



INTERIM RESULTS

for the six months ended 31 March 2024

Pepkor delivers strong performance in a challenging operating environment

Performance driven by robust sales growth, margin improvement and momentum gains in Pepkor's FinTech strategy

PEPKOR

Holdings Limited

HIGHLIGHTS¹

↑ **9.5%**
growth in revenue to **R43.3 billion**

+24.5%
growth in FinTech revenue

↑ **200 bps**
increase in gross profit margin to 38.1%

↑ **4.0%**
growth in operating profit² to **R5.1 billion**

+13.0%
on a normalised basis

↓ **3.1%**
decrease in HEPS³ to **75.0 cents**

+7.8%
on a normalised basis

↔ **85.0%**
cash conversion achieved

Rolling 12-month basis

1 Defensive, cash-generative group with a track record of healthy returns

2 Closest to customers with unparalleled scale and capabilities

3 Significant growth opportunities

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

Results	For the six months ended ¹		
	31 March 2024	31 March 2023	% change
Revenue (Rm)	43 264	39 526	9.5%
Operating profit ² (Rm)	5 115	4 917	4.0%
Earnings per share (cents)	75.4	77.7	(3.0%)
Earnings per share including discontinued operations (cents)	67.4	81.1	(16.9%)
HEPS ³ (cents)	75.0	77.4	(3.1%)
HEPS ³ including discontinued operations (cents)	77.7	80.8	(3.8%)
Net asset value per share (cents)	1 615.6	1 727.6	(6.5%)

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

² Before capital items.

³ Headline earnings per share.

OVERVIEW

Robust sales growth with improved margins in Traditional Retail

Sales growth strengthened

Market share expansion

Recovery in retail gross profit margin

Accelerated expansion in Avenida

Strong revenue growth of 9.5% was achieved, driven by robust trading in Traditional Retail which strengthened further into the second quarter. The Easter trading period was successful on a comparable basis with double-digit sales growth achieved by PEP, Ackermans and Speciality, and high single-digit sales growth in JD Group. The group's overall market share expanded on a three-, six-, and 12-month basis (RLC¹ March 2024 data).

This performance was achieved in the context of a challenging operating environment. Consumers remain financially constrained and unemployment remains high. While there has been some reprieve from electricity load shedding in recent months, the group continues to build resilience in renewable solar capacity and through collaborative initiatives such as electricity load curtailment achieved in PepClo at the Parow campus in Cape Town. Import supply chain disruption adversely impacted in-store product availability during the period.

Retail gross profit margins benefited from improved full-price sales with lower markdown activity.

Retail store expansion continued with a total of 111 new stores opened by the group during the period, expanding the total retail store base to 5 823 stores.

The group's ambition to expand its underrepresented share of the adult apparel market led to the decision to reposition the Women's standalone retail concept in Speciality as a mid-market retail brand.

New store openings in Avenida accelerated to 22 during the period, up from six new stores opened in the same period last year. The Avenida store network expanded to 163 stores.

* Retailers' Liaison Committee

Momentum builds in FinTech strategic execution – focused on solving customer needs

More than 550 000 new accounts opened

More than 200 000 active cellular handset rentals with growing demand

650 000 Abacus insurance policies written

+more launched

165 000 informal market traders



Good progress was made during the period in the execution of the group's FinTech strategy, supporting growth in revenue and gross profit margins. FinTech revenue increased by 24.5% to R5.8 billion.

The strategic expansion of retail credit interoperability continued in a conservative and responsible manner, with the health of the credit books maintained. The A+ retail credit base now includes 2.5 million customer accounts.

The FoneYam cellular handset rental product, which makes smartphones affordable and accessible to customers, was rolled out further with more than 200 000 active FoneYam customers at the end of the period. Customer demand remains strong, fuelling activation rates.

Affordable insurance products provided to customers was enabled through Abacus with written policies nearly doubling to 650 000 as the group leverages its trusted retail brands, store network, and ability to collect premiums.

The +more customer value platform was successfully launched and is tracking ahead of expectations, building the group's digital and data capability.

The group expanded its reach into the bustling informal market in South Africa. Throughput value in Flash increased by 28% during the period, enabled by the 165 000 trader network.

Commendable earnings growth, supplemented by solid cash generation

Focused cost reductions bolstered the group's low cost of doing business and resulted in commendable operating profit and earnings growth on a normalised basis. The execution of strategic initiatives such as credit interoperability and FoneYam resulted in significant customer acquisition costs incurred during the period, weighing on profitability and returns in the short term.

Notwithstanding this, solid cash generation continued, with 85% cash conversion achieved on a 12-month rolling basis.

Portfolio review and capital allocation

Disposal of The Building Company

The disposal of The Building Company (TBCo) was announced on 29 February 2024. The disposal will streamline Pepkor's portfolio of businesses, enhancing the group's return on capital and optimising shareholder returns. Proceeds will be used to reduce debt and fund strategic growth and value-accretive initiatives.



Outlook

Since March 2024, trading has continued to fluctuate but remains resilient.

The ongoing import supply chain disruption continues to adversely affect merchandise inflows to stores in addition to fluctuating shipping rates. Logistics teams are making good progress in flexing the group's distribution capability to deal with supply backlogs, prioritising stock freshness to minimise the risk of markdowns.

Strategic execution is progressing according to plan with initial success demonstrated in the current reporting period. This provides confidence in the group's ability to execute and monetise opportunities that genuinely solve customer needs, driving significant and sustainable growth well in excess of opportunities provided by the macro environment.

The potential for expansion in Brazil remains compelling, allowing the group to build international scale and once again establish itself as a global leader in discount and value retail.

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, 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

27 May 2024

CORPORATE INFORMATION

Pepkor Holdings Limited ('Pepkor' or 'the company' or 'the group') (Incorporated in the Republic of South Africa) | **EXECUTIVE DIRECTORS** PJ Erasmus (Chief executive officer), RG Hanekom (Chief financial officer) | **NON-EXECUTIVE DIRECTORS** WYN Luhabe (Chair)*, TL de Klerk (retired 7 March 2024), P Disberry*, LJ du Preez, HH Hickey*, IM Kirk*, ZN Malinga*, LI Mophatlane*, SH Müller*, NR Ntshingila (appointed 15 November 2023)*, F Petersen-Cook* (* Independent) | **REGISTRATION NUMBER** 2017/221869/06 | **SHARE CODE** PPH | **DEBT CODE** PPHI | **ISIN** ZAE000259479 | **LEI** 3789006D677C34F69875 | **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 SECRETARY** Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 | **COMPANY SECRETARY** M Allie | **AUDITOR** PricewaterhouseCoopers Inc. | **EQUITY SPONSOR** Investec Bank 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** 28 May 2024

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