# SPAR

# THE SPAR GROUP LTD

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2023

**R72.9 billion**
**+7.9%** (2022: R67.6 billion)
**Group turnover**[1]

**R1.5 billion**
**-17.5%** (2022: R1.8 billion)
**Operating profit**

**447.7 cents**
**-30.2%** (2022: 641.1 cents)
**Diluted headline earnings per share**

**5 576.0 cents**
**+27.5%** (2022: 4 373.9 cents)
**Net asset value per share**

**+58 stores**
**Net new stores**

**OUR PURPOSE**
**to inspire people to do and be more**

**WWW.THESPARGROUP.COM**

## SALIENT FEATURES

| Rmillion | | Unaudited six months ended 31 March 2023 | Unaudited six months ended 31 March 2022 | % change |
|---|---|---|---|---|
| Turnover[1] | | **72 924.6** | 67 605.2 | 7.9 |
| Operating profit | | **1 512.0** | 1 832.0 | (17.5) |
| Earnings per share | (cents) | **425.3** | 605.5 | (29.8) |
| Headline earnings per share | (cents) | **447.9** | 642.6 | (30.3) |
| Diluted headline earnings per share | (cents) | **447.7** | 641.1 | (30.2) |
| Dividend per share | (cents) | **–** | 175.0 | – |
| Net asset value per share | (cents) | **5 576.0** | 4 373.9 | 27.5 |

[1] *Turnover represents revenue from the sale of merchandise.*

## SUMMARY SEGMENT ANALYSIS

| Rmillion | Southern Africa | Ireland | Switzer-land | Poland | The SPAR Group Ltd |
|---|---|---|---|---|---|
| **Profit/(loss)** | | | | | |
| Turnover[1] | **47 101.8** | **17 102.5** | **7 337.1** | **1 383.2** | **72 924.6** |
| Gross profit | **4 698.7** | **2 551.9** | **1 286.9** | **278.4** | **8 815.9** |
| Gross profit margin % | **10.0** | **14.9** | **17.5** | **20.1** | **12.1** |
| Operating profit/(loss) | **1 022.8** | **436.7** | **110.0** | **(57.5)** | **1 512.0** |
| Operating margin % | **2.2** | **2.6** | **1.5** | **(4.2)** | **2.1** |
| Profit/(loss) before taxation | **918.7** | **314.3** | **57.6** | **(114.7)** | **1 175.9** |
| **Financial position** | | | | | |
| Total assets | **28 134.4** | **17 471.1** | **12 338.2** | **2 491.1** | **60 434.8** |
| Total liabilities | **22 948.1** | **13 734.4** | **9 670.6** | **3 353.7** | **49 706.8** |

## PERFORMANCE OVERVIEW

SPAR delivered a commendable trading performance amid challenging environments. Turnover for the group increased by 7.9% to R72.9 billion. Over the past 12 months, all regions have come under considerable inflationary cost pressures. The cost pressures, coupled with SAP software go-live challenges at the KwaZulu-Natal distribution centre (KZN DC) and subsequent loss of turnover during the latter half of the period, resulted in a decline in operating profit of 17.5% to R1.5 billion. Due to rising interest rates across all geographies, finance costs on debt and overdrafts have increased relative to the prior comparative period. Diluted headline earnings per share declined by 30.2% to 447.7 cents. In light of the challenges, the board of directors (board) believes it prudent not to declare an interim dividend.

**SPAR Southern Africa** reported an increase in turnover of 5.6%, which was negatively impacted by a constrained consumer environment exacerbated by high levels of electricity loadshedding, the high base effect of liquor sales in the prior comparative period, the loss of turnover from the SAP software go-live challenges experienced at the KZN DC, as well as a weaker trading performance from Build it. The SPAR core grocery business reported sales growth of 7.9% against internally measured wholesale price inflation of 10.8%. SPAR's on demand shopping platform, SPAR2U, was available in 234 sites at the end of March 2023. TOPS at SPAR liquor business reported a decline in wholesale turnover of 1.9% for the period (against extraordinary growth of 41.6% in the prior comparative period). On a combined basis, core grocery and liquor turnover increased by 6.5% for the period. Build it reported a decline in turnover of 3.8%, which is reflective of the intense slowdown in the building sector, with the manufacturing of building materials severely impacted by the increased levels of electricity loadshedding. The pharmaceutical business, S Buys Pharmacy at SPAR, continued to deliver excellent sales performances from both Pharmacy at SPAR and Scriptwise (specialised pharmacy), delivering 20.0% turnover growth for the period.

**BWG Group (Ireland and South West England)** delivered another strong trading performance with turnover increasing by 8.8% for the period in EUR terms, and 15.1% in ZAR terms. Both markets experienced the continued challenges brought on by consumers dealing with higher costs of living, driven by ongoing food price inflation, higher interest rates and energy costs. In Ireland, all retail brands performed strongly. The foodservices business was boosted by a full recovery of the hospitality sector, which was restricted for parts of the prior comparative period due to the COVID-19 pandemic restrictions. Furthermore, recently acquired small wholesale businesses were successfully integrated during the period, adding to the positive performance in this region. In the United Kingdom, Appleby Westward's corporate retail division benefitted from the acquisition of stores during the period, and the wholesale business reported solid growth.

**SPAR Switzerland's** turnover declined by 4.3% in CHF terms (increased by 6.9% in ZAR terms) against the prior comparative period. Food retailers across Switzerland remain under pressure due to continued loss of volumes relative to the extraordinary gains made during the pandemic when the Swiss borders were closed. Wholesale turnover increased by 2.0% in CHF terms, impacted by the transfer of petro-convenience corporate stores to independent retailers during 2022. Owing to the contraction in the restaurant industry caused by high costs of energy, goods and labour, coupled with consumers eating out less, turnover from the TopCC cash and carry business was adversely impacted and declined by 2.6% in CHF terms.

**SPAR Poland** made considerable progress during the period. The extension of the distribution centre in Czeladz was completed and the benefits of the extended range have been well received by retailers. SPAR Poland delivered turnover growth of 4.9% in PLN terms (9.3% in ZAR terms), compared to the prior comparative period. SPAR's strategy to invest in price has been well received by retailers, improving SPAR's competitiveness in the marketplace and against the backdrop of very high inflation which continues to place pressure on consumer disposable income. The growth in retailer loyalty and reduction in operating loss is encouraging. Retailer loyalty for the country has improved from 48% to 60% at period end.

## FOCUS ON GOVERNANCE

Shareholders are hereby reminded of the changes to the board, which took place during the reporting period and the board is pleased to report the progress in respect of the composition of the board in line with the King IV code on corporate governance. In December, a new independent non-executive director was appointed chairman, currently acting as executive chairman until a group CEO has been appointed. In February, one long-serving independent non-executive director stepped down and a non-executive director and the group CEO retired. The process to find a new group CEO is well underway and the board is conscious of the uncertainty caused during this period. The executive chairman continues to fulfil an important role supported by the chairman's committee in supporting the country CEOs and addressing the group opportunities and challenges. Two new independent non-executive directors were appointed, selected for their specific skillsets. In May, SPAR also appointed a new company secretary, dedicated to supporting the board and committees in further elevating governance within the group. The former company secretary will focus on environmental, socio-economic and other governance matters as SPAR's dedicated ESG executive, driving SPAR's commitment to the future of our brand and our planet. An independent non-executive director has been appointed deputy chair of the board.

## SHAREHOLDER DISTRIBUTION

Recognising the challenges facing the group, the board believes it is prudent not to declare an interim dividend for the period ended 31 March 2023 (2022: 175.0 cents per share). The board will revisit this decision going forward, taking into consideration the prevailing macro and operating conditions at the time. Returning capital to shareholders in the form of dividends and responsible capital allocation remains a priority for the board.

## OUTLOOK

In Southern Africa, management remain focused on strategic growth areas to drive turnover, and have seen a positive uptick in sales post the period end. While conditions are expected to remain tough, management is taking action to reduce the impact thereof and will continue to attract consumers through real value house brand offerings. SPAR's new strategy for private label is being launched. Resolving all outstanding SAP software implementation challenges remains an urgent priority for the business and for our retailers in the KZN region. Operational and capital expenditure discipline and improved working capital are critical focus areas for management.

In the European regions, the summer months are traditionally positive months for retail trading and hospitality sector growth. BWG Group plans to build on the momentum delivered during the first half of the financial year across both markets and will focus on the execution of its new EUROSPAR supermarket strategy in Ireland. The Swiss team is focused on growth through new business opportunities, and strict cost discipline to improve profitability will be key in the months ahead. The board is considering business options in Poland and will announce its decision in due course.

Given the cost pressures across all markets, retailer profitability remains a key focus for all management teams. SPAR retailers are resilient. We salute them for facing these challenges and playing a positive role within their communities, while continuing to operate against headwinds that remain outside of their control. We will continue to provide the necessary support they need during these testing times and remain focused on the opportunities identified.

The board is positive about the future of the SPAR business.

**MY SPAR OUR TOMORROW**

**SPAR'S COMMITMENT TO THE FUTURE OF OUR BRAND AND OUR PLANET**

**Mike Bosman**
Executive Chairman

**Mark Godfrey**
Chief Financial Officer

Date of release on SENS: 14 June 2023

## ABOUT THIS ANNOUNCEMENT

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details.

The full announcement can be found on SENS at https://senspdf.jse.co.za/documents/2023/JSE/ISSE/SPP/Interim_23.pdf

The full announcement is also available on the company's website at https://thespargroup.com/ and copies may also be requested from the company's registered office and at the office of the JSE sponsor, One Capital, at no charge, during office hours. Any investment decision by investors and/or shareholders in relation to the company's shares should be based on consideration of the full announcement. The information contained in this short-form announcement has neither been audited nor reviewed by the company's external auditors.

### CORPORATE INFORMATION

**Directors:** MJ Bosman (Executive Chairman), JA Canny*, PMP da Silva*, MW Godfrey, LM Koyana*, M Mashologu*, ST Naran*, AG Waller* (Lead independent), SA Zinn* (Deputy Chairperson)
*(* Independent non-executive)*

**Company Secretary:** S Ashokumar **THE SPAR GROUP LTD:** (SPAR) or (the company) or (the group) **Registration number:** 1967/001572/06 **ISIN:** ZAE000058517

**JSE share code:** SPP **Registered office:** 22 Chancery Lane, PO Box 1589, Pinetown, 3600

**Transfer secretaries:** JSE Investor Services (Pty) Ltd, PO Box 4844, Johannesburg, 2000

**Auditors:** PricewaterhouseCoopers Inc., Waterfall City Heliport, 4 Lisbon Ln, Jukskei View, Midrand, 2090 **Sponsor:** One Capital, 17 Fricker Road, Illovo, 2196

**Bankers and corporate brokers:** Rand Merchant Bank, a division of FirstRand Bank Ltd, PO Box 4130, The Square, Umhlanga Rocks, 4021

**Attorneys:** Garlicke & Bousfield, PO Box 1219, Umhlanga Rocks, 4320

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