



Annual Results presentation

for the year ended 30 September 2013

Agenda



Introduction

Phil Roux

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Leon Cronjé

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Sasko

Tertius Carstens

Consumer Brands

Felix Lombard

Quantum Foods

Hennie Lourens

Strategic review and outlook

Phil Roux

Introduction

Phil Roux



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Business

Tuesday November 19 2013

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Johannesburg

Cape

FTSE-JSE indices	Close	% ch
All Share	45428.85	▲ 0.56
Top 40	40593.96	▲ 0.49
Findi 30	55223.26	▲ 0.73
Resources 20	51885.55	▼ 0.08
Goldex	1305.48	▼ 2.85

FTSE-JSE all share daily close



Bonds/forwards I-Net Bridge % ch

R186	8.08	—	0.00
R207	7.35	▼	0.20
3-mth NCD spot	5.18	▲	1.33
R/\$ (6-mth)	10.422	▲	0.59
R/\$ (12-mth)	10.725	▲	0.61

Currencies I-Net Bridge % ch

R/\$	10.123	▲	0.32
R/£	16.304	▲	0.42
R/€	13.677	▲	0.19
\$/€	1.351	▼	0.22
¥/\$	100.070	▲	0.28

Com

Gold
Gold
Bren
Plati
Palla

GREAT READS INSIDE

EDITORIAL OPINION Africa must grasp ICC escape plan Page 12

PALESA MORUDU Corrosive effects of patronage politics Page 13

NEIL MANTHORP India can teach SA about cricket heroes Page 27

24hours

Nampak buys beverage-can unit in Nigeria by cash, debt

NAMPAK has bought Alucan Packaging, a beverage-can operation in Nigeria, funding the deal through existing cash resources and debt facilities. Africa's largest packaging group also said yesterday it had been granted an option to acquire a leading rigid plastics company in West Africa's

Consumer outlook for economy at 20-year low

Confidence at levels worse than in 2008 recession, power cuts

NTSAKISI MASWANGANYI
Economics Editor

electronic equipment. Consumers are feeling very downbeat about

Fri
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Growth in SA is projected to improve, but the economic centre of gravity is rapidly shifting to the rest of Africa

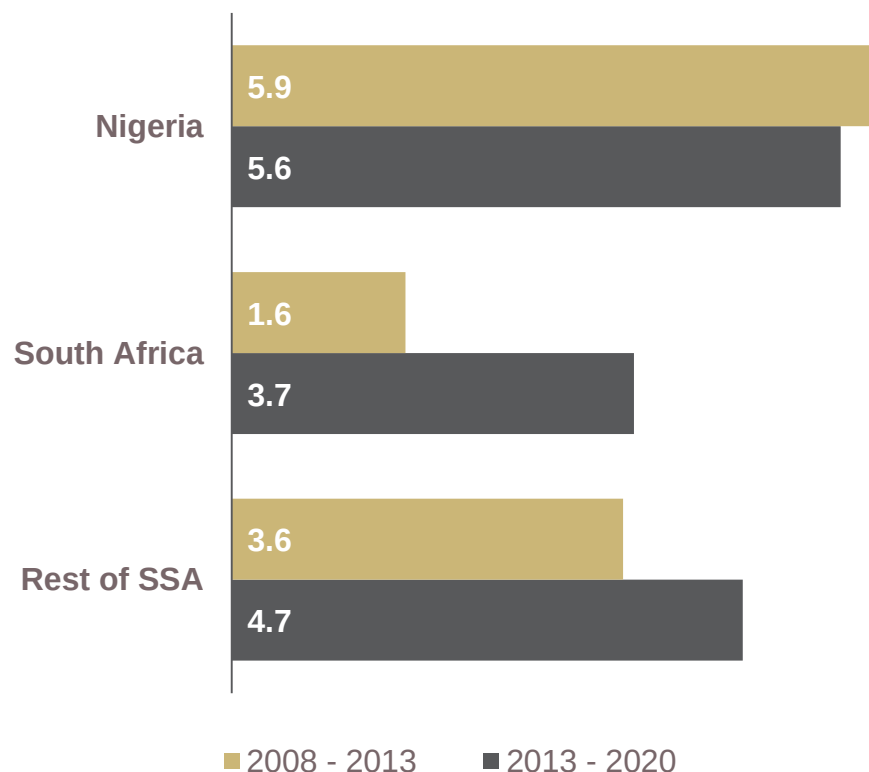


South Africa is expected to recover through to 2020, but will still lag the rest of SSA ...

... and in the next few years Nigeria will overtake SA as the largest economy in the region

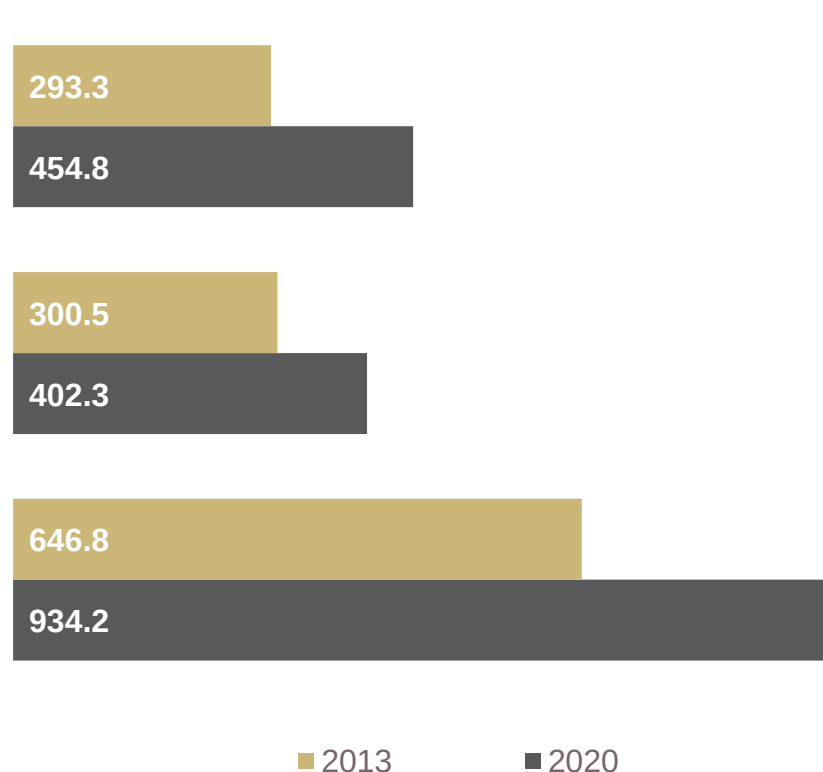
Real GDP growth¹

CAGR; %



Total real GDP¹

USD billions



¹ 2008 base year

Source: Global Insight World Market Monitor

Growth in consumer spending is concentrated at the higher end of the income scale ...



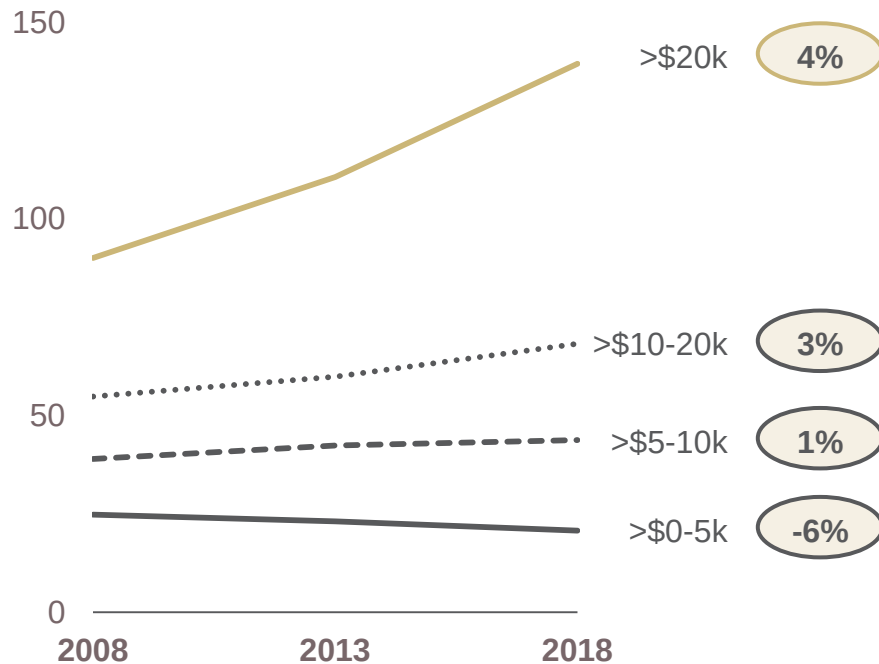
Growth in consumption primarily driven by high income consumers ...

Total real¹ consumption by household income bracket

CAGR

USD billions

2013 – 2018



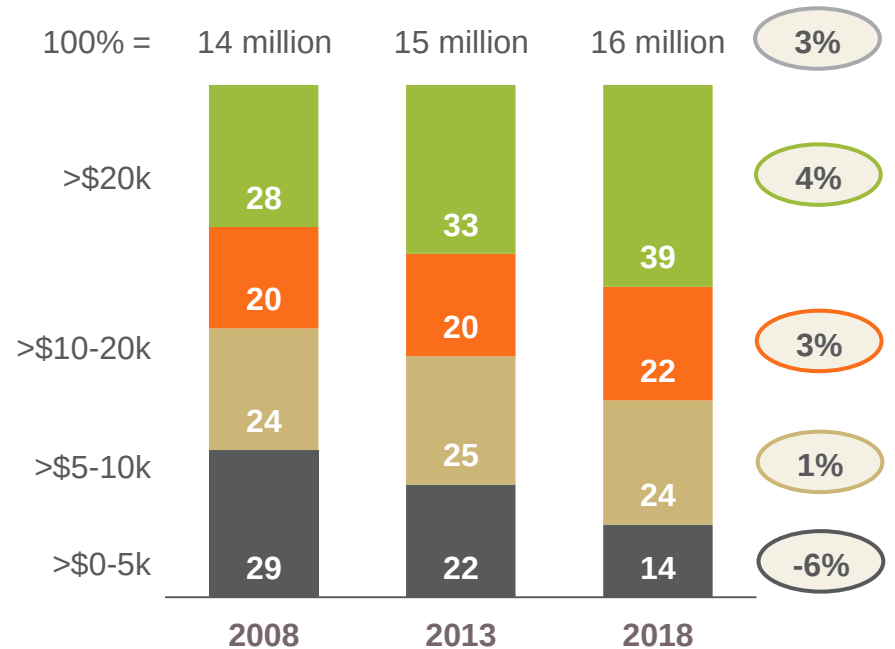
... with an increase in the number of high income consumers being the key factor

Share of households in each income bracket

CAGR

Percent

2013 – 2018



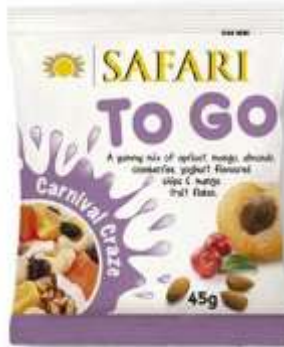
¹ 2008 base year

Source: C-GIDD

Context for performance: trading environment



- Limited market growth
 - Constrained consumer spending sustained
 - Highly competitive market dynamics
 - Rand weakness translates to cost pressure
 - Private label + 2nd tier brands remain a threat and an opportunity



Performance summary



	Group	Continuing operations
Revenue	 10% to R20.6bn	 9% to R17.0bn
Adjusted operating income	 9% to R1 271m	 7% to R1 270m
Adjusted HEPS	 13% to 456 cents	 9% to 452 cents
Adjusted operating margin	 at 6.2%	 at 7.5%

Final dividend	 23% to 86 cents
Total dividend for year	 16% to 132 cents

Financial review

Leon Cronjé



Impact of Quantum Foods unbundling



Statement of comprehensive income

- **Statutory line items for the current year and comparative numbers reflect continuing operations only**
- **Contribution from discontinued operations reflected separately on a single line**

Segmental reporting

- **No impact**

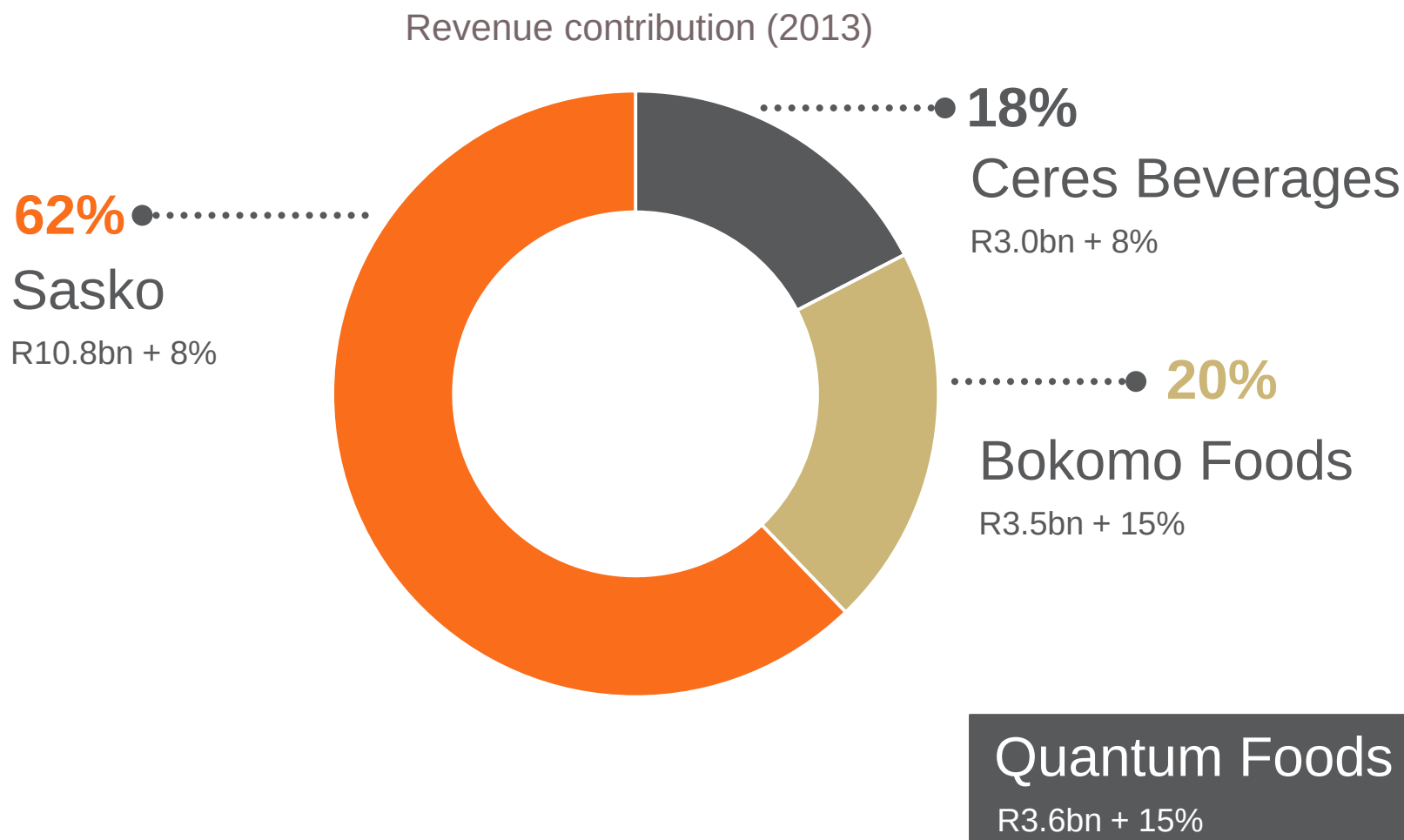
Statement of financial position

- **No impact on numbers in comparative period**
- **Statutory line items for the current year reflect continuing operations only**
- **Assets and liabilities of discontinued operations reflected as single line items**

Cash flow statement

- **No impact**

Group revenue: continuing operations



Revenue analysis: continuing operations



Twelve months to 30 September 2013		2013	
South Africa	86%	14 601	+7%
Rest of Africa	8%	1 277	+28%
Manufactured in SA		739	
Manufactured in rest of Africa		538	
Other exports and UK	6%	1 114	+31%
Manufactured in SA		640	
Manufactured in UK		474	
Group total		16 992	+9%

Continuing operations

Gross profit analysis



Twelve months to 30 September 2013 (Rm)	2013	
Revenue	16 992	+9%
Cost of goods sold (COGS)	(11 986)	+10%
Gross profit	5 006	+7%
GP%	29.5%	-0.6% 30.1%
COGS	11 986	+10%
Less: Direct production cost recovery	2 089	+7%
Raw material cost	9 897	+11%
GP% - raw material cost only	41.8%	-0.8% 42.6%

Continuing operations

Operating profit analysis



Twelve months to 30 September 2013 (Rm)	2013	2012	
Net operating profit as reported	1 053	1 047	
Adjustments	217	136	
Phase I B-BBEE transaction	146	(36)	
Phase II B-BBEE transaction	—	161	
Re-organisation cost	69	—	
Items of a capital nature	2	11	
Adjusted operating profit	1 270	1 183	+7%
Adjusted operating profit margin	7.5%	7.6%	

Group earnings analysis



Rm	2013	2012	Change
Total earnings	497	604	-18%
Plus: Items of a capital nature (after tax)	208	2	
Headline earnings	705	606	16%
HEPS (cents)	389	337	15%
Plus: Non-recurring and non-operational costs (after tax effect)	121	125	
Adjusted headline earnings	826	731	13%
Adjusted HEPS (cents)	456	407	12%

Non-recurring and non-operational costs (after tax effect)



Rm	2013	2012
	121	125
Phase I B-BBEE transaction	146	(36)
Phase II B-BBEE transaction	—	161
Re-organisation cost	49	—
Reversal of deferred tax asset	(74)	—

Impact of Quantum Foods unbundling



Twelve months to 30 September 2013 (Rm)	2013	2012
Earnings	497	604
From continuing operations	697	611
From discontinued operations	(200)	(7)
Items of a capital nature (after tax)	208	2
From continuing operations	1	8
From discontinued operations	207	(6)
Headline earnings	705	606
From continuing operations	698	619
From discontinued operations	7	(13)

Cash flow analysis



Twelve months to 30 September (Rm)	2013	2012	
Cash profit from operations	1 623	1 515	+7%
CC penalty	(217)	(217)	
Change in working capital	53	(266)	
Inventory	(276)	(136)	
Debtors	1	(162)	
Creditors	370	34	
Other	(42)	(2)	
Cash effect from commodity hedging	23	(32)	
Cash generated by operations	1 482	1 000	+R482m

Cash flow analysis (continued)



Twelve months to 30 September (Rm)	2013	2012
Net cash flow of investments	(1 333)	(753)
Property, plant and equipment and intangible assets		
Additions	(843)	(560)
Replacements	(242)	(174)
Proceeds and disposal	28	14
Business combinations	(315)	(26)
Interest and dividends received	20	21
Other	19	(28)

Capital expenditure: progress report



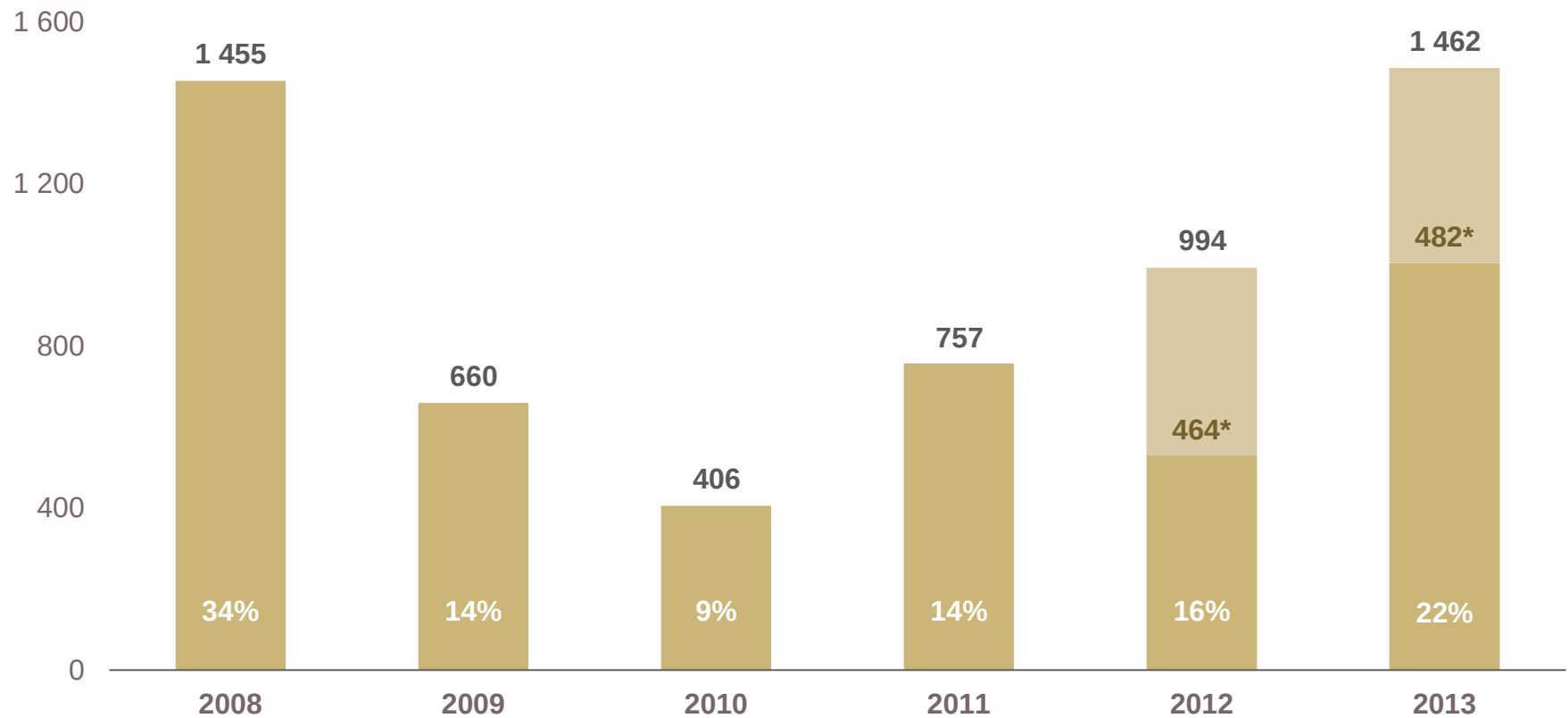
Capital expenditure (Rm)	Total approved	2012	2013	2014
Growth capital				
Shakaskraal Bakery	470	102	321	47
Corn Flakes plant – Gauteng	150	126	24	–
Mega Eggs – Zambia	144	–	144	–
Agri repositioning				
Lemoenkloof layer farm	51	–	51	–
Darling Fresh Chicken – broiler and breeder farms	120	–	120	–

Capital expenditure: progress report (continued)



Capital expenditure (Rm)	Total approved	2012	2013	2014
Site consolidation/efficiency				
Malmesbury/Paarl Mill consolidation	330	—	222	108
Brito's Bakery – Bread cooling project	21	—	8	13
Cold storage – Tydstroom Durbanville	25	—	25	—
Fransrug pullet rearing	27		22	5
Gauteng abattoir consolidation	60	—	50	10

Group debt (Rm) and debt equity ratio (%)



* Phase II B-BBEE transaction third-party debt

Segmental analysis



Twelve months to 30 September (Rm)

	H1	Diff	H2	Diff	2013	
Group operating profit	597	(28) (-4%)	675	138 (+26%)	1 271	+9%
Sasko	364	(88)	461	(29)	825	-12%
Quantum Foods	(33)	(50)	14	73	(19)	-55%
Bokomo Foods	142	23	147	2	289	9%
Ceres Beverages	169	83	95	93	264	200%
Other	(60)	(11)	(96)	(55)	(156)	-73%
Re-organisation cost	15	15	54	54	69	

Sasko

Tertius Carstens



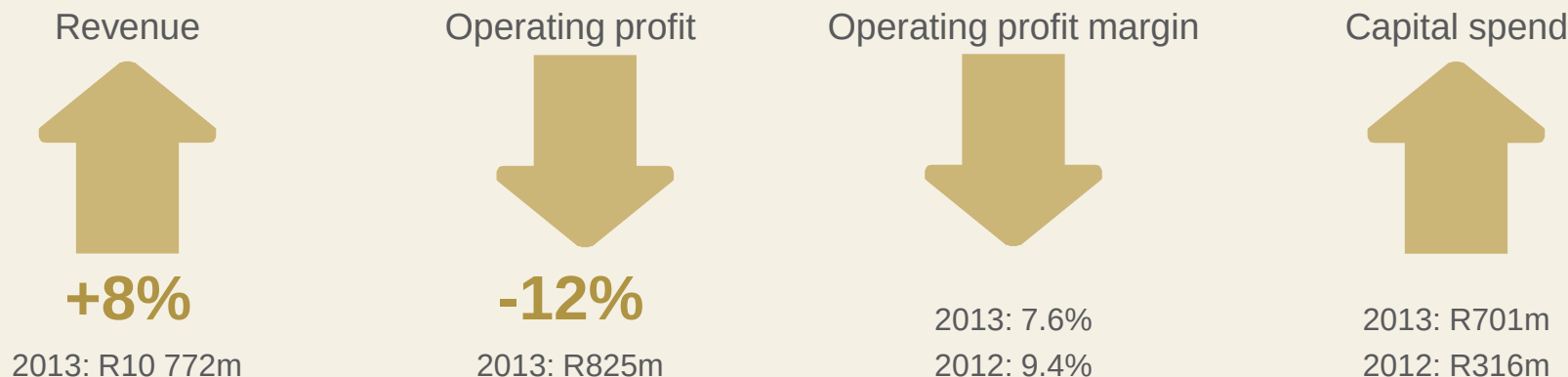
Sasko performance overview



- **Accelerated decline in category consumption of wheat and maize in the final quarter**
 - › Volume regression in wheat flour and bread categories
 - › Volume growth in maize, rice and pasta
- **Second half performance uptick, but insufficient to arrest full year decline**
 - › Maize posted improved results
 - › Rice performance edged up
- **Gross profit: Inhibitors**
 - › Volume regression in wheat value chain
 - › Lack of rice price recovery



Sasko performance summary



- **Revenue growth**
 - › 1.4% volume growth
 - › Price inflation across the board
- **Operating profit: 2H2013**
 - › *White Star* drives improvement on 1H2013
 - › Weak demand and margin inhibited performance of the wheat category
- **Shakaskraal Bakery commissioned**
 - › Additional capacity, new technology and process enhancements to bolster product quality
- **Malmesbury Mill project progressing well**
 - › Footprint rationalisation, technology efficiency, additional capacity

Sasko performance summary (continued)



Main product categories	Price change	Volume change
Wheaten flour	+11%	-2%
Maize meal	+5%	+5%
Rice	+3%	+5%
Bread	+9%	-3%
Pasta	+7%	+6%

Revenue contribution (2013)



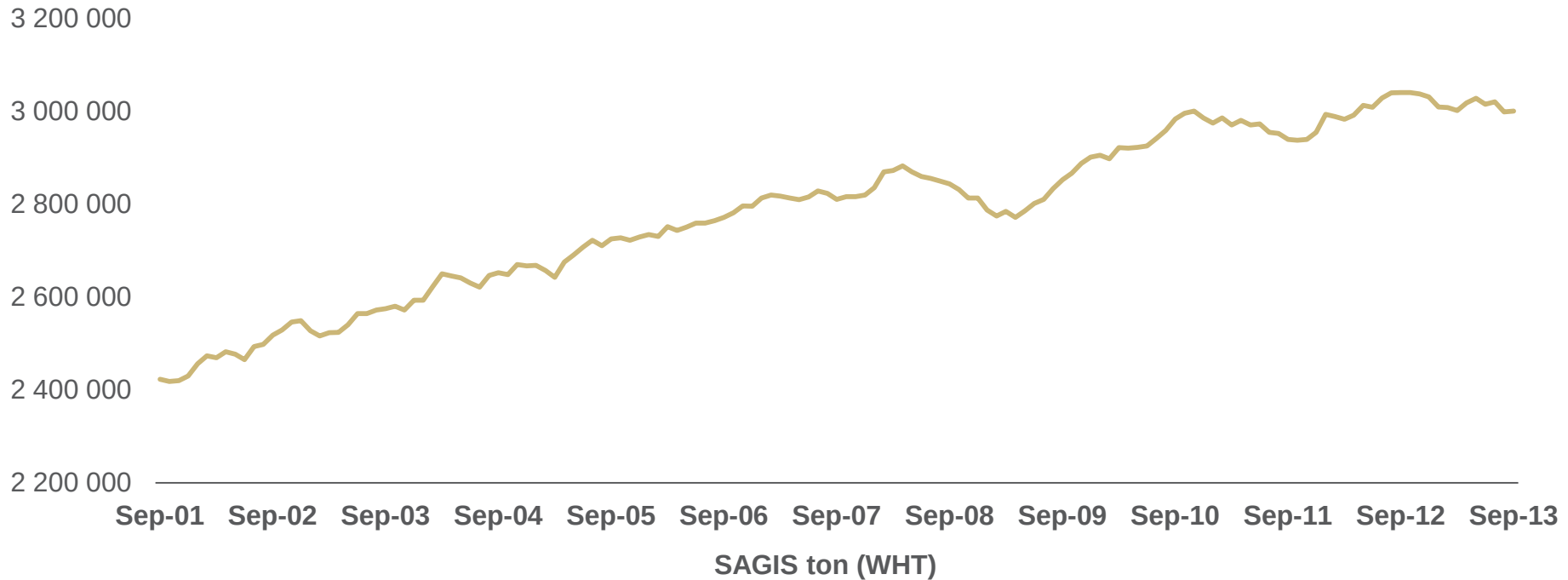
76% Baking and milling
24% Other grains

- Inflationary trend in wheat value chain impacts on volumes
- No change in revenue contribution per product category

Wheat consumption



SA wheat milled: annualised per month



- **Full year industry decline of 1.8% versus long term growth of 2%**
 - › Further slow down in Q4
- **Sasko overall milling share maintained**

Wheat



- SA continues to import 45-50% of local requirement
- Black Sea origin provided opportunity, but exchange rate and origin shift to EU and US will push inflation in the new year
- World stock sufficient

Wheat flour



- **Total wheat consumption (SAGIS) 1.8% decline**
- **Overall TEG volume down by 2.7% (Aztec MATSep13)**
 - › Inflation at 9.7%
- **Sasko maintains strong share in TEG**
 - › Volume share at 24% (Aztec MATSep13)
- **Private label continues to strengthen in TEG**
- **Industrial application**
 - › Further volume regression
 - › Heightened competitor activity



Malmesbury Wheat Mill



- **Overall defined retail volume for plant bread down by 2.9% (Aztec MAT Sep13)**
 - › Inflation at 11.1%
- **Sasko position in TEG**
 - › Volume share at 31.6% (Aztec MAT Sep13)
 - › Sasko inflation ahead of category
 - › Some volume loss
- **Category characterised by:**
 - › Aggressive in-store produced bread pricing
 - Volume leader in major retailer
 - › Significant competitor activity
 - Regional price activity
 - Brand renovation
- **Value creating plans:**
 - › Significant re-engineering
 - Logistics, waste, channel and product mix optimisation



Shakaskraal Bakery





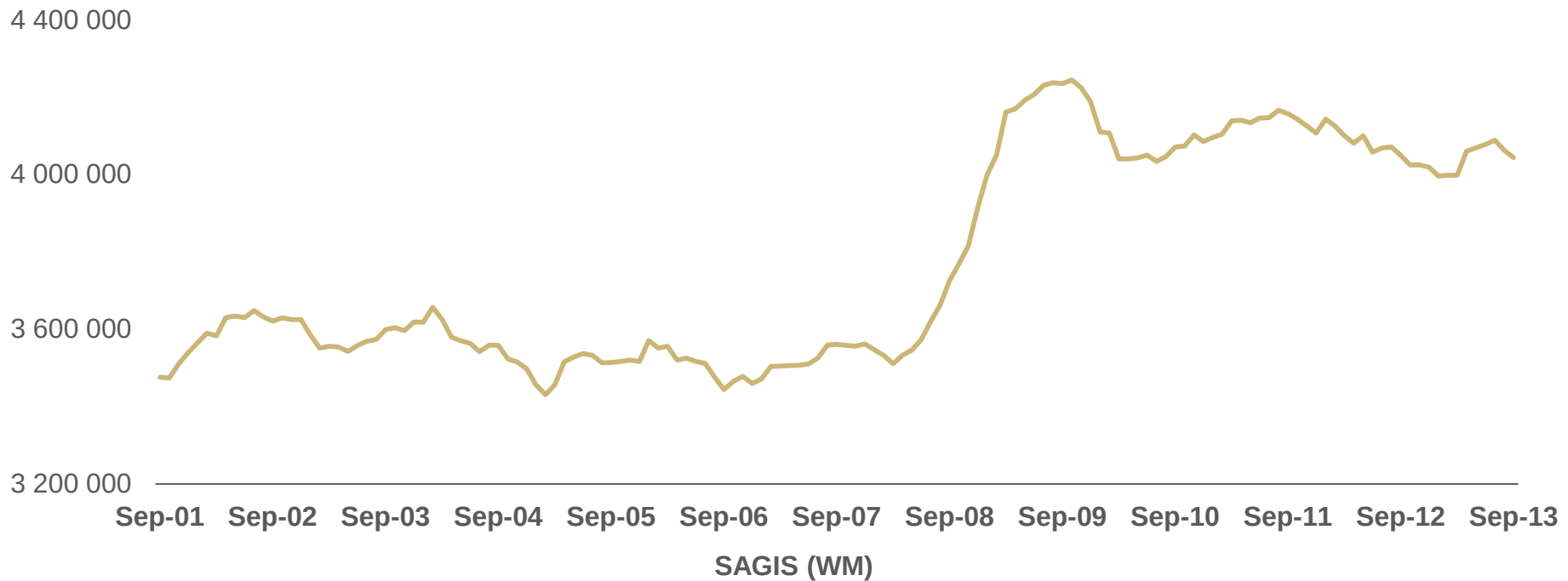
- **Overall TEG pasta volume marginally down by 0.7% (Aztec MAT Sep13)**
 - › Inflation at 8.6%
- **Private label contribution is entrenched**
 - › Sasko share c. 45%
 - › Product range is a key requirement
 - › Sasko strategically positioned
 - Significant co-packer of private label
- **Importation an inherent risk**
 - › Mitigated by supply chain complexity
 - › Rand/Dollar exchange rate volatility
- **Focus on strengthening own brands (Puccini/Pasta Grande)**



Maize consumption



SA white maize milled: annualised per month



- Year-on-year total industry consumption marginally negative, with Q4 declining further
- Quality of current crop assisted processing efficiency and yield positively
- Sasko milling share gain

White maize



- Pricing inflationary trend given uncertainty with local planting and 2013 carry out stock
- Price volatility expected in 1H2014 until new crop is “made”
- Actual new season crop to determine 2H2014 price level

Maize meal



- **Total white maize consumption (SAGIS) down 0.9%**
- Overall TEG volume up by 2.6% (Aztec MAT Sep13)
 - › Inflation at 3.5%
- **White Star maintaining strong brand leadership position**
 - › Share up to 34.4% (Aztec MAT Sep13)
 - › Brand premium maintained
- **Sustained focus on product quality and brand building**
- **Product innovation through *White Star Quick***
 - › Traction slower given innovation step change
 - › Invested in above and below the line support



Rice



- **Overall defined retail rice volume up with 1.7% (Aztec MAT Sep13)**
 - › Full year inflation at 1.6%
 - › Final quarter inflation driven by exchange rate at 6.8% inhibits category growth (-2.4%)
- **Overall rice share is 16.6% (Aztec MAT Sep13)**
- **Performance improved in 2H2013**
 - › Full year 2013 at EBIT breakeven
- **Category recovery will depend on**
 - › Supply side price dynamics and future of Thai pledging scheme
 - › Rand/Dollar exchange
 - › Ability to price



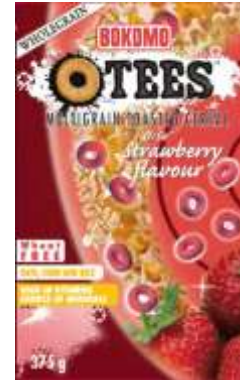
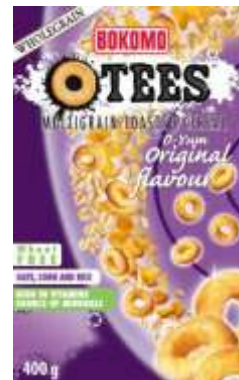
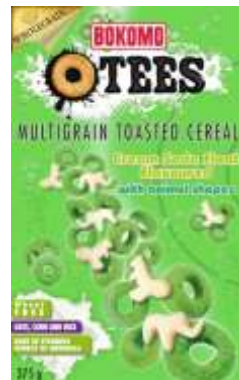
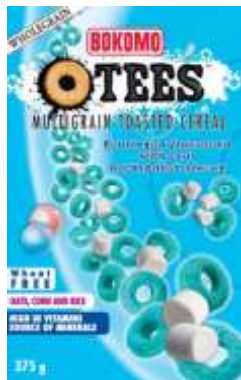
Consumer Brands

Felix Lombard



Consumer Brands

- **Dynamic six months for Consumer Brands**
 - › Internal merger was challenging
 - › Contending with a large vine fruit crop
 - › Market activation of the Corn Flakes range
- **Performance drivers**
 - › Stellar beverage performance
 - › Exchange rate aid and abet exports
 - › Export volume growth
- **Results negatively impacted by restructuring costs**



Bokomo Foods performance summary



Revenue



+15%

2013: R3 527m

Operating profit



+9%

2013: R289m

Operating profit margin



2013: 8.1%

2012: 8.5%

Capital spend



2013: R96m

2012: R183m

Main product categories	Price change	Volume change
Breakfast cereals	+6%	+4%
Moir's biscuits	+3%	+46%
Dried fruit products	+1%	+33%
Baking aids and desserts	+6%	-1%

Revenue contribution (2013)



47% Breakfast cereals

7% Baking aids

18% Dried fruit products

28% Other

Bokomo Foods cereals overview



- **Breakfast Cereals Category maintains growth**
 - › 2% volume growth (Aztec Sept 2013)
 - › Private label: Cold declining, hot growing middle single digits
- **Pleasing volume growth by Bokomo**
 - › Major drivers: Weet-Bix and Bokomo Corn Flakes
 - New Corn Flakes factory commissioned
 - › ProNutro volumes recovering
 - › Muesli re-launched in last quarter
- **Operating Cost Management**
 - › Cost base higher given commissioning of new Corn Flakes plant, will normalise in 2014



Bokomo Foods fruit overview



- **Crop size/Market situation**

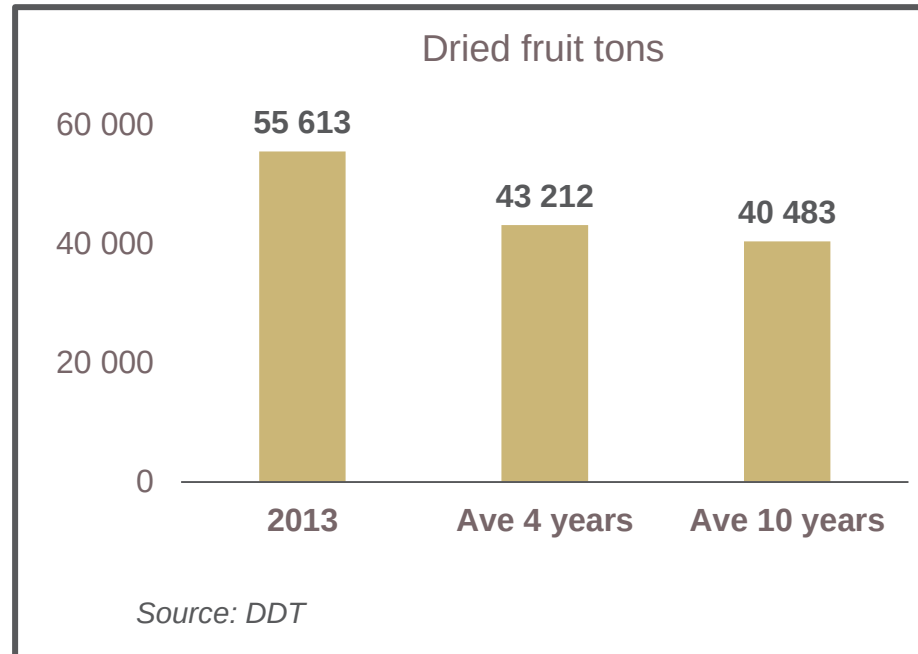
- › One of the largest vine fruit crops ever and an above average tree fruit crop
 - Vine fruit production increasing
- › Large crop in California and small crop in Turkey
- › Certain price levels under pressure
- › Exchange rate favourable for exports

- **Volumes**

- › Bokomo secures greater percentage of crop
- › Material increase in Local & Export volumes

- **Operating Cost Management**

- › Good volume leverage



Bokomo Foods other products overview



- **Mixed performance**

- › Desserts, baking, spreads, Safari Nuts performed well

- **Operating Cost Management**

- › Moderate leverage given increased volumes

- **Biscuits**

- › Category is growing c. 5% in volume (Aztec Sept.2013)
- › Moir's biscuits major contributor to growth
 - Clear number two brand
- › Volume growth of 63% (Aztec Sept.2013)
- › Increased brand investment to gain further market share



Biscuits: consumer/shopper activation



Heinz overview



- **International changes**

- › New global ownership and management
- › Rigorous cost reduction process

- **Sales growth from**

- › Stellar performance from Pioneer Foods' owned brand Wellington's
- › Locally produced products under the Heinz, Today and Big Jack brands
- › Partially offset by slower or negative growth on the imported products

- **Cost base negatively influenced by**

- › Rising commodity costs
- › Negative effect of exchange rate
- › Restructuring cost and range rationalisation



Bokomo Foods innovation



Ceres Beverages performance summary



Revenue



+8%

2013: R3 021m

Operating profit



+200%

2013: R264m

Operating profit margin



2013: 8.7%

2012: 3.1%

Capital spend



2013: R56m

2012: R112m

Main product categories	Price change	Volume change
Domestic juices	+12%	-6%
Export juices	+17%	+13%
Ice teas	+1%	+8%
Fruit concentrate mixtures	+2%	-5%
Carbonated soft drinks	+6%	+4%

Revenue contribution (2013)



41% Local juices

25% Export juices

12% Dilutables

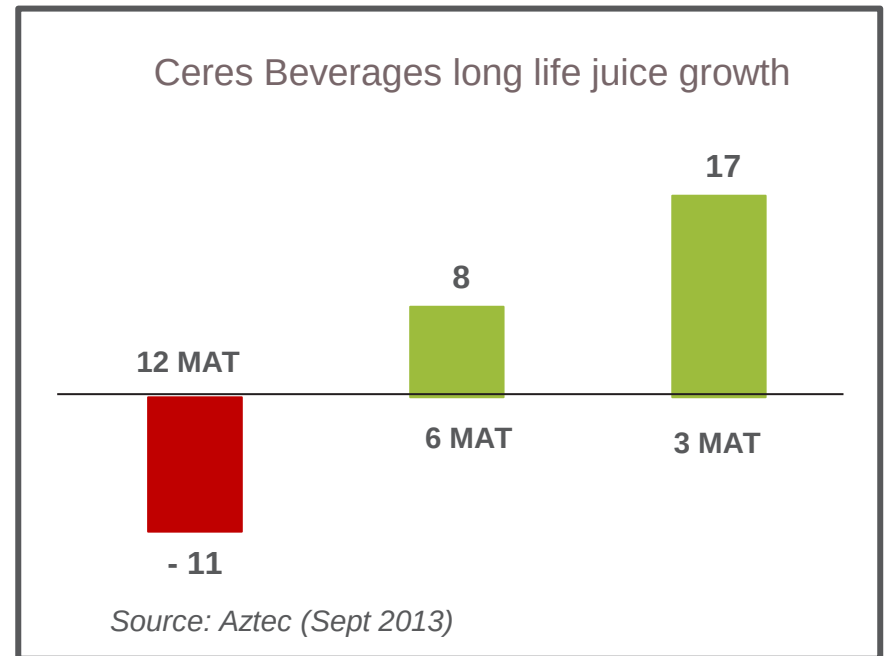
16% Carbonated soft drinks

6% Other

Ceres Beverages **overview**



- **Substantial improvement in profitability**
- **Long life juice volumes decline drastically, although some lost volumes were recovered in the second semester**
- **Excellent international volume growth**
- **Benefits of efficiency and cost gains via network optimisation**
- **Pepsi underperformed significantly**



Ceres Beverages innovation



Consumer Brands **management** focus



- Settling the combined businesses
- Defend and grow core brands
- Establish Corn Flakes awareness and trial
- Sustain growth trajectory on biscuits
- Pepsi strategic review
- Ramp up innovation
- Keep a lid on costs and ratchet up efficiencies



Quantum Foods

Hennie Lourens



Overview fiscal year 2013

- Results disappointing with an operating loss of R19m (2012: R42m)
- Significant improvement during second half of 2013
- EBITDA of R37m (2012: R3m)
- Broiler industry remains under pressure
- Egg upswing has commenced
- Nova Feeds delivered good performance
- Mega eggs acquisition contributed positively



Performance summary

Revenue



+15%

2013: R3 576m

Operating profit



2013: (R19m)
2012: (R42m)

Operating profit margin



2013: (0.5%)
2012: (1.4%)

Capital spend



2013: R483m
2012: R188m

Main product categories

Price change	Volume change
--------------	---------------

Animal feeds	+15%	+3%
--------------	------	-----

Eggs	+9%	+6%
------	-----	-----

Broilers	+8%	+2%
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Revenue contribution (2013)



27% Animal feeds

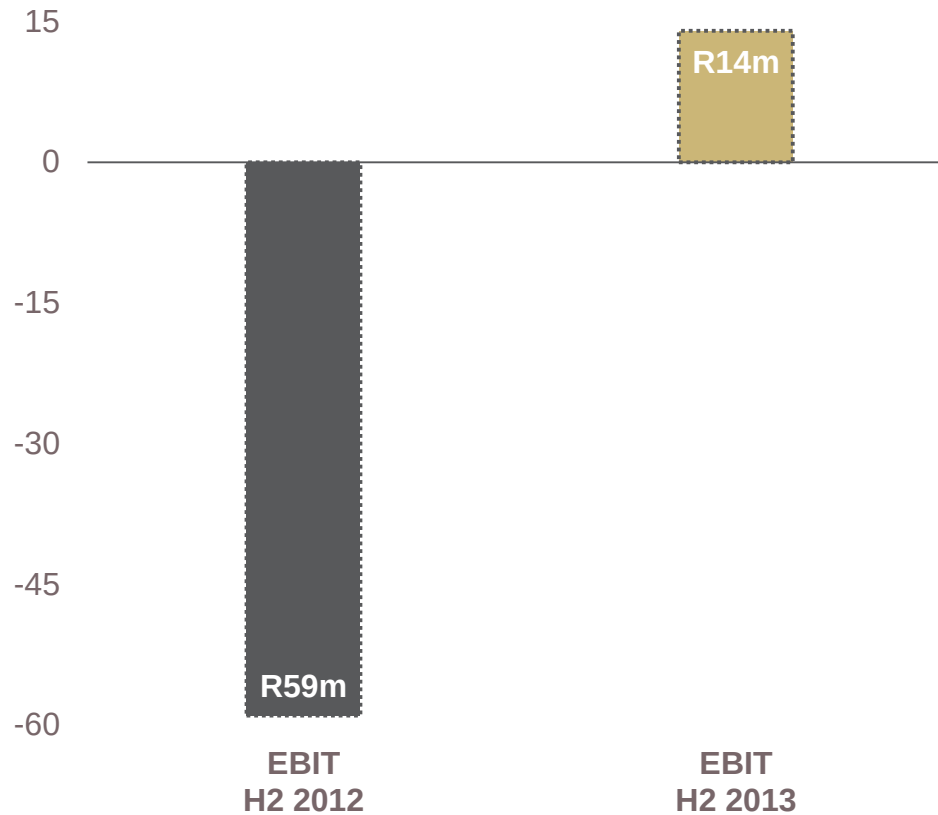
26% Eggs

35% Broilers

8% Other

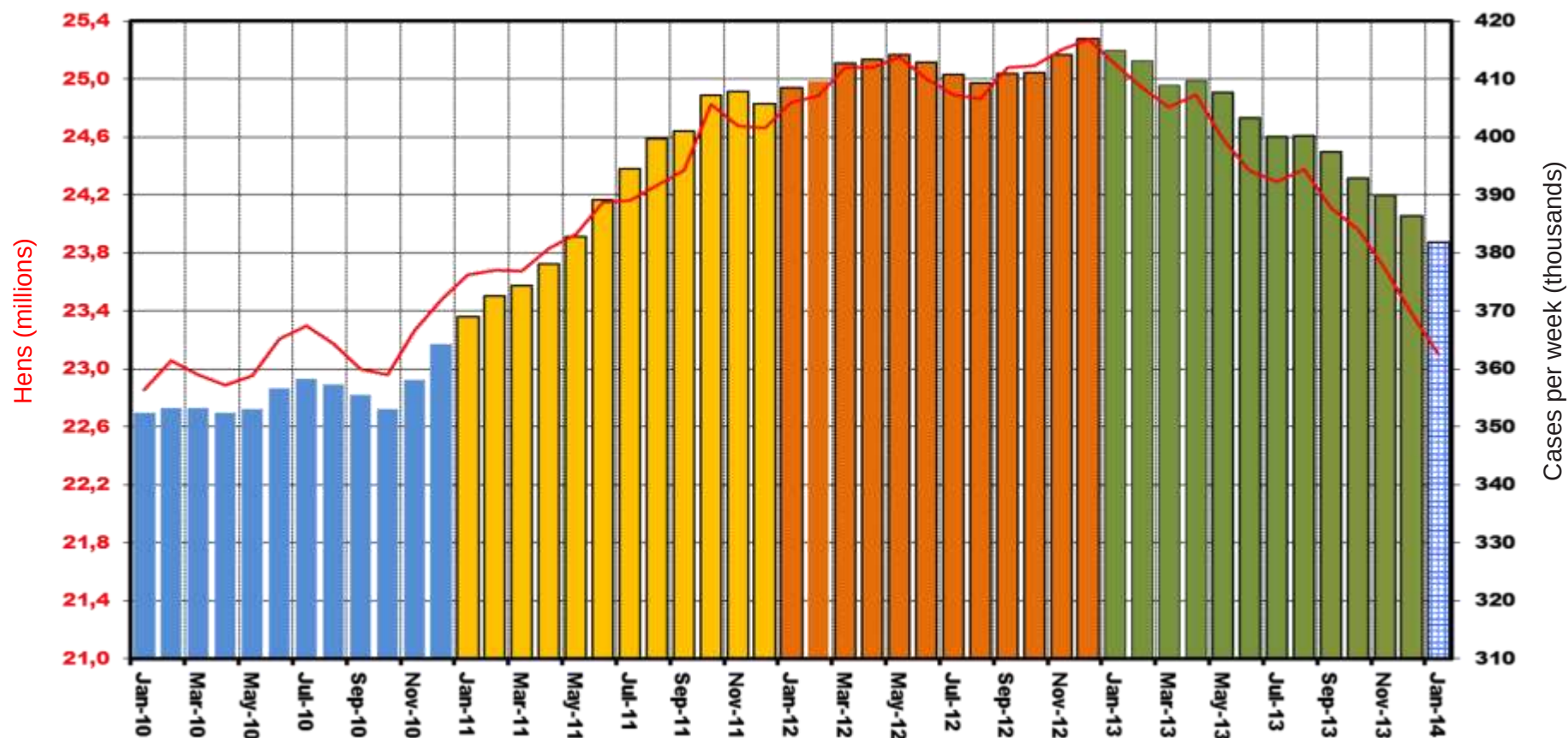
4% Africa

Second half **recovery**



Expected national flock

Projected national laying flock and egg production based on pullets hatched to September 2013



Egg value chain

- Nulaid awarded Icon Brand status
- Under recovery of feed prices
- Prices increased by 8.5%
- Layer productivity satisfactory and FCR world class
- Upswing in egg cycle commenced during last quarter of 2013



Broiler value chain

Industry remains in distress

- Margins continue to be under pressure
- Imports remain high: origin of product shifted to Europe
- Domestic production remains high
- Feed cost at highest level ever
- Consumer demand for fresh chicken muted



Broiler value chain (continued)

Successful supply chain re-engineering

- Implemented product cutback in the Western Cape
- Exited Eastern Cape market and closed production units
- Gauteng abattoir consolidation operational
- Some benefits of capital spend already realised
- Broiler efficiencies in Western Cape improved



Feeds **value chain**

Nova performance excellent

- **Feeds remains profit engine of Quantum Foods**
- **Product quality driven by scientific knowledge base**
- **Manufacturing cost increase of only 1%**
- **Growth in external business of 9.2%**
- **Effective execution of procurement strategies**



Execute growth opportunities

- **Mega Eggs acquisition**
 - › Successfully embedded
 - › Profitability in line with expectations
 - › Capex allocated for own pullet supply
 - › Expansion opportunities investigated
- **Other Zambia business**
 - › Record farm results
 - › DC sales increased by 53%
 - › Profit growth of 237% achieved
- **Uganda**
 - › Significant recovery during 2nd half of fiscal 2013
 - › Growth opportunities remain



Future prospects



- Unbundling and listing of Quantum Foods during 2014
- Unlock further value from completed domestic capital program
- Expect solid profits from egg business
- Expand egg business outside South Africa
- International grain prices should be softer

Strategic review and outlook

Phil Roux



Our vision **unpacked**



To be a leading FMCG company in Africa with globally trusted brands

Leading means:

- Number 1 or 2 brand position in select categories
- Innovative at our core
- Consumer and category led
- Thought leadership with our customers where we hold the number 1 position
- Global best practices within all functions

FMCG means

- Branded goods
- Private label governed by rules of engagement
- Food and beverages

Africa means

- South Africa
- Southern Africa: Botswana, Namibia, Zambia, Mozambique
- East Africa: Uganda, Kenya, Ethiopia
- West Africa: Nigeria, Ghana



Global means

- Export destinations

We will deliver this vision through an integrated strategy focused on 5 strategic themes



Drive above market growth

1.
Shape a winning corporate portfolio

Seed – weed – feed

2.
Focus on power brands

Enhance brand strength of winners and fully leverage market positions

3.
Embed strategic customer management

Collaborate to win in modern and traditional trade

Enhance competitiveness

4.
Reset the cost base and step up productivity

Establish an efficient cost structure and organisation

5.
Build a high performance team

Establish a high performance culture and invest in the capabilities we need to win

Sustainability: Adopt sustainability best practices in all we do

Corporate strategy unpacked



Value creation progress

Create the future 2018

Margin expansion

Procurement

Appointed head of procurement
Leverage One Pioneer
Met top suppliers



Manufacturing

Manufacturing architecture
Critical cost and efficiency focus
Standardised scorecarding (52 facilities)



Marketing

Appointed marketing executive
7 Power Brand focus
Create best-in-class competencies



Customer management

Customer centric structure
Thought leadership with customers
Trade terms optimisation



Finance and Administration

Shared service centre
Logistics
Network optimisation
Bakery partner appointed
IT
Outsourced



Strategic portfolio review

Merged Bokomo Foods and Ceres Beverages

Quantum Foods unbundling

Calibrated Top 50 talent – Learning agility

Corporate right-sizing

Amended short- and long-term management incentives

Outlook



- Economic headwinds sustained
- Strategic clarity
 - › Consumer brand led
- Value creation initiatives gain momentum
- Relentless cost and efficiency drive
- Positioned for strong cash generative cycle



Pioneer Foods
getting
stronger...



Thank you

