

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")



INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2022

Pepkor's growth strategy delivers strong results**Highlights**

- 3.3% growth in revenue to R42.0 billion (+3.7% excluding the disposal of John Craig)
- 189 basis points market share expansion across product categories¹
- 19.1% growth in operating profit² to R5.7 billion (+10.1% on a normalised basis³)
- 28.3% increase in headline earnings per share to 91.5 cents (+12.1% on a normalised basis³)
- R4.1 billion cash generated from operations
- 144 new stores opened
- Acquisition of Brazilian value retailer, Grupo Avenida, completed

¹ Over a two-year period. Sources: Retailers' Liaison Committee (RLC), Growth from Knowledge (GfK).

² Before capital items

³ Normalised results exclude the non-recurring benefit as a result of the Steinhoff global settlement, which amounts to R429 million or 12 cents per share. Refer to the full announcement for further details.

Results for the six months ended	31 March 2022	31 March 2021	% change
Revenue (Rm)	42 010	40 665	3.3
Operating profit before capital items (Rm)	5 681	4 768	19.1
Earnings per share (cents)	90.2	71.4	26.3
Headline earnings per share (cents)	91.5	71.3	28.3

Net asset value per share (cents)	1 600.1	1 508.6	6.1
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Despite a high base in the comparable period, Pepkor achieved another commendable set of results for the six-month period ended 31 March 2022 (the period). The group's defensive business model and unparalleled position within the South African discount and value sectors continue to drive growth and underpin resilient performance in an increasingly challenging operating environment.

Revenue growth was muted, impacted by a high base and a product mix change in the Flash business. Revenue growth, however, strengthened during the second quarter. On a two-year comparable basis (compared to the six months ended 31 March 2020) the group achieved exceptional sales growth of 15.4%, underpinned by substantial market share gains across various product categories. This further entrenched Pepkor's leading position in the discount and value sectors.

Profitability remained strong with headline earnings per share (HEPS) increasing by 28.3% to 91.5 cents and includes a non-recurring benefit from the implementation of the Steinhoff International Holdings N.V. (Steinhoff) global settlement, as described in more detail below. Normalised HEPS, which excludes this non-recurring benefit, increased by 12.1% to 79.9 cents.

The group generated cash of R4.1 billion during the period with cash sales accounting for 93% of group sales.

The group's ability to achieve ongoing organic growth is evidenced by its robust store expansion programme. During the period under review 144 new stores were opened (108 stores on a net basis). The group retail footprint comprised 5 708 stores as at 31 March 2022.

Acquisition of Grupo Avenida

The acquisition of an interest of approximately 87% in the well-established Brazilian value retailer, Grupo Avenida (Avenida), was completed in February 2022. The remaining 13% was retained by the founders and management of Avenida. This represents Pepkor's entry into the Brazilian value retail market, which holds enormous long-term growth potential for the group. The Avenida business was recapitalised as part of the acquisition and the total cost was less than 4% of Pepkor's market capitalisation at the time.

Operating performance since February 2022 has exceeded expectations. Good progress was made in preparing the business for growth, while improved working capital, in particular inventory levels, supported sales performance. Avenida currently operates 130 stores.

Update on the July 2021 civil unrest impact

To date, the group has reopened 479 (87%) of the 549 stores looted and damaged in the civil

unrest that erupted in the KwaZulu-Natal and Gauteng provinces of South Africa during July 2021. The reopening of the remaining 70 stores is delayed due to the need for property owners to rebuild stores or shopping centres.

As previously reported, the group carries comprehensive insurance cover in terms of the South African Special Risks Insurance Association (SASRIA) for material damage and business interruption. Insurance claims are in the process of being finalised and it is expected that the final insurance payments will be received during the remainder of this financial year.

KwaZulu-Natal flooding impact

During April 2022, the KwaZulu-Natal province experienced severe weather conditions that led to wide-scale flooding across the region. One of PEP's three distribution centres (Isipingo) sustained significant damage and has not been operational since. Contingency plans were put in place for stock to flow through PEP's unaffected distribution facilities in Johannesburg and Cape Town. This interruption, in addition to a very challenging supply chain environment at present, will have an impact on service levels in the business. It is anticipated that operations in PEP's Isipingo distribution centre will resume by the end of May 2022, albeit on a limited basis initially.

The group is currently not in a position to quantify the full extent of losses suffered in terms of merchandise, infrastructure and disruption of operations. The losses incurred are expected to fall within the group's insurance cover for material damage and business interruption and the claims process has been initiated.

Outlook

The group is very pleased with the solid performance for the first half of the 2022 financial year, based on a stronger second quarter and even more so when considering performance on a two-year basis, which eliminates volatility caused by COVID-19.

The operating environment remains very challenging as unemployment levels and the cost of living continue to increase. The extension of the monthly R350 COVID-19 Social Relief of Distress (SRD) grant to March 2023, as announced in the recent State of the Nation Address (SONA) by the President, will provide much needed relief for many consumers in South Africa who need to survive on a very small budget. The increased momentum in events and industries such as tourism is very encouraging and should alleviate some of the pressure consumers face.

Higher levels of price inflation are expected for the next summer season starting in August 2022. While challenging, this operating environment motivates operations teams to develop innovative new ways to ensure that products remain affordable for consumers – thereby redefining and solidifying the group's position in the South African discount and value sectors.

Supply chain disruption and uncertainty have continued. The group's merchandise teams have done exceptionally well to mitigate the impact of disruption on merchandise inflows and in-store availability. While global supply chain uncertainties persist, it seems that shipping costs have stabilised and may trend downwards.

Stronger trading is expected during the second half of the year, supported by the lower base in the comparable period, which was affected by the civil unrest. Trading in April 2022 was strong across most businesses, with softer trading in May 2022.

The growth mindset embedded within the group's culture and management continues to drive performance. In line with our strategy, plans to open more than 300 stores in the 2022 financial year remain on track.

Results webcast

A live webcast of the results presentation will be broadcast at 10:00 a.m. (SAST) on Friday, 27 May 2022. The webcast registration link is <https://www.corpcam.com/Pepkor27052022> and can be accessed on the Pepkor website: 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 full announcement, which can be accessed at: <https://senspdf.jse.co.za/documents/2022/jse/isse/pphe/HY22.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/2022/05/Pepkor-interim-results-for-the-six-months-ended-31-March-2022.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.

Parow
27 May 2022

Equity sponsor
PSG Capital



Debt sponsor and Corporate broker

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