

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 CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2021

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 Group herewith announces its unreviewed consolidated financial results for the six months ended 31 August 2021.

FINANCIAL INDICATORS

	2021	2020	% Change
Revenue (R'000)	3 132 320	2 121 263	48
Net Profit (R'000)	45 946	4 197	994
Operating profit (R'000)	95 173	33 845	181
Cash generated from operations (R'000)	120 995	82 837	46
Earnings per share (cents)	11.22	1.02	999
Headline earnings per share (cents)	11.17	1.03	984

CEO of Insimbi, Fred Botha, commented:

I am very pleased with the interim results and the performance we have continued to produce since coming out of lockdown level 5 nearly 17 months ago in early May 2020. Quite simply, the performance over this period has been the most consistent and robust we have ever experienced. This while still operating under a protracted State of Disaster and various levels of lockdown.

The Group's acquisition and diversification strategy over the previous 5 years has played a significant role in achieving sustainability and, despite the unfortunate advent of the Covid-19 pandemic in late 2019 which placed us under severe pressure in the first half last year, Insimbi has weathered the "storm" with aplomb and our results over the last 12 months, including these interim results, attest to that.

During this interim period, the Group has also:

- generated over R120 million in cash from operations,
- reduced our debt to equity ratio by over 26% from 1.26 to 0.99
- met all our financial covenants at reporting date

Commodity prices remained strong throughout the period under review and the Rand was reasonably stable and at levels that favoured us as a Rand hedged Group.

Our target industries and markets all seemed to have the "wind in their sails" and our core operations have performed well despite challenges in some segments. Volumes and revenues are back to, and even exceeding, pre-Covid-19 levels and our products are in demand both locally and for export. Even our non-core operations, Insimbi Plastics (Pty) Ltd and Minerals to Metals (Pty) Ltd, have achieved a level of sustainable performance during the period under review.

Export duties on recycled ferrous and non-ferrous metal have finally come into effect from 1st August 2021, but the export of recycled metals remains a challenge under the current regime. This has been compounded by the civil unrest experienced in Kwa-Zulu Natal and Gauteng in July and the Transnet cyber-attack in August 2021, which forced Transnet to declare force-majeure at Durban port. Both these events have subsequently been remedied BUT the reputational damage to Durban port persists and shipping lines are loath to dock there, which has resulted in logistic bottle-neck for both incoming and outgoing containerised goods via Durban. We are, however, managing our exports accordingly and hope that the situation alleviates soon.

The local economy does seem to be evidencing some growth, but implementation of stimulus initiatives remains slow especially in the infrastructure "space". I have noticed a level of resilience amongst South African citizens and businesses that is quite frankly, extraordinary, BUT I am also starting to see an increase in the demise and closure of some business operations that can simply just not keep operating, and the impact on unemployment is a matter of statistical fact. One can only have faith that our Government is taking the necessary steps to improve the roll-out of the stimulus and support that our economy needs to grow at a pace to reverse the damage done over the last decade, including the impact of Covid-19.

PROSPECTS

Our core focus remains recycling and beneficiation of ferrous and non-ferrous metals and the supply thereof to both local and export clients and the integration and rationalisation of our acquisitions over the least 5 years, is now complete.

Insimbi generates strong positive cash-flows and we are committed to de-gearing our balance sheet further to facilitate potential strategic acquisitions in the future. In the short to medium term, our focus is on growing organically by utilising existing available capacity without increasing fixed costs.

This has been a very different financial year so far, to that experienced last year, but it has been no less challenging or stressful albeit for different reasons. Operating any business in South Africa is not for the faint-hearted and I would like to thank my co-workers and directors for their commitment to myself and the Insimbi Group as, without their support, I would not be delivering such pleasing interim results.

In conclusion, I believe we are through the worst of the Covid-19 pandemic but there is no doubt in my mind that there will be new and different challenges in our future. However, I am confident that our interim results and our rolling 12 month earnings are clear evidence of the potential and resilience of Insimbi, even under the most adverse of conditions.

FINANCIAL OVERVIEW

Group revenue for the period is R3.1 billion, representing an increase of 48% or R1 billion on the comparative period ended 31 August 2020 as result of the growth experienced post lockdown. Overall, gross margins have decreased slightly from 9.1% to 8.8% but gross profit increased by 42% from R193.8 million to R274.9 million due to increased sales.

Group operating profit increased by 181% to R95.2 million compared to R33.8 million in the comparative period ended 31 August 2020. Operating expenditure has increased by 10%, or R16.6 million compared to the comparative period. The increase is due to a combination of increased fuel prices, increased electricity prices, and higher insurance costs on both assets and receivables.

Group finance costs for the period have increased from R27.0 million to R31.2 million. This is due to an increase in working capital facilities to accommodate the increased trading.

The Group achieved positive EPS of 11.22 and HEPS of 11.17 cents per share respectively compared to 1.02 and 1.03 cents per share in the previous comparative period. This equates to an increase of 999% and 984% in EPS and HEPS respectively, where the results of the comparative period were suppressed by the lockdown implemented in South Africa. When compared to the interim results of August 2019, where the Group achieved EPS and HEPS of 9.48 cps and 9.42 cps respectively, the current results exceed these results by 18.2% and 18.8% respectively.

Net cash flow from operating activities improved from R79.4 million to R121.0 million (or 46%), as a result of increased revenues and stringent working capital control.

Borrowings were reduced by R89.4 million in the 6 months ended 31 August 2021 and the Debt to Equity ratio has decreased from 126% to 99%.

There have not been any breaches in covenants in the period under review, and management is comfortable that no breaches will take place in the foreseeable future.

DIVIDEND DECLARATION

Given the uncertainty that prevails in the current local and global markets as a result of the ongoing Covid-19 pandemic, the board has elected not to declare an interim dividend (2020: nil cents)

No shares were repurchased by a subsidiary between year-end and announcement date, which brings the total number of treasury shares to 26 601 012 (2020: 26 377 468).

At the Special General Shareholders meeting held on 4 June 2021 it was approved that 18 461 538 shares be repurchased for total consideration of R150 000. These shares were cancelled in accordance with the Companies Act on 21 July 2021. These shares now form part of unissued share capital of the Company.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unreviewed as at 31 August 2021	Unreviewed as at 31 August 2020	Audited as at 28 February 2021
Assets			
Non-current assets			
Property, plant and equipment	403 743	448 561	436 017
Goodwill	170 484	170 484	170 484
Intangible assets	7 373	9 859	7 611
Investments in joint ventures	1 301	892	1 609
Lease receivable	2 735	3 408	2 846
Deferred taxation asset	13 028	11 552	14 457
	598 664	644 757	633 024
Current assets			
Inventories	308 664	182 845	198 418
Lease receivable	191	113	191
Trade and other receivables	626 263	383 538	719 962
Current taxation receivable	-	1 548	4 104
Cash and cash equivalents	74 749	125 960	68 451
	1 009 867	694 005	991 126
Total assets	1 608 531	1 338 761	1 624 150
Equity and liabilities			
Equity			
Share capital	208 352	208 695	208 502
Reserves	51 364	50 120	50 737
Retained earnings	298 505	214 120	253 186
	558 221	472 935	512 425
Liabilities			
Non-current liabilities			
Financial liabilities at amortised cost	257 366	348 320	292 589
Lease liabilities	9 528	14 644	10 181
Deferred taxation	43 836	42 056	44 306
Contingent consideration	870	870	870
	311 600	405 890	347 946
Current liabilities			
Financial liabilities at amortised cost	371 834	327 837	419 677
Derivatives	1 475	63	723
Lease liabilities	1 312	1 227	848
Current taxation payable	10 255	-	11 691
Trade and other payables	353 834	130 808	330 840
	738 710	459 936	763 779
Total liabilities	1 050 310	865 826	1 111 725
Total equity and liabilities	1 608 531	1 338 761	1 624 150

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Unreviewed as at 31 August 2021	Unreviewed as at 31 August 2020	Audited as at 28 February 2021
Revenue (from contracts with customers)	3 132 320	2 121 263	4 909 528
Sale of goods	3 116 024	2 110 355	4 875 665
<i>Sale of goods - Local</i>	<i>2 691 846</i>	<i>1 889 709</i>	<i>4 162 544</i>
<i>Sale of goods - Export</i>	<i>424 178</i>	<i>220 646</i>	<i>713 121</i>
Rendering of services	16 296	10 908	33 863
<i>Services revenue - Transport and insurance</i>	<i>16 143</i>	<i>10 842</i>	<i>33 428</i>
<i>Services revenue - Sample analysis</i>	<i>153</i>	<i>66</i>	<i>435</i>
Cost of sales	(2 857 454)	(1 927 425)	(4 455 906)
Gross profit	274 866	193 838	453 622
Other operating income	4 119	3 920	11 267
Other operating gains/losses	(3 799)	(516)	(3 848)
Operating expenses	(180 013)	(163 397)	(347 523)
Operating profit	95 173	33 845	113 518
Investment revenue	645	905	2 227
Income from equity accounted investments	2 251	1 082	2 621
Finance cost	(31 226)	(27 017)	(53 736)
Profit before taxation	66 843	8 814	64 630
Taxation	(20 897)	(4 617)	(20 750)
Profit for the year	45 946	4 197	43 880
Total comprehensive income for the year	45 946	4 198	43 880
Total comprehensive income attributable to:			
Owners of the parent	45 946	4 198	43 880
	45 946	4 198	43 880
Basic earnings per share from profit for the year	11.22	1.02	10.61
Diluted earnings per share from profit for the year	10.77	1.00	10.61

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital and premium	Treasury shares	Total share capital
Balance at 31 August 2020 (unreviewed)	230 627	(21 932)	208 695
Total comprehensive income	-	-	-
Transfers between reserves	-	-	-
Net movement in treasury shares	-	(193)	(193)
Balance at 28 February 2021 (audited)	230 627	(22 125)	208 502
Total comprehensive income	-	-	-
Transfers between reserves	-	-	-
Shares repurchased	-	-	(150)
Balance at 31 August 2021 (unreviewed)	230 627	(22 125)	208 352

R'000	Revaluation reserve	Share based payment reserve	Retained income	Total equity
Balance at 31 August 2020 (unreviewed)	44 819	5 301	214 120	472 935
Total comprehensive income	-	-	39 683	39 683
Transfers between reserves	-	617	(617)	-
Net movement in treasury shares	-	-	-	(193)
Balance at 28 February 2021 (audited)	44 819	5 918	253 186	512 425
Total comprehensive income	-	-	45 946	45 946
Transfers between reserves	-	627	(627)	-
Shares repurchased	-	-	-	(150)
Balance at 31 August 2021 (unreviewed)	44 819	6 545	298 505	558 221

CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unreviewed as at 31 August 2021	Unreviewed as at 31 August 2020	Audited as at 28 February 2021
Cash flow from operating activities			
Cash generated from operations	120 995	82 837	35 964
Investment income	645	905	1 833
Taxation paid	(12 440)	(4 305)	(10 347)
Net cash flow from operating activities	109 200	79 437	27 450
Cash flow from investing activities			
Purchase of property, plant and equipment	(4 347)	(5 429)	(16 560)
Proceeds on disposal of property, plant and equipment	4 894	347	2 972
Dividend from investment in joint ventures	2 559	1 359	2 181
Net cash from investing activities	3 106	(3 722)	(11 407)
Cash flow from financing activities			
Proceeds from financial liabilities at amortised cost	-	-	40 000
Repayment of other financial liabilities	(74 555)	(15 063)	(27 034)
Finance costs	(31 226)	(27 017)	(52 014)
Repurchase of treasury shares	(150)	(156)	(348)
Principal elements of lease repayments	(78)	(513)	(1 190)
Net cash outflow from financing activities	(106 009)	(42 749)	(40 586)
Net movement in cash for the period/year	6 297	32 966	(24 543)
Cash and cash equivalents at the beginning of the period/year	68 451	92 994	92 994
Cash and cash equivalents at the end of the period/year	74 748	125 960	68 451

CONDENSED SEGMENT REPORT

R'000	Unreviewed as at 31 August 2021	Unreviewed as at 31 August 2020	Audited as at 28 February 2021
Revenue by segment			
Sale of goods - local			
Non-Ferrous	1 483 394	1 072 132	2 106 049
Ferrous	1 112 004	747 996	1 893 130
Refractory	72 625	46 726	119 782
Plastics	23 823	22 855	43 583
	2 691 846	1 889 709	4 162 544
Sale of goods - exports			
Non-Ferrous	413 089	214 837	687 397
Ferrous	8 900	5 809	22 213
Refractory	2 189	-	3 511
	424 178	220 646	713 121
Rendering of services - transport and insurance			
Non-Ferrous	5 407	4 553	19 842
Ferrous	10 035	6 227	13 534
Refractory	533	62	52
Plastics	168	-	-
	16 143	10 842	33 428
Rendering of services - sample analysis			
Non-Ferrous	153	66	435
	153	66	435
Total revenue from contracts with customers			
Non-Ferrous	1 902 043	1 291 588	2 813 723
Ferrous	1 130 939	760 032	1 928 877
Refractory	75 347	46 788	123 345
Plastics	23 991	22 855	43 583
	3 132 320	2 121 263	4 909 528
Gross profit by segment			
Non-Ferrous	183 815	124 068	301 696
Ferrous	75 691	56 775	124 467
Refractory	8 244	5 198	13 190
Plastics	7 116	7 797	14 269
	274 866	193 838	453 622
Operating profit by segment			
Non-Ferrous	65 030	27 583	58 190
Ferrous	22 622	1 896	43 611
Refractory	6 245	3 084	10 308
Plastics	1 276	1 282	1 409
	95 173	33 845	113 518

OTHER GROUP SALIENT FEATURES

R'000	Unreviewed as at 31 August 2021	Unreviewed as at 31 August 2020	Audited as at 28 February 2021
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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 per share

From continuing operations (cents per share)	11.22	1.02	10.61
Weighted number of shares in issue at the end of the period ('000)	435 987	437 218	440 000
Less: weighted number of treasury shares held in a subsidiary at the end of the period ('000)	(26 601)	(26 217)	(26 440)
	409 386	411 001	413 560

Headline earnings per share

Headline earnings are determined by adjusting basic earnings by excluding separately identifiable remeasurement items. Headline earnings are presented after tax.

Basic earnings	45 946	4 198	43 880
<i>Adjusted for</i> (Profit)/loss on sale of property, plant and equipment, nett of tax (R'000)	(199)	40	(1 032)
Headline earnings for the Group (R'000)	45 747	4 238	42 848
Headline earnings per share (cents)	11.17	1.03	10.36

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has potentially dilutive share options.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculate as above is compared with the number of shares that would have been issued assuming the exercise of the options.

Reconciliation of number of shares for diluted earnings (loss)

Weighted average number of ordinary shares in issue ('000)	409 386	411 001	413 560
Adjusted for: Share options ('000)	17 422	15 073	24 228
Weighted average number of ordinary shares for diluted earnings per share ('000)	426 808	426 074	437 788

Diluted earnings per share (cents)	10.77	1.00	10.02
Diluted headline earnings per share (cents)	10.72	0.99	9.79

Other salient features

Net asset value per share (cents)	141.34	108.17	123.95
Tangible net asset value per share (cents)	96.31	66.92	80.87
EBITDA	118 707	56 258	156 391
Depreciation and amortisation	21 283	21 332	40 252

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unreviewed condensed consolidated financial statements for the interim period ended 31 August 2021 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 unreviewed 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
Chairman
4 October 2021

F Botha
Chief Executive Officer

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
Registered office:	Stand 359 Crocker Road, Wadeville, Germiston, 1422
Website:	www.insimbi-group.co.za
Sponsor:	PSG Capital
Transfer Secretaries:	Computershare Investor Services Proprietary Limited
Auditors:	Moore Cape Town Inc.