AVI LIMITED
Registration number 1944/017201/06
Share code: AVI
ISIN: ZAE000049433
("AVI" or "the Company" or "the Group")

TRADING STATEMENT AND UPDATE FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

The semester's trading environment was challenging with record levels of load-shedding negatively affecting our manufacturing, distribution and retail operations. The impact was mitigated through back-up power solutions but nonetheless added R22,0 million to direct operating costs. While the indirect costs of chronic load shedding are difficult to quantify they are significant, exacerbating the complexity this imposes on our operations, supply chains and distribution logistics. We have invested in back-up power options for a number of years and continue to do so; there is however a meaningful capital cost to this. Heightened currency and commodity volatility, and sustained high fossil fuel prices increased many of our input costs substantially. Our hedging practices reduced the impact of this cost pressure but price increases were necessary to protect gross margins in some categories.

Rising inflation, higher interest rates and unemployment continue to constrain consumer spending. Whilst we have strong and resilient brands, affordability is a growing constraint for consumers, limiting their ability to digest higher prices. Sales volumes were lower in some categories, exacerbated by competitor discounting, with cost pressures not always recovered through higher prices.

Group revenue increased by 7.2% over the same period last year. Revenue growth in Entyce and Snackworks was driven by price increases to offset input cost pressures. I&J's revenue declined 2.3% with lower catch rates and the re-emergence of lock-downs in China and Hong Kong affecting the abalone sales mix for the semester. Personal care revenue improved moderately, underpinned by growth in the aerosol and fragrance categories, but offset by reduced manufacturing revenue due to the acquisition of the Exclamation and Gravity trademarks from Coty in the prior year. The fashion retail brand portfolio had a pleasing semester, with sound volume growth and price increases lifting revenue by 17.4% over the prior period. December's retail sales were particularly strong, and were well ahead of pre-Covid levels.

The group's consolidated gross profit margin improved marginally. The annualisation against the prior year's write-offs following the July 2021 riots, fastidious cost control, the benefits of the trademarks acquired from Coty, and improved footwear and apparel profitability, contributed to the improvement.

I&J's gross margins were substantially constrained by materially higher diesel costs for the fishing fleet that were not fully recovered through selling price increases, and the unfavourable abalone sales mix.

Selling and administrative expenses increased at rates well above inflation, partly due to the impact of substantially higher fuel prices on distribution costs, fair value accounting of the group's hedge positions and the non-recurrence of insurance proceeds recognised last year. Consolidated operating profit was 1.7% higher than last year with only I&J's earnings declining. The Group's branded consumer business, excluding I&J, improved operating profit by 8.4%.

Net finance costs were higher than last year due to higher interest rates and higher average borrowing levels, with deliberate investment in inventory to support service levels and combat supply chain disruptions. This was partly offset by the benefit of the lower effective tax rate of 27%.

CAPITAL GAINS

There were no material capital items in the current financial period.

CONSOLIDATED HEADLINE AND ATTRIBUTABLE EARNINGS

The weighted average number of shares in issue is expected to be 0,1% higher than last year due to the issue of new shares in terms of the Group's various share incentive schemes.

We hereby advise shareholders, in accordance with Section 3.4 (b) of the Listings Requirements of the JSE Limited, that:

- Consolidated headline earnings per share for the six months ended 31 December 2022 are expected to increase by between 0.0% and 1.0% over the prior year, translating into an increase from last year's 316,9 cents to a range of between 316,9 and 320,1 cents per share; and

- Consolidated earnings per share for the six months ended 31 December 2022, including capital gains and losses, are expected to increase by between 0.0% and 1.0% over the prior year, translating into an increase from last year's 316,5 cents to a range of between 316,5 and 319,7 cents per share.

It is expected that AVI will release its full results for the six months ended 31 December 2022 on or about 6 March 2023.

The information above has not been reviewed and reported on by the Group's external auditors.

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26 January 2023

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The Standard Bank of South Africa Limited