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

UNREVIEWED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

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 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 31,6% to R1 523 million (2019: R2 227 million)
- Headline earnings per share decreased by 83,8% to 4,8 cents per share (2019: 29,4 cents per share)
- Earnings per share decreased by 68,3% to 7,9 cents per share (2019: 24,8 cents per share)
- Net asset value per share decreased to 783,6 cents (2019: 918,4 cents) following a material impairment exercise at 31 March 2020
- Free cash flow* improved by R145,5 million to R91,1 million (2019: (R54,4 million))
- Cash conversion^ increased to 190,4% (2019: (22,9%))
- Cash closing position compared to 31 March 2020 improved by R70,6 million to R245,1 million

PERFORMANCE OVERVIEW

The Group's performance has been severely impacted by the effect of the COVID-19 lockdown and the pandemic's effect on the economy resulting in reduced demand across all product categories. The publishing sector was worst hit, with key customers announcing several title closures and reduction in volumes and pagination. All the Group's divisions stringently adhered to the Lockdown regulations and measures, with all operations only allowing for production of essential goods and aligned operational capacities accordingly with the reduced demand. The Labels Gravure division was significantly impacted by the ban on sales of alcoholic beverages with production only normalising in the second quarter. The already contracting Print industry, together with shifts in advertising spend, further exacerbated the Print segment's performance.

Group revenue therefore declined by 31,6% to R1 523 million and operating profit** declined by 106,3% to an operating loss of R9,2 million (2019: R146,1 million). The major impairment exercise conducted in FY20 resulted in depreciation savings impacting gross profit margin favourably, which remained flat at 21,4% despite margin compression and rising material costs.

Whilst performance has been bleak, the first half of the year once again saw the recognition of the majority of contractual print work for the Department of Basic Education, with the second half expecting to show a smaller portion of this work.

*Cash generated from operations less expenditure on property, plant and equipment and intangibles including proceeds on disposal of assets, less taxation paid.
** Operating profit/(loss) 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 Group continued with its objective of right-sizing the Print operations, reducing overhead costs and improving operational efficiencies. This was especially imperative in the Group's response to address the poor outlook of the Print industry. Whilst regrettable, retrenchment programmes were initiated throughout the Print segment and the Group's Central office, with retrenchment costs of R6,3 million incurred in the period. The second half of the year will see the inclusion of the remaining restructure costs with FY2022 expected to realise the benefit of the reduced structure.

Direct costs to conform to health and safety regulations arising from the gazetted COVID-19 regulations and to ensure the safety of our employees amounted to R1,4 million in the period. Load shedding also contributed negatively by R1,4 million in direct costs in the period. Informal relief continued to be offered to some customers experiencing financial difficulty and distress caused by COVID-19 by extending payment terms. The Group re-assessed the impact of COVID-19 on the trade and other receivables balances and increased the expected credit loss allowance by R14,1 million.

The Group's results for the period also accounted for the following:

- A net gain of R36,1 million within finance income relating mainly to the roll forward of forward exchange contracts (FECs) entered into prior to 31 March 2020. These were acquired at significantly favourable exchange rates compared to the prevailing rates when rolled forward and
- a profit on sale of assets within the Print segment of R12,7 million.

Print

Revenue declined by 34,8% to R1 117 million and operating profit by 109,6% to an operating loss of R11,3 million.

All product categories experienced volume declines with retail inserts significantly down by 59,6%. Magazine and Newspaper volumes decreased by 48,6% and 49,6%, respectively whilst Books and directories saw a slower decline of 4,9%.

Packaging

Revenue decreased by 27,9% to R275 million, with ITB Flexible Packaging Solutions (ITB) down 18,1% and Labels Gravure down 55,7%. The lack of demand for beverage labels significantly impacted the performance of the Labels Gravure division whilst ITB was impacted by the reduced demand stemming from the weaker economy. The segment yielded an operating profit of R2,7 million, down 92,2% compared to the prior year.

Tissue

Revenue remained flat year-on-year contributing R131 million. Gross margin showed an improvement of 5,8%. The Group consolidated the results of this division for the full period as a result of the delay in concluding the finalisation of the disposal of this business beyond the anticipated effective date of 01 June 2020.

CASH GENERATION

As part of the Group's response to mitigate the negative impact of the pandemic on its performance and liquidity, the Group has adopted an approach to preserve cash in order to maintain liquidity. This included reducing capital expenditure, resulting in an outflow of R7,1 million in the period (2019: R41,4 million), no dividend payment in the period (2019: R86,3 million) and realising proceeds from the sale of unutilised assets of R17,6 million. The Group remained focussed on reducing working capital, and whilst seeing minimal improvement compared to 31 March 2020, there was a greater improvement in September 2020 compared to September 2019 (R441 million), demonstrating these efforts. The Group closed the interim period on a cash balance of R245,1 million.

POST BALANCE SHEET EVENTS

At 31 March 2020, the Group reported that it was to dispose of its Tissue division for a purchase consideration of R60 million with an effective date of 01 June 2020, which will result in the remaining investment being accounted for as an associate. The transaction was however, as per the agreement, subject to certain suspensive conditions which were delayed under the difficult operating conditions. The effective date of the proposed transaction is to be revised to 01 October 2020 and as a consequence the Group has consolidated the results of this business up to 30 September 2020.

The aforementioned factors pertaining to the current and future performance of the Print segment informed the Group's decision to propose closure of the Linbro Park and restructuring of the City Deep print facilities and communicated to affected employees and stakeholders on 01 October 2020. At 31 March 2020, the Group impaired assets in the Linbro Park facility by R105,6 million to its fair value and no further impairments to assets were deemed necessary.

OUTLOOK

Notwithstanding the uncertainties of the local economy and the COVID-19 pandemic, Group management has demonstrated its ability to respond quickly to challenges and will continue to apply this skill going forward. With the inherent strength of the balance sheet and cash generating ability, this momentum will ensure the sustainability of the Group.

The Group expects demand to remain muted in the second half of the year, before stabilising again in the medium term. The restructuring programmes which have been initiated will incur some once-off costs in the second half of the financial year, but the future benefits in cost structure and efficiencies should materialise in the 2022 year and beyond. Management will maintain a close eye on market trends and continue to respond as and when required.

In the coming months additional capital resources will be freed up along with the further anticipated cash release to support Group initiatives at improving working capital efficiencies. Working capital is expected to show a further improvement to March 2021 with the Group maintaining a positive cash balance.

Barring any further unforeseen changes in the market the Labels Gravure division is expected to see some form of recovery as trading normalises whilst ITB's performance is expected to remain stable.

The Group remains committed to transformation and sustaining its current B-BBEE Level 2 rating.

## RESULTS PRESENTATION

Shareholders are advised that a further presentation on the results will be made available on the Group's website www.novus.holdings by 18 November 2020.

## SHORT FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the Board and have 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 can be found at: https://senspdf.jse.co.za/documents/2020/jse/isse/nvse/interims20.pdf.

The full announcement is also available for viewing on the Company's website at https://novus.holdings/wp-content/uploads/2020/11/NVS-Unreviewed-Interim-Results-for-the-months-ended-30-September-2020.pdf or may be requested and obtained in person, at no charge, at the registered office of the Company or the Company's sponsor during office hours.

Any investment decisions should be based on consideration of the full announcement.

## CHANGES TO COMPANY SECRETARY

In compliance with paragraph 3.59 of the JSE Limited Listings Requirements, shareholders are advised that the Board of directors of Novus Holdings ("the Board") wishes to announce the resignation of Melonie Brink as Group Company Secretary with effect from 31 December 2020. The Board wishes to express their sincere thanks to Melonie for her commitment and contribution to Novus Holdings and wishes her well in her future endeavours.

Furthermore, the Board advises shareholders that Ms. Keshree Alwar has been appointed as Group Company Secretary with effect from 01 January 2021. Keshree, who has been with the Group since 2016, holds a BCom (Hons) in Financial Accounting and is a qualified chartered accountant.

The Board is satisfied that Keshree has the competence, qualifications and experience to fulfil the role.

## APPRECIATION

The Board would like to extend a special thanks to all employees for their courage and commitment to our business during the difficult times we have faced during Lockdown and the impact that the COVID-19 pandemic has had on us as a Group.

The Board would also like to extend its thanks to our shareholders, business partners, customers and suppliers for their ongoing support.

Despite the ongoing challenges we are facing, we remain committed to the task at hand and will continue to address the challenges we face with focus and determination showing the resilience that our stakeholders are accustomed to.

On behalf of the Board

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| Dr Phumla Mnganga | Neil Birch |
| Chairman | Chief executive officer |

12 November 2020
Cape Town

Sponsor: Merchantec Capital