

Profit warning sends RCL tumbling 6%

By Fifi Peters

23 Aug 2016

RCL Foods' share price endured a plucking on Thursday after its profit warning sent SA's second-largest chicken producer falling as much as 6% on the JSE.



Picture: Selati.co.za

The stock staged a comeback at the close, finishing only 1.67% lower at R14.75.

The hammering came shortly after midday, after the company said its full-year headline earnings per share were expected to drop to between 95c-105c from 113.1c in 2015.

The outlook was short of market expectations, which had pencilled in headline earnings per share of 104c, said Standard Bank analyst Sumil Seeraj.

RCL's brands include Rainbow Chicken, Yum Yum peanut butter, Ouma's rusks, Nola mayonnaise, Selati sugar, and the flavoured maize meal drink Mageu.

RCL blamed the fall in profit on a R642.8m impairment charge to its milling business, which it acquired from FoodCorp in 2013. The writedown was due mainly to lower forecasted cash flows as a result of a competitive trading environment, the company said.

The effect of SA's drought had put pressure on its sugar and chicken operations, RCL said, though its other divisions had "performed well".

The sugar division, TSB, which contributed a quarter of the group's revenue in 2015, was hit by similar pressures faced by rivals Illovo and Tongaat.

The recent rally in the sugar price — 39% up, to \$20.11 a pound, since January — was expected to bode well for producers, an analyst said.

Meanwhile, chicken producers such as RCL and Astral, SA's biggest, may find relief from lower feed costs as yellow-maize prices come down.

RCL is due to publish its results on August 30.

Source: Business Day

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