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 TO FEBRUARY 2023

RFG increased revenue by 7.4% in the 21 weeks ended 26 February 2023 ("the period") driven by price inflation of 14.7%. The deteriorating domestic consumer environment and competitor activity created volume pressure in some categories and overall group volumes declined by 11.0% which was partially compensated for by 2.5% growth from the Today acquisition. Foreign exchange gains accounted for 1.6% of the revenue growth, with an adverse mix impact of -0.4%.

The results for the period include one trading week less than the comparative 22 weeks reported on in the prior period.

Regional segment
The group's primary focus has been on improving the operating margin through an effective balance of price, volume and margin management, while being conscious of price increases negatively impacting volumes due to consumers being under severe financial pressure. The group's volume decline is largely in line with the market in comparable categories.

Revenue in the group's regional segment increased by 8.7% with price inflation of 16.0% and volumes declining by 9.4%. Acquisitive growth contributed 3.0% and the mix change was -0.9%.

The pie category delivered a strong all-round performance after recovering from the significant sales and margin pressure in the previous financial year due to high levels of inflation and restructuring costs. The performance was supported by the turnaround in the Today business following price increases to bring the margin more in line with the rest of the pie category. The Today acquisition contributed 3.0% to the growth of the regional segment.

Good sales growth was achieved in three of the key long life foods categories. Fruit juice, the largest long life category, achieved good volume growth with high double-digit sales growth and this has enabled the category to maintain margins. The dry foods and meat categories achieved good sales growth despite price increases during the period.

Volumes in the canned food categories remain under pressure from weak consumer demand, sustained cost pressures from high raw material and packaging costs as well as competitor activity. However, the canned meat category has started to recover following price increases and stronger sales growth.

International segment

Revenue grew by 0.7% as strong international selling prices and the benefit of the weakening Rand were offset by the 18.8% decline in volumes off the high base in 2022 when production was increased to meet the higher global demand following the failure of the Greek peach crop in 2021.

The international business is managed on a 12-month cycle owing to the seasonality of raw materials, orders and shipping. Volumes in the first five months of the financial year were impacted by the shift in the timing of export orders and shipments, and management expects volumes to normalise over the remainder of the financial year.

Impact of load shedding

Sustained load shedding continues to impact food manufacturers through lower production output, operational inefficiencies and higher operating costs as well as the availability of certain raw materials due to the impact of load shedding on suppliers.

RFG has invested in generators at its 13 production plants in South Africa over the past seven years to ensure that food safety is not compromised through inconsistent electricity supply. At some operations additional generators are currently being installed to meet the increased demand for electricity.

In the five months ended February 2023, the group’s diesel costs to operate generators totalled R32 million. At current levels of load shedding the average weekly diesel cost to run generators amounts to approximately R2 million.

RFG has accelerated its renewable energy infrastructure programme in response to load shedding. Solar installations have been completed at two facilities and installations are planned for a further seven sites over the next two years.

Outlook

Management continues to make pleasing progress in recovering higher input costs from customers in most product categories which has strengthened margins in the regional segment. However, the group is still experiencing inflationary pressures from higher packaging (cans and paper) and meat costs in particular.

The group will maintain its intense focus on price, volume and margin management as well as tight control on overhead costs.

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 interim financial results for the six months to March 2023 will be released on the Stock Exchange News Service on 24 May 2023.

Groot Drakenstein
22 March 2023

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