



Unaudited Interim Results

for the six months ended 31 March 2021



Astral Foods Limited
Incorporated in the Republic of South Africa
Registration number: 1978/003194/06
Share code: ARL
ISIN: ZAE000029757

2021



Highlights

Revenue
increase **↑7%**

Operating profit
decrease **↓37%**

Earnings per share
decrease **↓38%**

Interim dividend
300 cents per share

Commentary

Financial overview

The increase of 6.7% (R476 million) in the Group's revenue to R7 544 million was 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 poultry 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.

Net finance costs of R25 million, which includes finance charges on leased assets, were on the same level as for the comparative period. Interest received on surplus funds was however lower due to lower interest rates as well as lower average levels of surplus funds.

Capital expenditure for the current period at R121 million was down on the comparative period's R311 million following the completion of the planned expansion of the Festive processing plant in Olifantsfontein.

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 R165 million final dividend paid during the comparative period. The increased 2020 final dividend was as 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 at 31 March 2021 remained strong, and the interim dividend now declared will be funded from available cash and funding resources.

Operational overview

Poultry Division

Revenue for the 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 of 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.

Feed Division

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 R3 397 per ton for the period under review (March 2020: R2 703 per ton).

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 benefited from well controlled expenses and effective raw material cost recovery.

Commentary (continued)

Other Africa Division

This 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).

Outlook

Astral's view on the near-term prospects is heavily weighted to the impact of high raw material costs and a weak economy. The medium term raises a new threat with Highly Pathogenic Avian Influenza outbreaks being reported in the South African poultry industry.

- Unprecedented unemployment rate following the hard lockdown, and the resultant financial impact on businesses and discretionary disposable income.
- Very high local maize prices not seen since 2016, notwithstanding the expected good maize crop for 2021 estimated at 16.6 million tons which is at a high since the 2017 harvest.
- Sharp increases in global coarse grain prices on South American and US weather concerns, tight US ending stocks and high demand (China), has led to a rally on SAFEX maize resulting in continued high feed prices.
- Highly Pathogenic Avian Influenza poses a significant threat to the South African Poultry Industry, with early outbreaks experienced from April 2021.
- It is still unclear if higher import tariffs on frozen bone-in portions announced last year in March 2020, will discourage unfair trade (dumping).
- Production efficiency, product mix and volume growth opportunities following final commissioning of the Festive expansion project adding significant flexibility.
- Astral to maintain a resilient balance sheet.

Astral remains committed to its stated strategy. Astral applauds the commitment of all staff to their front line responsibilities during these trying times, and the company remains committed to providing uncompromised quality and service to our customers.

Declaration of ordinary dividend No 39

The board has approved an interim dividend of 300 cents per ordinary share (gross) in respect of the six months ended 31 March 2021.

The dividend will be subject to Dividends Tax that was introduced with effect from 1 April 2012. In accordance with paragraphs 11.17 (a) (i) to (x) and 11.17 (c) of the JSE Listings Requirements the following information is disclosed:

- The dividend has been declared out of income reserves;
- The local Dividend Tax is 20% (twenty per centum);
- The gross local dividend is 300 cents per ordinary share for shareholders exempt from Dividend Tax;
- The net local dividend is 240 cents per ordinary share for shareholders liable to pay Dividend Tax;
- Astral Foods Limited has currently 42 922 235 ordinary shares in issue (which includes 4 088 577 treasury shares held by a subsidiary and 276 775 held in terms a forfeitable share scheme); and
- Astral Foods Limited's income tax reference number is 9125190711.

Shareholders are advised of the following dates in respect of the interim dividend:

Last date to trade <i>cum</i> -dividend	Tuesday, 8 June 2021
Shares commence trading <i>ex</i> -dividend	Wednesday, 9 June 2021
Record date	Friday, 11 June 2021
Payment of dividend	Monday, 14 June 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 9 June 2021 and Friday, 11 June 2021, both days inclusive.

On behalf of the board

T Eloff
Chairman

CE Schutte
Chief Executive Officer

Pretoria

17 May 2021

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 31 March 2021

	Unaudited six months ended 31 March 2021 R'000	% change	Unaudited six months ended 31 March 2020 R'000	Audited 12 months ended 30 September 2020 R'000
Revenue	7 544 104	7	7 068 602	14 104 281
Cost of sales	(6 165 663)		(5 529 750)	(11 321 550)
Gross profit	1 378 441	(10)	1 538 852	2 782 731
Administrative expenses	(358 990)		(395 849)	(706 625)
Distribution costs	(546 231)		(480 722)	(1 034 573)
Marketing expenditure	(126 478)		(116 463)	(236 234)
Other net (losses)/income and gains	(2 056)		–	32 813
Profit before interest and tax (note 4)	344 686	(37)	545 818	838 112
Finance costs – net	(25 237)		(26 580)	(56 268)
Finance income	7 970		17 707	28 279
Finance costs	(33 207)		(44 287)	(84 547)
Profit before income tax	319 449	(38)	519 238	781 844
Tax expense	(89 820)		(148 103)	(220 610)
Profit for the period	229 629	(38)	371 135	561 234
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Foreign currency (loss)/gain on investment loans to foreign subsidiaries	(1 242)		294	(2 718)
Foreign currency translation adjustments	(11 012)		(8 957)	(19 830)
Items that will not be reclassified to profit or loss				
Remeasurement of post-employment benefit obligations (net of deferred tax)	–		–	8 798
Changes in fair value of equity instruments	(3 715)		–	(34 286)
Total comprehensive income for the period	213 660	(41)	362 472	513 198
Profit attributable to:				
Equity holders of the holding company	228 564	(38)	368 964	556 267
Non-controlling interests	1 065	(51)	2 171	4 967
	229 629	(38)	371 135	561 234
Comprehensive income attributable to:				
Equity holders of the holding company	212 595	(41)	360 301	508 231
Non-controlling interests	1 065	(51)	2 171	4 967
	213 660	(41)	362 472	513 198
Earnings per share (Rand)				
– basic	R5.92	(38)	R9.51	R14.35
– diluted	R5.89	(38)	R9.50	R14.32

Condensed Consolidated Balance Sheet

as at 31 March 2021

	Unaudited six months ended 31 March 2021 R'000	Unaudited six months ended 31 March 2020 R'000	Audited 12 months ended 30 September 2020 R'000
Assets			
Non-current assets	3 717 718	3 792 668	3 796 280
Property, plant and equipment	2 960 588	2 954 142	2 946 643
Intangible assets	52 523	57 778	55 421
Right-of-use assets	451 168	644 613	537 061
Goodwill	136 135	136 135	136 135
Financial assets at fair value through other comprehensive income	117 304	–	121 020
Current assets	3 744 360	3 638 423	3 534 766
Biological assets	862 507	800 655	851 252
Inventories	1 054 349	980 709	861 241
Trade and other receivables	1 403 850	1 361 379	1 218 097
Current tax asset	30 595	5 457	30 595
Cash and cash equivalents	393 059	490 223	573 581
Total assets	7 462 078	7 431 091	7 331 046
Equity			
Capital and reserves attributable to equity holders of the parent company	4 000 631	3 955 808	4 107 265
Issued capital	90 400	90 400	90 400
Treasury shares	(250 633)	(228 111)	(228 111)
Reserves	4 160 864	4 093 519	4 244 976
Non-controlling interest	13 480	12 259	15 055
Total equity	4 014 111	3 968 067	4 122 320
Liabilities			
Non-current liabilities	1 093 026	1 233 884	1 146 168
Deferred tax liability	674 634	601 044	639 482
Employment benefit obligations	137 088	142 837	140 730
Lease liability	281 304	490 003	365 956
Current liabilities	2 354 941	2 229 140	2 062 558
Trade and other liabilities	1 944 155	1 769 081	1 556 294
Employment benefit obligations	186 549	237 113	263 757
Current tax liabilities	8 208	26 280	6 158
Lease liability	206 410	174 084	206 057
Borrowings	6 617	19 743	27 453
Shareholders for dividend	3 002	2 839	2 839
Total liabilities	3 447 967	3 463 024	3 208 726
Total equity and liabilities	7 462 078	7 431 091	7 331 046

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 March 2021

	Unaudited six months ended 31 March 2021 R'000	Unaudited six months ended 31 March 2020 R'000	Audited 12 months ended 30 September 2020 R'000
Cash operating profit	481 176	714 963	1 231 706
Changes in working capital	(16 163)	(116 517)	(74 117)
Cash generated from operating activities	465 013	598 446	1 157 589
Income tax paid	(51 046)	(70 512)	(153 280)
Cash flows from operating activities	413 967	527 934	1 004 309
Cash used in investing activities	(111 365)	(293 300)	(580 976)
Purchases of property, plant and equipment	(121 336)	(309 387)	(453 931)
Costs incurred on intangibles	(56)	(1 649)	(2 049)
Proceeds on disposal of property, plant and equipment	102	29	2 031
Finance income	7 970	17 707	28 279
Dividend received from investment	1 955	–	–
Equity instruments acquired	–	–	(155 306)
Cash flows to financing activities	(456 631)	(315 316)	(441 736)
Dividends paid	(301 203)	(166 280)	(166 278)
Finance expense	(2 750)	(2 866)	(5 855)
Treasury shares acquired in terms of forfeitable share plan	(24 920)	(23 676)	(23 676)
Proceeds on sale of shares forfeited in terms of the forfeitable share plan	1 504	–	–
Lease payments – principal element	(103 205)	(87 262)	(177 966)
Finance cost on lease contracts	(26 057)	(35 232)	(67 961)
Net movement in cash and cash equivalents	(154 029)	(80 682)	(18 403)
Effects of exchange rate changes	(5 657)	(3 712)	9 657
Cash and cash equivalent balances at beginning of year	546 128	554 874	554 874
Cash and cash equivalent balances at end of period (note 6)	386 442	470 480	546 128

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 March 2021

	Unaudited six months ended 31 March 2021 R'000	Unaudited six months ended 31 March 2020 R'000	Audited 12 months ended 30 September 2020 R'000
Balance beginning of year	4 122 320	3 795 635	3 795 635
Profit for the period	229 629	371 135	561 234
Dividends to shareholders	(301 366)	(166 364)	(166 362)
Other comprehensive loss for the period, net of tax	(15 969)	(8 663)	(48 036)
Increase in share-based payment reserve	2 019	–	3 525
Treasury shares acquired in terms of forfeitable share plan	(22 522)	(23 676)	(23 676)
Balance at end of period	4 014 111	3 968 067	4 122 320

Condensed Consolidated Segmental Analysis

for the six months ended 31 March 2021

	Unaudited six months ended 31 March 2021 R'000	% change	Unaudited six months ended 31 March 2020 R'000	Audited 12 months ended 30 September 2020 R'000
Revenue				
Poultry	6 114 571	8	5 643 563	11 343 231
Feed	3 963 542	13	3 509 218	6 979 422
Other Africa	237 825		238 650	482 420
Inter-group	(2 771 834)		(2 322 829)	(4 700 792)
	7 544 104	7	7 068 602	14 104 281
Operating profit				
Poultry	61 448	(79)	287 434	295 015
Feed	264 453	9	242 712	508 091
Other Africa	18 785	33	15 672	35 006
	344 686	(37)	545 818	838 112

Notes

for the six months ended 31 March 2021

1. Nature of business

Astral is a leading South African integrated poultry producer. Key activities consist of manufacturing of animal feeds, broiler genetics, production and sale of day-old chicks and hatching eggs, integrated breeder and broiler production operations, abattoirs and sale and distribution of various key poultry brands.

2. Basis of preparation

The condensed interim financial statements for the six months ended 31 March 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34: *Interim Financial Reporting*, the Listings Requirements of the JSE Limited and the South African Companies Act (2008). These condensed interim financial statements have been prepared under the supervision of the financial director, DD Ferreira CA(SA).

The condensed interim financial statements have not been reviewed or audited by the group's auditors.

3. Accounting policies

The accounting policies applied in these condensed interim financial statements comply with IFRS and are consistent with those applied in the preparation of the group's annual financial statements for the year ended 30 September 2020.

	Unaudited six months ended 31 March 2021 R'000	Unaudited six months ended 31 March 2020 R'000	Audited 12 months ended 30 September 2020 R'000
4. Profit before interest and tax			
The following items have been accounted for in the profit before interest and tax:			
Biological assets – fair value gain/(loss)	(3 491)	2 886	(5 390)
Amortisation of intangible assets	2 887	3 024	5 586
Depreciation on property, plant and equipment	104 586	87 560	184 961
Amortisation of right-of-use asset	107 182	106 366	212 918
Loss on sale of property, plant and equipment	2 614	160	7
Foreign exchange losses	2 470	–	3 858
Dividend received from investments	1 955	–	–
Insurance recoveries	–	–	30 138
Assets scrapped	–	–	2 811
5. Reconciliation to headline earnings			
Net profit attributable to shareholders	228 564	368 964	556 267
Loss on sale of property, plant and equipment (net of tax)	1 871	116	5
Loss on assets scrapped (net of tax)	–	–	2 015
Headline earnings for the period	230 435	369 080	558 287

	Unaudited six months ended 31 March 2021 R'000	Unaudited six months ended 31 March 2020 R'000	Audited 12 months ended 30 September 2020 R'000
6. Cash and cash equivalents per cash flow statement			
Bank overdrafts (included in current borrowings)	(6 617)	(19 743)	(27 453)
Cash at bank and in hand	393 059	490 223	573 581
Cash and cash equivalents per cash flow statement	386 442	470 480	546 128
7. Commitments			
Capital expenditure approved not contracted	195 863	179 182	170 157
Capital expenditure contracted not recognised in the balance sheet	76 848	162 498	127 682
Raw material contracted amounts not recognised in the balance sheet	1 098 368	959 396	1 129 870
8. Additional information			
Headline earnings per share (Rand)			
– basic	R5.97	R9.51	R14.41
– diluted	R5.93	R9.50	R14.38
Dividends per share (Rand) – declared out of earnings for the period			
– Interim dividend	R3.00	nil	nil
– Final dividend	–	–	R7.75
– Total dividend	–	–	R7.75
Number of ordinary shares			
– Issued net of treasury shares	38 556 883	38 719 158	38 719 158
– Weighted average	38 612 388	38 790 878	38 755 135
– Diluted weighted average	38 833 658	38 833 658	38 833 658

Corporate information

Registered office

92 Koranna Avenue
Doringkloof
Centurion
0157

South Africa
Postnet Suite 278
Private Bag X1028
Doringkloof
0140

Telephone: +27 (0) 12 667 5468

Transfer secretaries

Computershare Investor Services (Pty) Ltd
PO Box 61051
Marshalltown
2107

Telephone : +27 (0) 11 370 5000

Sponsor

Nedbank Corporate and Investing Banking,
a division of Nedbank Limited

Website address

www.astralfoods.com

Directors

Dr T Eloff (Chairman)
CE Schutte* (Chief Executive Officer)
GD Arnold*
DD Ferreira* (Chief Financial Officer)
DJ Fouche
S Mayet
WD Potgieter
TM Shabangu
* *Executive director*

Company Secretary

L Marupen

