

# Interim Results Presentation

for the 6 months ended 31 March 2020





- **Business Overview** *Slide 3 – Chris Schutte*
- **Operational Overview** *Slide 8 – Andy Crocker, Gary Arnold*
- **Industry Matters** *Slide 26 – Gary Arnold*
- **Financial Overview** *Slide 29 – Daan Ferreira*
- **Outlook** *Slide 40 – Chris Schutte*
- **Additional Information** *Slide 44*



**Chris Schutte**  
Chief Executive Officer



# **BUSINESS OVERVIEW**

---

5/17/2020

## SALIENT POINTS

- **Feed input costs increased** over the period on higher maize prices, following poor yields and a smaller crop for 2019
- **Poultry production** efficiencies on farm were maintained in line with performance forecasts
- **Poultry selling prices** increased for the period under review, leading to a partial recovery of higher input costs
- **Extraordinary costs** linked to load shedding, the legislated national minimum wage and the on-going Standerton water supply contingency
- **COVID-19 costs** late March; on-going impact into 2H2020 under the nationwide lockdown complying with health and safety requirements
- **Good start to the 2020 maize** planting season with production prospects for the crop exceeding 15 million tons (2019: 11.3 mmt)

## **KEY FINANCIAL INDICATORS**

- Revenue

**4.3%**

- Profit before interest and tax @ R546 million

**8.5%**

- Profit for the period @ R371 million

- Headline earnings per share @ 951 cps

- No interim dividend declared



## **DIVISIONAL OVERVIEW**

### **Poultry**

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

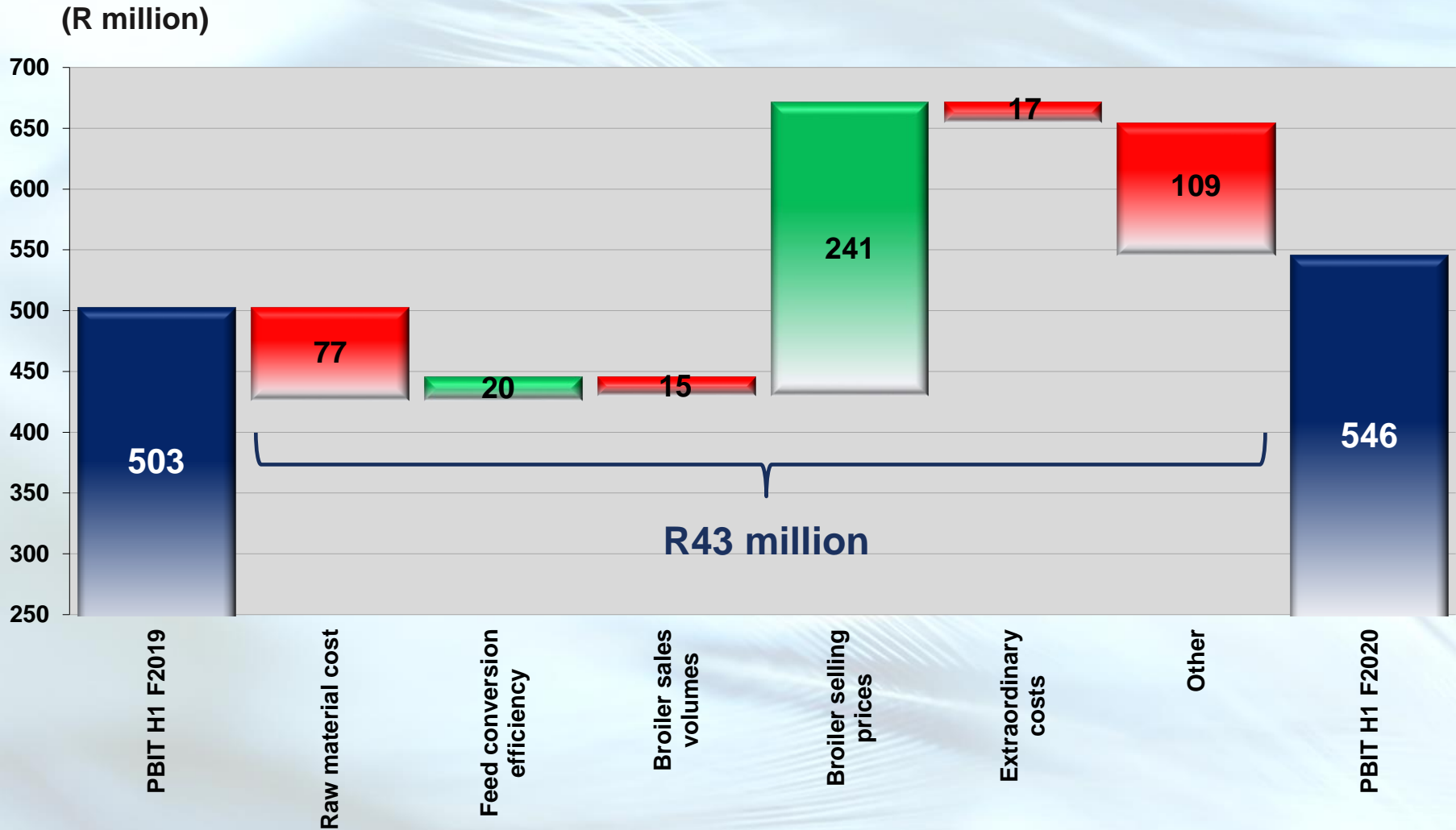
### **Feed**

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

### **Other Africa**

- Higher profits from the Mozambique operations

## THE PERIOD IN PERSPECTIVE







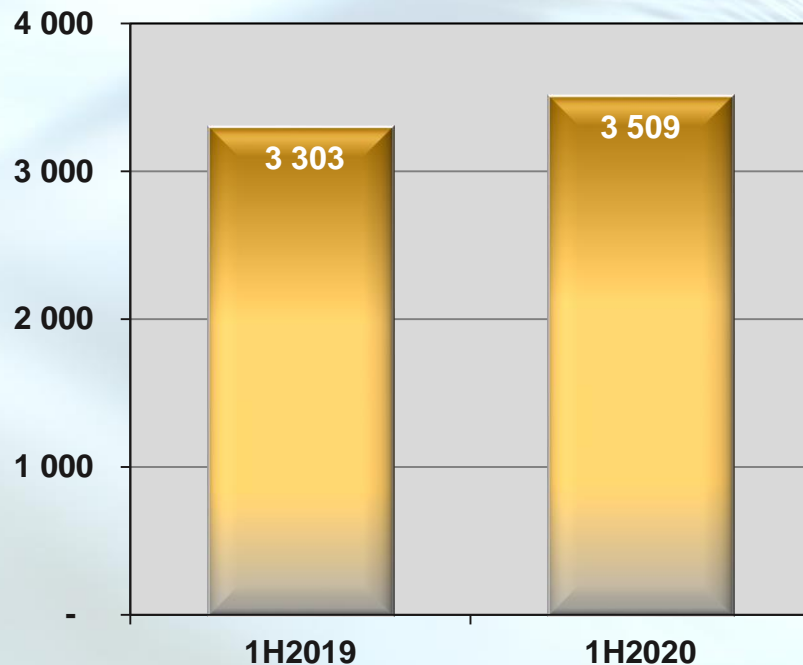
**Andy Crocker**  
**Managing Director: Commercial**

**FEED**  
**DIVISION**



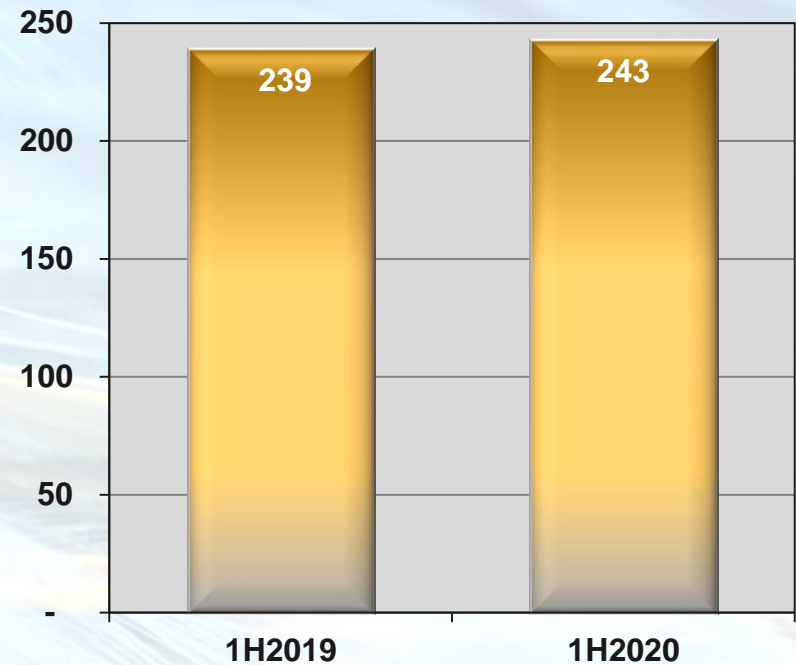
## FEED DIVISION

Revenue - R million



- Revenue up 6.2%
  - Raw material costs up
  - Average selling prices up 6.8%
  - Sales volumes down 0.5%

Operating profit - R million



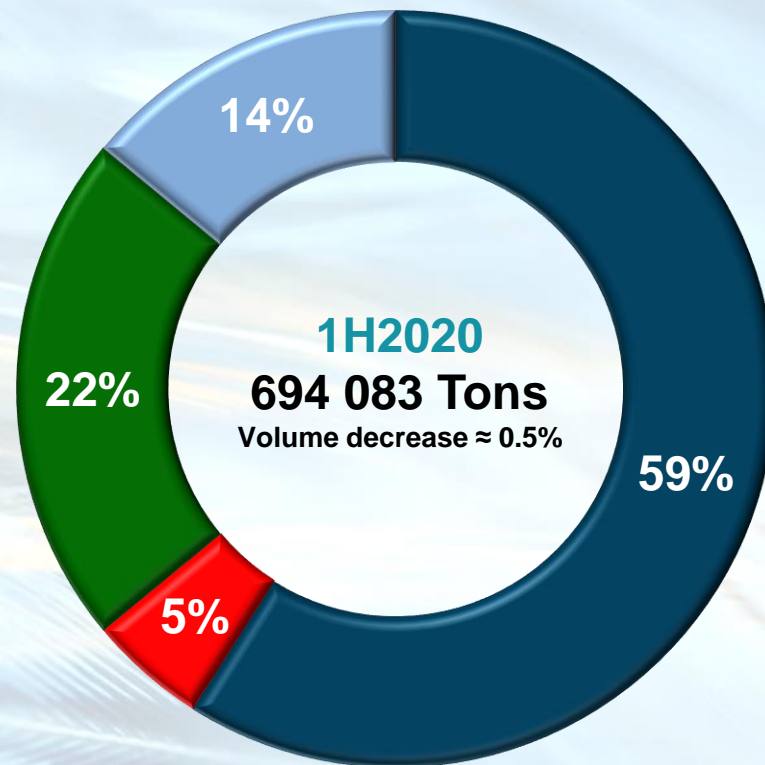
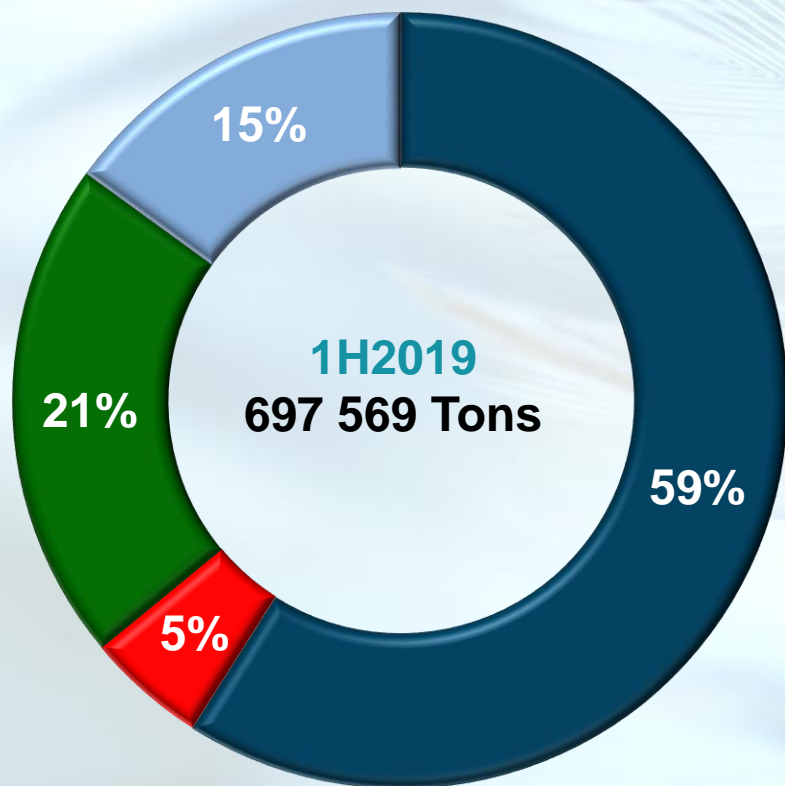
- Operating profit up 1.7%
  - Net margin 6.9% 1H2019: 7.2%
  - Expenses well controlled
  - Rand per ton margin up

## FEED DIVISION

- **SAFEX yellow maize prices increased** for the period under review 1H2020 avg. R2 703 per ton (1H2019: R2 579) up R124 per ton y-o-y
- **Internal feed sales volumes decreased** marginally by 1.2% due to improved broiler feed conversion rates
- **External feed sales volumes increased** by 0.5% predominantly in the dairy market despite the higher feed prices
- **Expenses were well controlled** across the division for the period under review
- **The average net margin increased** (on a Rand per ton basis) for the period under review

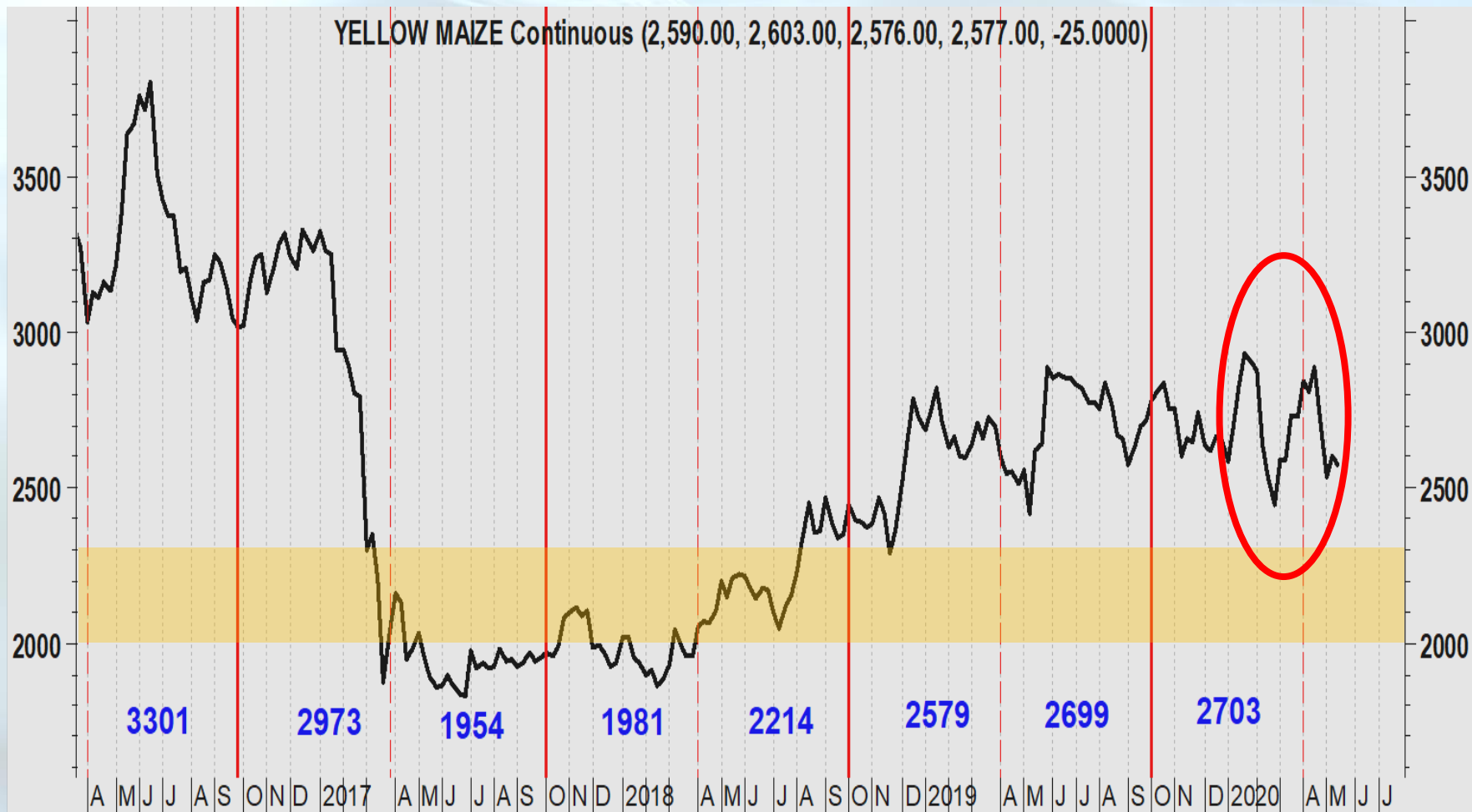


## FEED DIVISION – SALES MIX



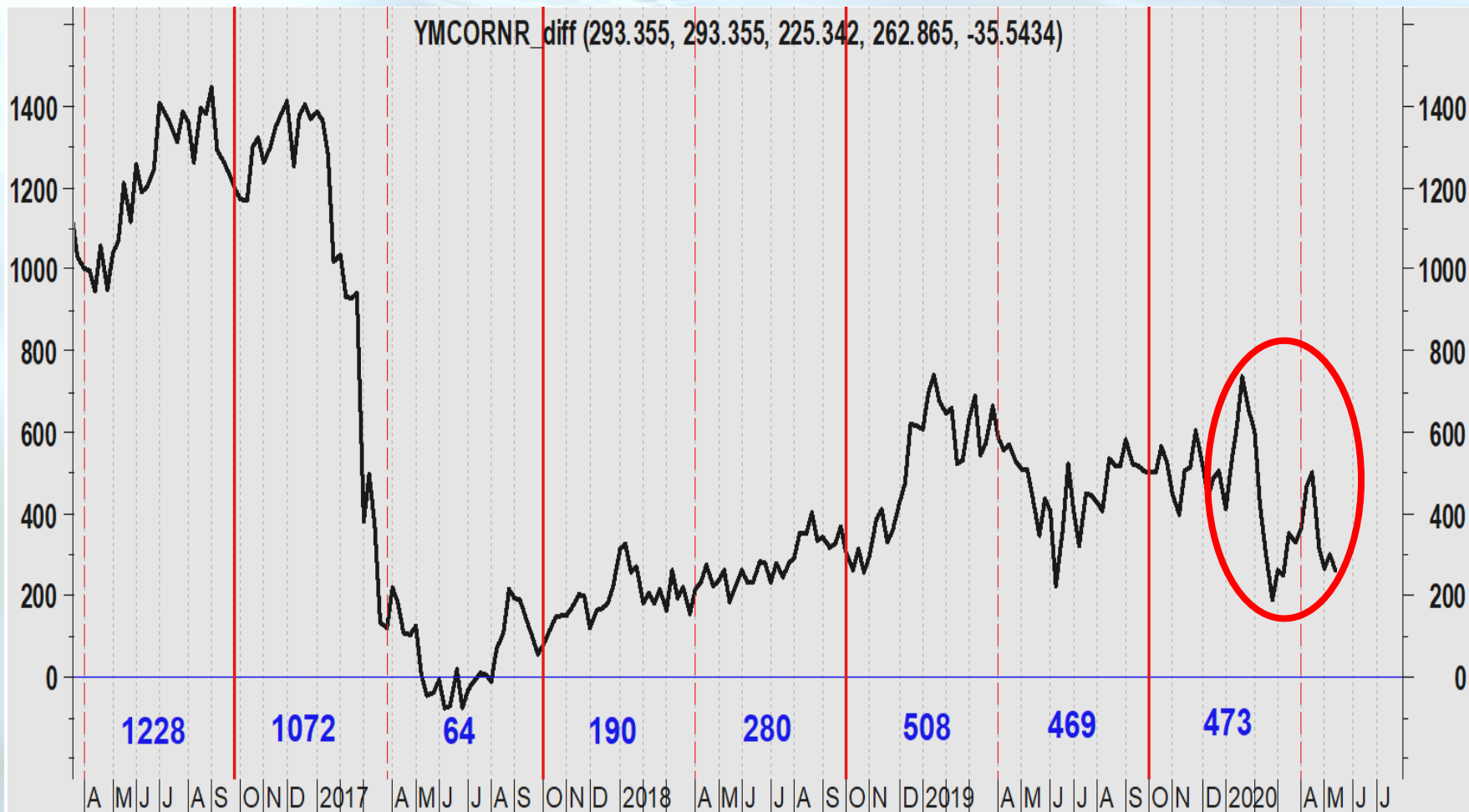
■ Poultry Integrated ■ Poultry External ■ Dairy ■ Other

# SAFEX YELLOW MAIZE PRICE

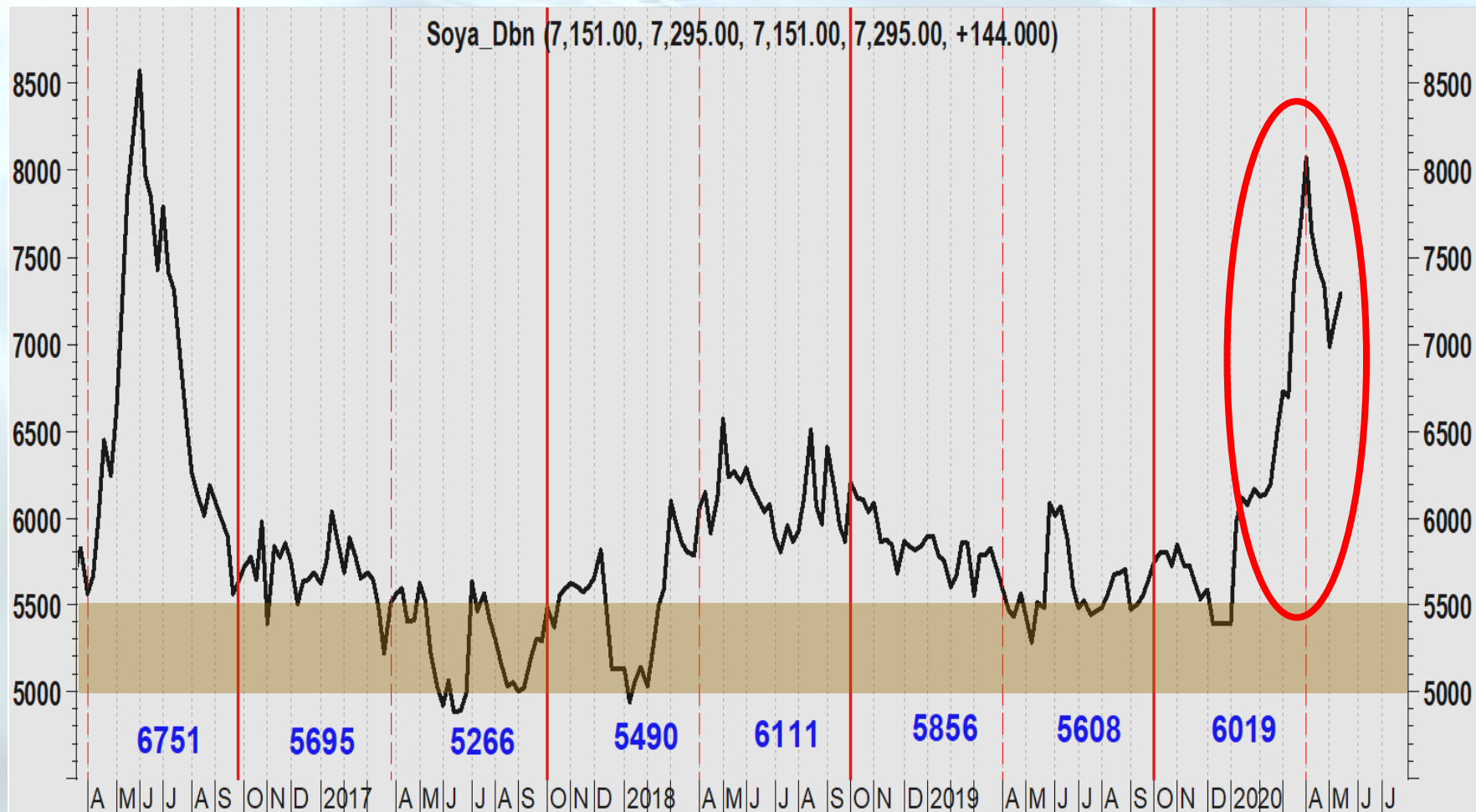




# SAFEX YELLOW MAIZE PRICE vs. CBOT IN RAND TERMS



# DURBAN SOYA MEAL PRICE







5/17/2020

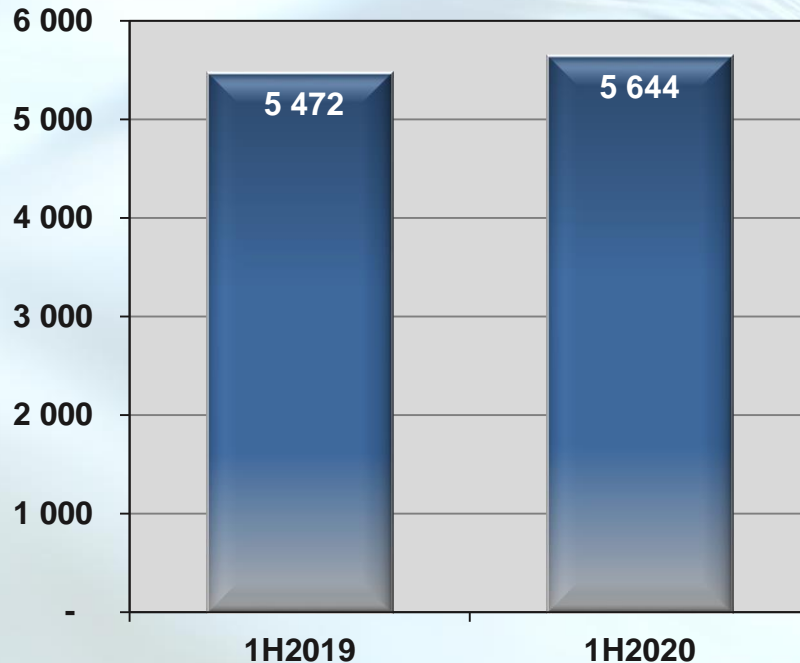
# POULTRY DIVISION

Commercial



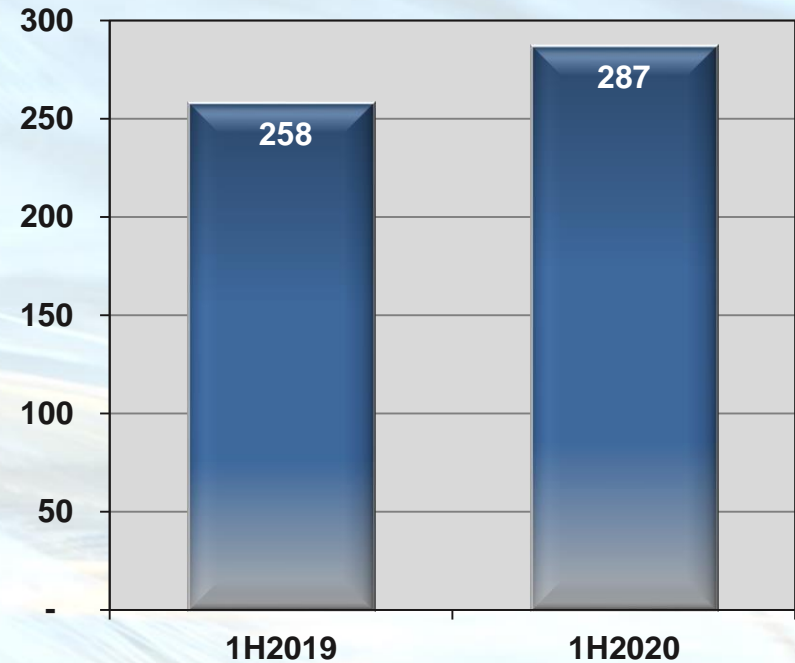
## POULTRY DIVISION - CONSOLIDATED

Revenue - R million



- Total revenue up 3.1%
- Broiler sales volumes down 2.5%
- Broiler sales realisations up 5.5%
- Breeder revenue up R44 million

Operating profit - R million



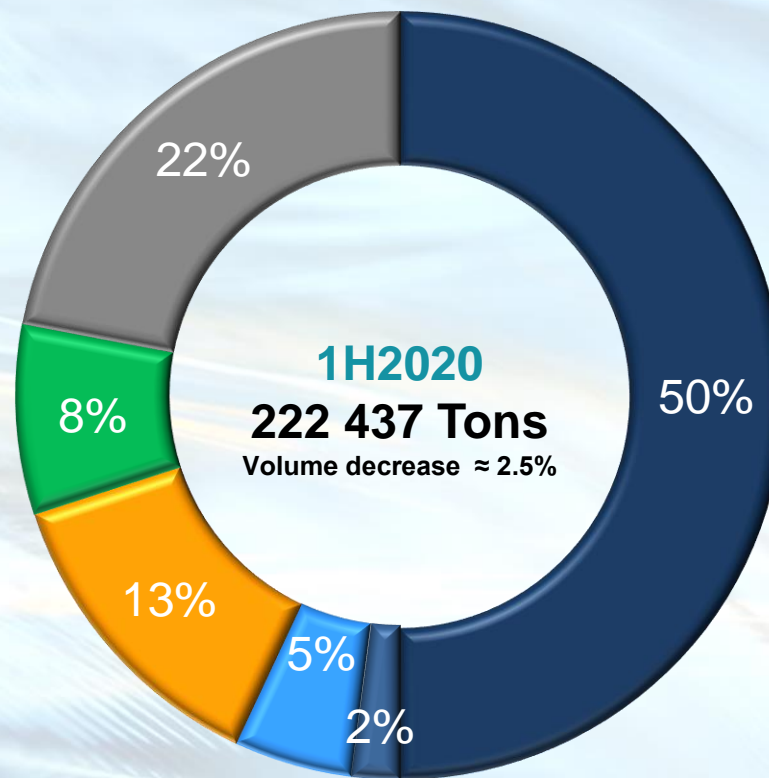
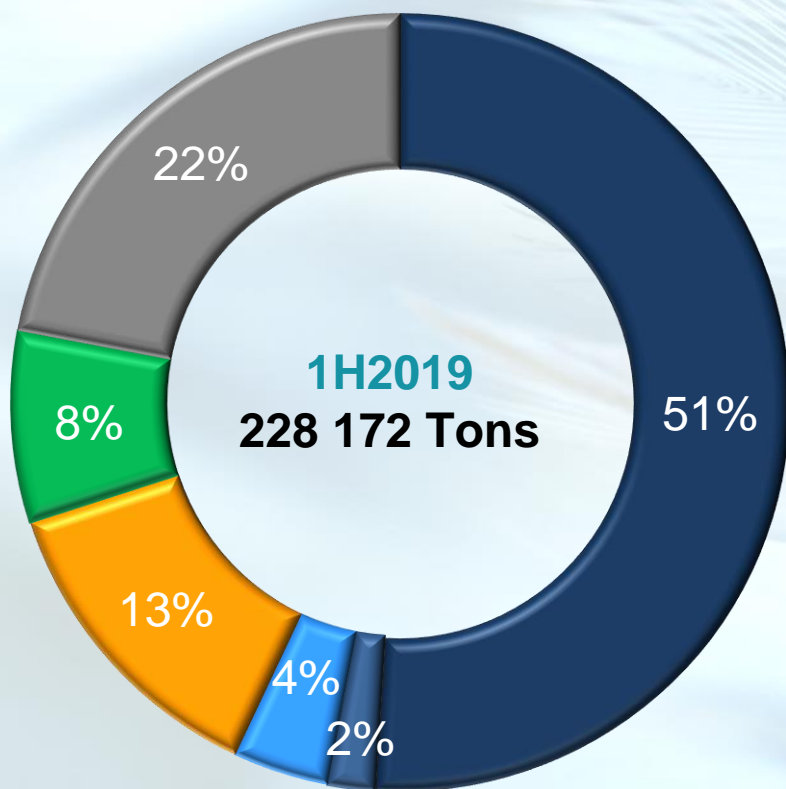
- Operating profit up 11.5%
- Broiler feed price up 6.0%
- Net margin 5.1% 1H2019: 4.7%

## POULTRY DIVISION - COMMERCIAL

- **Profits increased** for the period under review
- **Broiler selling prices increased** with less promotional activity relative to the comparable period
- Broiler slaughter numbers at an **average of 5.2 million birds per week** were marginally up by 2.3% year-on-year
- **Broiler sales volumes down** due to a change in the point of recognition of a sale with the new third party distribution agreement, which is based on a consignment stock model
- **Overhead expenses increased** over the comparable period with the legislated national minimum wage (not included in 1Q2019), exacerbated by the impact of load shedding nationally and on-going water supply costs in Standerton

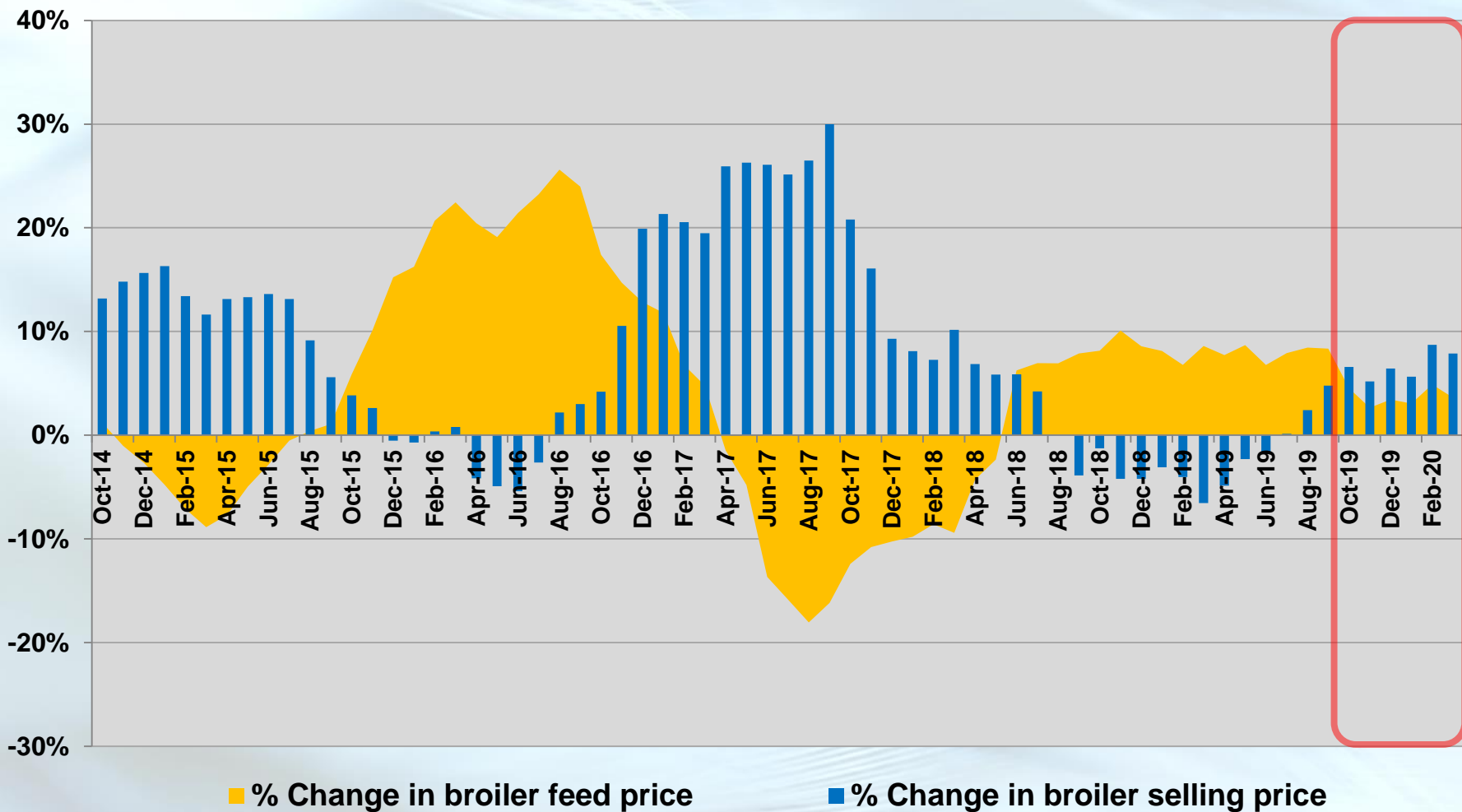


## POULTRY DIVISION – PRODUCT MIX



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

# CHANGE IN BROILER SELLING PRICE vs. FEED PRICE







5/17/2020



**Gary Arnold**  
**Managing Director: Agriculture**

**POULTRY**  
**DIVISION**

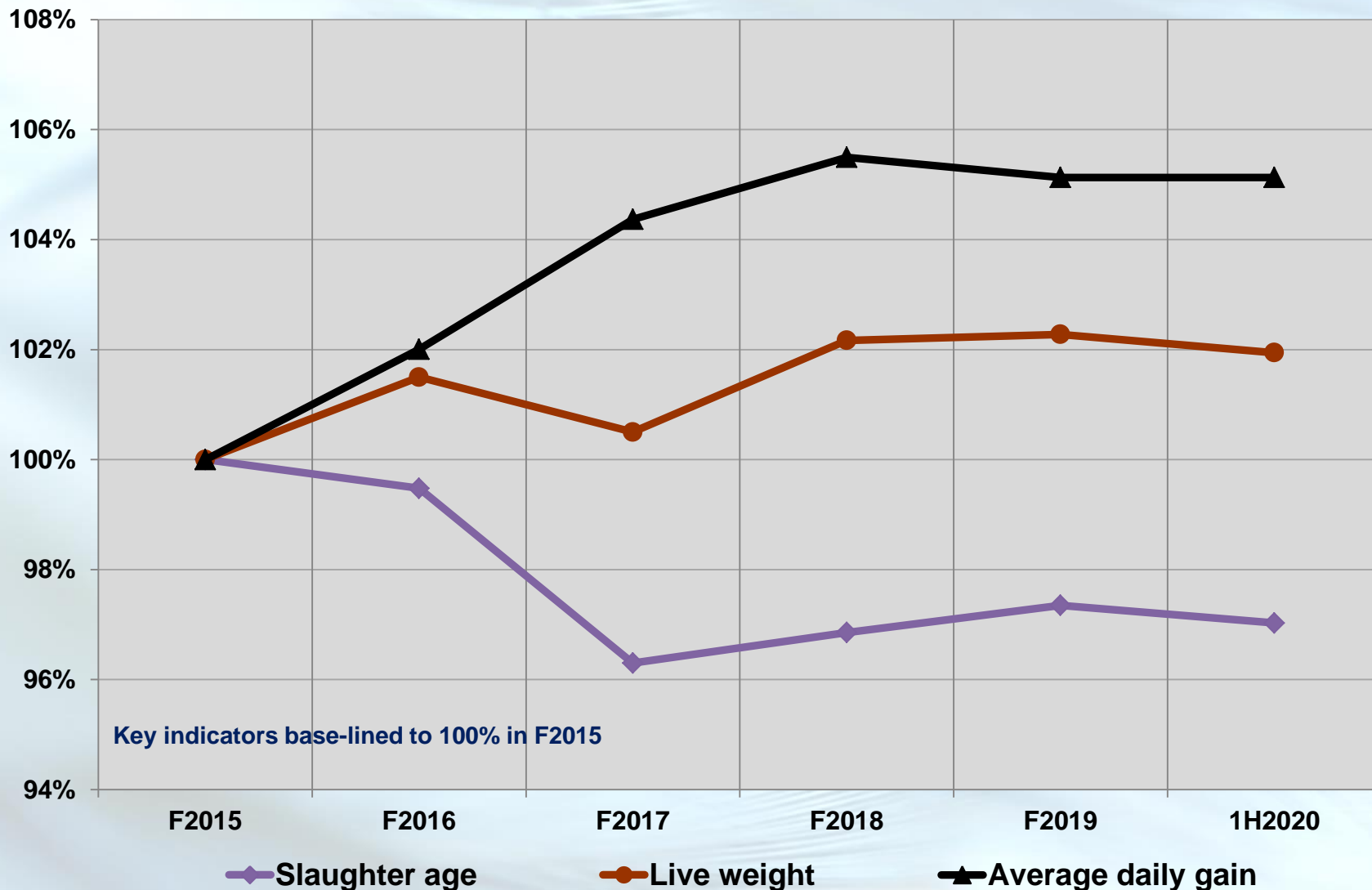
**Agriculture**



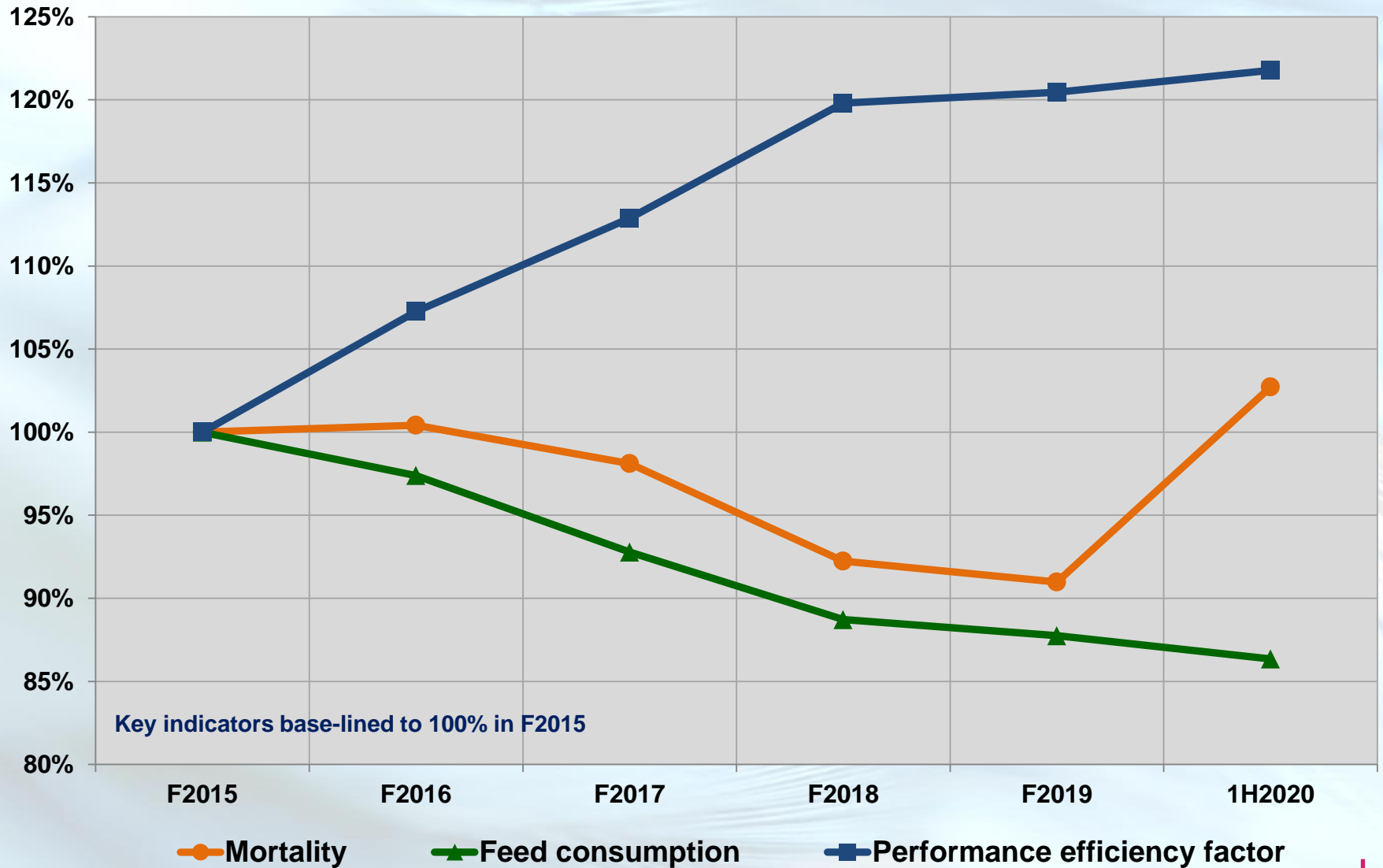
## POULTRY DIVISION - AGRICULTURE

- **Parent stock sales were higher** for the period under review as demand for the Ross genetics increased
- **Parent breeder productions were good**, with an improvement in the number of chicks per hen housed
- **Demand for hatching eggs decreased** as export markets came under pressure
- **Feed input costs increased** due to higher raw material costs adversely affecting the live bird production cost
- **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





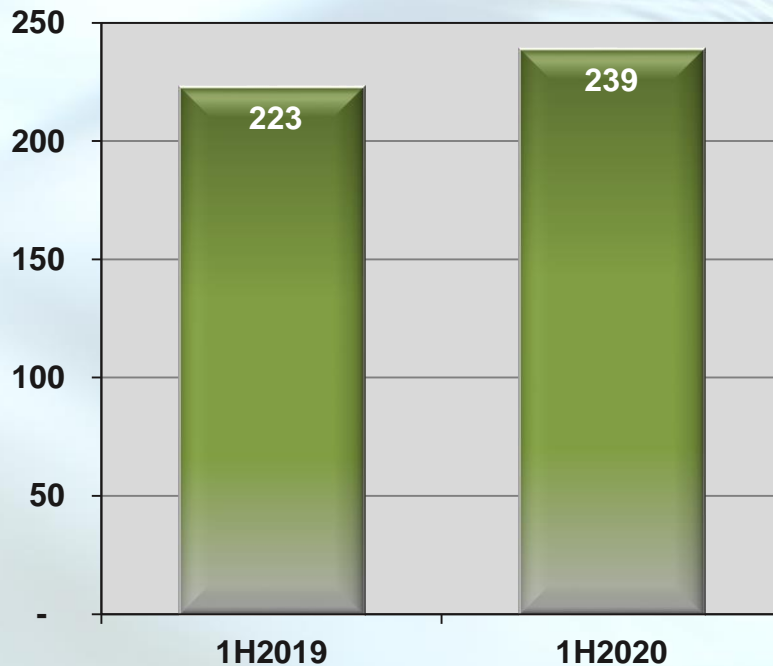


**OTHER  
AFRICA  
DIVISION**



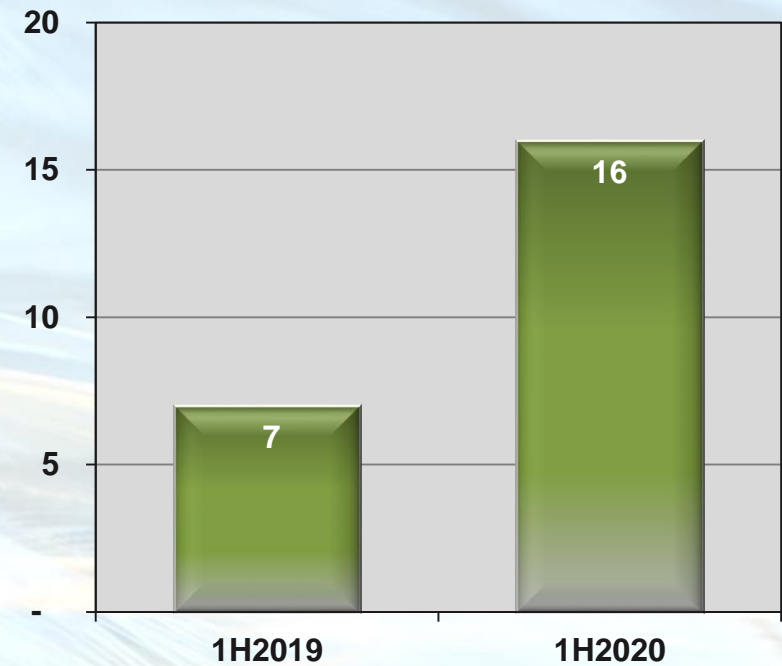
## OTHER AFRICA DIVISION (Zambia, Mozambique & Swaziland)

Revenue - R million



- Revenue up 7.0%
- Sales volumes down 4.0%
- Average selling prices up 11.5%

Operating profit - R million



- Operating profit up 131.9%
- Net margin 6.6% 1H2019: 3.0%
- Mozambique provision for non-recovery of various taxes in 1H2019



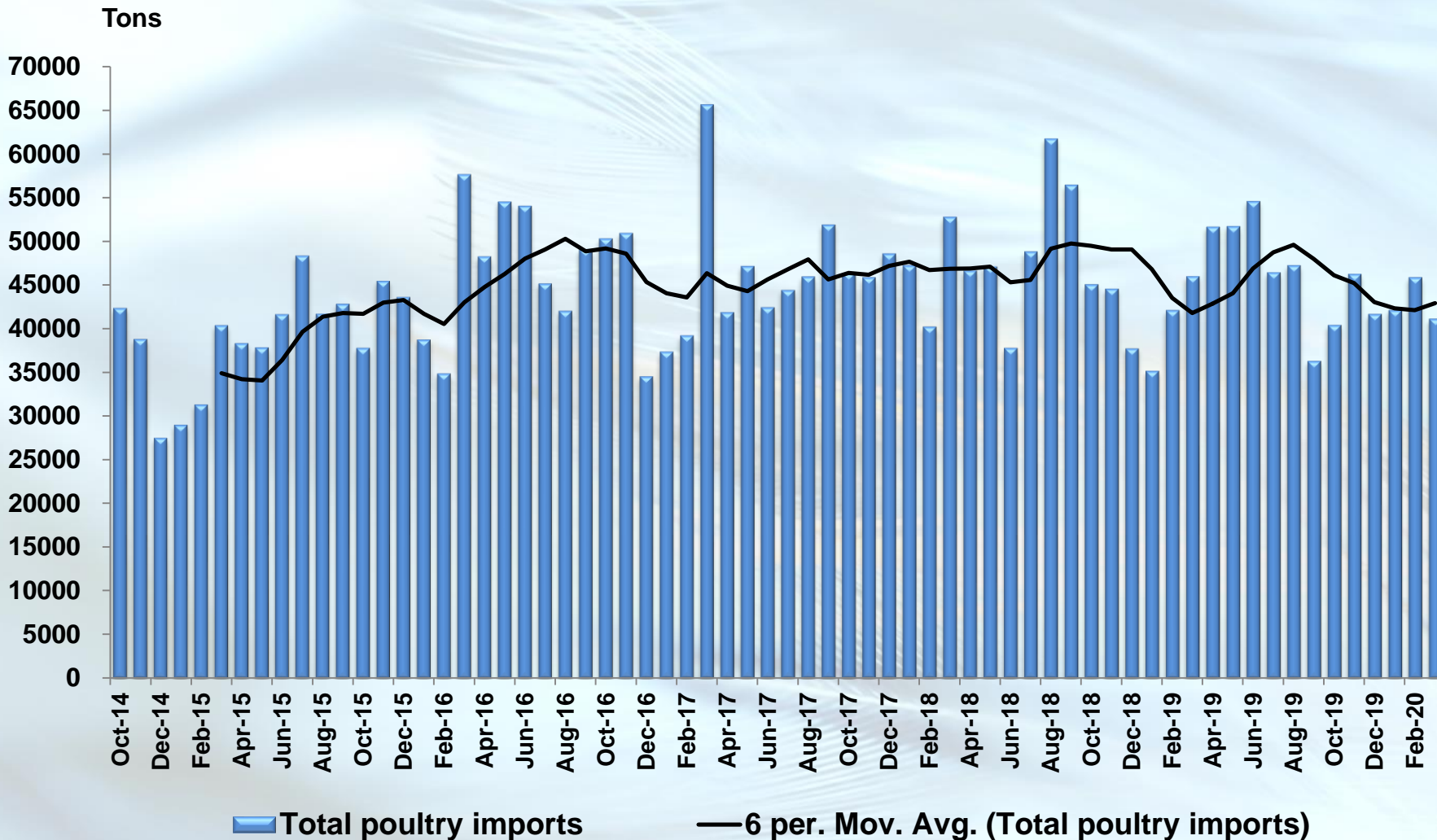
# **INDUSTRY MATTERS**

---

5/17/2020



# POULTRY IMPORTS PER MONTH



## INDUSTRY OVERVIEW

- Based on industry statistics **current broiler slaughter numbers** are an average of **19.6 million birds per week**
- For the period under review **the industry has remained stable** with no consolidation or divestment
- **Imports during the period averaged 42 907 tons per month (1H2019: 41 774 tons), equalling approximately 30% of total consumption**
- **An increase in the *ad valorem* import tariff** on bone-in and boneless cuts of chicken was announced on the 13<sup>th</sup> March 2020
- The tariff on **frozen bone-in chicken portions and boneless chicken cuts** increased from 37% to 62% and 12% to 42% respectively
- The establishment of an oversight committee with representation from government and all stakeholders will lend support to the **implementation of the Poultry Sector Master Plan**



**Daan Ferreira**  
**Chief Financial Officer**





# **FINANCIAL OVERVIEW**

---

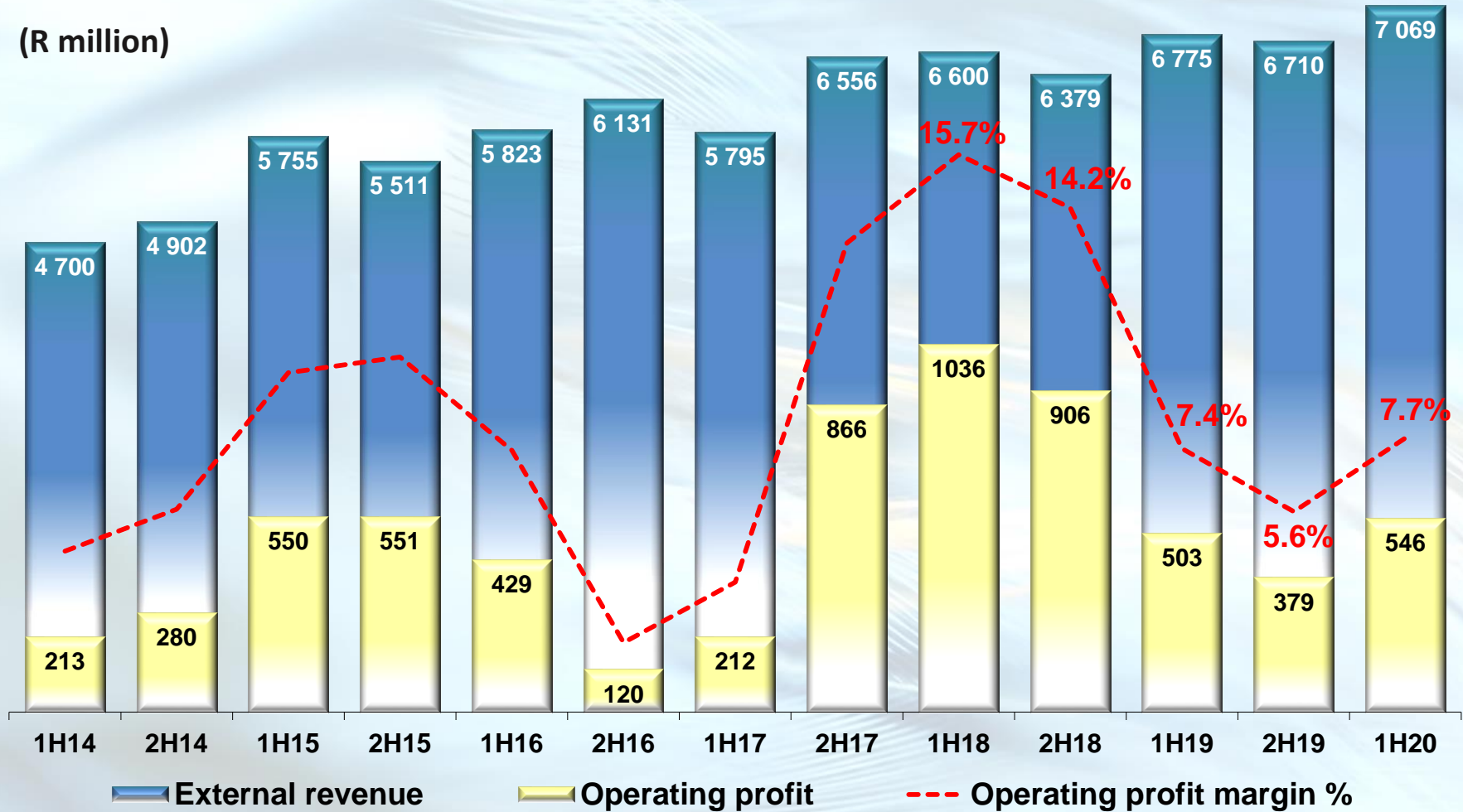


# INCOME STATEMENT

Six months ended 31 March	2020 R million	2019 R million	% change
Revenue	7 069	6 775	 4%
Operating profit	546	503	 8%
<i>Operating profit margin</i>	<i>7.7%</i>	<i>7.4%</i>	
Net finance (cost) / income	(27)	18	
Profit before tax	519	521	
Tax	(148)	(151)	
Profit for the period	371	370	
Headline earnings	369	368	
EPS – Cents	951	948	
HEPS – Cents	951	949	

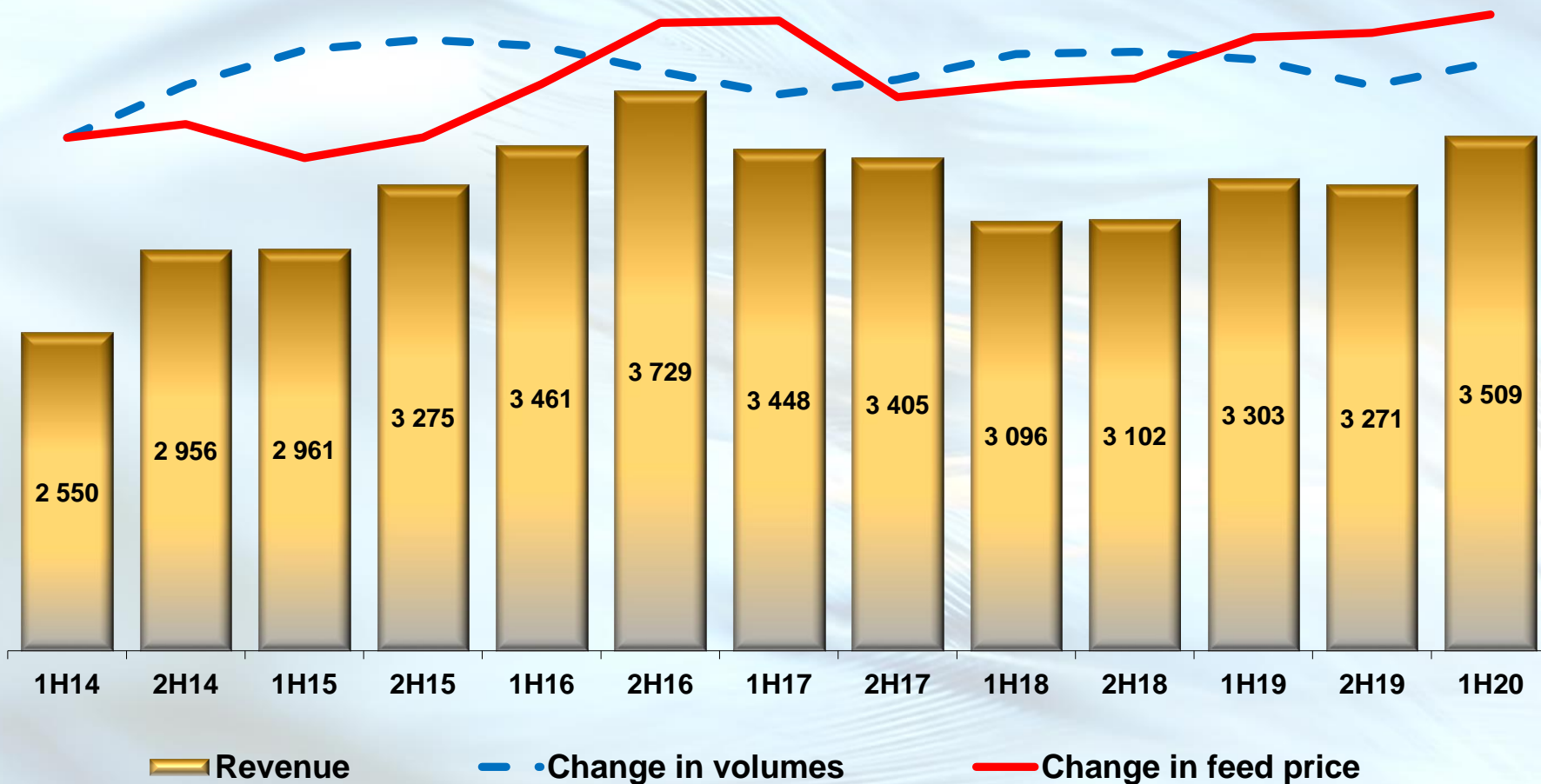
# GROUP SIX MONTHLY REVENUE AND PROFITABILITY

(R million)



## FEED SIX MONTHLY REVENUE

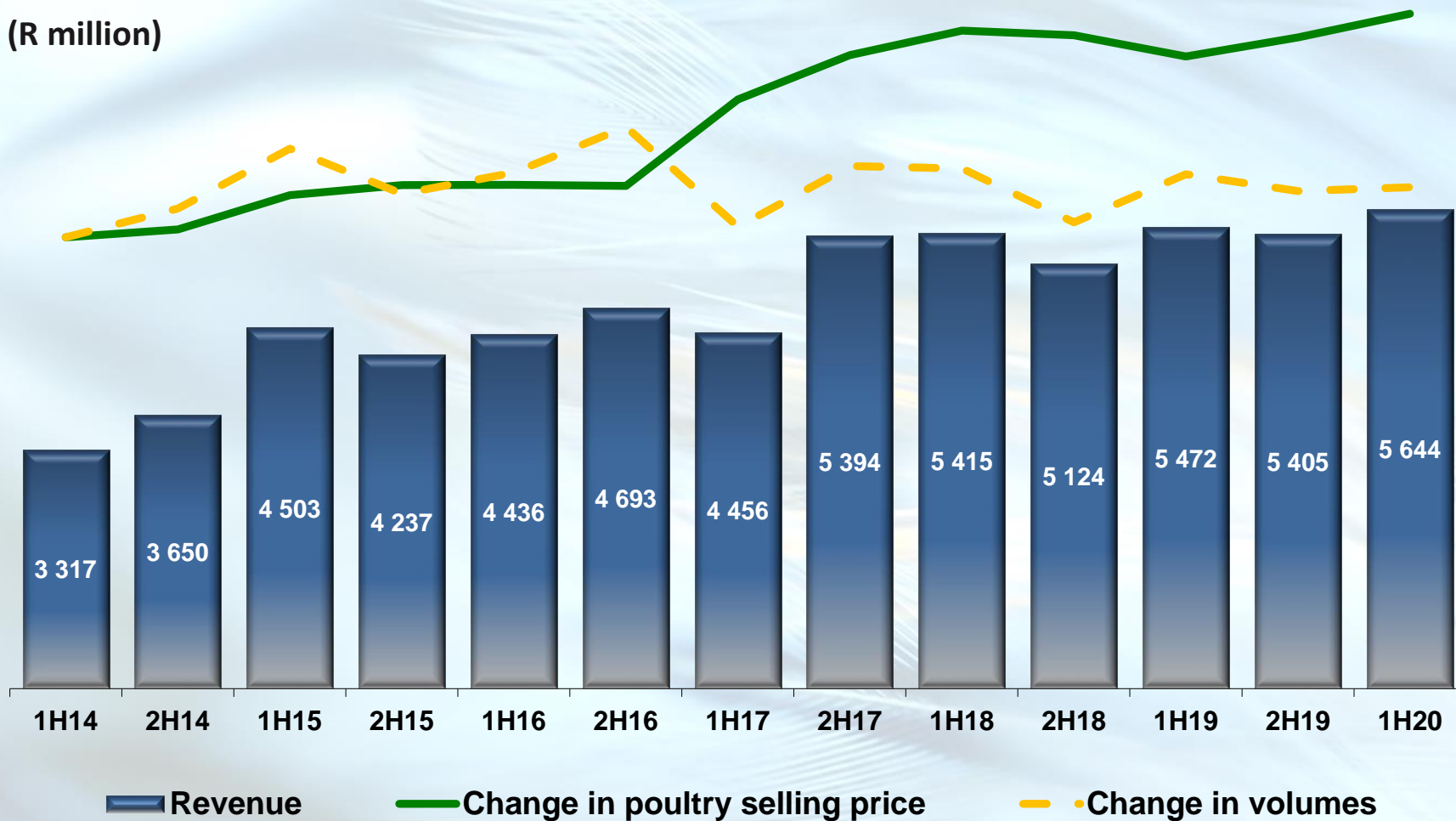
(R million)





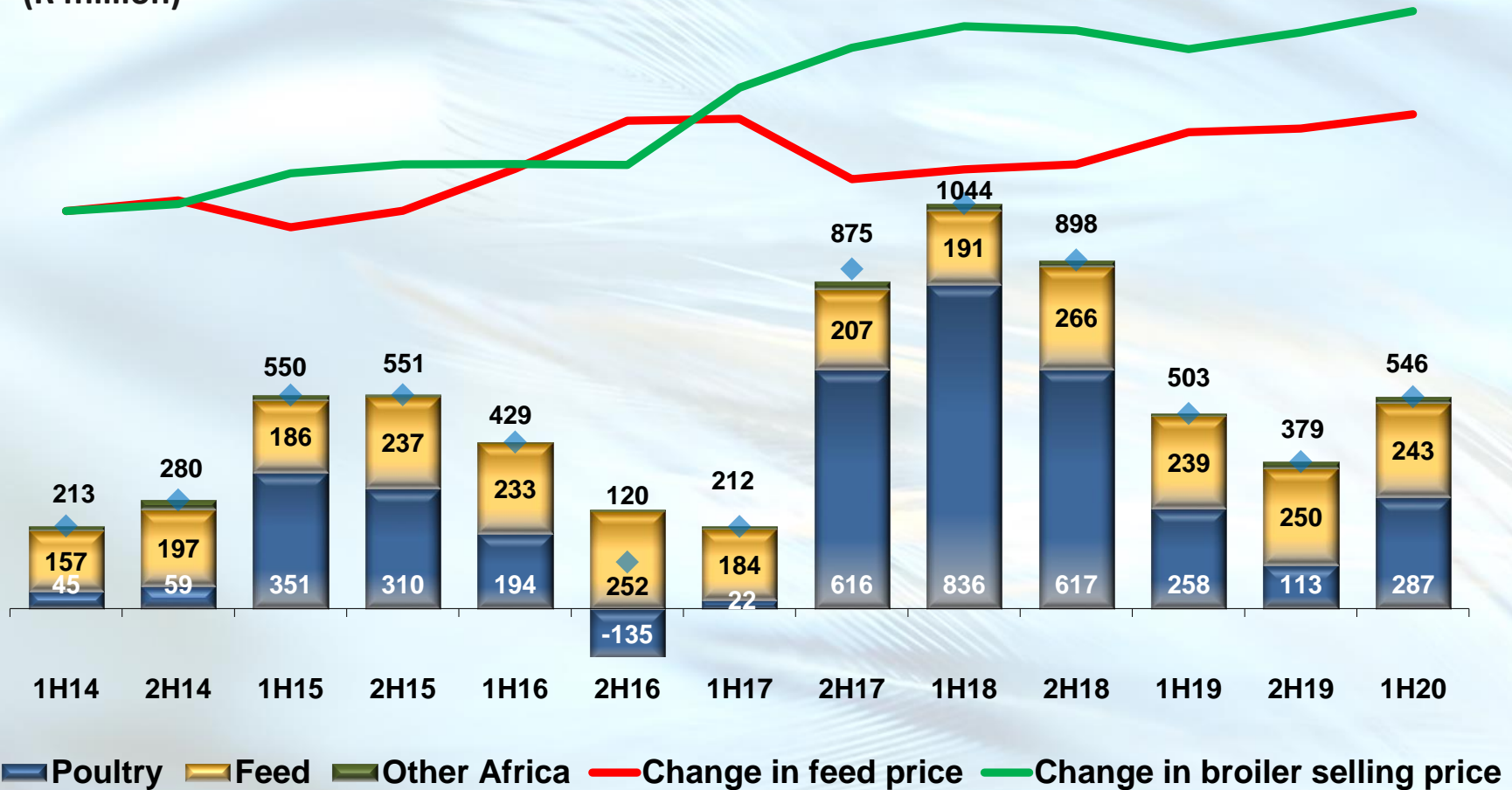
# POULTRY SIX MONTHLY REVENUE

(R million)



# GROUP SIX MONTHLY OPERATING PROFIT

(R million)



## BALANCE SHEET

	March 2020 R million	September 2019 R million	% change
Non-current assets	3 148	2 658	↑ 18%
Right of use assets	645	-	
Net working capital	1 113	1 288	↓ 14%
Current assets (excl. cash)	3 148	2 982	↑ 6%
Current liabilities (excl. borrowings / leases)	(2 035)	(1 694)	↑ 20%
Non-current liabilities (excl. leases)	(744)	(705)	↑ 6%
Lease liabilities	(664)	-	
Net assets	3 498	3 241	↑ 8%
Net (surplus cash)	(470)	(555)	↓ 15%
Equity	3 968	3 796	↑ 5%
Total	3 498	3 241	↑ 8%



## CAPITAL EXPENDITURE

Six months ended 31 March	1H2020 R million	2H2019 R million	1H2019 R million
<b>Depreciation</b>	<b>197</b>	<b>88</b>	<b>88</b>
Property, plant & equipment	91	88	88
Right of use assets	106	-	-
<b>Total capex spend</b>	<b>311</b>	<b>312</b>	<b>345</b>
Festive expansion (including advance payments)	249	217	223
Standerton silo upgrade	5	11	30
Other capex	57	84	92
<b>Outstanding commitments</b>	<b>342</b>	<b>537</b>	<b>753</b>
Festive expansion	245	435	651
Standerton silo complex	7	11	22
Other capex	90	91	80

## WORKING CAPITAL

	March 2020 R million	September 2019 R million	Variance R million
<b>Current assets</b>	<b>3 148</b>	<b>2 982</b>	<b>166</b>
Biological assets	801	759	42
Inventory - Poultry	512	337	175
- Feed	428	291	137
- Other Africa	40	63	(23)
Trade receivables	1 225	1 152	73
Advance capex payments	-	256	(256)
Other receivables	142	124	18
<b>Current liabilities</b>	<b>(2 035)</b>	<b>(1 694)</b>	<b>(341)</b>
Trade payables	(1 491)	(1 133)	(358)
Other payables	(544)	(561)	17
<b>Net working capital</b>	<b>1 113</b>	<b>1 288</b>	<b>(175)</b>

## STATEMENT OF CASH FLOWS

Six months ended 31 March	2020 R million	2019 R million
Cash operating profit	715	407
Share based payments	(24)	
Lease payments	(122)	-
	569	407
Working capital movement	(116)	100
	453	507
Tax paid	(71)	(131)
Net interest received	12	21
Capital expenditure	(311)	(345)
	83	52
Dividends paid	(165)	(409)
Other cash flow items	-	(1)
Movement in cash equivalents	(82)	(358)
Effect of exchange rate changes	(3)	-
Opening balance	555	789
Closing balance	470	431



## IN SUMMARY

- **Group operating profit up 8.5%**
- **Finance charges up**
  - Change in accounting for leases
- **No change in earnings for the period**
  - Net impact of lease accounting R(14) million
- **Net cash outflow of R82 million**
  - Includes dividend paid of R165 million
  - Capital expenditure of R311 million
- **Surplus cash at 31 March 2020 of R470 million**
- **No interim dividend declared**
  - Uncertainty around seemingly indefinite lockdown



**Chris Schutte**  
**Chief Executive Officer**



# **OUTLOOK**

---

## NEGATIVE INFLUENCES EXACERBATED BY **LOCKDOWN**

- **Unprecedented unemployment rate** expected following the hard lockdown, and resultant financial impact on businesses and the economy at large
- **Consumer disposable income** will be severely constrained, with a very slow recovery out of the lockdown as expected by most economists
- **Exchange rate effect** on input costs, with the Rand pricing of soya and maize negatively impacted
- **Higher costs due to COVID-19** with constraints on global supply chains and price increases of essential inputs
- **QSR sector shutdown** (accounting for 20% of poultry consumed) and late payments, due to this market sector being impacted during the lockdown
- **Product mix change** resulting in a shift to lower margin products on slower fresh, value added and QSR sales
- **Astral's capacity expansion delayed**, due to project commissioning not being completed as a result of the lockdown



## POSITIVE INFLUENCES

- **All of Astral's operations are running like clockwork**, and to date no disruptions have been experienced, with stringent social distancing, screening and employee welfare measures (sufficient PPE) implemented
- **Above average maize crop** for the 2020 harvest season, should result in favourable feed costs from August if not further impacted by local currency weakness
- **Higher import tariffs on frozen bone-in portions** announced in March 2020, should go some way in levelling the playing fields and discouraging unfair trade
- **Production efficiency and product mix opportunities** when the Festive expansion is completed
- **Progressive genetic improvement of the Ross broiler breed** will continue to support the group's best cost strategy





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

*Confirmed August 2019*



**THANK YOU**





# **ADDITIONAL INFORMATION**

---

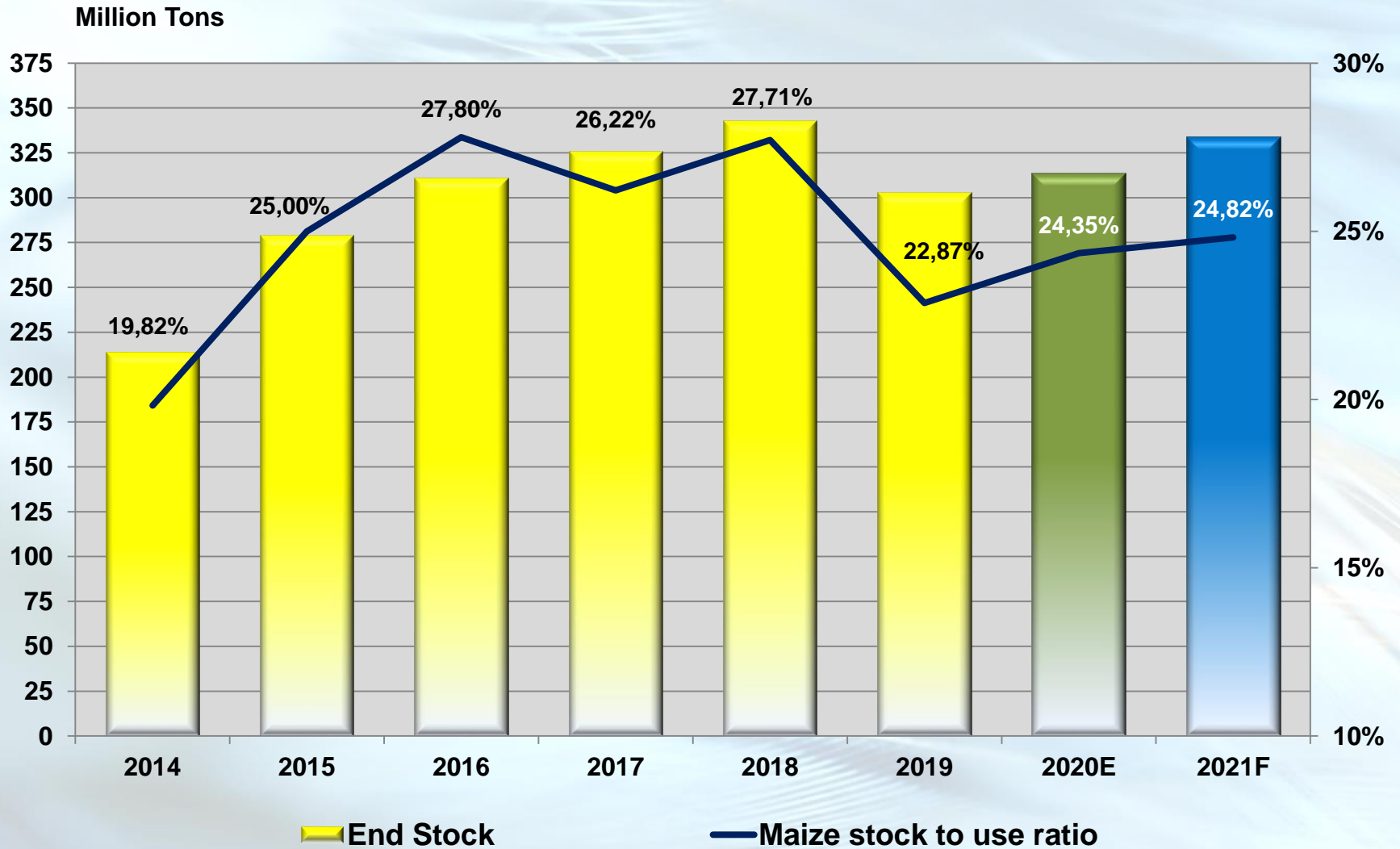
5/17/2020



# ACCOUNTING CONSIDERATIONS – MARCH 2020

R million	Revenue	Expenses	Operating Profit	Finance Charges	Inventory	Other
<b>Consignment distribution model</b>						
Recognition of sales	(166)		(19)		132	
Recognition of distribution costs	69	69				
<b>Leases – change in accounting</b>						
Additional amortisation		106				
Reallocate lease payments		(122)	16	(35)		
Right-of-use asset						645
Lease liabilities						(664)
<b>Service related costs</b>						
Load shedding		23	(23)			
Water supply interruptions		13	(13)			
<b>COVID-19 related</b>						
Additional operating expenses		6	(6)			
Impairment finished goods			(15)		(15)	
Increased critical stock holding						
Feed					75	
Poultry					36	
<b>Total</b>	<b>(97)</b>	<b>95</b>	<b>(60)</b>	<b>(35)</b>	<b>228</b>	<b>(19)</b>

# WORLD CORN ENDING STOCKS

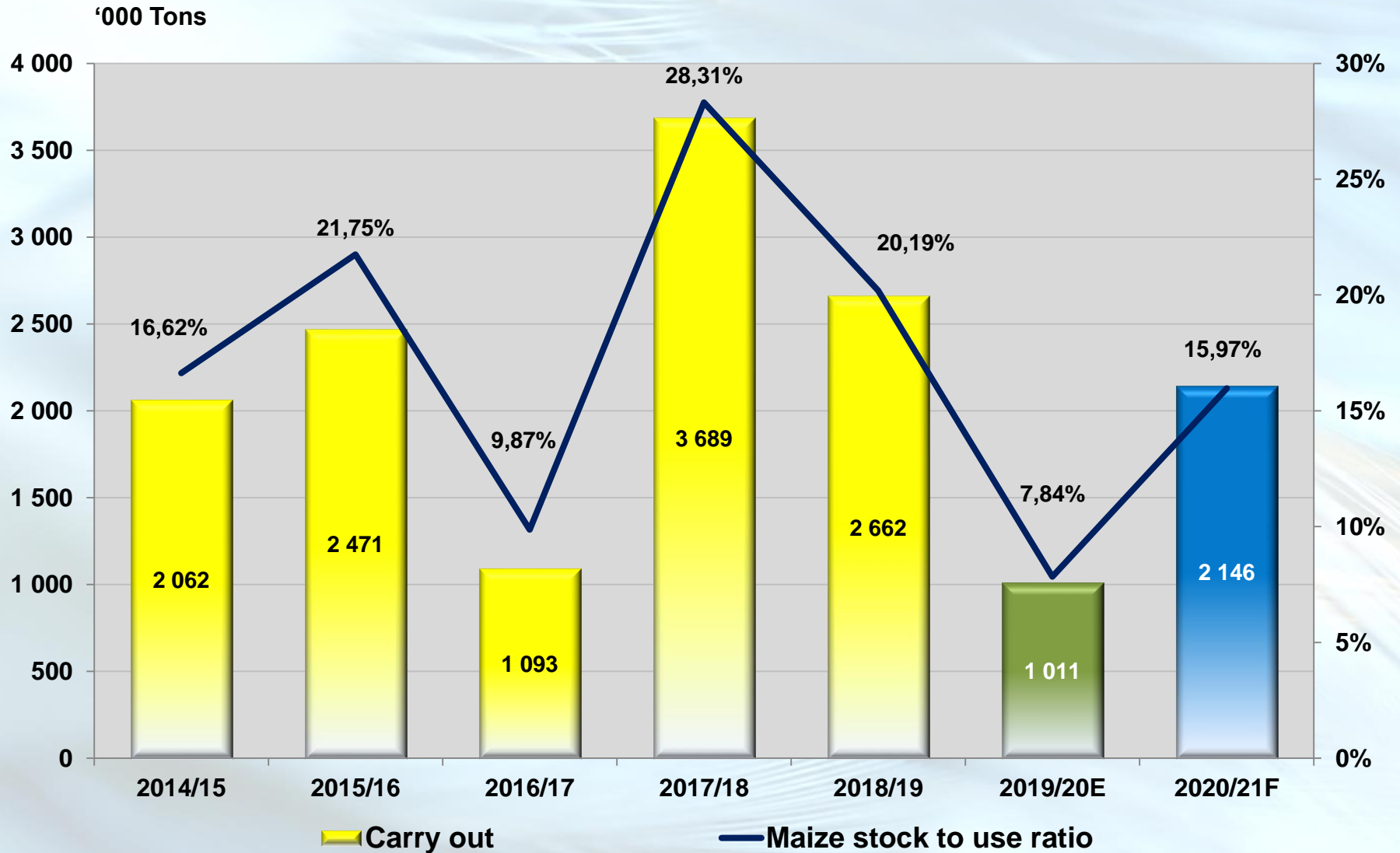


# SOUTH AFRICA – TOTAL MAIZE SUPPLY & DEMAND

<i>Marketing year (May to April)</i> <i>'000 tons</i>	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20E	2020/21F
	Actual	Actual	Actual	Actual	Actual	Estimate	Forecast
<b>Carry In (1 May)</b>	589	2 074	2 471	1 093	3 689	2 662	1 011
<b>Crop Estimate</b>	14 250	9 955	7 779	16 820	12 510	11 275	15 222
<b>Retentions</b>	433	163	309	1 191	495	539	650
<b>Sagis Delivery</b>	13 817	9 794	7 469	15 629	11 984	10 736	14 572
<i>Minus early deliveries</i>	0	0	450	0	0	0	0
<b>Imports</b>	65	1 964	2 237	0	172	510	0
<b>Total Supply</b>	14 471	13 831	11 727	16 722	15 845	13 909	15 583
<b>Domestic Usage Food</b>	4 840	4 698	4 808	4 993	5 161	5 378	5 260
<b>Domestic Usage Feed</b>	5 041	5 520	5 004	5 276	5 508	5 910	6 450
<b>Gristing, withdrawn &amp; released</b>	376	293	278	313	239	189	216
<b>Total Domestic Usage</b>	10 257	10 512	10 090	10 583	10 907	11 477	11 926
<b>Exports &amp; Sundries</b>	2 153	848	993	2 451	2 276	1 421	1 510
<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	1 011	2 146
<b>No of days usage</b>	73	86	40	127	89	32	66
<b>STU</b>	16,62%	21,75%	9,87%	28,31%	20,19%	7,84%	15,97%



# SOUTH AFRICA – TOTAL MAIZE SUPPLY & DEMAND

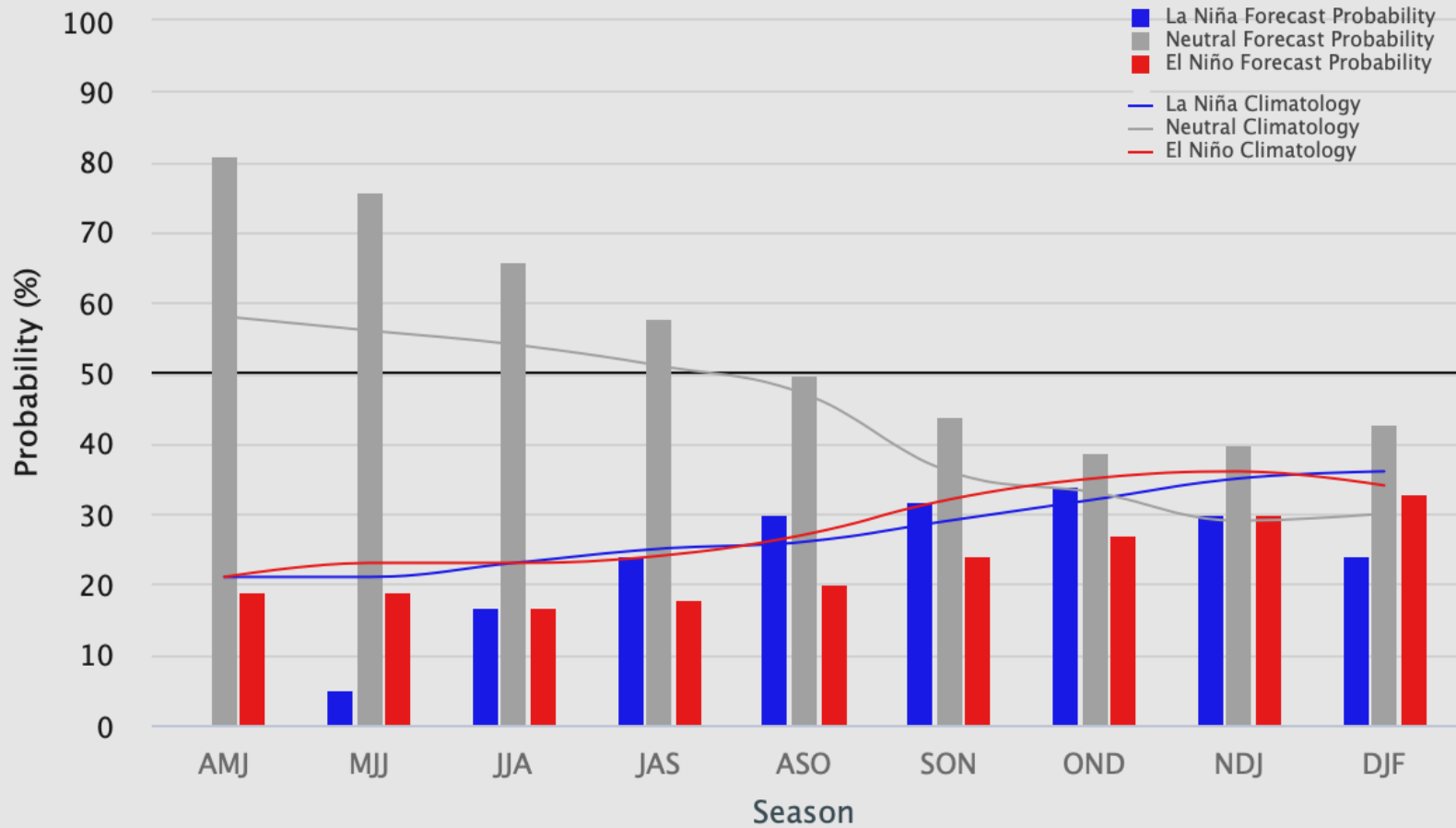


# EL NIÑO SOUTHERN OSCILLATION - FORECAST

Mid-April 2020 IRI/CPC Model-Based Probabilistic ENSO Forecasts

ENSO state based on NINO3.4 SST Anomaly

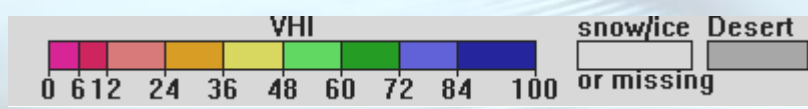
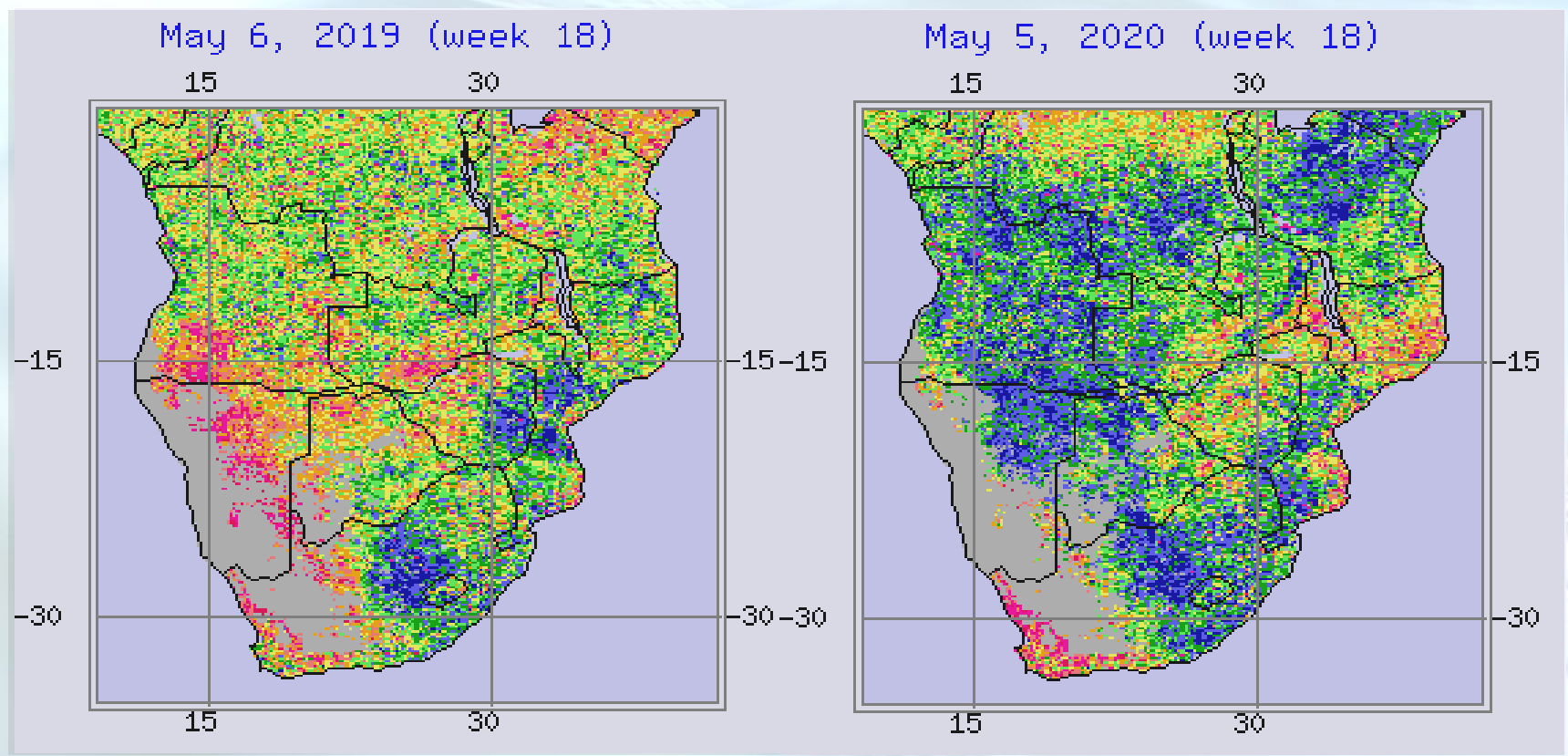
Neutral ENSO:  $-0.5\text{ }^{\circ}\text{C}$  to  $0.5\text{ }^{\circ}\text{C}$



# SOUTHERN AFRICA - VEGETATIVE HEALTH INDEX

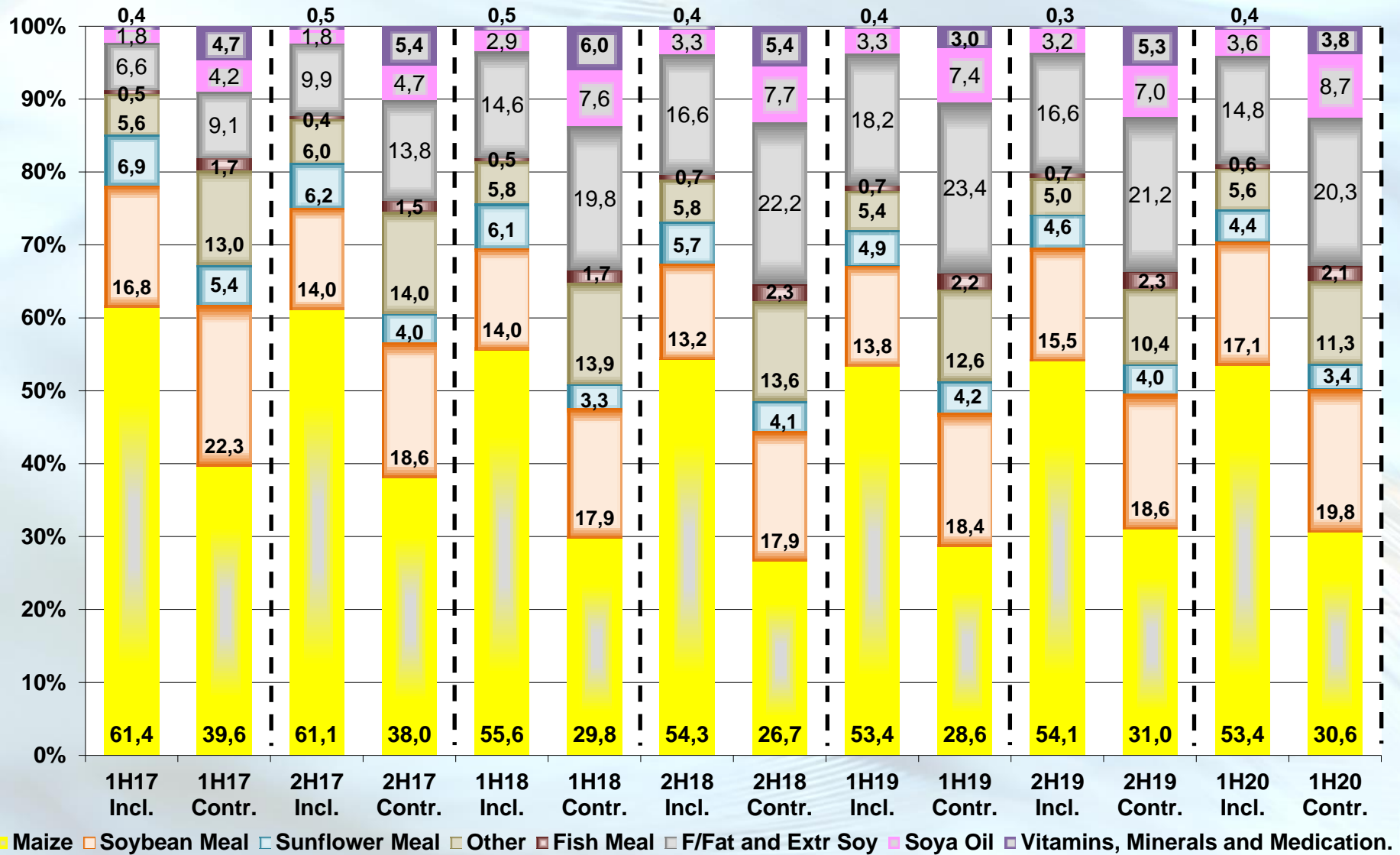
## VHI of previous year

## VHI of current year

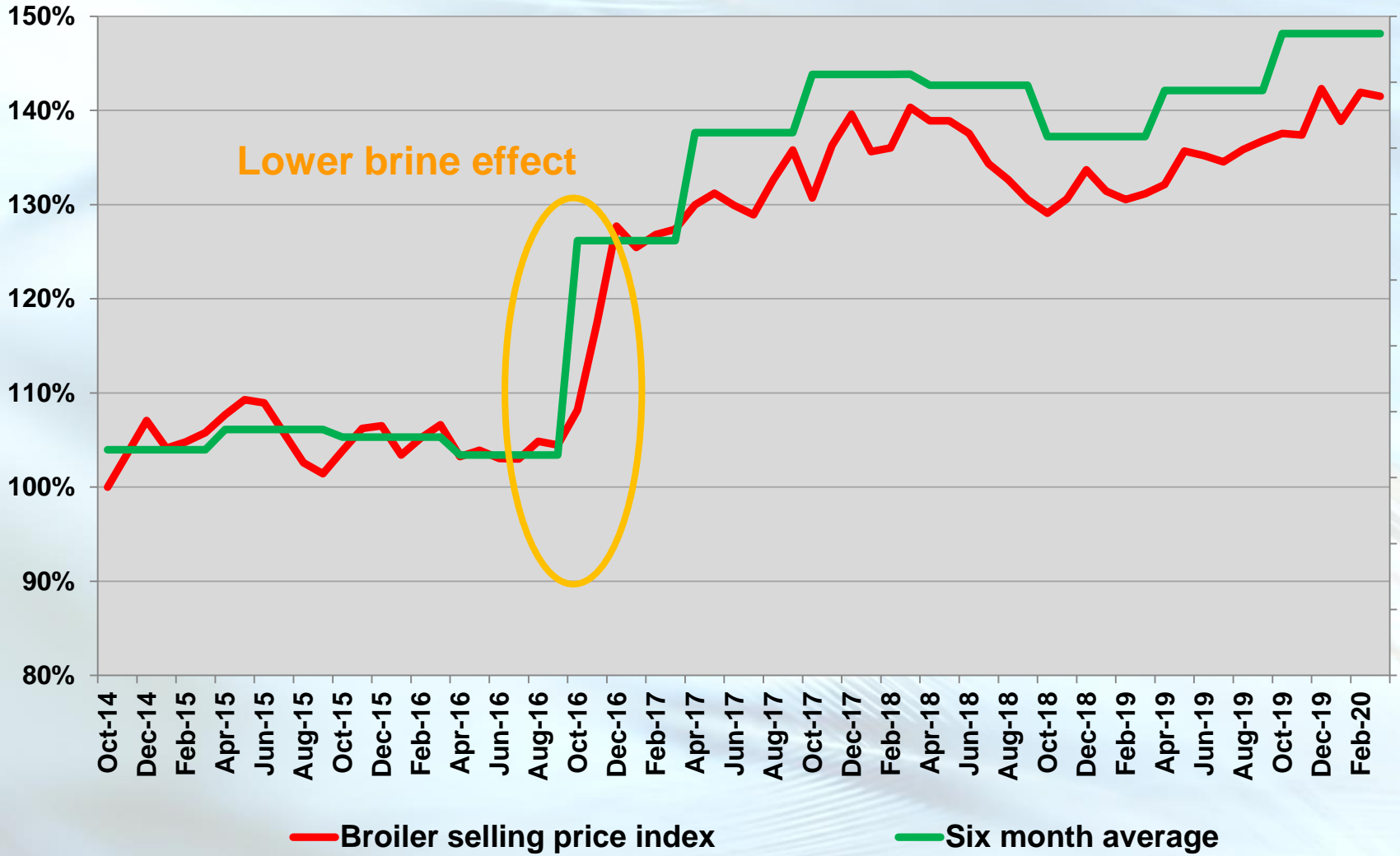




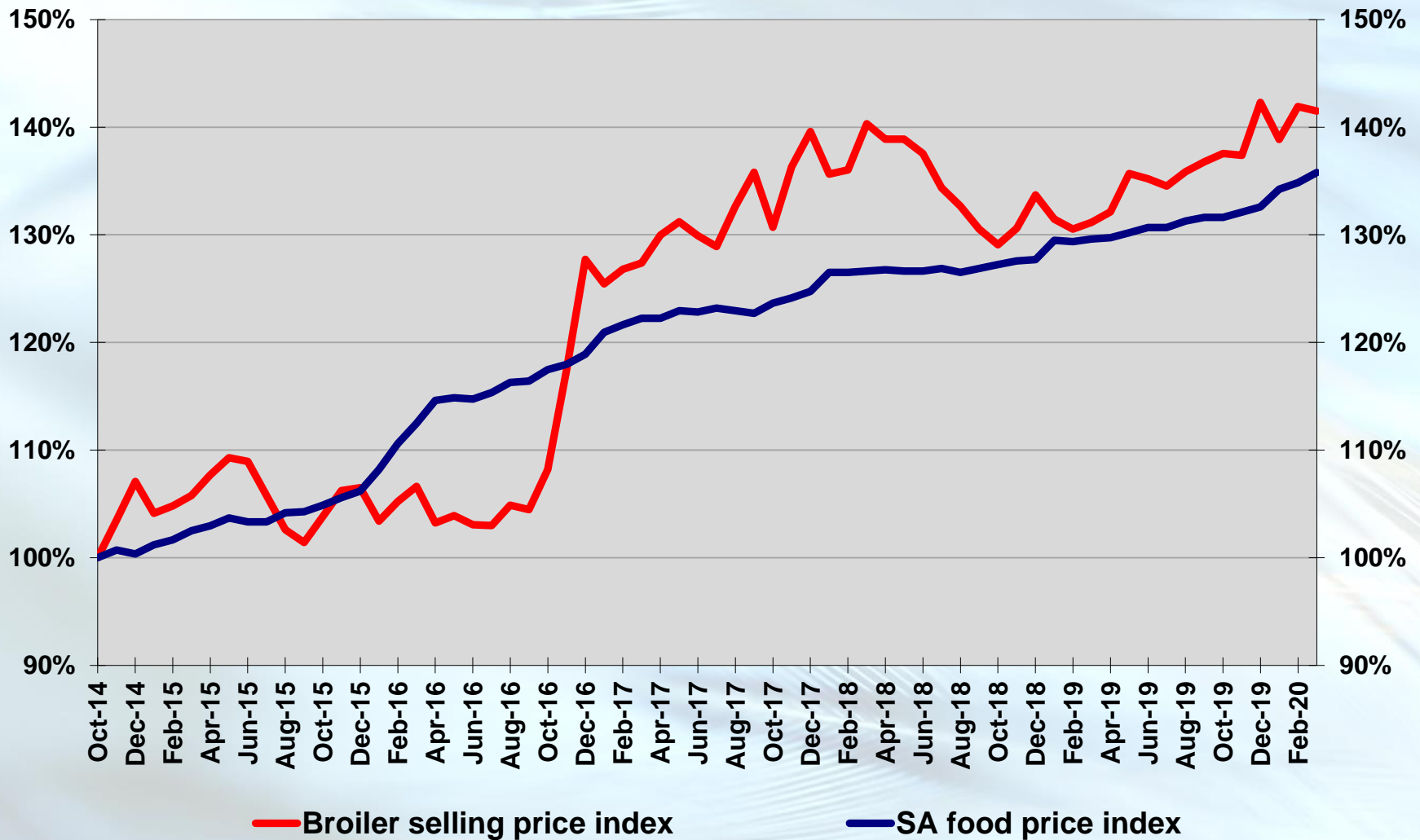
# BROILER FEED – INGREDIENT INCLUSION & COST CONTRIBUTION



# BROILER SELLING PRICE

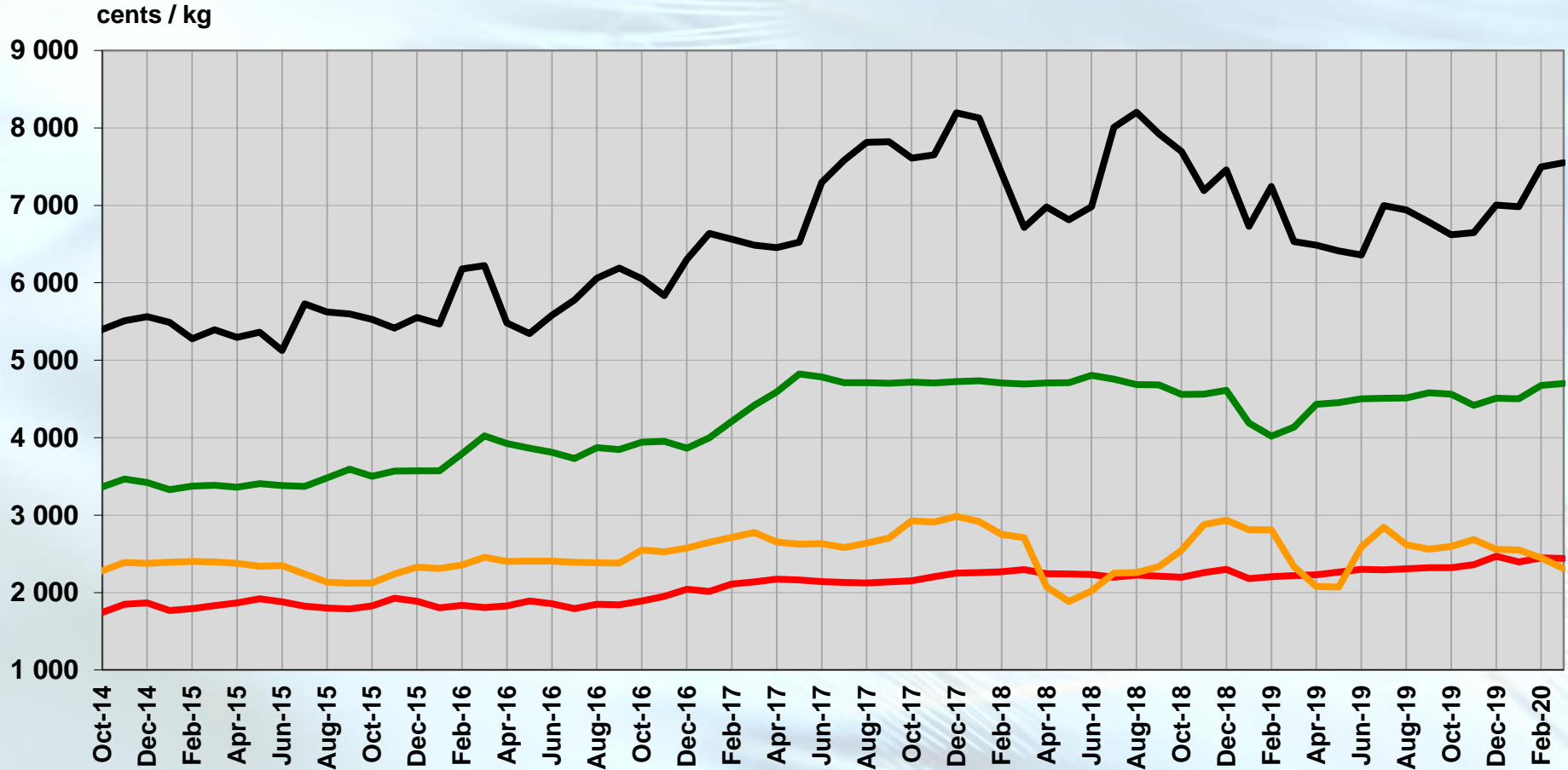


# BROILER PRICE vs. FOOD PRICE INFLATION





# SOUTH AFRICAN PROTEIN PRICE COMPARISON



**Chicken**

**Pork**

**Beef**

**Mutton**

Feed Conversion Rate

1.5

2.2

5.5

5.0

Per Capita Consumption

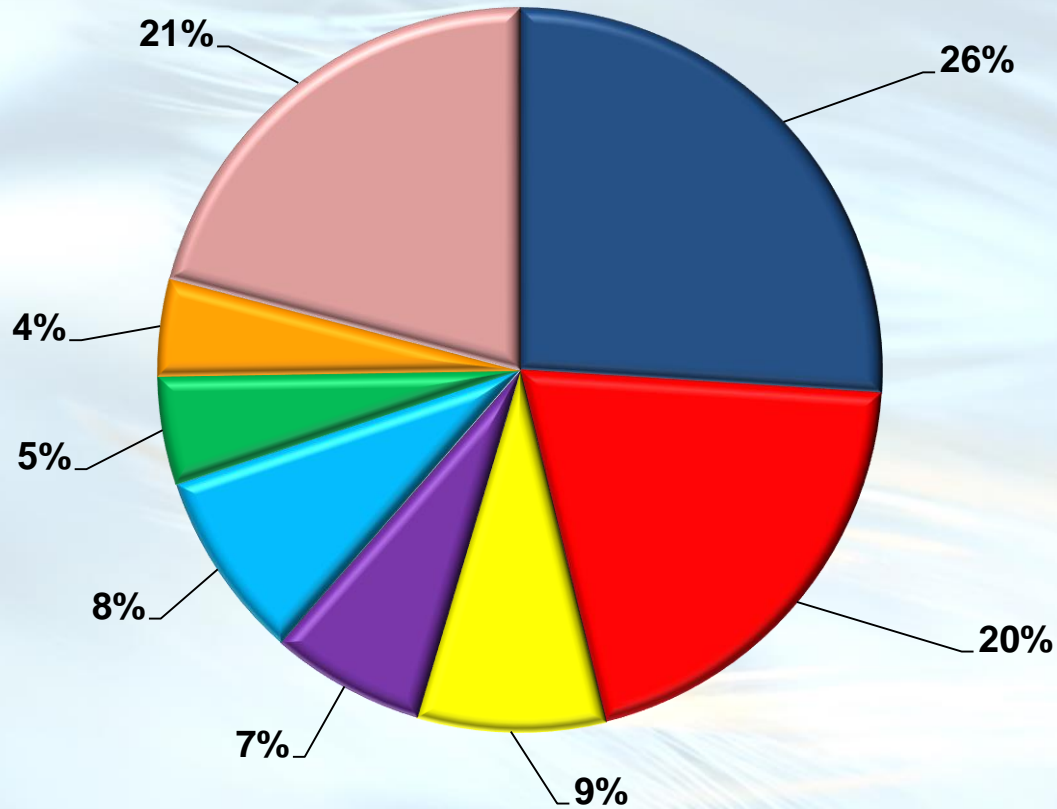
39,3 kg

5,1 kg

17,2 kg

3,1 kg

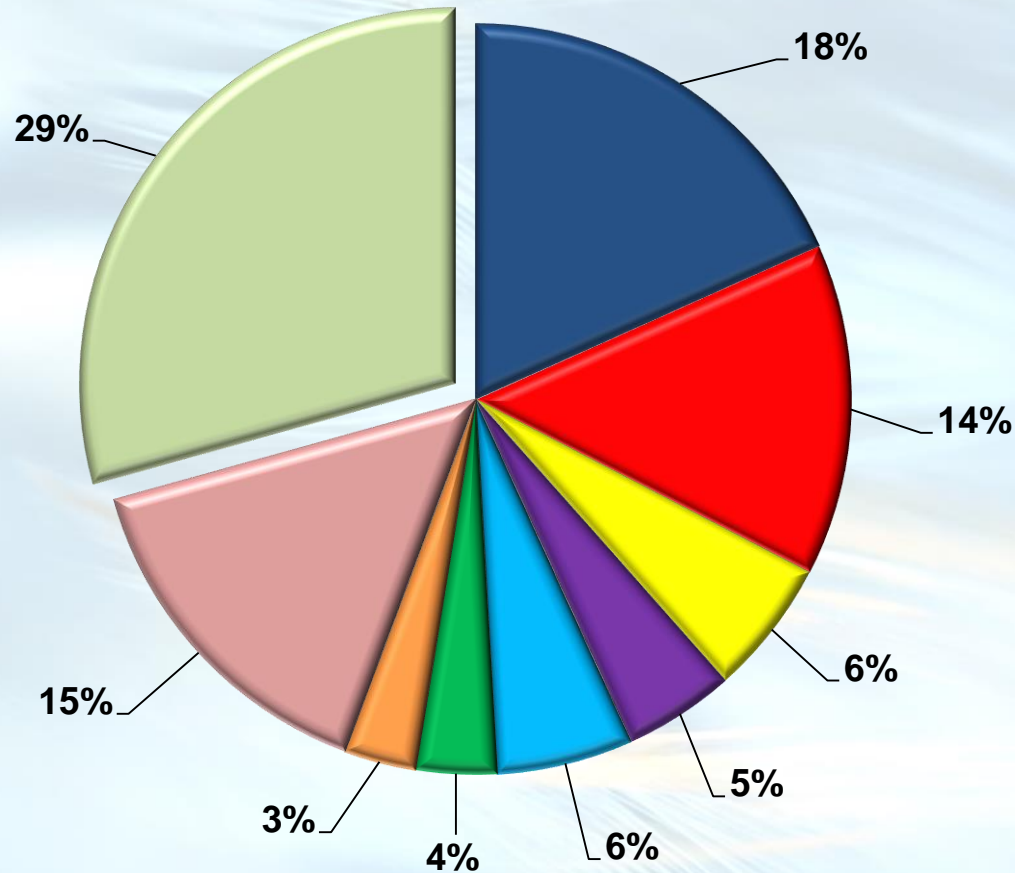
# LOCAL BROILER PRODUCTION & MARKET SHARE



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

**Local broiler production ≈ 19.6 million birds per week**

# LOCAL BROILER PRODUCTION & MARKET SHARE

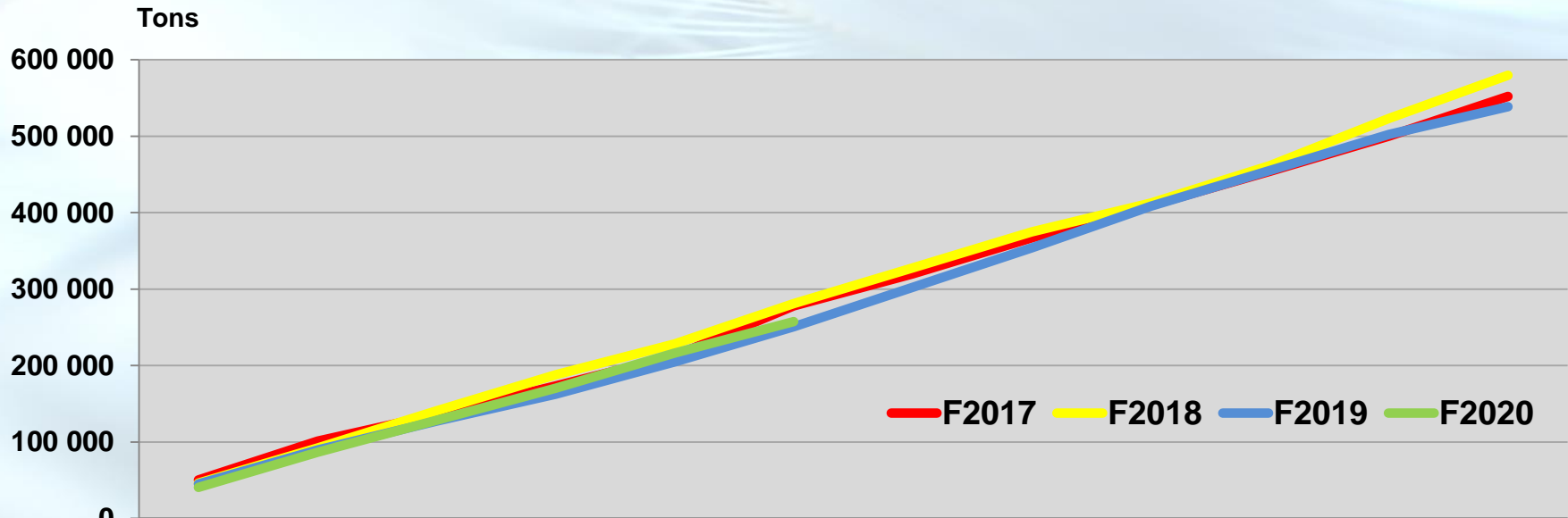


■ Astral ■ RCL ■ Country Bird ■ Daybreak ■ Sovereign ■ Grainfields ■ Chubby Chick ■ Other ■ Imports

**Avg. poultry imports ≈ 7.7 million birds per week  
(6 months ending March 2020)**



# TOTAL POULTRY IMPORTS (CHICKEN, MDM, TURKEY)



	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
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	204 659	250 646	302 318	354 046	408 633	455 069	502 306	538 605
F2020	40 409	86 676	128 331	170 449	216 314	257 443						

F2019 45 061 44 571 37 739 35 174 42 114 45 987 51 672 51 728 54 587 46 436 47 237 36 299

F2020 40 409 46 267 41 655 42 118 45 865 41 129

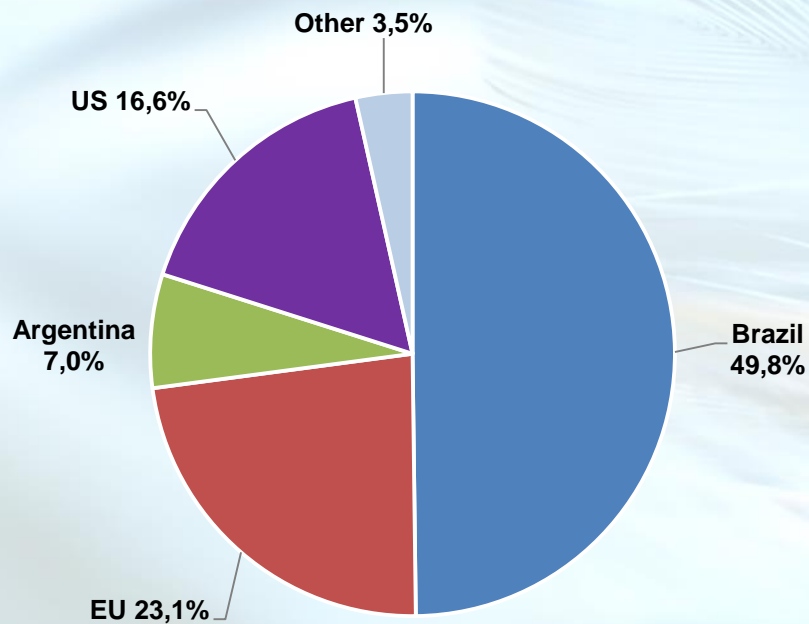
% Var -10,3 3,8 10,4 19,7 8,9 -10,6

bpw\* 7.2 8.3 7.5 7.5 8.2 7.4

\*bpw ≈ million birds per week

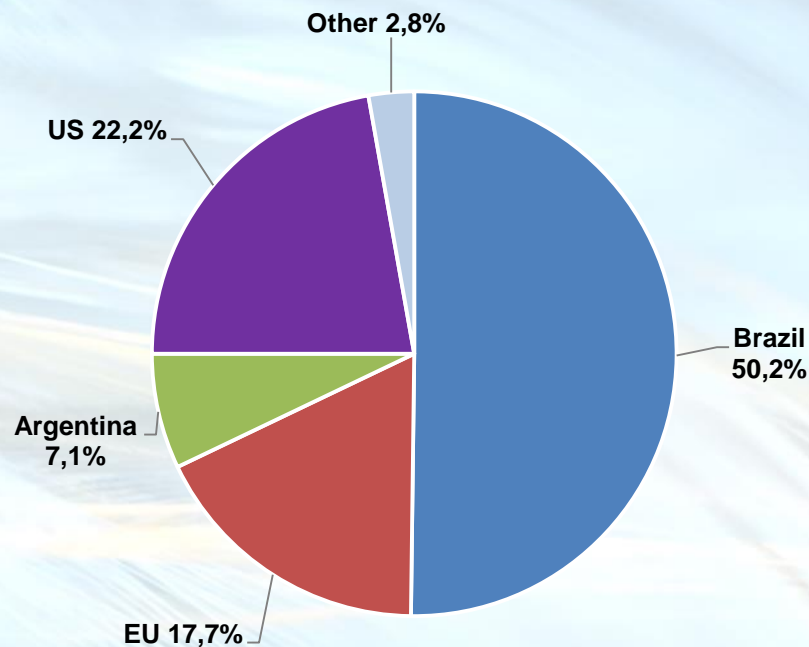
# TOTAL POULTRY IMPORTS – COUNTRY OF ORIGIN

## Country of origin for poultry imports - 2019



**538 605 tons**

## Country of origin for poultry imports – March 2020 YTD



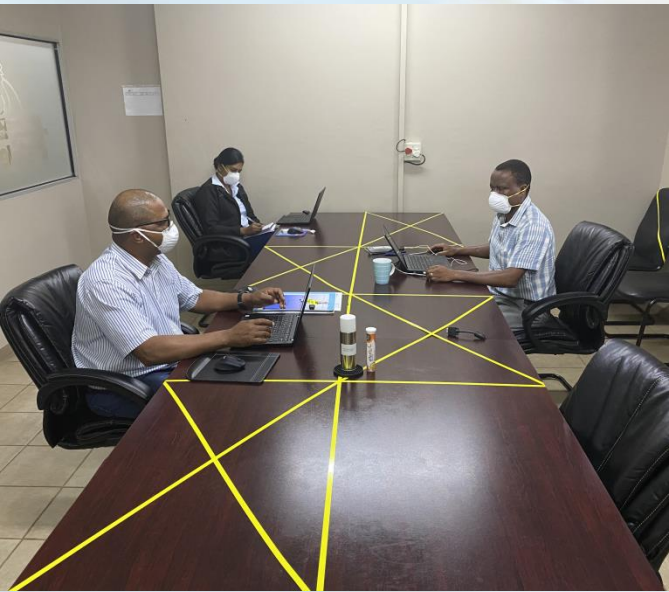
**257 443 tons**

# TOTAL POULTRY IMPORTS – COUNTRY OF ORIGIN

Country	Imports (tons)		
	2018	2019	2020 YTD
Brazil	348 155	268 869	64 844
United States	91 374	89 598	28 722
Poland	13 463	50 419	4 294
Argentina	33 278	37 939	9 110
Ireland	26 328	31 221	7 450
Denmark	25 672	23 325	4 198
Spain	4 932	18 824	6 495
Thailand	9 011	8 728	1 003
Canada	7 305	6 658	1 584
Chile	4 362	2 341	454
Australia	553	780	427
Germany	222	326	46
United Kingdom	231	224	0
Netherlands	359	101	25
Uruguay	323	52	135
Belgium	23	52	0
France	5	30	0.8
Switzerland	97	23	0
Swaziland	482	23	0
Other	0	27	25



# COVID-19 MEASURES



# COVID-19 MEASURES





# COVID-19 MEASURES





# COVID-19 MEASURES





# COVID-19 MEASURES





**Chris Schutte**  
*Chief Executive Officer*



**Tel :** +27 (0) 12 667 5468  
**Fax :** +27 (0) 86 504 2002  
**email:** Chris.Schutte@astralfoods.com

**[www.astralfoods.com](http://www.astralfoods.com)**

**Daan Ferreira**  
*Chief Financial Officer*



**Tel :** +27 (0) 12 667 5468  
**Fax :** +27 (0) 86 504 1602  
**email:** Daan.Ferreira@astralfoods.com