



# GROUP RESULTS PRESENTATION

For the year ended 30 September 2018

# Index



- Overview
- Financial & operational performance
- Strategy update





# Disclaimer

## Forward-looking statement

This document contains forward looking statements that, unless otherwise indicated, reflect the company's expectations as at 22 November 2018. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect the business, or if estimates or assumptions prove to be inaccurate. The company cannot guarantee that any forward looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward looking statement even if new information becomes available as a result of future events or for any other reason, save as required to do so by legislation and/or regulation.



Overview  
Lawrence Mac Dougal –  
Chief Executive Officer



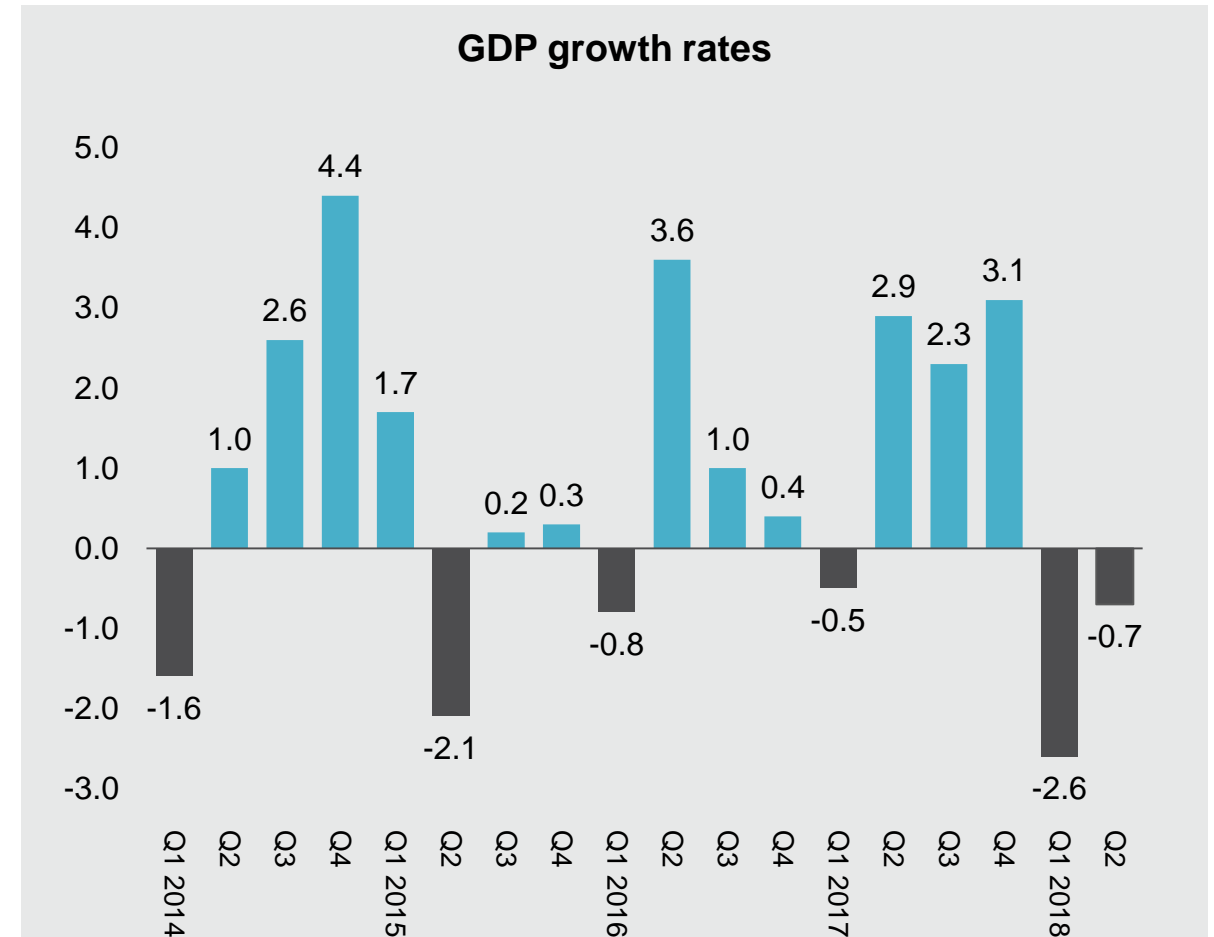
# External headwinds made FY18 tough to navigate

## Macro landscape

- SA economy in a technical recession
- Decline in discretionary spend (higher VAT, fuel, utilities)
- ZAR volatility
- Drought in the Western Cape

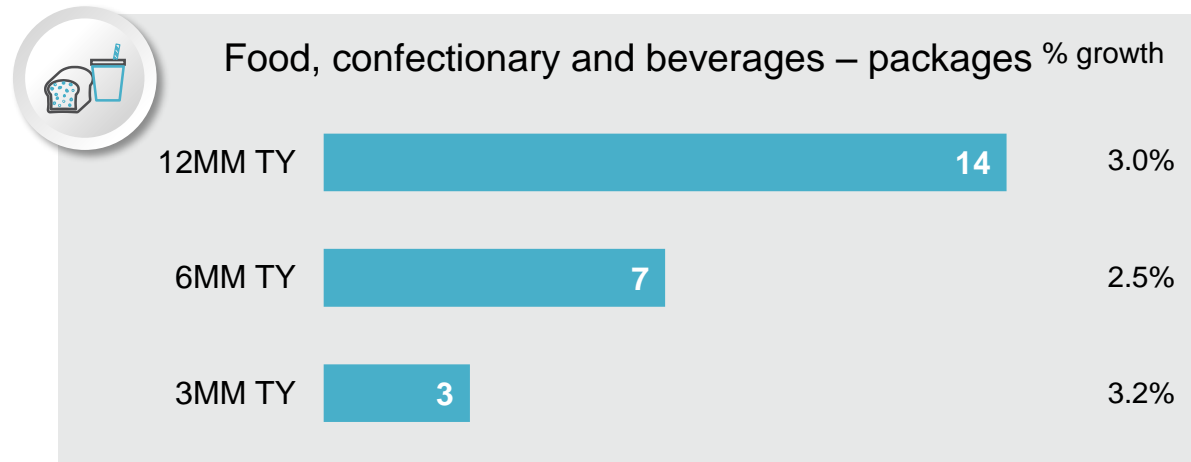
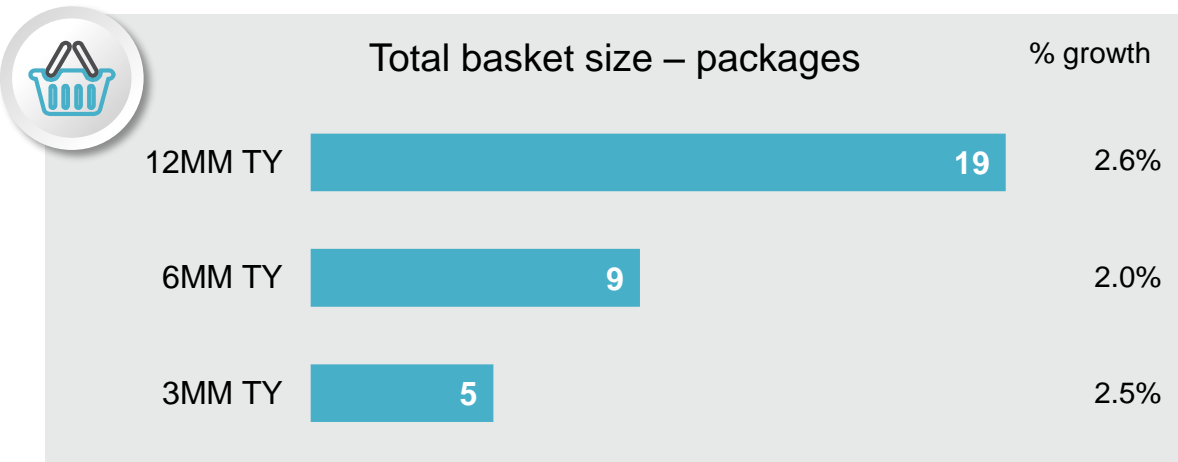
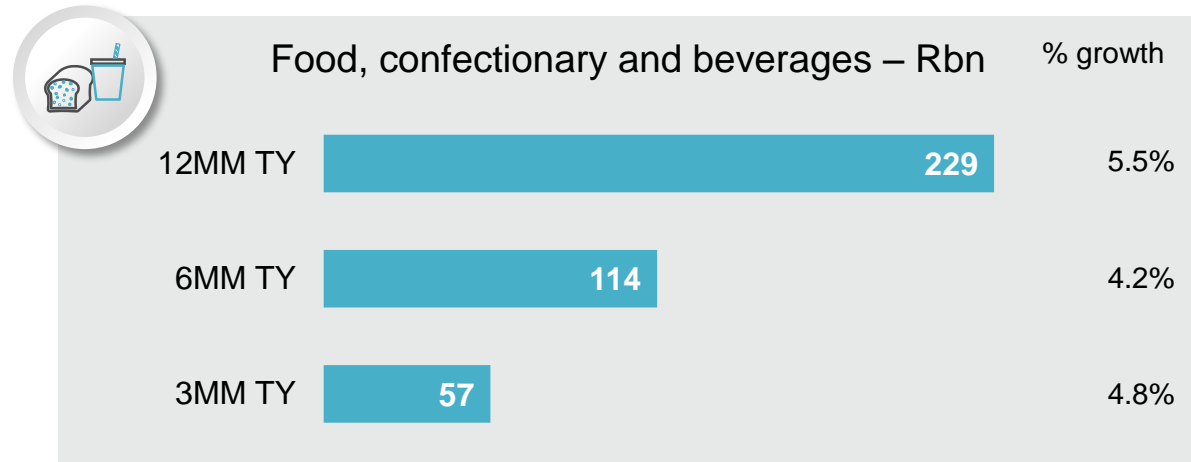
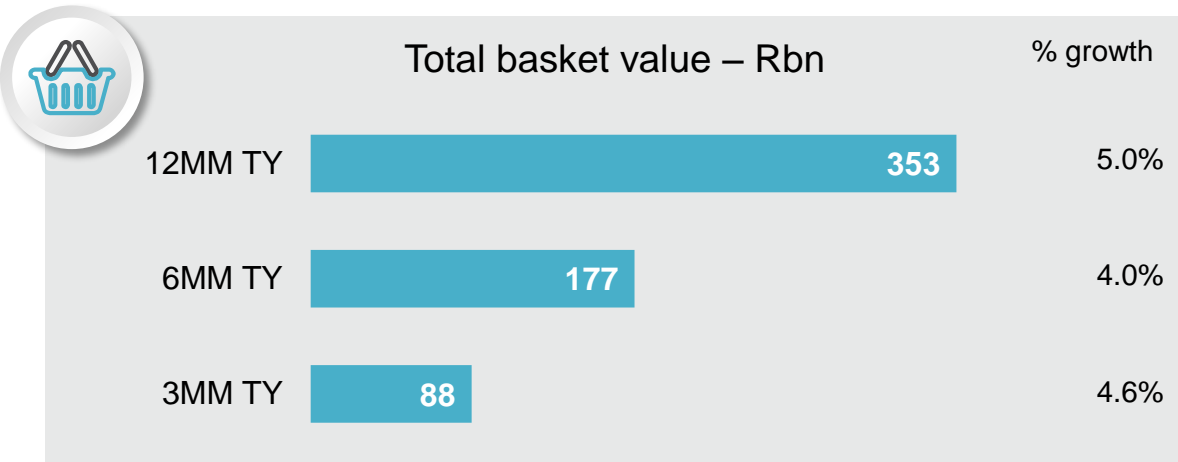
## Retail landscape

- Increased competition among retailers & formats
- Growth of private label
- Manufacturers minimizing inflation to drive volume





# Market slows across all metrics




Source: Nielsen




# Performance impacted by VAMP closure & tough trading conditions


*Ex-VAMP*

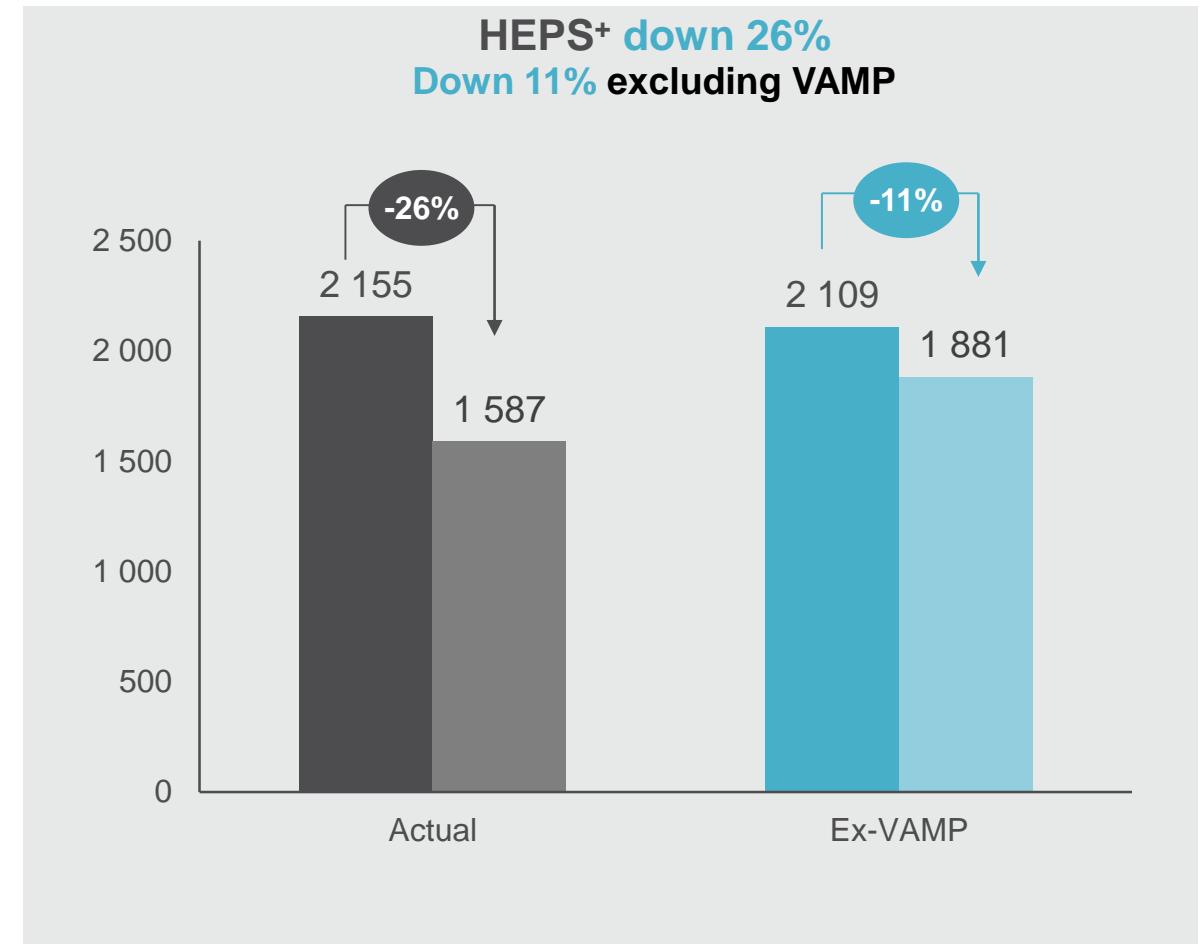
 Group revenue<sup>+</sup> down **9%** to **R28.5 billion**      Down **6%** to **R27.4 billion**

 **Gross margins<sup>+</sup>** down **90bps** to **32.5%**      Down **50bps** to **33.5%**

 Group operating income<sup>+\*\*</sup> down **28%** to **R3.3 billion**      Down **21%** to **R3.6 billion**

 Group operating margin<sup>+\*\*</sup> down **310bps** to **11.7%**      Down **260bps** to **13.0%**

 **Total dividends** flat at **1 080 cents** despite lower HEPS

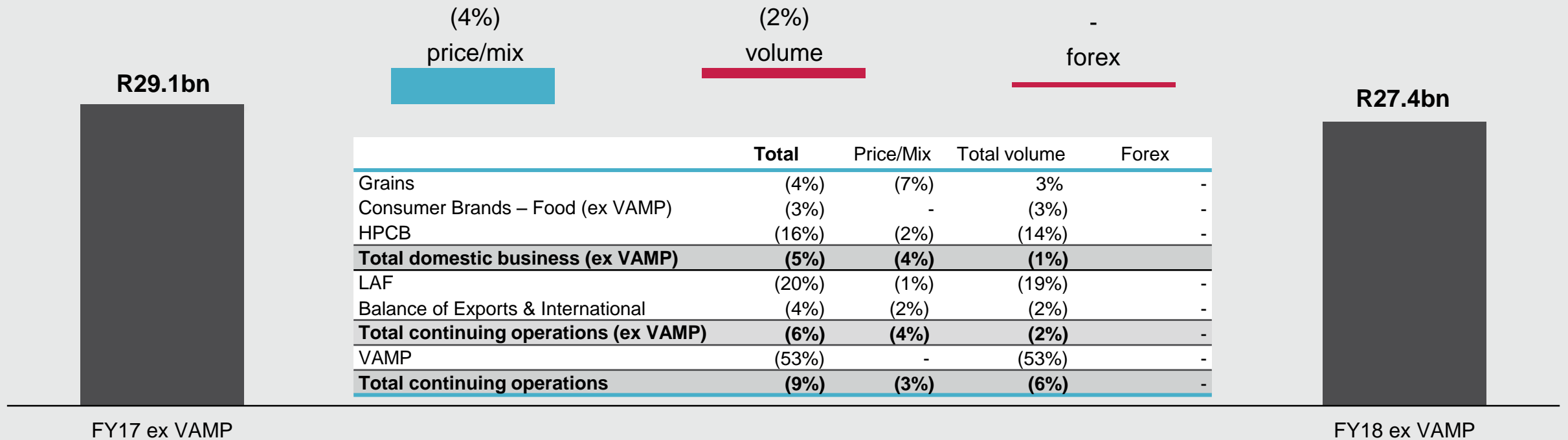


+From continuing operations | \*\*Group operating income from continuing operations before impairments, abnormal items & IFRS 2 charges



# Deflation across the portfolio a key contributor to lower revenue

Domestic volumes ex-VAMP decline 1%





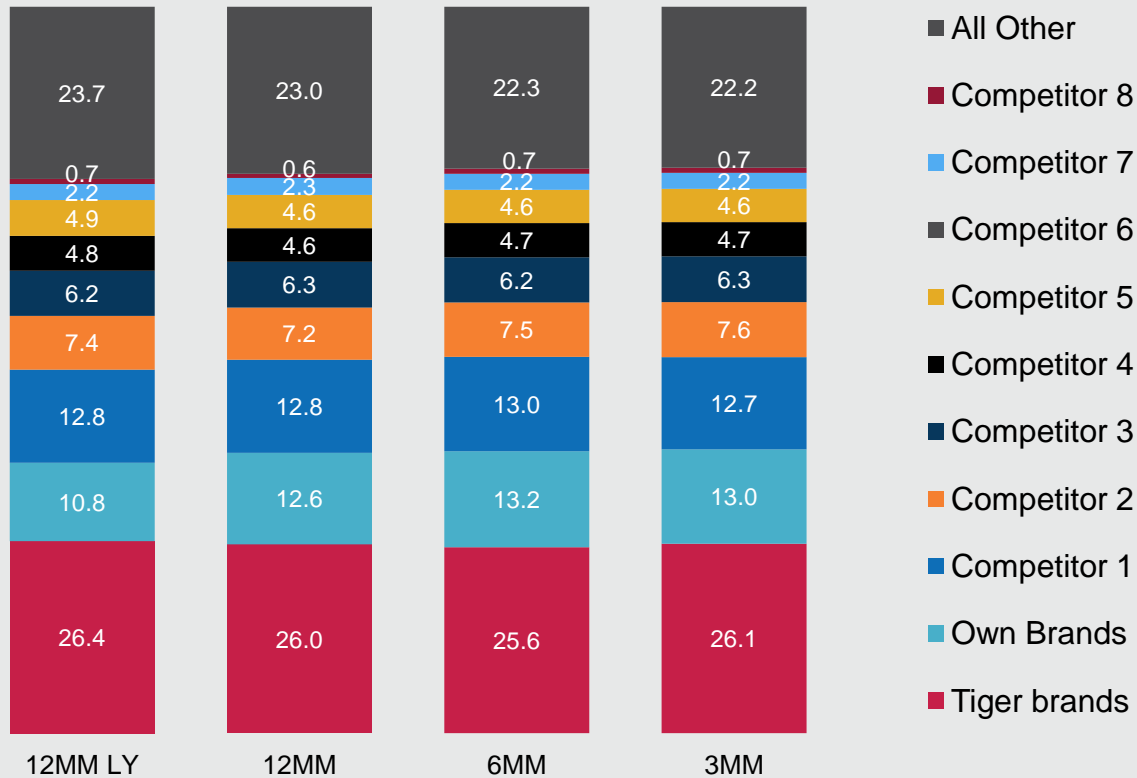


# Tiger Brands volume share recovers in last quarter

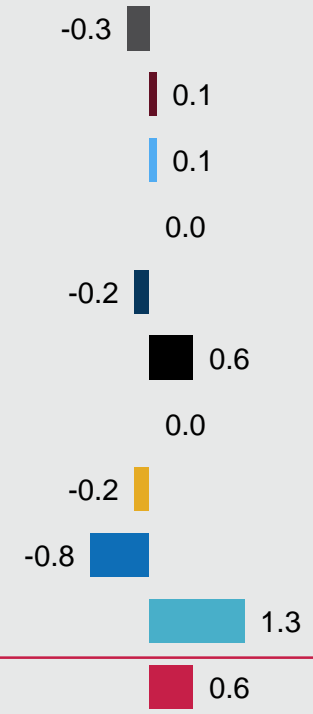
## Growth of own brands slows



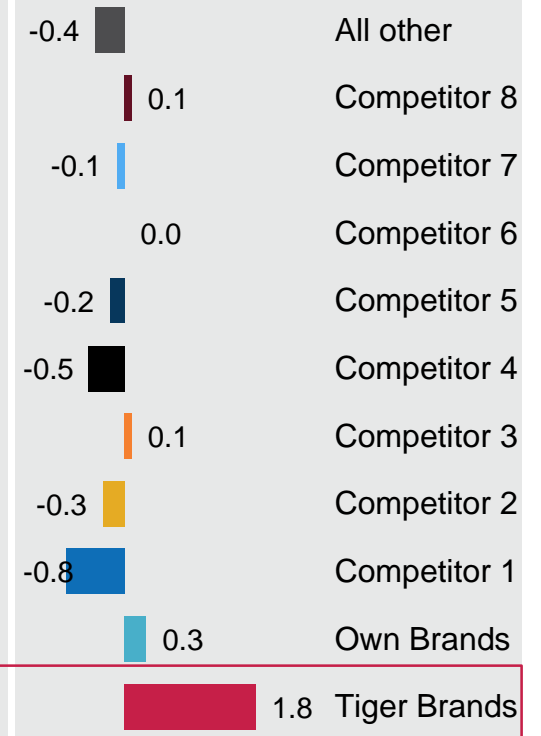
Total SA – volume share of Tiger defined basket



3MM TY vs 3MM LY



Sept 2018 vs Sept 2017

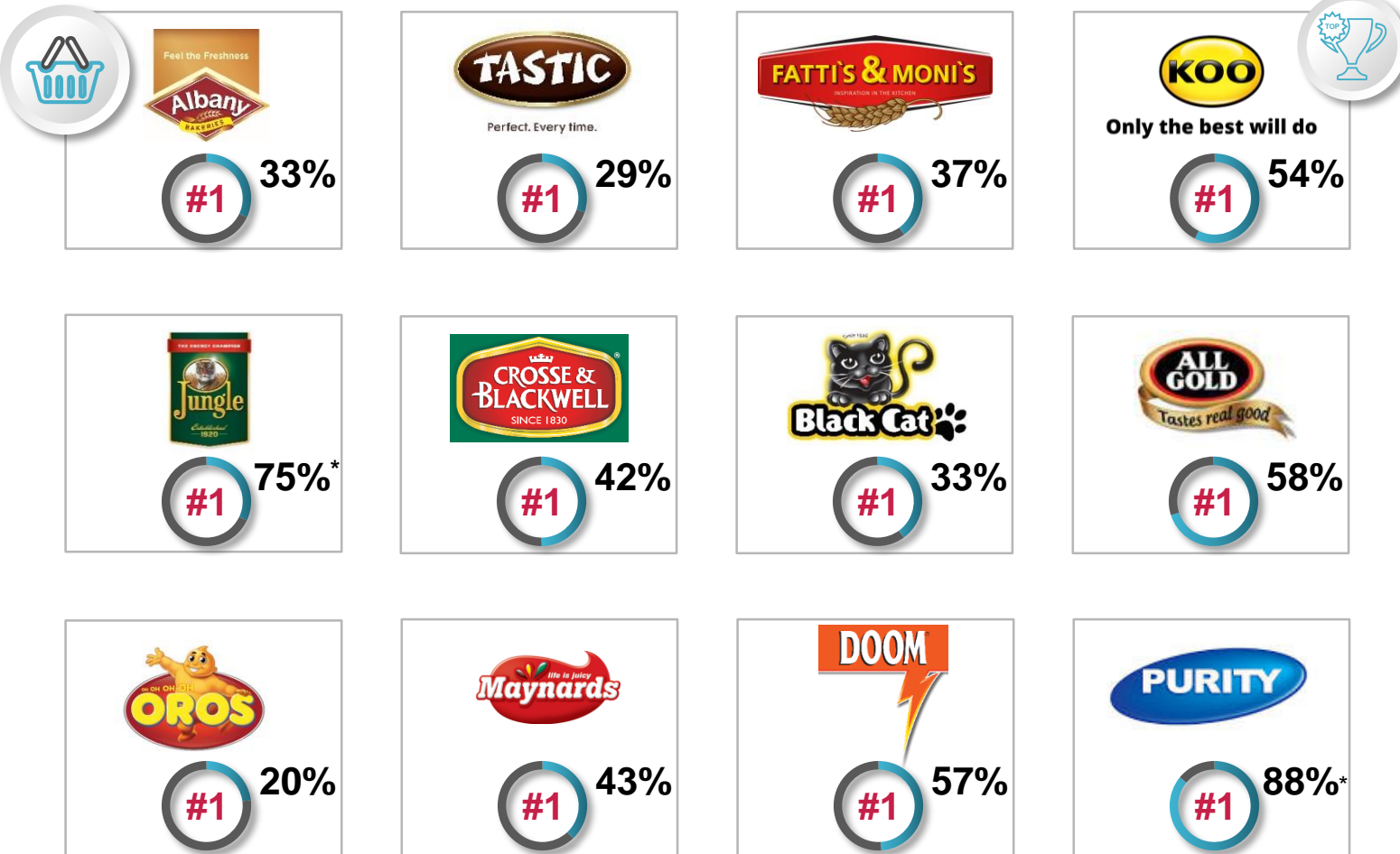


Source: Nielsen volume share



# Brand loyalty remains strong

Marketing investment increases by 10% to 3% of revenue (2017: 2.5%)



Sunday Times  
Grand Brand Prix 2018

	<b>Grand Prix</b> #1 Tinned foods
	#1 Fruit based drinks
	#1 Condiments & sauces
	#2 Condiments & sauces
	#1 Essential foods
	#2 Essential foods

Source: % = Nielsen 12mm volume share to September 2018 | \* Cooking oats | Homogenised Food



# Innovation increased to 5.3% of sales from 4.3%

Addressing key consumer trends of health, wellness & on-the-go



## Health and Wellness



Crunchalots



Muesli Flavours



ACE, A TASTE OF MUM'S LOVE  
Quick Cook



Bread-A-Betix



## On-the-go



Cake-In-A-Mug



Fasta Pasta



Instant Noodles



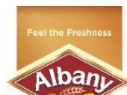
Morvite – 50g strip pack



## Value (price)



Benny Chicken



Thick Slice



Perfect. Every time.  
Soft & absorbing long grain white /  
wholegrain long grain brown rice



## Value (bulk & multi-pack)



Black Cat – 1kg Tub



All Gold Jam – 1.2kg Tub



Morvite – 500g



# Issues faced in FY18



## Issue

**Listeria crisis – attention & focus re-directed**

**Embedding new structure & capability took longer than anticipated**

**Brand price/volume relationship not maximized**

**Change management activity delayed**



## Response

- Goals & objectives aligned for 2019
- Brand relaunched
- Fully operational in 2019 with improved food safety

- Leadership team enhanced
- Capability & capacity increased where appropriate
- New process & operational governance

- Pricing capability & training
- Portfolio management
- Improved consumer & shopper connectivity

- Leadership/employee workshops
- Aligned KPI'S & reward criteria
- Refreshed values with full employee engagement plan



# Despite tough trading results we have emerged stronger



## Brands & people remain our biggest competitive advantage

- Strategy refreshed & enhanced
- Group executive appropriately resourced
- Structure, capability & new process embedded
- Appropriate business restructuring
- Improved sales & marketing execution capability
- Driving a winning growth culture, underpinned by strong values

**TIGER BRANDS**



Financial & operational performance  
Noel Doyle  
Chief Financial Officer



# Operating results impacted by VAMP closure & tough trading conditions

Earnings further impacted by once-off recall costs offset partially by associates

Continuing operations – Rm	FY 18	FY 17	% change
<b>Revenue</b>	<b>28 474</b>	31 298	(9%)
Cost of sales	(19 230)	(20 856)	(8%)
<b>Gross profit</b>	<b>9 244</b>	10 442	(11%)
Sales and distribution expenses	(3 676)	(3 596)	2%
Marketing expenses	(845)	(771)	10%
Other operating expenses	(1 485)	(1 550)	(4%)
<b>Operating income before impairments and abnormal items</b>	<b>3 239</b>	4 524	(28%)
Impairments	(262)	(560)	(53%)
Abnormal items	(422)	(23)	
<b>Operating income after impairments and abnormal items</b>	<b>2 555</b>	3 941	(35%)
Net finance cost & investment income	(32)	(207)	(85%)
Income from associated companies	731	533	37%
<b>Profit before taxation</b>	<b>3 254</b>	4 267	(24%)
Taxation	(837)	(1 234)	(32%)
<b>Profit for the year from continuing operations</b>	<b>2 417</b>	3 033	(20%)
Profit for the year from discontinued operations	14	105	(87%)
<b>Profit for the period</b>	<b>2 431</b>	3 138	(23%)
<b>Headline earnings per share (cents)</b>	<b>1 589</b>	2 161	(26%)
– Continuing operations	1 587	2 155	(26%)
– Discontinued operations	2	6	(67%)



## Impairments recognised in Personal Care & Deli Foods

Rm	FY18	FY17
Impairment of intangible assets	(144)	(310)
Impairment of property, plant & equipment	(103)	-
Impairment of other assets	(14)	-
Impairment of investment in associate	-	(250)
<b>Total impairments</b>	<b>(262)</b>	<b>(560)</b>





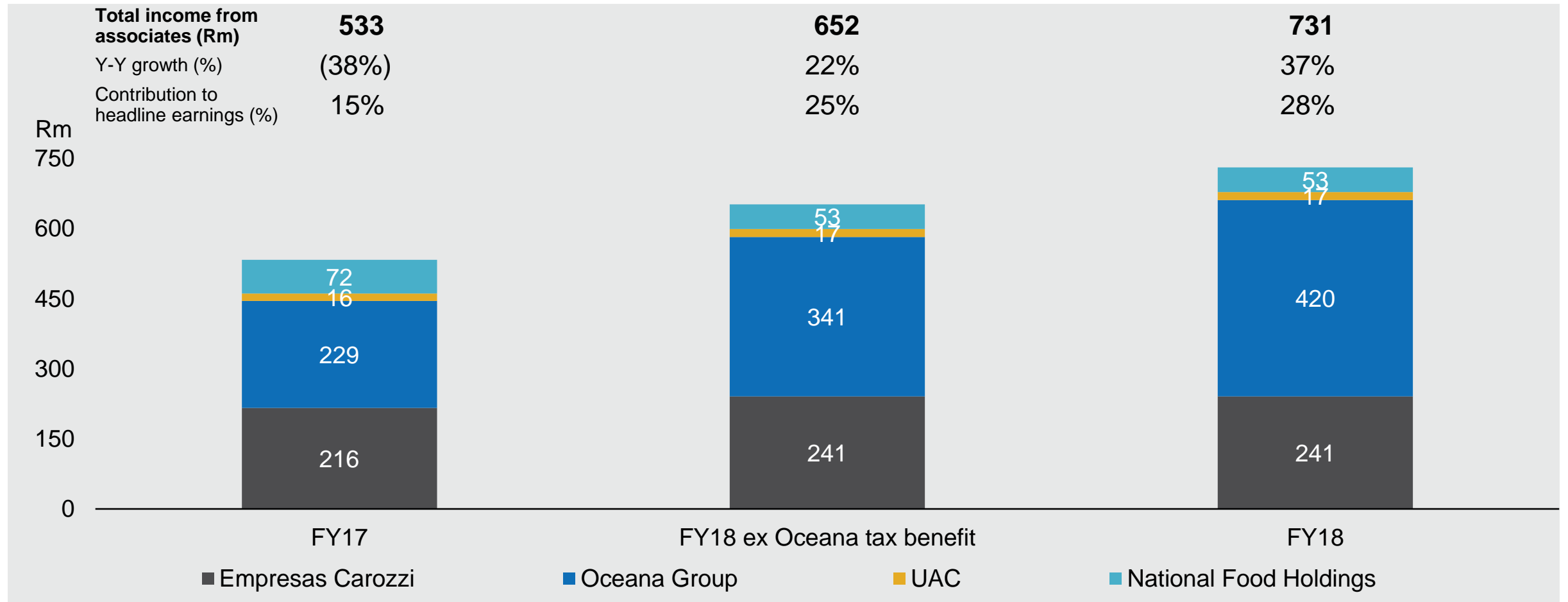
## Abnormal items include VAMP recall costs

Rm	FY18	FY17
Costs associated with VAMP product recall	(430)	-
Restructuring & related costs	(58)	(79)
Proceeds from insurance claims	64	86
Profit on disposal of property	2	73
Proceeds from warranty claim settlement	-	28
Once-off consulting fees	-	(132)
<b>Total abnormal items</b>	<b>(422)</b>	<b>(23)</b>



# Income from associates up 37%

Equity accounted Oceana earnings benefit from once-off deferred tax gain of R79m

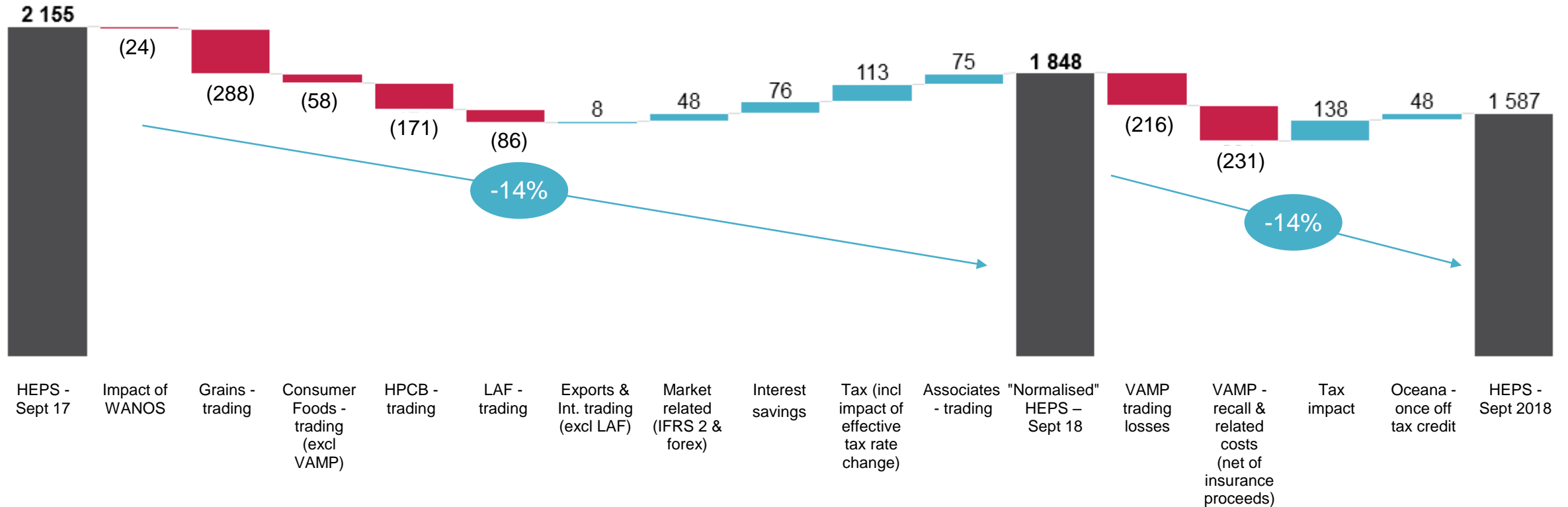




# HEPS impacted by VAMP & challenging trading conditions

Partially offset by lower interest charges & associates

HEPS (cents) vs PY\*



\* From continuing operations



# All domestic divisions faced challenges

Exports improved performance offset by Deciduous Fruit

	Grains	Consumer Brands Food (ex VAMP)	HPCB	Exports & International	Group (ex VAMP)	VAMP	Group*
Volume	▲ 3%	▼ 3%	▼ 14%	▼ 8%	▼ 2%	▼ 53%	▼ 6%
Revenue	R12.8bn ▼ 4%	R8.7bn ▼ 3%	R2.2bn ▼ 16%	R3.8bn ▼ 10%	R27.4bn ▼ 6%	R1.1bn ▼ 52%	R28.5bn ▼ 9%
Operating income**	R1.9bn ▼ 20%	R1.1bn ▼ 8%	R0.3bn ▼ 45%	R0.3bn ▼ 32%	R3.6bn ▼ 21%	(R0.3bn) ▼ 342%	R3.3bn ▼ 28%
Operating margin**	▼ 14.8%	▼ 12.5%	▼ 15.3%	▼ 7.2%	▼ 13.0%	▼ (23.7%)	▼ 11.7%

\* From continuing operations \*\* Before IFRS 2 charges, impairments & abnormal items

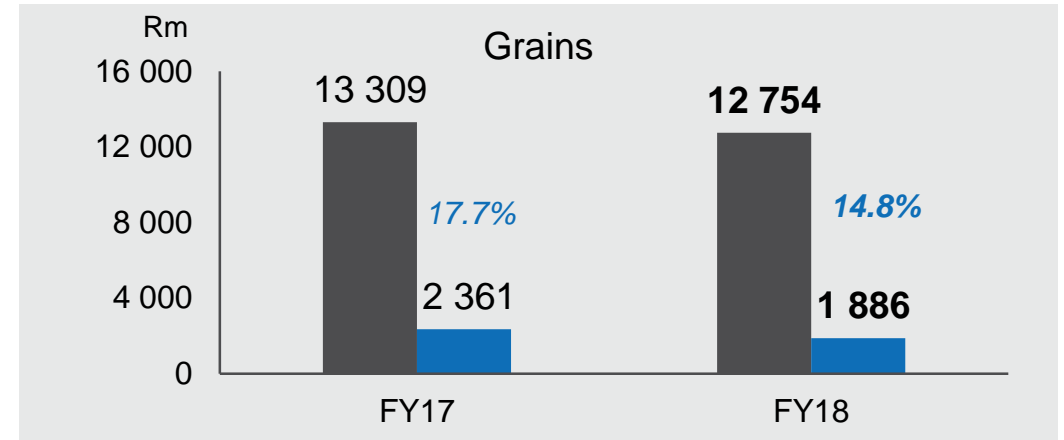
# Grains



## Impacted by deflation despite share gains

- Milling & baking impacted by deflation particularly maize
  - Rising costs place margins under pressure
  - Launched thick slices (value), Bread-a-Betix (health & wellness)
  - Golden Cloud #1 retail brand 3mm\*
- Other Grains revenue growth driven by muesli and rice
  - Strong rice volume performance delivers volume share gains
  - Pasta impacted by imports
  - Jungle biggest cereal brand in the country+
    - Driven by Crunchalots & Muesli
  - Innovation in quick cook samp well received
  - Morvite strip pack addresses affordability

\* Nielsen +3mm August 2018

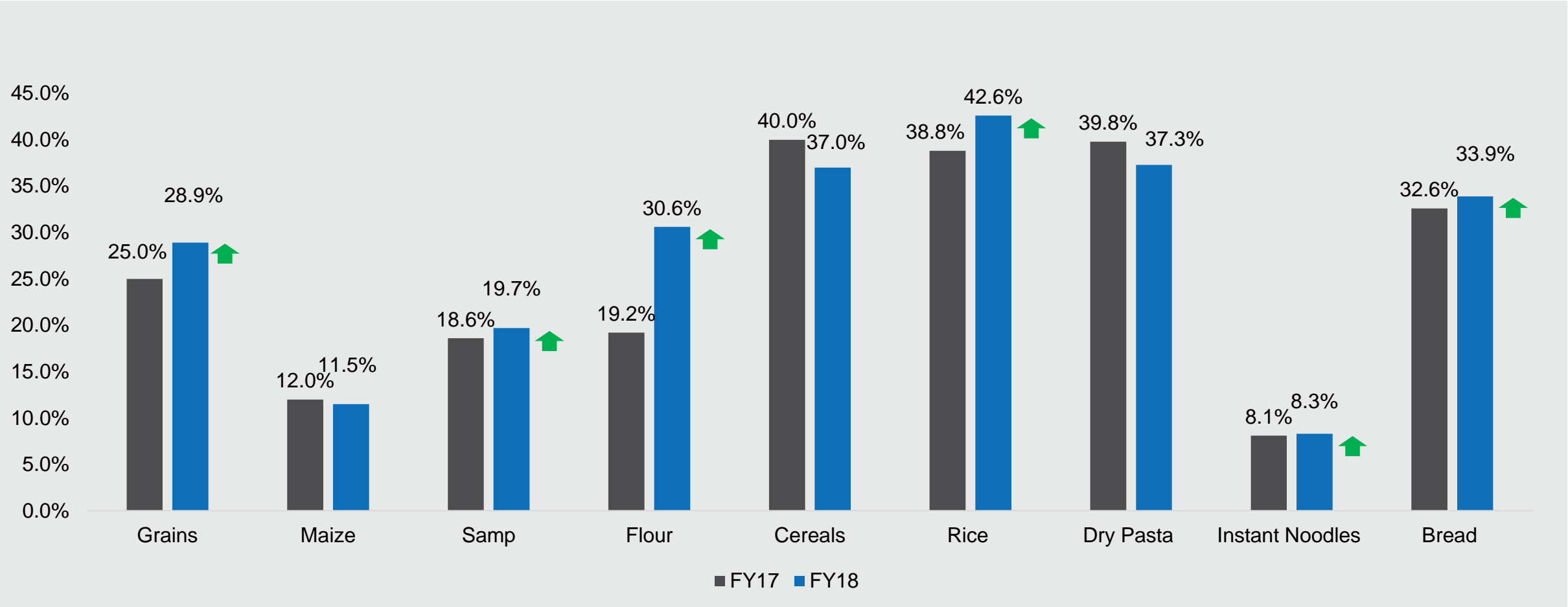


■ Turnover ■ Operating income *Operating margin %*





# Maintained overall share and gained in most categories



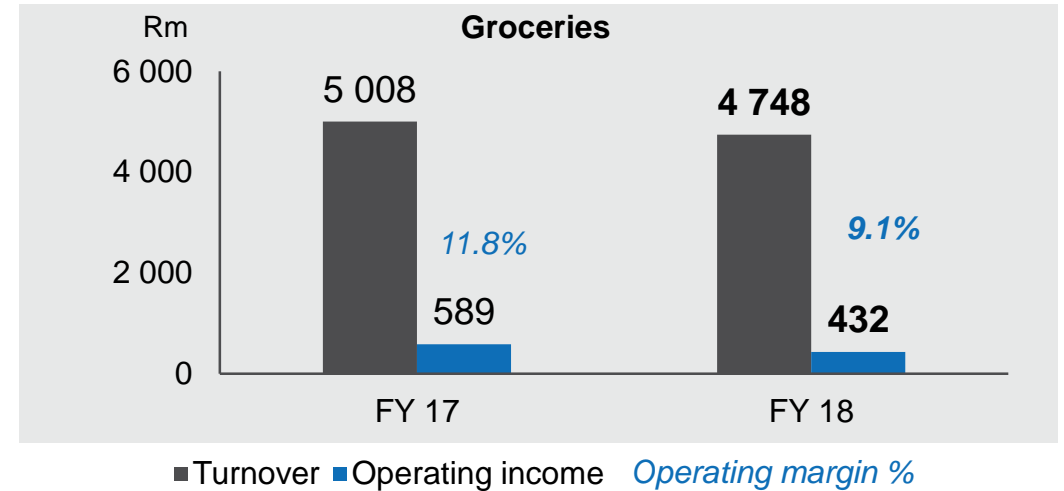
Source: Nielsen 12mm volume share as at September 2018



# Consumer Brands – Food

## Groceries – challenged by private label

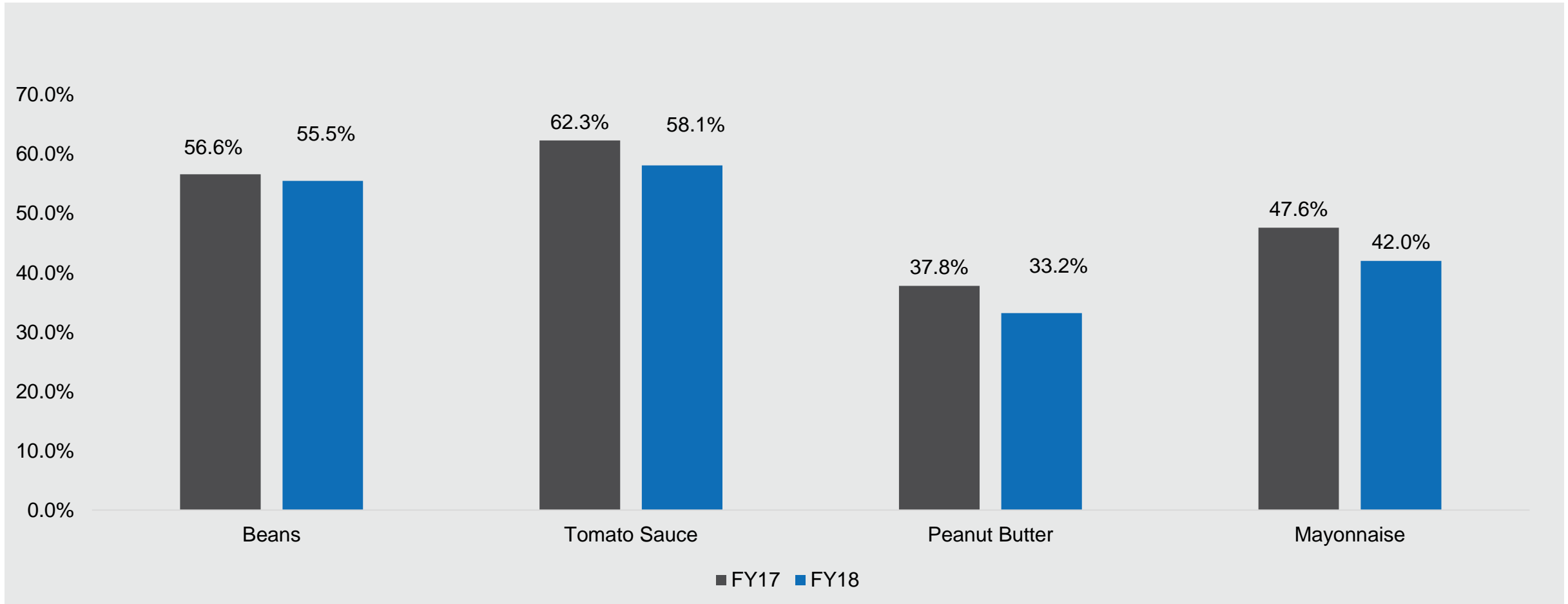
- Deflation drives overall category declines
  - Canned vegetables hardest hit
- Revenue down 5%; volumes down 7%
- Adverse product & customer mix impacts profitability
  - Margins decline to 9.1%
  - Despite higher margins in spreads
- Challenge in implementing price amid intense competition
  
- Supply issues in mayonnaise & peanut butter resolved
- Pack size innovations address consumer needs





# Market leadership sustained

Declines reverse on recent positive momentum



Source: Nielsen 12mm volume share as at September 2018





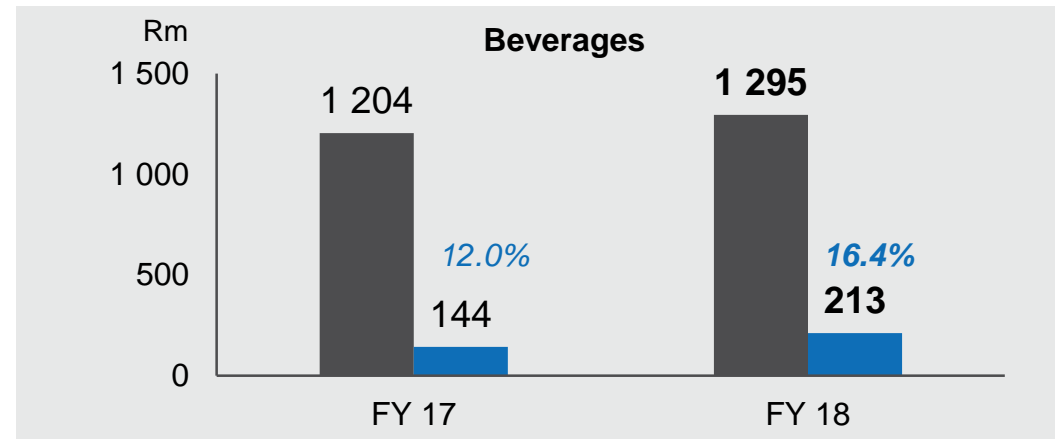
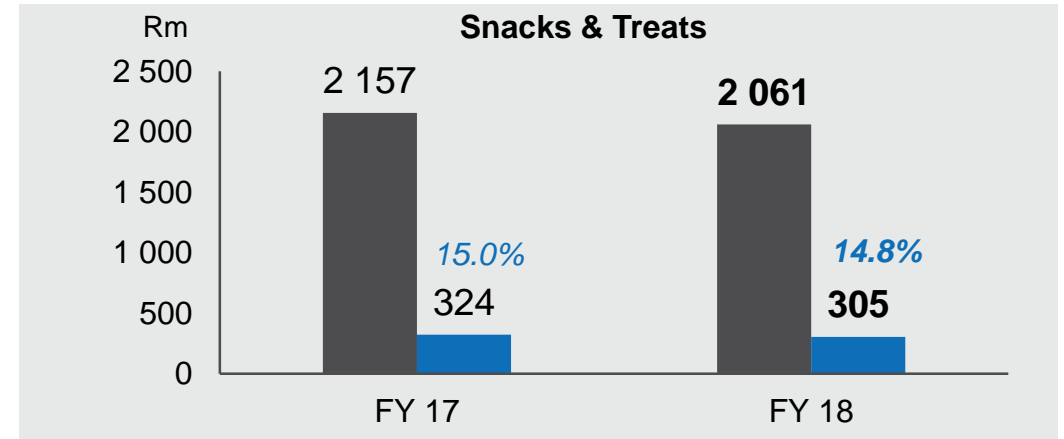
# Snacks, Treats & Beverages

## S&T – revenue impacted by slow demand

- Lower revenue & margins in sugar impact profitability
- Chocolate grew share in slabs & countlines
  - Negatively impacted by assortments & speciality
- Focus on mix & volume recovery in year ahead

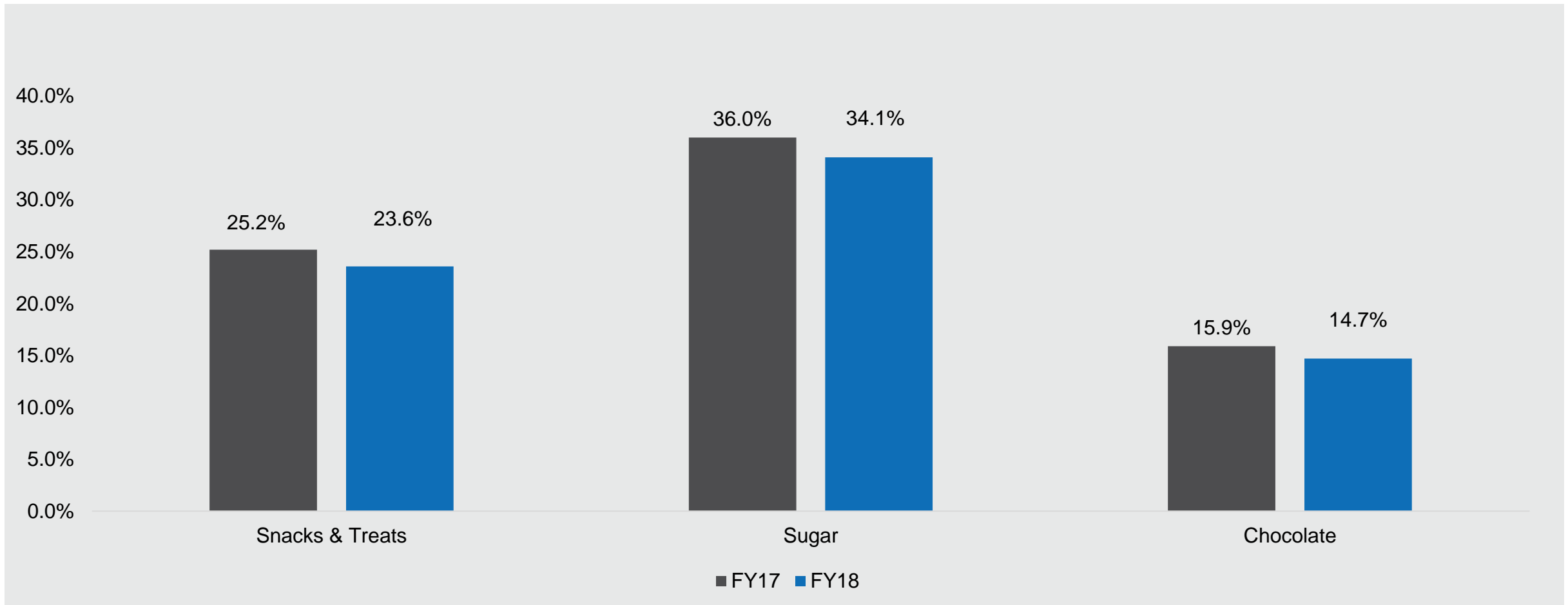
## Beverages – sustains strong performance

- Driven by volume growth of 10%
- Sound execution of Energade strategy
- Operating income up 48%
- Benefiting from sustained operating efficiencies
- Launch of Oros ready-to-drink





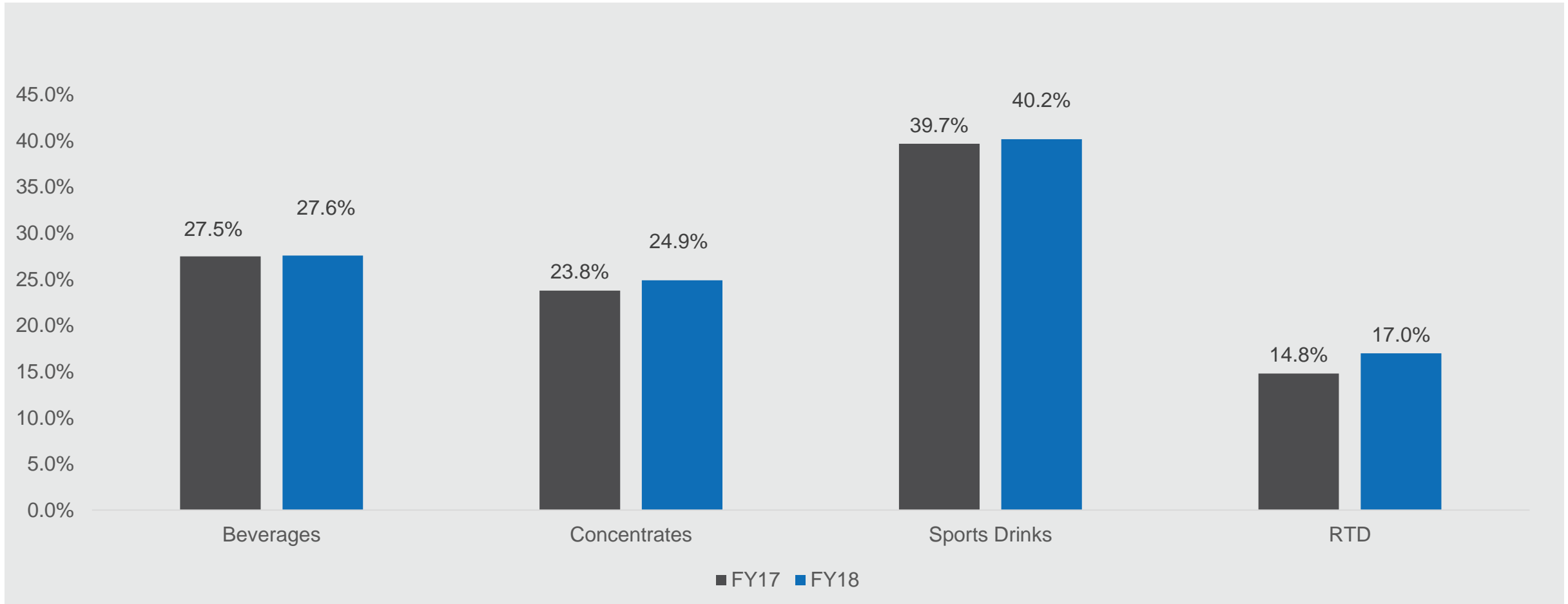
# Market shares decline in Snacks & Treats



Source: Nielsen 12mm volume share as at September 2018



# Market share growth in Beverages driven by Sports Drinks



Source: Nielsen 12mm volume share as at September 2018



# Value Added Meat Products

- Refurbishments & deep cleaning completed
  - Design facilitates easy cleaning & sanitation
  - Segregated zones with separate entrances
  - No re-entry without change of PPE & thorough boot & hand wash
  - Staff re-trained
- Germiston re-opened
  - Ready-to-cook
  - Bacon & frozen sausages, salami
- Polokwane
  - Canned meat re-opened
  - Ready-to-eat by December 2018
- Enterprise brand relaunch well-received
  - New packaging
  - 7-step quality check programme

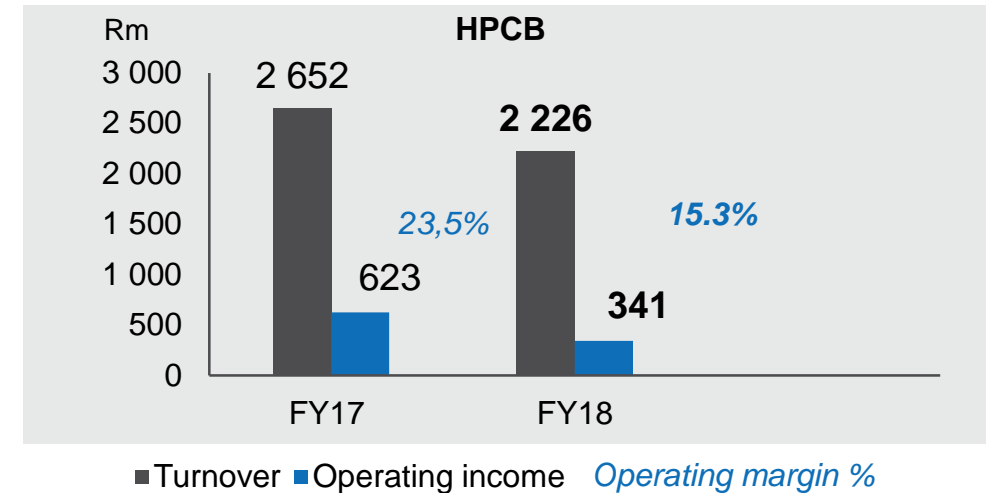




# Home, Personal & Baby Care (HPCB)

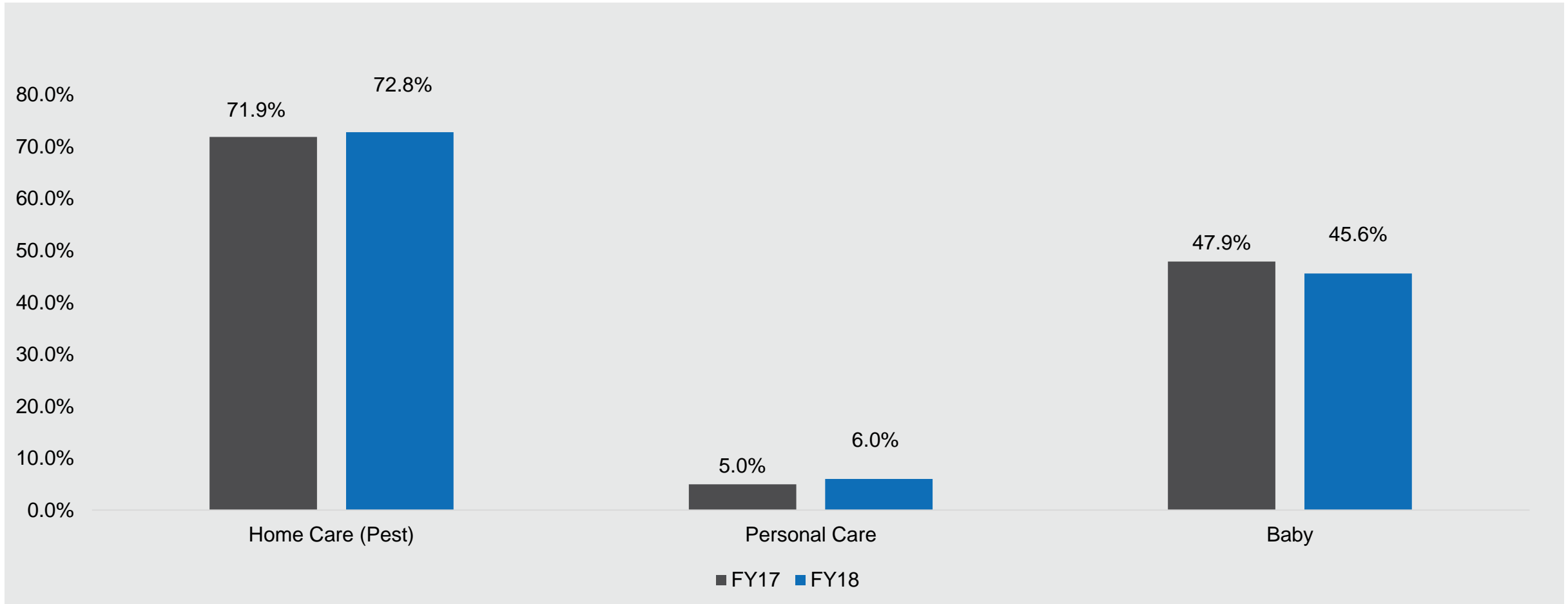
## A weak pest season for Home Care

- Home Care
  - Higher than expected trade stocks into peak season
  - Lower production volumes impact factory recoveries
  - Market share grows in volume & value
- Personal Care
  - Challenging category dynamics due to increased competition
  - Margin recovery supported by normalised stock levels & increased volumes
- Baby Care
  - Pouches & snacks gain momentum
  - Good volume & market share growth in pouches
  - Clear strategy for jarred baby food
  - Operating income impacted by mix





# Share growth in declining pest category



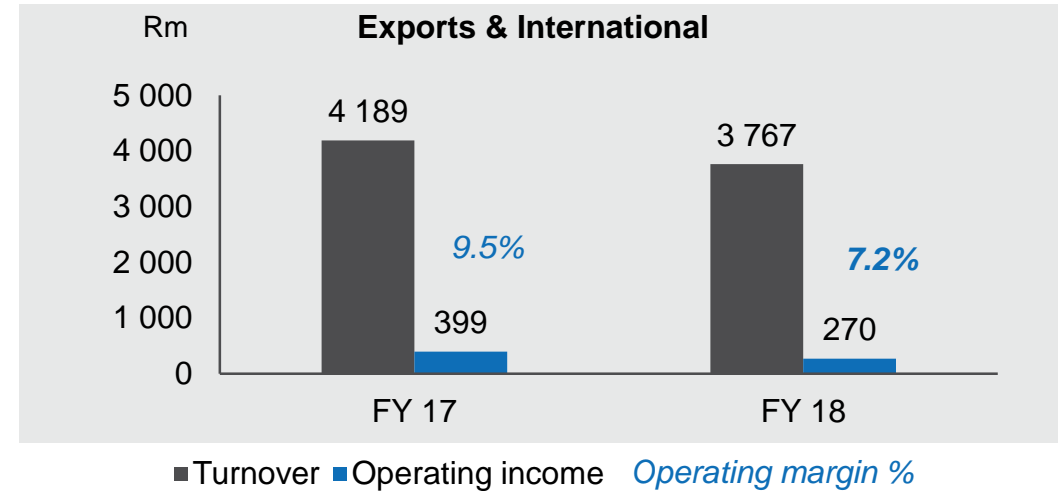
Source: Nielsen value share as at September 2018



# Exports & International

## Improved exports performance offset by Deciduous Fruit

- Exports perform despite macro challenges
  - Operating income up 6% on improved customer & product mix
- Chococam
  - Growth sustained despite regional tensions
  - 9% revenue growth in local currency
- Deli Foods
  - Impacted by lower consumer demand
    - Significant input cost inflation
- Deciduous Fruit (LAF)
  - Drought impacts fruit quality & availability
  - Lower volumes as a result
  - Operating loss due to rand strength, customer mix & lower international pricing
  - Operation restructured for recovery





## Change in dividend policy supported by strong balance sheet

Dividend cover lowered to 1.75x based on HEPS from 2x

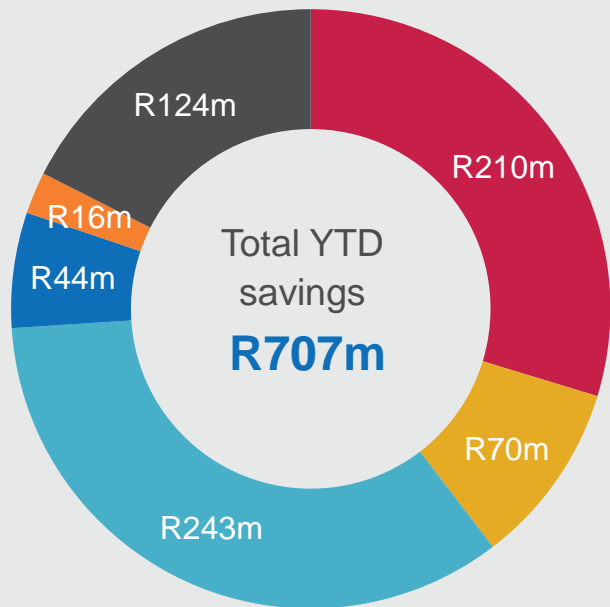
	FY 18	FY 17
Cash generated from operations (Rm)	3 284	6 134
Capex (Rm)	720	919
Net cash (Rm)	590	431
RONA (%)	27	35
Net interest cover	59x	25x
Working capital per R1 of turnover	21.7	19.9





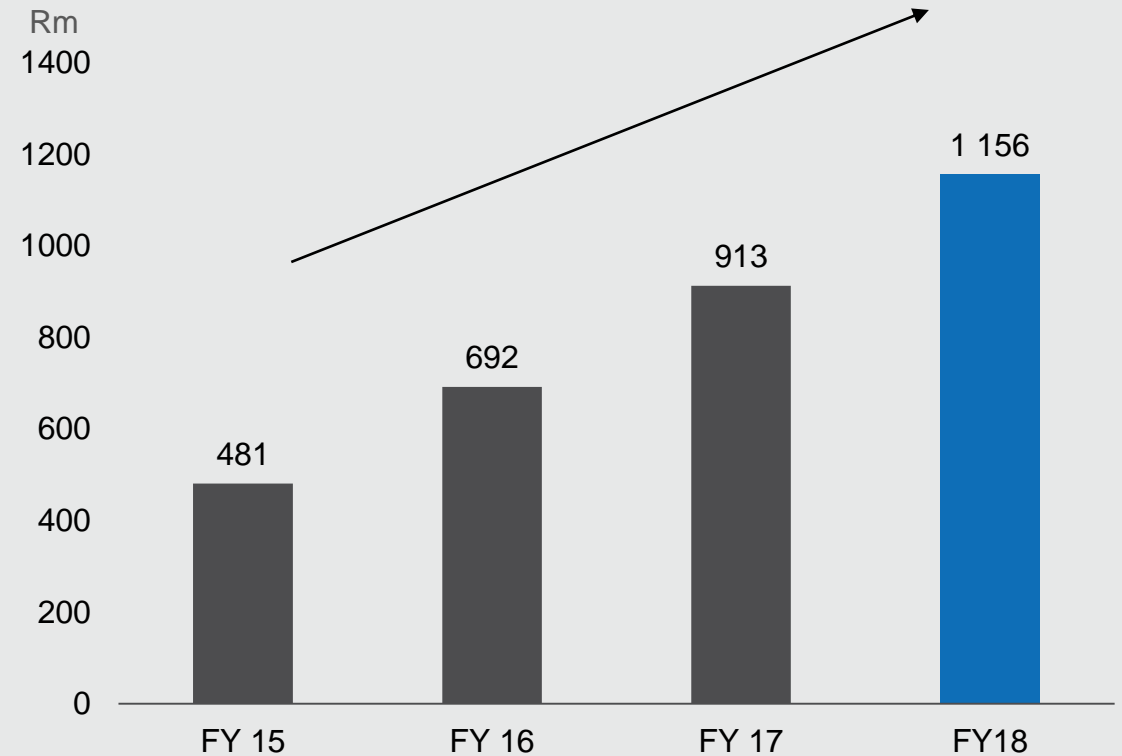
# Continuous focus on costs yields record savings

With ZBS delivering & 70% of procurement through a central hub



- Manufacturing efficiencies
- Logistics savings
- Procurement savings
- Financial Shared Services Centre
- R&D
- ZBS

### Cumulative procurement savings





# Macro uncertainty prevails

Aggressive inflation poses additional challenge

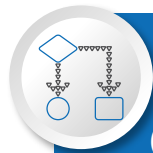


## Environment

No signs of consumer recovery

Competitor strategies of volumes at any cost

Rising input costs



## Counter strategies

Appropriate business restructuring

Pack sizes in innovation pipeline

Elasticity insights used to develop price ladders

Cost reduction initiatives + recover cost push



**TIGER BRANDS**

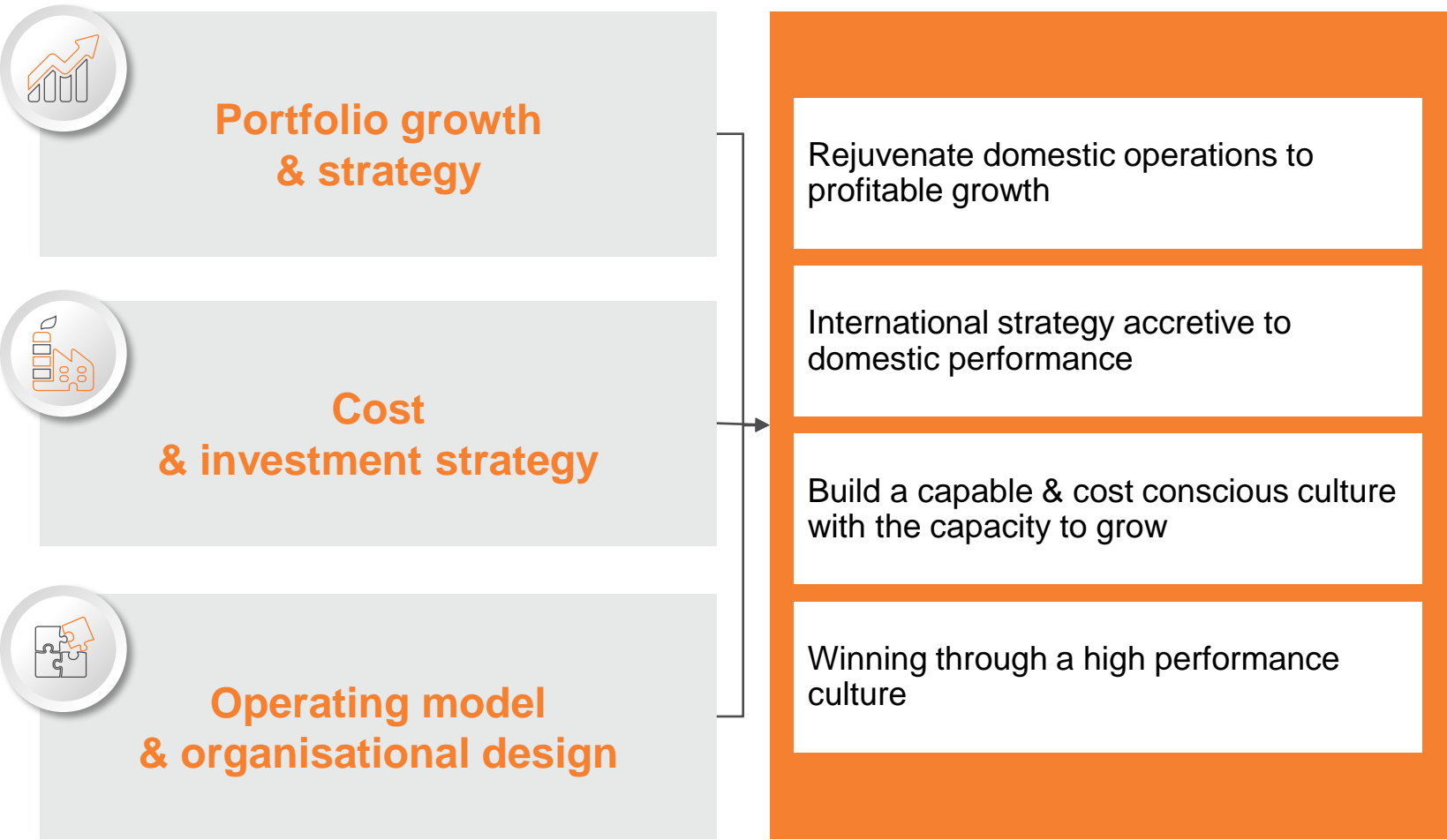


Strategic review  
Lawrence Mac Dougall

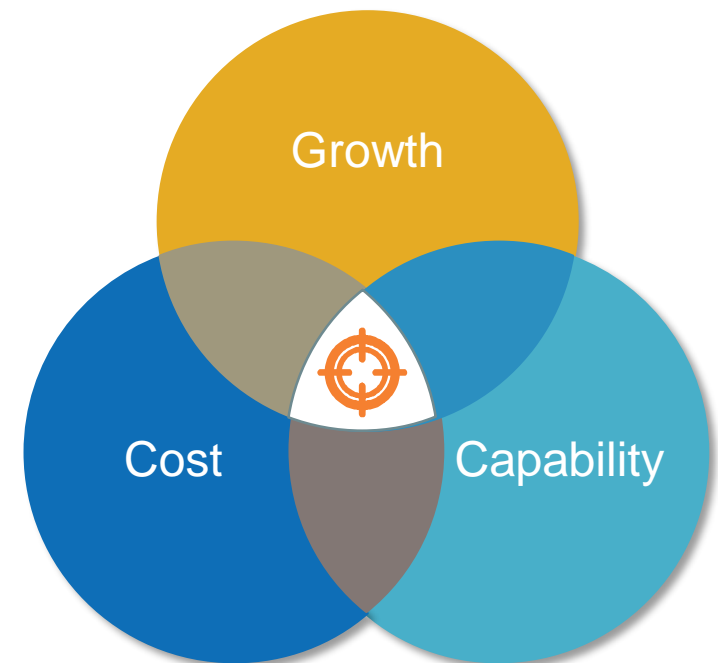


# Main objectives of strategic review

Developing a strategy for sustainable profitable growth



=





# Our strategy is sound and remains relevant

Purpose: We nourish and nurture more lives everyday



## Drive growth

- Clear strategies to win in each category, channel and customer



## Be efficient

- Efficiency in all we do, cost effective and an advantaged
- Integrated supply chain



## Great people

- A great place to work
- Winning culture
- Agile
- Consumer-obsessed



## Sustainable future

- Sustainable planet, communities and company

Focused execution



# Africa strategy approved

Building on what we have

Purpose: We nourish and nurture more lives everyday



## Drive growth

- Categories & brands
- Drive sustainable volume growth
- Invest in key brands
- Innovate



## Be efficient

- Best partners in-country
- Agreed standards, processes & measures
- Optimise value chain
- Local manufacture or packaging



## Great people

- Africa national graduate programme
- Sharpen & refocus customer capability
- Africa-based trade marketing team
- Consumer conscious



Focused execution

# Strategic decisions in line with guidance



## Oceana to be unbundled

- Tied to strategy
  - Review of associates
  - Fit with Tiger Brands core
- Approximate implementation date of April 2019
- Details of unbundling to be published shortly before implementation



# Progress on building a foundation for growth



Growth drivers	Key measure	Progress	
<b>Availability and fair share</b>	<ul style="list-style-type: none"> <li>○ Market share</li> <li>○ Availability</li> <li>○ Weighted distribution</li> </ul>	<ul style="list-style-type: none"> <li>○ Some wins but overall market shares challenged</li> <li>○ On shelf availability up 30bps to 97%</li> <li>○ Weighted distribution improved in flour, maize &amp; bread</li> </ul>	●
<b>Price</b>	<ul style="list-style-type: none"> <li>○ Price vs. competitors</li> <li>○ Price point / value and affordability</li> </ul>	<ul style="list-style-type: none"> <li>○ Capability created &amp; resourced</li> <li>○ Elasticity insights used to develop price ladders/points in key segments</li> <li>○ Challenges in “getting the price” due to competition</li> </ul>	●
<b>Pack / Size format</b>	<ul style="list-style-type: none"> <li>○ Pack format</li> <li>○ Pack sizes</li> <li>○ SKU rationalisation</li> </ul>	<ul style="list-style-type: none"> <li>○ Pack formats &amp; sizes in pipeline</li> <li>○ New packs in Benny, Jungle, Morvite</li> <li>○ Oros RTD launched successfully</li> </ul>	●
<b>Unmet need states &amp; trends</b>	<ul style="list-style-type: none"> <li>○ Robust innovation pipeline</li> <li>○ Innovation rate (10% of revenue by 2022)</li> </ul>	<ul style="list-style-type: none"> <li>○ Innovation 5.3% of revenue</li> <li>○ Structure &amp; capability resourced</li> <li>○ Medium term pipeline developed</li> </ul>	●
<b>Brand strength</b>	<ul style="list-style-type: none"> <li>○ MI 4.5% of revenue by 2022</li> <li>○ Disproportionate investment</li> <li>○ Brand equity</li> </ul>	<ul style="list-style-type: none"> <li>○ MI up to 3% of revenue</li> <li>○ Brands characterised into Master &amp; Standalone – migration plans underway</li> <li>○ Brand equity holding</li> <li>○ Optimised advertising spend</li> </ul>	●





# Progress in implementing our strategy in 2018



## Be efficient

- Integrated supply chain implemented
- Continuous improvement savings achieved
- Good progress on shop floor development
- First wave of simpler, shared services (HR + Finance) implemented
- IT roadmap & capability in place & investment up weighted in FY18
- Procurement forum implemented



## Great people

- Safety
  - LTIFR at 0.27 from 0.30
- New operating model implemented & transitioned
- Achieved savings in line with budget
- Capabilities appointed in line with new operating model
- Critical vacancies in Exco filled
- Group-wide talent review process conducted



## Sustainable future

- Launched Centre for Food Safety
  - Partnership with Stellenbosch University
- Enterprise and Supplier Development (ESD) Office operational
- Community investment
  - 77 000 meals per day
  - 558 participants in workplace experience programme
  - 143 retained as employees



## Our 2019 business priorities

### Drive GROWTH

Clear strategies to win in each category, channel and customer

### BE Efficient

Efficiency in all we do, cost effective and an Advantaged Integrated Supply Chain

### Great PEOPLE

A great place to work with distinctive capabilities and a winning mindset

### Sustainable FUTURE

Sustainable planet, community and company

We nourish and nurture more lives everyday

**TIGER BRANDS**



Q&A



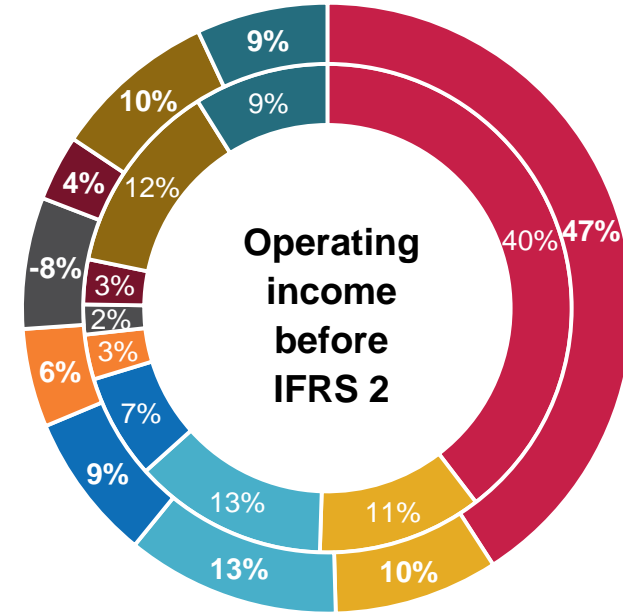
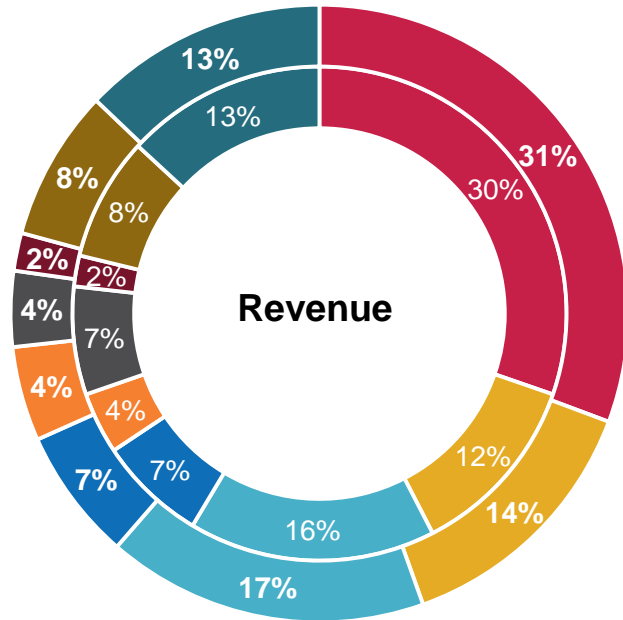
## Additional information

Net working capital days	FY 18	FY 17
Working capital per rand of turnover	21.7	19.9
Net working capital days	104.0	80.8
Stock days	96.5	76.5
Debtor days	41.9	41.0
Creditor days	34.4	36.7
Effective tax rate	30.2%	28.9%



# Contribution to revenue & operating income

2018 - outside  
2017 - inside



- Milling and Baking
- Snacks & Treats
- Out of Home

- Other Grains
- Beverages
- Home, Personal Care and Baby (HPCB)

- Groceries
- Value Added Meat Products
- Exports and International