

CHOPPIES ENTERPRISES LIMITED
(Incorporated in the Republic of Botswana)
Registration number: BW00001142508
ISIN: BW0000001072
BSE SHARE CODE: CHOPPIES
JSE SHARE CODE: CHP
Tax Reference Number: C08710401018
("Choppies" or "Company" or "Group")



ABRIDGED UNAUDITED GROUP FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

The board of directors of Choppies ("the Board") announces the results of the Group for the six months ended 31 December 2022 ("HY2023"). These results have not been reviewed nor reported on by the external auditors.

Continuing operations (Unaudited)	2022	2021	Change
	Pula	Pula	
	Millions	Millions	
Revenue	3,535	3,248	9%
Retail sales	3,511	3,223	9%
Gross Profit	736	686	7%
Operating Profit	141	181	(22%)
Operating margin	4.0%	5.6%	(1.6 bps)
Profit for the period	71	108	(34%)
Basic earnings per share	5.4 Thebe	8.0 Thebe	(33%)
Headline earnings per share	5.3 Thebe	8.1 Thebe	(35%)
Net cash flows generated from operating activities	290	290	-
Cash and cash equivalents at end of the period	36	51	(15)

Financial highlights

The Group's revenue increased by 8.8% to BWP 3 535 million (2021: BWP 3 248 million), driven by thirteen new stores coupled with price growth of 11.1%. Sales volume declined by 2% and excluding the new stores by 7.2% on a comparable basis.

In Pula terms, gross profit grew by 7.3% to BWP 736 million (2021: BWP 686 million) despite the challenging economic environment.

The Group faced a demanding economic environment characterised by stubbornly high inflation, higher interest rates and unemployment, all of which continue to constrain consumer spending and their ability to digest higher prices. Sales volumes were lower in many categories, exacerbated by competitor discounting, with cost pressures only partly recovered through price increases.

The Gross Profit margin was accordingly reduced to 21.0% from last year's 21.3% and the full-year margin for FY2022 of 21.6% due to higher supply chain costs, including fuel and managing prices due to higher cost inflation and competitor discounting.

Expenses increased at rates well above inflation partly due to new stores opened. Foreign exchange losses on lease liabilities of P9 million (against a gain of P29 million last year) were offset by foreign exchange gains on Zimbabwean legacy debt receipts of P19 million (2021: Nil).

Operating profit (EBIT) reduced by 22.1% from BWP 181 million to BWP 141 million whilst "adjusted" EBITDA, which excludes foreign exchange gains and losses on lease liabilities, movements in credit loss allowances and Zimbabwean legacy debt receipts, reduced by 9.6% as costs grew faster than gross profit. EBIT margins consequently declined from 5.6% to 4.0%.

Net finance costs were higher than last year due to higher interest rates and interest on new stores lease liabilities.

The effective tax rate is lower than the standard rate mainly due to the legacy debt receipts from Zimbabwe that are exempt from income tax.

The Group continues to manage its cash resources and liquidity prudently with a reduction of BWP 36 million in net debt over the past six months from BWP 600 million to BWP 536 million. Capital expenditure increased to BWP 122 million (2021: BWP 83 million) as the Group invested in new stores and maintained the distribution fleet.

Management made deliberate investments in inventory to support service levels, combat supply chain disruptions and service new stores.

As the economies in which the Group operates recover and the new stores reach full potential, an improvement in margins is expected. With a value proposition that resonates with customers and with the cost of everyday items still stubbornly high in too many categories, more customers are choosing Choppies for the value and assortment we are known for. While we have strong and resilient brands, affordability is a growing constraint for consumers, limiting their ability to digest higher prices.

We are being thoughtful and balanced about inventory levels by category and expenditure as we work through the second half and position ourselves for next year.

The Board has resolved not to declare an interim dividend given the uncertain economic environment as well as the rebuilding phase of the Group's capital structure (2021: Nil).

This short-form announcement is the responsibility of the Board. It is only a summary of the information contained in the Group's HY2023 interim results announcement, which is available on the Botswana Stock Exchange's ("BSE") X-News and on the JSE Limited ("JSE") SENS at:

<https://senspdf.jse.co.za/documents/2023/JSE/ISSE/CHP/CHPHY23.pdf>

and on the Group's website:

<https://choppiesgroup.com/investor-relations/>.

This short-form announcement does not contain full or complete details and should not be used as a basis for any investment decision in relation to the Company's shares.

The Group's full results announcement is also available for inspection, at no charge, at the Company's registered office (Plot 50371, Fairgrounds office park, Gaborone, Botswana) and the offices of the Company's BSE and JSE Sponsors during standard office hours.

The Company has a primary listing on the BSE and a secondary listing on the JSE.

27 February 2023

BSE Sponsoring Broker
Stockbrokers Botswana Limited



JSE Sponsor
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