Pepkor Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2017/221869/06)
Share Code: PPH
Debt Code: PPHI
ISIN: ZAE000259479
("Pepkor" or the "group")

TRADING UPDATE FOR THE NINE MONTHS ENDED 30 JUNE 2020

The Pepkor group's revenue for the nine months ended 30 June 2020 ("nine-month period") decreased by 1.5% to R52.3 billion. This compares to revenue growth of 6.5% achieved for the six months ended 31 March 2020 and therefore highlights the negative impact of COVID-19 and the national lockdown during the third quarter where group revenue reduced by 17.2%.

It is estimated that the national lockdown period during April 2020 resulted in lost revenue of approximately R5.0 billion for the group. Very strong trade was achieved during May and June 2020 as lockdown measures eased and can be attributed to pent-up demand, social grant payments as well as the value propositions and market positioning of the group's brands.

Continuing operations

Clothing and general merchandise

The clothing and general merchandise segment reported a decrease in revenue of 1.7% for the nine-month period, negatively impacted by a decrease in revenue of 15.9% during the third quarter.

Sales levels for Pep and Ackermans were very positive during May and June 2020 after stores reopened. Trading proved resilient due to their defensive discount and value market positioning as consumers prioritise apparel spending in areas such as babies' and children's clothing with focus on basic and replenishment products. The national lockdown regulations impacted the reopening of schools which resulted in weak back-to-school trading.

For the nine-month period the Pep and Ackermans brands in aggregate, reported a decrease in sales of 0.4% with a decrease in like-for-like sales of 3.5%. Retail space expanded by 3.1% year-on-year with 22 new store openings during the third quarter.

The performance of Pep Africa, which contributes less than 3% to group revenue, was impacted by lockdowns and adverse macroeconomic conditions across most countries of operation. For the nine-month period constant currency sales declined by 11.5%, while like-for-like sales decreased by 14.0%. Sales at actual rates decreased by 19.8%.

The Speciality business which focuses on discretionary products such as footwear and adult apparel, performed well during May and June 2020 with positive like-for-like sales growth of 6.3% and 11.2% respectively. For the nine-month period sales decreased by 7.4% with like-for-like sales reducing by 9.8%.

Like-for-like sales growth % (year-on-year)	**April 2020**	**May 2020[1]**	**June 2020**	**Three months ended 30 June 2020**	**Nine months ended 30 June 2020**
Pep and Ackermans	(93.8%)	20.3%	12.9%	(17.5%)	(3.5%)
Speciality	(99.4%)	6.3%	11.2%	(26.6%)	(9.8%)

1) As reported in the trading update published on 23 June 2020 on the JSE Limited Stock Exchange News Service ("SENS"), following the reopening of stores, like-for-like sales for the last four trading weeks of May 2020 increased by 40.3% in Pep and Ackermans in aggregate and by 27.5% in Speciality.

Note that Pep Africa is excluded from the table above.

Furniture, appliances and electronics

The JD Group reported a decline in revenue of 6.0% for the nine-month period which includes a decrease of 21.8% during the third quarter. Sales for the nine-month period decreased by 7.6% with a decrease in like-for-like sales of 9.5%.

The consumer electronics and appliances division (Incredible Connection and Hi-Fi Corp) resumed online trading during May 2020 on a limited product range in line with lockdown regulations. Lockdown regulations were lifted from June 2020 and trading in this division has been very strong, benefiting from the group's investment in online retail capabilities and strong consumer demand which was fueled by technology upgrades, work/school-from-home and online purchase trends.

The furniture division's retail brands were only allowed to resume trading from June 2020 but have also shown strong trading momentum since then.

Credit granting criteria were tightened and the respective credit sales contributions in the furniture- and consumer electronics and appliances divisions reduced to 22% and 6% respectively compared to 28% and 7% contributions reported for the prior nine-month period.

Like-for-like sales growth % (year-on-year)	**April 2020**	**May 2020**	**June 2020**	**Three months ended 30 June 2020**	**Nine months ended 30 June 2020**
JD Group	(98.5%)	(12.3%)	30.9%	(25.6%)	(9.5%)
Consumer electronics and appliances division	(97.7%)	39.9%	46.1%	(4.9%)	(2.6%)
Furniture division	(99.3%)	(59.1%)	18.4%	(44.3%)	(15.5%)

Building materials

The Building Company reported a decline in sales of 17.2% for the nine-month period. During the third quarter sales reduced by 41.9% and like-for-like sales decreased by 41.6%. Lockdown regulations severely constrained trading during April and May 2020 where the business was only permitted to trade on a very limited product range. The business was permitted to trade on its full product range since June 2020 in line with the reopening of the construction industry and has since seen a positive trajectory in trading momentum.

Like-for-like sales growth % (year-on-year)	**April 2020**	**May 2020**	**June 2020**	**Three months ended 30 June 2020**	**Nine months ended 30 June 2020**
The Building Company	(98.4%)	(31.8%)	(0.9%)	(41.6%)	(16.2%)

Fintech

The Fintech segment reported revenue growth of 23.8% for the nine-month period.

Revenue growth % (year-on-year)	**April 2020**	**May 2020**	**June 2020**	**Three months ended 30 June 2020**	**Nine months ended 30 June 2020**
Fintech segment	(9.3%)	7.2%	20.3%	0.4%	23.8%

The FLASH business with its penetration into the informal market operated throughout the lockdown period and reported strong virtual turnover growth of 28.8% for the quarter.

Significantly curtailed credit granting characterised the quarter as the group reduced its exposure to unsecured lending through the Capfin business. Collections have been above expectation to date while a consolidation process is underway to reduce Capfin's operating cost structure and support profitability going forward.

Liquidity update

Strong trading, pro-active expense management, conservative credit granting and positive credit book collections have benefited group liquidity and seasonal funding facilities secured as a contingency during the lockdown period were not utilised. The group settled its R521 million bridge term loan facility earlier than anticipated.

As announced on 24 June 2020, Pepkor successfully completed an accelerated bookbuild which raised R1.9 billion. The book was oversubscribed by 5.3 times, indicating strong demand from more than 60 local and international investors. The group issued 172.5 million new Pepkor shares at R11.00 per share which reflected a discount of 6.2% to the 30-day volume weighted average price. The proceeds will be used to reduce debt in line with the group's ambition to reduce its gearing levels.

Processes to amend debt covenants and extend the group's debt repayment profile are progressing well as the group continues to improve liquidity and reduce debt levels to enhance the flexibility of its capital structure.

Outlook

Strong trading momentum continued into July 2020. It is uncertain how long these levels of performance are possible as the impact of COVID-19 on the economy and employment unfolds. The group is expecting a constrained retail environment over the next 18 months.

The group will continue to focus on its aggressive growth in market share as consumers are forced to reduce and reprioritise spending. It will capitalise on its defensive discount and value positioning as its retail brands continue to execute compelling customer value propositions and focus on providing affordable value to customers. Pepkor's expansive retail footprint is also proving to be highly accessible to customers who are choosing to shop closer to home.

Pepkor continues to make a positive difference in the lives of our customers and the communities in which we operate by providing convenient access to everyday products and services at affordable prices.

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 nine-month period, in reported currency and constant currency for the basket of currencies in which Pep Africa operates.

% change in sales compared to the prior nine-month period	Reported currency	Constant currency
Pep Africa	(19.8%)	(11.5%)

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

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24 July 2020

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