AAF

Unaudited summary of interim results

for the six months ended 31 August

2024

Highlights

AAF Invest is a **Level 1** BEE contributor

Net asset value increased by **10%** to **R3 606 million** from 29 February 2024

Net asset value per share:

18% increase from R26.01 at 31 August 2023 and an increase of **2%** from R29.93 at 29 February 2024 to **R30.65** as at 31 August 2024

Corporate action:

Acquisitions of **R214 million**

Disposals of **R90 million**

Capital raised of **R167 million** at **R16 per share**

Introduction

Acorn Agri & Food Ltd, through its wholly owned subsidiary AAF Invest (Pty) Ltd (together 'AAF'), has successfully completed four corporate transactions in line with our strategy to reposition our portfolio to core investments supporting food security on our continent. AAF has disposed of Lesotho Milling Company Ltd and one of the table grape farms in the ACG Fruit (Pty) Ltd portfolio, Ouberg (Pty) Ltd. Overberg Meat (Pty) Ltd has nearly doubled its operational abattoir capacity through the establishment of Hessequa Meat (Pty) Ltd, a wholly owned subsidiary, which has expanded its operations into the Riversdale region. Additionally, AAF acquired a 36% stake in Interaction Marketing Services Holdings (Pty) Ltd, trading as RSA Group, effective 1 June 2024, as highlighted in the 2024 Annual Report.

Our portfolio has recently seen a welcome relief in input costs, driven by lower inflation and fuel prices, a strengthening rand, and the suspension of load shedding, along with the first in a speculated series of interest rate cuts. However, the prevailing business landscape in South Africa remains challenging, as the elevated interest rate environment, high energy costs, and ongoing logistical constraints continue to pose obstacles to economic growth for businesses. AAF's portfolio companies did not escape these factors, putting pressure on revenue and margins.

The AAF portfolio has sustained positive earnings momentum, with net profit after tax of R277 million for the six months ended 31 August 2024 and a 18% increase in net asset value from 31 August 2023. The profit is primarily driven by the positive impact of the stellar performance of Kyron Group and a recovery of trading conditions supporting the valuation of Overberg Agri after the devastating effects of the September 2023 floods and resultant impact on barley. We remain optimistic about the future growth of our portfolio companies, underpinned by the resilience they have shown in navigating these challenging times and capitalising on growth opportunities.

Cash generation remains strong within the portfolio companies, this partly enabled AAF to have declared and paid a R0.60 dividend per share, but also successfully repurchased 2.2 million shares at a weighted average of R12.33 per share since 29 February 2024.

Growing the Future

We remain committed to investing in and expanding our portfolio to ensure long-term, sustainable food security within a transformed business landscape for Southern Africa. Central to our strategy is the success and support of the producer. We are actively prioritising several bolt-on opportunities that will drive sustainable growth, ensuring that all stakeholders benefit from our continued progress.

We strive to create value through a holistic business model that leverages capital inputs and transforms them via corporate actions, including strategic initiatives, business operations, and stakeholder engagement. These efforts generate outputs and outcomes that, over the short, medium, and long term, deliver value to AAF, its stakeholders, society, and the environment.

Portfolio performance

AAF's net asset value per share increased with 18% to R30.65 from 31 August 2023, after paying a cash dividend of R0.60 per share to all shareholders in this period.

The growth in value is driven by strong earnings momentum across our portfolio along with the inclusion of RSA Group.

Kyron Group has experienced another six months of exceptional growth, with sales increasing notably in the Animal Health business, driven by an extended wet season and successful new client business. This has led to an 11% rise in revenue compared to August 2023, while keeping operational costs consistent with the prior year. As a result, operating profit before capital items increased by 19% to R100 million for the first 6 months of trading. During this interim reporting period, Kyron has successfully restructured its debt to a more cost-effective structure, reducing finance costs, while maintaining liquidity for working capital and expansionary needs.

Overberg Agri Group has faced reduced sales volumes of general goods due to the economic conditions and pressure experience by its customer base due to the lower than expected 2023/2024 harvest. The Overberg region experienced another significantly wet winter, which could affect yields.

The following measures are reported pertaining to the results of our portfolio companies on a stand-alone basis (own balances):

Portfolio Company	Revenue (R'm)	Change from August 2023	Operating profit before capital items* (R'm)	Change from August 2023	Net profit after tax (R'm)	Change from August 2023
Kyron Group	408	+11%	100	+19%	40	+20%
Overberg Agri	2 477	+7%	87	-14%	19	-60%
Overberg Wealth and Risk Management	35	+8%	10	-9%	7	+11%
Moov Fuel	4 044	-22%	76	-10%	36	+26%
Bachmus Oil & Fuel	1 341	+10%	23	+17%	15	+17%
ACG Fruit	131	+12%	1	+143%	-14	+22%
Boltfast	65	-5%	3	-3%	1	-5%
P&B Lime Works	127	+29%	24	+199%	8	+334%
Montagu Snacks	83	+6%	5	+21%	-1	+60%
Overberg Meat	170	+36%	2	+337%	1	+233%
RSA Group**	–	–	–	–	10	–
	8 881	-8%	331	+5%	122	+16%

* *Excludes depreciation and amortisation*

** *AAF share of earnings from effective date of 1 June 2024 to 31 August 2024*

Current projections are pessimistic on Barley production, but optimistic on Wheat, Conola and Oats production. The full impact on the yields will only be able to be determined in the upcoming months. Overberg Agri Group has reported an operating profit before capital items of R87 million for the six months trading, a 14% decrease year-on-year. With the expected yields and easing of input costs, we are still optimistic about the recovery of sales as we enter into the harvesting season.

Moov Fuel Group has faced challenges in maintaining the record volumes achieved in the prior year, with volumes down 11% year-on-year, primarily due to reduced demand following the suspension of load shedding and lower demand for generator fuel. Despite the lower volume, Moov managed to effectively deploy strategic actions not to compromise its profitability and gross profit remained consistent to that of August 2023. Management is hard at work to increase volume by targeting specific areas with cash pricing and are working on numerous new clients to recover the volume deficit. Net profit after tax increased by 26% year-on-year, to R36 million. Bachmus Oil & Fuel successfully continued its revised business model, focusing on margin per litre within its commercial business unit while maintaining volumes. This strategy led to a 10% increase in revenue compared to August 2023 and a 17% rise in operating profit before capital items, reported as NAD 23 million.

ACG Fruit Group has undergone significant changes due to the disposal of two farms prior to 29 February 2024 and another farm (Ouberg) during the reporting period. As such, year-to-date performance does not fully reflect annual expectations, given the incomplete citrus season and the yet-to-begin grape season. The citrus season has been disappointing, with lower export cartons produced. Berekisanang and Copperzone also experienced substantial shortfalls due to last year's frost, high summer temperatures, and weak fruit colouration. Citrus prices have been lower than anticipated, though there is hope for recovery as the season progresses. We remain optimistic for the grape season and are preparing the farms for full production. Additionally, ACG has expanded its cash crop farming, achieving a successful green bean harvest and planning further planting initiatives to optimise cash flow and productivity on a per hectare basis per farm.

RSA Group, AAF's latest acquisition, has concluded its financial year on 30 June 2024, reporting an unaudited net profit after tax of R91 million, a 15% return on our invested equity. We are very excited about the future of the RSA Group and the role it will play in the future for AAF and its contribution to Food Security in the South African landscape. RSA Group's strong profitability and cash generation capabilities are expected to significantly enhance the overall investment earnings within AAF's portfolio.

Portfolio Fair Value analysis

The net asset value per share of our portfolio amounted to R30.65, compared to our current share price trading levels of between R11.50 and R16.00. The liquidity of our shares on the OTC platform remains very low.

Rand NAV analysis as at 31 August 2024:

R'm	**Unaudited 31 August 2024**	Unaudited 31 August 2023	Growth %	Audited 29 February 2024
Investments and loans				
Overberg Agri Group	**1 084**	1 040	4	965
Kyron Group	**921**	692	33	846
Moov Fuel Group	**616**	520	18	600
ACG Fruit Group	**408**	427	(4)	448
P&B Lime Works	**121**	127	(5)	119
Overberg Meat	**56**	45	24	44
Montagu Snacks	**42**	46	(9)	41
Boltfast	**67**	86	(22)	84
RSA Group	**224**	–	n/a	–
Lesotho Milling	**–**	63	n/a	62
Cash and cash equivalents	**46**	5		53
Accounts receivable and loan receivables	**32**	19		22
Other	**(11)**	(7)		(11)
NAV to ordinary shareholders	**3 606**	3 063	18	3 273
Number of Issued shares (excl. treasury)	**117 640 774**	117 767 620		109 380 207
NAV per share	**30.65**	26.01	18	29.93

Our valuation methodology has remained consistent to the audited results of February 2024, adjusted for known factors and portfolio companies exceeding or not exceeding their expected profits for the period. RSA Group has been equity accounted for purposes of interim reporting from the effective date of acquisition.

Capital allocation

During the reporting period, we successfully disposed of Lesotho Milling Company and Ouberg, one of ACG's farms, at values approximating our carrying values. We are actively assessing opportunities to divest our non-strategic and underperforming investments. Additionally, we are exploring several promising complementary and bolt-on opportunities to enhance our core investments.

We refer shareholders to the notice sent on 10 October relating to a, price sensitive, proposed transaction.

As soon as more information relating to this transaction is available, it will be shared with shareholders.

Dividends

As is customary for AAF, no dividend has been declared for the interim period.

Outlook

Interest rate environment

The South African Reserve Bank has announced a reduction in the interest rate by 0.25%, effective from 20 September 2024. This decision follows the slowing of inflation to the mid-target level of 4.5%. The financial sector anticipates further rate cuts, with the average forecasts suggesting that the repo rate could drop to just below 7% in the fourth quarter of FY25. These reductions are expected to benefit Acorn Agri & Food's portfolio companies with leveraged balance sheets, potentially driving higher earnings and an increase in valuations as a result of the lower interest rate environment.

Macro-economic environment

Over the past six months, both business and consumer confidence has improved significantly which together offer a cautiously optimistic outlook for the remainder of 2024. However, substantial efforts are still needed to enhance the performance of the logistical infrastructure. Longer term, continued electricity supply stability and the government of national unity's apparent support for continued reform in the critical areas of infrastructure are likely to boost private confidence and investment into South Africa. The 2024 real GDP growth forecasts have been revised up to 1.1% from 0.9% and 2025's growth projection has been revised upwards to 2%, from 1.7% previously.

Diversification

Erratic weather patterns have caused significant impact on our portfolio companies during the last 6 months and could potentially have a negative and/or positive impact on the remainder of this financial year. Diversification by product, geography and customers remains our biggest tool to manage this and ensure you as shareholder enjoy the best possible return from your invested capital.

Appreciation

We would like to end with a quote from Ralph Waldo Emerson, "The creation of a thousand forests is in one acorn." A reminder of the potential for greatness within something small or seemingly insignificant. The acorn, a small seed, holds within it the potential to grow into a mighty oak tree, which in turn can produce thousands of acorns, each capable of growing into more trees and eventually creating entire forests.

This quote highlights the idea that big things often start from small beginnings. It speaks to the concept of potential and how even the smallest actions or ideas can lead to significant outcomes over time. It also suggests the importance of nurturing and believing in the potential of what may seem small or unimportant at first. We would like to extend our sincere appreciation to the management teams of our portfolio companies and our fund management team for their exceptional leadership during a period of continued change. On behalf of the board, I would like to express our gratitude to our stakeholders including employees, shareholders, partners, valued customers, and suppliers. At AAF, it remains our unwavering commitment to create value for you and to serve you with the utmost dedication.

Douw de Kock
Chairperson

Pierre Malan
Chief executive officer

Extracts from the unaudited statement of financial position

	31 August 2024 Unaudited R'm	31 August 2023 Unaudited R'm	29 February 2024 Audited R'm
Assets			
Non-current assets	**3 350**	2 432	3 068
Current assets			
Loans to group companies	**268**	635	207
Other current assets	**48**	7	55
Total assets	**3 666**	3 074	3 330
Equity and liabilities			
Equity	**3 606**	3 063	3 273
Non-current liabilities	**–**	–	–
Current liabilities	**60**	11	57
Total equity and liabilities	**3 666**	3 074	3 330
Shares in issue, net of treasury shares (number)	**117 640 774**	117 767 620	109 380 207
Net asset value per share (Rand)	**30.65**	26.01	29.93

Extracts from the unaudited statement of profit or loss

	UNAUDITED RESULTS FOR THE SIX MONTHS ENDED		
	31 August 2024 R'm	31 August 2023 R'm	Audited results for the year ended 29 February 2024 R'm
Fair value profits/(losses) on investments at FVTPL	**217**	(16)	292
Dividend income	**71**	65	65
Investment income	**288**	49	357
Revenue	**6**	54	79
Other income	**–**	1	1
Administration costs	**(20)**	(21)	(47)
Operating profit before capital items	**274**	83	390
Capital items	**–**	–	(1)
Operating profit	**274**	83	389
Net financing income	**–**	–	–
Share of net profit from associate	**–**	–	–
Profit before taxation	**274**	83	389
Taxation	**3**	(10)	(9)
Profit for the reporting period	**277**	73	380

Extracts from the unaudited statement of changes in equity

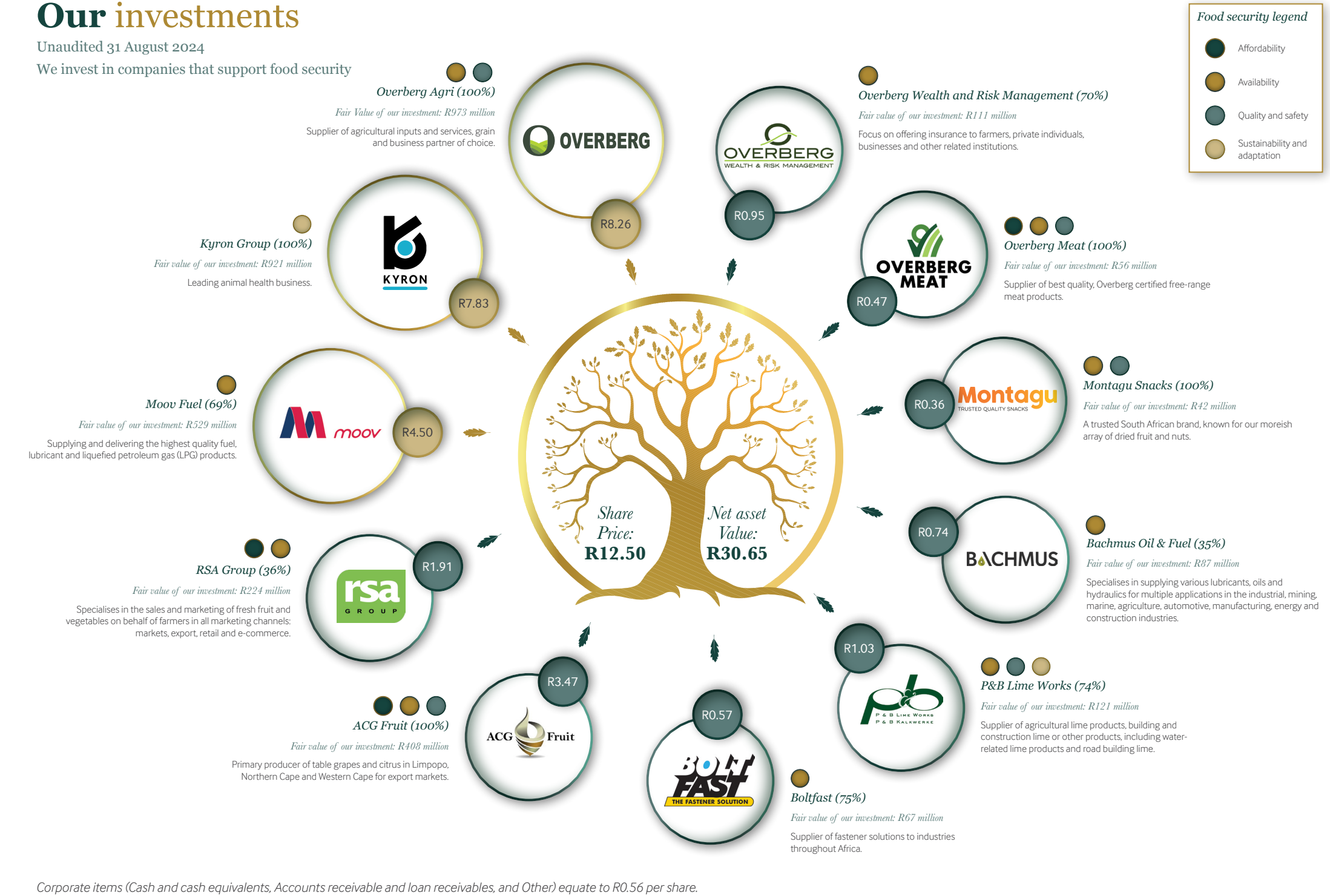
	Stated capital R'm	Treasury shares R'm	Retained earnings R'm	Total equity R'm
Opening balance: 29 February 2024	1 360	(215)	2 128	**3 273**
Total comprehensive income				
Profit for the year	–	–	277	**277**
Transaction with owners of the parent				
Contributions and distributions				
Share issue	64	(64)	–	**–**
Share purchase programme (AAF Invest (Pty) Ltd)	–	(27)	–	**(27)**
Shares utilised as purchase consideration	–	168	–	**168**
Profit on treasury share issue	–	(13)	–	**(13)**
Dividends paid	–	–	(72)	**(72)**
Total contributions and distributions	64	64	(72)	**56**
Closing balance: 31 August 2024	1 424	(151)	2 333	**3 606**

AAF

Our investments

Unaudited 31 August 2024

We invest in companies that support food security



Corporate items (Cash and cash equivalents, Accounts receivable and loan receivables, and Other) equate to R0.56 per share.