

TIGER BRANDS



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MORE LIVES EVERY DAY

INTERIM RESULTS PRESENTATION

27 May 2024



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Forward-looking statement

This document contains forward looking statements that, unless otherwise indicated, reflect the company's expectations as at 27 May 2024. 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.



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UPDATE ON TRANSFORMATION JOURNEY

Tjaart Kruger
CEO



— Turnaround initiatives gaining momentum and driving progress

First 5 months of transformation journey – key milestones



1 November 2023

Appointment of
Tjaart Kruger
as CEO



1 January 2024

Appointment of
Thushen Govender
as CFO



1 February 2024

Streamlined operating
model & appointment
of new Managing
Directors

***Underway –
May 2024***

Restructure of
category-specific
services from centre
back to business

Strategic review

- > Recovery of Bakeries & Grains
- > Sustain & build on Groceries momentum
- > Execute General Trade (GT) recovery

Operational review

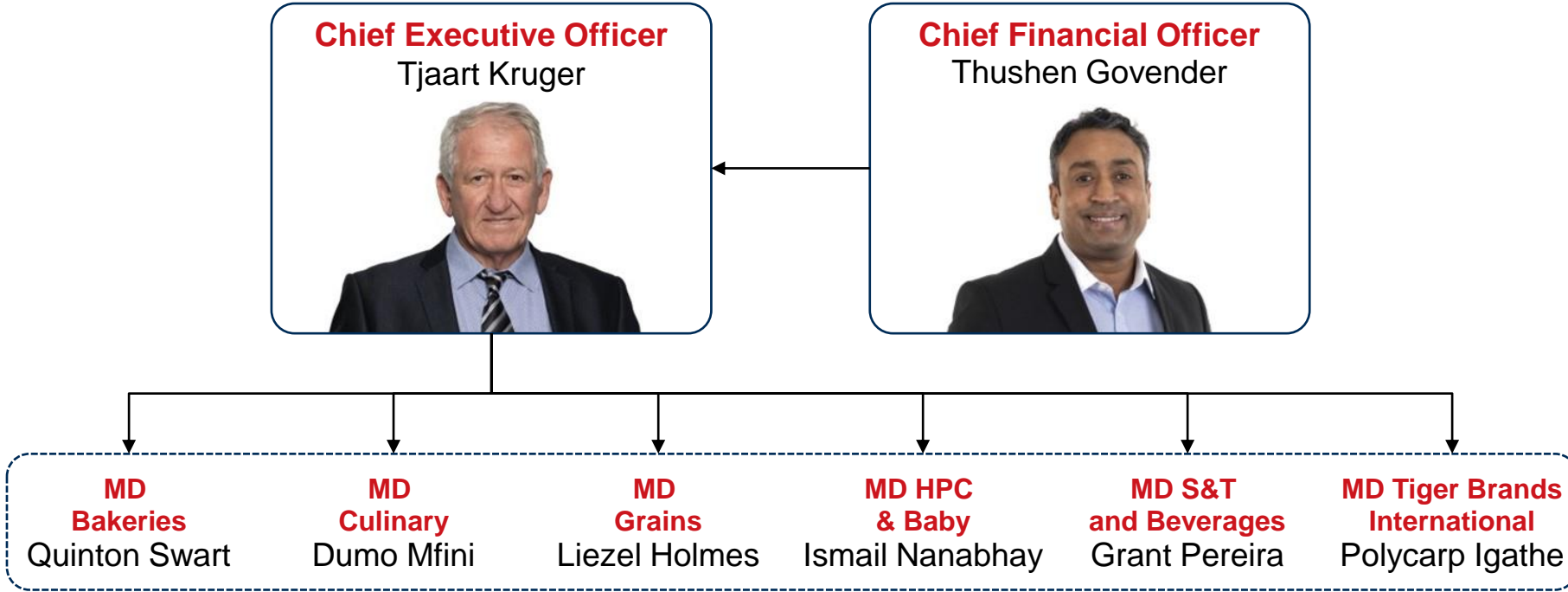
- > Deploy category specific services back to the segments
- > Restore cost leadership – c.R500m identified, to be concluded by FY26
- > Streamline product offerings across all segments

Capital allocation review

- > Targeted capex aligned with strategic objectives & return metrics
- > Simplify the portfolio – disposal of non-core assets
- > Optimal capital structure



— Streamlined operating model to enhance decision making and speed of execution



Teams to be relocated to the factories and operations, resulting in a significant scaling down of Head Office

- Aligned
- Empowered
- Accountable
- Agile Execution
- Winning Culture

Elimination of senior level of management and consolidating business units



To result in significant annualised cost savings going forward



— Restoring cost leadership is the foundation of the transformation journey

> Process innovation & automation

> Procurement optimisation

> SKU Rationalisation

> Supply chain optimisation

> Value engineering

> Manufacturing footprint

**Improve gross
& operating profit margins**



**Enhance returns
on invested capital**



**Improve total
shareholder returns**



— Our turnaround plans are focused on businesses that will yield the highest return over time

Execute GT recovery by enhancing quality through improved processes

- > Clearly defined distribution footprint
- > Enabled by route optimisation technology
- > Incentive programmes to drive on time availability

- > Quality focus and consistency across bakeries
- > Maintenance and skills focus to reduce down time
- > Review our manufacturing technology footprint

Business simplification & value engineering to drive margin enhancement & build on current momentum

- > Value engineering (recipe & packaging)
- > Distribution efficiency
- > SKU rationalisation

- > Pack formats to suite consumption occasions
- > Brand renovation
- > Affordable tier 2 products supported by major brands

- > Process & labour optimisation (time & motion)
- > Waste management

People

Engineering skills
development and retention

Stable
labour relations

Core competencies
development

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— Bakeries' turnaround plan is focused on stabilising operations & restoring margins



Issues

- > Loss of maintenance discipline resulted in abnormal breakdowns, late deliveries & poor order fill
- > Lack of automated tracking of deliveries, customer feedback & volumes
- > Inadequate driver incentive plan
- > Failure to recover cost push amid volume declines
- > Loss of focus in the general trade + increased reliance on promotional activity in TEG = sub-optimal channel mix & margin compression



Initiatives implemented

- > Focused executive with strong operational track record
- > Restoration plans prioritised for target bakeries
- > Lower deep discounting activities to improve realisations
- > Equipment & infrastructure review
- > Route optimisation & depot rationalisation
- > Accelerated SKU rationalisation



Improvements to date

- > Improved dispatch times
- > Improved quality with 50% decline in damages
- > Operational cost control
- > Depot relocation underway
- > 600g loaf phased out in the inland region



— With the fundamentals receiving attention, the next phase for Bakeries is to restore margins



Focus going forward

Further optimisation of the cost base

Clear targets for product availability

Kick start general trade growth with diligent pricing strategy

Timely pass through of inflationary costs

Territory reconfiguration and reallocation

Route & fleet optimisation

Employee engagement with enhanced rewards & recognition



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FIRST HALF REVIEW

Thushen Govender, CFO

Strong profit recovery in Consumer Brands offset by Grains, while group earnings benefit from higher associate income & once-off items



Pricing ▲ 8%

Revenue

Volumes ▼ 9%

Revenue ▼ 1%
R19,2bn

Gross profit ▲ 3% to
R5,4bn

Operating income* ▼ 3% at
R1,3bn

Gross margin ▲ 91bps to
28,0%

Operating margin* flat at
6,9%

Effective tax rate ▼ 70bps to
29%

Income from associates ▲ 44% to **R396m**

EPS from total operations
▲ 19% to
892 cps

HEPS from total operations
▲ 11% to
808 cps

Interim DPS ▲ 9% to
350cps

*Group operating income before impairments, fair value losses and non-operational items



A mixed operational performance while turnaround plans begin to take hold

HIGHLIGHTS



Bread volumes impacted by deliberate strategies to restore plant efficiency & improve realisations



Solid top-line performances from Snacks & Treats and Beverages



Strong profit recovery in Groceries, Baby & HPC



Exports sustains improved performance



Portfolio optimisation gains momentum
- Sale of Status



Solid contribution from associates



Working capital outflows down 19%
- Improved debtor collections

HEADWINDS



Easter trade slower than expected



Under-recoveries due to lower volumes

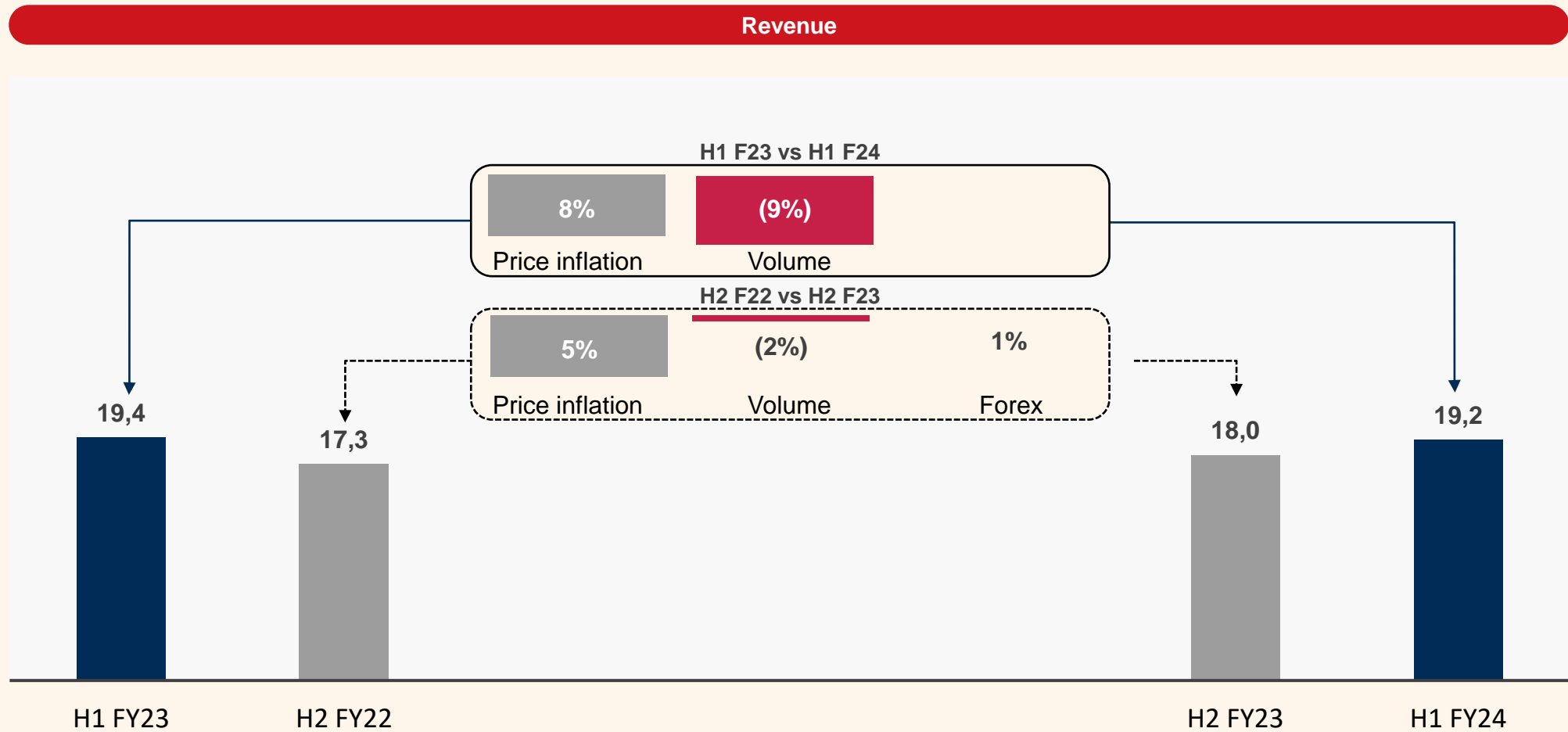


Persistently high raw material input costs



Significant volume headwinds in Grains outside of Bakeries

Inflation accelerates in the first half driven by volatile soft commodity & agricultural pricing, while volumes reflect deliberate strategies & lower demand





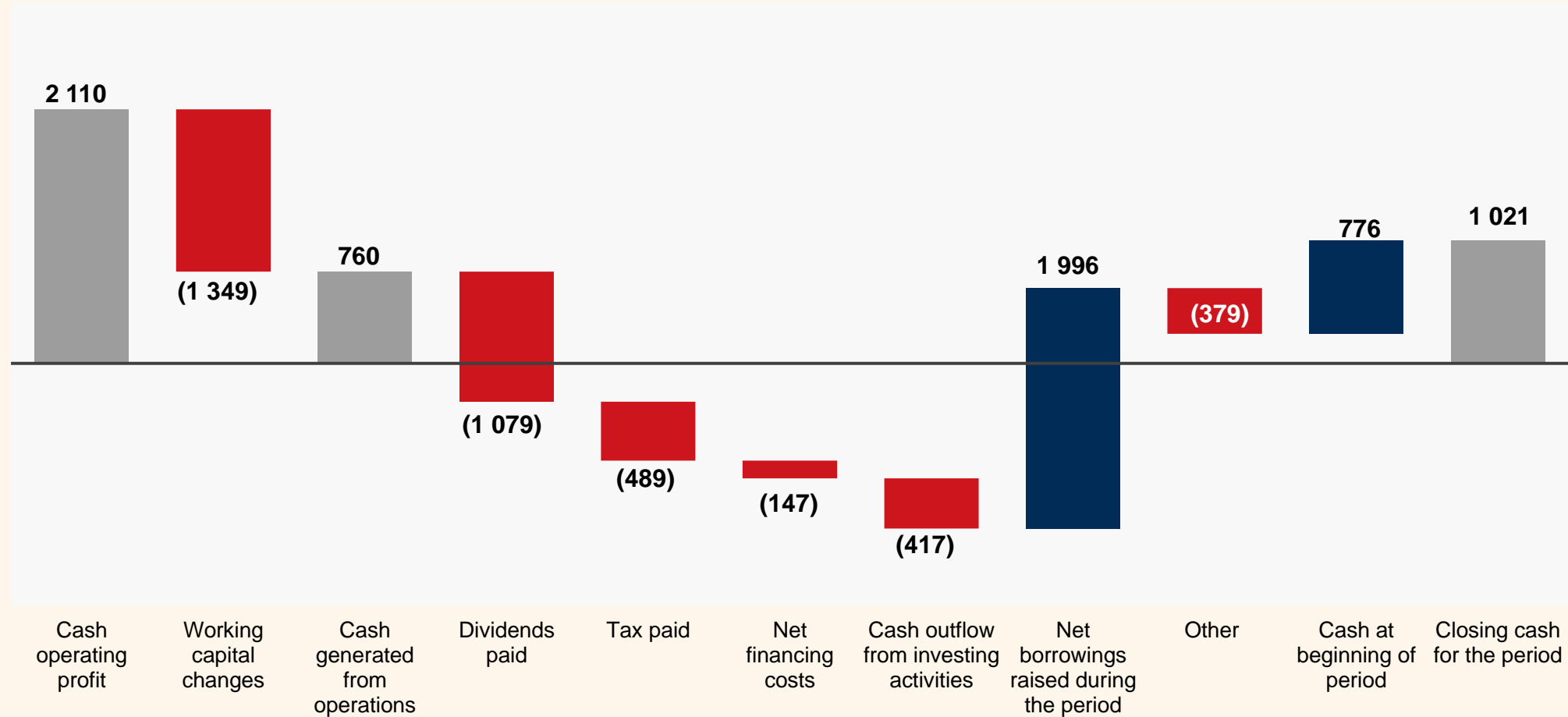
Conversion-cost efficiencies & reduced loadshedding help mitigate gross margin compression, while earnings boosted by non-operational items & income from associates

Rm	H1 FY24	H1 FY23	
Total revenue	19 230	19 381	
Cost of sales	(13 853)	(14 139)	
Gross profit	5 377	5 242	Reduced loadshedding & conversion cost efficiencies partially mitigates impact of volume regression
<i>Gross profit %</i>	28,0%	27,1%	
Sales, marketing and distribution expenses	(3 022)	(2 968)	
Other operating expenses	(1 058)	(950)	Includes retrenchment costs to date of R30m
Operating income before sundry income	1 297	1 324	
Sundry income	23	32	
Operating income before non-operational items	1 320	1 356	Operating income impacted by: - Lower volumes - Adverse product mix
<i>Operating income %</i>	6,9%	7,0%	
Non-operational items	128	33	
Profit including non-operational items	1 448	1 389	Non-operational items relate to sale of Status trademark
Net finance costs	(163)	(94)	
Foreign exchange loss	(53)	(15)	
Investment income	12	12	
Income from associated companies	396	275	Higher financing costs driven by higher average debt levels and higher interest rates
Profit before taxation	1 640	1 568	
Taxation	(328)	(379)	
Profit for the year from continuing operations	1 312	1 189	Good underlying performances from Carozzi and National Foods
Profit for the period from discontinuing operation	102	-	
Profit for the year	1 414	1 189	Insurance proceeds related to VAMP
EPS from total operations	892	749	
EPS from continuing operations	827	749	
HEPS from operations	808	731	
HEPS from continuing operations	743	731	

Cash generated from operations increases due to better cash operating profit & lower working capital outflows relative to the prior period



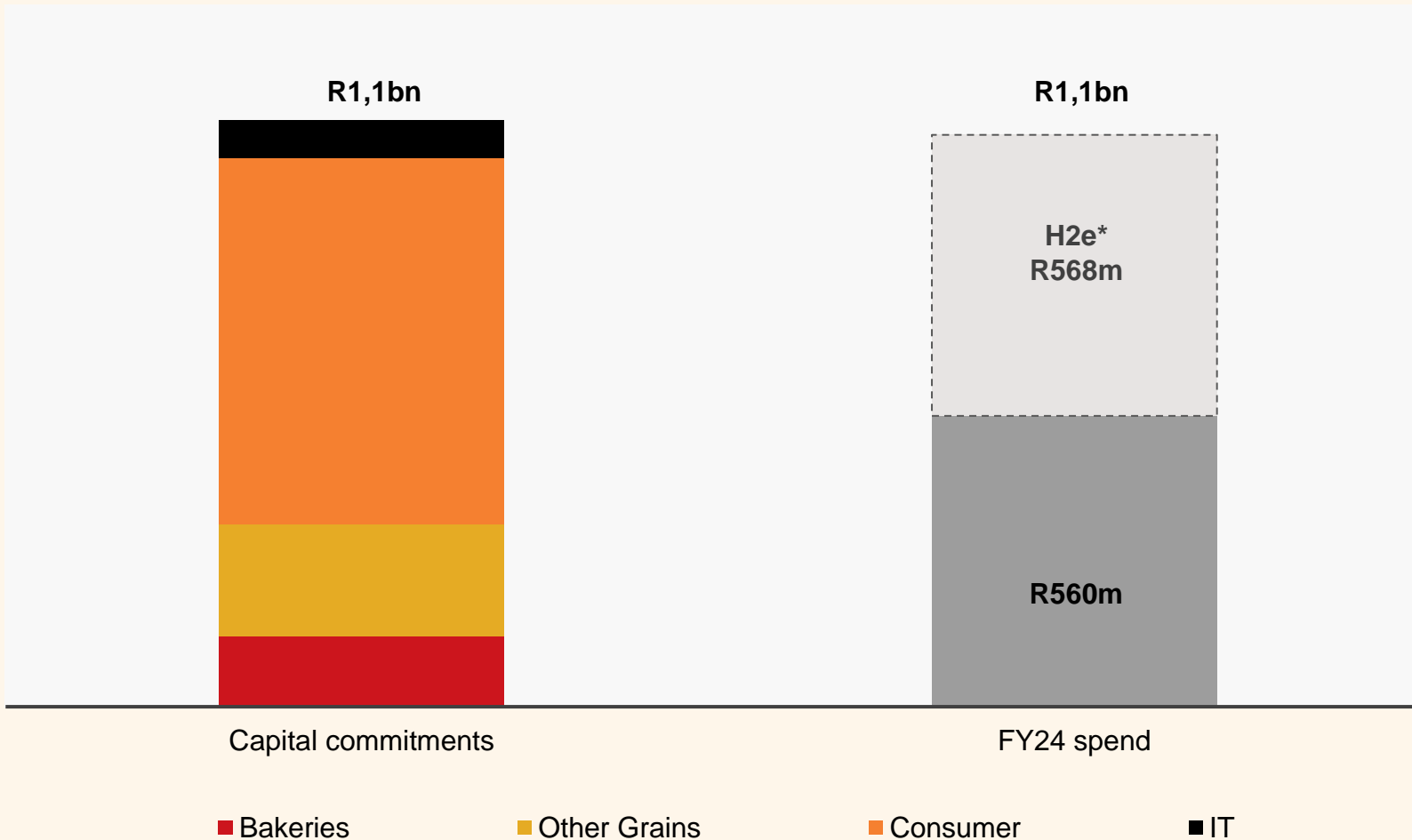
Major contributors to movements in cash for the period (R'm)





Capex spend for H1 focused on commissioning of new facilities & improved efficiencies

FY24 Capex profile



Capex spend focus

- > Automation
- > Capacity expansion
- > Efficiency optimisation

Most significant investments

- > Bakeries
 - Cooler replacement & automation
- > Consumer Brands
 - Aerosol lines
 - Peanut butter plant relocation
- > Exports – Benny capacity expansion
- > Significant investment at Chococam
- > Group generators
- > IT

*e=estimate



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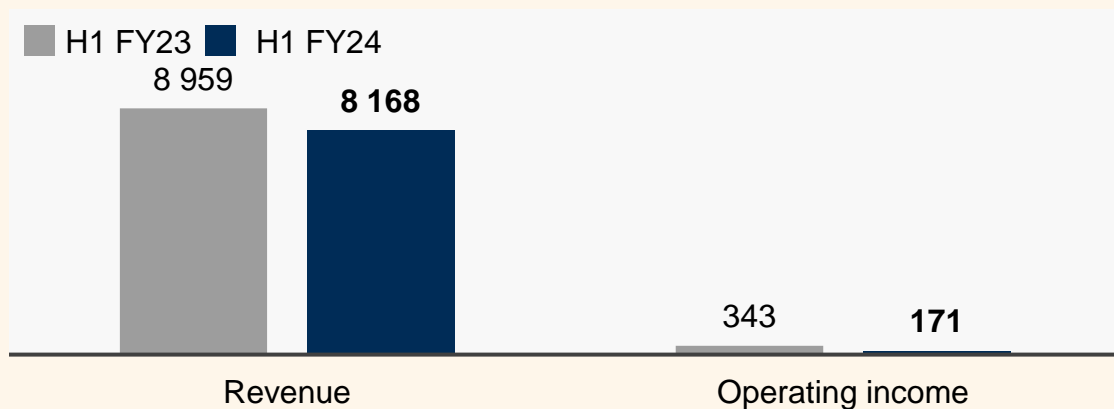
OPERATIONAL REVIEW

Thushen Govender, CFO

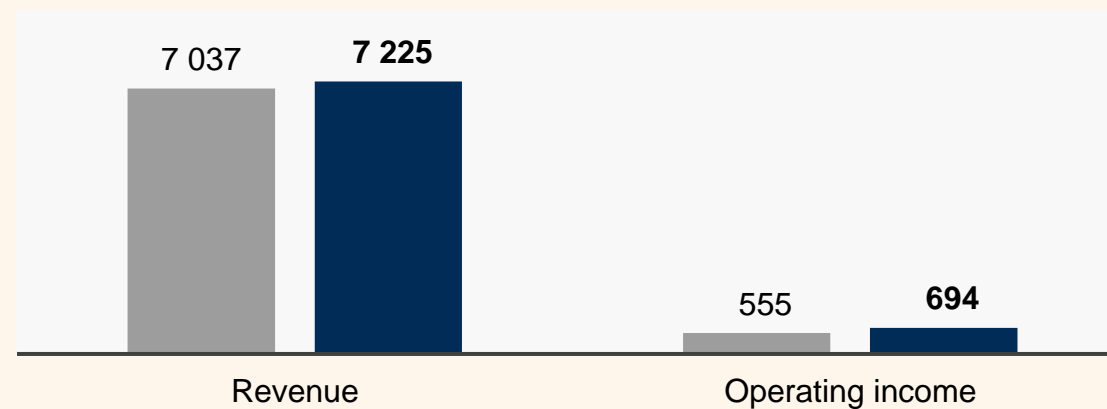
Strong recovery in Groceries, Beverages, Personal Care, Food Services, Baby & Exports offset by Grains' underperformance



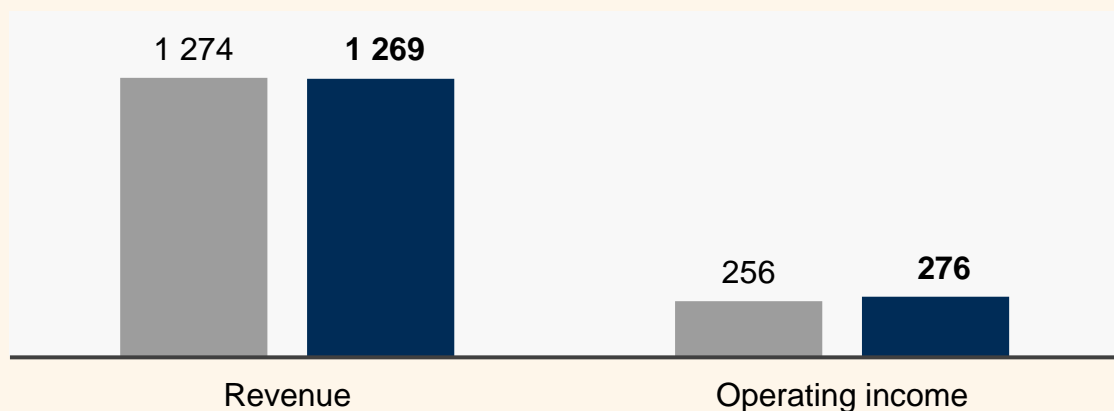
Grains (R'm)



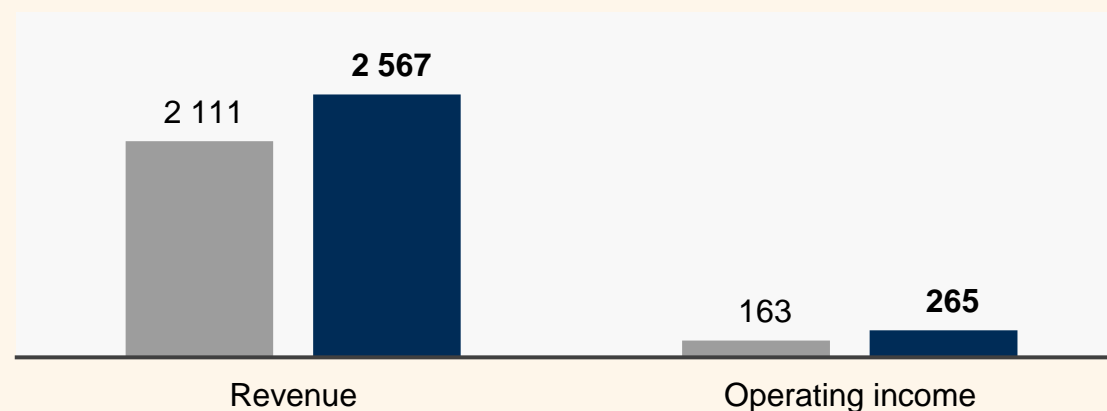
Consumer Brands (R'm)



Home and Personal Care (R'm)



Exports and International (R'm)

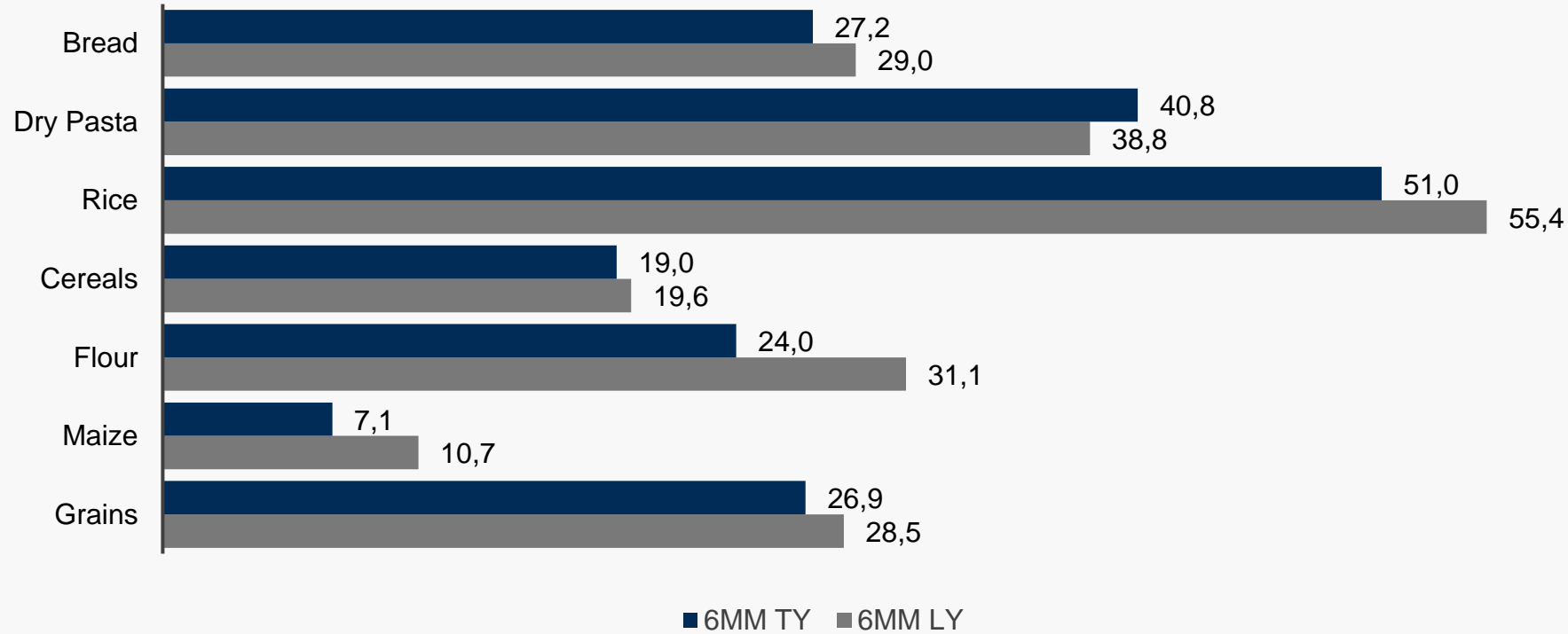




Grains

Grains' share declines in the short-term driven predominantly by Maize, due to regional disruptors while, Rice experiences lower demand due to inflation

Grains value shares (% market share)



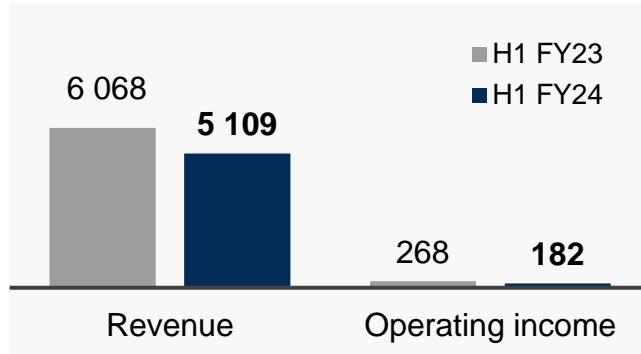
Source: Circana Tiger value share March 2024 performance



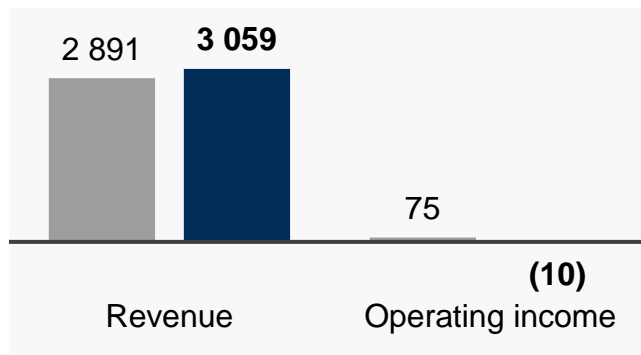
Grains

Deliberate strategies in Bread to improve realisations impact volumes, corrective maintenance delivering positive results

Milling & Baking (R'm)



Other Grains (R'm)



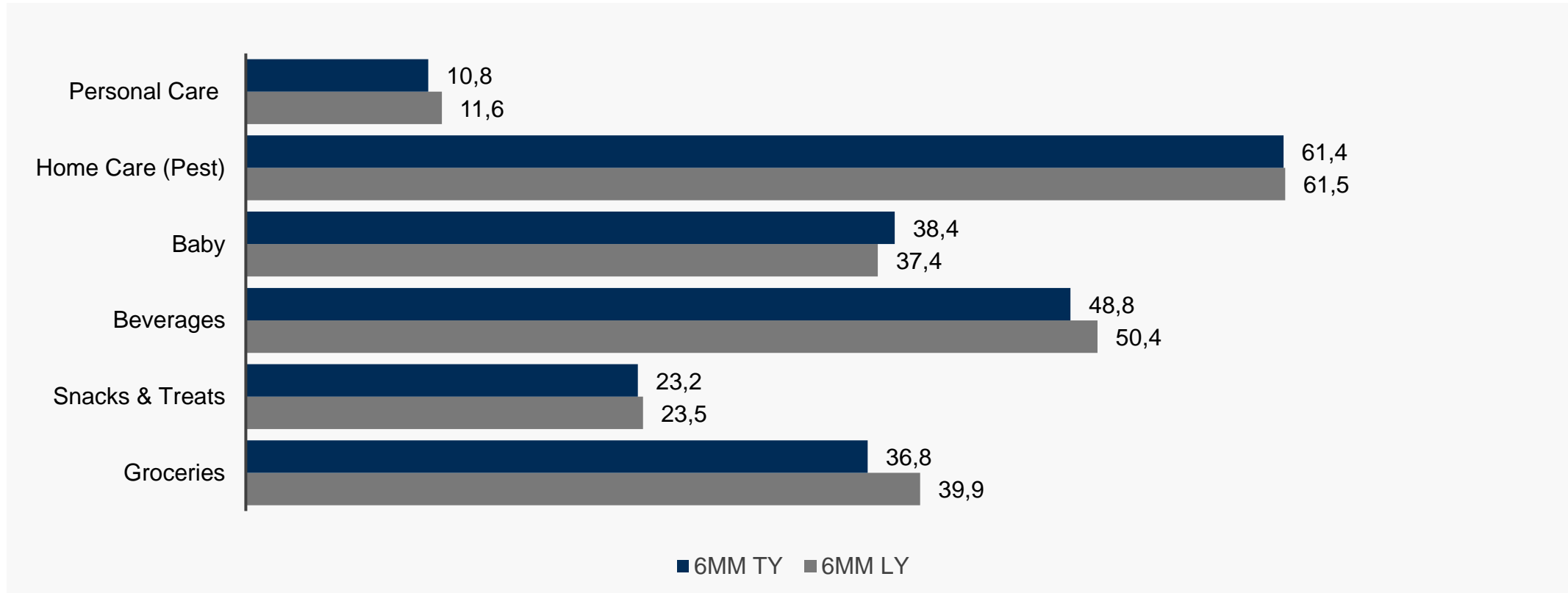
- > Operational challenges impact bread sales across all channels
 - Q1 marked by operational challenges due to unplanned stoppages
 - Resulted in loss of traction in General Trade (GT)
 - Q2 accelerated execution of maintenance programmes across all bakeries
 - Capacity impacted by oven replacement in the inland region
- > Margin protection initiatives resulted in non-participation in deep discounting activity
- > El-Nino and global supply dynamics drive inflation across raw materials
- > Maize continues to be adversely impacted by regional disruptors
- > Lower demand results in under-recoveries & margin compression
- > Jungle innovation in oat drinks and flakes gains traction
 - Supported by up-weighted marketing plans



Consumer Brands

Groceries market share declines driven predominantly by peanut butter due to plant relocation disruptions while mayonnaise supply impacted by egg shortages

Consumer Brands value shares (% market share)

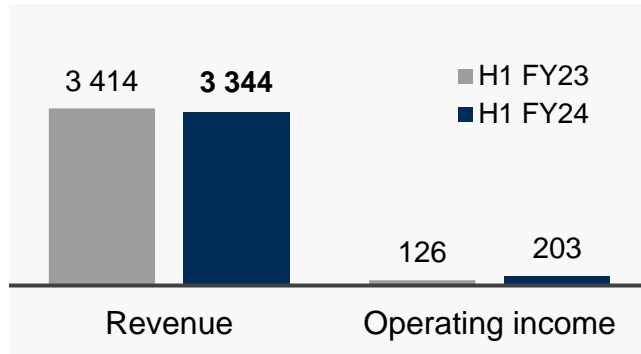




Groceries

Groceries deliver a satisfactory profit improvement while value engineering initiatives gain traction

Groceries (R'm)



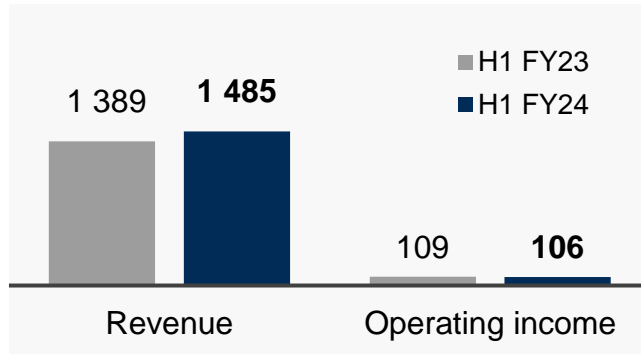
- > Diligent price point management driving naked & gross margin improvement
- > Profitability also aided by softer base due to prior year supply chain challenges
- > Current year not without its issues
 - Ingredient shortages impact mayonnaise performance
 - Delays in commissioning of new peanut butter plant
- > Value engineering initiatives gain traction



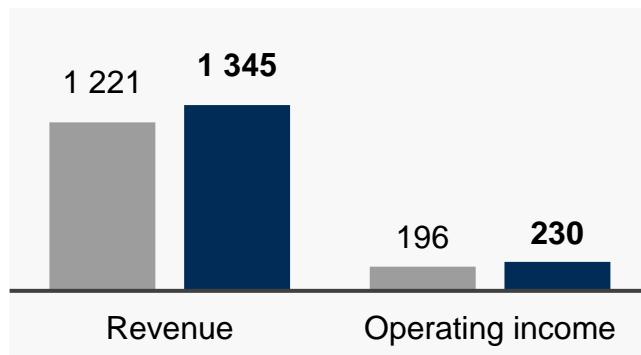
Snacks & Treats and Beverages

Snacks & Treats achieves R1.5 billion in revenue while profit in Beverages benefits from factory efficiencies

Snacks & Treats (R'm)



Beverages (R'm)



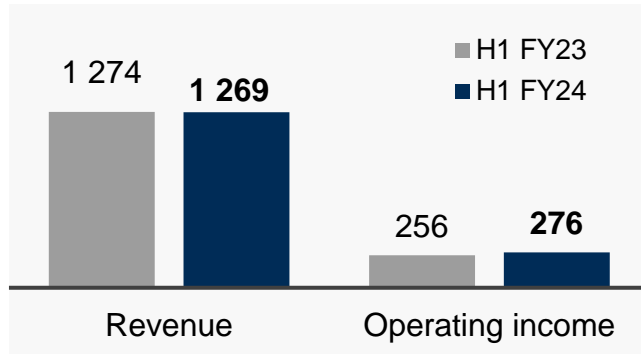
- > Profit regression mitigated despite significant cost inflation in sugar and cocoa
- > Overall category declines led to de-stocking resulting in factory under-recoveries
 - Prior year time & motion exercise and consequential headcount reduction helps protect margins
- > Stellar performance across Beverages portfolio aided by factory efficiencies
 - Oros experiences margin regression due to global shortage of orange concentrate
 - Energade & balance of portfolio deliver profitability ahead of expectations
- > Value engineering on track
 - Reformulation of loss-making SKU's
 - De-gramming to hold competitive price points



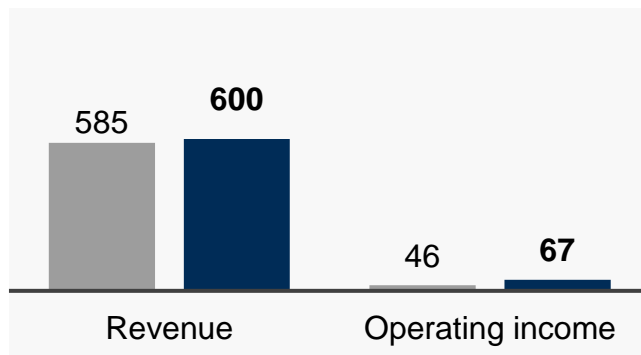
Home & Personal Care (HPC) and Baby

HPC improves profits by 8%, while Baby benefits from improved factory efficiencies and cost saving initiatives

Home and Personal Care (R'm)



Baby (R'm)



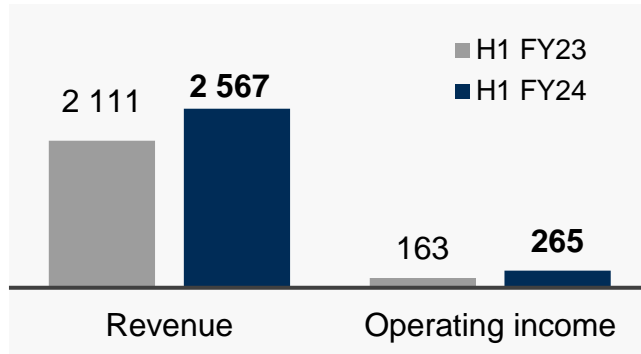
- > Home Care volumes hindered by delayed pest season relative to last year
- > Commissioning of aerosol lines during the season results in some inefficiencies
- > Personal Care delivers a stellar set of results
 - Diligent price point management
 - Product mix
 - Innovation
- > Baby leverages the range to deliver optimal combo promotions
- > Improved factory efficiencies



Exports and International

Sustained volume growth and improved profitability by Exports and Chococam

Exports and International (R'm)



- > Exports benefit from key distributor model gaining traction
 - Investment in resources re-prioritised behind core markets & products
- > Deciduous Fruit delivers a solid turnaround
 - Aided by higher opening stocks & rand weakness
 - H2 will prove challenging due to lower fruit crop in the current season
- > Chococam delivers exceptional performance despite cocoa and other raw material cost inflation
 - Business quick to innovate, reformulate & de-gram to hold competitive price points




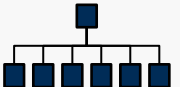








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STRATEGIC UPDATE AND OUTLOOK

Tjaart Kruger
CEO

Steadily advancing our key focus areas



 <p>Leadership in place & teams fully operational</p>	 <p>Completed streamlining of our operating model into 6 business units</p>	 <p>Deployed category-specific services back to the businesses</p>	 <p>Restored cost leadership</p>	 <p>GT store expansion on track to achieve 90 000 stores in FY24</p>
<ul style="list-style-type: none">> Category MDs empowered to own and lead the change> Increased accountability 	<ul style="list-style-type: none">> Removed a layer of senior management> Consolidation eliminated duplicate roles> Headcount reduction with potential cost savings 	<ul style="list-style-type: none">> Decision making moved as close to the frontline as possible → agility> Reduced size of head office delivers further cost savings 	<ul style="list-style-type: none">> Identified c.R500 million in savings throughout the value chain> All initiatives expected to conclude by FY26> Streamlined product offerings across all segments<ul style="list-style-type: none">- Identified further opportunities = 20% SKU reduction over 3 years 	<ul style="list-style-type: none">> 80% of target achieved in terms of stores & 60% in terms of sales> 600 stores identified for Tiger specific branding 



PILLARS TO RESTORE TIGER BRANDS TO ITS FULL POTENTIAL

Cost leadership

- > Process & value engineering
- > Overhead reduction
- > SKU rationalisation
- > Logistics optimisation

Consumer obsession

- > Relevant value propositions for our consumers
- > Focused marketing & innovation
- > Channel development & availability

Portfolio optimisation & capital allocation

- > Increased focus on capital allocation to drive shareholder returns
- > Portfolio of the future
- > Focus on cash conversion

Invest in a sustainable future

- > Health and nutrition
- > Enhanced livelihoods
- > Environmental stewardship

ENABLERS

Ignite our people

Culture

Strong balance sheet

Operating model

Brand strength

Digital strategy



— New framework to improve capital allocation discipline, targeting ROIC ahead of WACC in the short term —

Principals underlying the improved capital allocation framework

- > Target ROIC and ROE above WACC & cost of equity
- > Target group gross & operating margins to drive margin/volume discipline at business unit level
- > Achieve operating leverage from scale and efficiencies
- > Optimise gearing levels to enhance ROE
- > Target higher cash conversion through improved working capital management

Portfolio optimisation

- > Exit value destructive & non-strategic categories
- > Reduce SKUs by up to 20% & redeploy resources to value accretive lines
- > Deploy capital to strategic areas where Tiger Brands has a right to win
- > Assess strategic fit of associates

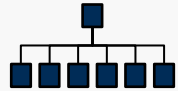
Uses of cash and returns to shareholders

- > Prioritise capex to drive organic growth & efficiency
 - Funded by optimal mix of internal sources and gearing
- > Minimal reliance on M&A unless unique opportunity and value accretive
- > Cash returns to shareholders prioritised as follows:
 1. Consistent ordinary dividend at 1.75x cover – regular review
 2. Share buyback when share price is significantly below internal intrinsic value
 3. Special dividends



— Clear strategies to restore Tiger Brands to its full potential with execution gaining momentum

Key competitive advantage



Solidify the operating model

Agility to respond to category dynamics



Accelerate strategic imperatives

Business simplification to reduce costs & improve profitability



Highly disciplined capital allocation approach

Informed by clear targets



Culture of empowerment

Driving execution



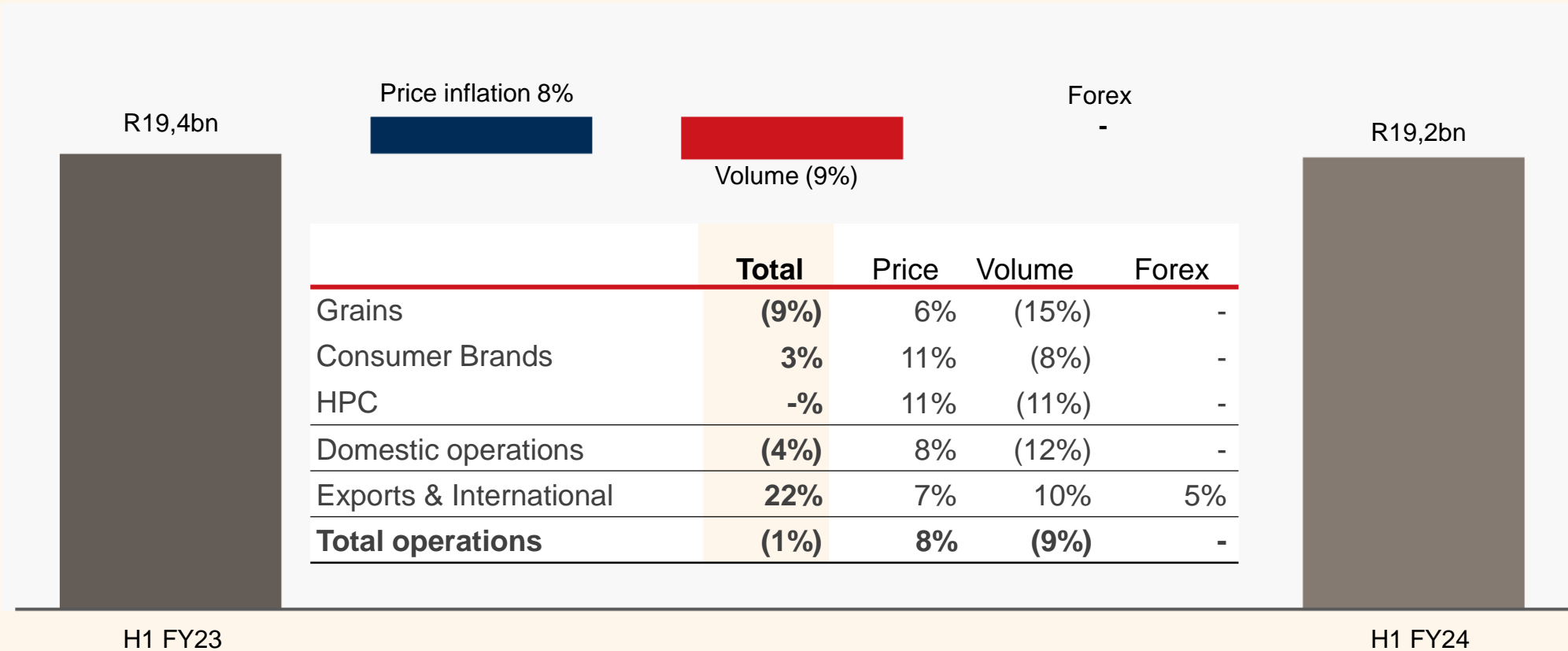
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Q&A

Inflation accelerates in the first half driven by volatile soft commodity & agricultural pricing, while volumes reflect deliberate strategies & lower demand



Revenue

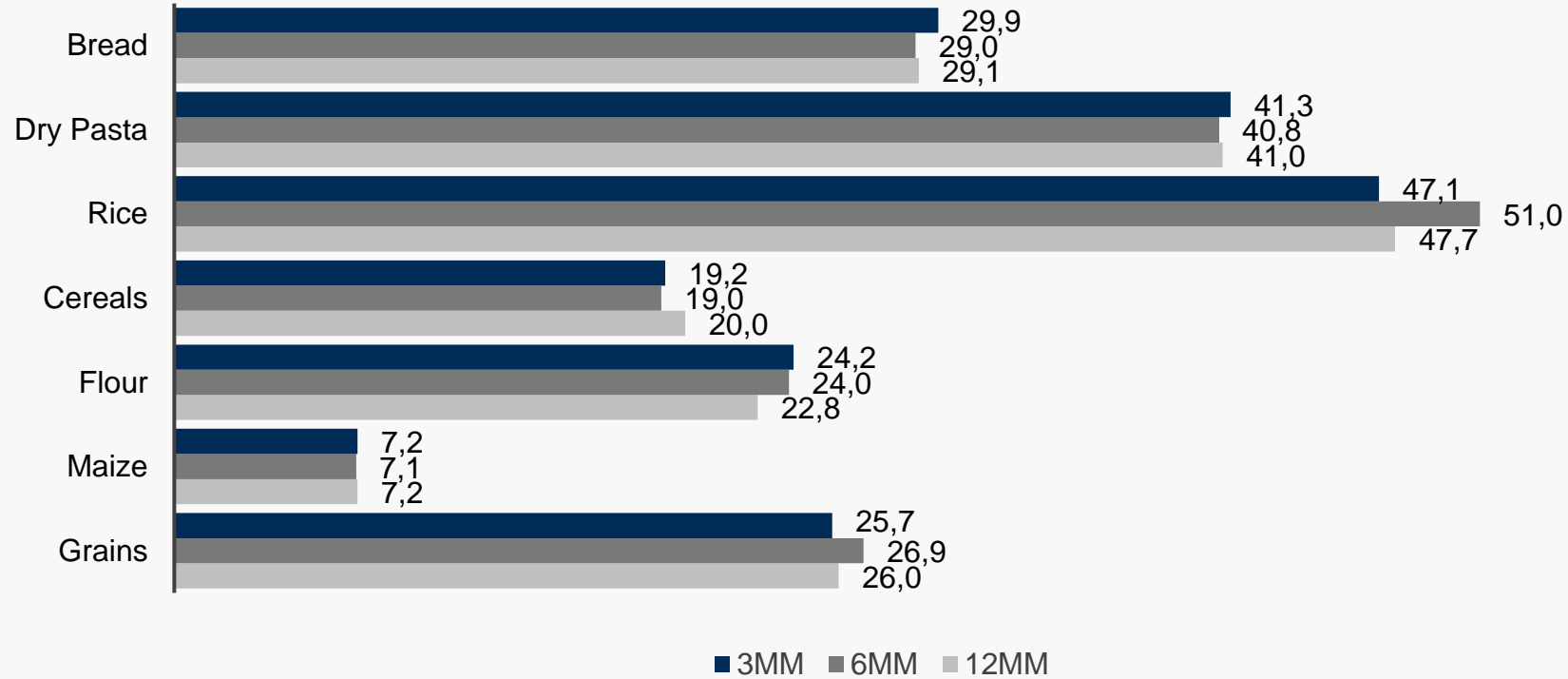




Grains

Long-term market shares hold steady while short-term trends reflect specific category dynamics

Grains value shares (% market share)



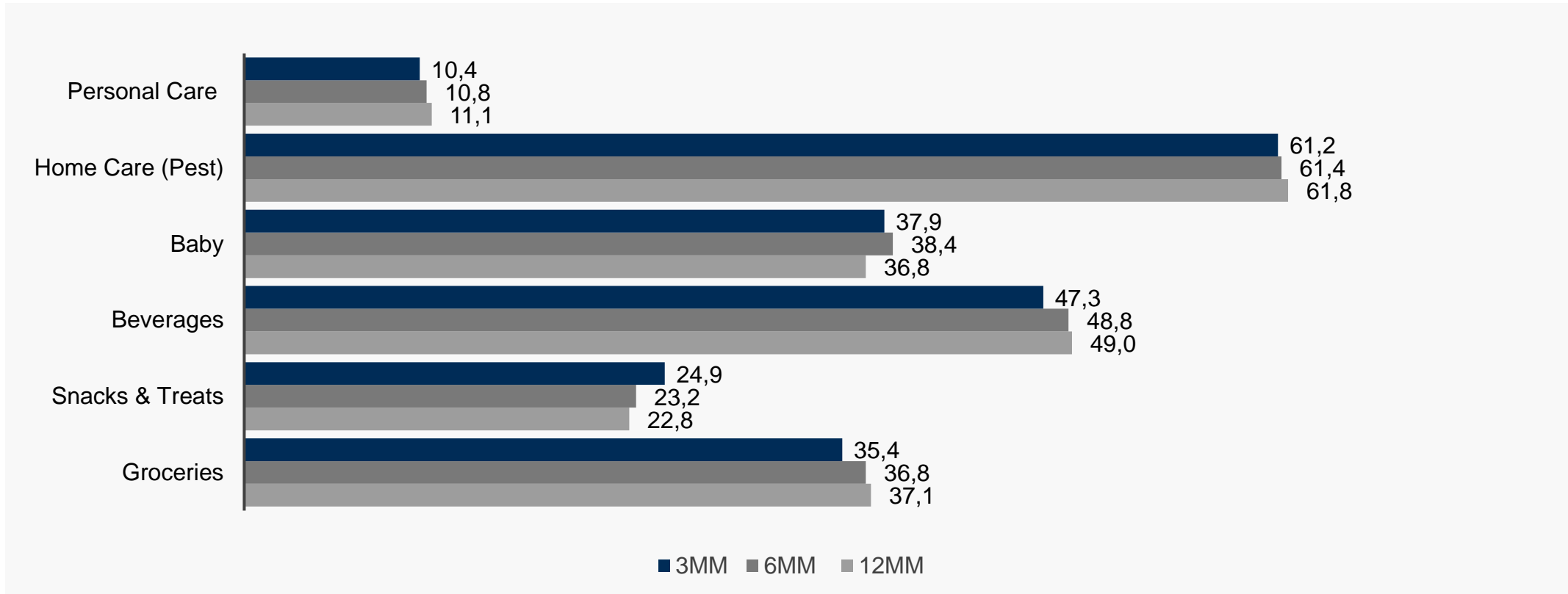
Source: Circana Tiger value share March 2024 report



Consumer Brands

Some market share regression in the short term, while value shares stabilise over the medium-term

Consumer Brands value shares (% market share)

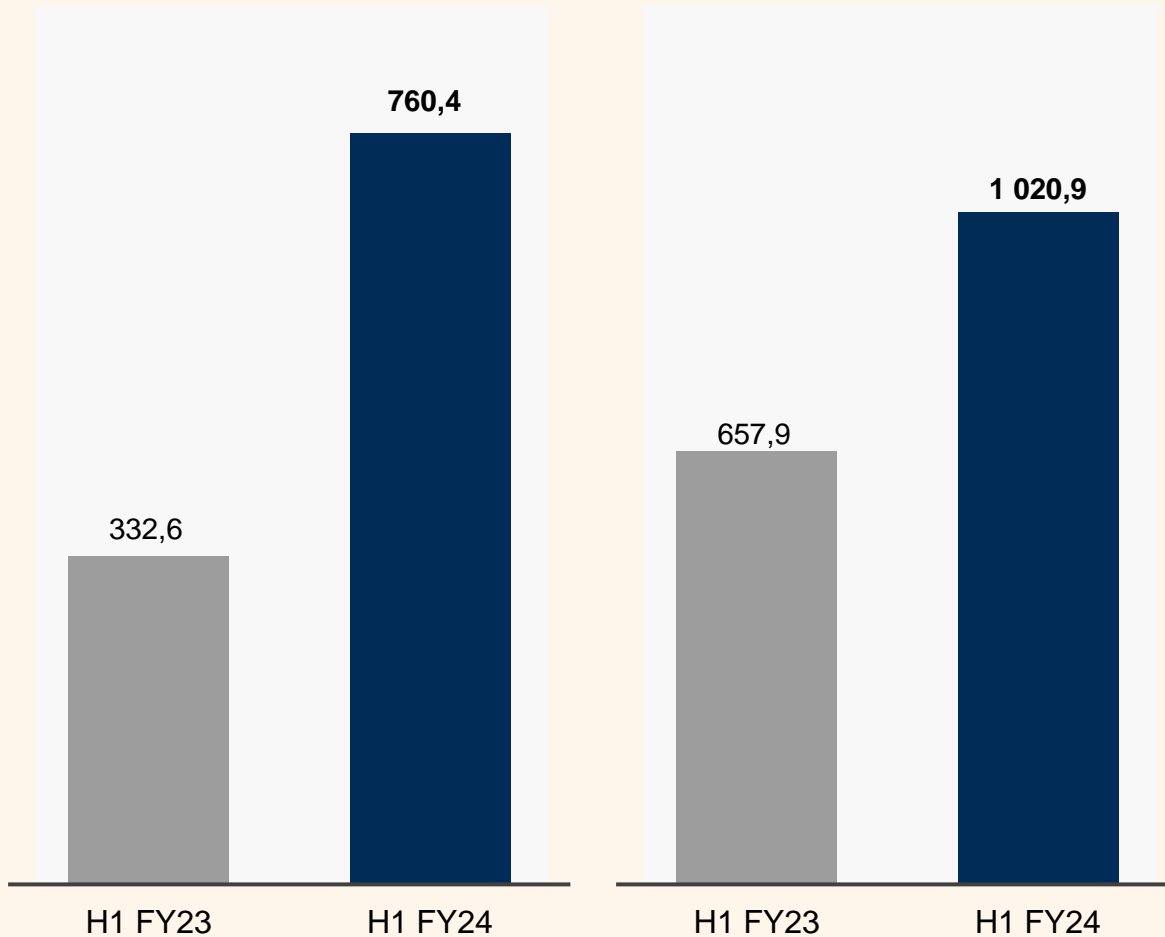


Summary of ratios



Cash generated from operations (R'm) ▲ >100%

Cash and cash equivalents (R'm) ▲ 55%



Rm	H1 FY24	H1 FY23
Net (debt) (R'm)	(2 674)	(1 664)
Return on equity (ROE)	16,4%	13,9%
Return on invested capital (ROIC)	13,0%	12,7%
WACC rate	14,2%	14,5%
Working capital per R1	24,8	21,7
Net working capital	93,5	103,7
Debtor days	25,3	35,1
Creditor days	29,7	34,1
Stock days	97,9	102,7

Income from associate companies

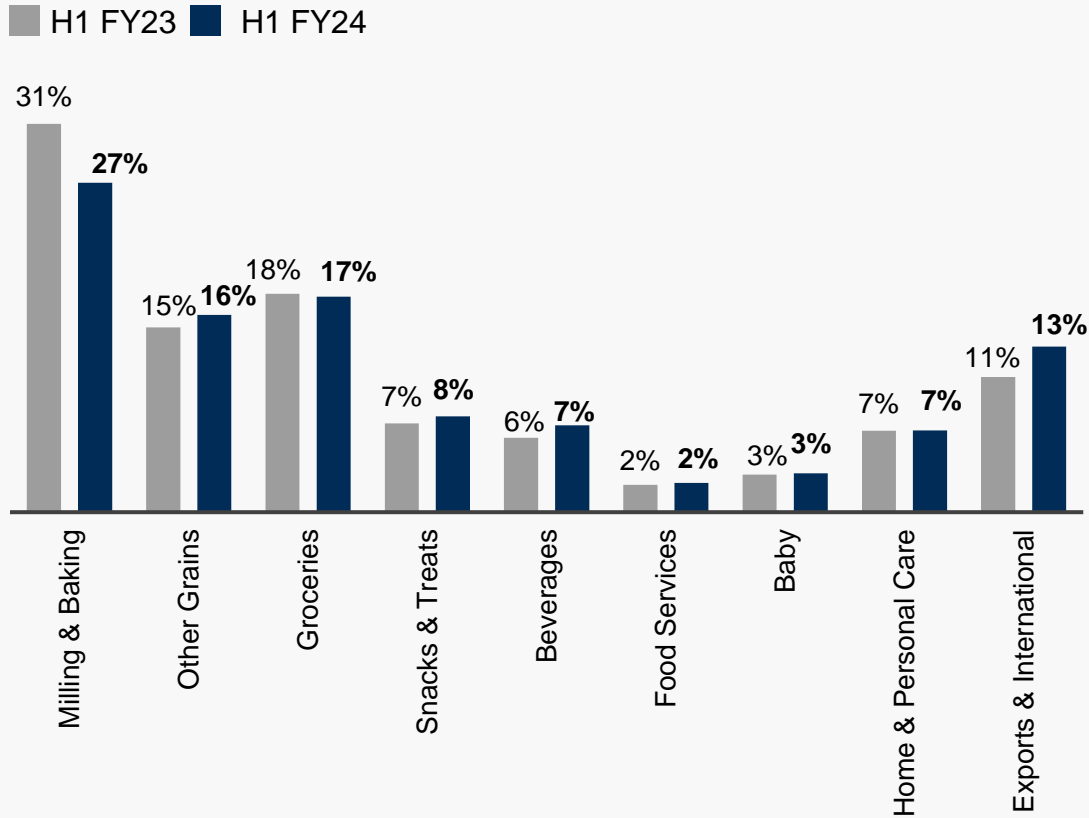


Rm	H1 FY24	H1 FY23
Carozzi	342,4	240,9
National Foods Holdings Ltd	53,8	33,9
Other	-	(0,2)
Total	396,2	274,6

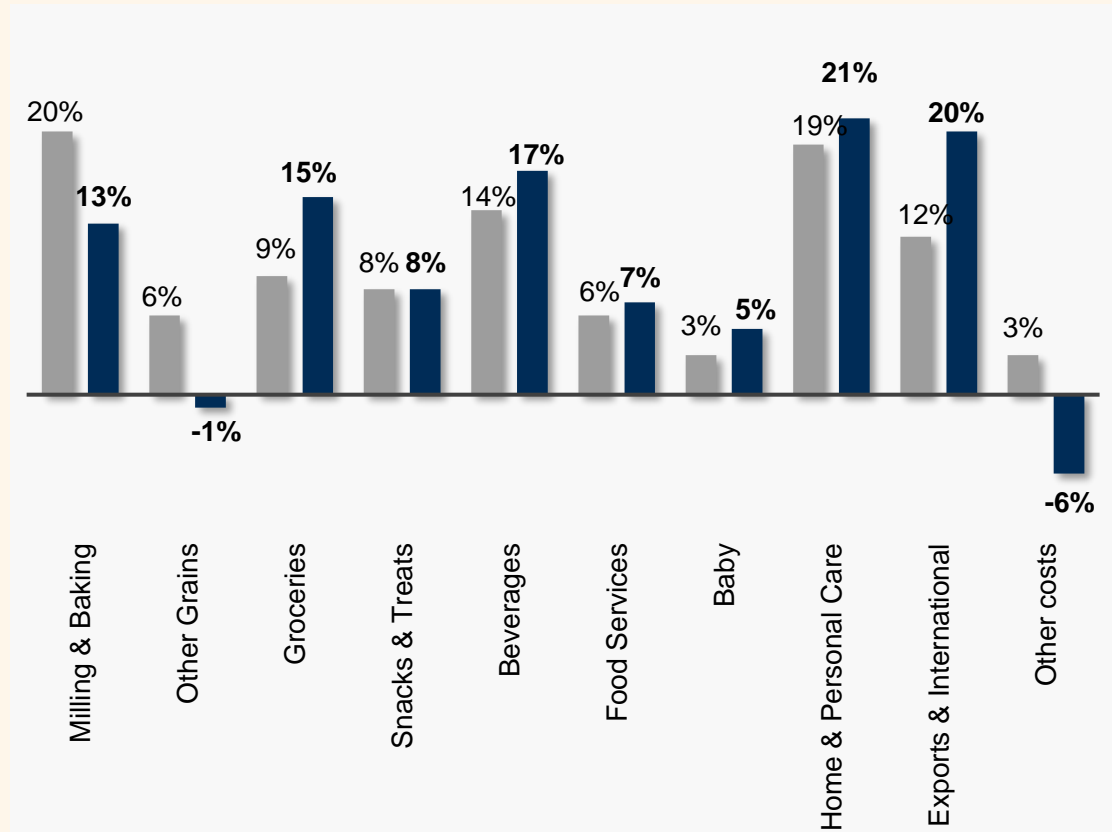


Segmental contribution to revenue and operating income

Revenue



Operating Income *



* Operating income before impairments, fair value losses and non-operational items