



AECI LIMITED

(Incorporated in the Republic of South Africa)

(Registration Number 1924/002590/06)

Tax reference number: 9000008608

Share code: AFE ISIN: ZAE000000220

Hybrid code: AFEP ISIN: ZAE000000238

Bond company code: AECI

LEI: 3789008641 F1D3D90E85

(AECI or the Company or the Group)

VOLUNTARY UPDATE FOR THE TEN MONTHS ENDED 31 OCTOBER 2024

2024, a year of transition for AECI

Since announcing our case for change and our strategy on 6 November 2023, we have made substantial progress in executing our strategy, and we have achieved key strategic milestones, which include:

- the implementation of our new operating model;
- the establishment of a new executive leadership team that is driving our transformation in line with the roll-out of the new operating model;
- the rolling out of our leadership compact, culture code and desired behaviours designed to foster a high-performance culture;
- progressing portfolio optimisation through the signing of sale agreements for AECI Animal Health and AECI Much Asphalt;
- delivering our 2024 R800 million EBITDA run rate;
- stabilising the Group's ammonia supply in line with our drive for operational and functional excellence;
- increasing investment in maintenance of our existing asset base; and
- delivering on our globalisation strategy by increasing our mining explosives sales volumes in Central Africa and Asia Pacific following the fulfilment of new Asia Pacific and Rest of Africa contracts.

The achievement of these key strategic milestones positions us well to continue driving operational efficiencies, boosting profitability in the short to medium term and laying a solid foundation for sustainable long-term growth.

Statement from the Group CEO

"This year has been a transformative journey for AECI, marked by significant progress in executing our strategy and reshaping the organisation to meet evolving market demands. These changes have strengthened our management structure and team, improved efficiencies, and positioned us well to achieve our strategic ambitions.

While the Group faced challenges in the Mining segment, including declining domestic volumes and ammonia prices. Our international contracts in Asia-Pacific have helped mitigate these pressures.

With the value delivery from our strategic initiatives on track and a clear vision for the future, I am confident in our ability to deliver lasting value and to seize new opportunities."

RESULTS FOR THE 10 MONTHS ENDED 31 OCTOBER 2024

Safety

As of 31 October 2024, the Group's Total Recordable Incident Rate (TRIR) improved to 0.31, down from 0.35 in 31 December 2023. As we advance on our transformation journey, our safety initiatives remain centered on proactively implementing sustainable improvements that support our Zero Harm strategy.

Group Financial Performance

Revenue for the 10 months to 31 October 2024 (the current period) was down 4% to R29 788 million from R31 098 million in the prior period (31 October 2023) on the back of lower ammonia prices and reduced sales volumes.

R'million	YTD Oct 2024	YTD Oct 2023	Change(%)
Revenue	29 788	31 098	(4%)
EBITDA*	2 518	3 072	(18%)
EBITDA margin	8%	10%	(20%)
Profit from operations	1 531	2 157	(29%)
Profit from operations margin	5%	7%	(29%)
Normalised measures			
EBITDA (normalised)	3 273	3 297	(1%)
EBITDA margin (normalised)	11%	11%	-
Profit from operations (normalised)	2 286	2 382	(4%)
Profit from operations margin (normalised)	8%	8%	-

*Earnings before interest, tax, depreciation and amortisation

Normalised measures are used by management to assess underlying performance and exclude one-off, non-recurring items such as impairments, transformation project costs, and divestment-related expenses.

These measures provide a more consistent view of operational performance and are supplementary to IFRS measures.

To date, the Group has incurred net once off investment spend of R755 million. The majority was primarily geared towards the successful achievement of our 2026 ambition and value unlock and comprises:

- R409 million transformation project costs;
- R110 million in divesture costs;
- R204 million investment spend resulting mainly from statutory shutdowns in H1; and
- R32 million Schirm turnaround spend in H1.

A reconciliation of normalised measures to the reported measures at 30 October 2024 is provided below:

	Reported	Adjustment	Normalised
EBITDA*	R2,518m	R755m	R3,273m
Profit from Operations	R1,531m	R755m	R2,286m

*Earnings before interest, tax, depreciation and amortization

The prior period results are adjusted for R119 million in AECI Schirm turnaround costs and R106 million in Employee Share Trust (EST) costs.

Normalised measures are not a substitute for IFRS-compliant measures and should be used in conjunction with these metrics for a comprehensive assessment.

Normalised profit from operations was down 4% (R2 286 million) on the prior period (31 October 2023: R2 382 million) impacted by higher depreciation driven by maintenance capital expenditure which aligns with our renewed focus on protecting and investing in our asset base.

The Group's normalised profit from operations margin was in line with the prior period at 8%, demonstrating the resilience of our underlying businesses underpinned by diverse commodities, regions and effective risk management processes. This performance was delivered in a challenging trading environment marked by declining commodity prices, high interest rates, high inflation, supply chain disruptions and a slowdown in the South African macroeconomic environment and the mining industry.

Net working capital of R6 456 million improved from the prior period (31 October 2023: R6 851 million), translating to a net working capital percentage of 18% in line with prior period.

Net debt decreased to R4 783 million from the prior period (31 October 2023: R5 224 million), translating to gearing of 38% (31 October 2023: 42%) which falls within our guided range of 20% - 40%.

Management remains committed to reducing debt, applying stringent net working capital management and driving operational and strategic free cash flow initiatives to strengthen the balance sheet. The Group's net debt to EBITDA, as defined in covenant agreements, was 1.4 times, remaining well within the loan covenant threshold of 2.5 times.

The Group recorded a positive free cash flow of R82 million (31 October 2023: R1 470 million) after taking into account softer business performance, timing on working capital outflows to support operational requirements and strategy execution. While these factors impact short-term cash flow, they are essential to positioning the business for sustained future performance.

Capex spend for the period was R845 million (31 October 2023: R1 134 million). R601 million was for maintenance (31 October 2023: R595 million) and R244 million (31 October 2023: R540 million) was for expansion.

Depreciation and amortisation were ahead of the prior period at R950 million (31 October 2023: R879 million) due to growth capex in AECI Mining Australia and AECI Schirm USA. Profit from operations includes goodwill impairment of R22 million (31 October 2023: nil).

Group impairments and effective tax rate guidance

Our portfolio optimisation programme has resulted in management having to assess the Net Asset Value (NAV) of AECI Animal Health and AECI Much Asphalt in relation to their fair value less costs to sell. This has resulted in the recognition on R22 million impairment on AECI Animal Health in H1 and we anticipate an impairment on the disposal of AECI Much Asphalt in the region of R600 million.

Furthermore, an assessment on AECI Schirm operations is ongoing and the Group expects to recognise a significant impairment on the business. Both AECI Much Asphalt and AECI Schirm were acquired in 2018 for a purchase consideration of R2 347 million and R1 997 million, respectively. On consolidation AECI recognised goodwill of R1 531 million for AECI Much Asphalt and R305 million for AECI Schirm. As previously reported, both businesses experienced sustained long term operational underperformance which impacted cash flows, profits and ultimately NAV.

The anticipated impairments are expected to impact profit as well as the Group's Effective Tax Rate. The rate is expected to be significantly higher than the reported 54.5% at 30 June 2024. Management are dedicating the necessary resources towards reducing the rate into an acceptable range going forward.

Segmental performance

R million	Revenue			Profit/(loss) from operations		
	YTD Oct24	YTD Oct23	% Change	YTD Oct24	YTD Oct23	% Change
AECI Mining	15 725	16 513	(5%)	1 426	1 789	(20%)
AEI Chemicals	7 805	8 110	(4%)	692	616	12%
AECI Property Services and Corporate	527	505	4%	(578)	(182)	>100%
AECI Managed Businesses	6097	6 414	(5%)	(7)	(58)	88%
Other	(366)	(444)	18%	(2)	(8)	75%

Normalised measures

R million	Profit/(loss) from operations (normalised)		
	YTD Oct24	YTD Oct23	% Change
AECI Mining	1 641**	1 853	(11%)
AEI Chemicals	701#	640	10%
AECI Property Services and Corporate	(80)##	(168)	52%
AECI Managed Businesses	26"	65	(60%)
Other	(2)	(8)	75%

** Normalised measure - adjusted for R204 million investment spend and R11 million transformation project costs (31 October 2023: EST cost R64 million)

#Normalised measure - adjusted for R9 million transformation project costs, (31 October 2023: EST cost R24 million)

Normalised measure - adjusted for R498 million transformation project and divestiture costs, (31 October 2023: EST cost R14 million)

"Normalised measure - adjusted for AECI Schirm turnaround costs of R32 million and R1 million transformation project costs (31 October 2023: Turnaround cost R119 million and EST cost R4 million)

AECI Mining

While there was a notable decline in ammonia prices in the first half of 2024, the market has shown signs of recovery in the fourth quarter, with prices rebounding due to supply constraints and other market dynamics.

The addition of new Transnet rail wagons has greatly improved our Richards Bay's storage-to-rail ammonia supply to our Modderfontein site, enhancing supply security and boosting operational efficiency.

Revenue in the Mining segment for the 10 months ended 31 October 2024 was 5% lower compared to the prior period. This decline reflects a combination of factors including lower ammonia prices and lower sales volumes in the South African market following a drop in mining production volumes in gold, platinum group metals (PGMs) and iron ore due to operational and supply chain challenges and global macroeconomic uncertainties.

Profit from operations for the period, adjusted for the investment spend, was 11 % lower than the prior period due to a slower than anticipated recovery in South Africa. Despite the challenging operating conditions, normalised profit from operations margins at 10% were slightly lower than the prior period (31 October 2023: 11%).

Our business continues to grow globally, with new contracts in Asia Pacific, where bulk explosives volumes were up 24% and electronics grew by 44%. We also continue growing in Central Africa, where robust mining activity drives growth.

AECI Chemicals

The segment's revenue for the period declined by 4% due to persistent challenges in the South African manufacturing and industrial sectors, coupled with an oversupply of key products, which exerted pressure on pricing and demand. Despite these headwinds, we delivered a substantial increase (10%) in profit from operations, driven by disciplined cost management and enhanced operational efficiencies. This disciplined approach contributed to an improved operating margin of 9% (31 October 2023: 8%), underscoring the effectiveness of our strategy to enhance profitability even amid revenue constraints.

AECI Managed businesses

Revenue was down 5% compared to the prior period. The segment recorded a normalised profit from operations of R26 million, down from R65 million as at 31 October 2023.

During the period, we made solid progress in our divestment strategy by signing sale agreements for AECI Much Asphalt and AECI Animal Health, two of the six targeted divestments. This is a crucial step in our commitment to streamline the portfolio and focus on our core business. The subdued mergers and

acquisitions environment experienced this year has impacted our divestment process. We, however, remain committed to a disciplined approach, prioritising long-term value creation as we navigate the divestment process in these conditions.

AECI Property Services and Corporate

This segment recorded a normalised loss from operations of R80 million (31 October 2023: R168 million loss) after accounting for income on sale of property.

Conclusion

In conclusion, we anticipate that the business's underlying performance (normalised), for the full year, will be in line with the prior year, underscoring our organisational strength. With a clear focus on executing our strategy and transforming the Group, we are advancing operational efficiencies and setting the stage for sustainable growth. We remain fully committed to achieving our strategic goals, creating long-term shareholder value, and building a solid foundation for future success.

2024 Capital Markets Day

The Group will host a Capital Markets Day today, 28 November 2024 starting at 1 0H00 (SAST). We will give a comprehensive update on the execution of our strategic priorities and goals. The Capital Markets Day presentation is available on the Company website: <https://investor.aeciworld.com/results-reports-presentations.php>

Disclaimers

Normalised measures are used by management to assess the underlying sustainable performance of the Group and do not replace the measures determined in accordance with IFRS as an indicator of the Group's performance, but rather should be used in conjunction with the most directly comparable IFRS measures.

The financial information on which this trading update is based has yet to be reviewed or reported on by the Group's external auditors.

This update contains forward-looking statements. These statements are based on current estimates and projections of the Executive Team, the Board of Directors and currently available information.

Forward-looking statements do not guarantee the future developments and results outlined therein. They depend on several factors, involve various risks and uncertainties, and are based on assumptions that may not prove to be accurate.

28 November 2024

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