

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")

RFG HOLDINGS - INTERIM RESULTS 2022  
SUMMARISED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 3 APRIL 2022

#### SHORT-FORM ANNOUNCEMENT

#### KEY FEATURES

- Group revenue increased 20.9% to R3.4 billion
- Regional revenue increased 15.5%
- International revenue increased 53.0%
- Operating profit increased 30.6% to R241 million
- EBITDA increased 17.1% to R359 million
- Headline earnings increased 32.5% to R158 million
- Diluted headline earnings per share increased 32.5% to 60.3 cps
- Normalised operating profit increased 2.6% to R222 million
- Normalised headline earnings increased 3.2% to R134 million

#### COMMENTARY

##### Trading and financial performance

Group revenue increased by 20.9% to R3.4 billion (2021: R2.8 billion) in the 27 weeks to 3 April 2022 (2021: 26 weeks) with strong volume growth in the regional and international segments despite the constrained consumer environment in South Africa as well as logistics challenges impacting the export business in particular. Revenue for the Today pie business of R41.7 million has been included for the two months since acquisition.

In this environment the group has capitalised on opportunities to grow brand shares by expanding its position in core product categories including canned fruit, jams, corned meat, fruit juice and baby meals.

Revenue in the regional segment (South Africa and the rest of Africa) increased by 15.5%, driven mainly by volume growth in the regional long life business.

Regional long life revenue grew by 16.4% with volume growth of 13.4%, price inflation of 8.2% and negative sales mix changes of 5.2%. Fruit juice and dry foods continued to deliver strong sales growth with both categories achieving double-digit sales growth, which contributed to increased market share in these highly competitive categories.

Regional fresh foods turnover increased by 14.1%. Acquisitive growth amounted to 4.7% while volumes grew by 1.8%, with price inflation of 9.0% and negative mix changes reducing turnover growth by 1.4%.

Ready meals continue to prove resilient in the weak consumer spending environment and achieved good volume growth. While pie sales continue to recover, meat price inflation and increased competitor activity continue to place pressure on margins.

Strong demand for the group's canned fruit products contributed to international turnover increasing by 53.0% as export volumes grew by 32.7%.

Delays in recovering the full extent of inflation on input costs in some major product categories gave rise to a decline in average margins across the business. The input cost categories which experienced the highest inflation include cans, meat, oils and logistics, in particular international freight costs. More frequent price increases from suppliers of certain raw materials are making it difficult to recover cost increases as customers resist the frequent price increases.

The group incurred once-off restructuring costs of R23.6 million in the first half relating to the acquisition of the Today pie business.

An insurance settlement of R43.4 million for loss of profits during the Covid-19 lockdown in 2020 was received in March 2022 and is reflected in other income.

Other operating costs include net foreign exchange losses of R4.2 million for the first half compared to net foreign exchange gains of R19.6 million in H1 2021.

Operating profit increased by 30.6% to R241.0 million (2021: R184.5 million). The operating margin improved from 6.5% in the prior period to 7.0% for the current period.

The group's normalised operating profit, excluding once-off restructuring costs and insurance proceeds, increased by 2.6% to R221.9 million while the normalised operating profit margin declined from 7.6% to 6.5%.

The normalised regional operating profit declined by R15.6 million to R200.6 million. On this normalised basis, the operating margin reduced by 180 basis points to 7.1% owing to inflationary input cost pressures which could not be recovered.

The operating profit for the international segment increased by R21.2 million to R21.3 million, including an increased contribution from the export of fruit pulps and purees. The operating margin recovered to 3.4% from 0% in the prior period.

Headline earnings increased by 32.5% to R158 million (2021: R119 million). Earnings per share increased by 49.4% to 60.8 cents (2021: 40.7 cents) while headline earnings per share increased by

32.5% to 60.4 cents (2021: 45.6 cents). Diluted headline earnings per share by 32.5% to 60.3 cents (2021: 45.4 cents).

Normalised headline earnings increased by 3.2% to R134.3 million

Inventory levels increased by 24.5% or R388 million owing to higher raw material stock cover due to the uncertainty in global supply, the impact of inflation on the value of stock, higher canned fruit and fruit puree production levels, slower than anticipated shipments and the Today acquisition.

The higher inventory, together with the acquisition of the Today business, contributed to the group's net debt, including lease liabilities, increasing to R1 483 million (2021: R1 255 million), with the net debt-to-equity ratio increasing to 52.3% (2021: 47.5%).

#### Outlook

In the second half of the year management aims to continue to drive organic growth to further expand brand shares while the current sales momentum into the rest of Africa is expected to be maintained.

The group's ongoing focus is on recovering increased input costs from the market and generating operating efficiencies to counter the impact of cost pressure on margins. A further priority is to reduce canned fruit and fruit puree inventory levels to improve cash flow.

International demand for RFG's canned fruit products remains strong and the group continues to diversify its international sales and expand into new markets despite the current global shipping challenges.

The group is investing in renewable energy infrastructure to reduce the impact of loadshedding and related water supply interruptions on certain of the group's facilities, with solar installations planned for a further two production sites.

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

Capital expenditure of R240 million, including R22 million relating to the Today restructuring, 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.

Pieter Hanekom  
Chief Executive Officer

Tiaan Schoombie  
Chief Financial Officer

Groot Drakenstein  
25 May 2022

This announcement is the responsibility of the company's directors and is a summary of the detailed interim results announcement and does not contain full or complete details. The announcement can be downloaded from <https://senspdf.jse.co.za/documents/2022/jse/isse/RFG/H12022.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.

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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