



## UPDATE TO ACORN AGRI & FOOD STAKEHOLDERS

November 2018

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Dear Acorn Agri & Food Stakeholder,

It is my pleasure to provide an update of developments regarding the recently amalgamated Acorn Agri & Food business and also to share our views of the future prospects of the business.

The recent merger between Acorn Agri and Overberg Agri, to establish Acorn Agri & Food, enhances our capability to fulfil our vision of creating a legacy of long term sustainable value for all our stakeholders by being the operating and investment partner of choice in the Southern African agricultural and food value chain.

We wish to thank you for your support during the merger. Together we will continue on this journey of joint prosperity and ensuring a positive contribution towards food security and agricultural sustainability for our nation. We have a solid strategy and motivated leadership team in place and we are confident that we will be able to deliver on reaching our strategic business objectives.

We will continue building on our differentiated nature which is underpinned by our 100 year history and a testament to our sustainable business and practices. We are leveraging our unique vertically integrated position in the agricultural and food sectors through our combined operational and investment expertise and innovative approach to business and acquisitions. We foresee growing diversification by sub-sector, region, commodity and export earnings to mitigate cyclicity and risk. We are strengthening our leading position in the health foods sector and capitalising on the very exciting opportunities in this growing market.

Looking forward, Acorn Agri & Food will continue to be good stewards of the capital entrusted to us by applying sophisticated and sensible capital allocation principles. We will strategically and operationally support and develop management teams of portfolio companies to enhance growth, unlock synergies and increase value, whilst creating pockets of excellence through the utilization of a strong balance sheet and strategic proprietary networks to source deals. The newly amalgamated Acorn Agri & Food also presents increased opportunity to ensure greater diversification that will allow us to build and use the newly unlocked economies of scale in the agricultural and food value chains.

Having said all this, Acorn Agri & Food remains a relational business. We will not compromise in the way our values guide our interaction with our stakeholders. The staff of Acorn Agri & Food have a passion for what they do, and pride themselves in building trusted relationships with all our stakeholders. We operate with fairness and transparency and invite our stakeholders to hold us accountable to these values. To ensure future success, Acorn Agri & Food maintains a supportive nature towards its producers, investors, clients, portfolio companies and consumers which we serve through our businesses and their products.

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Our business focus and plans comprises the following:

**Agri Inputs and Services:**

This pillar incorporate all the portfolio companies involved in the supply of inputs and rendering of services to agricultural producers. This comprises Overberg Agri, Overberg Wealth & Risk, Procuco Grain, Agpack, Boltfast and a minority stake in BKB.

Although the harvest in the Overberg and Swartland region exceeded our expectations, the effect of lower rainfall in the Swartland area during the previous season and year to date in the Southern and Eastern Cape, has impacted the business.

The established platform creates the potential to pursue attractive opportunities to expand geographically via organic growth and strategic mergers and acquisitions. Strategic acquisitions in the agricultural inputs sector that could benefit from our current footprint and client base are also being pursued.

**Agri Inputs: Fuel**

This pillar comprises the procurement and supply of fuel and fuel additives to retail sites and commercial clients (incl. agricultural producers). Fuel comprises a substantial input cost to agricultural producers. This division comprises Moov Fuel.

Despite declining volumes in this sector as a whole, Moov has grown volumes, market share and profitability through organic means. This division poses exciting opportunities for consolidation and solid growth as the South African economy recovers.

**Fresh Fruit:**

Fresh Fruit comprises the production and marketing of fresh fruit, especially table grapes and soft citrus, mainly to the export markets. This comprises ACG Fruit.

ACG Fruit was initially acquired with the knowledge that a comprehensive turnaround strategy has to be implemented to bring the business to profitability. Despite the fact that ACG posed more challenges and complexities than we had anticipated, substantial operational progress has been made. Management is finalising a comprehensive plan to right size and realign the business and bring it to desirable profitability levels. This is likely to include targeted asset divestments over the short to medium term.

**Food Processing:**

Food Processing comprises the processing of raw commodities into food products and currently comprises wheat and maize milling as well as abattoir services. This comprises Lesotho Milling and Bredasdorp Abattoir.

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With increased slaughter capacity and export accreditation, Bredasdorp Abattoir is exploring new markets in Gauteng and possibly Africa. Lesotho Milling is experiencing a challenging year with both maize meal and wheaten flour sales volumes and prices under pressure due to increased competition in the market.

**Health Foods:**

Health Foods comprises the procurement, production and supply of health foods to local and international markets. This comprises Grassroots Group and Montagu Dried Fruit & Nuts.

Acorn Agri & Food is pursuing opportunities for organic and acquisitive growth in the global health foods sector to complement the leading market positions of Grassroots and Montagu. Despite depressed sales in the United Kingdom, its largest market, Grassroots is progressing well with a key divisional divestment and is actively developing new products and customer relationships. Montagu will in the short term commence supply of its Montagu brand to a much larger market via South African retailers to supplement constrained sales to its franchise network.

Despite the sector and geographic diversity of our portfolio, Acorn Agri & Food did not escape the effects of the depressed South African economy. Amongst other things, the earlier drought in the Southern and Eastern Cape as well as constrained consumer environment, have a negative effect on certain underlying businesses. Despite these challenges, management is hard at work to implement initiatives to weather the challenging economic conditions and will continue to invest to position the business optimally for long term growth and value creation.

Whilst Acorn Agri & Food has communicated its intention to list on the main board of the JSE and is actively preparing for the planned listing, the board of directors and management of the company is implementing a range of strategic initiatives and executing on various opportunities, that will ideally position it for a listing. Acorn Agri & Food is also closely monitoring external factors, including economic and financial market conditions, that may impact on the proposed listing and the timing thereof. In this regard, it is anticipated at this stage that the company will likely target a listing date in 2020.

I would like to extend my sincere gratitude, and that of our entire leadership team, for the support you have shown on our short, but exciting journey thus far.

We continue to rely on your support to build a sustainable legacy while adding to food security in our beautiful country.

Kind regards

A handwritten signature in black ink, appearing to read "A. Uys", written over a light blue horizontal line.

**André Uys**  
**Chief Executive Officer**

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