INTERIM RESULTS

for the six months ended 31 March 2022

Pepkor's growth strategy delivers strong results

PEPKOR
Holdings Limited

3.3%
growth in revenue to
R42.0 billion
+3.7% excluding the disposal of John Craig

189 bps
market share expansion across product categories[1]

19.1%
growth in operating profit[2] to
R5.7 billion
+10.1% on a normalised basis[3]

R4.1 billion
cash generated from operations

[1] *Over a two-year period. Sources: Retailers' Liaison Committee (RLC), Growth from Knowledge (GfK)*

[2] *Before capital items*

[3] *Normalised results exclude the non-recurring benefit as a result of the Steinhoff global settlement – refer to the detailed announcement for further information.*

28.3%
increase in headline earnings per share to
91.5 cents
+12.1% on a normalised basis[3]

144
new stores opened

Acquisition of Brazilian value retailer, Grupo Avenida, completed

For further information, refer to Pepkor's detailed announcement, available on www.pepkor.co.za

Results	For the six months ended 31 March 2022	31 March 2021	% change
Revenue (Rm)	42 010	40 665	3.3
Operating profit before capital items (Rm)	5 681	4 768	19.1
Earnings per share (cents)	90.2	71.4	26.3
Headline earnings per share (cents)	91.5	71.3	28.3
Net asset value per share (cents)	1 600.1	1 508.6	6.1

OVERVIEW

Despite a high base in the comparable period, Pepkor achieved another commendable set of results for the six-month period ended 31 March 2022. The group's defensive business model and unparalleled position within the South African discount and value sectors continue to drive growth and underpin resilient performance in an increasingly challenging operating environment.

Revenue growth was muted, impacted by a high base and a product mix change in the Flash business. Revenue growth, however, strengthened during the second quarter. On a two-year comparable basis* the group achieved exceptional sales growth of 15.4%, underpinned by substantial market share gains across various product categories. This further entrenched Pepkor's leading position in the discount and value sectors.

Profitability remained strong with headline earnings per share (HEPS) increasing by 28.3% to 91.5 cents. This includes a non-recurring benefit from the implementation of the Steinhoff International Holdings N.V. (Steinhoff) global settlement, as described in the detailed announcement. Normalised HEPS, which excludes this non-recurring benefit, increased by 12.1% to 79.9 cents.

The group generated cash of R4.1 billion during the period, with cash sales accounting for 93% of group sales.

The group's ability to achieve ongoing organic growth is evidenced by its robust store expansion programme. During the period under review, 144 new stores were opened (108 stores on a net basis). The group retail footprint comprised 5 708 stores at 31 March 2022.

Acquisition of Grupo Avenida

The acquisition of an interest of approximately 87% in the well-established Brazilian value retailer, Grupo Avenida (Avenida), was completed in February 2022. The remaining 13% was retained by the founders and management of Avenida. This represents Pepkor's entry into the Brazilian value retail market, which holds enormous long-term growth potential for the group.

CLOTHING AND GENERAL MERCHANDISE

The clothing and general merchandise segment increased revenue by 4.9% to R27.6 billion, contributing 65.7% to group revenue for the period. Operating profit increased by 6.1% to R4.3 billion, representing 81.8% of the group's normalised operating profit.

PEP and Ackermans in aggregate increased sales by 3.4% and like-for-like sales increased by 2.4%. On a two-year comparable basis, sales increased by 12.5% and market share expanded by 111 basis points (RLC). Retail space expansion in PEP and Ackermans amounted to 3.2% year-on-year and included 102 new store openings during the period – exceeding expectations.

PEP is the leading discounter in South Africa by providing the lowest prices to customers on basic and essential products. Best price leadership (BPL) was maintained, with 97% of products sold being either equally priced or cheaper than the competition. Examples of PEP's pricing power include maintaining prices on 21% of products sold at 2020 levels and offering a complete school uniform at a 22% lower price compared to two years ago. The PEP HOME stand-alone format achieved 27.2% sales growth and the retail footprint was expanded to 332 stores through 38 new store openings.

Ackermans provides the best value to 'women with kids in their lives', dominating in baby and children's clothing through its 'famous for' product categories and attractive value-for-money offers. The stand-alone Ackermans Woman format is expanding aggressively and achieved sales growth of 58.9%. The store base was expanded to 42 stores through eight new store openings during the period. The Ackermans click-and-collect capability performed well with encouraging indications in terms of basket sizes and conversion rates. The capability effectively leverages the brand's extensive brick-and-mortar infrastructure and customer proximity to provide customers with the full Ackermans range in outlying areas.

PEP Africa performed well, increasing sales by 3.1% and like-for-like sales by 4.9% in constant currency terms. In South African rand terms, sales increased by 13.3% due to the strengthening of local currencies and the business improved profitability.

** Compared to the six months ended 31 March 2020*

The Speciality value retail brands performed pleasingly, growing sales by 7.6% and like-for-like sales by 7.3%, excluding John Craig, which was disposed of in February 2021. On a two-year comparable basis, sales increased by 25.3%.

FURNITURE, APPLIANCES AND ELECTRONICS

The furniture, appliances and electronics segment increased revenue by 8.8% to R6.2 billion. Operating profit increased by 64.6% to R344 million.

Sales in the JD Group increased by 8.1% and like-for-like sales by 7.2% from a strong base in the comparable period. Consumer demand for household goods and consumer electronics underpinned performance during the period, driven by digitisation, technology upgrades, work/school-from-home and home improvement trends. On a two-year comparable basis, sales increased by 25.8% and market share in consumer electronics was expanded. In the JD Tech division online sales increased by 48.9%, increasing its contribution to 10% of divisional sales for the period.

BUILDING MATERIALS

The Building Company's (TBCo's) performance was satisfactory during the period, despite a lacklustre South African construction industry with continued slowdown in the rural and informal sectors – proving the value of TBCo's diversified portfolio through its retail, specialist and wholesale divisions. The store base was expanded to 114 retail stores and included two new store openings during the period.

Sales in TBCo decreased by 1.6% and like-for-like sales decreased by 0.5% during the period. The business has successfully rationalised and consolidated its operations and taking this into consideration, sales increased by 0.2% off this new base. On a two-year comparable basis, sales increased by 13.1%.

FINTECH

Revenue in the FinTech segment decreased by 8.7% to R4.1 billion and was impacted by lower revenue recognised in the Flash business due to a change in product mix and resultant accounting treatment. Profitability, however, remains intact, and operating profit increased by 17.0% to R393 million.

Flash's strategy to develop and grow its basket of products in an attempt to ensure continuity and loyalty of traders and customers has proven to be successful. The business continues to show impressive growth in virtual turnover (at face value of products sold), increasing by 15.3% for the period. The number of informal traders increased to 205 000 while the average turnover per device continues to show double-digit growth.

Capfin reported healthy growth in the total number of accounts to 251 000 from 214 000 a year ago.

OUTLOOK

The group is pleased with the solid performance for the first half of the 2022 financial year, based on a stronger second quarter and even more so when considering performance on a two-year comparable basis, which eliminates volatility caused by COVID-19.

The operating environment remains challenging as unemployment levels and the cost of living continue to increase. While challenging, this operating environment motivates operations teams to develop innovative new ways to ensure that products remain affordable for consumers – thereby redefining and solidifying the group's position in the South African discount and value sectors.

Supply chain disruption and uncertainty have continued. The group's merchandise teams have done exceptionally well to mitigate the impact of disruption on merchandise inflows and in-store availability.

The growth mindset embedded within the group's culture and management continues to drive performance. In line with our strategy, plans to open more than 300 stores in the 2022 financial year remain on track.

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)*, TL de Klerk, P Disberry*, LJ du Preez, PJ Erasmus (appointed 12 January 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 | **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** M Allie | **AUDITORS** PricewaterhouseCoopers Inc. | **EQUITY SPONSOR** PSG Capital Proprietary Limited | **DEBT SPONSOR AND CORPORATE BROKER** Rand Merchant Bank (A division of FirstRand Bank Limited) | **ANNOUNCEMENT DATE** 27 May 2022

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: Masood Allie

26 May 2022