

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")

CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE 26 WEEKS ENDED 25 AUGUST 2024 (H1 FY25)

This announcement is the responsibility of the directors and is an abridged summary of the information contained in the Group's interim H1 FY25 result announcement. Any investment decision should be based on the full results published on the Group's website at www.picknpayinvestor.co.za and on the JSE cloudlink at: <https://senspdf.jse.co.za/documents/2024/jse/isse/PIK/FY25H1.pdf>.

The information contained in this announcement has neither been audited nor reviewed by the Group's external auditors.

KEY FINANCIAL INDICATORS	26 weeks to 25 August 2024 H1 FY25	26 weeks to 27 August 2023 H1 FY24	% change
Group turnover	R56.1 billion	R54.1 billion	3.7
Gross profit margin	17.9%	18.5%	(0.6)
Trading expenses	(R11.4 billion)	(R11.2 billion)	(1.8)
Trading profit	R82.5 million	R31.8 million	159.4
Loss before tax and capital items	(R1 052.4 million)	(R880.2 million)	(19.6)
Comparable loss before tax and capital items#	(R1 052.4 million)	(R837.2 million)	(25.7)
Capital items	(R31.0 million)	R121.7 million	(44.8)
Loss for the period (after tax)	(R827.4 million)	(R571.3 million)	(39.6)
Basic loss / earnings per share (EPS)	(140.83 cents)	(100.86 cents)*	(16.3)
Headline loss / earnings per share (HEPS)	(136.60 cents)	(117.48 cents)*	(24.3)
Comparable HEPS#	(136.60 cents)	(109.88 cents)*	(24.3)

#Comparable HEPS excludes non-cash hyperinflation gains and losses related to the Group's investment in TM Supermarkets in Zimbabwe. The Group's view is that Comparable HEPS provides the clearest view of underlying performance on a year-on-year basis.

*In accordance with IAS 33 Earnings Per Share, the prior year weighted average number of shares in issue has been adjusted retrospectively to account for the bonus element arising from the Rights Offer. As a result, the prior year EPS, HEPS and Comparable HEPS metrics were adjusted to account for the change in the weighted average number of shares in issue.

RESULTS SUMMARY

The first half of FY25 marked a period of transformation for the Group. Our focus remained on restoring the Group's financial stability, building a sustainable capital structure and unlocking shareholder value through the two-step Recapitalisation Plan, while laying the foundation for the Pick n Pay turnaround. During this time, we engaged closely with our shareholders on the Group's strategic direction and secured their support for our plans. We further committed to strengthening Board independence, while reinforcing our corporate governance framework to rebuild shareholder trust and ensure long-term sustainability.

A key highlight was the successful conclusion of the Pick n Pay Rights Offer, which raised R4.0 billion in new capital. Significantly, the Rights Offer was 106% over-subscribed, reflecting overwhelming shareholder support for the Recapitalisation Plan and a strong vote of confidence in the strategic turnaround strategy of Pick n Pay.

As anticipated, the first six months of FY25 remained challenging, however the Group delivered notable progress in a number of key strategic areas.

The Group's formidable Boxer business grew its trading profit 16.0% to R801.4 million, underpinned by strong sales growth of 12.0% and sustained efficiency in its operating model. Boxer has cemented its position as South Africa's leading soft discounter, consistently growing its sales volumes through a deep understanding of its customers and an unwavering commitment to reinvesting cost savings into lower prices. The Group remains on track with its plans to list Boxer on the Main Board of the Johannesburg Stock Exchange (JSE) and A2X (Boxer IPO) by the end of 2024, a significant milestone that will position Boxer among South Africa's leading retailers.

Trading losses in the Group's Pick n Pay business grew 9.1%, in line with budgets, to R718.9 million, due to H1 FY25 gross profit margin contraction. However the business saw solid momentum in its Clothing and Online businesses, with encouraging improvement in the underlying performance of its company-owned supermarkets.

Clothing gained further market share over the period, with sales growth of 9.8%, notwithstanding difficult market conditions. Pick n Pay Online built on its impressive growth of last year, delivering a further 60.6% increase in year-on-year online sales, driven by improvements in its customer offer and operating efficiency.

Company-owned supermarkets saw a meaningful shift in like-for-like sales growth, which increased from -0.5% in H2 FY24, to 3.1% in H1 FY25, marking early signs of turnaround momentum driven by the strengthened Pick n Pay management team. Pick n Pay franchise supermarkets had a more difficult period and restoring sales and profit growth in this division is a critical priority.

The Group's comparable loss before tax and capital items grew 25.7% year-on-year to R1.1 billion, reflecting the trading losses in Pick n Pay alongside higher borrowing costs. Critically however, the Group delivered exactly as planned for the first time in several years, demonstrating greater discipline, commitment and alignment across the business.

HIGHLIGHTS FROM THE PERIOD INCLUDE

- Boxer achieved strong sales (12.0%) and trading profit (16.0%) growth, with positive volumes and sustained market share growth in a fiercely competitive market
- Pick n Pay Clothing achieved market share gains, with sales up 9.8%, supported by a strong store opening programme
- Robust growth in Pick n Pay Online sales (60.6%), driven by sustained improvements in the Pick n Pay asap! on-demand retail platform
- Company-owned Pick n Pay supermarkets' encouraging shift in like-for-like sales growth, from -0.5% in the second half of FY24 to 3.1% in H1 FY25
- Greater price competitiveness in Pick n Pay and Boxer with strategic investment in lower prices across essential food and groceries
- Tight control over trading expenses, notwithstanding the expansion of Boxer and Pick n Pay Clothing
- Strong progress in the Group's two-step Recapitalisation Plan, with the conclusion of the Rights Offer, improved gearing and liquidity, and the advancement of the Boxer IPO, which remains on track for completion at the end of 2024

STRATEGIC DIRECTION

In May 2024, the Group set out a new and dynamic strategic plan, focused on restoring Group financial stability, driving growth in Boxer and Clothing and

reigniting momentum in its core Pick n Pay business. Over the past six months, we have taken determined action to execute against this plan, delivering on key milestones across the business.

A refreshed and strengthened management team is driving the change, supported by progress in our succession plans, improved operational structures, clearer lines of accountability, and quicker decision-making.

Our strategy is multi-faceted, with initiatives tailored to each division. Our core objectives are to restore the Pick n Pay supermarket business to profitability and to maximise the growth potential of Boxer and Clothing. Each division is at a different stage of its strategy, facing unique challenges and requiring specific resources to succeed. Our approach is adaptable, designed to respond to market conditions and operational demands.

At the heart of our plan - and each divisional strategy - are our Pick n Pay and Boxer customers. The revitalised Pick n Pay leadership team has already launched key initiatives to enhance the customer experience, improving its product range, on-shelf availability, operational execution and is prioritising the refurbishment of critical infrastructure. Alongside these steps, an internal Pick n Pay "Hearts & Minds" campaign has been launched, aimed at building staff morale, fostering a sense of purpose, and delivering excellent customer service.

The Boxer IPO remains a pivotal element of our strategy and we are well advanced to deliver the IPO by the end of 2024. The Group will retain a controlling interest in Boxer. Pick n Pay previously guided the intention to raise between R6.0 billion and R8.0 billion through the IPO and now expects the base size of the IPO to be towards the upper end of the guidance provided. Additionally, the IPO is expected to include an over-allotment option, which is customary for transactions of this nature, to facilitate stabilisation activities. The over-allotment option is not expected to exceed R0.5 billion and will be settled, if required, through the issuance of additional newly issued shares. The IPO will elevate Boxer to its rightful place on the JSE alongside South Africa's major retailers and elevate its market position with suppliers and other key partners. Boxer's remarkable performance continues to prove it is an exceptional business and we are excited to see it thrive as a listed entity.

Sean Summers, Group CEO said "On my return a year ago, I forecast that our financial performance and results would continue to get worse before they got better, and these results reflect that. Notwithstanding this, the results are in line with our business plan and encouragingly Q2 showed a consistent by-period improvement over Q1, a trend that continues.

With a reconfigured and strong balance sheet post the completed Rights Offer and upcoming Boxer IPO we can face the future with renewed confidence and give substance to our future planning.

I would specifically like to acknowledge the extraordinary efforts of our executive team in what has been one of the most challenging 12 months in corporate history in South Africa. Their unflinching fortitude and support in the face of all odds has built a team of people, along with all our colleagues in the Pick n Pay Group, that face the road ahead with confidence and vigour.

Unlike twelve months ago I can confidently say that the worst is behind us, notwithstanding the many obstacles that still lie ahead, as we restore Pick n Pay to its rightful place."

LOOKING FORWARD

Sales growth across both the Pick n Pay and Boxer segments slowed in the last few weeks of H1 FY25. However, the sales growth trajectory for the first two periods of H2 FY25 has recovered, with sales growth for the first 8 weeks of H2 for Pick n Pay South Africa of -1.0% (+1.3% like-for-like) and +9.6% (+5.2% like-for-like) for Boxer. Boxer's growth in the second half should be judged against its exceptionally strong H2 FY24 base which it is currently cycling (+18.6% sales and +11.6% like-for-like).

Looking ahead, the Group expects full year FY25 earnings to show a meaningful improvement on FY24, supported by sustained earnings growth in Boxer, a reduced trading loss in Pick n Pay, and a reduction in H2 FY25 interest charges as a result of the advancement of the two-step Recapitalisation Plan. Group FY25 H2 earnings will be largely driven by Black Friday and Festive Season trading, meaning there remains much to play for. Specifically with reference to the Pick n Pay segment, for FY25 the Group is targeting approximately halving the R1.5 billion trading loss recorded in FY24.

The Group manages its retail operations on a 52-week trading calendar basis where the financial reporting period always ends on a Sunday. To ensure calendar realignment, the inclusion of a 53rd week of trading is required approximately every six years. Shareholders are advised that the Group will report on a 53-week basis in FY25, with minimal impact expected on the Group's full year earnings.

Gareth Ackerman
Chairman
28 October 2024

Sean Summers
Chief Executive Officer

Lerena Olivier
Chief Finance Officer

FORWARD LOOKING INFORMATION

This report contains certain forward-looking statements which relate to the possible future performance and financial position of the Group. All forward-looking statements are solely based on the views and considerations of the directors. 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.

RESULTS 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/pnp28102024. 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.

CHANGES TO THE BOARD DURING THE PERIOD UNDER REVIEW

Mariam Cassim resigned as an independent non-executive director on 5 July 2024. David Robins retired as a non-executive director at the AGM held on 27 August 2024.

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
Independent non-executive directors
Haroon Borat, James Formby, David Friedland, Aboubakar Jakoet, Audrey Mothupi,
Annamarie van der Merwe

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.

CORPORATE INFORMATION

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Sponsor
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Transfer secretaries
Computershare Investor Services Proprietary Limited