



WELCOME TO DIS-CHEM'S INVESTOR DAY

July
2018





Agenda

HIGHLIGHTS OF THE SENS ANNOUNCEMENT

SINGLE EXIT PRICE (SEP)

WHOLESALE

RETAIL

OTHER

GUIDANCE



Dis-Chem
PHARMACIES

HIGHLIGHTS OF THE SENS ANNOUNCEMENT





Highlights of the SENS announcement

For the four-months ended 30 June 2018

- Group sales increased by 11.1% to R7bn
- Online sales were R21m, Click and Collect sales were R3.5m and Pay on Collection was R1.6m
- Retail sales grew by 11.1% to R6.4bn
 - › Like-for-like sales was 4.5%
 - › Price inflation was 1.18%
- Wholesale sales grew by 11.8% to R4.8bn
 - › Independent pharmacy sales grew by 11.7%
 - › TLC sales growth was 22.5%
- Guidance

SINGLE EXIT PRICE (SEP)





SEP - The impact on our business segments

Wholesale		Retail	
Drug SEP	250.0	Drug SEP	250.0
Logistics fee at 6.0%	15.0	Data fee	7.5
		Advertising and other fees	7.5
		Dispensing fee	26.0
		Total fees	41.0
Return: 6.0%		Return: 16.4%	

- Dispensing fee negotiated independently of the SEP
- Segmental fees earned where services are performed
- Variable logistics fee; all other fees are fixed, variable or a combination of both



The impact of SEP on our business

Example 1: Buy-in of stock

FY2017	March 2016	June 2016	February 2017
	SEP = R243.91	SEP = R250.00	
Buy-in 100 units at R233.40 (1H)	4.50%	2.50%	Rand
Buy-in 100 units at R243.91 (2H)	Sell: 100 at R243.91	24 391.00	Sell: 100 at R250.00
	Bought at R233.40	<u>(23 339.71)</u>	Bought at R243.91
	Profit	1 051.29	Profit
			25 000.00
			<u>(24 391.00)</u>
			609.00
FY2018	March 2017		February 2018
	SEP = R268.75		
Buy-in 100 units at R250.00 (1H)	7.50%		Rand
	Sell: 100 at R268.75	26 875.00	Sell: 100 at R268.75
	Bought at R250	<u>(25 000.00)</u>	Bought at R268.75
	Profit	1 875.00	Profit
			26 875.00
			<u>(26 875.00)</u>
			0.00
FY2019	March 2018		February 2019
	SEP = R272.14		
	1.26%		Rand
	Sell: 100 at R272.14	27 213.63	Sell: 100 at R272.14
	Bought at R272.14	<u>(27 213.63)</u>	Bought at R272.14
	Profit	0.00	Profit
			27 213.63
			<u>(27 213.63)</u>
			0.00



The impact of SEP on our business

Example 2: Stock on hand

FY2018	March 2017 SEP = R268.75	February 2018
Stock on hand - 100 units bought at R250 per unit	7.50%	
	Sell: 100 at R268.75	26 875.00
	Bought at R250	<u>(25 000.00)</u>
	Profit	1 875.00
FY2019	March 2018 SEP = R272.14	February 2019
Stock on hand - 100 units bought at R268.75 per unit	1.26%	
	Sell: 100 at R272.14	27 213.63
	Bought at R268.75	<u>(26 875.00)</u>
	Profit	338.63



The impact of SEP on our business

Example 3: SEP increase effect on fees received



- In high SEP environments, we have operating margin leverage in both the wholesale and retail segments
- In low SEP environments, we have operating margin compression in both the wholesale and retail segments
- SEP affects all variable fees with pharma manufacturers



WHOLESALE



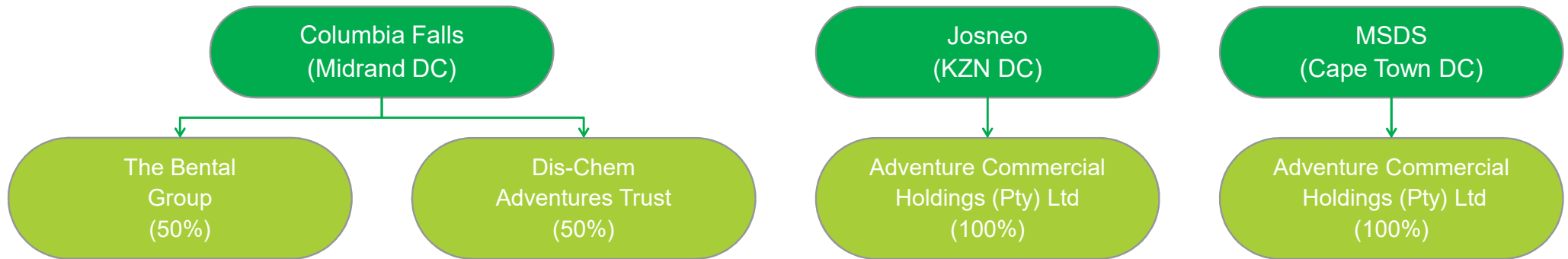


Composition and growth of Wholesale turnover

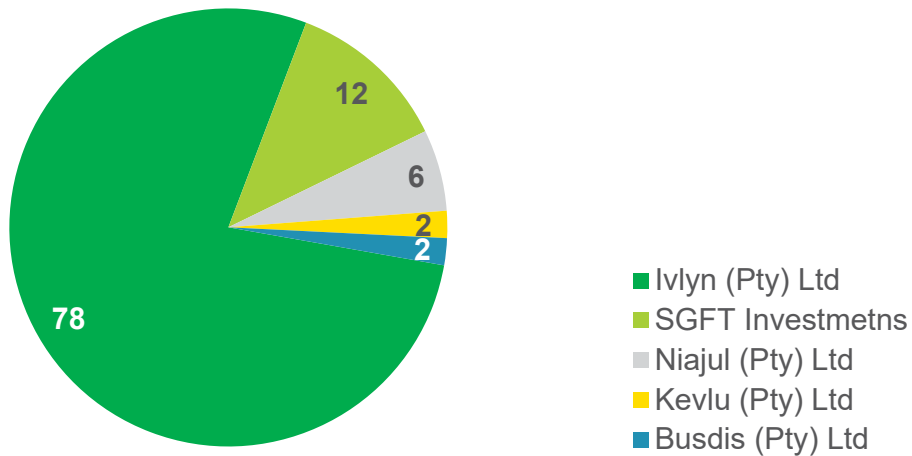
	Contribution to total sales		Turnover growth over the 4 month period
	4 months to June 2017	4 months to June 2018	
Midrand			
Internal	99.4%	98.3%	(4.5%)
Independent	0.5%	1.1%	91.6%
TLC	0.1%	0.6%	327.2%
KwaZulu-Natal			
Internal	98.6%	95.9%	85.3%
Independent	0.8%	1.4%	247.1%
TLC	0.6%	2.7%	840.9%
Cape Town			
Internal	99.7%	99.7%	275.0%
Independent	0.3%	0.3%	349.1%
TLC	n/a	n/a	n/a
Delmas			
Internal	39.4%	43.5%	21.6%
Independent	37.8%	33.4%	(2.7%)
TLC	22.8%	23.0%	10.7%



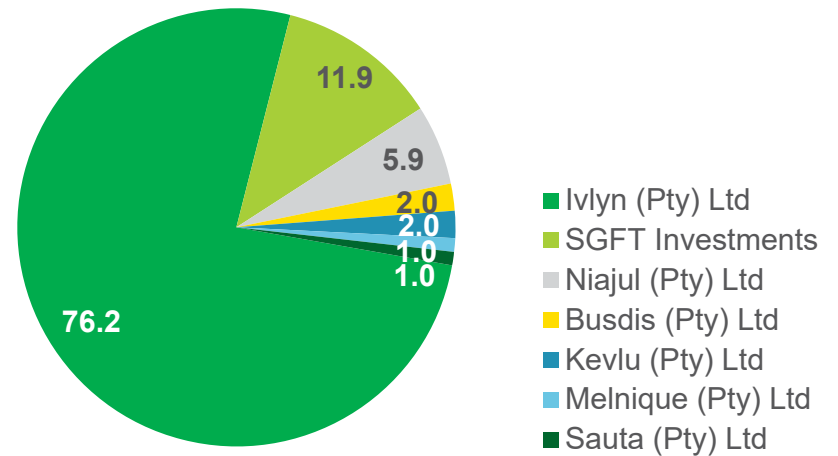
Ownership structure of the different distribution centres



Dis-Chem Adventures Trust (%)



Adventure Commercial Holdings (Pty) Ltd (%)





Lease term disclosures

	Midrand	Cape Town	Kwa-Zulu Natal
Type of lease	Financial	Operating	Operating
Lease period	30-years	10-years	10-years
Annual escalation	8%	7%	7%
Review clause period	7-years	5-years	5-years

- All future acquisition terms will be disclosed in detail



RETAIL



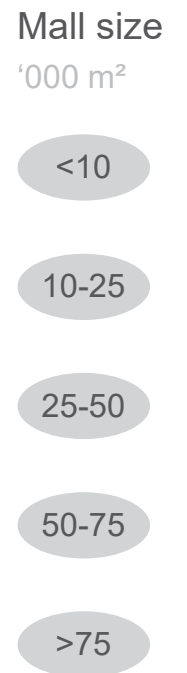
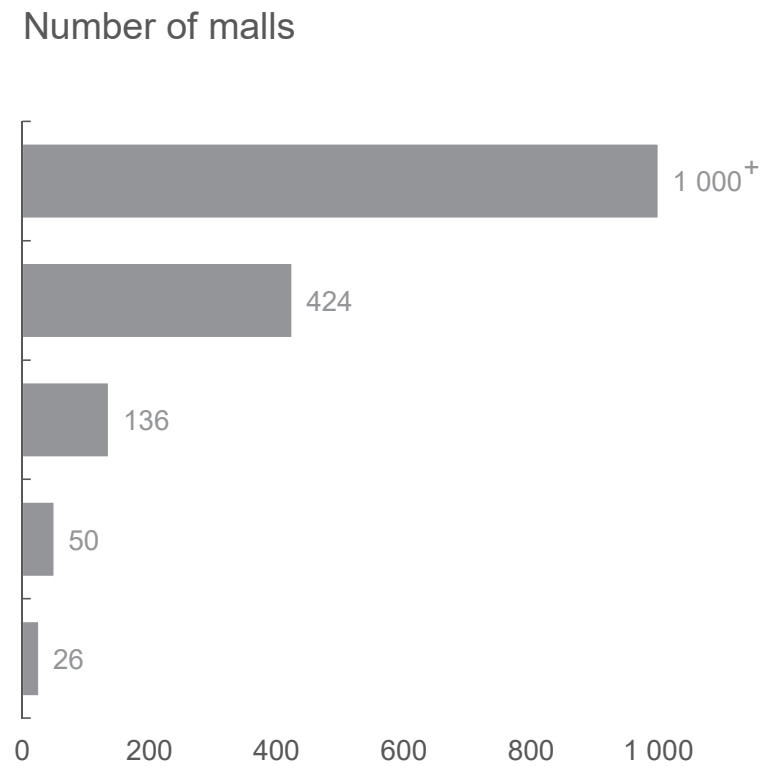
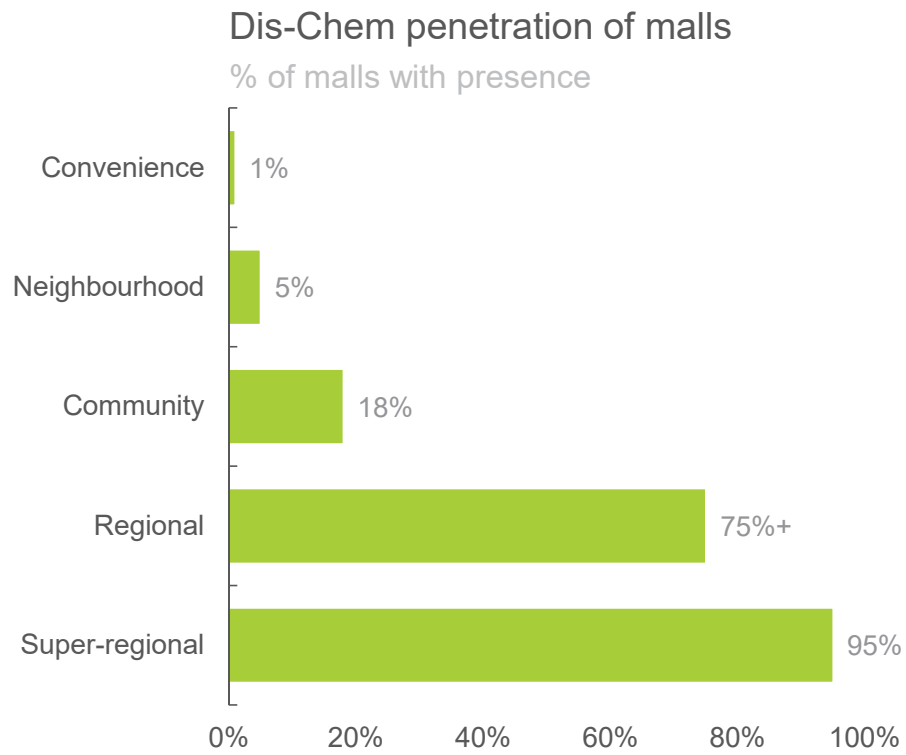


Site identification

Geo-coded loyalty data and analysed catchment area penetration	Bottom-up estimation of Dis-Chem potential for South Africa	Identified micro-markets with incremental opportunity	Identified characteristics of each market	Overlay potential with script data to validate results
<ul style="list-style-type: none"> • Geo-coded loyalty card holders • Each customer linked to a specific census area (100 000 areas across SA with ~250 households in each) • Calculated Dis-Chem loyalty card penetration for each census area (i.e. percentage of total households in census area with a loyalty card) 	<ul style="list-style-type: none"> • Estimate Dis-Chem potential per census area • Household spend per census area used to estimate total value • Dis-Chem penetration based on loyalty card data used to estimate Dis-Chem potential in census area • Summed up for whole of SA 	<ul style="list-style-type: none"> • Identify top potential markets (many census areas) across country, ranking market potential by value • 2.5km radius in metro and 10km radius in non-metro markets 	<ul style="list-style-type: none"> • Size of opportunity, degrees of penetration and competition used to categorise markets • Competition disaggregated into independents and Dis-Chem presence • Assign each market potential action archetypes 	<ul style="list-style-type: none"> • Overlay size of script market in each area • Use combination of incremental market potential to estimate stores per market • Use incremental script market potential to validate results



Site identification | continued



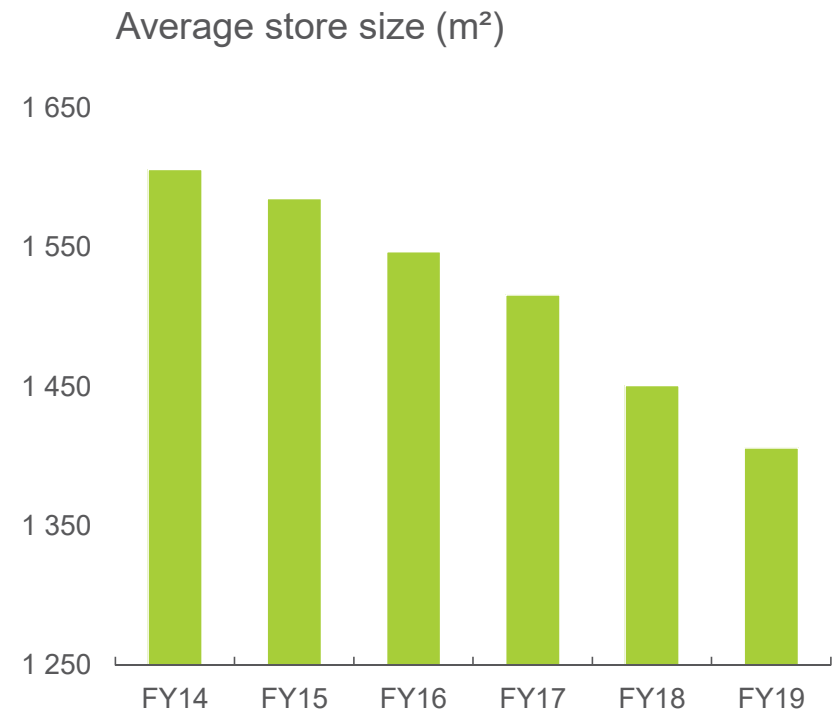
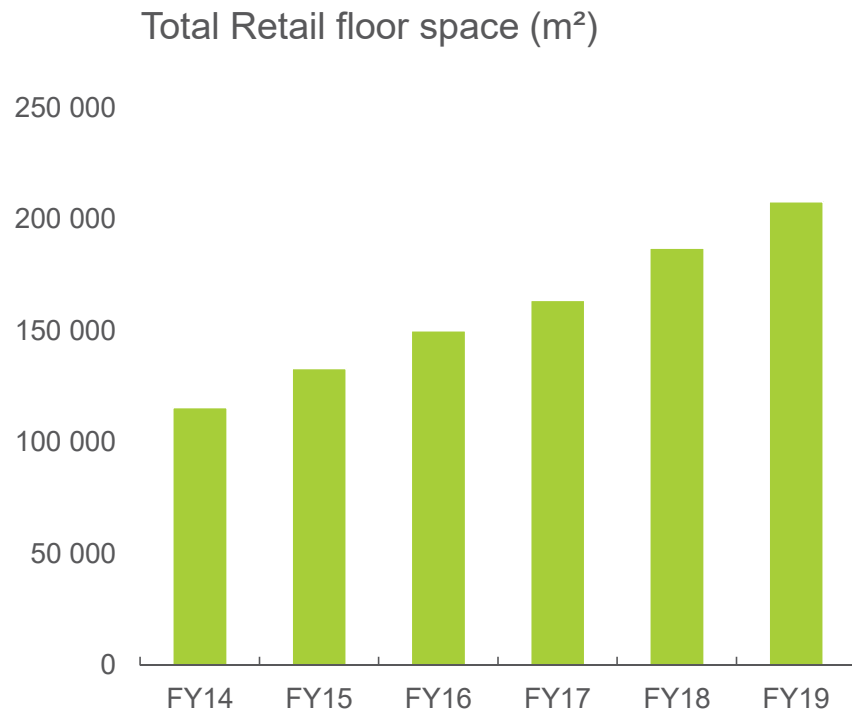


Store formats

Format type	Number of stores FY18	New stores FY19	Centre type	Trading space	Product range	Minority partner
Big Box Format	116	10	Super regional/ Regional	1000 m ² plus	Full core and ancillary	Unlikely
Smaller Format	8	8	Community/ Convenience	650 m ² to 1 000 m ²	95% core No ancillary	Possible
Dis-Chem TLC	2	2 (plus another potential seven)	Neighbourhood/ Residential	350 m ² to 650 m ²	75% core No ancillary	Very likely



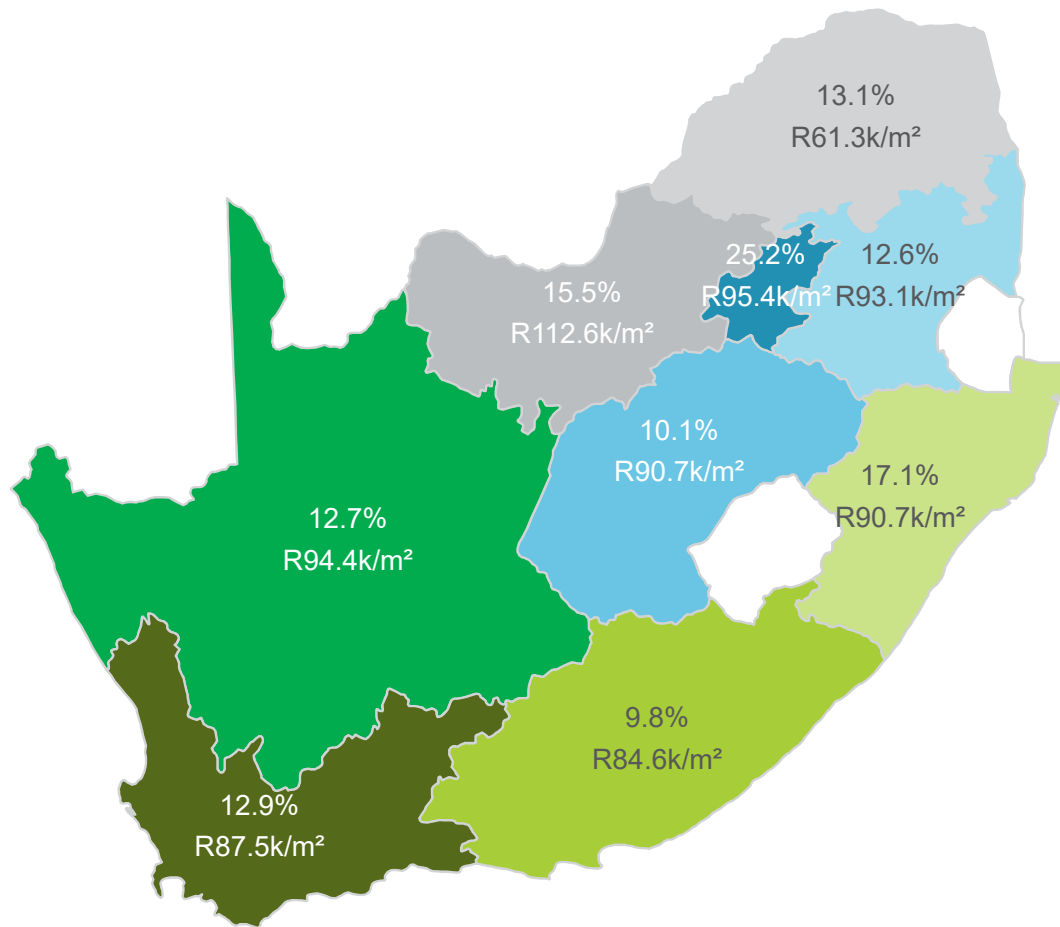
The impact of the new store formats on space growth and the average store size



- Our average space increase over six years, including FY2019, is approximately 11.6%
- The average store size is declining at an average rate of 2.2% p.a.



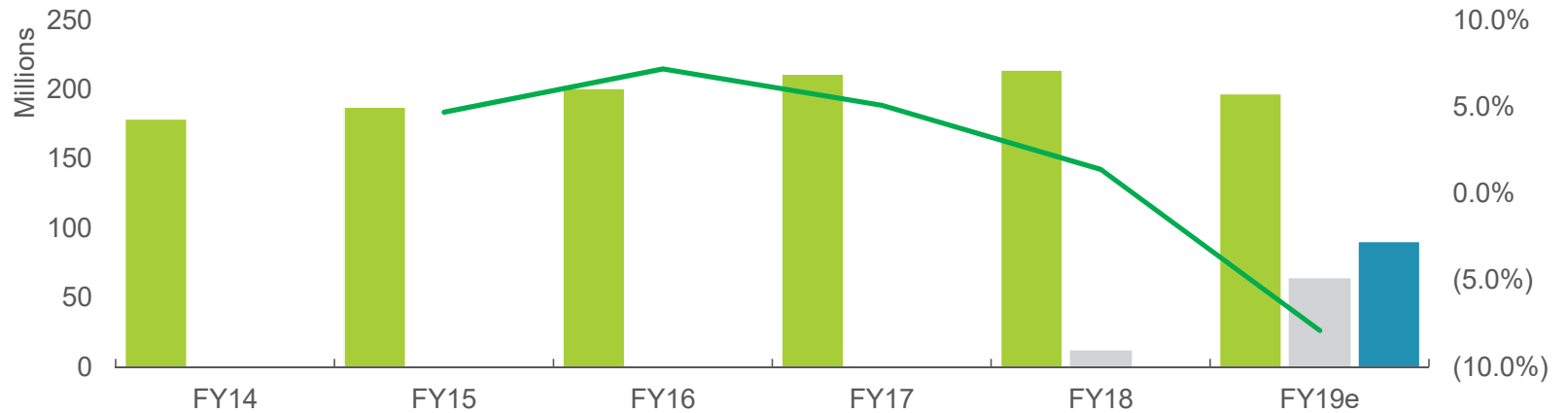
Dispensary market share underpins trading density by province



Province and number of stores	Mature store densities 000/m²	Non-mature store densities 000/m²
Eastern Cape (5)	93.2	49.9
Free State (3)	78.5	115.0
Gauteng (71)	118.1	67.7
KwaZulu-Natal (16)	94.7	48.3
Limpopo (3)	61.4	61.3
Mpumalanga (4)	95.6	75.2
North West (4)	112.6	n/a
Northern Cape (1)	94.4	n/a
Western Cape (19)	121.4	57.0



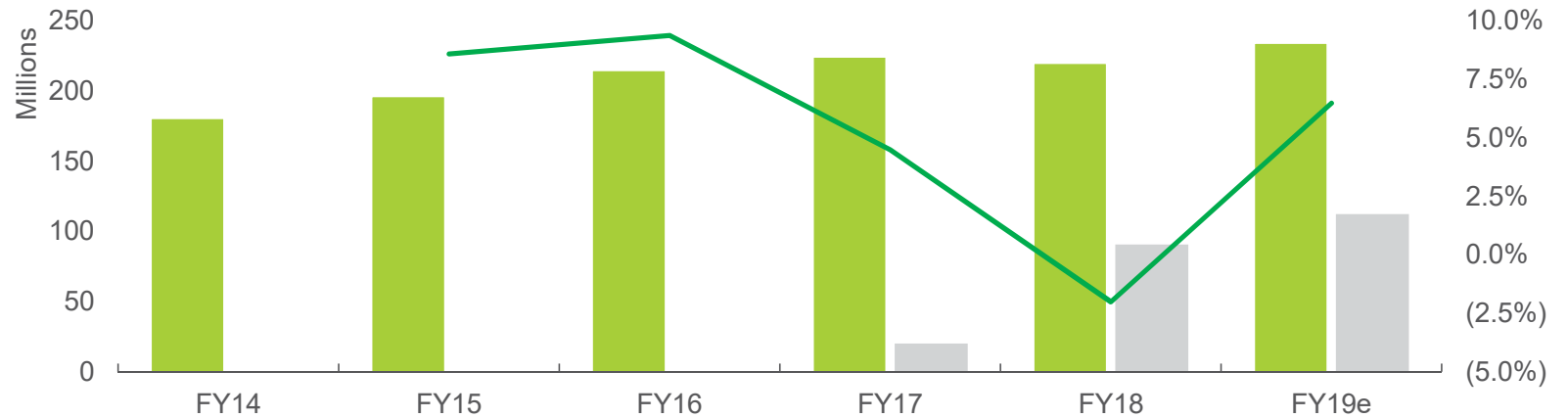
Sandton node- Growth and like-for-like impact



■ Benmore	179 029 599	187 460 435	201 032 026	211 263 964	214 216 980	197 200 000
— % Change Benmore		4.7%	7.2%	5.1%	1.4%	(7.9%)
■ Morningside sales					12 006 093	63 950 000
■ Sandton sales						120 550 000
Trading densities of Benmore	97 670	102 270	109 674	115 256	116 8667	107 583
Trading densities of Morningside					7 863	41 880
Trading densities of Sandton						67 234
Total node sales	179 029 599	187 460 435	201 032 026	211 263 964	226 223 073	381 700 000
Total node sales growth		4.7%	7.2%	5.1%	7.1%	68.7%



Farramere node- Growth and like-for-like impact



■ Farramere	180 807 025	196 442 564	214 890 437	224 575 501	220 180 588	234 419 852
— % Change Farramere		8.6%	9.4%	4.5%	(2.0%)	6.5%
■ Rynfield Terrace				20 232 621	90 867 913	112 450 000
Trading densities of Farramere	157 635	171 266	187 350	195 794	191 962	204 377
Trading densities of Rynfield Terrace				16 861	75 723	93 708
Total node sales incl. Lakeside Mall	180 807 025	196 442 564	214 890 437	244 808 122	311 048 501	365 819 852
Total node sales growth incl. Lakeside Mall		8.6%	9.4%	13.9%	27.1%	17.6%



Loyalty and Customer Relationship Management

- Around 4.3 million Loyalty members
- Contribution to front shop turnover from loyalty members is 72%
- Partner contribution to total loyalty at 55.7%
- Partner baskets and loyalty baskets higher than non-loyalty baskets
- CRM investment gives us a single view of our customers
- Around 8.2 million CRM profiles
- ForYouth program opportunity identified through our CRM solution





OTHER





Other topics of discussion as requested

1. CAPEX

- R5 670 inflation adjusted per additional square meter of floor space added
- R80m-R100m in IT
- R20m-R30m in warehouse movables

2. Pre-distribution

- Commercial model and benefits

3. Collar hedge

GUIDANCE





Profit and earnings guidance

- The group expects full-year earnings per share to be between **92.3 cents** and **98.7 cents** implying an increase of between **16%** and **24%**
- The group expects half-year earnings per share to be between **50.6 cents** and **52.9 cents** implying an increase of between **8.1%** and **13%**
- We expect to break even at an earnings before interest, tax, depreciation and amortisation (EBITDA) level in the Wholesale segment for the FY2019 period
- There are no changes to our medium-term targets



THANK YOU
Questions

