

Dis-Chem Pharmacies Limited
(Incorporated in the Republic of South Africa)
(Registration number 2005/009766/06)
Share code: DCP
ISIN: ZAE000227831
("Dis-Chem" or "the Company" or "the Group")

Interim Condensed Consolidated Financial Results for the six months ended 31 August 2021

	6 months to 31 August 2021	6 months to 31 August 2020	% change
Group revenue	R14.9 billion	12.8 billion	16.6%
Earnings per share	48.4 cents	36.0 cents	34.4%
Headline earnings per share	48.7 cents	36.0 cents	35.3%
Dividend declared per share	19.5 cents	-	100%

Overview

Despite a tough economic environment with the COVID-19 pandemic and the deepening economic recession, the Group has achieved positive results, continued to take market share in all categories and delivered strong cash generation.

Earnings attributable to shareholders and headline earnings increased by 34.6% and 35.3% respectively over the previous corresponding period. Earnings per share (EPS) and headline earnings per share (HEPS) are 48.4 cents per share and 48.7 cents per share respectively, an increase of 34.4% and 35.3% respectively.

Dis-Chem was affected by the civil unrest and looting that occurred in KwaZulu-Natal and Gauteng in July. Our committed management and staff worked tirelessly, ensuring that three stores returned to regular trading within a month, while the final Dis-Chem store reopened on the 7th of October. The Group is adequately insured to cover the losses incurred.

Dis-Chem continues to support the national response to the COVID-19 pandemic by operating a national vaccination site network, comprising mass and in-store clinic sites. During the period under review, Dis-Chem administered 405,000 vaccine doses, with that number increasing to 860,000 by the end of October.

Review of financial performance

Revenue

During the six-month period from 1 March 2021 to 31 August 2021, Dis-Chem recorded Group revenue growth of 16.6% to R14.9 billion.

Retail revenue grew by 16.0% to R13.2 billion with comparable store revenue at 6.8%. During the twelve months to 31 August 2021, eighteen Dis-Chem and three Baby City stores were opened resulting in 199 Dis-Chem and 35 Baby City stores at August 2021. These stores together with the Baby City stores acquired on 1 January 2021 contributed R822 million to revenue. The Group opened its landmark 200th Dis-Chem store in October.

Baby City has now been fully integrated into the Group. Management continues to focus on unlocking identified synergies and, to this end, the majority of the Baby City stores now have operational clinics.

Wholesale revenue grew by 17.3% to R10.9 billion. Wholesale revenue to our own retail stores, still the biggest contributor, grew by 16.5%, while external revenue to independent pharmacies and The Local Choice ("TLC") franchises grew by 13.6% and 31.2% respectively over the corresponding period. Independent pharmacy growth is negatively influenced by once-off business-to-business sales included in the prior period that inflated the comparable base by R59 million. When excluding this amount, independent pharmacy sales grew by 21.4%. TLC growth is due to a combination of an increase in TLC franchise stores from 110 to 134 together with increasing support of the supply chain from existing TLC franchisees. Independent pharmacy growth is due to new customers and increased support from the current base.

Total income

Total income grew by 18.1% to R4.2 billion, with the Group's total income margin being 28.2% compared to 27.9% in the prior comparative period.

Retail total income grew by 17.9% with the retail margin increasing from 27.3% to 27.7% over the comparable period. The

Group continued to experience changes in its sales and transaction gross margin mix due to altered consumer behaviour during the varying levels of lockdown. The sales of lower margin COVID related products, which are decreasing in price, increased disproportionately, during and subsequent to the second and third waves of infections. This has resulted in transactional gross margin lagging sales growth over the corresponding period.

Wholesale total income grew by 11.0% with the wholesale margin now at 7.5%.

Other expenses

The protocols set up to deal with COVID-19, to ensure the wellbeing of our staff and customers, continued to result in additional costs. The majority of these costs were for personal protective equipment and screening, as well as staff COVID-19 testing and store sanitising protocols.

Expenses (excluding depreciation) grew by 15.8% over the corresponding period, lower than the growth in revenue of 16.6%, and corroborates our commitment to cost management.

Retail expenses (excluding depreciation) grew by 15.8% as the Group invested in 21 new stores since the corresponding period and wholesale expenses (excluding depreciation) grew by 10.8% compared to the prior corresponding period.

Net finance costs

Net financing costs decreased by 1.3% from the prior comparable period. Excluding finance costs from IFRS 16, net financing costs decreased by 27.6% due to the reduction in the prime interest rate as well as lower average levels of working capital during the period due to the focus on ROIC. R125 million capital repayments have also been made on the Absa loan reducing the interest paid on the long-term loan.

Net working capital

During the current period, the Group's inventory decreased by R141 million from February 2021 due to the reduction in the holding of additional COVID-19 specific inventory.

Net working capital, at 25.7 days has continued to improve from 29.6 days at 28 February 2021 as the Group continues to focus on ROIC.

Capital expenditure

Capital expenditure on tangible and intangible assets of R144 million comprised of R84 million for expansionary expenditure as the Group invested in additional stores as well as information technology enhancements across both the retail and wholesale segments. The balance of R60 million relates to replacement expenditure incurred to maintain the existing retail and wholesale networks.

Directorate

Mr. Mahomed Gani resigned as a non-executive director of Dis-Chem on 9 September 2020 due to ill-health. Ms. A Sithebe was appointed on 12 January 2021 as an independent non-executive director.

Dividend declaration

Notice is hereby given that a gross interim cash dividend of 19.48540 cents per share, in respect of the interim period ended 31 August 2021 has been declared based on 40% of headline earnings. The number of shares in issue at the date of this declaration is 860 084 483. The dividend has been declared out of income reserves as defined in the Income Tax Act, 1962, and will be subject to the South African dividend withholding tax ("DWT") rate of 20% which will result in a net dividend of 15.58832 cents per share to those shareholders who are not exempt from paying dividend tax. Dis-Chem's tax reference number is 9931586144.

The salient dates relating to the payment of the dividend are as follows:

- Last day to trade cum dividend on the JSE: Tuesday, 23 November 2021
- First trading day ex dividend on the JSE: Wednesday, 24 November 2021
- Record date: Friday, 26 November 2021
- Payment date: Monday, 29 November 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 24 November 2021 and Friday, 26 November 2021, both days inclusive. Shareholders who hold ordinary shares in certificated form ("certificated shareholders") should note that dividends will be paid by cheque and by means of an electronic funds transfer ("EFT") method. Where the dividend payable to a particular certificated shareholder is less than R100, the dividend will be paid by

EFT only to such certificated shareholder. Certificated shareholders who do not have access to any EFT facilities are advised to contact the company's transfer secretaries, Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196; on 011 370 5000; or on 0861 100 9818 (fax), in order to make the necessary arrangements to take delivery of the proceeds of their dividend. Shareholders who hold ordinary shares in dematerialised form will have their accounts held at their CSDP or broker credited electronically with the proceeds of their dividend.

Strategic acquisitions affecting the reporting period Healthforce

On 1 March 2021, the Group acquired 87.5% of Healthforce (Proprietary) Limited for R48 million. Healthforce offers clinic management software that, amongst other system capabilities, sets up clinic nurses as the low-cost entry point into the healthcare system. The technology includes a telemedicine capability, which provides real time video connections between patients and nurses with an on-demand remote doctor network. The solution focuses on enabling multi-disciplinary team-based care.

In the face of a changing primary healthcare landscape, Healthforce presents the Group with a strategic asset through which it can advance its ambitions to be at the forefront of innovation in the delivery of care.

Strategic acquisitions subsequent to the reporting period Medicare

On 1 October 2021, the Group acquired 100% of the issued share capital in and shareholder claims of Pure Pharmacy Holdings (Proprietary) Limited, trading as Medicare Health ("Medicare") for R247 million.

Medicare is a healthcare and pharmacy group, operating 50 pharmacies across 4 provinces. Many of the stores in the Medicare portfolio are located in convenience centres, in geographies where Dis-Chem is currently under-represented, giving the Group access to new markets.

Kaelo

Effective 1 November 2021, the Group acquired 25% of the issued share capital and shareholder claims of Kaelo Holdings ("Kaelo") for a purchase consideration of up to R195 million, subject to company performance hurdles in the FY22 period. Upon closure, an initial amount of R160 million will be payable. This acquisition positions Dis-Chem to augment the provision of care in a rapidly evolving primary care landscape. Dis-Chem and Kaelo are both committed to playing leading roles in the ubiquitous access to affordable and quality private primary healthcare.

Outlook

For the period 1 September to 31 October 2021, Group revenue grew by 19.2% over the prior comparable period.

The Group expects that the consumer will continue to remain constrained. With the focus on ROIC, the resilient nature of the markets in which the Group operates, together with the brand position, the Group is continuing to adapt to the current environment, with a focus on mitigating the near-term impact whilst positioning itself for success in the future.

Approval

The interim condensed consolidated results of the Group were authorised for issue in accordance with a resolution of the directors on 2 November 2021.

On behalf of the Board
Ivan Saltzman
Chief Executive Officer

Rui Morais
Chief Financial Officer

This short-form announcement is the responsibility of the Company's board of directors and is only a summary of the information in the full announcement and therefore does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement published on the Group's website www.dischemgroup.com and on the JSE website using <https://senspdf.jse.co.za/documents/2021/jse/isse/dcpe/HY22.pdf>

Copies of the full announcement are available for inspection at the registered office of the Company and the Company's Sponsor at jsesponsor@standardbank.co.za, at no charge, during office hours. For more information contact investorrelations@dischem.co.za or visit our website.

The information in this announcement has not been reviewed, audited, or reported on by the Group's external auditors.

Supplementary information
Registered office:
23 Stag Road, Midrand, 1685

Independent non-executive directors:
LM Nestadt (Chairman), MJ Bowman, A Coovadia, JS Mthimunye, MSI Gani (resigned 9 September 2020)
and A Sithebe (appointed 12 January 2021)

Executive directors:
IL Saltzman (Chief Executive Officer), LF Saltzman (Managing Director), RM Morais (Chief Financial Officer) and
SE Saltzman (Alternate for LF Saltzman)

Company secretary:
NJ Lumley

Registered auditors:
Mazars

Sponsor:
The Standard Bank of South Africa Limited

Transfer secretaries:
Computershare Investor Services Proprietary Limited

3 November 2021
Midrand