

Pick n Pay Stores Limited
 Incorporated in the Republic of South Africa
 Registration number: 1968/008034/06
 ISIN: ZAE00005443
 JSE share code: PIK
 ("Pick n Pay" or "the Group")

AUDITED CONDENSED CONSOLIDATED RESULTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2023 AND DECLARATION OF FINAL DIVIDEND

This short-form announcement is the responsibility of the directors and is an abridged summary of the information contained in the Group's full FY23 result announcement.

Any investment decision should be based on the full announcement published on the Group's website at www.picknpayinvestor.co.za and on the JSE website using the following link <https://senspdf.jse.co.za/documents/2023/jse/isse/PIK/FY23.pdf>.

Copies of the full announcement are available for inspection at, or may also be requested from, the Group's registered office or the office of our sponsor, at no charge, during office hours. To request a copy of the full announcement, contact our Company Secretary, Penelope Gerber at CompanySecretary@pnp.co.za.

The information and forecasts contained in this announcement have not been reviewed and reported on by the Group's external auditors.

Driving Ekuseni through unprecedented load shedding

Key financial indicators	52 weeks to 26 February 2023 FY23	52 weeks to 27 February 2022 FY22	% change
Group turnover	R106.6 billion	R97.9 billion	8.9%
Gross profit margin	19.6%	18.8%	
Trading expenses	R20.2 billion	R18.0 billion	11.9%
Trading profit	R3 048.0 million	R2 886.5 million	5.6%
Pro forma trading profit ¹	R2 902.8 million	R3 031.7 million	-4.3%
Pro forma trading profit margin	2.7%	3.1%	
Profit before tax and capital items	R1 800.2 million	R1 807.7 million	-0.4%
Pro forma profit before tax ¹	R1 678.4 million	R1 978.0 million	-15.1%
Pro forma profit before tax - South Africa ¹	R1 524.1 million	R1 859.0 million	-18.0%
Profit after tax	R1 169.9 million	R1 214.5 million	-3.7%
Basic earnings per share (EPS)	243.37 cents	253.34 cents	-3.9%
Headline earnings per share (HEPS)	259.25 cents	262.59 cents	-1.3%
Pro forma HEPS ¹	242.37 cents	289.64 cents	-16.3%
Total dividend per share	185.15 cents	221.15 cents	-16.3%

¹ FY23 pro forma trading profit, profit before tax (PBT) and pro forma headline earnings per share (HEPS) exclude R145.2 million (R104.5 million net of tax) business interruption insurance proceeds received and accounted for in FY23, but previously included in FY22 pro forma earnings as it relates to losses incurred during FY22. In line with normal Group practice, pro forma earnings also exclude all non-cash hyperinflation gains and losses related to the Group's TM business in Zimbabwe. Pro forma HEPS is the Group's dividend driver.

RESULT SUMMARY

The Group delivered a resilient performance in a heavily disrupted first year of its Ekuseni strategic plan. In addition to executing on the

plan, the Group had to contend with the impacts of unprecedented levels of load shedding. Despite spending an incremental R522 million on diesel to run generators (R430 million net of electricity savings), and incurring planned costs in implementing the Ekuseni plan, the Group managed to hold year-on-year trading expense growth to just 11.9%, as a result of gains from Project Future cost-saving initiatives.

Group turnover increased by 8.9%, driven primarily by Boxer SA (+20.2%), while underlying gross profit margin remained flat at 19.6% (excluding the impact of the July 2021 civil unrest on the FY22 gross profit margin). Group pro forma profit before tax of R1 678.4 million declined 15.1% year-on-year. If one were to exclude the R430 million net incremental energy costs, underlying PBT would have been an estimated R2.1 billion, up 7% year-on-year.

Highlights from the year include:

- 17 May launch of the Ekuseni strategic plan
- 15 August launch of Pick n Pay QualiSave serving lower-to-middle-income customers, providing the Group with three tailored banners of Pick n Pay, QualiSave, and Boxer
- Rebranding 118 supermarkets to QualiSave
- Fully revamping 131 Pick n Pay and QualiSave stores to the new customer value propositions (CVPs) via an accelerated refurbishment programme to differentiate the banners and improve the customer experience
- Market-leading SA sales growth of 20.2% from Boxer, with 60 new stores opened in FY23 vs. 36 in FY22
- 15.3% sales growth from stand-alone Pick n Pay Clothing stores, with 58 new stores opened in FY23, more than double the number of new stores opened in FY22
- Online sales growth of 72%, with on-demand sales growth well over 100%, driven by both asap! and the October launch of Pick n Pay groceries on Takealot's Mr D app
- Maintaining a flat underlying gross profit margin in a highly competitive market, despite higher diesel prices impacting logistics costs
- Reaching a multi-skilling agreement with our largest union, SACCAWU, and commencing implementation across the Pick n Pay store base to improve customer service and productivity
- R800 million Project Future savings, enabling Pick n Pay South Africa to restrict like-for-like cost growth to just 5.6%, despite the significant load shedding related expenditure incurred

FY23 dividend and change to dividend policy from FY24

The Board declared a final dividend of 140.30 cents per share, bringing the total FY23 dividend to 185.15 cents per share, down 16.3% on FY22 in line with the decline in the Group's pro forma headline earnings per share, maintaining a dividend cover of 1.3x pro forma earnings.

Taking into account the capital investment requirements of the Ekuseni plan and the uncertainties brought about by the unprecedented levels of load shedding, the Board has resolved to amend the dividend policy from FY24. Going forward, the Group will change from its 1.3x cover (76% pay-out ratio) to a range of between 1.5x (67% pay-out) and 1.8x (56% pay-out). The new policy will contribute towards the Group having the necessary balance sheet flexibility to support the elevated capital expenditure required by the Ekuseni plan. The cover will likely tend towards the upper end of the range over FY24 and FY25. The Group notes that the upper end of the cover range remains broadly in line with the FY22 (fixed) covers of its retail peers.

Summary and outlook

FY23 was an intensive period for the Group as it launched and began execution of its Ekuseni strategic plan, and simultaneously dealt with unprecedentedly high levels of load shedding during the second half. The results achieved in year one of the multi-year plan have been encouraging, particularly in respect of our growth engines, Boxer, omnichannel, and Pick n Pay Clothing. Extensive progress has been made within our core Pick n Pay supermarkets business, including the successful launch of QualiSave, and the full revamp of 131 supermarkets to their new CVPs via the accelerated refurbishment programme. While the results are not yet visible on the Pick n Pay top line, within this there are very encouraging signs from QualiSave and the CVP converted stores.

The Group has made substantial progress on Project Future Phase 2, saving R800 million within FY23. The groundwork has been laid for further efficiency gains in FY24 and FY25 via multiskilling implementation, opening the new Eastport DC, preparing for the December 2023 support office consolidation, and the VSP and Junior Store Management restructurings which began in March 2023.

Looking forward, the Group recognises that much work remains to be done to deliver the Ekuseni plan in terms of sustaining the momentum of our growth engines, rejuvenating Pick n Pay supermarkets, and optimising our cost base. The Group will continue to drive its capital investment programme while carefully balancing investment against gearing levels. Unprecedentedly high levels of load shedding, particularly diesel costs to keep stores open, add to the operational challenge. The Group is working intensively to reduce monthly diesel costs, but the results will ultimately depend on the levels of loadshedding experienced.

The Group will incur an FY24 restructuring charge related to the VSP and Junior Store Management processes, after which associated efficiency gains will contribute from H2 FY24. The FY24 earnings outlook will largely be driven by load shedding diesel costs and increased finance charges from higher gearing, offset by savings from the multiple Project Future initiatives. Overall, FY24 earnings (before restructuring charges) may not exceed FY23 pro forma headline earnings, depending on the levels and frequency of load shedding experienced during the year. Turnover growth for the first eight weeks of FY24 was broadly in line with H2 FY23 for Boxer, and slightly softer for Pick n Pay, where we have adjusted promotional activity to a new calendar, while continuing to hold prices below CPI food.

We thank all Boxer and Pick n Pay colleagues, and our valued franchise partners, for their commitment and contribution, and for their dedication to customers and communities. In particular, we thank our colleagues and partners for the energy they are bringing towards realising the Ekuseni goals.

Gareth Ackerman
Chairman
3 May 2023

Pieter Boone
Chief Executive Officer

DIVIDEND DECLARATION

Tax reference number: 9275/141/71/2
Number of ordinary shares in issue: 493 450 321
2023 final dividend - number 110

Notice is hereby given that the directors have declared a final gross dividend (number 110) relating to its 2023 financial period of 140.30000 cents per share out of income reserves. The dividend declared is subject to dividend withholding tax at 20%. The tax payable is 28.06000 cents per share, resulting in shareholders who are not exempt from dividends tax with a net dividend of 112.24000 cents per share.

Dividend dates

Last day to trade CUM-dividend	Tuesday, 30 May 2023
Shares to commence trading EX-dividend	Wednesday, 31 May 2023
Record date	Friday, 2 June 2023
Dividend payment date	Monday, 5 June 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 31 May 2023 and Friday, 2 June 2023, both dates inclusive.

On behalf of the Board of directors
Penelope Gerber
Company Secretary
3 May 2023

RESULT WEBCAST

The Group will hold an online results presentation at 9:00am this morning. All interested stakeholders are invited to watch the webcast which can be accessed using the following link: <https://www.corpcam.com/pnp04052023>. 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.

ABOUT PICK N PAY STORES LIMITED

The Pick n Pay Stores Limited Group is a leading South African grocery, clothing, liquor and general merchandise retailer, employing 90 000 people through its owned and franchise operations, across its Pick n Pay, Pick n Pay QualiSave, and Boxer banners. The Group is managed through its South Africa and Rest of Africa divisions and owns a 49% share of a Zimbabwean supermarket business, TM Supermarkets. For further information on Pick n Pay and its underlying businesses, please visit www.picknpayinvestor.co.za.

DIRECTORS OF PICK N PAY STORES LIMITED

Executive directors

Pieter Boone (CEO), Lereana Olivier (CFO)

Non-executive directors

Gareth Ackerman (Chairman), Suzanne Ackerman, Jonathan Ackerman, David Robins

Independent non-executive directors

Haroon Bhorat, Mariam Cassim, James Formby, David Friedland, Aboubakar Jakoet, Audrey Mothupi, Annamarie van der Merwe, Jeff van Rooyen

CORPORATE INFORMATION

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Sponsor

Investec Bank Limited

Transfer secretaries

Computershare Investor Services Proprietary Limited