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")

Audited Annual Consolidated Results for the twelve months ended 29 February 2024

	12 months to 29 February 2024	12 months 28 February 2023	% change
Group revenue	R36.3 billion	R32.7 billion	11.1%
Earnings per share	114.7 cents	116.3 cents	(1.4%)
Headline earnings per share	114.6 cents	116.5 cents	(1.6%)
Final dividend declared per share	22.49 cents	18.45 cents	21.9%
Total dividend declared per share	45.74 cents	46.57 cents	(1.8%)

Overview

The Group is satisfied with its performance during the period, specifically the strong second half where earnings before tax increased by 22.0%.

As stated at the half year results announcement, the Group was impacted by the base effects of the prior year's performance, which were distinctly different across the two halves of the year with the first half of the prior year delivering a strong performance when compared to the second half of the prior year. Contributing to the stronger first half performance in the prior year, was the acquisitions of the warehouse properties resulting in a R72 million once-off gain from the release of the lease liability and right-of-use asset as well as the impact of COVID-19 vaccine administration and testing services which has ended and did not contribute in the current financial period.

Basic earnings per share (EPS) and basic headline earnings per share (HEPS) are 114.7 cents and 114.6 cents per share respectively, a decrease of 1.4% and 1.6% respectively. Excluding the once-off property gain in the prior year, EPS and HEPS would have increased by 4.0% and 3.8% respectively.

Earnings Distribution Across Halves

The table below shows the historic distribution of earnings before taxation across halves, which demonstrates the consistency of earnings across halves over time. As anticipated, the group had a stronger FY24 second half when compared to the comparable period in the prior period, delivering record operating profit. The performance improvement was supported by progress in cost control measures, with a particular focus on the management of staff costs. This progress in managing the Group's largest cost line represents a significant step in securing positive operating leverage translating into operational profit improvements over time.

	FY21	FY22	FY23*	FY24	FY23 to FY24 movement
H1	443m (47.1%)	595m (48.5%)	785m (58.4%)	702m (50.7%)	-10.6%
H2	498m (52.9%)	632m (51.5%)	560m (41.6%)	683m (49.3%)	22.0%
Full year	941m (100%)	1 227m (100%)	1 345m (100%)	1 385 (100%)	3.0%

* Excludes once-off property gain of R72 million.

Review of financial performance

Revenue

During the 12-month period from 1 March 2023 to 29 February 2024, Dis-Chem recorded Group revenue growth of 11.1% to R36.3 billion.

Retail revenue grew by 9.7% to R31.7 billion with comparable pharmacy store revenue growth at 6.9%. Retail revenue growth was impacted by COVID-19 vaccine administration and testing services 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 10.3%. During the 12 months to 29 February 2024, 15 retail pharmacy stores were opened or acquired, resulting in 273 retail pharmacy stores and 54 retail baby stores at 29 February 2024.

Wholesale revenue grew by 13.3% to R27.4 billion. Wholesale revenue to our own retail stores, still the biggest contributor, grew by 11.8% while external revenue to independent pharmacies and The Local Choice ("TLC") franchises grew by 21.4% over the comparable period.

Independent pharmacy growth was 23.2% attributable to both new customers and increased support from the current base, and TLC growth was 19.6% due to a combination of an increase in TLC franchise stores from 171 to 205, together with increasing support of the supply chain from existing TLC franchisees.

Total income

Total income grew by 9.3% to R11.1 billion, with the Group's total income margin being 30.7% compared to 31.1% in the prior comparative period (30.9% when excluding the property gain in the prior period relating to the purchase of the wholesale properties).

Retail total income grew by 8.6% with the retail margin decreasing from 30.0% to 29.7% over the comparable period. If the contribution of COVID-19 vaccines and testing are excluded from both periods, retail total income grew by 8.9%. The decrease in retail margin is due to the continued investment in promotional activity to ensure market share retention which impacted transactional margin in personal care and beauty.

Wholesale total income grew by 10.9% with the wholesale margin increasing from 8.0% (excluding the property gain) to 8.1%.

Other expenses

Expenses grew by 10.9% over the comparable period.

Retail expenses grew by 11.0% as the Group invested in new stores and acquisitions over the comparable period. Retail costs were influenced by higher diesel costs to run generators for stores to remain operational during load-shedding, higher IT costs with the remaining roll-out of the new point-of-sale system to stores which is now complete and increased advertising expenditure.

Cost containment is a focus area for the Group, especially in relation to employee costs that currently accounts for approximately 62% of retail expenses (excluding depreciation). The emphasis is on achieving a consistent and optimal mix of staff to ensure that stores can run as efficiently as possible, without compromising on the differentiated service levels that our customers have come to know and expect. This focus on cost has resulted in employment costs increasing by 8.0% for the full year, over the prior comparable period, with employment costs increasing by 9.7% and 6.4% in the first and second halves, respectively.

Wholesale expenses grew by 8.0% due to higher volumes through the wholesale space resulting in an increase in casual labour shifts as well as higher diesel, advertising and municipal costs.

Net finance costs

Net financing costs increased by 25.6% from the prior comparable period. Excluding finance costs from IFRS 16 and interest on the new term loans, net financing costs increased by 94.1%. This increase is due to the additional interest paid on the existing loans, following the increase in the prime interest rate as well as the overdraft facility used for the additional inventory levels. Additionally, the new term loan facilities taken out amounted to R455 million to fund the acquisition of the warehouse properties in the prior financial period and R502 million to fund the Longmeadow warehouse in the current financial period.

Net working capital

During the current period, the Group's inventory increased by R806 million or 12.7%, from February 2023, following strategic buy-ins and due to additional inventory held in new stores and the distribution channel. Inventory days are down from 88.2 days at 28 February 2023, to 88.1 days. Debtor days have moved from 26.5 to 26.8 days and after adjusting creditors to take into account trade terms, creditors days are at 93.2 days, down from 94.6 days.

Net working capital at 21.7 days, has increased from 20.1 days at 28 February 2023.

Capital expenditure

Capital expenditure on tangible and intangible assets of R1.0 billion included R869 million for expansionary expenditure as the Group invested in additional stores, information technology enhancements across both the retail and wholesale segments as well as a new distribution centre in Gauteng of R502 million. The balance of R158 million relates to replacement expenditure incurred to maintain the existing retail and wholesale networks.

In October 2023, the Competition Commission approved the purchase of the 63 000m² distribution centre in Gauteng, for a purchase consideration of R502 million. The growth of the Group has resulted in the need for additional warehouse capacity to cater for the increased, current and future, demand from both our own retail stores and the independent market.

Directorate

On the 1 July 2023, R. Morais, until then the Group's Chief Financial Officer ("CFO") succeeded I. Saltzman as the Chief Executive Officer ("CEO") of the Group. I. Saltzman remains an executive director on the Board and continues to serve as an active member of the executive management team. J. Pope, the Group's executive head of finance succeeded R. Morais as CFO.

Dividend declaration

Notice is hereby given that a gross final cash dividend of 22.49300 cents per share, in respect of the period ended 29 February 2024 has been declared based on the Company's dividend policy of 40% of headline earnings. This is an increase of 21.9% from the prior comparable period. 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 17.99440 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, 18 June 2024
- First trading day ex dividend on the JSE: Wednesday, 19 June 2024
- Record date: Friday, 21 June 2024
- Payment date: Monday, 24 June 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 June 2024 and Friday, 21 June 2024, 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") method. 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 (by facsimile), 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

For the three-month period 1 March to 25 May 2024, Group revenue grew by 11.4% over the prior comparable period.

The Group expects that the consumer will remain constrained due to the current economic climate. The Group continues to adapt to the current environment, mitigating the near-term impact on the business. The resilient nature of the markets in which the Group operates, together with the brand position, proven business model, and heightened focus on key drivers of growth, will position it for success in the future.

The Group has identified eight strategic areas of focus aimed at delivering enhanced shareholder returns over the long-term.
- Property: addition of approximately 137,000m² of retail space over 36 months, with the delivery of space weighted towards the second and third year of the period, following the recent implementation of a more analytical and proactive retail site selection approach
- Wholesale Market Share Expansion: dual strategy of supporting internal retail property growth while continuing to grow independent pharmacy market ahead of peers.
- Total Income: maintain with incremental improvements over the medium-term.
- Cost Control: focus on sustained positive operating leverage, following the establishment of a staffing framework. Framework refinements to continue with a focus on further optimising staff investment, while holding leadership and management accountable.
- Working Capital: 10% improvement in inventory days over the medium-term while maintaining debtor and creditor days.
- Integrated Health Ecosystem: reimagine healthcare access via a portfolio of health-centric financial services products and the synergistic integration with the Group's pharmacy and clinic footprint.
- Leveraging Analytics: investment into a core capability that is central to realising the strategic areas of focus.
- Digital: own the online/digital space in health

Amplifying Dis-Chem's integrated health positioning, the Company has entered into transaction agreements to invest in an innovative life insurance business that possesses the experience, capability and proprietary technology, to offer transformative insurance products that align to the better health mandate of the Dis-Chem brand. This acquisition is a core enhancement to the Group's Integrated Health Ecosystem strategic focus area.

As part of a broader succession plan, the founding family has reached agreement on a management retention scheme with key senior executives, whose participation was decided jointly by the outgoing and incoming CEOs, Ivan Saltzman and Rui Morais, respectively. These senior executives are central to the delivery of the Company's strategic priorities.

The information contained in the outlook commentary has not been audited or reviewed by the group's independent auditor.

Approval

The summary consolidated results of the Group were authorised for issue in accordance with a resolution of the directors on 30 May 2024.

On behalf of the Board

Rui Morais	Julia Pope
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 Annual Financial Statements and therefore does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based on consideration of the Annual Financial Statements published on SENS on 31 May 2024 and on the Company's website: Dischemgroup.com or https://senspdf.jse.co.za/documents/2024/jse/isse/dcpe/FY24.pdf

Copies of the full Annual Financial Statements 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 audited Annual Financial Statements have been audited by the Group's external auditors, Mazars and their unmodified audit report is available for inspection at the Company's registered office.

Supplementary information

Registered office: 23 Stag Road, Midrand, 1685
Executive directors: RM Morais (Chief Executive Officer), JD Pope (Chief Financial Officer), IL Saltzman, SE Saltzman and SRN Goetsch
Non-executive directors: LM Nestadt (Chairman), A Coovadia, JS Mthimunye, A Sithebe, H Masondo, KKD Kobue
Company secretary: NJ Lumley
Registered auditors: Mazars
Sponsor: The Standard Bank of South Africa Limited
Transfer secretaries: Computershare Investor Services Proprietary Limited

31 May 2024
Midrand