Dis-Chem Pharmacies Limited
(Incorporated in the Republic of South Africa)
(Registration number 2005/009766/06)
Share code: DCP
ISIN: ZAE000227831
("Dis-Chem" or "the Company" or “the Group”)

Provisional Reviewed Annual Condensed Consolidated Results for the twelve months ended 28 February 2023

	12 months to 28 February 2023	12 months to 28 February 2022	% change
Group revenue	R 32.7 billion	R 30.4 billion	7.4 %
Earnings per share	116.3 cents	99.2 cents	17.2%
Headline earnings per share	116.5 cents	99.2 cents	17.4%
Final dividend declared per share	18.45 cents	20.2 cents	(8.7%)
Total dividend declared per share	46.57 cents	39.7 cents	17.3%

Overview
The Group is pleased with the performance of its businesses during the current period characterised by the normalisation of shopping patterns after COVID-19 and the constrained economic environment.

Earnings per share (EPS) and headline earnings per share (HEPS) are 116.3 cents and 116.5 cents per share respectively, an increase of 17.2% and 17.4% respectively.

During the period, Dis-Chem continued to increase its dispensary market share extending its position as South Africa’s largest retail pharmacy group, by dispensary market share.

Review of financial performance

Revenue
During the twelve-month period from 1 March 2022 to 28 February 2023, Dis-Chem recorded Group revenue growth of 7.4% to R32.7 billion.

Retail revenue grew by 6.5% to R28.9 billion with comparable store revenue at 3.3%. Retail revenue growth was impacted by COVID-19 vaccine and testing 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 8.4%. During the twelve months to 28 February 2023, thirteen retail pharmacy stores were opened, eight retail pharmacy stores closed (all former Medicare stores) and eight retail baby stores were opened. A net 12 Baby Boom stores were acquired, extending our baby retail leadership position, resulting in 258 retail pharmacy stores and 54 retail baby stores at February 2023.

Wholesale revenue grew by 10.4% to R24.2 billion. Wholesale revenue to our own retail stores, still the biggest contributor, grew by 9.6%, while external revenue to independent pharmacies and The Local Choice (“TLC”) franchises grew by 7.7% and 23.9% respectively over the corresponding period. When excluding wholesale revenue to Medicare and Baby Boom stores in the prior period (internalised since 1 October 2021 and 1 March 2022 respectively), external revenue grew by 20.7%, comprising independent pharmacy growth of 18.2% and TLC growth of 23.9%. The TLC growth is due to a combination of an increase in TLC franchise stores from 147 to 171 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 15.7% to R10.2 billion, with the Group’s total income margin being 31.1% compared to 28.9% in the corresponding 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 13.4% with the retail margin increasing from 28.2% to 30.0% over the corresponding period. The normalisation of category mix is total income margin supportive. Higher margin categories are now recovering, and the Group continues to see improvements in its trading terms and service income as a result of its ever-increasing scale and Return on Invested Capital ("ROIC") focus.

Wholesale total income grew by 22.7% with the wholesale margin now at 8.3%. 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.

When this once-off gain was excluded from the wholesale segment, wholesale total income grew by 18.3% with the wholesale margin at 8.0%. 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.

Other expenses
Expenses (excluding depreciation) grew by 16.1% over the corresponding period. Excluding the Medicare costs in the current and prior period (acquired 1 October 2021), expenses grew by 14.0%.
Retail expenses (excluding depreciation) grew by 15.8% as the Group invested in new stores and acquisitions (Baby Boom and Westville Junction) in the current period. Retail costs were also influenced by employee costs increasing by 14.5% (excluding Medicare by 11.7%), IT costs including the roll-out of the new point-of-sale system increasing by 32% and additional advertising expenditure due to retail trade normalisation.

Wholesale expenses (excluding depreciation) grew by 12.2%, predominately driven by an increase in employee costs of 10% due to inflationary pressure, an increase in diesel costs of 56%, unrealised and realised forex losses totalling R43 million as a result of exchange rate weakness as well as an increase in IT costs with the stock management system being migrated to a SAP hosted cloud solution allowing scalability for the new warehouse.

The Group's strategic early investment in generator capacity has resulted in minimal disruption to our ability to trade but did result in the Group's diesel expense increasing by 65% to R91 million over the corresponding period.

Net finance costs
Net financing costs increased by 11.8% from the prior comparable period. IFRS 16 related finance costs reduced by 2.3% due to the maturity of our lease base which partially offset the increase in interest on bank loans. 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 R598 million from February 2022 due to the additional inventory held in new stores as well as the strategic buy in of stock ahead of price increases. Inventory has continued to be well managed and inventory days have decreased to 88.2 days from 88.6 days in the prior period.

Trade receivables continue to increase with the expansion of third-party sales within the wholesale segment.

Net working capital, at 28.1 days has increased from 26.5 days at 28 February 2022 due to the increase in the trade and other receivables of 2.1 days. Inventory days continues to marginally improve while creditors days has remained constant when compared to the corresponding period.

Capital expenditure
Capital expenditure on tangible and intangible assets of R1.1 billion comprised of R367 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 R723 million relates to

replacement expenditure incurred to maintain the existing retail and wholesale networks as well as R496 million for the purchase of properties.

Directorate

Ms Lynette Saltzman resigned on the 14th of July 2022 as an executive director.
Mr Mark Bowman resigned as on the 14th of July 2022 as an independent non-executive director.
Ms Happy Masondo was appointed on the 14th of July 2022 as an independent non-executive director.
Mr Saul Saltzman was appointed on the 14th of July 2022 as an executive director (previously alternate director to Ms Saltzman).
Mr Stanley Goetsch was appointed on the 14th of July 2022 as an executive director.

Dividend declaration

Notice is hereby given that a gross final cash dividend of 18.45305 cents per share, in respect of the period ended 28 February 2023 has been declared based on 40% of headline earnings. 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 14.76244 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, 6 June 2023
- First trading day ex dividend on the JSE: Wednesday, 7 June 2023
- Record date: Friday, 9 June 2023
- Payment date: Monday, 12 June 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 June 2023 and Friday, 9 June 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"). Where the dividend payable to a particular certificated shareholder is less than R100, the dividend will be paid by EFT only to such certificated shareholder. 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

The Group expects that the South African consumer will continue to experience financial hardship. While the Group has taken the necessary measures to minimise the operational impact of loadshedding, the unavoidable increase in operational costs will continue to impact earnings. The Group's integration into the healthcare value chain reinforces the resilient nature of its current and future earnings profile.
The recently announced succession implementation ensures a smooth leadership transition and ensures executive management's commitment to deliver on the Group's strategic ambitions over the long-term.
The imminent acquisition of a 63,000m² distribution centre will support the Group's commitment to accelerate retail space growth, adding warehouse capacity for the Group to double its current store count, and continue to grow its market share in the independent market.

Approval

The condensed consolidated results of the Group were authorised for issue in accordance with a resolution of the directors on 18 May 2023.

On behalf of the Board

Ivan Saltzman	Rui Morais
Chief Executive Officer	Chief Financial Officer

This short-form announcement is the responsibility of the Company's board of directors and is only a summary of the information in the full announcement and therefore does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement published on the Group's website www.dischemgroup.com and on the JSE website using https://senspdf.jse.co.za/documents/2023/jse/isse/dcpe/FY23.pdf

Copies of the full announcement are available for inspection at the registered office of the Company and the Company's Sponsor, at no charge, during office hours. For more information contact investorrelations@dischem.co.za or visit our website.

The reviewed condensed consolidated results have been reviewed by the Group's external auditors and their unmodified review report is available for inspection at the Company's registered office.

Supplementary information

Registered office: 23 Stag Road, Midrand, 1685

Executive directors: IL Saltzman (Chief Executive Officer), LF Saltzman (resigned: 14 July 2022), RM Morais (Chief Financial Officer), SE Saltzman (appointed: 14 July 2022; previously alternate to LF Saltzman) and SRN Goetsch (appointed: 14 July 2022)
Non-executive directors: LM Nestadt (Chairman), A Coovadia, JS Mthimunye, A Sithebe, H Masondo, KKD Kobue, M Bowman (resigned: 14 July 2022)
Company secretary: NJ Lumley
Registered auditors: Mazars
Sponsor: The Standard Bank of South Africa Limited
Transfer secretaries: Computershare Investor Services Proprietary Limited

19 May 2023
Midrand