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**")

Trading statement for the six months ended 30 June 2021

Introduction

Libstar provides a trading update and trading statement ahead of the publication of the Group's interim financial statements on 8 September 2021.

Within the context of the ongoing impact of the COVID-19 pandemic, the Group has continued to prioritise:

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

During the first half of 2021, Group revenue increased strongly relative to the comparative prior period. Gross margins declined somewhat due to lower export margins as well as significant input cost inflation and lower production volume throughputs in the Household & Personal Care (HPC) category.

The strong growth in Normalised EBITDA achieved by Libstar's food categories was offset by a significant decline in HPC sales and margins.

Foreign exchange gains reduced significantly due to unfavourable foreign exchange rate movements, adversely impacting reported operating profit, earnings per share (EPS) and headline earnings per share (HEPS).

Normalised EPS, which excludes unrealised foreign currency movements and other non-recurring, non-trading & non-cash items, is expected to increase slightly. Normalised HEPS, which also excludes the aforementioned items, is expected to be reported in line with the comparative prior period.

This information is expanded on below.

Trading update

Group revenue

Group revenue increased by 8.7% for the six-month period ended 30 June 2021. The strong revenue performance was predominantly driven by increased sales within the Group's largest categories, Perishables and Groceries, which represent approximately 80% of Group revenue. These categories recorded revenue growth of 12.5% and 12.9% respectively.

Revenue performance by sales channel

The Group's revenue by sales channel is summarised below:

	Year-on-year revenue growth / (decline)	Contribution to Group revenue	
Group	**Six-month period ended 30 June 2021**	**Six-month period ended 30 June 2021**	**Six-month period ended 30 June 2020**
REVENUE BY CHANNEL			
Retail and wholesale	-1.0%	61%	67%
Food service	46.2%	16%	12%
Exports	22.4%	12%	11%
Industrial and contract manufacturing	14.7%	11%	10%
TOTAL GROUP REVENUE	**8.7%**	**100%**	**100%**

Retail and wholesale channel revenue declined by 1.0%, whilst food service channel revenue increased by 46.2%. This was mainly attributable to the base effect of the prior period when retail and wholesale revenue benefited from COVID-19 related food stockpiling while the food service channel experienced the adverse effects of COVID-19 related lockdown restrictions. The revenue contribution of the retail and wholesale and the food service channels during the first six-months of 2021, normalised to pre-COVID levels. The retail and wholesale channel revenue reduced to 61% of Group revenue, whilst the food service channel revenue contribution increased to 16% of Group revenue.

Export revenue increased by 22.4%, mainly due to increased shipments following improved shipment completion rates relative to the prior period.

Industrial and contract manufacturing channel revenue increased by 14.7%, reflecting improved customer orders and new contract manufacturing arrangements within the wet condiments sub-category.

Revenue performance by product category

The Group's revenue by product category is summarised below:

	Year-on-year revenue growth / (decline)		Contribution to Group revenue	
Group	**Six-month period ended 30 June 2021**	**Six-month period ended 30 June 2020**	**H1 2021**	**H1 2020**
REVENUE BY CATEGORY				
Perishables	+12.5%	-1.7%	48%	46%
Groceries	+12.9%	-2.1%	32%	31%
Snacks & Confectionery	-11.0%	+18.1%	5%	6%
Baking & Baking Aids	+5.8%	+22.9%	8%	8%
HPC*	-9.6%	+11.5%	7%	9%
TOTAL GROUP REVENUE	**+8.7%**	**+1.9%**	**100%**	**100%**

**Household & Personal Care*

Perishables

Perishables revenue grew by 12.5%.

Following the severe impact of COVID-19 lockdown restrictions on this category during the comparative 2020 period, food service channel demand for value-added meat products and cheese improved significantly during H1 2021.

Groceries

Groceries revenue grew by 12.9%.

This category delivered a strong performance within the retail, food service and export channels, mainly due to improved shipment completion rates of herbs and spices following shipment delays in the prior period, as well as strong demand for value-added meal ingredients.

Snacks & Confectionery

Snacks & Confectionery revenue declined by 11.0%. This was mainly due to continued subdued retail demand for premium assorted nut mixes, granolas and snack bars.

Baking & Baking Aids

Baking & Baking Aids revenue grew by 5.8%.

The category continued to experience strong retail channel demand for rolls, wraps and artisanal breads. There was also a significant improvement in food service channel demand for wraps relative to the prior period when COVID-19 related lockdown restrictions applied to quick-service restaurants.

Household & Personal Care (HPC)

HPC revenue declined by 9.6%.

Category revenue was adversely impacted by significantly reduced demand for sanitizer and bleach products relative to the high base set in the comparative period as well as the impact of the consolidation of four manufacturing and distribution sites during the period under review. The consolidation project was completed in June 2021.

Group gross profit margin

Libstar's year-on-year gross profit margin declined to 22.0% from 23.4%.

Food category gross profit margins reduced from 23.8% to 23.0%, mainly due to reduced export margins following lower average foreign exchange rates relative to the prior period.

HPC's gross profit margins reduced from 19.2% to 9.2%, mainly due to significant input cost inflation of critical imported raw materials and lower production volume throughputs.

Normalised EBITDA

Normalised EBITDA from the Group's food categories (before allocation of central office costs) increased by between 8.1% and 12.1%, supported by strong revenue growth, margin and cost-control.

Normalised EBITDA from the Group's HPC category (before allocation of central office costs) reduced by more than 100%, mainly because of the significant reduction in demand and gross profit margin as detailed above.

As a result, the Group expects to report Normalised EBITDA for the six-months ended 30 June 2021 within the following ranges:

	Percentage change	**Expected for the six-month period ended 30 June 2021**	**Reported for the six-month period ended 30 June 2020**
		R'000	**R'000**
Normalised EBITDA	-2.7% to +2.3%	R444,686 to R467,533	R456,947

Normalised EBIT

The Group's total depreciation charge in relation to property, plant and equipment, right-of-use assets and amortisation of software increased by 6.2% to R173 million from R163 million in the previous year, mainly due to capital expenditure projects completed during 2020 and 2021.

Normalised Earnings Before Interest and Taxation (EBIT) for the period ended 30 June 2021 is therefore expected to be reported within the following ranges:

	Percentage change	Expected for the six-month period ended 30 June 2021	Reported for the six-month period ended 30 June 2020
		R'000	R'000
Normalised EBIT	-6.2% to -1.2%	R275,362 to R290,041	R293,598

Other income and foreign exchange gains

As a result of lower average foreign exchange rates relative to the prior year, realised foreign currency translation gains of R20.1 million in the prior period reduced to a loss of R3.2 million in the period under review. Unrealised foreign currency translation gains reduced from R30.7 million to R1.1 million.

Other income and foreign exchange gains for the period under review therefore reduced from R80.9 million to R13.0 million, significantly impacting reported operating profit, earnings per share and headline earnings per share.

Interest

Net finance charges (excluding IFRS 16) reduced by 27.3% from R68.2 million to R49.6 million mainly as a result of lower average borrowing rates relative to the prior period.

Trading Statement

In terms of the Listings Requirements of the JSE Limited, companies are required to publish a trading statement as soon as there is a reasonable degree of certainty that the financial results for the period to be reported upon next will differ by at least 20% from the financial results for the previous corresponding period.

Within the context of the trading update above and significantly reduced foreign exchange gains relative to the prior period, the Group expects to report Earnings Per Share (EPS), Headline Earnings Per Share (HEPS), Normalised EPS and Normalised HEPS, within the ranges reflected in the table below:

		Expected for the six-month period ended 30 June 2021	Reported for the six-month period ended 30 June 2020
	Percentage change	**(cents)**	**(cents)**
Total EPS*	-28.5% to -20.0%	11.8 to 13.2	16.5
Total HEPS*	-32.0% to -23.7%	11.5 to 12.9	16.9
Normalised EPS^	-0.4% to +5.5%	23.7 to 25.1	23.8
Normalised HEPS^	-3.7% to +2.1%	23.3 to 24.7	24.2

* from continuing and discontinued operations
^ from continuing operations

The diluted weighted average number of shares in issue at the end of the reporting period was 597,880,016 (H1 2020: 599,538,009).

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

These interim results will be published on or about 8 September 2021.

13 August 2021

Sponsor
The Standard Bank of South Africa Limited