Final Results Press Release

INVICTA CONTINUES GROWTH AND ENHANCES STRATEGIC POSITIONING BASED ON THE RESILIENCE OF DIVERSE PRODUCT OFFERINGS

Results at a glance

- Sustainable operating profit (before net finance income and forex) increased by 8% to R702 million (2023: R647 million)
- Sustainable headline earnings per share increased by 5% to 488 cents (2023: 464 cents)
- Cash generated from operations increased by 28% to R818 million (2023: R639 million)
- Dividends increased by 5% to 105 cents per share

24 June 2024: **Invicta Holdings Limited (Invicta)** released its final results for the year ended 31 March 2024, with revenue increasing by 7% to R8.3 billion.

Steven Joffe, CEO of Invicta, commented: *"We grew operating profit by 8%, and cash generated by operations increased by 28% to R818 million, with a focus on reducing debt. Notwithstanding the challenging environment, we are extremely proud of how our businesses performed during the year. In particular, the resilience of our management teams and the robust nature of our consumable parts businesses shone through*."

Joffe added that the conflicts in Ukraine and the Middle East continued to contribute to the elevated global risk and inflation rates currently being experienced, with many central banks having maintained higher interest rates to curb the inflationary trend.

"In South Africa, continued loadshedding and increasingly frequent water supply disruptions, as well as severe flooding in the Western Cape in September 2023, had an impact on performance. We also faced upward pressure in supplier pricing, ongoing currency volatility, and supply chain challenges, including shipping and logistics disruptions."

Joffe said there were several notable achievements during the year, including sustainable operating profit before net finance income and foreign exchange impact increasing by 8% to R702 million.

"Sustainable headline earnings per share attributable to ordinary shareholders increased by 5% to 488 cents per share. We also disposed of five properties deemed non-core to Group operations and repurchased approximately 2% of our ordinary shares and 4% of our preference shares for a total of R88 million. All shares repurchased were cancelled. Lastly, our net asset value per share increased by 13% year-on-year to R52.50."

Revenue was 7% higher than last year. After normalising the results for the Imexpart Limited ("Imex") acquisition, the revenue grew by 4.2%. The gross profit percentage was 33%. *"This was a major focus, and the management teams worked hard to protect our margin throughout the year."*

A focus remained on overheads during the year. To compare on a like-for-like basis, if the costs from Imex (acquisition of 100% of Imex for R109 million, effective 1 July 2023) and the impairment of the gasifier project were excluded, the overhead base increased by only 6.7% year-on-year. "*Given the rising costs of logistics, and the depreciation in the Rand, this has been an outstanding achievement."*

The Board declared a dividend of 105 cents per share, up 5% on the prior year.

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 UK, and the USA.

"The sustainable operating profit of the segment was up 33% year-on-year, and we worked hard on bringing the working capital to the appropriate levels in the businesses in the USA. This contributed towards a commendable increase in the return on net operating assets of 30%."

Joffe added that the Group is working on obtaining bonded status for the warehouses in the USA, which will support strong growth in the region and create a hub to leverage off.

***Kian Ann (KA)**:** Revenue was 15% lower than last year, primarily driven by tempered demand for undercarriage components in the USA market. Operating profits decreased to S$26 million.

"Considering the tough operating environment, all businesses performed in line with the operational environment. Net operating assets, which include net cash of S$51 million, increased to S$203 million and, our return on net operating assets was 12.8% in Singapore Dollars. Under the circumstances, we were satisfied with Kian Ann's performance."

Joffe added that tough trading conditions were experienced across Southeast Asia and these are expected to persist in the current financial year.

**** These results reflect the full Kian Ann financial position and not the Invicta ownership interest.***

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, to improve the efficiency of Invicta's customers and ensure they remain globally competitive.

Revenue and sustainable operating profit were 2% higher than the previous year. Part of this increase was due to improved gross profits and a well-controlled overhead base. Net operating assets increased by R54 million, mainly due to the Rand's devaluation.

Joffe said that the industrial sector had remained challenging throughout the entire year as the business weathered the de-industrialisation drive in South Africa, as well as the continued impact loadshedding has on both customers and suppliers alike. *"With the run-up to the election, we also experienced caution amongst South African customers, with uncertainty over the outcome."*

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 segment was 34% higher than last year, with the majority of that growth coming from the Imex acquisition in the UK. RPA's sustainable operating profit was 19% lower than the previous year.

"In the automotive space historically in South Africa, we have always represented a basket of premium brands and products in the market. With external pressures now forcing customers to buy downwards in their

replacement parts, we are looking to widen our product offerings by introducing more affordable ranges to meet customer requirements."

Capital Equipment and related parts and services (CE) sells capital equipment and spare parts and provides related services to the earthmoving and logistics industries in South Africa. The CE segment consists of four businesses, with two being earthmoving (construction and mining-related), and two being material handling businesses.

Revenue grew year on year by 13%. Sustainable operating profit was 32% higher than the prior year. *"The team delivered a very pleasing result, increasing the return on operating assets to 26%."*

Corporate actions during and after the financial year

In July Invicta purchased the Imex business, which forms part of RPA operations. Imex is based in Birmingham in the UK and operates in the aftermarket of the automotive industry. *"The aim is for Imex to distribute our agricultural parts as well as our automotive components. We are hopeful that we will see the desired returns in this business in the next year."*

During the year, the majority of the shares in the BMG China operations were purchased, followed by a restructuring to streamline their service offering to the rest of the Group. BMG China is the buying arm of the RPA and RPI segments, sourcing products from the East.

Subsequent to the financial year-end, the Group elected to exercise its right to redeem all the outstanding preference shares. The details of the redemption can be found in the SENS announcement dated 13 June. Dividends on the preference shares will continue to accrue to preference shareholders up until the day of the redemption, which is anticipated to be on the 8th of July. The redemption will be funded from available resources.

Joffe explained further that since the cost of the preference shares significantly impacts returns to ordinary shareholders with the rate linked to prime, the Group believes that removing the preference shares from the capital structure is the next further unlock for shareholder returns.

"The KMP operations were moved into the Kian Ann Group to ensure that Invicta and our partner in the Kian Ann investment remain aligned in our industry interests. Proceeds from this transaction were used to settle offshore debt facilities to ensure capital allocation disciplines."

On 1 April Invicta acquired Nationwide Bearing Company Limited (NWB), a UK-based supplier of consumable parts to the earth moving and agricultural machinery aftermarkets. Their product offering includes items such as bearings, belts, bushes, and seals. The NWB-branded products are developed internally and manufactured via a network of outsourced partners across the world. The NWB operations will form part of the RPE segment going forward.

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

Strategic focus and outlook

The war in Ukraine and the Middle Eastern conflicts and the associated impacts on commodity and food prices will continue to be felt worldwide. Globally, inflation has resulted in borrowing costs remaining high, thus continuing to put high levels of pressure on the consumer. However, all indications are that the next movement in interest rates by central banks will be downward, which will have a positive impact on the economy and business in general.

In South Africa we are encouraged by the suspension of load shedding and by the election results. We are hopeful that the Government of National Unity will implement policies that will allow industry to grow.

“The way forward will require a disciplined capital allocation approach and the ability to move 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. 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.”

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