



RCL FOODS – INTERIM RESULTS MEDIA RELEASE, MARCH 2020

AN IMPROVED PERFORMANCE NOTWITHSTANDING A WEAK OPERATING ENVIRONMENT

KEY HEADLINES

- Revenue increases 7.1%, driven by good volume growth, particularly in Chicken and Sugar, and pricing improvements in Sugar.
- Double digit underlying* EBITDA and Headline earnings per share growth of 11.1% and 23.8% respectively, propelled by a significant improvement in Sugar (albeit off a low base) and a consistent strong performance in Groceries where volumes continued to grow ahead of the market, particularly in Pet Food.
- A healthy improvement in Cash generated from operations which increased 21%, driven by the improved profitability.
- The successful execution of the next phase in our evolution to One Food business with the restructure of the Consumer and Sugar & Milling divisions into a single Food division.
- Chicken impacted by continued market oversupply and agricultural challenges.
- A good turnaround in Speciality within the Baking business unit, due to a well-executed restructure in 2019.
- Vector Logistics' acquisition of Imperial Logistics South Africa's cold chain business (ICL) has attracted multi-period agreements with new customers and positioned Vector well to realise its Customer model strategy and synergise "duplicate" networks going forward.
- RCL FOODS' investment into Foods United, which paves the way for strategic expansion into the rapidly growing category of plant-based alternatives, with the ability to leverage RCL FOODS' unique farm-to-fork capability further into the future.

FINANCIAL HIGHLIGHTS

	Dec 2019	Dec 2018	% change
Revenue (R million)	14 210,2	13 265,4	7.1
EBITDA (R million)	1 165,7	1 082,2	7.7
EBITDA margin (%)	8.2	8.2	0ppts
Headline earnings (R million)	463,6	475,1	(2.4)
Headline earnings per share (cents)	53,3	54,8	(2.7)
Underlying HEPS* (cents)	63,0	50,9	23.8
Cash generated by operations (R million)	842,8	697,5	20.8
Interim dividend per share (cents)	15,0	15,0	0.0

**The underlying results have been adjusted for material once-offs and accounting adjustments (IFRS 9 Financial Instruments and IFRS 16 Leases)*

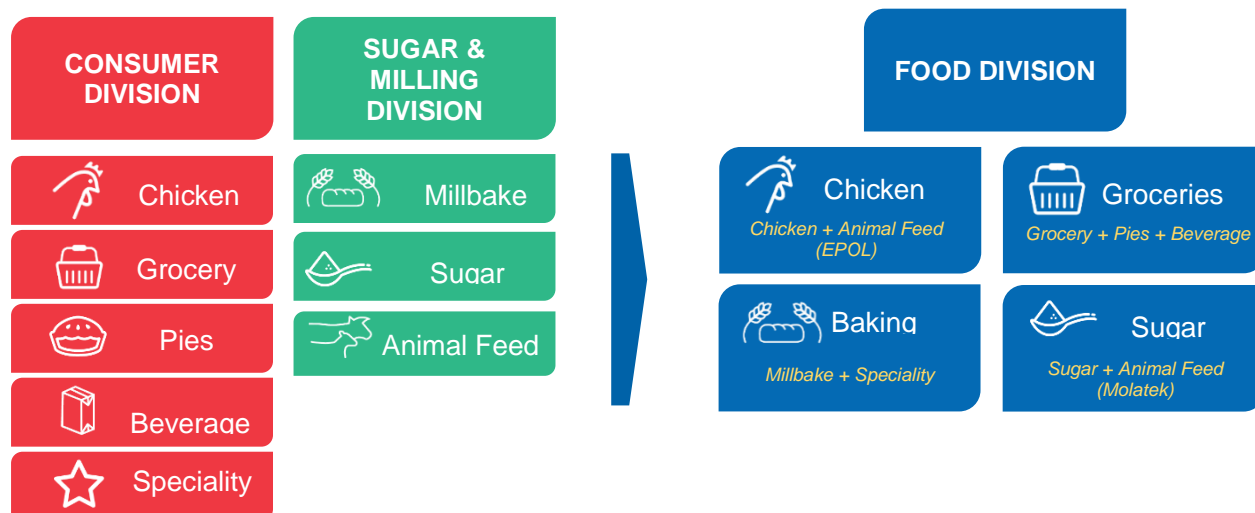


Durban, 2 March 2020: RCL FOODS today reported underlying EBITDA and headline earnings increase of 11.1% and 24.1% respectively versus the comparative period, showing resilience amidst a weak operating environment. The company attributed the underlying improvement to a significantly better performance in Sugar, albeit off a low base, and consistently strong performance in Groceries. As a result of increased profitability, cash generated by operations was up 20.8% for the period. Revenue was up 7.1% to R14,2 billion (December 2018: R13,2 billion), driven by strong volume growth in Sugar and Chicken, coupled with price increases in Sugar.

The company has declared an interim gross cash dividend of 15,0 cents per share (2019: 15,0 cents).

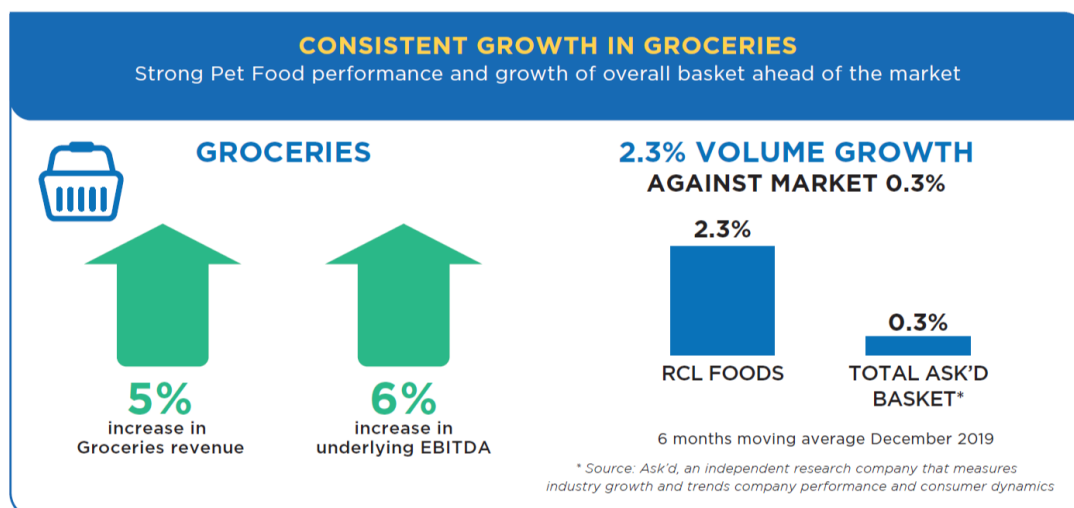


As part of its drive to secure sustainable quality of earnings in a volatile and competitive environment, the company recently executed the next phase in its evolution to One Food business, restructuring its Consumer and Sugar & Milling divisions into a single Food division. “This restructuring has established four business units that are closely aligned and integrated. This provides a solid foundation for further synergies, optimising resource allocation and sharpening our strategic focus,” said CEO Miles Dally.



Within the Food division, Sugar’s underlying EBITDA increased 142.4% off a low base to R294,0 million at a margin of 7.8% (December 2018: 3.6%). Sugar benefited from higher raw export sales volumes and price, a local price increase and better cost control. Local demand remains muted due to pressure on consumer spending and lower consumption due to the Health Promotion Levy (Sugar Tax). “We support the development of a Sugar Industry Master Plan and are working with all role players to review the sugar operating model to further reduce industry costs and find a sustainable solution,” said Dally.

In a difficult trading environment with increased competitor activity, Groceries continued to perform well, fuelled by an exceptional performance in Pet Food which saw its basket grow 2.3%, ahead of the market.



Chicken’s underlying EBITDA decreased 10.8% to R198,1 million at a margin of 4.2%. Chicken imports continue to displace locally produced chicken in an oversupplied market, and although the Poultry Industry Master Plan is progressing, anti-dumping measures are yet to be implemented. Results were consequently affected by softened pricing amidst higher feed costs and agricultural challenges.

In the Logistics division, Vector Logistics’ underlying EBITDA declined 80.5% to R17,3 million, mainly driven by enablement costs associated with the recent acquisition of Imperial Logistics South Africa’s cold chain business (ICL) without the commensurate revenue for the period. The formation of new service agreements with previous ICL customers and ability to synergise duplicate networks positions Vector well to realise the Customer model strategy and sustainably grow going forward.

With a view to securing its future while establishing competitive advantage in a fast-changing world, RCL FOODS secured a minority shareholding in Foods United Incorporated (FUN), a start-up international entity with a vision to create a vertically integrated plant-based food and beverage value chain of scale, with global reach. FUN’s pioneering vision is to create a vertically integrated, plant-based food and beverage ecosystem that ranges from farm to fork, at scale and at speed, with global reach. Partnerships with established platforms with demonstrated capability are key to its business model, and RCL FOODS’s capabilities and aspirations make it an ideal fit as a partner. RCL FOODS’ investment in FUN will progress the company’s strategic imperative of growing through strong brands in the strategically targeted category of plant-based alternatives, and particularly in the fast-growing ‘alternative protein’ segment. Participating in this category will meet RCL FOODS’ desire to offer consumers added choice in the context of a diverse and growing population, while still remaining focused on its core Chicken (animal protein) businesses. For more information on its founding investor and controlling shareholder, see www.bluehorizon.com.



RCL FOODS' renewable energy initiatives have gained further prominence amidst the current national power supply challenges. A second waste-to-value plant, to be commissioned in Rustenburg in the last quarter of the financial year, will supply 65% of chicken processing plant and feed mill's energy needs, 100% of the feed mill's steam, and 40% of its water requirement – while also allowing limited operations in “island mode” during load shedding.

PROSPECTS

“With our ONE FOOD division restructure at senior management level complete, we look forward to sharpened strategic focus, collaboration and synergy going forward. We have a clear set of priorities and strategic imperatives to deliver on for the second half of the year, and sustained focus and clarity will be key. I am confident that we are well placed to continue to see and do things differently and maintain the momentum generated to close out a strong 2020,” Dally said.

Ends

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