1. STATUTORY HIGHLIGHTS

- Revenue from continuing operations increased by 9.0% to R69.6 billion.
- Operating profit from continuing operations and before capital items increased by 15.6% to R6.8 billion.
- Total headline earnings per share increased by 14.5% to 96.8 cents per share.
- Impacted by an impairment charge pertaining to The Building Company business, total earnings per share decreased by 25.0% to 62.6 cents per share.
- A scrip dividend was declared, with a cash alternative of 20.9 cents per share (27.8 cents in the prior year). This is consistent with the previously announced dividend policy of a dividend being covered three times by earnings.
- Pepkor’s statutory results include the impact of BVI-related costs in the current and prior years, in addition to the implementation of IFRS 9 in the current year. Shareholders are referred to Pepkor’s annual results presentation, available on the Pepkor website at www.pepkor.co.za, for further information on comparable results.

2. OVERVIEW

Pepkor achieved a commendable set of operating results for the 2019 financial year (FY19), despite a very difficult retail environment where consumer spending remained constrained, fuelled by high levels of unemployment and low economic growth. The Group’s defensive discount and value market positioning, disciplined focus on customer needs and low cost of doing business proved to be resilient in this challenging environment.

Pepkor’s strategy of providing the right product, at the best possible price, in accessible locations continues to underpin Pepkor’s performance, resulting in continued market share gains in most of the retail brands. Creating value for our customers and improving their lives in the process remains the primary focus for each of the retail brands in the Group.

Pepkor continued its expansion and opened 338 new stores, expanding the Group’s footprint to 5 415 stores. The Group’s flexible store formats enable it to open stores closer to its customers’ homes, saving them transport costs and creating opportunities for more frequent customer spend.
With 56 100 employees, the Group remains one of the largest employers in the South African retail sector and will continue to focus on capitalising on its core competencies and assets to capitalise on the opportunities that the current market conditions present.

3. OUTLOOK

Trading subsequent to year-end remains volatile and management is of the opinion that the difficult trading environment will persist as consumer spending continues to be constrained. Notwithstanding, the Group is cautiously optimistic about growth for the coming year and its merchandise-buying plans reflect this.

The current environment provides opportunities for market share expansion and the strong customer value propositions of Pepkor’s retail brands is expected to remain a competitive advantage.

Organic expansion opportunities remain top of mind, including store footprint expansion, the development of new retail formats and the creation of new channels through which to serve our customers. The Group will continue to focus on market share expansion and improving operating cost efficiencies.

A live webcast of the results presentation will be broadcast at 13:00pm (SAST) on 25 November 2019. A registration link for the webcast is available on the Company’s website: www.pepkor.co.za.

4. DIVIDEND DECLARATION

Based on the stated ambition to reduce Pepkor’s gearing to one times net debt-to-EBITDA, the board has elected to declare a scrip dividend to shareholders in respect of the year ended 30 September 2019 with a cash alternative of 20.9 cents (27.8 cents in the prior year).

The dividend will be payable to the holders of ordinary shares in the share capital of the Company and recorded in the securities register of the Company on 24 January 2020. Shareholders will, be entitled to elect to receive a gross cash dividend of 20.9 cents per share held in respect of all or part of their ordinary shareholding, instead of the scrip dividend (‘cash dividend’), payable out of the company’s distributable retained profits.

The finalisation of information, including the ratio applicable to the scrip dividend is expected to be released on SENS on or about Tuesday, 14 January 2020. A circular setting out the terms and salient dates of the scrip dividend and cash dividend alternative will be published separately in due course.

The last date to trade in order to be eligible to receive the dividend will be 21 January 2020 and the ex-dividend date will be 22 January 2020. The dividend will be paid and broker accounts updated, as the case may be, on 27 January 2020.

Pepkor’s two largest shareholders, representing 79.8% of the Group’s issued share capital, have committed to receive the scrip dividend.
5. SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of the Company. It contains only a summary of the information in the full announcement ("Full Announcement") and does not contain full or complete details. The Full Announcement can be found at: https://senspdf.jse.co.za/documents/2019/JSE/ISSE/PPHE/FY2019.pdf

Copies of the Full Announcement is also available for viewing on the Company's website at https://www.pepkor.co.za/wp-content/uploads/2019/11/pepkor-audited-results-for-the-year-ended-30-September-2019.pdf or may be requested in person, at the Company’s registered office or the office of the sponsor, at no charge, during office hours.

Any investment decisions by investors and/or shareholders should be based on consideration of the Full Announcement, as a whole.

25 November 2019

Sponsor

PSG Capital