



AAF

Summarised consolidated
financial results
for the year ended 29 February
2024

Key Metrics

Financial highlights

Within the last two financial years
R434 million
of capital has been returned to shareholders
through buyback programmes and dividends.

R29.93

Net asset value
per share
(2023: R25.77)



+16%

R380 million

Net profit after tax
(2023: R348 million)



+9%

R717 million

Portfolio company
performance: Earnings
before depreciation and
amortisation
(2023: R520 million)



+38%

R13.70

Share price
(rand per share)
(2023: R14.31)



-4%

109 380 207

Shares in issue
(net of treasury shares)
(2023: 119 538 853)



-8%

R0.60

Dividend per share
(2023: R0.55)



+9%

Introduction

Our 2024 results establish a strong foundation for the **next phase** of value creation, with our Portfolio Companies witnessing robust organic growth.

During 2022 and 2023, we took decisive action on our strategic direction. Focus remained on the composition of our capital base and performance within our Portfolio Companies, to benefit from a more favourable business environment. As we saw an easing of major input costs with inflationary pressure starting to stabilise, and supply chain pressures being alleviated globally our results reflect the positive momentum. On the other hand, high interest rates still prevail, and the cost of capital has increased impacting growth.

During the year, AAF's net asset value increased to R29.93 per share (increase of 16%) due to good performance across the portfolio companies and the successful repurchase of approx. 10 million shares. During our comparable reporting period, the JSE All Share Index contracted by 6% and the JSE South African Consumer Non-Cyclicals Price Return Index increased by 4.2%. The growth of our investments was 16% for the same period – an outperformance of more than 12 percentage points.

As an investment holding company, balancing short-term opportunities with long-term fundamentals is critical. Our shorter-term priority continues to be ensuring our capital is optimally deployed. We have demonstrated this with the significant capital unlocked from our portfolio companies and utilised in share buyback programmes and dividends, as well as the disposal of two farms within ACG Fruit Group.

AAF's Portfolio Companies have shown their resilience with strong performances across the board. Aggregated net profit of the portfolio attributable to AAF has increased to R192 million, operating in industries with promising fundamentals and substantial growth potential ahead. We look forward to continued progress in delivering value to our shareholders and supporting our investments' sustainable growth, 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 in Southern Africa.

Looking ahead, we will continue our trajectory of initiating more buyback programmes, with the aim to narrow the current discount to net asset value and focusing on our core investments.

Capital sources, other than dividend income from our portfolio, are being explored. We will be able to fund exciting and significant growth opportunities within the Portfolio Companies as we embark on this next phase.

Portfolio performance

Moov Fuel Group reported EBITDA of R224 million for the financial year (increase of 16%). Moov Fuel had an exceptional year, with volume gains and improved margins. Net profit per litre increased by 17%. Bachmus Oil & Fuel's volumes decreased by 33% due to normalisation of bunkering export sales. Bachmus Oil & Fuel continues to far exceed our expectations, with an IRR of 107% as at 29 February 2024.

Kyron Group has delivered another strong operational performance, with EBITDA growth of 12% to R190 million for the year. This was driven largely by the Animal health division, capitalising on market opportunities and securing significant distribution agreements. Kyron has successfully renegotiated its debt position which unlocked further value to its shareholders.

Overberg Agri Group has had a challenging year on a net profit level. This was due to significant once-off write-offs pertaining to barley rejections. The 2023/24 harvest proved to be especially challenging. The September 2023 floods in the Western Cape significantly damaged infrastructure and agriculture in general, and delayed harvests. Loadshedding remains a challenge, with costly alternative energy sources being required. Overberg Agri Group's performance on an EBITDA basis was respectable, with a reported EBITDA of R206 million (13% increase).

ACG Fruit Group recorded an EBITDA of R50 million. This reflects management's efforts to manage costs, obtain yields, use farmland optimally, and exploit all opportunities to maximise shareholder value. Our 2023 citrus harvest was characterised by the abnormally low weight of our fruit. However, the financial results have been positively impacted by eased costs relating to transportation and a more favourable price, in part due to the weakening of the rand. ACG Fruit produced and exported 874 000 cartons of citrus. The 2024 table grape harvest produced a record yield. However, severe port congestion significantly hampered exports in the critical window of mid-December to mid-January, especially at Cape Town harbour. A large portion of our early table grape harvest arrived in Europe almost three weeks late, significantly impacting quality and claims from our customers. This was mitigated by a more favourable price and weakening of the rand related to our sound deliveries. ACG Fruit managed the production of 2.3 million cartons of table grapes.

Events after the reporting period

We have acquired a 36% stake in RSA Group post-year-end, subject to fulfilment of conditions precedent, for a consideration of R214 million. The consideration payable is in the form of AAF shares at R16 per share and a deferred consideration portion, to be settled with cash or AAF shares, that remains outstanding until November 2026 based on the outcome of certain contractual terms agreed. We believe this earnings enhancing asset will add value to our portfolio above its profit contribution on a light capital structure.

Portfolio Fair Value analysis

The net asset value per share of our portfolio amounted to R29.93, exceeding the current share price of R13.70 with 118% as at 29 February 2024.

Rand NAV analysis

	Weighting %	Audited 29 Feb 2024 R'm	Audited 28 Feb 2023 R'm	Movement %
Investments				
– Overberg Agri Group	29.5	965	1 044	-8%
– Kyron Group	25.8	846	675	+25%
– Moov Fuel Group	18.3	600	497	+21%
– Other investments	24.4	798	824	-3%
Cash and cash equivalents	1.6	53	26	+104%
Accounts receivable and loan receivables	0.7	22	24	-13%
Other	(0.3)	(11)	(10)	+4%
NAV to ordinary shareholders	100	3 273	3 080	
Number of issued shares (excl. treasury)		109 380 207	119 538 853	
NAV per share		29.93	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, Kyron and Moov has proven to be a rewarding investment with promising prospects.

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

Empowerment

Through AAF Invest’s Fund Management Agreement with AVP, a majority black-owned Fund Manager, we have successfully empowered AAF Invest as a “black fund” (Level 1). Thereby we have enabled our Portfolio Companies to enhance their respective B-BBEE scorecards with AAF Invest’s black ownership credentials. This is in line with our strategy to support a transformed business landscape. Our portfolio companies will be the biggest beneficiaries of this change.

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 fair value estimate. Thus, we have and will initiate further share repurchase programmes. We aim to unlock shareholder value and close the discount between our sum of the parts and share price in the coming years. Due to the significant discount to our sum of the parts value, we believe the best investment we can make for our shareholders is in AAF. With the share repurchase programme, remaining shareholders will benefit directly through the uplift in the value. As an alternative to share repurchase programs, capital may be returned to shareholders via a special dividend whenever the opportunity arises.

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 60 cents (2023: 55 cents) per share for the year. Payable on 1 July 2024 to shareholders on register at 17 June 2024.

Outlook

As we navigate the economic landscape of South Africa, particularly within the agriculture industry, it’s important to acknowledge both the challenges and opportunities that lie ahead. The future economic growth outlook for the nation projects a notable improvement compared to preceding years. Key drivers of the optimistic economic performance include the anticipation of an interest rate cutting cycle and a reduction in average inflation rates. Additionally, efforts to address the energy crises and logistical congestion at ports promise to bolster economic growth.

However, amid the positive outlook, several challenges persist which pose potential impediments to our operations and investment strategies.

In conclusion, while South Africa faces multifaceted challenges, particularly in the realm of service supply and high costs of doing business, the agriculture industry remains resilient and offers promising investment opportunities in solving the challenges faced by primary producers. Our focus remains on supporting the primary drivers of food security in our country, and in Africa at large.

Appreciation

We sincerely thank our Portfolio Companies and management teams for their hard work and esteemed leadership through another difficult year. We appreciate our Board members, whose insight and efforts have been instrumental in the Company’s success over the past year and whose guidance we will rely on again in the coming year.

On behalf of the Board, we would like to express our appreciation to our stakeholders, including employees, shareholders, partners, valued customers, and suppliers. The success of AAF remains a team effort. Our constant endeavour at AAF is to create value for you and 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 AAF’s consolidated financial statements for the year ended 29 February 2024, from which this financial information has been extracted. The unmodified auditor’s report dated 17 May 2024 is available for inspection at the registered office of AAF. AAF’s auditors have not audited or reviewed the Summarised consolidated financial results for the year ended 29 February 2024, nor reviewed or reported on any of the comments relating to prospects. The full audited annual financial statements for the year ended 29 February 2024 are available on the website at www.acornagri.co.za/financial-information

Extracts from the statement of financial position

As at 29 February 2024

	29 February 2024 R'm	28 February 2023 R'm
Assets		
Non-current assets	3 068	2 399
Current assets		
Loans to group companies	207	714
Other current assets	55	8
Total assets	3 330	3 121
Equity and liabilities		
Equity	3 273	3 080
Non-current liabilities	–	1
Current liabilities	56	40
Total equity and liabilities	3 330	3 121

Extracts from the statement of profit or loss

for the year ended 29 February 2024

	2024 R'm	2023 R'm
Fair value gains on investments at FVPL	292	–
Dividend income	65	–
Investment Income	357	–
Revenue	79	19 334
Fair value adjustment - biological asset: consumable	–	3
Cost of Sales	–	(17 877)
Gross profit	79	1 459
Operating profit before capital items	390	422
Capital items	(1)	224
Net financing costs	–	(223)
Share of net profit from associate	–	2
Profit before taxation	389	425
Taxation	(9)	(77)
Profit for the year	380	348

Extracts from the statement of cash flows

for the year ended 29 February 2024

	2024 R'm	2023 R'm
Cash flows from operating activities	34	126
Changes in working capital	1	(282)
Other	33	408
Cash flows from investing activities	238	(157)
Deemed disposal of subsidiaries with change in status to investment entity	–	(112)
Other	238	(45)
Cash flows from financing activities	(225)	(207)
Dividends paid	(65)	(91)
Other	(160)	(116)
Net cash increase/(decrease) for the year	47	(238)
Net cash, cash equivalents and bank overdrafts at the beginning of the year	5	243
Net cash, cash equivalents and bank overdrafts at the end of the year	52	5



AAF

Our investments

We invest in companies that support food security

16%

Increase for Net Asset Value per share

Food security legend

- Affordability
- Availability
- Quality and safety
- Sustainability and adaptation

Overberg Agri (100%)

Fair Value of our investment: R866 million

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



R7.91

Overberg Wealth and Risk Management (70%)

Fair value of our investment: R99 million

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



R0.91

Kyron Group (100%)

Fair value of our investment: R846 million

Leading animal health business.



R7.74



R0.41

Overberg Meat (100%)

Fair value of our investment: R44 million

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

Montagu Snacks (100%)

Fair value of our investment: R41 million

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



R0.38

Moov Fuel (69%)

Fair value of our investment: R512 million

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



R4.68

Bachmus Oil & Fuel (35%)

Fair value of our investment: R88 million

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



R0.80

Lesotho Milling (34%)

Equity-accounted carrying value: R62 million

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



R0.56



R4.10

ACG Fruit (100%)

Fair value of our investment: R448 million

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

P&B Lime Works (74%)

Fair value of our investment: R119 million

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



R1.08



RSA Group (36%)

Fair value of our investment: No value, acquired post year end, subject to fulfilment of conditions precedent.

Specialises in the sales and marketing of fresh fruit and vegetables on behalf of farmers in all marketing channels: markets, export, retail and e-commerce.



R0.77

Boltfast (75%)

Fair value of our investment: R84 million

Supplier of fastener solutions to industries throughout Africa.

Corporate items (Cash and cash equivalents, Accounts receivable and loan receivables, and Other) equate to R0.59 per share.

Note: For more information regarding the valuations and valuation methodology refer to section Overview of investments held through profit and loss, in the 2024 Annual report