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 29 SEPTEMBER 2024 AND CASH DIVIDEND DECLARATION

KEY FEATURES

- Group revenue +1.5% to R8.0 billion
- Group operating profit +12.7% to R852 million
- Group operating profit margin +100 bps to 10.6%
- Regional operating profit margin +180 bps to 10.6%
- International operating profit margin -160 bps to 11.4%
- Headline earnings +18.2% to R577 million
- Headline earnings per share +18.6% to 222.2 cents
- Net debt-to-equity ratio improved from 21.3% to 11.9%
- Dividend per share +79.2% to 111.1 cents

Trading and financial performance

Group revenue increased by 1.5% to R8.0 billion. The regional segment delivered resilient revenue growth in an environment of sustained pressure on consumer spending. However, the rate of volume decline and price inflation have slowed considerably relative to the prior year as consumer confidence started to show signs of improvement.

The revenue of the international segment was impacted by softer global pricing and demand for canned deciduous fruit as well as lower volumes due to ongoing shipping delays at the Cape Town and Durban ports.

Revenue (% change)	Increase/(decrease)	Price	Volume	Mix	Forex
Regional segment	5.9	7.5	(1.3)	(0.3)	-
International segment	(12.5)	(2.9)	(11.4)	1.0	0.8
Total Group	1.5	5.0	(3.7)	-	0.2

Revenue in the regional segment increased by 5.9% with price inflation of 7.5% (2023: 15.5%). While sales volumes declined by 1.3% (2023: 6.6%) for the financial year due to constrained consumer spending, volumes recovered strongly and grew by 3.2% for the second half relative to a decline of 5.5% for the first half of the financial year.

Long life foods increased revenue by 6.5%. After reporting slower growth for most of the second half of the financial year, sales for the month of September increased significantly, contributing to volume growth for the second half of the financial year. The three largest categories of fruit juice, meat products and dry foods were the major contributors to the strong growth.

Fresh foods revenue increased by 4.9% with good volume growth in the pie category and a solid contribution to revenue growth from the ready meals category.

Regional revenue growth was supported by an increased focus on product and packaging innovation, mainly in the ready meals, dry foods and fruit juice categories. This included the launch of the Rhodes fruit nectar juice range which has been well received by consumers.

The Group recorded strong market and brand share gains in several key product categories. The Group's brands are the market leaders in canned meat, canned tomato and frozen pies and pastry, and hold the number two positions in fruit juice, canned fruit, jam, canned vegetables, infant meals and spices, herbs and pepper.

International segment revenue declined by 12.5%. Export volumes declined by 11.4% and pricing was 2.9% lower due to reduced demand for canned deciduous fruit and softer international pricing relative to the prior year. Lower inventory levels of certain products at the beginning of the year also limited revenue growth. The 0.8% depreciation of the Rand against the Group’s basket of trading currencies added R14 million to international revenue relative to a currency gain of R245 million in the prior financial year.

Despite the ongoing pressure on sales volumes, management continued to focus on profitable growth, recovering costs, generating operational efficiencies from recent capital expenditure and applying tight cost management to achieve the Group's medium-term operating profit margin target of 10%.

The Group’s operating profit increased by 12.7% to R852 million, with the operating profit margin improving by 100 basis points to 10.6%. This growth was mainly driven by the strong performance of the regional segment which compensated for the lower operating profit of the international segment.

Regional segment operating profit increased by 28.1% to R675 million as the operating profit margin expanded from 8.8% to 10.6%. Margins were supported by effective sales price and margin management and production efficiency gains across the operations. Capital investment, notably the new canning equipment and capacity expansion at the meat products plant in Krugersdorp, contributed to production efficiencies.

The operating profit for the international segment declined by 22.8% to R189 million as the operating profit margin reduced by 160 basis points to 11.4% on weaker pricing and lower volumes. The margin remains within management's targeted 7.5% to 12.5% range and benefited from improved factory efficiencies and the upgrade and replacement of equipment at the Tulbagh fruit products factory.

Load shedding related diesel costs reduced by R43.9 million to R21.8 million for the year. Other income includes insurance recoveries received of R29.3 million on a claim relating to fruit losses at the Tulbagh fruit products factory in the prior financial year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 9.8% to R1 158 million, while the EBITDA margin strengthened by 110 basis points to 14.5%.

The Group's net interest expense was R16 million lower at R83 million due to the Group's lower debt levels. The taxation expense increased by 13.4% to R204 million as a result of the increased profitability, with the effective taxation rate 80 basis points lower at 26.5% for the year.

Profit after taxation for the year increased by 18.4% to R565 million while earnings attributable to owners of the Group increased by R89 million or 18.7% to R566 million.

Headline earnings increased by 18.2% to R577 million with headline earnings per share (HEPS) increasing 18.6% to 222.2 cents. Earnings per share increased by 19.1% to 217.9 cents and diluted HEPS by 17.6% to 218.7 cents.

Net working capital totalled R2.0 billion, increasing by 12.4% over the prior year. The increase is mainly due to accounts receivable being R213 million or 18.4% higher owing to the timing of the financial year end on 29 September being ahead of the calendar month end. The increase in inventory levels was contained to 3.6%.

Net cash flow generated from operations was R92 million or 8.6% lower at R983 million mainly due to net working capital increasing by R217 million compared to R21 million in the prior year. The net working capital increase was due to the timing difference relating to accounts receivable referenced above.

Net debt decreased by 37.1% or R270 million to R457 million and the net debt-to-equity ratio improved to 11.9% from 21.3%. Long-term loans of R218 million were repaid while no loans were raised during the year. Capital expenditure totalled R324 million (2023: R288 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 2024
Revenue growth	GDP + CPI + 2.0% 0.9% + 3.8% + 2.0% = 6.7%	1.5% (2023: 8.7%)
Operating profit margin	10.0%	10.6% (2023: 9.6%)
Return on equity	WACC + 2.0% 13.3% + 2.0% = 15.3%	15.6% (2023: 14.9%)

Increased dividend payout ratio

The Group’s profitability and cash generating ability, together with the outlook for sustained earnings growth, has enabled the directors to increase the dividend payout to shareholders. Accordingly, the dividend cover ratio has been reduced to 2.0 times HEPS from the previous cover ratio of 3.0 times diluted HEPS which has been the policy since the Group’s listing in 2014. The dividend payout ratio has therefore increased from 33.3% to 50.0% of headline earnings.

The increase in the payout ratio resulted in the dividend increasing by 79.2% to 111.1 cents per share.

Outlook

Lower inflation, declining interest rates, reducing fuel prices and the absence of load shedding are positive for consumer confidence. These factors, together with the country's improving economic outlook and upgraded growth forecasts are expected to stimulate a recovery in consumer spending and support volume growth in the regional business in the next 12 - 18 months.

The trading momentum in the latter stages of the 2024 financial year has continued into the new financial year. The Group continues to focus on price, volume and margin management as well as improving operating efficiencies to maintain the operating profit margin at its targeted 10% level.

In the international business, the continuation of the capital upgrade and replacement programme at the Tulbagh fruit products plant will support further efficiency gains to counteract the headwinds of a stronger exchange rate and lower global pricing. Price, volume and margin management will be crucial to maintain the international operating profit margin at 10% through-the-cycle.

Cash flow management remains a priority in the current low growth environment to ensure efficient capital allocation and management of working capital. Capital investment of R430 million is planned for the new 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 gross dividend of 111.1 cents per share in respect of the year ended 29 September 2024 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 88.88 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, 21 January 2025
Shares commence trading "ex" the dividend	Wednesday, 22 January 2025
Record date	Friday, 24 January 2025
Dividend payment to shareholders	Monday, 27 January 2025

Share certificates may not be dematerialised or rematerialised between Wednesday, 22 January 2025 and Friday, 24 January 2025, both days included.

The number of ordinary shares in issue at the date of declaration is 262 762 018.

Pieter Hanekom
Chief Executive Officer

Tiaan Schoombie
Chief Financial Officer

Groot Drakenstein
20 November 2024

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 29 September 2024 ("2024 AFS") and does not contain full or complete details.

Any investment decisions should be based on a consideration of the Group's full 2024 AFS as a whole which are available on the JSE's cloudlink at:
https://senspdf.jse.co.za/documents/2024/jse/isse/RFG/FY2024.pdf
and on the Group's website at: www.rfg.com/investors/

The 2024 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 2024 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)
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