

Dis-Chem
PHARMACIES

Dis-Chem PHARMACY 2023

Interim Condensed Consolidated Financial Results

for the six months ended
31 August 2022

Dis-Chem Pharmacies Limited
Registration number 2005/009766/06

COMMENTARY

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 once-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.

COMMENTARY CONTINUED

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

COMMENTARY CONTINUED

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
Chief Executive Officer

Rui Morais
Chief Financial Officer

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months to 31 August 2022 R'000	Six months to 31 August 2021 R'000	% change	Period to 28 February 2022 R'000
Revenue from contracts with customers	16 328 075	14 936 313	9.3%	30 406 611
Cost of sales	(12 496 034)	(11 676 326)	7.0%	(23 576 145)
Gross profit	3 832 041	3 259 987	17.5%	6 830 466
Other income	1 345 363	956 792	40.6%	1 961 443
Total income	5 177 404	4 216 779	22.8%	8 791 909
Other expenses	(4 172 828)	(3 458 443)	20.7%	(7 252 478)
Operating profit	1 004 576	758 336	32.5%	1 539 431
Net financing costs	(150 789)	(164 389)	(8.3%)	(313 389)
- Finance income	8 871	5 047	75.8%	12 095
- Finance costs	(159 660)	(169 436)	(5.8%)	(325 484)
Profit from associates and joint ventures	3 521	1 236	184.9%	1 186
Profit before taxation	857 308	595 183	44.0%	1 227 228
Taxation	(234 023)	(159 772)	46.5%	(337 124)
Total profit for the year, net of tax	623 285	435 411	43.1%	890 104
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
- Exchange differences on translating foreign subsidiaries	40	318		324
Other comprehensive income for the year, net of taxation	40	318		324
Total comprehensive income for the year	623 325	435 729	43.1%	890 428
Profit attributable to:				
- Equity holders of the parent	602 540	416 443		853 446
- Non-controlling interests	20 745	18 968		36 658
Total comprehensive income attributable to:				
- Equity holders of the parent	602 580	416 761		853 770
- Non-controlling interests	20 745	18 968		36 658
Earning per share (cents)				
- Basic	70.1	48.4		99.2
- Diluted	70.0	48.4		99.2

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 August 2022 R'000	As at 31 August 2021 R'000	As at 28 February 2022 R'000
ASSETS			
Non-current assets	5 488 018	4 744 318	5 221 151
Property, plant and equipment (including right-of-use asset)	3 903 436	3 634 318	3 688 681
Intangible assets	1 267 484	958 928	1 209 646
Investment in associates and joint ventures	180 998	14 416	183 202
Deferred taxation	136 100	136 656	139 622
Current assets	9 519 790	8 534 362	8 853 964
Inventories	6 094 815	5 550 716	5 758 858
Trade and other receivables	2 161 880	1 895 391	2 159 936
Loans receivable	213 082	217 860	221 887
Taxation receivable	2 299	-	7 432
Cash and cash equivalents	1 047 714	870 395	705 851
Total assets	15 007 808	13 278 680	14 075 115
EQUITY AND LIABILITIES			
Equity and reserves	3 757 391	3 056 325	3 323 844
Share capital	6 155 554	6 155 554	6 155 554
Retained earnings	2 199 254	1 506 176	1 776 310
Other reserves	(4 597 417)	(4 605 405)	(4 608 020)
Non-controlling interest	52 226	63 253	61 714
Total equity	3 809 617	3 119 578	3 385 558
Non-current liabilities	2 883 516	3 312 297	3 175 367
Lease liability	2 392 404	2 749 476	2 682 277
Loans payable	473 927	538 994	479 170
Deferred taxation	17 185	23 827	13 920
Current liabilities	8 314 675	6 846 805	7 514 190
Trade and other payables	6 079 818	5 559 907	5 787 867
Lease liability	428 105	473 249	522 225
Loans payable	777 898	269 192	398 863
Employee-related obligations	295 335	245 891	257 437
Deferred revenue (contract liability)	82 942	83 541	74 445
Contingent consideration	-	-	7 984
Taxation payable	41 197	14 029	40 371
Bank overdraft	609 380	200 996	424 998
Total equity and liabilities	15 007 808	13 278 680	14 075 115

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Retained earnings R'000	Other Treasury Shares R'000	Reserves Other R'000	Non-controlling interest R'000	Total R'000
Balance at 28 February 2021	6 155 554	1 368 478	(6 429)	(4 608 957)	43 018	2 951 664
Total comprehensive income for the year	-	416 443	-	318	18 968	435 729
Profit for the year, net of taxation	-	416 443	-	-	18 968	435 411
Other comprehensive income for the year, net of taxation	-	-	-	318	-	318
Change in ownership interest in subsidiary and acquisitions	-	(9 871)	-	-	4 299	(5 572)
Share-based payment expense	-	-	-	9 888	-	9 888
Exercise of share-based payment	-	(637)	-	(225)	-	(862)
Dividends paid	-	(268 237)	-	-	(3 032)	(271 269)
Balance at 31 August 2021	6 155 554	1 506 176	(6 429)	(4 598 976)	63 253	3 119 578
Total comprehensive income for the year	-	437 003	-	6	17 690	454 699
Profit for the year, net of taxation	-	437 003	-	-	17 690	454 693
Other comprehensive income for the year, net of taxation	-	-	-	6	-	6
Change in ownership interest in subsidiary and acquisitions	-	1	-	-	1 200	1 201
Share-based payment expense	-	-	-	10 239	-	10 239
Exercise of share-based payment	-	-	6 429	(7 119)	-	(690)
Treasury shares acquired	-	-	(12 170)	-	-	(12 170)
Dividends paid	-	(166 870)	-	-	(20 429)	(187 299)
Balance at 28 February 2022	6 155 554	1 776 310	(12 170)	(4 595 850)	61 714	3 385 558
Total comprehensive income for the year	-	602 540	-	40	20 745	623 325
Profit for the year, net of taxation	-	602 540	-	-	20 745	623 285
Other comprehensive income for the year, net of taxation	-	-	-	40	-	40
Share-based payment expense	-	-	-	9 120	-	9 120
Treasury shares acquired	-	-	(3 912)	-	-	(3 912)
Exercise of share-based payment	-	(5 867)	16 082	(10 727)	-	(512)
Dividends paid	-	(173 729)	-	-	(30 233)	(203 962)
Balance at 31 August 2022	6 155 554	2 199 254	-	(4 597 417)	52 226	3 809 617

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months to 31 August 2022 R'000	Six months to 31 August 2021 R'000	Period to 28 February 2022 R'000
Cash flow from operating activities	762 531	959 223	1 377 575
Cash inflow from trading operations	1 443 469	1 181 936	2 413 472
Movement in working capital	(91 970)	361 354	44 644
Finance income received	7 982	5 047	10 060
Finance costs paid	(171 711)	(162 325)	(330 959)
Taxation paid	(221 277)	(155 520)	(301 074)
Dividends paid	(203 962)	(271 269)	(458 568)
Cash flow from investing activities	(720 552)	(210 623)	(795 556)
Additions to property, plant and equipment and intangible assets			
– To maintain operations	(575 746)	(60 273)	(140 191)
– To expand operations	(113 966)	(84 162)	(237 074)
Proceeds on disposal of property, plant and equipment and intangible assets	5 288	332	8 307
Acquisition in business combination and subsidiaries, net of cash acquired	(41 853)	(66 520)	(265 746)
Investment in joint ventures and associates	-	-	(162 427)
Proceeds from joint ventures and associates	5 725	-	1 575
Cash flow from financing activities	109 199	(224 384)	(444 606)
Long-term loans repaid	(610 271)	(148 727)	(431 567)
Receipt of bank loans	983 724	193 039	536 533
Lease liability repayment	(260 342)	(241 390)	(510 096)
Contingent consideration repayment	-	(16 455)	(16 455)
Purchase of treasury shares	(3 912)	-	(12 170)
Change in ownership interest in subsidiary	-	(10 851)	(10 851)
Net increase in cash and cash equivalents	151 178	524 216	137 413
Foreign currency impact on cash and cash equivalents	6 303	9 367	7 624
Cash and cash equivalents at beginning of year	280 853	135 816	135 816
Cash and cash equivalents at end of year	438 334	669 399	280 853

EARNINGS PER SHARE

	As at 31 August 2022 R'000	As at 31 August 2021 R'000	As at 28 February 2022 R'000
Reconciliation of profit for the year to headline earnings			
Profit attributable to equity holders of the parent	602 540	416 443	853 446
Net loss on disposal of property, plant and equipment and intangible assets	1 991	447	364
Impairment of property, plant and equipment and intangible assets	-	6 469	6 457
Compensation from third parties for items of property, plant and equipment and intangible assets	-	(4 382)	(6 681)
Taxation	79	-	(176)
Headline earnings	604 610	418 977	853 410
Earnings per share (cents)			
- Basic	70.1	48.4	99.2
- Diluted	70.0	48.4	99.2
Headline earnings per share (cents)			
- Basic	70.3	48.7	99.2
- Diluted	70.2	48.7	99.2
	As at 31 August 2022	As at 31 August 2021	As at 28 February 2022
Reconciliation of share in issues to weighted average number of shares in issue			
Total number of shares in issue at beginning of the period	860 084 483	860 084 483	860 084 483
Total number of treasury shares in issue at the beginning of the period	(339 001)	(255 587)	(255 587)
Total number of shares outstanding at the beginning of the period	859 745 482	859 828 896	859 828 896
Weighted treasury shares exercised and issued under the share scheme	155 508	44 450	149 151
Weighted treasury shares acquired	(87 881)	-	(37 151)
Total weighted number of shares in issue at the end of the period	859 813 109	859 873 346	859 940 896
Share options	1 152 934	320 445	472 395
Total diluted weighted number of shares in issue at the end of the period	860 966 043	860 193 791	860 413 291

SEGMENTAL INFORMATION

The Group has identified two reportable segments being Retail and Wholesale.

Six months to 31 August 2022 (unaudited)	Retail R'000	Wholesale R'000	Intergroup/ consolidation R'000	Total R'000
External customers	14 425 255	1 902 820	-	16 328 075
Inter-segment	-	10 170 026	(10 170 026)	-
Total revenue from contracts with customers	14 425 255	12 072 846	(10 170 026)	16 328 075
Cost of sales	(11 259 989)	(11 167 668)	9 931 623	(12 496 034)
Gross profit	3 165 266	905 178	(238 403)	3 832 041
Other income	1 193 979	165 262	(13 878)	1 345 363
Total income	4 359 245	1 070 440	(252 281)	5 177 404
Other expenses (excluding depreciation and amortisation)	(3 156 646)	(808 158)	236 738	(3 728 066)
Depreciation and amortisation	(395 717)	(49 045)	-	(444 762)
Operating profit	806 882	213 237	(15 543)	1 004 576
Net finance costs	(152 950)	2 161	-	(150 789)
Share of profit from associates and joint ventures	3 521	-	-	3 521
Profit/(loss) before tax	657 453	215 398	(15 543)	857 308
Earnings before interest, tax, depreciation and amortisation (EBITDA)*	1 206 120	262 282	(15 543)	1 452 859
Capital expenditure	(234 658)	(455 054)	-	(689 712)
Total assets	10 155 377	8 279 872	(3 427 441)	15 007 808
Total liabilities	7 046 236	6 084 554	(1 932 599)	11 198 191
Total income margin	30.2%	8.9%		31.7%
EBITDA margin	8.4%	2.2%		8.9%
Operating margin	5.6%	1.8%		6.2%

* EBITDA - operating profit less depreciation and amortisation plus share of profit from associates and joint ventures.

SEGMENTAL INFORMATION CONTINUED

Six months to 31 August 2021	Retail R'000	Wholesale R'000	Intergroup/ consolidation R'000	Total R'000
External customers	13 201 230	1 735 083	-	14 936 313
Inter-segment	-	9 184 325	(9 184 325)	-
Total revenue from contracts with customers	13 201 230	10 919 408	(9 184 325)	14 936 313
Cost of sales	(10 439 846)	(10 176 870)	8 940 390	(11 676 326)
Gross profit	2 761 384	742 538	(243 935)	3 259 987
Other income	898 092	73 540	(14 840)	956 792
Total income	3 659 476	816 078	(258 775)	4 216 779
Other expenses (excluding depreciation and amortisation)	(2 607 814)	(705 817)	260 365	(3 053 266)
Depreciation and amortisation	(351 961)	(53 216)	-	(405 177)
Operating profit	699 701	57 045	1 590	758 336
Net finance costs	(154 081)	(10 308)	-	(164 389)
Share of profit from associates and joint ventures	1 236	-	-	1 236
Profit/(loss) before tax	546 856	46 737	1 590	595 183
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1 052 898	110 261	1 590	1 164 749
Capital expenditure	(125 060)	(19 375)	-	(144 435)
Total assets	9 801 269	7 091 712	(3 614 301)	13 278 680
Total liabilities	6 557 522	5 472 199	(1 870 619)	10 159 102
Total income margin	27.7%	7.5%		28.2%
EBITDA margin	8.0%	1.0%		7.8%
Operating margin	5.3%	0.5%		5.1%

SEGMENTAL INFORMATION CONTINUED

Twelve months to 28 February 2022	Retail R'000	Wholesale R'000	Intergroup/ consolidation R'000	Total R'000
External customers	27 108 334	3 298 277	-	30 406 611
Inter-segment	-	18 612 741	(18 612 741)	-
Total revenue from contracts with customers	27 108 334	21 911 018	(18 612 741)	30 406 611
Cost of sales	(21 297 796)	(20 430 751)	18 152 402	(23 576 145)
Gross profit	5 810 538	1 480 267	(460 339)	6 830 466
Other income	1 830 941	159 076	(28 574)	1 961 443
Total income	7 641 479	1 639 343	(488 913)	8 791 909
Other expenses (excluding depreciation and amortisation)	(5 476 541)	(1 410 628)	495 735	(6 391 434)
Impairment of property, plant and equipment	(6 457)	-	-	(6 457)
Depreciation and amortisation	(741 058)	(113 529)	-	(854 587)
Operating profit	1 417 423	115 186	6 822	1 539 431
Net finance costs	(297 099)	(16 290)	-	(313 389)
Share of profit from associates and joint ventures	1 186	-	-	1 186
Profit/(loss) before tax	1 121 510	98 896	6 822	1 227 228
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2 159 667	228 715	6 822	2 395 204
Capital expenditure	(325 746)	(51 519)	-	(377 265)
Total assets	10 301 293	7 277 885	(3 504 063)	14 075 115
Total liabilities	7 103 613	5 616 171	(2 030 227)	10 689 557
Total income margin	28.2%	7.5%		28.9%
EBITDA margin	8.0%	1.0%		7.9%
Operating margin	5.3%	0.5%		5.1%

ADDITIONAL INFORMATION

		31 August 2022	31 August 2021	28 February 2022
Ordinary shares in issue*		860 084 483	860 084 483	860 084 483
Closing share price	(R/share)	35.47	31.18	34.62
Six-month/Twelve-month share price (high)	(R/share)	38.45	32.50	38.20
Six-month/Twelve-month share price (low)	(R/share)	31.34	21.81	21.81
Net asset value per share (WANOS)	(cents/share)	443.08	362.80	393.70
Net asset value per share (actual shares at year-end)	(cents/share)	442.94	362.71	393.63

* Including treasury shares

NOTES TO THE INTERIM CONDENSED CONSOLIDATED RESULTS

1. These interim condensed consolidated financial results for the six months ended 31 August 2022 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), and as a minimum contain the information required by International Accounting Standard (IAS) 34 *Interim Financial Reporting*, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

The interim condensed consolidated results do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 28 February 2022.

The accounting policies and methods of computations used in the preparation of the interim condensed consolidated financial results are consistent in all material respects with those applied in the Group's annual financial statements as at 28 February 2022.

None of the new standards, interpretations and amendments effective as of 1 March 2022 have had a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

2. Revenue from contracts in the retail segment with customers can be disaggregated between the following categories:

	As at 31 August 2022 %	As at 31 August 2021 %	As at 28 February 2022 %
Dispensary	38	36	36
Personal care and beauty	26	26	26
Healthcare and nutrition	22	24	24
Baby care	8	8	8
Other	6	6	6
	100	100	100

3. Dis-Chem enters into certain transactions with related parties including the rental of certain stores and warehouses.

The finance lease obligation relating to these leases amounted to R0.7 billion at 31 August 2022 (28 February 2022: R0.9 billion).

Amounts owing from Mathimba, Dis-Chem Bothamed, Dis-Chem Namibia, BEESECDP, Servco, Tony Ferguson, Geniob and Origin Brands at 31 August 2022 amounted to R102 million (28 February 2022: R92 million). Other related party transactions for the current period are similar in nature to those disclosed in the annual financial statements for the year ended 28 February 2022.

4. No material impairments took place in the current period. In the prior year, the civil unrest and looting in July 2021 resulted in an impairment of inventory of R28 million and property, plant and equipment of R6.5 million.
5. No shares were issued during the current and prior comparable period.

During the period, 454 183 treasury shares were issued as part of the share-based payment scheme. The share-based payment reserve (other reserves in the Statement of Changes in Equity) was reduced by R10.2 million and treasury shares reduced by R16.1 million, representing the value at which they were purchased in the past. The difference of R5.9 million was recognised in retained income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED RESULTS CONTINUED

6. During the current year, the group acquired the following business in order to further increase store footprint:
- The acquisition of 100% of the shares of Superstrike Proprietary Limited (trading as Baby Boom), a group of specialised baby stores, on 1 March 2022.

The provisional fair values of the identifiable assets and liabilities as at the date of acquisition were:

	Baby Boom R'000	Total R'000
Assets		
Property, plant and equipment	9 224	9 224
Other intangibles	120	120
Trade and other receivables	834	834
Inventories	18 591	18 591
Loan receivable	3	3
Liabilities		
Trade and other payables	(62 896)	(62 896)
Lease liability	(7 133)	(7 133)
Bank overdraft	(18 853)	(18 853)
Deferred revenue	(404)	(404)
Total identifiable net assets at fair value	(60 514)	(60 514)
Non-controlling interest at proportionate interest	-	-
Goodwill arising on acquisition	83 514	83 514
Purchase consideration transferred	23 000	23 000

The goodwill comprises the value of expected synergies arising from the acquisition which is not separately recognised. These synergies include expansion of product offerings, trade term agreements and overall availability of resources.

From the date of acquisition, R28 million in revenue and R10 million loss before tax was contributed to the Group from the operations of the above acquisition.

During the current period, the Group bought 25% of Tony Ferguson, offering health and lifestyle product ranges.

7. On 1 April 2022, Dis-Chem acquired 100% of the share capital of CT Distribution Centre Proprietary Limited, KZN Warehouse Proprietary Limited and Eleadora Proprietary Limited for R223 million. This is a related party transaction due to the companies being owned by directors, previous directors and prescribed officers of Dis-Chem, who are also shareholders. These transactions were accounted for as asset acquisitions.

These transactions 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.

8. A new term loan facility was taken out in the current year with Standard Bank amounting to R455 million. It is a bullet facility with a maturity date of five years and earns interest at the three-month JIBAR plus 1.44%. The loan was used to purchase the property companies.
9. No material events have taken place after the reporting period. The Group has been impacted by the war in Ukraine through higher fuel prices and foreign exchange.
10. These interim condensed consolidated results have neither been audited nor reviewed by the Group's external auditors.
- The directors take full responsibility for the preparation of these interim condensed consolidated financial results, which have been prepared under the supervision of Mr Rui Morais CA(SA), the Chief Financial Officer of the Group.

DEFINITIONS

Capital expenditure to expand operations	Capital expenditure ("CAPEX") undertaken by the Group to further growth prospects and expand existing operations.
Capital expenditure to maintain operations	Capital expenditure required by the Group to continue operating in its current form i.e. to maintain or replace assets.
Cash flow	
Financing activities	Activities that result in changes to the capital and funding structure of the Group.
Investing activities	Activities relating to the acquisition, holding and disposal of capital assets and long-term investments.
Operating activities	Activities that are not financing or investing activities that arise from the operations conducted by the Group.
Creditor days	The numbers of days it takes the Group to pay its creditors. The ratio indicates the amount of credit given to the business by our suppliers.
Calculation	$\frac{\text{Average trade and other payables}}{\text{Cost of goods sold} \times 365}$
Debtors days	A ratio that measures how quickly cash is being collected from debtors.
Calculation	$\frac{\text{Average trade and other receivables}}{\text{Revenue} \times 365}$
Dividend payout ratio	The amount of dividends paid to shareholders relative to the amount of total net income of the Group.
Calculation	$\frac{\text{Dividends paid}}{\text{Net income}}$
Dividend per share ("DPS")	The sum of declared dividends issued by a company for every ordinary share outstanding.
Earnings before interest and tax ("EBIT")	A measure of the Group's profit that includes all incomes and expenses excluding interest and income tax expenses.
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	A measure of the Group's operating performance without factoring in financing or accounting decisions or the tax environment.
Earnings per share ("EPS")	The portion of the Group's profit allocated to each outstanding share of common stock.
Calculation	$\frac{\text{Earnings attributable to equity holders of the Group}}{\text{WANOS}}$
Effective tax rate	The average tax rate paid by the Group.
Calculation	$\frac{\text{Taxation paid (as per statement of comprehensive income)}}{\text{Profit before tax}}$
Gross profit margin	A financial metric used to assess the Group's financial health and business model by telling the amount of money left over from revenue after deducting the cost of goods sold ("COGS").
Calculation	$\frac{(\text{Revenue} - \text{COGS})}{\text{Revenue}}$
Headline earnings	A measurement of the Group's earnings based solely on operational and capital investment activities as determined by the SAICA Circular 1/2021.
Headline earnings per share ("HEPS")	The per-share value of the headline earnings attributable to holders of the Group.
Calculation	$\frac{\text{Headline earnings}}{\text{WANOS}}$
Inventory days	An efficiency ratio that measures the average number of days the company holds its inventory before selling it i.e. the number of days that funds are tied up in inventory.
Calculation	$\frac{\text{Average inventory}}{\text{Cost of goods sold} \times 365}$

DEFINITIONS CONTINUED

Like-for-like revenue growth	A measure of growth in sales, adjusted for new or divested businesses. Dis-Chem takes into account stores that have been open for at least two full financial years.
Net asset value per share – actual shares at year-end	
Calculation	$\frac{\text{Total assets} - \text{total liabilities}}{\text{Actual number of shares outstanding}}$
Net asset value per share – WANOS	
Calculation	$\frac{\text{Total assets} - \text{total liabilities}}{\text{WANOS}}$
Net working capital days	The average number of days it takes the Group to convert working capital into revenue.
Calculation	$\text{Debtor days} + \text{Inventory days} - \text{Creditor days}$
Operating margin	A measure of profitability that indicates how much of each rand of revenue is left over after both cost of goods sold and operating expenses are considered.
Calculation	$\frac{\text{Operating profit}}{\text{Revenue}}$
Return on capital employed ("ROCE")	Determines a company's profitability after taking into account the amount of capital used.
Calculation	$\frac{\text{EBIT}}{\text{Capital employed}}$
Return on equity ("ROE")	A measure of profitability that calculates how many rands of profit a company generates with each rand of shareholders' equity.
Calculation	$\frac{\text{Net income attributable to equity holders}}{\text{Average shareholders' equity}}$
Return on invested capital ("ROIC")	The percentage return made over invested capital
Calculation	$\frac{\text{Net income} - \text{dividend}}{\text{Debt} + \text{Equity}}$
Weighted average number of shares ("WANOS")	The number of shares at year-end taking into account any changes in the number of outstanding shares over the specific reporting period.

SUPPLEMENTARY INFORMATION

Directors

Non-executive directors

LM Nestadt	(South African)	
MJ Bowman	(South African)	(Resigned 14 July 2022)
A Coovadia	(South African)	
JS Mthimunye	(South African)	
A Sithebe	(South African)	
KKD Kobue	(South African)	
H Masondo	(South African)	(Appointed 14 July 2022)

Executive directors

IL Saltzman	(South African)	
LF Saltzman	(South African)	(Resigned 14 July 2022)
RM Morais	(South African)	
SE Saltzman	(South African)	(Appointed 14 July 2022; previously alternate director to LF Saltzman)
SRN Goetsch	(South African)	(Appointed 14 July 2022)

Company registration number

2005/009766/06

Registered office

23 Stag Road
Midrand
1685

Company secretary

NJ Lumley

Registered auditors

Mazars
Mazars House, 54 Glenhove Road
Melrose Estate
Johannesburg
2196
South Africa

JSE code

DCP

ISIN

ZAE000227831

Sponsor

The Standard Bank of South Africa Limited
3rd Floor, East Wing
30 Baker Street
Rosebank
2196
Johannesburg

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196
South Africa

[dischemgroup.co.za](https://www.dischemgroup.co.za)