

Pepkor Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number: 2017/221869/06)

Share code: PPH

Debt code: PPHI

ISIN: ZAE000259479

LEI: 3789006D677C34F69875



("Pepkor", the "company" or the "group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2023

Pepkor continues to deliver value to customers, enabled by strong cost control

Highlights:

- **4.3% growth in revenue to R43.8 billion**
- **9.8% decrease in operating profit to R5.1 billion (before capital items)**
- **11.7% decrease in HEPS to 80.8 cents (8.6% decrease in normalised HEPS¹)**
- **Cost growth well managed below inflation**
- **Market share gains² in key product categories**
- **Avenida business in Brazil performing above expectation**
- **168 new stores opened**
- **Continued portfolio optimisation progress**

¹ Refer to the Normalised results section in the detailed announcement for further information.

² Retailers' Liaison Committee (RLC) and GfK data

Operating context and impact of load shedding

Pepkor's performance was negatively impacted as its core customer continues to face a constrained consumer environment. Feedback from our customers indicate that they have no choice but to prioritise spending on necessities.

Customers' ability to earn an income and their shopping behaviour is also impacted by unprecedented levels of electricity load shedding.

The group continued to implement initiatives to mitigate the impact of outages, increasing the proportion of the group's store base with alternative power sources to 74%.

Cost containment enabling Pepkor's purpose

The group continued to deliver value to customers at affordable prices, enabled by diligent management of the cost base through targeted cost reduction measures. The interoperability of

the Tenacity credit offering fulfilled customers' need to access credit responsibly and in line with conservative credit methodologies.

During the second quarter, market share gains were achieved in key product categories. PEP increased market share in the babies, ladies and home product categories, while Ackermans gained market share in schoolwear and lingerie (RLC data). JD Group gained market share in computing, appliances and audio (GfK data). It is pleasing that the group's total share of the South African clothing market continues to exceed pre-COVID-19 levels (RLC data).

Pepkor continues to play an essential role in connecting our customers – selling seven out of 10 prepaid handsets in South Africa (GfK data).

During the period, the group opened 168 new stores (99 on a net basis), expanding the retail store base to 5 929 stores.

Further progress was made from a portfolio optimisation and capital allocation perspective with the closure of the Dealz discount variety brand and PEP Africa's planned exit from Nigeria.

Results	Six months ended 31 March 2023 Rm	Six months ended 31 March 2022 Rm	% change
Revenue (Rm)	43 805	42 010	4.3%
Operating profit before capital items (Rm)	5 122	5 681	(9.8%)
Earnings per share (cents)	81.1	90.2	(10.0%)
Headline earnings per share (cents)	80.8	91.5	(11.7%)
Net asset value per share (cents)	1 727.6	1 600.1	8.0%

RETAIL SEGMENTS

Clothing and general merchandise

The Clothing and general merchandise segment increased sales by 7.0%. Like-for-like sales (which exclude Avenida) decreased by 2.0%, negatively impacted by the poor performance in Ackermans.

PEP's best price leadership position was maintained with a healthy price gap to competitors. The PEP HOME stand-alone format, with 374 stores, achieved strong sales growth of 18.8% and continued to grow market share. The PAXI parcel distribution service, which leverages the retail

footprint of PEP and other Pepkor brands over 2 800 locations, is developing well as a strategic business from a group perspective. Volumes increased by 16% to 2.3 million during the period.

Performance in Ackermans was negatively impacted by the suboptimal merchandise mix in its summer 2022 range. Corrective action was implemented within the confines of product lead times, and improved performance should be visible towards the end of winter and in summer 2023.

The Speciality business performed well and most retail brands expanded market share (RLC data).

PEP Africa reported good customer growth across most countries of operation. Good margin management and cost control, in combination with strengthening local currencies and weakening of the rand, improved profitability.

Trading in the group's Brazilian value retailer, Avenida, continues to exceed initial investment case plans, particularly in the opening of new stores. Good progress has been made regarding the repositioning of the business and store rollout plans have been accelerated as a result. Avenida represents a significant opportunity for growth and diversification outside of Africa for the group.

Furniture, appliances and electronics and Building materials

Performance in the JD Group was impacted by weak consumer demand for household goods and consumer electronics. Performance was supported by growth in new categories, such as power solutions and general merchandise, as well as continued strong online sales that contributed 10% to the Tech division's turnover.

The Building Company (TBCo) continued to outperform the market and maintained sales levels. TBCo has done well to improve its product range and product availability while containing cost growth.

FINTECH SEGMENT

Flash performed well and increased profitability by more than 20% for the period. The basket of products offered to traders in the informal market was expanded and the average turnover generated per trader improved by 10% during the period.

Capfin expanded its loan base to 289 000 loans from 251 000 loans a year ago.

OUTLOOK

Trading in April was weak but improved in May 2023. It is, however, not expected that the operating and consumer environment will improve any time soon.

Management's focus remains on ensuring the group's discount and value offerings meet changing customer needs. Value creation plans have been formulated and are in the process of being executed.

Pepkor remains steadfast in its purpose of making a positive difference in the lives of our customers and creating value for all stakeholders, including generating attractive returns for investors.

Results webcast

A webcast of the results presentation will be broadcast at 11:00 am (SAST) on Tuesday, 30 May 2023. The webcast registration link is: <https://www.corpcam.com/Pepkor30052023> 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 detailed announcement. The full announcement can be accessed at: <https://senspdf.jse.co.za/documents/2023/jse/isse/pphe/HY23.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/2023/05/Pepkor-interim-results-for-the-six-months-ended-31-March-2023.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
30 May 2023

Equity sponsor
PSG Capital



Debt sponsor
Rand Merchant Bank (A division of FirstRand Bank Limited)

