



# INTERIM RESULTS PRESENTATION

for the six months ended **30 September 2018**

Presented by Arnold Goldstone (Chief Executive Officer)



# Agenda

**01** First things first

**02** The period in perspective

**03** Divisional review

Capital Equipment Group (CEG)

Engineering Solutions Group (ESG)

**04** Group financial overview

**05** Prospects and strategy

**06** Appendix



# First things first



# First things first

## 1. SARS settlement

- SENS announcement 27 September 2018
- R750m settlement – due and payable over four years:
  - › R300m in October 2018 (completed)
  - › R100m due in October 2019, October 2020 and October 2021 – total R300m
  - › R150m in October 2022 (final)
- The R750m is the full and final SARS settlement
- Provisions:
  - › R550m up to 31 March 2018; and
  - › R200m provision in 1H2019 - final

# First things first (continued)

## 2. Offshore plans

- Exchange one Invicta SA ordinary/preference share for one Invicta Global ordinary/preference share
- Delist Invicta SA and list Invicta Global on the JSE
- Decision to not proceed with corporate action mainly due to:
  - › Brexit uncertainty
  - › Worldwide macro-economic turmoil and trade wars
  - › Closing current workstreams
  - › No effect on global growth strategy at this stage
  - › Local growth opportunities exist

# First things first (continued)

## 3. Cashflow and dividends

- Specific taxation expense has had a materially negative impact on the results
- Cash flow is improving with further improvement expected in 2H2019
- Made it possible to pay interim dividend of 50cps
- Expected improvement in cash flow should enable Invicta to resume normal dividend policy:
  - › 3.50x dividend cover at interims; and
  - › 2.75x dividend cover at year end

# First things first (continued)

## 4. Recent cautionary announcement

- SENS released on 8 October 2018
- General repurchase of shares in November 2015 included shares which were acquired from two directors - breach of JSE Listings Requirements
- Company immediately notified the JSE and its auditors of the breach
- Transactions were reversed in February 2016 at no cost to the company
- Allegation made recently that the company and/or its directors did not fully and accurately disclose all the relevant facts to the JSE during the course of the JSE's 2016 investigation
- Company has appointed an independent third party, Moore Stephens, to consider and advise it in regard to the allegations as the company is not aware of the alleged impropriety
- Shareholders will be kept informed of developments

# The period in perspective





# Results at a glance

Tough markets, satisfactory results excluding anomalies

## Revenue

↑ 5%  
to R5,3 billion

## Operating profit before foreign exchange movements

↓ 11%  
to R403 million

## Headline earnings per share before specific tax expense

↓ 17%  
to 189 cents

## Headline earnings per share after specific tax expense

↓ 99%  
to 2 cents

# Results at a glance (continued)

**Profit before tax**

↓ 8%

to R368 million

**NAV per share**

↓ 2%

to 4842 cents

**TNAV per share**

↓ 3%

to 4073 cents

**Share price 15 November 2018**

**R29.50**

39 % discount to NAV

28 % discount to TNAV

# The period in perspective

Exchange rate volatility USD to ZAR chart

Opening: 11.83198

Closing: 14.17908

17 % weaker in 6 months, with volatility

1 Apr 2018 00:00 UTC - 30 Sep 2018 00:00 UTC USD/ZAR close:14.17908 low:11.83198  
high:15.41820



# Divisional review



# Divisional structure

## Capital Equipment Group CEG

Importer & distributor of agricultural equipment, construction equipment, forklifts and aftermarket replacement spare parts

- Northmec
- New Holland\*
- CSE
- Doosan
- HPE
- ESP
- Landboupert
- Criterion
- Shamrock
- Kian Ann Group

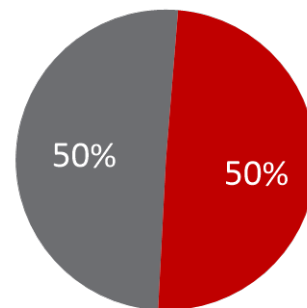
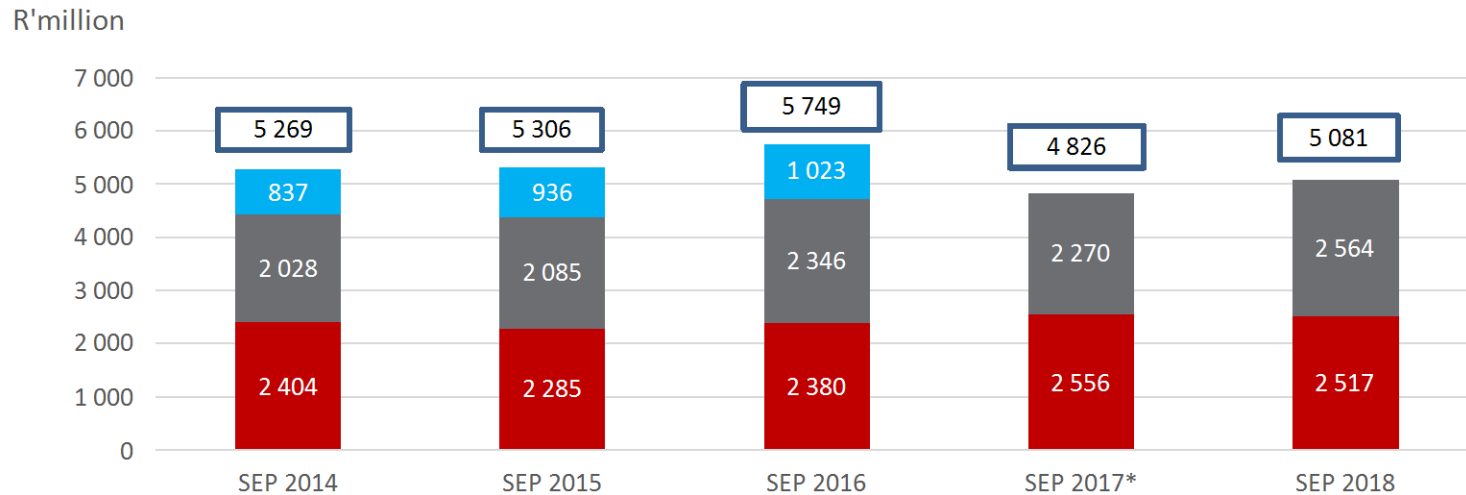
## Engineering Solutions Group ESG

Leading distributor of engineering consumables services and provider of engineering solutions

- BMG
  - Hansen
  - OST
  - Fenner
  - Rustenburg Engineering
  - Joerg Foundry
  - Belt Brokers
- Man-Dirk
  - SA Tool
  - Sibuyile
  - Toolquip & Allied
  - F&H Machine Tools
- Autobax
- Hyflo

*\*Equipment sales discontinued May 2017. Aftermarket support continues (spare parts).*

# Revenue contribution by operating segment (R'm) (excluding Head Office)



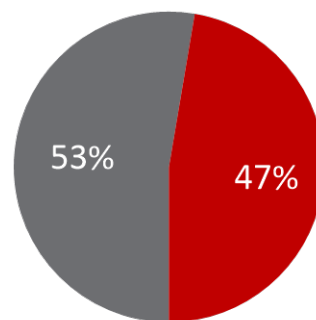
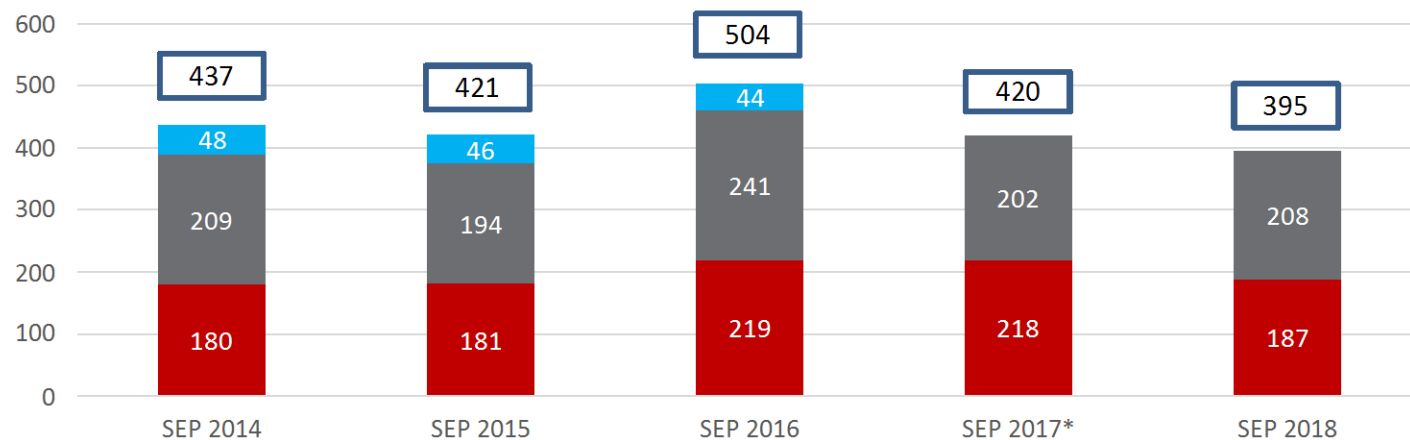
■ ESG ■ CEG ■ Discontinued operations

\*Re-presented

# Operating profit contribution by operating segment after forex costs (R'm)

(excluding Head Office)

R'million

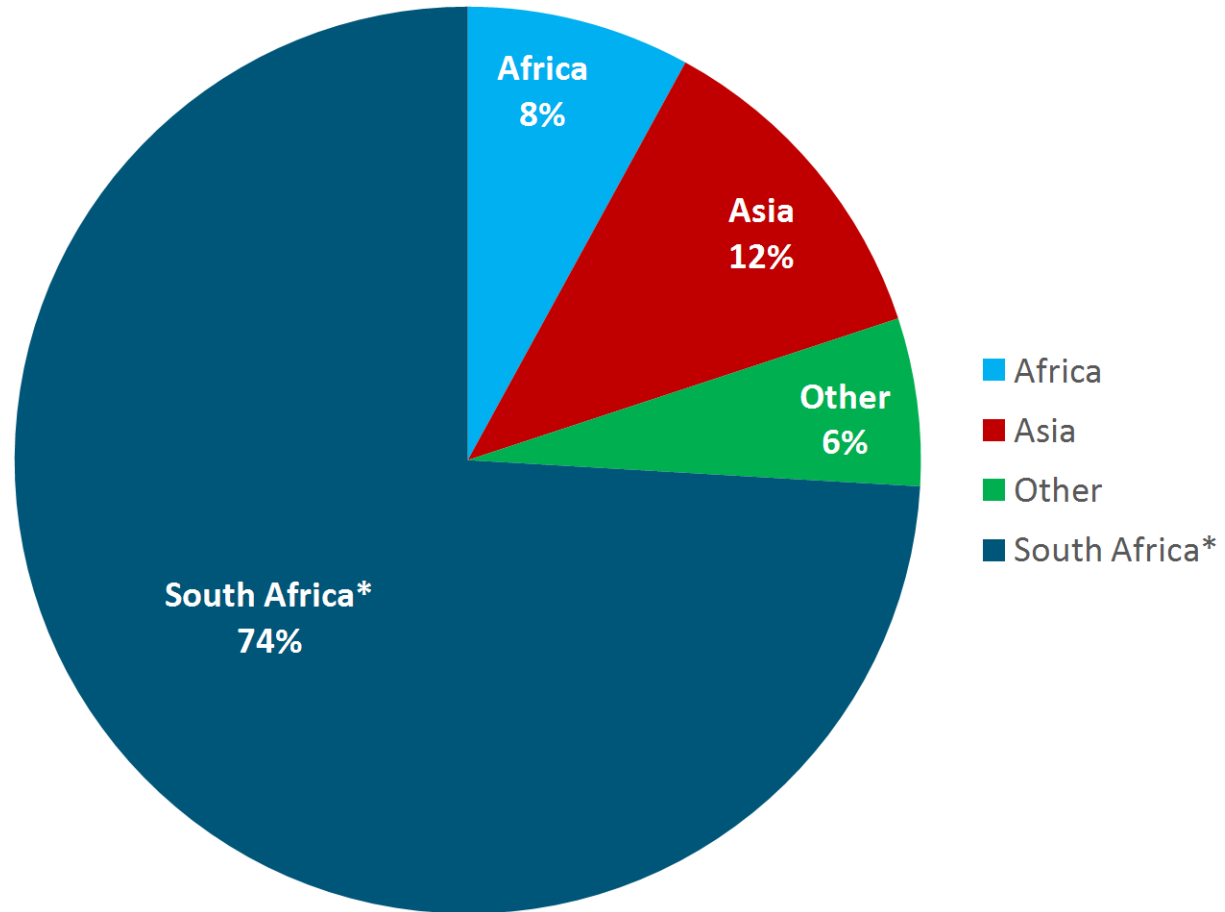


■ ESG ■ CEG ■ Discontinued operations

\*Re-presented

# Revenue contribution by region

(excluding Head Office)

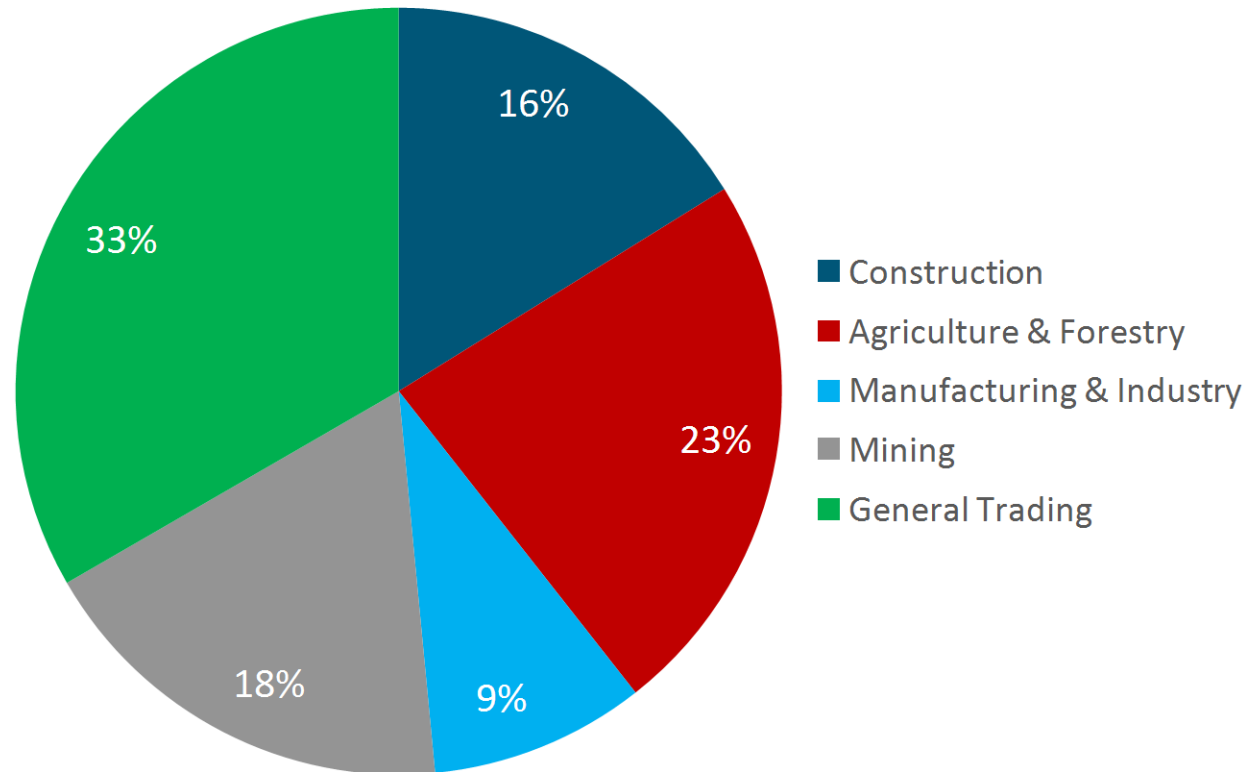


\*Target: 50% offshore



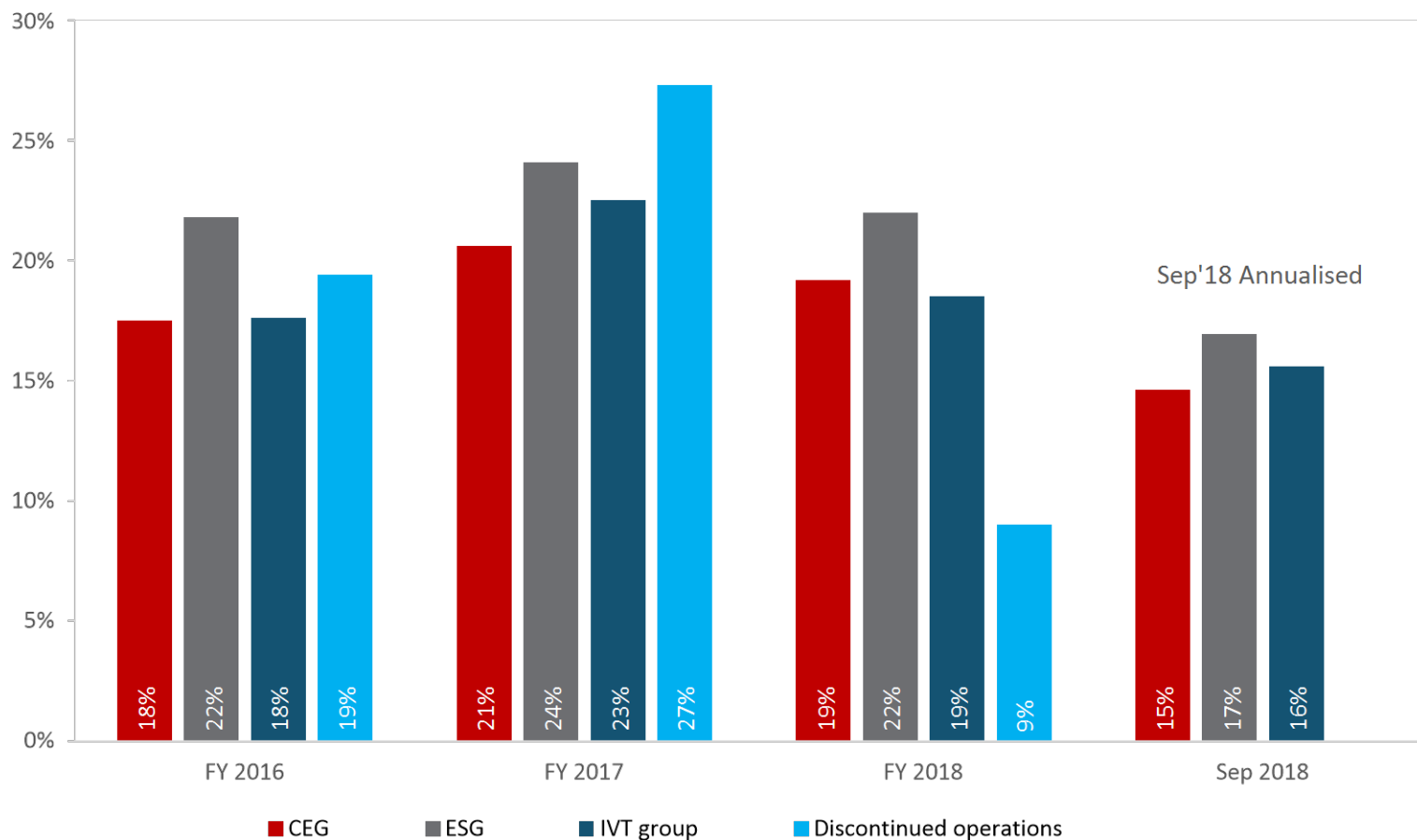
# Revenue contribution by sector

(excluding Head Office)



# Return on Net Operating Assets (RONA)

(based on average net operating assets)







# DIVISIONAL REVIEW

Capital Equipment Group



<b>Revenue – down</b>		<b>2%</b>
Operating profit before foreign exchange movements		<b>14%</b>

- Markets are challenging with major pressure on equipment margins
- Good cash generation
- Working capital under control
- **Agriculture**
  - Customer liquidity issues
  - Value of land (expropriation of land) making it difficult for farmers to gear against farms
  - Low maize prices
  - High value of used equipment in the market
- **Construction**
  - Major construction companies not buying; many in business rescue
  - Large number of small companies emerging
  - Bank financing for the sector remains difficult
- **Forklifts (Logistics)**
  - Market stable
- **Aftermarket spare parts**
  - Holding up

## Divisional Performance:

- **Agriculture**

- Market share for CaseIH Tractors and Combine Harvesters maintained
- Retained large portion of the New Holland spare parts business
- New equipment business restricted by value of trade ins

- **Construction**

- Retained and grown market share in some sectors with volumes up on last year
- All construction equipment companies profitable and exceeding last years performance

- **Forklifts (Logistics)**

- Acquisition of Shamrock, Jan 2018 – awarded biggest order ever of 60 units
- Forklift import units down for whole market by 15% (no sales stats available for market)
- Profitable and additional investments of R40m to increase long and short term rental fleet

- **Aftermarket spare parts**

- S.A. Construction companies doing well – maintaining margins and in line with last years profit
- South East Asia performing within expectations related to the improved market conditions
- S.A. Agriculture aftermarket spare parts doing well and growing



**Chief Executive Officer**  
Tony Sinclair

Northmec

NHSA

Landboupart

Doosan

HPE Africa

CSE

Criterion

Shamrock

ESP

Kian Ann



MD

Johan  
van der Merwe

MD

David  
Visser

MD

Danie van  
Aswegen

MD

Darrel  
Holton

MD

Alex  
Ackron

MD

Ross  
Collard

MD

Brenton  
Kemp

MD

Marius  
Schutte

MD

Andrew  
Grobler

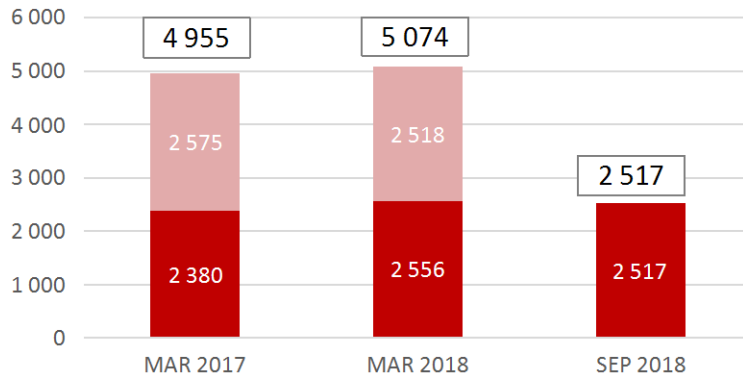
MD

Loy  
Soo Chew

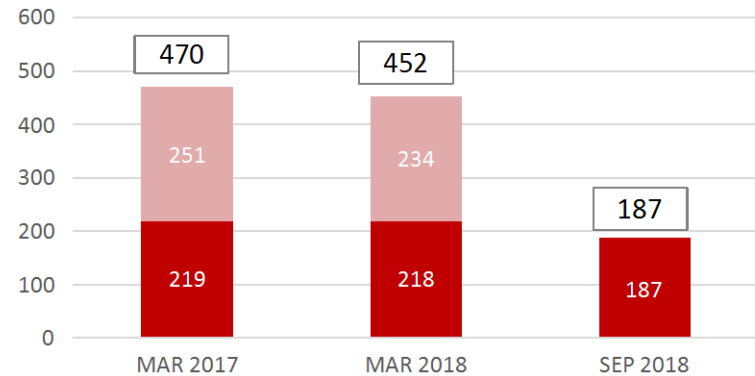
# Interim results summary

## 30 September 2018

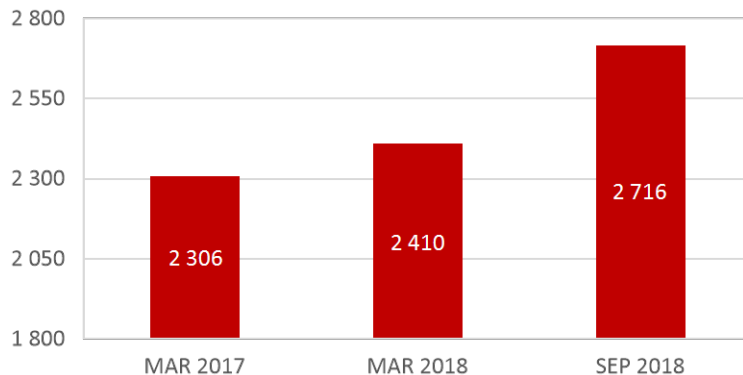
Revenue (R'm)



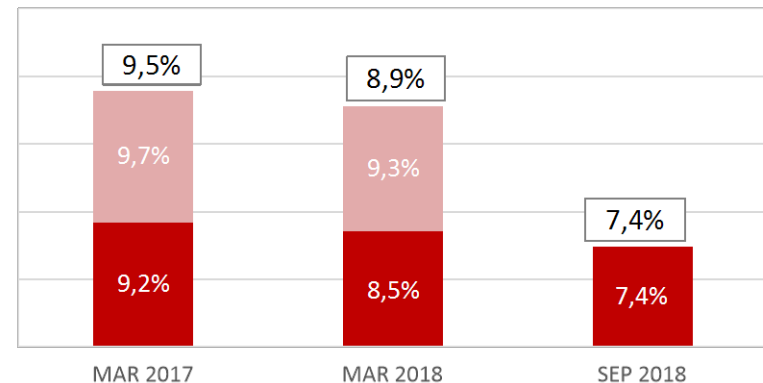
Operating profit before foreign exchange movements (R'm)



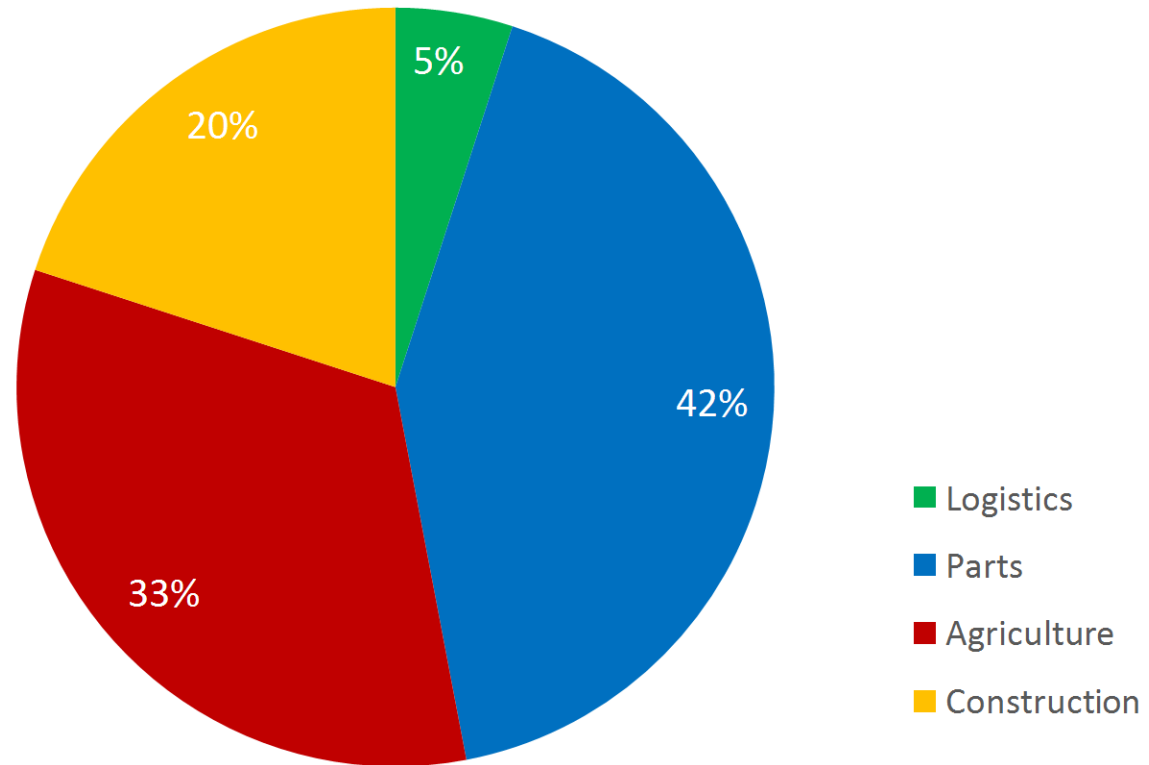
Net operating assets (R'm)



Operating profit margin (%)

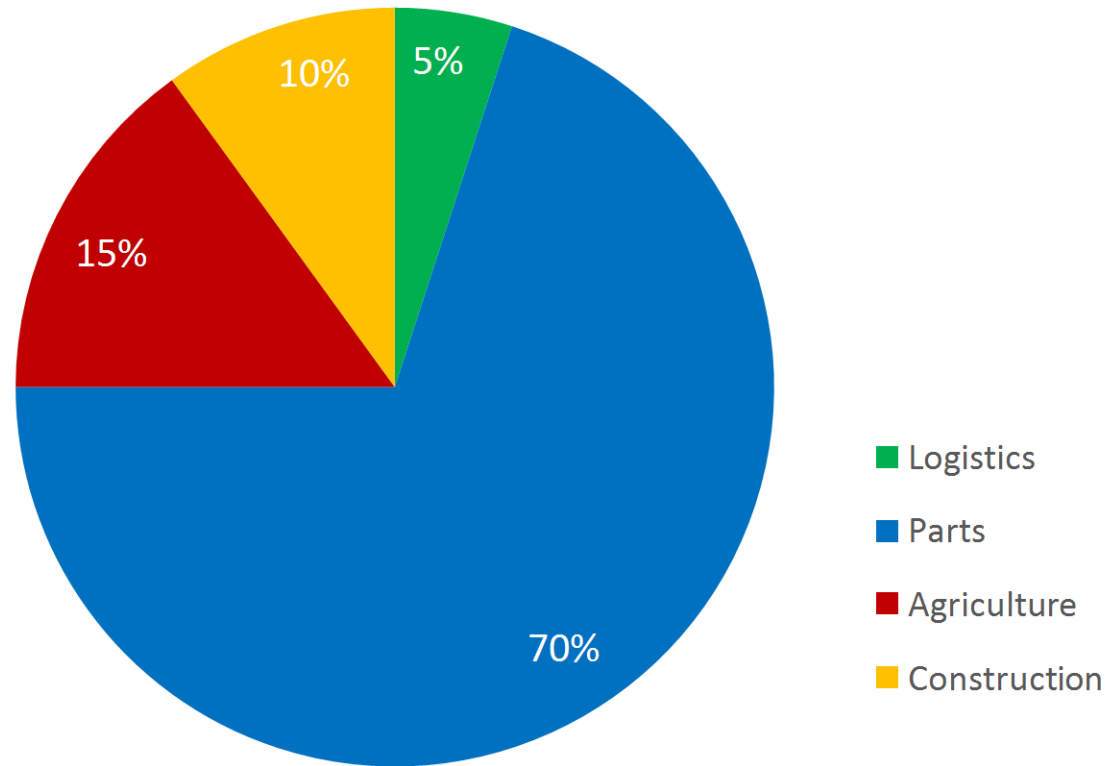


■ First Half ■ Second Half








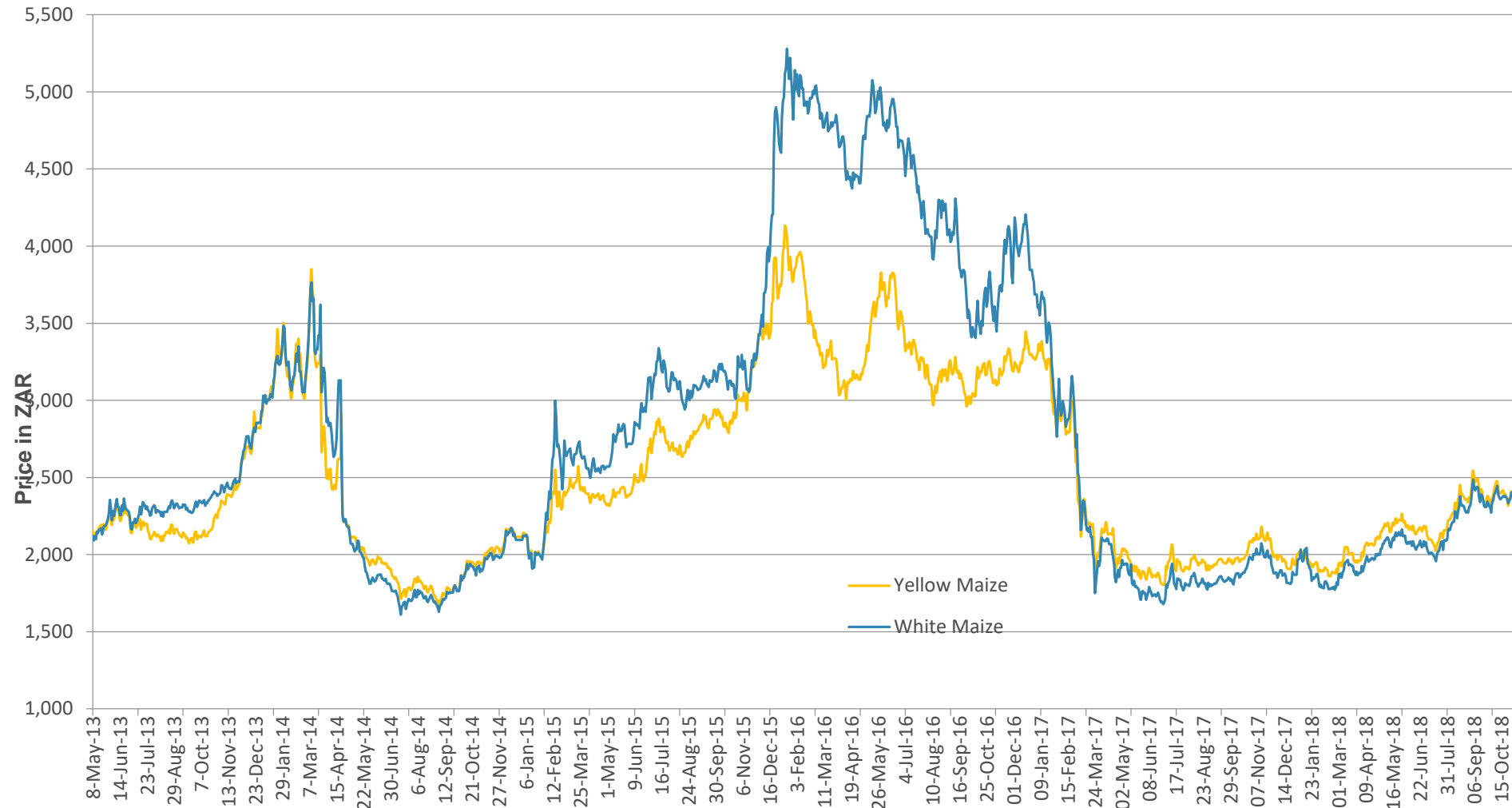
# Gross profit analysis by income type



H1 2019

- Agriculture equipment volumes in total market
  - Tractors 6.7% 
  - Combines 2.5% 
  
- Construction equipment volumes in total market
  - Segments serviced by Invicta Flat 

## Maize Safex Prices – May 2013 to Sep 2018



# New TLB's supplied to customer entering the plant hire market



Take advantage of the opportunities in each market sector by:

- Securing aftermarket business
- Selling volumes of machines to secure annuity business (spare parts)
- Improve efficiencies within the group – stock turns, expense control etc.
- Implement new ERP system
- Participating in a R4 billion agriculture machinery tender with Department of Rural Development





# DIVISIONAL REVIEW

Engineering Solutions Group



Revenue	↑	13%
Operating profit before foreign exchange movements	↑	3%

- A strong performance by the majority of business units
- Cost saving initiatives still a key management focus
- The Simplify for Success initiatives are completed in BMG and is underway at the Man Dirk Group
- New acquisitions
  - › Fenner (2 February 2018)
  - › Rustenburg Engineering and Joerg Foundry (1 July 2018)
  - › Belt Brokers (3 September 2018)
  - › Toolquip and Allied (3 September 2018)
  - › F&H Machine Tools (3 September 2018)

## Market Trading Conditions:

The first half of the year can be described as mixed

- **Mining:** Remains depressed driven by generally lower commodity prices and the uncertainty with the Mining Charter. Ongoing concerns relative to industrial action in this sector over the next few months.
- **Agriculture:** Positive growth anticipated on spare parts due to improved environmental conditions and land restitution issues which has dampened sales of new machines (therefore higher maintenance)
- **Heavy Industry:** Continues to be depressed

## Divisional Performance:

- **BMG**
  - Solid performance ahead of plan
- **Autobax**
  - Met expectations
- **Man-Dirk**
  - Disappointing performance due to poor activity in the mining sector with huge pressures on GP's related to BBBEE and competitor activity
- **Hyflo**
  - The continued lack of project work in the oil and gas industry has resulted in further restructuring of the business

## African Operations

- A great performance in Mozambique
- Solid performance in most of the other African operations

## Working Capital:

- The year end stock cover was maintained
- Although under pressure, the debtors book is well managed - Insured cover remains over >R250k



- Acquisition of Fenner belting boosting sales performance and technical offering for heavy belting applications
- The strategic acquisition of Rustenburg Engineering and Joerg Foundry solidifies our supply base for cast iron products and gives an opportunity to manufacture more products in-house
- A great improvement in efficiencies following BMG's Simplify for Success initiatives. The initial moves created far more challenges than anticipated but these have now been resolved.
- The recent acquisition of the Forge Industrial Group (comprising Toolquip & Allied, F&H Machine Tools and Belt Brokers) with effect from 3 September 2018 has added new customers, expertise and additional sales staff to the Group. Much work is still required to integrate these businesses.
- Acquisitions in the pipeline



**Chief Executive Officer**

Gavin Pelser

**BMG**  
(Bearing Man Group)

**Man-Dirk**  
Group

**Autobax**

**Hyflo**



**MD**  
Gavin Pelser



**MD**  
Gavin Hall



**MD**  
John Black

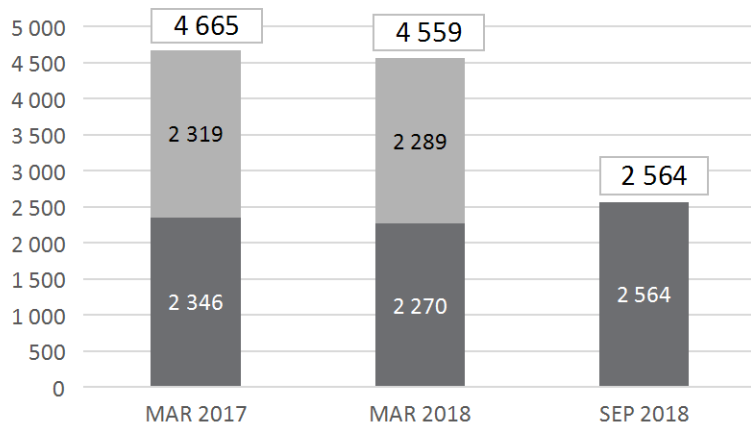


**MD**  
Wayne Holton

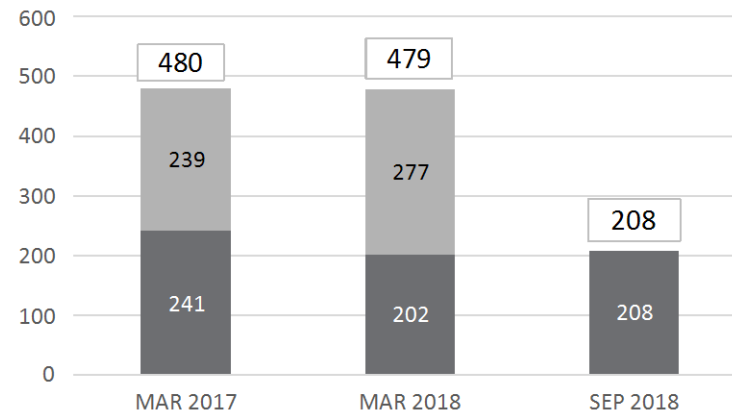
# Interim results summary

## 30 September 2018

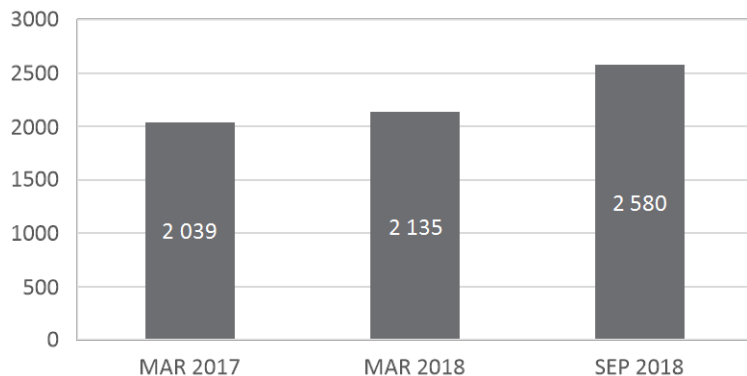
Revenue (R'm)



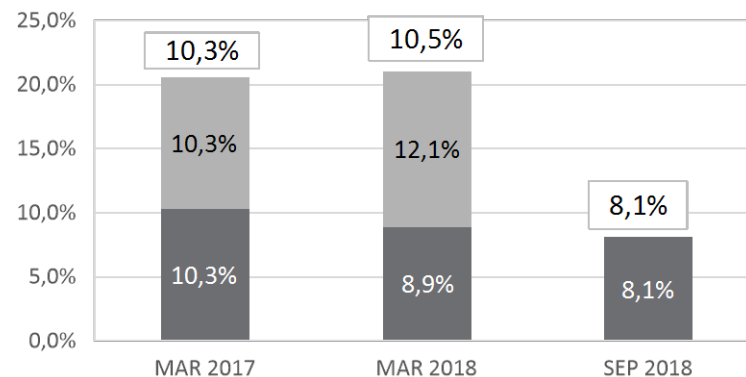
Operating profit before foreign exchange movements (R'm)



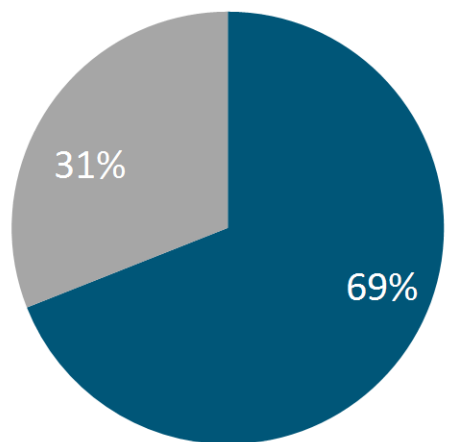
Net operating assets (R'm)



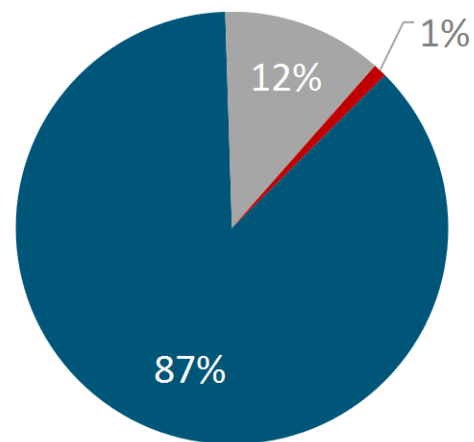
Operating profit margin (%)



■ First Half ■ Second Half



■ Consumables ■ Engineering



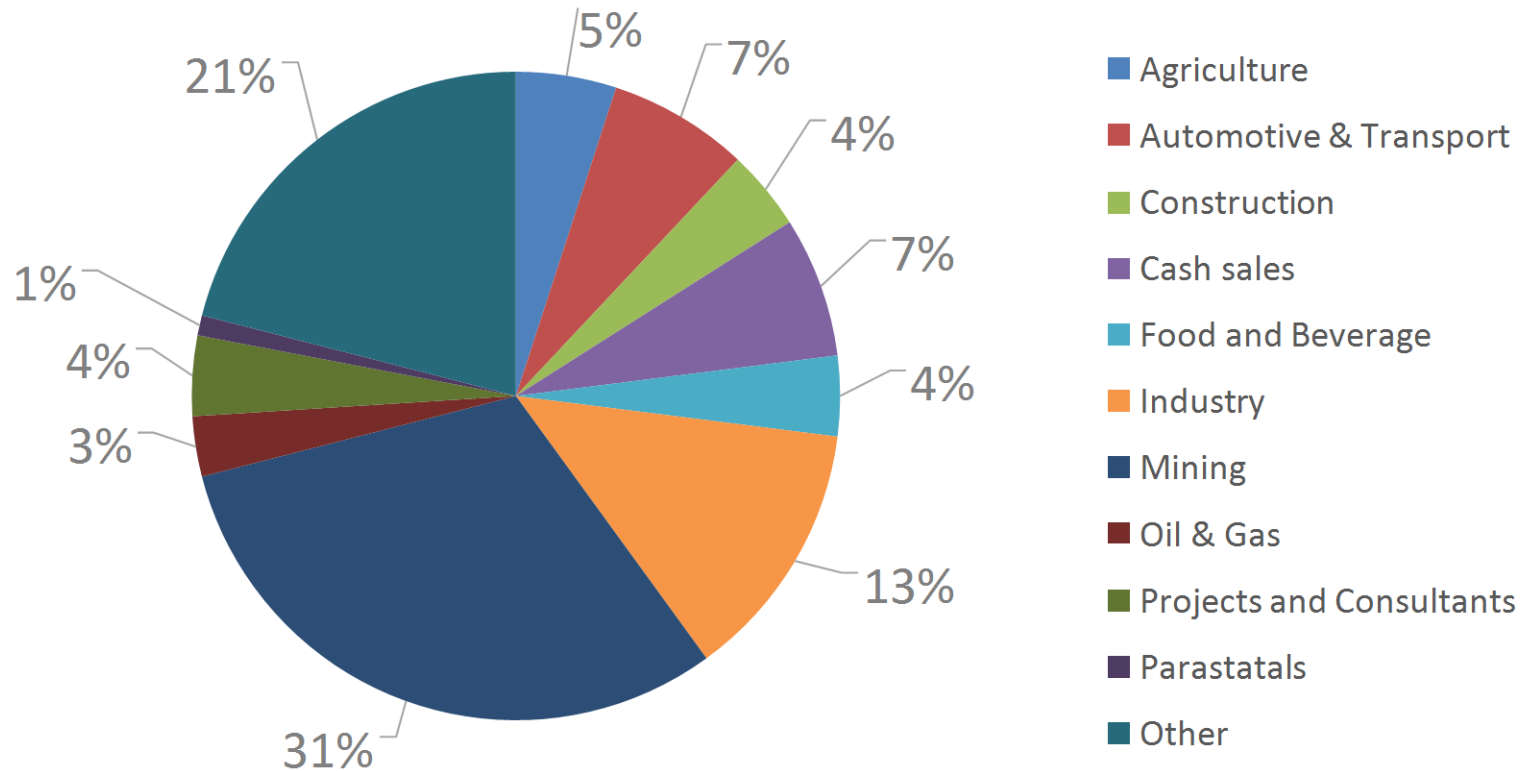
■ South Africa ■ Africa ■ Other

- Strategy of market differentiation by:
  - complementing product distribution with technical expertise

- African revenue growing as a % of ESG revenues

# Sales by industry sector

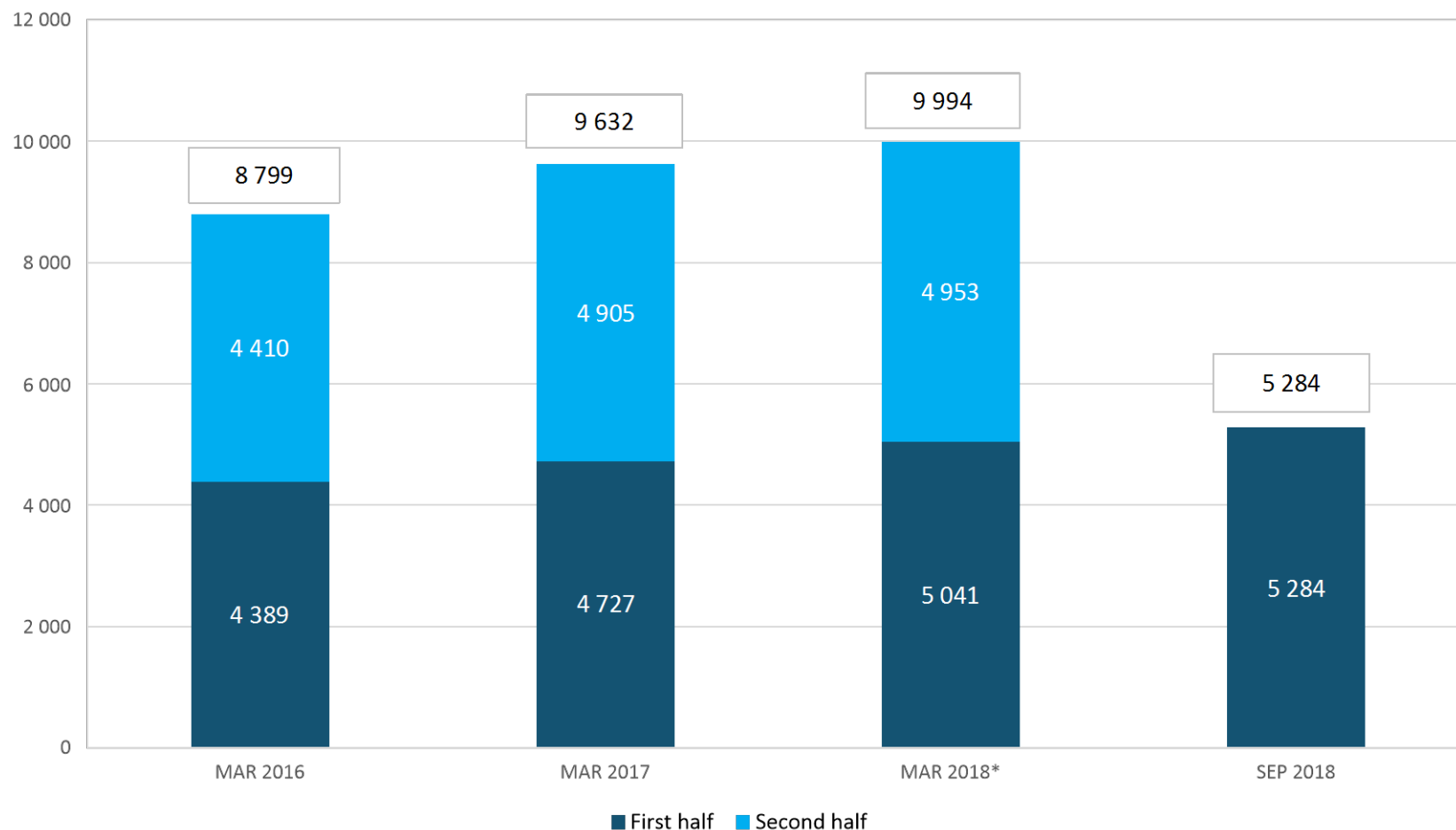
## 30 September 2018



# Group financial overview



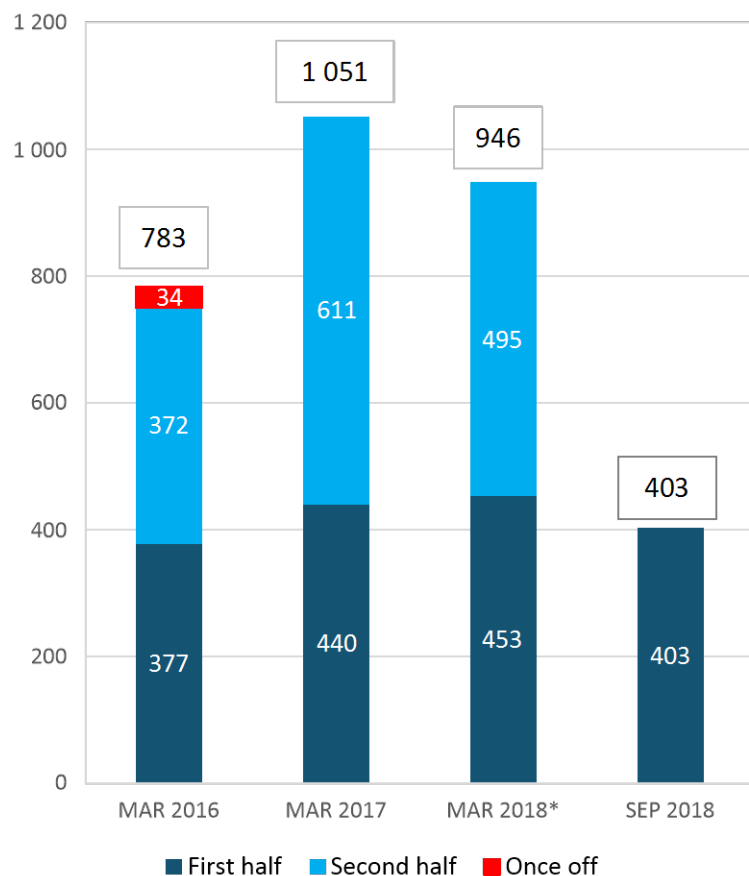
# Revenue (R'm)



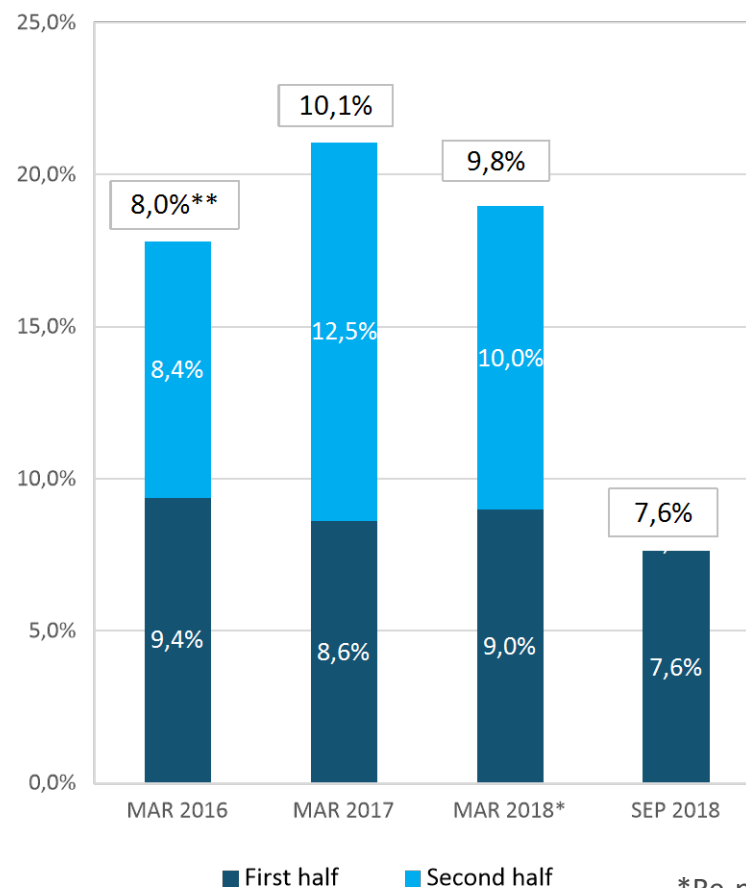
\*Re-presented

# Operating profit

Operating profit before foreign exchange movements (R'm)



Operating margin (%)

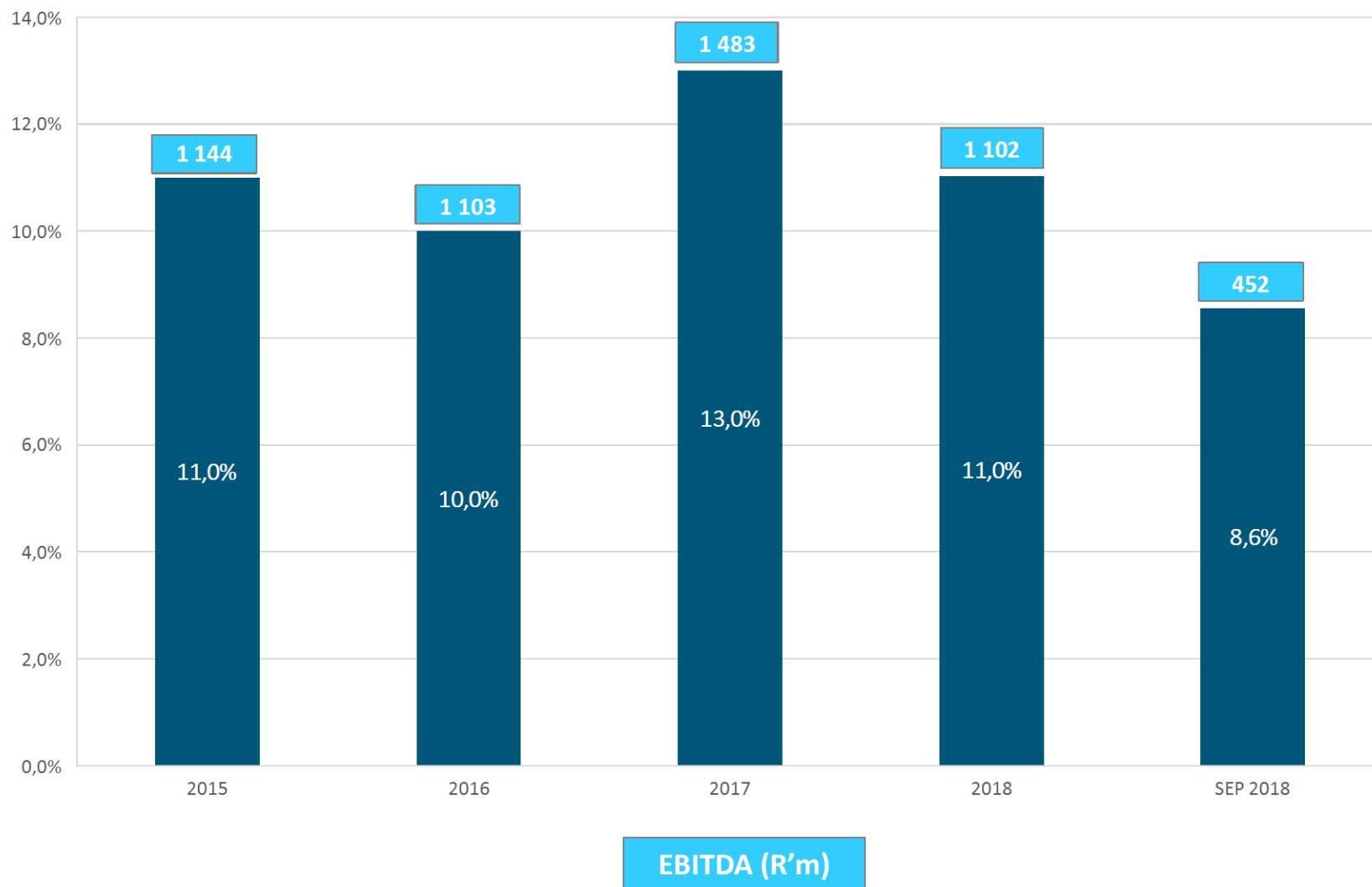


\*Re-presented

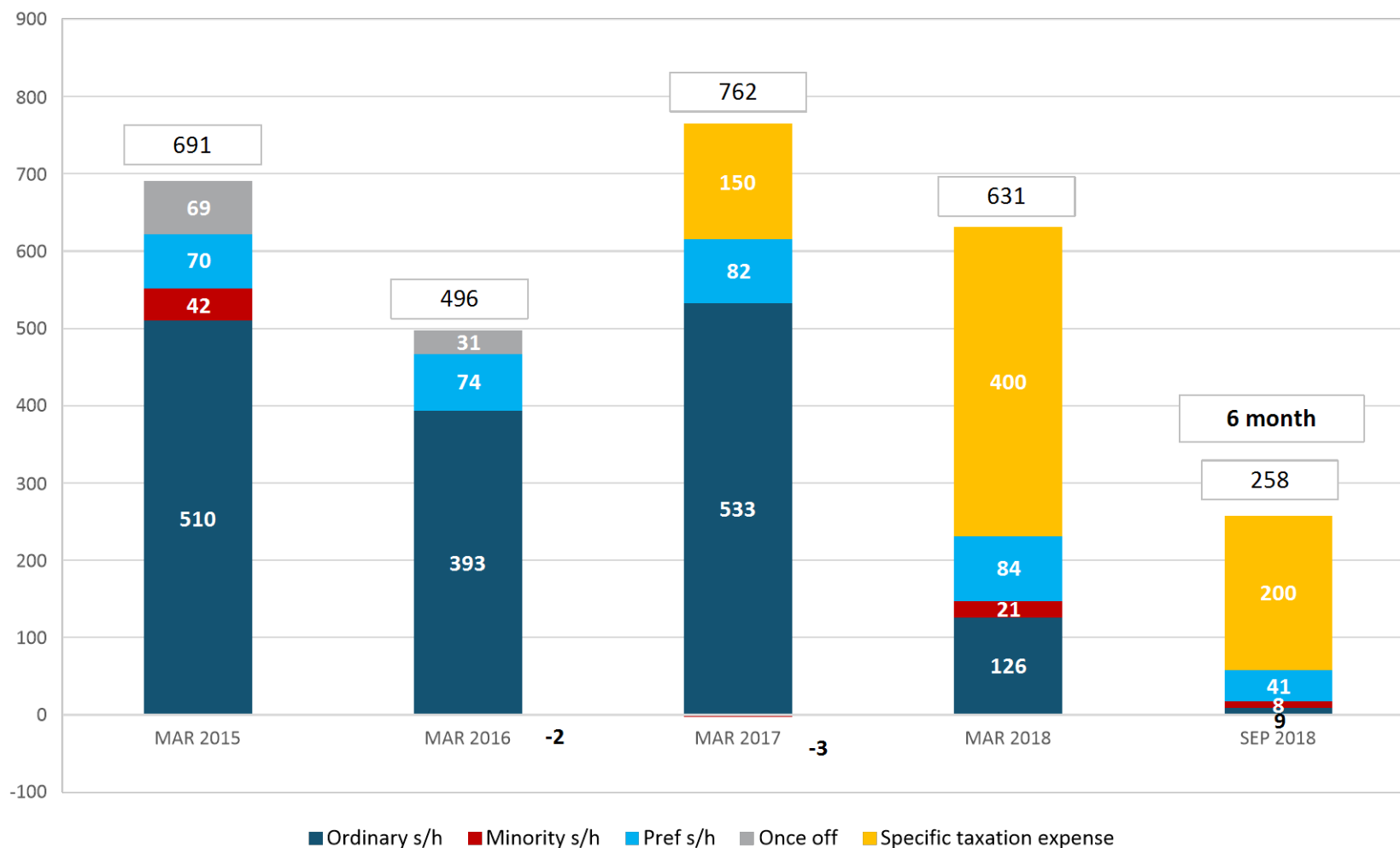
\*\*Excluding once-off items



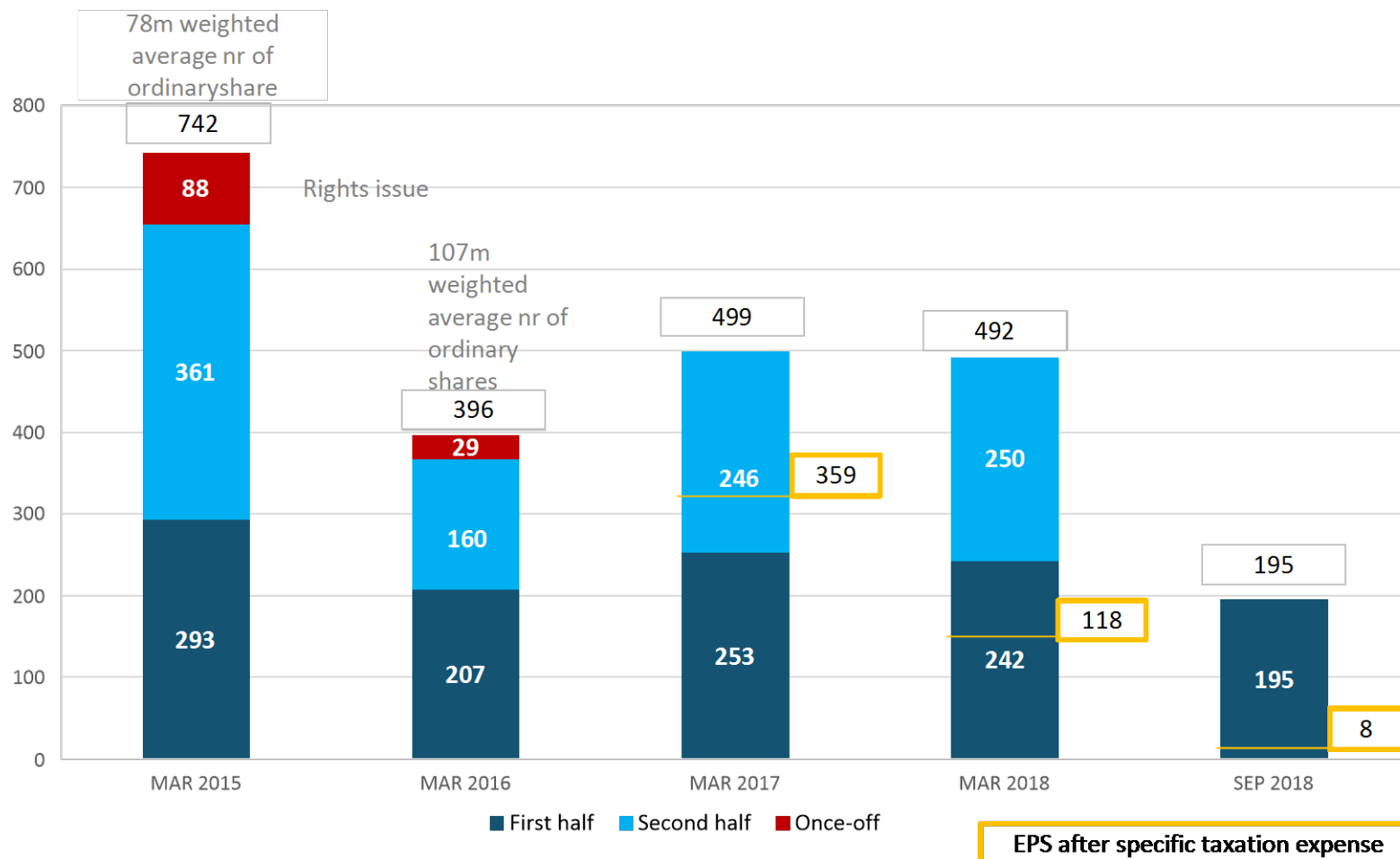
# EBITDA (%)



# Attributable earnings (R'm)



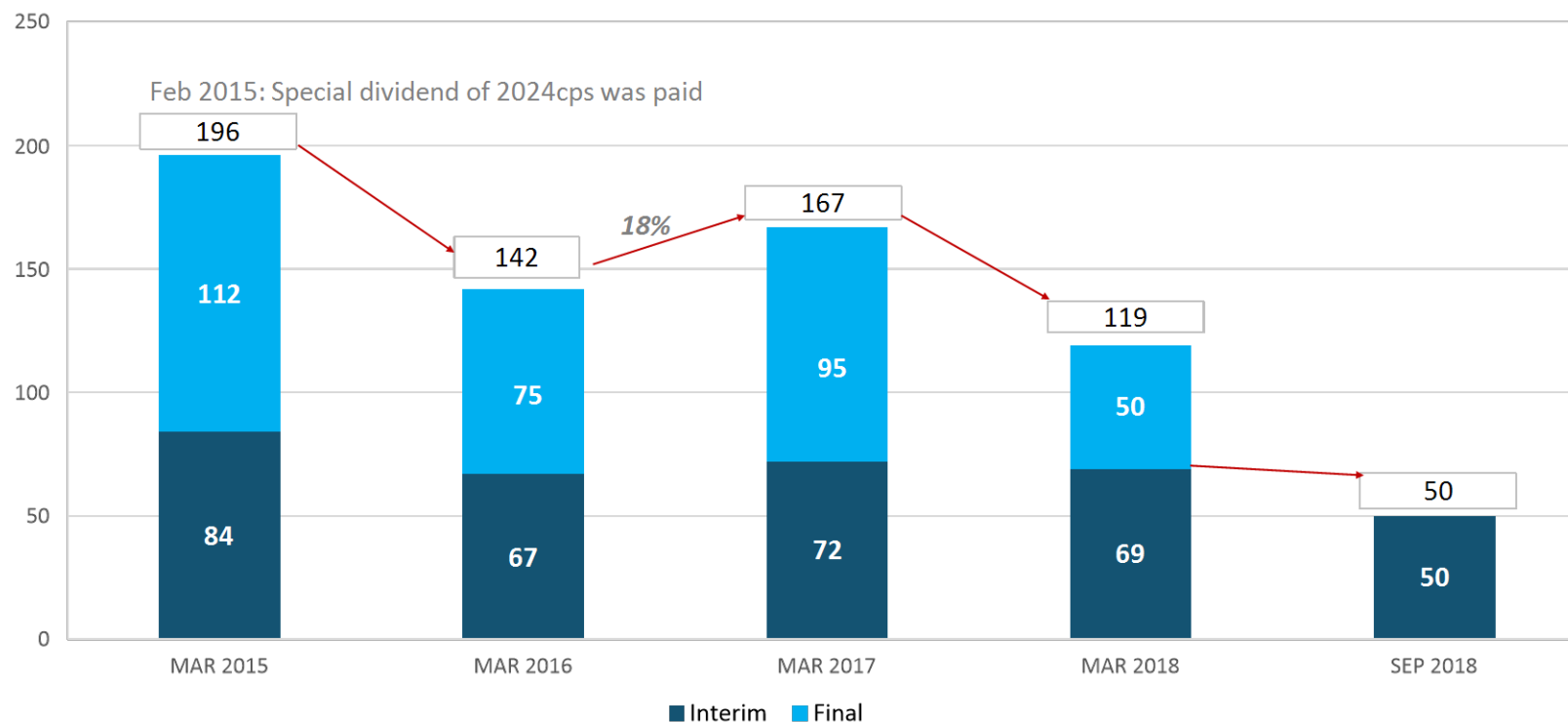
# Earnings per share (cents)



# Headline earnings

R'million	30 Sep 2018 Unaudited	30 Sep 2017 Unaudited	% Change
<b>Attributable Earnings</b>	<b>8 712</b>	<b>260 651</b>	<b>(97)</b>
Adjustments			
Impairment of investment in associate	1 588	—	
Gain from bargain purchase price recognised	(3 639)	—	
Profit on disposal of investments	—	(24 439)	
Profit on disposal of other assets	(649)	(278)	
Net profit on disposal of property, plant and equipment	(5 238)	(2 163)	
Reversal of loans	—	(297)	
Total adjustments before taxation and NCI	(7 938)	(27 177)	
Taxation	1 290	9 251	
Total adjustments	(6 648)	(17 926)	
<b>Headline Earnings</b>	<b>2 064</b>	<b>242 725</b>	<b>(99)</b>

# Dividend per share (cents)

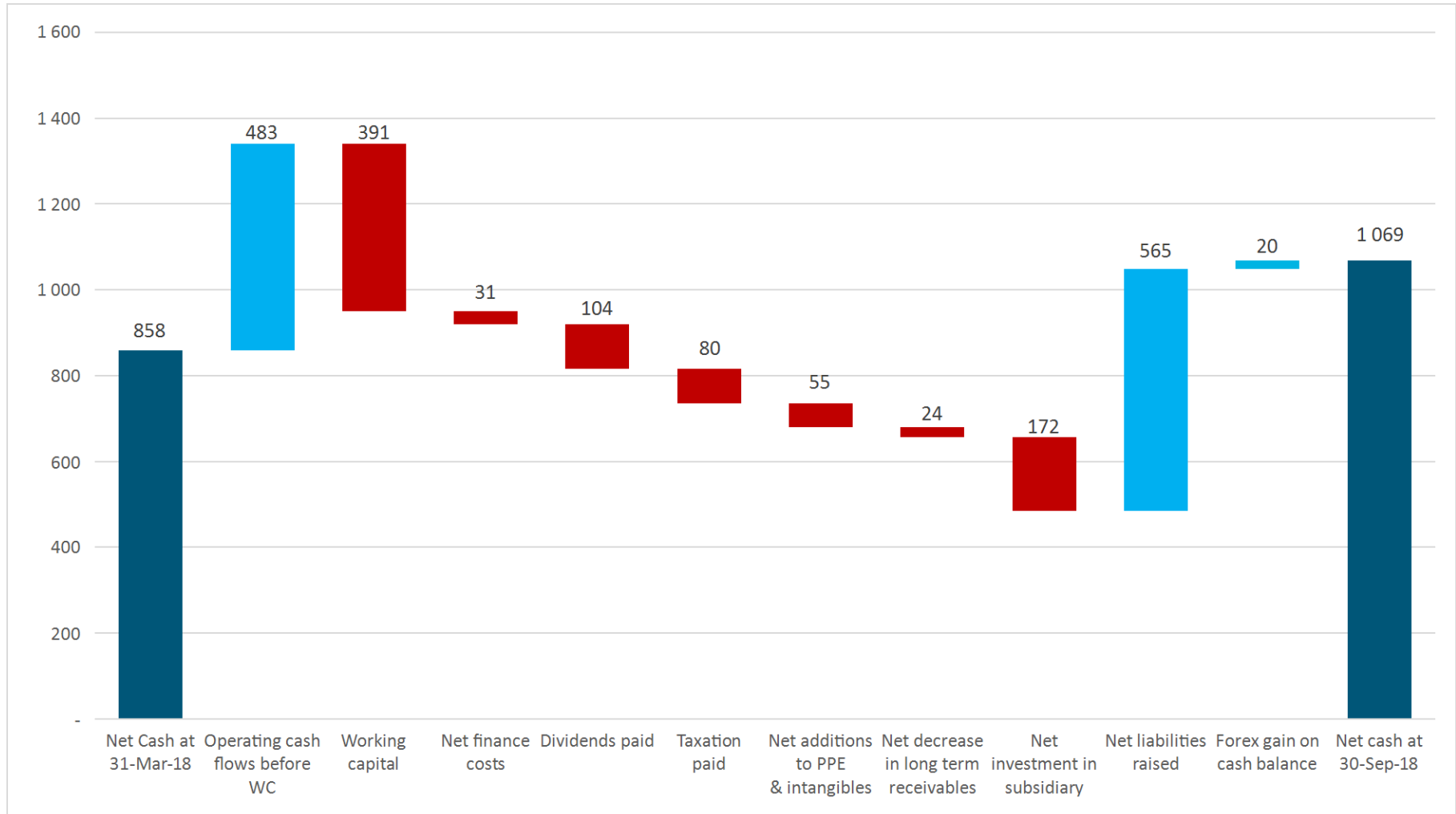


## Salient dates for the 2019 Interim Dividend

▪ Last day to trade to be eligible for the dividend	▪ Tuesday	4 December 2018
▪ Shares commence trading "ex" the dividend	▪ Wednesday	5 December 2018
▪ Record date in respect of dividend	▪ Friday	7 December 2018
▪ Dividend payments	▪ Monday	10 December 2018

# Cash flow movement

## 30 September 2018



# Prospects and strategy



# Prospects

- Current trading conditions:
  - ESG improving – hopefully the end of downward cycle and bed down acquisitions
  - CEG expect similar trading conditions until elections
  - South East Asia continue to grow
- Focus on business - avoid distractions
- Room for improvement of working capital, which will improve cash flow
- Focus on e-Commerce
- Local and international investments: Exciting opportunities in SA
- Positive developments being experienced in the market
- Market cycles: recovery imminent



# Strategy

Invicta's strategy is to:

- Generate healthy cash from existing businesses
- Build on the strength of the current businesses
- Focus on customer service, value-added distribution and supply chain efficiencies
- Diversify the Group's revenue stream geographically
- Acquire businesses that are a strategic fit for the Group
- Target RONA >20% for each of the underlying businesses
- Target real, sustainable growth

# Q & A

Thank you for your attendance and participation

[www.invictaholdings.co.za](http://www.invictaholdings.co.za)

For any further Investor Relations questions please contact:

Arnold Goldstone (CEO)

[arnoldg@invictaholdings.co.za](mailto:arnoldg@invictaholdings.co.za)



Nazlee Rajmohammed (CFO)

[nazlee@invictaholdings.co.za](mailto:nazlee@invictaholdings.co.za)



Marlize Keyter (Keyter Rech Investor Solutions)

[mkeyter@kris.co.za](mailto:mkeyter@kris.co.za)

087 351 3810

# Appendix



# Statement of profit or loss and other comprehensive income (R'000)

R'million	30 Sep 2018 Unaudited	30 Sep 2017 Unaudited	% Change
<b>Revenue</b>	<b>5 284 191</b>	5 040 650	5
<b>Operating profit before foreign exchange movements</b>	<b>403 268</b>	452 680	(11)
Net foreign exchange (cost)/profit	(3 111)	5 072	
<b>Operating profit</b>	<b>400 157</b>	457 752	(13)
Interest received and dividends received from financial investments	74 476	409 287	(82)
Interest paid	(110 407)	(468 997)	(76)
Share of profits of associates	4 190	2 189	
<b>Profit before taxation</b>	<b>368 416</b>	400 231	(8)
Taxation	(310 322)	(84 688)	266
<b>Profit for the period</b>	<b>58 094</b>	315 543	(82)

# Statement of profit or loss and other comprehensive income (R'000)

R'million	30 Sep 2018 Unaudited	30 Sep 2017 Unaudited	% Change
<b>Profit attributable to:</b>			
Owners of the Company	8 712	260 651	(97)
Non-controlling interest	7 956	12 487	
Preference shareholders	41 426	42 405	
	<b>58 094</b>	315 543	
Earnings per share (cents)	8	244	(97)
Headline earnings per share (cents)	2	227	(99)
Weighted average shares in issue ('000)	106 953	106 953	—

# Statement of financial position (R'000)

R'million	30 Sep 2018 Unaudited	30 Sep 2017 Unaudited	% Change
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1 879 999	1 728 490	
Financial investments and investment in associates	120 765	2 193 603	
Goodwill and other intangible assets	834 528	765 999	
Financial assets, finance lease and long-term receivables	54 272	3 718 675	
Deferred taxation	217 164	175 492	
<b>Non-current assets</b>	<b>3 106 728</b>	<b>8 582 259</b>	<b>(64)</b>

# Statement of financial position (R'000)

R'million	30 Sep 2018 Unaudited	30 Sep 2017 Unaudited	% Change
<b>Current assets</b>			
Inventories	4 464 861	3 960 585	
Trade and other receivables	2 262 473	2 089 355	
Current portion of financial investments, finance leases and long-term receivables	678 371	875 421	
Taxation prepaid	8 948	13 985	
Bank and cash balances	1 220 225	836 312	
Assets classified as held for sale	–	173 519	
<b>TOTAL ASSETS</b>	<b>11 741 606</b>	<b>16 531 436</b>	<b>(29)</b>

# Statement of financial position (R'000)

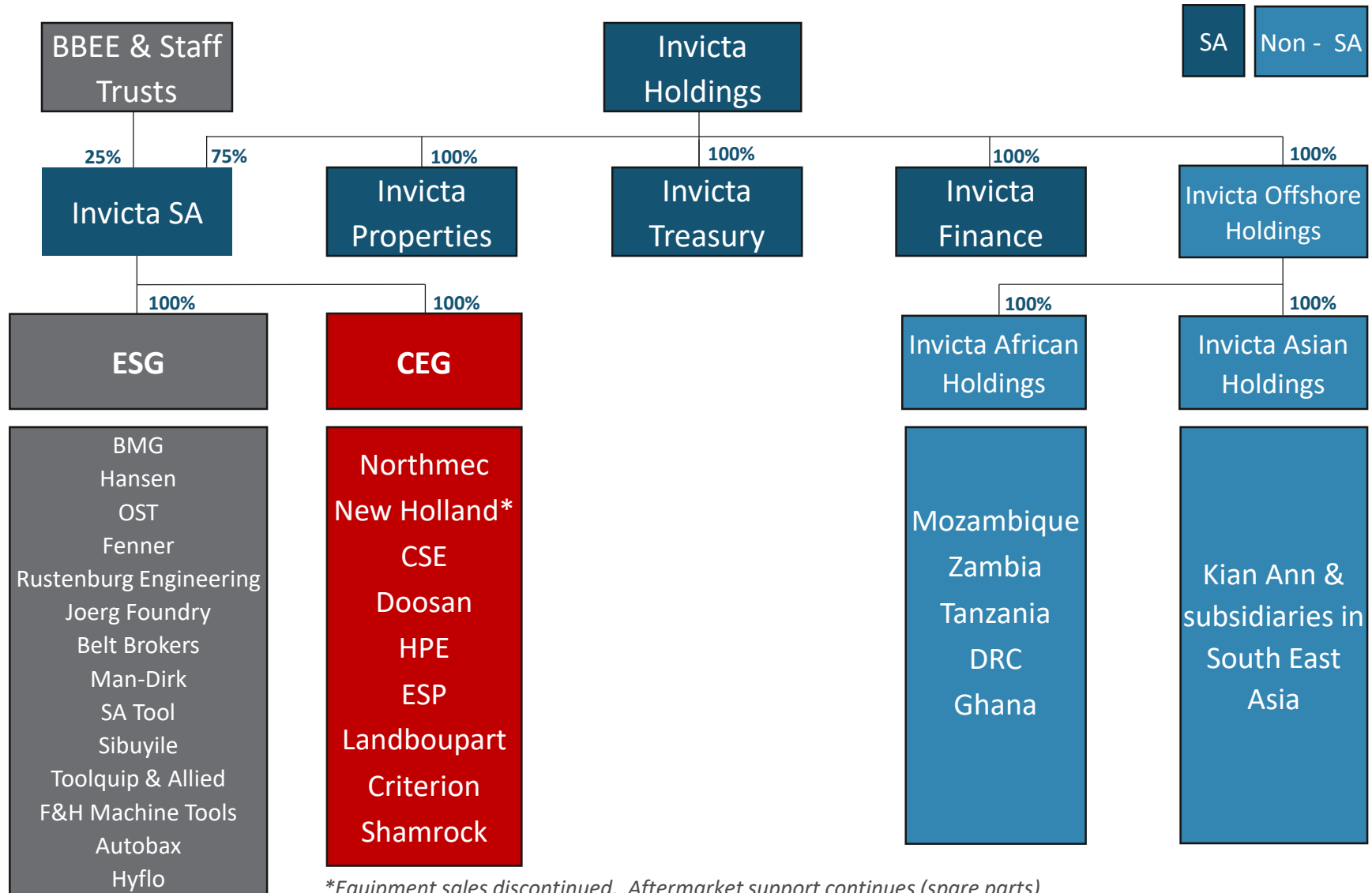
R'million	30 Sep 2018 Unaudited	30 Sep 2017 Unaudited	% Change
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Equity attributable to the equity holders	<b>5 141 986</b>	5 342 435	(4)
Non-controlling interest	<b>111 584</b>	83 480	34
Shares in issue ('000)	<b>108 495</b>	108 495	–
Net asset value per share (cents)	<b>4 842</b>	4 924	(2)
Tangible net asset value per share (cents)	<b>4 073</b>	4 218	(3)



# Statement of financial position (R'000)

R'million	30 Sep 2018 Unaudited	30 Sep 2017 Unaudited	% Change
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings and financial liabilities	1 895 252	7 159 719	
Deferred taxation	54 202	38 615	
<b>Non-current liabilities</b>	<b>1 949 454</b>	<b>7 198 334</b>	<b>(73)</b>
<b>Current liabilities</b>			
Trade, other payables and provisions	2 451 117	2 244 064	
Share appreciation rights liability	21	4 357	
Taxation liabilities	800 246	195 722	
Shareholders for dividends	41 489	41 485	
Current portion of long-term borrowings	1 094 288	1 012 910	
Bank overdrafts	151 421	298 775	
Liabilities associated with assets held for sale	–	109 874	
<b>TOTAL LIABILITIES</b>	<b>6 488 036</b>	<b>11 105 521</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11 741 606</b>	<b>16 531 436</b>	<b>(29)</b>

# Group structure



\*Equipment sales discontinued. Aftermarket support continues (spare parts)

# Capital Equipment (SA)

- Northmec (Agricultural Machinery)
- New Holland\* (Agricultural Machinery) *\*Equipment sales discontinued. Aftermarket support continues (spare parts)*
- CSE (Earthmoving Machinery)
- Doosan (Earthmoving Machinery)
- HPE (Hyundai Earthmoving)
- ESP (Spare Parts)
- Landboupart (Spare Parts)
- Criterion (Forklifts)
- Shamrock (Forklifts)
- 138 dedicated outlets



# Capital Equipment (Kian Ann Group)

## Kian Ann Engineering

- One of the world's largest independent distributors of heavy machinery and diesel engine parts
- HQ in Singapore
- Subsidiaries in Singapore, Indonesia, China, Canada, United Kingdom, USA and Myanmar
- Joint venture in India
- Associate in China



## Kian Chue Hwa Industries

- One of Asia's largest independent distributors of commercial and industrial vehicle parts
- HQ in Singapore
- Subsidiaries in Indonesia, Thailand and Malaysia



# Engineering Solutions

- BMG (Bearing Man Group)
  - Engineering components & technical services
  - 102 branches
  - Bearings, Seals, PT, Tools, Fasteners
  - Drives, Motors, Belting, Field Services
  - Filtration, Hydraulics, Lubrication, Pneumatics

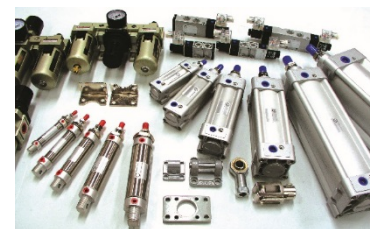


- Hansen
- Rustenburg Engineering & Joerg Foundry
- Belt Brokers

- Man-Dirk Group (incl SA Tool)
  - Tools & equipment, PPE, lifting and welding
  - 18 branches & subsidiaries
  - Newly acquired Toolquip & Allied and F&H



- Autobax
  - Automotive
  - 3 branch network



- OST
- Hyflo

# Group profit drivers

- Mining and industrial activity (ESG and CEG)
- Agricultural activity (Northmec and aftermarket parts)
- Construction and earthmoving activity (CSE, Doosan SA & HPE)
- Warehousing (Criterion Equipment and Shamrock)
- Global replacement spares market (Kian Ann)

# Executive management team

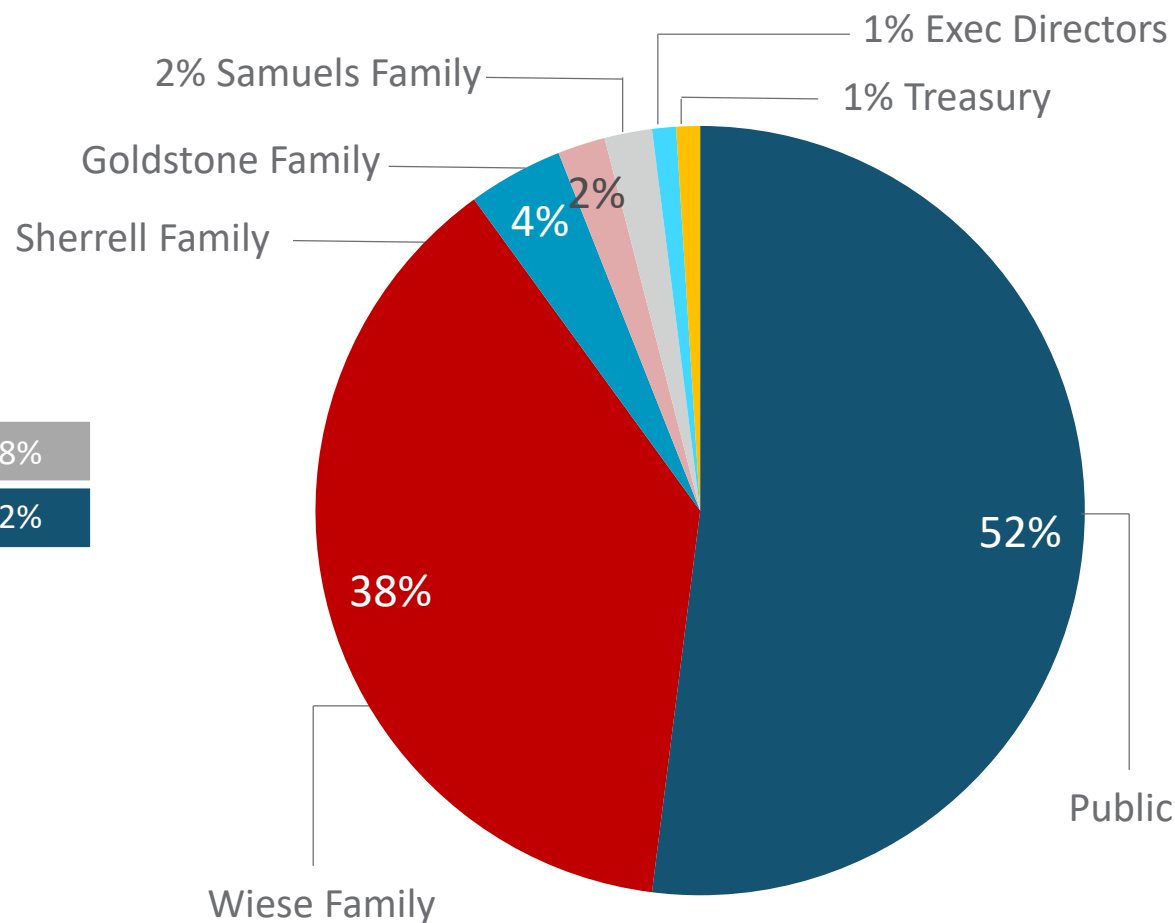
## BOARD OF DIRECTORS

Dr Christo Wiese (Non-Executive Chairman)

<u>ENTITY</u>	<u>CHIEF EXECUTIVE OFFICER</u>	<u>CHIEF FINANCIAL OFFICER</u>
Invicta Holdings	ARNOLD GOLDSTONE	NAZLEE RAJMOHAMED
Capital Equipment Group	TONY SINCLAIR	GEOFF BALSHAW
Engineering Solutions Group	GAVIN PELSER	BENNIE GROENEWALD



# Shareholding as at 30 September 2018



Directors' Total %	48%
Public %	52%