

**Libstar Holdings Limited**

(Incorporated in the Republic of South Africa)

(Registration number 2014/032444/06)

(JSE share code: LBR)

(ISIN: ZAE000250239)

("Libstar" or the "Group")

**Business update on the impact of COVID-19****Introduction**

As the Group enters the eleventh week of operation since the institution of a state of disaster to curb the spread of COVID-19, the safety, health and wellbeing of all people within the Libstar Group remains our single most important priority.

In accordance with the measures announced by the President, all divisions within Libstar were designated as Essential Service providers in their capacity as producers of food and household and personal care products. As such, most of Libstar's facilities have remained operational during the lockdown period.

Further to the Group's existing stringent food safety and hygiene practices, additional rigorous safety measures have been implemented in all areas of the business, taking guidance from the World Health Organisation (WHO), the National Institute for Communicable Diseases (NICD), the Department of Health (DOH) and the Department of Labour (DOL).

Since the outbreak of COVID-19, the cost of doing business has increased dramatically, with the Group incurring extraordinary expenditure of nearly R35 million to date.

This has enabled Libstar to not simply comply with regulations during this pandemic, but to do all it can to continue to keep its people safe and operations viable, including the provision of special transport benefits, incentives, food and sanitisation packs, donations and personal protective clothing.

The protection of Libstar's people will remain a priority focus area in the coming months as the Group navigates challenging and uncertain operational circumstances.

**Voluntary trading update**

It is not yet possible to fully quantify or predict the business impact of COVID-19, nor can we determine the exact impact of the government and societal responses to it. Given the rapidly evolving situation and volatile market conditions, Libstar continues to assess the impact, respond to the latest guidelines issued by relevant authorities and adapt its activities accordingly.

Retail sales demand has been stronger since the Group's market update of 2 April 2020, driven by pre-lockdown grocery stockpiling and increased in-home dining. As such, retail sales channel revenue growth of 24.3% was recorded during the two-month period ended 31 May 2020. The Group remains well placed to capitalise on changing consumer behaviour by offering a range of branded, dealer-own brand and private label products within the retail and other sales channels.

The significant operational restrictions placed on out-of-home dining, particularly quick-service restaurants (QSRs), has however weighed on the Group's performance as revenue within the food service channel declined 80.1% during the two-month period ended 31 May 2020. Whilst many Libstar divisions supply the restaurant and QSR industries, the Finlar Fine Foods, Lancewood and Multicup divisions were impacted most during the level 5 and level 4 lockdown periods.

The broader impact of COVID-19 on the North American and European continents, as well as shipment timing and logistical challenges associated therewith, adversely impacted the export channel during the months of April and May.

In the context of these challenges and opportunities, Group revenue for the two-month period ended 31 May 2020 was 9.8% lower than the comparative period, resulting in Group revenue for the five-month year-to-date period ended 31 May closing 2.1% higher than the comparative period.

The table below summarises the gross revenue trends, before allowances and rebates, by channel for the two-month and five-month periods ended 31 May 2020 relative to the equivalent comparative periods respectively:

	<b>Contribution to Group revenue for the year ended 31 December 2019</b>	<b>Revenue for the 2 months ended 31 May 2020</b>	<b>Revenue for the 5 months ended 31 May 2020</b>
<b><i>Gross revenue by sales channel</i></b>			
- Retail and wholesale	60%	+24.3%	+13.4%
- Food service	18%	-80.1%	-33.6%
- Industrial	10%	-19.7%	-11.7%
- Exports	12%	-31.8%	-6.1%
<b><i>Total Group revenue</i></b>		<b>-9.8%</b>	<b>+2.1%</b>

Normalised Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) has been positively impacted by a stable margin performance across the Group's major categories. However, extraordinary COVID-19 related operating costs, the likes of which are mentioned in the introduction section of this announcement, have detracted therefrom. The Group's net interest charge has been in line with the comparative year.

## **Liquidity and Balance Sheet**

Libstar has continued to protect its cash position through working capital planning, collaboration with its trading partners and the deferment of non-critical capital and other expenditure. Through implementation of the above initiatives, the Group has remained highly solvent and liquid, operating well within the facility covenants established by its lenders.

Maintaining a cautious approach, the Board previously resolved to postpone the payment of the dividend declared in relation to the year ended 31 December 2019. This will be subject to further review at the time of the release of Libstar's interim financial results on or around 2 September 2020.

## **Outlook**

The longer-term impact of COVID-19 on Libstar and the markets within which it operates, remains unquantifiable.

As government restrictions continue to be eased under lockdown level 3, most notably within the quick-service restaurant industry, so too the Group expects an improvement in the performance of its non-retail sales channels. However, the improvement is expected to be gradual and measured.

Despite continuing logistical challenges, export channel revenue is expected to firm as shipment timing normalises over the coming months.

Responding to constantly changing circumstances, operating costs are being managed through human capital planning, negotiations with trading partners and careful monitoring of production efficiencies.

Libstar's branded, dealer-own brand and private label product and sales channel diversity, underpinned by a culture of innovation and agility, will continue to serve as a strong base from which to weather the storm.

## **Next reporting**

Much has changed since the Group reported its year-end results in March 2020 and the current environment remains volatile. The Group expects to provide another, more detailed trading update during the course of August 2020 ahead of the publication of the Group's interim financial results on or around 2 September 2020.

## **Conclusion**

Management's focus will remain on:

- Protecting the safety, health and wellbeing of Libstar's people as its single most important priority;
- Preserving the financial stability of the Group through working capital management and cost-saving plans; and
- Maintaining high service levels and product availability to our customers.

We are ensuring that the Group remains operationally sound by maintaining stringent health and food safety standards in partnership with our stakeholders.

In closing, we extend our sincere gratitude to our people and trading partners who have continued to work tirelessly in trying conditions.

The financial information in this announcement has not been reviewed or reported on by Libstar's external auditors.

**9 June 2020**

Sponsor  
The Standard Bank of South Africa Limited

### **Forward-looking statements**

This announcement contains certain forward-looking statements. These include statements regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the markets in which Libstar operates, including the projected future financial and operating impacts of the COVID-19 pandemic.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual future financial condition, performance and results to differ materially from the plans, goals, expectations and results expressed in the forward-looking statements and other financial and/or statistical data within this announcement.

It is believed that the expectations reflected in this announcement are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement and the Group undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on such forward-looking statements. No statement in this communication is intended to be a profit forecast.