

SOUTH AFRICA

Listed Food Producers' Sector

Muted growth and returns from historic acquisitions not yet fully realised due to SA economic environment

Well diversified products within the private label and premium brand markets - hedged against weak economy and geared for an upturn

We update our estimates to an **ACCUMULATE** as the company recovers from the volatility during 2022 and trading at a reasonable price for its assets. We forecast a **12 month target price of R13.47**.

Discount to NAV suggests the downward trending share price has bottomed. RFG has increased its asset value per share consistently and is better value now than when it listed in 2014 purely on a NAV per share basis. The NAV should continue to increase as the company's debt is reduced or if new acquisitions are made. The company has not achieved the bottom-line growth and the ROE that was expected since 2016, which has led to the declining share price and narrowing premium to NAV. As the company is trading near its asset value per share, we believe that it offers an investment opportunity.

Input cost pressures alleviated by 43% decline in ZAR tin prices. Tin makes up a large part of the company's packaging cost. Imported tin prices have declined by 54% from 2022 highs in USD terms, and 49% in Rand terms. Rhodes will import their tin in H1 2023 at c.43% less than the comparable 2022 period. This will improve profitability in the short run as tin can costs are recovered in selling prices. As cans are imported and packed when fruit is harvested in H1, the challenge will be to recover the costs in H2.

Reported International sales up significantly from a weak ZAR in H2 (R16.77) opposed to H1 (R15.20). Input costs in H1 2022 were lower from a weak ZAR, and sales benefited from the Rand weakening in H2 2022. This scenario is likely to be inverted in FY23 with the USDZAR averaging R17.85 for the two months H1 2023 so far. The USD strength appears to have run its course in the short-term horizon with signs that the DXY is overvalued. Should the DXY weaken consistently into FY23 international sales will decline significantly.

Expecting loadshedding to drive relevance in canned and ready to eat meals. Loadshedding cycles may put food preservation at risk with perishable foods' shelf life declining because of non-constant cold storage. The convenience factor of RFG's products being long life ambient room temperature products could drive volume growth as SA consumers store less fresh products at home. Ready to eat meals through Woolworths could also gain traction as loadshedding timing impacts when and how South Africans cook and eat.

Recovery needed in ROE and Operating Margins – not yet meeting own Targets

ROE and EBIT margins came in at 12.5% (FY21 8.1%) and 7.9% (FY21 6.3%), however, not reaching their own benchmark of an ROE of 16.1% (WACC + 2%) and EBIT margin of 10%. The inability for the company to achieve its targets could put pressure to increase its dividend cover in order to remain attractive at these levels.

Private label partnerships will perform in the long run. RFG Brands are already market share leaders and partnerships with retailers to provide cheaper private label products gives RFG control over supply and demand dynamics that allows for stable volume and price growth. RFG achieved 21.9% revenue growth with a mix of 5.5% volume growth and 14.1% price inflation in FY22 and is likely to do this consistently in FY23. What could play out is competitive category management between pushing prices in their own brands targeting middle-upper income consumers, while still moving volumes through private label brands targeting middle-lower income consumers.

RFG Holdings Ltd (JSE:RFG)

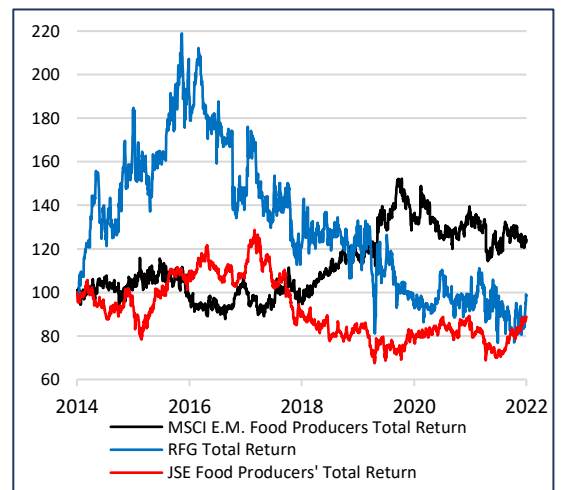
Company Results Update

Thursday, 01 December 2022

RECOMMENDATION:	Accumulate
12m Target Price (ZAR)	13.47
Upside	12.1%
Dividend Yield	3.1%
12 month expected return	15.2%
4-year IRR	9.2%

Current Price	12.01
No. of shares (Rm)	262.76
Market Cap. (Rbn.)	3.19
Free Float	54.25%

(Rm) (Continuing operations)	FY2022	FY2023e	FY2024e
Revenue	7255	7747	8654
EBIT	574	480	546
EBITDA	1020	724	791
EPS	1.38	1.14	1.34
HEPS	1.38	1.17	1.36
DPS	0.29	0.38	0.44
DY	2.35%	3.05%	3.58%
P/E	8.99	10.87	9.28
ROE	11.93%	9.23%	10.08%
ROIC	8.31%	6.82%	7.62%



* Indexed to 28/11/2014

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Shareholders:	Capitalworks Private Equity GP (Pty) Ltd	37.30%
	Old Mutual Investment Group	22.12%
	PSG Asset Management (Pty) Ltd	6.78%
	Henderson (B A S)	6.20%
	Public Investment Corporation (SOC)	17.9% 6.13%

Peer Group Companies:

Avi Ltd
Libstar Holdings Ltd
Astral Foods Ltd
RCL Foods Ltd
Tiger Brands Ltd

Company Operating Segments:

| Fresh/frozen meals | Fruit Juice & Dairy
| Groceries | Canned Fruit, Veg and Meat

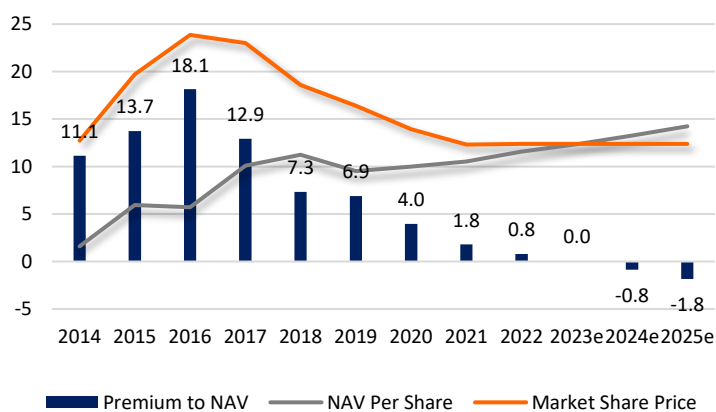
Investment Summary

Rhodes Food Group listed in 2014 and has been able to achieve a stable growth rate in revenue and volume across its various segments. The company has also made 9 business acquisitions since 2014 to expand their product ranges rapidly expanding the size of their balance sheet. The company is well known for canned fruit, canned veg, canned meat (Bull Brand) and also growing in its fruit juice range. Rhodes has also diversified themselves into the lighter groceries such as pies, pastries, spices herbs and baked goods which compliments the heavy product range in terms of pallet weight and logistics. A rapidly growing segment has been ready to eat meals which are supplied to Woolworth Food which also diversifies Rhodes into fresh produce on top of its long life groceries. This segment has been directly feeding a gap in the market for convenience to customers with food that is already prepared. More than 50% of Rhodes revenue is derived from being a provider to the private label space through deals with retailers. We believe that in term this will allow Rhodes to tap into two LSM markets - , the more expensive premium brand market, and the cheaper substitute private label market. The company also receives approximately 20% of its revenue from international regions like North America, Europe, Far East Asia, Australia and the Middle East. While Rhodes does import inputs such as tin cans, the international revenue hedges their exposure to a weakening Rand. As an investor it is important to note that Rhodes has a relatively low dividend yield due to the 3 times dividend cover. Key inputs into the company are locally sourced fruit, vegetables, meat, wheat and packaging (tetrapak, tin cans, plastic, and flexible packaging). All of these input have been under inflationary pressure during 2022 which has impacted the performance of the company, but a large part of the inflationary pressure were recovered in the selling prices proving that there is a robust consumer market that will still buy Rhodes's branded products despite price increases.

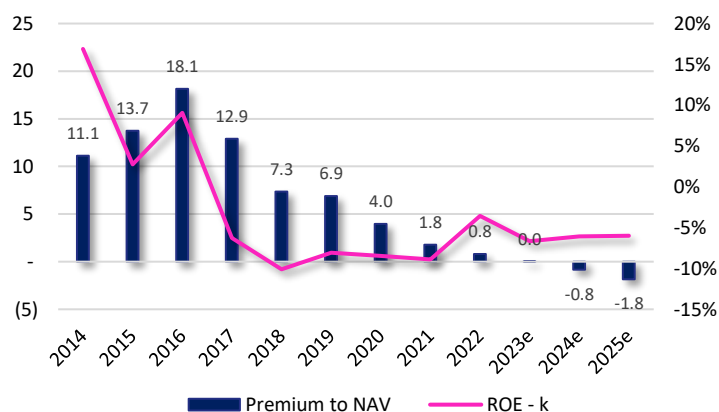
Investment Case

As majority of the earnings are retained rather than paid out as dividends, it is key to keep an eye on the companies acquisitions and CAPEX. RFG is positioned as a high growth company because of the retention ratio, however, the recent economic disruptions and low GDP growth in South Africa has not been favourable to the company with the ROE plummeting from 23% in 2016 to sub 10% in the recent 5 years and attaining 11.9% in FY22. In the current conditions (high inflation on inputs and constrained consumer base) high growth in fast moving consumer goods is not an easy task. A key challenge facing the company is the rise in private label brands that compete directly with Rhodes's product range at lower prices. Private label brands take preference when a constrained consumer is trying to get by, and the substitute product is offering something of similar quality for less. The companies NAV for the 2021 results was R10.4 per share and R10.77 per share for the 2022 interim results. The companies 52 week share price trading range has been between R9 and R16 and its roughly trading at its NAV per share. An economic upturn could dramatically improve the profit margins within the company and drive growth. We expect the company to trade at and around its NAV per share in the foreseeable future with buying opportunities along the way as the share price deviated from this level. As seen below, the company is more value per share price today as opposed to 2014-2021 as there was a big premium in the share price on a NAV per share basis. An economic upturn for South Africa could gear RFG for the try of growth that will allow the company to trade well above NAV per share and realize the fruits in all of the businesses that they have been acquiring along the way. Support for the companies products are also present with health conscious consumers that can gain the nutritional value that Rhode's products offer the market. The challenge still remains on making these high quality products affordable for more consumers.

RFG Share Price Approaching NAV per Share



RFG SP Premium to NAV vs (ROE - k)



Segmental Overview

Fresh Regional Products (Revenue up 19.86%; Regional EBIT down 21.6% for FY22)

Fresh products have an added convenience factor to not only working individuals that dont have the time to cook, but also to fill in for families that have been experiencing up to 100 day of load shedding on 2022. It is becoming riskier to store bulk food at home when the power is out, at the same time, quick service restaurants can be unhealthy to eat all of the time. This is where Rhode's positions themself well with Woolworths and ready to eat and frozen meal solutions. We expect this segment to continue to grow in popularity with the potential to supply not only Woolworth's, but the other major retailers as well.

Long Life Regional Products (Revenue up 9.92%; Regional EBIT up 21.6% for FY22)

RFG's long life product range has up to 12 months shelf life on juices, or up to 3 years on cans, therefore the significantly lower increase in revenue opposed to Fresh revenue is likely due to the input inflation in FY22 lagging an not yet reaching the shelves as quickly as the fresh segments. Expecting long life regional to grow more in FY23 as the inflationary effects are filtered into selling prices as well as additional volume growth on the back of loadshedding influencing consumer preferences for room temperature stored food.

Long Life International Products (Revenue up 57.43%; EBIT up 2921% for FY22)

RFG Benefited from a stronger Rand in H1 vs H2 2022 making imported inputs cheaper while selling them back to international markets at a weaker Rand, thus significantly improving the international revenue converted back into Rands. It is likely that the inverse scenario plays out in FY23 as the company will now be importing in cans in H1 2023 at a much weaker USDZAR exchange rate. There are also signs that the dollar strength will be coming to a halt after peaking later September 2023 which will mean less sales in Rand terms for H2 2023 as the Dollar strenght smoothens out with a possible slow down in the Feds interest rates.

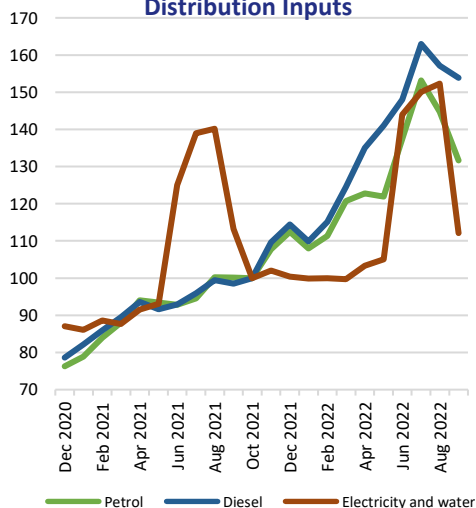
Key drivers over the short-medium term

- Resilience among the brands name and product offering was tested during 2022 as price increases were in play. The diverse offering of the company allowed them to still grow volume, prices and EPS by more than 54% in a weak consumer market.
- Growth into being a private label supplier will help grow volumes at the cost of price premium, however, this could decrease the competition market share.
- Rhodes food range in long life products are hedges from a load shedding and preservation point of view. There is less need to run fridges and freezer as the products are ready to eat at and stored at ambient room temperatures.
- Ready meals to Woolworths continues to perform well. What might also be a positive for the companies product range is the convenience factor to the consumer. Ready meals are easy, and a shift to short term ready meals during periods of load shedding might help drive volume growth.
- Relief on Key Inputs as seen in the graphs below: water, electricity, fuel prices have come down from the highs during 2022. This will likely ease operating costs - especially in transportation and distribution costs.
- Tin prices soared during 2021 and 2022 which has significantly come down. As can be seen below the soaring tin prices have come to an end after interest rates in USA have been raised. As Rhodes have a huge number of their goods packaged in tins, the drop off should help the company recover costs in the short run. H1 2023 will see an approximate 43% reduction in the Rand tin price off the comparable H1 2022.
- Relief on these key inputs costs will allow for Rhodes to ease on the selling price inflation and could help them drive volume with more competitive pricing. Shelf prices tend to be sticky, thus a reduction in input costs will give better price margins to run promotions that drive volume.
- Great rainfall expected in South Africa which will bode well for fruit and vegetable production on Rhodes inputs.
- Higher wheat plantings and production expected. The rapid price increase in wheat during 2022 due to the drop off in Ukraine wheat will be made up for as countries plant more wheat to fill the short fall. This should aid Rhodes in their pies and baked goods segments.
- Realisation of the income from Today's pies.
- The diversification into pastry is also good for the company as they are predominantly in the business of heavy canned goods. From a logistical point of view, it is expensive to transport heavy and dense product opposed to light products such as pastry.

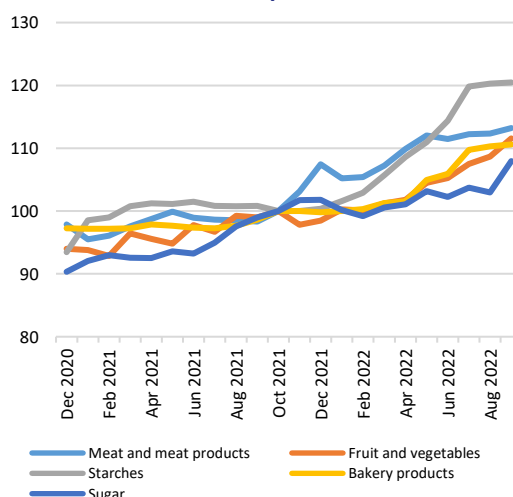
Key risks over the short-medium term

- Weak macro-economic environment which has been intensified with the record high unemployment levels that have not recovered to pre-COVID levels, as well as the weakness of the Rand and inflation pressures.
- Elevated Dollar Strength if prolonged into H1 2023 will significantly increase the cost of importing tin cans.
- Tough competition from other canned substitutes, particularly house brand alternatives to the same product (PnP, Spar and Checkers).
- Tight consumer pockets may lead to potential customers switching to cheap alternatives, thus volume growth may only be driven through competitive pricing that comes at a trade off on margins.
- If tin prices go back up then Rhodes will likely not see much improvement in profit margins.
- The availability of electricity and the frequency of loadshedding will be vital for the companies capacity. It is likely that production capacity needs to be ramped up during time when there is electricity to cover the periods where there is no electricity.
- Diesel prices have not been coming down as much as petrol as can be seen below. As diesel is a huge component of transportation, these costs may be elevated for some time.
- RFG has a relatively low dividend cover of 3 times. The dividend yield is expected to range around 3.5% going forward. Thus the company needs to grow internally to be attractive to outside investors.
- For the company to grow internally they need to achieve volume growth, production capacity growth, as well as acquisitions in new businesses (e.g. Today's Pies acquisition).
- It is going to be challenging to find the acquisition opportunities in this environment that offer an internal rate of return greater than the WACC.
- The guarantee of containers and vessels to move goods internationally might be challenging with global tensions rising amidst the Ukraine war. War tends to drive up vessel risk, insurance costs on freight and freight costs.
- RFG could seek offshore acquisitions inline with the international destinations to compliment the already existing routes to international markets.

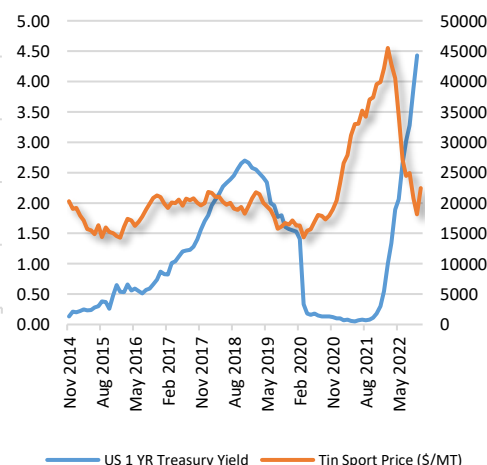
PPI on Rhodes Energy & Distribution Inputs



Producer Price Index on Key Rhodes Inputs



Tin Spot Price rally ends after interest rate hikes



Valuation

Discounted Cash Flow Model

We value the firm using a Discounted Cash Flow Valuation Model on the 5 year forecast of the Free Cash Flows to the Firm. Based on this primary analysis we expect a fair value of R11.86. The DCF model is sensitive to the following inputs:

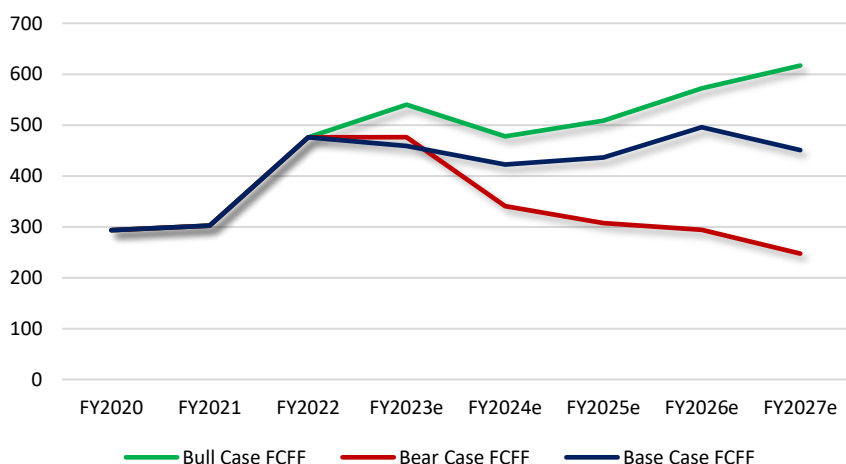
- **EBT** - Earnings before tax is determined in our comprehensive income statement forecasts. A summary of this is on the next page.
- **Depreciation, Ammortization and CAPEX** - Based on the companies historical opening balances of intagibles and PPE, as well as the historical ratio's of additions to opening balances.
- **Working Capital Changes** -based on the forecasted yearly balancesheet changes in inventories, biological assets, trade and other recievables, and trade and other payables. Inventories, recievables and payables are forecasted inline with historical efficiency ratios in the forecast summary.

DCF Valuation - Rhodes Food Group	FY17	FY18	FY19	FY20	FY21	FY22	FY23e	FY24e	FY25e	FY26e	FY27e		
EBT	322	201	275	297	300	486	407	477	528	601	557	Terminal Value	4501
Tax Rate	27.2%	23.3%	21.7%	27.2%	27.8%	25.5%	26.7%	26.7%	26.7%	26.7%	26.7%	Sum of PVFVF	1563
NOPLAT	234.8	154.3	215.5	216.1	216.5	361.9	298.4	349.5	387.4	441.0	408.9	Present value of terminal value	2306
Depreciation & Amortisation	117	147	174	201	194	202	201	202	202	202	205	Enterprise Value	3869
Increase In Working Capital	183	(32)	65	36	113	172	204	102	92	114	115	Add: Cash	19
Capital Expenditure	(487)	(480)	(231)	(160)	(222)	(260)	(245)	(232)	(245)	(261)	(277)	Less: Debt	762
Capex/ sales %	-10.6%	-9.6%	-4.3%	-2.7%	-3.7%	-3.6%	-3.2%	-2.7%	-2.6%	-2.5%	-2.4%	Less: Minorities	9.75
Free Cash Flow to Firm	48.1	-210.7	222.9	293.4	302.1	476.1	458.8	422.2	436.2	495.8	451.0	Equity Value	3116
Period							0.83	1.83	2.83	3.83	4.83	Wanos	262.755
WACC	0	15.5%	0	0	14.0%	13.5%	14.1%	14.3%	14.5%	14.7%	14.9%	Fair value per share- DCF	11.86
Discounting factor			4				0.90	0.78	0.68	0.59	0.51	Cost of equity	16.8%
Present Value of Cash Flows							411.2	330.4	297.3	293.3	231.1	Dividends payable per share (ZAR)	0.38
Unleveraged Beta	1.10	1.13	1.03	1.12	1.14	1.15	1.20	1.22	1.24	1.25	1	Target price per share (ZAR)	13.47
Cost of debt	10.0%	15.2%	10.2%	10.3%	8.0%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	Current price (ZAR)	12.40
Cost of Equity	16.8%	16.8%	16.8%	16.8%	16.8%	15.5%	15.7%	15.8%	15.9%	16.0%	16.1%	Gain	8.6%
Equity Weight	72.6%	75.3%	68.1%	73.7%	75.1%	76.6%	80.9%	82.7%	84.1%	85.4%	86.6%	Dividend yield	3.1%
Debt weight	27.4%	24.7%	31.9%	26.3%	24.9%	23.4%	19.1%	17.3%	15.9%	14.6%	13.4%	Total Returns	11.7%
NAV	2468	2843	2490	2611	2753	3033	3232	3466	3725	4021	4294	Recommendation	Accumulate
NAV per Share	9.73	10.86	9.50	9.95	10.45	11.54	12.30	13.19	14.18	15.30	1634.3%		

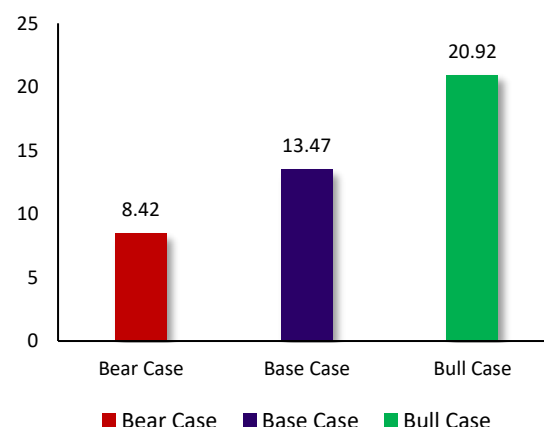
Scenario Analysis

A scenario analysis was conducted to determine a bull case and a bear case for the freecash flows to the firm. The methodology is based on historical standard deviations in the financial statement line items, and using those statistics to forecast the upper and lower levels. The bull case is determined by improving the income statement and balancesheet components by 10% of one standard deviation in the 5 year historical line items, and vice versa for the bear case. Thus for example, bull case revenue is 10% of its own standard deviation above the base case revenue, and the bear case is 10% of its standard deviation below. The scenarios below show an intrinsic value 12M target price range for Astrals share price.

Scenario Analysis Impact on FCFF



Scenario Analysis Impact on 12M Target Price



Valuation

Valuation Inputs

CAPM and WACC Determination

- The Risk free rate is kept inline with the current fair value of SA's risk free rate at 9.9%.
- The equity risk premium is compiled using the 28 year excess returns of the JSE All Share above the Risk free rate which comes to 4.9%.
- The Beta is based off of the methodology below, however ,an unlevered beta is calculated for each year based on the equity and debt weightings.
- WACC is calculated for each respective year in the forecast and is different each year due to the changes in the equity and debt weightings.

Equity Beta Determination

- The Equity Beta used in the CAPM model for determining cost of equity is determined by using the common sense beta method. This involves ranking the key risks of Rhodes foods core business metrics in comparison to peer food producers.

1) Common Sense Beta									
Weight	Area of Risk	Risk Level							
		Low	Average	Substantial	High	Very high			
		1	2	3	4	5			
9.1%	M	Management		2				0.18	Management is skilled proven by the track record, operational margins can be improved
9.1%	A	Asset quality, Business & Industry			3			0.27	Consumer demand is robust, threat of substitutes is something of concern, offset by providing to private labels.
9.1%	S	Strategy	1					0.09	Rhodes aims to be a growth company and also expands its offering to both private label and their own premium brand in well diversified segments which has been growing well. Being a partner to private label instead of a competitor might bode well in the long run.
9.1%	C	Country Risk			3			0.27	Rhodes suffers the same constraints of contrained consumer spending, electricity and water supply, but also 20% of revenue exposed to foreign markets which may no be guaranteed with freight costs soaring
9.1%	O	Operating Leverage			3			0.27	Variable costs are up dramatically due to tin price increases & fuel
9.1%	F	Financial Leverage			3			0.27	Rhodes has debt however they have significantly been reducing the levels
9.1%	L	Liquidity of investment				4		0.36	Production plants are capital intensive, and may be challenging to find buyers for these assets
9.1%	A	Access to sources of funds				4		0.36	Already has significant debt after big CAPEX outflows historically, therefore may be costly to raise more capital
9.1%	P	Partners	1					0.09	Loyalty from key retail customers & quality brands that have been present for decades. Partnerships with all 4 major food retailers.
9.1%	E	Exposure to other risks (currencies)				4		0.36	Rand weakness improves export income, however, the net impact on inflation on key inputs such as tin is risky for margins
9.1%	C	Cash Flow Stability			3			0.27	Cyclical due to fruit farming cycles and weather
Common sense equity beta =			2.82	x	0.5	=	1.41	2.82	
Chosen Beta								1.409	

Source: Refinitiv Eikon & Afrifocus computations

Terminal Growth Rate Determination

- SA terminal growth rate is weighted with 30% to the SA long run real GDP, and 70% to the SA long run inflation. More weight to inflation as we are in a high inflationary environment and this will be the case for the foreseeable future as the Rand weakens.
- Long run real GDP is based on the growth rate in Real GDP per Capita growth and the forecasted peak population of SA at 76.6 million. Wedonotbelievethatfoodconsumtionwilloutgrowthepopulationbase.
- SA long run inflation is the historical increase of M2 money supply less real GDP growth. Money supply is a big component of inflation.
- International Terminal growth is kept modest and inline with the Federal Reserve Targets of 2.1% due to more than 70% of international revenue being denoted in dollars.
- The final terminal growth is weighted to the % of revenue of SA, and the % of revenue from the international markets

Terminal growth rate calculation	
Terminal growth rate	4.4%
SA long-run real growth rate	1.28%
SA long-run inflation (based on M2 supply)	8.32%
SA terminal growth rate	4.80%
Share of SA in total revenues	79.02%
International long-run real growth rate	3.6%
International long-run inflation (Fed target)	2.1%
International terminal growth rate	2.9%
Share of global Revenues	20.98%
EBIT (5yr mean)	6.9%
ROIC (5yr mean)	5.8%

Financial Statement Forecast Summary

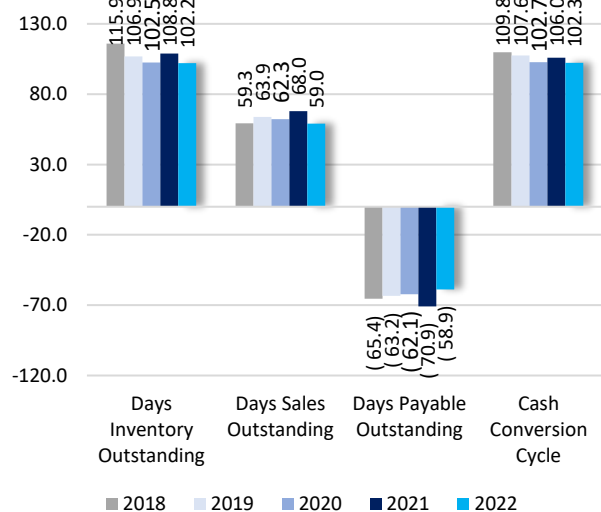
Income Statement Forecast							Cash Flow Statement						
	FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e		FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e
Revenue	5 864	5 950	7 255	7 747	8 654	9 487	Cash flow from operating activities	602	511	673	526	694	753
Direct Expenses/Cost of Sales	(3 840)	(4 015)	(4 889)	(5 246)	(5 799)	(6 330)	<i>of which: Net working capital chg.</i>	36	113	172	204	102	92
Gross Profit	2 025	1 935	2 366	2 501	2 855	3 157	Cash flow from investing activities	(156)	(198)	(308)	(183)	(169)	(183)
Staff Expenses	(628)	(647)	(725)	(817)	(933)	(1 035)	<i>of which: Additions to PPE, Int</i>	(160)	(222)	(260)	(245)	(232)	(245)
Publicity Expenses	(421)	(416)	(559)	(561)	(641)	(711)	<i>of which: Disposal of PPE</i>	7	20	8	68	68	68
Other operating expenses	(598)	(527)	(565)	(688)	(787)	(872)	Cash flow from financing activities	(341)	(153)	(113)	(228)	(229)	(232)
Other Income	13	27	57	44	50	56	<i>of which: Dividends paid</i>	(73)	(75)	(76)	(99)	(117)	(129)
Associate and joint venture income	0	0	1	1	1	1	Net change in cash	(1)	(3)	7	(66)	100	131
EBITDA	850	898	1 020	724	791	840	Segmental Performance						
Depreciation & Ammortisation	-	-	-	245	246	245	FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e	
EBIT	392	373	574	480	546	595	Regional Fresh Revenue	1 709	1 748	2 095	2 365	2 670	3 015
Net Interest	(95)	(73)	(88)	(73)	(69)	(67)	Regional Long Life Revenue	2 915	3 063	3 367	3 683	4 039	4 429
Taxation	(81)	(83)	(124)	(108)	(127)	(141)	Regional EBIT	350	412	323	(0)	0	0
Net Profit	216	216	362	298	350	387	International Revenue	1 241	1 139	1 793	1 698	1 946	2 043
Weighted ave # shares basic	261.64	261.64	261.61	261.61	261.61	261.61	International EBIT	34.808	6.922	209.108	56.4216	56.4216	56.4216
Diluted weighted ave # shares	262.30	263.33	262.75	262.75	262.75	262.75	Valuation Ratios						
EPS (ZARc)	83	83	138	114	134	148	FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e	
HEPS (ZARc)	87	88	138	117	136	151	P/E ratio	16.33	15.13	8.99	10.87	9.28	8.38
DPS (ZARc)	28	29	29	38	44	49	P/BV ratio	1.36	1.20	1.07	1.01	0.94	0.87
% growth DPS	37.4%	3.2%	1.0%	30.1%	17.1%	10.8%	P/Sales	0.60	0.55	0.45	0.42	0.38	0.34
DPS/EPS payout ratio	0.34	0.35	0.21	0.33	0.33	0.33	EV/EBITDA	3.07	2.65	2.30	3.47	3.20	3.08
Balance Sheet Forecast							Financial Ratios						
FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e	FY2020	FY2021	FY2022	FY2023e	FY2024e	FY2025e		
Cash & cash equiv.	6	3	10	19	(0)	37	Return on Equity	8.3%	7.9%	11.9%	9.2%	10.1%	10.4%
Other current assets	2 273	2 507	2 756	2 873	3 198	3 506	ROCE	10.7%	11.3%	13.6%	11.9%	12.9%	13.3%
Total Current Assets	2 279	2 511	2 766	2 892	3 198	3 543	ROIC	5.5%	5.3%	8.3%	6.8%	7.6%	8.1%
PPE, GW & Intangibles	2 420	2 421	2 480	2 487	2 480	2 487	Profitability Ratios						
Other Non current assets	198	187	178	178	179	171	Gross margin%	35%	33%	33%	32%	33%	33%
Total Non Current Assets	2 618	2 608	2 658	2 664	2 659	2 658	EBITDA Margin	15%	15%	14%	9%	9%	9%
Total Assets	4 898	5 119	5 424	5 557	5 857	6 201	EBIT Margin	7%	7%	7%	6%	6%	6%
ST Borrowings	195	90	217	131	131	131	Net Profit Margin	4%	4%	5%	4%	4%	4%
Bank overdrafts	179	277	231	229	229	229	Liquidity						
Other current liabilities	940	1 033	1 065	1 151	1 258	1 360	Current Ratio	1.73	1.79	1.83	1.91	1.98	2.06
Total Current Liabilities	1 314	1 400	1 513	1 510	1 617	1 720	Quick Ratio	0.77	0.79	0.78	0.85	0.88	0.93
LT Borrowings	559	546	477	403	366	345	Efficiency Ratios						
Other non current liabilities	414	420	400	411	408	411	Asset Turnover	1.20	1.16	1.34	1.39	1.48	1.53
Total Non Current Liabilities	973	966	877	814	773	756	Inventory turnover	3.17	3.12	3.37	3.38	3.54	3.52
Total Liabilities	2 287	2 366	2 391	2 324	2 391	2 476	Debtors turnover ratio	6.02	5.64	6.36	6.34	6.44	6.38
Share Holder Equity	2 603	2 744	3 023	3 222	3 455	3 714	Payables turnover ratio	5.16	4.82	5.40	5.47	5.44	5.41
Non-controlling interest	8	9	10	10	11	12	Net debt position	926	910	915	743	726	667
Total Equity & Liabilities	4 898	5 119	5 424	5 557	5 857	6 201							

Source: RFG Financial Statements & Afrifocus Securities Forecasts

Main Forecasting Assumptions (FY23e onwards)

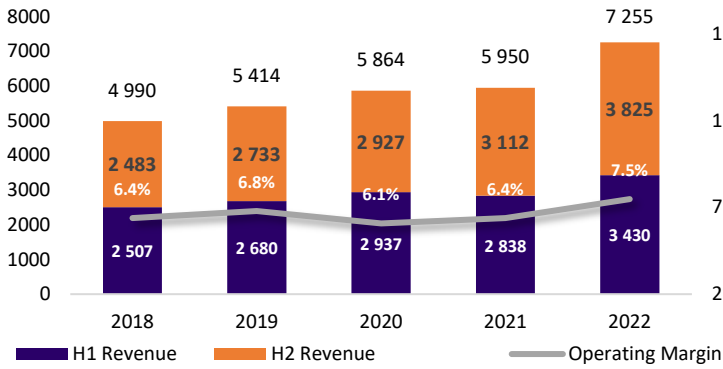
- International Revenue declines as the USDZAR has retraced from the highs above R18 to R17. Strong dollar at RFG's year end allowed them to translate more revenue.
- Input will cost much more in H1 2023 due to the weaker Rand.
- Balance sheet working capital forecasts kept inline with the historical efficiency ratios - see cash conversion cycle components on the left
- Expecting Revenue growth to be more in the segments that provide products to private label brands. Private labels seeing growth as a cheaper competitor to premium brands in a constrained consumer environment.
- Improvement expected in COGS % of Rev on the back of a decline in tin prices, fuel and PPI inputs from FY22.
- CAPEX is slightly above the historic average as we expect Rhodes to incur additional investments in electricity generation capacity.
- Volume growth more likely in private labels, at the loss of price premium, however, the company is positioned to serve both.

Cash Conversion Cycle

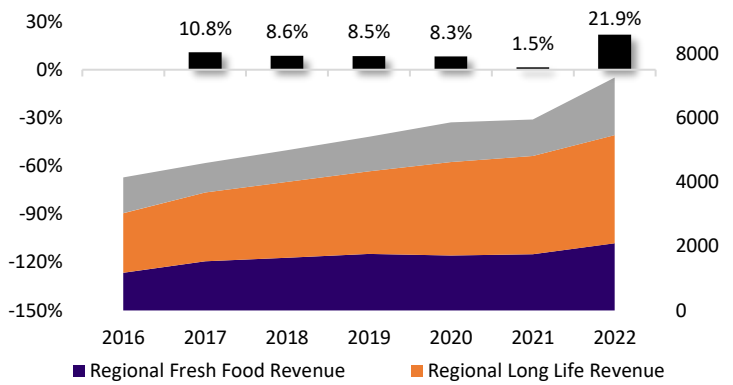


Topline Synopsis

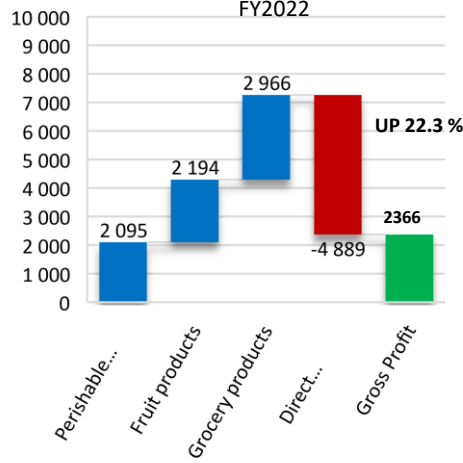
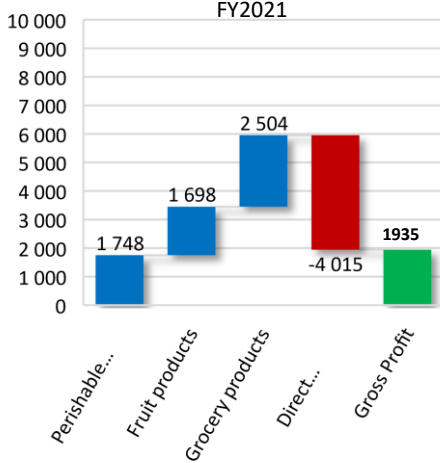
Half-Year Contributions to Revenue



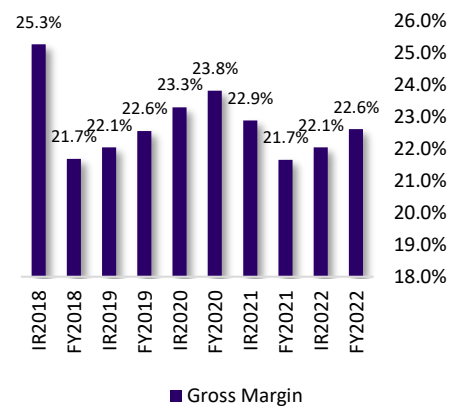
Segmental Contributions to Revenue



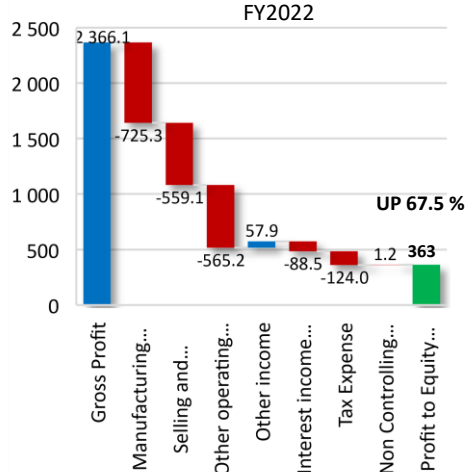
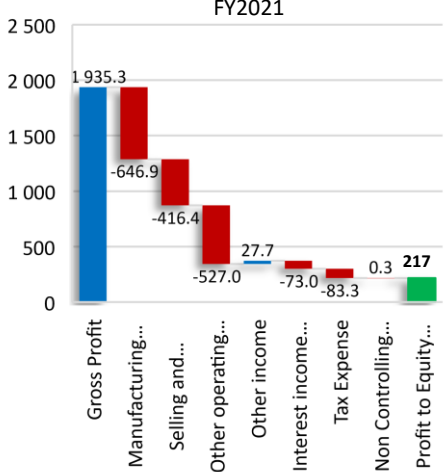
Contributions to Gross Profit



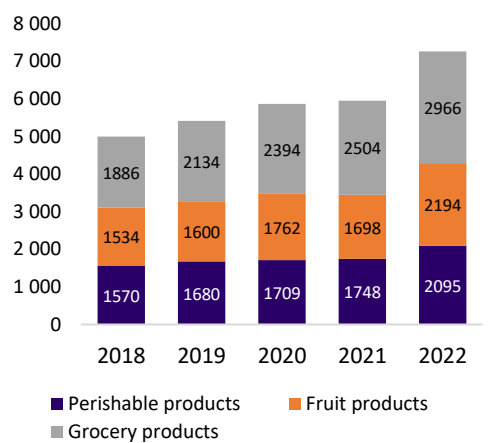
Gross Profit Margin Trends



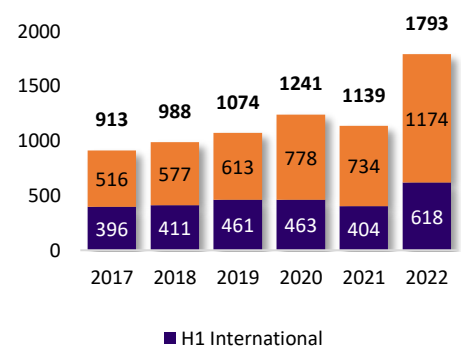
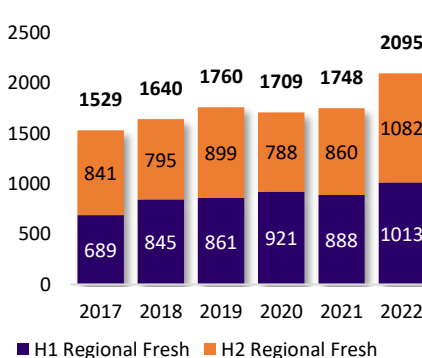
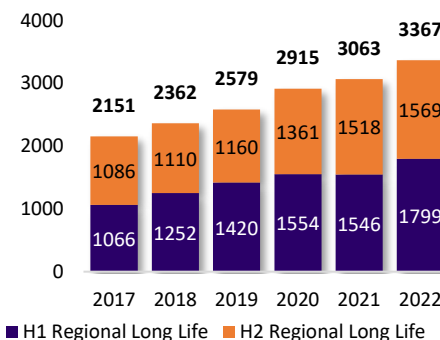
Contributions to Profit



Category Contributions to Revenue

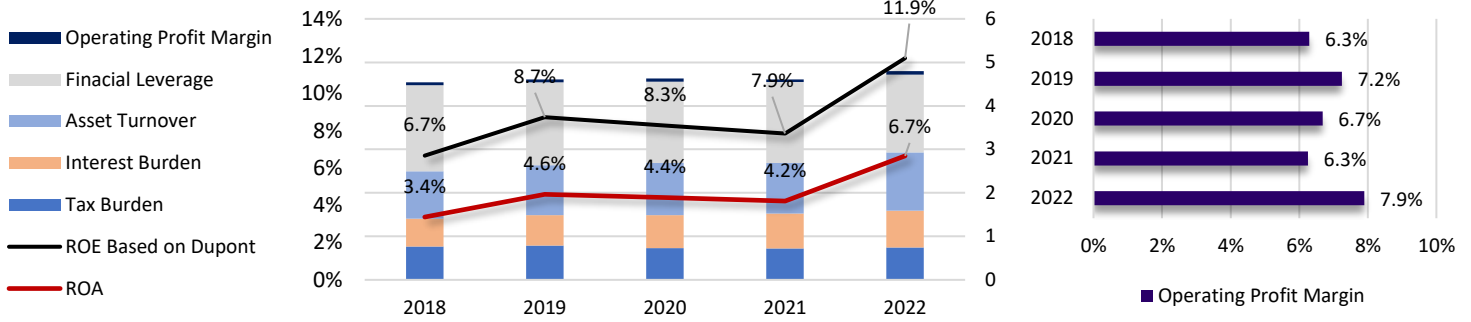


Half-Year Segmental Contributions to Revenue

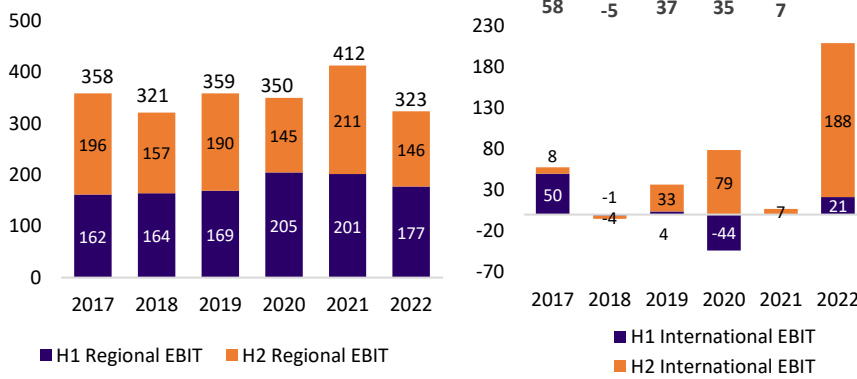


Profit Synopsis

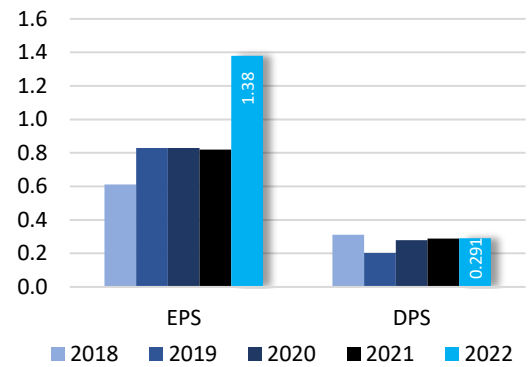
Dupont Analysis on the Drivers of Return on Equity



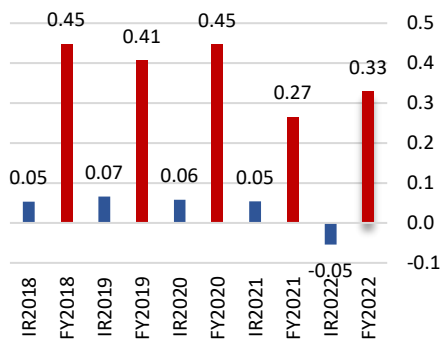
Half-year Contributions to Operating Profit



Earnings and Dividends per Share

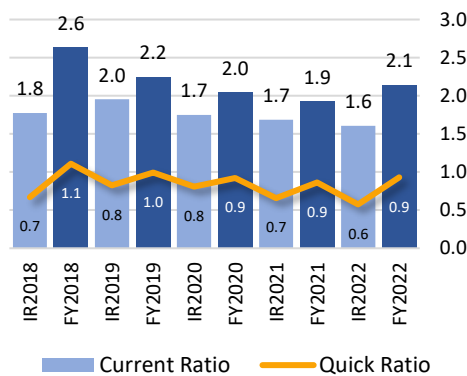


Operating Cashflow Liquidity Ratio

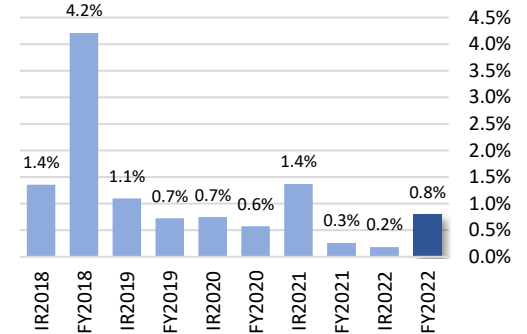


**Indicates how well a company can cover its short term liabilities from cash generated from core business operations

Current & Quick Ratios

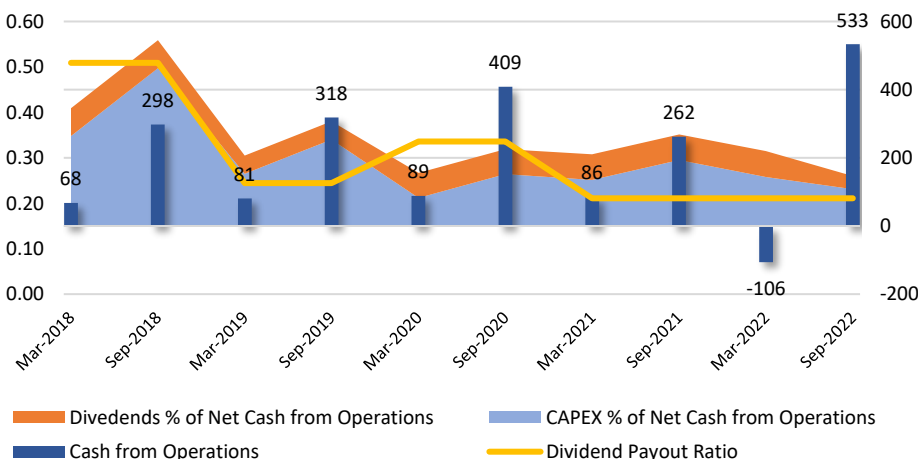


Cash Ratio

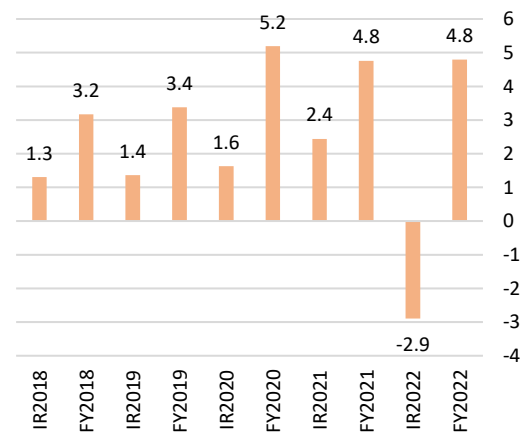


**Indicates how well a company can cover its current liabilities using its cash and liquid assets on hand.

Cash Paid out and Reinvested



Cashflow Coverage Ratio



**Indicates how well a company can cover its interest/finance costs

Peer Group Comparisons

Income Comparison	RFG	AVI	ARL	RCL	TBS	LBR	Average
Revenue	7 255	13 845	19 334	34 907	30 954	9 946	19 374
Market Share (based on rev)	6%	12%	17%	30%	27%	9%	17%
EBIT	619	2 540	1 385	1 209	2 236	608	1 433
EBITDA	863	3 094	1 691	2 185	3 043	863	1 956
Net Income	361	1 751	1 068	1 013	1 893	158	1 041
EPS	1.37	5.29	27.10	1.13	10.58	0.65	7.69

Balance Sheet Comparison	RFG	AVI	ARL	RCL	TBS	LBR	Average
Cash & ST Investments	10	191	723	1 590	2 162	597	879
Current Assets - Total	2 766	4 811	4 890	12 092	11 362	3 688	6 601
Total Assets	5 424	9 345	8 438	23 975	22 832	9 987	13 334
Total Debt	1 108	1 868	332	3 560	567	2 239	1 612
Total Liabilities	2400	4551	3652	12526	7277	4650	5843
Net Debt	1098	1676	-701	1970	-1595	1643	682
Debt to Equity Ratio	0.37	0.39	0.07	0.31	0.04	0.42	0.27

Cash Comparison	RFG	AVI	ARL	RCL	TBS	LBR	Average
Capital Expenditure	260	406	281	1 301	1 014	226	581
Cash from Operating Activities	427	2 236	1 198	2 531	1 613	786	1 465
Capex % of Cash from Operations	61%	18%	23%	51%	63%	29%	40%
Capex % of Revenue	4%	3%	1%	4%	3%	2%	3%
Cash from Investing Activities	-308	-388	-179	-1 256	-856	-219	-534
Cash from Financing Activities	-113	-1 856	-613	-606	-245	-910	-724

Peer Group Multiples	RFG	AVI	ARL	RCL	TBS	LBR	Average
EV / EBIT	6.89 x	10.39 x	4.90 x	9.94 x	15.80 x	9.54 x	9.58 x
EV / EBITDA	4.94 x	8.53 x	4.01 x	5.50 x	11.61 x	6.73 x	6.89 x
EV / Sales	0.59 x	1.91 x	0.35 x	0.34 x	1.14 x	0.58 x	0.82 x
Price / Earnings	8.75 x	13.89 x	6.17 x	9.38 x	18.33 x	8.82 x	10.89 x

Profit and Debt Ratios	RFG	AVI	ARL	RCL	TBS	LBR	Average
Return On Equity	12.51%	38.09%	23.56%	9.14%	11.37%	7.28%	16.99%
Return On Assets	6.87%	19.25%	12.96%	4.22%	8.05%	3.76%	9.19%
Gross Margin	22.62%	38.56%	20.79%	25.57%	28.46%	23.14%	26.52%
Net Profit Margin	4.97%	12.65%	5.44%	2.90%	5.73%	3.92%	5.94%
Long Term Debt to Equity	20.31%	7.39%	4.83%	19.82%	2.57%	40.20%	15.85%

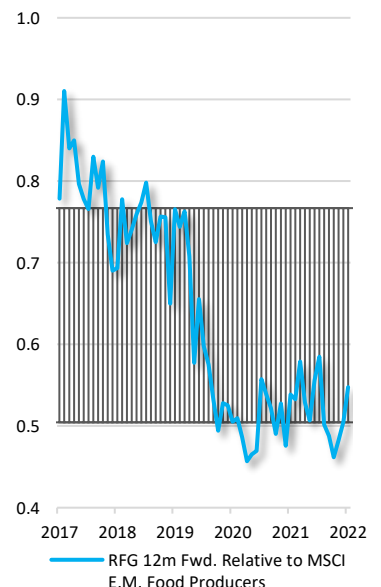
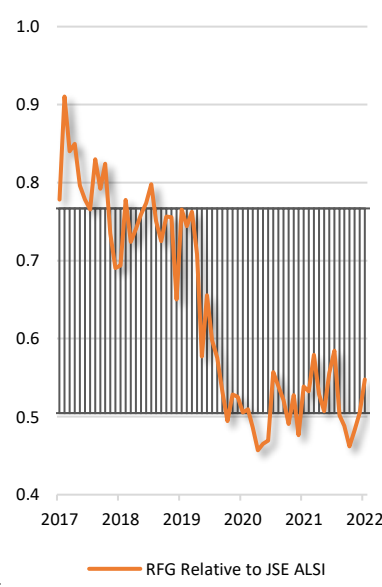
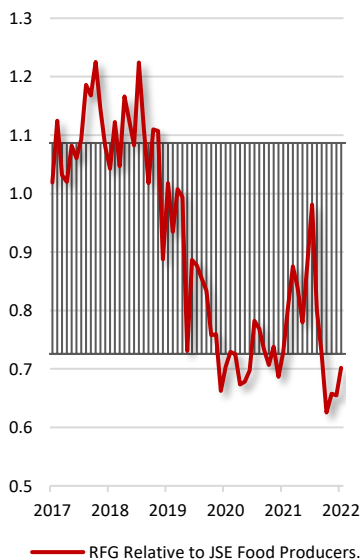
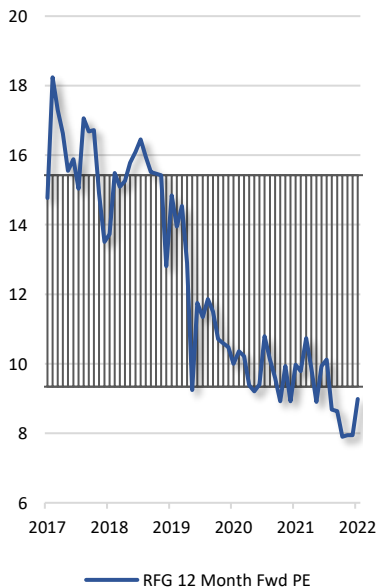
Forward Looking Consensus	AFF RFG Forecast	RFG	AVI	ARL	RCL	TBS	LBR	Average
Multiples								
EBIT NTM	480	572	2753	1312	1719	3201	882	1559.84
EBITDA NTM	724	831	3335	1539	2756	4028	1203	2059.38
SALES NTM	7747	7773	14946	21746	39025	34697	11477	19630.22
HEPS NTM	1.17	1.36	5.79	24.10	1.22	15.08	0.88	7.08
EV / EBIT NTM	8.07 x	7.52 x	9.76 x	5.05 x	7.13 x	10.59 x	6.24 x	7.76 x
EV / EBITDA NTM	5.34 x	5.17 x	8.06 x	4.30 x	4.45 x	8.41 x	83.00 x	5.96 x
EV / SALES NTM	0.50 x	0.55 x	1.80 x	0.30 x	0.31 x	0.98 x	0.48 x	0.74 x
PE NTM	10.87 x	8.98 x	12.95 x	7.08 x	8.82 x	13.05 x	6.43 x	10.29 x

RFG 12 Month Forward

RFG 12 Mnth. Fwd. PE Relative to JSE Food Producers Index

RFG 12 Mnth. Fwd. PE Relative

RFG 12m Fwd. PE Relative to MSCI E.M. Food Producers



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Accumulate: the stock is expected to generate a total return of 10% to 20% during the subsequent twelve months.

Hold: the stock is expected to generate a total return of 0% to 10% during the subsequent twelve months.

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