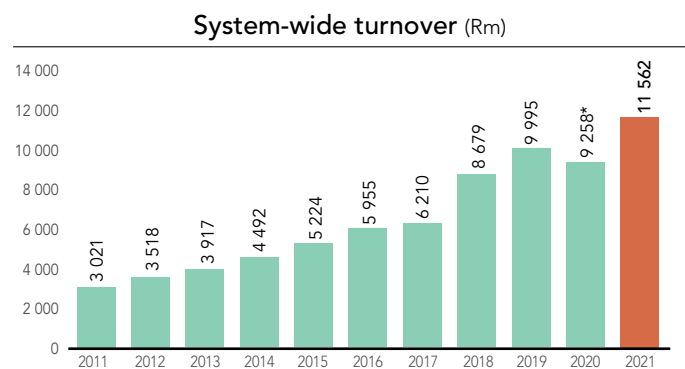
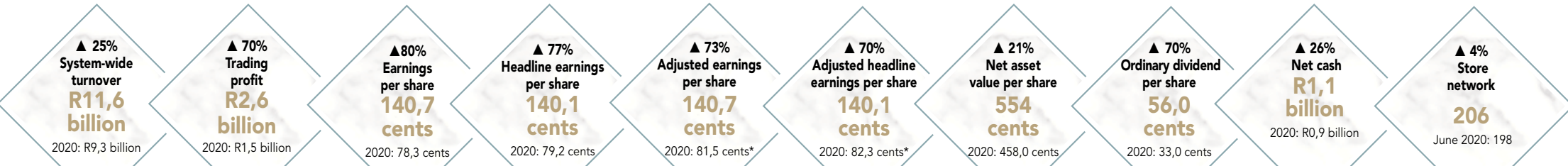
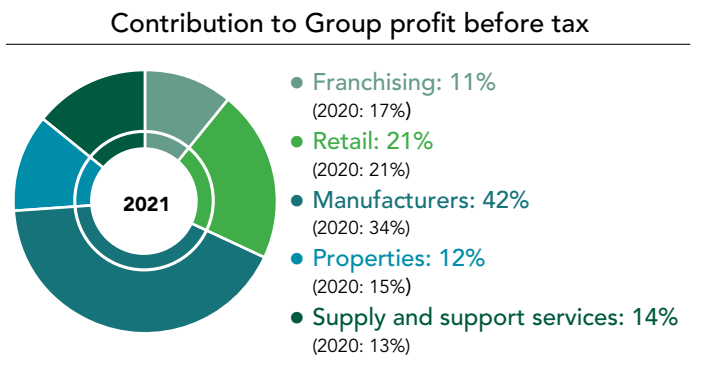
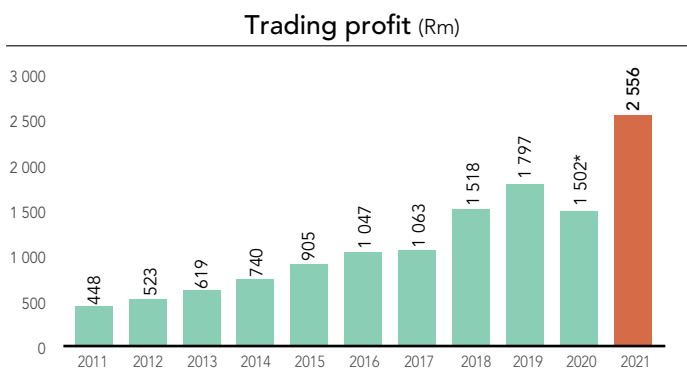




SHORT FORM ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2021



*Includes impact of full lockdown in April 2020.



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

www.italtile.com

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.

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. On behalf of all of us at Italtile, we extend our heartfelt condolences to those whose loved ones have passed on during this time. We also pay tribute to the healthcare workers in this country who strive 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 and we implemented a zero-tolerance policy in terms of non-compliance with protocols.

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.

Our customers have endorsed and complied with our stringent safety protocols and tolerated with good grace unscheduled store closures and unexpected stock shortages, and we are extremely grateful for their understanding.

Despite the significant uncertainty created by the pandemic, 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.

TRADING ENVIRONMENT, CONSUMER TRENDS AND OUR RESPONSE

Enforced work-and-study-from-home orders during the pandemic changed consumers' lifestyles and spending priorities and fuelled a major home-improvement boom. Consumers have also become more risk averse, increasing their online transactions, and when in-store, gravitating to trusted brands that provide safe, comforting environments, with one-stop-solutions for all their requirements.

Our business model is well suited to these trends: 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 product basket for our customers.

Erratic supply of imported products due to global operating restrictions was dramatically worsened by shipping constraints and the dysfunctionality of our local ports, while freight rates increased exorbitantly over the period.

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.

PRIMARY FOCUS AREAS

Unchanged from prior years, the consistent key focus areas for management over the period were sales growth; cost leadership; productivity improvements; and leveraging our high-performance culture. It is pleasing to report our progress in that regard:

- Opened 13 new stores, closed four non-performing stores and advanced the revamp programme.
- Improved stock turn, product mix and range.
- Employed disruptive tactical marketing campaigns that drove gains in market share and share of wallet.
- Leveraged cutting-edge technology across all trading platforms and in the integrated supply chain, and enhanced the IT risk and control environment.
- Progressed to the second phase of the five-year logistics and distribution programme, resulting in increased efficiencies and notable cost savings – some of which we passed on to customers.
- Entrenched our performance culture and embedded productivity as a core discipline, achieving enhanced output and returns on all resources and assets. Improved results were recorded across all operational metrics including scorecards, KPIs and employee engagement surveys.
- Delivered on our partnership and profit-sharing ethos by rewarding our team in excess of R290 million for its increased productivity and exceptional contribution.
- Drove cost leadership across all business units to manage margin pressure, achieving close-to-optimal margins, while supporting cost-conscious customers.
- Maintained efficient working capital management, closing the period with cash reserves of R1,1 billion (2020: R860 million), despite substantial cash outflows.
- Continued executing the roughly R800 million capital expenditure programme; four major capital expenditure projects are currently underway, all running on schedule and within budget.
- Continued to invest in leadership development to build a pipeline of talent, with a range of strategic management appointments made in our brand operations and IT and HR divisions.
- Converted non-performing franchise stores to JVs; the success of this conversion is confirmed by the enhanced productivity and increased sales and profitability reported by the stores.
- Entrenched retail excellence disciplines at more of our customer touchpoints; this improvement is reflected by a gain in market share across our retail brands and higher scores across all our customer sentiment measurements.
- Maintained a comprehensive and engaged stakeholder management programme.
- Progressed the journey to improve the Group's environmental, social and governance credentials.
- Anticipate improving our BBBEE level 4 rating to level 3.

RESULTS

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.

"Over the past year, our Group's mindset evolved from single-minded survival mode to a profound sense of gratitude for our numerous blessings amid the challenges we face in South Africa. Our business performed extraordinarily well under very tough conditions and I am humbled to have led a team of people who demonstrated the best of humanity through their commitment, courage and resilience. Our frontline staff, in particular, have ensured service continuity despite daily personal risk posed by the Covid-19 pandemic. Subsequent to year-end, as civil unrest upturned our country, our team once again showed its mettle to keep going. In our business we say that our unique culture is the glue that binds us together – this tumultuous period has tested the glue and found it unyielding." *Jan Potgieter, Chief Executive Officer*

OPERATIONAL REVIEW

Retail brands: stores and webstores

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 customer sentiment scores, reflected by a gain in market share in their respective segments.

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 the 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. Pre-retailing 'silent salesperson' initiatives were piloted and made a notable contribution to increased productivity and an enhanced shopping experience. The contribution of the sanitaryware category grew strongly, primarily due to revamps implemented in our Bathroom Boulevards and improved ranges.

Italtile Retail

Italtile Retail recorded a stellar performance for the year, 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. Other key factors that contributed to the brand's performance were the meticulous execution of retail excellence disciplines and outstanding marketing campaigns across a range of platforms.

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. The brand also leveraged its strong customer positioning as a community-centred offering, with the launch of the enormously successful interactive Woza Ekhaya ("Come home") campaign, which culminated in a customer winning a new home.

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.

During the period, we expanded the Company-owned model with two pilot franchised stores and, in the year ahead, the goal is to build scalability of the business. Opportunities are also currently being explored to expand the integrated import supply capability.

Integrated supply chain

The Group's integrated supply chain manufacturers and importers enable us to provide a complete solution to customers and underpin our policy of ensuring the 'right product at the right time, place and price'.

Manufacturers

Ceramic Industries

This business has significant strategic advantage for the Group given that one out of every two tiles, baths and toilets purchased in South Africa are manufactured by Ceramic.

Tiles (South Africa and Australia)

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 benefited from a range of conducive factors that drove volumes, including robust demand caused by enforced stay-at-home orders; low interest rates; severe import supply chain disruptions; a weak currency; high shipping costs and a 'buy-local' consumer philosophy. 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.

Bathroomware and baths (South Africa)

Betta Sanitaryware and Betta Baths both increased production, gained market share and improved their distribution model, which 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.

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.

Importers: Cedar Point, ITD and DC

The improved sales and profits reported by our three import businesses are particularly creditable given the ongoing disruptions to global supply chains and volatile pricing of imported products and shipping rates experienced during the period. While stockholding is currently slightly high in Cedar Point and the DC, these levels will normalise as disruptions ease.

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.

PROPERTY INVESTMENT

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.

DECLARATION OF ORDINARY AND SPECIAL CASH DIVIDEND

The Board has declared a final gross ordinary cash dividend (number 110) for the year ended 30 June 2021 of 25,0 cents per share (2020: 10,0 cents) out of income reserves to all shareholders of Italtile as at the record date of Friday, 17 September 2021. The dividend per share is calculated based on 1 321 654 148 shares (2020: 1 321 654 148 shares) in issue at the date of dividend declaration. The net local dividend amount is 20,0 cents per share for shareholders liable to pay dividends tax and 25,0 cents per share for shareholders exempt from paying dividends tax. The total gross ordinary cash dividend for the year amounts to 56,0 cents (2020: 33,0 cents).

A gross special cash dividend of 50,0 cents per share (2020: 23,0 cents) has also been declared. The net special dividend amount is 40,0 cents per share for shareholders liable to pay dividends tax and 50,0 cents per share for shareholders exempt from paying dividends tax. Italtile's income tax reference number is 9050182717. The local dividend tax is 20% for both the ordinary and special cash dividend.

Dividend declaration date	Thursday, 26 August 2021
Last day to trade cum the dividend	Tuesday, 14 September 2021
Date to commence trading ex-dividend	Wednesday, 15 September 2021
Record date	Friday, 17 September 2021
Payment date	Monday, 20 September 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 September 2021 and Friday, 17 September 2021, both dates inclusive

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Impact of civil unrest and the ongoing pandemic

At the height of the public unrest in July 2021, we closed all of our 18 stores in KZN for 10 days, as well 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, a number that 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 other stores were also 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.

PROSPECTS

In the current challenging trading conditions, our priority is to focus on those factors within our control and influence.

- We expect the home improvement trend to remain relatively strong until there is a comprehensive roll out of vaccines, and stay-at-home orders are eased. In addition, 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.
- By executing retail excellence disciplines better at every customer touchpoint and reducing inefficiencies in our business, there are opportunities to achieve sales and profit growth and gain market share.
- As a Proudly South African company, 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.
- 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.

We anticipate that our results for the first half of the new financial year will be 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.

The above forecast financial information has not been reviewed and reported on by the Group's auditors.

For and on behalf of the Board

J N Potgieter
Chief Executive Officer

B G Wood
Chief Financial Officer

SHORT FORM ANNOUNCEMENT

The content of this short form announcement is the responsibility of the directors. Shareholders are advised that this short form announcement represents a summary of the information contained in the full announcement, which is available at <https://senspdf.jse.co.za/documents/2021/jse/issue/ite/ye21.pdf> and on Italtile's website at <https://www.italtile.com/investor-reports-and-results.asp>. 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/investor-reports-and-results.asp>.

The preliminary condensed consolidated financial statements were reviewed by the Group's auditor, PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion thereon. The auditor's report is available on Italtile's website at <https://italtile.com/investor-reports-and-results.asp>.

Any investment decisions made by investors and/or shareholders should be based on a consideration of the full announcement as a whole and investors and shareholders are encouraged to review the full announcement, which is available as detailed herein.

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.