



# Rainbow Chicken Limited Group Financial Results

for the year ended 30 June 2024

**RAINBOW** 

Rainbow Chicken Limited  
(Formerly Rainbow Chicken Proprietary Limited)  
(Incorporated in the Republic of South Africa)  
(Registration number: 2024/200346/06)  
ISIN: ZAE000334850  
Share code: RBO  
("Rainbow or "the Company")

## RAINBOW CHICKEN LIMITED – GROUP FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2024

Ongoing execution of turnaround plan drives improved result.

### FINANCIAL SUMMARY

- Revenue R14,5 billion, up 7.9%
- Earnings before interest, taxes, depreciation, amortisation and impairments ("EBITDA") R629,7 million, up R599,9 million
- Earnings R185,4 million, up R458,8 million
- Headline earnings R185,5 million, up R472,0 million

### INTRODUCTION

As a consequence of Rainbow being unbundled on 1 July 2024, being post its year end of 30 June 2024, Rainbow formed part of the RCL FOODS Limited ("RCL FOODS") Group Financial Results for the year ended 30 June 2024 ("RCL FOODS Group Financial Results") that was released on the Stock Exchange News Service of the JSE ("SENS") on 2 September 2024. In order to provide Rainbow shareholders direct access to the results of Rainbow, the financial information and results commentary presented below has been extracted from the RCL FOODS Summary Consolidated Financial Statements and agrees in all material respects to that published by RCL FOODS.

Rainbow was listed on the Main Board of the Johannesburg Stock Exchange ("JSE") on 26 June 2024 and unbundled from RCL FOODS Limited on 1 July 2024. RCL FOODS has classified and reported Rainbow as held for sale as at 30 June 2024, leading to Rainbow being classified as a discontinued operation in the RCL FOODS Summary Consolidated Financial Statements. Accordingly, the financial results for the year ended 30 June 2024 that Rainbow is expected to publish on or about 31 October 2024 will differ from those reported by RCL FOODS on 2 September 2024 (refer to Note 1 below the Income Statement for further detail in this regard). A reconciliation of all differences will be included in the audited Rainbow Group Financial Results which are expected to be published on or about 31 October 2024.

### INCOME STATEMENT

R'Million	Reported		
	June 2024 <sup>1</sup>	June 2023	% Change
Revenue	14 527,4	13 463,9	7.9
EBITDA	629,7	29,8	2 013.1
EBITDA Margin %	4.3	0.2	4.1ppts
EBIT	350,9	(240,3)	246.0
Share of profit of associate	-	4,9	(100.0)
Net Finance Costs	(127,6)	(170,8)	25.3
Taxation	(53,7)	106,3	(150.5)
Profit/(Loss) for the period	169,6	(299,9)	156.6
Non-controlling interest	(15,8)	(26,5)	40.4
Profit/(Loss) attributable to equity holders	185,4	(273,4)	167.8
Headline adjustments	0,1	(13,1)	100.8
Headline earnings attributable to equity holders	185,5	(286,5)	164.7

<sup>1</sup> RCL FOODS has classified Rainbow as held for sale (discontinued operation) from 3 June 2024. The impact of this classification resulted in the halting of depreciation and related deferred tax impacts from the date of classification until 30 June 2024. In addition, RCL FOODS classified the share incentive scheme as equity settled whereas Rainbow recognises the share incentive scheme as cash settled. The results presented above are as per the reported results included in the RCL FOODS Summary Consolidated Financial Statements. The net financial impact of these differences in accounting treatment is not considered material by the Rainbow Board.

Rainbow's revenue for the year ended June 2024 ("current period") increased 7.9% to R14,5 billion (2023: R13,4 billion). The increase was largely attributable to higher volumes in the retail and wholesale channel and higher realised pricing. EBITDA increased by R599,9 million to R629,7 million (2023: R29,8 million) at a margin of 4.3% (2023: 0.2%) despite the R202,6 million impact of Avian Influenza ("AI") during the current period. The overall gain compared to the prior period can be ascribed to an enhanced agricultural performance, higher processing yields, effective cost management, improved sales pricing, increased retail and wholesale channel volumes, relief in commodity prices (albeit still at elevated levels) as well as reduced load-shedding costs.

Net finance costs decreased by R43,2 million which was largely due to the benefit of the recapitalisation from RCL FOODS executed during February and May 2024. Rainbow's effective tax rate was 24.0%, which was impacted by a prior period over provision relating to unclaimed learnerships excluding which the effective tax rate for the current year was 28.3%. Non-controlling interests relate mainly to the outside shareholders' share of profits in Rainbow's waste-to-value operation ("Matzonox") of which 50% of the profit after tax is allocated to outside shareholders through the non-controlling interest line in the income statement. Losses allocated to non-controlling interests in the current year decreased by R10,7 million to R15,8 million (2023: R26,5 million loss), driven by an improved performance in Matzonox owing to the successful trade of renewable energy certificates and better energy production.

## **OPERATIONAL REVIEW**

The turnaround at Rainbow is now well advanced, with every component of the process yielding positive results. At the core of the transformation is the aim to farm as efficiently and as cost-effectively as possible, with support from a change in breed. The transition to the Indian River breed began more than two years ago and is complete, although the full impact of the breed change will only be realised in the 2025 financial year. The new breed, a less energy-dense feed and a focus on husbandry basics are driving delivery on all agricultural key performance indicators.

The doubling of the capacity at the Hammarsdale processing plant was implemented successfully, which resulted in increased volumes, lower processing costs and the creation of 489 direct and indirect job opportunities.

Despite having to cull a significant number of breeder birds, the impact of AI was partially mitigated by the extension of breeder flocks, improved agricultural performance and the importation of eggs. The R202,6 million AI impact mainly relates to the import of hatching eggs, feed costs for extended flocks, safe disposal of culled birds, extra cleaning and the loss associated with the down placement of broiler birds. To mitigate the risk of a further significant outbreak of AI, Rainbow relocated its Midrand breeder facilities to a less densely populated region in record time. While a vaccination programme has been approved by Government in principle to better protect the national flock, practical implementation of the programme is currently prohibitive due to complexity and cost.

While a constrained consumer continued to put pressure on the front end, particularly in the Quick-Service Restaurant ("QSR") channel, this was balanced by consistent agricultural outperformance and strong pricing performance of secondary and tertiary products. The high cost of living continues to be a concern, compounded by a recent upswing in agricultural commodity input costs after some respite in the third quarter. The profitability of the poultry industry relies on optimising the value derived from chicken through customer and product mix, reducing costs, and innovating to expand the market. Rainbow's resilient performance, supported by a sound strategy and leading brands, demonstrates its ability to diversify and expand despite challenging conditions.

The Animal Feed business achieved satisfactory profitability by focusing on improving external margins and driving an optimal sales mix. External volumes remained under significant pressure due to excess production capacity in the market.

## **POULTRY INDUSTRY MATTERS**

### **POULTRY SECTOR MASTER PLAN**

The progress of the Poultry Sector Master Plan has been slow, despite substantial investment in capacity by the industry. Rainbow and its growers have invested over R500,0 million in Hammarsdale to double processing capacity and have recovered 489 jobs. Another critical aspect of the Master Plan is to expand the market and support exports. However, the industry requires greater and more urgent support from the Government to access export markets. Trade measures to support the local industry are a third pillar of the Plan. Anti-dumping duties on chicken imports from Brazil and four European Union countries (Denmark, Ireland, Poland and Spain) were only reimposed in August 2023 after a year-long delay in implementation. Following the AI outbreak in South Africa in late 2023, Minister Patel directed the International Trade Administration Commission ("ITAC") to consider the creation of a temporary rebate provision on imported chicken to account for potential local market shortages due to AI. In January 2024, ITAC recommended that certain rebates of duties on frozen poultry imports be implemented based on its assessment. The industry has worked more closely with ITAC to ensure that no further rebate permits will be issued without also considering information supplied by the South African Poultry Association ("SAPA") on whether a shortage does or does not exist.

### **COMPETITION COMMISSION ENQUIRY**

The Competition Commission of South Africa announced in February 2024 that it was launching an investigation into both the broiler and the layer industries. This was due to concerns about the concentrated structure of the industry potentially leading to anti-competitive behavior and hindering transformation. The investigation is wide in scope and is likely to take an extended time to complete. Comments were invited and SAPA provided considered input by the due date of 15 March 2024. There have been no new developments on this matter. With Minister Parks Tau having been appointed as Minister Ebrahim Patel's successor in the Department of Trade, Industry and Competition (DTIC), an update is expected in due course.

### **RAINBOW PROSPECTS**

Despite the consumer being severely under pressure and commodity prices remaining elevated, Rainbow's performance in the coming year will benefit from its improved agricultural performance and higher volumes. Its focus now will be on bedding down the separation from RCL FOODS, demonstrating ongoing profitability through the commodity cycles, remaining vigilant in terms of risks, protecting agricultural performance and continuing to innovate.

## CASHFLOW INFORMATION

R'Million	June 2024	June 2023
Cash flows from operating activities	1 209,7	(391,1)
Cash flows from investing activities	(387,0)	(414,3)
Cash flows from financing activities	(74,9)	(46,5)
Net Cash flows	747,8	(851,9)

Cash flows from operating activities of R1 209,7 million (2023: negative R391,1 million) is R1 600,8 million higher than the prior year, largely due to the improved profitability, favourable working capital movements and lower net finance costs arising from the benefit of the recapitalisation from RCL FOODS.

Cash outflows from investing activities decreased by R27,3 million to R387,0 million in the current year and consists mainly of capital expenditure (including intangibles) of R390,5 million (2023: R416,8 million).

The net cash outflow from financing activities of R74,9 million relates mainly to the payments on lease liabilities. As Rainbow formed part of the RCL FOODS Group as at 30 June 2024, RCL FOODS applied the necessary intercompany eliminations. At 30 June 2024, Rainbow had a net investment with RCL FOODS Treasury of R463,8 million which was settled in cash by RCL FOODS Treasury on 1 July 2024 (date of unbundling).

## CAPITAL COMMITMENTS

An amount of R39,9 million has been contracted and committed, but not spent, whilst a further R34,6 million has been approved but not contracted.

## STATEMENT OF COMPREHENSIVE INCOME INFORMATION

R'Million	June 2024	June 2023
EBITDA	629,7	29,8
Profit/(Loss) attributable to equity holders of the Company	185,4	(273,4)
Headline earnings	185,5	(286,5)

## STATEMENT OF FINANCIAL POSITION INFORMATION

R'000	June 2024 <sup>1</sup>
<b>ASSETS</b>	
<b>Non-current assets</b>	
Property, plant and equipment	1 978 489
Right of use asset	94 716
Investment Property	14 219
Intangible assets	27 488
Deferred income tax asset	52 808
Goodwill	19 315
	<b>2 187 035</b>
<b>Current assets</b>	
Inventories	1 042 604
Biological assets	929 712
Trade and other receivables	2 466 888
Derivative financial instruments	10 881
Loan receivable from RCL FOODS Treasury	463 828
Cash and cash equivalents	48 438
	<b>4 962 351</b>
<b>Total Assets<sup>1</sup></b>	<b>7 149 386</b>
<b>EQUITY<sup>1</sup></b>	
Capital and reserves	4 028 034

R'000	June 2024 <sup>1</sup>
<b>LIABILITIES</b>	
<b>Non-current liabilities</b>	
Interest-bearing liabilities	116 262
Lease liabilities	45 527
Deferred income tax liabilities	275 671
Retirement benefit obligations	18 486
Share Option Liability	27 357
Trade and other payables	89 688
	<b>572 991</b>
<b>Current liabilities</b>	
Trade and other payables	2 265 090
Interest-bearing liabilities	140 639
Lease liabilities	57 166
Derivative financial instruments	47 386
Current income tax liabilities	2 236
Bank overdraft	35 844
	<b>2 548 361</b>
<b>Total Liabilities<sup>1</sup></b>	<b>3 121 352</b>
<b>Total Equity and Liabilities</b>	<b>7 149 386</b>

<sup>1</sup> Extracted from the 30 June 2024 pro forma statement of financial position reconciliation included in RCL FOODS Summary Consolidated Financial Statements for the year 30 June 2024.

No comparative information was provided by RCL FOODS for the Statement of Financial Position in the held for sale disclosure. Investors and/or shareholders are reminded that the comparative information disclosed in the Rainbow Pre-listing Statement ("PLS") issued on 10 June 2024 (page 147) was prepared on a Combined Carve-out Historical Financial Information basis (as defined in the PLS on page 105) and thus will result in differences to the audited Rainbow Group Financial Results which are expected to be published on or about 31 October 2024. Further information will be provided in the audited Rainbow Group Financial Results.

## RELATED PARTY TRANSACTIONS

For the year ended 30 June 2024, related party relationships exist between RCL FOODS, its subsidiaries, associates and Remgro Limited and its subsidiaries. The holding company of Rainbow was RCL FOODS as at 30 June 2024 with the ultimate holding company being Remgro Limited.

Details of transactions and balances with related parties will be disclosed in the audited Rainbow Group Financial Results which are expected to be published on or about 31 October 2024.

## SEGMENTAL ANALYSIS

The segmental information presented by RCL FOODS differs in basis from that applied by Rainbow. Rainbow will present its segmental information in the audited Rainbow Group Financial Results that are expected to be published on or about 31 October 2024. Accordingly, segmental information has not been disclosed in this announcement.

## REVENUE

R'000	June 2024	June 2023
Disaggregation of revenue		
<b>Revenue from contracts with customers<sup>1</sup></b>	<b>14 527 425</b>	<b>13 463 861</b>
Chicken	12 746 473	11 627 989
Chicken	12 450 400	11 190 186
Sundry sales <sup>2</sup>	296 073	437 803
Feed	7 186 161	7 761 021
Waste-to-value	96 484	62 145
Sales between segments	(5 501 693)	(5 987 294)

<sup>1</sup> An agreement between two or more parties that creates enforceable rights and obligations. Can be written, oral or implied by customary business practices.

<sup>2</sup> Sundry sales consist of poultry by-products. The sale of these items arises in the course of Rainbow's ordinary activities but are considered cost recoveries as they are by-products of Rainbow's core operations.

## EVENTS AFTER YEAR END

As part of the unbundling, Rainbow's capital structure was reviewed and new facilities agreements were entered into with Rand Merchant Bank and ABSA Bank Limited on 1 July 2024. The facilities include a general borrowing facility of R500 million and other short-term facilities for daily working capital and liquidity requirements. On 1 July 2024, RCL FOODS Treasury paid Rainbow R463,8 million, thereby settling the loan owed to Rainbow at 30 June 2024 in full.

On 26 July 2024, the Rainbow Board approved the internal refinance of the existing R128,4 million loan to Matzonox (Rainbow's waste-to-value operation) on more suitable terms.

Effective 1 July 2024, Rainbow is no longer a guarantor to the RCL FOODS term debt package.

## BASIS OF PREPARATION

This Rainbow Group Financial Results announcement in itself is unaudited. The financial information in this announcement has been extracted from the RCL FOODS Summary Consolidated Financial Statements for the year ended 30 June 2024, published on 2 September 2024. The RCL FOODS Summary Consolidated Financial Statements are extracted from audited information but are not themselves audited. The consolidated financial statements for RCL FOODS Limited (which included Rainbow) were audited by Ernst & Young Inc., who expressed an unqualified opinion thereon.

As stated in the RCL FOODS Summary Consolidated Financial Statements (which included the Rainbow Group Financial Results):

- The RCL FOODS Summary Consolidated Financial Statements have been prepared in accordance with IFRS, the information required by IAS 34 Interim Financial Reporting, IFRIC interpretations, SAICA financial reporting guides and circulars, Financial Pronouncements as issued by the Financial Reporting Standards Council and in compliance with the Companies Act of South Africa and the Listings Requirements of the JSE.
- The accounting policies of the RCL FOODS Limited Group (which included Rainbow) complied with International Financial Reporting Standards and were consistent with those applied in the previous period.

The Rainbow Group Financial Results reported within the RCL FOODS Summary Consolidated Financial Statements and the extraction of such information from the RCL FOODS Summary Consolidated Financial Statements for inclusion within this results announcement were both prepared under the supervision of the Rainbow Chief Financial Officer, Kerry van der Merwe CA(SA).

The Rainbow Board accepts full responsibility for the information contained in this announcement and confirms that the financial information, where applicable, has been correctly extracted from the RCL FOODS Summary Consolidated Financial Statements.

For and on behalf of the Board and Directors of Rainbow

**PR LOUW**  
Non-executive Chairman

**MP STANDER**  
Chief Executive Officer

CENTURION

30 September 2024

Sponsor:  
RAND MERCHANT BANK (a division of FirstRand Bank Limited)

## CORPORATE INFORMATION

Directors Pieter R Louw (Non-executive Chairman), Marthinus P Stander (CEO)<sup>1</sup>, Wouter A De Wet<sup>1</sup>, Kerry R van der Merwe<sup>1</sup>, Agmat Brinkhuis, Cindy J Robertson, Stephen M Parsons, Willem O van Wyk and Zimkhitha P Zatu Moloi.

<sup>1</sup> Executive directors

Company secretary: FluidRock Co Sec (Pty) Ltd

Registration number: 2024/200346/06

JSE share code: RBO

ISIN: ZAE000334850

Registered office: Southdowns Ridge Office Park, Suite 12, Cnr John Vorster and Nellmapius Drive, Irene-Centurion, Gauteng, 0157

Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Auditors: Ernst & Young Inc.

Sponsor: RAND MERCHANT BANK (a division of FirstRand Bank Limited)

Bankers: Absa Bank Limited and FirstRand Bank Limited

Website: [www.rainbowchickens.co.za](http://www.rainbowchickens.co.za)