



**AFRIMAT<sup>®</sup>**  
LIMITED

## Highlights

Operating profit up **65,0%** to R582,8 million

HEPS up **60,5%** to 295,1 cents

Interim dividend **40,0 cents** per share

Operating profit margin **24,1%**

Net cash from operating activities of **R806,5 million**

Strong balance sheet with net cash position

**DIVERSIFICATION  
DRIVING GROWTH**

# Announcement of unaudited condensed consolidated interim financial results for the six months ended 31 August 2021

Afrimat Limited ('Afrimat' or 'the Company' or 'the Group') (Incorporated in the Republic of South Africa) (Registration Number: 2006/022534/06) Share code: AFT ISIN code: ZAE000086302

## COMMENTARY

### Basis of preparation

The short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. The full announcement was released on SENS on 4 November 2021. The full announcement can be found at: <https://senspdf.jse.co.za/documents/2021/jse/isse/AFT/FY22H1.pdf>

Copies of the full announcement are also available for viewing on the Company's website [www.afrimat.co.za](http://www.afrimat.co.za) or may be requested at the Company's registered office, at no charge, during office hours and are also available for inspection at the offices of the sponsor.

Any investment decision should be based on the consideration of the full announcement published on SENS and the Company's website.

The financial statements have been prepared under the supervision of the Chief Financial Officer, PGS de Wit CA(SA).

### Introduction

The Group continued to deliver exceptional results during the first half of the financial year on the back of favourable iron ore prices which translated into strong operating cash flows. The Covid-19 pandemic remains an important part of our strategic management with the reappearance of a third wave during mid-June. This disruption was countered by maintaining the measures established by Afrimat management to manage and minimise the spread of the virus and maintaining a safe operating environment for our employees and thereby minimising the impact of this pandemic. The Group's diversification strategy, cost reductions and efficiency improvement initiatives enabled the Group to continue delivering strong growth.

### Financial results

Revenue increased by 55,4% from R1,6 billion to R2,4 billion culminating into an increase in operating profit of 65,0% from R353,1 million to R582,8 million.

An improvement in the operating profit margin from 22,7% to 24,1% was achieved. Headline earnings per share increased by 60,5% from 183,9 cents to 295,1 cents.

The balance sheet of the Group remains strong with a net cash position, ending the period with cash flows from operating activities of R806,5 million, an increase of 141,7% from the comparative 2020 period. Given the strong cash generated from operations of close to R1,0 billion, borrowings were significantly reduced to place the Group in this net positive cash position which supports a large portion of self-funding of future projects.

### Operational review

All three segments, namely Construction Materials, Industrial Minerals and Bulk Commodities experienced strong growth compared to the previous corresponding period, considering the effects of the hard-lockdown levels imposed to limit the spread of Covid-19 in the previous period.

The Bulk Commodities segment benefited from favourable iron ore pricing and from the new mines, namely Jenkins (iron ore sold in the local market) and Nkomati (anthracite also sold in the local market), which contributed positively to the results towards the end of the reporting period. Nkomati was, however, loss making for the first five months of the reporting period.

All operating units are strategically positioned to deliver outstanding service to the Group's customers, whilst acting as an efficient hedge against volatile local business conditions. The product range is diversified and is made up of Construction Materials consisting of aggregates, concrete-based products and contracting operations, Industrial Minerals consisting of limestone, dolomite and industrial sand, and Bulk Commodities consisting of iron ore and anthracite.

During the six-month period under review, good labour relations were maintained with no labour action or significant community action having occurred. The Group is committed to creating and sustaining harmonious relationships in the workplace and addressing issues proactively. Afrimat continues to prioritise staff development, training and education on the human capital agenda.

The **Bulk Commodities** segment, consisting of the Demaneng and Jenkins iron ore mines and the Nkomati anthracite mine, delivered an excellent contribution to the Group results, delivering growth of 39,3% in operating profit of R453,7 million, compared to R325,8 million in the prior period. The excellent performance was largely due to favourable iron ore pricing during the reporting period.

With Jenkins iron ore mine successfully coming into production, the ramp up is in accordance with strategic plans and product is sold into the local market through a defined price contract.

The Nkomati anthracite mine, which turned from realising start-up losses to also contributing positively to the segment's result in August, produces a high quality product sold into the local market, as a replacement for imported anthracite.

**Industrial Minerals** businesses experienced a return to pre-Covid-19 volumes across all regions, delivering an increase in operating profit of 108,0% from R24,6 million to R51,1 million.

**Construction Materials** also experienced a return to pre-Covid-19 volumes, resulting in a significant improvement in operating profit being recorded from R2,8 million to R79,5 million in the current period. This is primarily a result of general volumes recuperating to 2019 levels, rather than a result of a rise in construction activity.

### Business development

New business development remains a key component of the Group's growth strategy. The dedicated business development team continues to successfully identify and pursue opportunities in existing markets, as well as in anticipated new high growth areas in southern Africa.

### Prospects

The Group is well positioned to capitalise on strategic initiatives and future opportunities. The Group's future growth will be driven by the successful execution of its proven strategy, recent acquisitions and a wider product offering to the market. Many exciting opportunities are being investigated.

Afrimat continues to focus on sustainable diversification in all three segments. In the Bulk Commodity segment, the focus is to ramp-up the production of the Jenkins iron ore mine to the planned annual volumes of 1,25 million tons of iron ore sales into the local market. The Group has Drieheekspan and Doornpan iron ore assets to bring online once Demaneng volumes begin to reduce. This should be within the next three to four years. The Nkomati anthracite mine will add further commodity diversification as volumes ramp up further in the coming six-months.

Within the Industrial Minerals and Construction Materials segments, market development as well as product development continues to take place in accordance with customers needs.

Operational efficiency initiatives aimed at expanding volumes, reducing costs and developing the required skill levels across all employees, remains a key focus in all operations.

This announcement may contain forward-looking statements that have not been reviewed nor reported on by the Company's auditors.

On behalf of the Board

**MW von Wielligh**  
Chairman

**AJ van Heerden**  
Chief Executive Officer

Wednesday, 3 November 2021

## DIVIDEND DECLARATION

Notice is hereby given that an interim gross dividend, No. 29 of 40,0 cents per share, in respect of the six months ended 31 August 2021, was declared by the Board on Wednesday, 3 November 2021. There are 146 341 193 shares in issue at reporting date, of which 8 461 071 are held in treasury. The total dividend payable is R58,5 million (August 2020: R51,6 million).

The Board has confirmed that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008, has been duly considered, applied and satisfied. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax rate is 20,0%. The dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is 32,0 cents and 40,0 cents per share, respectively. The income tax number of the Company is 9568738158.

Relevant dates of the interim dividend are as follows:

Last day to trade <i>cum</i> dividend	Tuesday, 30 November 2021
Commence trading <i>ex</i> dividend	Wednesday, 1 December 2021
Record date	Friday, 3 December 2021
Dividend payable	Monday, 6 December 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 December 2021 and Friday, 3 December 2021, both dates inclusive.

## FINANCIAL SUMMARY

	Unaudited six months ended 31 August 2021 R'000	Unaudited six months ended 31 August 2020 R'000	Change %	Audited year ended 28 February 2021 R'000*
Revenue	2 421 610	1 558 629	55,4	3 693 759
Operating profit*	582 800	353 108	65,0	1 058 901
Profit attributable to shareholders*	403 182	250 135	61,2	776 437
Earnings per ordinary share (cents)*	292,1	184,4	58,4	571,6
Diluted earnings per ordinary share (cents)*	282,2	181,9	55,1	559,4
Headline earnings per ordinary share ('HEPS') (cents)	295,1	183,9	60,5	441,7
Diluted HEPS (cents)	285,1	181,4	57,2	432,2
Dividends per share (cents)	40,0	36,0	11,1	148,0
Net cash from operating activities	806 492	333 703	141,7	767 580
Net asset value per share ('NAV') (cents)*	1 954	1 430	36,6	1 761
Net debt:equity ratio (%)*	(4,1)	(3,3)	24,2	4,0
<b>SEGMENTAL INFORMATION</b>				
<b>External revenue</b>				
Construction Materials	887 558	651 965		1 595 055
Industrial Minerals	336 275	238 749		514 291
Bulk Commodities	1 197 777	667 915		1 584 413
	2 421 610	1 558 629		3 693 759
<b>Operating profit</b>				
Construction Materials	79 488	2 764		104 906
Industrial Minerals	51 124	24 574		55 481
Bulk Commodities*	453 736	325 829		907 285
Services	(1 548)	(59)		(8 771)
	582 800	353 108		1 058 901
<b>Operating profit margin on external revenue (%)</b>				
Construction Materials	9,0	0,4		6,6
Industrial Minerals	15,2	10,3		10,8
Bulk Commodities*	37,9	48,8		57,3
Overall contribution*	24,1	22,7		28,7

\* Measurement period adjustment – during the reporting period, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination.

#### Directors

MW von Wielligh\*\* (Chairman), AJ van Heerden (CEO), PGS de Wit (CFO), C Ramukhubathi, GJ Coffee\*, L Dotwana\*, PRE Tsukudu\*\*, JF van der Merwe\*\*, JHP van der Merwe\*\*, HN Pool\*\*, FM Louw\*\* (Deputy Chairman)

\* Non-executive director # Independent

#### Registered office

Tyger Valley Office Park No. 2, Corner Willie van Schoor Avenue and Old Oak Road, Tyger Valley, 7530 (PO Box 5278, Tyger Valley, 7536)

#### Sponsor

PSG Capital Proprietary Limited, 1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600 (PO Box 7403, Stellenbosch, 7599)

#### Auditor

PricewaterhouseCoopers Inc., PWC Building – Capital Place, 15 – 21 Neutron Avenue, Technopark, Stellenbosch, 7600 (PO Box 57, Stellenbosch, 7599)

#### Transfer secretaries

Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132)

#### Company Secretary

C Burger, Tyger Valley Office Park No. 2, Corner Willie van Schoor Avenue and Old Oak Road, Tyger Valley, 7530 (PO Box 5278, Tyger Valley, 7536)

[www.afrimat.co.za](http://www.afrimat.co.za)