2022 REVIEWED ANNUAL RESULTS*

** Extracted financial information from the reviewed annual results for the year ended 30 September 2022*

PEPKOR
Holdings Limited

Pepkor continues to deliver strong earnings growth in challenging operating conditions.

20.1% increase in HEPS to162.6 cents

+15.7% increase in normalised[1] HEPS to 150.7 cents

123 bps gain in market share since pre-COVID-19[2]

R11.2 billion cash generated from operations

92% of sales are in cash

319 new stores opened (215 on a net basis)

Recently acquired Brazilian value retailer **Avenida** performing above expectations

5 new stores opened, expanding the store base to 135 stores

24.9% increase in dividend to 55.2 cps

[1] *Normalised results exclude non-recurring items – refer to detailed announcement for further information.*

[2] *Retailers' Liaison Committee (RLC) and Growth from Knowledge (GfK) data over three years*

Results	Year ended 30 September 2022	Year ended 30 September 2021	% change
Revenue (Rm)	81 396	77 329	5.3
Operating profit before capital items (Rm)	10 333	9 305	11.0
Earnings per share (cents)	165.5	132.7	24.7
Headline earnings per share (cents)	162.6	135.4	20.1
Dividend per share (cents)	55.2	44.2	24.9
Net asset value per share (cents)	1 706.5	1 573.8	8.4

Overview

Pepkor achieved strong earnings growth during FY22. Good operational execution and disciplined cost control contributed to strong growth in profitability.

Group revenue increased by 5.3% to R81.4 billion, coming off a high base in the prior year where revenue growth of 9.2% was reported. Excluding the Flash business, where lower revenue was recognised due to a planned change in product mix, and R460 million in lost sales as a result of the flood damage to PEP's distribution centre, revenue growth is estimated at 8.1%.

Since the onset of COVID-19 three years ago, trading has been extremely volatile and it is pleasing that the group achieved compound annual like-for-like sales growth of 4.2% over this period. This highlights Pepkor's ability to produce consistent results through times of market uncertainty and demonstrates the strength of the group's positioning in the market.

Pepkor's market share expanded by a substantial 123 basis points across various product categories[2] over the last three years, further underscoring the discount and value leadership of Pepkor's retail brands.

The group remains highly cash generative with 92% of sales in cash. Cash of R11.2 billion was generated by the group during the year.

The group processed 1.9 billion sales transactions in FY22, leveraging its close proximity to customers through its expansive retail store footprint of 5 830 stores and reach into the informal market through 202 000 Flash traders. Pepkor's retail store footprint was expanded by 319 new store openings during the year (215 on a net basis) spanning across 2.6 million m^2.

The newly acquired Avenida value retail business in Brazil exceeded expectations in many respects as the value creation plan is rolled out. Five new stores were opened during the year.

Clothing and general merchandise

The clothing and general merchandise segment increased revenue by 8.8% to R53.6 billion and contributed 66% to group revenue for the year. Operating profit increased by 6.2% to R8.1 billion, representing 82% of the group's normalised operating profit. Positive operating leverage was achieved, excluding the newly acquired Avenida business, which is currently sub-scale.

PEP's performance was most impacted by disruption in social grant payments and the flooding of its KwaZulu-Natal distribution centre. Best price leadership was maintained, with 96% of products sold equally priced or cheaper than the competition.

The PEP HOME stand-alone format achieved solid sales growth of 25.9% with substantial market share gains of 415 basis points over three years (RLC). PEP sold 8.1 million cellular handsets with more than 50% representing smartphones. PEP opened 134 new stores during the year, expanding its retail store base to 2 579 stores.

The PAXI parcel distribution initiative, which leverages the retail footprint of PEP and other Pepkor brands in over 2 800 locations, increased volumes by 20%. PAXI distributed 4.2 million parcels during the year and supports 24 000 small and medium enterprises.

Performance in Ackermans was impacted by constrained consumers, electricity load shedding, which worsened in the last quarter, as well as incorrect merchandise mix decisions in some departments. The stand-alone Ackermans Woman format reported sales growth of 46.9%, supported by 12 new store openings, which increased the store base to 46 stores. The Ackermans Connect stand-alone format was expanded to 32 stores through 28 new store openings, and 2.7 million cellular handsets were sold during the year. Ackermans' free click-and-collect service was rolled out to all stores and is performing well. Ackermans opened a total of 77 new stores during the year and expanded its retail store base to 951 stores.

PEP Africa performed well. The retail store footprint was consolidated further to 280 stores, while customer acquisition and reach is being enhanced through virtual channels.

The Speciality retail brands with their value offering performed extremely well from both a sales and profitability perspective. The Speciality store base was expanded to 864 stores following the opening of 48 new stores during the year.

Pepkor acquired the Brazilian value retailer, Avenida, in February 2022 with 130 stores. The business was recapitalised and performed well, exceeding expectations in many respects. Avenida opened five new stores during the year, growing the store footprint to 135 stores. Based on the success of its value creation plan, new store openings planned in FY23 have been raised to 15 from 10 stores initially.

Furniture, appliances and electronics

The furniture, appliances and electronics segment increased revenue by 6.0% to R11.4 billion while delivering strong operating profit growth of 51.6% to R601 million.

Consumer demand for household goods and consumer electronics weakened during the year after two years of exceptional growth driven by digitisation, technology upgrades, work/school-from-home and home improvement trends. During this time, JD Group took advantage of consolidation in the market to expand its market share. In the JD Tech division, online sales increased by 43.7%, contributing 10% to divisional sales for the year.

Building materials

In contrast with the declining industry, The Building Company (TBCo) increased sales by 0.5% and like-for-like sales increased by 0.9% during the year. Strong performance continued into the second half of the year despite the negative trends that exist in the South African building and construction industry with continued slowdown in the rural and informal sectors. The implementation of TBCo's strategic roadmap and the restructuring of the business has resulted in a consistent improved performance and growth in line with its business model. This, in addition to good cost control, resulted in strong operating profit growth of 24.5% to R462 million.

FinTech

Revenue in the FinTech segment decreased by 11.1% to R7.9 billion, impacted by lower revenue recognised in the Flash business. Profitability, however, remains intact, and operating profit increased by 13.8% to R724 million.

The Flash business supports 202 000 traders in the informal market and is immersed in the South African informal sector. The average turnover generated per trader improved by 12% during the year. Flash's understanding of consumer needs, the technology used and their extensive interconnected network of partners work to better connect the informal and formal market sectors.

The Capfin business performed well with healthy growth in new loan activations. The number of Capfin loans increased by 13% to 270 000 at 30 September 2022 compared to a year ago and the targeted new loan mix of 75% six-month loans was achieved.

Outlook

As the leader in the discount and value retail space, Pepkor has an unparalleled ability to operate in close proximity to customers from both the formal and informal retail market perspectives, enabled by its physical and virtual presence and capability.

The group's ability to sell outside of normal trading hours through its 202 000 Flash traders allows it to reach customers through means easily accessible to them. Pepkor sold 12 million cellular handsets in FY22, representing seven out of 10 cellular handsets sold in South Africa, and will focus on enabling customers to access products and services that they need from Pepkor in an ever-increasingly competitive landscape.

Dividend

The board declared a dividend of 55.2 cents per ordinary share payable to shareholders on Monday, 23 January 2023.

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 condensed consolidated financial results and therefore does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based on consideration of the condensed consolidated financial results as published on SENS and available at www.pepkor.co.za. The reviewed condensed consolidated financial statements for the year ended 30 September 2022 (reviewed results) from which this announcement has been extracted have been reviewed by Pepkor's auditor, PricewaterhouseCoopers Inc., who issued an unmodified review conclusion.

The unmodified review opinion forms part 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
Masood Allie

21 November 2022

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) (Resigned 30 September 2022), PJ Erasmus (Chief executive officer) (Appointed 1 October 2022), RG Hanekom (Chief financial officer) | **NON-EXECUTIVE DIRECTORS** WYN Luhabe (Chair)*, TL de Klerk, P Disberry*, LJ du Preez, PJ Erasmus (Appointed 12 January 2022 to 30 September 2022), HH Hickey*, IM Kirk*, ZN Malinga*, LI Mophatlane*, SH Müller*, F Petersen-Cook* *(* Independent)* | **REGISTRATION NUMBER** 2017/221869/06 | **SHARE CODE** PPH | **DEBT CODE** PPHI | **ISIN** ZAE000259479
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EQUITY SPONSOR PSG Capital Proprietary Limited | **DEBT SPONSOR** Rand Merchant Bank (A division of FirstRand Bank Limited)
CORPORATE BROKER Rand Merchant Bank (A division of FirstRand Bank Limited) | **ANNOUNCEMENT DATE** 22 November 2022

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