

## **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”)



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## **VOLUNTARY TRADING UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2023 AND UPDATE ON DIRECTORS' INTEREST**

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### **1. TRADING UPDATE**

The group's discount and value brands continue to resonate with customers, delivering healthy sales growth from a solid base in the comparable quarter last year. Based on the latest RLC data to December 2023, the group expanded overall market share in each month during the quarter and also on a 3-, 6- and 12-month rolling basis. Overall, Ackermans grew market share in December 2023 which represents a significant change in trajectory.

On a 3-, 6-, and 12-month rolling basis:

- PEP gained market share in key categories including babies, kids, school and home;
- Ackermans expanded market share in the school and younger kids categories; and
- Specialty gained share in adult wear.

These positive trends persist despite a challenging macroeconomic and operating environment, with customers facing financial pressure. The significant disruption in port operations, reported in November 2023, continues to have a negative impact on stock inflows. The group's merchandise and logistics teams have been proactive in addressing delays and implementing solutions to expedite and advance stock inflows.

## GROUP REVENUE

Group revenue from continuing operations for the three months ended 31 December 2023 (“Q1FY24” or “the quarter”) increased by 7.2% to R26.0 billion.

Revenue growth by segment	Quarter ended 31 Dec 2023 Q1FY24 Rm	Quarter ended 31 Dec 2022 Q1FY23 Rm	Growth %	Contribution %
Clothing and general merchandise segment	17 608	16 444	7.1%	67.8%
Furniture, appliances and electronics segment	3 332	3 234	3.0%	12.8%
Building materials segment	2 213	2 209	0.2%	8.5%
Fintech segment	2 841	2 353	20.7%	10.9%
<b>Group</b>	<b>25 994</b>	<b>24 240</b>	<b>7.2%</b>	<b>100.0%</b>

## TRADITIONAL RETAIL - SALES PERFORMANCE

Group merchandise sales (“sales”) increased by 5.5% and like-for-like sales increased by 4.1% for the quarter.

Sales growth	Total sales growth Q1FY24	Like-for-like sales growth Q1FY24
Retail segments	5.5%	4.1%
Clothing & general merchandise segment	6.8%	5.0%
- PEP	4.7%	3.3%
- Ackermans	4.1%	1.9%
- Speciality	8.3%	4.8%
- PEP Africa*	24.7%	17.9%
- Avenida*	24.6%	10.8%
Furniture, appliances & electronics segment	2.8%	2.7%

- JD Group		
Building materials segment - The Building Company	0.2%	(0.7%)

\* Constant currency sales growth is reported for PEP Africa and Avenida.

Retail selling price inflation in PEP, Ackermans and Speciality (in aggregate) amounted to 6.5% for the quarter.

PEP maintained its market position as discount leader, underpinned by Best Price Leadership and enhanced price competitiveness. In Ackermans, the sales performance trajectory continues to improve with positive like-for-like sales growth reported for a second consecutive quarter. This is in addition to a marked improvement in full-price sales and overall performance.

In January 2024, trade strengthened further in PEP and Ackermans, based on a successful back-to-school season. For the January 2024 trading month, like-for-like sales increased by 7.8% in PEP and 8.7% in Ackermans.

Performance in Speciality was underpinned by strong trading in Refinery and Dunns adult apparel brands. PEP Africa performed well, reporting good growth in customers and volumes.

The Avenida business in Brazil had a very successful quarter with strong trading which continued into January 2024. Expansion continued during the quarter with 16 new store openings, growing the store base to 157 stores.

JD Group’s performance was satisfactory in a generally weak durables market, underpinned by successful Black Friday and festive season campaigns. The Tech division maintained sales levels from a high base, while the Home division delivered strong like-for-like sales growth.

Total sales levels were largely maintained in The Building Company. This represents a credible performance on a stronger base compared to peers and in a very challenging building materials and construction sector.

Group cash sales increased by 2.4% and credit sales increased by 35.2%, driven by the group’s credit interoperability strategy in the South African-based clothing, footwear and home (CFH) retail brands. The group continues to grant credit on a prudent basis, within its conservative credit methodologies. The overall group credit sales mix increased to 12% from 9% in the comparable quarter and remains low compared to peers.

The group continued to execute its organic store expansion strategy with a total of 92 new stores opened during the quarter (60 on a net basis), expanding the retail store base to 5 977 stores.

## **FINTECH**

The Fintech segment increased revenue by 20.7% to R2.8 billion.

### **Financial services**

The financial services businesses in aggregate, increased revenue by 29.2%. The group's credit interoperability strategy, which makes it possible for customers to engage in cross-shopping across Pepkor brands, and a high interest rate environment continued to underpin performance in the financial services businesses.

During the quarter, Tenacity opened 300 000 new A+ accounts, expanding the total A+ account base to 2.3 million accounts. Approval rates decreased to 34% from 39% in the comparable quarter (historical average approval rate of 38%). 73% of customers are able to purchase, in line with the historical average and based on Tenacity's more conservative approach where customers are not allowed to make further purchases if one payment is missed.

Capfin's loan base increased from 301 000 loans at 30 September 2023 to 316 000 loans at the end of December 2023. Leverage of the group's insurance capability in the Abacus business continued with credit life now covering 78% of the Capfin book.

Collections, non-performing loans and provisions remain well within comfortable levels across all credit books.

### **Informal market**

The Flash business reported revenue growth of 16.8% for the quarter (as revenue recognised on an agent vs principal basis has rebased). Total throughput, or management turnover (based on the face value of products sold), increased by 25.6% and R12.3 billion cash was digitised during the quarter. The average throughput per trader across the trader base increased by 25.4%. The recently launched facilitation of SASSA SRD grant payments through the trader base is gaining momentum as payments to over 600 000 beneficiaries were concluded.

The Flash business contributed 66% to the Fintech segment's revenue for the quarter.

### **Pro forma constant currency disclosure**

The Pepkor group discloses constant currency information to indicate PEP Africa and Avenida's performance in terms of sales growth, excluding the effect of foreign currency fluctuations. To present this information, current period turnover for these businesses reported in currencies other than the rand is converted from local currency actuals into rand at the prior period's actual average exchange rates per country. The table below sets out the approximate average rand cost for one unit as well as percentage change in sales, based on the actual continuing results for the period,

in reported currency and constant currency, for the basket of currencies in which these businesses operate.

<b>% change in sales compared to the prior period</b>	<b>Reported currency</b>	<b>Constant currency</b>
PEP Africa	(1.3%)	24.7%
Avenida	40.9%	24.6%

The trading update and pro forma constant currency disclosure is the responsibility of the directors and has not been reviewed and reported on by the group’s external auditors.

## **2. UPDATE ON DIRECTORS’ INTEREST**

### **2.1 Director’s interest**

#### *Cancellation of Options*

In 2022 as part of the Steinhoff global settlement, 120 million call options were granted to Trevo Capital Limited, a company associated with PJ Erasmus (“Mr Erasmus”), by Steinhoff. These options were exercisable in the 2025 financial year at an exercise price of R24.9215 per share, subject to adjustments applicable in certain limited circumstances.

These options were disclosed to the public prior to Mr Erasmus’s appointment to the Pepkor board of directors on 12 January 2022 and disclosure was also made in Pepkor’s 2022 and 2023 financial statements under related party transactions.

These options have been cancelled by the contracting parties (“Cancelled options”).

#### *Replacement of Cancelled Options*

The Cancelled options have been replaced by an equity instrument issued to Vista Treasury (Pty) Ltd (“**Vista**”), a company associated with Mr Erasmus, by a subsidiary of IBEX Topco B.V (“**IBEX**”), formerly Steinhoff, and the same entity that initially granted the now Cancelled options. IBEX currently holds c. 43% of the issued shares of Pepkor.

In terms of the off-market equity instrument, a distribution will be made to Vista. The value of the distribution will be determined by the extent to which the Pepkor share price exceeds R21.00 as at 30 September 2026, subject to adjustments applicable in certain limited circumstances.

### **2.2 CEO employment agreement**

Subsequent to the above, the Pepkor board and Mr Erasmus concluded a new employment agreement with the company in terms of which he continues to fulfil the role of Pepkor CEO with commensurate remuneration in line with the group’s remuneration policy. Previously, Mr Erasmus received no remuneration from Pepkor for his role as CEO.

Parow  
30 January 2024

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