

20 February 2020

**The Adcock Ingram Group reports a reasonable set of results in a difficult market for the six-months ended 31 December 2019**

*Johannesburg* – The Adcock Ingram Group today reported a 1% increase in headline earnings per share (HEPS) for the six-month period ended 31 December 2019. These results were achieved against a background of the country’s low economic growth, high levels of unemployment, a strict price-regulated environment, coupled with tough trading conditions as a consequence of continued pressure on the consumer.

**Performance highlights from continuing operations**

- Level 1 B-BBEE rating achieved
- Increase of 1% in Turnover and Trading Profit
- Operating expenses flat
- Cash on hand R363 million
- Interim dividend declared of 100 cents per share

*‘This set of results has been achieved in a difficult market. Our focus over this period has been on strict cost control and customer service that has resulted in the Company achieving growth in both revenue and trading profit,’* said Andy Hall, Chief Executive Officer.

The benefit of the Group’s diversified portfolio was evident in the six-month period, with the challenges in the heavily regulated over-the-counter and prescription businesses, being largely compensated for by the less-regulated consumer and hospital products portfolios.

The gross margin declined from 38.7% to 38.4%, negatively impacted by water supply challenges at the Clayville facility and poor efficiencies and throughput at the Wadeville facility. Production inflation continues to exceed selling price increases with utility costs having increased by 11.4% during the reporting period, and wages by 7%. The weaker Rand also impacted the weighted cost of our basket of imported raw materials and finished products which increased by 6.1%. On the positive side, the throughput at the Aero-ton facility was excellent and the sales mix in the Consumer division was good, with its major brands all in growth.

Operating expenses were very well controlled and ended flat on the comparative period, resulting in a 1% increase in trading profit to R490.1 million (December 2018: R485.5 million).

Headline earnings from continuing operations for the period under review increased to R372.8 million when compared to R361.2 million in the previous year. This translates into headline earnings per share from continuing operations of 218.5 cents (December 2018: 217.2 cents), an increase of 1%. Excluding an *ex-gratia* payment of R10 million to the B-BBEE consortium, as well as the impact on treasury shares following the unwinding of the B-BBEE scheme, headline earnings per share would have increased by 6%.

An interim dividend of 100 cents per share was declared for the six months ended 31 December 2019.

*'The effect of the current economic climate on consumer spending and behaviour remains concerning. In the absence of sustainable Single Exit Price increases, margins will continue to be under pressure from cost increases, particularly labour, transport and utilities, and active pharmaceutical ingredient prices which are directly linked to currency inflations. To attempt to protect margins, the Group has placed a heightened focus on driving productivity in the factories, continued strict cost control and expanding the Group's product portfolio, particularly in less regulated product classes' concluded Hall.*

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 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.

[www.adcock.com](http://www.adcock.com)

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