

**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")

**RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND CASH DIVIDEND DECLARATION****Introduction**

Libstar's trading performance, operating margins and cash generation improved significantly in the second six months of the year ended 31 December 2023 (H2 2023), amid challenging market conditions and muted customer demand.

The Group's full-year results are summarised in the table below:

(R'000)	2023	% change	2022
<b>Continuing operations</b>			
Total revenue	12 382 257	+5.2%	11 771 605
Gross profit margin	20.8%	+0.1pp	20.7%
Normalised operating profit	678 331	-1.7%	690 081
(margin)	5.5%		5.9%
Normalised EBITDA	998 151	-3.3%	1 032 332
(margin)	8.1%		8.8%
Diluted EPS (cents)	38.0	>100%	-0.6
Diluted HEPS (cents)	47.7	+3.9%	45.9
Normalised EPS (cents)	39.3	+109.0%	18.8
Normalised HEPS (cents)	58.0	-11.2%	65.3
<b>Balance sheet and cash flow indicators</b>			
Net interest-bearing debt to Normalised EBITDA (excl. IFRS 16)	1.6		1.6
Cash generated from operating activities (excl. net working capital)	1 040 136	+3.2%	1 007 811
Cash generated from operations (incl. net working capital)	754 788	+3.3%	731 027
Capital investment in property, plant and equipment	244 647	-36.4%	384 404
Cash conversion ratio	65%		68%

**GROUP FINANCIAL PERFORMANCE****Revenue**

Selling price inflation and mix changes contributed 10.0% to sales growth. Sales volume declined by 4.8% as the Group experienced a decline in its retail, industrial and export channels. Revenue growth accelerated to 6.2% in H2 2023, resulting from strong retail channel sales, assisted by double-digit growth in the Baking & Baking Aids category.

**Gross profit margins**

The Group margin recovered in H2 2023 to 21.4%, compared to the 20.0% reported in H1 2023 and 19.6% reported in H2 2022. The recovery is a result of improved capacity utilisation, production efficiencies, pricing and cost management. These factors assisted in offsetting the load-shedding cost of R77 million in diesel to operate back-up power generators.

### **Operating expenses**

Libstar's expense margin excluding impairments improved to 16.3% (2022: 16.8%) as the Group's cost-saving initiatives and simplification strategy started to yield benefits.

### **Insurance proceeds and impairments**

The Group received insurance proceeds of R120 million (2022: R37 million) relating to the Denny Mushrooms (Shongweni plant) fire. After considering 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 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.

The impairment charges decreased Total Diluted EPS and Normalised EPS but are added back for purposes of the calculation of Total Diluted HEPS and Normalised HEPS.

### **Normalised operating profit and Normalised EBITDA**

The Group's normalised operating profit margin accelerated to 6.4% in H2 2023 from 4.5% in H1 2023, to 5.5% for the full year. The normalised EBITDA margin decreased to 8.1% for the full year, however Libstar recorded H2 2023 growth of 10.6% at a 9.0% margin (H2 2022: 8.6%) following a decline of 18.3% at a margin of 7.0% in H1 2023.

### **Investment income and finance costs**

Group net finance costs on interest-bearing debt (excluding IFRS 16 lease liabilities), increased by 53.3% from R109.8 million to R168.3 million, mainly due to the full period impact of the increase in the Johannesburg interbank average lending rate (JIBAR) compared to the prior period.

### **Taxation**

The Group's effective tax rate of 26.7% (2022: 107.7%), is mainly a result of the impact of impairments on intangible assets. The effective tax rate excluding the effect of impairments is 24.2% (2022: 25.2%).

### **Earnings and headline earnings**

Basic earnings increased mainly as a result of higher insurance proceeds and lower impairment charges relative to the prior year, despite increased borrowing costs. The headline earnings improvement is mainly attributable to the aforementioned items excluding impairment charges.

### **Continuing operations**

The improvement in normalised earnings, which excludes insurance proceeds, unrealised foreign currency movements and other non-recurring, non-trading, and non-cash items, is mainly attributable to lower impairment charges relative to the prior year. The decline in normalised headline earnings, which also excludes the aforementioned items, as well as excluding impairment charges, is mainly attributable to increased borrowing costs during the year.

## Cash flows and balance sheet

Cash generated from operating activities increased by R23.8 million. The Group's EBITDA to term debt gearing ratio remained within the stated target of 1x to 2x. Net interest cover to EBITDA remains strong and compares favourably to the Group's minimum stated target of greater than 3.5x.

## OUTLOOK

Market conditions are expected to remain challenging in 2024 as the weak macro-economic climate continues to adversely impact consumer demand.

Whilst the Group's revenue growth moderated during the first 8 weeks of the 2024 financial year, the margin improvements achieved in H2 2023 were sustained. Increased competitor participation in the food service channel is expected to result in further Perishables category revenue growth moderation, however Libstar's gross profit margins will benefit therefrom as its product mix improves toward higher margin value-added meat products.

Significant export opportunities are being targeted to compensate for reduced beef volumes and the Group expects continued strong local demand for value-added chicken products. Demand for export herbs and spices has stabilised following a shift to dual-supply arrangements by a prominent USA-based customer in the prior year. Export margins are expected to benefit from the sustained weakness of the Rand against major currencies.

The Board and executive leadership conducted a comprehensive strategic review of Libstar's portfolio composition, operating model as well as its category and channel participation in H1 2023. The objective of the review was to identify key value-driving initiatives (KVI's) to deliver accelerated, profitable growth and stakeholder returns.

The KVI's scoped and approved by the Board target an improvement in Libstar's cost competitiveness, earnings quality and return on invested capital (ROIC).

The Group made progress on the implementation of these initiatives during H2 2023 as outlined below with further implementation benefits targeted from 2024 onwards:

### 1. Portfolio simplification:

Divestments and closures:

The HPC segment disposal process is progressing with the objective of adding a c. 50 basis point improvement in Group ROIC once completed.

Strategic interventions in the Denny Mushrooms business unit are being pursued to improve earnings stability and refocus the Group's portfolio to value-added food products.

### 2. Operating model simplification:

Libstar's category structure has been simplified by organising its quality food brands into two super-categories, Perishable products, and Ambient products. This will result in less complexity with standardised execution, simplified operations and team structures, and a focus on efficiency.

**Within each super-category, the Groups simplification strategy progress is:**

#### Perishable products

A consolidation of the Lancewood and Finlar Fine Foods divisions' sales, marketing, human resources, technical and administrative functions is underway with targeted completion by close

of 2024. The consolidation leverages the best-in-class infrastructure and expertise of the Group's two largest Perishables businesses to mitigate risks, improve margins through improved cost-efficiency and grow its product offerings in under-represented channels.

### **Ambient products**

#### **Dry condiments:**

A consolidation of the Cape Herb & Spice and Khoisan Gourmet's sales, marketing, human resources and administrative functions was completed in Q3 2023.

The site consolidation of Khoisan Gourmet's manufacturing facilities into those of Cape Herb & Spice is planned upon termination of existing lease arrangements.

Private label dry condiment production lines, previously housed in the Group's Retailer Brands division, were consolidated into Cape Foods at the start of 2024. The consolidation leverages Cape Food's existing procurement and manufacturing capabilities to provide a more cost-competitive product to its customers and improve future earnings quality.

#### **Wet condiments:**

A functional and operational consolidation of the Group's Montagu Foods, Dickon Hall Foods and Cecil Vinegar business units is underway. The Group delivered exceptional growth from its Montagu Foods and Cecil Vinegar retail channel during 2023, whilst simultaneously experiencing the impacts of reduced demand from contract manufacturing customers in Dickon Hall Foods. The planned consolidation targets improved longer-term production efficiencies and earnings stability.

### **3. Category and channel growth**

#### **Within the Perishables category:**

The Lancewood / Finlar Fine Foods consolidation will accelerate the Group's ability to drive export channel development, particularly in the Middle Eastern region, increase Libstar's reach into informal and wholesale markets by improved utilisation of Lancewood's existing infrastructure and expand the Group's food service basket offering.

#### **Within the Ambient category:**

The consolidation of sales and marketing teams from five business units (wet condiments, baking aids, beverages, rusks) delivered 17.2% year-on-year revenue growth, accelerating the Group's retail offering in 2023.

Dedicated projects will be implemented in 2024 to expand the Group's food service channel offering beyond the current Rialto food service and packaging offering.

The completion of a full-scope export opportunity analysis and targeted market development in 2023 has served as a strong platform from which to execute on significant export opportunities in 2024 for dry condiment and wet condiment products.

The Group's wholesale and informal market penetration continues to expand through the launch and expansion of own-branded offerings with Libstar's growth in this channel exceeding basket growth in 2023.

#### **4. Sustainability**

Seven of the Group's operating facilities have been earmarked for solar energy generation installations. The Group's ambition is to realise savings of more than R40 million across the Group over ten years.

Various initiatives are being launched to reduce operating costs, improve operational efficiency, and optimise the Group's supply chain with a specific focus on procurement, yield improvement, plant-efficiency, demand planning and service levels.

Libstar will report on improvements in ROIC annually, targeting to achieve its ambition of a ROIC of 15.5% by 2027.

#### **Responsibility statement**

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement. Any investment decision should be based on the full announcement. The information presented in the Results summary section above includes pro-forma financial information in terms of the JSE Listings Requirements. The pro forma financial information presented in this announcement, which is the responsibility of the Group's directors, has been prepared for illustrative purposes only, and may not fairly present the Group's financial position, changes in equity, cash flows or results of operations.

The full announcement can be found:

- On the JSE's website: [https://senspdf.jse.co.za/documents/2024/jse/isse/lbre/FY\\_2023.pdf](https://senspdf.jse.co.za/documents/2024/jse/isse/lbre/FY_2023.pdf)
- On the Company's website: <https://www.libstar.co.za/wp-content/uploads/2024/03/SENS-Booklet-2023.pdf>

A copy of the full announcement is available for inspection and may also be requested at Libstar's registered office and offices of our sponsor, at no charge, during office hours.

#### **Report of the independent auditors**

The consolidated annual financial statements for the year ended 31 December 2023 have been audited by Moore Cape Town Inc., who expressed an unqualified opinion thereon. The auditor's report in terms of International Standards on Auditing, along with their key audit matters and the Annual Financial Statements, are available at the following link: <https://www.libstar.co.za/wp-content/uploads/2024/03/Annual-Financial-Statements-2023.pdf>

#### **DECLARATION OF CASH DIVIDEND**

The Board of Libstar has approved payment of the cash dividend of 15 cents per ordinary share (gross) in respect of the year ended 31 December 2023 (2022: 22 cents).

In accordance with paragraphs 11.17 (a) (i) to (ix) and 11.17 (c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared from income reserves
- The local Dividends Tax rate is 20% (twenty percent)
- The gross local dividend amount is 15 cents per ordinary share for shareholders exempt from the Dividends Tax
- The net local dividend amount is 12 cents per ordinary share for shareholders liable to pay the Dividends Tax
- Libstar has 681 921 408 ordinary shares in issue
- Libstar's income tax reference number is 9526395174

The following salient dates will apply to the dividend payment:

Declaration date	Friday, 15 March 2024
Last day to trade cum the dividend	Tuesday, 9 April 2024
Shares commence trading ex the dividend	Wednesday, 10 April 2024
Record date	Friday, 12 April 2024
Payment in respect of the dividend	Monday, 15 April 2024

Share certificates may not be dematerialised or re-materialised between Wednesday, 10 April 2024 and Friday, 12 April 2024, both days inclusive.

### **CHANGES TO THE BOARD**

Charl de Villiers, who served as Chief Financial Officer (CFO), was appointed as CEO with effect from 1 January 2023.

Cornél Lodewyks was appointed as an executive director of Libstar with effect from 1 January 2023.

Terri Ladbrooke, who served as interim CFO, was appointed as CFO and executive director of Libstar with effect from 15 March 2023.

By order of the Board

Wendy Luhabe  
CHAIRMAN

CB de Villiers  
CEO

15 March 2024  
Sponsor  
The Standard Bank of South Africa Limited