



**The SPAR Group Limited**

(Incorporated in the Republic of South Africa)

Registration number: 1967/001572/06

Share Code: SPP

ISIN: ZAE000058517

("SPAR" or the "Group")

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**TRADING UPDATE FOR THE 47 WEEKS TO 25 AUGUST 2023 AND CHANGES TO THE BOARD AND BOARD COMMITTEES**

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This announcement provides an update on:

- The Group's trading performance for the 47-week period from 1 October 2022 to 25 August 2023 (the "**period**")
- The SAP implementation at the KwaZulu-Natal (KZN) distribution centre in Southern Africa
- SPAR Poland
- Banking facilities
- Key changes to the SPAR board of directors (the "**Board**") and certain Board committees

**TRADING UPDATE**

The Group delivered a strong trading performance with turnover increasing by 10.6% for the period, amidst higher cost of living challenges for consumers across all regions of operations, and business disruptions in the local market.

**SPAR Southern Africa**

- Total sales growth of 5.9% with mixed performances from the various business units
- SPAR wholesale grocery business increased sales by 8.1% with internally measured wholesale price inflation for the period of 10.1%
- TOPS at SPAR liquor sales declined by 0.6% as sales normalised after the extraordinary growth of 43.0% in the prior comparative period, due to the easing of the COVID-19 liquor trading restrictions in September 2021
- Combined core grocery and liquor turnover growth of 7.0%. If adjusted for the estimated loss of turnover due to the impact of the SAP implementation, the combined turnover growth would have amounted to 9.0%
- Build it saw a decline in turnover of 3.6%, reflective of the slowdown in the building sector
- The pharmaceutical business, S Buys, delivered 19.9% turnover growth, with both channels (wholesale to Pharmacy at SPAR and Scriptwise) performing strongly

**BWG Group (Ireland and South West England)**

- Combined turnover for both markets increased by 8.5% (EUR-denominated) boosted by strong performances across the retail brands, a full recovery of the hospitality sector and successful integration of acquisitions made in Ireland

**SPAR Switzerland**

- Turnover declined by 3.4% (CHF-denominated), due to the extremely challenging market environment, and the transfer of a group of corporate stores to independent retailers during 2022 which negatively impacted retail sales

**SPAR Poland**

- Turnover increased by 5.0% (PLN-denominated), positively impacted by improved retailer loyalty, but offset by the loss of stores in the prior comparative period

## ZAR turnover growth %

	<b>47 weeks ended 25 August 2023 (% change)</b>	<b>Six months ended 31 March 2023 (% change)</b>	<b>Year ended 30 September 2022 (% change)</b>
Wholesale grocery business	8.1	7.9	5.3
TOPS/Liquor sales	(0.6)	(1.9)	42.6
<b>Combined grocery and liquor</b>	<b>7.0</b>	<b>6.5</b>	<b>9.2</b>
Build it	(3.6)	(3.8)	3.1
S Buys - pharmaceutical business	19.9	20.0	9.9
<b>Southern Africa</b>	<b>5.9</b>	<b>5.6</b>	<b>8.4</b>
BWG Group (Ireland & South West England)	21.8	15.1	3.2
Switzerland	13.6	6.9	(1.1)
Poland	19.1	9.3	1.0
<b>Group</b>	<b>10.6</b>	<b>7.9</b>	<b>6.0</b>

## SAP IMPLEMENTATION UPDATE

SPAR shareholders (“Shareholders”) are referred to the unaudited condensed consolidated interim results for the six months ended 31 March 2023 (“Interim Results”) published on SENS on Wednesday, 14 June 2023 wherein Shareholders were advised that the transition to SAP had resulted in various go-live and integration challenges, negatively impacting distribution operations in KZN.

The impact of the SAP implementation at KZN amounted to an estimated loss of turnover to the Group of R1.4 billion for the period, being approximately R786 million for the six months ended 31 March 2023 as previously reported, and an additional R638 million for the five months to August 2023.

SAP has remained a supportive partner throughout the project. After months of collaboration to resolve the issues and drive success, management is satisfied to report that the KZN distribution centre is once again servicing all stores in the region. The SAP solution is stable and performing consistently. Overall service levels are approaching the levels at which they were prior to the SAP implementation.

The learnings during this transition phase have been immense and there is a sense of positivity about the system as the KZN region continues to adapt to it.

A recalibrated roll-out plan is underway, and management remains confident that modernising the business through this solution will deliver significant benefits to SPAR and its independent retailers.

## SPAR POLAND UPDATE

Shareholders are again referred to the Interim Results wherein Shareholders were advised that the Board was considering various strategic business options in Poland and would announce its decision in due course. Having evaluated and considered all options, the Board believes that it is in the best interests of the Group and Shareholders to engage in a process to dispose of its interests in Poland. Additional information will be provided as the process progresses.

## **BANKING FACILITIES**

As stated in the Interim Results, at 31 March 2023 SPAR breached its Group leverage covenant, influenced by the weakening of the rand and translation of foreign debt into reporting currency coupled with decreased profitability. At the time, the Group's financiers approved a waiver of SPAR's breach of the Group leverage covenant. The various challenges impacting profitability in the first six months of the financial year have persisted into the second half of the 2023 financial year. Extensive and ongoing engagements are being held with all financiers who remain supportive of the Group and no covenant breaches are expected at year end.

## **CHANGES TO THE BOARD AND BOARD COMMITTEES**

Shareholders are referred to the announcements published on SENS on:

- Friday, 28 July 2023, advising of the appointments of the Group Chief Executive Officer, Angelo Swartz, with effect from 1 October 2023 and Group Chief Operating Officer, Megan Pydigadu, with effect from 1 November 2023 ("**Executive Appointments**"); and
- Wednesday, 30 August 2023, advising of the appointment of Trudi Makhaya as an independent non-executive director, with effect from 1 September 2023 and the resignation of Marang Mashologu as an independent non-executive director with effect from 30 September 2023 ("**Board Changes**").

Due to the abovementioned Executive Appointments and Board Changes, the Board wishes to notify Shareholders of the following changes to the composition of the Board and Board committees:

- Mike Bosman will reassume the position of Independent Non-Executive Chairman of the Board, with effect from 1 October 2023
- The discontinuation of Lead Independent Director role on the Board, with effect from 1 October 2023, as a result of the recent appointment of Dr Shirley Zinn as Independent Deputy Chairperson and Mike Bosman reassuming his role as Independent Non-Executive Chairman
- The appointment of Lwazi Koyana as Chairman of the Risk Committee, with effect from 1 October 2023
- The appointment of Angelo Swartz and Megan Pydigadu as members of the Risk Committee with effect from 1 October 2023 and 1 November 2023, respectively
- The appointment of Trudi Makhaya as a member of the Risk Committee and the Social, Ethics and Sustainability Committee, with effect from 1 October 2023

## **PRE-CLOSE CALL WITH INVESTORS**

Management invites all interested stakeholders to join them for a pre-close call today, Thursday, 28 September 2023 at 11h00 (SAST). Interested parties that would like to join the call should please email Desiree Friend at: [desiree.friend@rmbmorganstanley.co.za](mailto:desiree.friend@rmbmorganstanley.co.za).

## **ANNUAL RESULTS**

The financial results for the year ending 30 September 2023 will be released on SENS on or about Thursday, 30 November 2023.

Shareholders are advised that this announcement does not constitute an earnings forecast, that the financial information provided herein is the responsibility of the directors, and that such information has neither been reviewed nor reported on by the Group's auditors.

By order of the Board

Pinetown  
28 September 2023

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Rand Merchant Bank, a division of FirstRand Bank Ltd