

RCL stock leaps on earnings update

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RCL Foods, the consumer brands conglomerate that owns poultry producer Rainbow Chickens, delivered a nourishing trading update.



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RCL's share price initially spiked more than 8% to R18.40 before market enthusiasm tempered to end the trading day 3.47% up at R17.59.

The company, which is controlled by Remgro, pencilled in headline earnings of 69.5c to 79c per share for the six months to end-December.

If once-off items recorded in the corresponding period last year were excluded, RCL's interim headline earnings would be 29% to 43% higher. RCL indicated that the improvement in the interim results was due largely to an improved performance from the restructured Rainbow Chicken business.

This followed resurgent performances from other JSE-listed poultry groups such as Astral Foods and Quantum Foods. RCL said chicken benefited from substantially lower feed input costs, higher individually quick frozen prices and the positive effect of a revised business model implemented in the second half of the past financial year. The revised poultry business model focused on limiting the production of consequential commodity products.

RCL reported that the Selati sugar business unit's result was materially down on the matching interim period's, with imports knocking local market sales volumes. RCL's groceries portfolio saw margin and volume gains in grocery and pies brands, which offset volume pressure in the speciality and beverages business units.

Lower commodity input prices helped margins and drove an improved result for the animal-feed division, while milling managed to regain some lost volumes. The baking division was, however, hampered by labour issues.

RCL said results from Vector Logistics would be down after reduced loads from the scaled-down chicken business. However, the implementation of various cost-saving initiatives had partially mitigated the effect from lower poultry loads.

Opportune Investments CEO Chris Logan said that while expected headline earnings increased markedly due to the rationalised chicken unit benefiting from better conditions, the trading update was a "bit of a mixed bag".

Source: Business Day

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