

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

NOVUS HOLDINGS LIMITED AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2020 AND BUSINESS UPDATE

With extensive experience and a solid track record, Novus Holdings services the country and customers across the African continent through its print production of all short to long run requirements of magazines, retail inserts, catalogues, books, newspapers and commercial work. The Group also produces educational materials for governments and multi-national publishers. Beyond traditional printing, the Group has a packaging division that offers wet-glue and wrap-around labels, pressure sensitive labels and flexible plastic packaging as well as operating a tissue manufacturing plant.

SALIENT FEATURES

- Revenue declined by 5,1% to R4 112m (2019: R4 332m)
- Headline earnings per share decreased by 61,2% to 23,4 cents per share (2019: 60,4 cents per share)
- Earnings per share decreased to a 119,6 cents loss per share (2019: 56,4 cents per share profit)
- Net asset value per share decreased by 9,8% to 792,6 cents (2019: 878,4 cents)
- No final dividend was declared (2019: 30 cents)
- Net working capital decreased by R210,2m (2019: increased by R218,1m)
- Free cash flow* improved by R219,4m to R336,0m (2019: R116,6m)
- Cash conversion^ increased to 119,4% (2019: 27,2%)

Shareholders are advised that the audited financial results are within the specified ranges included in the SENS announcement on 02 July 2020.

PERFORMANCE OVERVIEW

The past year has been a disruptive year, with COVID-19 further impacting the Group's performance at the close. The Group however remained focused on its strategic objectives of right-sizing print operations, significantly reducing working capital, improving cash preservation, securing the sale of the Tissue operation whilst bolstering its B-BBEE status. It also welcomed the two-year extension granted for the Department of Basic Education tender for financial years 2021 and 2022.

Operating profit** declined by 57,1% to R126m (2019: R294m), mainly due to the Print segment's under performance.

The Print segment was significantly impacted by the weak economy and consumer demand. The contraction in print advertising spend and the circulation decline further yielded a poor result and informed a negative outlook on the future of the applicable product categories.

*Cash generated from operations less expenditure on property, plant and equipment and intangibles excluding proceeds on disposal of assets, less taxation paid.

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

^Cash generated from operations less expenditure on property, plant and equipment and intangible assets, divided by EBITDA excluding "other gains/(losses)."

The sheet-fed operations were also impacted by the negative market spending patterns in the education sector, with curriculum changes expected to adversely impact the commercial viability of the Novus Print KwaZulu-Natal (KZN) facility. This led to the decision to consolidate the sheet-fed operations into the Montague Gardens Digital Print facility and the closure of the KZN print facility. This together with other restructuring across the segment resulted in retrenchment costs of R23m.

The above accompanied material impairment of property, plant and equipment (PPE) of R358,2m and goodwill of R86,5m. The impact of this impairment and restructuring costs will see savings in depreciation and operating costs in FY21 and beyond.

The Group's results include the following items:

- Total impairments across the Group of R438,0m on PPE, R5,1m on intangibles and R86,5m on goodwill;
- An expected credit loss allowance across the Print and Packaging segments of R39,1m due to increased COVID-19 related customer credit risk;
- A gain on the derecognition of leases of R11,4m in accordance with IFRS16: Leases and
- Retrenchment costs in Print of R23,0m.

Print

Revenue declined by 5,4% to R3 168m and operating profit by 60,9% to R106m compared to the prior year.

All product categories continued to experience volume declines except for books and directories which increased by 17,8% due to additional Africa project work in the year. Magazine volumes declined by 19,0% due to title closures and the increased competitiveness for market share in the industry, while retail and inserts reduced by 10,8%. Newspaper volumes decreased by 2,5% reflective of the very mature newspaper industry with mitigating factors implemented to limit this decline.

Packaging

Revenue decreased by 8,3% to R688m mainly due to the sale of the UV Flexo division effective 01 April 2019, however on a like-for-like basis revenue grew by 1,0%.

ITB delivered a satisfactory result, with revenue up 1,6% and operating profit margin increasing from 1,2% to 5,0%. This returned the division to historical profitability levels after the challenging prior year that saw abnormal increased material costs and downtime due to strike action.

Labels Gravure revenue remained static year-on-year, however the division's revenue declined by 28,8% accounting for the sale of the UV Flexo division. Its contribution to Group revenue decreased from 5,6% to 4,2% as a result. The division achieved lower margins from key customers due to extreme pricing pressure.

Tissue

Revenue increased by 10,3% to R257m, however gross margin was down by 3,0% mainly due to tough market conditions and further cost pressures faced by the division throughout the year.

The Group has entered into a series of transactional agreements in order to dispose of its Tissue division effective 01 June 2020, subject to certain suspensive conditions, which will result in the Group retaining 49% of the issued share capital of the newly incorporated company into which the assets will be housed. Plant and manufacturing equipment were impaired by R70m with these assets classified as held for sale at year-end. This investment will be accounted for as an investment in associate in the Group's results.

CASH GENERATION

The Group's efforts to reduce working capital yielded a net cash inflow of R293m and returned the Group to a year-end cash positive position of R175m compared to an overdraft of R54m in the prior year. This bolstered the Group's liquidity position considering the strain placed on the business from the lockdown post year-end.

Capital expenditure remained modest at R80m with proceeds of R24m from the sale of a property located in Pietermaritzburg and R34m for the sale of UV Flexo division contributing positively to the cash balance.

TRANSFORMATION

The Board believes that a diverse workforce, representative of the society in which we operate, is critical to the sustainability of our business.

The Board and Management team are striving, not only to comply with, but also to truly embrace transformation, thus ensuring that the Group can maximise its commercial prospects in South Africa in a positive and sustainable way. We see this as an ongoing commitment to our customers, our employees and the communities in which we operate.

The Group's proactive transformation initiatives resulted in a Level Two B-BBEE rating, based on the latest requirements of the B-BBEE codes.

CHANGES TO THE BOARD

Effective 02 April 2019, Dr. Phumla Mnganga was appointed as chairman and non-executive director. Dr. Mnganga has also taken over as chairman of the Nomination Committee, chairman of the Investment Committee and serves on the Social and Ethics Committee. Dr. Mnganga is welcomed to the Board and we look forward to her contribution to the Group.

Furthermore, shareholders are reminded that as mentioned in the Notice of Annual General Meeting ("AGM") Mr. Jan Potgieter did not seek re-election at the AGM and accordingly retired as a director of the Board with effect 30 August 2019. The Board wishes to thank Mr. Potgieter for his dedication and invaluable contribution to Novus Holdings and wishes him well in all his future endeavours.

Mr. Abduraghman (Manie) Mayman has been re-appointed to the Board effective 01 March 2020 and has been appointed as chairman of the Remuneration Committee as well a

member of the Audit and Risk Committee.

Ms. Noluvuyo Mkhondo has been appointed as member of the Audit and Risk Committee effective 02 April 2020.

Mr. Christoff Botha has retired as non-executive director effective 01 April 2020. Mr. Botha served as chairman of the Remuneration Committee and served on the Audit and Risk Committee as well as the Nominations Committee. The Board wishes to thank Mr. Botha for his long-standing and valuable contribution to the Group.

DIVIDENDS

The stated dividend policy is to pay dividends equalling 50% of HEPS (2x HEPS cover) however due to the market uncertainty and potential short-term strain on cash resources as a result of the COVID 19 pandemic, the Group's position remains to preserve liquidity at this time and therefore the Board has decided not to declare a dividend.

POST COVID-19 OUTLOOK

Notwithstanding the inherent risks associated with providing a forward-looking view of the Group's prospects, the Board is of the opinion that shareholders cannot fairly assess the Group's prospects based on history, as the world, the country and the Group face such a challenging period. The outlook below is therefore provided in good faith and based on factors apparent to management up to 24 July 2020 in the hope that it will provide guidance to the likely anticipated impact on the 2021 financial year.

The 2020 financial year was to be a re-set year for Novus Holdings with capacity adjustments and a full review of plant and equipment values. The pressure on margins and the general decline in print (especially magazines) caused the Group to look closely at the product mix across all segments and specifically to review pricing policies to avoid over-trading going forward.

The Group was emerging from FY2020 having closed the KZN facility and severely impairing underutilised assets or those with carrying values above market. Goodwill was also revalued against the demand outlook gauged during the year. What was clear was that the South African economy was in a recession and that the pressure on consumers was tangible and evidenced in the weak demand for products across the board. Under the circumstances the Group had prudently anticipated a decline in revenue on 2020, but with improved margin and realising the benefit of strict expense management and greatly reduced depreciation, an improvement in earnings per share was expected for the 2021 year.

The COVID-19 pandemic struck in March 2020 causing some initial concern over potential impact, but when other countries and, especially, South Africa embarked on a lockdown the realities became obvious. The lockdown began less than a week before the close of the year-end but the shock was immediate and resulted in order cancellations.

The already weak publishing sector took the lockdown blow hard and for a number of long-standing brands even the early stage of lockdown could not be weathered, leading to a number of immediate business closures. Fortunately, the balance sheet management efforts of the FY2020 year had yielded a meaningful working capital reduction allowing the Group to close the year with a positive cash balance.

The months of April, May and June which included aspects of total closure, essential service only, and then regulation-restricted return to work delivered revenue of roughly half of typical and expected levels for the quarter. Notwithstanding the readiness of facilities to ramp up capacity from June 2020, the market remains depressed and uncertain of its future strategies under the post COVID-19 reality. The dramatic revenue shortfall, along with sustained running costs and exceptional costs directly related to running under COVID-19 conditions, resulted in a decline in the Group's operating profit by more than R60m in the first quarter ending 30 June 2020 compared to the same period in FY20.

Management has perpetually and continues to model a number of volume and demand scenarios based on customer interactions and has factored in announced closures of published titles and businesses as understood up to 24 July 2020. In response, a number of reaction plans have been contemplated and prepared and are ready for implementation as and when justified to ensure the Group capacity and structure remain optimised to the realistic demands of the market. As a result, a broad restructure plan is already underway which will see the unfortunate reduction in positions at all levels with a continual reduction in expenses. Due to the timing of such actions, they will have an almost neutral effect on operating profit of FY2021 as the savings in the remaining period will offset once-off costs.

The realities of the first quarter and permanent changes to the broader industry no longer allow us to base the future performance of the business on the most recent history. It is expressly stated that the performance indication is based on the current information available and most informed estimates of how demand and the South African economy may play out in the coming 8 months. The guidance takes the form of an indicative range of anticipated revenue and a general outlook for operating profit and cash flow. Additional potential cash release from disposal of certain assets held for sale is also accounted for. Despite employment of a forex hedging policy which mitigates short term currency instability, the rate of exchange remains a factor of significant potential influence.

Based on the above and subject to further adjustment in response to any currently unknown influence during the period, the 2021 financial year is anticipated to yield the following outcome:

Revenue decline of between 35% and 45% compared to FY2020.

Operating profit for the year for the Group is anticipated to be at breakeven which will translate into a net loss for the year.

Notwithstanding the anticipated difficult trading environment, the reduced operating scale and continued asset management and asset disposals will continue to yield significant cash generation.

It is not anticipated that further significant asset or goodwill impairments will be required in the period.

Assuming a lifting of all lockdown regulations by 31 March 2021, the Group anticipates a more stable albeit difficult trading environment and a return to profitability for the trading period to 31 March 2022.

The above financial information is the responsibility of the directors and has not been reviewed or reported on by the Company's external auditors.

RESULTS PRESENTATION

Shareholders are advised that Novus Holdings will be hosting their results presentation via live audio webinar at 14h00 (SA time) on Thursday, 06 August 2020.

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/2020/07/Novus-Holdings-Annual-Results-2020-Invite.pdf>.

SHORT FORM ANNOUNCEMENT

This short-form announcement is a condensed version of the full announcement in respect of the audited financial results for the year ended 31 March 2020 of Novus Holdings Limited and its subsidiaries 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. 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/2020/07/Novus-Holdings_IAR20-Annual-Financial-Statements-vFinal.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 Company's registered office. Any investment decisions should be made based on the full announcement. The full announcement is available through the following link: <https://senspdf.jse.co.za/documents/2020/JSE/ISSE/NVSE/FY2020.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 and has been approved.

CHANGE OF SPONSOR

In accordance with paragraph 2.6A(b) of the JSE Limited Listings Requirements, Novus Holdings wishes to advise shareholders that it has appointed Merchantec Capital ('Merchantec') as sponsor to the Company, replacing Investec with effect from 01 August 2020.

Novus Holdings thanks Investec for the services rendered over the past 5 years and looks forward to working with Merchantec.

On behalf of the Board

Dr Phumla Mnganga
Chairman

Neil Birch
Chief executive officer

31 July 2020
Cape Town

Sponsor: Investec Bank Limited