



INTERIM RESULTS MEDIA RELEASE: MARCH 2021

STRONG UNDERLYING RESULTS AMIDST TOUGH CONDITIONS BODE WELL FOR RCL FOODS' NEXT CHAPTER

KEY HEADLINES

- Revenue up 10.5% mainly due to higher volumes and improved prices in Sugar and Baking, and new business in Vector Logistics
- Underlying* EBITDA up 18.0%, and underlying HEPS up 28.0%
 - Strong Baking performance, outperforming industry staples basket
 - Sugar continued to deliver an improving set of results due to higher volumes and prices, better sales mix and cost savings
 - Chicken impacted by agricultural challenges, but progressing with recovery plan which will be accelerated under new dedicated structure and leadership
 - Solid Vector Logistics performance aided by take-on of new principals post acquisition of Imperial Logistics South Africa's cold chain business (ICL)
 - Pervasive pricing pressure due to rising commodity input costs
 - Significant COVID-19 direct costs, mostly in Chicken
- Progress in strategic transformation initiatives to achieve more sustainable quality of earnings, with strategic portfolio review currently under way
- Working capital well-managed

FINANCIAL HIGHLIGHTS

	Dec 2020	% change
Revenue	R15,7 billion	up 10.5%
EBITDA	R1,13 billion	down 3.1%
Underlying* EBITDA	R1,34 billion	up 18.0%
Headline earnings	R529,9 million	up 14.3%
Headline earnings per share (HEPS)	59,7 cents	up 12.1%
Underlying headline earnings	R684,6 million	up 30.6%
Underlying HEPS	77,1 cents	up 28.0%
Interim dividend per share	15,0 cents	0.0

* The underlying view of the results excludes material once-offs and accounting adjustments related to IFRS 9 Financial Instruments (IFRS 9), direct costs of COVID-19 in the current year and the gain on bargain purchase arising from the acquisition of ICL in Vector Logistics in the prior period.

Durban, 01 March 2021: RCL FOODS today reported a pleasing set of results for the six months ended December 2020, with its diverse portfolio providing resilience amidst the COVID-19 pandemic. Revenue of R15,7 billion was 10.5% higher than the comparative period, driven mainly by higher volumes and improved prices in Sugar and Baking, improved Milling volumes, and the take-on of new principals in Vector Logistics following its acquisition of ICL.

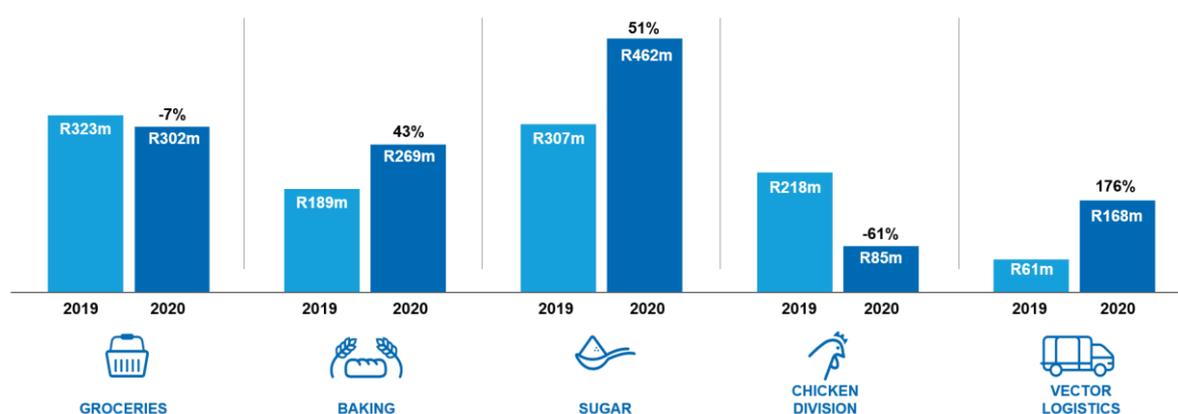
Underlying results were positive, with underlying EBITDA increasing 18% to R1 344,9 million on the back of gains in Sugar, Baking and Vector Logistics. While Chicken was impacted by agricultural challenges, a foundation for recovery is gaining traction and the turnaround will be accelerated under the new dedicated structure and leadership team.

Key to the pleasing overall result was strong volume performance across most segments of RCL FOODS' diversified portfolio. Volumes and portfolio diversity have also partially countered pricing pressure driven by a significant rise in agricultural input costs during the period, stemming from global crop failures and increased demand from China.

In the context of significant pricing pressure and direct COVID-19 costs of R119,6 million, statutory EBITDA held steady, declining 3.1% against the prior, pre-COVID-19 period which also included a R110,0 million gain on bargain purchase arising from the ICL acquisition.

The company has declared an interim gross cash dividend of 15 cents per share (2020: 15,0 cents).

IMPROVED BAKING, SUGAR AND VECTOR RESULTS DRIVE GROWTH IN PROFITABILITY



"RCL FOODS is proud to present a pleasing set of interim results, with the diversity of its portfolio providing resilience amidst the COVID-19 pandemic. Noteworthy contributors to the improved results came from the Sugar, Baking and Vector Logistics segments, translating into a 28.0% increase in underlying headline earnings per share. With COVID-19 mitigation strategies firmly in place, including careful management of working capital, RCL FOODS has been able to focus on its strategic transformation agenda with the aim of



creating a more resilient business with more sustainable quality of earnings," said RCL FOODS CEO Miles Dally.

STRATEGIC PROGRESS

The Group has made progress against several key strategic initiatives as part of its next chapter aimed at creating a more resilient business with more sustainable quality of earnings.

The consolidation of the former Consumer and Sugar & Milling divisions into a single Food Division in late 2019 has yielded numerous benefits including an integrated and synergised structure, enhanced focus, improved operational efficiencies and cost savings, all of which are evident in the Food Division's results.

To ensure a more competitive, profitable and sustainable performance within Chicken, a decision was subsequently taken to establish the Chicken business unit as a separate, focused division within RCL FOODS. Experienced executive appointments reporting directly to the RCL FOODS CEO have been announced to lead this initiative and accelerate recovery plans.

In parallel to this, a strategic review of the entire RCL FOODS portfolio is currently being carried out. The review, which the RCL FOODS Board announced in November 2020 and is still in its early stages, will evaluate whether the collective portfolio is optimally configured to provide sustainable growth and continuous appeal to shareholders. Rand Merchant Bank has been appointed to assist with an evaluation and review of strategic options as they relate to the composition of the underlying RCL FOODS basket.

"RCL FOODS is well positioned with a healthy balance sheet, debt capacity and strong cash generation. The Group remains of an acquisitive mindset and once the desired structure has been agreed, migration and capital allocation towards that basket may potentially include acquisitions, disposals or both," the Group said.

Having strategically entered the plant-based foods category via a minority shareholding in the LIVEKINDLY collective in January 2020, RCL FOODS and the collective have agreed to establish a local joint venture – LIVEKINDLY collective Africa – which will market, sell and distribute all the collective's brands in South and sub-Saharan Africa. These include the well-known South African Fry's Family Foods brand and the international LikeMeat and Oumph! brands. The joint venture will be finalised subject to approval by the Competition Commission.

In support of its ambition, RCL FOODS continues to support and grow its diversified portfolio of branded products through clear strategies, continuous innovation and appropriate investment. The strength and recent rapid growth in its pet food category are testament to its ability to establish profitable and well-loved brands relatively quickly. Successful product extensions and innovations meanwhile demonstrate experience in maintaining market leadership and growing market shares.



With the pandemic leading to further reductions in discretionary spending and accelerating a shift towards more in-home consumption and greater focus on value for money, the Group has been positioning its brands to capitalise on related opportunities through innovation and proactive promotional strategies. It is also leveraging its unique farm-to-fork capabilities and established market presence to create a platform to partner with others to broaden the range of products available to consumers – including plant-based foods.

In its efforts to achieve a sustainable Sugar business, the Group welcomes the recent signing of the Sugar Industry Master Plan by government and industry stakeholders. The Plan seeks to increase consumption of locally produced sugar, provide adequate protection against dumping and significantly diversify the sugarcane value chain.

Vector Logistics, having successfully integrated the ICL assets and related employees and entered into new agreements with several previous ICL customers, is currently working to consolidate the two separate distribution networks into a single, optimised, efficient network. Good progress has been made in the past six months despite COVID-related challenges.

Sustainability initiatives continue to play a key strategic role in securing RCL FOODS' future and navigating the present. The newly constructed Rustenburg waste-to-value plant exported its first power to the Chicken plant during the period and is currently ramping up its energy production, reducing both energy and water demand. The DO MORE FOUNDATION has meanwhile played a critical role in supporting vulnerable communities during the pandemic, leveraging support from 147 partners across the private, public and NGO sector. One of these is the Kingsley Holgate Foundation which delivered packs of DO MORE porridge and early learning resources to thousands of vulnerable young children in 2020.

RCL FOODS has joined the international 10x20x30 initiative to halve food loss and waste in the supply chain by 2030. The Group has also partnered with South Africa's biggest food suppliers to support the post-lockdown restoration of the food service industry through the #OneMealManyThanks campaign.

OPERATIONAL REVIEW

The newly-created Food Division delivered a robust set of results, driven by strong performances from Sugar and Baking and by benefits related to the new synergised structure, including overhead cost savings. Underlying EBITDA increased by 26.3% to R1 032,9 million versus the comparative period, with underlying EBITDA margin increasing 1.2 percentage points to 10.3%.

The Groceries business unit's underlying EBITDA declined 6.5% to R301,6 million at a margin of 10.9% (December 2019: 12.2%) due to softening second-quarter demand and the negative impact of lockdown restrictions on the Pies operating unit. Staples volumes were more resilient, and the Grocery operating unit achieved pleasing profit growth through focused pricing strategies and operating efficiencies. The Beverages operating



unit has slowly begun to recover from lockdown-induced reductions in on-the-go consumption, and is benefiting from improved plant efficiencies and cost savings.

The Baking business unit improved substantially, underpinned by strong demand and a turnaround at the Gauteng bakeries. Underlying EBITDA increased 42.7% to R269,1 million at a margin of 9.2% (December 2019: 7.4%). The bread, buns and rolls category performed well, aided by a price increase to counter commodity price pressure, and the Sunbake brand has continued to steadily gain market share despite recent volume pressure. Ask'd market benchmarking data indicates that RCL FOODS Baking sales outperformed the industry staples basket in the six months to December 2020, growing 5% versus the industry basket's 3.8%. The Speciality operating unit was a key contributor, with speciality breads, increased in-home consumption and excellent innovation driving higher volumes and improved margins. Milling performance also rallied considerably through increased efficiencies, higher pricing and better mill performance.

The Sugar business unit continued to deliver improved results, with reduced sugar imports helping create a healthier supply-demand balance and an improved sales mix in favour of local sales. Underlying EBITDA increased 50.8% to R462,3 million, supported by higher volumes and an improved mix, while underlying margin improved 2.5 points to 10.6%, aided by cost savings in agriculture and the supply chain. Domestic demand was fuelled by the large-scale distribution of COVID-hampers, as well as increased home-based cooking and baking. The Molatek animal feed business managed to maintain a relatively stable performance in an extremely competitive environment. Sugar's community-based joint ventures (CBJVs), which supply 33% of the Group's sugarcane, continue to pose funding challenges and various measures are being implemented to improve their sustainability.

Notwithstanding its delivery of many turnaround benefits in recent months, the Chicken Division had a 61.1% decline in underlying EBITDA to R85,0 million, at a margin of 1.7% (December 2019: 4.6%). The division was impacted by breed-related agriculture challenges, substantial commodity price hikes and lingering impacts of the initial COVID-19 lockdown on the food service industry. The final impact of supply chain relief measures and additional storage costs materially impacted the Division's results by R100,7 million, the largest portion of RCL FOODS' direct COVID-19 costs during the period. From an industry perspective, good progress is being achieved across most pillars of the Poultry Sector Master Plan, despite the focus also required for government and producers to manage the pandemic.

Vector Logistics showed pleasing growth, with underlying EBITDA increasing 175.6% to R168,0 million at a margin of 11.1% (December 2019: 4.8%). Food service volumes recovered beyond expectations with the easing of COVID-19 restrictions, and higher volumes were achieved in its retail secondary business, boosting revenue. Results were bolstered by the take-on of several new principals post the ICL acquisition, who were included for only one month in the prior period. Progress is being made in consolidating duplicate networks post the ICL acquisition, further aiding results. Vector's acquisition of the digital freight matching platform, "Empty Trips", is also yielding positive early results,



with a portion of internal transport business having moved onto the platform in the first phase of its rollout.

PROSPECTS

Exceptionally tough macro-economic conditions are expected to continue amidst the economic and social fallout of the COVID-19 pandemic. The significant commodity price surge will moreover require a strong emphasis on cost recoveries, which may constrain volumes. Against this backdrop, the Group believes its Food Division is well positioned with a clear strategic focus and growth aspiration, and expects Sugar to continue its more positive trajectory. With foundations laid for recovery in Chicken, the new management team will accelerate turnaround initiatives to restore profitability. Vector Logistics remains on track to deliver on its network integration and optimisation project, despite industry-wide margin pressure and the ongoing impact of the pandemic.

“RCL FOODS has a resilient portfolio with strong brands, a healthy balance sheet and strong cash flow generating ability. These attributes, together with our committed and creative people, will assist in steering the Group through current challenges. The comprehensive strategic review that is currently being undertaken will provide a fresh perspective on how we can grow into the future,” said Dally.

Ends.

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About RCL FOODS:

RCL FOODS produces over thirty of South Africa’s much-loved brands including Rainbow chicken, Selati sugar, Supreme flour, Sunbake bread, Nola mayonnaise, Ouma rusks, Yum Yum peanut butter, Number 1 mageu, Bobtail and Catmor pet food, and Epol and Molatek animal feed. Through our more than 20 000 employees, our diverse portfolio of brands and private label products, our dedicated food service arm and our route-to-market supply chain specialist, Vector Logistics, we exist to provide “MORE FOOD TO MORE PEOPLE, MORE OFTEN”. We do this by doing “that little MORE” to make a meaningful difference every day – creating a sustainable world of MORE.

Visit our website at: www.rclfoods.com

