

GWK achieves remarkable business growth despite challenges

In one of GWK's best financial years to date, the farmer-owned South African agribusiness grew its turnover by 11.2% to R8.34 billion. Higher commodity prices, market share growth, a strong focus on efficiency and exceptional export performance contributed to the company reporting a net profit of R148 million profit before allocations for its financial year ending 31 May 2016.



[Image Source: GWK](#)

This is a remarkable achievement considering the widespread drought affecting most of Sub-Saharan Africa as well as the company's significant investment spend during the year.

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The company's shareholder's equity broke the R1 billion mark for the first time, increasing by 12.8% to R1.04 billion. The number of GWK shareholders grew by 10% while the group delivered an average rate of return on equity of 21% over the past seven years. At year end, R105.8 million was declared as rebates to shareholders and an additional R10 million membership funds were rotated to shareholders. This does not include other additional discounts to members during the financial year.

“To be able to achieve this given the current agricultural climate, speaks volumes for the efforts invested by all stakeholders,” said GWK group financial director Johann Kloppe. “I believe that GWK has once again proved itself as one of the top agricultural businesses in South Africa as we position the company for sustained future growth”.

Investments

An amount of R434 million was invested in mostly new enterprises which became operational during the year, of which R137 million was invested during the year. The investment in the newly-commissioned GWK Farm Foods wheat mill and pasta and biscuit factory at Modder River near Kimberley was the group's biggest investment to date. While it is not expected to turn a profit in its first two years of operation, it will add substantially to the bottom line thereafter.

GWK also invested in other infrastructure during the year, including silo capacity, peanut processing, expanding and upgrading of retail outlets and fuel filling stations and upgrading John Deere facilities and other production plants for increased effectiveness.

Focus for sustained growth

According to Pieter Spies, GWK group managing director, the company has yet again delivered on its promise to continue investment in a sustainable future, ensuring a balance sheet that supports growth and creating economic benefit for shareholders.

Challenges in terms of the lamb value chain are limiting overall group performance. The drought and consumer price challenges impact the middle-man businesses that deliver on a large scale between the producer and the market. GWK is implementing solutions to ensure sustainable improved performance in the lamb industry, says Spies.

The effect of the last two years' drought will increase challenges in the whole sector according to him, with less local products available for trade and an expected decline in the use of infrastructure across the entire agricultural industry. This will put pressure on financial performance in the sector.

"Our future focus will be on ensuring return on the investments our group made, and to optimise our focus on, and efficiency and value creation in our core market segments. We have aligned our business structure with our focus on inputs and services for farmers, trading in the national and international commodity markets and the South African consumer food sector. We anticipate the establishment of GWK Agri, GWK Trading and GWK Farm Foods will ensure greater efficiencies and more focused output from our more than 50 individual businesses," says Spies.

More value for shareholders

During the group's annual general meeting, held on 9 November 2016 in Kimberley, new dividend options for the company's shareholder scheme were approved, allowing shareholders the current option of a longer term investment or now shorter term access to capital. The increased flexibility that will be phased in also creates the opportunity for BEE investment in the group.

The complete annual report can be downloaded [here](#).

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