

Tiger Brands Limited
'Tiger Brands' or 'the Company'
(Incorporated in the Republic of South Africa)
(Registration number 1944/017881/06)
Share code: TBS ISIN: ZAE000071080

Tiger Brands unaudited Group results for the six months ended
31 March 2020

Tiger Brands grows revenue under difficult trading conditions

Salient features

From continuing operations

- * Revenue up 2% to R15.7 billion
- * Operating income** falls 29% to R1.1 billion
- * EPS down 75% to 221 cents
- * HEPS down 35% to 501 cents
- * Interim dividend withheld as cash preservation is prioritised given COVID-19 uncertainty

**Before IFRS 2 charges, impairments and abnormal items

Overview

The Group's overall performance reflects the difficult trading environment and the challenges faced, particularly within Grains, Groceries, Value Added Meat Products (VAMP) and Exports.

As previously reported, operations at Deli Foods in Nigeria were terminated in October 2019. As such, Deli Foods has been treated as a discontinued operation in these results, with the comparative information restated accordingly.

With regards to the VAMP business, it is noted that the Company has received offers from two parties for the acquisition of separate parts of the business as going concerns. Each of the two agreements is subject to an inter-conditionality clause, such that each agreement is subject to the other becoming unconditional in all respects. As a number of the key terms and conditions remain to be negotiated, it is appropriate to treat VAMP as a continuing operation in the current period. On conclusion of the respective Sale and Purchase Agreements, the Company will provide an update incorporating the financial impact of the disposals as well as the key conditions precedent to the successful conclusion of the overall transaction.

Group revenue from continuing operations increased by 2% to R15,7 billion, with price inflation of 4% offset by an overall volume decline of 2%. Gross profit margins were impacted by lower volumes as well as raw material and conversion costs rising ahead of inflation, with the consolidated gross profit margin declining from 31,4% to 29,4%. In addition, marketing expenses increased by 9% over the period to R528 million, in line with the strategy to enhance brand health and drive consumption. The continuing losses incurred by VAMP, although showing a 14% improvement on the prior year, further impacted profitability. Group operating income before IFRS 2 charges, impairments and abnormal items decreased by 29% to R1,1 billion, whilst the operating profit margin decreased from

10,2% to 7,0%. Excluding VAMP, operating income before IFRS 2 charges, impairments and abnormal items declined by 27% to R1,4 billion, whilst the operating profit margin decreased to 8,9% from 12.3%.

Earnings per share (EPS) from continuing operations decreased by 75% to 221 cents (2019: 875 cents), whilst EPS from total operations decreased by 76% to 210 cents (2019: 864 cents). EPS was impacted by a significantly higher impairment charge in the current period, whilst earnings in the previous period benefited from the abnormal after-tax capital profit of R282 million arising from the sale of Oceana shares to Brimstone.

Headline earnings per share (HEPS) from continuing operations was down 35% to 501 cents (2019: 773 cents), driven primarily by the lower level of operating income. Excluding VAMP, HEPS from continuing operations declined by 30% to 611 cents (2019: 872 cents). HEPS from total operations decreased by 36% to 489 cents (2019: 762 cents).

Interim dividend

The Board of Directors has decided not to declare an interim dividend. The Board considers this to be prudent given the short-term uncertainty related to the COVID-19 Lockdown measures. Depending on the Group's trading performance for the full financial year and the financial outlook at that time, a dividend will be re-considered at year-end in line with the Group's dividend policy of 1.75 times cover (based on HEPS).

Outlook

The pace at which we move through the various Lockdown phases to fully re-opening the economy remains uncertain, whilst the impact on consumers, unemployment and disposable incomes is likely to be dire. We anticipate that demand patterns will change and are preparing for significant changes in consumption and shopping behaviour as we move out of the acute phase of the National Disaster period and into, what is likely to be, a deep and prolonged recession.

As existing procurement positions are depleted, the second half will be impacted by significant cost push due to Rand weakness, global supply chain disruptions and additional costs incurred during the Lockdown period. These costs, together with the effect of Government regulations on pricing during the National Disaster period, may have an impact in excess of R500 million on profitability.

Our immediate focus is to ensure the ongoing safety of our employees whose commitment during this period has been truly inspirational. We are prioritising the building of adequate stock cover to cater for the possibility of potential disruptions to the supply chain and ensure the consistent availability of our products.

In the short to medium term, cognisant of a constrained consumer, we will prioritise innovation towards value offerings whilst re-engineering our business to optimise costs and improve efficiencies.

By order of the Board

KDK Mokhele
Chairman

NP Doyle
Chief Executive Officer

Bryanston
22 May 2020

Date of release: 25 May 2020

This short-form announcement is the responsibility of the Directors of the Company and has not been reviewed or audited by the Group's auditors. The information disclosed is only a summary of the full announcement and does not contain full or complete details.

Any investment decisions should be based on the consideration of the full results announcement ('results'). Tiger Brands' results are available on the Company's website www.tigerbrands.com and <https://senspdf.jse.co.za/documents/2020/jse/isse/TIIH/TigerHY20.pdf>.

Copies of the results announcement may be requested from the Company's investor relations department during normal business hours on investorrelations@tigerbrands.com and are available at no charge.

Registered office: 3010 William Nicol Drive, Bryanston, 2021
Independent non-executive directors: KDK Mokhele (Chairman). MO Ajukwu, MJ Bowman, CH Fernandez, GA Klintworth, M Makanjee, TE Mashilwane, MP Nyama, M Sello, DG Wilson
Executive directors: NP Doyle (Chief Executive Officer)
Secretary: JK Monaisa

Sponsor: J.P. Morgan Equities South Africa (Pty) Ltd