



Interim Results Press Release

ASTRAL RESULTS MIRROR TOUGH INDUSTRY CONDITIONS

- Revenue increased by 7% to R7.5 billion (March 2020: R7.1 billion)
- Operating profit decreased by 37% to R345 million (March 2020: R546 million)
- Headline earnings per share down by 37% to 597 cents (March 2020: 951 cents)
- Interim dividend per share of 300 cents (March 2020: Nil)

17 May 2021: Astral Foods Limited (Astral), South Africa's leading integrated poultry producer, reported its results for the six months ended 31 March 2021. Chris Schutte, CEO of Astral, commented: "Despite the increase in revenue, the interim results mirror the many challenges being faced by the poultry industry at large. These include very high feed input costs not recovered in broiler selling prices, and continued high levels of poultry imports."

Group revenue for the reporting period increased by 6.7% to R7.5 billion largely as result of a 7.5% increase (R392 million) in poultry broiler sales. This was achieved through a combination of increased broiler sales volumes and a below inflationary increase in selling prices. In spite of the increased revenue, the Group's operating profit declined from R546 million (March 2020) to the current period's R345 million. Poultry price increases were not sufficient to cover the increases in feed and other production-related costs.

Revenue for the **Poultry** division increased by 8.3% to R6.1 billion (March 2020: R5.6 billion), driven by an increase in revenue from higher broiler sales volumes and selling prices, together with an increase in the Group's breeding operations.

Broiler sales volumes were up by 3.5% (7 772 tons), in line with a similar increase in broiler slaughter volumes. An additional 200 000 birds per week were processed through the new capacity created as part of the Group's poultry expansion project. Consumer demand has remained subdued, despite the return of volumes to the Quick Service Restaurant sector following the softer lockdown measures, which has somewhat assisted sales.

Broiler feed prices increased 17.0% on a Rand per ton basis due to high raw material costs for the reporting period, with broiler feed now making up approximately 69% of the cost of producing a broiler. Feed conversion efficiency improved further, slightly offsetting the higher feeding cost per broiler produced.

Operating profit for the Poultry division decreased by 78.6% to R61 million (March 2020: R287 million), as broiler selling prices failed to cover the elevated feed prices. The operating profit margin decreased to 1.0% compared to a profit margin of 5.1% achieved in the prior period.

Total poultry imports remained high, with the average monthly total poultry imports for the period under review equalling approximately 26% of local consumption, at an average of 39 705 tons per month.

The **Feed** division's revenue increased by 12.9% to R4.0 billion (March 2020: R3.5 billion) as a direct result of higher selling prices on the back of increases in raw material costs. SAFEX

yellow maize prices increased to an average of nearly R3 400 per ton from about R2 700 per ton in the comparable period.

Feed sales volumes in the division decreased by 2.9% as external sales volumes dropped 8.9% on a distressed livestock sector, impacted by high feed costs. Internal sales volumes increased 1.6% on higher broiler feed sales due to more broiler bird numbers placed into production.

The operating profit for this division increased by 9.0% to R265 million (March 2020: R243 million), with a slight decrease in the operating profit margin to 6.7% (March 2020: 6.9%). The division benefitted from well controlled expenses and effective raw material cost recovery.

The **Other Africa** division, consisting of both feed and poultry operations in three countries, namely Zambia, Mozambique and eSwatini, reported stable revenue at R238 million (March 2020: R239 million). Sales volumes increased by 6.5% on improved day old chick sales in Zambia. The operating profit increased to R19 million (March 2020: R16 million).

Daan Ferreira, Astral's CFO, said: "The net cash outflow of R154 million for the period includes the payment of the 2020 financial year's final dividend, which at R299 million was substantially higher than the R165 million final dividend paid during the comparative period. The increased 2020 final dividend was as a result of no interim dividend being declared and paid during the 2020 financial year."

The Group's balance sheet, with net surplus cash of R386 million as at 31 March 2021, remained strong and the interim dividend of 300 cents per share that was declared will be funded from available cash and funding resources. Capital expenditure for the current period amounted to R121 million and was down on the comparative period's R311 million following the completion of the planned expansion of the Festive processing plant in Olifantsfontein.

Schutte concluded: "Astral's view on the near-term prospects is heavily weighted towards the impact of the exceptionally high raw material costs and a weak economy. The bird flu outbreaks being reported in the South African poultry industry raise a new threat over the medium-term and is being closely monitored. Astral applauds the commitment of its staff during these trying times and remains committed to its stated strategy."

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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
- Supa Star
- Ross Poultry Breeders
- National Chicks
- Meadow Feeds
- Tiger Animal Feeds
- Tiger Chicks
- Mozpintos
- CAL Labs