Tiger Brands

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Press announcement

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Tiger Brands delivers in a tough year and takes bold and decisive steps to secure a better future

Johannesburg: Tiger Brands, South Africa's leading consumer goods manufacturer, recorded a solid performance in its 2015 financial year, driven by its core South African business. This, however, was partially offset by underperformance in certain of its international operations.

Speaking in Johannesburg, group CEO Peter Matlare said turnover rose by five percent from R30.1-billion to R31.6-billion and group operating income increased by three percent to R3.7-billion.

Profit before tax decreased by 20 percent to R2.1-billion after accounting for net financing costs (R397-million), income from associate companies (R603-million, up one percent from the previous year) and abnormal charges of R1.7-billion – the bulk of which relate to the impairment of the group's investment in Tiger Branded Consumer Goods plc (TBCG) of Nigeria.

Headline earnings per share (HEPS) from continuing operations decreased by one percent to 1 786 cents. The adjusted HEPS from continuing operations, adjusted for TBCG once-off tax and other asset write-offs, amounts to 1 920 cents, which reflects a six percent increase.

A total dividend of 950 cents per share was declared, representing an increase of one percent.

South Africa continues to account for a significant part of the group's performance, with domestic operating income rising 11 percent from the previous financial period to R3.6-billion. Domestic operating margins also increased, from 14.5 percent to 15.2 percent.

Matlare says the group performed well given the challenging local and international operating environment.

"Local demand continued to be constrained while competition intensified," he said.

Turnover attributable to domestic operations increased by a healthy six percent.

International operations came under heavier pressure, ignited by broader macroeconomic forces beyond the control of management.

The group's Nigerian operations were particularly hard hit. Following a sharp drop in the price of crude oil, which is Nigeria's main export commodity, the naira was devalued and the concomitant impact on the Nigerian macroeconomic environment was widespread.

This, together with continuing losses at TBCG, led to the Board of Tiger Brands to initiate a strategic review of its Nigerian operations.

Tiger Brands holds a 65.7 percent stake in TBCG.

After considerable and lengthy deliberations and consultation, and having explored several options, the Board took the decision not to advance any further funding to TBCG and to impair its investment. In addition, it was also necessary to further impair its investments in Deli Foods. The financial impact of these impairments amount to R1.9-billion in the current year. Tiger Brands is currently exploring various alternatives with respect to its shareholding in TBCG. Tiger Brands, together with the Board of TBCG will endeavour to find a suitable solution for TBCG's operations going forward.

However, Matlare is optimistic about the future of the group on the African continent.

"The group's strategic focus in recent years has been to profitably defend and grow its market share, while expanding on the rest of the continent," he says.

He adds that the group is implementing a multi-pronged action plan to achieve this by focusing on four key areas:

- people
- marketing and innovation
- manufacturing
- supply chain and route-to-market

"People lie at the centre of the group's performance, and we remain committed to developing talent along the depth and breath of the organisation to build on existing strengths. Tiger Brands continues to outperform its peers according to industry surveys on staff performance," says Matlare.

Another source of strength for Tiger Brands is its iconic brands.

"We will continue to invest in innovative marketing initiatives to maintain the leadership position enjoyed by many of our household brands."

In the current year, investment in marketing has increased by 12 percent to R845-million, while the rate of innovation has also improved marginally to 3.5 percent from 3.3 percent.

The drive to realise more efficiency from manufacturing is set to continue, while innovation continues to be encouraged. The previous financial year saw some R882-million committed towards this goal and to provide for expanded capacity.

Matlare says supply chain management has also been streamlined in order to attain greater levels of efficiency.

"Accordingly, the group is on track to fully realise R500-million of cost savings from changes to its manufacturing architecture and the centralisation of procurement, finance and various administrative functions," says Matlare.

Overall, Matlare believes that while the outlook for the year-ahead remains challenging, Tiger Brands has the people, the brands and the organisational competence to meet these challenges head-on and ultimately continue on a sustainable growth path for the future.

Matlare will step down at the end of this year and a successor will be announced in due course. Noel Doyle will step in as acting CEO from 1 January 2016.

Ends.

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