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 Group**”)

novus holdings

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

SALIENT FEATURES

- Revenue up 3,3% to R2 088 million (2023: R2 022 million)
- Operating profit* up to R196,4 million (2023: R168,6 million)
- Headline earnings per share increased to 59,36 cents per share (2023: 28,77 cents per share)
- Earnings per share increased to 59,46 cents per share (2023: 31,61 cents per share)
- Diluted headline earnings per share** increased to 55,56 cents per share (2023: 25,01 cents per share)
- Diluted earnings per share** increased to 55,65 cents per share (2023: 27,85 cents per share)
- Net asset value per share increased to 728,27 cents per share (2023: 719,92 cents per share)
- Closing cash position of R310,0 million (2023: R621,1 million)
- No dividends have been declared for the six months ended 30 September 2024 (2023: Rnil)

* Operating profit/(loss) excluding “other gains/(losses)”.
**Earnings per share and Headline Earnings per share have been adjusted for the after-tax dilutive effect of the future conversion of the accelerated empowerment (AE) shares to ordinary shares held by the minority shareholders in Maskew Miller Learning Proprietary Limited, which will result in increased earnings attributable to non-controlling interest.

PERFORMANCE OVERVIEW

The financial results for the six months ended 30 September 2024 (“**period**”) improved when compared to the prior period, largely through an improvement in the profitability of the Print Segment and profits from derivative instruments held in Mustek Limited (“**Mustek**”), within the Packaging Segment.

Group revenue increased by R66 million (3,3%) from R2 022 million to R2 088 million. The Education and Packaging segments increased by 10,0% and 10,1% respectively, while the Print Segment decreased by 0,9%. The revenue recognition of the Department of Basic Education (“**DBE**”) contract in the Print Segment was consistent with the prior year, with more than half of the contract recognised at 30 September 2024. The Education Segment benefited from orders received this reporting period, which were historically processed in the second half of the year.

Operating profit* increased to R196,4 million (2023: R168,6 million) and gross profit margin increased to 30,2% (2023: 28,7%), driven by improved margins in the Print Segment.

No retrenchment costs were recognised in the period compared to R1 million the prior period. Loadshedding costs for the period decreased to R1,5 million from R9,6 million in the prior year. Operating costs for the period include an increase of R 25,8 million (2023: R27,5 million) in the expected credit loss provision.

The current period includes a profit of R59,7 million from derivative instruments held in Mustek and a profit of R0,4 million on the sale of property, plant and equipment, while the prior year includes a profit of R12,2 million on the sale of non-current assets held for sale and a loss of R0,7 million on the sale of property, plant and equipment. No fixed asset impairments were recognised in either period.

Print

Revenue (including inter-segmental revenue) decreased by 1,9% to R1 331 million (2023: R1 357 million) and operating profit* increased to R86,3 million (2023: R34,9 million). Gross profit margin improved to 23,1% from 20,9%, largely due to the prior year including the effect of higher priced paper stocks. A conscious decision was taken to reduce slow moving paper inventory and this use of sub-optimal paper inventory came at a cost of R 3 million, in the current year. Operating costs for the period include an increase in the expected credit loss provision of R13,6 million (2023: R 25,3 million) and loadshedding costs of R1,5 million (2023: R9,5 million).

Overall print volumes were down 5%, however excluding the DBE contract, volumes were down 10,7%. Book volumes, including DBE, were consistent with prior year and comprised just over 50% of the volumes for Print. Volumes on newspapers, magazines and retail inserts all declined on the prior year.

Education

Revenue increased by 10,0% to R447,2 million (2023: R406,5 million) following the recording of revenue that was historically processed in the second half of the year. Historically, orders from the Limpopo province were placed during the second half of the year. However, this year's volumes are expected to be significantly lower compared to the prior year. We are engaging with the DBE to understand their thinking on curriculum reform, but our expectation is that the full year performance of the education segment will be lower than the prior year.

Operating profit* decreased to R90,4 million (2023: R105,9 million). Operating costs for the period include an increase in the expected credit loss provision of R15,8 million (2023: R 2,2 million) and R15 million of additional costs on people and new or updated content to respond to the curriculum reform. We expect a further R50 million to be incurred in the next six months in order to submit updated content.

Packaging

Revenue increased by 10,1% to R368,0 million (2023: R334,4 million) with both ITB and Novus Labels up on the prior year.

Gross margin decreased from 19,2% to 18,2% with the segment achieving an operating profit* of R35,7 million, representing a decrease of 7,4% compared to R38,6 million in the prior period. This is predominantly from additional depreciation of R1,7 million on increased capacity.

CASH GENERATION

The Group closed the period with a cash balance of R310,0 million, a decrease of R561,4 million for the six months. The first half of the financial year typically sees the Group invest substantially in working capital to fund seasonal demand and to deliver on the DBE contract. The DBE contract was invoiced one month later than in the prior year, having a negative impact of circa R600 million on the cash balance as at 30 September 2024. The payment was received in October 2024.

Due to the later timing of the invoicing of the DBE contract, the Group was in a net debt position of R172 million as at 30 September 2024.

Capital and interest repayments on the outstanding loan balance in the period amounted to R66,6 million with an external dividend of R10,3 million paid to the non-controlling shareholders of Maskew Miller Learning Proprietary Limited ("**MML**").

Capital expenditure was modest at R27,2 million with spend directed toward maintenance of current plant and equipment with proceeds from asset sales in the period of R0,5 million.

Taxation paid in the period amounted to R60,1 million.

ACQUISITIONS

The Group has finalised the acquisition of three divisions of Media24 Proprietary Limited, being: On the Dot (media supply chain management division), Community Newspapers (local news portfolio) and Soccer Laduma and Kick Off (football publication division), for a total purchase consideration of R40 million. R20 million was paid on the effective date and the balance is payable one year from the effective date. This acquisition will require an initial investment in working capital, but is expected to result in a contribution to Group profits and earnings per share.

The R59,7 million profit from derivative instruments during the six month period relates to derivative instruments held in Mustek. Subsequently, the Group has acquired the ordinary shares in Mustek and now owns just over 35% of the issued share capital of Mustek. The Group has therefore made a mandatory offer to the remaining shareholders, on the terms and conditions set out in the firm intention announcement published on SENS on 15 November 2024, as follows:

- A cash consideration of R13 per share; or
- A cash amount of R7 per share plus one ordinary share in Novus Holdings: or
- Two Novus Holdings shares for each Mustek share tendered.

OUTLOOK

The Print Segment has secured the DBE contract for a further two years. The Group will continue to optimise and restructure the Print business, where an ongoing decline in print volumes places pressure on margins and the recovery of fixed costs. Paper prices have returned to normal fluctuations, following a period of energy surcharges and premiums on shipping rates.

The Education segment saw MML, invest in both people and processes to maintain their share of the national textbook market. The Group's AI associate, Bytefuse Proprietary Limited, has also been actively investing in the development of Maski, MML's AI tool, with the investment expected to grow in the future. We expect that the curriculum update will negatively affect orders in the second half of the financial year, with the result that MML sales will decline from prior year.

The Packaging segment successfully commissioned the expanded production capacity within the period, enabling them to grow market share and improve production efficiencies. Import lead cycles remain a challenge, resulting in an increase in investment in working capital to mitigate this risk.

The Mustek acquisition reflects the Groups transition to a more diversified investment holding company, which has its benefits and disadvantages. The most significant disadvantage is that the underlying investments often trade at a discount, but, as an active shareholder, we are confident in our ability to add value to our underlying investments which will be positive for our shareholders.

Novus Holdings is proud to have achieved a B-BBEE Level One Contributor status and will continue with initiatives to transform and maintain its status.

The board of directors of Novus Holdings ("**the Board**") wishes to express its appreciation to management and all staff for their continued efforts.

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 Tuesday, 26 November 2024. 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/2024/11/NVS-Interims-Results-2025-Invite_vFINAL.jpg

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 unaudited interim results for the six months ended 30 September 2024 ("**full announcement**") and does not contain full or complete details.

The full announcement is available on the JSE's cloudlink at:
https://senspdf.jse.co.za/documents/2024/jse/isse/nvse/interims25.pdf and on the Company's website at:
https://novus.holdings/wp-content/uploads/2024/11/Interim-Results-21-November-2024.pdf

Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement, as a whole.

On behalf of the Board

Adrian Zetler
Chairman

Cape Town
22 November 2024

Sponsor
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