

UNAUDITED GROUP RESULTS

for the six months ended 31 March 2020

Group results presentation

25 May 2020



We nourish and nurture more lives every day

TIGER BRANDS



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Way Forward

TIGER BRANDS



"My son loves it."

- Soraya



Disclaimer

Forward-looking statement

This document contains forward looking statements that, unless otherwise indicated, reflect the company's expectations as at 25 May 2020. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect the business, or if estimates or assumptions prove to be inaccurate. The company cannot guarantee that any forward looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward looking statement even if new information becomes available as a result of future events or for any other reason, save as required to do so by legislation and/or regulation.

UNAUDITED GROUP RESULTS

for the six months ended 31 March 2020

Overview



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Headline earnings in line with guidance

Impacted by settlement of trademark dispute in Nigeria partially offset by forex gains



Group revenue up 2% to **R15.7 billion**



Gross margins+ down **200bps** to **29.4%**



Group operating income+** down **29%** to **R1.1 billion** | Ex-VAMP, down **27%** to **R1.4 billion**



Group operating margin+** down **320bps** to **7.0%** | Ex-VAMP down **340bps** to **8.9%**



HEPS** down **35%** to **501cps**

+From continuing operations | **Group operating income from continuing operations before IFRS 2 charges, impairments & abnormal items



Challenges across key categories, even before Covid-19, emphasise imperative on cost



Pricing a challenge

- > Modest inflation offset by volume declines
- > Insufficient to recover cost push
- > Promotional intensity persists



Volume challenges impacting factory efficiencies & margin

- > Maize
- > Sorghum & maize-based cereals
- > Rice
- > Snacks & Treats
- > Exports



Supply chain challenges

- > Pasta – significant level of product damages
- > Condiments – Tomato sauce supply constraint
- > Impact of Covid-19 insignificant in this period

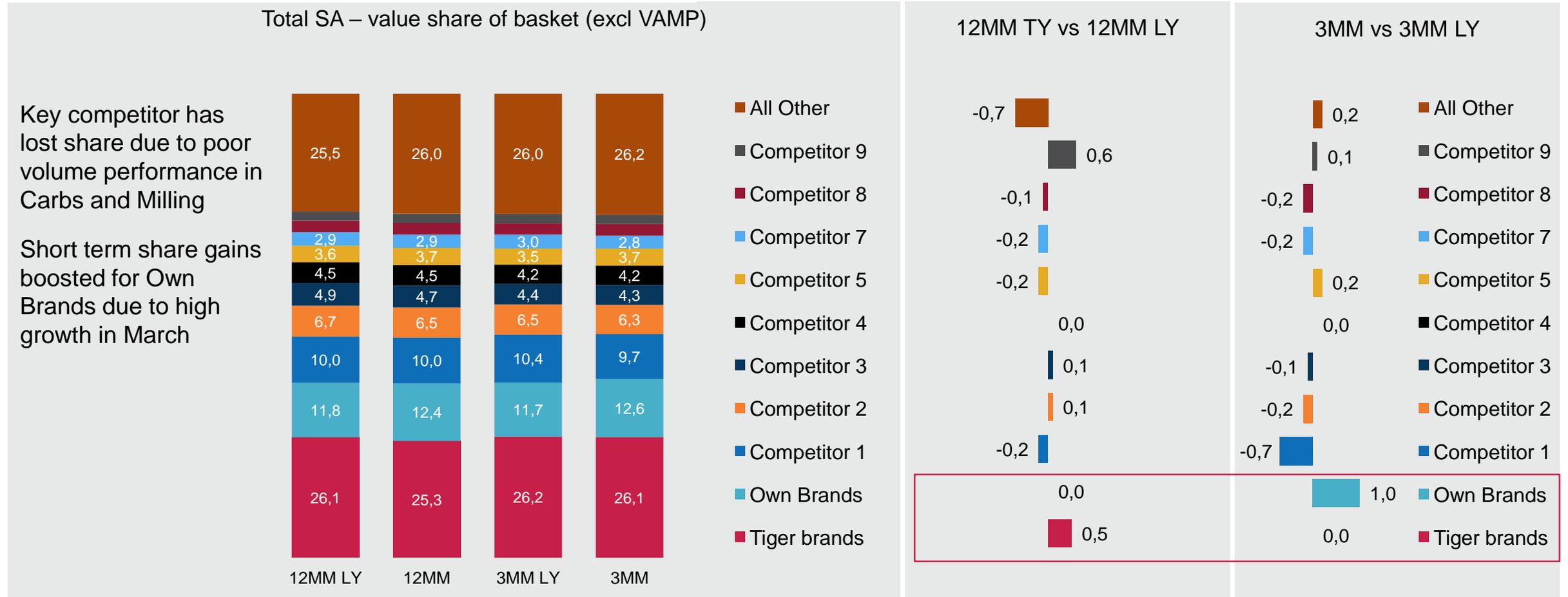
Category	Category dynamics	Pricing decisions	Cost competitiveness	Legal dispute
Wheat-to-bread	✓			
Rice		✓		
King Foods	✓			
Groceries			✓	
Snacks & Treats	✓		✓	
Davita				✓

+From continuing operations | **Group operating income from continuing operations before IFRS 2 charges, impairments & abnormal items



Improved share performance in February & March amplified by pre-Lockdown pantry loading in March – distorted by Tiger’s bias towards carbohydrates

Significant volume sales at low margin



Source: Nielsen

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Financial & Operational Review



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Financial highlights



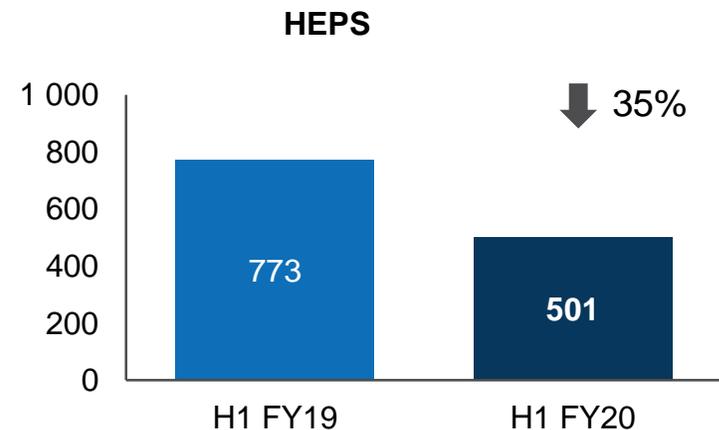
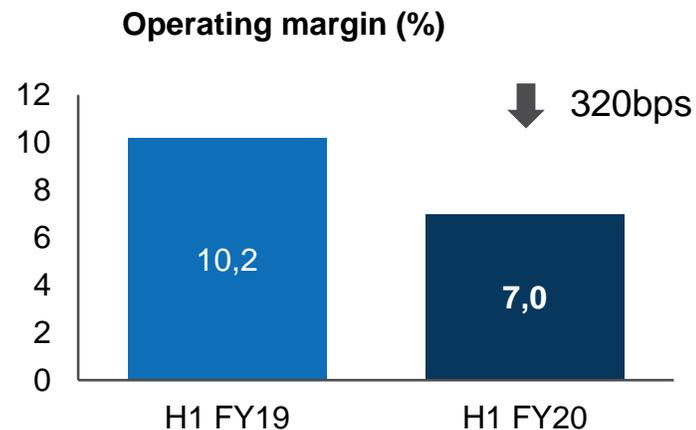
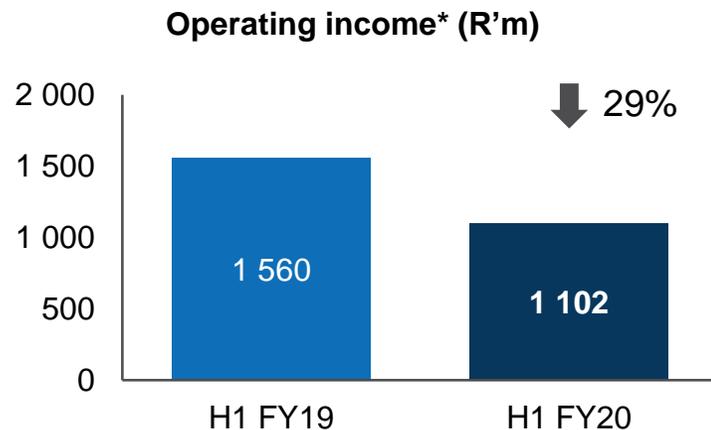
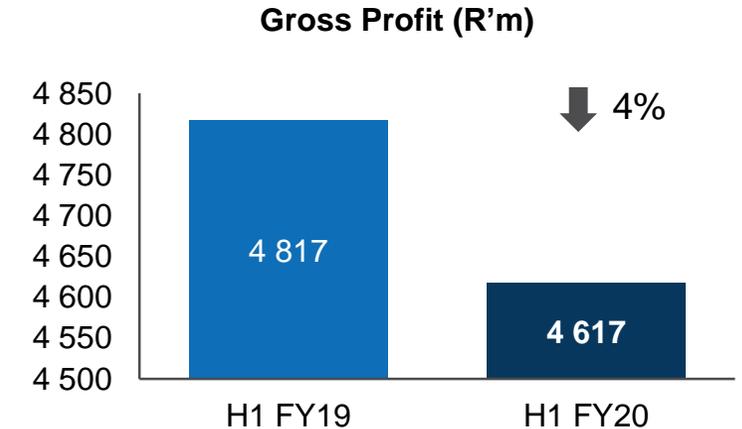
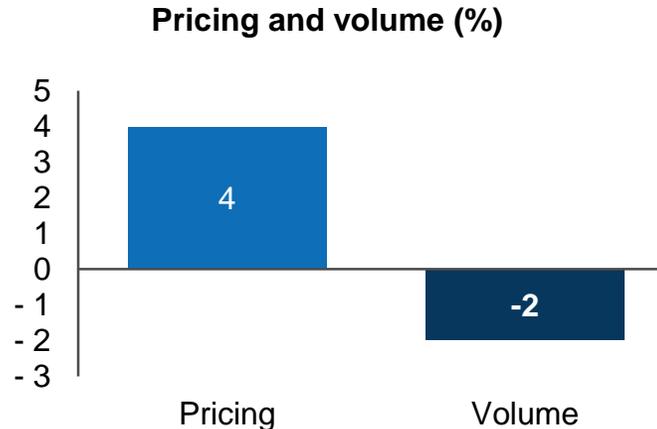
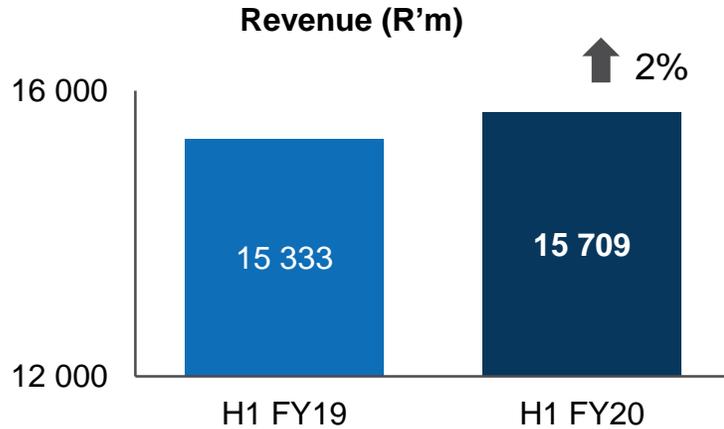
Highlights

- > Domestic revenue growth reflects significant recovery in VAMP
- > Volume performance reflects consumer challenges with price premium restricting recovery of cost increases – margin compression inevitable outcome
- > Impairments relate primarily to Exports & International
- > Marginal impact from IFRS 16 (Leases) adoption
- > Good cash generation through tight net working capital management helped by March pre-lockdown buying impact on stock levels
- > Interim dividend passed – potential catchup with final



Revenue growth in tough trading conditions

Profitability impacted by lower volumes & costs rising ahead of price inflation



* From continuing operations before IFRS 2, impairments & abnormal items



Costs rising ahead of price inflation result in negative operating leverage with particular challenges in Grains, Groceries, VAMP & Exports

Associate income reflects exclusion of Oceana; prior year EPS boosted by capital profit

Rm	H1 FY20	H1 FY19	% change
Revenue	15 708.9	15 333.3	2%
Cost of sales	(11 092.2)	(10 516.6)	(5%)
Gross profit	4 616.7	4 816.7	(4%)
Sales and distribution expenses	(2 106.0)	(2 009.2)	(5%)
Marketing expenses	(528.2)	(484.9)	(9%)
Other operating expenses	(904.6)	(796.5)	(14%)
Operating income before impairments and abnormal items	1 077.9	1 526.1	(29%)
Impairments	(557.2)	(106.0)	(426%)
Abnormal items	(21.2)	328.9	(106%)
Operating income after impairments and abnormal items	499.5	1 749.0	(71%)
Net finance costs and investment income	15.0	(17.9)	184%
Income from associated companies	158.0	200.0	(21%)
Profit before taxation	672.5	1 931.1	(65%)
Taxation	(293.8)	(468.5)	37%
Profit for the period from continuing operations	378.7	1 462.6	(74%)
Discontinued operations			
Loss for the period from discontinued operation	(19.1)	(18.4)	(4%)
Profit for the period	359.6	1 444.2	(75%)
Headline earnings per ordinary share (cents)	489.1	761.9	(36%)
- Continuing operations	500.6	773.0	(35%)
- Discontinued operation	(11.5)	(11.1)	(4%)



Impairments recognised in Export businesses, UAC & Personal Care

Reflective of challenging outlook exacerbated by Covid-19 led economic headwinds

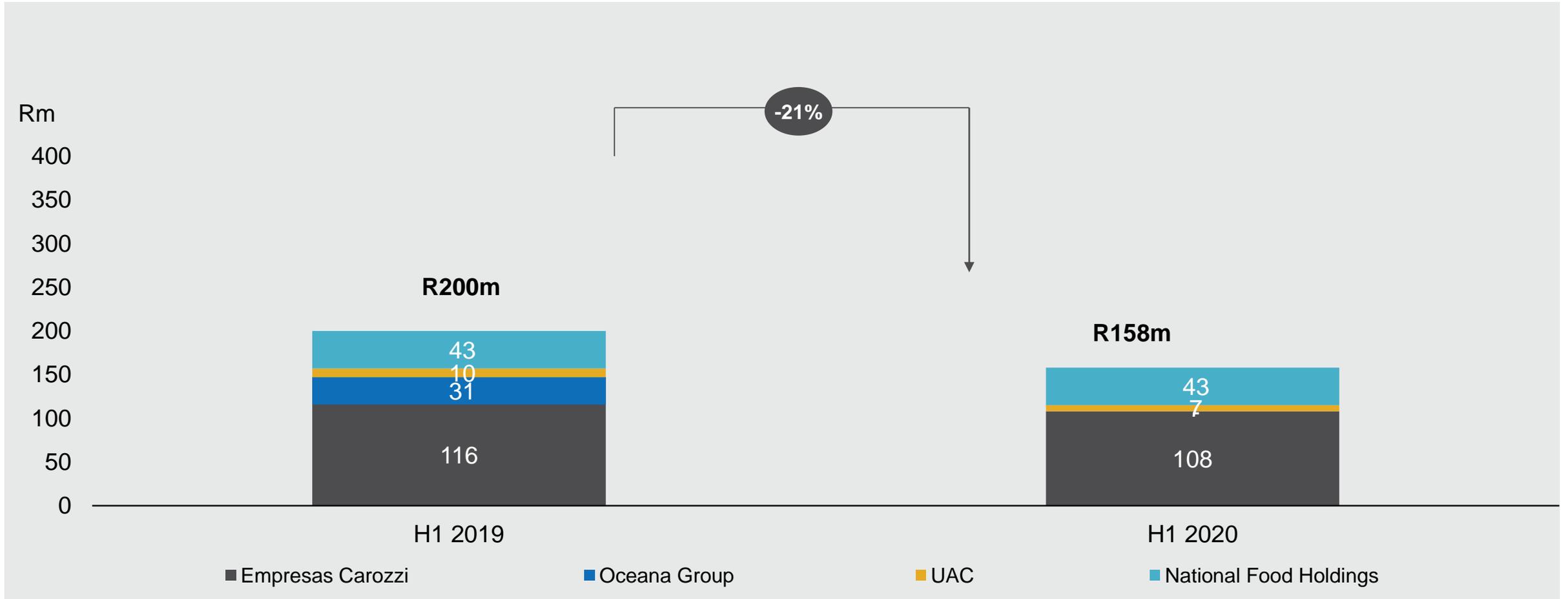
Rm	H1 FY20	H1 FY19
Personal Care	(36)	-
Davita (powdered soft drinks & seasoning)	(250)	-
Impairment of intangible assets	(286)	(106)
Impairment of property, plant & equipment (Deciduous Fruit)	(197)	-
Impairment of associate investment (UAC)	(75)	-
Total impairments	(557)	(106)

- > Oil price challenging Nigerian growth prospects
- > Covid-19 raises WACC rate significantly & mutes medium terms outlook



Income from associates impacted by unbundling of investment in Oceana in the prior year

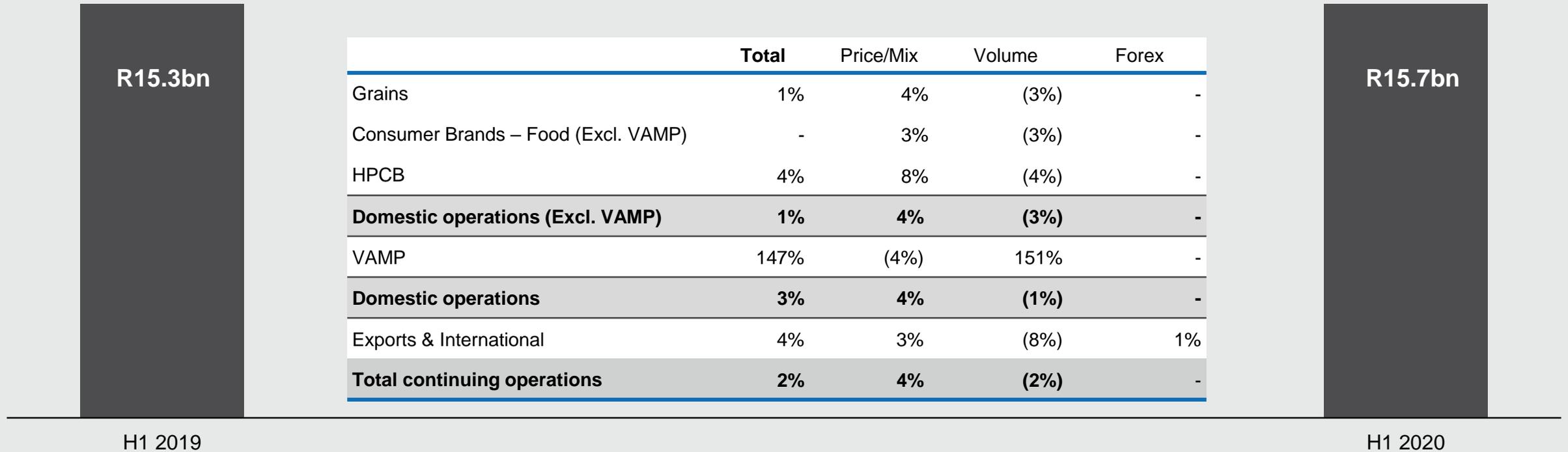
Carozzi's strong underlying trading performance offset by Chilean Peso weakness against Rand





Some volume uplift in Q2

Domestic volumes boosted by VAMP recovery

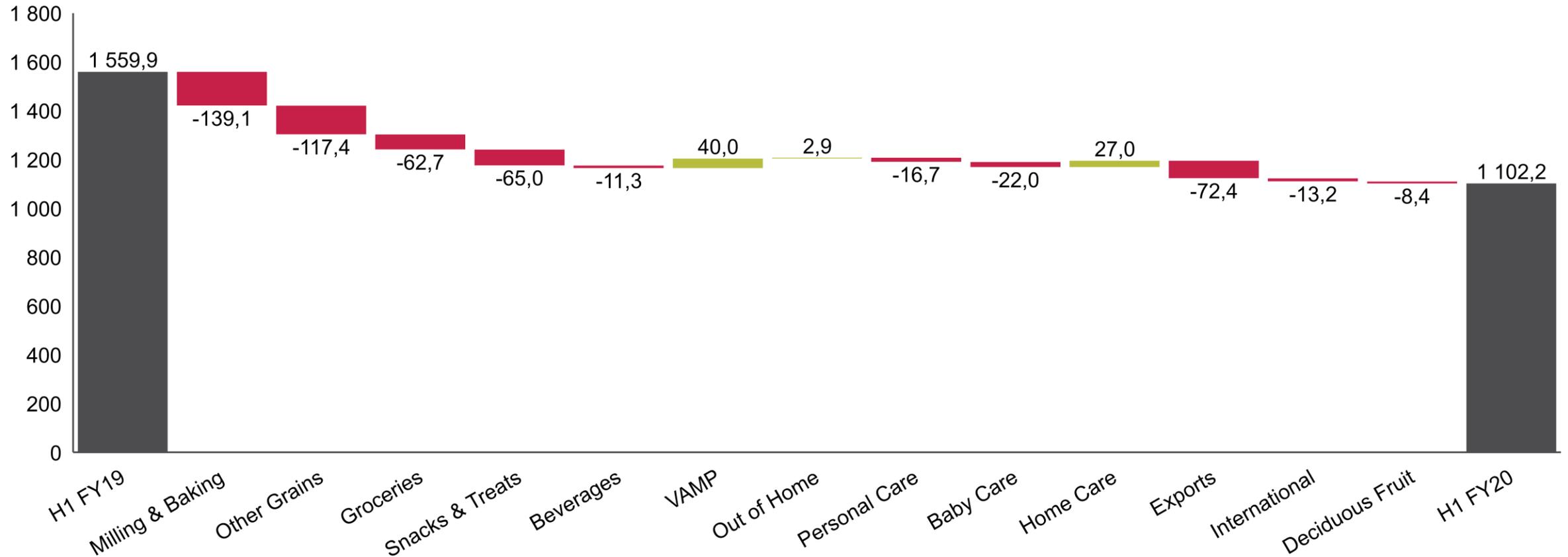




Operating income reflects cost push ahead of price inflation

Particular challenges in Bakeries, Rice, Groceries, Snacks & Treats, Exports

Operating income by segment (R'm)

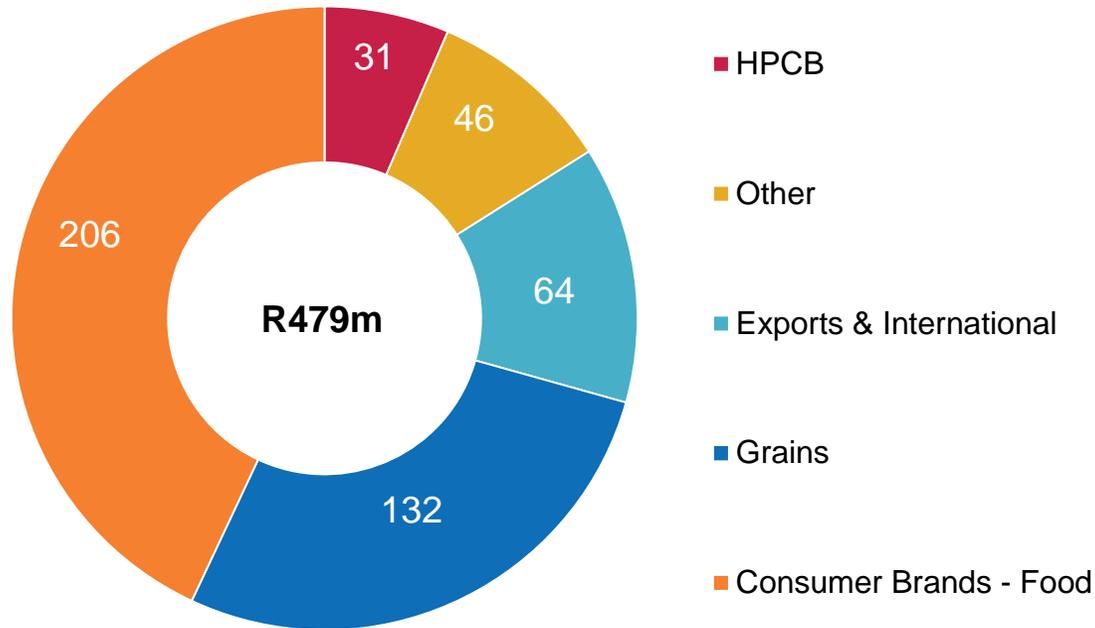




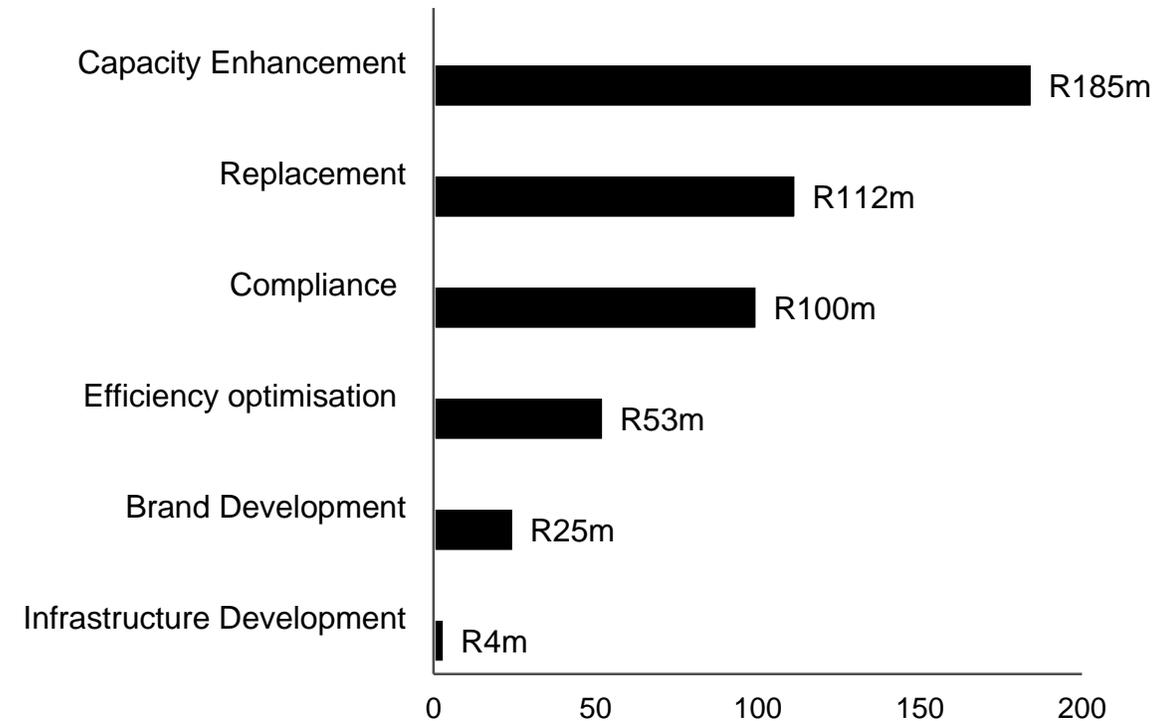
Prioritised investment in capacity enhancement & replacement

Expectations for a slower pace of disbursement due to Covid-19

Category spend (R'm)



Capital expenditure (R'm)

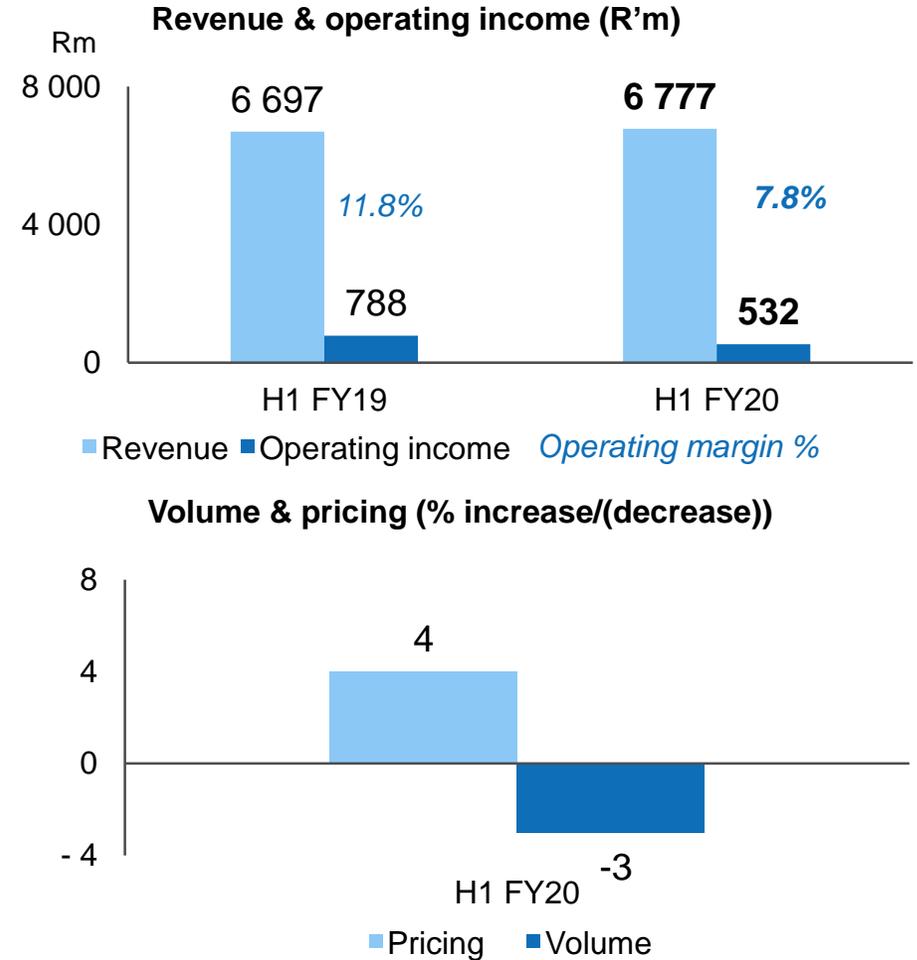


Grains



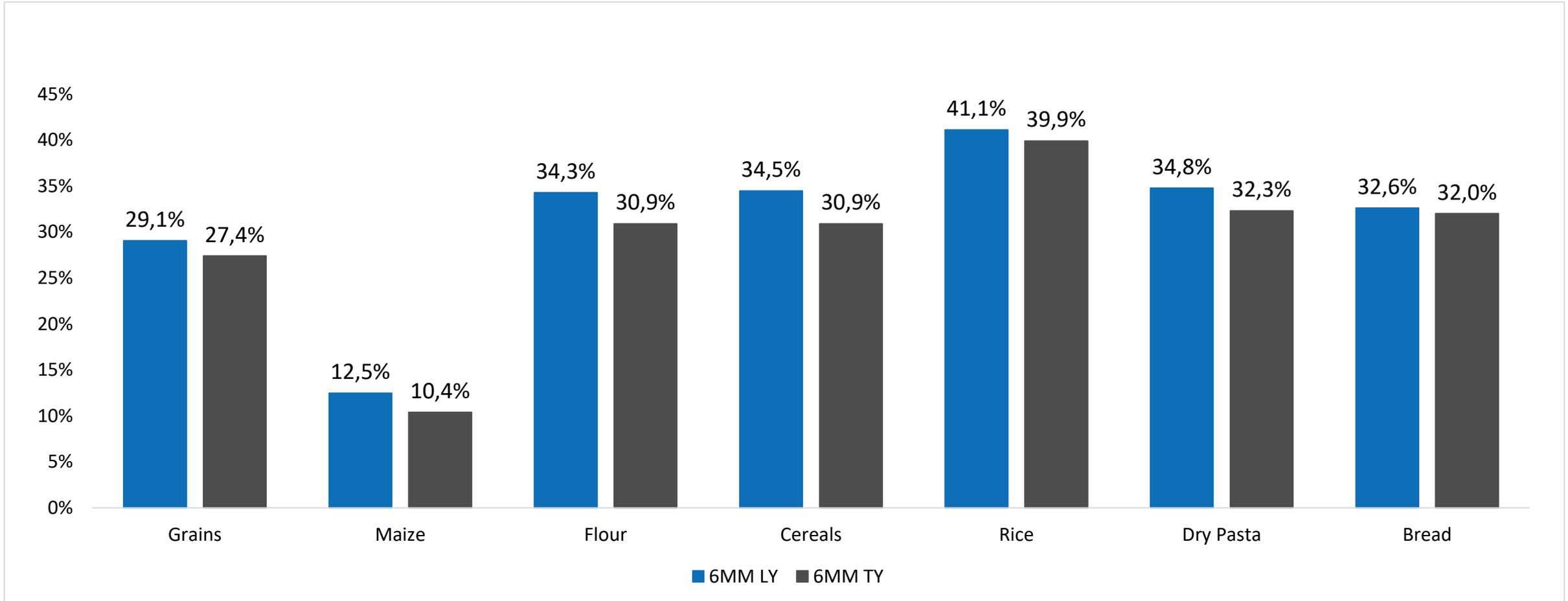
Category dynamics, significant raw material cost push & consumer weakness result in a spiral of margin compression

- Wheat-to-Bread value chain is well managed
 - Volumes & premium maintained
 - Pressure point remains category pricing
 - Anticipated category inflation in H2 deferred by regulation
- Rice
 - Consumer resistance to category leading price increase compromised Q1 volumes
 - Total supply chain needs re-engineering
 - Pricing regulation potentially locking in losses incurred in reference period
- Pasta impacted by supply chain inefficiencies in Q2
- Jungle & sorghum cereals
 - Higher raw material costs proving difficult to recover





Market shares under pressure across the board



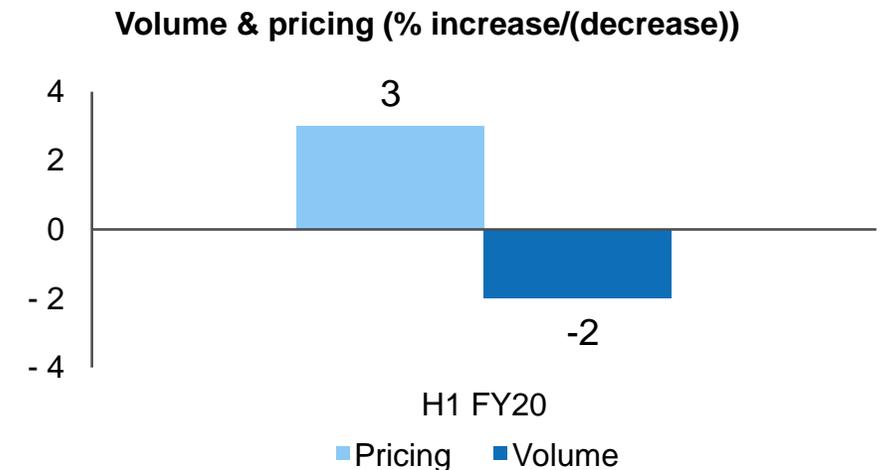
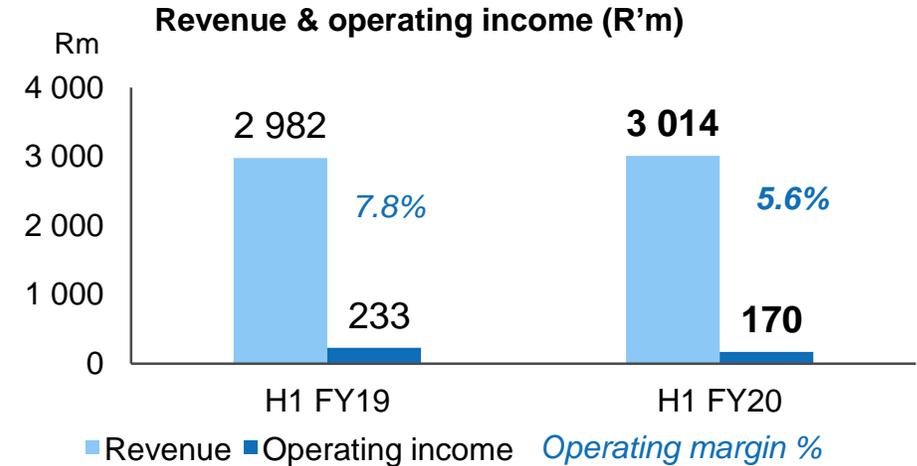
Source: Nielsen 6mm volume share as at March 2019



Consumer Brands – Food

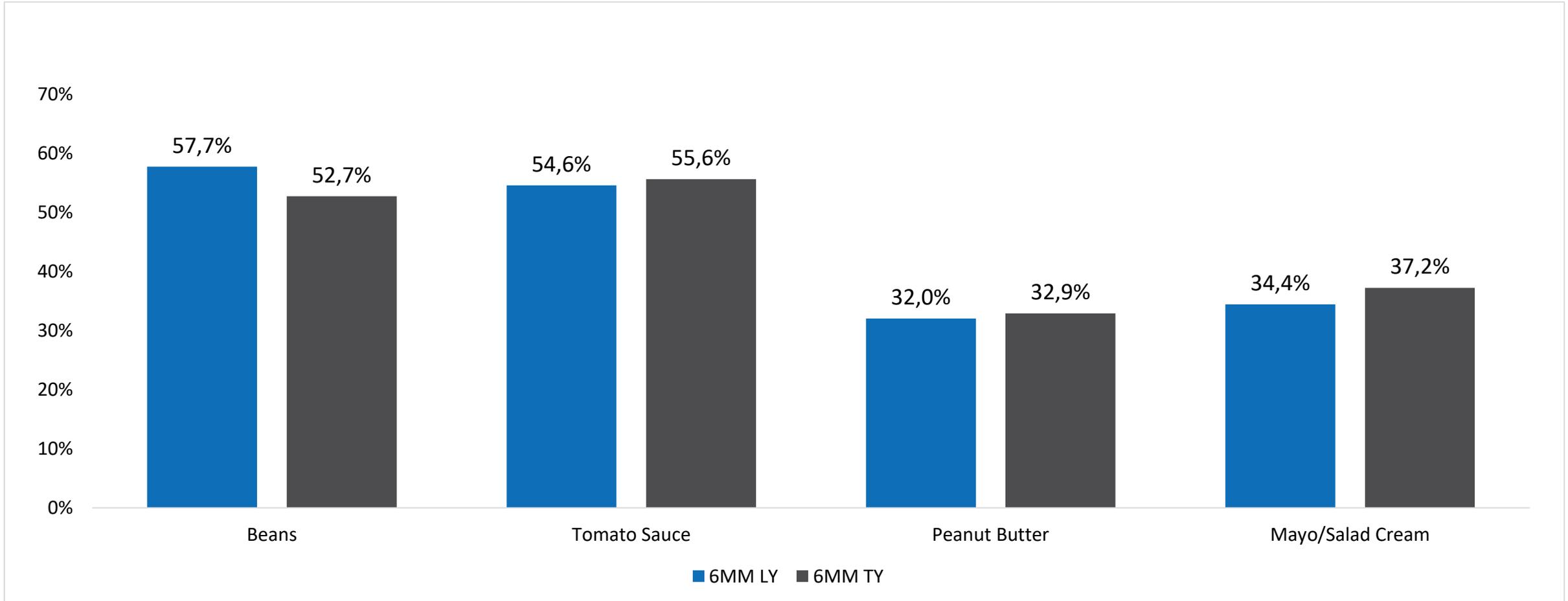
Groceries revenue grows marginally, offset by volume declines

- All segments characterised by low inflation & some deflation
- Sales impacted by intense price competition & supply constraints in tomato sauce
- EBIT impacted by costs rising ahead of selling price inflation
 - Increased promotional activity to hold market share
 - Difficulties recovering cost in a price competitive environment
 - Increased logistics costs
- KOO & Mrs Balls performing well
- Work underway to improve Crosse & Blackwell & All Gold performance
- Tomato sauce factory reliability restored, capex approved for future growth
- Review of supply chain costs across all segments including raw material





Market share improves despite supply challenges



Source: Nielsen 6mm volume share as at March 2019



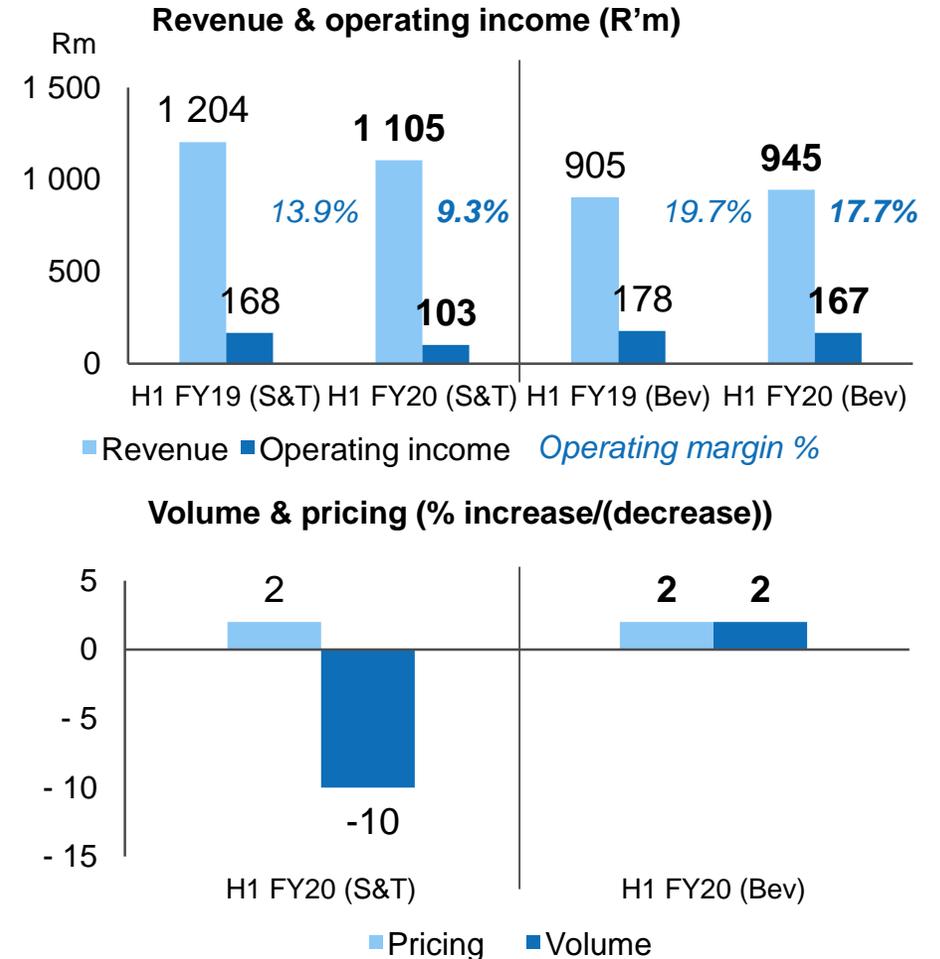
Snacks, Treats & Beverages

S&T – intense competition impacts overall performance

- Lower volumes driven by sugar & chocolate
 - Competitors respond to Beacon re-launch in pricing
 - Supply constraints in white chocolate
 - Demand slowed dramatically ahead of National Lockdown
- Profitability impacted by low volumes & higher storage costs
- H2 demand likely to be affected by COVID-19 impact
- Focus on cost reduction measures

Beverages

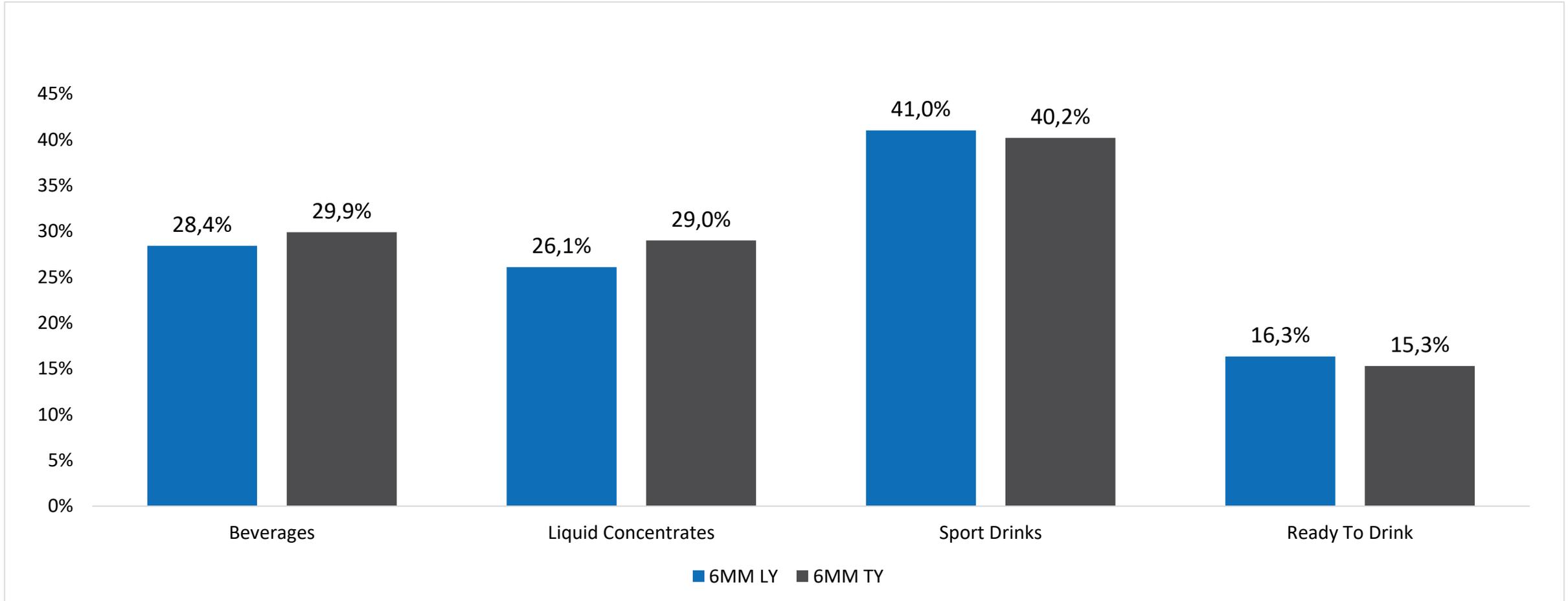
- Beverages topline driven by Oros core & flavour innovations
- EBIT impacted by higher marketing, underlying EBIT growth of R17 million (8%)





Overall market share gains driven by liquid concentrates

Benefitting from Oros core offering & innovations



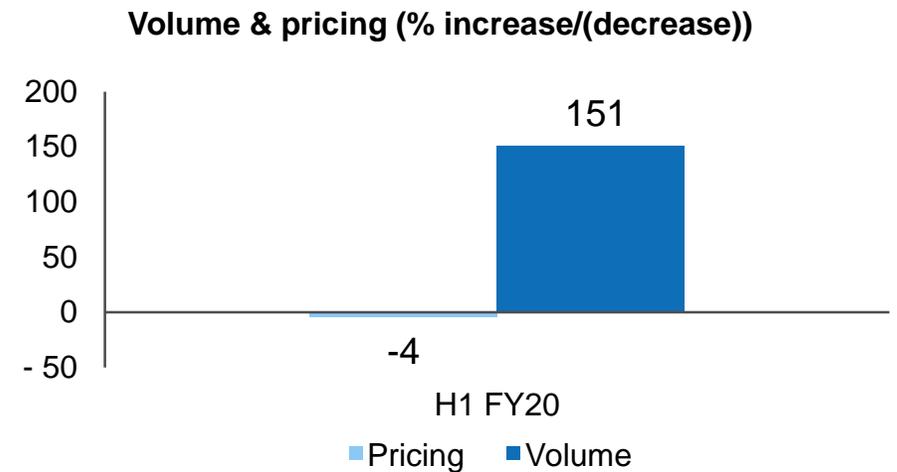
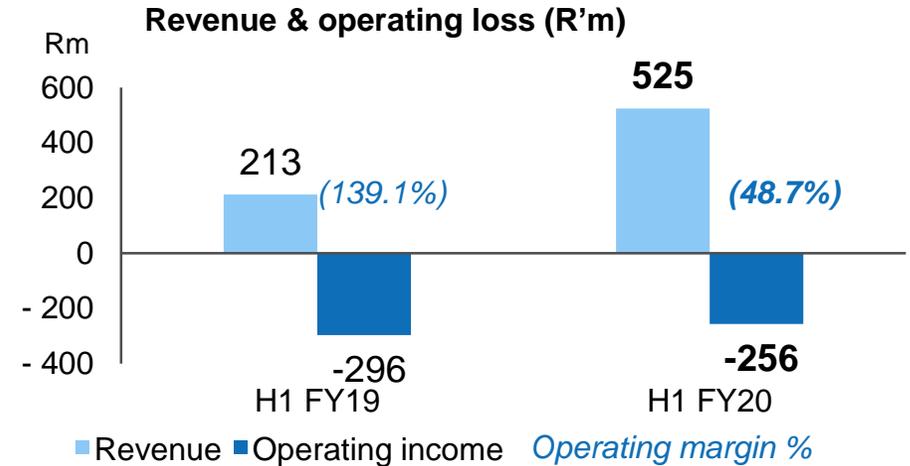
Source: Nielsen 6mm volume share as at March 2019



Value Added Meat Products (VAMP)

Significant revenue growth

- Revenue up 147% to R525 million
 - Normalised distribution & on-shelf availability following re-entry
 - Steady month-on-month improvement in sales
 - Volume share gains of 9%
- EBIT loss improves by 14%
 - Benefitting from higher volumes
 - Category pricing dynamics & non-participation in deli segment impacts recovery

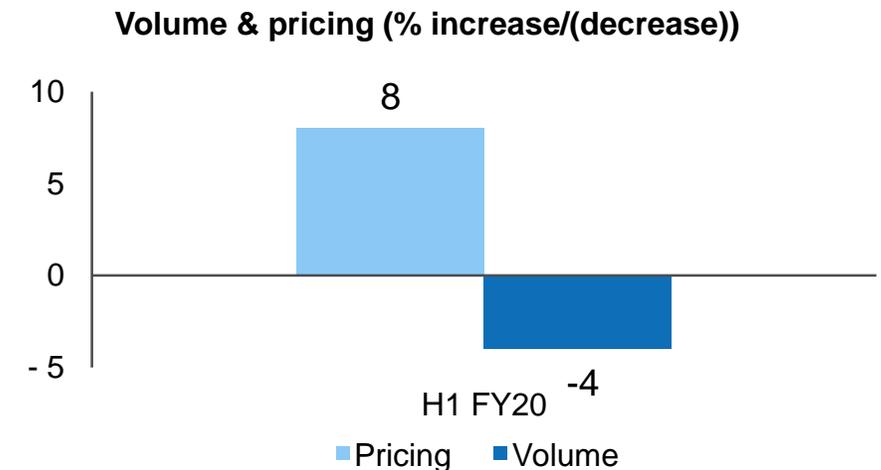
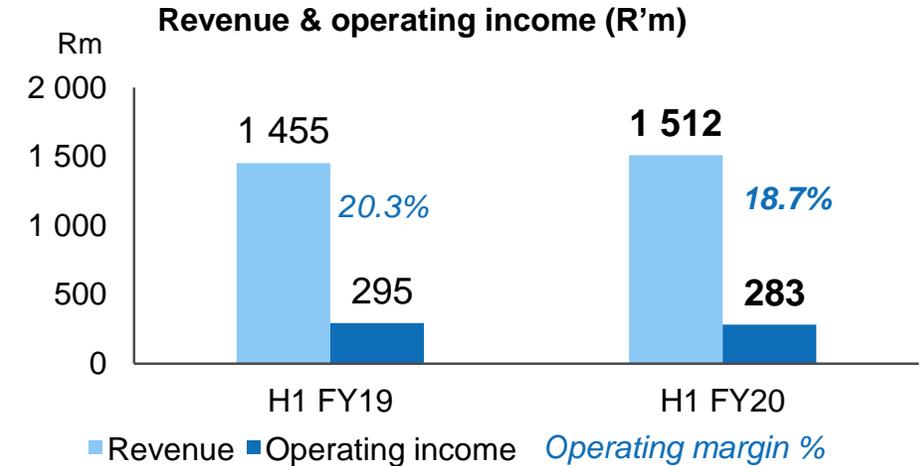




Home, Personal & Baby Care (HPCB)

Home Care boosted by exceptional pest performance

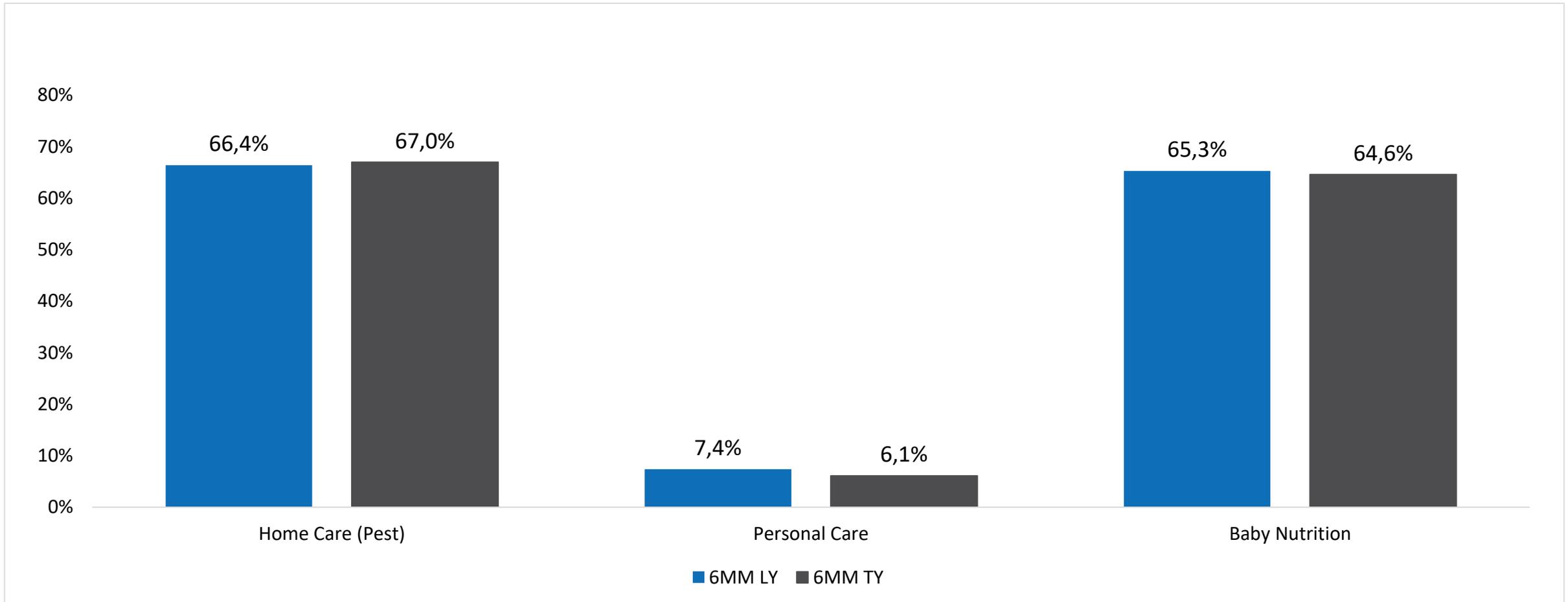
- Revenue up 14%
- EBIT up 14%
 - Benefitting from reduced promotional activity
 - Increased volumes
- Personal Care impacted by intense competition
 - Volumes down 18%
 - EBIT impacted by higher logistics costs, marketing spend & adverse factory efficiencies
 - Plans in place to dispose of / licensing non-core brands
- Baby sustained revenue
 - Q1 supply issue now resolved
- EBIT impacted by higher conversion costs





Healthy market share in Baby & Pest

Baby nutrition share reflective of Q1 challenges now resolved



Source: Nielsen 6mm volume share as at March 2019 | Baby nutrition includes homogenised segment & cereals



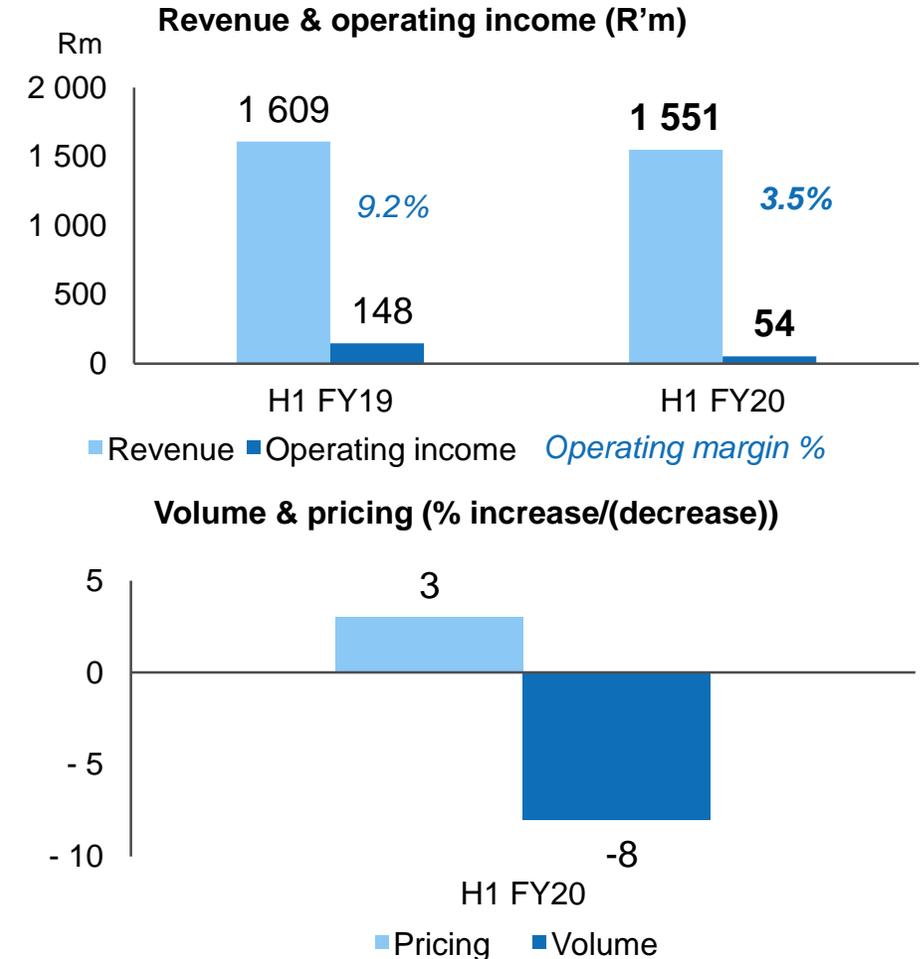
Exports and International

Exports impacted by trademark dispute in Nigeria

- Settlement in principle reached
- Higher sales to Mozambique offset by poor performances from Rest of Africa
- Slow sales adversely impacted profitability due to factory under-recoveries

- **Chococam** grows volumes despite regional challenges
 - Volumes up 1%
 - Profitability impacted by newly introduced excise duty on local production (R14m for Q2)

- **Deciduous Fruit** affected by COVID-19 impact on Far East markets
 - Change in duty between EU & US further impacting geographical mix & pricing in the Far East



UNAUDITED GROUP RESULTS

for the six months ended 31 March 2020

Quo Vadis



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Navigating the coming storm

Impact of lockdown measures not yet fully felt by our sector



Expectations

- > Prolonged and deep economic downturn
- > Cost push from weak rand difficult to recover
- > Unemployment to rise
- > Negative impact on disposable income
- > Change in consumer behaviour



Upside opportunities

- > Shift to in-home consumption likely to be sustained
- > Exports into Nigeria to resume in June
- > Local production in certain categories may be more competitive
- > Opportunities in servicing private label being explored with customers



Risks

- > As economy opens up, lower consumer spend more widely dispersed
- > Despite all protocols, infection rates likely to cause supply disruptions
- > Second wave globally could have an impact on key commodities
- > National Disaster pricing regulation a significant headwind particularly in Bread, Rice, Wheat & Groceries
- > Other Covid-19 related costs not likely to abate in remainder of calendar year



Covid-19 related costs are likely to be significant

National Disaster pricing regulation a significant headwind particularly in Bread, Rice, Wheat & Groceries, due to low base in reference period

H2 (R'm)	Apr	May (est.)	Balance of the year	Total
Loss in contributions on lines that were not active	45	18	-	63
Pricing	39	56	262	357
Direct Covid 19 related costs	41	10	36	87
Distribution costs	8	10	13	31
Increased CSI investment	-	13	?	13
Total	133	107	311	551

> These costs don't include future disruption from potential facilities closure



Status of Tiger's portfolio

No one-size-fits-all solution but, there are some common themes

Business Unit	Innovation	Geographical footprint	Efficiency / Capacity	Value improvement costs	Exit underway / options need exploration
Bakeries	✓	✓			
Milling – Flour	✓			✓	
Milling - Maize					✓
Jungle	✓			✓	
Sorghum			✓	✓	
Rice			✓	✓	
Pasta			✓	✓	



Status of Tiger's portfolio

No one-size-fits-all solution but, there are some common themes

Business Unit	Innovation/Adjacencies	Geographical footprint	Efficiency / Capacity	Value improvement costs	Exit underway / options explored
Snacks & Treats	✓		✓	✓	
Beverages	✓		✓		
Baby	✓		✓		
Home Care	✓			✓	
Personal Care					Exit tail brands
Exports (Davita)		✓	✓		
Deciduous Fruit					✓
VAMP					✓
Chococam	✓				



Methodical, category-specific approach adopted with urgency



Clear accountability & control at category level

- > Less focus on generic, overarching group themes
- > More focus on specific, measurable improvements
- > Drive speed & focus



Selling price driven model

- > Costs & efficiency to be delivered now
- > Non-product savings & efficiencies of R250 million annualised identified and in execution (Corporate office & 2 categories)
- > Innovation second line of attack – continued focus & investment
- > Private label participation where appropriate & sustainable

Scorecard



Key deliverables by financial year-end



Structural re-alignment & resultant cost savings executed



Conclude VAMP exit



Concrete plan for Deciduous Fruit



Optimal rationalisation of tail-end brands in Personal Care



UNAUDITED GROUP RESULTS

for the six months ended 31 March 2020

APPENDIX



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Additional information

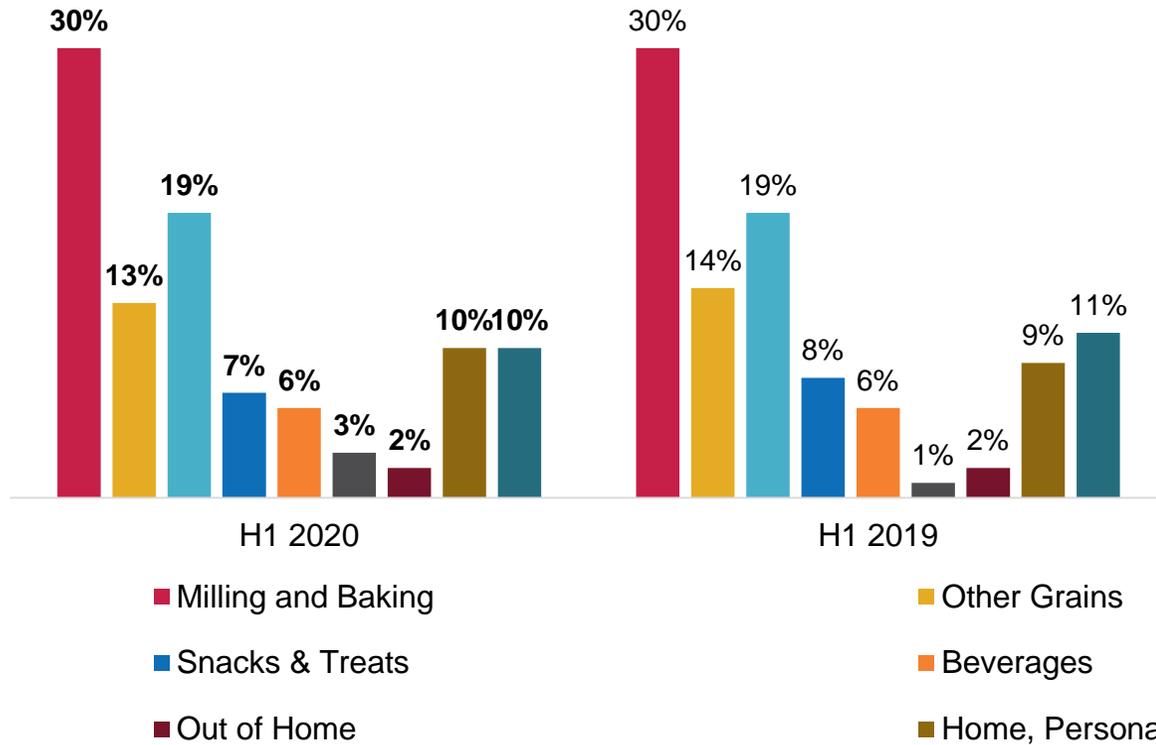


	H1 2020	H1 2019
Working capital per rand of turnover	22.3	21.8
Net working capital days	83.7	99.3
Stock days	85.1	95.3
Debtor days	33,5	37.4
Creditor days	(34,9)	(33.4)
Effective tax rate	31.1%	30.6%



Contribution to revenue & operating income

Revenue



Operating income before IFRS 2

