

**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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## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2024

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**Pepkor delivers strong performance in a challenging operating environment**

**Performance driven by robust sales growth, margin improvement and momentum gains in Pepkor's FinTech strategy**

### HIGHLIGHTS from continuing operations

- 9.5% growth in group revenue to R43.3 billion
- 24.5% growth in FinTech revenue to R5.8 billion
- 200 bps increase in gross profit margin to 38.1%
- 4.0% growth in operating profit before capital items to R5.1 billion (+13.0% on a normalised basis<sup>1</sup>)
- 3.1% decrease in HEPS<sup>2</sup> to 75.0 cents (+7.8% on a normalised basis<sup>1</sup>)
- 85% cash conversion achieved (rolling 12-month basis)

<sup>1</sup> Refer to the Normalised results section in the detailed announcement for further information.

<sup>2</sup> Headline earnings per share.

Results	Six months ended 31 March 2024 Rm	Six months ended 31 March 2023 Rm	% change
Revenue (Rm)	43 264	39 526	+9.5%
Operating profit before capital items (Rm)	5 115	4 917	+4.0%
Earnings per share (cents)	75.4	77.7	-3.0%
Earnings per share including discontinued operations (cents)	67.4	81.1	-16.9%

Headline earnings per share (cents)	75.0	77.4	-3.1%
Headline earnings per share including discontinued operations (cents)	77.7	80.8	-3.8%
Net asset value per share (cents)	1 615.6	1 727.6	-6.5%

### ***Continuing operations***

#### **Robust sales growth with improved margins in Traditional Retail**

- Sales growth strengthened further in the second quarter
- Market share expansion on three-, six- and 12-month basis (Retailers' Liaison Committee (RLC) March 2024)
- Recovery in retail gross profit margin
- Avenida expansion accelerated and ahead of plan

Strong revenue growth of 9.5% was achieved, driven by robust trading in Traditional Retail which strengthened further into the second quarter. The Easter trading period was successful on a comparable basis with double-digit sales growth achieved by PEP, Ackermans and Speciality, and high single-digit sales growth in JD Group. The group's overall market share expanded on a three-, six-, and 12-month basis (RLC March 2024 data).

This performance was achieved in the context of a challenging operating environment. Consumers remain financially constrained and unemployment remains high. While there has been some reprieve from electricity load shedding in recent months, the group continues to build resilience in renewable solar capacity and through collaborative initiatives such as electricity load curtailment achieved in PepClo at the Parow campus in Cape Town. Import supply chain disruption adversely impacted in-store product availability during the period.

Retail gross margins benefited from improved full-price sales with lower markdown activity.

Retail store expansion continued with a total of 111 new stores opened by the group during the period, expanding the total retail store base to 5 823 stores.

The group's ambition to expand its underrepresented share of the adult apparel market led to the decision to reposition the Women's standalone retail concept in Speciality as a mid-market retail brand.

New store openings in Avenida accelerated to 22 during the period, up from six new stores opened in the same period last year. The Avenida store network expanded to 163 stores.

## **Momentum builds in FinTech strategic execution – focused on solving customer needs**

- More than 550 000 new A+ accounts opened
- More than 200 000 active cellular handset rentals with growing demand
- 650 000 Abacus insurance policies written
- +more launched
- 165 000 informal market traders

Good progress was made during the period in the execution of the group's FinTech strategy, supporting growth in revenue and gross profit margins. FinTech revenue increased by 24.5% to R5.8 billion.

The strategic expansion of retail credit interoperability continued in a conservative and responsible manner, with the health of the credit books maintained. The A+ retail credit base now includes 2.5 million customer accounts.

The FoneYam cellular handset rental product, which makes smartphones affordable and accessible to customers, was rolled out further with more than 200 000 active FoneYam customers at the end of the period. Customer demand remains strong, fuelling activation rates.

Affordable insurance products provided to customers was enabled through Abacus with the number of written policies nearly doubling to 650 000. The group continues to leverage its insurance capability, capitalising on its trusted retail brands, store network, and ability to collect premiums.

The +more customer value platform was successfully launched and is tracking ahead of expectations, building the group's digital and data capability.

The group expanded its reach into the bustling informal market in South Africa. Throughput value in Flash increased by 28% during the period, enabled by the 165 000 trader network.

## **Commendable earnings growth, supplemented by solid cash generation**

Focused cost reductions bolstered the group's low cost of doing business and resulted in commendable operating profit and earnings growth on a normalised basis. The execution of strategic initiatives such as credit interoperability and FoneYam resulted in significant customer acquisition costs incurred during the period, weighing on profitability and returns in the short term.

Notwithstanding this, solid cash generation continued, with 85% cash conversion achieved on a 12-month rolling basis.

## **Portfolio review and capital allocation**

The disposal of The Building Company (TBCo) was announced on 29 February 2024. The disposal will streamline Pepkor's portfolio of businesses, enhancing the group's return on capital and optimising shareholder returns. Proceeds will be used to reduce debt and fund strategic growth and value-accretive initiatives.

## **OUTLOOK**

Since March 2024, trading has continued to fluctuate but remains resilient. Trading strengthened across most brands in April but weakened in May. The second half of the 2024 financial year will be contending with a higher base as the prior year included a 53rd trading week.

The ongoing import supply chain disruption continues to adversely affect merchandise inflows to stores in addition to fluctuating shipping rates. Logistics teams are making good progress in flexing the group's distribution capability to deal with supply backlogs, prioritising stock freshness to minimise the risk of markdowns.

The uncertainty caused by the national elections on 29 May 2024 in South Africa is noted and the group will respond to any potential disruption, should this be necessary.

Strategic execution is progressing according to plan with initial success demonstrated in the current reporting period. This provides confidence in the group's ability to execute and monetise opportunities that genuinely solve customer needs, driving significant and sustainable growth well in excess of opportunities provided by the macro environment.

The potential for expansion in Brazil remains compelling, allowing the group to build international scale and once again establish itself as a global leader in discount and value retail.

### **Results webcast**

A webcast of the results presentation will be broadcast at 10:00 am (SAST) on Tuesday, 28 May 2024. The webcast registration link is: <https://www.corpcam.com/Pepkor28052024> and can be accessed on the Pepkor website: [www.pepkor.co.za](http://www.pepkor.co.za).

### **Short-form announcement**

This short-form announcement (this announcement) is the responsibility of the directors. It should be noted that this announcement is only a summary of the information contained in the detailed announcement and therefore does not contain full or complete details.

Any investment decisions by investors and/or shareholders should be based on the information in the detailed announcement. The full announcement can be accessed at: <https://senspdf.jse.co.za/documents/2024/jse/isse/pphe/HY24.pdf>

Copies of the detailed announcement are also available for viewing on the company's website at: <https://www.pepkor.co.za/wp-content/uploads/2024/05/Pepkor-interim-results-for-the-six-months-ended-31-March-2024.pdf> or may be requested in person at the company's registered office at no charge, during office hours.

Parow  
28 May 2024

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