



Annual Results Presentation
for the financial year ended 30 September 2019

Presented by:

Sean Walsh

Chief Executive Officer

Graeme Sim

Financial Director

Index

- 1 Purpose & Strategy
- 2 Group structure
- 3 Divisional structure - 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

All stakeholders must be better off because we exist

Strategic focus areas	Strategic initiative	Key Outcomes
<ul style="list-style-type: none">• Growth (G)	<ul style="list-style-type: none">• Upgrades & Expansions• Footprint expansion• Strategic alliances• M & A	<ul style="list-style-type: none">• Minimum CAGR 15% growth in RHE<ul style="list-style-type: none">- Adjust CPI & RHE growth targets annually• Group PBT target<ul style="list-style-type: none">- F25 R1 billion• Minimum 15% ROE• Additional targets<ul style="list-style-type: none">- ROIC
<ul style="list-style-type: none">• Optimisation (O)	<ul style="list-style-type: none">• Supply chain, Agri & Retail, TFC, Manufacturing, Support services• Customer Relationship Management	
<ul style="list-style-type: none">• Leveraging Culture & Diversity (L)	<ul style="list-style-type: none">• Leveraging PEOPLE• Leveraging BEE	
<ul style="list-style-type: none">• Digital transformation (D)	<ul style="list-style-type: none">• On line e-commerce solutions• Account & payment solutions• New concepts & technologies• ERP roadmap	



GROUP STRUCTURE



100%

Kaap Agri Bedryf Limited

70.5%

**TFC Operations (Pty) Ltd
&
TFC Properties (Pty) Ltd**

100%

Tego Plastics (Pty) Ltd *

100%

Agriplas (Pty) Ltd

50%

**Kaap Agri (Namibia)
(Pty) Ltd**

100%

**Kaap Agri
Aussenkehr (Pty) Ltd**

60%














**Partridge Building
Supplies (Pty) Ltd**

* Tego - commenced operations October 2019

<u>TFC BEE</u>	<u>Shareholding</u>	<u>% BEE</u>
Kaap Agri Bedryf Ltd	70.5%	27.4%
Plurispac (Pty) Ltd		20.0%
ETI (Pty) Ltd		5.0%
Other		2.4%
ETI (Pty) Ltd	6.0%	100.0%
Weighted		48.8%



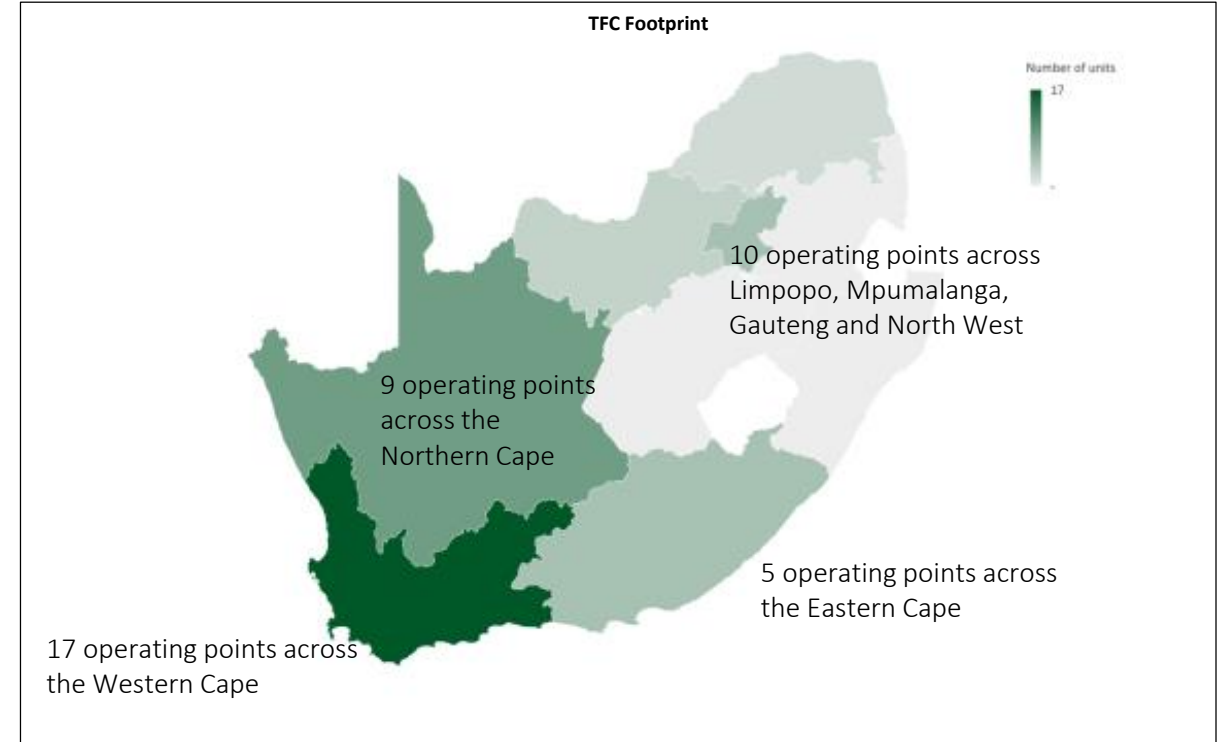
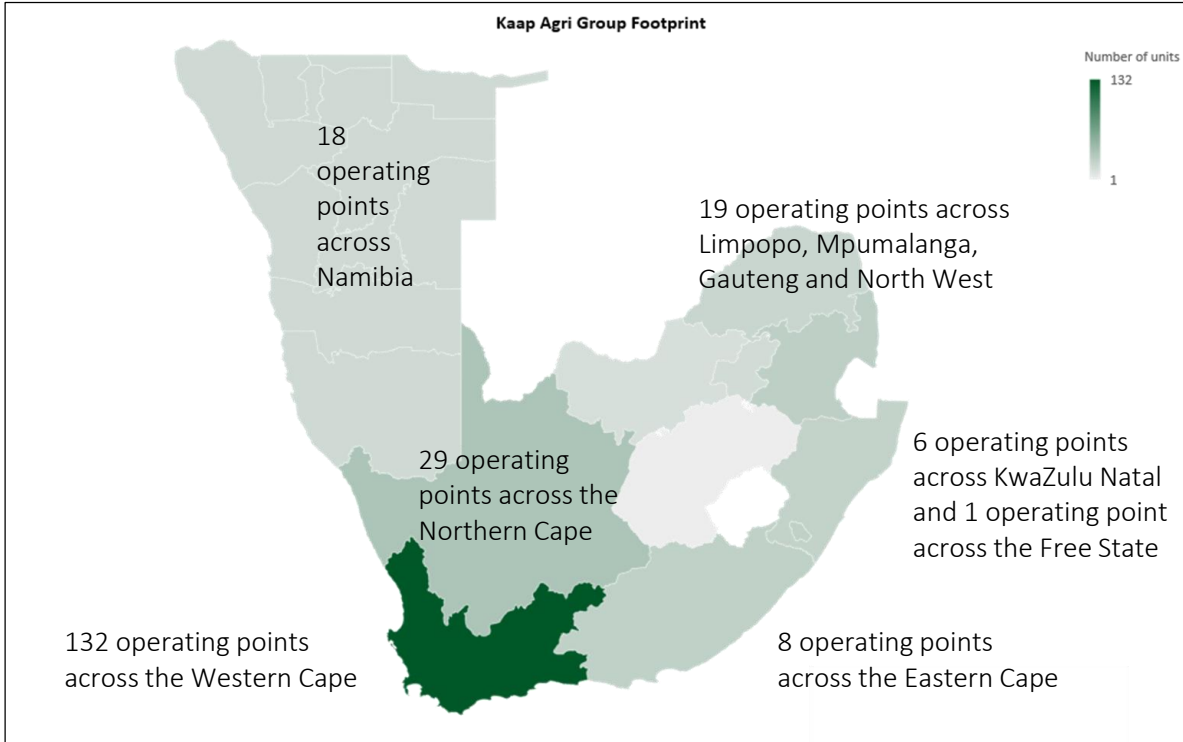
DIVISIONAL STRUCTURE – TRADING BRANDS

TRADE	TFC	WESGRAAN	MANUFACTURING
 AGRIMARK  PAKMARK  LIQUOR MARK  FORGE AGRI 'Focused on Farming'  FORGE BUILD 'Building Materials & Hardware'	 the fuel company  EXPRESSMARK  FEGO <i>Caffé</i>	 WESGRAAN  NEW HOLLAND AGRICULTURE	 agriplas <small>PERFECT WATER MANAGEMENT SOLUTIONS</small>  TEGO PLASTICS
 AGRILOG Support service for the acquisition, distribution and logistics of products for the Kaap Agri Group			

Excludes
Corporate
Division



GEOGRAPHIC REPRESENTATION



213 Units
112 Places



SA & Namibia
9 Provinces



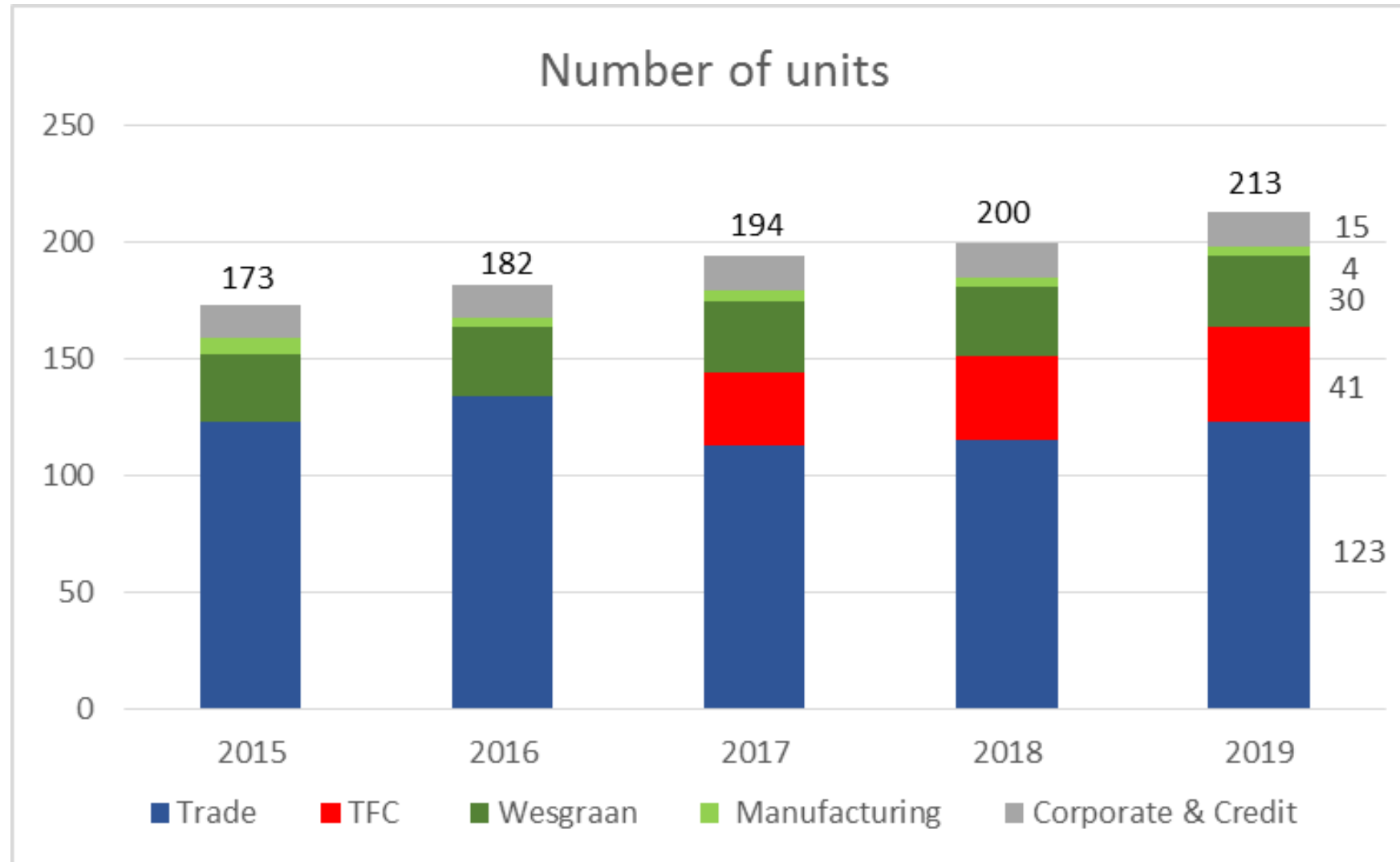
41 Units
31 Places



SA
7 Provinces



FOOTPRINT OVERVIEW



KEY MILESTONES



Group Revenue growth in tough economy (+10.6% transactions)



Group BEE F19 forecast – Level 3, up from level 7 prior year



Group Retail revenue growth +15.4% (excl. cement and irrigation)



Wesgraan PBT recovery +113.8% as predicted



Improved Mechanisation Agency profitability (F19, F18 & F17)



Corporate cost growth < GP growth (F19 & F18)



Group fuel liter growth +7.7% (managed & owned sites)



TFC convenience and QSR growth > fuel volume growth



R397.0m CAPEX incl. acquisitions: new venture (TEGO), expansions & acquisitions = 88.7%

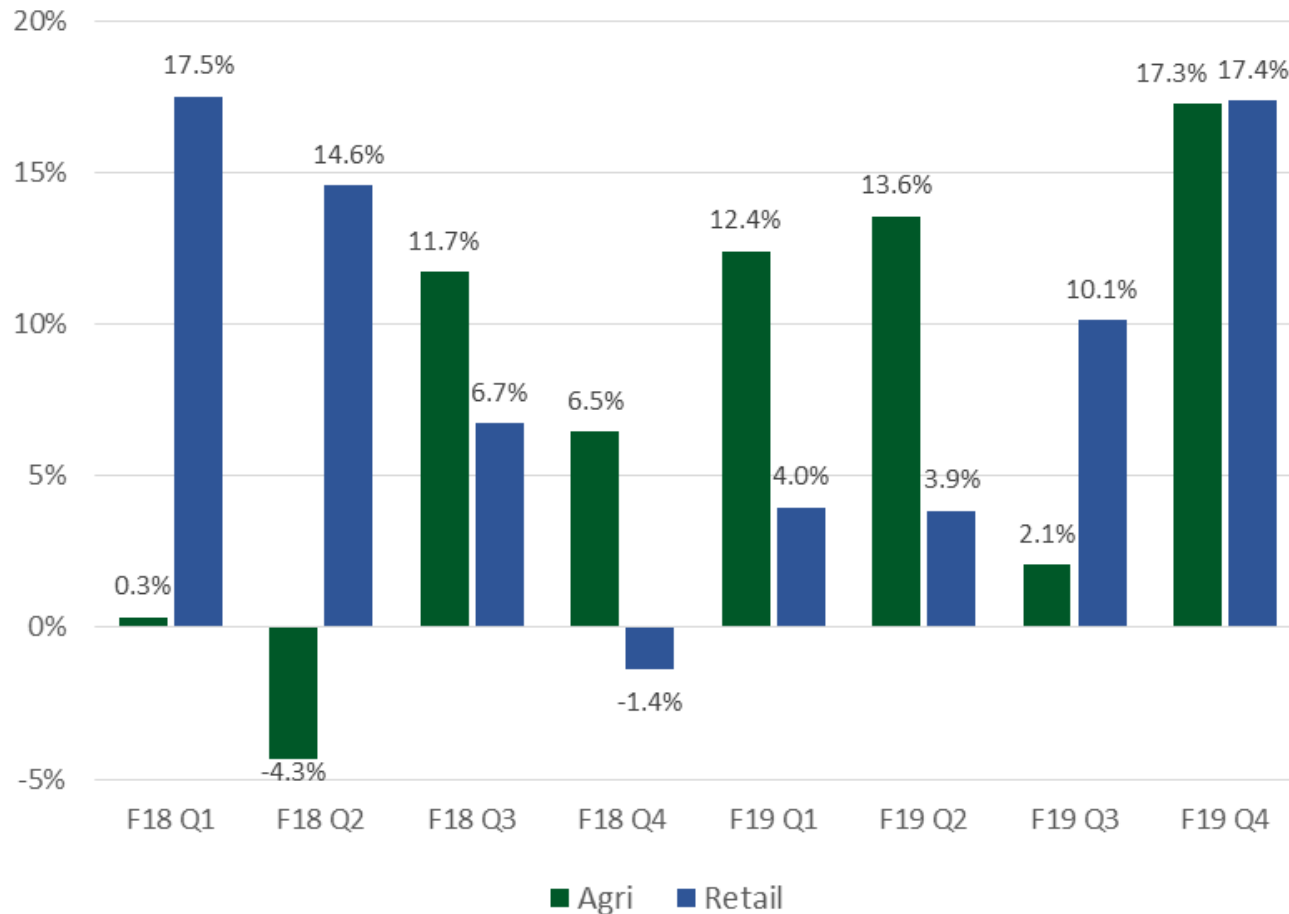


Debtors not within terms reduced by 16.7%, no defaults on F17 wheat



TRADING ENVIRONMENT

Quarterly Turnover Growth YOY



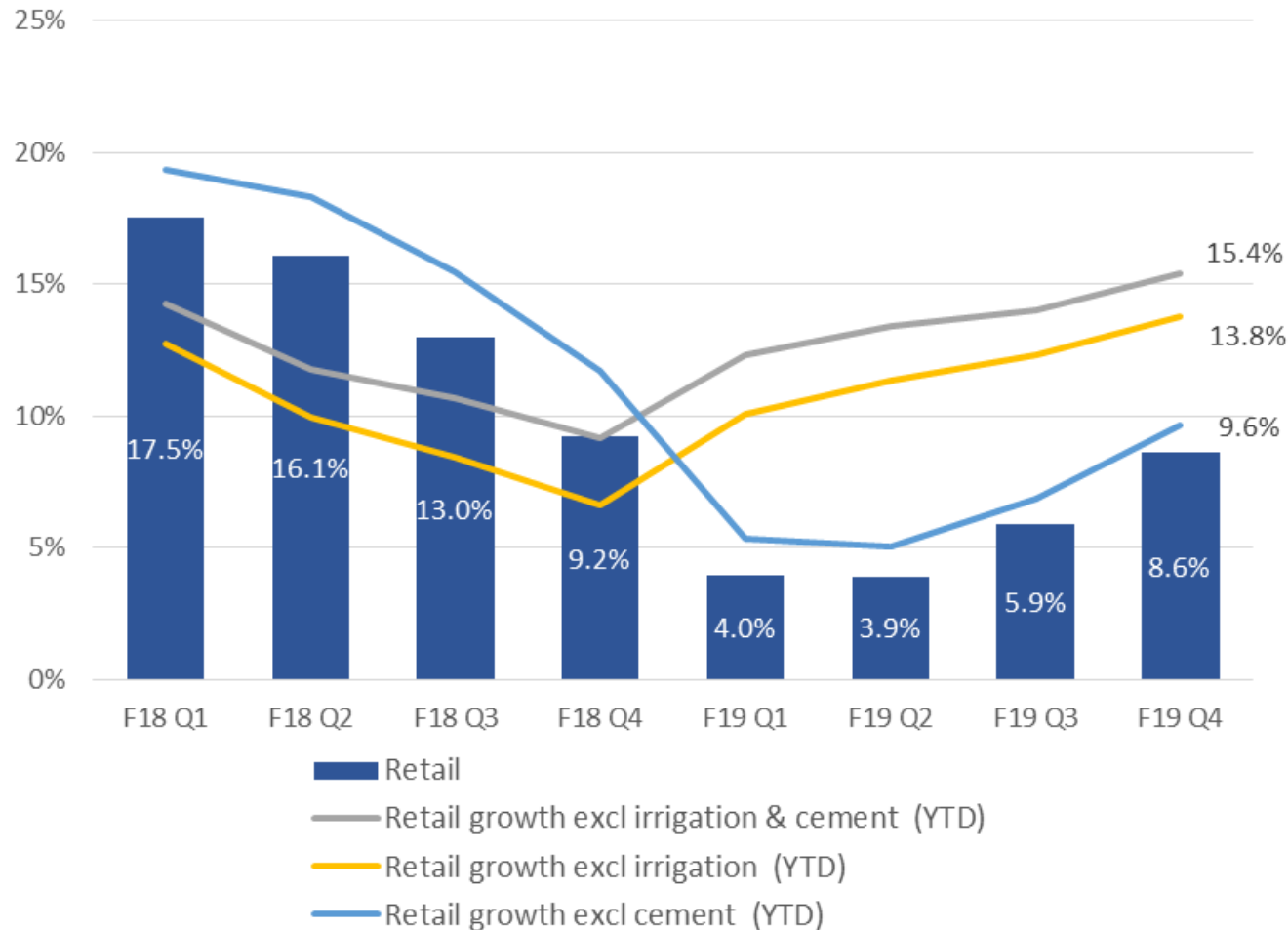
AGRI AND RETAIL GROWTH IMPACTED BY:

- Retail: Difficult F18, improved F19
- Agri: Sustained improvement
- Economic factors
 - ✓ Erratic & subdued GDP growth
 - ✓ CPI relatively stable
 - ✓ Low business and consumer confidence
 - ✓ Low retail sales growth
 - ✓ Fuel price volatility
- Drought
 - ✓ Slower recovery in Western Cape
 - ✓ Ongoing in Northern Cape
 - ✓ Q1 in KwaZulu-Natal
- Land reform (EWC) uncertainty



TRADING ENVIRONMENT

YTD Retail Turnover Growth vs PY



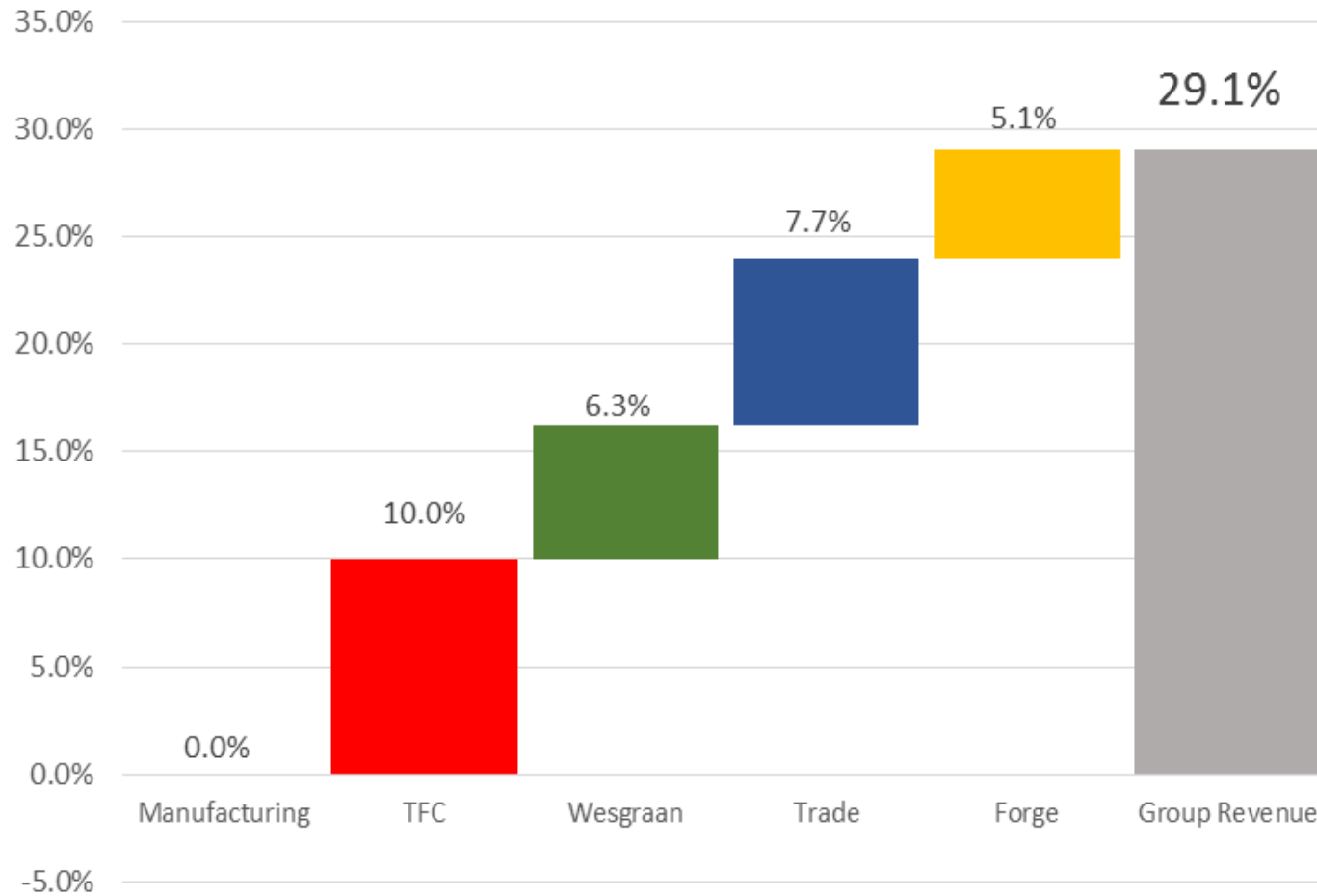
RETAIL GROWTH IMPACTED BY:

- F18 Retail sales supported by irrigation sales (Day zero)
 - ✓ F19 Retail sales growth +13.8% excluding irrigation sales
- Negative impact of cement sales improving
 - ✓ F19 Retail sales growth +9.6% excluding cement sales
- Remaining retail categories performing well
 - ✓ F19 Retail sales growth +15.4% excluding irrigation and cement sales



TRADING ENVIRONMENT

Revenue Growth contribution



STRONG REVENUE GROWTH DRIVEN BY:

- Transaction growth + 10.6%
- TFC
 - ✓ annualisation and new sites
 - ✓ Strong convenience & QSR performance
- Wesgraan improvement
- Trade
 - ✓ Agri
 - ✓ Retail
- Forge (effective 1 October 18)



HIGHLIGHTS FOR THE YEAR



Revenue
(R'000)
8,451,520
+29.1%
LFL +7.6%



Fuel liter growth
263.9m liters
Group +7.7%
TFC +10.4%



EBITDA
(R'000)
550,016
+15.1%



**Recurring
headline EPS**
(cents)
375.19
+6.0%








**Total dividend
per share**
(cents)
123.50
+5.8%



**Number of
transactions**
+10.6%

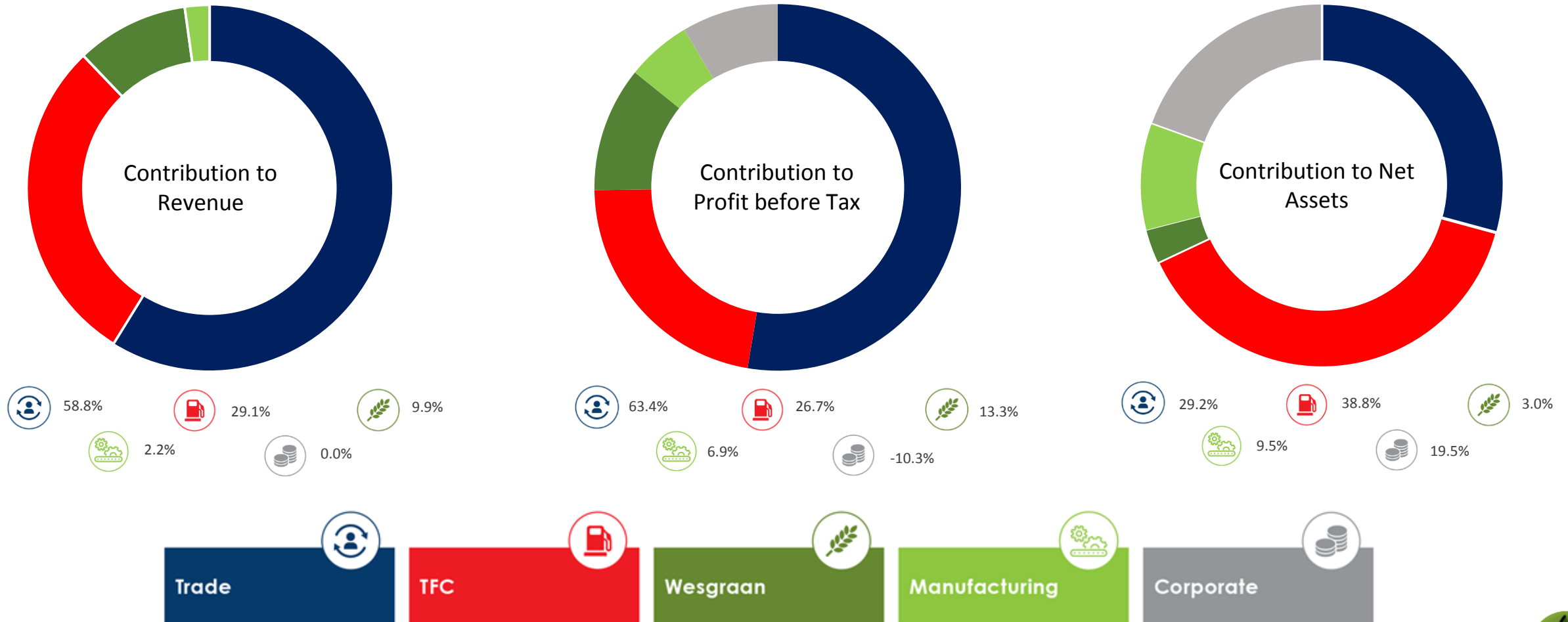


SEGMENTAL REPORT

	Trade 		TFC 		Wesgraan 		Manufacturing 		Corporate 	
	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000
Income	4,120,868	4,969,211	1,802,049	2,457,152	439,121	840,830	186,755	184,327	-	-
Profit before tax	241,947	240,903	85,809	101,275	23,611	50,479	25,952	26,118	-32,415	-38,934
Gross assets	1,430,303	1,622,061	546,449	900,710	97,440	105,100	71,740	218,551	1,781,299	1,941,320
Net assets	541,899	563,285	425,234	747,951	84,802	57,440	45,815	183,899	644,996	373,673

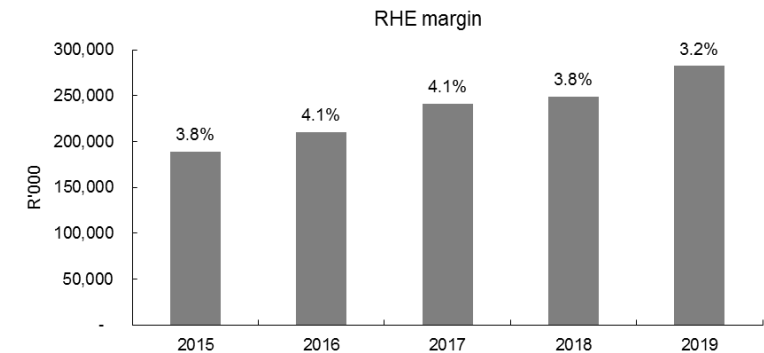
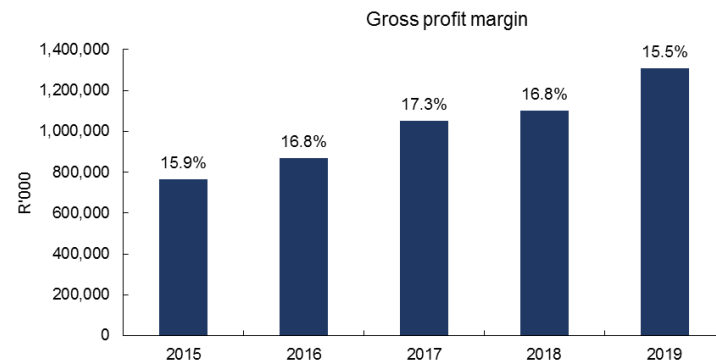
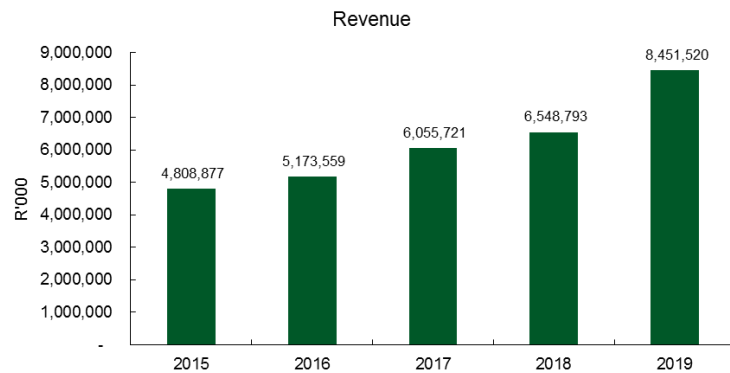


SEGMENTAL REPORT (cont.)



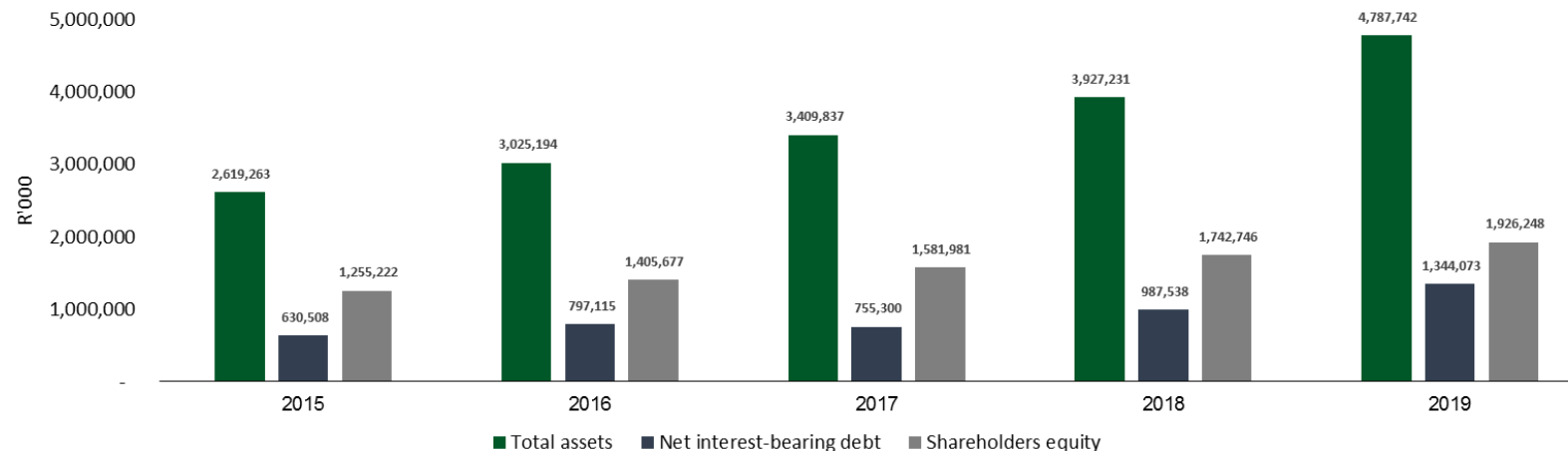
FINANCIAL PERFORMANCE – INCOME STATEMENT

R'000	2015	2016	2017	2018	2019
Revenue	4,808,877	5,173,559	6,055,721	6,548,793	8,451,520
Gross profit	766,582	868,777	1,050,243	1,102,313	1,309,239
<i>Gross profit margin</i>	15.9%	16.8%	17.3%	16.8%	15.5%
Profit after tax	189,194	210,422	241,125	248,957	281,279
Recurring headline earnings	182,722	210,304	247,669	251,983	268,553
Return on equity	15.4%	15.8%	16.6%	15.2%	14.6%
Recurring headline earnings per share (cents)	259.32	298.46	351.91	354.10	375.19
Dividend per share (cents)	82.00	94.50	112.00	116.70	123.50
Dividend cover (times)	3.0	3.0	3.0	2.9	2.9



FINANCIAL PERFORMANCE – BALANCE SHEET

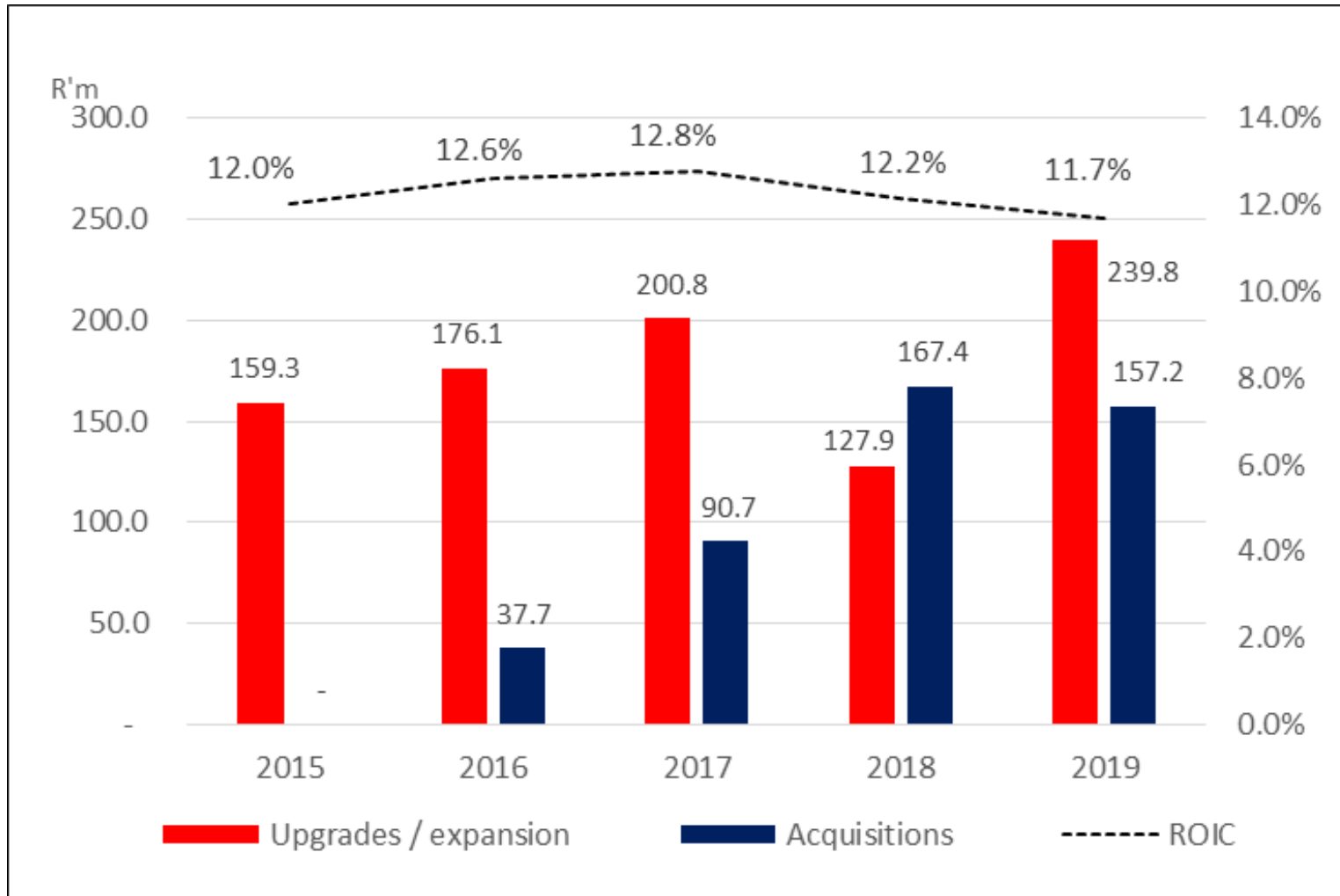
R'000	2015	2016	2017	2018	2019
Total assets	2,619,263	3,025,194	3,409,837	3,927,231	4,787,742
Non-current assets	663,072	802,807	1,076,812	1,304,896	1,747,001
Current assets	1,956,191	2,222,387	2,333,025	2,622,335	3,040,741
Liabilities and loans	1,364,041	1,619,517	1,827,856	2,184,485	2,861,494
Net interest-bearing debt	630,508	797,115	755,300	987,538	1,344,073
Shareholders equity	1,255,222	1,405,677	1,581,981	1,742,746	1,926,248
Net asset value (rand)	17.8	20.0	22.5	24.8	27.4
Debt to equity ¹	47.8%	53.7%	52.0%	52.4%	63.5%
Interest cover (times)	8.7	8.1	6.9	5.5	5.0



1) Calculated as average debt/average equity



FINANCIAL PERFORMANCE – ROIC



ROIC IMPACTED BY:

- Significant investment into upgrades, expansions, acquisitions
- “No return” capital (TFC site deposits R106.4m and Tego 94.8m)
- Poor Forge performance
- Subdued F18 and F19 performance (drought & economy)



ROIC OUTLOOK:

- F20 improvement
 - TFC NON LFL & New
 - Forge
 - Tego



SEGMENTAL REVIEW – TRADE DIVISION (AGRI)



FY2019 Review:

- ✓ Strategy unchanged: Organic, Selective Footprint, Sector consolidation
- ✓ Fruit sector “reset” Europe, yield, quality, logistics challenges
- ✓ Farm inputs* +10.4%, Agri fuel litres +4,2%, *margin pressure*
- ✓ Various drought disaster areas short term “benefit”
- ✓ Sector consolidation opportunity was unsuccessful
- ✓ Forge KZN F19 sales > target, returns < target
- ✓ Namibian revenue +42,4% (Jul & Aug), largely drought related animal feeds
- ✓ Inflation -1.8%



Outlook:

- ✓ Eastern Cape, Mpumalanga, KZN Midlands market share gains
- ✓ Fruit sector F20 positive....China access....“step up”
- ✓ Political and regulatory uncertainty – infrastructural spend sluggish
- ✓ Climate change = new norm“always a problem somewhere”
- ✓ Agri TM Contribution < 50%, and reducing with retail diversification
- ✓ TEGO agency



SEGMENTAL REVIEW – TRADE DIVISION (RETAIL)



FY2019 Review:

- ✓ Strategy: Building material, Retail Optimization, DC
- ✓ JDA system implemented (except for SPP-F20)
- ✓ Building material industry contraction (cement -10%)
- ✓ Withdrew from a large building material retailer M&A opportunity
- ✓ Overall sales +6.7%, hardware +16.3%, paint +9.2%, pet +10.3%
- ✓ Irrigation -32%, day zero
- ✓ TM contribution > Agri TM contribution + growing
- ✓ Inflation +3.4%



Outlook:

- ✓ Road infrastructure spend uptick
- ✓ F19 Q3 & Q4 uptick to continue.....category winners
- ✓ DC throughput growth above 10%, capacity challenge F21/F22
- ✓ Optimisation drive = retail margin, assortment, replenishment
- ✓ Small Building material sector opportunities



SEGMENTAL REVIEW – TFC DIVISION



FY2019 Review:

- ✓ Strategy: National Footprint, collaboration, centralized support, leveraging diversity
- ✓ 5 new fuel sites (managed & owned), 3 new stand alone QSR's
- ✓ Liter growth +10.4%
- ✓ Convenience & QSR growth > liter growth
- ✓ PBT growth 18.0% (expense growth < GP growth)
- ✓ Inflation +5.7%
- ✓ Site tenure = 25.5 yrs (evergreen = 30 yrs)



Outlook:

- ✓ Petrol mix % improving - urban footprint
- ✓ 10 pipeline sites (existing m/a + new) + investigations
- ✓ YOY liter growth improving by month
- ✓ New franchise opportunities – Vida e Caffè
- ✓ Focus on expenses
- ✓ Liquid Fuel Charter review.....TFC 40% direct black ownership
- ✓ Forward looking site tenure = 26.3 yrs in F24



Baked just right



SEGMENTAL REVIEW – WESGRAAN DIVISION



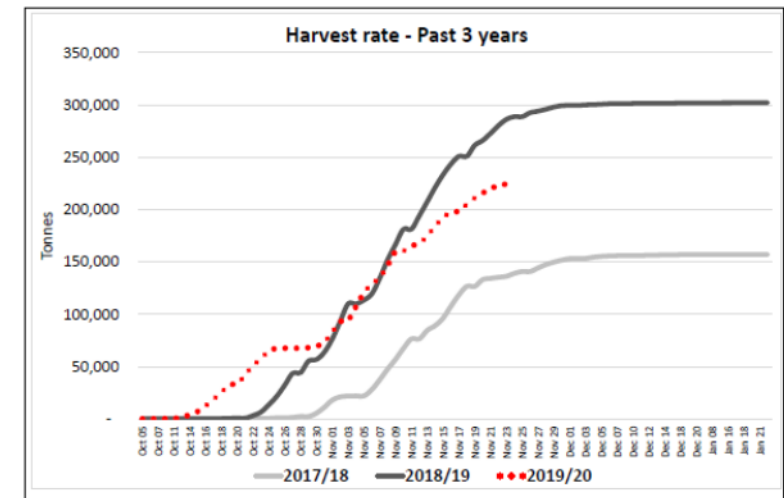
FY2019 Review:

- ✓ Strategy: Market share, facility optimisation, agency profitability, regional player
- ✓ Drought recovery
 - ✓ Wesgraan profitability improvement +113.8% (predicted)
- ✓ Improved Mechanisation Agency profitability
 - ✓ Tractor and Harvester sales
 - ✓ Workshop capacity not fully utilized
 - ✓ Agency Parts pricing issue



Outlook:

- ✓ Wheat lower than F19, 2-3% Group PBT impact
- ✓ Mechanisation Agency unlikely to beat F19 record



SEGMENTAL REVIEW – MANUFACTURING DIVISION

FY2019 Review:

- ✓ Strategy: Markets, new products, optimization, no 1 way plastic
- ✓ Agriplas Sales -1.3%, most areas flat, margin improvements, farmer infrastructural spend – hesitant, ERP & MES implemented
- ✓ Project Delta = TEGO Plastics



Outlook:

- ✓ Agriplas
 - ✓ Production capacity available
 - ✓ R&D, new product launches Q1 F20
- ✓ Tego
 - ✓ Fruit intensive customers
 - ✓ Offer improved value proposition



SEGMENTAL REVIEW – MANUFACTURING (TEGO Plastics)

New Venture:

- ✓ Strategy: RSA, Fruit sector (same customer), related markets. Market leader in plastic harvesting & storage products in agri sector.
- ✓ Launch product targets the 7,000,000 (F18) bin market
- ✓ Single plastic bin supplier currently
- ✓ TEGO 100% subsidiary of KABL
- ✓ Sales & distribution by Agrimark, Pakmark, Agrimark Fin Services
- ✓ Large plastic injection moulding facility
- ✓ Improved design & improved customer value
- ✓ 10 yr feasibility : Capex R97m, IRR > 20%, NPV > R50m, only Bin products



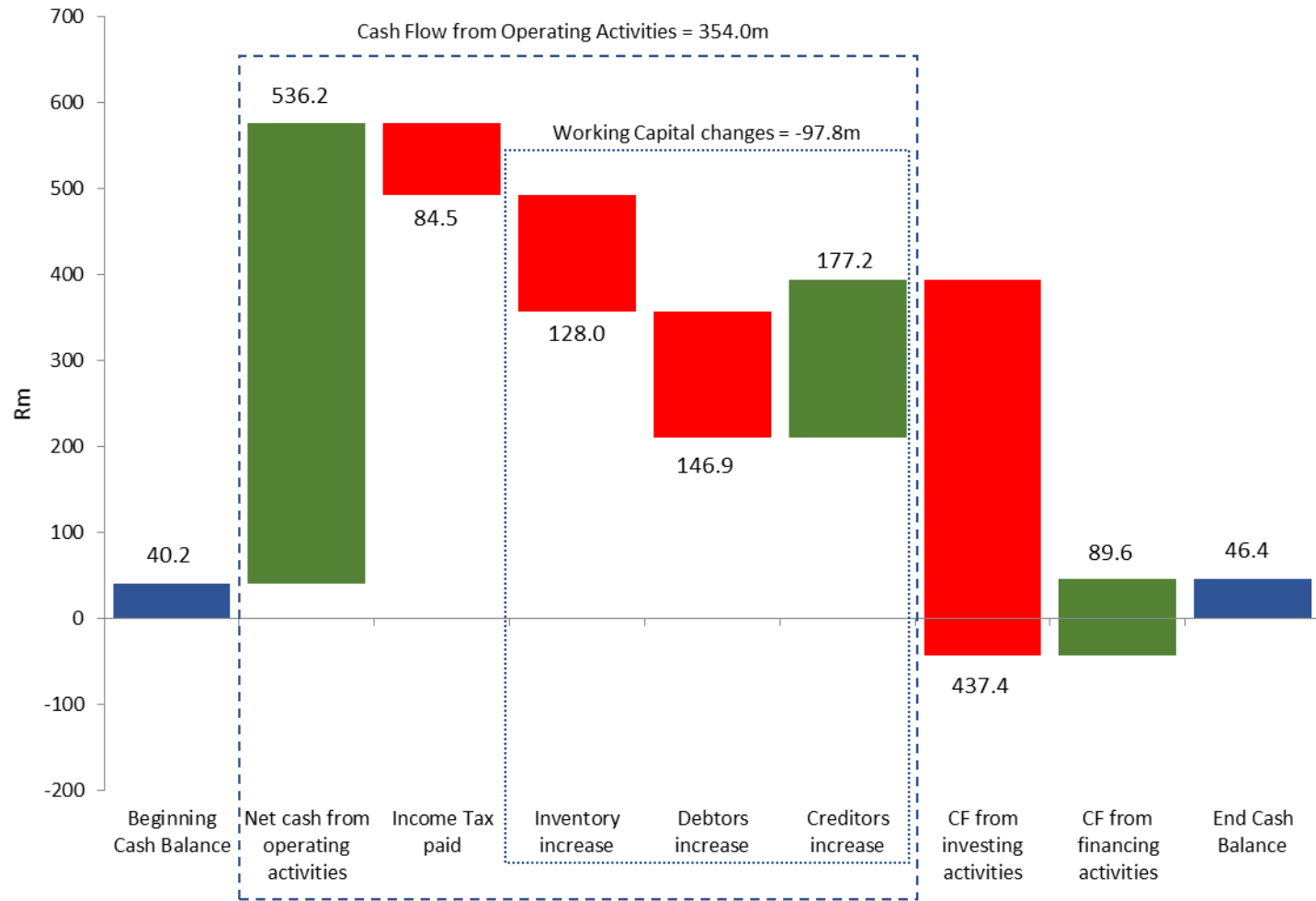
FY2020 Prospects:

- ✓ Lets go, TEGO!!
- ✓ 9 months sales, start up costs
- ✓ Facility commissioned, production commenced Oct 19
- ✓ 1st year ROIC 12 - 15%



CASH FLOW PERFORMANCE

2019 Cash Flow Waterfall



Strong cash generation from operating activities



Good working capital management

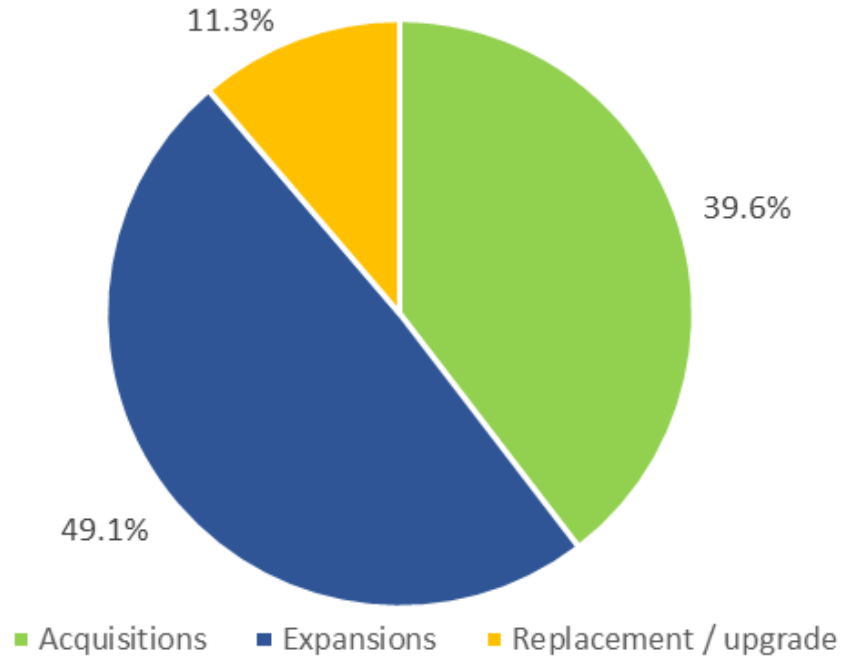


Continued investment



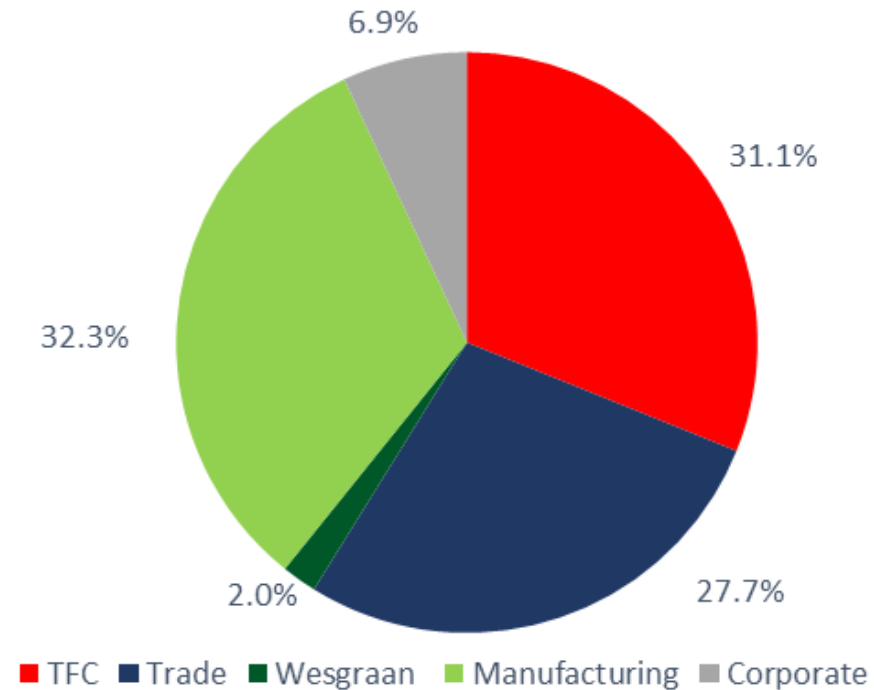
CAPITAL EXPENDITURE

Spend by type



- Acquisitions - Forge & TFC
- R397.0m capex incl. acquisitions

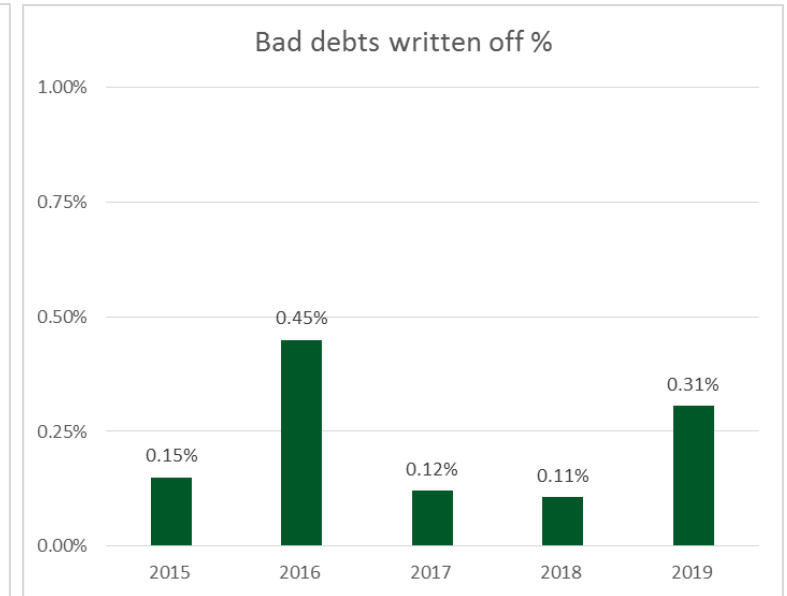
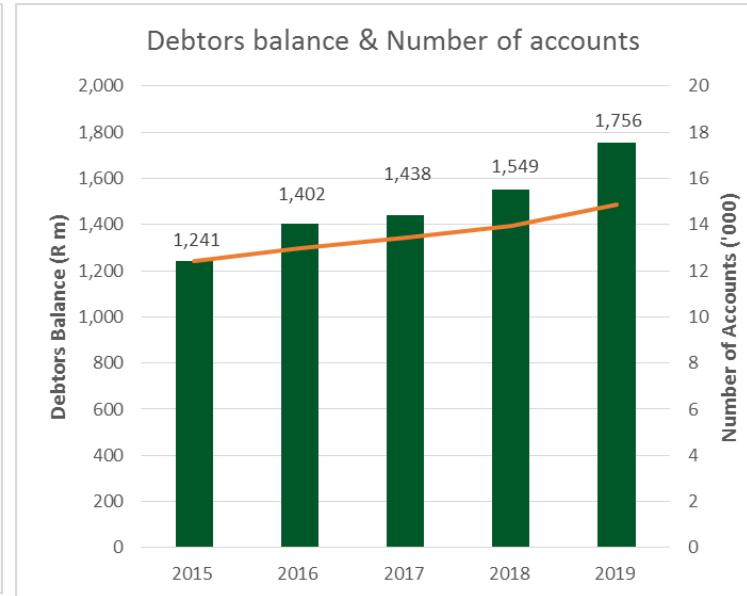
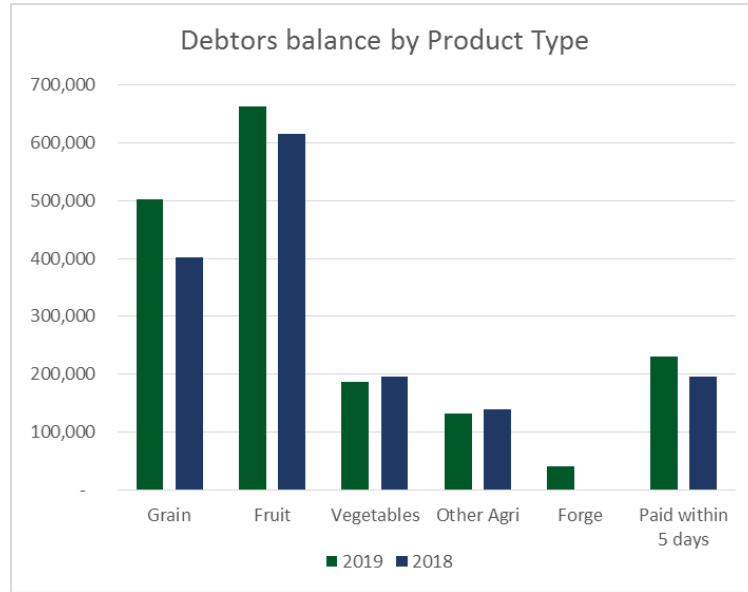
Spend by Division



- TFC & Trade largest share (Forge)
- Manufacturing - Tego
- Corporate – largely digital investment





TRADE DEBTORS




 **Enabler to revenue growth (production input credit)**

 **Product and geographic diversity reduces risk & improves cash flow**

 **Other includes monthly accounts not assigned to a product type**

 **14,853 accounts (3,366 seasonal and 11,487 monthly)**

 **Debtors book turns 3.9 times per year**

 **Bad debts written off = 0.31% of total debtors**

- ✓ 5 yr average: 0.23%
- ✓ 10 yr average: 0.36%

 **Out of terms down 16.7%**

 **Debtors book**

- ✓ Healthy book
- ✓ Well secured by various categories
- ✓ Income spread approx. 2.1%



CONCLUSION



FY2019 Review:

- ✓ Agri sluggish but good growth off low inflation
- ✓ Comparable sales +7.6% healthy (excl Wesgraan), transactions +10.6%
- ✓ TFC liters +10.4%
- ✓ Retail TP contribution > agri TP contribution, retail revenue growth +8.6%
- ✓ Reduced debtors not within terms
- ✓ RHE growth 6.6%, EBITDA growth +15.1%
- ✓ TEGO Plastics



Outlook:

- ✓ Wesgraan lower wheat yield impact approx. 2 - 3% impact on Group PBT
- ✓ Fruit sector positive for F20 season
- ✓ TFC pipeline healthy (5 mngt sites at y/e + 5 additional)
- ✓ TEGO operational
- ✓ Business confidence (Eskom), sluggish economy & low inflation
- ✓ Growth, Optimisation, Leveraging culture and diversity, Digital transformation
- ✓ “humble, hungry and smart”



THANK YOU

