



## Final Results Press Release for the year ended 31 August 2019

### TWK DELIVERS ANOTHER RECORD SET OF RESULTS

- Revenue increased by 4% to R7.8 billion (Aug 2018: R7.5 billion)
- Operating profit increased by 30% to R431 million (Aug 2018: R332 million)
- Headline earnings per share increased by 23% to 480 cents (Aug 2018: 391 cents)
- NAV per share up by 13% to R40.74 (Aug 2018: R35.98)
- Total dividend per share up 20% to 90 cents (2018: 75 cents)

**28 November 2019: TWK Investments Limited** (TWK), a diversified agriculture and forestry company that operates through the following divisions, namely Timber, Retail and Mechanisation, Financial Services, Grain and Vehicles and Tyres, is pleased to report another record set of results for the year ended 31 August 2019. André Myburgh, CEO of TWK, commented: *“Despite a very challenging economic environment, the 2019 financial year reflected an exceptional performance from TWK. The compound annual growth rate (CAGR) in revenue is 10% over the past five years, but more importantly, we have delivered a CAGR in dividends declared of nearly 32% over the same period.”*

Although the tough trading conditions negatively impacted the Retail and Mechanisation as well as Vehicles and Tyres segments, we are very pleased to report revenue growth of 3.9% from R7.5 billion (2018) to R7.8 billion (2019). Improved cost efficiencies and strict cost controls resulted in the Group increasing operating expenses by only 3.5%, which resulted in the operating profit increasing by 29.9% to R431.1 million (2018: R331.7 million). The operating profit margin improved to 5.6% (2018: 4.4%), which is commendable given the fierce competition in the markets the Group operates.

Eddie Fivaz, TWK’s Chief Financial Officer said: *“The company declared a total dividend to shareholders of 90 cents per share, an increase of 20% on the previous year’s 75 cents per share. Our financial position remains strong with good cash flow. Net asset value per share increased by 13.2% from R35.98 as at 31 August 2018 to R40.74 as at 31 August 2019. Return on equity increased from 13.5% to 13.7%.”*

The **Timber division** experienced an unprecedented high international demand for wood chips as well as a healthy demand for timber in the national markets in 1H2019. Wood chip prices increased on the back of this demand with concomitant higher prices for pulpwood to producers during the same period. Because of the 1H2019 trend, high international stock levels occurred which manifested in a sharp decline in wood chip prices during 2H2019. On the back of a decline of 4.4% in wood chip exports for the financial year from 702 869 tons (2018) to 671,799 tons (2019) and a decline of 8.3% of total tonnage of round timber marketed to various local markets, revenue decreased by 11.2% from R2 490.4 million (2018) to R2 210.8 million (2019). Operating profit from continuing operations increased by 57.3% from R174.5 million (2018) to R274.5 million (2019), boosted by the Rand weakening against major currencies. The operating profit margin was 12.4% (2018: 7.0%). During the reporting period, the mine timber sawmill, BedRock, faced a challenging year as a result of a five-month strike in the gold mining industry and TWK permanently closed the Lydenburgh Sawmill due to its weak financial performance.

Revenue for the **Retail and Mechanisation division** increased by 2.3% from R2 845.8 million (2018) to R2 912.2 million (2019) under extreme competitive trading conditions which led to lower sales and lower gross margins. Fertiliser sold during the year increased by 3.1% from 261,000 tons (2018) to 269,000 tons (2019). A reduction in customer spend was noticeable because of droughts in certain areas, lower

sugar and milk prices as well as lower maize and other grain yields. These factors resulted in a sharp decline in operating profit of 52.8% from R67.8 million (2018) to R32.0 million (2019) and a drop in the operating profit margin from 2.3% (2018) to 1.1% (2019).

The **Financial Services division** reported an increase in revenue of 19.8% from R149.3 million (2018) to R178.9 million (2019), largely attributed to the diverse product range offered to TWK's clients and increasing the hectares insured by approximately 6%. Despite challenging conditions as well as changing legislation and regulations, offset by the introduction of new Life and Medical Insurance products, operating profit grew by 10.8% from R32.5 million (2018) to R36.0 million (2019). However, the operating profit margin declined from 21.8% (2018) to 20.1% (2019).

The **Grain division's** results were impacted by the El Niño weather conditions that prevailed throughout the year. As a result, the south-western parts of South Africa's summer areas received rain very late and therefore planted very late. Grain prices were therefore quite high during this uncertain period, from December 2018 to April 2019. This gave TWK's grain producers the opportunity to market at good prices but put the industries under pressure, resulting in revenue increasing by an impressive 37.4% from R979.9 million (2018) to R1 346.1 million (2019), but operating profit declining by 17.3% to R19.1 million (2019) from R23.1 million (2018). The operating profit margin dropped to 1.4% (2018:2.4%), reflecting the consumer spending pressures and the poor performances by the Mkhondo maize meal mill and animal feed factory in Piet Retief.

During the year under review, the **Motors and Tyres division**, completed and opened two filling stations, namely Total Fourie Street and Total Wesselton, both located in Ermelo. The development of the Wesselton Mall in Ermelo was also completed with 100% occupancy and excellent anchor tenants. Sales volumes in the tyre industry increased during the year, but it was mainly net profit that stabilised at acceptable levels. This was achieved through market penetration and newly gained markets, especially in Gauteng, specifically the truck market. The coal transport industry, one of TWK's core sources for re-treaded and new tyres, has contracted by almost 45% due to Eskom's restructuring in transport contractor choices at the mines. Revenue increased by 10.2% to R1 097.5 million (2019) from R995.5 million (2018) and operating profit by 38.3% to R35.2 million (2019) from R19.4 million (2018). The operating profit margin increased from 2.0% in the prior year to 3.2%.

*"The new financial year has begun against a background of ongoing macroeconomic uncertainty. While we are not immune from the impact of external events, we are encouraged by our start to 2020. TWK's extensive footprint, infrastructure, market share and expertise enable us not only to focus on maintaining and expanding existing businesses, but to include in our strategy specific targets for partnerships, acquisitions and organic growth, with a focus on the agricultural value-chain"* concluded Myburgh.

**Ends**

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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 round timber and wood chips to various markets both locally and through exports.

### **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 eSwatini (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.