

Rhodes Food Group Holdings Limited
(Incorporated in the Republic of South Africa)
Registration number 2012/074392/06
JSE share code: RFG ISIN: ZAE000191979
("RFG" or "the Group" or "the Company")

SHORT-FORM ANNOUNCEMENT

Summarised consolidated results for the year ended 29 September 2019
and cash dividend declaration

- Group turnover up 8.5%
- Operating margin up 90 basis points to 7.2%
- Operating profit up 24.9%
- Profit after taxation up 39.6%
- Diluted HEPS up 37.8% to 83.8 cents
- Dividend per share up 37.4% to 27.9 cents
- Net debt/EBITDA ratio reduced from 2.7 to 2.1 times

COMMENTARY

Group turnover increased by 8.5% to R5.4 billion.

Turnover in the regional segment (South Africa and the rest of Africa) increased by 8.4% and accounted for 80% of total turnover.

Long life foods increased turnover by 9.2% (4.3% volume growth) with good growth in canned meats, fruit juice and dry foods.

Fresh foods sales increased by 7.3%, with volumes unchanged on last year. Ready meals and infant food performed well while the pie category again proved resilient in the current trading environment.

International turnover increased by 8.8%, assisted by the 7.7% depreciation of the Rand against RFG's major trading currencies.

Following the adoption of IFRS 15, distribution and warehouse allowances have been reclassified from expenses to revenue. This resulted in a decrease in revenue of R119.4 million for 2018. The turnover growth rates for the Group and the regional segment therefore differ from those reported in the Group's trading update released on SENS on 29 September 2019.

The Group's operating profit increased by 24.9% to R392.2 million as the operating margin expanded by 90 basis points to 7.2%. The regional operating margin improved from 8.0% to 8.3% despite the adverse effect of the lower margin long life foods category growing at a faster rate than fresh foods.

The international operating margin showed the early signs of recovery from -0.5% to 3.4% as the segment benefited from the 7.7% weakening in the Rand against RFG's major trading currencies. Profitability was materially impacted by the drought-related impact on costs and quality of canned fruit in the first half of the financial year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) grew by R105.7 million or 22.9% to R566.6 million. The EBITDA margin improved from 9.2% to 10.5%.

Taxation was R12.9 million higher, with the effective tax rate reducing to 21.7% (2018: 23.3%). The Group received income tax rebates of R10.0 million (2018: R8.5 million) relating to capital projects.

Profit after tax increased by 39.6% to R215.5 million and headline earnings rose by 38.1% to R219.8 million. The Group's earnings per share grew by 35.4% to 82.7 cents and headline earnings per share by 33.3% to 84.0 cents. Diluted headline earnings per share were 37.8% higher at 83.8 cents.

Earnings per share measures have been impacted by an increase of 3.6% in the weighted average number of shares in issue during the reporting period following the conversion of preference shares to ordinary shares in the first half of the financial year.

A cash dividend of 27.9 cents has been declared, 37.4% higher than the previous year, based on the Group's dividend cover policy of three times diluted HEPS.

Net working capital increased by 6.6%, impacted by the timing of creditor and debtor payments over year end which fell before the calendar month end. Net working capital days improved from 124 days to 119 days.

Cash generated from operations increased by 1.6% to R495.1 million. The Group's net debt reduced by R85.5 million and the net debt to equity ratio improved from 53.9% to 47.0%.

The Group invested R231.5 million (2018: R479.6 million) in capital projects which included completion of the relocation of the pulps and purees plant, expansion of the Western Cape ready meals facility, site upgrade at the Groot Drakenstein production hub, expansion of warehouse capacity at the fruit juice production plant and ongoing development of the new pineapple plantations in Eswatini.

IFRS 16 Leases

The Group will adopt IFRS 16 Leases on a fully retrospective basis for the 2020 financial year. If the Group had adopted the new leasing standard for the

2019 financial year, the impact on the statement of comprehensive income would have been a decrease in profit after tax of R1.0 million. The statement of financial position would reflect an increase in the right-of-use asset of R95.9 million and an increase in the lease liability of R119.8 million.

Outlook

The Group expects to maintain the current growth momentum into the 2020 financial year, based on the strong turnaround in performance in 2019 and the recovery in the international business.

While consumer spending is likely to remain under pressure in the medium term in the weak macroeconomic environment, the focus in the regional segment will continue to be on improving margins, driving organic growth and increasing brand shares.

The international segment is expected to continue to improve its operating margin in the year ahead. Turnover growth will be supported by expected increases in the export of fruit snacks in cups to the USA and higher canned fruit sales. The volatile Rand exchange rate continues to be a risk to performance of the international segment.

Management priorities for the year ahead include improving the balance sheet by generating stronger cash flows to reduce debt levels, a continued focus on working capital management and containing costs in the constrained consumer environment.

Capital investment of R150 million is planned for the 2020 financial year, including R24 million for the capitalisation cost of pineapple crops in Eswatini. Projects include the installation of additional fire prevention equipment in manufacturing plants, equipment replacement in the ready meals factories and equipment upgrades in the fruit products facility in Tulbagh.

Any reference to future performance included in this announcement has not been reviewed or reported on by the Group's independent auditor.

CASH DIVIDEND DECLARATION

The board of directors has declared a gross dividend of 27.90 cents per share in respect of the year ended 29 September 2019 for holders of ordinary shares.

The dividend has been declared out of income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt, resulting in a net dividend to these shareholders of 22.32 cents.

Shareholders are advised of the following salient dates in respect of the dividend declaration:

Last day to trade to receive a dividend	Tuesday, 14 January 2020
Shares commence trading "ex" the dividend	Wednesday, 15 January 2020
Record date	Friday, 17 January 2020
Dividend payment to shareholders	Monday, 20 January 2020

The number of ordinary shares in issue at the date of declaration is 262 762 018.

The company's tax reference number is 9348/292/17/9.

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 January 2020 and Friday, 17 January 2020, both days included.

Bruce Henderson	Tiaan Schoombie
Chief Executive Officer	Chief Financial Officer

Groot Drakenstein
19 November 2019

This short-form announcement is the responsibility of the Rhodes Food Group Holdings Limited directors. This announcement is itself not audited but a summary of the full audited results announcement and therefore does not contain full or complete details. The full results announcement can be downloaded from <https://senspdf.jse.co.za/documents/2019/jse/isse/RFG/Annual2019.pdf> and on the Group's website at www.rfg.com. The full results announcement is available for inspection, at no charge, at the company's registered office (Pniel Road, Groot Drakenstein) and at the office of the sponsor (1 Merchant Place, corner Rivonia Road and Fredman Drive, Sandton) during office hours for a period of 30 calendar days following the date of this announcement. Any investment decision in relation to the company's shares should be based on the full results announcement.

Directors:
Dr YG Muthien* (Chairperson), BAS Henderson (Chief Executive Officer),
MR Bower* (Lead Independent Director), TP Leeuw*, LA Makenete*, BN Njobe*,
CC Schoombie (Chief Financial Officer), CL Smart**, GJH Willis**

* Independent non-executive **Non-executive

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)

www.rfg.com