Conference Call transcript

20 February 2025

INTERIM RESULTS PRESENTATION

Operator
Good morning, ladies and gentlemen, and welcome to the Adcock Ingram interim results for the six months ended to 31 December 2024. All participants will be in listen-only mode. There will be an opportunity to ask questions later during the conference. If you should need assistance during the call, please signal an operator by pressing * then 0. Please note that this call is being recorded. I would now like to turn the conference over to the CEO, Andy Hall. Please go ahead, sir.

Andy Hall
Thank you, Danae. Good morning, ladies and gentlemen. Welcome to the interim results webcast for Adcock Ingram for the six months ended 31 December. Thanks for taking the time to show interest in the company. As is our usual procedure, I'll provide an overview of the company performance, which I think you will already have read was impacted adversely by a couple of factors. And once I complete my overview, I'll hand over to Dorette Neethling, our CFO. She'll take you through the financials, and we will have a question-and-answer session at the end for anybody who has additional questions.

Certainly, we concede that the financial performance for the reporting period ended well below expectations. So, we don't come to this sort of meeting with any degree of satisfaction on the results, but nonetheless, we will have to give you the facts of what has happened. You'll see the turnover decreased by 1% to R4.7 billion. There were really two factors that impacted that. We saw a slowdown in the independent wholesale channel. That's the channel that mainly services the lower LSMs out of our consumer business. And then we saw three of our larger pharmaceutical wholesalers reducing their inventory holdings over the period. Particularly from October onwards, we evidenced the slowdown. It wasn't evident up until the end of September.

Certainly, we can see though from those wholesalers that their sales into pharmacies are higher than the orders that are being placed on the company. We saw organic volumes declining by 7% and that was partly compensated for by an average price increase of 5% and a small mix benefit of 1%. When we look at the IQVIA data, IQVIA is a company that independently measures market shares and the pharmaceutical market in South Africa, they report that Adcock Ingram has grown by 4% in the total private market in the last 12 months and remains the top ranked company in the private sector.

The reduced demand adversely impacted the gross margin, so you'll see some shrinkage there. The biggest culprit was significantly reduced production levels in the period, particularly at our Wadeville plant, where we saw unit production decrease significantly. That facility produces products for both the prescription and the OTC business, although it's housed within the prescription division, and hence you see the severe reduction in profit in that segment of the business.

We also had a change in the sales mix with lower sales proportionately of some key generic and branded medicines. You will have seen an increase in the large volume parenteral sales in the critical care business, and that mix also had an impact on the gross margin. Of course, we do have the 5.25% SEP adjustment which we implemented in the business in February, so that should help us protecting the margin in the second half of the financial year.

At the operating expense level, our teams did a good job there in trying to control operating expenses. They increased by 3%, below inflation, and do include salary increases that we provide in the business in December. Unfortunately, the gross profit decline could not be compensated for and consequently you saw a significant trading profit decline of 17% to R515 million. We were shielded a little bit at the HEPS line because we saw very good performances from our two joint ventures. And the effect of the share purchase that we did in the previous financial year obviously comes into that calculation. So, headline earnings per share down 9%, certainly better than the decline in trading profit.

When you look at the segments, briefly our consumer division, that's the business that competes in health care, personal care and home care. Also has the portfolio includes mainly analgesic products, energy products, dermatology, sun care, shoe care and home care. We saw sales of our premium brands in the independent wholesale channel being weak. And when we talk about the premium brands, we're really referring to Panado, Bioplus, and Compral. The types of products that get sold in single units. So, two tablets of Panado, or a sachet of Bioplus, or a sachet of Compral powder, for instance.

We did, though, see good performances from a number of our pharmacy, front shop, and home care brands. So, if we look at the products like Epi-Max, GynaGuard, Island Tribe, which is our sun care range, and Plush, those products in fact all increased revenue in the low double digits. We also added the Dermopal range of products to the company in July. That's a sunscreen range that we purchased and that added more than R30 million to revenue in the period.

So, while the independent wholesale channel declined, our sales into the pharmacy channel and the FMCG retail channel in fact grew. But with the change in the sales mix, the softer demand for Panado and Bioplus, we did have a slight contraction in the gross margin here, and that resulted in trading profit declining by 6% to R177 million.

Our over the counter division, that is a market leader in pain, coughs, colds, and flu, and digestive and allergy products through pharmacy in South Africa, mainly selling Schedule 1 and 2 medicines. That business has maintained its share over the period of almost 20%, according to IQVIA. We did see revenue decline there by 4%. And this was effectively the impact of a few of our large pharmaceutical wholesale customers having reduced their aggregate inventory holdings. That impacted a few brands, particularly Corenza C, which is a big cold and flu brand, and two of our bigger cough mixtures being Alcophyllex and Adco Linctopent.

Our pain portfolio though did okay in this part of the business. So, we saw products like Adco-dol and Mypaid and Betapyn posting decent ex-factory growth.

IQVIA reports that our Schedule 1 and 2 products have grown by 7% in the private market in the last 12 months. Trading profit improved in this division by 4% to R172 million with very good cost control in the business. The Clayville manufacturing facility, which manufactures high volume oral liquids or syrups and effervescents, powders and eye drops is housed in this division. We did see a small decrease in throughput in this facility, but that was largely a result of regulatory audits that we had from SAHPRA during the period. But from an overall perspective, we were happy with the operational performance of the Clayville factory. And that you'll see reflected in the increased profit.

The prescription division markets a portfolio of branded and generic medicines, as well as specialised skin care products, and also has a reasonably large portfolio of ophthalmology equipment and ophthalmology surgical products. As well as doing our own products as division markets and distributes portfolios for a number of multinational partners. Revenue was down 5% in this part of the business, again due to some destocking in the pharmaceutical wholesale channel, affecting mainly our pain products and our generics portfolio.

In addition, our ARV sales were down by 50% in this part of the business, as Adcock Ingram continues to reduce its presence in that therapeutic category. IQVIA in December reported that this segment, the prescription business, had grown by 6% in the total private market in the last 12 months. The gross margin here was significantly lower than the prior corresponding period, adversely affected by the lack of throughput at Wadeville and the sales mix. So, we saw a significant contraction here.

At Wadeville, following the reduction of the oral solid dosage forms in the government ARV tender, this factory is now largely reliant on production of smaller non-ARV tablet runs and also low volume oral liquids and syrups. So, unlike the Clayville facility runs smaller batches of oral syrups. The reduced demand that we saw in both the OTC and the prescription business, coupled with ongoing water supply interruptions in that area of Gauteng, had a massive impact on the production output at that factory. And that you can see reflected in the very disappointing financial result, with trading profit halving to R90 million.

We do continue to engage with a number of multinational companies to add their products to our basket so we can perform their marketing, sales and distribution activities in South Africa. At the end of December, the Competition Commission approved that Adcock Ingram could take over the entire Lundbeck business in the region. We were a partner of Lundbeck's before, doing a smaller portion of their portfolio, but effectively we have now absorbed that entire business into Adcock Ingram. Lundbeck is a leader in central nervous system products in pharmaceuticals. We're also in the process of negotiating the terms of a partnership with GSK South Africa for a portfolio of vaccines that they intend to bring to the market over the next few years.

Just moving on to our hospital division, which is the leading manufacturer and supplier of critical care hospital products and renal dialysis systems in the country. This company produces more than 90% of the country's life-saving large volume intravenous fluids in the public sector, and we estimate more than 60% in the private sector.

Turnover did improve by an impressive 10% in this part of the business. We saw the medicine delivery portfolio in which the intravenous fluids are housed grow by 12%. That was assisted by the tender that was awarded in October 2023, where we won in excess of 90% of the volume of that tender.

Renal products here also grew in the low double digits, and the business continues to secure increased demand from both Netcare and Life Healthcare's dialysis units. The blood business, which is mainly a blood collection business, but also has some specialised therapeutic products for blood disease, declined due to the repatriation of FEIBA, a product for the treatment of haemophilia. That product went back to its intellectual property owner in the period, just before the period started.

And then we've onboarded a wound care and ostomy range from a global multinational called ConvaTec. That contributed about R30 million to sales in the period. The gross margin ended a little bit lower than the prior corresponding period, really just followed by the change mix with the higher LVP tender sales and the lower sales of FEIBA, which was a reasonably good margin brand. Nonetheless, with good cost control, trading profit here remained flat at R74 million.

The Aeroton facility where we produce the intravenous products, the renal dialysis fluids and blood collection bags, continues to run at full capacity. The aging infrastructure and equipment remain persistent challenges here and we're exploring and implementing numerous projects to maintain regulatory compliance and sustainability of supply of products critical to the health care environment in South Africa.

The division agreed a long-term supply and distribution agreement with a multinational called Medline. Medline offers a broad hospital offering, including incontinence, wound care and skin care products. And we intend to initiate marketing of the wound care products in this half of the financial year and those will complement our ConvaTec range.

Looking at our ESG, in our efforts to address the challenges of unreliable electricity supply and transition to renewable energy. We've now got solar power at six of our sites. During the current reporting period, these installations contributed 6% of our total power consumption. And when we factor in when we need to use generators in the business, we produced approximately 8% of our own power during the six months.

We've placed a very strong emphasis on waste management in the company, and we've managed to reduce our waste to landfill now to just 8%. We are also operating five electric trucks in our distribution segment or our distribution business as part of our ongoing efforts to reduce our carbon footprint.

Our corporate social responsibility programme continues. We are now supporting a group called Medi-Mobile Deliveries Initiative, which provides medication to about almost 2,000 pensioners, easing the burden on local facilities in the area. We're supporting the Wellness Helpline Centre in partnership with the Tehila [?] Community Collaborative, and that's a skills development and youth employment programme where about 150 young learners in the Western Cape can get skills and employment.

Our long-standing relationship is with the Smile Foundation who we continue to support. They do remarkable work as I'm sure you've seen providing surgical procedures for children born with facial abnormalities. We were very proud to achieve a level 1 BEE rating in November 2024, so we now carry that rating through till the end of this calendar year that we currently sit in. That concludes my brief overview. Dorette will now move into the detailed financials and then we'll be happy to take questions after that.

Dorette Neethling
Thank you, Andy, and good morning ladies and gentlemen. Just a reminder as always that we have our summarised results announcement booklet available on our website and the investor presentation will also be available a little bit later today after the presentation itself. So, looking at the income statement, revenue of R4.7 billion ended R26 million below the comparative period, primarily due to the constrained consumer spending within the lower LSMs and reduced inventory holdings in the pharmaceutical wholesalers channel, as Andy explained a little earlier.

This resulted in organic volumes declining by 6.5%. The average price realisation of 5.3% could partially offset these declines in volumes. And the contribution from mix was 0.6%. Gross profit of R1.5 billion is 4.6% lower than the prior comparative six-month period. The gross margin declined from 34% to 32.6%. And as Andy mentioned, this was impacted by a change in the sales mix with a lower proportion of branded and generic prescription sales, as well as the ARV private market sales, and a higher portion of LVP sales to the state in the hospital business. This was exacerbated by significantly lower production levels at the Wadeville facility, which produces for both prescription and OTC.

The impact of the exchange rate was not material during the period, but nevertheless, I'll give you the details of the material foreign currencies we bought during the reporting period. $39 million at an average rate of R18.24, which represents a 3.2% strengthening relative to the prior comparative period which was at R18.84. And we bought €32 million at an average rate of R20.06, which represents a 1% strengthening compared to the R20.26 achieved in the comparative period.

With approximately 52% of FECs in US Dollar terms and the balance mostly in Euros, the cost of our basket of all currencies weighted on actual settlements in the period was 2.1% lower than the prior comparative period. Operating expenses of just over R1 billion, which increased by 2.9%, were very well controlled and ended below inflation, despite the salary increases. Trading profit of R515 million ended 16.6% below the prior period. And then if we look at below the trading line on the non-trading expenses of R28 million, it mainly consists of share-based expenses in excess of R27 million and a small expense relating to corporate activity costs. Operating income of R487 million is 16.8% below the prior period.

If we move to the equity accounted earnings from our two joint ventures for the half year which arise from National Renal Care, our JV with Netcare, and then the JV in India in partnership with Medreich Meiji, those earnings were R88 million and 53% above the prior period, which was at R57 million. As you might recall, the Indian JV's performance in the comparative period was adversely impacted by the delay in receiving a permit to import codeine phosphate into India. Production at that plant has normalised and we've seen an uptick in volumes from both the Indian manufacturers as well as NRC. And just for your purposes, about two-thirds of the equity accounted earnings relate to the Indian JV.

Net finance costs of R59 million were incurred during the period and it includes the IFRS 16 finance costs relating to leases of R12.5 million. This increase is consequent to a higher net debt in relation to the comparative period reflecting the impact of the shared buyback programme in the previous financial year, the acquisition of the Dermopal brand in July 2024, as well as a higher investment in working capital.

The effective tax rate adjusted for equity-accounted earnings is 29.7%, with non-deductible expenditure causing the increase over the statutory rate. Headline earnings for the half year amounted to R390 million, which was 13% below the comparative period, while headline earnings per share of 265.5 cents are 9.4% below the comparative period, which was at 293 cents.

If we turn to the balance sheet, and I'll start with the non-current assets. Within the non-current assets, we had depreciation of R97 million, R5 million higher than the previous period and it includes depreciation of R22 million on the right of use assets which is capitalised in terms of IFRS 16. And we had pretty much the same amount of depreciation on those assets in the comparable period.

Intangible assets including goodwill have a carrying value of R1.2 billion and it comprises of generic, consumers and OTC trademarks and license agreements and it includes the acquired Aspen Brands, the Genop Business, Plush and the recently acquired Dermopal Brand, which is recorded at R110 million. Amortisation in the six months equalled that of the prior period, which was just short of R5 million.

Other financial assets of R16.5 million relate to the capital contribution made to the Tiger Brands Black Managers Trust, which has reduced as options were exercised during the period and are share in Group Risk Holdings Propriety Limited. The investments in joint ventures of R753 million are the cost and subsequent equity accounted earnings of the dividends of their two joint ventures, and in the case of the Indian JV, adjusted for translation differences. Once again, the Indian JV comprises 68% of this value.

In looking at current assets, inventory of R2.7 billion is stated at the lower of cost and net realisable value. And this value has increased by R191 million since the financial year end in June, mainly as a result of the lower than predicted demand on our key products during the first half of the year. Days in inventory at end December were 149 days. Trade accounts receivable of R2.1 billion are shown net of provisions of R41 million with 93% of trade receivables due within their term.

And just a reminder, those terms are 60 days or less. And 16% of trade receivables or approximately R350 million relate to debt from government. And of that portion, 61% are due within 60 days. So, a book well-controlled and not something that gives us sleepless nights at the moment. Days in receivables are 63 days, an increase from the 54 days we reported in June last year. At December year end, or half year end, the group was in a net debt position of R629 million and with access to the remainder of the working capital facilities of R1.75 billion. The only liabilities outside of accounts payable and provisions relate to leases. And so no real long-term debt on our balance sheet yet.

If we look at the bottom part of the balance sheet, we have shareholders' funds of R5.5 billion at the end of December. And the movement, which was an overall decrease of R38 million in the non-distributable reserves since June relates to a decrease of R60 million in the share-based payment reserve, increase of about R70 million relating to the cash flow hedge accounting reserve, and an increase of R7 million for the foreign currency translation reserve.

I will now turn to the segment information and I'll start with the consumer division. Revenue in this division of R871 million ended just ahead of the prior corresponding period, supported by an average price increase of 4.5% and a mixed benefit of 4.3%, mainly attributed to the inclusion of the recently acquired Dermopal range. Organic volumes declined by 8.3%. As Andy alluded to, the sales of our premium brands into the independent wholesale channel, that services the lower LSMs were weak, evidencing a struggling consumer in that sector.

Sales into the FMCG retail channel, however, increased and we have seen or experienced some supply constraints for Compral and E45. Compral being manufactured at Clayville and E45 is supplied by a foreign supplier. But both of these issues were remedied by the end of December. As Andy said, our other brands like Epi-Max, Splash, Probiflora, GynaGuard and Island Tribe all delivered strong performances.

Gross margin ended below the comparative period due to the less favourable sales mix impacted by lower Panado and BioPlus sales. Operating expenditure was well controlled and it ended R4 million below the comparative period despite the positive sales variance. And as a result, trading profit of R177 million ended 6% below the comparative period.

Moving to the OTC business. Revenue of R1.1 billion ended 4.1% below the comparative period. We've seen that the price increases almost offset the volume decline, and the mix impact was negative due to the repatriation of the portfolio of brands to a multinational company consequent to some global corporate activity. Three of this division's large pharmaceutical wholesalers reduced their aggregate inventory levels by approximately R100 million.

The gross margin ended slightly above the prior period and with well-controlled operating expenditure, which ended 3.1% below the comparative period, OTC delivered a trading profit of R172 million, which was 4.2% above the comparative period.

In looking at prescription, revenue of R1.6 billion ended 5.1% below the comparative period. Organic volumes decreased by 9.4% as the pharmacy wholesale channels reassess their purchasing strategies to reduce their stock levels. As indicated, the ARV sales into the private market also halved, but the division realised the price increase of 3.6% and a mixed benefit of 0.7%.

Gross margin ended below the comparative period, adversely impacted by a substantial reduction in the production levels at Wadeville following the reduced demand. Operating expenditure ended R23 million or 7.3% above the comparative period due to an increase in marketing investments, especially for newly launched products or products to be launched shortly. As a result, trading profit of R90 million ended a very disappointing R100 million below the comparative period.

Then lastly, if we look at the hospital division, where revenue of R1.1 billion ended to 10.2% above the comparative period, an average price increase of 5.7% was realised, and organic volumes increased by 4.7%. Both LVPs and the renal portfolio had seen increased volumes. The mix decline was 0.2% as the loss of fever was only partially offset by the onboarding of the wound care and ostomy products from ConvaTec. Gross margin ended lower than the prior corresponding period due to the less favourable sales mix with increased LVP tender sales and no FEIBA sales.

Operating expenditure ended 8.4% above the comparative period, pretty much related to the higher sales in the business. Trading profit of R74 million ended on par with the comparative 6-month period and this business is showing good stability even in the face of its many operational challenges. Thank you ladies and gentlemen. That concludes my part of the presentation. I will hand back to the operator and we welcome any questions.

Operator
Thank you very much ma'am. Ladies and gentlemen, we will now begin the question-and-answer session. For those on the webcast, if you would like to ask a question, please submit your question via the text box on the webcast page. For those on the conference, if you would like to ask a question, please press * and then 1 now. If you decide to withdraw the question, please press * and then 2 if you are on the conference. We'll pause a moment to see if we have any questions on the conference call. At this stage, there are no questions on the conference call. I will now hand over to Dorette for webcast questions. Please go ahead, ma'am.

Dorette Neethling
Thank you, Danae. I'll start off with a question from Grant Morris from Clucas Gray. In the prescription division, could you help me understand two issues? Is the intention to completely exit ARVs? And if so, when will this be complete? And the second question from Grant was, do you expect volumes ex ARVs to improve in the second half?

Andy Hall
Thanks. Hi, Grant. Thanks for those questions. Look, on the ARV side, we've been reducing our presence in that part of the business over the last three tender periods, partly due to the fact that to produce the triple combination, which is a major part of the government tender for ARVs locally, you simply can't do price competitively relative to what the Indian manufacturers are supplying at.

But just to give you a couple of numbers, in this set of results, our ARV revenue is less than R40 million. So, if you consider that in the context of the entire business, it is less than 1% of our total sales, and less than 20% of that goes into the public sector, where there's virtually no margin for us on that small amount of 20%.

The private sector sales, while there's margin in it, we'll still continue to do. But certainly, as you can see, if we do R60 million or R70 million in the private sector in the full fiscal, that's probably as big as that part of the business is going to get.

As regards volumes in H2, I certainly think in all three of the pharmaceutical divisions, consumer, OTC and prescription, we will see better volumes than what we saw in half one. It's early days, but January and February trading hasn't been too bad. The only thing I'd like you to bear in mind is that IQVIA, again, the company that independently measures the market, their December data shows that overall volumes in the market, in fact, are negative. So, the entire industry, the industry as a whole is showing negative volumes in the market over the last 12 month period.

So, we've got to navigate it as we go along. But again, in consumer, I think we'll see better volumes because we can be very independent wholesale channel. And we've got a strategy that we've just started rolling out in that sector, which will help in the informal trading segment. The OTC business depends a lot on winter, so if we have a decent winter, we'll see better volumes than H1. And we won't know that until the end of March, early April.

And then prescription, they had a really tough time of it. So, I'd be very surprised if prescription can't do better volume wise in the second half. And we've spoken to a couple of our big customers. At least one of them has committed to what we would call normalising their order patterns. So, I'm more positive for H2, but it's not difficult to be more positive given that H1 was a struggle in that part of the business.

Dorette Neethling
Thank you Andy. I think, Grant, that also answered your second question with regards to improvement in volumes. And there was also a question from Jan Meintjies on the outlook in terms of volumes and demand. So, Jan, I believe Andy also responded to that with these comments. There was another question from Sandile. On prescription, what is the main driver to the reduction in trading profit and how are we planning to balance this impact? What is an acceptable trading margin for this business? And then secondly, from which divisions are we seeing scope for trading margin expansion?

The second question or in addition to that, he asked about the rationale for the current dividend policy and if we intend to increase this in the future or supplement it with share buybacks. And then also just in which area of the business or the group we see opportunity for acquisition. So, quite a few questions, Andy. I hope you have them all.

Andy Hall
Yeah. Thanks, Dorette. Hi, Sandile. The prescription business, there were two factors that impacted that profitability. The mix impacted it to some extent, so particularly when a couple of the big analgesic products are proportionately less in the mix, we lose a bit of margin there. But the main impact was what happened in the Wadeville facility over the last six months. So, with the reduced demand in the market and the small batches that

run both tablets and syrups in that facility, effectively, that factory was operating below break-even in the last six months. So, that was the major impact on that gross margin in prescription.

We're currently busy with a strategic review of all our manufacturing facilities, just to ensure that these facilities are sustainable and ensure that the efficiencies that we should be getting out of those factories are appropriate and that we're making the right nature of formulations across the business in the various manufacturing facilities including India where products can be done at a significantly better cost than what they can be done in South Africa. And then after that, we of course have to consider transport and logistics costs. One can't make everything in India, so it does make sense to keep a portion of our products here in South Africa.

On the scope for trading margin expansion, certainly I would think half on half we could do better in consumer, and that's really a mix impact. So, if we can do this rollout properly in the informal sector that we're trying of Panado, Compral, and Bioplus, that automatically improves the margin in that part of the business. And then in prescription, it all depends on what happens at Wadeville. So, I don't think Wadeville should do necessarily worse than the second half of the year, but it's difficult to anticipate that it's going to have a significant uptick in volume. So, I think there is a little bit of scope in prescription as well, but with some challenges.

Looking at our dividend policy, look, that's been the same now for a number of years. The board does look at it on a regular basis. We have a policy of paying a dividend covered two to two and a half times by headline earnings. We've been pretty consistent in being biased towards the lower end of that range, in other words, a higher dividend pay-out rather than a lower dividend pay-out.

Buybacks are still on our radar. So, buybacks have served the company well over the last three years. Our shareholders are in support of buybacks. So, relative to where we are trading in the market and what we consider to be fair value for Adcock Ingram, provided those buybacks are accreted, we'll continue to consider them. So, that remains on the radar. And we have an authority from the last AGM to exercise when we think it's appropriate.

Then on the acquisition side, we largely focus still on looking for non-price regulated products that can complement our consumer portfolio. Personal care still remains an attractive category for us and when I say personal care, it also includes sun care and the front shop pharmacy space is of interest to us. But there's currently nothing on the table in that regard that we are looking at.

Dorette Neethling
Thank you, Andy. And then there's only one more question. So, if anyone else have a question on the webcast, please send it through to us. But I think very top of mind from Alec Abrahams of Sasfin. He asked about the potential impact from the withdrawal of the USAID ARV funding.

Andy Hall
Okay. Hi Alec. Look, there's two answers to this question at Adcock Ingram, and the first one really is the easy one because that relates back to Grant's question. We are a very small player in the government ARV tender. As I

mentioned, of our R40 million in the half, less than R10 million of that went through the tender. So, we don't see any direct ARV impact for Adcock Ingram relative to the big players in the tender. I guess that's something that they would have to navigate.

The second part of the issue, though, is a bigger concern for us. If the minister and the department's estimates or information are accurate, that potentially more than 15,000 people get employed under that funding, those people in various health care roles, nurses, doctors, etc. That has an impact on our entire customer base. So, if there are potentially 15,000 families who move into the unemployment sector, that impacts our bottom-end business, and that bottom-end business is the business that currently looks particularly constrained. So, we don't believe cutting aid helps anybody in South Africa, and anybody using a consumer business, our view is it can't help them. So, that's our view on the issue.

Dorette Neethling
Thank you Andy. A follow up question on your comment with regards to acquisitions in the personal care space. Does this include cosmetics?

Andy Hall
Is this from Sandile?

Dorette Neethling
No, it's a colleague.

Andy Hall
Oh, okay. Highly unlikely. So, we think that the upper end cosmetics are the domain of some of the big multinationals that play here. And when we look at a lot of the niche cosmetics, it's difficult for us to understand our brands that aren't turning over more than R100 million per annum, would be of any value to the business. So, cosmetics, we would think, is a stretch for us.

Dorette Neethling
Thank you Andy. There are no more questions on the webcast. So, I'll hand back to Andy for a closing remark before we hand back to you, Danae.

Andy Hall
Thanks, Dorette. Thanks to everyone for joining the call. Certainly, we hope that when we speak to you at the end of the second half we can give you a more positive set of results. There are certainly areas that we're trying to work on and we'll talk to our shareholders over the course of the next couple of days. So, we look forward to those interactions. Thank you, Danae.

Operator
Thank you, sir. Ladies and gentlemen, that then concludes today's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT