

ASTRAL FOODS LIMITED
"Astral" or "the Group"
(Reg. No. 1978/003194/06)
(Incorporated in the Republic of South Africa)
Share Code: ARL
A2X Code: ARL
ISIN Code: ZAE000029757

VOLUNTARY TRADING UPDATE AND INITIAL TRADING STATEMENT

VOLUNTARY TRADING UPDATE

Astral reported a devastating set of results for the year ended 30 September 2023, incurring its first loss in its 23-year history. The results reflected the numerous headwinds faced during the previous financial year. These included additional costs related to load shedding, water supply disruptions, record high raw material inputs and Highly Pathogenic Avian Influenza ("HPAI" or "bird flu") decimating the Group's earnings for the 2023-year end. In the annual results released on 20 November 2023, Astral indicated that the business will focus on normalising its operations, and will exert every effort in rebuilding the Balance Sheet.

For the first quarter of the financial year ("FY") ending 30 September 2024 ("1Q2024"), Astral has made good headway in addressing a number of issues faced by the Group in the prior reporting period. This includes amongst others:

- maintaining emergency backup generator capacity at all its operations;
- lower load shedding stages has allowed the Group to contain diesel expenses to below those anticipated. Despite this, a significant diesel cost is still being incurred to operate the Standerton poultry processing plant due to municipal power supply interruptions;
- implementing contingency plans to ensure uninterrupted water supply reducing plant downtime on water infrastructure failures, albeit at a higher cost;
- lower feeding costs were achieved as a result of a normalised broiler age and live weight, resulting in an improved feed conversion rate following the "big bird era", supported by easing local soft commodity input prices;
- normalised poultry sales mix on the back of a consistent bird size through the poultry processing plants, which was adversely affected during the "big bird era", negating the previously high levels of promotional discounting; and
- averting a potential shortage of chicken eggs as a result of bird flu, through a costly programme of importing broiler hatching eggs.

In addition to the above factors, the general trading conditions through 1Q2024 as well as a view on the nearby prospects for the Group are set out below.

FEED DIVISION

- The Feed Division experienced markedly lower internal feed sales against the comparable period on reduced demand from the Poultry Division, as a result of lower feed requirements for both broilers (on the back of normalising the targeted bird age), and the in-house broiler breeder operations due to breeding stock being culled during the bird flu pandemic last year.
- External feed sales into the poultry industry have been limited by the impact of bird flu, particularly in the commercial layer sector.
- The lower internal feed volumes will negatively impact the Feed Division's financial performance for the six months ending 31 March 2024 ("1H2024").
- Internal feed volumes are projected to normalise during the second half of FY2024 ("2H2024").

POULTRY DIVISION

- Following the significant bird flu impact on Astral's broiler breeding stock, a higher cost-base of production has been incurred to supply day-old broiler chicks within the Group.

- Protocols for voluntary vaccination against bird flu have been published by Government, and the registration of the necessary vaccines has and is receiving attention by the relevant authorities.
- On the back of depressed consumer spending, Astral has aligned broiler slaughter numbers in an effort to adapt to current market conditions, and remains committed to recovering input costs.
- Astral is dismayed at a poultry import tariff rebate structure recommended by the International Trade Administration Commission (ITAC) against HPAI-related shortages. No shortage of chicken has been experienced or expected in the local supply chain with industry production at normalised levels due to numerous contingency plans implemented.
- The Group's Poultry Division has posted a marginal level of profitability in 1Q2024.

FINANCIAL POSITION

The Group's financial position remains sound, with gearing levels trending lower.

INITIAL TRADING STATEMENT

Following the low level of earnings achieved in the prior comparative six months ended 31 March 2023, being earnings per share ("EPS") of 162 cents and headline earnings per share ("HEPS") of 163 cents, Astral expects that EPS and HEPS for the six months ending 31 March 2024 could increase by at least 300% to 647 cents and 654 cents, respectively.

The financial information in this announcement has not been reviewed or reported on by the Group's auditors.

Further voluntary trading updates will be considered should market and operational conditions change materially.

A further trading statement will be provided in April 2024 once the Board has reasonable certainty of the expected EPS and HEPS ranges.

Lanseria
31 January 2024

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