



adcock ingram



**GROUP ANNUAL RESULTS
AND CASH DIVIDEND
DECLARATION**
FOR THE YEAR ENDED
30 JUNE 2024



Commentary

ADCOCK INGRAM HOLDINGS LIMITED

Incorporated in the Republic of South Africa

(Registration number 2007/016236/06)

Share code: AIP ISIN: ZAE000123436

("Adcock Ingram" or "the Company" or "the Group")

SALIENT FEATURES

Turnover increased 6% to R9.6 billion

Trading profit increased 4% to R1.23 billion

HEPS increased 10% to 616.6 cents

Final dividend declared: 150 cents per share

Total dividend increased 10% to 275 cents per share

Share buyback: 6.0 million shares

B-BBEE level: 2

INTRODUCTION

The Board of Directors is very pleased with the financial results. A good trading performance, coupled with excellent cost control, resulted in the business delivering double-digit HEPS growth. Furthermore, strong cash generation facilitated the continued return of value to shareholders, including the repurchase of 6 million shares and 10% growth in dividends. The Company increased its share and maintained its position as the leading pharmaceutical player in the South African private market.

REVENUE AND PROFITS

Revenue during the year under review increased by 5.6% to R9,643 million (June 2023: R9,132 million) supported by price realisation of 4.9% and a mix benefit of 1.5%. Organic volumes declined by 0.8%, a satisfying recovery from the 5.0% decline experienced in the first six months of the financial year. The second half of the financial year benefited from increased demand for our winter products, driven by a rise in cold and flu cases and other respiratory illnesses.

The gross margin declined from 34.9% to 33.4%, impacted by an average increase of 10.8% in forward exchange contract rates for products acquired in foreign currency and a change in the sales mix with a higher proportion of low-margin large-volume parenteral tender sales.

Operating expenses have been exceptionally well controlled and decreased by 0.9%, despite the favourable sales variance, general inflationary pressures and salary increases. This resulted in a 4.2% improvement in trading profit to R1,229 million (June 2023: R1,180 million).

NON-TRADING EXPENSES

Non-trading expenses of R164.7 million consist of share-based expenses of R44.7 million, goodwill, intangibles and property plant and equipment impairments of R115.6 million, a fair value adjustment of R2.8 million on a long-term receivable and corporate activity costs of R1.6 million.

NET FINANCE COSTS

Net finance costs of R86.8 million (June 2023: R52.2 million) were incurred during the year, including IFRS 16 (Leases) finance costs of R27.0 million (June 2023: R29.5 million). The average borrowing rate in the reporting year was 11.75%, compared to 10.50% in the prior year.

Commentary (Continued)

HEADLINE EARNINGS

Headline earnings for the year increased by 3.5% to R930 million (June 2023: R898 million). This translates into headline earnings per share of 616.6 cents (June 2023: 561.3 cents), an improvement of 10%.

CASH FLOWS

Cash generated from operations was R1,234 million (June 2023: R1,104 million) after working capital increased by R184 million (June 2023: R281 million). Trade receivables increased by R188 million, due to the higher sales. The book remains well controlled, and the average days outstanding improved to 54 days, the best in memory (June 2023: 55 days). Trade and other payables increased by R87 million, in line with the increase in inventories (R83 million).

The Group increased its treasury shares held by Adcock Ingram Limited (AIL) by an additional 6.0 million during the current year, at an average cost of R54.60 per share, resulting in cash outflow of R327.9 million.

The Group had net cash resources of R89 million (June 2023: R82 million) at the end of the financial year, with access to working capital facilities of R1.75 billion.

DIVIDEND DISTRIBUTION

The Board has declared a final dividend of 150 cents per share for the year ended 30 June 2024, out of income reserves.

BUSINESS OVERVIEW

Consumer turnover of R1,702 million (June 2023: R1,655 million), ended 2.8% ahead of the prior year, supported by an average price increase of 5.0% and a mix benefit of 4.1% attributed to the inclusion of the E45 skincare range for a full year (June 2023: 6 months) and line extensions of established brands. Organic volumes declined by 6.3%, an improvement from the 10.0% decline experienced in the first six months of the financial year. The gross margin ended lower than the prior year, adversely affected by cost push from suppliers, the weak Rand and the inclusion of E45 at a lower average margin. With good cost control, trading profit of R362 million was realised (June 2023: R357 million), an improvement of 2%.

The Division acquired the Dermopal brand effective 1 July 2024. The Dermopal range, which consists of moisturising sunscreen formulated for everyday facial care, to prevent pigmentation and signs of ageing, primarily in darker skins tones, will augment the Division's existing skincare and suncare product offering.

Turnover in OTC improved by 7.9% over the prior year, supported by good demand for its winter basket, with a rise in cold and flu cases and other respiratory illnesses. Organic volumes improved by 0.4%, an excellent recovery from the 6.3% decline experienced in the first six months of the financial year, with major brands like Corenza C, Citro Soda, Dilinct, Solphyllex and Adco-Mayogel showing good growth. Average price realisation was 7.5%. The gross margin ended marginally lower than the prior year, as the adverse impact of the weaker currency and increases in production costs, were largely offset by an advantageous sales mix and price increases. With excellent cost control, trading profit increased by a healthy 10% to R384 million (June 2023: R349 million).

Prescription turnover improved by 4.1% to R3,430 million (June 2023: R3,294 million) aided by average price realisation of 4.0% and a mix benefit of 1.8% attributed to a number of new product launches. IQVIA ranks Adcock Ingram in second place in terms of new product launches over the last year. Organic volumes declined by 1.7%, with a lower contribution from the ARV tender. The lower ARV tender sales led to a more favourable sales mix resulting in the gross margin ending only marginally below the prior year despite an average increase of 10.0% in forward exchange contract rates for products acquired in foreign currency. Although inflationary pressures posed challenges, operating expenses were well controlled, resulting in trading profit improving by an impressive 10% to R352 million (June 2023: R320 million).

Sales in Hospital improved by 7.9% to R2,049 million (June 2023: R1,899 million), supported by the 3-year Large Volume Parenterals (LVP) tender awarded on 1 October 2023. Organic volumes increased by 3.7%, and an average price increase of 3.5% was realised. A mix benefit of 0.7% was achieved, mainly attributed to the recent on-boarding of wound care and ostomy products from Convatec. Gross margin ended lower than the prior year following the change in the sales mix with higher LVP tender sales, significant production challenges, including water supply interruptions, and the adverse impact of the exchange rate. Consequently, trading profit decreased by 16% to R128 million (June 2023: R152 million).

CHANGES TO THE BOARD

Ms Busisiwe Mabuza was appointed as a member of the Human Resources and Remuneration Committee, as well as the Social, Ethics and Transformation Committee, with effect from 1 July 2024.

PROSPECTS

We are encouraged by the positive sentiment generated by the formation of a Government of National Unity (GNU). This development, along with the possibility of the Reserve Bank reducing interest rates due to inflation rates improving and the good progress on structural reforms in the electricity and rail sectors, are positive indications for the economy. However, we expect that a significant recovery in consumer spend will take some time should the abovementioned factors remain favourable. Furthermore, the financial health of the business remains subject to the performance of the currency and the ability to obtain selling price increases, both in the regulated and non-regulated portfolios.

The Board remains committed to seeking additional affordable brands, as reflected by the recently acquired Dermopal, to expand the non price-regulated portfolio, and pursuing partnerships with respected multinational companies.

DIVIDEND DISTRIBUTION

The Board has declared a final gross dividend out of income reserves of 150 cents per share in respect of the year ended 30 June 2024. The South African dividend tax ("DT") rate is 20% and the net dividend payable to shareholders who are not exempt from DT is 120 cents per share. Adcock Ingram currently has 161 300 000 ordinary shares in issue and qualifying for ordinary dividends. The income tax reference number is 9528/919/15/3.

The salient dates for the distribution are detailed below:

Last date to trade cum distribution	Tuesday, 17 September 2024
Shares trade ex distribution	Wednesday, 18 September 2024
Record date	Friday, 20 September 2024
Payment date	Monday, 23 September 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 September 2024 and Friday, 20 September 2024, both dates inclusive.

N Madisa
Chairperson

AG Hall
Chief executive officer

21 August 2024

Summary consolidated statements of comprehensive income

	Notes	Audited 2024 R'000	Change %	Audited 2023 R'000
Revenue	2.1	9 643 128	6	9 131 852
Cost of sales		(6 424 596)		(5 944 832)
Gross profit		3 218 532	1	3 187 020
Selling, distribution and marketing expenses		(1 360 895)	(2)	(1 390 638)
Fixed and administrative expenses		(628 141)	2	(615 907)
Trading profit		1 229 496	4	1 180 475
Non-trading expenses	3	(164 672)		(44 948)
Operating profit		1 064 824	(6)	1 135 527
Finance income		10 704		7 628
Finance costs		(97 462)		(59 795)
Dividend income		3 891		3 174
Equity-accounted earnings		142 864		119 048
Profit before tax		1 124 821	(7)	1 205 582
Tax		(310 812)		(307 222)
Profit for the year		814 009	(9)	898 360
Exchange differences on translation of foreign operations		(23 284)		44 740
Subsidiaries		(1 066)		1 704
Joint venture		(22 218)		43 036
Movement in cash flow hedge accounting reserve, net of tax		(49 295)		57 814
Fair value of investment*		573		1 424
Actuarial profit on post-employment medical liability*		698		894
Total comprehensive income, net of tax		742 701		1 003 232
Profit attributable to:				
Owners of the parent		814 009		898 410
Non-controlling interests		-		(50)
		814 009		898 360
Total comprehensive income attributable to:				
Owners of the parent		742 701		1 003 282
Non-controlling interests		-		(50)
		742 701		1 003 232
Basic earnings per ordinary share (cents)		539.6	(4)	561.3
Diluted basic earnings per ordinary share (cents)		526.4	(4)	548.6
Headline earnings per ordinary share (cents)		616.6	10	561.3
Diluted headline earnings per ordinary share (cents)		601.5	10	548.7

* Remeasurement of investment and post-employment medical liability will not be reclassified to profit and loss. All other items in other comprehensive income may be reclassified to profit and loss.

Summary consolidated statement of changes in equity

	Issued share capital R'000	Share premium R'000	Treasury share reserve	Non-distributable reserves R'000	Retained income R'000	Total attributable to holders of the parent R'000	Non-controlling interests R'000	Total R'000
Balance at 1 July 2022	16 176	255 194		270 173	4 703 351	5 244 894	229	5 245 123
Movement in share-based reserve*				28 840		28 840		28 840
Transfer of reserves				6 081	(6 080)	1	(1)	–
Cancellation of shares	(4)	(1 972)				(1 976)		(1 976)
Treasury shares purchase	(923)		(471 196)			(472 119)		(472 119)
Movement in treasury shares	28	13 389				13 417		13 417
Total comprehensive income				51 839	898 410	950 249	(50)	950 199
Profit for the year					898 410	898 410	(50)	898 360
Other comprehensive income				104 872		104 872		104 872
Reclassified to cost of inventory – not included in other comprehensive income				(53 033)		(53 033)		(53 033)
Dividends					(375 368)	(375 368)	(204)	(375 572)
Balance at 30 June 2023	15 277	266 611	(471 196)	356 933	5 220 313	5 387 938	(26)	5 387 912
Movement in share-based reserve*				(24 033)		(24 033)		(24 033)
Treasury shares purchase	(601)		(327 310)			(327 911)		(327 911)
Movement in treasury shares (equity scheme)		6				6		6
Total comprehensive income				(58 185)	814 009	755 824		755 824
Profit for the year					814 009	814 009		814 009
Other comprehensive income				(71 308)		(71 308)		(71 308)
Reclassified to cost of inventory – not included in other comprehensive income				13 123		13 123		13 123
Dividends					(379 004)	(379 004)	(18)	(379 022)
Balance at 30 June 2024	14 676	266 617	(798 506)	274 715	5 655 318	5 412 820	(44)	5 412 776

* Relate to equity and BMT option schemes.

Summary consolidated statements of financial position

	Audited 2024 R'000	Audited 2023 R'000
ASSETS		
Property, plant and equipment	1 448 624	1 475 795
Right-of-use assets	190 406	233 468
Intangible assets	1 114 184	1 233 326
Deferred tax assets	25 877	14 104
Other financial assets	17 514	20 476
Investment in joint ventures	672 493	670 948
Non-current assets	3 469 098	3 648 117
Inventories	2 541 001	2 449 611
Receivables and other current assets	2 223 588	2 059 917
Cash and cash equivalents	89 417	91 540
Tax receivable	31 779	12 870
Loan receivable	–	479
Current assets	4 885 785	4 614 417
Total assets	8 354 883	8 262 534
EQUITY AND LIABILITIES		
Capital and reserves		
Issued share capital	14 676	15 277
Share premium	266 617	266 611
Treasury share reserve	(798 506)	(471 196)
Non-distributable reserves	274 715	356 933
Retained income	5 655 318	5 220 313
Total shareholders' funds	5 412 820	5 387 938
Non-controlling interests	(44)	(26)
Total equity	5 412 776	5 387 912
Long-term portion of lease liability	238 080	279 980
Post-retirement medical liability	12 527	13 081
Deferred tax liabilities	161 152	147 352
Non-current liabilities	411 759	440 413
Trade and other payables	2 310 549	2 180 922
Bank overdraft	–	9 641
Short-term portion of lease liability	42 460	35 421
Cash-settled options	22 682	23 212
Provisions	142 140	168 607
Taxation payable	12 517	16 406
Current liabilities	2 530 348	2 434 209
Total equity and liabilities	8 354 883	8 262 534

Summary consolidated statements of cash flows

	Audited 2024 R'000	Audited 2023 R'000
Cash flows from operating activities		
Operating profit	1 064 824	1 135 527
Adjustments and non-cash items	353 259	250 210
Operating profit before working capital changes	1 418 083	1 385 737
Working capital movements	(183 847)	(281 303)
Cash generated from operations	1 234 236	1 104 434
Finance income received	10 800	7 600
Finance costs paid	(97 816)	(59 155)
Dividend income received	115 239	28 174
Dividends paid	(379 022)	(375 572)
Tax paid	(318 631)	(323 729)
Cash generated from operating activities	564 806	381 752
Cash flows from investing activities		
Purchase of property, plant and equipment – Replacement	(111 702)	(137 478)
– Expansion	(16 039)	(10 608)
Proceeds on loan receivable	479	3 645
Proceeds of sale of interest in BMT	671	1 549
Proceeds from sale of interest in Group Risk Holdings Proprietary Limited	257	717
Proceeds on disposal of property, plant and equipment	1 197	551
Net cash outflow from investing activities	(125 137)	(141 624)
Cash flows from financing activities		
Share repurchase	(327 911)	(472 119)
Repayment of lease liabilities	(35 898)	(29 426)
Cancellation of shares	–	(1 976)
Equity options scheme settlement	(67 600)	(1 117)
Net cash outflow from financing activities	(431 409)	(504 638)
Net increase/(decrease) in cash and cash equivalents	8 260	(264 510)
Net foreign exchange difference on cash and cash equivalents	(742)	924
Cash and cash equivalents at beginning of year	81 899	345 485
Cash and cash equivalents at end of year	89 417	81 899

Notes to the summary consolidated financial statements

1. BASIS OF PREPARATION

1.1 INTRODUCTION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for summary financial statements, and the requirements of the Companies Act, 71 of 2002 (as amended) ("Companies Act") applicable to summary consolidated financial statements. The JSE Listings Requirements require summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS Accounting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting. These summary financial statements for the year ended 30 June 2024 are not audited but are extracted from the audited consolidated financial statements, which were audited by the independent external auditors, PricewaterhouseCoopers Inc, who have issued an unqualified audit opinion. The Board of Directors take full responsibility for the accuracy of the extraction of the summary financial statements, which have been prepared by Ms Dorette Neethling, chief financial officer, in terms of section 29(1)(e) of the Companies Act.

2. SEGMENT REPORTING

Consumer – competes in the Fast Moving Consumer Goods (FMCG) space;

Over the Counter (OTC) – focuses primarily on brands sold predominantly in pharmacy, where the pharmacist plays a role in the product choice;

Prescription – markets products prescribed by medical practitioners and includes specialised instruments and surgical products;

Hospital – supplier of hospital and critical care products, including intravenous solutions, blood collection products and renal dialysis systems; and

Other – shared services – other support services, including the regulatory services in India, as well as the investment in the joint venture and cash and bank overdraft balances which are managed on a central basis.

	Change %	Audited 2024 R'000	Audited 2023 R'000
2.1 REVENUE			
Consumer	3	1 701 856	1 654 903
OTC	8	2 461 656	2 282 422
Prescription	4	3 429 809	3 294 379
Hospital	8	2 049 292	1 899 225
Other – shared services ¹		515	923
	6	9 643 128	9 131 852

¹The Group has disclosed the regulatory services in India, after eliminating intercompany sales in the "Other – shared services" segment as it is managed as a shared service.

REVENUE BY CHANNEL	Wholesaler R'000	Corporate pharmacy R'000	Retail/ FMCG R'000	Hospital (including SANBS) R'000	Inde- pendent pharmacy R'000	Total private sector R'000	Public sector R'000	Export and foreign R'000	Total R'000
30 June 2024									
Consumer	262 927	331 878	1 082 811	9	7 301	1 684 926	-	16 930	1 701 856
OTC	1 361 525	820 873	49 763	1 560	39 524	2 273 245	146 123	42 288	2 461 656
Prescription	1 632 506	1 171 951	353 935*	39 121	62 379	3 259 892	148 518	21 399	3 429 809
Hospital	441 220	114 121	94 999	802 333	3 694	1 456 367	570 199	22 726	2 049 292
Other – shared services	-	-	-	-	-	-	-	515	515
	3 698 178	2 438 823	1 581 508	843 023	112 898	8 674 430	864 840	103 858	9 643 128

% Split 38.4% 25.3% 16.4% 8.7% 1.2% 90.0% 9.0% 1.0% 100.0%

* Includes specialised medical and surgical equipment, sold to medical practitioners.

Revenue in terms of IFRS 15 and segmental revenue (note 2.1) are considered to be the same.

Notes to the summary consolidated financial statements (Continued)

	Change %	Audited 2024 R'000	Audited 2023 R'000
2.3 TRADING PROFIT			
Consumer	2	362 398	356 831
OTC	10	383 585	348 590
Prescription	10	351 913	320 118
Hospital	(16)	128 446	152 094
Other – shared services		3 154	2 842
	4	1 229 496	1 180 475
2.4 TOTAL ASSETS			
Consumer		1 162 388	1 438 283
OTC		2 061 999	2 002 635
Prescription		2 312 640	2 581 733
Hospital		1 910 589	1 661 035
Other – shared services		907 267	578 848
		8 354 883	8 262 534
2.5 CURRENT LIABILITIES			
Consumer		267 849	341 423
OTC		614 083	463 850
Prescription		970 393	843 742
Hospital		446 201	470 705
Other – shared services		231 822	314 489
		2 530 348	2 434 209
3. NON-TRADING EXPENSES			
Share-based payment expenses		44 719	44 104
Impairments		115 604	–
Fair value adjustment of long-term receivable		2 765	844
Transaction costs		1 584	–
		164 672	44 948
4. INVENTORY			
Inventories written down and recognised as an expense in cost of sales that forms part of trading profit		69 255	73 690

	Audited 2024 R'000	Audited 2023 R'000
5. CAPITAL COMMITMENTS		
– Contracted for	67 761	62 158
– Approved but not contracted	75 921	76 229
	143 682	138 387
6. HEADLINE EARNINGS		
Headline earnings is determined as follows:		
Profit attributable to owners of Adcock Ingram	814 009	898 410
Adjusted for:		
Impairments	115 604	–
Loss/(Profit) on disposal/scrapping of property, plant and equipment	642	(45)
Tax effect on (loss)/profit on disposal of property, plant and equipment	(174)	(4)
Adjustments relating to equity accounted joint ventures	(34)	93
	930 047	898 454
7. SHARE CAPITAL		
Number of shares in issue	169 719	169 759
Cancellation of shares	(8 419)	(40)
Number of ordinary shares held by the Group company	(14 537)	(16 950)
Net shares in issue	146 763	152 769
Headline earnings and basic earnings per share are based on:		
Weighted average number of ordinary shares outstanding	150 842	160 065
Diluted weighted average number of shares outstanding	154 633	163 754

8. SUBSEQUENT EVENTS

On 4 July 2024, Adcock Ingram acquired the Dermopal brand from The Dermopal Group Proprietary Limited, for R110 million, with historic annual revenue of approximately R50 million. The Dermopal range consists of moisturising sunscreens formulated for everyday facial care to prevent pigmentation and signs of ageing, primarily in darker skin tones.

Corporate information

ADCOCK INGRAM HOLDINGS LIMITED

Incorporated in the Republic of South Africa
(Registration number 2007/016236/06)
Share code: AIP ISIN: ZAE000123436
("Adcock Ingram" or "the Company" or "the Group")

DIRECTORS

Ms L Boyce (Non-executive director)
Dr S Gumbi (Independent non-executive director)
Mr A Hall (Chief executive officer)
Ms B Letsoalo (Executive director: Human Capital and Transformation)
Ms B Mabuza (Lead independent non-executive director)
Ms N Madisa (Non-executive director and Chairperson)
Dr C Manning (Independent non-executive director)
Ms D Neethling (Chief financial officer)
Ms D Ransby (Independent non-executive director)
Prof M Sathekge (Independent non-executive director)
Mr M Steyn (Non-executive director)

COMPANY SECRETARY

Mr Mahlatse "Lucky" Phalafala

REGISTERED OFFICE

1 New Road, Midrand, 1682

POSTAL ADDRESS

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TRANSFER SECRETARIES

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Saxonwold, 2132

AUDITORS

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4 Lisbon Lane, Waterfall City,
Jukskei View, 2090

SPONSOR

Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place, corner Fredman Drive and Rivonia Road
Sandton, 2196

BANKERS

Investec Bank Limited
100 Grayston Drive
Sandton, 2196

Nedbank Limited
135 Rivonia Road, Sandown
Sandton, 2146

Rand Merchant Bank
1 Merchant Place, corner Fredman Drive and Rivonia Road
Sandton, 2196



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