



## Poultry integration & brand positioning

**Presentation to Market Commentators  
23 July 2013**



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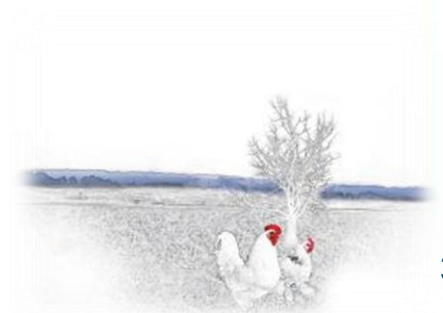


Strategic focus





## Astral at a glance

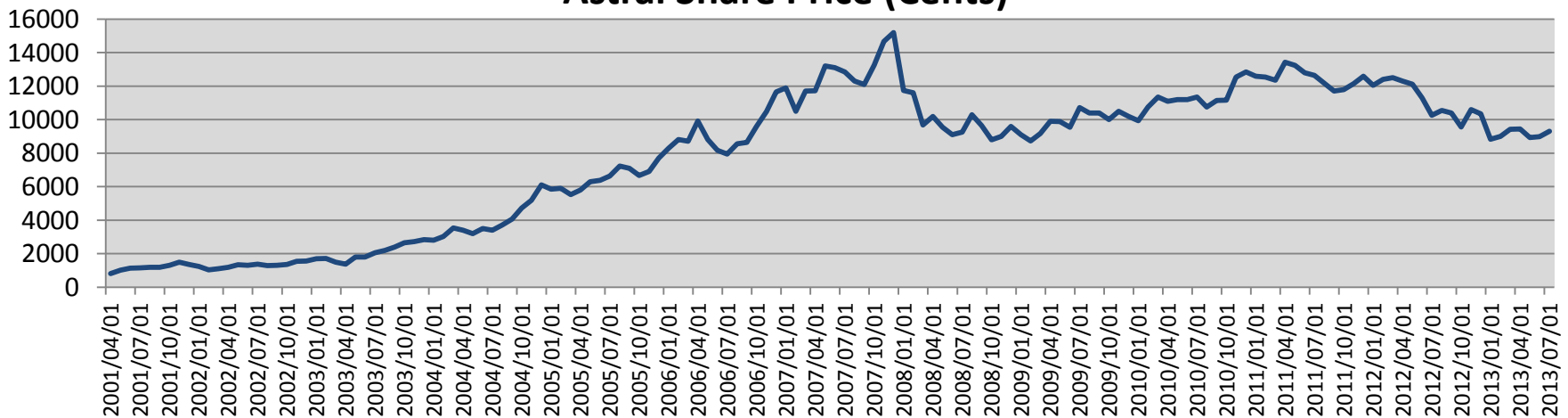


# Astral at a glance

## Market information

Listed		April 2001
Year end		30 September
JSE ticker		ARL
Listed exchange		JSE Main Board / Consumer / Food and Beverages / Food Producers
Sub sector		Farming & Fishing
Market cap		R3.9 billion – as at 18 July 2013
NAV		R41.14 per share (March 2013)

**Astral Share Price (Cents)**

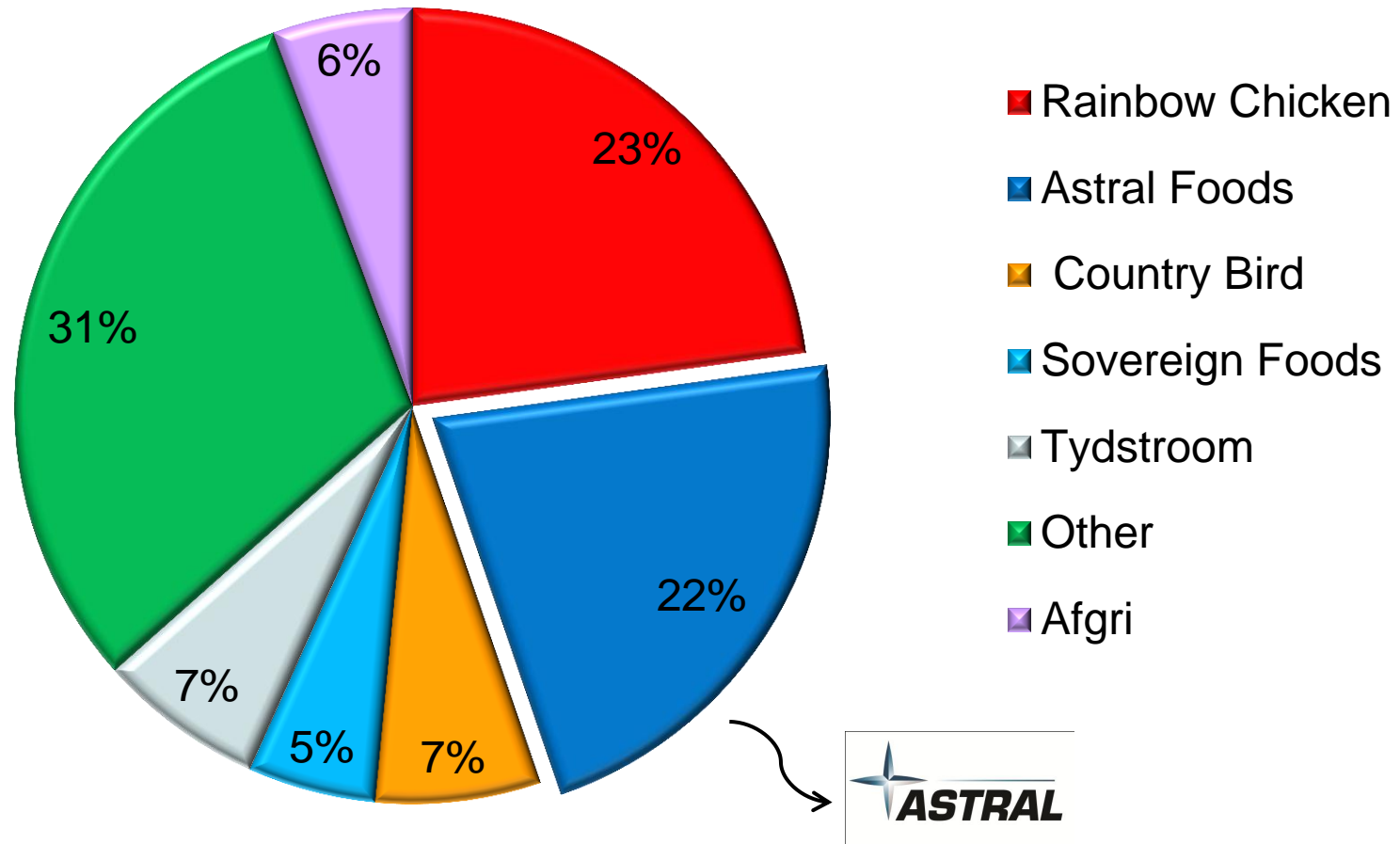


# Astral at a glance – quick facts

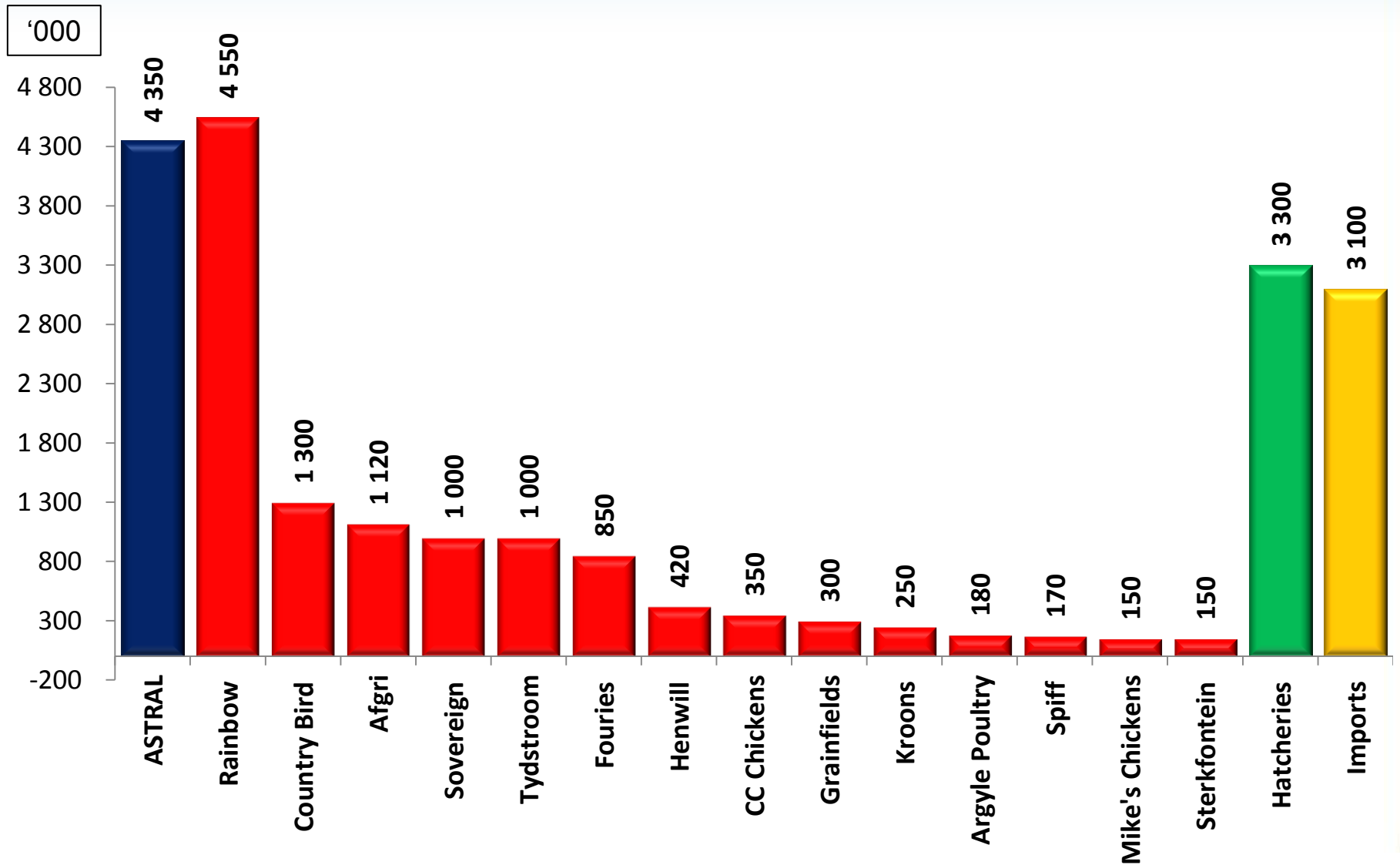
- ✦ Largest producer of broiler chicks in South Africa
- ✦ Second largest in number of chickens processed
- ✦ Represented in 4 Southern African countries
- ✦ In excess of 11 000 full-time and contract employees
- ✦ 7 000 hectares of agricultural and industrial land
- ✦ 4 poultry processing plants
- ✦ 5 610 000 day old chicks hatched per week
- ✦ 4 350 000 broilers processed per week
- ✦ 1 300 000 tons of animal feed manufactured per annum
- ✦ 715 000 tons of maize used per annum

# RSA poultry industry market share

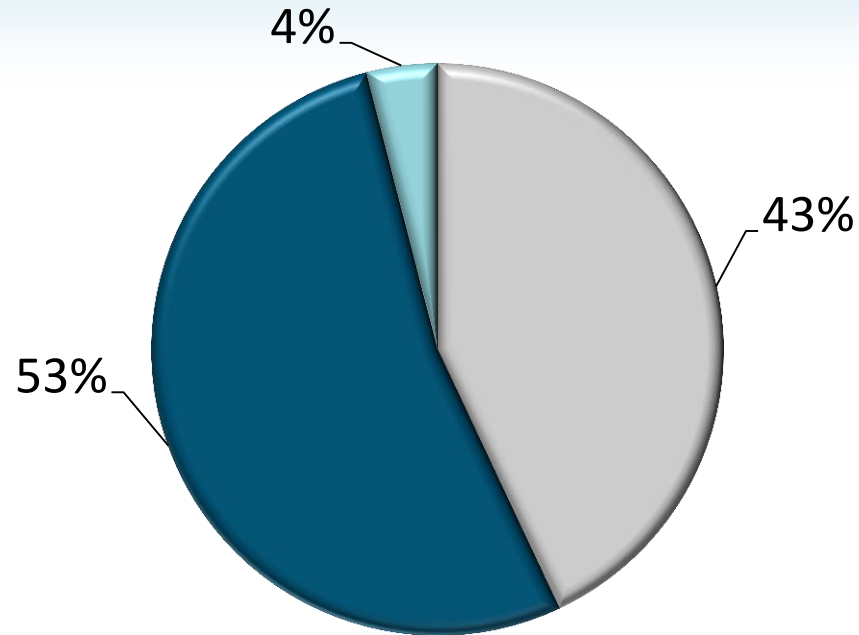
- Local broiler production  $\approx$  19,5 million birds per week



# Estimated broilers processed per week – 2013



# Astral segmental analysis - Revenue



Poultry



Feed



Other Africa





# Profit sensitivity (current market environment)

- ✦ Change in chicken selling price of R0.10 per kg  
≈ R42 million pa
- ✦ Change in feed price of R100 per ton  
≈ R65 million pa
- ✦ Change in processing yield of 1%  
≈ R54 million pa
- ✦ Change in feed conversion of 1 point  
≈ R18 million pa

# Strategic alliances

## Associates and partners



Aviagen™



Cargill™



SEABOARD  
OVERSEAS TRADING & SHIPPING (PTY) LTD



nutron  
shaping tomorrow's nutrition



CJA  
Strategic Risk Brokers

## Key service providers



NEDBANK  
CORPORATE



pwc



problemsolved  
ens.co.za



Alexander Forbes  
RISK SERVICES



MARSH  
incorporating  
ALEXANDERFORBES  
RISK SERVICES



The Cold Chain  
EVERYWHERE • ON TIME • EVERY TIME  
WE ARE IMPERIAL LOGISTICS

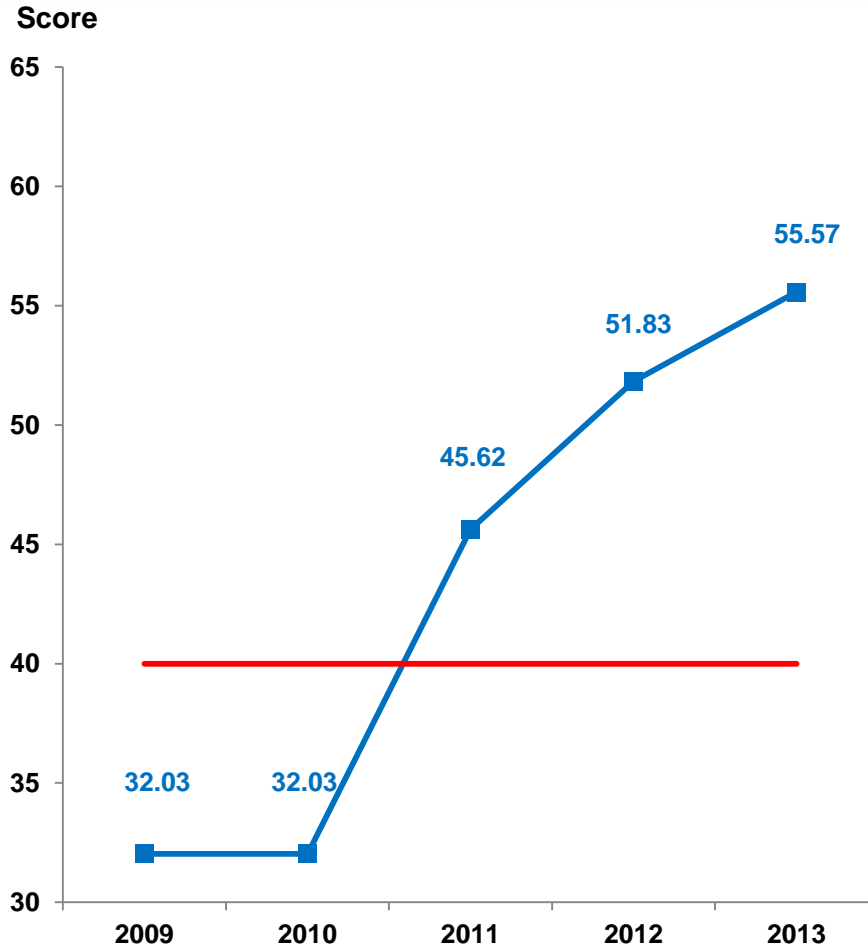



s.a.outsourcing



Barloworld  
Logistics

# BBBEE status





**EMPOWERDEX**  
Economic Empowerment Rating Agency


Generic B-BBEE Verification Certificate

**Astral Foods Limited**

Registration Number: 1978/003194/06  
Address: 92 Koranna Avenue, Doringsloof, Centurion, 0140

**Level Five Contributor**

Black-equal Dimension	Actual Score	Target Score	Analysis	Results
Ownership	9.12	23.60	Procurement Recognition Level	66.66%
Management	4.18	18.80	Black Ownership	14.18%
Employment Equity	2.42	15.80	Black Women Ownership	2.88%
Skills Development	1.72	15.80	VAT Number	430010048
Preferential Procurement	18.13	29.80	Value Adding Enterprise	Yes
Enterprise Development	15.06	18.80	Issue Date	31 January 2015
Socio-Economic Development	5.89	5.00	Expiry Date	30 January 2016
<b>Total Score</b>	<b>55.57</b>	<b>100.00</b>	Re-issue Date	N/A


  
 For EMPOWERDEX Northern Regions (Pty) Ltd

2015-01-31  
 Date

This verification certificate and the verification report are based on information provided to Empowerdex and represent an independent opinion based on the verification and analysis completed by Empowerdex. The calculation of the scores has been determined in accordance with the Department of Trade and Industry's Codes of Good Practice on Broad Based Black Economic Empowerment as gazetted on 9 February 2007.

Empowerdex Northern Regions (Pty) Ltd Reg. 2008/1004631/07  
Directors: R Gqibeni, L Thom, J Odendaal, L Ransome, J Brobnor

G12P00093

  
 Public Indicator Agency  
 BVA 101

Certificate



## Astral's integration



# Astral versus Rainbow



“Grown by design”

*Hammarsdale Rustenburg Worcester*

**Broiler Operations**

**Feed - Epol**

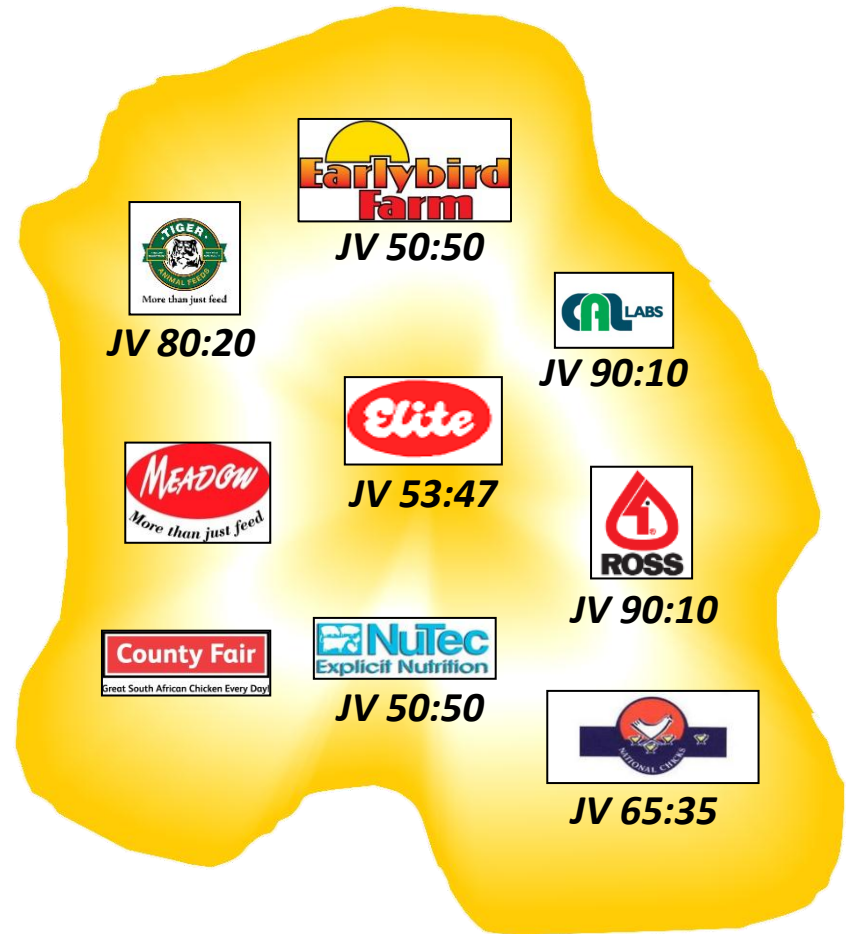
**Poultry Genetics – Cobb 500**

*Start: 1963*

*Hammarsdale Processing Plant*



“Unbundling of agri-businesses”

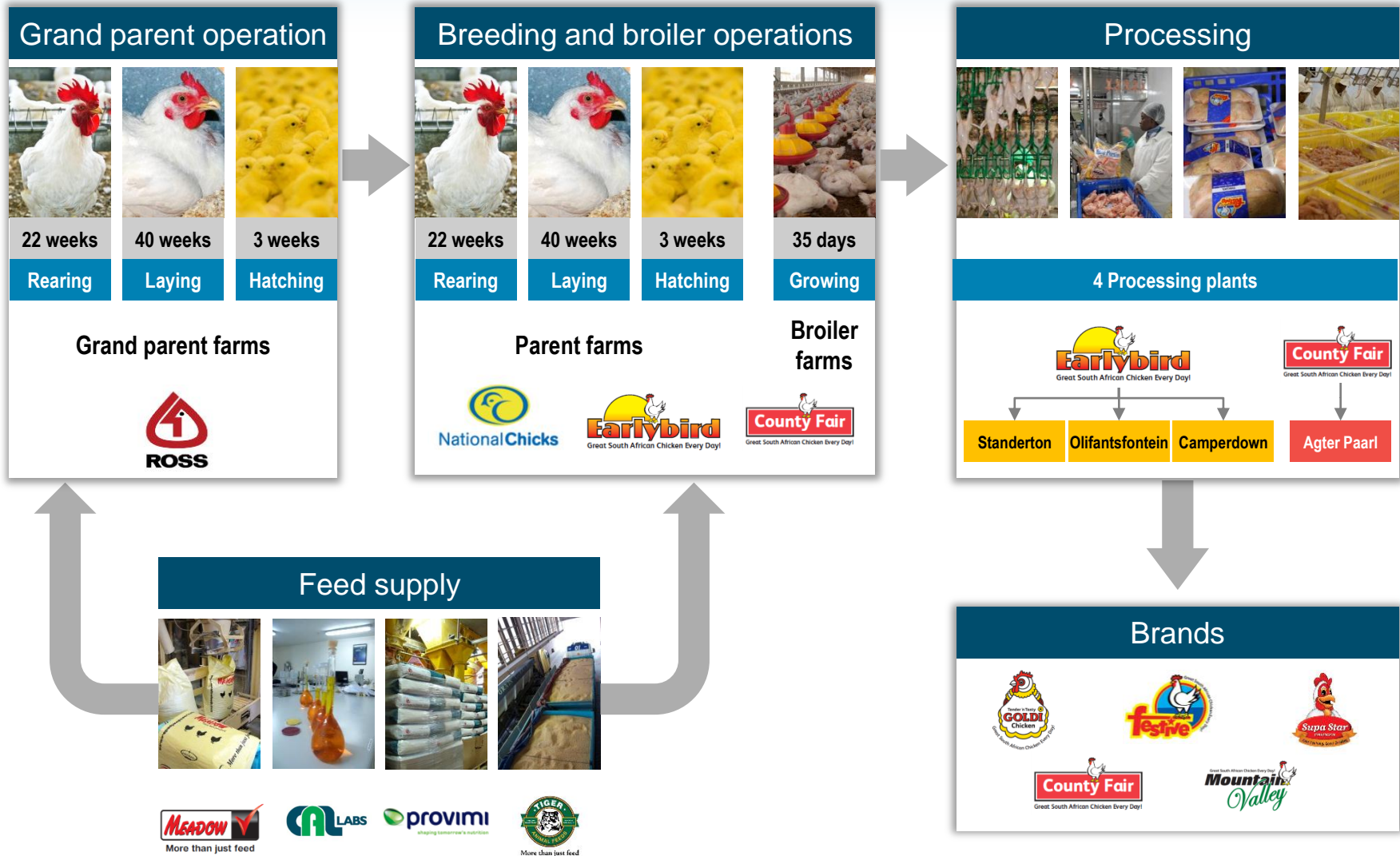


*Start: 2001*

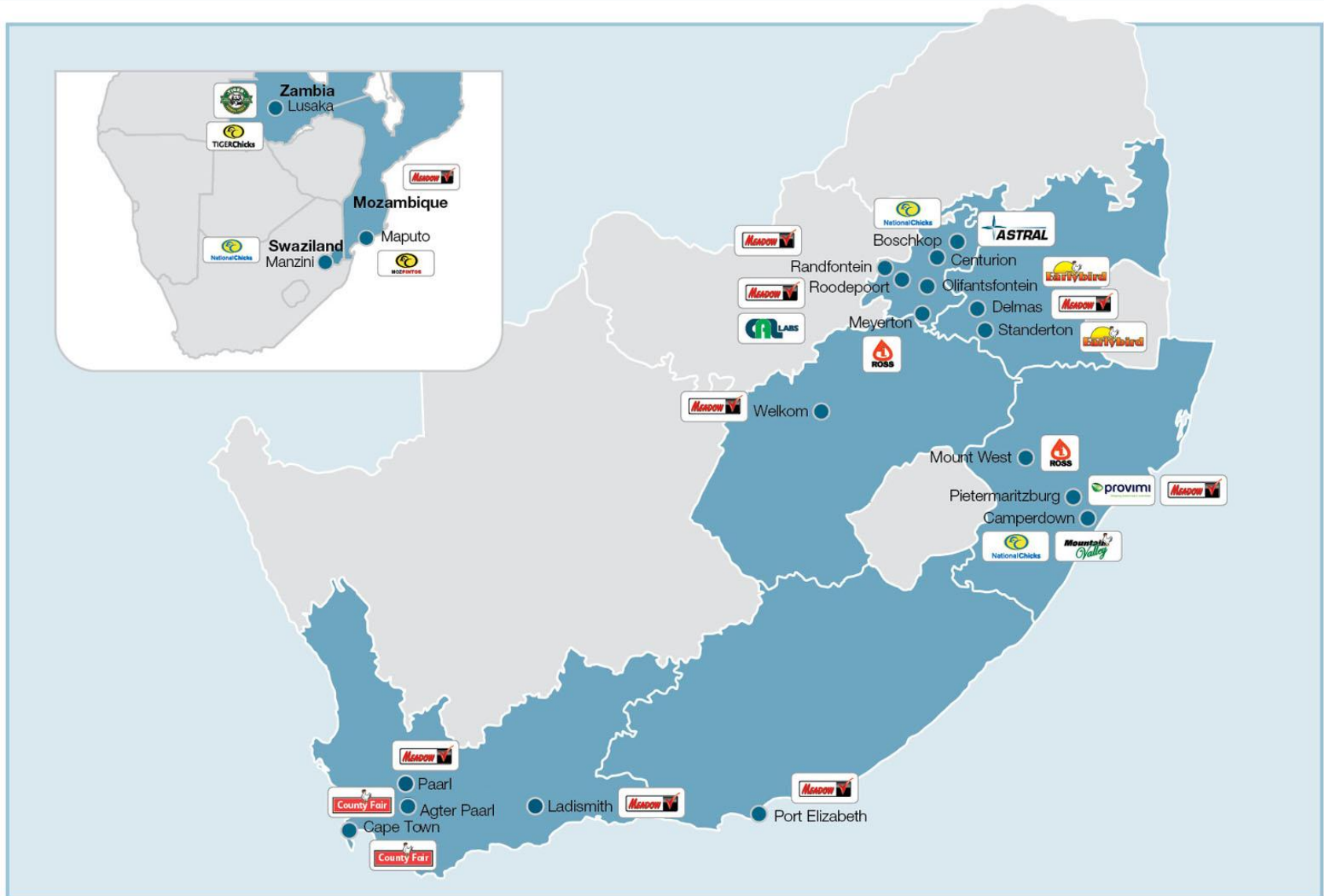
*Non-aligned business units*



# Integrated poultry producer

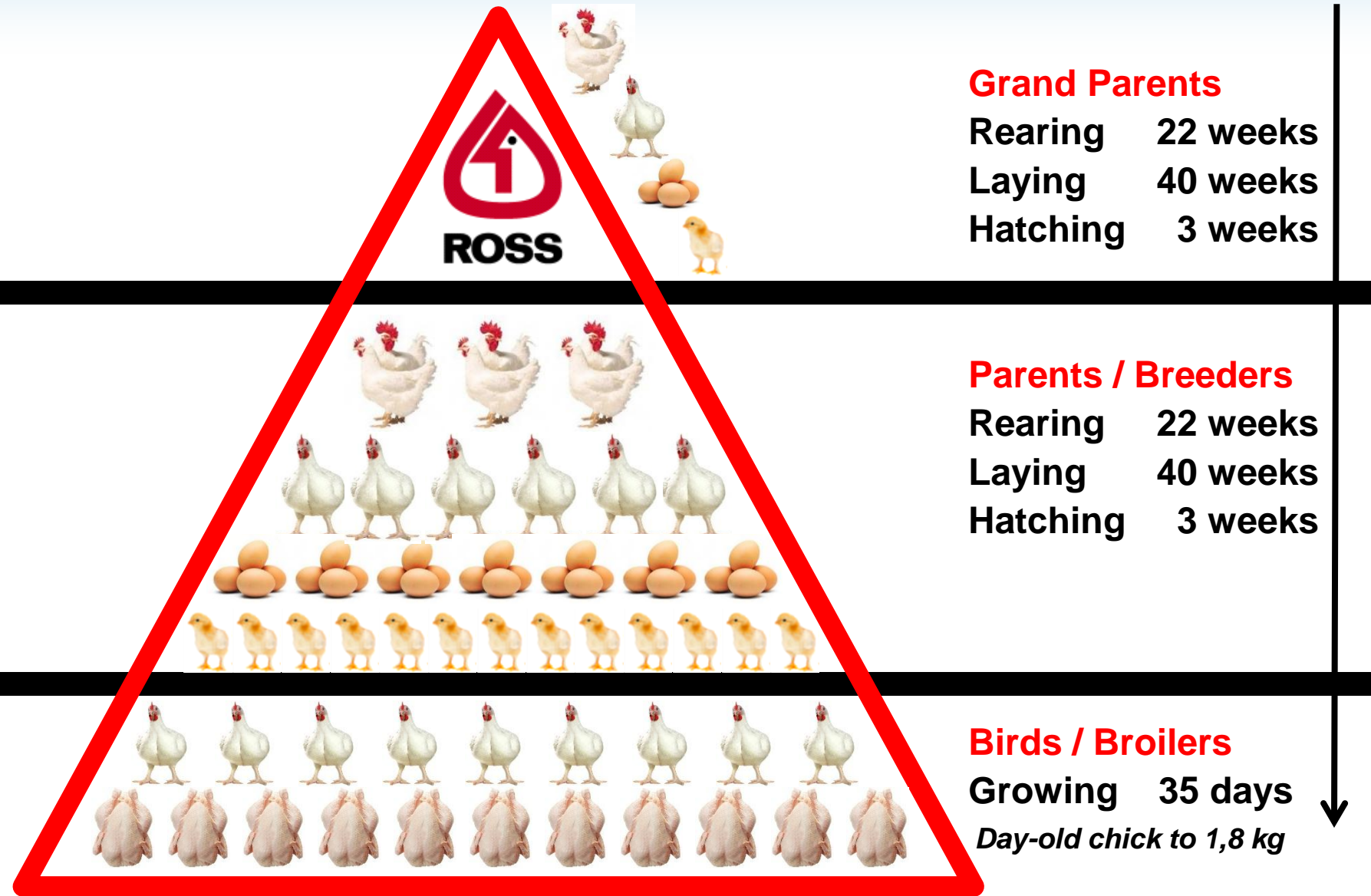


# National and regional footprint



# Poultry rearing cycle

2½ years



## Grand Parents

Rearing	22 weeks
Laying	40 weeks
Hatching	3 weeks

## Parents / Breeders

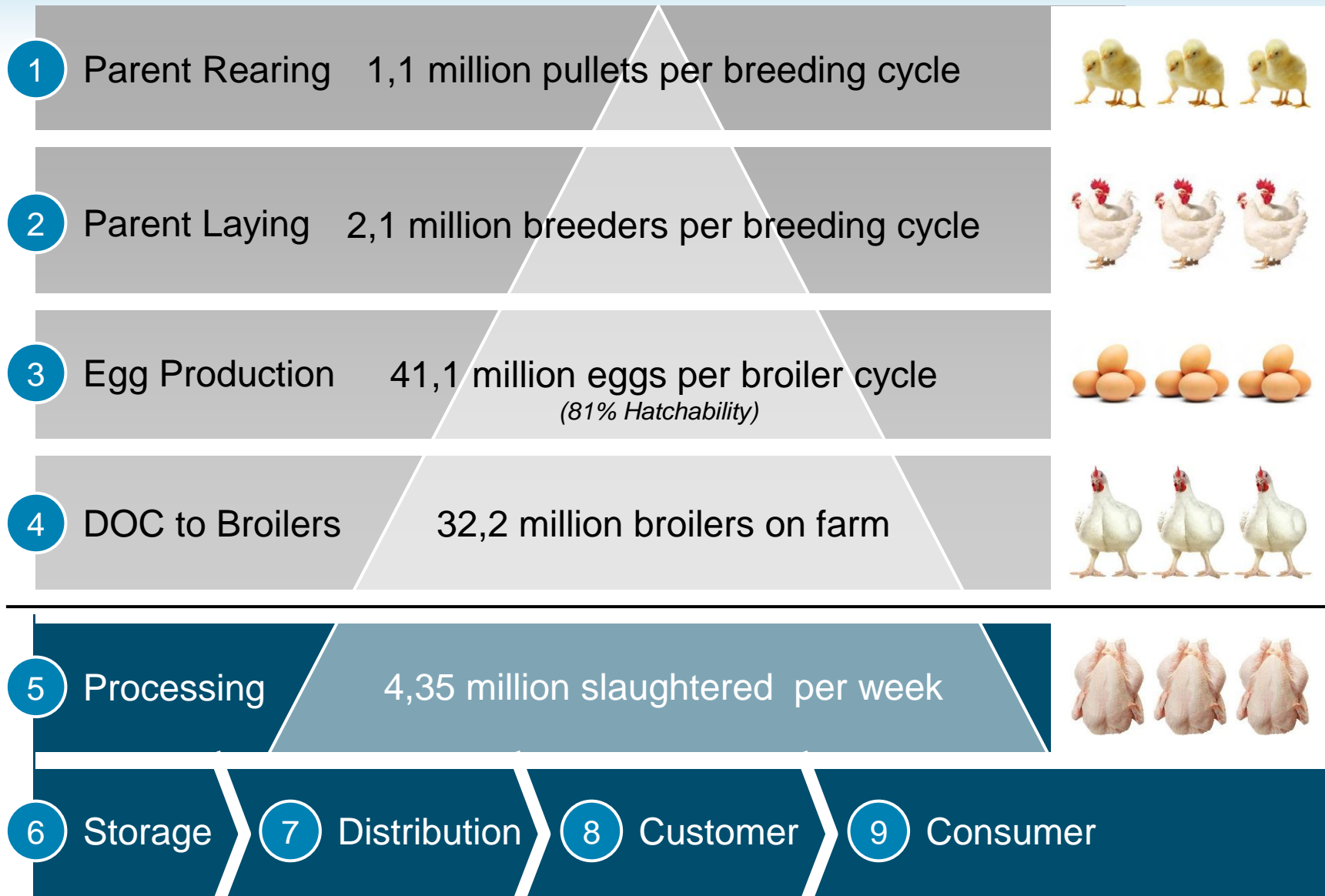
Rearing	22 weeks
Laying	40 weeks
Hatching	3 weeks

## Birds / Broilers

Growing	35 days
<i>Day-old chick to 1,8 kg</i>	

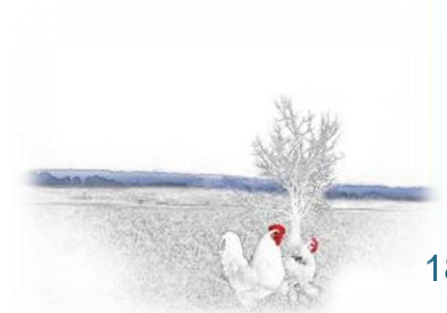


# Astral poultry production chain





## Operational overview



# Broiler genetics

- ✦ Ross Poultry Breeders are the sole distributor and supplier of Ross 308 parent stock to the South African poultry industry
- ✦ Sales revenue for Ross is split 74% to Astral operations and 26% to external customers
- ✦ Astral has a distribution and technical agreement with Aviagen Limited a multi-national company that holds world-wide proprietary rights to the “Ross” brand
- ✦ The Ross 308 breed is world renowned for its superior broiler and broiler breeder performance



# Day-old broiler chick and hatching egg suppliers



- ✦ National Chicks based in **South Africa** and **Swaziland** is a day-old chick (DOC) and hatching egg supplier to Astral's broiler operations (34% of sales) and independent non-integrated broiler producers in South Africa, Swaziland and Botswana



- ✦ Tiger Chicks based in **Zambia** is a day-old chick supplier to independent non-integrated commercial and small-scale poultry producers



- ✦ Mozpintos based in **Mozambique** is a day-old chick supplier to independent non-integrated small-scale poultry producers

# Integrated broiler operations



- Four full integrated broiler production, processing, distribution, sales and marketing operations
- Combined production capacity of 4,35 million processed broilers per week:



- ✦ Earlybird Standerton – 1 700 000 birds per week
- ✦ Earlybird Olifanstfontein – 1 300 000 birds per week
- ✦ County Fair Agter Paarl – 1 200 000 birds per week
- ✦ Mountain Valley Camperdown – 150 000 birds per week



# Animal feed



- ✦ The seven South African feed mill operations are located in Randfontein, Delmas, Welkom, Paarl, Port Elizabeth, Pietermaritzburg and Ladismith



- ✦ Meadow Feeds produces approximately 1,3 million tons of complete animal feed per annum and is the market leader in South Africa with 50% of sales into the external market
- ✦ Astral also has feed mill operations in Lusaka (Zambia) and Maputo (Mozambique)

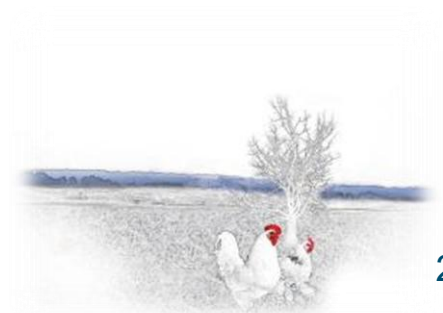
# Laboratory services

- ✦ Central Analytical Laboratories offers a diverse range of analytical services to the agricultural sector
- ✦ CAL is an important part of Astral's integration and an integral link in the Group's quality control and traceability programs
- ✦ Analysis of feed samples for the animal feed industry and water samples for various agricultural industries are undertaken
- ✦ Sales revenue for CAL is split 50% to Astral operations and 50% to external customers



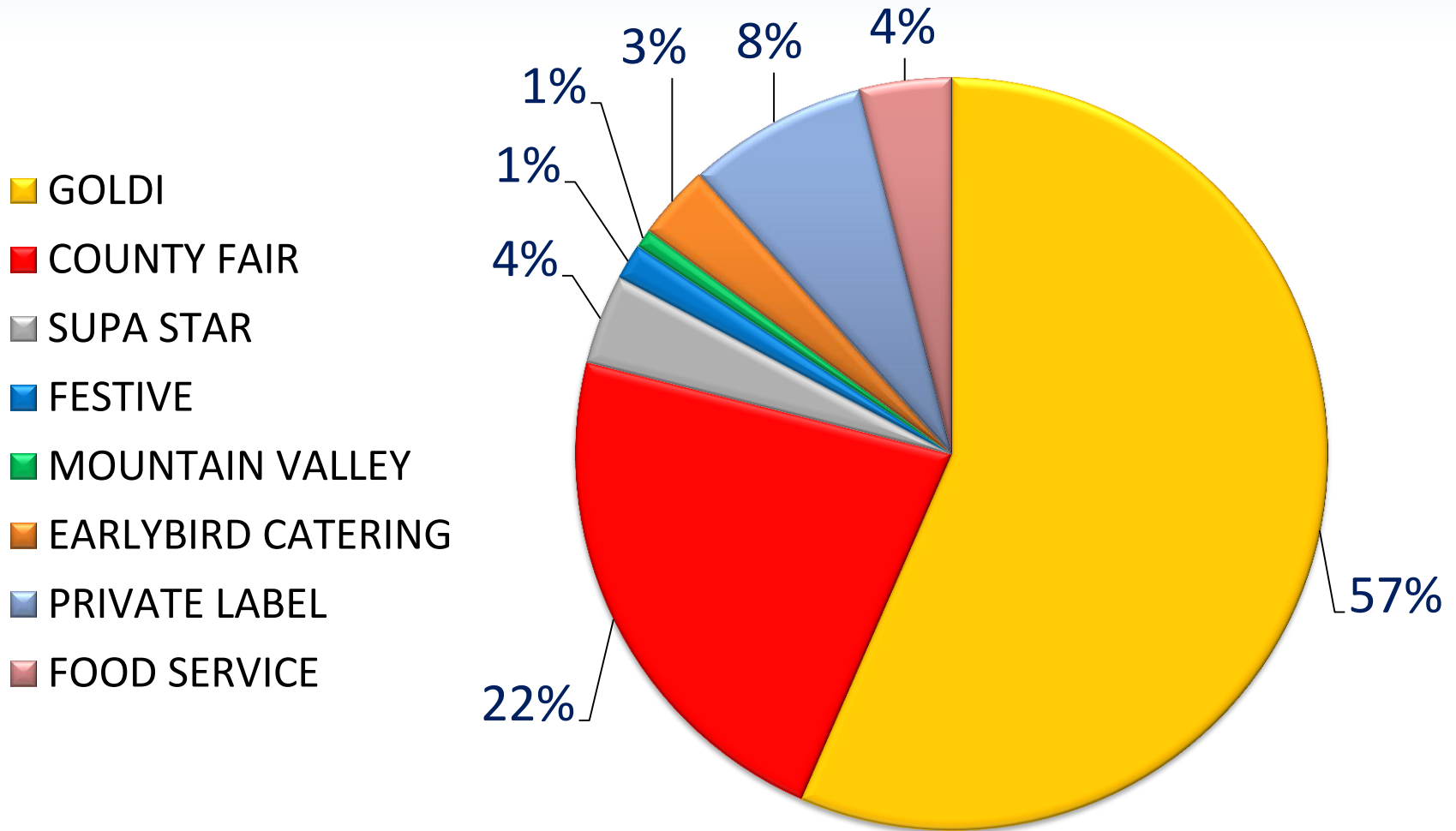


# Astral's consumer brands












# Astral's consumer brands sales



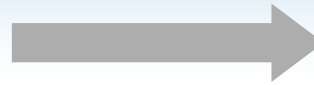
Annual revenue of R6,1 billion

# Astral's product line-up

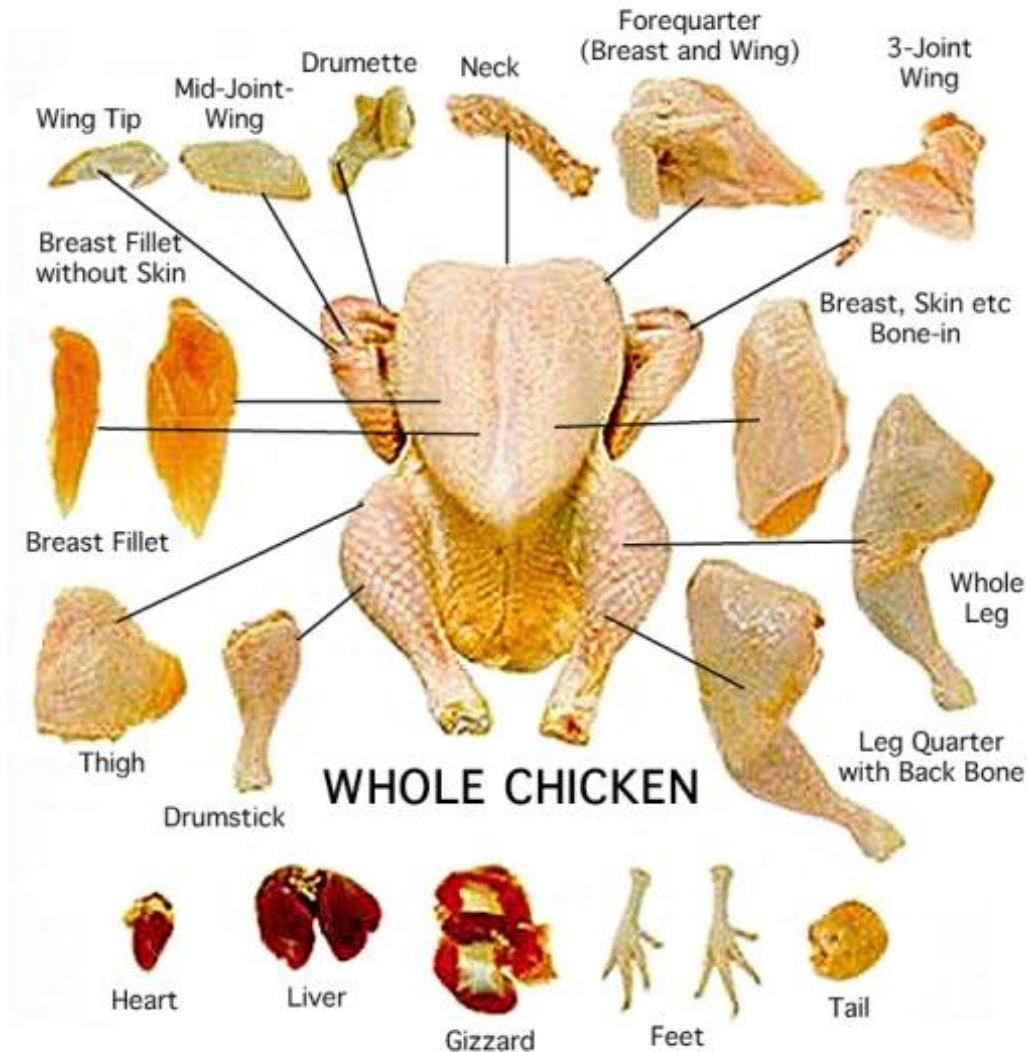
<div style="text-align: center;">Brands</div> <div style="text-align: center;">Category</div>						<i>Private Label</i> 	<i>Food Service</i> 
IQF	<b>85%</b>	<b>30%</b>	<b>80%</b>	<b>0%</b>	<b>0%</b>	<b>46%</b>	<b>0%</b>
Fresh	<b>0%</b>	<b>39%</b>	<b>0%</b>	<b>97%</b>	<b>85%</b>	<b>51%</b>	<b>10%</b>
Frozen	<b>4%</b>	<b>9%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>24%</b>
Low Value	<b>11%</b>	<b>12%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>	<b>3%</b>	<b>0%</b>
Value Added	<b>0%</b>	<b>10%</b>	<b>0%</b>	<b>3%</b>	<b>15%</b>	<b>0%</b>	<b>66%</b>
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# Chicken cuts

Poultry cuts



Consumer Brands



# Goldi – revenue contribution R3,4 billion



**57% of sales**



- ✦ The Goldi brand targets the mass markets both rural and urban in the lower to middle income group's
- ✦ The products have good depth of distribution and reach the target market through Shoprite, Spar, Boxer, Pick 'n Pay and local Spaza shops
- ✦ The brand has maintained loyal support in its target market
- ✦ This trusted brand presents a good value proposition

# County Fair – revenue contribution R1,4 billion



22% of sales

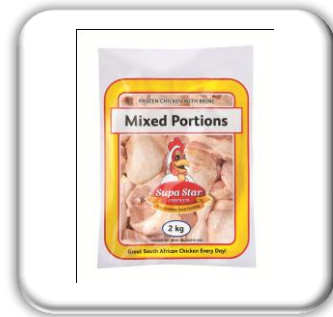


- ✦ The County Fair brand targets the middle to upper income group's
- ✦ The products reach the target market through Shoprite, Checkers, Spar, Boxer and Pick 'n Pay
- ✦ The brand has developed strong equity in its target market
- ✦ This prime brand is dominant in the Western Cape market

# Supa Star – revenue contribution R0,2 billion



**4% of sales**



- ✦ The Supa Star brand targets the mass market in the lower to middle to income group's
- ✦ The products reach the target market through Shoprite and Boxer
- ✦ The brand has presence in both the rural and urban markets
- ✦ This trusted brand enjoys good demand in the Kwazulu-Natal market

# Festive – revenue contribution R0,1 billion



1% of sales



- ✦ The Festive brand targets the middle to upper income group's
- ✦ The products are only available in a fresh chilled format
- ✦ This is an established brand distributed at present through Checkers and Spar
- ✦ This trusted brand has developed strong equity in markets where demand for a prime product is higher

# Mountain Valley – revenue contribution R48 million



✦ The Mountain Valley brand is a relatively new brand in the Astral stable

✦ The products are only available in a fresh chilled format



✦ A new free range product line-up under this label has recently been launched country wide

✦ This brand targets the middle to upper income groups and is well established in Kwazulu-Natal



✦ This brand is available where demand for a prime product is high



**1% of sales**



# Earlybird catering – revenue contribution R0,3 billion



**3% of sales**



- ✦ The Earlybird food service lines are supplied to caterers where they are consumed within the middle to upper income group's
- ✦ This value added brand provides variety, convenience and good value
- ✦ This brand has the potential to grow into a well known catering brand in South Africa

# Dealer own brands – revenue contribution R0,5 billion ✦



- ✦ The private label brands target a wide consumer segment from the low to high income brackets



- ✦ These brands are supplied to retailers driving a “dealer own brand” strategy



- ✦ These products tend to have a lower cost route to market due to retailer distribution centres

# Further processed foods



# Differentiate and value add



**FREE RANGE**  
**Mountain Valley**



**Great South African Chicken Every Day!**



**Mountain Valley**  
**READY-TO-BRAAI**



**Great South African Chicken Every Day!**



**FRESH CHICKEN**  
**Mountain Valley**

Fresh, never frozen



**Great South African Chicken Every Day!**



Sole supplier of chicken to Famous Brands & Spur

famous | brands



*You're in good company*



# Famous Brands restaurants



# Spur franchises & restaurant chains





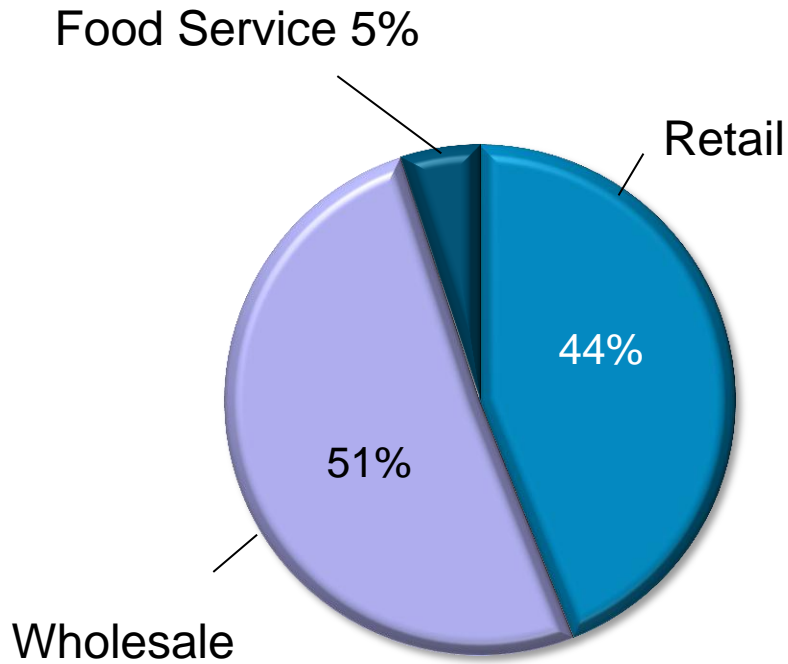
## Market participation



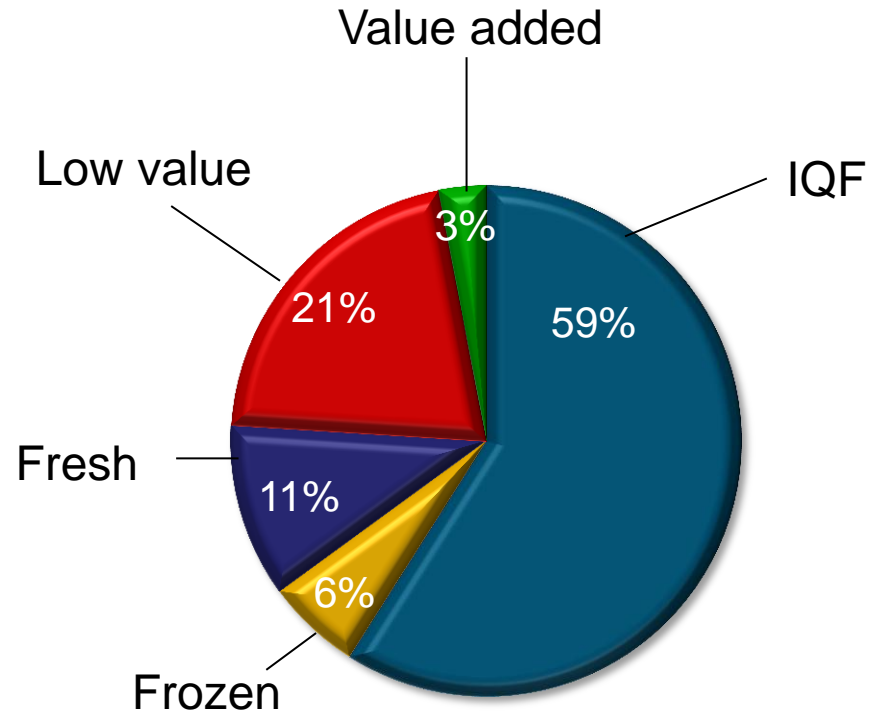


# Market participation

## Volume by sector

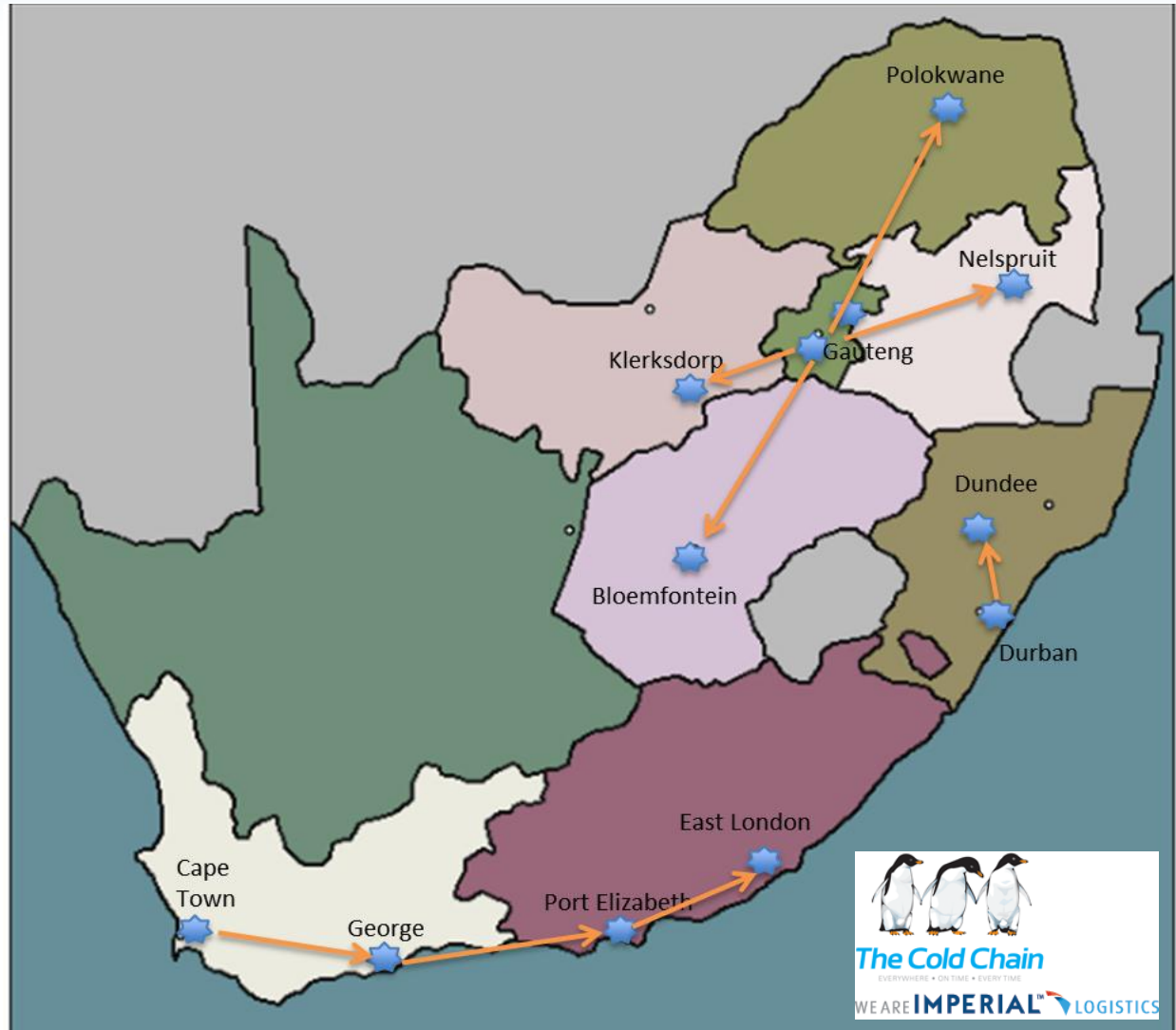


## Volume by category

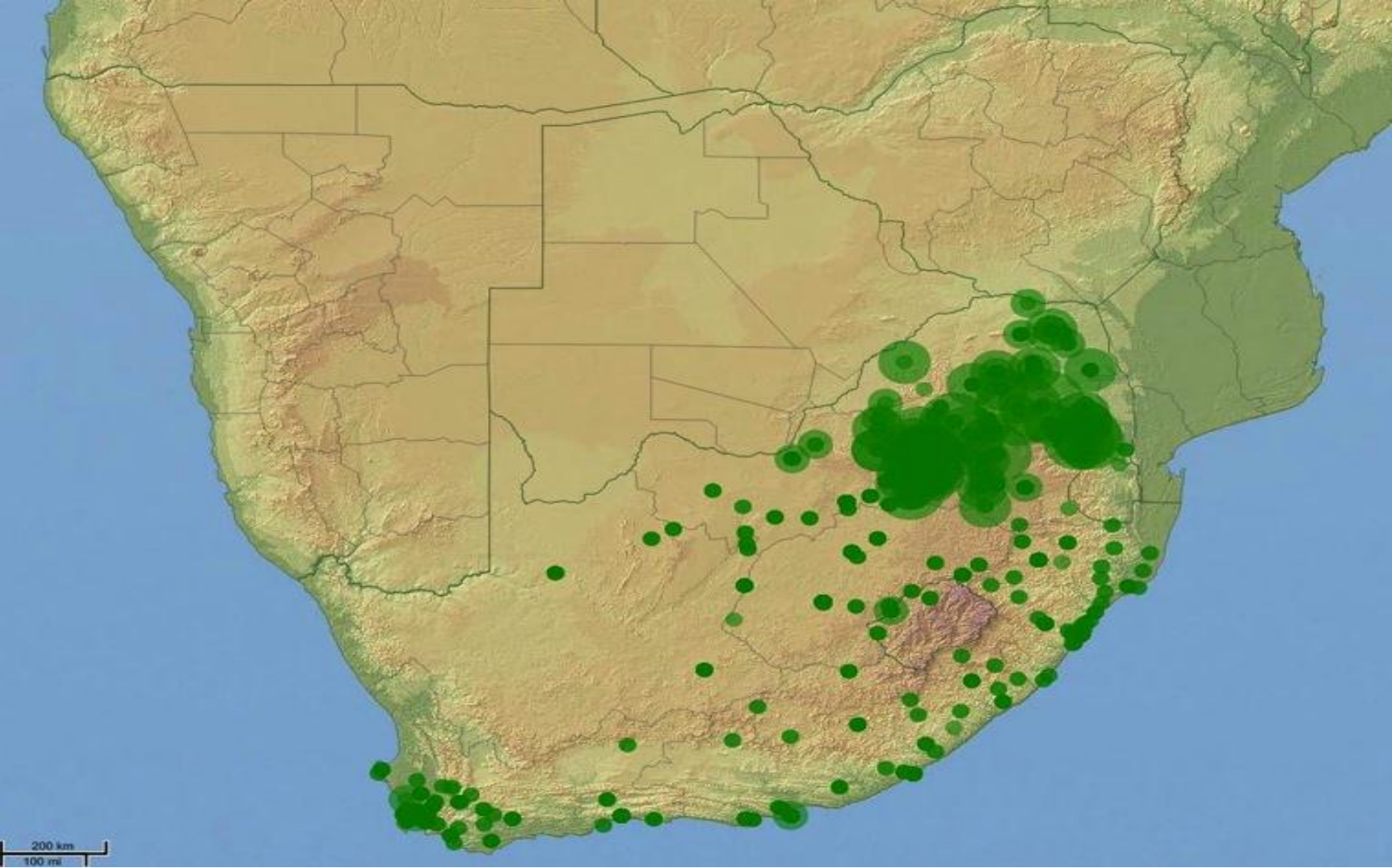


# Astral distribution centres through The Cold Chain

LOCATION	PALLET SLOTS	FLEET
City Deep	3917	52
Cape Town	2781	22
Midrand	2524	28
Durban	3106	25
Polokwane	992	10
Port Elizabeth	1448	8
Klerksdorp	1852	14
East London	1189	7
Nelspruit	919	12
George	843	6
Bloemfontein	1095	12
Dundee	582	6
Truck Rentals		30
<b>TOTAL</b>	<b>21 248</b>	<b>232</b>

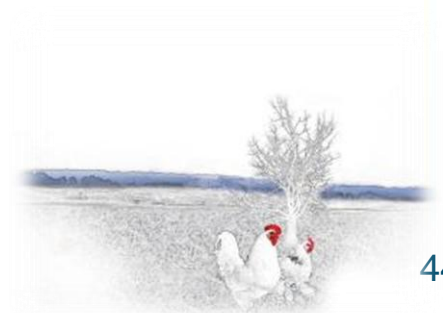


# Astral poultry consumer brand demand density





## Other Africa developments



# Growth in Africa



✦ **Zambia – 2013 doubling capacity of breeder operation from 100 000 doc per week to 200 000 doc per week**

✦ **Mozambique – 2012 opening of new hatchery producing 65 000 doc per week with expansion to 90 000 doc per week in 2014**

✦ **Mozambique – 2013 construction of new broiler breeder sheds**

✦ **Investigating growth opportunities into East Africa**



## Poultry industry myths



## General market perception

## Astral's response

1

Do chickens grow so fast because they are injected with growth hormones?

- No, definitely not!
- No chickens produced by any of Astral's poultry operations are injected, fed or in any way whatsoever subjected to hormones.
- Desired growth and weight targets are obtained via a perfect combination of superior genetics, scientific nutrition and best farming practices - ethically applied.
- Be assured, eating our chicken products is perfectly safe for you!

2

The antibiotics administered to chickens – do they remain in the meat and are they dangerous to our health?

- No, not entirely true!
- Antibiotics are administered when necessary through feed intake and under the strict guidance of a registered veterinary practitioner.
- Our standard practice is to withdraw antibiotics from feed according to the manufacturers' guidelines, at least five days prior to slaughter.
- Additionally our independent laboratory tests of the livers and muscles of slaughtered chickens for traces of antibiotic residues.

# Myths

## General market perception

## Astral's response

3

Are chickens restricted from movement by being kept in small wire cages?

- Not true at all!
- Our chickens are raised in large poultry sheds designed to keep them as comfortable as possible.
- Disinfected floors are bedded with wood shavings, sunflower husks or wheat straw which allows them to scratch and move around as they please.
- Unrestricted access to light, clean water and nutritious feed 24 hours a day.

4

Are chickens reared on a diet of maize only?

- Maize, the main energy source in a chicken's diet, comprises approximately 50% of the feed ration.
- Specially formulated protein ingredients, together with key vitamins and minerals, are added creating the perfect balanced diet - fed in the form of easily digested crumbles or pellets.





## General market perception

5

Are all chickens injected with water before being sold?

## Astral's response

- No, not entirely true!
- Our fresh chicken, never frozen, is 100% natural.
- Excess moisture is removed from fresh chicken through an air-chilling process before being packed.
- We do flavour enhance Individually Quick Frozen (IQF) portions with a water-based brine, to improve meat tenderness and succulence by means of a scientifically applied injection method.

# Brine marinade injection

To improve sensory and functional properties of meat:

## **Sensory**

- + Flavour
- + Colour
- + Succulence
- + Tenderness

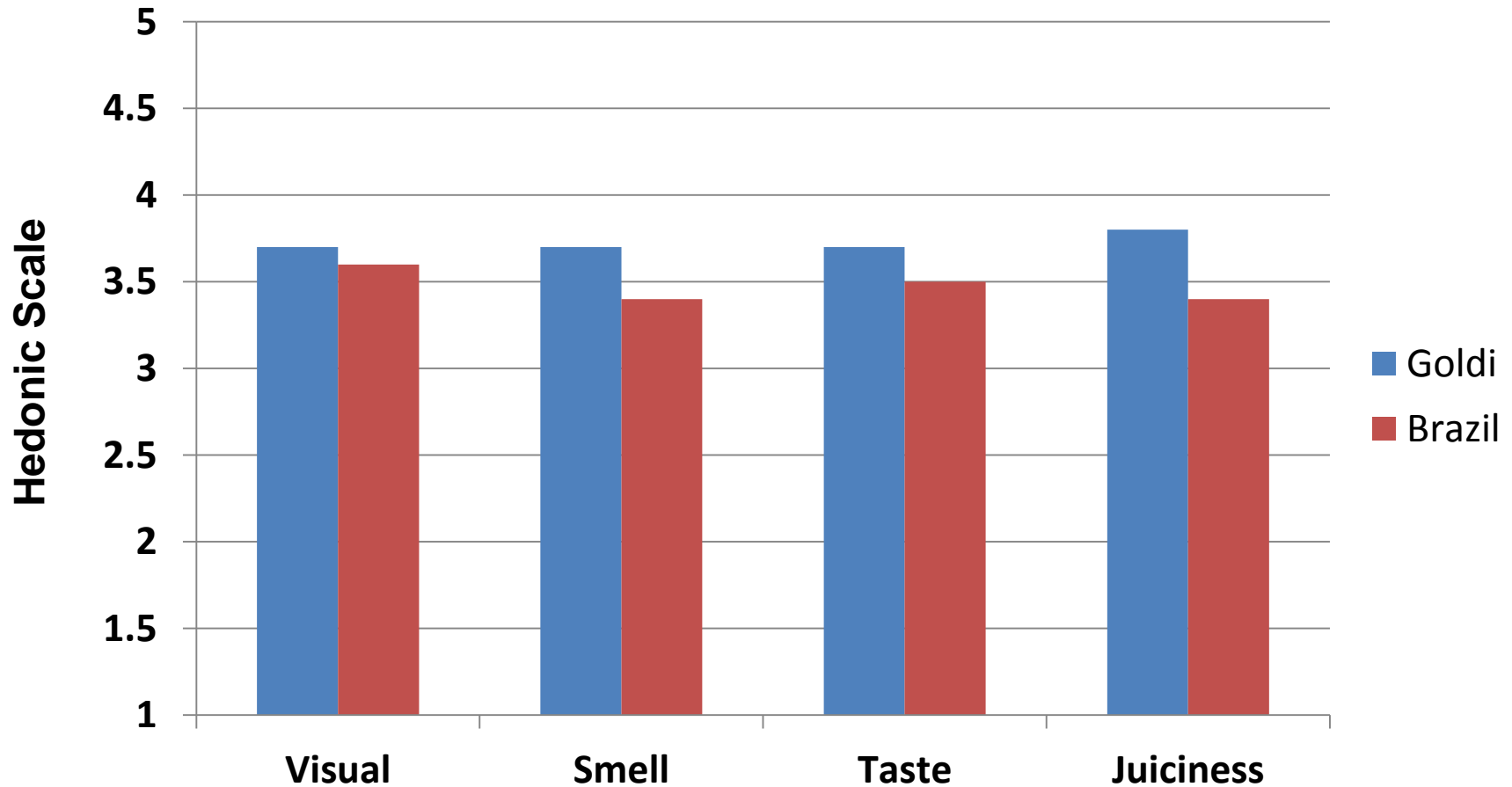
## **Functional**

- + Moisture holding capacity
- + Cooked yield



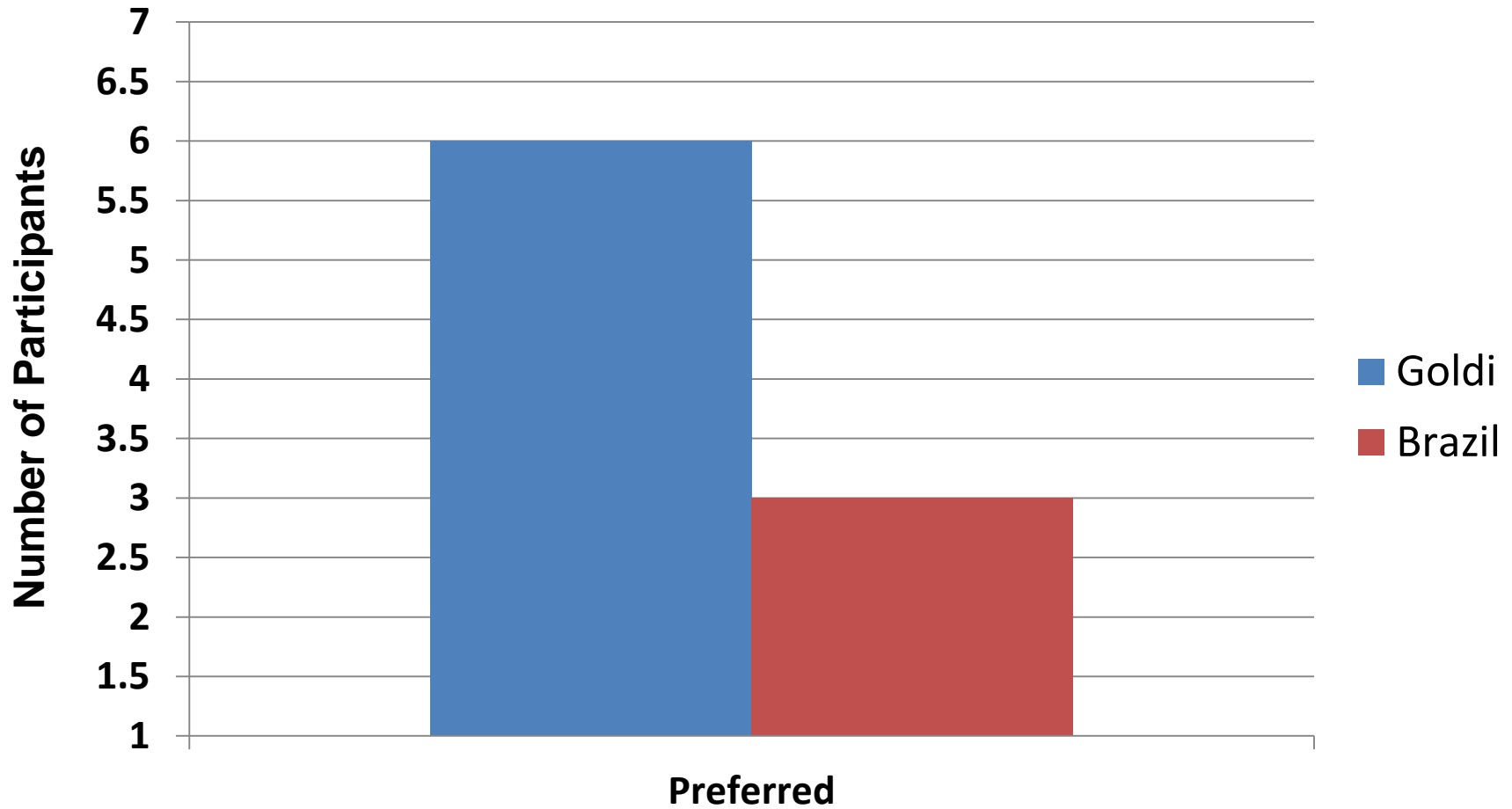
# Results from independent sensory evaluation

## Mean Sensory Score: Thighs



# Results from independent sensory evaluation

Preference Test



# What is in the brine formulation

In simple terms, water, sea salt, maize starch, seaweed and maize extracts and sugar. Brine comprises 97% water and 3% solids, of which sea salt is 2% and thickeners and sugar making up the remaining 1%

**WATER** Potable water of drinking quality standard

**SALT** Unrefined sea salt obtained through natural evaporation

**STARCH** Maize starch used as a thickening agent

**THICKENERS** Carrageenan, a natural carbohydrate extracted from seaweed

Xanthan gum is also a natural carbohydrate and produced from maize based glucose

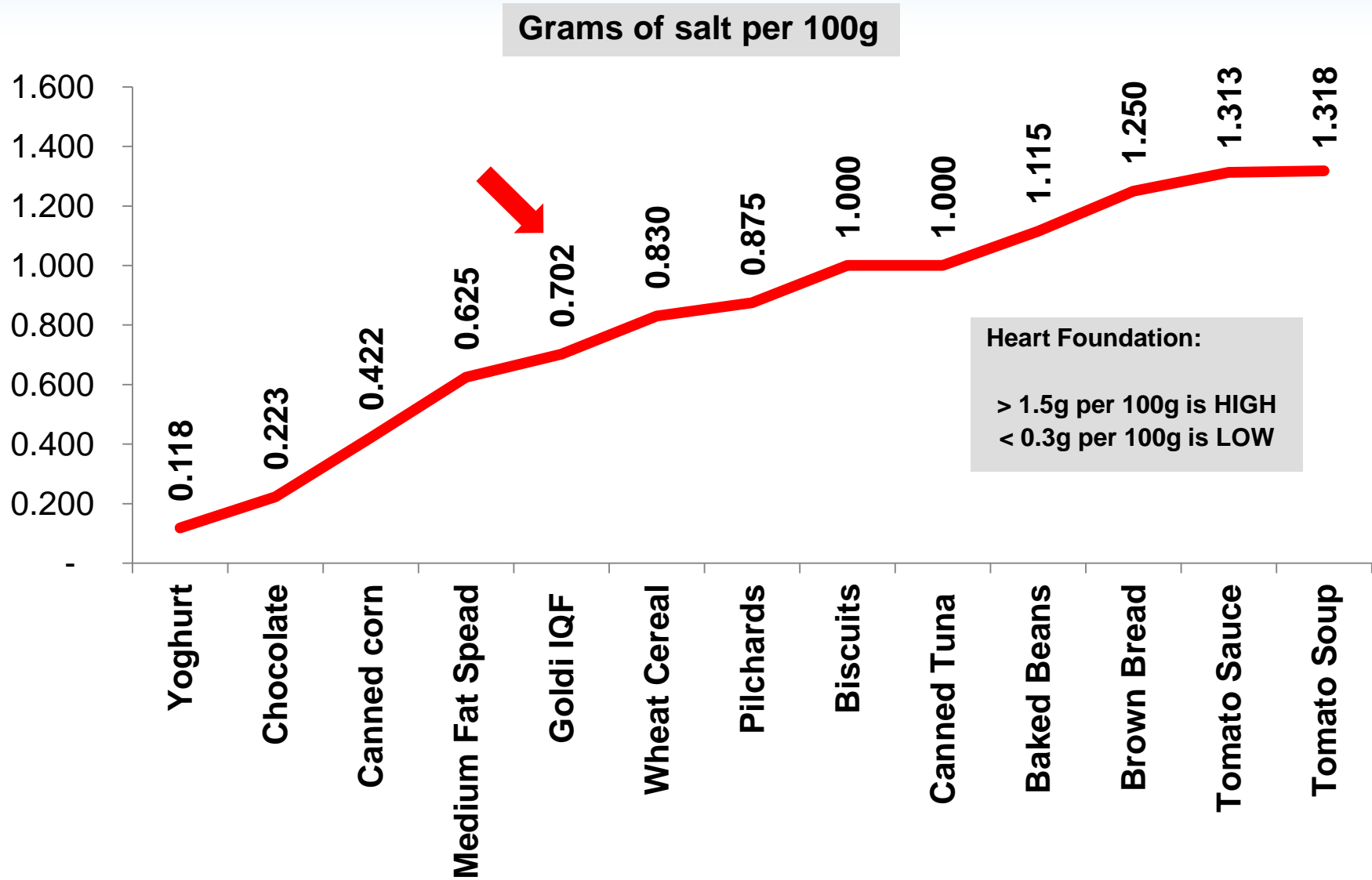
**SUGAR** Dextrose is a form of sugar extracted from maize and commonly used for flavouring, browning and improving texture in food



# Injection equipment – Astral processing plant



# Labelled salt levels in selected food products



# Value proposition: cooked chicken **on plate**

## **IQF MIXED PORTIONS (70% chicken : 30% brine)**



**Retail Selling Price: R16.90 kg**

**Cooked yield: 54.80 %**

**Cooked meat: 548 g**

**= R30.80 kg**

## **FRESH BRAAIPAK (0% brine)**



**Retail Selling Price: R31.99 kg**

**Cooked yield: 75.60 %**

**Cooked meat: 756 g**

**= R42.30 kg**





# Value proposition of IQF frozen versus fresh **on shelf**



VALUE PROPOSITION		IQF Mixed	Fresh Whole	Fresh Braaipak	Fresh Fillets
Meat / Fat & Skin	Grams	489.70	785.70	785.70	1 000.00
Bones	Grams	214.30	214.30	214.30	-
Brine	Grams	296.00	-	-	-
Total content	Grams	1 000.00	1 000.00	1 000.00	1 000.00
On shelf price	RSP kg	16.90	24.99	31.99	46.99
Excl brine & bone	RSP kg	34.50	31.81	40.72	46.99

\*RSP = Retail Selling Price

Composition values can vary depending on product mix and bird size



## Strategic focus





## Strategic focus

***“To be a best cost  
integrated poultry  
producer and grow the  
business organically  
through selective  
investments”***



Thank You

