



2021

**INVESTOR PRESENTATION
1 MARCH 2021**

**RESULTS FOR THE SIX MONTHS
ENDED DECEMBER 2020**





MILES DALLY

CHIEF EXECUTIVE OFFICER





HEADLINES – RESULTS FOR THE SIX MONTHS ENDED DECEMBER 2020

A PLEASING SET OF RESULTS AMIDST A CHALLENGING ECONOMIC ENVIRONMENT



Double digit growth in HEPS (at a statutory and underlying level)

- **Diversified portfolio enables resilience** in spite of significant commodity input cost pressure
- **Strong volume performance** as cash strapped consumers focused on staples and trusted brands



Responsible and effective response to COVID-19 sustained

- **Health and safety of our people**, uninterrupted food supply and good cash management maintained
- **Direct COVID-19 oncost R120m** for the period with positive evidence of stabilisation and slow down
- **Successful pandemic response** allows focus to shift to growth opportunities



Portfolio review and structural evolution accelerated





- **Chicken established as a separate division** – new leadership appointed
- **Food division (excluding Chicken) delivers** – good performance across Groceries, Baking, Sugar
- **Successful integration of Imperial Logistics** SA's cold chain business (ICL) evident in Vector Logistics result
- **Plant based endeavours ready to scale** – imminent launch of LiveKindly Collective Africa*
- **Strategic review launched in November 2020** – objective to future proof the shape of the RCL FOODS portfolio

* subject to Comp comm approval



HEADLINES – RESULTS FOR THE SIX MONTHS ENDED DECEMBER 2020

PROFITABILITY GROWTH DRIVEN BY IMPROVED BAKING, SUGAR AND VECTOR LOGISTICS RESULTS

-  **Revenue up 10.5%** driven by improved pricing in Sugar and Baking, higher Milling volumes and new principals taken-on by Vector Logistics due to the ICL acquisition
-  **Underlying EBITDA up 18.0%**
 - Robust performance in Baking
 - Sugar recovery delivered strong results
 - Chicken impacted by commodity rally and poor agric performance
 - Accelerated consolidation of ICL network drove an improved Vector Logistics performance
-  **HEPS and Underlying HEPS up 12.0% and 28.0%** respectively – driven by the improvement in profitability
-  **Net cash position up to R1bn** (December 2019: R147m)

REVENUE R15.7bn 10.5% ↑

EBITDA R1.13bn 3.1% ↓

Underlying*
EBITDA R1.34bn 18.0% ↑

HEPS 59.7c 12.0% ↑

Underlying*
HEPS 77.1c 28.0% ↑

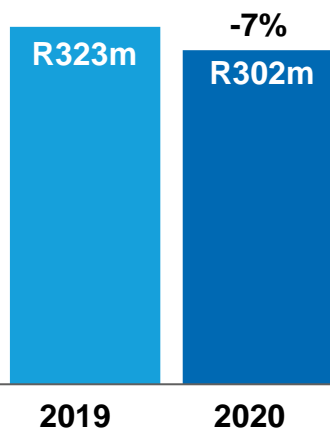
Net
CASH R1bn >100% ↑



HEADLINES – RESULTS FOR THE SIX MONTHS ENDED DECEMBER 2020

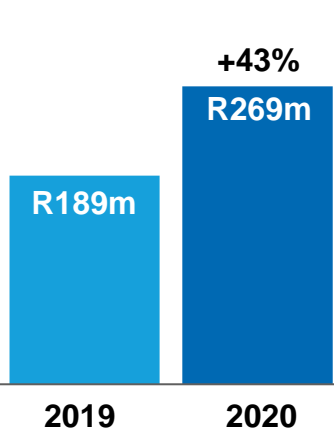
UNDERLYING EBITDA & GROWTH (%) PER BUSINESS UNIT

Groceries demonstrates resilience across categories.
Interim result impacted by temporarily reduced Pies volume amidst reduced on-the-go consumption (lockdown)



GROCERIES

Baking delivered a substantial improvement on the prior period, underpinned by **strong demand (ahead of industry metrics) and a turnaround at Gauteng bakeries**



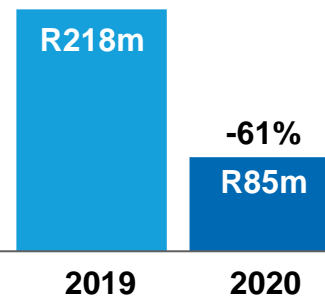
BAKING

Improved volumes, an optimised sales mix and cost efficiency drove an excellent Sugar performance



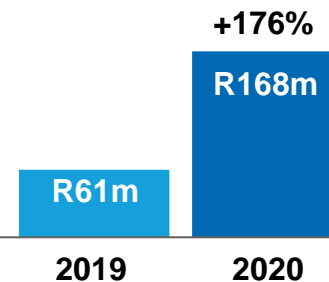
SUGAR

A substantial commodity price rally, material Covid impact and agricultural challenges drove a disappointing Chicken result



CHICKEN
DIVISION

New Vector Logistics business and progress of the ICL network integration drove an improved performance



VECTOR
LOGISTICS



KEY DELIVERABLES

1

COMPLETE THE STRATEGIC PORTFOLIO REVIEW

Future proof the shape of the portfolio, lay the foundation for consistent quality of earnings

4

SCALE GROWTH POTENTIAL IN GROCERIES AND BAKING

Deliver on key value drivers identified for evolving consumers amidst COVID-19

2

DELIVER THE STAND-ALONE CHICKEN STRUCTURE

Enable a focused, pureplay Chicken operating model and accelerate the turn-around plan

5

MAXIMISE MOMENTUM IN SUGAR

Unlock full margin potential across the sugar value chain

3

LAUNCH THE LIVEKINDLY COLLECTIVE AFRICA

Go-live with the Africa JV and scale the growth of plant based alternatives

6

COMPLETE THE NETWORK INTEGRATION IN VECTOR

Realise savings and growth opportunities in the consolidated Vector Logistics network



KEY DELIVERABLES – STRATEGIC REVIEW: FUTURE PROOFING THE SHAPE OF RCL FOODS



RCL FOODS purpose is achieved by leveraging our unique **ecosystem of multiple business models** – ranging from **agricultural value chains to food technology**.

LIVING OUR PURPOSE
“MORE FOOD TO MORE PEOPLE, MORE OFTEN”

UNDERPINNED BY OUR UNIQUE ECOSYSTEM OF MULTIPLE BUSINESS MODELS

**END-TO-END
AGRICULTURAL VALUE
CHAINS**

**BRANDED FAST
MOVING CONSUMER
GOODS**

**FOOD TECHNOLOGY
PARTNERSHIP
MODELS**

**MANAGED PLATFORM
SERVICES (INCLUDING
LOGISTICS)**

FUTURE PROOFING THE SHAPE OF OUR PORTFOLIO

**Strategic fit
categories
of choice**

**With
Purpose led
brands**

**And the
Consumer
at the core**

**Driving
Sustainable
Growth**

LEVERAGING OUR UNIQUE AND SCALED NATIONAL PLATFORM

**Strategic
customer
relations**

**Centralised
centres of
excellence**

**Driving best
in class
innovation**

**With top
talent and a
leading
culture**

Our Values, Our Way



KEY DELIVERABLES – DELIVERING A STAND-ALONE CHICKEN STRUCTURE



Decision taken to **establish Chicken as a stand-alone, focused division**



Key objective **to enable a single-minded and dedicated focus in driving the Chicken business turn-around**. Key focus areas include:

- Enhanced operating model and structures
- Step changed Agricultural performance
- Laying the foundation for future strategic transformation opportunities

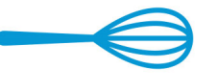


Experienced industry specific executive appointments made to drive this process



To align the financial results with this structural change in Chicken, the divisions' **results will be reported as a separate segment**





KEY DELIVERABLES – LAUNCH THE LIVEKINDLY COLLECTIVE PARTNERSHIP IN AFRICA



Following RCL FOODS investment in the LIVEKINDLY collective we aim to form a **joint venture***, **LIVEKINDLY collective Africa**



Selected by the LIVEKINDLY collective for our **unique platform and capabilities, the joint venture** will **market, sell and distribute all the collective's brands** in South Africa and sub-Saharan Africa



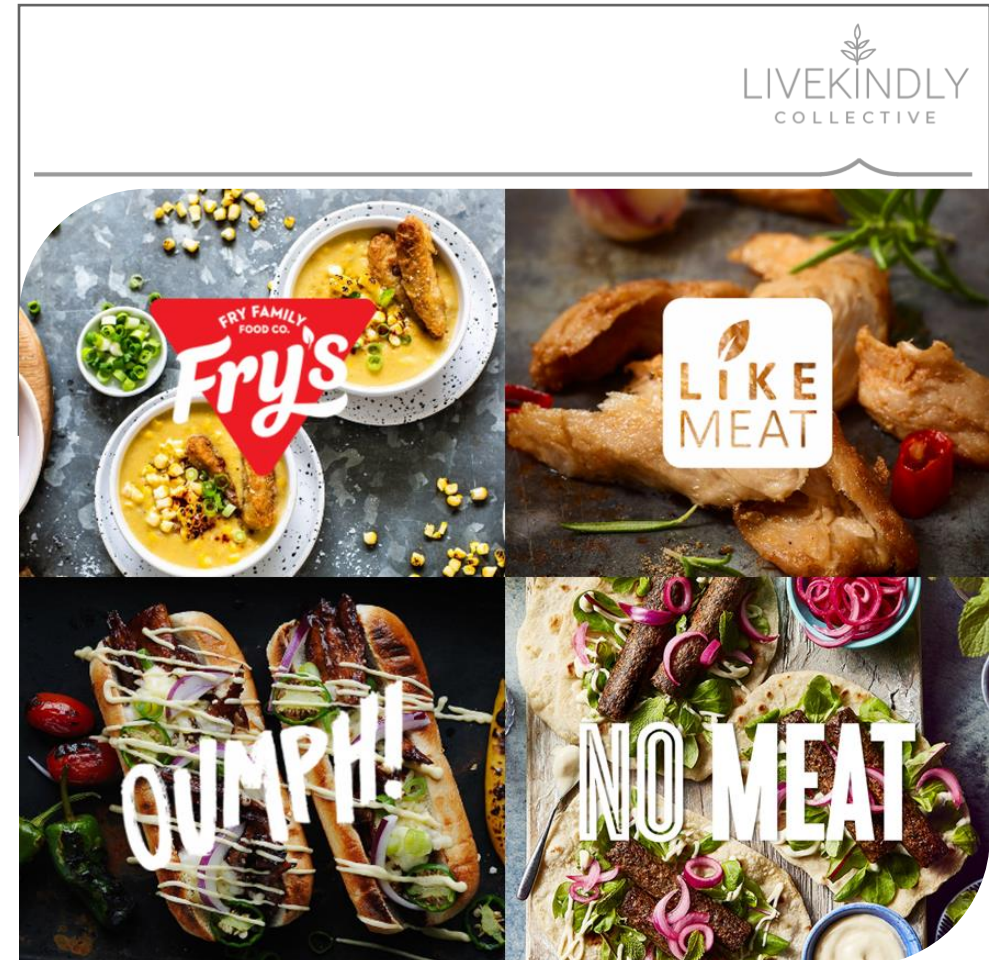
This will include the South African **Fry's Family Foods** brand and international **LikeMeat** and **Oumph!** Brands



The collaboration will make plant-based protein **widely available, accessible and affordable**, giving more people access to **good nutritional choices** and make a **positive impact on our food system**.



Further opportunities to collaborate through the plant-based **value chain** are being explored

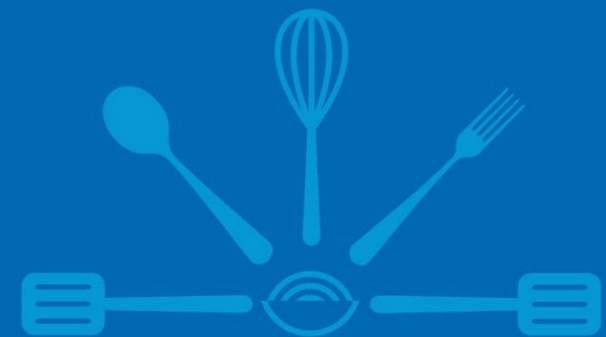


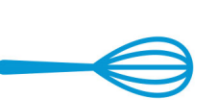
* The joint venture is subject to pending Competition Commission approval



ROB FIELD

CHIEF FINANCIAL OFFICER





FINANCIAL SUMMARY

UNDERLYING HEPS UP 28.0%

INCOME STATEMENT

		DEC 2020	DEC 2019	% VAR
Revenue	Rm	15 701.4	14 210.2	10.5
EBITDA	Rm	1 130.0	1 165.7	(3.1)
EBITDA margin	%	7.2	8.2	(1.0)ppts
Net finance costs	Rm	159.8	196.7	(18.8)
Share of profits of JV's & associates	Rm	173.6	144.4	20.2
Effective tax rate (excl. JV's & associates)	%	32.2	34.4	(2.2)ppts
Headline earnings	Rm	529.9	463.6	14.3
Headline earnings per share	cents	59.7	53.3	12.0
<i>Underlying headline earnings*</i>	<i>Rm</i>	684.6	524.3	30.6
<i>Underling headline earnings per share*</i>	<i>cents</i>	77.1	60.3	28.0

BALANCE SHEET & RATIOS

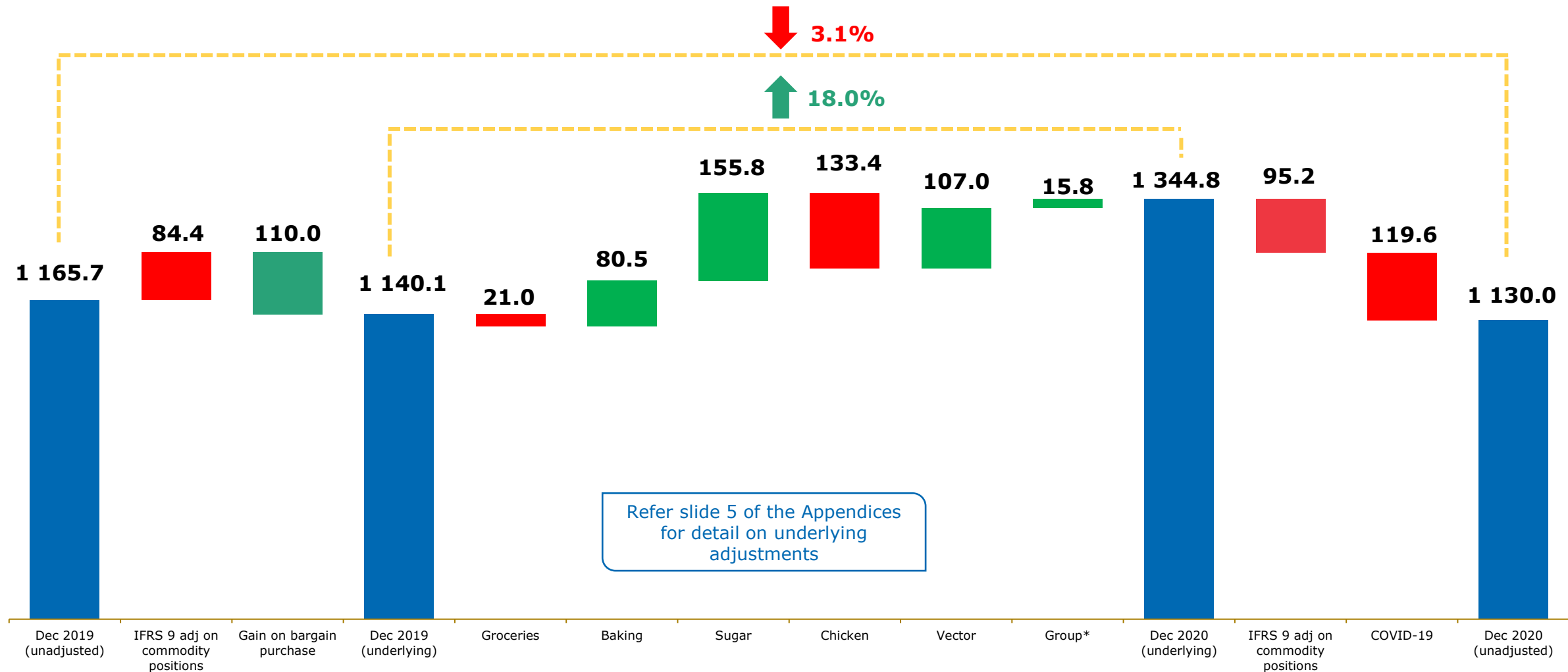
Net working capital	Rm	3 500.7	4 048.5	(13.5)
Interest-bearing liabilities (excluding lease liabilities)	Rm	3 113.1	2 668.2	16.7
Cash generated by operations	Rm	407.7	842.8	(51.6)
Capex spend (inc. intangibles)	Rm	424.2	437.1	(3.0)
Return on invested capital	%	(4.4)	0.0	(4.4)ppts
<i>Underlying return on invested capital* (excl. acquisition adjustments** and material once-offs)</i>	%	8.5	5.1	3.4ppts
Interim dividend	cents	15.0	15.0	-

* Adjusted for material once-offs and accounting adjustments | **Excludes Foodcorp acquisition purchase price allocation for intangible assets, PPE and related amortisation, depreciation

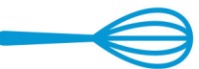


OPERATING RESULTS SUMMARY (Rm)

UNDERLYING EBITDA UP 18.0% DRIVEN BY IMPROVEMENT IN BAKING, SUGAR AND VECTOR LOGISTICS

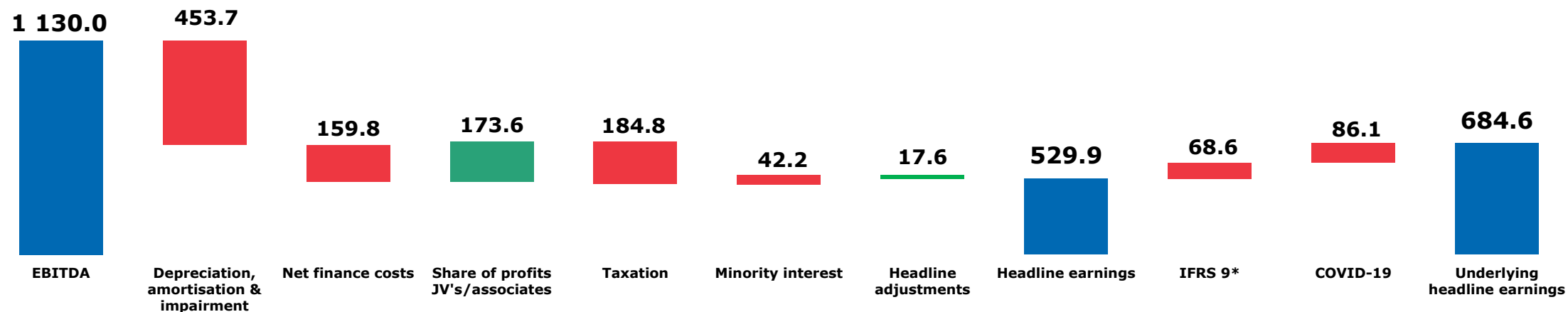


*Includes the profits of Matzonox (waste-to-value operation), management fees earned from Siqalo Foods and group consolidation entries

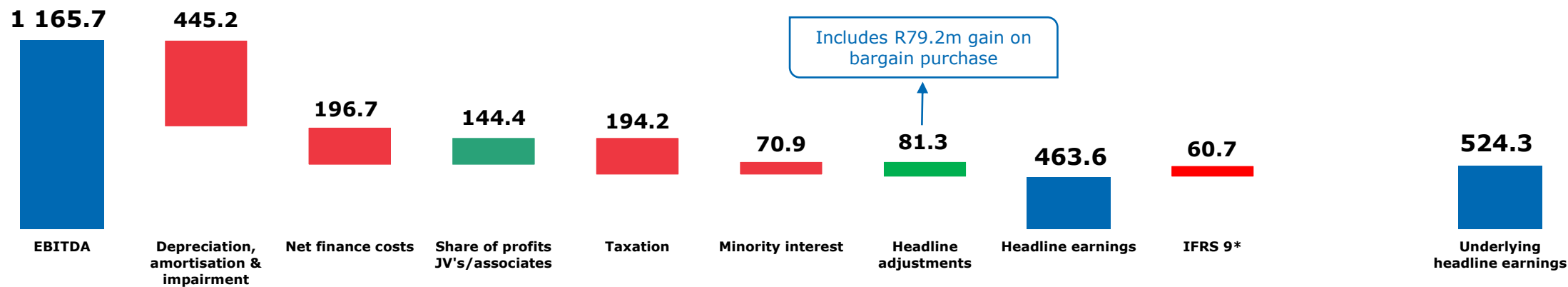


HEADLINE EARNINGS WATERFALL (Rm)

DECEMBER 2020



DECEMBER 2019



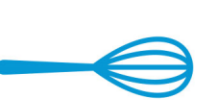
* Relates to fair value adjustments on the Group's commodity raw material procurement positions



OPERATING RESULTS SUMMARY - UNADJUSTED

SEGMENTAL ANALYSIS – REVENUE AND EBITDA

REVENUE (Rm)				DEC 2020	DEC 2019	% VAR
Groceries				2 762.5	2 637.6	4.7
Baking				2 917.4	2 545.9	14.6
Sugar				4 377.9	3 778.1	15.9
Chicken				4 875.2	4 700.2	3.7
Vector Logistics				1 519.5	1 273.9	19.3
Group				94.0	82.1	
Sales between segments				(845.1)	(807.6)	
TOTAL				15 701.4	14 210.2	10.5
EBITDA (Rm)				DEC 2020	DEC 2019	% VAR
Groceries				317.6	327.6	(3.1)
Baking				265.8	183.3	45.0
Sugar				457.2	306.5	49.2
Chicken				(133.8)	134.3	(199.6)
Vector Logistics				162.8	171.0	(4.8)
Group				60.4	43.0	40.3
TOTAL				1 130.0	1 165.7	(3.1)
EBITDA MARGIN (%)				DEC 2020	DEC 2019	VAR
Groceries				11.5	12.4	(0.9)ppts
Baking				9.1	7.2	1.9ppts
Sugar				10.4	8.1	2.3ppts
Chicken				(2.7)	2.9	(5.6)ppts
Vector Logistics				10.7	13.4	(2.7)ppts
TOTAL				7.2	8.2	(1.0)ppts

**OPERATING RESULTS SUMMARY – UNDERLYING EBITDA****EXCLUDING MATERIAL ONCE-OFFS AND ACCOUNTING ADJUSTMENTS, UNDERLYING EBITDA UP 18.0% AND MARGIN IMPROVES 0.6%**

UNDERLYING EBITDA (Rm)	DEC 2020	DEC 2019	% VAR
Groceries	301.6	322.6	(6.5)
Baking	269.1	188.6	42.7
Sugar	462.3	306.5	50.8
Chicken	85.0	218.4	(61.1)
Vector Logistics	168.0	61.0	175.6
Group	58.8	43.0	36.8
TOTAL	1 344.8	1 140.1	18.0

UNDERLYING EBITDA (%)	DEC 2020	DEC 2019	VAR
Groceries	10.9	12.2	(1.3)ppts
Baking	9.2	7.4	1.8ppts
Sugar	10.6	8.1	2.5ppts
Chicken	1.7	4.6	(2.9)ppts
Vector Logistics	11.1	4.8	6.3ppts
TOTAL	8.6	8.0	0.6ppts



CASH FLOW SUMMARY

CASH AT THE END OF THE PERIOD OF R1BN SAME AS YEAR-END

Rm	DEC 2020	DEC 2019	% VAR
OPENING BALANCE*	1 030.0	(110.4)	1 033.2
Operating profit adjusted for non-cash flow items	996.4	951.3	4.7
Working capital changes	(588.7)	(108.5)	(442.7)
Capital expenditure	(424.2)	(437.1)	3.0
Proceeds on disposal of non-current assets and assets held-for-sale	31.5	8.3	279.0
Free cash flow	15.0	414.0	(96.4)
Net finance costs paid	(100.4)	(146.6)	31.5
Tax (paid)/refunded	(78.6)	2.7	(3 026.6)
Net dividends paid	(67.4)	(48.2)	(39.8)
Advances/(Payments) on other interest-bearing liabilities	241.4	(65.9)	466.1
Acquisitions		110.0	(100.0)
Other	4.0	(8.5)	146.8
Total cash movement for the period	14.0	257.5	(94.6)
CLOSING BALANCE*	1 044.0	147.1	609.5

*Net of overdrafts



WORKING CAPITAL

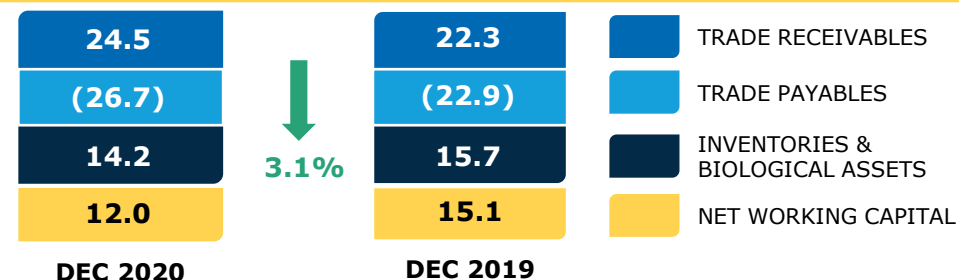
WORKING CAPITAL IMPROVED BY 13.5%, DOWN BY 3.1% OF REVENUE

WORKING CAPITAL (Rm)	DEC 2020	DEC 2019	% VAR
Trade and other receivables	7 175.6	5 985.6	19.9
Inventories	3 340.1	3 464.4	(3.6)
Biological assets	814.9	744.4	9.5
Trade and other payables	(7 829.8)	(6 145.9)	27.4
Net	3 500.8	4 048.5	(13.5)

WORKING CAPITAL DAYS	DEC 2020	DEC 2019	VAR DAYS
Receivables days	89	81	(8)
Stock days	63	75	12
Payables days	(119)	(109)	(10)
Net	33	47	(14)
Adjusted debtors days*	50	44	

*Trade and other receivables include other receivables and prepayments of R928.9m (Dec 2019: R816.7m). Adjusted debtors days calculates the days off trade debtors only, and is based on the gross sales value made by Vector Logistics instead of the net revenue disclosed for accounting purposes, and has been adjusted to include a full 12 months of sales relating to the ICL new customers taken on 1 December 2019.

NET WORKING CAPITAL AS A % OF REVENUE



Net working capital has decreased by R547,8 million (13.5%) from December 2019, and as a percentage of revenue decreased to 12.0% in the current period (December 2019: 15.1%). The decrease was mainly a result of a R1 684,0 million increase in trade and other payables, partially offset by a R1 190,0 million increase in trade and other receivables.

The take-on of new principals and customers as part of the ICL acquisition, coupled with the timing of period end cut-off, had a significant impact on the gross trade and other receivables and trade and other payables balances. The current period ended on Sunday 27 December 2020, whilst the prior period ended on Sunday, 29 December 2019 which resulted in inflated trade and other payables balances.

Adjusted debtors' days are 6 days higher than the prior period mainly due to an increased mix of retail customers in the book associated with the ICL take-on as well as the impact of an earlier cut-off in the current period which hindered the Group's ability to encourage the earlier settlement of debtors' accounts.

Inventory decreased by R124.3 million from December 2019 due to a smaller cane crop in the current year coupled with higher sugar sales volumes, whilst biological assets increased R70.5 million due to higher bird volumes.



CAPITAL EXPENDITURE

WELL CONTROLLED CAPEX SPEND, DOWN R12.9m



Capital expenditure (including intangibles) was **R424.2m** (Dec 2019: R437.1m)

Major spend items in the current period included:

- Replacements within the Vector Logistics fleet (R52.9m);
- Expansion of the Pies production lines (R12.2m); and
- Replacement of certain production lines at the Pretoria West bakery (R11.4m)

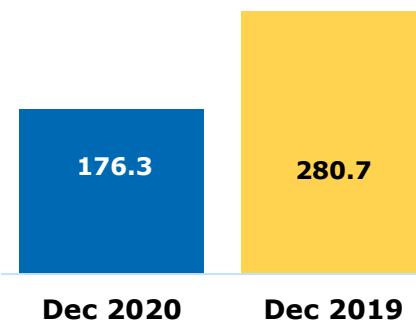


Capital commitments of **R951.1m** (Dec 2019: R887.7m)

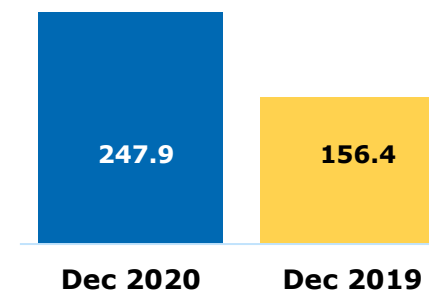
Major items included in these amounts relate to:

- Expansion of the bread, buns and rolls production lines (R160.4m);
- Planned replacements within the Vector Logistics fleet (R76.8m); and
- Replacement of certain production lines at the Pretoria West bakery (R25.6m)

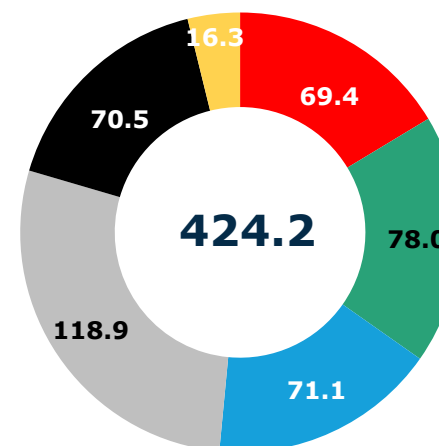
EXPANSION (Rm)



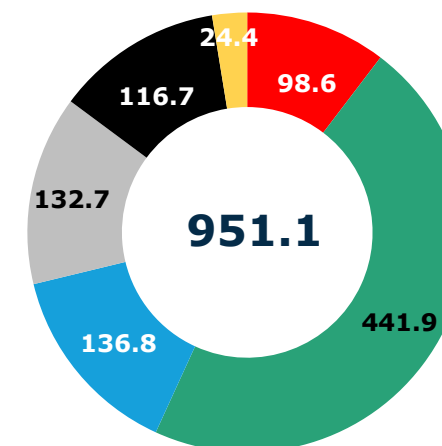
REPLACEMENT (Rm)



CAPITAL EXPENDITURE BY SEGMENT (Rm)



CAPITAL COMMITMENTS BY SEGMENT (Rm)

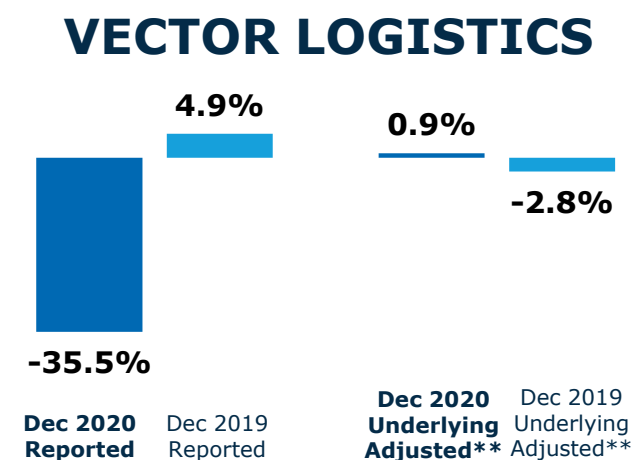
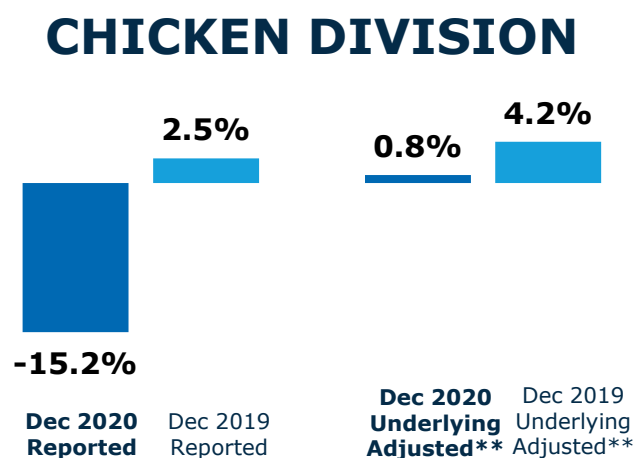
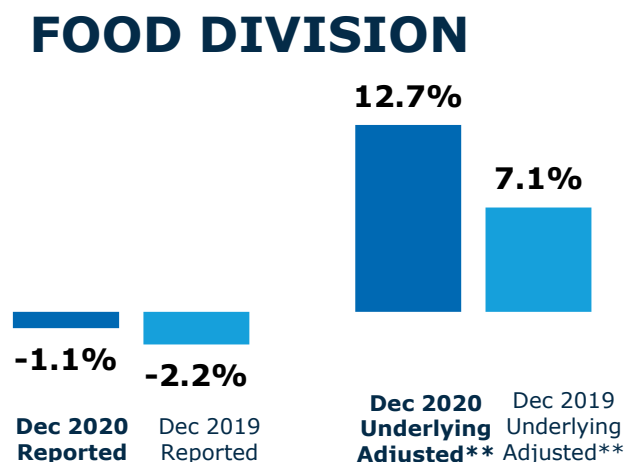
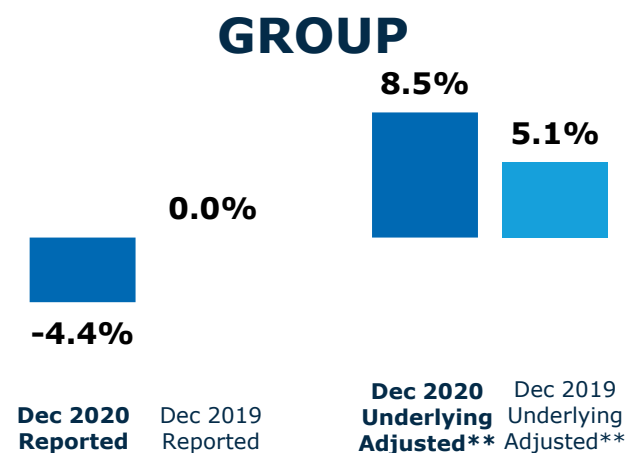


■ Groceries ■ Baking ■ Sugar ■ Chicken ■ Vector ■ Group



RETURN ON INVESTED CAPITAL (ROIC) AT DECEMBER*

GROUP REPORTED ROIC DECLINES TO NEGATIVE 4.4% MAINLY DRIVEN BY IMPAIRMENTS IN H2 OF FY2020
GROUP UNDERLYING ADJUSTED ROIC IMPROVES TO 8.5%**






DEBT PACKAGE

DEBT PACKAGE RESTRUCTURED IN DECEMBER 2018 AT LOWER INTEREST RATES
INTEREST RATE OF 3M JIBAR + MARGIN OF 1.5% TO 1.55% OVER 5 YEAR TERM

TERM	VALUE (Rm)	YEAR 1 (DEC 19)*	YEAR 2 (DEC 20)	YEAR 3 (DEC 21)	YEAR 4 (DEC 22)**	YEAR 5 (DEC 23)
5 year	837.50					
	RCF ¹ :	837.50				
4 year	281.25					
	RCF:	281.25				
3 year	56.25					
	RCF:	56.25				
TOTAL	2 350					
Hedged %		75%	75%	79%	0%	0%

 Hedged 3M JIBAR
(collar with a 7.0% floor & 8.5% cap)

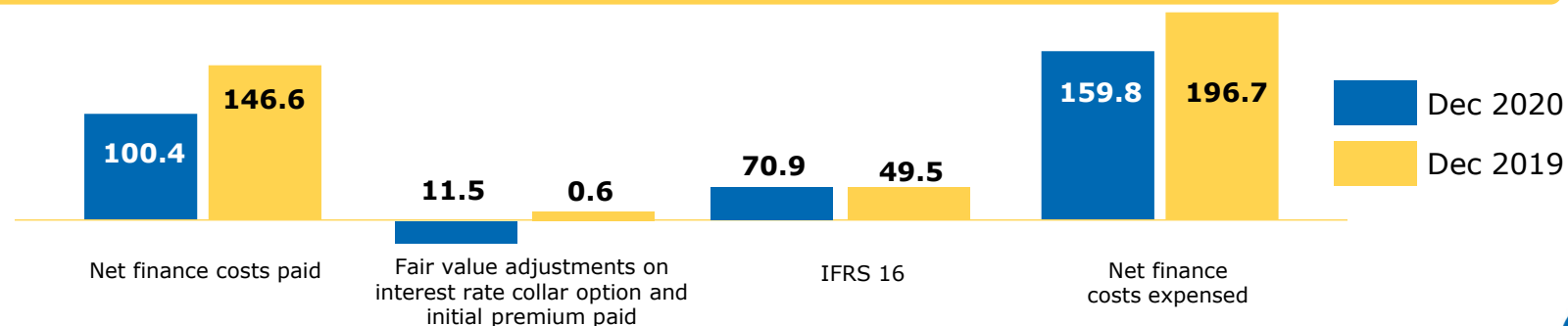
 Unhedged

 Partial hedge

* Hedge commenced 1 April 2019

** Hedge ends 31 March 2022

NET FINANCE COSTS (Rm)



¹Revolving credit facility



DEBT COVENANTS

RCL FOODS REMAINS WELL WITHIN COVENANT REQUIREMENTS

Required covenant ratios were revised on restructuring of the debt package in December 2018

COVENANT	REQUIRED	DEC 2020	JUNE 2020	DEC 2019
Senior leverage ratio (Net senior debt*/Adjusted EBITDA)	<3.0	2.2	1.6	1.7
Senior interest cover ratio (Adjusted EBITDA/senior net finance charges**)	>3.5	9.9	4.7	7.0



Covenant met



Covenant breached

The restructured debt package has simplified compliance requirements and offers greater flexibility for borrowings



Covenant requirements are fixed at 3.0 for the leverage ratio and 3.5 for the interest cover ratio over the entire 5-year term of the package



Adjusted EBITDA is calculated as pre-IFRS 9 EBITDA, less EBITDA attributable to non-controlling interests less gains/losses arising from revaluations or disposals of assets and excludes the EBITDA impact of IFRS 16 Leases. The required covenants per the term-funded debt agreement were set before the adoption of IFRS 16. As a result, the covenant calculations exclude the impact of IFRS 16



PAUL CRUICKSHANK

FOOD DIVISION
CHIEF OPERATING OFFICER



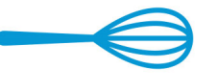


OPERATIONAL REVIEW : FOOD DIVISION







REVENUE (Rm)	DEC 2020	DEC 2019	% VAR
Groceries	2 762.5	2 637.6	4.7
Baking	2 917.4	2 545.9	14.6
Sugar	4 377.9	3 778.1	15.9
FOOD DIVISION SUB TOTAL	10 057.8	8 961.6	12.2
Chicken Division	4 875.2	4 700.2	3.7
Vector Logistics	1 519.5	1 273.9	19.3
Group	94.0	82.1	
Sales between segments	(845.1)	(807.6)	
TOTAL	15 701.4	14 210.2	10.5
UNDERLYING EBITDA* (Rm)			
Groceries	301.6	322.6	(6.5)
Baking	269.1	188.6	42.7
Sugar	462.3	306.5	50.8
FOOD DIVISION SUB TOTAL	1 033.0	817.7	26.3
Chicken Division	85.0	218.4	(61.1)
Vector Logistics	168.0	61.0	175.6
Group	58.8	43.0	36.8
TOTAL	1 344.8	1 140.1	18.0

* Adjusted for material once-offs and accounting adjustments





OUR WINS FOR THE PERIOD

-  A **clear strategy & focus** driving a significantly **improved EBITDA** result
-  **Well executed COVID controls** minimising disruption on operations
-  **Stronger than forecasted volume growth** across most categories
-  **Significant overhead savings** & heightened focus on **operational efficiencies**
-  **Substantial cost savings** in Sugar **delivered**
-  Strong market share gains driving a **stellar result for Pet Food**
-  Well executed activation plans driving **Beverage recovery**
-  **New Pies plant operational**
-  Strong performance **turnaround at Gauteng bakeries**



A row of five white jars with red caps and labels, each featuring the 'NOLA' brand name. The jars are slightly out of focus. In the background, a dark pot sits on a stove, with wisps of white steam rising from it. The overall scene suggests a kitchen environment. A large, white, stylized outline of a shopping bag is positioned on the left side of the image, partially overlapping the jars. The word 'GROCERIES' is written in a bold, white, sans-serif font across the middle of the image, centered horizontally and partially enclosed by the shopping bag outline. On the right side, there is a repeating pattern of a white icon consisting of a central circle with eight lines radiating outwards, each ending in a small icon of a fork, spoon, or knife.

GROCERIES

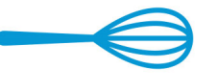


OPERATIONAL REVIEW : FOOD DIVISION - GROCERIES

UNDERLYING EBITDA RESULT OF R301.6m, DOWN 6.5% ON LAST YEAR DRIVEN BY PIES & BEVERAGE

GROCERIES	DEC 2020	DEC 2019	% VAR	HEADLINES
REVENUE	2 762.5	2 637.6	4.7	
Revenue excluding sundry sales	2 423.4	2 352.8	3.0	<ul style="list-style-type: none"> Despite a strong Grocery operating unit result, the impact of the national lockdown on both Pies & Beverage demand in the first quarter drove an overall Groceries shortfall versus prior year With the easing of lockdown restrictions, both operations have seen a pleasing recovery in volumes more recently
Sundry sales	339.1	284.8	19.1	
EBITDA	317.6	327.6	(3.1)	
EBITDA margin %*	13.1	13.9	(0.8)ppts	
Underlying adjustments:				
IFRS 9 commodity adjustments	(19.3)	(5.0)		
COVID-19 direct costs	3.3			
UNDERLYING EBITDA	301.6	322.6	(6.5)	
Underlying EBITDA margin %*	12.4	13.7	(1.3)ppts	

*Margin calculated on revenue excluding sundry sales



OPERATIONAL REVIEW : FOOD DIVISION - GROCERIES

GROCERY : CULINARY



Strong demand in the first quarter of the financial year softened in recent months as a result of price increases which were necessitated by substantial increases in input costs






Despite overall softer volumes, our culinary category demonstrated pleasing profit growth through focussed pricing strategies and operating efficiencies



Nola & Ouma also grew their market leadership share positions despite a tough trading environment and aggressive competitor promotional activity

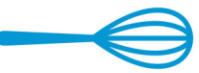


Whilst most categories were down on volume, Yum Yum's growth was pleasing considering the continued presence of imported peanut butter in the market which does not attract import duties whereas raw peanut imports do

MARKET SHARE (VOLUME)	6mm Dec 2019	6mm Dec 2020
	41.6%	42.8%
	26.1%	26.8%
	44.4%	45.7%

Source : Aztec





OPERATIONAL REVIEW : FOOD DIVISION - GROCERIES

GROCERY : PET FOOD



Although the Pet Food category is under pressure with consumers trading down, our brands continue to perform well







Within the Dog Food category, RCL FOODS lost some dealer-owned brand volumes as part of a conscious decision to not chase volume with little to no contribution



Tactical promotions, expansion into new channels and differentiating innovation within our own Dog brands has however been successful in delivering category growth ahead of expectation



Within the cat food category our brands have outperformed competitors which is evident in our strong market share gains

MARKET SHARE (VOLUME)	6mm Dec 2019	6mm Dec 2020
	34.8%	33.2%
	33.7%	34.7%
	13.4%	15.5%
	65.5%	66.4%

Source : Aztec





OPERATIONAL REVIEW : FOOD DIVISION - GROCERIES

PIES



Although the lockdown has had a negative impact on the Pies operating unit, volumes have gradually begun to recover towards pre-lockdown levels as restrictions have eased, particularly in the Forecourt channel



The new Pie line is now fully operational, increasing our capacity and paving the way for the launch of a range of innovations



H2 focus will be centred around driving up consumption & leading growth in a changing Pies market



BEVERAGES



Although the Beverage market is in decline, RCL volumes have started to recover with the lifting of restrictions, as people consume more “on the go” offerings



Operational turnaround plans have heightened focus on plant efficiencies and driven cost savings



In addition, a significant recovery in the operation is expected going forward on the back of a decision made to mothball the under utilised UHT facility





BAKING



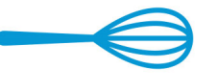
OPERATIONAL REVIEW : FOOD DIVISION - BAKING

UNDERLYING EBITDA OF R269.1m, UP 42.7% ON LAST YEAR MAINLY DUE TO STRONG DEMAND & IMPROVED OPERATIONS

BAKING	DEC 2020	DEC 2019	% VAR
REVENUE	2 917.4	2 545.9	14.6
EBITDA	265.8	183.3	45.0
<i>EBITDA margin %</i>	<i>9.1</i>	<i>7.2</i>	<i>1.9</i>
Underlying adjustments:			
IFRS 9 commodity adjustments	(2.0)	5.3	
COVID-19 direct costs	5.3		
UNDERLYING EBITDA	269.1	188.6	42.7
<i>Underlying EBITDA margin %</i>	<i>9.2</i>	<i>7.4</i>	<i>1.8ppts</i>

HEADLINES

- Baking delivered a substantial improvement on the prior period, underpinned by strong demand and a turnaround of the Gauteng bakeries
- Recent market benchmarking data suggests that Baking has notably outperformed the industry basket for the 6 month period *(Source: Ask'd)*



OPERATIONAL REVIEW : FOOD DIVISION - BAKING

BREADS, BUNS & ROLLS



Bread, buns and rolls generated a strong result after landing a price increase early in the period to counter commodity price pressure



Although volumes have come under pressure in the second quarter due to aggressive competitor activity, the Sunbake brand continued its steady advance in market share gains

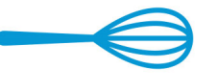


Well executed action plans have been instrumental in turning operational performance around at our Gauteng bakeries, particularly the Benoni bakery



With the Sunbake brand well positioned for growth, better Gauteng performance and bread production nearing capacity, the business has approved a sizeable investment which will accelerate baking's growth strategy





OPERATIONAL REVIEW : FOOD DIVISION - BAKING

SPECIALITY



Speciality continues to deliver strong volume growth mainly driven by speciality breads, increased in-home consumption and successful innovation launches



Sound cost control and operating efficiencies also contributed to the category's result

MILLING



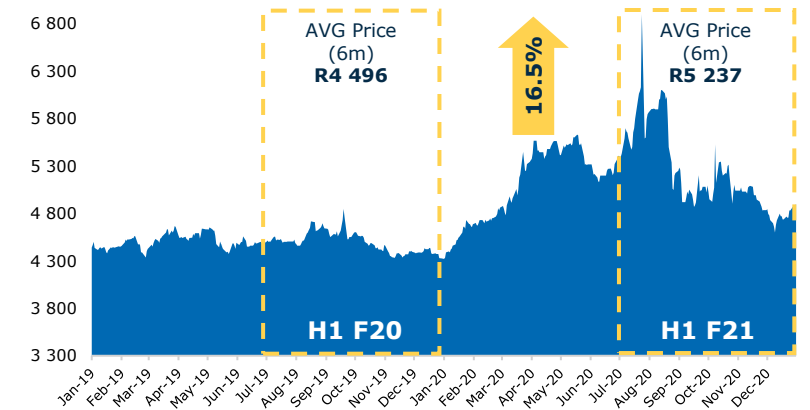
Milling performance has improved considerably on the back of increased focus on stock losses and efficiencies, landing higher pricing to counter commodity price increases and improved mill performance as a result of recent investments



Forward integration remains a big focus for the business as it will deliver growth and use more of our capacity internally



SAFEX WHEAT PRICE (R/Ton)



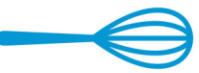


SUGAR

**OPERATIONAL REVIEW: FOOD DIVISION - SUGAR****SUGAR UNDERLYING EBITDA UP 50.8% TO R462.3m ON THE BACK OF COST CONTROL, A FAVOURABLE PRODUCT MIX AND HIGHER MARKET PRICING****SUGAR****DEC
2020****DEC
2019****%
VAR****HEADLINES**

REVENUE	4 377.9	3 778.1	15.9
EBITDA	457.2	306.5	49.2
<i>EBITDA margin %</i>	<i>10.4</i>	<i>8.1</i>	<i>2.3ppts</i>
Underlying adjustments:			
COVID-19 direct costs	5.1		
UNDERLYING EBITDA	462.3	306.5	50.8
<i>Underlying EBITDA margin %</i>	<i>10.6</i>	<i>8.1</i>	<i>2.5ppts</i>

- Sugar delivered a substantially stronger result that was 50.8% up on the prior period's performance
- The improvement was a factor of significant cost savings and a better sales mix as a result of reduced exposure to the export market



OPERATIONAL REVIEW: FOOD DIVISION - SUGAR

SUGAR



The business has continued to benefit from higher local demand as a result of increased home-based cooking and baking as well as the large-scale distribution of COVID-19 relief hampers



Sugar imports remain substantially below the prior period, which has supported a healthier supply-demand balance and an improved sales mix in favour of local sales



With heightened focus on becoming more cost competitive, the business successfully delivered on cost savings and restructure initiatives in the agricultural and supply chain areas



In addition, a decision taken to mothball the unprofitable refinery operations at the Pongola Mill has driven a significant turnaround in performance at this facility



Further Agriculture initiatives, identified through various benchmarking exercises coupled with efforts to drive a more favourable mix will continue to impact positively on results going forward





OPERATIONAL REVIEW : FOOD DIVISION - SUGAR

SUGAR continued



Lastly, an increase in the international sugar price has improved export earnings over the period

SUGAR MASTER PLAN



Government and industry stakeholders signed the “Sugar Master Plan”, developed to support the sustainability of the sugar industry in South Africa, in November 2020

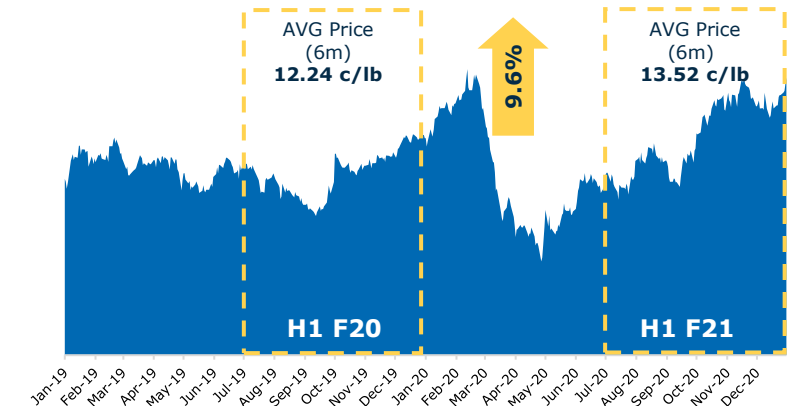


The Master Plan seeks to increase consumption of locally produced sugar, provide adequate protection against dumping from international sugar producers and significantly diversify the sugarcane value chain

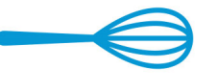


RCL FOODS is working closely with the other key industry role players to deliver on the detailed workstreams set out in the Plan

NO.11 WORLD SUGAR PRICE (RAW SUGAR)



Source : Reuters



OPERATIONAL REVIEW : FOOD DIVISION - SUGAR

MOLATEK



Although the molasses-based feed market has become very competitive due to herd reductions amidst COVID uncertainty, Molatek has managed to maintain a relatively stable performance, through an improved mix and significant focus on cost management

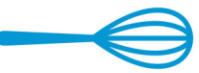


Volume pressure is expected to continue in the upcoming months therefore focus will be on driving a favourable mix and growing other markets









FOOD DIVISION – KEY PRIORITIES





FOOD DIVISION PRIORITIES FOR SECOND HALF OF F21 FINANCIAL YEAR

STRATEGIC

-  Focused **reduction of Sugar's Agriculture costs**
-  Deliver on our **Pies plant investment**
-  **Execute** the **Beverage UHT turnaround plan**
-  Deliver the **Baking investment roadmap**
-  Continue to **step change Gauteng bakeries performance**
-  Drive **efficiencies in the Milling supply chain**

OPERATIONAL

-  **Minimise COVID-19 disruption** on operations
-  Effectively **manage commodity pricing pressure**
-  Drive a **purpose fit cost base** for a challenged consumer environment
-  Prioritise **innovation in value tier**
-  Seamlessly **execute Chicken's separation** from Food Division



PAUL CRUICKSHANK

CHICKEN DIVISION





OPERATIONAL REVIEW: CHICKEN DIVISION

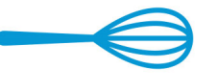
AGRICULTURAL BREED CHALLENGES AND COVID-19 LOCKDOWN AFTER EFFECTS, DRIVING A 61.1% DECLINE IN UNDERLYING EBITDA

CHICKEN	DEC 2020	DEC 2019	% VAR
REVENUE	4 875.2	4 700.2	3.7
Revenue excluding sundry sales	4 722.3	4 553.7	3.7
Sundry sales	152.9	146.5	4.4
EBITDA	(133.8)	134.3	(199.6)
EBITDA margin %*	(2.8)	2.9	(5.7)ppts
Underlying adjustments:			
IFRS 9 commodity adjustments	118.1	84.1	
COVID-19 direct costs	100.7		
UNDERLYING EBITDA	85.0	218.4	(61.1)
Underlying EBITDA margin %*	1.8	4.8	(3.0)ppts

HEADLINES






- Continued challenges in agriculture breed performance as well as the lingering impacts of the initial COVID-19 lockdown, have impacted negatively on Chicken's cost base
- Pleasingly, revenue was up by 3.7% as efforts to resolve excess QSR stock through other avenues, with minimal price impact, were successful




*Margin calculated on revenue excluding sundry sales



OPERATIONAL REVIEW: CHICKEN DIVISION

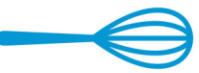
CHICKEN

-  With the reopening of the QSR channel, we have seen a recovery in demand but not to pre-lockdown levels
-  Nevertheless, efforts to expand our customer base and regionalise our sales effort have gained traction over this period ensuring stock builds were effectively managed without impacting price, exiting the period with a well-balanced stock mix
-  Poor COBB genetics will continue to impact agriculture results for another twelve months, however good progress has been made to date and the business is on track to deliver on its longer-term Breed recovery plan
-  The prevalence of Salmonella from an agricultural performance perspective is of emerging concern for the whole industry. Enhanced measures, while necessary to mitigate any further risk, have caused supply chain challenges and increased costs
-  The Simply Chicken range has also generated pleasing market share growth in the Vienna and Freezer-to-Fryer categories. In addition, upcoming launches will enable our Simply Chicken polony range to participate in the mainstream market

MARKET SHARE (VOLUME)	6mm Dec 2019	6mm Dec 2020
	9.9%	9.5%
	14.3%	19.8%
	34.6%	35.4%

Source : IRI





OPERATIONAL REVIEW: CHICKEN DIVISION

CHICKEN CONTINUED



A substantial rally in commodity prices has begun to negatively impact margins, a trend that is expected to worsen for the remainder of the financial year

CHICKEN MASTER PLAN



As part of the industry's **"Chicken Master Plan"** roll out, a revised import tariff was implemented in March 2020

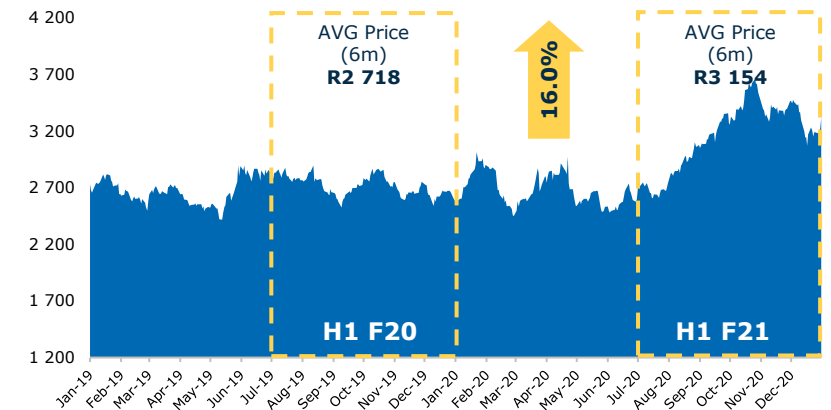


Whilst the new tariff will assist in rebalancing the supply demand dynamic, the industry will continue to support Government on other workstreams critical to delivering a sustainable business model for locally produced Chicken



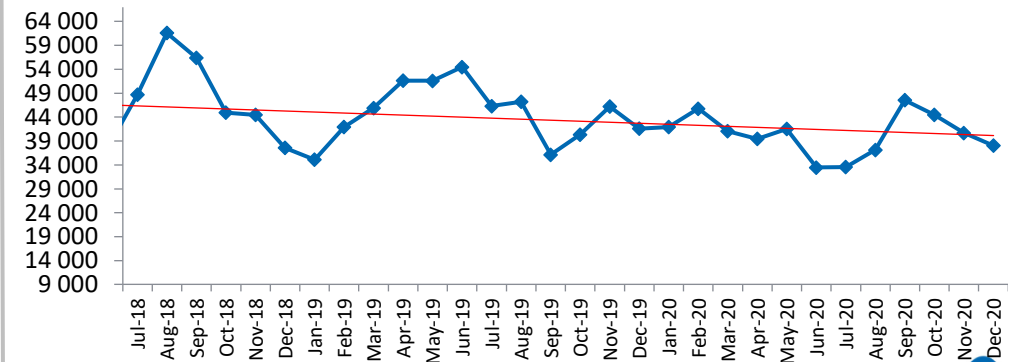
Good progress is being achieved across most pillars of the Poultry Master Plan, despite the focus required by the Government as well as poultry producers in managing the impact of the pandemic

SAFEX YELLOW MAIZE PRICE (R/Ton)



Source : Reuters

IMPORTS : TOTAL POULTRY - TONS PER MONTH



Source : SAPA



OPERATIONAL REVIEW: CHICKEN DIVISION

ANIMAL FEED



Our EPOL business has come under pressure in the last 6 months as the external feed market has become increasingly competitive



Rising raw material input costs started to put pressure on margins forcing the business to take prices up and as a result, volumes have significantly slowed over the period

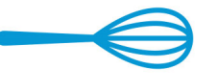




MARTHINUS STANDER

CHICKEN DIVISION
MANAGING DIRECTOR





FORWARD VIEW: CHICKEN DIVISION

CURRENT PERFORMANCE IS LACKING SIGNIFICANTLY BEHIND THE REST



We agreed focused **short-term** plans (“**stop the bleeding**”):

- Mitigating the substantial raw material price increases
- Addressing the lacking breed performance
- Implementing cost reduction measures all round
- Focusing on customer needs and expectations



Medium-term (“**back to the black**”):

- Fixing the non-competitive cost base, mostly in agriculture
- Building a better maize book
- Implementing the appropriate structure of and format for a fit-for-purpose competitive, sustainable and profitable standalone poultry business



Long-term (“**position for growth**”):

- A framework for a 5-year recovery- and development model was co-created
- Investment in significant maintenance and new technology is required and will be balanced in a calculated and pragmatic manner
- Building a profitable and substantial feed business is a priority
- Innovation will be key, supporting customer and consumer needs





CHRIS CREED

**VECTOR LOGISTICS
MANAGING DIRECTOR**



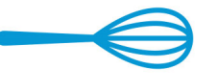
OPERATIONAL REVIEW : VECTOR LOGISTICS

VOLUME RECOVERY, NEW PRINCIPALS AND GOOD PROGRESS WITH THE CONSOLIDATION OF DUPLICATED NETWORKS DELIVERED A SOLID PERFORMANCE

VECTOR LOGISTICS	DEC 2020	DEC 2019	% VAR
REVENUE	1 519.5	1 273.9	19.3
EBITDA	162.8	171.0	(4.8)
<i>EBITDA margin %</i>	<i>10.7</i>	<i>13.4</i>	<i>2.7ppts</i>
Underlying adjustments:			
Gain on bargain purchase		(110.0)	
COVID-19 direct costs	5.2		
UNDERLYING EBITDA	168.0	61.0	175.6
<i>Underlying EBITDA margin %</i>	<i>11.1</i>	<i>4.8</i>	<i>6.3ppts</i>

HEADLINES

- **Pleasing revenue performance** driven by the ICL principals that were taken on in Dec 2019, in spite of the continued impact of COVID-19 on the food service space
- The **good progress made in consolidating the duplicate networks**, post the ICL acquisition, has further enhanced performance and capacity enablement's are expected to be completed in the next 9 months
- Underlying EBITDA and EBITDA margins after the removal of the gain on bargain purchase from ICL in the prior year, is **ahead of prior year**
- Despite the impact of the continued pandemic on the food service business and consumer demand, we are **positive in our outlook** for the next six months of the year



PLEASING REVENUE GROWTH IN SPITE OF CONTINUED COVID-19 IMPACT ON FOOD SERVICE



Revenue growth has been driven by new principal business landed in December 2019 as a result of being awarded the Shoprite and Massmart retailer frozen networks, reaffirming our customer aligned strategy

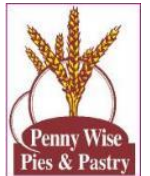


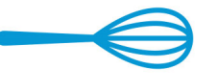
This new revenue in retail continues to mitigate the impact of COVID-19 on food service, confirming the benefit of driving a diversified revenue base to secure continued sustainability

CUSTOMER ALIGNED STRATEGY



NEW PRINCIPALS





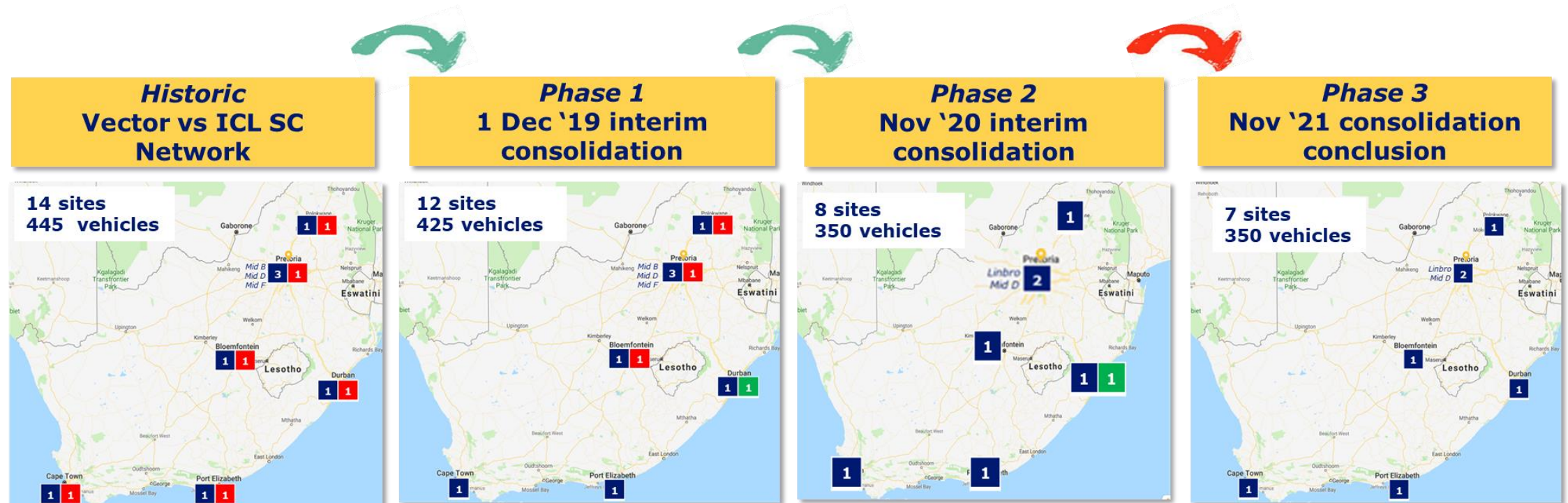
GOOD PROGRESS MADE IN THE CONSOLIDATION OF THE DUPLICATED NETWORKS

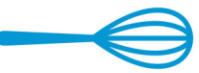


Good progress has been made in the last 6 months in consolidating a part of the duplicated networks. Capacity enablement for the new business in warehouses and the consolidation of the duplicate networks in fleet will continue for the next 9 months



The final synergised network, once bedded down, will continue to unlock synergies of scale, reduce the cost base and build a sustainable model into the future





VECTOR LOGISTICS GOING BEYOND



Phase one of the implementation of **Empty Trips** (a smart online digital freight matching platform) is complete, with further rollouts anticipated.



Our joint venture partners in Senn Foods (Botswana) and L&A Logistics (Zambia) although impacted by COVID-19 continue to drive a positive contribution and enhancing our reach into Africa



Further to the above, we have acquired an additional 40% in L&A Logistics in February 2021, increasing our holdings from 45% to a controlling share of 85%



In association with Vector Logistics, a Division of Of RCL FOODS Foods Ltd



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