



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

PRELIMINARY AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2021

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, commercial and digital work and educational materials. Beyond traditional printing, the Group has a packaging division that offers wet-glue and wrap-around labels, pressure-sensitive labels and flexible plastic packaging.

SALIENT FEATURES

- Revenue declined by 31,0% to R2 838 million (2020: R4 112 million)
- Operating profit* declined to an operating loss of R20 million (2020: operating profit of R126 million)
- Headline earnings per share decreased from 23,4 cents per share to a headline loss of 5,4 cents per share
- Loss per share improved to 8,3 cents (2020: 119,6 cents loss per share)
- Net asset value per share decreased by 3,2% to 767,5 cents (2020: 792,6 cents)
- Final cash dividend of 50 cents per ordinary share with a scrip dividend alternative (2020: NIL)
- Net working capital decreased by a further R128,2 million (2020: decreased by R210,2 million)
- Free cash flow** improved by R26,2 million to R362,2 million (2020: R336,0 million)
- Cash conversion^ increased to 351,9% (2020: 119,4%)
- Closing cash position up R268,3 million to R 442,8 million (2020: R174,5 million)

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

**Cash generated from operations less expenditure on property, plant and equipment ("PPE") and intangibles plus proceeds on disposal of assets, less taxation paid.

^Cash generated from operations less expenditure on PPE and intangible assets, divided by Earnings before interest, taxation, depreciation and amortisation ("EBITDA") excluding "other gains/(losses)."

PERFORMANCE OVERVIEW

The financial year under review was impacted by COVID-19, which resulted in economic contraction and business interruption. This tested the Group's ability to be agile and respond swiftly to the uncertainty that presented itself. The Group's primary focus was to ensure operations were stabilised, the livelihoods and health of staff were protected in the workplace and the strategic objectives amended to ensure sustainability of the Group.

The Group's performance can be attributed mainly to the lockdown regulations causing disrupted trade during the state of disaster and aggravated by the extended alcohol bans placing pressure on the Labels Gravure division and the after-effects impacting all print product categories.

Whilst revenue and operating profit were down compared to the prior year, the resilience of the Group was demonstrated through the implementation of extreme cost cutting measures with operating expenses reduced by R81,1 million (12,6%). Gross profit margin improved moderately to 19,0% from 18,7% supported by the changed product mix in print and significant asset impairments in FY2020 which absorbed the margin compression.

The Group continued to restructure and rationalise production facilities in order to obtain operational efficiencies, to extract under-utilised capital assets, and reduce capacity in line with future expected demand. Retrenchment costs of R29,3 million were accounted for in the year together with a net impairment charge of R27,2 million on property, plant and equipment and assets held for sale. Favourably impacting the results was a R30,7 million profit on the sale of certain redundant plant and machinery in the Print segment whilst there was a R10,9 million loss recognised in the disposal of the Tissue subsidiary.

Print

Revenue declined by 33,0% to R2 123 million and operating profit declined from R106 million to an operating loss of R37 million in the current year.

Volumes declined on all product categories with an overall tonnage drop of 35,8%. Magazine and newspaper volumes declined due to additional title closures, reduced volumes and general market declines. Retail inserts and catalogue volumes were significantly lower, also contributing to thinner margins based on overcapacity in the market. Books and directories volumes also decreased.

Packaging

Revenue decreased by 15,6% to R580 million and operating profit by 50,5% to R19,8 million.

ITB's operating profit improved by 4,7% despite revenue declining by 10,2% compared to the prior year. The division benefitted from more stable polymer pricing and cost savings across all expense categories.

The alcohol and other lockdown restrictions resulted in Labels Gravure revenue declining by 31,6% and contributing an operating loss to the segment. The division achieved lower margins from key customers due to pricing pressure and lost margin due to alcohol restrictions and inefficiencies on production and trade.

Tissue

Reported revenue decreased by 47,7% to R134 million with an operating loss of R2,6 million compared to an operating loss of R19,1 million in FY2020. The Group only consolidated the results of the Tissue division for the first half of the financial year as 51% of this business was disposed of with effect from 01 October 2020 and equity accounted for from this date onwards. On a like-for-like basis, Tissue revenue was up 2,2%.

CASH GENERATION

The Group closed the financial year with a cash balance of R442,8 million compared to R174,5 million in the prior year. Notable improvements in working capital contributing an inflow of R250,0 million, proceeds on the sale of certain redundant plant and machinery of R59,1 million and the disposal of Tissue equity of R20 million contributed to this strong closing position. Cash preservation strategies and curbing expenditure also contributed positively to this result.

TRANSFORMATION

The Group is proud to retain its Level Two B-BBEE contributor status and remains committed to transformation.

CHANGES TO THE BOARD

Mr André van der Veen has been appointed to the board of directors of the Company ("**Board**") as a non-executive director with effect from 17 May 2021, with Mr Adrian Zetler appointed as an alternate non-executive director to Mr van der Veen, also effective 17 May 2021.

After serving on the Board for almost three years, Mr Dennis Mack will retire as an independent non-executive director by rotation at the upcoming Annual General Meeting on 27 August 2021 and has indicated that he will not be available for re-election and will formally resign from the Board. Mr Mack currently serves as chairman of the Audit and Risk Committee and member of the Remuneration Committee and the Nominations Committee.

The Board is in process of streamlining its composition to ensure that it is fit for purpose and will consider the vacancy to be filled by the time Mr Mack's retirement takes effect, being 27 August 2021.

DIVIDENDS

The Board has decided to declare a cash dividend of 50 cents per ordinary share. In order to balance the cash flow requirements of the business and provide maximum flexibility to shareholders, a scrip dividend alternative will be offered to shareholders, subject to the Company obtaining the requisite regulatory and shareholder approvals. The number of shares issued under the scrip dividend alternative will be limited to 31 million ordinary shares. To the extent that there is an excess election of the scrip dividend alternative, shareholders will receive a *pro-rata* share of the scrip dividend with the balance of the dividend to be settled in cash. A circular setting out the terms and salient dates of the cash dividend and scrip dividend alternative will be published separately in due course.

OUTLOOK

The impact of the COVID-19 pandemic on the business during FY2021 was significant and a return to a degree of normality is welcomed and expected in FY2022. However, permanent damage has been inflicted on the global and local markets and especially the Print industry. Short-term recovery is expected, but not to pre-COVID-19 levels as the traditional newspaper and magazine markets have

been severely disrupted. The broader South African economy has also been severely harmed and recovery is not expected in the short to medium term.

During FY2021, four Print operations were closed or consolidated into other Print facilities and together with impairments to PPE, resulting in the Print 'footprint' being significantly reduced making the operating cost-structure leaner and more competitive but without compromising its traditional product offering. This bodes well for the future and this 'right-sizing' philosophy has been entrenched in the minds of management for future deployment. Whilst a recovery in post-COVID-19 volumes can be expected, the recent shortage of pulp together with the ever-present ZAR volatility will have a knock-on effect on paper-pricing and margins.

The Labels Gravure division is expected to see some form of recovery as trading normalises whilst ITB's performance is expected to remain stable. Both businesses will continue to explore alternate product line offerings that complement their existing offerings and are within the parameters of current equipment capabilities.

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 to support Group initiatives along with a further anticipated cash release. Management is conscious of the generally suboptimal return on gross assets and in line with the stated strategy all operations will be continually assessed in terms of projected return on funds employed, and where appropriate, further action will be taken to ensure that all assets are carried at realisable values. This focus may result in further liquidation of underperforming assets.

With the inherent strength of the balance sheet and cash generating ability, current momentum will ensure the sustainability of the Group. The Group expects demand to remain muted, before stabilising again in the medium term.

RESULTS PRESENTATION

Shareholders are advised that Novus Holdings will be hosting their results presentation via a live audio webinar at 11h00 (SA time) on Friday, 11 June 2021.

For access and details of this webinar, please visit the Group's website at www.novus.holdings and view the invitation at <https://novus.holdings/wp-content/uploads/2021/06/Novus-Holdings-Annual-Results-2021-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 2021 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. 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/2021/06/IAR21-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 021 550 6206.

Any investment decisions should be made based on the full announcement. The full announcement has been released on SENS and is available through the following link:

<https://senspdf.jse.co.za/documents/2021/jse/isse/nvse/FY2021.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

Dr Phumla Mnganga
Chairman

Neil Birch
Chief executive officer

Cape Town
09 June 2021

Sponsor
Merchantec Capital