

KAP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1978/000181/06)

Share code: KAP

ISIN: ZAE000171963

Company Alpha Code: KAP

LEI code: 3789001F51BC0045FD42

('KAP' or 'the company' or 'the group')



OPERATIONAL UPDATE AND TRADING STATEMENT

The following operational update provides guidance in respect of the company's operational performance for the 11 months of the 2024 financial year up to 31 May 2024 ('the period') compared with the 11 months of the 2023 financial year up to 31 May 2023 ('the prior period').

OVERVIEW

While the operating environment in South Africa remained challenging during the period, five of the group's six divisions showed an improved performance compared with the prior period. However, this was more than offset by the negative impact of the continued weakening in polymer margins and the effect thereof on Safripol.

The group's major capital projects, which resulted in capital work-in-progress of R2.5 billion as at 31 December 2023, were all completed during the period. The largest of these, PG Bison's new R2 billion medium-density fibreboard ('MDF') line in Mkhondo, was completed almost a month ahead of schedule, after three years under construction. The completion of the new line is a major milestone for the group, affording significant growth opportunities over the medium term.

Following the appointment of a new CEO and a rationalisation of the executive committee of Unitrans, good progress has been made in restructuring the division to improve its performance meaningfully.

The company raised a R3 billion revolving credit facility on favourable terms in order to refinance pending maturities and to provide the flexibility for planned degearing following the commissioning of its major projects. The company expects net debt levels to end the current financial year at similar levels to the prior year.

DIVISIONAL OPERATIONAL PERFORMANCE

PG Bison delivered a good performance for the period. While domestic sales were lower, exports were pursued to supplement sales, although at lower margins. The value-add ratio improved compared with the prior period, supported by demand creation activities and focused sales efforts. Significant preparatory work was completed during the period to support the sales of additional MDF volume in FY25 following the completion of the new Mkhondo MDF line.

Safripol delivered a disappointing performance, largely due to the prolonged cyclical downturn in the polymers sector globally, which affected raw material margins. Domestic sales volumes for polypropylene ('PP') and high-density polyethylene ('HDPE') increased, while exports largely reduced due to weak export margins. Polyethylene terephthalate ('PET') production volumes were scaled back due to subdued domestic demand and weak domestic and export margins.

Unitrans showed an improved performance, as some of the benefits related to the above-mentioned restructuring of the division were realised during the second half of the financial year. This has resulted in revenue remaining relatively stable, significant cost reductions, and disposals of underutilised assets.

Feltex delivered a pleasing performance, supported by new vehicle assembly volumes and price adjustments to recover raw material cost escalations and contractual volume shortfalls.

Restonic showed a good improvement in performance, following the restructuring concluded in the prior period, supported by market share gains, sales mix effects, production efficiencies and cost savings.

Optix delivered growth in subscriber numbers, which supported an improved performance. The division's order book and sales pipeline remain positive.

TRADING STATEMENT

In terms of the JSE Limited ('JSE') Listings Requirements, a listed company is required to publish a trading statement once it is satisfied that a reasonable degree of certainty exists that the financial results for the next period to be reported on will differ by at least 20% from the financial results for the prior corresponding period.

While one month remains of the company's financial year ending 30 June 2024 ('FY24'), following the period covered by this operational update, a reasonable degree of certainty exists that, if current trading conditions persist:

- Earnings per share ('EPS') is expected to increase by at least 20% (or 4.3 cents) for FY24, compared to the EPS of 21.3 cents reported for the prior financial year ('FY23'), as the FY23 financial results included a R570 million non-cash impairment of intangibles, net of tax, related to Unitrans; while
- Headline earnings per share ('HEPS') is *not* expected to differ by 20% or more for FY24 compared to the HEPS of 47.3 cents reported for FY23.

A further trading statement will be issued in terms of the JSE Listings Requirements when a reasonable degree of certainty exists about the likely range of the expected increase in EPS compared to the prior corresponding year.

Shareholders are advised that the financial information in this announcement and on which this trading statement is based has not been audited, reviewed or otherwise reported on by the company's external auditors.

FY24 RESULTS

The full year results for the 12 months ending 30 June 2024, are expected to be released on or about 30 August 2024.

Stellenbosch
25 June 2024

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