

Pepkor Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number: 2017/221869/06)

Share Code: PPH

ISIN: ZAE000247995

("Pepkor", the "Pepkor group" or the "Company")



TRADING UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2019

The Pepkor group increased revenue from continuing operations by 7.6% to R20.9 billion for the three months ended 31 December 2019.

The clothing, footwear and homeware (CFH) retail brands successfully defended and expanded their market shares, according to the latest RLC data.

Continuing operations**Clothing & general merchandise**

The clothing and general merchandise segment reported total revenue growth of 5.0% for the quarter.

The Pep and Ackermans brands in aggregate reported sales growth of 6.4% and like-for-like sales growth of 3.2%. Sales performance was negatively impacted by a shift in "back-to-school" trade from December 2019 to January 2020 as a result of the later start to the school year. This is confirmed by double digit sales growth during the first three trading weeks of January 2020.

Retail selling price inflation in core CFH product categories increased to 9.1%, driven by fluctuations in exchange rates. This compares to 1.6% in the comparative quarter and sales units reduced as a consequence.

Notwithstanding the inflation, both Pep and Ackermans protected their positions as price leaders in the discount and value markets.

Retail space of Pep and Ackermans expanded by 4.8% compared to the comparative quarter. New stores are performing in line with expectations and continue to meet feasibility thresholds.

Pep Africa, which contributes c.3% to group revenue, continued to consolidate amidst adverse macro-economic conditions across most countries of operation. High levels of product inflation due to depreciating currencies in Angola, Nigeria and Zambia impacted consumer affordability. Constant currency sales declined by 2.8% and like-for-like sales reduced by 6.4%, translating to a decline in sales of 12.7% in rand terms.

The Speciality division reported sales growth of 1.6% with like-for-like sales reducing by 0.6%. The clothing product categories performed well during the quarter. In the current economic environment consumers tend first to reduce spending on higher priced products such as footwear, resulting in a very challenging trading environment for the footwear brands. Tekkie Town continues to focus on improving stock-holding and other inefficiencies in the business which continues to impact performance.

Furniture, appliances & electronics

The JD Group reported revenue growth of 3.6% for the quarter.

Retail sales increased by 2.2% while like-for-like sales declined by 0.7%. Credit sales declined to an overall credit mix of 17.5% compared to the prior year's corresponding 18.1%. Black Friday promotions were very successful reflecting the price sensitivity of over-stretched consumers.

Building materials

The Building Company reported a decline in sales and like-for-like sales of 4.1% and 2.9% respectively. Sales performance in the retail division improved during the quarter while performance in the wholesale and specialist divisions were negatively impacted by the challenging market conditions in the construction and building materials market.

Fintech

The Fintech segment reported revenue growth of 44.4%. This includes the contribution from Capfin following the internalisation of its credit book funding which is not included in the comparative quarter.

The FLASH business increased revenue by 30.9% and continued to invest in new products, businesses, channels and geographies to complement its informal trader business, which consists of 170 000 traders.

Capfin reported good results for the quarter. The loan book is healthy with credit performance meeting expectations.

Outlook

Trading in January 2020 has been relatively stronger in most brands, supported by the shift in "back-to-school". On a relative basis, Pepkor continues to perform well in context of the current retail market, underscoring the successful execution of its customer value proposition and focus on providing value to customers.

The current macro-economic and employment landscape is not expected to improve in the near future. Pepkor however, remains positive and focused on the execution of its strategy to provide value to customers, market share expansion and enhancing efficiencies in the respective divisions.

Impact of Pepkor group's pro forma constant currency disclosure

The Pepkor group discloses unaudited constant currency information to indicate Pep Africa's performance in terms of sales growth, excluding the effect of foreign currency fluctuations. To present this information, current period turnover for Pep Africa reported in currencies other than ZAR are converted from local currency actuals into ZAR at the prior year's actual average exchange rates. The table below sets out the percentage change in sales, based on the actual results for the period, in reported currency and constant currency for the basket of currencies in which Pep Africa operates.

% change in sales compared to the prior period	Reported currency	Constant currency
Pep Africa	(12.7%)	(2.8%)

The information included above is the responsibility of the directors and does not constitute an earnings forecast and has not been reviewed and reported on by the Company's external auditors. The constant currency information has been prepared for illustrative purposes only.

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24 January 2020

Sponsor

PSG Capital

