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 2023

DISCLOSURE OF THE HOUSEHOLD AND PERSONAL CARE (HPC) DIVISION AS A CONTINUING OPERATION

The financial results of the Group for the six months ended 30 June 2023 (H1 2023) include the results of the HPC division as a continuing operation and the comparative prior period (H1 2022) statement of comprehensive income has been re-presented to provide a like-for-like comparison.

OVERVIEW OF RESULTS

Market conditions remained challenging during the period under review as persistent high levels of inflation, interest rate hikes and ongoing load-shedding increasingly constrained consumer demand.

Libstar recorded H1 2023 revenue growth of 4.0%. Selling price inflation and mix changes contributed 10.7% to sales growth.

Volume sales declined by 6.7% as the Group experienced a decline in its retail, industrial and export channels:

- Retail volumes declined predominantly due to the discontinuation of unprofitable HPC lines and lower production volumes of fresh mushrooms. Mushroom production in H1 2023 was lower than the prior period as a consequence of the destruction of the Shongweni production facility in H2 2022. Excluding the impact of lower HPC and mushroom volumes, Group retail channel volumes increased by 1.0%.
- Industrial channel volumes declined significantly due to weak demand for contract manufactured wet condiments.
- Export volumes declined from a higher H1 2022 base as certain global retail customers implemented strategies to ameliorate the impact of ongoing supply chain disruptions. These actions included increased supplier diversification and local procurement. The Group's export channel volumes were adversely impacted in stages over the course of the 2022 financial year. Whilst the H1 2023 export volume reduction reflected the full impact of these strategies, the Group remains confident in its ability to grow its longer-term export market exposure with a dedicated and well-resourced team capability.

The Group's gross profit margin declined compared to the comparative prior period but remained in line with H2 2022. The H1 2023 margin reduction was mainly due to the under-recovery of overhead costs resulting from lower volume sales relative to H1 2022. Input cost inflation remained elevated throughout H1 2023 across all categories. Gross profit (in Rand terms) therefore declined by 5.6%.

Elevated levels of load-shedding, more severe than that experienced during H1 2022 and H2 2022, continued to have a significant impact on operational costs and the Group's gross profit margin. The Group incurred R45 million in diesel cost to operate generators compared to R8 million in H1 2022, and R31 million in H2 2022. These costs were partly mitigated by pricing increases.

General operating expenses remained well controlled and increased less than the published inflation rate.

Based on the above, the Group expects to report Normalised EBITDA (excluding unrealised foreign currency movements and other non-recurring, non-trading, and non-cash items) of between R401.3 million and R411.3 million for the six months ended 30 June 2023. This represents a decrease of between 17.3% and 19.3% compared to the prior period's Normalised EBITDA of R497.4 million.

Group net finance costs (excluding IFRS 16 lease liabilities) increased by 71% from R48.1 million to R82.1 million, mainly due to the full period impact of the increase in the Johannesburg interbank average lending rate (JIBAR) in the current period of 11.1% compared to 7.7% in H1 2022.

TRADING STATEMENT

In terms of paragraph 3.4(b) 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.

Shareholders are therefore advised that, for the H1 2023 period, the Group expects:

- Total Earnings Per Share (EPS) to be between 10.1 and 11.3 cents per share, compared to the prior year EPS of 24.6 cents per share (representing a decrease of between 54.1% and 58.9%) This was mainly due to lower operating margins and higher interest expense relative to the prior period; and

- Total Headline Earnings Per Share (HEPS) to be between 9.9 and 11.1 cents per share, compared to the prior year HEPS of 24.6 cents per share (representing a decrease of between 54.9% and 59.8%); and

- Normalised EPS from continuing operations to be between 18.9 and 20.7 cents per share, compared to the prior year Normalised EPS of 35.6 cents per share (representing a decrease of between 41.9% and 46.9%). This was mainly due to lower operating margins and higher interest expense relative to the prior period; and

- Normalised HEPS from continuing operations to be between 18.7 and 20.5 cents per share, compared to the prior year Normalised HEPS of 35.6 cents per share (representing a decrease of between 42.4% and 47.5%).

STRATEGY

The Group’s strategic focus is to explore all options to improve Group returns and unlock value for Libstar’s stakeholders. These initiatives include, but are not limited to, the Group’s portfolio composition, operating model as well as the sustainable growth of Libstar’s categories and channels. Management will share more detail on these initiatives in the upcoming interim results.

SHARES IN ISSUE

The diluted weighted average number of shares in issue at the end of the reporting period decreased by 0.3% to 595,812,263 (H1 2022: 597,352,997).

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

Libstar's interim results for the period ended 30 June 2023 will be published on 12 September 2023.

18 August 2023

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