

# INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED RELEASES FINANCIAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2018

INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED ("the company" or "the group") | (Incorporated in the Republic of South Africa)  
(Registration number 2002/029821/06) | Share code: ISB ISIN: ZAE000116828

- Revenue **up 160%** to **R3,49 billion**
- Net profit **up 141,6%** to **R71,16 million**
- Cash generated from operations **up 84,8%** to **R164,38 million**
- Operating profit **up 134,8%** to **R127,83 million**
- Earnings per share **up to 18,47 cents per share**
- Headline earnings per share **up to 18,45 cents per share**
- Final dividend of **3 cents per share** declared

**Johannesburg, 29 May 2018:** Revenue increased from R1,3 billion to R3,5 billion, a 160% increase. Despite lower margins from the recycling business, gross profit increased from R185,8 million to R345,4 million. The margins were depressed in the fourth quarter by a sharp decrease in the prices of affected commodities combined with a sudden and dramatic strengthening of the ZAR against other major currencies. Despite a comparable trading period in the second half of the year, lower margins impacted on the second half of the year's profitability. Operating profit rose 134,8% from R54,4 million to R127,8 million which reflects the impact of lower margins in the metal recycling business relative to the revenue growth. Operating expenses grew by 63,5% from R132,7 million to R216,8 million as a result of the lower cost base of the recycling operation.

Cash generated from operations of R164,4 million (2017: R88,9 million) allowed for the repayment of financial liabilities of R69,8 million and the group generated total cash at the end of the year of R24,5 million (2017: R8,7 million utilised). The debt to equity ratio improved to 55% from 91% in the prior year. The board agreed to declare a final dividend of 3 cents per share with an interim dividend declared of 3 cents per share. Insimbi has consistently declared dividends to its shareholders. Fred Botha, Group CEO noted that

*"this is an exceptional achievement in the current economic climate and allows Insimbi the flexibility and ability to source, review and execute on opportunities". He continued that "opportunities are being presented to Insimbi rather than the company having to source those opportunities".*

Insimbi has developed its core expertise through its ability to source and provide the industrial consumer globally with their required commodity. The business has evolved over the years. Insimbi operates within four distinct segments.

#### Ferrous alloys

The ferrous segment supplies ferrous alloys to the steel and stainless steel industry locally, regionally and globally. This segment also includes the recycling and resale of ferrous scrap metals.

#### Non-ferrous alloys

The non-ferrous segment supplies non-ferrous alloys to the steel and stainless steel industry locally, regionally and globally and includes the recycling and resale of non-ferrous scrap metals.

#### Refractory materials

The refractory segment specialises in the supply of high quality and highly specialised ceramic refractory linings to the cement, paper and pulp, steel and platinum industries.

#### Plastics

The plastics segment specialises in the blow-moulding and roto moulding of plastic containers for the chemical, agricultural and food industries.

These distinct segments complement each other while providing Insimbi's business model with an inherent diversification which has proved to be resilient and sustainable through various commodity and trading cycles experienced over Insimbi's operational life.

These segments have been created and moulded over the years through business process optimisation, acquisitions and amalgamations.

The purchase of Amalgamated Metals Recycling, which now spans across the ferrous and non-ferrous segments of Insimbi, was a transformative transaction for Insimbi. Not only did it increase revenue and profits by R2,57 billion and R80 million respectively, it allowed Insimbi to leverage the following:

- Internalisation and therefore minimisation of ZAR/USD foreign exchange exposure within the group;
- Diversified the group further with additional revenue streams and client base;
- Insimbi has entered and become a significant player in the scrap metal recycling space;
- Operational leeway;
- Smelter capacity utilisation will be increased; and
- Backward integration into industry value chain.

The integration of AMR into the wider Insimbi group has been seamless. Botha commented that

*"the business is well positioned for continuous growth and the management team are continuously evaluating opportunities to enhance earnings, maximise efficiencies and scale existing businesses". Botha continues "We have managed to reduce our debt and pay a dividend".*

Approximately R18 million of value has been created in the two Employee Share Option Schemes that were established only 21 months ago in 2016. The beneficiaries are predominantly black team members and the downstream benefits are a reality. Insimbi is continuously reviewing our compliance with the B-BBEE Codes of Good Practice and the subsequent amendments. The company recognises that transformation is critical and has implemented a number of initiatives to ensure that it is a moral South African corporate citizen.

The board has had a number of changes, including the chairman. Robert Dickerson was appointed as chairman on 8 December 2017 with Brian Craig stepping down from the board. This obviously has an impact on the composition of the committees and the company secretary and the board acknowledge the challenge and are making the necessary changes to align the board composition with King IV. André de Wet also joined Insimbi on 16 October 2017 as Chief Financial Officer and as such joined the board as an executive director. Botha admits

*"This is a journey and the board and the team at Insimbi are committed to ensuring that the vision and mission of the company are realised".*

<b>Directors:</b>	F Botha (Chief Executive Officer), C Coombs, A de Wet (Chief Financial Officer), RI Dickerson* (Chairperson), IP Mogotlane*, N Mwale*, CS Ntshingila* *Non-executive
<b>Company secretary:</b>	TN Kgari
<b>Registered Office:</b>	Stand 359 Crocker Road, Wadeville, Germiston, 1422
<b>Sponsor:</b>	Bridge Capital Advisors Proprietary Limited
<b>Transfer Secretaries:</b>	Computershare Investor Services Proprietary Limited
<b>Auditors:</b>	PricewaterhouseCoopers Inc.