

# Sales grow at Kaap Agri in face of drought

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Recently listed farming community retailer Kaap Agri has managed to keep the profit taps open despite a water-shortage crisis afflicting areas in its Western Cape heartland. A trading update issued on Wednesday showed Kaap Agri - which has PSG-aligned Zeder Investments as a major shareholder - increasing sales for the year to end-September almost 13% to R8.6bn.



Image Source: [Franschhoek AgriMark](#)

The company, which is expanding rapidly into the rest of SA and Namibia, reported comparable growth of almost 10%.

Sales growth was driven mainly by a 16% increase in the number of transactions processed during the financial year, Kaap Agri directors said. The company estimated product inflation at 3.9%.

The trading update buoyed the weak Kaap Agri share price, rising 2.29% to R49.15 by midafternoon. The share made its market debut at midyear when the shares peaked at R63.

## Diversification strategy, investments paying off

Kaap Agri's diversification strategy, as well as investment in improvements, upgrades and acquisitions, continued to generate strong earnings and shareholder returns, the directors contended.

In recent years, Kaap Agri's core Agrimark retail offering and agricultural services (irrigation and packaging) have been bolstered by specialised retail thrusts into fuel sales, bottle stores and convenience outlets.

Turning to the bottom line, the directors pencilled in recurring headline earnings of R244m to R248m, a jump of 16% to 18% compared with the 2016 financial year. All business segments registered strong performances, they said.

## **Drought will only start having an impact if it extends into 2018**

The drought in the Western Cape had a minimal effect on financial 2017 results, said Vunani Securities analyst Anthony Clark, who had closely followed Kaap Agri as an unlisted counter. "The drought will only start having an impact on Kaap Agri if conditions extend into 2018, probably in the second quarter," he said.

The trading update was in line with expectations, with earnings likely to come in at 352c/share, an increase of around 18%, Clark said. "I'd expect a similar performance for the new financial year with growth of between 15% and 18%, provided the drought does not get worse."

It was clear Kaap Agri's retail and fuel sales were powering ahead with double-digit growth. "This appears to be significantly ahead of other retail companies like Cashbuild and Massmart," Clark said.

*Source: Business Day*

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