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**")

SHORT FORM ANNOUNCEMENT: PROVISIONAL AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2023 AND RESULTS PRESENTATION

SALIENT FEATURES

- Revenue up by 6,0% to R3 196 million (2022: R3 014 million)
- EBITDA* of R131,7 million (2022: R281,1 million) with a net working capital increase of R451,4 million (2022: decrease of R51,6 million)
- Operating profit* declined to R7 million (2022: R193 million)
- Headline earnings per share decreased to a headline loss of 7,4 cents per share compared to a profit of 53,2 cents per share
- Earnings per share declined to 18,9 cents (2022: 30,4 cents per share)
- No final dividend has been declared
- Closing cash position decreased to R392,2 million (2022: R567,9 million)

* Excluding "other gains/(losses)."

PERFORMANCE OVERVIEW

The year saw the Group navigate through challenges experienced in the global and domestic macro-economic environments, with tight supply chains, highly volatile paper raw material pricing and constrained energy supply. This severely impacted profit margins in the Print segment as the excessive paper price increases could not be passed onto customers. The Group also decided to increase buffer paper stock to counter the unforeseen interruptions in supply and ensure that customer demand could be met. The higher stock was procured at prices higher than the current spot rate which will continue to impact profits for the first half of FY2024.

The Group welcomed the award of the Department of Basic Education ("**DBE**") school workbook contract which secured a stable revenue stream for the current and next two financial years with the option of a further two-year renewal. The delayed award of the tender shifted the production and the working capital cycle to several months later in the financial year, with reduced volumes compared to the prior year. The main local supplier of paper suffered two force majeure events during the period, necessitating the procurement of some imported substitute paper at higher prices which negatively impacted margins.

The year also brought about the opportunity for the Group to further grow and diversify its operations within the educational content sector with the successful acquisition of Pearson South Africa Proprietary Limited (renamed Maskew Miller Learning Proprietary Limited ("**MML**")) effective 30 November 2022, with the Group consolidating four months' results in the current financial year.

The acquired intangible assets relating to brands and customer relationships valued at R479,0 million were recognised in the period with amortisation of R42,8 million accounted for in operating profit.

Overall Group revenue increased by R182 million from R3 014 million to R3 196 million due to the inclusion of R156 million from the newly acquired subsidiary and another strong showing by ITB Flexible Packaging Solutions ("**ITB**"). The Novus Labels division saw revenue decline as anticipated following the conscious exit from a large customer contract whilst the Print segment revenue remained flat with volume declines experienced throughout all product categories.

Mainly due to the Print segment's performance as a consequence of increased input costs, Group operating profit decreased to R7 million (2022: R193 million) with a gross profit margin decline of 5.6% to 18,8% (2022: 24,4%). Whilst the operational challenges imposed by the increased frequency of power outages throughout the financial year were minimised to the extent possible, unavoidable additional costs of R29,0 million (2022: R6,3 million) were incurred to generate own power.

Overhead costs were well contained throughout the Group, with prior years' cost savings initiatives continuing to result in a much leaner Group structure and reduced cost base. Once off acquisition related costs, as well as the inclusion of MML, resulted in an overall increase year on year from R541 million to R593 million.

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

- A gain on bargain purchase of R100,1 million, given that the acquired net assets and liabilities of MML exceeded the purchase consideration and transaction related costs of R14,3 million;
- Necessary retrenchment costs incurred in Print due to overall reductions in demand and margin pressures amounting to R12,6 million and R1,5 million in the Packaging segment;
- An impairment of plant and machinery amounting to R20,5 million of which R16,9 million was accounted for in the Print segment (2022: Rnil) to impair the assets to fair value less costs to sell and R3,6 million (2022: R69,1 million) within the Packaging segment to impair redundant equipment following the exit of the low-end retail carrier bag market in ITB; and
- Loss on disposal of property, plant and equipment amounting to R1,3 million.

Print

Revenue remained relatively flat at R2 377 million (2022: R 2 371 million) and operating profit declined from R155,8 million to an operating loss of R23,7 million.

Overall sales tonnages decreased by 15,3%. All product categories saw a decline in volumes year on year, with Magazines and Newspapers showing the largest volume declines. Gross profit margin decreased by 10,3% from 26,8% to 16,5%.

Packaging

Revenue increased by 3,8% to R659,4 million (2022: R635,4 million) and operating profit by 62,9% to R61,6 million (2022: R37,8 million).

ITB demonstrated consistent performance compared to the prior year, with revenue increasing by 17,6% due to increased consumer demand contributing to operating profit increasing by 5,0%. The division incurred retrenchment costs in the year in its Plaslope division which impacted profitability by R1,5 million.

After several difficult years, the Novus Labels division returned to profitability from a more diversified product range to a reduced customer base and the cancellation of a large but low-margin customer contract in the prior year. Consequently, revenue decreased by 49,5%, but the return to profitability was aided by stronger margins and the impact on overhead costs of restructuring exercises undertaken in the prior year.

Education

MML is included within the Education segment and contributed R156,3 million to revenue and an operating loss of R32,5 million in the four-month period since acquisition. This was largely due to the amortisation of acquired intangibles allocated to the segment amounting to R42,8 million and other timing related costs incurred in March 2023. The particular four-month period included in these first consolidated results is traditionally a very low revenue period in this very cyclical business.

CASH GENERATION

The Group closed on a healthy cash balance of R392,2 million whilst funding part of the MML acquisition from cash reserves. The purchase consideration of R842,3 million was settled partly in cash amounting to R342,3 million and introducing a level of gearing in the Group, by obtaining funding of R500 million for the remainder. The Group has included a take-on cash balance of R206,2 million from MML.

Net working capital cash inflows of R20 million improved free cash flow mainly due to the inclusion of MML contributing R304,7 million and the working capital recovery in Novus Labels following the restructure of the division contributing positive cash flows, whilst the significant investment in inventory in Print negated this.

Capital and interest repayments on the outstanding loan balance in the period amounted to R32,4 million with an external dividend of R17,2 million paid to the non-controlling shareholders of MML.

Net capital expenditure including proceeds on the sale of equipment amounted to R43,0 million (2022: R9,2 million) with the acquisition of solar panels at the Montague Gardens Print facility as part of the Group's mitigation plan to address the impact of loadshedding. Other capital expenditure related to ongoing maintenance and some expansionary equipment.

Taxation paid in the period amounted to R103 million mainly related to taxation paid by MML. The Group included a current income tax receivable of R17,4 million at 31 March 2023.

OUTLOOK

Despite the challenging year, the Group was able to successfully conclude a significant acquisition and diversify its operations into educational content. The final few months of the financial year were spent integrating this newly acquired business, and this will continue into the new financial year as synergies are identified across Group entities and rebranding is completed. Whilst not a significant contributor in the current period given the timing of the acquisition, it is anticipated that the division will perform at least at its historic profit levels in FY2024.

Both the global and domestic environments are expected to remain volatile in the short to medium term and to impact both cost and revenue drivers. Exchange rate volatility has required the Group to reconsider its hedging strategies and attempt to mitigate the impact on projected margins.

Global supply chains have begun to ease with paper pricing having hit its peak in the current financial year and with some respite at present. Strategically increasing inventory levels up to 31 March 2023 has meant that foreign paper stock purchases can now be curbed to a certain extent, with a strong focus on decreasing current stock levels, it is anticipated to have these significantly reduced by the end of FY2024.

Whilst paper pricing is gradually reducing, it will take some time to reflect this benefit in the new financial year until the higher priced inventory currently on hand is fully utilised. The Group is confident in its Print business model even though higher paper prices will affect profitability in the short term.

The benefits of leaner organisational structures are expected to flow through to operating profit after the once-off costs incurred in the current year, with initiatives to curb the negative impact of loadshedding is expected to limit interruption and reduce related expenses. These include a solar power installation and load curtailment programs at qualifying sites.

The Novus Print Linbro Park property has been sold, with all conditions fulfilled by 18 May 2023, with the transfer process underway. The conclusion will see gross proceeds of R125 million improve cash flow generation in FY2024.

DIVIDENDS

In light of the significant level of debt introduced to the Group following the acquisition, and the required investment to fund the Group's working capital cycle, it has been decided that no dividend be declared 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 at the Novus Holdings Offices situated at 10 Freedom Way, Montague Gardens at 11h00 (SA time) on Thursday, 22 June 2023.

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/2023/06/Novus-Holdings-Annual-Results-2023-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 2023 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/2023/06/IAR23-Annual-Financial-Statements-v_Final.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/2023/jse/isse/nvse/FY2023.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

André van der Veen
Executive Chairman

Cape Town
19 June 2023

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