



ANNUAL RESULTS MEDIA RELEASE, SEPTEMBER 2021

RCL FOODS DELIVERS STRONG RESULTS AMIDST A DIFFICULT OPERATING ENVIRONMENT

KEY HEADLINES

- Strong revenue growth amidst ongoing pandemic
- Statutory and underlying* EBITDA up 47.3% and 45.8% respectively
 - Excellent results in Sugar and Baking
 - Resilient Groceries result led by strong Pet Food performance
 - Steady progress in post-lockdown restoration of Pies and Beverages
 - Vector Logistics' turnaround gains traction from network consolidation
 - Chicken recovery hampered by agricultural challenges and input cost hikes
- Pervasive pricing pressure amidst rising agricultural commodity input costs
- Positive normalisation of direct COVID-19 costs in latter half of the year
- Strong cash position due to well-managed working capital balances

FINANCIAL HIGHLIGHTS

	June 2021	% change
Revenue	R31,7 billion	up 14.0%
EBITDA	R2 409,1 million	up 47.3%
Underlying* EBITDA	R2 530,4 million	up 45.8%
Headline earnings	R958,1 million	up 736.0%
Underlying headline earnings	R1 045,5 million	up 170.9%
Headline earnings per share (HEPS)	107.9 cents	up 723.7%
Underlying HEPS	117.7 cents	up 166.9%
Total dividend per share	45.0 cents	up 80.0%

* The underlying view of the results excludes material once-offs, accounting adjustments related to commodity valuations under IFRS 9 Financial Instruments, direct costs of COVID-19 in the current year and the R167,5 million gain on bargain purchase arising from the acquisition of the Imperial cold chain (ICL) business in Vector in the prior year.

Durban, 6 September 2021: RCL FOODS today reported a much-improved set of results for the twelve months ended June 2021, notwithstanding the ongoing COVID-19 pandemic. Revenue of R31,7 billion was 14.0% higher than the comparative period, while underlying EBITDA rose 45.8% to R2 530,4 billion, driven by an excellent performance in Sugar and Baking, along with



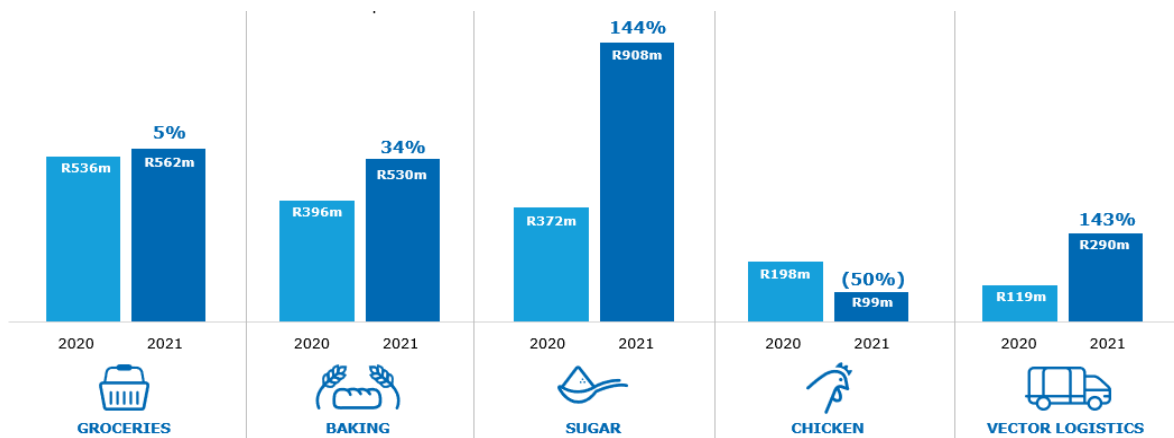
continued strong performance in Groceries. Sugar’s result was a record performance enabled by many factors, most notably an improved sales mix and tight cost control.

Notwithstanding the strong topline growth, input pricing pressure has continued to build in certain business units during the past year due to a significant rally in agricultural commodity prices. Another material feature of the period has been ongoing direct costs related to COVID-19, particularly in the Chicken Division, although these have reduced significantly in recent months.

After reporting a loss in the prior year, Vector Logistics produced a pleasing set of underlying results, aided by increased revenue and improved efficiencies arising from progress made in its network consolidation.

The company has approved a final dividend of 30.0 cents per share (2020: 10.0 cents).

UNDERLYING EBITDA (Rm) & GROWTH (%) PER BUSINESS UNIT FOR THE 12 MONTHS ENDED JUNE 2021



COVID-19 IMPACT AND RESPONSE

The Group has kept operating smoothly throughout the pandemic by continuing to emphasise four key priorities: keeping employees safe, maintaining food production, managing cash and liquidity, and supporting vulnerable communities. This has enabled it also to focus on rebuilding volumes in key areas impacted by the hard lockdown, particularly Quick Service Restaurants





(QSRs), and to respond strategically to changes in consumer behaviour induced or accelerated by COVID-19.

Direct COVID-19 mitigation costs amounted to R121,3 million during the period, of which the bulk relate to additional storage costs in Chicken earlier in the period. These have declined as the supply chain has returned to more normal operating levels.

CREATING A FUTURE-FIT RCL FOODS

RCL FOODS' journey over the past few years has centred on creating a resilient and future-fit business that delivers more sustainable shareholder value. Key steps towards this have been the formation of a consolidated Food Division with a sharpened strategic focus; the creation of a stand-alone Chicken Division; its entry into the plant-based foods category; and a recent strategic review of its portfolio.

The strategic review was announced in November 2020 to assess whether the RCL FOODS portfolio is optimally configured to deliver sustainable quality of earnings for shareholders. Rand Merchant Bank (RMB) was appointed to assist with the evaluation and review of strategic options, and a steering committee consisting of RCL FOODS' senior leadership team, RMB and Deloitte was appointed to run the review process. Key considerations were the need to optimise the portfolio's growth prospects and sharpen its strategic thesis and consequent investment proposition, while preserving synergies, scale and efficiency.

The review has confirmed that the current portfolio is not optimally configured for its purpose, due to its diversification across different asset classes, namely value-added branded foods (Groceries and Baking) ("FMCG"), poultry (Chicken and grain-based feed), sugar (Sugar and molasses-based feed) and logistics (Vector Logistics). In this context, the Board has accordingly resolved that a separation of the businesses will ultimately better position the Group to achieve a more consistent quality of earnings and thus enable shareholder value creation.

"Going forward, our intention is to unlock growth in the FMCG component of the business through sharper strategic focus and active investment; to identify value creation opportunities and to scale into adjacent and new categories, both organically and through acquisition activity. We are actively evaluating opportunities in this regard. We recognise the differentiated strategic advantage provided by our integrated functional capabilities and plan to continue to leverage this where appropriate," said RCL FOODS CEO, Miles Dally.



Dally emphasised that the Chicken, Sugar and Logistics businesses are each attractive exposures in the context of their established market position and medium to long-term outlook, with good opportunity for future value creation.

“We envisage seeking an optimised path for each to operate in a pureplay environment in order to deliver enhanced value for shareholders, and believe a well-managed separation will better enable these businesses to thrive into the future,” he added.

In parallel with the strategic review, RCL FOODS has also substantially completed the separation of its Chicken business unit from its Food Division in order to achieve a more competitive, profitable and sustainable Chicken business. A new management team was appointed from January 2021 and an appropriately resourced organisational structure has been put in place to support delivery of the Chicken recovery and growth strategy. Progress is being made against key strategic imperatives, particularly in terms of addressing breed issues in agriculture and managing costs across the supply chain. The Chicken Division is expected to be a separate legal entity within RCL FOODS from the second quarter of the 2022 financial year.

To feed the growing population more sustainably while providing more choice, RCL FOODS ventured into the expanding plant-based protein category in 2020, via an investment in a minority shareholding in newly-established LIVEKINDLY Collective (LKC). Founded by leading plant-based investor Blue Horizon and led by former Unilever global executive team member Kees Kruythoff, LKC has gained massive momentum in the last year. In May 2021 RCL FOODS and LKC co-founded LIVEKINDLY Collective Africa to develop the plant-based market in South Africa and Sub-Saharan Africa by leveraging LKC’s brands (including Fry’s, Oumph!, NO MEAT, Like Meat), technology and intellectual property, along with RCL FOODS’ unique go-to-market capability, integrated services platform and strong customer relationships.

“Being chosen to partner with a highly pedigreed, globally connected entity like LKC represents a very significant opportunity for RCL FOODS to make plant-based protein more accessible and affordable to people in South Africa and beyond, as part of a collective vision of making plant-based living the new norm and shifting the global food system to a more sustainable one,” said Dally.

In the route-to-market space, Vector Logistics is making good progress in its journey to create a consolidated, customer-focused network following its acquisition of Imperial Logistics’ cold chain business (ICL) in 2019. With the COVID-19 pandemic having delayed the consolidation of the Vector and ICL networks in 2020, this has been a key focus for the business during the





period. The consolidation process is expected to be completed within the next six months once capacity enhancements in Durban, Gqeberha (Port Elizabeth), Polokwane and Bloemfontein facilities are finalised. This is key to delivering on Vector Logistics' customer strategy, which also incorporates the leveraging of digital solutions to drive collaborative efficiency improvements with customers. Empty Trips, the digital freight matching platform in the prior period, has been rolled out in its internal primary transport business, with positive results.

Digital is core to RCL FOODS' strategy and future. With the COVID-19 pandemic changing the way consumers purchase, the Group has accelerated its digital strategy to take a more insight-driven approach to the way it markets, sells and distributes its products, and has automated key areas of the customer interface to speed up service delivery.

The Group has also continued to build resilience through its sustainable business drive. RCL FOODS was able to generate 160 GWh of its own electricity in 2021, with Waste-to-Value (W2V) electricity generation increasing 182% and solar output increasing fivefold. The Group reduced its overall water use by 7.5%, driven by water-wise irrigation in Sugar Agriculture. From a waste perspective, the Group diverted 91% of its waste from landfill during the period and has initiated several projects to increase the recyclability of its plastic packaging.

On a social level, RCL FOODS continues to invest in corporate social investment initiatives coordinated through the DO MORE FOUNDATION. It is particularly proud to have partnered with the Foundation in developing its own branded DO MORE Porridge to help address the hunger crisis exacerbated by the hard lockdown in South Africa.

OPERATIONAL REVIEW

The Food Division (Groceries, Baking and Sugar) delivered a strong result, with a record performance in Sugar, a significantly improved Baking result and pleasing growth in Groceries. All business units continued to benefit from increased in-home consumption. Volumes are slowly rebuilding in the Pies and Beverages operating units which were heavily impacted by reduced out-of-home consumption during the lockdown.

In the Groceries business unit, revenue of R5 522,0 million increased 10.8% on the prior year, driven by a recovery in Pies volumes and higher prices in Grocery in response to rising commodity input costs. Underlying EBITDA rose 4.9% to R562,4 million (2020: R535,9 million), driven by a continued strong Culinary and Pet Food performance.



In a highly competitive market, Nola became market leader in the mayonnaise category, while Yum Yum Peanut Butter volumes and market share held steady. The Group's Pet Food brands maintained their category leadership and grew market share amidst tough market conditions, with Cat Food delivering particularly pleasing growth.

"Staying abreast of changing consumer needs and preferences has helped us to remain relevant by catering to a growing emphasis on value, convenience and online availability. Our tiered Pet Food portfolio was a case in point, growing market share across multiple brands and categories and driving strong growth via e-commerce platforms," said Dally.

The Baking business unit delivered an excellent result across all operating units. Revenue of R5 849,0 million improved 12.6% on the prior year (2020: R5 195,1 million) driven by increased in-home consumption and a more favourable sales mix. Underlying EBITDA rose 33.8% to R529,9 million at a margin of 9.1% (2020: R396,1 million at a margin of 7.6%).

Aided by higher volumes in the Bread, Buns & Rolls and Speciality operating units, the strong Baking performance was supported by a successful turnaround in the Gauteng bakeries, as well as a greater proportion of the Milling mix being used for internal production.

The Sugar business unit reported a record performance, with revenue climbing 10.2% to R8 397,7 million (2020: R7 621,8 million) and underlying EBITDA increasing 144.2% to R907,5 million at a margin of 10.8% (2020: R371,6 million at a margin of 4.9%). Sugar's record result was mainly driven by increased consumer demand amidst the lockdown, a shift towards higher-priced local market sales, and tight cost control. The recovery in local demand and a shrinking industry crop have created a more favourable supply-demand balance that has positively impacted profitability.

Revenue in the Chicken Division increased 17.3% to R10 335,9 million (2020: R8 813,6 million); however underlying EBITDA dropped 50.1% to R98,8 million at a margin of 1.0% (2020: R197,8 million at a margin of 2.2%). The underlying result was mainly impacted by continuing breed performance challenges, significant raw material cost increases and the lingering impacts of the initial COVID-19 lockdown, compounded by mitigation costs related to the industry-wide challenges of Avian Influenza (AI) and to a lesser extent, Salmonella Enteritidis (SE).

Vector Logistics had a significantly better year, with revenue increasing 21.8% to R3 153,6 million (2020: R2 589,4 million) mainly as a result of ICL's former principals being included on



a full-year basis, compared to seven months in the prior period. Revenue was boosted through additional bulk storage business during the lockdown, increased distribution into retail, and new business in Vector Trade Marketing. Underlying EBITDA improved 142.6% to R289,6 million at a margin of 9.2% (2020: R119,4 million at a margin of 4.6%) as the consolidation of the Vector Logistics and ICL networks reduced the cost base significantly.

PROSPECTS

The ongoing economic and social impacts of the COVID-19 pandemic, compounded by the fallout of the recent social unrest in KwaZulu-Natal and Gauteng, will put significant strain on the South African economy in coming months. The commodity price surge is expected to continue and cost recoveries may constrain volumes.

“Focus, simplicity, agility and relevant innovation will be key to navigating the road ahead. Our Food business is well positioned with a clear strategic focus and growth aspiration, and our key priorities for the coming year will be to drive further cost efficiencies across all business units, deliver innovations in Grocery, grow volumes in Baking as well as Pies and Beverages, and accelerate execution in terms of the opportunities posed by the LIVEKINDLY Collective Africa initiative,” said Dally.

Sugar’s momentum is expected to continue into the next financial year, although it is unlikely to deliver a result of the same magnitude. It will continue to focus on improving efficiencies and margins to enhance its sustainability.

In the Chicken Division, the new management team will accelerate its cost-saving and growth initiatives to restore profitability.

RCL FOODS supports the Poultry Sector and Sugar Industry Master Plans and will continue to engage with stakeholders to ensure the future sustainability of the respective industries.

Innovation and collaboration are key enablers in the logistics environment and are central to Vector Logistics’ customer-focused strategy. This will be substantially realised with the upcoming finalisation of its network consolidation.

The Group will continue with its plans to unlock value in its portfolio by executing on the strategic outcomes emanating from the portfolio review in a well-considered manner. Paul Cruickshank, who will take over from Miles Dally as CEO from 1 December 2021, is well placed to drive this next chapter with clarity and conviction.



"The next phase in RCL FOODS' journey will see us building sustainable shareholder value in scaling strategic components of our business while preserving what makes RCL FOODS unique: our people, our culture, our integrated platform, our compelling brands, and our strong history as a great food business," Dally concluded.

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