

**PEPKOR HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number: 2017/221869/06)

Share Code: PPH

Debt Code: PPHI

ISIN: ZAE000247995

("Pepkor" or the "group")

**VOLUNTARY TRADING UPDATE FOR THE NINE MONTHS ENDED 30 JUNE 2021*****Continuing operations***

Group revenue for the nine months ended 30 June 2021 ("nine-month period") increased by 13.9% to R53.9 billion. This includes revenue growth of 8.1% reported for the six months ended 31 March 2021 and revenue growth of 27.9% for the three months ended 30 June 2021 ("third quarter"). Trading during the third quarter was volatile with moderate trading in April 2021, strong trading in May 2021 followed by subdued trading in June 2021.

Performance during the third quarter compares to the corresponding third quarter ended 30 June 2020 which was affected by varying degrees of store closures due to COVID-19 lockdowns. The group was also not able to trade on its full product range in certain retail brands until June 2020. In addition, very strong trading was reported once stores reopened due to pent-up consumer demand.

**Clothing and general merchandise**

Segmental revenue for the nine-month period increased by 14.0% and by 28.7% for the third quarter.

Pep and Ackermans continued to grow market share on a 12-month rolling period according to the latest Retailers' Liaison Committee (RLC) data, albeit at a slower rate which was expected following the high base and significant market share gains achieved since May 2020. Retail space expanded by 3.2% year-on-year with 56 new store openings during the third quarter.

<b>Pep and Ackermans</b>	<b>Three months ended 30 June 2021</b>	<b>Nine months ended 30 June 2021</b>
Sales growth	31.8%	15.5%
Like-for-like sales growth based on corresponding 2020 period	29.0%	13.3%

Like-for-like sales growth for the third quarter based on the corresponding third quarter ended

30 June 2019 was 10.3%.

Pep Africa performed well in constant currency terms as sales increased by 14.0% and like-for-like sales increased by 16.5% for the nine-month period. Sales in South African Rand (“ZAR”) terms declined by 9.9% for the nine-month period due to the weakening local currencies and the strength of the Rand.

The Speciality business continued to benefit from strong consumer demand for casualwear and branded footwear in the value market segment.

<b>Speciality</b>	<b>Three months ended 30 June 2021</b>	<b>Nine months ended 30 June 2021</b>
Sales growth (excluding John Craig)	36.3%	21.5%
Like-for-like sales growth based on corresponding 2020 period	32.1%	18.1%

Like-for-like sales growth for the third quarter based on the corresponding third quarter ended 30 June 2019 was 12.2%.

Collections on the Tenacity credit book, which facilitates credit sales in Ackermans and Speciality, were satisfactory and remained at similar levels to those before the onset of COVID-19.

### **Furniture, appliances and electronics**

Segmental revenue for the nine-month period increased by 22.1% and by 50.5% for the third quarter.

Trading in the JD Group continued to benefit from strong consumer demand for household goods and consumer electronics. Sales were driven by strong growth in cash and lay-by sales while continued prudent credit granting resulted in a lower total credit sales mix of 9.7% for the nine-month period versus 14.0% in the comparable nine-month period ended 30 June 2020.

Collections on the Connect credit book, which facilitates credit sales in JD Group, were satisfactory and remained at similar levels to those before the onset of COVID-19

<b>JD Group</b>	<b>Three months ended 30 June 2021</b>	<b>Nine months ended 30 June 2021</b>
Sales growth	61.2%	27.1%
Like-for-like sales growth based on corresponding 2020 period	64.8%	29.3%

Like-for-like sales growth for the third quarter based on the corresponding third quarter ended 30 June 2019 was 22.4%.

## **Fintech**

The Fintech segment reported revenue growth of 4.3% for the nine-month period and 7.0% for the third quarter.

Revenue growth momentum in Flash continued at double digits, while reduced credit granting and lower interest rates resulted in a decline in revenue generated by the Capfin business. Collections in Capfin were satisfactory and remained at pre-COVID-19 levels.

## **Discontinued operations - Building materials**

The Building Company continued to benefit from a positive sales trajectory in the building materials market.

<b>The Building Company</b>	<b>Three months ended 30 June 2021</b>	<b>Nine months ended 30 June 2021</b>
Sales growth	80.0%	25.9%
Like-for-like sales growth based on corresponding 2020 period	95.2%	29.9%

Like-for-like sales growth for the third quarter based on the corresponding third quarter ended 30 June 2019 was 9.2%.

The Competition Tribunal will consider the transaction to dispose of The Building Company following the Competition Commission's recommendation on 28 May 2021 to prohibit the transaction. The timing of the Competition Tribunal hearing has not been confirmed.

## **Refinance of R2.5 billion term loan funding completed**

On 30 June 2021 the group completed the refinancing of R2.5 billion in term loan funding ("Term Loan C"). Term Loan C carried interest at three-month JIBAR plus 225 basis points and was repayable in May 2022 (as disclosed in the group's 2020 annual financial statements). Term Loan C was replaced by three term loans repayable from 2024 to 2026 at substantially lower rates ranging between three-month JIBAR plus 159 to 174 basis points. This further strengthens the group's liquidity, debt repayment profile and reduces the group's cost of funding.

## **Outlook**

As reported by the group on 16 July 2021 on SENS, the civil unrest which erupted during July 2021 in the KwaZulu-Natal and Gauteng provinces of South Africa ("the affected areas") impacted Pepkor's operations and the livelihoods of its people.

After a thorough assessment, a total of 529 stores across the group were impacted in the affected areas. Stores were burnt, looted or damaged to varying degrees. This represents approximately 10% of the group's total retail store base. In addition one of the JD Group's distribution centres in Cato Ridge, KwaZulu-Natal was looted. Trading was disrupted, with a number of stores intermittently closed in the affected areas as a precautionary measure to ensure the safety of employees and customers. In addition, the group's supply chain and distribution operations were severely disrupted in the affected areas as the group took swift action to deploy extensive tactical measures to protect and safeguard its infrastructure.

Recovery plans have been formulated and implementation has commenced. The pace at which stores will be reopened is dependent on factors such as access to materials and equipment for store refitment purposes and the ability of property owners to restore premises which suffered extensive damage. All distribution operations have recommenced from Monday 19 July 2021 and plans were put in place to service JD Group stores in the affected areas through its other distribution centres. Merchandise teams are working with their long-standing and geographically diversified supplier bases to address any potential impact of stock shortages.

As previously reported, the group has the necessary insurance cover in place to mitigate losses incurred for damage to assets, stock losses and business interruption. The process to quantify damages and initiate claims has started. Additional costs have been incurred to secure and safeguard assets and infrastructure. While these costs may not be fully recoverable, it is not expected to have a material impact from a group perspective.

The group continues to expect a constrained retail environment going forward as a result of the longer term impact of COVID-19 on the South African economy, further exacerbated by the recent civil unrest. The group's unparalleled position in the discount and value retail market segments continues to be increasingly relevant in addressing consumer needs.

The leadership and operational teams of Pepkor have again shown incredible agility and resilience in dealing with this latest crisis. Pepkor will remain true to its purpose to make a positive difference in the lives of our customers and the communities in which we operate by providing convenient access to everyday products and services at affordable prices.

### **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, the nine-month period turnover for Pep Africa reported in currencies other than ZAR are converted from local currency actuals into ZAR at the prior nine-month period's actual average exchange rates. The table below sets out the percentage change in sales, based on the actual results for the nine-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 nine-month period	Reported currency	Constant currency
Pep Africa	(9.9%)	14.0%

The information included in this announcement is the responsibility of the directors, does not constitute a group earnings forecast and has not been reviewed or reported on by the group's external auditors. The constant currency information has been prepared for illustrative purposes only.

Parow

23 July 2021

**Equity sponsor**

PSG Capital



**Debt sponsor**

Rand Merchant Bank (A division of FirstRand Bank Limited)

