



Unaudited interim results

for the six months ended 31 March 2019 (H1FY19)

PEPKOR
Holdings Limited

Agenda

- 01 Chairman's remarks
- 02 Overview
- 03 Financial performance
- 04 Operational performance
- 05 Initiatives
- 06 Outlook



Chairman's opening remarks

JAYENDRA NAIDOO
CHAIRMAN



Overview and key developments

LEON LOURENS
CHIEF EXECUTIVE OFFICER



Provide everyday products

An extensive product range focusing on everyday needs

The right product adds value to customers' lives

At affordable prices

Best price leadership ensures product differentiation

Customer loyalty through value for money

At customers' convenience

Largest footprint in African market

Enhanced customer shopping experience



Who our customers are

It is important for our customers to look and feel good. We want to make their lives better and easier.

Everyone, rich and poor, deserves the same access to products, services and friendly customer service from people who treat them with dignity and respect.

**Leon Lourens,
Pepkor CEO**



12



African countries

5 300⁺

stores



49 000

employees



2.4 million m²

total retail space



400 million⁺

transactions annually

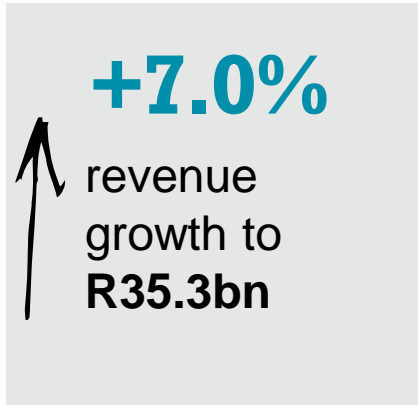


1 billion⁺

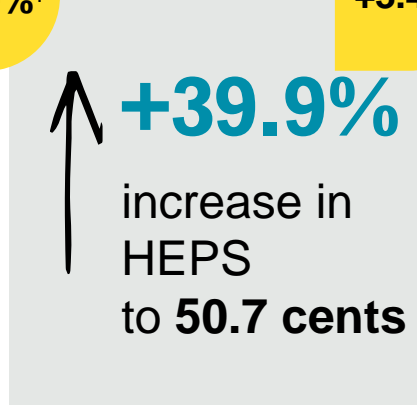
units sold annually



Six months in review



+6.9%¹



+3.4%¹



**Market
share
growth**

**Margins
maintained**
through defensive
market positioning



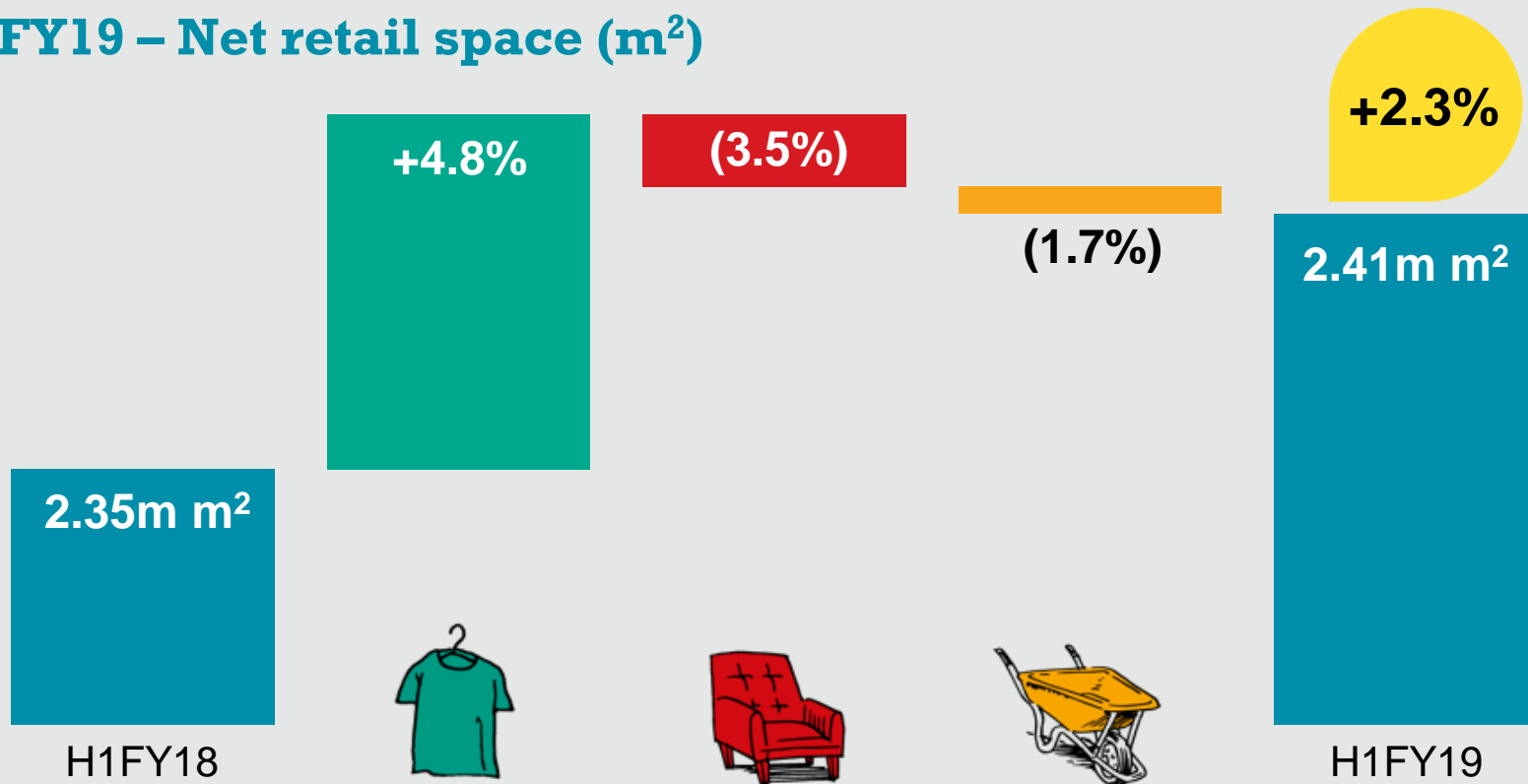
**Portfolio
strategy**
remains
ongoing

Pepkor
not affected
by PWC
forensic report

¹ Comparable results exclude one-off costs incurred in H1FY18 and H1FY19

Continued retail space growth

H1FY19 – Net retail space (m²)



Financial performance

RIAN HANEKOM
CHIEF FINANCIAL OFFICER



↑ **+7.0%**
revenue
growth
to **R35.3bn**

↑ **+25.2%**
operating profit
growth
to **R3.4bn**

↑ **+140 bps**
operating
margin up
to **9.6%**

↑ **+39.9%**
Growth
in HEPS
to **50.7cps**



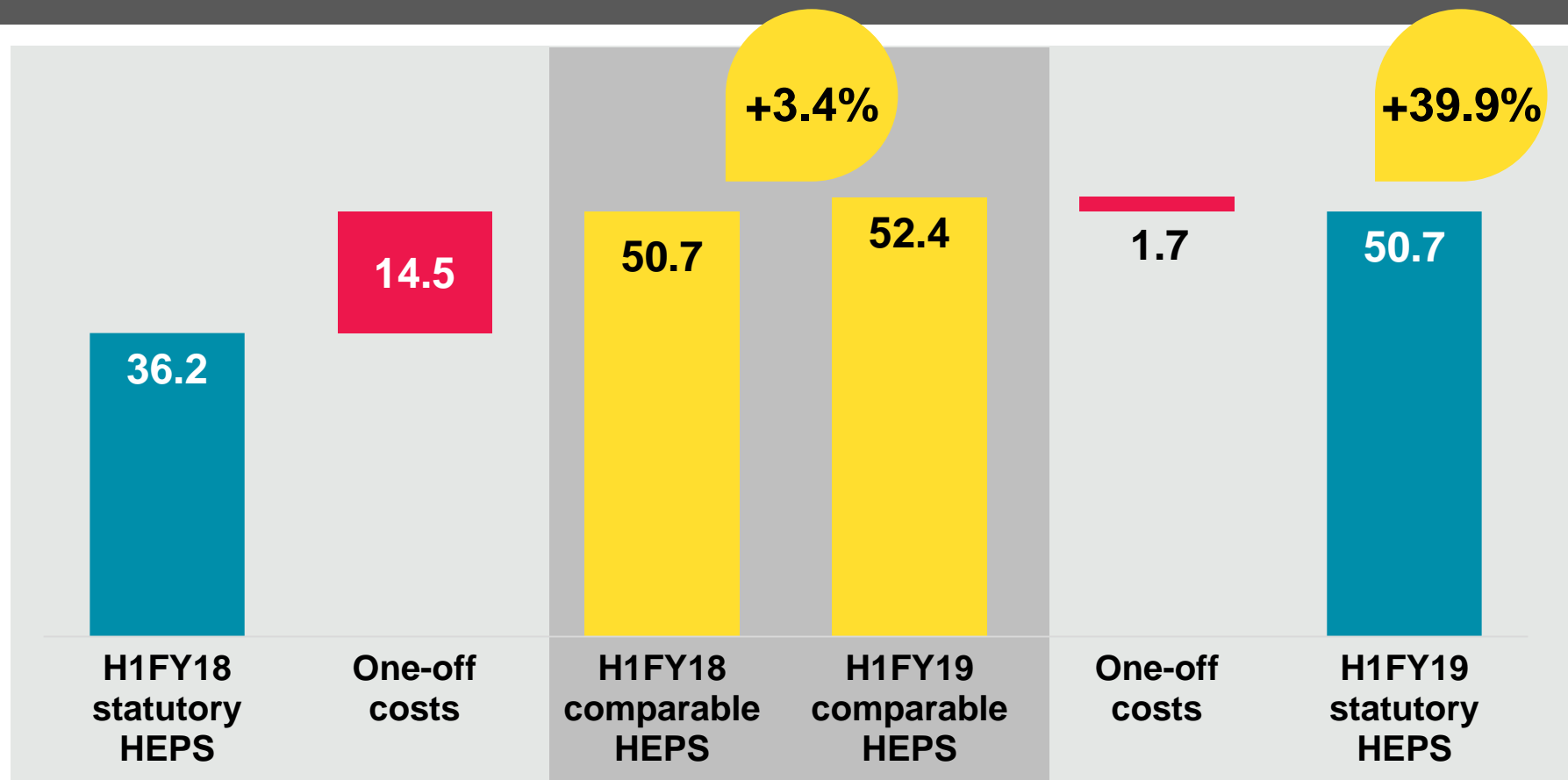
↑ **+6.9%**
operating profit
growth to
R3.4bn

9.7% ✓
operating
margin
maintained

↑ **+3.4%**
growth in
HEPS to
52.4cps

¹ Comparable results exclude one-off costs incurred in H1FY18 and H1FY19

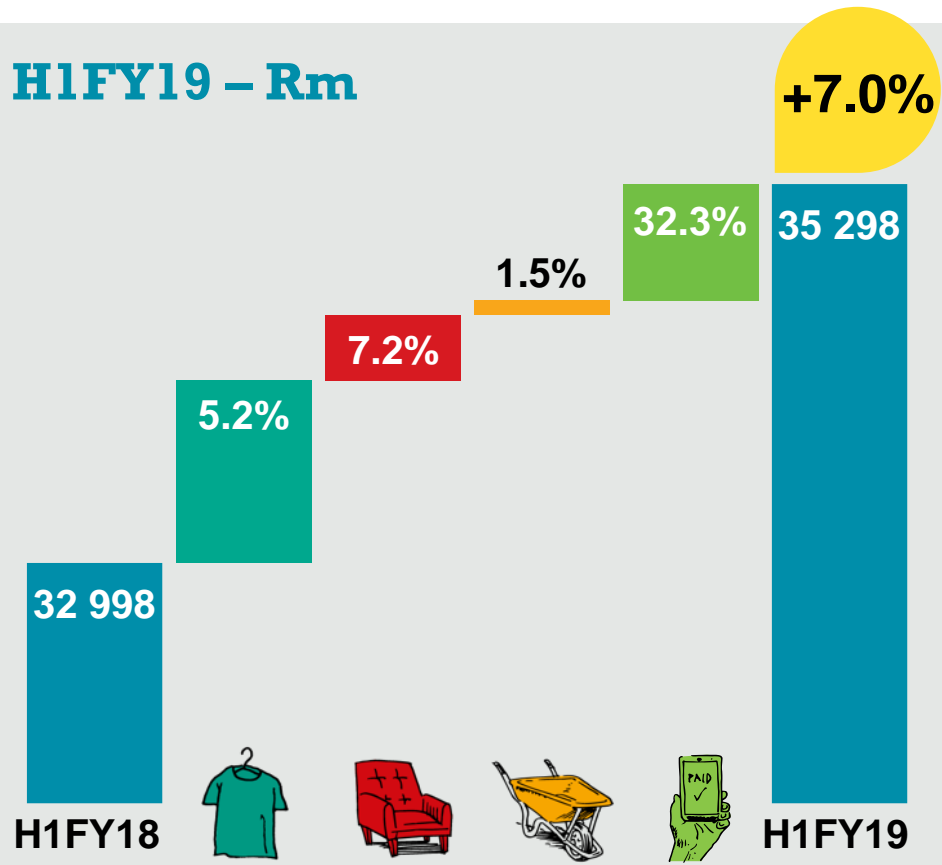
Comparable earnings



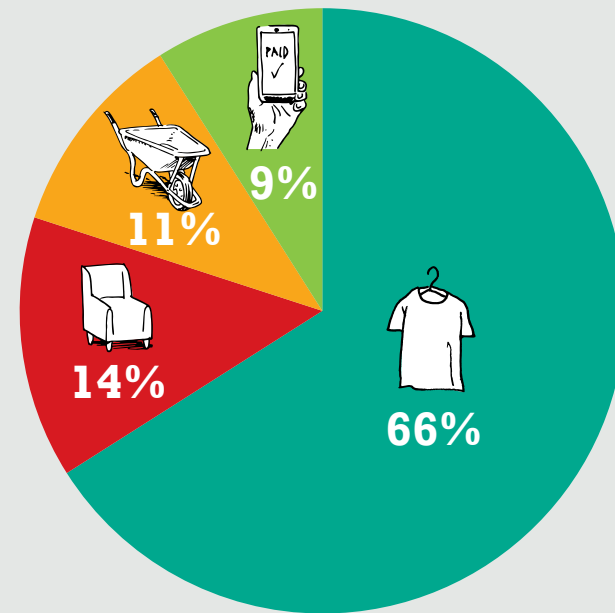
Comparable results: H1FY18 comparable results exclude one-off costs of R500m/WANOS of 3 450m. H1FY19 comparable results exclude one-off costs of R60m/WANOS of 3 450

Segmental revenue

H1FY19 – Rm



H1FY19 segmental composition





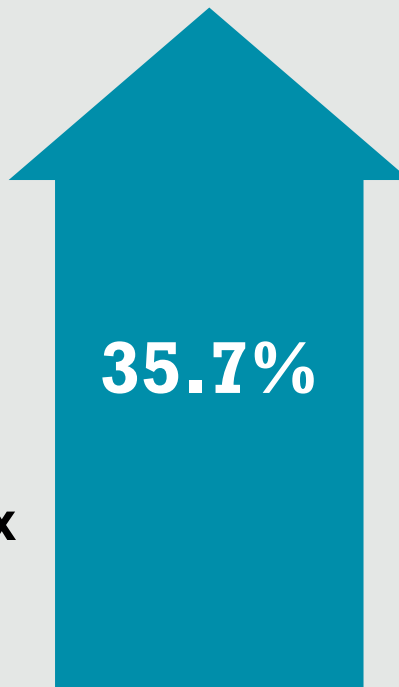
Largely maintained



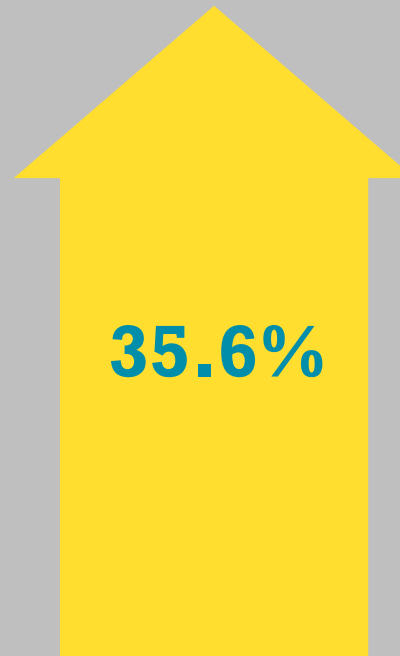
Weaker trading



Change in sales mix



H1FY19



H1FY18



25.4%

decline to R443m



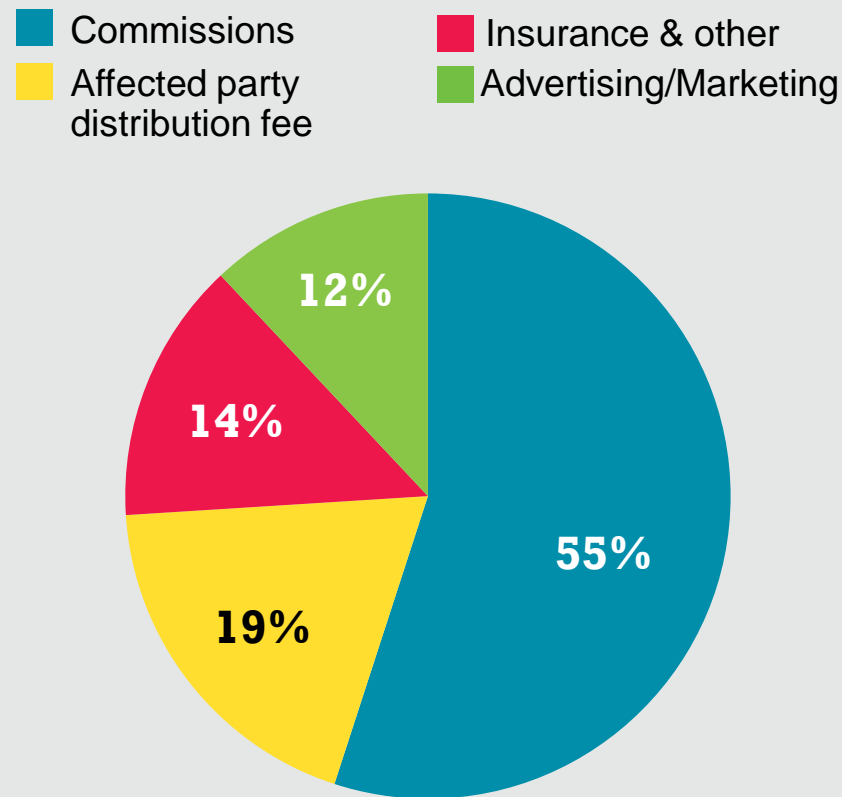
IFRS 15 implemented



CenCap collection fees
included in revenue



Good growth in commissions

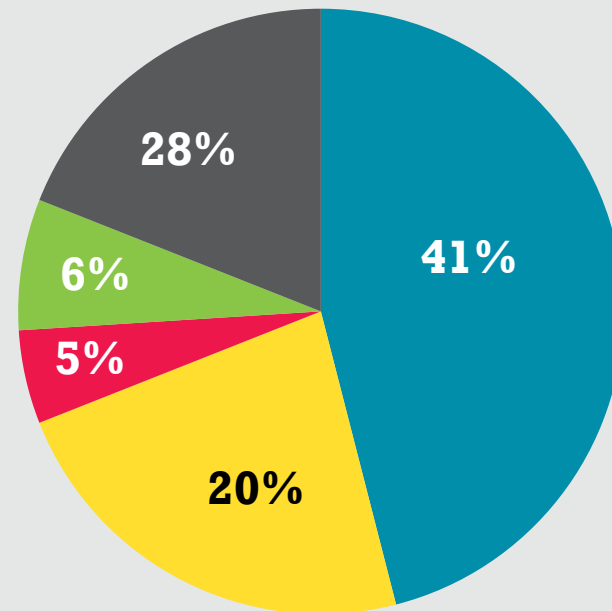


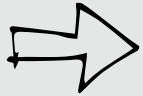
25.5%
maintained

H1FY19



■ Personnel
■ Property
■ Distribution
■ Depreciation
■ Other





IFRS 2

Adjusted against equity



IFRS 9

Applied retrospectively on existing credit books
Additional R50m provided on new JD book



IFRS 15

Applied retrospectively



IFRS 16

Leases project underway



Pepkor credit loan books

	TENACITY	CONNECT	capfin
Business objective	Sales enabler	Sales enabler	Financial services
Credit type	Revolving credit	Term	Unsecured lending
Gross book size (Rbn)	2.6	1.0	0.3
Growth in book (yoy)	18%	-*	-*
Impairment provision	16%	23%¹	18%
No. of active accounts	1.3m	260k	30k
Sales contribution	17%	27%² / 7%³	0%

* New credit books

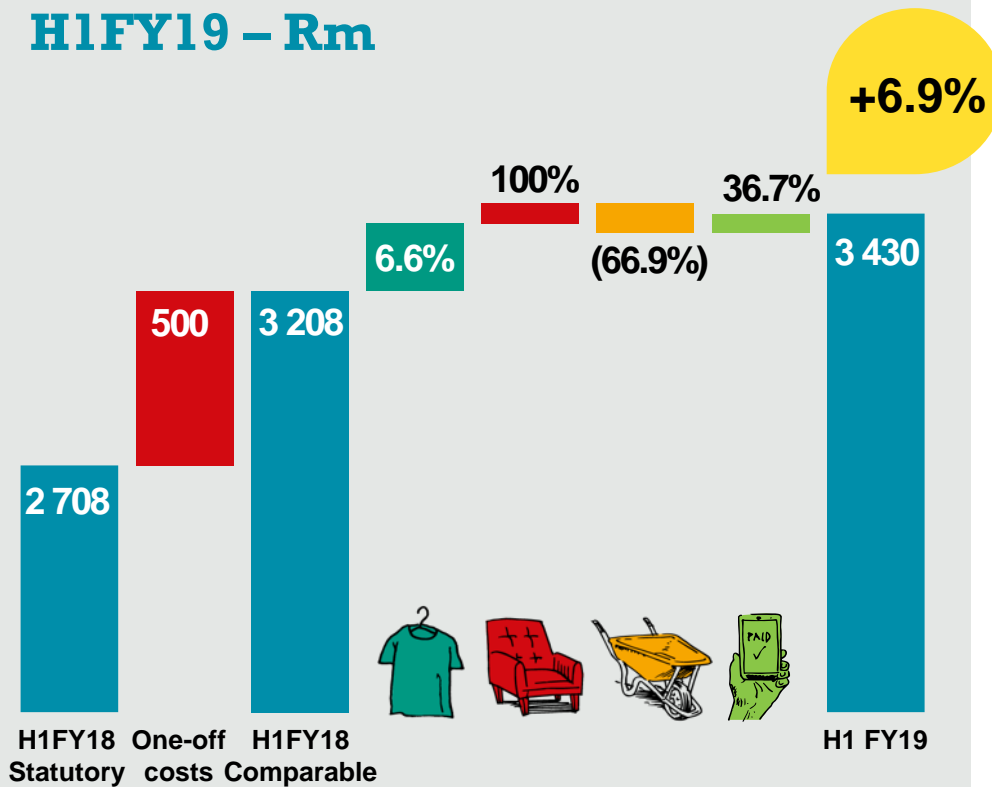
¹ Includes additional IFRS 9 provision of R50m

² Furniture brands

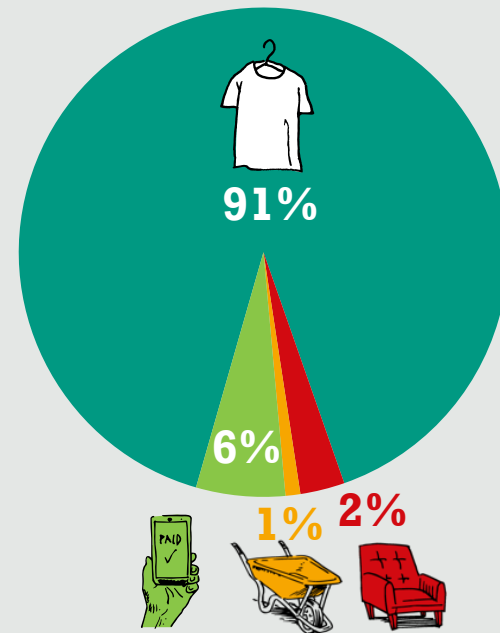
³ Appliances and electronics brands

Segmental comparable operating profit

H1FY19 – Rm



H1FY19 segmental composition

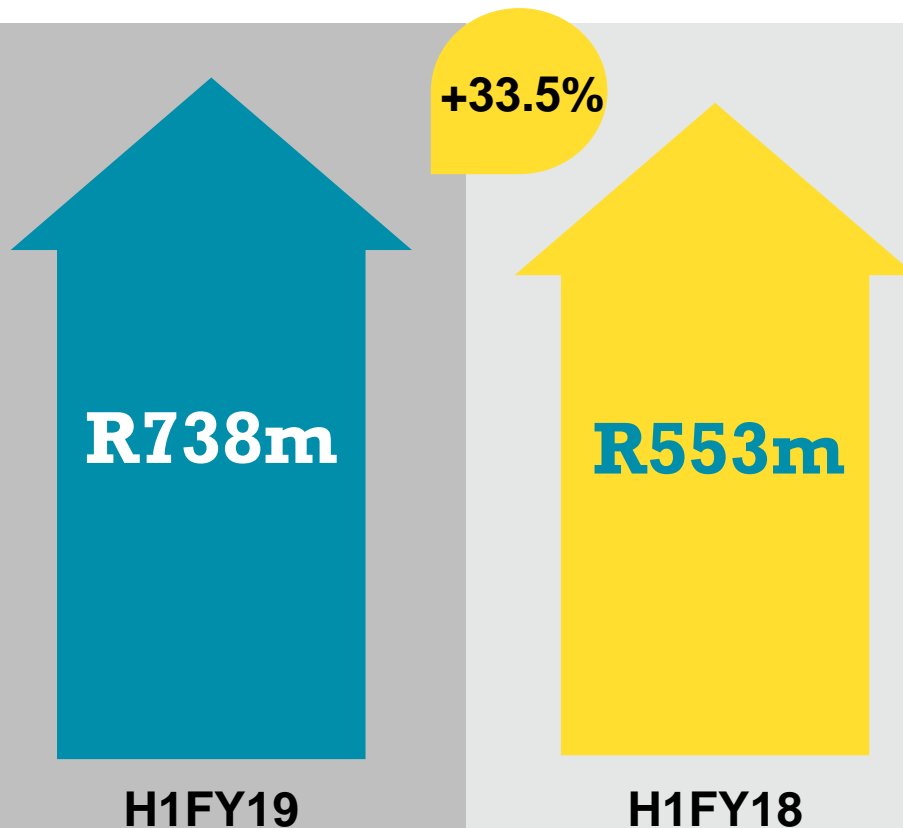


¹ Before capital items

Improvement in effective tax rate

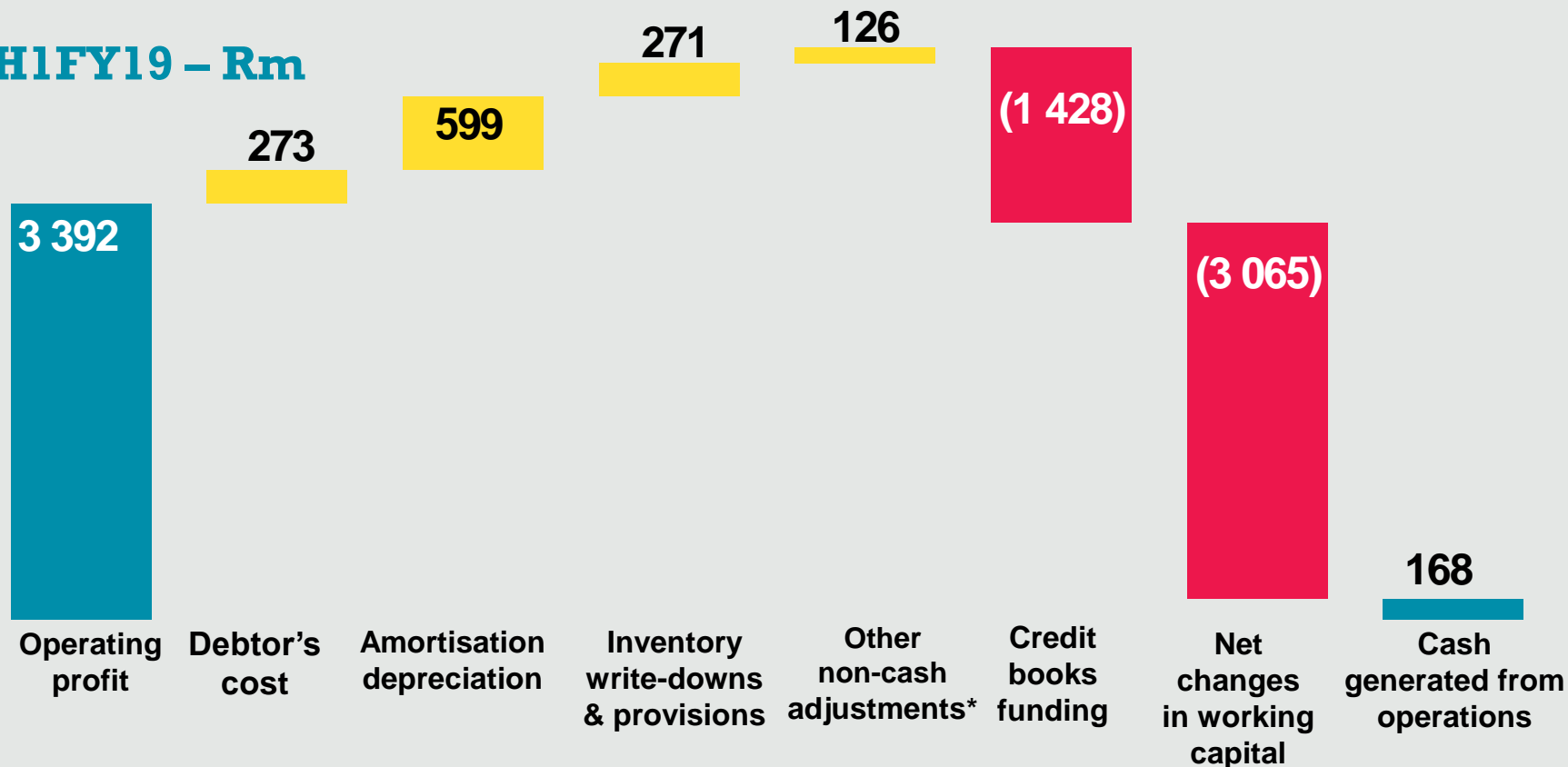
South African standard rate of taxation	28.0%
Effect of different statutory taxation rates	▼ 0.3%
Withholding taxes	▲ 1.7%
Unrecognised tax losses	▲ 0.6%
Non-deductible finance costs	▲ 5.2%
Other adjustments	▼ 1.1%
Effective tax rate	34.0%

- ➔ Cash conversion impact
- ➔ Funding of new credit books
- ➔ One-off costs



Cash generated

H1FY19 – Rm



* Other non-cash adjustments include share-based payments and foreign exchange movements

Net working capital

↑ **R3.7bn**
+52.2%

↑ Trade receivables
+R1.2bn

↓ Trade payables
-R0.4bn

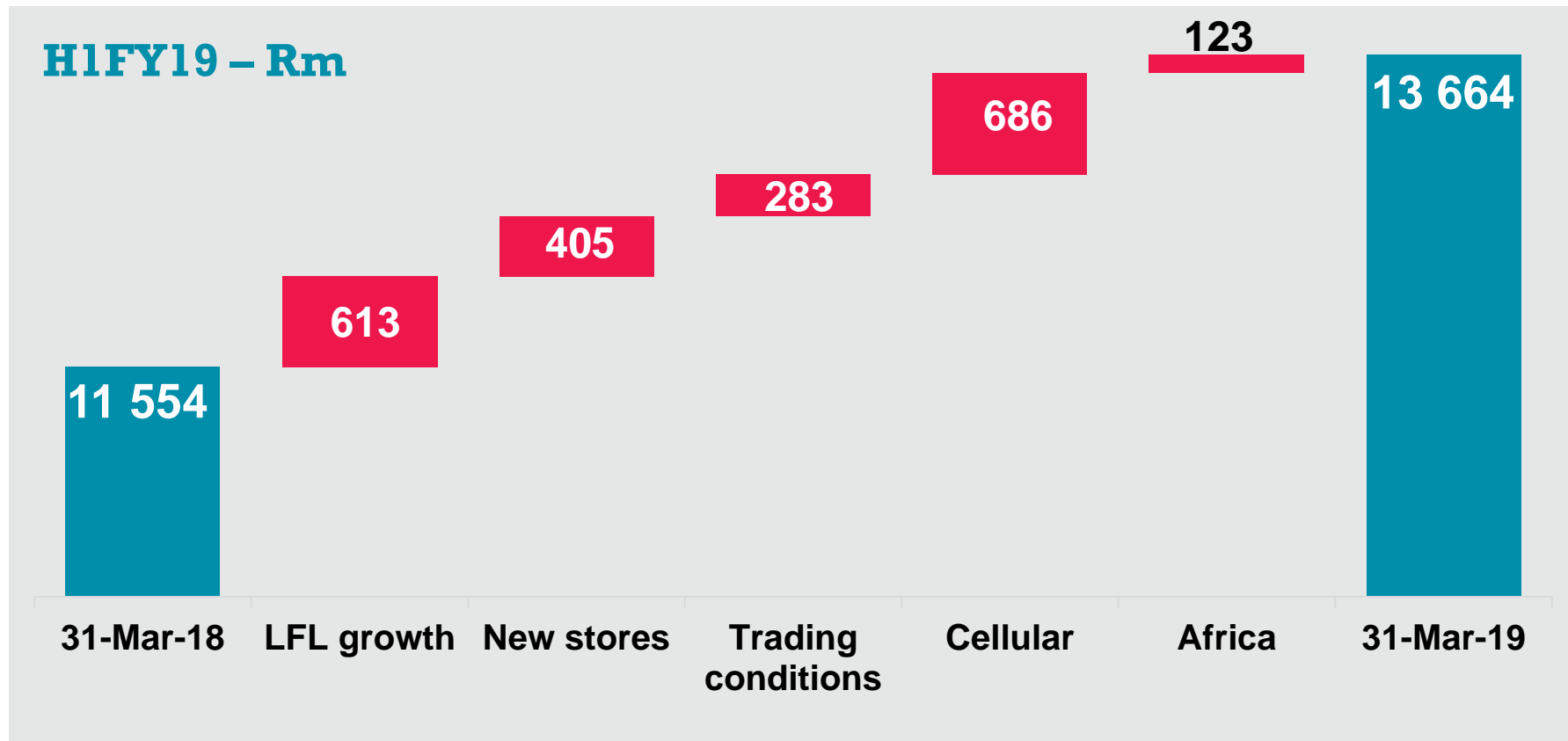


↑ Inventory
+R2.1bn

- Expanded store base
- Winter stock build-up
- Shift of Easter
- Cellular
- Africa consolidation

Year-on-year movements

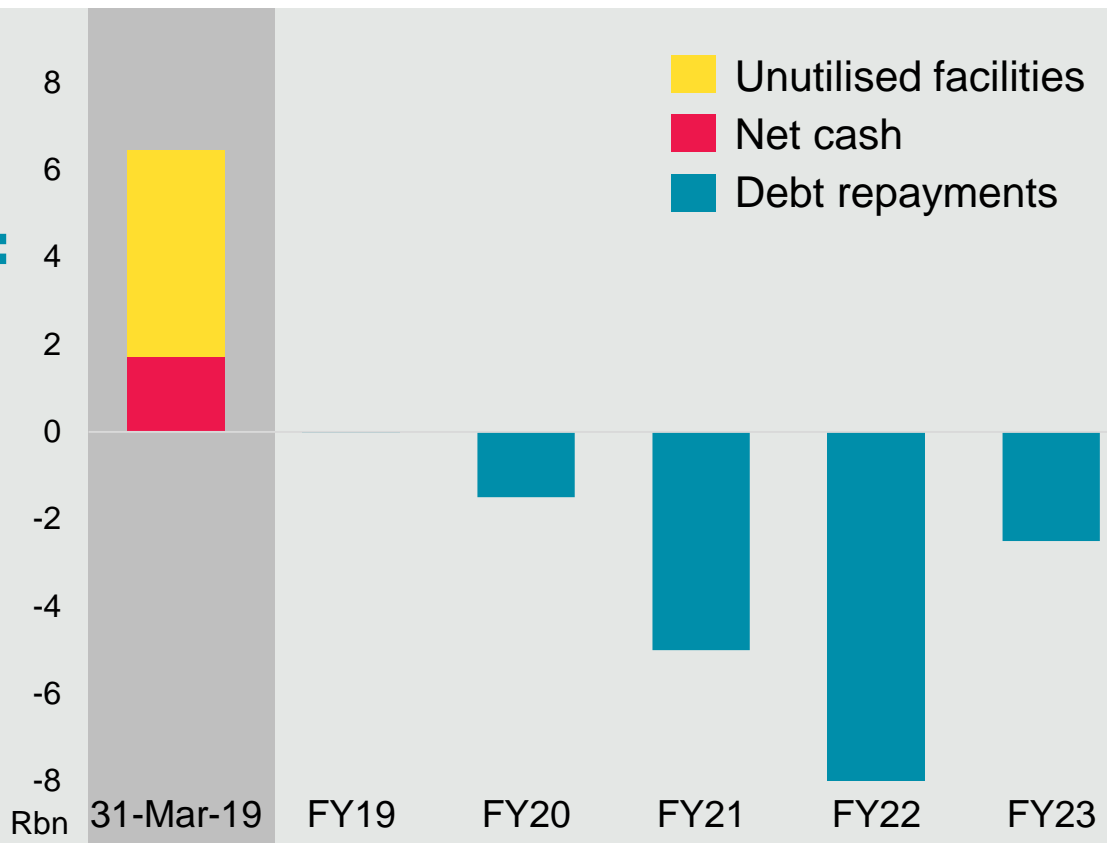
Inventory movement



Net debt: R15.7bn

**Net debt-to-EBITDA:
2.04 times**

**EBITDA interest
cover: 5.65 times**

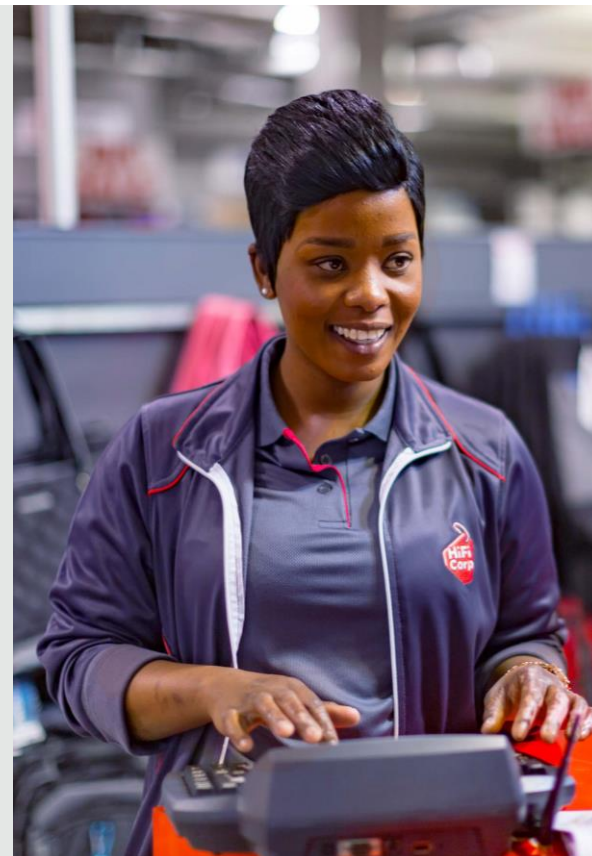


Capex
1.7% of
revenue:
R609m

1

Depreciation
1.7% of
revenue:
R599m

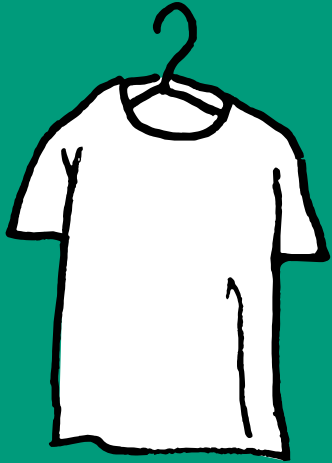
2



Segmental performance

LEON LOURENS
CHIEF EXECUTIVE OFFICER





Clothing & general merchandise



ACKERMANS



Tekkie  Town

DUNNS

JOHN CRAIG

REFINERY

ShoeCity 



ACKERMANS



↑ **+5.4%**
sales
growth

↑ **+1.6%**
LFL sales
growth

↑ **+2.5%**
CFH
inflation

↑ **+3.5%**
CFH volume
growth

↑ **+4.8%**
retail space
growth





51
new stores
opened

+97%
Best Price
Leadership

2 273
stores

+23%
growth in PEP
Money profitability

12 000
employees





+17%

credit sales mix
maintained

+18%

lay-bys
contribution

759

stores

31
new stores
opened

8 000

employees





AFRICA



+15.6%

sales growth
(constant currency)

+10.8%

like-for-like growth
(constant currency)

339

stores

3 000

employees

-3.4%
actual rates





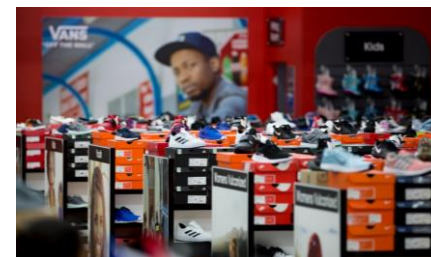
+9.4%
sales growth

+4.1%
LFL sales growth

939
stores

47
new stores
opened

6 000
employees





Continues to grow and expand



Key projects underway

- Supply chain
- Stock management
- Store footprint optimisation
- Processes & reporting systems

+8.1%

sales
growth

398

stores

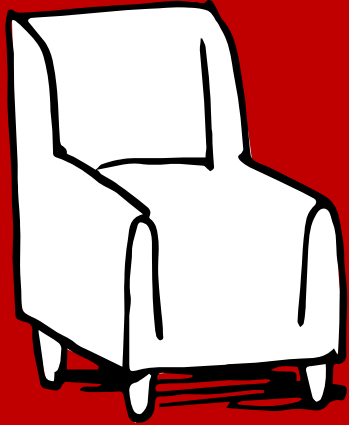
25

new stores
opened

2 000

employees





Furniture, appliances and electronics



JD GROUP



+1.4%
sales growth

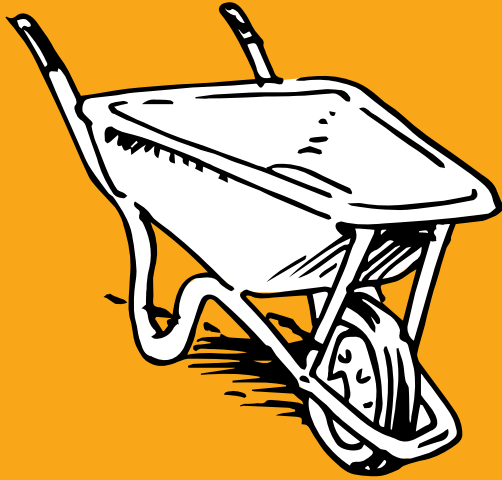
-1.6%
LFL sales decline

27%
furniture credit sales mix – stable

900
stores

7 000
employees





Building materials



The Building Company

PEPKOR
Holdings Limited



tiletoria
sanware · tiles · vinyl · laminate



↑ **+1.5%**
sales growth

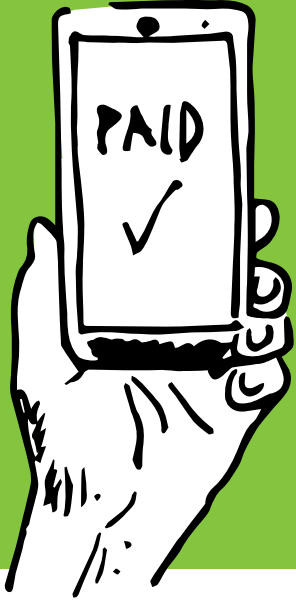
↑ **+2.3%**
LFL sales
growth

122
stores

-70 bps
GP margin
decline

7 000
employees





FinTech





156 000
active
traders


>20%
virtual turnover
growth

+2.6m
daily
transactions



↑ **30k**
active
accounts

↑ **+36%**
growth in new
applications



**GET A
CAPFIN
LOAN TODAY**

APPLY AT ANY
PEP OR SMS
YOUR SA
ID NUMBER
TO **44055**

Initiatives

LEON LOURENS
CHIEF EXECUTIVE OFFICER





Market share

growth in all adult wear brands



>10% average annual growth since 2015

ACKERMANS

>20% average annual growth since 2015

Ackermans Woman stores



PEPKOR^S
Speciality

Discount variety



8 Dealz
stores

4
in Gauteng
and North
West

✓
differentiated
customer value
proposition

>20%
LFL growth

+ signs
Maturing:
• Assortment
• Store
environment

+6 stores
planned for
FY19

1 year anniversary of PAXI

2 500 parcels sent daily

352 000 Parcels annually (incl 3rd parties)

Supporting **120** SMEs

YOUR MOST AFFORDABLE PARCEL SERVICE



From as little as **R49⁹⁵**
Up to 10kg

Available in over 2000 PEP stores

Bag Size	7-9 business days	5-7 business days	3-5 business days
SMALL 430mm x 370mm	R49.95	R79.95	R99.95
LARGE 640mm x 570mm	R79.95	R99.95	R109.95

PAXI www.paxi.co.za

1st ANNIVERSARY

Here's to 365 days of delivering parcels and smiles



- Over 250 000 parcels sent
- 425 tons of PAXI parcels moved
- 113 294 UNISA assignments received
- 84% referral rate
- 4.5 star rating

Thank you for an incredible year. We're proud to be South Africa's most affordable parcel service.

For support and enquiries call PAXI call centre on 086 000 7294 or visit www.paxi.co.za

PAXI
send | collect | return

Local manufacturing – PepClo



Started manufacturing Student Prince school clothes in

1969

Largest clothing manufacturer under one roof in SA

2 000

employees

30

additional permanent jobs created

10m

uniforms manufactured per annum



5m shirts



4m shorts/trousers

2.5m

pairs of flip-flops per annum

Started flip-flop manufacturing in 2018

↑ **5.2m**
shirts sold

↑ **2.5m**
shorts &
trousers sold



↑ **3.6m**
pairs of school
shoes sold

Significant
market share ✓





Digital platforms to further enhance systems and processes



Solving customer problems, making their lives easier



Technology-enabled businesses



Pepkor central digital capability drives enablement of businesses across all processes





+65%
↑
growth in USSD transactions to 300k per month (bill payments, money transfers, airtime, electricity)

62m
↑
Digital platform reach in Q2

ACKERMANS
✓
Click-and-collect trial June 2019



3% contribution to consumer electronics brands

End-to-end integrated e-commerce capability

Multiple payment & fulfilment options



Development of e-commerce platform aimed at building contractors

Outlook

LEON LOURENS
CHIEF EXECUTIVE OFFICER



Retail and
customer
focus

1

Continued
growth and
expansion

2

Depth of
management

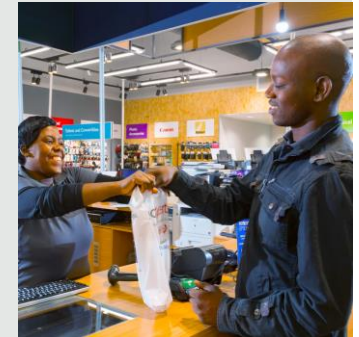
3

Selling Price
Inflation

4

Inventory
focus

5





Unaudited interim results

Thank You

PEPKOR
Holdings Limited