



## **ANNUAL RESULTS PRESENTATION**

For the financial year ended 30 September 2021

Presented by:

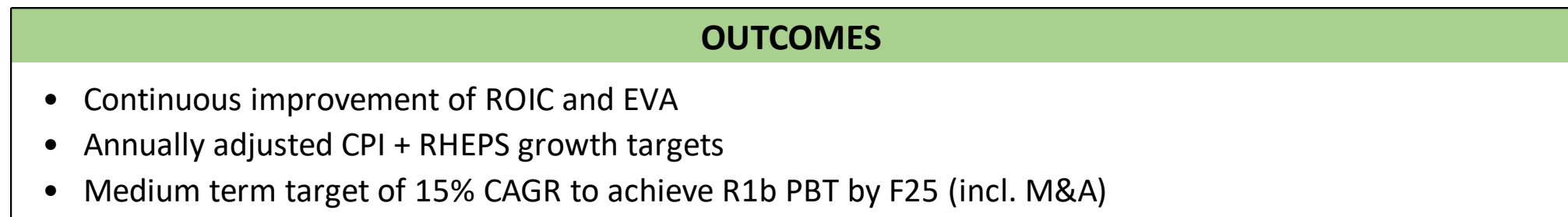
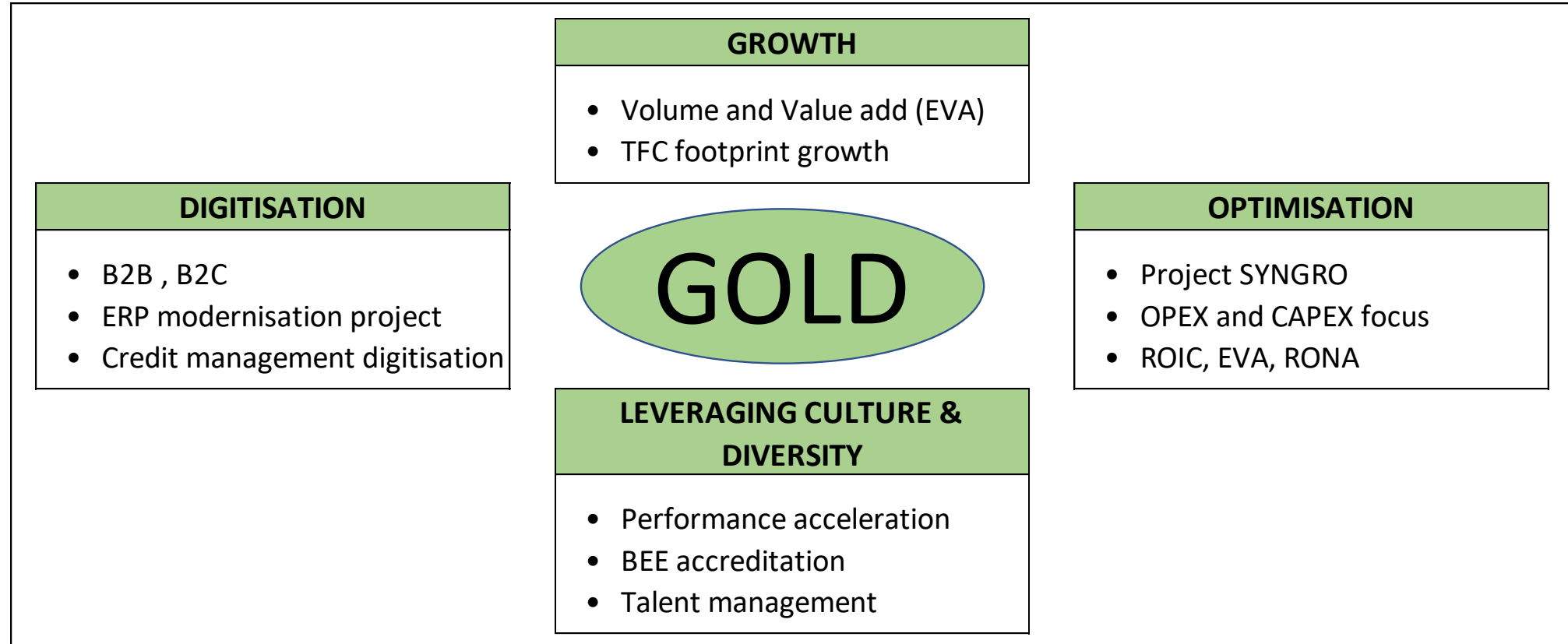
Sean Walsh  
Chief Executive Officer

Graeme Sim  
Financial Director

# INDEX

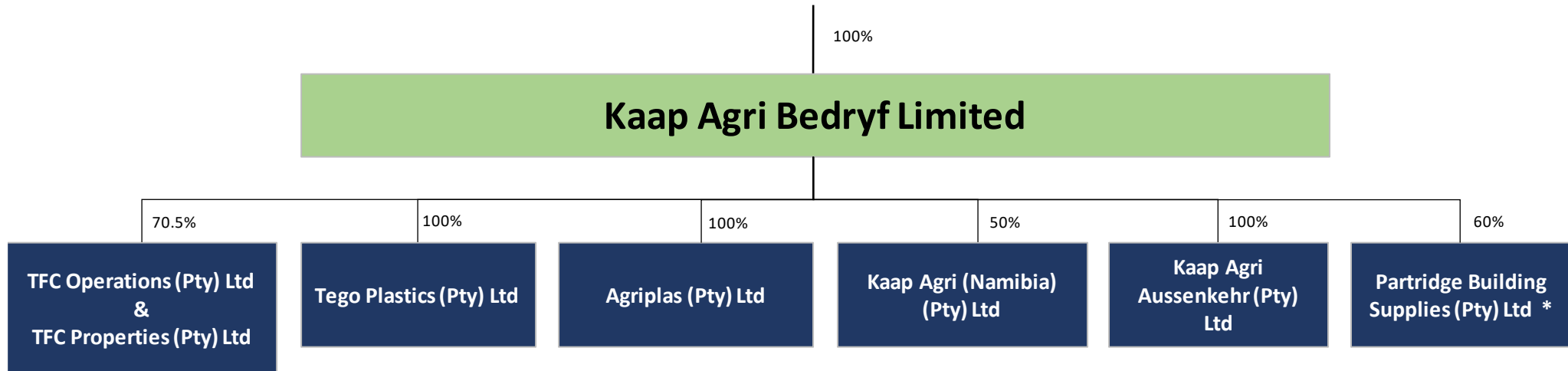
- 1 Purpose & Strategy
- 2 Group structure
- 3 Business Segments - Trading brands
- 4 Geographical Representation
- 5 Footprint overview
- 6 Key milestones
- 7 Trading environment
- 8 Highlights for the year
- 9 Segmental report
- 10 Financial performance
- 11 Segmental review
- 12 Cash flow performance
- 13 Capital expenditure
- 14 Trade debtors
- 15 Conclusion

# PURPOSE & STRATEGY



# GROUP STRUCTURE

# KAAP AGRI



<u>TFC BEE</u>	<u>Shareholding</u>	<u>% BEE</u>
Kaap Agri Bedryf Ltd	70.5%	25.1%
Dipeo Capital (Pty) Ltd		20.0%
ETI (Pty) Ltd		5.0%
Other		0.1%
C Max Investments (Pty) Ltd	23.5%	100.0%
ETI (Pty) Ltd	6.0%	100.0%
Weighted Black ownership		47.2%
Direct Black ownership		40.2%













\* Trading as Forge



# BUSINESS SEGMENTS – TRADING BRANDS



# BUSINESS SEGMENTS – TRADING BRANDS

TRADE	RETAIL FUEL & CONVENIENCE	GRAIN SERVICES	MANUFACTURING
     	  		 
144 Units (61 licences)	47 Units (43 licences)	15 Units (2 licences)	5 Units

Trading Profit contribution		
	2011	2021
Agri	45%	23%
Retail	21%	37%
Fuel	23%	32%
Manufacturing	11%	8%

**TOTAL:**  
**226 Units**  
**106 Licences**

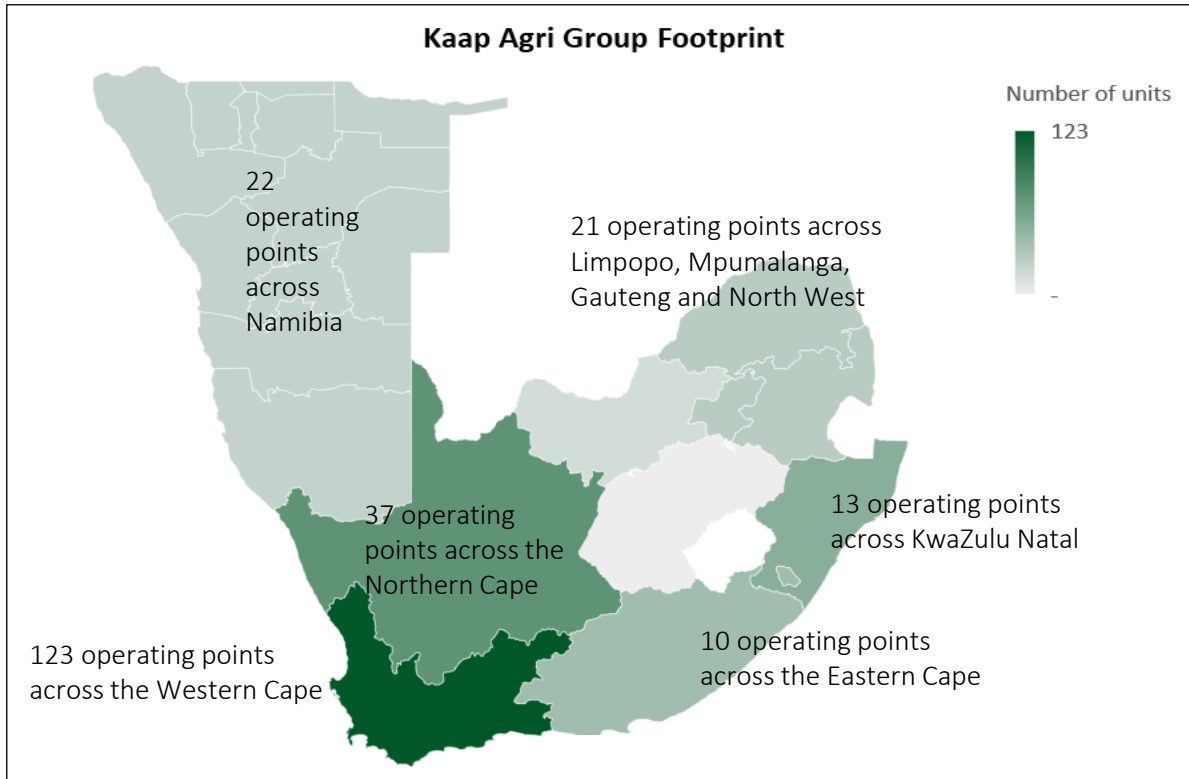
Supply Chain - Support service for product procurement, distribution and logistics

Corporate & Financial Services

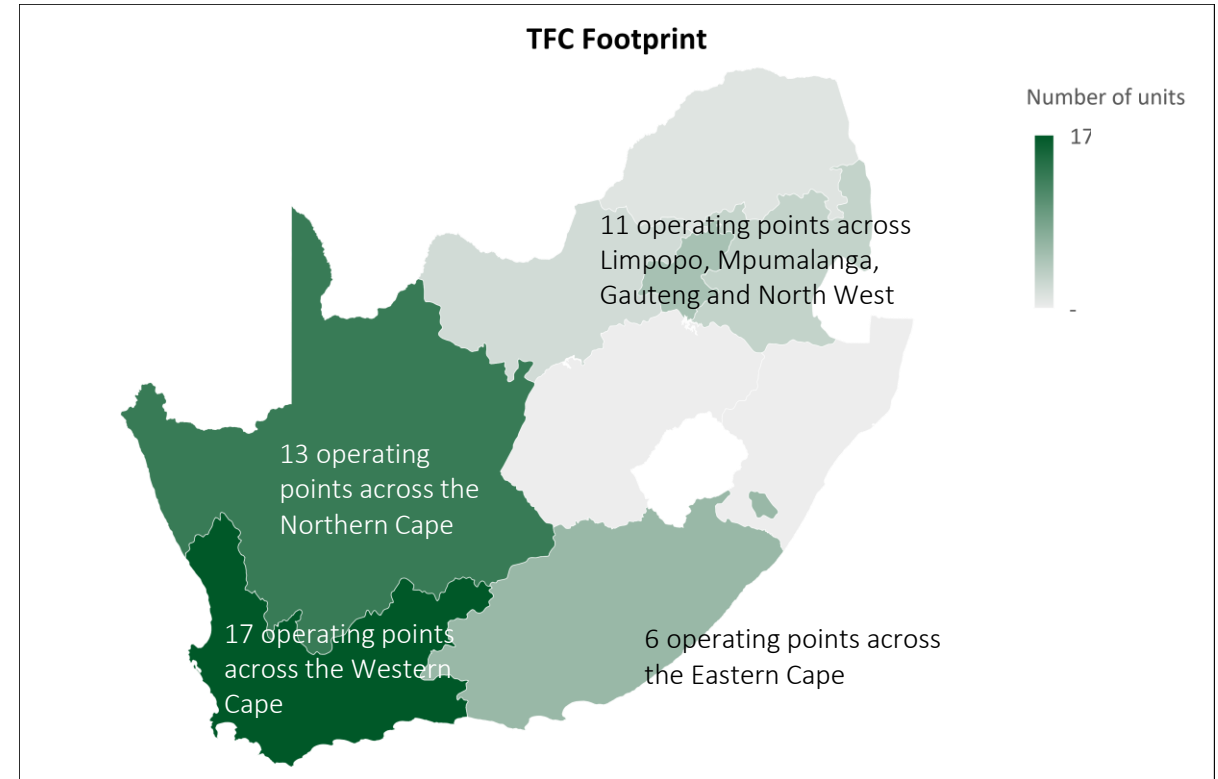
(2 Offices, 13 Financial services units)



# GEOGRAPHIC REPRESENTATION

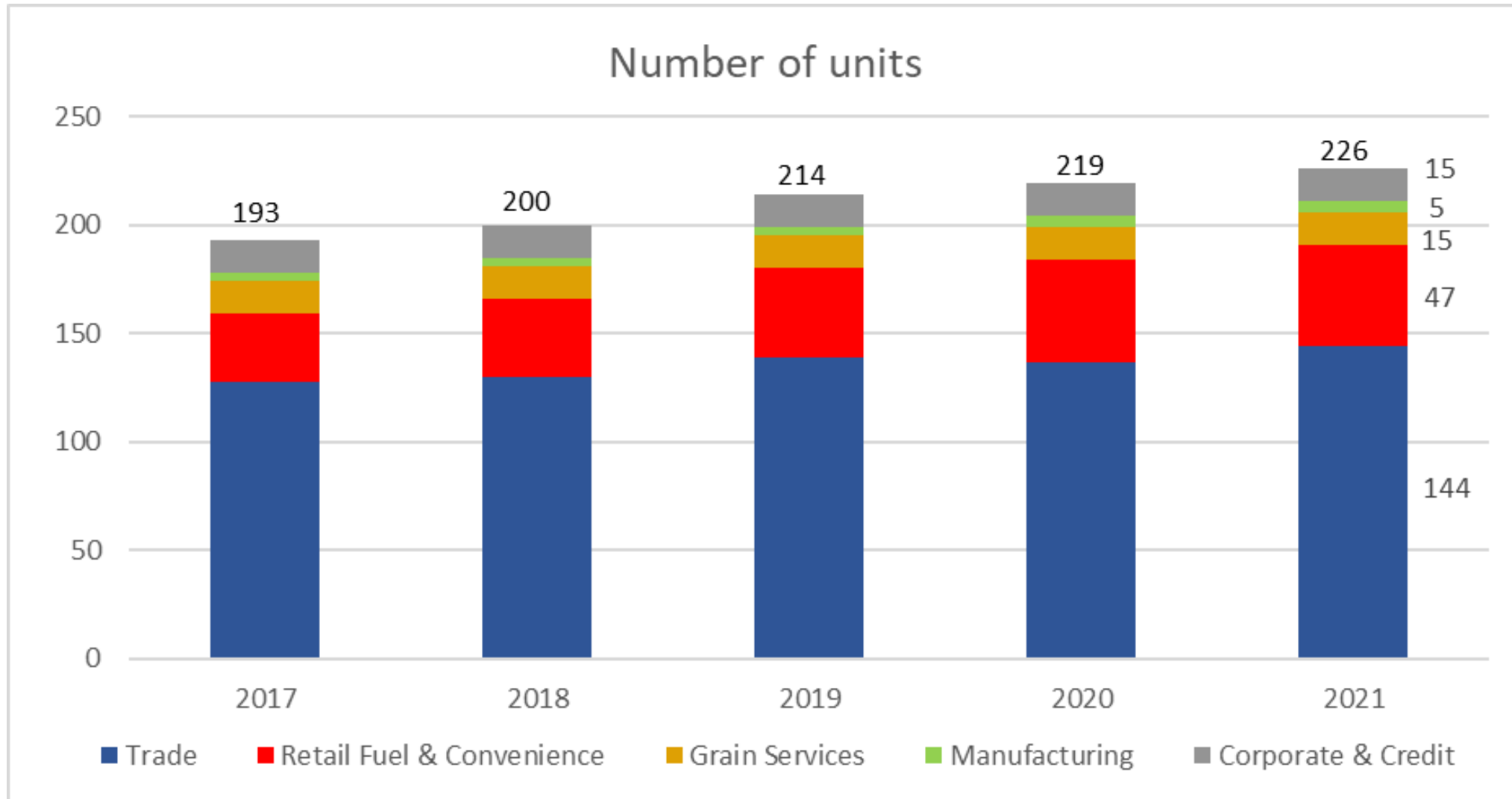


 **226 Units**       **SA & Namibia**  
 **119 Places**       **8 Provinces**















 **47 Units**       **SA**  
 **33 Places**       **7 Provinces**

# FOOTPRINT OVERVIEW



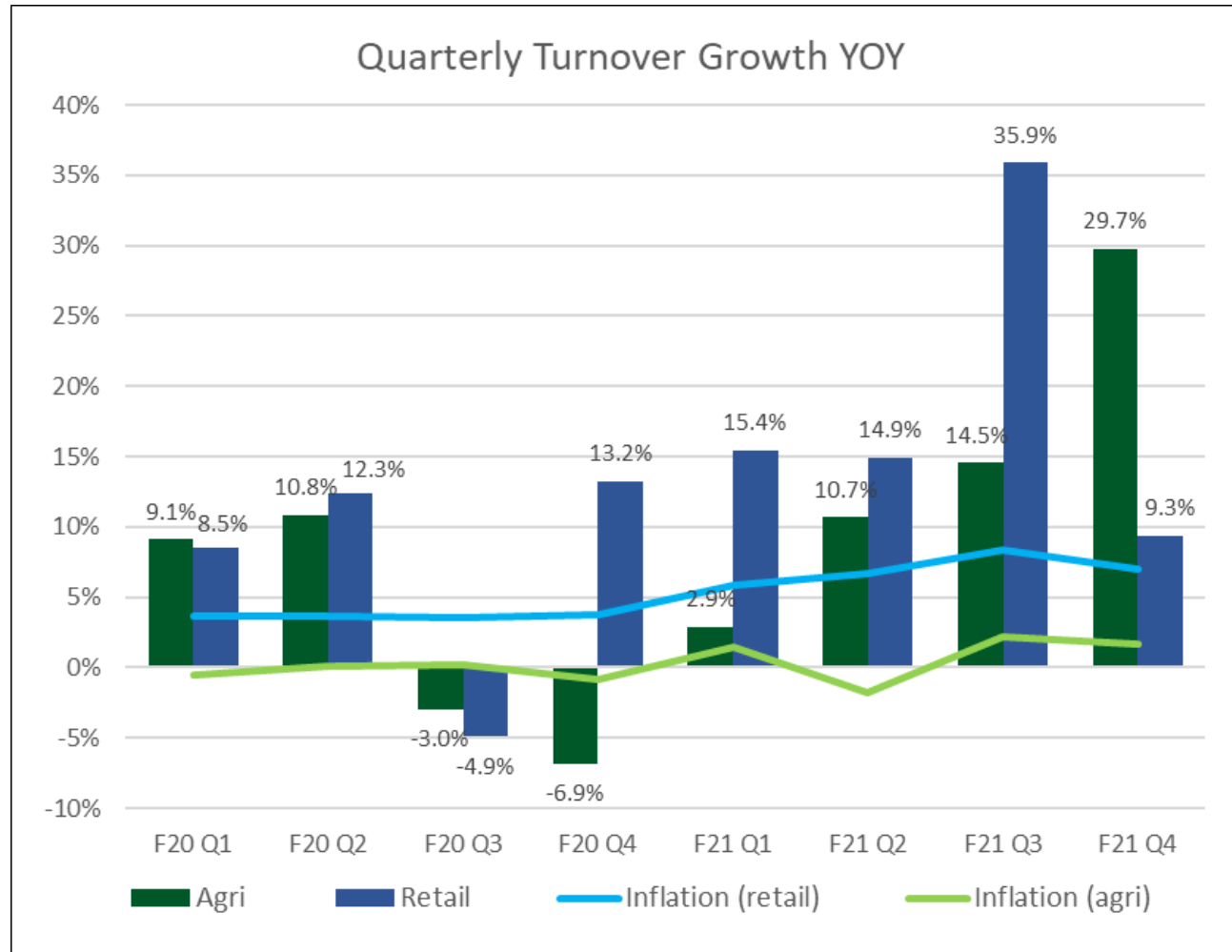


# GROUP - KEY MILESTONES

-  Group real revenue growth of 19.4%, inflation of 4.0%, Total revenue growth 23.4% (statutory)
-  Group real Retail revenue growth of 11.0% on LY and 14% on pre-Covid, this year inflation 7%, Total growth 18%
-  Agrimark Grain delivered another record profit contribution
-  New Holland Agency profitability has accelerated
-  Total Support Services cost to serve as % of GP reducing, when excluding non-LFL and Covid related
-  Group fuel liter growth 13% (managed & owned sites) being partly Covid recovery, annualization and real growth
-  Trading profit contribution from non-agri retail activities growing to 58%
-  Working capital requirements growing at a slower rate than revenue growth
-  Net interest-bearing debt decreasing by 8.9%, contributing to increased ROIC
-  Group level 3 BEE accreditation maintained
-  TFC Propco disposal, c. R450m proceeds by H1F22
-  RHEPS CAGR of 15.1% since F11 !!



# TRADING ENVIRONMENT – RETAIL & AGRI

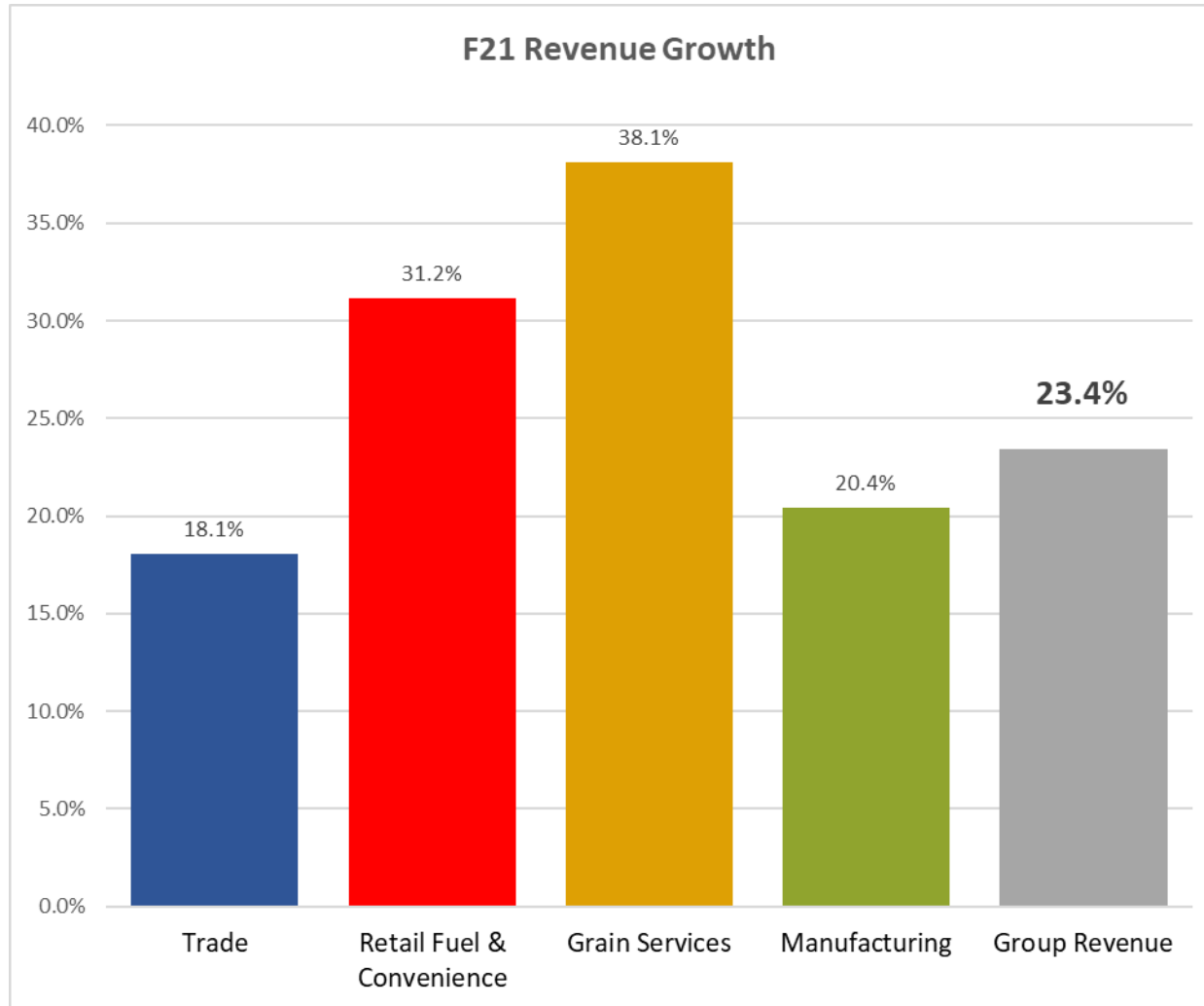


## AGRI AND RETAIL CATEGORY GROWTH IMPACTED BY:

- F20:
  - Covid lockdown Q3
  - Retail: Covid V-recovery, strong Q4, cement sector pick up, TFC new
  - Agri: low Covid impact, supply chain issues, decreases in Q4
- F21:
  - Retail: strong throughout
  - Q3 compares to hard lockdown
  - Agri: acceleration (fertilizer, chemicals)
- Largely positive agri conditions
- Land reform (EWC) uncertainty



# TRADING ENVIRONMENT – REVENUE GROWTH



## F21 REVENUE GROWTH DRIVEN BY:

- Group revenue +23.4%, LFL growth 12.6%
- On the back of F20 revenue growth 1.5%
- Inflation 4.0% (3.9% excl fuel)
- Transactions up 17.0%
- Trade (Agri 13.6%, Retail 18.0%, Forge 23.0%)
- TFC +31% (still impacted by long Covid)
- Grain Services (grain handling 41.3%, seed processing 31.3%)
- Manufacturing (Agriplas 10.3%, Tego non-LFL)



# HIGHLIGHTS FOR THE YEAR



**Revenue**  
(R'000)  
**10,582,588**  
+23.4%  
LFL +12.6%



**EBITDA\***  
(R'000)  
**552,792**  
+19.2%



**Recurring  
headline EPS**  
(cents)  
**477,55**  
+21.7%



**Fuel liter growth**  
**304.7m liters**  
Group +13.0%  
TFC +9.7%



**Number of  
transactions**  
**+17.0%**








**Total dividend  
per share**  
(cents)  
**151,00**  
LY: 50,00

\* The calculation of EBITDA has been changed to exclude both interest received and interest paid, and prior period EBITDA performance has been updated with this improvement in methodology.



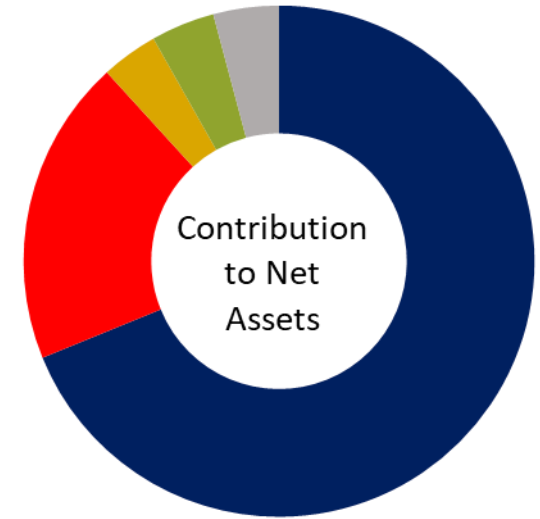
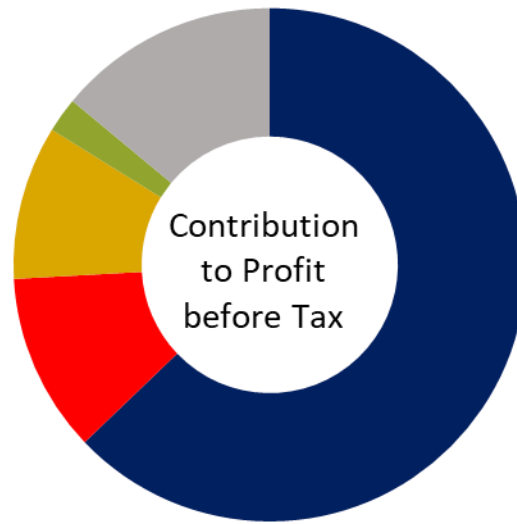
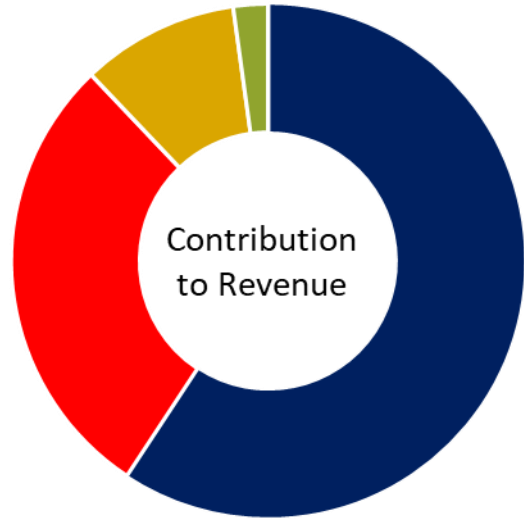
# SEGMENTAL REPORT

	 Trade		 Retail Fuel & Convenience		 Grain Services		 Manufacturing		 Corporate	
	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000
Revenue	5,312,682	6,271,932	2,309,904	3,029,734	759,681	1,049,238	192,401	231,684		-
Profit before tax	295,719	401,457	43,376	72,036	55,096	61,972	16,308	14,040	-28,985	-89,306
Gross assets	3,493,170	3,962,781	1,257,613	1,309,023	102,123	133,385	340,401	317,978	80,156	89,198
Net assets	1,540,945	1,800,117	488,915	507,450	60,431	93,842	109,400	105,332	-72,988	-108,575

Note: The methodology applied to segmental reporting has been improved in that trade debtors and borrowings, as well as the associated interest received and interest paid, have been allocated to the operating segment to which they relate. This will provide a more accurate representation of invested capital within the various segments.

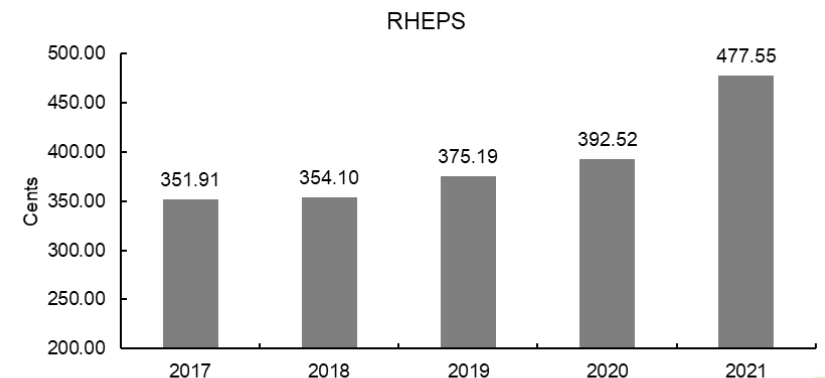
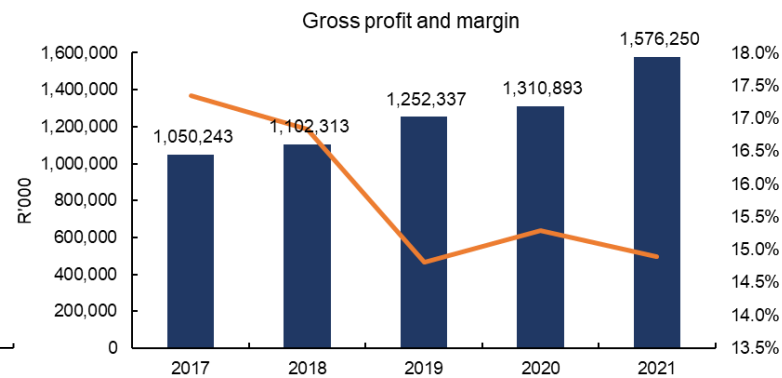
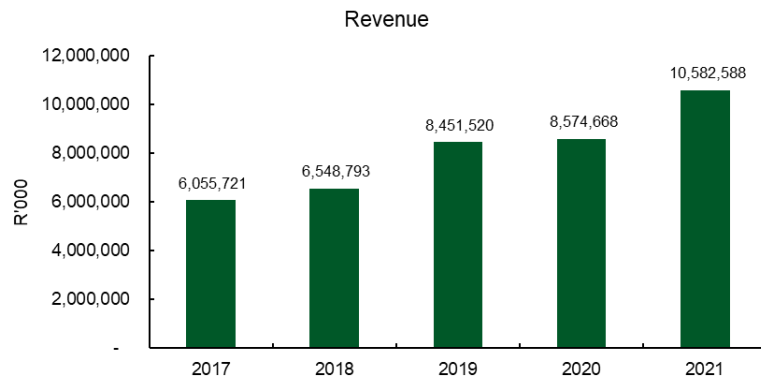


# SEGMENTAL REPORT (cont.)



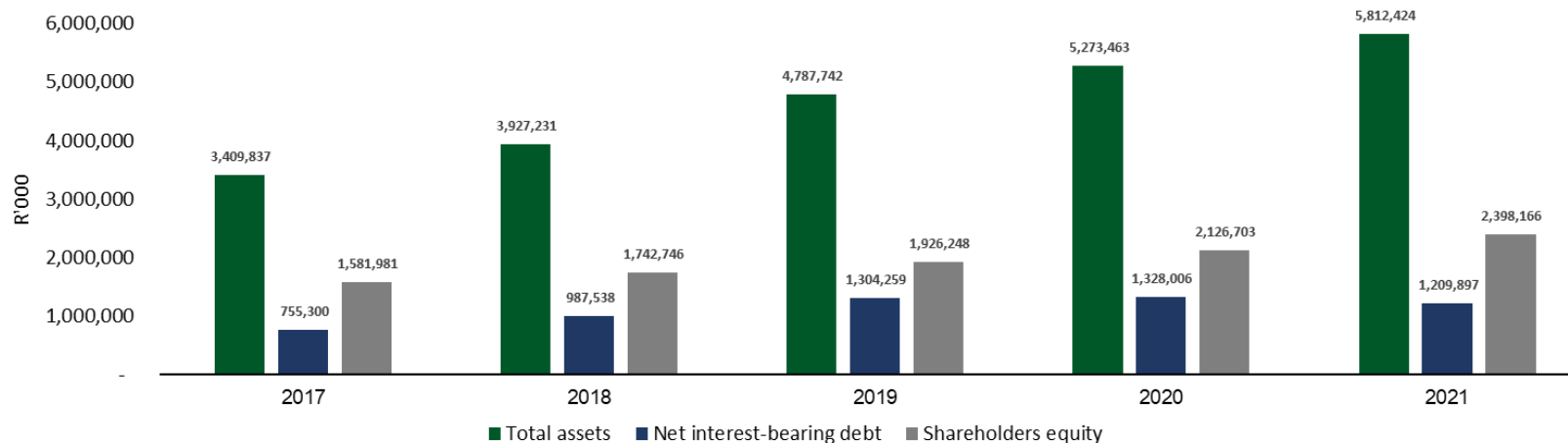
# FINANCIAL PERFORMANCE – INCOME STATEMENT

R'000	2017	2018	2019	2020	2021
Revenue	6,055,721	6,548,793	8,451,520	8,574,668	10,582,588
Gross profit	1,050,243	1,102,313	1,252,337	1,310,893	1,576,250
<i>Gross profit margin</i>	17.3%	16.8%	14.8%	15.3%	14.9%
Profit after tax	241,125	248,957	281,279	279,178	332,276
Recurring headline earnings	247,669	251,983	268,553	280,453	347,208
Return on equity	16.6%	15.2%	14.6%	13.8%	15.3%
Recurring headline earnings per share (cents)	351.91	354.10	375.19	392.52	477.55
Dividend per share (cents)	112.00	116.70	123.50	50.00	151.00
Dividend cover (times)	3.0	2.9	2.9	7.4	3.0



# FINANCIAL PERFORMANCE – BALANCE SHEET

R'000	2017	2018	2019	2020	2021
<b>Total assets</b>	<b>3,409,837</b>	<b>3,927,231</b>	<b>4,787,742</b>	<b>5,273,463</b>	<b>5,812,424</b>
Non-current assets	1,076,812	1,304,896	1,785,701	2,345,689	2,442,661
Current assets	2,333,025	2,622,335	3,002,041	2,927,774	3,369,763
<b>Liabilities and loans</b>	<b>1,827,856</b>	<b>2,184,485</b>	<b>2,861,494</b>	<b>3,146,760</b>	<b>3,414,258</b>
Net interest-bearing debt	755,300	987,538	1,304,259	1,328,006	1,209,897
<b>Shareholders equity</b>	<b>1,581,981</b>	<b>1,742,746</b>	<b>1,926,248</b>	<b>2,126,703</b>	<b>2,398,166</b>
Net asset value (rand)	22.5	24.8	26.0	28.9	32.6
Debt to equity <sup>1</sup>	52.0%	52.4%	62.5%	64.9%	56.1%
Interest cover (times)	6.9	5.5	5.0	5.0	6.8

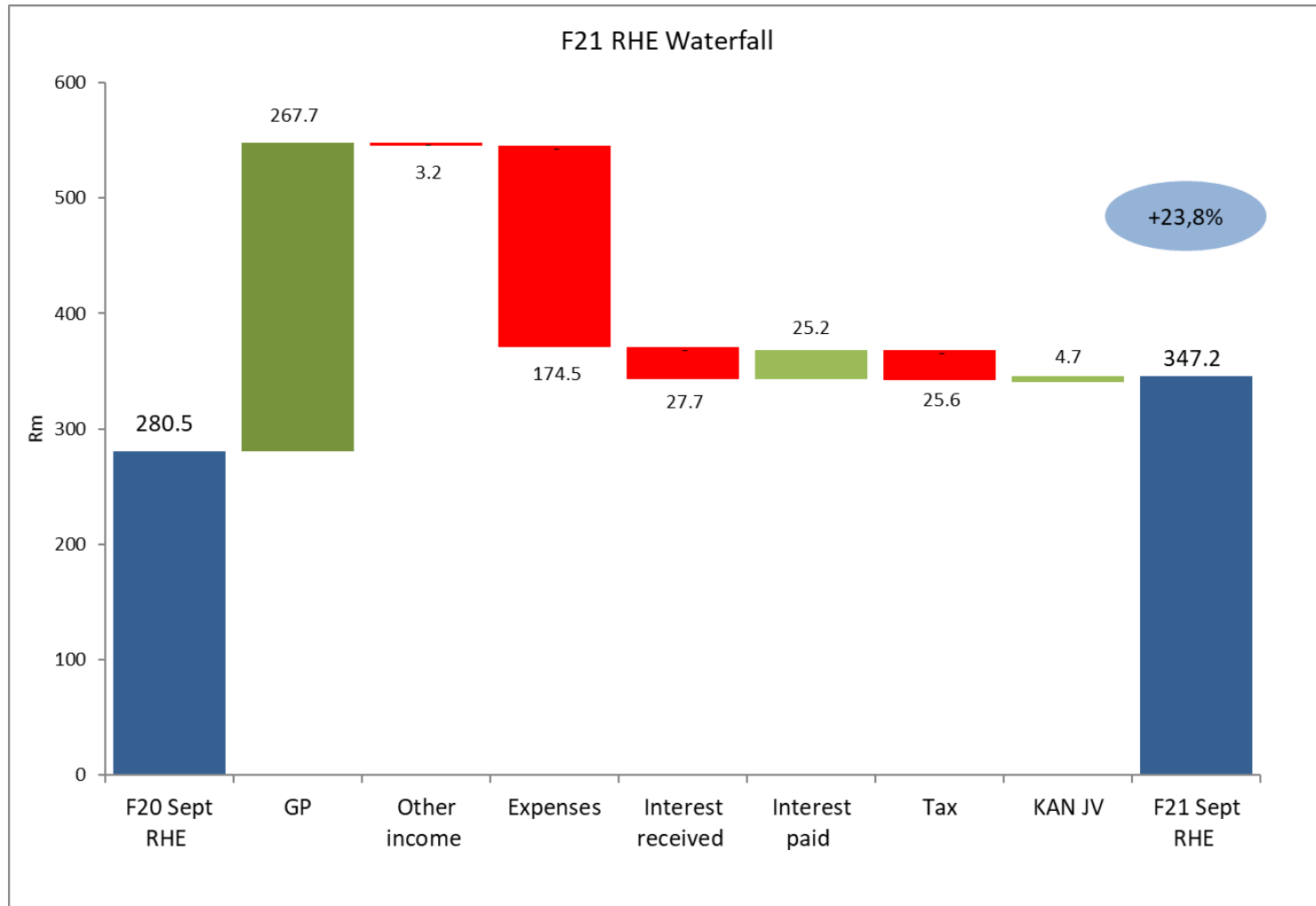


<sup>1</sup> calculated on average balances





# FINANCIAL PERFORMANCE – RECURRING HEADLINE EARNINGS ('RHE')



## RHE HIGHLIGHTS

- Strong GP growth at 14.9% margin
- Good expense management 7.3% LFL
- Interest received -20.0%
  - lower average debtors book, lower overdues, lower rates
- Interest paid
  - Lower average debt levels
  - Banks -26.6%
  - R20.6m IFRS 16 cost
- KAN improvement
- 23.8% RHE growth (F20 4.4% growth)



# FINANCIAL PERFORMANCE – RHE & RHEPS RECONCILIATION

	2021			2020			Var
	Total (R'000)	Attributable (R'000)	Cents per share	Total (R'000)	Attributable (R'000)	Cents per share	Cents per share
Earnings	332,276	321,099	<b>456.88</b>	279,178	275,081	<b>391.49</b>	<b>16.7%</b>
Headline Earnings adjustments	-1,470			-2,069			
Profit on disposal of assets	-1,470			-2,069			
Headline Earnings	330,806	319,722	<b>454.92</b>	277,109	273,012	<b>388.54</b>	<b>17.1%</b>
Non-Recurring items	16,402			3,344			
Non recurring expenses	7,464			6,432			
Revaluation of put options	8,938			-3,088			
Recurring Heading Earnings	347,208	335,630	<b>477.55</b>	280,453	275,810	<b>392.52</b>	<b>21.7%</b>
Weighted average number of shares	70,281	70,281		70,266	70,266		

## ➤ HEPS vs RHEPS

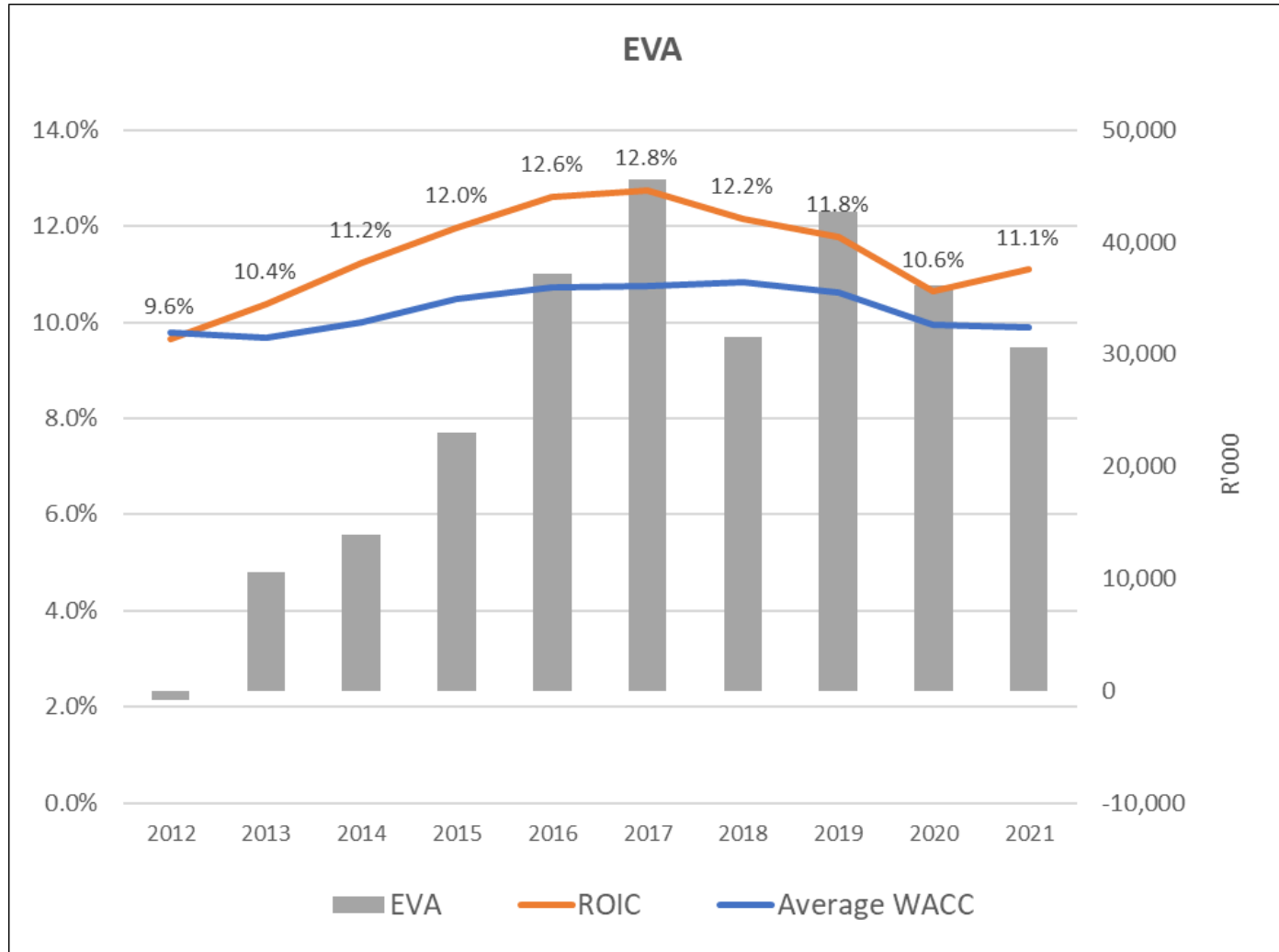
- Non-recurring transaction and legal costs
- Revaluation of Put option liabilities

## ➤ RHEPS

- 10 yr CAGR 15.1% increase



# FINANCIAL PERFORMANCE - ROIC vs WACC vs EVA



## ROIC IMPACTED BY:

- Significant investment into upgrades, expansions, acquisitions F18 – F20
- Subdued F18 and F19 performance (drought & economy)
- F20 & partial F21 Covid
- Tego: capital vs return timing mismatch



## ROIC OUTLOOK:

- F22 improvement
  - Prudent capital investment
  - TFC properties disposal impact
  - Strong trading anticipated
  - High return opportunities



# SEGMENTAL REVIEW - TRADE DIVISION (Agrimark, New Holland, Forge incl. Farmsave)

## FY2021 REVIEW:

- ✓ Strategy unchanged: organic, selective footprint, sector consolidation, building material, retail format optimization, DC utilization, and central assortment, pricing & replenishment
- ✓ Agri inputs\* +12.3% : packaging material +14.3%, fertilizer +19.1%, infrastructure +29.3%, feeds (19.6%)
- ✓ New Holland agency sales +29%, both from spares and equipment
- ✓ Retail +14.7% : pet +17.8%, building materials +31.3%, pool & garden +13.1%
- ✓ FORGE incl. Farmsave revenue +23%, Opex +21.8% (new sites), PBT +40.3%
- ✓ Total revenue +16.2%, OPEX +9.1%, Interest (21.9%), DC cost to serve (13.6%), PBT +35.9%

## OUTLOOK:

- ✓ Continue our market share focus and annualization of new and store upgrades
- ✓ Fruit sector positive, wheat harvest record expected
- ✓ Farm infrastructure spend positive
- ✓ Retail diversification: cash 29% of sales, contributing 44% of GP
- ✓ Margin improvements off central pricing, assortment, replenishment
- ✓ TEGO agency growth
- ✓ B2B initiatives

\* Chemicals, fertilizer, packaging material, animal feeds, horticulture & infrastructure



# SEGMENTAL REVIEW - RETAIL FUEL & CONVENIENCE DIVISION (TFC)

## FY2021 REVIEW:

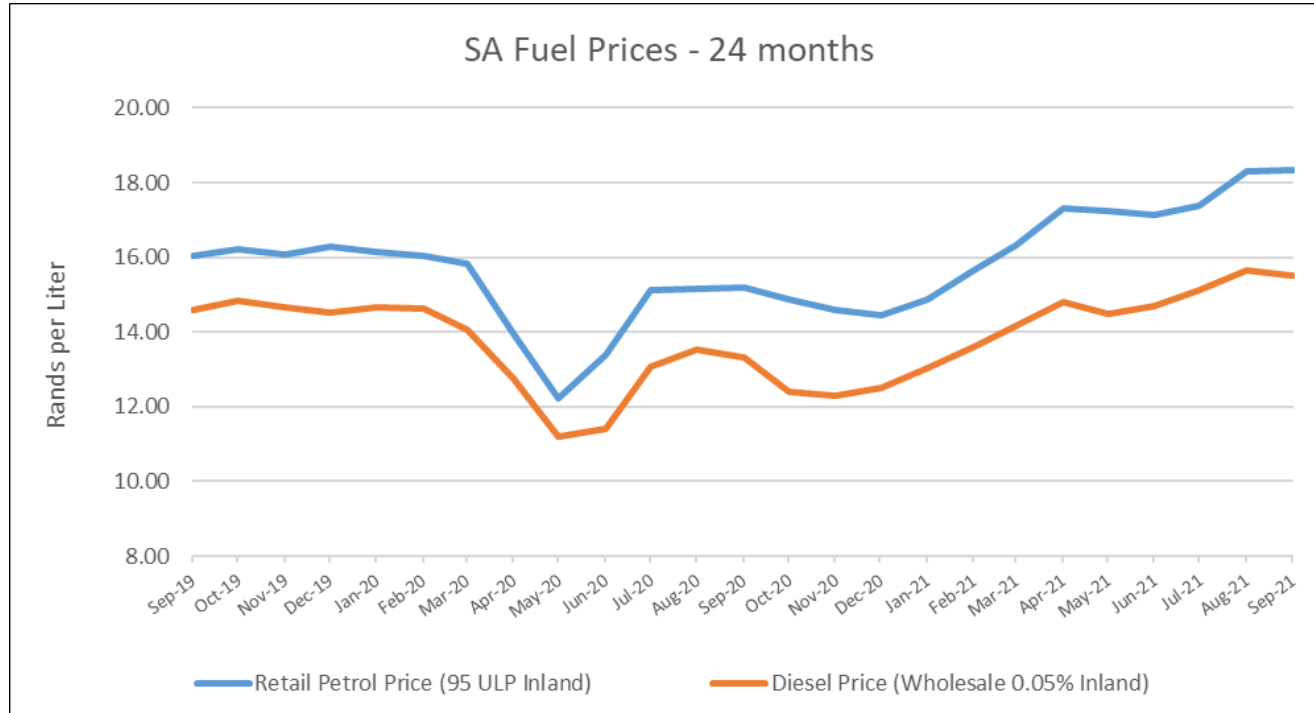
- ✓ Strategy unchanged: selective footprint growth, Oilco collaboration, centralized support, leveraging diversity
- ✓ no fuel sites added, 2 managed sites were converted to owned sites
- ✓ Long Covid impact remains
- ✓ Liter growth 9.7%
- ✓ PBT growth 66%, ROIC increasing
- ✓ Average site tenure > 21 yrs POST Propco sale (using 30 yrs for evergreen sites)

## OUTLOOK:

- ✓ Petrol mix % similar, travel patterns changing
- ✓ 1 pipeline site + very selective investigations
- ✓ Forward looking liter (“FLL”) growth 13.4%
- ✓ Opex focus
- ✓ TFC 40% direct black ownership
- ✓ Forward looking site tenure > 20 yrs, excl major M&A



# FUEL PRICE IMPACT



## Impact on margin of fuel price changes

Retail Petrol Price (95 ULP Inland)	@ 30 Sept	Price increase	Price decrease
Selling Price (R/litre)	18.34	19.34	17.34
Margin (R/litre)	2.19	2.19	2.19
Margin %	12.0%	11.3%	12.7%



## FUEL PRICE CHANGE IMPACT

- National fuel prices YOY
  - Petrol +20.8%
  - Diesel +16.4%
- TFC Fuel price adjustments
  - FY21: R9.7 profit
  - FY20: R0.5m loss
- Volume drives profitability, not fuel price
  - Petrol price regulated
  - Rand margin regulated (fixed)



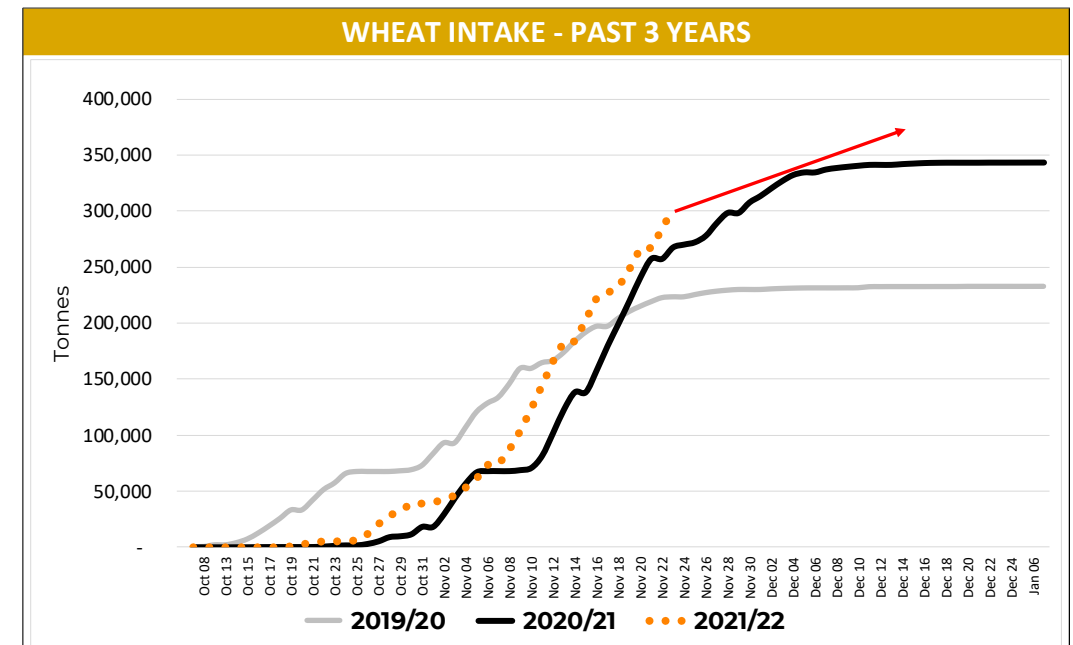
# SEGMENTAL REVIEW – GRAIN SERVICES DIVISION (Agrimark Grain)

## FY2021 REVIEW:

- ✓ Strategy: wheat & seed market share, facility optimization & growth, a regional player
- ✓ 2020/21 wheat harvest highest in 10 years
- ✓ High volumes = high inter-silo movement costs
- ✓ PBT +12.5%, c.R62m, a new record
- ✓ 2020/21 wheat harvest progress very positive

## OUTLOOK:

- ✓ Wheat harvest record expected
- ✓ Canola tonnage handled +20%, on top of PY +15%
- ✓ Wheat prices positive for farmers



# SEGMENTAL REVIEW - MANUFACTURING DIVISION (Agriplas & TEGO)

## FY2021 REVIEW:

- ✓ Strategy: market share, new products, optimization, no 1-way plastic, fruit Sector
- ✓ Agriplas revenue +10.3%, PBT +37.4%, a good recovery after the Covid impacted year
- ✓ TEGO Plastics achieved c. 10-15% bin market share, target is 40-50%
- ✓ Overall, manufacturing decreased PBT contribution by 13%

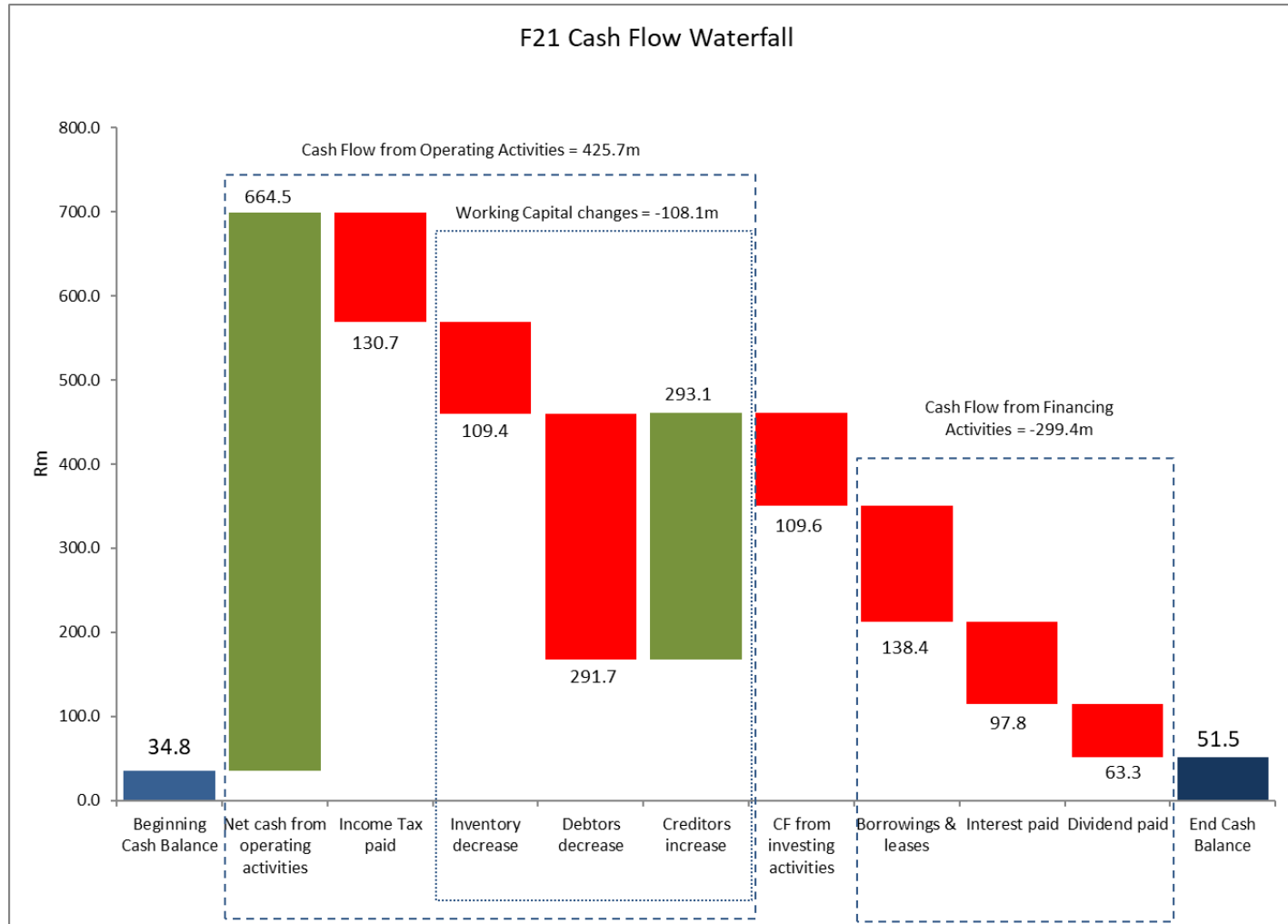
## OUTLOOK:

- ✓ Agriplas
  - Continuous product range developments
  - Dripline market share improvements
  - Solid F22 expected
- ✓ Tego
  - Continue citrus market penetration
  - Launching new bin for POME sector late 2022
  - Maximize alternative toll manufacturing
  - Improved F22





# CASH FLOW PERFORMANCE



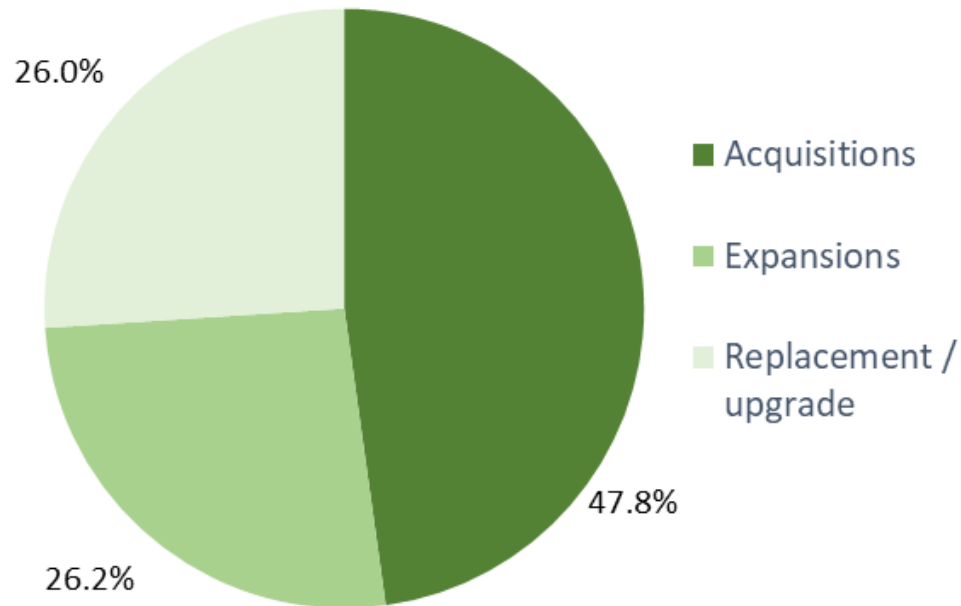
## KEY CASHFLOW DRIVERS:

- Strong cash generation from operating activities
- Effective working capital management
  - Improved net working capital cycle
  - Inventory growth < revenue growth
  - Debtors healthy
- Prudent capital investment – ROIC focus
- Debt repayment



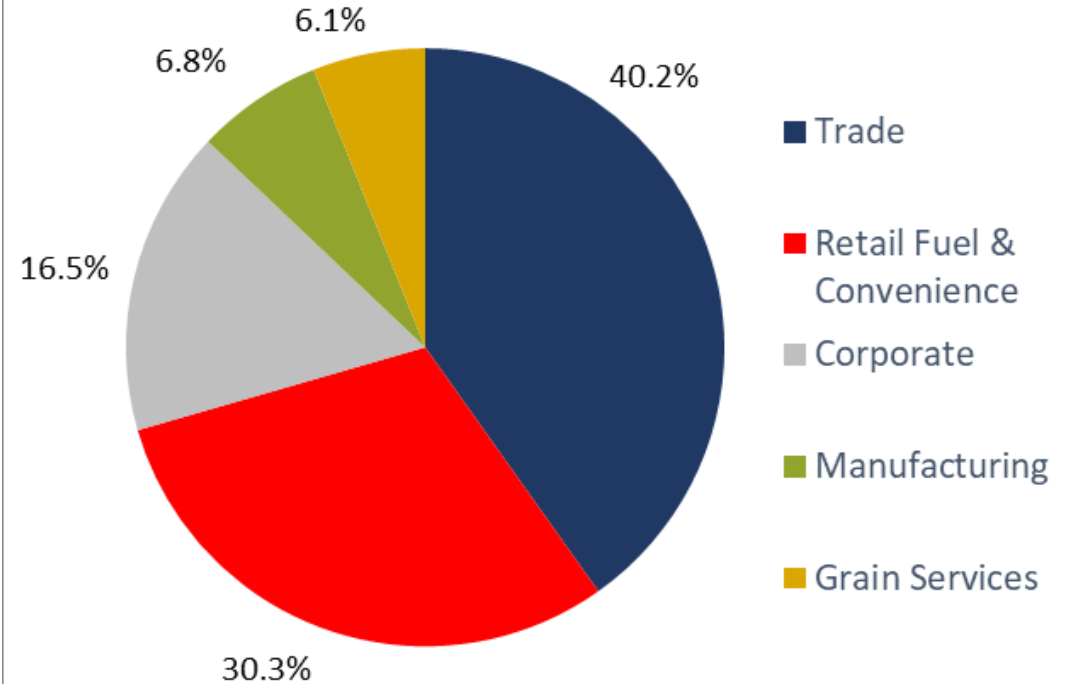
# CAPITAL EXPENDITURE

Spend by Type



- Total capex R124.0m incl. acquisitions
- Acquisitions: Trade, TFC
- Expansions: All segments
- Replacement: All segments

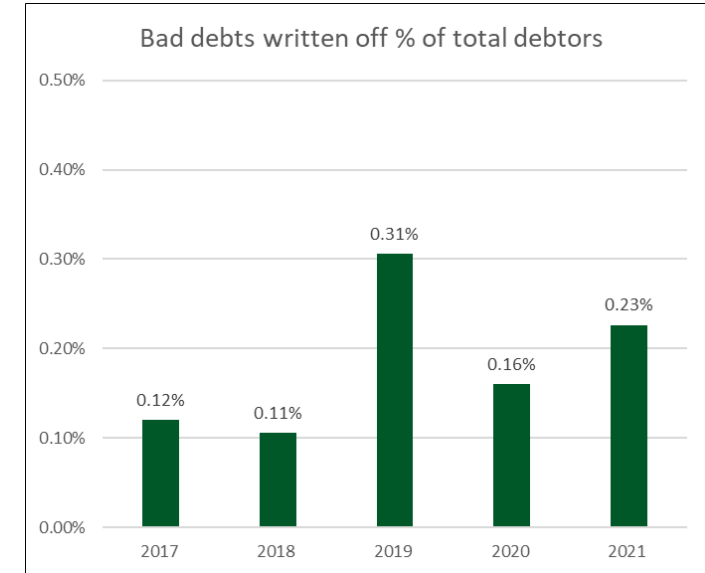
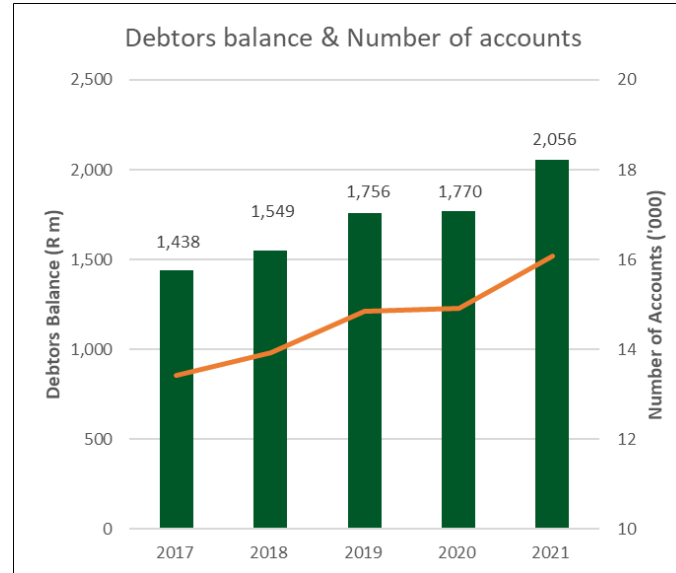
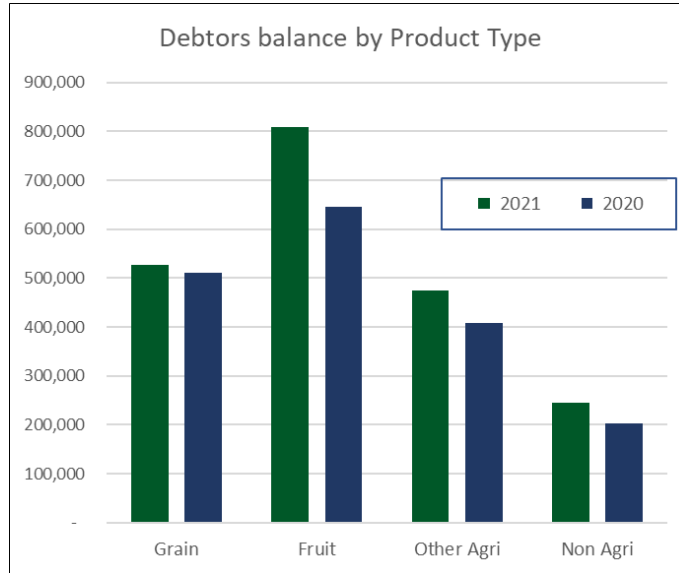
Spend by Segment










- Trade R49.8m (incl. Farmsave acquisition)
- TFC R37.6m (incl. 2x site acquisitions)
- Corporate – largely digital investment



# TRADE DEBTORS

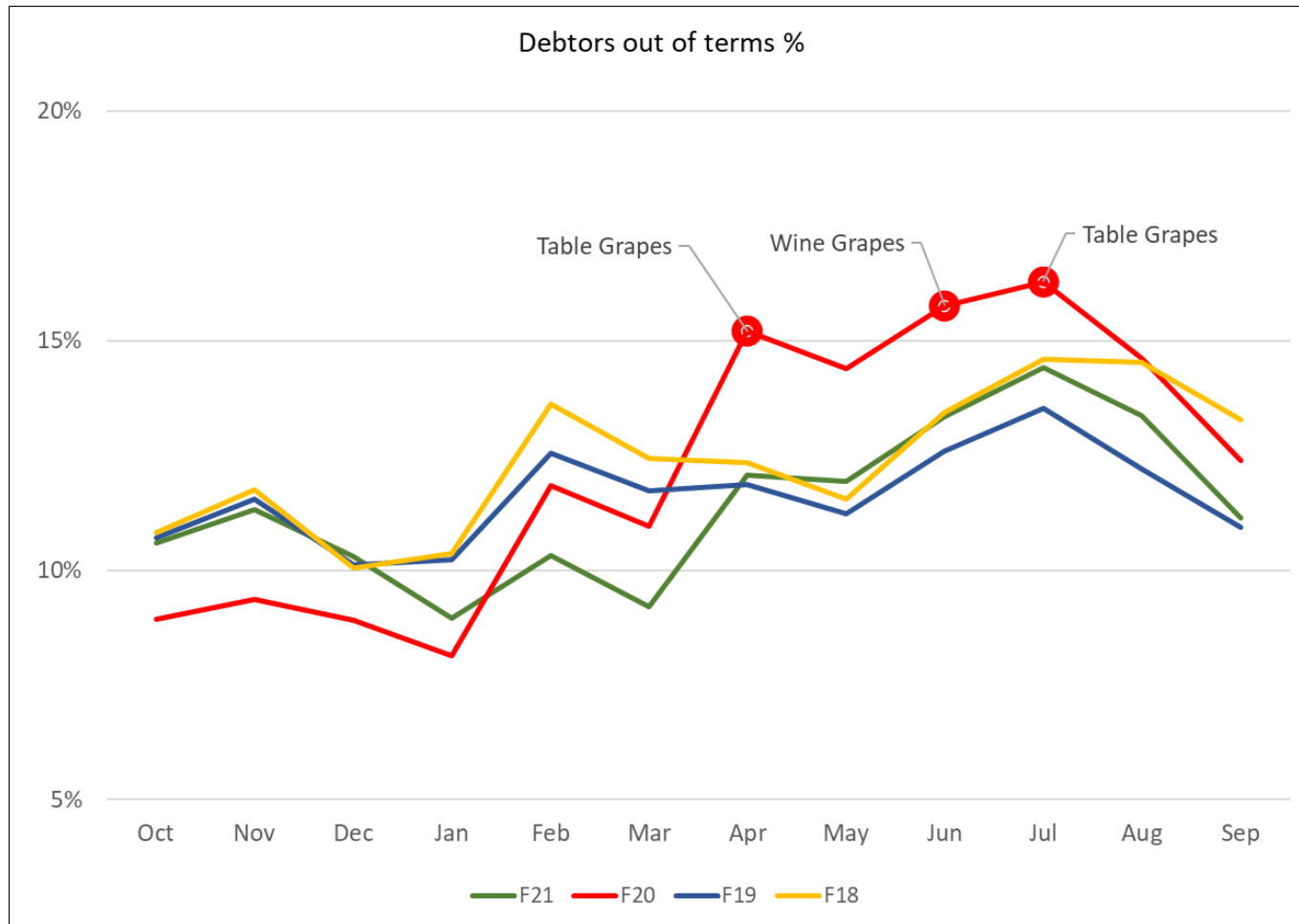


-  Enabler to revenue growth
-  Product and geographic diversity reduces risk & improves cash flow
-  Trade receivables +16.2%
-  16,088 accounts (3,333 seasonal and 12,755 monthly)

-  Debtors book turns 4.1x per year (4.2x LY)
-  Bad debts written off = 0.23% of total debtors
  - 5 yr average: 0.19%
  - 10 yr average: 0.28%
-  Income spread 2.1%



# TRADE DEBTORS – OUT OF TERMS



## OUT OF TERMS

- Down 1.3% of debtors
- Below the 5-year average as % of debtors
- Above average wheat harvest
- Positive agri conditions bode well looking forward



## SUMMARY

- Healthy & resilient book
- Low default rate
- Well secured by various categories



# CONCLUSION

## FY2021 REVIEW:

- ✓ Exceptional growth from our Agrimarks, New Holland agencies and record from Grain services
- ✓ Continued healthy Agri performance throughout Covid and market share gains
- ✓ Diversified growth
- ✓ Recovery in TFC
- ✓ Not only avoided the COVID ICEBERG, proven to be very resilient
- ✓ Continued with optimization & digitization initiatives
- ✓ Opex, working capital and Capex well managed
- ✓ All in all, a great year culminating in improved EVA

## OUTLOOK:

- ✓ Wheat harvest record
- ✓ Positive F21 Agri sector bodes well for farm infrastructure spend (inflation?)
- ✓ TFC focused on non-property and higher feasible sites
- ✓ TEGO still subdued F22, but 2<sup>nd</sup> bin launch very promising
- ✓ Agriplas to maintain momentum
- ✓ Economy is expected to remain sluggish – general retail
- ✓ We are on track to achieve our medium-term growth targets



**KAAP**  **AGRI**

**THANK YOU**