AAF

Summarised consolidated financial results

for the year ended 28 February 2023

Key Metrics

FINANCIAL HIGHLIGHTS

+11%
25.77
NET ASSET VALUE PER SHARE (RAND)
(2022: 23.12)

+24%
14.31
SHARE PRICE (RAND PER SHARE)
(2022: 11.5)

-8%
119 538 853
SHARES IN ISSUE (NET OF TREASURY SHARES)
(2022: 130 405 855)

+10%
0.55
DIVIDEND PER SHARE (RAND)
(2022: 0.50)

Introduction

Over the last year, AAF underwent significant changes to ensure that we continue to make progress in delivering value to our shareholders and support the sustainable growth of our investments, ensuring all stakeholders reap the benefits. We are enthusiastic about our portfolio's opportunities and passionate about the difference we can make in supporting food security on this continent.

Change to investment entity status

With effect from 28 February 2023, AAF changed status to that of an investment entity as defined in IFRS 10 *Consolidated Financial Statements*. Such change required the Company to cease consolidating its subsidiaries as of 28 February 2023 and instead carry such subsidiary investments at fair value, with subsequent changes in fair value being recognised in profit or loss. Therefore the income statement contains both consolidated profit and fair value adjustments. Consequently the performance of the company reflects old and new. We believe this change will provide users of the financial statements more information pertaining to our underlying investments and their performance to assist them in making economic decisions regarding our company.

Portfolio performance

During the year, AAF's net asset value increased to R25.77 per share due to good performance across the portfolio companies (apart from that of ACG Fruit) and the successful repurchase of approx. 11 million shares. Our short-term priority is to ensure that our capital is optimally deployed. We have made progress towards our goal by realising our non-strategic assets, such as AgVentures and Grassroots. However, given the significant headwinds faced by the fruit industry, we have encountered challenges regarding the disposal of our primary agricultural assets that necessitated a rethink of how we can extract maximum value for our shareholders. We are developing an alternative strategy and will provide you with more details as soon as practically possible.

Moov Fuel Group achieved excellent volume growth, benefited from the high commodity price cycle and achieved growth of 33% to an EBITDA of R193 million and increased volumes by 13%. During FY2023 Moov Fuel was awarded the Branded marketer of the year by Astron Energy and the HSSE distributor of the year by Shell. Moreover, Moov's recent investment in Bachmus Oil and Fuel (company incorporated in Namibia) has far exceeded our expectations and has grown its EBITDA by a spectacular 75% year on year.

Kyron Group saw strong performance across its business sectors, with the Animal Health sector performing exceptionally well. Overall, Kyron achieved growth of 7% to an EBITDA of R169 million for FY2023. The business was able to defend its local market share, gain market share in export markets, and take advantage of strong demand in the poultry industry. Due to strong cash generation, Kyron was able to reduce its debt by a further R20 million post year-end (cumulative debt repayments of R74 million since acquisition on 1 December 2021). Kyron successfully implemented a bolt-on acquisition with a 55% stake in AniPharm (Pty) Ltd on 1 February 2023, a company specialising in animal reproductive products.

* *All references made to EBITDA exclude capital items (and equates to operating profit before capital items as referenced in the annual financial statements)*

Overberg Agri Group experienced good agronomical conditions from two prior years of bumper harvests, especially benefitting its retail and mechanisation divisions. Despite low rainfall recorded in the customer area, and low grain intake in the current year. Overberg Agri put up a resilient performance that resulted in an EBITDA of R182 million. Overberg Agri is in an excellent cash position with R581 million available cash and facilities at year-end and has a debt-free balance sheet (apart from the debtors financing facility).

ACG Fruit Group faced another challenging year with the 2022 and 2023 Northern Cape table grape seasons yielding low prices, high input costs, and low berry weights impacting volume. There are promising results from our 2023 Western Cape grape harvest with record pack outs of over 1.1 million cartons. The 2022 citrus season achieved a record citrus harvest in Limpopo with 740 000 export cartons packed, however the increase in costs and softer prices, combined with challenging exchange rates and logistical bottlenecks, resulted in further losses. The focus remains on ACG to ensure maximum value is unlocked for shareholders.

Portfolio Fair Value analysis

The net asset value per share of our portfolio amounted to R25.77, exceeding the current share price of R14.31 with 80% as at 28 February.

Rand NAV analysis for FY2023

R million	Audited 28 Feb 2023	%
Investments and Shareholder funding		
Overberg Agri Group	**1 044**	**33.9**
Kyron Group	**675**	**21.9**
Moov Fuel Group	**497**	**16.1**
ACG Fruit Group	**441**	**14.3**
P&B Lime Works	**130**	**4.2**
Lesotho Milling	**61**	**2.0**
Overberg Meat	**59**	**1.9**
Montagu Dried Fruit & Nuts	**47**	**1.5**
Boltfast	**86**	**2.8**
Cash and cash equivalents	**26**	**0.9**
Accounts receivable and loan receivables	**24**	**0.8**
Other	**(10)**	**(0.3)**
NAV to ordinary shareholders	**3 080**	**100**
Number of Issued shares (excl. treasury)	**119 538 853**	
NAV per share	**25.77**	

The fair value of our investments of Overberg Agri, Kyron Group, Moov Fuel, Bachmus Oil & Fuel, P&B Lime Works, Overberg Wealth & Risk Management, and Overberg Meat was determined using a five-year discounted cash flow model. The biggest value drivers were strong cash flow expectations arising from a recovering economy, the success of management strategies in gaining market share, and effective cost management. Likewise, Bachmus Oil & Fuel has proven to be a rewarding investment with promising prospects.

Montagu Dried Fruit & Nuts, Boltfast, and ACG Fruit Group were valued using an asset based valuation approach, underpinned by external property valuations where applicable.

Lesotho Milling's value is at carrying value as per IAS 28, Investments in Associates.

Capital allocation

In the pursuit of optimising our investment portfolio, a financial strategy has been put in place to redeploy capital. Capital will be unlocked in the short to medium term from the sale of non-strategic and/or underperforming assets and subsequently redeployed, with our biggest priority being returning capital to our shareholders via share buy-backs or special dividends. AAF shares are currently trading below our estimate of fair value and thus, we have successfully completed our first share repurchase programme. We aim to unlock shareholder value and close the discount between our fair value and share price within the next two years. As an alternative to share repurchase programmes, capital may be returned to shareholders via a special dividend whenever the opportunity arises.

With surplus funds we will endeavour to expand our existing portfolio companies via bolt-on investments, mergers, acquisitions, and partnerships. We will specifically prioritise growing our core investments, instead of acquiring new businesses.

Dividends

We endeavour to pay an annual dividend to shareholders. Due to our performance over the past year and available cash, we declared a dividend of 55 cents (2022: 50 cents) per share for the year. Payable on 17 July 2023 to shareholders on the register at 30 June 2023.

Outlook

The slow but steady recovery from the COVID-19 pandemic over the last two years has been encouraging, however the new threat of load shedding and its long-term impact on the South African economy remains uncertain. Even though there are lingering challenges that await us, the Company has positive expectations for 2024.

We believe that consumer confidence should follow in the recovery of business and agribusiness confidence, resulting in a positive outlook for the year ahead. We expect farmers to continue to benefit from elevated global agricultural commodity prices, especially following the Russia-Ukraine conflict, and these benefits are expected to flow through to our portfolio companies.

Our company has a diverse portfolio that are subject to the change in weather patterns and socio-economic issues. These are both positive and negative for future performance of our portfolio. Our focus remains unwavering on supporting the primary drivers of food security in our country, and Africa at large.

Appreciation

We sincerely thank the management teams of our portfolio companies and our fund management team for their venerable leadership through a turbulent time. On behalf of the board, I would like to express our appreciation to our stakeholders including employees, shareholders, partners, valued customers, and suppliers. It is our constant endeavour at AAF to create value for you and to serve you to the best of our abilities.

Douw de Kock
Chairperson

Pierre Malan
Chief executive officer

External assurance

The external auditors, PricewaterhouseCoopers Inc., have audited our consolidated annual financial statements for the year ended 28 February 2023, from which this financial information has been extracted. The unmodified auditor's report dated 29 May 2023 is available for inspection at the registered office of AAF. AAF's auditors have not reviewed nor reported on any of the comments relating to prospects. The full audited annual financial statements for the year ended 28 February 2023 are available on the website at www.acornagri.co.za/financial-information

Extracts from the statements of financial position
as at 28 February 2023

	28 February 2023 Rm	28 February 2022 Rm
ASSETS		
Non-current assets	**2 399**	3 675
Current assets		
Loans to group companies	**714**	–
Other current assets	**8**	3 154
Total assets	**3 121**	6 829
EQUITY AND LIABILITIES		
Equity	**3 080**	3 361
Non-current liabilities	**1**	724
Current liabilities	**40**	2 744
Total equity and liabilities	**3 121**	6 829

Extracts from the statements of profit or loss
for the year ended 28 February 2023

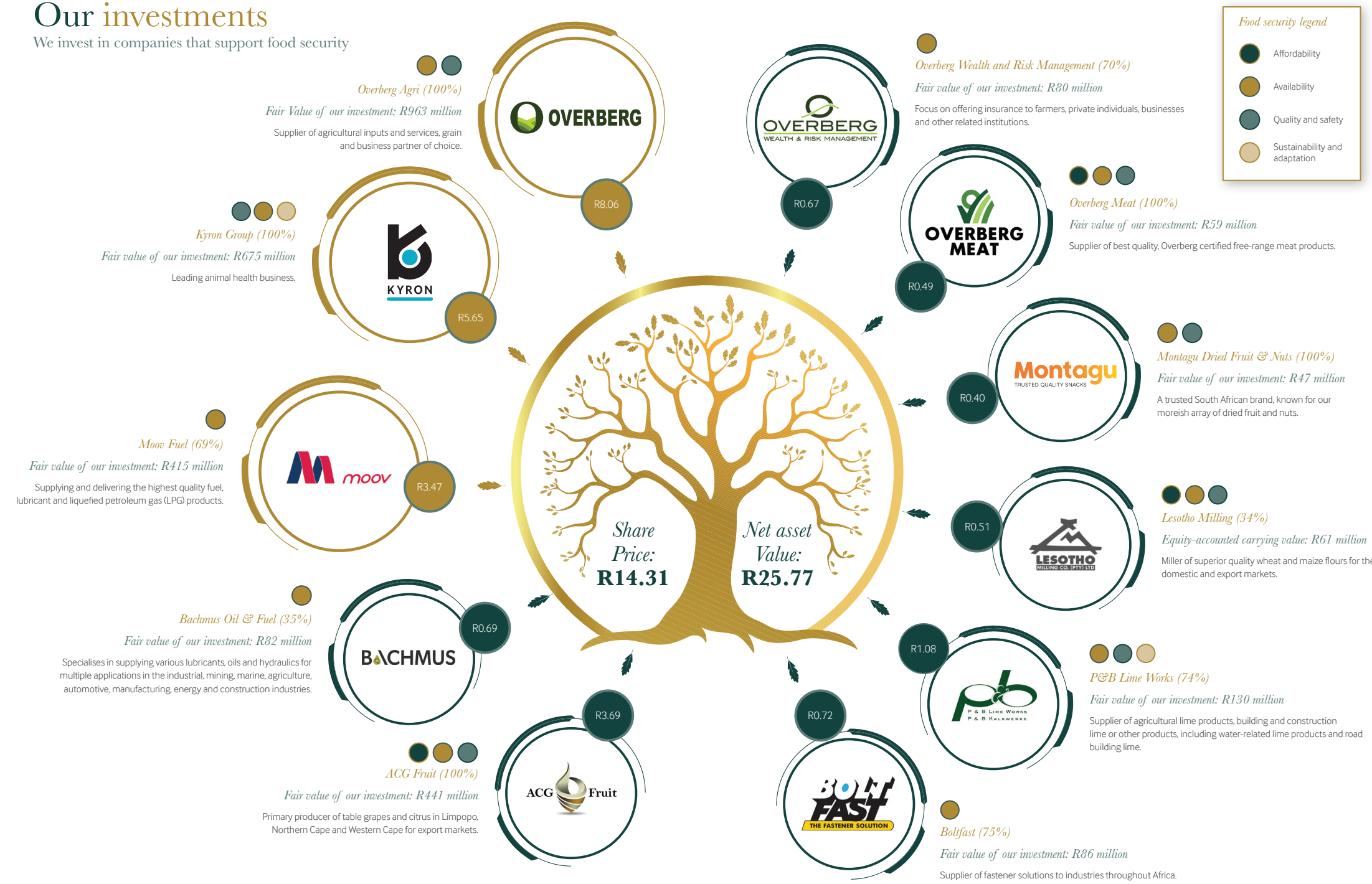
	2023 Rm	2022 Rm
Revenue	**19 334**	11 219
Fair value adjustment – biological asset: consumable	**3**	10
Cost of Sales	**(17 877)**	(10 072)
Gross profit	**1 459**	1 158
Operating profit before capital items	**422**	326
Capital items	**224**	(22)
Net financing costs	**(223)**	(107)
Share of net profit from associate	**2**	3
Profit before taxation	**425**	200
Taxation	**(77)**	(38)
Profit for the year	**348**	161

Extracts from the statements of Cash Flows
for the year ended 28 February 2023

	2023 Rm	2022 Rm
Cash flows from operating activities	**126**	392
Changes in working capital	**(282)**	15
Other	**408**	377
Cash flows from investing activities	**(157)**	(825)
Deemed disposal of subsidiaries with change in status to investment entity	**(112)**	–
Other	**(45)**	(825)
Cash flows from financing activities	**(207)**	242
Dividends paid	**(91)**	(49)
Other	**(116)**	291
Net cash decrease for the year	**(238)**	(191)
Net cash, cash equivalents and bank overdrafts at the beginning of the year	**243**	434
Net cash, cash equivalents and bank overdrafts at the end of the year	**5**	243

Our investments

We invest in companies that support food security



Overberg Agri (100%)

Fair Value of our investment: R963 million

Supplier of agricultural inputs and services, grain and business partner of choice.

Overberg Wealth and Risk Management (70%)

Fair value of our investment: R80 million

Focus on offering insurance to farmers, private individuals, businesses and other related institutions.

Overberg Meat (100%)

Fair value of our investment: R59 million

Supplier of best quality, Overberg certified free-range meat products.

Kyron Group (100%)

Fair value of our investment: R675 million

Leading animal health business.

Montagu Dried Fruit & Nuts (100%)

Fair value of our investment: R47 million

A trusted South African brand, known for our moreish array of dried fruit and nuts.

Moov Fuel (69%)

Fair value of our investment: R415 million

Supplying and delivering the highest quality fuel, lubricant and liquefied petroleum gas (LPG) products.

Lesotho Milling (34%)

Equity-accounted carrying value: R61 million

Miller of superior quality wheat and maize flours for the domestic and export markets.

Bachmus Oil & Fuel (35%)

Fair value of our investment: R82 million

Specialises in supplying various lubricants, oils and hydraulics for multiple applications in the industrial, mining, marine, agriculture, automotive, manufacturing, energy and construction industries.

P&B Lime Works (74%)

Fair value of our investment: R130 million

Supplier of agricultural lime products, building and construction lime or other products, including water-related lime products and road building lime.

ACG Fruit (100%)

Fair value of our investment: R441 million

Primary producer of table grapes and citrus in Limpopo, Northern Cape and Western Cape for export markets.

Boltfast (75%)

Fair value of our investment: R86 million

Supplier of fastener solutions to industries throughout Africa.

Note: For more information regarding the valuations and valuation methodology refer to section Overview of investments held through profit and loss, in the 2023 Annual report.

Corporate items (Cash and cash equivalents, Accounts receivable and loan receivables, and Other) equate to R0.34 per share.