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 2021 AND AVAILABILITY OF B-BBEE COMPLIANCE REPORT

SALIENT FEATURES

- Revenue remained stable at R1 523 million (2020: R1 523 million)
- Operating profit* up R99,4 million to R90,3 million (2020: operating loss of R9,2 million)
- Headline earnings per share increased by 497,3% to 28,49 cents per share (2020: 4,77 cents per share)
- Earnings per share increased by 8,3% to 8,52 cents per share (2020: 7,87 cents per share)
- Net asset value per share decreased to 678,21 cents (2020: 783,6 cents) following an impairment charge of R82 million and increase in issued shares following the scrip distribution
- Positive closing cash position of R197,9 million
- Dividends paid of R75,3 million

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

PERFORMANCE OVERVIEW

The Group's performance for the six months ended 30 September 2021 ("**period**") improved significantly compared to the prior year, in which the strictest COVID-19 restrictions applied. The Print industry saw some return to stability with overall print volumes up despite the permanent damage inflicted to publishing houses with title closures and reduced circulations. Packaging also saw some respite in the Flexible Packaging division, ITB Flexible Packaging Solutions (**"ITB"**), however the Labels division was unable to make a post-COVID recovery.

Group revenue remained stable at R1 523 million after the exclusion of the disposed Tissue division's revenue and delayed delivery on a major print project. Operating profit grew tenfold to R90,3 million (2020: operating loss of R9,2 million). Gross profit margin improved by 2,6% to 24,0% (2020: 21,4%) with changes in product mix, improved operating efficiencies and the exclusion of the typically low margin Tissue division revenue in the period. The Tissue division contributed R130,9 million to turnover in the prior six-month period.

Delays to the start of the production of contractual work for the Department of Basic Education (**"DBE"**) led to a shift between the first half and second half of the year compared to the prior year where the majority of the work was recognised in the period, impacting revenue and working capital investment.

The Group's cost cutting strategies executed in FY2021 yielded positive savings in the period with overhead costs down by 17,7%.

The Labels division with its majority of customers in the alcoholic beverage segment were impacted by the erratic COVID-19 related restrictions and continued to incur challenges with production inefficiencies, unstable margins and an excessive working capital investment informing the decision to exit the division's largest customer contract. This agreement is expected to be fully terminated in the new calendar year resulting in a substantially reduced business unit with 50 jobs unfortunately becoming redundant in the current financial year. This further led to an impairment of this division's goodwill and property, plant and equipment by R16,7 million and R65,0 million respectively.

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

- A net gain of R38,7 million for the derecognition of leases held within the Tissue division upon its cancellation; and,
- A profit on sale of assets within the Print segment of R7,5 million.

Print

Revenue increased by 7,4% to R1 200 million and operating profit by R87,3 million to R76,0 million (2020: operating loss of R11,3 million).

Overall print volumes were up 9,1% with retail inserts and newspapers showing a material growth leading to this increase. Magazine and books and directories volumes decreased substantially.

Packaging

Revenue increased by 16,1% to R319,8 million, with ITB up 7,2% and Labels up 62,7% off the very low previous "hard lock down revenues". The segment yielded an operating profit of R15,0 million compared to R2,7 million in the prior period.

CASH GENERATION

The Group's cash reserves remained strong despite the temporary yet significant investment in working capital due to the delayed start of the production of a large annual print contract, and dividends paid amounting to R75,3 million. The extraction of capital assets generating sub-optimal returns and their disposal continues with proceeds of R77,2 million received for the sale of "held for sale" print equipment and land and buildings situated in KwaZulu-Natal. Capital expenditure remained modest at R12,0 million with the Group continuing to direct spend toward maintenance of current plant and equipment.

OUTLOOK

The Group proved its resilience in the first half and will remain focused on cost reductions through optimal sizing and achieving operational efficiencies. The cyclical nature of the business will however see a traditionally slower second half of the year and factoring in the costs associated with restructuring.

The Group is focused on improving its return on invested capital. It will continue to explore opportunities to free up capital resources that are earning sub-optimal returns and is committed to returning any surplus cash to shareholders. The Group is currently in the process of reviewing its dividend policy.

The Group will conclude the last year of the current DBE award and anticipates responding to a tender for the new contract.

Global pulp and paper and commodity shortages along with international logistics challenges have the potential to impact trading in the second half into FY2023 with increased demand leading to aggressive pricing for these raw materials. The Group will review its hedging policy to ensure that the foreign exchange risk is mitigated to the extent possible.

Transformation remains key and the Group has sustained its current B-BBEE Level Two rating.

CHANGES TO THE BOARD

The following changes took place during the period:

- Mr Dennis Mack and Mr Sandile Zungu resigned with effect from 27 August 2021. Mr Adrian Zetler was appointed to the Board and as a member to the Audit and Risk Committee with effect from the same date. Ms Noluvuyo Mkhondo resigned from the Committee on the 27 August 2021 and Mr Abduraghman Mayman replaced Mr Mack as the Chairman of the Audit and Risk Committee.
- The Board integrated its Nominations and Remuneration Committees to form the Human Capital Committee with Mr André van der Veen appointed as Chairman of the new committee with effect from 01 July 2021.
- Ms Keshree Alwar was appointed as Chief Financial Officer with effect from 01 September 2021 with Mr Harry Todd resigning from the Board on the same date.
- Ms Alwar resigned as Company Secretary with effect from 01 September 2021 with Kilgetty Statutory Services (South Africa) Proprietary Limited replacing her.

RESULTS PRESENTATION

Shareholders are advised that Novus Holdings will be hosting their results presentation via a live webinar at 11h00 (SA time) on Friday, 12 November 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/2021/11/Novus-Holdings-Interim-Results-2022-Invite.pdf

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 announcement and does not contain full or complete details. The full announcement has been released on SENS and can be accessed at:
https://senspdf.jse.co.za/documents/2021/jse/isse/nvse/interims21.pdf.

The full announcement is also available for viewing on the Company's website at https://novus.holdings/wp-content/uploads/2021/11/Novus-Interim-AFS-Sept21-v_Final.pdf or may be requested in person, at no charge, from the registered office of the Company or the Company's sponsor during office hours.

Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement published on SENS and the Company's website as a whole.

AVAILABILITY OF B-BBEE ANNUAL COMPLIANCE REPORT

Shareholders of Novus Holdings are advised that the Company's latest 2021/2022 Broad-Based Black Economic Empowerment ("B-BBEE") certificate is available on the Company's website at: https://novus.holdings/wp-content/uploads/2021/11/B-BBEE-VERIFICATION-CERTIFICATE-ANNEXURE-NOVUS-HOLDINGS-LIMITED-FY2021.pdf

Novus Holdings is proud to announce that it has retained its Level Two B-BBEE rating with the new certificate being valid until 01 November 2022.

Shareholders are further advised that the Company's annual compliance report pursuant to section 13G(2) of the B-BBEE Amendment Act No. 46 of 2013, and in accordance with paragraph 16.21(g) and Appendix 1 to Section 11 of the JSE Limited Listings Requirements, has been published and is available on the Company's website at https://novus.holdings/wp-content/uploads/2021/11/FORM-BBBEE-1-Compliance-Report-13G1.pdf

On behalf of the Board

Dr Phumla Mnganga
Chairman

Neil Birch
Chief executive officer

Cape Town
10 November 2021

Sponsor
Merchantec Capital