ASTRAL FOODS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1978/003194/06)
ISIN Code: ZAE000029757
Share Code: ARL
("Astral" or the "Group")

VOLUNTARY TRADING UPDATE AND INITIAL TRADING STATEMENT

VOLUNTARY TRADING UPDATE

With reference to the unaudited interim results for the six months ended 31 March 2023, released on SENS on 22 May 2023, Astral had previously informed the market that a significant cost impact from load shedding would continue for the remainder of the financial year ending 30 September 2023. These costs included the additional cost of diesel to power standby generators, costs associated with a cutback in poultry production in order to catch up the backlog in the slaughter programme, higher feed costs due to older broilers, and overtime costs for the additional shifts introduced in our poultry processing plants.

These costs amounted to R741 million for the six months ended 31 March 2023 and forecasted R919 million for the remainder of the financial year (forecast provided in May 2023 of R844 million). The cost to operate diesel generators is now an embedded expense burden to the amount of approximately R45 million per month. The total costs of load shedding, including capital costs of R200 million, for the Group for the financial year will amount to approximately R1.9 billion. This has been the main reason for the severe decline of Astral's results for the year ending 30 September 2023.

Astral can report that the backlog in the slaughter programme, as a result of load shedding, was cleared by the end of June 2023. Subsequently, broiler efficiencies have normalised on targeted broiler age, live weight and feed consumption. However, other factors have negatively impacted the financial performance during the second half of the financial period and are discussed in more detail below.

Deep-cut promotional activity in the wholesale and retail sectors on chicken has been extensive. Coinciding with the above, Astral had to unfortunately pack "the big bird format", on the back of load shedding, into a very limited product range which had to be discounted. This, together with a normal slowdown in chicken consumption patterns over the winter season, has seen poultry selling prices under severe pressure. The selling prices for chicken have not recovered input costs, including the significant load shedding and other inflationary costs, creating a situation where negative margins on poultry sales have been realised. Astral has been forced to subsidise the above costs for a prolonged period.

Further to the above, the South African poultry industry is currently being ravaged by an outbreak of Highly Pathogenic Avian Influenza (bird flu), with additional costs being incurred by Astral as well as other producers to cull broiler breeding stock in line with regulated disease control measures. The losses extend beyond the biological cost of the culled birds, but also include costs relating to measures taken for the safe disposal of these birds and biosecurity measures implemented aimed at curbing the spread of the disease. The poultry industry, in both the table egg and broiler sectors, has seen significant losses as a new strain of bird flu (H7N6) has spread across both Gauteng and Mpumalanga at an alarming rate. The bird flu has already caused short supplies of table eggs into the market, and it is expected that the supply of poultry meat into the value chain could be affected negatively in the coming months. The bird flu outbreak is the worst that South Africa has witnessed and goes well beyond the impact felt by the H5N8 bird flu in 2017. To date, the total cost associated with the current bird flu outbreak amounts to approximately R220 million.

INITIAL TRADING STATEMENT

In terms of the Listings Requirements of JSE Limited, companies are required to publish a trading statement as soon as they become reasonably certain that the financial results for the period to be reported on will differ by at least 20% from that of the previous corresponding period.

Astral, taking into account the above factors together with prevailing market conditions, expects that earnings per share (EPS) and headline earnings per share (HEPS) for the year ending 30 September 2023, could decrease by as much as 165%, amounting to a decline of 4 588 cents and 4 565 cents to a loss of 1 808 cents and 1 802 cents, respectively, compared to the year ended 30 September 2022 (EPS of 2 781 cents and HEPS of 2 762 cents).

The Group’s balance sheet is geared to approximately 25% to maintain sufficient liquidity and solvency. The banking facilities do not have any covenant requirements.

The financial information in this announcement has not been reviewed or reported on by the Group's auditors.

Once the Board has reasonable certainty of the expected EPS and HEPS ranges, a further trading statement will be provided towards the end of October 2023.

Pretoria
21 September 2023

Sponsor
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