ITALTILE LIMITED

2021

PRELIMINARY REVIEWED CONDENSED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2021 AND DIVIDEND DECLARATION

Financial highlights

▲ 25%
System-wide turnover
R11,6 billion
2020: R9,3 billion

▲ 70%
Trading profit
R2,6 billion
2020: R1,5 billion

▲80%
Earnings per share
140,7 cents
2020: 78,3 cents

▲ 77%
Headline earnings per share
140,1 cents
2020: 79,2 cents

▲ 73%
Adjusted earnings per share
140,7 cents
2020: 81,5 cents*

▲ 70%
Adjusted headline earnings per share
140,1 cents
2020: 82,3 cents*

▲ 21%
Net asset value per share
554 cents
2020: 458,0 cents

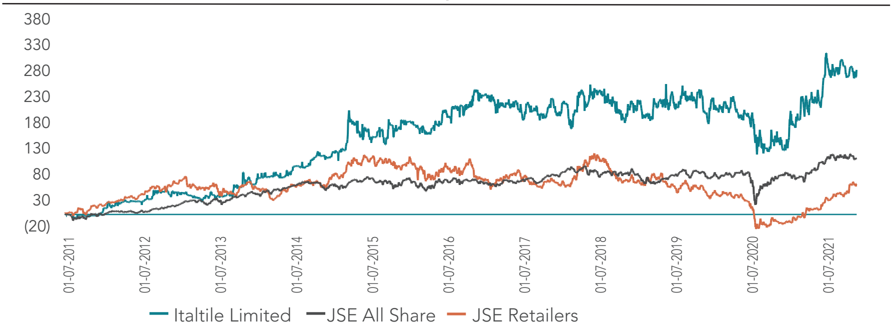
▲ 70%
Ordinary dividend per share
56,0 cents
2020: 33,0 cents

▲ 26%
Net cash
R1,1 billion
2020: R0,9 billion

▲ 4%
Store network
206
June 2020: 198

** Adjusted for once-off R39 million IFRS 2 charge related to the BBBEE transaction announced on SENS on 10 September 2019.*

Ten-year share price growth (%)



Commentary

Overview

Founded in 1969, Italtile Limited is a Proudly South African manufacturer, franchisor and retailer of tiles, bathroomware and other related home-finishing products. The Group's retail brands are CTM, Italtile Retail, TopT and U-Light, represented through a total network of 206 stores, including six online webstores. The brand offering targets homeowners across the Living Standards Measure 4 to 10 categories.

The retail operation is strategically supported by a vertically integrated supply chain comprising key manufacturers and import operations, and an extensive property portfolio. The manufacturers are Ceramic Industries Proprietary Limited ("Ceramic") and Ezee Tile Adhesive Manufacturers Proprietary Limited ("Ezee Tile"). The import businesses are Cedar Point, International Tap Distributors ("ITD") and Durban Distribution Centre ("DC").

The Group's dream is to become the best manufacturer and retailer of tiles, sanitaryware and ancillary products in Africa, by offering an unrivalled shopping experience through the strategy of ensuring the right product, at the right time, place and price.

THE COVID-19 PANDEMIC ("PANDEMIC")

- **Our country**

Tens of thousands of South African lives have been lost during this pandemic. Sadly, behind this cold statistic is the human tragedy. On behalf of all of us at Italtile, we extend our heartfelt condolences to those who have lost loved ones during this time. We also pay tribute to the healthcare workers in this country who work tirelessly and selflessly to save lives under excruciating conditions. We owe them a debt of gratitude.

- **Our business**

Ensuring the safety of our customers and our people remained a core discipline across our operations. We implemented a zero-tolerance policy in terms of non-compliance with protocols, and in doing so, continued to strive to curb the spread of the virus.

Aligned with the national experience, the third wave of the pandemic has proved far more severe on our business than the first two waves, with the logistical challenges of ensuring operational continuity testing our resolve and agility. We have deliberately not monetised the cost of the pandemic's impact on our business, but are very mindful of the toll it has taken on the physical and mental health of our people. Very sadly, two of our dear and valued colleagues succumbed to the virus during the past year.

Our customers have endorsed and complied with our stringent safety protocols despite the inconvenience that these vital measures add to the shopping experience. They have tolerated, with good grace, unscheduled store closures and unexpected stock shortages, and we are extremely grateful for their understanding. They remain the reason for our existence and we will continue to strive to provide them with an optimal shopping experience.

Despite the significant uncertainty created by the pandemic leading up to and during the financial year, our business weathered the challenges well and emerged a more resilient and self-reliant entity. This can be attributed to the extensive improvements made across the Group over the past three years, and our ability to respond with agility within the parameters of our proven, consistent strategies. In our business we regard our unique culture as the glue that binds us together. This adage proved particularly apt in a year when our team demonstrated extraordinary courage, commitment, resilience and energy to deliver a truly exceptional performance.

TRADING ENVIRONMENT, CONSUMER TRENDS AND OUR RESPONSE

While the pandemic presented a new and unique set of challenges for retailers in South Africa, the weak local economy and unstable socio-political context continued to worsen as government's long overdue promises of policy certainty and structural reforms failed to materialise.

Unemployment and poverty accelerated to record levels as the pandemic compounded the severe inequalities experienced by citizens of our country. Constrained energy supply remained a major concern, and state infrastructure continued to deteriorate across water, sanitation and road services, resulting in ongoing protests. These factors together with our sub-investment sovereign credit rating all weighed heavily on local business and consumer confidence, and blighted prospects of foreign direct investment.

The impact of the pandemic on international manufacturing and shipping capacity in our industry was also dire. Erratic product supply due to global operating restrictions was dramatically worsened by shipping constraints and the dysfunctionality of our local ports. Additionally, shipping companies exploited the unrelenting demand and increased freight rates by over 200% over the reporting period. As at year-end, supply and pricing volatility related to imports remained the norm and is expected to persist for at least the first half of the 2022 financial year.

In this environment, the Group derived significant strategic advantage from our integrated supply chain and local manufacturing capacity, which mitigated the challenges of stock availability and pricing instability.

Industry and consumer trends

Home improvement boom

Enforced work-and-study-from-home pandemic orders changed consumers' lifestyles and spending priorities and fuelled a major home-improvement boom. With consumers spending more time in the home and having more time on their hands, they were more disposed to undertake previously neglected DIY projects or adapt their properties to accommodate multi-functional spaces. Although discretionary income remained constrained in the low wage inflation environment, homeowners took advantage of several conducive factors to invest in their primary assets, including favourable interest rates at record lows; the availability of some funds previously incurred on transport, travel and other recreational pursuits; debt payment holidays; and short-term pandemic support funding.

While this home improvement surge is unlikely to be sustained at current levels once the vaccine roll out has been fully executed, it has entrenched the value of the home for many homeowners, and created a cautious 'be prepared for the unexpected' mindset among consumers.

Change in shopping behaviour

Consumers have become more risk averse and more decisive in their spending behaviour. Previously, in advance of making purchases, prospective customers would spend significant time browsing in-store or researching comparable offerings in retail outlets across the competitor spectrum. They now spend more time researching online, and should they decide to transact in-store, they gravitate to trusted brands that provide safe, comforting environments, with one-stop-solutions for all their requirements.

Our business model is well-suited to this new trend, since our offering is supported by multi-channel trading platforms; our strategically positioned market-leading brands are trusted household names; and our integrated supply chain provides a complete specialist one-stop solution to our customers.

RESULTS

Unchanged from prior years, the consistent key focus areas for management over the past year were sales growth; cost leadership; productivity improvements; and leveraging our high-performance culture.

It is gratifying to report that the business delivered double-digit sales and profit growth across all our business units, all merchandise categories and all trading geographies in the year under review.

These creditable results are testament to:

- the agile response of our resilient team;
- our robust business model and integrated supply chain;
- our unwavering focus on continuous enhancement of the customer shopping experience;
- our continued investment and focus on innovating for the future; and
- our ethos of profit-sharing and partnership with our people.

The Group's results for the review period include the contribution of Ceramic and Ezee Tile, in which the Group holds a 95,47% stake and 71,54% stake respectively. Sales related to Ceramic and Ezee Tile are referred to as 'manufacturing' sales to distinguish them from 'retail' sales reported by Italtile's retail brands, CTM, Italtile Retail, TopT and U-Light.

The prior comparable period featured varying levels of restrictions on consumer activity, which had a consequential impact on consumer sentiment and spend. Accordingly, we have also included the pre-Covid FY2019 comparable numbers in order to provide a more accurate representation of the Group's performance.

Total system-wide turnover of R11,6 billion (2020: R9,3 billion) was 25% higher than the prior comparable period and 16% higher when compared to FY2019. System-wide turnover is the aggregate of the Group's consolidated turnover (total sales by Group-owned entities and corporate stores, excluding sales from owned supply chain business to corporate stores) and the retail turnover of franchisees of the Group.

Revenue from Group-owned stores and entities grew by 37% to R9,1 billion (2020: R6,7 billion), with the conversion of franchise stores to corporate stores contributing to this increase. 31% growth was achieved compared to FY2019.

Retail store turnover increased by 26% compared to the previous corresponding period and by 22% compared to FY2019, with average selling price inflation estimated at 7% (2020: 1,4%) and 2,7% in FY2019. Like-for-like retail store turnover, (excluding sales of stores opened and closed during the period), rose by 23% and 16% compared to FY2019. Retail store turnover is defined as the aggregate turnover of all stores, both corporate and franchised, in the Group's retail network.

In the supply chain, the import businesses, Cedar Point, ITD and DC, grew sales by 42% compared to the previous corresponding period and by 38% compared to FY2019. Average selling price inflation was 12%.

Manufacturing sales for the reporting period rose by 35% compared to the previous corresponding period and by 23% compared to FY2019, with average selling price inflation across the division estimated at 7% (2020: 1,0%).

Trading profit increased by 70% to R2 556 million (2020: R1 502 million) and by 42% compared to FY2019. Like-for-like operating cost growth (excluding profit share and BEE-related costs) was contained at 9%, with the largest contributors to cost growth being stock control costs, property costs and net IFRS 16 costs.

The aggregated gross margin across the Group improved by 6%, reflecting the significant impact of full capacity utilisation and enhanced efficiencies achieved in the manufacturing businesses. This noteworthy improvement in margin afforded the retail operations strategic leverage to use price ladders to support price sensitive consumers while still continuing to maintain store operators' margins.

Adjusted basic earnings per share ("EPS") increased by 73% to 140,7 cents (2020: 81,5 cents) and by 37% compared to FY2019, while adjusted headline earnings per share ("HEPS") grew by 70% to 140,1 cents (2020: 82,3 cents) and by 38% compared to FY2019. EPS and HEPS were adjusted for the once-off charge of R39 million related to the BBBEE transaction concluded with Yard SPV as announced on SENS on 10 September 2019. The disparity between EPS and HEPS is largely attributable to net profits of R19 million realised on the disposal of local properties and other non-current assets in the current year, versus R1 million in the prior year, and impairments of R10 million on property, plant and equipment in the current year, versus R16 million in the prior year.

Inventory value, including the consolidated inventory balances of Ceramic and Ezee Tile was higher at R1 164 million (2020: R895 million). This higher stockholding reflects improved levels of investment in stock in stores converted from franchise to Group-owned; the introduction of inventory for the new U-Light business; and the three-month cover provided while Samca Plus is closed and undergoing an extensive upgrade. Same-store and warehouse stockholding was up 28% compared to the prior corresponding period, when stock levels were uncomfortably low due to unprecedented demand after full lockdown restrictions were lifted.

Management is satisfied that stock levels are prudent given the good composition of the stock, sustained customer demand, and continued uncertainties regarding manufacturing and shipping capacity. We expect supply chain disruptions to ease over the next six months and our detailed plan to reduce inventory levels will boost cash reserves by at least R100 million.

During the review period, capital expenditure of R1 025 million (2020: R614 million) was incurred on expansion projects, ongoing IT development, and routine maintenance and expansion of retail properties and manufacturing plants.

The cash balance at the end of the review period was R1 081 million (2020: R860 million). Material cash outflows for the period include:

- capital expenditure of R1 025 million (2020: R614 million);
- tax payments of R738 million (2020: R416 million);
- own share purchases by the Group and the Italtile and Ceramic Foundation Trust of R184 million (2020: R243 million); and
- total dividend payments of R559 million (2020: R1 481 million).

The Group's net asset value per share at 30 June 2021 was 554,0 cents (2020: 458,0 cents).

GROUP PERFORMANCE

Primary focus areas

At the end of FY2020, we identified our areas of focus for the year ahead, and the strategic imperatives we would implement to achieve our targets. The following commentary provides a scorecard of our progress in FY2021.

Open 10 to 15 new stores and advance the revamp programme

During the review period, we opened 13 new stores and closed four non-performing TopT stores, bringing the total retail network to 206 stores. The new stores comprised 11 TopT stores and two franchised U-Light stores. In July and August 2021, we opened a further five stores, which had been delayed due to local municipal inefficiencies and the impact of the pandemic. The new stores include CTM and U-Light in Ballito, KwaZulu-Natal ("KZN"); Italtile Retail in George, Western Cape; CTM in Diani, Kenya; and U-Light in Gaborone, Botswana. A strong pipeline of new stores exists for the next three years.

Our ongoing revamp programme is key to improving the customer shopping experience and enhancing returns on the property portfolio. During the period, we rolled out Millennial-format Bathroom Boulevards to 23 CTM stores; the increased bathroomware sales reported by these revamped stores validate this investment programme. The second area of focus was the installation of enhanced lighting in our stores, which showcases the products better, while simultaneously reducing energy consumption. To date, 99% of TopT stores, 76% of CTM stores and 77% of Italtile Retail stores have been converted to new lighting solutions, and the instant in-store transformation achieved has been favourably received by customers.

Improve stock turn and product mix

- Stockholding and stock management

Strong demand and good stock management served to improve stock turn substantially across the business units, particularly in the first nine months of the review period. The Group derived significant benefit from our integrated supply chain, with some 76% of total procurement sourced from local manufacturers and suppliers, which assisted us to mitigate erratic global supply and shipping constraints. Although stock holding at year-end was higher than the previous corresponding period, we are satisfied that under current circumstances the levels are prudent.

- Product mix and range

Improved implementation of the business optimisation programme and enhanced use of analytics were key focus areas during the period, and investment in business-critical products and better price ladders resulted in a markedly improved product mix and better margins. Good progress was made with aligning latest fashion with specific customer profiles and continued close collaboration between the stores and the factories will ensure we progress our goal of providing a shopping experience that exceeds the expectations of our customers.

Employ tactical disruptive marketing campaigns

Notable spikes in sales over promotions and paydays confirm that the vast majority of our customers are price sensitive, with many experiencing constrained discretionary income. Accordingly, our brands tailored their bespoke marketing initiatives across the spectrum of advertising platforms to convey our price-value-service offering through disruptive campaigns which differentiated us from our competitors and drove gains in market share and share of wallet.

Leverage the use of cutting-edge technology across all trading platforms

Our IT business unit makes an invaluable strategic contribution to our Group, and in recognition of this, we created an executive management position for the incumbent divisional leader. Tasked with responsibility for the risk and control environment, this department also develops our market-leading technological innovations across our multi-channel offering and operations.

Key projects that were successfully completed in the year under review include a warehouse project, which automated systems and enhanced productivity of staff; ongoing development of the CRM database; integration of the Transport Management System ("TMS") into the integrated supply chain; and introduction and evolution of industry-leading technology in our omni-channel offering, including online visualisers and in-store scanners.

Cautiously expand the Group's retail and manufacturing footprint in the rest of Africa

Regrettably, with international borders closed and restrictions imposed on non-essential travel during the pandemic, we have been unable to materially advance our store roll-out programme or the investigation of potential manufacturing opportunities. We opened one new CTM store in Diani, Kenya in July 2021 and have postponed the opening of other stores in Nakuru and Thika, Kenya; Lusaka, Zambia; and Maputo, Mozambique until conditions are more favourable in the new financial year.

Progress to the second phase of the five-year logistics and distribution programme

Optimum functioning of the integrated end-to-end supply chain is critical to the business's growth, and phase two of the logistics and distribution programme is designed to leverage efficiencies and reduce costs in the supply chain through the TMS, which provides a crucial distribution link between our manufacturing and retail operations. In the period under review, we successfully integrated Ceramic's TMS with the Cedar Point and Distribution Centre warehouses, resulting in increased efficiencies and notable cost savings, some of which we were able to pass on to our customers.

Instill productivity as a core discipline

Our philosophy throughout the pandemic has been to do more with less – without compromising the essence of the business – by driving up the output and returns on all our resources and assets. It is pleasing therefore to report that all benchmarks across our operations confirm an increase in productivity for the reporting period. Achievement of these benchmarks is noteworthy, given current trading conditions, and particularly so in Ceramic's case, where improved productivity yielded lower unit costs, which enabled the business to compete strongly against imported product.

Our partnership and profit-sharing ethos incentivises and rewards our people to participate in the growth and success of our business, and it is extremely satisfying that through our widespread profit share scheme, we were able to appropriately reward our team for their improved productivity and exceptional contribution to our results. In excess of R290 million will be paid out in profit share to employees across the business for the review period. Given the increase in productivity (sales and production per person), the individual profit share payments have increased significantly from prior years.

Drive cost leadership across all business units to manage margin pressure

Extremely strong margins were achieved across most of the business units due to a number of complementary factors, both in the business and externally.

- The manufacturing operations experienced very strong demand, underpinned by the home improvement boom, the shortage of imported product, and the unfavourable exchange rate. This high-volume demand facilitated full capacity utilisation in Ceramic's factories, enhancing efficiencies and profitability, and making a substantial contribution to higher Group margins.
- In the supply chain import divisions, a leaner, more productive workforce and unrelenting focus on cost containment contributed to improved margins.
- In the retail stores, well contained manpower costs (excluding profit share payments and accruals) and enhanced recovery of transport costs boosted margins.
- Enhanced integration of the TMS also contributed to notable cost savings and margin growth.

Importantly, astute margin management enabled the Group to contain price inflation to support cost-conscious customers.

Margins at the current levels are viewed as being close to optimal, and while every effort will be made to maintain them, it is unlikely that all of the abovementioned factors will align simultaneously in future.

Maintain efficient working capital management

Cost leadership and expense control are core disciplines throughout the business. Despite higher than preferred inventory value at year-end, stockholding levels will normalise as supply chain disruptions ease, which will convert at least R100 million back to cash.

The Group ended the period with cash reserves of R1 081 million, despite substantial cash outflows including capital expenditure of R1 025 million; total dividend payments of R559 million; own share repurchases totalling R184 million; and tax payments of R738 million.

This healthy cash position is testament to intense focus on working capital management and the cash generative nature of the business.

Plan and commence execution of the roughly R800 million capital expenditure programme over the next 12 to 18 months

The Group has four major capital expenditure projects underway at present, which are all running on schedule and within budget. Of the R800 million allocated for the projects, R398 million was incurred in the review period.

The projects are:

- Upgrade of the Samca floor tile factory, (Samca Plus), with leading-edge equipment and technology, which will deliver a step-change in the quality of the range, afford manufacturing flexibility and reduce emissions and consumption of energy. The factory will be commissioned in September 2021.
- Development of a unique retail node in Boksburg, Gauteng, which will house the Group's retail brands, Italtile Retail, CTM and U-Light, and include an Easylife Kitchens' offering. The multi-brand node is a first for the Group and will deliver a convenient, one-stop shopping solution to customers.
- Relocation of Ezee Tile's flagship factory from rented premises to an owned site in Brakpan, Gauteng early in the second half of the new financial year.
- Construction of a fully automated 15 000m² warehouse for Betta Sanitaryware, which will have capacity to store 17 000 pallets of toilets and baths and will be completed in the third quarter.

Continue to invest in leadership development to build a pipeline of talent

- Management

We support our senior executives with ongoing coaching and mentoring initiatives, both in-house and provided by external specialists. The positive results of this investment are evident in the maturation of our youthful team and the exceptional performance they delivered during this unprecedented time. Each of our divisions is headed up by an equity shareholder, which is a reflection of our confidence in them.

During the period we made a range of additional strategic senior management appointments and effected changes to roles and responsibilities to enhance the succession pipeline, build capacity, and prepare the business for the challenges we face in the current uncertain market.

- People development

The Group's bold growth agenda and stretch targets demand that we have the right people and the right size team in place to improve our competitive posture and leverage returns on productivity. We invest significant resources in building depth of talent and developing and upskilling our human capital resources. In order to accelerate our efforts to build people capacity and become the preferred employer of choice, we have created a Human Capital Executive position, which has been filled by a highly qualified HR executive with extensive experience of the Group.

Commentary continued

- Gender balance

As a business imperative, we strive to ensure that our human resources complement is representative of the demographics of this country, and there is an ongoing awareness drive to appoint, develop and retain female employees at all levels in the Group. At the close of the review period, females comprised almost 37% of CTM's store operator complement, 50% of Italtile Retail's and 21% of TopT's complement. Improved targets have been set for the new financial year.

- Employee sentiment

During this difficult time, management prioritised communication with our team to offer continued support and motivation. In the independent evaluation conducted annually to assess the quality of engagement with employees we scored 76%, which in terms of the evaluation scorecard classifies the Group as a "Top company, with a motivational level which will facilitate growth and change". While this pleasing score is formal recognition of our efforts to manage our people empathetically during this time, their enthusiastic teamwork and stellar contribution to the Group's results also speak volumes.

- People pipeline

Retail is recognised as an extremely demanding sector and our industry has historically faced a significant shortage of skilled retail-specialist personnel. Similar skills shortages exist in the manufacturing sector. Contributing to this situation are the country-specific factors that impede the youth and prospective workforce, including an education system that fails to produce adequate employable skills; a context of deprivation and despair; and a societal culture that lacks moral leadership, appearing to reward corruption rather than integrity.

In this context, it is challenging to source prospective employees who will align with our high performance and value-driven culture. Although our Group is underpinned by a partnership and reward ethic, which incentivises employees to participate in the growth and profitability of the business, building a pipeline of suitable personnel remains one of management's major concerns.

Where opportunities exist, convert non-performing franchise stores to JVs to facilitate a recalibration of team composition and performance culture

We concluded our plan to convert non-performing CTM and TopT franchised stores to JVs, with pleasing success. The programme was designed to afford better visibility of store performance and improve the Group's return on investment. The success of this conversion is confirmed by the enhanced productivity and increased sales and profitability reported by the stores, which are a good reflection of a better customer shopping experience.

Strive to maintain the current BBBEE rating of level 4

We anticipate improving our BBBEE rating to level 3, exceeding our target of maintaining a rating of level 4 attained in the prior year. This rating is based on improvements in the Skills Development, Preferential Procurement, and Supplier Development and Enterprise Development elements of the scorecard, as well as enhanced administration and reporting of our BBBEE credentials. Our spend on BBBEE initiatives totalled R121 million, allocated primarily to:

- Skills development including bursary spend of R59 million;
- Supplier and enterprise development grants of R5 million;
- Supplier and enterprise development preferential rate funding of R36 million; and
- Donations to the Italtile and Ceramic Foundation Trust of R21 million.

Entrench retail excellence disciplines

Delivering an unparalleled shopping experience is our overriding priority. We strive to achieve this through instilling retail excellence disciplines at every touchpoint of the customer experience. It is satisfying, therefore, to report that our efforts were rewarded with a gain in market share across our retail brands. In addition, we achieved improved scores across all our customer sentiment measurements, reflecting customer endorsement of our ongoing endeavour to enhance the shopping experience.

While this achievement is pleasing, there are further opportunities to improve our execution on enhancing the range, presentation and price ladders.

Embed the Group's core values and performance culture across the business

It is pleasing to report that across all our operational metrics, including scorecards, KPIs, employee engagement and customer satisfaction surveys, we achieved, and in some instances, exceeded, our targets. This is particularly noteworthy in light of our deliberate efforts to streamline the business – with fewer people doing more – to extract optimum productivity and value from our resources.

Maintain a comprehensive and engaged stakeholder management programme

We continued to engage frequently and transparently across our spectrum of stakeholders.

Of primary importance during the review period were community relationships, specifically for Ceramic, which operates factories in some of the country's most socio-economically deprived and volatile areas, where financial hardship and poor service delivery are unrelenting concerns, often culminating in public protests. Localised civil unrest has an impact on our business operations and we make concerted, ongoing efforts to monitor and build relationships with our communities. As a business we strive to provide employment, skills development and sustainable growth opportunities for residents of these local communities and make further significant contributions to corporate social investment ('CSI") upliftment initiatives centred on education, sport and conservation.

It is anticipated that with local elections scheduled for early 2022 and continued non-delivery of basic services, incidents of civil unrest will increase. We have contingency plans in place to mitigate interruptions to operations where possible.

Progress the journey to improve the Group's ESG credentials

- Environment

Our goal for the year was to reduce the Group's carbon footprint and consumption of non-renewable resources through initiatives including wider use of solar energy and rainwater harvesting in the stores and factories, and water recycling in the factories. The carbon footprint report completed in July 2021 confirms that although a slight increase in carbon emissions was recorded during the year due to significantly increased activity in both manufacturing and retail, carbon emissions per unit produced and sold have decreased. To date solar energy installations have been fitted at 36 of our stores, two of Ceramic's factories, as well as the Group's support centre and training academy.

Our environmental priorities are focused on:

Properties – which are constructed and renovated using cost-effective, energy efficient and environmentally sensitive practices and building materials.

Operations – using the latest technology to reduce consumption of non-renewable resources and recover, recycle and reuse where possible. In this regard, Ceramic's factories rank among the most energy efficient globally. In addition, rehabilitation of raw material quarries is conducted concurrently during use and at end-of-productive-life.

Products – our ranges of eco-friendly tiles, taps, shower heads and toilets are all designed to consume fewer natural resources, contributing to a significant carbon footprint reduction for our business and our customers.

- Social impact

Our Proudly South African ethic is a key theme in our stores and communications campaigns, and we continued to further our support for the economy by selling high quality local products manufactured by local people, thereby creating employment and providing training and skills development. Approximately 76% of all merchandise sold by our retail brands is produced locally.

Together with our Italtile and Ceramic Foundation, R121 million was invested in skills development, learnerships, schooling and sporting infrastructure, bursaries, conservation and enterprise and supplier development for previously disadvantaged and disabled recipients. In addition, our retail brands and factories conducted outreach programmes in disadvantaged communities. A key component of these programmes is to ensure they are meaningful, sustainable and measurable.

- Governance

Italtile believes that the application of effective governance is essential to establishing an ethical and successful organisation, which creates sustainable value for its stakeholders, and embraces the principles set out in the King IV Report on Corporate Governance for South Africa 2016 ("King IV ™*"). We drive our business with our core values; they inform our policies, practices and decisions. During the review period we made good progress with enhancing the controls in key areas of the business including cybersecurity and health and safety. The independent safety, health and environment audit conducted during the period confirmed that improvement was noted across the retail brands, with vast improvement on the supply chain audit results. Furthermore, overall, the scores achieved by the stores in our internal audits also improved.

DIVISIONAL REVIEW

Retail brands

The Group's three major retail brands, Italtile Retail, CTM and TopT all delivered pleasing results, reporting improvements in all key metrics: total sales and sales per person, profits, average basket value and stock turn. They also recorded improved mystery shop and customer sentiment scores, reflected by a gain in market share in their respective segments.

Webstores

Over recent years, the Group has invested substantial resources in developing and implementing innovative technology to enhance our competitive offering across all digital trading platforms. With the onset of lockdowns and changing customer shopping behaviour, which favours online research and transacting, this investment was accelerated. The agility of our e-commerce team to adapt technological innovations to evolving trading conditions and customer demands was very successful, and our webstores reported record unique visitor traffic and significantly increased online sales.

CTM

CTM built on the momentum gained through our Sithi Wena ("You deserve a beautiful home") repositioning campaign and the roll out of Millennial-look store formats to deliver pleasing results for the period. Good progress was also achieved with entrenching retail excellence disciplines and optimising sales levers.

CTM's consistent challenge is to improve the calibre and productivity of the sales force and store operators, and we continued to build systems and processes to facilitate this improvement. During the last quarter, we piloted our pre-retailing 'silent salesperson' initiatives, which made a notable contribution to increased productivity and an enhanced shopping experience for customers. We also advanced the development of our people pipeline through our Operator Training Programme, in partnership with leading universities.

The contribution of the sanitaryware category grew strongly, primarily due to revamps implemented in the Bathroom Boulevard areas of our stores and improved ranges. Pre-retailing in these departments also made a substantial contribution to the improved shopping experience. We will continue to roll out these initiatives and upgrades across the store network.

We strengthened the operations management team with the introduction of a dedicated warehouse specialist, which will ensure the required level of resources for this vital business function.

Management's focus in the new financial year will be on improving the range and presentation in more stores with the assistance of an enhanced merchandise team.

The goal is to open six new stores in the new financial year, three in South Africa and three in the rest of Africa. This roll-out programme will, however, be determined by the status of the pandemic, regulatory efficiency and general trading conditions.

Italtile Retail

After several years of subdued results attributable to a shrinking, negatively disposed target market, Italtile Retail recorded a stellar performance for the year. This turnaround was underpinned by enforced stay-at-home orders and restrictions on international travel and other luxury pursuits, which resulted in premium-end consumers reallocating funds to substantial home improvements to accommodate at-home activities such as home offices, gyms, playrooms and spa facilities. Other key factors that contributed to the satisfying performance were the brand's meticulous execution of retail excellence disciplines and outstanding marketing campaigns across a range of platforms.

In contrast to this strong performance by the residential/retail component, the Commercial Projects division delivered weaker results, primarily a function of the dearth of building activity in the professional projects sector at present. This segment contributes only 10% to Italtile Retail's total turnover and hence must be viewed in perspective.

Subsequent to year-end, the brand opened a pilot small-format store in George, Western Cape. Should this format prove successful, the potential exists to explore new, untapped smaller markets, which have previously not been considered.

TopT

TopT reported strong results for the year, boosted by the conversion of all remaining non-performing regions from franchised to Group-owned, which afforded improved oversight and profitability. Further work is underway to reduce the size of individual regions, which will also improve management controls.

During the review period, equity partnership agreements were concluded with two partners, being the incumbent Managing Director and a new Merchandise Director. In addition, the operations team was strengthened, with specific focus on the brand's purchasing capability.

Much of TopT's customer equity lies in its positioning as a community-centred offering, and this was leveraged during the review period with the launch of the interactive Woza Ekhaya campaign, which culminated in a customer winning a new home, as well as other community-focused CSI projects and brand awareness initiatives.

Notwithstanding the brand's consistently good results, there are significant opportunities to execute better on retail excellence disciplines through improved standardisation of the offering and implementation of the business optimisation programme.

The roll out of stores was deliberately contained to 11 new stores, and as a result, there is a good pipeline for the next three years.

U-Light

While U-Light fell short of our revenue targets, the business succeeded in building the existing lighting offering in TopT and grew lighting sales for the brand. U-Light also supplied product for the total revamp of lighting requirements in our own stores; the R16 million in-house project delivered a substantially more efficient, cost-effective solution than had it been outsourced.

During the review period, a new equity partner with long-standing experience in retail was appointed to manage the business. In addition, we expanded the Company-owned model with two pilot franchised stores.

U-Light remains a work-in-progress and our goal in the year ahead is to build scalability of the business. Opportunities are also currently being explored to expand the integrated import supply capability.

Supply chain

The Group's retail brand operation is strategically supported by its vertically integrated supply chain businesses, which comprise manufacturing businesses: Ceramic and Ezee Tile, and importers: Cedar Point, ITD and Distribution Centre.

Supply chain: Manufacturers

Ceramic Industries

South Africa: Ceramic is a volume-driven operation that thrives at full capacity utilisation, which results in lower production costs, reduced inefficiencies and a concomitant positive impact on profits.

During the review period, the business benefitted from a range of conducive factors which drove volumes. These included robust demand caused by enforced stay-at-home orders during the pandemic; low interest rates; severe import supply chain disruptions; a weak currency; high shipping costs and a 'buy-local' consumer philosophy. In terms of the latter trend, Ceramic grew its market share of the import substitute segment and is likely to continue to build on those gains.

The tile factories all reported improved productivity and cost leadership, and successfully expanded the range of the new low carbon footprint, industry-leading EcoTec tiles.

Betta Sanitaryware and Betta Baths both increased production, gained market share and improved the distribution model, delivering enhanced customer service. In the sanitaryware market, a key local manufacturer ceased production during the year and will henceforth import stock, which will afford Ceramic a competitive advantage.

Australia: Ceramic's Australian operation recorded an excellent performance for the period due to the robust demand for local product underpinned by a pro-local sentiment, high import costs and severe supply chain disruptions of imported products. The sustained demand experienced has provided management with incentive to investigate the feasibility of expanding the plant.

Ezee Tile

This business unit delivered another pleasing result, achieved through improved production efficiencies and intensified cost management. Double-digit sales and profit growth were recorded for the period, derived from full capacity utilisation and operational improvements in all the factories.

Supply chain: Importers

The improved sales and profits reported by our three import businesses, Cedar Point, ITD and DC are particularly creditable given ongoing disruptions to global supply chains and volatile pricing of imported products and shipping rates experienced during the period.

Aligned with our long-term strategic shift to support the South African economy, the Group will continue to replace imported product with local supply where available and viable.

Cedar Point

This business recorded a good performance for the period, successfully bedding down the in-house management of its three warehouse distribution centres and extracting value through integration into the TMS. There are opportunities to reduce stock levels and hone the range, but this will take time while global supply chains normalise. The division's margin declined slightly due to unfavourable exchange rates and shipping costs and the deliberate strategy to support price-sensitive customers.

International Tap Distributors (ITD)

This division delivered another strong performance, building on the momentum gained in the prior year. In-stock levels of business-critical products improved despite supply chain interruptions, while investment in inventory was contained, notwithstanding the business successfully curating a highly fashionable range. Pleasing cost containment and better buying achieved good profit growth and higher margins.

Distribution Centre

Despite erratic supply of imported product, this business unit maintained in-stock levels for CTM and TopT. Solid progress was made with the implementation of a control tower solution and visibility within the import process. Implementing opportunities to replace and source more competitively priced product from new markets is an ongoing initiative and continues to deliver strategic advantage for the retail brands.

ASSOCIATE INVESTMENT

Easylife Kitchens ("ELK")

ELK is a leading installer and manufacturer of kitchen, bathroom, vanity, built-in-cupboards, bar and storage design. The Group acquired a 25,1% stake in ELK effective 1 February 2020 and subsequently increased our stake to 30% during the year. The investment in ELK is in line with our goal to provide customers with complete specialist solutions in home finishing. During the review period, we opened ELK stores on two of our existing sites and are pleased to report that initial trading performance is positive. In addition, ELK commenced manufacturing bathroom cabinets for Cedar Point; this import substitute option offers strategic advantage given ongoing global supply chain disruptions.

PROPERTY PORTFOLIO

The Group's property portfolio affords strategic advantage to the retail brand operations by ensuring stores are easily accessible, well presented and maintained, and provide an aspirational, aesthetically pleasing shopping experience. The Group's manufacturing operations consist of well-maintained, state-of-the-art factories, which are supplied with high quality raw materials sourced mainly from owned productive quarries in close proximity to the plants.

Management's goal is to continue to improve returns on this portfolio through optimal use of existing owned land, strategic development of new store formats and achieving keener construction costs.

As at 30 June 2021, the portfolio's estimated market value was R4,5 billion, comprising a retail portfolio valued at R3,5 billion (2020: R3,3 billion) and a manufacturing portfolio valued at R1,0 billion (2020: R1,0 billion). During the period, capital expenditure of R420 million was incurred on the retail portfolio on an ongoing store upgrade programme and acquisition of eight properties. A further R462 million was invested across the manufacturing operations on plant, warehouse and equipment upgrades.

STAFF SHARE SCHEME VESTING

The Group's equity-settled Staff Share Scheme is designed to incentivise employees to participate in the growth and profitability of the business. In this regard, the fifth allotment of shares, granted in 2017, vested on 31 August 2020. A total of 116 employees qualified, of which one employee opted to receive shares and the balance received the net value of the awards in cash. Cash payments after tax averaged R106 983,51 per individual (aggregate payments including income tax totalled R16,1 million), funded by the sale of the related shares to the market. The employee who elected to receive shares, received 10 178 Italtile Limited shares each (dependent on the individual's effective income tax rate).

During the review period an eighth allotment of shares was made, comprising 4,2 million shares allocated to 170 eligible employees of the Group and franchisees. As at 30 June 2021, there were 427 participants in the scheme, holding 9,9 million Italtile shares.

DIRECTORATE

Retirement of Chief Executive Officer and appointment of successor

As announced on SENS on 3 May 2021, Group CEO, Mr Jan Potgieter, will be retiring with effect from 31 December 2021. He will remain on the Board as a non-executive director.

Mr Lance Foxcroft, formerly CEO of Ceramic will succeed Mr Potgieter with effect from 1 January 2022. He assumed the position of CEO-designate on 1 July 2021. Mr Tshepo Molefakgotla succeeded Mr Foxcroft as CEO of Ceramic on 1 July 2021. Prior to this appointment, Mr Molefakgotla served as Chief Operating Officer of Ceramic from 2016.

These appointments formalise the Group's succession plan which has been developed over five years and will ensure a seamless transition to a new era for the business.

Appointment of an independent non-executive director

As advised on SENS on 27 May 2021, Ms Lushane Prezens was appointed as an independent non-executive director with effect from 1 June 2021. Ms Prezens was also appointed to the board of Italtile's subsidiary, Ceramic.

The Board welcomes Ms Prezens and looks forward to her contribution.

GROUP OUTLOOK

South Africans continue to face high levels of unemployment, poverty, crime, corruption, service and infrastructure failure, and general policy uncertainty. As a nation, we are renowned for our resilience and optimism, but these ongoing hardships, exacerbated by the pandemic, have created a sense of fatigue and a mood of despondency.

The widespread destructive civil unrest, which occurred in KZN and Gauteng in July 2021 was further evidence of the serious underlying social, political and economic disquiet in the country. The damage to the local economy and business and investor confidence was severe, and there remains a deep concern that until the underlying causes of this disquiet are addressed with meaningful reforms, it is likely that we will experience further unrest in future, particularly leading up to local government elections early in 2022.

In the period ahead, the sluggish vaccine roll out and ongoing impact of the pandemic and related restrictions on consumer confidence and spend will remain a major concern.

In our industry, there are also several factors that are cause for uncertainty, including continued global supply chain and shipping disruptions, the possibility of interest rate hikes in the local market, and the sustainability or otherwise of the home improvement trend at current levels.

In our business, the primary challenge we face will be people capacity and skills, and general psychological fatigue among consumers.

In this concerning and adverse environment, our priority is to focus on those factors which we can control and influence.

- While global trends indicate a slowing of the home improvement boom, we infer that is primarily due to easing of stay-at-home orders due to comprehensive vaccine campaigns. Our roll out programme is substantially behind international markets, so we expect any tailing-off locally to lag behind those markets.

  Notably, Google trends regarding online floor tile research indicate that although the search demand in March to June 2021 was lower than in the period 1 May to end November 2020, current search levels remain significantly higher than prior to the lockdown, which is a positive sign. It has always been the Group's contention that consumption of tiles in the local market is substantially lower than comparable emerging markets and therefore offers a very strong growth opportunity.
- We are confident that if we execute retail excellence disciplines better at every customer touchpoint and reduce existing inefficiencies in our business, we will build further momentum in the business to deliver sales and profit growth and gain market share.
- We will continue to invest in the future of our business and the local economy through our store roll out and upgrade programme and our capital expenditure projects, and are optimistic this investment will deliver growth for the Group. As a Proudly South African company we are committed to contributing to responsible, sustainable growth, job creation, skills development and meaningful community upliftment.
- We will also continue to invest in ensuring our innovative online offering provides consumers with a seamless, personal digital experience to differentiate us from our peers.
- After a year of low-price inflation and margin sacrifice, average selling prices will be increased in line with inflation and appropriate margins will be maintained to support our business units and store operators.
- We are mindful that for the foreseeable future, the pandemic will continue to impact on the local economy and our business. We are satisfied that our clear-cut strategies, responsive systems, hands-on management team, and resilient business model will enable the Group to continue to respond nimbly and timeously to future challenges.

In terms of our growth programme, we have identified the following focus areas for the year ahead, aligned with management's key performance measures.

Strategic plan

- Open ten to fifteen new stores and advance the revamp programme.
- Execute better by optimising opportunities at all touch points of the customer experience (people, fashion, service, price, and presentation).
- Improve stock turn and product mix.
- Grow the contribution of U-Light to the business and expand the integrated import supply chain.
- Leverage cutting-edge technology to improve the Group's competitive advantage across all trading platforms and migrate our SAP infrastructure to the cloud.
- Subject to Covid restrictions, cautiously expand the Group's existing retail and manufacturing footprint in the rest of Africa and continue to investigate opportunities to enter new markets.
- Progress to the next phase of the five-year logistics and distribution programme designed to extract optimum efficiencies and reduce costs.

Productivity

- Instill productivity as a core discipline to improve the competitive posture of the business.

Financial performance

- Drive cost leadership and intensified productivity measures across the business.
- Maintain efficient working capital management.
- Complete execution of the roughly R800 million capex programme during the next financial year.

Human capital

- Continue to invest in leadership development to build a pipeline of talent.

BBBEE

- Strive to achieve a level 3 rating in the year ahead.

Customer satisfaction and operational excellence

- Entrench retail excellence disciplines aimed at enhancing the customer shopping experience and continue to improve on customer sentiment scores.

Cultural fit and values

- Continue to embed the core values and performance culture across the Group.

Stakeholder relations

- Maintain a comprehensive and engaged stakeholder management programme.

ESG priorities

In order to achieve our goal to be a responsible, safe and sustainable business, we have started to develop policies and entrench an ethic of zero-harm. This will be implemented throughout the business as a wholistic approach to managing risks, including physical safety, mental well-being and physical health. In this regard we will undertake the following activities:

Environment

- continue to strive to reduce the Group's carbon footprint and consumption of non-renewable resources.

Social impact

- ensure the safety and well-being of our employees;
- ensure that our community social initiatives are meaningful and sustainable, and measure their impact on an ongoing basis; and
- advance our Proudly South African campaign which prioritises selling local products manufactured by local people.

Governance

- continue to entrench the implementation of good corporate governance principles across all of the Group's business units.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Impact of civil unrest and the ongoing pandemic

At the height of the public unrest in July 2021, in the interests of ensuring the safety of our staff and customers, we closed all of our 18 stores in KZN for 10 days, as well as 16 stores in other hotspots for shorter periods of time. Thankfully no injuries were sustained. Two TopT stores in Orange Farm and Spruitview in Gauteng were looted and destroyed. There is no doubt this small number of damaged stores would have been substantially higher without the outstanding support received from our local communities, taxi associations, the South African Police Service and the South African Defence Force, who were pivotal in protecting businesses in various neighbourhoods.

In addition to the abovementioned closures, numerous stores were temporarily closed throughout July 2021 due to positive Covid cases, which occurred during the third wave of the pandemic.

Subsequent to year-end, up to 10 July 2021 (and the onset of the unrest), the business had recorded 14% growth in sales. Thereafter, sales trended down for most of July, recovering only slightly in the last week, and finally ending on 5% growth for the month.

In terms of the widespread damage caused to most of the major retailers in the building industry, we expect Ceramic to experience some upside in sales over the next few months and possibly up to one year, as customers re-stock in the aftermath of the unrest.

Retirement of Ezee Tile founder and acquisition of shareholding

Founder and manager of Ezee Tile, Mike du Plessis, retired at the end of the period after 27 years in the business. The Group acquired his 26% stake for a consideration of R120 million and now holds 97,54% of Ezee Tile.

We would like to pay tribute to Mike for his invaluable contribution to assisting with the integration of Ezee Tile into the Group after we acquired a stake in the business in 2008 and subsequently a majority stake in 2017. His hands-on involvement and commitment have been key to the success of the business since it was founded in 1994. Mike has been succeeded by his longstanding COO, who has extensive experience in the industry and company.

PROSPECTS

We anticipate that the first half of the new financial year will deliver results in line with the prior corresponding period. This conservative forecast is in view of the high base we reported in H1 2020, which was driven by pent-up demand, as well as the adverse impact of the unrest and ongoing pandemic since year-end. Given prevailing uncertainty, it is difficult to predict with accuracy the performance in the second half of the year, however, assuming trading conditions do not deteriorate even further, we anticipate delivering sales and profit growth for the full year.

ORDINARY CASH DIVIDEND

The Board has declared a final gross ordinary cash dividend of 25,0 cents per share (2020: 10,0 cents per share), which together with the interim gross ordinary cash dividend of 31,0 cents per share (2020: 23,0 cents per share), produces a total gross ordinary cash dividend declared for the year ended 30 June 2021 of 56,0 cents per share (2020: 33,0 cents per share), an increase of 70%.

The dividend cover remains at two and a half times.

SPECIAL CASH DIVIDEND

In light of the Group's strong cash generative nature and cash reserves being in excess of operational requirements, the Board has declared a gross special cash dividend of 50,0 cents per share (2020: 23,0 cents per share). This is the fourth special dividend paid in four consecutive financial years.

The special dividend will be subject to Dividend Withholding Tax at a rate of 20%, which will result in a net special dividend of 40,0 cents per share for those shareholders who are not exempt.

Italtile has obtained the relevant South African Reserve Bank approval in respect of the special dividend, and the Board has reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after distribution thereof and for the next 12 months.

DIVIDEND ANNOUNCEMENT

The Board has declared a final gross ordinary cash dividend (number 110) for the year ended 30 June 2021 of 25,0 cents per ordinary share, to all shareholders recorded in the books of Italtile as at the record date of Friday, 17 September 2021.

In accordance with paragraphs 11.17(a)(i) to (x) and 11.17(c) of the Listings Requirements of the JSE Limited, ("JSE Listings Requirements") the following additional information is provided:

- The dividend has been declared out of income reserves;
- The local dividend withholding tax rate is 20% (twenty percent);
- The gross local ordinary dividend amount is 25,0 cents per share for shareholders exempt from the dividends tax;
- The net local ordinary dividend amount is 20,0 cents per share for shareholders liable to pay the dividends tax;
- The local ordinary dividend withholding tax amount is 5,0 cents per share for shareholders liable to pay the dividends tax;

- Italtile's income tax reference number is 9050182717; and
- The Group has 1 321 654 148 shares in issue including 16 211 753 shares held by the share incentive and retention trusts, 64 686 287 shares held as BBBEE treasury shares and 24 070 812 shares held by Italtile Ceramics Proprietary Limited ("Italtile Ceramics").

TIMETABLE FOR CASH DIVIDEND

The cash dividend timetable is structured as follows: the last day to trade *cum dividend* in order to participate in the dividend will be Tuesday, 14 September 2021. The shares will commence trading ex-dividend from the commencement of business on Wednesday, 15 September 2021 and the record date will be Friday, 17 September 2021. The dividend will be paid on Monday, 20 September 2021. Share certificates may not be rematerialised or dematerialised between Wednesday, 15 September 2021 and Friday, 17 September 2021, both days inclusive.

This full-long form announcement is available at: https://senspdf.jse.co.za/documents/2021/jse/isse/ite/ye21.pdf and on Italtile's website at https://www.italtile.com.

The short-form announcement was published on SENS on 26 August 2021 and is also available on Italtile's website at https://www.italtile.com.

Both the short-form and full announcement are also available for inspection at the registered offices of Italtile and its sponsor, Merchantec Capital, during business hours. Copies of the full announcement are available at no cost on request from the Company Secretary who is contactable on +27 11 882 8200 or lizwillis@ejaysecretarial.co.za.

For and on behalf of the Board

J N Potgieter	B G Wood
Chief Executive Officer	*Chief Financial Officer*

No forward looking statements in this announcement have been reviewed or reported on by the Group's auditors.

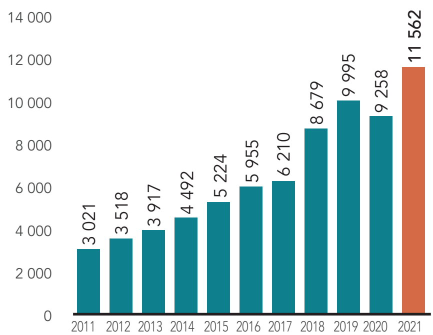
These condensed consolidated financial statements for the year ended 30 June 2021 have been reviewed by PricewaterhouseCoopers Inc., ("PwC"), who expressed an unmodified review conclusion thereon. A copy of the auditor's review report is available for inspection at the Company's registered office, together with the financial statements identified in the auditor's report.

PwC's unmodified review conclusion does not necessarily report on all of the information contained in this reviewed condensed Group results announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of PwC's unmodified review opinion together with the accompanying financial information from the Company Secretary at the Company's registered office and is also available on Italtile's website at https://italtile.com/investor-reports-and-results.asp.

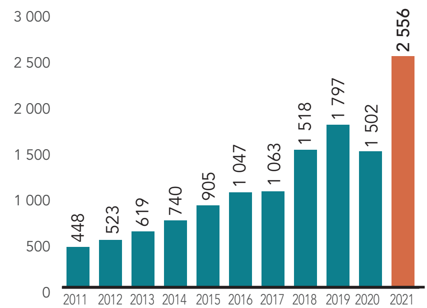
Johannesburg

25 August 2021

System-wide turnover (Rm)



Trading profit (Rm)



System-wide turnover analysis

for the year ended 30 June 2021

(Rand millions unless otherwise stated)

	% increase	2021	2020
Group and franchised turnover			
– By Group-owned stores and entities	37	**9 135**	6 690
– By franchise-owned stores	(5)	**2 427**	2 568
Total	25	**11 562**	9 258

Store Network

At 30 June

	2021			2020		
Region	**Franchise**	**Owned**	**Total**	**Franchise**	**Owned**	**Total**
South Africa						
– Italtile	**–**	**13***	**13***	–	13*	13*
– CTM	**30**	**42***	**72***	32	40*	72*
– TopT	**36**	**54***	**90***	34	49*	83*
– U-Light	**2**	**6***	**8***	–	6*	6*
Rest of Africa						
– Italtile	**–**	**1**	**1**	–	1	1
– CTM	**3**	**19***	**22***	4	18*	22*
– TopT	**–**	**–**	**–**	1	–	1
	71	**135***	**206***	71	127*	198*

* Includes webstores.

Condensed Group statement of comprehensive income

for the year ended 30 June 2021

	% increase	Reviewed year to 30 June 2021	Audited year to 30 June 2020
		(Rand millions unless otherwise stated)	
Turnover	37	**9 135**	6 690
Cost of sales		**(5 106)**	(4 145)
Gross profit	58	**4 029**	2 545
Other revenue and operating income		**383**	438
Operating expenses		**(1 865)**	(1 466)
Impairment of property, plant and equipment		**(10)**	(16)
Profit on sale of property, plant and equipment		**19**	1
Trading profit	70	**2 556**	1 502
Finance income		**57**	74
Finance cost		**(59)**	(81)
BBBEE Transaction charge		**–**	(39)
Profit from associates – after tax		**3**	1
Profit before taxation	75	**2 557**	1 457
Taxation		**(712)**	(434)
Profit for the year	80	**1 845**	1 023
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss:			
Foreign currency translation difference		**(38)**	54
Total comprehensive income for the year	68	**1 807**	1 077
Profit attributable to:			
– Equity shareholders		**1 718**	964
– Non-controlling interests		**127**	59
	80	**1 845**	1 023
Total comprehensive income attributable to:			
– Equity shareholders		**1 680**	1 018
– Non-controlling interests		**127**	59
	68	**1 807**	1 077
Earnings per share (all figures in cents):			
– Earnings per share	80	**140,7**	78,3
– Diluted earnings per share	80	**140,1**	78,0

Condensed Group statement of financial position

as at 30 June 2021

	(Rand millions unless otherwise stated)	
	Reviewed year to 30 June 2021	Audited year to 30 June 2020
ASSETS		
Non-current assets	**5 483**	4 812
Property, plant and equipment	**4 866**	4 248
Right-of-use assets	**381**	349
Investments in associates	**55**	49
Long-term financial assets	**144**	133
Goodwill	**19**	19
Deferred taxation	**18**	14
Current assets	**3 124**	2 610
Inventories	**1 164**	896
Trade and other receivables	**811**	778
Cash and cash equivalents	**1 081**	860
Taxation receivable	**68**	76
Total assets	**8 607**	7 422
EQUITY AND LIABILITIES		
Share capital and reserves	**6 713**	5 634
Stated capital	**4 314**	4 314
Non-distributable reserves	**(12)**	26
Treasury shares	**(904)**	(735)
Share option reserve	**219**	280
Retained earnings	**2 736**	1 448
Non-controlling interests	**360**	301
Non-current liabilities	**526**	1 009
Interest-bearing loans	**5**	500
Lease liabilities	**352**	309
Deferred taxation	**169**	200
Current liabilities	**1 368**	779
Trade and other payables	**572**	617
Provisions	**227**	98
Interest-bearing loans	**502**	2
Lease liabilities	**48**	39
Taxation payable	**19**	23
Total equity and liabilities	**8 607**	7 422

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

(Rand millions unless otherwise stated)

	Stated capital	Non-distributable reserves	Treasury shares	Share option reserve	Retained earnings	Total	Non-controlling interest	Total equity
Audited balance at 30 June 2019	4 010	(28)	(497)	220	1 902	5 607	251	5 858
Profit for the year	–	–	–	–	964	964	59	1 023
Other comprehensive income for the year	–	54	–	–	–	54	–	54
Total comprehensive income for the year	–	54	–	–	964	1 018	59	1 077
Issue of shares	304	–	–	–	–	304	–	304
Purchase of own shares	–	–	(243)	–	–	(243)	–	(243)
Dividends paid	–	–	–	–	(1 448)	(1 448)	(33)	(1 481)
BBBEE transaction charge	–	–	–	39	–	39	–	39
Transactions with non-controlling interests	–	–	–	–	7	7	24	31
Share incentive costs (including vesting)	–	–	5	21	23	49	–	49
Audited balance at 30 June 2020	4 314	26	(735)	280	1 448	5 333	301	5 634
Profit for the year	**–**	**–**	**–**	**–**	**1 718**	**1 718**	**127**	**1 845**
Other comprehensive income for the year	**–**	**(38)**	**–**	**–**	**–**	**(38)**	**–**	**(38)**
Total comprehensive income for the year	**–**	**(38)**	**–**	**–**	**1 718**	**1 680**	**127**	**1 807**
Purchase of own shares	**–**	**–**	**(184)**	**–**	**–**	**(184)**	**–**	**(184)**
Executive Retention Scheme repayment	**–**	**–**	**(5)**	**–**	**–**	**(5)**	**–**	**(5)**
Dividends paid	**–**	**–**	**–**	**–**	**(490)**	**(490)**	**(69)**	**(559)**
Transactions with non-controlling interests	**–**	**–**	**–**	**–**	**14**	**14**	**1**	**15**
Share incentive costs (including vesting)	**–**	**–**	**20**	**(61)**	**46**	**5**	**–**	**5**
Reviewed balance at 30 June 2021	**4 314**	**(12)**	**(904)**	**219**	**2 736**	**6 353**	**360**	**6 713**

CONDENSED GROUP CASH FLOW STATEMENT

for the year ended 30 June 2021

	(Rand millions unless otherwise stated)	
	Reviewed year to 30 June 2021	Audited year to 30 June 2020
Cash generated by operations (note 7)	**2 696**	2 159
Finance income	**57**	74
Finance costs	**(29)**	(55)
Lease liability finance costs	**(30)**	(26)
Dividends paid	**(559)**	(1 481)
Taxation	**(738)**	(416)
Cash flow from operating activities	**1 397**	255
Additions to property, plant and equipment	**(1 025)**	(614)
Proceeds on disposal of property, plant and equipment	**83**	36
(Increase)/decrease in long-term financial assets	**(3)**	6
Purchase of interest in subsidiaries and associates	**(2)**	(22)
Cash flow from investing activities	**(947)**	(594)
Proceeds of share issue	**–**	304
Increase in loans and borrowings	**5**	380
Decrease in loans and borrowings	**–**	(381)
Treasury share purchases	**(184)**	(243)
Lease liability payments	**(50)**	(62)
Cash flow from financing activities	**(229)**	(2)
Net movement in cash and cash equivalents for the period	**221**	(341)
Cash and cash equivalents at the beginning of the period	**860**	1201
Cash and cash equivalents at the end of the period	**1 081**	860

SEGMENTAL REPORT

for the year ended 30 June 2021

(Rand millions unless otherwise stated)

Reviewed year to 30 June 2021	Retail	Manufacturing*	Supply and Support Services*
Turnover	**5 136**	**5 040**	**2 614**
– From external customers*	**5 136**	**3 452**	**547**
– Intersegment	**–**	**1 588**	**2 067**
Turnover from franchise stores**	**2 427**	**–**	**–**
Achieved gross margin	**1 864**	**1 594**	**300**
Depreciation	**(55)**	**(219)**	**(20)**
Impairment of property, plant and equipment	**–**	**(10)**	**–**
Profit on sale of property, plant and equipment	**#**	**#**	**4**
Trading profit	**548**	**1 074**	**324##**
Finance income	**6**	**24**	**41**
Finance costs	**(2)**	**(3)**	**(13)**
Income from associates	**–**	**–**	**–**
Profit before taxation	**552**	**1 096**	**352**

* *Turnover from external customers includes sales to franchise stores.*
** *Franchise stores are not controlled by the Group.*
\# *Less than R1 million.*
\#\# *Includes franchise income of R52 million disclosed in note 6.*
\#\#\# *Includes royalty income of R122 million disclosed in note 6.*

(Rand millions unless otherwise stated)

Audited year to 30 June 2020	Retail	Manufacturing*	Supply and Support Services*
Turnover	3 442	3 736	1 835
– From external customers*	3 442	2 790	458
– Intersegment	–	946	1 377
Turnover from franchise stores**	2 568	–	–
Achieved gross margin	1 209	920	199
Depreciation	(45)	(214)	(20)
Impairment of plant and equipment	–	(16)	–
Profit on sale of property, plant and equipment	#	#	#
Trading profit	296	458	209##
Finance income	8	40	60
Finance costs	#	(4)	(47)
Income from associates	–	–	–
BBBEE transaction charge	–	–	(39)
Profit before taxation	304	494	183

* *Turnover from external customers includes sales to franchise stores.*
** *Franchise stores are not controlled by the Group.*
\# *Less than R1 million.*
\#\# *Includes franchise income of R89 million disclosed in note 6.*
\#\#\# *Includes royalty income of R129 million disclosed in note 6.*

Franchising	Properties	Associates	Consolidation	Total
–	**–**	**–**	**(3 655)**	**9 135**
–	**–**	**–**	**–**	**9 135**
–	**–**	**–**	**(3 655)**	**–**
–	**–**	**–**	**(2 427)**	**–**
–	**–**	**–**	**223**	**3 981**
(2)	**(88)**	**–**	**–**	**(384)**
–	**–**	**–**	**–**	**(10)**
#	**15**	**–**	**–**	**19**
281###	**364**	**–**	**(35)**	**2 556**
#	**10**	**–**	**(25)**	**57**
#	**(66)**	**–**	**25**	**(59)**
–	**–**	**3**	**–**	**3**
281	**308**	**3**	**(35)**	**2 557**

Franchising	Properties	Associates	Consolidation	Total
–	–	–	(2 323)	6 690
–	–	–	–	6 690
–	–	–	(2 323)	–
–	–	–	(2 568)	–
–	–	–	178	2 506
(2)	(80)	–	–	(361)
–	–	–	–	(16)
–	#	–	–	1
248###	287	–	4	1 502
#	18	–	(52)	74
–	(82)	–	52	(81)
–	–	1	–	1
–	–	–	–	(39)
248	223	1	4	1 457

GEOGRAPHICAL ANALYSIS

for the year ended 30 June 2021

(Rand millions unless otherwise stated)

	South Africa	Rest of Africa	Australia	Consolidation	Group
Reviewed year to 30 June 2021					
Turnover	**11 219**	**937**	**634**	**(3 655)**	**9 135**
Non-current assets	**6 507**	**366**	**218**	**(1 608)**	**5 483**
Audited year to 30 June 2020					
Turnover	7 802	726	485	(2 323)	6 690
Non-current assets	5 431	343	247	(1 209)	4 812

NOTES

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY

Basis of preparation

The preliminary condensed consolidated financial statements are prepared in accordance with requirements of the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. These results have been prepared under the supervision of the Chief Financial Officer, Mr B G Wood.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of these preliminary condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020, except for the adoption of new and amended IFRS and International Financial Reporting Interpretations Committee interpretations, which became effective during the current review period. The application of these standards and interpretations did not have a significant impact on the Group's reported results and cash flows for the year ended 30 June 2021 and the financial position at 30 June 2021.

2. COMMITMENTS AND CONTINGENCIES

There are no material contingent assets or liabilities at 30 June 2021.

Capital commitments (Rand millions)	30 June 2021	30 June 2020
– Contracted	**541**	358
– Authorised but not contracted for	**275**	355
Total	**816**	713

Capital commitments will be funded by cash generated by operations.

3. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group does not fair value its financial assets or liabilities in accordance with quoted prices in active markets or market observables, as their carrying value approximates fair value due to the short-term nature of these items, and/or existing terms are equivalent to market observables. There were no transfers into or out of Level 3 financial instruments during the period.

4. STAFF SHARE SCHEME

During the 2014 financial year, the Group implemented a share incentive scheme for all employees of the Group and its franchisees that had been in the employ of the Group and/or franchise network for a period of three uninterrupted years at each allotment date in August every year from implementation date. As a result, 9,9 million of the Group's shares net of forfeitures were held by qualifying staff members at 30 June 2021 (2020: 9 million). Until vesting, the shares will continue to be accounted for as treasury shares and have an impact on the diluted weighted average number of shares.

The fifth allotment of shares in the scheme, granted in 2017, vested on 31 August 2020. A total of 116 employees qualified for the vesting (2020: 94). This resulted in a decrease in treasury shares of 1 128 860 (2020: 909 106) shares.

The scheme is classified as an equity settled scheme in terms of IFRS 2, Share-based Payment, and has resulted in an expense of R19 million (2020: R25 million) in the Group's results; R9 million (2020: R13 million) of this charge is a once-off accelerated expense for franchise staff.

5. EARNINGS PER SHARE ("EPS")

	Reviewed year to 30 June 2021	Audited year to 30 June 2020
Reconciliation of shares in issue (all figures in millions):		
– Total number of shares issued	**1 322**	1 322
– Shares held by Share Incentive Trust	**(10)**	(10)
– Shares held by Retention Trust	**(6)**	–
– BEE treasury shares	**(65)**	(64)
– Shares held by Italtile Ceramics Proprietary Limited	**(24)**	(18)
Shares in issue to external parties	**1 217**	1 230
Reconciliation of share numbers used for earnings per share calculations (all figures in millions):		
Weighted average number of shares	**1 221**	1 231
Dilution effect of share awards	**6**	5
Diluted weighted average number of shares	**1 227**	1 236
Reconciliation of headline earnings (Rand millions):		
– Profit attributable to equity shareholders	**1 718**	964
– Profit on sale of property, plant and equipment – after taxation	**(16)**	(1)
– Impairment of property, plant and equipment – after taxation	**8**	11
Headline earnings	**1 710**	974
Per share figures		
Headline EPS (cents)	**140,1**	79,2
Diluted headline EPS (cents)	**139,4**	78,8
Dividend per share (cents)	**56,0**	33,0
Adjusted EPS (cents)*	**140,7**	81,5
Adjusted diluted EPS (cents)*	**140,1**	81,1
Adjusted headline EPS (cents)*	**140,1**	82,3
Adjusted diluted headline EPS (cents)*	**139,4**	82,0
Net asset value per share (cents)	**554,0**	458

* *Adjusted for once-off charge of R39 million in the prior period related to the BBBEE transaction.*

No adjustments to earnings are required for diluted earnings per share calculations, as the share awards do not have an impact on diluted earnings.

6. DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

(Rand millions unless otherwise stated)	Reviewed year to 30 June 2021	Audited year to 30 June 2020
Turnover*	**9 135**	6 690
Royalty income from franchising	**122**	129
Other franchise income	**52**	89
	9 309	6 908

* *Turnover represents net revenue from sale of goods, excluding value added tax and intercompany sales.*

7. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

(Rand millions unless otherwise stated)	Reviewed year to 30 June 2021	Audited year to 30 June 2020
Cash flows from operating activities:		
Profit before taxation	**2 557**	1 457
Adjusted for:		
Income from associates	**(3)**	(1)
BBBEE Transaction charge	**–**	39
Depreciation	**314**	299
Depreciation – right-of-use asset	**70**	62
Finance cost – lease liability	**30**	26
Profit on sale of property, plant and equipment	**(19)**	(1)
Impairment of property, plant and equipment	**10**	16
Finance income	**(57)**	(74)
Finance costs (excluding lease liability finance costs)	**29**	55
Share-based payment expenses	**81**	84
Foreign currency translation difference	**(23)**	9
Working capital changes:		
Inventory	**(268)**	(39)
Trade and other receivables	**(95)**	90
Trade and other payables (including provisions)	**70**	137
Cash generated by operations	**2 696**	2 159

8. INTEREST-BEARING LOANS

An interest-bearing loan of R500 million is repayable in full on 29 November 2021, and as such, has been disclosed as a current liability as at 30 June 2021. The Group intends to refinance the facility for a further three years and is in negotiations in this regard.

9. IMPAIRMENTS

During the year the following impairments were recorded:

- An impairment of R4 million on a building used for administration purposes which was deemed unsafe for use (structurally unsound) and demolished; and
- An impairment of R6 million on equipment at PiViCal Panels which is not fit for purpose and/or damaged, and requires replacement (by year end, various components had already been replaced).

In the prior year, equipment and machinery at the SAMCA floor tile factory with a carrying value of R16 million was impaired, following a decision to upgrade the factory. The impairment was recorded as the components were deemed to have negligible recoverable amounts as they could not be reused elsewhere or sold to third parties.

10. COVID-19

During the fourth quarter of the prior financial year, trading in the Group's operations ceased for a five-week period as a result of the national lockdown brought about by the Covid-19 pandemic. During this time, the Group incurred losses as it was unable to trade and profits remained suppressed thereafter as activities resumed incrementally with the phased relaxation of regulated restrictions. During the final month of the prior financial year, much improved trading results and profit growth were achieved. The Group has since experienced robust demand for its products and recorded increased turnover and profitability.

To date, the pandemic has not had a materially adverse effect on the collection of receivable balances due to the Group. No material impairments directly attributable to the pandemic have been recorded, and the Group remains a going concern.

11. SOCIAL UNREST

During the social unrest in July 2021 experienced in Gauteng and KwaZulu-Natal ("KZN"), the Group closed all of its 18 stores in KZN for 10 days, as well as 16 stores in other hotspots for shorter periods of time. Although trade was disrupted and two of the Group stores looted, the Group was fortunate to not experience material loss during this time. Business interruption and asset loss insurance claims have been lodged with insurers.

12. EVENTS AFTER REPORTING DATE

The founder and non-controlling shareholder in Ezee Tile Adhesive Manufacturers Proprietary Limited ("Ezee Tile"), Mike du Plessis, retired with effect from 1 July 2021. As a result, the Group acquired his shareholding in Ezee Tile for R120 million subsequent to year-end, increasing the Group's stake in this company to 97,54%.

The directors are not aware of any other matters or circumstances arising since the end of the reporting period which will significantly affect the financial position at 30 June 2021 or the results of its operations or cash flow for the year then ended.

ANNEXURE: SUPPLEMENTARY DISCLOSURE FOR 2021 AND 2019

Given that the prior year included varying levels of restrictions on business and consumer activity, a comparison against 2019 figures on certain financial information is presented below in order to provide a more accurate representation of the Group's performance. The 2019 figures have been extracted without amendment from the audited annual financial statements for the year ended 30 June 2019.

(Rand millions unless otherwise stated)

	Reviewed year to 30 June 2021	Audited year to 30 June 2019	Percentage variance
System-wide turnover	**11 562**	9 995	16
Turnover	**9 135**	6 975	31
Retail turnover*	**7 563**	6 201	22
Like-on-like retail turnover	**7 074**	6 122	16
Supply and support services turnover	**2 614**	1 901	38
Manufacturing turnover	**5 040**	4 082	23
Trading profit	**2 556**	1 797	42
Adjusted basic earnings per share (cents)	**140,7**	102,6	37
Adjusted headline earnings per share (cents)	**140,1**	101,8	38

* *Includes franchise store turnover.*

This supplementary disclosure does not form part of the preliminary condensed consolidated financial statements and PwC does not express a review conclusion on such.

ADMINISTRATION

ITALTILE LIMITED

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Company Secretary
EJ Willis

Sponsor
Merchantec Capital

Auditor
PricewaterhouseCoopers Inc.

DIRECTORS

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JN Potgieter (Chief Executive Officer)
BG Wood (Chief Financial Officer)

Non-executive directors
GAM Ravazzotti (Chairman), LR Langenhoven (Deputy Chairman),
SM du Toit (Lead Independent Director), SG Pretorius, NP Khoza, IN Malevu, LC Prezens

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