

## QUANTUM FOODS HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2013/208598/06)

Share code: QFH

ISIN: ZAE000193686

("Quantum Foods", "Company" or the "Group")



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### TRADING STATEMENT AND OPERATIONAL UPDATE

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#### TRADING STATEMENT

In terms of the JSE Limited Listings Requirements, a listed company is required to publish a trading statement as soon as it is satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported on next will differ by at least 20% from the financial results for the previous corresponding period.

Shareholders of Quantum Foods are hereby advised that for the year ended 30 September 2024 ("Current Reporting Period") a reasonable degree of certainty exists that:

- headline earnings per share ("HEPS") of the Company will be at least 87.4 cents higher than the loss per share of 17.4 cents reported for the financial year ended 30 September 2023 ("Previous Corresponding Period"); and
- earnings per share ("EPS") of the Company will be at least 87.8 cents higher than the loss per share of 17.8 cents reported for the Previous Corresponding Period.

A further trading statement will be published as soon as there is a reasonable degree of certainty as to the likely range within which the Company's HEPS and EPS is expected to increase.

#### OPERATIONAL UPDATE

The Group experienced improved trading conditions during the Current Reporting Period.

The Group's performance significantly improved as a result of, *inter alia*, (i) a decrease in key feed raw material costs (maize and soya bean meal) resulting in lower feed costs; (ii) a significant reduction in loadshedding hours resulting in lower diesel generator costs (which were partially offset by higher Eskom electricity costs); (iii) a reduction in biological asset write-offs incurred as a result of highly pathogenic avian influenza ("HPAI") outbreaks compared to the Previous Corresponding Period; (iv) a significant increase in egg selling prices; and (v) improved financial performance from the other African businesses, especially in Uganda and Mozambique. However, corporate office costs increased compared to the Previous Reporting Period due to an increase in the incurrence of professional fees pertaining to certain shareholder-related and legal matters.

#### **Feed business**

Volumes supplied to external customers and internal farms improved as the year progressed and, together with well executed efficiencies, cost management and margin management supported satisfactory earnings.

The explosion at the Malmesbury Feed mill on Monday, 10 June 2024 as announced on SENS on Tuesday, 11 June 2024, resulted in higher costs as a result of (i) repairs required to fix the damages to the raw material intake area; (ii) less efficient alternative raw material intake processes; and (iii) higher raw material storage costs to maintain normal feed production. As at 30 September 2024, repairs to the damaged area as well as the insurance claim processes are still in progress and any insurance recovery will only be included in the financial year ending 30 September 2025.

#### **Farming business**

Production efficiencies and earnings in both the broiler and layer farming businesses are expected to increase compared to the Previous Corresponding Period as further detailed below.

### **Broiler farming**

Earnings from the Broiler North business improved during the second half of the Current Reporting Period (“H2 FY2024”) following the repopulation of the Hartbeespoort breeder farm (“**Hartbeespoort Farm**”) which improved access to locally produced hatching eggs, resulting in improved efficiencies and higher volumes of day-old chick sales. The Hartbeespoort Farm was out of production for most of the first half of the Current Reporting Period (“H1 FY2024”) following an HPAI outbreak.

Earnings from the Broiler South business improved significantly when compared to the Previous Corresponding Period mainly due to improved breeder performance and broiler farm efficiency, especially during the winter period, which was achieved from the Ross 308 breed.

### **Layer farming business**

During H1 FY2024 (i) large losses were incurred while culling HPAI infected flocks in Gauteng and the North West as well as from the cleaning and preparation of empty farms for future placements; and (ii) costs were incurred in restarting the breeder program with parent birds mostly in rearing during this period, producing very few hatching eggs for cost recovery.

During H2 FY2024 (i) losses on farms were lower as a result of lower fixed costs (e.g. lay off agreements with staff for the period while the farms remain empty) and some overhead cost recovery following the repopulation; and (ii) the business further benefited from farms being self-sufficient at breeder level again (i.e. producing sufficient hatching eggs) to produce day-old pullets for supply to internal rearing farms and external customers.

Layer farm efficiencies on farms in the Western Cape and Eastern Cape improved when compared to the Previous Corresponding Period.

### **Egg business**

Notwithstanding the lower volumes available for sale, earnings in the egg business significantly improved. The higher egg selling prices, together with excellent cost management and operational efficiencies, supported higher earnings.

### **Other African businesses**

Uganda showed improved earnings resulting from lower feed costs, which stimulated demand for day old chicks and improved egg margins.

Mozambique also showed improved earnings resulting from substantial increase in egg prices principally impacted by lower national egg production in South Africa.

The improved earnings from Uganda and Mozambique were partially offset by the weaker performance from Zambia due to high raw material costs, high loadshedding hours and a weakening Zambia Kwacha which reduced the Rand value of profits.

The financial information contained in this announcement is the responsibility of the directors of Quantum Foods and such information has not been reviewed or reported on by the Company’s external auditors.

Wellington  
14 October 2024

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