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 2021

Revenue for the quarter ended 31 December 2021 increased by 1.3% to R22.8 billion. Excluding the disposal of John Craig in the prior year revenue increased by 1.8%. Growth in revenue was impacted by the strong base in the comparable quarter in the previous financial year and 161 looted stores that had not yet reopened at the start of the quarter following the civil unrest in Kwa-Zulu Natal and Gauteng during July 2021. Lower revenue in the Fintech segment resulting from a change in product mix and accounting treatment further weighed on group revenue growth.

From a trading perspective and excluding John Craig, Pepkor achieved 3.1% sales growth for the quarter, contending with an exceptionally strong base in the prior year. Over a two-year period compared to the comparable quarter ended 31 December 2019, the group is pleased to have achieved sales growth of 10.9%. This demonstrates Pepkor's ability to achieve strong and consistent sales growth despite volatile trading conditions.

Whilst trading was weak in October 2021, it normalised in November 2021 and strengthened in December 2021. The improved trading trajectory is very encouraging in contrast to the challenging operating conditions faced in the wake of a weak economy with record high levels of unemployment.

Excluding John Craig, cash sales for the group increased by 3.2% and contributed 93% to total group sales. Credit sales increased by 2.8% and remains a very small contributor to group sales, at only 7%. The group's approach to credit granting remains conservative.

The group has now reopened 450 (82%) out of the total 549 stores affected by the civil unrest. The reopening of the remaining 99 stores is delayed by infrastructure and shopping centre rebuilds. The resultant insurance claims process relating to material damage and business interruption is progressing with further payments from the insurers expected during the current financial year.

It should be noted that sales growth performance reported per business is adjusted for the disposal of John Craig by Pepkor Speciality, PEP Africa's exit from Uganda and the rationalisation of non-core businesses of The Building Company. Like-for-like sales growth reported excludes looted stores not reopened by 30 September 2021.

Clothing and general merchandise

The clothing and general merchandise segment increased revenue by 2.0% to R15.1 billion for the quarter. Excluding John Craig revenue increased by 2.7%.

Sales performance in PEP and Ackermans was affected by negative growth in cellular compared to an extremely strong base in the comparable quarter when handset sales increased by more than 20%.

PEP and Ackermans opened 79 new stores during the quarter, exceeding its store expansion plans. Retail selling price inflation in the clothing, footwear and homeware (CFH) product categories approximated 5.1%.

In Rand terms, PEP Africa increased sales by 2.4% supported by strengthening local currencies. In constant currency terms, sales declined as a result of varying levels of COVID-19 related trading restrictions in countries of operation.

The Speciality division achieved good growth with all the brands performing well and trade strengthening towards the end of the quarter.

The Tenacity credit book, which facilitates sales in the clothing and general merchandise segment, increased marginally to R3.3 billion from R3.2 billion a year ago (on a gross basis). The level of non-performing loans improved.

Sales growth performance	**Like-for-like sales growth for the quarter Year-on-Year**	**Total sales growth for the quarter Year-on-Year**	**Total sales growth for the quarter Over 2 Years**
PEP and Ackermans	1.6%	2.4%	11.5%
PEP Africa (constant rates)	(0.1%)	(2.4%)	3.1%
Speciality	5.3%	5.2%	19.9%

Furniture, appliances and electronics

This segment delivered strong growth against a high base with revenue growth of 9.7% to R3.4 billion for the quarter. Black Friday and Christmas trading in the JD Group was strong despite a high base in the comparable quarter last year.

The Connect credit book, which facilitates credit sales in the JD Group, was largely maintained at the R1.6 billion-level (on a gross basis). The level of non-performing loans improved.

Sales growth performance	**Like-for-like sales growth for the**	**Total sales growth for the quarter**	**Total sales growth for the quarter**

	quarter Year-on-Year	Year-on-Year	Over 2 Years
JD Group	9.8%	10.1%	20.4%

Building materials

The Building Company's decline in sales is due to a firm base in the comparable quarter last year when the building materials market rebounded following the impact of the initial COVID-19 wave. In addition, the consolidation of the business included the rationalisation of certain non-core businesses which affected sales growth for the quarter.

Sales growth performance	Like-for-like sales growth for the quarter Year-on-Year	Total sales growth for the quarter Year-on-Year	Total sales growth for the quarter Over 2 Years
The Building Company	(2.1%)	(3.2%)	3.7%

Fintech

Revenue in the Fintech segment declined by 9.9% to R2.1 billion for the quarter. The decline is attributable to the FLASH business where a deliberate change in product composition resulted in income now being recognised as "net commission" versus "full transaction value" as determined by International Financial Reporting Standards. This change forms an integral part of the FLASH strategy to increase profitability and grow its basket of products and options to improve trader and customer retention. Virtual turnover continues to show double digit growth and the profitability of the business remains positive and intact.

The Capfin business achieved positive revenue growth and the credit book increased marginally to R2.0 billion from R1.9 billion a year ago (on a gross basis). Non-performing loans improved and remain at very healthy levels.

Refinancing process

The process to refinance funding of R5.0 billion repayable in the 2023 financial year is progressing well and is expected to be completed by March 2022. The funding will be extended over a longer term at lower interest rates and will further strengthen the group's liquidity and debt repayment profile.

Net debt at 31 December 2021 reduced to R4.1 billion from R5.6 billion one year ago.

Outlook

The positive sales trajectory in the first quarter of the 2022 financial year accelerated into the January 2022 trading month with exceptionally strong growth in all of Pepkor's CFH retail brands. In some of the business units the performance was inflated by the shift in back-to-school dates to January from February in the prior year.

The table below includes total year-on-year sales growth for the January 2022 trading month compared to January 2021.

Sales performance	**January 2022** Total sales growth Year-on-Year**
PEP and Ackermans	42.7%
PEP Africa*	20.1%
Speciality	32.0%
JD Group	7.1%
The Building Company	(7.3%)

* PEP Africa sales performance is reflected in constant currency terms.

** The January 2022 trading month spans from 26 December 2021 to 22 January 2022.

The group is satisfied with the trading performance during the first four months of the financial year and especially pleased with the growth rates achieved over the two year period since the onset of COVID-19. Although the economic outlook remains challenging, Pepkor has over many years been able to achieve strong results and demonstrate resilience under these conditions. We remain encouraged that the relaxation of COVID-19 restrictions and increased tourism and economic activity will support growth and a reduction in unemployment levels going forward.

Whilst global supply chain issues have stabilised to a degree and inventory levels are satisfactory, the expectation is that uncertainties will persist into 2022. Higher levels of price inflation are expected for the next summer season.

During the quarter ended 31 December 2021 the group opened a total of 102 new stores and Pepkor's growth plans remain on track to open more than 300 new stores in the current financial year.

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 excluding countries exited	2.4%	(2.4%)

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.

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27 January 2022

Equity sponsor

PSG Capital

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Debt sponsor and corporate broker

Rand Merchant Bank (A division of FirstRand Bank Limited)

RMB