PRESS INFORMATION

ITALTILE DELIVERS ROBUST RESULTS BASED ON INTERNAL FOCUS - AND BENEFITS FROM HOME IMPROVEMENT TREND

↑ 14%	**System-wide turnover**: **R6.2 bn** (2019: R5.4bn)	↑ 38%	**Trading profit**: **R1.4bn** (2019: R1.0bn)
↑ 33%	**Adjusted earnings per share***: **77.9 cents** (2019: 58.4 cents)	↑ 32%	**Adjusted headline earnings per share***: **77.1 cents** (2019: 58.4 cents)
↑ 35%	**Dividend per share**: **31.0 cents** (2019: 23.0 cents)	↑ 3%	**Store network**: 203 (June 2020: 198)

**Adjusted for once-off R39m IFRS 2 charge related to BBBEE transaction in 2019*

Johannesburg; Thursday, 11 February 2021: "It is rewarding to report that despite the unprecedented trading environment, the Group has delivered a pleasing performance for the review period, recording double-digit sales and profit growth across all of our operations: retail brands, supply chain importers and manufacturing businesses," says Italtile CEO, Jan Potgieter.

Founded in 1969, Italtile Limited is a proudly South African manufacturer, franchisor and retailer of tiles, bathroomware and other related home-finishing products. The Group's retail brands are CTM, Italtile Retail, TopT and U-Light, represented through a total network of 203 stores, including six online webstores. The brand offering targets homeowners across the Living Standards Measure 4 to 10 categories.

RESULTS

Potgieter comments, "These gratifying results are attributable to the following factors, augmented by the impact of the pandemic on consumers, which has enforced time in the home and altered spending priorities:

- the extraordinary response of our team to adjusting to the new normal;
- productivity drive and cost leadership gains across the business derived from ongoing improvements made over the past eighteen months;
- continued investment in technology for the future – both in our factories and across the Group's omnichannel trading platforms; and
- the power of our robust strategically integrated business model, which is volume-driven, cash generative and centred on a high-performance culture."

Total system-wide turnover rose to R6.2 billion (2019: R5.4 billion), an improvement of 14%. Retail store turnover increased 17% compared to the previous corresponding period, with average selling price inflation estimated at 6%. Like-for-like retail store turnover improved 15%. Retail store turnover is defined as the aggregate turnover of all stores, both corporate and franchised, in the Group's retail network.

In the supply chain, the import businesses (Cedar Point, ITD and DC) grew sales by 25% compared to the prior corresponding period. Average selling price inflation estimated at 10% partially offset higher purchase costs caused by exchange rate fluctuations.

Manufacturing sales for the review period rose by 18%, with average selling price inflation across the division estimated at 7%.

The Group's trading profit increased by 38% to R1 420 million (2019: R1 029 million).

Potgieter notes, "The aggregated gross margin across the Group improved by 4%, largely reflecting the positive impact of full capacity utilisation and better efficiencies achieved in the manufacturing businesses. This significant improvement in margin afforded the retail operations leverage to use strategic price ladders to benefit cost conscious consumers while still continuing to support franchisees' margins."

Adjusted basic earnings per share ("EPS") grew by 33% to 77.9 cents (2019: 58.4 cents), while adjusted headline earnings per share ("HEPS") rose 32% to 77.1 cents (2019: 58.4 cents).

Capital expenditure of R359 million (2019: R340 million) was incurred during the review period. Expansion projects in the order of R800 million, temporarily deferred due to the lockdown and trading restrictions in the first half of calendar 2020, were reinstated and are underway. These projects include the commissioning of revolutionary technology and equipment in the Samca floor tile factory; relocation of Ezee Tile's primary manufacturing facility to a new owned-site; the construction of a new fully automated dark warehouse for Betta sanitaryware which will resolve capacity constraints; and development of a retail store node in Boksburg, which will feature all of the Group's retail brands.

The Group's cash balance at the end of the review period was R1 134 million (2019: R702 million), demonstrating the cash generative nature of the business.

OPERATIONAL REVIEW

"In keeping with our long-standing philosophy that growth in the Group will be derived from the internal levers within management's control, our key focus areas centred on sales levers, range enhancement, cost leadership, productivity improvements and performance culture," comments Potgieter.

He elaborates, "The business made good progress as follows:

- we continued to compete aggressively, and gained share of the wallet through better execution of retail excellence disciplines and consistent investment in the shopping experience;
- improved our management of stockholding and working capital;
- intensified operational efficiencies and productivity in the stores and between the stores and the supply chain; and
- reduced manufacturing production costs to entrench the Group's position as the preferred import substitute."

RETAIL BRANDS

Potgieter says, "Robust growth was achieved in-store across all three major brands, CTM, Italtile Retail and TopT, across all merchandise categories, across all regions, and across key metrics including sales, profits, average basket value, stock turn and sales per person."

He adds, "We invested substantial resources in developing and implementing innovative technology online to enhance our competitive offering. During the review period, record unique visitor traffic was reported across all of the webstores, reflecting the sustained trend of consumers to conduct their pre-store visit research online. In addition, growing numbers of customers concluded sales online, demonstrating the relevance of the Group's omni-channel offering which aims to provide a seamless shopping experience across all trading platforms."

Potgieter reports, "***CTM's*** Sithi Wena (You deserve a beautiful home) culture is well-entrenched across the brand offering and continues to underpin the step-change that is epitomised by improvements in the range, presentation and look-and-feel in the stores."

He notes, "CTM grew share of wallet and delivered double-digit sales and profit growth, which is particularly commendable given the lower personnel headcount and competitive trading environment." He adds, "While good sales growth was recorded across all key merchandise categories, notably strong results were achieved by the bathroomware division, specifically in stores which have been converted to the highly stylish Millennial format."

Italtile Retail reported rewarding sales and profit growth and improved store productivity. Potgieter comments, "Particularly pleasing was the strong gain in market share, entrenching Italtile Retail as the leader in the premium-end segment. This strong performance is largely attributable to the brand's unique offering, being a balance of high-end imported product and the best that the local market has to offer at competitive prices, which has attracted new customers. The retail business, which is largely driven by renovations, outperformed the Projects Division and is likely to continue to do so until new build and commercial projects regain momentum over the longer term."

TopT delivered double-digit sales and profit growth, and improved margins, average basket value and store productivity. The brand succeeded in maintaining market share, despite fierce competition in its segment. In line with the strategy to convert non-performing franchise stores to corporate, the Group took back three regions in the prior financial year and has seen a pleasing turnaround in turnover and profitability in those territories.

Potgieter says, "TopT has launched a major new positioning campaign, Woza Ekhaya (Come Home), centred on helping customers to create their dream home; the underlying theme is the importance of community, TopT's role as part of that community, and its proudly South African credentials. The campaign is expected to achieve strong consumer equity and drive sales as it gains traction in the months ahead."

The Group's integrated supply chain continued to deliver on management's strategy to provide a complete solution to customers, and underpins the policy of ensuring the 'right product at the right time, place and price'.

Potgieter comments, "Pleasing progress was also made in extracting efficiencies and leveraging opportunities in the logistics and distribution functions with the expansion of the transport management system across our supply chain operations, resulting in notable cost savings which we were able to pass on to our customers."

Ceramic Industries: This business offers significant strategic advantage for the Group given that one out of every two tiles, baths and toilets purchased in South Africa are manufactured by Ceramic.

"Ceramic's tile operations in South Africa and Australia recorded robust sales and profit growth, as unrelenting demand in both markets drove full capacity utilisation in the factories, boosting efficiencies and lowering unit costs. Management's sustained focus on enhancing yields and reducing costs and waste in the operations also contributed to the strong results," remarks Potgieter.

The Betta Sanitaryware and Baths operations delivered a solid performance, reflecting ongoing improvements in the quality of processes and planning implemented by the restructured management team.

Ezee Tile: This business continued to gain momentum as a result of improved production efficiencies and intensified cost management. Double-digit sales growth was recorded, while profits rose strongly, derived from full capacity utilisation and operational enhancements in all its factories.

SUPPLY CHAIN: IMPORTERS

All three import businesses, Cedar Point, ITD and DC, improved their sales, profits and margin metrics.

"In light of the disruption to international supply chains, management in these operations did exceptionally well to leverage long standing relationships with suppliers and transporters to negotiate steady supply to our stores," says Potgieter. He adds, "As a proudly South African company, and aligned with our deliberate long-term strategic shift, the Group will continue to replace imported product with local supply where appropriate and viable."

PROPERTY INVESTMENT: As at 31 December 2020, the estimated market value of this portfolio was R4.4 billion (2019: R4.1 billion), comprising a retail portfolio valued at R3.4 billion (2019: R3.2 billion) and a manufacturing portfolio of R1.0 billion (2019: R0.9 billion). The two properties sold during the review period realised a net profit of R16 million.

PROSPECTS AND OUTLOOK

Potgieter comments, "Management is optimistic about the Group's growth prospects and we have developed strategies to optimise on opportunities presented; we will also continue to roll out capital expenditure projects - with R450 million committed for the second half - and open new stores where proven demand exists."

Potgieter concludes, "Under current trading conditions and Covid-19 related restrictions, we anticipate that the Group will deliver double-digit sales and profit growth for the forthcoming six months; however, should conditions deteriorate and/or trading restrictions be intensified, resulting in an adverse impact on our operations, this guidance will no longer apply."

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