



Final Results Press Release

ASTRAL's RECORD EARNINGS SUPPORTED BY FAVOURABLE ALIGNMENT OF KEY PROFIT DRIVERS

- Revenue increased by 5% to R13.0 billion (Sep 2017: R12.4 billion)
- Operating profit increased by 79% to R1.9 billion (Sep 2017: R1.1 billion)
- Cash operating profit up 50% to R2.2 billion (Sep 2017: R1.4 billion)
- HEPS increased by 94% to 3 712 cents (Sep 2017: 1 914 cents)
- Total dividend up 94% to 2 050 cents (Sep 2017: 1 055 cents)

19 November 2018: Astral Foods Limited (Astral), South Africa's leading integrated poultry producer, reported a record set of results for the year ended 30 September 2018. "Most of the stars were aligned during the period under review with the majority of key profitability drivers for the business being in Astral's favour," stated Chris Schutte, CEO of Astral.

Significantly reduced feed input costs due to lower maize prices on the back of two consecutive good maize crops, together with higher poultry selling prices and higher volumes across all divisions underpinned the good results. Group revenue for the year increased by 4.5% to R13.0 billion from R12.4 billion (2017) and operating profit increasing by 78.7% to a record level of R1 942 million (2017: R1 086 million), resulting in an operating profit margin of 15.0% (2017: 8.7%).

The **Poultry division** reported a 6.9% increase in revenue to R10.6 billion (2017: R9.9 billion) impacted predominantly by an increase in poultry sales realisations of 7.1%, which is largely attributable to the strong trading conditions experienced in the first half of the year. Sales volumes were marginally up by 0.2% (811 tons), notwithstanding an increase in bird weights and higher broiler production numbers for the year. Trading conditions deteriorated in the second half as imports and local supply increased; whilst the consumer's disposable income was adversely affected by the impact of higher fuel prices and the increase in VAT.

Operating profit for the Poultry division increased by 127.7% to R1 453 million (2017: R638 million). Non-feed expenses in the division increased year-on-year by 6.2%, with an operating profit margin improvement to 13.7% (2017: 6.4%).

The devastating bird flu outbreak during 2017 impacted most poultry producers, however with various contingency plans Astral was able continue producing just over 5 million broilers per week, still in line with the requirements of the business. Astral was not directly affected by the Listeriosis outbreak in South Africa. During this period the company strengthened its food safety management systems, ensuring that its hygiene and quality management protocols manage the risk of food-borne pathogens within Astral's processing plants.

Revenue for the **Feed division** declined by 5.8% from R6.6 billion to R6.2 billion as a direct result of lower selling prices on the back of significantly lower raw material costs. Volumes increased by 6.1% due to higher inter-group volumes due to increased broiler production numbers and higher external sales volumes on the back of a general improvement in the commercial animal feed market.

Operating profit increased by 16.7% to R457 million (2017: R391 million), with an improvement in the operating profit margin to 7.4% (2017: 5.9%). Rand per ton margins increased compared to the prior year due to the effective recovery of fixed costs through higher volumes. Expense increases were contained to 4.7% year-on-year across all feed mills. Efficiencies from the Standerton feed mill again supported the Group's focus and efforts towards continuous poultry production cost improvement.

During 2016/2017 South Africa harvested a record maize crop of 16.8 million tons followed by an above average crop in 2018 of 12.9 million tons. High stock levels of maize resulted in lower local maize prices in a global market characterised by an adequate supply of coarse grains, which was beneficial to the cost of animal feed.

The **Other Africa** operations' revenue decreased by 3.7% from R427 million to R411 million, due to lower selling prices attributable to a decrease in feed raw material costs. Sales volumes improved by an average of 4.0% across all countries, with the operating profit increasing to R32 million (Sep 2017: R27 million). This was largely driven by a good performance from National Chicks Swaziland and a turnaround in the profits of the Mozambican operations, albeit a small contribution to group profitability.

Daan Ferreira, Astral's Chief Financial Officer said: "The Group's cash generation abilities remain very strong and at year end Astral had a net surplus cash position of R789 million. The total dividend for the year is R20.50 per share, an increase of 94.3%, which equates to a 1.8 dividend cover."

Astral's near-term outlook is influenced by a mix of negative and positive factors which could potentially have an impact on business performance. The key negative factors are the upward trend in raw material prices, continued high level of poultry imports and constraints in consumer discretionary spending. Astral's bid to include certain poultry products in the Zero Vat basket was regrettably not yet successful, and the company will continue to champion this issue.

"On a more positive note indications of a "business friendly attitude" in South Africa prevail, and on the back of the President's investment drive and stimulus plan, Astral has committed R1.1 billion to expansion projects over the next three years. The European Partnership Agreement (EPA) safeguard duties on poultry imports from the EU have been promulgated, which should go a long way to prevent the dumping of poultry products into South Africa. Continued genetic improvement in the Ross poultry breed offers further opportunity to support Astral's strategy of being the best cost integrated poultry producer," concluded Schutte.

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Issued and released by:	Keyter Rech Investor Solutions Marlize Keyter 087 351 3810 / 083 701 2021
Issue date:	19 November 2018
JSE code:	ARL
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Company background

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

- County Fair
- Festive
- Goldi
- Mountain Valley
- Supa Star
- Ross Poultry Breeders
- National Chicks
- Meadow Feeds
- Tiger Animal Feeds
- Tiger Chicks
- Mozpintos
- CAL Labs