Adcock Ingram Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 2007/016236/06)
Share code: AIP   ISIN: ZAE000123436
("Adcock Ingram" or "the Company" or "the Group")

Unaudited Group Financial Results and Cash Dividend Declaration
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2020

- B-BBEE Level 3
- REVENUE INCREASED 4%
- GROSS PROFIT DECLINED 7%
- OPEX DECREASED 4%
- HEPS DECLINED 15%
- INTERIM DIVIDEND 80 cents per share

Introduction
The Group delivered a resilient performance in a constrained environment, owing to the continuing adverse impact of COVID-19, and the resultant impact on the consumer and certain categories of products.

As Adcock Ingram is an essential service provider, it has been a privilege to play a role in supporting South Africa through the COVID-19 pandemic, ensuring continuity in producing and supplying medicines, particularly life-saving products such as intravenous fluids and ARVs, as well as other acute medicines and hygiene products that are used to minimise the impact of COVID-19. We pay gratitude to our employees, who are essential workers, and remember with sadness, six of our colleagues who tragically succumbed to the virus. The COVID-19 related trends on the business during the reporting period, were similar in nature to those reported on during the previous financial year. The Group still experienced good demand for immune-boosting products, and increased sales of renal products, but demand was poor in cough, colds and flu (because of the absence of a flu season); branded prescription (due to low levels of patients consulting doctors); ophthalmic surgical products and instruments, and hospital products (due to the postponement of elective surgeries).

Under these circumstances, the Board of Directors (Board) is satisfied with the results delivered, in the current depressed and unpredictable environment.

Financial performance
Revenue and trading profit
Revenue during the period under review increased by 3.6% to R3,758 million (December 2019: R3,628 million), driven by an increase in mix of 4.9%, which includes the Plush acquisition. Price realisation was 4.7%, slightly ahead of the SEP increase of 4.5% awarded in February 2020, evidencing the value of the Company increasing its non-regulated basket of products. Organic volumes declined by 6.0%, mainly as a result of the absence of a cold and flu season which severely impacted the OTC division, where cough and cold formulations normally make up 40% of their portfolio.

Gross profit for the six months decreased by 6.9% to R1,298 million (December 2019: R1,395 million) with the margin declining from 38.4% to 34.5%. The gross margin was adversely impacted by the unfavourable exchange rate (which on average was 14.5% weaker than the comparative period), higher than inflationary wage and utility increases, a higher proportion of ARVs in the sales mix and lower factory recoveries at the Clayville factory due to the decreased demand for OTC products.

Operating expense discipline has been outstanding, ending 4.3% lower than the comparative period, despite the inclusion of Plush, as the cost-saving initiatives implemented in the latter part of the prior financial year were realised.

This resulted in a 11.7% decrease in trading profit to R433.0 million (December 2019: R490.1 million).

Non-trading expenses
Non-trading expenses of R47.2 million include retrenchment costs of R32.7 million, the Group having further reduced its headcount towards the end of the calendar year, in response to the weak economic environment and declining demand. Share-based expenses of R13.4 million and corporate activity costs of R1.1 million make up the balance.

Headline earnings
Headline earnings for the period decreased by 16.3% to R311.9 million (December 2019: R372.8 million). This translates into headline earnings per share of 186.5 cents (December 2019: 218.5 cents), a decrease of 14.6%, better than the headline earnings decline due to share repurchases by the Group.

Subsequent event

On 19 February 2021, Adcock Ingram concluded an agreement to acquire a portfolio of 17 Prescription, OTC and Hospital brands from Aspen Pharmacare, with historic annualised revenue of approximately R95 million. Closing of the transaction, including conditions precedent, is expected to be completed during March 2021. The terms include a two-year manufacturing and supply agreement for products manufactured by Aspen Pharmacare, to accommodate technology transfer to Adcock Ingram's facilities.

		Change %	Unaudited six-month period ended 31 December 2020	Unaudited six-month period ended 31 December 2019
Revenue from contracts with customers	(R'000)	4	3 758 258	3 628 386
Gross profit	(R'000)	(7)	1 298 425	1 394 855
Trading profit	(R'000)	(12)	432 989	490 134
Operating profit	(R'000)	(16)	385 813	461 776
Headline earnings per share	(cents)	(15)	186.5	218.5
Basic earnings per share	(cents)	(15)	186.5	219.3
Total assets	(R'000)		7 508 323	6 850 967
Net asset value per share	(cents)		2 842.8	2 608.9
Dividend declared per share	(cents)	(20)	80.0	100.0
Segment Trading profit				
Consumer	(R'000)	48	108 782	73 415
OTC	(R'000)	(45)	109 260	197 791
Prescription	(R'000)	-	142 249	142 213
Hospital	(R'000)	6	75 798	71 733

Prospects

The Group expects that the economy and the consumer will continue to remain constrained, at least for the remainder of this calendar year. The continued roll-out of the government's vaccination plan is eagerly anticipated, to bring relief to South Africa's healthcare system, frontline workers and economy.

The challenge faced in attempting to protect margins, due to the weakness of the rand, and another sub-optimal single exit price adjustment, will continue in the second half of the financial year, and may be exacerbated by weak factory throughput if demand for OTC products declines further.

The Group will continue to exercise strict cost control, and prudent capital allocation to improve the breadth of its portfolio, while preserving balance sheet strength. Despite the immediate challenges, the Board remains optimistic about the longer-term prospects of the Company.

The Board expresses its appreciation to Mr Lindsay Ralphs for his valuable contribution and leadership, whilst on the Board, and as the Chairperson. We wish him well in his retirement.

Dividend distribution

The Board has declared an interim gross dividend out of income reserves of 80 cents per share in respect of the six months ended 31 December 2020. The South African dividend tax ("DT") rate is 20% and the net dividend payable to shareholders who are not exempt from DT is 64 cents per share. Adcock Ingram currently has 175,758,861 ordinary shares in issue and qualifying for ordinary dividends. The income tax reference number is 9528/919/15/3.

The salient dates for the distribution are detailed below:

Last date to trade cum distribution	Tuesday, 16 March 2021
Shares trade ex distribution	Wednesday, 17 March 2021
Record date	Friday, 19 March 2021
Payment date	Tuesday, 23 March 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 March 2021 and Friday, 19 March 2021, both dates inclusive.

LP Ralphs
Chairman

AG Hall
Chief Executive Officer

Approved by the Board: 23 February 2021
SENS release date: 24 February 2021

Company secretary
NE Simelane

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Sponsor
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Bankers Nedbank Limited, 135 Rivonia Road, Sandown, Sandton, 2146. Rand Merchant Bank, 1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196. Investec Bank Limited, 100 Grayston Drive, Sandton, 2146

The full announcement has been published on SENS and is available at https://senspdf.jse.co.za/documents/2021/JSE/ISSE/AIP/AIP012021.pdf
The contents of this short-form summary announcement are the responsibility of the Board of Directors. Any investment decision should be considered and based on the content of the information contained in the full announcement which will be published on the Company's website at www.adcock.com/investors/financialreports. Copies of the full announcement are available for inspection at the registered office of the Company and may be requested without charge during office hours by phoning +27 11 635 0143.