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

VOLUNTARY TRADING UPDATE FOR THE FOUR MONTHS TO 31 JANUARY 2023

Market and environmental overview
As anticipated, year-on-year inflation for the 4 months to 31 January 2023 has remained at levels consistent with our second half of FY22 (18%). This reflects the sustained level of raw material and cost increases predominantly in our Grains portfolio as well as Home and Personal Care.

An analysis of market conditions and our own performance indicates that the cumulative impact of this level of inflation, together with interest rate hikes, has forced consumers to be even more price conscious, particularly within the basic food segment where the penetration of second tier and private label brands has increased. This in turn, is impacting negatively on absolute volume growth as well as basket mix.

Company performance
Group revenue from continuing operations for the four months ended 31 January 2023 was up 17% year-on-year, driven by overall price inflation of 18% offset by volume declines of 1%.

On the positive side, there was double digit volume growth in Snacks & Treats, Bakeries, Exports, Out of Home and Chococam. Snacks & Treats recovered off a low base due to the impact of industrial action in the prior period while Bakeries benefitted from the successful execution of market share recovery initiatives. Volume growth was also achieved in Rice, Sorghum Breakfast, Pasta and Beverages.

As a consequence of the consumer trends noted above, volume declines were reported in flour to our retail and wholesale customers, Maize and Sorghum Beverages. Volume declines were also recorded in Groceries due to customer overstocking at the start of the period, while Deciduous Fruit's volumes were affected by low opening stocks as well as the Cape Town harbour closure following the Transnet strike in October last year. The Baby segment reported volume and share declines due to continued category affordability challenges as well as competitive pricing, particularly in pouches.

The impact of loadshedding
The Group has been shielded to a large extent from any substantial impact of loadshedding on business continuity due to the significant investment made in prior years to secure back-up generating capacity.

However, the costs of operating in the current unpredictable and suboptimal environment are significant. The incremental cost of electricity generation using back-up generators in this period was R27 million and has not yet been recovered in price. In addition, during this period, we have collaborated with the Ashton Municipality by providing generating equipment and expertise to ensure water supply to our Deciduous Fruit plant, where timeous processing is essential to maintain canned fruit quality and yields.

The following guidance is applicable to prolonged periods of loadshedding:

- The incremental cost of using back-up generators is R250,000 per stage, per day. More specifically, one day at Stage 6 loadshedding costs approximately R1,5 million in incremental costs.
- The extensive use of back-up generators is expected to cost an additional R15 million in maintenance in FY23.
- Our contingency plans for Stages 6-8 indicate that we will require a further capital investment of c.R120 million for additional generating capacity. However, the bulk of this investment will be on increasing diesel and water storage capacity to mitigate the adverse impact of loadshedding at these levels on municipal water supply.

Continuity of our supply is dependent on the inbound supply of packaging and raw materials. We are therefore constantly assessing our inbound supply chain, which includes intense engagements with suppliers.

Last year, approval was granted for the installation of solar generating capacity at four of our manufacturing plants through Power Purchase Agreements. The Home and Personal Care facility was commissioned in December 2022, with the remainder on track for mid-April 2023. A further rollout is planned in the second half of FY23.

Focus and outlook

Whilst we anticipate a significant reduction in inflation in our basket in the second half of our financial year, inflation in that period is expected at low double digits based on our expectations of commodity pricing.

In such an environment, there will be relentless focus on costs, price point management and ensuring that our communication with consumers remains relevant and compelling, in the context of our premium brand portfolio. Moreover, we need to respond with balance and agility to a demanding customer landscape.

Due to the base effect of once-off events in the prior year, as well as the focus set out above, solid operating income growth for the six months to end March 2023 is expected. This will be diluted at a headline earnings level by the non-recurrence of insurance proceeds received in FY22 as well as higher financing costs as inflation impacts working capital levels and last year’s share buyback program impacts cash levels.

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

Tiger Brands’ results for the six months ending 31 March 2023 are expected to be released on SENS on or about 30 May 2023.

Bryanston

21 February 2023

Sponsor
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