Dis-Chem

INTERIM CONDENSED CONSOLIDATED FINANCIAL RESULTS

2023

FOR THE SIX MONTHS ENDED 31 AUGUST 2023

DIS-CHEM PHARMACIES LIMITED
REGISTRATION NUMBER 2005/009766/06

COMMENTARY

Overview

The Group is satisfied with its performance during the period, notwithstanding a tough trading environment. The constrained economic environment, higher interest rates and costs associated with load-shedding, has resulted in a weaker performance by the Group over the prior comparative period. In the current financial year, the Group has also been impacted by the base effects of the prior year's performance, which were distinctly different across the two halves of the year, with the first half of the prior year delivering a strong performance when compared to the second half of the prior year. A more equal distribution of earnings across halves is expected in the current financial year. Contributing to the stronger first half performance in the prior year, was the acquisitions of the warehouse properties resulting in a R72 million once-off gain from the release of the lease liability and right-of-use asset as well as the impact of COVID-19 vaccine administration and testing services which has ended and did not contribute in the current financial period.

Basic earnings per share (EPS) and basic headline earnings per share (HEPS) are 58.3 cents and 58.2 cents per share respectively, a decrease of 16.7% and 17.2% respectively.

Earnings Distribution Across Halves

The table below shows the historic distribution of earnings before taxation across halves, which demonstrates the consistency of stronger second half earnings. In FY23, the softer second half performance was largely attributable to the impact of negative publicity, which was carried forward into the first quarter of FY24. As a function of being a high growth business, investment in resources to facilitate growth is necessary, but does introduce the risk of negative operating leverage during periods of softer sales.

	FY21	FY22	FY23 *	FY24
H1	443m (47.1%)	595m (48.5%)	785m (58.4%)	702m
H2	498m (52.9%)	632m (51.5%)	560m (41.6%)	
Full Year	941m (100%)	1 227m (100%)	1 345m (100%)	

* Excludes once off property gain of R72m

The group anticipates a stronger FY24 second half in line with the historical trend. The anticipated performance improvement will be further supported by progress in cost control measures, with a particular focus on the management of staff costs. The differential between revenue growth and payroll growth has shifted from -3.7% at the end of the first quarter to +3.0% in the month of October. This progress in managing the Group's largest cost line represents a significant step in securing positive operating leverage translating into operational profit improvements in the second half of FY24 and over time.

Review of financial performance

Revenue

During the six-month period from 1 March 2023 to 31 August 2023, Dis-Chem recorded Group revenue growth of 9.4% to R17.9 billion.

Retail revenue grew by 8.1% to R15.6 billion with comparable pharmacy store revenue growth at 5.9%. 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 9.2%. During the six months to 31 August 2023, 10 retail pharmacy stores were opened or acquired, resulting in 268 retail pharmacy stores and 54 retail baby stores at 31 August 2023.

Wholesale revenue grew by 13.5% to R13.7 billion. Wholesale revenue to our own retail stores, still the biggest contributor, grew by 12.5% while external revenue to independent pharmacies and The Local Choice (TLC) franchises grew by 19.1% over the comparable period. Independent pharmacy growth was 18.0% attributable to both new customers and increased support from the current base, and TLC growth was 20.4% due to a combination of an increase in TLC franchise stores from 153 to 180 together with increasing support of the supply chain from existing TLC franchisees.

Total income

Total income grew by 5.1% to R5.4 billion, with the Group's total income margin being 30.5% compared to 31.7% in the prior comparative period (31.3% when excluding the property gain in the prior period relating to the purchase of the wholesale properties).

Retail total income grew by 6.5% with the retail margin decreasing from 30.2% to 29.8% over the comparable period. If the contribution of COVID-19 vaccines and testing are excluded from both periods, retail total income grew by 7.7%. The decrease in retail margin is due to continued investment in promotional activity to ensure market share retention which impacted transactional margin in personal care and beauty.

Wholesale total income (excluding the property gain in the prior period) grew by 8.4%.

COMMENTARY CONTINUED

Other expenses

Expenses grew by 9.4% over the comparable period (excluding depreciation, expenses grew by 8.5% over the comparable period).

Retail expenses grew by 11.3% (excluding depreciation, expenses grew by 10.8%) as the Group invested in new stores and acquisitions since the comparable period. Retail costs were also influenced by employee costs increasing by 9.8%, higher diesel costs to run generators for stores to remain operational during load-shedding, higher IT costs with the remaining roll-out of the new point-of-sale system to stores and increased advertising expenditure.

Cost containment is a focus area for the Group in the current financial period, especially in relation to employee costs that currently accounts for approximately 64% of retail expenses. The emphasis is on achieving the consistent and optimal mix of staff to ensure that stores can run as efficiently as possible, without compromising on the differentiated service levels that our customers have come to know and expect.

Wholesale expenses grew by 5.5% (excluding depreciation, expenses grew by 4.2%) due to the increase in volumes through the wholesale space resulting in an increase in casual labour shifts as well as higher costs relating to diesel and municipal costs.

Net finance costs

Net financing costs increased by 33.2% from the prior comparable period. Excluding finance costs from IFRS 16 and interest on the new term loan, net financing costs increased by 15.7%. This increase is due to the additional interest paid on the existing loans with the increase in the prime interest rate as well as the overdraft facility used for the additional inventory levels. 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 in the prior financial period.

Net working capital

During the current period, the Group's inventory increased by R570 million or 9.0% from February 2023 due to the additional inventory held in new stores and the distribution channel due to strategic buy-ins. Inventory days, down from 88.2 days at 28 February 2023, to 88.1 days, have been maintained. After adjusting creditors days to take into account trade terms, creditors days have improved from 94.6 days to 95.3 days.

Net working capital at 20 days, has remained stable from 20.1 days at 28 February 2023, as the Group continues to focus on ROIC.

Capital expenditure

Capital expenditure on tangible and intangible assets of R279 million comprised of R156 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 R123 million relates to replacement expenditure incurred to maintain the existing retail and wholesale networks.

In October 2023, the Competition Commission approved the purchase of the 63,000m^2 distribution centre in Gauteng, for a purchase consideration of R502 million which will increase the Capex spend in the second half of the year. The growth of the Group has caused the need for the additional warehouse capacity to service increased demand from both our own retail stores and the independent market. The warehouse will be debt funded.

Directorate

On the 1 July 2023, R. Morais who was the Group's Chief Financial Officer ("CFO") succeeded I. Saltzman as the Chief Executive Officer ("CEO") of the Group. I. Saltzman remains an executive director on the Board and continues to serve as an active member of the executive management team. J. Pope who was the Group's executive head of finance succeeded R. Morais as CFO.

Dividend declaration

Notice is hereby given that a gross interim cash dividend of 23.24348 cents per share, in respect of the interim period ended 31 August 2023 has been declared based on 40% of headline earnings. This is a decrease of 17.3% 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 18.59478 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, 21 November 2023
- First trading day ex dividend on the JSE: Wednesday, 22 November 2023
- Record date: Friday, 24 November 2023
- Payment date: Monday, 27 November 2023

COMMENTARY CONTINUED

Share certificates may not be dematerialised or rematerialised between Wednesday, 22 November 2023 and Friday, 24 November 2023, 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 (by facsimile), 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 2023, Group revenue grew by 12.1% over the prior comparable period.

The Group expects that the consumer will remain constrained due to the current economic climate. The Group continues to adapt to the current environment, mitigating the near-term impact on the business. The resilient nature of the markets in which the Group operates, together with the brand position, proven business model, and heightened focus on key drivers of growth, will position it for success in the future.

The Group has identified seven strategic areas of focus aimed at delivering enhanced shareholder returns over the long-term.

- Property: addition of approximately 137,000m² of retail space over 36 months.
- Wholesale Market Share Expansion: dual strategy of supporting internal retail property growth while continuing to grow independent pharmacy market ahead of peers.
- Total Income: maintain with incremental improvements over the medium-term.
- Cost Control: focus on securing sustained positive operating leverage, following the establishment of a staffing framework with leadership and management accountability.
- Working Capital: 10% improvement in inventory days over the medium-term while maintaining debtor and creditor days.
- Integrated Healthcare Ecosystem: reimagine healthcare access via a portfolio of health-centric financial services products and the synergistic interaction of the Group's pharmacy and clinic footprint.
- Leveraging Analytics: with a focus on relevance, commercialise health consumption data to deliver enhanced shopper- and patient-centric value.

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 2023.

On behalf of the Board of Directors

Rui Morais	Julia Pope
Chief Executive Officer	Chief Financial Officer

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months to 31 August 2023 R'000	Six months to 31 August 2022 R'000	% change	Period to 28 February 2023 R'000
Revenue from contracts with customers	**17 855 999**	16 328 075	9.4%	32 663 513
Cost of sales	**(13 876 296)**	(12 496 034)	11.0%	(25 076 217)
Gross profit	**3 979 703**	3 832 041	3.9%	7 587 296
Other income	**1 463 883**	1 345 363	8.8%	2 586 591
Total income	**5 443 586**	5 177 404	5.1%	10 173 887
Other expenses	**(4 565 511)**	(4 172 828)	9.4%	(8 429 702)
Operating profit before interest and equity accounted earnings	**878 075**	1 004 576	(12.6%)	1 744 185
Net financing costs	**(200 894)**	(150 789)	33.2%	(350 236)
– Finance income	**12 223**	8 871	37.8%	20 210
– Finance costs	**(213 117)**	(159 660)	33.5%	(370 446)
Profit from associates and joint ventures	**24 481**	3 521	595.3%	22 779
Profit before taxation	**701 662**	857 308	(18.2%)	1 416 728
Taxation	**(183 221)**	(234 023)	(21.7%)	(389 181)
Total profit for the year, net of tax	**518 441**	623 285	(16.8%)	1 027 547
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
– Exchange differences on translating foreign subsidiaries	**209**	40		(136)
Other comprehensive income for the year, net of taxation	**209**	40		(136)
Total comprehensive income for the year	**518 650**	623 325	(16.8%)	1 027 411
Profit attributable to:				
– Equity holders of the parent	**500 926**	602 540		1 000 224
– Non-controlling interests	**17 515**	20 745		27 323
Total comprehensive income attributable to:				
– Equity holders of the parent	**501 135**	602 580		1 000 088
– Non-controlling interests	**17 515**	20 745		27 323
Earning per share (cents)				
– Basic	**58.3**	70.1		116.3
– Diluted	**58.3**	70.0		116.3

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 August 2023 R'000	As at 31 August 2022 R'000	As at 28 February 2023 R'000
ASSETS			
Non-current assets	**6 029 474**	5 488 018	6 067 828
Property, plant and equipment (including right-of-use asset)	**4 267 477**	3 903 436	4 429 226
Intangible assets	**1 337 054**	1 267 484	1 270 255
Investment in associates and joint ventures	**211 035**	180 998	194 403
Deferred taxation	**162 823**	136 100	173 944
Loans receivable	**51 085**	–	–
Current assets	**10 545 260**	9 519 790	9 447 980
Inventories	**6 927 032**	6 094 815	6 356 781
Trade and other receivables	**2 688 698**	2 161 880	2 583 384
Loans receivable	**140 640**	213 082	214 062
Taxation receivable	**–**	2 299	6 368
Cash and cash equivalents	**788 890**	1 047 714	287 385
Total assets	**16 574 734**	15 007 808	15 515 808
EQUITY AND LIABILITIES			
Equity and reserves	**4 186 098**	3 757 391	3 900 395
Share capital	**6 155 554**	6 155 554	6 155 554
Retained earnings	**2 693 082**	2 199 254	2 354 837
Other reserves	**(4 662 538)**	(4 597 417)	(4 609 996)
Non-controlling interest	**14 703**	52 226	32 085
Total equity	**4 200 801**	3 809 617	3 932 480
Non-current liabilities	**3 422 527**	2 883 516	3 232 905
Lease liability	**2 473 053**	2 392 404	2 660 592
Loans payable	**885 453**	473 927	501 479
Deferred taxation	**64 021**	17 185	70 834
Current liabilities	**8 951 406**	8 314 675	8 350 423
Trade and other payables	**6 886 296**	6 079 818	6 103 666
Lease liability	**551 440**	428 105	567 043
Loans payable	**364 630**	777 898	797 475
Employee-related obligations	**294 257**	295 335	292 871
Deferred revenue (contract liability)	**84 078**	82 942	77 170
Taxation payable	**62 844**	41 197	64 644
Bank overdraft	**707 861**	609 380	447 554
Total equity and liabilities	**16 574 734**	15 007 808	15 515 808

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Retained earnings R'000	Other Treasury shares R'000	Reserves Other reserves R'000	Non-controlling interest R'000	Total R'000
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
Total comprehensive income for the year	–	397 684	–	(176)	6 578	404 086
Profit for the year, net of taxation	–	397 684	–	–	6 578	404 262
Other comprehensive income for the year, net of taxation	–	–	–	(176)	–	(176)
Change in ownership interest in subsidiary and acquisitions	–	–	–	–	(6 775)	(6 775)
Share-based payment expense	–	–	–	12 330	–	12 330
Exercise of share-based payment	–	–	–	(118)	–	(118)
Treasury shares acquired	–	–	(24 615)	–	–	(24 615)
Dividends paid	–	(242 101)	–	–	(19 944)	(262 045)
Balance at 28 February 2023	6 155 554	2 354 837	(24 615)	(4 585 381)	32 085	3 932 480
Total comprehensive income for the year	**–**	**500 926**	**–**	**209**	**17 515**	**518 650**
Profit for the year, net of taxation	**–**	**500 926**	**–**	**–**	**17 515**	**518 441**
Other comprehensive income for the year, net of taxation	**–**	**–**	**–**	**209**	**–**	**209**
Change in ownership interest in subsidiary and acquisitions	**–**	**(1 988)**	**–**	**-**	**(6 168)**	**(8 156)**
Share-based payment expense	**–**	**–**	**–**	**10 319**	**–**	**10 319**
Treasury shares acquired	**–**	**–**	**(65 476)**	**–**	**–**	**(65 476)**
Exercise of share-based payment	**–**	**(2 406)**	**20 016**	**(17 610)**	**–**	**-**
Dividends paid	**–**	**(158 287)**	**–**	**–**	**(28 729)**	**(187 016)**
Balance at 31 August 2023	**6 155 554**	**2 693 082**	**(70 075)**	**(4 592 463)**	**14 703**	**4 200 801**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months to 31 August 2023 R'000	Six months to 31 August 2022 R'000	Period to 28 February 2023 R'000
Cash flow from operating activities	**1 014 274**	762 531	853 943
Cash inflow from trading operations	**1 388 364**	1 443 469	2 782 522
Movement in working capital	**190 348**	(91 970)	(718 371)
Leave payment	**–**	–	(18 687)
Finance income received	**12 223**	7 982	19 155
Finance costs paid	**(214 397)**	(171 711)	(363 362)
Taxation paid	**(175 248)**	(221 277)	(381 308)
Dividends paid	**(187 016)**	(203 962)	(466 006)
Cash flow from investing activities	**(346 151)**	(720 552)	(1 090 644)
Additions to property, plant and equipment and intangible assets			
– To maintain operations	**(123 035)**	(575 746)	(723 329)
– To expand operations	**(155 625)**	(113 966)	(366 619)
Proceeds on disposal of property, plant and equipment and intangible assets	**6 855**	5 288	22 811
Acquisition in business combination and subsidiaries, net of cash acquired	**(55 183)**	(41 853)	(43 525)
Advances paid of loans receivable	**(27 019)**	–	–
Proceeds from joint ventures and associates	**7 856**	5 725	19 104
Loss of control in subsidiary	**–**	–	(1 191)
Acquisition of additional interest in joint ventures and associates	**–**	–	2 105
Cash flow from financing activities	**(426 584)**	109 199	(203 154)
Bank loans repaid	**(359 864)**	(610 271)	(925 791)
Receipt of bank loans	**304 065**	983 724	1 316 519
Lease liability repayment	**(297 153)**	(260 342)	(565 355)
Change in ownership interest in subsidaries	**(8 156)**	–	–
Purchase of treasury shares	**(65 476)**	(3 912)	(28 527)
Net increase/(decrease) in cash and cash equivalents	**241 539**	151 178	(439 855)
Foreign currency impact on cash and cash equivalents	**(341)**	6 303	(1 167)
Cash and cash equivalents at beginning of year	**(160 169)**	280 853	280 853
Cash and cash equivalents at end of year	**81 029**	438 334	(160 169)

EARNINGS PER SHARE

	As at 31 August 2023 R'000	As at 31 August 2022 R'000	As at 28 February 2023 R'000
Reconciliation of profit for the year to headline earnings			
Profit attributable to equity holders of the parent	**500 926**	602 540	1 000 224
Net (gain)/loss on disposal of property, plant and equipment and intangible assets	**(1 330)**	1 991	1 194
Impairment of property, plant and equipment and intangible assets	**–**	–	797
Compensation from third parties for items of property, plant and equipment and intangible assets	**–**	–	(1 147)
Taxation	**188**	79	321
Headline earnings	**499 784**	604 610	1 001 389
Earnings per share (cents)			
– Basic	**58.3**	70.1	116.3
– Diluted	**58.3**	70.0	116.3
Headline earnings per share (cents)			
– Basic	**58.2**	70.3	116.5
– Diluted	**58.2**	70.2	116.4

	As at 31 August 2023	As at 31 August 2022	As at 28 February 2023
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	**(815 000)**	(339 001)	(339 001)
Total number of shares outstanding at the beginning of the period	**859 269 483**	859 745 482	859 745 482
Weighted treasury shares exercised and issued under the share scheme	**268 124**	155 508	136 802
Weighted treasury shares acquired	**(920 200)**	(87 881)	(105 306)
Total weighted number of shares in issue at the end of the period	**858 617 407**	859 813 109	859 776 978
Share options	**66 755**	1 152 934	585 453
Total diluted weighted number of shares in issue at the end of the period	**858 684 162**	860 966 043	860 362 431

SEGMENTAL INFORMATION

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

Six months to 31 August 2023	Retail R'000	Wholesale R'000	Intergroup/ consolidation R'000	Total R'000
External customers	15 589 994	2 266 005	–	17 855 999
Inter-segment	–	11 439 934	(11 439 934)	–
Total revenue from contracts with customers	15 589 994	13 705 939	(11 439 934)	17 855 999
Cost of sales	(12 295 263)	(12 748 491)	11 167 458	(13 876 296)
Gross profit	3 294 731	957 448	(272 476)	3 979 703
Other income	1 346 276	124 860	(7 253)	1 463 883
Total income	4 641 007	1 082 308	(279 729)	5 443 586
Other expenses (excluding depreciation and amortisation)	(3 496 248)	(842 557)	293 651	(4 045 154)
Depreciation and amortisation	(458 292)	(62 065)	–	(520 357)
Operating profit before interest and equity accounted earnings	686 467	177 686	13 922	878 075
Net finance costs	(179 948)	(20 946)	–	(200 894)
Share of profit from associates and joint ventures	24 481	–	–	24 481
Profit before tax	531 000	156 740	13 922	701 662
Earnings before interest, tax, depreciation and amortisation (EBITDA)*	1 169 240	239 751	13 922	1 422 913
Capital expenditure	(243 004)	(35 656)	–	(278 660)
Total assets	10 973 543	8 990 343	(3 389 152)	16 574 734
Total liabilities	7 569 773	6 663 170	(1 859 010)	12 373 933
Total income margin	29.8%	7.9%		30.5%
EBITDA margin	7.5%	1.7%		8.0%
Operating margin	4.4%	1.3%		4.9%

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

SEGMENTAL INFORMATION CONTINUED

Six months to 31 August 2022	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	93 101	(13 878)	1 273 202
Gain on property transaction	–	72 161	–	72 161
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 before interest and equity accounted earnings	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 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%

SEGMENTAL INFORMATION CONTINUED

Twelve months to 28 February 2023	Retail R'000	Wholesale R'000	Intergroup/ consolidation R'000	Total R'000
External customers	28 883 241	3 780 272	–	32 663 513
Inter-segment	–	20 398 683	(20 398 683)	–
Total revenue from contracts with customers	28 883 241	24 178 955	(20 398 683)	32 663 513
Cost of sales	(22 584 104)	(22 428 676)	19 936 563	(25 076 217)
Gross profit	6 299 137	1 750 279	(462 120)	7 587 296
Other income	2 366 781	188 332	(40 683)	2 514 430
Gain on property transaction	–	72 161	–	72 161
Total income	8 665 918	2 010 772	(502 803)	10 173 887
Other expenses (excluding depreciation and amortisation)	(6 349 221)	(1 583 249)	504 871	(7 427 599)
Depreciation and amortisation	(884 956)	(117 147)	–	(1 002 103)
Operating profit before interest and equity accounted earnings	1 431 741	310 376	2 068	1 744 185
Net finance costs	(366 751)	16 515	–	(350 236)
Share of profit from associates and joint ventures	22 779	–	–	22 779
Profit before tax	1 087 769	326 891	2 068	1 416 728
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2 339 476	427 523	2 068	2 769 067
Capital expenditure	(578 236)	(511 712)	–	(1 089 948)
Total assets	10 786 075	8 367 247	(3 637 514)	15 515 808
Total liabilities	7 408 114	6 196 692	(2 021 478)	11 583 328
Total income margin	30.0%	8.3%		31.1%
EBITDA margin	8.1%	1.8%		8.5%
Operating margin	5.0%	1.3%		5.3%

ADDITIONAL INFORMATION

		31 August 2023	31 August 2022	28 February 2023
Ordinary shares in issue*		**860 084 483**	860 084 483	860 084 483
Closing share price	(R/share)	**23.90**	35.47	27.05
Six-month/Twelve-month share price (high)	(R/share)	**27.05**	38.45	38.45
Six-month/Twelve-month share price (low)	(R/share)	**21.96**	31.34	27.03
Net asset value per share (WANOS shares at period-end)	(cents/share)	**489.25**	443.08	457.38
Net asset value per share (actual shares at period-end)	(cents/share)	**488.42**	442.94	457.22

* *Including treasury shares*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED RESULTS

1 These interim condensed consolidated financial results for the six months ended 31 August 2023 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 2023.

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 2023.

None of the new standards, interpretations and amendments effective as of 1 March 2023 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 2023 %	As at 31 August 2022 %	As at 28 February 2023 %
Dispensary	**36**	38	36
Personal care and beauty	**27**	26	27
Healthcare and nutrition	**22**	22	22
Baby care	**9**	8	8
Other	**6**	6	7
	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 R0.8 billion at 31 August 2023 (28 February 2023: R0.8 billion).

Loans owing to Kaelo Diversified Holdings at 31 August 2023 amounted to R29 million (28 February 2023: R19 million). Amounts owing from Mathimba, Dis-Chem Bothamed, BEESECDP, Tony Ferguson, Geniob and Origin Brands at 31 August 2023 amounted to R49 million (28 February 2023: R99 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 2023.

4 No material impairments took place in the current or prior period.

5 No shares were issued during the current and prior comparable period.

6 During the period, 783,091 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 R17.6 million and treasury shares reduced by R20 million, representing the value at which they were purchased in the past. The difference of R2.4 million was recognised in retained income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED RESULTS CONTINUED

7 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 B Anderson Proprietary Limited, on 1 June 2023.

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

	B. Anderson R'000	Total R'000
Assets		
Property, plant and equipment	14	14
Cash and cash equivalents	5 329	5 329
Trade and other receivables	1 849	1 849
Inventories	3 106	3 106
Liabilities		
Trade and other payables	(4 868)	(4 868)
Taxation	(904)	(904)
Total identifiable net assets at fair value	4 526	4 526
Non-controlling interest at proportionate interest	–	–
Goodwill arising on acquisition	55 986	55 986
Purchase consideration transferred	60 512	60 512

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, R18 million in revenue and R0.3 million loss before tax was contributed to the Group from the operations of the above acquisition. If the acquisition had taken place at the beginning of the year, R39 million in revenue and R0.9 million profit before tax would have been contributed to the Group from the above acquisition.

During the period, the Group acquired an additional 31% in Mundel Gien Proprietary Limited bringing the Group's ownership to 96% and an additional 10% in Dis-Chem Rynfield Properietary Limited bringing the Group's ownership to 100%.

8 In the prior period, the Group acquired the share capital of CT Distribution Centre Proprietary Limited, KZN Warehouse Proprietary Limited and Eleadora Proprietary Limited for R223 million. These transactions resulted in the release of the existing lease liability and right-of-use asset on the statement of financial portion resulting in a R72 million gain recognised in other income in the statement of comprehensive income. This was a related party transaction and accounted for as asset acquisitions. A new term loan facility was also taken out for R455 million.

9 Events after the reporting period

In October 2023, the Competition Commission approved the purchase of a 63,000m2 distribution centre in Gauteng, for a purchase consideration of R502 million. The growth of the Group has necessitated the need for the additional warehouse capacity to service increased demand from both our own retail stores and the independent market. The warehouse will be debt funded.

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 Ms Julia Pope 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.**
Creditors 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	*Average trade and other payables* / *(Cost of goods sold + trade terms) x no. of days in period*
Gross profit margin	**A ratio that measures how quickly cash is being collected from debtors.**
Calculation	*Average trade and other receivables* / *Revenue x no. of days in period*
Dividend payout ratio	**The amount of dividends paid to shareholders relative to the amount of total net income of the Group.**
	Dividends paid / *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	*Earnings attributable to equity holders of the Group* / *WANOS*
Effective tax rate	**The average tax rate paid by the Group.**
Calculation	*Taxation paid (as per statement of comprehensive income)* / *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	*(Revenue – COGS)* / *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	*Headline earnings* / *WANOS*

DEFINITIONS CONTINUED

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	$\frac{\textit{Average inventory}}{\textit{Cost of goods sold x no. of days in period}}$
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	$\frac{\textit{Total assets – total liabilities}}{\textit{Actual number of shares outstanding}}$
Net asset value per share – WANOS	
Calculation	$\frac{\textit{Total assets – total liabilities}}{\textit{WANOS}}$
Net working capital days	**The average number of days it takes the Group to convert working capital into revenue.**
Calculation	*Debtor days + Inventory days – 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	$\frac{\textit{Operating profit}}{\textit{Revenue}}$
Return on capital employed ("ROCE")	**Determines a company's profitability after taking into account the amount of capital used.**
Calculation	$\frac{\textit{EBIT}}{\textit{Capital employed}}$
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	$\frac{\textit{Net income attributable to equity holders}}{\textit{Average shareholders' equity}}$
Return on invested capital ("ROIC")	**The percentage return made over invested capital**
Calculation	$\frac{\textit{Net income – dividend}}{\textit{Debt + Equity}}$
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)	
A Coovadia	(South African)	
A Sithebe	(South African)	
H Masondo	(South African)	
JS Mthimunye	(South African)	
KKD Kobue	(South African)	

Executive directors

RM Morais	(South African)	
IL Saltzman	(South African)	
SE Saltzman	(South African)	
SRN Goetsch	(South African)	
JD Pope	(South African)	(Appointed 1 July 2023)

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

Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196
South Africa