

Unaudited summary consolidated interim results

for the six months ended
31 August 2021

2022

Revenue from continuing operations R4.5 billion	▲ 41%
Headline earnings R62 million	▲ 519%
Net profit after tax R61 million	▲ 1 187%
Cash generated from operating activities R294 million	▲ 285%
Net asset value per share	▲ R22.75

Introduction

Following the exceptionally resilient performance of the agriculture sector in the 2021 financial year, Acorn Agri & Food had a strong and pleasing start to the new financial year. Strong operational performance resulted in the Group growing headline earnings by 519% to R62 million from a loss of R15 million in the prior period.

The quality of the performance and resilience of the entire agriculture inputs and services value chain during the period is further highlighted by the fact that businesses had to deal with volatile operating conditions during the third wave of the COVID-19 pandemic. Despite these challenges, the Group grew revenue by 41% to R4.5 billion and generated cash from operating activities amounting to R294 million.

Operational performance

The agriculture and food value chain continued to remain operational through all levels of business restrictions imposed to curb the spread of COVID-19. While we have seen pleasing performance from most of our group companies, the subdued consumer spending environment has caused adverse effects for the remainder.

Agri Inputs & Services

On the back of the record harvest produced in the 2020 calendar year, Overberg Agri, Moov Fuel and P&B Lime Works have all exceeded expectations in the current financial year to date. Moov Fuel's performance was aided by increased volumes sold while P&B Lime Works benefited from positive sales momentum, new markets and a higher gross margin achieved.

Although certain parts of our agricultural areas are very wet, we are fortunate that most of our service area is experiencing good growth conditions and we are anticipating another good agricultural year.

Boltfast's revised customer-focused value offering and cost management initiatives in the current year have been commendable and have resulted in the company exceeding profit expectations.

Fresh Fruit

ACG Fruit has suffered adverse weather conditions with significant rainfall in the Northern Cape followed by extreme cold conditions in the Kakamas area that adversely affected the grape and citrus harvests and exports, respectively. The strong rand also negatively affected exports.

Food Processing

Due to a shortage of sheep in the market, prices have increased drastically on the supply side of the abattoir which has resulted in a margin squeeze. Overberg Meat has experienced consumer resistance against higher prices for mutton on the retail side which has resulted in performance that is below expectations. Management is focused on ensuring that revenue activities are profitable. Forecasts for the end of the calendar year are looking more favourable in terms of availability of units and recovery of prices for the coming festive season.

Lesotho Milling is experiencing difficult trading conditions. The company is trading profitably but at lower levels compared to the prior year.

Health Foods

Grassroots Group is experiencing revenue pressure due to the strengthening of the rand and longer lead times listing products in overseas markets due to pandemic restrictions on travel. Grassroots' deliveries to the international market are on track for later this financial year with product distributed to Russia, Europe and now also the USA. The company continues to strictly manage its costs while management continues to implement and monitor its growth and action plans.

Montagu Snacks produced pleasing results which were better than expected on profitability level. The company has benefited from the strong rand. Management is excited by the prospects for the company as it implements its relocation from Montagu to Cape Town to be closer to key routes to market.

Financial results

Income statement

Revenue from continuing operations reflected an increase of 41% to R4.5 billion (2020: R3.2 billion). Gross profit from continuing operations increased by 28% to R456 million (2020: R355 million).

Operating profit before capital items increased by 58% to R141 million (2020: R89 million). This line item excludes capital items and non-core profits and losses and its increase is mainly attributable to the significant increase in gross profit.

Total headline earnings for the Group increased by 519% to R62 million (2020: R15 million loss). Likewise, headline earnings per share increased to a profit of 48 cents per share (2020: 11 cents loss per share).

Management is of the view that headline earnings for the Group and headline earnings per share provide a fair reflection of the performance of the Group by eliminating the impact of unusual and non-recurring income or expenditure.

The prior reporting period up to 31 August 2020 has been significantly affected by the impact of the COVID-19 pandemic on the Group. The Group's prior period results have been re-presented to report Boltfast as a discontinued operation.

Financial position

The financial position of the Group remained strong due to strict preservation of cash and growth in profitability of our businesses. Equity attributable to equity holders of the parent company increased to R2.96 billion (2020: R2.76 billion).

For the purposes of the 2021 integrated annual report and going forward, production borrowings was reclassified as a net working capital item due to its nature relating to the financing of Overberg Agri's trade and other receivables. Therefore, it is no longer included in the reported net interest-bearing debt. Net interest-bearing debt of the Group declined drastically to R92 million (2020: R701 million) and along with it, the net interest-bearing debt-to-equity ratio to 3% (2020: 23%).

Cash flow

Net cash of R294 million was generated from operating activities (2020: R 76 million). This is largely attributable to the Group's proactive management of working capital and strong operational results.

The Group managed to increase cash and cash equivalents during the year by R176 million. The net increase relates to generating R294 million cash from operating activities (2020: R76 million), a net cash outflow of R22 million (2020: R51 million inflow) pertaining to investing activities and a further R96 million outflow (2020: R278 million) pertaining to financing activities, including dividends to shareholders.

The Group also successfully implemented the acquisition of the business operations of Meat Matrix (Pty) Ltd which resulted in a net cash outflow of R43 million. This acquisition was effective on 1 June 2021.

Capital allocation

As was communicated to our shareholders recently, Acorn Agri & Food has decided not to proceed with the B-BBEE transaction presented in the 2021 integrated annual report and ensuing circular. We are disappointed with this outcome as the transaction would have resulted in a substantial increase in our earnings per share, while at the same time bringing about the realisation of ACG Fruit. We continue to investigate alternative options surrounding these objectives in order to realise the Group's business needs for the benefit of our shareholders.

We were, however, pleased to announce to shareholders the successful conclusion of agreements for the acquisition of the entire issued share capital of the companies comprising Ascendis Animal Health and for 51% of the share capital of Bachmus Fuel & Oil. These businesses make for a highly attractive investment proposition and we are enthusiastic about their future and their impact on our Group.

Dividend

As is customary for our Group, no dividend is proposed for the interim period.

Outlook

The pandemic caused us to re-evaluate business models throughout the Group and to execute a focused review of cost structures and capital requirements. This unlocked efficiencies and increased the use of electronic media, both of which continue to benefit the Group today.

At the time of writing, South Africa had recently moved to level 1 lockdown which should facilitate a more open economy. However, we expect the consumer spending environment to remain subdued for the considerable future which will likely impact some of our group companies.

We anticipate continued good conditions for the coming production season following the previous bumper harvest. This should result in sustained favourable knock-on effects supporting our performance for the remainder of the 2022 financial year.

Appreciation

The Acorn Agri & Food team along with all our employees can be proud of our continued ability to adapt to and overcome the challenges faced during the pandemic. We extend our utmost gratitude to our employees, shareholders, partners, loyal customers and suppliers who remain integral parts of our sustainability and success.

Cobus Visser
Chairperson

André Uys
Chief executive officer

Unaudited summarised consolidated statement of financial position

	Unaudited six months		Audited year ended
	31 August 2021 Rm	31 August 2020 Rm	28 February 2021 Rm
ASSETS			
Non-current assets	2 013	1 851	1 807
Current assets			
Inventory	490	480	462
Trade and other receivables	2 007	2 030	1 184
Cash and cash equivalents	715	352	451
Other current assets	79	170	130
Non-current assets held-for-sale and assets of disposal group	1 165	1 320	1 364
Total assets	6 469	6 203	5 398
EQUITY AND LIABILITIES			
Equity	3 251	3 072	3 215
Non-current liabilities	460	501	458
Current liabilities			
Borrowings and lease liabilities	1 842	1 964	952
Other current liabilities	562	343	525
Liabilities of disposal groups	354	323	248
Total equity and liabilities	6 469	6 203	5 398
Number of issued shares ('000)	144 687	144 687	144 687
Treasury shares held by subsidiaries ('000)	14 226	13 872	13 872
Net asset value per share, excluding treasury shares (rand)	22.75	21.13	22.46

Unaudited summarised consolidated statement of profit or loss

	Unaudited six months		Audited year ended
	31 August 2021 Rm	31 August 2020 Rm	28 February 2021 Rm
Revenue	4 470	3 174	7 455
Cost of sales	(4 015)	(2 819)	(6 634)
Gross profit	456	355	821
Operating profit before capital items	141	89	228
Net finance costs	(39)	(39)	(97)
Profit from equity accounted investments	2	3	8
Profit before taxation	99	53	132
Taxation	(25)	(10)	(13)
Profit for the year from continuing operations	75	44	119
(Loss)/profit from discontinued operations	(13)	(50)	65
Profit for the year	61	(6)	184
Headline earnings from all operations	62	(15)	140

Unaudited summarised consolidated statement of cash flows

	Unaudited six months		Audited year ended
	31 August 2021 Rm	31 August 2020 Rm	28 February 2021 Rm
Cash flows from operating activities	294	76	434
Working capital changes	147	(70)	45
Other	147	147	388
Capital flows from investing activities	(22)	51	59
Acquisition of property, plant and equipment	(98)	(30)	(72)
Other	75	80	131
Cash flows utilised in financing activities	(96)	(278)	(519)
Dividends paid	(45)	(98)	(99)
Other	(51)	(180)	(419)
Net cash increase/(decrease) for the year	176	(151)	(26)
Net cash, cash equivalents and overdrafts at beginning of the year	434	460	460
Net cash, cash equivalents and overdrafts at the end of the year	610	309	434