**KAL GROUP LIMITED**
(Previously Kaap Agri Limited)
(Incorporated in the Republic of South Africa)
(Registration number: 2011/113185/06)
Share code: KAL
ISIN: ZAE000244711
("**KAL**" or "**the Company**" or "**the Group**")

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# AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023 AND DIVIDEND DECLARATION

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## 1. SALIENT FEATURES

Revenue increased by 42.7% to R22.40 billion, from R15.70 billion in the prior corresponding period.

EBITDA increased by 33.5% to R898.6 million, from R673.2 million in the prior corresponding period.

Profit before tax increased by 24.1% to R691.8 million, from R557.3 million in the prior corresponding period.

Earnings per share increased by 8.0% to 607.45 cents per share, from 562.54 cents per share in the prior corresponding period.

Headline earnings per share increased by 11.1% to 618.31 cents per share, from 556.30 cents per share in the prior corresponding period.

Recurring headline earnings per share increased by 7.2% to 619.69 cents per share, from 578.23 cents per share in the prior corresponding period. Excluding the direct costs incurred due to loadshedding, RHEPS grew by 13.1%.

The final gross dividend increased by 6.6% to 130.00 cents per share, from 122.00 cents per share in the prior corresponding period. The total dividend per share for the year increased by 7.1% to 180.00 cents per share, from 168.00 cents per share in the prior corresponding period.

## 2. INTRODUCTION

The acquisition of PEG Retail Holdings (Pty) Ltd ("**PEG**") by TFC Operations (Pty) Ltd ("**TFC**"), effective 1 July 2022, resulted in only three months of PEG performance being included in KAL's financial results for the prior comparable year, compared to 12 months for the full year ended 30 September 2023.

The Group's strong performance continued during the year, with revenue increasing by 42.7% to R22.40 billion, up from R15.70 billion in the previous financial year, with like-for-like ("**LFL**") comparable growth of 5.0%. The revenue growth was achieved on the back of 64.4 million transactions, an increase of 93.4% year-on-year ("**YOY**") (1.3% increase excluding PEG). Product inflation ended the year lower than during the prior year and is estimated at 8.0% for the year.

Gross profit increased by 45.7% and at a rate higher than revenue growth due largely to the increased contribution of high margin convenience retail revenue and improved general retail margins, partly set off by pressure on agri input margins and a higher contribution of lower margin fuel revenue.

Effective cost management remained a critical focus area during the period, with LFL expenditure reducing by 2.1%. LFL expenditure excluding the impact of loadshedding reduced by 3.7%.

The Group has once again delivered growth despite numerous challenges. The fruit and vegetable farming sectors have been hampered by loadshedding costs, weather events and increased interest rates leading to curtailed farm infrastructure and related spending. The building materials sector has also struggled off the back of higher interest rates, reducing disposable income in this sector. Although industry wide fuel volume pressures persisted, the Group managed to grow fuel volumes together with a resilient convenience retail performance. Whilst loadshedding has without a doubt had a more severe impact on the Group and our customers than Covid-19, going forward the cost and effect thereof will be annualised and the numerous interventions that have been implemented by the Group are expected to limit any significant further YOY negative impacts.

Below average rainfall towards the end of the 2022 wheat season produced a below average wheat harvest, resulting in Agrimark Grain's performance being marginally down YOY. Latest harvest estimates indicate the likelihood of a favourable wheat harvest for the new financial year across the total Swartland region.

The Group's return focused growth strategy to selectively expand its footprint, combined with the upgrade and improvement of existing offerings continued during the period. Collectively, 6 new Agrimark sites were opened, including the go-live of our Agrimark Online shopping platform. In addition, to optimise returns one New Holland agency workshop was closed and a further four underperforming TFC sites have been identified for disinvestment.

EBITDA increased by 33.5% to R898.6 million, up from R673.2 million in the prior corresponding period.

Headline earnings increased by 20.7% while recurring headline earnings ("**RHE**") grew by 14.7%. Once-off items, predominantly costs associated with new business development and the revaluation of put option liabilities, are excluded from headline earnings to calculate RHE.

The overall agriculture outlook is positive due to favourable farming conditions, however, producer cashflow pressure continues with high interest rates and reprioritisation of cashflow to alternate energy solutions. Although always weather dependent, the outlook for fruit and vegetable production in the upcoming agricultural season looks encouraging with good yields expected.

The concerning trends in the agri environment of high overhead costs, port logistics challenges, limited capacity expansion and loadshedding remain, albeit that there have been slight improvements in some of these areas. It is expected that pressure will remain on fuel volume sales, largely due to high and volatile prices, partly offset by robust convenience and quick service restaurant ("**QSR**") spend. The focus continues on driving returns on capital already invested in the business, and further selective high return generating capital investment opportunities will be pursued.

The intended disinvestment from four underperforming TFC sites is in line with our committed return on invested capital focus. The addition of PEG has accelerated the growth in both retail and fuel revenue as well as the cash component of revenue. PEG fuel sales have been encouraging and its convenience and QSR performance has exceeded expectations. PEG has been successfully integrated within KAL and the acquisition debt is being paid down as planned.

Whilst the challenges have been many, the Group has been resolute in its strategic execution. Given the difficulties presented by ongoing unreliable energy availability, the business has implemented numerous energy efficiency and alternate energy projects to ensure we are able to keep servicing our customer's needs. The support of all Group stakeholders has been unwavering, and we are committed to delivering sustainable and superior stakeholder returns in support of our strategic growth objectives. Our balance sheet has strengthened, our gearing position has improved, and cash generation has increased during the period.

The Group has again demonstrated its ability to deliver superior performance and is well positioned to capitalize on any improvement in economic and trading conditions in the coming year.

## 3. DIVIDEND DECLARATION

A gross final dividend of 130.00 cents per share (2022: 122.00 cents per share) has been approved and declared by the board from income reserves, for the period ended 30 September 2023. The final dividend amount, net of South African dividends tax of 20%, is 104.00 cents (2022: 97.60 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 2023 of 180.00 cents per share (2022: 168.00 cents per share) increased by 7.1% from the prior year. The total dividend per share represents a dividend cover of 3.3 times (2022: 3.3 times), in line with the prior year and higher than the targeted 3.0 times due to debt repayments, largely PEG related, from attributable earnings.

The salient dates for this dividend distribution are:

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|---|---|
| Declaration date | Thursday, 23 November 2023 |
| Last day to trade cum dividend | Tuesday, 13 February 2024 |
| Trading ex dividend commences | Wednesday, 14 February 2024 |
| Record date to qualify for dividend | Friday, 16 February 2024 |
| Date of payment | Monday, 19 February 2024 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 14 February 2024 and Friday, 16 February 2024, both days inclusive.

The number of ordinary shares in issue at declaration date is 74 319 837, the income tax number of KAL is 9312717177 and the Company registration number is 2011/113185/06.

## 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 annual financial statements (“**Full AFS**”) and does not contain full or complete details. The Full AFS can be found at:

https://senspdf.jse.co.za/documents/2023/JSE/ISSE/KALE/KALSept23.pdf

The Full AFS are also available for viewing on the Company’s website at:

https://www.kalgroup.co.za/s3/attachments/financial_statements_as_at_Sept_2023.pdf

Any investment decisions by investors and/or shareholders should be based on consideration of the Full AFS, as a whole.

The AFS have been audited by the Company’s auditors, PricewaterhouseCoopers Inc. who expressed an unmodified audit opinion thereon.

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23 November 2023

Sponsor

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