

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")

Reviewed Annual Condensed Consolidated Results
for the twelve months ended 28 February 2022

	12 months to 28 February 2022	12 months to 28 February 2021	% change
Group revenue	R 30.4 billion	R 26.3 billion	15.7%
Earnings per share	99.2 cents	77.8 cents	27.6%
Headline earnings per share	99.2 cents	77.8 cents	27.6%
Final dividend declared per share	20.2 cents	31.1 cents	(35.0%)
Total dividend declared per share*	39.7 cents	31.1 cents	27.6%

* The total dividend comprises of the interim dividend of 19.5 cents declared in November 2021 and the final dividend declared of 20.2 cents for the 2022 financial year (31.1 cents for 2021).

Overview

The Group is pleased with the good performance of its businesses during the current period considering the constrained consumer environment, the challenges that were posed by the pandemic as well as the civil unrest that was experienced in July 2021.

Earnings attributable to shareholders and headline earnings increased by 27.6% over the previous corresponding period.

Earnings per share (EPS) and headline earnings per share (HEPS) are 99.2 cents per share respectively, an increase of 27.6%.

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 affected stores returned to regular trading within a month, while the final affected Dis-Chem store reopened on the 7 October. The Group was adequately insured. Dis-Chem, through its foundation and with focussed initiatives, continues to support communities in need.

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 1.4 million vaccine doses contributing R513 million in revenue.

Review of financial performance

Revenue

During the twelve-month period from 1 March 2021 to 28 February 2022, Dis-Chem recorded Group revenue growth of 15.7% to R30.4 billion, exceeding R30 billion for the first time.

Retail revenue grew by 15.6% to R27.1 billion with comparable store revenue at 6.1%. During the twelve months to 28 February 2022, twelve Dis-Chem and three Baby City stores were opened. 48 Medicare stores were acquired, effective 1 October 2021, resulting in 254 retail pharmacy stores and 35 retail baby stores as at February 2022.

Baby City and Medicare have been fully integrated into the Group including migration onto the Group's common technology platforms. Management continues to focus on unlocking identified synergies with these acquisitions which is expected to be further seen in the Group's performance in FY23.

Wholesale revenue grew by 13.7% to R21.9 billion. Wholesale revenue to our own retail stores, still the biggest contributor, grew by 13.2%, while external revenue to independent pharmacies and The Local Choice ("TLC") franchises grew by 10.9% and 25.2% 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 14.8%. TLC growth is due to a combination of an increase in TLC franchise stores from 122 to 147 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 18.4% to R8.8 billion, with the Group's total income margin being 28.9% compared to 28.3% in the prior comparative period.

Retail total income grew by 18.6% with the retail margin increasing from 27.5% to 28.2% over the comparable period. The Group continued to experience normalisation in its sales and transaction gross margin mix. Higher margin categories are now recovering, and the Group continues to see improvements in its back-end trading terms and service income as a result of its ever increasing scale and Return on Invested Capital ("ROIC") focus.

Wholesale total income grew by 11.4% with the wholesale margin now at 7.5%.

Other expenses

Expenses (excluding depreciation) grew by 17.3% over the corresponding period. Excluding the Medicare cost base, expenses grew by 15.2%.

Retail expenses (excluding depreciation) grew by 17.9% (excluding Medicare by 15.4%) as the Group invested in new stores and acquisitions since the corresponding period. Retail costs were influenced by the investment in pharmacists and clinic sisters to facilitate the national vaccine program.

Wholesale expenses (excluding depreciation) grew by 8.7% due to the increase in third-party sales resulting in higher delivery costs compared to the prior comparable period. Wholesale employment costs which grew by 4.5% were well managed as the Group continues to focus on efficient shift pattern staffing.

Net finance costs

Net financing costs decreased by 4.4% from the prior comparable period. Excluding finance costs from IFRS 16, net financing costs decreased by 29.7% 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 increased by R67 million from February 2021 due to the additional inventory held in Medicare stores of R109 million. Inventory has been well managed and inventory days have decreased to 88.6 days from 91 days in the prior period.

Trade receivables continue to increase with the expansion of third-party sales within the wholesale segment.

Net working capital, at 26.5 days has continued to improve from 29.6 days at 28 February 2021 as the Group continues to focus on ROIC. This has resulted in a net working capital cash inflow of R45 million in the current financial period.

Capital expenditure

Capital expenditure on tangible and intangible assets of R377 million comprised of R237 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 R140 million relates to replacement expenditure incurred to maintain the existing retail and wholesale networks.

Directorate

Mr. K Kobue was appointed on 23 November 2021 as a non-executive director.

Dividend declaration

Notice is hereby given that a gross final cash dividend of 20.20418 cents per share, in respect of the period ended 28 February 2022 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 16.16334 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, 7 June 2022
- First trading day ex dividend on the JSE: Wednesday, 8 June 2022
- Record date: Friday, 10 June 2022
- Payment date: Monday, 13 June 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 June 2022 and Friday, 10 June 2022, 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.

Outlook

For the period 1 March to 16 May 2022, Group revenue grew by 16.1% 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.

Following several acquisitions during the period and the recent launch of a health insurance offering, the Group's healthcare focus has evolved from only in-store clinics to a far broader offering including telemedicine, medical insurance and gap cover. In the two months since launching medical insurance, uptake has exceeded our initial expectations supporting our view of the market opportunity. Dis-Chem is well-placed to play a leading role in extending access to primary healthcare to a much wider and under-served segment of the population.

The information contained in the outlook commentary has not been audited or reviewed by the group's independent auditor.

Approval

The condensed consolidated results of the Group were authorised for issue in accordance with a resolution of the directors on 19 May 2022.

On behalf of the Board

Ivan Saltzman	Rui Morais
Chief Executive Officer	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/2022/jse/isse/dcpe/FY22.pdf>

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

The reviewed condensed consolidated results have been reviewed by the Group's external auditors and their unmodified review report is available for inspection at the Company's registered office.

Supplementary information

Registered office: 23 Stag Road, Midrand, 1685

Non-executive directors: LM Nestadt (Chairman), MJ Bowman, A Coovadia, JS Mthimunye, A Sithebe and K Kobue

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 (appointed 1 March 2021)

Registered auditors: Mazars

Sponsor: The Standard Bank of South Africa Limited

Transfer secretaries: Computershare Investor Services Proprietary Limited

23 May 2022

Midrand