

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 STATEMENT AND VOLUNTARY TRADING UPDATE FOR THE SIX MONTHS ENDED 31 MARCH 2021

VOLUNTARY TRADING UPDATE

Continuing operations

Pepkor increased revenue from continuing operations by 8.1% to R36.5 billion for the six months ended 31 March 2021 (the "**period**"). This is in context of the comparable six months period ended 31 March 2020 (the "**comparable period**") which was largely unaffected by the Coronavirus pandemic ("**COVID-19**").

Conservative credit granting across all credit books in addition to lower interest rates, negatively impacted growth in revenue earned from the Tenacity, Connect and Capfin credit books. When revenue from these credit books is excluded, revenue growth of 9.9% was achieved.

Strong trading and continued market share gains in nearly all retail brands (according to Retailers' Liaison Committee data) supported performance despite volatile operating conditions. The period under review included restrictions imposed to deal with the second wave of COVID-19 and the delayed start to the academic school year. From a group perspective, cash sales increased by 10.7% while credit sales decreased by 3.8%. The credit contribution to total group sales reduced to 7% for the period from 8% in the comparable period. Credit book collections during the period were at similar levels to those achieved in the comparable pre-COVID-19 period.

Group retail space declined by 1.8% year-on-year. During the period 108 new stores were opened and 180 stores closed, including 111 John Craig stores which were disposed of. Store openings were focused in the most robust and proven retail brands in the group.

Clothing and general merchandise

The clothing and general merchandise segment increased revenue by 8.1% to R26.3 billion for the period.

Performance in Pep and Ackermans was underpinned by the leadership of these two retail brands in the discount and value segments of the market. Pep and Ackermans in aggregate increased sales by 8.8% and like-for-like sales increased by 6.9%. Both Pep and Ackermans continued to grow market share in a declining apparel retail market.

Retail space expansion in Pep and Ackermans amounted to 2.6% year-on-year. This included the opening of 65 new stores during the period.

Pep Africa increased constant currency sales by 7.1% while like-for-like sales increased by 13.1%. In South African Rand terms, sales declined by 12.1% due to the weakening of local currencies and strengthening of the Rand.

The Speciality business benefited from consumer demand for casual wear and branded footwear in the value segment. Sales increased by 11.3% including John Craig which was disposed of in February 2021. Excluding John Craig, sales increased by 16.6% and like-for-like sales increased by 13.5%.

The Tenacity gross credit book, which facilitates sales in Ackermans and Speciality, increased to R3.2 billion at 31 March 2021 from R3.1 billion at 31 March 2020. Similar collection levels were achieved to those in the comparable period. In Ackermans, strong growth in cash sales resulted in the credit sales mix reducing to 17% from 18% in the comparable period.

Furniture, appliances and electronics

The furniture, appliances and electronics segment increased revenue by 12.8% to R5.7 billion for the period. Sales of merchandise increased by 16.4% and like-for-like sales increased by 18.1% as consumers continue to upgrade technology to support working or studying remotely and investing in their homes in terms of furniture and appliances.

Performance was underpinned by strong growth in cash sales during the period and this, in addition to prudent credit granting, resulted in the total credit sales mix reducing to 9% from 17% in the comparable period.

The Connect gross credit book, which facilitates credit sales in JD Group, reduced to R1.5 billion from R1.8 billion at 31 March 2020. Collections were at similar levels to that achieved in the comparable period.

Fintech

The Fintech segment increased revenue by 3.1% to R4.5 billion for the period.

Revenue growth momentum in the FLASH business continued at double-digits as it invests in new products, channels and geographies. Reduced credit granting and lower interest rates impacted revenue growth in the Capfin unsecured lending business. The gross Capfin credit book reduced to R1.9 billion from R2.6 billion at 31 March 2020 with collections improving marginally on the comparable period.

Discontinued operations - The Building Company

The Building Company increased sales by 9.6% with like-for-like sales growth of 11.7%. The disposal of The Building Company, as previously announced, remains in process as South African Competition authorities consider the transaction.

Balance sheet and liquidity

Strong cash generation during the period facilitated reduction in net debt to R6.1 billion at 31 March 2021 compared to R14.1 billion at 31 March 2020 (including discontinued operations). This included settlement of the last remaining preference share funding of R2.0 billion during the period.

TRADING STATEMENT

In terms of the JSE Limited (“**JSE**”) Listings Requirements (the “**Requirements**”), a listed company is required to publish a trading statement as soon as it becomes aware that a reasonable degree of certainty exists that the financial results for the financial period to be reported on next will differ by at least 20% from the financial results for the previous corresponding period.

Pepkor hereby advises shareholders and noteholders that a reasonable degree of certainty exists that its earnings per share (“**EPS**”) and headline earnings per share (“**HEPS**”) for the six months ended 31 March 2021 will increase by at least 20% as set out below. Both EPS and HEPS in the comparable period have been adjusted to reflect The Building Company as a discontinued operation.

EPS and HEPS - continuing operations:

- EPS is expected to increase by at least 8.8 cents (20%) when compared to the EPS of 43.8 cents reported for the comparable period; and
- HEPS is expected to increase by at least 9.1 cents (20%) when compared to the HEPS of 45.6 cents reported for the comparable period.

EPS and HEPS - including discontinued operations:

- EPS is expected to increase by at least 8.5 cents (20%) when compared to the EPS of 42.6 cents reported for the comparable period; and
- HEPS is expected to increase by at least 8.9 cents (20%) when compared to the HEPS of 44.5 cents reported for the comparable period.

The increase in EPS and HEPS is attributed to strong trading performance in addition to the marked reduction in net debt and related finance costs during the period.

Further guidance of the likely increase in EPS and HEPS will be provided once the required degree of certainty in terms of the Requirements has been established.

The financial information on which this trading statement is based, has not been reviewed or reported on by the Company's external auditors.

Publication of results

Pepkor's results for the six months ending 31 March 2021 will be published on SENS on Thursday, 27 May 2021. A live webcast of the results presentation will be broadcast at 12:00pm (SAST). The webcast registration link will be made available closer to the time on the Pepkor website: www.pepkor.co.za

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 comparable period'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 comparable period	Reported currency	Constant currency
Pep Africa	(12.1%)	7.1%

The constant currency information has been prepared for illustrative purposes only. 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.

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28 April 2021

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