



Final Results Press Release

STERLING SET OF RESULTS DESPITE CHALLENGING MARKET AND OPERATIONAL CONDITIONS

- Revenue from continuing operations increased by 22% to R19.3 billion
- Operating profit from continuing operations increased by 103% to R1 440 million
- Headline earnings per share increased by 125% to 2 762 cents
- Total dividend per share increased by 97% to 1 380 cents

21 November 2022: Astral Foods Limited (Astral), South Africa's leading integrated poultry producer, reported a commendable set of results for the year ended 30 September 2022. *"A number of headwinds faced the Group during the reporting period, with record high SAFEX maize and soya meal prices, extraordinary costs associated with national load shedding, municipal infrastructure collapse and water supply interruptions. Despite these challenges, Astral achieved decent revenue growth as a result of sales volume growth following significant capital investment in processing capacity, and the recovery of feed input costs through the selling price for poultry,"* commented Chris Schutte, CEO of Astral.

Group revenue reported for the year ended 30 September 2022 was R19.3 billion, an increase of 21.9% compared to the prior year at R15.9 billion. The Poultry Division contributed 81%, Feed Division 17% and Other Africa Division 2% to total external revenue. The increase in revenue (R3.4 billion) was mainly attributable to an increase from the broiler operations of the Poultry Division contributing R2.8 billion, which was the direct result of a growth in broiler sales volumes as well as a recovery in the selling price of poultry.

The operating profit margin increased to 7.4% (2021: 4.6%) as a result of the improvement in the profitability of the Poultry Division at R763 million (2021: R147 million), whilst the Feed Division reported an operating profit of R599 million (2021: R530 million).

Revenue from the **Poultry Division** increased by 21.1% to R15.8 billion (2021: R13.1 billion) supported by an increase in broiler sales volumes and a partial recovery in poultry selling prices, together with improved sales of broiler parent stock into the external market. Broiler slaughter volumes increased by 7.7% benefiting from the Festive expansion volumes. Sales volumes increased by 8.9% for the year under review (42 630 tons) on the back of higher slaughter volumes. Broiler sales realisations increased by 12.5%, reflecting an effort to recover the significant increase in feed prices on the back of higher maize and soya meal costs, as well as rapidly rising energy costs through the year under review.

Trading conditions remained under pressure due to record high unemployment levels and weak economic growth, however promotional sales activity by the retailer sector resulted in higher sales volumes for Astral. The Quick Service Restaurant (QSR) and Fresh sales categories continued to grow in line with the strategic expansion of processing capacity in this area. This positively impacted product mix and led to a stable supply of chicken into the frozen categories.

Broiler feed prices increased by 11.6% versus the prior year due to higher raw material costs. Feed cost remains the key driver of profitability, representing approximately 70% of the live cost of a broiler. On-farm broiler performances reflected an improvement during the year,

notwithstanding slightly more feed being used to achieve the targeted broiler live weights in 2022 due to the impact of load shedding in the last month of the period under review.

Operating profit for the Poultry Division increased by 419.9% to R763 million (2021: R147 million). The operating profit margin improved to 4.8% (2021: 1.1%). Non-feed costs in the division increased year-on-year, negatively impacted by the direct cost of load shedding (R126 million) and water supply interruptions (R9 million), as well as a case of highly pathogenic bird flu (R5 million) in the breeding operations.

Revenue from the **Feed Division** increased by 20.7% to R10.0 billion (2021: R8.3 billion) as a direct result of higher selling prices on the back of the increase in raw material costs. SAFEX yellow maize prices increased to an average of R4 112 per ton for the year under review (2021: R3 371 per ton) up R740 per ton year-on-year. Soya meal prices also increased from an average of R8 216 per ton in 2021 to R 9 629 per ton in 2022, up R1 413 per ton year-on-year, further exacerbating the increase in the price of feed.

Feed sales volumes increased by 6.6%, as the internal requirement for broiler feed increased by 8.7% due to the strategic expansion in broiler production numbers, with higher external sales volumes of 3.4% reported off the back of an increase in feed sales across most sectors, despite the fact that livestock markets remained under pressure from higher feed prices.

The operating profit for this division increased by 13.6% to R599 million (2021: R527 million), but with a decrease in the operating profit margin to 6.0% (2021: 6.4%). Net Rand per ton margins increased by 6.6% year-on-year with the division benefitting from good expense control (excluding the raw material cost impact), as well as effective recovery of the higher raw material costs in the selling price for feed. The direct cost of load shedding to the Feed Division for 2022 was R12 million.

Other Africa Division's revenue from continuing operations increased by 62.6% to R471 million (2021: R289 million). Both selling prices and sales volumes increased for the year under review, driven by a very good performance from the Zambian operations. Operating profit from continuing operations increased to R65 million (2021: R35 million).

Dries Ferreira, Astral's CFO Designate, said: *"The Group generated strong cash flows for the year under review, from which we funded capital expenditure of R258 million. The Group has earmarked a further R737 million in capital commitments for the near future, as the balance sheet is healthy and affords us the foundation to execute our strategy."*

He further commented that as a result of the strong cash flow generated, the Company declared a final dividend of 590 cents per share. The total dividend for the year amounts to 1 380 cents per share (2021: 700 cents per share) which represents a dividend cover of 2.0 times compared to headline earnings.

Schutte concluded: *"We are expecting market conditions to deteriorate, with prolonged load shedding and the general decay of municipal infrastructure continuing to impact operational efficiencies negatively. The Group has had to embark on numerous capital projects which are truly grudge purchases, having to install diesel generators and additional water storage at our facilities. As a consequence, chicken becomes more expensive to produce in South Africa, placing the industry further on the backfoot under already trying times where we see record high input costs for both feed and energy sources. Unfortunately, a direct consequence is that chicken as a preferred protein source has seen prices increase beyond general inflation. The shameless demise of a number of state-owned entities which are responsible for supplying essential services and maintain general infrastructure, is impacting business sentiment and reinvestment decisions for growth, which directly threatens local food security into the future."*

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Company background

Astral Foods Limited (Astral), is a leading South African integrated poultry producer, with key activities in the manufacturing of animal feeds, broiler genetics, production and sale of day-old chicks and hatching eggs, integrated parent breeding and broiler production operations, abattoirs as well as the sales and distribution of various key poultry brands. The brands in the Astral stable include:

- County Fair
- Festive
- Goldi
- Mountain Valley
- Ross Poultry Breeders
- National Chicks
- Meadow Feeds
- Tiger Animal Feeds
- Tiger Chicks
- Central Analytical Laboratories