Interim Results Press Release

INVICTA DELIVERS ROBUST PERFORMANCE SUPPORTED BY GEOGRAPHIC AND SECTORAL DIVERSIFICATION

"Management has kept a tight grip on operations and the disposal of some non-core properties generated cash, which was used to buy back both ordinary and preference shares. This, together with solid operational performance, resulted in an improvement in net profit of 8% to R356 million, with earnings per share improving by 12% to 304 cents." said Steven Joffe, Invicta CEO

Results at a glance

- Operating profit (before net finance income and forex) increased by 8% to R359 million (2022: R333 million)
- Basic earnings per share attributable to ordinary shareholders increased by 12% to 304 cents (2022: 272 cents)
- Headline earnings per share amounted to 269 cents (2022: 268 cents)
- Cash generated from operations increased by 11% to R322 million (2022: R290 million)

27 November 2023: **Invicta Holdings Limited (Invicta)** today released robust results for the period ended 30 September 2023, with revenue increasing by 12% to R4.3 billion. The increase of R461 million was made up of R178 million from South African operations, while the rest of Africa contributed R89 million, with Europe and America contributing the remaining balance of R194 million.

Steven Joffe, CEO of Invicta, commented: *"We grew operating profit by 8% and kept headline earnings per share in line with the prior period, despite a higher net finance cost due to higher interest and preference dividend of R25 million."*

The focus will continue to be on debt reduction, as higher interest rates have meant an increase in net finance costs of R23 million, which were mainly offset by the R18 million improved contribution in equity-accounted earnings from Kian Ann.

The Group produced strong results against the background of volatile currencies and an uncertain world macro-economic and political environment. The weakening of the Rand from R19.81 to R23.48 for the GBP and R16.31 to R18.66 for the USD boosted revenue on translation of the Group's foreign operations.

The gross profit margin of 32.6% held steady from 32.5% in the comparative period, with gross profit increasing by 12%, from R1.2 billion to R1.4 billion.

"Sustainable selling, administration and distribution costs, adjusted for once off items, increased by 7% when compared to the prior period, which we believe is a commendable outcome."

Equity-accounted earnings from investments in joint ventures increased by R20.6 million or 23%, from R90 million to R110 million, of which the Kian Ann contributed 21% of this increase, through the sale of a property, which resulted in an R33 million gain on the sale. KMP Far East contributed the remaining increase in equity-accounted earnings of joint ventures. Net profit for the period thus increased by 8% from R330 million to R356 million.

The Group repurchased approximately 1% of its ordinary and 3% of its preference shares in issue during the period, to the value of R49 million, resulting in earnings per share increasing by 32 cents from 272 cents to 304 cents per share. Headline earnings per share increased slightly from 268 cents to 269 cents per share.

Cash generated from operations before working capital changes increased by 9% from R469 million to R513 million, with working capital absorbing R190 million, resulting in cash generated from operations increasing from R290 million to R322 million.

The Board intends paying dividends on an annual basis by applying a cover ratio of between 2.75 and 3.25 times on sustainable earnings.

Imexpart (Imex) acquisition
Effective 3 July 2023, the Group acquired a 100% shareholding in Imexpart Limited ("Imex"), which is based in the UK, for £4.7 million (approximately R113 million). Imex distributes a wide variety of truck and bus parts for DAF, Mercedes, Volvo, MAN, Iveco, Renault, Scania, and Cummins engines and carries a full range of replacement parts, including amongst others bumpers and step panels, for trucks. The acquisition provides an opportunity to distribute RPA-Auto Agri products through Imex, which has been incorporated into the RPA segment since the acquisition date.

Operational performance

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 increased by 8% from R2.3 billion to R2.5 billion, while operating profit before interest on financing transactions and foreign exchange movements increased by 2% from R172 million to R175 million. This increase was despite the higher level of estimated credit loss provisions raised in the African subsidiaries of R17 million. Profit before tax decreased 19% from R146 million to R119 million due to R10 million lower forex gains year-on-year and higher net finance costs, due to significant interest rate hikes over the period.

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 in RPA increased by 27% from R280 million to R356 million supported by the Imex acquisition.

"RPA's operating profit before interest on financing transactions and foreign exchange movements decreased by 28% from R66 million to R47 million due to a higher level of operational costs, with the inclusion of Imex and the reversal of provisions in the prior year of impairments relating to the war in Ukraine."

"The contribution from Imex represents approximately 18% of RPA's revenue. However, as the business is still in the integration phase and, it contributed only 5% of operating profit before interest on financing transactions and foreign exchange."

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

Revenue of CE increased by 9% from R581 million to R633 million, with operating profit before interest on financing transactions and foreign exchange movements increasing by 34% from R50 million to R66 million. This strong operating performance was largely due to effective cost control and a resurgence in the sale of capital equipment through the CE finance book towards the end of the period.

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 UK and the US.

Revenue in RPE increased by 26% from R470 million to R594 million. *"This reflects good trading from the United Kingdom enhanced on translation, and the South African operation having one of its best six-months of sales."*

The operating profit before interest on financing transactions and foreign exchange movements followed suit with an increase of 29%, from R60 million to R77 million.

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 this business forms part of RPE, the Kian Ann results are reported separately given the size and scale of the business.

KAG contributed R108 million to Group earnings for the current period compared to R90 million in the prior period, bolstered by a R33 million gain on the disposal of a property-owning subsidiary in Shanghai.

"The operations and inventory from the Shanghai premises that Kian Ann sold, have been relocated and absorbed into their KKB production and warehouse facility in Khunshan."

Strategic focus and outlook
Looking forward, Joffe reiterated that the Group strategy to build both a geographically diverse (with 50% of the Group earnings outside South Africa) and sectorally diverse business by 2026, will be tempered by the careful evaluation of growth and acquisition opportunities.

"Prevailing market conditions, notably the current high-interest rates and tough trading conditions experienced worldwide, as well as Rand volatility and load shedding locally, remain a challenge. We are confident that Invicta is well positioned in this context, given our relatively low level of debt, to continue to provide sustainable returns to shareholders. Our current initiatives include conversion to solar power at selected sites in South Africa, and a limited share buy-back programme funded from capital receipts."

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