

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

AUDITED ANNUAL FINANCIAL RESULTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2024

This short-form announcement is the responsibility of the directors.

The Group annual financial statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon and is available on the Group's website at www.picknpayinvestor.co.za and on the JSE website <https://senspdf.jse.co.za/documents/2024/jse/isse/PIK/FY24.pdf> ("full announcement"). Any investment decision must be based on the full announcement. The Group's financial result presentation and strategy update is also available on the Group's website.

Key indicators

Key financial indicators	52 weeks to 25 February 2024 FY24	52 weeks to 26 February 2023 FY23	% change
Group turnover	R112.3 billion	R106.6 billion	5.4%
Gross profit margin	18.1%	19.6%	
Trading expenses incl. credit loss allowance	R22.6 billion	R20.2 billion	11.9%
Trading profit	R385.0 million	R3 048.0 million	-87.4%
Trading profit margin	0.3%	2.9%	
(Loss) / profit before tax & capital items	-R1 423.6 million	R1 800.2 million	-179.1%
Comparable (loss) / profit before tax & capital items ¹	-R1 672.7 million	R1 823.6 million	-191.7%
(Loss) / profit after tax	-R3 190.1 million	R1 169.9 million	-372.7%
Basic (loss) / earnings per share (EPS)	-661.67 cents	243.37 cents	-371.9%
Headline (loss) / earnings per share (HEPS)	-203.06 cents	259.25 cents	-178.3%
Comparable HEPS ⁽¹⁾	-254.72 cents	264.12 cents	-196.4%
Total dividend per share	0.00 cents	185.15 cents	

(1) Comparable earnings exclude all non-cash hyperinflation gains and losses related to the Group's TM business in Zimbabwe. The Group's view is that Comparable HEPS provides the clearest view of underlying profit performance on a year-on-year basis.

RESULT SUMMARY

The Group delivered a weak FY24 result, driven by a substantial trading loss in the Group's Pick n Pay business, which more than offset a strong performance from the Group's Boxer business. The result was further impacted by a significantly higher interest charge resulting from increased gearing, and a R2.8 billion non-cash store asset impairment in the Group's Pick n Pay business.

Group turnover increased 5.4%, driven by strong growth from Boxer (+17.3%) and Pick n Pay Clothing standalone stores (+17.0%). Gross profit margin declined 1.5% to 18.1%, while gross profit in Rand terms declined 3.1% year-on-year. Other income grew 17.1%. Trading expenses increased 11.9%, driven by substantially higher debtors provisioning and R307 million of employee restructuring costs.

Trading profit declined 87.4% to R385.0 million, reflecting a R1.5 billion trading loss for Pick n Pay (a sharp reversal versus FY23's R1.3 billion profit), and a R1.9 billion trading profit for Boxer (R1.8 billion profit in FY23). The Pick n Pay trading loss was primarily driven by flat (+0.3%) Pick n Pay sales, trading expense growth exceeding sales growth, and gross profit margin contraction in that business.

The result was further impacted by a 198.8% increase in net interest paid to R701.8 million, as a result of higher gearing and increased interest rates. The cumulative result of the above factors was a loss before tax and capital items of R1.4 billion. Additionally, the trading loss reported by the Pick n Pay business triggered a R2.8 billion non-cash impairment on the assets of Pick n Pay company-owned stores, which resulted in the Group reporting an overall after-tax loss for the period of R3.2 billion. Owing to the comparable loss declared for the period, the Board has not declared a FY24 dividend.

The disappointing Pick n Pay operational performance resulted in Group net debt increasing to R6.1 billion at year end (vs. R3.7 billion at February 2023), which contributed to the Group's February 2024 announcement of a two-step equity capital raise plan to recapitalise the Group, unlock the underlying value of the Group's Boxer business, and allow management to focus on improved operational execution within the Pick n Pay business.

Highlights from the period include:

- Boxer, SA's leading soft-discounter, delivered total sales growth of 17.3%, with 50 new stores opened to take the portfolio to 477 stores. Boxer reported trading profit increased 9.4% year-on-year to R1.9 billion with underlying trading profit growing substantially faster.
- Pick n Pay Clothing opened 58 company-owned stores, and delivered market-leading sales growth of 17.0% from standalone stores.
- Online sales growth of 74.4%, driven by 102.3% year-on-year growth in our on-demand platforms asap! and Pick n Pay groceries on Takealot's Mr D app.
- January 2024 launch of CEO Sean Summers' strategic plan to return the Group's Pick n Pay business to profitability.
- Announcement of a two-step recapitalisation plan, consisting of a rights offer and a listing of the Group's Boxer business on the Main Board of the JSE.

Strategic plan and outlook

FY24 was a particularly difficult period for the Group. While its Boxer, Pick n Pay Clothing and online businesses continued to deliver strong results, Pick n Pay supermarkets struggled to gain sales traction while contending with gross profit margin pressure and load shedding costs, and consequently reported a substantial trading loss alongside a material asset impairment. This was exacerbated by sharply higher interest costs due to elevated gearing. Despite these challenges, the Group looks forward with cautious optimism:

- New experienced leadership at CEO, Group Executive, Regional and Commercial management levels has re-energised the Pick n Pay supermarkets business;

- Implementation of CEO Sean Summers strategic plan is underway, with encouraging early results;
- The two-step recapitalisation plan is making good progress, with the rights offer to be imminently launched. Successful implementation of the two-step plan will see a sharp reduction of interest costs and generate resources to drive the Pick n Pay turnaround;
- The Boxer IPO is set to unlock the value of the Boxer asset for Pick n Pay and its shareholders, and will allow Boxer to achieve its long-term growth potential.

The strategic plan is operationally focussed on the turnaround of Pick n Pay supermarkets and hypermarkets, with particular focus on eliminating losses incurred by specific loss-making company owned stores, and improving the performance of the remainder of the estate. Over 100 loss making supermarkets will either be closed or converted to Pick n Pay franchise or Boxer stores. Improving the performance of the remainder of the estate will be achieved via initiatives to drive like-for-like sales growth and optimise the operating model. The plan is underpinned by renewed customer focus, re-energised employees, and improved execution at store level. Sean indicated on his return that restoring the Group's Pick n Pay business to meaningful profitability would be a multi-year process. Given the extent of the FY24 loss reported by Pick n Pay, management has no illusions about the magnitude of this task. However, given that Pick n Pay has previously consistently traded at a profit, and the turnaround initiatives already in flight, the Group is confident this can be achieved over the medium-term.

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 the planned recapitalisation.

Group total sales growth for the first 12 weeks of FY25 was 4.2%, slightly below FY24's 5.4%, but like-for-like sales growth, also at 4.2%, was ahead of FY24's 2.9%. Boxer's total sales growth for this 12 week period was in-line with H1 FY24, while Pick n Pay's total sales for the period declined slightly as a result of store closures. Importantly, like-for-like sales growth for Pick n Pay is up on FY24, driven by sequential monthly improvements in company-owned stores, as execution of the strategy gains traction.

The information and forecasts contained in this short-form announcement have not been reviewed and reported on by the Group's external auditors.

We thank all our Pick n Pay and Boxer colleagues, and our valued franchise partners, for their commitment and contribution, as well as their dedication to customers and communities. We also thank our business partners, including suppliers and landlords, for their ongoing commitment to the Group.

Gareth Ackerman Sean Summers
Chairman Chief Executive Officer

26 May 2024

RESULT WEBCAST

The Group will hold an in-person and online results presentation at 8:30am this morning. All interested stakeholders are invited to watch the webcast which can be accessed using the following link: www.corpcam.com/pnp27052024 The slides accompanying the result presentation will be 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.

ABOUT PICK N PAY STORES LIMITED

The Pick n Pay Stores Limited Group is a leading South African grocery, clothing, liquor and general merchandise retailer, employing 90 000 people through its owned and franchise operations, across its Pick n Pay and Boxer banners. The Group is managed through its Pick n Pay and Boxer divisions and owns a 49% share of a Zimbabwean supermarket business, TM Supermarkets. For further information on Pick n Pay and its underlying businesses, please visit www.picknpayinvestor.co.za.

DIRECTORS OF PICK N PAY STORES LIMITED

Executive directors
Sean Summers (CEO), Lerena Olivier (CFO)
Non-executive directors
Gareth Ackerman (Chairman), Suzanne Ackerman, Jonathan Ackerman, David Robins
Independent non-executive directors
Haroon Borat, Mariam Cassim, James Formby, David Friedland, Aboubakar Jakoet, Audrey Mothupi, Annamarie van der Merwe

CORPORATE INFORMATION

Registered office
101 Rosmead Avenue, Kenilworth, Cape Town 7708

Company Secretary
Vaughan Pierce
Email address: CompanySecretary@pnp.co.za

Investor relations
Stephen Carrott
Email address: stephencarrott@pnp.co.za

Sponsor
Investec Bank Limited
Transfer secretaries
Computershare Investor Services Proprietary Limited