TIGER BRANDS

WE NOURISH AND NURTURE MORE LIVES EVERY DAY

2024

ANNUAL RESULTS COMMENTARY

for the year ended 30 September 2024

Salient features

Tiger Brands delivers a robust set of operational results for the year ended 30 September 2024 with second-half performance reflecting progress on refreshed strategy

R37,7 billion — 1% ▲
Revenue
2023: R37,4 billion

R3,1 billion — 1% ▲
Group operating income*
2023: R3,1 billion

R724 million — 4% ▲
Income from associates
2023: R697 million

1 942cps — 13% ▲
EPS
2023: 1 725cps

1 810cps — 4% ▲
HEPS
2023: 1 735cps

684cps — 2% ▲
Final dividend
2023: 671cps

1 034cps — 4% ▲
Total dividend
2023: 991cps

* *Before impairments, fair value losses and non-operational items*

Commentary

Overview

Tiger Brands delivered a robust full-year performance, continuing to build on the turnaround momentum. With the new management team and federated operating model in place, the performance for the second half of 2024 (H2) exceeded expectations, showing credible improvement against the first half (H1). The performance trajectory was a result of agile and focused management teams empowered to make decisions, as well as various continuous improvement initiatives, such as value engineering, logistics and conversion cost savings.

On a full-year basis, revenue was marginally ahead of the prior year at R37,7 billion, driven by price inflation of 7%, offset by volume declines of 6%. For the domestic business, volume declines were 8%, partially offset by strong growth in exports and International at 6% and 5% respectively. Notably within the domestic business, there was commendable volume growth from the food service channel, as well as the Beverages and Pasta divisions.

Overall gross margin increased to 28,3%, from the 27,7% reported in the prior year. This increase was driven by continuous improvement initiatives, including value engineering savings of recipes and packaging.

Group operating income for the year was marginally ahead of the prior year at R3,14 billion, against the backdrop of implementing a new operating model and a challenging operating environment. The sale of non-core brands in H2 – namely, Bio Classic, Crystal, Kair, Fiesta, Eulactol and Black Silk – together with the disposal of the Status brand in H1, generated R241 million in non-operational profit for the group. The R102 million after-tax insurance proceeds from the Value-Added Meats Product (VAMP) business is shown as profit from discontinued operation.

Income from associates increased by 4% to R724 million, driven mainly by the performance from Carozzi. Net financing costs for the year amounted to R299 million compared to R238 million in the prior year, due to higher interest rates and higher debt levels in H1.

The group's effective tax rate before fair value losses, non-operational items and income from associates reduced to 28,2% from 29,0% in the previous year.

Earnings per share (EPS) increased by 13% to 1 942 cents (2023: 1 725 cents). Headline EPS (HEPS) increased by 4% to 1 810 cents per share (2023: 1 735 cents). The variation between HEPS and EPS relates to profit on the sale of non-core brands.

Segmental operating performance

In the new operating model, the business units (BUs) are classified as:

- Milling and Baking (Wheat Milling and Bakeries)
- Grains (Maize, King Food, Jungle, Rice and Pasta)
- Culinary (Culinary domestic and Davita)
- Snacks, Treats and Beverages (STB)
- Home, Personal Care & Baby (HPCB)
- International (the Chococam subsidiary and the deciduous fruit business)

Food service solutions and exports are now allocated to the respective BUs, based on products sold, which gives a more holistic view of actual category and brand performance.

There was notable volume recovery in H2, with volume declines at 2% versus prior year, offset by price inflation of 5%. H1 volume declines as reported were 9%, offset by price of 8%.

Milling and Baking (Wheat Milling and Bakeries)

Revenue for Milling and Baking declined by 10% to R8,2 billion, as the Bakeries growth initiatives in H2 were offset by aggressive competitor pricing within the retail channel. Tiger Brands deliberately managed the depth of discounting and investment behind promotional activities to protect margins. In addition, general trade volumes for Bakeries were lower than anticipated, which management has since rectified with the appropriate activation support.

Operating income declined by 7% to R634 million, with a slight increase in margins to 7,8%. A disappointing first half, with operating income lagging the prior year, was remediated in H2, with operating income recovering as compared to the same period in the prior year. This was a direct result of operational excellence initiatives and improved maintenance regime.

Leveraging technology remains a key strategic enabler for the business and management has now implemented the route management software across all bakeries.

Conversion cost reduction initiatives implemented are gaining traction and included labour optimisation, waste reduction, and a focus on water and electricity consumption.

Culinary (Culinary domestic and Davita)

Culinary revenue increased by 5% to R8,9 billion, with the domestic price inflation of 8% offset by lower volumes of 3%. Promotional strategies were key to driving growth for the business, which continued to leverage the brand and product portfolio of Tiger's power brands via combo deals across the group and focused marketing investment.

Operating income at R819 million was a commendable 51% higher than the prior year, reflective of the initiatives executed to drive affordability through value engineering, which has enabled investment into price and strategically narrowed the price index to our competitors. In addition to these value engineering initiatives, conversion cost efficiencies across labour and processing also contributed to driving improved margins.

The continuous improvement initiatives have mitigated supply pressures, with the supply of small white beans, peanuts and fresh tomatoes significantly affected by local and global weather events, resulting in reduced market availability and pricing challenges.

In the export markets, Davita exports were driven by innovation and market development initiatives. Leveraging the key distributors in the various strategic markets has allowed for consumer insights generation and consequently better in-market execution.

Grains (Maize, King Food, Jungle, Rice and Pasta)

The Grains revenue increase of 2% to R8,5 billion was enabled by strong promotional support in H2, which focused on the carbohydrates share of the plate across all channels. Volume declines were experienced across the Grains categories, except for Pasta. The Rice volume decline was due to the Government of India implementing an export ban that ultimately impacted global pricing of parboiled rice, with consumers subsequently trading out of the category into more affordable carbohydrates. Operating income for the full year therefore ended 55% lower than prior year, with management's continuous improvement initiatives across the supply chain to reduce the cost base and enable more competitive price points yet to yield material results.

Driving affordability, leveraging Tiger Brands' carbohydrate share of the plate and increasing presence in combo deals are the three key pillars of focus to restore Grains competitiveness.

Snacks, Treats and Beverages (STB)

The STB business recorded strong revenue growth of 9% for the full year to R5,8 billion, with price inflation of over 9% slightly offset by volume declines of 0,1%. Seasonal promotional campaigns were well executed across all channels with campaigns focusing on digital channels and in-store activities. The food service solutions channel delivered exceptional growth for Beverages, driven by a combination of well-executed marketing initiatives, strong collaborative partnerships and a strategic product and pricing mix.

Full-year gross margin at 33% benefited from the prior years' time-in-motion studies at the facilities and consequential labour force optimisation initiatives implemented in the current year; this partially assisted in offsetting the impact of cost pressures sustained in raw materials. Significant increases in global cocoa butter and cocoa liquor prices (c.+63%) impacted Beacon chocolate, while orange supply shortages driven by the Brazilian citrus belt drought saw the price of orange juice input for Oros increasing markedly. The full impact of the cost inflation challenges was mitigated by the supply chain efficiency initiatives that resulted in full-year gross margin only regressing by 1% versus the prior year.

Operating income was up 8% at R720 million, with margins largely flat at 12,4%.

Home, Personal Care & Baby (HPCB)

Overall revenue in HPCB grew by 2% to R3,7 billion, while operating income increased by 2% to R667 million, driven mainly by exports.

The domestic HPCB business came under pressure due to aggressive promotional activity from competitors, with Tiger Brands holding back on deep discounting to preserve its operating margin. The Home Care business was impacted by the pest season and the higher-than-expected rainfall; further to this, savings delivered by factory efficiencies were diluted by the impact of the commissioning of the new aerosol line. The export markets continue to gain traction with the appropriate focus and market support into neighbouring countries. The export channel remains a key growth driver. Strategic initiatives within the Baby business to drive combo deals across pouches and jars as well as new value offerings delivered results ahead of expectations.

In line with our portfolio optimisation strategy, we have entered into a sale and purchase agreement for the disposal of our Baby Wellbeing business, as announced on 11 November 2024. The transaction was concluded at an attractive valuation. The sale of Baby Wellbeing, following the successful divestiture of several non-core HPC brands earlier in the year, marks another milestone in the simplification of our portfolio.

This strategic decision will enable us to intensify our focus on our Nutrition business, a core area where we believe we have a clear competitive advantage. The transaction is subject to standard conditions precedent customary for a transaction of this size and nature.

International (Chococam and LAF)

The Chococam business delivered exceptional revenue growth versus the prior year, mainly driven by the chocolate spreads category and the export markets. Management has reacted quickly with the appropriate product formulation changes and price pack architecture strategies.

Deliberate fixed cost management initiatives during the year partially offset the impact of the cocoa beans increase resulting in minimal erosion of operating margin.

LAF continued to face puree pricing challenges in H2, with the market more affected by higher global stocks resulting in lower sales and lower prices. This resulted in a double-digit decline in operating income.

The solid performance from the Chococam business negated the decline in profitability of the LAF business resulting in full-year operating income for the International segment growing by 3%.

Cash flow and capital expenditure

Cash operating profit at R4,8 billion improved relative to the prior year of R4,3 billion. The benefit of slightly lower inventory days and an ongoing focus on collections, assisted by an increase in trade and other payables, resulted in improved working capital of R2,3 billion. This led to a significant increase in cash generated from operations to R5,5 billion. The group ended the period in a net cash position of R757 million (2023: net debt R923 million).

Capital expenditure for the period amounted to R0,97 billion (2023: R1,2 billion). Key capex projects for FY24 included the Aerosol Home and Personal Care line, the commissioning and move of the peanut butter facility as well as a Jungle investment for flakes innovation.

Listeriosis class action update

As previously communicated, although liability in the listeriosis case has not yet been determined, the company's attorneys have engaged with the plaintiffs' attorneys to agree on relief to qualifying individuals who have urgent medical needs. In addition, the legal representatives are engaging in measures to arrive at a speedier resolution of the class action overall. These engagements are ongoing.

We are committed to working diligently to bring the listeriosis class action to a close as speedily as possible. The company has product liability insurance cover appropriate for a group of its size. Coverage is subject to the terms and limits of the policy.

Outlook

Management remains optimistic for the year ahead where rejuvenating our core brands as well as volume growth will remain a key focus. Continuous improvement initiatives driving cost leadership and affordable product solutions for our consumers are a key enabler for our turnaround strategy, particularly when consumers remain under pressure.

In line with our strategic priorities, we will focus on restoring profitability and embedding a renewed culture through the following strategic thrusts:

- **Shaping our portfolio:** We will continue with our portfolio review and dispose of non-core brands and business units; this will allow us to rebase our business and prioritise those categories where we believe Tiger Brands has the "right to win".
- **Superior channel presence:** Increasing our presence in General Trade, with the activation of additional stores and the Albany recovery, remains an immediate priority. In-store execution and supporting our customers across all channels remains of paramount importance.
- **Cost leadership:** We are driving continuous improvement and cost leadership initiatives to deliver affordable products for our consumers. We anticipate sustained improvements in the Bakery performance and a turnaround in Grains as management execute on the strategies.
- **Deliberate growth platforms:** In response to the current highly dynamic consumer and competitor environment, we will retain focus on our three growth platforms: driving affordability, democratising health and nutrition and over-indexing on snackification.
- **Rejuvenating our brands:** We are leveraging our power brands to maximise return on investment with focused and effective marketing.

Our strategic priorities will enable achievement of the following financial metrics over the short to medium term:

- Volume growth (%): 1% to 3%
- Revenue growth (%): greater than inflation
- Operating margin (%): high single digits
- ROIC: greater than WACC
- Net working capital days: Maintain 67 days

Any forward-looking information has not been reviewed or reported on by the group's auditors.

By order of the board

GJ Fraser-Moleketi
Chairman

TN Kruger
Chief executive officer

Bryanston
3 December 2024

Short-form statement

This short-form announcement is the responsibility of the directors of the company and has not been reviewed or audited by the group's external auditors. The information disclosed is only a summary of the information contained in the consolidated annual financial statements (financial statements), and consequently, does not contain full or complete details.

The financial statements have been audited by Tiger Brands' independent auditors Deloitte & Touche, who expressed an unmodified audit opinion. Copies of the financial statements together with the auditors' opinion are available on the company's website **www.tigerbrands.com** and may also be requested from investor relations by emailing **Investorrelations@tigerbrands.com**.

Any investment decisions made by investors should be based on the consideration of the Tiger Brands financial statements. The financial statements are available through the JSE cloudlink at: **https://senspdf.jse.co.za/documents/2024/jse/isse/tiih/TigerFY24.pdf**.

Declaration of final dividend

The company declared a final ordinary dividend of 684 cents per share for the year ended 30 September 2024, in line with the company's dividend policy of 1,75x cover based on HEPS. Together with the interim dividend of 350 cents per share, this brings the total dividend for the year to 1 034 cents per share.

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

- The ordinary dividend has been declared out of income reserves
- The local Dividends Tax rate is 20% (twenty percent)
- The gross final dividend amount of 684,00000 cents per ordinary share will be paid to shareholders who are exempt from the Dividends Tax
- The net final dividend amount of 547,20000 cents per ordinary share will be paid to shareholders who are liable for the Dividends Tax
- Tiger Brands has 180 327 980 ordinary shares in issue (which includes 11 431 244 treasury shares)
- Tiger Brands Limited's income tax reference number is 9325/110/71/7

Shareholders are advised of the following dates in respect of the final ordinary dividend:

Declaration date	Wednesday, 4 December 2024
Last day to trade cum the ordinary dividend	Tuesday, 14 January 2025
Shares commence trading ex the ordinary dividend	Wednesday, 15 January 2025
Record date to determine those shareholders entitled to the ordinary dividend	Friday, 17 January 2025
Payment date in respect of the ordinary dividend	Monday, 20 January 2025

Share certificates may not be dematerialised or re-materialised between Wednesday, 15 January 2025 and Friday, 17 January 2025, both days inclusive.

By order of the board

JK Monaisa
Company secretary

Bryanston
4 December 2024

Company information

Tiger Brands Limited

(Tiger Brands or the company)
(Incorporated in the Republic of South Africa)
Share code: TBS
ISIN: ZAE000071080

Independent non-executive directors

GJ Fraser-Moleketi (chairman), MO Ajukwu, FNJ Braeken, TE Mashilwane, M Sello, LA Swartz, OM Weber, DG Wilson

Non-executive director

S Sithole

Executive directors

TN Kruger (chief executive officer)
T Govender (chief financial officer)

Company secretary

JK Monaisa

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Deloitte & Touche

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Rand Merchant Bank

Sponsor

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South African share transfer secretaries

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Forward-looking information

This report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations at the time of finalising the report. Actual results may differ materially from these expectations if known and unknown risks or uncertainties affect the business, or if estimates or assumptions prove inaccurate. Tiger Brands cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these statements. The company assumes no obligation to update or revise any forward-looking statements, even if new information becomes available as a result of future events or for any other reason, save as required by legislation or regulation.