INSIMBI INDUSTRIAL HOLDINGS LTD
(Incorporated in the Republic of South Africa)
(Registration No: 2002/029821/06)
Share code: ISB & ISIN code: ZAE000116828
("Insimbi" or "the Company" or "the Group")

UNREVIEWED CONSOLIDATED CONDENSED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2020

Insimbi is a group of companies that sustainably source, process, beneficiate and 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 group herewith announces its unreviewed consolidated financial results for the six months ended 31 August 2020.

Key Financial Highlights have been adversely affected by the Covid-19 pandemic but are compared to the 6 months ended 31 August 2019 below:

- **Revenue decreased** by **12.2%** to **R2.1 billion**
- **Gross profit decreased** by **9.1%** to **R193.8 million**
- **EPS decreased** by **89.2%** to **1.02 cents per share**
- **HEPS decreased** by **89.1%** to **1.03 cents per share**
- **NAV decreased** by **1.5%** to **108.17 cents per share** and tangible NAV decreased by **1.9%** to **66.92 cents per share** respectively
- **Finance costs increased** by **24.7%** to **R27.0 million**
- **Debt: equity ratio** has improved from **129%** to **105%**
- **EBITDA decreased** by **33.4%** to **R56.2 million**
- **Cash generated from operations decreased** from **R97.9 million** to **R82.8 million**
- **Trading and operational outlook** for the remainder of the financial year is **positive**

CEO of Insimbi, Fred Botha, commented:

The first 6 months of the current financial year were extremely challenging due to the impact of the Covid-19 pandemic and the related lockdown policy implemented by the South African government. This compounded the recessionary economic environment that was already firmly entrenched in our economy and so it is no surprise, that our group's performance in the first half of the year has been negatively impacted as a consequence of the unique situation that we find ourselves in.

The 5 week "hard" lockdown from 27th March 2020 to 4th May 2020, was especially damaging as our operations were classed as non-essential and resulted in almost zero revenue generated during this period and with the closure pre- and the re-opening post- this lockdown, it is fair to say we lost almost 7 weeks' worth of revenue and gross profit whilst still incurring a significant portion of operating costs during that period. I estimate the negative impact on revenue as a result, to be in the region of R800 million to R900 million and on gross profit, in the order of R65 million to R75 million. I hope that this places some context when comparing to the prior period ended 31st August 2019.

The acquisition of the Treppo Group in November 2019 should have led to a significant increase in revenue and profitability in normal circumstances but unfortunately any potential gain resulting from this acquisition during our interim reporting period was more than offset by the impact of lockdown level 5 and the subsequent level 4 lockdown.

To mitigate some of the impact due to the lost revenue and gross profit, we turned our focus to stringent cost-cutting measures across the group. We also used the time to formulate new strategies for some under-performing operations and I am pleased to say that we have been extremely successful in both these areas. Unfortunately, it has led to some 100 job losses across the group which incurred associated non-recurring retrenchment costs of approximately R1.8 million in the period under review. We have emerged "leaner" and more efficient and as I stated in my report in our recently released 2020 Annual Report, we have learnt to do more with less.

It is very pleasing to note therefore, that despite the significant decline in our earnings and headline earnings when compared with the previous interim period, that the second financial quarter from 1st June 2020 to 31st August 2020 after the lifting of Level 5 and 4 lockdown, generated earnings and headline earnings of almost 8 cents per share and EBITDA of over R50 million, our most successful financial quarter in our 50 year history, this despite operating at only about 80% of our capacity during this period.

During this uniquely difficult interim period, the Group also:

- generated over R82.8 million in cash from operations,
- reduced our debt to equity ratio by nearly 19% from 1.29 to 1.05
- met all our revised financial covenants at reporting date and,
- posted a profit for the 6-month interim period under review

Commodity prices and in particular metals, have rebounded and combined with the weaker currency, this has also improved or "buffered" the situation, proof of the underlying Rand-hedge nature of our group.

The trade war between America and China continues to plague the markets as does the ongoing Brexit saga but we have learned by now, to adapt to this and whilst I hope for resolution sooner rather than later, it is no longer a major issue. We are also rapidly learning to adapt to the "new" normal and whilst I have no false illusions of what lies ahead, I am confident that we are resilient and "nimble" enough to not only survive, but flourish as a result.

The core operations performed well considering the scenario explained above The steel industry continues to faces challenges both locally and globally but there is cause for optimism in this sector and this bodes well for us as a major supplier to the steel and related industries.

Our efforts to restructure the non-performing operations of Insimbi Plastics (Pty) Ltd and Minerals2Metals (Pty) Ltd have been successful and are starting to "bear fruit", whilst neither is expected to be a major contributor to the bottom line in the short term, they are no longer draining resources.

We continue to wait in anticipation, for the economic stimulus and infrastructure upgrades that we have been hearing about for many years. Now more than ever, these initiatives need to be rolled out and it is my fervent hope that Covid-19 has provided the necessary impetus or incentive to ensure that these become a reality so that our economy returns to acceptable and more importantly, sustainable growth levels.

Prospects

With the acquisition of the Treppo Group in November 2019 combined with our previous acquisitions of Group Wreck in 2018 and the Amalgamated Group in 2016, we have become a formidable player in the recycled metal and beneficiation industry, covering ferrous and non-ferrous metals with a country-wide footprint.

We have spent the last 4 years preparing the foundation of our group and as a result of our acquisitive strategy during this time, we have increased our revenue base from less than R1.0 Billion per annum to in excess of R5.0 billion per annum.

It has taken some time to integrate these acquisitions into the group and identify and exploit the synergies that existed but in my opinion, we are 95% of the way there and now all that remains is to maintain the operational momentum we have achieved as a group, service the debt raised for these acquisitions, maintain our focus on cost reduction and optimise and rationalise our existing infrastructure to ensure that the growth we have achieved at the revenue level by acquisition, translates into the earnings growth we anticipated from these acquisitions.

I have no doubt that the remainder of this financial year will continue to be volatile, challenging and unpredictable BUT having experienced the first half of the year with the various lockdown levels, I am confident that we will weather whatever lies ahead for the remainder of this financial year.

In conclusion, my hope is that we never have to experience a level 5 lockdown (or any other level for that matter) again.

Financial Overview

Group revenue for the period is R 2.1 billion, representing a decrease of 12% or R295 million on the comparative period ended 31 August 2019 as result of the closure during lockdown, and lower economic activity in the months that followed as businesses were opening in a phased approach. Overall, gross margins have increased from 8.8% to 9.1% but gross profit decreased by 9.11% from R213.3 million to R193.8 million due to lower sales.

Group operating profit decreased by 49.6% to R33.8 million compared to R 67.2 million in the comparative period ended 31 August 2019. Operating expenditure has increased by 4.6%, or R7.1 million compared to the comparative period. Of this increase, the Treppo Group (which the Group acquired at the end of November 2019) contributed R36.9 million. Therefore, the cost cutting exercises implemented by the pre-acquisition Group resulted in a decrease of operating expenses by 19.1%, or R29.8 million.

Group finance costs for the period have increased from R21.6 million to R27.0 million. This is due to the additional financing the Group raise to finance the acquisition of Treppo Group in late November 2019. The reduction of the Repo rate by 3.25% during the interim period has mitigated the increased finance costs of the group due to the increased acquisition funding.

Despite an extremely challenging 1st financial quarter where exchange rates and commodity pricing were very volatile and the fact that the Group could not operate for in excess of 5 weeks, the Group achieved positive EPS of 1.02 and HEPS of 1.03 cents per share respectively compared to 9.48 and 9.42 cents per share in the previous comparative period. This equates to a decrease of 89.2% and 89.06% EPS and HEPS respectively and were very satisfied that we remained profitable despite the difficult trading conditions and the impact of Covid-19.

Net cash flow from operating activities decreased from R85.2 million to R79.4 million (or 6.8%), as a result of stringent working capital management and intense focus on cost management.

Borrowings were reduced by R53.7 million in the 6 months ended 31 August 2020 and the Debt to Equity ratio has decreased from 129% to 105% at 31 August 2020.

COVID-19 has adversely impacted trading results and debt levels during the period with concomitant negative impacts on funding covenants. Accordingly, the Group has obtained covenant relaxations from its lenders for both the 31 August 2020 (which have been met at 31 August 2020) and the 31 November 2020 measurement periods with a return to normal covenant levels expected to be reached by February 2021.

Dividend Declaration

Given the uncertainty that prevails in the current local and global markets as a result of the Covid-19 pandemic, the board has elected not to declare an interim dividend (2019: 2,0 cents).

Shares repurchased by a subsidiary between year-end and announcement date, and held in treasury amounted to 218 329 (2019: 1 143 569), which brings the total number of treasury shares to 26 337 468 (2019: 25 728 156).

Changes to the board of directors

Mr Andre Johan De Wet retired on 28 September 2020 as executive director and Mrs Nadia Winde was appointed with effect from the 1 October 2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unreviewed as at 31 August 2020	Unreviewed as at 31 August 2019 (Restated)	Audited as at 29 February 2020
Assets			
Non-current assets			
Property, plant and equipment	448 561	375 115	458 628
Goodwill	170 484	165 048	170 484
Intangible assets	9 859	13 252	10 582
Investments in joint ventures	892	1 181	1 169
Lease receivable	3 408	3 546	3 490
Deferred taxation asset	11 552	3 356	7 299
	644 757	**561 498**	**651 652**
Current assets			
Inventories	182 845	231 752	197 068
Lease receivable	113	113	113
Trade and other receivables	383 538	304 576	489 508
Derivatives	-	1 161	1 909
Current taxation receivable	1 548	-	4 381
Cash and cash equivalents	125 960	61 986	92 994
	694 005	**599 587**	**785 973**
Total assets	**1 338 761**	**1 161 085**	**1 437 625**
Equity and liabilities			
Equity			
Share capital	208 695	196 781	208 850
Reserves	50 120	49 072	49 726
Retained earnings	214 120	228 099	210 317
Non-controlling interest	-	(3 458)	-
	472 935	**470 493**	**468 893**
Liabilities			
Non-current liabilities			
Loans from shareholders	-	9 686	-
Financial liabilities at amortised cost	348 320	246 394	367 385
Lease liabilities	14 644	21 035	15 239
Deferred taxation	42 056	27 957	38 022
Contingent consideration	870	5 747	870
	405 890	**310 820**	**421 516**
Current liabilities			
Loans from shareholders	-	-	-
Financial liabilities at amortised cost*	327 838	158 169	329 535
Derivatives	63	-	-
Lease liabilities	1 227	1 378	1 227
Current taxation payable	-	847	1 625
Trade and other payables	130 808	219 377	214 829
Bank overdraft*	-	-	-
	459 936	**379 772**	**547 216**
Total liabilities	**865 827**	**690 592**	**968 732**
Total equity and liabilities	**1 338 761**	**1 161 085**	**1 437 625**

** Restated*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Unreviewed as at 31 August 2020	Unreviewed as at 31 August 2019	Audited as at 29 February 2020
Revenue	2 121 263	2 417 034	4 812 068
Cost of sales	(1 927 425)	(2 203 758)	(4 397 947)
Gross profit	**193 838**	**213 275**	**414 121**
Other operating income	3 920	2 761	15 333
Other operating gains/losses	(516)	7 511	5 323
Operating expenses	(163 397)	(156 282)	(341 044)
Operating profit	**33 845**	**67 265**	**93 733**
Investment revenue	905	127	577
Income from equity accounted investments	1 082	1 730	3 157
Finance cost	(27 017)	(21 675)	(49 692)
Profit before taxation	**8 814**	**47 447**	**47 775**
Taxation	(4 617)	(11 579)	(18 409)
Profit for the year	**4 197**	**35 868**	**29 366**
Total comprehensive income for the year	**4 197**	**35 868**	**29 366**
Total comprehensive income attributable to:			
Owners of the parent	4 197	37 890	32 789
Non-controlling interest	-	(2 022)	(3 423)
	4 197	**35 868**	**29 366**
Basic earnings per share from profit for the year	1.02	9.48	8.08
Diluted earnings per share from profit for the year	0.99	9.13	8.08

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital and premium	Treasury shares	Total share capital
Balance at 31 August 2019 (unreviewed)	217 935	(21 154)	196 781
Total comprehensive income	-	-	-
Transactions with non-controlling interest	-	-	-
Shares issued	12 692	-	12 692
Dividend paid	-	-	-
Net movement in treasury shares	-	(623)	(623)
Balance at 29 February 2020 (audited)	**230 627**	**(21 777)**	**208 850**
Total comprehensive income	-	-	-
Dividend paid	-	-	-
Net movement in treasury shares	-	(155)	(155)
Balance at 31 August 2020 (unreviewed)	**230 627**	**(21 932)**	**208 695**

R'000	Revaluation reserve	Share based payment reserve	Retained income	Non-controlling interest	Total equity
Balance at 31 August 2019 (unreviewed)	44 819	4 253	228 099	(3 458)	470 494
Total comprehensive income	-	654	(1 672)	3 458	2 440
Transactions with non-controlling interest	-	-	-	-	-
Shares issued	-	-	-	-	12 692
Dividend paid	-	-	(16 110)	-	(16 110)
Net movement in treasury shares	-	-	-	-	(623)
Balance at 29 February 2020 (audited)	**44 819**	**4 907**	**210 317**	**-**	**468 893**
Total comprehensive income	-	394	3 803	-	4 197
Dividend paid	-	-	-	-	-
Net movement in treasury shares	-	-	-	-	(155)
Balance at 31 August 2020 (unreviewed)	**44 819**	**5 301**	**214 120**	**-**	**472 935**

CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unreviewed as at 31 August 2020	Unreviewed as at 31 August 2019 (Restated)	Audited as at 29 February 2020
Cash flow from operating activities			
Cash generated from operations	82 837	97 884	145 944
Investment income	905	127	196
Taxation paid	(4 305)	(12 764)	(12 019)
Net cash flow from operating activities	**79 437**	**85 247**	**134 121**
Cash flow from investing activities			
Purchase of property, plant and equipment	(5 429)	(5 806)	(24 335)
Proceeds on disposal of property, plant and equipment	347	426	2 407
Expenditure on intangible assets under development	-	(269)	(495)
Business combinations	-	-	(55 226)
Dividend from investment in joint ventures	1 359	1 412	2 851
Net cash from investing activities	**(3 722)**	**(4 237)**	**(74 798)**
Cash flow from financing activities			
Proceeds from financial liabilities at amortised cost	-	-	194 233
Repayment of other financial liabilities *	(15 063)	(27 697)	(129 399)
Finance costs ^	(27 017)	(21 675)	(47 004)
Proceeds from shareholder's loan	-	9 686	2 389
Repayment of shareholder's loan	-	(1 682)	-
Dividends paid	-	(8 942)	(16 110)
Repurchase of treasury shares	(156)	(1 090)	(1 713)
Principal elements of lease repayments	(513)	(1 203)	(2 302)
Net cash outflow from financing activities*	**(42 749)**	**(52 603)**	**94**
Net movement in cash for the period/year *	32 966	28 407	59 415
Cash and cash equivalents at the beginning of the period/year *	92 994	33 579	33 579
Cash and cash equivalents at the end of the period/year *	**125 960**	**61 986**	**92 994**

** = restated; ^ = change in accounting policy*

CONDENSED SEGMENT REPORT

R'000	Unreviewed as at 31 August 2020	Unreviewed as at 31 August 2019	Audited as at 29 February 2020
Revenue by segment			
Non-Ferrous	1 207 863	1 918 503	601 266
Ferrous	842 506	403 024	1 023 597
Refractory	47 972	73 717	147 630
Plastics	22 921	21 790	39 575
	2 121 262	**2 417 034**	**4 812 068**
Gross profit by segment			
Non-Ferrous	124 068	162 883	299 921
Ferrous	56 775	34 610	83 929
Refractory	5 198	9 339	18 322
Plastics	7 797	6 443	11 949
	193 838	**213 275**	**414 121**
Operating profit by segment			
Non-Ferrous	27 583	44 418	53 091
Ferrous	1 896	18 006	31 093
Refractory	3 084	7 727	15 177
Plastics	1 282	(2 886)	(5 628)
	33 845	**67 265**	**93 733**

OTHER GROUP SALIENT FEATURES

R'000	Unreviewed as at 31 August 2020	Unreviewed as at 31 August 2019	Audited as at 29 February 2020
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)	1.02	9.48	8.08
Number of weighted shares in issue at the end of the period/year ('000)	437 218	424 617	431 370
Less: treasury shares held in a subsidiary at the end of the year ('000)	(26 217)	(24 834)	(25 517)
	411 001	**399 783**	**405 853**

OTHER GROUP SALIENT FEATURES (continued)

R'000	Unreviewed as at 31 August 2020	Unreviewed as at 31 August 2019	Audited as at 29 February 2020
Headline earnings are determined by adjusting basic earnings by excluding separately identifiable remeasurements items. Headline earnings are presented after tax and non-controlling interests.			
Headline earnings (loss) per share			
Profit attributable to owners of the parent (R'000)	4 197	37 890	32 789
Adjusted for (profit)/loss on sale of property, plant and equipment, net of tax (R'000)	40	(213)	(62)
Impairment of goodwill (R'000)	-	-	5 730
Impairment of intangible assets (R'000)	-	-	2 661
Headline earnings for the group (R'000)	**4 237**	**37 677**	**41 118**
Headline earnings per share (cents)	1.03	9.42	10.13
Reconciliation of number of shares for diluted earnings (loss)			
Weighted average number of ordinary shares in issue ('000)	411 001	399 784	405 853
Adjusted for: Share options ('000)	15 073	15 447	15 073
Weighted average number of ordinary shares for diluted earnings per share ('000)	**426 074**	**415 231**	**420 926**
Basic earnings per share (cents)	1.02	9.48	8.08
Headline earnings per share (cents)	1.03	9.42	10.13
Diluted earnings per share (cents)	0.99	9.13	7.79
Diluted headline earnings per share (cents)	0.99	9.07	9.77
Dividends per share (cents)	-	2.00	-
Net asset value per share (cents)	108.17	109.81	108.70
Tangible net asset value per share (cents)	66.92	68.20	66.72
EBITDA	56 258	84 496	118 874
Depreciation and amortisation	21 332	15 501	21 984

PRIOR PERIOD ERROR AND RESTATEMENT:

During 2020, the Group noted that the bank overdraft was erroneously disclosed as cash and cash equivalents in the 2019 financial statements. As a consequence, the bank overdraft classified as cash and cash equivalents have been overstated and the financial liabilities at amortised cost understated. The error had no impact on the Statements of profit or loss and other comprehensive income

Following the reclassification of the bank overdraft as a financial liability at amortised cost, the group has elected to change to classification of borrowing costs in the cash flow statements under financing activities. This was previously classified under operating activities. Please refer to the restated Statements of Financial Position and Statements of Cash flows.

The following table summarises the impacts on the Group's financial statements:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 August 2019	
R '000	**As previously reported**	**Adjustment**	**As restated**
Current liabilities			
Financial liabilities at amortised cost	81 012	77 157	158 169
Bank overdraft	77 157	(77 157)	-

CONSOLIDATED STATEMENT OF CASH FLOWS

		31 August 2019	
R '000	**As previously reported**	**Adjustment**	**As restated**
Cash flow from financing activities			
Repayment of financial liabilities at amortised cost	(21 111)	(6 585)	(27 696)
Finance cost	-	(21 675)	(21 675)
Net cash from financing activities	(24 342)	(28 261)	(52 603)
Total cash movement for the year	34 993	(6 586)	28 407
Cash at the beginning of the year	(50 164)	83 743	33 579
Total cash at the end of the year	(15 171)	77 157	61 986

Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements for the interim period ended 31 August 2020 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, Nadia Winde, 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 Group does not have any material contingencies.

Approval:

RI Dickerson	F Botha
Chairman	Chief Executive Officer
15 October 2020	

Directors:	F Botha (Chief Executive Officer) N Winde (Chief Financial Officer) C Coombs RI Dickerson* (Chairperson) IP Mogotlane* N Mwale* CS Ntshingila* (*non-executive)
Company Secretary:	M Madhlophe
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Website:	www.insimbi-iras.co.za
Sponsor:	PSG Capital
Transfer Secretaries:	Computershare Investor Services Proprietary Limited
Auditors:	PricewaterhouseCoopers Inc.