

Afrimat Limited ('Afrimat' or 'the Company' or 'the Group')
(Incorporated in the Republic of South Africa)
(Registration Number: 2006/022534/06)
Share code: AFT
ISIN code: ZAE00086302

Announcement of audited summary consolidated financial statements for the year ended 28 February 2022

Highlights

- Group revenue up 26,7% to R4,7 billion
- Operating profit margin 23,7%
- HEPS up 22,9% to 542,9 cents
- Net debt:equity ratio of 12,1%
- Final dividend per share of 146,0 cents
- Return on net operating assets 33,0%

Commentary

BASIS OF PREPARATION

The short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. The full announcement was released on SENS on 19 May 2022. The full announcement can be found at:
<https://senspdf.jse.co.za/documents/2022/jse/isse/AFT/FY22H2.pdf>

Copies of the full announcement are also available for viewing on the Company's website www.afrimat.co.za or may also be requested at the Company's registered office, at no charge, during office hours and are also available for inspection at the offices of the sponsor.

Any investment decision should be based on consideration of the full announcement published on the Company's website.

The financial statements have been prepared under the supervision of the Chief Financial Officer ('CFO'), PGS de Wit CA(SA).

While the short-form announcement itself is not audited or reviewed, the full announcement of which this announcement is a summary, has been independently audited by the Company's auditor, PricewaterhouseCoopers Inc. The Company's annual financial statements for the year ended 28 February 2022 have been audited by the Company's auditors, PricewaterhouseCoopers Inc., who expressed an unmodified audit opinion thereon. The full auditor's report includes details of key audit matters and is available, along with the annual financial statements, on the Company's website at www.afrimat.co.za.

INTRODUCTION

The Group continued to deliver strong results during the financial year on the back of favourable iron ore prices, the expeditious turnaround of Nkomati Anthracite Proprietary Limited ('Nkomati'), the establishment of Jenkins mining assets and the return to pre-Covid-19 volumes in the Construction Materials and Industrial Minerals segments, all of which translated into strong operating cash flows.

The Group's strong track record of augmenting acquisitions as part of its diversification strategy, cost management and efficiency improvement initiatives enabled it to continue delivering strong growth.

Furthermore, future growth, sustainability and access to exciting new products and markets are ensured by new long-life projects such as Glenover and Gravenhage. The latter is due to contribute to the 2024 financial year. Driehoekspan and Doornpan are iron ore reserves which will come online in the future to ensure the sustainability of Afrimat's iron ore export business.

FINANCIAL RESULTS

Revenue of the Group increased by 26,7% to R4,7 billion (2021: R3,7 billion), primarily as a result of increases in volumes as well as attractive iron ore pricing translating into an operating profit increase of 25,1% from the previously reported operating profit of R886,3 million to R1,11 billion. The previously reported operating profit of R886,3 million was restated to R1,06 billion. The difference of R172,6 million was mainly as a result of a deferred tax asset raised in Nkomati, with the finalisation of the purchase price allocation. An overall operating profit margin of 23,7% was attained compared to 24,0% in the previous year.

Headline earnings per share grew by 22,9% from 441,7 cents to 542,9 cents.

Net cash from operating activities remained strong at R736,6 million, whilst the net debt:equity ratio increased from 3,8% (as previously reported) to 12,1% as a result of the acquisition of Coza Mining Proprietary Limited, the Glenover transaction, and capital funding for the Nkomati and Jenkins mining assets. If the stockpiles purchased, as part of the Glenover transaction, of R215,1 million are excluded, the cash flow generated from operations for the year amounts to R1,3 billion, translating into an increase of 27,5% compared to the prior year.

OPERATIONAL REVIEW

All three segments, namely Construction Materials, Industrial Minerals and Bulk Commodities experienced strong growth compared to the previous financial year, considering the effects of the hard-lockdown levels imposed to limit the spread of Covid-19 in the first half of the prior year. The Bulk Commodities segment benefited from favourable iron ore pricing and from contributions from the new mine, Jenkins (iron ore sold in the local market). These additional volumes contributed positively to the second half of the financial year.

Nkomati (anthracite also sold in the local market) was loss making for the first five months of the reporting period, but turned into a profitable business from August 2021 onwards, recovering the biggest part of the losses of the first five months.

All operating units are strategically positioned to deliver outstanding service to the Group's customers, whilst acting as an efficient hedge against volatile local business conditions. The product range is diversified, and is made up of Construction Materials (consisting of aggregates, concrete-based products and contracting operations), Industrial Minerals (consisting of limestone, dolomite and industrial sand), and Bulk Commodities (consisting of iron ore and anthracite).

The Bulk Commodities segment, consisting of the Demaneng and Jenkins iron ore mines, and the Nkomati anthracite mine, contributed 74,0% to the Group operating profit. The excellent performance was largely due to increased volumes from the Jenkins mine as well as favourable international iron ore pricing during the reporting year.

Post year-end, the first blast was undertaken at Driehoekspan, the iron ore asset that will replace Demaneng mine once it is mined out, which is expected to be in three years' time. Driehoekspan and Doornpan (as part of the Coza acquisition) are to be brought into production to maintain export volumes and have a combined life of mine in excess of 15 years.

With Jenkins iron ore mine successfully coming into production, the ramp up is in accordance with strategic plans and product is sold into the local market through a defined price and volume contract.

The Nkomati anthracite mine, which turned around from realising start-up losses to also contributing positively to the segment's results from August 2021, produces a high-quality product sold into the local market, as a replacement for imported anthracite, and is recognised as a consistent, reliable supplier of anthracite. The long-term sustainable life of mine plan has been enhanced through the opening of two opencast pits and work has begun on opening the underground operations.

Industrial Minerals businesses delivered returns comparable to pre-Covid-19 volumes across all regions, delivering an increase in operating profit of 70,2% from R55,5 million to R94,4 million. The acquisition of the feedlime business (Agri Lime) has strengthened Afrimat's footprint in the agricultural lime market in support of deeper diversification in this segment.

Similarly the Construction Materials segment also experienced a return to pre Covid-19 volumes, resulting in a significant improvement in operating profit of 83,5% from R104,9 million to R192,5 million in the year under review. This is primarily a result of general volumes recuperating to 2019 levels, rather than a result of a rise in construction activity, as well as a strong focus on operational efficiencies.

BUSINESS DEVELOPMENT

New business development remains a key component of the Group's growth strategy. The dedicated business development team continues to successfully identify and pursue opportunities in existing markets, as well as in anticipated new high growth areas in southern Africa. The success of this division has led to the establishment of a team to focus on future minerals where a pipeline of projects and commodities is being built.

PROSPECTS

The Group is well positioned to capitalise on strategic initiatives and future opportunities. The Group's future growth will continue to be driven by the successful execution of its proven strategy, recent acquisitions and a wider product offering to the market. Many exciting opportunities are being investigated.

Planning for future growth will continue to be supported by acquisitions that conform to a unique competitive advantage depending on geographic location; unique metallurgy and structural cost advantage.

Operational efficiency initiatives aimed at expanding volumes, reducing costs and developing the required skill levels across all employees, remains a key focus in all operations.

CHANGES TO BOARD AND BOARD COMMITTEES

Mr MG (Gerhard) Odendaal has been appointed as the Chief Operating Officer: Mining, as well as an executive director of the Board and member of the Social, Ethics and Sustainability Committee, effective from 12 April 2022.

Ms S (Sisanda) Tuku has been appointed as a non-executive director of the Board as well as a member of the Audit and Risk Committee, effective from 1 May 2022.

Mr MW (Matie) von Wielligh, the current Chairman of the Board and a member of its Audit & Risk, Remuneration & Nominations, and Social, Ethics & Sustainability Committees, will be retiring by rotation at Afrimat's next Annual General Meeting ('AGM') and will not be making himself available for re-election. Deputy Chairman, Mr FM (Francois) Louw, who currently also serves as the Company's Lead Independent Director will be appointed in his stead.

These financial statements may contain forward-looking statements that have not been reviewed nor reported on by the Company's auditors.

On behalf of the board

MW von Wielligh

Chairman

AJ van Heerden
Chief Executive Officer

Wednesday, 18 May 2022

Financial summary*

	Audited year ended 28 February 2022 R'000	Restated audited year ended 28 February 2021# R'000	Change %
Revenue	4 680 078	3 693 759	26,7
Operating profit	1 108 911	1 058 901	4,7
Profit attributable to shareholders	775 168	776 437	(0,2)
Earnings per ordinary share (cents)	560,7	571,6	(1,9)
Diluted earnings per ordinary share (cents)	546,6	559,4	(2,3)
Headline earnings per ordinary share ('HEPS') (cents)	542,9	441,7	22,9
Diluted HEPS (cents)	529,2	432,2	22,4
Dividends per share (cents)	146,0	112,0	30,4
Net cash from operating activities	736 555	767 580	(4,0)
Net asset value per share ('NAV') (cents)	2 170	1 761	23,2
Net debt:equity ratio (%)	12,1	4,0	202,5
SEGMENTAL INFORMATION			
External revenue			
Construction Materials	1 626 221	1 595 055	
Industrial Minerals	632 544	514 291	
Bulk Commodities	2 408 710	1 584 413	
Services	12 603	-	
	4 680 078	3 693 759	
Operating profit			
Construction Materials	192 480	104 906	
Industrial Minerals	94 427	55 481	
Bulk Commodities	820 210	885 202	
Services	1 794	13 312	
	1 108 911	1 058 901	
Operating profit margin on external revenue (%)			
Construction Materials	11,8	6,6	
Industrial Minerals	14,9	10,8	
Bulk Commodities	34,1	55,9	
Overall contribution	23,7	28,7	

* This information has not been audited or reviewed, but is extracted from audited/reviewed financial statements/reports.

Measurement period adjustment - during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination.

Dividend declaration

Notice is hereby given that a final gross dividend, No. 30 of 146,0 cents per share, in respect of the year ended 28 February 2022, was declared on Wednesday, 18 May 2022. There are 146 346 264 shares in issue at the reporting date, of which 8 200 736 are held in treasury. The total dividend payable is R213,7 million (2021: R163,7 million). The Board has confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008 has been duly considered, applied and satisfied. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax rate is 20,0%.

The net dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is 116,8 cents and 146,0 cents per share, respectively. The income tax number of the Company is 9568738158.

Relevant dates to the final dividend are as follows:

Last day to trade cum dividend	Tuesday, 7 June 2022
Commence trading ex-dividend	Wednesday, 8 June 2022
Record date	Friday, 10 June 2022
Dividend payable	Monday, 13 June 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 June 2022 and Friday, 10 June 2022, both dates inclusive.

Announcement date: 19 May 2022

Directors

MW von Wielligh*# (Chairman)
FM Louw*# (Deputy Chairman)

AJ van Heerden (CEO)
PGS de Wit (CFO)
C Ramukhubathi
MG Odendaal
GJ Coffee*
L Dotwana*
PRE Tsukudu*#
JF van der Merwe*#
JHP van der Merwe*#
HN Pool*#
S Tuku*#
* Non-executive director
Independent

Registered office
Tyger Valley Office Park No. 2
Corner Willie van Schoor Avenue and Old Oak Road
Tyger Valley
7530
(PO Box 5278, Tyger Valley, 7536)

Sponsor
PSG Capital Proprietary Limited
1st Floor
Ou Kollege Building
35 Kerk Street
Stellenbosch
7600
(PO Box 7403, Stellenbosch, 7599)

Auditor
PricewaterhouseCoopers Inc.
1st Floor
Trumali Forum Building
Trumali Park
Cnr. Trumali Street and R44 Stellenbosch
7600
(PO Box 57, Stellenbosch, 7599)

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue Rosebank
2196
(Private Bag X9000, Saxonwold, 2132)

Company Secretary
C Burger
Tyger Valley Office Park No. 2, Corner Willie van Schoor Avenue and Old Oak Road, Tyger Valley, 7530
(PO Box 5278, Tyger Valley, 7536)

www.afrimat.co.za