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Tiger Brands



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# Disclaimer

## Forward-looking statement

This document contains forward looking statements that, unless otherwise indicated, reflect the company's expectations as at 6 March 2018. 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.

**TIGER BRANDS**



Perfect. Every time.

Business overview



# Investment proposition

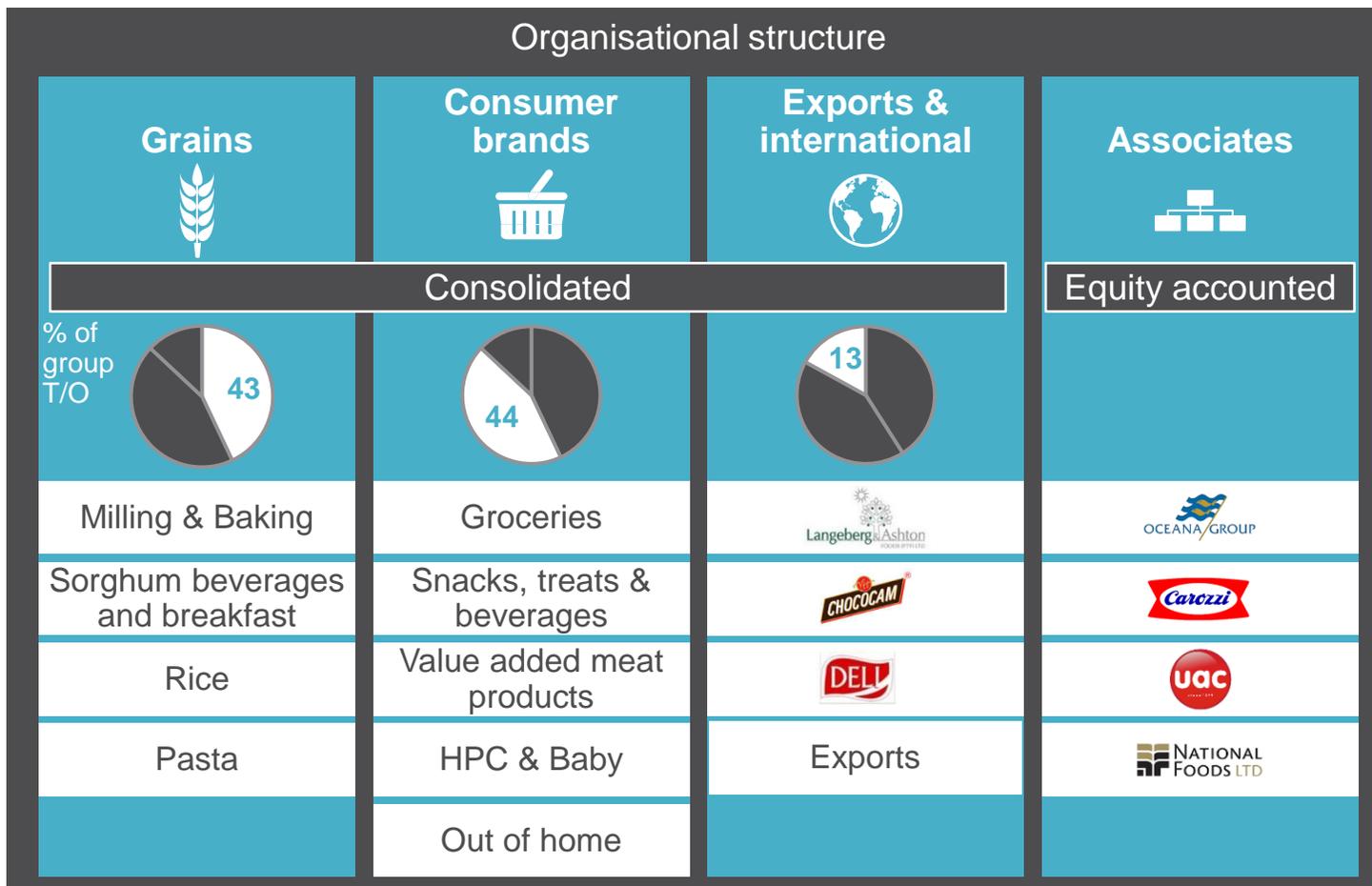
- 1 Africa's leading branded FMCG player committed to growth by growing the core & expanding into adjacent categories & geographies
- 2 Addresses large and growing emerging markets
- 3 Unified customer sales team and an integrated supply chain that can leverage Tiger's scale and share of basket
- 4 Targeting best-in-class profitability underpinned by a cost conscious culture
- 5 Environmental, social & governance discipline to drive shared value creation

*Tiger Brands has all the elements required to succeed in this dynamic environment*

# Tiger at a glance



## Organisational structure



FY17

ZARmm

## Key operating and financial metrics

|                         |        |
|-------------------------|--------|
| Market cap <sup>1</sup> | 80 973 |
| Revenue                 | 31 298 |
| <i>growth %</i>         | 2%     |
| Gross profit            | 10 442 |
| <i>margin %</i>         | 33.4%  |
| EBIT <sup>2</sup>       | 4 524  |
| <i>margin %</i>         | 14.8%  |

## Balance sheet strength

|                                 |        |
|---------------------------------|--------|
| Cash generated from operations  | 6 056  |
| RONA*                           | 35.3%  |
| Net (debt) / cash               | 431    |
| <i>Net (cash) debt / equity</i> | (2.5%) |
| Net interest cover*             | 25.2x  |

Notes: 1. As at 28 Feb 2018 | 2. From continuing operations before impairments, abnormal items & IFRS 2 charges | \*Restated in terms of IFRS 5 for the treatment of EATBI & Haco as discontinued operations



## Balance sheet / capital strength

Sound capital structure

Ability to drive growth

- Ability to invest in the existing business
- Ability to react to M&A opportunities

Dividend policy

- 2x cover, based on headline earnings per share

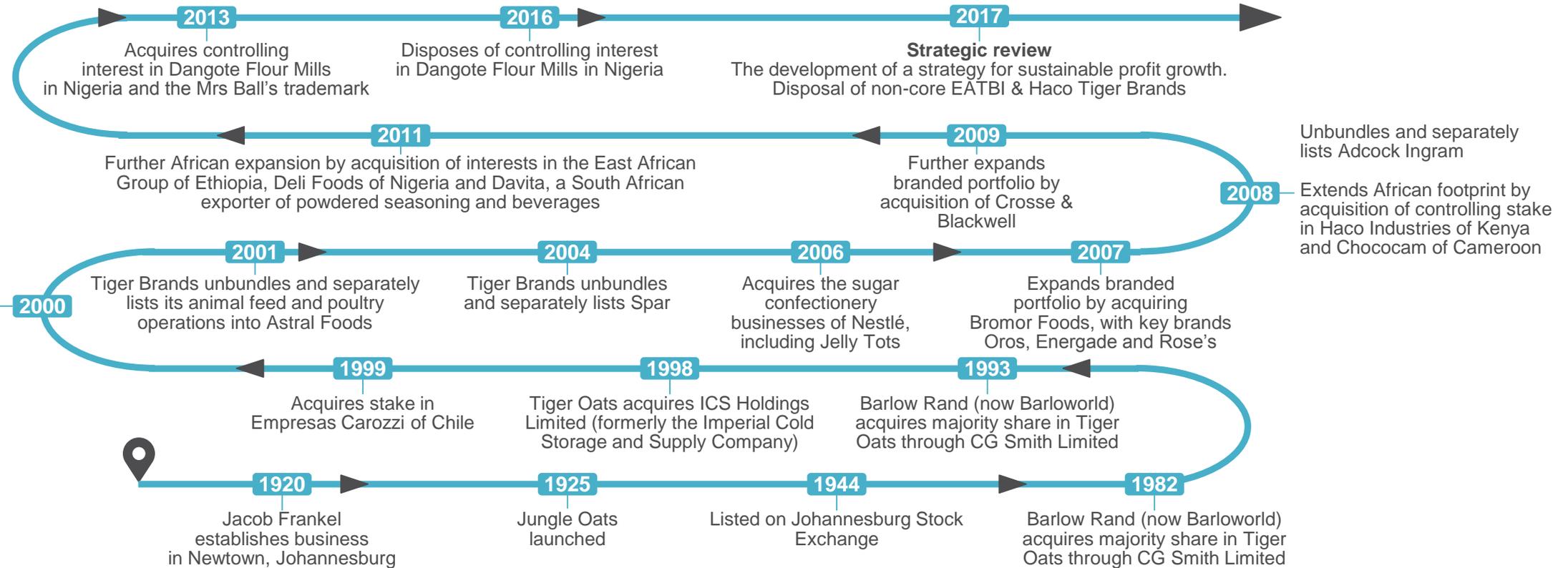
Cash generation

- Tighter working capital management

*Defensive characteristics with significant flexibility*



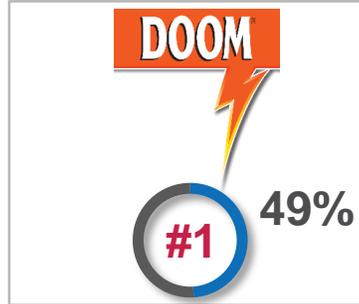
# Evolution of Tiger Brands – refocused and repositioned for growth





Investment proposition

# Market leadership in power brands



Source: Nielsen value share, 12 month moving average to December 2017 | \* Camphor creams & lotions + Homogenised Food



# Portfolio growth & strategy

Focus on the core to achieve full potential



## Focus on the core

- Target consumer – middle-income
- Core category – food supported by relevant adjacencies
- Geographic focus – ‘South Africa out’
- Complemented by targeted growth through M&A leveraging core capabilities



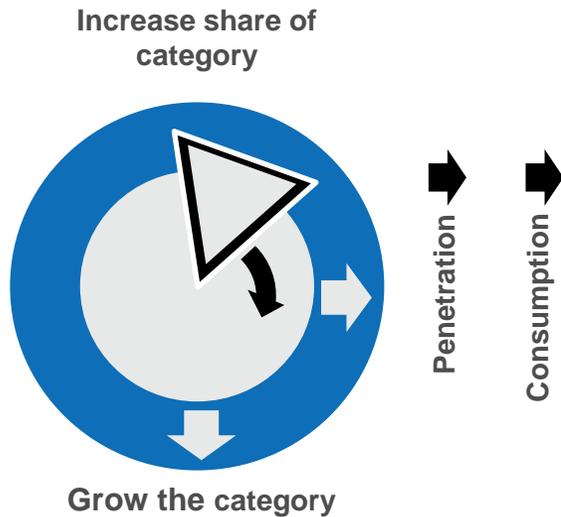
## How to win

- Improve management of price, volume & margin, optimise pack sizes and formats, rationalise SKUs
- Enhance ‘big idea’ innovation
- Expand into new geographic and consumer segment adjacencies
- Raise marketing investment
- Reduce set of master and standalone brands, disproportionately investing behind power brands
- Fuel for growth via cost management



# Strategic growth drivers

Grow the category & increase share



| Growth drivers |   | Penetration | Consumption |
|----------------|---|-------------|-------------|
| <b>1</b>       | <b>Availability &amp; fair share</b><br>• Modern trade<br>• General trade | ✓           |             |
| <b>2</b>       | <b>Price</b>  | ✓           | ✓           |
| <b>3</b>       | <b>Pack size / format</b>   | ✓           | ✓           |
| <b>4</b>       | <b>Unmet need states &amp; trends</b>                                     | ✓           | ✓           |
| <b>5</b>       | <b>Brand trends</b>   | ✓           | ✓           |

## Adopt a hybrid model of Master and standalone brands

|                          |   |
|--------------------------|---|
| <b>Master Brands</b>     | <ul style="list-style-type: none"> <li>○ Singular, market-leading brands</li> <li>○ Easily extended to other categories/segments/adjacencies</li> </ul> |
| <b>Stand-alone brand</b> | <ul style="list-style-type: none"> <li>○ Serves a specific consumer need</li> </ul>   |

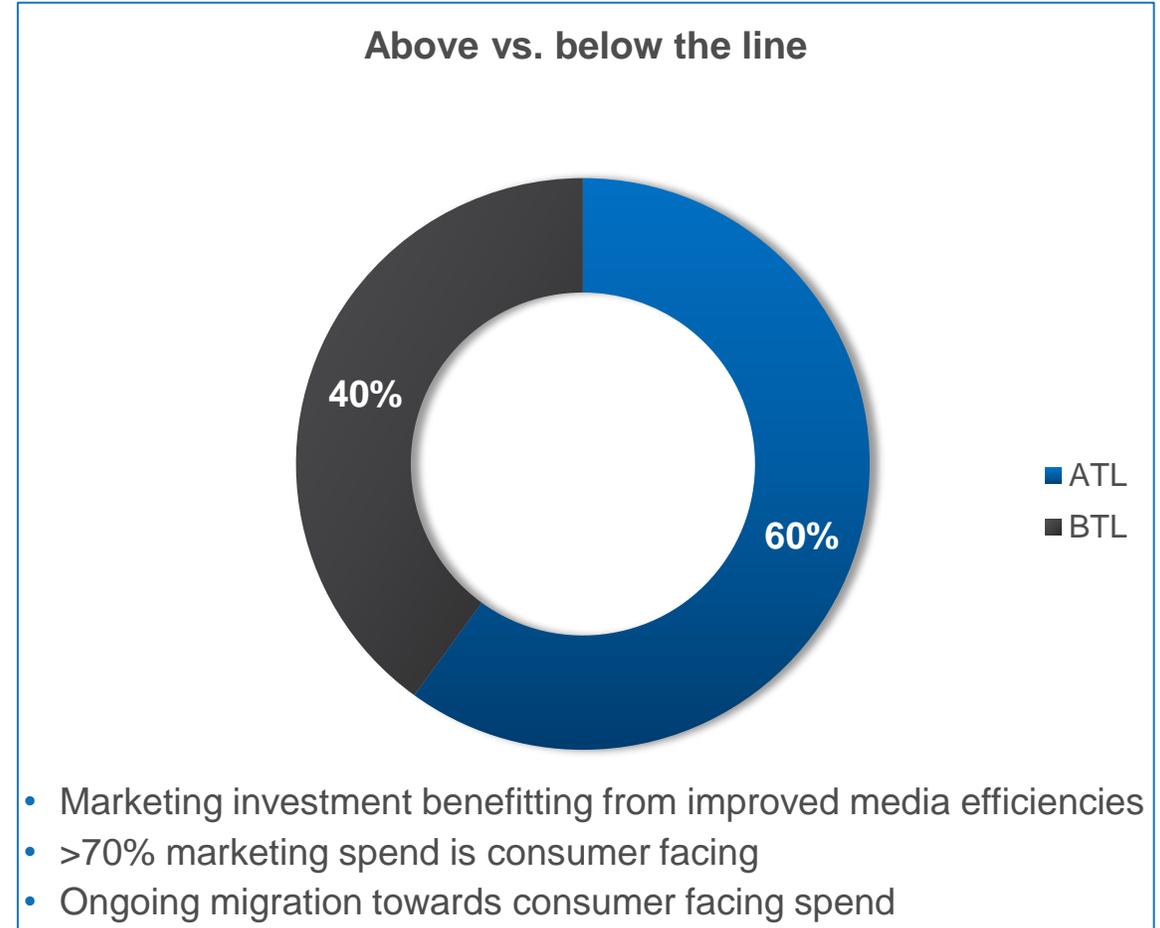
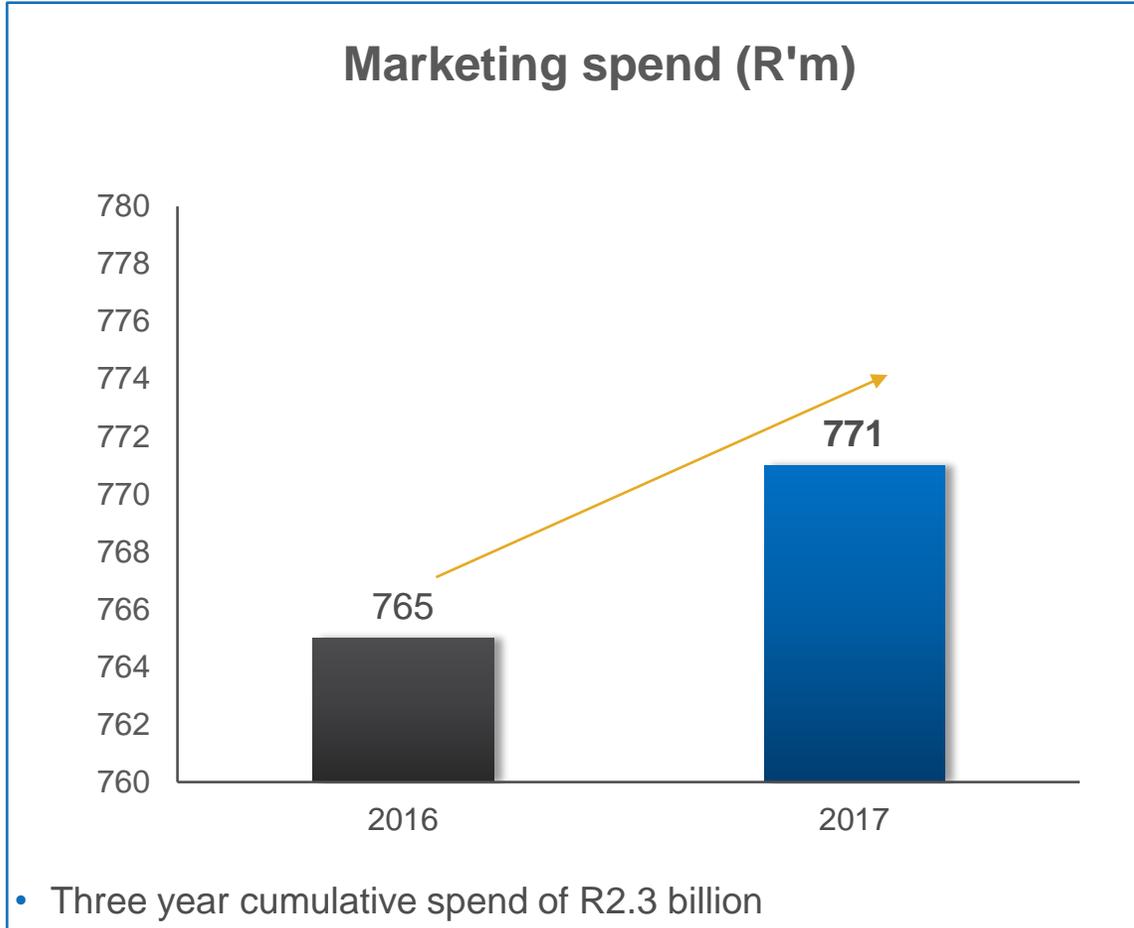
*When focused, money spent is more impactful*

Source: Global Advisors



# Committed support behind power brands

Invested R771m supporting our core brands in FY17





# Refined approach to Africa by exiting non-core categories

Aim to strengthen exports by:

**Evolving the distributor model**

**Determining optimal coverage**

**Improving in-market visibility**



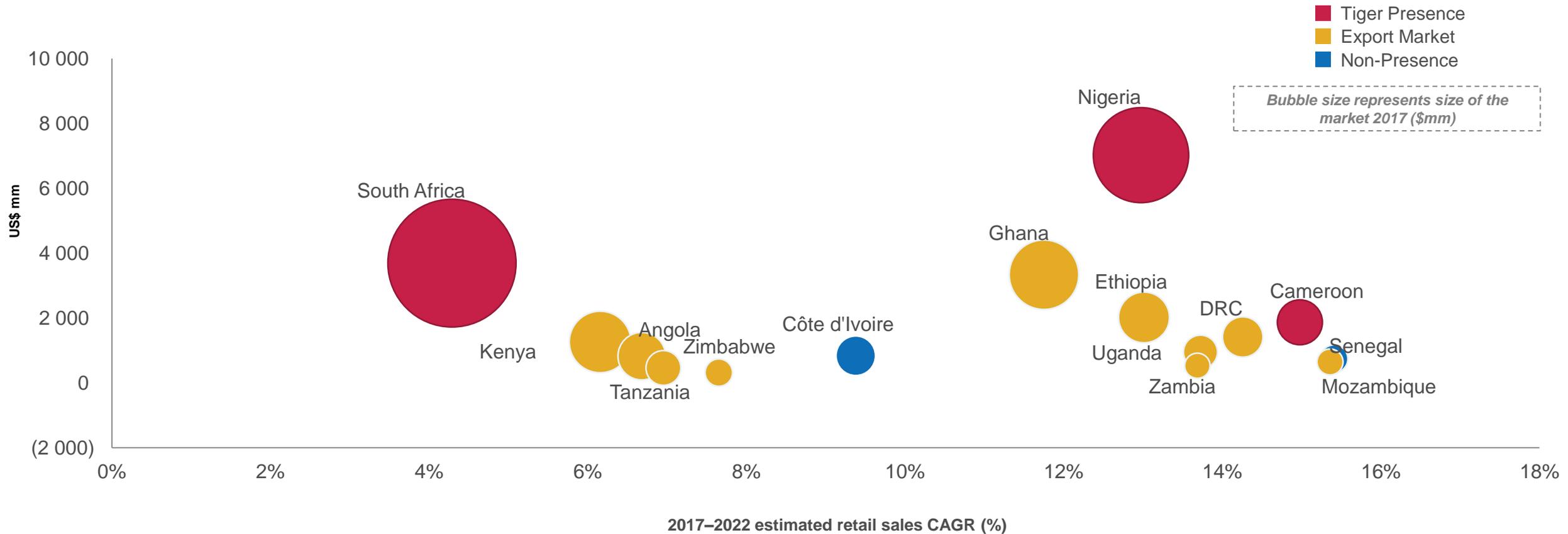
*Africa and emerging markets remain a key part of our growth strategy*

Notes: Announced exit of EATBI in June 2016 | Announced exit of Haco in February 2017



# Tiger Brands services SSA's largest consumer markets

SSA packaged food & soft drinks market<sup>1, 2</sup> (Total market size: \$71bn<sup>3</sup>, RSV<sup>4</sup>)



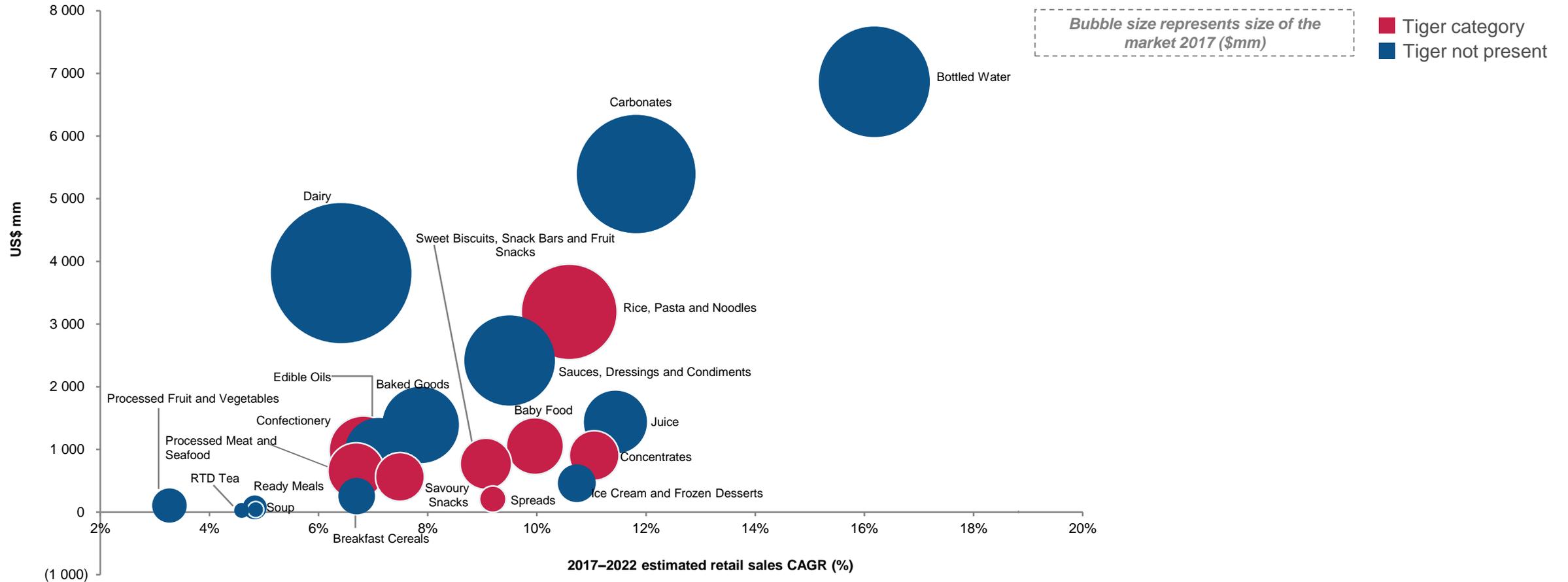
Source: Euromonitor data

1 Graph shows the top 15 categories of packaged food & soft drinks by market size | 2 Graph includes the top 15 largest SSA consumer markets | 3 All SSA countries | 4 RSV – Retail Sales Value



# Well positioned in large, attractive categories

SSA market by fastest growing categories<sup>1</sup> (Total market size: \$71bn<sup>2</sup>, RSV<sup>3</sup>)

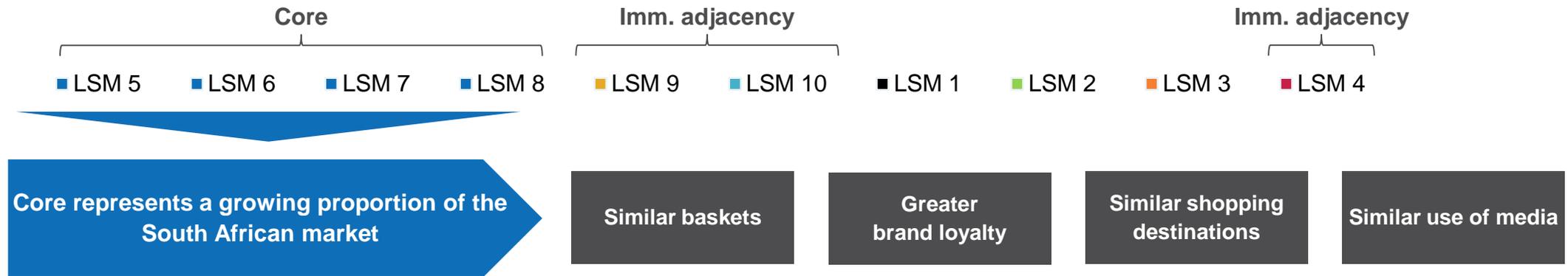
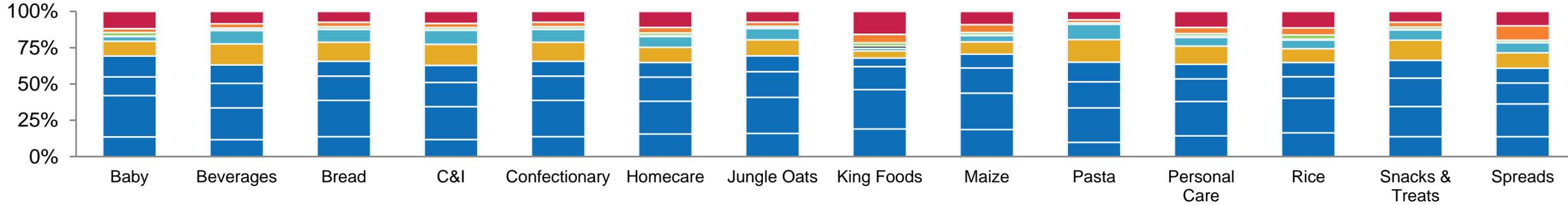


Source: Euromonitor data | 1 Graph shows the top 15 categories of packaged food & soft drinks by market size | 2 All SSA countries | 3 RSV – Retail Sales Value



# Core consumer

Middle-income consumer accounts for 70% of Tiger's sales



Source: Company reports, Global Advisors



# How our consumer lives

## A day in her life – activities and media



|   |              |   |
|---|--------------|---|
| <p>Wake up<br/>Get herself and the kids ready for school</p>  | <p>05:00</p> | <p>Before dressing, she uses Ingram's<br/>The kids have Jungle or Morvite for breakfast while she prepares the kids' lunch boxes<br/>Lunchboxes have sandwiches with Enterprise polony and Black Cat peanut butter<br/>As treats she adds Jelly Tots and Oros</p>  |
| <p>Taxi to work</p>   | <p>06:30</p> | <p>En-route to work she sees a large Tastic billboard</p>    |
| <p>Arrive at work – she is a receptionist and works in an office park</p>                             | <p>08:00</p> | <p>She sees lots of Tiger Brands products on special when studying broadsheets with friends during her lunchbreak</p>    |
| <p>Lunch time – she stays in the office</p>   | <p>13:00</p> | <p>At the taxi rank, she buys a few Smoothies for the journey home and fizzers for the kids</p>    |
| <p>Taxi home – she doesn't stop on the way home<br/>She does her grocery shopping on the weekends</p> | <p>17:00</p> | <p>While kids are doing homework, she cleans the house and uses Doom, Jeyes and Airoma</p>   |
| <p>Prepares dinner for her family</p>   | <p>18:30</p> | <p>She makes a chicken dish for supper using KOO, All Gold served with Ace or Fatti's &amp; Moni's<br/>If there are leftovers, she'll take them to work tomorrow</p>   |
| <p>Relaxes before bedtime</p>   | <p>20:00</p> | <p>While watching 'Uzalo' she sees ads on TV for Purity, Status and KOO<br/>As a treat because it's month end, there's a slab of Beacon chocolate to share</p>   |



# Consumer strategy

## Focus on consumers

- Maintaining the number 1 or 2 position in our categories
- Investing in marketing support and innovation to drive growth
- Continually evaluating new or adjacent category opportunities
- Keeping abreast of key consumer trends
- Continually striving to encourage healthier eating by our consumers
- In prevailing economic conditions, providing greater value for money through a portfolio strategy based on affordability
- In Africa we aim to grow the businesses we currently own and strengthen our exports

*Consumers in South Africa spend 10% of their annual total spend on Tiger Products*

Source: Basket Study Q1 2017



# Customer strategy

## Growing with customers

Continued focus on growing channels, customers and formats through tailor-made offerings and measured by top-line growth with customers and market share

*Continue to focus on growing channels, chains and outlets*

## Growing distribution and reach in general trade

Delivering relevant customer marketing activity for general trade retailers with specific activation such as stokvel drives

## Growing in-store

Actively engaging retailers to improve on-shelf availability, promotional effectiveness and brand exposure at point of purchase

*Optimise retailer data mining and insight generation*

## Great place to work

Building capability by attracting top talent to meet retailer needs and capitalise on shopper marketing data and insight generation

*Joint business planning and collaboration*

## Penetration in Africa

Continue to leverage Tiger Brands' basket through stronger distributor management and trade channel development

General trade remains a critical success factor and modern trade continues to grow in Africa

On-shelf availability of 97%



# Supply chain transformation

## Fuelling growth

- Manufacturing optimisation
- Logistics and customer service
- Reducing supply chain waste

## Unlock cash

- Inventory reduction
- Creditor terms

## Dynamic supply chain

- Procurement operations centre
- Customer service excellence
- Standardised, simplified processes

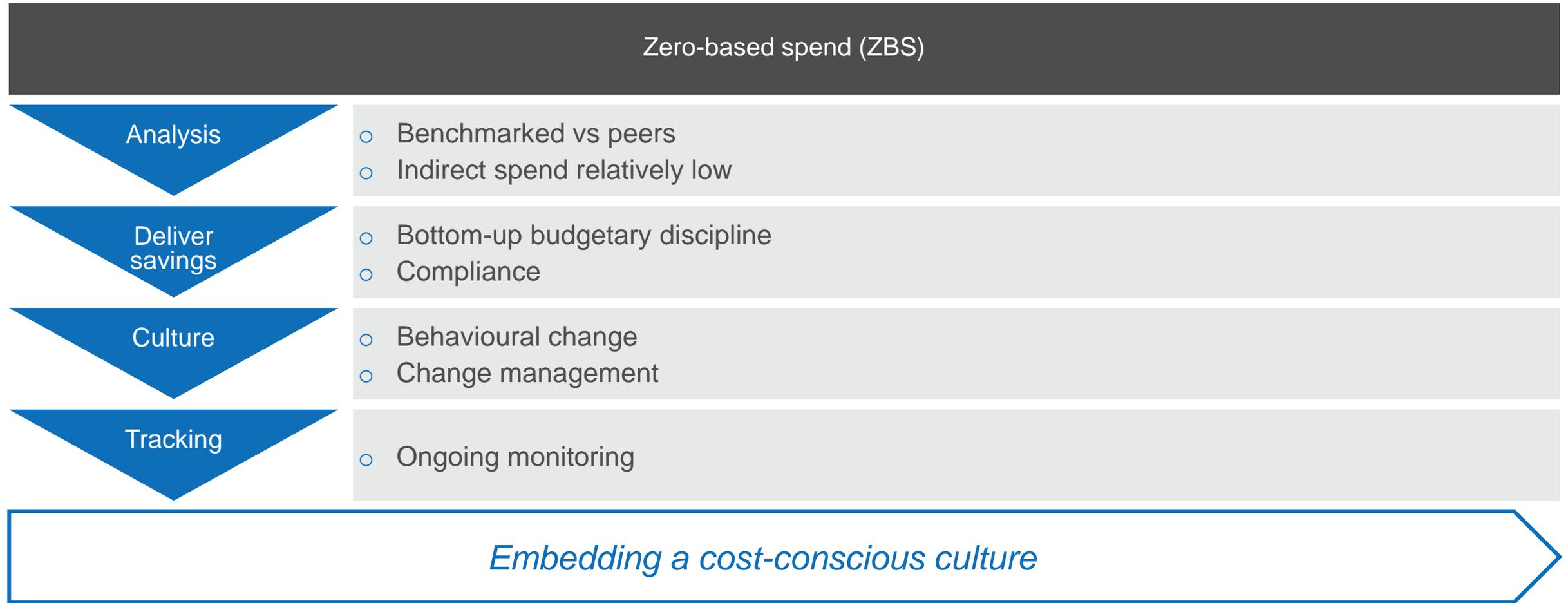
1. *Higher gross margins*

2. *Unlock capacity to support growth*

3. *Implement a standardised organisational blueprint*



# Disciplined approach to costs



# Beyond the numbers



## Stakeholder engagement

- Conducted a baseline survey
- Feedback informed engagement strategy
- Developed appropriate plan
  - Appointed relationship owners



## Execution discipline entrenched

- Improved quality
  - Reduced consumer complaints
- Safety improves
- LTIFR 0.30 vs. 0.36
- Improved governance
  - Risk management effective
  - Sound system of internal control
- Customer service
  - OSA improves to 97%



## Sustainability

- Group footprint
  - Steady progress on reducing impact
- Natural resources
  - Group strategy developed to respond to current water supply risks
- Supply chain
  - Small holder producer programme in partnership with DAFF proving successful
  - 25 000 tons of fresh produce sourced from emerging black farmers



# Environmental sustainability focus areas



## Manufacturing operations

- Reduce the impact of our manufacturing operations through, improved **energy efficient** processes, **GHG emissions** reduction, **water** conservation & minimised **waste**



## Packaging & finished goods

- Reduce the environmental impact of our products & packaging through **design**, **sustainable sourcing & responsible disposal initiatives**



## Supply chain

- Collaborate with our logistics & manufacturing vendors to assist in reducing the environmental impact of our supply chain



## Environmental sustainability culture

- Continually engage our employees, consumers & communities to promote a culture of environmental sustainability



# Environmental sustainability performance

Since FY12 exceeded most targets of 5% reduction per year

| Metric   | FY12   | FY17   | Change |
|--|--------|--------|--------|
| Energy (Mwh/Ton)                                 | 0.43   | 0.128  | -70%   |
| Packaging (Ton/Ton)                              | 0.94   | 0.31   | -67%   |
| Waste (Ton/Ton)                                  | 0.04   | 0.005  | -88%   |
| Water (KI/Ton)                                   | 1.88   | 2.12   | 13%    |
| Carbon Emission (CO <sub>2</sub> emission / Ton) | 0.1571 | 0.2363 | 50%    |

## Targets to 2022 (baseline FY16)

Improve **energy** efficiency by **15%**

Reduce **waste** for disposal by **12%**

Reduce **water** consumption & water discharges per ton of product produced by **15%**

Reduce **packaging** use by **9%**

Eliminate **carbon emissions & GHG** as far as practically possible



# Small Holder Producer Programme (25 000 tons; 92 farmers)

The intensive support programme in Limpopo for tomatoes is proving successful under the leadership of Technoserve & supported by the Groceries business. This will provide a platform for Tiger Brands to extend this kind of programme to other provinces & crops in future, using a combination of own & external funding.

## North West (2018 scope)

- Sorghum (Potchefstroom)
- Maize (Gauteng)

## Western Cape

- Butternuts & figs – 4 farmers, 500 tons
- Pears, Apricots & Peaches – 22 farmers, 3 000 tons
- Tomatoes – 5 farmers, 660 tons



## Limpopo – (Tiger Brands Investment R9.3m; Total R14.6m)

- Tomatoes – 70 farmers producing 20 000 tons (R23 million in revenue)
- 37 farmers managed directly by Tiger Brands as they are now stable producers
- Special programme for 33 farmers incl. training, mentoring & agricultural support in place with Technoserve
- On-track to increase production by 5 000 tons in 2017
- Documentary being produced to track the progress from land preparation to planting, harvesting, pulping & ultimately to final product on shelf
- Beans: 14 farmers; 600 tons contracted for 2018 (new farmers introduced through mentorship program)
- Wheat - 600 tons contracted for winter wheat production with offtake agreements from Tiger Brands

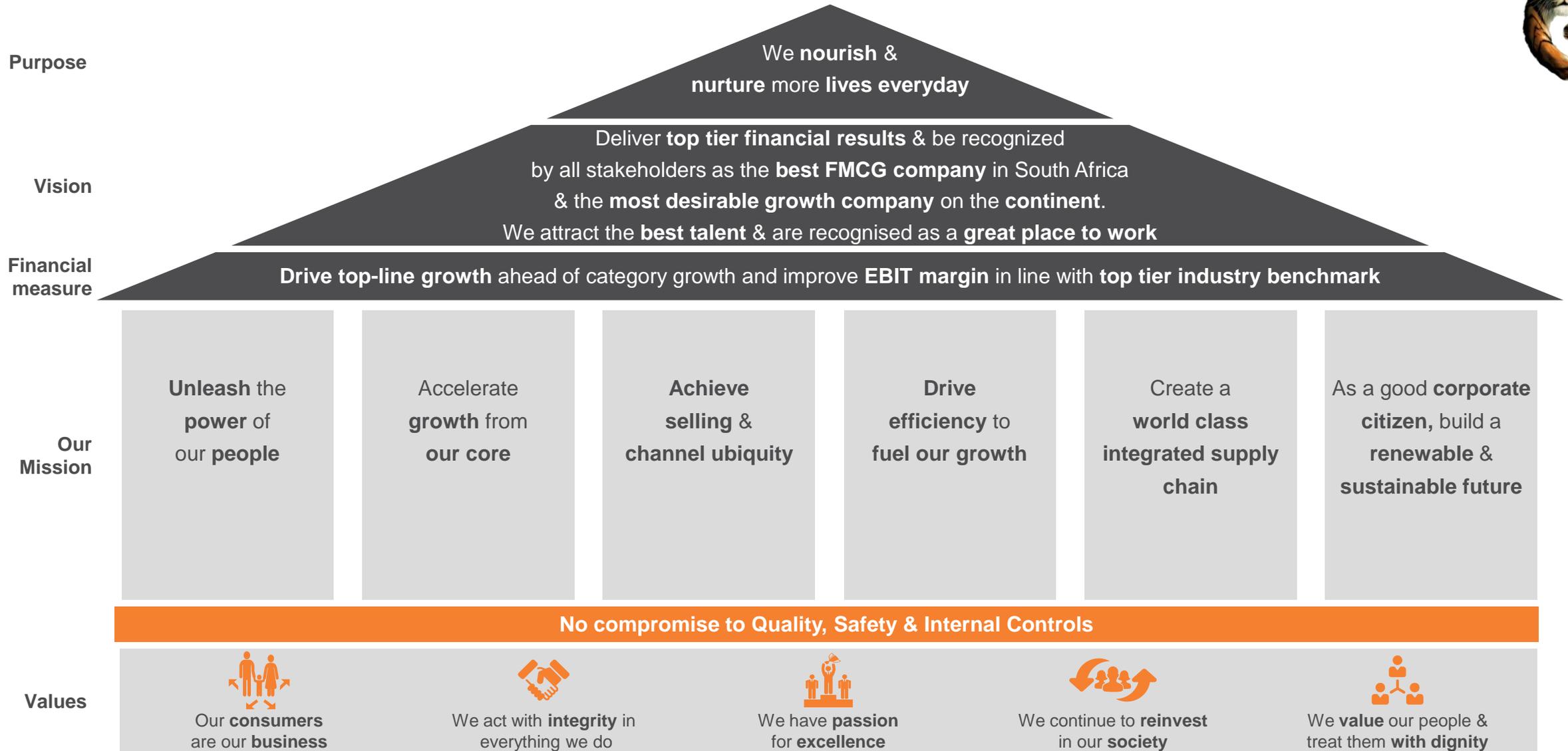
**TIGER BRANDS**



Strategic vision



# Achieving our full potential





# Committed to six strategic principles

## Portfolio & growth strategy

- 1 Continually strive to reach full potential and grow the core business
- 2 Pursue adjacencies to protect and leverage the core
- 3 Optimise portfolio for current performance & future potential
- 4 Simplify & distort behind growth & RONA winners
- 5 Focus on a defined set of growth drivers
- 6 Drive an embedded Tiger Way



# From federated to integrated

From...

To...

Independent business units under a common umbrella

- A **consolidated category model** focused on driving our brands & products, whilst maintaining our commercial edge (with a clear P&L)

BU-by-BU approach to innovation, focused on the short-term

- **Concentrated innovation capabilities**, with a deeper understanding of our consumers, a renewed focus on R&D, and a forward-looking innovation portfolio

Distinct BU teams with multiple customer & supplier interfaces

- **Unified customer sales team & an integrated supply chain** that can truly leverage Tiger's scale & the power of our basket

High value resources undertaking transactional work

- New **shared service organisation** run as a business, delivering repeatable activity at the right quality & cost (enabled by automation & continuous improvement)

Deep structures, overlapping responsibilities, concentrated authority

- A **flatter & faster organisation**, with clear roles, responsibilities and interfaces

Decentralised expertise, inconsistently spread across BUs

- **Centralised expertise** in the form of Centre's of Excellence (COEs) to drive economies of skill



# Operating model & organisational design

Focus on the consumer, re-ignite innovation and leverage our scale as one Tiger Team



The operating model vision is subject to consultation in terms of the Labour Relations Act



# Tiger Brands has articulated its key measures of success

## Initiatives

- Rejuvenate the domestic business to deliver sustainable, profitable growth
- Increasing on-shelf availability
- Better price management
- Encourage brand loyalty

- Manufacturing optimisation and consolidation
- Centralised distribution and order management
- Reduction of credit notes
- Inventory optimisation

## Performance indicators

- Top-line growth in line with category growth 1%-2% p.a.
- Improved profitability and cash generation
- Marketing investment to increase by 100-160bps

- Deliver gross margin improvement between 150bps – 180bps
- Expand operating margin before IFRS 2 charges between 100bps – 160bps
- Improve RONA >35%

**TIGER BRANDS**



Segmental overview

# Grains



| Category                      | Brands   | Market share           | Position | Contribution to group revenue  |
|-------------------------------|--|------------------------|----------|--|
| Milling and baking            | Albany, Golden Cloud, Ace  | Albany (33%)           |          | <p> <span style="color: red;">■</span> Maize<br/> <span style="color: gold;">■</span> Mill bake<br/> <span style="color: blue;">■</span> King Food<br/> <span style="color: darkblue;">■</span> Rice<br/> <span style="color: orange;">■</span> Pasta<br/> <span style="color: grey;">■</span> Jungle                 </p> |
| Sorghum beverages & breakfast | King Korn, Mabela, Morvite, Ace Instant, Jungle Oats, Taystee Wheat, Oatso Easy, Jungle Energy Crunch, Crunchalots | Oats (53%)             |          |  |
| Rice                          | Tastic, Aunt Caroline, Surprise, Cresta  | Tastic (31%)           |          |  |
| Pasta                         | Fatti's & Moni's   | Fatti's & Moni's (39%) |          |  |
|                               |  |                        |          |  |

# Consumer brands



| Category                            | Brands  | Market share   | Position  | Contribution to group revenue   |
|-------------------------------------|---|--|-----------|---|
| Groceries                           | KOO, All Gold, Crosse & Blackwell, Black Cat, Mrs Ball's, Hugo's, Colmans   | Koo (64%)<br>All Gold (69%)<br>Crosse & Blackwell (49%)<br>Black Cat (39%) | 1 2 3<br> | <p>19%<br/>4%<br/>16%<br/>9%<br/>16%<br/>36%</p> <ul style="list-style-type: none"> <li>Groceries</li> <li>S&amp;T</li> <li>Beverages</li> <li>VAMP</li> <li>Out of home</li> <li>HPCB</li> </ul> |
| Snacks, Treats and Beverages        | MMallows, Beacon, Maynards, Allsorts, Jelly Tots, Jungle Energy Bar, Wilsons, Toff-O-Luxe, XXX, Fizzpop, Damascus, Smoothies, Oros, Energade, Hall's, Rose's, Monis, Game | Beacon Maynards (38%)<br>Energade (35%)<br>Oros (24%)                      |           |   |
| VAMP<br>(Value Added Meat Products) | Enterprise, Renown, Mielie-Kip, Bokkie, canned meats  | Enterprise (18%)   |           |   |
| HPCB<br>(Home, personal Care, Baby) | Purity, Ingram's, Camphor Cream, Doom, Elizabeth Anne's, Jeyes, Perfect Touch, Dolly Varden, Status, Lemon Lite, Kair, Protein Feed, Airoma, Peaceful Sleep, Bio Classic  | Ingrams (90%)<br>Purity (85%)<br>Doom (48%)                                |           |   |

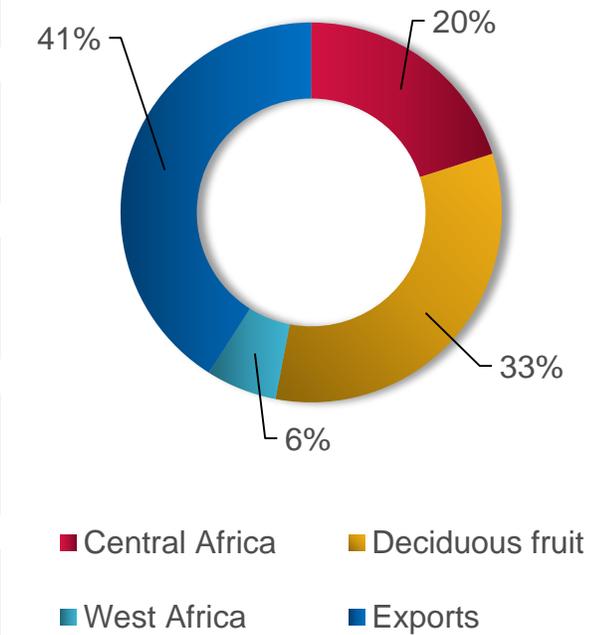
# International (including Exports)



| Category  | Brands   |
|---|--|
| Deciduous Fruit (Langeberg & Ashton Foods (LAF)) (SA) | <ul style="list-style-type: none"> <li>Gold Reef, Silverleaf</li> </ul>  |
| Tiger Brands International (Exports)                  | <ul style="list-style-type: none"> <li>This division exports the group's branded products into the rest of Africa</li> </ul> |
| Davita Trading (SA) (Exports)                         | <ul style="list-style-type: none"> <li>Jolly Jus, Benny, Davita</li> </ul>   |
| Chococam (Cameroon) (74.7%) (Central Africa)          | <ul style="list-style-type: none"> <li>Arina, Big Gum, Kola, Mambo, Matinal, Tartina, Tutoux, Chococroc</li> </ul>           |
| Deli Foods (Nigeria) (100%) (West Africa)             | <ul style="list-style-type: none"> <li>Deli, Igloo, Nutribix</li> </ul>  |



## Contribution to group revenue



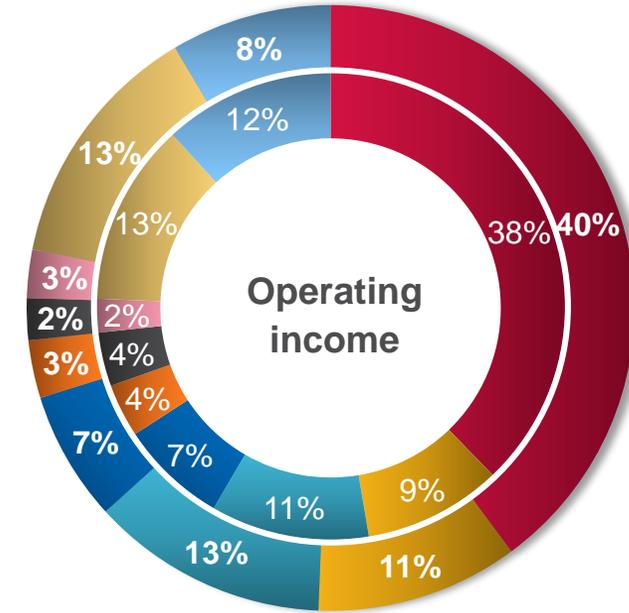
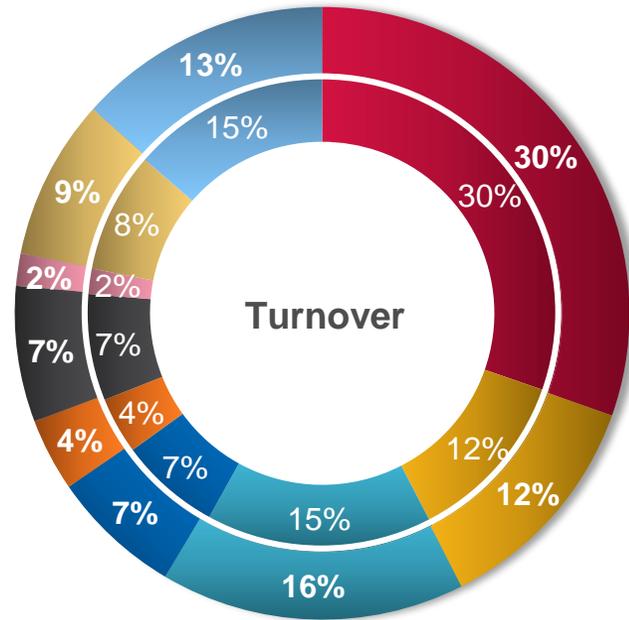
# Associates



| Associates  | Brand Market share   | Contribution to headline earnings*  |
|---|--|---|
| <p>Oceana Group<br/>(South Africa) (42.1%)</p>           | <ul style="list-style-type: none"> <li>Oceana Group is the largest fishing company in Africa and an important participant in the Namibian, Angolan and US fishing industries</li> <li>Core business is the catching, processing, marketing and distribution of canned fish, fishmeal, fish oil, lobster, horse mackerel, squid and hake</li> </ul> | <p style="text-align: center;"><b>15%</b></p> <p style="text-align: center;">CONTRIBUTION TO<br/>HEADLINE EARNINGS*<br/>(FY16: 25%)</p> |
| <p>Empresas Carozzi<br/>(Chile) (24.4%)</p>              | <ul style="list-style-type: none"> <li>Carozzi is a manufacturer and distributor of food products in Latin America</li> <li>Produces and markets branded products in the following categories: pasta, sauces, beverages, grains, fruit, juices, desserts, pastries, cereals, and confectionery foods</li> </ul>                                    |   |
| <p>UAC Foods<br/>(Nigeria) (49.0%)</p>                  | <ul style="list-style-type: none"> <li>UAC Foods Limited is a leading manufacturer and marketer of convenience foods</li> <li>Joint venture between UACN Plc of Nigeria with Tiger Brands</li> <li>Basket of snacks, beverage and dairies products</li> </ul>  |   |
| <p>National Foods Holdings<br/>(Zimbabwe) (37.4%)</p>  | <ul style="list-style-type: none"> <li>National Foods is one of the largest manufacturers and marketers of food products in Zimbabwe</li> <li>In addition to a core competence in maize and flour milling, the company produces a wide range of food products including: stock-feed, rice, peanut butter and oil</li> </ul>                        |   |

\* From continuing operations

# Contribution\*



- Milling and baking
- Snacks and treats
- Out of home

- Other grains
- Beverages
- HPCB

- Groceries
- Value added meat products
- International (including Exports)

\* Inside circle = FY16; Outside circle = FY17 +From continuing operations

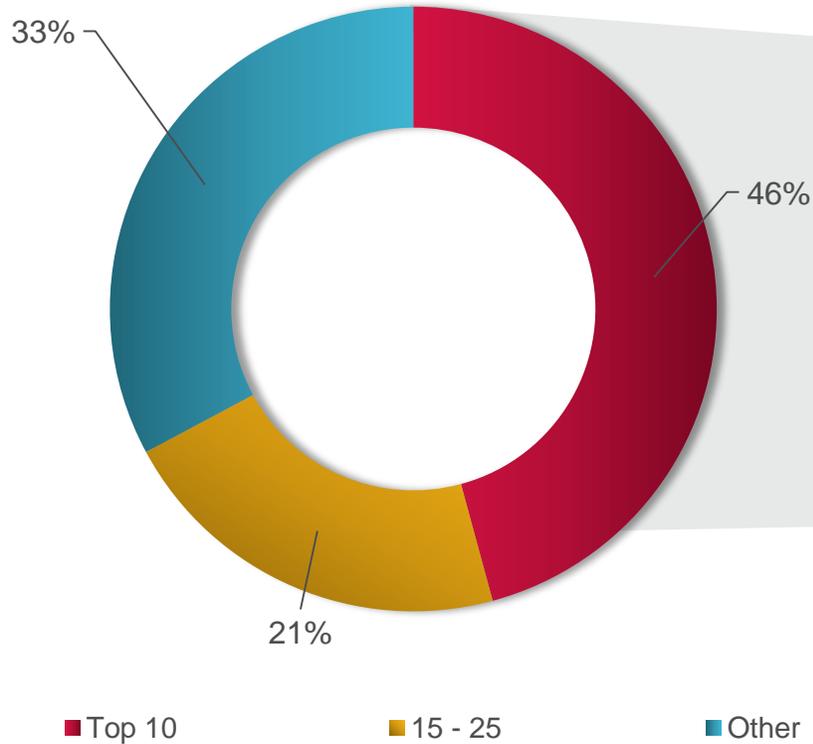


Appendices

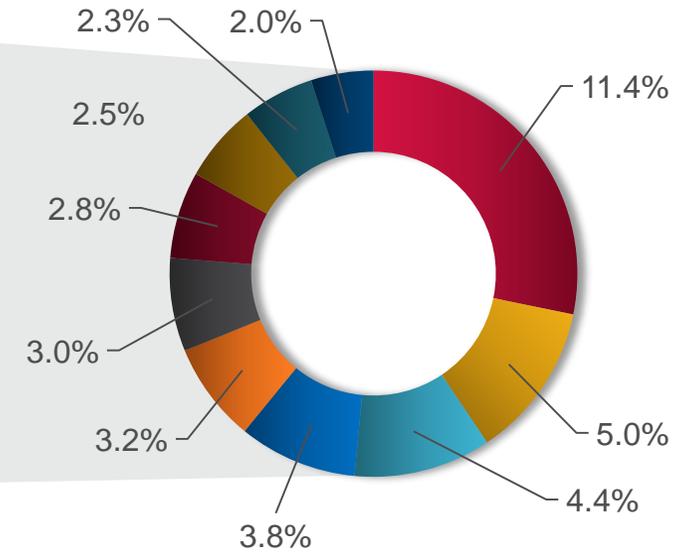


# Top 10 shareholders as at January 2018

Issued share capital 189 818 926



Top 10 institutional investors



- PIC
- Janus Henderson Investors
- The Vanguard Group
- Coronation
- Abax

- Colonial First State
- GIC Asset Management Ltd
- BlackRock
- Sprucegrove
- Sanlam



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