
ITALTILE LIMITED

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

VOLUNTARY SALES UPDATE

This sales update pertains to the five-month period from 1 July 2024 to 30 November 2024 ("**Review Period**") compared to the prior corresponding period from 1 July 2023 to 30 November 2023 ("**Prior Period**").

TRADING CONDITIONS

In the first half of the Review Period, consumer confidence and spend in the building and construction sector remained subdued in the context of sustained high interest rates and inflation, which restricted discretionary investment and impacted on the affordability of renovation and new build projects.

In the latter half of the Review Period, consumer sentiment and confidence improved subsequent to the positive transition to the Government of National Unity, while disposable income increased as a result of two interest rate cuts, generally lower inflation levels and funds released through the implementation of the two-pot system to retirement funds. However, the economic stimulus afforded by these developments will take time to filter through and significantly improve demand and spend. Although there are early signs of green shoots, the sustainability of this trend has yet to be proved. Moreover, the long-standing building cycle downturn has substantial ground to recover.

In the tile manufacturing segment, there has been no easing in the fundamental structural over-capacity in the industry. Consequently, competition in both the retail and manufacturing segments remains intense, as the vast imbalance between excess tile supply and weak consumer demand persist.

In light of increased retail competition and the over-stocked position of many retailers, wholesalers and manufacturers in the industry, deflationary pricing and margin pressure remained key features of the Review Period.

SALES PERFORMANCE

System-wide retail turnover reported by our brands, CTM, Italtile Retail and TopT, rose by 2,2% compared to the Prior Period.

The integrated import supply chain businesses also grew sales, aligned with the stronger sales achieved by the retail division, as well as the benefits of enhanced inventory management.

Combined manufacturing sales reported by Ceramic Industries Propriety Limited ("**Ceramic Industries**") and Ezee Tile Adhesive Manufacturers Proprietary Limited to both Group and third-party customers declined by 1,6% compared to the Prior Period's decline of 5,9%. While capacity utilisation improved at Ceramic Industries, positively impacting on the cost base, margins remain under pressure in light of predatory pricing in the market.

OUTLOOK

Management is cautiously optimistic that the retail division will continue to benefit from improved consumer sentiment and increased disposable income. However, the structural changes in the tile

manufacturing landscape will remain challenging for Ceramic Industries' tile operations, impacting on its ability to optimise capacity utilisation and grow profitability.

The Group's unwavering goal is to provide an unrivalled shopping experience for customers. Notwithstanding the challenging macro environment, management's focus will remain on the growth drivers within its control and influence, namely to deliver retail excellence through our passionate teams, iconic brands, industry-leading technology and differentiated products, and the competitive advantage of a vertically integrated supply chain.

The Group's results for the six months ended 31 December 2024 will be published on or about 3 March 2025.

The above information has not been reviewed and reported on by the Group's external auditors.

Johannesburg
9 December 2024

Sponsor
Merchantec Capital