Tiger Brands FY22 Results Presentation Transcript

Speaker Key:

NCW Nikki Catrakilis-Wagner (IR Director)

ND Noel Doyle (CEO)

DS Deepa Sita (CFO)

YM Yokesh Maharaj (Chief Growth Officer, Grains)

TG Thushen Govender (Chief Growth Officer, Consumer Brands)

AN Analyst 1, 2, 3, etc.

Slide 1 — Tiger Brands year-end results presentation

NCW Good morning, ladies and gentlemen. Welcome to Tiger Brands' results presentation for the year ended 30 September 2022. I'm Nikki Catrakilis-Wagner, responsible for investor relations at Tiger Brands.

It's our first in-person event post COVID, so it's very nice to see everyone face-to-face. In particular, we welcome those non-executive directors who are in attendance, especially chairman of the board, Geraldine Fraser-Moleketi. I'm sure they will appreciate the interaction over a cup of coffee, given that most engagements have been virtual so far.

Slide 2 — Index

In terms of this morning's agenda, CEO Noel Doyle will begin the presentation with a summary overview of the year's performance. Chief financial officer, Deepa Sita will cover the financial highlights. Chief growth officers Yokesh Maharaj, responsible for Grains, and Thushen Govender, responsible for Consumer Brands, will take us through the performances of their respective businesses. Noel will conclude the presentation with a strategic update and outlook, after which we'll open it up to Q&A.

Slide 3 — Forward-looking statement

As is customary, before we begin the presentation, I draw your attention to the forward-looking statement. With that, I hand over to CEO Noel Doyle. Thanks, Noel.

Slide 4 — Executive summary of performance

ND Thank you Nikki and thanks to all of you for taking the time to come and listen to us this morning. It's an absolute pleasure. Well, maybe it is a bit intimidating to be in front of a real audience for a change. It's the first time since we put together the new management team that we've actually had a live presentation, so it's not quite like riding a bicycle.

Slide 5 — Solid full year result underpinned by strong second half performance

If we look at our performance for the full year, it really was a tale of a first half and a second half performance where the second half performance helped pull us out of the doldrums that we saw with the first half performance, which was severely impacted by unanticipated galloping inflation on the cost base, as well as our issues at the Snacks & Treats facility where we had significant and lengthy industrial action. I'll come back to how we've dealt with the issues of industrial action a little bit later in my presentation.

In the performance in the second half, we were particularly pleased with the recovery that came from the Snacks & Treats business, as well as the Bakeries and Exports business. In the second half, we certainly continued to feel the impact in the Home Care business, due to the lack of insects or the impact of the heavy rainfall at the beginning of the season, which had an impact on the propagation of insects and therefore the usage of our products.

We had a real challenge as we entered the second half. We were behind the curve from an operating profit perspective and the wave of inflation was continuing. Therefore, it was really important for us that we take some urgent steps to recover our margin, but at the same time be conscious of the fact that in an economy like ours, at this phase where it's very much a value economy, that we could recover margin and end up with no volume.

And so, we had to take some very specific steps, category specific, down to SKU specific in terms of our pricing and watching our volume. We did have some ebb and flow in the second six months within the categories on volume, but overall, as you'll see a little bit later, we exited from a market share perspective in a fairly healthy position, despite having to take very significant price increases to recover the margin.

I think for me what's pleasing about the results that we're presenting now, is that we've posted these numbers without doing anything that would impact on the quality of earnings from a long-term sustainability perspective. We've stayed true to our commitment to revamp our IT infrastructure and to invest heavily in the technology of the future for us. The revenue management that we started to invest in last year, we ramped that up, but it's really paying very immediate and short-term dividends for us.

At the same time as we're seeing the massive levels of inflation, particularly in the base commodities, we were able to put aside R42 million to fund a special programme for child nutrition. That comes on top of all of the extra work that we've done in KZN for our own staff, as well as for communities that were impacted by the floods. This year marked the year when the Tiger Brands Foundation fed it's 100 millionth school feeding meal in the course of the past year.

Slide 6 — Sequential improvement in underlying trading while strategic initiatives position the group for future stability

If you look at our performance over the last three years, and I will touch on the pre-COVID 2019 in my closing remarks, but you can see there's been a fairly solid,

steady progress over that period. These numbers are obviously stripping out the impact of the major product recall that we had in the prior year and the impact of any impairments specifically related to the floods.

But I think what's pleasing is that with a little bit of a kicker from the export side of the business in the current year, despite this level of price increases that you've seen in the second half of the year, we've managed because of the efficiencies that we've been driving within the business, we've managed to hold onto that margin and at the same time bring our price points down relative to our competitors.

Slide 7 — Constrained consumer leading to category volume declines while increasingly discerning in terms of spend with a bias towards essentials

The environment remains very challenging. I think you have all seen the comments that have been made around Black Friday where you're seeing consumers shift towards essential foods or the more basic necessities and you can see that. What this graph really shows you is that the volume in the market as measured over 12, six or three months as we've got here, is definitely skewing towards commodities.

You see rice, which was actually deflating for some of the period, became a much more attractive carbohydrate and we've seen a shift out of some of the traditional carbohydrates into rice. But overall, on the left of that slide you'll see where the volume is growing. On the right where you could say there's a higher level of consumer discretion, we're seeing significant levels of volume pressure.

Slide 8 — Volume shares prove resilient in the long-term with gains driven by Rice, Beverages, and Groceries

Our volume shares have proven resilient in the long-term. Over a two-year period, we've managed to show some volume share gains. If you look here, and this is as read by IRI, over a 12-month period we've managed to hold onto our volume in the aggregate across the total market. There are of course different dynamics within different categories and the team will take you through that later.

Slide 9 — Value shares reflect judicious price/volume management without over-extending price premiums

Holding onto that volume has come at the expense, if you like, of pricing. We've had to be very judicious in our pricing and we've had to manage our price premium very carefully and in some cases bring the price premium down, particularly in a category like bread so that we could hold onto those volumes. But the positive sign, I think, is that we've held the volume, done it with products that are more price competitive and managed to hold onto the gross margin if you look at the total portfolio.

Slide 10 — Billion Rand Brands remain firm favourites despite a tough trading environment

When we look at market shares, you will see within the categories there are some market share pressures. Maybe just on this slide, to make one or two comments to say we're showing you the 12-month picture to be consistent with what we've shown in the past. But if you looked at bread, for example, which has a significant

deterioration over a 12-month period, that market share is well over 32% on a three-month basis.

When you look at Golden Cloud and Ace on this slide, you have to understand the brand positioning and that the shift to essentials that I've seen is also a shift in value within essentials. Particularly in maize with lower LSMs 1 to 3, you're seeing a shift away from branded maize offering into the local or the house brand offerings.

The one brand that we're showing you there where we still haven't quite managed to turn it around, is in Crosse & Blackwell where we're finding that market incredibly price competitive. We've done quite a lot of work. I'm sure Thushen will talk about it later. But other than that particular brand, I think we're feeling very comfortable about where we've ended the 12-month period in terms of market share recoveries.

With that I'll hand over to Deepa to take you through the numbers.

Slide 11 — Financial review

DS Thank you, Noel. Morning, everyone. Noel speaks about riding a bicycle. I'm actually riding the bicycle with training wheels on. Today's actually my first face-to-face interaction with you. My previous sessions have all been via virtual. Really, it's a great pleasure for me to be up here today presenting what is really a solid set of results. I'm really looking forward to today's presentation.

Slide 12 — Second half driven by improved category performance and revenue management

Despite the tough trading conditions that we experienced in FY22, as well as the significant input cost inflation that we saw come through, Tiger Brands delivered a really strong set of results for the year ended 30 September 2022. This was underpinned by a very strong recovery in the second half.

The year can be reviewed and described as a year of two halves. We saw in the first half of the year, quarter one was significantly impacted by supply chain constraints, as well as labour unrest, particularly in our Snacks & Treats plant, as well as some of our Bakeries that were also impacted by the labour unrest.

The second half performance, however, despite that fact that we saw ongoing cost inflation, as well as supply chain constraints, we certainly saw an improvement, but that was also exacerbated by prolonged loadshedding, which obviously came through with additional generator cost, diesel cost, etc.

The second half performance, we did see a recovery, and this was driven largely by category-specific margin recovery initiatives as well as specific category initiatives in categories such as Bakeries, Snack & Treats, as well as our Exports division. In addition, the Deciduous Fruit business benefited from improved global fruit pricing, as well as a weaker exchange rate overall.

Although slightly lower than previously guided, the cost-saving initiatives as well as our supply chain initiatives and supply chain efficiencies continued to have a

positive impact on our results overall. A further highlight was the successful completion of our share buy-back programme, which saw us returning in approximately R1.5 billion to the shareholders during the year.

The conscious decision that we took to increase raw materials in light of the constant global supply chain crisis, as well as a decision that we took to build stock in terms of finished goods ahead of plant shutdowns did impact the working capital during the year and saw us having higher working capital impact compared to the prior year.

The level of working capital was further impacted by the significant cost inflation that we saw come through in raw materials, etc., also impacting the value of stock at the end of the year. A further headwind that we experienced was the precautionary recall of the baby talcum powder and that costed us a once-off cost of R16 million.

Slide 13 — Full year gross margins maintained through margin recovery initiatives in H2 as well as cost savings, supply chain efficiencies and revenue management

In terms of specific salient features that we can report on for the 2022 financial year, revenue increased by 10% to R34 billion. Cost-saving initiatives, supply chain efficiencies, as well as progress in our revenue management programme all contributed towards the maintenance of our gross margin percentage at 30.3% in comparison to the prior year.

The group operating income before impairments, fair value losses, as well the non-operational items increased by 53% to R3.4 billion. Income from associates also reported a significant increase by 38% to R478 million. This was driven by the strong performance that we saw come through in our Carozzi business, as well as National Foods, which was further augmented by the disposal of associate investment in National Foods, as well as favourable currency gains that we noted in Carozzi.

EPS from continuing operations increased by 65% to 1 762 cents per share. HEPS from continuing operations increased by 51% to 1 702 cents per share. Excluding the impact of the product recall from the prior year as well as the civil unrest that we experienced, as well as the benefit of related insurance claims in the current year, HEPS from continuing operations increased by 11%.

We're also pleased to advise that the board has approved a final dividend, which is up 29% on last year, to an amount of 653 cents for the year. The full-year dividend is up 18% to an amount of 973 cents per share. In terms of the group's effective tax rate, this ended slightly higher than the prior year at 29.4% compared to the 29.1% in the prior year.

Slide 14 — Revenue in H2 reflects astute price/volume management in the domestic business with a boost from export volumes

Total revenue from continuing operations, as I indicated previously, increased by 10% to R34 billion and this was largely driven by price inflation of 11% and a margin overall decline of 1% in terms of volume. The volume growth that was

noted in our export business as well as our international business was slightly offset by the volume decline in domestic businesses where we did see the volume declines come through in specific price-sensitive categories.

The H1 and H2 price shifts reflect just how challenging the market has been in terms of operations given the global inflationary price pressures that we're experiencing. H2, however, does reflect the realignment of pricing to account for the extraordinary inflations that we've seen come through, as well as the benefit of astute price/volume management that we specifically put through in H2.

Slide 15 — Revenue management initiatives contribute a cumulative R300 million, after marketing, to bottom line

The audience will recall me speaking quite extensively about the revenue management programme previously and we thought it would be valuable to give you an indication of the contribution that we've seen after marketing to our bottom line. Cumulatively, to date, the programme has delivered R300 million worth of savings, with R200 million of that coming through in FY22.

The programme as previously communicated composes of five pillars, being consumer price, pack-price architecture, commercial policies, trading terms, as well as promotions. Just by way of a few examples in terms of what the programme actually entails, on the consumer pricing we have developed a price/volume model which supports us in terms of making optimal price and volume decisions.

In terms of pack-price architecture, we are now using consumer data to identify the appropriate pack sizes and formats required by consumers. In light of this, we've launched new pack sizes during the financial year, and these include items such as the Oros concentrates, Crosse & Blackwell mayonnaise, as well as the Sunny Day 600g loaf, which came through from our findings.

Commercial policies include things like identifying and rectifying loss-making customers, as well as addressing end-of-month profit dilution deals. Trading terms you've heard me speak previously about in terms of our shift for trading terms now shifting towards a pay-for-performance model overall. And promotions are all about promotion optimisation and making sure that we have more deliberate promotions that have a high success rate overall.

Slide 16 — Group operating income increased 53% to R3,4bn, earnings further boosted by insurance proceeds and an increase in associate income

As previously mentioned, the group operating income increased by 53% to R3.4 billion. The earnings were, however, boosted in the current year by insurance proceeds amounting to R218 million. This is accounted for in sundry income. The insurance proceeds consist of R52 million related to the insured portion of last year's product recall, as well as R166 million in respect of the KZN unrest. Last year, the audience will recall that the group's operating income was impacted by once-off costs relating to the product recall amounting to R647 million, as well as civil unrest in the prior year.

Excluding the pre-tax impact of all these costs, as well as the benefit of the insurance in the current financial year, the operating income actually increased by

10% on the prior year, while the group operating margin remained unchanged at 9.6%.

Net financing costs for the year amounted to R75 million versus the R54 million reported in the prior year. Net financing costs were impacted by higher debt levels, as well as a higher interest rate. The higher debt levels are largely driven by the increased working capital, as I've mentioned before, as well as the impact of the share buy-back programme that was initiated during the year. Overall, the profit after tax amounted to R2.9 billion versus the R1.8 billion reported in the prior year.

Slide 17 — Significant operating improvement in H2 reflects sustained investment in self-help initiatives

As I previously indicated, the performance can certainly be described as a tale of two halves, with H2 seeing a significant operating improvement as we committed to at the half year, which is reflective of sustained investment in self-help initiatives.

These, amongst others, include our gaining traction in terms of the revenue management programme that we've now rolled out across Tiger Brands, the positive contribution of R387 million related to ongoing cost-saving and supply chain efficiencies, as well as category specific initiatives to restore margins and volumes across Tiger Brands.

Slide 18 — Solid Consumer Brands performance and recovery in Exports drives segmental performance

In terms of the specific categories, I'll just give you a very high-level view before handing over to my colleagues who'll certainly do a more deep dive into each of the specific categories. Revenue in Grains' increase of 6% was driven by cost-led price increases across the Milling and Baking divisions, as well as strong volume performance in the Rice category overall.

Consumer Brands recorded an increase of 12% driven by solid second half performance and a recovery in the Snacks & Treats business, which was significantly impacted, like I said, by the industrial action in the first half. We also saw a sustained performance come through in our Beverages, Groceries, as well as Out of Home categories overall.

Home Care's top line regressed in the second half following a poor start to the financial year due to the weak demand, as Noel indicated, in the pesticide category, and this was driven by unfavourable weather conditions. Despite operating income improving marginally to R3 billion despite the poor first half in domestic operations, we did see better profitability in Other Grains and Consumer Brands were offset by lower contributions from Milling, Baking, Home and Personal Care.

In terms of our Export and International business, the revenue increased by 19% to R4.3 billion with total operating income increasing to R350 million. A significant driver of this performance came from the Deciduous Fruit business, as well as

improved sales of powdered soft drinks, as well as seasoning in key export markets coming through from our Davita business in the second half.

Slide 19 — Net cash reflects deliberate investment in raw materials & stock build in Groceries, S&T as well as completion of share buy-back programme of ~R1.5 billion

In terms of our cash flow, cash operating profit increased by 11% to R4.3 billion. However, the increase in requirement for working capital resulted in cash generated from operations declining to R2.6 billion from the R4 billion in FY21. Dividends net of receipts, as well as the tax paid, amounted to R1 billion and R962 million respectively.

Capital expenditure for the period amounted to R961 million and as indicated, the cash position was further impacted by the completion of the general share buy-back programme, which saw us acquire 9.4 million shares at a total cost of R1.5 billion. This reduced the weighted average number of shares in issue by 1.9% to a total of 162.6 million shares. The group ended the period in a net cash position of R143 million compared to the R2.2 billion that we reported in the prior year.

Slide 20 — Capex spend impacted by supplier input constraints, FY23 capex guidance at R1,6 billion

In terms of capex, the FY23 capex budget approved by the board is recorded at R1.6 billion. Some of the larger FY23 projects include the relocation of our peanut butter plant, aerosol canning line, a new oats flaking plant, as well as structural improvements in the sorghum category.

In terms of our IT investment FY23-specific projects, our focus is on operational efficiency as well as automation and will include investments in items such as warehouse management, demand planning and forecasting, safety and quality management, procurement capability uplift, as well as human capital management, to name just a few.

Slide 21 — Looking ahead: Fine balancing act between volumes and margins while internal programmes and initiatives provide positive forward momentum targeting R460 million in savings

Looking ahead in terms of concluding my presentation, we do expect the year ahead to remain challenging and volatile. The high levels of unemployment, combined with inflation, as well as higher interest rates are expected to place further pressure on consumers who are already overextended in the market.

The high cost of mitigating regular loadshedding is also expected to continue. The cost of running generators is currently tracking at approximately four times higher than the Eskom tariff to date. These headwinds are compounded by the sensitivities to external factors, as outlined in the slide, which include volatility in forex, volume growth, logistics in terms of diesel pricing, etc.

In response to these, we continue to remain focused on driving cost-saving initiatives, as well as operational efficiencies and are targeting R460 million worth of savings in FY23. In this regard, as noted on the previous slide, we will continue to make significant investments in technology, as well as digital capabilities and drive further cost-saving opportunities in procurement, as well as logistics.

In conclusion, as I've previously committed, I'm also pleased to advise that we have really elevated the role of treasury within Tiger Brands. We've adopted suitable risk-mitigating processes and strategies in both forex and commodity hedging. We've shifted from transactional focus to portfolio risk management. We've optimised banking facilities and we've enhanced overall governance and compliance.

I'm pleased to advise, in the last six months of the financial year we were able to deliver in excess of R20 million benefit, incremental benefit over the past just by introducing a number of these initiatives. On that note I thank you very much for your attention and I'll hand over to Yokesh to take you through the Grains category.

Slide 22 — Grains

YM Thanks, Deepa. I must echo, it's great to be speaking to you in person as opposed to speaking to a camera, which we did at half year. I'm here to speak to you about the Grains business.

Slide 23 — Grains performance reflective of deliberate strategy to recover cost push at the expense of volumes, except in Rice

Overall, as you can see from the slide, we had a deliberate strategy to recover the cost pushes that we saw in the soft commodities.

If you take a step back, when I spoke to you at half year, the beginning of the last fiscal, FY22, started to see the commodity cycle start to rise and that was when we initially took the increase particularly in the bread category. But this was driven further in our quarter two, which was the beginning of this calendar year, due to the Russian-Ukrainian conflict. That's when we really saw the soft commodities get a head steam and rise significantly.

Overall, in the process we saw wheat well above 40% through the peak of the cycle. As we stand today, maize is over 45% and continues to climb and a significant jump in the oats category. As a result, we looked at protecting margins, particularly in our Rice, Pasta and Jungle business. As far as wheat was concerned, we saw marginal declines even though we took price increases over the year to recover the cost pushes.

The one category that did see margin declines was in our maize category. As Noel alluded to earlier on, this is due to the number of regional millers that we see surfacing and the migration of consumers to non-branded packs in this category. The volume in the Jungle, Pasta and Rice business did well and held their own despite the increases we took in Jungle and Pasta and we saw good revenue growth as a result of that.

At the half year I spoke to you around the bread business, which is something I'd like to touch on in a bit more detail now. We committed to look at the strategy of the business and revise certain elements that were not working.

Slide 24 — Significant progress made on previously communicated strategy to arrest volume declines and accelerate cost efficiencies

The biggest change is probably the last bullet on the slide, is we combined our Milling and Baking categories into the Millbake category when the previous MD of Millbake exited the business and appointed one individual, a new MD to look after the entire value chain.

Significant to this though was it allowed us to be more agile in terms of our decision making as we looked at procuring wheat and understanding the quality of wheat we were getting, even though sometimes it was at a premium. Because what you could in fact do was improve the yields and productivity through your production process, which helps the total cost of manufacture. This agility brought speed to decision making.

Coupled with this, you'd recall that we lost some of our bakery managers and we appointed six bakery managers over the period, the last one being appointed in May of this year. Why this is key is that Bakeries in general is a very localised business and it's important to have these individuals in place so they understand the dynamics of the different regions that they operate in.

We also looked at the proposition in terms of the brand, Albany, and what we were going to do with it. I'm pleased to say we put in some tactical changes over the second half of the year, but early in the new calendar year we'll be launching the new proposition, going back to our roots with the love and the freshness of the brand, and we've appointed a new agency to take us forward in this regard.

We also looked at the recipe and worked diligently to improve our white bread where we understood that we could make gains. I'm pleased to say it's been received exceptionally well by all consumers where we are seeing an acceleration in our white bread volumes.

We also discontinued six SKUs, stock-keeping units, not only to improve the focus of the sales force, but also to remove the complexity in our bakeries, to stop the multiple changeovers that we were having for these non-performing SKUs. We also looked at cost-saving measures. We looked at our routes, our fleet, the number of depots that were operating around the country to actually remove non-profitable routes.

Then in this value economy I'm pleased to say we introduced Sunny Day, which is a 600g loaf, into the far north of the country and parts of Mpumalanga where our market share is less than 20%. The cost of cannibalisation is extremely low. Initial signs are it's doing relatively well, and we will monitor it as the year progresses.

Noel spoke about the shares earlier on and we ended the year just over 30%. But if you recall at the half year, we were sitting at about 28% share. At the end of

September, I'm pleased to report on an absolute basis we are sitting at 33% share, so we moved it up 500 basis points in six months.

From this slide you will see that from double-digit volume declines in the first half of the year, we turned that around to volume growth in the second half of the year with significant volume growth in the last three months of the year. You can see our revenue growth swung almost 20%. What we had to do though was contract some of the premiums that we were operating under to get the volume/value dynamic correct in this category.

In conclusion, I'd just like to say that it's been a tale of two halves, with the second half, as you can see, significantly better in this category. In fact, the last three months of the year produced results that were as good as the previous nine months put together. That gives us a level of confidence that the revised strategy is correct and working.

Slide 25 — Milling and Baking

If you look at Milling and Baking, I spoke about Bakeries and the benefit of the second half of the year. Our premiums reduced from 7.5% to 4.2% and on a relative basis we believe this is where we land. On an absolute basis from month-to-month, from week-to-week, depending on the promotional programme, it will vary.

We took price increases to offset the higher fuel price and raw material inflation. And just in context, a R1 price increase in fuel is about R8.5 million on cost in our bakery division. We started the year at about R17 a litre for diesel and we ended the year at R27, so it's been the cost push across the Bakeries business.

Maize has been impacted by the volume pressure it's come under and I spoke about the growth in absolute cost of commodities, and it continues to climb, given the high level of exports South Africa is currently seeing with regards to white maize. Sorghum did deliver a muted performance given the increased cost of sorghum we've seen through the year because of the limited plantings in southern Africa and by some of the supply challenges we saw in our King Foods facility.

Looking forward, we will continue to manage the volume/value dynamic in our bread business. We believe the strategy is right and it's working. And in the wheat category we will focus on our value adds, which is predominantly our premixes. We have cost initiatives across the entire value chain and OEEs and MUVs in our facility. The material usage variances will improve over the course of the coming months.

Slide 26 — Other Grains

If I then look at Other Grains, you will see revenue up 9%, operating profit up 33% and margins up just short of 200 basis points. This was driven by rice predominantly, which benefited from category deflation through the year, and we saw consumers transition from some of the other carbohydrates into the rice category as a result.

But key to Tastic's progress over the year was the revenue growth management principles that we applied in this category that Deepa spoke about, it was extremely successful, and the differentiation across our pack sizes where we moved away from line pricing.

We also, I'm pleased to say, launched Tastic into the snacking category. You would have seen some of the rice cakes and crisps outside. We will look at accelerating this early in the new year. Initially this was planned to be a regional Gauteng launch for six months, but the reception we've had from our customers and almost a demand to go national has been overwhelming, so we will look to accelerate this early in the new year.

The Jungle brand had a resilient year and held market share despite the cost pushes. What we did see was an acceleration of our value adds in terms of our muesli and ready-to-eat ranges in the Jungle category.

Pasta was impacted by the increase in price that we did take through in the market and we did see a transition through to DOBs as a result. However, I'm pleased to say that we've maintained our market share and leading position in the category.

Looking forward we will invest in our facility in Isando, our pasta facility in Isando. We made an investment last year and we will continue that to improve the product quality and packaging requirements that we'll put on to further "premiumise" the brand and continue our innovation drive in these categories.

Slide 27 — Plans include a solid pipeline of innovation aimed at higher margin products informed by consumer insights – good progress made to date

Overall, it's been a tale of two halves, but when I spoke to you at half year, I spoke about the fact that we understand the level of commoditisation in some of these brands continues to grow and also the trade-offs to some of the cheaper price points.

What we have done is implemented deliberate strategy to improve margins through new innovations driven by consumer insights. We've made good progress today, as you can see. We've introduced in this last year the Albany wraps, which is specialised in the bread market, and over the last three months has become the leading wrap in the country by sales in units.

We've introduced new flavour extensions to Tinkies and the Tinkies mini range at a lower price point in the general trade. I spoke about Sunny Day. We've introduced Ace instant porridge with minerals and vitamins added to it and there are more line extensions as far as Ace is concerned in the coming months.

I spoke about the rice cakes and crisps and you'll see them outside. In the Jungle category we introduced Crunchalots and Crunchalots Fillows, Fillows being centre-filled in different flavours. The ones you see on the screen speak to strawberry and chocolate. This has given us significant share against the leading competitor. And we've extended the range of Jungle bars.

What I'm trying to demonstrate with this slide is that in the Grains portfolio there will be margin-accretive products that we will innovate through these superfoods and grains that we deal with to balance and improve the margins in the grains business overall.

With that I'll hand over to Thushen. Thank you.

Slide 28 — Consumer Brands

TG Good morning, everyone.

Slide 29 — Leveraging the Tiger consumer basket to respond to consumer trends, drive volumes and grow market share

Before I cover the operational result, I thought I'd give you an update on some of the strategic initiatives we're busy with, in particular on repositioning Tiger to be more consumer- and customer-centric in our thinking.

Starting off with the combos and meal occasions, you would appreciate throughout the trade, retail and wholesale over the past year or so, we've had numerous value propositions in the form of combo deals to our consumers. As a cash-strapped consumer you would imagine that this represents real value.

What we've done in this regard is increased our participation. What we also did, was try and be a lot more precise in our offerings. We mined through basket data, we understood shopping behaviour and positioned combos that made sense to our consumers.

What's also important to appreciate, that Tiger has a breadth and depth of a product portfolio that not many of our competitors have in the local market. What we did in this regard is ensure that we're targeting meal occasions, leveraging products both in the Grains portfolio as well as my portfolio.

Snackification, as we all know, is a growing consumer trend and you would have seen outside, as well as in the coming months with our pipeline in consumer, we're increasing our focus on innovation that meets this growing trend.

What's also important to appreciate, that this is an impulse purchase. The focus on commercialising these products that cater to this strand is absolutely critical. As you walk through a store, we need to have multiple points of disruption, in-store merchandising units that entice this impulse purchase in order to drive sales for whatever product we may introduce into the market.

Health and wellbeing. It's safe to say that the COVID pandemic has made sure that this trend is here to stay. Across our innovation pipeline you'll find we're focusing on natural ingredients, focusing on reduced sugar products, as well as offering functional products under our personal care range, such as skin nutrition, etc.

Getting closer to our consumers, making sure we meet their needs around convenience is of utmost importance. We worked with our wholesale customers, with distributors in order to expand our reach into the general trade and over the past year have doubled the number of outlets that we service.

Slide 30 — Innovation gains traction this year focused on health & nutrition trends as well as value propositions

Just picking up on some of these consumer trends or platforms, you'd see the focus around Energade Zero, low sugar, catering to the health and wellbeing. You'll see the focus around natural ingredients in our relaunched Purity jar proposition, which I'll talk through later, and the price-pack architecture strategies to offer value to our consumers that Deepa referred to upfront in the 500ml tomato sauce, All Gold.

And then value propositions. I'll talk to some of the costs that's impacted us in the mayonnaise category, and therefore the Crosse & Blackwell Kasi sauce was absolutely imperative to continue holding share in that category and make sure we remain relevant to our consumer.

Obviously, the long-awaited Energade energy drink. It's been in the making for many years now. We finally got it to shelf and with a little bit of pixie dust as well. You'll see that there's some functional benefit. Our consumer insights tell us that gamers use this product quite often and apparently, it's good for your eyesight as well.

Slide 31 — Strong performance across the segments, facilitated by recovery in Snacks & Treats in H2 and a solid Groceries performance

Moving on to the numbers. It's been an exceptional year for the consumer division. It's a stellar set of results with a solid recovery in the second half from both the Groceries portfolio and actually a record second half for the Snacks & Treats business.

We've had to contend with serious, significant cost push. Beverages, Baby, as well as Home and Personal Care experienced cost inflation north of 20%. As a consequence, you'll see the muted profit growth there. With the Groceries portfolio we've managed to enhance our margins as we've experienced a product mix shift towards our canned veg portfolio. But all in all, it was a really pleasing set of results.

Slide 32 — Groceries

As I said, Groceries delivered an exceptional set of results and we're quite pleased with how we've managed the price points, the promotional activity to deliver quite a healthy revenue growth with some nice volume accretion as well, which helped efficiencies in our facilities.

The other thing to note is across all of the groceries categories we saw healthy top line as well as bottom line growth. What's even further pleasing is this was experienced in all channels: modern trade, wholesale as well as the independents. It's quite a healthy set of results in the current year.

With regards to innovation, I touched on some of it earlier on in the previous slide, you would recall we've launched in the prior year our canned fish product under the Koo brand. This was quite a critical innovation for us because it formed part of our portfolio defence strategy in canned foods. We managed to gain some good numeric distribution and additional listings in the current year as we focused on commercialisation.

The other product that I spoke to was the Crosse & Blackwell Kasi sauce. As I mentioned, this value proposition became increasingly important. We saw the cost of vinegar, egg, oil, as well as glass go up. Our KVI under Crosse & Blackwell mayonnaise, the tangy range, experienced quite a significant cost push and therefore we had to utilise the value proposition in our portfolio.

Across the value chain we continue to look for initiatives that will improve our efficiency, whether it's reengineering recipes, whether it's revisiting processes, across every aspect of our business it's critical for us to find these efficiencies so that we can reinvest behind price points.

What we're also looking at is relevant formats. Many of our KVIs still remain in glass – peanut butter, mayonnaise – while our competitors have moved on to PET. As we look forward, when we consider our manufacturing strategy, we're going to build in an element of flexibility so that we can play a Tier 2 proposition with the premium products that we offer.

The other aspect to drive efficiencies is finding opportunities to rationalise our manufacturing footprint. In the past, in the current year or the FY22 year we closed down our Musina tomato canning facility. It made no sense to maintain a facility that just produced during the tomato harvest period. What we have done though it outsourced the manufacture of those products, and the outsourcing flexibly also allows us to provide more innovative solutions on shelf.

Slide 33 — Snacks & Treats

The Snacks & Treats recovery in the second half was exceptional, in particular if you consider the challenges we had to contend with. We settled in a new management team. We had to basically re-induct our staff down at our facilities and focus on improving engagement levels post the industrial action. At the same time, we had to deal with significant challenges in the supply chain with regards to raw material shortages and global logistics challenges.

In the second half, as we recovered our numeric distribution in our service levels, we managed our promotional activity quite carefully because, quite frankly, promoting heavily when your product's not on shelf didn't quite make sense. That helped recover some of the profitability.

At the same time, we also took the opportunity to bring in the original equipment manufacturers and revisit every line of ours in the facility. It's a fairly old site, many of the lines in excess of 30 years. We've examined every aspect of the line, improving our maintenance regimes, making sure we have the right critical spares on site to ensure sustainability of supply.

We also took the opportunity to get closer to our consumers and understand the role of Beacon in their minds and hearts. I'm pleased to say that the Beacon brand equity remains extremely strong. We're the only brand in the top three that has a South African heritage.

There's an opportunity for us to leverage that heart and make sure that we come out strongly during South African occasions and represent the brand for what it is. Looking ahead as you walk into the trade, you'll find innovation supporting that, as well as merchandising units talking to the House of Beacon.

Slide 34 — Beverages

This was one of the categories that experienced a 20% plus cost push and I must admit, the cost inflation took us by surprise in the first half and we found ourselves scurrying around in the second half to try and recover price points and manage our promotional activity.

However, what's pleasing to note, we've managed to hold onto share and grow share both in sports nutrition and dilutables. It was also quite fortuitous for us that we had to the opportunity to recruit new consumers with our Energade brand as our major competitor experienced some supply chain challenges as well and I'm hoping that sticks.

The other aspect that we focused on was expanding our presence across all areas. The general trade, the wholesale, retail and making sure that we rebalance the portfolio from dilutables to ready-to-drink.

As you know, we've been talking about portfolio balance in this particular category for some time and we've invested heavily behind fridges, which we're placing in the general trade, which we're placing in wholesale, which will allow us to encourage on-the-go consumption, as well as on-premises consumption, which is a critical enabler for the ready-to-drink portfolio.

Slide 35 — Baby

Moving on to the Baby category. This was the other category that I called out that delivered muted profit growth because of the 20% plus cost push. Despite this cost push, we focused on our medium- to long-term strategy.

You would recall that the jars proposition has been declining for some time. We invested behind it. We've improved the recipes, relaunched the product and focused rather than on the short-term inflation that we're seeing, but we focused rather on the medium- to long-term strategy by relaunching this product.

It's important to note that we're the only manufacturer out there that can offer a main meal solution under jars, as well as a snack offering under pouches. All the other competitors in the space only have a pouch offering and it's important as we take our portfolio to market that we position these products as complementary offerings, both the pouch and the jars.

In this particular category we face highly innovative, multinationals, as well as low-cost, local competitors. It's absolutely important as we look forward, we look at ways and means to improve our efficiency, reduce our cost base, as well as increase our level of innovation.

Slide 36 — Home and Personal Care (HPC)

On the Home and Personal Care, in many of our KVIs we saw inflation of 25% to 30%, which impacted profitability. In Home Care in particular, as Noel mentioned upfront, we did not have a pest season because of the heavy rains. In fact, he warned me about presenting the weather report every time we had an ops review, but unfortunately it's the nature of that portfolio.

What are we doing about it going forward? We're trying to rebalance the portfolio, focus on driving our Personal Care harder, focus on driving numeric distribution of our innovation within that particular category and making sure that our innovation pipeline remains quite healthy in Personal Care.

The other aspect that we're looking at is driving the balance of our Home Care portfolio. We have great brands under Jeyes in bleach, we have Airoma, which is an air care product, and we have numerous innovations supporting the growth of these products. With the investment behind our aerosol capacity, it will also allow us to increase our innovation from the aerosol line.

Looking ahead as I close for the Consumers portfolio, innovation, efficiency and portfolio health are going to remain the key themes and I'm hoping that we can continue in the same vein. Thank you. I will hand over to Noel now.

Slide 37 — Conclusion

ND What's really interesting is how Thushen gives you certain weather forecasts and not others. He's very, very selective in his choice.

Before I talk, about the strategy implementation. I also want to talk about exports. But there's one of the domestic businesses that we haven't covered here, which is looked after at an exco level by Luigi, which is our Out of Home business which supplies into the hospitality industry.

I think that that business has been a great example for us of what we're trying to develop in terms of a very aggressive and very agile Tiger going forward because that team has had to live through the worst of all of our businesses, has had the worst experience, the worst COVID environment.

Despite that, in this year's numbers you'll see they've produced numbers that are better than 2019 before the event of COVID. We're really happy and that's an example for the rest of the organisation of what we need going forward into the environment that we face.

Slide 38 — Exports and International

If we talk about the Exports and International business, you've got really three components of that. The Deciduous Fruit business based in Ashton in the Western Cape, our subsidiary Chococam in Cameroon, and our South African manufactured and exported business largely centred around Davita, with the big brands being Benny and Jolly Jus.

It's really pleasing that in this period we've produced a good set of numbers from all three of those components. I think the one that probably needs the biggest callout because the environment was even more challenging than the South

African environment, was the Chococam business where they were faced with even more challenges in terms of the global supply chain issues and from an environment where they really are used to zero inflation, suddenly dealing with double digit inflation.

Mouhamadou and the team have done an amazing job in maintaining the track record of growth in that business. Again, another example of agility, aggression, adaptability that we're going to need to grow this business going forward.

On the home front, the LAF business posted a small profit, this year a good second half performance. There were some positive external factors in terms of failure of the Greek crop in the prior year boosted global pricing. But it wasn't all about the external factors. I think decisions that were made around product range rationalisation and the effort that went into maximising the yield in the current year delivered a pleasing turnaround from the prior year.

Then in our export-based business, the Davita business, really a lot of hard yards in the marketplace in Nigeria and Mozambique, which are the biggest markets for us starting to pay off, expanding our numerical distribution in Nigeria. But a lot of work being done at the home site in the factory where we produced a fantastic year's performance in terms of our efficiencies and OEEs.

It was one of the six plants that we'd identified as focus plants some two and a half years ago in terms of there being massive opportunities for efficiency and we're pleased that we were able to leverage those efficiencies in the current year. I'll come back to Davita later when I talk about industrial relations.

Overall, a good performance coming from our Exports business. It remains very challenging. Foreign exchange remains an issue and supply chains remain an issue. But we expect some momentum in this area going forward.

I'm also pleased that we were able to make an appointment of somebody who's worked at Tiger in East Africa before. He's with us today. Polycarp Igathe has joined the exco as the chief growth officer for our rest of Africa business. We're really looking forward to great things and no weather forecasts from Poly for the next year.

Slide 39 — Cost inflation may be nearing its peak but, unlikely to provide significant relief in the short- to medium-term

If I can take you to the conclusion, I'm not going to dwell on this, cost inflation, it may be nearing its peak, but inflation in our basket year-on-year because of the base effect, is unlikely to dampen significantly for at least the next six months. We had inflation 3% in the first six months and some 18% in the second six months.

That impact is going to be felt by the consumers in terms of year-on-year. We're not anticipating massive levels of further inflation based on what we see today. But certainly, we're going to see double digit food price inflation in our basket in the first six months of our financial year with some relief coming in the second six months of the financial year.

Slide 40 — Consumer outlook is not encouraging with tougher trading environment anticipated

The consumer is really in a tough space and it's getting tougher. I think the interest rate impact is something that we haven't felt as significantly for a long period of time with the interest rate hikes and those are just starting to come into the market. I've just done a round of top-to-tops with all of the retailers and there is an apprehension about although volume is tight now, what happens when you really feel the full impact of this, these interest rates impact into the new financial year?

The purchase patterns we're seeing, not just the Black Friday purchase pattern, while people have loaded pantries, hopefully they're going to consume a little bit faster and a little bit more. But people are shopping less frequently, restricting the categories in which they shop and it's very much value.

Retailers are one of the challenges for branded manufacturers. Retailers who love our brands are often using them to pull feet in and that becomes very disruptive when you try to hit price points across the market, when you try to move price in response to cost inflation and it's a dynamic that we're just having to adapt to and manage.

That's where the use of data, our data and the retailer data is becoming increasingly important so that we make the kind of calculated revenue management decisions that Deepa has spoken about and that have paid off for us.

You're also seeing the retailers, their general trade formats starting to have an impact on the general trade, pushing deeper and deeper into areas traditionally reserved for general trade and now there are indications that perhaps some of the retailers will also get into the wholesaler space, directly selling to retailers.

The environment remains incredibly competitive.

Slide 41 — Significant investments have been made to help drive predictable earnings growth and stable returns ahead of the cost of capital

In responding to that, I hope that we've shown you in what we've done so far and what we're looking to accelerate, that working hard on building higher rates of innovation, even though we may be beating the market on innovation currently, it's still not high enough to push back hard enough against a wave of commoditisation and that search for value.

The work that we've been doing around specific value-led innovation, price-point architecture, tiering of our brands is starting to pay off and we're going to accelerate that. We're going to work harder to get an even better share of the e-commerce market where we have accelerated our efforts and we're quite pleased with what we've achieved. But we're still not getting our share in the market in the e-commerce market and that represents a big opportunity for us.

Keeping the price points relevant is really important and being able to lessen the premium or certainly not have to expand the premium is important. And so, we're going to continue to focus really hard on optimising the supply chain and the costs and efficiency drivers that have yielded some benefits for us for the last couple of years, but there's still more for us to go after. Focusing really hard on taking

revenue management to the next level is going to be quite important for us in driving volume at the right margin for us.

I think that it also gives us the ability to put the investments that we have put into IT and continue to make those investments, which is really important for us in terms of being efficient and being relevant going forward.

When it comes to the people, because we've got the brands, we've got the balance sheet, we've got the facility and the magic ingredient in our stew is really having the right people in the right places with the right attitude. I'm happy to say that the exco that I've been working with, we've been through quite a challenging last couple of years and seem to have come out of it not more than two or three inches shorter than we went into it.

We've augmented it, Polycarp joining us. Becky decided earlier in the year to return to her home in the US, to her family in the US and we're happy that we were able to appoint Zayd Abrahams who's got a wealth of experience into the position of chief marketing and strategy officer.

I think we have had a history, the last two years. The year before last we had a very significant four-week strike at our Davita plant and in this past financial year we had a nine-week work stoppage at our Snacks & Treats plant. We understand that when that happens, it's not a time for labour bashing or union bashing because when you have industrial action, it represents a failure on the part of management. It's a failure of communication, and often that failure of communication is something that is happening at the site, at the shop floor. We've put a huge amount of effort into driving the quality of communication, the quality of leadership at that site level and making sure that we own that communication, that we own the agenda with the workforce.

In the case of Davita, we can see the payoff in terms of the incredible efficiency that we've had out of that site over the past year. In fact, we've just completed our annual employee engagement and the Davita site has come out as our number one site 18 months after a very lengthy strike. You can turn things around.

We put a big focus this year with the level of inflation coming and lots of talk about a potential winter of discontent in terms of strike action. We have 27 individual negotiations across our 41 odd sites and I'm pleased to say that it's something that hasn't been done, certainly while I've been at Tiger, and that's too long to tell you about, is that we have settled by now all 27 sites.

Of the 27 sites, 24 of them we have done two-year settlements. That allows us the luxury, which we'll not be complacent about, but it allows us to be much more focused on externalising our focus in terms of growing the business whilst knowing that we have a backup infrastructure that is not going to be disrupted by the friction that inevitably occurs when you have industrial action. We're really pleased with that, and we think that that's a fairly significant achievement.

We have vacancies throughout the organisation. We work hard to fill those. We need to fill them much faster because it puts significant pressure on those who are still with the organisation when you don't close gaps. But we're seeing a post COVID great resignation trend. I think we saw some of that, be we're seeing our turnover reduce significantly and we're building a consistent pattern and a

consistent rhythm within the organisation. We're happy with the progress that we're making in that space.

Slide 42 — Significant investments have been made to help drive predictable earnings growth and stable returns ahead of the cost of capital | continued

In terms of building a growth pipeline, we are very focused on getting our own capex spent. We're making significant commitments putting a brand new peanut butter plant down, is a significant positive move for Tiger. I think it's a positive move for the country.

We did look at options of offshoring it and it was quite interesting when we did look at that to see that there's a significant amount of product that does actually come in from offshore, but we've made a decision that we're going to go with a spanking-new facility and we're going to continue to invest in growth opportunities and efficiency opportunities within our existing businesses.

We are aggressively now starting to build a pipeline of opportunities in terms of inorganic growth. We've looked at some and it's helped in terms of getting our teams match fit, if you like, around a due diligence process. But you still find that the economics and seller expectations are at levels that we can't quite make sense for us.

I want to give you an assurance that whilst we are aggressively pursuing inorganic growth, it's not going to be, to use the phrase, we're not going to spend the balance sheet like a drunken sailor going forward and we'll be calibrated and measured in what we do.

But certainly the one area where my friend Polycarp is going to be quite focused is looking for opportunities for us to grow inorganically in the rest of Africa. These are slow build, but we're tackling them with a methodical intensity. We're building our networks, we're building our connections, we're looking at developing partnerships, both internally in South Africa and beyond. It will hopefully all go well for the inorganic growth vector going forward.

Whilst we've been doing all of that, I think it's important that we have an eye to the much longer-term future. And so, we're not just in this environment slashing and burning and looking at a very near horizon in terms of the investments that we make.

I think that you can see that and I'm sure we'll cover it in more detail, but you can see that in the level of investment that we're making in IT and some of the bets that we're making in capex, in the reinvestment that we've put back into society in our nutrition programme, child nutrition programme, specifically at a time when essential foods have really been escalating beyond the reach of many consumers.

At the same time that we're doing that, we've been doing the right thing in terms of sustainability. I got a photograph this morning from our chief supply chain officer, manufacturing officer in our Isando HPC. We've just laid down as part of our power purchase agreement for four sites, we've just laid down the solar panels. I told him it looks like, it'll show my age, but it looks like a disco floor and I thought maybe

we can have a night club at night on the roof of the Isando HPC facility, but maybe the weather forecast might not sanction it.

We continue to invest in that and on the slide here you can see that we've made year-on-year significant progress. We're in the process of resetting more aggressive targets in this space going forward. We're doing the scientific analysis required to make commitments that we're going to keep.

We are being pushed by our board to be aggressive in that regard, but we're also going to make sure that what we commit on behalf of the company is something that we know can be done and has a good scientific basis to do so.

Slide 43 — Progress made stabilising the core and building agility – positioned to take calculated risk to drive growth

If we look at the last few years, I think we've made a fair amount of progress in stabilising the core of the business. If you look at the numbers compared to 2019, because I only showed you 20, 21, 22, 2019 in terms of the aggregate operating profit growth, it's been very modest. But if you look at the constituents of it, I think in that period we've taken a significant hit in terms of the baking business in particular.

When you back that out, you look at the rest of the portfolio, it's been fairly good. I think we're now positioned to start to take on board and to start to exhibit some of the aggression, and with that aggression we'll need to take some risks, which to be quite frank, we've been averse to do given the position we found ourselves in over the last couple of years.

What we've been really good at is when something is quite tangible and it's measurable and it's benchmarkable, if you set the Tiger team a target like that with a clear roadmap, their ability to execute that is very good. Where we have struggled, and this is where we focused in terms of the people that we're bringing into the organisation and in terms of how we want to develop people is where something is a little bit more ambiguous or has some more risk involved in the project, and that's something we're going to continue to focus our efforts.

Because we know when it's formulaic, if we point people in the right direction we can get it done. I think some of the results that you see today are a consequence of that. But for us to grow going forward, we need more of that risk taking and more imagination and ingenuity, quite frankly, which we're starting to see and I'm hoping that you've seen in the presentation from my colleagues that we've done that.

We're working on developing a culture of bigger and bolder, but not irresponsible bets. Again, I love the phrase that Yokesh uses. Hopefully we're back here next here and Yokesh is talking about how he has had the courage of my convictions on a couple of big projects that he's working on.

We've got a good platform now to take the business forward, to grow the business, to start to grow our market share and to start to truly work on laying very solid

foundations to become the African giant that just happens to have its headquarters in Johannesburg. Thank you very much.

Slide 44 — Q&A

NCW Thanks, Noel. If management could take a seat on the stage. I think we can start with questions in the room. We've run over a little bit, so conscious of time. Questions? Yes.

AN1 **Hi. I'm Thalia from Umthombo Wealth. If I'm correct, your exporting revenue was up 14%. Firstly, is that due to just low base effects and perhaps fortuitous macro events like bad harvesting in Europe? My second part to the question is, is this performance sustainable going forward, particularly considering that you operate within Africa?**

ND I'll take that. If you look at that Exports business excluding Deciduous Fruit, I think the growth is sustainable. There is an element of base effect. We did fix some of our basics in terms of our distributor network, particularly in Nigeria. But we're seeing an acceleration of our numerical points of distribution and so we can see that working for us. Here I talk specifically about the Benny seasoning and the Jolly Jus business.

The balance of the portfolio is quite challenged from a price point perspective. Benny and Jolly Jus are very much geared at the lower LSMs. When we talk about the balance of our exports, they're really geared at the upper LSMs in those export markets and that's where you're finding some very tight volume conditions. But overall, we would see a sustained growth in that business going forward for the next 12 months.

AN1 **Noel, if I can ask, is all your exports just Africa or do you have also other continents as well?**

ND Again, excluding Deciduous Fruit, 95% of them are African exports.

AN1 Thank you.

AN2 **Morning. Chris Gilmore. A big strategic question. At what point in time would you ever consider doing private label? It seems to be pretty anathema at this point in time. The name Tiger Brands, I understand you like doing brands. But if the consumer economy is going to keep on deteriorating and you're talking about the change in the dynamics in the retail and wholesaling and stuff like that, maybe there's a space for at least an element of private label.**

YM Hi, Chris. I'll take that one. In fact, we have a stated strategy that where we have excess capacity available in our facilities, we will in fact explore DOBs because it's a reality of the market today. So, rather be in there if you have the capacity as opposed to someone eating your lunch.

A good example of that and something that you typically would have not seen in Tiger is, in fact, two months ago we launched a DOB for Shoprite in the Western Cape for bread. It's a 600g loaf at a price point. That facility, we are the number three player in the Western Cape, and we had significant excess capacity available. As a result, we partnered with Shoprite to produce a DOB, particularly in the Shoprite and Usave stores, not Checkers.

We have DOBs for some of our flour capacity that we have available in the Eastern Cape and certainly Thushen's doing DOBs in some of his consumer space in the Snacks & Treats space. There are examples where capacity exists that we have ventured into DOBs.

ND And perhaps, Chris, I can just add to that. It is something that we started looking at seriously two years ago and have had some traction, but maybe not as much traction as we would have anticipated at the time. That's really a consequence of two things. It's really cultural issues.

At Tiger it's been ingrained, with the exception of probably our enterprise business, that house brands, DOBs was not something that Tiger participated in. There's been a degree of internal resistance. Also, because of that history with the retailers, when we've had conversations with the retailers, they've questioned how real the intent is. I think we're starting to break through from both sides in that respect.

Particularly when we look at major investment decisions. The ability to leverage up the volume in the early years in a facility can make a difference between an invest or not decision. We're currently looking in Yokesh's portfolio, within the Pasta business at potentially a major significant investment in that space and what would make that a lot more feasible is if we could have at least a medium-term commitment with a major retail on house brands.

I think the rigid, doctrinaire approach of the past is giving way to a category-by-category degree of pragmatism and flexibility.

AN2 Thank you.

AN3 **Hi, good morning. It's Sa'ad from Citi. Just one quick question. Have you seen a change in the way retailers have accepted or not accepted pricing increases in this last six months versus other inflationary cycles going back to say the last 10, 15, 20 years?**

ND I wouldn't say there've been any significant changes. We've had some challenging conversations when you're putting through the level of price increases that we have. But it hasn't been significantly more challenging than it's been over the previous two years.

I think over a period of time, what you find is that your price increases, you really have to bring your a game in terms of the justification for it. Retailers have lots of visibility through their house brands into what your cost base looks like and if you don't go with your ducks in a row and if you don't go with the facts around the motivation behind the price increase, then you certainly won't be entertained.

But we hopefully are in a position where we're able to do that pretty convincingly. And so, we haven't had any serious stop supply issues with customers over price increases. It's been tough, but it's been tough for quite a while.

AN3 **Sorry, then just one more question. You've talked about loadshedding impacting Q1. Can you just talk about volumes and how loadshedding has impacted consumer behaviour and your volumes in the first quarter? Thanks.**

ND I would say loadshedding has had no impact for us in terms of volumes for the first quarter. We've been fortunate because over a period of time we investedin excess of R350 million is what's sitting on the balance sheet in generator capacity that we've put in place.

The challenge could be on volume going forward is if some of our inbound suppliers don't have the same level of backup generating capacity and you get sustained loadshedding or you end up with a diesel shortage. That's what we would be concerned about. But overall,we've been able to, with the help of our suppliers, mitigate any significant volume loss.

And we haven't experienced anything specific around consumer behaviour, nor shopper behaviour.

DS No.

YM I think a real-life example of the impact of loadshedding, apart from the capital investment you make, which you pick up as a depreciation cost, is the actual cost of running it. Deepa spoke about it being four times Eskom cost of electricity we have to get in.

To put into perspective, to run our four mills, just the four mills. Last year October due to loadshedding it cost us R450 000. This year October, given the increase in diesel cost and the intensity of loadshedding, it cost us R3 million for the exact four mills. That's the quantum that you're starting to speak about.

DS I think also maybe at a Tiger Brands level, to quote the stats that Yokesh is giving, October 2022 the cost was in excess of R7 million. October 2021 the cost was just slightly in excess of R1 million. On an annualised basis for 2022 we're looking at costs in excess of R27 million.

I think maybe just to pick up what Noel is saying, we are starting to see some impact come through from a procurement point of view where vendors do have generators, but either being impact of breakdowns or diesels shortages, etc.

It's about working quite closely with our suppliers to make sure that there's that constant inflow of packaging material, raw material, etc., so that we don't run into a problem in terms of production on our side. But we have had some issues, but a lot of our vendors are also investing in solar technology as we are and putting in bigger generating capacity, etc.

TG Just on your consumer and shopper behaviour. We wouldn't necessarily see it because we're not in the perishable space. As a consequence, it hasn't shifted our basket dramatically. What you are seeing driving that shift in consumption habits is lower disposable income, unemployment levels. But specifically, within our categories I don't think there's been a significant impact on shopper behaviour.

ND The one space that actually, just now that I think of it, where we feel it, but it's marginal for us because of the relative size of the business, is in the Out of Home space. You find the QSRs are benefiting. When you've got loadshedding, the people can't cook and are at the QSRs. We've seen a little bit of an uptick in our Out of Home business as a consequence of that.

AN4 **Thank you, Noel, and I think congratulations on a strong second half performance. That was unexpected, that magnitude. But it looks as if the cost savings were slightly behind target for the year and the new target, you say there's more cost savings for this year. I can't remember if you've given the number. But would you just elaborate on that? You get these cost savings, but they don't drop to the operating profits. What would those savings be used for?**

DS I'll take that question. Effectively the FY22 number we had given was slightly below R500 million, the target originally. Where we have come short is we've had to spend in FY22 from a procurement point of view in terms of securing raw materials, packaging, etc. given the global supply chain constraints and obviously that's come at a cost. We've incurred things like air freight costs due to shipping delays, port delays, etc.

In terms of the shortfall in FY22 it has largely come from a procurement side of things in terms of our ability to negotiate. Where we were able to deliver the R380 odd million saving in FY22 was continued savings coming through from supply chain efficiencies and a large component coming through from the logistics space, which Yokesh looks after. In fact, in logistics we were able to deliver R100 million over the original target that we had anticipated for FY22.

In terms of going forward to FY23, we are going to be focusing, obviously the ongoing efficiencies coming through from supply chain, but eventually those start to cap out. the number that I have put on the table is in the region of about R460 million target for FY23. That is going to be focusing on in terms of also added logistics benefits.

We're implementing a freight desk internally so that we're moving away from focus on freight forwarders, etc., and we can be able to really leverage reduction in freight cost, etc., and also just look at a variety of options in terms of shipping. But also, just general secondary and primary logistics distribution, warehouse management, etc.

Then there's going to be a big focus in terms of procurement. We've really invested heavily in that space, both from a resourcing and professionalism and experience point of view, but also, we're going to be investing in capabilities and tools. To give you an example, we ran our first auction a couple of weeks ago, e-auction and we're really seeing benefits. For example, just on one particular item we were able to deliver in excess of R20 million saving running through tools like e-auctions.

Lots of focus in terms of uplifting the procurement capability and we're certainly going to be pushing to deliver, shifting our focus from firefighting to more strategic procurement and focusing on that professionalism and delivery in that space. That's where the transition will certainly come from.

Answering your question around delivery to the bottom line. If you have a look at our naked margin, we have certainly felt the impact in that space because of our inability to push through full price increases in terms of cost inflation, but we haven't necessarily been able to fully recover that through price increases.

However, with that being said, the ability to retain our gross margin in line with prior year, that's where the money is actually sitting. Basically, the cost saving

initiatives, supply chain efficiencies, etc., as well as the revenue management programmes that we implemented allowed us to maintain our gross margin at the 30.3%. That's where the numbers are sitting.

You'll also remember we spoke last year about Every Tiger Counts. We'll be putting a lot more effort into that space. We've got a good pipeline of initiatives and certainly we'll hope to see benefit come through below gross margin as well in terms of operating expenses.

NCW **Just in the interest of time, we're just taking questions from the webcast. They relate to Bakeries, so Yokesh or Noel. Can you give a sense of capex spent on baking facilities over the last five years? Are there plans to spend on newer technology to reduce costs? Then the second question relates to the price premium in bread. Is it likely to be below single digits going forward, especially given plans by your competitors in Gauteng?**

YM I'll answer the second one, Nikki. The price premium will be at more or less the current levels that we showed today, in the region of 4% to 4.5%. As I mentioned through my presentation, it's not absolute. Depending on the levels of activity that take place in the trade, the promotional dynamics that occur through the year and particularly through the season, it will vary. But the premium in the region of 4% to 4.5% will persist.

ND As far as the capex is concerned, I don't have the exact number, but I would say I'm reasonably accurate, I'd say over the last five years we've probably spent in the region of R500 million. Our bakeries are in pretty good condition. Probably the only space where we look for some upgrades would be one or two of our sites on the cooling technology side of things, which would not be significant. Unless we build another bakery in the short term, I wouldn't anticipate that we'll spend much more than R150 million a year going forward.

NCW One last question because management also has to engage the media.

AN5 **You've restricted me to one question, but a working capital build of R1.6 billion, is that the norm going forward? Because loadshedding is here to stay, there's international supply disruptions. Tiger previously talked about getting cash out of working capital and now invested R1.6 billion, so the level of that investment.**

Second thing, competitive rationality. I think people have, let's call it, added more capacity in their baking business, which has led to, for a lack of word, price wars. How is Tiger seeing, let's call it, the utilisations within the industry and competitive rationality going forward?

DS Maybe, Nikki, let me start with the working capital and then I'll hand over to my colleagues to talk specifically around inventory. Basically our working capital increase has come through from the inventory balance. We continue to maintain a really strong debtors book. We've seen improvement come through in debtors' days, as well as continue to focus in terms of creditor days as well.

With that being said, the impact of the global supply chain crisis has impacted things like creditor's days because what's ended up happening with extended shipping periods, you end up paying for stock before it's even arrived in-country

whereas historically the stock would only be paid for, due to shorter shipping times, that stock would only be paid for while it's already in your particular site.

With that being said, we have made deliberate decisions given supply chain constraints to ensure that we have stock in our warehouses in terms of import stock. Last year we ran into a problem with gelatine. We had other items that we were ending up having to air freight impacting our operating cost, etc. We have taken deliberate decisions, but we do believe that there is opportunity to relook at the inventory holdings, identify areas where we don't necessarily have to hold high levels of stock.

Particularly also you'll note that I did mention the fact that we were holding stock in anticipation of planned plant shutdowns that are taking place now in quarter one of the new financial year. To ensure that we don't run out of stock and unable to deliver in terms of our service levels to trade, we have made some deliberate attempts to hold additional stock in finished goods as well.

I know my two growth officers are certainly reviewing those balances quite carefully and that there are intentions to reduce the stock holdings over the upcoming months as soon as we fall through the peak as well as post the shutdowns.

TG Maybe picking up from there, it's also become quite a volatile trading environment to predict. Not just the demand drivers, but also the supply side, as Deepa said. The reality is if your gelatine is short or if your sugar is short, you have a facility that's standing, dealing with high overheads. In high-risk areas we have gone longer on cover and that was more as a consequence of making a strategic call.

However, the demand has been fairly volatile, deep promotions in some cases, some cases off-promotional spend has been reduced significantly and then we've had some service level issues as a consequence. In particular areas we decided to go longer on holding. Innovation as well. With the new innovation it's difficult to predict demand. We've had to hold longer days of stock.

But having said that, as we prepare for the high peak in quarter one, we've decided to err on the side of caution. Post the shut that Deepa refers to in December at our various facilities for the year-end, we'll have to take a very serious look at our working capital levels based on how the demand played out, based on some of the supply chain challenges and take a view on what those stock positions should be going forward.

But having said that, planning has become that much more difficult in this volatile trading environment.

YM Just to complete that, you've got to separate rand million or rand billion held against actual days. If you look on the Grain side of the business, you've seen 30%, close to 40% on wheat price jump. You've seen 45% on white maize and it continues to climb. Double digit on sorghum. Double digit on oats. That inflates your base and not necessarily your days of cover.

To answer your second question now, it's difficult for me to comment on rationality of a competitor. Notwithstanding, some of the low price points we saw particularly in the first half of our fiscal in the bread, flour and maize category did put pressure

on the category as a whole. You saw that play out in our first half results as we did take price when the wheat price started to run.

Having said that, that's a question that came over through the telecom, was we did see a reduction in our premium through the year. That's as a result of some of the pricing that we're currently seeing in the market. One will have to play a volume/value game to make sure you get sufficient volume through your facilities, but at the same time have a price point that's attractive to the consumer.

When I spoke to you at mid-year, our operating margins in the bread business or the Millbake business was at 5%. At year-end, at six months, cumulatively it's at 7.5%. You can do the math in terms of getting that equation right to protect your volumes, maintain your market share and have an offering that's valued by the consumer.

NCW Thank very much. Investor relations will respond to the questions on the webcast and if you have any further questions or queries around the results, we are available to you. Thank you.