

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")

Fourth quarter trading update

Introduction

During the fourth quarter of Libstar's 2020 financial year ended 31 December 2020 (Q4), the Group continued to prioritise:

- the protection, safety, health and well-being of Libstar's people;
- the preservation of cash and maintenance of the Group's financial stability; and
- the delivery of superior service levels and product availability to customers.

In doing so, the Group incurred a further R5 million in direct COVID-19 related expenses. In line with previous guidance, direct COVID-19 related expenses for the year totalled R65 million.

Lower COVID-19 infection rates were recorded at the start of the fourth quarter with continued stringent health and safety protocols applied at all manufacturing sites. However, the Group experienced a resurgence in COVID-19 positive cases from November, in line with national statistics. Product availability and service levels to key customers were, nonetheless, maintained in the wake of the second wave of COVID-19 outbreaks.

Cash flows

Cash generation from operations has remained stable following the R145 million payment of the Group's dividend on 28 September 2020. Libstar complied with all lender financial covenants during the quarter and indeed for the full year ended 31 December 2020.

Trading update

Group revenue grew by 2.8% for the year ended 31 December 2020. As detailed in the table below, following year-on-year revenue growth of 1.9% in the first half (H1), revenue grew by 3.6% during the second half of the financial year (H2). This is in line with guidance provided to the market and the traditional seasonality of Libstar's sales, which are weighted towards the second half of the financial year.

The sales channels which contributed to the strong second half growth were the retail and wholesale channel and the export channel. The food service channel continued to perform below prior year, in line with expectations, due to the lower occupancies of hospitality venues and restaurants in the wake of the pandemic. The industrial and contract manufacturing channel also lagged, impacted by lower demand from national and multinational brand owners.

Performance by sales channel

As reported previously, the effect of COVID-19 has been most apparent in the Group's sales channels. Libstar's gross revenue performance by sales channel (before allowances and rebates) and Group total net revenue (after allowances and rebates) are summarised as follows:

	Year-on-year revenue growth / (decline)				Contribution to Group revenue	
	Q3 2020	Q4 2020	Six months ended 31 December 2020	Financial year ended 31 December 2020	Financial year ended 31 December 2020	Financial year ended 31 December 2019
GROSS REVENUE BY CHANNEL						
Retail and wholesale	26.6%	3.7%	14.5%	12.3%	64.4%	59.4%
Food service	-13.6%	-14.6%	-14.2%	-23.8%	13.5%	18.3%
Exports	13.1%	17.4%	15.0%	6.0%	11.3%	11.0%
Industrial and contract manufacturing	10.0%	-7.5%	0.9%	-0.9%	10.8%	11.3%
TOTAL GROUP NET REVENUE	14.4%	-5.0%	3.6%	2.8%	100.0%	100.0%

The financial year was characterised by significant supply chain disruptions and changes in shopping behaviour directly related to the COVID-19 pandemic. As detailed in the sales channel commentary below, these factors contributed to the significant weighting of H2 2020 revenues to Q3. As a result, the H2 2020 performance, which incorporates both the Q3 and Q4 performance, is deemed to be most representative of the Group's current trading performance.

Retail and wholesale

Retail and wholesale channel revenue increased by 14.5% in H2 and by 12.3% for the year. The channel contribution to Group revenue increased from 59.4% of revenue in the prior year to 64.4% in the current year.

Significant third quarter year-on-year revenue growth was mainly attributable to continued robust retail demand and the beneficial timing effects of the sale of imported value-added meal ingredients in July, after the major port delays in June. These timing benefits were not repeated during the fourth quarter as peak retailer demand during the festive season was largely satisfied by Libstar's third quarter deliveries.

Festive season retail and wholesale channel demand and revenue was therefore largely in line with the same period in 2019, with channel revenue growth in most product categories normalising from the highs experienced during the second and third quarters. Total revenue from this channel increased by 3.7% during the fourth quarter.

Food service

Revenue declined by 14.2% in H2 and by 23.8% for the year. The channel contribution to Group revenue decreased from 18.3% of revenue in the prior year to 13.5% in the current year.

As guided previously, food service channel revenue continued to trade at between 80% and 85% of prior year levels during the fourth quarter, due to reduced occupancies of hospitality venues and restaurants in the wake of the pandemic. As a result, the channel recorded a 14.6% year-on-year decline in revenue during the fourth quarter, following a 13.6% decline in the third quarter.

Exports

Cape Herb & Spice continued to lead the Group's export channel efforts, with a focus on dry condiments in the Groceries category. The performance was bolstered by continued demand for exported private label dry condiments, as well as substantially improved shipment fulfillment rates from July onwards following the harbour congestion experienced in Q2.

The export channel therefore delivered strong revenue growth of 13.1% and 17.4% during the third and fourth quarters, respectively. H2 growth was 15.0% and a full year growth of 6.0% was achieved.

Industrial and contract manufacturing

Revenue growth from the industrial and contract manufacturing channel slowed to a year-on-year decline of 7.5% during the fourth quarter following a strong revenue growth performance of 10.0% during the third quarter. Fourth quarter revenues were adversely impacted by the reduced demand from national and multinational brand owners due to the slow-down in food service markets. As such, the channel recorded revenue growth of 0.9% in H2 and a decline in revenue of 0.9% for the full year.

Summary

- Libstar's H2 2020 year-on-year net revenue growth of 3.6% exceeded H1 2020 revenue growth of 1.9%, resulting in a 2.8% growth for the full year. This was supported by strong annual growth in gross revenue from the retail and wholesale channel (+12.3%) as well as the export channel (+6.0%);
- The food service channel continued to operate at 80% to 85% of previous year levels following the Q2 total lockdown, resulting in a year-on-year decline in gross revenue of 23.8%; and
- Cash generation remained stable and the Group complied with all lender financial covenants during the quarter and for the full year ended 31 December 2020.

Further trading update and publication of results

The Group expects to publish a further trading update, including commentary on the performance of its product categories, ahead of the publication of its audited annual financial statements on or about **Wednesday, 17 March 2021**.

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

29 January 2021

Sponsor
The Standard Bank of South Africa Limited