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 and declaration of interim cash dividend for the period ended 31 August 2024

SUMMARY
- Group revenue up 44,3% to R4,1 billion
- Interim dividend per share of 10,0 cents
- HEPS 53,0 cents
- Operating profit margin 13,5%
- Net asset value ('NAV') per share up 10,5% to 3 038 cents
- Return on net operating assets 15,1%

COMMENTARY
BASIS OF PREPARATION
The short-form announcement is the responsibility of the directors and is only a summary of the information in the unaudited condensed consolidated interim financial results for the period ended 31 August 2024 ('Interims') and does not contain full or complete details.

The full Interims can be found at: https://senspdf.jse.co.za/documents/2024/jse/isse/AFT/FY25H1.pdf

Copies of the full Interims are also available for viewing on the Company's website at https://www.afrimat.co.za/investor-relations/financials/#78-99-wpfd-interim-results.

Any investment decision should be based on the consideration of the full Interims published on the Company's website and on SENS, as a whole, as the information in this short-form announcement does not contain full or complete details.

The Interims have been prepared under the supervision of the Chief Financial Officer ('CFO'), PGS de Wit CA(SA).

INTRODUCTION
Afrimat's long-term growth strategy is underpinned by a well-chosen asset base in the mining, quarrying and related industries. The Group is renowned for acquiring distressed assets and turning these around to contribute profitably. Lafarge South Africa is the latest acquisition, and it became unconditional during the first quarter of this financial year.

The integration of the Lafarge acquisition is progressing according to plan, with a solid performance from the aggregate quarries and ash business leading to an overall improvement in the results of the Construction Materials (Aggregates) segment. The losses from the cement business for four of the six months (May to August 2024) have been included in the Construction Materials segment. The turnaround of the ex-Lafarge businesses is managed according to strict project management principles and a speedy return to profitability is expected. The first half of this year was impacted by a freeze of two furnaces at the Group's South African iron ore customer, resulting in a drastic reduction in iron ore income for the half year.

These two factors were the main contributors, which led to a decline in the Group results for the first six months of F2025 when compared to the previous comparative period.

FINANCIAL RESULTS
Group revenue increased by 44,3% from R2,8 billion to R4,1 billion, with the inclusion of the Lafarge business. Operating profit (excluding a gain on bargain purchase) decreased by 45,2% from R534,1 million to R292,7 million. Cash used in operations equates to R131,4 million compared to the comparative period cash generated from operations of R697,2 million. The net cash outflow is due to increased working capital requirements, driven by higher stock levels in iron ore as a result of the lower volumes supplied to the local market, as well as addressing overdue payments to suppliers in the Lafarge business.

Afrimat felt the brunt of a declining iron ore price, a strengthening Rand, continued limitations on the export rail line, large industrial customers reducing offtake because of economic and unforeseeable circumstances, and losses in the cement business. This culminated in headline earnings per share reducing from 263,4 cents to 53,0 cents.

As expected, the net debt:equity position increased to 45,6% (February 2024: 1,4%) due to funding towards the Lafarge and Glenover transactions. The Group remains committed to ensure strong cash generation to settle the additional debt as quickly as possible.

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 wide and diversified and is made up of Construction Materials consisting of aggregates, concrete-based products, fly-ash and cement, Industrial Minerals consisting of limestone and dolomite, Bulk Commodities consisting of iron ore and anthracite. The Services segment consists of external logistical and mining services while the Future Materials and Metals segment is made up of phosphate and rare earth elements.

The Construction Materials segment (excluding cement) delivered a solid performance, increasing operating profit by 39,4% to R217,6 million from R156,1 million in the previous comparable period. This is largely due to the successful integration of the Lafarge quarries, the fly-ash business, and the ready-mix batching plants, as well as volume growth and ongoing cost-saving initiatives. The cement business incurred losses of R146,2 million during the interim period, primarily due to known reliability issues at the cement factory, resulting in excessive maintenance costs and limited production.

The Industrial Minerals businesses achieved a robust performance with an increase of 54,9% in operating profit from R32,0 million to R49,5 million. The suspension of loadshedding is positive for both the segment and its customers. Starting from a low baseline, the volume increase is encouraging and was further supplemented through strategic marketing initiatives into new markets.

The Bulk Commodities segment, consisting of the iron ore mines and an anthracite mine, contributed 32,9% to the Group's operating profit. Revenue increased by 3,2% to R1,4 billion and operating profit decreased to R182,8 million from R385,9 million in the previous period.

The iron ore mines' operating profit decreased by 63,6% to R148,1 million from R407,0 million. International iron ore exports were adversely impacted by a 5,0% decrease in US dollar prices, a 31,0% increase in shipping costs, and the concurrent strengthening of the South African Rand. In addition, the decline in the iron ore price resulted in a negative movement in the three-month price adjustment provision of R48,9 million. Afrimat was impacted by the challenges on the rail line, with rail shipment volumes decreasing by 9,0% due to inefficiencies. Volumes for the period were 349 084 tonnes (August 2023: 383 924 tonnes), 19,8% below allocated volumes.

In the first quarter, the major customer's furnace freeze significantly impacted sales volumes and revenue for local iron ore. Volumes for the period were 339 648 tonnes (August 2023: 493 184 tonnes). By the second quarter of the period, volumes had increased and are now stable. However, this did not make up for the losses in volumes during the first quarter.

The anthracite mine's revenue increased by 91,3% to R471,6 million from R246,6 million. Operating profit contributed positively to the Group's results with R34,7 million compared to an operating loss of R21,1 million in the comparative period. Underground mining was disappointing and alternatives are being evaluated. During this period, 38 houses were relocated, 91 graves were moved, and an Eskom power line was moved to allow for more fluid open-pit mining.

The export product remains a viable alternative, however, banned Russian product has re-entered the market, putting pressure on pricing. Despite this, management expects to export product in the second half of the financial year.

Future Materials and Metals segment further supports the diversification strategy and offers wider exposure than ferrous metals. The segment adds phosphate and rare earth elements to the offering and aligns Afrimat to advancing decarbonisation trends through rare earth elements and improved food security through fertiliser products.

The project focuses on processing high-grade phosphate and single superphosphate ('SSP'). With the SSP plant commissioned, sales volumes for fertiliser are slowly ramping up to achieve the planned volumes by 2025. For the period under review, revenue of R38,9 million was generated, with start-up losses of R21,1 million.

The rare earth elements strategy remains under investigation to ensure a comprehensive understanding of the market and technology. This project is recognised as a strategic development requiring time to achieve its full potential.

BUSINESS DEVELOPMENT

The Group's business development team remains a key component of the Group's strategy. The team continues to identify opportunities in existing markets, as well as in anticipated new high-growth areas in southern Africa.

PROSPECTS

Afrimat is known for being acquisitive in nature. The most recent Lafarge acquisition - made primarily to extract synergies and value from the excellent assets that were acquired - is in the process of being successfully integrated into the Group. The aggregates, fly-ash, and readymix batching plants have delivered ahead of expectations.

Across the construction landscape, the Construction Materials segment enjoys slightly elevated volumes from road, rail, and dam project demand.

In the cement business, there has been an increase in reliability and production volumes. Management considers the turnaround effort a top priority.

Local iron ore volumes in the second half are expected to be higher than in the first half. On the export iron ore line, Transnet still faces logistic challenges. Afrimat continues to engage with Transnet and participates in the Ore User's Forum to assist Transnet as much as possible. Since the period-end, the international iron ore price, although volatile, has stabilised given the economic stimulus announcement by China.

At the Nkomati Anthracite Mine, Afrimat awaits confirmation of the Environmental Impact Assessment that will allow for mining to take place across the site, rather than being limited to three sources, as is the case at the moment. Nkomati Anthracite Mine has a life-of-mine of over 20 years in the open cast pits.

The establishment of the Government of National Unity and the reduction in interest rates have improved local sentiment. However, this improved sentiment is not flowing through to large infrastructure or development projects as yet. To further entrench its commitment to South Africa, Afrimat joined other CEOs to pledge to assist the business and Government partnership to address key challenges facing the country.

In conclusion, prospects for Nkomati Anthracite, an expanded Construction Materials business through Lafarge, a recovery in cement through innovation, and other growth initiatives will better balance Afrimat's diversity, placing the Group on a sustainable pathway forward.

The Interims may contain forward-looking statements that have not been reviewed nor reported on by the Company's auditors.

On behalf of the Board

FM Louw
Chairman

AJ van Heerden
Chief Executive Officer

Wednesday, 23 October 2024

DIVIDEND DECLARATION

Notice is hereby given that an interim gross dividend, No. 35 of 10,0 cents per share, in respect of the six months ended 31 August 2024, was declared by the Board on Wednesday, 23 October 2024. There are 159 690 957 shares in issue at the reporting date, of which 8 066 710 are held in treasury. The total dividend payable is R16,0 million (August 2023: R63,9 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 net dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is 8,0 cents and 10,0 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, 19 November 2024
Commence trading ex-dividend	Wednesday, 20 November 2024
Record date	Friday, 22 November 2024
Dividend payable	Monday, 25 November 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 November and Friday, 22 November 2024, both dates inclusive.

Announcement date: 24 October 2024

FINANCIAL SUMMARY

	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Change %	Audited year ended 29 February 2024 R'000
Revenue	4 103 351	2 843 674	44,3	6 083 280
Operating profit*	555 376	534 051	4,0	1 152 365
Profit attributable to shareholders	359 681	379 585	(5,2)	788 716
Earnings per ordinary share (cents)	231,8	253,9	(8,7)	520,3
Diluted earnings per ordinary share (cents)	228,7	251,5	(9,1)	514,4
Headline earnings per ordinary share ('HEPS') (cents)	53,0	263,4	(79,9)	567,3
Diluted HEPS (cents)	52,3	261,0	(80,0)	560,7
Dividends per share (cents)	10,0	40,0	(75,0)	154,0
Net cash from operating activities	(272 373)	577 496	(147,2)	1 237 005
Net asset value per share ('NAV') (cents)	3 038	2 750	10,5	3 004
Net debt:equity ratio (%)	45,6	6,2	635,5	1,4
SEGMENTAL INFORMATION				
External revenue				
Construction Materials	2 173 735	1 159 973		2 212 760
Industrial Minerals	325 114	302 223		554 546
Bulk Commodities	1 406 314	1 363 434		2 957 816
Future Materials and Metals	38 921	9 014		31 266
Services	159 267	9 030		326 892
	4 103 351	2 843 674		6 083 280
Operating profit*				
Construction Materials	71 411	156 073		273 448
Industrial Minerals	49 521	31 969		13 803

Bulk Commodities	182 807	385 910	957 775
Future Materials and Metals	(21 108)	(8 456)	(12 851)
Services*	272 745	(31 445)	(79 810)
	555 376	534 051	1 152 365
Operating profit margin on external revenue (%)			
Construction Materials	3,3	13,5	12,4
Industrial Minerals	15,2	10,6	2,5
Bulk Commodities	13,0	28,3	32,4
Future Materials and Metals	(54,2)	(93,8)	(41,1)
Overall contribution	13,5	18,8	18,9

* Included in 'Services' operating profit is a gain on bargain purchase of R262,7 million.

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*#
JHP van der Merwe*#
S Tuku*#
NAS Kruger*#
* Non-executive director
# Independent

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