

PRESS INFORMATION

ITALTILE DELIVERS SOLID RETAIL RESULTS, BUILDS MANUFACTURING CAPACITY AND GROWS CASH RESERVES

System-wide turnover: R11.5bn (2022: R11.3bn)	Trading profit: R2.3bn (2022: R2.7bn)
Earnings per share: 132.6 cents (2022: 152.0 cents)	Headline earnings per share: 132.3 cents (2022: 152.1 cents)
Dividend per share: 53.0 cents (2022: 61.0 cents)	Net asset value per share: 642 cents (2022: 575 cents)
Cash: R1.0bn (2022: R0.4bn)	Store network: 216 (2022: 211)

Johannesburg; Monday, 28 August 2023: “During the period we made meaningful progress in building our manufacturing capabilities and enhancing the in-store experience for our customers, reflecting our goal to optimise our investment in people and technology. Disappointingly, difficult trading conditions and internal inefficiencies impacted negatively on our South African businesses, although our East African and Australian operations delivered better results. Improvement strategies are being implemented in the SA manufacturing entities,” says Lance Foxcroft, Chief Executive Officer.

Founded in 1969, Italtile Limited is a Proudly South African manufacturer, franchisor and retailer of tiles, bathroomware and other complementary home-finishing products. The Group’s retail brands are CTM, Italtile Retail, TopT and U-Light, represented through a total network of 216 stores, including seven online webstores. The retail operation is strategically supported by a vertically integrated supply chain comprising key manufacturers, Ceramic Industries and Ezee Tile, import operations and an extensive property portfolio.

TRADING ENVIRONMENT AND PERFORMANCE

Foxcroft comments, “Trading conditions and consumer sentiment deteriorated over the period, and competition intensified. In this context, demand declined across the industry and margin pressure intensified.”

He states, “Group revenue increased by 2% for the year, thanks to our market leading retail brands’ continued resilience in the challenging environment. Average selling price inflation was 6.7% for the review period. Softer consumer demand and poor efficiencies in the manufacturing businesses resulted in the Group’s net operating profit declining by 14%. The cash-generative nature of the business is reflected by our strong balance sheet. Cash reserves increased by 143% to R1.0 billion.”

PRIMARY FOCUS AREAS

Foxcroft says, “The Group’s growth vision centres on our aspiration to be the best manufacturer and retailer of tiles, sanitaryware and complementary products in Africa, by offering an unrivalled shopping experience through ensuring the right products, beautifully presented, at the right time, place and price. We continued to drive improvement through our integrated business model, core capabilities of leading fashion, best-in-class quality, world-class manufacturing capability, customer-centric service, established sourcing partnerships, and sustainability ethos.”

Final as at 25-08-2023

DIVISIONAL REVIEW

RETAIL BRANDS: STORES AND WEBSTORES

Foxcroft comments, “Despite the testing environment, we continued to roll out new stores, refurbishments and relocations in a measured manner. Seven CTM and TopT stores were opened, as well as three Easy Life Kitchens on Group-owned properties. Thirteen stores were revamped. We also continued to invest in online development, implementing wide-ranging improvements to the local online shopping experience and opening a new bespoke webstore for CTM Botswana, bringing our online stores to seven.”

Italtile Retail’s unique premium-end offering of cutting-edge international brands continued to lead its market segment, growing sales and profits, and improving productivity. The Commercial Projects division, which contributes 10% to the brand’s total turnover, also benefitted from significant improvement in market activity.

Foxcroft says, “We are hopeful that the momentum in the projects segment will gain traction, which will also impact positively on our manufacturing division.”

CTM operates in the most competitive space in the sector and the segment where consumers are extremely financially stressed. Notwithstanding widespread improvements to the customer shopping experience, the brand’s results reflect the external challenges, with a slight decline in overall sales, profits and margins, albeit that the East African operation reported pleasing results. Based on the solid performance and proven demand in that region, CTM expanded its footprint with a new store in Nakuru, Kenya.

Foxcroft comments, “In celebration of CTM’s 40th birthday, extensive promotions featuring weekly vouchers and cash-back rewards are being conducted to support customers in the current tough environment and ensure the brand remains top of mind for homeowners.”

TOPT reported solid growth in sales value and volumes. Higher profits were achieved through improved cost leadership, although margins declined slightly.

Foxcroft notes, “TopT’s strong positioning as a community champion was exemplified by the extremely popular Woza Ekhaya competition which now in its third year, awarded another winner with a new custom-made home. In addition, the brand continued to contribute to local youth job creation through its one-year work experience programme which provided internship opportunities to sixty young candidates.”

INTEGRATED SUPPLY CHAIN MANUFACTURERS

Production inefficiencies, steep inflationary input costs and weak market demand impacted negatively on Ceramic and Ezee Tile’s results for the year. Combined sales rose by 4.1% although margins and profits declined, contributing substantially to the Group’s 15% decrease in trading profit.

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

Foxcroft explains, “Notwithstanding Ceramic’s disappointing results, the business made good progress on its investment in technology. Production at the new Samca+ factory improved, a new spray dryer was installed at Samca Wall, and Gryphon successfully increased volumes and bedded down new technology and processes.” He adds, “Improvement measures have been implemented to restructure the business, capacitate management and the operations teams, and refocus on efficiencies, systems, quality and costs.”

Final as at 25-08-2023

“Ceramic’s Betta Baths business improved sales value and did well to contain manufacturing cost increases. Multiple import substitution products were developed and launched, as well as several new-concept ranges of baths and sanitaryware. It is gratifying to note that Betta grew market share in the prevailing subdued trading conditions,” says Foxcroft.

Foxcroft notes, “It is also pleasing to report that despite the challenging trading environment in Australia, our Centaurus operation grew sales, profits and margins for the year.”

EZEE TILE delivered higher sales and stock turn, but margins and profits were negatively impacted by once-off restructuring and relocation costs incurred in the primary plant’s move from Germiston to Vulcania, significantly higher input costs, production inefficiencies and customers trading-down to lower priced products.

Foxcroft elaborates, “Although the relocation has taken longer than anticipated, it is important to note that multiple production lines were commissioned at the new Vulcania facility and the restructured business is expected to deliver improved efficiencies once the operation is fully bedded down later this year.”

INTEGRATED SUPPLY CHAIN IMPORTERS: CEDAR POINT, INTERNATIONAL TAP DISTRIBUTORS (ITD) AND DISTRIBUTION CENTRE

Collectively, these businesses reported a decline in sales of 4.6%, primarily due to subdued consumer demand based on constrained disposable income. While Cedar Point and ITD reported weaker profits and margins, Distribution Centre grew profits and margins due to astute procurement in the currently favourable imported product market.

Foxcroft states, “Our integrated import businesses played a key role in supporting the retail operation’s cost-conscious customers by leveraging the Group’s buying power and its established supplier relationships to source new fashion and collaborate on improved pricing.”

PROSPECTS

Foxcroft says, “Opportunities for growth lie in our focus areas for the forthcoming year. These include: growing sales and market share through leading products and service; improving execution of operational excellence and efficiency; and developing our teams and depth of leadership. We will also pursue our purpose-driven approach to responsible citizenship and sustainability.” He cautions, “Despite our confidence that operational improvements can be made in the business, we are mindful that the economic environment will determine consumer demand in the market.”

Foxcroft concludes, “We will continue to focus on the growth levers within our control and influence. While trading conditions are challenging, the long-term dynamics of the housing market remain favourable, and the Board has confidence in the Group’s proven business model and experienced teams.”

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