



Interim Results Presentation

SIX MONTHS ENDED 30 JUNE 2018



LIBSTAR

innovative value creation

INTRODUCTION AND SALIENT FEATURES

Andries van Rensburg, Chief Executive Officer

FINANCIAL RESULTS

Robin Smith, Financial and Commercial Director

STRATEGY AND OUTLOOK

Andries van Rensburg, Chief Executive Officer



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Business Overview

Leading producer of **consumer packaged goods**



3 distinct offerings

Brand Solutions
Outsourced Manufacturing Solutions
Food Service Solutions



7 product categories

Perishables
Ambient Groceries
Baking
Snacks & Confectionery
Niche Beverages
Home & Personal Care
Specialised Food Packaging



4 channels

Retail and Wholesale
Industrial
Food Service
Exports



decentralised business model

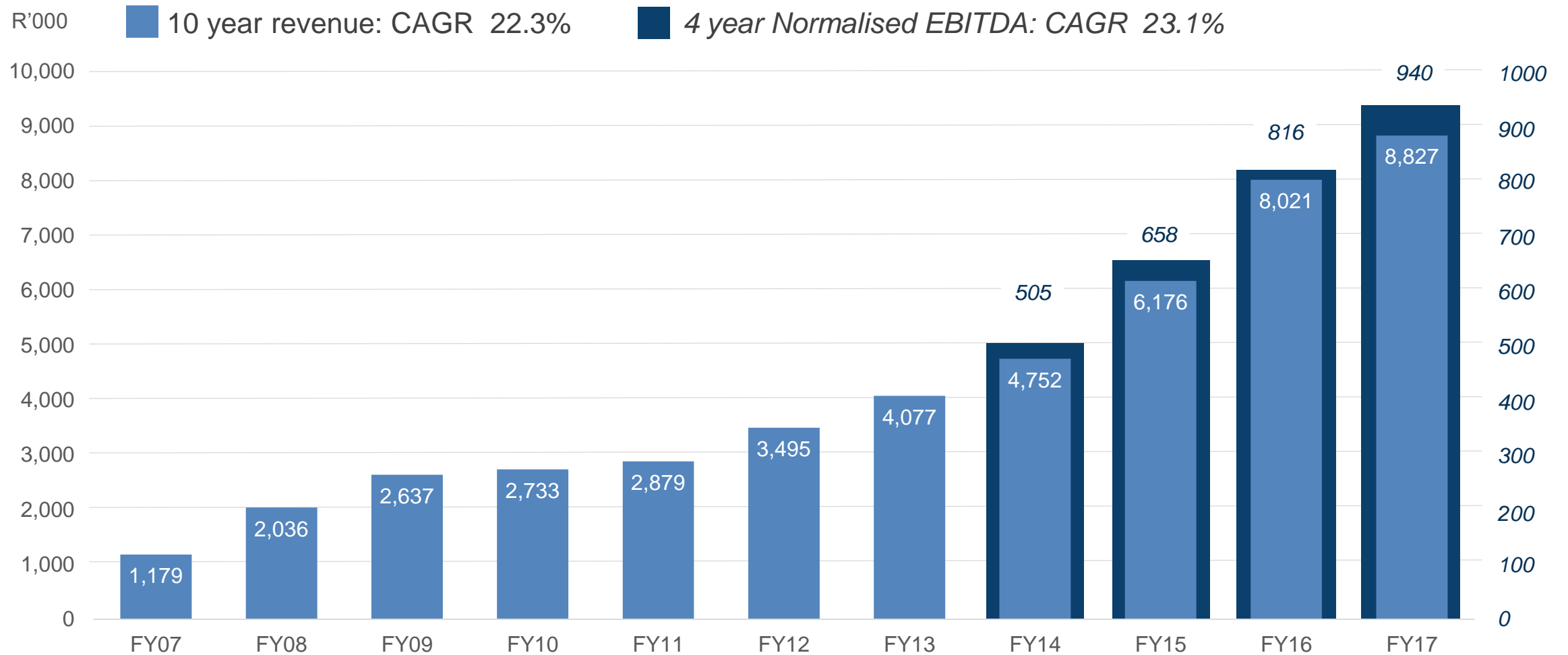
Clustered business units



experienced central office

Supporting all business units

High Growth Track Record



Initial Public Offering



Raised **R1.5bn**
primary capital



Concluded
R1.5bn secondary
sell-down



R7.6bn market
capitalisation
on IPO



608.9 million
net ordinary
shares in issue



Selling
shareholders
subject to
180 day lock-up



40%
free float

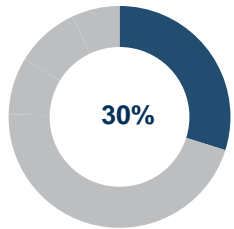
What We Do



What We Do



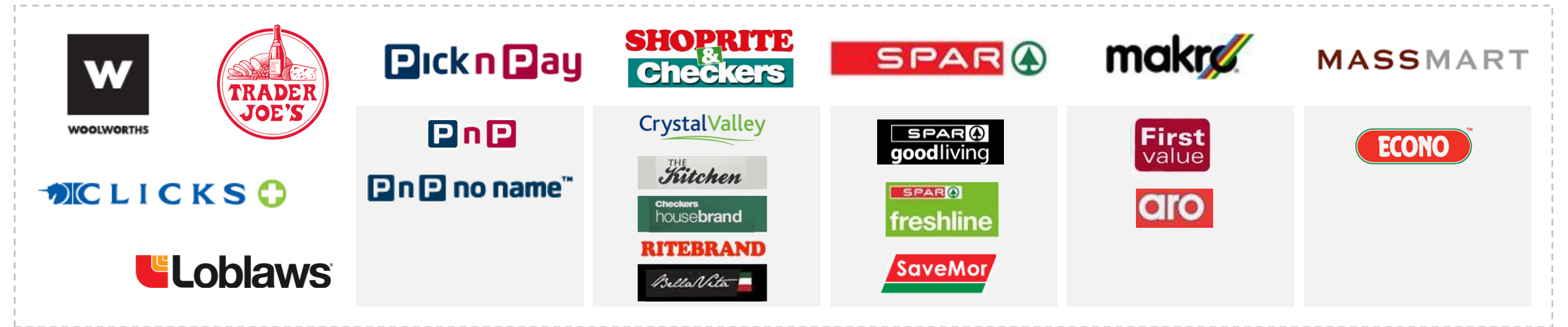
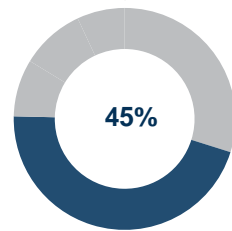
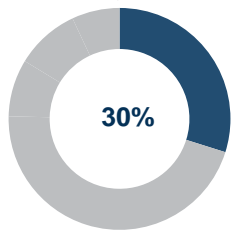
FY18 H1
Gross¹
Revenue
by product
offering



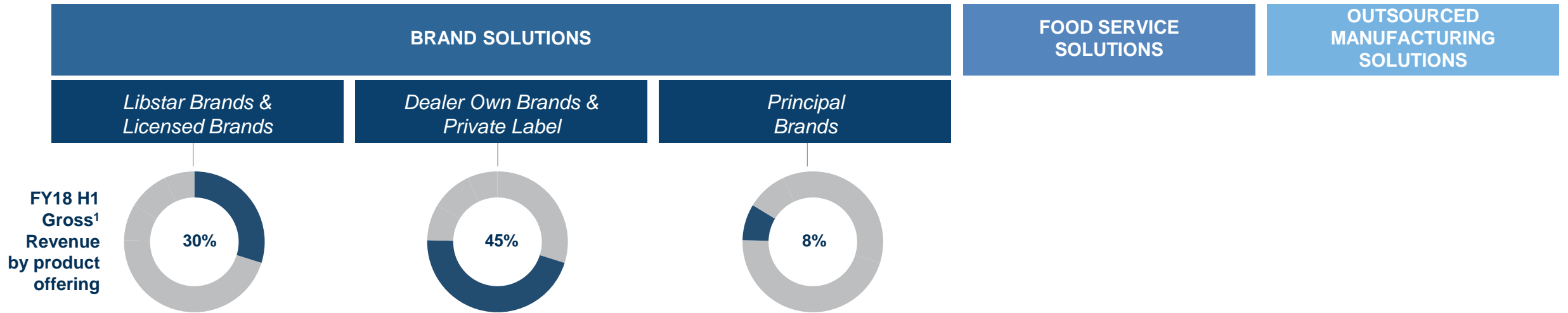
What We Do



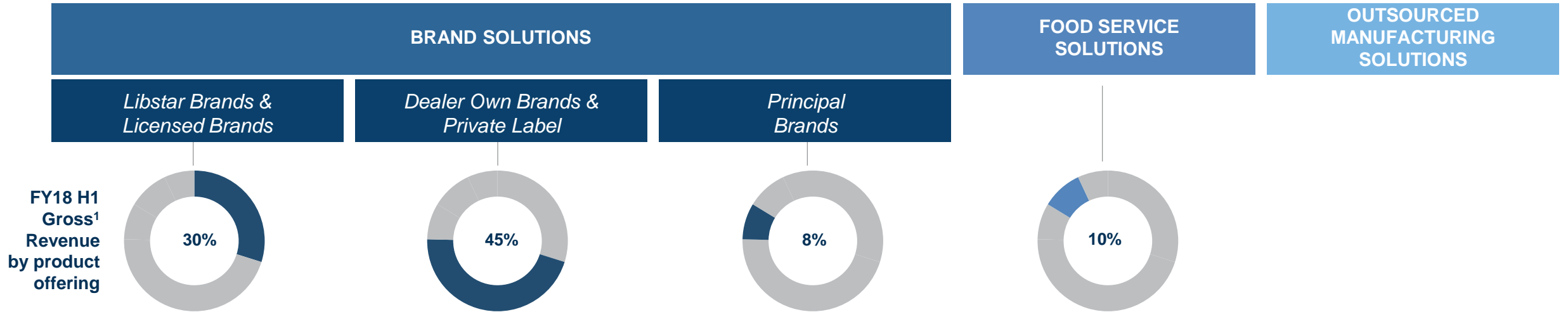
FY18 H1
Gross¹
Revenue
by product
offering



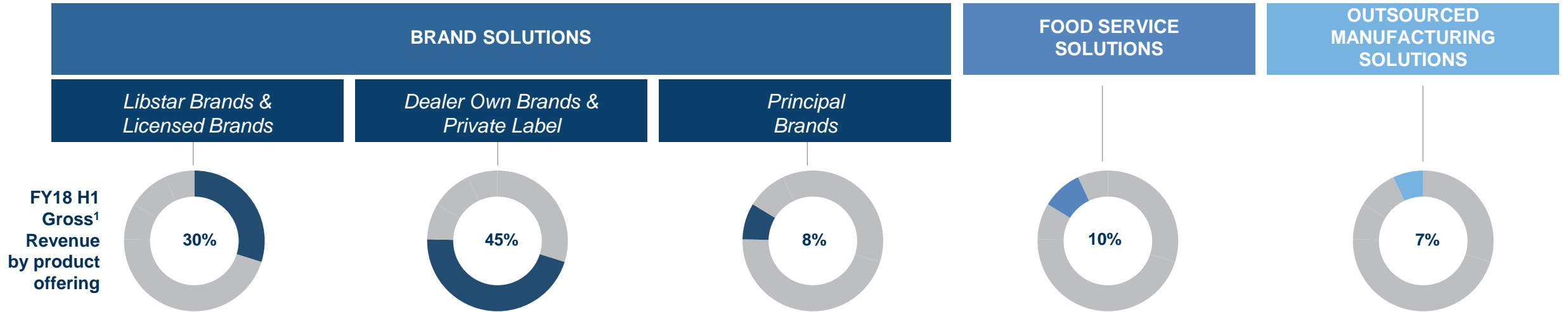
What We Do



What We Do



What We Do



What We Do

BRAND SOLUTIONS

FOOD SERVICE SOLUTIONS

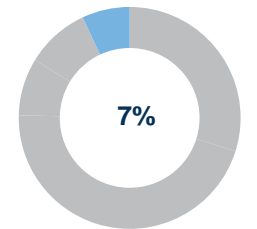
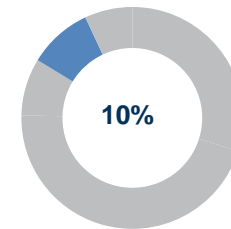
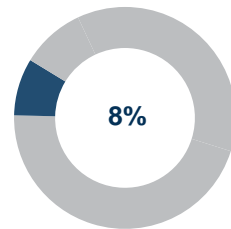
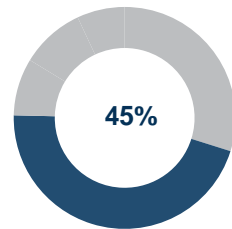
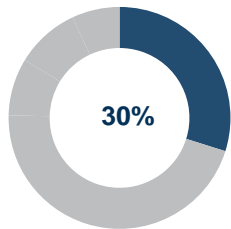
OUTSOURCED MANUFACTURING SOLUTIONS

Libstar Brands & Licensed Brands

Dealer Own Brands & Private Label

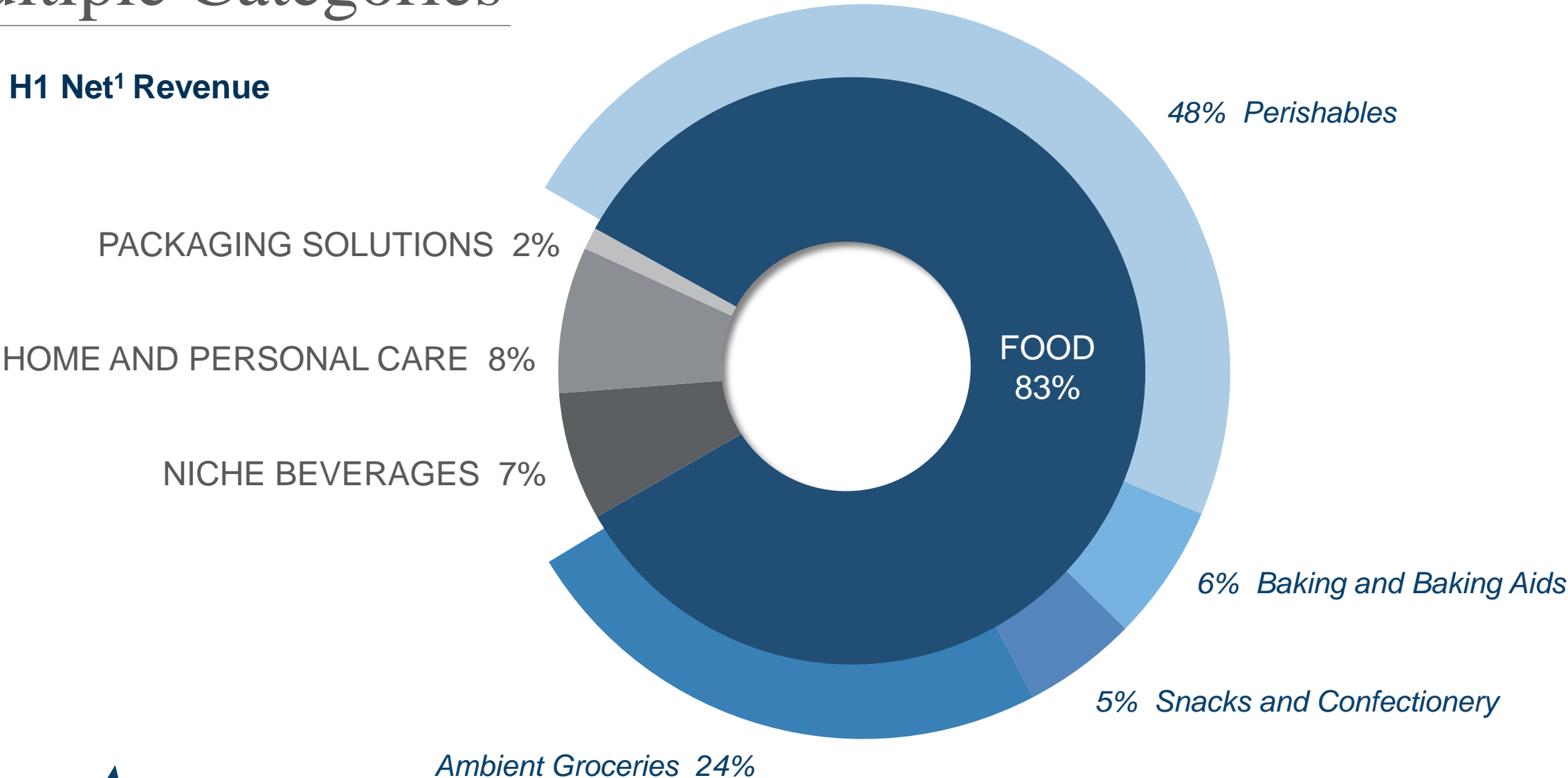
Principal Brands

FY18 H1
Gross¹
Revenue
by product
offering



Multiple Categories

FY18 H1 Net¹ Revenue



Multiple Channels

FY18 H1 Gross¹ Revenue

RETAIL	FOOD SERVICE	INDUSTRIAL	EXPORTS
61%	16%	11%	12%

<p>W WOOLWORTHS</p> <p>SHOPRITE & Checkers</p> <p>CLICKS</p> <p>Pick n Pay Inspired by you</p> <p>SPAR</p> <p>MASSMART</p>	<p>McDonald's</p> <p>Panarotis Pizza Pasta</p> <p>Spur Steak Ranches</p> <p>KFC</p> <p>famous brands</p>	<p>Unilever</p> <p>Kellogg's</p> <p>Tiger Brands</p>	<p>USA, UK, Australia, Canada, Japan, UAE, etc.</p>
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Salient Features

- Total revenue up 14.2% to R4.5bn (organic up 3.7%)
- Gross Profit margin 20.9% (H1 2017: 22.4%), impacted by:
 - Price realisation in mushrooms during Q1
 - Sonnendal Dairies acquisition
 - Strike at Dickon Hall Foods
- Significant non-trading items (unrealised forex, SAR provision) impacted headline earnings (-R32.5m)
- Normalised EBITDA up 4.3% to R398m
- Normalised EBITDA margin 8.8% (H1 2017: 9.6%)
- Supply chain optimisation
- Innovation and product launches

A top-down view of a kitchen counter with various baking ingredients and tools. A wooden rolling pin is in the top left. A wire cooling rack holds a round cake decorated with cream, fruit, and powdered sugar. A small bowl of fruit, a bowl of flour, and a fork are also visible. The background is a light, textured surface.

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innovative value creation

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Market Overview

Food inflation

Higher LSM resilience

Competitive landscape

Pricing conditions remain tough

Exchange rate volatility

Significant YTD fluctuations

Growth of private label

Consumer demand

Trends

Growing convenience, health and wellness trends

Private Label: Positive Consumer Perceptions

Perceptions

- Extremely good value for money
- Quality as good as named brands, and less expensive
- Saves me money
- Innovative, new products
- Always available

Libstar Value Proposition

- Wide product range
- Production capacity and capabilities
- Category management
- Pro-active innovation
- Consistent supply of quality products
- Low cost
- Trade relationships
- Sales and merchandising services

Group Income Statement

	H1 2018	H1 2017	Change (%)	FY 2017
CONTINUING OPERATIONS				
Revenue	4,528,738	3,967,156	14.2%	8,796,450
Gross profit	944,566	887,367	6.4%	2,007,818
Gross profit margin	20.9%	22.4%	-1.5%	22.8%
Other income	7,053	50,019	-85.9%	146,653
Operating expenses	(728,130)	(678,102)	7.4%	(1,558,640)
Operating profit	223,489	259,284	-13.8%	595,831
Profit before tax	90,023	148,016	-39.2%	367,154
Income tax expense	(24,882)	(34,737)	-28.4%	(134,174)
Effective tax rate	27.6%	23.5%	-4.2%	36.5%
Profit after tax	65,141	113,279	-42.5%	232,980
Headline earnings	67,743	115,502	-41.3%	282,381
Headline earnings (incl. discount'd ops.)	64,894	107,977	-39.9%	267,757
Normalised EBIT	317,546	319,416	-0.6%	807,344
EBIT margin	7.0%	8.1%	-1.1%	9.2%
Normalised EBITDA	397,691	381,321	4.3%	940,365
EBITDA margin	8.8%	9.6%	-0.8%	10.7%
WANOS ('000)	523,347	468,915	11.6%	468,189

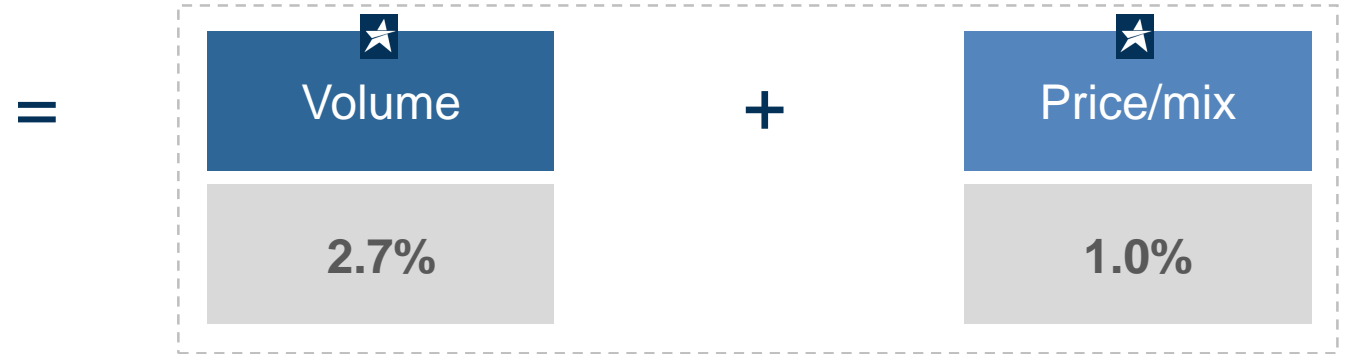
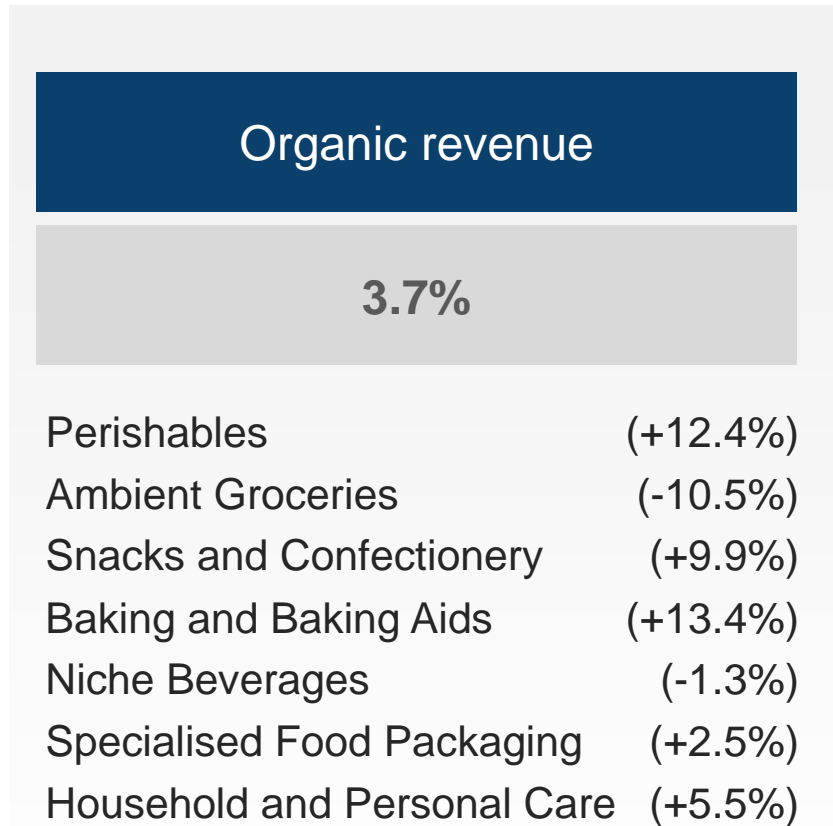
Group Income Statement

Total revenue growth of 14.2%,
organic revenue growth of 3.7%

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Group Revenue Growth H1 2017 to H1 2018



Group Income Statement

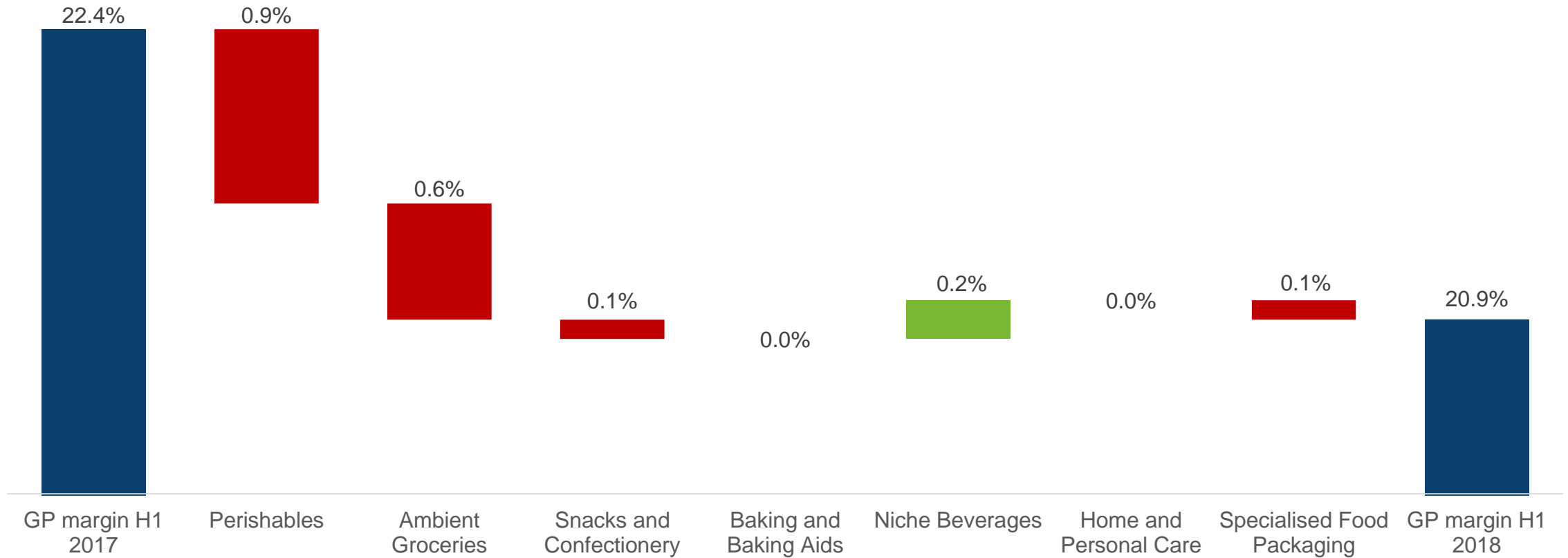
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Group GP Margin Evolution H1 2017 to H1 2018



Group Income Statement

CONTINUING OPERATIONS

- Realised forex gains of R35m (H1 2017: R12m)
 - Ambient Groceries gain R27m (H1 2017: gain R14m)
- Unrealised forex loss of R32m (H1 2017: gain R30m)
 - Ambient Groceries loss R34m (H1 2017: gain R22m)

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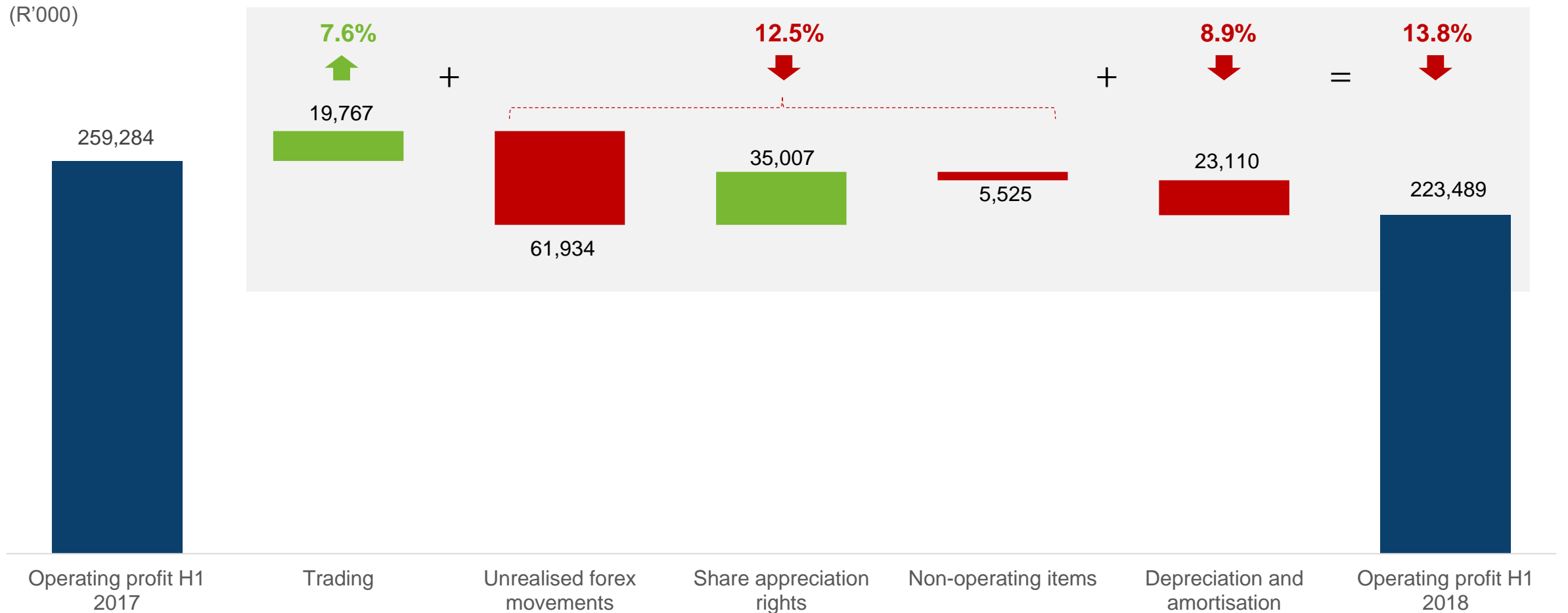
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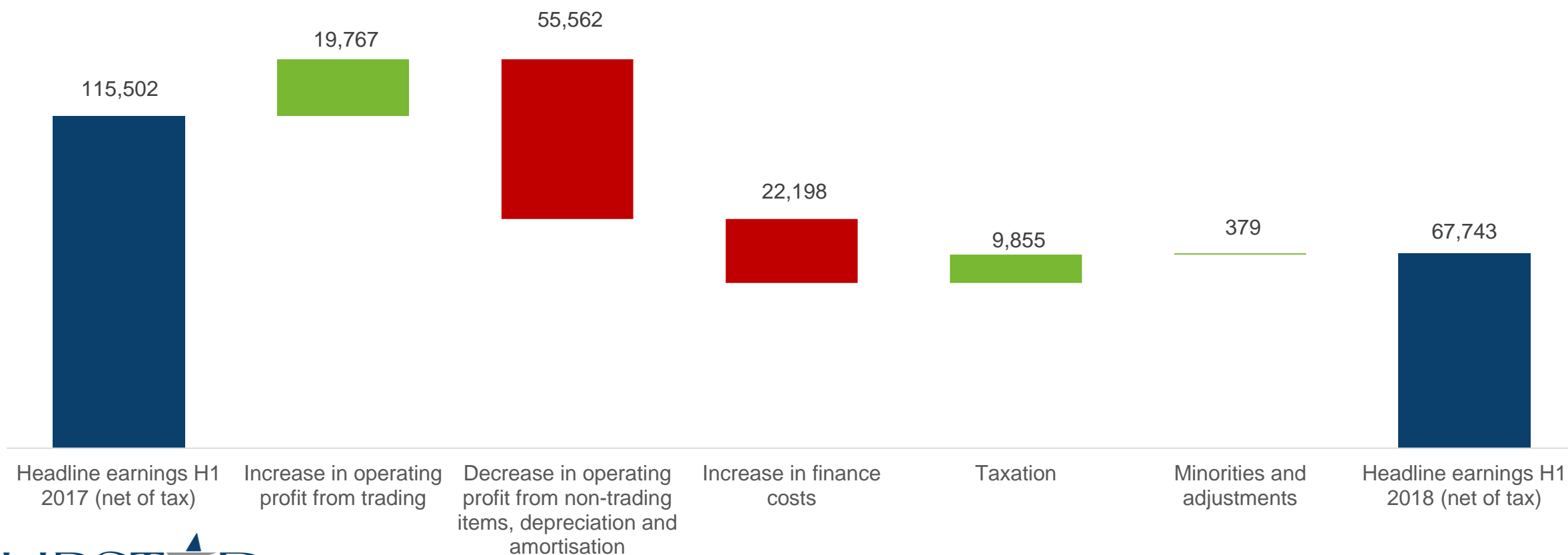
- Costs well controlled at 16.1% of revenue (H1 2017: 17.1%)
- R7m IPO costs (portion not capitalised) (H1 2017:R nil)
- Reduction in SAR provision of R22m (H1 2017: expense R13m)
- No IFRS 2 charge for BEE until units allocated

Bridge: Operating Profit: H1 2017 to H1 2018

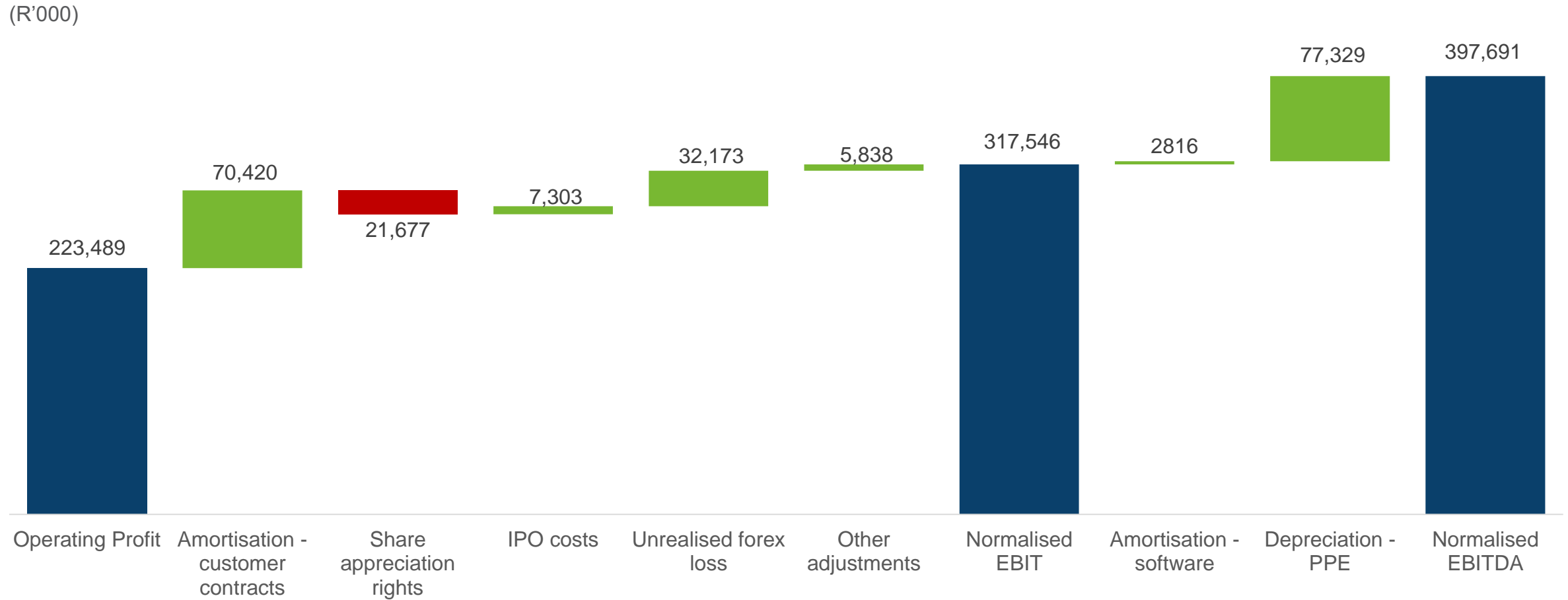


Bridge: Headline Earnings: H1 2017 to H1 2018

(R'000)



Income Adjustments 2018



Income Adjustments 2018

(R'000)



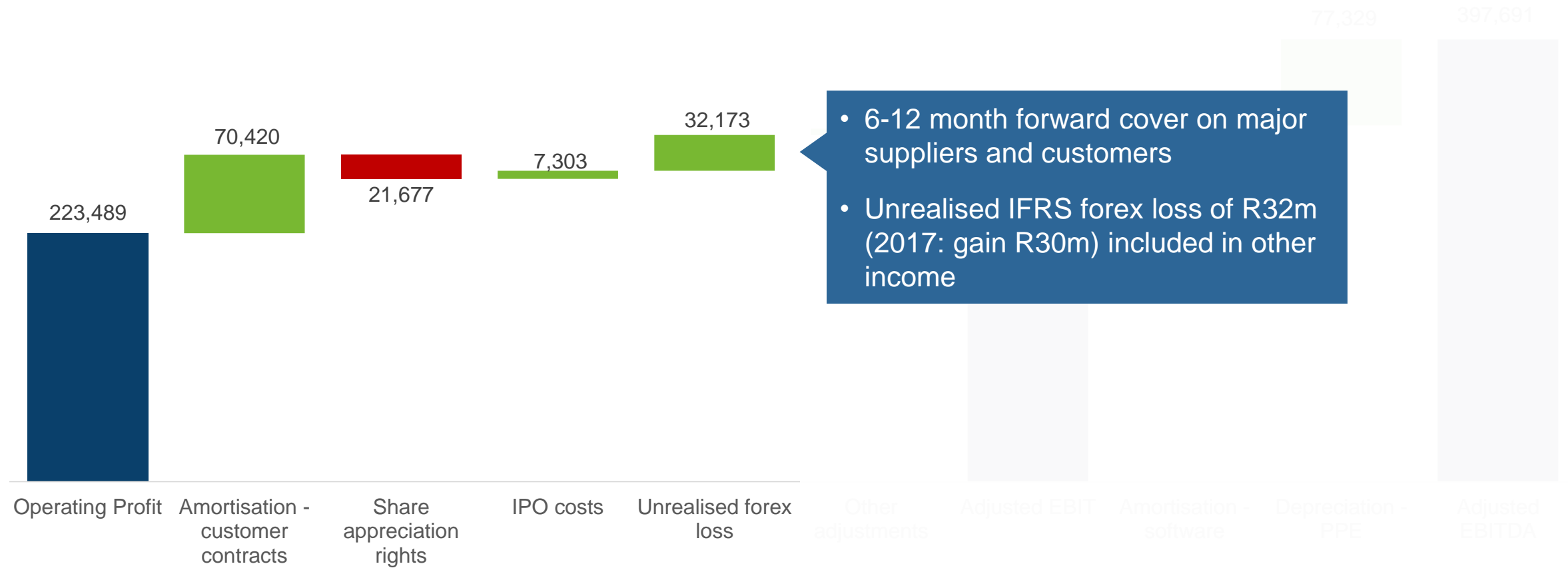
Income Adjustments 2018

(R'000)



Income Adjustments 2018

(R'000)



Trade Balance

IMPORTS H1 2018

Denomination	R'000	%
USD	173,263	36.2%
EUR	292,527	61.1%
GBP	1,978	0.4%
SGD	7,584	1.6%
THB	3,019	0.6%
Y	719	0.2%
Total	479,090	100%

EXPORTS H1 2018

Country	R'000	%
Africa	181,124	30.9%
USA	129,523	22.1%
Germany	57,167	9.8%
United Arab Emirates	54,917	9.4%
Australia	53,842	9.2%
United Kingdom	26,524	4.5%
Sweden	18,288	3.1%
Hong Kong	13,522	2.3%
Other	51,219	8.7%
Total	586,126	100%

Cash Flows

	H1 2018 R '000	H1 2017 R '000	FY2017 R '000
Net cash flow from operating activities	80,104	233,232	572,614
Net cash flow from investment activities	(150,845)	(138,861)	(605,778)
Net cash flow from financing activities	362,533	(28,576)	266,609
Net increase/(decrease) in cash and cash equivalents	291,792	65,795	233,444
Cash and cash equivalents at the beginning of the period	351,327	117,883	117,883
Cash and cash equivalents at the end of the period	643,119	183,678	351,327

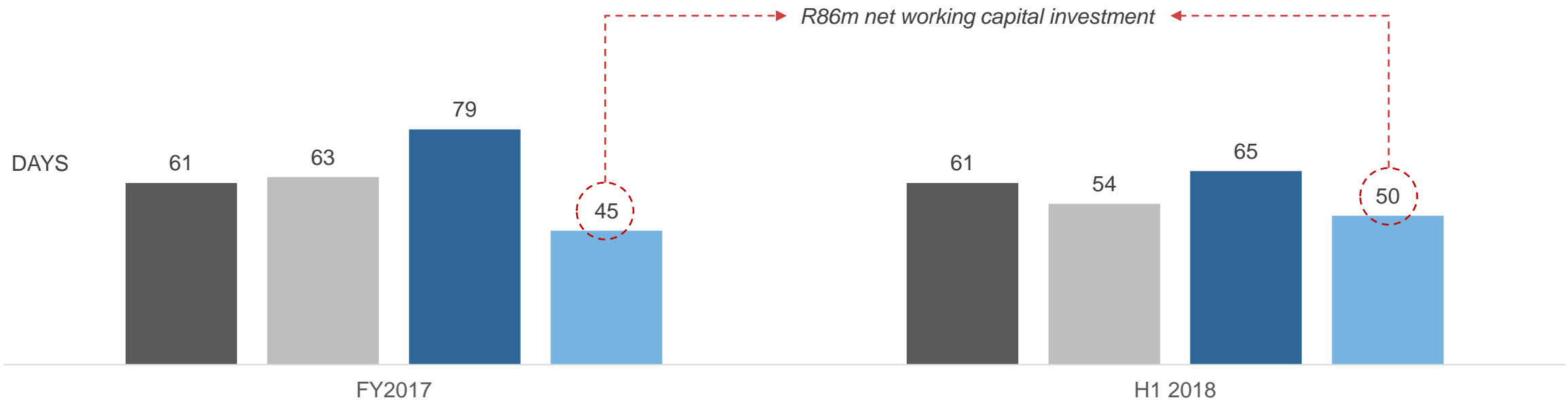
Cash Flows

Net cash flow from operating activities

- Working capital investment of R86m (H1 2017: R31m net working capital release)
 - R55m net inventory investment
 - Khoisan
 - improvement in service levels
 - reduction of dependency on imports
 - R127m reduction in trade receivables
 - R158m reduction in trade payables
- Finance cost R154m (H1 2017: R122m)

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Working Capital Management



INVENTORIES

Increased to improve service levels, seasonal purchases in Khoisan tea

TRADE RECEIVABLES

Continued focus on collections and terms

TRADE PAYABLES

NET WORKING CAPITAL

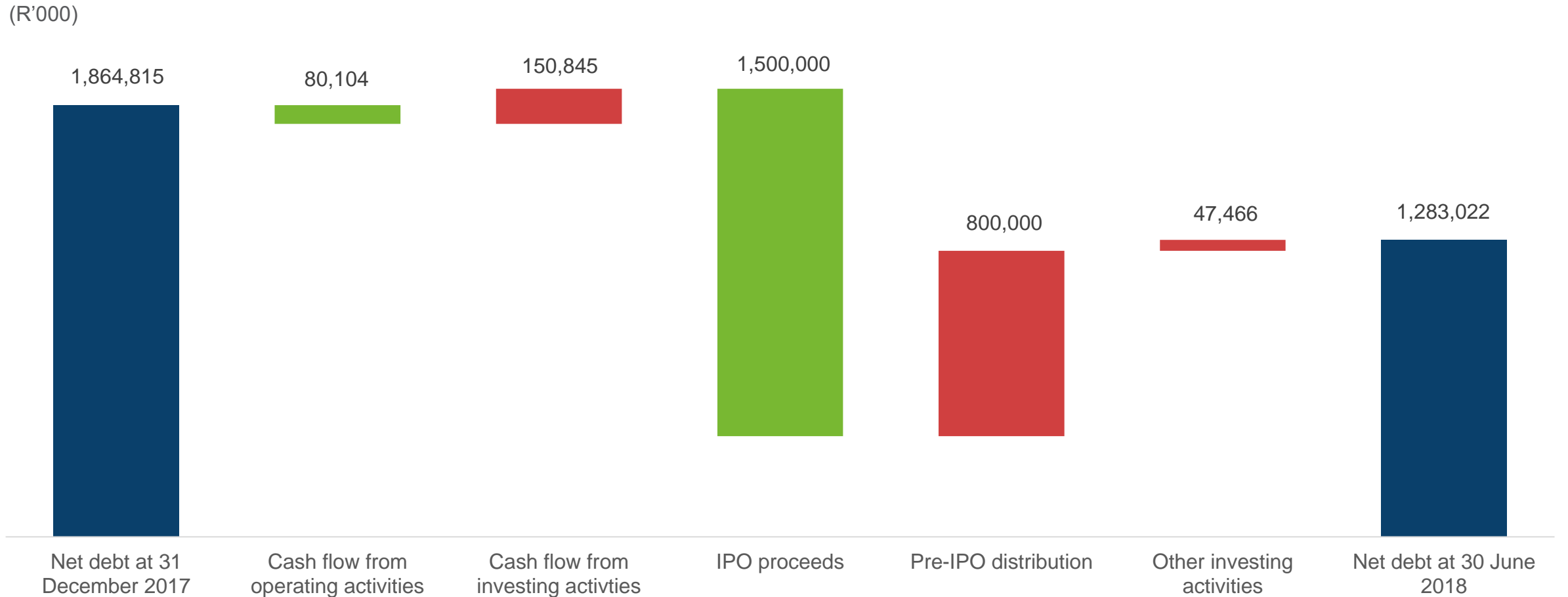
Targeted improved working capital management

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- R152m capex investment (H1 2017: R139m)
- 3.3% of revenue (H1 2017: 3.5%)

Net Debt



Net Debt

R'000	Amount 31 December 2017	Amount 30 June 2018	Rate
Utilisation - Senior Facility A	494,449	407,118	Jibar + 2,85%
Utilisation - Senior Facility B	950,000	950,000	Jibar + 3,30%
Utilisation - Senior Facility C	308,755	308,755	Jibar + 3,27%
Utilisation - Senior Facility D	191,973	-	
Other term loans	2,923	3,592	
Vehicle and Asset finance facility	269,043	256,677	Variable
Net overdraft/(cash)	(351,327)	(643,120)	
Net debt	1,864,815	1,283,022	

- Net debt reduced from R1.9bn to R1.3bn
- R1.5bn IPO proceeds utilised to settle components of Facilities A and D, as well as post year-end facility
- Renegotiated debt package will reduce annual interest charge by R20m (net of fees)

Cash Flows

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Dividend:

- No interim dividend
- Target policy of 30%-40% of PAT

Group Financial Results

SEGMENTS & OUTLOOK

Perishables

Ambient Groceries

Baking and Baking Aids

Snacks and Confectionery

Niche Beverages

Home & Personal Care

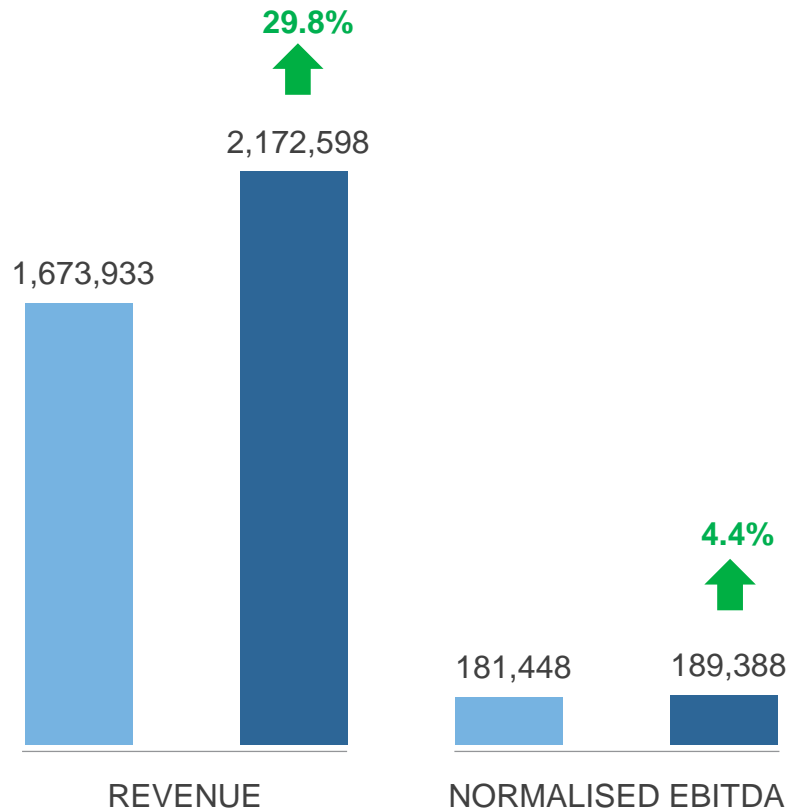
Specialised Packaging



Perishables

■ H1 2017

■ H1 2018



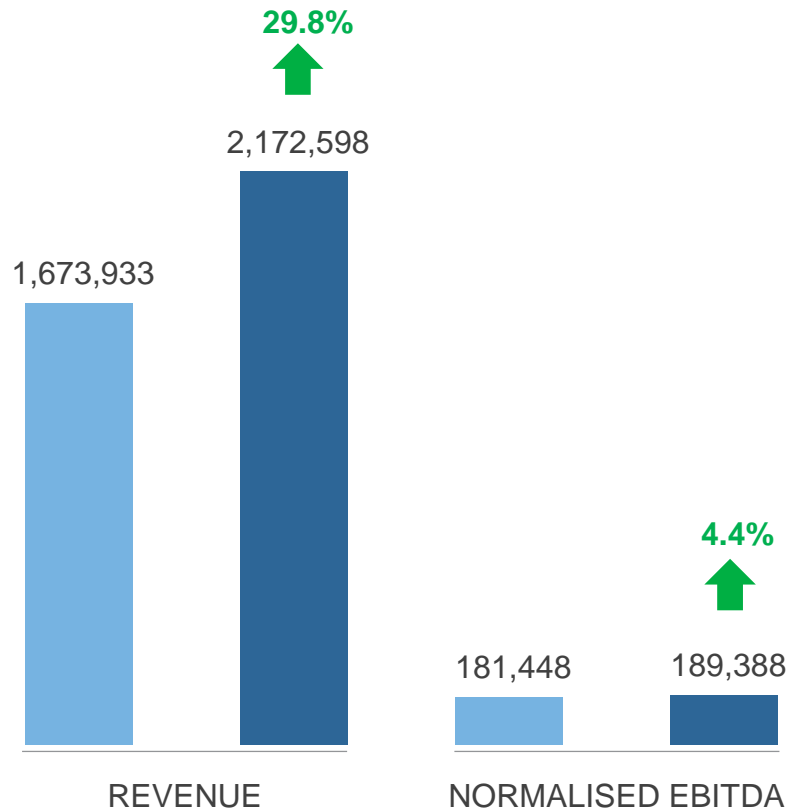
- Revenue growth driven by Lancewood, as well as Sonnendal and Millennium Foods integrations
- Growth in hard cheese volumes in retail, food service and export channels
- Strong growth in imported speciality meats and cheeses
- Fresh mushroom market oversupplied, low price realisation
- Finlar margins impacted by higher meat prices (fixed conversion per kg McD), significant promotional activity in value-added chicken and sub-optimal volumes through new chicken plant
- Sonnendal acquisition



Perishables

■ H1 2017

■ H1 2018



Outlook

- Continued strong cheese performance
- New premium dairy ranges (yoghurts, spreads and sauces)
- Focus on mushroom margin and upper-end market share growth
- Traditional seasonality



Perishables

Organic revenue
12.5%

=

★
Volume
6.8%

+

★
Price/mix
5.6%

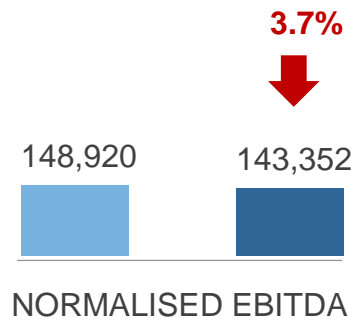
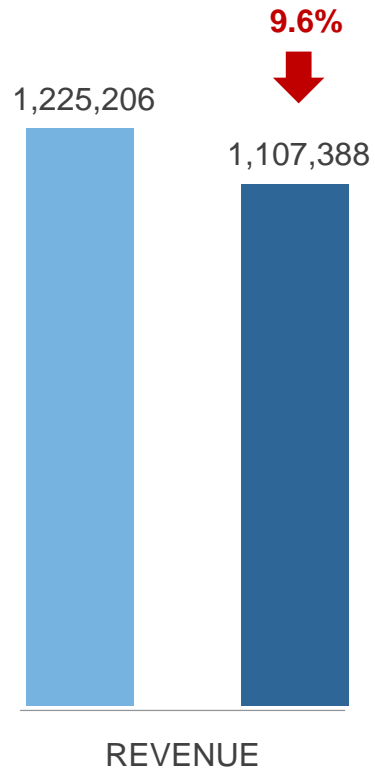
- Strong growth in cheese and meat volumes
- Volume decline in fresh mushrooms

- Moderate increase in cheese prices
- Lower meat margin - mix and conversion cost realisation
- Low increase in fresh mushroom prices due to competitive market



Ambient Groceries

■ H1 2017 ■ H1 2018

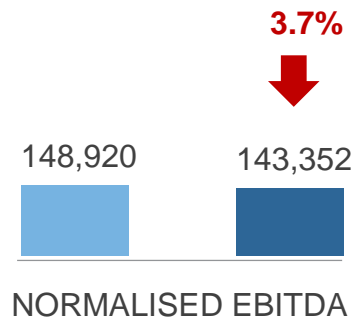
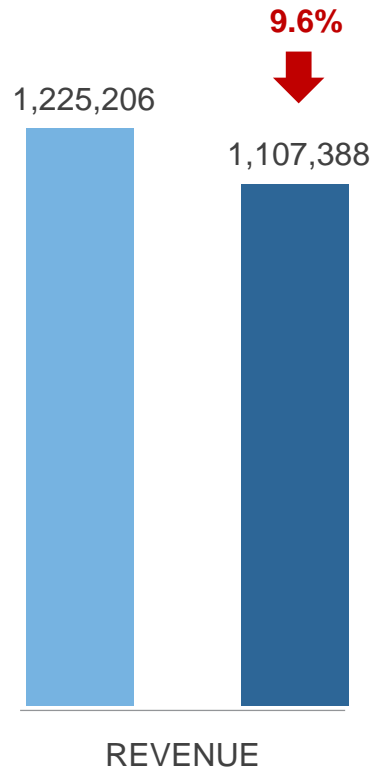


- Dickon Hall Foods strike, revenue impacted by R63m YoY
- Kellogg's noodle cake production successfully implemented
- Herbs and spices strong growth in local market, slower shipments to certain international markets (-R43m revenue YoY)
- Plant commissioning delays at Montagu/Denny Foods (-R16m revenue)
- Lower sales from Principal Brands



Ambient Groceries

■ H1 2017 ■ H1 2018



Outlook

- Dickon Hall Foods catching up backlog
- Herbs and spices shipment timing and margins
- Montagu/Denny Foods fully online and growing
- Private label wet condiment product launches



Ambient Groceries

Organic revenue
-9.6%

=

★
Volume
1.4%

+

★
Price/mix
-11.0%

- Strong growth in honey volumes
- Herbs and spices shipment timing
- Dickon Hall Foods strike reduced volumes by 20% YoY (5% impact on category)

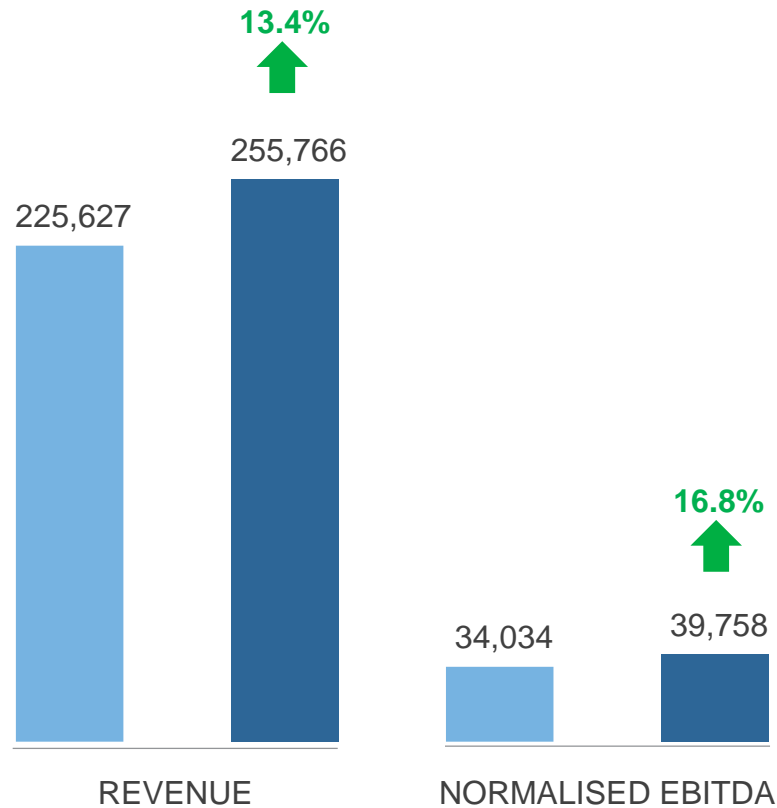
- Pricing of herbs and spices flat to down
- Lower prices in food service channel



Baking and Baking Aids

■ H1 2017

■ H1 2018



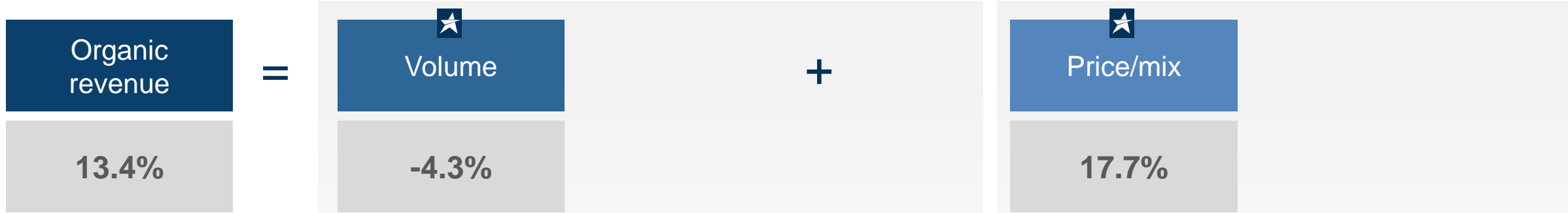
- Strong growth in the retail channel for rolls, speciality breads, baking aids
- Slower demand for wraps

Outlook

- Strong baking performance expected to continue
- New private label baking aids for retail customers in Q4
- Par-bake artisanal breads and rolls launching Q4



Baking and Baking Aids



- Lower wrap volumes
- Significant growth in rusks

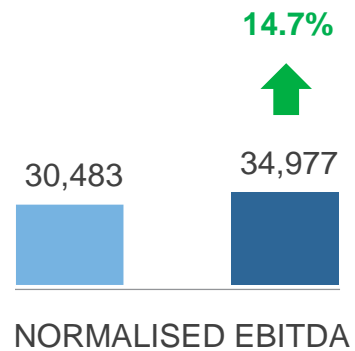
- Mix effect of higher value speciality breads and related products



Snacks and Confectionery

■ H1 2017

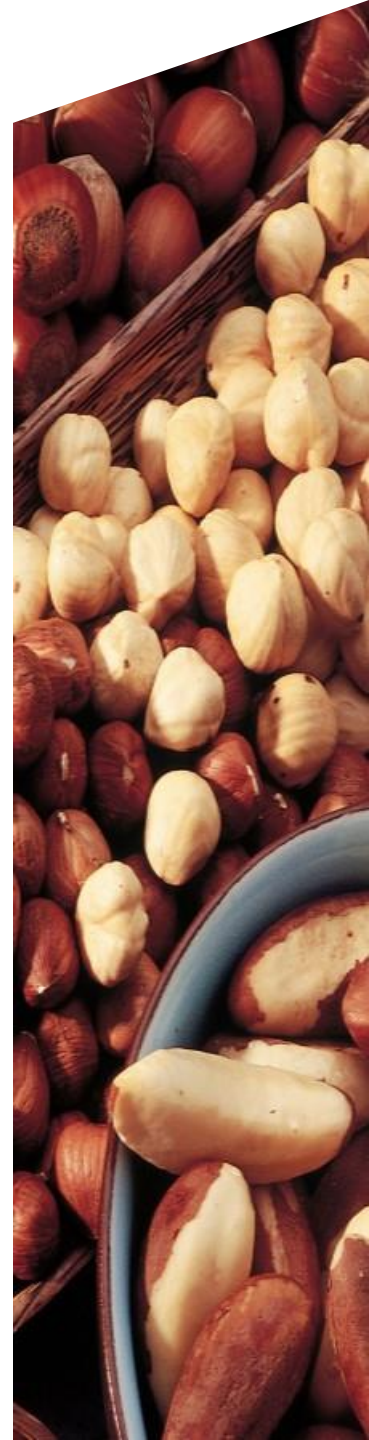
■ H1 2018



- Strong performance accelerated by new product development in health bars and granola's
- Kellogg's breakfast bars

Outlook

- Strong performance expected to continue
- Continued focus on higher-margin innovative products



Snacks and Confectionery

Organic revenue
9.9%

=

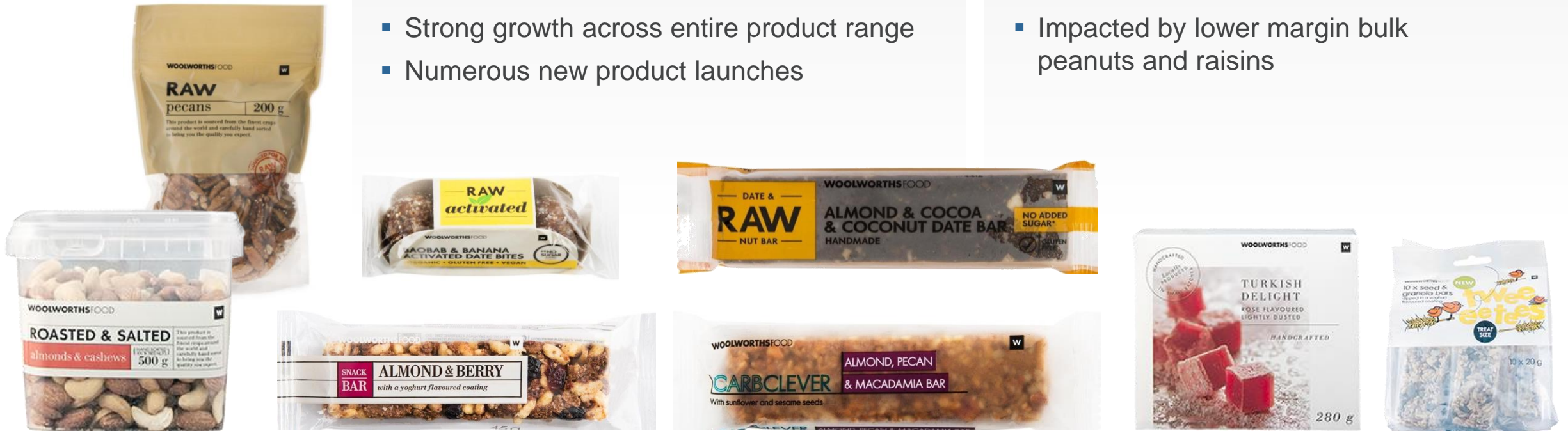
★
Volume
13.8%

+

★
Price/mix
-3.9%

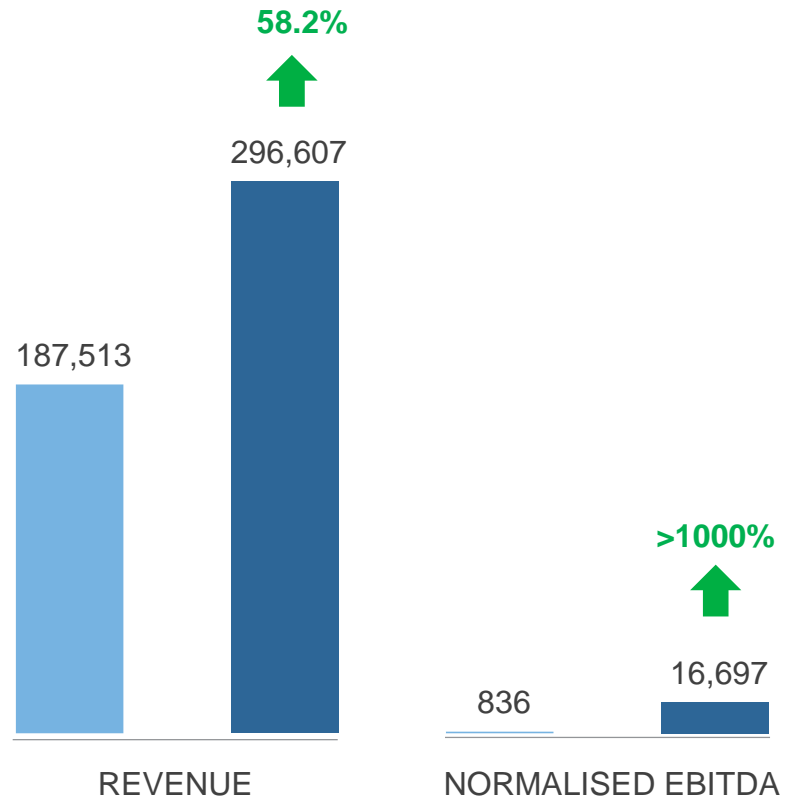
- Strong growth across entire product range
- Numerous new product launches

- Impacted by lower margin bulk peanuts and raisins



Niche Beverages

■ H1 2017 ■ H1 2018



- Niche Beverages revenue driven by acquisition of Khoisan Tea
- Strong H1 water sales, offset by lower sales of dairy and fruit concentrate products

Outlook

- Continued strong performance expected in tea



Niche Beverages

Organic revenue
-1.3%

=

★
Volume
0.6%

+

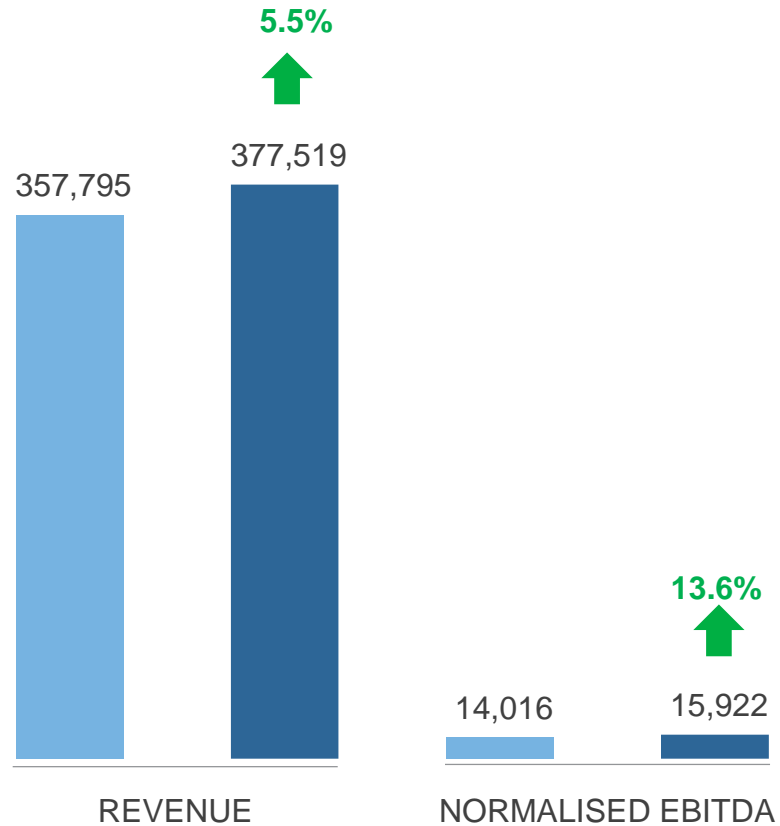
★
Price/mix
-1.9%

- Strong water sales during Western Cape drought
- Declined demand for dairy blends, fruit concentrates
- Competitive market

- Lower than targeted price increases in dairy blends
- Change of mix in water due to higher sales of 5L's



■ H1 2017 ■ H1 2018



- Improved sales volumes in home products
- Improved product availability and service levels
- Cost-savings and efficiency initiatives bearing fruit

Outlook

- Turnaround in home products expected to continue
- Launching new cotton products



HPC

Organic revenue

5.5%

=

★
Volume

2.9%

+

★
Price/mix

2.6%

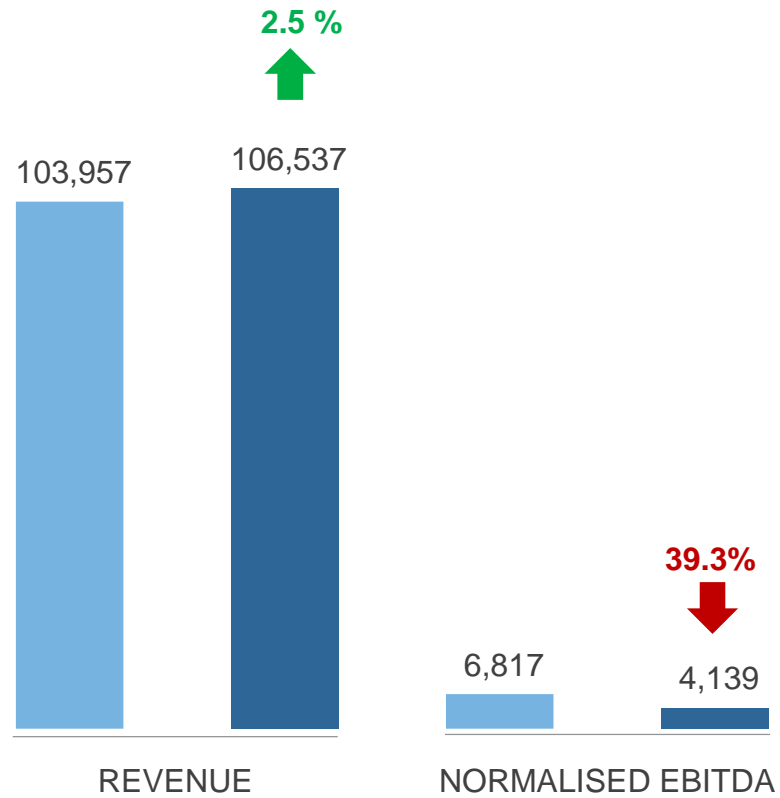
- Improved volume sales in home care products

- Moderate price increases across all products



Specialised Food Packaging

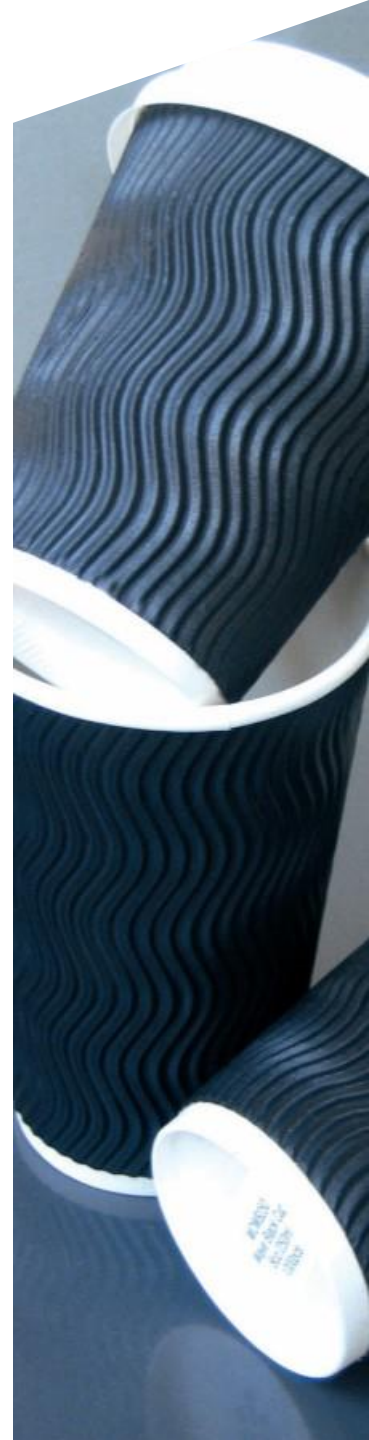
■ H1 2017 ■ H1 2018



- Low volume growth
- Increased sales and distribution cost due to import planning

Outlook

- New plant - local production to replace imports (40%)



BEE

- No IFRS 2 charge until units are allocated
- Once units allocated, expected IFRS 2 charge:
 - R8m Employee Scheme in FY18 (assessed annually)
 - R75m Strategic Trust in FY18 (once-off)
- Current level 8 rating (verification 31 December 2017)
- Since verification, have implemented 13% BEE transaction
- BEE Commission registration process underway, following which, units will be allocated and IFRS 2 charge incurred
- No dilutive impact on WANOS until such time as units are issued
- BEE compliance is a business unit level KPI





INTRODUCTION AND SALIENT FEATURES

Andries van Rensburg, Chief Executive Officer

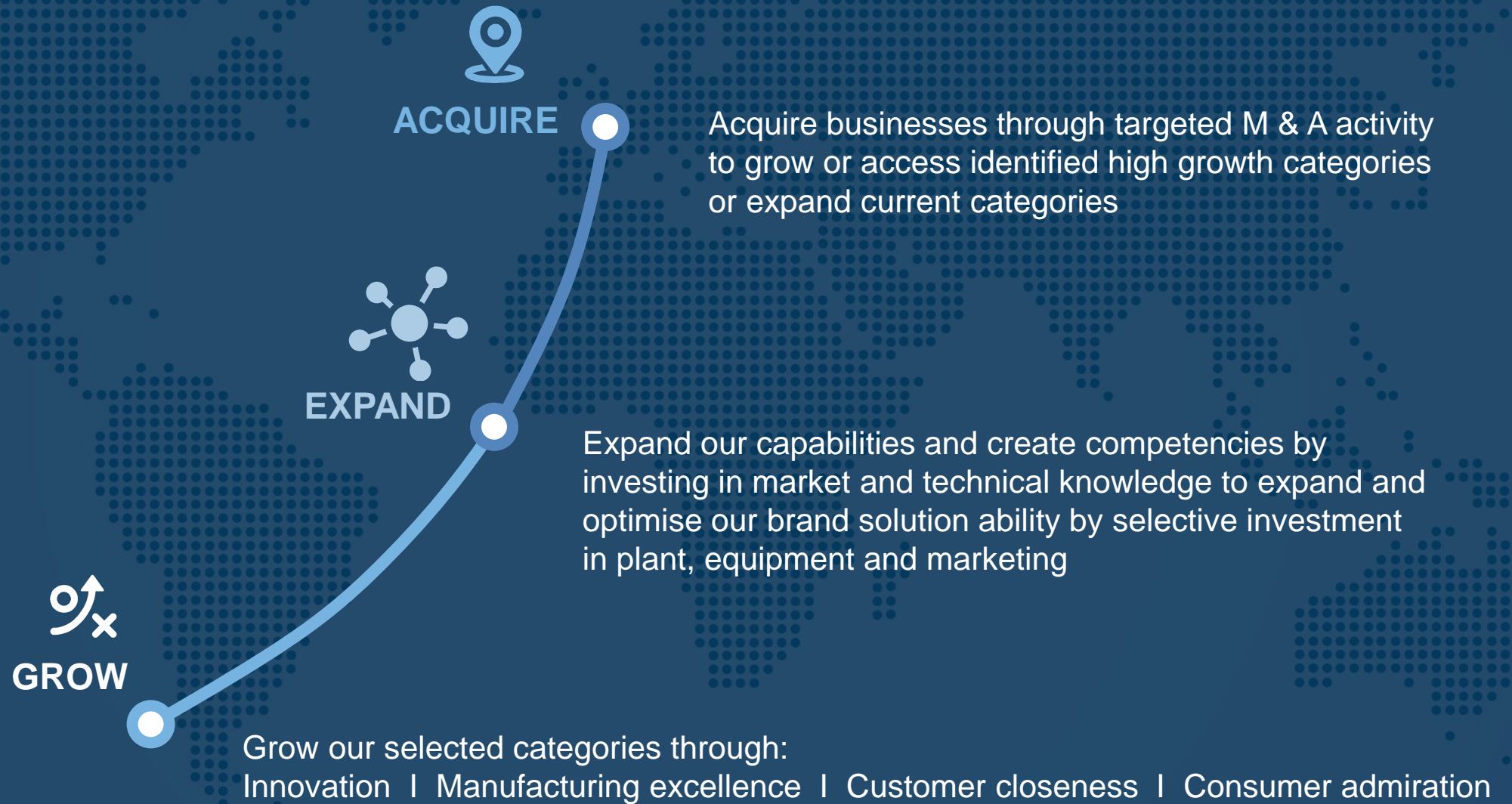
FINANCIAL RESULTS

Robin Smith, Financial and Commercial Director

STRATEGY AND OUTLOOK

Andries van Rensburg, Chief Executive Officer

Growth Drivers



We bring to life our motto of:

“the heart of an entrepreneur
with the mind of a corporate

Strategy

Channel and category growth

Export growth

Supply chain optimisation

Significantly enhance our go-to-market execution capabilities

Actively pursue value and earnings enhancing acquisitions

Initiatives

- Brand Solutions team
- Significant brand investment
- Channel development
- Market data and consumer insights
- Innovation
- Consolidating export initiatives
- Growing existing and new markets
- Procurement efficiencies
- Product costing
- Margin analysis
- Capacity building in hard cheese and prepared meals
- Par-bake facility in Baking and Baking Aids
- Strategic alliance with multinationals, private label partners
- Constant review of opportunities

Resilience in Tough Markets

INNOVATION

- Product innovation
- Range extensions

COST CONTROL

- Supply chain optimisation
 - Procurement, factory rationalisation
 - Process optimisation
- Standardisation of IT systems

SUCCESSFUL INTEGRATION

- Sonnendal Dairies
- Khoisan
- Millennium

GROWTH

- Robust market at upper-end
 - Par-bake frozen rolls
 - Food service opportunities
 - Imported high-end products

New Product Development



Launched to date in 2018
Approximately 200 new line items



Group Outlook

**Positive outlook
and stronger
performance
in H2**



Projects and product innovation

- Par-bake artisanal breads and rolls
- New premium dairy range
- Private label wet condiments
- Prepared meals
- Speciality meats and cheeses



Margin improvements

- Lower cost manufacturing and packaging
- Procurement and other supply chain initiatives

Group Outlook



Integration and expansion benefits

- Denny Foods and Montagu foods
- Sonnendal Dairies
- Further consolidation



Non-repeat of once-offs from H1



Focus on the more resilient upper-end of the market



Seasonality

- Normalised EBITDA typically weighted ~60% in H2

Notice

This document contains forward-looking statements, market information, information regarding the organic sale volumes of the Group and quantification of various extraneous factors which may have impacted on the results presented (“Non-IFRS Information”). Forward-looking information included in this document involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Libstar Holdings Limited (the “Group”) to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Any reference to forward-looking information included in this results announcement does not constitute an earnings forecast. The Non-IFRS Information has not been reviewed or reported on by the Group's external auditors.



LIBSTAR

innovative value creation

ANNEXURES

Our Purpose



To **lead** by anticipating **needs** of shoppers, consumers and customers and deliver on-trend **innovation**



We use our **go to market capabilities**, **scale** and **flexible low cost manufacturing** to market differentiated, value for money brand solutions



Our **broad channel**, **customer and category base** diversifies our opportunities and risks



Our **entrepreneurial culture** and highly experienced, personally invested team delivers value and excels at execution

Investment Case

- Superior operational platform, which gives rise to the following strengths:
 - A diverse business model with flexibility and resilience;
 - A culture of entrepreneurship and innovation;
 - A proven track record of identifying industry trends, and accessing innovative product categories;
 - An ability to lead the market with Brand Solutions;
 - A strong technical and manufacturing competency and accreditation of facilities by recognized authorities; and
 - An M&A track record and ability to integrate and grow acquired businesses.
- Strong and experienced management team at strategic and operational levels;
- Deep customer relationships; and
- Proven track record of profitable and sustainable growth.

Capex: H1 2018

Category	R'000	
Perishables	61,578	Facility upgrades, buildings
Ambient Groceries	31,289	Facility upgrades
Snacks and Confectionery	29,373	Facility upgrades
Baking and Baking Aids	4,436	Facility upgrades
Niche Beverages	9,081	Macha capability
Home and Personal Care	10,324	Facility upgrades
Specialised Food Packaging	335	
Central Office and Discont. Ops	5,166	
Total	151,582	Majority expansion