Media release

2 September 2020

LIBSTAR SHOWS RESILIENCE DURING COVID-19 IMPACTED FIRST HALF

- **Despite the adverse effects of Covid-19, Libstar delivered robust H1 results**
    - Maintained a strong balance sheet and sound liquidity
    - Excluding extraordinary Covid-19 expenses of R44 million, normalised EBITDA increased by 3.7%

- **Libstar's culture of innovation and differentiation continued**
    - Introduced 88 new products and 36 renovated products

Commenting on the results, Libstar CEO Andries van Rensburg said:

"In this difficult trading period, the Group has continued to work in pursuit of the protection, safety, health and well-being of Libstar's people, the preservation of cash and maintenance of the Group's financial stability to deliver superior service levels to customers."

"We will continue to capitalise on existing and new growth opportunities, enabled by our well-diversified portfolio of brand solutions, manufacturing capabilities and category growth plans," van Rensburg added.

Looking forward, he said:

"Our food categories will remain at the heart of our growth strategy. We are well positioned to capitalise on key consumer trends and changing consumer lifestyles, including the supply of products which cater to consumers' health and wellness, home cooking and baking, convenience, and eco-friendly needs.

"Although our performance is traditionally stronger in the second half of the year, the impact of Covid-19 in the already weak economy cannot yet be quantified. We are, however, seeing promising signs of recovery and will continue to pursue the opportunities that the market presents."

The Group focused on three key priorities during the period:

1. Protecting the well-being of employees

- Extraordinary Covid-19 expenses of R44 million
- Despite the challenges faced and intermittent downtime caused by the adherence to Covid-19 best practice, the Group has managed to maintain high levels of staff attendance and production output

2. Preserving the Group's financial stability

- Divisions have undertaken operational reviews and have reprioritised capital expenditure and staffing requirements
- This resulted in an improved cash conversion ratio from 62% to 64%
- Net interest-bearing debt on term loans to EBITDA ratio improved from 1.4 times to 1.3 times due to improved cash conversion (within group's optimal range of 1 to 2 times normalised EBITDA)

3. Delivering superior service levels

- Investment in working capital increased to 14.8% of revenue from 13.8% (within working capital target range of 13.0% to 15.0% ensuring critical stock availability)
- Major disruption to supply chains worldwide due to Covid-19 resulted in the need for higher inventory levels of certain products and raw materials to ensure product availability
- Increased focus on production efficiencies and staff attendance protected our service delivery in a difficult market

Financial summary

- **Group revenue** was 1.9% higher:
  - Revenue growth from food categories, which constitute 91% of Group revenue, was 1.1%
  - Household and Personal Care (HPC) revenue, which represents 9.0% of Group revenue, increased by 11.5%
- **Gross profit margin** increased by 0.2 percentage points to 23.4% from 23.2%:
  - Due mainly to full-period inclusion of service revenue from Libstar's contract manufacturing of Pringles snacks and continued focus on production efficiencies
- **Normalised operating profit** decreased by 16.4% at a margin of 6.2% (H1 2019: 7.6%):
  - Impacted by Covid-19 related extraordinary expenses of R44 million
  - Excluding this expenditure, normalised operating profit would have declined by 3.9%, mainly due to the impact of Covid-19 related changes in sales channel demand
- **Group Normalised EBITDA** decreased by 5.4% at a margin of 9.7% (H1 2019: 10.5%):
  - Normalised EBITDA before corporate costs from food categories decreased 6.6% over the comparative period, contributing 93% of Group EBITDA
  - HPC's Normalised EBITDA before corporate costs increased by 46.8%
  - Excluding extraordinary Covid-19 expenses of R44 million, Normalised EBITDA would have increased by 3.7%
- **Normalised earnings per share** from continuing operations decreased by 19.0% to 23.8 cents
- **Normalised headline earnings per share** from continuing operations decreased by 17.7% to 24.2 cents
- **Cash generated** from operating activities increased from R178 million to R225 million
- **Net working capital as a percentage of revenue** was 14.8% (within target range of 13.0% to 15.0%)

OPERATIONAL OVERVIEW

Please refer to the Group's detailed announcement on www.libstar.co.za for additional detail

PERISHABLES (46% OF GROUP REVENUE AND 33% OF GROUP NORMALISED EBITDA)

This category was most adversely impacted by the effects of Covid-19 due to the closure of quick-service restaurants. This impacted the performance of meat products sold in the food service channel.

- **Revenue** decreased by 1.7%
- **Gross profit margin** decreased to 20.4% (H1 2019: 20.9%)
- **Covid-19-related expenses** of R14.5 million
- **Normalised EBITDA** decreased by 21.0% at a **margin** of 7.8% (H1 2019 margin: 9.8%)

GROCERIES (31% OF GROUP REVENUE AND 40% OF GROUP NORMALISED EBITDA)

- **Revenue** decreased by 2.1%
- **Gross profit margin** decreased to 26.4% (H1 2019: 27.6%)
- **Covid-19-related expenses** of R12 million
- **Normalised EBITDA** decreased by 2.0% at a maintained **margin** of 14.0%, making Groceries the largest contributor to Group normalised EBITDA this period

SNACKS AND CONFECTIONERY (6% OF GROUP REVENUE AND 10% OF GROUP NORMALISED EBITDA)

- **Revenue** increased by 18.1% to R283 million:
  - Due to full-period inclusion of revenue from the contract manufacturing of Pringles snacks
- **Gross profit margin** improved strongly to 31.7% from 24.8%
- **Covid-19-related expenses** of R6 million
- **Normalised EBITDA** increased 44.4% at an improved **margin** of 19.1% (H1 2019: 15.6%)

BAKING AND BAKING AIDS (8% OF GROUP REVENUE AND 10% OF GROUP NORMALISED EBITDA)

- **Revenue** increased 22.9% to R386 million
- **Gross profit margin** of 27.2% (H1 2019: 24.2%)
- **Covid-19-related expenses** of R6.5 million
- **Normalised EBITDA** down by 2% at an EBITDA **margin** of 12.7% (H1 2019: 15.9%):
    - Without these expenses, normalised EBITDA would have grown by 11.1%

HOUSEHOLD AND PERSONAL CARE (9% OF GROUP REVENUE AND 7% OF GROUP NORMALISED EBITDA)

As committed, this category's performance in H1 2020 has shown a pleasing turnaround:

- **Revenue** increased by 11.5% to R416 million
- **Gross profit margin** improved to 19.2% (H1 2019: 18.1%)
- **Covid-19-related expenses** of R4.5 million
- **Normalised EBITDA** increased by 46.8% at an improved **margin** of 8.9% (H1 2019: 6.8%)

Ends.