

# Astral hatching plan to expand presence in Africa

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Poultry producer Astral Foods (ARL), which released strong interim numbers on Monday, 18 May 2015, could enhance its fledgling African presence with a move into Ethiopia.



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Astral CEO Chris Schutte said the rest of Africa represented a big opportunity for the company, with per-capita chicken consumption in many African countries well below that of its core market in SA.

He said Astral was looking to add a fourth country to its African operations (which consist of Mozambique, Zambia and Swaziland), and this would most likely be Ethiopia.

"If we do pull the trigger in Ethiopia it will be a greenfields investment, and it will be some time before we see anything at bottom line."

Astral's interim results to end-March showed its African operations reporting revenue growth of 3% to R256m on higher day-old chick sales that stemmed from the completion of expansion projects in Zambia and Mozambique.

Operating profit growth from the African operations was up 24% at R13.5m in spite of being negatively affected by currency exchange movements increasing raw material input costs in both Zambia and Mozambique.

Schutte argued that it was not easy to set longer-term revenue and profit targets for the African business.

"If you ask whether Africa will ever represent 50% of Astral's revenue then that might take 20 to 25 years. But if we can get to 10% to 15% in the next few years then we would be happy with that."

In the interim period the "other Africa" segment made up about 4.5% of total revenue.

Overall Astral reported a 22% rise in revenue to R5.75bn but a more than doubling in operating margins to 9.55% led the bottom line to rise 166% to R370m.

Schutte expected some margin squeeze in the second half with the drought in the North West increasing maize prices. "It's difficult to determine a normalised margin ... there are so many variables. We managed double-digit margins prior to 2008. If we can run out poultry operations on a margin somewhere between 7% and 10% it will be good for us."

Vunani Securities small to mid-cap analyst Anthony Clark said the interim numbers were in line with guidance.

"The rise in poultry profits on the back of protectionist measures (which pushed up consumer prices) coupled to greater internal efficiencies and a better product mix was impressive," he said.

Source: BDpro via I-Net Bridge

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