



Interim Results Press Release for the six months ended 28 February 2023

TWK RESULTS SHOWS GOOD GROWTH IN TIMBER AND INSURANCE BUSINESSES BUT NEGATIVELY IMPACTED PRIMARILY BY FERTILISER MARKET CONDITIONS

- Revenue from continued operations increased by 7,57% to R5,25 billion
- Earnings before interest, tax, depreciation and amortisation (EBITDA) from continued operations decreased by 13,09% to R372,78 million
- Basic earnings per share decreased by 20,97% to 447 cents
- Net asset value per share up by 8,84% to R54,68

18 April 2023: 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, Grain and Motors, reported interim results indicating tougher economic conditions. André Myburgh, CEO of TWK, commented: *“While our results for the first six months ended 28 February 2023 are somewhat disappointing, it underlines the effectiveness and importance of our diversified, but focused business model.”*

Although revenue increased by 7,57% to R5,25 billion, EBITDA from continued operations decreased by 13,09% to R372,78 million mainly as a result of a decrease in both sales volumes and margins in fertiliser sales; the impact of load shedding on operations and diesel costs incurred to minimise the impact, interest rates and price inflation impacting the Retail and Mechanisation segment.

The **Timber segment** reported an increase of 28,66% in revenue to R1,48 billion for the period under review. This was mainly due to the growth in wood chip exports and local timber sales. During the period under review, 384,978 tonnes were exported from TWK’s facility, a 36,13% increase in export sales. The improvement was mainly the result of the continued strong demand from pulp manufacturers in China, Japan and from new European customers, given the prolonged Russia/Ukraine crisis. Total sales volumes increased by 19,92% to 771,536 tonnes given the strong wood chip demand, both internationally and nationally. Despite increased operating costs due to load shedding, EBITDA increased by 21,62% to R197,86 million. The EBITDA margin however decreased to 13,36% as a result of margin pressure for the period under review.

Revenue for the **Retail and Mechanisation segment** marginally decreased by 0,32% to R2,59 billion. This segment’s results came under severe pressure mainly as a result of the performance of Constantia Fertiliser. EBITDA decreased by 72,63% to R47,44 million, with the EBITDA margin decreasing to 1,83%. The main reasons for the decrease in profit are the significant declines in fertiliser product prices and sales volumes (against very favourable market conditions in the comparative period), the negative impact of load shedding on our retail outlets, the high interest rate as well as production price inflation. TWK has either generators, back-up batteries or solar panels at all their retail outlets, but it comes at an additional cost. We have been able to maintain our market share, however it has resulted in placing margin pressure on the business.

Since the beginning of October 2022, the fertiliser market has experienced, on average, a significant decrease of 45,8% in raw material fertiliser prices. Fertiliser sales declined by 22,24 % to 94,604

tonnes (February 2023). Margins came under severe pressure and certain fertiliser products were sold well below cost price to ensure that stock levels were reduced. Mechanisation sales, through the New Holland agencies, decreased by 6,94% to 134 units mainly as a result of sugar cane farmers in the KwaZulu-Natal region experiencing decreased volumes and prices and not spending funds on capital equipment.

The **Financial Services segment's** revenue increased by 27,29% to R127,00 million, with EBITDA increasing by 35,77% to R60,72 million. The increase in EBITDA is mainly attributable to the strong performance delivered by the Insurance Division. The Insurance Division reported a 9,97% growth in short-term insurance premium income for the six months ended February 2023, which resulted in growth in commission income of 6,19% for the same period. Commission revenue on the Medical Insurance Portfolio grew by 20,99% as a result of an increase of 14,94% in members. The Production Credit Book grew strongly by 13,3% and peaked at R916,7 million during the period under review (peak 2021/22 financial year: R808,6 million).

The **Grain segment's** revenue for the six months ended 28 February 2023 increased by 57,85% to R671,71 million mainly due to the robust performance by the Grain Marketing business as well as the drastic increase in maize product and animal feed prices due to the high average maize price. However, the impact of the high average grain prices and the inability to recover some of these costs, specifically the animal feed business, and other variable cost hikes such as fuel and energy, resulted in EBITDA decreasing by 48,16% to R11,29 million, with the EBITDA margin down to 1,68%.

The **Motors segment** reported a decrease in revenue of 36,10% to R371,42 million. This is a direct result of severe vehicle stock shortages in the major vehicle brands mainly as a result of the KwaZulu-Natal Toyota manufacturing plant being closed due to flood damage, the ongoing worldwide semi-conductor crisis as well as lower fuel sales due to the sale of the filling stations. The financial health of the consumer has also deteriorated as South Africa grapples with record high load shedding, high interest rates and escalating price inflation. As a result of the overall challenging market conditions experienced by this segment, EBITDA decreased by 70,13% to R6,68 million, with the EBITDA margin weakening to 1,80%.

As at the end of February 2023, the majority of filling stations have been sold with the Piet Retief Total filling station being classified as "assets-held-for-sale".

Basic earnings per share decreased by 20,97% to 447 cents. The net asset value per share of the Group increased by 8,84% from R50,24 (February 2022) to R54,68 as at 28 February 2023. The Group's cash generated from operations before working capital decreased by 22,27% to R357,32 million.

Eddie Fivaz, CFO of TWK, concluded: *"The outlook for the next six months for the Group remains positive. Overall strong local and global demand for wood chips is expected to continue into the near future at good pricing levels."*

Ends

Contact:	TWK Investments Limited André Myburgh (CEO), or Eddie Fivaz (CFO) Tel: (017) 824 1003
Issued and released by:	Keyter Rech Investor Solutions Marlize Keyter 083 701 2021
Issue date:	18 April 2023
CTSE code:	4ATWK

Web-site:

www.twkagri.com

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 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 32 retail outlets that are strategically positioned in Mpumalanga, KwaZulu-Natal and eSwatini.

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.

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.

Motors segment

TWK owns a couple of vehicle dealerships.