Tiger Brands earnings from operations reach R8.56

By Nick Hedley

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Tiger Brands reported "satisfactory" results for its six months to March, with headline earnings per share from continuing operations up 7% to R8.56.

Peter Motlare says problems at Dangote hurt Tiger Brands but plans are underway to resolve these problems. Image: Tiger Brands

Chief Executive Peter Matlare said the group was making steady progress in implementing key strategic initiatives aimed at regaining market share and further strengthening its core brands.

Tiger Brands said turnover from continuing operations, at R14.9bn, was 11% higher than the first six months of last year. Turnover for the domestic businesses was R11.2bn, an improvement of 8%. Domestic sales volumes increased by 4%, with selling price increases generally in line with or below inflation.

The company said its export and international businesses, including Dangote Flour Mills in Nigeria continued to under-perform. The international division grew turnover by 20% to R3.7bn. Sales volumes were strong, but were offset by pressure on volumes at Dangote primarily because of intense competitor activities.

"Tiger Brands experienced significant cost inflation in the first half, partly due to the rapid decline in the rand exchange rate. This was not fully recovered in pricing and hurt our margins, but we are expecting this margin erosion to ease over the rest of the year as pricing is adjusted to partially absorb the higher costs," Matlare said.

"However, the group will continue to partially absorb cost increases in a number of categories, mitigating the impact where possible through cost reduction initiatives and improved efficiencies," he added.

Matlare said the turnaround in the performance of Dangote over the medium term is a key objective.

"We are currently implementing short-term and medium-term actions, which include reducing Dangote's fixed cost base, mothballing mills where appropriate and rebuilding the brand equity of its product basket. The successful implementation of these initiatives will improve the overall outlook for the business in the longer term," he said.

Tiger Brands said that given the under-performance of Dangote and the excess milling capacity that continued to rise in the Nigerian flour market, the board fully impaired the carrying value of the goodwill and intangible assets relating to the company's investment in Dangote. The value of this impairment is R849m.