

24 February 2021

The Adcock Ingram Group reports a resilient trading performance for the six-months ended 31 December 2020

Johannesburg – The Adcock Ingram Group today reported a 4% increase in turnover for the six-month period to 31 December 2020. The Group achieved these sales in challenging trading conditions brought about by COVID-19, in a depressed economy, and declines in demand for certain categories of medicine and products.

Performance metrics include:

- Increase of 4% in turnover to R3.8 billion
- Decrease of 7% in gross profit to R1.3 billion
- Operating expenses decreased by 4%
- Retrenchment costs of R33 million incurred
- Headline earnings per share (HEPS) decreased by 14.6% to 186.5 cents
- Cash on hand R125.7 million
- Level 3 B-BBEE rating
- Dividend of 80 cents

‘This set of results has been achieved in a challenging trading and operating environment, with the uncertainty that the COVID-19 pandemic continues to bring. Despite these challenges, COVID-19 has also presented the Company with opportunities to adapt to the ever-changing environment, and at the same time deliver on our promise of ‘Adding value to life’ by producing and supplying life-saving and acute medicines especially at a time when they are needed the most,’ said Andy Hall, Chief Executive Officer.

Turnover increased by 4% to R3.8 billion, driven by an increase in the mix of 4.9%, which includes Plush shoe and household care products, and an average price realisation of 4.7%, with organic volumes declining by 6.0%. The gross margin declined from 38.4% to 34.5%, adversely impacted by the

unfavourable exchange rate, a relatively unfavourable sales mix and lower factories recoveries at Clayville due to the decrease in demand for cough and cold products. Operating expenditure decreased by 4.4% resulting in an 11.7% decrease in trading profit to R433 million (December 2019: R490 million).

The commercial divisions have had to operate under some extremely challenging conditions. The Consumer division displayed a laudable performance, supported by significant demand for immune-boosting products due to the pandemic, as well as the addition of the Plush portfolio. The OTC division's decrease in turnover was as a result of the absence of a cold and flu season in South Africa in 2020. The Prescription division's growth in turnover was supported by a strong performance in the ARV portfolio following orders from the State, but the division was impacted by the lower levels of patients that consulted doctors, lower dispensary traffic in pharmacies and the postponement of elective surgeries which negatively impacted a number of key portfolios. The Renal segment in the Hospital division benefitted from an increased demand for acute renal dialysis due to COVID-19, which compensated for a decline in demand for products used in elective surgeries, trauma and medical cases, as a result of COVID-19.

Headline earnings for the year decreased to R312 million (December 2019: R373 million), and this translates into headline earnings per share from continuing operations of 186.5 cents, a decrease of 14.6%. The Company resolved to pay an interim dividend of 80 cents per share.

Despite the continued pressure on margins following the lower-than-expected Single Exit Price increase, the Group will continue to focus on cost control, cash generation and preserve the balance sheet strength, whilst continuing to seek acquisitions to broaden its portfolio.

“To date, the Company has recorded 364 positive COVID-19 cases, with 357 full recoveries. We have sadly lost six of our employees to the virus and our thoughts remain with their families, friends and colleagues. The Company and its people, continue to play a crucial role as an essential service provider in the healthcare industry during the pandemic and we have been fortunate enough to be able to continue producing and supplying medications, particularly life-saving medicines such as intravenous fluids, ARVs, and other acute medication. The pandemic highlighted the importance of our frontline healthcare workers who have worked tirelessly to save lives. We applaud them and are grateful for the selfless role that they continue to play” Hall concluded.

The full results information can be accessed on the Adcock Ingram website at:
<http://www.adcock.co.za/Investors/FinancialReports>.

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About Adcock Ingram

Adcock Ingram is a leading South African pharmaceutical manufacturer, founded in 1891, and listed on the Johannesburg Stock Exchange. Adcock Ingram manufactures, markets and distributes a wide range of healthcare and consumer products, and is a leading supplier to both the private and public sectors of the market. Adcock Ingram provides an extensive portfolio of branded and generic medicines. It also has a strong presence in over-the-counter brands, and is South Africa's largest supplier of hospital and critical care products. The Company's mission is to provide quality products that improve the health and lives of the people in the markets that we serve.

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