

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 YEAR ENDED 30 JUNE 2023

The financial environment remained difficult with increasingly weak macroeconomic conditions. Significant inflation, rising interest rates and continued load-shedding all constrained consumer demand for the financial year.

Segmental revenue for the year ended 30 June 2023

	2023	2022	%
	Rm	Rm	Change
Food & Beverage	11 999,4	11 157,8	7,5
Entyce Beverages	4 251,6	3 981,6	6,8
Snackworks	5 261,2	4 702,4	11,9
I&J	2 486,6	2 473,8	0,5
Fashion brands	2 920,2	2 687,5	8,7
Personal Care	1 223,3	1 176,5	4,0
Footwear & Apparel	1 696,9	1 511,0	12,3
Group	14 919,6	13 845,3	7,8

Group revenue rose by 7.8% largely due to selling price increases required to offset the effect of a weaker Rand exchange rate and rising raw material costs. The consolidated gross profit margin improved marginally, benefiting from the non-recurrence of prior year write-off's following the July 2021 unrest, sound cost control, the benefits of the trademarks acquired from Coty, a strong performance from the biscuit brands and improved footwear and apparel profitability. Selling and administrative expenses increased at rates above inflation, partially due to the impact of a substantially higher fuel price on distribution costs, increased marketing and innovation investment and the non-recurrence of insurance proceeds recognised last year. Consolidated operating profit was 6.9% higher than last year, reflecting an improved second semester performance with only I&J's earnings declining for the year. The Group's branded consumer business, excluding I&J improved operating profit by 12.7%.

Some categories required price increases in the second semester to protect margins with cost increases partially mitigated by ongoing currency and raw material hedging. Volume declines slowed from those recorded in the first semester supporting a 14.5% improvement in group operating profit for the second semester.

Higher levels of load-shedding negatively affected our manufacturing, distribution and retail operations and our supply chains generally. Our back-up solutions minimised production losses albeit at an added R58,5 million direct operating cost for the financial year.

I&J's profitability improved in the second semester but the full year result was still lower than last years'. Notwithstanding significant price

increases gross margins were not fully recovered due to materially higher diesel costs for the fishing fleet, inconsistent catch-rates and the direct costs associated with load-shedding. Abalone volumes benefitted from the lifting of lock-down restrictions in China and Hong Kong from January 2023. I&J's value added plant experienced a load-shedding related fire at the facility in April 2023. This resulted in the closure of the site for several weeks impacting the semesters operating profit with the insurance proceeds not recognized in this year's operating profit. The site returned to full operation during June 2023.

Net finance costs were higher than last year due to higher interest rates and higher average borrowing levels. The effective tax rate is marginally better than last year and slightly higher than the corporate tax rate of 27%.

Cash generated by operations was strong through the second half, partly supported by a reduction in working capital, with full year operating cash flows better than last year. Capital investment amounted to R482,6 million and was well above last year with some post COVID catch-up in project activity. Net debt levels remain within our target range.

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 year ended 30 June 2023 are expected to increase by between 3% and 5% over the prior year, translating into an increase from last year's 530,6 cents to a range of between 546,5 and 557,1 cents per share; and
- Consolidated earnings per share for the year ended 30 June 2023, including capital gains and losses, are expected to increase by between 4% and 6% over the prior year, translating into an increase from last year's 530,1 cents to a range of between 551,3 and 561,9 cents per share.

It is expected that AVI will release its full results for the year ended 30 June 2023 on or about 4 September 2023.

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

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26 July 2023

Sponsor
The Standard Bank of South Africa Limited