

Group Results Presentation

for the six months ended 31 March 2017

TIGER BRANDS





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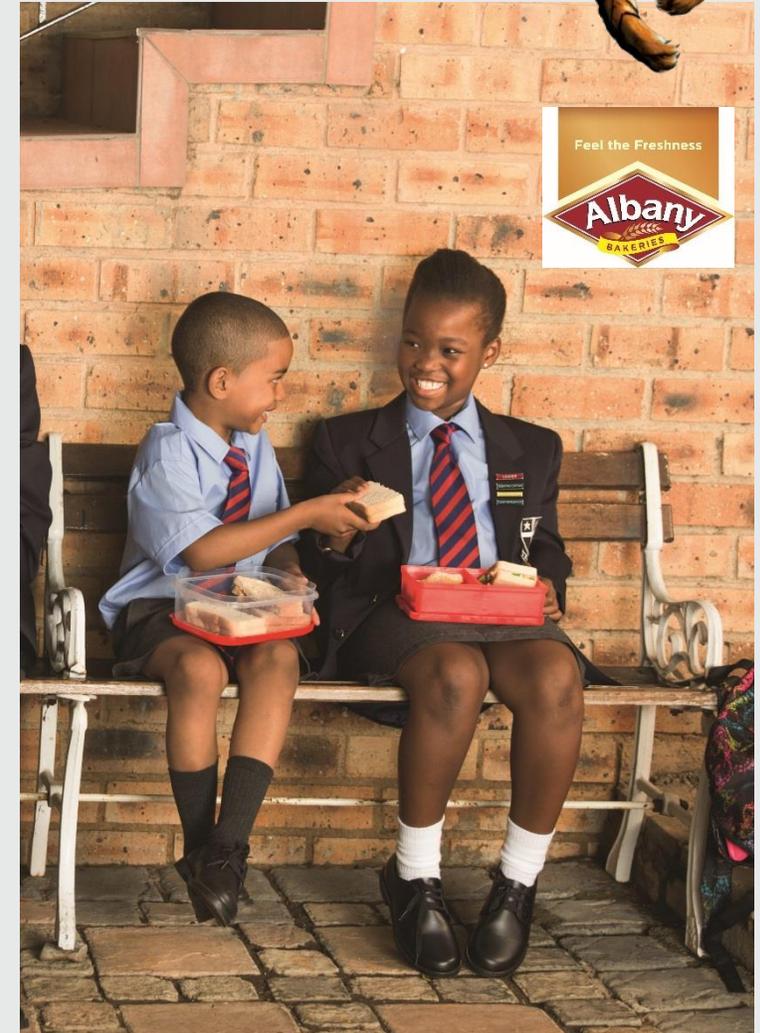
Overview



Financial & operational performance



Strategic review





Disclaimer

Forward-looking statement

This document contains forward looking statements that, unless otherwise indicated, reflect the company's expectations as at 25 May 2017. 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.



Overview

Lawrence Mac Dougall
Chief Executive Officer

TIGER BRANDS





Strong H1 underpinned by resilient domestic performance

Salient features*

Group turnover up **7%****
to **R16.4 billion**

Group operating income up **10%**
to **R2.2 billion**

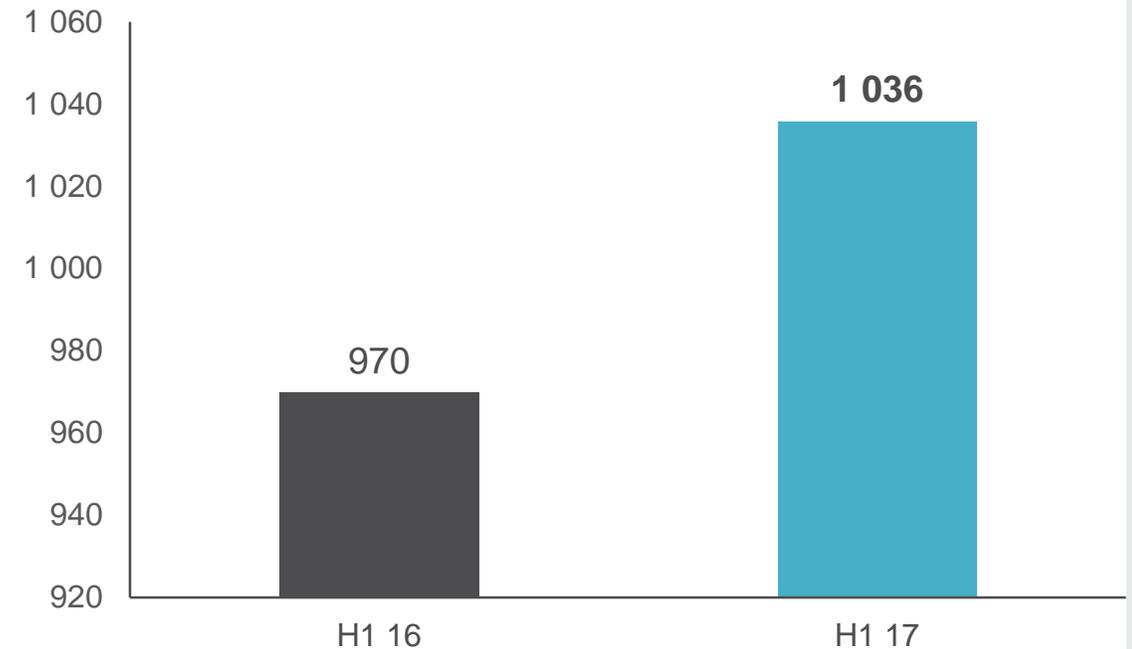
Solid domestic results

Disposal of EATBI concluded,
Haco on track

Interim dividend up **4%**
to **378 cents**

HEPS* up 7%

Cents

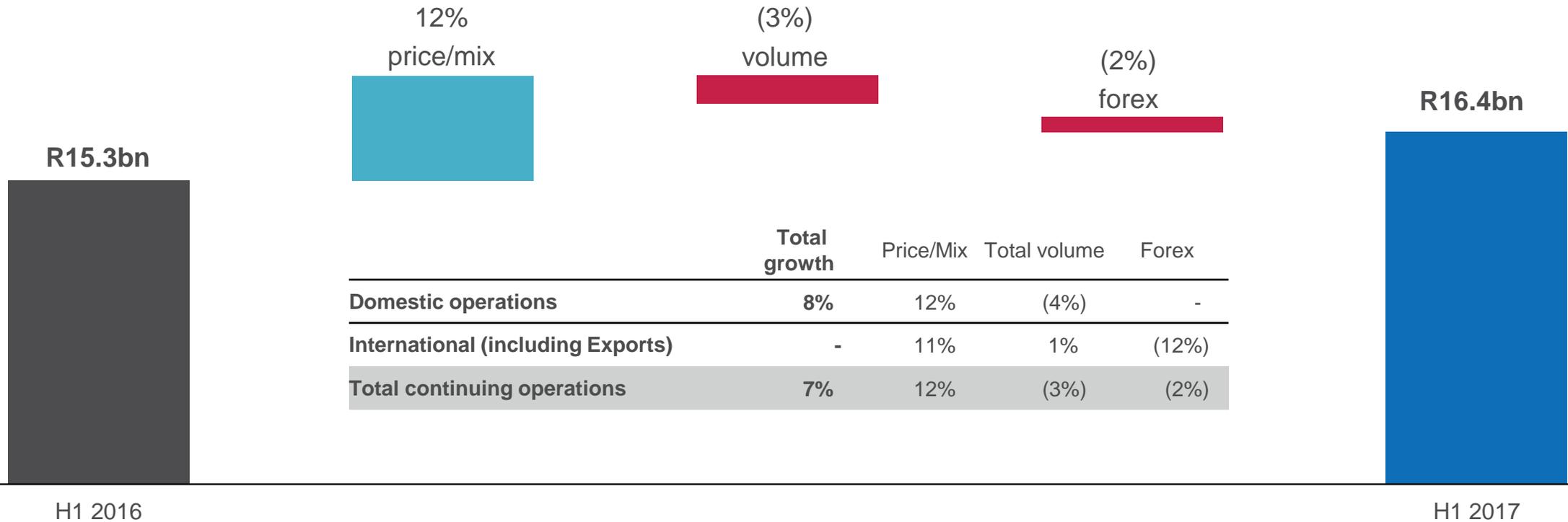


*From continuing operations | Group operating income from continuing operations before impairments, abnormal items & IFRS 2 charges ** Turnover restated for early adoption of IFRS 15



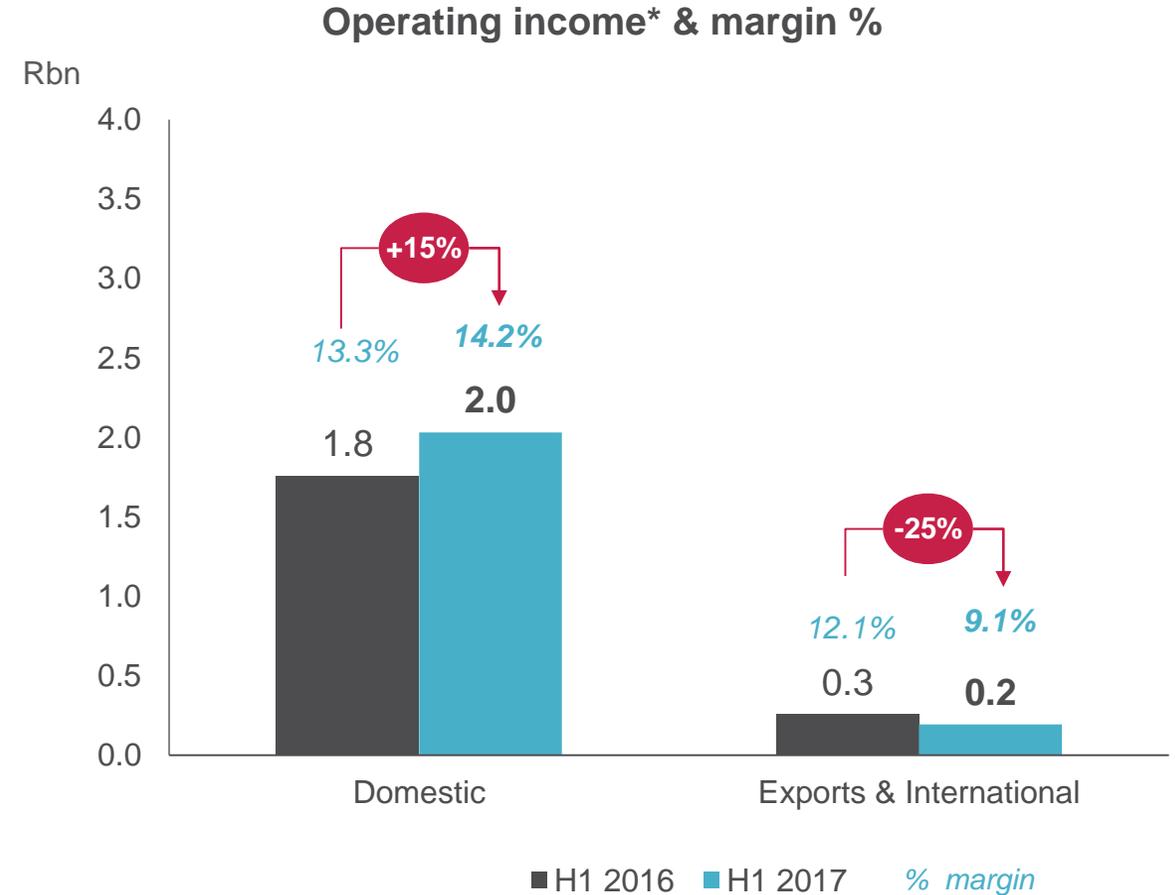
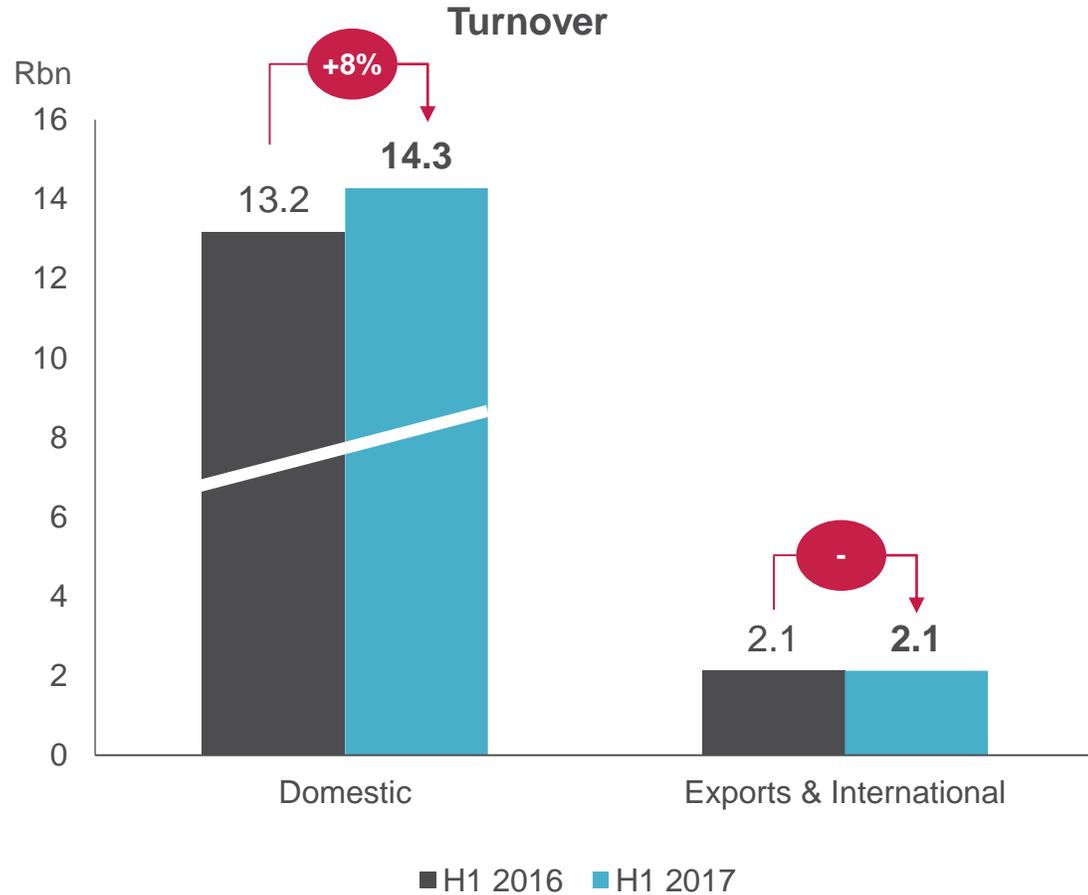
Turnover growth driven by pricing

Volume decline of 3% significantly impacted by timing of Easter





Robust domestic performance partially offset by international operations



*Before IFRS 2 charges, impairments & abnormal items



Operational excellence sustained



Innovation & marketing investment (MI)

- Innovation rate of 3.7%
- MI benefitting from improved media efficiencies
- 73% marketing spend is consumer facing
 - Ongoing migration towards consumer facing spend



Employee engagement

- Regular business updates
- Frequent communication sessions
- Improved performance culture
- Consistent & aligned KPI's



Customer excellence

- OSA maintained at 96%
- Improved in-store execution



Sustained market leadership in power brands



#1



#1



#1



#1



#1



#1



#1



#1



#1



#2



#1



#1



#2



#1*



#1

Source: Nielsen value share, 12 month moving average to March 2017

* Homogenised Food



Delivered on key focus areas



Sustain market share of power brands

- #1 or #2 positions in core brands maintained



Optimise margin

- Domestic operating margin up 90bps to 14.2%



Targeted marketing investment

- Focused on maintaining & building brand equity
- Improved brand health



Appropriate cost control measures

- YTD continuous improvements of R136 million



Drive high performance culture

- Improved culture driven by regular engagement



Financial & operational performance

Noel Doyle
Chief Financial Officer

TIGER BRANDS





Solid operating results

Strong operating performance offset by associates

Continuing operations – Rm	H1 2017	H1 2016*	% change
Turnover	16 394	15 310	7%
Cost of sales	(11 067)	(10 411)	6%
Gross profit	5 327	4 899	9%
Sales and distribution expenses	(1 840)	(1 747)	5%
Marketing expenses	(471)	(454)	4%
Other operating expenses	(847)	(725)	17%
Operating income before impairments and abnormal items	2 169	1 974	10%
Impairments	-	(3)	(100%)
Abnormal items	23	-	
Operating income after impairments and abnormal items	2 192	1 970	11%
Net finance costs	(120)	(112)	7%
Investment income	2	-	400%
Income from associated companies	239	371	(36%)
Profit before taxation	2 312	2 229	4%
Taxation	(614)	(571)	7%
Profit for the period from continuing operations	1 698	1 658	2%
Discontinued operations			
(Loss)/profit for the period from discontinued operations	(1)	50	(102%)
Profit for the period	1 697	1 708	(1%)

*Restated



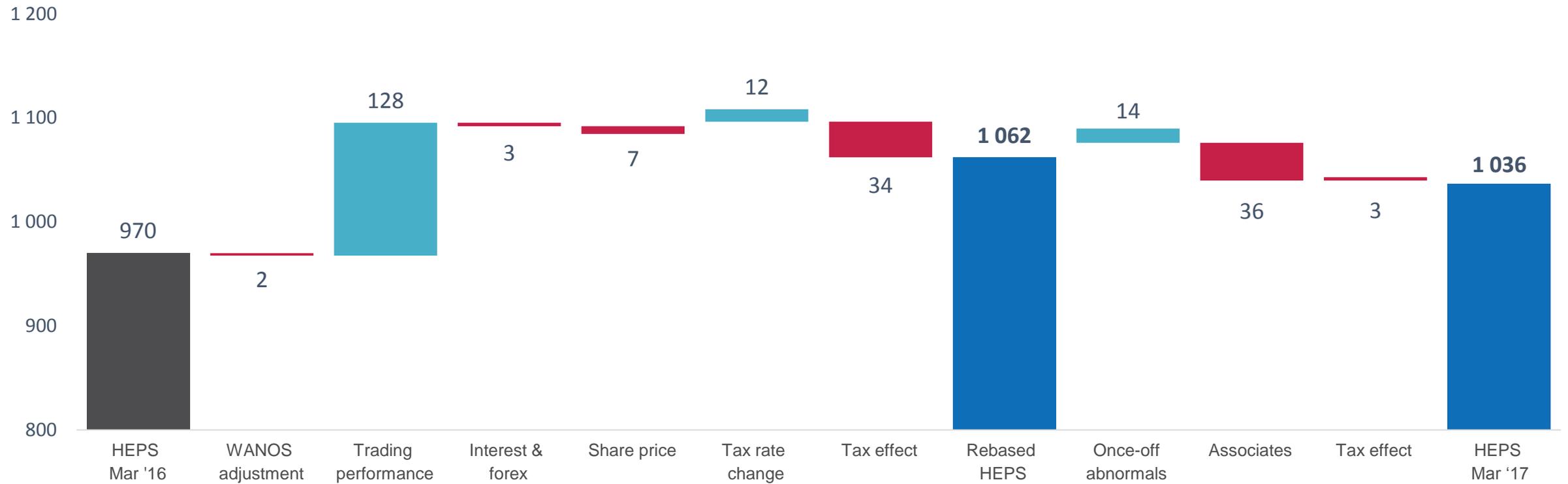
Solid operating results | continued

Rm	H1 2017	H1 2016*	% change
Attributable to:			
Owners of the parent	1 687	1 703	(1%)
– Continuing operations	1 686	1 646	2%
– Discontinued operations	-	57	(100%)
Non-controlling interest	11	4	147%
– Continuing operations	12	12	-
– Discontinued operations	(1)	(8)	(83%)
	1 697	1 708	(1%)
Basic earnings per share (cents)	1 036	1 049	(1%)
– Continuing operations	1 036	1 013	2%
– Discontinued operations	-	35	(100%)
Headline earnings per share (cents)	1 036	975	6%
– Continuing operations	1 036	970	7%
– Discontinued operations	-	5	(102%)

*Restated



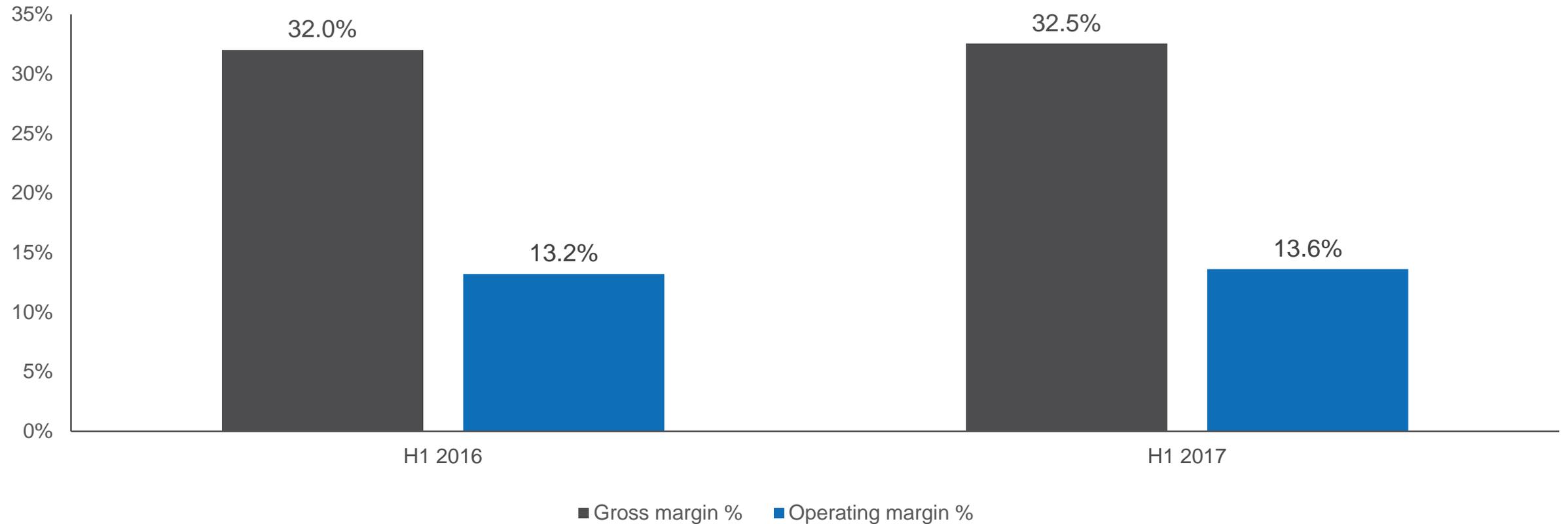
HEPS growth diluted by associates underperformance





Progress made on improving margins in a challenging environment

Recovered cost push, improved efficiencies & product mix



* Group operating margin from continuing operations before IFRS 2 charges, impairments & abnormal items



Strong domestic performance

Exports & International challenged

	Grains	Consumer Brands Food	HPCB	Exports & International	Group*
Volume	▲ 2%	▼ (10%)	▼ (4%)	▲ 1%	▼ (3%)
Turnover	R6.9bn	R5.9bn	R1.4bn	R2.1bn	R16.4bn
	▲ 13%	▲ 3%	▲ 8%	-	▲ 7%
Operating income**	R1.0bn	R0.7bn	R0.3bn	R0.2bn	R2.2bn
	▲ 16%	▲ 12%	▲ 25%	▼ (25%)	▲ 10%
Operating margin**	▲ 14.8%	▲ 11.5%	▲ 24.0%	▼ 9.1%	▲ 13.6%

* From continuing operations ** Before IFRS 2 charges, impairments & abnormal items

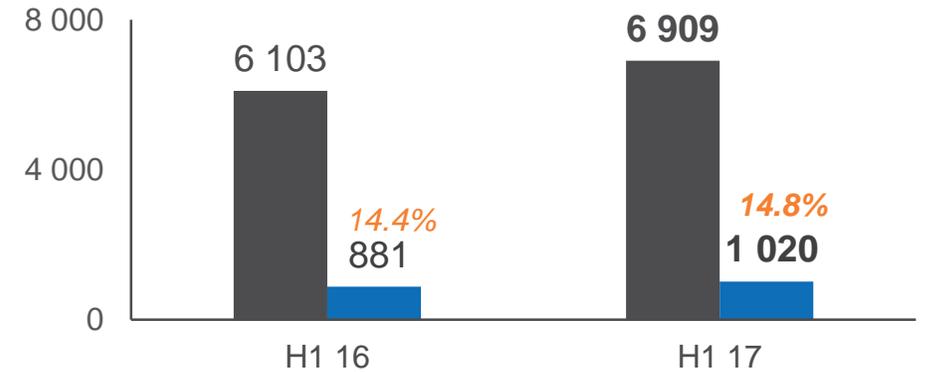


Grains

Operating income up 16% to exceed R1 billion

- Wheat-to-bread value chain performance underpinned by Albany
- Albany focus on enhanced quality & in-store execution
 - High single digit volume growth
- Decline in Maize profitability
- Strong results from all other Grains categories
 - Strong performance in rice

Rm



■ Turnover ■ Operating income *Operating margin %*

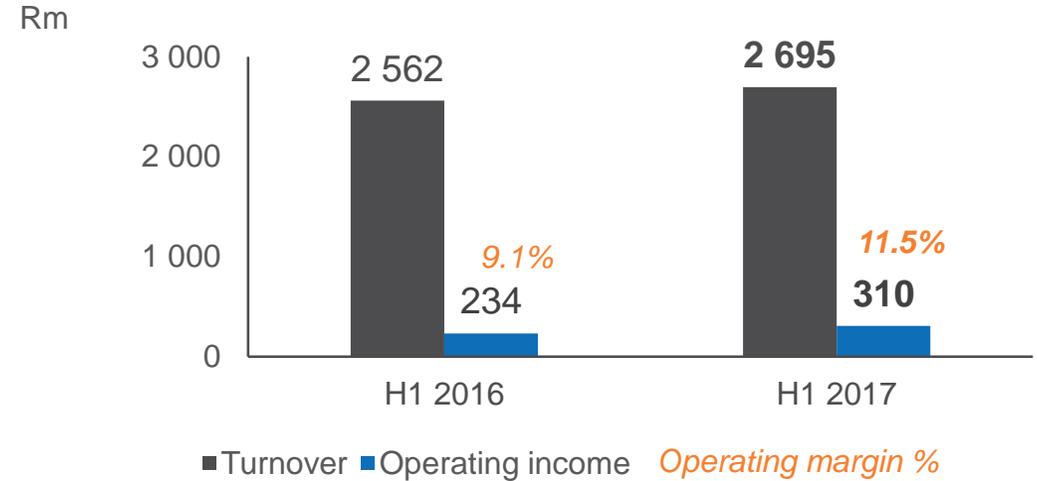




Groceries

Delivers strong margin expansion

- Revenue up 5%
- Significant pricing to recover F16 extraordinary cost push
- Operating income up 32%
- Margin improvement supported by
 - Manufacturing efficiencies
 - Cost savings
 - Innovation
- Key challenge for H2
 - Improve market share off corrected margin platform





Snacks, Treats & Beverages

S&T – margin correction offsets volume decline

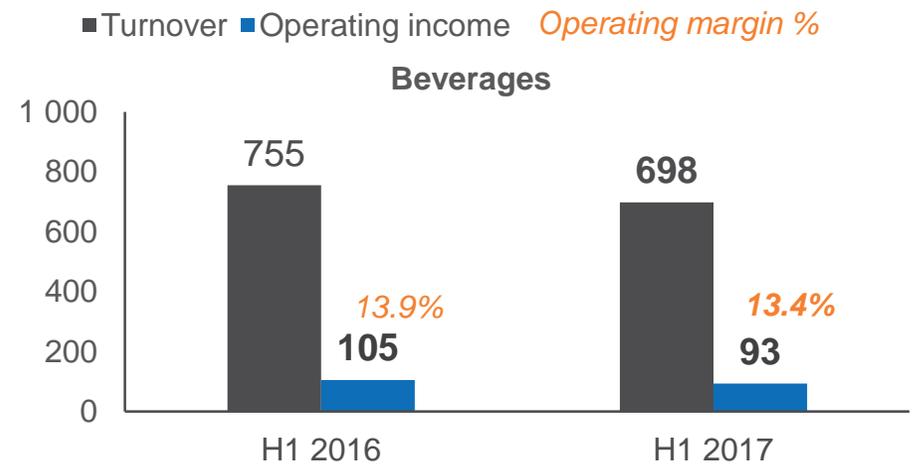
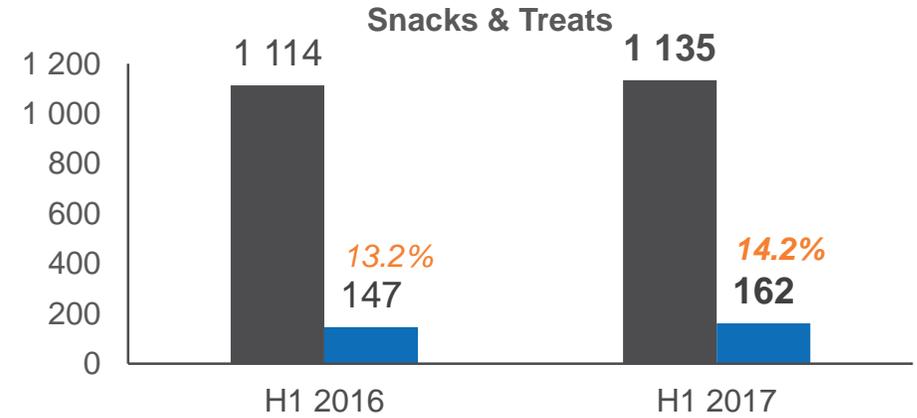
- Revenue up 2%
- Operating income up 10%
- Volume decline driven by
 - Contracting category dynamics
 - Substantial SKU rationalisation to improve efficiencies

Beverages – disappointing semester

- 8% decline in revenue
- Significant impact of industrial action



Rm





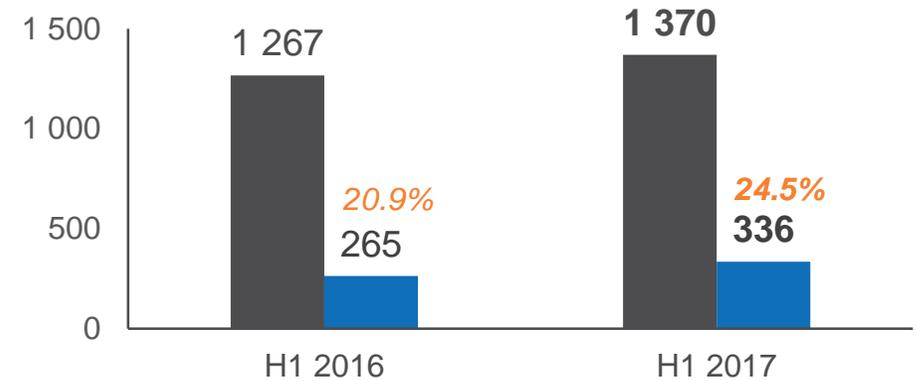
Home, Personal & Baby Care (HPCB)*

Strong performance underpinned by Home Care

- Home Care*
 - 24% turnover growth
 - Operating income up 71%
 - Another strong performance from Pest
- Personal Care
 - 4% decline in turnover
 - Operating income up 40%
 - Improved product mix
 - Innovation
 - Phasing of marketing investment significant contributor to profit growth
- Baby Care
 - 2% decline in revenue
 - Impacted by unfavourable product mix & supply disruption
 - Capex in progress to exploit underserved pouch market & improve margins

* Excludes stationery

Rm



■ Turnover ■ Operating income *Operating margin %*



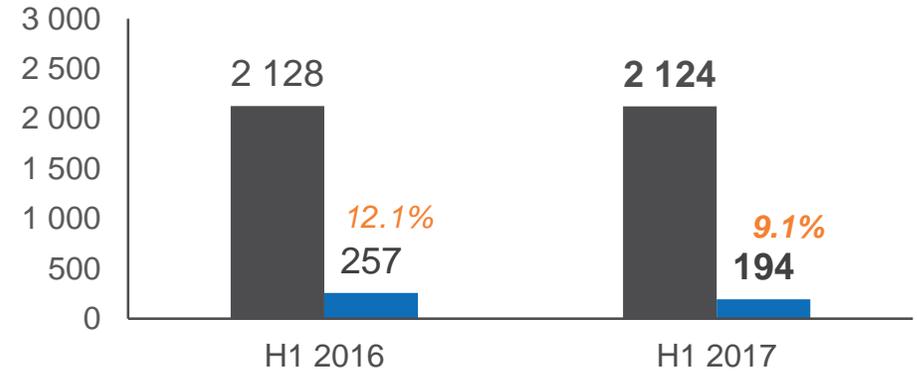


Exports & International

Impacted by rand strength & tough trading

- Chococam
 - Operating income up 10% in constant currency terms
 - 11% volume growth
- Exports impacted by forex shortages & challenging local economies
- Deli Foods
 - Volumes impacted by price increase
 - 65% price inflation
 - Operating loss reduced
- Deciduous Fruit (LAF)
 - 9% volume growth
 - Offset by rand strength & adverse customer mix

Rm



■ Turnover ■ Operating income *Operating margin %*





Cash from operations up 63% to R3 billion

Driven by improved working capital management

Rm	H1 2017	H1 2016	% change
Cash operating profit	2 631	2 344	12%
Working capital changes	401	(483)	183%
Cash generated from operations	3 032	1 862	63%
Capital expenditure	383	257	49%
Net debt	1 143	2 696	58%
Interim dividend (cents)	378	363	4%



Strong cash generation & lower than anticipated capex

Lowers gearing further

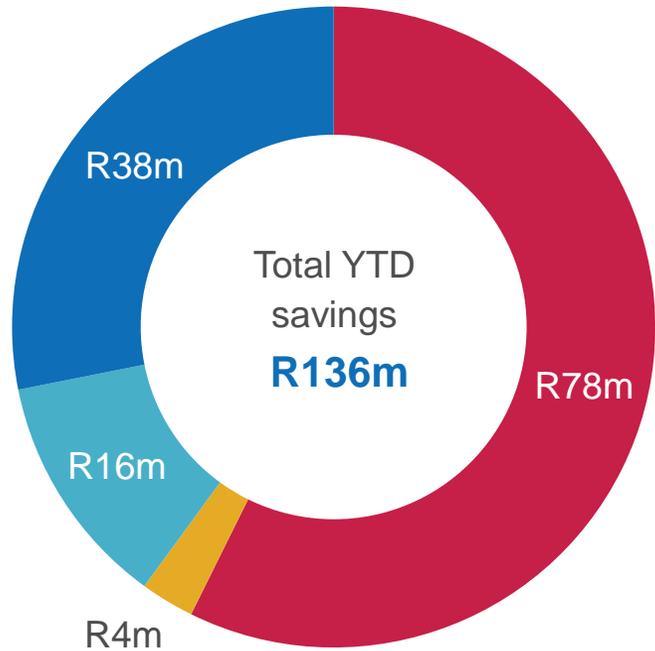
	H1 2017 *	H1 2016
Cash generated from operations (Rm)	3 032	1 862
Net (debt) / cash (Rm)	(1 143)	(2 696)
Net debt / equity (%)	7	18
Net debt / EBITDA*	0.5x	1.2x
RONA (%)*	34	30
Net interest cover*	20x	14x

* From continuing operations



Continuous improvement programme on track

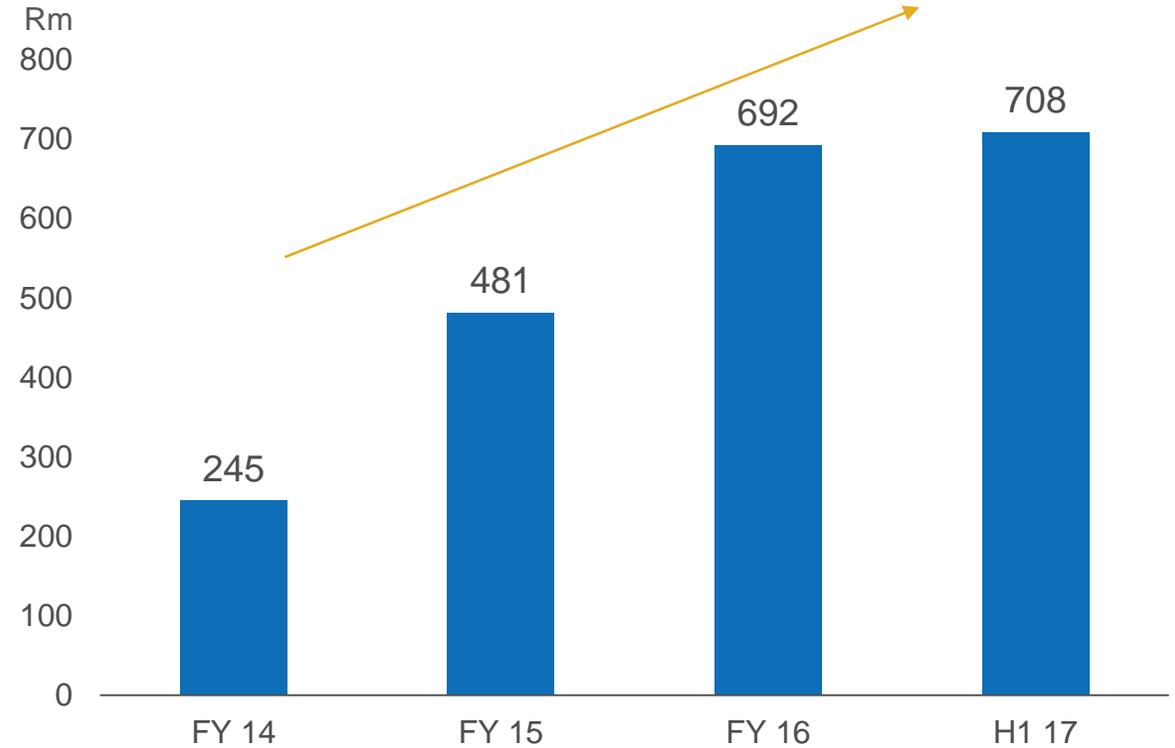
YTD savings of R136 million



■ Manufacturing efficiencies
■ Procurement savings

■ Logistics savings
■ Financial Shared Services Centre

Cumulative procurement savings





H2 Outlook

Balance of the year remains challenging

- Domestic category volumes challenged
- Trading conditions on the rest of the continent remain tough

Focus areas

- Grow market share & volumes without compromising profitability

Driven by

- Superior execution
- Targeted marketing investment
- Appropriate cost control
- Continued focus on working capital management
- Balance business continuity with change



SOUTH AFRICA'S
TRUSTED SKIN DOCTOR
FOR 80 YEARS

Strategic review

Lawrence Mac Dougall & Noel Doyle

TIGER BRANDS





Strategic review

Developing a strategy for sustainable profitable growth

Portfolio growth & strategy



Cost & investment strategy

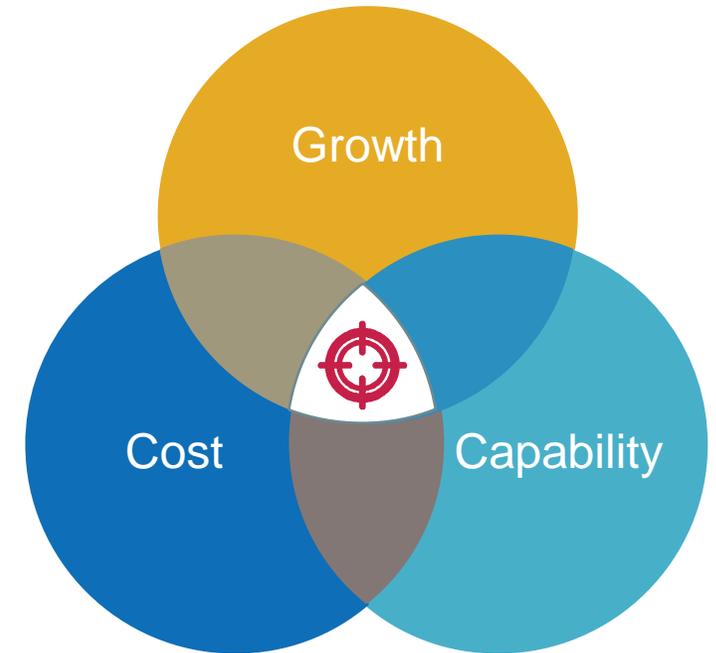


Operating model & organisational design



- Rejuvenate domestic operations to profitable growth
- International strategy accretive to domestic performance
- Build a capable & cost conscious culture with the capacity to grow
- Winning through a high performance culture

=





Drive sustainable growth

Key highlights

- Drive sustainable growth by growing the core & expanding adjacent categories
- Adopt a category driven approach in the rest of Africa
- Build sustainable capabilities required to win with consumers, customers & partners
- Deploy an operating model that provides the right capabilities at the right cost*
- Fuel the growth through indirect spend excellence (ZBS)
- Best in class integrated supply chain to leverage scale

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



Our vision

Strategic pillars

Deliver **top tier financial results** and be recognised by all stakeholders as the **best FMCG company** in South Africa and the **most desirable growth company** on the continent
We attract the **best talent** and are recognised as a **great place to work**

Grow the core

Drive Sustainable Growth

Drive new capabilities

Unleash the Power of our People

Optimise the cost base

Fuel for Growth



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 & formats, rationalise SKUs
- Enhance “big idea” innovation
- Expand into new geographic & consumer segment adjacencies
- Raise marketing investment
- Reduce set of master & standalone brands, disproportionately investing behind power brands

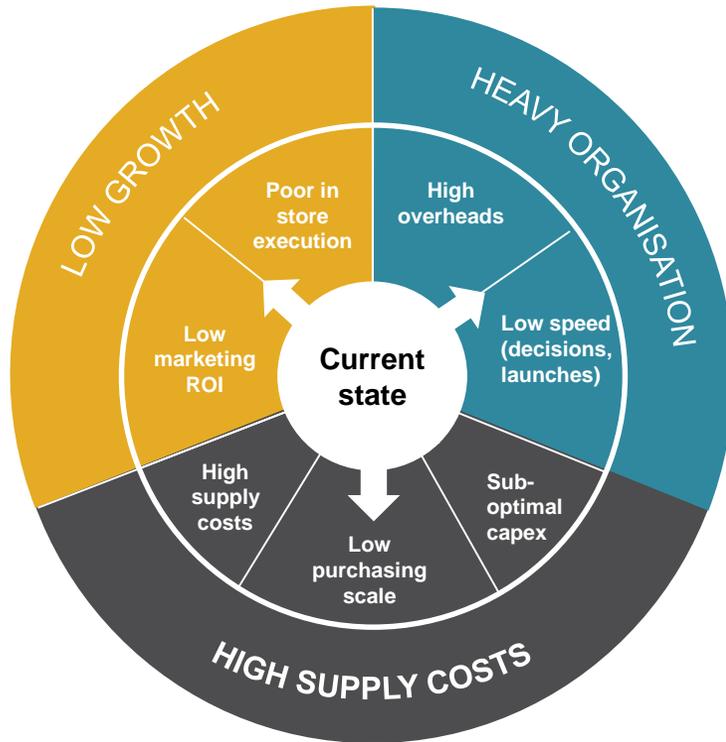
- Top-line growth in line with category growth +1%-2% p.a.
- Improved profitability & cash generation
- Increased investment
- Improved returns



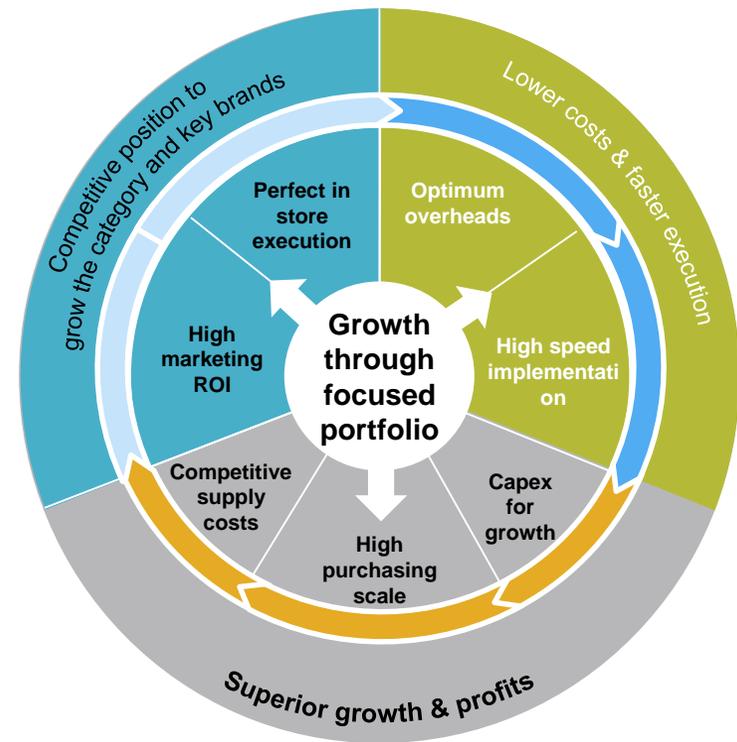
Defining the core

Growth through a focused portfolio

from a negative spiral...



...to a virtuous growth circle



- Create fuel for growth through focusing the portfolio and distorting investment

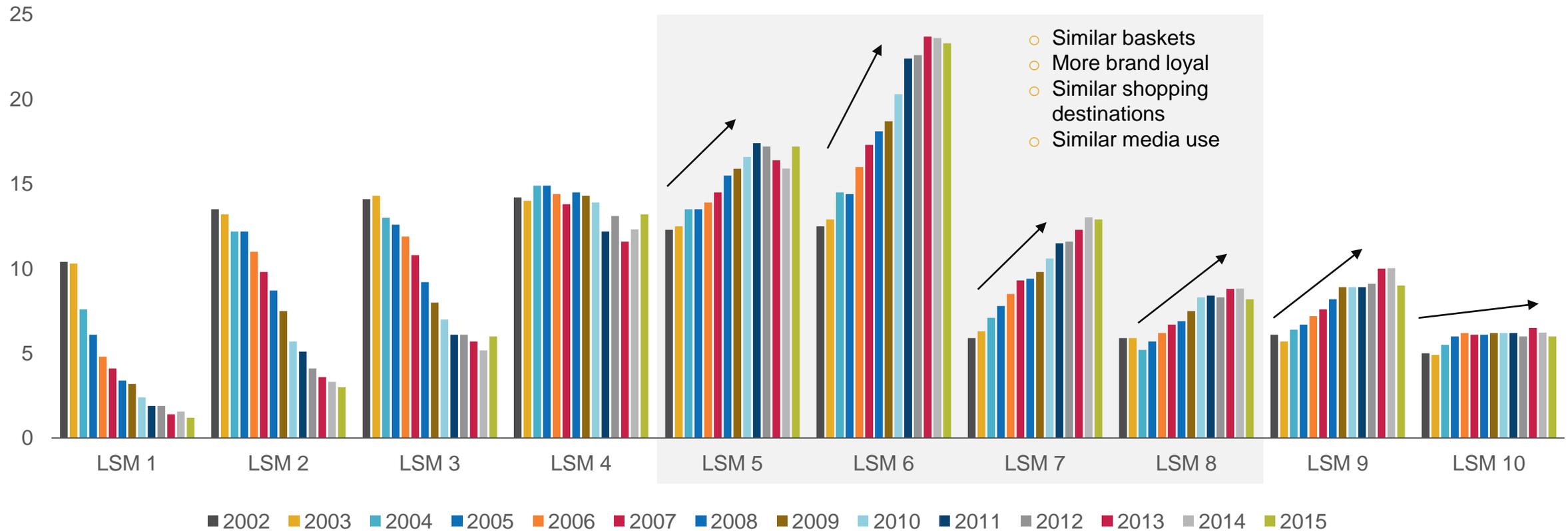
Source: Bain & Company



Target consumer – the growing middle market

LSM 5 to 8 represent a growing proportion of the South African market

Percentage of the population in each LSM segment



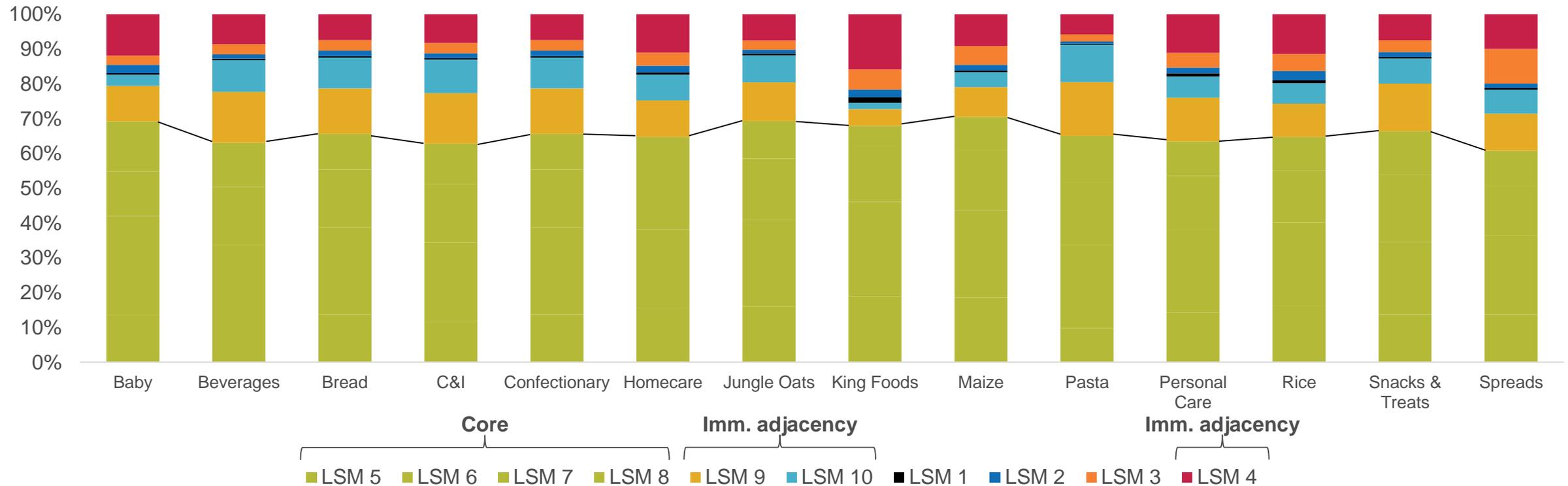
Source: Global Advisors



Tiger's core consumer

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

Percentage revenue of Tiger Brands' categories sold by LSM segment (percentage)



○ Building consumer insight capabilities to understand wants and needs

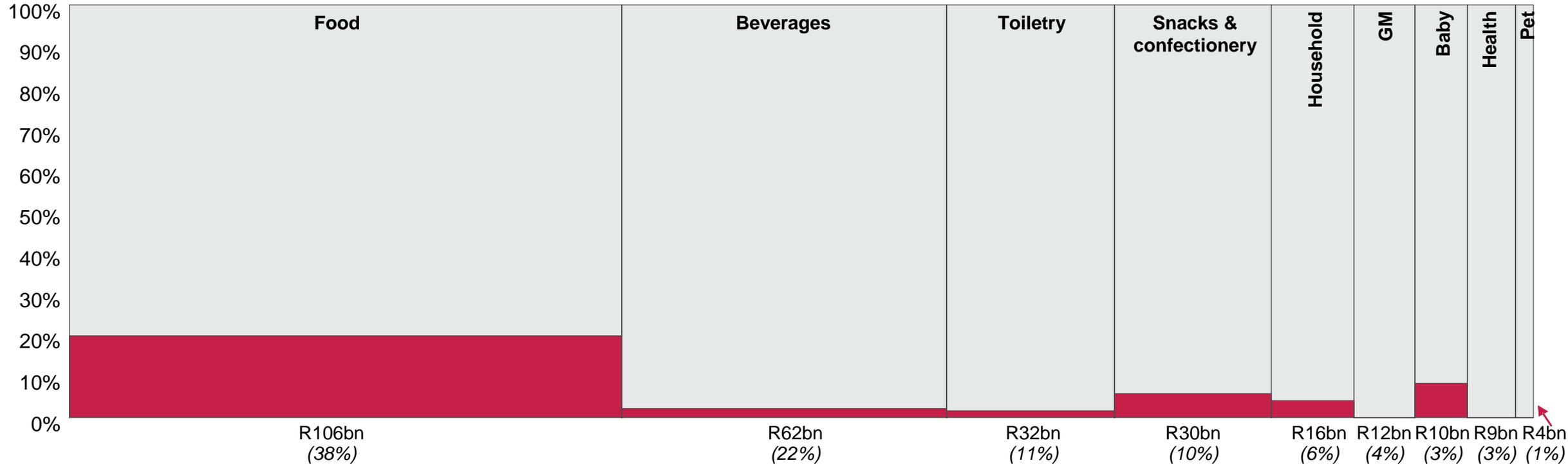
Source: Company reports, Global Advisors



Core categories

Food supported by relevant adjacencies

Category value (Rand millions, % of total)



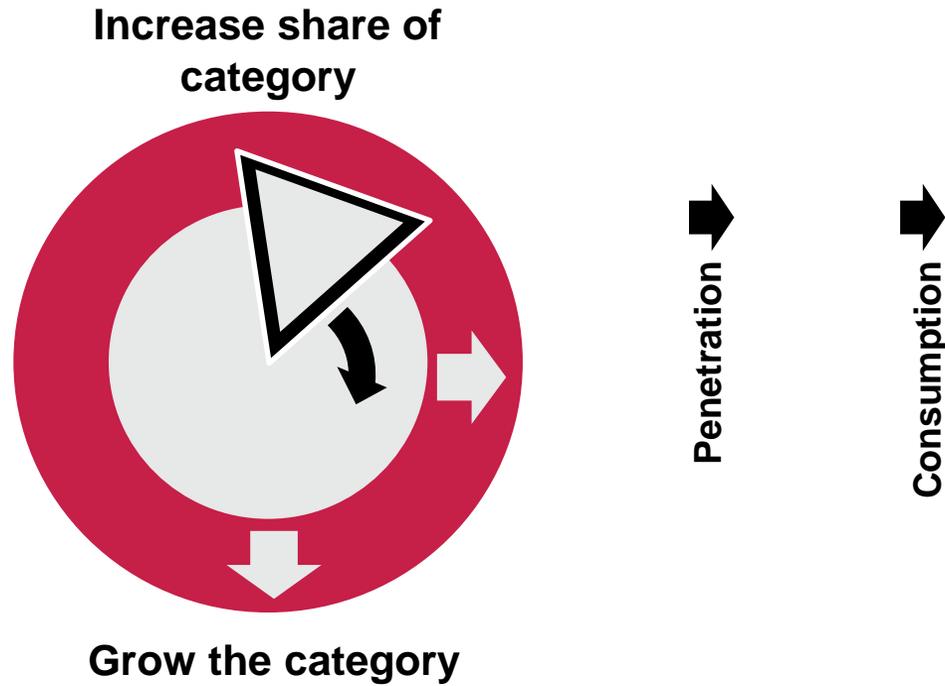
○ Tiger is the biggest single player in food

Source: Nielsen 2015 value and share, Global Advisors



Strategic growth drivers

Grow the category & increase share



Growth drivers	Penetration	Consumption
1 Availability & fair share • Modern trade • General trade	✓	
2 Price	✓	✓
3 Pack size / format	✓	✓
4 Unmet need states & trends	✓	✓
5 Brand trends	✓	✓

- Adopt a hybrid model of master & standalone brands

Source: Global Advisors



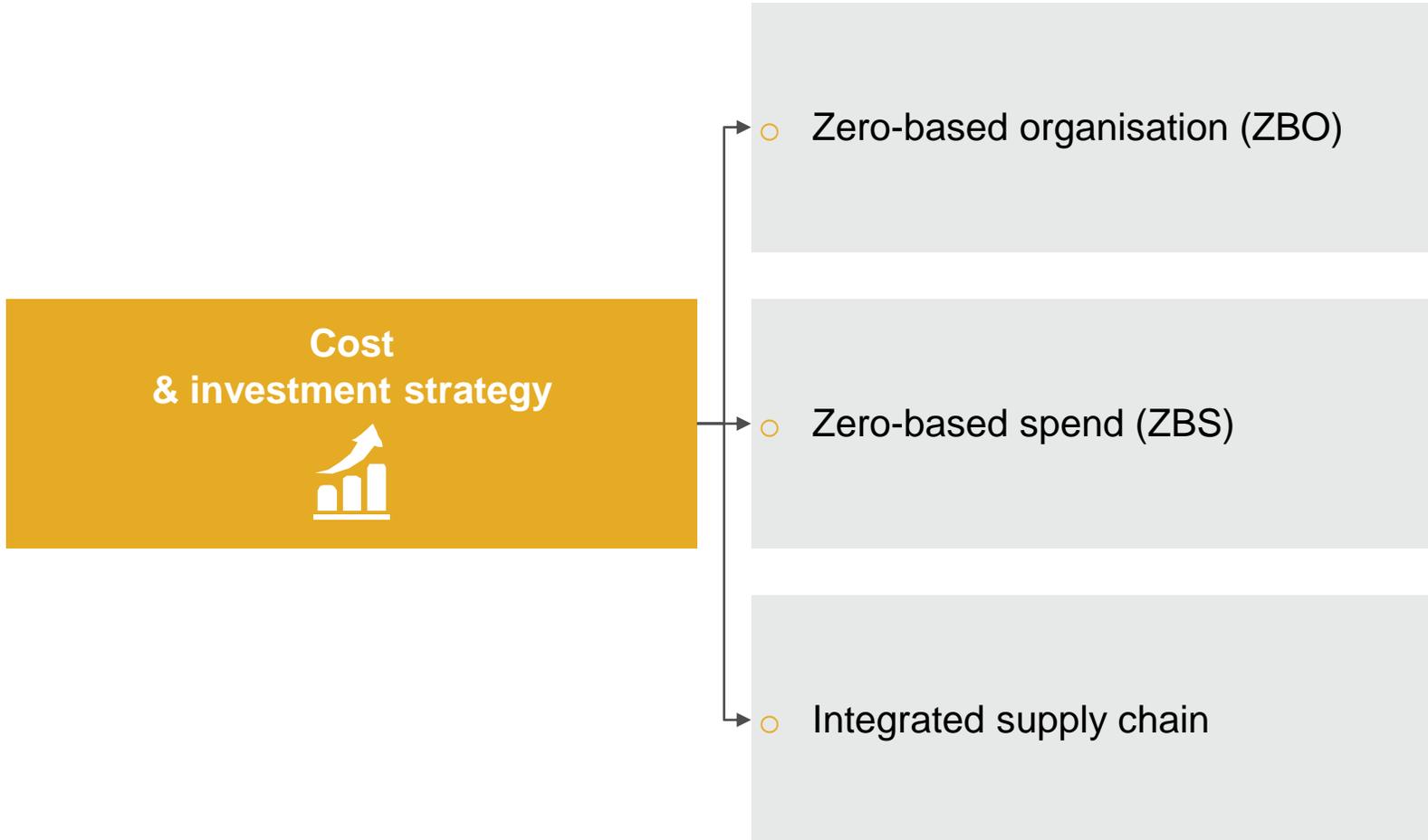
Six strategic principles

- 1 Grow the core to reach full potential
- 2 Expand into adjacencies & new geographies to protect the core
- 3 Optimise portfolio for current performance & future potential
- 4 Simplify & distort behind growth & RONA winners
- 5 Focus on brilliant basics & a defined set of growth drivers
- 6 Drive an embedded Tiger Way



Cost & investment strategy

Creating a cost conscious culture

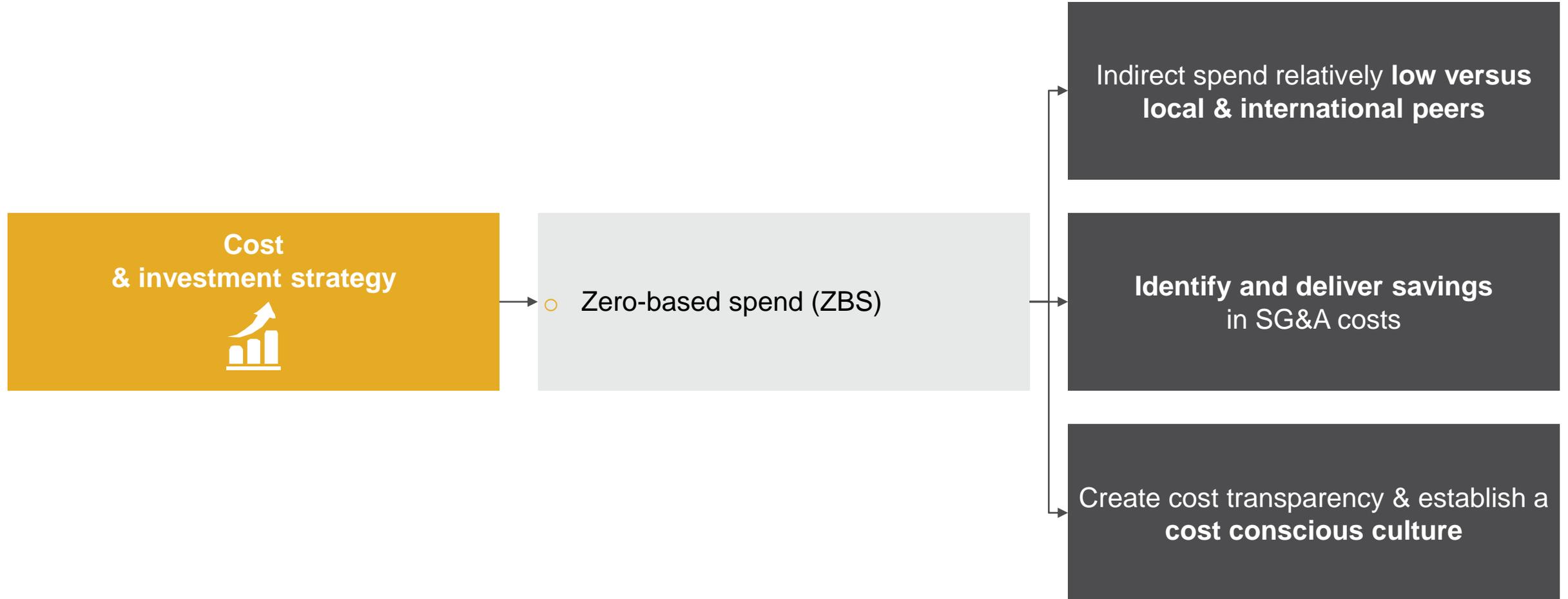


Bulk of savings
to be re-invested



Zero Based Spend (ZBS)

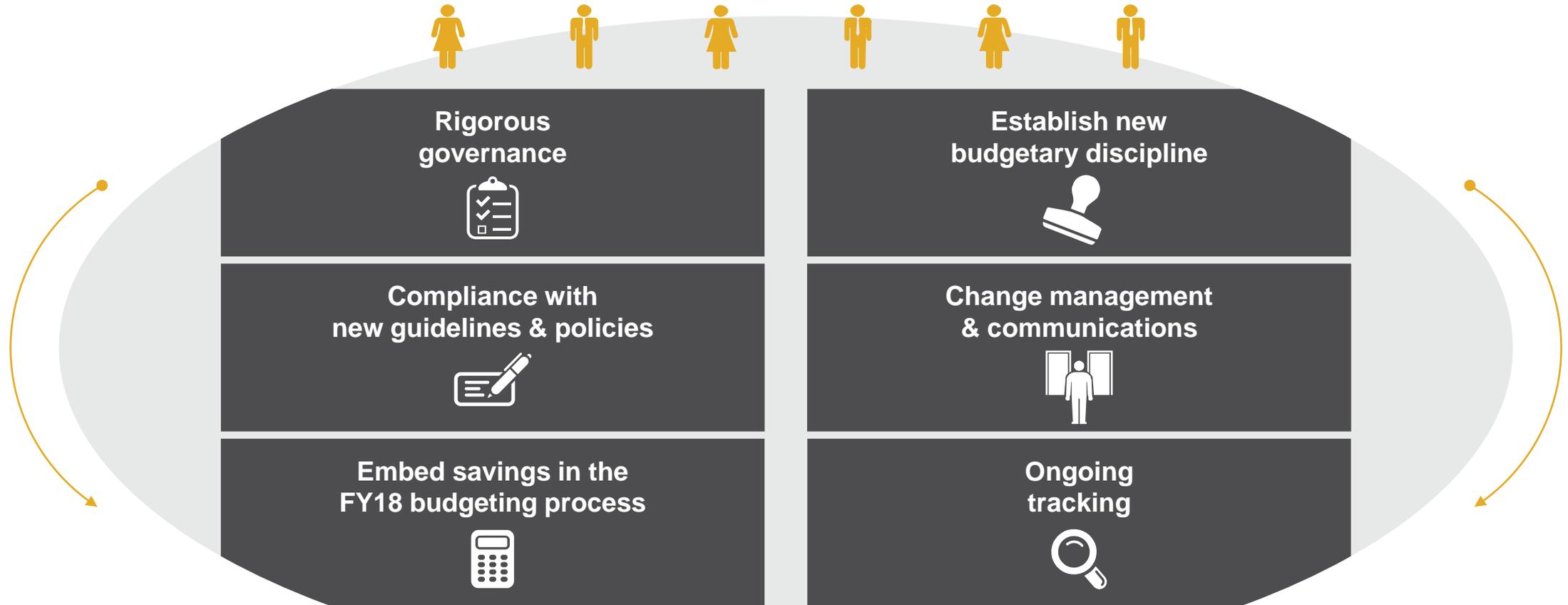
Achieving indirect spend excellence – significant savings identified





Making it stick

Execution of ZBS will be based on 6 principles



Enabled and driven by our cost category owners



Integrated Supply Chain

Three initiative groupings will deliver our supply chain vision

Fuelling growth



- Manufacturing
- Logistics & customer service
- Supply chain waste

Unlock cash



- Inventory reduction
- Creditor days

Agile & dynamic supply chain



- Procurement operational centre (POC)
- Customer service excellence
- Standardisation & simplification



Delivering an advantaged integrated supply chain

The big opportunities...

-  Manufacturing optimisation & consolidation
-  Logistics consolidation
-  Better customer service
-  Creditors & inventory in line with benchmark
-  Waste reduction

...enabled by...

-  Right systems
-  Better processes
-  Highly skilled people
-  Standardisation & simplification

Results

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



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



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



Strategic review

Developing a strategy for sustainable profitable growth

Portfolio growth
& strategy



Cost
& investment strategy

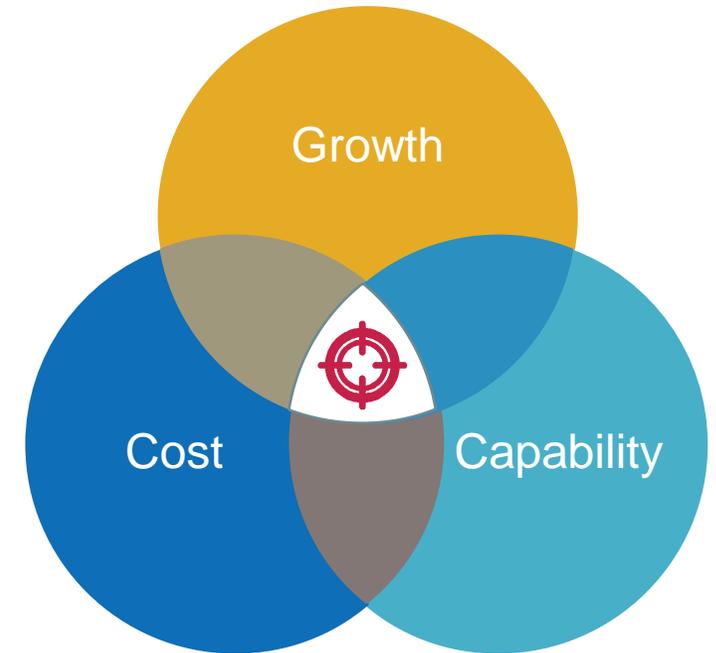


Operating model
& organisational design



- Rejuvenate domestic operations to profitable growth
- International strategy accretive to domestic performance
- Build a capable & cost conscious culture with the capacity to grow
- Winning through a high performance culture

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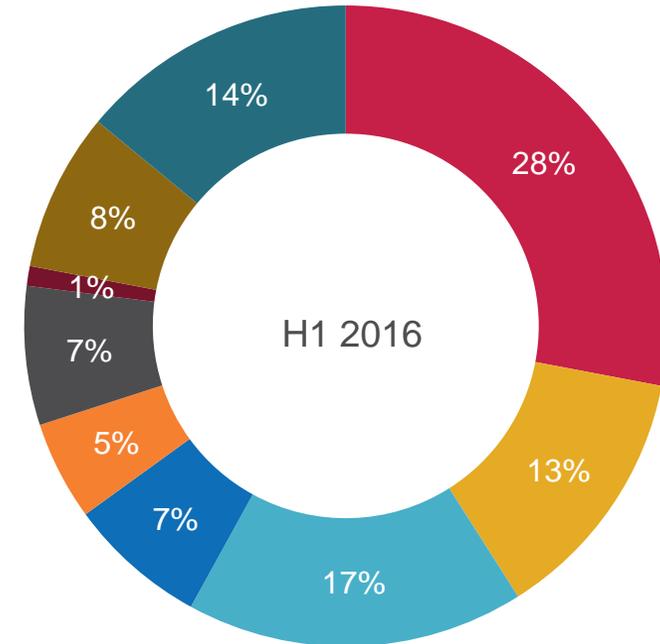
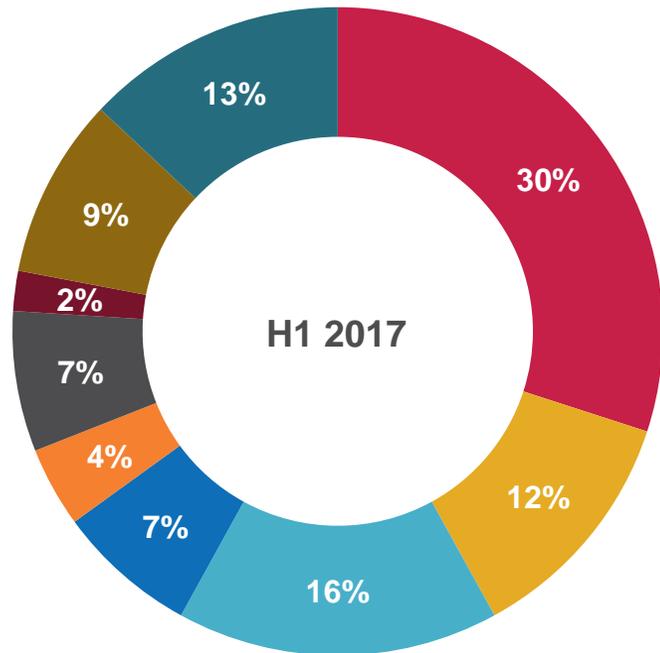
Appendices

TIGER BRANDS





Contribution to turnover*



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

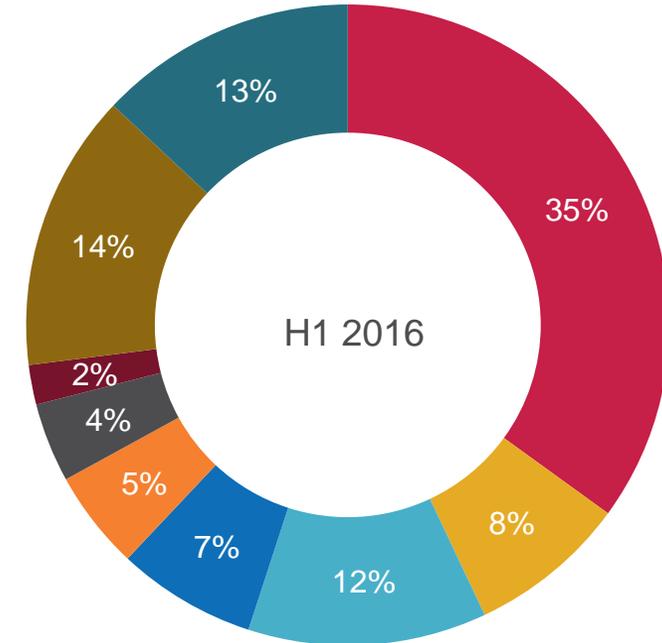
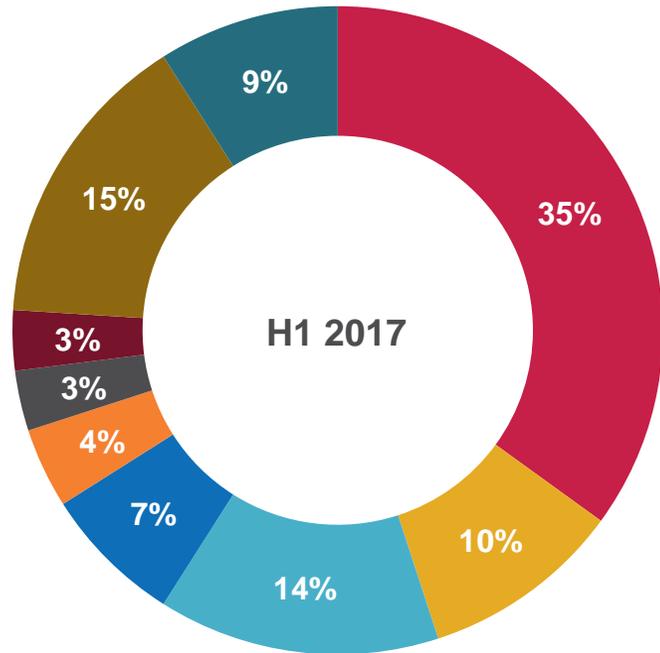
- Other grains
- Beverages
- HPCB

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

* From continuing operations



Contribution to operating income*



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

- Other grains
- Beverages
- HPCB

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

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

Additional information



	H1 2017	H1 2016**
Net working capital days*		
Working capital per R1 of turnover	20.3	22.9
Net working capital days	90.2	91.3
Stock days	81.6	84.5
Debtor days	42.0	41.1
Creditor days	33.4	34.3
Effective tax rate (before abnormal items & associate income)	29.7%	30.7%

*From continuing operations

** Restated



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TIGER BRANDS

