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

# GROUP AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 1 OCTOBER 2023 AND CASH DIVIDEND DECLARATION

## KEY FEATURES

- Group revenue +8.7% to R7.9 billion
- Group operating profit +32.0% to R757 million
- Group operating margin +170 bps to 9.6%
- Headline earnings +35.3% to R488 million
- Diluted headline earnings per share +35.4% to 185.9 cents
- Cash generated from operations +59.8% to R1 075 million
- Net debt-to-equity ratio improved to 21.3% from 36.2%
- Dividend per share +35.4% to 62.0 cents
- Return on equity improved to 14.9% from 12.5%

## Trading and financial performance

Group revenue increased by 8.7% to R7.9 billion with the growth being driven by price inflation of 12.9% as the group continued to recover the high input cost increases of the past two years. After increasing by 10.0% for the first 11 months of the year, revenue for September was 1.8% lower due to the strong base effect from September 2022 when revenue grew by 28.7% for the month.

Slower consumer spending and competitor promotional activity resulted in volume pressure in certain product categories as total group volumes declined by 8.3%, with negative mix changes of 0.2%. The impact of the volume declines was partially offset by foreign exchange gains which contributed 3.4% to revenue growth and acquisitive growth of 0.9% from the Today acquisition.

| Revenue (% change) | Increase | Price | Volume | Mix | Acquisition | Forex |
|---|---|---|---|---|---|---|
| Regional segment | 9.8 | 15.5 | (6.6) | (0.4) | 1.3 | |
| International segment | 5.3 | 4.6 | (13.6) | 0.6 | | 13.7 |
| Total group | 8.7 | 12.9 | (8.3) | (0.2) | 0.9 | 3.4 |

Management continued to maintain the balance between price and volume, with cost recoveries aimed at improving the regional segment's operating margin towards the targeted 10% level. The rate of volume decline slowed as the year progressed, with regional volumes down 6.6% for the full year after declining by 8.0% for the first half. The group's volume decline is lower than the market in comparable categories.

Revenue in the regional segment increased by 9.8%, with fresh foods revenue increasing by 8.1% and long life foods by 10.9%.

The pie category produced robust growth in turnover and profitability, supported by the sustained performance of the Today acquisition and the benefit of the integration and consolidation of the pie facilities over the past two years.

In long life foods, the fruit juice and dry foods categories recorded double-digit revenue growth while the meat products category showed an encouraging recovery in the second half of the year. Industrial pulps and purees delivered good growth in the regional market.

Volumes in the canned fruit and vegetable categories remain under pressure from weaker consumer demand, high raw material and packaging costs as well as the competitive environment.

International revenue grew by 5.3%. Strong international selling prices and the tailwinds from the weaker Rand were offset by a 13.6% volume decline after production volumes returned to historical levels. The 13.7% weakening in the Rand against the basket of trading currencies contributed R245.4 million to international revenue.

Export shipments were hampered by extreme winter weather conditions, particularly in September, as well as low productivity and congestion at the Cape Town port. The port delay is currently averaging 12 to 16 days, with shipping lines bypassing the port when it is too costly to dock due to the slower turnaround and waiting time at the port.

The group's operating profit increased by 32.0% to R757 million with the operating profit margin improving by 170 basis points to 9.6%. The prior period included once-off costs of R25.7 million relating to the Today acquisition and an insurance proceeds of R43.4 million for loss of profits during the Covid-19 lockdown.

The group continues to manage the impact of load shedding on production facilities and operating efficiencies. The group has invested extensively in back-up power generation over the past seven years, with a further R25 million spent on new and replacement generators in the reporting period. Diesel costs to operate generators totalled R65.7 million for the year. At the current levels of load shedding, the average monthly diesel cost to operate generators amounts to approximately R0.5 million to R1.0 million. By year end, solar energy solutions had been installed at seven production facilities.

Regional operating profit increased by 63.0% to R527.1 million as the operating margin expanded from 5.9% to 8.8%. This was mainly due to the recovery of higher input costs from customers in most product categories, particularly fruit juice, ready meals, dry foods and meat as well as the strong performance from the pie category.

The operating profit for the international segment increased by 17.0% to R244.6 million as the operating margin strengthened from 11.7% to 13.0%. Profitability was supported by stable export pricing across the product portfolio and the weakening of the Rand against the US dollar during the year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 28.9% to R1 055 million, while the EBITDA margin strengthened by 210 basis points to 13.4%.

The group's interest expense was R10.1 million higher at R99.4 million due to the 200 basis points increase in the prime lending rate over the past year.

Headline earnings increased by 35.3% to R488.0 million, with diluted headline earnings per share (HEPS) 35.4% higher at 185.9 cents. Earnings per share increased by 32.7% to 183.0 cents and HEPS by 35.9% to 187.4 cents.

The board declared a final dividend of 62.0 cents per share, an increase of 35.4% on the prior year, maintaining the group's dividend policy of three times diluted HEPS cover.

The increase in net working capital was contained at 2.5% to R1 855 million. Inventory levels have normalised as expected from the peak at the half year due to increased shipments to international markets.

Net cash flow generated from operations increased by 59.8% to R1 075 million, due mainly to improved profitability. The increased cash contributed to a significantly improved debt position, with net debt decreasing by R370.6 million to R726.9 million and the net debt-to-equity ratio improving to 21.3% from 36.2%. Long-term loans of R215.0 million were repaid while no further loan funding was raised during the year.

Capital expenditure of R288 million (2022: R260 million) included the expansion and replacement of pineapple plantations in Eswatini of R40 million and capacity expansion at the pie and meat facilities.

The group achieved its revenue growth target and made good progress in delivering on its medium-term targets for operating profit margin and return on equity.

| Metric | Medium-term target | Achieved in 2023 |
|---|---|---|
| Revenue growth | GDP + CPI + 2.0% (0.6% + 5.4% + 2.0% = 8.0%) | 8.7% (2022: 21.9%) |
| Operating profit margin | 10.0% | 9.6% (2022: 7.9%) |
| Return on equity | WACC + 2.0% (14.0% + 2.0% = 16.0%) | 14.9% (2022: 12.5%) |

Outlook

Sales volumes in the regional business are expected to remain under pressure due to constrained consumer spending. In this environment, management will continue to focus on price, volume and margin management to recover costs and to strengthen the operating margin. While inflationary input cost increases have moderated in most categories, tinned can and paper packaging costs in particular remain high.

Current international pricing and demand for RFG's canned fruit products are expected to be maintained. The group is confident of maintaining an international operating margin of at least 10% through-the-cycle.

Capital expenditure of R280 million is planned for the new financial year, including the upgrade and replacement of equipment at the Tulbagh fruit products factory, the replacement of canning equipment and capacity expansion at the meat products factory in Krugersdorp, new and replacement generators and R40 million for the annual replacement of pineapple plantations in Eswatini.

RFG's renewable energy programme has been accelerated in response to the sustained levels of load shedding and a further four solar projects are planned for the 2024 financial year.

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

Cash dividend declaration

The board of directors has declared a final gross dividend of 62.00 cents per share in respect of the year ended 1 October 2023 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 49.60 cents per share.

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

| | |
|---|---|
| Last day to trade to receive a dividend | Tuesday, 16 January 2024 |
| Shares commence trading "ex" the dividend | Wednesday, 17 January 2024 |
| Record date | Friday, 19 January 2024 |
| Dividend payment to shareholders | Monday, 22 January 2024 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 January 2024 and Friday, 19 January 2024, both days included.

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.

Pieter Hanekom
Chief Executive Officer

Tiaan Schoombie
Chief Financial Officer

Groot Drakenstein
22 November 2023

This results announcement is the responsibility of the group's directors and is a summary of the information contained in RFG's audited annual consolidated financial statements for the year ended 1 October 2023 ("2023 AFS") and does not contain full or complete details.

Any investment decisions should be based on a consideration of the group's full 2023 AFS as a whole which are available on the JSE's cloudlink at: https://senspdf.jse.co.za/documents/2023/jse/isse/RFG/FY2023.pdf
and on the group's website at: www.rfg.com/investor-relations/

The 2023 AFS have been audited by Ernst & Young Inc. who expressed an unmodified opinion thereon. A copy of the auditor's report, together with the accompanying 2023 AFS, are available on the RFG website.

Directors
Independent non-executive
Dr YG Muthien (Chairperson)
TP Leeuw (Lead Independent Director)
S Maitisa
SV Naidoo^
BN Njobe

Non-executive
CL Smart
GJH Willis

Executive
WP Hanekom (Chief Executive Officer)
CC Schoombie (Chief Financial Officer)

^ Appointed 1 May 2023

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)