



Interim Results Press Release for the six months ended 29 February 2024

TWK RESULTS IMPACTED BY HEADWINDS BEYOND ITS DIRECT CONTROL

- Revenue from continued operations decreased by 13,7%% to R4,2 billion
- Earnings before interest, tax, depreciation and amortisation (EBITDA) from continued operations decreased by 27,6% to R285,0 million
- Basic headline earnings per share decreased by 10,1% to 351,7 cents
- Net asset value per share increased by 6,5% to R58,26

21 May 2024: TWK Investments Limited (TWK or the Group), a diversified agriculture and forestry company that operates through the following segments, namely Timber, Retail and Mechanisation, Financial Services and Grain, reported interim results for the six months ended 29 February 2024. André Myburgh, CEO of TWK, commented: *“These results were negatively impacted by external factors that resulted in headwinds beyond our direct control. Our Timber segment’s woodchip stockpiles were severely impacted by a neighbour’s fire and did not generate income for most of the reporting period. However, Constantia Fertiliser, the Grain and Financial Services segments positively contributed to the results.”*

For the period under review, discontinued operations consisted of the 100% shareholding in TWK Motors (Pty) Ltd, which was classified as assets-held-for-sale at year end. Management is in advanced negotiations relating to the sale of the Group’s shareholding.

Group revenue and EBITDA from continued operations decreased by 13,7% to R4,2 billion (Feb 2023: R4,9 billion) and 27,6% to R285,0 million (Feb 2023: R393,6 million), respectively.

The **Timber segment** experienced a very challenging six months as a direct result of the fire that broke out at the NCT Woodchip Mill in Richards Bay on 30 September 2023, which raged for two weeks. Although TWK’s woodchip facility, located adjacent the NCT facility, incurred no fire damage, the fire impact on the quality of TWK’s woodchip stockpiles has been extensive and operations ceased for a significant period. The woodchip stockpiles had to be sprayed with fire detergent to prevent the stockpiles catching fire. Taking into account all factors, the total impact of the fire on the TWK business is estimated at approximately R255 million while TWK received a final insurance settlement for stock damage and clearance, business interruption, and expenses of approximately R160 million. TWK Timber had orders for five shiploads of exported woodchips and as a result, all these ships had to be cancelled, resulting in TWK not exporting any woodchips to Japan for five months during this reporting period. Consequently, during the period under review, 43,247 tonnes were exported from TWK’s facility compared to 341,263 tonnes in the prior period, representing a sharp 87% decrease in export sales. TWK Timber managed to sell a large portion of these damaged woodchips to biofuel markets at reduced prices in a tough market.

As a result, the Timber segment’s revenue and EBITDA declined by 35,19% to R946,67 million (Feb 2023: R1,46 billion) and 60,08% to R89,30 million (Feb 2023: R223,70 million), respectively, for the six months ended 29 February 2024. EBITDA margin declined to 9,43% (Feb 2023: 15,31%). The Timber segment is expecting a robust performance for the remainder of the 2024 financial year as a result of the secured woodchip export order book.

Revenue for the **Retail and Mechanisation segment** decreased by 11,45% to R2,29 billion (Feb 2023: R2,59 billion) as this segment continued to be impacted by lower sales volumes across the retail and mechanisation operations offset by an improved performance from Constantia Fertiliser. This directly correlates with the financial strain experienced by most farmers and consumers in the areas in which we trade as everyone grapples with tough economic conditions in the retail market, higher interest rates, increased diesel bills, uncertain political environment due to upcoming elections, and a decline in production facilities to farmers. Commercial farmers and consumers are purchasing products just as needed to protect their cash flow.

EBITDA however increased by 29,69% to R61,53 million from R47,44 million (Feb 2023), with the EBITDA margin increasing to 2,68% from 1,83% (Feb 2023). The main reason for the increase in EBITDA is attributable to the improvement in Constantia Fertiliser's profit and good cost management.

The **Financial Services segment's** revenue increased by 1,48% to R128,89 million (Feb 2023: R127,00 million), with EBITDA increasing by 4,75% to R63,61 million (Feb 2023: R60,72 million). The total crop insurance premium increased by 0,88%, resulting in a 1,24% rise in commission received. Despite macroeconomic challenges, new client acquisitions contributed to a 1,75% increase in total insured clients; however, this was offset by declines in insured hectares of 2,37% and tree area of 4,02%. Medical insurance commission revenue significantly increased by 15,25%, mainly due to a 15,13% rise in members from February 2023 to February 2024. The Production Credit Book decreased by 12,8% during the period under review, peaking at R798,8 million (peak 2023 financial year: R916,7 million). Net interest income increased by 6,86%, driven by higher interest earned on bridging facilities due to late payments.

The **Grain segment's** revenue and EBITDA for the period ended 29 February 2024 increased by 21,32% to R814,88 million (Feb 2023: R671,71 million) and 108,53% to R23,54 million (Feb 2023: R11,29 million), respectively. The EBITDA margin also increased to 2,89% (Feb 2023: 1,68%). These results were achieved on a solid performance by the Grain Marketing business and the increase in maize product and animal feed prices. The average maize and soya prices remained high during the reporting period, underpinned by a weak exchange rate.

Basic headline earnings per share decreased to 351,7 cents, 10,1% lower than the corresponding period.

The Group's financial position remains solid with total assets having increased by 4,4% to R6,9 billion. Net cash from operations from August is lower due to profitability of the Group coming under pressure and an increase in Trade and other receivables. The net asset value per share increased by 6,5% to R58,26 per share as at 29 February 2024.

Myburgh concluded: *"Despite the political and social uncertainties typically associated with an election year, exacerbated by unfavourable macroeconomic conditions placing financial strain on businesses and the consumer, the Group is expecting improved results for the second half of the financial year ending 31 August 2024. We believe the Group's strategy is resolute and will over the long-term, unlock value for all stakeholders."*

Ends

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Notes to the Editor

TWK Investments Limited (TWK) is a diversified agriculture and forestry company. The Group operates over a wide geographical area of Mpumalanga, KwaZulu-Natal, Eastern Cape, Western Cape, Free State, Limpopo and Gauteng. TWK 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

TWK's retail outlets totalled 31 (February 2023: 32), situated in KwaZulu-Natal (13 outlets), Mpumalanga (13 outlets), Eastern Cape (three outlets), Limpopo (one outlet) and Eswatini (one outlet). Six of these branches include a New Holland Mechanisation agency and three branches include a Husqvarna agency. TWK also owns five fertiliser blending facilities located in Mpumalanga, KwaZulu-Natal, and the Western Cape.

Financial services segment

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

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.