

Pick n Pay Stores Limited
 Incorporated in the Republic of South Africa
 Registration number: 1968/008034/06
 JSE and A2X share code: PIK
 ISIN: ZAE000005443
 (“Pick n Pay” or “the Company”)

Sales update and trading statement for the 52 weeks ended 25 February 2024, update on recapitalisation, balance sheet position and notice of financial assistance

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Sales update

The Company and its subsidiaries (“the Group”) increased total sales by 5.4% for the 52 weeks ended 25 February 2024 (“FY24” or “the Period”), with like-for-like sales growth of 2.9%.

	Previously published 47 weeks ended 21 January 2024 % growth	52 weeks ended 25 February 2024 % growth
South Africa		
Pick n Pay	-0.1%	-0.2%
Boxer	17.1%	17.5%
Total	5.2%	5.2%
Rest of Africa	10.3%	10.1%
Group sales	5.3%	5.4%
Group sales (like-for-like)	2.9%	2.9%

Pick n Pay South Africa sales growth for the Period was -0.2% (+0.2% like-for-like), while Boxer South Africa sales growth was 17.5% (8.1% like-for-like), delivering total South African sales growth for the Period of 5.2% (2.6% like-for-like). Internal selling price inflation for the Period was 7.3%, decreasing from 8.3% in the first half of the Period (H1) to 6.4% in the second half (H2).

Pick n Pay Clothing sales growth from standalone stores for the Period was 17.0% (7.7% like-for like), while Pick n Pay Online delivered sales growth of 74.4%, driven by ongoing improvements in the Group’s asap! platform and its Mr D partnership.

The Rest of Africa division increased sales for the Period by 10.1% and 12.5% on a constant currency basis.

Asset impairment in Pick n Pay Supermarkets

FY24 Group earnings have been impacted by a R2.8 billion non-cash asset impairment of Pick n Pay Supermarkets stores. The impairment, which covers right-of-use and physical store assets, has two components:

- R1.8 billion impairment of assets of selected loss-making company-owned Pick n Pay stores, which will be closed or converted to Pick n Pay franchises or Boxer stores under the Group’s strategic plan. These closures and conversions will enhance the store estate and reduce the impact of loss-making company-owned Pick n Pay stores on ongoing Group profitability;

- R1.0 billion impairment of the assets of underperforming company-owned stores that will remain open. This reflects the revaluation of the assets of stores where the current profitability is below the value of assets, but where the Group has chosen to retain the stores and drive improved performance over time.

The strategic plan is heavily focused on improving the performance and profitability of the company-owned Pick n Pay supermarkets that will not be closed or converted to other formats via improved execution.

Further trading statement

Shareholders are referred to the announcement released on the Stock Exchange News Service of the JSE Limited ("SENS") on 22 February 2024. In that announcement, the Group advised that it expected to report a loss at the earnings and headline earnings levels for FY24, and that the anticipated loss was entirely attributable to the performance of the Pick n Pay Supermarkets business. The Group's Boxer and Pick n Pay Clothing businesses remain highly profitable.

The Group is finalising its financial results for FY24 and expects its FY24 earnings to fall within the following ranges:

	52 weeks to 25 February 2024 expected range cents per share	52 weeks to 26 February 2023 reported cents per share
Reported earnings metrics		
(Loss) / earnings per share (EPS)	-686.01 to -637.33	243.37
Diluted EPS	-684.23 to -635.73	242.54
Headline (loss) / earnings per share (HEPS)	-228.99 to -177.14	259.25
Diluted HEPS	-228.38 to -176.70	258.36
Comparable earnings metrics		
Comparable HEPS	-281.13 to -228.31	264.12
Diluted comparable HEPS	-280.39 to -227.75	263.21

Note: Comparable HEPS strips out non-cash hyperinflation gains and losses related to the Group's interest in TM Supermarkets in Zimbabwe. The Group's view is that Comparable HEPS provides the clearest view of underlying profit performance on a year-on-year basis.

The FY24 results have been negatively impacted by gross profit margin contraction and trading expense growth exceeding sales growth in Pick n Pay Supermarkets, as well as by the impairments set out above.

Additional contributing factors to the expected FY24 Group loss are:

- Once-off costs of R423 million, including R116 million duplication of supply chain costs during the Longmeadow / Eastport handover, and R307 million employee restructuring costs;
- Additional trade receivables provisioning of R0.4 billion, reflecting the difficult trading environment in South Africa, and including a R0.2 billion provision increase in Botswana;
- Incremental net debt service costs of R467 million from increased gearing and higher interest rates;
- Total diesel costs to run generators of R698 million (R652 million for FY23).

The Group has added back the R2.8 billion store asset impairment (R2.2 billion net of tax), alongside all other impairments, for purposes of the calculation of HEPS.

Recapitalisation plan and balance sheet update

Shareholders are referred to the Company's cautionary announcements released on SENS on 22 February 2024 and renewed on 27 March 2024 and 13 May 2024, wherein the Group advised shareholders that the board of directors ("the Board") had approved a two-step recapitalisation plan ("the Recapitalisation Plan"). Shareholders are reminded that the Recapitalisation Plan comprises a proposed renounceable rights offer to existing shareholders of the Company of up to R4.0 billion, expected to take place in mid-2024 ("Rights Offer"), followed by a proposed share offering and subsequent listing of the Group's Boxer business on the Main Board of the Johannesburg Stock Exchange ("IPO") expected to take place towards the end of 2024.

The Group is progressing well towards implementation of the Recapitalisation Plan. The terms and conditions of the Recapitalisation Plan are being refined in consultation with the Board and its advisors, and the final Plan remains subject to approval by the Board, shareholders and regulators. The shareholder approvals required in order to launch and implement the Rights Offer will be sought at an extraordinary general meeting of shareholders to be held near the end of June 2024 ("EGM"). A circular detailing the relevant shareholder approvals required, incorporating a Notice of EGM, is expected to be distributed to shareholders around the time of the FY24 results announcement.

Group net debt at 25 February 2024 totalled R6.1 billion, reflecting an improvement against the R6.7 billion guidance contained in the Company's previous update. The improved year-end net debt position was the result of the Group clearing much of the excess stock referred to in the previous trading update.

Pick n Pay has concluded a debt restructuring agreement with its short-term and long-term lenders on 7 May 2024 which secures the Group's liquidity and funding up to 1 September 2025. In terms of this restructuring agreement, the Rights Offer and IPO proceeds will be used to repay all Group debt, except to the extent that lenders elect to provide ongoing working capital facilities beyond the IPO. All of the Group's debt is currently guaranteed by Boxer and is secured by the Group's shareholding in Boxer. The guarantee and security will be released at the time of the IPO, in order to facilitate the IPO process.

Strategic plan and outlook

Group CEO, Sean Summers' new strategic plan has been approved by the Board, the relevant details of which will be shared with investors as part of the FY24 results presentation. The plan is primarily focused on turning around the Pick n Pay Supermarkets business, while reinforcing the Group's strategic initiatives in the high growth Boxer, Pick n Pay Clothing and Online businesses, and unlocking value for shareholders. The Group will provide segmental profit disclosure for Pick n Pay and Boxer in the FY24 results announcement, highlighting the strong performance of Boxer.

The Group expects to improve its financial performance over the next two years. The improvement is expected to be derived from (a) execution of the strategic plan in Pick n Pay Supermarkets; (b) continued strong profit growth from Boxer and Pick n Pay Clothing; and (c) significantly reduced interest charges from the debt reduction post implementation of the Recapitalisation Plan.

FY24 results announcement and strategy presentation

The Group expects to release its FY24 results on SENS just after 7:00am on Monday, 27 May 2024. An in-person and online presentation will follow at 8:30am. Stakeholders are invited to register for the results presentation webcast via the following link: www.corpcam.com/pnp27052024. The slides accompanying the result presentation will be made 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.

Notice of financial assistance

Notice is hereby given that, in terms of the provisions of section 45(5)(a) of the Companies Act 71 of 2008 (as amended) ("the Companies Act") and pursuant to the special resolution passed at the previous annual general meeting of the Company held on 19 July 2023, authorising the Board to provide direct and indirect financial assistance to related or inter-related companies, the Board has adopted resolutions authorising the Company to provide financial assistance pursuant to the debt restructuring agreement and supporting finance documents which amended the terms and conditions of the Group's existing short-term and long-term loan agreements with the Group's funders.

Prior to authorising the aforementioned financial assistance, the Board considered and satisfied itself, in terms of section 45 of the Companies Act, that (i) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in section 4 of the Companies Act, (ii) there has been due compliance with the Company's memorandum of incorporation, and (iii) the terms of the financial assistance are fair and reasonable to the Company.

The information contained in this announcement is presented in accordance with the JSE Listings Requirements and is the responsibility of the Board. Any forecast or estimate financial information contained herein has not been reviewed by or reported on by the Group's external auditors.

By order of the Board
Cape Town
22 May 2024

Sponsor: Investec Bank Limited

Pro forma information

The pro forma constant currency information is presented in accordance with the JSE Listings Requirements and is presented for illustrative purposes only. The pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

Forward-looking information contained in this announcement

This announcement contains certain forward-looking statements which relate to the Group's possible future actions, long-term strategy, performance, liquidity position and financial position. All forward-looking statements are solely based on the views and considerations of the Board, and in particular, as at the date hereof. These statements involve risk and uncertainty as they relate to events and depend on circumstance that may or may not occur in the future. The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information, future events or otherwise. These forward-looking statements have not been reviewed or reported on by the Group's external auditors.

Important information

This announcement is not for release, publication or distribution, directly or indirectly, in or into Australia, Canada or Japan or any other jurisdiction in which the distribution or release would be unlawful. This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in any jurisdiction, including the United States, Australia, Canada or Japan or in any other jurisdiction in which such offer, solicitation or sale would be unlawful. The securities mentioned herein ("the Securities") have not been, and will not be, registered under the United States Securities Act of 1933 ("the Securities Act").

The Securities may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of securities in the United States, Canada, Australia and Japan.

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The information contained herein is only preliminary and indicative and does not purport to contain any information that would be required to evaluate the Group, its respective financial position and/or any investment decision. This announcement is not intended to provide, and should not be relied upon for accounting, legal or tax advice nor does it constitute a recommendation regarding any potential securities offering. In particular, this announcement should not be considered as "advice" as defined in the South African Financial Advisory and Intermediary Services Act, 37 of 2002 and should not be construed as an express or implied recommendation, guide or proposal that any transaction, or in relation to the business or future investments of the Group, is appropriate to the particular investment objectives, financial situations or needs of any person.