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Tiger Brands Releases Strong Half-Year Financial Results

Johannesburg – Tiger Brands (JSE: TBS), the JSE-listed manufacturer of leading consumer brands, is pleased to announce a strong set of financial results for the half-year period ending 31 March 2017. The group's domestic business proved resilient, and is well placed to implement the newly developed group strategy.

Group turnover from continuing operations increased by 7% to R16.4 billion, while group operating income from continuing operations, before IFRS 2 charges, impairments and abnormal items saw a 10% rise to R2.2 billion during the period under review. Headline earnings per share from continuing operations increased by 7% to 1036 cents.

Domestic operations contributed strongly to the group's revenue base. Turnover in the domestic business increased by 8% to R14.3 billion (2016: R13.2 billion) driven primarily by the grains division. Operating income increased by 15% to R2.0 billion (2016: R1.8 billion), while operating margins increased to 14.2%. Volumes in the domestic business declined by 4% due, in part, to Easter volumes being included in the comparative period.

The group's overall operating performance was negatively impacted by the underperformance of its Exports & International businesses. Although turnover was unchanged at R2.1 billion, operating income decreased by 25% to R194 million (2016: R257 million).

The group declared an interim dividend of 378 cents.

Lawrence Mac Dougall, Chief Executive of Tiger Brands says that the company operates in an intensely competitive industry where increasing market share against well-funded and established participants requires the full commitment of an experienced and expert team working towards a clear strategy. The company embarked on comprehensive strategic review in 2016, which has resulted in the design of a new operating model to drive its growth objectives, to be implemented in the new financial year.

The new strategy is focused on delivering sustainable profitable growth which will be driven through three focus areas; growing the portfolio; creating a cost conscious culture and an advantaged integrated supply chain; and an organisation structure designed for exceptional delivery.

"The immediate priority is to rejuvenate the domestic business to deliver sustainable, profitable growth. Importantly, Africa and other emerging markets remain a key part of our growth strategy. We have refined our approach to our African strategy by exiting non-core categories in Kenya and Ethiopia. Looking ahead, we will prioritise core category opportunities based on market attractiveness, strategic fit and our right to win. Similarly, the role of associates will be reviewed continuously," says Mac Dougall.

Mac Dougall says he is encouraged by the results, which he believes reflect the quality of the group's brands. While a challenging operating environment has persisted, Mac Dougall says that the team has not taken its eye off its other

important responsibilities such helping to build communities across South Africa in areas where the business operates.

“Tiger Brands is conscious of the fact that our success is tied to the success and sustainability of the communities impacted by our operations,” he says. “We are committed to making a positive, sustainable difference through our socio-economic transformation programmes using the many levers at our disposal, including our supply chain, our staff and also through partnership with government in areas where we have expertise.”

“We will provide training and mentoring to smallholder farmers, source funding for them to increase their input and output, and guarantee to buy their produce through offtake agreements in place,” he says. This is done in partnership with the Department of Agriculture, Forestry and Fisheries (DAFF).

The company recently identified 33 smallholder farmers in Limpopo and the Western Cape to receive this mentoring, financial support and technical training. Mac Dougall says the Tiger Brands Emerging Farmer Programme, as the programme is known, should, in the short to medium term, create 400 jobs. One near-term target is to raise the volume of crops bought from these farmers from 23 000 tons to 35 000 tons a year. Next year, as a direct result of Tiger Brands’ involvement and support, there should be at least four new black-owned pea farms in operation – the first in South Africa.

The group will also continue to strengthen its relationship with its key strategic social partners, particularly The Tiger Brands Foundation, established in order to bring about broad-based socio-economic impact in vulnerable communities.

Tiger Brands Foundation receives funding through a trickle dividend from Tiger Brands and provides a nutritious breakfast to almost 64 000 children at 92 schools across the country.

“This breakfast programme is an important programme that improves both the cognitive ability and the health of young learners in some of the most under-developed communities in the country,” says Mac Dougall.

The Foundation has been running for five years and will serve its 50-millionth meal in June 2017.

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About Tiger Brands

Tiger Brands is a leading African manufacturer of branded food, home and personal care products. In South Africa, it has leading market shares across a broad range of categories.

In addition to its core South African business, the group also has operations in West, East and Central Africa and has built a sizeable exports business for its products throughout Africa.

Tiger Brands prides itself on being a world-class manufacturer and marketer. The continuous renovation and innovation of its brands and the successful extension of these brands into adjacent categories and new markets underpin its success. The group's brand strategy is supported by extensive investment in marketing, as well as consumer and shopper research, which is used to obtain comprehensive consumer insights into the relevant categories and markets in which Tiger Brands operates.

The key divisions, holding leading brands, are:

- Grains – milling, baking, breakfast, rice and pasta
- Consumer – groceries, home, personal and baby care, perishables, snacks, treats and beverages
- International – Chile, Cameroon, Nigeria, Zimbabwe
- Exports – Langeberg & Ashton Foods and Davita Trading

In addition to operations under its control, Tiger Brands holds meaningful minority shareholding interest in several associate companies:

- JSE-listed fishing company Oceana Group Limited (42,1%)
- Chile-based FMCG company Empresas Carozzi (24,4%)
- Nigeria-based FMCG company UAC Foods Limited (49,0%)
- Zimbabwe-listed FMCG company National Foods Holdings Limited (37,4%).

Tiger Brands employees approximately 21 474 employees across Africa. This does not include seasonal and casual labour.