

# INTERIM RESULTS

for the 6 months ended 29 March 2015

# PRESENTATION OUTLINE

REVIEW OF THE  
SIX MONTHS

FINANCIAL  
PERFORMANCE

TRADING  
PERFORMANCE

OUTLOOK

QUESTIONS



# REVIEW OF THE SIX MONTHS

## REVIEW OF THE SIX MONTHS

- Competitive performance in tight trading environment
- Regional and international conditions largely unchanged
- Strong organic growth in regional segment
- Market share gains across key product categories
- International turnover negatively impacted by shift in timing of export orders and shipments
- Disruption and additional costs due to load shedding
- Listing helping to accelerate group's growth strategy

## PROGRESS POST LISTING

- 1 Reducing debt and deleveraging balance sheet
  - Settled debt totalling R426 million
- 2 Investing in capacity expansion and production efficiency
  - Capex of R190 million planned for 2015 (2014: R88 million)

Investment programme 2014 - 2015	Capex	Status
Upgrading Bull Brand facility	R50m	Ph 1: July 15 Ph 2: Dec 15
Increasing storage and dispatch capacity at fruit production facilities	R52m	Completed
Increasing efficiency at vegetable plant	R20m	Ph 1: Sept 15
Installation and upgrading of generators	R22m	Completed
Upgrading production capacity at Pacmar	R26m	Sept 15

## PROGRESS POST LISTING

### 3 Targeting value accretive strategic acquisitions

**Pacmar** acquired for R165 million, effective 1 April 2015

- Fruit juices for local, regional and international markets

#### **Acquisitions announced in February**

- **Boland Pulp** and properties R160 million, including stock
- **Deemster** R25 million, including stock
- Entry into new product categories of baby foods, pickles and long life bottled salads such as gherkins and beetroot

#### **Acquisition announced post period end**

- **Saint Pie** R27 million



# FINANCIAL PERFORMANCE

## FINANCIAL PERFORMANCE

- Turnover **+12.4%** to R1.3 billion
- Normalised\* operating profit **+17.3%** to R126 million
- Normalised\* operating margin up from 9.3% to **9.7%**
- Profit after tax **+52.6%** to R58.1 million
- Normalised\*\* HEPS **+116.6%** to 36.6 cps

\* Excludes once-off listing costs of R21.8 million in FY2015

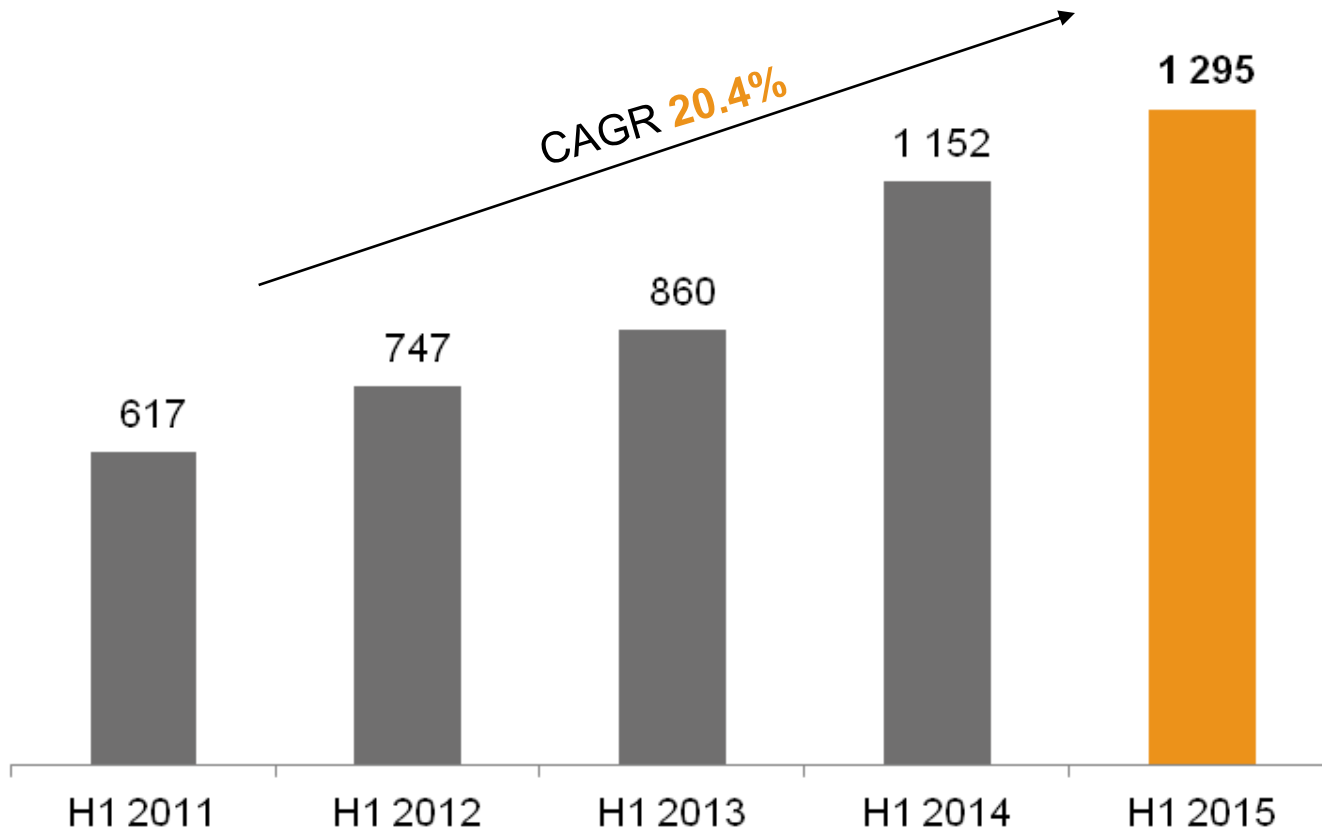
\*\* Assumes 221 million shares in issue in 2014 and 2015 periods, and excludes once-off listing costs of R21.8 million in FY2015



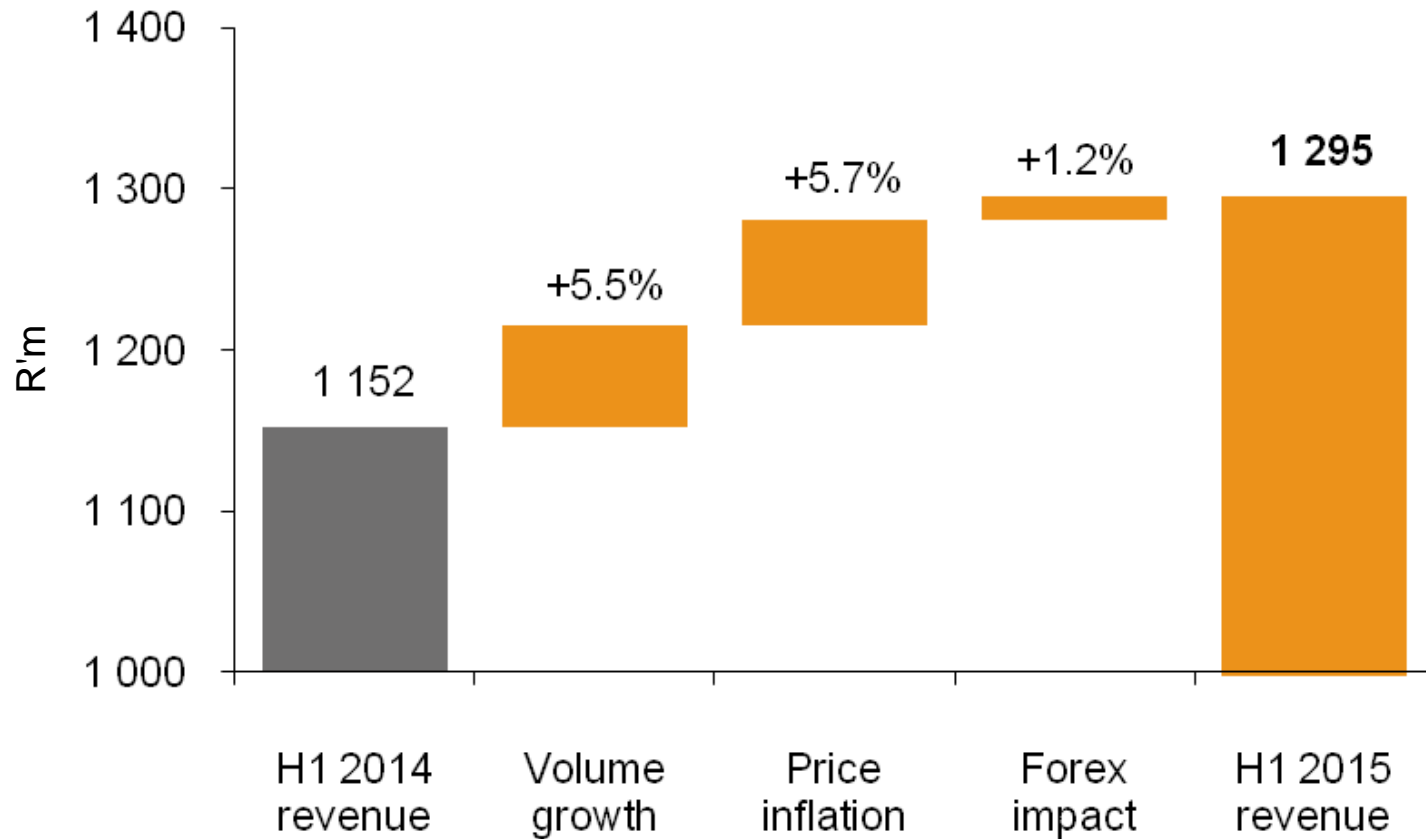
## INCOME STATEMENT

R'm	Mar 2015	Mar 2014	% change
Turnover	1 295	1 152	12.4
Cost of goods sold	(938)	(836)	12.2
<b>Gross profit</b>	<b>357</b>	<b>316</b>	<b>12.9</b>
<i>Gross profit margin</i>	<i>27.6%</i>	<i>27.5%</i>	
Other income	16	3	>100
Operating costs	(269)	(212)	26.4
<b>Operating profit</b>	<b>104</b>	<b>107</b>	<b>(3.0)</b>
Net interest paid	(15)	(47)	(68.9)
<b>Profit before tax</b>	<b>89</b>	<b>60</b>	<b>49.1</b>
Tax	(31)	(22)	43.7
<b>Profit after tax</b>	<b>58</b>	<b>38</b>	<b>52.6</b>
Normalised HEPS	36.6c	16.9c	116.6
Normalised diluted HEPS	35.1c	16.2c	116.6

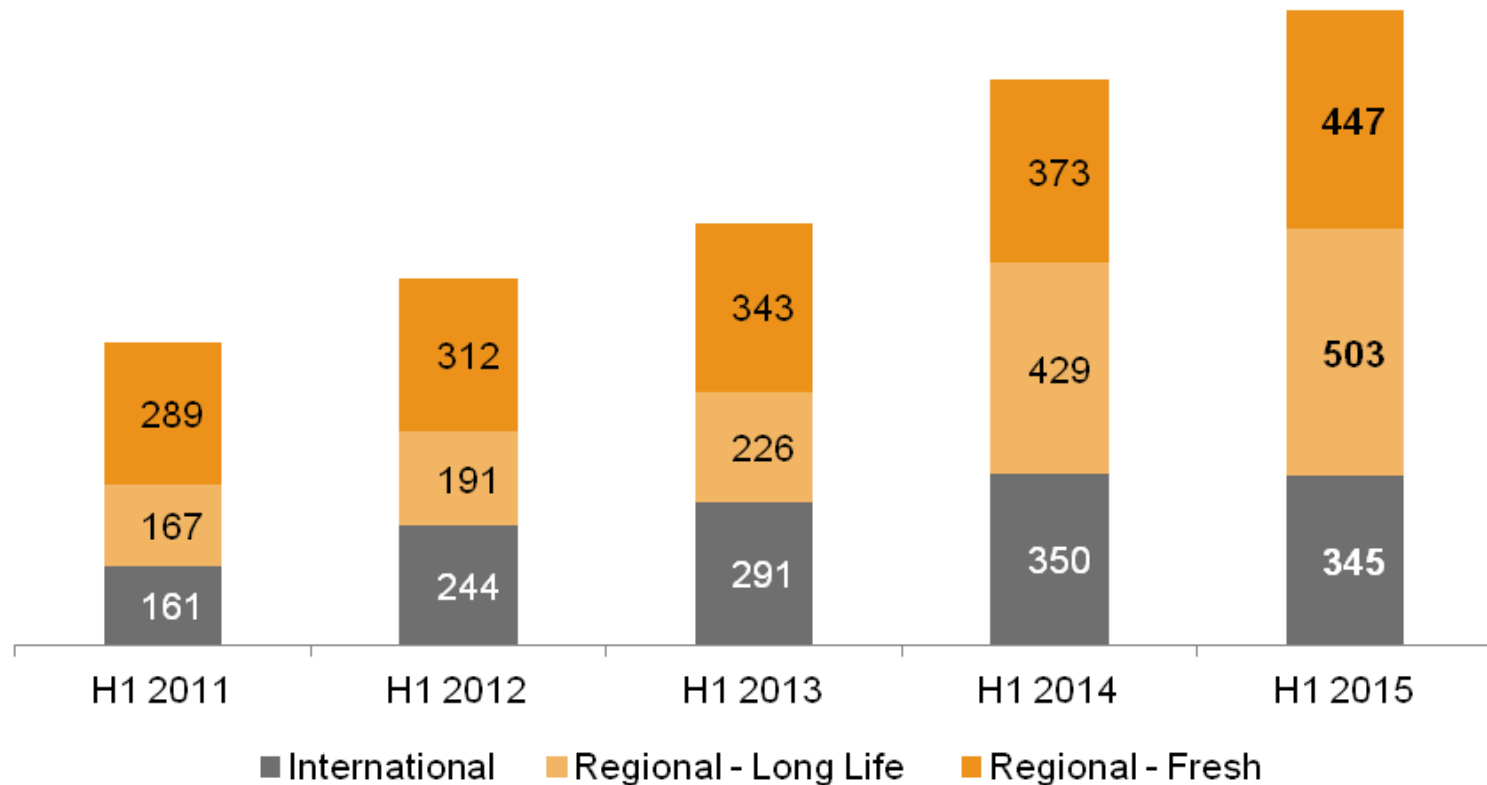
# TURNOVER



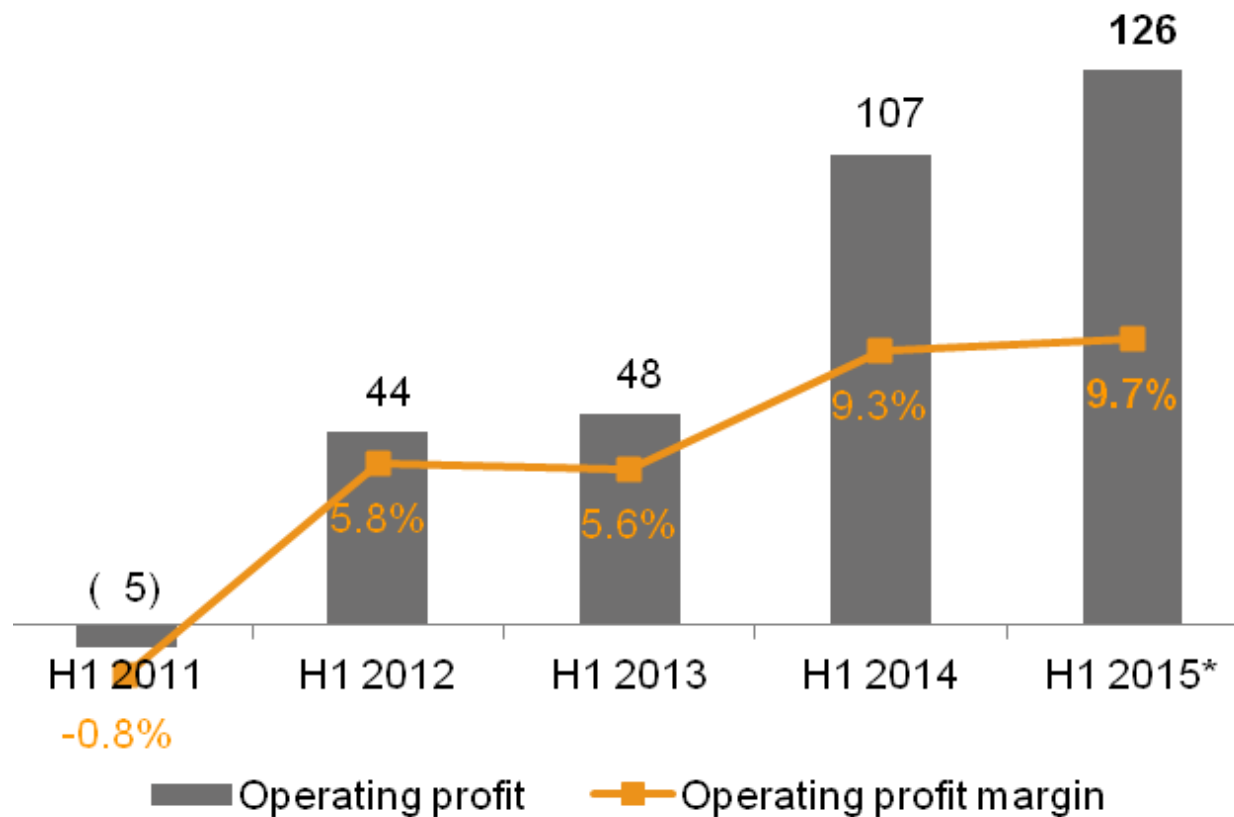
# TURNOVER



# SEGMENTAL TURNOVER

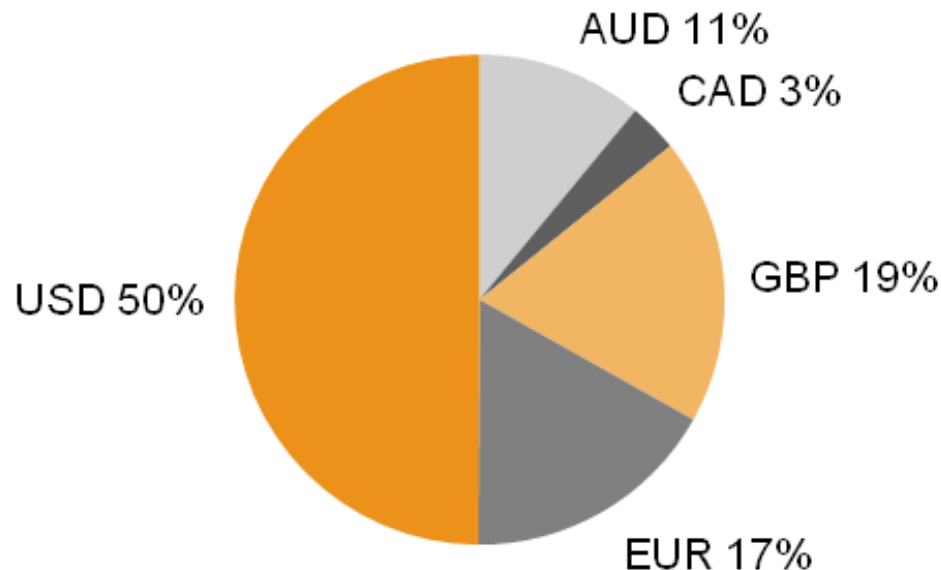


# OPERATING PROFIT



\* Normalised operating profit and margin

## FOREIGN CURRENCY MANAGEMENT



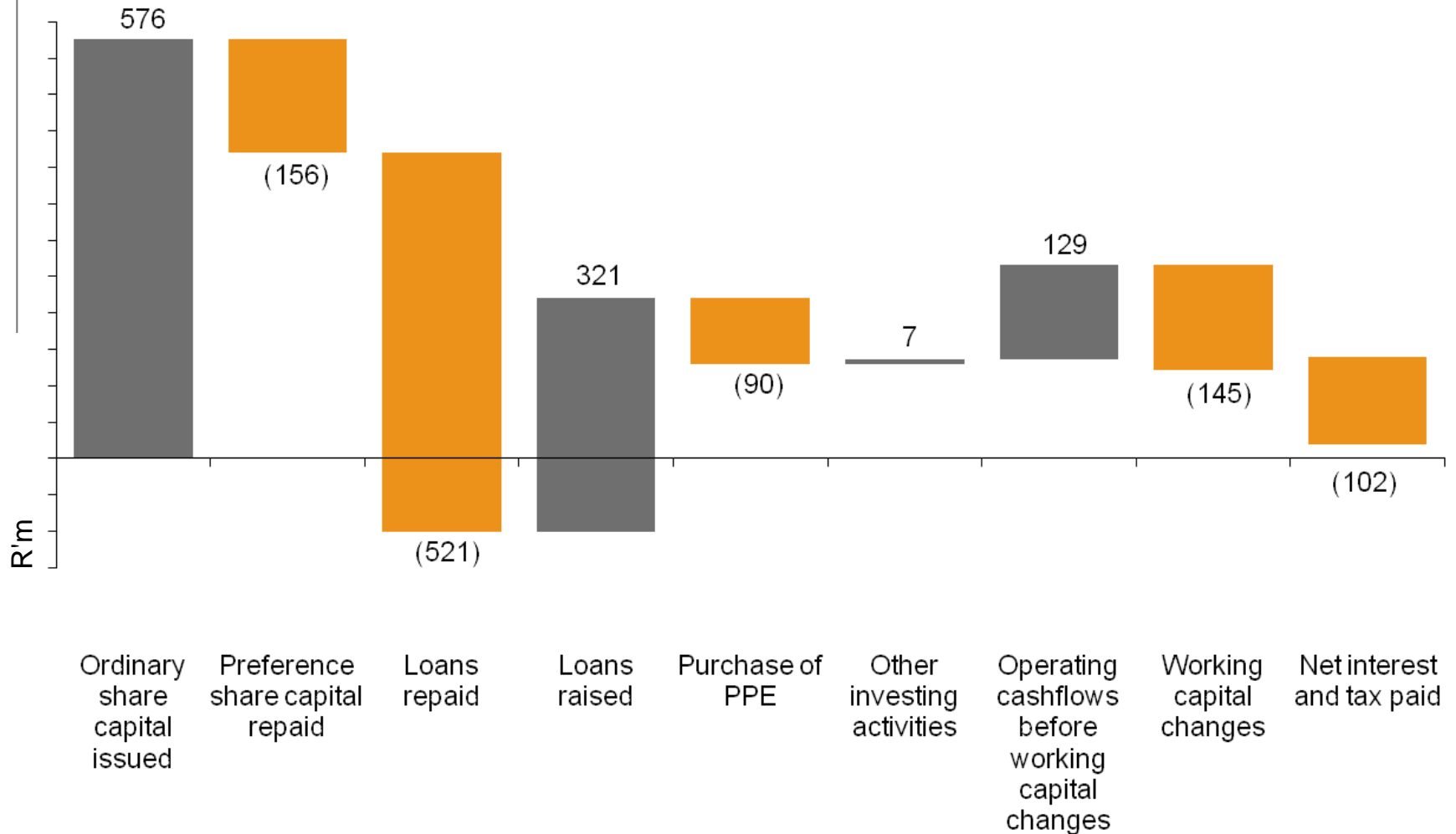
- Rand depreciated 4% against trading basket currencies in H1
- Major portion of international sales are naturally hedged through the purchase of raw materials
  - Fruit price contracts with farmers include an FX mechanism
  - Purchases of packing and other raw materials; some costs in foreign currencies
- Balance of currency exposure managed with FECs

## WORKING CAPITAL

	Mar 2015	Mar 2014
<b>Net working capital days</b>	<b>152</b>	<b>126</b>
Inventory days	154	142
Accounts receivable days	59	55
Accounts payable days	(61)	(71)

- Growth reflects increase in trading activity
- Inventory 22% higher on lower levels of export shipments
- Expected to reduce in H2 as international export orders are delivered
- Due to the seasonal nature of fruit production working capital is actively managed over an annual cycle

# CASH MANAGEMENT





## FINANCIAL GUIDANCE - ACQUISITIONS

Company	Pacmar	Saint Pie	Boland Pulp	Deemster
Purchase price (R'm)	165	27	160	25
Effective date	1 Apr 2015	1 Jun 2015	1 Jul 2015*	1 Jul 2015*
Annual turnover (R'm)	369	60	313	51
EBITDA (R'm)	22	4	30	0
H2 2015 impact				
- EBIT	→	→	↑	→
- Interest cost	↑	↑	↑	↑
Comment	H1 seasonal turnover and EBIT	Integration phase and costs	Expect normal trading	Integration phase and costs

\* Expected completion date




## FINANCIAL GUIDANCE AND PLANS

- Acquisitions will increase interest costs in H2 without necessarily growing EBIT in 2015; accretive from FY2016
- Medium-term operating margin target of at least 10%
- Capital expenditure of R100 million in H2 2015
- Effective tax rate to reduce to approx 32% in FY2015
- Maintain flexible balance sheet structure
  - Capacity to raise debt to fund capex and current acquisitions
- First dividend planned for FY2015, payable early 2016



# TRADING PERFORMANCE

# BUSINESS SEGMENTS

Business segments	Regional		International
	Long Life Foods	Fresh Foods	
<b>Turnover contribution</b>	39% (2014: 37%)	34% (2014: 33%)	27% (2014: 30%)
<b>Product offering</b>	Canned fruits and vegetables, jams, canned meat	Ready meals, pies and pastries, dairy products	Canned fruits and fruit juice purees and concentrates
<b>Markets</b>	South Africa and Sub-Saharan Africa	South Africa	Major global markets
<b>Market positioning</b>	Strong product portfolio, both branded and private label  	Long-term partnership with Woolworths Supply agreement with Corner Bakery Extensive distribution of Magpie brand  	Long-term supplier to global retail and premium branded customers  



# REGIONAL SEGMENT

## REGIONAL: PERFORMANCE

R'm	Mar 2015	Mar 2014	% change
Revenue	<b>950</b>	802	18.4
Long Life	<b>503</b>	429	17.1
Fresh	<b>447</b>	373	19.9
Operating profit	<b>105</b>	61	73.0
Operating profit margin	<b>11.1%</b>	7.6%	

- Volume growth of 8.6% across the segment; price inflation 9.8%
- Sustained increase in demand for canned fruit, meat and vegetables
- Good growth in canned fruit in the region
- Robust performance from canned vegetables
- Bull Brand turnaround ahead of schedule
- Strong growth in supply to Woolworths and Corner Bakery
- Sales in Sub-Saharan Africa, excluding SA, up 39.2%

## REGIONAL: LONG LIFE FOODS

- Strategic focus on Sub-Saharan Africa
  - Growth lifted by addition of canned meat to product range
- Beverage division created within Long Life to house Pacmar and Boland Pulp (subject to competition approval)
- Strong volume growth, improved brand share and factory efficiencies in Bull Brand
- New Rhodes packaging launched
- Three brands ranked in top 5 'coolest tinned foods brands' in Sunday Times Generation Next survey

## REGIONAL: LONG LIFE FOODS – MARKET SHARE

Market shares* (%)	Mar 2010	Mar 2013	Mar 2014	Mar 2015	Position
Jams	30.1	35.5	38.0	<b>39.6</b>	2
Canned fruit	26.1	33.3	34.8	<b>37.4</b>	2
Canned vegetables	7.5	11.7	14.5	<b>14.2</b>	2
Canned meats	52.3	54.6	58.6	<b>59.7</b>	1

\* Moving annual total. Retailer scanning data processed by Iri Aztec (market shares in the defined retail channel, in retail prices)



## REGIONAL: LONG LIFE FOODS – BRAND SHARE

Brand shares* (%)	Mar 2010	Mar 2013	Mar 2014	Mar 2015	Position
Jams	11.5	14.2	16.7	<b>18.5</b>	2
Jam in glass	5.0	8.6	15.8	<b>17.8</b>	1
Canned fruit	14.1	20.4	22.4	<b>25.7</b>	2
Canned pineapple	45.9	48.5	49.0	<b>57.9</b>	1
Canned vegetables	6.1	12.3	15.1	<b>15.5</b>	2
Canned tomato	6.5	17.6	22.5	<b>20.5</b>	2
Tomato paste	3.8	19.6	32.8	<b>30.9</b>	1
Corned meat	31.1	37.1	38.7	<b>41.8</b>	1

\* Moving annual total. Retailer scanning data processed by Iri Aztec (market shares in the defined retail channel, in retail prices)

# REGIONAL: LONG LIFE – ACQUISITIONS

## Pacmar

- Fruit juice manufacturer and distributor
- Own brand, third party and private label fruit juices
- Effective from 1 April 2015
- Extensive synergies between Pacmar products and existing range of bulk fruit purees and juice concentrates



## REGIONAL: LONG LIFE – ACQUISITIONS

### **Boland Pulp**

- Produces fruit and vegetable concentrates and purees
- Integral to fruit industrial channel strategy
- Domestic, regional and 30 countries internationally
- Sells purees, sauces and baby foods in innovative re-sealable pouches to retail market
- Acquisition expected to be finalised by 1 July 2015, pending competition approval

## REGIONAL: LONG LIFE – ACQUISITIONS

### Deemster

- Vegetable canning and salad bottling business
- Co-packs third party brands and private label ranges for major SA food retailers
- Strategic supplier to Woolworths
- Entry into new categories of beetroot and gherkins
- Expected to be finalised by 1 July 2015

## REGIONAL: FRESH FOODS

- Strong growth across all Woolworths product categories
- Good performance from Ayrshire dairy
- Dairy category in Woolworths benefiting from ongoing consolidation in supply base
- Growth in Corner Bakery business presenting opportunity for lateral product extensions
- Continuous product and packaging innovation driving volume growth
- Capacity improvement at pie facility completed
- Opportunity for smaller, allied bolt-on acquisitions

## REGIONAL: FRESH FOODS - ACQUISITION

### Saint Pie

- Produces and distributes pies
- Manufacturing facility in Lydenburg
  - Distribution centres in Lydenburg, Pretoria and Welkom
- Strong focus on fuel forecourts, with long-standing customer relationships in this channel
- Aligned with group's existing pie and pastry offering
- Further customer and geographic diversification
- Acquisition expected to be finalised by 1 June 2015
- Quick integration and rationalisation process to follow



# INTERNATIONAL SEGMENT

## INTERNATIONAL: PERFORMANCE

R'm	Mar 2015	Mar 2014	% change
Revenue	345	350	(1.4%)
Operating profit	24	46	(47.5%)
Operating profit margin	7.0%	13.1%	

- International managed on a 12 month cycle owing to seasonality
- H1 impacted by shift in timing of export orders and shipments into H2, and increased regional sales volumes
- Margin impacted by lower export volumes
- Fewer shipments to higher margin Asian and Australasian markets in H1
- Once-off R8.5 million claim from USA due to packaging failure
- Production volumes for H1 in line with prior period
- Shipments expected to normalise over the full financial year



## INTERNATIONAL

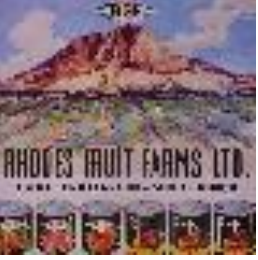
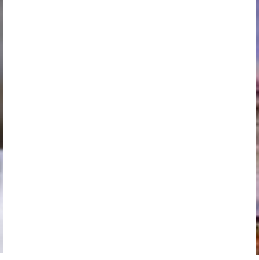
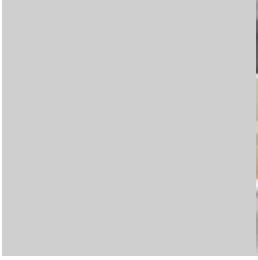
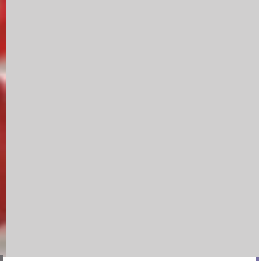
- Core export products are canned fruit, bulk fruit purees and concentrates
- Continue to optimise core offer of canned fruit
- Growth to be driven by the industrial channel and further value add opportunities
- Boland Pulp to enhance industrial offer
- Pacmar currently has approximately 10% international exposure which creates opportunity for growth



# OUTLOOK

## OUTLOOK

- Drive organic growth and expand market share
- Focus on continued turnaround in Bull Brand
- Ongoing efficiency gains in vegetable operation
- Increase presence in Sub-Saharan Africa
- Strong performance from international in H2
- Finalise and integrate Boland Pulp, Deemster and Saint Pie acquisitions
- Pacmar well positioned for organic growth following successful integration into Long Life beverage division



**THANK YOU**

**QUESTIONS**

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## CONTACT DETAILS

Bruce Henderson	CEO	<a href="mailto:hendersonb@rhodesfoodgroup.com">hendersonb@rhodesfoodgroup.com</a>
Tiaan Schoombie	CFO	<a href="mailto:schoombiet@rhodesfoodgroup.com">schoombiet@rhodesfoodgroup.com</a>
Graeme Lillie	IR	<a href="mailto:graeme@tier1ir.co.za">graeme@tier1ir.co.za</a>

[www.rhodesfoodgroup.com](http://www.rhodesfoodgroup.com)