Tiger Brands to be vigilant on continent

By Colleen Goko

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Tiger Brands is refining its rest of Africa strategy, saying it will adopt a more focused approach when entering new territories. This comes after the disposal of operations in East Africa and Nigeria.

Image credit: All Gold

Speaking on Thursday, new CEO Lawrence Mac Dougall said, historically, the pursuit of geographic diversification had led to a loss of focus and thinly spread resources. "The intention is to reverse this cycle of underperformance by creating fuel for growth through focusing the portfolio and distorting investment where appropriate. Defining the core is therefore critical to building portfolio strength and performance."

Mac Dougall stressed that Africa and emerging markets remained a key part of Tiger Brands growth strategy but that a new refined approach would be taken with regards to these territories. "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," he said.

Mergence portfolio manager Peter Takaendesa said the company had published key performance indicators with a five-year target as part of the review that looked at aspects such as gaining market share, improving profitability and lifting the group's return on investment.

"We prefer management teams that provide clearly defined and measurable targets aimed at improving return on investment," he said.

What was concerning, said Takaendesa, was the group's outlook statement for the rest of its financial year. "It points to challenging volumes in the South African business for the remainder of the year as volumes have slowed significantly in the second quarter to March 2017 and a recovery in exports and the international business is not imminent. This appears to be a general theme in the food producers sector based on the recent results reported by their peers," said Takaendesa.

In the six months to March, Tiger Brands reported a 25% decline in operating income in exports to R194m. Overall volumes in the domestic business declined by 4% due, in part, to the Easter period falling in March 2016 compared with April in the current year, said Tiger Brands.

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Takaendesa said in line with many other companies exposed to the South African consumer, Tiger Brands would be affected by weaker consumer spend.

"However, we expect the company to be relatively defensive compared to other consumer-focused firms and could outperform their peers over the next two to three years if they execute well to achieve their published five-year targets,"

Source: Business Day