THE SPAR GROUP LTD

GROUP RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

+10.1%	**Group turnover[1]**
+79 stores	**Net new stores**
R1.8 billion	**Operating profit**
R6.2 billion	**Cash generated from operations**

SALIENT FEATURES

Rmillion		Year ended 30 Sep 2023	Year ended 30 Sep 2022	% change
Turnover[1]		**149 324.3**	135 609.1	10.1
Operating profit		**1 817.0**	3 428.7	(47.0)
Earnings per share	(cents)	**208.6**	1 118.2	(81.3)
Headline earnings per share	(cents)	**606.6**	1 160.5	(47.7)
Diluted headline earnings per share	(cents)	**606.3**	1 159.1	(47.7)
Dividend per share	(cents)	**–**	400.0	(100)

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

The weighted average number of ordinary shares (net of treasury shares) is 192 379 568 shares (2022: 192 445 771). In respect of diluted headline earnings per share, the weighted average number of ordinary shares (net of treasury shares) is 192 450 389 (2022: 192 678 012).

SUMMARY SEGMENT ANALYSIS

Rmillion	Southern Africa	Ireland and SW England	Switzerland	Poland	The SPAR Group Ltd
Profit/(loss)					
Turnover[1]	92 611.9	38 137.5	15 711.6	2 863.3	149 324.3
Gross profit	8 828.5	5 756.5	2 792.9	567.8	17 945.7
Gross profit margin %	*9.5*	*15.1*	*17.8*	*19.8*	*12.0*
Operating profit/(loss)	1 217.6	1 062.3	236.8	(699.7)	1 817.0
Operating margin %	*1.3*	*2.8*	*1.5*	*(24.4)*	*1.2*
Profit/(loss) before taxation	942.0	773.3	113.1	(849.2)	979.2
Financial position					
Total assets	27 724.5	18 678.1	13 192.6	2 000.6	61 595.8
Total liabilities	23 451.9	14 409.5	10 174.3	3 338.5	51 374.2
Stores	2 523	1 485	363	208	4 579
Net new/(lost) stores	14	46	(9)	28	79

MY SPAR OUR TOMORROW

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

PERFORMANCE OVERVIEW

The Group delivered turnover growth of 10.1%, increasing turnover to R149.3 billion (2022: R135.6 billion). This is a commendable trading performance amid challenging markets with consumers under persistent financial pressure. All geographies experienced the challenges brought on by consumers dealing with higher costs of living, driven by ongoing food price inflation, higher interest rates, fuel and energy costs during the reporting period. The SAP implementation challenges at the KwaZulu-Natal (KZN) distribution centre (DC) and the impairment of goodwill and intangible assets associated with SPAR Poland significantly impacted overall profitability for the period. Consequently, the Group delivered an operating profit of R1.8 billion (2022: R3.4 billion). Of the factors negatively impacting operating profit, approximately R1.4 billion is considered non-recurring. Increased net finance costs due to rising interest rates significantly impacted profit before tax. Diluted headline earnings per share declined by 47.7% to 606.3 cents. Given the various challenges, the board of directors (Board) believes it prudent to not declare a final dividend for the year ended 30 September 2023.

SPAR Southern Africa reported an increase in turnover of 5.1%. Trading was negatively impacted by the general consumer environment as well as continued electricity load shedding. On a combined basis, core grocery and liquor turnover increased by 6.1% for the period. Core grocery turnover including SPAR Encore, increased by 7.1% and reflects the ERP system challenges experienced during the reporting period. Internally measured wholesale price inflation was 9.7% for the reporting period. Our building materials business, Build it, reported a decline in turnover of 4.3%, due to a shift in consumer spending towards the basic costs of living. The decline in turnover also reflects the state of the building sector which continues to be severely impacted by electricity load shedding. The pharmaceutical business continued to deliver impressive sales performances from both Pharmacy at SPAR and Scriptwise (specialised pharmacy), delivering 19.2% turnover growth for the reporting period.

Ireland and South West England, represented by **BWG Group**, delivered strong trading performances across both markets. Turnover increased by 8.1% for the reporting period in EUR terms, and by 21.9% in ZAR terms. All retail brands delivered strong performances throughout the year, notwithstanding difficult trading conditions, including an increased regulatory environment, staff shortages, rising operating costs and very strong competition. Our food services channel performed exceptionally well, boosted by a full recovery of the hospitality sector and a consolidation of the market, with BWG Foods growing ahead of the industry and taking market share. The successful consolidation of acquisitions boosted growth for the wholesale business. In the United Kingdom, Appleby Westward's corporate retail division continued to benefit from the acquisition of stores.

SPAR Switzerland's turnover declined by 3.3% in CHF terms (an increase of 13.6% in ZAR terms) against the prior comparative year, as it contended with the dynamics of a post-pandemic marketplace, with consumers looking for better pricing either cross-border or locally with discounters. Furthermore, the transfer of a group of corporate stores to independent retailers during 2022 negatively impacted retail sales in the current financial year. Owing to the contraction in the restaurant industry combined with consumers eating out less, turnover from the TopCC cash and carry business was adversely impacted and declined by 3.6% in CHF terms.

SPAR Poland continued to experience a tough consumer environment. While food inflation eased in the second half of the financial year, the Polish consumer remained under pressure and continued to shop around for the best deals. SPAR Poland delivered turnover growth of 5.0% in PLN terms (19.9% in ZAR terms) compared to the prior comparative year. At the end of September 2023, the Board announced its decision that it believes it is in the best interests of the Group and shareholders to engage in a process to sell its interests in Poland. Consequently, goodwill and other intangible assets for this business have been impaired for the year ended 30 September 2023.

SAP IMPLEMENTATION UPDATE

The Group commenced the launch of its new SAP software system at the South African central office in October 2022. The distribution centre in KZN was the first regional distribution centre to launch SAP, thereby limiting any risk to the rest of the regions. The go-live at KZN commenced during February 2023. The transition to SAP resulted in various go-live and integration issues, negatively impacting distribution operations in KZN.

Actions were taken to improve supply to our retailers' stores, including servicing these stores from the Eastern Cape, South Rand and North Rand DCs, direct to store deliveries, as well as the increased use of supplier dropshipment channels. The KZN DC resumed servicing all stores in the region as of August 2023.

While the SAP solution is stable and performing consistently at the KZN DC, the roll-out of SAP has been delayed in other Southern African regions until management is satisfied with the optimisation of the system at the KZN DC. The learnings during this transition phase have been immense.

The impact of the SAP implementation at KZN amounted to an estimated loss of turnover of R1.6 billion and an estimated R720.0 million loss of profits for the period ended 30 September 2023. Furthermore, as a result of the change in approach towards the SAP implementation roll-out for the foreign regions, a write-off of R94.1 million in respect of the SAP 'asset under construction' has been recognised.

Management believe that they have identified the key issues that resulted in the shortcomings of the KZN DC SAP roll-out and that they now have the right team and resources in place to appropriately plan for future implementations in Southern African regions.

BANKING FACILITIES

All financiers remain supportive of the Group and have agreed to amendments to banking covenants. The Group is not in breach of any financing covenants at financial year end. At this stage, the Group does not intend to raise any capital from shareholders. The Group is currently considering various debt structuring options.

CORPORATE INFORMATION

Directors: MJ Bosman* (Chairman), SA Zinn* (Deputy Chairman), AP Swartz (Group CEO), MW Godfrey (Group CFO), M Pydigadu (Group COO), LM Koyana*, P da Silva*, ST Naran*, GB Makhaya*

(Independent non-executive)*

Company Secretary: S Ashokumar

THE SPAR GROUP LTD: (SPAR) or (the Group)

Registration number: 1967/001572/06

ISIN: ZAE000058517

JSE share code: SPP

Registered office: 22 Chancery Lane, 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

SHAREHOLDER DISTRIBUTION

The Group has faced various challenges during the year. Consequently, the Board believes it is prudent to not declare a dividend for the year ended 30 September 2023 (2022: 400.0 cents per share). The Board will consider future dividend payments taking into account the prevailing macro and operating conditions going forward. Returning capital to shareholders in the form of dividends and responsible capital allocation remains a priority for the Board.

OUTLOOK

In Southern Africa we are encouraged to see the positive momentum that is building, due to the deliberate changes that have been made and the pleasing progress within the strategic focus areas, despite the various challenges the business has faced. The consumer environment is expected to remain constrained. However, SPAR's private label strategy is well placed to offer better value for our independent retailers and SPAR shoppers. The optimisation of the SAP system will be a key focus area for the business.

In Ireland and South West England, increasing costs are expected to challenge retail and hospitality operators' profitability. Despite the challenges, the local management teams look forward with confidence. All of our businesses and brands are in a strong position, and we will continue to have the benefit of wholesale acquisitions made in 2023, which will continue to deliver synergies as they are consolidated into our business.

The Swiss management team is focused on strategic enablers to drive growth in this market, including a revised fresh strategy to drive increased footfall to neighbourhood stores. This focus on factors within the business's control means that the management team is cautiously confident of an improved financial year ahead.

In respect of SPAR Poland, we are focused on achieving the best possible outcome for all stakeholders and remain focused on the process of finding an appropriate buyer for the business.

For the Group, significant changes have been made at executive and Board level during the year. While this has been an unsettling time for the business and its stakeholders, especially our employees, the changes being made are focused on modernisation and the highest possible standards of corporate governance. We believe the changes position the business well for the future, benefitting all stakeholders. A recovery is underway and we are confident about the future of the Group.

Mike Bosman
Chairman

Angelo Swartz
Group CEO

Date of release on SENS: 30 November 2023

ABOUT THIS ANNOUNCEMENT

As the information in this announcement does not provide all of the details, any investment decision should be based on consideration of the consolidated annual financial statements for the year ended 30 September 2023, which are accessible via the following JSE cloudlink:

https://senspdf.jse.co.za/documents/2023/jse/isse/SPP/FY23AFS.pdf

and on the company's website at:

https://thespargroup.com/wp-Content/uploads/2023/11/Annual_Financial_Statements_2023.pdf

The consolidated annual financial statements for the year ended 30 September 2023 were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon.

The auditor's unmodified audit report includes reportable irregularities in terms of the Auditing Profession Act, No. 26 of 2005, which have been described in note 42 to the annual financial statements.

OUR PURPOSE

to inspire people to do and be more

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