

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 held at 12:30 p.m. today, 10 February 2022 at the Conference Venue, Lemoenkloof Guesthouse, 3 Malan Street, Paarl, 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 <http://kaapagri-cms.s3.amazonaws.com/attachments/ckzcclzlb0012bdgwgx59fogs-agm-presentation.pdf>.

The business update and presentation are focused on the Group's performance during the first three months of the 2022 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 ("**Covid**") 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 24.0% compared to the first three months of the prior year ("**LY**"), driven by a 7.3% increase in the number of transactions processed and inflation of 20.0% (7.7% inflation when excluding the impact of fuel price inflation). Gross profit growth was slightly below turnover growth, largely due to fuel price inflation.
2. Total Group fuel litres decreased by 4.0%, with TFC fuel litres decreasing by 6.1% and non-TFC litres decreasing by 1.0%. Fuel litre performance is, however, expected to improve as the post-Covid recovery continues.
3. Retail-related revenue grew by 5.8% and agri-related revenue grew by 24.4%, compared to LY, whilst Partridge Building Supplies (Pty) Ltd ("**Forge**"), including the recently acquired Farmsave (Pty) Ltd, continued its growth momentum.
4. Within the grain services division, the recent wheat harvest intake was the largest in 16 years, which led to some challenges on storage availability and increased inter-silo movements. The majority of this division's income realises during the grain intake period as well as in the form of storage income during the few months thereafter. Storage facility costs, however, are incurred throughout the year and as such 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. During Q1, a further 25% shareholding in Forge was acquired and the disposal of TFC Properties (Pty) Ltd and acquisition of PEG Retail Holdings (Pty) Ltd was announced.
6. Earnings for Q1 grew by 14.5% from R110.0m LY to R126.0m. Headline earnings for Q1 increased by 14.6% from R109.9m LY to R126.0m. Recurring headline earnings (“RHE”) for Q1 grew by 15.1% from R113.4m to R130.6m. This growth was driven by the strong gross profit performance, as well as effective operational and support service cost management. 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 2021.
7. The Company continued its strong cash generation resulting in improved debt ratios. The focussed approach to working capital management resulted in stock growing at a rate slower than revenue growth. Debtors’ growth was healthy and not-within-terms as a % of debtors reduced.
8. The overall agriculture outlook is positive, however, wine grape producer cashflow pressure is expected to continue. Although weather patterns have been volatile, the damage to inland crops will have no influence on the performance of the Group. Moderate growth in general retail is expected, with fuel prices and other inflationary pressures dampening this sector. Quick service restaurant performance continues to recover slowly. One new retail fuel site will be added during the second quarter of the financial year (“F22”). The PEG transaction will contribute five months’ performance during F22. The overall Group performance is expected to be in line with management’s upper range of medium-term targets.

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
10 February 2022

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