

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" or "the Group")



VOLUNTARY BUSINESS UPDATE AT AGM

Immediately following the annual general meeting ("**AGM**") of the Company that will be conducted entirely by electronic communication today, 11 February 2021 at 12:30 p.m., a voluntary business update will be provided to shareholders by the CEO, Sean Walsh. A presentation relating to the voluntary business update is available on the Company's website at https://www.kaapagri.co.za/financial_results/voluntary-business-update-presentation-for-the-3-months-ended-31-december-2020/.

The business update and presentation are focused on the Group's performance during the first three months of the 2021 financial year ("**Q1**"). While the Company does not report on a quarterly basis, it wishes to provide shareholders with an update on its Q1 performance, given the continued uncertainty in the market surrounding the impact of the COVID-19 pandemic on retail and other sectors.

The salient points of the presentation are outlined below:

1. The Group has traded well during Q1, with statutory revenue increasing by 16.9% and gross profit increasing by 19.6%, compared to the first three months of the prior year ("**LY**"). Total group fuel litre growth of 11.8% was achieved, despite the December 2020 impact of the COVID-19 pandemic.
2. Retail-related revenue grew by 14.5% and agri-related revenue grew by 3.5%, compared to LY, whilst Forge maintained its growth momentum.
3. Total retail fuel litre growth of 8.8% was achieved, however, like-for-like ("**LFL**") retail fuel volumes decreased by 8.1% from LY. Retail fuel gross profit per litre increased by 12.1%. LFL retail fuel expenses reduced by 13.2% compared to LY. Convenience store and quick service restaurant ("**QSR**") gross profit increased by 23.0%. Fuel litre growth is expected to continue.
4. Within the grain services division, the recent wheat harvest intake was the largest in 10 years. Given the volume and timing of wheat sales in Q1, the expectation is that profit before tax within the grain services division will be higher in the first six months of the financial year compared to the second six months of the financial year.
5. Earnings for Q1 grew by 36.2% from R83.5m LY to R113.7m. Headline earnings for Q1 increased by 38.2% from R82.2m LY to R113.6m. Recurring headline earnings ("**RHE**") for Q1 grew by 35.4% from R84.0m to R113.7m. This growth was driven by strong operational performance across all divisions, as well as the earlier timing of, and increase in, grain trading income. Kaap Agri has historically

considered RHE to be the most appropriate benchmark by which to measure its performance, with RHE being adjusted from headline earnings to exclude non-recurring expenses (predominantly, costs associated with acquisitions of new businesses and the revaluation of put options), in line with the approach adopted in the Company's annual financial statements for the financial year ended 30 September 2020.

6. The business delivered strong cash flow from operations. Capital investment was less than R10m and the debtors position is healthy, with debtors not within terms decreasing as a percentage of total debtors during Q1. The focus on working capital and enhanced return on invested capital remains.
7. The overall agriculture outlook is positive, however, wine grape farmers may experience cashflow pressure. The growth in certain retail categories is expected to continue, however, the COVID-19 impact on QSR performance may linger. Retail fuel sales are expected to perform positively, especially given the impact of COVID-19 in the second six months of the prior year.
8. The full year-on-year impact of COVID-19 is expected to be prominent in the second half of the financial year. Whilst the overall outlook for the year is encouraging, given the nature and timing of certain income and expenditure items during Q1, shareholders are cautioned that the Q1 RHE performance is not expected to repeat to the same degree going forward and full year RHE expectations should be tempered.

Shareholders are referred to the above presentation, available on Kaap Agri's website, for further details regarding the Group's Q1 performance.

The information above and in the presentation has not been audited or reviewed or otherwise reported on by the Company's external auditors.

Paarl
11 February 2021

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