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

Announcement of unaudited condensed consolidated interim financial results
for the period ended 31 August 2022 and change to board committee

Highlights
Group revenue R2,6 billion
HEPS 252,2 cents
Interim dividend 40,0 cents per share
Operating profit margin 19,7%
Net asset value ('NAV') per share 2 481 cents
Net cash from operating activities of R784,1 million
Return on net operating assets 27,4%
Strong balance sheet with net cash position

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 27 October 2022. The full announcement can be found at: https://senspdf.jse.co.za/documents/2022/jse/isse/AFT/FY23H1.pdf. Copies of the full announcement is also available for viewing on the Company's website 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 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 continues to remain resilient and delivered satisfactory results for the first six months of F2023 supported by its diversification strategy, which enabled the Group to compensate for most of the impact from several factors which include poor market sentiment, inflationary cost pressures impacting profit margins, Eskom electricity supply interruptions and constraints, as well as the rising concerns of a global recession.

Strategic initiatives that contributed positively to the Group's performance were the successful commissioning of Jenkins iron ore mine, the turnaround of Nkomati anthracite mine and the continuation of the Group's continuous improvement of existing operations. On the negative side, Group results were affected by the downturn in iron ore prices, an economic slow-down experienced which impacted the Construction Materials and Industrial Minerals businesses, coupled with a rise in input costs such as diesel, explosives and electricity.

Diversification, cost reductions and efficiency improvement initiatives, remain the cornerstone of the Group's strategy and are used to counter economic impacts which are beyond the control of management.

FINANCIAL RESULTS
Group revenue increased by 7,2% from R2,4 billion to R2,6 billion. Operating profit decreased by 12,1% from R582,8 million to R512,2 million, resulting in the operating profit margin declining from 24,1% to 19,7%.

Headline earnings per share remained adequate with a decline of 14,5% from 295,1 cents to 252,2 cents.

The balance sheet of the Group remains strong with a net cash balance of R772,7 million. Net cash from operating activities of R784,1 million was generated, as well as R680,0 million from a successful equity raise during the period. At present, the Group is considered to be debt free as the cash balance exceeds the borrowings, with sufficient capital to make meaningful acquisitions, as well as invest in the ramp-up of current projects. All of which support future growth.

OPERATIONAL REVIEW
All operating units are strategically positioned to deliver outstanding service to customers, whilst acting as an efficient hedge against volatile local business conditions. The product range is relatively wide and diversified and is made up of Construction Materials consisting of aggregates and concrete-based products, Industrial Minerals consisting of limestone, dolomite and industrial sand, Bulk Commodities consisting of iron ore and anthracite. The Services segment consists of external logistical and mining services. The Group's latest addition, Future Materials and Metals consisting of phosphate, vermiculite and rare earth elements, has expanded the Group's product offering and national footprint.

The Bulk Commodities segment, consisting of the Demaneng and Jenkins iron ore mines, and the Nkomati anthracite mine, contributed 76,8% to the Group's operating profit. The excellent performance was largely due to increased volumes from the Jenkins mine coming into production, the successful turnaround of the Nkomati anthracite mine and cost-saving initiatives.

The Jenkins iron ore mine is fully operational and together with the Demaneng mine produced an increase of 21,9% in iron ore sales volume from 554 721 tonnes to 676 252 tonnes during the current period compared to the previous period. Although the operating profit decreased by 33,6% due to the decline in the iron ore price and a rise in input costs, a healthy operating profit margin of 37,0% was generated from the iron ore mines. Should the iron ore price continue to decline the Group is well positioned to weather the volatility.

During the year, the first blast was undertaken at Driehoekspan, the iron ore asset that will replace the Demaneng mine once it is mined out, which is expected to be in three years' time. Driehoekspan and Doornpan (as part of the Coza acquisition) are to be brought into production to maintain export volumes and have a combined life of mine in excess of 15 years.

Innovative technology solutions were rolled out at Jenkins across the mine fleet, which optimise the efficiency. This has resulted in cost savings which in turn have countered the rise in diesel prices and the fall in iron ore prices.

The Nkomati anthracite mine has turned from initial start-up losses to being profitable from August 2021 and contributed 25,5% to the segment's revenue for the period. It produces a high-quality product sold into the local market, as a replacement for imported anthracite, and is recognised as a consistent, reliable supplier of anthracite.

The long-term sustainable life of mine plan is being enhanced through the opening of two opencast pits and the continued development of the underground operations. The first anthracite is expected to be extracted early in the new calendar year from these developments. These planned new sources will result in the overall average strip ratio reducing when compared to historical stripping ratios.

Industrial Minerals businesses across all regions delivered satisfactory results, however the impact of the economic slowdown was felt within this segment resulting in a decrease in operating profit of 25,9% from R49,6 million to R36,8 million.

The Construction Materials segment felt the brunt of the slowdown in economic activity, with the Western Cape businesses being impacted the most due to an overall reduction in construction across the province. The KwaZulu-Natal businesses have shown good improvement when compared to the previous period, primarily as a result of an uptick in construction after the riots and floods in KwaZulu-Natal. The operating profit remains relatively flat from the comparative period with a slight decrease of 6,1% from R77,8 million to R73,1 million.

Future Materials and Metals is a segment that has been added to the Group's operational segments in support of its diversification strategy.

Glenover is a new project that diversifies Afrimat's exposure wider than ferrous metals and aligns it to global trends such as the advancement of technology for decarbonisation (through rare earth minerals) and food security (through fertiliser products). Glenover is a greenfields project which has started with first production during the period and is in a ramp-up phase. The project contains three essential businesses: (i) fertiliser for agricultural applications; (ii) vermiculite for various applications from industrial to horticulture; and (iii) rare earth elements, supporting technological advancements such as high strength permanent magnets and battery technology.

As a reminder, Afrimat purchased various stockpiles for R215,1 million and the Vermiculite Mining Right for R34,9 million. Currently sales are generated from high-grade phosphate (fertiliser) material. Current and future sales are targeted at the local market as South Africa remains a net importer of fertiliser. Potential export opportunities to neighbouring countries exist.

The Glenover project has been broken up into a number of phases which will be embarked on only if and when the specific phase has been proven to be technically and financially viable.

Testing and design work is currently underway for the vermiculite and single super phosphate ('SSP') plants with optimisation of the high-grade phosphate process.

Stage 2 of the project, i.e. the test work for the nitro-phosphate and rare earth processes is making good progress and should be concluded in due course. Thereafter the detailed designs will be completed which will inform the final capital required.

The Afrimat Board approved a spend of R300,0 million needed to purchase all the shares in Glenover including the surface and mining rights. This is essential to support a longer life of mine and an optimised business case to maximise Glenover's value in addition to the stockpiles already purchased.

Revenue of R17,8 million was generated by this new segment with start-up losses of R3,9 million. The Group is in the process of ramping up this operation, with site establishment already completed.

Looking ahead, project implementation across the next 6 to 12 months is critical. This will include vermiculite processing, optimisation of the high-grade fertiliser project and the implementation of the SSP project. These product lines will add additional volumes.

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 four segments. In the new Future Materials and Metals segment, the focus is to ramp up the production of high-grade phosphate and to execute the next stages of the project as seamlessly as possible.

The Bulk Commodities segment has implemented an internal efficiency drive with new solutions technology, which has proved to be successful. These solutions will now be implemented throughout the Group in order to further improve efficiencies and margins.

The Group has Driehoekspan and Doornpan iron ore assets to bring online once Demaneng volumes begin to reduce. This should be within the next three years. To optimise production, the Nkomati anthracite mine is in the process of opening up two opencast mine areas as well as an underground access point. Volumes are expected to ramp up and the processing plant is well maintained and able to take on additional production.

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, remain 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.

CHANGE IN BOARD COMMITTEE

In accordance with paragraph 3.59(c) of the JSE Limited Listings Requirements, shareholders are advised that Mr FM Louw was appointed to serve on the Social, Ethics and Sustainability Committee of the Company, effective from 25 October 2022.

On behalf of the Board

FM Louw
Chairman

AJ van Heerden
Chief Executive Officer

Wednesday, 26 October 2022

DIVIDEND DECLARATION

Notice is hereby given that an interim gross dividend, No. 31 of 40,0 cents per share, in respect of the six months ended 31 August 2022, was declared by the Board on Wednesday, 26 October 2022. There are 159 718 929 shares in issue at reporting date, of which 8 277 770 are held in treasury. The total dividend payable is R63,9 million (August 2021: R58,5 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 cum dividend	Tuesday, 22 November 2022
Commence trading ex dividend	Wednesday, 23 November 2022
Record date	Friday, 25 November 2022
Dividend payable	Monday, 28 November 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 23 November and Friday, 25 November 2022, both dates inclusive.

Announcement date: 27 October 2022

FINANCIAL SUMMARY

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Change %	Audited year ended 28 February 2022 R'000
Revenue	2 595 258	2 421 610	7,2	4 680 078
Operating profit	512 204	582 800	(12,1)	1 108 911
Profit attributable to shareholders	356 096	403 182	(11,7)	775 168
Earnings per ordinary share (cents)	252,4	292,1	(13,6)	560,7
Diluted earnings per ordinary share (cents)	246,9	282,2	(12,5)	546,6
Headline earnings per ordinary share ('HEPS') (cents)	252,2	295,1	(14,5)	542,9
Diluted HEPS (cents)	246,8	285,1	(13,4)	529,2
Dividends per share (cents)	40,0	40,0	-	186,0
Net cash from operating activities	784 069	806 492	(2,8)	736 555
Net asset value per share ('NAV') (cents)	2 481	1 954	27,0	2 170
Net debt:equity ratio (%)	(9,7)	(4,1)	(136,6)	12,1

SEGMENTAL INFORMATION*

External revenue			
Construction Materials	916 613	890 992	1 644 510
Industrial Minerals	292 630	325 619	611 655
Bulk Commodities	1 353 087	1 197 777	2 408 710
Future Materials and Metals	17 764	1 158	2 964
Services	15 164	6 064	12 239
	2 595 258	2 421 610	4 680 078
Operating profit			
Construction Materials	73 089	77 797	161 539
Industrial Minerals	36 806	49 646	94 474
Bulk Commodities	393 234	453 736	820 210
Future Materials and Metals	(3 877)	198	(2 457)
Services	12 952	1 423	35 145
	512 204	582 800	1 108 911
Operating profit margin on external revenue (%)			
Construction Materials	8,0	8,7	9,8
Industrial Minerals	12,6	15,2	15,4
Bulk Commodities	29,1	37,9	34,1
Future Materials and Metals	(21,8)	17,1	(82,9)
Overall contribution	19,7	24,1	23,7

* During the period the Group reallocated various businesses within the operational segments in order to report in a manner consistent with the internal reporting provided to the chief operating decision-maker. These reallocations were due to an internal restructure performed during the period.

Directors
FM Louw*# (Chairman)
AJ van Heerden (CEO)
PGS de Wit (CFO)
C Ramukhubathi
MG Odendaal
GJ Coffee*#
L Dotwana*
PRE Tsukudu*#
JF van der Merwe*# (Lead Independent Director)
JHP van der Merwe*#
S Tuku*#
* Non-executive director
# Independent

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