

RCL Foods to spin-off and list Rainbow Chicken business

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South Africa's RCL Foods will unbundle its Rainbow Chicken business and list it on the Johannesburg stock exchange as part of a strategic review, the food producer said on Monday, 4 March 2024, as it reported half-year earnings growth of 52.6%.



Image supplied

RCL, which owns brands such as Selati sugar, Ouma rusks and Yum Yum peanut butter, has been assessing whether its portfolio delivers sustainable earnings and value for shareholders.

It had resolved to bulk up its fast-moving consumer goods business through acquisitions while separating its chicken, sugar and Vector Logistics into separate legal entities. Vector was eventually sold last year.

Earlier this week, RCL said the board gave its preliminary approval on March 1 to pursue the formal separation of Rainbow through an unbundling.

"The board is of the view that the unbundling of Rainbow will enable both businesses to pursue their respective growth ambitions and investment theses in a focused manner and with improved alignment on capital allocation priorities," the food producer added.

The poultry unit had been the company's mainstay business until about 10 years ago when its purchase of Foodcorp gave it exposure to branded consumer products like grocery.

The group now wants to focus on those businesses rather than "commodity non-core investment areas", group chief financial officer Rob Field told Reuters.

Well into the second year of the turnaround phase, Rainbow's underlying earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by R225.1m to R286.8m in the six months to end-December, notwithstanding the R184m impact of Avian Influenza.

Rainbow's performance, including a 10.8% rise in revenue to R7.2bn, was mainly due to better agricultural performance aided by a new breed rollout, cost control, improved margins and higher retail and wholesale volumes.

"We feel like we've sufficiently turned the corner now. There is proper evidence of the turnaround and that the business is sustainable into the future," Field said.

RCL reported headline earnings per share from continuing operations - a profit measure - of 81.2 cents and group revenue growth of 8.4% to R20.1bn, largely due to higher volumes at Rainbow, higher sugar prices and the inclusion of the Sunshine bread bakery business.

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