**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**")

## RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND CASH DIVIDEND DECLARATION

### Introduction

Libstar navigated challenging market conditions during the 2021 financial year amidst unprecedented supply chain disruptions, input cost inflation and continued economic pressure on consumers.

In these difficult conditions, the Group achieved:

- revenue growth of 7.1% (volumes up 0.5%; price/mix up 6.6%);
- growth in Normalised EBITDA of 2.4%;
- strong cash generation, evidenced by an improved Group cash conversion ratio of 96% (2020: 83%);
- a reduction in Group gearing ratio to 1.2 (2020: 1.4);
- an improvement in net interest cover to EBITDA to 9.1x (2020: 7.6x); and
- an increase in return on invested capital to 12.5% (2020: 12.3%).

### Libstar's key priorities during the year under review

In the context of the ongoing impact of the COVID-19 ("**COVID**") pandemic, the Group has maintained its agile approach to respond to current market conditions. By doing so, the Group has:

**1. Delivered superior service levels**

Libstar continued to invest in business intelligence systems to improve our pioneering inventory optimisation and demand planning solutions for key customers.

**2. Mitigated the adverse margin impact of supply chain disruptions and rising input costs**

During the year under review, the Group mitigated the adverse impact of global supply chain disruptions and input cost inflation by reducing Group operating expenses by 6.7%.

**3. Protected the well-being of Libstar's employees**

In line with the guidance provided at the completion of the 2020 year-end results, the Group's extraordinary COVID expenses declined by R50 million to R15 million.

**4. Preserved the Group's financial stability**

The Group's cash generation profile remained strong during the year under review. A resilient performance from Libstar's food categories contributed to an improved cash conversion ratio of 96% in 2021 compared to 83% in 2020.

The Group successfully refinanced its long-term debt facilities of R1.7 billion. In doing so, term debt maturity dates were extended by between three and five years from 1 January 2022 at a slightly improved average interest rate. These new facilities secured tenure of banking facilities which are competitively priced and flexible to cater for an agile approach to cash management.

Due to strong cash generation from operating activities, net interest-bearing debt reduced to R1.1 billion compared to R1.3 billion in 2020. As such, net interest-bearing debt to EBITDA decreased to 1.2 times (2020: 1.4 times) and remains at the lower end of Libstar's stated optimal range of 1x-2x normalised EBITDA. The Group was fully compliant with lender financial covenants throughout the reporting period.

**5. Actively repositioned its portfolio of businesses**

The Group is in the process of exiting the HPC category and has taken active steps to increase its exposure to higher-growth food categories. The latter was evidenced by a 60% interest in Umatie (Pty) Ltd, a baby food manufacturer and distributor in December 2021. This was the first acquisition made by Libstar Nova (Pty) Ltd, a wholly-owned subsidiary of Libstar that was established in H2 2021 to act as a dedicated new-business incubator.

**Repositioning of the Group's portfolio toward higher-margin food categories**

The Group has taken active steps to reposition its portfolio of businesses toward valued-added and higher-margin food categories. In this regard, shareholders are referred to the announcement dated 21 February 2022 wherein it was advised that Libstar has received an offer to acquire a 70% equity interest in two of the Group's Household and Personal care divisions ("**HPC**"), Contactim and Chet Chemicals, for a total purchase consideration of R174.6 million.

The assets and liabilities attributable to these divisions have been classified as a disposal group held for sale at 31 December 2021 ("**Discontinued Operations**") and are separately presented in the statement of financial position in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations ("**IFRS 5**")*. The post-tax loss of R64.2 million attributable to the Discontinued Operations and the post-tax loss of R84.1 million recognised on the measurement of the assets and liabilities of the Discontinued Operations to fair value less cost to sell, are presented as a single amount in the statement of comprehensive income. The prior year's statement of comprehensive income has been re-presented to provide a like-for-like comparison.

A put and call option, exercisable by Libstar and the Purchasers respectively between 31 December 2023 and 30 June 2024, will be entered into in relation to Libstar's remaining 30% interest in Contactim and Chet Chemicals. The price at which the option may be exercised is based on the same valuation that was used to calculate the purchase consideration for the initial 70% equity interest to be acquired, less a discount of 20%, being an indicative amount of R42.72 million.

The total purchase consideration therefore amounts to R217.32 million.

The transaction serves to amplify Libstar's strategic intent to focus and grow its existing food categories whilst transitioning its non-food operations to a sustainable, standalone business.

The remaining business in Libstar's HPC category, Glenmor Soap (Pty) Ltd ("**Glenmor**"), does not form part of the transaction. This subsidiary, in which Libstar holds a 70% equity interest, has therefore been reported as a continuing operation for the year ended 31 December 2021. Glenmor constitutes less than 1% of Group revenue and normalised EBITDA.

In line with Libstar's stated strategy of focusing on the growth of its existing food categories, the Group intends to exit its investment in Glenmor during the 2022 financial year depending on market conditions.

The results of continuing operations for this year include the post-tax impairment of all intangible assets attributable to Glenmor in the amount of R59.8 million.

**Summary of financial performance**

The Group uses revenue, Normalised EBITDA, Normalised earnings per share (EPS) and Normalised headline earnings per share (HEPS) from continuing operations, which exclude non-recurring, non-trading and non-cash items, as the key measures to indicate its true operating performance. Libstar's full-year results are summarised in the table below.

| | 2021 | Change | 2020 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue (R'000) | 10 001.4 | +7.1% | 9 339.4 |
| Gross profit margin | *23.0%* | -1.4pp | *24.4%* |
| Normalised operating profit (R'000) | 743.2 | +1.2% | 734.7 |
| *(margin)* | 7.4% | -0.5pp | 7.9% |
| Normalised EBITDA (R'000) | 1 068.7 | +2.4% | 1 043.6 |
| *(margin)* | 10.7% | -0.5pp | 11.2% |
| Diluted EPS (cents) | 51.3 | +342.2% | 11.6 |
| Diluted HEPS (cents) | 61.3 | +33.0% | 46.1 |
| Normalised EPS (cents) | 70.4 | +112.0% | 33.2 |
| Normalised HEPS (cents) | 80.4 | +18.8% | 67.7 |
| **All Operations** | | | |
| Diluted EPS (cents) | 26.5 | +115.4% | 12.3 |
| Diluted HEPS (cents) | 50.6 | +8.1% | 46.8 |
| **Balance sheet and cash flow indicators** | | | |
| Net interest-bearing debt to Normalised EBITDA | 1.2 | | 1.4 |
| Cash generated from operations (R'000) | 1 035.0 | +13.9% | 908.7 |
| Capital investment in property, plant and equipment (R'000) | 305.3 | -6.9% | 328.0 |
| Cash conversion ratio | 96% | | 83% |

**Revenue**

Group revenue increased by 7.1%, with Group volume sales up 0.5%. Price increases and changes in sales mix contributed 6.6% to Group sales growth.

**Gross profit margins**

Libstar's year-on-year gross profit margin declined from 24.4% to 23.0%, mainly due to reduced export margins and the effects of rapidly rising costs of critical raw materials and packaging due to local and international supply chain volatility. The immediate impact of these cost increases were exacerbated due to a timing lag between the increases and their recovery by way of selling price increases.

**Other income and foreign exchange gains**

The net effect of realised and unrealised foreign currency translation gains and losses as well as other income during the year under review, had a positive impact of R5.9 million on the 2021 reported operating profit.

**Normalised operating profit and Normalised EBITDA**

Group Normalised EBITDA increased by 2.4% at a margin of 10.7% (2020: 11.2%), supported by strong revenue growth, as well as margin and cost controls.

**Operating expenses**

As committed in 2020, the benefits of the increased focus on Group cost control were evident in the year under review. Operating expenses decreased by 6.7% from R1 973 million to R1 842 million, including the R73.3 million pre-tax impairment of all intangible assets attributable to Glenmor.

**Investment income and finance costs**

The Group's net finance cost (including IFRS 16) declined by 10.0% from R174.0 million to R156.6 million, mainly due to the full year inclusion of the reduction in the Johannesburg interbank average lending rate (JIBAR) in the current year.

Group net finance costs (excluding IFRS 16), decreased by 11.5% from R114.5 million to R101.3 million.

Finance charges incurred on lease liabilities (IFRS 16) decreased by 7.2% from R59.5 million to R55.2 million.

**Earnings and headline earnings**

**Continuing operations**

Fully diluted EPS and HEPS increased by 342.2% and 33.0% respectively, mainly impacted by a lower effective tax rate and the impairment of intangible assets in the comparative year.

Normalised EPS, which excludes unrealised foreign currency movements and other non-recurring, non-trading and non-cash items, increased by 112.0%. Normalised HEPS, which excludes these items and impairments, increased by 18.8%.

The weighted average number of shares in issue remained unchanged at 595.8 million and the diluted weighted average number of shares increased by 0.1% to 597.4 million.

The Group's effective tax rate reduced from 60.6% to 14.9%, mainly due to the finalisation of an income tax refund in relation to a prior year's assessment in the amount of R26.0 million and the utilisation of trading losses arising from Discontinued Operations by the Group's main operating legal entity, Libstar Operations (Pty) Ltd.

**Cash flows and balance sheet**

Cash generated from operating activities increased by 13.9% from R908.7 million to R1 035.0 million. This was mainly due to improved cash flow from operations and reduced net finance costs.

During the reporting period, the Group continued to invest in capacity-enhancing projects in targeted growth areas. Capital expenditure of R305 million was incurred during the reporting period (2020: R328 million), representing 3.1% of net revenue (2020: 3.5%). This is in line with the Group's target range of 2.0% to 3.0%, as previously indicated.

**Reclassification of trading term expenses in the published statement of profit or loss and other comprehensive income for the year ended 31 December 2020 ("Prior Period")**

Certain trading term expenses of the Group's divisions were incorrectly classified in the Prior Period. These expenses were included in Cost of Sales on the face of the statement of profit or loss and other comprehensive income instead of being classified as estimations of variable consideration which should be deducted from Revenue in accordance with IFRS 15 Revenue from Contracts with Customers. This misclassification has no effect on the previously published headline earnings per share (HEPS), earnings per share (EPS), net asset value (NAV), tangible net asset value (TNAV) or cash flow. The corrected disclosure, however, does result in the overstatement of Revenue by R155.6 million and the overstatement of Cost of Sales by the same amount in the prior period. The effect of the amended disclosure to the Prior Period annual financial statements is summarised as follows:

**Audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020**

| | 2020 Restated R'000 | 2020 Reported R'000 | Difference R'000 |
|---|---|---|---|
| Revenue | 9 339 423 | 9 495 009 | (155 586) |
| Cost of Sales | (7 060 843) | (7 216 429) | 155 586 |

**Responsibility statement**

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement. Any investment decision should be based on the full announcement. The information presented in the Summary of Results section above includes pro-forma financial information in terms of the JSE Listings Requirements. The pro forma financial information presented in this announcement, which is the responsibility of the Group's directors, has been prepared for illustrative purposes only, and may not fairly present the Group's financial position, changes in equity, cash flows or results of operations.

The full announcement can be found:
- On the JSE's website: https://senspdf.jse.co.za/documents/2022/jse/isse/lbre/FY_2021.pdf
- On the Company's website: https://www.libstar.co.za/investors/publications-and-presentations/

Copies of the full announcement is available for inspection and may also be requested at Libstar's registered office and offices of our sponsor, at no charge, during office hours.

**Report of the independent auditors**

The consolidated annual financial statements for the year ended 31 December 2021 have been audited by Moore Cape Town Inc., who expressed an unqualified opinion thereon. The auditor's report in terms of International Standards on Auditing, along with their key audit matters and the Annual Financial Statements, are available at the following link: https://www.libstar.co.za/investors/publications-and-presentations/.

**DECLARATION OF CASH DIVIDEND**

The board of Libstar has approved and declared a final cash dividend of 25 cents per ordinary share (gross) in respect of the year ended 31 December 2021.

In accordance with paragraphs 11.17 (a) (i) to (x) and 11.17 (c) of the JSE Listings Requirements the following additional information is disclosed:

- The dividend has been declared from income reserves;
- The local Dividends Tax rate is 20% (twenty percent);
- The gross local dividend amount is 25 cents per ordinary share for shareholders exempt from the Dividends Tax;
- The net local dividend amount is 20 cents per ordinary share for shareholders liable to pay the Dividends Tax.

Libstar has 681 921 408 ordinary shares in issue.

Libstar's income tax reference number is 9526395174

The following salient dates will apply to the dividend payment:

| | |
|---|---|
| • Declaration date | Wednesday, 16 March 2022 |
| • Last day to trade cum the final dividend | Tuesday, 5 April 2022 |
| • Shares commence trading ex final dividend | Wednesday, 6 April 2022 |
| • Record date | Friday, 8 April 2022 |
| • Payment in respect of the final dividend | Monday, 11 April 2022 |

Share certificates may not be dematerialised or re-materialised between Wednesday, 6 April 2022 and Friday, 8 April 2022, both days inclusive.

By order of the Board

| | |
|---|---|
| Wendy Luhabe | Andries van Rensburg |
| CHAIRMAN | CEO |

16 March 2022
Sponsor
The Standard Bank of South Africa Limited