

# Annual Results Presentation

for the 12 months ended 30 September 2019



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# **BUSINESS OVERVIEW**

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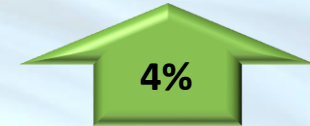
Chris Schutte

## SALIENT POINTS

- **Feed input costs increased markedly** on higher maize prices, due to a smaller maize crop following poor crop yields for 2019
- **Poultry production efficiencies** were maintained in line with projections
- **Poultry selling prices** decreased for the period under review, leading to an under recovery on higher input costs
- **Extraordinary cost increases** associated with; load shedding, violent industrial action in KwaZulu-Natal, and the newly legislated national minimum wage
- **Water supply interruptions** to Astral's processing plant in Standerton resulted in a significant cost, impacting profitability for the period under review

## KEY FINANCIAL INDICATORS

▪ Revenue



▪ Profit before interest and tax



▪ Earnings per share @ 1 659 cps



▪ Headline earnings per share @ 1 674 cps



▪ Total dividend for the year @ 900 cps



## **DIVISIONAL OVERVIEW**

### **Poultry**

- Feeding cost increased
- Bird performance improvement
- Broiler sales volumes up
- Broiler sales realisations down
- Extraordinary cost impacts

### **Feed**

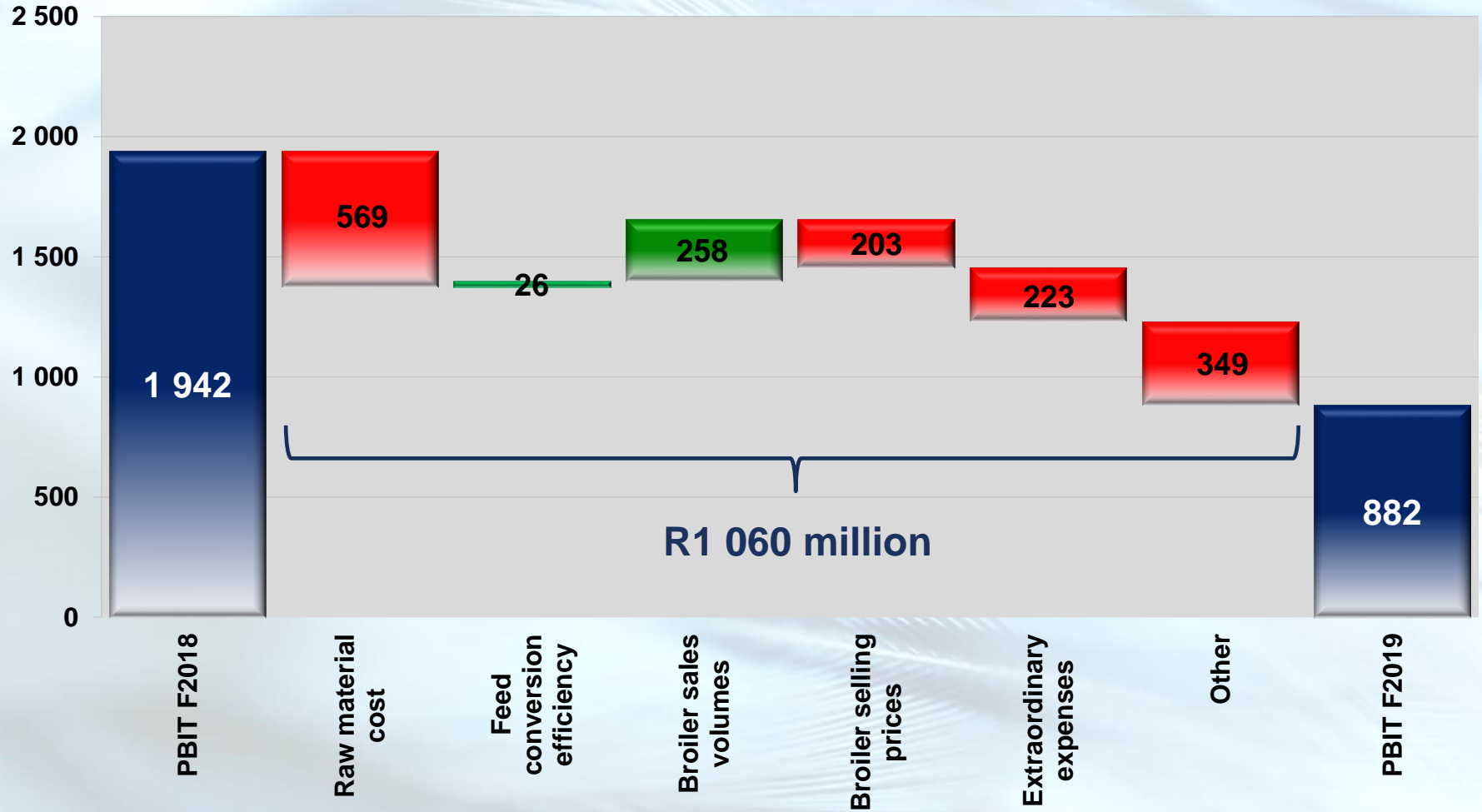
- Raw material costs up
- Less internal feed required
- External sales volumes down
- Expenses well controlled
- Improved Rand per ton margin

### **Other Africa**

- Lower profits – weaker performances from Mozambique and Zambia

# THE YEAR IN PERSPECTIVE

(R million)





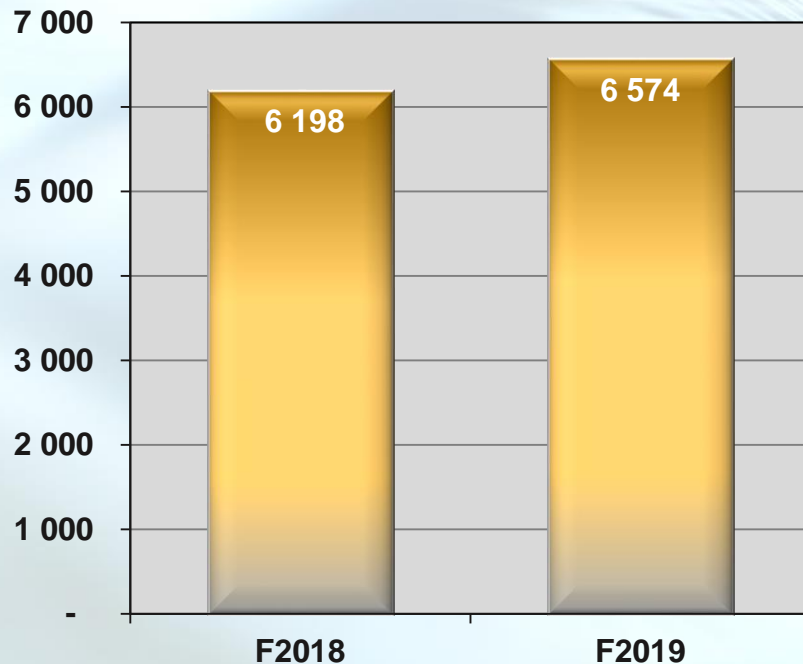
**FEED  
DIVISION**

**Andy Crocker**



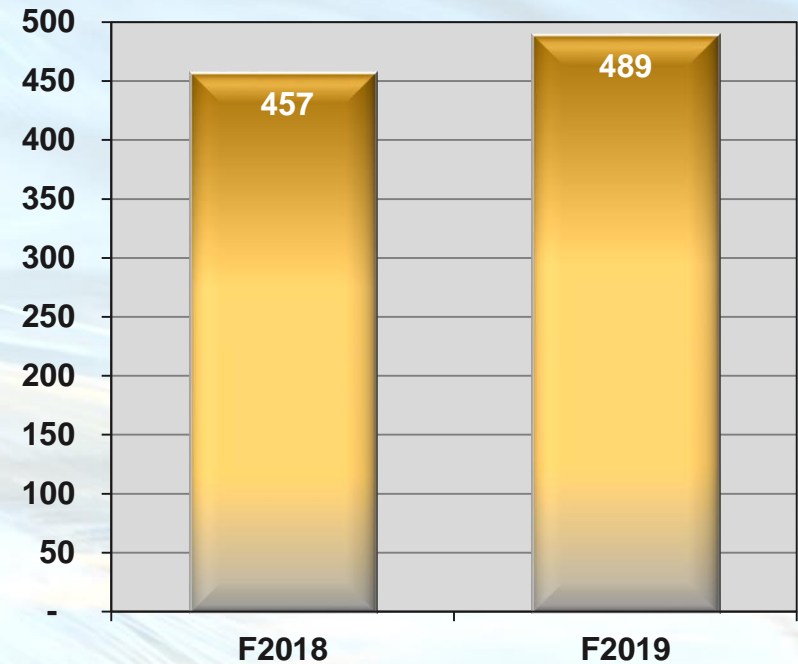
## FEED DIVISION

Revenue - R million



- Revenue up 6.1%
  - Raw material costs up
  - Average selling prices up 9.7%
  - Sales volumes down 3.3%

Operating profit - R million

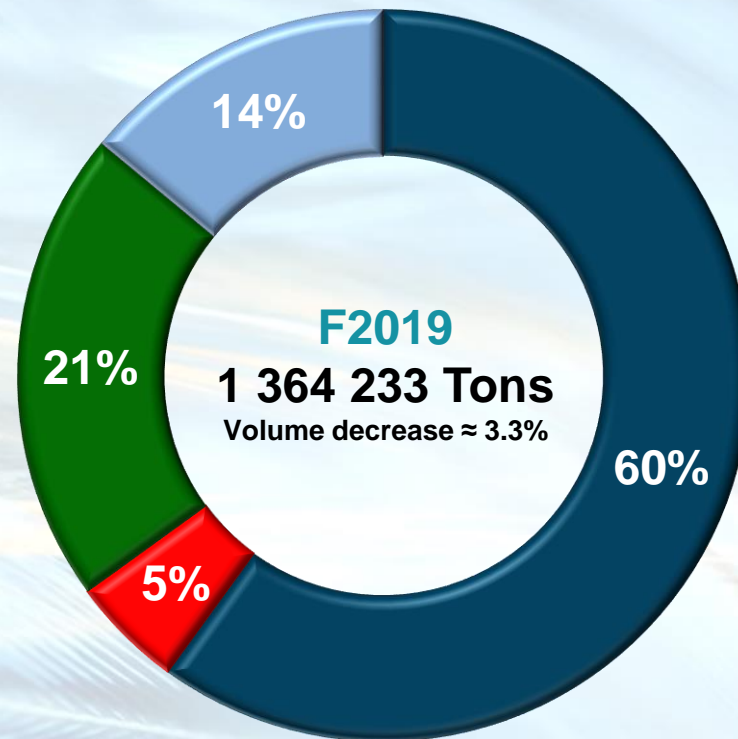
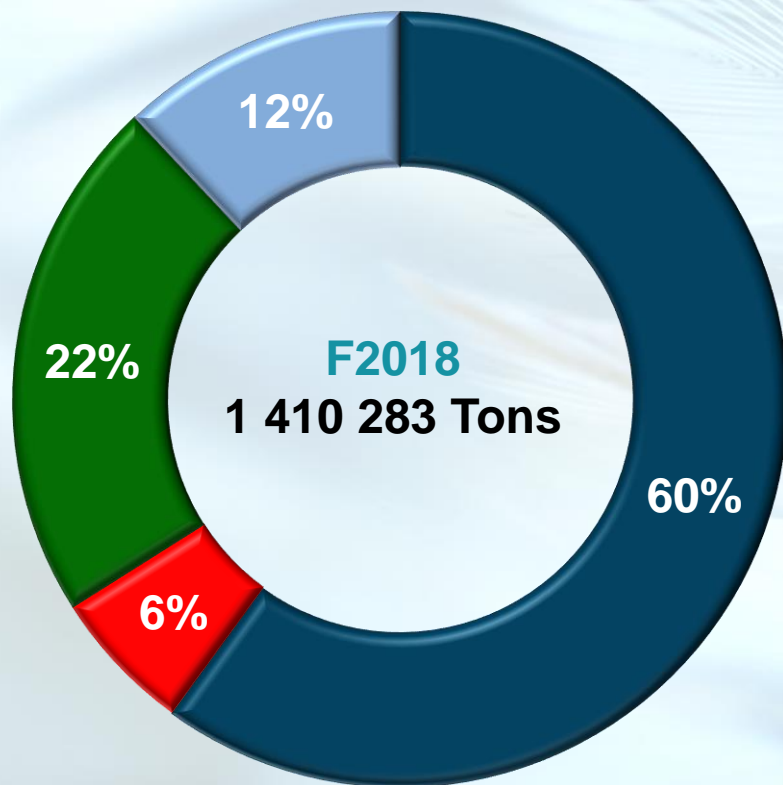


- Operating profit up 7.2%
  - Net margin 7.4% F2018: 7.4%
  - Expenses well controlled
  - Rand per ton margin up

## FEED DIVISION

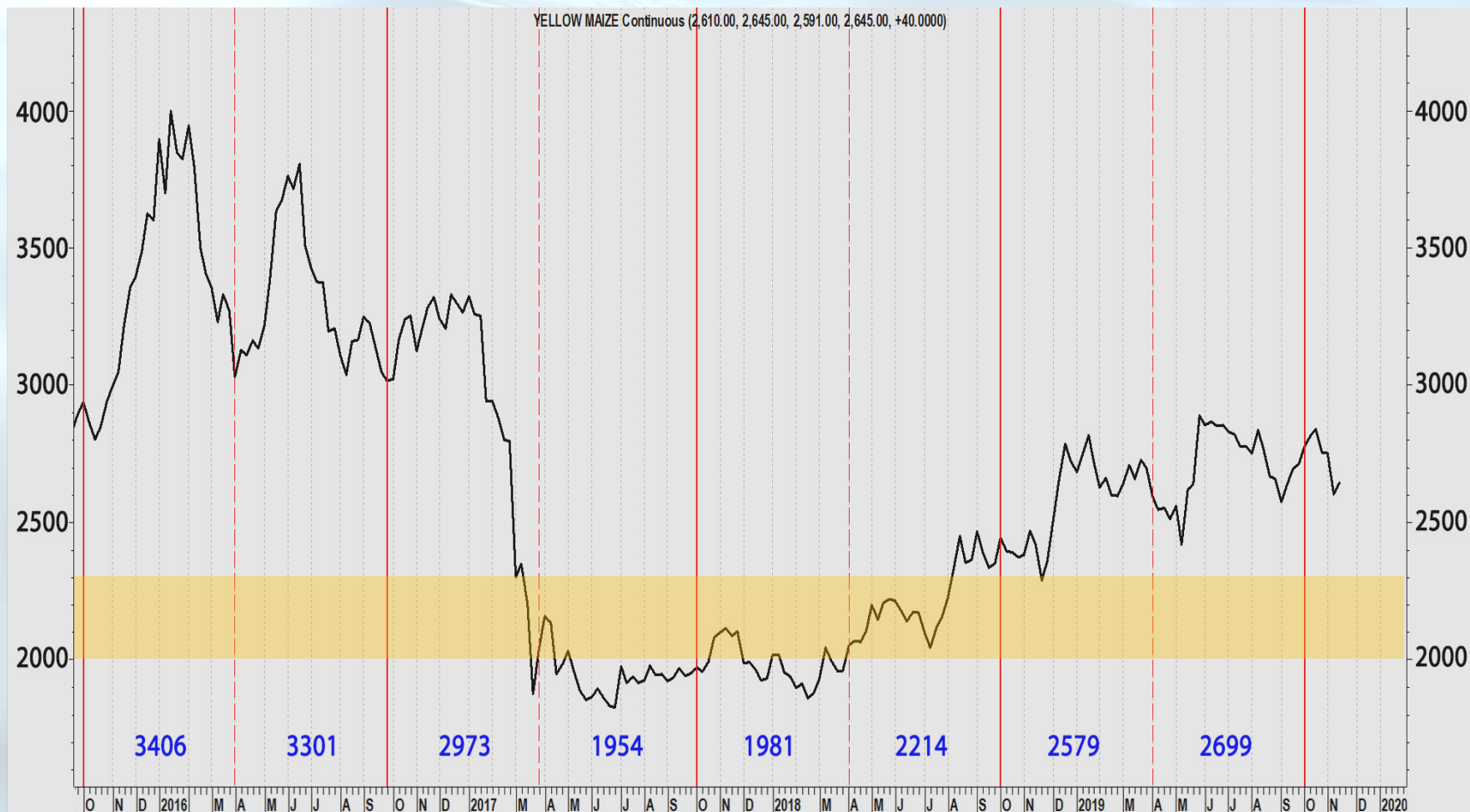
- **SAFEX yellow maize prices increased** markedly for the period under review F2019 avg. R2 638 per ton (F2018: R2 098) up R540 per ton y-o-y
- **Internal feed sales decreased** by 3.0% due to improved broiler feed conversion rates, coupled with broiler production cutbacks
- **External feed sales decreased** by 3.7% as livestock sectors came under pressure from higher feed costs and producers moved for lower feed prices
- **Expenses were well contained** to an increase of 5.9% across the division for the period under review
- **The average net margin increased** (on a Rand per ton basis) for the period under review

## FEED DIVISION – SALES MIX

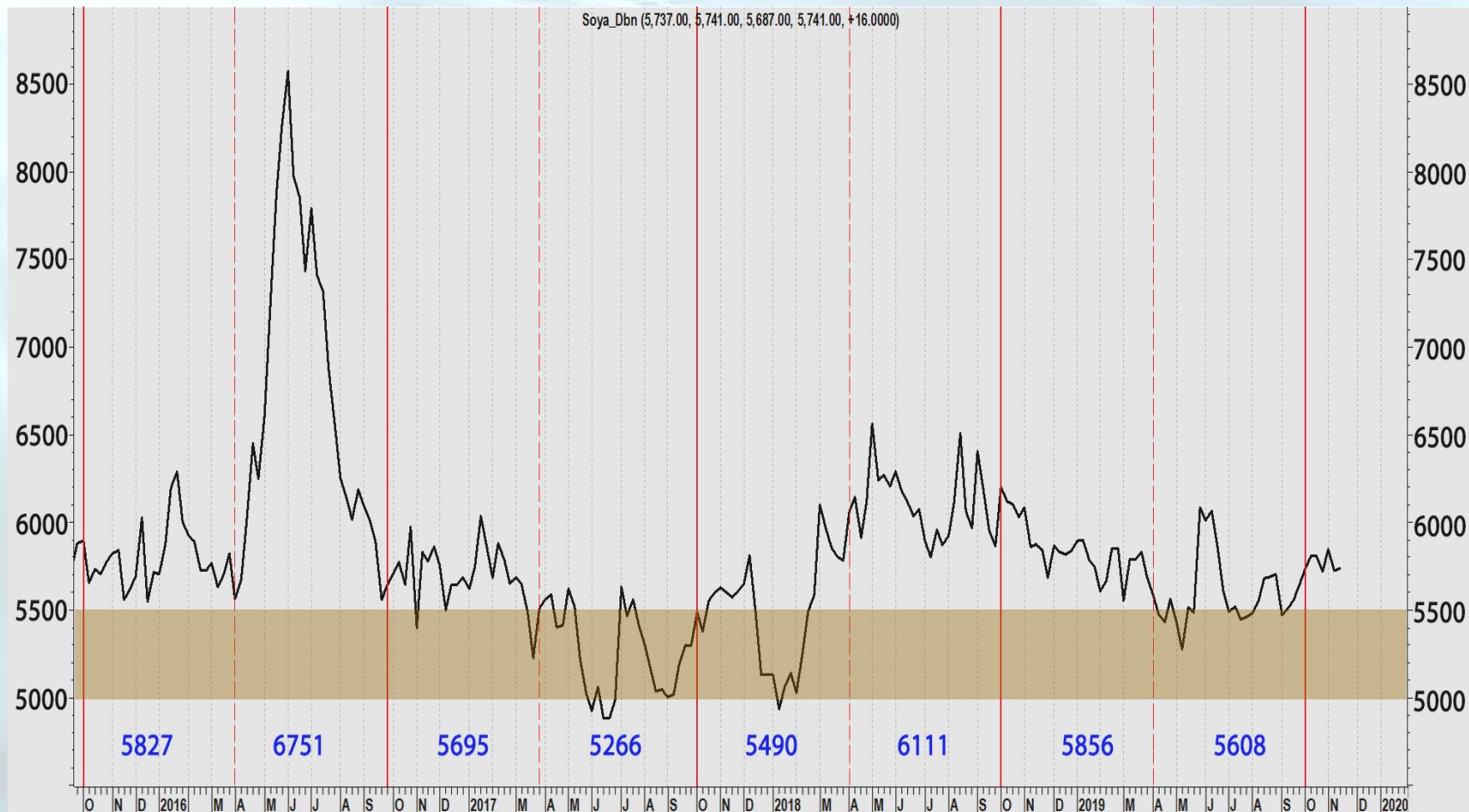


■ Poultry Integrated ■ Poultry External ■ Dairy ■ Other

# SAFEX YELLOW MAIZE PRICE



# DURBAN SOYA MEAL PRICE



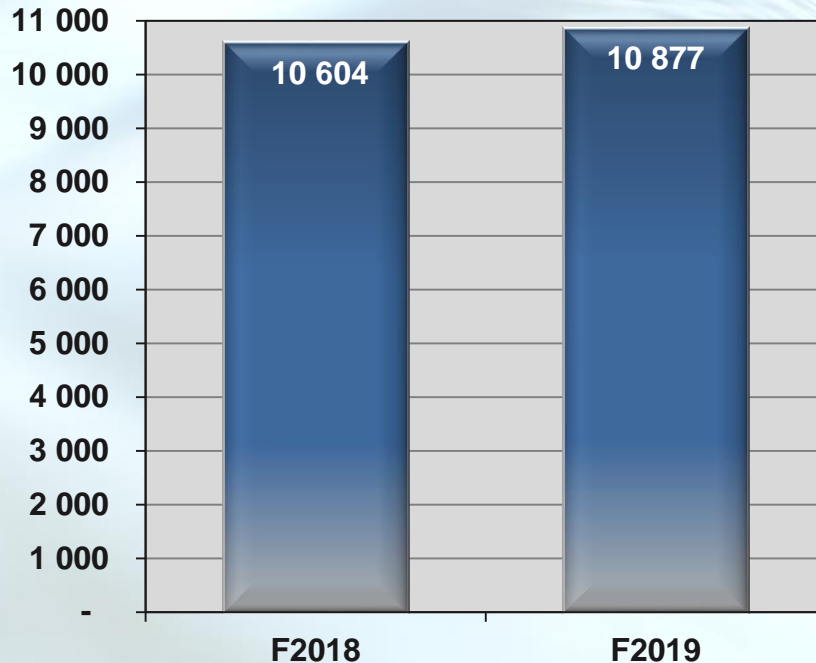


# POULTRY DIVISION

Commercial

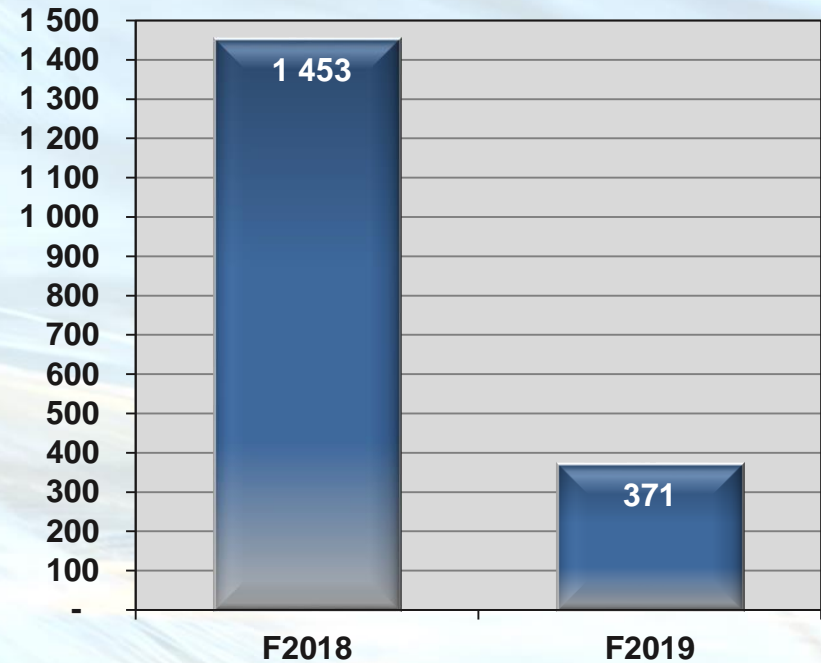
## POULTRY DIVISION - CONSOLIDATED

Revenue - R million



- Total revenue up 2.6%
- Broiler sales volumes up 2.6%
- Broiler sales realisations down 2.0%
- Breeder revenue up R237 million

Operating profit - R million



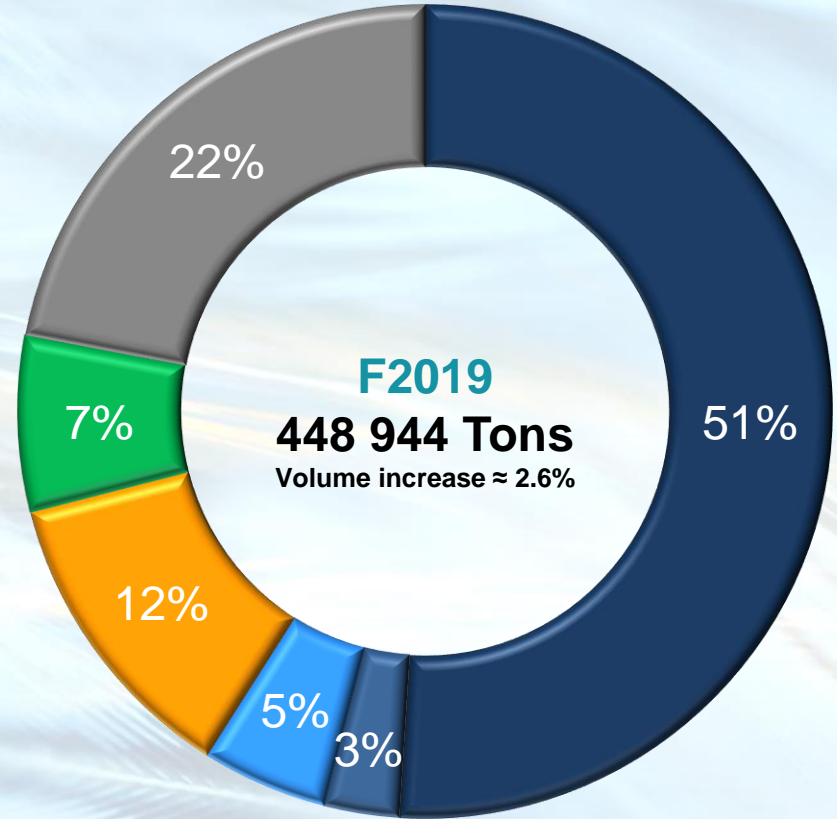
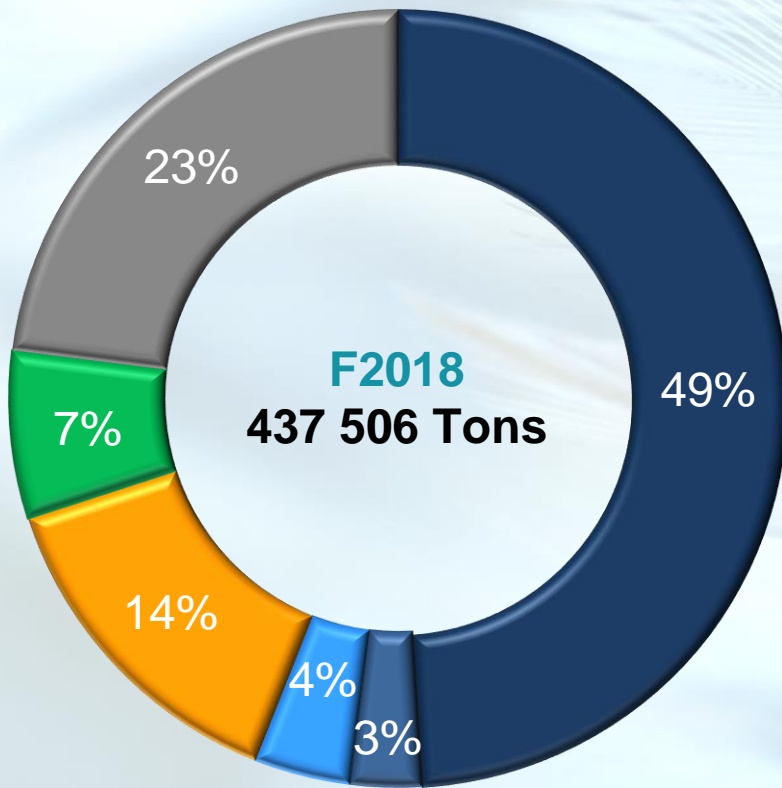
- Operating profit down 74.5%
- Broiler feed price up 7.7%
- Net margin 3.4% F2018: 13.7%

## POULTRY DIVISION - COMMERCIAL

- **Profits** for the period under review **declined significantly** on the comparable year
- **Broiler selling prices decreased** on subdued consumer demand and deeper promotional activity in the market, leading to an under recovery of higher input costs
- Broiler slaughter numbers at an **average of 5 million birds per week** were marginally down by 0.8% year-on-year
- **Broiler sales volumes up** with sales realisations decreasing on the comparable period
- **Inflationary expense increases** were exacerbated by the impact of load shedding nationally, water supply interruptions in Standerton and the newly legislated minimum wage

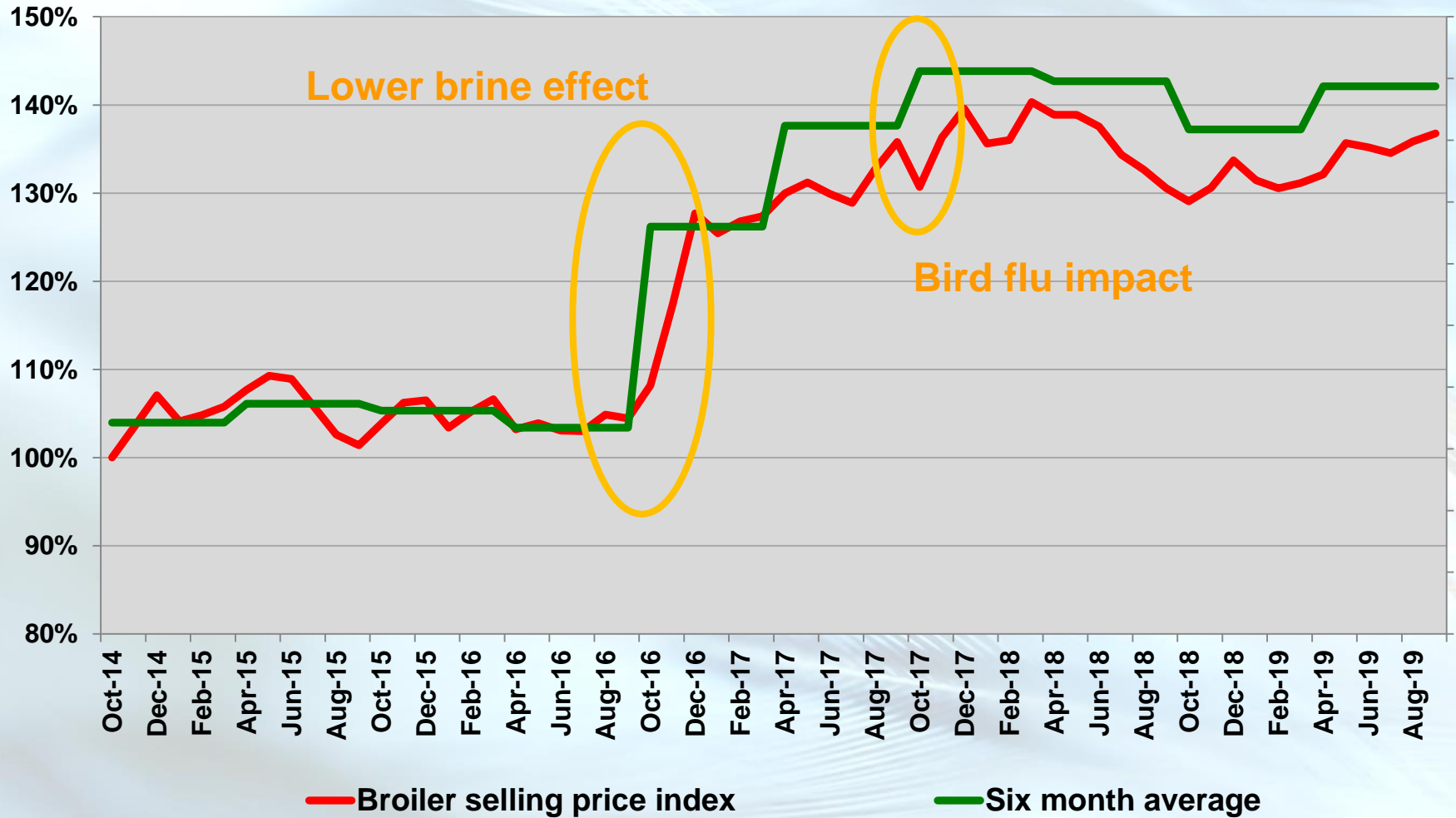


## POULTRY DIVISION – PRODUCT MIX

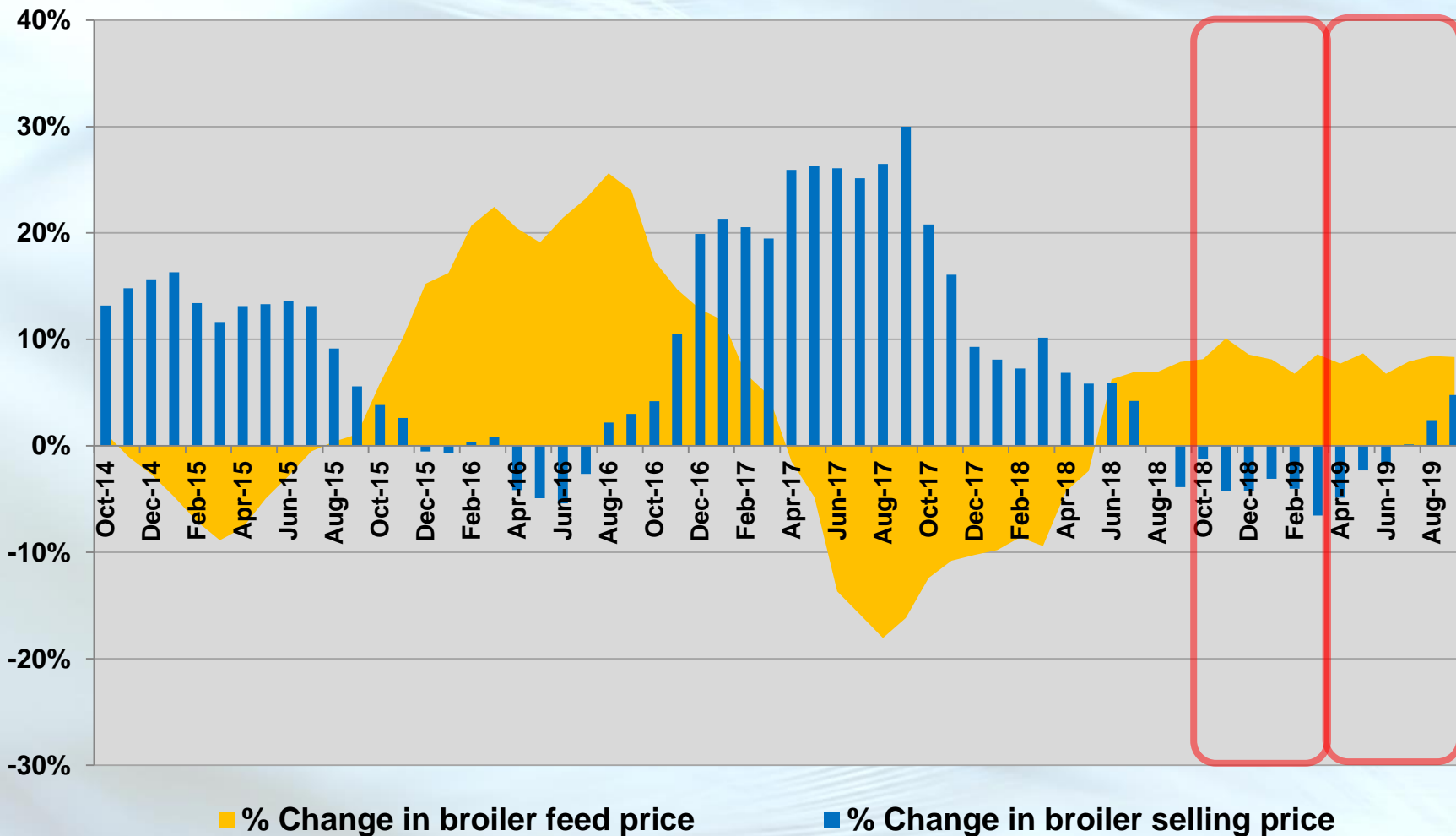


■ IQF Mixed Portions ■ IQF Single Portions ■ Frozen ■ Fresh ■ Value Added ■ Tertiary

# BROILER SELLING PRICE



# CHANGE IN BROILER SELLING PRICE vs. FEED PRICE





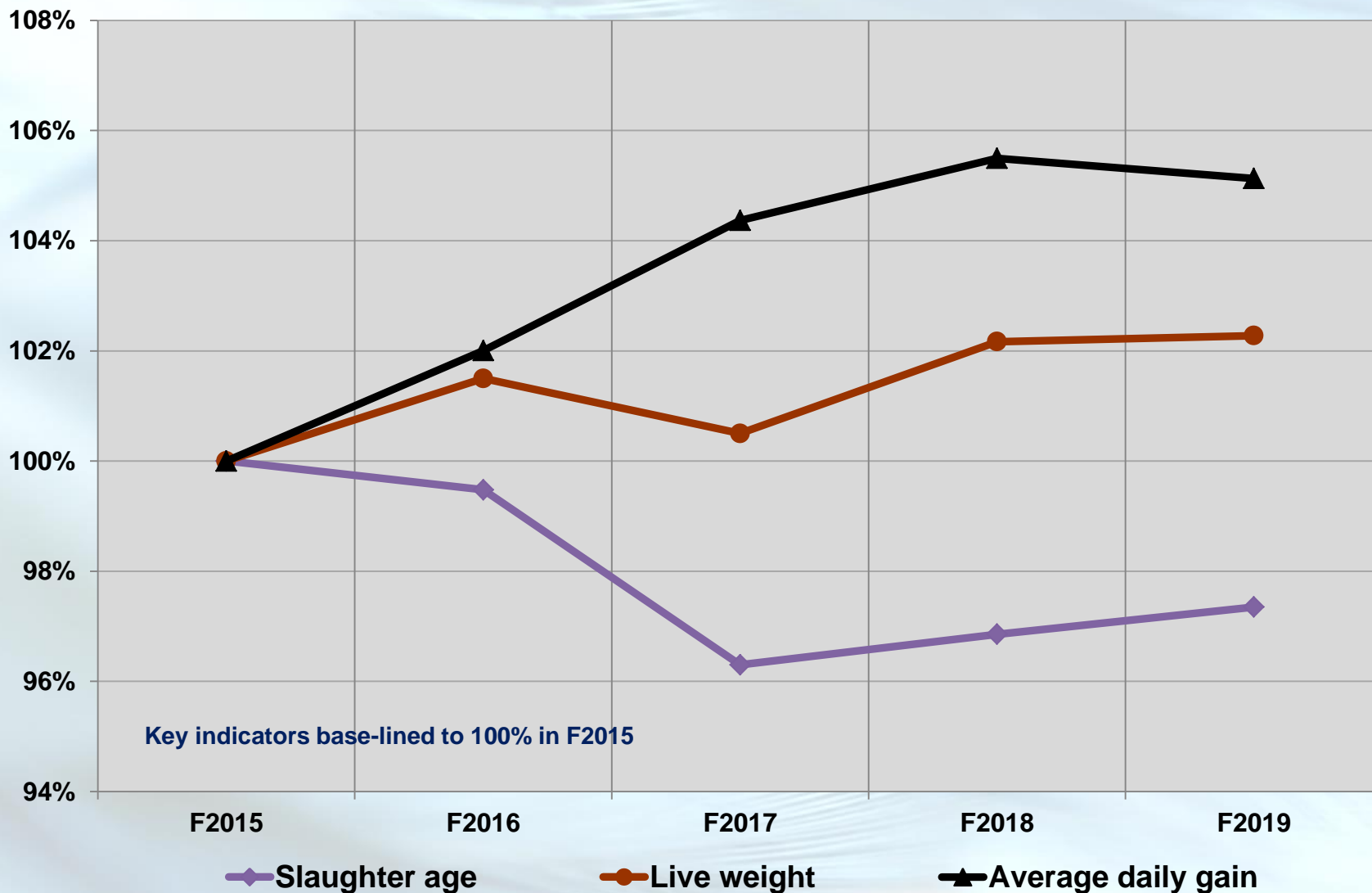
# POULTRY DIVISION

Agriculture

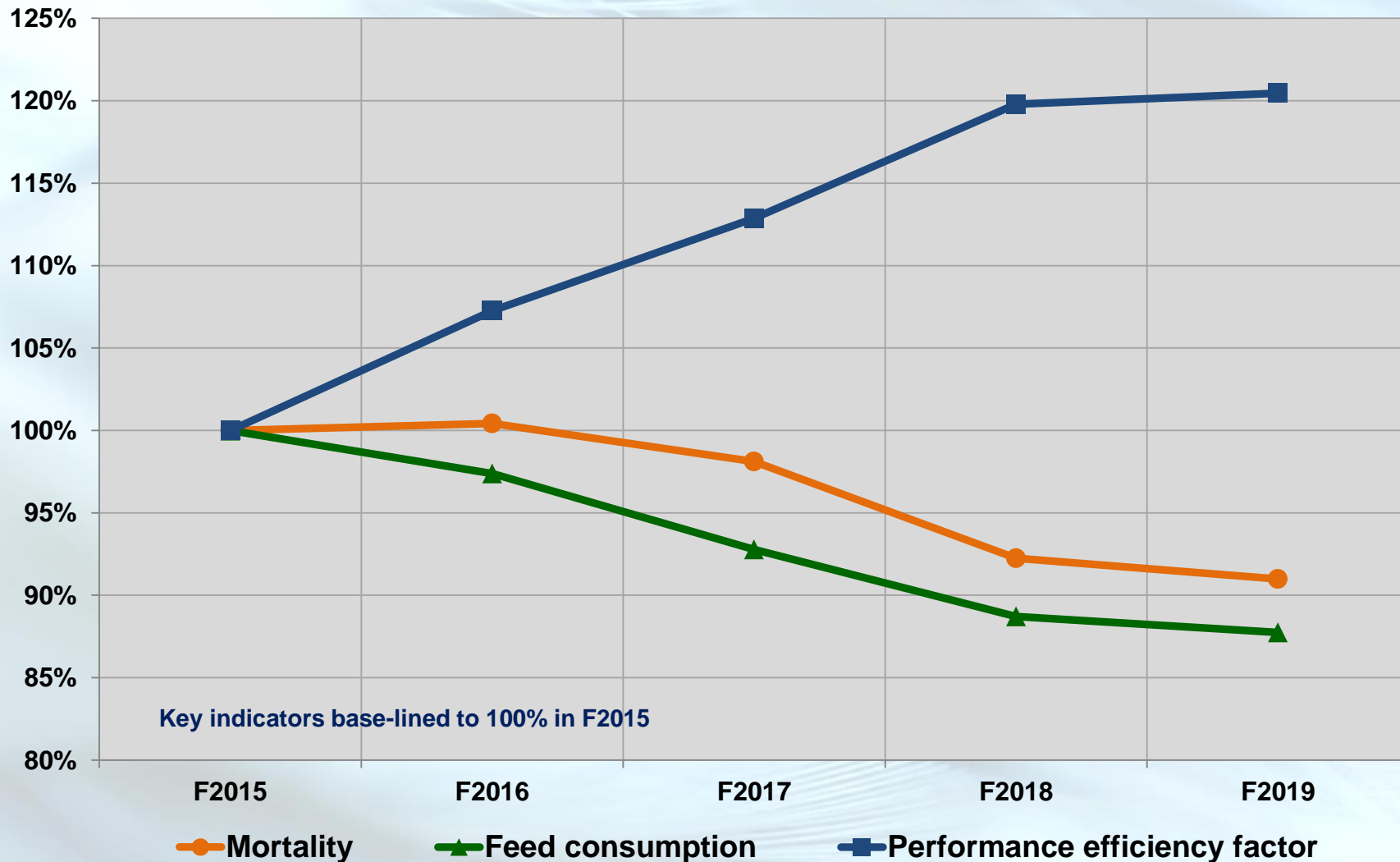
## POULTRY DIVISION - AGRICULTURE

- **Sales increased** on higher demand for parent stock, hatching eggs and broiler day-old chicks
- **Feed input costs increased** due to higher raw material costs adversely affecting the live bird production cost
- **Strike action in KwaZulu-Natal** at National Chicks and Mountain Valley impacted profitability during the period under review
- **Parent breeder productions were good**, with an improvement in the number of chicks per hen housed
- **Further improvements in on-farm broiler production efficiencies**, assisted broiler live cost through an improved feed conversion rate
- **Highly pathogenic bird flu still prevalent** in wild birds and ostriches, however no confirmed cases in commercial poultry since May 2018

# BROILER PRODUCTION PERFORMANCE



# BROILER PRODUCTION PERFORMANCE



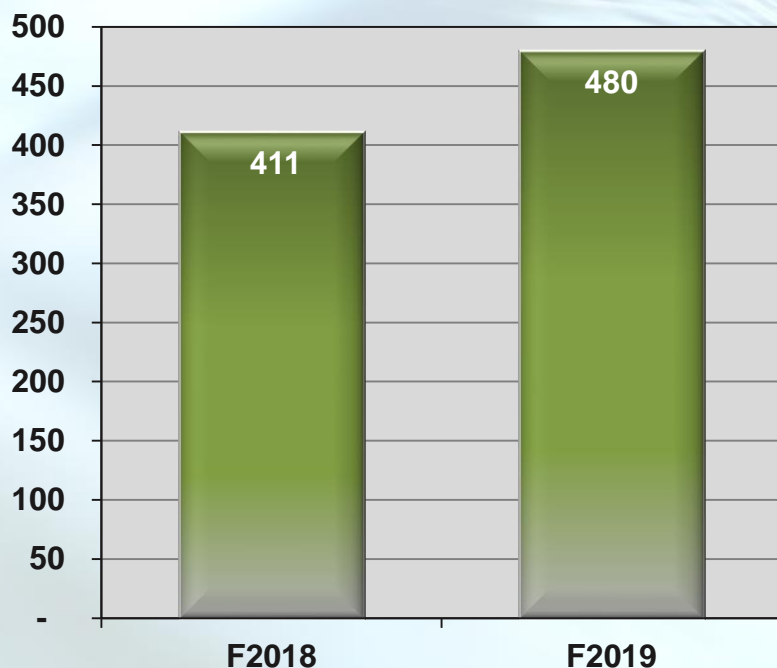


**OTHER  
AFRICA  
DIVISION**



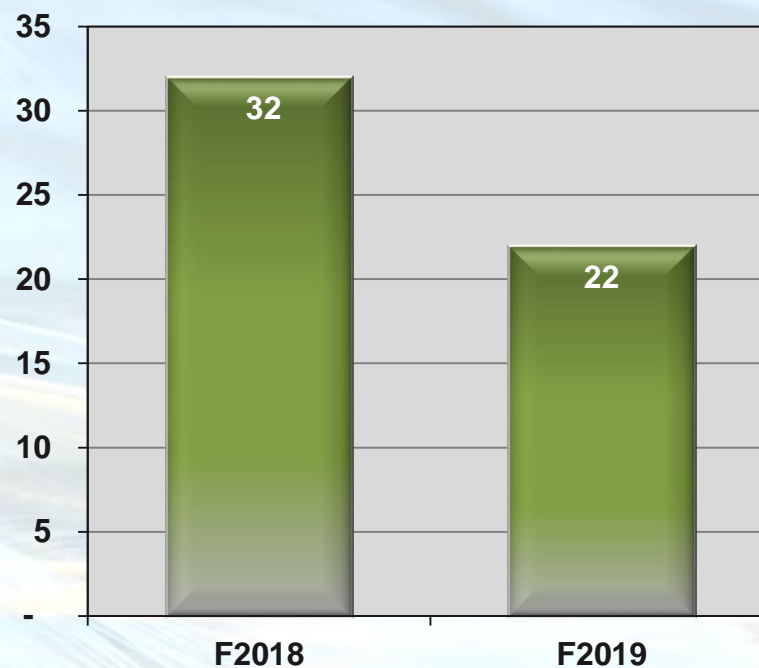
## OTHER AFRICA DIVISION (Zambia, Mozambique & Swaziland)

Revenue - R million



- Revenue up 16.8%
  - Sales volumes up 8.3%
  - Average selling prices up 7.8%

Operating profit - R million



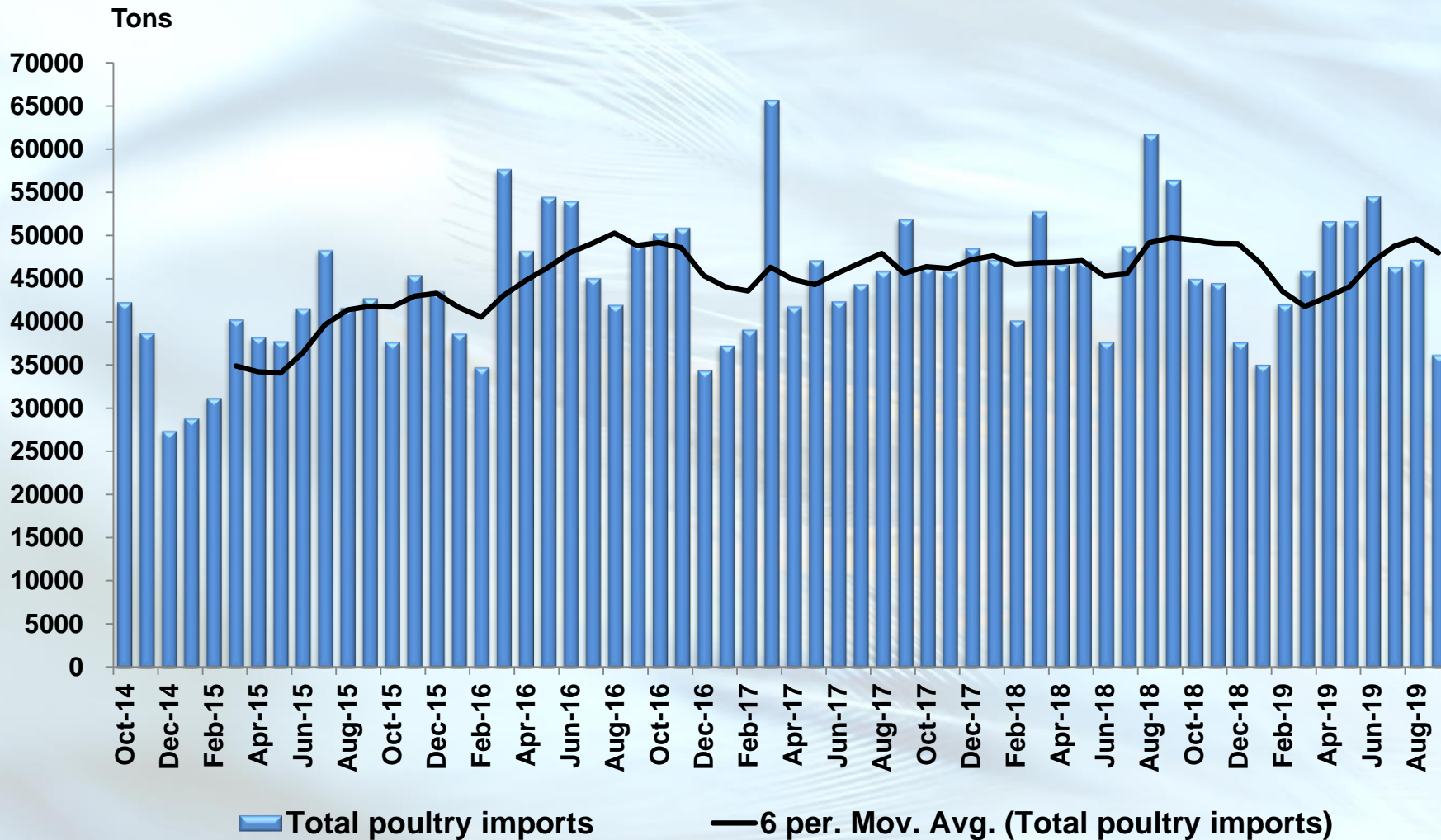
- Operating profit down 31.3%
  - Net margin 4.6% F2018: 7.8%
  - Mozambique provision for non-recovery of various taxes



# **INDUSTRY MATTERS**

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# POULTRY IMPORTS PER MONTH



## INDUSTRY OVERVIEW

- **SAPA was restructured** last year and is working effectively, and membership of the broiler organisation is approximately 73% (of local weekly broiler production numbers)
- Based on industry statistics **current broiler slaughter numbers** are an average of **19.3 million birds per week**
- For the period under review **the industry has remained stable** with no consolidation or divestment
- **Imports during the period averaged 44 882 tons per month** (F2018: 48 305 tons), equalling approximately **30% of total consumption**
- **The industry awaits** a decision on the application for an **increase in the *ad valorem* import tariff** on bone-in and boneless cuts of chicken
- Engagement with both the DTI and DAFF at a Ministerial level has improved markedly, with recent talks leading to the **finalisation of the Poultry Sector Master Plan** (Slide 62 / Page 32)

# **FINANCIAL OVERVIEW**

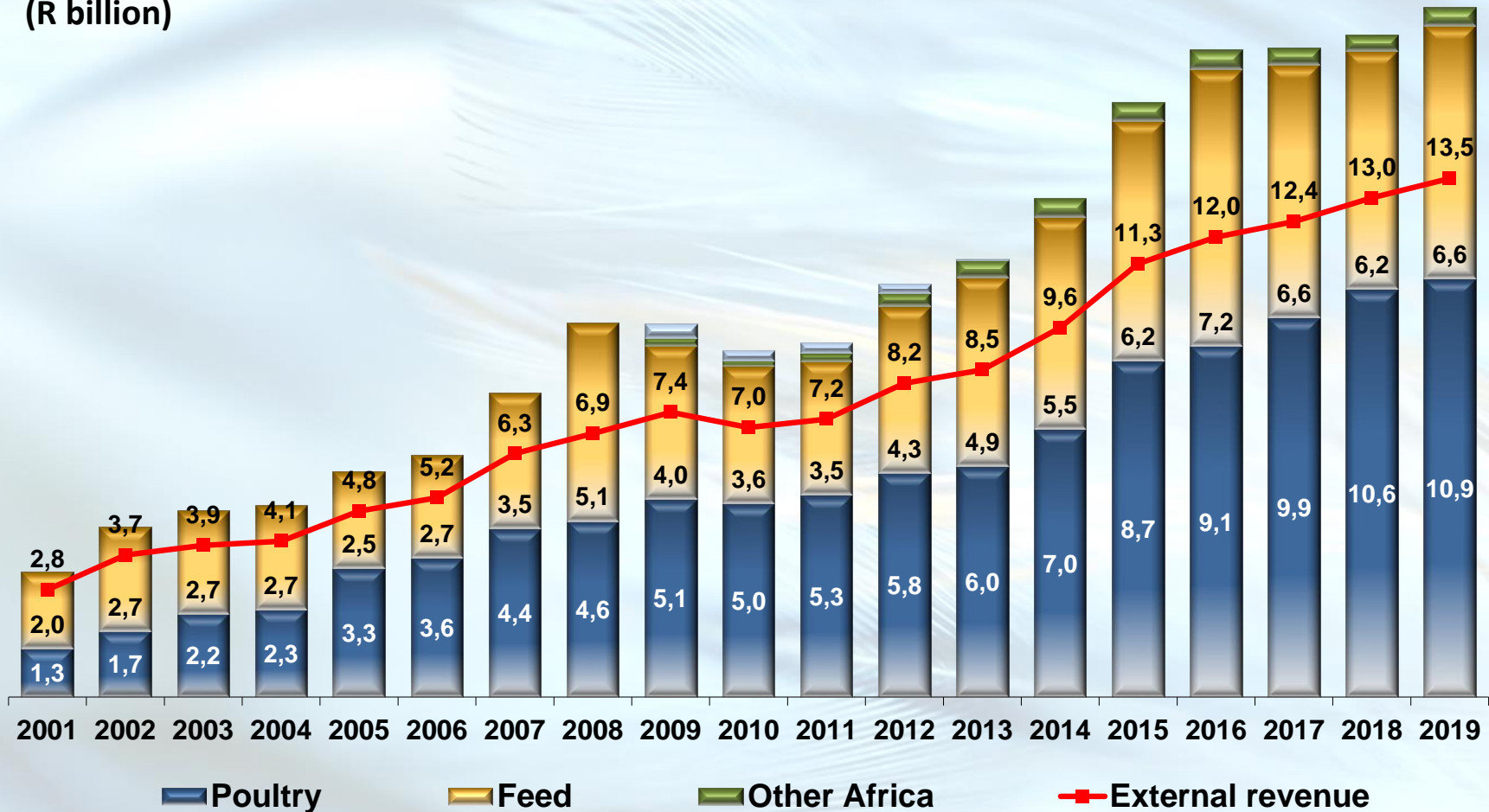
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## INCOME STATEMENT

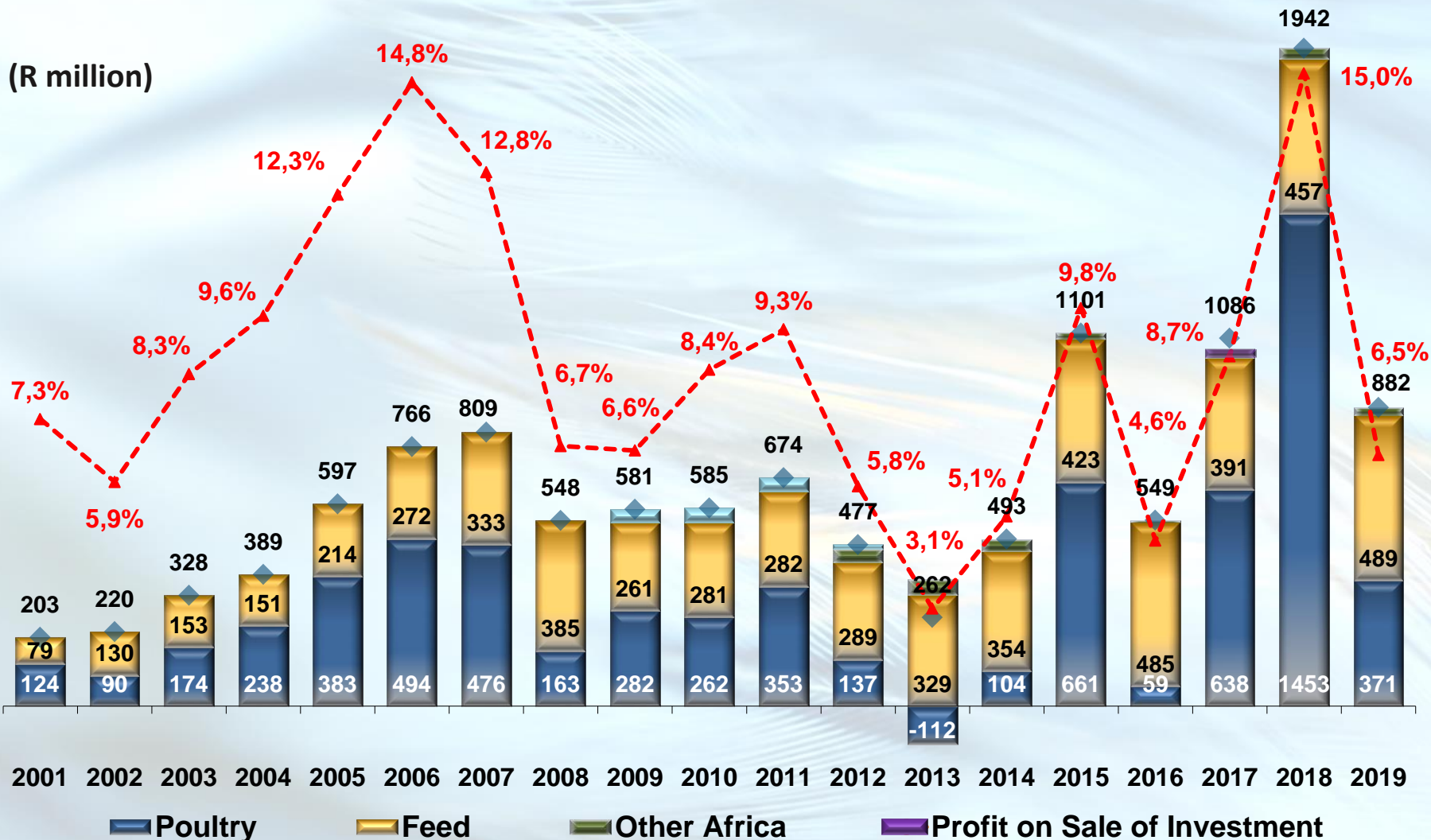
Year ended 30 September	2019 R million	2018 R million	% change
Revenue	13 485	12 979	4%
Operating profit	882	1 942	55%
<i>Operating profit margin</i>	<i>6.5%</i>	<i>15.0%</i>	
Net finance income	30	52	
Profit before tax	913	1 994	54%
Tax	(265)	(560)	
Profit for the period	648	1 434	55%
Headline earnings	650	1 439	55%
EPS – Cents	1 659	3 691	55%
HEPS – Cents	1 674	3 712	55%

# GROUP ANNUAL REVENUE

(R billion)



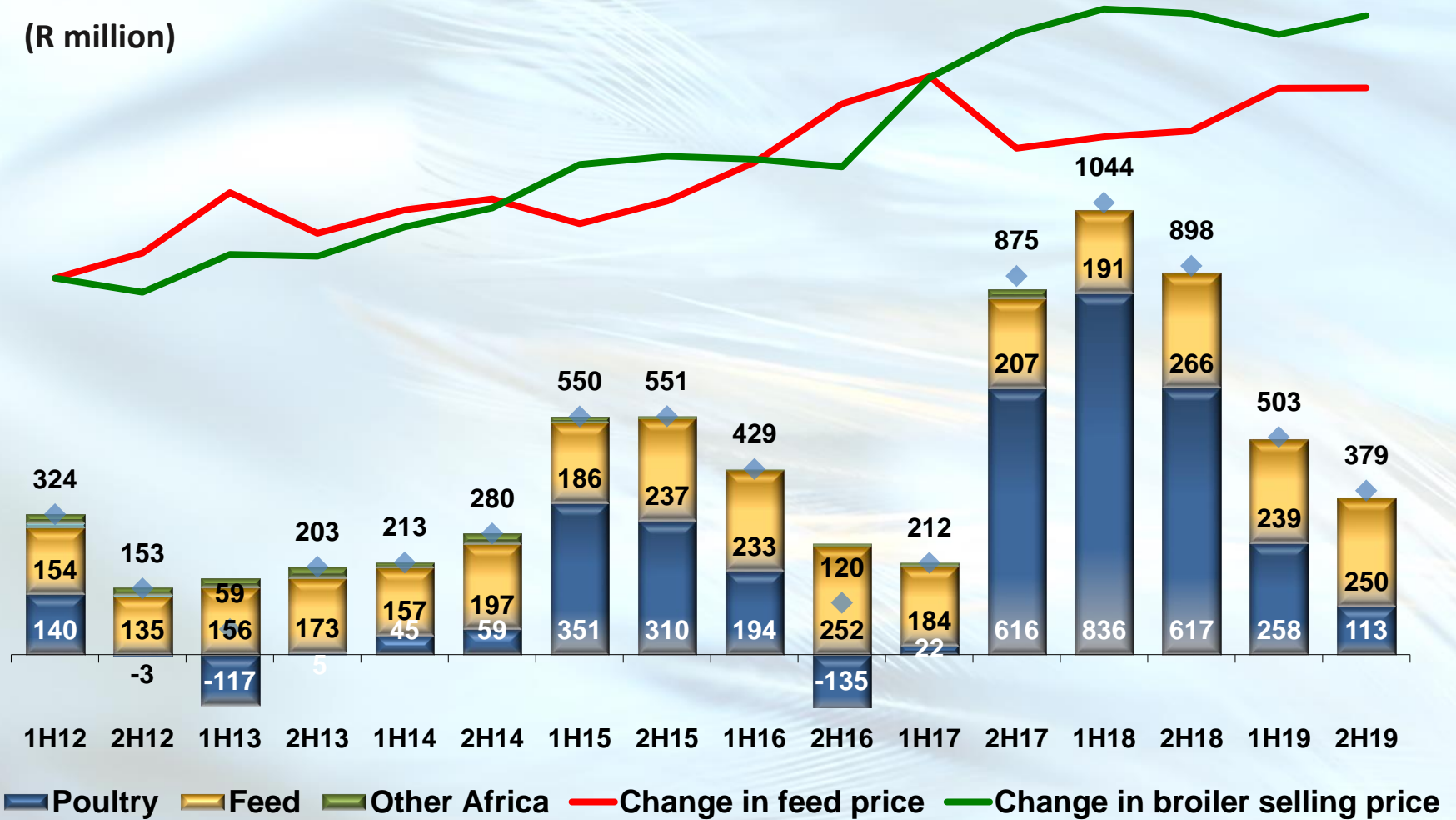
# GROUP ANNUAL OPERATING PROFIT





# GROUP SIX MONTHLY OPERATING PROFIT

(R million)



## BALANCE SHEET

	September 2019 R million	September 2018 R million	% change
Non-current assets	2 658	2 409	↑ 10%
Net working capital	1 288	1 189	↑ 8%
Current assets (excl. cash)	2 982	2 943	↑ 1%
Current liabilities (excl. borrowings)	(1 694)	(1 754)	↓ 3%
Non-current liabilities (excl. borrowings)	(705)	(650)	↑ 8%
Net assets	3 241	2 948	↑ 10%
Net (surplus cash)	(555)	(789)	↓ 30%
Equity	3 796	3 737	↑ 2%
Total	3 241	2 948	↑ 10%

## CAPITAL EXPENDITURE

Year ended 30 September	2019 R million	2018 R million
Depreciation and amortization	176	152
<b>Total capex spend and capitalised</b>	<b>432</b>	<b>356</b>
Festive expansion	185	
Standerton silo complex	41	
Other capex	206	
<b>Advance capex payments net</b>	<b>225</b>	<b>2</b>
	<b>657</b>	<b>358</b>
<b>Outstanding commitments</b>	<b>537</b>	
Festive expansion	435	
Standerton silo complex	11	
Goldi RO water treatment plant	50	
Other capex	41	
<b>Total spend and committed</b>	<b>1 194</b>	<b>358</b>

## CAPITAL EXPENDITURE - F2019

	R million
Festive expansion (including advance payments)	440
Meadow Standerton silo upgrade	41
Processing plant equipment upgrades	36
Broiler farm refurbishments	50
HPAI mitigation	8
Listeria mitigation	5
Major replacements	37
Other: normal on-going capex	40
<b>Total</b>	<b>657</b>

## WORKING CAPITAL

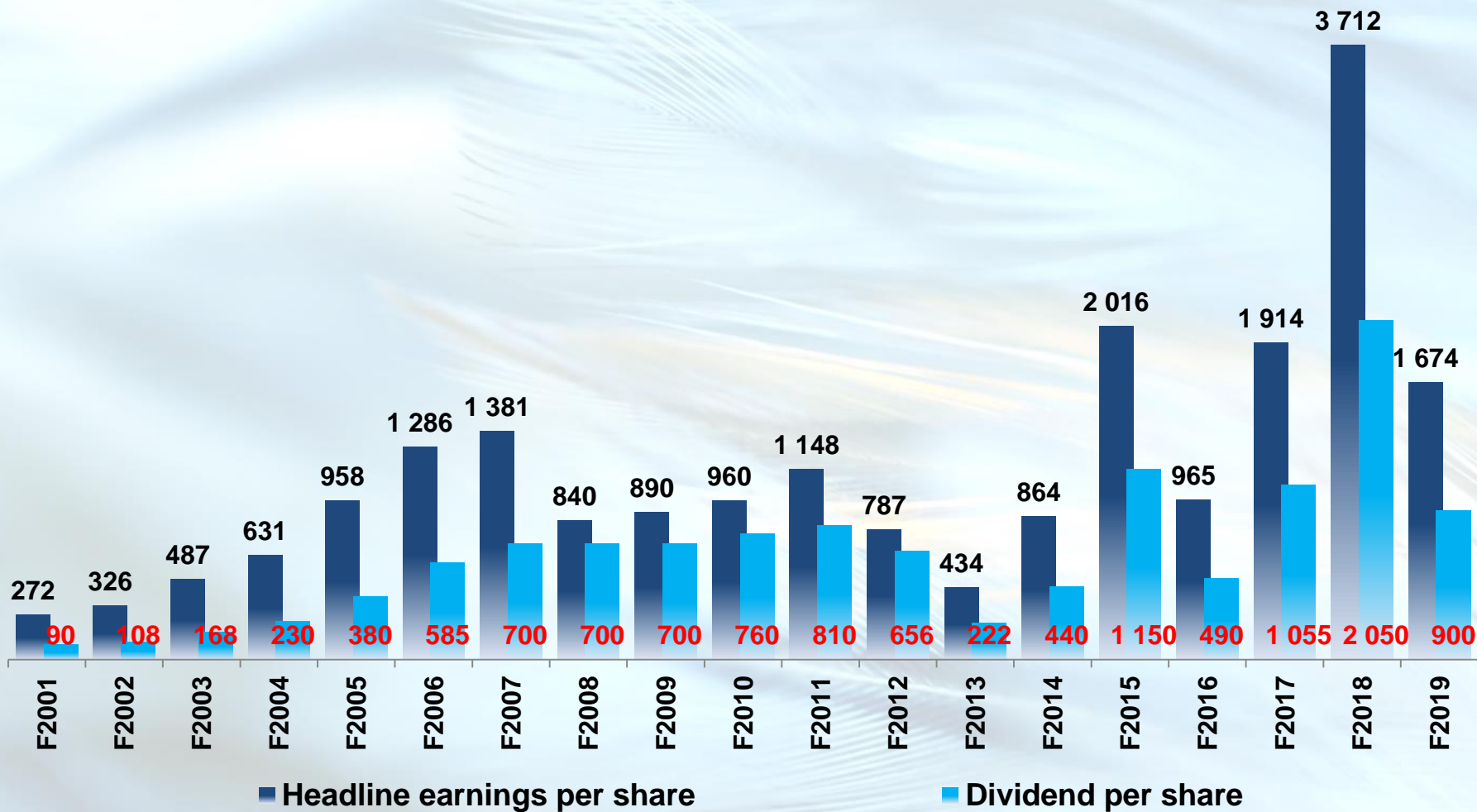
	September 2019 R million	September 2018 R million	Variance R million
<b>Current assets</b>	<b>2 982</b>	<b>2 943</b>	<b>39</b>
Biological assets	759	770	(11)
Inventory - Poultry	337	532	(195)
- Feed	291	255	36
- Other Africa	63	50	13
Trade receivables	1 152	1 204	(52)
Receivables – investment sold	16	16	-
Advance capex payments	256	31	225
Other receivables	108	85	23
<b>Current liabilities</b>	<b>(1 694)</b>	<b>(1 754)</b>	<b>60</b>
Trade payables	(1 349)	(1 324)	(25)
Other payables	(345)	(430)	85
<b>Net working capital</b>	<b>1 288</b>	<b>1 189</b>	<b>99</b>

## STATEMENT OF CASH FLOWS

For the twelve months ended 30 September

	2019 R million	2018 R million
Cash operating profit	936	2 156
Working capital movement	257	(425)
	1 193	1 731
Tax paid	(214)	(516)
Net interest received	36	58
Capital expenditure	(657)	(358)
	358	915
Dividends paid	(594)	(729)
Other cash flow items	4	45
Movement in cash equivalents	(232)	231
Effect of exchange rate changes	(2)	6
Opening balance	789	552
Closing balance	555	789

# HEADLINE EARNINGS & DIVIDEND PER SHARE



## IN SUMMARY

- **Group profits down (-55%)**
- **Net cash outflow (R232 million)**
  - High final F2018 dividend paid
  - F2018 incentives paid
  - Increased capital expenditure
- **Surplus cash at F2019 year end (R555 million)**
  - Still in good position to fund committed outflows
  - Geared balance sheet not foreseen





# OUTLOOK

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Chris Schutte

## POTENTIAL NEGATIVE INFLUENCES

- **Raw material prices will remain high**, and continue to impact Astral's largest input cost into 1H2020, namely feed making up 66% of broiler live cost
- **Continued record level of unemployment**, poor levels of economic growth and the weak purchasing power of the consumer, will continue to place pressure on poultry selling prices
- **High levels of poultry imports from Brazil and the USA** are expected to continue in the absence of adequate tariff measures
- **Infrastructure deterioration** and its impact on Astral's operations continues to add a cost burden to the business
- **The on-going risk of bird flu** is continuously monitored, and prevention strategies are in place to manage this threat

## POTENTIAL POSITIVE INFLUENCES

- **Higher planting intentions for maize acreage**, together with improved prospects for seasonal rainfall could see an above average crop for the 2020 harvest season
- **Proactive engagement from the new Ministers of DTI and DAFF** with the poultry industry, is expected in line with the Poultry Sector Master Plan
- **Progressive genetic improvement of the Ross broiler breed** will continue to support the group's best cost strategy
- **The expansion in Astral's poultry production capacity** (an estimated 16% increase in current production levels) over the next two to five years at a total approved capital expenditure of R0.9 billion



“ Astral’s strategy is to be the **best cost integrated poultry producer** in selected African countries ”

*Confirmed August 2019*

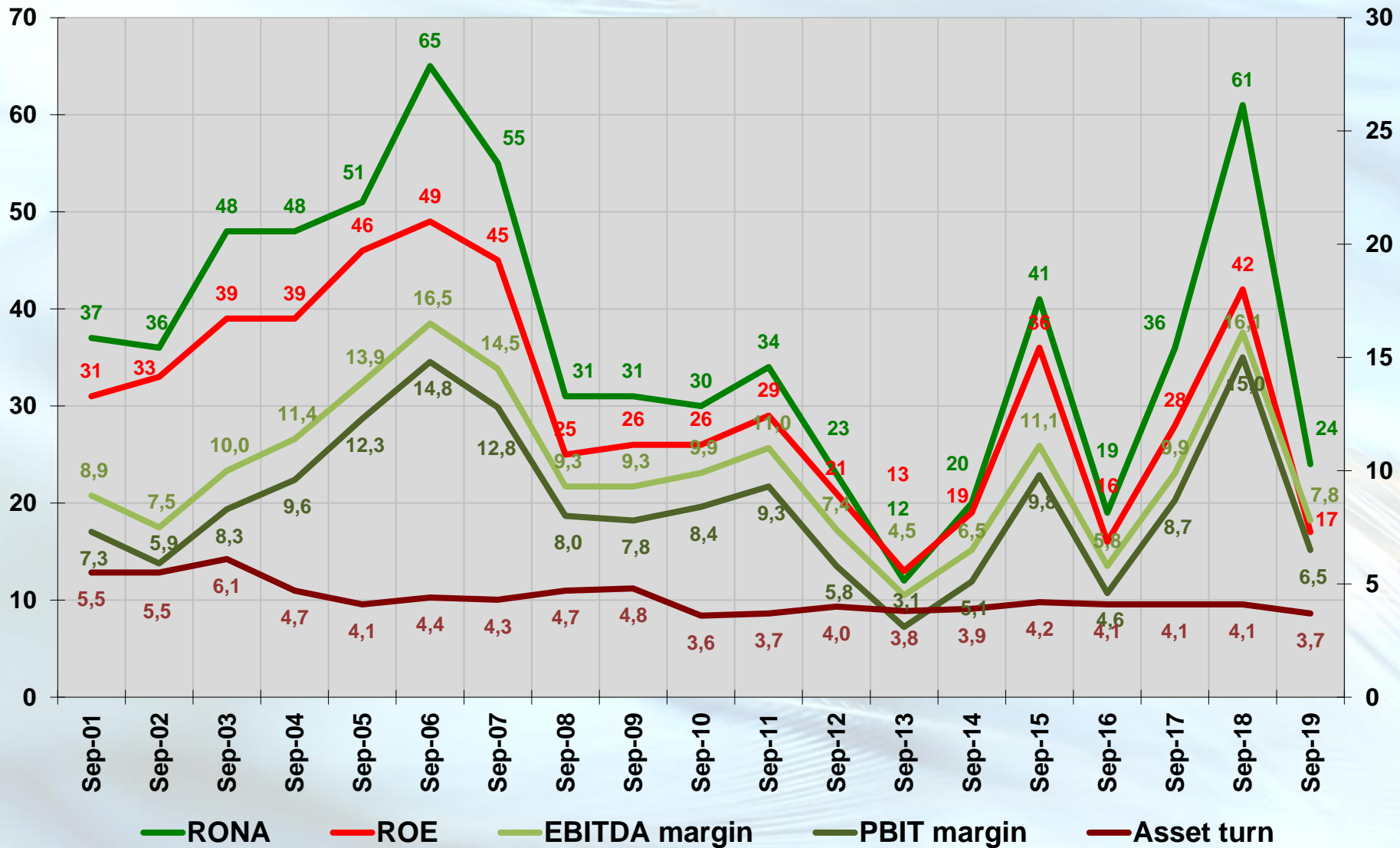


**THANK YOU**

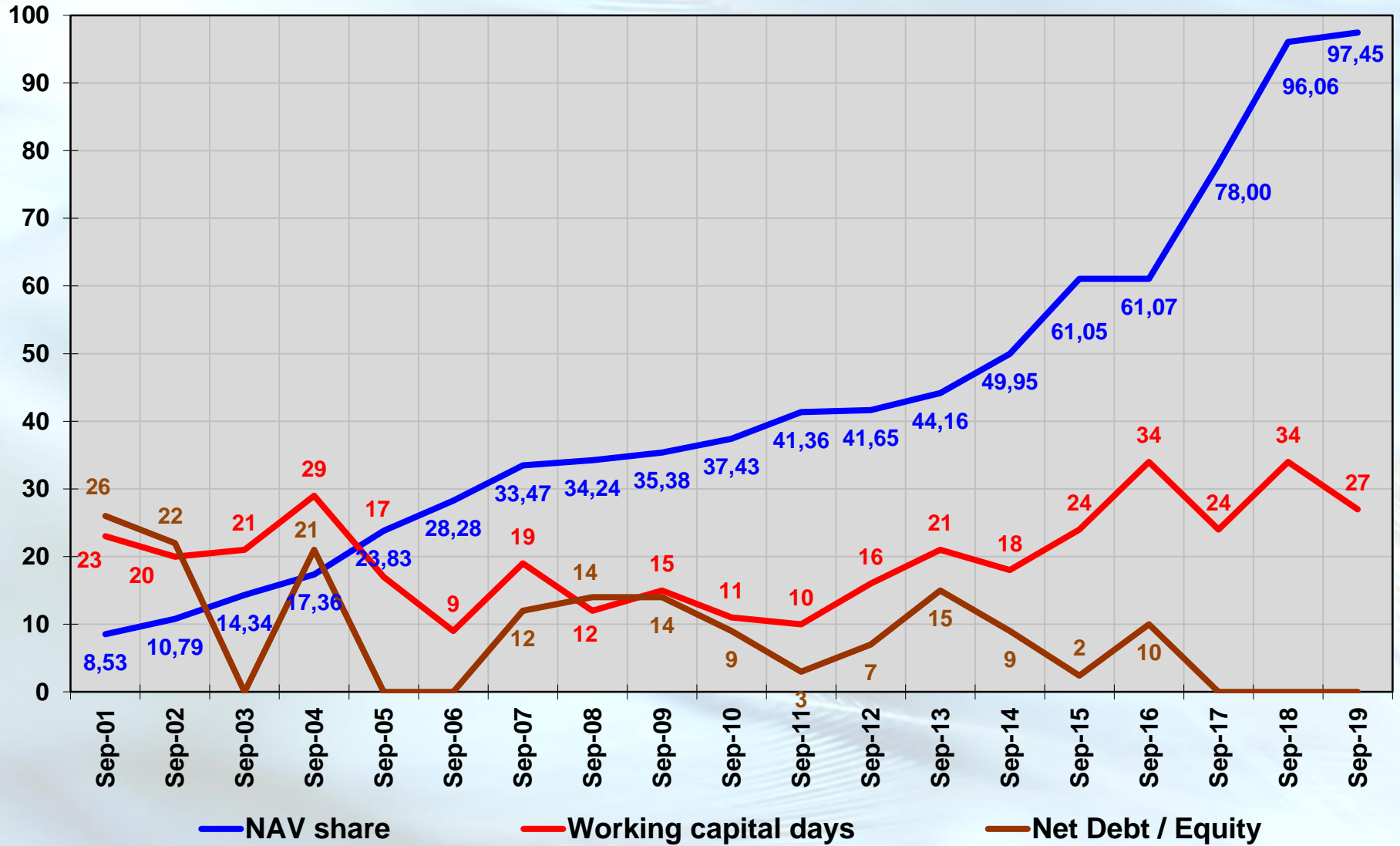
# **ADDITIONAL INFORMATION**

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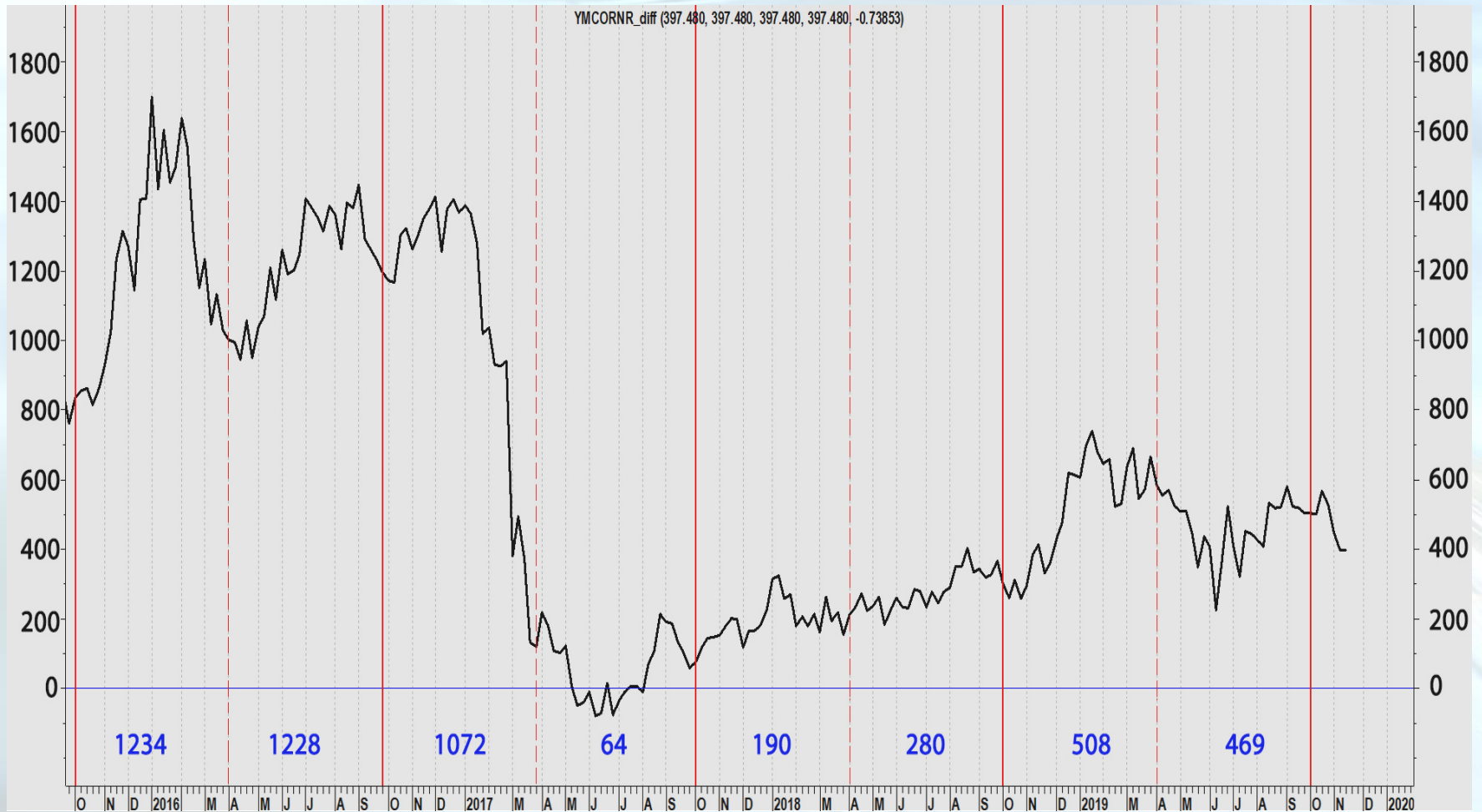
# KEY FINANCIAL RATIOS



# KEY FINANCIAL INDICATORS

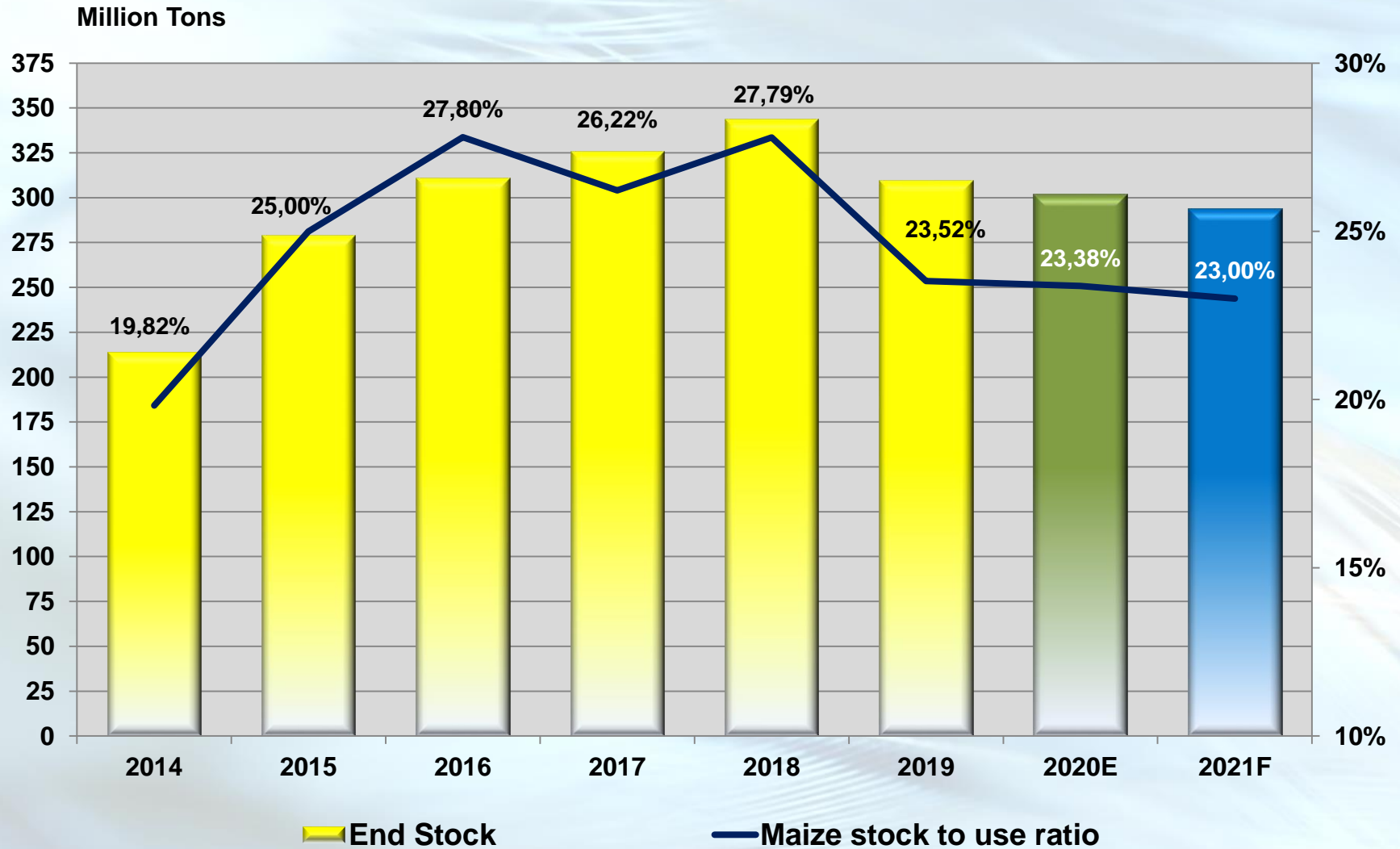


# SAFEX YELLOW MAIZE PRICE vs. CBOT IN RAND TERMS





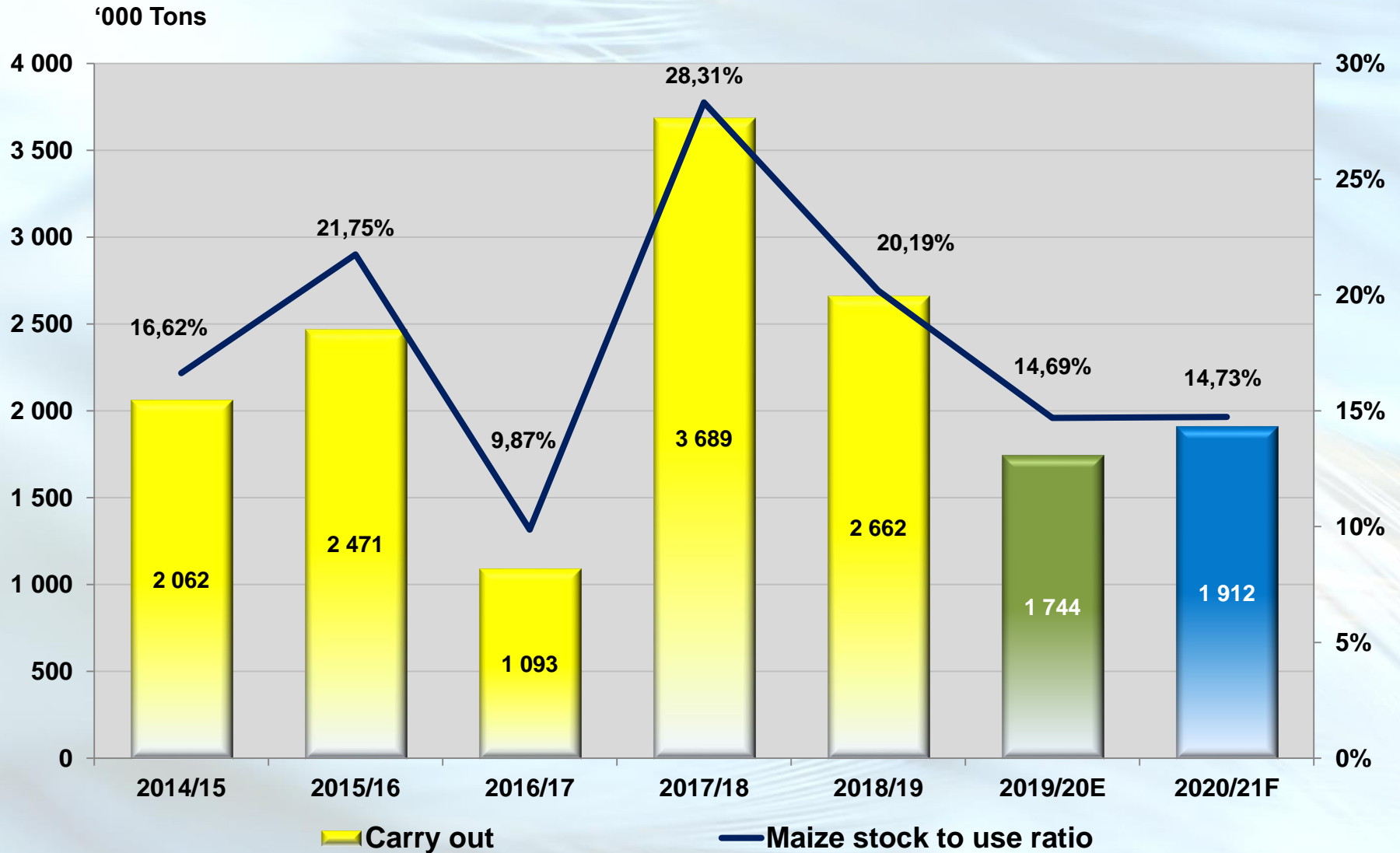
# WORLD CORN ENDING STOCKS



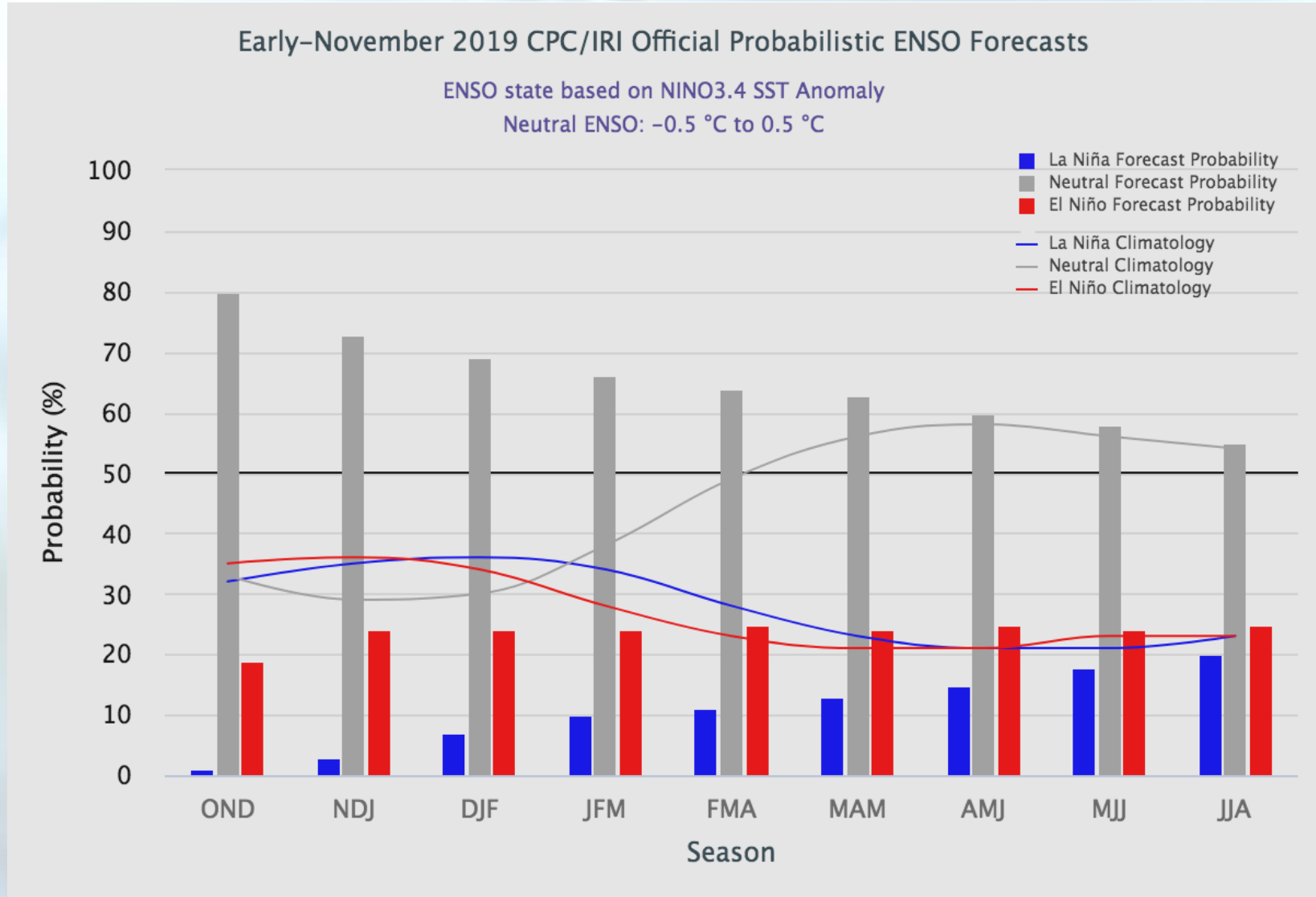
# SOUTH AFRICA – TOTAL MAIZE SUPPLY & DEMAND

<i>Marketing year (May to April)</i>	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20E	2020/21F
<i>'000 tons</i>	Actual	Actual	Actual	Actual	Actual	Estimate	Forecast
<b>Carry In (1 May)</b>	589	2 074	2 471	1 093	3 689	2 662	1 744
<b>Crop Estimate</b>	14 250	9 955	7 779	16 820	12 510	11 081	13 785
<b>Retentions</b>	433	163	309	1 191	495	526	640
<b>Sagis Delivery</b>	13 817	9 794	7 469	15 629	11 984	10 555	13 144
<i>Minus early deliveries</i>	0	0	450	0	0	0	0
<b>Imports</b>	65	1 964	2 237	0	172	400	0
<b>Total Supply</b>	14 471	13 831	11 727	16 722	15 845	13 617	14 888
<b>Domestic Usage Food</b>	4 840	4 698	4 808	4 993	5 161	5 396	5 260
<b>Domestic Usage Feed</b>	5 041	5 520	5 004	5 276	5 508	5 410	5 600
<b>Gristing, withdrawn &amp; released</b>	376	293	278	313	239	186	216
<b>Total Domestic Usage</b>	10 257	10 512	10 090	10 583	10 907	10 993	11 076
<b>Exports &amp; Sundries</b>	2 153	848	993	2 451	2 276	880	1 900
<i>Plus early deliveries</i>	0	0	450	0	0	0	0
<b>Carry Out (30 Apr)</b>	2 062	2 471	1 093	3 689	2 662	1 744	1 912
<b>No of days usage</b>	73	86	40	127	89	58	63
<b>STU</b>	16,62%	21,75%	9,87%	28,31%	20,19%	14,69%	14,73%

# SOUTH AFRICA – TOTAL MAIZE SUPPLY & DEMAND

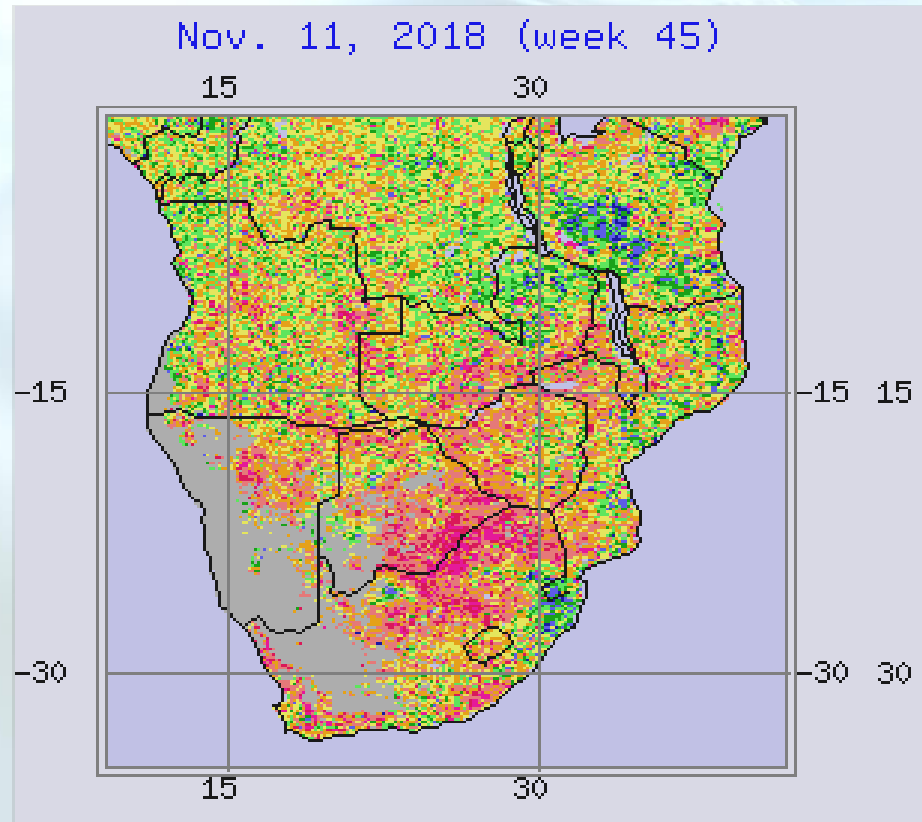


# EL NIÑO SOUTHERN OSCILLATION - FORECAST

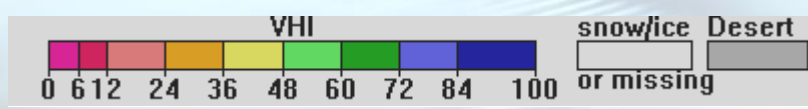
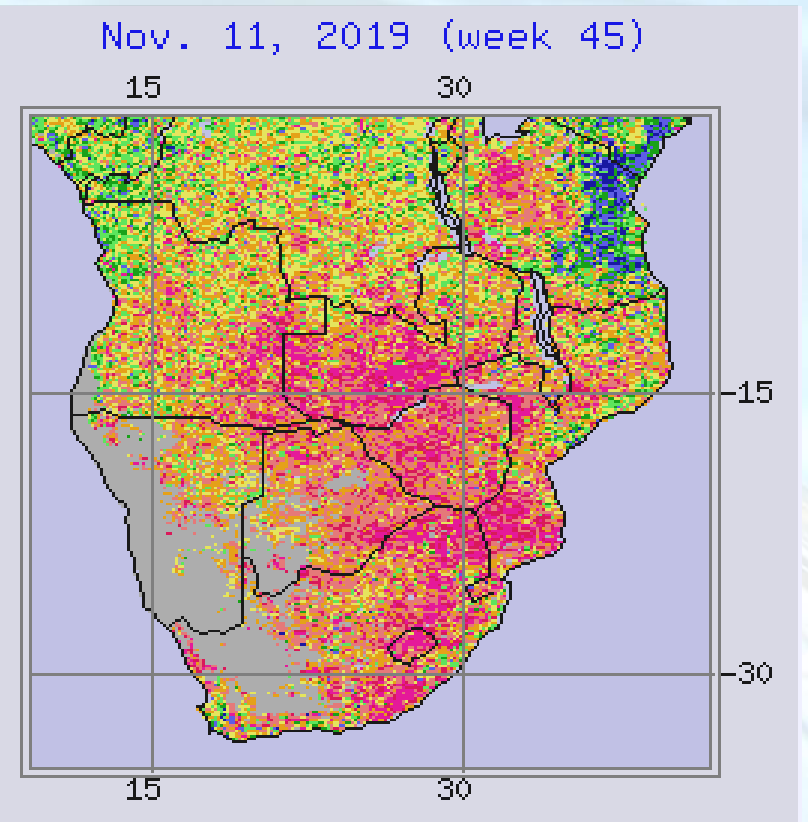


# SOUTHERN AFRICA - VEGETATIVE HEALTH INDEX

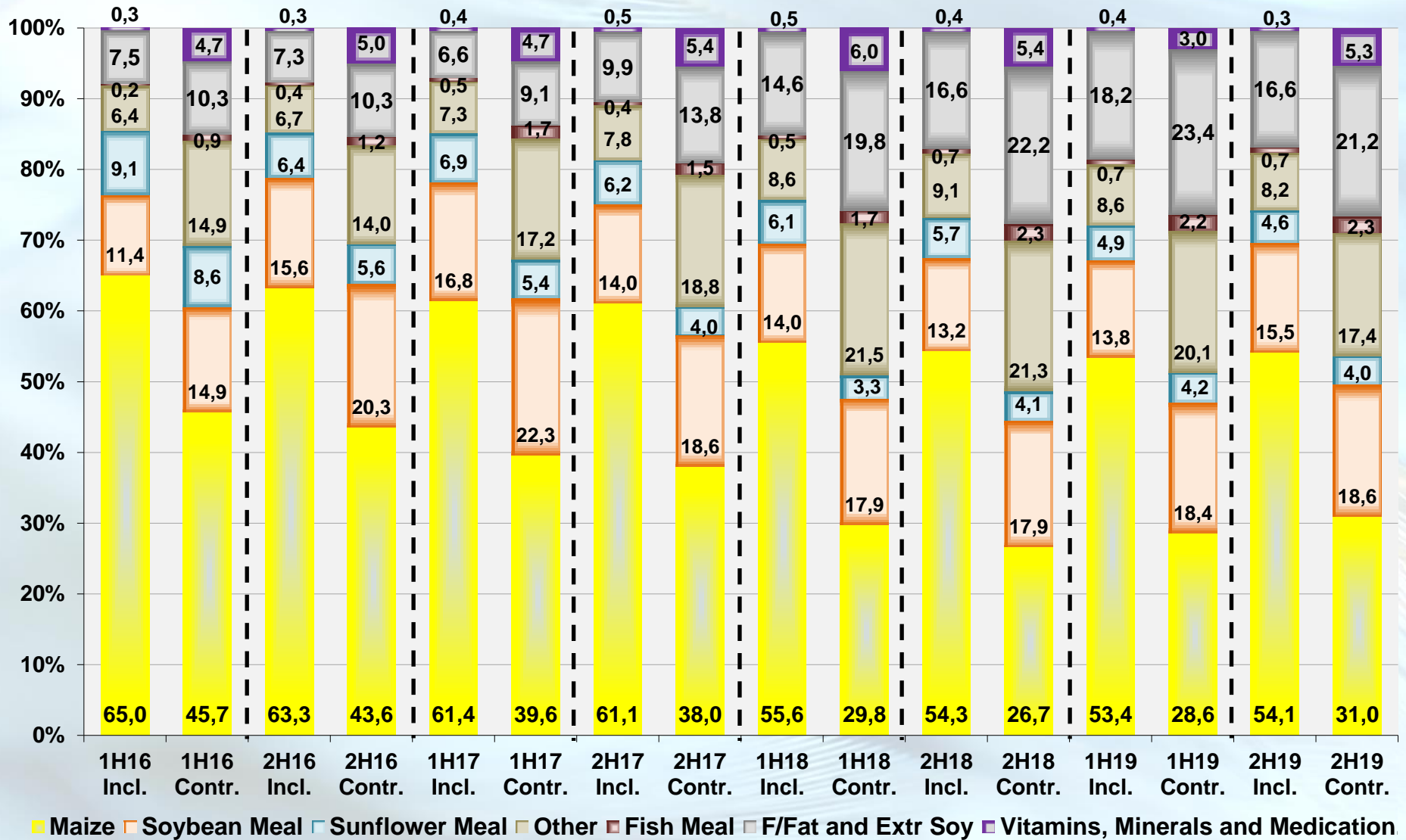
## VHI of previous year



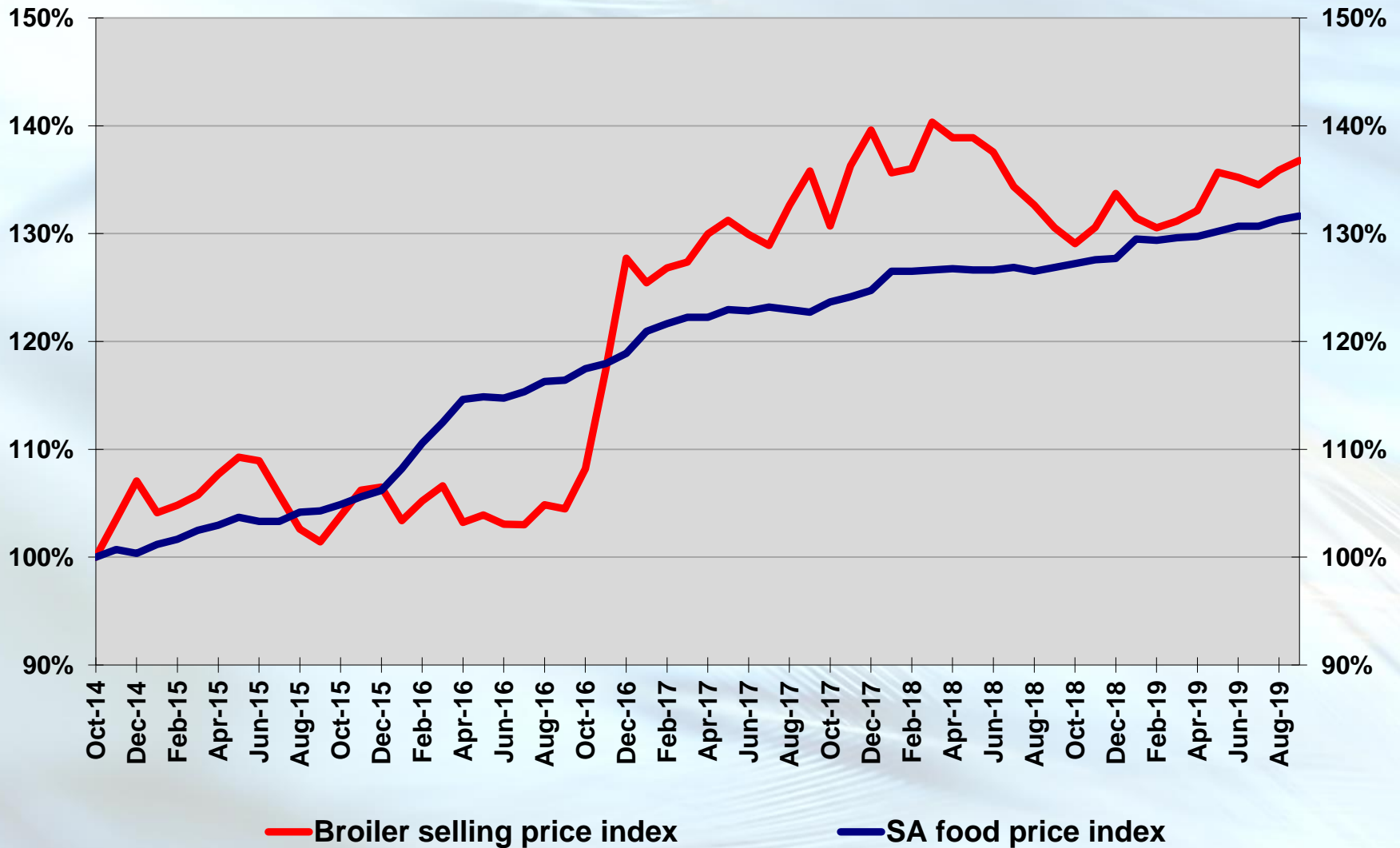
## VHI of current year



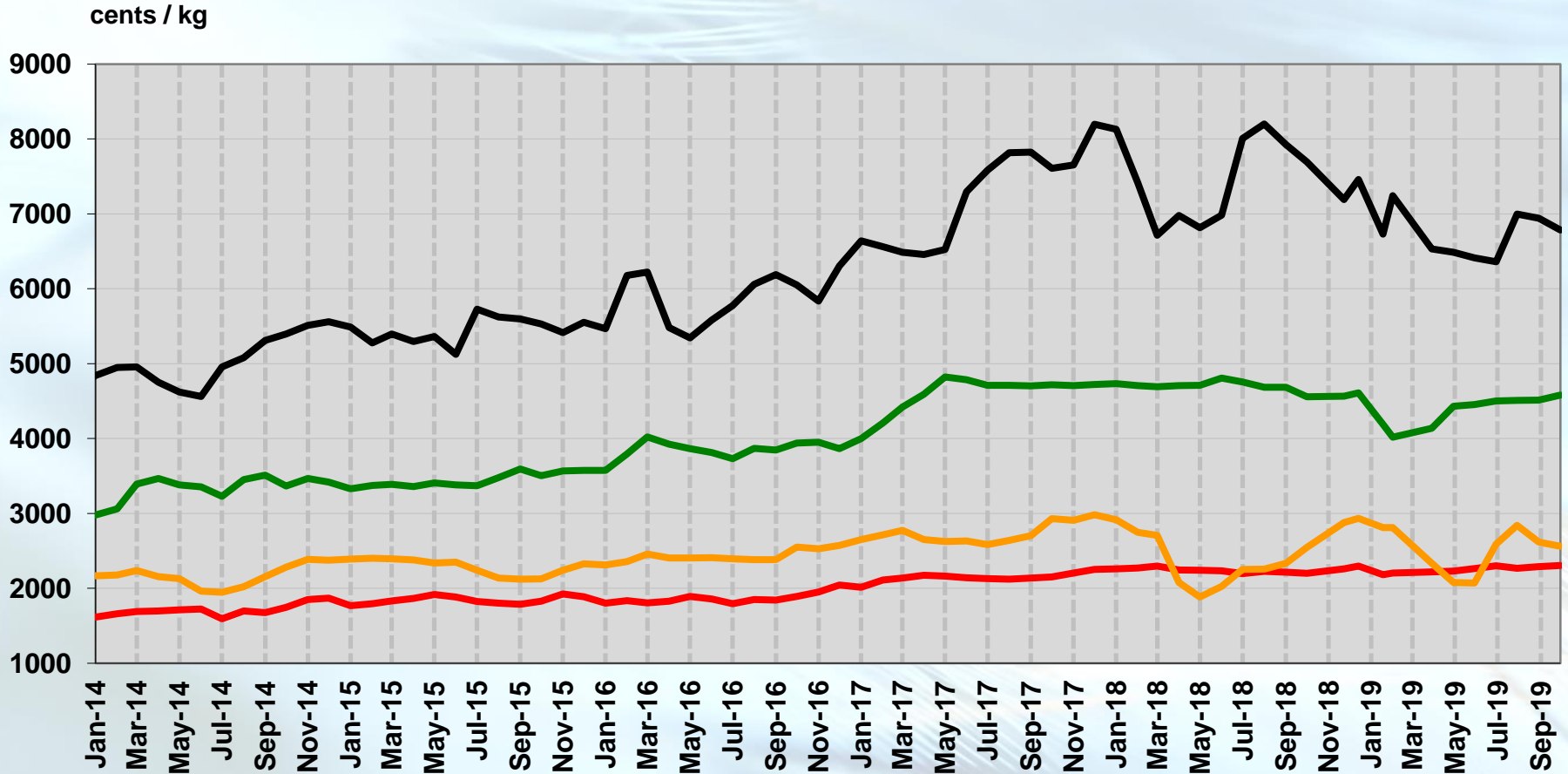
# BROILER FEED – INGREDIENT INCLUSION & COST CONTRIBUTION



# BROILER PRICE vs. FOOD PRICE INFLATION



# SOUTH AFRICAN PROTEIN PRICE COMPARISON



**Chicken**

**Pork**

**Beef**

**Mutton**

Feed Conversion Rate

1.5

2.2

5.5

5.0

Per Capita Consumption

39,5 kg

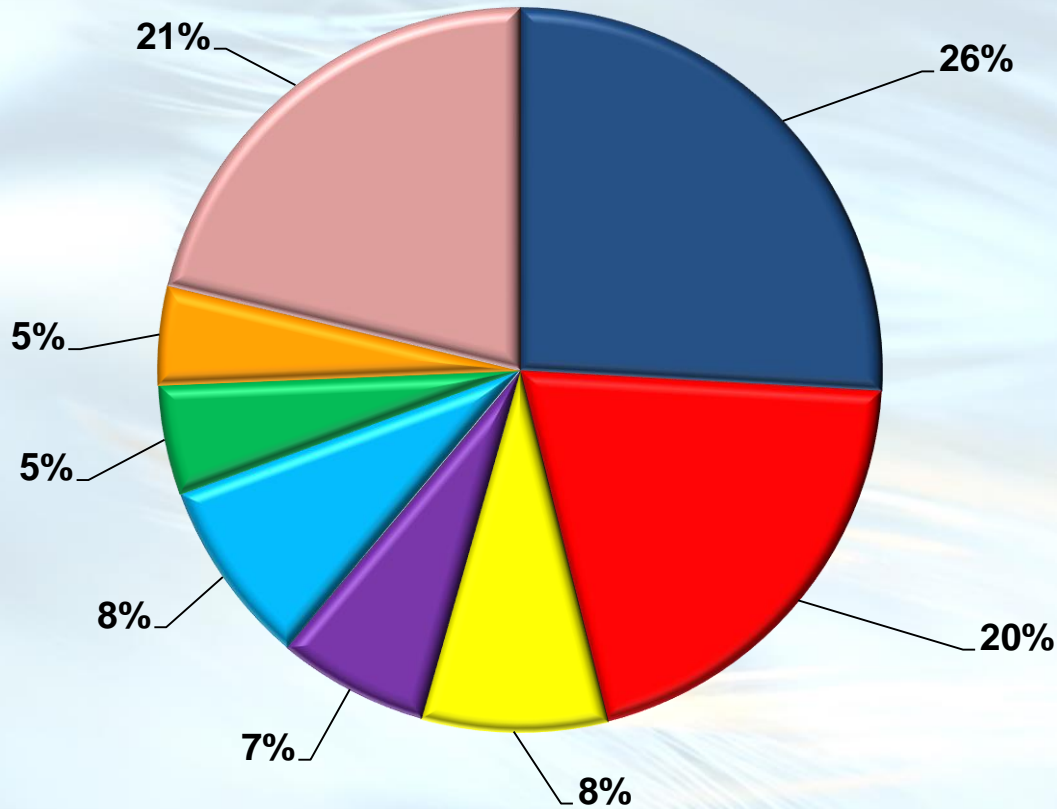
5,1 kg

17,0 kg

3,0 kg



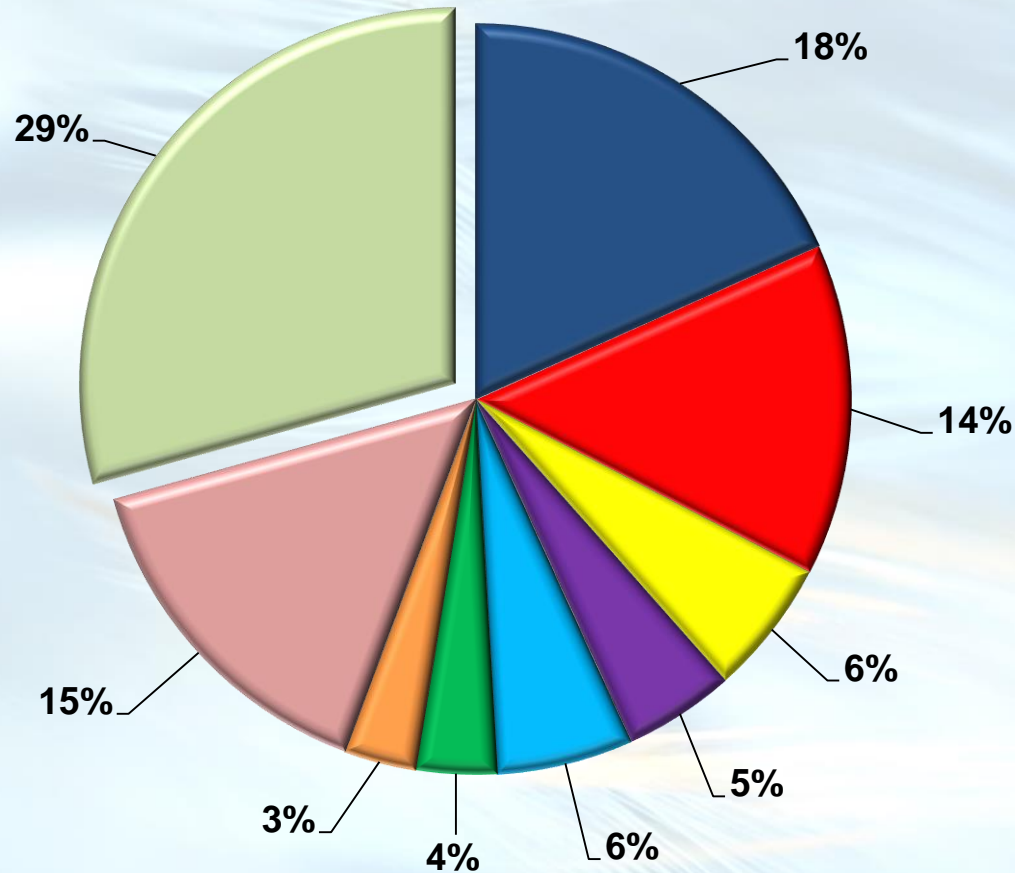
# LOCAL BROILER PRODUCTION & MARKET SHARE



■ Astral ■ RCL ■ Country Bird ■ Daybreak ■ Sovereign ■ Grainfields ■ Chubby Chick ■ Other

**Local broiler production ≈ 19.3 million birds per week**

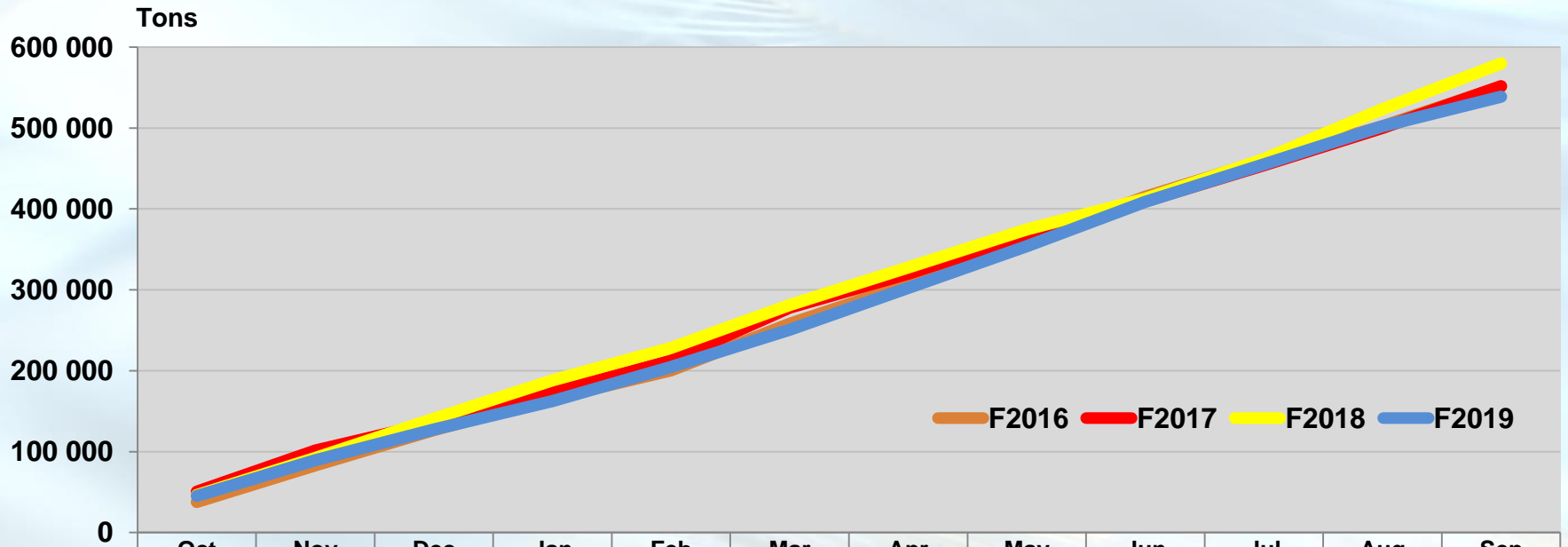
# LOCAL BROILER PRODUCTION & MARKET SHARE



■ Astral ■ RCL ■ Country Bird ■ Daybreak ■ Sovereign ■ Grainfields ■ Chubby Chick ■ Other ■ Imports

**Avg. poultry imports ≈ 8 million birds per week  
(12 months ending September 2019)**

# TOTAL POULTRY IMPORTS (CHICKEN, MDM, TURKEY)

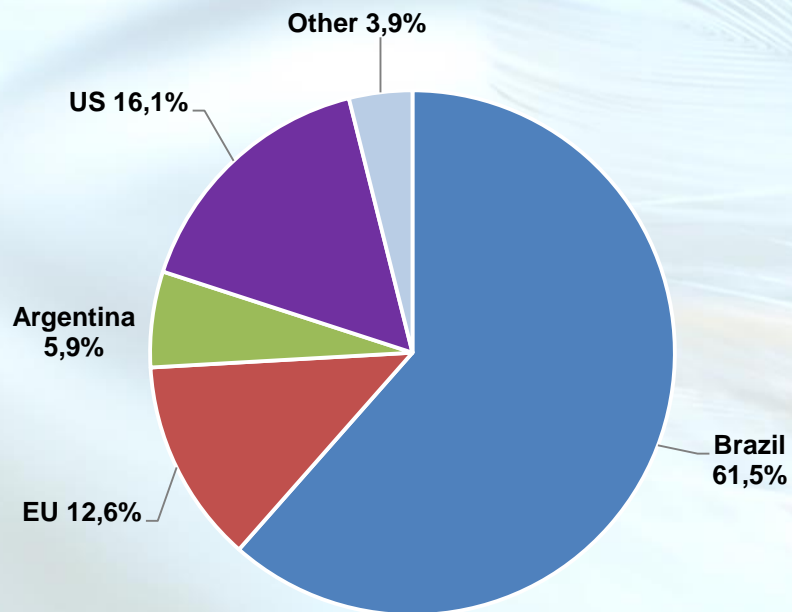


	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
F2016	37 789	83 258	126 866	165 602	200 461	258 134	306 385	360 899	414 947	460 098	502 138	551 209
F2017	50 324	101 279	135 812	173 187	212 399	278 057	319 933	367 106	409 557	453 981	499 952	551 867
F2018	46 348	92 223	140 823	188 065	228 295	281 102	327 753	374 838	412 638	461 454	523 205	579 661
F2019	45 061	89 632	127 371	162 545	204 639	250 626	302 298	354 026	408 613	455 049	502 286	538 585
F2018	46 348	45 875	48 600	47 242	40 230	52 807	46 651	47 085	37 800	48 816	61 751	56 456
F2019	45 061	44 571	37 739	35 174	42 094	45 987	51 672	51 728	54 587	46 436	47 237	36 299
% Var	-2,8	-2,8	-22,3	-25,6	4,6	-12,9	10,8	9,9	44,4	-4,9	-23,5	-35,7
bpw*	8,0	7,9	6,7	6,2	7,5	8,2	9,2	9,2	9,7	8,2	8,4	6,4

\*bpw ≈ million birds per week

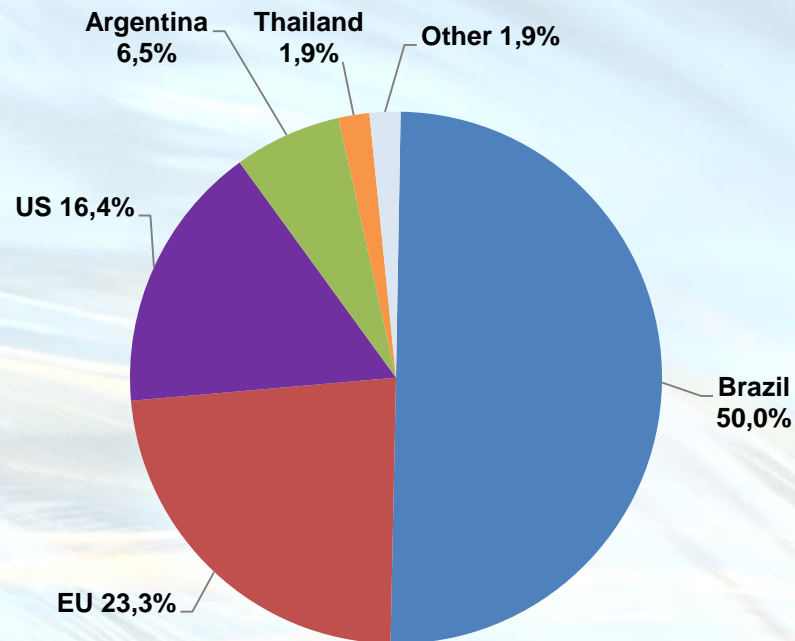
# TOTAL POULTRY IMPORTS – COUNTRY OF ORIGIN

## Country of origin for poultry imports - 2018



**566 210 tons**

## Country of origin for poultry imports - 2019 YTD (Sept)



**411 235 tons**

# TOTAL POULTRY IMPORTS – COUNTRY OF ORIGIN

Country	Imports (tons)		
	2017	2018	2019 YTD
Brazil	337 476	348 155	205 820
United States	87 059	91 374	67 388
Poland	72	13 463	39 241
Argentina	32 816	33 278	26 833
Ireland	24 746	26 328	23 146
Denmark	16 884	25 672	19 591
Spain	11 138	4 932	13 228
Thailand	4 019	9 011	7 709
Canada	14 431	7 305	4 909
Chile	1 770	4 362	1 948
Australia	984	553	761
Germany	134	222	230
United Kingdom	1 366	231	224
Uruguay	50	359	52
Netherlands	112	323	48
Belgium	23 451	23	27
Swaziland	24	482	23
Other	344	137	58
<b>Grand Total</b>	<b>556 877</b>	<b>566 210</b>	<b>411 235</b>

# POULTRY SECTOR MASTER PLAN

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- The master plan sets a number of targets to be met by 2023 and was **signed by all relevant stakeholders on 6 November 2019**
- Investment pledges (future and underway) topping **R1.5 billion in expanding processing capacity**, with a further **R1.7 billion in expanding broiler production capacity on farm** have been tabled by the industry
- The 5 pillars of the master plan set out actions which cover the following;
  - The **expansion of local industry capacity** and ensuring that that locally produced product makes up an increasingly **larger proportion of consumption over time**
  - The **containment of imports and trade measures** to protect the local industry from unfair trade
  - **Stimulating an increase in the consumption** of locally produced chicken meat
  - Driving the **export of raw and cooked chicken products**
  - Enhancing the **regulatory framework and ensuring compliance for imported poultry**, and
  - **Transformation initiatives** across the industry value chain



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