

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

Trading update for the 21 weeks ended 21 July 2024 and trading statement for the 26 weeks ended 25 August 2024 (H1 FY25)

Trading update

Trading performance for the Company and its subsidiaries ("the Group") for the 21-week period to 21 July 2024 ("the Period") reflected another strong performance from the Boxer segment, while the Pick n Pay segment's refreshed management team began to execute on the turnaround plan. Given that the majority of the Pick n Pay segment's new management team has only been in place since March 2024, the Group is encouraged by the initial progress made, while acknowledging the magnitude of the multi-year journey to return this segment to profitability.

Sales update

Group sales for the Period increased 4.5% (3.7% like-for-like).

- Pick n Pay sales grew 0.1% (1.1% like-for-like), with Pick n Pay SA sales increasing 0.6% (1.7% like-for-like). Pick n Pay sales lagged like-for-like sales due to the closure of net 16 supermarkets during the Period (4 corporate stores and 12 franchise stores).
- Boxer sales grew 13.5% (9.2% like-for-like). Boxer's market leading sales performance was driven by strong like-for-like performance complemented by new store openings.

Clothing sales growth in standalone stores (reported within the Pick n Pay segment) was 10.3% (0.7% like-for-like), with like-for-like growth being impacted by the late arrival of winter weather as well as port delays. Despite these challenges, Pick n Pay Clothing continued to gain market share during the Period.

Online sales growth for the Period was 63.9%, sustaining the strong 74.4% online sales growth momentum reported for FY24.

Group South African internal selling price inflation for the Period was 4.7%, reflecting a sharp decline from the 7.3% reported for FY24 overall.

	21 weeks ended 21 July 2024 % growth	
	Sales	Like-for-Like sales
Pick n Pay sales (SA and Rest of Africa)	0.1%	1.1%
Pick n Pay SA sales	0.6%	1.7%
Boxer sales (SA and Rest of Africa)	13.5%	9.2%
Group turnover	4.5%	3.7%

Pick n Pay SA Supermarkets momentum

The key turnaround indicator the Group is targeting within the Pick n Pay SA segment is like-for-like sales growth in PnP SA Supermarkets (excluding standalone clothing stores). The Group is seeing steady improvement in this metric, from -0.4% in H2 FY24 to +2.0% for the Period.

Like-for-Like sales growth	26 weeks ended 25 February 2024 H2 FY24	21 weeks ended 21 July 2024
PnP SA Supermarkets	-0.4%	2.0%
PnP SA Company-owned Supermarkets	-0.5%	3.6%
PnP SA Franchise Supermarkets	-0.3%	-0.8%

Note: PnP SA Supermarkets includes Hypermarkets and excludes standalone clothing stores.

Company-owned PnP SA Supermarkets (which account for the majority of reported Pick n Pay segment sales) have significantly underperformed in recent years and are a key focus area of the turnaround plan. As a result of improved retail disciplines, like-for-like sales for this segment increased from -0.5% in H2 FY24 to 3.6% for the Period. The return of Pick n Pay Hypermarkets to positive sales growth after a sustained period of underperformance is particularly noteworthy.

Against this, like-for-like sales momentum in SA Franchise Supermarkets was a disappointing -0.8% across the Period. Company-owned Supermarkets have rarely outperformed Franchise Supermarkets over recent years. While the Group views this trend reversal as further confirmation of early progress in the turnaround of Company-owned Supermarkets, revitalising the performance of the Franchise stores is a key current priority.

Trading statement

In terms of section 3.4(b) of the JSE Listing Requirements, the Group advises shareholders that it expects earnings per share (EPS), headline earnings per share (HEPS), and comparable HEPS for H1 FY25 to decrease by more than 20% when compared to EPS, HEPS and comparable HEPS reported for H1 FY24. This outcome is broadly in-line with the expectation communicated by CEO Sean Summers at the FY24 results presentation in May 2024, in which he noted that the situation may well get worse before it improves. The earnings guidance excludes the impact of hyperinflation accounting for the Group's Zimbabwean associate, TM Supermarkets.

The Group expects H1 FY25 Boxer segment trading profit to show positive year-on-year growth, in-line with expectations. H1 FY25 Pick n Pay segment trading profit is, however, expected to decline year-on-year. The net result is that Group H1 FY25 trading profit is expected to decline year-on-year.

Key factors impacting Group H1 FY25 profitability include:

- **Operating leverage:** Group trading expense growth is under control as a result of the non-recurrence of the R259 million H1 FY24 employee restructuring costs, and a significant reduction in diesel costs to run generators, owing to the cessation of load shedding. However, H1 FY25 Group gross profit margin will show a year-on-year decline as a result of increased promotional participation, with the diesel cost savings being reinvested into promotional activity in a highly competitive market. The net result is that H1 FY25 Group trading expense growth is expected to be slightly ahead of Group gross profit growth.
- **Increased bank finance costs:** Given increased pre-Rights Offer gearing and higher interest rates, the H1 FY25 net bank finance charge is expected to be approximately R180 million higher than H1 FY24. The Group forecasts a significant year-on-year interest charge reduction in H2 FY25 as a result of progressing the two-step recapitalisation programme.

Management does not yet have the required degree of certainty to provide details of the anticipated range for EPS and HEPS for H1 FY25. A further update to this trading statement will be provided once the Group has the required degree of certainty to do so. The Group's H1 FY25 results are expected to be released on SENS and ANS on or about 28 October 2024.

Despite the guided H1 FY25 year-on-year earnings decline, the Group continues to expect full year FY25 profit/loss before tax and capital items to show a meaningful improvement on FY24. The full year performance will be supported by: (a) Boxer trading profit growth; (b) expectations of a much-reduced Pick n Pay segment full year trading loss; and (c) a reduction in H2 FY25 interest charges as a result of the recapitalisation.

Balance Sheet update

Given the successful conclusion of the R4 billion rights offer in early August, the Group's balance sheet is considerably strengthened. FY25 capital expenditure remains within expectations, and inventory levels remain well managed, within both the Pick n Pay and Boxer segments. The focus is now on the second step of the recapitalisation programme, with the planned IPO of the Boxer business on track.

The financial information on which this trading update is based is the responsibility of the Board of directors of the Group and has not been reviewed by or reported on by the Group's external auditors.

By order of the Board
Cape Town
27 August 2024

Sponsor: Investec Bank Limited

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 circumstances 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.