

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
(‘WHL’ or ‘the Group’)

TRADING UPDATE AND TRADING STATEMENT FOR THE 26 WEEKS ENDED 27 DECEMBER 2020

TRADING UPDATE

Group sales for the 26 weeks ended 27 December 2020 (‘current period’) increased by 5.3% compared to the 26 weeks ended 29 December 2019 (‘prior period’) and declined by 0.5% in constant currency terms. This reflects improved trading momentum across all businesses over the final six weeks of the reporting period versus the 20-week update published on the Stock Exchange News Service (‘SENS’) on 19 November 2020.

Trading conditions across the Group continued to be impacted by Covid-19, with significantly reduced store footfall, particularly in larger shopping centres and CBD locations. Considered actions to stimulate trade, strengthen online capabilities, manage inventory levels and execute property sales, have resulted in positive cash flows and a continued reduction in net debt levels in both South Africa and Australia.

As published on SENS on 21 December 2020, the sale of the David Jones Elizabeth Street property, to be recognised in the second half once final approvals have been obtained, will further strengthen the Group’s balance sheet and ensure a more sustainable capital structure of our Australian entities.

Southern Africa

South Africa’s weak macro and consumer confidence has been exacerbated by Covid-19. The country is in the midst of a second wave of the pandemic, placing further strain on discretionary spend.

Woolworths Food remained resilient throughout the reporting period, growing sales over the last six weeks of the half by 12.0%, and delivering further market share gains. Sales over the 26-week period grew by 10.9% and by 9.4% in comparable stores, with net space growth of 0.4%. Online sales grew by 158.5%, contributing 2.2% to sales, with the expansion of the click and collect offering, and trial of an on-demand delivery service. Price movement was 7.1%, impacted by mix, while underlying product inflation averaged 4.8% over the period. Price investment across key product lines remains a strategic priority and is being well received by customers.

Woolworths Fashion, Beauty and Home (‘FBH’) continues to be affected by the constrained environment, a significant decrease in Black Friday spend across the sector, and the reduction in formalwear trade. Sales declined by 11.2% over the period, with comparable store sales 11.0% lower on a 2.4% price movement. Online sales grew by 118.8%, contributing 4.0% to South African sales. Net space reduced by 1.9%, which is in line with the focus on improving store operating efficiency.

The Woolworths Financial Services (‘WFS’) book reflected year-on-year contraction of 2.2% at the end of December 2020. The annualised impairment rate for the six months ended 31 December 2020 was 4.1%, compared to 3.3% for the prior period. The focus on customer collections and payment relief initiatives and the timing thereof reflects in the shape of the book and the impairment rate for the period.

Australia and New Zealand

In Australia, while the 12-week lockdown in the State of Victoria negatively impacted sales for the half, the easing of Covid-19 restrictions, together with the extended JobKeeper relief, our successful Black Friday and Cyber Monday campaigns, and further growth in our online sales, contributed to an improved performance in the last six weeks of the reporting period.

David Jones ('DJ') sales over the 26-week period declined by 8.8% and by 10.5% in comparable stores. Excluding Victorian stores, which traded significantly down on the prior period due to the extended lockdown in the State, the balance of the DJ business, including online, grew by 5.9%. Online sales increased by 55.5%, contributing 17.7% to total sales over the half.

Country Road Group ('CRG') delivered strong sales growth of 6.7% in the last six weeks of the period, underpinned by new product ranges, particularly in the Country Road business. Sales over the half declined by 5.2% and by 2.4% in comparable stores, negatively impacted by the lockdown in Victoria. Excluding Victorian stores, the balance of the CRG business, including online, grew by 8.2%. Online sales increased by 52.5%, and contributed 31.6% to total sales for the period.

TRADING STATEMENT

Shareholders are advised that earnings per share ('EPS'), headline earnings per share ('HEPS') and adjusted diluted HEPS for the current period over the prior period are expected to be within the ranges reflected in the table below. These earnings are reported on an IFRS 16 basis.

The various earnings ranges have been impacted by the following transactions:

- The sale of the Bourke Street Mens property in David Jones was completed in the period, resulting in proceeds of A\$121.0m and a profit on sale of approximately A\$23.5m; and
- The renegotiation of various David Jones leases resulted in lease modification and cancellation gains under IFRS 16 of approximately R667 million (pre-tax), which were recognised in the period.

The EPS calculations include both of the above items; whereas HEPS excludes the profit arising on the property sale.

The adjusted diluted HEPS calculations exclude both of the above items. Furthermore, consistent with the prior year, where an adjustment was made for the non-recognition of deferred tax assets on assessed tax losses in David Jones, the taxation benefit arising on the partial utilisation of these tax losses in the current period is excluded in calculating the adjusted diluted HEPS.

	December 2019 reported (cents)	December 2020 expected range (% increase)	December 2020 expected range (cents)
EPS	164.1	70.0% to 80.0%	279.0 to 295.4
HEPS	164.9	50.0% to 60.0%	247.4 to 263.8
Adjusted diluted HEPS	162.2	17.0% to 22.0%	189.8 to 197.9

CONSTANT CURRENCY INFORMATION

The constant currency information contained in this announcement has been presented to illustrate the impact of changes in the Group's major foreign currency, the Australian dollar. In determining the constant currency turnover and concession sales growth rate, turnover and concession sales denominated in Australian dollars for the current period have been adjusted by application of the aggregated monthly average Australian dollar exchange rate for the prior period. The aggregated monthly average Australian dollar exchange rate is R11.65 for the current period and R10.05 for the

prior period. The foreign currency fluctuations of WHL's rest of Africa operations are not considered material, and have therefore not been applied in determining the constant currency turnover and concession sales growth rate.

The constant currency information, which is the responsibility of the Group's directors, has been prepared for illustrative purposes only and may not fairly present the Group's financial position, changes in equity, cash flows or results of operations.

The information contained in this announcement, including estimated financial information and constant currency information, has not been reviewed or reported on by the Group's external auditors.

The Group's interim financial results for the 26 weeks ended 27 December 2020 will be released on SENS on or about 25 February 2021.

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Cape Town

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Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)