

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




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## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2021

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**Pepkor grows headline earnings per share from continuing operations by 50.6% for the six months ended March 2021**

### Highlights from continuing operations

- 8.1% growth in revenue to R36.5 billion
- 296 bps growth in CFH market share<sup>^</sup>
- R5.0 billion cash generated<sup>^^</sup>
- R8.0 billion reduction in net debt to R6.1 billion<sup>^^^</sup>
- 50.6% increase in headline earnings per share to 68.8 cents
- 108 new stores opened

<sup>^</sup> Market share growth in clothing, footwear and homeware (CFH). Source: Retailers' Liaison Committee (RLC)

<sup>^^</sup> Including discontinued operations

<sup>^^^</sup> Excluding IFRS 16 and including discontinued operations

Results for the six months ended <sup>^</sup>	31 March 2021	31 March 2020	change
Revenue (Rm)	36 469	33 723	8.1%
Operating profit before capital items (Rm)	4 595	3 879	18.5%
Earnings per share (cents)	68.6	43.8	56.7%
Headline earnings per share (cents)	68.8	45.6	50.6%

<b>Earnings per share including discontinued operations (cents)</b>	<b>66.7</b>	42.6	56.5%
<b>Headline earnings per share including discontinued operations (cents)</b>	<b>74.0</b>	44.5	66.3%

<sup>^</sup> Results and commentary are from continuing operations unless indicated otherwise

The Pepkor group continued to outperform and expand its market share in a challenging and uncertain South African consumer retail market. Strong operational performance in addition to a significantly lower level of debt resulted in Pepkor growing headline earnings per share by 50.6% for the six-month period ended 31 March 2021 (the “**period**”).

The group’s leadership in the discount and value market and its diligent execution of proven and compelling customer value propositions resulted in significant market share expansion in clothing, footwear and homeware (CFH), cellular handsets and consumer electronics and appliances in terms of RLC and GfK (Growth from Knowledge) data.

Pepkor remains rooted in its purpose of making a positive difference in the lives of its customers and it is pleasing that all businesses within the group contributed positively to the successful results achieved for the period. It is noteworthy that 93% of group sales during the period was generated in cash.

The quality of the performance during the period is further highlighted by the fact that businesses had to deal with volatile operating conditions during the second wave of the Coronavirus pandemic (“**COVID-19**”) and disruptions caused by the delayed start to the academic school year. The performance is also commendable in that the comparable six-month period ended 31 March 2020 (the “**comparable period**”) was largely unaffected by COVID-19.

Revenue increased by 8.1% to R36.5 billion for the six months ended 31 March 2021. 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.

Based on the strong trading performance and good cost management, operating profit (before capital items) increased by 18.5% to R4.6 billion.

Strong cash generation during the period facilitated a reduction in net debt to R6.1 billion from R14.1 billion in the comparable period (excluding IFRS 16 lease liabilities). Pepkor successfully raised R2.2 billion in three- and five-year bonds issued on 5 May 2021 under its R10 billion domestic medium term note programme (“**DMTN programme**”). The bonds were raised at very competitive interest rates significantly below price guidance provided to the market – illustrating strong support from investors. The proceeds from the bond issuance were used to replace existing term debt funding due for repayment in 2022. The group’s liquidity and debt repayment profile has been strengthened substantially while the diversification of funding sources to include the group’s DMTN programme will support lower funding costs.

During the period 108 new stores were opened which were focused in the group's most robust and proven retail brands, supporting sustainable job creation. At 31 March 2021 the group's expansive store footprint comprised 5 293 stores.

As announced on 14 April 2021 the transaction to acquire 12 properties currently leased from Steinhoff International Holdings N.V. (Steinhoff) received the necessary approvals and all conditions precedent were fulfilled. The group will issue a total of 70 million new Pepkor shares as consideration which represents 1.9% of the total number of Pepkor shares currently in issue. The new shares will be issued on a proportional basis as the transfer of each property is completed. The transaction is accretive on an earnings per share basis (excluding IFRS 16) and results in a cash saving for the Pepkor group in terms of rental expenses.

## **Outlook**

The group's business model and market positioning have sustained performance since the onset of COVID-19 by responding effectively to changes in the operating environment and consumer behaviour, thereby entrenching its position in the discount and value sector. During this time Pepkor has made excellent progress in strengthening its balance sheet and liquidity which will support its investment in growth opportunities.

Varying degrees of government-mandated lockdown protocols were put in place since April 2020 to mitigate the spread of COVID-19. It would therefore be more meaningful for trading subsequent to March 2021 to be considered against the group's 2019 trading performance. Based on this comparison, the group is pleased to report positive trading momentum in all retail brands subsequent to March 2021. This includes a good start to the winter-season trade in the CFH brands and continued demand for furniture, appliances and consumer electronics.

Pepkor's product mix and value positioning is ideally suited to the changing consumer behaviour, focusing on essential and everyday products. Pepkor's footprint will continue to expand, especially in the most robust brands such as PEP and Ackermans with 200 new stores planned during this financial year.

Consistent with prior interim periods, no interim dividend is declared by the group. In response to the COVID-19 pandemic, the group suspended the dividend in the 2020 financial year with focus on liquidity preservation and allocation of resources. The dividend policy of three times earnings cover remains in effect.

## **Results webcast**

A live webcast of the results presentation will be broadcast at 12:00pm (SAST) on 27 May 2021. The webcast registration link is: <https://www.corpcam.com/Pepkor27052021> and can be accessed on the Pepkor website: [www.pepkor.co.za](http://www.pepkor.co.za).

## Short-form announcement

This short-form announcement (this announcement) is the responsibility of the directors. It should be noted that this announcement is only a summary of the information contained in the detailed announcement and therefore does not contain full or complete details.

Any investment decisions by investors and/or shareholders should be based on the information in the detailed announcement. The detailed announcement can be accessed at: <https://senspdf.jse.co.za/documents/2021/jse/isse/pphe/H1FY21.pdf>

Copies of the detailed announcement are also available for viewing on the company's website at: <https://www.pepkor.co.za/wp-content/uploads/2021/05/Pepkor-interim-results-for-the-six-months-ended-31-March-2021.pdf>, or may be requested in person at the company's registered office or the office of the equity sponsor, at no charge, during office hours.

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27 May 2021

Equity sponsor

PSG Capital



Debt sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)

