

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 Company")



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**VOLUNTARY ANNOUNCEMENT: ACQUISITION OF A CONTROLLING INTEREST IN GRUPO AVENIDA S.A.,  
A BRAZILIAN VALUE RETAIL GROUP**

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## **1. INTRODUCTION**

Pepkor is pleased to announce the conclusion of a transaction in terms of which Pepkor, through an indirectly wholly-owned subsidiary, acquired an effective shareholding of approximately 87% in the Brazilian-based retailer Grupo Avenida S.A. ("**Avenida**") from Kinea Private Equity and the founding Caseli family (together the "**Sellers**") (the "**Transaction**"). The Caseli family will retain the remaining stake in the business with the two Caseli brothers, Christian and Rodrigo, staying on as Director and CEO respectively.

Following extensive research and an evaluation of emerging market opportunities the Transaction is aligned to Pepkor's vision to be a globally respected discount and value retailer that continues to invest in future growth. Brazil has a population of 212 million people and is the largest economy in Latin America with a GDP of UD\$1.4 trillion. It is also one of the top 10 largest apparel markets in the world. Pepkor sees the Transaction as the ideal platform to enter the market and significantly expand Avenida in Brazil over a number of years.

The Transaction will be implemented by 4 February 2022 by way of an acquisition of shares from the Sellers and a simultaneous subscription for new shares in Avenida for a total cash consideration representing less than 4% of Pepkor's market capitalisation.

Pepkor's CEO, Leon Lourens said: "Off our strong base in Africa, we are excited about this next chapter for Pepkor to enter a new geography with enormous growth potential. Pepkor has proven to be successful in the international expansion of its business model in the past and we look forward to entering the Brazilian retail market in partnership with the Avenida management team. The combination of Avenida and Pepkor brings together the required capital, retail synergies and the collective know-how to bolster Avenida's growth in the future. I believe that together we will be able to build and grow Avenida to become a significant player in Brazilian value retail."

Avenida's CEO, Rodrigo Caseli said: "As founders of the Avenida business we are proud to join a globally respected value apparel group such as Pepkor and look forward to expanding and growing the Avenida business in Brazil. We are excited to leverage the core assets and competencies of Pepkor as we continue our journey to fulfil our huge potential."

## **2. OVERVIEW OF AVENIDA**

Avenida is a Brazilian value apparel retail business established by the Caseli family and has operated successfully for more than 42 years in the low end of the retail market. The business has a diversified product mix across two

brands, Lojas Avenida and Giovanna, and a footprint of 130 stores with a leading presence in the Midwest and Northern regions of Brazil. Avenida operates a variety of sizes and locations with a presence in both large cities and small towns. It is a 'one stop shop' for home, apparel, footwear and cellular to the average Brazilian family.

Brazil has a highly fragmented apparel retail market with only 14% of the market formalised. With approximately 85% of the population being in the lower and middle income bracket, it provides potential for Avenida to exponentially increase its store base and revenue into more traditional and rural geographies.

Avenida achieved preliminary turnover of BRL 773 million (ZAR 2.2 billion) for the financial year ended 31 December 2021, with double digit growth compared to the pre-covid year of 2019.

### **3. A STRONG STRATEGIC PARTNER FOR PEPKOR**

With a track record of having acquired and developed successful discount and value retail businesses of scale outside of Africa, through previously owned Pepco in Central and Eastern Europe and Best 'n Less in Australia, Pepkor has proven its ability to identify opportunities in emerging markets to successfully replicate its discount and value business model.

After an extensive due diligence of more than two years, Avenida was found to be an attractive strategic fit with Pepkor. Avenida is a leading and recognised brand with a successful value and discount business model. It has a highly regarded management team with a proven track record and a culture that resonates with Pepkor's own values and beliefs. Between the two organisations there is great opportunity for synergies and for Avenida to leverage off the core assets and competencies of Pepkor. This platform allows Pepkor the ideal opportunity to enter the Brazilian market and enable Avenida to fulfil its potential over time.

Whilst, Avenida is a meaningfully sized business, it is easily digestible from a Pepkor financial and operational perspective. Avenida, together with their former private equity partners, have established high levels of governance, compliance, systems and reporting in line with Pepkor's requirements.

Pepkor's objective is to optimally capitalise the business through the capital injection, provide operational and technical expertise to support the local team and to prepare and position the business to expand its footprint to realise its full potential.

A presentation with details of the Transaction is available on the Pepkor website: [www.pepkor.co.za](http://www.pepkor.co.za). Pepkor will host an investor call today at 11:00am SAST to provide an overview of the Transaction. Details of the investor call are available on the Pepkor website: [www.pepkor.co.za](http://www.pepkor.co.za).

3 February 2022  
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