

A chicken in every pot for Astral Foods

By [Marc Hasenfuss](#)

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Astral Foods, the big bird of the JSE's poultry sector, seems set to wing its way to bumper profits in the half-year to March. A trading statement issued on Monday advised shareholders that profit for the six months ending March would show a marked improvement on the matching period in 2017. Astral indicated that both earnings and headline earnings would surge by at least 410%.

The upbeat Astral trading statement confirms a vibrant trend in the local poultry sector and follows strong results from poultry subsidiary RCL Foods and a strong business update from chicken producer Quantum Foods.

Astral shares, however, retreated on the JSE. The shares recently surged to a record high of R301, having gained more than 85% in the last six months. The lack of appetite for Astral shares might be explained by the jittery sentiment for large food counters Tiger Brands and RCL Foods, which were both fingered at the weekend in the listeriosis outbreak.



Listeriosis outbreak traced to Enterprise Foods factory in Limpopo

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Favourable trading conditions

The trading update range implies earnings of about R18 a share from just 353c in the same period in 2017. Headline earnings would come in at R18.16 a share, well ahead of the 356c a share posted in the previous interim period.

Astral said the improved performance was mainly the result of the favourable trading conditions experienced during the second half of the 2017 financial year continuing into the first half of the 2018 financial year.

The company said that, unlike in past years, poultry prices remained firm after the December 2017 holiday season.



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Improvements on poultry production

Astral also noted further improvements in on-farm poultry production efficiency. Another encouraging development was that no further incidents of bird flu had been experienced or related costs incurred during the summer months.

Vunani Securities analyst Anthony Clark said Astral's resounding profit increase in the second half of the 2017 financial year had followed through into the new financial year. "Once again the business has benefited from lower input costs as well as a structural change in the local poultry industry with less production in the system [after rival Rainbow cut back on its production]."

Clark revised his target share price for Astral to R350. "With R18 a share already in the bag and a good second half predicted, it seems the market will have to sharply increase its earnings forecast for Astral for the full financial year."

Source: Business Day

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