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 YEAR ENDED 31 DECEMBER 2023

OVERVIEW OF TRADING

Libstar's trading performance, operating margins and cash generation improved significantly in the six months ended 31 December 2023 (H2 2023) relative to the six months ended 30 June 2023 (H1 2023), notwithstanding continued disruptions in supply chain, persistent load-shedding and low consumer confidence driven by high inflation and interest rates.

The Group recorded revenue growth which accelerated from 4.0% in H1 2023 to 5.8% for the year ended 31 December 2023 (full-year). The H2 2023 revenue growth of 7.3% was driven by improved demand in the retail and food service channels. Volume sales declined by 2.7% in H2 2023 compared to a 7.0% decline in H1 2023, bringing the decline for the full-year to 4.8% against the backdrop of a weak consumer environment which persisted during the year under review. Pricing and mix changes contributed 10.6% to sales growth for the full-year.

Improved capacity utilisation, production efficiencies, pricing and cost management assisted Libstar in delivering improved H2 2023 gross profit margins relative to H1 2023 and the comparative H2 prior year period. The Group expects to report an H2 2023 gross profit margin of 21.2%, representing a 1.2 percentage point increase on the H1 2023 gross profit margin of 20.0%. As a result, Libstar's full-year gross profit margin has recovered to close marginally below the prior year's gross profit margin of 20.7%.

Due to intensified load-shedding in H1 2023, the Group incurred full-year diesel costs of R77 million to operate generators compared to R39 million in the prior year. Operating expenses excluding impairment charges were contained to a below-inflationary 1.9% increase.

BORROWING COSTS, CASH GENERATION AND CAPITAL ITEMS

Borrowing costs

The Group's full-year net finance cost on interest-bearing debt (excluding IFRS 16 lease liabilities) increased by R58.5 million (53.3%), mainly due to the impact of the higher Johannesburg interbank average lending rate (JIBAR) compared to the prior year.

Cash generation and gearing

Focused capital allocation and improved H2 2023 cash generation assisted the Group to significantly reduce its net interest-bearing debt to Normalised EBITDA ratio from 2.1 times as at 30 June 2023 to 1.6 times as at 31 December 2023. As a result, the Group's gearing ratio as at 31 December 2023 was in line with the prior year ratio and within the Group's stated optimal range of 1 to 2 times.

Insurance proceeds and impairments

The Group received insurance proceeds of R120 million (2022: R37 million) relating to the Denny Mushrooms Shongweni fire incident. Following consideration of the reduced total mushroom production from its two remaining mushroom farms, the Group recognised an impairment charge of R73 million (2022: R98 million) net of tax in the 2023 financial year as part of its annual impairment assessment of this business unit. Additionally, an impairment charge of R43 million (2022: R nil) net of tax was recognised in relation to the Khoisan Gourmet business unit owing to prolonged weak international demand for bulk tea.

The Group's normalisation policy has been amended, in addition to existing normalisation adjustments such as impairments, to also exclude the insurance proceeds. The amendment to the policy facilitates a like-for-like comparison of the Group's trading results.

NORMALISED EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (EBITDA)

Based on the above, the Group expects to report Normalised EBITDA (excluding unrealised foreign currency movements, insurance proceeds, impairments and other non-recurring, non-trading, and non-cash items) of between R988 million and R 1 009 million for the year ended 31 December 2023. This represents a decrease of between 2.2% and 4.3% compared to the prior year's Normalised EBITDA of R1 032 million. The Group delivered double-digit Normalised EBITDA growth in H2 2023 compared to the 18.3% decline in H1 2023.

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.

Total headline earnings per share (HEPS) and total earnings per share (EPS)

Shareholders are advised that, for the 2023 financial year, the Group expects:

- Total HEPS, which includes insurance proceeds and excludes impairment charges in accordance with IFRS, to be between 55.6 and 57.8 cents per share, compared to the prior year HEPS of 45.0 cents per share (representing an increase of between 23.5% and 28.5%). The improvement is mainly attributable to the receipt of insurance proceeds in the current year, despite increased borrowing costs; and

- Total EPS, which includes insurance proceeds and impairment charges in accordance with IFRS, to be between 37.0 cents and 39.0 cents per share, compared to the prior year's EPS loss of 0.9 cents per share (representing an increase of more than 100%). The improvement is mainly attributable to higher insurance proceeds and lower impairment charges relative to the prior year, despite increased borrowing costs.

Normalised headline earnings per share (HEPS) and normalised earnings per share (EPS) from continuing operations

Shareholders are advised that, for the 2023 financial year, the Group expects:

- Normalised HEPS from continuing operations, which excludes both insurance proceeds and impairment charges in accordance with the Company's normalisation policy, to be between 57.0 and 59.0 cents per share, compared to the prior year Normalised HEPS of 65.3 cents per share (representing a decrease of between 9.7% and 12.7%). The decline is mainly attributable to increased borrowing costs during the year and compares to the decline of 44.9% reported for H1 2023; and

- Normalised EPS from continuing operations, which excludes insurance proceeds in accordance with the Company's normalisation policy, to be between 38.4 and 40.2 cents per share, compared to the prior year Normalised EPS of 18.8 cents per share (representing an increase of more than 100%). The improvement is mainly attributable to lower impairment charges relative to the prior year, despite increased borrowing costs.

SHARES IN ISSUE

The diluted weighted average number of shares in issue at the end of the reporting period decreased by 0.1% to 595,812,000 (2022: 596,147,000).

The financial information in this trading update is the responsibility of the directors and has not been audited, reviewed, or reported on by the Group's external auditors.

Libstar's Group results for the year ended 31 December 2023 will be published on 15 March 2024.

26 February 2024

Sponsor
The Standard Bank of South Africa Limited