



## TIGER BRANDS YEAR-END RESULTS PRESENTATION

19 November 2021

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**100**  
YEARS  
SINCE 1921

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## Forward-looking statement

This document contains forward looking statements that, unless otherwise indicated, reflect the company's expectations as at 19 November 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.



# AUDITED GROUP RESULTS

for the year ended 30 September 2021



We nourish and nurture more lives every day

Executive summary

Noel Doyle | CEO



Current trading environment requires a consumer-focused approach, optimal supply chain and relentless cost containment



## CHALLENGING MACRO ENVIRONMENT

- Demand impacted by further Covid-19 waves and subsequent lockdowns
- Renewal of SRD grant amongst low-income households did little to improve consumer confidence
- Post Covid-19 global supply chain squeeze






# Well-known headwinds required management focus



## SPECIFIC HEADWINDS

- Product recall
- Civil unrest in July
- Rest of Africa underperformance relative to our expectations
  - Compounded by factory under-recoveries due to strike action

# Despite challenges, steady progress achieved against strategic priorities aimed at improving performance & capitalising on growth

				
MEET THE NEEDS OF THE CONSUMER	IGNITE OUR PEOPLE	BUILD A GROWTH PIPELINE	OPTIMISE OUR SUPPLY CHAIN	BE OBSESSED ABOUT COST SAVINGS AND EFFICIENCIES
<ul style="list-style-type: none"><li>• Value orientated innovations landed in Q4</li><li>• Brand Health mostly maintained or improved on Billion Rand Brands</li><li>• Consumer complaints down 25%</li><li>• Collaboration of price/volume improvement = overall basket volume share growth with marginal gross margin expansion</li></ul>	<ul style="list-style-type: none"><li>• Employee engagement score of 70 vs. global benchmark of 74</li><li>• Rest of Africa resourcing ramped up &amp; critical gaps closed</li><li>• Expanded Covid-19 measures including voluntary workplace vaccination clinics</li></ul>	<ul style="list-style-type: none"><li>• Revenue growth management implemented successfully in Groceries, Snacks &amp; Treats, Beverages</li><li>• Positive momentum in General Trade</li><li>• UAC disposal opens Nigeria to rest of portfolio</li><li>• Venture Capital Fund progressing well</li><li>• Focus on key trends</li></ul>	<ul style="list-style-type: none"><li>• OEE's up 7%</li><li>• BBBEE Level 3</li><li>• Implementation of MECP in all plants</li><li>• LTIFR improves by 10%</li><li>• Identified cost savings &amp; efficiencies in logistics flowing into FY22</li></ul>	<ul style="list-style-type: none"><li>• Cost savings of R498m achieved</li><li>• Significant improvement MUV's across our portfolio = R77 million</li></ul>

# Our Billion Rand Brands continue to rank highly on all metrics; making them relevant and resilient



BRAND	EQUITY RANK	VOLUME SHARE	VOLUME RANK	VALUE SHARE	VALUE RANK
	#1	25,7%	#2	29,7%	#1
	#1	32,3%	#1	33,3%	#1
	#3	24,1%	#2	24,1%	#2
	#2	11,2%	#2	11,9%	#2
	#2	38,1%	#1	44,0%	#1
	#1	61,7%	#1	65,9%	#1
	#1	53,9%	#1	60,8%	#1
	#1	37,4%	#2	38,7%	#2
	#3	14,8%	#3	10,5%	#3
	#1	25,3%	#1	42,4%	#1
	#1	87,5%	#1	87,6%	#1

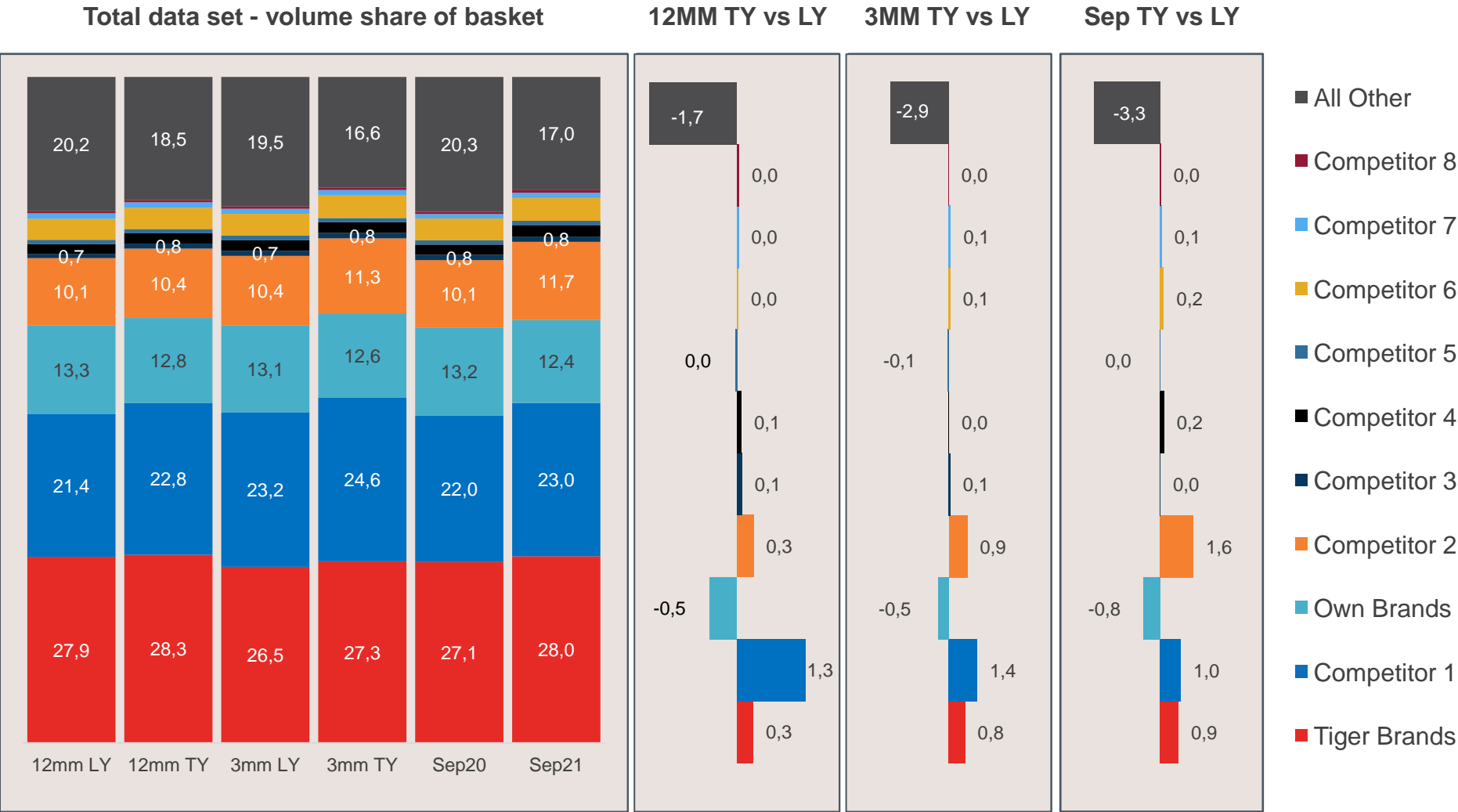
Source: Kantar BHT Brand Power Scores H2 2021; IRI Share Data FY Sept 2021.

Category definitions: Koo = beans; Purity = homogenised , Golden Cloud = Flour, Benny = Stock and Jungle Oats = Hot Cereals (BH = All cereals)



# Volume share gains in the long-term supported by optimal pricing and more effective promotional activity achieved without margin sacrifice in aggregate

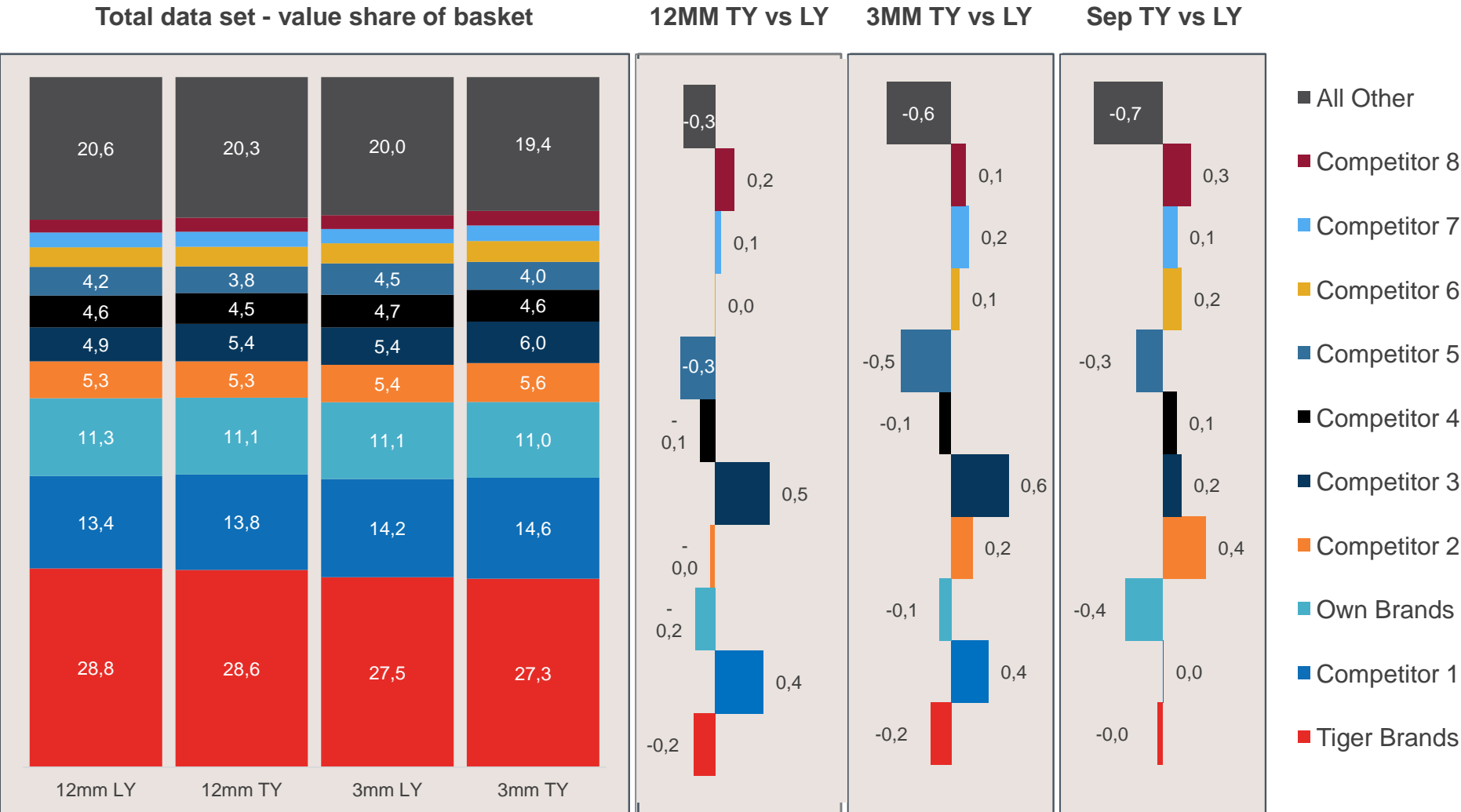
- Own Brands' volume share losses are driven mainly through their Flour and Bread portfolio
- Tiger has gained volume share of Bread, and Rice



Source: IRI

# Value share loss despite volume share gains represents attempts to price more effectively for market conditions while efficiency gains make it possible

- Own Brands lose in the long term
- Competitor deflation continues in Rice and Flour
- Snacks & Treats impacted by aggressive promotional activity in Chocolate slabs



Source: IRI

# Accelerating strategic execution while some initiatives are of a long-term nature

Priority	Progress					
<b>1. Meet the needs of the consumer</b>	<ul style="list-style-type: none"> <li>● Enable digital and direct marketing eco-system</li> <li>● Health &amp; Nutrition is used as a narrative and growth pillar</li> <li>● Look for commercially viable opportunities to manufacture DOB products, to our benefit</li> </ul>					
<b>2. Optimise our supply chain</b>	<ul style="list-style-type: none"> <li>● Improved health, safety, risk, environment and security of our staff and assets</li> <li>● Inculcating a world class quality approach</li> <li>● Operational excellence through MECP</li> <li>● Providing customer service and logistics excellence through a world class logistics network</li> <li>● Creating an execution mindset and a great place to work</li> </ul>					
<b>3. Be obsessed about cost savings and efficiencies</b>	<ul style="list-style-type: none"> <li>● Drive a culture of cost savings across our organisation and deliver budgeted cost savings targets</li> <li>● SKU rationalisation is used as a key lever to reduce complexity and improve efficiencies within our business units</li> <li>● Value solutions as a growth and efficiency pillar</li> </ul>					
<b>4. Build a growth pipeline</b>	<ul style="list-style-type: none"> <li>● Customer – good delivery on most KPI's with hard discounters the challenge</li> <li>● Marketing &amp; Innovation – landed innovation on track but improvement required in prioritization &amp; commercialization</li> <li>● Rest of Africa – trading and operational risks remain across the portfolio</li> </ul>					
<b>5. Ignite our people</b>	<ul style="list-style-type: none"> <li>● Enable a work environment that liberates people to focus on the consumer, the future and our purpose</li> <li>● Lead to inspire consumer obsession, innovation, execution excellence and an environment where, failing fast and forward is embraced</li> <li>● Create an agile, risk-embracing growth mindset</li> </ul>					

# AUDITED GROUP RESULTS

for the year ended 30 September 2021



We nourish and nurture more lives every day

Financial and operational review

Deepa Sita | CFO





# Despite slower revenue growth in H2; momentum maintained in cost saving initiatives and efficiencies



## HIGHLIGHTS

- Despite significant cost push, solid naked margin management in H2 across most categories
  - Procurement & MUV savings
- OEE & effective cost control of R498m enhanced operating margin
- Strong Cash Generation
  - Good working capital trends



## HEADWINDS

- Limited volume growth
- Supply chain challenges
- Category headwinds
  - Bakeries
  - Exports (particularly LAF)

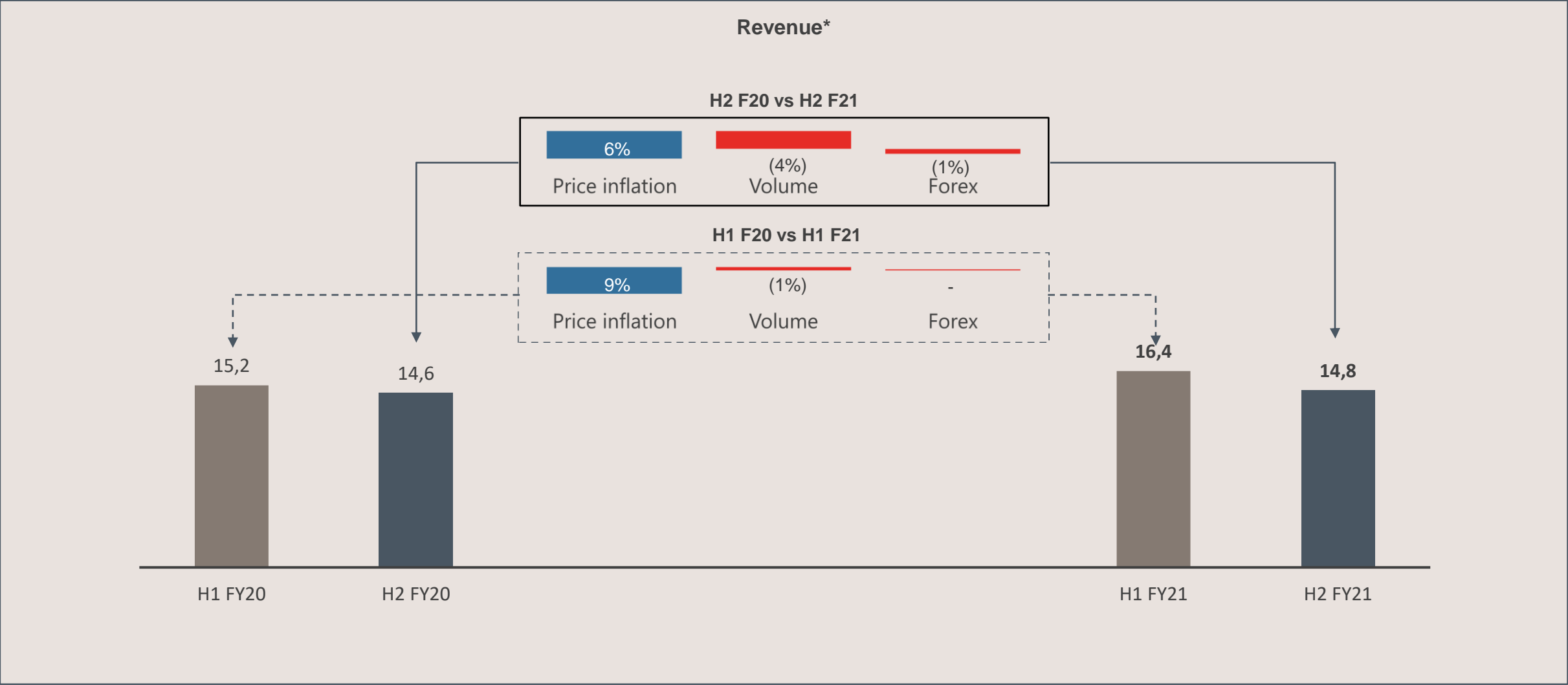
# Improved top-line performance driven by price inflation across the portfolio



Pricing ▲ 7%			Revenue*			Volumes ▼ 2%		
Revenue* ▲ 5% to R31,0bn			Gross profit ▼ 2% to R8,8bn			Operating income** ▼ 10% at R2,2bn		
Total gross margin ▼ 160bps to 28,5%			Total operating margin ▼ 110bps at 7,2%			Effective tax rate ▼ 190bps to 29,1%		
Income from associates ▼ 2% to R346m								
EPS ▲ 21% to 1 070cps			HEPS ▼ 6% to 1 127 cps			Final DPS 506 cps		

\* Excluding the product recall and civil unrest | From continuing operations | \*\*Group operating income from continuing operations before impairments and non-operational items

# Price inflation across all segments boosts revenue growth, despite slower H2



\* Excluding the product recall and civil unrest

# Civil unrest & product recall impact revenue, cost of sales & expenses

Rm	FY21
<b>Total revenue</b>	<b>30 954</b>
Revenue	31 209
Impact of product recall	(255)
<b>Total Cost of Sales</b>	<b>(22 144)</b>
Cost of Sales	(21 750)
Impact of product recall	(308)
Impact of civil unrest	(85)
<b>Gross profit</b>	<b>8 810</b>
Sales, marketing and distribution expenses	(4 953)
Other operating expenses	(1 621)
<b>Operating income before impairments and non-operational items</b>	<b>2 236</b>
Impairments	(154)
<b>Operating income after impairments</b>	<b>2 081</b>
Non-operational items	27
<b>Profit including non-operational items</b>	<b>2 109</b>

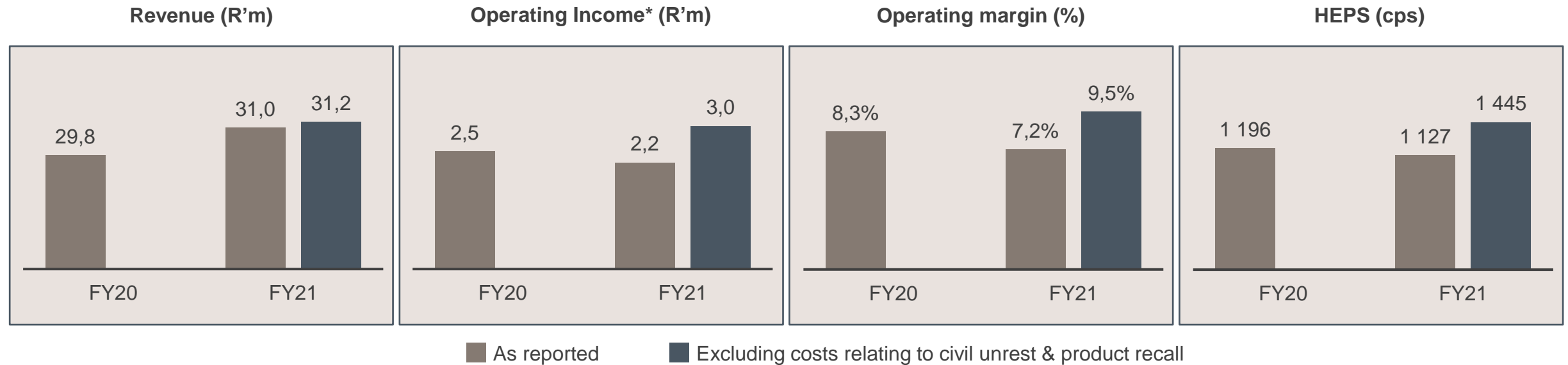
- Total impact of the product recall amounted to **R647m** accounted for as follows:

Revenue	<b>255</b>
Cost of sales	<b>308</b>
Sales and distribution expenses	<b>69</b>
Marketing expenses	<b>10</b>
Other operating expenses	<b>5</b>

- Cost of civil unrest amounted to **R85m**; accounted for through Cost of Sales
- Rand strength leads to year-on-year forex swing; negatively impacting foreign currency cash balances



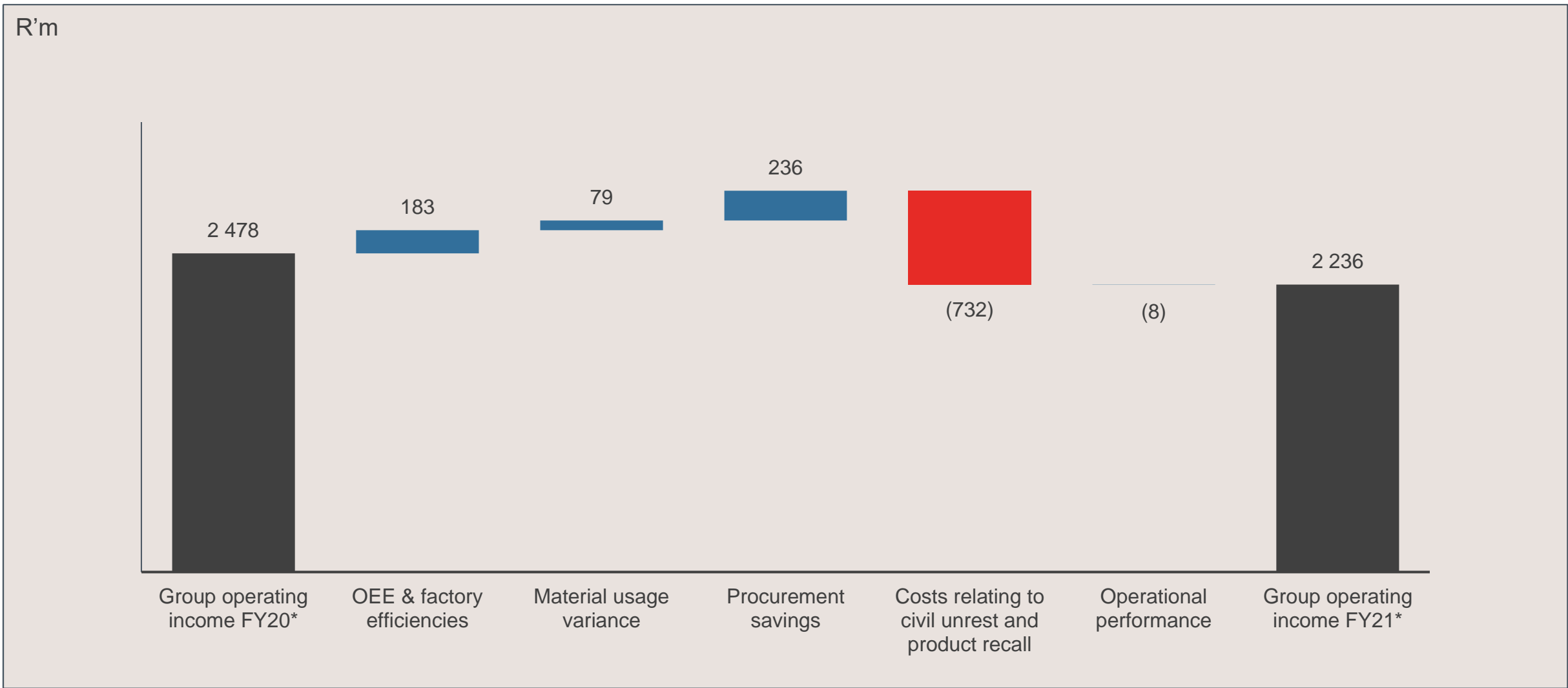
# Performance impacted by costs relating to civil unrest & product recall



- Stock write-offs relating to civil unrest and product recall accounted for through Cost of Sales
- Refund related to the recall accounted for as a reduction in revenue
- Other recall related costs accounted for through relevant expense function in the income statement
- Excludes insurance proceeds which are still in progress

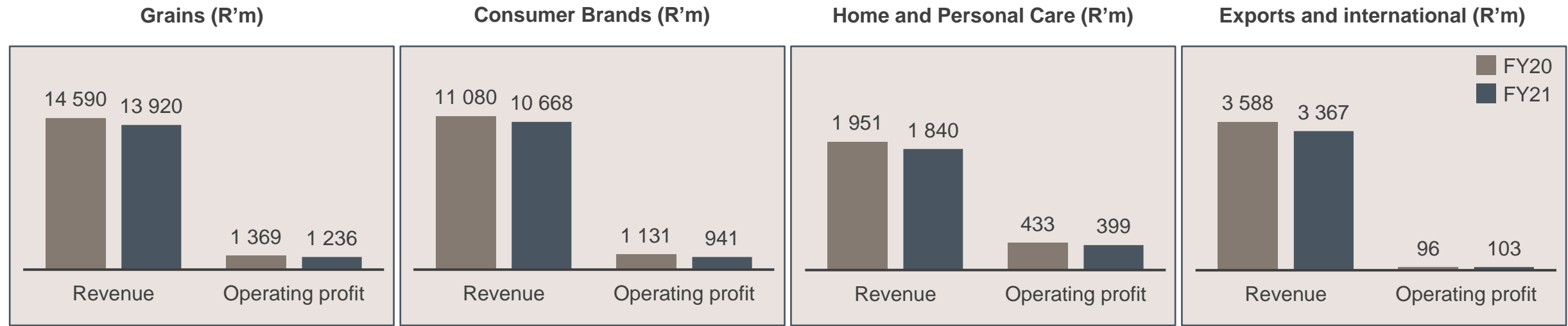
\*Group operating income from continuing operations before impairments and non-operational items

# Clear accountability matrix drives consistent cost management in line with guidance



\*Group operating income from continuing operations before impairments and non-operational items

# Recovery across the portfolio while Milling & Baking and Exports face headwinds



- Volumes muted by challenging market conditions
- Rice and Pasta recover in line with guidance; Bakeries impacted by continued adverse competitive dynamics
- Cost savings in Groceries benefited margins, Baby continues to show market share gains
- Exports impacted by slower demand, and higher input costs

# Grains



▲ 5%

R14,6bn

Revenue

▲ 11%

R1,4bn

Operating profit

▲ 50 bps

9,4%

Operating margin

## Looking ahead

- Plan to lead innovation and continue to build our brand purpose
- Supported by realising further manufacturing and supply chain efficiencies
- Pressure in bakeries to persist
  - Focus on volume share recovery



- Adverse bread category dynamics persist
  - Market pricing not reflective of cost push
- Albany holding premium
- Maize recovers in H2 to end year positively
- Successful innovations launched in Q4
  - Albany Xtra value loaf; Tinkies Mini packs; Golden Cloud Carrot Cake Mix
- Rice recovers off low base
  - Driven by higher selling prices and sound cost management
  - Speedy return to normal operations following civil unrest
- Overall pleasing performance from Jungle; growth in core oats continued
- Pleasing performance from Pasta with market share gains;
  - Driven by favourable consumer behaviour together with strong in-store execution





# Groceries\*

▲ -%

R5,5bn

Revenue

▲ 12%

R397m

Operating profit

▲ 80 bps

7,2%

Operating margin

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- Result achieved despite
  - Increasingly competitive trading environment
  - Low seasonal demand, particularly over Easter
  - Supply challenges in aftermath of recall
- Expense management discipline and consistent factory performance ahead of plan
  - Resulting in significantly improved operating profit
- Some successful renovations
  - All Gold Tomato Sauce “kid-friendly” bottle
  - Mrs Balls value bottle
- Canned vegetable recall concluded
  - Claim under the contract with the supplier is still being assessed
  - Brand damage minimal evidenced by challenges to meet demand post recall

## Looking ahead

- Defend leading market positions through marketing and innovation
- Further benefits from improved factory performance
- Replenishment of stock levels
- Improve service levels

\*Numbers exclude the impact of the canned vegetable product recall

# Snacks & Treats

▲ 7%  
R2,3bn  
Revenue

▲ 37%  
R234m  
Operating profit

▲ 220 bps  
10,2%  
Operating margin

100  
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- Revenue growth underpinned by 8% price increases; 1% lower volumes
- Volume performance negatively impacted by
  - Inability to meet demand albeit lower as a result of adjusted lockdown measures on impulse purchases
  - Covid-19-related absenteeism as well as civil unrest
- Significant margin improvement due to:
  - Higher realisations and
  - Ongoing cost improvement initiatives

## Looking ahead

- Priority site to improve service levels
- Focus on continuous improvement aided by investment, and a review in supply solutions
- Adverse impact of current industrial action

# Beverages

▲ 6%

R1,7bn

Revenue

▲ 9%

R261m

Operating profit

▲ 40 bps

15,7%

Operating margin

**100**  
YEARS  
SINCE 1921

## Looking ahead

- Demand recovers post-lockdown for ready-to-drink segment
- Liquid concentrates shows continued momentum
  - Benefitting from core offering (Oros) & innovation (Rose's Cordials)
- Operating profit increase driven by
  - Favourable product mix
  - Improved factory efficiencies
  - Sound cost management

- Identified as a high growth category
- Expand presence with strong innovation pipeline
- Continued focus on cost savings and OEE improvements

# Baby

▲ 12%

R1,1bn

Revenue

▲ 29%

R143m

Operating profit

▲ 160 bps

13,0%

Operating margin

**100**  
YEARS  
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- Delivered an overall strong recovery
- Volume growth driven by demand recovery across most segments
  - Nutrition recovers from adverse demand dynamics during lockdown
- Price realisations in line with volume growth
- Operating income benefited from positive operating leverage
  - Favourable product mix, waste reduction and lower distribution costs

## Looking ahead

- Consolidation of Purity as master-brand
- Focus on sustaining favourable product mix; supported by clear strategies per segment
- Continuous improvement in factory efficiencies and site logistics
- Drive toddler snacking



# Home and Personal Care (HPC)

▲ 6%  
R2,0bn  
Revenue

▲ 8%  
R433m  
Operating profit

▲ 50 bps  
22,2%  
Operating margin

100  
YEARS  
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- Sustained strong performance in Home Care offset by volatile demand in Personal Care
- Home Care performance underpinned by a strong summer campaign
  - Effective in-store execution and innovation
  - Improved efficiencies, better material usage variances, tight cost control
- Personal Care performance impacted by volatile category demand
  - Compounded by retailers prioritising essential categories during civil unrest

## Looking ahead

- Drive capex to achieve continuous improvement
- Optimal pricing to maintain margins
- Successfully drive innovations
  - Summer – pest;
  - Winter – body care

# Exports and International

**100**  
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▲ 7%  
**R3,6bn**  
Revenue

▼ 7%  
**R96m**  
Operating profit

▼ 40 bps  
**2,7%**  
Operating margin

**BENNY ... Taste beyond compare**

*For*  
**Meat, Stew, Rice,  
Vegetable & Soup**

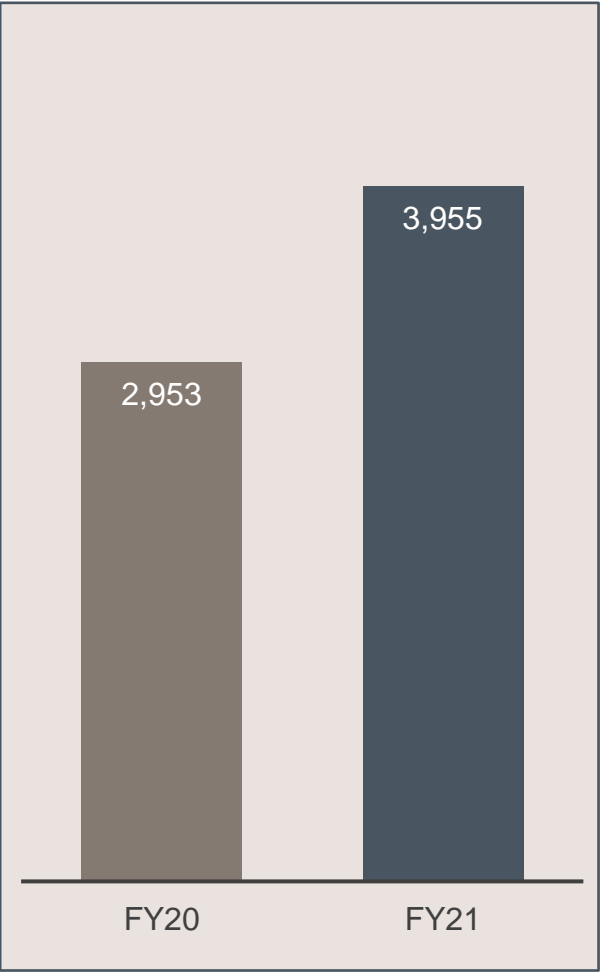
- Challenges in H2 create margin pressure
- Revenue growth largely driven by strong performance in the first half
  - Increased losses in Deciduous Fruit adversely impacted profit for the year
- Subdued demand in key export markets negatively impacts Deciduous Fruit
  - Rand strength and higher shipping costs result in increased losses
- Exports H2 performance negatively affected by
  - Low levels of demand compounded by pack size & pricing misalignment to market expectations
  - Border congestion impacting sales into Mozambique
  - Industrial action in Q3 resulted in under-recoveries
- Despite significant external headwinds, Chococam exceeds R1bn in revenue
  - Underpinned by successful innovation, optimal pricing and improved distribution
  - Assisted by improved efficiencies and lower conversion costs

## Looking ahead

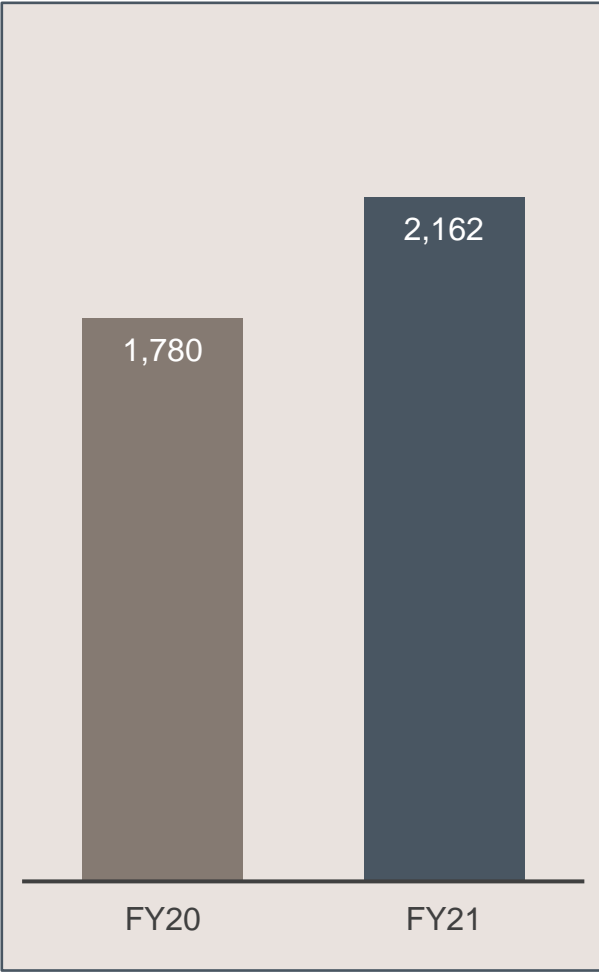
- Optimise sales and country mix, while staying focused supply chain efficiencies
- Deliver innovation opportunities

# Improved working capital dynamics and higher earnings resulted in strong cash generation

Cash generated from operations (R'm)  
▲ 34%



Cash and cash equivalents (R'm)  
▲ 21%

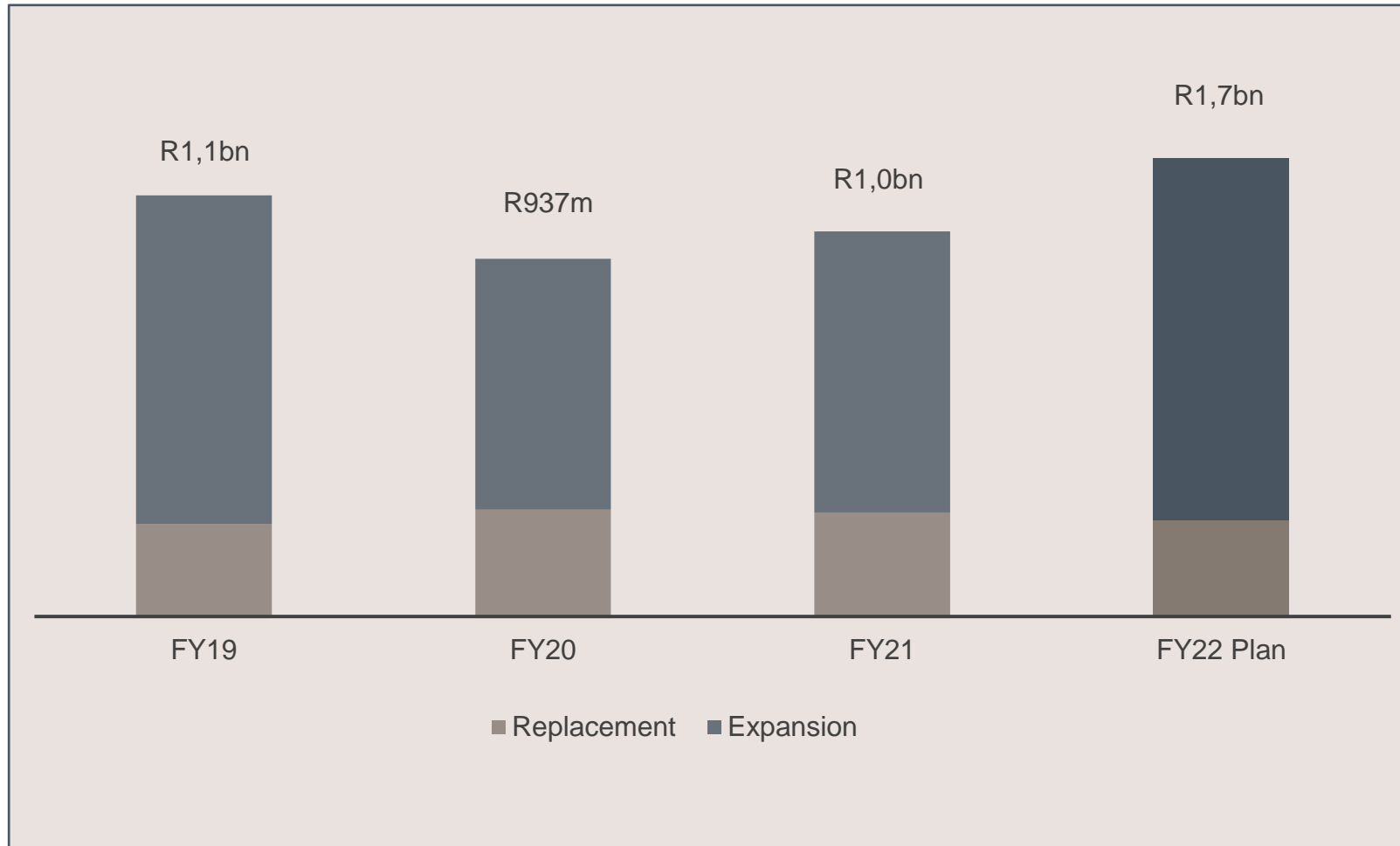


Rm	FY21	FY20
Net cash (R'm)	2 162	1 780
RONA	19,3%	21,1%
Return on equity (ROE)	12,7%	9,0%
Return on invested capital (ROIC)	12,1%	11,2%
WACC rate	12,2%	12,8%
Working capital per R1	20,3	21,4
<b>Net working capital</b>	<b>93,7</b>	<b>85,7</b>
Debtor days	29,1	31,9
Creditor days	30,2	29,9
Stock days	94,8	83,7

# Total capex spend in line with guidance; focus on replacement and automation



Capex spend by category



## Capex plan

- Total Capex spend expected to be ~R1,7bn for FY22
- Emphasis remains on replacement and automation
- Larger projects include:
  - Relocation of Peanut Butter plant
  - Improvement of Aerosol lines in HPC segment
- IT investment
  - 46 projects initiated during FY21
  - 20 completed
  - Remaining 26 are multi-year projects, with 15 in test phase

# Sector challenges impacting FY22 start



## FOCUSED AND PRO-ACTIVE MANAGEMENT

- Significant cost push
- Labour unrest
- Bread category remains challenging
- Post Covid supply chain squeeze

# Drivers for FY22 improvement



Reasonable revenue growth expectations at the core driven by

- Volume growth underpinned by planned innovation launches
- Exports improved products and country mix



Significant improvements in factory performances (R480m)

- Grains, Consumer Brands and Davita driven by lower conversion costs and strong CI measures
- Offset somewhat by raw material costs push and higher packaging costs



Conclusion of way forward for LAF



# AUDITED GROUP RESULTS

for the year ended 30 September 2021



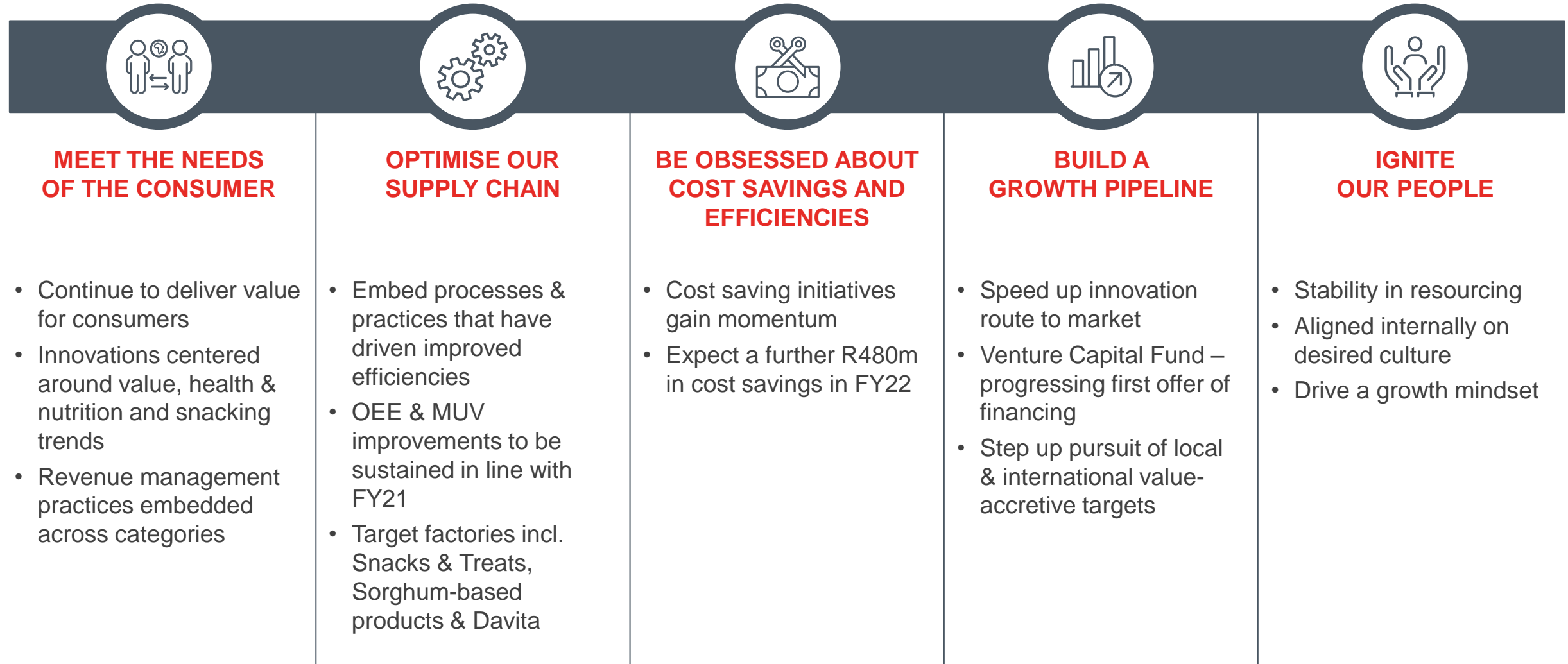
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Strategic update and outlook

Noel Doyle | CEO



# Our strategic priorities remain; progress achieved this year will be the platform for short-term improvement & long-term growth





# AUDITED GROUP RESULTS

for the year ended 30 September 2021



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Q&A



# AUDITED GROUP RESULTS

for the year ended 30 September 2021



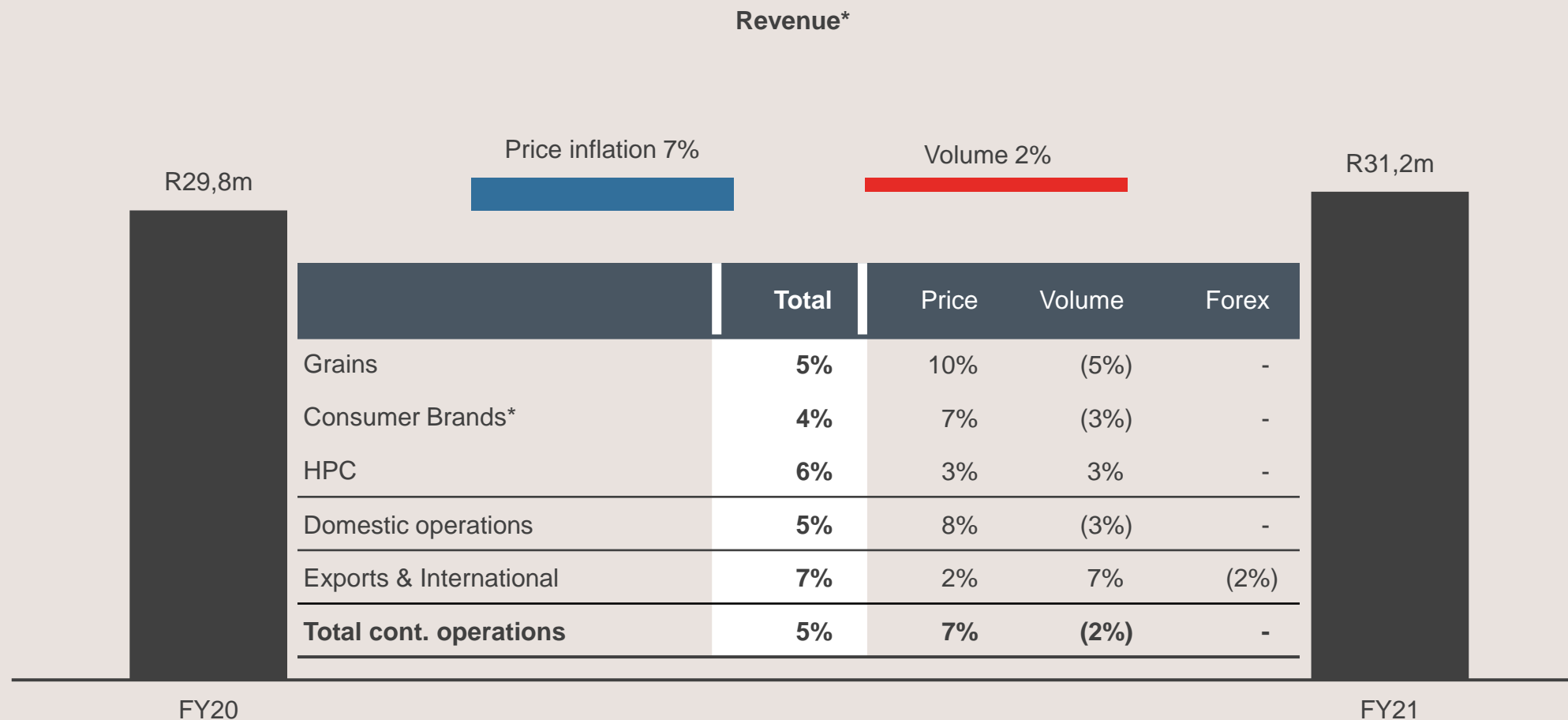
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Appendix



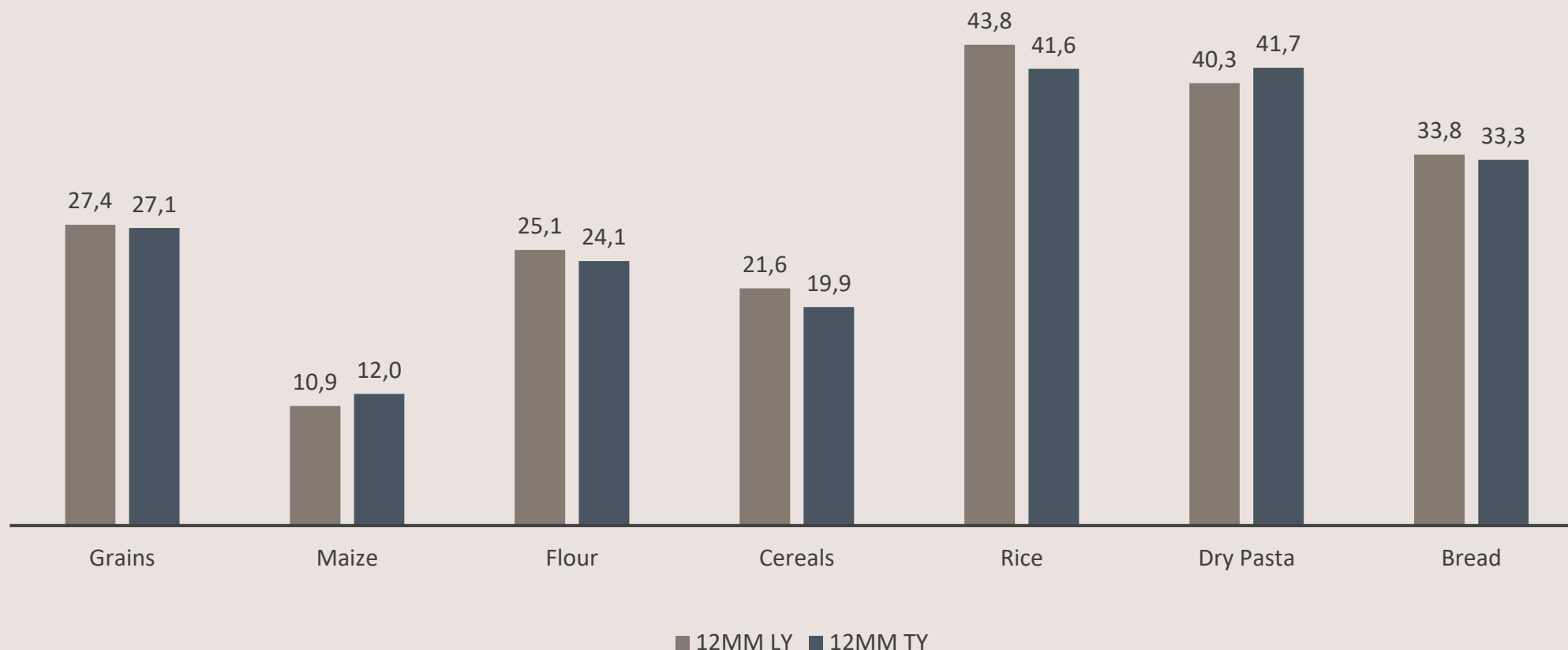


# Price inflation across all segments boost revenue growth, despite slower revenue growth in H2



\* Excluding the product recall and civil unrest

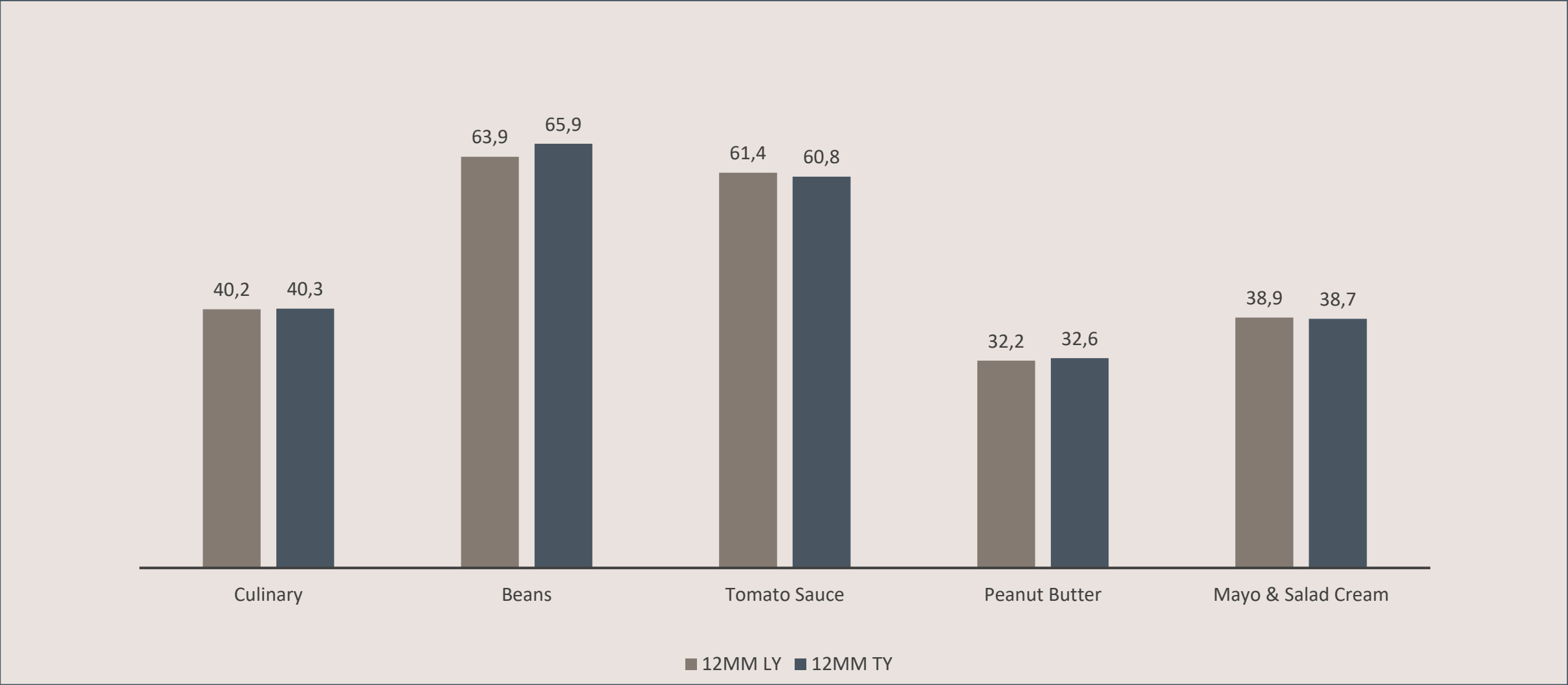
# Grains value share stable; gains in Pasta and Maize offset by Flour and Rice while Bread holds its own



Source: IRI Tiger value share F21 September 2021 performance

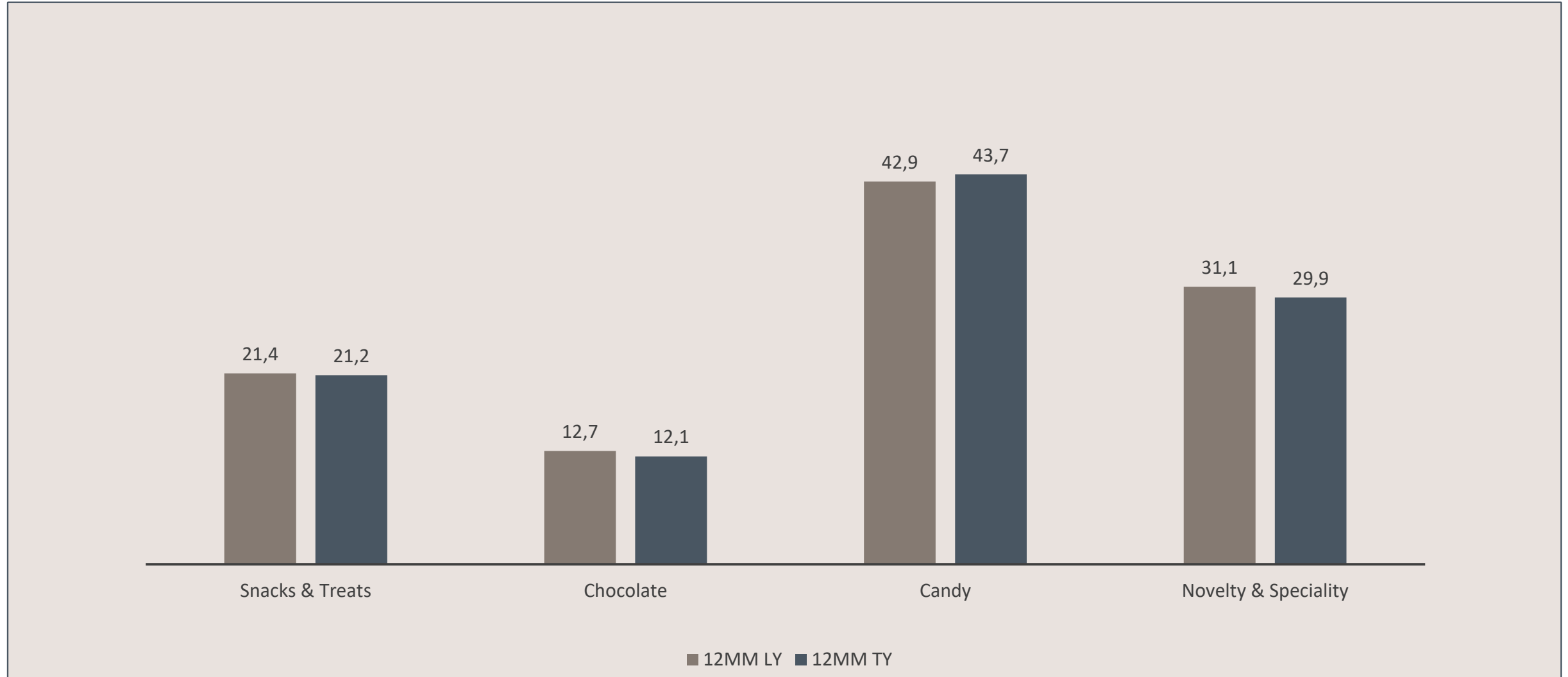


# Spreads and Beans show gains; Condiments impacted by price-led competition



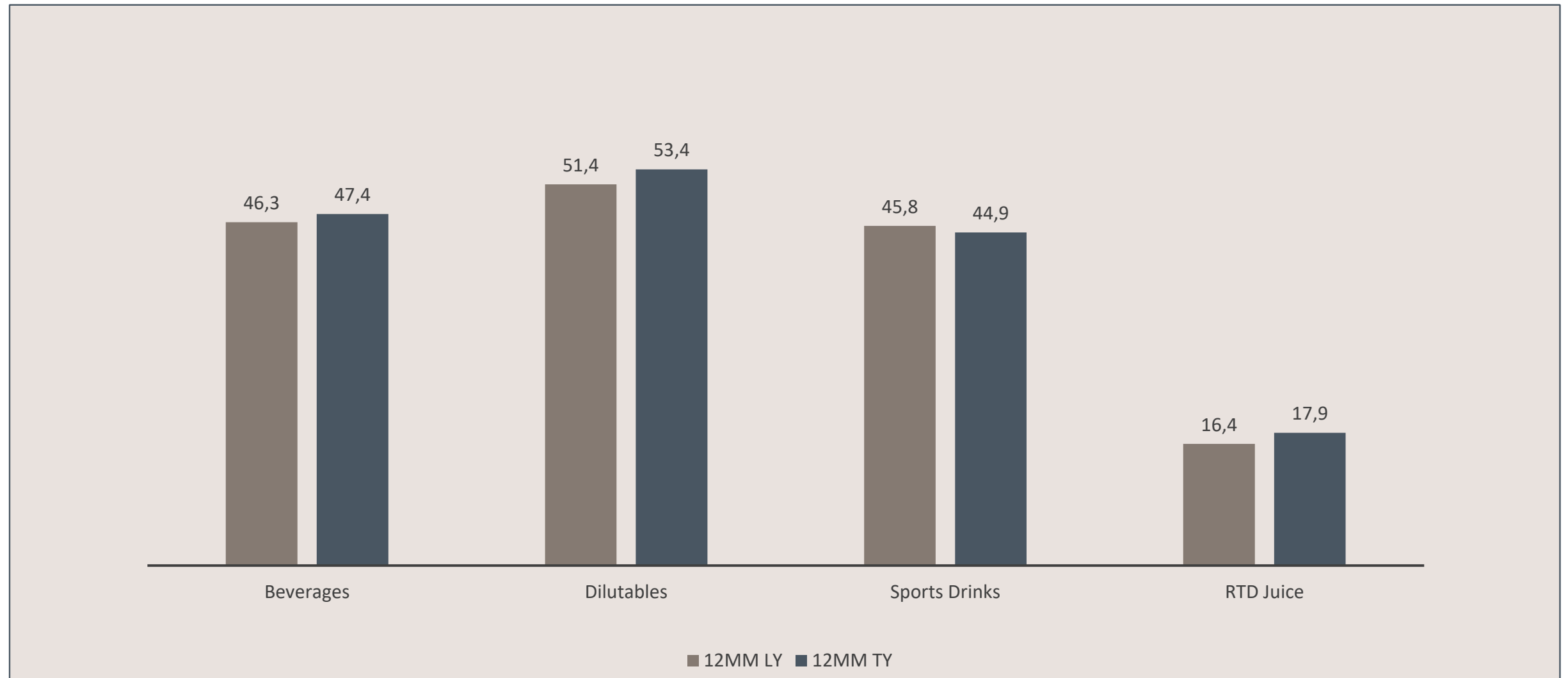
Source: IRI Tiger value share F21 September 2021 performance

# Candy gains driven by Maynards; competitive behaviour in chocolate resulted in some share losses



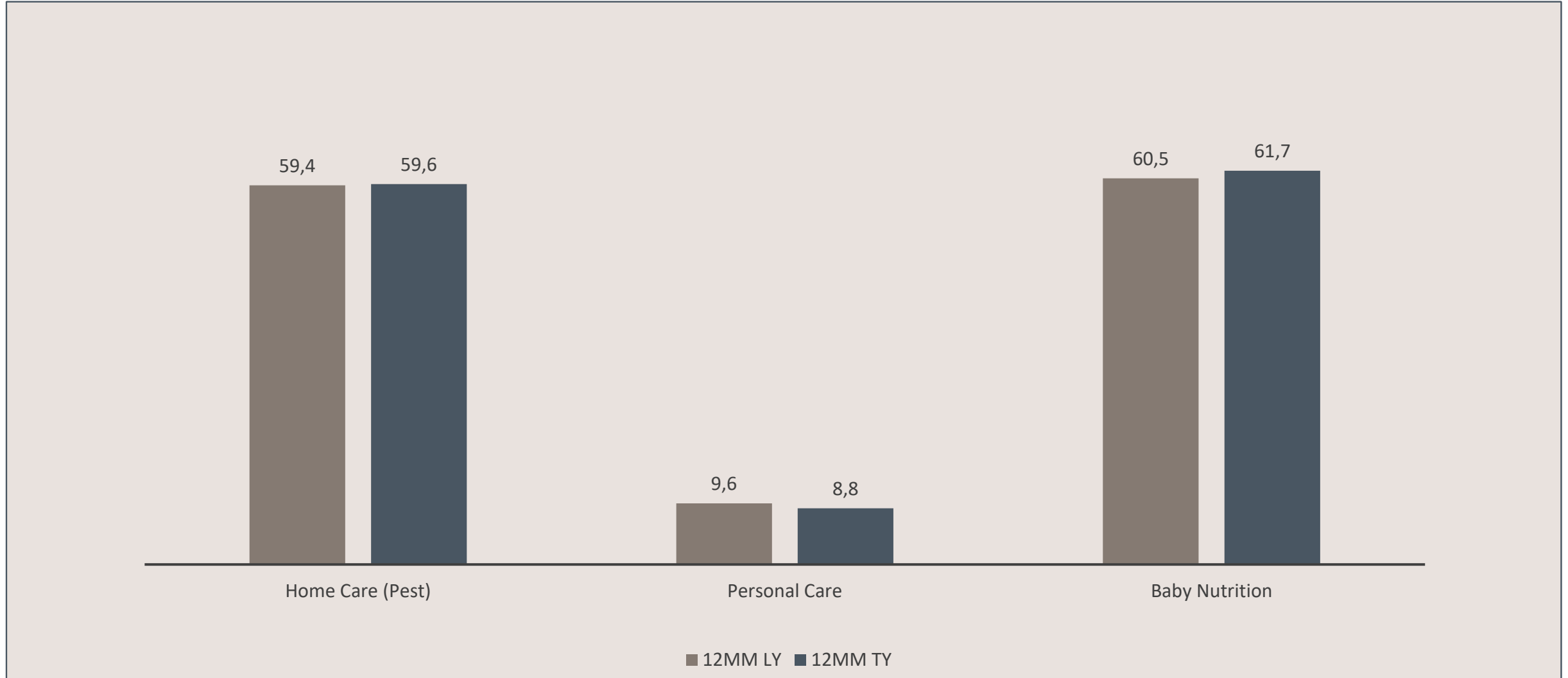
Source: IRI Tiger value share F21 September 2021 performance

# Overall Beverages share growth driven by continued momentum in liquid concentrates, with RTD juices also gaining share



Source: IRI Tiger value share F21 September 2021 performance

# Baby reflective of improved demand & innovation; Personal Care impacted by volatile demand



Source: IRI Tiger value share F21 September 2021 performance

# Contribution to revenue and operating income



- Milling & Baking
- Snacks & Treats
- Baby
- Other grains
- Beverages
- Home & Personal Care (HPC)
- Groceries
- Out of Home
- Exports & International

