ITALTILE LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1955/000558/06)
Share code: ITE ISIN: ZAE000099123
("Italtile" or "the Group")

TRADING STATEMENT FOR THE YEAR ENDING 30 JUNE 2020 AND IMPACT OF COVID-19

The Group will be reporting its results for the year ending 30 June 2020 on or about 25 August 2020.

In the interim, given the general uncertainty in the economy and trading environment caused by the COVID-19 global pandemic, management believes it is appropriate to update shareholders regarding the Group's performance over the past 48 weeks to 31 May 2020, with specific emphasis on the period since the Group's interim results for the six months ended 31 December 2019 which were published on SENS on 13 February 2020.

The results reported in this announcement include the contribution of Ceramic Industries Proprietary Limited ("Ceramic"), in which the Group holds a 95.47% stake, and Ezee Tile Adhesive Manufacturers Proprietary Limited ("Ezee Tile"), in which the Group holds an effective 71.54% stake. 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, namely CTM, Italtile Retail, TopT and U-Light.

TRADING STATEMENT FOR THE YEAR ENDING 30 JUNE 2020 AND IMPACT OF BBBEE TRANSACTION ON EARNINGS PER SHARE ("EPS") AND HEADLINE EARNINGS PER SHARE ("HEPS")

In terms of paragraph 3.4(b) of the JSE Limited ("JSE") Listings Requirements, and in light of the impact of the pandemic on the business and the economy, the Board of Directors ("the Board") is satisfied that a reasonable degree of certainty exists that the expected ranges of the Group's EPS and HEPS for the year ending 30 June 2020 will be as set out in the table below.

Furthermore, as announced on SENS on 7 February 2020, the Group incurred a once-off charge of R39.0 million related to the Broad-Based Black Economic Empowerment ("BBBEE") transaction concluded with Yard Investment Holdings Proprietary Limited ("Yard"). Accordingly, the guidance below also illustrates the expected impact of the BBBEE transaction on projected EPS and HEPS for the year ending 30 June 2020.

	Year ended 30 June 2019	**Forecast: year ending 30 June 2020***	**Percentage change**
Excluding BBBEE charge			
- Earnings per share	102.6 cents	74.9 cents to 85.2 cents	-27% to -17%
- Headline earnings per share	101.8 cents	76.4 cents to 86.5 cents	-25% to -15%
Including BBBEE charge			
- Earnings per share	102.6 cents	71.8 cents to 82.1 cents	-30% to -20%
- Headline earnings per share	101.8 cents	73.3 cents to 83.5 cents	-28% to -18%

*While it is difficult to predict with accuracy the Group's performance for the balance of the current financial year, being the remainder of June 2020, early indications are that sales will continue to pick up, and will exceed the strong sales reported in June 2019. Should this not materialise and the actual earnings for the year ending 30 June 2020 differ from the forecast above, a further trading statement will be issued after 30 June 2020.

IMPACT OF THE COVID-19 PANDEMIC ON THE GROUP'S SALES PERFORMANCE

The Group's results for the second six months of the current financial year, being 1 January to 30 June 2020, are best analysed in the context of the progression of the pandemic in our trading markets. In the pre-COVID-19 era, up to 27 March 2020 when the national lockdown was implemented, sales were on track with management's stated target to deliver growth in line with the first six months of the current financial year, being 1 July 2019 to 31 December 2019. However, subsequent to the commencement of the lockdown, sales across the manufacturing, supply chain and retail operations were severely impacted as illustrated below.

Date (2020) and level of economic activity according to Government's risk-adjusted economic activity model	**Impact on Group operations**	**Impact on Group revenue**
27 March – 30 April Level 5	**SA** Manufacturing and supply chain operations were closed. Retail stores were permitted to sell emergency supplies to essential service providers and registered tradespersons only (a limited number of stores traded only during the last week of April). **Rest of Africa** Retail stores and manufacturing operations in East Africa were permitted to trade.	No revenue was generated by supply chain and manufacturing operations and only minimal revenue was generated by the retail stores. Minimal revenue was generated by the retail stores.
1 May – 31 May Level 4	**SA** Easing of trading regulations: 30% to 50% of manufacturing capacity and all supply chain operations brought back on-stream. All retail stores re-opened. Reduced staff numbers in all operations.	Curtailed sales in manufacturing and supply chain operations reported compared to prior year. Robust retail sales, specifically in certain rural markets, with growth being recorded on the prior year's sales results.

In summary, total retail store sales for the 48 weeks ended 31 May 2020 decreased by 5%, while like-for-like retail store turnover declined by 10% compared to the prior corresponding period.

Manufacturing sales for the 48 weeks were 10% lower when compared to the prior comparable period.

In terms of individual brand performance, Italtile Retail's sales were substantially lower than the prior comparable period. This is due to a combination of factors including the continued deterioration of the commercial projects market in the premium-end segment and the general decline in size of the top-end residential market in the wake of private investor capital exiting SA. The inability of contractors to operate during the lockdown further restricted sales in the high-end home renovations segment.

Prior to the lockdown period, CTM's sales were solid and in line with the performance reported in the year ended 30 June 2019. However, sales during Level 5 of the lockdown were minimal. The subsequent easing of restrictions in Level 4 resulted in an increase in turnover compared to the prior year, with a clear disparity between rural-based stores which traded robustly, and suburban stores where sales were more obviously impacted by cautious consumer behaviour in light of the pandemic and sustained limited disposable income.

TopT has reported a surprisingly strong performance in the second half of the current financial year, notwithstanding restricted trading in line with regulations. This is underpinned by improved operational disciplines in the business, as well as higher spend in certain regions where homeowners returned to their rural homes to wait out the lockdown. Consumers in this segment typically continue to invest incrementally in their homes as funds become available, and with the full re-opening of stores in May 2020, brisk sales resumed with double digit growth achieved.

For the most part, post-lockdown, the franchise network across the brands is healthy and stable.

The Group's well-established online sales and delivery platform recorded a pleasing performance over the period pre-lockdown, and with restrictions placed on consumers shopping in-store during the lockdown, this channel benefitted from growing traffic and increased quotes and sales. This trend is likely to become entrenched, aligned with consumer behaviour which adapted and changed due to restrictions imposed by lockdown regulations and will likely become a permanent feature.

The Group's robust cash reserves and engrained disciplines of working capital management and cost leadership have been a significant advantage for the business, specifically since lockdown. Additionally, with the onset of the pandemic and trading restrictions, management implemented immediate and urgent measures to further optimise cashflow and preserve cash. These measures included further cost savings across the operations; temporary deferral of operational and capital expenditure and headcount costs; and salary and fee sacrifices by executive and non-executive directors, as well as management at various levels. Management continues to aggressively review the Group's cost base and remains cautiously optimistic regarding improved trading and continued solid cash flows going forward.

COVID-19 RISK-MITIGATING MEASURES

The safety of our customers, employees and neighbouring communities is a key priority for the Group and extensive measures are in place in our stores and factories to ensure operational health and safety protocols comply with prescribed government regulations to curb the spread of the virus. Where practicable, work-from-home practices are also still in place for administration and finance employees.

REVIEW OF RESULTS

The information on which this announcement is based and any forecast financial information included in this announcement has not been reviewed or reported on by Italtile's auditors.

Johannesburg
17 June 2020

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Merchantec Capital