

INTERIM RESULTS

for the six months ended 31 March 2021

CONTINUING OPERATIONS

▲ **8.1%**

growth in revenue to
R36.5 billion

▲ **296 bps**

growth in CFH market share¹

¹ Market share growth in clothing, footwear and homeware (CFH). Source: Retailers' Liaison Committee (RLC)

🏠 **R5.0 billion**

cash generated²

² Including discontinued operations

▼ **R8.0 billion**

reduction in net debt
to **R6.1 billion**³

³ Excluding IFRS 16 and including discontinued operations

▲ **50.6%**

increase in headline earnings
per share to

68.8 cents

+ **108**

new stores
opened

For further information, refer to Pepkor's detailed announcement, available on

www.pepkor.co.za

CORPORATE INFORMATION

Pepkor Holdings Limited ('Pepkor' or 'the company' or 'the group') (Incorporated in the Republic of South Africa) | **EXECUTIVE DIRECTORS** LM Lourens (Chief executive officer), RG Hanekom (Chief financial officer) | **NON-EXECUTIVE DIRECTORS** WYN Luhabe (Chairman)*, J Naidoo (Resigned 1 February 2021), JB Cilliers (Lead independent) (Resigned 16 February 2021)*, TL de Klerk, LJ du Preez, SH Müller*, F Petersen-Cook*, JD Wiese (Retired 10 March 2021) * Independent | **REGISTRATION NUMBER** 2017/221869/06 | **SHARE CODE** PPH | **DEBT CODE** PPHI | **ISIN** ZAE000259479 | **REGISTERED ADDRESS** 36 Stellenberg Road, Parow Industria 7493 | **POSTAL ADDRESS** PO Box 6100, Parow East 7501 | **TELEPHONE** 021 929 4800 | **E-MAIL** investors@pepkor.co.za | **TRANSFER SECRETARIES** Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 | **COMPANY SECRETARY** Pepkor Proprietary Limited | **AUDITORS** PricewaterhouseCoopers Inc. | **EQUITY SPONSOR** PSG Capital Proprietary Limited | **DEBT SPONSOR** Rand Merchant Bank (A division of FirstRand Bank Limited) | **ANNOUNCEMENT DATE** 27 May 2021

Pepkor grows headline earnings per share from continuing operations by 50.6% for the six months ended March 2021



Results	For the six months ended ¹		
	31 March 2021	31 March 2020	% change
Revenue (Rm)	36 469	33 723	8.1
Operating profit ² (Rm)	4 595	3 879	18.5
Earnings per share (cents)	68.6	43.8	56.7
Earnings per share including discontinued operations (cents)	66.7	42.6	56.5
Headline earnings per share (cents)	68.8	45.6	50.6
Headline earnings per share including discontinued operations (cents)	74.0	44.5	66.3
Net asset value per share (cents)	1 499.4	1 613.9	(7.1)

¹ Results and commentary are from continuing operations unless indicated otherwise.

² Before capital items.

OVERVIEW

The Pepkor group continued to outperform and expand its market share in a challenging and uncertain South African consumer retail market. Strong operational performance in addition to a significantly lower level of debt resulted in Pepkor growing headline earnings per share by 50.6% for the six-month period ended 31 March 2021 (the period).

The group's leadership in the discount and value market and its diligent execution of proven and compelling customer value propositions resulted in significant market share expansion in clothing, footwear and homeware (CFH), cellular handsets and consumer electronics and appliances in terms of RLC and GfK (Growth from Knowledge) data.

Pepkor remains rooted in its purpose of making a positive difference in the lives of its customers and it is pleasing that all businesses within the group contributed positively to the successful results achieved for the period. It is noteworthy that 93% of group sales during the period was generated in cash.

The quality of the performance during the period is further highlighted by the fact that businesses had to deal with volatile operating conditions during the second wave of the Coronavirus pandemic (COVID-19) and disruptions caused by the delayed start to the academic school year. The performance is also commendable in that the comparable six-month period ended 31 March 2020 (the comparable period) was largely unaffected by COVID-19.

Revenue increased by 8.1% to R36.5 billion for the six months ended 31 March 2021. From a group perspective, cash sales increased by 10.7% while credit sales decreased by 3.8%. The credit contribution to total group sales reduced to 7% for the period from 8% in the comparable period.

Based on the strong trading performance and good cost management, operating profit (before capital items) increased by 18.5% to R4.6 billion.

Strong cash generation during the period facilitated a reduction in net debt to R6.1 billion from R14.1 billion in the comparable period (excluding IFRS 16 lease liabilities). Pepkor successfully raised R2.2 billion in three- and five-year bonds issued on 5 May 2021 under its R10 billion domestic medium term note (DMTN) programme. The bonds were raised at very competitive interest rates significantly below price guidance provided to the market – illustrating strong support from investors. The proceeds from the bond issuance were used to replace existing term debt funding due for repayment in 2022. The group's liquidity and debt repayment profile has been strengthened substantially while the diversification of funding sources to include the group's DMTN programme will support lower funding costs.

During the period 108 new stores were opened which were focused in the group's most robust and proven retail brands, supporting sustainable job creation.

CLOTHING AND GENERAL MERCHANDISE

The clothing and general merchandise segment increased revenue by 8.1% to R26.3 billion for the period. Operating profit increased by 15.7% to R4.1 billion.

The segment's store base comprised 4 421 stores at 31 March 2021. During the period 98 new stores were opened, led by PEP and Ackermans, and 163 stores were closed, including the disposal of 111 John Craig stores.

PEP and Ackermans in aggregate increased sales by 8.8% and like-for-like sales increased by 6.9%. Retail space expansion in PEP and Ackermans amounted to 2.6% year-on-year and included 65 new store openings during the period.

About this 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 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 consideration of the detailed announcement. The detailed announcement is available on the company's website www.pepkor.co.za through the link in the short-form announcement released on SENS, and is available for inspection at the registered office of the company and the offices of the equity sponsor, free of charge to investors and/or shareholders, during office hours (09:00 – 17:00) from Monday to Friday. Copies of the detailed announcement may be requested by emailing investors@pepkor.co.za or by contacting Pepkor investor relations on +27 21 929 4800.

By order of the board

Company secretary: Pepkor Proprietary Limited

26 May 2021

PEPKOR

Holdings Limited

PEP remains the leading discount retailer in South Africa and provides the lowest prices to customers on basic and essential products and services. PEP opened 46 new stores during the period, expanding its retail store base to 2 418 stores.

Ackermans performed exceptionally well during the period and continued to deliver on its compelling value proposition to appeal to 'women with kids in their lives'. Performance was driven by strong growth in cash sales and lay-bys and the brand remains the undisputed leader in baby and children's clothing (RLC data). Ackermans opened 19 new stores during the period and expanded its retail store base to 875 stores.

PEP Africa performed well in constant currency terms and the Speciality business benefited from consumer demand for casual wear and branded footwear in the value market segment.

FURNITURE, APPLIANCES AND ELECTRONICS

The furniture, appliances and electronics segment increased revenue by 12.8% to R5.7 billion for the period. Sales of merchandise increased by 16.4% and on a like-for-like basis by 18.1% as consumers continue to upgrade technology to support working or studying remotely and investing in their homes in terms of furniture and appliances. Operating profit increased by 15.4% to R209 million.

Performance was underpinned by strong growth in cash sales of 25.4% and this, in addition to prudent credit granting, resulted in the total credit sales mix reducing to 9% from 17% in the comparable period.

FINTECH

The FinTech segment increased revenue by 3.1% to R4.5 billion for the period. Operating profit increased by 68.8% to R336 million and benefited from improved profitability in the Capfin unsecured lending business following its restructuring.

Revenue growth momentum in the Flash business continued at double digits as it invests in new products, channels and geographies. The trader business in the informal market includes 196 000 traders and continues to empower informal traders to grow their own businesses and create job opportunities in the local communities.

Conservative credit granting and lower interest rates impacted revenue growth in Capfin. The total number of accounts reduced to 214 000 from 333 000 a year ago.

Discontinued operations

BUILDING MATERIALS

The Building Company increased sales by 9.6% with like-for-like sales growth of 11.7% and operating profit before capital items amounted to R312 million. Profitability improved on the back of a more robust business model, improved margins and an optimised cost base.

OUTLOOK

The group's business model and market positioning have sustained performance since the onset of COVID-19 by responding effectively to changes in the operating environment and consumer behaviour, thereby entrenching its position in the discount and value sector. During this time Pepkor has made excellent progress in strengthening its balance sheet and liquidity, which will support its investment in growth opportunities. Pepkor's product mix and value positioning is ideally suited to the changing consumer behaviour, focusing on essential and everyday products.

Consistent with prior interim periods, no interim dividend is declared by the group. In response to the COVID-19 pandemic, the group suspended the dividend in the 2020 financial year with focus on liquidity preservation and allocation of resources. The dividend policy of three times earnings cover remains in effect.