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 THIRD QUARTER AND THE NINE MONTHS ENDED 30 JUNE 2022

Pepkor continued to achieve satisfactory trading performance for the three months ended 30 June 2022 ("third quarter") in context of the comparable quarter last year (three months ended 30 June 2021). Group revenue for the nine months ended 30 June 2022 ("nine-month period") increased by 3.9% to R62.5 billion with third quarter performance influenced by the following factors:

- The non-payment of the Social Relief of Distress ("SRD") grant had a significant impact on trading in May 2022 and June 2022;
- Trading in Pep was adversely impacted by the flooding of its Isipingo distribution centre during the KwaZulu-Natal floods in April 2022 (as first reported on SENS on 13 April 2022); and
- Very strong revenue growth was reported in the 2021 comparable quarter as the Group recovered from the COVID-19 lockdown periods in 2020.

	Six months ended 31 March 2022	**Three months ended 30 June 2022**	**Nine months ended 30 June 2022**
Group revenue growth	3.3%	5.1%	3.9%

Overall, trading during the third quarter was volatile and included very strong trading in April 2022, a soft May 2022 followed by a decent recovery in trading during the second half of June 2022. This recovery strengthened further into July 2022.

Clothing and general merchandise

	Six months ended 31 March 2022	Three months ended 30 June 2022	Nine months ended 30 June 2022
Revenue growth	4.9%	9.7%*	6.5%

* Excluding Avenida, segmental revenue for the third quarter increased by 3.5%.

For the third quarter, sales in Pep and Ackermans increased by 1.7%, while like-for-like sales were flat. For the nine-month period ended June 2022, total sales increased by 2.8%.

Sales performance in Pep was negatively impacted by lower service levels in the stores as a result of the damage sustained at its distribution centre in the KwaZulu-Natal floods. A substantial amount of recovery, refurbishment and replacement work has been completed and the distribution centre is currently operating at 50% of normal capacity. This is expected to increase to 80% within the next month and service levels are almost back to normal. The total damage to merchandise, infrastructure and disruption of operations is estimated to exceed R1.0 billion. The damage is fully covered by the Group’s insurance cover for material damage and business interruption. The claims process is underway with an interim payment expected before the end of September 2022.

In addition, disruption caused by the non-payment of the SRD grants by the South African Department of Social Development negatively impacted performance, especially in Pep and Ackermans.

Pep and Ackermans opened 57 new stores during the third quarter, increasing their combined retail store base to 3 505 stores.

Pep Africa reported subdued sales growth in constant currency terms as the economies in countries of operation have been slower to recover following the COVID-19 pandemic. Constant currency sales increased by 3.7% and like-for-like sales increased by 5.7% for the nine-month period. In South African Rand (“ZAR”) terms, sales growth amounted to 18.0% for the nine-month period due to the strengthening of certain local currencies and the weakening of the Rand.

The Speciality business produced a very strong performance and continued to benefit from strong consumer demand for casualwear and branded footwear in the value market segment. Speciality increased third quarter sales by 11.7% with like-for-like sales growth of 9.6%. For the nine-month period, total sales increased by 8.7%.

The Grupo Avenida (“Avenida”) business in Brazil (which was acquired in February 2022) performed very well during the third quarter with sales increasing by 51.6% in constant currency terms. In South African Rand (“ZAR”) terms, third quarter sales growth amounted to 80.9% supported by the strengthening of the Brazilian Real. It is expected that Avenida will contribute 2% to Group revenue in the current financial year and 4% in the next financial year on a full-year basis.

Performance in Avenida was underpinned by the recapitalisation of the business in February 2022. This substantially improved stock holding which resulted in better trading densities. The comparable quarter last year was to some extent negatively impacted by COVID-19 and therefore represents a slightly softer base. Two new stores have been opened to date resulting in a total retail footprint of 132 stores.

The Tenacity credit book, which facilitates credit sales in the Group's clothing and general merchandise retail brands (excluding Pep Africa and Avenida) remains healthy with collections at satisfactory levels. Credit sales in this segment increased by 13.3% during the third quarter. The credit mix in Ackermans for the nine-month period increased to 16.3% from 15.6% for the six months ended March 2022, but remains below the 17.6% reported for the nine-month period ended 30 June 2021.

Furniture, appliances and electronics

	Six months ended 31 March 2022	Three months ended 30 June 2022	Nine months ended 30 June 2022
Revenue growth	8.8%	3.7%	7.2%

Despite a decline in consumer demand for household goods and consumer electronics, JD Group managed to grow sales against the strong base of the prior year. JD Group increased sales for the third quarter by 2.8% with like-for-like sales growth of 1.2%. For the nine-month period, total sales increased by 6.5%.

The total credit sales mix increased to 11.5% for the nine-month period from 9.8% in the comparable nine-month period ended 30 June 2021. Credit granting remains prudent and collections on the Connect credit book, which facilitates credit sales in JD Group, were satisfactory.

Building materials

	Six months ended 31 March 2022	Three months ended 30 June 2022	Nine months ended 30 June 2022
Revenue growth	-1.6%	-1.9%	-1.7%

The building materials market in South Africa continued to be constrained during the third quarter. Third quarter sales in The Building Company ("TBCo") decreased by 1.9% and like-for-like sales decreased by 1.9%. For the nine-month period, total sales decreased by 1.7%.

Fintech

	Six months ended 31 March 2022	Three months ended 30 June 2022	Nine months ended 30 June 2022
Revenue growth	-8.7%	-12.8%	-10.1%

The Flash business continued to report strong double-digit growth in virtual turnover during the third quarter. Virtual turnover, which reflects turnover at face value of products sold and not the value accounted for on a statutory basis, increased by 13.6% in the third quarter. Flash's deliberate change in product mix as part of its strategy to develop and grow its basket of products continues to reflect the trend of declining revenue on a statutory basis. The profitability of the Flash business remains strong with double-digit growth achieved for the nine-month period.

The Capfin business performed well with prudent credit granting and satisfactory levels of collections. The number of Capfin loans increased by 9.9% to 260 000 at 30 June 2022 compared to 236 000 at 30 June 2021.

Update on insurance claims pertaining to civil unrest of July 2021

A further interim payment amounting to R517 million was received from the South African Special Risks Insurance Association ("SASRIA") on 30 June 2022 for material damage suffered during the civil unrest of July 2021. This brings the total SASRIA insurance proceeds received to date to R1 017 million, of which R500 million was accounted for in the previous financial year. Apart from an immaterial amount that is expected to be paid by the end of August 2022, this concludes the group's SASRIA claim process.

In terms of business interruption, a third interim payment of R80 million was received on 8 July 2022. This brings the total business interruption insurance proceeds received to date to R383 million, of which R171 million was accounted for in the previous financial year. It is expected that further amounts will be received in due course.

Outlook

The Group's performance during the third quarter was encouraging in context of the prior year. Against the backdrop of continued inflation and interest rate hikes, consumer affordability remains under pressure as the cost of living continues to rise. The disruption in the payment of SRD grants added enormous pressure on our consumers and it is pleasing that this has been resolved with payments to beneficiaries resumed, including back payments, for the months of May 2022 and June 2022.

Pepkor's strategy to offer affordable and accessible products that serve the basic needs of customers is well positioned against this persistently tough consumer and macroeconomic environment. The resilience of the South African economy and the consumer continues to impress, despite the prevailing global and local macro-economic conditions.

Trading during July 2022 was very strong and exceeded expectations, notwithstanding the lower base in the prior year which had been negatively impacted by the civil unrest in July 2021. Group sales for the July 2022 trading month increased by 13.8% year-on-year (excluding Avenida) and sales in the clothing & general merchandise segment increased by 20.3% (excluding Avenida).

In the context of the operating environment, higher levels of inflation are expected for the summer season starting in August 2022. The group's merchandise teams continue to focus on supporting customers by minimising price increases while maintaining gross margins.

During the nine-month period the Group opened 227 new stores and expanded its retail footprint to 5 772 stores - taking stores closer to customers in line with Pepkor's organic growth strategy. Plans remain on track to open more than 300 new stores in the current financial year.

The performance of Avenida is particularly pleasing and has exceeded expectations. While much work remains in the repositioning of the business for aggressive growth, good progress has been made to date and management remains convinced of the enormous growth opportunity in the establishment of a discount and value retail champion in Brazil.

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	18.0%	3.7%

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

28 July 2022

Equity sponsor

PSG Capital

Debt sponsor and Corporate broker

Rand Merchant Bank (A division of FirstRand Bank Limited)