

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”)

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022 AND DIVIDEND DECLARATION

1. INTRODUCTION

As referred to in the announcement published on the JSE Limited’s Stock Exchange News Service on 1 August 2022, the acquisition by TFC Operations (Pty) Ltd (“TFC”), a subsidiary of Kaap Agri, of 100% of the issued ordinary shares in, and loan claims against, PEG Retail Holdings (Pty) Ltd (“PEG”) became unconditional with an effective date of 1 July 2022. As such, only three months of PEG performance is included in Kaap Agri’s financial results for the year ended 30 September 2022. The PEG operations performed according to expectation during this three-month period.

The Group again performed strongly during the year, increasing revenue by 48.4% to R15.70 billion, up from R10.58 billion in the previous financial year, with like-for-like comparable growth of 24.0%. The revenue growth was achieved on the back of a 54.3% increase in the number of transactions (7.9% increase excluding PEG). Compared to pre-Covid-19, revenue has grown at a compound annual growth rate (“CAGR”) of 22.9%. Product inflation is estimated at 24.2% for the year. Fuel price inflation had a significant year-on-year impact on total inflation, however when excluding the impact of fuel inflation in the revenue basket, inflation was 9.3%.

Gross profit increased by 27.1% but at a rate lower than revenue growth due largely to the higher contribution of lower margin fuel revenue.

The Group has delivered a solid trading performance, despite an environment dominated by above average inflation across most product categories and fuel prices which have remained high throughout the period. The impact of the Russia / Ukraine conflict has negatively impacted farming input costs, specifically fertilizer and fuel, with prices likely to stay at higher levels for some time. Global consumer demand has been impacted by reduced consumer buying power, impacting fruit exporters negatively. The effects of Covid-19 have largely annualised in our results together with changed consumer behaviour and, as such, we do not anticipate any significant further recovery from this. The logistical challenges at ports were exacerbated by the floods in KwaZulu-Natal and, more recently, by strike action and have further increased costs for the agri value chain. South African retail sales remain constrained and high fuel prices are dampening fuel consumption.

Retail sales growth was encouraging and reflected real growth when excluding the impact of inflation. Although agri input inflation has been high as mentioned above, we achieved strong real growth indicative of enhanced market share

Grain Services delivered another robust performance due to the increased wheat harvest. Latest harvest estimates indicate the likelihood of an average wheat harvest for the new financial year across the total Swartland region.

The Group's growth strategy of footprint expansion combined with the upgrade and improvement of existing offerings continued during the period. Whilst only one new site was added to TFC, the acquisition of forty-one PEG business units contributed to Group fuel volumes increasing by 21.1% in the year. Collectively, 6 new retail and agri trade sites were added to the Group and 2 smaller unviable trade offerings were closed.

EBITDA grew by 21.8% and lower than gross profit growth, due to increased expenditure, largely non-like-for-like expenditure.

Headline earnings increased by 23.5% while recurring headline earnings ("RHE") grew by 24.0%. Once-off items, predominantly costs associated with new business development, are excluded from headline earnings to calculate RHE.

Throughout the many challenges endured during the year, the business has been unrelenting in its commitment to exceeding our customers' expectations and with the continued support of all stakeholders has once again delivered results ahead of expectation and in support of our strategic growth objectives. Our balance sheet has strengthened during the period and cash generation has improved.

The overall agriculture outlook is stable, however, producer cashflow pressure continues due to high input costs and logistical and export payment challenges. Below average rainfall towards the end of the wheat season has resulted in expectations of a more normalized wheat harvest compared to the prior year, with all indications pointing to an average yield across the total Swartland region. Although always weather dependent, the outlook for fruit and vegetable production in the upcoming agricultural season looks encouraging with good yields expected but at a higher cost to the farmer.

Although the focus continues on driving returns on capital already invested in the business, selective high return generating capital investment opportunities will be pursued. The addition of PEG will accelerate the growth in both retail and fuel revenue in the coming year and will increase the cash component of revenue significantly, boding well for future dividends once the acquisition related debt has been settled.

We are committed to harnessing the opportunities that the challenging economic environment may present and together with our growth and diversification strategy, will continue the momentum to enhance sustainable value creation. We believe the Group is well positioned and equipped to capitalize on any improvement in economic and trading conditions and are cautiously optimistic for the coming year.

2. SALIENT FEATURES

Revenue increased by 48.4% to R15.70 billion, from R10.58 billion in the prior corresponding period.

EBITDA increased by 21.8% to R673.2 million, from R552.8 million in the prior corresponding period.

Earnings per share increased by 23.1% to 562.54 cents per share, from 456.88 cents

per share in the prior corresponding period.

Headline earnings per share increased by 22.3% to 556.30 cents per share, from 454.92 cents per share in the prior corresponding period.

Recurring headline earnings per share increased by 21.1% to 578.23 cents per share, from 477,55 cents per share in the prior corresponding period.

The final gross dividend increased by 9.9% to 122.00 cents per share, from 111.00 cents per share in the prior corresponding period. The total dividend per share for the year increased by 11.3% to 168.00 cents per share, from 151.00 cents per share in the prior corresponding period.

3. DIVIDEND DECLARATION

A gross final dividend of 122.00 cents per share (2021: 111.00 cents) has been approved and declared by the Board from income reserves, for the period ended 30 September 2022. The final dividend amount, net of South African dividends tax of 20%, is 97.60 cents (2021: 88.80 cents) per share for those shareholders not exempt from dividend tax or who are not entitled to a reduced rate in terms of the applicable double tax agreement. Including the interim dividend, the total dividend for the year ended 30 September 2022 of 168.00 cents per share (2021: 151.00 cents) increased by 11.3% from the prior year. The total dividend per share represents a dividend cover of 3.3 times (2021: 3.0 times), slightly higher than the prior year due to debt repayments, largely PEG related, from attributable earnings.

The salient dates for this dividend distribution are:

Declaration date	Thursday, 24 November 2022
Last day to trade cum dividend	Tuesday, 14 February 2023
Trading ex dividend commences	Wednesday, 15 February 2023
Record date to qualify for dividend	Friday, 17 February 2023
Date of payment	Monday, 20 February 2023

The number of ordinary shares in issue at declaration date is 74 567 680 and the income tax number of Kaap Agri is 9312717177.

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 February 2023 and Friday, 17 February 2023, 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/2022/JSE/ISSE/KALE/KALSept22.pdf>

A copy of the Full Announcement is also available for viewing on the Company's website at

https://www.kaapagri.co.za/s3/attachments/financial_statements_as_at_sept_2022.pdf

or may be requested in person, at the Company's registered office or the office of the sponsor, PSG Capital, 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.

The Full Announcement has 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.

Paarl

24 November 2022

Sponsor

PSG Capital



PSG CAPITAL