

RCL Foods scraps dividend as rising costs dent profit

By [Ngobile Dlodla](#)

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South African food producer RCL Foods on Monday, 6 March dropped interim dividend plans after its half-year earnings slumped 22.4% due to high commodity and energy costs.



Source: RCL Foods

Consumer goods producers globally have lifted prices to cope with surging costs for almost all raw materials, energy and packaging after Russia's invasion of Ukraine compounded pandemic-related supply chain logjams.

Though many consumers seem to accept the increased prices, the hikes have only partially offset the costs, squeezing companies' margins.

In addition, crippling rolling power cuts added direct costs of R96m during the period, the maker of Selati sugar, Ouma Rusks and Rainbow Chickens food products said.



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RCL said its headline earnings per share for the six-month period ended December fell to 56.4 cents, while earnings before interest, tax, depreciation and amortization (EBITDA) declined 8.9% to R1.2bn. EBITDA margin dropped 1.7 percentage point to 5.8%.

Still, revenue rose 17.6% to R20.2bn, benefiting from higher pricing across all business units, combined with higher volumes in the sugar and chicken businesses.

Shareholders will not be provided an interim payout, RCL said, adding that it needs to preserve cash while grappling with rising costs and legally separating its chicken and Vector Logistics businesses.

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