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")

KAAP AGRI

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, 9 February 2023 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 https://www.kaapagri.co.za/s3/attachments/AGM2023_Presentation.pdf

The business update and presentation are focused on the Group's performance during the first three months of the 2023 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.

The salient points of the presentation are outlined below:

1. Group statutory revenue increased by 73.8% (17.8% like-for-like ("**LFL**")) compared to the first three months of the prior year ("**LY**"), off the back of slow retail and agri performance, the inclusion of the newly acquired PEG Retail Holdings (Pty) Ltd ("**PEG**") as well as 26.0% inflation (12.5% inflation when excluding the impact of fuel price inflation). Transaction growth was encouraging at 6.3% and increased by 193.6% when including PEG. Gross profit growth was below turnover growth, largely due to fuel price inflation and lower fuel price opportunity profits realised.

2. Total Group fuel litres grew by 82.9% (3.2% excluding PEG). Fuel litre performance was pleasing when considering the fuel volume decreases experienced in the wider fuel industry.

3. Excluding PEG for comparable purposes, retail-related revenue grew by 7.5% and agri-related revenue grew by 7.2% compared to LY.

4. The PEG acquisition has been concluded and the business has been successfully onboarded. Fuel litre growth in PEG has been under pressure, however, convenience retail sales have outperformed all expectations.

5. Within the Agrimark Grain division, the drier weather conditions in the Western Cape weighed on the 2022/23 wheat harvest, resulting in a more normalized wheat

harvest compared to the previous two record years. Given the more normalized wheat harvest, full year profitability will be more aligned to prior years with similar wheat yields.

6. Expenditure was well managed with LFL expenses growing 2.5%, PEG being non-LFL. Loadshedding costs have increased significantly, totalling R15.9m for Q1 impeding earnings growth. LFL expenditure, excluding the impact of loadshedding costs, reduced by 1.8% compared to LY.

7. Earnings and Headline earnings for Q1 grew by 35.6% from R126.0m LY to R170.8m. Recurring headline earnings ("**RHE**") for Q1 grew by 30.9% from R130.5m to R170.8m. RHE per share for Q1 grew by 19.8% from 179.72 cents to 215.27 cents (6.5% excluding PEG). This growth was driven by 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 applied in the Company's annual financial statements for the financial year ended 30 September 2022.

8. The Company's working capital cycle improved during Q1. Stock growth was at a rate slower than revenue growth. Debtors' growth was healthy and not-within-terms as a % of debtors reduced. The business continued to generate strong cashflow and comparable debt ratios improved during the period. Return on invested capital increased during Q1.

9. The overall fruit sector outlook is stable despite lower yields, with an improvement in logistics and input costs. Wine grape harvests are expected to be lower, however prices are more favourable. Lower wheat, canola and barley harvests are currently in storage. The combination of lingering high input costs, rising interest rates and loadshedding costs are having a detrimental effect on the agricultural sector. In the general- and convenience retail environments, high inflation, increased interest rates and high fuel prices have led to increased pressure on consumers. The acquisition of PEG will contribute an additional nine months of profitability to the Group this year compared to LY and convenience and quick service restaurant performance has returned to pre-covid levels, with all sites being open during loadshedding. Agrimark Online, launched in September 2022, is gathering momentum. A conservative approach is being applied to new retail fuel sites and Worcester Mall will be onboarded during the second quarter of the current financial year ("**Q2**"). Overall, inflation is expected to normalise during Q2. Loadshedding will impact full year profitability negatively, however certain operational interventions are being implemented to partially mitigate this impact. Given the above and assuming loadshedding continues at similar levels as during Q1, full year profitability is expected to be in line with the upper range of our medium-term targets.

10. Various general operational statistics and comments on Environmental, Social and Governance are included in the presentation.

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
9 February 2023

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