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

Trading update and trading statement for the year ending 30 September 2020

In accordance with paragraph 3.4(b) of the Listings Requirements of the JSE Limited (“JSE”), Tiger Brands is required to publish a trading statement as soon as it is satisfied that a reasonable degree of certainty exists that its financial results for the year ending 30 September 2020 will differ by more that 20 percent when compared to the previous financial year.

As previously reported, operations at Deli Foods in Nigeria were terminated in October 2019. Shareholders are also referred to the SENS announcement of 17 August 2020 with regards to the disposal of the Company’s Value-Added Meat Products business (“VAMP”).

As a consequence of the above, Deli Foods and VAMP have been treated as discontinued operations for purposes of the below disclosures, with the comparative information restated accordingly.

Shareholders are accordingly advised that:

- Earnings per share (EPS) from total operations for the year ending 30 September 2020 is expected to be between 76% and 79% (or between 1 771 cents and 1 843 cents) lower than the 2 333 cents reported in the previous financial year.

- Headline earnings per share (HEPS) from total operations for the year ending 30 September 2020 is expected to be between 35% and 40% (or between 460 cents and 532 cents) lower than the 1 322 cents reported in the previous financial year.

- EPS from continuing operations for the year ending 30 September 2020 is expected to be between 68% and 71% (or between 1 790 cents and 1 862 cents) lower than the 2 620 cents reported in the previous financial year.

- HEPS from continuing operations for the year ending 30 September 2020 is expected to be between 29% and 33% (or between 450 cents and 521 cents) lower than the 1 558 cents reported in the previous financial year.

The ranges above reflect the poor first half performance, but include an improved underlying performance expected in the second half, offset by the impact of Covid-19 related costs referred to in more detail below, as well as restructuring costs estimated at approximately R70 million as a result of adopting a fit-for-future operating model.

The decline in EPS relative to HEPS is largely due to the surplus of R2 billion arising from the fair value gain relating to the unbundling of the Company’s interest in Oceana Group Holdings Limited (“Oceana”) in the previous financial year, including the capital profit realised on the disposal of the Company’s residual shareholding in Oceana.

Impairment assessments

The ranges provided in terms of EPS do not include any further impairment adjustments to those recorded at 31 March 2020, in respect of the carrying value of the Company’s assets. This will be further assessed at year end.

Trading performance for the June quarter

Boosted by the impact of strong volume growth, particularly in the Rice, Pasta, Jungle (breakfast oats), Groceries and Home & Personal Care categories, revenue from continuing operations for the three months to June rose by 11% to R7.2 billion. This comprised of 4% volume growth, 5% price inflation and a positive foreign exchange impact of 2%. However, operating income declined marginally, due mainly to Covid-19 related costs.

Exit from Deciduous Fruit

Further to the announcement that was made on 25 May 2020 regarding the Company’s intention to exit its Deciduous Fruit business, shareholders are advised that Tiger Brands has retained the services of Absa Investment Banking Division (M&A Advisory). The preparatory components of the sale process have been concluded and engagements with a list of potential buyers, as part of an initial expression of interest process, have commenced. The Company will issue further communication as and when appropriate.

Covid-19 related costs

The Company has prioritised the safety of its workforce over this period and has successfully managed to play a vital role in ensuring the ongoing availability of essential food items. In addition, it sought to support the Government's broader national effort by deferring price increases of products for the initial period of the Lockdown whilst pricing continues to be restrained by the Consumer and Customer Protection and National Disaster Regulations, which will remain in force for the extended period of the national disaster to 15 September 2020.

As highlighted above, the Company has seen robust volume growth in certain of its categories for the quarter ended June 2020 as a result of increased at-home consumption during the Lockdown period.

However, volumes in other categories such as Baby Nutrition, Deciduous Fruit, Beverages and the Out of Home channel were negatively impacted.

Notwithstanding the above, the direct costs related to Covid-19 and the effects of the pricing regulations are expected to be significant. The impact of the direct costs associated with Covid-19 is set out below for the six months ending 30 September 2020.

	Actual 3 months to June 2020	**Estimated 3 months to September 2020**	**Estimated 6 months ending 30 September 2020**
	Rm	**Rm**	**Rm**
Impact of mandatory factory closures (Sorghum based Beverages & Home Care)	63	-	63
Special staff attendance incentive	24	-	24
Sanitisation, PPE & testing protocols	23	31	54
Staff transport	21	20	41

Logistics & Manufacturing under-recoveries	21	37	58
Additional CSI/Hunger Relief	12	3	15
	164	**91**	**255**

In addition, the impact of price increases foregone as a consequence of the Company's commitment to support Government's efforts as referred to above, and the cost of complying with the Consumer and Customer Protection and National Disaster Regulations is estimated to be R175 million for the three months to June and a further R127 million for the three months ending 30 September 2020. This is significant when compared with an operating profit from continuing operations in the corresponding six-month period last year of R1.4 billion.

The Company has initiated engagement with the regulators around the future construct and interpretation of these regulations.

Nigeria

The legal dispute with the previous distributor in Nigeria has been resolved and sales of our Benny and Jolly Jus product ranges resumed in August 2020.

In addition, an agreement has been reached for the sale of assets at Deli Foods in Nigeria.

Class Action Update

Following judgment of the Gauteng Division of the High Court, Johannesburg handed down on 23 June 2020 in favour of Tiger Brands, compelling third parties who were served with subpoenas to provide information required for the Class Action, all of the third parties except one have applied for leave to appeal against the order. It is expected that the High Court will shortly determine a date for the hearing of the applications for leave to appeal.

Looking ahead

Significant progress has been made to ensure that the Group is better positioned to navigate the tough operating environment. This includes the work currently underway to re-engineer the business and reduce costs, the implementation of a fit-for-future operating model that enables focused and relevant solutions for each of our categories, as well as the acceleration of portfolio optimisation initiatives. These developments, together with an improved Export performance as a result of the resolution of the legal dispute in Nigeria, are likely to strengthen the Company’s core portfolio going forward.

The information above has not been reviewed or reported on by the Company's auditors.

The Company’s results for the year ending 30 September 2020 are expected to be released on SENS on or about 20 November 2020.

Bryanston

21 August 2020

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