

INSIMBI INDUSTRIAL HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration No: 2002/029821/06)
(Income tax reference no: 9078/488/15/3)
Share code: ISB ISIN code: ZAE000116828
("Insimbi" or "the group" or "the company")

UNREVIEWED CONSOLIDATED CONDENSED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2019 AND INTERIM DIVIDEND DECLARATION

Insimbi is a group of companies that sustainably source, process, beneficiate & recycle metals. The core business expertise is the ability to source and provide local, regional and global industrial consumers with the required commodity over its four distinct business segments. The Company herewith announces its unreviewed consolidated financial results for the six months ended 31 August 2019.

Key Financial Highlights when compared to the 6 months ended 31 August 2018:

- **Revenue increased by 13.0% to R2.42 billion**
- **Gross profit increased by 17.4% to R213.26 million**
- **EPS increased by 3.9% to 9.48 cents per share**
- **HEPS increased by 11.3% to 9.42 cents per share**
- **NAV increased by 6.8% to 109.81 cents per share and tangible NAV decreased by 7.7% to 68.20 cents per share respectively**
- **Finance costs increased by 49.7% to R21.68 million**
- **Debt: equity ratio has improved from 84% to 73%**
- **Cash generated from operations increased from R30 million to R98 million**
- **Trading and operational outlook for the remainder of the financial year is positive**
- **The Group has declared a gross interim dividend of 2 cents per share for the period ended 31 August 2019.**

CEO of Insimbi, Fred Botha, commented:

Despite a very challenging local and global economic environment exacerbated by the impact of the terrible floods and labour unrest that affected Transnet operations in Durban earlier in the financial year which created a backlog at Durban port that continues to hamper our export of recycled metals, Insimbi has achieved decent growth on the back of the acquisition of Group Wreck in November 2018. Commodity and in particular metals prices have been subdued in the first 6 months of the year, and it is estimated that our weighted average “basket” price of products is between 12% and 15% down on international pricing compared to the same period in the previous interim reporting period ended 31 August 2018 and although this has been partially offset by a weaker currency during the period under review, the ZAR price of said “basket” is approximately 5% lower across the board. Against this backdrop a 13% increase in real revenue growth was achieved and in such a difficult environment, this is very satisfying and certainly lends support to the acquisitive strategy we have embarked on over the last 3 years. Achieving organic growth in an economy that has grown at sub 1% GDP levels for the better part of the last decade, is very difficult and in order to achieve sustainable growth and enhanced critical mass, Insimbi must continue on this acquisitive path.

The trade war between USA and China continues to plague the markets and it has definitely impacted negatively on our volumes, selling prices and margins. We had hoped, as I am sure did most, that this situation would have resolved itself by now, the ripple effect on the rest of the global and especially emerging market economies is significant and Insimbi, whilst resilient, is unfortunately not immune to the repercussions of this protracted and unfortunate situation. We hope sense prevails soon.

From an operational perspective, the core subsidiaries have performed well in their respective markets, despite the headwinds discussed above. The steel industry continues to be challenging both locally and globally and it has resulted in reduced volumes of some of our aluminium related products in particular. We have made great strides in finding alternative markets, products and sources of cost effective raw materials which will compensate for the decline in traditional business and this will place the aluminium operations in good stead for when the market eventually turns. The plastic operation which now is less than 1% of our Group’s revenue remains a challenge and given the related labour issues which resulted in the violent nationwide strike action late last year, we have taken the decision to downsize this operation further to achieve profitability on a significantly reduced cost base.

Our investment in 2018 into the low carbon ferrochrome and aluminium powder markets via the acquisition of Minerals2Metals Proprietary Ltd in Witbank has proven to be of terrible timing given that the world ferrochrome market has virtually collapsed and is at an estimated 15-year low. However, we have made significant progress on upgrading the ferrochrome and aluminium powder plants and perfecting our respective products and when the market turns we will be ready to exploit these assets.

We are in the final stages of commissioning our own fully fledged modern laboratory which will not only enable us to improve the turn-around times on sampling from our various operations, and once we have the necessary industry certifications, will enable us to compete with local service providers in this very technical field.

We are still awaiting the economic stimulus and infrastructure upgrades that we have heard so much about since President Ramaphosa came into power, and it is disappointing to note that not much has changed in the period and

our national economic growth rate continues to languish below 1% per annum, certainly not sufficient to solve any of South Africa's pressing problems.

FINANCIAL OVERVIEW

Group revenue for the period is R 2.4 billion, representing an increase of 13% or R279 million on the comparative period ended 31 August 2018. Overall, gross margins have increased from 8.5% to 8.8% and gross profit increased by 17.4% from R181.7 million to R213.3 million.

Group operating profit increased by 8.3% to R67.3 million compared to R62.1 million in the comparative period ended 31 August 2018. Operating expenditure has increased by 25%, or R31.6 million compared to the comparative period. Of this increase, Group Wreck International Non-Ferrous (Pty) Ltd (which the Group acquired in November 2018) contributed R28.8 million. Therefore, the increase in operating expenditure of the Group pre-acquisition is only 2.3%, which is remarkable in current economic conditions.

Group finance costs for the period have increased from R14.8 million to R21.7 million. This is due to the additional financing the Group has taken on to finance the acquisitions in the second half of the previous financial year, as well as increased working capital requirements.

Despite a challenging 1st financial quarter where exchange rates and commodity pricing were very unpredictable, Insimbi achieved group EPS of 9.48 and HEPS of 9.42 cents per share respectively compared to 9.12 and 8.47 cents per share in the previous comparative period. This equates to an increase of 3.9% and 11.3% EPS and HEPS respectively.

Net cash flow from operating activities increased from R9.1 million to R63.4 million, of which R13 million is attributable to an improvement in the net working capital of the Group resulting from more stringent working capital management.

Borrowings were reduced by R21.1 million in the 6 months ended 31 August 2019 and this, in addition to the above, has resulted in a net cash improvement of R35 million to a R15.2 million net overdraft position compared to R50.1 million net overdraft at year-end.

PROSPECTS

As announced in June 2019 we have reached agreement with the Treppo Group whereby Insimbi will acquire control of the group which operates in Gauteng and KwaZulu-Natal. The transaction is subject to certain conditions precedent including Competitions Commission approval. This transaction will be value accretive and will provide further geographic expansion of the metal recycling and processing business and provide us with an even closer proximity to Durban harbour for export purposes. We anticipate significant synergies between our existing recycling operations and Treppo Group. The initial transaction consideration is an amount of R109 million. An additional "agterskot" amount limited to R8.5 million is potentially payable in year 3 and 4 post acquisition. This is based on the achievement of certain profit targets. The initial consideration of R109 million will be settled as follows:

- Cash: R74 million;
- ISB shares: 11 538 642 shares to be issued at R1.30 per share, to the value of R15 million in total; and

- Vendor loans: to the value of R20million, repayable after a period of 3 years, bearing interest at a rate of prime less 2%. Repayment of the capital amount may be extended to a maximum of 5 years, at the option of the group.

It is expected that trading conditions in the second half of the financial year to 28 February 2020 will remain challenging however we are confident that the Insimbi group's foundation is stronger and more resilient than that we are better positioned than we have ever been in our almost 50-year history, to weather whatever comes our way. The inclusion of Treppo Group into our existing Insimbi group once all conditions precedent have been met, will further bolster the Group's performance and resilience will ensure that we achieve our growth expectations going forward.

DIVIDEND DECLARATION

An interim gross dividend of 2 cents per share has been declared on 8 October 2019. There are 428 461 538 ordinary shares in issue at announcement date, of which 2 666 241 are held in treasury and does not participate in dividends, 23 106 915 shares are held by the ESOP's and are participating in the dividend policy. The total dividend amount payable is R8 515 906 (2018: R8 172 607).

The board has confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008, as amended, has been duly considered, applied and satisfied. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax rate is 20,0%. The dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is 1.6 cents and 2 cents per share, respectively. The income tax number of the Company is 9078488153.

The salient dates applicable to the interim dividend are as follows:

Last day to trade <i>cum</i> dividend	Tuesday, 19 November 2019
First day to trade <i>ex</i> dividend	Wednesday, 20 November 2019
Record date	Friday, 22 November 2019
Payment date	Monday, 25 November 2019

Share certificates may not be dematerialised and rematerialised between Wednesday, 20 November 2019, and Friday, 22 November 2019, both days inclusive.

Shares repurchased by a subsidiary between year-end and announcement date, and held in treasury amounted to 1 188 569 (2018: 371 777), which brings the total number of treasury shares to 25 773 156 (2018: 24 476 587).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Note	Unreviewed as at 31 August 2019	Unreviewed as at 31 August 2018	Audited as at 28 February 2019
Assets				
Non-current assets				
Property, plant and equipment		375 115	298 524	362 842
Goodwill		165 048	107 591	165 048
Intangible assets		13 252	11 211	13 220
Investments in joint ventures		1 181	844	863
Lease receivable		3 546	-	3 603
Deferred taxation asset		3 356	3 576	4 240
		561 498	421 746	549 816
Current assets				
Inventories		231 752	142 382	168 006
Lease receivable		113	-	113
Trade and other receivables		304 576	305 706	410 014
Financial assets at fair value		1 161	2 295	-
Current taxation receivable		-	-	5 326
Cash and cash equivalents		61 986	25 350	33 579
		599 587	475 733	617 038
Total assets		1 161 085	897 479	1 166 854
Equity and liabilities				
Equity				
Share capital		196 781	176 777	197 871
Reserves		49 072	47 752	48 417
Retained earnings		228 099	198 187	199 638
Non-controlling interest		(3 458)	(1 127)	(1 268)
		470 493	421 589	444 658
Liabilities				
Non-current liabilities				
Loans from shareholders		9 686	1 682	-
Financial liabilities at amortised cost		246 394	172 239	254 178
Lease liabilities		21 035	-	21 154
Deferred taxation		27 957	29 377	36 199
Contingent consideration		5 747	-	5 747
		310 820	203 298	317 278
Current liabilities				
Loans from shareholders		-	-	1 682
Financial liabilities at amortised cost		81 012	55 212	68 278
Financial liabilities at fair value		-	-	945
Lease liabilities		1 378	-	2 519
Current taxation payable		847	2 781	-
Trade and other payables		219 377	179 022	247 751
Bank overdraft		77 157	35 577	83 743
		379 772	272 592	404 918
Total liabilities		690 592	475 890	722 196
Total equity and liabilities		1 161 085	897 479	1 166 854

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Unreviewed as at 31 August 2019	Unreviewed as at 31 August 2018	Audited as at 28 February 2019
Revenue	2 417 034	2 138 007	4 545 214
Cost of sales	(2 203 758)	(1 956 345)	(4 164 615)
Gross profit	213 275	181 662	380 599
Other income	2 761	5 078	3 392
Other operating gains/losses	7 511	-	(7 468)
Operating expenses	(156 282)	(124 631)	(275 452)
Operating profit	67 265	62 109	101 071
Investment revenue	127	583	733
Income from equity accounted investments	1 730	1 333	2 047
Finance cost	(21 675)	(14 477)	(32 838)
Profit before taxation	47 447	49 548	71 013
Taxation	(11 579)	(14 809)	(25 179)
Profit for the year	35 868	34 739	45 834
Total comprehensive income for the year	35 868	34 739	45 834
Total comprehensive income attributable to:			
Owners of the parent	37 890	35 301	46 647
Non-controlling interest	(2 022)	(562)	(813)
	35 868	34 739	45 834

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital and premium	Treasury shares	Total share capital	Revaluation reserve
Balance at 31 August 2018 (unreviewed)	196 704	(19 927)	176 777	44 819
Total comprehensive income	-	-	-	-
Transactions with non-controlling interest	-	-	-	-
Shares issued	21 231	-	21 231	-
Dividend paid	-	-	-	-
Net movement in treasury shares	-	(137)	(137)	-
Balance at 28 February 2019 (audited)	217 935	(20 064)	197 871	44 819
Total comprehensive income	-	-	-	-
Transactions with non-controlling interest	-	-	-	-
Dividend paid	-	-	-	-
Net movement in treasury shares	-	(1 090)	(1 090)	-
Balance at 31 August 2019 (unreviewed)	217 935	(21 154)	196 781	44 819

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

R'000	Share based payment reserve	Retained income	Non controlling interest	Total equity
Balance at 31 August 2018 (unreviewed)	2 933	198 187	(1 127)	421 589
Total comprehensive income	665	10 100	(251)	10 514
Transactions with non-controlling interest	-	(110)	110	-
Shares issued	-	-	-	21 231
Dividend paid	-	(8 539)	-	(8 539)
Net movement in treasury shares	-	-	-	(137)
Balance at 28 February 2019 (audited)	3 598	199 638	(1 268)	444 658
Total comprehensive income	655	37 235	(2 022)	35 868
Transactions with non-controlling interest	-	168	(168)	-
Dividend paid	-	(8 942)	-	(8 942)
Net movement in treasury shares	-	-	-	(1 090)
Balance at 31 August 2019 (unreviewed)	4 253	228 099	(3 458)	470 494

CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unreviewed as at 31 August 2019	Unreviewed as at 31 August 2018	Audited as at 28 February 2019
Cash flow from operating activities			
Cash generated from operations	97 884	29 509	45 198
Investment income	127	583	733
Finance costs	(21 675)	(14 477)	(32 838)
Taxation paid	(12 764)	(6 493)	(27 860)
Net cash flow from operating activities	63 572	9 122	(14 767)
Cash flow from investing activities			
Purchase of property, plant and equipment	(5 806)	(5 553)	(9 555)
Proceeds on disposal of property, plant and equipment	426	496	130
Expenditure on intangible assets under development	(269)	-	(2 166)
Business combinations	-	-	(66 662)
Dividend from investment in joint ventures	1 412	1 067	1 760
Net cash from investing activities	(4 237)	(3 990)	(76 493)
Cash flow from financing activities			
Proceeds from loan funding	-	-	135 000
Repayment of other financial liabilities	(21 111)	(24 970)	(94 051)
Proceeds from shareholder's loan	9 686	-	-
Repayment of shareholder's loan	(1 682)	(593)	(593)
Dividends paid	(8 942)	(11 567)	(20 044)
Repurchase of treasury shares	(1 090)	(527)	(665)
Principal elements of lease repayments	(1 203)	-	(848)
Net cash outflow from financing activities	(24 342)	(37 657)	18 799
Net movement in cash for the period/year	34 993	(32 525)	(72 462)
Cash and cash equivalents at the beginning of the period/year	(50 164)	22 298	22 298
Cash and cash equivalents at the end of the period/year	(15 171)	(10 227)	(50 164)

CONDENSED SEGMENT REPORT

R'000	Unreviewed as at 31 August 2019	Unreviewed as at 31 August 2018	Audited as at 28 February 2019
Revenue by segment			
Non-Ferrous	1 918 502	1 750 082	3 830 010
Ferrous	403 024	302 195	540 110
Refractory	73 717	56 006	123 821
Plastics	21 790	29 724	51 273
	2 417 034	2 138 007	4 545 214
Gross profit by segment			
Non-Ferrous	162 884	134 716	297 333
Ferrous	34 610	28 194	50 048
Refractory	9 339	8 263	17 190
Plastics	6 443	10 489	16 028
	213 275	181 662	380 599
Operating profit by segment			
Non-Ferrous	44 417	40 349	71 341
Ferrous	18 006	18 399	34 940
Refractory	7 727	6 574	13 893
Plastics	(2 886)	(3 213)	(19 103)
	67 265	62 109	101 071

OTHER GROUP SALIENT FEATURES

R'000	Unreviewed as at 31 August 2019	Unreviewed as at 31 August 2018	Unreviewed as at 28 February 2019
Basic attributable earnings per share is calculated by dividing the net profit attributable to ordinary equity shareholders by the weighted average number of ordinary shares outstanding during the year.			
Basic earnings (loss) per share			
From continuing operations (cents per share)	9,48	9,12	11,93
Number of weighted shares in issue at the end of the period/year ('000)	424 617	410 000	415 311
Less: treasury shares held in a subsidiary at the end of the year ('000)	(24 834)	(23 133)	(24 388)
	399 784	386 867	390 923
Headline earnings (loss) per share			
Profit attributable to owners of the parent (R'000)	37 890	35 301	46 647
Adjusted for (profit)/loss on sale of property, plant and equipment, nett of tax (R'000)	(213)	(234)	96
Adjusted for gain on bargain purchase (R'000)	-	(2 316)	(2 810)
Impairment of goodwill (R'000)	-	-	8 938
Headline earnings for the group (R'000)	37 677	32 751	52 871
Headline earnings per share (cents)	9,42	8,47	13,52

OTHER GROUP SALIENT FEATURES CONTINUED

R'000	Unreviewed as at 31 August 2019	Unreviewed as at 31 August 2018	Unreviewed as at 28 February 2019
Reconciliation of number of shares for diluted earnings (loss)			
Weighted average number of ordinary shares in issue ('000)	399 784	386 887	390 923
Adjusted for: Share options ('000)	15 447	14 246	14 934
Weighted average number of ordinary shares for diluted earnings per share ('000)	415 231	401 133	405 857
Basic earnings per share (cents)	9,48	9,12	11,93
Headline earnings per share (cents)	9,42	8,47	13,52
Diluted earnings per share (cents)	9,13	8,80	11,49
Diluted headline earnings per share (cents)	9,07	8,16	13,03
Dividends per share (cents)	2,00	2,00	4,00
Net asset value per share (cents)	109,81	102,83	103,78
Tangible net asset value per share (cents)	68,20	73,85	62,17
EBITDA	84 496	74 274	125 102
Depreciation and amortisation	15 501	10 832	21 984

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the interim period ended 31 August 2019 have been prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial. The unaudited condensed consolidated financial statements have been prepared under the supervision of the Chief Financial Officer, Andre de Wet CA (SA). The accounting policies are consistent with those applied in the annual financial statements for the previous year. The above information has not been audited or reported on by Insimbi's auditors.

CONTINGENCIES

The Company does not have any material contingencies.

APPROVAL:

RI Dickerson

Chairman

8 October 2019

F Botha

Chief Executive Officer

Directors:	F Botha (Chief Executive Officer) AJ de Wet (Chief Financial Officer) C Coombs RI Dickerson* (Chairperson) IP Mogotlane* N Mwale* CS Ntshingila* (*non-executive)
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Website:	www.insimbi-group.co.za
Sponsor:	Bridge Capital Advisors Proprietary Limited
Transfer Secretaries:	Computershare Investor Services Proprietary Limited
Auditors:	PricewaterhouseCoopers Inc.