

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 2022

	6 months to 31 August 2022	6 months to 31 August 2021	% change
Group revenue	R16.3 billion	R14.9 billion	9.3%
Earnings per share	70.1 cents	48.4 cents	44.7%
Headline earnings per share	70.3 cents	48.7 cents	44.3%
Dividend declared per share	28.1 cents	19.5 cents	44.3%

#### Overview

The Group is pleased with the performance of its businesses during the current period; considering the constrained consumer environment.

Earnings attributable to shareholders and headline earnings increased by 44.7% and 44.3% respectively over the prior comparable period. Basic earnings per share (EPS) and basic headline earnings per share (HEPS) are 70.1 cents per share and 70.3 cents per share respectively; an increase of 44.7% and 44.3% respectively. Diluted earnings per share and diluted headline earnings per share are 70.0 cents per share and 70.2 cents per share respectively; an increase of 44.6% and 44.2% respectively.

#### Review of financial performance

##### Revenue

During the six-month period from 1 March 2022 to 31 August 2022, Dis-Chem recorded Group revenue growth of 9.3% to R16.3 billion.

Retail revenue grew by 9.3% to R14.4 billion with comparable pharmacy store revenue growth at 3.6%. Retail revenue growth was impacted by COVID-19 vaccine administration and testing services in the prior period compared to the current period. If the contribution of COVID-19 vaccines and testing are excluded from both periods, retail revenue grew by 10.0%. During the six months to 31 August 2022, five retail pharmacy stores were opened, eight retail pharmacy stores closed (all former Medicare stores) and three retail baby stores were opened. A net 15 Baby Boom stores were acquired, effective 1 March 2022, extending our baby retail leadership position, resulting in 251 retail pharmacy stores and 53 retail baby stores at 31 August 2022.

Wholesale revenue grew by 10.6% to R12.1 billion. Wholesale revenue to our own retail stores, still the biggest contributor, grew by 10.7%, while external revenue to independent pharmacies and The Local Choice (TLC) franchises grew by 9.7% over the comparable period. When excluding wholesale revenue to Medicare stores in the prior period (internalised since 1 October 2021), external revenue grew by 20.4%, comprising independent pharmacy growth of 15.8% and TLC growth of 22.5%. The TLC growth is due to a combination of an increase in TLC franchise stores from 134 to 153 together with increasing support of the supply chain from existing TLC franchisees. Independent pharmacy growth is attributable to both new customers and increased support from the current base.

##### Total income

Total income grew by 22.8% to R5.2 billion, with the Group's total income margin being 31.7% compared to 28.2% in the prior comparative period. The Group has exceeded the targeted 30% total income margin eighteen months sooner than initially anticipated. This increase has resulted in improvements in both EBITDA and operating margins.

Retail total income grew by 19.1% with the retail margin increasing from 27.7% to 30.2% over the comparable period. The Group continued to see increases in transactional gross margin of core categories due to the normalisation of gross margins with fewer lower margin COVID-19 related lines as well as continued improvement in back-end trading terms and service income through increasing scale and focus on return on invested capital (ROIC).

Wholesale total income grew by 31.2% with the wholesale margin now at 8.9%. On 1 April 2022, the Group acquired 100% of the shares of CT Distribution Proprietary Limited, KZN Warehouse Proprietary Limited and Eleadora Proprietary Limited. This was a related party transaction due to the companies acquired being owned

by directors, previous directors and prescribed officers of Dis-Chem, who are also shareholders of Dis-Chem. These acquisitions resulted in the release of the existing lease liability and right-of-use asset on the statement of financial position; resulting in a R72 million gain recognised in other income in the statement of comprehensive income.

If this one-off gain was excluded from the wholesale segment, wholesale total income grew by 22.3% with the wholesale margin at 8.3%. This increase is attributable to a higher contribution of more profitable pharmacy volume following the Medicare acquisition, together with a continued focus on increasing fees earned on the back of ever increasing wholesale scale.

#### Other expenses

Expenses grew by 20.7% over the comparable period. Excluding the Medicare and Baby Boom acquisitions, expenses grew by 15.5%.

Retail expenses grew by 20.0% (excluding Medicare and Baby Boom 14.0%) as the Group invested in new stores and acquisitions since the comparable period. Employee costs (excluding Medicare and Baby Boom) increased by 12.9%, which is below retail total income growth of 19.1%.

Wholesale expenses grew by 12.9% due to the increase in third-party sales and higher fuel prices resulting in higher delivery costs compared to the prior comparable period. Expenses were also impacted by an increase in casual labour shifts to accommodate increased volumes through the wholesale environment.

#### Net finance costs

Net financing costs decreased by 8.3% from the prior comparable period. Excluding finance costs from IFRS 16 and interest on the new term loan, net financing costs decreased by 13.8%. R125 million in capital repayments were made on the Absa loan, reducing the interest paid on the long-term loan. The new term loan facility taken out with Standard Bank amounted to R455 million and was used to fund the acquisition of the warehouse properties.

#### Net working capital

During the current period, the Group's inventory increased by R336 million or 5.8% from February 2022 due to the additional inventory held in new stores and the distribution channel. Inventory has been well managed, with inventory days decreasing to 87.3 days from 88.6 days in the prior period, and creditors days improving from 86.5 days to 87.4 days.

Net working capital, at 24.2 days has continued to improve from 26.5 days at 28 February 2022, as the Group continues to focus on ROIC.

#### Capital expenditure

Capital expenditure on tangible and intangible assets of R690 million comprised of R114 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 R576 million relates to replacement expenditure incurred to maintain the existing retail and wholesale networks as well as the purchase of the warehouse properties.

#### Directorate

On the 14 July 2022, Ms. H Masondo was appointed as a non-executive director and Mr. SE Saltzman and Mr. SRN Goetsch were appointed as executive directors. Mr. M Bowmen resigned as a non-executive director and Ms. LF Saltzman as an executive director on 14 July 2022.

#### Dividend declaration

Notice is hereby given that a gross interim cash dividend of 28.11861 cents per share, in respect of the interim period ended 31 August 2022 has been declared based on 40% of headline earnings. This is an increase of 44.3% from the prior comparable period. 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 22.49489 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, 22 November 2022
- First trading day ex dividend on the JSE: Wednesday, 23 November 2022
- Record date: Friday, 25 November 2022
- Payment date: Monday, 28 November 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 23 November 2022 and Friday, 25 November 2022, both days inclusive. Shareholders who hold ordinary shares in certificated form (certificated shareholders) should note that dividends will be paid by means of an electronic funds transfer (EFT) method. 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 two-month period 1 September to 31 October 2022, Group revenue grew by 5.8% over the prior comparable period. Excluding the contribution of COVID-19 vaccines and testing from both periods, Group revenue grew by 9.3%. Retail revenue (excluding the contribution of COVID-19 vaccines and testing) grew by 8.9% and wholesale external revenue by 12.8%.

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

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 1 November 2022.

On behalf of the Board of Directors

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](http://www.dischemgroup.com) and on the JSE website using <https://senspdf.jse.co.za/documents/2022/jse/isse/dcpe/HY23.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](mailto: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

Non-executive directors: LM Nestadt (Chairman), MJ Bowman (resigned: 14 July 2022), A Coovadia, JS Mthimunye, A Sithebe, KKD Kobue and H Masondo (appointed: 14 July 2022)

Executive directors: IL Saltzman, LF Saltzman (resigned: 14 July 2022), RM Morais, SE Saltzman (appointed: 14 July 2022; previously alternate for LF Saltzman) and SRN Goetsch (appointed: 14 July 2022)

Company secretary: NJ Lumley

Registered auditors: Mazars

Sponsor: The Standard Bank of South Africa Limited

Transfer secretaries: Computershare Investor Services Proprietary Limited

2 November 2022

Midrand