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 THREE MONTHS ENDED 31 DECEMBER 2020

For the three months ended 31 December 2020 the group increased revenue from continuing operations by 7.7% to R20.3 billion from R18.9 billion in the comparable quarter.

Operating conditions during the first quarter of Pepkor's 2021 financial year included restrictions imposed in South Africa to deal with the second wave of the Coronavirus pandemic ("**COVID-19**"). The development of COVID-19 and the lockdown restrictions continue to weigh on unemployment and consumer spending which contributed to a constrained retail market.

Pepkor performed well in challenging conditions and continued to grow market share as its defensive market positioning continues to resonate with customers in search of value. According to the latest Retailers' Liaison Committee ("**RLC**") data to November 2020, the group expanded its market share by 270 basis points, indicating an acceleration from the 240 basis point gain reported to September 2020.

In most of the brands good sales momentum continued during the quarter, achieving growth on the comparable quarter last year which excluded any impact from COVID-19. Trading was very strong during the first six weeks of the quarter, weakened significantly towards the end of November and normalised in December.

Continuing operations

Clothing and general merchandise

The clothing and general merchandise segment increased revenue by 8.0% to R14.8 billion for the quarter.

The Pep and Ackermans brands in aggregate reported sales growth of 8.9% and like-for-like sales growth of 6.3%.

Retail selling price inflation in clothing, footwear and homeware (CFH) product categories approximated 5.0%, driven by fluctuations in exchange rates. Both Pep and Ackermans protected and entrenched their market positions as price leaders in the discount and value markets, continuing to expand market share according to RLC data.

Retail space in Pep and Ackermans increased by 2.1% year-on-year and included 38 new store openings during the quarter, reflecting a more conservative store expansion programme as planned.

Pep Africa, which contributed 2.6% to group revenue, reported constant currency sales growth of 3.8% and 7.3% on a like-for-like basis. Currency depreciation resulted in a sales reduction of 12.7% in rand terms. The closure of operations in Uganda, as announced in the group's 2020 annual results, was completed in December 2020.

The Speciality division gained market share in all brands except Shoe City and reported strong sales growth of 10.2% with like-for-like sales increasing by 9.2%. The process to dispose of John Craig, as announced in the group's 2020 annual results, is nearing completion.

The Tenacity credit book, which facilitates sales in Ackermans and Speciality, increased to R3.2 billion from R3.0 billion at 30 September 2020 (gross). Credit continues to be granted conservatively and collections were in line with pre-COVID-19 levels. The credit sales mix in Ackermans was maintained at the 17%-level.

Furniture, appliances and electronics

This segment reported revenue growth of 7.5% to R3.1 billion. The Abacus insurance business acquired in December 2019 contributed 1.7% to revenue growth.

JD Group increased retail sales by 9.3% while like-for-like sales increased by 10.8%. This was achieved notwithstanding trading space reducing by 11.0% year-on-year and prudent credit granting which resulted in the overall JD Group credit sales mix reducing to 10.3% compared to the comparable quarter last year of 17.5%. Black Friday promotions were extended over most of November and were successful with technology upgrades and work/school-from-home trends continuing to be key demand drivers.

The Connect credit book, which facilitates credit sales in the JD Group, was maintained at R1.6 billion (gross) since 30 September 2020 and although collections met targeted levels, reduced credit extension and lower interest rates weighed on revenue growth.

Fintech

The Fintech segment reported revenue growth of 5.8%.

The Flash Group reported 15.7% growth in revenue during the quarter with performance supported by an increased basket of virtual products offered to consumers. The Flash Group continues to invest in new products, channels and geographies to widen and deepen the Flash Ecosystem as the growing trader base continues to be an attractive avenue for partners.

Capfin's performance was impacted as a result of curtailed credit granting and lower interest rates. The Capfin unsecured credit book was maintained at R1.9 billion (gross) since September 2020 and collections have been in line with pre-COVID-19 levels.

Discontinued operations - The Building Company

The Building Company reported an increase in sales and like-for-like sales of 7.1% and 9.3%, respectively. As reported in the group's 2020 annual results, completion of the transaction to dispose of The Building Company is subject to the fulfillment of certain conditions precedent and remains on track to be concluded during the first half of the 2021 financial year.

Settlement of preference share funding maturing in 2022

Following the settlement of R4.0 billion in preference share funding during the 2020 financial year an additional R1.0 billion in preference share funding was settled in December 2020. Net debt (including discontinued operations) at 31 December 2020 reduced to R5.6 billion from R7.1 billion reported at 30 September 2020.

The remaining R1.0 billion in preference share funding will be settled by the end of January 2021, further reducing gearing levels and strengthening Pepkor's balance sheet.

Outlook

Volatile trading patterns are expected during the second quarter with the second wave of the COVID-19 pandemic and related restrictions continuing. The delayed start to the academic school year will have a major impact on "back to school" sales performance in January 2021, which is expected to shift to February 2021. Stores are ready to offer customers a full product range at market leading prices when schools reopen in February.

Pepkor's business model and market positioning are expected to continue driving performance and market share gains in an environment where consumers need affordability, convenience and value.

Pro forma constant currency disclosure

The 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 three-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 three-month period	Reported currency	Constant currency
Pep Africa	(12.7%)	3.8%

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.

Parow

26 January 2021

Equity sponsor

PSG Capital

Debt sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)