, should the opportunities arise."

"Our replacement parts businesses are resilient and generate good cash with many of the sectors that we service performing well. As a result of our relative financial strength, we can hold appropriate inventory levels to ensure that we can continue to service our clients without stockouts and delays. Accordingly, we remain cautiously optimistic about the year ahead."

Joffe concluded by saying that with the Group's R45 million investment in BMG China, Invicta hopes to create a strong online presence in the Chinese market, distributing the industrial consumable products that Invicta distributes here in South Africa, through a digital channel to the Chinese market.

"We are also developing a technology for a sustainable and environmentally friendly solution to convert agricultural waste into energy, in China. This business will support our industrial consumables businesses through the sale of components."

"Lastly, management continues to evaluate potential acquisition opportunities and we are well placed to take advantage of opportunities as they arise."

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