Tiger Brands says load shedding set to squeeze income

By Promit Mukherjee

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South Africa's biggest food producer Tiger Brands said on Tuesday, 30 May, that its annual income might drop as it expected a significant rise in costs because of increased load shedding in the coming winter months, sending shares down 15% in early trade.

Source: Reuters/James Oatway

Africa's most industrialised economy has been grappling with daily power cuts lasting up to 10 hours a day. Eskom has warned that increased demand during the winter months might force it to implement a 16-hour power cut in a 32-hour cycle in June and July.

"Operating costs are expected to rise significantly as a consequence of higher levels of load shedding during the winter season," Tiger Brands said in a statement.

Food companies have had to deal with global food price inflation that has affected consumer spending, high interest rates that increased the cost of debt and load shedding that have increased costs because of the need to rely on back-up generators. "Should current operating conditions persist, maintaining full-year operating income in line with last year will be challenging," the company said.

Dis-Chem's diesel costs climb to R90m

19 May 2023

For the first half ended 31 March, Tiger Brands' revenues increased 16% to R19.4bn, but inflation reduced its volumes by a percentage point. Its net financing cost, primarily the cost of debt-servicing, jumped by almost three times and the costs of mitigating the impact of power cuts increased by more than six times.

The company posted a marginal rise in its interim profit to 731 cents per share, up from 729 cents a year earlier. The company declared a dividend of 320 cents per share for the six-month period.

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