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 FOUR-MONTHS ENDED 30 JUNE 2018 AND EARNINGS GUIDANCE FOR FY2019

GROUP

During the four-month period from 1 March 2018 to 30 June 2018, Dis-Chem recorded Group sales growth of 11.1% to R7bn over the corresponding period in the prior year (“Corresponding Period”).

Online sales were R21m with Click and Collect at R3.5m and Pay on Collection at R1.6m. Even though this is still a small part of our business, we have invested heavily in it and continue to see strong growth.

Chief executive Ivan Saltzman: “The continuing increase in the fuel price along with the 1% increase in the VAT rate continues to put pressure on consumers which was evident in our April and May retail sales. Our continued market share gains in all key categories confirm the success and importance of our everyday low price strategy and the availability of choice for our customers. Our superior trading densities, high average basket size and spend by our Benefits Programme members further points to the loyalty that our brand enjoys in this market.”

RETAIL

Retail sales increased 11.1% to R6.4bn with like-for-like sales at 4.5% which was negatively impacted by the 1.26% Single Exit Price (“SEP”) increase effective 1 March 2018. The SEP is prescribed by the Department of Health (“DOH”) and impacts approximately a third of Dis-Chem’s retail sales. Total dispensary sales growth was 8.2% lagging the average front shop sales growth of 12.2%. In the absence of an additional SEP increase during the remainder of the financial period, we expect dispensary sales to continue to lag our front shop categories, Personal Care and Beauty, Healthcare and Nutrition and Baby Care, all of which are reporting double-digit growth.

In FY2018 the Group added 21 new stores which contributed R435m to turnover in the four-month period under review.

To date, the Group added six new stores in FY2019, adding R79m to retail turnover. With at least 14 store openings planned through to February 2019, we reiterate our guidance to end the full year with a minimum of 149 stores.

WHOLESALE

Wholesale sales grew by 11.8% to R4.8bn. Sales to our own retail stores, still the biggest contributor to wholesale sales grew by 11.8% as we target optimal levels of internal supply. Sales to Independent pharmacies grew by 11.7%, with TLC sales growth coming in at 22.5% as we start to access the independent pharmacy markets in the Western Cape and KwaZulu-Natal on the back of the investment in new warehouse space in the prior years.

SUMMARY

R'm	4-months ended June 2017	4-months ended June 2018	% change	% Like-for-like	% inflation
Retail	5 771	6 410	11.1%	4.5%	1.18%
Wholesale	4 302	4 809	11.8%		
Intergroup	(3 766)	(4 211)	11.8%		
Total group	6 306	7 006	11.1%		

EARNINGS GUIDANCE FOR FY2019

The Group expects full-year earnings per share ("EPS") to be between 92.3 cents and 98.7 cents implying an increase of between 16% and 24%, compared to the EPS of 79.6 cents for the 12-months ended 28 February 2018.

The Group expects half-year EPS to be between 50.6 cents and 52.9 cents implying an increase of between 8.1% and 13%, compared to the EPS of 46.8 cents for the six months ended 31 August 2017.

Earnings growth is expected to improve in the second half of the financial year as the benefits of the higher SEP granted in March 2017 predominantly impacts the base for the interim results to 31 August 2018.

We expect to break even at an earnings before interest, tax, depreciation and amortisation ("EBITDA") level in the Wholesale division for the FY2019 period. This will be driven by additional scale on the back of internal and independent pharmacy sales growth as we access new markets as a result of our newly invested warehouse space. Additionally, cost efficiency remains a focus as we now have wholesale operations that are more geographically aligned with our retail store base and the independent pharmacy market that we intend to access.

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 17 October 2018.

Midrand
19 July 2018

Sponsor
The Standard Bank of South Africa Limited