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")

SUMMARISED CONSOLIDATED RESULTS FOR THE YEAR ENDED 26 SEPTEMBER 2021
AND CASH DIVIDEND DECLARATION

SHORT-FORM ANNOUNCEMENT

KEY FEATURES

- Group revenue increased 1.5% to R6 billion
- Regional revenue increased 4.1%
- International revenue declined 8.2%
- Normalised operating profit increased 9.0% to R419 million
- Normalised operating profit margin improved by 40 basis points to 7.0%
- Normalised headline earnings increased 18.0% to R253 million
- Headline earnings increased 1.4% to R230 million
- Dividend per share increased 1.0% to 29.1 cents
- Net debt to equity ratio improved from 43.0% to 39.4%

COMMENTARY

Group revenue increased by 1.5% to R6 billion. After declining by 3.4% in the first half, the group produced a stronger second half performance with revenue increasing by 6.3% driven mainly by the recovery in fruit juice and international canned fruit volumes.

Revenue in the regional segment (South Africa and the rest of Africa) increased by 4.1% and accounted for 81% of group revenue. The regional performance continued to be impacted by the Covid-19 pandemic, with lockdown restrictions affecting two of the group's largest product categories of fruit juice and pies mainly in the first half. The second half performance was further impacted by strike action at the group's ready meals and pie production facility in Gauteng and the civil unrest in KwaZulu-Natal (KZN) in July 2021.

Regional long life revenue grew by 5.1% with volume growth of 3.4% and price inflation and product mix changes of 1.7%.

Regional fresh foods turnover increased by 2.3% over the period, mainly due to price inflation and mix changes of 4.3% as volumes were 2.0% lower. In the second half, fresh foods volume grew by 2.4% which contributed to turnover growth of 9.2%.

International volumes recovered in the second half, driven by robust demand for canned fruit products across all the group's international markets. After reporting a 20.7% decline for the first half of the year, volumes grew by 8.0% to end the year 3.3% lower. Export sales continued to be impacted by the shipping backlogs due to the ongoing global logistics challenges and local port congestion. Revenue declined by 8.2% for the year as a result of the lower volumes and the stronger Rand exchange rate.

Following the consolidation of the KZN pie operation into the Gauteng pie facilities, the group incurred impairment costs of R16 million compared to R10 million in the previous financial year. Proceeds of R25 million were received from the disposal of properties in KZN in the second half.

The financial results include an abnormal adjustment of R27 million for prior year electricity costs. The matter arose from the increased power capacity supplied to the Groot Drakenstein production hub following the upgrade and expansion of the site in the 2019 financial year. In 2021 management identified that the company was possibly being undercharged for electricity consumption and engaged with the local authority on the matter. At the same time management took the prudent decision to raise a provision to cover possible arrear charges for six months, the maximum period allowed for arrear billings by the local authority, based on legal advice sought by the company at the time.

In November 2021 the local authority notified RFG of incorrect billings amounting to R39 million, covering the arrear expenses for the period since 2019. RFG sought a second legal opinion which confirmed that the local authority is now entitled to claim arrear charges for a maximum of 36 months.

The amount of R39 million includes R10 million for the 2019 financial year, R17 million for the 2020 financial year and R12 million for the 2021 financial year.

Other operating costs include net foreign exchange gains of R26 million for the year compared to net foreign exchange losses of R55 million in 2020.

The group's normalised operating profit, excluding impairment and acquisition costs and the adjustment for prior year utility costs, increased by 9.0% to R419 million and the operating profit margin improved by 40 basis points to 7.0%.

The normalised regional operating profit increased by R62.6 million (17.9%) to R412.4 million. On this normalised basis, the operating margin increased by 100 basis points to 8.6% with margin expansion across both long life foods and fresh foods. The strong comeback in the juice category supported the improvement in the margin. However, inflationary pressures mounted in the second half, driven by global commodity shortages and firming prices, including tin plate used in food cans, other packaging material and meat.

Normalised operating profit for the international segment reduced from R34.8 million in 2020 to

R6.9 million this year. The normalised operating margin declined from 2.8% to 0.6%.

Net interest expense reduced by R22.2 million to R73.0 million owing to the lower prime interest rate which has remained at 7.0% since July 2020.

Normalised headline earnings increased by 18.0% to R253 million. Headline earnings increased by 1.4% to R230 million. Earnings per share decreased by 0.1% to 82.6 cents, headline earnings per share increased by 1.4% to 87.9 cents and diluted headline earnings per share increased by 1.0% to 87.3 cents. The group maintained its dividend policy of three times diluted HEPS cover by declaring a dividend of 29.1 cents per share, an increase of 1.0% on the prior year.

Net working capital increased by R97 million (6.7%) due to inventory and trade receivables increasing by R134 million (11.0%) and R108 million (10.8%) respectively. The higher inventory levels were due to slower export volumes for the majority of the year and a bigger deciduous fruit crop, while increased shipping volumes in the last two months resulted in higher trade receivables at year end. This was partially off-set by a R145 million increase (19.1%) in trade payables. The higher working capital resulted in cash generated from operations being R91 million (15.1%) lower than last year at R511 million.

The lower cash generated from operations combined with an R81 million increase in net income tax payments, partially compensated for by R22 million lower net interest payments, contributed to net cash inflow from operating activities declining by R150 million to R348 million.

Capital expenditure for the year was R62 million higher at R222 million and was lower than the planned expenditure of R250 million due to delays in certain projects.

Net debt of R1 084 million, including lease liabilities, reduced by 3.6% and the net debt to equity ratio improved from 43.0% to 39.4%.

Outlook

The gradual normalisation of the economy and the momentum of the Covid-19 vaccination programme are positive for consumer spending and should contribute to stronger organic growth and increased brand shares in the new financial year. The current sales momentum into the rest of Africa is expected to be maintained.

Management is focused on generating further operating efficiencies to counter the significant input cost pressure as it is challenging to recover costs through price increases with consumer spending being constrained.

International demand for the group's canned fruit products remains strong and exports are being expanded to new markets. Volumes are expected to recover as the shipping backlog reduces over the next 12 to 18 months which should contribute to inventory returning to normalised levels.

The group continues to evaluate opportunities for strategic, bolt-on acquisitions which are aligned to the group's core product categories. The acquisition of the Today frozen pie business, effective from 1 February 2022, is expected to contribute to operating profit from the second half of the 2022 financial year.

Capital expenditure of R200 million is planned for the 2022 financial year.

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

Dividend declaration

The board of directors has declared a gross dividend of 29.10 cents per share in respect of the year ended 26 September 2021 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 23.28 cents.

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

Last day to trade to receive a dividend	Tuesday, 18 January 2022
Shares commence trading "ex" the dividend	Wednesday, 19 January 2022
Record date	Friday, 21 January 2022
Dividend payment to shareholders	Monday, 24 January 2022

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, 19 January 2022 and Friday, 21 January 2022, both days included.

Pieter Hanekom
Chief Executive Officer

Tiaan Schoombie
Chief Financial Officer

Groot Drakenstein
17 November 2021

This short-form announcement has not been audited or reviewed. The summarised consolidated financial statements have been derived from the consolidated financial statements on which the group's independent auditor, Ernst & Young Inc., has expressed an unmodified audit opinion. The consolidated financial statements, which includes the auditor's report and the key audit matter, are available on the group's website at www.rfg.com.

This 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/2021/jse/isse/RFG/Annual2021.pdf and on the group's website at 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.

Directors:
Dr YG Muthien* (Chairperson), BAS Henderson**, MR Bower* (Lead Independent Director),
WP Hanekom (Chief Executive Officer),TP Leeuw*, S Maitisa*, 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)

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