

**KAAP AGRI LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 2011/113185/06)

Share code: KAL

ISIN: ZAE000244711

("Kaap Agri" or "the Company")



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**SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 SEPTEMBER 2020 AND DIVIDEND DECLARATION**

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**1. INTRODUCTION**

Despite Covid-19 ("**Covid**"), Kaap Agri increased revenue by 1,5% to R8,6 billion, up from R8,5 billion in the previous financial year, with like-for-like comparable growth declining by 0,6%. Covid is conservatively estimated to have had a 6,6% negative impact on Revenue growth. The 1,5% growth in revenue was achieved despite a 2,9% decrease in the number of transactions. Excluding a 5,9% reduction in the number of transactions in the retail fuel & convenience environment, the remaining business grew transactions by 2,3%. Product deflation is estimated at 3,9%, but excluding the large deflationary impact of fuel in the revenue basket, product inflation was 1,1%. Gross profit increased by 4,7% and at a rate higher than revenue growth due to the impact of a changed sales mix and an improvement in agri trading margins.

The operating conditions under which the Group traded for the year consisted of two distinctly different periods due to Covid, which had a minimal influence on the first half of the financial year, but impacted Group results in the second half of the financial year.

The first six months of the financial year experienced a slow start to agri and retail trade due to a combination of sluggish retail spend and a constrained consumer environment, underpinned by suppressed GDP growth as well as adverse weather conditions and increased competitor activity. Encouragingly, both agri and retail performance improved during the second quarter.

The second six months of the financial year included the impact of Covid, which was felt across all the Group's business units. Agri sales growth outperformed retail sales growth, largely due to Covid-related trading restrictions which impacted retail sales to a larger degree than agri sales. Retail fuel and convenience sales were hardest hit by Covid restrictions due to the lockdown-related reduction in travel and road transport, the inability to sell tobacco and related products and the closure of quick service restaurants. Whilst agri input trade was the least impacted by Covid of all income channels, farm infrastructure projects were either halted or delayed during initial lockdown levels, resulting in a slowdown in products required from our manufacturing division

Grain Services delivered pleasing results despite a wheat harvest which was more than 30% down year on year, supported by the timing of non-recurring surplus wheat sales and grading gains.

Retail fuel expansion continued through selective acquisitions. The Fuel Company (“**TFC**”) grew annual fuel volumes, inclusive of managed sites awaiting regulatory approval, by 3,7%. During the first half of the year, a decision was taken to slow down further TFC footprint expansion across the business and to focus on delivering returns on previously invested capital. The onset of Covid has reinforced this decision. However, the business will continue investigating value enhancing opportunities albeit with a more conservative approach.

EBITDA grew by 6,8%, due largely to the impact of the adoption of IFRS 16. Excluding the impact of IFRS 16, EBITDA grew by 1,0%.

Headline earnings decreased by 2,2% while recurring headline earnings (“**RHE**”) grew by 4,4%. Once-off items, predominantly adjustments for the interest and re-measurement of liabilities relating to put options exercisable by non-controlling subsidiary shareholders, as well as costs associated with new business development, are excluded from headline earnings to calculate recurring headline earnings. Excluding the adoption of IFRS 16 as well as the negative impact of Covid, both of which are non-comparable with the prior year, RHE would have grown by 15,4% year on year.

The past year has been exceptionally challenging for the Company. Through our various cost saving and cash management interventions we have been able to save livelihoods, protect the company, avoid the Covid iceberg and stabilise the business. The business environment in which we operate continues to be constrained and it remains to be seen what the long-term effects of Covid will be on general consumer behaviour. Kaap Agri will be focussing on driving returns on the capital already invested in the retail fuel & convenience segment, but remains open to executing value-enhancing transactions. Our diversification strategy has reduced our overall group risk position and we believe we are well positioned to capitalise on any improvement in trading conditions. We remain committed to all our stakeholders and to our strategy of growth, underpinned by an improvement in value creation.

## **2. SALIENT FEATURES**

Revenue increased by 1,5% to R8,6 billion, from R8,5 billion in the prior corresponding period.

EBITDA increased by 6,8% to R587,5 million.

Earnings per share decreased by 0,9% to 391,49 cents per share, from 394,98 cents per share in the prior corresponding period.

Headline earnings per share decreased by 2,3% to 388,54 cents per share, from 397,85 cents per share in the prior corresponding period.

Recurring headline earnings per share increased by 4,6% to 392,52 cents per share, from 375,19 cents per share in the prior corresponding period.

No interim dividend was declared during the year. The final gross dividend decreased by 44,4% to 50,00 cents per share, from 90,00 cents per share in the prior corresponding period.

### 3. DIVIDEND DECLARATION

At half year, the Board took the decision to forego the payment of an interim dividend due to the uncertainty surrounding Covid and the view that cash preservation and liquidity were paramount. This has proven to be the correct decision and together with a number of cost saving and cash flow initiatives, has contributed significantly to the Group's ongoing balance sheet strength. Salary sacrifices were made across the Group, including by executive and non-executive directors, and the personal sacrifice of all our staff members has contributed significantly to the Group's robustness in dealing with the challenges of Covid. The full year results have highlighted exceptional working capital management, strong cash generation and resilient earnings growth. Football has returned and revenue has partially recovered, although not to pre-Covid levels. We remain confident regarding the performance of the business going forward. Whilst recognising salary sacrifices made and considering the performance of the business excluding these sacrifices, the Board has approved and declared a gross final dividend of 50.00 cents per share (2019: 90.00 cents per share) from income reserves, for the period ended 30 September 2020. The final dividend amount, net of South African dividends tax of 20% is 40.00 cents per share for those shareholders who are not exempt from dividend tax or are not entitled to a reduced rate in terms of the applicable double-tax agreement. Given that no interim dividend was declared, the total dividend for the year of 50.00 cents per share (2019: 123,50 cents) represents a dividend cover of 7,4 times (2019: 2,9 times). The salient dates for the distribution are:

Declaration date	Thursday, 26 November 2020
Last day to trade cum dividend	Tuesday, 9 February 2021
Trading ex dividend commences	Wednesday, 10 February 2021
Record date to qualify for dividend	Friday, 12 February 2021
Date of payment	Monday, 15 February 2021

The number of ordinary shares in issue at declaration date is 74 170 277 and the income tax number of Kaap Agri is 9312717177.

Share certificates may not be dematerialised or rematerialised between Wednesday, 10 February 2021 and Friday, 12 February 2021, both days inclusive.

### 4. SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of the Company. It contains only a summary of the information in the full announcement ("**Full Announcement**") and does not contain full or complete details. The Full Announcement can be found at:

<https://senspdf.jse.co.za/documents/2020/JSE/ISSE/KALE/KALSept20.pdf>

Copies of the Full Announcement are also available for viewing on the Company's website at <https://www.kaapagri.co.za/wp-content/uploads/20/11/2020-Condensed-Financial-Statements.pdf> or may be requested in person, at the Company's registered office or the office of the sponsor, at no charge, during office hours.

Any investment decisions by investors and/or shareholders should be based on consideration of the Full Announcement, as a whole.

This short-form announcement has been extracted from the summarised consolidated annual financial results, which, in turn, have been extracted from the full set of consolidated annual financial statements ("**AFS**"). The AFS have been audited by the Company's auditors, PricewaterhouseCoopers Inc. who expressed an unmodified audit opinion thereon. The full auditor's report includes details of key audit matters. This auditor's report is available, along with the AFS, on the Company's website at [www.kaapagri.co.za](http://www.kaapagri.co.za).

26 November 2020

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