



MEDIA RELEASE

RCL FOODS DELIVERS A PLEASING PERFORMANCE

KEY HEADLINES

- Restoration of service levels in pet food drives improved Groceries profitability
- Baking volumes under pressure in a competitive environment
- Excellent Sugar performance driven by strong operational performance and higher sales prices
- Load-shedding suspension provides relief
- Strong cash generation and proceeds of Vector Logistics disposal enabled recapitalisation of Rainbow prior to its unbundling and separate listing on 1 July 2024
- Rainbow classified as discontinued in this set of results

FINANCIAL HIGHLIGHTS – CONTINUING OPERATIONS*

	June 2024	% change
Revenue	R26,0 billion	up 6.8%
EBITDA	R2 300,5 million	up 36.8%
Underlying** EBITDA	R2 216,1 million	up 15.5%
Headline earnings	R1 082,7 million	up 31.1%
Headline earnings per share (HEPS)	121.6 cents	up 31.0%
Underlying** headline earnings	R1 137,0 million	up 8.3%
Underlying** headline earnings per share	127.7 cents	up 8.3%
Total dividend per share	35.0 cents (2023: nil)	

* Continuing operations relates to the RCL FOODS Groceries, Baking, Sugar and Group (shared services) segments.

** The underlying view of the results excludes material once-offs and accounting adjustments. For more information please refer to the full results announcement at www.rclfoods.com.

Durban, 2 September 2024: Maintaining an unrelenting focus on factors within its control, RCL FOODS has delivered a pleasing set of full-year results despite consumer demand coming under increased pressure in challenging economic conditions. Revenue from continuing operations of R26,0 billion was 6.8% higher than the prior year (2023: R24,3 billion), mainly due to higher sales pricing necessitated by sustained high input costs.

Earnings before interest, taxes, depreciation, amortisation and impairments (EBITDA) from continuing operations increased by 36.8% to R2 300,5 million (2023: R1 681,6 million), buoyed by a strong performance in the Sugar business unit. A recovery in Pet Food volumes, coupled with business-wide “best-in-class” efficiency initiatives, contributed to an improved profit performance in the Groceries business unit, albeit partially offset by volume and margin challenges in the Culinary category. The Baking business unit was marginally down on the prior year, with improved margins in its Milling and Speciality operating units being offset by volume pressure across all operating units.



Input cost pressure necessitated price increases of 6.8% on average across the Groceries and Baking segments for the year, slightly below the 7.1% national average price inflation for food and beverages. Lower market demand was mostly offset by margin improvements enabled by “best-in-class” savings initiatives. Lower levels of load-shedding also assisted the positive performance. The Group noted an upturn in volumes in the last quarter.

“At RCL FOODS our priority is to ensure the sustainability of our business in line with our Purpose, which includes continuing to provide affordable food to consumers, keeping our people employed and providing an acceptable return on investment. This entails carefully balancing revenue, margin and profit and responsibly managing trade-offs, while remaining committed to our long-term stakeholder value creation strategy. In so doing, we focus on ‘controlling the controllables’ in our business environment – which in 2024 has been about restoring service levels, protecting volumes and market shares, driving efficiencies, preserving cash and responsibly executing on the unbundling and separate listing of Rainbow,” said RCL FOODS’ Chief Executive Officer Paul Cruickshank.

With the unbundling of Rainbow now complete, RCL FOODS has resumed the payment of dividends. The Board of directors have resolved to declare a final cash dividend for the year of 35.0 cents per share (2023: nil), bringing the total dividend for the 2024 financial year to 35.0 cents per share (2023: nil). In approving this dividend, amongst other regulatory requirements, the Board specifically considered the financial capacity of the Group post the recapitalisation of Rainbow prior to its unbundling and the upcoming debt refinance process ahead of the expiry of the existing term-funded debt package in December 2024.

STRATEGIC REVIEW

Portfolio reshape

During the year the Group achieved two significant milestones on its journey to reshape its portfolio around its value-added component. The first was the disposal of Vector Logistics on 28 August 2023, which Cruickshank hailed as *“a positive conclusion to an important strategic step for both parties”*. Wishing the Vector Logistics team success, he said that the relationship would continue at arm’s length via contractual agreements between Vector Logistics and some RCL FOODS business units.

Second, the Rainbow business was unbundled to shareholders and listed on the Johannesburg Stock Exchange (JSE) effective 1 July 2024, with RCL FOODS continuing to provide Rainbow with certain transitional services for a two-year period. *“The unbundling represents a major milestone for both RCL FOODS and Rainbow which are now poised to grow in their respective areas of focus,”* said Cruickshank.

Acknowledging that scaling the remaining business remains a priority, Cruickshank added that *“RCL FOODS’ strategic clarity and cash generative operations place us in a strong position to consider appropriate acquisition opportunities as they arise. Our central business services platform remains a key strategic capability in this regard”*.

Business strategy progress

In line with its Purpose, RCL FOODS’ long-term strategy aims to create enduring positive impact for its stakeholders through three pillars: People First, Right Growth and Future Fit.

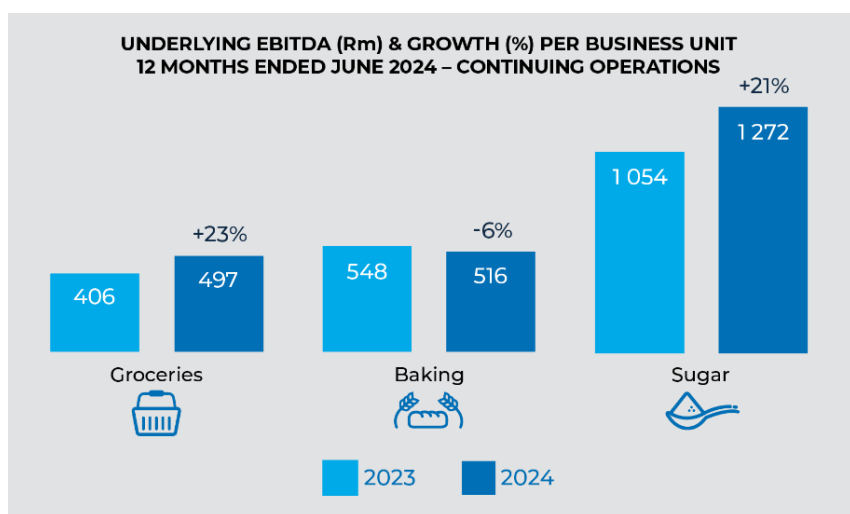
A key focus of the **People First** pillar in 2024 was the embedding of RCL FOODS’ Purpose and revised Values-in-action across the business, along with the implementation of its refreshed Diversity and Inclusivity framework. The Group also continued to develop strategic capabilities such as consumer marketing insights, data management and manufacturing excellence, and made progress in building a strong safety culture. To enhance community resilience, it invested further in refurbishing its small-scale cane growers’ irrigation infrastructure which was damaged by flooding in 2023. The DO MORE FOUNDATION continued to scale up its programmes, benefiting 33 communities in 8 provinces.



The exit of Vector Logistics and Rainbow was a key step in repositioning RCL FOODS for **Right Growth**. The group continues to focus on strengthening profitability and growing market share in its existing portfolio, leveraging its consumer insights and digital capabilities to invest judiciously behind brands. RCL FOODS continued to grow its export revenues in the SADC region and is reinvesting in this channel for growth.

The third pillar of its strategy, **Future Fit**, focuses on ensuring the sustainability of the business from an economic, social and environmental financial perspective. As a “best-in-class” mindset becomes entrenched in the business, RCL FOODS is building momentum in the initiation and delivery of efficiency projects. With the need to mitigate energy and water supply interruptions at sites, energy plans have been put in place and water risk assessments have been completed to inform mitigation plans.

OPERATIONAL REVIEW – CONTINUING OPERATIONS



In the **Groceries business unit** (comprising the Grocery and Beverages operating units), revenue increased by 5.5% to R5 313,0 million (2023: R5 034,2 million) while underlying EBITDA increased by 22.6% to R497,4 million (2023: R405,8 million). Grocery’s improved performance was mostly attributable to a better sales mix and improved Pet Food margins and service levels. Beverages delivered an improved performance driven by a better sales mix and operational efficiencies.

In the **Baking business unit** (comprising the Bread, Buns & Rolls, Milling, Pies and Speciality operating units), revenue increased by 5.9% to R9 136,9 million (2023: R8 625,4 million). EBITDA declined by 5.8% to R516,1 million as gains in Speciality and Milling were offset by a disappointing volume performance in Bread, Buns & Rolls in a competitive environment. Pies was impacted by lower demand despite substantial work to resolve service level challenges and improve margins.

In the **Sugar business unit** (consisting of the Sugar and Molatek operating units), revenue increased by 6.4% to R11 811,0 million (2023: R11 101,4 million) and underlying EBITDA increased by 20.7% to R1 272,3 million (2023: R1 053,8 million). This strong underlying performance was largely due to higher prices in both the local and export markets, an improved agricultural performance, and an outstanding result in Molatek Animal Feed.

“As RCL FOODS we remain cognizant of the role we play in keeping South Africans fed and employed, and we will continue to prioritise affordability while safeguarding the sustainability of our business. We are proud to have demonstrated resilience over an extended period of tough trading conditions, driven by our focused strategy, enabling culture and pragmatic approach,” concluded Cruickshank.



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ABOUT RCL FOODS:

RCL FOODS is a deeply-rooted South African consumer goods business that produces over 20 of the country's most-loved brands, including Yum Yum peanut butter; Nola mayonnaise; Ouma rusks; Pieman's pies; Number 1 mageu; Sunbake and Sunshine bread; Supreme flour; Selati sugar; Monati porridge; Bobtail, Canine Cuisine and Optimizor dog food; Catmor and Feline Cuisine cat food; the Ultra Pet veterinary range of dog and cat food; and Molatek animal feed. It also produces a wide range of speciality and private label products.

Headquartered in Westville, Durban, the business employs over 10 000 people across eight provinces. At the heart of its culture and strategy is its Purpose – **WE GROW WHAT MATTERS** – which encapsulates its belief in collectively doing *that little more* to create a positive impact that matters.

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