ITALTILE LIMITED

SHORT-FORM ANNOUNCEMENT REVIEWED CONDENSED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2024 AND CASH DIVIDEND DECLARATION

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

"Significant change in the structure of the competitive landscape – in both the tile retail and manufacturing industries – has resulted in the emergence of numerous new competitors. In this context, aggravated by weak consumer demand, our primary focus is on improving the Group's competitive position to retain our industry leadership through our robust retail and manufacturing assets and teams. This translates to being more competitive and efficient at every customer satisfaction touchpoint: fashion, range, price, service and quality. In our goal to remain industry leaders, we will continue to unlock and extract value from within our business through our unrelenting drive for efficiencies and cost leadership."

– Lance Foxcroft, Chief Executive Officer

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 208 stores, including six online webstores. The retail operation is supported by a vertically integrated supply chain comprising key manufacturers and import operations and an extensive property portfolio.

TRADING ENVIRONMENT

During the Review Period, the cost of living crisis weighed heavily on consumers; demand was at low levels across the industry; and shipping costs and container capacity were volatile due to geo-political tensions. Significantly, the structure of the competitive landscape changed, with the emergence of new aggressive competitors in both the tile manufacturing and retail sectors. Now, Southern African tile manufacturing production capacity far exceeds demand. As a result, SADC manufacturers are resorting to predatory pricing in South Africa, in a bid to penetrate the market. This has intensified rivalry among retailers competing for market share in a sector where prices have persistently declined over the year. Inevitably, this deflationary pricing has had a severe impact on margins across the industry. It is likely that these poor margins will result in consolidation among players and rationalisation of capacity in the market in due course.

GROUP PERFORMANCE

While our retail operation's full-year results were slightly lower than the prior comparable year, the division recovered market share and performed better in the second half of the period than the first half, extracting benefits through an uncompromising focus on operational excellence and reducing costs.

In the manufacturing division, Ceramic achieved improvements in manpower, systems, quality and product range. However, the business failed to grow tile volumes and improve capacity utilisation to reduce the cost base and improve profitability.

The decline in Group profits reported in December, primarily caused by Ceramic's poor performance, was slowed – although not reversed. Trading profit for the full year decreased by 11% to R2,1 billion (2023: R2,3 billion), an improvement from the 17% decline reported at half-year. Trading profit in the second half was only slightly lower than the prior comparable period.

The Group's cash balance grew to R1 844 million (2023: R1 049 million). In light of strong cash generation and cash reserves being in excess of operational requirements, a special dividend of 78,0 cents per share has been declared per the dividend announcement.

In the period under review, management's intense focus was on our 'fighting-fit' mantra: interrogating and leveraging opportunities related to our people, products and processes. The fiercely competitive trading environment tested the resilience and resourcefulness of our operators, and it is gratifying to report that our regular customer sentiment surveys confirmed our customers' loyalty to our brands and their satisfaction with our offering and service.

Our franchise network is healthy and all of our stores remain profitable. We value the contribution our partners make and we work hard to nurture our relationship with them.

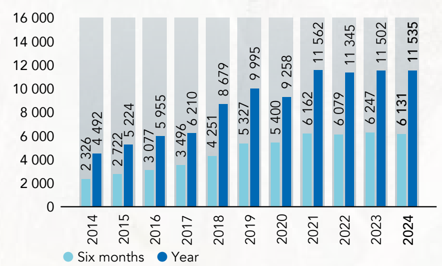
Throughout this year, our strategic objectives were centred on executing operational excellence across our retail and manufacturing assets to help us to drive growth in the business.

Group-wide, we focused on **developing our teams**: TopT's regional management capability was restructured and CTM's senior retail management structure was bolstered. The management and operations team at Ezee Tile was capacitated and aligned with technology changes implemented, and key positions at Ceramic were filled.

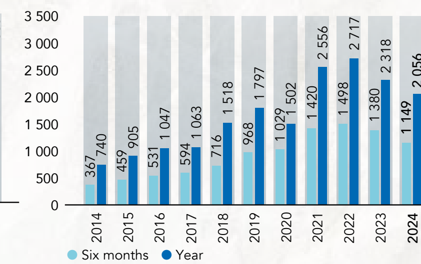
In the retail division our focus was on **growing TopT sales; turning around CTM's performance; optimising our East Africa node; and growing the contribution to total sales of our online platform.**

Good success was achieved, with a pleasing performance reported by TopT and positive metrics for our online webstores. Unfortunately, CTM's mass-middle market customers continued to experience severe financial pressure and sales did not meet our expectations, although solid progress was made on ensuring the business is agile and competitive. We are confident that, if the basic retail excellence disciplines continue to be actively implemented, sales and profits will grow when consumer discretionary spend and sentiment improve.

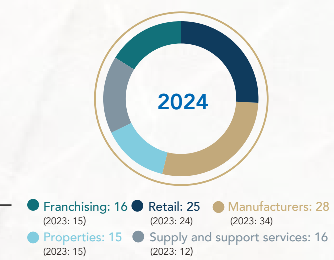
System-wide turnover (Rm)



Trading profit (Rm)



Contribution to Group profit before tax (%)



HIGHLIGHTS

◀▶	**System-wide turnover** **R11,5 billion** 2023: R11,5 billion	▼8%	**Ordinary dividend per share** **49,0 cents** 2023: 53,0 cents
▼11%	**Trading profit** **R2,1 billion** 2023: R2,3 billion	▲100%	**Special dividend per share** **78,0 cents** 2023: nil cents
▼8%	**Earnings per share** **122,1 cents** 2023: 132,6 cents	▲140%	**Total dividend per share** **127,0 cents** 2023: 127,0 cents
▼7%	**Headline earnings per share** **123,0 cents** 2023: 132,3 cents	▲10%	**Net asset value per share** **707,5 cents** 2023: 641,8 cents
▼4%	**Store network** **208** 2023: 216	▲76%	**Cash and cash equivalents** **R1,8 billion** 2023: R1,0 billion

The results delivered by our East Africa node were disappointing. While we are optimistic about the prospects for the Kenyan operation, given general instability, the Group will adopt a cautious approach to further expansion in the East Africa region. Our priority focus will be on extracting value from the existing footprint of 14 stores, including two webstores.

In the manufacturing division we focused on **improving efficiencies at Ezee Tile; turning around Ceramic's performance and ensuring resource security by resolving the threat to natural gas supply.**

Completion of commissioning of Ezee Tile's new flagship facility at Vulcania is a stand-out highlight of the period. The operation is now realising cost and efficiency benefits that resulted in pleasing double-digit increases in sales and profits. Remedial measures implemented at Ceramic have also produced a better operational performance: the new senior management team is functioning well; additional fashionable products have been launched; quality systems have been enhanced; and costs have been reduced. Despite these operational improvements, sales declined in the reporting period. Trading conditions in Southern Africa continued to deteriorate and the excess capacity in this region worsened substantially. Under our fighting-fit mantra, our overriding goal is to regain market share that has been lost in the current price war, reduce costs further and improve efficiencies to ensure Ceramic remains competitive and relevant.

At the half-year, we noted that Sasol, the primary supplier of imported piped natural gas ("PNG") had announced that as of June 2026, they will no longer be in a position to supply the market. Sasol subsequently announced on 20 August 2024, that supply would be extended to at least June 2027. While this extension is welcomed, approximately 70% of Ceramic's total energy requirements are supplied by PNG and hence securing sustainable supply of viably priced energy remains a key management priority. With the clear mandate from the Board of Directors ("Board") to ensure business continuity, we have conducted exhaustive research and investigations into an array of alternatives to replace Sasol's supply.

While gas is our preferred choice of fuel, in the event viably priced natural gas is not available, a project has been approved to invest in and convert a production line to use coal-based synthetic gas for heating and firing and to test this established technology in our process, using our raw materials.

DECLARATION OF ORDINARY AND SPECIAL CASH DIVIDEND

The Group's dividend cover is two and a half times. The Board has declared a final gross ordinary cash dividend (number 116) for the year ended 30 June 2024 of 22,0 cents per share (2023: 21,0 cents) out of income reserves to all shareholders of Italtile as at the record date of Friday, 13 September 2024. The dividend per share is calculated based on 1 321 654 148 shares (2023: 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 17,6 cents per share for shareholders liable to pay dividends tax and 22,0 cents per share for shareholders exempt from paying dividends tax. The total gross ordinary cash dividend for the year amounts to 49,0 cents per share (2023: 53,0 cents).

A gross special cash dividend (number 8) of 78,0 cents per share (2023: nil) has also been declared. The net special dividend amount is 62,4 cents per share for shareholders liable to pay dividends tax and 78,0 cents per share for shareholders exempt from paying dividends tax.

Italtile has obtained the relevant South African Reserve Bank approval in respect of the special dividend, and the Board has reasonably concluded that the Group will satisfy the solvency and liquidity test immediately after distribution thereof and for the next 12 months.

Italtile's income tax reference number is 9050182717.

Dividend declaration date	Monday, 26 August 2024
Last day to trade cum the dividend	Tuesday, 10 September 2024
Date to commence trading ex-dividend	Wednesday, 11 September 2024
Record date	Friday, 13 September 2024
Payment date	Monday, 16 September 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 September 2024 and Friday, 13 September 2024, both dates inclusive.

KEY FOCUS AREAS

Continued execution of operational excellence will enable us to capitalise on opportunities in the business. We believe modest growth in the retail division is attainable and in our manufacturing operation, Ezee Tile will continue to improve turnover and profitability. We expect the highly competitive environment to continue to be a challenge to Ceramic's performance.

In the **retail division**, we aim to:

- open five new TopT stores as we continue to expand the brand's national footprint and grow sales volumes;
- turn around CTM's performance by leveraging the brand's long-standing iconic status in the industry and continue to differentiate the value proposition in the highly competitive mass-middle market; and
- continue to improve our digital experience and grow our webstores' sales.

In the **manufacturing division**:

- Ezee Tile will target increased market share in the specifications and projects segment and further improve efficiencies and reduce costs to increase profitability;
- management will aggressively reduce costs and improve efficiencies in Ceramic's operation to recover margins and offset some of the significant price deflation in the market. We will continue to strive to reclaim market share by optimising the value proposition of our ranges and differentiating on high-fashion items; and
- resolving the threat to natural gas supply will remain a key priority to ensure Ceramic's business continuity. Work on an industrial scale project to trial an alternative solution will be started in the current financial year.

PROSPECTS AND OUTLOOK

The trading environment will remain extremely challenging in the short term. Competition in both the manufacturing and retail segments will likely intensify until the vast imbalance between excess manufacturing supply and weak demand levels out. Despite this concern, we are mildly optimistic about prospects for growth in the market. South Africa is under-housed and the dynamics of the housing market are favourable – evidenced by a young, growing, upwardly mobile demographic with a strong popular culture of owning a home.

Key to conditions improving will be the sustained downward trend of inflation and an improvement in consumer investment sentiment. The possibility of an interest rate reduction cycle starting in the current calendar year should further boost disposable income and confidence, while implementation of the two-pot retirement system in September may provide an injection of cash into the economy. If load-shedding remains manageable and support for the GNU holds firm, it is also likely that the currency will stabilise and investors and customers will adopt a more positive stance.

Irrespective of the external challenges, our focus will remain on the internal levers within our control. Our goal is to ensure that the business is fighting-fit and we are determined to succeed in improving our competitiveness across all our operations. We are confident that we have assets to achieve that: competent, engaged and motivated teams, robust iconic brands, industry-leading technology and products and the competitive advantage of a vertically integrated supply chain.

23 August 2024

RESULTS ANNOUNCEMENT

The content of this results announcement is the responsibility of the Board. Shareholders are advised that this announcement represents a summary of the information contained in the full announcement which has been released on SENS and is available on the JSE cloudlink: **https://senspdf.jse.co.za/documents/2024/jse/isse/ite/ye24.pdf** and on Italtile's website at **https://italtile.com/sens-announcements.php**.

This results announcement was published on SENS on Monday, 26 August 2024.

The condensed Group results for the year ended 30 June 2024 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/reports-and-results.php** or from the Company Secretary who is contactable on +27 11 325 6363 or 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.

Registered office: The Italtile Building, 72 Peter Place, Bryanston, 2021
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.