



Pick n Pay Stores Limited
Incorporated in the Republic of South Africa
Registration number: 1968/008034/06
JSE Share Code: PIK ISIN code: ZAE000005443
("Pick n Pay" or "the Group")

Pick n Pay - Trading and Earnings Update for the 52 weeks ended 27 February 2022

Shareholders are advised that Pick n Pay Stores Limited is in the process of finalising its financial results for the 52 weeks ended 27 February 2022 (FY22), which are due to be published on 17 May 2022.

Trading update

Group sales increased 5.2% to R97.9 billion (FY21: R93.1 billion). The Group's South Africa segment increased sales by 5.1% to R94.5 billion, with like-for-like sales growth of 4.4%. The Group delivered on its commitment to give customers lower prices and better value, with internal selling price inflation restricted to 2.9% over the year. The Group's Rest of Africa segment increased sales by 5.6%, and by 8.7% on a constant currency basis.

Sales performance reflects impact of significant trade disruption

Over the course of the year, the Group's trading performance was disrupted by two factors: severe damage to trading and property as a result of the civil unrest in July 2021 and - to a lesser extent - the resumption of trading restrictions over the sale of liquor in June 2021. These disruptions resulted in an estimated R2.7 billion of lost sales over the year.

	Q1 13 weeks ended 30 May 2021	Q2 13 weeks ended 29 Aug 2021	Q3 13 weeks ended 28 Nov 2021	Q4 13 weeks ended 27 Feb 2022	FY22 52 weeks ended 27 Feb 2022
Group sales growth	+9.0%	-0.7%	+4.9%	+7.4%	+5.2%

Looking through the impact of these disruptions, the underlying strength and resilience of the Group's performance is evident in a quarter-by-quarter analysis of sales growth:

- the Group delivered a strong Q1, growing sales by 9.0% year-on-year, a positive recovery against a base highly disrupted by Covid-19 measures
- disruption as a result of damage to and closure of stores in the civil unrest, combined with the loss of the liquor trade, was most evident in Q2, with sales growth falling to -0.7% for the quarter. The Group was disproportionately impacted by the civil unrest relative to the market, as its concentration in KwaZulu-Natal and Gauteng struck at the heartlands of the Group's high-performing Boxer and Pick n Pay Value businesses
- the Group's exceptional recovery from the civil unrest was evident in Q3, with sales growth recovering to 4.9% as a result of the extraordinary efforts to reopen over 180 damaged stores over July to November 2021 (notwithstanding many opened with a shortage of point of sale and other store infrastructure) - alongside the successful execution of a strong Black Friday offer
- the Group's trading momentum accelerated in the final quarter of the year, with sales growth increasing to 7.4%, underpinned by a strong festive trading period

Despite diverting resources to rebuilding stores and distribution centres after the civil unrest, the Group opened 138 new stores across all formats. All have delivered on the Group's growth ambitions across its diverse portfolio, and all new stores reflect a stronger customer offer, tailored to the customer served.

Impact of civil unrest

As previously reported, 212 Pick n Pay and Boxer stores (10% of the Group's store estate) were damaged by looting and fire in the violence of July 2021, with a further 551 stores (27% of our store estate) closed for safety reasons at the height of the unrest. The Group's two largest distribution centres in KwaZulu-Natal suffered severe damage to infrastructure, and were looted of all stock.

The Group's rapid recovery from this devastation bears testimony to the tenacity and teamwork of its staff, franchise partners, suppliers and service providers. The two severely damaged distribution centres were back in operation within two weeks, and only 16 stores (nine Pick n Pay and seven Boxer) remain closed. These stores are in severely damaged shopping centres, where reopening depends on the restoration of the centre as a whole.

Overall, as a result of the unrest, the Group incurred material damage losses (stock, assets and other costs) of R870 million. The Group recovered these losses in full in FY22 under its SASRIA special riot insurance covers.

In addition, the Group estimates that the unrest resulted in approximately R1.8 billion of lost sales in FY22. The Group's business interruption (loss of profits) claims remain open, as not all of the affected stores have reopened for trade. The Group has provided business interruption insurers with interim submissions setting out the earnings lost as a result of the unrest up to and including end October 2021. The Group received interim payments of R145 million from business interruption insurers in respect of these submissions in March 2022 (post year-end). These recoveries have not been accounted for in the Group's FY22 results in line with the technical requirements of International Financial Reporting Standards. To present the Group's underlying performance in its FY22 financial year, and its progress to date in finalising its civil unrest claims, additional pro forma financial information is provided below, which includes the insurance recoveries received after year-end. The balance of lost earnings is expected to be recovered in FY23, once insurers have completed the assessment of the full and final business interruption claim.

Category performance

Group liquor sales increased 57.2% year-on-year. The Group lost a further 66 liquor trading days this year (FY21: 209 days) as a result of Covid-19 trading restrictions, with an estimated R0.9 billion in lost sales (FY21: R2.5 billion).

The Group's clothing division delivered a strong performance, with sales growth of 21.0% year-on-year, driven once again by market share gains across a number of women's, men's and childrenswear categories. On a two-year compound annual growth basis, clothing sales have increased by 11.7%.

The Group's on-demand online service ASAP! has delivered year-on-year growth of over 300% since its launch in August 2021. ASAP! is only one element of the Group's online retail offer, which includes its traditional scheduled delivery service and a Click n Collect offer. The Group's combined online offer has delivered compound annual growth of 72.5% over the past two years.

Earnings update

The Group's FY22 earnings reflects the impact of the significant trade disruption summarised above. As confirmed, the Group has recovered all its material damage losses related to the unrest, which are included in the FY22 results.

Additional pro forma financial information is provided, with the inclusion of R145 million of interim business interruption payments received after year-end. The pro forma financial information presented, also excludes all non-cash hyperinflation gains and losses related to the Group's associate in Zimbabwe in line with normal Group practice to report comparable earnings.

As reported in the Group's interim results, all unrest-related costs and losses will be evidenced across the Group's Statement of Financial Performance as relevant (turnover, cost of sales, gross profit, trading expenses), with the majority of insurance recoveries recorded in other income in line with International Financial Reporting Standards. This will have an impact on the Group's FY22 reported margins and other financial ratios.

The Group expects its FY22 earnings to fall within the following ranges:

	52 weeks to 27 February 2022 Current period Expected range % growth	52 weeks to 27 February 2022 Current period Expected range cents per share	52 weeks to 28 February 2021 Prior period Actual cents per share
Reported earnings metrics			
Earnings per share (EPS)	18% - 28%	238.97 - 259.22	202.52
Diluted EPS	18% - 28%	237.10 - 257.19	200.93
Headline earnings per share (HEPS)	8% - 18%	247.65 - 270.59	229.31
Diluted HEPS	8% - 18%	245.71 - 268.46	227.51
Pro forma earnings metrics* - including insurance recoveries received post year-end and excluding all non-cash hyperinflation gains and losses			
Headline earnings per share (HEPS)	18% - 28%	277.79 - 301.34	235.42
Diluted HEPS	18% - 28%	275.61 - 298.97	233.57

**Pro forma HEPS and diluted HEPS include R145 million of business interruption insurance proceeds (net of tax) received in March 2022 (post year-end) related to the civil unrest and, in line with normal Group practice, exclude all non-cash hyperinflation gains and losses related to the Group's TM business in Zimbabwe. Growth in pro forma HEPS will be the Group's primary measure in determining its FY22 dividend pay-out ratio.*

Progress on strategic priorities

The Group is well-advanced in finalising its strategic plan under the leadership of new CEO, Pieter Boone. The plan will target an acceleration in growth on a sustainable basis, and will focus on a number of key areas, including:

- a revitalised customer value proposition in Pick n Pay, with a simpler and more compelling approach to differentiating our stores so that each store feels local and excites customers. This will build on excellent progress over the past year in strengthening our offer to more affluent customers, with the successful refurbishment of 40 Pick n Pay Select supermarkets, all of which are delivering strong customer growth through innovation in product, design, layout and convenience
- a determination to offer even lower prices, better value, and better service to customers. This will be particularly important to lower-income customers in a period when spending power is likely to be further squeezed. Core to this will be the delivery of R3.0 billion of savings over the next 3 years through Project Future - with identified efficiencies across our operations delivering a swifter and more efficient business
- a further acceleration in the development of our Boxer limited-range discount business, which is continuing to delight customers in search of exceptional value, great promotions and great service
- a step change in the growth and development of the Group's omnichannel offer and an acceleration in other high-growth divisions including clothing
- creating a future-focused organisation at every level, with trained, motivated and engaged colleagues in every part of the organisation

The Group intends to provide more detail on this strategy at its full-year results presentation and operational update in May (see below for details).

CEO Pieter Boone has provided the following message to stakeholders ahead of the Group's full FY22 results announcement:

"We have delivered a resilient trading performance in some of the most difficult circumstances the Group has ever faced. Our Pick n Pay and Boxer businesses have a strong presence in KwaZulu-Natal and Gauteng and were badly affected by the rioting and looting last July. However, our growth in the first quarter, and again in our final quarter, shows that our underlying momentum remains solid.

"I express my sincere gratitude to our teams and our partners who displayed such strength and fortitude under devastating circumstances and have restored our business so quickly and effectively. Not only have we recovered, but we have delivered substantive progress in many of our strategic focus areas.

"At our full-year results presentation on 17 May, I will present my strategy to deliver greater innovation, growth and momentum by making Pick n Pay much more responsive to the needs of our customers. The external environment has become more volatile, particularly as a result of events outside South Africa. However, we have an excellent plan, and are now delivering on it. I am excited by the future of our business."

FY22 - Financial Result Announcement

Shareholders are advised that the Group plans to release its financial results for the 52 weeks ended 27 February 2022 on SENS just after 7:00am on Tuesday, 17 May 2022. The result publication date is later than previous years, as a result of the timing of religious and public holidays over April and May 2022.

An online results presentation will follow at 9:00am on 17 May 2022, which will include a market update on developments to the Group's long-term strategic plan. Stakeholders are invited to register for the results webcast via the following link: www.corpcam.com/PNP17052022

The slides accompanying the result presentation will be available on the Pick n Pay Investor Relations website at www.picknpayinvestor.co.za shortly before the commencement of the presentation. A playback of the webcast will be made available on our website approximately 2 hours after the presentation.

Constant currency information

The constant currency information contained in this announcement has been presented to illustrate the impact of changes in the Group's major foreign currencies - namely the Zambian kwacha and the Botswana pula - on the sales growth of its Rest of Africa segment. Turnover growth in constant currency is calculated by translating the prior period local currency turnover at the current period average exchange rates on a country-by-country basis and then comparing that against the current period turnover translated at current period average exchange rates.

Pro forma information

The pro forma earnings metrics and pro forma constant currency information is presented in accordance with the JSE Listings Requirements, is the responsibility of the Board of directors of the Group and is presented for illustrative purposes only. The pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

The financial information on which this trading and earnings update is based has not been reviewed by or reported on by the Group's external auditors.

By order of the Board
Cape Town
6 April 2022

Sponsor: Investec Bank Limited