KAAP AGRI LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2011/113185/06)
Share code: KAL
ISIN: ZAE000244711
(“Kaap Agri” or “the Group”)

UPDATE ON THE IMPACT OF COVID-19 AND VOLUNTARY TRADING UPDATE FOR THE NINE MONTHS ENDED 30 JUNE 2020

The impact of Covid-19 (“Covid”) has been felt across all the Group’s business units. Except for, specifically, quick service restaurants (“QSR”) and liquor sales, most of the remainder of the business was categorized as a supplier of essential goods and services and remained open for trade, albeit under certain limitations. Despite being open for trade, roughly 56% of retail stock items were classified as non-essential and were therefore prohibited for sale during level 5 lockdown. The move to level 4 lockdown allowed the Group to gradually start trading in more retail product categories. Fuel sales were significantly impacted by the lockdown-related reduction in travel and road transport, and despite restaurants reopening under level 3, QSR trade has been suppressed. Convenience store sales have been impacted by reduced footfall, as well as the inability to sell tobacco and related products. Infrastructure projects were either halted or delayed, resulting in a slowdown in products required from our manufacturing division. Trading in liquor categories remains restricted.

This update provides a perspective on trading during the period 1 April 2020 to 30 June 2020 (“Q3”) and the nine-month period ending 30 June 2020 (“Q3 YTD”).

During Q3, our first priority has been the health and safety of our people, our customers and all our stakeholders. We have refined our standard operating procedures to ensure that all operations conform to the highest levels of hygiene and social distancing requirements. With regard to our employees, we have implemented a wide range of alternate and flexible working arrangements, where possible utilising technology to enable remote work. To further safeguard our customers, during the period we launched the Agrimark mobile application as a cardless and contactless means for credit customers to transact in our stores.

Regarding the business performance, revenue is yet to return to previous levels and the lockdown associated decline in foot traffic is likely to have an ongoing impact on our earnings for the remainder of the financial year. The full longer-term impact of Covid is still uncertain and we have implemented a range of actions intended to mitigate some of the effects. We are focused on driving revenue and are aggressively reducing operating costs. Cash flow management is paramount and inventory levels and debtors are being closely managed. The Group has continued to meet all payment obligations to suppliers and employees. Capital expenditure has been curtailed with only committed projects and health and safety related capital expenditure being approved. In recognition of the challenging circumstances, the Kaap Agri Board and all senior Executive team members have sacrificed 15% of their fees and salaries during Q3, with the remaining employees taking a lower sacrifice. Kaap Agri’s balance sheet remains strong with sufficient cash facilities and resources to meet its obligations.

When comparing Q3 to the same period last year (“LY”), revenue decreased by 19.6% and expenses were 8.4% lower, whilst headline earnings (“HE”) and recurring headline earnings (“RHE”) ended 20.7% and 18.1% down respectively. Agri-related performance was encouraging during Q3, averaging only 1.2% down year-on-year (“YOY”), while retail revenue was 9.3% lower. The TFC division experienced the largest impact with fuel volumes down 53.8% in April 2020 compared to April 2019, however subsequent lockdown level relaxations have seen a strong recovery in TFC with total liters for Q3 only down 16.4% YOY.

During Q3, fuel price reductions resulted in a Group cost of R6.2 million compared to a gain of R6.9 million LY.

The Group has shown resilience during the period and has largely avoided the Covid iceberg. Through agility and inter-divisional collaboration, we have implemented actions which have transformed how we engage with customers and, in doing so, have saved jobs and have ensured the long-term sustainability of the business.

Although Q3 has seen challenges, we have managed to overcome these, and our Q3 YTD performance remains strong given the restrictions placed on our business during the past few months. Revenue has still increased by 1.6% compared to the same period LY. Continued focus on expense management resulted in a below inflation growth of 2.8% even after footprint expansions. HE increased by 2.0% and RHE grew by 2.5%, whilst HE per share increased by 3.1% and RHE per share increased by 3.9% for the nine-month period, compared to the previous corresponding period.

The last three months of the financial year will remain challenging. Good recent rainfall bodes well for the wider agricultural environment. It remains to be seen what the long-term effects of Covid will be on general consumer behaviour, however recent performance in both the retail and fuel space reflects an improved trend.

The information above has not been audited or reviewed or otherwise reported on by the Company´s external auditors.

Paarl

23 July 2020

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