

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")

REVIEWED ANNUAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2023 AND DIVIDEND DECLARATION

Pepkor delivers solid cash generation, driven by a compelling second-half performance

Continuing operations

PERFORMANCE HIGHLIGHTS

- **7.7% growth in revenue to R87.4 billion**
- **20 bps increase in gross profit margin**
- **15.9% increase in cash generated to R13.0 billion**
- **48.1 cents dividend declared**
- **4 100 learnerships provided**
- **6 MWp solar capacity installed**

Results	Year ended 30 September 2023 FY23	Year ended 30 September 2022 FY22	% change
Revenue (Rm)	87 408	81 154	7.7%
Operating profit before capital items (Rm)	9 512	10 347	(8.1%)
Group earnings per share (cents)	(35.4)	165.5	(121.4%)

Earnings per share from continuing operations (cents)	(35.1)	166.6	(121.1%)
Group headline earnings per share (cents)	149.2	162.6	(8.2%)
Headline earnings per share from continuing operations (cents)	149.1	163.3	(8.7%)
Dividend per share (cents)	48.1	55.2	(12.9%)
Net asset value per share (cents)	1 604.9	1 706.5	(6.0%)

Stronger sales performance in the second half of FY23 drives market share gains

Trading improved during the second half of the year, supported by a 53rd trading week in the group's South Africa-based clothing and general merchandise retail brands. Market share gains were achieved in key product categories¹.

Robust cash generation

The group's operations generated R13.0 billion in cash this year, reflecting an increase of 15.9% on the prior year. This performance is the result of impeccable working capital management.

Growth and expansion accelerated in Brazil

Capital allocation to the Avenida business was increased to accelerate growth and expansion based on continued strong performance and good progress made to reposition the business to a discount retailer in the Brazilian market.

TRADITIONAL RETAIL SEGMENTS

Clothing and general merchandise segment

PEP achieved very pleasing results with strong like-for-like sales growth. Market share was expanded in the Babies, Adult and Home product categories¹. The PAXI parcel distribution service, which leverages the retail footprint of PEP and other Pepkor brands in more than 2 800 locations, increased volumes by 18% to 4.9 million during the year.

Trading in Ackermans showed a marked improvement during the second half of the year with market share gains in the Schoolwear, Younger girls and Lingerie categories¹. Good progress was made to clear underperforming merchandise through markdowns, resulting in improved inventory levels. A new teenage range, CUBE, was launched with positive response from customers.

The Speciality business gained market share across most brands in the adult wear market¹.

PEP Africa reported good trading results across most countries of operation, supported by customer and volume growth. The exit from Nigeria was completed during the year.

Performance in Avenida exceeded expectations and the business is well ahead of its original value creation plan. Plans to expand the retail footprint and distribution network have been accelerated with 50 new stores planned per annum.

¹ *Retailers' Liaison Committee September 2023 data*

Furniture, appliances and electronics segment

Following two consecutive years of solid performance in JD Group, consumer demand for household goods and consumer electronics weakened during the year. Notwithstanding this, market share was expanded in computer and audio product categories (Growth from Knowledge data). Performance in the Home division was most constrained. Two new store formats were developed and successfully launched to supplement the Incredible format. The new Incredible Cellular format, focusing on the higher-end post-paid cellular market, was expanded to five stores. The Incredible (mega) format offers the traditional range of consumer electronics and connected devices, together with a wide range of large and small appliances, with three stores opened.

Building materials segment

The Building Company (TBCo) managed to maintain sales performance in an extremely challenging building materials and construction market, with reduced activity and low levels of confidence. TBCo's customer value proposition was enhanced through an expanded product range into new categories such as garden while the launch of house and private label brands will improve margins. The new convenience store format was successfully launched and the store base expanded to 137 retail stores, with six new stores opened during the year.

FINTECH SEGMENT

Financial services

Performance in the financial services businesses was supported by the group's credit interoperability strategy and a high interest rate environment. The group maintained its conservative approach to credit granting. Collections, non-performing loans and provision levels remain well within tolerable levels across all credit books. Credit book growth has, however, resulted in increased debtors' costs for the year.

Tenacity, which supports the South Africa-based clothing and general merchandise retailers, opened a record number of new A+ accounts (794 000) during the year. This positively impacted sales through cross-shopping by customers across group retail brands. The approval rate decreased to 36% from 40% in the prior year, and compares to a historical average approval rate of 38%. Tenacity adopts a more conservative approach compared to peers, where customers are not allowed to make further purchases if one payment is missed. Under this definition, customers able to make purchases amount to 75%, in line with the historical average.

The group started to leverage its insurance capability in the Abacus business and introduced credit life cover on Capfin loans and funeral cover in PEP.

With the aim of making smartphones affordable for customers, a cellular handset rental product was developed and is being tested in 180 stores. To date, 120 000 cellular rentals have been provided through both the group's internally developed capability and third parties.

Informal market

Flash performed well and increased profitability by more than 20% for the year. Annual throughput (virtual turnover based on face value of products sold or cash digitised) increased by 11.6% to R37.1 billion this year.

The average throughput per trader across the base increased by 11.3%. In terms of making customers' lives easier, traders are now able to facilitate SASSA grants distribution to beneficiaries.

OUTLOOK

The consumer and operating environment in South Africa continues to pose challenges. Substantial disruption in port operations is adversely affecting stock inflows following year-end.

Although sales performance exhibited fluctuations in October 2023, trading remains resilient and robust during periods when money is injected into the market, such as payment days for social grants, salaries and wages. The success of the first quarter of FY24 will hinge on the performance of festive and back-to-school trade.

Pepkor remains dedicated to fulfilling customer needs and making a positive difference in their lives.

Dividend declaration

The board declared a cash dividend of 48.07572 cents per ordinary share payable to shareholders on Monday, 22 January 2024. The dividend has been declared out of income reserves.

The salient dates of the dividend declaration are:

Last date to trade cum dividend	Tuesday, 16 January 2024
Date trading commences ex-dividend	Wednesday, 17 January 2024
Record date	Friday, 19 January 2024
Payment date	Monday, 22 January 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 January 2024 and Friday, 19 January 2024, both days inclusive. The maximum local dividend tax rate is 20%. The net local dividend amounts to 38.46058 cents per share for shareholders liable to pay dividend tax at the maximum rate. The issued ordinary share capital of Pepkor Holdings Limited

as at the date of this declaration is 3 667 426 643 ordinary shares. Pepkor Holdings Limited's tax reference number is IT9542320180.

Results webcast

A webcast of the results presentation will be broadcast at 11:00 am (SAST) on Wednesday, 29 November 2023. The webcast registration link is <https://www.corpcam.com/Pepkor29112023> 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/FY23.pdf>

The reviewed condensed consolidated financial statements for the year ended 30 September 2023 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. The unmodified review opinion forms part of this detailed announcement.

Copies of the detailed announcement are also available for viewing on the company's website at <https://www.pepkor.co.za/wp-content/uploads/2023/11/Pepkor-reviewed-results-for-the-year-ended-30-September-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
29 November 2023

Equity sponsor
Investec Bank Limited

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