

RAINBOW CHICKEN LIMITED
(Formerly RAINBOW CHICKEN PROPRIETARY LIMITED)
(Incorporated in the Republic of South Africa)
(Registration number: 2024/200346/06)
ISIN: ZAE000334850
Share code: RBO
("Rainbow")

ABRIDGED PRE-LISTING STATEMENT

The capitalised words and expressions used in this abridged pre-listing statement ("**Abridged Pre-listing Statement**") shall, unless expressly defined or indicated otherwise herein, bear the meanings given to them in the full pre-listing statement issued by Rainbow on Monday, 10 June 2024 ("**Pre-listing Statement**").

1. INTRODUCTION

This Abridged Pre-listing Statement relates to the admission to listing of 890,296,405 ordinary shares of no par value in the issued ordinary share capital of Rainbow ("**Rainbow Shares**") held by RCL Foods, and comprising 100% of the issued ordinary share capital of Rainbow, on the Main Board of the JSE and the subsequent unbundling thereof, as a *pro rata* distribution *in specie*, to RCL Foods Shareholders, in terms of section 46 of the Companies Act and section 46 of the Income Tax Act, in the ratio of 1 Rainbow Distribution Share for every 1 RCL Foods Share held by Shareholders as at the Unbundling Record Date.

This Abridged Pre-listing Statement does not constitute an offer or form part of any offer or invitation to any person or the public to purchase, subscribe for, sell or issue, or a solicitation of any offer to purchase, subscribe for, sell or issue, any securities, including the Rainbow Shares in any jurisdiction but has been prepared and is issued in compliance with the JSE Listings Requirements for the purpose of providing information to selected persons in South Africa and other jurisdictions with regards to Rainbow.

The information in this Abridged Pre-listing Statement has been extracted, in summarised form, from the Pre-listing Statement. This Abridged Pre-listing Statement is not complete and does not contain all of the information that readers of this Abridged Pre-listing Statement should consider in relation to the Listing and the Unbundling.

2. STATEMENT AS TO LISTING ON THE JSE

The JSE has approved the listing of Rainbow in the "Consumer Goods" sector ("Food Products" sub-sector) on the Main Board of the JSE under the abbreviated name "RAINBOW", share code "RBO" and international securities identification number ("ISIN") ZAE000334850 with effect from the commencement of trade on Wednesday, 26 June 2024.

RCL Foods Shareholders are advised that their Rainbow Shares may be traded on the JSE in dematerialised form only.

3. SALIENT DATES AND TIMES

The salient dates and times relating to the Listing and Unbundling are as follows:

	2024
Publication of the Pre-listing Statement on the RCL Foods' website and the Rainbow website on	Monday, 10 June
Abridged Pre-listing Statement released on SENS on	Monday, 10 June
Pre-listing Statement distributed to RCL Foods Shareholders on	Monday, 10 June

Release of the Unbundling finalisation announcement by RCL Foods on SENS on	Monday, 10 June
Last day to trade for RCL Foods Shareholders to be entitled to participate in the Unbundling	Tuesday, 25 June
RCL Foods Shares commence trading “ex” entitlement to Rainbow Shares	Wednesday, 26 June
Listing of Rainbow Shares on the Main Board of the JSE, under the abbreviated name Rainbow, share code RBO and ISIN ZAE000334850, and shares commence trading on	Wednesday, 26 June
Announcement of specified ratio to apportion existing cost/base cost of RCL Foods Shares between Rainbow Shares and RCL Foods Shares for taxation/CGT purposes released on SENS by 11:00	Thursday, 27 June
Unbundling Record Date to receive JSE-listed Rainbow Shares pursuant to the Unbundling	Friday, 28 June
Closing price of RCL Foods Shares and Rainbow Shares released on SENS after market close on	Friday, 28 June
Unbundling Operative Date, being the date on which Rainbow Shares are unbundled to RCL Foods Shareholders entitled to participate in the Unbundling	Monday, 1 July
RCL Foods Shareholders’ CSDP or Broker accounts updated and credited with JSE-listed Rainbow Shares	Monday, 1 July

Notes:

1. All references to times shown in this Abridged Pre-listing Statement are to South African standard time.
2. There may be no rematerialisation or dematerialisation of RCL Foods Shares between Wednesday, 26 June 2024 and Friday, 28 June 2024, both days inclusive.

4. OVERVIEW OF RAINBOW

Rainbow was incorporated in South Africa on 11 April 2024 in terms of the Companies Act as a private company with registration number 2024/200346/07. Rainbow was converted to a public company on Friday, 31 May 2024 with registration number 2024/200346/06.

The business of Rainbow, and its principal activity, is to act as a listed holding company for the poultry and animal feed agri-processing businesses (namely the chicken, animal feed and waste-to-value businesses), via its shareholding in its wholly owned subsidiaries (“**Rainbow Group**”).

The business of the Rainbow Group started its life through Rainbow Poultry Farms Proprietary Limited, which was founded in 1960. The Rainbow Group is a market-leading, South African, fully integrated poultry and animal feed producer, with operations across the entire chicken production value chain. The Rainbow Group’s fully integrated business model incorporates all stages of chicken production with the Rainbow Group controlling and operating 165 farms, 1,288 houses, 8 hatcheries, 3 primary processing plants, 2 further processing plants dedicated to added-value chicken products, 6 animal feed mills, and holding a 50% shareholding in a joint venture (“**Matzonox**”) which operates 2 waste-to-value plants.

Rainbow is structured into three reporting divisions or units/segments, namely (i) chicken farming and processing (“**Chicken**”), (ii) animal feed production and sales (“**Animal Feed**”), and (iii) Waste-to-Value (Matzonox):

- **Chicken:** A portfolio of brands with a rich history, spanning 60 to 100 years, with strong brand and customer affinity and ongoing consumer relevance supported by targeted product innovation. The division operates under three main retail brands (Rainbow, Rainbow Simply Chicken and Farmer Brown) and two main food service brands (Rainbow FlavourBurst and Rainbow Ready2Go). Rainbow’s brands offer diverse products which are strong competitors in their respective markets, with various products commanding upwards of 10% market share in specific categories (per Company Internal Analysis). The Chicken division has also historically enjoyed a strong leadership position in chicken

product innovation in South Africa with category management and leadership a key focus for the division to continue distinguishing Rainbow's chicken brands.

- **Animal Feed:** The second largest feed company in South Africa, delivering consistent, high-quality feed to the Chicken division and external customers across South Africa through its Epol and Driehoek Feeds brands. The Animal Feed division's technical team are qualified animal nutritionists, who ensure that feed produced achieves the required animal performance and health criteria. The division also provides on-farm technical, nutritional and support services to its customers through an in-house team of technical managers. Whilst Epol is well-known for its chicken feed products, it also provides feed solutions for various species both nationally and internationally. Epol aims to be a customer's first choice, by offering high-quality formulation feed which provides optimal nutrition.
- **Matzonox:** A waste-to-value operation based at the Chicken division's Worcester and Rustenburg chicken processing sites which processes wastewater from chicken processing plants and poultry manure from chicken farms to generate electricity, heat and recycled water. The Worcester plant converts wastewater from the chicken processing plant into biogas, producing enough renewable energy to generate up to 30% of the energy requirements of the overall chicken processing site, producing between 6,500 and 8,500MWh per year. The Rustenburg plant has four times the capacity of the Worcester plant generating biogas from a combination of wastewater sludge from the abattoir and chicken litter from the chicken farms. The Rustenburg plant is designed to provide up to 50% of the energy needs of the Rustenburg chicken and animal feed site. The investment in Matzonox is integral to Rainbow's long-term sustainability and energy and water resilience strategies.

As a leading producer, the Rainbow Group plays a major role in the national supply of chicken. Key to its long-term sustainability and competitive positioning, chicken sales are balanced across two main channels namely, (i) retail and wholesale, and (ii) food solutions. Through its Chicken division, Rainbow sells its products to and has strong relationships with most major retail and wholesale food and consumer packaged goods businesses across South Africa, including Shoprite, Checkers, Woolworths, Spar and Pick n Pay. Within the food solutions channel, the Rainbow Group offers a range of products for either in-store preparation or delivery of the final product in a form ready for immediate consumption. The products are versatile and can be tailored to meet specific customer needs, or customers can opt for an existing branded product range.

The Rainbow Group's strong positioning within the food service industry complements its retail and wholesale exposure through a significant volume of contractual supply and diversification of the overall revenue and margin mix, and allowing it to partner with key customers, meeting their product requirements as they expand their own national footprints. In respect of food solutions, the Rainbow Group has a substantial and diversified customer base within the quick service restaurant segment in South Africa, where it is a leading supplier to popular franchises such as KFC, Chicken Licken, Nando's, Burger King, Pedros, Spur, Galito's and Hungry Lion, amongst others.

5. RATIONALE

The Listing and Unbundling follow an extensive and detailed two-year analysis and review by the board of directors of RCL Foods of various separation options for the business and operations of Rainbow whilst a part of the RCL Foods Group ("**RainbowDiv**"). This analysis and review were conducted in parallel with RCL Foods monitoring RainbowDiv's improving performance, in line with its overarching strategy of being a sustainable, market-leading, low-cost poultry producer.

RainbowDiv has made significant strides in delivering on its strategy to restore through-the-cycle profitability through an appropriately structured and sustainable operational base. Given the traction displayed by RainbowDiv in this regard, particularly in relation to (i) the successful implementation of a change of its chicken breed (a significant change to the genetics of its breeding stock), which was completed in the current financial year, and (ii) improved operational resilience in the face of significant headwinds experienced recently, the board of directors of RCL Foods and the Board have confidence in Rainbow's ability to operate on a standalone basis and deliver sustainable and attractive financial performance over the long-term.

The Listing and Unbundling is expected to enable both Rainbow and RCL Foods to pursue their respective growth ambitions and investment cases in a focused manner and with improved alignment on capital allocation priorities. Equally, RCL Foods Shareholders will be afforded an enhanced ability to manage their preferred investment exposures to Rainbow and RCL Foods respectively.

6. FINANCIAL HIGHLIGHTS

The following figures are a summary of the Rainbow Group's financial performance for the 3 financial years ended 2 July 2023, 3 July 2022, and 4 July 2021, and the six-month interim period ended 31 December 2023. The financial information in respect of the six-month interim period ended 31 December 2023 do not include the *pro forma* effects of the implementation by RCL Foods of a recapitalisation of RainbowDiv to improve RainbowDiv's (and, therefore, Rainbow's) financial condition and the overall strength of its balance sheet and cash position prior to implementation of the Unbundling. Further detail in this regard is provided in "Section 4: Restructuring and Formation of the ListCo Group" and "Annexure 4A: Basis of Preparation and the *Pro Forma* Financial Information of ListCo" of and to the Pre-listing Statement.

R'000	FY2021	FY2022	FY2023	H1-FY2024¹
Revenue	10,335,889	11,384,801	13,463,861	7,249,374
Cost of sales	(9,192,037)	(9,961,301)	(12,276,876)	
Gross profit	1,143,852	1,423,500	1,186,985	
Administration expenses	(492,182)	(542,512)	(481,374)	
Selling and marketing expenses	(160,259)	(174,781)	(170,676)	
Distribution expenses	(888,530)	(802,377)	(924,932)	
Net impairment of property, plant, and equipment, and intangible assets	(2,088)	-	(1,417)	
Other income	189,832	177,448	162,457	
Operating profit/(loss)	(209,375)	81,278	(228,959)	112,215
Finance costs	(50,583)	(85,732)	(173,169)	(107,847)
Finance income	20,879	10,741	5,098	13,472
Share of profit/(loss) of associates	5,810	(4,730)	4,903	-
Profit/(loss) before tax	(233,269)	1,557	(392,127)	17,840
Income tax expense	71,505	14,093	106,103	(4,897)
Profit/(loss) for the year	(161,764)	15,650	(286,024)	12,943

Note:

- The detailed operating profit/(loss) note disclosure is not prepared in respect of the interim financial results i.e. for the interim six-month period ended 31 December 2023. As such, the detailed financial statement line items between (i) revenue and (ii) operating profit/(loss) are not presented for the interim period.

Reconciliation of operating profit to EBITDA

R'000	FY2021	FY2022	FY2023	H1-FY2024
Operating profit/(loss)	(209,375)	81,278	(228,959)	112,215

Depreciation, amortisation, and impairments of property, plant, and equipment, and intangible assets	224,434	254,933	267,603	153,185
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EBITDA	15,059	336,211	38,644	265,400
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In FY2023, the Rainbow Group generated revenue of R13.5bn, an 18.3% improvement from FY2022. Over the past 3 completed financial years, revenue has grown at a CAGR of approximately 14.0%. For the six-month period ended 31 December 2023, the Rainbow Group generated revenue of R7.2bn, approximately 53.8% of the total revenue generated in FY2023. Revenue growth over the financial periods has been driven by a combination of robust volume growth, and price increases to recover input cost pressure.

Over the past 3 years as part of a revised strategy, Rainbow's management has focused on improving the operational resilience of the Chicken division through targeted interventions across farming and manufacturing processes. Improvements in the Chicken division have also yielded clear benefits to the Animal Feed division, as approximately 70% of total Animal Feed revenue is derived from internal sales to the Chicken division. From an EBITDA perspective, the Rainbow Group delivered an EBITDA of R38.6 million in FY2023, with EBITDA having grown at a CAGR of approximately 60.2% from FY2021. In FY2023, the Rainbow Group generated an operating loss of R229m, a decline of approximately 9.4% from FY2021.

The implementation of management's defined strategy has yielded favourable results, particularly in the last 12 months. Improved agricultural performance due to the new breed roll-out, cost control initiatives, and higher volumes in the Retail & Wholesale channel have aided in improving results over the interim period. From an EBITDA perspective, for the six-month period ending 31 December 2023, the Rainbow Group generated an EBITDA of R265.4 million, a growth of approximately 590% compared to the prior full financial year. The operating profit for the six-month period ending 31 December 2023 improved to R112.2 million.

7. DIRECTORS

The full names, ages, capacities, dates of appointment and business addresses of the Directors are provided below.

Full name	Age	Capacity	Date of appointment	Business address
Marthinus Petrus Stander	60	Executive Director and CEO of Rainbow	11 April 2024	Southdowns Ridge Office Park, Ground floor, Suite 12, Cnr John Vorster and Nelmapius Drive, Irene, Centurion, 0157
Kerry Rosemary van der Merwe	41	Executive Director and CFO of Rainbow	11 April 2024	Southdowns Ridge Office Park, Ground floor, Suite 12, Cnr John Vorster and Nelmapius Drive, Irene, Centurion, 0157
Wouter Alphonso De Wet	57	Executive Director and COO of Rainbow	23 May 2024	Southdowns Ridge Office Park, Ground floor, Suite 12, Cnr John Vorster and Nelmapius Drive, Irene, Centurion, 0157
Pieter Rudolf Louw	55	Non-executive Director and Chairman of the Board	23 May 2024	Southdowns Ridge Office Park, Ground floor, Suite 12, Cnr John Vorster and Nelmapius Drive, Irene, Centurion, 0157

Agmat Brinkhuis	61	Independent, non-executive Director	23 May 2024	Southdowns Ridge Office Park, Ground floor, Suite 12, Cnr John Vorster and Nelmapius Drive, Irene, Centurion, 0157
Cindy Joy Robertson	48	Independent, non-executive Director and Lead Independent Director	23 May 2024	Southdowns Ridge Office Park, Ground floor, Suite 12, Cnr John Vorster and Nelmapius Drive, Irene, Centurion, 0157
Stephen Mark Parsons	59	Independent, non-executive Director	23 May 2024	Southdowns Ridge Office Park, Ground floor, Suite 12, Cnr John Vorster and Nelmapius Drive, Irene, Centurion, 0157
Willem Ockert van Wyk	45	Non-executive Director	23 May 2024	Southdowns Ridge Office Park, Ground floor, Suite 12, Cnr John Vorster and Nelmapius Drive, Irene, Centurion, 0157
Zimkhitha Phaphama Zatu Moloji	40	Independent, non-executive Director	23 May 2024	Southdowns Ridge Office Park, Ground floor, Suite 12, Cnr John Vorster and Nelmapius Drive, Irene, Centurion, 0157

Note:

1. All the Directors are South African citizens.

8. PUBLIC SHAREHOLDER SPREAD

As at the last practicable date of the Pre-listing Statement, based solely on the securities register of RCL Foods, (including any disclosures of beneficial interest in RCL Foods shares made to RCL Foods in accordance with applicable Laws, if any) approximately 19.80% of the issued RCL Foods shares was held by public shareholders. It is anticipated that, all things being equal and on the assumption that no RCL Foods shareholder will be prevented from receiving and holding its *pro rata* portion of the Rainbow distribution shares due to restriction in their jurisdiction of domicile, following the Unbundling, approximately 19.80% of the Rainbow Shares will be held by public shareholders.

Accordingly, the level of public shareholders set out in paragraph 4.25 of the JSE Listings Requirements will be achieved.

9. COPIES OF THE PRE-LISTING STATEMENT

Copies of the Pre-listing Statement are available in English only and are available for inspection during normal office hours at the registered office of Rainbow at Southdowns Ridge Office Park, Suite 12, Ground Floor, Corner John Vorster and Nelmapius Drive, Irene, Centurion, 0062 and at the registered office of RCL Foods at Ten The Boulevard, Westway Office Park, Westville, 3629. The Pre-listing Statement will also be available on the Rainbow website (<https://rainbowchickens.co.za/investor-relations/>) and the RCL Foods website (<https://rclfoods.com/investor-center/transaction-documents/>).

10. PUBLICATION OF AN INDEPENDENT ANALYST RESEARCH REPORT

- 10.1. In light of the publication of the Pre-listing Statement, Rainbow and RCL Foods have sought to provide Shareholders with additional information regarding Rainbow and has, for this purpose, commissioned the preparation of an independent analyst research report (“Research Report”) by VS Research (Pty) Limited.
- 10.2. The Research Report has been commissioned to provide RCL Foods Shareholders and investors with more detailed information regarding the poultry industry and comprehensive operational and historical financial information about Rainbow. The Research Report is not intended to, and does not, constitute investment advice but rather seeks to provide RCL Foods Shareholders and investors with an independent perspective and analysis of Rainbow’s business prior to the Unbundling.
- 10.3. RCL Foods Shareholders are advised that the Research Report in no way replaces, substitutes or obviates the Pre-listing Statement or the disclosures made therein, and should be considered an independent source of information pertaining to the Rainbow business and the industry/environment in which it operates. Any investment decisions by RCL Foods Shareholders and/or investors should be based on a careful consideration of the information contained in the Pre-listing Statement.
- 10.4. RCL Foods Shareholders are further advised that the information contained in the Research Report has not been independently audited or otherwise independently verified, and has been based on, *inter alia*, previously published historical financial information of Rainbow.
- 10.5. RCL Foods Shareholders are advised that the Research Report will be published by Rainbow and RCL Foods on Tuesday, 11 June 2024, and will be accessible on both the Rainbow website (<https://rainbowchickens.co.za/investor-relations/>) and the RCL Foods website (<https://rclfoods.com/investor-center/transaction-documents/>).

Centurion

10 June 2024

Financial Adviser and Transaction Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)

Legal Adviser to RCL Foods and Rainbow

Edward Nathan Sonnenbergs Incorporated (trading as ENS)