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 THREE MONTHS ENDED 31 DECEMBER 2022

REVENUE

Group revenue for the three months ended 31 December 2022 (the "quarter") increased by 6.5% to R24.3 billion.

From a traditional retail perspective, the Clothing and general merchandise, Furniture, appliances and electronics and Building materials segments in aggregate ("Retail segments"), increased revenue by 8.2%. Revenue in the Fintech segment decreased by 10.0% due to the planned change in the product mix of the Flash business, as previously reported.

Revenue growth by segment	**Quarter ended 31 Dec 2022 Rm**	**Quarter ended 31 Dec 2021 Rm**	**Growth %**	**Contribution %**
RETAIL SEGMENTS	**22 417**	**20 713**	**8.2%**	**92.2%**
• Clothing and general merchandise	16 766	15 137	10.8%	68.9%
• Furniture, appliances and electronics	3 442	3 431	0.3%	14.2%
• Building materials	2 209	2 145	3.0%	9.1%
FINTECH SEGMENT	**1 906**	**2 118**	**-10.0%**	**7.8%**
GROUP	**24 323**	**22 831**	**6.5%**	**100.0%**

RETAIL SEGMENTS

Group merchandise sales ("sales") for the Retail segments increased by 7.7% for the quarter while group like-for-like sales (which excludes the newly-acquired Avenida business) decreased by 1.4%. During the quarter the Retail segments opened a total of 132 new stores (112 on a net basis), expanding the retail store base to 5 942 stores.

Trading performance during the quarter was negatively impacted by unprecedented levels of electricity disruptions, notwithstanding 70% of stores being able to trade during load shedding through back-up power systems. The impact of load shedding was more pronounced in the rural and deeper outlying areas where the group's retail footprint has higher representation. The number of trading hours lost during the quarter increased by 221% on the comparable quarter last year.

The group remains highly cash generative with 91% of sales generated in cash. Cash sales increased by 1.8% for the quarter while credit sales increased by 21.0% (excluding Avenida). Credit is not a material sales enabler for the group and growth in credit granting is achieved on a prudent basis within the group's credit methodologies. Collections and non-performing loans remain at satisfactory levels across all four credit books.

Clothing and general merchandise segment

The Clothing and general merchandise segment increased sales by 10.2%. Like-for-like sales (which excludes Avenida) decreased by 1.5% and were negatively impacted by the poor performance in Ackermans as communicated in Pepkor's FY22 results, and depicted in the table below:

Growth for the quarter (year-on-year)	**Total sales growth**	**Like-for-like sales growth**
PEP	6.2%	1.4%
Ackermans	-2.9%	-8.0%
Speciality	8.3%	3.5%
PEP Africa - constant currency	9.0%	9.3%
Avenida - constant currency	11.9%	6.8%

From a market share perspective, the group remains ahead of its market share preceding the onset of COVID-19, underscoring the discount and value proposition of Pepkor's retail brands. (According to the latest Retailers' Liaison Committee ("RLC") data).

Retail selling price inflation in core clothing, footwear and homeware ("CFH") in PEP, Ackermans and Speciality amounted to 5.0% in aggregate for the quarter.

Consumer affordability and the pricing gap to competitors were well-managed in PEP during the quarter, maintaining 'Best Price Leadership' within the discount sector. The PEP Home product category continues to report strong growth and is expanding market share aggressively (according to RLC data). The stand-alone PEP Home retail format increased sales by 22.9% for the quarter.

Performance in Ackermans continued to be negatively impacted by a suboptimal merchandise mix in its summer 2022 range, which was not aligned to its core value proposition of providing customers with unbeatable value. A comprehensive review of the summer 2022 merchandising process was completed during the quarter where shortcomings were identified. Markdowns have been implemented, most notably in the boys and ladies wear departments.

The strategy of Ackermans to grow its market share in the adult wear market, by building a comprehensive ladies wear offering based on the same value principles the brand is known for, continues with many learnings adopted.

The Speciality business produced solid results, with its strategy of expanding its market share in adult wear through a value-based offering reaping success (according to RLC data). Double-digit sales growth was reported in all brands aside from Tekkie Town, where an extremely competitive branded footwear market resulted in soft trading.

Avenida performed well despite the political turmoil in Brazil following its national elections in October 2022. Good progress has been made on the value creation plan of the business to create a significant player in the Brazilian value and discount retail market. Product pricing levels have been adjusted to be more competitive and affordable for consumers. Five new Avenida stores were opened during the quarter, increasing the total store footprint to 140 stores. New store performance continues to exceed expectations and the business remains on track to open a total of 15 new stores in this financial year.

Furniture, appliances and electronics and Building materials segments

Growth for the quarter (year-on-year)	**Total sales growth**	**Like-for-like sales growth**
JD Group	-0.5%	-2.7%
The Building Company	3.0%	1.8%

JD Group largely maintained sales levels for the quarter as consumer demand for household goods and consumer electronics remained constrained. This follows two consecutive years of double-digit sales growth achieved during this quarter. Black Friday campaigns were successful and the Tech division outperformed the Home division. The online contribution in the Tech division increased to 11.1% from 10.7% in the comparable quarter.

The Building Company ("TBCo") outperformed the market, notwithstanding the significant impact load shedding has had on TBCo's business and its entire value chain, including its suppliers who cannot manufacture products and its building contractor customers who are unable to operate on site. Performance was supported by the continued execution of its strategy focused on an improved product range and product availability.

FINTECH segment

The decline in revenue in the Fintech segment is attributable to the FLASH business and its deliberate change in product mix. This strategic change yields lower statutory revenue but with improved profitability as it grows its basket of products offered to traders in the informal market. Total turnover (based on face value of products sold) continues to show double-digit growth and total cash digitised during the quarter amounted to R9.2 billion. FLASH contributed 84.3% to this segment's revenue for the quarter.

Capfin increased revenue by 20.6% for the quarter and its loan base expanded to 287 000 loans from 250 000 loans a year ago.

Outlook

Trading in Clothing and general merchandise brands during January 2023 was supported by a very successful back-to-school season. PEP, Ackermans and Shoe City achieved double-digit sales growth in back-to-school trade, on a strong base in the prior year. This performance was underpinned by the ability of these brands to offer customers best value through their unrivalled volume and scale of operations.

The Clothing and general merchandise segment increased sales in January 2023 by 5.1% and like-for-like sales turned positive. JD Group reported weaker trading as demand for durable products deteriorated and trading in TBCo was in line with expectations.

Looking ahead, higher levels of inflation are expected in the coming winter season and customer affordability remains a key priority for merchandise teams.

Inventory levels are expected to remain elevated into the second quarter of FY23 but is less of a concern considering the high level of freshness and replenishment nature of the bulk of product categories. Supply chains have stabilised and distribution costs have reduced.

The operating environment remains challenging. Consumers remain financially constrained and the worsening situation in terms of electricity supply is detrimental to consumer confidence and economic growth. Within this context, the group's primary focus areas include restoring performance in Ackermans and execution of value creation plans in the following areas:

- Growing the group's presence and reach into the informal retail market in South Africa;
- Growing the group's cellular and financial services offering;
- Expanding the group's offering in ladies wear;
- Expanding the group's proven and very successful discount and value proposition in the Brazilian market; and
- Reducing costs through efficiencies and leveraging the scale of the group's operations.

30 January 2023

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