



Final Results Press Release for the year ended 31 August 2022

TWK DELIVERS ANOTHER SOLID SET OF RESULTS, DESPITE ONGOING MACROECONOMIC CHALLENGES

- Revenue from continued operations increased by 17,79% to R9,96 billion
- Earnings before interest, tax, depreciation and amortisation (EBITDA) from continued operations increased by 27,54% to R673,32 million
- Headline earnings per share increased by 45,03% to 863 cents
- Net asset value per share up by 13,36% to R52.55

9 November 2022: 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 and Tyres, reported another solid set of results for the year ended 31 August 2022. André Myburgh, CEO of TWK, commented: *“The results are attributable to an increased demand from the Group’s key timber markets; excellent trading conditions; increased revenue of fertiliser sales; and the inclusion of the profits of the Peak Timber assets for a full year.”*

Revenue and EBITDA from continued operations increased by 17,79% from R8,45 billion (August 2021) to R9,96 billion and 27,54 % from R527,93 million (August 2021) to R673,32 million, respectively.

Effective 31 August 2022, Protea Tyres was sold to the incumbent management team. The assets and liabilities attributable to these businesses, including the Wesselton Shopping Centre, which was sold in May 2022, have been classified as discontinued operations for the year ended August 2022. The Roofspace Rental Group, previously reported as the Renewable Energy segment, has also been classified as assets-held-for-sale. For comparative purposes and to provide a normalised view of the business going forward, only the results of the continued operations are reported on.

The **Timber segment** reported revenue of R2,19 billion, an increase of 16,65% from R1.88 billion for the previous financial year. This is primarily due to the improved sales performance in wood chip exports, lumber and treated pole products as well as timber sales. Sales to the mining sector were, however, significantly down on the prior year as a result of a three-month strike at one of Bedrock’s large gold mining customers. Total sales volumes improved substantially, increasing by 61,77% to 1 459 106 tonnes (August 2021: 901 985 tonnes) given the strong wood chip demand from international customers as well as expanding TWK Timber’s international offset market. EBITDA increased by 18,67% from R275,83 million (August 2021) to R327,33 million, with the EBITDA margin increasing from 14,67% (August 2021) to 14,93%.

Revenue for the **Retail and Mechanisation segment** increased by 27,76% from R3,96 billion (2021) to R5,07 billion. With this segment reporting another record set of results owing to the excellent agricultural trading conditions. The main reasons for the solid revenue growth were the sharp increase in fertiliser product prices, which more than offset the reduction in fertiliser sales volumes, and the increase in retail and mechanisation sales. The latter sales growth was driven by a noticeable increase of TWK’s commercial farmers market share, especially in KwaZulu-Natal, as well as an increase in the emerging farmers market, albeit off a low base. Strong growth in mechanisation unit sales, an increase

of 37% to 210 units, also contributed to the sales growth reported. EBITDA increased by 51,61% to R230,10 million from R151,77 million (August 2021), with the EBITDA margin increasing to 4,54% from 3,83% (August 2021).

The **Financial Services segment** increased revenue by 21,03% from R182,06 million in August 2021 to R220,33 million, with EBITDA increasing by 1,52% to R89,46 million from R88,12 million (August 2021). The lower increase in EBITDA is mainly attributable to bad debts written off of the total TWK debtors' portfolio. The Insurance Division reported an 8,73% growth in short-term insurance premium income for the period under review which resulted in growth in commission income of 11,02%. On 31 August 2022, the Credit Division reported nett interest growth of 21,6%. The Production Credit Book grew strongly by 48,8% and peaked at R808,6 million during the 2021/2022 financial year (peak during the 2020/2021 financial year: R543,8 million). The Production Credit Book as at 31 August 2022 was R391 million (2021: R318 million).

As a result of lower grain storage in the silo facilities and animal feed sales volumes, the **Grain segment's** revenue for the year ended 31 August 2022 decreased by 0,46% from R1,75 billion (August 2021) to R1,74 billion. The decrease in volumes was offset by increased selling prices realised during the reporting period. Selling price increases were driven by higher average grain prices as well as recovering other variable cost hikes such as fuel and energy. EBITDA increased by 7,88% from R46,92 million (August 2021) to R50,62 million, with the EBITDA margin up to 2,90% (August 2021: 2,68%).

The **Motors and Tyres segment** reported an increase in revenue of 7,66% to R711,51 million (August 2021: R660,88 million). Despite vehicle stock shortages as a result of the ongoing worldwide semi-conductor crisis, increased vehicle sales and improved profit margins were reported across the dealerships business. During the year under review, the Motors division reported a 26,3% increase in the overall number of vehicles sold, notwithstanding the ongoing shortage of new vehicles and used vehicles as well as the Amanzimtoti vehicle manufacturing plant being closed due to flood damage. The segment reported lower fuel sales primarily due to record high fuel prices and the floods in KwaZulu-Natal that hampered the delivery of fuel. Petrol and diesel sales volumes decreased by 14,6% from 15,654,436 litres (August 2021) to 13,363,592 litres. TWK's decision to sell its fossil fuel business resulted in the disposal of its two Total filling stations situated in Carolina and Elukwatini, respectively. As a result of the sale of the various businesses within this segment, EBITDA decreased by 30,11% from R42,62 million (August 2021) to R29,79 million, with the EBITDA margin weakening from 6,45% (August 2021) to 4,19%.

Headline earnings per share increased by 45,03 % to 863 cents from 595 cents in the previous year. The net asset value per share of the Group also improved by 13,36% from R46.36 (August 2021) to R52.55 as at 31 August 2022. The Group's cash generated from operations before working capital increased by a more than satisfactory 39,28% to R374,93 million. The debt-to-equity ratio improved to 145,9% (August 2021: 147,4%).

The outlook for the next financial year is cautiously optimistic given the macroeconomic challenges faced by South Africa. The Timber business prospects are good as well as the agricultural prospects. With the disposal and sale of certain businesses, TWK is well positioned for growth going forward.

"Building on a robust balance sheet, market penetration, disciplined cost control, the investment in strategic business opportunities and the divestment of non-performing and non-core assets were the key features of the Group during the year under review. TWK continued its growth strategy by focusing on our core businesses, always being cognisant of our capital allocation and cash management. We have also focused on doing sustainable business with the requisite margins, that ultimately deliver shareholder value." concluded Eddie Fivaz, CFO of TWK.

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

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.

Motors and Tyres segment

TWK owns a couple of vehicle dealerships as well as fuelling stations.