

INSIMBI INDUSTRIAL HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration No: 2002/029821/06)
Share code: ISB
ISIN code: ZAE000116828
("Insimbi" or "the Group" or "the Company")

UNREVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2023

Insimbi is a group of companies that sustainably source, process, beneficiate and recycle metals. The core business expertise is the ability to source and provide local, regional, and global industrial consumers with the required commodity over its four distinct business segments. The Group herewith announces its unreviewed condensed consolidated financial results for the six months ended 31 August 2023 ("Current Reporting Period").

FINANCIAL INDICATORS

	2023	2022	% Change
Revenue (R'000)	3 028 875	3 154 723	(4)
Net profit (R'000)	56 732	67 359	(16)
Operating profit (R'000)	103 163	113 330	(9)
Cash generated from operations (R'000)	4 662	100 978	(95)
Earnings per share (cents)	15.38	17.06	(10)
Headline earnings per share (cents)	15.46	16.41	(6)
Dividend per share (cents)	2.5	3.0	(17)

CEO of Insimbi, Fred Botha, commented:

Operating conditions in the first half of our new financial year remained challenging, although price fluctuations in our key commodities (copper, aluminium, nickel and steel) largely balanced each other out.

While the global economy shows signs of improvement, the upturn remains weak, with significant downside risks. Lower energy prices are taming headline inflation and China's reopening has boosted global activity. But core inflation is proving persistent, and the impact of higher interest rates is evident across the global economy. In South Africa, higher inflation has seen the Reserve Bank raise interest rates over 4% in the past year. The concomitant impact on businesses has been exacerbated by the ongoing and significant issues at key parastatals for logistics and power, respectively Transnet and Eskom.

Against this background, Insimbi produced solid results for the six months to August 2023, underscoring the benefit of our diversified portfolio. In addition to timely management action, this diverse asset base has shielded the Group from the impact of the government ban on exporting recycled metals, which is currently in place until December 2023. Reflecting the consistent performance of our operations, in the interim period we have:

- Largely maintained revenue at over R3 billion (-4% vs interim period in 2022) although operating profit declined 9%.
- Continued to manage increases in operating expenditure, despite record hikes in fuel and transport logistics as well as the ongoing instability of power supplies. The significant cost reductions effected to date are sustainable as we operate a leaner and resilient business.
- Reduced our debt-to-equity ratio from over 99% in FY21 to 61% in FY23 and maintained this level despite the noted interest rate increases.
- Met all our financial covenants at reporting date.

Overall, our target industries and markets continue to develop, our core operations have performed well and demand for our products remains strong, both locally and for export.

Prospects

The local economy is fragile, with the South African Reserve Bank revising forecast gross domestic product (GDP) growth to 0.7% for 2023. In its September statement, the bank noted that energy and logistical constraints remain binding on the growth outlook, limiting economic activity and increasing costs. As such, any improvement in logistics and a sustained reduction in loadshedding, or greater energy supply from alternative sources, would significantly increase GDP growth. The sharp increase in announced renewable energy projects by companies across the board is therefore a promising indicator.

For Insimbi, we believe conditions in the second half of the 2024 financial year will remain challenging, but I am optimistic for the remainder of our financial year, given our intense focus on costs, working capital and margins. In addition, the global focus on decarbonisation and vehicle electrification should support copper and aluminium prices, in turn boosting our revenue and margins. While the risk of external disruptions obviously remains high, we believe we have demonstrated the Group's resilience over the past three years.

Strategically, our focus is on recycling and beneficiating ferrous and non-ferrous metals to meet demand for our products from local and export clients. This clarity of purpose is reinforced by excellent teams across the Group working to deliver more with less, and we deeply appreciate their commitment.

In conclusion, I am confident that our interim results and rolling 12-month earnings are tangible evidence of Insimbi's resilience and potential, even under difficult conditions.

Financial Overview

Group revenue for the Current Reporting Period is R3.0 billion, representing a decrease of 4% on the comparative period ended 31 August 2022 ("Prior Period"). Volumes are down 11% when compared to the Prior Period, however this decrease has been offset by a weaker Rand. Gross margins have also been under pressure at 8.7% compared to 9.4% for the Prior Period. This has resulted in gross profit of R263.7 million, compared to R297.8 million for the same period last year, representing a decrease of R34 million.

Group operating profit, however, reduced by only 11.4% from R113.3 million to R103.1 million, representing a decrease of R10.1 million from the Prior Period. Operating expenditure has decreased by 15%, or R28.7 million as a result of the Group's continuous focus on cost savings and optimising the Group's operations and assets. Occupancy costs have reduced by 30% as result of renting of underutilised properties, vehicles expenses have reduced by 11% and personnel expenses have reduced by 6%, or R15 million when compared to the Prior Period.

Group finance costs for the Current Reporting Period have increased by 34.5% from R28.1 million to R37.9 million. The increase was largely driven by the increased in the South African prime lending rate, although the Group has been operating at higher levels of its working capital facilities. The debt-to-equity ratio increased from 65% on 31 August 2022, to 71.3% on 31 August 2023 as a result of the increased utilisation of the working capital facilities (as explained below), despite having re paid R23 million towards long-term debt.

The Group achieved earnings per share ("EPS") of 15.38 and headline earnings per share ("HEPS") of 15.46 cents per share respectively compared to 17.06 and 16.41 cents per share reported in the Prior Period. This equates to a decrease of 9.8% and 5.8% in EPS and HEPS, respectively.

Cash generated from operations reduced by 95% from R100.1 million to R4.6 million due to the increased working capital cycle. The net working capital cycle has been extended from 38 days at the end of February 2023, to 42 days at the end of August 2023. The reason for the increase is largely attributable to two reasons. Firstly, due to the ban on exports of recycled metals, the Group is now forced to supply more material to the local market, where we offer payment terms to remain competitive. This is opposed to the export markets where the payment terms are up front, or upon shipping. The Group has mitigated the risk on local debtors by obtaining insurance cover on all customers, where available. An unfortunate consequence of these circumstances is that local customers are exploiting the situation and extending their agreed payment terms and as a result, almost R140million which should have been received by 31st August 2023, was only received from these debtors in the first 5 workings days after month-end. This impacted significantly on our cashflow statement and our debt-to-equity ratio at the reporting date. Secondly, due to the loadshedding impacting on the local supplier base, the Group has been importing more material, where payment terms are not as favourable as those from local supply.

Capital expenditure includes the new Enterprise Resource Planning system that has been implemented in the current year, some capital expansion to process metals for exports and other projects to further diversify the current product lines. The Group has also replaced some older vehicles, which have become inefficient.

There have not been any breaches in covenants in the Current Reporting Period, and management is comfortable that no breaches will take place in the near future.

Dividend Declaration

An interim gross dividend of 2.5 cents per share has been declared by the board on 16 October 2023. There are 377 198 097 ordinary shares in issue at announcement date.

The board has confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act of South Africa, No. 71 of 2008, as amended, has been duly considered, applied, and satisfied. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax rate is 20.0%. The dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is 2.0 cents and 2.5 cents per share, respectively. The income tax number of the Company is 9078488153.

The salient dates applicable to the interim dividend are as follows:

	2023
Declaration of dividend	Monday, 16 October
Last day to trade <i>cum</i> dividend	Tuesday, 14 November
First day to trade <i>ex-dividend</i>	Wednesday, 15 November
Record date	Friday, 17 November
Payment date	Monday, 20 November

Share certificates may not be dematerialised and rematerialised between Wednesday, 15 November 2023, and Friday, 17 November 2023, both days inclusive.

Shares repurchased by a subsidiary between year-end and announcement date amounted to 4 938 953 (2022: 2 500 000). 5 985 591 (2022: nil) shares held in treasury were cancelled during the period, which brings the total number of treasury shares to 11 396 139 (2022: 29 101 012).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED

R'000	Unreviewed 31 August 2023	Unreviewed 31 August 2022	Audited 28 February 2023
Revenue (from contracts with customers)	3 028 875	3 154 723	5 731 423
Sale of goods	3 014 375	3 137 528	5 646 567
<i>Sale of goods - Local</i>	2 654 959	2 514 316	4 418 619
<i>Sale of goods - Export</i>	359 416	623 212	1 227 948
Rendering of services	14 500	17 195	84 856
<i>Services revenue - Transport and insurance</i>	13 378	16 761	84 144
<i>Services revenue - Sample analysis</i>	1 122	434	712
Cost of sales	(2 765 161)	(2 856 968)	(5 203 766)
Gross profit	263 714	297 756	527 657
Other operating income	1 183	1 642	19 939
Other operating gains/(losses)	(1 752)	2 602	721
Operating expenses	(159 982)	(188 670)	(348 526)
Operating profit	103 163	113 330	199 791
Investment revenue	1 263	79	611
Finance cost	(37 850)	(28 140)	(58 604)
Income from equity accounted investments	3 779	3 389	5 067
Profit before taxation	70 355	88 658	146 865
Taxation	(13 622)	(21 299)	(39 522)
Profit for the year	56 733	67 359	107 343
Other comprehensive income for the year			
Items that will not be reclassified to profit and loss:			
Gains on property revaluation (net of taxation)	-	-	1 760
Total comprehensive income for the year	56 733	67 359	109 103
Basic earnings per share from profit for the year	15.38	17.06	27.94
Diluted earnings per share from profit for the year	15.26	16.49	27.62

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT

R'000	Unreviewed 31 August 2023	Unreviewed 31 August 2022	Audited 28 February 2023
Assets			
Non-current assets			
Property, plant and equipment	372 813	383 028	362 559
Goodwill	170 484	170 484	170 484
Intangible assets	6 446	6 903	6 669
Investments in joint ventures	4 967	1 178	2 856
Lease receivable	2 016	2 359	2 183
Deferred taxation asset	24 840	13 274	24 840
	581 566	577 226	569 591
Current assets			
Inventories	251 381	333 908	304 596
Lease receivable	302	337	337
Trade and other receivables	689 981	571 744	608 564
Derivatives	-	-	3 626
Current taxation receivable	-	-	823
Cash and cash equivalents	51 098	103 073	97 076
Assets in disposal groups classified as held for sale	8 249	-	8 249
	1 001 011	1 009 062	1 023 271
Total assets	1 582 577	1 586 288	1 592 862

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT (continued)

R'000	Unreviewed 31 August 2023	Unreviewed 31 August 2022	Audited 28 February 2023
Equity and liabilities			
Equity			
Share capital	192 003	205 457	196 236
Reserves	45 137	52 610	45 743
Retained earnings	498 799	422 919	460 162
	735 939	680 986	702 141
Liabilities			
Non-current liabilities			
Financial liabilities at amortised cost	159 892	180 660	173 794
Lease liabilities	9 102	12 720	11 997
Deferred taxation	56 673	39 208	54 731
	225 667	232 588	240 522
Current liabilities			
Trade and other payables	186 004	289 142	278 884
Financial liabilities at amortised cost	416 071	365 081	355 029
Derivatives	259	2 521	1 134
Lease liabilities	3 969	3 471	2 474
Current taxation payable	14 668	12 500	12 678
	620 971	672 715	650 199
Total liabilities	846 638	905 303	890 721
Total equity and liabilities	1 582 577	1 586 289	1 592 862

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED

R'000	Share capital and premium	Treasury shares	Total share capital
Balance at 31 August 2022 (unreviewed)	230 277	(24 820)	205 457
Total comprehensive income	-	-	-
Dividend paid	-	-	-
Treasury shares cancelled	(23 932)	23 932	-
Transfers between reserves	-	-	-
Shares repurchased	(150)	(9 071)	(9 221)
Balance at 28 February 2023 (audited)	206 195	(9 959)	196 236
Total comprehensive income	-	-	-
Dividend paid	-	-	-
Treasury shares cancelled	(6 809)	6 809	-
Transfers between reserves	-	-	-
Shares repurchased	-	(4 233)	(4 233)
Balance at 31 August 2023 (unreviewed)	199 386	(7 383)	192 003

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED (continued)

R'000	Revaluation reserve	Share based payment reserve	Retained income	Total equity
Balance at 31 August 2022 (unreviewed)	44 819	7 791	422 918	680 985
Total comprehensive income	1 135	-	40 609	41 744
Dividend paid	-	-	(11 367)	(11 367)
Treasury shares cancelled	-	-	-	-
Transfers between reserves	(4 436)	(3 566)	8 002	-
Shares repurchased	-	-	-	(9 221)
Balance at 28 February 2023 (audited)	41 518	4 225	460 162	702 141
Total comprehensive income	-	-	56 732	56 732
Dividend paid	-	-	(18 701)	(18 701)
Treasury shares cancelled	-	-	-	-
Transfers between reserves	-	(606)	606	-
Shares repurchased	-	-	-	(4 233)
Balance at 31 August 2023 (unreviewed)	41 518	3 619	498 799	735 939

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED

R'000	Unreviewed 31 August 2023	Unreviewed 31 August 2022	Audited 28 February 2023
Cash flow from operating activities			
Cash generated from operations	4 662	100 978	157 748
Investment income	1 263	79	610
Taxation paid	(10 809)	(15 675)	(27 549)
Net cash flow from operating activities	(4 884)	85 382	130 809
Cash flow from investing activities			
Purchase of property, plant and equipment	(24 479)	(4 085)	(18 088)
Proceeds on disposal of property, plant and equipment	180	6 052	25 333
Dividend from investment in joint ventures	1 668	3 724	3 724
Net cash from investing activities	(22 631)	5 691	10 969
Cash flow from financing activities			
Proceeds from financial liabilities at amortised cost	66 508	131 000	111 719
Repayment of other financial liabilities	(22 990)	(144 503)	(129 328)
Finance costs	(37 850)	(28 140)	(58 604)
Repurchase of treasury shares	(4 233)	(2 545)	(11 766)
Dividend paid	(18 701)	-	(11 367)
Principal elements of lease repayments	(1 197)	(1 191)	(2 735)
Net cash outflow from financing activities	(18 463)	(45 379)	(102 081)
Net movement in cash for the period/year	(45 978)	45 694	39 697
Cash and cash equivalents at the beginning of the period/year	97 076	57 379	57 379
Cash and cash equivalents at the end of the period/year	51 098	103 073	97 076

CONDENSED SEGMENT REPORT

R'000	Unreviewed 31 August 2023	Unreviewed 31 August 2022	Audited 28 February 2023
Revenue by segment			
Sale of goods - local			
Non-Ferrous	1 789 850	1 495 131	2 708 434
Ferrous	788 102	922 078	1 541 962
Refractory	77 007	80 338	150 172
Plastics	-	16 769	18 051
	2 654 959	2 514 316	4 418 619
Sale of goods - exports			
Non-Ferrous	333 507	494 923	975 181
Ferrous	22 663	126 816	252 767
Refractory	3 246	1 473	-
	359 416	623 212	1 227 948
Rendering of services - transport and insurance			
Non-Ferrous	5 289	12 226	30 877
Ferrous	8 088	4 501	53 203
Refractory	1	34	64
	13 378	16 761	84 144
Rendering of services - sample analysis			
Non-Ferrous	1 122	434	712
	1 122	434	712
Total revenue from contracts with customers			
Non-Ferrous	2 129 768	2 002 714	3 715 204
Ferrous	818 853	1 053 395	1 847 932
Refractory	80 254	81 845	150 236
Plastics	-	16 769	18 051
	3 028 875	3 154 723	5 731 423
Gross profit by segment			
Non-Ferrous	188 636	206 746	390 596
Ferrous	65 447	78 713	120 068
Refractory	9 631	8 899	15 469
Plastics	-	3 398	1 524
	263 714	297 756	527 657
Operating profit by segment			
Non-Ferrous	71 161	67 990	137 999
Ferrous	27 605	40 488	55 554
Refractory	4 397	7 357	12 446
Plastics	-	(2 505)	(6 208)
	103 163	113 330	199 791

OTHER GROUP SALIENT FEATURES

R'000	Unreviewed 31 August 2023	Unreviewed 31 August 2022	Audited 28 February 2023
<p>Basic attributable earnings per share is calculated by dividing the net profit attributable to ordinary equity shareholders by the weighted average number of ordinary shares outstanding during the year.</p>			
Basic earnings per share			
From continuing operations (cents per share)	15.38	17.06	27.94
Weighted number of shares in issue at the end of the period ('000)	380 495	421 538	414 024
Less: weighted number of treasury shares held in a subsidiary at the end of the period ('000)	(11 683)	(26 789)	(29 776)
	368 811	394 749	384 248
Headline earnings per share			
<p>Headline earnings are determined by adjusting basic earnings by excluding separately identifiable remeasurement items. Headline earnings are presented after tax.</p>			
Basic earnings	56 733	67 359	107 343
Adjusted for (Profit)/loss on sale of property, plant and equipment, net of tax (R'000)	290	(2 569)	(1 452)
Headline earnings for the group (R'000)	57 023	64 790	105 891
Headline earnings per share (cents)	15.46	16.41	27.56
Diluted earnings per share			
<p>Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has potentially dilutive share options.</p>			
<p>A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculate as above is compared with the number of shares that would have been issued assuming the exercise of the options.</p>			
Reconciliation of number of shares for diluted earnings (loss)			
Weighted average number of ordinary shares in issue ('000)	368 811	394 749	384 248
Adjusted for: Share options ('000)	2 939	13 669	4 430
Weighted average number of ordinary shares for diluted earnings per share ('000)	371 750	408 419	388 678
Diluted earnings per share (cents)	15.26	16.49	27.62
Diluted headline earnings per share (cents)	15.34	15.86	27.24
Other salient features			
Net asset value per share (cents)	200.48	173.52	191.82
Tangible net asset value per share (cents)	152.28	128.32	143.42
EBITDA	122 485	135 954	240 447
Depreciation and amortisation	15 543	19 235	35 589

Basis of preparation and accounting policies

The unreviewed condensed consolidated financial statements for the interim period ended 31 August 2023 have been prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The unreviewed condensed consolidated financial statements have been prepared under the supervision of the Chief Financial Officer, Nadia Winde, CA (SA). The accounting policies are consistent with those applied in the annual financial statements for the previous year. The above information has not been audited or reported on by Insimbi's auditors.

Contingencies

The Group does not have any material contingencies.

Approval:

RI Dickerson	F Botha
Chairman	Chief Executive Officer
16 October 2023	

Directors:	F Botha (Chief Executive Officer)
	N Winde (Chief Financial Officer)
	RI Dickerson* (Chairperson)
	N Mwale*
	CS Ntshingila*
	(*non-executive)
Company Secretary:	M Madhlophe
Registered office:	Stand 359 Crocker Road, Wadeville, Germiston, 1422
Website:	www.insimbi-group.co.za
Sponsor:	PSG Capital Proprietary Limited
Transfer Secretaries:	Computershare Investor Services Proprietary Limited
Auditors:	Moore Cape Town Inc.