RATING ANNOUNCEMENT

GCR affirms KAP Limited's national scale issuer rating at A+(ZA) with the Outlook revised to Stable due to improved operating profit and lower gearing metrics

Rating action

Johannesburg, 20 November 2026 – GCR Ratings (GCR) has affirmed KAP Limited's long and short term national scale issuer ratings at A+(ZA) and A1(ZA), respectively. The Outlook has been revised to Stable from Negative.

Rated entity	Rating class	Rating scale	Rating	Outlook/Watch
KAP Limited	Long Term Issuer	National	A+(ZA)	Stable Outlook
	Short Term Issuer	National	A1(ZA)	

Rating rationale

The rating Outlook on KAP Limited (KAP or the group) has been revised to Stable on the back of strong earnings growth in financial 2026 (year ended 30 June 2026). This offers tentative evidence that turnarounds at underperforming businesses are succeeding, despite ongoing impairments. Robust cash generation was used to cut gross debt, materially improving gearing metrics. The ratings continue to reflect the group's broad product and end-market diversity and its strong competitive position across several sectors.

To improve operating performance, KAP has focused on enhancing efficiencies and higher-margin contracts. Progress was evident in the improved earnings margins in financial 2026, with the EBITDA margin widening to 13.1% (financial 2025: 11.6%) and the operating margin to 8.4% (financial 2025: 6.5%). Revenue was flat at ZAR29.6 billion (USD1.7 billion), as muted pricing for Safripol, some contraction in Unitrans and weaker results from Sleep Group offset strong growth at PG Bison and Feltex. EBITDA, nevertheless, rose 13.4% to ZAR3.9 billion and operating profit jumped 27.7% to ZAR2.5 billion. Margins were partly boosted by a very strong final quarter at Safripol, which benefitted from disrupted Middle East polymer supply, but they also widened across most other businesses (including Unitrans). Despite strong operating profit, KAP reported a net loss of ZAR16 million for financial 2026, owing to a ZAR1.6 billion impairment linked primarily to currency fluctuations and lower expectations for Safripol and Sleep Group. Cash generation remained robust, with GCR's calculated operating cash flow rising to ZAR2.7 billion (financial 2025: ZAR1.8 billion).

KAP aims to strengthen margins and cash flow despite a challenging operating environment. Earnings may be affected by exogenous economic factors, but we expect moderate revenue and EBITDA growth over the medium term and, more significantly sustained cash generation. Safripol's valuation may fluctuate on the back of exchange rate movements and commodity prices; however, all goodwill has been impaired, and even under difficult conditions the business should remain cash generative.

We view KAP's gearing and capital structure in support of the rating. The improved cash flows reported for financial 2026 allowed the group to reduce gross debt to ZAR8.8 billion in financial 2026, from ZAR10.2 billion in financial 2025, ahead of expectations. Together with higher EBITDA, this lowered GCR-calculated net debt (including lease liabilities) to EBITDA to 1.75x (financial 2025: 2.4x), better than expected, and lifted net interest cover to 4.6x (financial 2025: 3.5x). Both metrics were within covenant levels. Cash flow coverage of debt also rose to 31% from 17%. KAP is committed to reducing gearing further, with a debt reduction of around ZAR500 million planned in financial 2027 and a sustainable net debt to EBITDA ratio of 1.5x targeted over the medium term. The capital structure remains strong and stable, with funding underpinned by ongoing issuances in the capital markets, as well as longstanding syndicated banking facilities.

Liquidity is a ratings strength. GCR-calculated liquidity coverage is estimated at a strong 2x over the next 12 months and 1.2x over 24 months. Liquidity sources are underpinned by banking facilities, with ZAR2.5 billion and ZAR2 billion in committed and uncommitted facilities respectively. We have included ZAR854 million cash on hand at financial 2026, adjusted to exclude cash in African countries that cannot easily be repatriated. Most debt maturing in financial 2027 has been repaid or refinanced through the ZAR1.1 billion bond issued in October 2026. Capex is likely to remain high over the next two years but should be covered by robust operating cash flows.

Outlook Statement

The Stable Outlook reflects our expectation that KAP should be able to maintain firmer earnings margins, allowing for further deleveraging and gearing headroom to absorb exogenous volatility.

Rating Triggers

Downward rating action is likely if earnings regress against expectations. Weaker earnings would likely curtail the further reduction in debt, or lead to an increase, resulting in net debt to EBITDA above 2.0x, net interest cover falling below 4.5x and cash flow around 25% of debt.

We do not anticipate an upgrade to the rating in the short to medium term. Over the longer term, an upgrade would be dependent on strong, sustained earnings growth in the core businesses units, together with stronger gearing metrics.

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Related criteria and research

Criteria for the GCR Ratings Framework, May 2024
Criteria for Rating Corporate Companies, May 2024
GCR Ratings Scales, Symbols & Definitions, May 2023
GCR Country Risk Scores, October 2026
GCR Corporate Sector Risk Scores, July 2025

Ratings history

KAP Limited

Rating class	Review	Rating scale	Rating class	Outlook	Date
Long Term Issuer	Initial	National	A-(ZA)	Stable	April 2014
Short Term Issuer		National	A2(ZA)		
Long Term Issuer	Last	National	A+(ZA)	Negative	November 2025
Short Term Issuer		National	A1(ZA)		

Risk score summary

Rating Components & Factors	Score
Operating environment	**10.75**
Country risk score	7.00
Sector risk score	3.75
Business profile	**1.50**
Competitive position	1.50
Sustainability	0.00
Financial profile	**1.75**
Earnings	0.25
Leverage & cash flow	0.25
Liquidity	1.25
Comparative profile	**0.00**
Group Support	0.00
Peer comparison	0.00
Total Risk Score	**14.00**

Glossary

Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.
Short Term	Current; ordinarily less than one year.

Salient points of accorded rating

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- The audited annual financial statements to 30 June 2026 (plus four years of audited comparative numbers)
- The 2026 integrated report
- A breakdown of debt facilities at June 2026
- Results presentations
- Medium-term cash flow projections
- Exchange Rate at ZAR16.95/USD on 17/11/2026 Source: https://www.bloomberg.com/markets/currencies

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