



Interim Results Press Release for the six months ended 28 February 2021

TWK REPORTS PLEASING SET OF INTERIM RESULTS

- Revenue increased marginally by 0.2% to R3.84 billion (Feb 2020: R3.83 billion)
- Profit after tax increased by 41.8% to R89.53 million (Feb 2020: R63.12 million)
- Earnings per share increased by 44.4% to 242.67 cents (Feb 2020: 168.09 cents)
- NAV per share up by 2.8% to R42.42 (29 Feb 2020: R41.28)
- Cash from operations up 12.0% to R193.98 million (Feb 2020: R173.22 million)

7 April 2021: TWK Investments Limited (TWK or the TWK Group), a diversified agriculture and forestry company that operates through the following divisions, namely Timber, Retail and Mechanisation, Financial Services, Grain and Vehicles and Tyres, reported a pleasing set of results for the six months ended 28 February 2021. André Myburgh, CEO of TWK, commented: *“The diversity of our income streams provided resilience amidst the COVID-19 pandemic. Noteworthy contributors to the improved results came from the Sawmills, BedRock Mining Timber, Sunshine Seedlings, General Trade and the Fertilizer divisions, translating into a 41.8% increase in profit after tax. With the careful management of working capital and cost-saving initiatives, TWK has been able to focus on its vision of achieving sustainable growth together with the aim of creating value for all stakeholders by creating a more resilient business with more sustainable quality of earnings.”*

Revenue increased marginally by 0.2% from R3.83 billion (Feb 2020) to R3.84 billion. TWK's results were positively impacted by an increase in General Trade sales volumes and margin improvement. The purposeful effort to reduce working capital, the effective financing model as well as the decline in interest rates resulted in a decrease of R26.22 million in finance costs. This, together with cost-saving initiatives across the majority of its operations, resulted in an increase of 45.1% in profit after finance costs to R127.38 million (Feb 2020: R87.77 million). Profit after tax increased to R89.53 million which is 41.8% higher than the R63.12 million of the corresponding period.

Basic earnings per share increased to 242.67 cents per share, which is 44.4% higher than the corresponding period.

Eddie Fivaz, TWK's Chief Financial Officer said: *“The Group's financial position is solid with total assets having increased by 4.1% from R4.71 billion (Feb 2020) to R4.91 billion. Net cash is lower due to an increase in Trade and other receivables (especially production accounts) during February 2021. The Group's gearing was 128% at 28 February 2021 which is lower than the corresponding period and comfortably within the Group's norm. The net asset value per share increased by 2.8% to R42.42 per share at 28 February 2021 compared to R41.28 as at 29 February 2020.”*

Total assets increased slightly due the asset for share transaction, capital expenditure and increase in trade and other receivables. The debtors' book was higher in February 2021 than in August 2020 which is in line with the cyclical nature of the agricultural industry.

The **Timber segment** reported a decrease of 33.8% in revenue to R636.81 million from R961.73 million (Feb 2020) and 19.8% in EBITDA to R58.78 million from R73.26 million (Feb 2020), respectively, primarily due to the decline in volume woodchip exports. Revenue was however supported by the best performance delivered by the sawmill in six years, higher mining timber volumes sales compared to the

prior period and the inclusion of Sunshine Seedlings Services (Pty) Ltd (SSS) with effect from 1 September 2020.

BedRock Mining Support (Pty) Ltd acquired 10% of its own shares resulted in BedRock now a being a wholly-owned subsidiary of TWK Agri (Pty) Ltd. TWK Timber acquired a 51% interest in Sunshine Seedlings Service (Pty) Ltd (SSS) effective 1 September 2020. SSS is a large nursery business yielding some of the highest quality timber and vegetable seedlings in South Africa. SSS produces over 50 million vegetable seedlings annually, as well as 10 million forestry clones, 7 million forestry seedlings and 4 million essential oil seedlings. This business delivered a more than satisfactory performance and strong growth is expected going forward especially due to the inclusion of the Peak Timbers plantations to the Group.

On 10 March 2021, TWK announced that all the suspensive conditions to the acquisition of some of the forestry assets of Peak Timbers Ltd and Peak Forest Products (Pty) Ltd by Shiselweni Forestry Company Ltd, a wholly-owned subsidiary of TWK, have been met. The transaction was effective 11 March 2021 and will add 26 752 hectares of land, 17 338 hectares of standing timber, buildings and a sawmill operation to the Group. The consideration for the assets is approximately R574 million. The fair value of the assets acquired and liabilities assumed is R754 million and equates to a bargain purchase of approximately R172 million. The acquisition is aligned to the Company's strategy to increase its own fibre resources to ensure the sustainable supply of its existing markets. In addition, the increased scale will have cost benefits and provide a basis for potential future value-adding opportunities.

Revenue for the **Retail and Mechanisation segment** increased by 13.6% from R1.79 billion (Feb 2020) to R2.04 billion as this segment reported its best results on record and far exceeded its expectations. The benefits of the cost-reduction initiatives, amounting to R17.7 million in total for this segment, undertaken during last year, together with excellent trading conditions experienced throughout all the major operating divisions and increased fertilizer volumes sold have contributed to the increase of 188.9% in EBITDA to R83.87 million from R29.28 million (Feb 2020), with the EBITDA margin increasing to 4.1% from 1.6% (Feb 2020).

The **Grain segment's** revenue increased by 41.5% from R402.29 million (Feb 2020) to R569.23 million. The low carry-over maize stock in South Africa at the beginning of the maize season resulted in grain transported direct from farms to end-users, bypassing the silo's in order to meet demand. Given this, the Grain Storage business had much lower tonnage than the previous period, reporting a 7.5% decline in silo through-put. However, the Grain Marketing business increased their market share with additional tonnes marketed. Arrow, based in eSwatini, reported an increase of 7.6% in volumes and 83.4% growth in its customers which translated in a 14.0% increase in revenue. The animal feed business' profit margins however came under pressure due to the higher maize prices, especially for the period December 2020 to February 2021. The reimplementing of load shedding in South Africa late last year also hindered the local grain mill's performance. As a result, EBITDA decreased by 5.2% from R13.95 million (Feb 2020) to R13.22 million, resulting in the EBITDA margin decreasing to 2.3% (Feb 2020: 3.5%).

The **Financial Services segment's** revenue decreased by 14.2% from R99.24 million (Feb 2020) to R85.19 million, with EBITDA decreasing by 33.7% from R30.42 million (Feb 2020) to R20.18 million. The Insurance Division reported a 28% growth in its short-term insurance book as well as in short-term insurance premiums, mainly on the back of the new brokerage acquired during the previous year. On 28 February 2021, the Credit Division reported a decline of 39% in bridging facilities compared to 28 February 2020 on the back of good yields and crop prices being achieved which resulted in the farmers being able to repay their bridging facilities. During the period under review, the Production Credit Book increased from R438 million (29 February 2020) to R543 million at 28 February 2021, mainly as a result of better trading conditions, inflation and gaining new clients on the back of the effective syndicate lending agreement with Standard Bank, FNB and the Landbank.

The **Motors and Tyres segment** reported a decrease in revenue of 10.2% to R504,91 million (Feb 2020: R562.13 million) mainly as a result of the closure of a loss-making filling station which was exacerbated in part by selling less fuel, due to the temporary closure of borders, marginally offset by increased tyre sales and increased vehicle sales due to the inclusion of a new dealership branch. Both the motor dealerships and Protea Tyres made a concerted effort to manage costs by streamlining their operations, increasing marketing and closing loss-making businesses during the period under review and the benefits amounting to R5.82 million, translated to an increase in EBITDA of 37.3% from R15.69 million (Feb 2020) to R21.55 million, with the EBITDA margin improving from 2.8% (Feb 2020) to 4.3%.

The outlook for the remainder of the financial year ending 31 August 2021 has seen pulp prices having increased significantly by 50% to 60% in the last four months, the fastest cycle recovery on record. European pulp inventories are the lowest since 2018 and now back to normal. There is an increased demand for our woodchip exports, treated timber as well as for timber to the mining industry. The addition of Peak Timbers will also benefit the operations of SSS. The sale of the loss-making fuel sites in the coming months will support profitability. We expect General Trade sales to be on the same levels than before COVID-19 due to record high grain yields. The Grain segment will also perform well on the back of the good grain yield. The profitability of the Grain segment will however remain under pressure due to high grain prices and consumer constraints.

It is expected that the Financial Services segment will perform better during the second half of the financial year mainly because of better trading conditions, inflation and gaining new clients on the back of the effective syndicate lending agreement. The bargain purchase of Peak Timbers will add approximately R172 million to profit before tax

“Management holds the view that the second half of the year will be better than the period ended on 28 February 2021 and therefore will substantially outperform the previous year’s results;” concluded Myburgh.

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: | 7 April 2021 |
| ZARX code: | ZXTWI |
| 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 listed on the ZARX exchange on 12 June 2017 and operates through the following segments:

For further details, please refer to the formal results announcement.

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 (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.