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**")

VOLUNTARY TRADING UPDATE FOR THE 24 WEEKS ENDED 15 MARCH 2024 AND PRE-CLOSE CALL

On 21 February 2024, the Group published a trading update for the 20 weeks ended 16 February 2024.

SPAR hereby provides stakeholders with a voluntary update to trading conditions and events for the 24 weeks ended 15 March 2024, prior to SPAR entering its financial closed period in respect of the six months ending 31 March 2024.

OPERATING CONTEXT

The operating environment in South Africa continues to be challenging. Whilst inflation is back within the South African Reserve Bank's target range, a combination of 14-year high interest rates, muted GDP growth forecasts and a high unemployment rate continue to place consumers under immense pressure.

The operating environment in Ireland continues to face pressures from inflation, high interest rates and the introduction of a 12.4% increase to the minimum wage effective 1 January 2024. The Irish economy is subdued; however, the unemployment rate remains low at 4.2% for the month of February 2024. In the United Kingdom, labour shortages are still a concern and expectations for economic growth remain uncertain, with businesses tackling wage inflation and other inflationary cost pressures.

The operating environment in Switzerland continues to be challenging with cost-of-living increases in health care, transport, electricity, and high interest rates (however, interest rates were cut by 0.25% last week by the Swiss central bank) which has resulted in a surge in cross border shopping. Unemployment rates were at a low of 2.4% for the month of February 2024.

In Poland, consumers remain under pressure as a result of ongoing inflationary increases causing a shift towards hard discounters to help manage the costs of living. Unemployment rates were at 5.4% for the month of February 2024.

The Board of directors of SPAR (the "**Board**") and management are monitoring the macro environments and proactively responding to the impact on the Group's businesses.

TRADING UPDATE

Group turnover increased by 8.8% for the 24 weeks ended 15 March 2024 (the "**period**"), negatively impacted by fluctuations in exchange rates since the Group reported turnover for the 20 weeks ended 16 February 2024.

SPAR Southern Africa

- Total wholesale sales growth of 5.7% - impacted by a weaker than expected grocery business performance.
- Combined core grocery and liquor turnover growth of 6.0%, against internally measured price inflation of 7.2%:
  - SPAR grocery wholesale business increased sales by 5.0%; and
  - TOPS at SPAR liquor sales increased by 12.8%.
- Build it delivered pleasing sales growth of 1.1% after a sustained period of market contraction.
- The pharmaceutical business delivered excellent turnover growth of 17.7%, driven by increased loyalty from Pharmacy at SPAR retailers and growth in Scriptwise revenue.

BWG Group (Ireland and South West England)

- Continued to trade strongly with turnover increasing by 6.6% in EUR terms and 16.9% in ZAR terms. Trading conditions in the United Kingdom have been particularly challenging due to the seasonal nature of the business, located in an area influenced by holiday makers.

SPAR Switzerland

- Reported a decline in turnover of 4.7% in CHF terms, but an increase of 8.8% in ZAR terms. The overall decline reflects the shift in consumer behaviour towards seeking cheaper products in local supermarkets and across the border, however SPAR's convenience stores have benefitted from unseasonably warm weather over the past four weeks.

SPAR Poland

- Turnover decreased by 4.2% in PLN terms, but increased by 13.2% in ZAR terms, negatively impacted by the loss of a small number of retailers following SPAR's announcement to dispose of its interests in this market.

ZAR turnover growth - %

	24 weeks ended 15 March 2024 (% change)
Wholesale grocery business	5.0
TOPS/Liquor sales	12.8
Combined grocery and liquor	**6.0**
Build it	1.1
S Buys – pharmaceutical business	17.7
Southern Africa	**5.7**
BWG Group (Ireland and South West England)	16.9
Switzerland	8.8
Poland	13.2
Group	**8.8**

UPDATE ON THE GROUP'S KEY PRIORITIES

On 30 November 2023, SPAR communicated its top priorities in the short-to-medium term. The new Group Executive has performed a thorough examination of the business and has implemented structures to enhance the speed of decision making and execution, in pursuit of the successful realisation of these priorities.

This serves as a brief update on the key priorities:

1) Polish business disposal

Advisors were appointed shortly after the decision was made and significant progress has been made with the advisors to dispose of the Group's interests in SPAR Poland, ensuring the most optimal outcome for all stakeholders. We are working with interested parties through our advisors and further information will be provided in due course.

2) Optimal capital structure

The Group has appointed advisors to review its capital structure and propose the optimum structure of Group debt, taking into consideration the outcome of the Polish disposal process. Management remains focused on reducing net debt levels, through cash generation and cash preservation. The Group continues to be highly cash generative from operations.

Group net debt at the end of February 2024 amounted to R11.5 billion, against R12.8 billion as at 31 March 2023. Typically, net debt levels are higher at the half year period compared to at year end, due to the European working capital cycles peaking as they enter warmer months. The reduction in net debt should also be seen against the weakening of the ZAR against the Euro of approximately 8.0% at the reported dates. The Group has adequate headroom in respect of its unutilised banking facilities. The Group continues to manage the covenant performance with the support of all financiers and plans to operate without seeking additional funds from its shareholders.

The Group has a well-established policy on maintenance and replacement capital expenditure and has continued to invest in line with this policy and does not envisage any extraordinary capital expenditure other than the completion of the IT system modernisation, which will take place over the next two to three years.

Similarly, our retailers continue to invest in their stores. This model, where the corporate invests in the distribution infrastructure, and the independent retailer invests in their stores, allows SPAR to maintain its infrastructure across the value chain without placing the entire financial burden on a single party. For the five months ended 29 February 2024, over 100 retailers refurbished their stores in South Africa, reaffirming independent retailer confidence in their businesses and the SPAR brand.

3) SAP ERP system optimisation

The new SAP ERP and warehouse management system went live at the SPAR Distribution Centre in KwaZulu-Natal (KZN) in February 2023.

Order fulfilments rates are in line with what they were before the launch of the new system, however retailer loyalty rates have been impacted. This region is focused on improving loyalty through additional promotional support, amongst other targeted programs.

The system is stable and functioning as designed, however, is not yet at the efficiency levels anticipated. The main areas impacted are the region's ability to manage gross margin and delivery cycles, which has, as a consequence, resulted in lower-than-expected gross profits, increased labour costs and a higher investment in working capital in this region.

A strategic review of the SAP system and rollout process has been undertaken to ensure further implementations across distribution centres are significantly de-risked. This includes decoupling the ERP and the warehouse management systems in future rollouts as well as assessing where there are quick wins that will benefit the Group. Further details will be shared at the interim results presentation in June.

4) South African earnings before interest and tax (EBIT) margin recovery

While wholesale sales performance has been weaker than expected, which negatively impacts margin recovery, it is encouraging to note that SPAR retail sales for the month of February 2024 increased by 10.9% and 9.5% on a like-for-like basis, positively benefitting from the leap year. For the five months ended 29 February 2024, retail sales increased by 7.1% with like-for-like sales increasing by 5.8%. Retail sales allows for a more accurate industry comparison across peers and the resilient performance is an indication of the continued strength of the SPAR brand.

The current EBIT margin performance remains under pressure predominantly due to the business challenges that have continued at KZN, which have impacted profitability more than expected during the period.

The Group continues to focus on optimising the system as well as improving loyalty. These focus areas should lead to an improvement in margins in the second half of the 2024 financial year.

With turnover growth not at expected levels, the Southern African business has responded by improving operational efficiency and focusing on cost saving opportunities.

PRE-CLOSE CALL WITH INVESTORS

Management invites all interested stakeholders to join them for a pre-close call today, Tuesday, 26 March 2024 at 12h00 noon (SAST). Please register for the call via the following link https://www.corpcam.com/Spar26032024.

INTERIM RESULTS

The financial results for the six months ending 31 March 2024 will be published on SENS on or about Wednesday, 12 June 2024. The results webcast presentation will follow at 9h30 on the same day.

SPAR shareholders are advised that the financial information contained in this announcement is the responsibility of the directors and has not been audited, reviewed or reported on by the Group's auditors. SPAR retail sales included in this announcement were obtained from SPAR retailers.

By order of the Board

Pinetown
26 March 2024

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