Dis-Chem Pharmacies Limited
(Incorporated in the Republic of South Africa)
(Registration number 2005/009766/06)
JSE share code: DCP ISIN: ZAE000227831
("Dis-Chem" or "the Company" or "the Group")

INTERIM CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2024

Highlights

	6 months to 31 August 2024	6 months to 31 August 2023	% change
Group revenue	R19.6 billion	R17.9 billion	9.6%
Earnings per share	67.4 cents	58.3 cents	15.6%
Headline earnings per share	67.7 cents	58.2 cents	16.3%
Dividend declared per share	26.98 cents	23.2 cents	16.1%

Overview

Following the identification of the eight strategic areas of focus aimed at delivering sustainable shareholder returns, the Group has made pleasing progress in each of these areas. The biggest contributor to earnings growth was the containment of Group payroll cost, predominantly driven by the successful deployment of staffing framework 1.0 which delivered positive operating leverage, with operating profit growing at 17.5% ahead of Group revenue growth of 9.6%.

Basic earnings per share (EPS) and basic headline earnings per share (HEPS) are 67.4 cents and 67.7 cents per share respectively, an increase of 15.6% and 16.3% respectively.

Review of financial performance

Revenue

During the six-month period from 1 March 2024 to 31 August 2024, Dis-Chem recorded Group revenue growth of 9.6% to R19.6 billion.

Retail revenue grew by 7.1% to R16.7 billion with comparable pharmacy store revenue growth at 4.8%. During the six months to 31 August 2024, a net 6 retail pharmacy stores were opened, resulting in 274 retail pharmacy stores and 53 retail baby stores as at 31 August 2024.

Wholesale revenue grew by 10.1% to R15.1 billion. Wholesale revenue to our own retail stores, still the biggest contributor, grew by 6.8% while external revenue to independent pharmacies and The Local Choice (TLC) franchises grew by 26.6% over the comparable period. Independent pharmacy growth was 30.3% attributable to both new customers and increased support from the current base, and TLC growth was 21.8% due to a combination of an increase in TLC franchise stores from 180 to 221 together with increasing support of the supply chain from existing TLC franchisees.

Total income

Total income grew by 10.4% to R6.0 billion, with the Group's total income margin being 30.7% compared to 30.5% in the prior comparative period.

Retail total income grew by 8.5% with retail total income margin increasing from 29.8% to 30.2% over the comparable period. The increase in retail total income margin was predominantly due to an increase in transactional gross margin across all core categories. Trade terms increased ahead of purchases growth due to increased scale.

Wholesale total income grew by 17.5%.

Other expenses

Expenses grew by 9.0% over the comparable period.

Retail expenses grew by 7.4% as the Group continued to invest in new stores. Retail employment cost, which accounts for 55.6% of total retail expenses, increased by 6.1%.

Like-for-like retail employee costs increased by 0.7%, following the successful implementation of staffing framework 1.0, where the emphasis was on achieving the consistent and optimal mix of staff to ensure that stores run efficiently and without compromising the differentiated service levels that our customers have come to know and expect.

Wholesale expenses grew by 13.2%, mainly due to the acquisition of the Longmeadow warehouse. Excluding the additional costs incurred for the Longmeadow warehouse, wholesale expenses grew by 5.8%.

Net finance costs

Net financing costs increased by 19.2% from the prior comparable period. Excluding finance costs from IFRS 16 and interest on the new loan, net financing costs increased by 3.8%. The R502 million loan facility taken out in the prior period was used to fund the acquisition of the Longmeadow warehouse property.

Net working capital

During the current period, the Group's inventory increased by R309 million or 4.3% from February 2024 due to additional inventory held in new stores and the timing of selected promotional buy-ins resulting in inventory days increasing marginally from 88.1 days at 29 February 2024, to 88.6 days. Creditors days have improved from 93.2 days to 96.2 days.

Net working capital at 19.4 days, has improved from 21.7 days at 29 February 2024.

Capital expenditure

Capital expenditure on tangible and intangible assets of R330 million comprised of R194 million for expansionary expenditure as the Group invested in additional stores, the Longmeadow warehouse, as well as information technology enhancements across both the retail and wholesale segments. The balance of R136 million relates to replacement expenditure incurred to maintain the existing retail and wholesale networks.

Directorate

No changes have been made to the board since year-end or the prior corresponding period.

Dividend declaration

Notice is hereby given that a gross interim cash dividend of 26.98195 cents per share, in respect of the interim period ended 31 August 2024 has been declared based on 40% of headline earnings. This is an increase of 16.1% 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 21.58556 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, 19 November 2024
- First trading day ex dividend on the JSE: Wednesday, 20 November 2024
- Record date: Friday, 22 November 2024
- Payment date: Monday, 25 November 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 22 November 2024 and Friday, 24 November 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), 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 period 1 September to 22 October 2024, Group revenue grew by 5.6% over the prior comparable period.

The Group expects that the consumer will remain constrained due to the current economic climate. The continued focus on cost containment and the customer value creation that the integrated health ecosystem provides will position the Group for success in the future.

The Group will continue to focus on the identified eight strategic areas aimed at delivering sustainable shareholder returns over the long-term.

- Property: current space pipeline of 107,000m² with property team continually growing and converting pipeline towards achieving the 3-year target of 137,000 m².
- Total Income: continue to incrementally increase total income growth ahead of revenue growth.
- Cost Control: focus on securing sustained positive operating leverage with staffing framework 2.0 facilitating further reductions in invested payroll cost per retail m².
- Working Capital: 10% improvement in inventory days over the next 18 months as we centralise stock management principles.
- Wholesale Market Share Expansion: continue to transition independent pharmacy pipeline into TLC franchise stores as we extend wholesale market share gains.
- Integrated Health Ecosystem: Dis-Chem Life to launch in Q1 2025 supported by the evolution of extraRewards to drive policyholder/shopper behaviour change and engagement.
- Digital: re-platforming and building capability to ensure digital health ownership.
- Leveraging Analytics: with a focus on relevance, commercialise health consumption data to deliver enhanced shopper- and patient-centric value.

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

Approval

The consolidated results of the Group were authorised for issue in accordance with a resolution of the directors on 24 October 2024.

On behalf of the Board of Directors:

Rui Morais	Julia Pope
Chief Executive Officer	Chief Financial Officer

THIS IS A SUMMARY OF THE INFORMATION IN THE FULL RESULTS ANNOUNCEMENT, WHICH IS AVAILABLE ON OUR WEBSITE: DISCHEMGROUP.COM

This short-form announcement is the responsibility of the Company's board of directors and is only a summary of the information in the full announcement and therefore does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement published on SENS on 25 October 2024 and on the Company's website: Dischemgroup.com or https://senspdf.jse.co.za/documents/2024/jse/isse/dcpe/HY25.pdf

Copies of the full announcement are available for inspection at the registered office of the Company, at no charge, during office hours. For more information contact investorrelations@dischem.co.za

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, and KKD Kobue.
Company secretary: NJ Lumley
Registered auditors: Forvis Mazars
Sponsor: The Standard Bank of South Africa Limited
Transfer secretaries: Computershare Investor Services Proprietary Limited

25 October 2024
Midrand