Interim Results Press Release
for the six months ended 28 February 2019

EFFECTIVE EXECUTION OF THE GROWTH STRATEGY THE MAIN DRIVER BEHIND TWK'S SOLID SET OF INTERIM RESULTS

- Revenue increased by 4% to R3.9 billion (Feb 2018: R3.7 billion)
- Operating profit increased by 24% to R220 million (Feb 2018: R178 million)
- Normalised headline earnings increased by 35% to 313 cents (Feb 2018: 232 cents)
- Net asset value per share up by 14% to R38.04 (Feb 2018: R33.48)
- Cash from operating activities up 15% to R213 million (Feb 2018: R185 million)

28 March 2019: **TWK Investments Limited** (TWK), a diversified agriculture and forestry company that operates through the following divisions, namely Timber, Retail and Mechanisation (Trade), Financial Services, Grain and Vehicles and Tyres, is pleased to report a more than satisfactory set of results for the six months ended 28 February 2019. *"TWK's overall results for the first six months are reflective of the well-diversified agricultural business model which contributed to the year-on-year growth and success of the Group. The Timber segment contributed to the growth and performance in the first six months of 2019, driven by increased timber sales. The general trading conditions came under pressure, which resulted in decreased sales and net profit in the Retail segment compared to the previous period*," commented André Myburgh, CEO of TWK.

Against the backdrop of uncertain economic and political conditions, slow economic growth and later-than-normal rain in the local summer rainfall areas, revenue increased by 4.3% from R3.7 billion to R3.9 billion. TWK's results were positively impacted by increased timber sale volumes, improved margins, cost control and effective working capital management. While fertiliser sales volumes decreased by approximately 1.7%, Group revenue was supported by strong timber sales. This, together with improved efficiencies, resulted in an increase of 23.0% in earnings before interest and tax (EBIT) to R211.1 million (Feb 2018: R171.7 million) which equated to an EBIT margin of 5.4% (Feb 2018: 4.6%). Profit after tax increased by 30.5% to R111.8 million from R85.7 million reported for the comparable prior period. Normalised headline earnings increased to 313.00 cents per share, which is 34.9% higher than the corresponding period.

Eddie Fivaz, TWK's Chief Financial Officer said: *"The Group's financial position is stronger with total assets having increased by 17.8% from R3.7 billion to R4.4 billion. Net cash is lower due to an increase in inventory and debtor levels, however cash from operating activities before changes in operating capital increased by 15.2% to R213.3 million. The Group's gearing was 148% at 28 February 2019 which is slightly higher than the corresponding period. The net asset value per share increased by 13.6% to R38.04 per share at 28 February 2019 compared to R33.48 as at 28 February 2018."*

The **Timber segment** continued to experience favourable market conditions. Revenue increased by 0.6% from R1 198 million to R1 205 million despite lower than expected sales in the local markets, with high volumes being exported to international markets. TWK managed to earn excellent yields from own and bought standing plantations. Revenue was also supported by the weakening of the rand. EBITDA increased dramatically by 85.0% to R147.4 million and the EBITDA margin increased from 6.7% to 12.2%. There is a growing demand for TWK wood chips in the export market and it is expected that export volumes will increase in the coming year with a concomitant increase in the price of exported chips.

Revenue for the **Retail and Mechanisation (Trade) division** decreased by 1.5% from R1 624 million to R1 599 million which is mainly attributable to a decrease in fertiliser sales during this period. Fertiliser sales decreased by 1.7% mainly due to the later than normal rainfall in certain areas of the country and competition in the market. The lower revenue as well as the pressure on fertiliser margins due to competition had a negative effect on the segment's net profit, with EBITDA decreasing by 35.6% from R72.6 million to R46.7 million and the EBITDA margin decreasing from 4.5% to 2.9% as a result. General trading conditions in the 27 retail stores did improve during the period which, together with effective cost and operating capital management, supported the profitability of the segment.

The **Financial services division** reported an increase in revenue of 22.9% from R69.9 million to R85.9 million, due to the growth of its footprint by approximately 4.1% in hectares insured and an increase of the total debtors' book of 19.0%. EBITDA increased by 22.3% from R40.2 million to R49.1 million. The short-term insurance market experienced significant changes in legislation and new compliance requirements during the past six months. This caused the inability of smaller brokers and/or brokerages to function effectively, thus having to seek alternatives either by exiting the market or joining larger groups offering them the necessary support and security. TWK insurance was able to grow organically and successfully integrated some of these smaller brokerages.

The **Grain division's** revenue increased by 51.8% to R478.7 million mostly because of a sharp rise in grain prices since September 2018 as well as an increase of 15.0% in the production volumes of the processing plants. Although higher volumes were achieved at the production plants, the high grain prices have placed pressure on the margins of maize meal and animal feed. The storage volumes at TWK's silos were also lower due to 2018's lower crop yields which negatively impacted the revenue and results of the segment. The Animal Feed factory in Mkondo again delivered poor results for the period. This was mainly due to the severe reduction in production volumes. Should the recently implemented strategy not prove to be effective, management will have to take more drastic action. All of the above resulted in EBITDA decreasing by a disappointing 50.1% to R8.4 million from R16.9 million. The EBITDA margin declined to 1.8% (Feb 2018: 5.4%).

Within the **Motors and Tyres division,** the Toyota and Hino dealerships outperformed the generally disappointing South African trend in new car sales. The total increase in unit sales of 2.3% for the Toyota and Hino division is due to market penetration and a strong increase of 50% in commercial vehicle sales numbers. The Isuzu division, however followed the general trend with a total decrease of 9.6% in units sold. Gross profit remained under severe pressure, with a concomitant decrease in the net results. The filling stations results decreased in comparison with the previous period due to upgrades at certain filling stations, which resulted in low volumes sold. The upgrades are expected to be completed during April 2019 whereafter volumes are expected to increase to normal capacity. The first filling station in Ermelo was opened in December 2018 and has already delivered satisfactory results. The sales volumes in the Tyre segment increased by 5.5% when compared to the previous period, which was supported by the extension in the Middelburg and the Gauteng area. Total revenue of the Motor and Tyre segment is flat at R518.9 million and EBITDA decreased by 35.5% to R9.3 million from R14.4 million. The EBITDA margin decreased from 2.8% to 1.8%.

Myburgh concluded: *"The Group remains well placed to grow revenue through ongoing product innovation and expansion. It will benefit from opportunities that arise as and when it occurs and any decisions it makes will be in the best interest of its shareholders. The Group has sufficient headroom to enable it to conform to covenants on its existing borrowings, and sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investments. It is therefore expected that the good momentum built up by the different segments will continue and that the results for the full financial year ending 31 August 2019 will exceed that of the prior financial year."*

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Notes to the Editor

TWK Investments Limited (TWK) is a diversified agriculture and forestry company, headquartered in Piet Retief, Mpumalanga. The Group operates over a wide geographical area of Mpumalanga, KwaZulu-Natal, Eastern Cape, Western Cape, Free State, Limpopo and Gauteng. TWK listed on the ZARX exchange on 12 June 2017 and operates through the following segments:

Timber segment

TWK markets and sells approximately 1,45 million tonnes of round timber annually to various markets which represents approximately 10% of the South African total round timber market.

Retail and Mechanisation segment

The Retail and Mechanisation segment produces a variety of agricultural products to producers and the general public. TWK operates 27 retail outlets that are strategically positioned in Mpumalanga, KwaZulu-Natal and Swaziland.

Grain segment

The Grain segment specialises in the storage, processing and marketing of grain. TWK produces its own trademark maize and animal feed that is retail, wholesale and locally marketed.

Financial services segment

The Insurance division focus on dynamic and modern insurance products to agricultural producers. The Credit division provides bridging facilities, term lending and asset financing to farmers.

Vehicles and Tyres segment

TWK owns a couple of vehicle dealerships as well as own Protea Tyres.

For a comprehensive overview of TWK, please refer to the attached Company Profile.