

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

TRADING UPDATE FOR THE 11 MONTHS ENDED AUGUST 2020

The abnormal trading conditions which prevailed during the second half of the group's 2020 financial year have been most challenging. While the group has continued to report healthy topline growth, lockdown restrictions have impacted three key categories in particular which has adversely affected operating profit.

Group turnover increased by 9.0% for the 11-month period ended August 2020 ("the period").

Regional segment

Turnover in the regional segment (South Africa and the rest of Africa) increased by 7.4% for the period, benefiting from the significantly increased demand for long life foods during the national lockdown.

Regional long life turnover grew by 10.3%, with volume growth of 1.4%. Strong growth was reported in dry foods, supported by the launch of the Hinds Spices range in the first quarter. However, the growth in dry foods and the sustained demand for canned food during the lockdown, particularly canned vegetables and meat, was offset by a decline in juice volumes which were severely impacted for the five months since the start of the lockdown mainly due to the restrictions on entertainment and the closure of schools.

Fresh foods turnover increased by 2.7%, with volumes 4.3% lower than the prior period. Ready meals volumes were largely sustained during lockdown. Pie sales declined sharply from April to June owing primarily to the slowdown in convenience and forecourt traffic during lockdown and compounded by government restrictions on the sale of hot meals during certain stages of lockdown.

While retail food sales have benefited from the higher home consumption levels during lockdown, the food service channel has been significantly negatively impacted.

The regional operating profit has been adversely impacted by sales mix, lower juice and pie volumes, and increased operating costs due to the Covid-19 pandemic.

Once-off costs included Covid-19 related expenses of R7.6 million and R7.0 million related to the rationalisation of the KZN pie manufacturing facilities into the Pinetown facility and the closure of the Pietermaritzburg facility.

International segment

International turnover increased by 15.9% for the period due to the 15.0% depreciation in the Rand against the basket of trading currencies. While international volumes have recovered since July, the marked slowdown in canned fruit exports in the first half of the financial year contributed to volumes being 1.2% lower for the period.

The canned fruit shipments previously destined for China in the first half of 2020 were successfully sold to other markets but at significantly lower margins than those typically achieved in China.

Exports were further impacted by congestion at the Cape Town port in the early months of lockdown.

While the depreciation in the Rand has had a positive impact on top-line sales and profitability, this benefit was partially negated by the hedging impact of forward-exchange contracts which were at a lower exchange rate.

The financial information in this announcement is the responsibility of the directors and has not been audited, reviewed or reported on by the group's independent auditor.

The group's annual financial results for the year ending 27 September 2020 will be released on the Stock Exchange News Service of the JSE on or about 17 November 2020.

Groot Drakenstein
14 September 2020

Sponsor
Rand Merchant Bank (A division of FirstRand Bank Limited)