Tiger Brands Interim Results Presentation Transcript
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Speaker Key:

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Slide 1 – Tiger Brands interim results presentation

NCW Good morning, ladies and gentlemen. Welcome to Tiger Brands' interim results presentation for the six months ended March 2023. I'm Nikki Catrakilis-Wagner, responsible for Investor Relations at Tiger Brands. We also welcome those who have joined us on the webcast.

I would particularly like to welcome you to the Sensorium. It's a brand-new, state-of-the-art, multi-purpose centre dedicated to innovation. It will enhance our research and development facilities, category pilot plants at the manufacturing sites and people capability to futureproof the business. It includes a laboratory, a functional pantry, a test kitchen, and a sensory room. For those of you who are in the room, you'll be taken on a tour of the facility following the presentation.

Slide 2 - Agenda

Coming back to the presentation, the agenda will follow the same format as we follow every results cycle. We'll begin with opening remarks from CEO Noel Doyle. Deepa Sita, the CFO, will provide a financial overview and the chief growth officers will cover the operational aspects of their respective portfolios.

In terms of the operational reviews, you'll be familiar with Yokesh Maharaj, who heads up Grains, and Thushen Govender, responsible for Consumer Brands. We're also introducing Polycarp Igathe who was appointed chief growth officer for the Rest of Africa. Noel will conclude the presentation and we'll open it up to Q&A.

Slide 3 – Forward-looking statement

Before we begin, I draw your attention to the forward-looking statement. With that, I'll hand over to CEO Noel Doyle.

Slide 4 – Executive summary of performance

ND Thank you and good morning. Thank you for joining us either virtually or at our premises. I'm going to do a very brief overview, then we'll get into the nuts and

bolts of the business before we do a wrap up.

Slide 5 – Increasingly tough consumer environment with accelerated volume declines and a clear shift towards essentials

I'm not going to dwell on the top half of the slide, which covers the consumer environment and the macroeconomic environment. One can see from the stats that we've highlighted that it's certainly becoming ever-more challenging in an environment that has not been easy, certainly for the last number of years, in terms of what we are seeing in terms of consumer behaviour and consumer disposable income.

What that's translating into in terms of consumer sentiment and consumer wallet, is the kind of dynamic that is set out in the bottom half of the slide where you're seeing a shift in consumption towards the centre-of-plate carbohydrate, if you like, which is where you're seeing some growth and where margins for us have been particularly challenged in this period, and an accelerating trend of volume decline across many of the other categories. This really reflects the variability of consumer spend and the extent to which discretionary spend is being eliminated in favour of the very basics across our target market.

The stats that you see here are stats for modern trade but based on a triangulation of different data available to us. I don't think that the trend is markedly different (in the wholesale and traditional trade). In fact, we think that if you look at the wholesale and traditional trade sector, the trends are probably more pronounced in that space.

Slide 6 – Return on effort not reflected in return on sales and equity

When you look at our performance, it's very clear that the return on effort is not reflected in the poor results that you see, the disappointing result for these six months in terms of our returns. Whilst in the background we've had very good progress in terms of ongoing improvements in our efficiencies, in reducing waste and we're ahead of our target in terms of cost savings initiatives for this year, there's been some offset with the cost of loadshedding, which we'll go into in detail, and because of that consumer environment, quite a lot of pricing constraints in terms of trying to maximise or optimise the value-volume equation.

A feature of the results, which we'll unpack in more detail, is the significant underperformance or disappointing level of performance of both our Tice and Groceries businesses where we really saw, towards the end of this period, a significant change in the trajectory of those businesses. On the positive side, within the portfolio, apart from some of the individual domestic segments which we will take you through, we've been pleased with the sustained progress in Exports.

Slide 7 – Good performance in the modern trade over weighted to Milling & Rice resulting in margin compression – less successful in wholesale & general trade where price sensitivities are greater

When you look at our share performance, and our volume share looks better than this graph, but the value share I think is a better reflection of the overall health of our performance in the market, there's been a good performance over the last 12 months, six months and three months in terms of our value share. But that has really come from an overweighting in our Milling retail and wholesale business and in our Rice business, where we had actually much tighter margins than we anticipated and where we're seeing much higher levels of price sensitivity.

Slide 8 - Consistent marketing, value-led innovations & compelling pricing result in Billion Rand Brands remaining firm favourites

The brands overall in terms of our market shares compared to where we were at the half year, we're pleased with the share performances. But those positive performances have come at the expense of compression in pricing and margins as a consequence of the environment that we've outlined and which you're all familiar with.

At this point I'm going to hand over to Deepa, who will take you through the detail of the financials.

Slide 9 – Financial review

DS Thank you, Noel. Good morning, ladies and gentlemen, both in the room as well as virtually. I think as Noel indicated; it certainly has been a challenging six months for us. The first half performance is reflective of some recovery in volumes in some of our key segments. However, these were certainly offset by category-specific headwinds that we'll talk to shortly. But in essence we have certainly seen a high operating cost environment and that's largely been driven out of the impact of the implications of loadshedding, etc.

Slide 10 - First half performance reflects recovery in key segments offset by category-specific headwinds and higher cost of operating

In terms of our highlights for the six months, we have seen some period-on-period volume improvement come through in terms of our key segments, such as bakeries, snacks and treats, personal care, as well as in terms of our export business overall.

The revenue management programme that I've spoken to quite extensively in a number of our previous results presentations, continued to gain traction in many of areas. Some of the more recent examples include the discount dispersions that we see in our bakeries category, as well as SKU prioritisation in the groceries category, which saw up to 25% rationalisation come through.

Cost saving, as Noel indicated, is tracking ahead of target, despite the high input cost inflation that we continue to see from a procurement point of view.

Specific headwinds, Thushen will talk to the headwinds that we've seen in the grocery category, but certainly those volumes have been disappointing in the last six months.

We saw poor price/volume management in the rice category, which became apparent to us as we were finalising our half-year results, and that's as a result of the billing cycles that had been completed where we noticed the poor price/volume management that had come through.

Increase in cost-push pressures. Like I said earlier on, loadshedding continues to have an impact on our business. The total impact for the H1 was R76 million with an incremental energy cost of R48 million for H1.

We also saw some headwinds come through in working capital investment, albeit some through deliberate stock build in our inventory, both in raw materials as well as finished goods, as well as some issues that have come through in debtors collection, which I'll talk to shortly.

Despite the cost savings ending ahead of target, the under recoveries and pricing constraints that we've seen in a number of our categories has certainly resulted in gross margin compression.

Slide 11 - Strong revenue growth while higher operating costs dilute earnings

Having a look at the snapshot of our results, certainly a disappointing result for H1 in what can be only deemed as a very challenging environment. We saw total revenue from continuing operations increase by 16% to R19.4 billion. This was largely driven by price inflation of 17% and a volume decline of 1%.

The volumes held steady, as I indicated in the previous slide, in the domestic business. This was driven by strong recoveries that we saw come through in bakeries, our snacks and treats business, personal care, as well good performances seen in sorghum breakfast, rice, beverages, as well as the out of home categories.

The volume declines that were recorded were in our flour to retail and wholesale customers. We saw declines come through in the sorghum beverages, the groceries business, as well as baby, where we saw also a marginal decline come through in the home care business.

The firm recovery that we saw come through in export volumes was partially offset by the significant decline that we saw come through in our deciduous fruit business.

Gross margins have certainly been impacted, declining from 29.2% to 27% and that's largely driven by the higher input cost inflation, as well as the impact of loadshedding.

The group operating income before the impairments and non-operational items decreased by 9% to R1.4 billion. But it is important to call out that the prior year period did see the benefit of our insurance proceeds, which amounted to an amount of R161 million, and that was related to the product recall as well as the civil unrest which took place in July 2021.

For comparative purposes, the insurance proceeds in the current financial year amount to R20 million and excluding the impact of these proceeds, the group operating income would have actually declined by 2% versus the 9% noted on the

slide.

The group's effective tax rate before non-operational items and income before associates increased slightly to 29.7% from the 29.6% reported last year.

The income from associates increased by 51% to R275 million. That was largely driven by a strong top-line performance particularly in the Carozzi business, as well as the benefits that we saw come through from favourable currency translations. National Foods also reported a satisfactory result in the H1.

Earnings per share increased by 2% to 749 cents per share, compared to the 733 cents last year, while headline earnings per share increased marginally to 731 cents compared to the 728 cents in the prior year. In terms of declaration of interim dividend, we are declaring an interim dividend which is flat on last year at 320 cents per share.

Slide 12 - Revenue boosted by price inflation while volumes supported by recoveries in key segments

As I've indicated, total revenue was certainly boosted by price inflation, while volumes were supported by recoveries in the key segments which I've spoken to. We saw 17% price inflation at a total level, partially offset by the 1% volume decline.

In terms of domestic revenue, that increased by 16% to R17.3 billion and that was driven entirely by price inflation and volume which remained flat. The exports and international revenue was driven by price inflation of 15%, forex at 4%, but volume decline of 9%, and as indicated, that decline was predominantly driven by the deciduous fruit business.

Slide 13 - Revenue increased 16% year-on-year to R19,4bn driven largely by price inflation, while operating income was impacted by higher costs associated with operating in an inflationary environment

Just looking at a snapshot of our income statement, despite the strong revenue growth that we saw come through, the first half performance was certainly impacted by the challenging operating environment in which we were operating and that was largely driven by prolonged loadshedding that we saw come through during H1.

Also, high levels of inflation and the impact of the interest rates on consumer confidence and disposable income also affected the consumer behaviour where we saw consumers shift to more value products and that in turn, also affected our volume as well as our basket mix overall.

As I've indicated, although the cost-saving initiatives and supply chain efficiencies are delivering ahead of plan for half year, these were unfortunately not enough to offset the high input cost inflations that we're seeing come through from a procurement point of view, as well as the further impact of the loadshedding that I've spoken to.

Just for comparative purposes, the loadshedding amounted to R76 million, as I've indicated, compared to the prior year amounted to R12 million. So, quite a significant impact in terms of the year-on-year movement in terms of loadshedding

costs.

Operating income was impacted by, like I said, the proceeds of the insurance in the prior year, sustained marketing investment in terms of our Billion Rand Brands, as well as the increased distribution, which was led by the geographic mix, reduced direct deliveries, as well as the increase in fuel cost compared to the prior year.

We also saw an increase in net financing cost for the year. That increased to R94 million versus the R34 million in the prior year and that was largely driven by the impact on the opening cash balance as a result of the R1.5 billion share buyback that took place last year, increase in working capital requirements, as well as the higher interest rate hikes that we saw come through during H1.

A foreign exchange loss was reported at R15 million and that was largely as a result of the strengthening of the rand against the major currencies, which did affect the translation of our foreign currency cash balances.

As noted, the income from associates were strong, mainly as a result of the strong top-line performances that we saw in Carozzi.

Overall, a disappointing result at R1.18 billion versus the prior year at R1.3 billion in terms of profit after tax.

Slide 14 - Solid revenue performances driven by price inflation and volume recovery in key segments, operating income impacted by higher operating costs and supply chain complexity

I'll just give you a very top-line performance in terms of each of the categories because my colleagues will go through the detail. But effectively, all the domestic businesses recorded revenue growth, which were underpinned primarily by price.

In terms of the Grains business, while we continue to see progress in the wheat-to-bread value chain, these gains were more than offset by the challenging performances in the balance of the portfolio, which again were exacerbated by the incremental cost of loadshedding, which amounted to R37 million in this particular category.

Revenue increased by 22% to R9 billion, reflecting average price inflation of 22% for the category with volumes remaining flat. Operating income declined by 19% to the R343 million you see on your screen.

In terms of the Consumer Brands business, all the segments delivered top-line growth, with a particular strong performance coming through from snacks and treats as the business recovered from the industrial action that was noted in the prior year in the same period.

The Out of Home and Beverages businesses also achieved strong growth, while Groceries and the Baby businesses were impacted by the lower category demand. Overall, this segment's revenue increased by 10%, comprising of price inflation of 10%, while volumes also remained unchanged in this particular category. The operating income declined by 15% to R555 million and that was driven predominantly by the underperformance seen in Groceries and the Baby category.

Home and Personal Care (HPC). Overall revenue in HPC increased by 16% to R1.3 billion and that was primarily driven by the performance in our personal care business. This together with the enhanced factory performances resulted in operating income increasing by 21% to the R256 million reported.

The Exports and International business increased revenue by 10% to R2.1 billion, primarily driven out of improved performances coming through in our export businesses as well as Chococam. In turn, the operating income for this business increased to R163 million from the R64 million in the prior year.

Slide 15 - Closing cash position reflects significant investment in working capital and low opening cash balances due to share buyback with net debt ending at R1,7bn

Just shifting focus in terms of our cashflow situation. The closing net debt position for the half year ended at R1.7 billion, which is indicative of the significant investment that we've placed in working capital, as well as the low opening balances as a result of the R1.5 billion share buyback that took place in the prior year.

Cash generated from operations declined to R305 million in comparison to R517 million in the prior year. This was largely driven, like I said, by a significant increase in investment in working capital and this was as a result of an increase in trade and other receivables, as well as an increase in our inventory balance.

In terms of the inventory balance, this was impacted by inflation in all categories, as well as some deliberate increases in stock holding in some of our categories, which include peanut butter in finished goods in preparation for the site relocation, as well as increased stock holding in our HPC business as a result of an implementation of a significant capex in that particular business.

We also saw the need to increase stock holdings in certain of our raw material sectors, such as sugar, gelatine and tomato paste. Gelatine and tomato paste are being impacted particularly by supply chain constraints globally and the need for us to hold stock as a result of delays being experienced at the harbour, etc. A number of those items have been deliberate increases in our stock holdings.

Cashflow was further impacted by the dividend paid, which was declared at the end of the last year amounting to R1.1 billion, the tax paid amounting to R462 million, as well as the capital expenditure year to date amounting to R448 million in terms of our investment to date.

Slide 16 - Capex to accelerate in H2 bringing total spend to R1,3 billion

Just having a look at the capex performance. Year to date we have indicated a capital expenditure project amounting to R1.1 billion that has already been approved, with that spend expected to filter into the rest of H2, bringing our total capex for the year to an amount of R1.3 billion.

Most significant items over the last ten years, as you'll note on the screen, significant improvements and investment in our bakeries. We saw a new development in the Durban bakery, our Bellville bakery new build, as well as the Henneman mill revamp. In other grains we saw an investment in the new mill in Jungle, as well as the extruder and packing line investment in the Sorghum

business.

Groceries also saw quite a significant investment in terms of new fillers, packaging equipment, as well as bean blanches, and then also the mayonnaise plant relocation to Johannesburg that took place. Like I indicated previously, HPC continues to see investment in terms of automation, as well as investment in our baby category in terms of pouch lines overall.

Then no different to most players in the industry, we've spent a significant amount of money and investment on generators and the creation of alternative energy solutions to compensate for the significant loadshedding that we're experiencing.

As I've previously indicated, the digital journey continues to gain focus and momentum. This entire initiative is focused on identifying efficiency opportunities through automation across our business.

We saw an investment come through in warehouse management in some of our categories and warehouses; demand planning and forecasting solution, which is currently being deployed; as well as investment in a procurement tool, which is currently underway, which we expect to see significant value unlock through improved management of supply and supplier risk; as well as the ability to run RFPs, RFQs and the likes of e-auctions, etc. That continues to gain focus and momentum.

Slide 17 - Looking ahead: Remain focused on execution in an increasingly difficult environment

In conclusion for my section of the presentation, I think it would be good to just look in terms of what our expectations are going forward. We do expect that the challenging environment will continue and what will be very critical for us is to remain focused on execution in what can be deemed as an increasingly difficult environment.

We expect the current headwinds to persist. We expect loadshedding to continue at high levels. We expect to see ongoing supply chain constraints, both globally as well as locally as local suppliers also battle with loadshedding. Inflation is unlikely to abate in the near future and we also expect continued rand volatility, which will also impact us both from an import as well as export perspective. We also expect to see that the consumers remain value conscious, looking for affordable options as disposable income remains constrained.

In terms of our mitigating strategies in operating in this environment, we'll continue to invest in automation and innovation to optimise efficiencies. The focus in terms of procurement is to obtain better pricing and creating cost competitiveness for the business. Driving continuous improvement, which would include the likes of recipes, packaging specifications, etc.

Time and motion studies are underway at key sites to also identify opportunities in that space. Improved working capital, which will continue to gain our focus, particularly in debt collection in times where we're seeing customers' liquidity certainly being impacted. As well as improved working capital management from an inventory point of view as we start seeing normalisation come through in finished goods, particularly in peanut butter as well as the HPC business.

Then lastly, we'll continue to focus on the revenue management programme that has certainly served us well in the last couple of periods and also focusing on the next phase of the revenue management project compared to what we've already communicated in the past.

On that note, I'm going to hand over to Yokesh to take us through more detail on the Grains category. Thank you.

Slide 18 - Grains

YM Thanks, Deepa. Good morning, ladies and gentlemen. I'll speak to you about the Grains business and get straight into it.

Slide 19 - Enhanced profitability in Millbake offset by significant loadshedding cost, product mix in Other Grains and poor price/volume management in Rice

At an overall level, revenue increased 22% to R9 billion, primarily driven by price inflation while our volumes remained flat.

We had satisfactory performances in our Millbake, and this is a narrow definition of our wheat-to-bread value chain, but this was disappointingly offset by our Rice business, and I'll speak to you a bit more in detail on that, and to a lesser extent by our Sorghum-based beverages, Maize and Pasta business.

Our Maize business saw significant inflation in Q1 due to export demand out of East Africa and Mexico. That's since corrected itself and in H2 we're seeing significant margin improvement in our Maize business.

The Grains business did incur a total loadshedding cost impact of R37 million at on an incremental basis, a R51 million total in terms of generator fuel for the period, and this was also impacted by the knock-on effects of what we refer to as "water-shedding". This is where the water infrastructure subsequently fails when the lights or the electricity comes back on, primarily impacting our Germiston and Secunda bakeries.

In our bakeries, our focus was on volume recovery to maximise the wheat value chain, and this led to margin improvement at a 16% level year on year for the H1 reporting period.

Other Grains, as I mentioned, was affected by suboptimal price/volume management in the rice category, which was particularly disappointing, and as Deepa mentioned, came to light during the latest billing period. We had significant volume growth in the rice category at the expense of margin. Overall, though from a Grains perspective, the market share movements that you do see on this slide reflect consumers' preference for lower-cost carbohydrates.

Slide 20 – Milling & Baking

To speak to you about Milling & Baking specifically, revenue increased 23%, influenced by price inflation of 21% and volume growth of 2%. Our bakeries in particular benefited from the successful execution of our volume recovery strategy, particularly with our retail customers in the top-end grocers. However, as I mentioned, operating income was significantly impacted by the cost of prolonged

loadshedding and the knock-on effects of water supply as a result.

I'm pleased to report though that Albany did reflect share gains ahead of the market, primarily driven by our white bread. It's important to note that going into H2 the bread volumes are a bit more challenging as inflation stays stubbornly high and the industry scrambles to fill volume in their respective facilities.

The maize category was impacted by significant raw material cost, suppressed by-product pricing as we had additional rain and surplus of veld feed, lower volumes and higher conversion costs.

The sorghum-based breakfast business delivered a muted performance, primarily driven by the high sorghum prices, which we saw increase circa 35% year on year from our exit FY22 position. This is as a result of lower plantings in Sub-Saharan Africa, as well as additional rainfall which favours plantings in the soy crop as opposed the sorghum crop.

At SAFEX prices today, sorghum is more than double the price of maize on a rand-per-tonne basis, which points to the challenges we face in this category as sorghum beverages primarily services the needs of lower LSM consumers. I'll speak more about this later on.

Looking ahead, we're going to be focused on bread volume recovery in the general trade, which was slightly behind the market, while maintaining our strong position in the top-end grocer. We will be launching in this quarter the new positioning for the Albany brand proposition, which I spoke to you about at the previous results presentations.

We're focusing on our capex rollout at our respective bakeries to improve OEEs across the board, and also looking at the optimum mix in sorghum beverages between volume and value to sustain this category.

Slide 21 – Other Grains

Moving to Other Grains. Strong top-line growth was delivered, but profitability, as I mentioned, was impacted by the unfavourable mix and higher conversion costs and despite market share growth ahead of the category, rice profitability was impacted by suboptimal price/volume management. As stated, this led to an erosion of margins and significantly impacted the profitability of the rice category.

Although the oat-based breakfast, which is Jungle, and the pasta business delivered revenue growth, this was primarily driven by price inflation. Operating income was adversely impacted by product mix, high raw material prices and increased conversion cost due to loadshedding.

Oats in particular saw raw material prices increase circa 20% between our average FY22 prices and our current prices. This led to us taking price in market to protect margin in this category which resulted in subsequent volume declines. The overall breakfast category is in decline.

Looking ahead, we have targeted promotions in pasta to improve our volumes and mix. We continue to invest in our pasta plant to improve our quality and build equity. We are looking carefully to improve the price/volume ratio in rice with sustained marketing support to our newly launched innovation in crisps and rice

cakes. And we will optimise the mix between our core oats and value-added products in our breakfast category as consumers continue to have more breakfast on the go.

Margins are expected to improve in H2 in our rice category as a result of the pricing interventions we have put in place.

Slide 22 - Divergence between Thai and Indian rice prices poses a challenge for our offerings in H2

However, the one thing I would like to caution is the divergence of the Thai and Indian rice pricing.

We do see when this gets in excess of $70 a tonne FOB we see a slow-down in Thai rice imports, which obviously constitutes our Aunt Caroline and Tastic ranges, with the influx of Indian rice into the country. We'll monitor this closely and put mitigation practices in place to optimise price and volume in this category.

Slide 23 - Volume and value share gains from innovations ahead of expectations

If we look at our innovations, and I spoke to you at our results presentation in February around this, a big part of the grains business is to introduce value-added innovations, both for the consumer and at a margin accretive to us at Tiger Brands.

I must say that the Albany wraps, the rice cakes, and crisps, our new Tinkies innovation, together with our Crunchalot Fillows in Jungle and our cereal bars in the Jungle category continue to do well, well received by customers and consumers and ahead of our own expectations in terms of planning for these innovations.

Slide 24 - Looking ahead: H2 priority areas

Finally, if I look at the priorities for the second half of the year, we will focus on the new Albany brand proposition; we will be rolling out an improved recipe for our bread, which has been successfully trialled in our Western Cape bakery in Bellville; we have focused capex rollout at our bakeries, as mentioned, to improve our OEEs; and focus on our bread volume recovery, particularly in the general trade while we look to sustain our position in the top-end grocer.

Our Pasta business will focus on promotional activity, and we will look to roll out our new Afro-Italian proposition in. In Rice, as I mentioned, we will implement a revised pricing strategy as we look to reset our margins and do expect some margin recovery in H2.

Finally, in sorghum beverages we look at balancing volume with price management to maximise the profitability within a segment that's primarily focused on the lower LSM. With that, I'll hand over to Thushen.

Slide 25 – Consumer Brands

TG Good morning, ladies and gentlemen. I'll cover the operational performance in the later slides as we get into the divisions. I thought I'll just spend some time on this slide painting the operational context, in particular Groceries and Baby where we saw a significant drop-off in the last few weeks of trading in H1.

Slide 26 - Value share gains boost revenue in Beverages while Snacks & Treats comes off a low base

What's obvious from what Noel presented in the first few slides, we have a consumer under significant pressure. There are significant socio-economic pressures that they deal with, the increasing inflation with the spill-over effect of the Eskom challenges, and disposable incomes are generally at an all-time low.

Generally, there's been downtrading across all of the categories and you find consumers moving into the commodity type products. You see private label, particularly in Groceries increase in share, as well as in the Baby category and cheaper products generally.

In the wholesale environment we found that when our baked beans are off promotion at R16.99 when you have a competing product or a cheaper alternative at below R10, it becomes an easy choice for the consumer. In this environment the elasticities are increasing because the consumer choice is constrained by their disposable income.

The other things to call out here was, I think if you look across Snacks & Treats, excellent performance of the recovery from our industrial action as we regained distribution points.

Beverages was also driven by innovation, nice recoveries. And the dilutable portfolio recovering from the significant inflation we saw in the prior year and we've managed to deal with the price-volume-margin equation quite nicely in that category as our revenue management principles came to bear.

Home Care, Pest saw some recovery despite a slow start to the season, but the balance of Home Care also delivered a pleasing result under the Jeyes brand, so you've seen those share gains as well. In Personal Care, as Deepa mentioned, it was certainly ahead of expectation as we continue our journey of reducing the dependency on our seasonal product, Ingram's camphor cream.

Slide 27 - Previous innovations gain traction while new innovations continue to focus on value proposition and snackification

Our innovation strategy remains on point. I spoke to this a few presentations ago. Really, it's off the back of the growth platforms we've seen in global consumer trends, health and nutrition, convenience and most importantly in this market, value.

You see the Energade Zero being launched, which helped us with some share recovery in the last few weeks. Convenience coming through in our Mrs Balls and tomato sauce PET range. And then I'll talk through the value propositions later under Groceries.

Then also if you consider the health and wellbeing, we're about to launch a reduced sugar range or relaunch our reduced sugar range in tomato sauce and then we have a reduced oil range up and coming in our innovation pipeline under the mayo category. These trends remain on point and our innovation continues along this light, but more on the value propositions a little later.

Slide 28 - Shifting spending patterns adversely impacts overall Groceries category performance

Just to reemphasise the point on those last few weeks of trading that hit us in particular in the Groceries category as well as Baby to an extent. Over the 12 months you saw volume regression in culinary, and this is the market, by the way, at around 4.3%. This doubled to a negative 8% over the three-month period ending March.

It took us by surprise, that's for sure, the extent of trading down into basic commodities or cheap private label offerings. As you can see across every one of our categories, the volume regression is intensifying and I'd like to call out in particular the canned products, canned veg products that are decreasing even more significantly if you work out that delta.

As you know, Koo baked beans have been the heartland of the culinary business or the groceries business for some time and the canned food category is certainly being impacted by what we see in the market.

Slide 29 - Category dynamics, cost inflation and supply chain challenges impact profitability

I want to spend some time explaining this. As I said, most of this really hit us in the last few weeks of trading and was largely unexpected. The point to also call out is many of the issues that faced us in the category are exogenous in nature. We've had supply chain complexities, which I'll talk to, and also exacerbated by the Eskom challenges. We've had high inflation that hit us across the board, as well as volume regression in key channels.

Let's start with the volume regression. Across most of the retailers, modern trade, independent and wholesale, those categories are under pressure. However, in the wholesale and independent channel, we've seen a more significant drop off there because those particular consumers that shop that channel are under more pressure from a disposable income perspective. There were various other challenges from some of our retailers that you know of.

As a consequence, trying to drive price and volume growth in this context was virtually impossible. We've managed to take some price, but obviously it had that consequential impact on volumes and there's a bit of a mix effect sitting there as well.

The supply chain issues are quite a concern and let me start with the first bucket. The first bucket is really the vagaries of the agri supply in this current year. We've had a shortage of small white beans, we've had a shortage of vinegar, we've had a shortage of tomato paste in the early part of the season and we've had a shortage of value-added beans.

This is as a consequence of the yields not being where it was expected and as well as the quality. In many cases we've had to reject the quality, like peanuts, for example. When the crop arrives, you reject it, it's difficult to reorganise your labour in a week and say, go home, there's no work today. Your factory is standing, waiting for this agri supply to come in and because of the quality rejections or the

lack of crop, we've had the under recoveries that you see there impacting us.

The other major challenge was Eskom. We can Eskom-proof Tiger with the best of generators, with the diesel tanks, but ultimately if the entire ecosystem is not Eskom-proofed, I'll have a factory standing.

We've seen that with vinegar where we actually sent our engineers to our supplier to try and assist with some of their power challenges, generator challenges. It's okay to solve the Tiger issue, but you've got to solve the supplier issue and their supplier. If that entire ecosystem isn't working optimally, I'm going to face these sorts of challenges that I refer to.

Cost inflation across the board. Packaging, glass, paste out of China was at an all-time high. Agri-materials, peanuts, small white beans because of the shortages at an all-time high. And in some cases, within these independent channels where the consumer is most impacted, you've seen price increases of more than 20% over a two-year period in some KVIs. That talks to the volume regression that I mentioned earlier on in the independent channel.

I'm hoping this gives you some context on what hit this business and it certainly took us by surprise, the speed of the drop-off in terms of consumer demand.

Slide 30 - Groceries

I spent some time talking through the issues. Let me just chat a bit about going forward and what this means for the business. We've had some leadership changes and I'm pleased to say we've appointed an FD who will be joining in June. We're at the tail end of our interviews for an MD and I'm hoping that will be resolved pretty quickly.

Putting the right people behind our most complex and our most branded portfolio is absolutely crucial for us. We didn't want to rush that, so we made sure we went and found the right individuals.

The other focus in the more immediate short term will be driving distribution gains with our secondary lines. We've put a scorecard in place for ourselves. Don't just drive the KVIs. Make sure you get the basket mix into the right channels with the right price-pack architecture because that's where the profitability lies, not in trading with the KVIs. If you look at our promotional activity in store across all channels, combo deals trying to promote secondary lines are also coming to the fore.

I spoke last time about fast-tracking innovation for a value economy. We've made some good progress on mayonnaise with the Kasi range. I'm pleased to say in the coming months with some modifications at our Boksburg facility, we'll be able to launch a 700 g PET Kasi product in a large format to act as a tier-two product to the Crosse & Blackwell glass range.

Across each of our major lines, mayo, tomato sauce, peanut butter and beans, we've had to apply ourselves to what does a value proposition look like in this current constrained environment. I spoke to you about mayonnaise.

Tomato sauce, in the coming months you'll see some activity there as well because we can't take the market-leading All Gold and impact a recipe that's 100

years old. Here we had to think cleverly. We've got the highest paste concentrate in the market, 32% Brix upwards, and most of the competitors are below 20% or around 20%. You don't want to mess around with the All Gold recipe, so we've considered a tier-two brand in that space and it should be coming to your shelf in the coming months.

Beans, we're having to revisit the Hugo's range that we've had historically. And then we spoke about peanut butter at the last roadshow where the new peanut butter facility gives us the capability to launch a PET format, so move the dependency away from the glass range of Black Cat and then also blend the product to a 50% peanut ratio. Most of the competitors on shelf are 50% and lower. Black Cat peanut butter is around 90%.

These are the value engineering or value proposition initiatives that we have to fast track considering the significant drop off in the market.

Supply chain is also quite critical, making sure there's efficiencies across the supply chain, making sure we're cost competitive. We're now looking at a time and motion study at our Boksburg facility where we have just under 1 000 employees. We're revisiting our shift structures.

We have to prepare and gear up for a low volume environment, so we have to revisit demand, our S&OP cycle and the shifts that's going to drive the production. We're looking at that. And then the other aspect is automation. We've looked at some capex to automate the end of line in our canned veg facility, which will also bring labour savings to the fore.

Across the entire supply chain there's a plan to reduce costs, which we are trying to fast track in this current environment.

Slide 31 – Snacks & Treats

A little bit of good news. We've managed to see some good recovery off the back of the industrial action in the prior year, although it was slightly behind expectations, I must admit. We did shut down the facility in quarter one to redesign some of our systems as well as our quality regime to make sure we continue to put the safest products on shelf for our consumers, so there is a bit of a drag on the recoveries.

The good thing about this portfolio, it's well-suited to all LSM profiles, making sure you've got a premium range under your slabs, under your TV Bar, all the way to an affordable proposition of the Wonder Bar and the Smoothies. With this recovery in the business, the focus is on making sure we have the right product in the right channel and driving activation accordingly.

Asset care also remains a critical focus area. We're cognisant of the fact that we have an aged facility. We've intensified our maintenance regime, engaging with OEMs, having the right critical spares at the facility and ultimately, where required, investing in renewing our lines, but at the same time applying ourselves here again to efficiency and automation.

We're about to automate one of our packaging lines, which will allow us to not only reduce headcount, but participate a lot more in occasions. We've been sorely short as the South African brand during Christmas, Valentine's Day, Mother's Day

because we just didn't have the pack format to feature for these special occasions. With this new equipment about to be commissioned, we'll be able to put some nice, exciting assortments on shelf.

The other point I'd like to close off on this slide is the breadth and depth of this portfolio is quite significant. We participate in gums and jellies, candies, chocolates. It's difficult to be an innovator in every single aspect of this portfolio, so we've reached out to a few global players, two in particular, and had conversations on how we step change our innovation. I'm hoping at least one of them gets concretised in the coming months, which will be a game-changer in our chocolate business.

Slide 32 - Beverages

Moving on to beverages, just a few points here. We hit some major inflation, as you know, with our Oros range last year, 20% odd increase in inflation. We've had to cost engineer the product. We've looked across the value chain, identified savings in the packaging, the logistics, the facilities and managed to invest some back into price to remain competitive.

On sports nutrition, we lost some ground because in the previous year our competitor was not in market due to some supply chain challenges. They now came back into the market. However, in the last few weeks, as I mentioned, we're gaining ground with our innovation under the Energade Zero as we gain distribution.

Very quickly, looking ahead. Drive on-the-go consumption, as well as on-premises consumption, going deep into HoReCa channels, making sure we have the right product in the right channel. We're also investing quite significantly behind cold availability with mini fridges that we can also place into the general trade to ensure we have cold availability across all channels.

Slide 33 – Baby

We spoke to the regression in this category and the main reason is basket penetration has reduced as shoppers are trading out of the category into general product solutions. When they buy a cereal, they're buying it for the whole family, not just a specialised cereal for baby. When they buy a lotion, they buy it for the entire family, not just a baby lotion. That trading out of the category into general product solutions is impacting this particular category.

Looking ahead, here again it's about value propositions. We're revisiting some of our products being offered under Purity, looking at maize-based offerings which could possibly help reduce costs or will help reduce costs so that we can get to the right price points. And then also exploring an Ace baby and doing some U&A research around whether that brand can stick in this category.

Slide 34 – Home and Personal Care (HPC)

On Home Care, there was a slow recovery in the pest season because it hit us later than expected, however, the margins held quite nicely given that there was quite a bit of inflation that was built in from the prior year. The balance of Home Care did exceptionally well with the relaunch of Jeyes and there's opportunity here again to drive this further in the wholesale and independent space.

Personal Care as well. As I mentioned earlier, the balance of the Personal Care range, we've had good renovation projects under the hair care range, nice innovation under depilatories, and then the functional creams that I spoke to about half a year ago. Essentially the innovation in this category is on point and we're managing to drive distribution gains in the category across the channels quite nicely.

Looking ahead, the focus would obviously be the new aerosol line that we're commissioning, and this will give us more capability and innovation under pesticide, as well as air care. In this category as well as baby we've had some internal moves, so I'm looking forward to those two MDs bringing in their respective expertise, as well as a fresh perspective to the category.

Slide 35 – Deciduous Fruit (LAF)

In closing, my last slide on LAF. There has been an improvement in global trading conditions. We noted at the previous presentation that we were quite nervous about whether the pricing is going to come off because Greece was not in the market. They had a crop shortage because of the drought about two years ago. They're back in the market, but interestingly enough, pricing on canned fruit held and we saw some inflation and you saw the pricing of purees almost double over a two-year period driven by the demand for fruit juices and particularly in emerging markets.

The pricing dynamics as well as the exchange rate is supporting what we think would be a credible second half, however, bearing in mind that there are some challenges. The same cost pushes we saw in culinary around Eskom, around tin cans, around sugar has affected this business quite significantly as well, to the tune of R40 million for those particular items that I called out.

As we look ahead, this business has been a question mark in our portfolio for some time. The strategic fit still remains what we've communicated to you. It's an exporter into markets that are non-strategic in nature, mainly dealing in private label. There's a lack of strategic fit, therefore this asset is being held for sale and we've reinitiated the sale process. We've commenced with at least one due diligence, which is in progress as we speak.

In the interim we will continue to manage this business for profit responsibly, but the year ahead is also subject to all the stakeholders coming to the party, because we had engagements with labour, the growers in the prior year, which allowed us to continue this business for another season. As we hold this business and contemplate a potential sale, we will also manage it if the outcome with the discussions with stakeholders are favourable.

At this point I'll close and hand over Ploycarp.

Slide 36 – Rest of Africa

PI Good morning, ladies and gentlemen. I'm very pleased to present the outcomes of our restarted journey of growing again in the continent of Africa and the balance of the continent.

Slide 37 – Exports and International

My message is really three things. That we're out to take the purpose of this business, which is to nourish and nurture lives across the continent. That nourishment we are doing through targeting and working on the need by people in Africa to have the right nutrition for snackification and also for health. Those three buckets of needs are really required and that is the demand that we are filling and we are filling that demand with products out of the Tiger basket here, working with key distributors.

If you look at the return on our effort, as Noel would put it, in the last six months, we've ended up with a 25% growth in revenue in the last six months, so we are off to a positive start. But that's an early result off a low base. And then secondly, we are also profitable.

When our CFO presented her numbers, Deepa, you clearly saw that we took in a price increase because our ability to price, seeing the price increase told us that we have brand equity. The brands have equity and consumers in Africa still believe in brands, so we were able to land the price increases, but at the same time grow volume. That is what you're seeing in the numbers there and an operating margin which we anticipate to sustain going into the future.

Slide 38 - Rest of Africa Strategy underpinned by 3 growth drivers: market & brand development, key distributor model and inorganic growth

The second message around kickstarting our journey is the point around Africa. There's a big opportunity to fetch in Africa. But this time as Tiger Brands, we have learned from our lessons, we are going with care and humility, understanding that Africa is a continent that is really changing because it's really urbanising. A lot of times, the urbanisation on the continent is underestimated as a driver of consumer goods when you look at the cities across the continent.

The second thing is around the demography. 1.2 billion people, average age 19. They eat five times a day and they live in cities. So, consumer goods is really a need that is continuing to grow. And so, as we do that, we are very clear that the strength we are bringing is the strength of our brand assets, the manufacturing assets that we sit with in our headquarter country, which is South Africa, but making them a truly pan-African business. And then bringing together the entrepreneurial ability of very many key distributors on the continent. So, using those key distributors.

What we have seen is a really good return from exports into the Zimbabwe, Zambia, Mozambique geography. A very good return from our efforts in Chococam, really supported by very good in market execution, fulfilling demand at the right level and executing correctly at the point of purchase with the distributor.

Basically, what you're seeing here is a remediation of operational efficiency and brilliant basics, market execution in country. Also, the key remediation has been around our demand forecasting, our sales planning, our logistics and our factory performance, especially at Davita.

Worth speaking about the risks on the continent. It's a risky continent. The

opportunity needs to be fetched, but there are risks on the continent. I really would like to call out one big risk that you see, is the regulatory hurdles that are coming through. We see judicial insecurity in Chococam where if you look at our books, we're faced with a garnishee order. We are going to continue using the legal route to resolve the matter.

The regulatory hurdles continue to be a big challenge. I'm sure all of us understand the greylisting of South Africa that now demands companies such as ourselves to make sure that all our entrepreneurial partners are compliant. This is expected not just of us, but also the entire market, the ecosystem, including competitors.

To this end, we expect in the short term, as people raise their level of compliance, might affect, the pace, the tempo of shipments of goods into the rest of the continent. But we are optimistic that we can do it because the relationship of our distributors go back over five to ten years. Tiger has preserved those relationships over time.

That is what I would like to speak to, but going forward we are looking to add, grow into wide spaces, especially into the COMESA market, the Common Market for East and Southern Africa. We're also looking at the ECOWAS, the West African, especially concentrating on Nigeria. In the EAC region we're looking at Kenya as a beachhead. We're also adding Angola into the SADC entity within the southern African region.

I'll be happy to take any further questions on that, but really tried to show you that our strategy's underpinned by three pillars. The first pillar is market development and brand development with key distributors, and lastly inorganic growth.

We're very aware that we tried this in the past and so we will be pulling back. We are carefully looking and hunting into the future. That is horizon three. But we are looking to improve competitiveness and drive our growth with exports and also continue to drive the effort we have with Chococam, consolidate our position.

It's worth noting to all of you and all of us in the room that Chococam is based in Cameroon, but the Chococam revenue, close to 23% of it, and we intend to grow, is exported into the Central African Economic and Monetary Area. That's where we export out of. So, we're using South Africa to go into SADC, Cameroon to go into the CEMAC region and the biggest brands that we sell into the continent basically are our condiments and our ingredients.

There's a lot of fusion between me and fellow growth officers around our home and personal care brands, especially the pesticide. Doom, as you know, Africa, there is a big need for that.

We are also working around the breakfast cereals, the superfoods, oats and sorghum that comes out of our grains business and our Millbake business. So, bringing the superfoods to nourish lives, working with entrepreneurs to nurture lives on the continent and that's really the mission that we have started.

Very pleased with the results the last six months, but we start to see that this growth is off a low base and there's still a lot of more work to do in an environment where we have to navigate risk carefully. Thank you very much for listening to me. Now I'll invite Noel to come.

Slide 40 - Strategic focus sustained to improve future resilience and enhance relative performance

ND In wrapping up, I'm just going to talk to the fact that I suppose if you had an X-ray machine and you could look beneath the surface, you would see that there has been significant progress as we've set out here against our strategic pillars in dealing with some of the exogenous factors that we have highlighted in the course of the presentation.

In terms of our innovation rate, it's exceeding that of the market. We've had some specific successful innovations. We've cleaned out the innovation pipeline so that we can focus more on larger, more meaningful big bets and to take complexity out of the organisation. Across the portfolio, you can see that in terms of the market share performances, whilst it is a mixed bag, there've been some very strong performances in some of our businesses.

In the engine room of the organisation, the efficiencies and the cost savings that we've spoken about and committed to are being delivered across the consumer brands business that's been assisted again by the simplification theme that assists in cost savings. Over the last two years, we've reduced SKUs by 25% across the consumer brands portfolio, which is quite significant progress in that regard.

As far as igniting our people is concerned, we've had positive engagement scores in the last round, and we have filled almost all of the key vacancies that we entered the new financial year with.

Slide 41 - Strategic focus sustained to improve future resilience and enhance relative performance (continued)

The capex, despite the low rate of disbursement, the fact that we've already approved the R1.1 billion worth of projects is an indication that we're gaining momentum in that space, geared very much in this environment on efficiencies and automation and where it's end of life, we have looked at capacity.

The growth prospects for our rest of Africa business, whilst still off a low base, are certainly looking positive and we're moving in the right direction there. Thushen spoke about leveraging potential partners. There are a few larger initiatives which we believe we can be more effective and where we can de-risk ourselves by partnering with some companies that have global expertise and we are progressing that and doing all of that whilst trying to maintain our progress in the ESG environment.

Slide 42 - Operating environment likely to get worse before it gets better

Of course, when you don't have the X-ray, what you see is what's on the outside. In our operating environment, the prospects from an external perspective are that the consumer environment's is not going to get any better any time soon. In fact, it will probably deteriorate.

What that means for us is that in the second half we think it's going to be quite a challenge to match the prior year second half performance in terms of our operating income. Certainly not something in freefall, but it's going to be a challenge to get back to that same level of performance.

We believe we're well equipped to deal with loadshedding, with the caveat again that Thushen mentioned, that internally we're certainly well prepared. We've prepared ourselves as well as we possibly can in terms of assessments of supplier and supply risk and that's a partial contributor to some of the working capital moves on the inventory line.

We know what we need to do to fix the issues in Rice and Groceries. Again, to reiterate, the Rice issue is very much an internal issue. The Grocery issue is really about speed of response to the external factors and the extent to which we've seen the falloff in demand in that area.

In Bakeries in the second six months of last year and, the first six months of this year we've seen some positive progress. We need to sustain that momentum. To do that we've put in place specific initiatives in the general trade where we've certainly lost traction whilst gaining traction in modern trade. And we're going to continue to focus on sustaining our export performance.

But we also have to recognise that in this environment we will have to recalibrate the investment in growth initiatives, in growth that may not come, in an improved environment that may not come in terms of consumer demand. And so, we're going to have to and have already started some aggressive reviews on a root and branch basis of both the activities and the costs that drive the activities within the organisation.

There is no doubt that in this environment, to maintain our competitiveness, the level of cost savings that we've committed to previously, even though we're meeting them, are not sufficient to deal with the external factor and we have to accept that reality.

We need to proceed with some caution. We don't want to find ourselves in the position that we have in the past where we have had significant under-investments in certain aspects of our business, like information technology, for example, but at the same time we have to confront what is in front of us and what's likely to be in front of us in terms of a challenging environment.

I think we're very clear about what we need to do. We're very clear about what this performance represents for us as a management team and have pretty specific actions already under way to address those issues. Certainly, in the case of the two outlying underperforming businesses, to make sure that those businesses are set for a much, much better financial year 24. Thank you.

Slide 43 – Q&A

NCW Thanks, everybody. Okay, we can open it up to Q&A. If you can just wait for the mic so that the people on the webcast can also hear the questions.

AN1 Good morning. Thank you, everybody. Shaun Chauke from Nedbank. I've got a couple of questions, but I'll just ask two for now and then if we do have time I'll ask follow-on questions.

The first one is, would you say there is a structural increase in demand for snacks, especially given a lot of the innovations we've seen on the shelves on this category coming from you, or is this a function of you gaining market share from peers? And if this category in particular, do you see an opportunity for dealer-owned brands,

particularly given that there's an opportunity to still price at a premium? We've seen it with the likes of Checkers on the Forage and Feast brand where they're doing premium chocolates.

The second question is, having seen most of the food cycles in terms of the consumer challenges, be it across the value chain, commodities, you name it, what would you say is the blueprint to successfully navigate the cycles without being significantly impacted or is this environment the most challenging it's ever been in terms of history for the consumer cycle? Thank you.

TG Thank you for that question on Snacks & Treats. You would have seen from the data there's actually category regression from a volume perspective. In particular over the last three months you've seen that hit the category.

With regards to the innovation, I think historically we haven't been that focused on innovation. Our innovation is focusing in areas where we have firstly capacity. That's quite important to note. And as we drive innovation and excitement in the category to keep the consumer in the category given the volume regression and the tough conditions, we're also driving efficiency.

Noel spoke to the SKU rationalisation. The mindset almost needs to be one in, one out and when it's non-performing, be quite diligent around your category management principles because it's in the best interest of you as well as the retailer by removing those non-performing SKUs and bringing in some excitement to try and stimulate demand during tough trading conditions.

Let me come back to the capacity aspect. We have had some capacity challenges that we were looking at line investment. In those particular lines, we hold back on significant rates of innovation, focus on the high margin SKUs and actually discontinue the low performing ones and we've become a lot more focused in those instances. We're also trying to develop an offshore innovation pipeline working with strategic partners where we can bring in products without the complexity to the supply chain.

The last question on the retailer or the brands or dealer-owned brands, we have engaged with our retailers where we do have capacity and there are maybe about one or two guardrails there. Firstly, it has to be margin accretive. Secondly, we obviously need to have the capacity and not sacrifice the brand volumes. And thirdly, there still needs to be a point of differentiation. It can't be the same product on shelf with another brand slapped onto it.

We're quite critical on that, but we see that as great opportunity to deepen our strategic alliance and best practice category management principles with the retailer. The last one on cycles, do you want to take that?

ND This is definitely the most difficult period, I suppose. The last 12 to 18 months have been the most unique and challenging set of external circumstances. I think we've had periods of spikes in certain commodities in terms of food price cost push. We've had periods of higher interest rates. It's been a while since we've had anything like this level of inflation.

When you combine that with some of the global supply disruptions, as well as some of the challenges we've had with agricultural crops and the loadshedding,

it's definitely incredibly challenging. But it's the same environment for everybody in the marketplace.

The blueprint has to be absolutely a ruthless ability to execute with agility and with speed and an ability to respond to data. What is different to some of the previous challenges is that data is much more readily and speedily available and responding and interpreting that data quickly is quite key.

In this environment you just cannot afford, you never could, but it's even more of an emphasis now, you can't afford any fat. You really have to be lean muscle. For me that's the blueprint for operating now and you're going to have to make sure that whilst you worry about longer-term sustainability, it's important that you survive to be there for the future rather than worry about the future and see the ground shift underneath you in the short term.

AN2 Hi, guys. Vik from RMB Morgan Stanley. I just wanted to know, obviously there was a four-month update that was issued on 21 Feb which pretty much said that there will be strong growth and operating profit and that operating profit is -2%. I think Thushen's explained that there was an issue with Groceries.

I think just in particular in those five weeks, I think which has been the businesses which have just changed let's call it dramatically resulting in negative 2% from a strong growth that you had guided for, I think specific, is it just grains or groceries or is it just across the board that things changed in those five weeks?

DS Vik, I'll take that question. I think there's been two categories particularly that have impacted us in the last couple of weeks, the one being the fall that we saw in the groceries business, which Thushen spoke quite extensively to.

But the other one was particularly around the rice business, which as I indicated in the presentation, as a result of the recent billing cycle, what we identified was that there was a poor price/volume management of that particular category and effectively the impact of that poor price/volume management came to light in the last week and a half to two weeks as we were trying to finalise the H1 results.

In terms of that shift over the last couple of weeks, it's largely been driven by the impact of the rice business, as well as the volume impact that we saw in groceries.

TG There has been generally a slowdown as well across other categories in the consumer division. I spoke through the baby category where you see basket consumption regressing because shoppers trading out of that category went into general product solutions.

If you look at the market dynamics, the 12, the six, the three month, that volume regression is on a trended decline. There'd been maybe one or two blips, but the trading conditions are getting tougher as inflation comes to bear and increases, as well as the socio-economic conditions that we refer to. It is getting tougher across most of the consumer division's categories.

AN3 It's Myuran from MIBFA. The first question is on the bread side of things for Yokesh, I suppose. You touched on it I think, and correct me if I'm wrong, but the post period then, the competitive behaviour, can you talk a little bit more to that? What's happening there and why? You mentioned people are trying to fill up volumes and things like that. Can you elaborate on that, have another follow up?

YM The post-period reporting, and it's just a glimpse of the last few weeks, we have seen quite aggressive discounting taking place. Particularly in the general trade where we've seen an opening of our price points to not necessarily the second competitor, but three and four just causing a swing in unit share or volume share, but not necessarily profitable levels across the bread value chain. I'm talking about the industry in general.

A big part of our reset, if you want to call it in the general trade, has been trying to identify where we go, where we play, understand the roots that we go to, understand the price points that we go to, understand the offerings that we put in, i.e., brown bread, white bread, value loaf, etc.

Because I think that's where we are seeing the strongest pinch in terms of consumer spend, not necessarily direct from a shopper perspective, but we have seen an encroachment in some of the mass discounters into the spaza territory that are offering bread and general commodities or commodities in general at very aggressive pricing. That's a flavour of what we're facing over the last few weeks.

It speaks to I suppose a bit of what Noel and Thushen spoke to. I think the squeeze on the consumer, we'll see that accelerate. This latest interest rate hike by the Reserve Bank will put a further pinch in the economy and the impact of loadshedding on our shoppers and consumers is certainly going to be felt even further as we enter the winter months. The price stroke value dynamic is going to become more and more important in the next to 12 months.

AN3 Thanks. The second question is just a follow up on the Rice question. How does the billing cycle not recognise faster within the system?

DS Effectively, what's happened is that the level of discounting that's been provided for by the category to customers was a lot higher than initially anticipated. When we refer to the billing cycle, this came to our attention effectively as the bills were coming through from customers, retailers to us.

At that point in time in the last two weeks, we saw the magnitude of the deals that were actually being provided versus what was originally anticipated. That's what we refer to. And there is a significant lag in terms of bills coming through from customers to Tiger Brands versus when the deals are actually provided or implemented to customers.

YM Within this particular category, the parameters that were given to trade were outside mandate. We have quite a strong, robust internal control policy that's followed by every other category, which we've double checked since. We did investigate in the quarter when we looked at prices and the anomalies didn't jump out at us until we got the billings back from customers, which raised a flag.

ND Very simply, it's a non-compliance with policy at a very senior level. One of the things that we have tried to do in terms of agility is giving more control back to the managing directors and the management teams of the individual categories within guardrails. In this case, those guardrails were breached.

AN4 Morning. It's Sumil Seeraj from SBG Securities. Just reading the update on the Grains division, it does look as if that volume strategy in bakeries did pay dividends in this first half compared to the poor base last year. Would that be correct?

Because I think there was operating profit growth.

YM Yes, operating profit growth and just over 10% volume growth. So, we brought leverage to the income statement.

AN4 I'm guessing it was maize largely within Milling & Baking that pulled back the operating profit growth. Was that largely because of a procurement position?

YM It was a combination of our procurement position. In maize we typically aren't as long as we would be in wheat. But at the end of our Q4 last year, we did signal promotional activity to the trade and at the end of Q4 there was a significant run on the maize prices at a SAFEX level because of the impending exports to East Africa and Mexico where there was a deficit of white maize.

It was a combination of our procurement position, we were shorter than, like I said, typically we would be in wheat, and then the actual rally in our Q1, that self-corrected in Q2 and, like I say, we're seeing significant margin improvement in our current operating environment.

We were also impacted by the sorghum beverage business where I stated sorghum at the moment closer to R7 000 a tonne compared to white maize at a SAFEX spot price at about R3 500 a tonne. Those were the two businesses.

AN4 Sorry, and then just the outlook for the second half on that maize things have stabilised.

YM We're expecting a significantly improved performance in our maize business. The only caveat I'll put to that is apart from the SAFEX prices in Q1, the by-product prices we were seeing were 30% to 40% lower than we anticipated and less than last year.

That's a result of two things. One's the higher rainfall, which means there's higher amount of veld available to graze in. And we saw a large amount of imports of grain for feeding from neighbouring countries at substantially lower prices. We are seeing a slight reversal of that in the short term.

AN4 Sorry, just one last question while we're on bread. You mentioned Albany's repositioning strategy. Can you just elaborate? Is that the value loaf that you mentioned in last results?

YM When I spoke about the brand repositioning, it's actually about the Albany brand itself. At our year-end results presentation I spoke about the appointment of a new agency that we did. We've completed what we believe is I think a fantastic positioning for the brand, speaking to the love of Albany and the freshness and the taste which we hope to go to market in July of this year.

In terms of the smaller loaf and the value loaf. We have introduced it, particularly in outlying areas where we have a presence of less than 20%. That's work in progress. It's the Sunny Day loaf and we continue along that trajectory.

AN5 Hi, Cobus from All Weather Capital. I just have a question that's more about the decision making. When it comes to contract manufacturing or manufacturing for private label, I just want to understand the comment that you made about incremental or what's left of the margin.

Are you talking about incremental margin on what's getting through? Are you talking about the absorption costing within the factory line that brings up the margin of the entire factory? Is it the group? Is it the division? Can you just elaborate on that a bit, please?

TG It's at a category-specific level that we will ascertain whether it's margin accretive and it's not just at a naked margin level. We will look at it on a fully absorbed cost basis to make sure we make a margin. We aren't incrementally costing these products.

As I said, there's three dimensions to it, not just the strategic aspect around brand management, but also the commercial rationale behind it. In many cases, depending on the time of the year, depending on the exchange rate, our retailers walk away from us because they can get cheaper imports. In this current cycle we're seeing a deepening of engagement given where the rand is. Comfortable?

AN6 Morning. Tinashe from Intellidex. Just a few questions on your outlook. You mentioned that your H1 innovation was at 3.2% versus the market at 2.7%. May you please just elaborate on how you actually measured that in terms of when you're comparing yourself to the market in terms of innovations?

ND Particularly on new products that are introduced onto the shelves with a different barcode over a three-year period, in the past three years.

AN6 So, does that look at all your competitors or just...?

ND Correct, yes. We take our defined market and compare ourselves with the defined market.

AN6 Do you think that trend is likely to continue going into the rest of the year based on what you're seeing right now?

ND I think for the current year we would expect to be ahead of the market. The challenge for us is making sure our pipeline is full for 2024 and 2025. But for the current year, based on what we've launched and the timing of the launches, I think we're fairly confident that we'll outperform the market in terms of innovation.

AN6 I think you mentioned that in exports you guys are considering in-country manufacturing capability. I'm just wondering in terms of some of the risks that are inherent in some of the markets in the rest of Africa, I'm wondering just the rationality around that in terms of if it's something that's feasible given some of the inherent risks. Maybe if you don't mind elaborating on that.

ND Look, we are quite conscious of those risks and that's one of the reasons that we are proceeding with caution. But in the long run, failing a really effective implementation of the free trade intentions of the African Continental Free Trade Agreement, manufacturing at the South African cost base and shipping it across the country is not likely to give you massive scale. But certainly what we will do, we will proceed with extreme caution on the front of the food safety and food quality issues in exactly the same way in which we would do it with a local manufacturer.

The other issue that one is very conscious of is currency remitability and the fact that generally, well, not generally, in terms of the way we manage our credit, what we export we know we will get paid for. What we are conscious of and one of the

things that's retarded some of the progress, particularly where we've looked at packing in country, almost semi knocked down kit manufacturing, is the issue of having trapped capital in some of those markets.

This is where we have to do all the thinking now. We have to proceed with caution. But the benefits in terms of competitiveness on the face of it can be significant. That's why you'll find some people have set up significant manufacturing sites in a place like Swaziland which benefits both from COMESA membership as well as SADC membership. But it's currency remitabilty, which obviously isn't an issue in a place like Swaziland, but if you're talking about some of the other geographies it would be.

AN6 Thank you. Just last question on my side. You did mention that loadshedding, the cost is obviously going to be guaranteed, but you're saying that you can't guarantee the recovery of that particular cost. I don't know if I missed it, but can you give us a sense of what you think the loadshedding cost is going to be in the second half of the year?

DS I think if you have a look at the cost that we've called out for H1, in the region of about R76 million, incremental R48 million if you just look at the energy increment, I think you'll see nothing less than that in H2. In terms of where we're operating currently, if you look at H1, we've had a mixture of Level 2, 4, 6. But I think effectively if we continue to go on these boundaries at Level 6, I think you're going to see pretty much a replica of what you're seeing in H1.

Effectively we are preparing, and that's what Noel was talking about, contingency plans, anticipating levels up to Stage 8 and Stage 10. Those will have obviously significant impact on our overall delivery.

ND The guidance we've given previously is R250 000 per day for every stage of loadshedding. At Stage 4, that's R1 million a day, assuming all our sites are on Stage 4 and that we're operating flat out on those days. I think that gives you a sense. When you get to loadshedding 10, we're really talking about R2.5 million a day.

And so, we have to be nimble and agile in terms of our shift patterns and what we produce in what period of time, which also impacts on some of the stock holding decisions that we make. We want to make sure we've got stock. We want to try and manufacture it in the periods where the incremental cost is at its lowest.

It's difficult because the loadshedding schedules are not predictable in terms of the stages. But as Deepa said, we would anticipate nothing less than what we've already experienced. In fact, we think it will be more and we at least are set up to supply in that environment.

DS I think if you come back to what Thushen was referring to earlier on, while our sites are sufficiently equipped to at least handle Stage 6, we're planning for Stage 8 and Stage 10, the bigger risk for us is our vendors, our local vendors in terms of their ability to sustain those levels of loadshedding.

At best, what we've seen in H1, their capability at a stretch, is managing up to Stage 4, but as we start getting into Stage 6, we're certainly being impacted by significant raw material supply, such as the likes of vinegar, etc., but more

particularly also on packaging.

As soon as you start running into those constraints, you then start feeling the impact of under recoveries coming through at each of our sites. In addition to our diesel bill linked to loadshedding, the bigger issue is going to be in terms of sourcing raw material and packaging.

ND Just to your question on the recoverability of the cost. Certainly, what we've seen in terms of the market behaviour, is that because it's almost like a slow poison that leaks into your cost base, it's not a shock, it's not an annual standard increase that the industry experiences, it's not linked to a commodity price cycle, is that to measure a discrete recovery that industry is making against those costs is quite difficult.

Over a period of time, one would expect rational behaviour, that there would be an attempt to recover those costs, but I think it's one of those areas where because of its nature, there's a bigger lag and it's difficult to go to a customer in the short term with a 1% or a 2% increase in cost, which is the kind of impact it might have on your selling prices, so it gets rolled into the next cycle of price increases with a lag factor.

AN7 Morning. SW from Oystercatcher Investments. Just one from me on Rice. Given the large divergence in Indian and Thai rice prices, can you change Tastic and Aunt Caroline to Indian rice or even launch an Indian rice brand?

YM Morning. The way the current legislation in South Africa is set out, the import of Indian rice is actually illegal, so we wouldn't participate in that. and I'll caveat that in a second. But it's basically because of the pesticide residue at the point of origin.

South Africa's rice import rules are governed by EU rules. We basically adopt that. Like I say, the EU adopts against residue from pesticide. This doesn't affect human consumption, it affects the bees in India. That's what the legislation is targeted at. However, what we do see in a South Africa environment is an acceleration of Indian rice imports into the country during this period because of the high convergence.

This I must stipulate is current legislation, which has been in place for many, many years, but we do believe that there are talks on the way to relax this. In the latter half of the year we potentially, if the legislation is relaxed, we would understand whether we could incorporate Indian rice into our portfolio, either as a blend if it doesn't affect the quality or as a new brand that we'll introduce.

ND Maybe to be clear so we don't get any headlines that aren't accurate, it's quite important to state that the pesticide regulations, that there's no risk to humans from the consumption of Indian rice, but there are regulations which you could say are very niche and almost obscure, but they are the law of the land and Tiger complies with the law of the land in this case.

In this case you find that there are a lot of rice imports that are coming in that aren't necessarily being pulled up on what is a fairly I would say a very subtle area of regulation. But we've been through the regulations with a fine-toothed comb, and we're certainly bound by the law of the land.

NCW Any more questions?

AN1 Thank you. Shaun Chauke once again. Two questions, but very similar questions. It's just on the two segments.

One, on Grains, and I understand my question may be theoretical here, but it would be good to get an understanding. I just want to get a sense of what level of volume growth was required to keep your operating income flat given that you saw a 19% decline despite a 22% price inflation? I understand this may be more art than science in this current environment. Similarly, to your Consumer Brand, where you saw a price inflation of 10%, volumes unchanged, but operating profit declining by about 15%. Thanks.

YM I'll answer the grains question.

YM It's difficult to give a high-level, broad-brush comment, but I'm happy to chat category by category.

TG If I could just add to that, it is quite philosophical in this current trading environment given the competitor dynamics. Some of them go into deep promotional activity and that impacts your naked margin when you do try to have a competitive price point on shelf.

The other point in particular with regards to Groceries, those under recoveries aren't planned. When there's a non-supply of agricultural products or where there's a quality challenge, you can't necessarily plan for that. In your plan you may have a volume target, but when those under recoveries hit you, you're going to have to sell quite a bit more to recover from your planned position.

It is fairly philosophical because it's a highly dynamic environment, competitor activity is quite intense and then you've got these vagaries of the supply chain that impacts you as well.

NCW Any further questions? Just a couple from the webcast. For Thushen, have you seen any improvement subsequent to reporting on the supply chain issues that affected the Grocery division? When you say shifting spend toward essential items and rotating into more affordable options, does this mean that consumers care only about price in this environment than brand?

TG We have continued to see some supply challenges on the agri side as we go into the new season of small white beans, for example. So, that should resolve itself. On tomato paste our balance is going to improve between import and local because we're coming out of the harvest period of tomatoes, both in Lutzville and Musina, so you'll get a better pricing mix with the local supply.

We are seeing an improvement, but there are one or two days where we do experience challenges. But as we look at these challenges, we're also applying our mind to a more medium- to longer-term strategy.

Historically the Koo bean was traditionally procured from SA. The spec was met to our requirements. It was our USP that we were one of the few local products on shelf. Given this challenge that we faced, we're going start having to apply our mind to sourcing from elsewhere on the continent.

Very similarly with peanuts. Because I think the volatility of the agri supply space in SA is forcing us to look across our borders. But ultimately, bear in mind, we

have done this in the past as well and it comes with some quality challenges and price volatility that you need to manage very carefully.

Therefore, I say it's a more medium- to longer-term strategy. It's critical that you get the offshore and onshore quality regime absolutely right before you bring it into your facilities. What was the second question there?

NCW Moving to essentials, whether they're only about price.

TG Noel refers to the data and some of the data points that we diligently review are the price points on/off promo, ourselves, our competitors, by retailer, by channel and we've run elasticity analysis against that. What you are finding in this current constrained consumer environment, branded products are moving to a more elastic position and these were run specifically against our KVIs.

As you know, the higher the elasticity, the more price sensitive your consumer is, and as a consequence, if they don't buy the product, which talks to internal elasticity, they move to a cheaper alternative, either being private label or a cheaper product or just move out of the category in its entirety.

NCW The last question, are you seeing consumers rotate into products that don't require appliances like a freezer or a fridge due to loadshedding?

TG We haven't necessarily seen a shift in basket specifically as a consequence of loadshedding. Because you would have thought our ambient products under the Groceries division, canned food would be a lot more dominant or predominant in the basket composition.

But given the high cost push that you're seeing against these products, cost of beans is about 25% more than it was two years ago. Very similarly with tomato sauce, mayonnaise, etc. As a consequence, it hasn't changed that purchasing behaviour to the extent that we would expect because of disposable incomes being under pressure and the high inflation rate.

YM I just want to build on that. I think loadshedding is one element of what the consumer or shopper is facing at the moment in terms of the suppression in disposable income. What you're seeing if you go to the switch over to the Grains category is a drive for lower cost carbohydrates.

For example, in the maize category you would have seen an acceleration in purchase and a growth in volumes in that category. Certainly, so a growth in our share because consumers are making these trade-offs to lower per cost serving purchases.

NCW The other aspect of what we are seeing is in the Out of Home business. Quick service restaurants do benefit from consumers not cooking at home or eating at home. We are seeing volume uplifts in our Out of Home business as a result of that.

That brings us to the end of the presentation. Most of the questions online have already been asked and answered. The replay will be available on the company's website in due course and Investor Relations is also available if you have any follow-up questions or queries. Thank you and goodbye.