



Novus Holdings Limited
Incorporated in the Republic of South Africa
(Registration number 2008/011165/06)
JSE share code: NVS ISIN: ZAE000202149
("Novus Holdings", "the Company" or "the Group")

PROVISIONAL AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2022 AND RESULTS PRESENTATION

Novus Holdings services the Country, and customers across sub-Saharan Africa through its print and packaging production of an extensive and diverse range of print and flexible packaging products and solutions.

SALIENT FEATURES

- Revenue up by 6,2% to R3 014 million (2021: R2 838 million)
- Operating profit* improvement to R193 million (2021: operating loss of R20 million)
- Headline earnings per share increased from a headline loss of 5,4 cents per share to a profit of 53,2 cents per share
- Earnings per share improved to 30,4 cents (2021: 8,3 cents loss per share)
- No additional dividend declared at this time (2021: 50 cents)
- Net working capital decreased by a further R51,6 million
- Closing cash position increased from R442,8 million to R 567,9 million

* Operating profit excluding "other gains/(losses)."

PERFORMANCE OVERVIEW

The Group made a noteworthy recovery in this financial year with a significant improvement in operating profit and revenue levels stabilising after COVID-19 inflicted permanent damage to the print industry. The Group returned to profitability, reporting operating profit of R193 million compared to an operating loss of R20 million in the prior year. Revenue grew by 6,2% off a reduced base and the exclusion of Tissue revenue due to disposal thereof halfway through the prior year, with Print reporting an increase in volumes in the Retail Inserts and Catalogues category. Certain print categories namely Magazines and Newspapers, continued to decline post COVID-19 resulting from increased pressure on consumer spend. Packaging revenue grew by 9,5% with ITB Flexible Packaging Solutions ("ITB") delivering a solid performance. Novus Labels unfortunately failed to recover post COVID-19 and was consciously cut back to focus only on strategic products.

Gross profit margin increased by 5,4% to 24,4% due to changes in the product mix and increased operational efficiencies resulting from the rationalisation across the Print segment in the prior year. Operating expenses reduced by 3,4% with once off costs inclusive of R35,7 million relating to the relocation of printing assets, following the merger of the two Novus Print facilities located in Gauteng. Indirect staff costs decreased by 14,5% over the prior year including retrenchment costs for the Print segment rationalisation and the current year benefiting from the more streamlined structure.

Other once off items included in the Group's results included the following:

- An impairment of plant and machinery amounting to R69,1 million and goodwill amounting to R16,7 million in the Packaging segment mainly due to the Group's strategic decision to exit a key label customer contract. The decision to exit was informed by the division's inability to generate optimal returns as a result of constricted margins and the significant working capital invested in servicing this contract.
- The Group terminated lease agreements earlier than its original term for certain plant and machinery and a rental property lease expired in the year. This resulted in a gain on derecognition of the lease liabilities and right of use assets amounting to R44 million.
- Profit on disposal of property, plant and equipment and non-current assets held for sale amounting to R9 million.

Print

Revenue increased by 11,7% to R2 371 million and operating profit to R155,8 million compared to an operating loss of R37 million reported last year.

Overall sales tonnages increased by 7,1%. Retail Inserts and Catalogues together with Books and Directories saw an increase in volumes year-on-year whilst Magazines and Newspapers continued on their negative trajectories. Gross profit margin improved considerably by 5,3% from 21,5% to 26,8%.

Packaging

Revenue increased by 9,5% to R635 million and operating profit by 90,9% to R38 million.

ITB's revenue increased by 9,4% due to sustained consumer demand with gross profit margin up by 4,4% and operating profit increasing by an impressive 79,9%. The division was able to recover their raw material cost increases and extract cost efficiencies through production and savings in general overheads.

Novus Labels revenue increased by 9,7% off the low base in the prior year caused by the COVID-19 restrictions but failed to improve gross margin and return to profitability. The division contributed an operating loss of R10,8 million which included the costs incurred to exit the key customer contract.

CASH GENERATION

Positive cash generation and the realisation of certain surplus plant and machinery and building sales led to a commendable closing cash position of R567,9 million. During the year the Group was able to successfully return excess cash to shareholders in line with its strategy, with total cash dividends of R203,5 million paid and R68,8 million in scrip shares transferred to shareholders. Two dividend distributions were made in the year totalling 90 cents per share, the largest dividend since the Group's listing. Strategic raw material purchasing to mitigate the global shortages led to a higher than anticipated net working capital with an outflow of R11,2 million. Related party loan balances owing by associates of the Group reduced by R39,6 million contributing to the positive cash balances at the end of the year.

OUTLOOK

The Group was able to demonstrate resilient performance post COVID-19 with the current performance reflecting the benefits of the difficult decisions taken to shut down and merge print facilities and the unfortunate reduction in jobs. The Print segment is however leaner and appropriately structured to suit the structural decline in demand within the industry.

Whilst the Group is now streamlined and adjusted to its “new normal” with over R1 billion in revenue permanently removed from its revenue base, global and local macroeconomic challenges will likely continue to materially influence its performance in the new financial year. Global pulp and paper shortages and excessive price increases along with logistical challenges are expected to have a material impact during the new financial year. The Group has attempted to mitigate part of this risk by making strategic raw material acquisitions toward the end of the financial year, however the sheer volume required and the excessive nature of increases make it extremely difficult to offset. The anticipated duration of the supply disruptions and price instability is unknown at this stage but it is hoped that a return to a degree of normality can occur by the end of the next financial year.

The Group was successful in retaining the Department of Basic Education (“DBE”) contract and is confident in its ability to service this contract successfully as it has over the last 10 years.

The balance sheet remains effectively ungeared with no external borrowings.

DIVIDENDS

In light of the current global paper supply issues and the potential impact on the business the Board has prudently decided not to declare a final dividend at this stage. The Board remains committed to its strategy of ultimately returning cash to shareholders and will continuously review this position and notify shareholders accordingly.

RESULTS PRESENTATION

Shareholders are advised that Novus Holdings will be hosting their results presentation via live audio webinar at 10h00 (SA time) on Wednesday, 22 June 2022.

For access and details of this webinar, go to the Group’s website at www.novus.holdings and view the invitation at <https://novus.holdings/wp-content/uploads/2022/06/Novus-Holdings-Annual-Results-2022-Invite.pdf>.

SHORT FORM ANNOUNCEMENT

This short-form announcement is only a summary of the information contained in the audited financial results for the year ended 31 March 2022 of Novus Holdings Limited and its subsidiaries (the “Full Announcement”) and, as such, it does not contain full or complete details pertaining to the Group's results.

The results have been audited by the Company's external auditor, PricewaterhouseCoopers Inc, who expressed an unmodified opinion thereon. Shareholders are advised that, in order to obtain a full understanding of the nature of the auditor's engagement and more specifically, the nature of the information that has been audited, they should obtain a copy of the auditor's report available through the following link: <https://novus.holdings/wp-content/uploads/2022/06/IAR22-Annual-Financial->

[Statements-v Final.pdf.pdf](#), which sets out key audit matters and the basis for the unmodified opinion together with the accompanying audited Group consolidated annual financial statements, both of which are available for inspection at the registered offices of the Company and Sponsor, Merchantec Capital, during business hours, and copies may be obtained at no cost on request from the Company Secretary, who is contactable on 021 417 8723.

Any investment decisions by shareholders/investors should be based on consideration of the Full Announcement. The Full Announcement has been released on SENS and is available through the following link: <https://senspdf.jse.co.za/documents/2022/jse/isse/nvse/FY2022.pdf> and can also be found on the Group's website (www.novus.holdings). This short-form announcement is the responsibility of the board of directors of Novus Holdings (“Board”) and has been approved.

On behalf of the Board

Dr Phumla Mnganga
Chairman

Neil Birch
Chief executive officer

Cape Town
17 June 2022

Sponsor
Merchantec Capital