

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")

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS ENDED 27 AUGUST 2023 (H1 FY24) AND FULL YEAR TRADING STATEMENT

This announcement is the responsibility of the directors and is an abridged summary of the information contained in the Group's interim FY24 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/FY24H1.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 contained in this announcement has neither been audited nor reviewed by the Group's external auditors.

Key financial indicators	26 weeks to 27 August 2023 H1 FY24	26 weeks to 28 August 2022 H1 FY23	% change
Group turnover	R54.1 billion	R51.3 billion	5.4
Gross profit margin	18.5%	19.4%	
Trading expenses	R11.2 billion	R9.8 billion	13.7
Trading profit	R31.8 million	R1 253.3 million	(97.5)
Trading profit margin	0.1%	2.4%	
(Loss)/profit before tax and capital items	(R880.2 million)	R671.8 million	(231.0)
Pro forma (loss)/profit before tax ¹	(R837.2 million)	R588.0 million	(242.4)
Pro forma (loss)/profit before tax - South Africa ¹	(R921.4 million)	R456.1 million	(302.0)
(Loss)/profit after tax	(R571.3 million)	R453.3 million	(226.0)
(Loss)/earnings per share (EPS)	(118.69 cents)	94.34 cents	(225.8)
Headline (loss)/earnings per share (HEPS)	(138.24 cents)	97.73 cents	(241.5)
Pro forma HEPS ¹	(129.30 cents)	88.76 cents	(245.7)
Interim dividend per share	0.00 cents	44.85 cents	(100.0)

¹ H1 FY23 pro forma 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. 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. The Group has not added back any of the H1 FY24 R565 million incremental abnormal costs for purposes of calculating the pro forma earnings metrics. Pro forma HEPS is

the Group's dividend driver.

RESULT SUMMARY

The Group delivered a disappointing result in a period heavily impacted by load shedding and increased competitive intensity. The R396 million spent on diesel to run generators and keep stores open not only impacted expense growth, but also constrained Pick n Pay's ability to respond to increased promotional activity in the market.

Group turnover increased 5.4%, with a strong contribution by Boxer SA (+16.1%). Gross profit margin declined 0.9% to 18.5%, while gross profit in Rand terms grew +0.4% year-on-year. Other income grew 7.3%. Trading expenses increased 13.7%, driven by energy costs and employee restructuring costs. Trading profit declined to R31.8 million including the impact of R565.0 million incremental abnormal costs (R259.0 million employee restructuring costs, R190.0 million net incremental energy costs, and R116.0 million of duplicated supply chain costs from the Eastport distribution centre transition). Loss before tax was further impacted by a 47.3% increase in net finance charges (bank and lease interest) to R913.1 million, resulting in a pro forma loss before tax and capital items of R837.2 million.

The R31.8 million trading profit for the period would have been R596.8 million if one were to exclude the incremental abnormal costs. On this basis, the proforma loss before tax and capital items would have been R272.2 million.

Notwithstanding the difficult trading environment and the incremental abnormal costs, the Board was disappointed with the Group's performance, particularly in Pick n Pay supermarkets, and took critical action. As a consequence, the Board decided on new leadership, appointing Sean Summers, a Pick n Pay veteran who previously led the Group through a highly successful period, as CEO from 30 September 2023.

Highlights from the period include:

- Boxer, SA's leading soft-discounter, delivered SA sales growth of 16.1%, with 27 new stores opened to take the portfolio to 454 Boxer stores
- Pick n Pay Clothing opened 20 company-owned stores, and delivered market-leading sales growth of 13.8% from standalone stores
- Online sales growth of 76.3%, driven by 100% year on-year growth in our on-demand platforms asap! and Pick n Pay groceries on Takealot's Mr D app
- R334 million Project Future savings, driven by Goods Not For Resale (GNFR), logistics, and the early benefits of the Voluntary Severance Program (VSP), Junior Store Management restructure, and multi-skilling initiatives
- R124 million energy savings as the Group strives to reduce the impact of load shedding related expenditure
- The acquisition of Tomis, a state-of-the-art abattoir, meat packaging and processing business supplying high quality fresh meat, which will allow the Group to materially improve the quality of its fresh meat offer
- Seamlessly transferring inland distribution to the new Eastport distribution centre (DC) and selling the Longmeadow facility
- Value-added services income (reported within Commissions and other income) growing a healthy 13.5%, as the Group focused on maximising its opportunities in banking and financial services.

Leadership change and strategic direction

H1 FY24 was a difficult period for the Group as it dealt with load shedding costs, and the impacts of these costs, particularly

on Pick n Pay's ability to competitively respond in an increasingly promotional environment. The results of the Group's key growth drivers, Online, Boxer, and Clothing was pleasing. Against this, the performance of the core Pick n Pay supermarkets business was disappointing, both at the sales and profitability level. Revamped stores and the QualiSave format continue to outperform non-revamped Pick n Pay supermarkets, but the water-level for all Pick n Pay supermarkets is below what it should be. Employee restructuring projects completed in the period will produce R300 million of annualised ongoing savings, which will begin to contribute from the second half of the year.

The Group took action to ensure that the lower profitability did not have an undue impact on the balance sheet by reviewing capital expenditure plans and prioritising working capital management. This focus will be maintained in the latter part of the year.

While recognising that the turnaround will be a multi-year journey, new CEO Sean Summers' immediate focus is to return the core Pick n Pay supermarkets business to growth and profitability through sharpened execution. While doing so, he will ensure that the Group's key growth drivers of Online, Boxer and Clothing continue to deliver on their accelerated growth objectives. Given that Mr Summers stayed in close touch with the Group prior to his appointment, he will hit the ground running and make an immediate impact.

Key initial strategic focus areas within the Pick n Pay supermarkets business are:

- Re-engaging customers and rekindling their love for the Pick n Pay brand
- Improving customer service levels and execution within Pick n Pay supermarkets
- Energising staff and focusing their efforts on the critical tasks ahead
- Enhancing Pick n Pay's buying capabilities through in-depth engagement with suppliers
- Finalisation of the new franchise agreement, and ensuring execution thereon optimises outcomes for both Pick n Pay and franchisees

Outlook and trading statement for the full year

Management expects to face continued headwinds in the latter half of the year, but anticipates the H2 FY24 earnings outlook to be stronger than H1 FY24, driven by (a) more supportive earnings seasonality, (b) net incremental energy cost growth to be relatively low (given the high H2 FY23 base), (c) non-repeat of supply chain cost duplication, and (d) efficiency gains from the H1 FY24 Project Future initiatives beginning to contribute.

H2 FY24 earnings are, however, likely to be below H2 FY23. As a consequence, in terms of section 3.4(b) of the JSE Listing Requirements, the Group advises shareholders that it expects EPS, HEPS, and proforma HEPS for full year FY24 to decrease by more than 20% when compared to EPS, HEPS and pro forma HEPS reported for full year FY23.

The above trading statement has not been reviewed or reported on by the external auditors and is the responsibility of the Board.

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 their ongoing energy and commitment to the Group.

Gareth Ackerman
Chairman
18 October 2023

Sean Summers
Chief Executive Officer

SHAREHOLDER DISTRIBUTION

Owing to the pro forma loss declared for the period, the Board has not declared an interim dividend.

RESULT WEBCAST

The Group will hold a hybrid results presentation at 8:00am this morning. All interested stakeholders are invited to watch the webcast which can be accessed using the following link: www.corpcam.com/pnp18102023. 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

Sean Summers (CEO), Lerena Olivier (CFO)

Non-executive directors

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

Independent non-executive directors

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

CORPORATE INFORMATION

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Sponsor
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