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

SHORT-FORM ANNOUNCEMENT:
SUMMARY UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023.

1. Introduction

Shareholders are advised that the following have been distributed:

- unaudited interim results for the six months ended 30 September 2023 ("results announcement")
- cash dividend declaration of 200 cents per share.

2. Highlights

- Merchandise sales increased by 4.8% to R2.2 billion
- Revenue increased by 8.3% to R3.8 billion
- Gross profit margin increased by 140 bps to 40.7%
- Satisfactory paid accounts at 79.9%
- Debtors' book growth of 10.8%
- Operating profit increased by 7.5% to R309.3 million
- Earnings per share increased by 2.6% at 355 cents
- Headline earnings per share decreased by 6.6% at 372 cents
- Interim dividend increased by 2.6% to 200 cents per share

3. Results Commentary

Introduction

Credit sales continued to grow strongly across the Group's traditional retail brands which contributed to robust growth in the debtors' book. Despite the economic pressure facing consumers, the quality of the book has been maintained.

The sustained pressure on disposable income from higher fuel, energy, food and borrowing costs is reflected in the continued slowdown in the Group's cash sales which adversely impacted the performance of UFO, the Group's cash retail brand.

The Group adopted IFRS 17 Insurance Contracts in the reporting period with full retrospective application. This has had no material impact on the earnings for the current or prior periods.

Trading and financial performance

After growing by 1.1% in the first quarter of the 2024 financial year, merchandise sales benefited from new product ranges and strong advertising campaigns and increased by 8.5% for the second quarter, contributing to growth of 4.8% to R2.2 billion for the half year.

Merchandise sales in the traditional retail segment increased by 7.3% while sales in UFO declined by 14.3%. Comparable store sales grew by 1.9%.

The strong credit sales growth trend of the past two years continued, with credit sales increasing by 19.5% and cash sales declining by 14.4%. The contribution from credit sales increased to 64.4% of total merchandise sales from 56.5% in the previous half year. In the constrained consumer spending environment, the Group has maintained its strict credit granting criteria and attracted lower risk credit customers, with the application decline rate settling on 34.8% (H1 2023: 35.8%).

Sales in the stores outside South Africa, which represent 15.9% of the store base, increased by 4.9% and accounted for 18.7% of the Group's sales.

The Group has capitalised on opportunities to acquire well located trading space to accelerate the expansion of its store base. The Group opened a net 29 new stores in the traditional retail segment, including five new stores outside of South Africa. The total store footprint of 868 includes 138 stores outside of South Africa.

Other revenue, consisting of effective interest income and ancillary services income as well as insurance revenue (measured in terms of IFRS 17), benefited from the strong credit sales growth in the recent years and increased by 13.4%.

Total revenue, comprising merchandise sales and other revenue, increased by 8.3% to R3.8 billion.

The gross profit margin strengthened by 140 basis points to 40.7%, within the Group's target range of 40% - 42%. The gross margin benefited from the 23% reduction in inventory as management reduced stock levels closer to historic norms.

Following the adoption of IFRS 17, insurance service expenses of the Group's insurance business is reported separately for the first time. Operating costs, including insurance service expenses, were well contained at a 4.2% growth despite significant transport and energy inflation. The Group received proceeds of R22.7 million for business interruption losses relating to the 2021 civil unrest, which has been accounted for in operating profit.

The quality of the Group's debtors' portfolio is reflected in the level of satisfactory paid customers increasing to 79.9% (H1 2023: 78.8%) and the collection rate settling at a solid 80.9% (H1 2023: 81.7%).

The debtors' impairment provision as a percentage of debtors at gross carrying value reduced from 38.3% to 36.0%, demonstrating the health of the book and the consistent performance over the past few years.

Following the strong growth of 10.8% in the debtors' book, the debtors' impairment provision increased by R147 million. Total debtor costs increased by R192.1 million and debtor costs as a percentage of debtors at gross carrying value increased from 4.4% to 7.0%.

Impairments and capital items totalled R12.5 million, mainly due to an impairment recognised against right-of-use assets (relating to lease agreements), compared to R33.6 million in the prior half year.

Operating profit for the half year increased by 7.5% to R309.3 million.

Net finance costs increased by R44.8 million to R62.3 million mainly due to higher borrowing costs and foreign exchange gains being R20.5 million lower than the comparative period.

Earnings were 6.2% lower at R194.8 million while earnings per share increased by 2.6% to 355 cents per share, supported by the positive leverage effect from the Group's share repurchase programme. Headline earnings decreased by 14.6% and headline earnings per share decreased by 6.6% to 372 cents. The weighted average number of shares in issue reduced by 8.6% relative to the comparable period.

The board has increased the interim dividend by 2.6% to 200 cents per share, a payout ratio of 55.6% (H1 2023: 55.4%).

The Group's balance sheet remains strong with a net asset value of R4.6 billion. The borrowings ratio (gearing ratio excluding lease liabilities), increased to 13.4% from 4.1% mainly due to the ongoing investment in the growth of the debtors' book.

Share repurchase programme
The Group repurchased 3.1 million shares at a cost of R124.3 million in the first six months of the financial year, at an average price of R40.63 per share. Since listing, the Group has bought back 45.8 million shares at a cost of R1.8 billion and an average price of R39.20 per share.

At the annual general meeting (AGM) in October 2022, shareholders granted management the authority to repurchase a further 10% of the issued share capital and the Group had utilised 7.8% of this mandate by 30 September 2023. A new mandate to repurchase a further 10% of the outstanding shares was granted at the AGM in October 2023.

Outlook

Consumer spending will remain depressed in the months ahead due to increasing economic pressures while load shedding and congestion at the local ports are likely to continue to negatively impact economic growth.

The consumer demand for credit is expected to continue, with the Group planning to utilise the strength of its loyal customer base and differentiated merchandise offering to gain market share.

Appealing festive season promotions are planned across all brands, supported by new merchandise ranges, high levels of stock availability and strong marketing campaigns.

The right sizing of UFO and the implementation of extensive cost saving measures resulted in the business reporting an operating profit for the half year. Management remains focused on improving UFO's performance through exclusive merchandise offerings and improved social media marketing strategies.

The Group continues to invest for longer-term growth. The new stores opened in the first half are trading well and a further 10 stores are planned to open across the traditional retail brands in the second half of the year.

Dividend declaration

Notice is hereby given that an interim gross cash dividend of 200 cents per share in respect of the six months ended 30 September 2023 has been declared payable to holders of ordinary shares. The number of shares in issue as of the date of declaration is 54 038 262.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 200 cents and the dividend tax payable is 40 cents for shareholders who are not exempt. The net dividend for shareholders who are not exempt will therefore be 160 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	16 January 2024
Date trading commences "ex" dividend	17 January 2024
Record date	19 January 2024
Date of payment	22 January 2024

Share certificates may not be dematerialised or rematerialised between 17 January 2024 and 19 January 2024, 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
30 November 2023

4. Short Form Announcement

This short-form announcement is the responsibility of the company's directors and is a summary of the unaudited interim results announcement and does not contain full or complete details. The unaudited interim results announcement can be downloaded from https://senspdf.jse.co.za/documents/2023/jse/isse/LEW/HY24.pdf and on the group's website www.lewisgroup.co.za. The full results announcement 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
30 November 2023

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