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 SIX MONTHS ENDED 31 MARCH 2024

KEY FEATURES

- Group revenue +3.2% to R3.9 billion
- Group operating profit +15.2% to R399 million
- Group operating profit margin +100 bps to 10.2%
- Regional operating profit margin +110 bps to 10.0%
- International operating profit margin +110 bps to 11.5%
- Headline earnings +20.7% to R262 million
- Diluted headline earnings per share +20.4% to 99.8 cents
- Net debt-to-equity ratio improved from 46.7% to 33.3%
- Return on equity improved from 14.1% to 15.7%

Trading and financial performance

Group revenue increased by 3.2% to R3.9 billion as regional segment sales volumes declined in the weak domestic consumer environment. The revenue of the international segment was impacted by ongoing operational challenges at the Cape Town port and softer international pricing, which was partially offset by foreign exchange gains.

Revenue growth was mainly driven by price inflation of 6.9% as the group continued to recover higher input costs.

Revenue (% change)	Increase/ decrease	Price	Volume	Mix	Forex
Regional segment	5.8	10.0	(5.5)	1.3	-
International segment	(8.6)	(6.5)	(8.9)	1.3	5.5
Total group	3.2	6.9	(6.1)	1.4	1.0

Revenue in the regional segment increased by 5.8% with price inflation of 10.0% while sales volumes declined by 5.5% due to constrained consumer spending as well as increased competitor promotional activity in some product categories. However, both the rate of volume decline and price inflation have slowed relative to the first half of the 2023 financial year.

Long life foods increased revenue by 7.5%. After reporting good revenue growth for the first quarter of the financial year, long life sales slowed in the second quarter to March 2024. The three largest categories of fruit juice, meat products and dry foods continue to deliver good growth, supported by improved performances in the vegetable and salads categories.

Fresh foods revenue increased by 2.9% with the pie category continuing to grow volumes while the ready meals category benefited from the resilience of higher income customers.

The group recorded strong market and brand share gains in several key product categories. Rhodes has gained the number one brand position in the jam market and Hinds Spices has moved into the number two position in the spices, herbs and pepper category. The group's brands are the market leaders in jam, canned meat, canned tomato and frozen pies and pastry, and hold the number two positions in fruit juice, canned fruit, canned vegetables, infant meals and spices, herbs and pepper.

International segment revenue declined by 8.6% due to softer international pricing relative to the prior period as well as the decline in export volumes due to lower opening stock levels. This was compounded by the challenges at the Cape Town port, particularly in the last few months. The lower sales volumes were partially offset by depreciation in the Rand against the group's basket of trading currencies which contributed 5.5% to revenue growth.

Despite the pressure on sales volumes, the group has improved its operating profit margin by driving profitable growth, recovering inflationary increases on raw material and packaging costs and extracting cost savings from operational efficiencies. Loadshedding-related diesel costs reduced to R19.6 million compared to R37.8 million in the prior period. These factors contributed to the group's operating profit increasing by 15.2% to R399 million, with the operating profit margin improving by 100 basis points to 10.2%.

Regional segment operating profit increased by 19.7% to R326.6 million as the operating profit margin expanded from 8.9% to the targeted 10.0%. Margins are being supported by production efficiency gains from recent capital investment, notably the new canning equipment and capacity expansion at the meat products plant in Krugersdorp.

The operating profit for the international segment increased by 0.5% to R73.2 million as the operating profit margin strengthened from 10.4% to 11.5%. Profitability was supported by the weakening of the Rand against the US dollar as well as improved factory efficiencies over the recent deciduous season relative to the prior period. The upgrade and replacement of equipment at the Tulbagh fruit products factory further contributed to the margin expansion.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 14.6% to R552 million, while the EBITDA margin strengthened by 140 basis points to 14.2%.

The group's net interest expense was R6.4 million lower at R39.6 million due to the group's lower debt levels.

Headline earnings increased by 20.7% to R261.7 million, with diluted headline earnings per share (HEPS) 20.4% higher at 99.8 cents. Earnings per share increased by 20.6% to 100.5 cents and HEPS by 21.1% to 100.7 cents.

Net working capital totalled R2.2 billion, decreasing by R5.9 million over the prior period. The increase in inventory levels for the period of R507 million was R52.5 million lower than the increase in the prior period. Net cash outflow from operations at R48.2 million was R38.3 million lower than the prior period due to the lower investment in working capital and improved profitability, partially offset by an increase in income tax payments of R55.0 million.

Net debt decreased by R294 million to R1.17 billion and the net debt-to-equity ratio improved to 33.3% from 46.7%. Long-term loans of R185 million were repaid while no further loan funding was raised during the period.

Capital expenditure totalled R200 million (H1 2023: R144 million), with the largest investment being at the Tulbagh fruit products factory.

The group achieved its medium-term targets for operating profit margin and return on equity.

Metric	Medium-term target	Achieved in H1 2024
Revenue growth	GDP* + CPI + 2.0% 0.6% + 5.3% + 2.0% = 7.9%	3.2% (H1 2023: 10.2%)
Operating profit margin	10.0%	10.2% (H1 2023: 9.2%)
Return on equity	WACC + 2.0% 13.4% + 2.0% = 15.4%	15.7%^ (H1 2023: 14.1%^)

* SA National Treasury actual GDP for 2023
^ Rolling 12-month period

Outlook

Consumer spending is expected to remain under pressure for the remainder of the financial year due to continued inflationary pressure on consumers while interest rates are now only expected to start declining in the 2025 financial year. In this environment the group will drive sales and brand share growth through a heightened focus on product innovation, particularly in the fruit juice and dry foods categories.

The group continues to focus on price, volume and margin management as well as improving operating efficiencies to maintain the operating profit margin. Input costs have generally moderated from the high levels experienced over the past two years which should support the operating profit margin being maintained.

In the international business, customer demand for RFG's canned fruit products remains strong and management will continue their focus on volume recovery in the second half of the year despite the port challenges. The group aims to maintain the international operating profit margin at 10% through-the-cycle.

Cash flow management is a priority in the current low growth environment to ensure efficient management of working capital and interest costs. Capital expenditure of R300 million is planned for the full 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
22 May 2024

This results announcement is the responsibility of the group's directors and is a summary of the information in the detailed interim results and does not contain full or complete details. The full results are available on the JSE's cloudlink at https://senspdf.jse.co.za/documents/2024/jse/isse/RFG/Interim24.pdf and on the group's website at http://www.rfg.com/investor-relations. Any investment decisions in relation to RFG's shares should be based on the full results.

Review report
The group's auditors, Ernst & Young Inc. (EY), were engaged to conduct a voluntary review of the condensed consolidated financial statements. EY issued an unmodified review conclusion on the condensed consolidated financial statements.

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