BUILD A GROWTH PIPELINE

PERFORMANCE SUMMARY 2021

- ✓ Our portfolio choices are being implemented and delivering to plan
- ✓ Landed innovation on track but improvement required in commercialisation
- ✓ Delivered growth in general trade channel, with improved product availability and average basket size
- ✓ Our Exports business has continued to face challenges.

To deliver on our growth ambition of winning category, channel and customer strategies, we are optimising our product portfolio, driving an innovation pipeline, winning at the point of purchase, and driving growth in Africa, while exploring alternative growth opportunities.

OPTIMISING OUR PRODUCT PORTFOLIO

To deliver long-term growth, we are continually evaluating and optimising our product portfolio. We have adopted a structured approach to identify those categories with high attractiveness and competitive strength that should be invested in and grown, those where we will focus on improving profitability, and those to be evaluated for possible exit through a carefully structured process.

Informed by this assessment we see potential for further growth in Baked Goods, Baby (Food and Wellbeing), Breakfast (Jungle), Snacks & Treats, Beverages, Home Care, Exports and International, including Chococam, with opportunities for enhanced profitability in Other Grains, particularly rice and pasta, groceries, retail flour and sorghum-based beverages. We are investing in product and process innovation, driving further process efficiencies and/or expanding production capacity in these areas.

DELIVER GROWTH THROUGH INNOVATION ENABLEMENT

We see consumer-based innovation as a critical lever for sustainable growth. This year we launched a total of 46 innovation projects; although this constitutes 31% growth on 2020, this is still not strong enough and falls short of our target for the year. While we have grown our value share of innovation against our competitors, we still have a considerable gap to close across almost all categories.

Our progress this year shows that we have made valuable progress in the fundamentals, and we anticipate that the positive impact of our activities will be felt strongly from next year. We have finalised and agreed a long-term R&D and innovation strategy, with clear innovation commitments in six targeted invest-to-grow categories, and we have made good progress this year in our innovation pipeline. We are continuing to improve the consumer-driven ideation process to get more impactful ideas into the innovation pipeline. We have made some progress in addressing the identified challenges that have been slowing down innovation and execution: we have introduced monthly escalation meetings with executive level input, and commenced with an agile roll-out plan. Despite these activities, there are still challenges in our speed-to-market project management capacity and project prioritisation, which we are continuing to address. We have been deepening our category-specific science and technology expertise, which will enhance future manufacturing investment planning, and currently have 11 projects in progress where we are partnering with different tertiary institutions. Embedding commercialisation best practice remains a challenge and is a priority focus area for 2022.

Looking ahead, we are driving a fundamental shift in our approach to innovation, developing an innovation pipeline that is effectively commercialised and rooted in long-term consumer behaviour change. We have identified three strategic focus areas: prioritising and commercialising a three-year innovation pipeline using globally benchmarked KPIs; developing and enabling innovation teams, using agile and design-thinking methodologies to yield more consumer centricity; and enhancing our speed-to-market through technology and partnerships. We will be working with the Tiger Venture Capital Fund to supplement our own internal pipeline, by accessing external innovators and ideas that may not yet be scalable or easy for us to build internally.

Build a growth pipeline continued

WINNING AT THE POINT OF PURCHASE

Last year we communicated our intent to update our growth ambitions to ensure that we win at the point of purchase, with specific commitments in six focus areas: expanding our reach in general trade; growing in e-commerce; winning in hard discounters; embedding revenue management capabilities through appropriate trading terms; enhancing our customer engagement; and delivering a step-change in performance in neighbouring countries. Delivering on these commitments is underpinned by further optimising our salesforce and people capabilities, and by improving our data and IT platforms. We have made pleasing progress this year in almost all these focus areas, delivering against most of our success metrics by year end, other than winning in hard discounters which remains a challenge. This comes in the context of a challenging operating environment, with increased competitive intensity across the trade.

We have expanded our reach in the informal market (general trade) and forecourts. Given that the informal market contributes about 28% of the total South African FMCG market, and that the market is growing ahead of modern trade, improving our reach in this sector is an important priority. By providing a dedicated team of sales representatives, supported with delivery through three different distributions models (and piloting a fourth), we have already improved the availability of our targeted SKUs in the trial areas by 422% since the baseline audit was completed. On the back of this we are planning an aggressive roll-out plan.

In response to the recent and anticipated growth in the e-commerce channel, fuelled in part by the pandemic, we have prioritised various initiatives to raise our online presence and become the preferred supplier to priority e-commerce partners. This year we finalised our strategic roadmap and set a strong foundation for growth in three focus areas: driving profitable sales in "Bricks and Clicks" (such as Checkers Sixty60 and Pick n Pay online); growing our online presence and conversion in "Pure Play" (such as Takealot and Yebo Fresh); and delivering a reward-based mobile-first transactional food service ordering platform for "Out of Home", in partnership with key distributors. While we have exceeded this year's growth target in Bricks and Clicks, further focus is required to improve our performance in Pure Play.

We are continuing to drive growth in hard discounters – those merchants who offer fewer SKUs, at lower prices driving hard deals on promotions, and with a larger private label offering – where traditionally we have been under indexed. We anticipate significant growth in this sector and have been driving various opportunities specific to this channel. A significant achievement this year has been the successful implementation of a new trading terms framework, with a revised set of legally compliant, fair and equitable trading terms that incentivise improved customer performance and behaviour aligned with our strategic drivers and new competition law requirements.

Looking ahead, we are prioritising improving customers' perception of their relationship with Tiger Brands through a comprehensive action plan aimed at further improving service levels and enhancing our customer engagement.

DRIVING GROWTH IN AFRICA

Our strategic ambition is to be a truly pan-African business with a South African head office. With this in mind, we have ambitious plans to deliver significant growth in the next five years, building on our current established presence across the continent. We are targeting consumer-led category growth through carefully chosen brand investments and innovations in key categories, developing superior routes-to-markets, and investing in developing supply chain capacity, underpinned by strengthening core competencies across the region. We are also exploring potential acquisition opportunities.

It has been a very tough year across our Exports portfolio, with significant trading and operational challenges impacting the ability to deliver on our initiatives and achieve the desired outcomes in our markets. While our Chococam business in Cameroon delivered a stellar performance, the performance of Exports was disappointing, impacted by reduced Benny sales due to distributor management challenges, as well as under-recoveries at our factory following a six-week strike. We have commenced the development of an innovation pipeline to defend and grow our Benny and Jolly Jus brands and are reviewing and implementing targeted portfolio choices across our Exports markets. We have made progress in undertaking capability training for distributor management, and we completed the recruitment of almost all the identified key roles, laying a valuable foundation for our regional growth ambitions.

REALISING OPPORTUNITIES FOR INORGANIC GROWTH

Although our primary focus is to drive organic growth by delivering on the initiatives outlined above, we are continuing to explore alternative growth opportunities. These include specific opportunities that are core and/or near adjacencies to our current business and underpinned by clear consumer trends, while various participation options are being explored.

TIGER VENTURE CAPITAL FUND

The launch of the Tiger Brands Venture Capital Fund led to the receipt of over 500 expressions of interest. We are in the final stages of making an offer for a business, which is closely aligned to our health and nutrition strategy, while a further nine opportunities are being assessed.