THE SPAR GROUP LTD

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 MARCH 2024

SALIENT FEATURES – CONTINUING OPERATIONS

Rmillion		Unaudited six months ended 31 March 2024	Unaudited six months ended 31 March 2023*	% change
Turnover[1]		77 161.4	71 541.4	7.9
Operating profit		1 572.0	1 569.5	0.2
Profit before tax		1 146.4	1 290.6	(11.2)
Earnings per share	(cents)	451.7	484.9	(6.8)
Headline earnings per share	(cents)	465.0	503.3	(7.6)
Diluted headline earnings per share	(cents)	464.8	503.1	(7.6)

[1] *Turnover represents revenue from the sale of merchandise.*

* *Re-presented for the discontinued operation in accordance with International Financial Reporting Standards (IFRS 5).*

SUMMARY SEGMENT ANALYSIS

Rmillion	Continuing operations				Discontinued operation
	Southern Africa	Ireland	Switzerland	The SPAR Group Ltd	Poland
Profit or loss					
Turnover[1]	49 341.1	19 844.4	7 975.9	77 161.4	1 573.2
Gross profit	4 745.9	2 974.2	1 441.5	9 161.6	358.2
Gross profit margin %	9.6	15.0	18.1	11.9	22.8
Operating profit/(loss)	929.7	504.6	137.7	1 572.0	(720.0)
Operating margin %	1.9	2.5	1.7	2.0	(45.8)
Profit/(loss) before taxation	740.1	339.3	67.0	1 146.4	(813.0)
Financial position					
Total assets	28 111.8	19 123.4	13 052.8	60 288.0	1 435.5
Total liabilities	23 545.5	14 371.8	10 057.8	47 975.1	3 508.5
Stores	2 550	1 475	358	4 383	194

MY SPAR OUR TOMORROW

SPAR'S COMMITMENT TO THE FUTURE OF OUR BRAND AND OUR PLANET

CONTINUING OPERATIONS

+7.9%	**Group turnover**
R1.6 billion	**Operating profit**
R1.4 billion	**Cash generated from operations**

OUR PURPOSE
to inspire people to do and be more

PERFORMANCE OVERVIEW

SPAR's continuing operations delivered a mixed performance despite the challenging operating environments. Turnover for the continuing Group operations consisting of Southern Africa, Ireland, South West England and Switzerland increased by 7.9% to R77.2 billion. All regions have been dealing with inflationary cost pressures and prolonged higher interest rates placing pressure on consumers and business alike. This, coupled with the hangover of system issues in South Africa has impacted the results for the first six months of the year. While the continuing Group delivered an operating profit of R1.6 billion with a marginal positive improvement on the prior comparative period, net finance costs negatively impacted profit before tax which declined by 11.2%. Consequently, diluted headline earnings per share declined by 7.6% to 464.8 cents.

SPAR Southern Africa reported a total increase in wholesale turnover of 4.8% for all business units. The SPAR wholesale grocery business reported sales growth of 4.0% against internally measured wholesale price inflation of 7.0%. Turnover from SPAR private label increased by 7.6%. SPAR's on demand shopping offering app, SPAR2U, was available in 420 sites at the end of March 2024, up from 356 sites at September 2023. Online volumes increased by 463% against the prior comparative period. TOPS at SPAR liquor business reported a strong recovery with an increase in wholesale turnover of 12.8% for the period, boosted by the timing of the Easter long weekend. On a combined basis, wholesale grocery and liquor turnover increased by 5.2% for the period. The Group's building materials business, Build it, reported a flat wholesale sales performance declining by 0.4%, which reflects a subdued construction industry. The pharmaceutical business, S Buys Pharmacy at SPAR, continued to deliver double-digit sales growth, delivering 15.0% turnover growth for the period, increasing its contribution towards Southern Africa turnover from 1.5% to 1.7%. A detailed review of the Southern African region on a cost line basis has resulted in costs being well managed during the period.

BWG Group (Ireland and South West England) delivered a solid trading performance with turnover increasing by 5.7% for the period in EUR terms, and 16.0% in ZAR terms. Both markets continued to be characterised by a constrained consumer environment - driven by higher living costs, ongoing food price inflation and higher interest rates. In Ireland, the convenience retail brands continued to trade robustly. However, the EUROSPAR convenience supermarkets format felt the pressure of shoppers turning to large supermarkets and discounters in search of lower prices. The Appleby Westward group, which supports retail outlets in South West England, experienced a decline in volumes as consumers struggle with stubbornly high price inflation and seek better value at large supermarkets and discount stores.

SPAR Switzerland

Turnover for the Swiss business declined by 4.6% in CHF terms (increased by 8.7% in ZAR terms) against the prior comparative period. SPAR's neighbourhood and convenience stores have been impacted by price investments in key lines by large Swiss supermarket chains and discounters to help ease the pressures on consumers dealing with the rise in inflation, health insurance premiums, electricity and transport costs. Consumer pressure adds to the continued flow of shoppers across borders in search of lower prices. The sustained contraction in the Swiss gastronomy sector continues to negatively impact TopCC. Despite the negative topline growth, improved gross profit margin management and cost-saving initiatives supported the delivery of strong profitability against the prior comparative period.

DISCONTINUED OPERATIONS

SPAR Poland has met the criteria to be classified as a discontinued operation. The Board is pleased to report this process is on track with its expected timeline of exiting the market by September 2024. The operating loss for SPAR Poland includes a R721.1 million impairment of assets held for sale in the disposal group.

SAP IMPLEMENTATION UPDATE

Following the first regional launch of SAP ERP and warehouse management system at the KwaZulu-Natal (KZN) distribution centre in February 2023, the business experienced several integration issues. Of these, two remain: the negative gross margin impact caused by buyers having less visibility of pricing and subsidies, and inefficiencies of the warehouse management system. With respect to the gross margin issue, further developments and designs are being implemented to improve the pricing screens and will be productionised in September 2024. The decision has also been made to implement a more cost-effective warehouse management system that is better suited for our business.

BANKING FACILITIES

For the period ended 31 March 2024, financiers have agreed to amendments to banking covenants and remain supportive of the Group. The Group is not in breach of any financing covenants at period end. The Group has various options to improve liquidity at its disposal and does not intend to seek additional funding from shareholders. The Group has undertaken a full balance sheet optimisation review and is clear on its debt refinancing options. An implementation plan is underway.

SHAREHOLDER DISTRIBUTION

The Group faced several challenges over the past year, leading the Board to decide against declaring a dividend for the period ended 31 March 2024 (2023: 0.0 cents per share). The Board will revisit this decision based on future macroeconomic and operational conditions. Despite the current stance, the Board prioritises improved capital allocation and aims to resume declaring dividends to shareholders when appropriate.

CORPORATE INFORMATION

Directors: MJ Bosman* (Chairman), SA Zinn* (Deputy Chairman), AP Swartz (Group CEO), MW Godfrey (Group CFO), M Pydigadu (Group COO), EC Botha*, PMP da Silva*, O Ighodaro*, MJ Jamieson*, LM Koyana*, GB Makhaya*, ST Naran*
(Independent non-executive)*

Company Secretary: S Ashokumar

THE SPAR GROUP LTD: (SPAR) or (the Group) or (the Company)

Registration number: 1967/001572/06

ISIN: ZAE000058517

JSE and A2X share code: SPP

Registered office: 22 Chancery Lane, Pinetown, 3600

Transfer secretaries: JSE Investor Services (Pty) Ltd, PO Box 4844, Johannesburg, 2000

Auditors: PricewaterhouseCoopers Inc., Waterfall City Heliport, 4 Lisbon Lane, Jukskei View, Midrand, 2090

Sponsor: One Capital, 17 Fricker Road, Illovo, 2196

Bankers and Corporate Brokers: Rand Merchant Bank, a division of FirstRand Bank Ltd, PO Box 4130, The Square, Umhlanga Rocks, 4021

OUTLOOK

While trading in the first half was weaker than expected, management is confident it is taking the necessary steps to position the business for an improved second half. The various cost saving initiatives and improved situation at the KZN region will improve profitability going forward. The operating environment in South Africa continues to be challenging. Inflation, prolonged high interest rates, muted GDP growth and high unemployment continue to place consumers under pressure. SPAR's tiered private label approach is well placed to offer better value for all shopping budgets. Agreeing on the target operating model, improving profitability and finalising the system modernisation rollout plan are key focus areas for the months ahead.

While the rate of grocery inflation has slowed in Ireland and South West England, prices are still increasing, albeit at a slower rate. There has been no reduction in interest rates to provide relief to consumers and household budgets are expected to remain under pressure in both markets. Both management teams are implementing various initiatives to combat the increasing business costs. Management looks forward to more favourable trading conditions in the second half, as summer is generally the strongest trading period.

The Swiss management team has reviewed all operational costs and has identified further potential efficiencies and savings for the second half. Summer remains the most opportunistic period for convenience food retail, with more people out and about or on holiday and this is expected to drive improved volumes for the remainder of the financial year.

The significant changes made at Group executive and Board levels continue to drive a new strategic era in terms of how things are done at SPAR. While the financial results have yet to reflect the more decisive and focused management initiatives, the improved speed of decision-making is evident in terms of what has been achieved in the first half. There is a new wave of energy across the business, focused on shifting the culture towards executing at speed with greater accountability. We believe this shift will enable the business to compete more effectively by offering enhanced support to SPAR's independent retailers so that our retailers can focus on what they do best – winning the hearts of the customers within the communities they serve.

Mike Bosman
Chairman

Angelo Swartz
Group CEO

Date of release on SENS: 12 June 2024

ABOUT THIS ANNOUNCEMENT

This announcement is the responsibility of the directors of SPAR.

As the information in this announcement does not provide all of the details, any investment decisions should be based on the unaudited condensed consolidated interim financial results for the six months ended 31 March 2024, available through the following JSE cloudlink:
https://senspdf.jse.co.za/documents/2024/JSE/ISSE/SPP/Interim_24.pdf

The full announcement is also available on the Company's website at https://thespargroup.com/pdf/The-SPAR-Group-Ltd-unaudited-interim-results-2024.pdf

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