



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

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

SALIENT FEATURES

- Revenue down 3% to R1 478 million (2021: R1 523 million)
- Operating profit* down to R23,3 million (2021: R90,3 million)
- Headline earnings per share decreased to 2,89 cents per share (2021: 28,49 cents per share)
- Earnings per share decreased to 2,60 cents per share (2021: 8,52 cents per share)
- Net asset value per share decreased to 663,68 cents (2021: 678,21 cents)
- Closing cash position of R236,2 million (2021: R197,9 million)

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

PERFORMANCE OVERVIEW

The financial results for the six months ended 30 September 2022 ("period") show a mixed performance for segments within the Group when compared to the prior period. The Print segment was severely impacted by the global pulp and paper shortages with excessive price increases and logistical challenges having had a material impact on its performance. However, the Packaging segment improved its performance year-on-year, with ITB Flexible Packaging Solutions ("ITB") showing strong revenue growth and Novus Labels returning to profitability following the restructuring of the division.

Group revenue decreased by R45 million from R1 523 million to R1 478 million largely due to reduced print volumes across all product categories and the Novus Labels division's exit from a large customer contract in FY2022. The delayed award, and resultant late start to the production of the Department of Basic Education ("DBE") contract led to a shift in revenue recognition between the first and second half of the year. Volumes were also reduced in comparison with the prior period.

Operating profit* decreased to R23,3 million (2021: operating profit of R90,3 million) and gross profit margin decreased to 16,9% (2021: 24,0%) due to paper price increases and energy surcharges levied by European paper suppliers, and higher logistical costs experienced throughout the period. The increased frequency of power outages created further operational challenges and required additional own power generation which increased operating costs by R12 million in the period.

Whilst the gross margin was negatively impacted as a result of the above, the prior year rationalisation and cost saving initiatives led to a decrease in general overheads of 17,8% in the period. The Group's ongoing rationalisation has led to once off retrenchment costs in the period and R8,4 million of transaction costs related to the Pearson SA acquisition were also incurred in this period.

No fixed asset impairments were recognised in the period (2021: R81,6 million) whilst an adjustment was made for an increase in the expected credit loss provision due to the credit quality of certain customers.

Print

Revenue decreased by 5,5% to R1 134 million (2021: R1 200 million) and operating profit* decreased to an operating loss of R7,8 million (2021: operating profit of R76 million). Gross margin was impacted negatively by the increased input costs resulting in its significant decrease to 16,9% (2021: 26,8%).

Overall print volumes were down 14,5% with magazines and newspapers showing material declines, mainly from market contraction and lost market share due to competitor pricing decisions.

Packaging

Revenue increased by 7,0% to R342,2 million (2021: R319,8 million) with ITB up 26,2% due to increased demand and Novus Labels down 58,9% due to the exit of their key customer contract.

Gross margin increased from 12,7% to 16,3% with the segment achieving an operating profit* of R29,1 million, representing an increase of 93,6% compared to R15,0 million in the prior period.

CASH GENERATION

The Group's cash balances remained positive. No dividends were paid in the period to preserve cash for purposes of partially funding the acquisition of Pearson SA. The first half of the financial year typically sees the Group invest substantially in working capital to fund the requirements ahead of seasonal demand and to deliver on the DBE contract, however the delayed start shifted the peak in the working capital cycle.

The Group initiated strategic procurement of paper stock to protect against anticipated paper shortages and supply disruptions to mitigate some of the price risk associated with the ongoing increase in paper costs, leading to significant inventory investment beyond the normal levels up to 30 September 2022. Paper suppliers imposed monthly offtake requirements of annual paper stock volumes, rather than seasonal take-off, which contributed to increased inventory. Novus Labels saw a net working capital reduction of R44,9 million in the period mainly due to repayments of long-term debtor balances with a substantially reduced base for the future.

Capital expenditure was modest at R16,0 million with spend directed toward maintenance of current plant and equipment with proceeds from asset sales in the period of R5,8 million.

OUTLOOK

Whilst the strategic decision was made to increase stockholding in an attempt to mitigate some of the risks in the paper supply chain, this was an inadequate buffer against the current cost increases and restrictions on supply. The supply chain disruptions were sudden and extreme with the Russia/Ukraine war compounding the post Covid-19 disruptions. It is hoped that this negative cycle will begin to normalise in the new calendar year.

The Group has reviewed and updated its paper procurement policy to temporarily increase the paper stock volumes to mitigate the risk of supply chain disruptions and to manage longer lead times. This will lead to an increased working capital investment throughout the rest of the financial year. Gross margin will remain constrained until paper pricing is normalised, which is exacerbated by the inability of the Group to procure from the principal local newsprint paper supplier who is currently selling below import price parity.

The Group composition will change following the acquisition of Pearson SA. Its established brands and footprint in the educational sector provides Novus Holdings with the ability to further invest in the education market in future. The Competition Commission approved the proposed acquisition on 16 November 2022 and all the conditions precedent are now fulfilled. Novus Holdings will consolidate Pearson SA's results with effect from 30 November 2022. Pearson SA has traded in line with plan since entering into the transaction and the prospects appear very positive for it to continue trading in line with its historic performance. The Group views this growth and diversification opportunity very positively and is very satisfied with the transaction process to date.

Novus Holdings is proud of retaining its B-BBEE Level Two Contributor status and will continue with initiatives to transform and further enhance its status.

The Board wishes to express its appreciation to management and all staff for their efforts under trying circumstances.

RESULTS PRESENTATION

Shareholders are advised that Novus Holdings will be hosting a results presentation via a live webinar at 11h00 (SA time) on Wednesday, 23 November 2022.

For access and details of this webinar, please visit the Group's website at www.novus.holdings or you may register using the below link:

<https://attendee.gotowebinar.com/register/6062898857631738895>

SHORT FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the Board and has not been reviewed or reported on by the Group's external auditors. It contains only a summary of the information in the full announcement and does not contain full or complete details.

The full announcement has been released on SENS and can be accessed at:

<https://senspdf.jse.co.za/documents/2022/jse/isse/nvse/interims22.pdf>.

The full announcement is also available for viewing on the Company's website at <https://novus.holdings/wp-content/uploads/2022/11/Interim-Results-18-November-2022.pdf> or may be requested in person, at no charge, from the registered office of the Company or the Company's sponsor during office hours.

Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement published on SENS and the Company's website as a whole.

On behalf of the Board

Dr Phumla Mnganga
Chairman

Neil Birch
Chief executive officer

Cape Town
18 November 2022

Sponsor

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