

QUANTUM FOODS HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2013/208598/06)

Share code: QFH

ISIN: ZAE000193686

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



VOLUNTARY OPERATIONAL UPDATE FOR THE FOUR MONTHS ENDED 31 JANUARY 2025

Trading conditions

Trading conditions during the four months ended 31 January 2025 ("Current Period") showed significant improvement compared to the four months ended 31 January 2024 ("Previous Period").

In the Previous Period, the Company reported further outbreaks of Highly Pathogenic Avian Influenza ("HPAI") in South Africa, impacting birds to the value of R37 million. The HPAI outbreaks in 2023 and 2024 negatively affected earnings in the Previous Period as they resulted in reduced volumes of livestock, hatching eggs and table eggs as well as the incurrence of significant cleaning and disinfecting costs in preparation of the affected farms for future placement. Additionally, a substantial number of loadshedding hours contributed negatively to earnings in the Previous Period.

In the Current Period, the Company benefited from improved throughput as a result of a recovery in its layer flock, no loadshedding in South Africa, relatively high egg selling prices and no HPAI outbreaks. Feed costs for the Current Period were relatively stable compared to the Previous Period.

Layer farming and egg businesses

The Company continued to rebuild its layer flock in the Current Period. This was made possible due to the improved availability of replacement birds as the layer breeding and layer rearing facilities recovered from the 2023 and 2024 HPAI outbreaks. The higher volumes resulting from higher layer flock numbers contributed to improved farming efficiencies and cost recovery, and coupled with strong demand from external customers, saw increased earnings in the Current Period.

These factors resulted in much improved earnings from the layer farming business for the Current Period compared to the Previous Period.

The Company's egg supply was approximately 70% higher in the Current Period compared to the Previous Period. The margin contribution benefit of the higher egg volumes, continued high levels of operational efficiency at the egg packing stations, effective cost management and improved overhead cost recovery outweighed the negative effect of a 13% decline in average egg selling prices when comparing the Current Period to the Previous Period.

Total egg production in South Africa is steadily increasing as the national flock recovers from the 2023 and 2024 HPAI outbreaks. In this regard, the South African Poultry Association forecasts national egg production to be at pre-2023 HPAI outbreak levels by mid-2025. This increase in egg production is expected to result in a further decline in egg selling prices during the remainder of the financial year ending 30 September 2025 ("FY2025").

The risk of HPAI remains high and is expected to remain high for the remainder of FY2025, with an increased number of outbreaks reported in recent months in, *inter alia*, the USA, Europe and North Africa. The stringent protocols for voluntary vaccination against HPAI published by the South African Government remain prohibitive with, to the best of the Company's knowledge, no producers having been successful in their application to vaccinate poultry.

In order to mitigate this risk, the Company maintained the strategy introduced in 2024, which involves placing a reduced number of layers in higher risk geographical areas and sourcing layer hatching eggs from a larger number of geographically diverse breeder farms when compared to the protocol that was in place prior to the 2023 HPAI outbreaks.

Broiler farming

The operational and financial performance of the broiler farming business during the Current Period was satisfactory compared to the Previous Period. The genetic performance of the Ross 308 birds improved at both breeder and broiler level, and cost management was well executed.

Day-old broiler chick volumes produced at the Hartbeespoort hatchery increased and benefited from full production activities at the Hartbeespoort breeder farm, which was not in production during the Previous Period due to an earlier HPAI outbreak.

The Company also commenced with projects to convert a broiler farm and a layer rearing farm in Gauteng to broiler breeder farms. These projects, once completed, will increase hatching egg production volumes in the vicinity of the Hartbeespoort hatchery and therefore reduce the number of hatching eggs required to be transferred to this facility from the Western Cape. This will result in reduced logistics costs and is expected to improve efficiencies, especially hatchability, which is negatively impacted by the current transfer process.

When compared to the Previous Period, total day-old chick production increased by 6%. Live broiler volumes supplied during the Current Period decreased by approximately 2% due to a slight reduction in placement volumes and a marginal decline in the average weight of broilers supplied.

Feed business

The feed business delivered a satisfactory operational and financial performance for the Current Period, supported by a recovery of volumes, particularly from the Pretoria feed mill where both volumes supplied to the external market and the Company's own farming operations were lower in the Previous Period due to the 2023 and 2024 HPAI outbreaks. Total feed volumes supplied in the Current Period increased by approximately 21% when compared to the Previous Period. The benefit of improved volumes and well executed cost and margin management offset the increased costs incurred in the Current Period in respect of the intake of raw materials at the Malmesbury Feed Mill. The Group is pleased to report that the repairs to the Malmesbury Feed mill intake area, which was damaged during the explosion on 10 June 2024, were completed during December 2024.

The project to expand production capacity at the Malmesbury Feed mill is progressing well and remains on track, with production scheduled to commence in the second quarter of the financial year ending 30 September 2026.

Other African operations

Trading conditions in Zambia remained challenging as drought conditions continued. Higher feed raw material costs were experienced in the Current Period as a result of the lower grain harvest and increased load shedding hours due to lower hydroelectric generation capacity. Whilst the demand for eggs remained strong and the Mega eggs business continued to perform well, the demand for day-old chicks and feed remained muted.

Trading conditions in Uganda remained favourable with lower feed costs supporting higher demand for day-old chicks and improved margins from the Masindi egg business.

Operations in Mozambique were sporadically impacted by protest action following the Mozambican general election held on 9 October 2024. The financial impact was relatively minor and the egg business continued to perform well, with selling prices supported by lower availability of eggs in the market, satisfactory efficiencies and cost management. On 26 December 2024, a crowd stormed the layer farm and looted approximately 16% of the layer birds. Fortunately, no injuries to staff members were reported and operations were able to resume soon after the incident. However, the lost egg production resulting from the incident will negatively impact earnings from this business during FY2025.

Overall, the Group's other African operations performed steadily and contributed satisfactorily to the Company's financial performance for the Current Period.

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
17 February 2025

Corporate advisor and Sponsor
One Capital

ONE CAPITAL

Capitalising Expertise®

Attorneys
Webber Wentzel

WEBBER WENTZEL

in alliance with > **Linklaters**