Lewis Group Limited
Incorporated in the Republic of South Africa
Registration number: 2004/009817/06
Share code: LEW
ISIN: ZAE000058236
Bond Code: LEWI

SHORT-FORM ANNOUNCEMENT:
RESULTS ANNOUNCEMENT (INCLUDING AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS) FOR THE YEAR ENDED 31 MARCH 2023
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. Introduction

Shareholders are advised that the following have been distributed:

- the company's full announcement being the highlights, results commentary (which includes the cash dividend declaration referred to below) and the summary audited consolidated financial results for the year ended 31 March 2023 ("results announcement")
- the company's audited consolidated financial statements for the year ended 31 March 2023 ("audited financial statements")
- cash dividend declaration of 218 cents per share.

The integrated report and notice of the annual general meeting for the year ended 31 March 2023 will be released on or before 30 June 2023.

2. Highlights

- Merchandise sales increased by 1.4% to R4.4 billion
- Revenue increased by 3.1%to R7.5 billion
- Gross profit margin at 40.6%
- Satisfactory paid accounts at 80.4%
- Debtors' book growth of 7.5%
- Debtor cost growth contained to 7.0%
- Earnings per share decreased by 5.7% to 689 cents
- Headline earnings per share increased by 1.0% to 857 cents
- Total dividend maintained at 413 cents per share

3. Results Commentary

Introduction

The group's performance for the 2023 financial year reflects the state of consumers in South Africa's low growth, high inflationary environment where escalating fuel, energy, food and borrowing costs is placing significant pressure on spending, with load shedding weighing heavily on consumer sentiment and economic growth.

The highlight of the results is the quality and performance of the group's debtors' book. Despite the weak consumer economy, the debtors' book has shown good growth, collection rates have strengthened, and the percentage of satisfactory paid accounts increased to a record level, resulting in the reduction of the debtors' impairment provision.

The Group proved its resilience with credit sales continuing to grow strongly across the traditional retail brands of Lewis, Beares and Best Home & Electric. Cash sales slowed further which adversely impacted the performance of the cash retail brand, UFO.

The board has shown its confidence in the group's cash generating capability and maintained the total dividend for the year at 413 cents per share.

Trading and financial performance

Merchandise sales increased by 1.4% to R4.4 billion. Sales in the traditional retail segment increased by 3.5% while the cash retailer UFO reported a decline of 12.5%. The group's comparable store sales were 0.3% lower.

Credit sales continued to be robust in the current environment and grew by 18.1% while cash sales declined by 16.3%. Credit sales accounted for 59.9% of total merchandise sales compared to 51.4% in the prior year. The group has maintained its strict credit granting criteria and through adjusted marketing initiatives, attracted more low-risk credit customers with the application decline rate settling at 34.7% (2022: 36.1%).

Sales in the stores outside South Africa, which represent 16.0% of the store base, increased by 3.4% and accounted for 18.3% of the group's sales.

The group has continued to invest in expanding its store base and opened a net 21 new stores across all brands, bringing the store footprint to 840. This is the highest number of net store openings since 2016. A further 150 stores were revamped as part of the ongoing store refurbishment programme.

Other revenue, consisting of effective interest income, insurance revenue and ancillary services income, benefited from the strong credit sales growth in the past two years and increased by 5.8%.

Total revenue, comprising merchandise sales and other revenue, increased by 3.1% to R7.5 billion.

Despite continued cost pressures the group's gross profit margin strengthened in the second half and closed at 40.6% (2022: 40.5%), within the group's target range of 40% - 42%. The Group has been successful in securing better shipping rates which are approximately 70% lower than the inflated sea freight charges reported since the outbreak of the Covid-19 pandemic in 2020.

Operating costs, excluding debtor costs, impairments and capital items, were well managed and grew by 6.7%, despite significantly higher transport costs and the increased investment in marketing and training. Employment costs declined due to lower performance-related incentives.

The health of the group's debtors' portfolio continued to improve and the debtors' book grew by 7.5% over the prior year. The level of satisfactory paid customers increased to 80.4% (2022: 79.0%), having improved significantly from 68.4% five years ago.

Enhanced collection strategies continued to contribute to collection rates strengthening to 80.8% at year end (2022: 79.0%).

Debtor cost growth was contained to 7.0%, compared to the debtor book growth of 7.5% while debtor costs as a percentage of debtors at gross carrying value was maintained at 12.3%.

The quality of the debtors' book and the sustained collections performance over the past few years resulted in the impairment provision as a percentage of debtors at gross carrying value reducing from 40.4% to 36.2% for the current period.

Operating profit before impairments and capital items declined by 8.3% to R702.8 million. The slower trading in UFO resulted in an impairment of R91.1 million being recognised against its goodwill. An impairment of R22.9 million was recognised against the group's right-of-use assets. Operating profit for the year declined by 10.1% to R600.6 million.

Net finance costs increased by R44.0 million mainly due to higher bank interest paid, which was partially offset by foreign exchange gains of R21.9 million (2022: losses of R5.1 million).

Earnings declined by 15.7% to R407.1 million and earnings per share (EPS) decreased by 5.7% to 689 cents. Headline earnings were 9.8% lower at R506.3 million. Headline earnings per share (HEPS) increased by 1.0% to 857 cents, reflecting the positive leverage effect from the group's aggressive share repurchase programme.

Inventory levels reduced by 14.7% as the supply chain stabilised in recent months. Over the past two years the group has consciously carried higher inventory levels to ensure the business has adequate stock cover to counter the supply chain challenges and meet customer demand.

The group's balance sheet remains strong with the net asset value increasing by 7.3% to R80.76 per share.

In line with expectations, the gearing ratio, including lease liabilities, increased to 24.5% from 15.3% in the prior year mainly due to the ongoing investment in the debtors' book due to the higher level of credit sales.

Share repurchase programme

The group repurchased 5.5 million shares at a cost of R275.7 million during the year, at an average price of R49.96 per share. Since the commencement of the current share repurchase programme in 2017, the group has bought back 31.5 million shares at a cost of more than R1.1 billion and an average price of R34.99 per share. At the annual general meeting in October 2022, shareholders granted management the authority to repurchase a further 10% of the issued share capital and the group had utilised 2.6% of this mandate by year end.

Outlook

The current tough retail conditions are likely to deteriorate further with increasing pressure on consumer disposable income due to rising interest rates, transport costs, energy and food prices. Additionally, the ongoing issue of electricity load shedding continues to impact trade, causing disruptions in sales patterns.

The group has proven its resilience through previous economic downturns and management is confident in the group's medium-term prospects.

The consumer appetite for credit is expected to continue into the new financial year and management believes that the overall health of the book can be maintained, supported by the enhanced collections practices.

New merchandise ranges are being introduced across all brands and the more favourable shipping rates on imported products should support sales growth. UFO in particular will benefit from the lower rates as approximately 65% of the chain's merchandise is imported. However, cost pressures will arise from the weakening Rand exchange rate, placing pressure on the Group's import programme and pricing strategy, should the Rand not recover in the short-term.

The group is accelerating its store expansion programme in response to opportunities to acquire well located trading space and plans to open 25 stores across the traditional retail brands in the new financial year.

Dividend declaration

Notice is hereby given that a final gross cash dividend of 218 cents per share in respect of the year-ended 31 March 2023 has been declared payable to holders of ordinary shares. The number of shares in issue as of the date of declaration is 57 259 052. The dividend has been declared out of income reserves and is subject to a dividend tax of 20%. The dividend for determining the dividend tax is 218 cents and the dividend tax payable is 43.6 cents for shareholders who are not exempt. The net dividend for shareholders who are not exempt will therefore be 174.4 cents. The dividend tax rate may be reduced where the shareholder is tax resident in a foreign jurisdiction which has a Double Tax Convention with South Africa and meets the requirements for a reduced tax rate. The company's tax reference number is 9551/419/15/4.

The following dates are applicable to this declaration:

Last date to trade "*cum*" dividend	Tuesday,18 July 2023
Date trading commences "*ex*" dividend	Wednesday,19 July 2023
Record date	Friday, 21 July 2023
Date of payment	Monday, 24 July 2023

Share certificates may not be dematerialised or rematerialised between Wednesday,19 July 2023 and Friday, 21 July 2023, both days inclusive.

For and on behalf of the board

Hilton Saven	Johan Enslin	Jacques Bestbier
Independent non-executive chairman	*Chief executive officer*	*Chief financial officer*

Cape Town
25 May 2023

4. Auditors Report in Audited Financial Statements

Our independent auditors, PricewaterhouseCoopers, have expressed an unmodified audit opinion on the audited financial statements for the year ended 31 March 2023.

The independent auditors report includes a section on key audit matters. The key audit matters are:

- Expected credit losses on trade receivables
- Impairment assessment of right-of-use assets

The full independent auditor’s report is set out on pages 11 to 16 of the audited financial statements.

Refer https://www.lewisgroup.co.za/wp-content/uploads/2023/05/Annual-Financial-Statements-for-the-year-ended-31-March-2023.pdf

5. Short Form Announcement

This short-form announcement is the responsibility of the company’s directors and is a summary of the results announcement and does not contain full or complete details.

The results announcement and the audited financial statements can be downloaded from https://senspdf.jse.co.za/documents/2023/jse/isse/LEW/FY23.pdf and on the group’s website www.lewisgroup.co.za as follows:

Results announcement: Refer https://www.lewisgroup.co.za/wpcontent/uploads/2023/05/Audited-Final-Results-for-the-year-ended-31-March-2023.pdf

Audited financial statements: Refer https://www.lewisgroup.co.za/wp-content/uploads/2023/05/Annual-Financial-Statements-for-the-year-ended-31-March-2023.pdf

The full results announcement is available for inspection and may be requested at the company’s registered office, at no charge, during normal business hours. Any investment decision in relation to the company’s shares should be based on the full announcement.

Cape Town
25 May 2023

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Absa Corporate and Investment Bank, a division of Absa Bank Limited