PEPKOR DOUBLES HEADLINE EARNINGS IN STELLAR SET OF RESULTS

Cape Town, 19 November 2021: JSE-listed Pepkor group, which includes well-known brands such as PEP, Ackermans, Tekkie Town, The Building Company and Incredible Connection delivered a 115.2% increase in headline earnings to R5-billion and succeeded in not only restoring but comfortably surpassing pre-COVID 2019 profitability levels. Pepkor entrenched its position in the discount and value sector of the market with 93% of its sales generated in cash.

Its latest annual results for the financial period up to 30 September 2021, highlight the following:

- 9.2% growth in revenue to R77,3-billion;
- 40% growth in operating profit to R9,3-billion;
- Cash generated from operations totaled R11-billion;
- Dividend of 44.2c per share declared; and
- Opened 247 new stores during the year.

The group operates in 10 countries with a significant retail footprint of 5 470 stores spanning just over 2.4 million square metres. Employing 47 000 people, Pepkor sold 1-billion physical products and 1,7-billion virtual products during the past year. Pepkor opened 247 new stores across the country, playing an important role in sustainable job creation in various communities.

Commenting on the positive set of results, CEO of Pepkor, Leon Lourens said:
"Our business model and market positioning – the group owns more than 30 brands across the value retail landscape – allowed us to entrench our position as the top discount and value retailer in the South African retail market, providing unparalleled value to our customers. In the past year we continued to make a positive difference to the daily lives of our customers and the communities in which we operate by providing them with everyday products and services at affordable prices at locations close to their homes."

The clothing and general merchandise division remained the biggest contributor to overall revenue (64%) and operating profit (84%). Improved full price merchandise sales and a reduction in markdowns strengthened its gross profit margin. The retail group had significant market share gains across most of the categories that it trades in. Since 2019 the group has gained 201 basis points of market share in the clothing, footwear and homeware (CFH) categories that it trades in, according to the official Retailers' Liaison Committee.

"Our fundamentals are in place and our disciplined approach is paying off, and this is particularly evident over the past 18 months. Our teams have weathered the impact of the COVID-19 pandemic, a slowdown in consumer spending and the civil unrest in July of this year."

On the impact of the civil unrest, Lourens said:
"549 stores, which make up 10% of our retail base, were impacted by the looting during the civil unrest. Our teams showed remarkable resilience and more than 75% of these stores were re-opened within three months.
"What makes this even more impressive is that we continued with our new store opening programme of 247 for the financial year. Although 2 300 of our employees were affected by the civil unrest, we kept all of them

employed and fully paid during the entire period. We also distributed more than 5 000 food parcels to them within one week of the looting – something that we are really proud of.

Our comprehensive insurance cover will mitigate the impact of the R1,9-billion loss from the unrest. Pepkor is covered by both SASRIA (South African Special Risk Insurance Cover) and business interruption cover, with R671-million already received and reflected in this set of financial results."

Lourens on the group's strong cash position:
"Over the past three years, our net debt has dropped from R13,9-billion (FY19) to R7,1-billion (FY20) to R5-billion (FY21) as a result of our strong cash generation. This is a substantial reduction and plans are in place to further smooth and extend our repayment profile. Our debt strategy remains to diversify our funding sources through our bond programme and reduce the overall cost of funding."

On supply chain:
"Our supply and merchandise teams are working hard to control price increases and to ensure minimal disruption in our supply chain, keeping in mind the impact of production capability in China, local port challenges, international supply chain disruptions, as well as the civil unrest in South Africa in July of this year."

Lourens added, "We know our customers cannot afford to pay more and a lot of energy is going into ensuring that we keep our costs and prices as low as possible – as evidenced by the group's market-leading low cost of doing business model."

Commenting on the year ahead:
"We are expecting our customers to be further under pressure and we will be faced with challenges such as supply chain interruption, load shedding, and unprecedented levels of unemployment. However, Pepkor is the value retailer that gives our customers value-for-money products and services at the lowest prices, and at their convenience. We have set up the business for growth and are determined to succeed."

"I'd like to thank our employees, our leadership and management teams, our suppliers, and investors for the role each one has played in navigating the challenging year and contributing to these positive results. Our success is a true testament to the depth of management and retail skills across the group. It was a tough year during which we had to prove our resilience, while continuing to make a positive difference in the lives of our customers and the communities in which we operate," Lourens concluded.

Ends.

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About Pepkor
JSE-listed Pepkor has the largest retail store footprint in southern Africa with more than 5 470 stores operating across 10 African countries and includes trusted brands such as PEP, Ackermans, Incredible Connection, The Building Company, Tekkie Town and Bradlows. Established 100 years ago, Pepkor

continues to provide South Africans with the right products, at the right price, and at their convenience. Pepkor gives customers access to value-for-money products and services at the lowest prices. It delivers this value by using world-class systems and processes that ensure cost efficiency, as well as product quality.