

RFG 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")

RFG HOLDINGS - ANNUAL RESULTS 2020 SHORT-FORM SENS ANNOUNCEMENT

SUMMARISED CONSOLIDATED RESULTS FOR THE YEAR ENDED 27 SEPTEMBER 2020  
AND CASH DIVIDEND DECLARATION

SHORT-FORM ANNOUNCEMENT

KEY FEATURES

- Group turnover up 8.3%
- Regional turnover up 6.6%
- International turnover up 15.5%
- Net foreign exchange losses of R54.6 million (2019: gains of R24.1 million)
- Diluted HEPS up 3.1%
- Dividend per share up 3.2% to 28.8 cents
- Cash generated from operations up 21.6%
- Net debt/equity ratio improved from 47.0% to 43.0%

COMMENTARY

Trading and financial performance

RFG continued to trade throughout the Covid-19 crisis and despite the abnormal operating environment during the second half of the year, the group increased turnover by 8.3% to R5.9 billion.

However, the lockdown and related restrictions resulted in lower sales and profitability in key categories and channels, additional Covid-19 costs, temporary factory closures and pressure on consumer spending.

Turnover in the regional segment (South Africa and the rest of Africa) increased by 6.6%.

Long Life Foods increased turnover by 9.6% with strong growth in dry foods and sustained demand for canned food during the lockdown. This growth was offset by a decline in fruit juice volumes which were severely impacted for five months from the start of the lockdown, owing mainly to restrictions on entertainment and the closure of schools. Juice sales have, however, shown a recovery in the months of September and October.

Fresh Foods sales increased by 1.7% with ready meals performing well throughout the lockdown. Pie sales declined sharply from April to June due to government restrictions on the sale of hot meals in the earlier stages of lockdown and the slowdown in convenience store traffic. As restrictions have been relaxed, pie sales have shown a pleasing turnaround.

International turnover increased by 15.5% owing mainly to the 14.8% depreciation in the Rand against the basket of trading currencies. Canned fruit export volumes have shown an improving trend since July, increasing by 12.6% for the second half compared to a decline of 11.5% in the first six months. Limited shipments were made to China in the first quarter of 2020 owing to the outbreak of Covid-19. The remainder of the shipments destined for China were sold in other markets, at significantly lower margins. Exports were further impacted by constraints at the Cape Town port during the first three months of the lockdown.

Manufacturing operating costs increased by 7.8% due to above-inflation increases in repairs and maintenance and depreciation. Excluding net foreign exchange losses of R54.6 million, other operating costs were 12.0% higher, impacted primarily by increases in insurance and advertising. One-off costs included direct Covid-19 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. The Pietermaritzburg property asset was impaired by R9.5 million.

The group's operating profit was consistent with the previous year at R392.0 million and the operating profit margin declined from 7.2% to 6.7%.

The regional operating profit margin declined from 8.3% to 7.9% owing to an adverse change in sales mix, lower juice and pie volumes and Covid-19 related costs.

After reporting a loss for the first half, the international segment recovered to post a profit of R36.6 million for the year. The operating margin declined from 3.4% to 3.0%. While the depreciation of the Rand has positively impacted top-line sales and profitability, the benefit was negated by the foreign exchange loss and significantly lower sales in China. The net foreign exchange losses amounted to R54.6 million compared to gains of R24.1 million in the prior year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 10.3% to R625.0 million, while the EBITDA margin was higher at 10.7% (2019: 10.5%).

Net interest paid reduced by R21.9 million to R95.2 million owing to the 300 basis points reduction in the repo rate of the SA Reserve Bank over the past year and the group's lower debt levels. Excluding an IFRS 16 interest charge of R12.1 million, interest paid reduced by R34.3 million or 29.1%.

Taxation was R21.0 million higher, with the effective tax rate increasing from 21.7% to 27.2% as income tax rebates of R10.0 million granted in the prior year were not repeated in the current year.

Profit after tax increased by 0.3% to R216.1 million. Headline earnings were 3.2% higher at R226.7 million. The group's earnings per share were unchanged at 82.7 cents and headline earnings per share increased by 3.2% to 86.7 cents. Diluted headline earnings per share increased by 3.1% to 86.4 cents.

The increase in net working capital was contained to 2.6% and contributed to cash generated from operations increasing by 21.6% to R602.0 million. Capital expenditure for the year reduced by R71.9 million to R159.6 million. Net debt, including lease liabilities of R197.5 million following the adoption of IFRS 16 in the current year, reduced by R40.6 million while the net debt to equity ratio improved from 47.0% to 43.0%. Excluding lease liabilities, net debt reduced by R238.1 million.

Capital expenditure included the initial costs for the installation of an additional fruit juice line, equipment upgrades and replacement at the fruit products facility in Tulbagh, vegetable factory in Limpopo and pie facility in Gauteng, additional fire protection equipment at Groot Drakenstein and the ongoing development of the new pineapple plantations in Eswatini.

#### Outlook

Covid-19 will continue to impact the group into the 2021 financial year due to the deteriorating economic conditions in the country and weaker consumer spending, which could be compounded by increasing levels of unemployment. The group will continue to incur additional Covid-19 related costs, mainly to protect the health of employees.

Based on the current financial position, strength of the forecast cash flows and access to unutilised borrowing facilities the directors believe the group has the capacity to withstand the impact of further trading restrictions, should they arise.

RFG's broad range of product categories should continue to provide resilience in this environment, supported by the continuing recovery of the fruit juice and pie categories and the ongoing demand for canned and dry foods and ready meals.

Capital expenditure of R250 million is planned for the new financial year, including the installation of the additional fruit juice line and the building of a new warehouse at the fruit juice facility in Wellington, an additional filling line in the baby food factory at Groot Drakenstein and the upgrade of the bakery facility to accommodate the integration of the KZN operations.

The group plans to rationalise certain commercial operations as well as its KZN pies and pastries business (formerly Ma Baker). The KZN pies and pastries operation will be closed at the end of November 2020 and consolidated into the Gauteng pie facility in Aeroton and the bakery products factory in Linbro Park. This rationalisation will create production efficiencies and cost savings which will benefit the group in the current difficult trading conditions.

Management continues to evaluate opportunities for strategic, bolt-on acquisitions which are aligned to the group's core product categories.

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 cash dividend of 28.80 cents per share in respect of the year ended 27 September 2020 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 23.04 cents.

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

Last day to trade to receive a dividend	Tuesday, 19 January 2021
Shares commence trading "ex" the dividend	Wednesday, 20 January 2021
Record date	Friday, 22 January 2021
Dividend payment to shareholders	Monday, 25 January 2021

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, 20 January 2021 and Friday, 22 January 2021, both days included.

Bruce Henderson  
Chief Executive Officer

Tiaan Schoombie  
Chief Financial Officer

Groot Drakenstein  
17 November 2020

This short-form announcement is the responsibility of the company's directors and is a summary of the detailed annual results announcement and does not contain full or complete details. The announcement can be downloaded from <https://senspdf.jse.co.za/documents/2020/JSE/ISSE/RFG/Annual2020.pdf> and on the group's website at [www.rfg.com](http://www.rfg.com). The full 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 announcement.

This short-form announcement has not been audited or reviewed. The annual consolidated financial statements have been audited by the group's auditors, Deloitte & Touche, who expressed an unmodified

audit opinion thereon. The full auditor's report includes details of the key audit matter. This auditor's report, along with the annual consolidated financial statements for the year ended 27 September 2020, can be downloaded from <https://www.rfg.com/app/uploads/2020/11/Annual-financial-statements-2020.pdf>

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

* Independent non-executive	** Non-executive
^ Appointed 8 July 2020	^^ Appointed 19 October 2020

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

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