Woolworths Holdings Limited
(Incorporated in the Republic of South Africa)
Registration number 1929/001986/06
LEI: 37890095421E07184E97
Share code: WHL
Share ISIN: ZAE000063863
Bond code: WHLI
('the Group', 'the Company' or 'WHL')

SUMMARY OF THE AUDITED GROUP RESULTS FOR THE 52 WEEKS ENDED 28 JUNE 2020

FINANCIAL OVERVIEW

	Post IFRS 16 52:53 weeks	Pre IFRS 16 52:52 weeks
Turnover	-1.2% to R72.2 billion	+0.6% to R72.2 billion
Turnover and concession sales	-1.9% to R78.3 billion	-0.1% to R78.3 billion
Profit before tax	at R1.4 billion from -R1.8 billion	at R1.7 billion from -R1.8 billion
Adjusted profit before tax	-54.5% to R2.2 billion	-46.0% to R2.5 billion
Earnings per share	at 58.2 cps from -113.4 cps	at 82.6 cps from -126.0 cps
Headline earnings per share	-65.1% to 119.8 cps	-64.8% to 116.2 cps
Adjusted diluted headline earnings per share	-54.3% to 168.4 cps	-45.7% to 193.6 cps
Total dividend per share	-53.3% to 89.0 cps from 190.5 cps	

This has been an exceptionally challenging year for the Group, characterised by two distinct halves, with COVID-19 having a significant impact on the performance of the second half ('H2') of the year. First half ('H1') adjusted profit before tax ('aPBT') was 12.3% below the prior year, at R2.4 billion. The onset of COVID-19 caused significant disruption to our businesses, resulting in store closures, reduced footfall, lost sales and margin dilution due to promotional and other initiatives to clear inventory. This had a material impact on H2 aPBT and, as a result, our reported profit before tax for the full year was R1.4 billion, and R1.7 billion on a comparable (pre IFRS 16) 52-week basis. Adjusted profit before tax, on a comparable basis, was R2.5 billion, which was 46.0% below the prior year.

Our primary focus during COVID-19 has been the health and wellness of our people, the safety of our customers, and the protection of jobs for our employees. We also undertook numerous initiatives that were targeted at stabilising operations, protecting liquidity, and strengthening the Group's balance sheet. Our focus on generating and preserving cash included tight working capital management, the deferral of non-essential capex, cutting back on discretionary costs and securing relevant government relief support for employees. This achieved the desired savings and improved liquidity and levels of net gearing.

The impact of COVID-19 on the trading environment and results necessitated an assessment of the carrying values of assets, including the right-of-use assets relating to our store leases arising from the implementation of IFRS 16. Consequently, the carrying value of certain store assets has been impaired, which negatively impacted reported earnings per share ('EPS'). This impact is adjusted in calculating headline earnings per share ('HEPS') and adjusted diluted HEPS ('adHEPS') for the year ended 28 June 2020 ('current year').

In addition, given the economic and trading uncertainty resulting from COVID-19, and the challenges created in reliably forecasting the timing of future taxable earnings, the Group has elected not to recognise certain deferred tax assets arising from assessed losses in relation to certain Group entities. This resulted in an increased Group effective tax rate, thereby further impacting EPS and HEPS. The impact thereof has been adjusted in calculating adHEPS.

Statutory results

Statutory results for this year include the first-time adoption of IFRS 16 on a modified retrospective basis, with no restatement of the reported comparative 52-week pro forma prior year results ('pro forma prior year'), and the 53-week reporting period for the year ended 30 June 2019 ('prior year'). The impact of

IFRS 16 results in a current year profit before tax of R1.4 billion, compared to a R1.8 billion loss in the prior year, with EPS and HEPS at 58.2 cps and 119.8 cps, compared to -113.4 cps and 342.9 cps in the prior year respectively.

The prior year had 53 trading weeks, and therefore to facilitate comparison against the 52-week current year, financial information for the prior year has been presented on a 52-week basis and excludes the impact of IFRS 16.

COMMENTARY ON PERFORMANCE

Group sales for the current year on a 52-week comparable basis were 0.1% lower compared to the pro forma prior year and declined by 1.1% in constant currency terms. The sales performance for H2 was significantly impacted by the temporary closure of the majority of the Group´s non-food stores, coupled with the decline in foot traffic and resultant loss of trade. The easing of restrictions from the beginning of May 2020 in South Africa and Australia resulted in some recovery in the last nine weeks of the half. Consequently, Group turnover and concession sales declined by 4.0% in H2. Loss of trade was partially offset by significant growth in and contribution from online sales across all businesses during and post the lockdown.

Southern Africa

Woolworths Food

The resilience of our Food business is underpinned by deep foundational capabilities. These, coupled with customer confidence and trust in our brand, resulted in the Food business delivering an exemplary performance for the year. Woolworths Food sales peaked in March and April, with above-market growth continuing into May and June. Turnover and concession sales grew by 13.3% in H2, with full year growth at 10.7%. This was achieved notwithstanding the constrained environment, restrictions on trade of our hot food counters, wine alcoves and WCafe business, and the intermittent closure of specific stores with COVID-19 incidents. Online food sales grew by 87.8% in H2 and by 57.2% for the year, notwithstanding the need for further improvements to our fulfilment capability in this area.

Gross profit margin of 24.9% was marginally higher than the prior year, notwithstanding further price investment, primarily due to supply chain efficiencies, lower waste and higher volume rebates. Expenses grew by 8.1%, including additional COVID-related costs and payments to frontline store staff. Operating profit increased by 19.0% to R2 716 million, returning an operating margin of 7.7%.

Woolworths Fashion, Beauty and Home ('FBH')

Following a disappointing H1 FBH performance, H2 was severely impacted by the closure of stores and the restrictions on trade, including through our online channel for the duration of the lockdown period in South Africa and the other Southern African markets in which we operate. Since the reopening of stores in May, trade was focused on promotional and clearance activity to drive sales and reduce inventory levels. Sales in H2 declined by 24.1%, ending the year 10.7% down on last year, while online sales grew by 41.3% in H2 and 35.4% for the year.

Gross profit margin for the full year decreased by 3.5% to 44.0%. Expenses were well controlled and decreased by 2.8%. We made the decision to continue paying our staff during the lockdown period, which was in part supported through the government-funded UIF TERS subsidy. Operating profit decreased by 59.5% to R683 million, resulting in an operating margin of 5.5%.

Woolworths Financial Services

The Woolworths Financial Services ('WFS') book grew by 2.0% year-on-year and by 9.0% through 31 March 2020, highlighting the significant drop off in the fourth quarter. Book and revenue growth was negatively impacted by the closure of stores, lower non-essential spend and lower prevailing interest rates. The deterioration in customer collections, and a significant macro-economic adjustment in the provisioning allowance resulted in the higher impairment charge for the year. The impairment rate for the 12 months ended 28 June 2020 was 7.9%, compared to a rate of 4.2% for the nine months ended 31 March 2020 and 3.7% for the 12 months ended 30 June 2019.

Australasia

David Jones

While David Jones ('DJ') was able to continue trading most of their stores during H2, there was a significant decline in footfall, which was evidenced earlier in the half, as the impacts of the pandemic affected Asian tourism during the Lunar New Year trading period. Turnover and concession sales declined by 17.2% in H2, ending the year 6.4% below the prior year. The decline in store sales was partly mitigated by the shift to online, which grew by 100.7% in H2, contributing 18.4% to sales. The completion of the Elizabeth Street store redevelopment in April contributed positively to the uplift in sales in the latter part of the half, notwithstanding the effect of the pandemic on CBD locations.

Gross profit margin was 2.7% lower than the prior year, due to the increased clearance activity in the last quarter to generate cash and reduce inventory levels. Costs reduced by 4.6%, as non-essential expenditure was curtailed to mitigate the impact of the loss of trade.

Country Road Group

Country Road Group ('CRG') stores were closed for eight weeks during the fourth quarter. A phased re-opening of stores commenced from 21 May 2020; however, the performance of CBD and airport stores remained subdued. The exit of the CRG brands from Myer, effectively in August 2019, also impacted comparable performance. As a result, sales in the second half declined by 25.6% and ended the year down 14.3% on the prior year. During the period, online sales remained strong, growing by 28.1% in H2, and contributing 33.5% of total sales.

Gross profit margin declined by 3.1% to 58.6% due to heightened promotions to clear excess inventory. Expenses for the year, including costs incurred on the Myer exit, reduced by 11.3%. Operating profit decreased by 60.0% to A$40 million, resulting in an operating margin of 4.3%.

Group earnings and dividends

EPS was 82.6 cps compared to -126.0 cps for the pro forma prior year, while HEPS and adjusted diluted HEPS decreased by 64.8% and 45.7% to 116.2 and 193.6 cps respectively, on a 52-week comparable basis.

As previously advised the Board has not declared a final dividend for the 2020 financial year, with the interim dividend of 89.0 cps therefore being the total dividend for the year. Future dividends will be considered in the context of the conditions prevailing at the time.

Update on strategic initiatives

Management are making steady progress on a number of initiatives across the Group:

1. We have successfully secured the requisite suspension of covenant testing from our lenders and bondholders in Australia. Also, our lenders in South Africa have amended covenants, for the June and December 2020 measurement dates.
2. The review of the capital structure of the Australasian entities is progressing well. Priority focus has been given to the options relating to our property portfolio:
   - The sale of the Bourke Street Menswear building has been successfully concluded post year-end, with the proceeds of A$121 million used to reduce debt.
   - We have also distributed information memoranda, invited and received several non-binding offers for the potential sale and leaseback of our remaining David Jones properties, which we are in the process of evaluating.
3. Discussions with the Australasian landlords on rent abatements, an accelerated restructure of the DJ store portfolio and reduction in floor space, are also progressing.
4. While the provision of the funding support of A$75 million by WHL to the Australasian businesses in the form of a loan secured by a second lien remains in place, there has, to date, been no necessity to call on this funding. The improved liquidity position has been achieved primarily as a result of management's successful execution of cash generation and preservation initiatives.
5. Fixing and repositioning our FBH business is of high priority and a holistic review of its strategy and execution is well underway.

Outlook

The trading environment in both Southern Africa and Australasia remains challenging and uncertain and is expected to remain so for the foreseeable future. The full economic impact of the pandemic is still unfolding and we expect consumer spending to remain constrained. Heightened competition and promotional activity is likely to persist, notwithstanding some consolidation in the industry. Post year-end, the Australian State of Victoria imposed an initial stage 4 lockdown in the metropolitan areas for a period of six weeks. This was extended for a possible further six weeks and has resulted in store closures during the period. The decline in trade in Victoria, CBD areas across the country and airport locations has, in part, been offset by the marked shift to online channels.

The Group's intention is to ensure that we not only endure the impacts of the pandemic but that we can learn from it and emerge both strategically and tactically stronger as a result. To this end, the Board and management team remain resolutely focused on optimising the Group's financial position, liquidity and capital structure, and on repositioning the Group for sustainable longer term growth.

Any reference to future financial performance included in this statement has not been reviewed or reported on by the Group's external auditors and does not constitute an earnings forecast.

CHANGES TO THE BOARD OF DIRECTORS

As previously advised on the JSE Stock Exchange News Service, the following changes to the Board of Directors were effected during the year under review:

- Ms Belinda Earl and Mr Christopher Colfer were appointed to the Board as Non-executive Directors on 1 July 2019.
- Mr Clive Thomson was appointed to the Board as a Non-executive Director on 19 August 2019 and as Chairman of the Audit Committee on 27 November 2019.
- Messrs Simon Susman and Tom Boardman stepped down from the Board with effect from the conclusion of the 2019 WHL Annual General Meeting.
- Mr Hubert Brody and Ms Zarina Bassa were appointed as Chairman of the Board and Lead Independent Director respectively with effect from the conclusion of the 2019 WHL Annual General Meeting.
- Mr Ian Moir resigned as WHL Group Chief Executive Officer ('CEO') and as an Executive Director with effect from 16 February 2020.
- Mr Roy Bagattini was appointed as WHL CEO and as an Executive Director with effect from 17 February 2020.
- Mr Andrew Higginson resigned from the Board on 31 March 2020.

The Board expresses its appreciation to the directors who have left the Board.

H Brody	R Bagattini
Chairman	Group Chief Executive Officer

Cape Town, 15 September 2020

As advised in the SENS announcement on 27 May 2020, the Board believes that it is in the best interest of the Group to suspend distributions to shareholders until such time as the situation arising from COVID-19 stabilises, and has decided not to declare a final dividend for the 2020 financial year.

CA Reddiar
Group Company Secretary
Cape Town, 15 September 2020

ABOUT THIS ANNOUNCEMENT

Statement and availability

This short form announcement is the responsibility of the directors and is only a summary of the information in the full announcement. The provisional audited Group Annual Financial Statements were approved by the Board of Directors on 15 September 2020, and the information in this announcement has been correctly extracted from the audited Group Annual Financial Statements, upon which EY have issued an unqualified report. The auditors' report does not necessarily report on all the information contained in this announcement. Shareholders and bondholders are therefore advised that, in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' report, including Key audit matters, together with the accompanying Annual Financial Statements from the Company's registered office, or on the Company's website:
https://www.woolworthsholdings.co.za/wp-content/uploads/2020/09/whl_annual_financial_statements_2020.pdf.

Any investment decisions by investors and/or shareholders and/or bondholders should be based on consideration of the full announcement, published and available at: https://senspdf.jse.co.za/documents/2020/JSE/ISSE/WHLE/WHLFY20.pdf and on the Company's website: https://www.woolworthsholdings.co.za/wp-content/uploads/2020/09/whlfy20.pdf. The full announcement is also available at our registered office, Woolworths House, 93 Longmarket Street, Cape Town 8001, for inspection, at no charge, during normal business hours from 17 September 2020 to 25 November 2020. Investors and/or shareholders and/or bondholders may request copies of the full announcement from the Group Company Secretary at Governance@woolworths.co.za. The Final Analyst Presentation is also available on the Company's website.

DIRECTORATE AND STATUTORY INFORMATION

Non-executive Directors
Hubert Brody (Chairman), Zarina Bassa (Lead Independent Director), Christopher Colfer (Canadian), Belinda Earl (British), David Kneale (British), Nombulelo Moholi, Thembisa Skweyiya, Clive Thomson

Executive Directors
Roy Bagattini (Group Chief Executive Officer), Reeza Isaacs (Group Finance Director), Sam Ngumeni, Zyda Rylands

Group Company Secretary
Chantel Reddiar

Registration number
1929/001986/06

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37890095421E07184E97

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Share ISIN
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Bond code
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