KAAP AGRI

ANNUAL RESULTS PRESENTATION

For the financial year ended 30 September 2020

Presented by:

Sean Walsh
Chief Executive Officer

Graeme Sim
Financial Director

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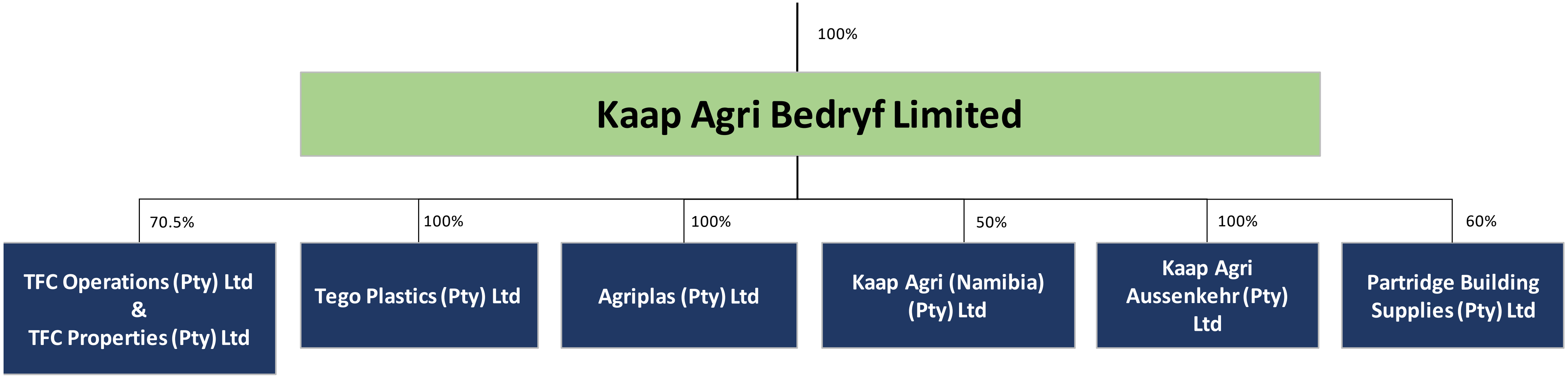
PURPOSE & STRATEGY

All our stakeholders must be better off because we exist than what they would have been if we didn't exist !

GROWTH	OPTIMISATION	LEVERAGING CULTURE & DIVERSITY	DIGITISATION
▪ Agrimark footprint growth ▪ TFC footprint growth ▪ Agrimark in-store innovations ▪ Customer tailored service packages ▪ Market share deep dives ▪ Niche services & virtual store sales ▪ Input supply credit enabling growth ▪ Agriplas back on track ▪ TEGO – fit for use ▪ Volume and Value add (EVA)	▪ Project SYNGRO ▪ Agrimark BRM ▪ Silo utilization ▪ OPEX and CAPEX focus ▪ DC, SC, SS cost to serve focus ▪ Fuel storage capacity utilization ▪ Stock shrinkage and obsolescence ▪ ROIC, EVA, RONA ▪ Funding optimization ▪ SHEQ compliance ▪ Mechanization agency consolidation	▪ Leadership development (virtual) ▪ Performance acceleration ▪ EE improvement ▪ BEE accreditation ▪ Trust beneficiation improvement ▪ Training ▪ Succession ▪ Reward & recognition ▪ TFC (40 % direct Black owned)	▪ B2S ▪ B2B ▪ B2C ▪ Agrimark payment & acc APP ▪ ERP modernisation project ▪ Credit management digitisation ▪ New normal practices (MsTeams) ▪ ExpressPay ("moneymarket")

Outcomes : Annually adjusted CPI + RHE growth, stacking up to CAGR of 15% to achieve R1bn PBT by F25 (incl of M&A), whilst improving ROIC and EVA

GROUP STRUCTURE



TFC BEE	Shareholding	% BEE
Kaap Agri Bedryf Ltd	70.5%	25.1%
Plurispace (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		47.2%

BUSINESS SEGMENTS – TRADING BRANDS

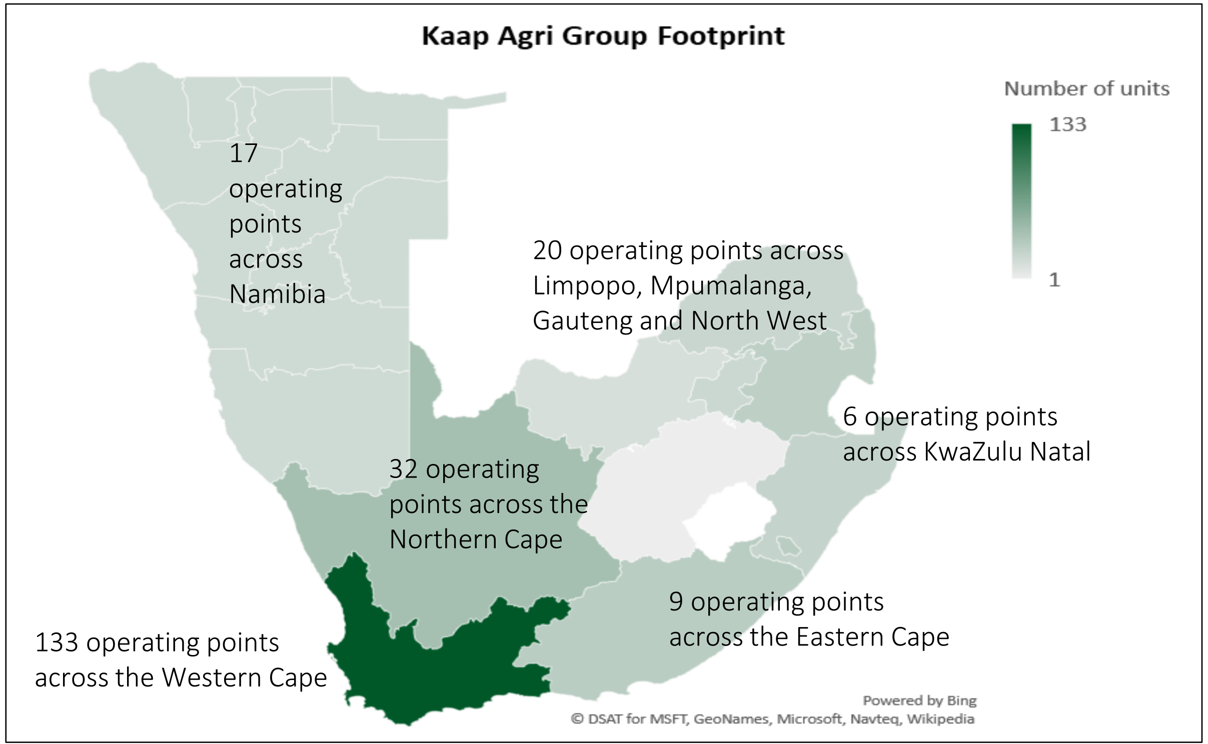
TRADE	RETAIL FUEL & CONVENIENCE	GRAIN SERVICES	MANUFACTURING
AGRIMARK AGRIMARK PACKAGING AGRIMARK LIQUOR NEW HOLLAND AGRICULTURE FORGE	the fuel company EXPRESSMARK FEGO Caffé	AGRIMARK GRAIN	agriplas PERFECT WATER MANAGEMENT SOLUTIONS TEGO PLASTICS
135 Units	47 Units (43 licences)	15 Units (2 licences)	5 Units

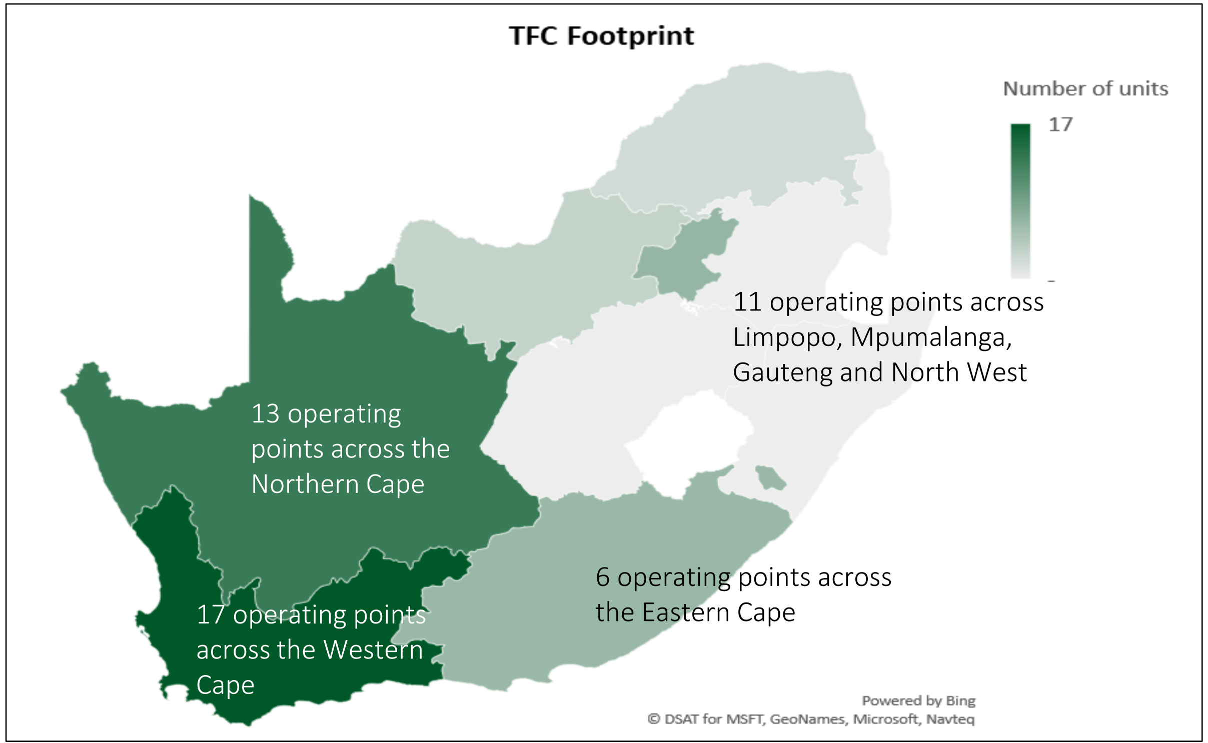
Supply Chain - Support service for product procurement, distribution and logistics

Corporate & Financial Services (2 Offices, 13 Financial services units)

TOTAL:
217 Units
104 Licences

GEOGRAPHIC REPRESENTATION





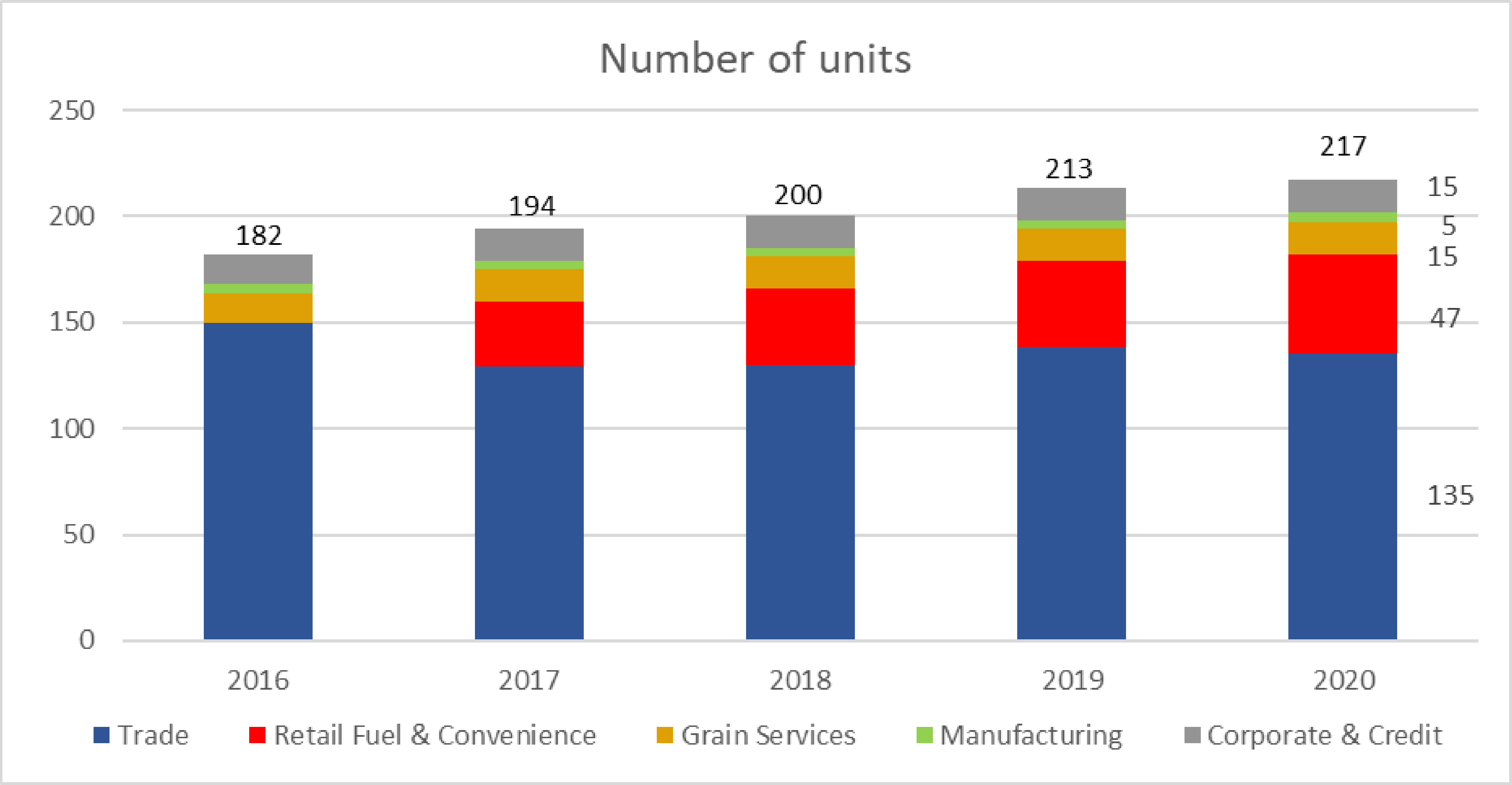
217 Units
111 Places

SA & Namibia
8 Provinces

47 Units
33 Places

SA
7 Provinces

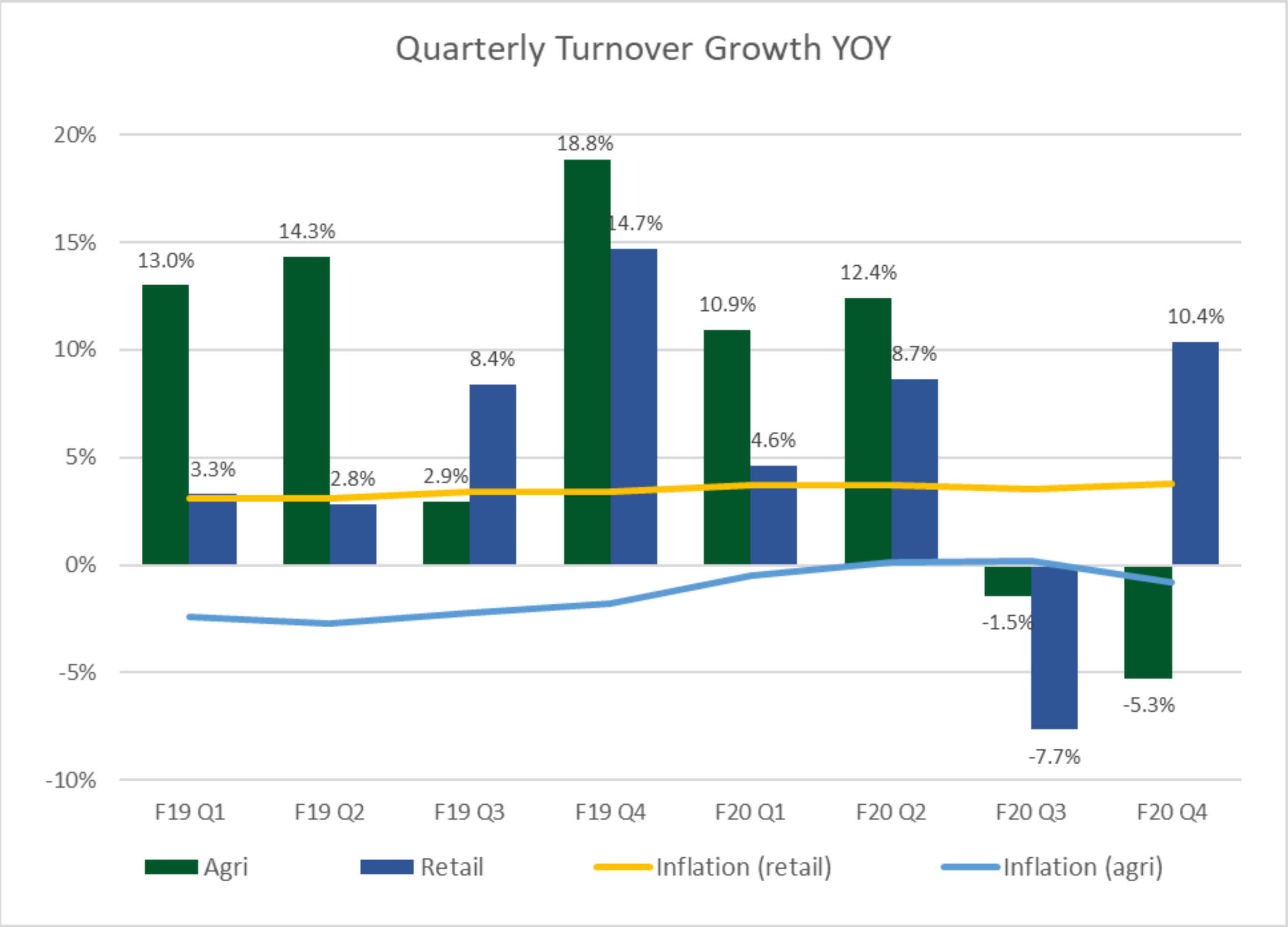
FOOTPRINT OVERVIEW



KEY MILESTONES

- Real Group revenue growth of 5.4%, deflation of 3.9%, and losing 6.6% revenue due to COVID
- Group BEE Level 3 (should be maintained)
- Real Group Retail revenue increase of 3.0% even after COVID
- Agrimark Grain maintaining high profitability off 30% lower wheat harvest
- Improved New Holland Agency profitability for 3 years on the trot
- Total Support Services cost to serve as % of GP reducing
- Group fuel liter growth +2% (managed & owned sites) although highly impacted by COVID
- Trading profit contribution from retail categories growing to 56% despite COVID impact
- Only a marginal increase in working capital requirements
- Net interest bearing debt increasing by only 1.8%

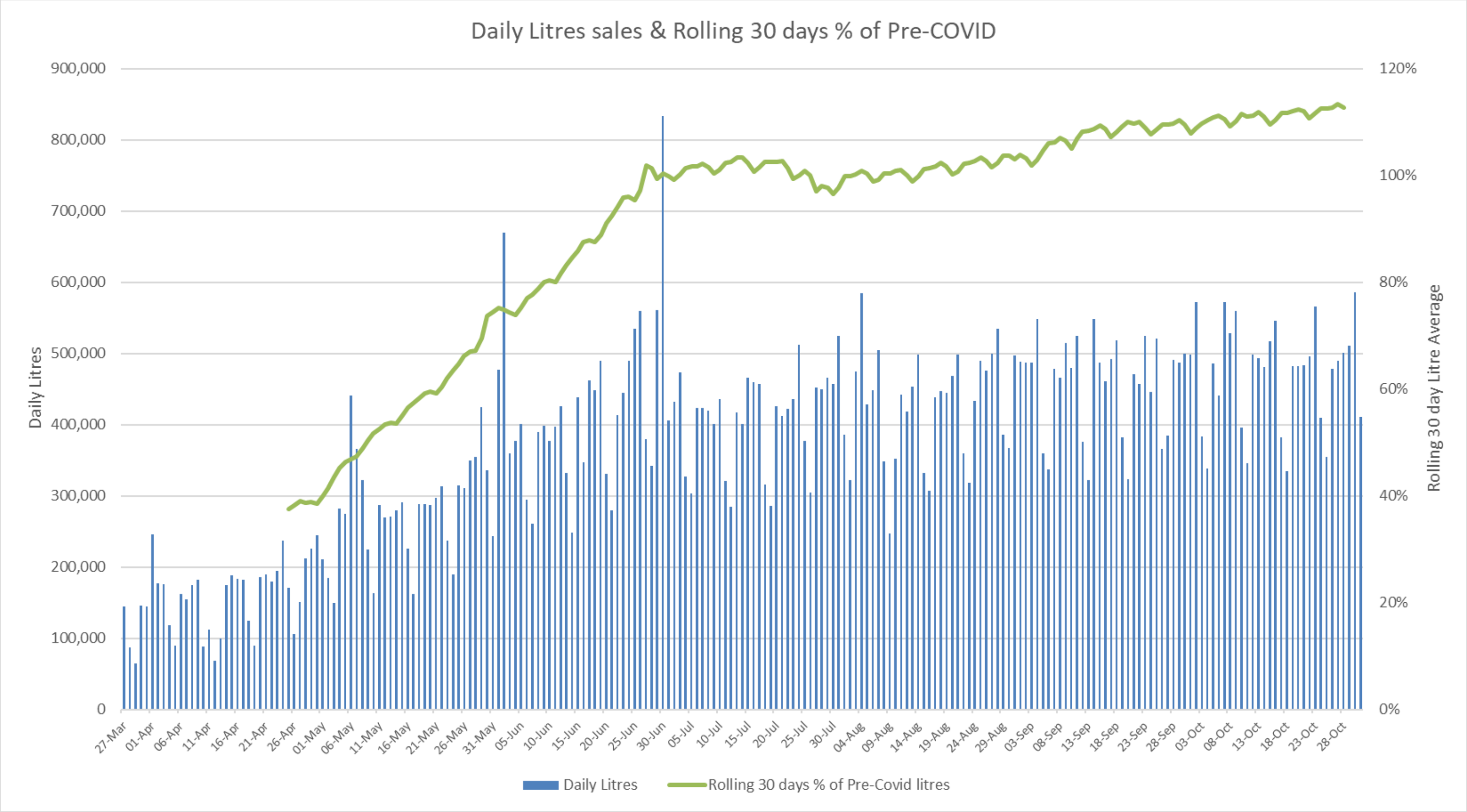
TRADING ENVIRONMENT – RETAIL & AGRI



AGRI AND RETAIL GROWTH IMPACTED BY:

- Retail: Covid V-recovery, strong Q4, cement sector pick up from Q4, TFC new
- Agri: low Covid impact, supply chain issues, however decreases in Q4:
  - Fertiliser (market share review)
  - Animal feeds (drought relief)
  - Mechanisation (Covid capital curtailment)
- Economic factors
  - Covid impact on GDP growth
  - CPI low, fuel negative
  - Low confidence
  - Fuel price low, ZAR range bound
- Drought
  - E Cape & Limpopo
- Land reform (EWC) uncertainty

TRADING ENVIRONMENT – TFC COVID RECOVERY



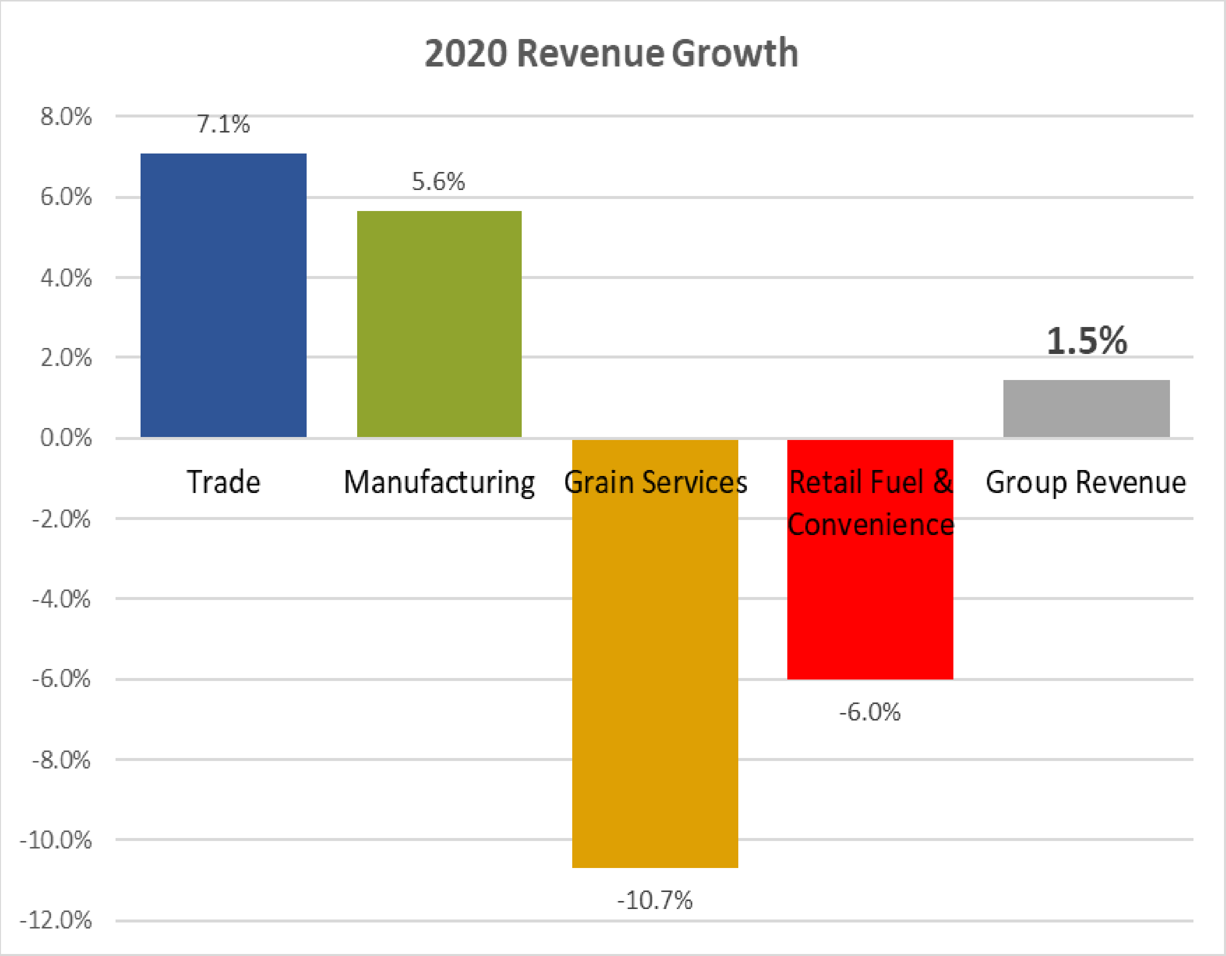
TFC Recovery as at Sept '20:

- Retail
  - QSR & Deli ahead of industry benchmark
  - Convenience retail: LFL -21%
  - Opex adjustments
- Fuel
  - LFL liters -9.5%
  - Total liters +16.5%
  - Short time

	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Total Food & Beverage Industry performance	-31.4%	-95.5%	-86.6%	-59.3%	-50.8%	-44.8%	-32.1% *
TFC QSR & Deli performance	-17.3%	-96.2%	-95.3%	-49.5%	-43.3%	-37.4%	-29.8%

* Forecast

TRADING ENVIRONMENT – REVENUE GROWTH



F20 REVENUE GROWTH DRIVEN BY:

- Group revenue +1.5%, deflation 3.9%, real growth 5.4%, COVID impact 6.6%
- Trends: Transactions down, increased basket size, LFL growth -0.6%
- Inflation excl fuel +1.1%
- Trade (Agri 4.5%, Retail 4.1%, Forge 46.5% incl of Covid)
- Manufacturing (Agriplas 4.1% after Covid - April of -38.2% YOY)
- Grain Services (grain handling -10.6%, Increased seed processing 23.0%)
- TFC (Covid & Fuel price deflation 9,4%)

HIGHLIGHTS FOR THE YEAR

Revenue (R'000)

8,574,668

+1.5%
LFL -0.6%

EBITDA * (R'000)

587,554

+6.8%

Recurring headline EPS (cents)

392.52

+4.6%

Fuel liter growth

269.6m liters

Group +2.0%
TFC +3.7%

Number of transactions

-2.9%

Total dividend per share (cents)

50.00

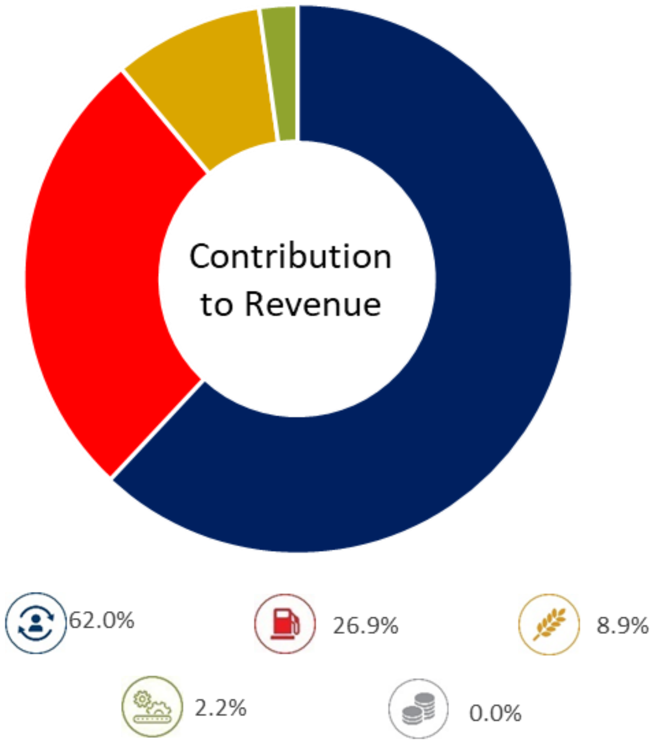
LY: 123.50

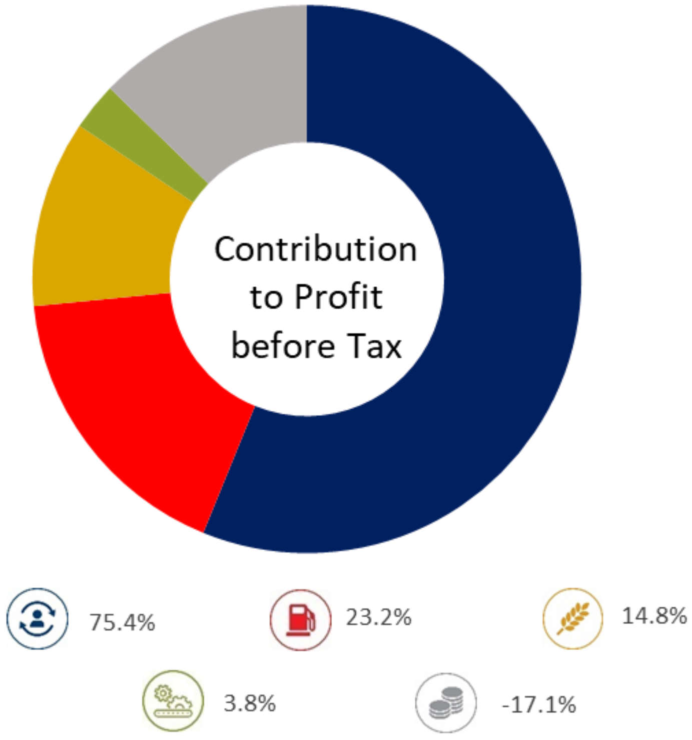
* Increase mainly due to IFRS 16 adoption.

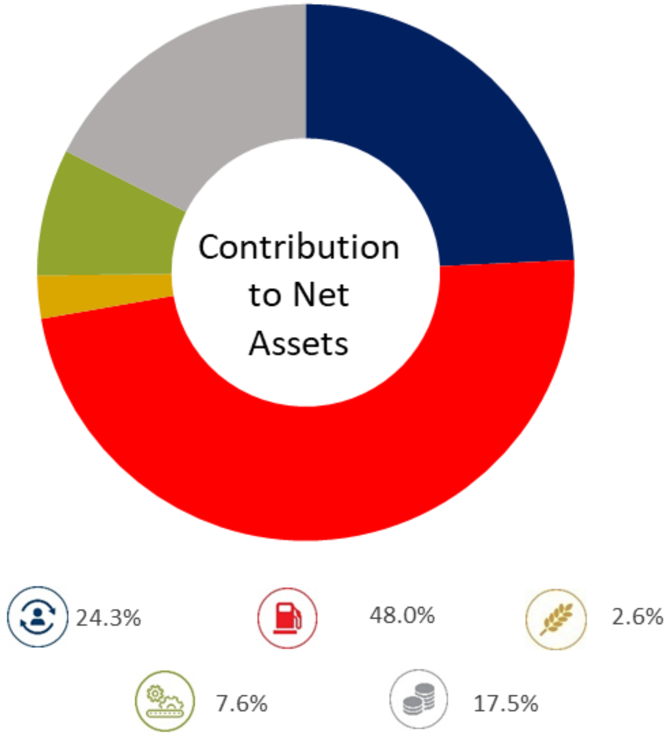
SEGMENTAL REPORT

	Trade		Retail Fuel & Convenience		Grain Services		Manufacturing		Corporate	
	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000
Income	4,969,211	5,312,682	2,457,152	2,309,904	840,830	759,681	184,327	192,401	-	-
Profit before tax	248,098	287,475	101,275	88,330	50,479	56,466	26,118	14,402	-46,129	-65,159
Gross assets	1,622,061	1,748,822	900,710	1,214,656	105,100	96,842	218,551	299,801	1,941,320	1,913,341
Net assets	563,285	515,707	747,951	1,019,781	57,440	55,150	183,899	162,554	373,673	372,748

SEGMENTAL REPORT (cont.)

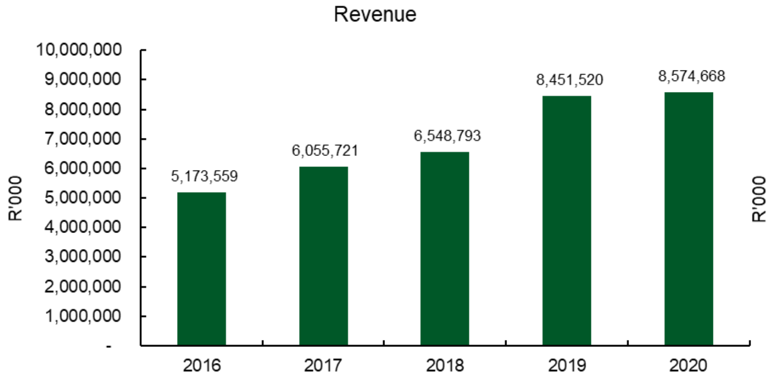


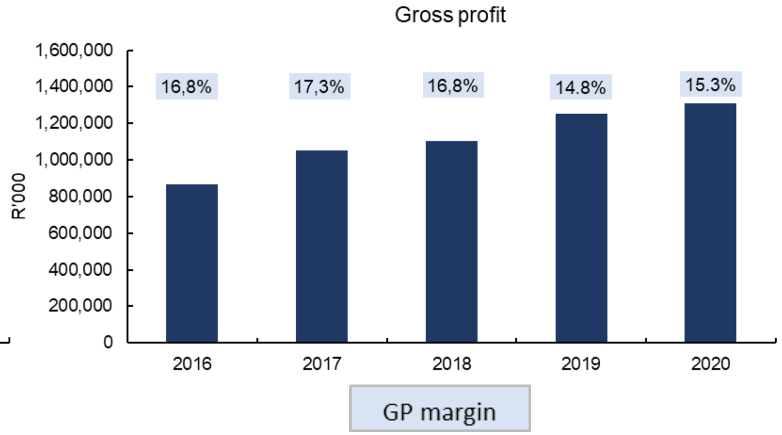


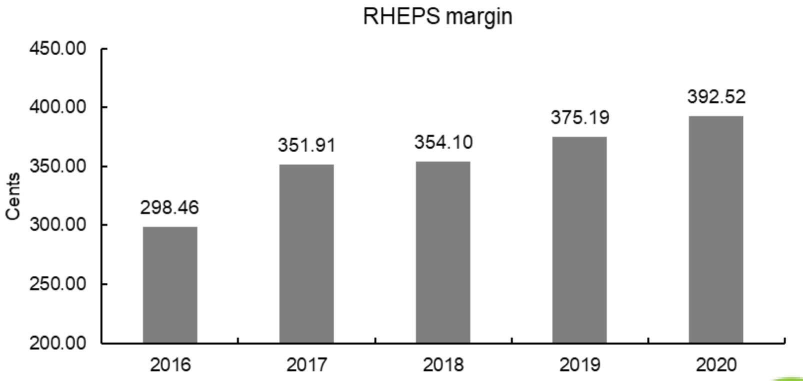


FINANCIAL PERFORMANCE – INCOME STATEMENT

R'000	2016	2017	2018	2019	2020
Revenue	5,173,559	6,055,721	6,548,793	8,451,520	8,574,668
Gross profit	868,777	1,050,243	1,102,313	1,252,337	1,311,202
Gross profit margin	*16.8%*	*17.3%*	*16.8%*	*14.8%*	*15.3%*
Profit after tax	210,422	241,125	248,957	281,279	279,178
Recurring headline earnings	210,304	247,669	251,983	268,553	280,453
Return on equity	15.8%	16.6%	15.2%	14.6%	13.8%
Recurring headline earnings per share (cents)	298.46	351.91	354.10	375.19	392.52
Dividend per share (cents)	94.50	112.00	116.70	123.50	50.00
Dividend cover (times)	3.0	3.0	2.9	2.9	7.4

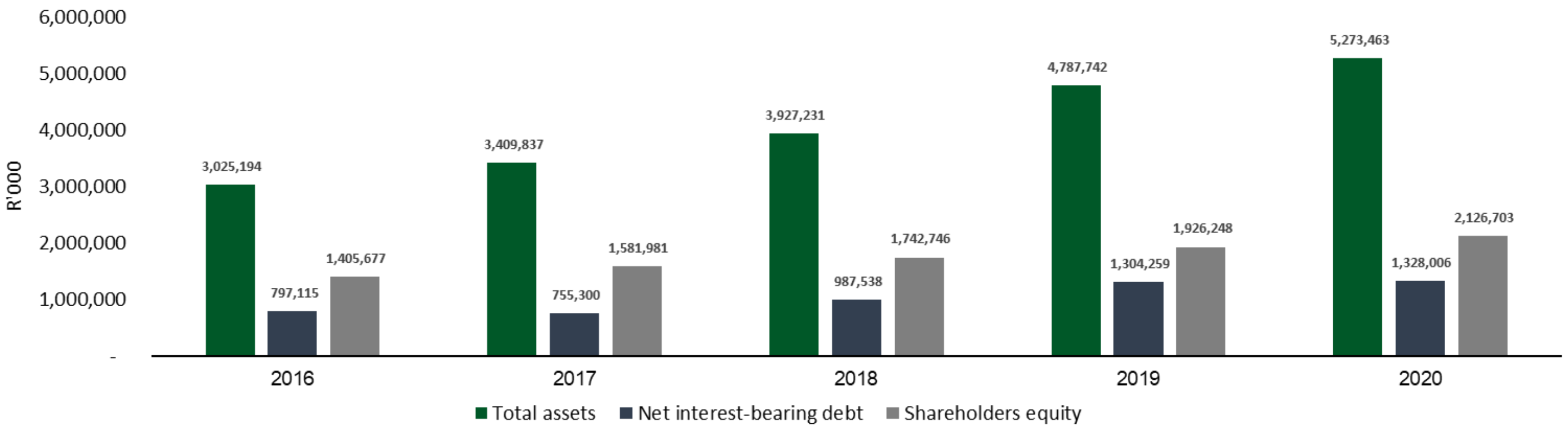




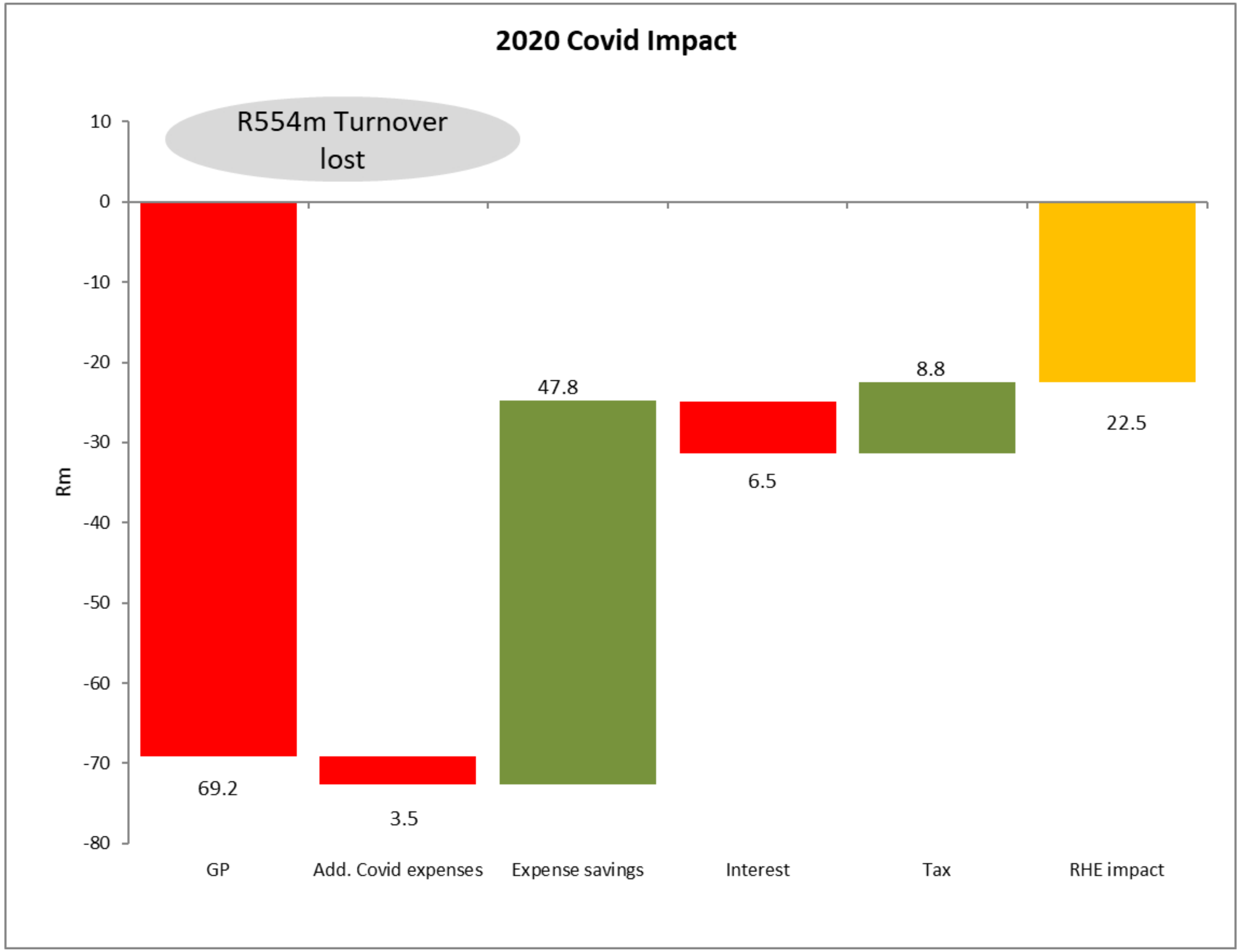


FINANCIAL PERFORMANCE – BALANCE SHEET

R'000	2016	2017	2018	2019	2020
Total assets	**3,025,194**	**3,409,837**	**3,927,231**	**4,787,742**	**5,273,463**
Non-current assets	802,807	1,076,812	1,304,896	1,785,701	2,345,689
Current assets	2,222,387	2,333,025	2,622,335	3,002,041	2,927,774
Liabilities and loans	**1,619,517**	**1,827,856**	**2,184,485**	**2,861,494**	**3,132,458**
Net interest-bearing debt	797,115	755,300	987,538	1,304,259	1,328,006
Shareholders equity	**1,405,677**	**1,581,981**	**1,742,746**	**1,926,248**	**2,126,703**
Net asset value (rand)	20.0	22.5	24.8	26.0	28.9
Debt to equity[1]	53.7%	52.0%	52.4%	62.5%	64.9%
Interest cover (times)	8.1	6.9	5.5	5.0	5.0



FINANCIAL PERFORMANCE - COVID



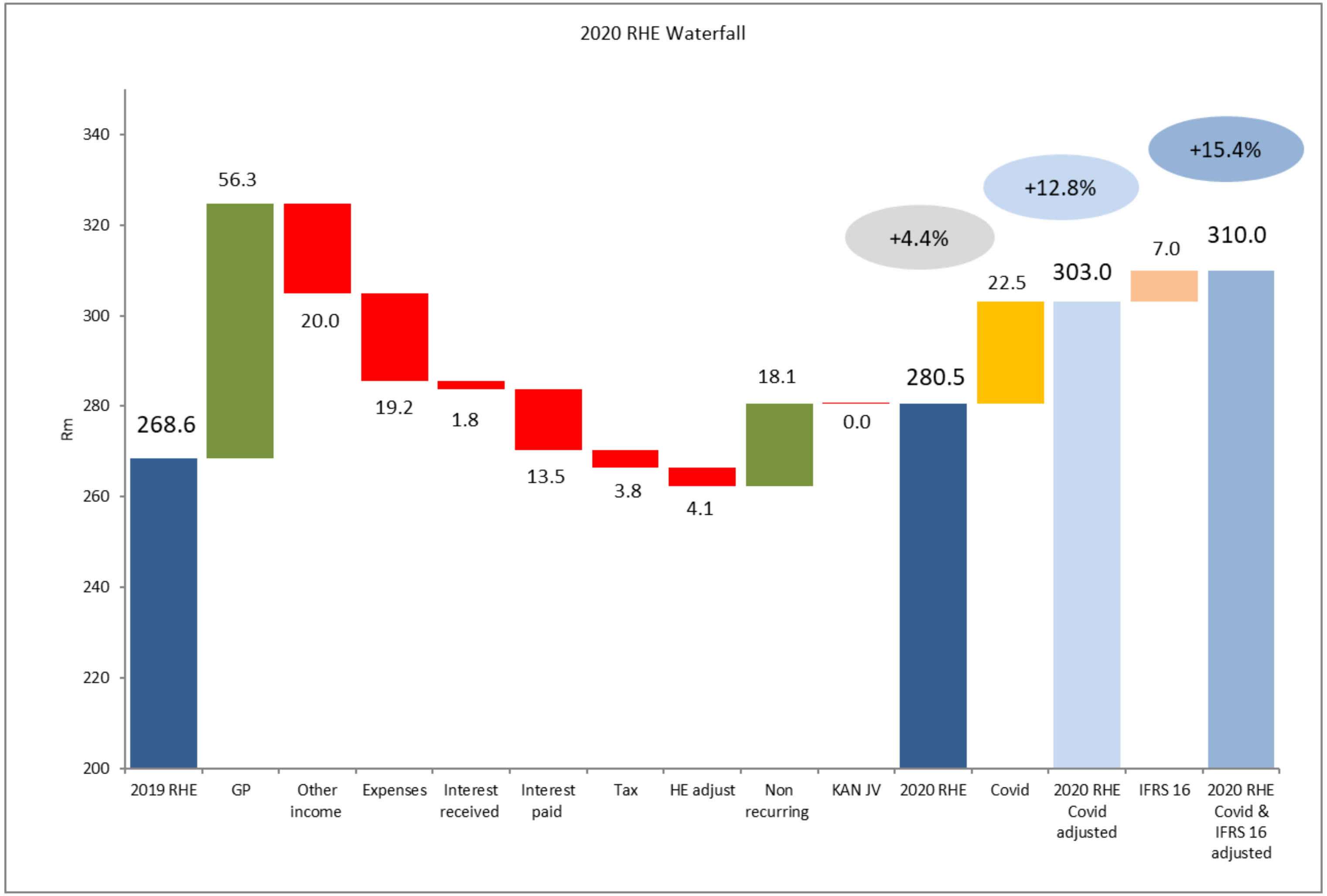
INCOME STATEMENT IMPACT

- Trade & TFC largest GP impact
- Some Covid agri-relief turnover
- Additional Covid expenditure
- Expense savings
  - Salary sacrifices, travel, variable costs
- Interest: lower cash sales & stock
- RHE growth lost 8.4%

BALANCE SHEET IMPACT

- Capital curtailment pre-Covid
- Debtors +0.8%
- Stock + 0.2%
- Cash management

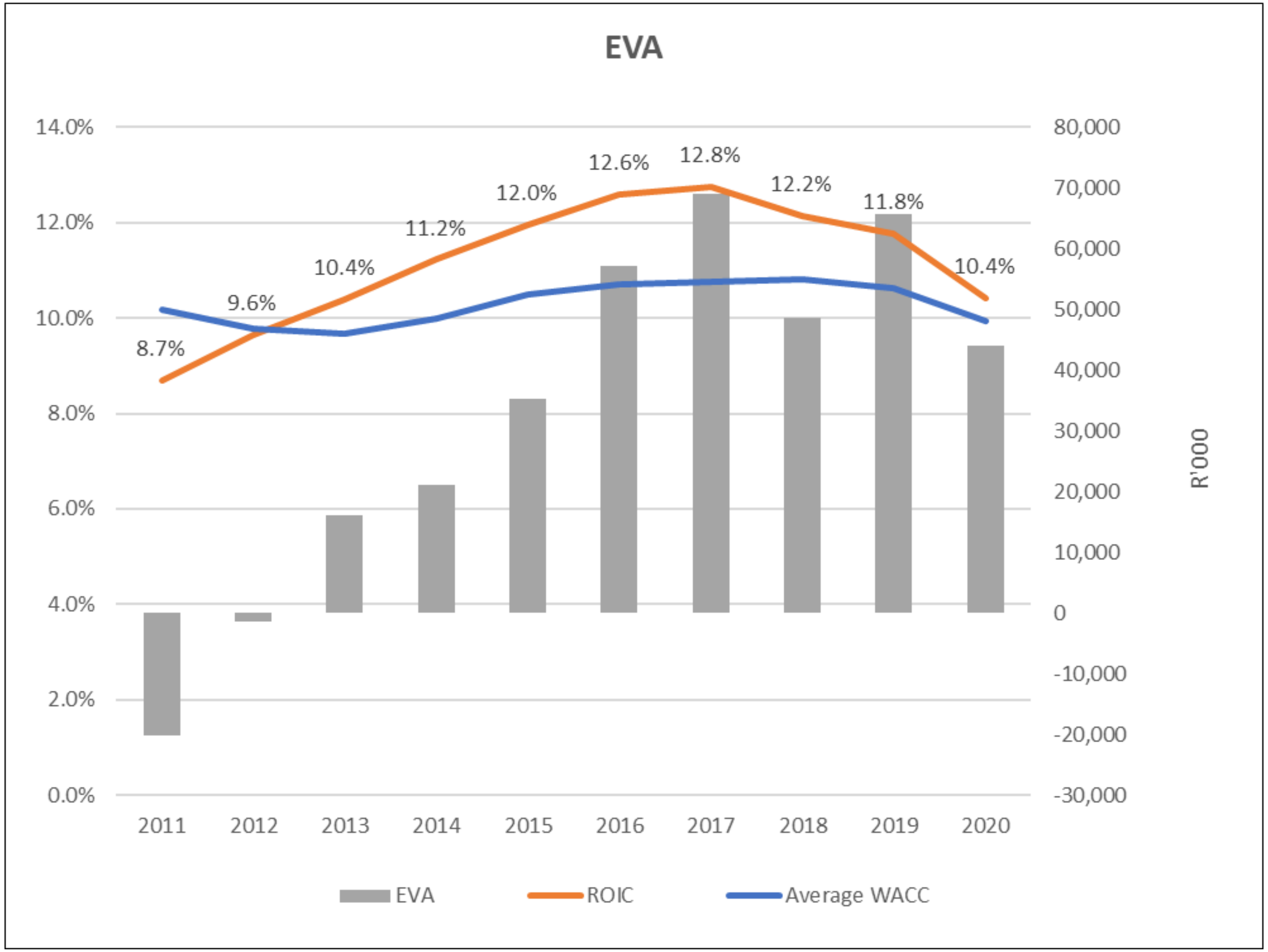
FINANCIAL PERFORMANCE – RECURRING HEADLINE EARNINGS ('RHE')



RHE HIGHLIGHTS

- Put liability revaluation (OI & NR)
- Good expense management +2%
- Interest received
  - flat debtors book, low rate impact
- Interest paid
  - Banks -4.4%
  - R20.9m IFRS 16 cost
- 4.4% RHE growth
- 12.8% RHE growth excl Covid
- 15.4% RHE growth excl Covid & IFRS 16

FINANCIAL PERFORMANCE - ROIC vs WACC vs EVA



ROIC IMPACTED BY:

- ➢ Significant investment into upgrades, expansions, acquisitions
- ➢ Subdued F18 and F19 performance (drought & economy)
- ➢ F20 & partial F21 Covid
- ➢ Tego & TFC
  - ▪ Capital vs return timing mismatch

ROIC OUTLOOK:

- ➢ F21 improvement
  - ▪ Cautious capital investment
  - ▪ TFC portfolio review
  - ▪ TFC non-LFL & new
  - ▪ Tego

SEGMENTAL REVIEW - TRADE DIVISION

FY2020 REVIEW:

- ✓ Strategy: organic, selective footprint, sector consolidation, building material, retail format optimization, DC utilization, and central assortment, pricing & replenishment
- ✓ Fruit sector UP YoY, wheat hectares flat with favourable weather
- ✓ Agri inputs* +4.5% : packaging material +8.3%, fertilizer -3.5%
- ✓ Retail +3.2% : pet +13.4%, FMCG +15.6%, building materials -5.3%, h/ware -3.2%
- ✓ OPEX -0.1%, Interest -12.3%, DC cost to serve -12.0%
- ✓ FORGE revenue growth +46.5%, Opex +7.1%

OUTLOOK:

- ✓ Market share focus
- ✓ Fruit sector positive, wheat harvest record expected
- ✓ Farm infrastructure spend positive
- ✓ Retail diversification: cash 29% contributes 44% of GP
- ✓ Margin improvements off central pricing, assortment, replenishment
- ✓ TEGO agency fit for use

AGRIMARK

AGRIMARK PACKAGING

AGRIMARK LIQUOR

JONSSON WORKWEAR ZONE

NEW HOLLAND AGRICULTURE

FORGE

TEGO PLASTICS

* Chemicals, fertilizer, packaging material, animal feeds, horticulture

SEGMENTAL REVIEW - RETAIL FUEL & CONVENIENCE DIVISION

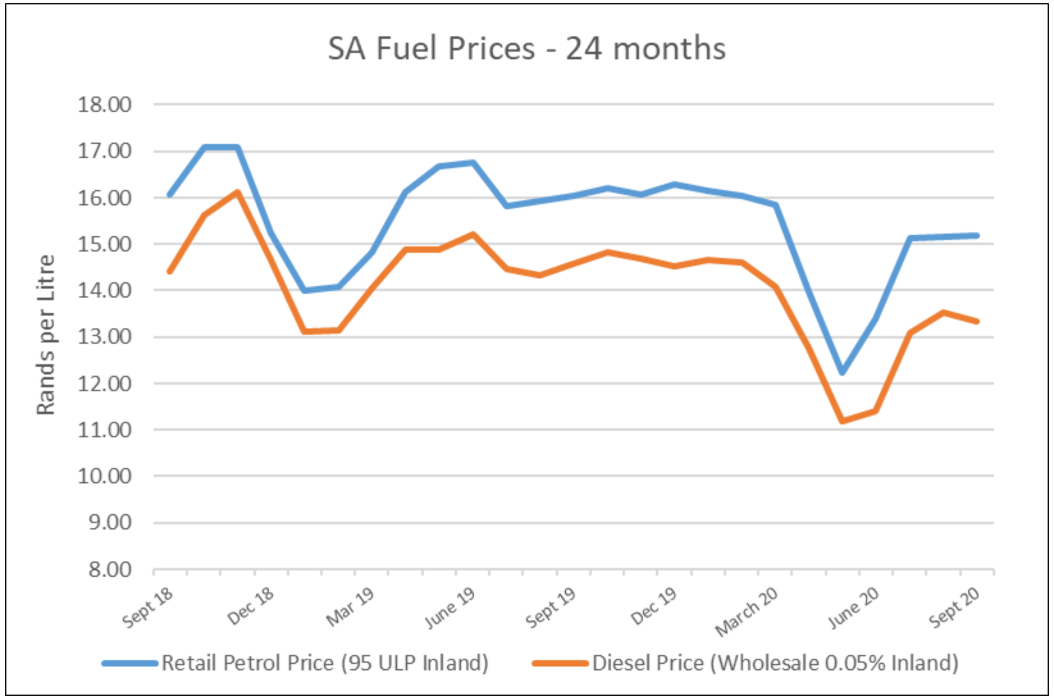
FY2020 REVIEW:

- ✓ Strategy: selective footprint growth, Oilco collaboration, centralized support, leveraging diversity
- ✓ 4 new fuel sites (managed & owned)
- ✓ COVID impact R260m revenue (recovery on later slide)
- ✓ Liter growth +3.7%, LFL -3.6%
- ✓ PBT reduced 12.9%, Covid -25.5%, IFRS impact -2.7%
- ✓ Deflation = 9.4%, price change -2.1% impact on PBT
- ✓ Site tenure > 25 yrs (evergreen = 30 yrs)

OUTLOOK:

- ✓ Petrol mix % improving - urban footprint & covid
- ✓ 1 pipeline site + investigations
- ✓ Forward looking liter ("FLL") growth +26% (part recovery)
- ✓ Opex reset
- ✓ TFC 40% direct black ownership
- ✓ Forward looking site tenure > 25 yrs, property ownership review

SEGMENTAL REVIEW - RETAIL FUEL & CONVENIENCE DIVISION



Impact on margin of fuel price changes

Retail Petrol Price (95 ULP Inland)	@ 30 Sept	**Price increase**	**Price decrease**
Selling Price (R/liter)	15.17	16.17	14.17
Margin (R/liter)	2.02	2.02	2.02
Margin %	13.3%	12.5%	14.3%

FUEL PRICE CHANGE IMPACT

- National fuel prices YOY
  - Petrol -5.3%
  - Diesel - 8.6%
- TFC Fuel price adjustments
  - FY20: R0.5m loss
  - FY 19: R1.7m profit
- Volume drives profitability, not fuel price
  - Petrol price regulated
  - Rand margin regulated (fixed)

SEGMENTAL REVIEW – GRAIN SERVICES DIVISION

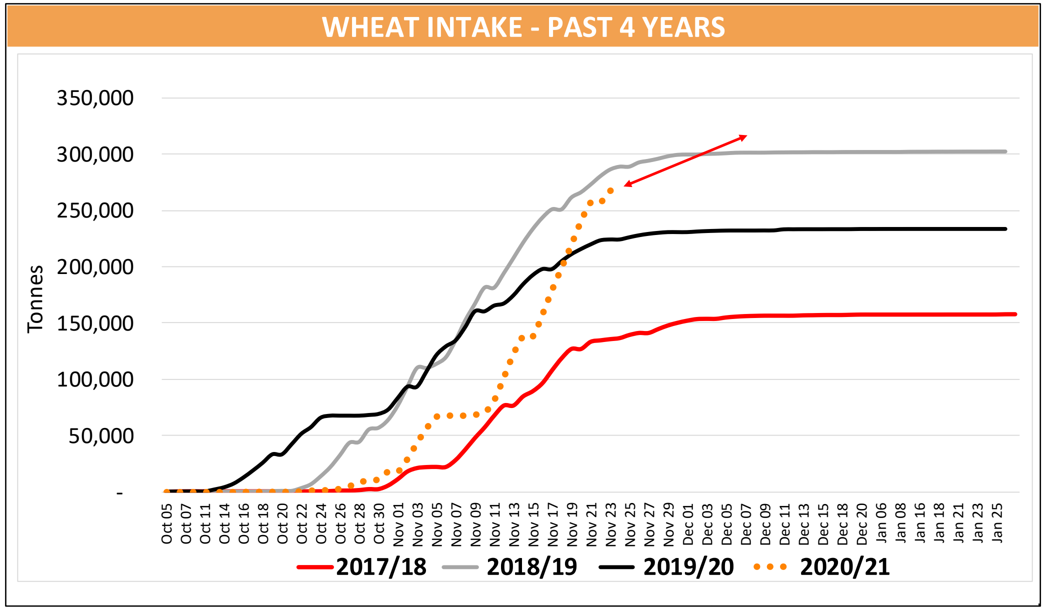
FY2020 REVIEW:

- ✓ Strategy: wheat & seed market share, facility optimization & growth, a regional player
- ✓ 2019/20 wheat harvest
  - Harvest down 30%
  - Alternative products
  - PBT +12.2%
- ✓ 2020/21 wheat harvest
  - Progress very positive

OUTLOOK:

- ✓ Wheat is expected to end higher than 2018/19
- ✓ Canola tonnes handling up 15%
- ✓ Wheat prices positive

AGRIMARK
GRAIN



SEGMENTAL REVIEW - MANUFACTURING DIVISION

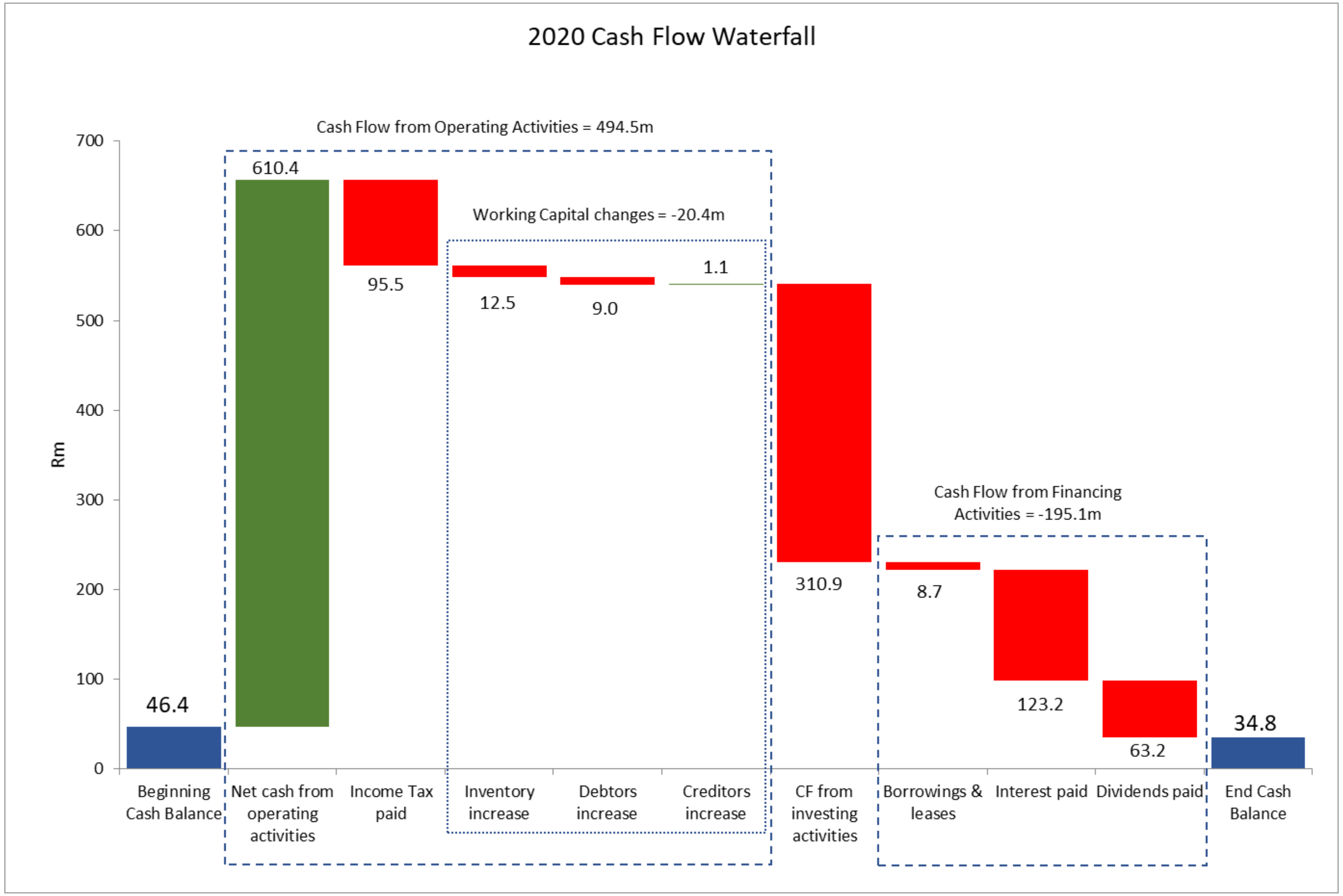
FY2020 REVIEW:

- ✓ Strategy: market share, new products, optimization, no 1-way plastic, fruit Sector
- ✓ Agriplas revenue 4.1%, Q3 Covid, Q4 +13.5%, PBT -17%
- ✓ TEGO Plastics – additional product R&D required, fit for use in Sept ‘20 only

OUTLOOK:

- ✓ Agriplas
  - Investigating export markets for sprinkler product range
  - New Exec Manager
  - Healthy budget FY21
- ✓ Tego
  - Focus on Citrus customers
  - R&D for Pome customers
  - Maximise alternative toll manufacturing
  - Subdued FY21

CASHFLOW PERFORMANCE



STRONG CASH GENERATION FROM OPERATING ACTIVITIES

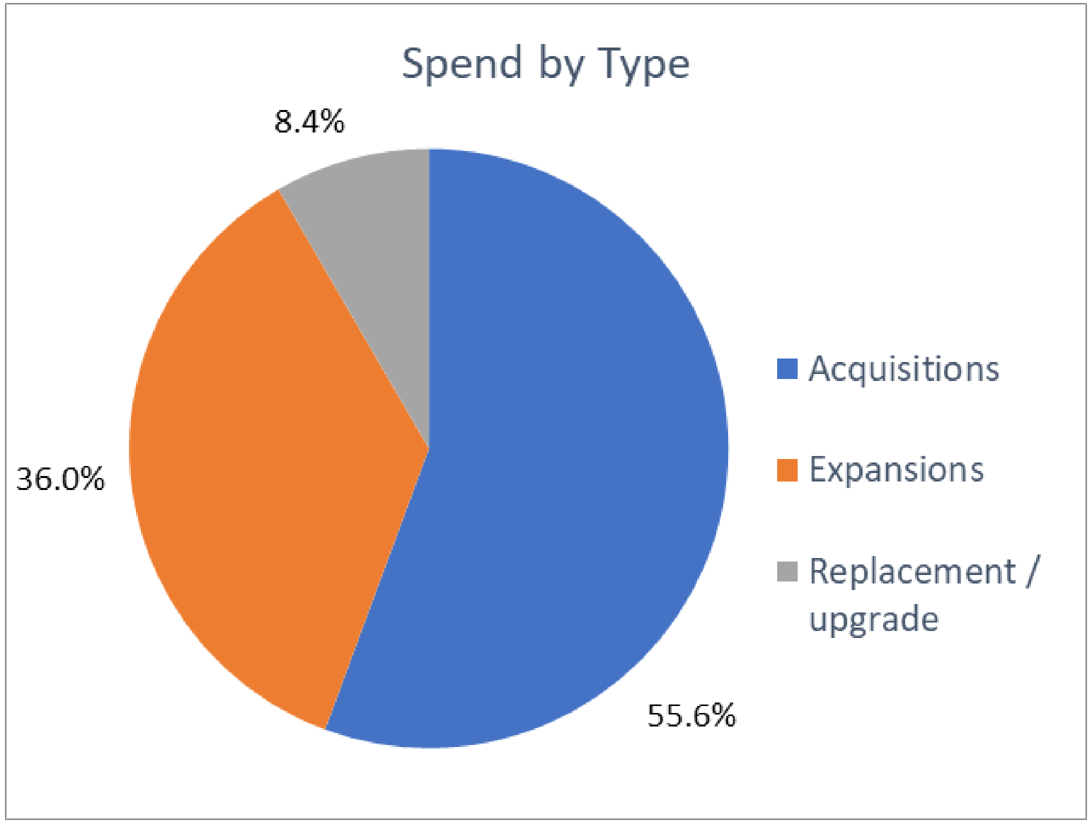
EXCEPTIONAL WORKING CAPITAL MANAGEMENT

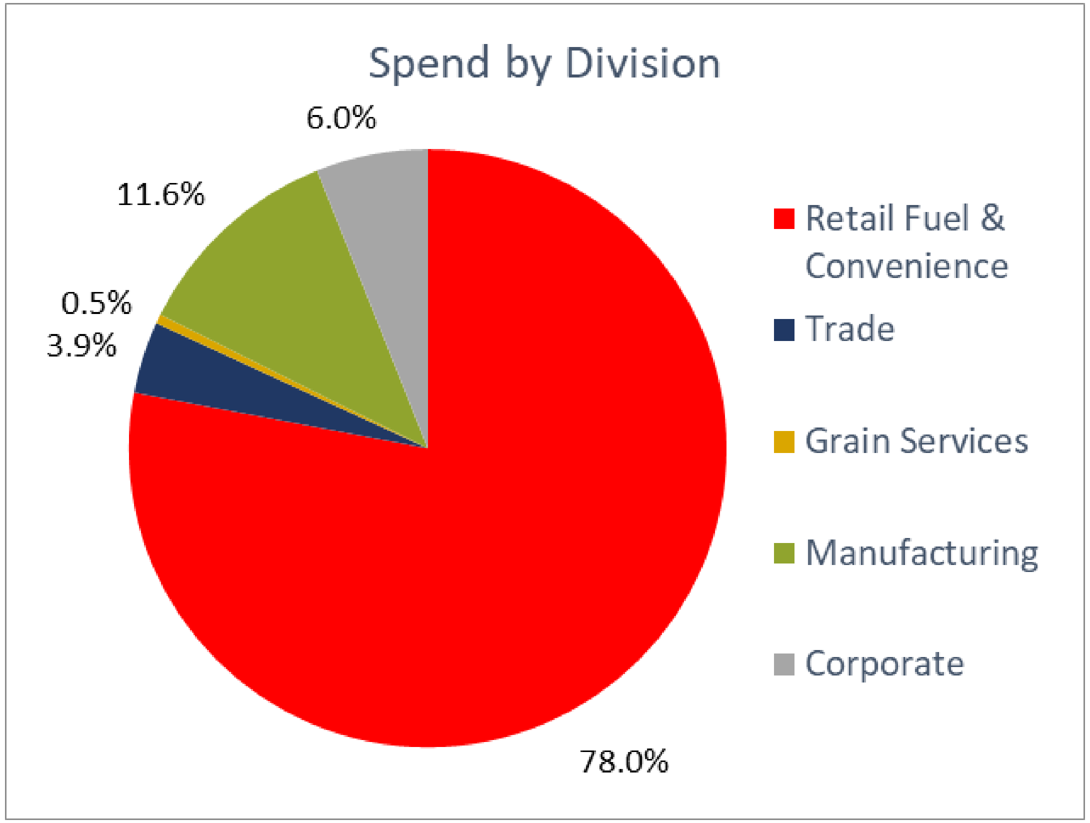
CONTINUED INVESTMENT

FINANCING ACTIVITIES

- Predominantly interest paid & F19 dividend
- Term loan

CAPITAL EXPENDITURE

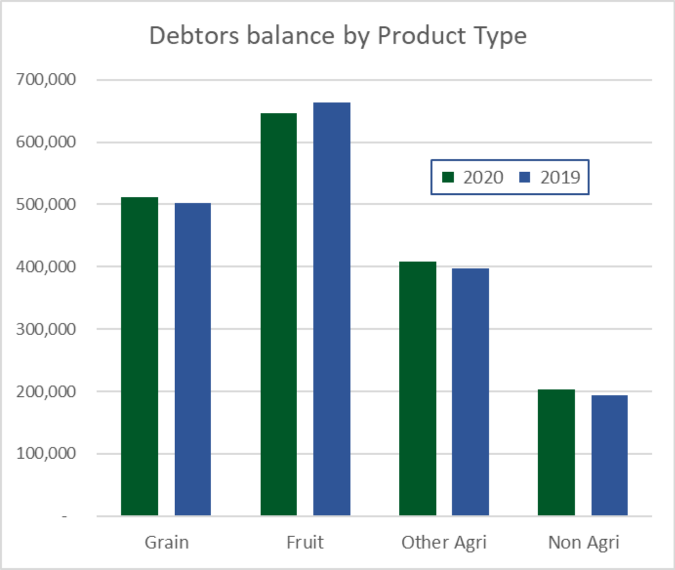


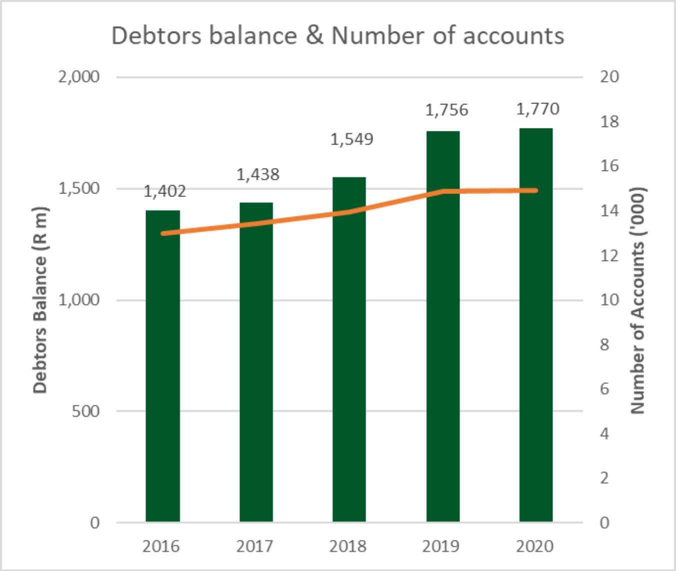


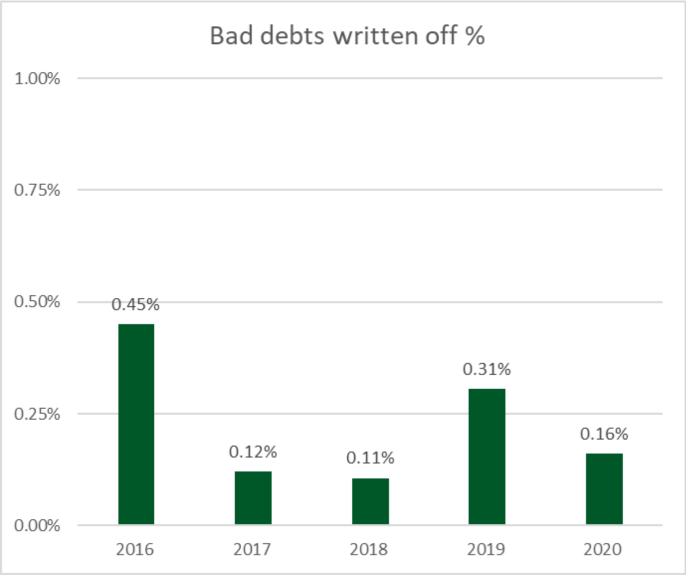
- Total capex R313.0m incl. acquisitions
- Acquisitions: TFC
- Expansions: TFC, Trade, Manufacturing
- Replacement: All segments

- TFC largest share (R244.1m)
- Manufacturing – Tego equip and capitalization of opex.
- Corporate – largely digital investment

TRADE DEBTORS

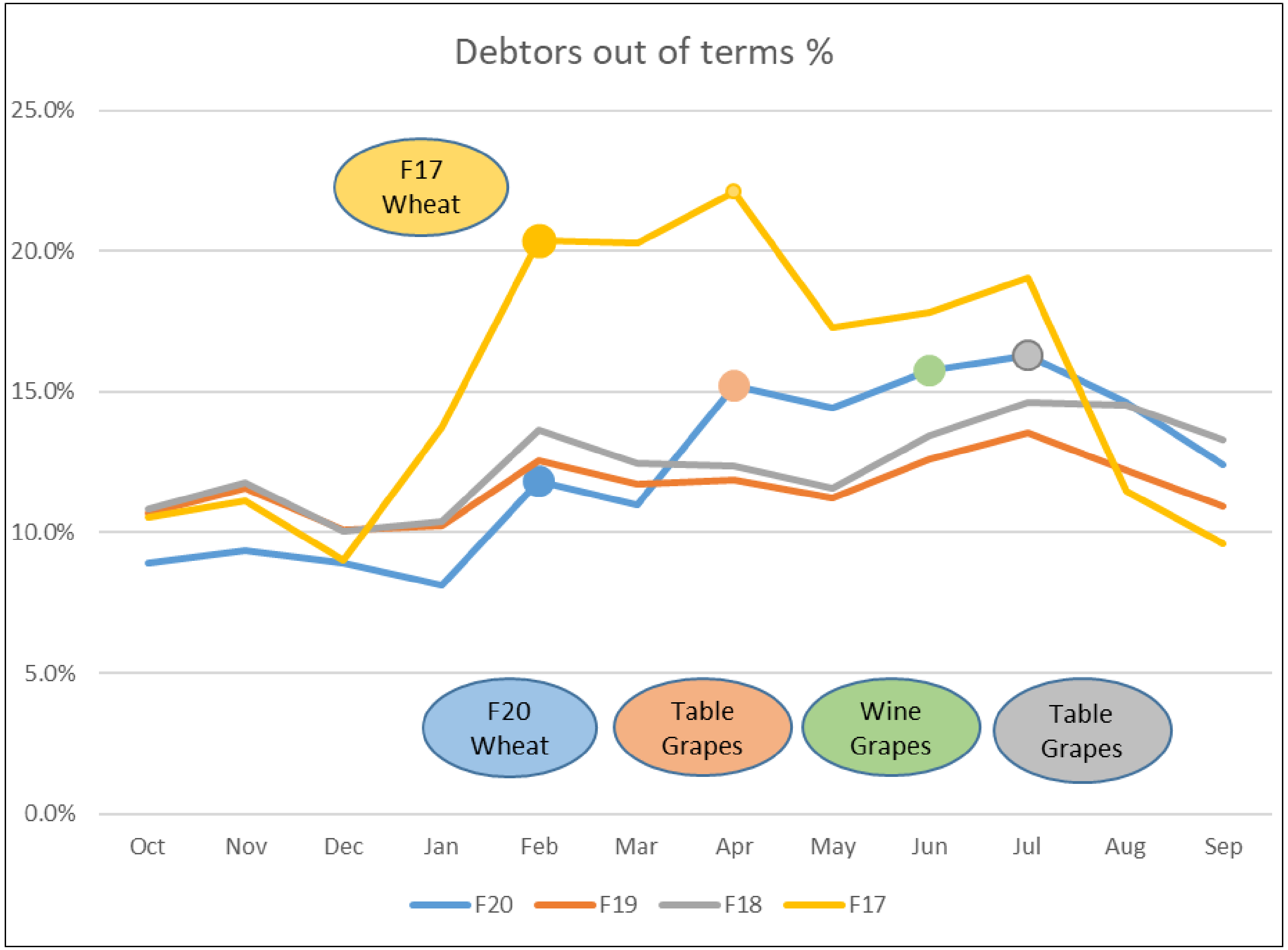






- Enabler to revenue growth
- Product and geographic diversity reduces risk & improves cash flow
- Debtors +0.8%
- 14,924 accounts (3,390 seasonal and 11,534 monthly)
- Debtors book turns 4.2x per year (4.3x LY)
- Bad debts written off = 0.16% of total debtors
  - 5 yr average: 0.22%
  - 10 yr average: 0.31%
- Income spread 2.1%

TRADE DEBTORS – OUT OF TERMS



OUT OF TERMS

- up 1.5% of debtors
- 0.1% excl. wheat and wine grapes
- Above average wheat harvest

SUMMARY

- Healthy & resilient book
- Well secured by various categories

CONCLUSION

FY2020 REVIEW:

- ✓ Sharp Covid V-Recovery in retail sales in our Agrimarks
- ✓ Healthy Agri performance throughout Covid, completing various value chain reviews
- ✓ Recovery in TFC ahead of expectation
- ✓ The Company avoided the COVID ICEBERG, stabilized operations, saved livelihoods
- ✓ We forged ahead with optimization initiatives, commenced further digitization efforts
- ✓ Opex growth was curtailed, and limits put on Capex
- ✓ Completed an internal Strategic Profit analysis focused on ROIC and EVA

OUTLOOK:

- ✓ Wheat harvest above average
- ✓ The positive F20 Fruit sector bodes well for farm infrastructure spend
- ✓ TFC pipeline more focused on non-property and higher feasable sites
- ✓ TEGO operational but subdued, Agriplas to maintain momentum
- ✓ Economy is expected to remain sluggish – general retail
- ✓ Renewed focus on volume AND value enhancing efforts for shareholders

THANK YOU