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

TRADING UPDATE FOR THE FIVE-MONTHS ENDED 31 JULY 2019

GROUP

During the five-month period from 1 March 2019 to 31 July 2019, the Group recorded revenue growth of 13.5% to R9.9bn over the corresponding period in the prior year ("Corresponding Period").

Chief executive Ivan Saltzman: "We are pleased to see that the Group delivered strong revenue performance in the five-months to 31 July 2019 in a tough economic environment with increased competition and a constrained consumer. This talks to the resilience of our brand and industry together with our unmatched offerings, great customer service and a clear everyday low price strategy. We've seen decent recovery in certain of our co-located stores confirming the accuracy of our site selections. I am extremely satisfied with the rationalisation of stock levels post the strike and SEP buy-in, as we focus on improving free cash flow ensuring we require less net working capital investment which will better enable us to fund future growth strategies."

RETAIL

Retail revenue increased by 12% to R9bn over the Corresponding Period. Comparable sales growth was 5.3% which benefited from the 3.78% Single Exit Price ("SEP") increase which came into effect in March 2019. The Group saw marginally improved trading volumes driven by strong dispensary trade as it continues to focus on technological investments and innovative ways to drive dispensary volumes which are crucial to trading densities. Retail sales price inflation was 2.54%.

To date, the group has added nine new stores and is on track to add another 13 stores before year-end.

WHOLESALE

Wholesale revenue increased by 15.3% to R6.8bn. Sales to our retail stores, which contribute 86% of wholesale revenue, grew by 13.1%. Sales to independent pharmacies and The Local Choice ("TLC") franchisees increased by 49% and 27.7% respectively, mainly due to the Quenets acquisition (Western Cape wholesaler acquired in November 2018) and a growing TLC customer base. With national warehouse representation now enabling us to access the independent pharmacy markets in the Western Cape and KwaZulu-Natal, we will continue to focus on growing the TLC and independent customer bases.

SUMMARY

R'm	5-months ended 31 July 2019	5-months ended 31 July 2018	% change	% like-for-like retail revenue growth	% inflation
Retail	8 951	7 995	12.0	5.3	2.54
Wholesale	6 754	5 856	15.3		
Intergroup	(5 792)	(5 120)	13.1		
Total group	9 913	8 730	13.5		

ADDITIONAL COMMENTS

We emphasise the FY2019 once-off earnings impacts, which will negatively impact the first-half earnings of FY2020.

- The unearned rebate release of approximately R81 million which increased the 1H19 base.
- The change in the Group's bonus policy relating to employee's 13th cheques. Previously the Group expensed the full bonus amount when paid in December of each year. The bonus is now evenly accrued throughout the financial period due to its guaranteed nature. The effect of the change will result in the recognition of approximately R75 million in 1H20.
- The Group continued to incur strike-related costs in March and April 2019 as the strike was concluded on the 10th of April 2019. These costs are once-off and relate to security costs and additional payroll costs resulting from the re-absorption of permanent staff and phasing out of temporary staff into its distribution environment.

With the strike and warehouse decentralisation concluded, the Group has and continues to focus on reducing and rationalising its stock holding to improve free cash flow generation and to ensure that it meets its medium-term net working capital targets. This focus, not at the expense of stock availability in its retail stores, has resulted in inventory levels being down R660 million from year-end. This will have a significant impact on our purchases driven rebates in 1H20.

The focus on Return on Invested Capital ("ROIC") will continue as the Group looks to ensure effective utilisation of cash generated to fund future growth ambitions.

The figures mentioned above and any information contained herein have not been reviewed or reported on by the Group's external auditors. The Group will report interim results for the six months ended 31 August 2018 on 7 November 2019.

Midrand
28 August 2019

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The Standard Bank of South Africa Limited