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

TRADING UPDATE FOR THE 11 MONTHS ENDED AUGUST 2021

RFG reported a stronger performance in the second half of the 2021 financial year as group turnover increased by 6.9% for the five months to August 2021 with a pleasing recovery in fruit juice volumes as well as international canned fruit volumes. This was achieved against the backdrop of the constrained domestic economy and global shipping challenges.

The group's performance for the 11 months to August 2021 ("the period") continued to be impacted by the Covid-19 pandemic. This was compounded by strike action at the group's ready meals and pie production facility in Gauteng and the civil unrest in July 2021.

Solid sales growth in the regional segment was offset by slower first half international sales, resulting in group turnover for the period increasing by 1.2% to R5.3 billion.

Inflationary pressures mounted in the second half, driven by global commodity shortages and firming prices, including tin plate used in food cans. There will be continued focus on generating operational efficiencies as it will be challenging to recover these and other cost increases from the constrained consumers in the months ahead.

Regional segment

Turnover in the group's regional segment for the period increased by 4.0% following growth of 12.1% in the five months to August 2021.

Regional long life turnover grew by 4.7% with volume growth of 2.8% and price inflation and product mix changes of 1.9%.

The fruit juice category showed a sustained recovery and grew volumes by 8.5% for the period. Fruit juice volumes increased by 61% in the five months to August 2021. The category was adversely impacted by the Covid-19 restrictions on entertainment and leisure activities during the summer holiday season, as well as the delay in the start of the 2021 school year.

Owing mainly to the high base effect from strong customer demand during the hard lockdown in April and May 2020, canned vegetables, canned meat and dry foods volumes declined.

However, the long life segment achieved 4.2% volume growth compared to 2019 volumes, with the strongest growth in the baked beans, infant foods, dry foods and vegetable categories.

Long life foods sales into the rest of Africa grew strongly by 9.2%, with good growth in canned meat, dry foods and juice sales.

Regional fresh foods turnover increased by 2.7% over the period, mainly due to price inflation and mix changes as volumes were 1.5% lower. The ready meals and dairy categories continue to prove resilient in the weak consumer spending environment.

Pie sales have recovered following the gradual lifting of lockdown restrictions. Volumes have returned to the levels reported in the 2019 financial year after being 9.6% down in the 11 months to August 2020.

Ready meals and pie sales volumes were negatively affected by the lower production during the five-week strike at the Aeroton facility in Gauteng in May and June 2021.

Following the completion of the restructuring and centralisation of the pie operations, the group expects to realise savings of R10 million for the second half of the financial year and annual savings of R26 million per annum from 2022. The group received proceeds of R25 million from the disposal of properties in KwaZulu-Natal in the second half.

The group's proposed acquisition of the frozen foods business from Pioneer Foods Wellingtons Proprietary Limited, which was announced on the Stock Exchange News Service ("SENS") on 6 July 2021, remains subject to Competition Commission approval and the effective date is expected to be 1 January 2022. The business has a strong presence in the frozen pies and pastry segment and services the South African top end retail market with well-known brands Today, Mama's, Big Jack and Man's Meal.

International segment

Demand for the group's canned fruit products has been strong across all its international markets, while exports have also been expanded to new markets. However, the ongoing global logistics challenges and local port congestion continue to create a shipping backlog which adversely impacts export sales.

After reporting a 20.7% decline for the first half of the year, volumes recovered as anticipated and increased by 13.8% for the five months to August 2021. Volumes for the 11-month period were 2.2% lower with sales declining by 9.8% for the period.

The shipping challenges, including the shortage of empty shipping containers, have contributed to significantly increased logistics costs, while also impacting the group’s raw material imports.

The international performance for the year to September 2021 is expected to be significantly impacted by the strengthening currency. The Rand/US dollar exchange rate averaged R14.55 in the 11 months to August 2021, 12.2% lower than the average of R16.57 in the prior comparative period.

The financial information in this trading update is the responsibility of the directors and has not been audited, reviewed or reported on by the group’s independent external auditors.

The group’s annual financial results for the year to September 2021 will be released on SENS on 17 November 2021.

Groot Drakenstein
9 September 2021

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