

ITALTILE LIMITED

Incorporated in the Republic of South Africa.
(Registration number: 1955/000558/06)
Share code: ITE ISIN: ZAE000099123 ("Italtile" or "the Group")

WWW.ITALTILE.COM

SHORT-FORM ANNOUNCEMENT

REVIEWED CONDENSED GROUP RESULTS AND CASH DIVIDEND DECLARATION for the six months ended 31 December 2023



OVERVIEW

Founded in 1969, Italtile Limited is a Proudly South African manufacturer, franchisor and retailer of tiles, bathroomware and other complementary home-finishing products. The Group's retail brands are CTM, Italtile Retail and TopT, represented through a total network of 214 stores, including six online webstores. The retail operation is strategically supported by a vertically integrated supply chain comprising key manufacturers and import operations and an extensive property portfolio.

TRADING ENVIRONMENT

Trading conditions remained challenging in the six months ended 31 December 2023 ("Review Period").

The global market for ceramic tiles was weak in many countries as macro-economic factors resulted in a decline in demand after strong growth in the post-pandemic years. South Africa continued to record low economic growth, with high levels of unemployment and indebtedness, rising living costs and decreasing remuneration in real terms. In the building and construction sector, homeowners' investment sentiment and spend continued to be constrained by sustained high interest rates and elevated input cost inflation which impacted on affordability of products, installations and new build projects.

Competition remained intense across the industry. In the retail segment, big-box retailers continued to roll out stores while the number of independent stores trading in ceramic tiles continued to grow. In the manufacturing segment, tile producers based locally and in Zambia and Zimbabwe expanded capacity. Excess global capacity, weak demand and the significant reduction in shipping costs resulted in high levels of competitively priced imported product. The scheduled opening of a new manufacturer in Mozambique will undoubtedly lead to further competition during the year.

Mindful of the adverse trading conditions and consumers' price sensitivity, the Group continued to focus on its primary goal: namely, to deliver an unrivalled, added-value shopping experience for our customers.

GROUP PERFORMANCE

Management's emphasis during the Review Period was on optimising investments in people, technology and capital expenditure projects across the business. Key to this focus was improving the execution of the sales strategy in the retail division, remedying the shortcomings reported in the manufacturing division over the past year, and extracting the projected benefits of recently commissioned large-scale capex projects.

Our retail stores are financially sound, underpinned by robust operating models. Encouragingly, the retail operation's results were creditable, given the high comparable base, fiercely competitive landscape and weak consumer demand. By continuing to meet our customers' expectations and desires for a beautiful home, our stores retained their leadership positions in their respective market segments.

While foundations were laid for internal improvements and efficiency enhancements, further progress needs to be achieved, particularly in Ceramic. Furthermore, the generally softer consumer demand, and over-stocked position of many wholesalers in the industry, increased competitive pressures. In the absence of strong volumes and optimal use of manufacturing capacity, this operation's cost base and profitability were severely affected, as inflationary increases could not be passed on to customers. Ceramic contributes significantly to Group profits, and hence its poor performance and 32% decline in profits had a sizeable impact on the results of the Group as a whole.

The Group's strong balance sheet and cash generative nature is evidenced by cash reserves of R1.5 billion (2022: R0.8 billion).

DECLARATION OF ORDINARY CASH DIVIDEND

The Group's dividend cover is two and a half times. The board of directors of Italtile ("the Board") has declared an interim gross ordinary cash dividend (number 115) for the Review Period ended 31 December 2023 of 27,0 cents per share (2022: 32,0 cents) out of income reserves to all shareholders of Italtile as at the record date of Friday, 8 March 2024. The dividend per share

is calculated based on 1 321 654 148 shares (2022: 1 321 654 148 shares) in issue at the date of dividend declaration. The local dividend withholding tax is 20% ("twenty percent"). The net local dividend amount is 21,60 cents per share for shareholders liable to pay dividends tax and 27,0 cents per share for shareholders exempt from paying dividends tax. Italtile's income tax reference number is 9050182717.

Dividend declaration date	Monday, 19 February 2024
Last day to trade <i>cum</i> the dividend	Tuesday, 5 March 2024
Date to commence trading ex-dividend	Wednesday, 6 March 2024
Record date	Friday, 8 March 2024
Payment date	Monday, 11 March 2024

Share certificates may not be rematerialised or dematerialised between Wednesday, 6 March 2024 and Friday, 8 March 2024, both days inclusive.

PROSPECTS AND OUTLOOK

Consumer confidence is likely to remain depressed amid concerns regarding the outcome of the upcoming national elections. Furthermore, the weak economic growth and difficult trading conditions experienced during the Review Period are likely to persist for the remainder of the current financial year. The building cycle is only likely to recover once interest rates decline and consumer confidence is restored.

Management's focus in the next six months will be on improving performance. Our operations will remain strongly differentiated to provide a unique experience for our customers. Executing operational excellence will be our key driving force across our portfolio of retail and manufacturing assets.

Despite increased competition in the sector, our stores are uniquely positioned to deliver an unrivalled shopping experience. Our vertically integrated business model, local manufacturing supply and bespoke solutions of industry-leading fashionable products afford our operators a significant competitive advantage.

In our manufacturing operations there are opportunities to unlock internal efficiencies, optimise our human capital resource and leverage our investments in cutting-edge technology and equipment to recover market share and attract new customers.

KEY FOCUS AREAS

Notwithstanding subdued consumer sentiment and constrained disposable income, management will continue to focus on the growth levers within the Group's control, by prioritising consistent innovation and investment in delivering industry-leading products and an unsurpassed shopping experience for customers.

It is critical that we grow volumes and optimise capacity utilisation to improve our efficiencies and to drive up profitability. Margin pressure is likely to intensify. Strategically managing margin and improving efficiencies including enhancements in productivity and cost leadership will remain key priorities.

Resource security is of paramount importance, specifically to our manufacturing operations. Ensuring affordable, adequate and sustainable supply of energy will be a critical imperative in the forthcoming period.

16 February 2024



HIGHLIGHTS

▼ 2% System-wide turnover	▼ 17% Trading profit
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R6,1 billion	R1,1 billion
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2022: R6,2 billion	2022: R1,4 billion
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▼ 15% Earnings per share	▼ 15% Headline earnings per share
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67,5 cents	67,2 cents
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2022: 79,5 cents	2022: 79,2 cents
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▲ 76% Net cash	▼ 16% Ordinary dividend per share
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R1,5 billion	27,0 cents
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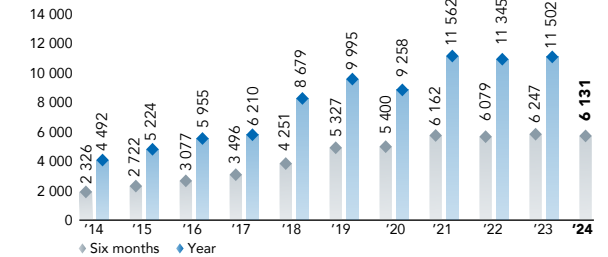
2022: R0,8 billion	2022: 32,0 cents
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▲ 10% Net asset value per share	▼ 1% Store network
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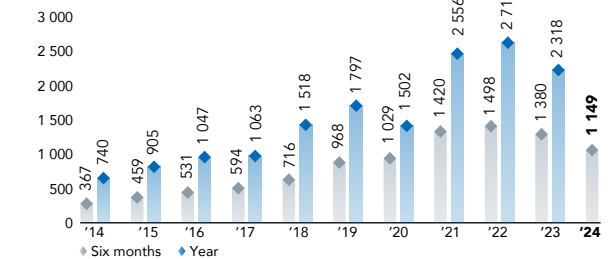
684,4 cents	214
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2022: 620,6 cents	June 2023: 216 December 2022: 214
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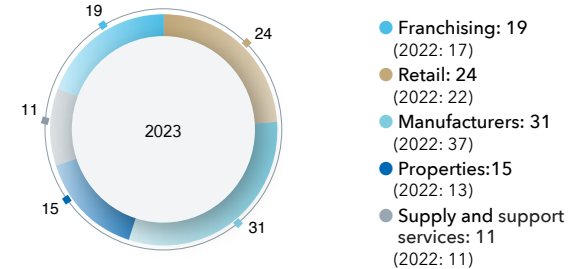
System-wide turnover (Rm)



Trading profit (Rm)



Contribution to Group profit before tax (%)



Registered office: The Italtile Building, 72 Peter Place, Bryanston, Gauteng, 2191
Postal address: PO Box 1689, Randburg, 2125
Transfer secretaries: Computershare Investor Services Proprietary Limited
Company Secretary: Acorim Proprietary Limited Sponsor: Merchantec Capital
Auditor: PricewaterhouseCoopers Inc.

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/2024/jse/isse/ite/interims24.pdf> and on Italtile's website at <https://www.italtile.com>. This short-form announcement was published on SENS on Monday, 19 February 2024.

The condensed financial statements were reviewed by PricewaterhouseCoopers Inc. ("PwC"), who expressed an unmodified review conclusion thereon. Shareholders are advised that, in order to obtain a full understanding of the nature of the auditor's engagement, and more specifically, the nature of the information reviewed, they should obtain a copy of PwC's report available at the following link: <https://www.italtile.com/investor-reports-and-results.asp> or from the Company Secretary who is contactable at roxanne@acorim.co.za.

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, as detailed herein.

Both the short-form and full announcement are also available for inspection at the registered offices of Italtile and sponsor, Merchantec Capital, during business hours, and copies may be obtained at no cost on request from the Company Secretary, who is contactable at roxanne@acorim.co.za.