

RESULTS PRESENTATION

for the year ended 30 June 2023

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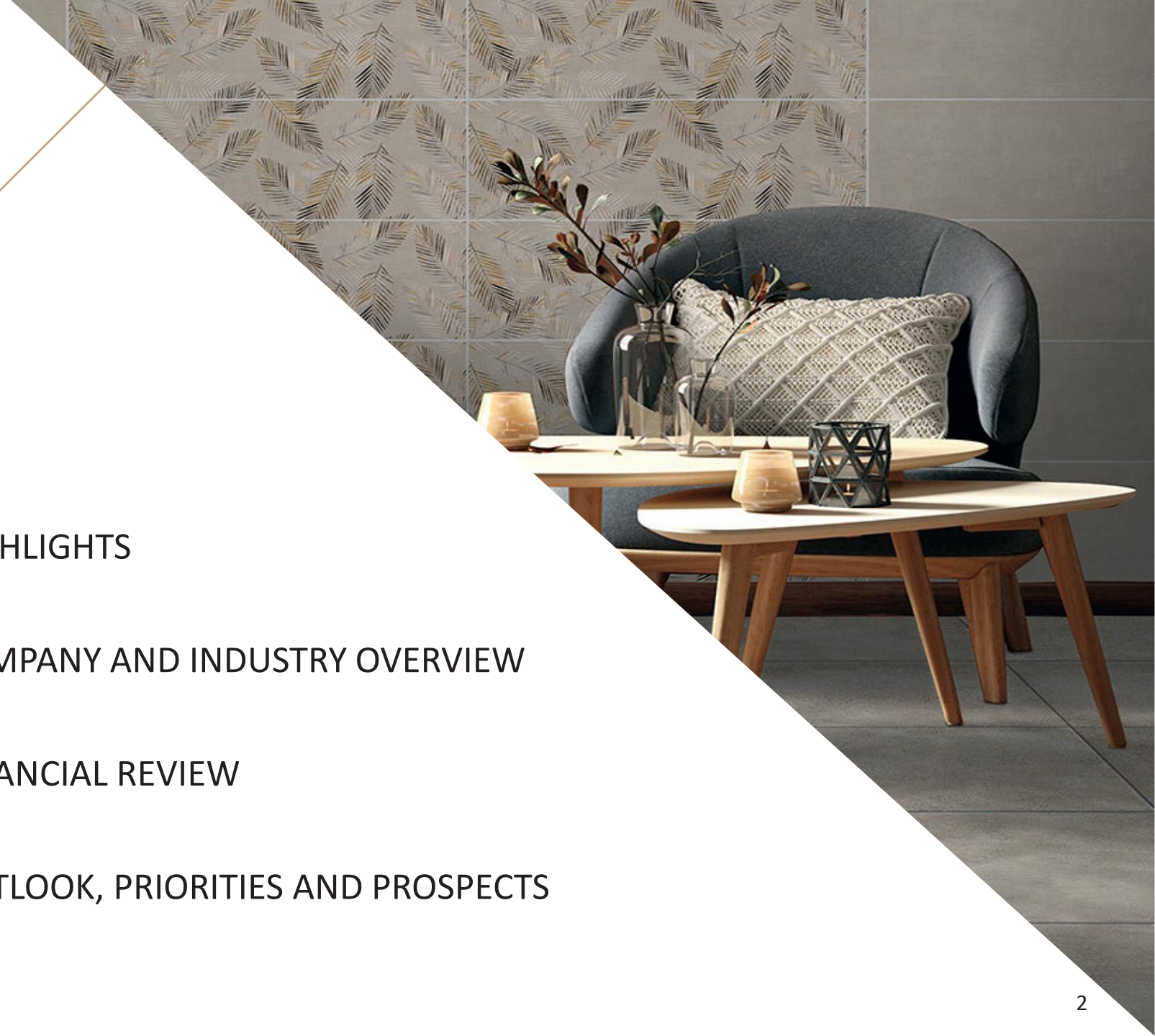

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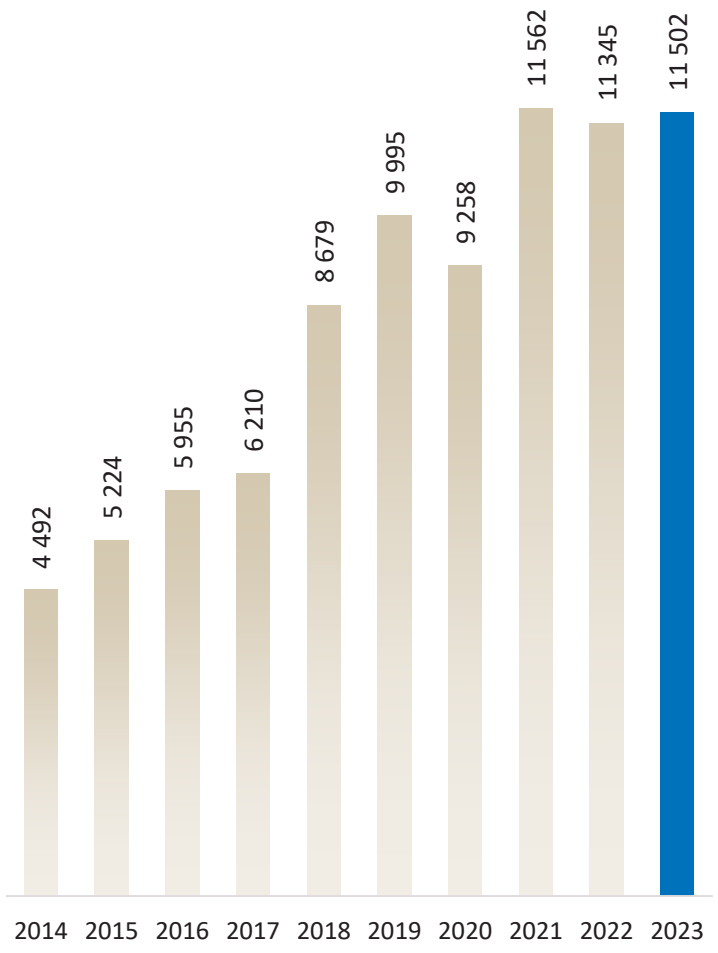
01

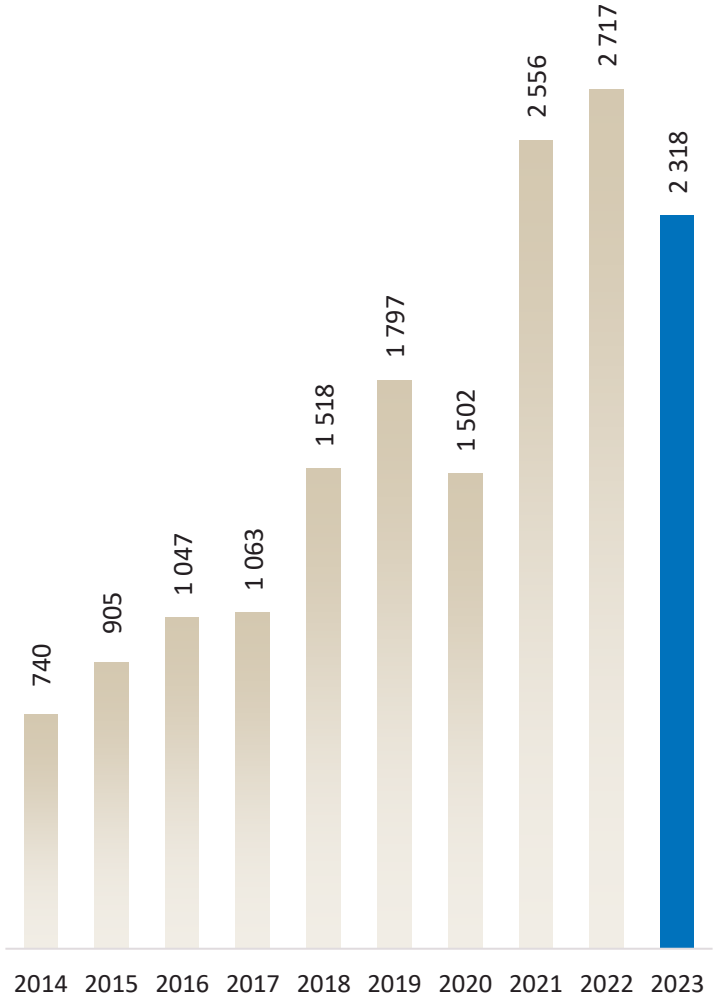
HIGHLIGHTS

HIGHLIGHTS

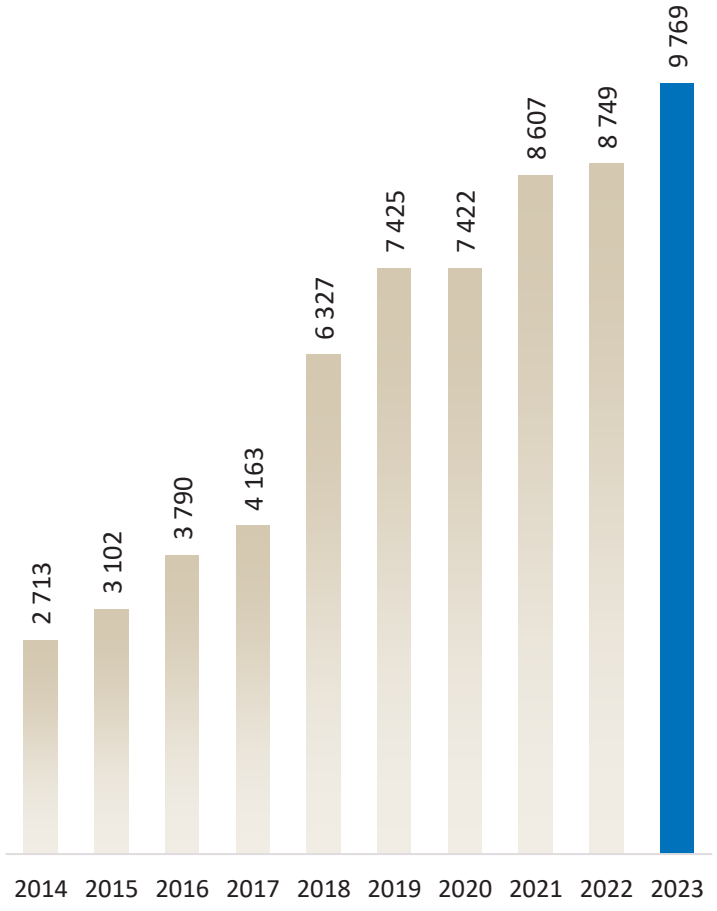
System-wide turnover (Rm)



Trading profit (Rm)

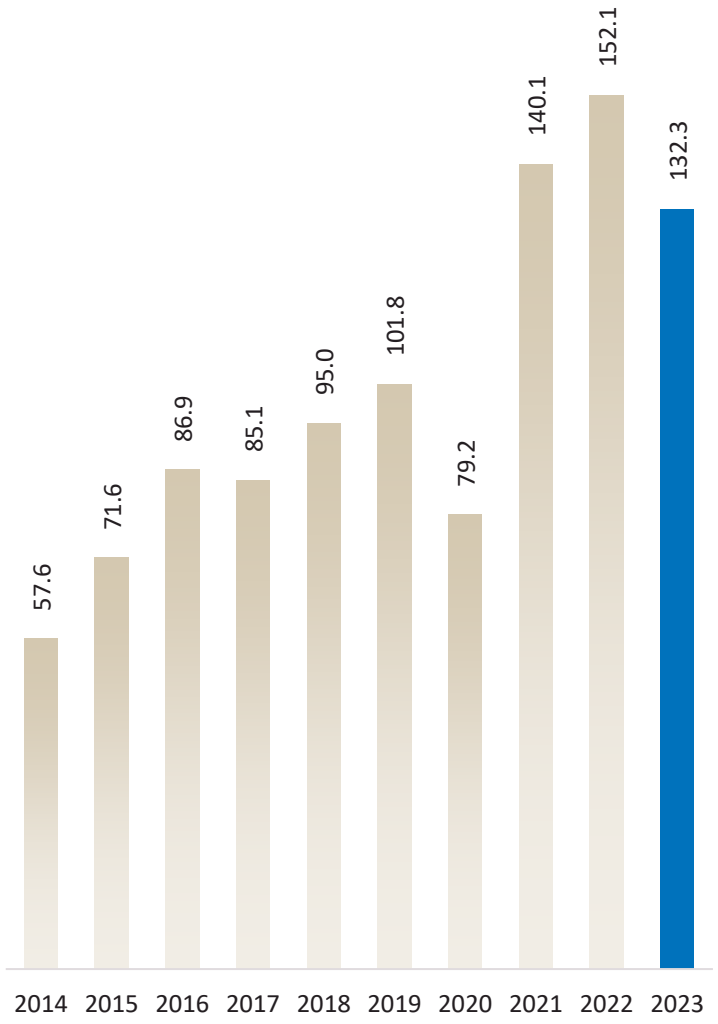


Total assets (Rm)

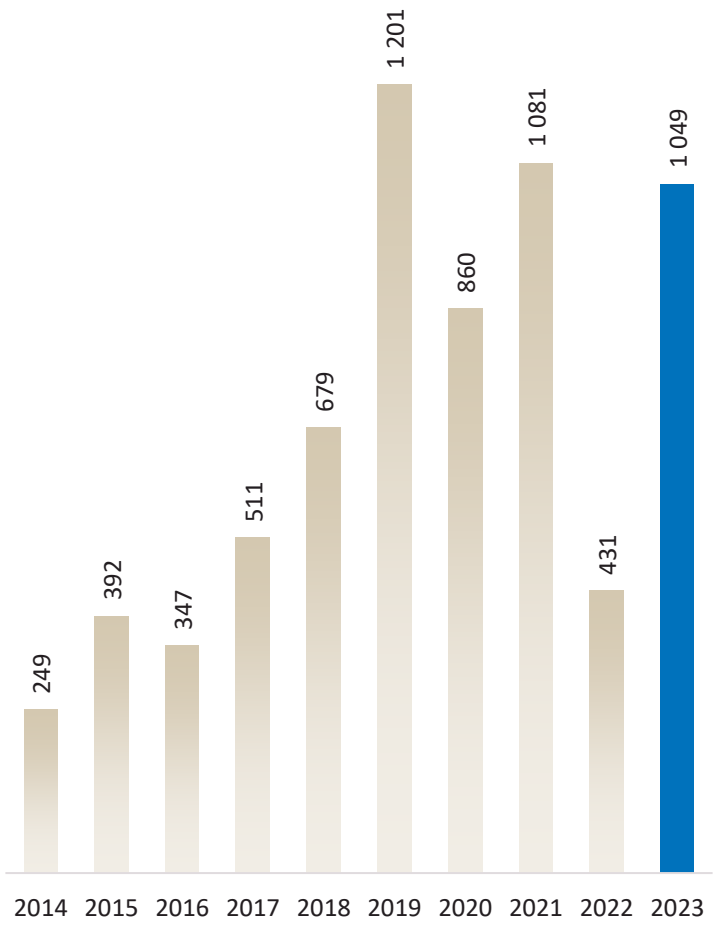


HIGHLIGHTS

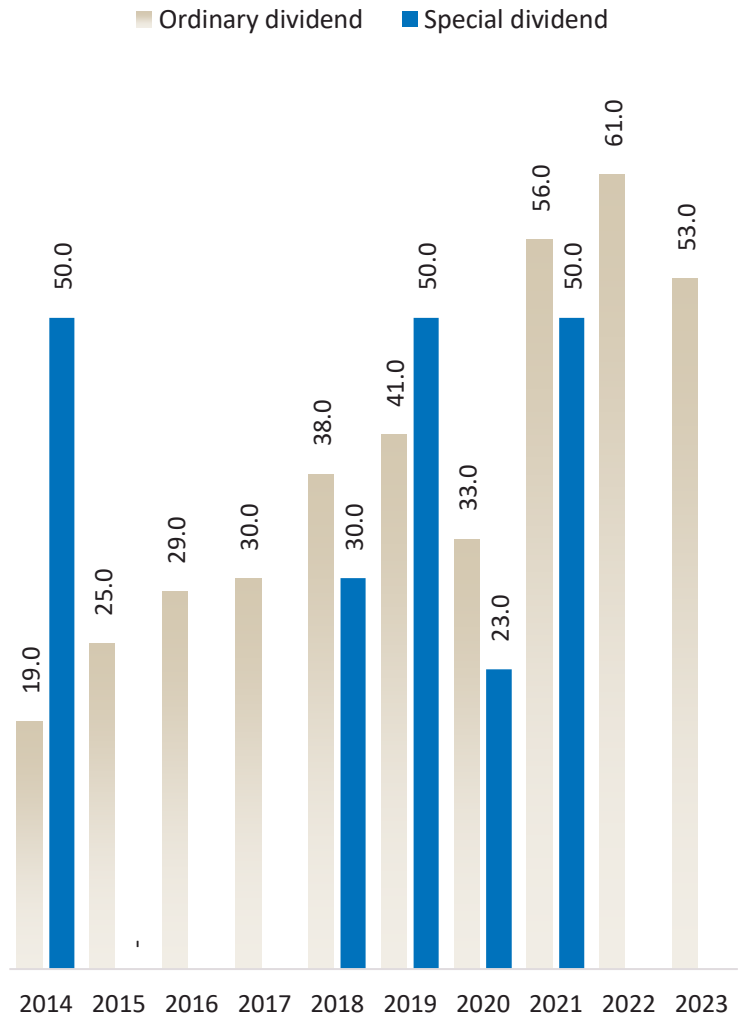
Headline earnings per share (cents)



Cash and cash equivalents (Rm)



Dividend per share (cents)



02

COMPANY AND INDUSTRY OVERVIEW



COMPANY AND INDUSTRY OVERVIEW



- Italtile Limited at a glance
- Business model
- Trading footprint
- Retail brands overview
- Store network
- Stores by location
- Manufacturing plants overview
- Export footprint
- Sales contribution by merchandise category
- Product contribution by country
- Key differentiators
- Key features of the year (external and internal)
- Energy overview
- Strategy: scorecard
- Divisional review
  - retail brands
  - supply chain (manufacturers and importers)
  - property investment

ITALTILE LIMITED | AT A GLANCE

CORE BUSINESS

Manufacturer, franchisor and retailer of local and imported tiles, sanitaryware and related home-finishing products. The Group's retail brands are supported by a vertically integrated supply chain (manufacturers and importers) and an extensive property portfolio.

RETAIL OPERATION

Retail brands: 216 (2022: 211) stores in total

Italtile Retail (**14*** stores in SA and **1** in rest of Africa. LSM target 8 – 10); **CTM** (**74*** stores in SA and **27*** in rest of Africa. LSM target 5 – 8);

TopT (**93*** stores in SA. LSM target 4 – lower 7) and **U-Light** (**6*** stores in SA and **1** in rest of Africa. LSM 6 - 9) * includes webstore/s.

ASSOCIATE INVESTMENTS

Minority shareholding in Easylife Kitchens, SER Export and Advance Tiling.

SUPPORT SERVICES

IT; e-commerce; Human Resources; Finance and Administration; and Internal Audit.

PROPERTY INVESTMENT PORTFOLIO

Underpins the retail operation by locating stores on high profile sites and maintaining and upgrading premises to ensure an optimal shopping environment. The manufacturing operation comprises state-of-the-art factories and productive quarries.

INTEGRATED SUPPLY CHAIN

Manufacturers

Ceramic Industries: manufacturer of glazed porcelain floor tiles (SA and Australia), ceramic wall and floor tiles, vitreous china sanitaryware and acrylic baths (SA).

Ezee Tile: manufacturer of grout, tile adhesive, paint and related products.

Importers

International Tap Distributors (ITD): importer and distributor of brassware and accessories.

Cedar Point: importer and distributor of laminate and vinyl flooring, shower enclosures, bathroom furniture, sanitaryware, accessories and décor.

Distribution Centre: procures and imports product for the retail brands and integrated suppliers. Provides warehousing, distribution and logistics services to the Group.

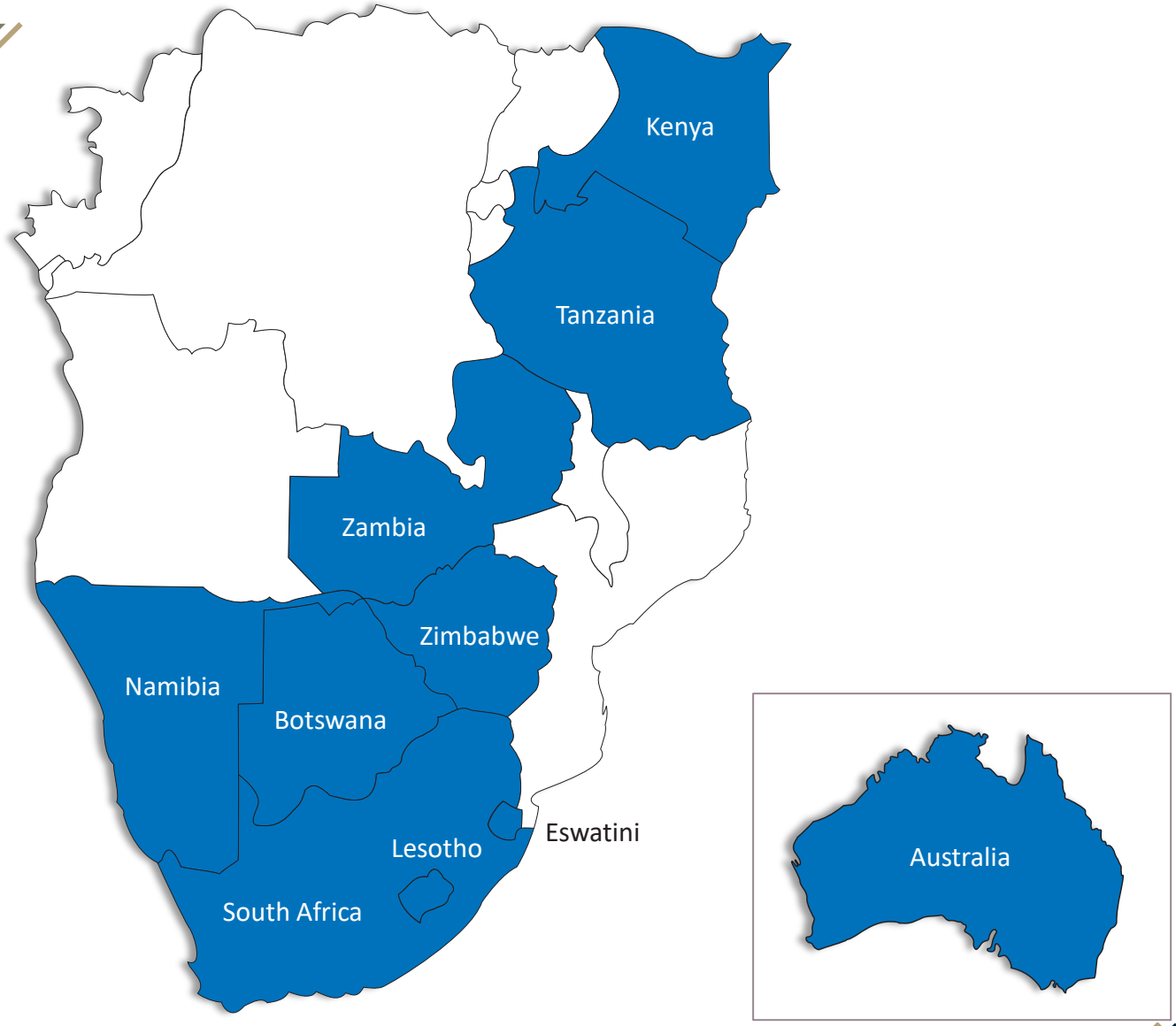
BUSINESS MODEL

Year ended 30 June 2023

	Contribution to net profit before tax (Rm)	
	2023	2022
Retail		
Italtile Retail CTM TopT U-Light	**562**	575
Franchising		
Italtile Franchising (SA)	**356**	331
Property Investment		
South Africa and Africa	**330**	337
Manufacturing		
Ceramic Industries Ezee Tile	**784**	1 069
Supply chain and support services		
Cedar Point ITD Distribution Centre Corporate Services	**269**	399
Associates		
SER Export (30%) Advance Tiling (20%) Easylife Kitchens (30%)	**9**	7

TRADING FOOTPRINT





RETAIL BRANDS OVERVIEW

	ITALTILE	CTM	TopT TILES	U-LIGHT
Target consumer	LSM 8 – 10 Premium-end consumers and professional Projects market	LSM 5 – 8 Middle-income DIY customers and independent builders	LSM 4 – 7 (lower) Entry-level price sensitive consumers	LSM 6 – 9 Primarily residential, with a commercial/light industrial component
Offering	Trend-setting, exclusive products	Wide range of fashionable products centred on year-round value	Flexible, opportunistic home-finishing product range	Specialist retailer of innovative lighting solutions
Location	Affluent urban areas	Widespread national urban footprint	Under-serviced rural and outlying markets in close proximity to urban townships	Bespoke stores located on existing Italtile Retail and CTM sites. Differentiated offerings matched to individual brands/market profiles In-store offering in TopT stores
Strategic positioning	"Live Beautifully"	"Big Savings. More Style"	"Every price a LOW price"	"Lighting the way for U"

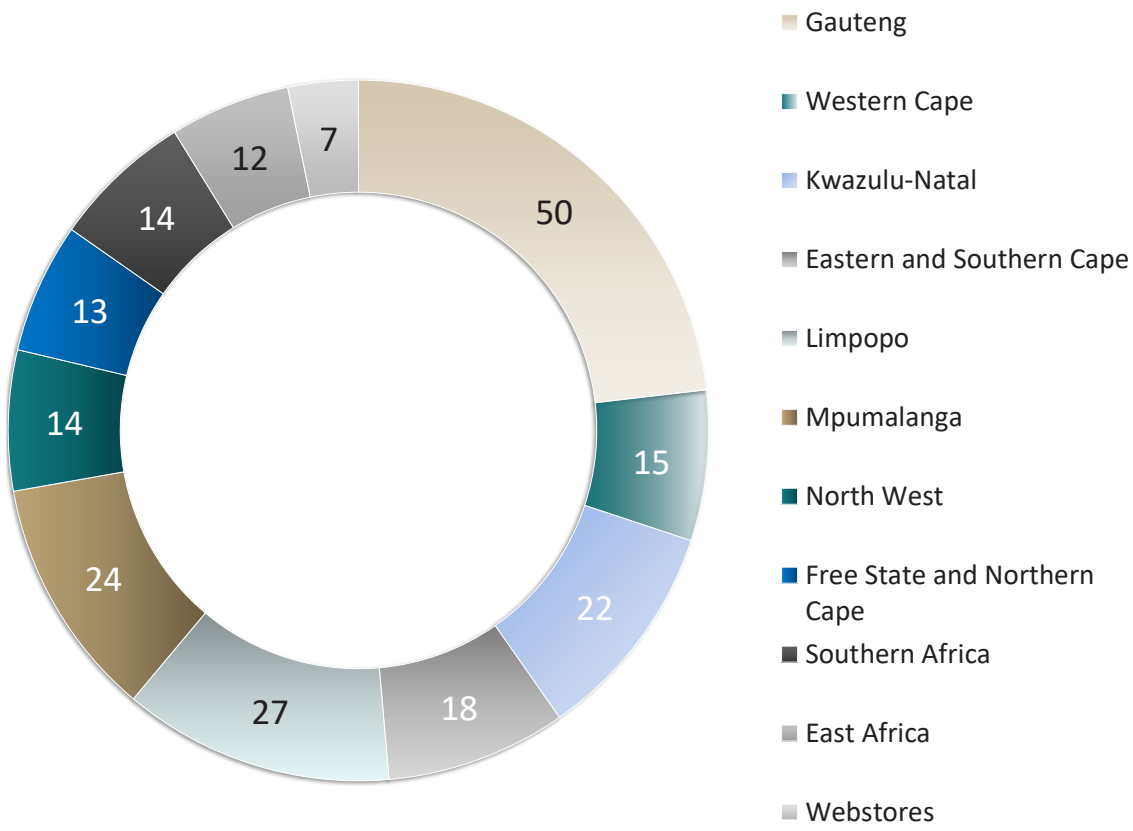
STORE NETWORK

At 30 June	2023			2022		
Region	**Franchise**	**Owned**	**Total**	Franchise	Owned	Total
SOUTH AFRICA						
Italtile Retail	**1**	**13***	**14***	1	13*	14*
CTM	**32**	**42***	**74***	29	44*	73*
TopT	**40**	**53***	**93***	37	53*	90*
U-Light	**2**	**4***	**6***	3	4*	7*
REST OF AFRICA						
Italtile Retail	**-**	**1**	**1**	-	1	1
CTM	**3**	**24***	**27***	3	22*	25*
U-Light	**1**	**-**	**1**	1	-	1
TOTAL	**79**	**137***	**216***	74	137*	211*

**Includes webstores*

STORES BY LOCATION

	ITALTILE	CTM	TOP TILES	U-LIGHT	Total
Gauteng	7	21	19	3	**50**
Western Cape	2	10	3	0	**15**
Kwazulu-Natal	1	9	12	0	**22**
Eastern and Southern Cape	1	6	11	0	**18**
Limpopo	1	9	15	2	**27**
Mpumalanga	1	6	17	0	**24**
North West	0	6	8	0	**14**
Free State and Northern Cape	0	6	7	0	**13**
Southern Africa	1	12	0	1	**14**
East Africa	0	12	0	0	**12**
Webstores	1	4	1	1	**7**
	15	**101**	**93**	**7**	**216**

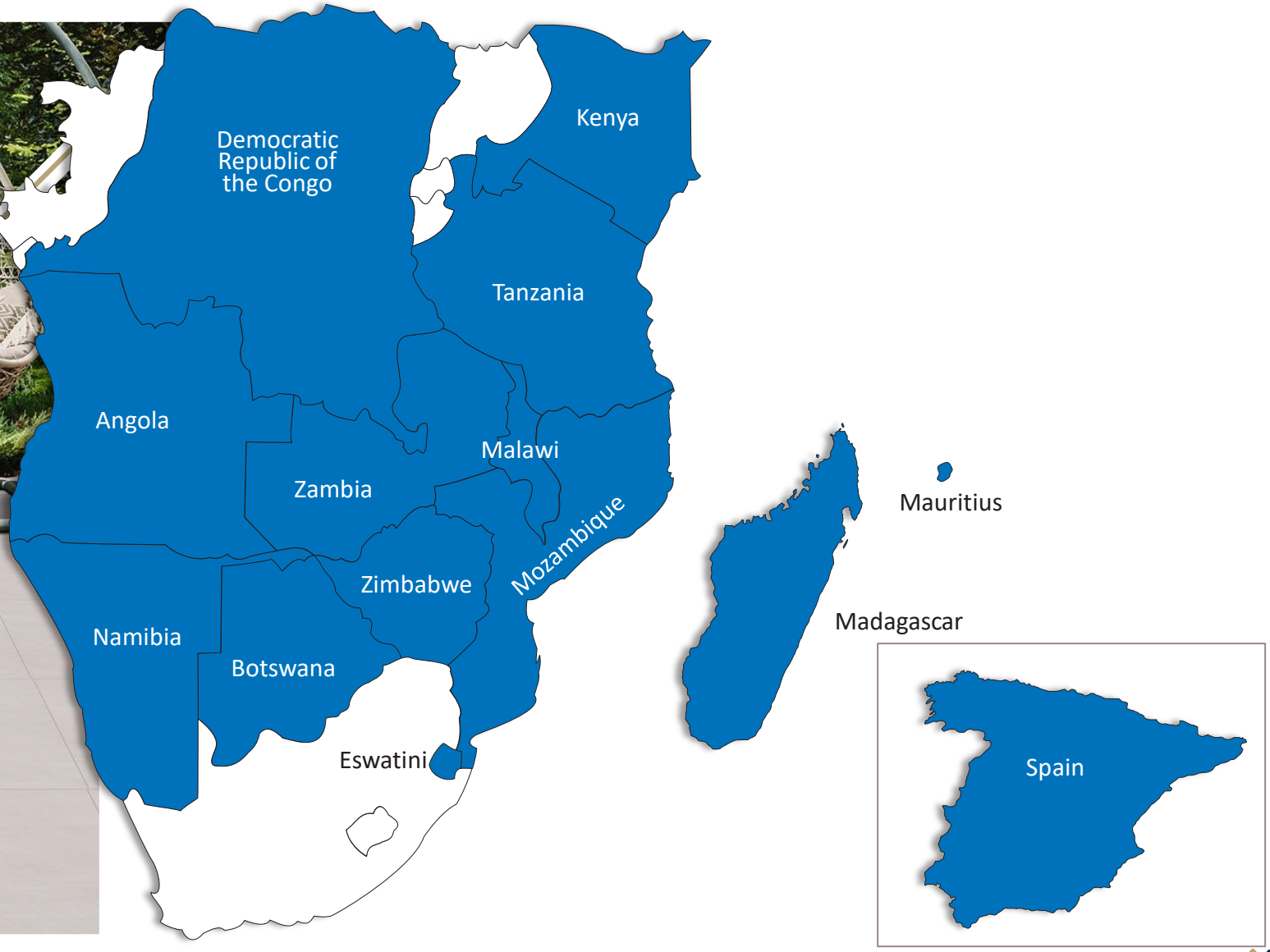


MANUFACTURING PLANTS OVERVIEW

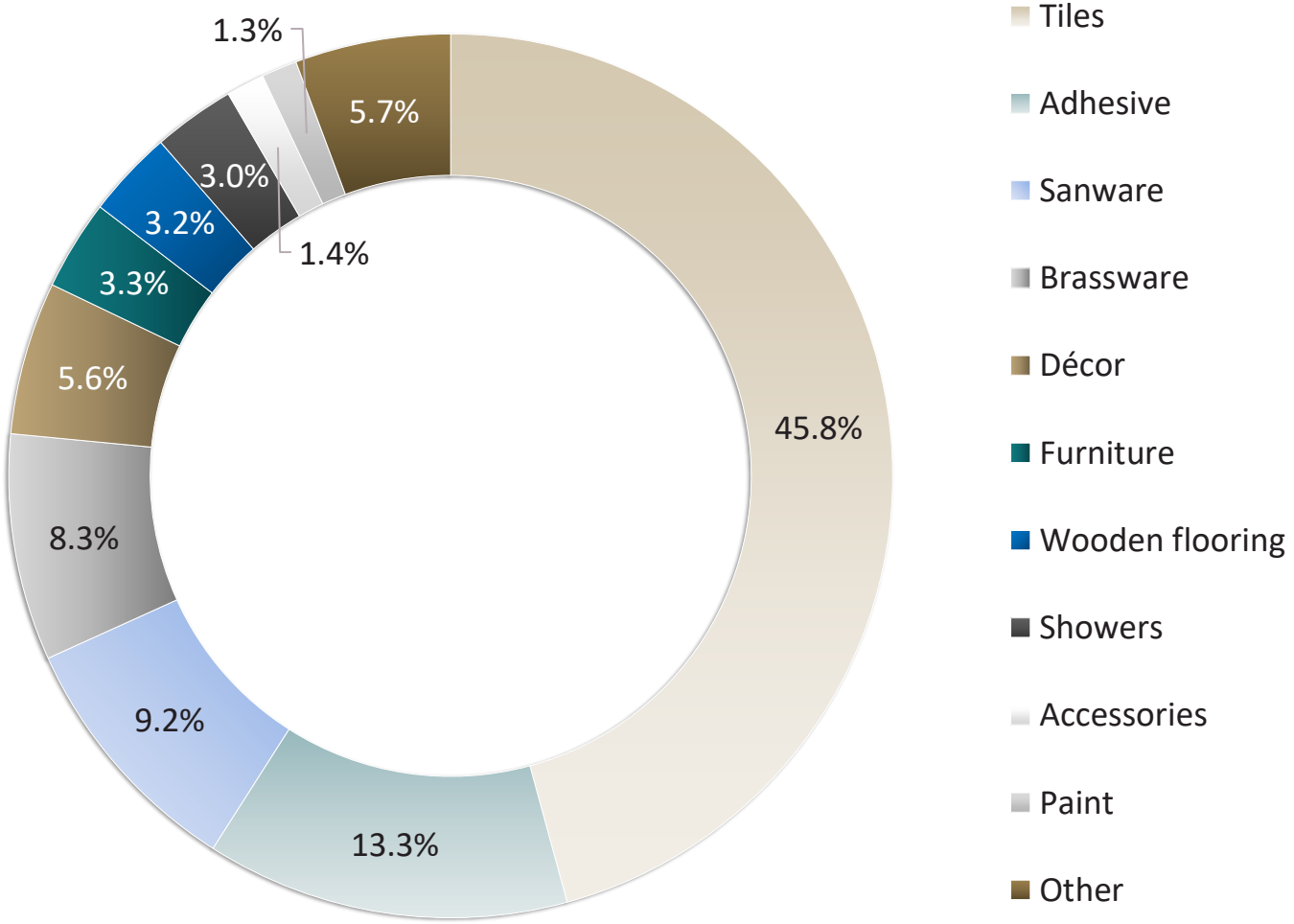
CERAMIC INDUSTRIES	Product	EZEE TILE ADHESIVES	Product
SOUTH AFRICA		**SOUTH AFRICA**	
Samca Wall	Monoporosa wall tiles	**Johannesburg**	Paint, grout, tile adhesive, additives, cleaning and related materials
Samca+	Hardbody rectified floor tiles	**Durban**	Tile adhesive
Pegasus	Ceramic floor tiles	**Gqeberha**	Tile adhesive
Vitro	Extruded fully vitrified tiles	**Cape Town**	Tile adhesive
Gryphon	Glazed porcelain tiles	**Bloemfontein**	Tile adhesive
Betta Sanitaryware	Vitreous china bathroomware	**Mokopane**	Tile adhesive and paint
Betta Baths	Acrylic baths and shower trays	**REST OF AFRICA**	
AUSTRALIA		**Namibia**	Tile adhesive
Centaurus	Glazed porcelain tiles	**Kenya**	Tile adhesive, additives and related materials
		Zambia	Tile adhesive
		Zimbabwe	Tile adhesive and paint

EXPORT FOOTPRINT | CERAMIC INDUSTRIES



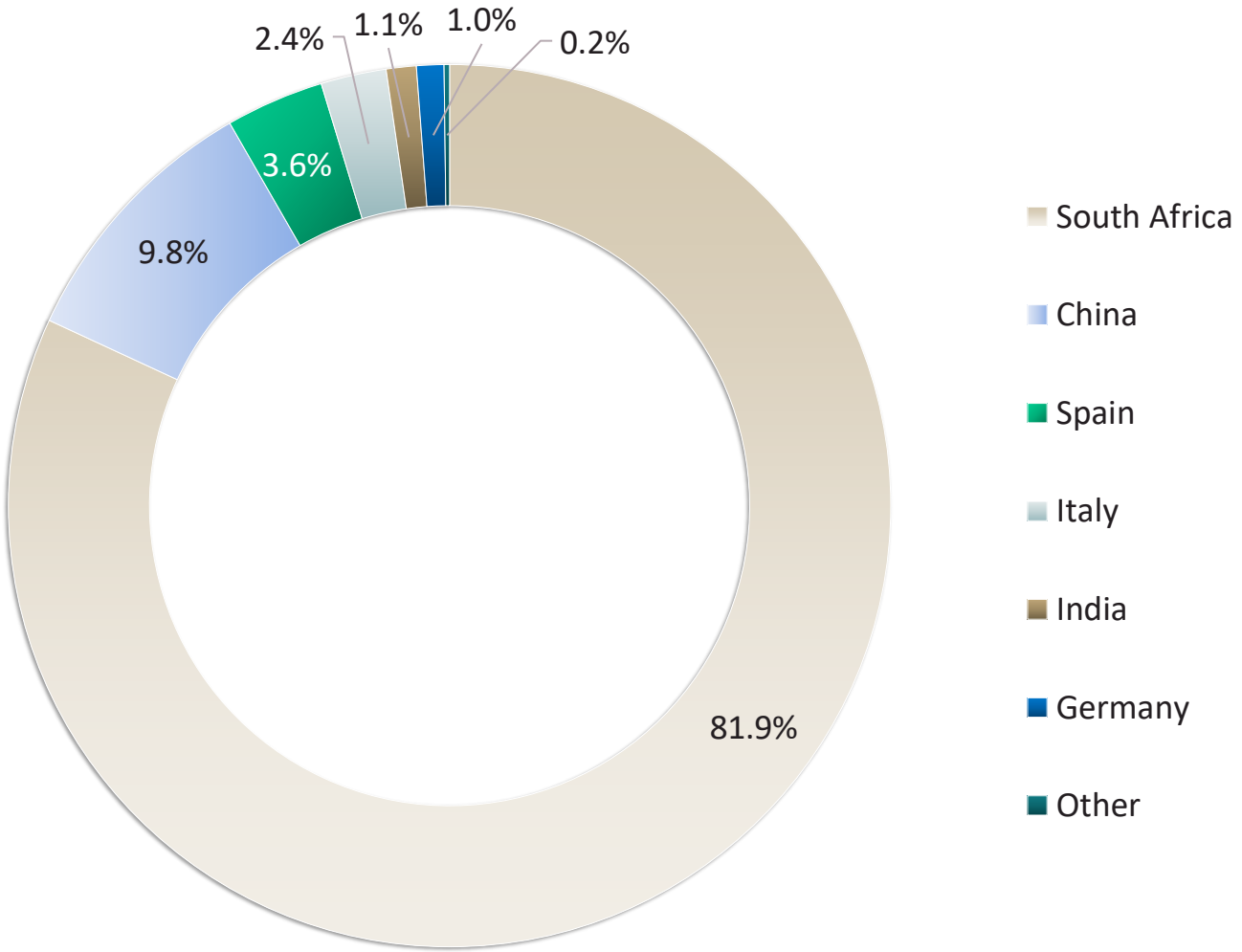


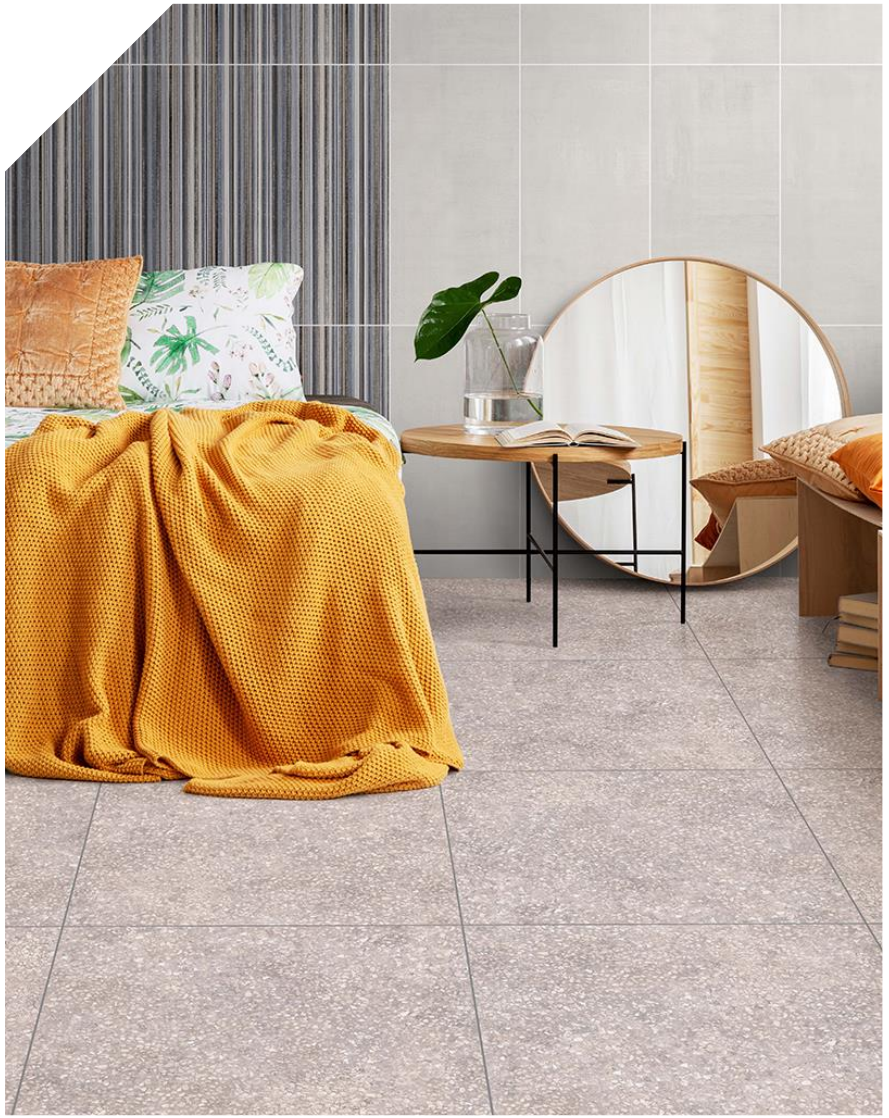
SALES CONTRIBUTION BY MERCHANDISE CATEGORY





CONTRIBUTION BY PRODUCT COUNTRY OF ORIGIN





KEY DIFFERENTIATORS

ESTABLISHED MARKET LEADER, STRONG TRACK RECORD AND UNIQUE BUSINESS MODEL COMPRISING:

- Strategic clarity and rigorous focus on achievement of KPIs.
- Consistent focus on developing and employing industry-leading technology.
- Expert and experienced leadership and flat, low-cost organisational structure.
- Efficient manufacturing at scale, producing fashion for the local market.
- Strong partnerships with employees, equity partners and entrepreneurial franchisees.
- Market-leading retail operations with national footprint and volume-based buying power.
- Customer-centric philosophy.
- Robust financial position.
- Sustained investment in improving and innovating the shopping experience.
- Good corporate governance and commitment to ESG awareness and best practice.

KEY FEATURES OF THE YEAR

EXTERNAL / INDUSTRY

Operating environment

- Normalisation of global supply chain activities and shipping rates.
- Pandemic-related home improvement boom has unwound.
- Consumers' financial health remained very stressed. Demand has dropped back to subdued pre-2019 levels.
- Competition intensified due to shrinking disposable income, expansion of existing competitors' offerings and capacity, and proliferation of new entrants.
- Influx of low-margin products in the local market due to reopening of global markets and weaker international demand.
- Global and local inflation remained high, driving up input and operating costs, reducing affordability. Interest rates continued to rise.
- Socio-political issues continued to weigh on consumer confidence and investment sentiment.
- Country-specific risks worsened: power supply interruptions; civil disorder; higher security costs.

EXTERNAL / INDUSTRY

Consumers and market trends

- Industry-wide decline in foot-traffic and number of transactions.
- Price sensitivity evidenced by keener responsiveness to sales promotions; buying down in most categories; and more research/competitor quote-sourcing before committing.
- Discretionary spend diverted to power generation and storage alternatives, further constraining disposable income.
- Customers and investors increasingly more aware/demanding regarding ESG credentials, including eco-friendly products.



KEY FEATURES OF THE YEAR

INTERNAL / GROUP

- Goal to match/gain market share and grow profits was achieved in East African and Australian operations, but not in SA business.
- Input-cost inflation caused significant pressure on margins and profits.
- Withheld full price increases in light of softer demand and competitive landscape.
- In the manufacturing businesses, weak demand impacted adversely on optimal capacity utilisation; this was exacerbated by internal operational inefficiencies.
- Back-to-basics: in response to the underperformance, significant organisational restructuring has been implemented (leadership, systems and processes). Renewed focus on quality, costs and efficiencies.
- Intense focus now on optimising and extracting projected benefits of major capital investment projects.
- U-Light's performance remained disappointing, and two stores were closed in the period. Further steps are being taken to reduce losses by this business.

ENERGY OVERVIEW

- Availability, pricing and consumption of energy are critical, specifically for the manufacturing division.
- Work hours were lost and R9.0 million spent on diesel for back-up generators.

Mitigating controls include:

- solar capacity installed at Ceramic's Gryphon (2.2 MW), Samca+ and Samca Wall factories (0.4MW) and at Ezee Tile's Vulcania plant. Back-up generators are also used;
- three entirely off-grid stores are serving as pilot studies for further stores;
- continuous manufacturing improvements are made to reduce gas and electricity consumption;
- a small portion of domestic liquefied natural gas ("LNG") is supplied by Renergen;
- loadshedding mitigation measures are in place to reduce the impact up to stage 4; and
- active participation in the Industrial Gas Users Group ("IGUA-SA"), advocating for alternative gas supply solutions.

Strategic response to reduce reliance on the national grid and decrease carbon emissions:

- currently converting 38 stores to hybrid power through a battery solution;
- currently completing phase 2 of a solar installation at Samca Wall, which will provide additional 0.6 MW;
- negotiating with a biogas supplier; and
- exploring the installation of additional solar power at Samca+; a combined heat and power plant project in Vereeniging; and an electricity-wheeling arrangement.

The lack of development of alternative LNG imports to Pande and Temane gas fields in Mozambique is concerning, as Sasol has indicated it could stop supplying gas as early as 2026. The repercussions for Ceramic are serious if alternative bulk gas supply is not commercially available at a viable price. Management is vigorously exploring alternatives, both in the IGUA-SA forum and independently.

STRATEGY | WHAT WE COMMITTED TO AND ACHIEVED

2022/2023

PRIORITY	SCORECARD
Retail	
▪ Continue to recruit, develop and retain store managers, assistant store managers, warehouse managers and operations team.	Identifying, developing and retaining skilled retail-specialist personnel is one of our biggest challenges. Strengthened our teams in Namibia and Botswana and started to improve the pipeline of local candidates, including a new retail executive for CTM. This will remain a key imperative. Our improved outcomes-based training continued to enhance the expertise of our teams and align their understanding and actions with our high-performance culture and service expectations.
▪ Gain market share by continuously improving the shopping experience and differentiating our offering from our peers.	Competed vigorously to maintain and grow market share. Key focus areas are people, service, range, presentation, fashion, quality and value. Our design team attended international trade events, and our procurement specialists connected with existing and new suppliers in Europe and South East Asia, to deliver competitively priced, innovative and fashionable products.
▪ Instill retail excellence disciplines at all customer touchpoints and drive brand awareness.	Strengthened our visual merchandising and procurement competencies, reflected in an enhanced in-store shopping experience. Customer satisfaction surveys recorded a consistent improvement. Drove brand awareness through extensive promotions and improved digital marketing to retain and attract loyal and new customers.
▪ Improve efficiencies in light of input cost pressure.	Productivity improved, but at a lower rate than product cost-price inflation due to weaker demand. Despite intensified focus, costs of stock control and logistics rose due to increased breakages (large format tiles) and higher costs of revamps, range changes and promos. Freight costs rose as a result of fuel price hikes.

STRATEGY | WHAT WE COMMITTED TO AND ACHIEVED

2022/2023 …Continued

PRIORITY	SCORECARD
▪ Continued expansion and enhancement of the retail footprint.	– Opened two CTM's and five TopT's and closed two TopT's. Incorporated ELK stores on three existing sites. Thirteen stores were revamped. – The multi-brand retail node opened in Gqeberha (post year-end). – Our East Africa operations, specifically Kenya and Tanzania, performed well. Stores have been renovated to align with the new generation layout of SA stores. A new store opened in Nakuru, Kenya, and is reporting positive results.

Manufacturers

▪ Improve sales volumes.	Achieved growth in net sales, underpinned by new product launches.
▪ Improve capacity utilisation and efficiencies across business units.	The manufacturing businesses benefit from optimal capacity utilisation to achieve maximum efficiencies. Soft market demand and internal inefficiencies resulted in poor capacity utilisation, negatively impacting on productivity and profits.
▪ Launch additional import replacement products.	This was delayed by technical challenges in bedding down final processes. Following initial difficulties our team gained better understanding and improved their competencies. It is anticipated that these challenges will be resolved in Q1 2024.
▪ Improve efficiencies at Samca+.	Achievement of installed capacity and expected yields becoming more consistent as production team builds competence on the new technology.
▪ Invest in additional free-standing production capacity at Betta Baths.	Temporarily postponed until the new Betta Sanitaryware warehouse is fully operational.

STRATEGY | WHAT WE COMMITTED TO AND ACHIEVED

2022/2023 …Continued

PRIORITY	SCORECARD
▪ Full operation of Betta warehouse.	The warehouse will be fully operational by the end of Q1 2024. Commissioning was delayed due to challenges of designing unique and complex software required for the five-storey facility which will operate twelve robotic vehicles.
▪ Improvement at Ezee Tile with commissioning and restructure of Vulcania plant.	Commissioning of Vulcania and subsequent relocation from Germiston more disruptive than anticipated. Multiple production lines commissioned, but final commissioning and closure of Germiston facility will only be completed by end of Q1 2024. Organisational structure revisited and the management team capacitated accordingly. Improvements at satellite branches expected as a result of improved delivery from Vulcania.
Import businesses	
▪ Sustain margins through enhanced product procurement and internal efficiencies.	Optimising stock levels, product mix and price ladders are key sales and profit drivers. Reopening of global markets afforded our teams opportunity to leverage the Group's buying power and established supplier relationships to source new fashion and collaborate on improved pricing. However, current market conditions are causing growing margin pressure.
▪ Improved stock turn of Cedar Point and ITD products.	International supply chains normalised, hence surplus inventory in our import businesses has been sold through and stock levels have returned to normal.
▪ Distribution Centre to complement local production with imported fashion.	Import of product has been facilitated by significant decrease in shipping rates and product costs from some international markets; improved access to global travel; and changing market dynamics which make some imported products competitive again. Accordingly, stock holding is higher at DC, complementing our local tile production with fashionable imported ranges.

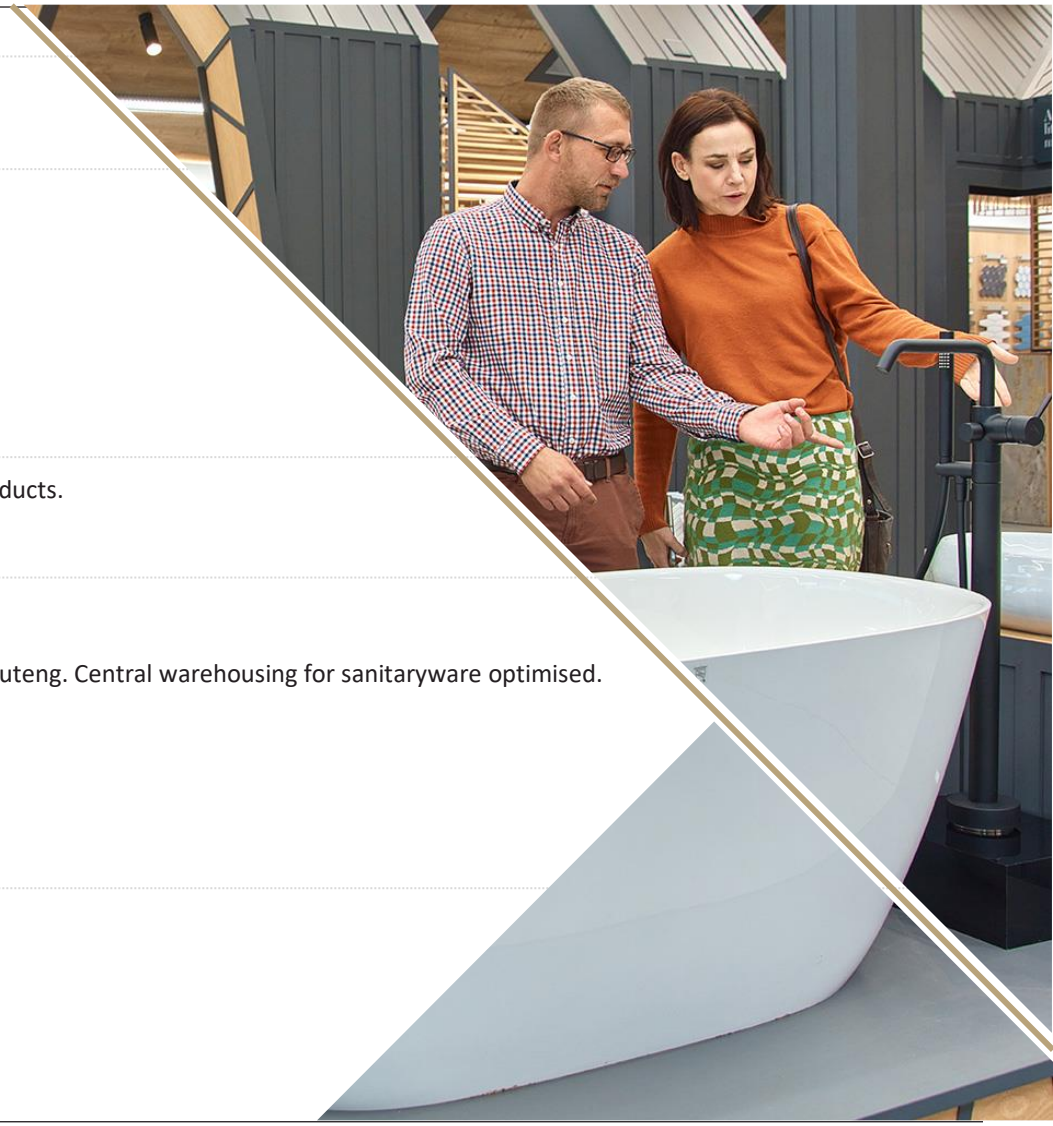
STRATEGY | WHAT WE COMMITTED TO AND ACHIEVED

2022/2023 …Continued

PRIORITY	SCORECARD
Group-wide	
▪ Prioritise KPIs that drive growth: productivity, efficiency, cost leadership and inventory management.	Opportunities exist to improve on all our KPIs, notwithstanding the weak demand which impacted on productivity, efficiency and stock turn metrics in the businesses.
▪ Leverage and invest in cutting edge technology and innovations.	Continued to invest in web development, opening a new webstore for the CTM Botswana operation and implementing wide-ranging improvements to the local online shopping experience. We use state-of-the-art technology to promote efficiencies, produce world-class products, enhance customer service and reduce our impact on the planet. Recently introduced leading-edge technology at Samca+ and will be implementing technology innovations in the new Ezee Tile paint plant and Vitro kiln upgrade. A new heat recovery system at the tile factories will enable a notable reduction in energy consumption.
▪ Improve synergies in the integrated supply chain.	The Transport Management System (TMS) is now operational in Cedar Point, ITD and DC and was rolled out to Ezee Tile towards year-end - affording more flexibility in inbound and outbound transport logistics and enhanced efficiencies. A vendor-managed system was also implemented in all integrated supply chain businesses - resulting in better in-stocks in the stores and improved customer service.
▪ Build people pipeline and leverage outcomes-based training.	Organisational structure revisited, with specific focus on succession in all business units. New programme designed to achieve sustainable performance by ensuring required skills has commenced in the manufacturing businesses, and we have recruited key individuals.

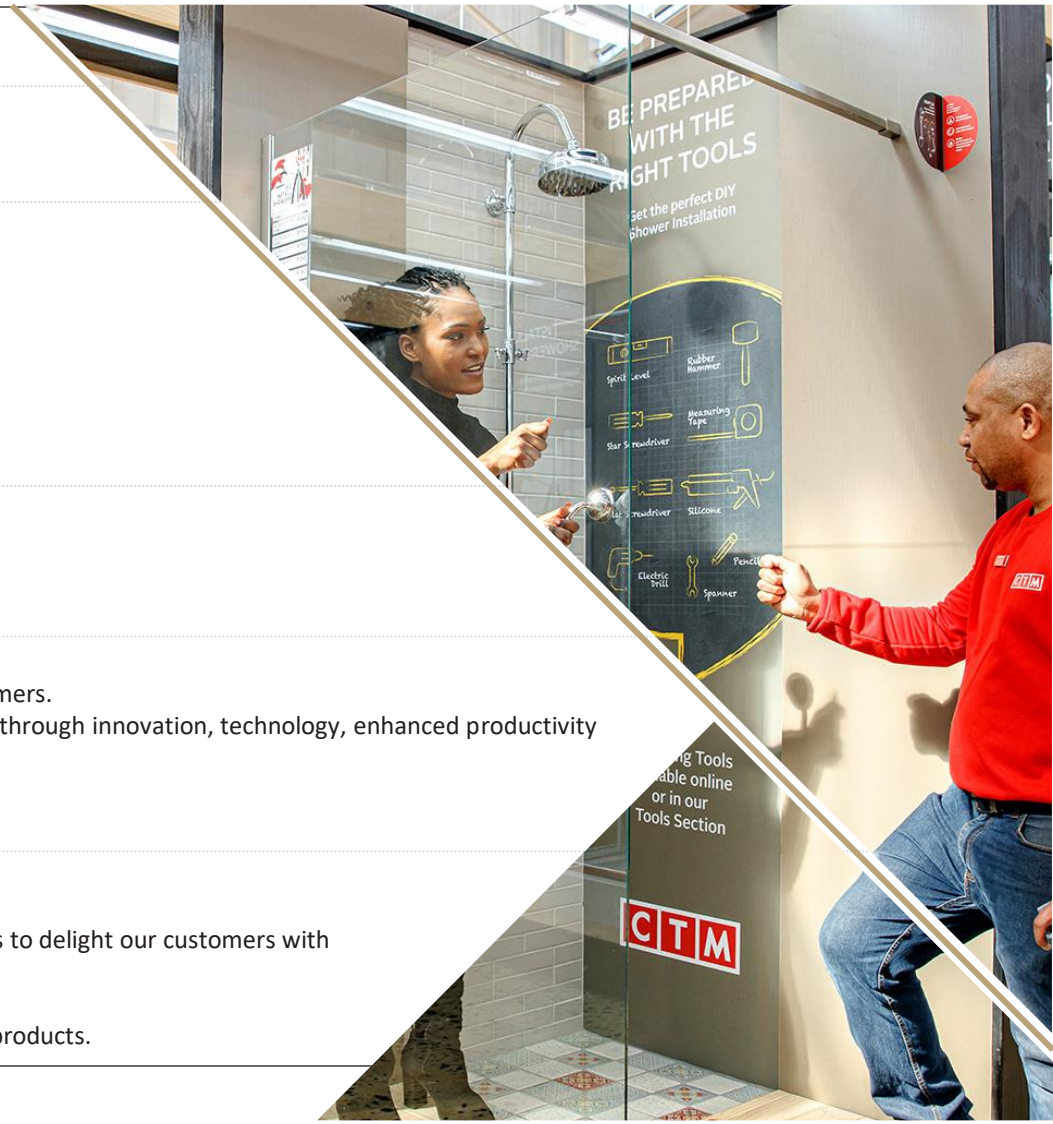
ITALTILE RETAIL | LIVE BEAUTIFULLY

Number of stores	15 including 1 webstore (2023: 15 including 1 webstore)
Equity partners	Sergio Galli – 33 years with the Group Paul Couzis – 26 years with the Group Galli and Couzis own a combined 45% equity stake
Key performance indicators	Trends 2023 2022
Sales	↑ ↑
Average basket growth	↑ ↑
Average selling price	↑ ↑
Margins	↔ ↔
Net profit	↑ ↑
Stock turn	↓ ↓
Average store inventory	↑ ↑
Key differentiators	▪ Trend-setter and leading buyer of exclusive high quality local and international products. ▪ Industry front-runner in eco-friendly products. ▪ Well established specialist expertise and nationwide network.
2022/23 major achievements	▪ Successful launch of the revamped Umhlanga store in September 2022. ▪ Opened the new Gqeberha store at the beginning of FY2024. ▪ Competent resource secured and trained for a centralised warehouse facility in Gauteng. Central warehousing for sanitaryware optimised. ▪ Initiated and commissioned a new transport solution. ▪ Continued to build the next level of leadership. ▪ Appointed a Motswana citizen to manage our Gaborone operation. ▪ Increased productivity per employee. ▪ Improved overall cost leadership, specifically transport costs. ▪ Projects division experienced a significant improvement in activity.
2023/24 priorities and outlook	▪ Continued procurement of quality, fashionable product. Good prospects afforded by: ▪ expanding market share, specifically of our Commercial Projects division; ▪ bedding down the new Gqeberha store; ▪ developing management depth for future growth; and ▪ improving stock turn and enhancing stock management.



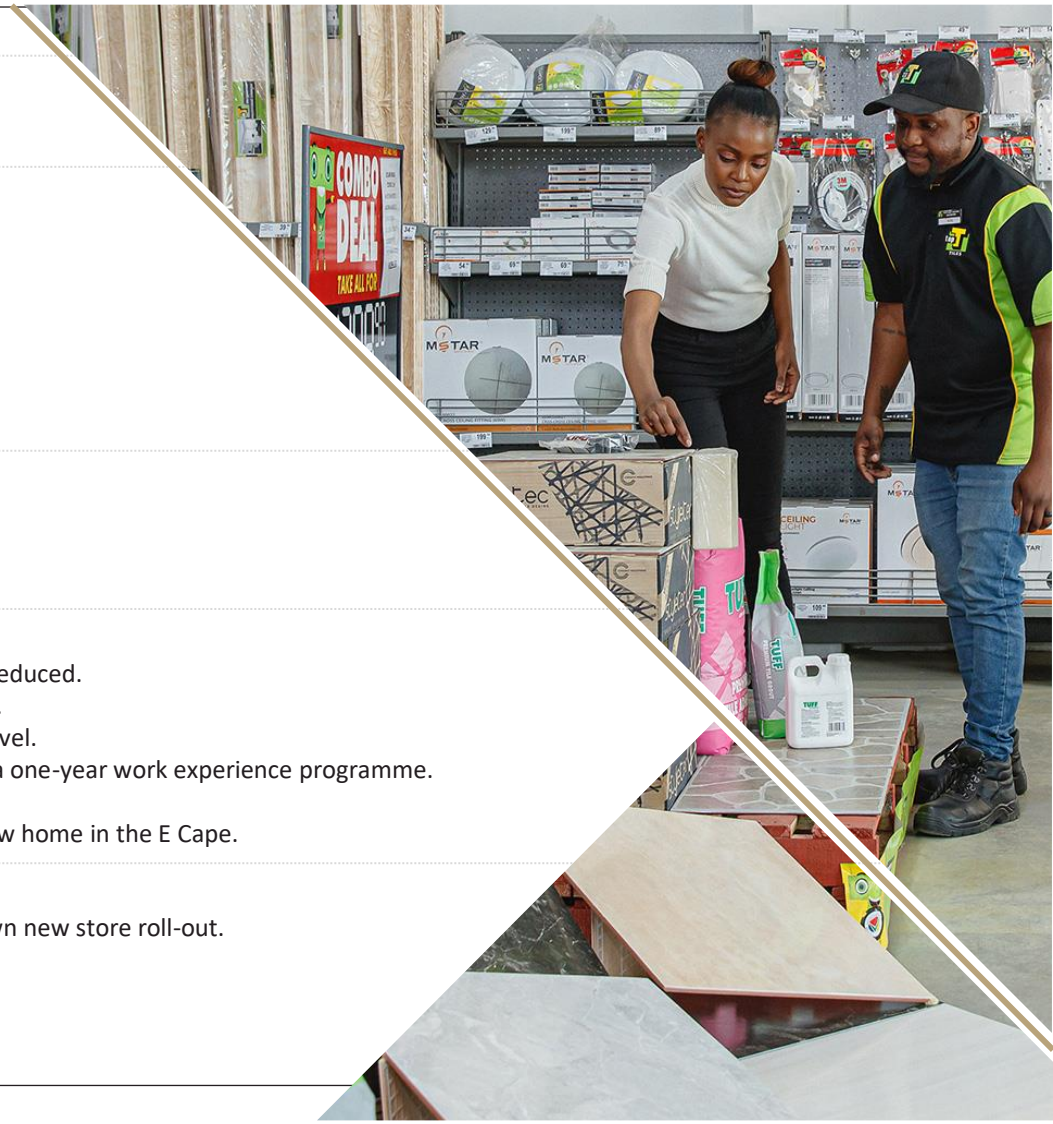
CTM | BIG SAVINGS. MORE STYLE.

Number of stores	101 including 4 webstores (South Africa: 74; rest of Africa: 27) (2022: South Africa: 73; rest of Africa: 25). Corporate: 66; Franchised: 35
Equity partner	South Africa: Paul Isaacs – 23 years with the Group Isaacs owns a 2% equity stake
Manager	East Africa: Dewan Du Plooy – 11 years with the Group
Key performance indicators	Trends 2023 2022
Sales	↓ ↑
Average basket growth	↑ ↑
Average selling price	↑ ↑
Margins	↓ ↓
Net profit	↓ ↑
Stock turn	↓ ↓
Average store inventory	↓ ↑
Key differentiators	▪ Local and international buying power. ▪ Quality products with strong fashion component. ▪ Integrated supply chain ensuring consistent availability of stock. ▪ Outstanding customer experience in-store and online.
2022/23 major achievements	▪ Opened three new stores, one in South Africa and two in the rest of Africa. ▪ Improved our range, presentation and merchandising to continue to delight customers. ▪ Improved the customer centric retail excellence focus and operational efficiencies through innovation, technology, enhanced productivity and better cost control. ▪ Strong promotional activity implemented to celebrate the brand's 40th birthday. ▪ Maintained our high employee engagement score.
2023/24 priorities and outlook	▪ Develop our people and depth of talent across the business. ▪ Maintain our employee engagement score to ensure performance of our teams. ▪ Grow market share by prioritising our customer-centric retail excellence disciplines to delight our customers with an unparalleled shopping experience. ▪ Continue to focus on the product offering aligned to our market segments. ▪ Improve operational efficiencies and consistent in-stock levels of business-critical products.



TOPT | EVERY PRICE A LOW PRICE

Number of stores	93 in South Africa, including 1 webstore (2022: 90). Corporate: 53; Franchised: 40
Equity partners	Karabo Theledi (Managing Director) – six years with the Group Frida Tugnoli (Merchandise Director) – 23 years with the Group Thaledi and Tugnoli hold a 3% and 2% equity stake respectively
Key performance indicators	Trends 2023 2022
Sales	↑ ↑
Average basket growth	↑ ↑
Average selling price	↑ ↑
Margins	↓ ↔
Net profit	↑ ↑
Stock turn	↓ ↓
Average store inventory	↑ ↑
Key differentiators	• Low-cost model. • Flexible, opportunistic home-finishing product range. • Affordability and availability of stock and accessibility to market. • Strong community relationships and local marketing.
2022/23 major achievements	▪ System-wide sales growth and tile volume sales growth. ▪ Profit growth through improved cost leadership. Like-for-like operating expenses reduced. ▪ Progress in establishing TopT as a sanitaryware destination in our market segment. ▪ Continued the drive to build a leadership pipeline at regional and store operator level. ▪ Contributed to job creation for unemployed youth: 60 W&RSETA learners started a one-year work experience programme. 16 learners from the prior year intake absorbed in the business. ▪ Successful execution of third Woza Ekhaya Competition, awarding the winner a new home in the E Cape.
2023/24 priorities and outlook	▪ Gain market share in our segment. ▪ Open five stores and close non-performing stores. Deliberate strategy to scale down new store roll-out. ▪ Improve core range and business critical in-stocks. ▪ Continue to build the leadership pipeline at regional and store operator levels. ▪ Grow the contribution of sanitaryware sales to total sales. ▪ Roll out the new look-and-feel in targeted merchandise categories.



SUPPLY CHAIN | MANUFACTURERS

CERAMIC INDUSTRIES

Nature of business	Manufacturer of tiles (South Africa and Australia) and bathroomware (South Africa) Italtile is Ceramic's single biggest customer; other customers include: Cashbuild, Massmart, Tile Africa, Tiletoria, etc
Chief Executive Officer	Gerard Maartens – 11 years with the Group. Appointed Chief Executive Officer in July 2023. Formerly Operations Manager and Samca Wall Factory Manager.
Manufacturing plants	**TILES: South Africa**: Samca Wall; Samca+; Pegasus; Vitro and Gryphon **Australia**: Centaurus **BATHROOMWARE**: Betta Sanitaryware (Betta) and Betta Baths
Target market	Retailers and wholesalers of fashionable and affordable tiles and bathroomware in South Africa, Australia and selected export markets

Key performance indicators	TILES SA 2023	TILES SA 2022	TILES AUSTRALIA 2023	TILES AUSTRALIA 2022	BATHROOMWARE SA 2023	BATHROOMWARE SA 2022
Sales volumes	↓	↑	↑	↓	↑	↑
Production volumes	↓	↓	↓	↓	↑	↓
Average selling price	↑	↑	↑	↑	↔	↑
Margins	↓	↔	↑	↓	↓	↓
Net profit	↓	↑	↑	↓	↓	↓
Closing inventory	↑	↑	↑	↔	↑	↑

Key differentiators	▪ Leader in design and fashion, creating desirable products. ▪ Low-cost manufacturing ensures products are affordable. ▪ Local supply ensures an understanding of customer requirements and a short, reliable supply chain. Supports our 'always in stock' policy, with consistent volume supply of fashionable well-priced product. ▪ Complementary products for bathroom and complete home tiling solutions. ▪ Factories rank among the most energy efficient in the world. ▪ Low carbon EcoTec range is a leader in the eco-sensitive product market.

TILE DIVISION

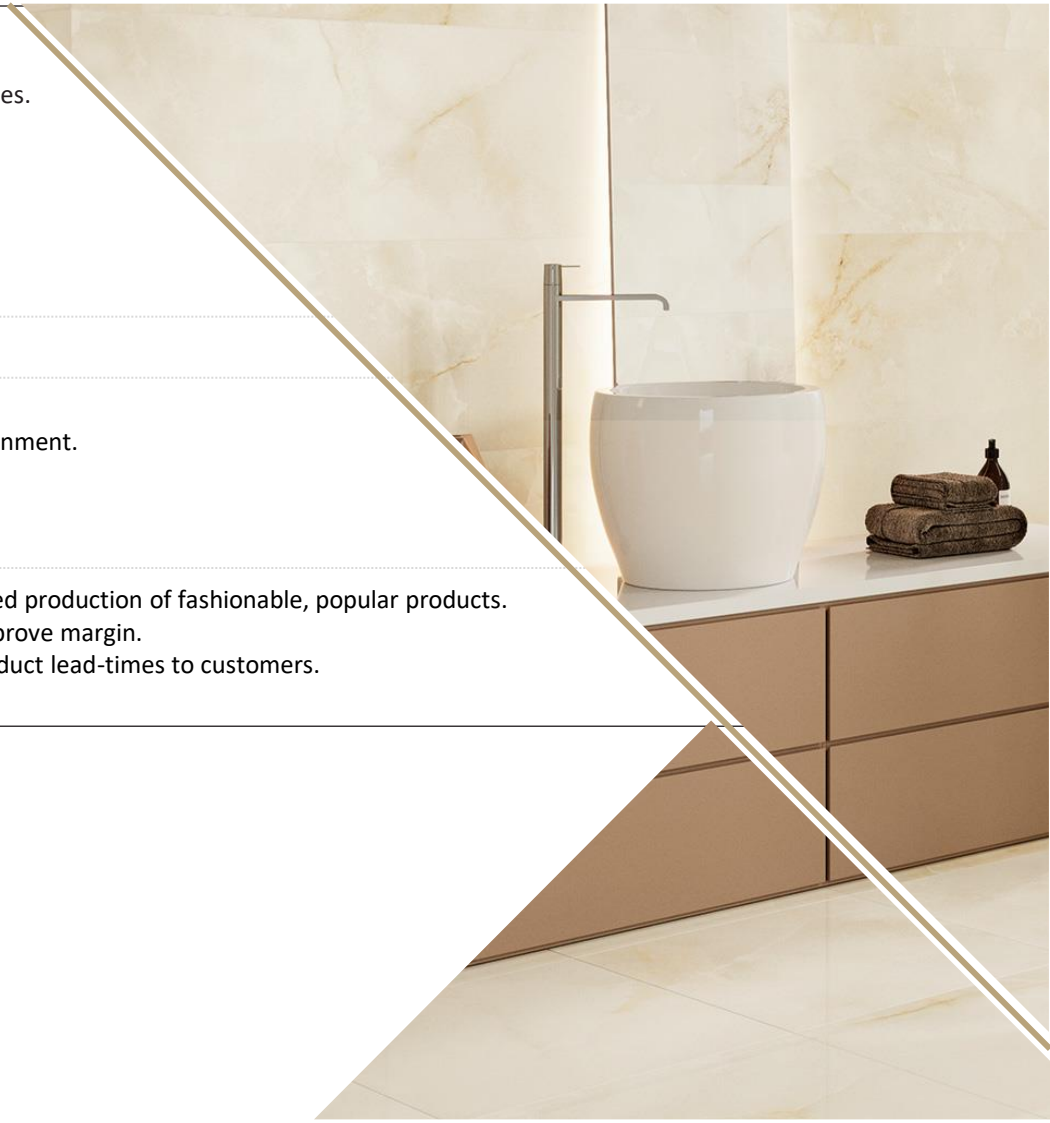
2022/23 major achievements	• Stabilised production at Samca+ and improved yields. • Increased volumes of rectified planks from Gryphon and bedded down polishing technology and process. • Commissioned an additional 2.2 MW solar power purchasing agreement at Gryphon. • Successfully completed a new spray dryer installation at Samca Wall. • Improved performance by the Australian factory.



SUPPLY CHAIN | MANUFACTURERS

CERAMIC INDUSTRIES

/…TILE DIVISION continued	
2023/24 priorities and outlook	▪ Increase market share in the context of subdued demand and grow tile sales volumes. ▪ Improve manufacturing efficiency to reduce costs and improve margin. ▪ Bed down the new management team. ▪ Improve Samca+ volumes and yields. ▪ Increase the polished production capacity at Gryphon and expand the range. ▪ Commission Vitro's 3rd production line upgrade. ▪ Commission 0.6MW solar power purchasing agreement at Samca+.
BATHROOMWARE DIVISION	
2022/23 major achievements	• Grew Betta's market share in a subdued market. • Contained the manufacturing cost increase at Betta below 2% in inflationary environment. • Launched new products. • Multiple import substitution products developed and launched to market. • Introduced Betta-branded sanitaryware.
2023/24 priorities and outlook	• Continue to grow market share through import replacement products and increased production of fashionable, popular products. • Improve manufacturing efficiency to contain cost increases below inflation and improve margin. • Complete commissioning of the new Betta warehouse and significantly reduce product lead-times to customers. • Increase capacity to manufacture free-standing baths.



SUPPLY CHAIN | MANUFACTURERS

EZEE TILE

Nature of business	Manufacturer of cement-based adhesives, grouts, water-based paints and related products. Comprises manufacturing facilities in Johannesburg, Durban, Gqeberha, Cape Town, Bloemfontein, Mokopane, Windhoek, Mombasa, Lusaka and Harare
Secondment	CFO Brandon Wood will continue to oversee operations until June 2024. A Managing Director-designate has been appointed. His focus is on completing Vulcania's commissioning.
Key performance indicators	

Trends	2023	2022
Sales	↑	↑
Average selling price	↑	↑
Margins	↓	↓
Net profit	↓	↓
Stock turn	↑	↓
Closing inventory	↓	↑

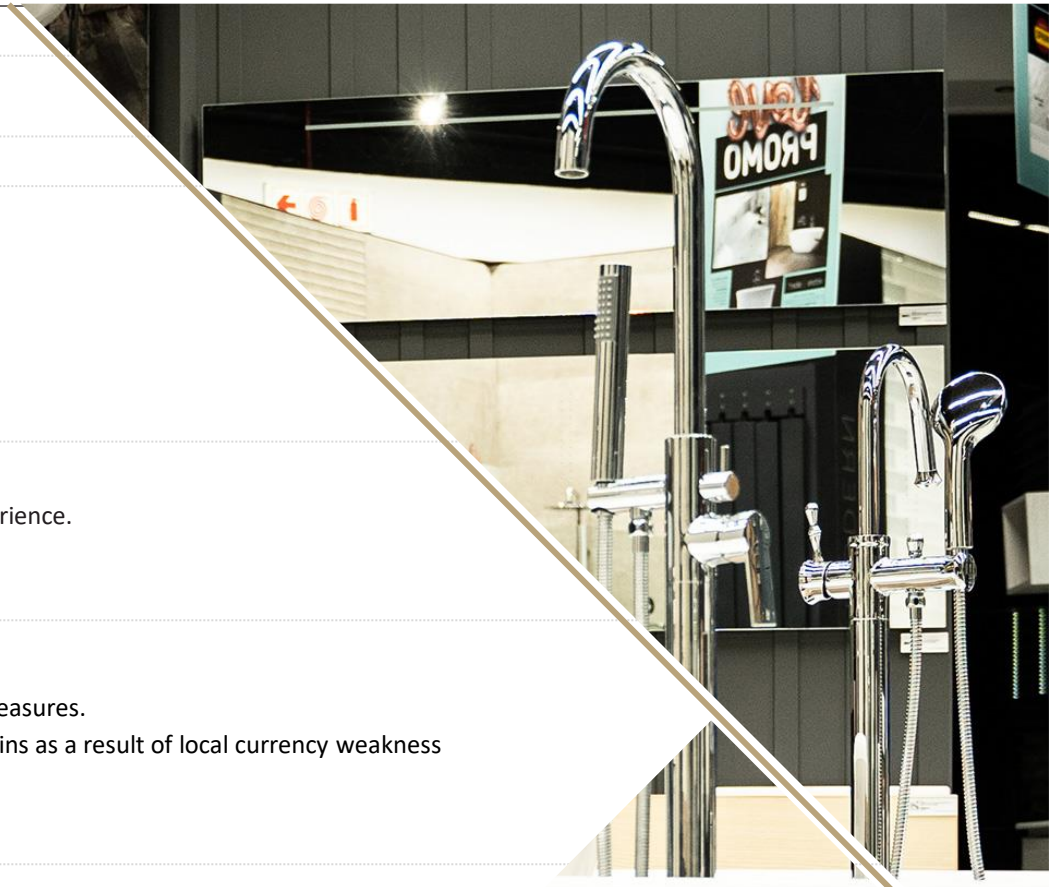
Key differentiators	▪ A national footprint of manufacturing plants which underpins Ezee Tile's "always in stock" policy with consistent supply of products. ▪ Strong strategic partnerships with key raw material suppliers that provide access to the latest technologies to improve quality while reducing costs. ▪ Largest producer status affords economies of scale.
2022/23 major achievements	▪ Multiple production lines were commissioned at the new Vulcania facility. ▪ Improved product procurement planning resulted in reduced stock holding and higher stock turns on raw materials. ▪ Robust growth achieved in the specifications market, facilitated by an improved projects team and enhanced coordination with the Italtile Retail Commercial division.
2023/24 priorities and outlook	▪ Realise efficiencies in the new Vulcania factory to improve margins. ▪ Recruit critical skills into the business and continue upskilling staff. ▪ Entrench core elements of the Group's culture into the business. ▪ Complete the sand quarry purchase to secure long term supply for the Vulcania factory. ▪ Complete integration of the TMS during Q1 2024 to improve on-time-in-full deliveries ("OTIF") and reduce costs. ▪ Enhance vendor-managed supply into vertically integrated customers. ▪ Continue to build market share in the specifications market and with independent/open market customers. ▪ Adverse trading conditions and increased competition from smaller entry-level operators likely to persist.



SUPPLY CHAIN | IMPORTERS

INTERNATIONAL TAP DISTRIBUTORS

Nature of business	Importer and distributor of brassware and accessories
Equity partner	MD: Michael Simoes – 11 years with the Group Simoes owns a 10% equity stake
Target market	Italtile Retail, CTM and TopT network
Key performance indicators	Trends 2023 2022
Sales	↓ ↑
Average selling price	↑ ↑
Margins	↓ ↑
Net profit	↓ ↑
Stock turn	↓ ↓
Closing inventory	↓ ↑
Key differentiators	▪ Vertical integration in the Group's supply chain. ▪ Long-standing relationships with international suppliers and extensive import experience. ▪ Efficient state-of-the-art robotic warehouse facility. ▪ ITD's Tivoli range is the only major Italian brassware brand in South Africa.
2022/23 major achievements	• Maintained high levels of business-critical stock to support the retail operations. • Limited the impact of higher overhead costs through rigorous cost-containment measures. • Contained wholesale and retail price increases despite increased pressure on margins as a result of local currency weakness and higher input costs. • Reduced inventory significantly following improved supply chain reliability.
2023/24 priorities and outlook	• Volume growth through gains in market share is imperative in the context of constrained consumer spending and subdued investment sentiment. • Grow sales in the commercial projects segment. • In light of stable supply lead times, drive improvement in retail stock turn. • Despite a stabilisation of raw material costs, margins will remain under pressure due to local currency weakness and cost inflation.



SUPPLY CHAIN | IMPORTERS

CEDAR POINT

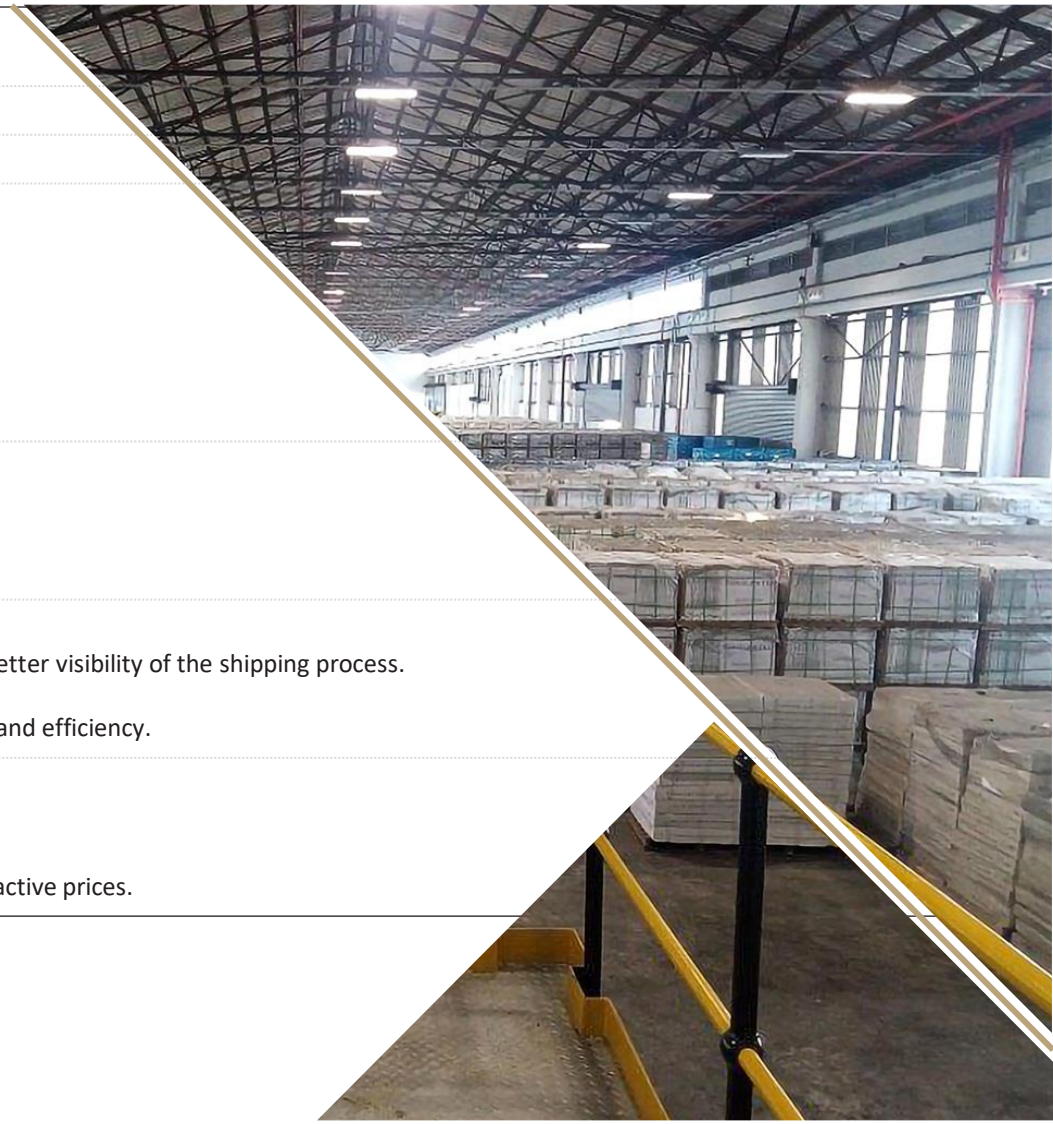
Nature of business	Importer and distributor of laminate and vinyl flooring, bathroom furniture, shower enclosures, sanitaryware, décor and other home finishing products.
Caretaker Manager	Tees Govender – 23 years with the Group Previous equity owners exited, selling their stake back to the Group.
Target market	Italtile, CTM and TopT store network
Key performance indicators	Trends 2023 2022
Sales	↑ ↓
Average selling price	↑ ↑
Margins	↓ ↓
Net profit	↓ ↑
Stock turn	↓ ↓
Closing inventory	↓ ↑
Key differentiators	▪ Integral component of the supply chain across merchandise categories. ▪ Strong relationships with international and local suppliers. ▪ Leading importer and distributor of high quality, affordable DIY products. ▪ Efficient warehousing and consolidated deliveries.
2022/23 major achievements	▪ Grew sales of product through the store network. ▪ Reduced stock control costs. ▪ Expanded vendor-managed inventory at company-owned CTM and TopT stores. ▪ Improved stock demand forecast and planning with the retail stores.
2023/24 priorities and outlook	▪ Grow sales. ▪ Revise product merchandise categories and introduce new fashion. ▪ Improve stock turns and reduce inventory. ▪ Improve visibility of all imported stock from manufacturer to the customer.



SUPPLY CHAIN | IMPORTERS

DISTRIBUTION CENTRE

Nature of business	Procures stock for the Group's retail brands, and is one of the largest importers of tiles in SA. Provides warehousing, distribution and logistics services to the Group.
Manager	Tees Govender – 23 years with the Group
Target market	Group's retail store networks and other integrated suppliers
Key performance indicators	Trends 2023 2022
Sales	↓ ↓
Average selling price	↑ ↑
Margins	↑ ↓
Net profit	↑ ↓
Stock turn	↑ ↓
Closing inventory	↑ ↓
Key differentiators	▪ Bulk warehousing and efficient operations integrated into the Group's TMS. ▪ Long-standing relationships with international suppliers. ▪ Extensive multi-decade import experience. ▪ Strong financial position facilitates optimal investment in inventory.
2022/23 major achievements	▪ Improved stock turn rate and achieved net profit budget. ▪ Control tower solution implemented, enabling us to manage lead times and gain better visibility of the shipping process. ▪ Improvement in the vehicle utilisation rate achieved. ▪ The team completed training courses which contributed to improved productivity and efficiency.
2023/24 priorities and outlook	▪ Reduce average stockholding and continue to improve stock turn. ▪ Improve OTIF and retail in-stocks. ▪ Further improve the average vehicle utilisation rate on the TMS. ▪ Continue to improve sales through stores by procuring fashionable product at attractive prices.



SUPPORT SERVICES | PROPERTY INVESTMENT

Nature of business	Affords strategic advantage to the Group's retail operations by ensuring stores are located on high profile destination sites or within easy access of under-serviced rural and outlying areas and are aesthetically attractive shopping environments. Underpins the Group's manufacturing operations with well-maintained state-of-the-art factories supplied with raw materials sourced from productive quarries in close proximity to the plants. The portfolio is continuously evaluated and enhanced to ensure optimal returns.	
Manager	Julian Mochitele – eight years with the Group	
Target market	Italtile Retail, CTM, TopT and U-Light store networks	
Key statistics	2023	2022
Number of stores	209 (excluding webstores)	206 (excluding webstores)
Number of factories (Ceramic)	8	8
Number of quarries (Ceramic)	6	10
Retail property capex	R338m	R398m
Portfolio changes	7 properties acquired and 2 sold	6 properties acquired and 1 sold
New stores opened	7 (2 CTMs and 5 TopTs)	10 (1 Italtile Retail, 4 CTMs, 3 TopTs, 2 U-Lights)
Stores closed	2 TopTs	



2022/23 major achievements

- Goal to sell unproductive sites achieved with the sale of two properties and the lodging of transfer of another.
- Expanded the Group's footprint in East Africa with opening of CTM Nakuru in Kenya.
- Goal to convert leased sites to owned properties for high-performing TopT stores achieved with successful sourcing of three new sites.
- Opened ELK stores in Westgate, Bryanston and Southgate in Gauteng on Group-owned sites.
- Commenced installing smart electricity and water meters in our stores. To date, installations in Gauteng and the Eastern and Western Cape completed.

2023/24 priorities and outlook

- Increase returns by optimising store size and input costs; relocating non-performing stores; and ensuring keen negotiations on rental renewals.
- Sell non-profitable/non-viable sites.
- Drive green initiatives to ensure environmental sustainability and reduced dependency on municipal services through our programmes to implement solar and battery back-up, rain water harvesting and boreholes.
- Continue to source and develop new suitable sites.
- Continue to support the Group`s expansion programme by incorporating ELK offerings into our current properties.



03

FINANCIAL REVIEW

FINANCIAL REVIEW

- Key financials
- System-wide turnover analysis
- Segmental report
- Geographical analysis
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows
- Cash flow waterfall
- Financial ratios



KEY FINANCIALS

Year ended 30 June 2023 (Rand millions unless otherwise stated)	Reviewed 2023	Audited 2022	% change
System-wide turnover (Group-owned and franchises)	**11 502**	11 345	1
Turnover (Group-owned)	**9 136**	8 981	2
Trading profit	**2 318**	2 717	(15)
Operating margin (%)	**25.4**	30.3	(4.9)
Headline earnings	**1 601**	1 851	14
Total assets	**9 769**	8 749	12
NAV per share (cents)	**642**	575	12
Cash and cash equivalents	**1 049**	431	143
Capital expenditure	**671**	1 024	(34)
Total ordinary dividend per share (cents)	**53**	61	(13)



SYSTEM-WIDE TURNOVER ANALYSIS

(Rand millions unless otherwise stated)	% change	**Reviewed year to 30 June 2023**	Audited year to 30 June 2022
Group and franchised turnover			
▪ By Group-owned stores and entities	2	**9 136**	8 981
▪ By franchise stores (unaudited)	0	**2 366**	2 364
Total	1	**11 502**	11 345



SEGMENTAL REPORT

Reviewed year to 30 June 2023 (Rand millions unless otherwise stated)	Retail	Manufacturing*	Supply and Support Services*	Franchising	Properties	Associates	Consolidation	Total
Turnover	5 396	5 316	2 447	-	-	-	(4 023)	9 136
- From external customers*	5 393	3 300	443	-	-	-	-	9 136
- Intersegment	3	2 016	2 004	-	-	-	(4 023)	-
Turnover from franchise stores**	2 366	-	-	-	-	-	(2 366)	-
Achieved gross margin	1 948	1 405	283	#	-	-	263	3 899
Manpower costs	(336)	(586)	(225)	(12)	(8)	-	-	(1 167)
Depreciation	(81)	(260)	(30)	(3)	(98)	-	-	(472)
Impairment of property, plant and equipment	-	-	-	-	-	-	-	-
Profit on sale of property, plant and equipment	1	1	2	#	#	-	-	5
Trading profit	553	771	252##	356###	386	-	-	2 318
Finance income	14	22	52	-	33	-	(56)	65
Finance costs	(5)	(9)	(35)	#	(89)	-	56	(82)
Income from associates	-	-	-	-	-	9	-	9
Profit before taxation	562	784	269	356	330	9	-	2 310

* *Turnover from external customers includes sales to franchise stores*
** *Franchise stores are not controlled by the Group*
\# *Less than R1 million*
Includes franchise income of R60 million
Includes royalty income of R144 million

SEGMENTAL REPORT

Audited year to 30 June 2022 (Rand millions unless otherwise stated)	Retail	Manufacturing*	Supply and Support Services*	Franchising	Properties	Associates	Consolidation	Total
Turnover	5 349	5 128	2 548	-	-	-	(4 044)	8 981
- From external customers*	5 349	3 052	580	-	-	-	-	8 981
- Intersegment	-	2 076	1 968	-	-	-	(4 044)	-
Turnover from franchise stores**	2 364	-	-	-	-	-	(2 364)	-
Achieved gross margin	1 957	1 565	300	-	-	-	245	4 067
Manpower costs***	(331)	(597)	(223)	(4)	(5)	-	-	(1 160)
Depreciation	(81)	(231)	(21)	#	(105)	-	-	(438)
Impairment of property, plant and equipment	(2)	-	-	-	-	-	-	(2)
Profit on sale of property, plant and equipment	1	#	#	#	#	-	-	1
Trading profit	570	1 052	391##	331###	391	-	(18)	2 717
Finance income	6	18	28	#	13	-	(26)	39
Finance costs	(1)	(1)	(20)	#	(67)	-	26	(63)
Income from associates	-	-	-	-	-	7	-	7
Profit before taxation	575	1 069	399	331	337	7	(18)	2 700

* *Turnover from external customers includes sales to franchise stores*
** *Franchise stores are not controlled by the Group*
*** *The 2022 Segmental report has been amended to separately disclose the manpower costs which contribute a significant portion of the operating expenses*
\# *Less than R1 million*
Includes franchise income of R60 million
Includes royalty income of R144 million

GEOGRAPHICAL ANALYSIS

(Rand millions unless otherwise stated) Reviewed year to 30 June 2023	South Africa	Rest of Africa	Australia	Consolidation	Group
Turnover	**11 404**	**1 077**	**678**	**(4 023)**	**9 136**
Non-current assets	**7 461**	**514**	**235**	**(1 776)**	**6 434**
Audited year ended 30 June 2022					
Turnover	11 450	985	590	(4 044)	8 981
Non-current assets	7 549	359	219	(2 015)	6 112



CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

(Rand millions unless otherwise stated)	Reviewed year to 30 June 2023	Audited year to 30 June 2022
Revenue	**9 136**	8 981
Trading profit	**2 318**	2 717
Profit for the year after tax	**1 656**	1 935
EPS (cents)	**132.6**	152.0
HEPS (cents)	**132.3**	152.1



CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 **(Rand millions unless otherwise stated)**	**Reviewed 2023**	Audited 2022
Property, plant and equipment	**5 739**	5 512
Inventories	**1 315**	1 286
Cash and cash equivalents	**1 049**	431
Total assets	**9 769**	8 749



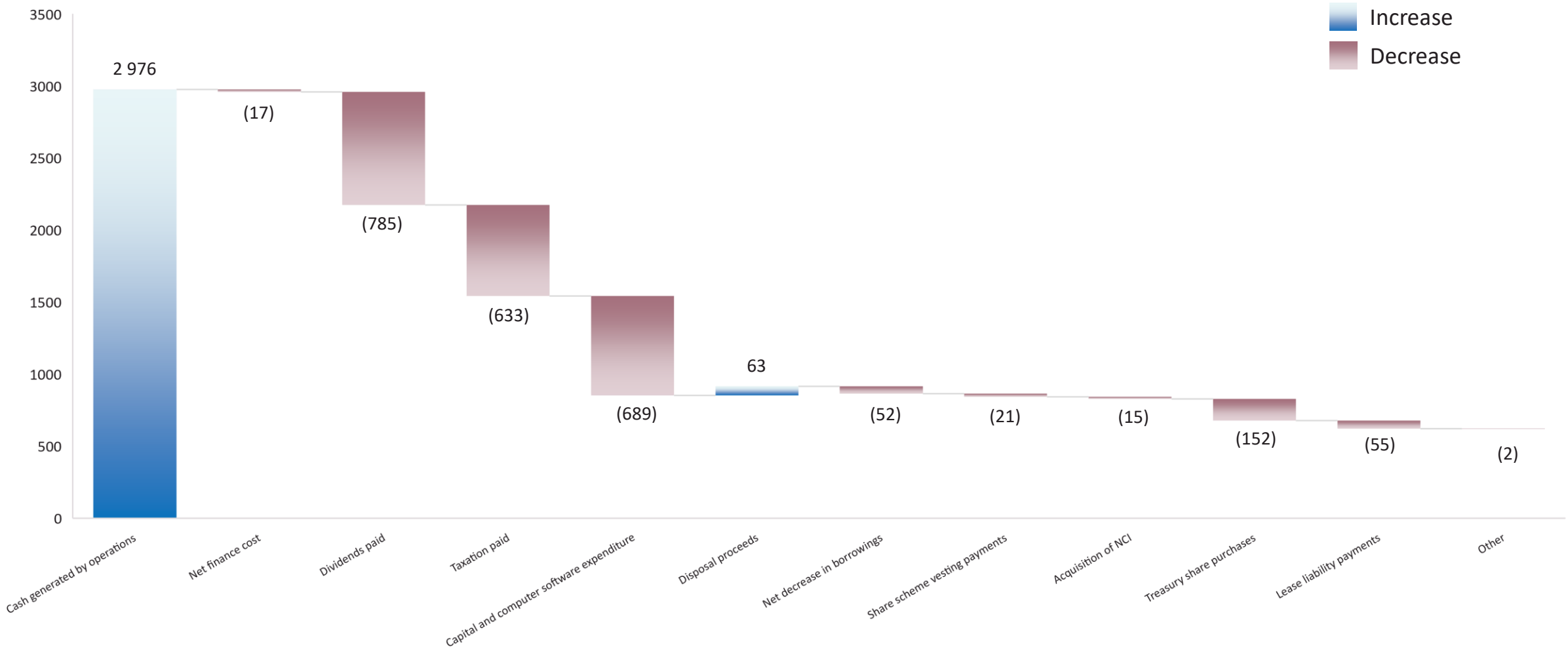
CONDENSED GROUP STATEMENT OF CASH FLOWS

(Rand millions unless otherwise stated)	Reviewed year to 30 June 2023	Audited year to 30 June 2022
From operating activities	**1 541**	693
From investing activities	**(628)**	(1 010)
From financing activities	**(295)**	(333)
Net movement	**618**	(650)
At beginning of the year	**431**	1 081
At end of the year	**1 049**	431



CASH FLOW WATERFALL

For the year ended 30 June 2023
(Rand millions)



FINANCIAL RATIOS

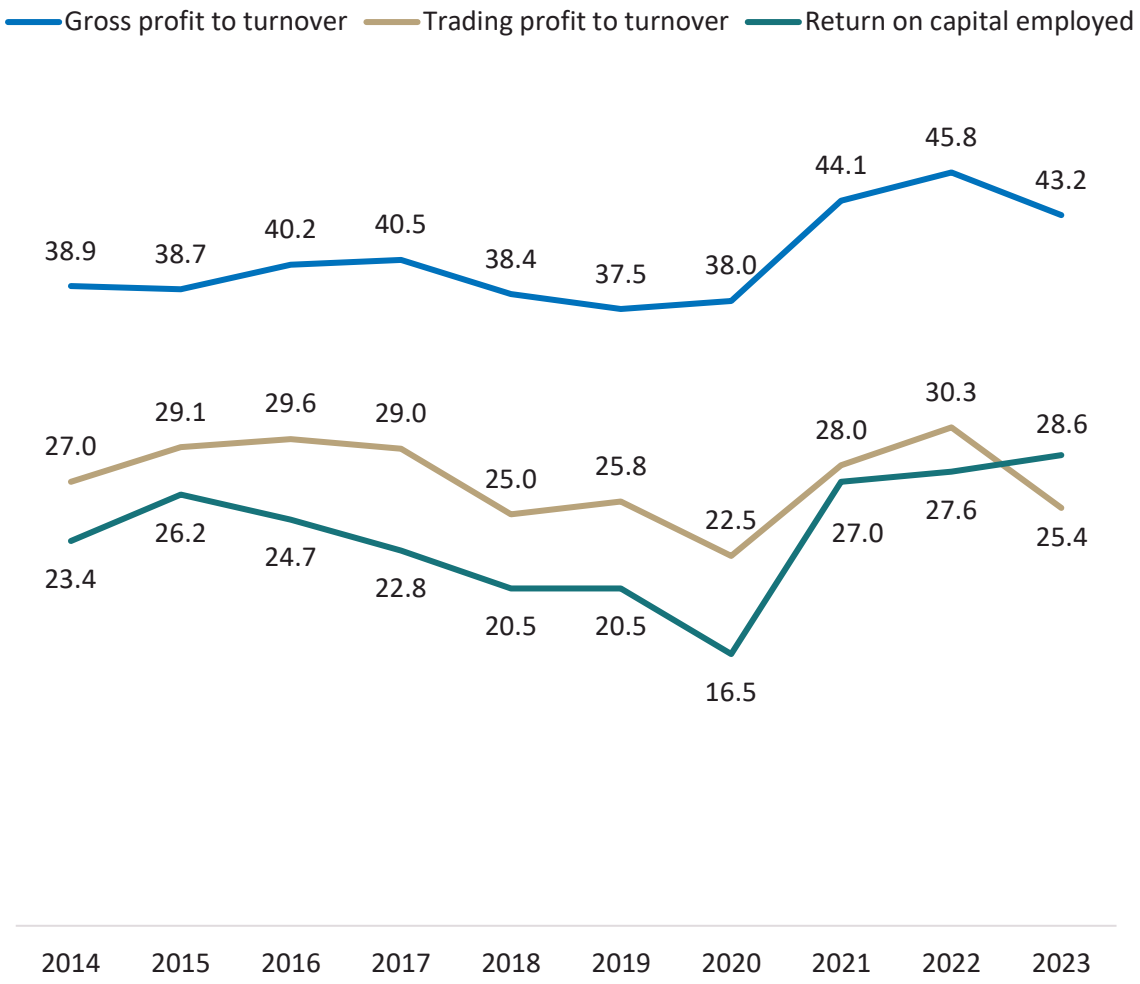
	Reviewed year to 30 June 2023	Audited year to 30 June 2022
Gross profit to turnover (%)	**43.2**	45.8
Trading profit to turnover (%)	**25.4**	30.3
Return on capital employed (%)	**28.6**	27.6
Current ratio (times)*	**3.6**	3.6
Acid test ratio (times)	**2.2**	1.9
Turnover per employee (R'000)	**3 536**	3 387

* *includes R52m current portion of loan funding in prior year*

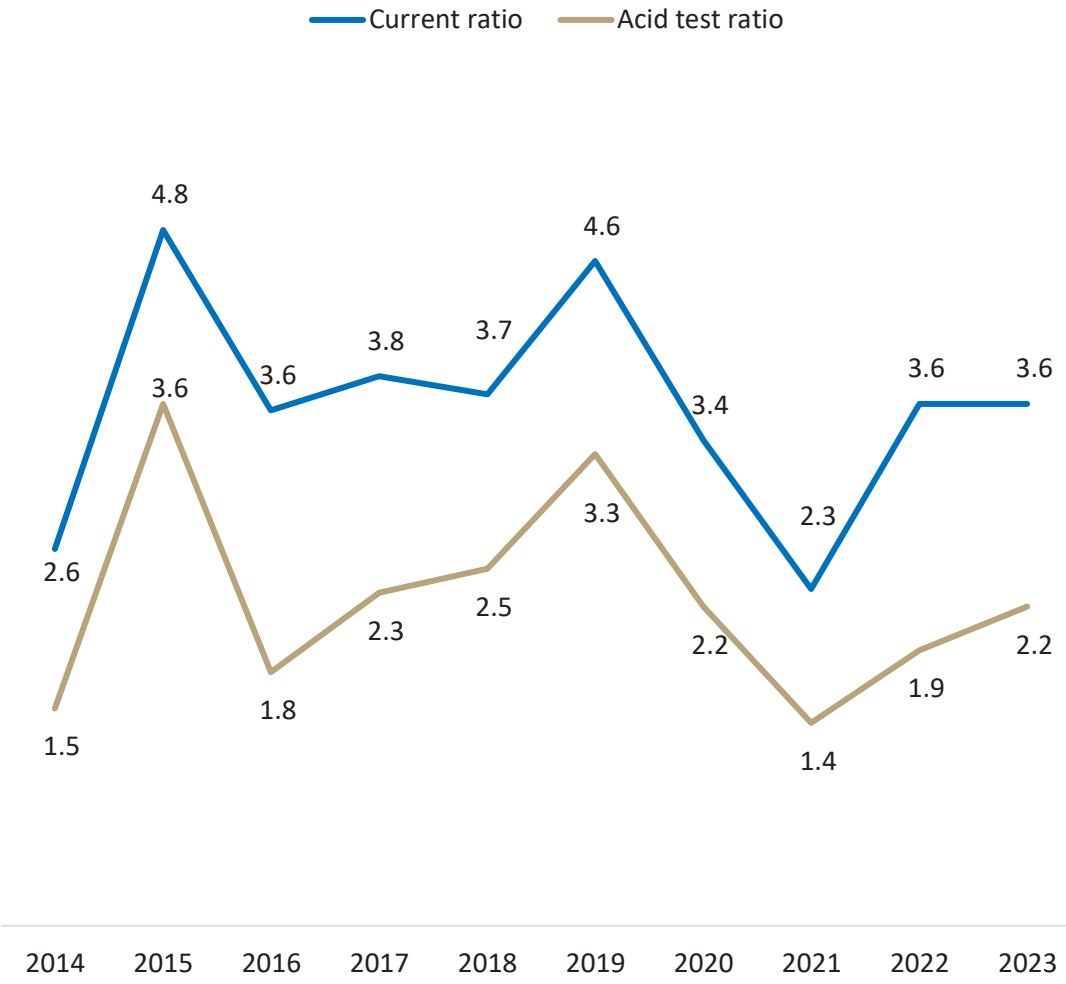


FINANCIAL RATIOS

Returns (%)



Ratios (times)



04

OUTLOOK, PRIORITIES AND PROSPECTS



OUTLOOK, PRIORITIES AND PROSPECTS FOR 2023/24

OUTLOOK

- Persistent lack of specialist skills and small human capital pool is a concern.
- Consumers' disposable income will remain under pressure.
- Continued instability of energy supply, deteriorating infrastructure, crime, corruption and misgovernment likely to constrain GDP growth and dampen investor sentiment.
- Stagnating economy and socio-political volatility unlikely to improve in the lead up to elections in 2024.

PRIORITIES AND PROSPECTS

We will continue to focus on the growth levers within our control and influence.
Opportunities for growth lie in our strategic focus areas for 2023/4.

- **Improved sales**
  Through better execution, complemented by improved ranges and supply from our integrated import and manufacturing businesses.
- **Operational excellence**
  - Improve efficiencies in Ezee Tile and Ceramic.
  - Enhance the shopping experience for our customers by continuing to improve our ranges, presentation, service and affordable quality.
  - Continue to invest in the digital experience.
  - Capitalise on opportunities to substitute imported product.

OUTLOOK, PRIORITIES AND PROSPECTS FOR 2023/24

PRIORITIES AND PROSPECTS /…continued

- **Develop teams**
  - Recruit for and develop our depth of talent, leadership pipeline and competencies.
  - Recruitment and development must continue to address under-representation in the business to meet our transformation goals.
- **Resource security**
  - Mitigate against risks associated with power, gas and water supply; set consumption reduction targets; and transition to renewable resources.
- **Entrench our purpose-driven approach to responsible citizenship**
  - Continue to contribute positively to our stakeholders and various communities in which we operate by creating good quality employment; reducing our carbon footprint through our products, practices, properties and plants; and actively participating in constructive stakeholder engagements.

Despite our confidence that operational improvements can be made, the economic environment will determine consumer demand in the market. Without strong volumes and optimal use of capacity, our cost base and profitability will be negatively affected. Local inflation is also expected to continue to outpace that in competitor markets of India, China, Zambia and Tanzania, which will serve to intensify margin pressure.

However, our resilient business model, growth programme and the positive long-term dynamics of the housing market afford confidence.

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