



Unaudited interim results

for the six months ended
31 March 2020

A photograph of a woman with long dark hair, wearing a blue patterned sweater, smiling warmly and hugging a young child with curly hair from behind. The child is wearing a red shirt. The background is softly blurred, suggesting an indoor setting with natural light.

We make a positive difference to the daily lives of our customers and the communities in which we operate, by providing convenient access to everyday products and services at affordable prices.

COVID-19 group support



SOLIDARITY FUND

- Business support



SALARY SACRIFICE

- Management and board
- 3 months



FEEDING

- GoG
- 100 000 meals
- CoCare



DO MORE FOUNDATION

- Till point donations



BABY CARE & SANITATION

- Product donations
- Kangaroo Unit



DEPT OF HEALTH

- PPE donations
- Patient admission
- Logistics

Agenda

- 01** | The six months in review
- 02** | Financial performance
- 03** | Segmental performance
- 04** | Outlook



Trading conditions

- Constrained economy
- High unemployment
- National state of disaster



Retail

- Gross margin increased 20 bps
- 2% growth in operating expenses
- Technology platforms benefit financial services



Growth

- Strong revenue growth in second quarter
- 90 bps CFH market share growth

↑ 6.5%

revenue growth to
R37.6bn¹

↑ 0.3%

operating profit
growth to
R3.4bn¹

↓ 3.8%

decrease in HEPS to
49.3 cents¹

✓ 145

new stores
opened

↑ Debtors' costs and finance costs

↓ Reduced profitability in PEP Africa, Speciality
and The Building Company

↓ National lockdown loss in trade

¹ From continuing operations, before the implementation of IFRS 16 – refer to annexure 1

Financial performance

RIAAN HANEKOM, CFO



6.5%

revenue growth to
R37.6bn¹



17.2%

operating profit
growth to R4.0bn¹



13.6%

HEPS decline to
44.3 cents¹

**Statutory results impacted
by the adoption of
IFRS 16: *Leases***

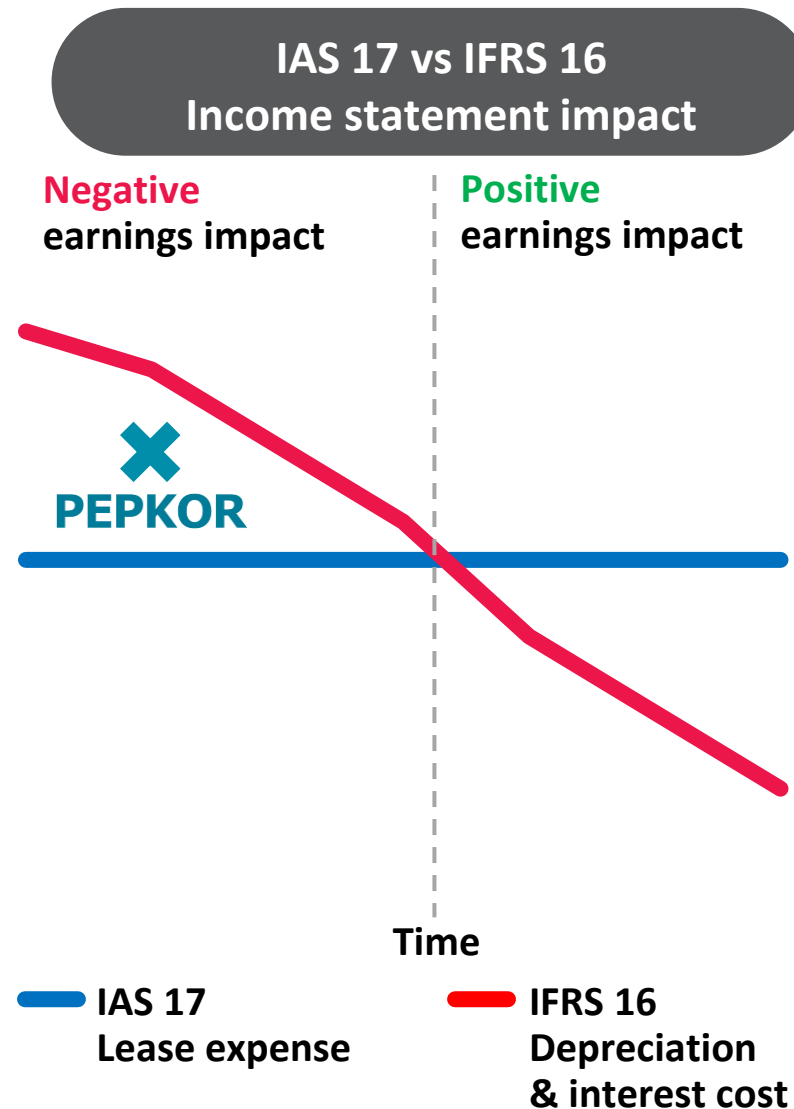


¹ From continuing operations, before capital items and including the implementation of IFRS 16 – refer to annexure 1

- ✓ Adopted 1 October 2019
- ✓ Modified retrospective approach
- ✓ No restatement of comparatives

Key statistics

- 👉 5 500 leases
- 👉 Three- to five-year term
- 👉 75% of leases in first half of term
- 👉 Historical store opening programme

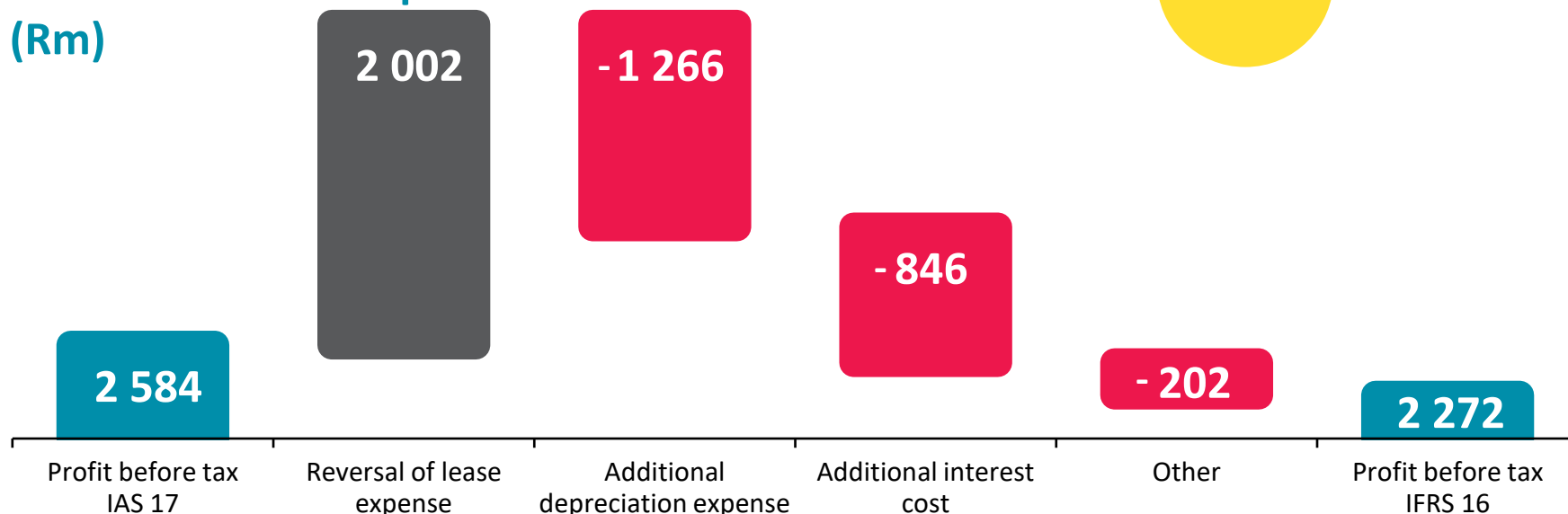


Adoption of IFRS 16: *Leases*

Impact on results



Profit before tax impact (Rm)



¹ From continuing operations and before capital items

Highlights – excluding IFRS 16

↑ 6.5%

revenue growth to
R37.6bn

↑ 0.3%

growth in operating
profit to R3.4bn

↓ 3.8%

HEPS decline to
49.3 cents

22.0%

Return on net
assets

✓ Investment in credit books completed

↑ IFRS 9 additional provisions: R134m

↑ Increased funding costs + 6.1%

↓ PEP Africa, Speciality, The Building Company

COVID 19
Lost revenue R476m and R150m operating profit



TOGETHER WE CAN #DOMORE

Every Rand you give up helps us provide a meal

We already provide over 1 million meals a month... and with your help, we want to provide 9 million more to vulnerable children and their families during Covid-19.

DONATE R5 WITH YOUR PURCHASE
For more information visit www.domore.org.za

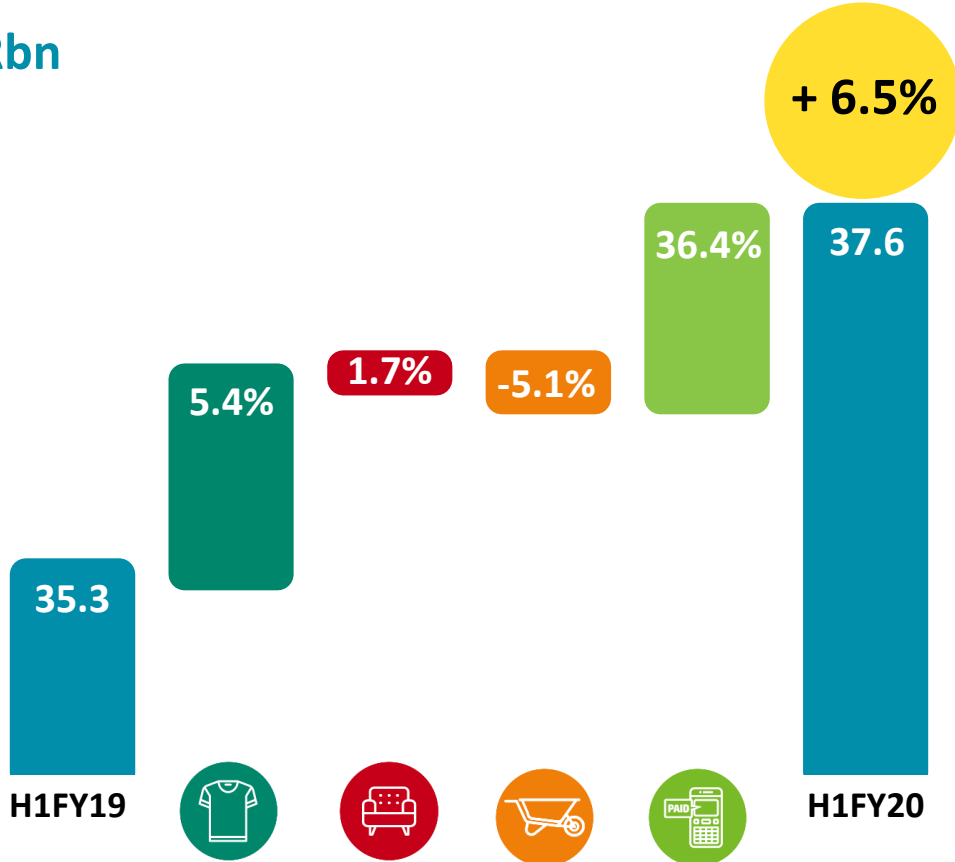
DO MORE FOUNDATION

Incredible CONNECTION
www.incredible.co.za

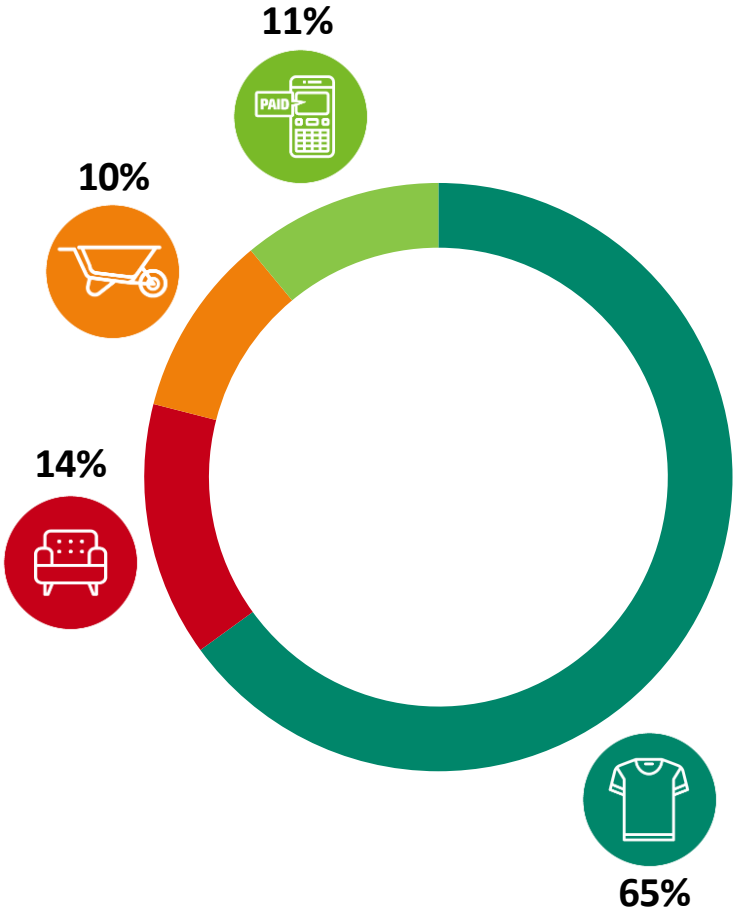
¹ From continuing operations, before capital items and excluding the implementation of IFRS 16 – refer to annexure 1

Revenue growth

Rbn



H1FY20 segmental composition



COVID 19 R476m lost revenue

From continuing operations

Gross profit margin maintained



Weaker trading



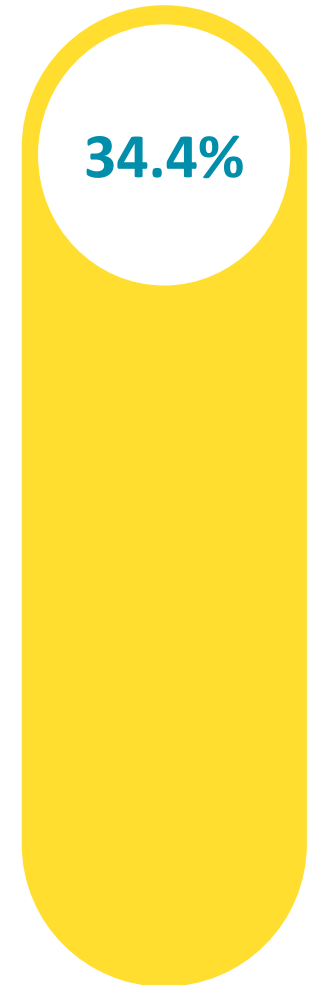
Financial services



Less markdowns



H1FY20



H1FY19

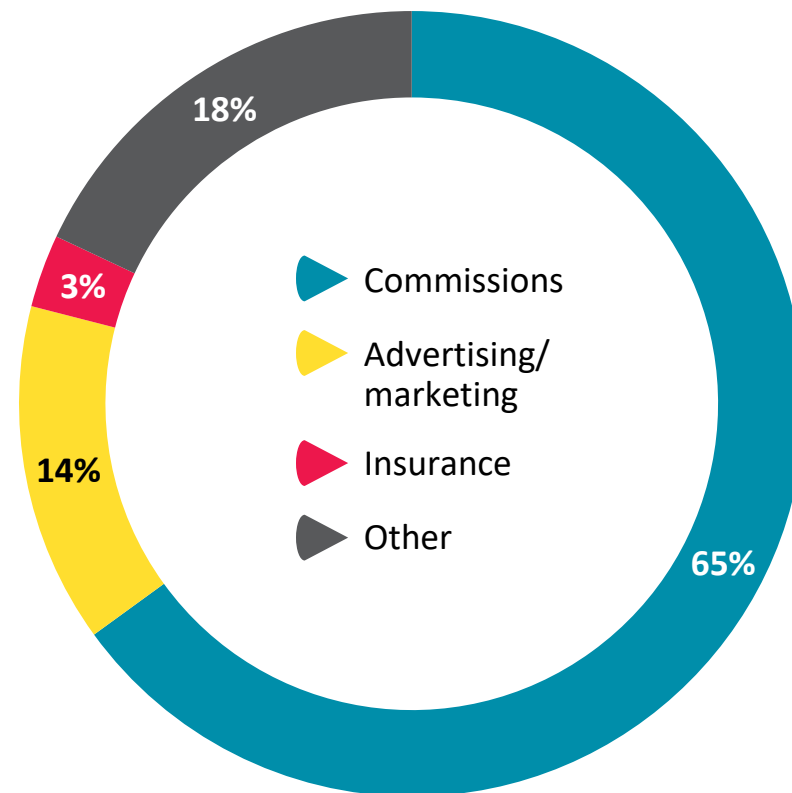
- 7.9%

Decrease to
R408m

**Strong growth
in commissions**

- Bill payments
- Money transfers


**No external
distribution
fee earned**



25.4%

+ 3.4%

+ 0.1%



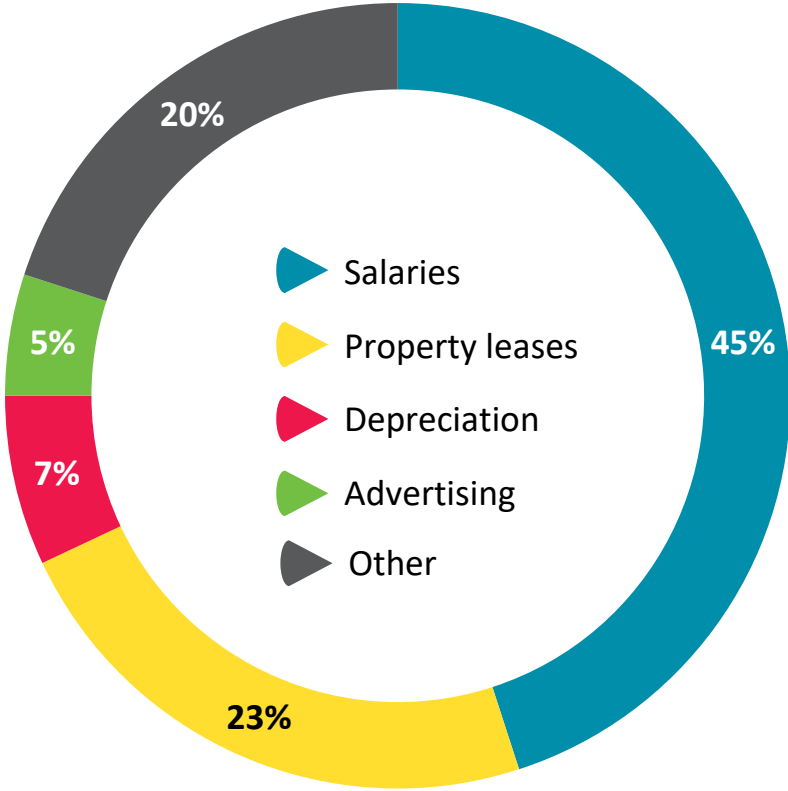
H1FY20

Salaries

Property

**Lowest
in the market**

CODB composition

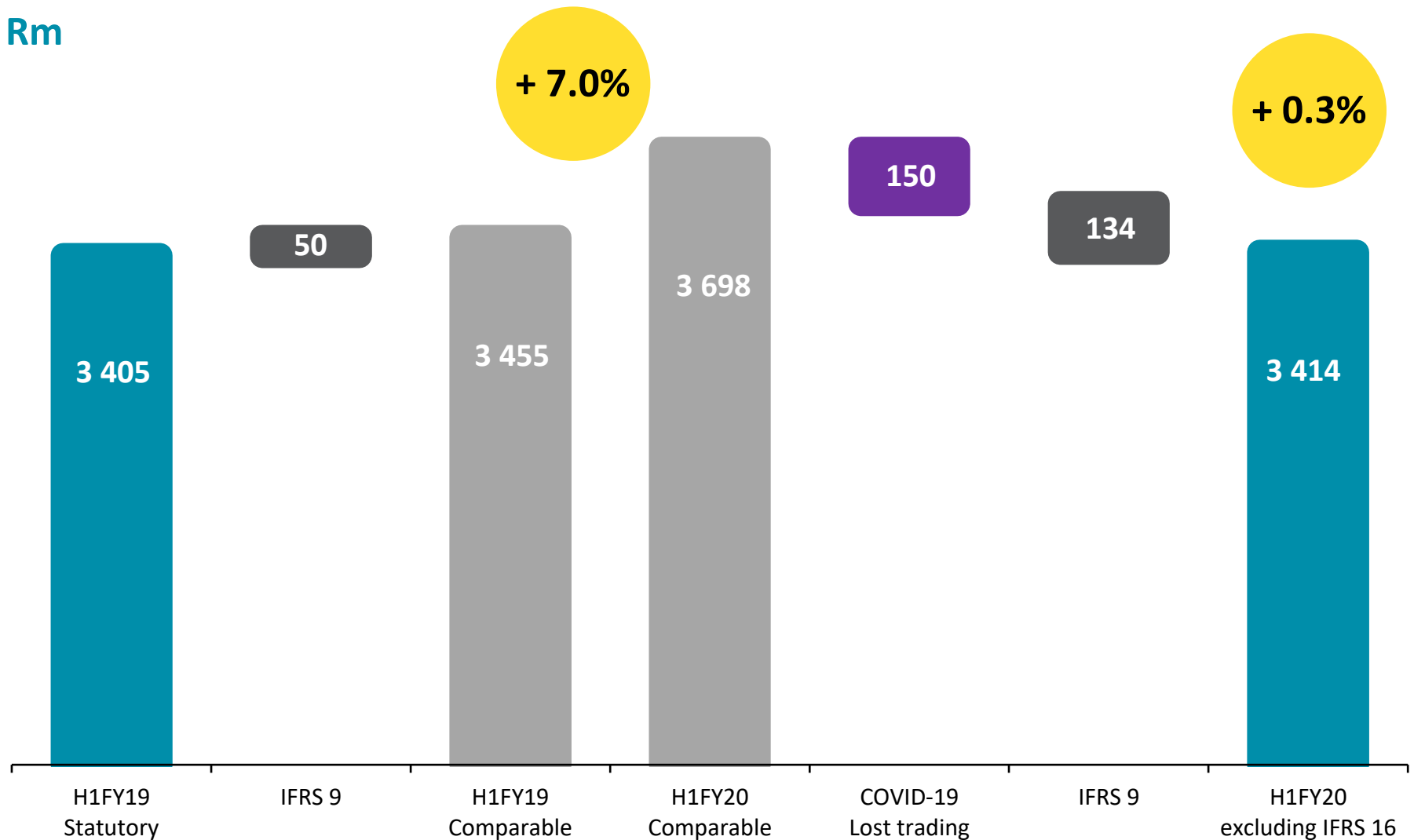


	TENACITY	CONNECT	capfin
Business objective	Sales enabler	Sales enabler	Financial services
Credit type	Revolving credit	Installment sale	Unsecured lending
Gross book size (Rbn)	3.1	1.8	2.6
Growth in gross book (YOY)	21%	90%*	> 100%*
No of active accounts	1.5m	187k	333k
Provision levels			
Segmental sales contribution	7%	17%	N/A

* New internally funded credit books

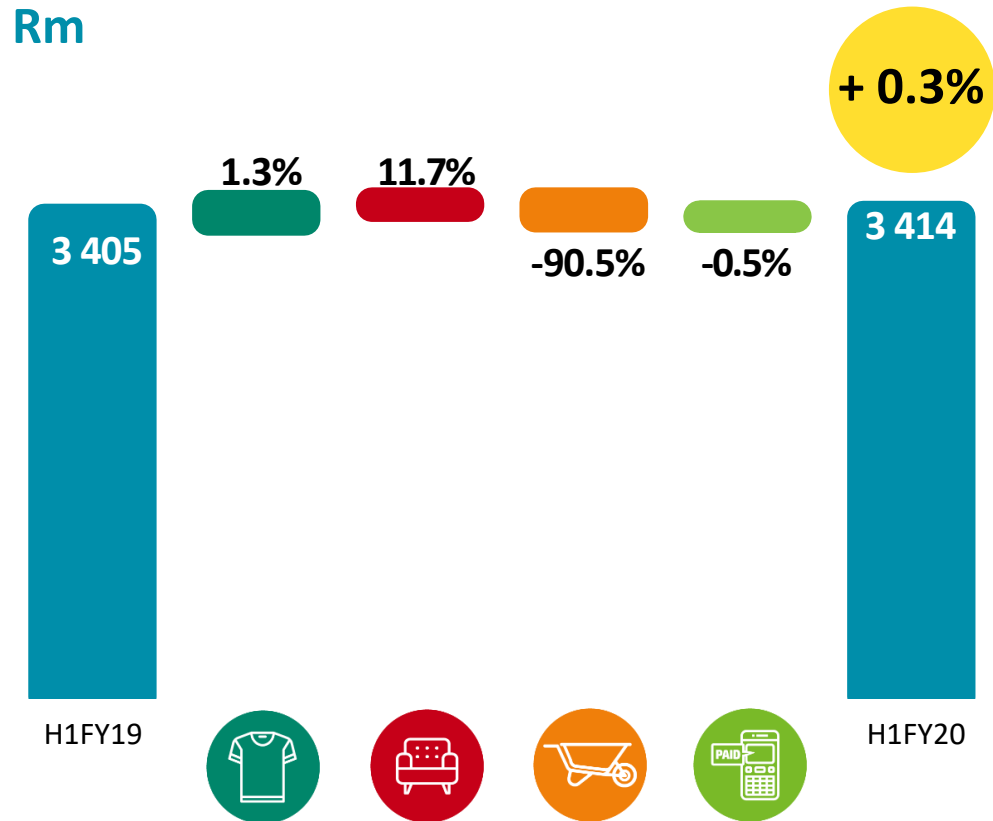
Comparable operating profit

Rm

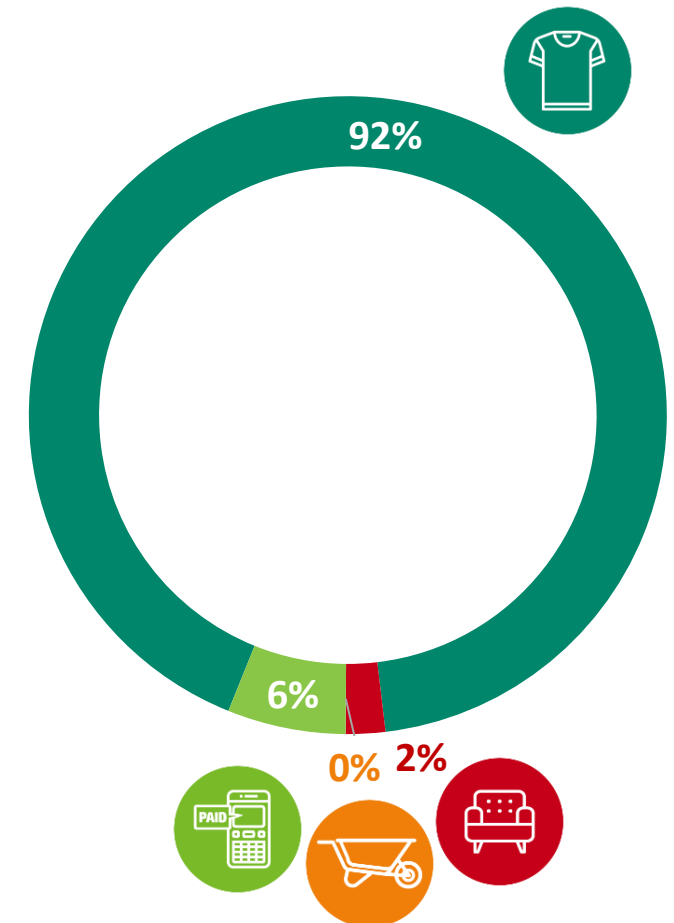


From continuing operations before capital items and excluding implementation of IFRS 16

Comparable operating profit growth



H1Y20 segmental composition



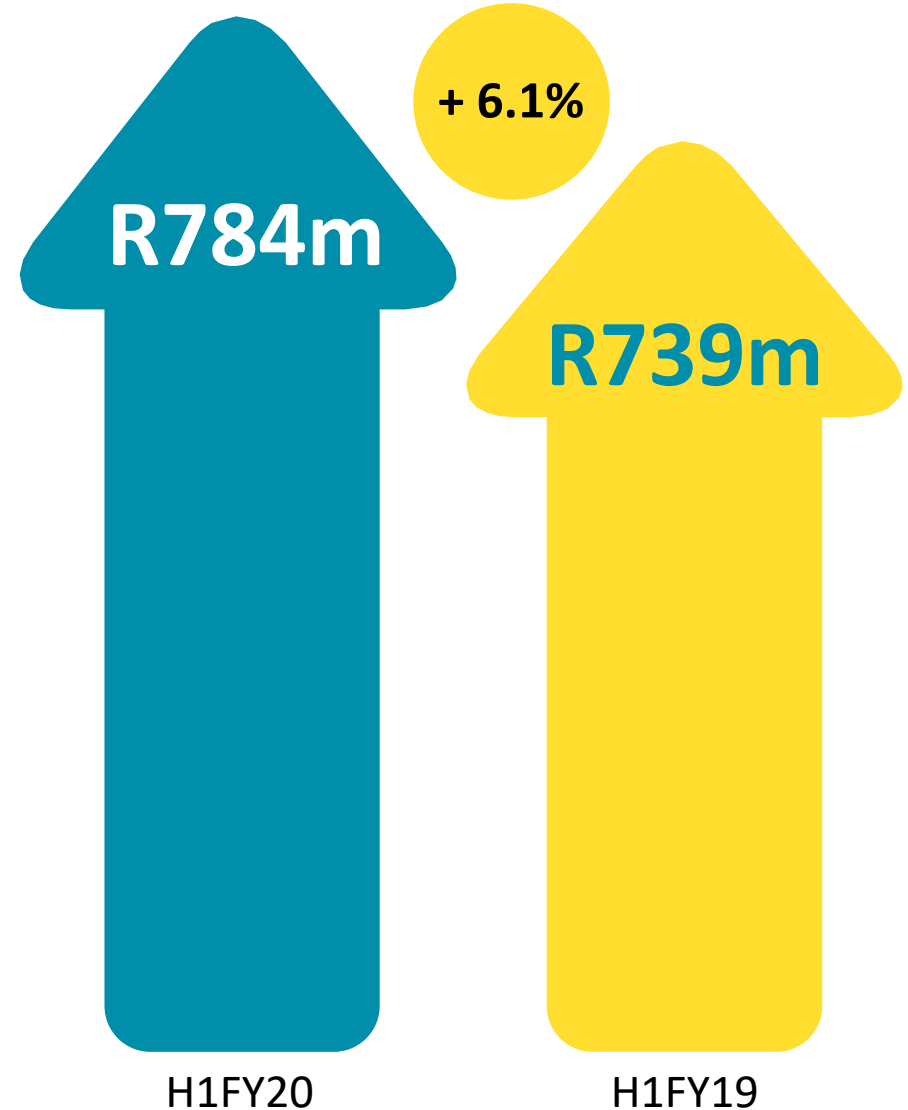
 **R134m IFRS 9 impact**

 **R150m lost operating profit – lockdown**

From continuing operations, before capital items and excluding implementation of IFRS 16



Funding of new credit books



	H1FY20	H1FY19
 Effective tax rate	35.7%	34.0%



Irrecoverable foreign withholding taxes



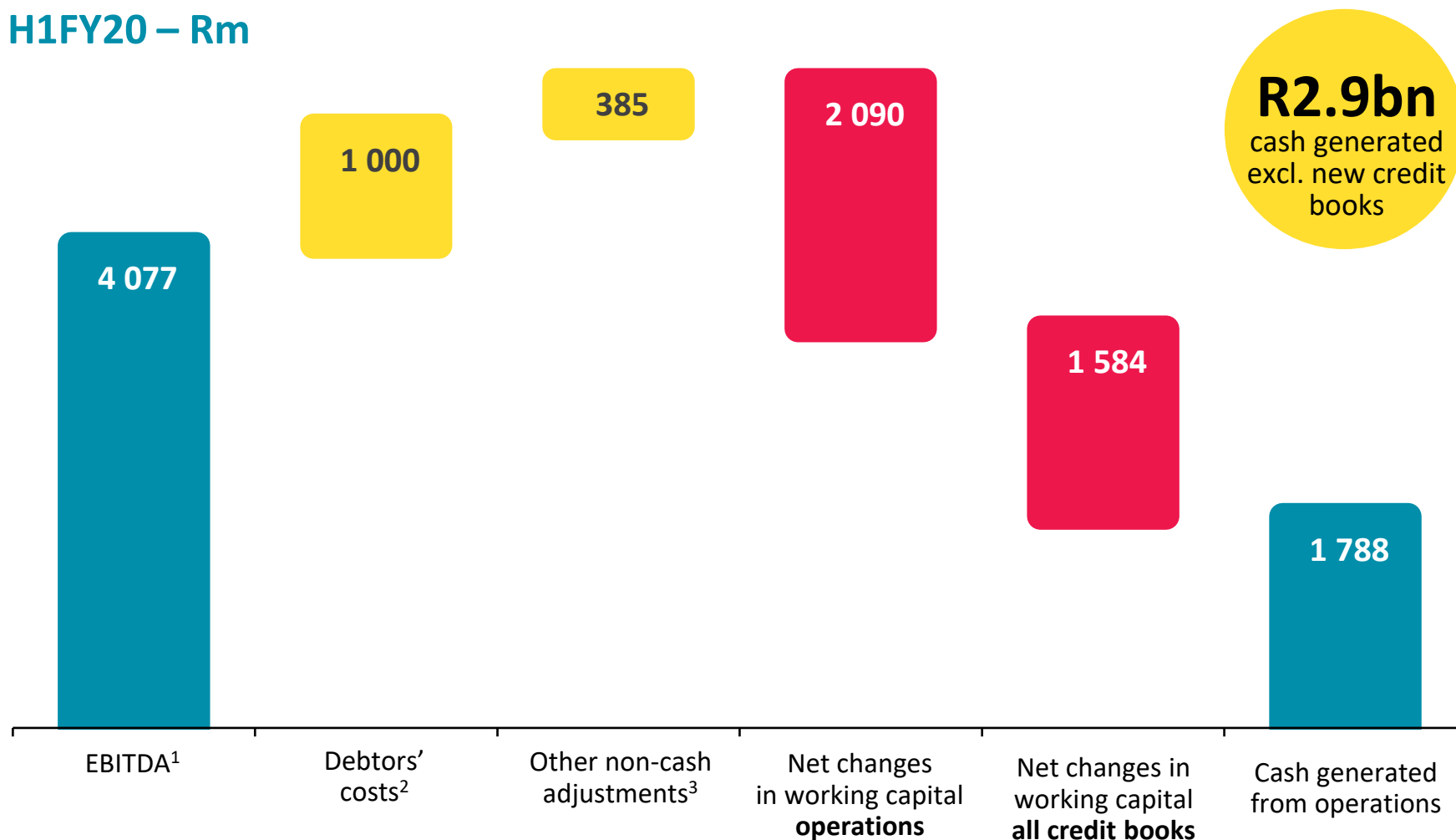
Non-deductible finance costs – preference shares



Unrecognised tax losses

Cash generated

H1FY20 – Rm



¹ Before capital items and including discontinued operations

² Including IFRS 9 costs

³ Includes movement in provisions, share-based payment expense and unrealised foreign exchange movements, etc.

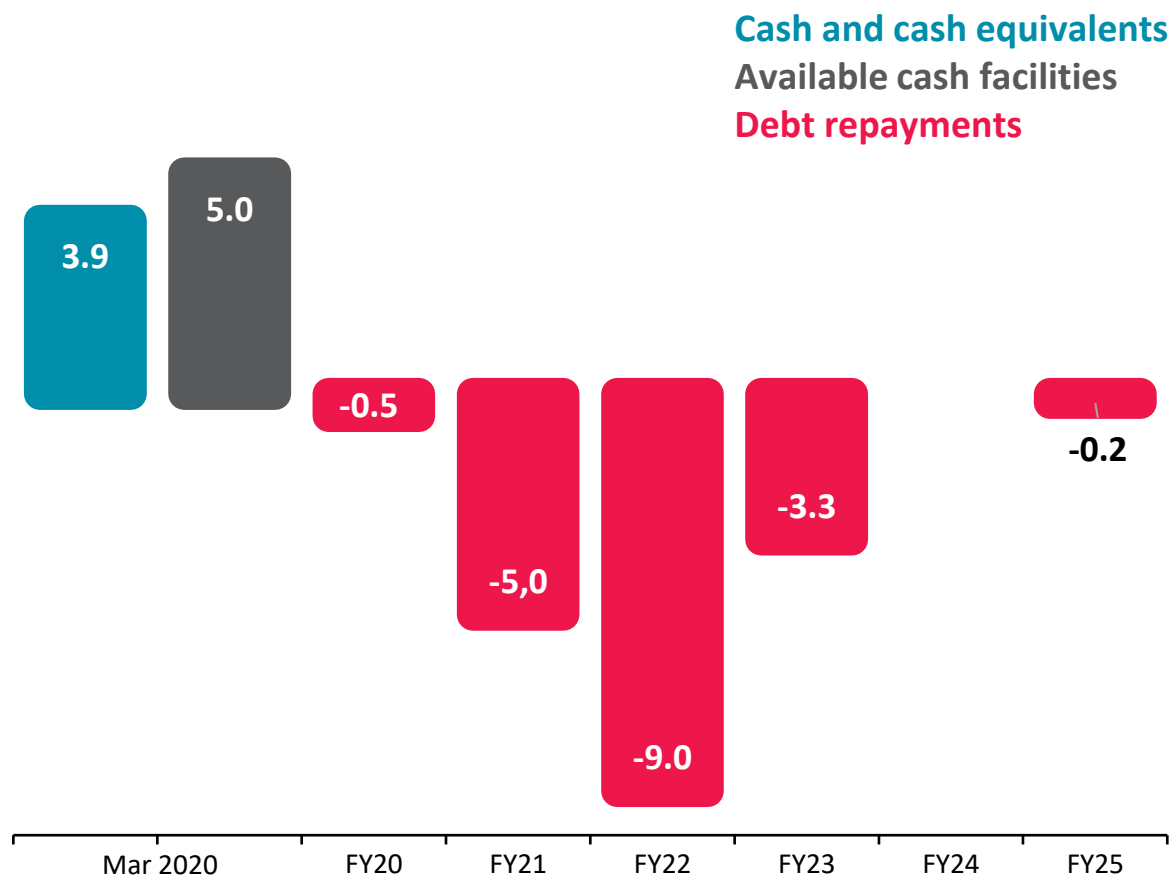
Net debt **R14.1bn**

Net debt-to-EBITDA **1.72 times**

EBITDA interest cover **5.30 times**



Debt repayment profile – Rbn



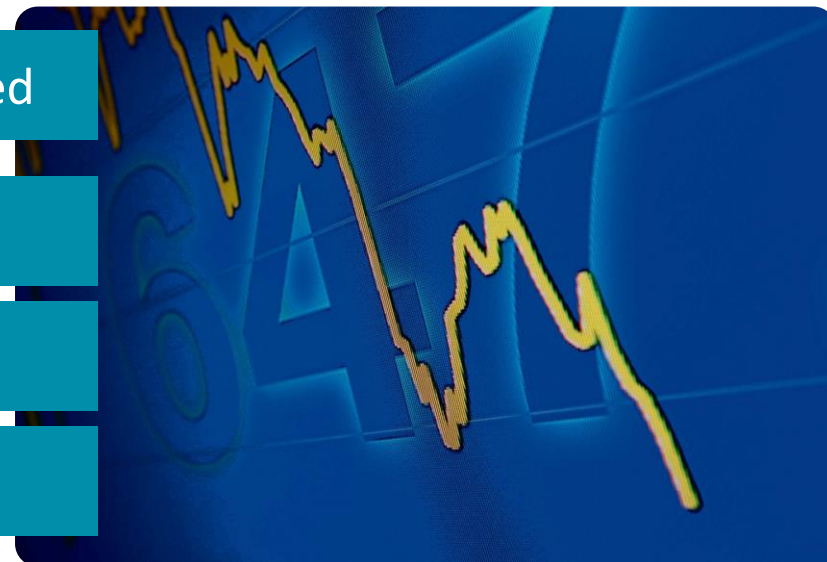
Excluding adoption of IFRS 16

 R10 billion DMTN programme launched

 R1 billion successfully issued

 R800m in three-year bonds

 R206m in five-year bonds



 Credit rating affirmed by Moody's





Debt collections above expectation – expected to decline

- Provision levels expected to increase



Impairment indications

- Expected to emerge depending on trading conditions



Debt covenant waiver and amendment



Dividend payment not expected



Capital structure

- Ambition to reduce gearing to 1 times net debt-to-EBITDA remains in place



Performance guidance impossible due to high level of uncertainty

Segmental performance

LEON LOURENS, CEO



Clothing and general merchandise



ACKERMANS



TekkieTown

ShoeCity

REFINERY

JOHN CRAIG
EST. 1947

DUNNS

+ 7.3%

sales growth

+ 3.6%

LFL sales growth

+ 4.5%

retail space growth

+ 9.8%

core CFH RSP inflation



+ 44
new stores

97%

best price leadership

26%

price differential

2 357

stores



+ 15%

sales growth in PEPHome

+ 20%

sales growth in FMCG

+ 21%

growth in PEPmoney transactions



18%

credit sales
contribution

837

stores

+ 33
new stores



19%

lay-by
contribution

+ 15%

growth in
Babies' wear

20

stand-alone
Ackermans
Woman stores



- 5.5%

sales growth
(constant currency)

- 8.1%

LFL sales growth
(constant currency)

- 15.9%

sales growth
(actual rates)

320

stores

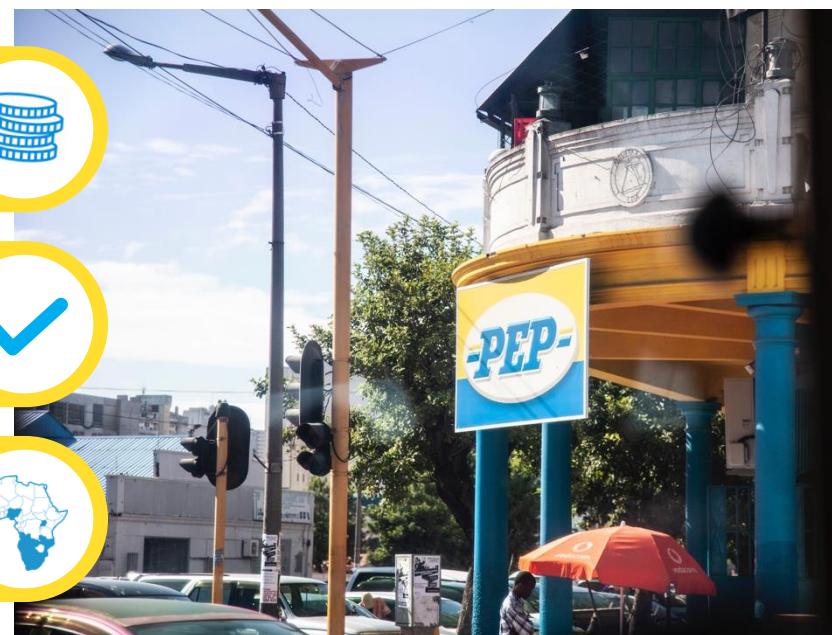
Remains profitable



Zimbabwe exit nearly complete



Phase of consolidation



¹ Excluding discontinued operations in Zimbabwe

Speciality

24

stores
closed

- 0.8%

sales
growth

- 2.9%

LFL sales
growth

943

stores

JOHN CRAIG
EST. 1947

REFINERY

ShoeCity 

DUNNS

Tekkie  Town

Discretionary apparel and footwear market





Furniture, appliances and electronics



> 100%
transaction
growth

1.7%

revenue growth

- 0.1%

sales decline

- 2.7%

LFL sales
decline

6.3%

online consumer
electronics

25.2%

credit mix
in furniture

921

stores

-1.8%
retail space





Building materials



- 5.1%

sales
decline

- 4.0%

LFL sales
decline

120

stores

Improved

retail margin



BUILD ONLINE WITH BUCO!

SHOP

OVER 24 000 PRODUCTS

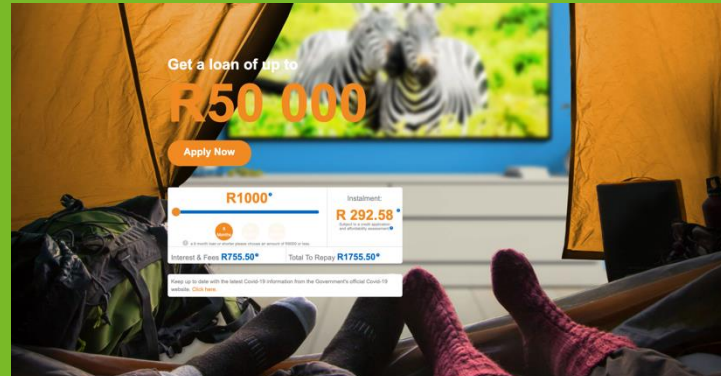
Click to create a profile

The advertisement features a dark background with a wooden texture. On the left, there are various tools including a yellow power drill, a hammer, a wrench, and pliers. On the right, there is a laptop, a smartphone, and a mouse. The text is prominently displayed in white and red.





FinTech



172k

traders

+ 20%

growth in virtual turnover

+ 9%

increase in device turnover



Informal market



Technology platform expertise



333k

active
accounts

R2.6bn

credit book funding
completed



More stringent credit
granting criteria



Focus on collections



Outlook

LEON LOURENS, CEO

1

Risk of supply

- China supply exposure
- Secure product supply
- Alternative sources

2

Safety first

- World-wide pandemic
- Guidelines and protocols
- Adapting to work from home
- Prioritise well-being of employees, customers, suppliers

3

Protection of the business

- Preservation of liquidity and cash flow
- Prioritise employee salaries
- Bank facilities secured
- Scenario planning
- Operating costs and capex reduced
- Merchandise plans adjusted

4

Restart of operations

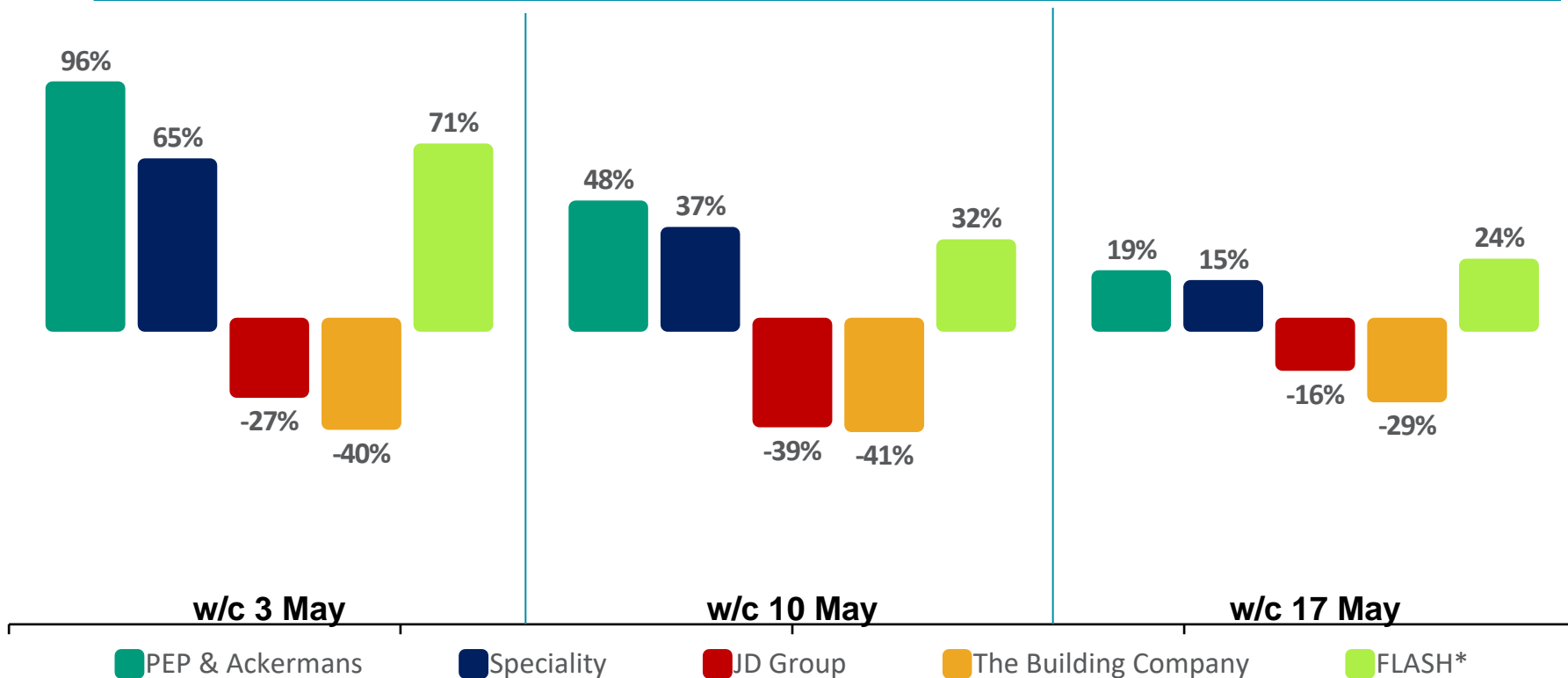
- Reopening stores, supply chain and logistics
- Trading performance
- Prioritise projects
- Credit book collections
- Reforecast, replan, restructure
- Budget and three-year plan



Estimated lost revenue in April 2020: R5.0bn



May 2020 weekly like-for-like sales growth# %



w/c – week commencing

Based on management accounts

* Growth in virtual turnover

5

Gearing for growth

- Reduction in opex and capex
- Curtailment of credit extension
- Capital allocation
- Accelerate e-commerce
- Portfolio strategy

1 Discount and value market positions

2 Basic and replenishment products

3 Preferred footprint

4 Leader in low cost of doing business

5 Strong supplier base

6 Leadership and culture



**To be a globally respected discount and value retailer –
by being the best place to shop, work
and invest.**

PEPKOR
Holdings Limited



**Thank
you**

Annexures

1. Pro forma results (excl. IFRS 16)

CONTINUING OPERATIONS – H1FY20 <i>Rm</i>	Statutory results (incl. IFRS 16) <i>Rm</i>	Adoption of IFRS 16 <i>Rm</i>	Pro forma results (excl. IFRS 16) <i>Rm</i>
INCOME STATEMENT			
EBITDA	5 910	(1 842)	4 068
Depreciation and amortisation	(1 920)	1 266	(654)
Operating profit	3 990	(576)	3 414
Net finance cost	(1 630)	846	(784)
Headline earnings per share (cents)	44.3	5.0	49.3
BALANCE SHEET			
Net debt	31 219	(17 070)	14 149
CASH FLOW			
Cash generated by operations	3 780	(1 992)	1 788

Refer to note 11 of the summary consolidated financial statements for further information

1. Pro forma results (continued)




The pro forma results as set out in this results presentation have been prepared for illustrative purposes only, in order to provide shareholders with pro forma results and to show the impact of the comparability of results adjustments on the company's statutory results. The impact of the comparability of results adjustments is deemed to be non-recurring in nature.

Because of its nature, the pro forma results may not fairly present Pepkor's financial position, changes in equity, results of operations or cash flows. The pro forma results are presented in accordance with the JSE Listings Requirements and the Guide on Pro Forma Financial Information issued by SAICA.

The pro forma results and any forward-looking and forecast information presented are the responsibility of the board and were not reviewed or reported on by Pepkor's auditors.



2. Retail footprint

	30 September 2019		Openings	Closures	Net movement		31 March 2020	
	Retail stores	Retail area '000 m ²	Retail stores	Retail stores	Retail stores	Retail area '000 m ²	Retail stores	Retail area '000 m ²
	4 395	1 671	105	(43)	62	13	4 457	1 684
PEP	2 327	832	44	(14)	30	7	2 357	839
Ackermans	806	477	33	(2)	31	10	837	487
PEP Africa ¹	313	120	10	(3)	7	(1)	320	119
Speciality ²	949	242	18	(24)	(6)	(3)	943	239
	900	429	40	(19)	21	(1)	921	428
Furniture brands ³	761	341	38	(15)	23	3	784	344
Appliances and electronics brands ⁴	139	88	2	(4)	(2)	(4)	137	84
 ⁵	120	334	–	–	–	–	120	334
Pepkor	5 415	2 434	145	(62)	83	12	5 498	2 446

¹ Excludes discontinued operations in Zimbabwe

² Includes Dunns, John Craig, Refinery, Shoe City and Tekkie Town

³ Includes Russells, Bradlows, Rochester and Sleepmasters

⁴ Includes Incredible Connection and HiFi Corp

⁵ Includes (retail and wholesale) BUCO, Timbercity, Tiletoria, Floors Direct, MacNeil, Cachet, B-One, Buchel, W&B Hardware, Bildware, Citiwood and Brands 4 Africa