

# Tiger Brands Interim Results presentation

20 May 2021

TIGER BRANDS



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Executive summary

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Strategic update and outlook



# Disclaimer



## Forward-looking statement

This document contains forward looking statements that, unless otherwise indicated, reflect the company's expectations as at 20 May 2021. 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 2021

## Executive summary

Noel Doyle | CEO



We nourish and nurture more lives every day





# Market volumes decline as current economic climate impedes consumer demand

With consumer demand declining it becomes a battle for share

Market Growth (%)	2021 vs. 2020			2021 vs. 2019		
	12MM	3MM	Mar 21 vs. Mar 20	6MM	3MM	Mar 21 vs. Mar 19
<b>Defined basket</b>	<b>(5.9)</b>	<b>(14.2)</b>	<b>(24.7)</b>	<b>(4.9)</b>	<b>(4.4)</b>	<b>(7.5)</b>
<b>Grains</b>	<b>(6.9)</b>	<b>(15.2)</b>	<b>(26.2)</b>	<b>(6.2)</b>	<b>(5.0)</b>	<b>(8.2)</b>
Staples*	(8.2)	(14.8)	(24.7)	(7.4)	(6.8)	(9.8)
Bakery	(7.0)	(12.5)	(17.0)	(5.3)	(5.3)	(6.6)
Milling	(7.6)	(16.4)	(28.2)	(8.5)	(7.3)	(10.4)
Cereals	(0.0)	(11.5)	(24.8)	2.8	1.9	(2.6)
Rice	(9.1)	(16.5)	(28.2)	(5.7)	(1.9)	(6.8)
Dry Pasta	(0.2)	(15.7)	(36.1)	3.3	2.4	(3.4)
<b>Culinary</b>	<b>(0.8)</b>	<b>(14.4)</b>	<b>(28.9)</b>	<b>(1.1)</b>	<b>(2.1)</b>	<b>(5.0)</b>
Condiments	2.1	(8.3)	(18.5)	2.3	1.7	(2.9)
Canned	(3.9)	(18.8)	(35.6)	(5.3)	(7.4)	(9.9)
Ingredients	(0.4)	(14.5)	(33.7)	1.5	2.0	(0.0)
Spreads	0.5	(16.2)	(28.4)	1.8	0.8	0.7
<b>Sweet Treats</b>	<b>(0.2)</b>	<b>(4.2)</b>	<b>(9.2)</b>	<b>(1.7)</b>	<b>1.2</b>	<b>(0.7)</b>
Chocolate	0.8	(3.5)	(7.2)	1.1	4.5	5.0
Candy	(0.9)	(4.8)	(13.4)	(5.6)	(3.7)	(11.0)
Healthy Bars	(21.0)	(18.0)	(13.8)	(15.5)	(14.0)	(9.1)
<b>Beverages</b>	<b>(7.8)</b>	<b>(11.1)</b>	<b>(11.8)</b>	<b>(4.9)</b>	<b>(6.1)</b>	<b>(6.8)</b>
<b>Home care</b>	<b>3.4</b>	<b>(10.5)</b>	<b>(29.0)</b>	<b>7.8</b>	<b>3.4</b>	<b>(6.5)</b>
<b>Personal Care</b>	<b>(2.2)</b>	<b>(10.9)</b>	<b>(17.1)</b>	<b>(0.2)</b>	<b>(1.4)</b>	<b>(6.6)</b>
<b>Baby</b>	<b>(0.9)</b>	<b>(7.1)</b>	<b>(17.7)</b>	<b>5.5</b>	<b>1.5</b>	<b>(9.6)</b>

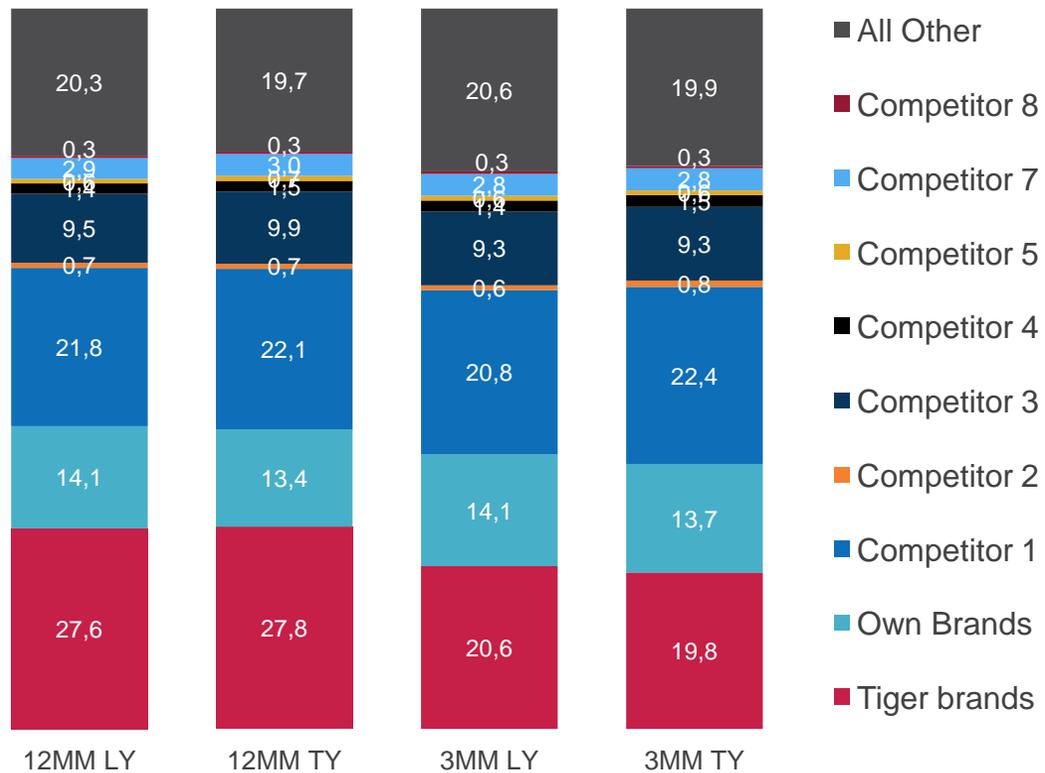
\* Aggregate of bread, maize, rice and dry pasta



# Tiger grows long term volume ahead of the market while private label loses to branded players

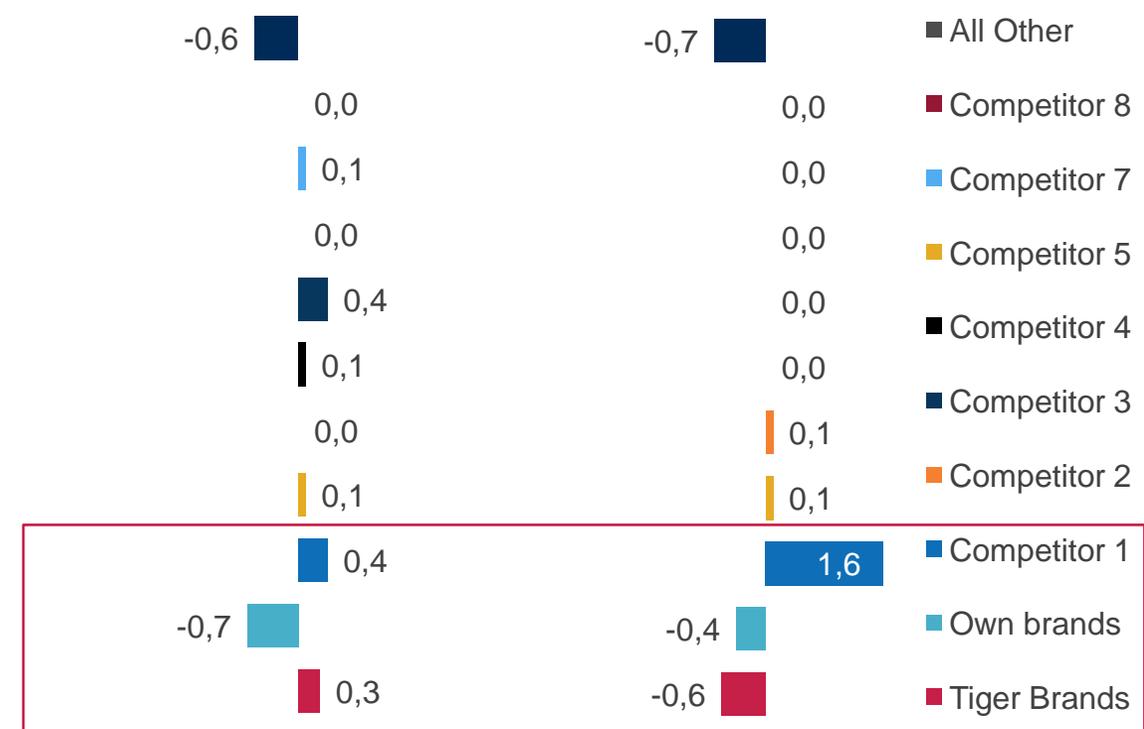
Marginal share loss in the short-term driven by volume losses as competitors respond with pricing

Total data set – volume share of basket



12MM TY vs LY

3MM TY vs LY



SOURCE: IRI VOLUME SHARE MARCH 2021

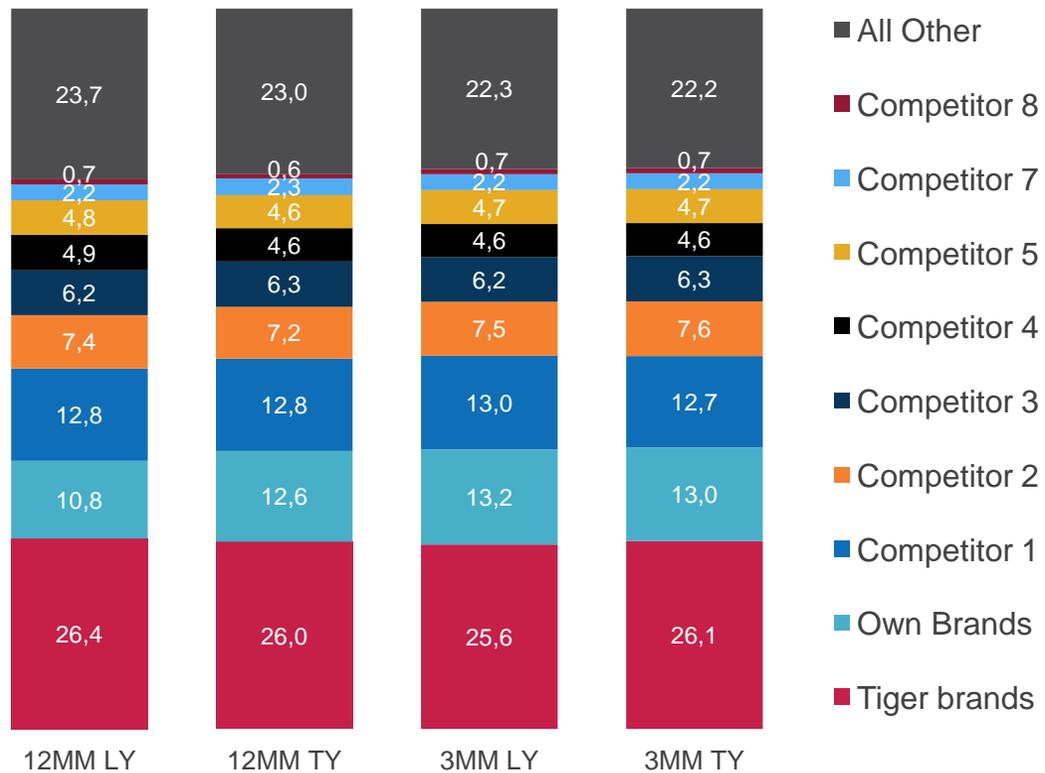
EXECUTIVE SUMMARY



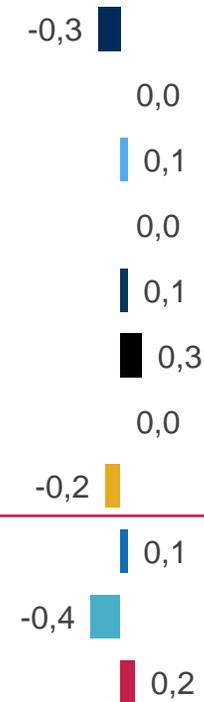
# Tiger grows long term value ahead of the market while private label loses to branded players

Marginal share loss in the short-term driven by volume losses as competitors respond with pricing

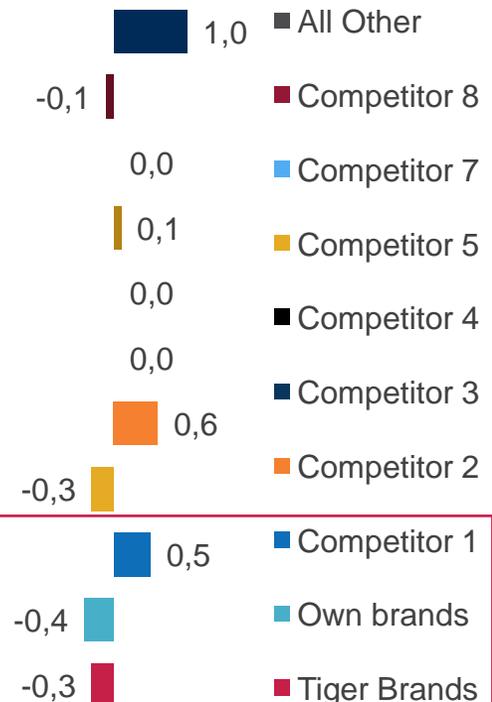
Total data set – value share of basket



12MM TY vs LY



3MM TY vs LY



SOURCE: IRI VALUE SHARE MARCH 2021

EXECUTIVE SUMMARY



# Strong performance from majority of Billion Rand Brands over the long-term & compared to 2019

Maize, Rice & Condiments face aggressive price-led promotional activity

		Total	12mm share change '20 vs. '21	3mm share change '19 vs. '21		Total	12mm share change '20 vs. '21	3mm share change '19 vs. '21		Total	12mm share change '20 vs. '21	3mm share change '19 vs. '21		
	Volume	25,2	-2,0	-1,4		Volume	37,6	4,1	7,1		Volume	52,5	-1,6	-0,4
	Value	29,3	-2,8	-2,3		Value	41,5	2,9	5,6		Value	59,6	-1,2	-0,5
	Volume	10,3	0,1	-0,5		Volume	89,3	0,8	0,0		Volume	34,9	-3,0	3,4
	Value	11,2	-0,1	-0,5		Value	88,7	1,2	1,0		Value	36,8	-2,8	1,6
	Volume	25,5	-0,6	2,2		Volume	37,5	4,3	3,7		Volume	60,5	4,2	4,9
	Value	24,8	-1,1	1,2		Value	45,3	6,3	4,1		Value	65,3	3,8	3,9
	Volume	32,9	1,7	0,2		Volume	7,7	-1,0	0,7					
	Value	33,9	1,3	0,5		Value	6,3	-0,6	1,6					

SOURCE: IRI





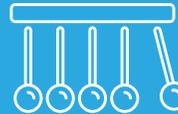
# Gaining underlying momentum in increasingly challenging environment

Clear prioritisation helps self-help initiatives gain traction



## Challenging environment

- Q2 sees marked weakening in consumer demand
  - Decline in total market volumes
- Price is the predominant tool driving competitor's response to market share gains
- Currency impact on Deciduous Fruit



## Pleasing momentum

- Recovery in Other Grains, Groceries, S&T, Baby, Exports (off low base) & International
- Top line performance driven by strong Q1
  - Despite high inflation, naked margin decline remedied at gross margin by greater efficiencies
  - Volume challenges in OOH & Grains
- Positive operating leverage
  - Cost savings & efficiency initiatives gain traction across all segments
- Good management of working capital despite stock build
- Proactive management of Covid-19 2nd wave minimised disruption



## Not quite there yet

- Identification & execution of fewer, bigger innovation opportunities
- Private label opportunities slower than anticipated
- On-the-ground executional & insights capability in key export markets
- Deciduous Fruit (LAF) – another complex transaction
- External market focus & confidence to take more & bigger calculated risks (reticence to commit to capex)

# UNAUDITED GROUP RESULTS

for the six months ended 31 March 2021

## Financial and operational review

Deepa Sita | CFO



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# Momentum achieved allows for long-term focus

Supply chain efficiencies & cost saving initiatives deliver ahead of expectations; IT rollout accelerated



## Highlights

- Gross margins steady at 30,6%
- Effective cost control R250m
  - Improved efficiencies and reduced waste
- Good Working Capital trends
- IT rollout gaining traction
  - Embedding and enhancing the new IT operating model



## Lowlights

- Capex disbursement behind expectations
  - R381m
  - Business cases reviewed
- Soft commodity cost push resulting in naked margin compression & volume pressure



# Improved financial performance driven by revenue growth & positive operating leverage

HEPS & EPS in prior period impacted by VAMP losses & significant impairments, respectively

Revenue		
Pricing ▲ 9%		Volumes ▼ 1%
Revenue ▲ 8% to <b>R16,4bn</b>	Gross profit ▲ 7% to <b>R5,0bn</b>	Operating income* ▲ 16% at <b>R1,6bn</b>
Total gross margin ▼ 0,3% to <b>30,6%</b>	Total operating margin ▲ 0,7% at <b>9,6%</b>	Effective tax rate ▼ 0,6% to <b>30,0%</b>
Income from associates ▲ 12% to <b>R177m</b>		
EPS ▲ >100% to <b>755cps</b>	HEPS ▲ 21% to <b>741cps</b>	Interim DPS <b>320 cps</b>

From continuing operations | \*Group operating income from continuing operations before impairments, abnormal items and IFRS2 charges



# Rand strength leads to adverse period-on-period forex swing

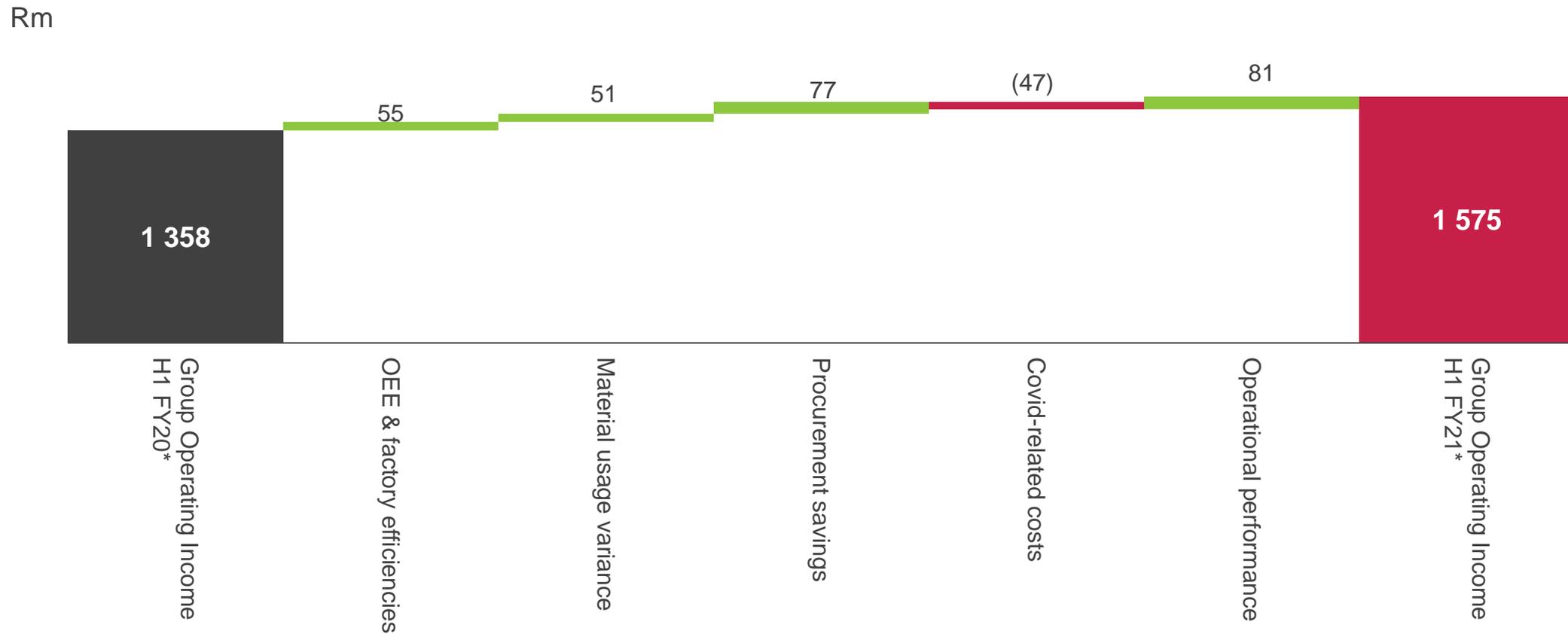
Negatively impacting the translation of foreign currency cash balances

Rm	H1 FY21	H2 FY20	% change
<b>Operating income before impairments &amp; abnormal items</b>	1 579	1 334	18%
Impairments	-	(557)	-
Abnormal items	43	(19)	326%
<b>Operating income after impairments &amp; abnormal items</b>	1 622	758	114%
Net finance costs	(29)	(80)	64%
Foreign exchange (loss) / profit	(56)	84	(167%)
Income from investments	13	12	9%
Income from associated companies	177	158	12%
<b>Profit before taxation</b>	1 726	931	85%
Taxation	(461)	(366)	(26%)
<b>Profit for the period from continuing operations</b>	1 265	565	124%
<b>Discontinued operations</b>			
Contribution from discontinued operations	135	(205)	166%
<b>Profit for the period</b>	1 400	360	289%
<b>Basic EPS from continuing operations (cents)</b>	754.9	333.3	126%
<b>HEPS from continuing operations (cents)</b>	740.8	612.7	21%



# Cost saving initiatives are being tracked and monitored with clear lines of accountability resulting in positive operating leverage

Largest contributors include improved procurement, material usage & waste reduction at Groceries, improved factory performance in Jungle, reduction in distribution costs

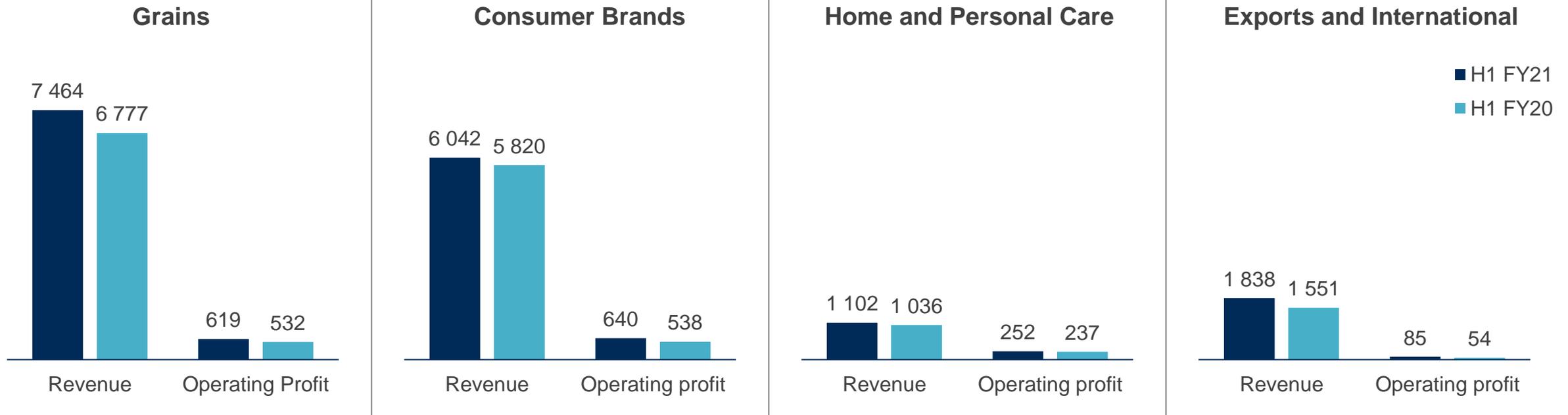


\*Group operating income from continuing operations before impairments, abnormal items and IFRS2 charges



# Solid recovery across the portfolio

Driven by improved performances in Exports and International, solid demand in S&T and improved profitability in Groceries



- Volumes muted by challenging market conditions
- Grains particularly impacted by adverse market conditions in Maize, while Rice and Pasta outperform
- Cost savings in Groceries benefited margins, Snacks & Treats showing signs of post-COVID-19 recovery
- Exports recover; resumption of trade into Nigeria improves demand



# Grains

Cost savings across segments & recovery in Other Grains partly offset input cost inflation;

▲ 10%

R7,5bn

Revenue

▲ 16%

R619m

Operating profit

▲ 50 bps

8,3%

Operating margin



- Operating income up 16%
  - Albany grows market share over the period despite aggressive price-led promotional activity in Q2
  - Maize impacted by cost push & unfavourable mix
- Improved performance in Rice off a low base
  - Driven by revenue growth
  - Competitor pricing impacting category margins
- Jungle continues to outperform
  - Volumes growing ahead of market due to increased awareness and better brand positioning
  - Promotional activity (larger box size) helped volumes
  - Focus on recent innovations (cereal bars, Jungle Plus) to drive consumer awareness continues
- EBIT recovery in Pasta driven by improved factory performance
  - Better service levels

# Groceries



Significant margin uplift due to improved factory efficiencies

▲ 2%

R3,1bn

Revenue

▲ 31%

R222m

Operating profit

▲ 160bps

7,2%

Operating margin



- Volume growth ahead of market
  - Market share growth in Beans, Peanut Butter, Jams and Spreads
- Factory performance turnaround (OEE and waste improvement) ahead of plan
  - Resulting in significantly improved operating margin
- Launched KOO pilchards in Feb 2021
  - Leverage strength of KOO to disrupt pilchard's category
  - Strong in-store and market activations
  - Well-received by customers & consumers
    - Global fish shortage temporary interrupts momentum



# Snacks & Treats

Recovery in volumes supported by chocolate and seasonal consumption

▲ 10%

R1,2bn

Revenue

▲ 32%

R136m

Operating profit

▲ 180 bps

11,1%

Operating margin



- Revenue increase driven by recovery in demand post lockdown restrictions
  - Supported by chocolate volumes in particular
  - Long-term market share gains across segments
- Margin improvement underpinned by:
  - Optimal promotional activity and
  - Improved factory efficiencies on the back of higher volumes
- Effective response to consumer demand
  - Beacon Easter Eggs – optimal pack size architecture

# Beverages



Core brands continue to show strong performance

▲ -%

**R948m**

Revenue

▲ 5%

**R175m**

Operating profit

▲ 80bps

**18,5%**

Operating margin



- Back-to-School and Easter festivities bolstered growth across core brands
- Market share gains driven by momentum in liquid concentrates
  - Benefitting from core offering & innovation
- Sports drinks volume recovery post lockdown slower than anticipated
- Muted Black Friday volumes adversely impact Q2
- Operating profit increase driven largely by distribution efficiencies



# Baby

Strong volume performances across segments

▲ 14%

R544m

Revenue

▲ 21%

R56m

Operating profit

▲ 60 bps

10,3%

Operating margin

- Volume growth driven by strong performances in cereals, pouches and medicinals
- Strong market share growth in pouches
- Material costs and conversion well contained
- Positive operating leverage
  - Favourable product mix and tight cost control
- Launch of Purity Junior
  - Positive traction in Junior Smoothies





# Home and Personal Care (HPC)

Sustained strong performance in Home Care offset by supply chain issues in Personal Care

▲ 6%

R1,1bn

Revenue

▲ 6%

R252m

Operating profit

▼ 10 bps

22,8%

Operating margin



- Home Care performance driven by good start to pest season
  - Increased demand for hygiene solutions
  - Good factory performance – focused cost management and solid OEE result
- Personal Care performance impacted by supply chain issues
  - Low opening stock levels
    - Slow recovery due to COVID-19 related shut-downs
  - Compounded by weak consumer demand offset in part by successful Ingram's campaign
  - Increased costs and factory under-recoveries negatively impact profitability



# Exports and International

Recovery after resumption of trade in Nigeria

▲ 18%

R1,8bn

Revenue

▲ 58%

R85m

Operating profit

▲ 110bps

4,6%

Operating margin



- Exports top line growth driven by resumption of sales into Nigeria
  - Profitability improved despite adverse impact of industrial action in Q2
- Deciduous Fruit adversely impacted by soft post COVID-19 demand in Asia, inability to take price increases in hard currency and ongoing restrictions in Cape Town's harbour
- Strong performance from Chococam despite challenging economic environment
  - Driven by improved distribution to neighbouring countries
  - Successful trade and consumer activations in chocolate spread
- Low demand and customer credit challenges pose a risk to Exports performance in the short-term



# Creditors remain a focus area while debtor collections are well controlled

Inventory impacted by stock building initiative in anticipation of third wave

▼ 3 days

32

Debtor days

- Strong collections across the portfolio



▼ 7 days

29

Creditor days

- Impacted by payment terms on imports & timing of purchases



▲ 6 days

95

Inventory days

- Building stock in anticipation of a third COVID-19 wave





# Progress on key deliverables

Significant progress on cost management and working capital; capex requires focus

## Systematic and continuous cost management



- Cost savings of R257m achieved to date
- Strong improvements in Material Usage and Waste metrics

## Continued working capital optimisation



- Strong debtors' collections resulted in a strong net cash position at period-end
- Higher stock levels of both raw materials and finished goods due to deliberate stock build in anticipation of COVID-19 3<sup>rd</sup> wave; in turn impacting creditors days due to payment terms on imports & timing of purchases

## Adoption of alternative solutions to actively manage forex exposures



- Work in progress with banking partners to develop a more flexible forex policy in terms of period and instruments
- Received approval from Audit Committee chairman to run a proposed pilot on one category
- Pilots for additional categories to be scoped

## Continuous assessment of category fit



- Deciduous Fruit disposal/evaluation of alternative options
- Ongoing review of UAC

## Improved capex approval and execution process



- Accelerate submission of delayed business cases (where possible)
- Full year capex ~R1bn

# UNAUDITED GROUP RESULTS

for the six months ended 31 March 2021

## Strategic update and outlook

Noel Doyle | CEO



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# The honeymoon is over

Hard work for the longer-term lies ahead

## Clear priorities



- Resolve remaining category value chain conundrums
- Conclude Deciduous Fruit transaction
- Over-index on innovation to reduce dependence on price as market share recovery tool
  - Excel in communication and response to digital environment
- Have the foundation in place by year end for high growth in the rest of Africa in FY22
- Operationalise VC Fund - early access to growth opportunities
- Work on a more courageous culture (organic & inorganic growth)

# UNAUDITED GROUP RESULTS

for the six months ended 31 March 2021

## Q&A



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# UNAUDITED GROUP RESULTS

for the six months ended 31 March 2021

## Appendix



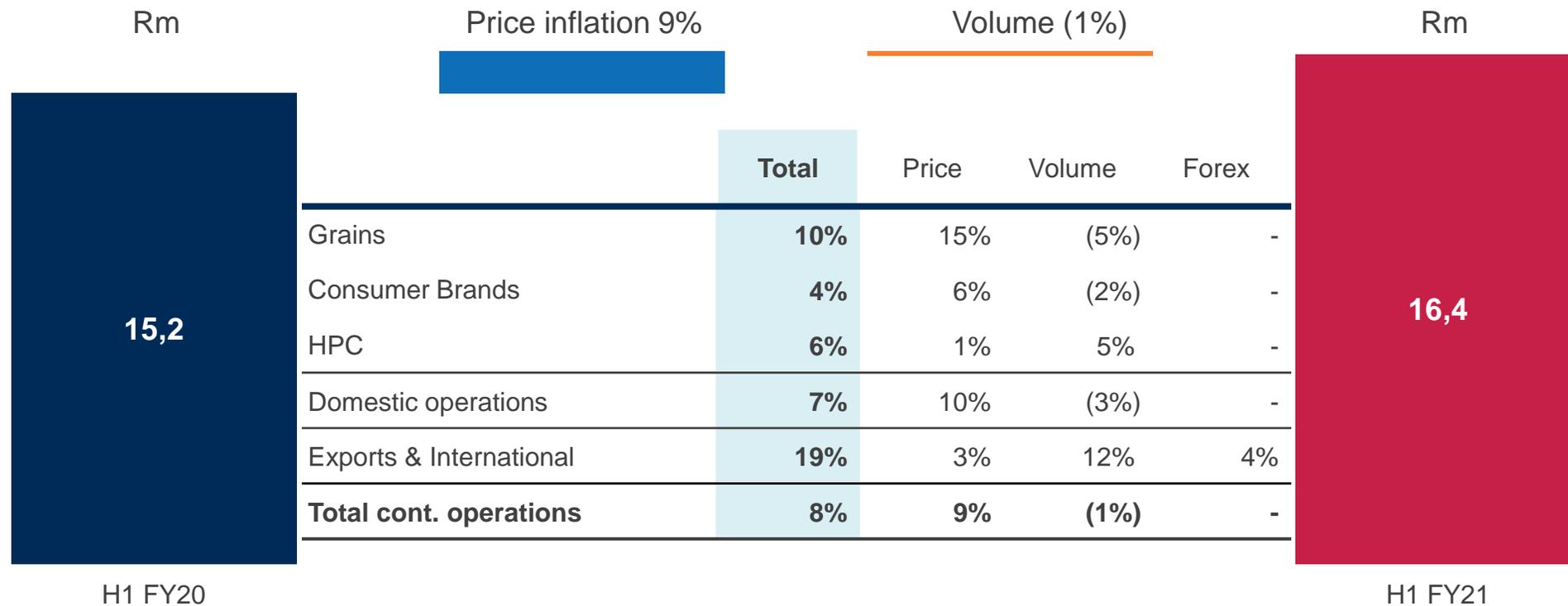
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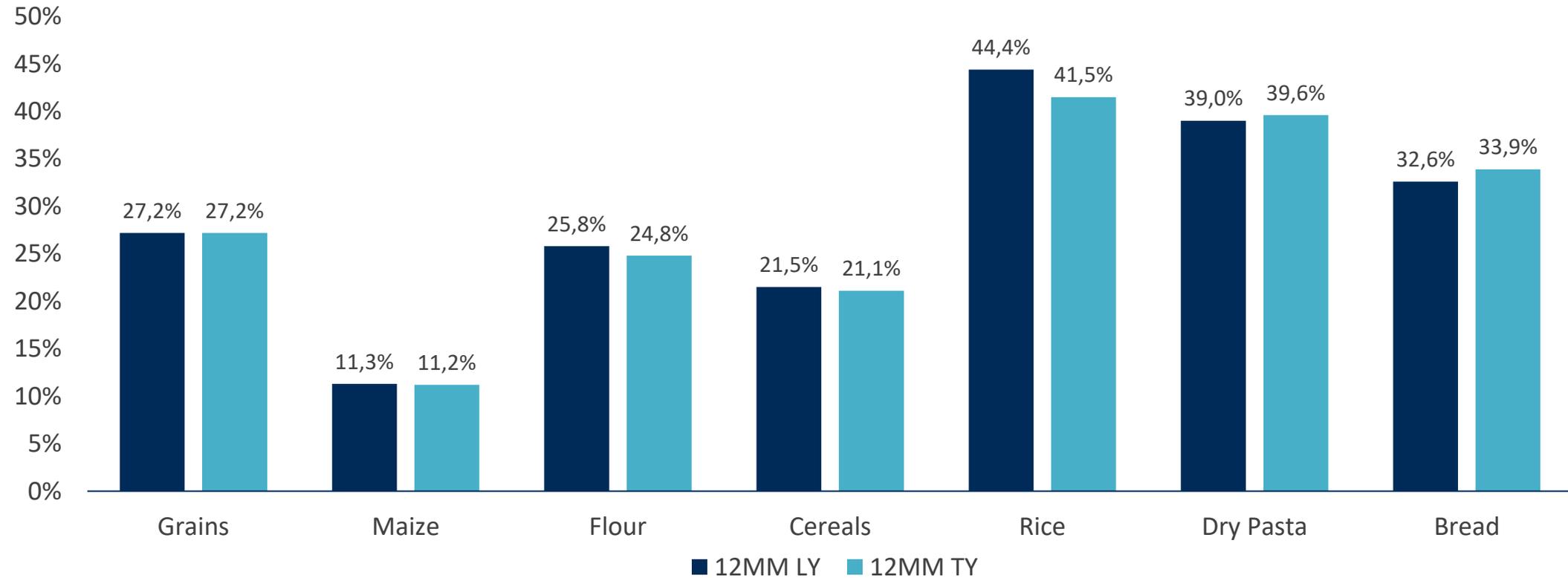
# Total revenue increased 8% to R16,4 billion underpinned by price increases

Volumes impacted by Out of Home and some volume pressure in Grains





# Grains hold steady, with growth in bread and pasta offset by declines in flour and rice

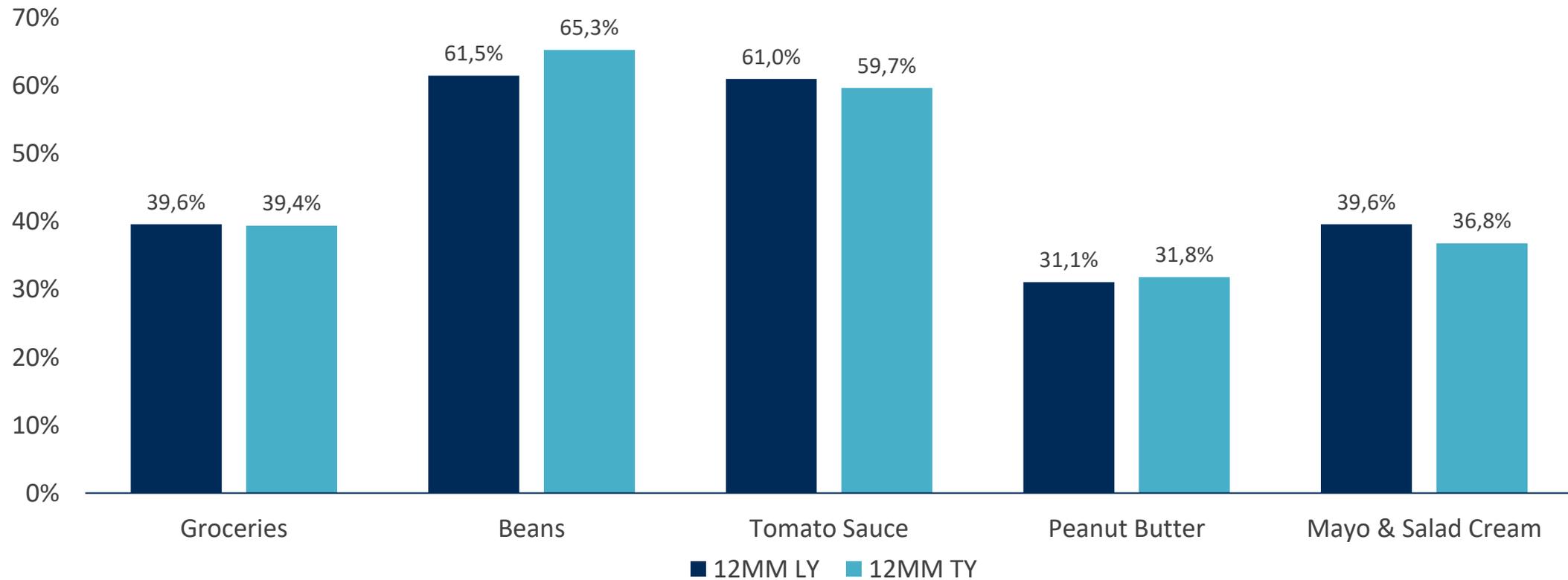


SOURCE: IRI 12MM TIGER VALUE SHARE MARCH 2021

APPENDIX



# Spreads & canned beans experiencing growth; condiments impacted by price-led competition



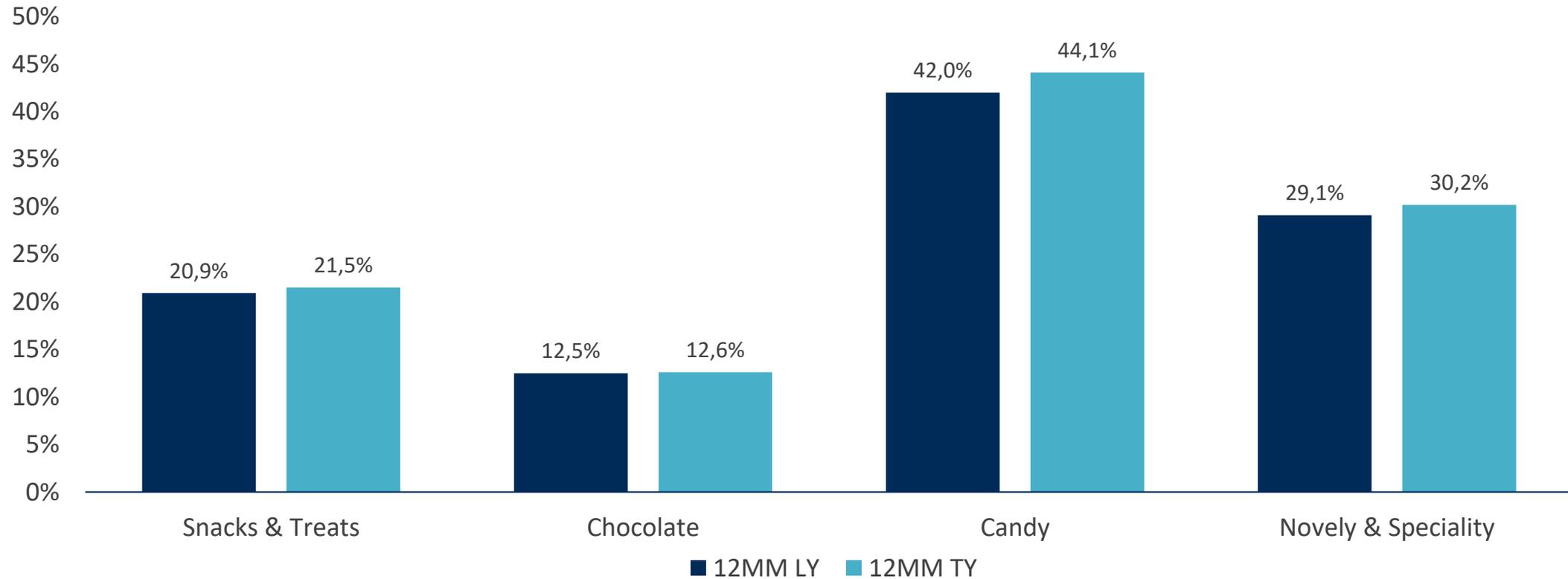
SOURCE: IRI 12MM TIGER VALUE SHARE MARCH 2021

APPENDIX

# Snacks & Treats



Visible market share gains attributable largely to Chocolate (in particular moulded slabs) and Candy



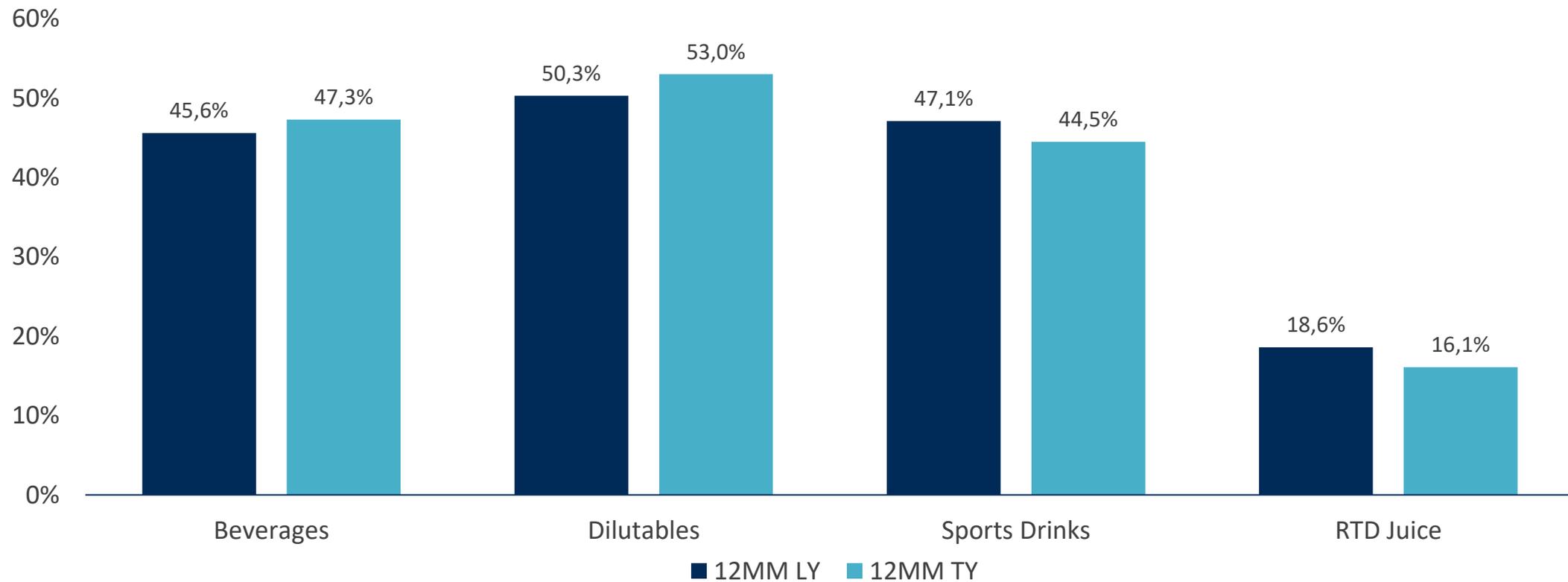
SOURCE: IRI 12MM TIGER VALUE SHARE MARCH 2021

APPENDIX



# Overall beverages share growth driven by continued momentum in liquid concentrates

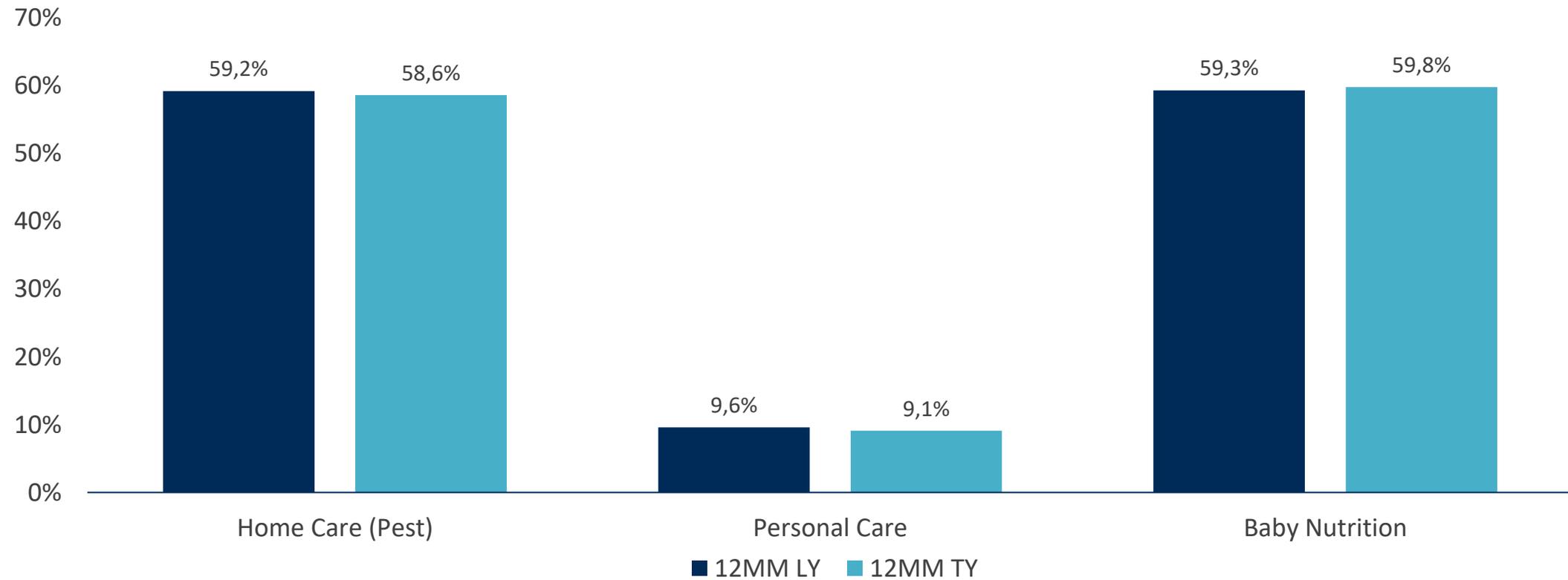
Benefitting from core offering & innovation



SOURCE: IRI 12MM TIGER VALUE SHARE MARCH 2021

APPENDIX

# Market shares maintained across all categories



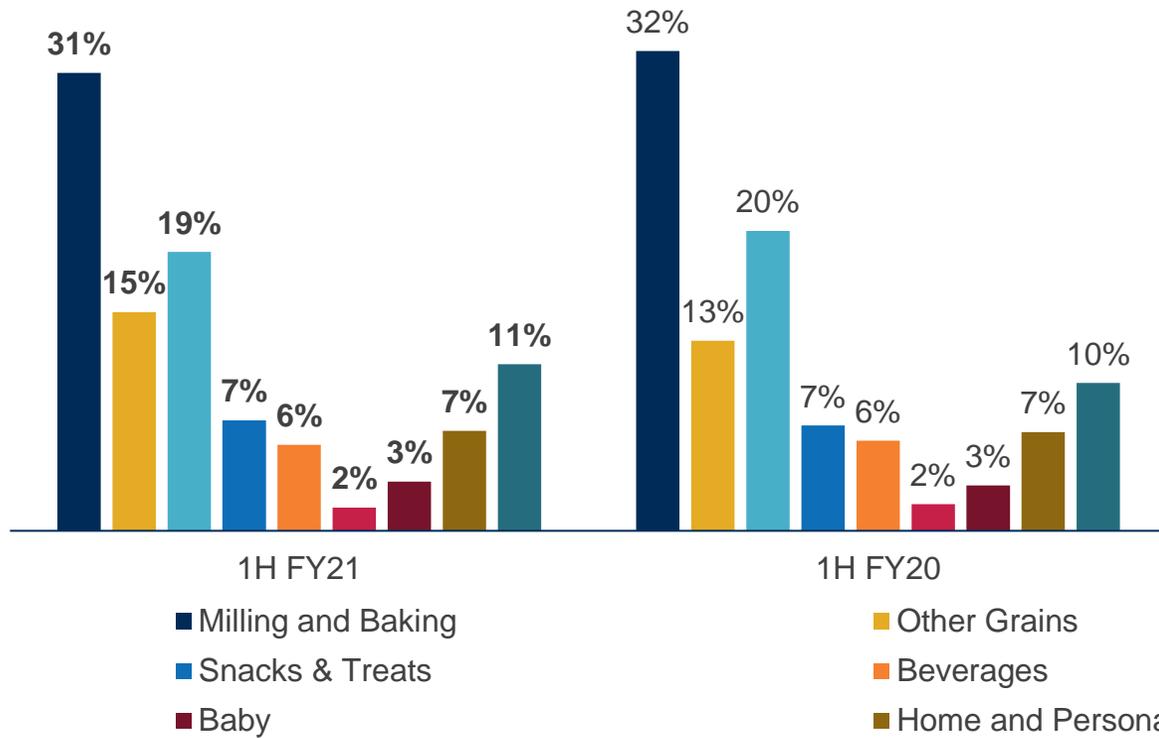
SOURCE: IRI 12MM TIGER VALUE SHARE MARCH 2021

APPENDIX

# Contribution to revenue and operating income



### Revenue



### Operating income before IFRS 2

