



MEDIA RELEASE

RCL FOODS' FOCUS ON CONTROLLABLES SUPPORTS RESILIENCE IN A CHALLENGING MARKET

Durban, 6 March 2023:

RCL FOODS delivered a resilient set of results for the six months to December 2022. Revenue for the six months to December 2022 increased 17.6% to R20,2 billion versus the prior period, driven by a combination of higher pricing to counter rising input costs, and higher volumes in Sugar, Rainbow and Vector Logistics. Earnings before interest, taxes, depreciation, amortisation and impairments (EBITDA) declined by 8.9% to R1 177,7 million due to exceptionally difficult trading conditions marked by high input costs, rising living costs for consumers and significant load shedding.

"Focusing on the factors we can control in current conditions, we have sought to deliver a stable Rand profit and grow market share while supporting cash-strapped consumers as far as possible, both through value innovations and responsibly-managed price increases. In so doing, our concern has been to balance the need for margin protection with the pressure on consumers' pockets," said Group Chief Executive Officer Paul Cruickshank.

FINANCIAL HIGHLIGHTS FOR THE 6 MONTHS TO DECEMBER 2022

| | | |
|---|------------------|---------|
| Revenue | R20,2 billion | ↑ 17.6% |
| EBITDA | R1 177,7 million | ↓ 8.9% |
| Underlying EBITDA* | R1 248,2 million | ↓ 9.2% |
| Headline earnings | R502,2 million | ↓ 22.2% |
| Headline earnings per share | 56.4 cents | ↓ 22.4% |
| Underlying headline earnings* | R553,7 million | ↓ 21.4% |
| Underlying headline earnings per share* | 62.2 cents | ↓ 21.6% |

* The underlying view of the results excludes material once-offs and accounting adjustments related to IFRS 9 Financial Instruments (IFRS 9) in the current and prior period, as well as the direct cost impact of the civil unrest in July 2021 and the fire at our Sugar warehouse in Komatipoort in the prior period.

The Group acknowledged that both volumes and margins had come under pressure amidst persistently high agricultural commodity input costs and record levels of load shedding which impacted production and added direct costs amounting to R96,0 million during the period. Additionally, service levels in the Groceries and Baking business units were affected by industrial action, the resolution of which was undertaken with due concern for employees' welfare as consumers and a desire to limit potential food price increases.



With the Rainbow and Vector Logistics separation processes still in progress, and considering the impact of ongoing external pressures described above, the directors have resolved not to declare an interim dividend in order to preserve cash while the Group repositions its portfolio.

STRATEGIC PROGRESS UPDATE

The Group continues its journey towards generating more consistent value for its stakeholders, with a focus on value-added brands. It remains committed to the process of separating Vector Logistics from RCL FOODS, as noted in the results announcement published on 5 September 2022. Engagements with a potential acquiror for the Vector Logistics business have progressed well in the current period and the Group will update the market when more certainty exists on the outcome of a transaction. In parallel, it has taken significant steps to prepare the Rainbow business to operate as a fully standalone entity when appropriate.

Despite difficult market conditions, RCL FOODS has pressed forward with strategic growth efforts in key categories within its value-added portfolio. The acquisition of Sunshine Bakery Holdings Proprietary Limited was finalised in February 2023, effective 1 March 2023, to expand its Baking business unit's reach into the strategically important KwaZulu-Natal region. The Group is currently focusing on accelerating internal growth by leveraging its brands and capabilities. It is also working to distil its core Purpose and craft a new Sustainability Strategy, both of which underpin its overall business strategy.

OPERATIONAL REVIEW

RCL FOODS' Value-added Business (comprising the Groceries, Baking and Sugar business units) delivered a resilient set of results, growing its market share in several categories amidst a decline in total market sales volumes. Revenue increased 16.7% to R12 239,6 million (December 2021: R10 490,8 million), while EBITDA declined by 4.6% to R978,3 million (December 2021: R1 025,3 million), with volumes declining across most operations due to a combination of higher pricing and production challenges.

The **Groceries business unit** had a solid performance despite being challenged by stage 6 load shedding and industrial action at its Grocery and Pies facilities. The **Baking business unit** was impacted by a slowdown in demand following price increases taken to counter high wheat and maize prices; nevertheless, Sunbake continued to make share gains in the retail channel. The **Sugar business unit** produced a good set of results, driven by an increase in local market sales volumes aided by strong industrial channel growth, as well as more favourable local and export pricing. Pleasingly, it was able to crush its entire crop and extend the crushing season to enable farmers to bring all their cane to the mill.

The **Rainbow business** achieved a 19.2% revenue increase to R6 578,8 million (December 2021: R5 517,9 million), driven by higher volumes and pricing and an improved mix. However, EBITDA declined 110.5% to negative R6,1 million (December 2021: R58,3 million) as a result of high commodity input costs, poor agricultural performance and load shedding impacts. Despite this, Simply Chicken achieved all-time-high market shares.



Vector Logistics' revenue increased by 17.2% to R2 143,9 million (December 2021: R1 829,8 million) with food service volumes recovering beyond pre-COVID-19 levels and retail revenue growing despite supplier stock availability challenges. Progress with the final phase of the network consolidation of Imperial Logistics South Africa's cold chain business and Vector Logistics realised further cost and scale benefits; however EBITDA of R165,6 million was 9.1% lower (December 2021: R182,1 million) as a result of cost pressures arising from load shedding, electricity price hikes, and higher fuel and insurance costs.

PROSPECTS

With little relief in sight from a commodity pricing perspective, consumer demand is expected to remain muted. In this context, RCL FOODS' tiered portfolio will be critical in providing affordable nutrition as part of its Value-Added growth strategy.

While the outlook for Sugar is positive from a price and crop perspective, yields could be impacted if irrigation is reduced due to load shedding. The ramifications of the Tongaat Hulett Limited business rescue process also pose a potential threat for the sugar industry.

Rainbow expects improved agricultural results in the coming financial year and remains confident of delivering on its turnaround plan.

With Vector Logistics' network consolidation now complete, it is on track to deliver on its turnaround strategy. The impact of load shedding on suppliers is expected to negatively affect volumes through the Vector Logistics network.

RCL FOODS is considering further investments to increase its energy self-sufficiency, which is expected to come at a significant cost.

"We have delivered a resilient set of results in an exceptionally tough market. We are committed to maintaining a relentless focus on the factors within our control to keep moving forward in line with our strategic growth agenda, guided by our unfolding Purpose and Sustainability journey," concluded Cruickshank.

Ends.

For further enquiries contact:

Virginia Horsley (virginia.horsley@rclfoods.com)

Michelle Copans: Aprio Strategic Communications, (+27 (0) 82 743 9962; michelle@aprio.co.za)

ABOUT RCL FOODS:

RCL FOODS is a South African food manufacturer with over 20 000 employees producing more than 30 much-loved brands. These include Yum Yum peanut butter, Nola mayonnaise, Ouma rusks, Pieman's pies, Number 1 mageu, Sunbake bread, Supreme flour, Selati sugar, Simply Chicken, Rainbow chicken, Bobtail and Catmor pet food, and Epol and Molatek animal feed.

Visit our website at: www.rclfoods.com

