

INTERIM RESULTS

26 weeks ended
27 August 2023



BOXER

Pick n Pay
QualiSave

Pick n Pay



Chairman's
introduction

Gareth
Ackerman

Result overview

Lerena
Olivier

New CEO remarks

Sean
Summers



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ECONOMIC DIFFICULTIES PERSIST

- Record levels of load shedding
- Food inflation reached 14% in March, the highest level in 14 years
- Interest rates hit their highest point since 2009
- Customers remain under immense pressure



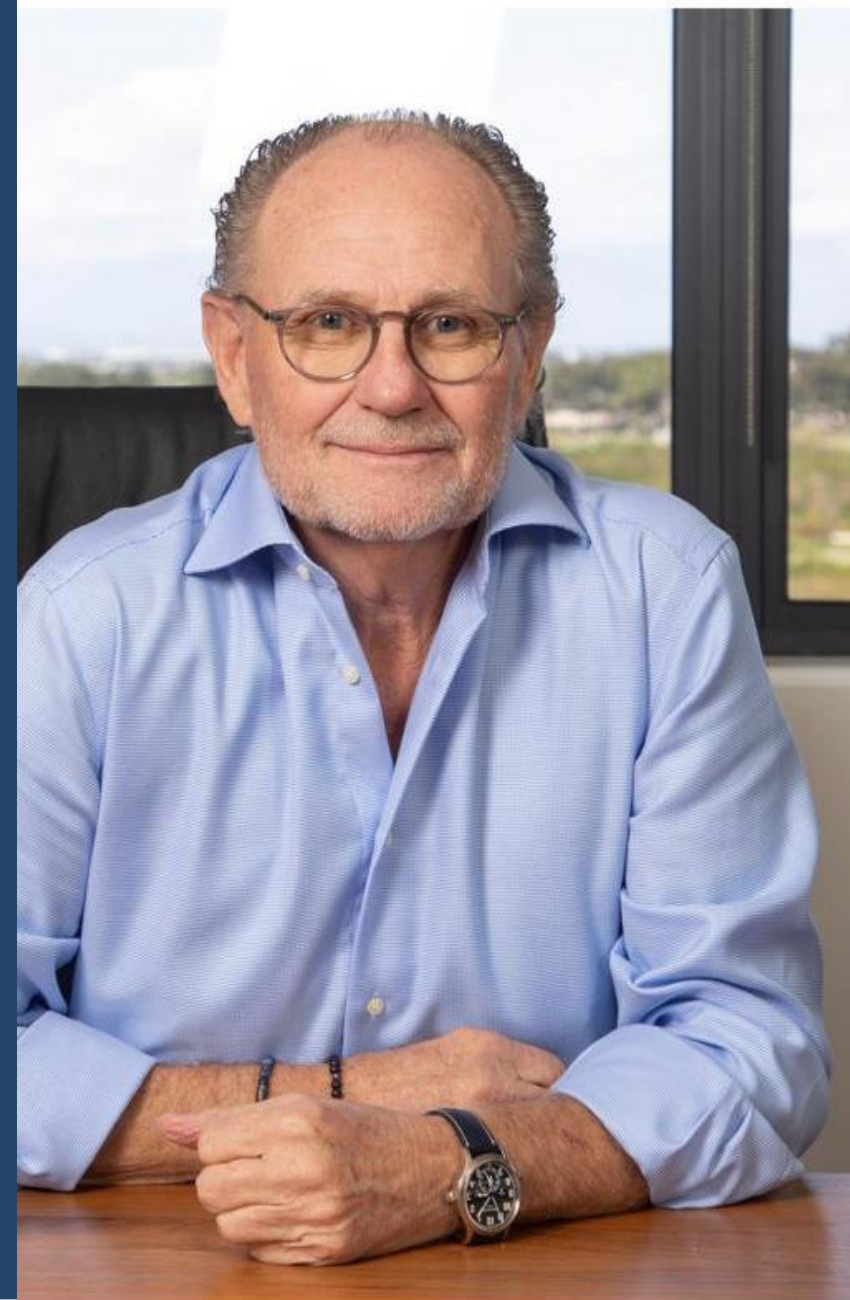
GROWTH POINTS

- The interim results is a story about two operating divisions, Boxer and Pick n Pay
- Boxer delivered strong growth despite economic challenges
- Growth points within the Pick n Pay business
 - Pick n Pay Clothing maintaining momentum
 - The online business increased its contribution to overall sales
 - Value added services continue to perform
- Our franchise partners remain key part of our business



LEADERSHIP CHANGE

- Performance of our core Pick n Pay grocery business has not met expectations
- Board has appointed Sean Summers as the new Group CEO
- Sean is a globally experienced and world-class retailer and has hit the ground running
- Clear mandate to fix core retail business





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KEY METRICS

Turnover	GP margin	Other income	Total expenses
R54.1bn ↑ 5.4% (LFL ↑ 2.3%)	18.5% ↓ 90bps	↑ 23.8%	↑ 13.7% ↑ 9.1% excl. once-off and net incremental energy costs
Trading profit	EBITDA	Pro forma HEPS	Dividend
R31.8m ↓ 97.1%	R2.1bn ↓ 37.3%	-129.3c HEPS -138.2c	No dividend declared

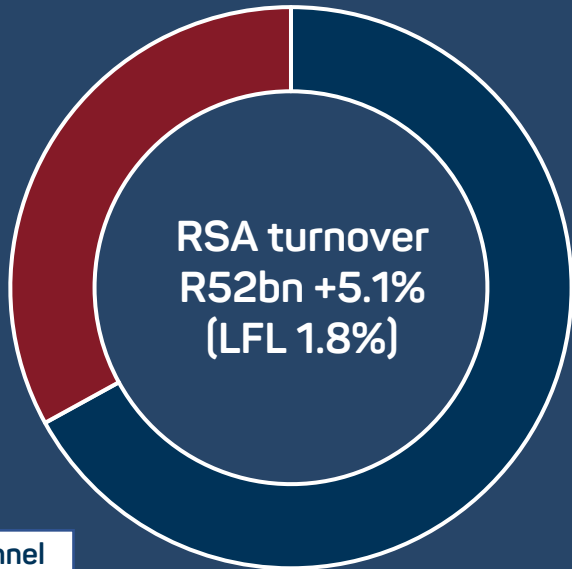
Other income, trading profit and pro forma HEPS exclude R145.2m (R104.5m net of tax) insurance proceeds from H1 FY23 and all non-cash hyperinflation gains/losses related to the TM business in Zimbabwe. EBITDA excludes the impact of IFRS16

SOUTH AFRICA SALES SEGMENTATION



R17.4bn

Sales participation: 33% (H1 FY23: 30%)



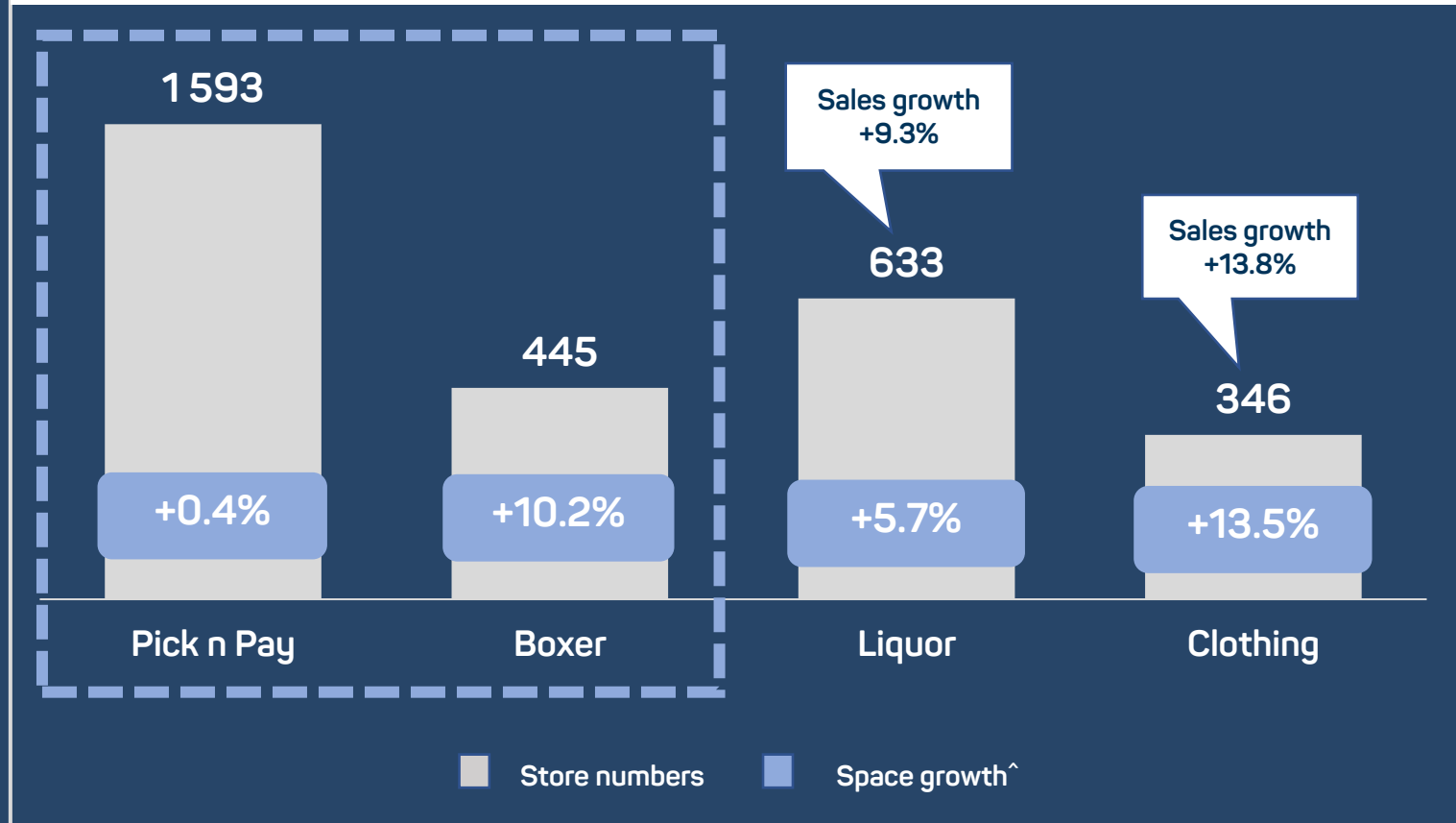
Omnichannel sales growth +76.3%



R34.6bn

Sales participation: 67% (H1 FY23: 70%)

South Africa store estate – 2 038 stores

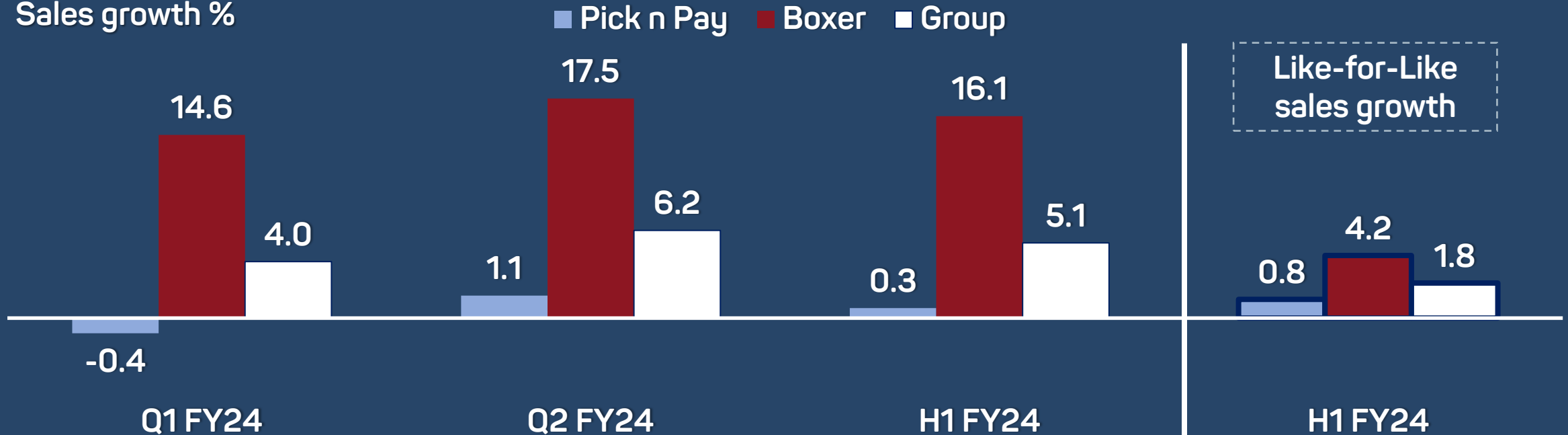


^Space growth year-on-year (H1 FY23 to H1 FY24)



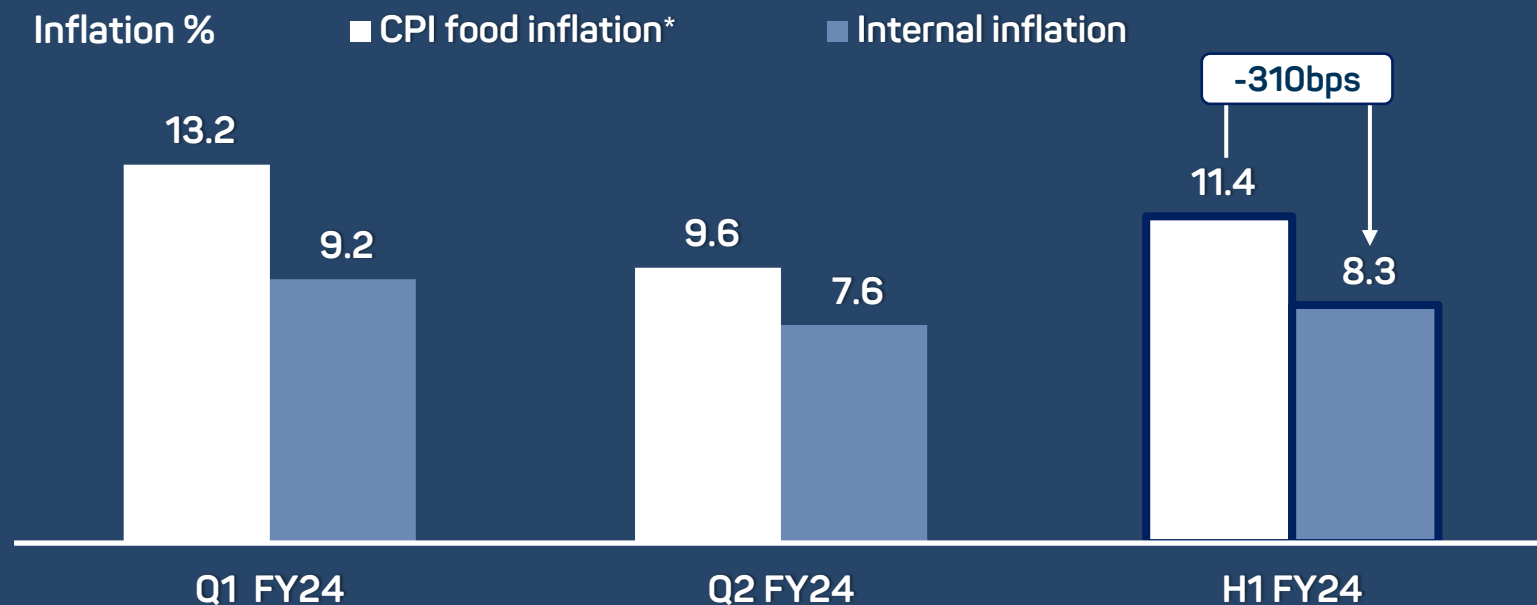
SOUTH AFRICA SALES DEVELOPMENT

Sales growth %



- Pick n Pay growth was below expectation with some momentum regained in Q2
- Boxer's outstanding performance at 16.1% continues to drive SA sales growth

BETTER VALUE FOR CUSTOMERS



*Stats SA (CPI food and NAB)

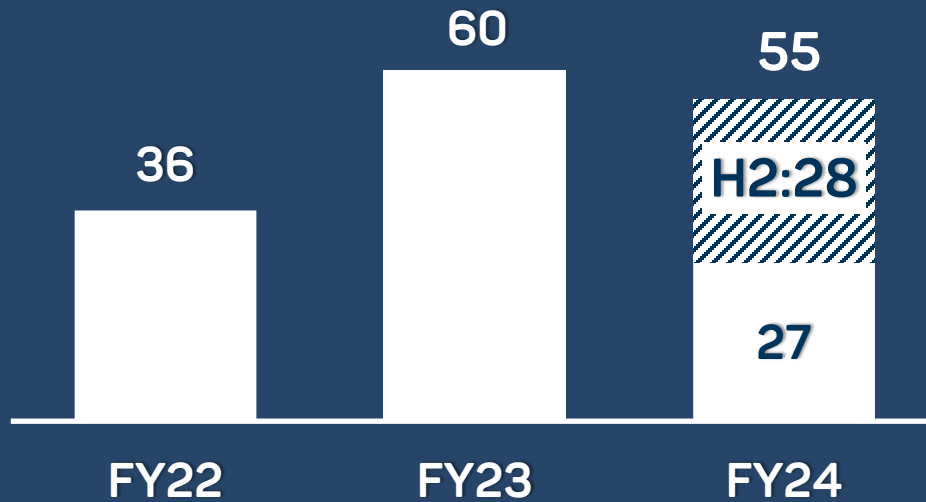
- Continuing to deliver lower prices to customers in a high inflationary environment
- Internal selling price inflation well below CPI food by 310bps





BOXER: STRONG GROWTH

New and converted stores:



16.1%
SA sales growth
4.2% LFL growth

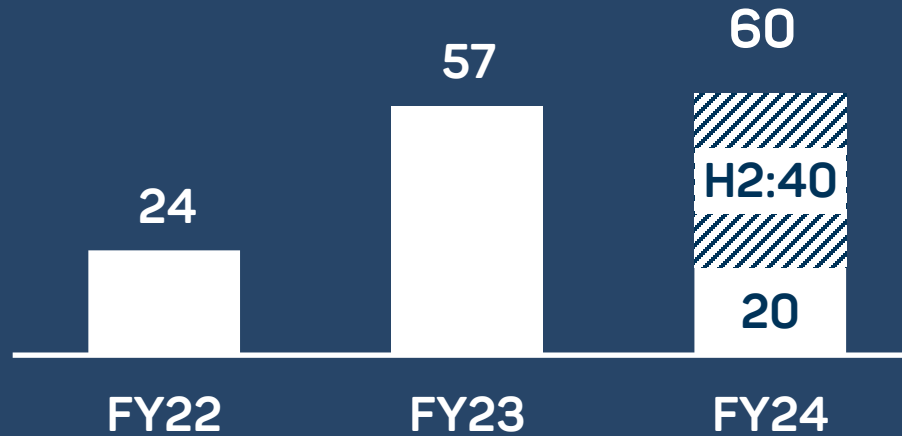
14.6%
customer growth
1.0% basket growth

- Strong growth in key categories (butchery, bakery and fresh)
- Cost savings driven by new demand planning system
- Opened 27 new Boxer stores. On track to open 55, reduced from 75 as previously guided
- Strong sales momentum into H2 and remains on course to add 200 stores and double sales by FY26

CLOTHING: KEY DIFFERENTIATOR

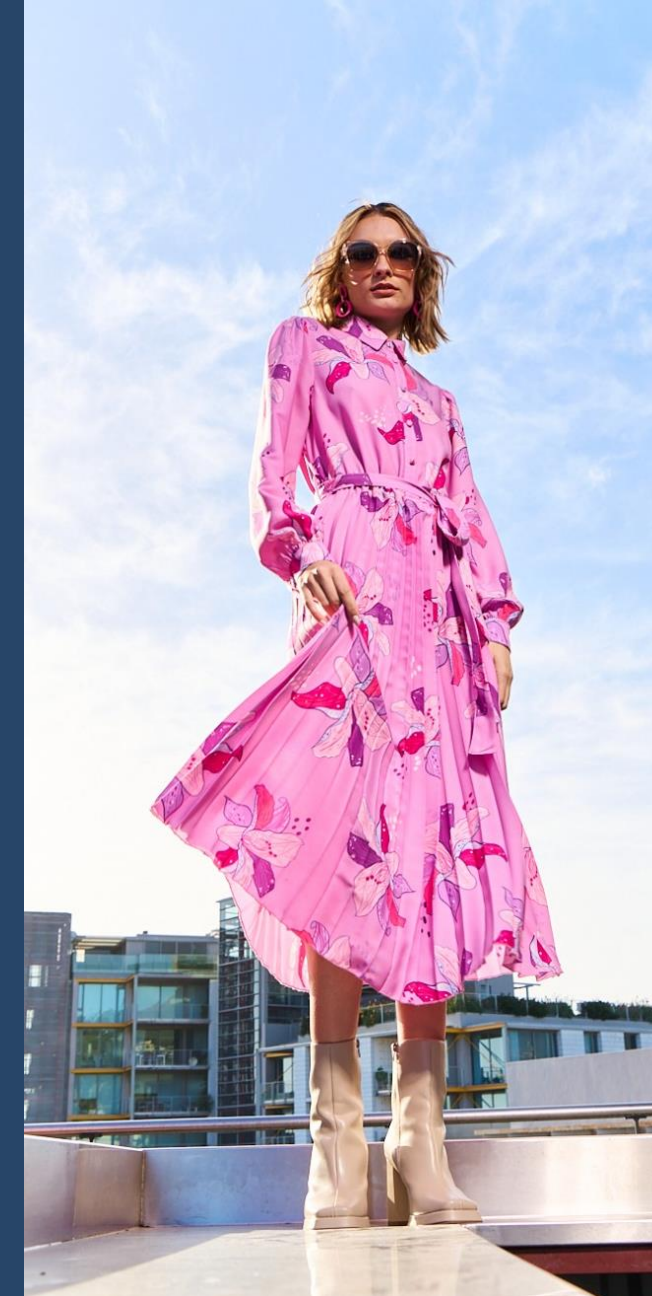
- Sales growth +13.8% (+4.4% LFL) in stand-alone clothing stores
- 16.5% 2-year sales CAGR ahead of market
- Opened 20 new company-owned stores, on track to open 60 stores as guided
- More than 40% of products procured locally and sustainably
- Flagship store re-opened in Sandton City

New and converted company-owned stores:



90
stores certified
Green Star level 4

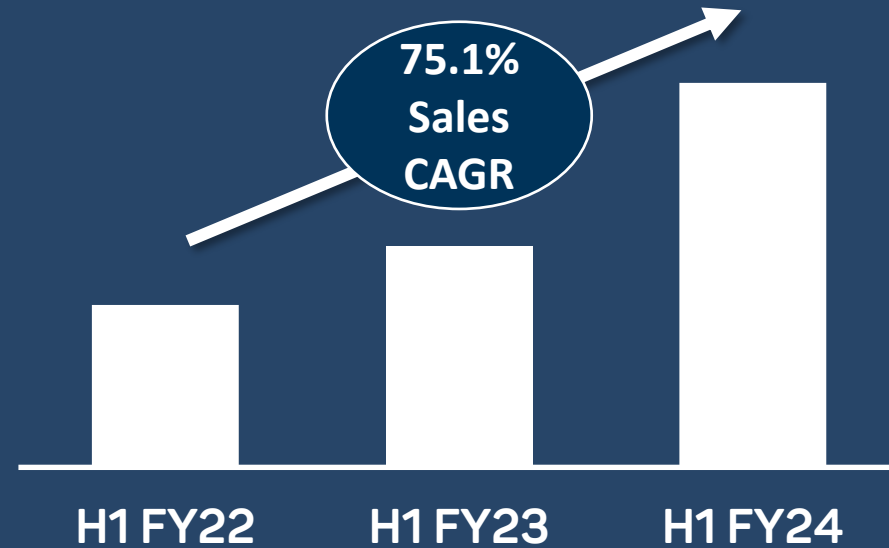
R10m
donated to
Clothing Bank



ONLINE DELIVERS

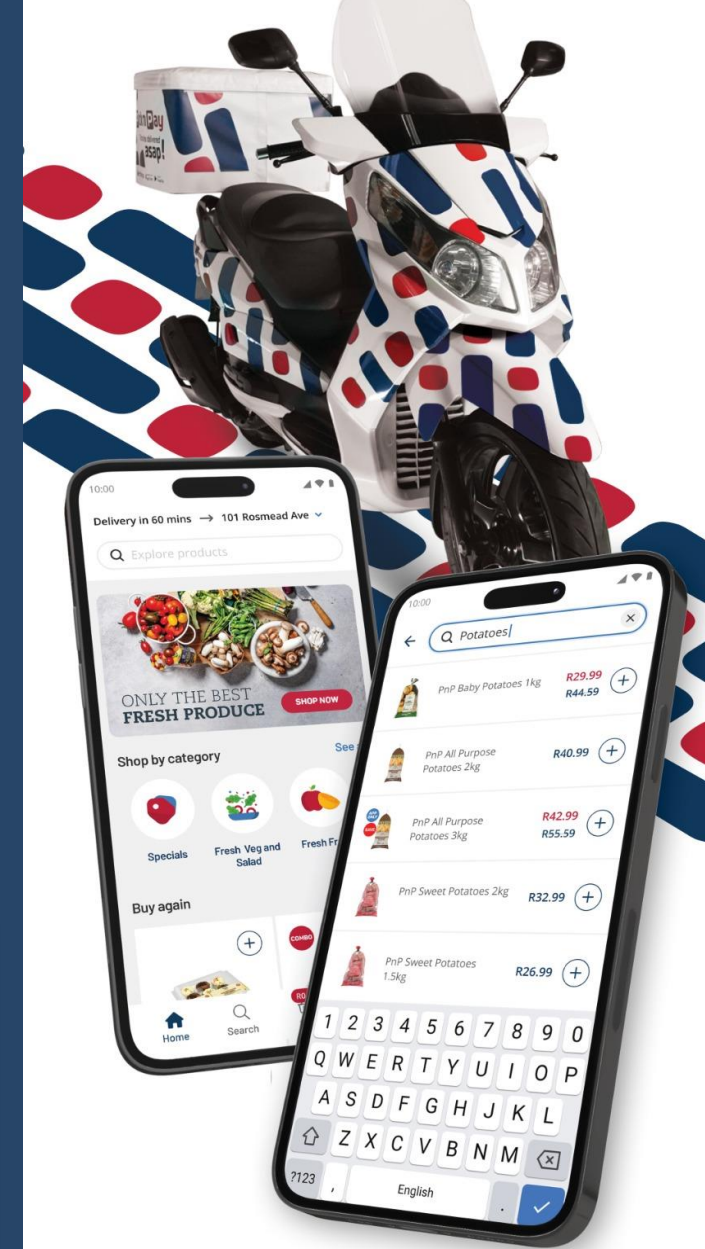
- Strong online sales growth +76.3%
- Driven by on-demand offers on asap! and PnP groceries on Mr D app
- World-class AI search engine continually improves customer experience
- Re-launch of asap! app in October with 25 000 products and improved search functionality

Total online sales:



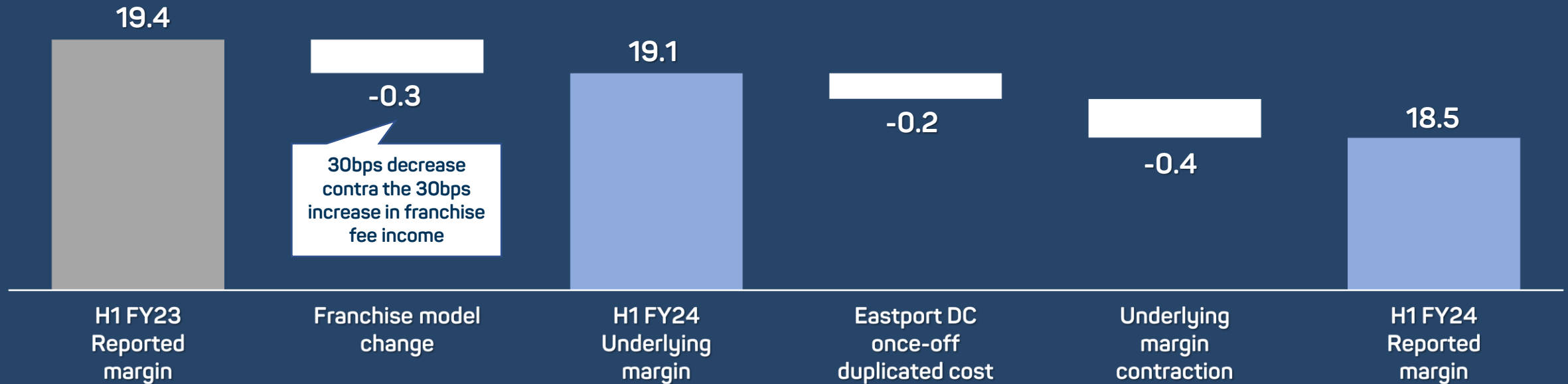
100%
on-demand sales
growth

500
delivery locations
nationally



GROSS PROFIT

Gross profit margin %



- Gross profit margin contracted by 90bps to 18.5%
- 20bps Eastport duplication is once-off
- 40bps underlying margin contraction due to increasing promotional sales participation and lower supplier incentives

OTHER TRADING INCOME

Rm	H1 FY24	% of T/O	H1 FY23	Change %
Franchise fee income	224		216	3.8
Operating lease income	60		71	(15.5)
Commissions & other income ¹	728		656	11.0
Underlying other income	1 013	1.9	944	7.3
Franchise model change	156			
Pro forma other income	1 169	Franchise model change: +30bps	944	23.8
Insurance recoveries			145	
Reported other income	1 169	2.2	1 089	7.3

¹Includes income from value-added services, digital and media income and all other commission and incentive income not directly related to the sale of inventory

- Reported and underlying other income growth of 7.3%
- VAS income rose by 13.5% driven by growth in banking services and financial services



TRADING EXPENSES

Rbn	H1 FY24	H1 FY23	Change %	*LFL %
Trading expenses	11.2	9.8	13.7	5.7
Employee costs	4.7	4.2	12.1	2.8
Occupancy	1.7	1.5	14.8	9.6
Operations ¹	3.1	2.5	22.8	9.7
Merchandising & administration	1.7	1.7	3.1	3.4

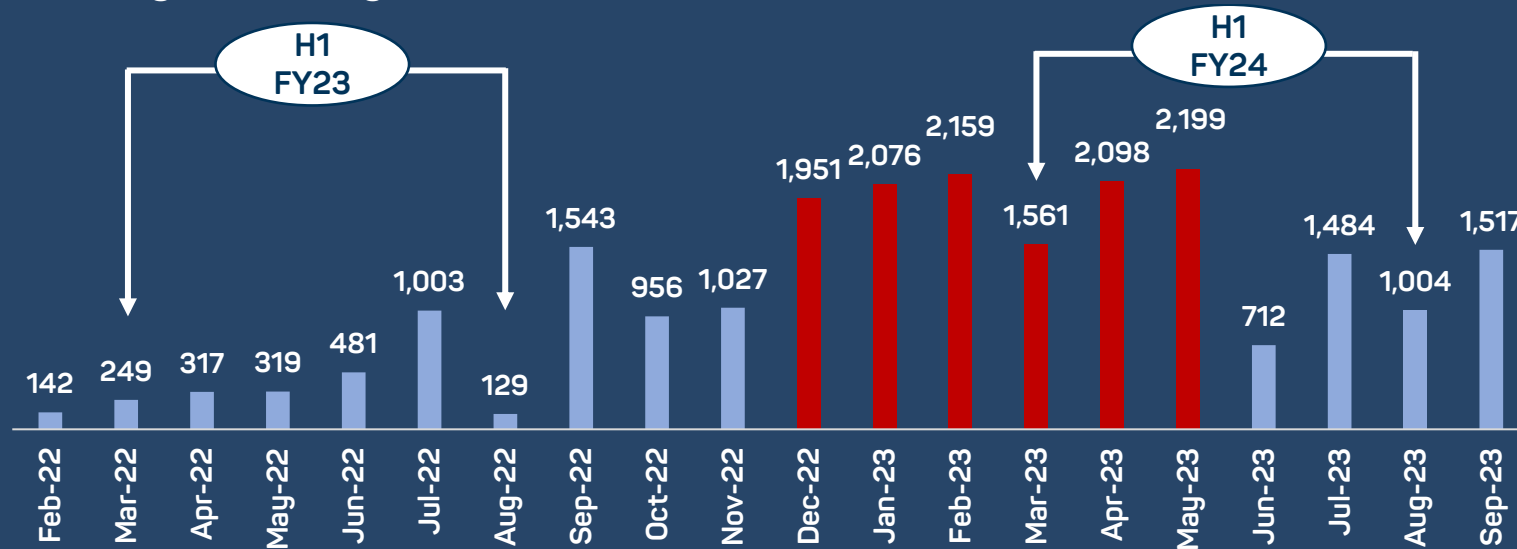
¹ Operations consist mainly of utilities and energy costs

* LFL % excludes employee once-off restructure and net incremental energy costs

- Trading expenses increased +13.7%
 - R190m net incremental energy costs
 - R259 employee once-off restructuring cost
- Underlying expense growth was +9.1% (+5.7% LFL). Costs contained despite Boxer & Clothing store roll-out
- Employee cost excluding restructuring cost +5.9% (LFL only +2.8%)
- R334m Project Future savings

IMPACT OF LOAD SHEDDING COSTS

Average monthly load reduction (MLR), GW



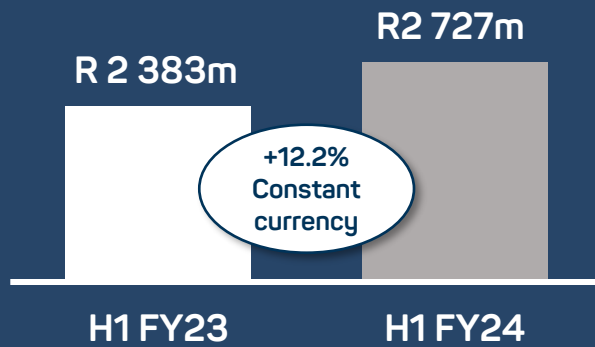
Source: Investec Securities, Eskom

Rm	H1 FY24	FY23
Total diesel costs	396	652
Incremental diesel costs	229	522
Incremental electricity savings	(39)	(92)
Net incremental energy cost	190	430

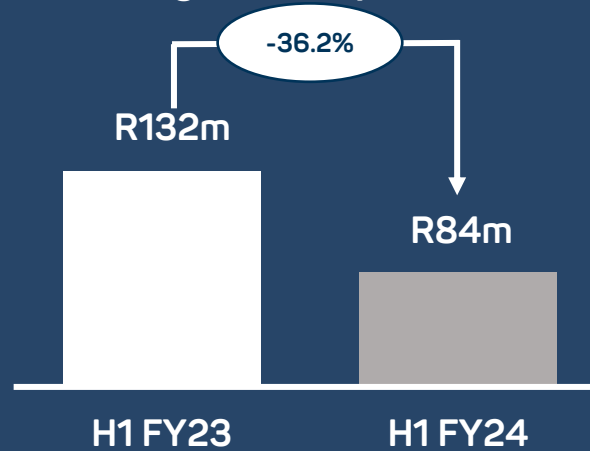
- R396m total diesel spend
 - impacted expense growth
 - constrained the Group's response to increasing promotional market activity
- Net incremental energy costs R190m
- R124m energy savings (FY24 R200m target)
 - roll-out of energy-efficient equipment and BESS trial
 - better diesel procurement
 - stricter store disciplines

REST OF AFRICA

Segmental sales



Segmental profit*



*Excluding non-cash hyperinflation adjustments and capital items



Franchise

Botswana	19
Lesotho	4
eSwatini	23
Namibia	36

Owned or Partnership

Zimbabwe	73
Zambia	23
Nigeria	2
eSwatini	9

BALANCE SHEET ANALYSIS

Net gearing

↑R3.8bn

Up only R167m from
FY23

Net debt to EBITDA

1.6x

Excluding once-off
costs

Net working capital

↑R2.1bn

Strong inventory
management

CAPEX

R1.9bn

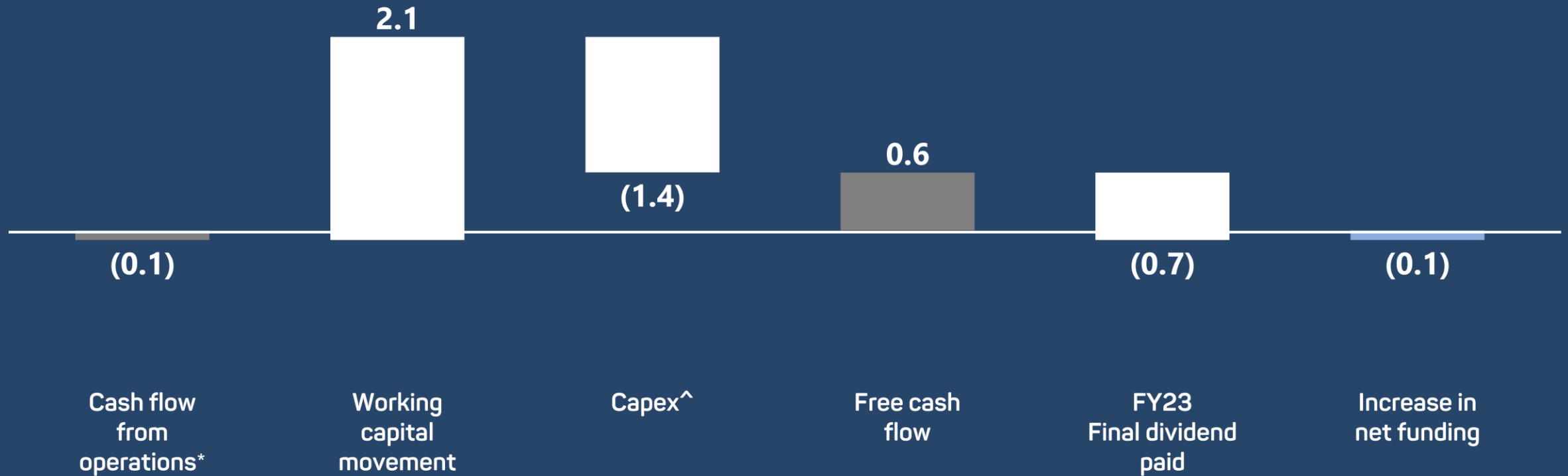
Focus on growth
engines

Net gearing and EBITDA exclude the impact of IFRS16



CASH FLOW PROFILE

Cash generation and utilisation (Rbn)



* Before non-cash flow impact of IFRS16

^ Net of proceeds from the sale of Longmeadow DC of R500m

WORKING CAPITAL MANAGEMENT

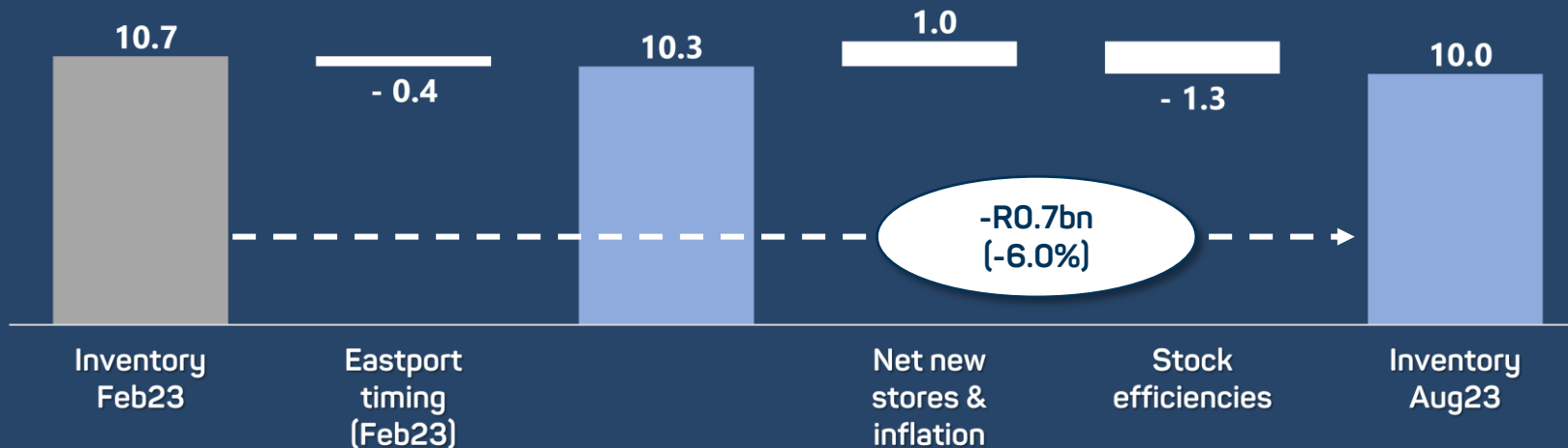
Rbn	H1 FY24	FY23	Change Rbn
Changes in working capital	(2.7)	(0.5)	2.1
Inventory	10.0	10.7	0.7
Trade and other receivables	4.7	4.6	(0.1)
Trade and other payables ¹	(17.4)	(15.7)	1.6

¹Trade and other payables include supplier financing

- Disciplined working capital management released R2.1bn liquidity

- Inventory reduction of 6.0% supported by

Group inventory (Rbn)

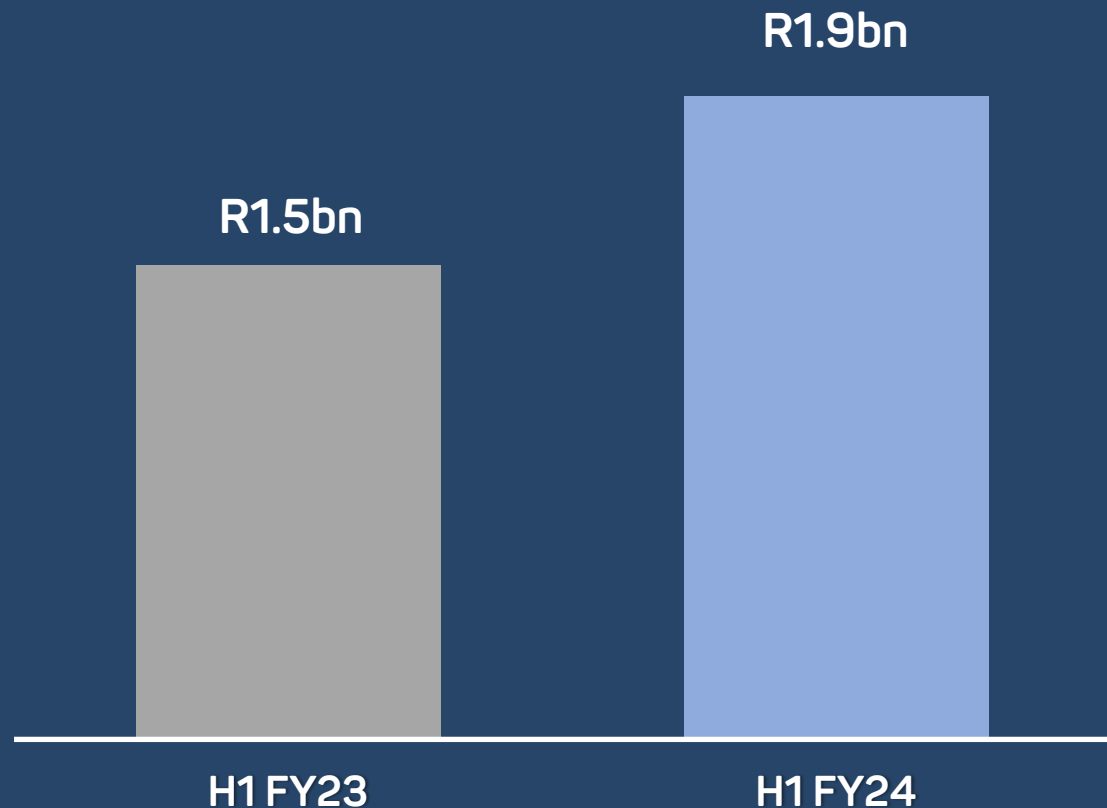


- R0.4m unwinding of Eastport duplicated stock

- R1.3bn stock efficiencies due to the clearing of exit stock, sell-through of investment buys and overall strong stock management

PROGRESS AGAINST INVESTMENT PLAN

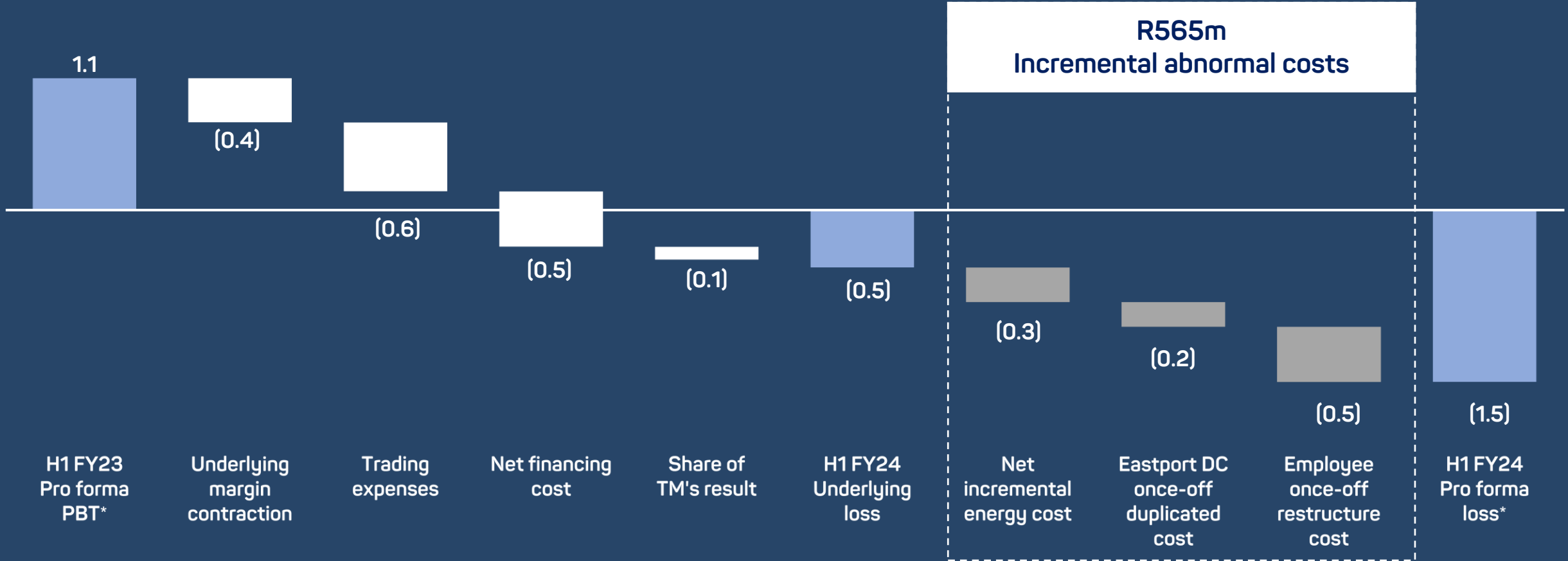
Capital investment (Rbn)



- CAPEX investment of R1.9bn (+29.3%)
- R1.4bn net capital investment after the sale of Longmeadow of R500m, approximately flat on H1 FY23
- FY24 CAPEX approach
 - R4bn gross capital funding, net capital R3bn post asset disposals
 - continued investment in growth engines
 - acquired TOMIS, a state-of-the-art abattoir, meat packaging and processing facility

UNDERLYING RESULT

Pro forma (loss)/profit before tax margin %



*Pro forma PBT excludes R145.2m (R104.5m net of tax) insurance proceeds from H1 FY23 and all non-cash hyperinflation gains/losses related to the TM business in Zimbabwe

IN SUMMARY

Growth engines

- Boxer growth: 27 new stores and SA sales up 16.1%
- Clothing continues to make gains in market share, including through 20 new company-owned stores
- Online on-demand sales doubling through asap! and PnP groceries on Mr D

Efficiency journey

- Project Future savings of R334m in this half – plus R124m savings from energy reduction plan
- But must be set against R565m of abnormal incremental costs
- Balance sheet stability maintained through strong working capital and prudent capital management

Pick n Pay Retail

- No hiding from a very disappointing performance
- Investment in modernising the business did not deliver sufficient returns – even taking into account the tough trading environment and abnormal costs
- Hence the critical action on leadership change

OUTLOOK FOR H2

- Tough trading conditions likely to persist
- Some reduced pressure relative to H1:
 - more supportive earnings seasonality
 - lower net incremental energy cost – if loadshedding does not escalate
 - no repeat of duplicated supply chain cost
 - some additional momentum on efficiency gains from employee restructuring – expected to deliver R300m annualised Project Future savings
- All considered, H2 FY24 profit likely to be down on H2 FY23
- Key focus will be on revitalising core Pick n Pay business under Sean's new leadership



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APPENDIX

UNDERLYING RESULT

Rm	H1 FY24	H1 FY23	% of T/O
Pro forma trading profit ¹	32	1 108	0.1
Net finance costs	(913)	(620)	
Zimbabwe associate	44	100	
Pro forma (loss)/profit before tax ¹	(837)	588	(1.5)
South Africa	(921)	456	
Rest of Africa	84	132	
Eastport DC duplicated cost	116		
Employee restructure costs	259		
Net incremental energy cost	190		
Underlying (loss)/profit before tax ¹	(272)	588	(0.5)

- Pro forma trading profit declined due to the poor PnP performance
- Finance costs driven by higher gearing and interest rate hikes
- Rest of Africa delivered a softer result due to economic headwinds
- Underlying PBT margin excluding R565m incremental abnormal costs is -0.5%

Pro forma trading profit and pro forma PBT exclude R145.2m (R104.5m net of tax) insurance proceeds from H1 FY23 and all non-cash hyperinflation gains/losses related to the TM business in Zimbabwe

INCREASED GEARING TO SUPPORT GROWTH PLAN

Key metrics	Aug 2023	Feb 2023	Aug 2022
Net gearing/(net cash), Rbn	3.8	3.7	1.4
Underlying net debt to EBITDA* excl. once-off costs	1.6	1.1	0.4

* Net debt to EBITA excludes the impact of IFRS16

	Aug 2023	Ratio %
Gross debt (Rbn)		
Long term debt	4.5	53.2
Short term debt	4.0	46.8
Gross debt	8.5	
Cash and cash equivalents	(4.6)	
Net gearing	3.8	

- Net gearing increased to only R3.8bn. Net debt to EBITDA excluding once-off costs at 1.6x
- Stable gearing due to strong working capital management and prudent capital allocation
- Secured R5.5bn long-term debt, R4.5bn has been drawn down
- Longer term gross debt ratio at 53.2% to strengthen liquidity