



**Pick n Pay**

# RESULTS PRESENTATION

For the 52 weeks ended 28 February 2021

# AGENDA

## 01 CHAIRMAN'S INTRODUCTION

Gareth Ackerman

## 02 INTRODUCTION TO CEO-DESIGNATE

Pieter Boone

## 03 RESULTS OVERVIEW CFO

Lerena Olivier

## 04 PROGRESS ON OUR PLAN CEO

Richard Brasher

## 05 APPENDIX



# 01

## CHAIRMAN'S INTRODUCTION

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Gareth Ackerman



# AN UNPRECEDENTED YEAR

- We had to adapt quickly to a constantly changing environment
- We were a positive force in a tough year
- Prioritised keeping our customers and staff safe
- Carried out our responsibility as an essential service

**We are proud of our staff and grateful to our suppliers for helping us maintain uninterrupted service**



# FEED THE NATION AND FOOD SECURITY



- The South African food chain held up under the pressures in the past year
- We have always been advocates of local supply
- Our Feed the Nation campaign has raised over R136m contributing more than 28m meals
- The Feed the Nation Foundation was registered as an NPO in June last year



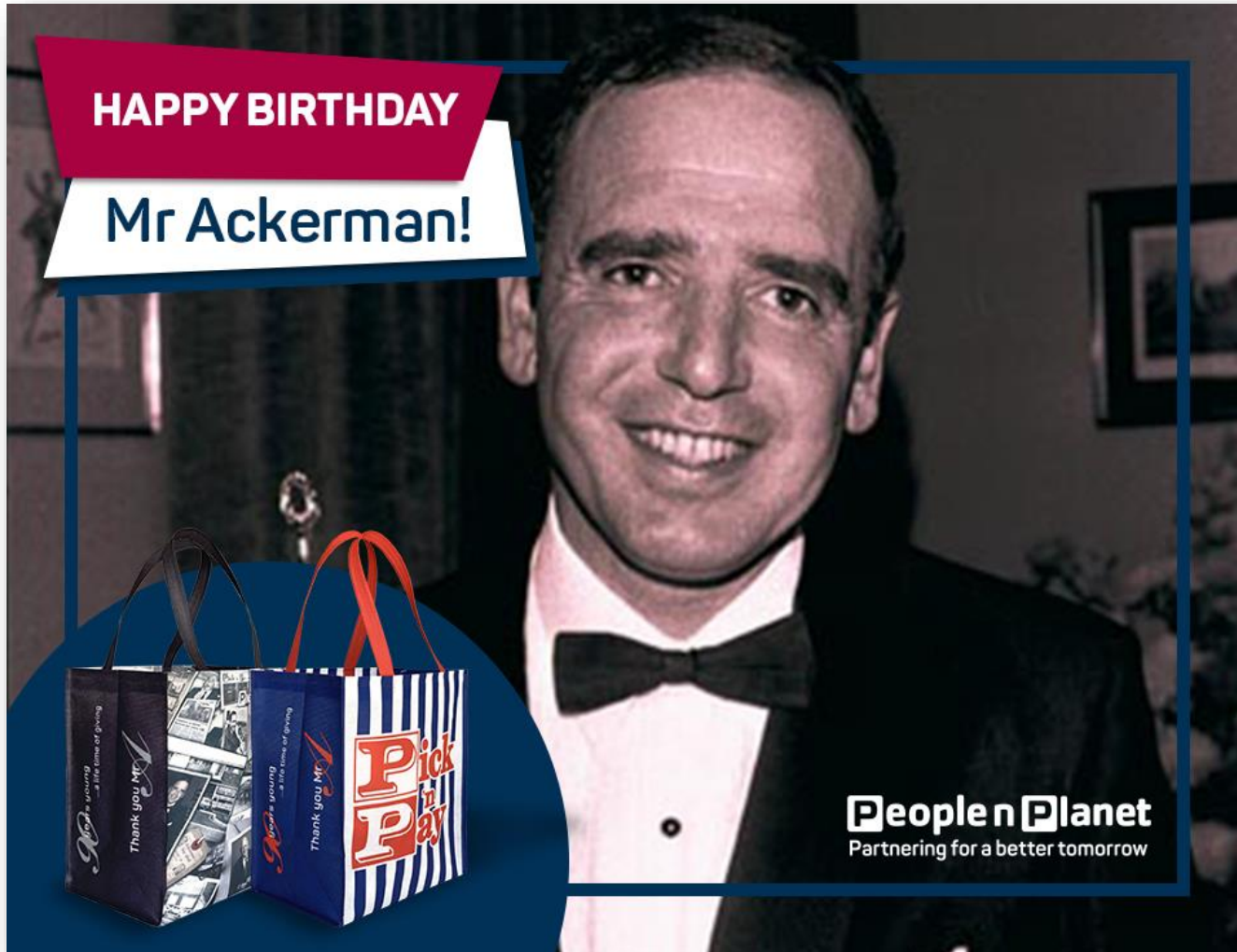
# VACCINE ROLL OUT

- Concern around the relatively slow vaccine roll out
- Increased risk of a third wave
- We have offered to do whatever we can to assist in efficient distribution when the vaccine is available



\* "President Cyril Ramaphosa joins healthcare workers to receive J&J Coronavirus vaccination, 17 February 2021" GovernmentZA photo by GCS, licensed under CC BY-ND 2.0, <https://www.flickr.com/photos/governmentza/50952894286>

# FOUNDER'S 90<sup>th</sup> BIRTHDAY



- Our founder, Raymond Ackerman, turned 90 in March
- Exceptional celebration giving us an opportunity to reinforce our culture and our values
- Marked this occasion with all our staff

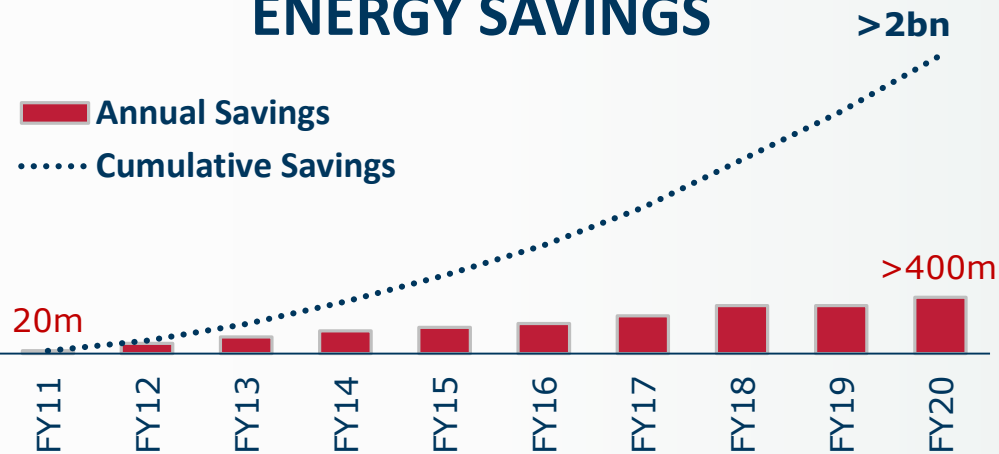
***Gave our customers reason to celebrate too***

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

**SAY YES!  
TO SUSTAINABLE  
FASHION**



## ENERGY SAVINGS



- Challenges of climate change, environmental degradation, waste, poverty and water scarcity remain
- Strong focus on ESG does not require a trade-off against core business priorities
- Clear action plans on environmental and social priorities can reduce costs and strengthen competitiveness

***Energy reduction initiatives have saved R2 billion in costs over the past decade***

# FAREWELL RICHARD

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- The business has been transformed under his leadership
- Stabilised the business and changed the trajectory
- Put people first and steered the company through unprecedented challenges
- This final year has been your best

***You have put us on the path to sustainable long-term growth***



# WELCOME OUR NEW CEO



- Experienced at leading retail businesses in developing markets
- Strong record of growth and innovation
- Places importance on making sure we can deliver for our customers
- Believes in leading through people and building winning teams

***He shares our values and ambition***

# 02

## INTRODUCTION TO CEO-DESIGNATE

Pieter Boone



# PASSIONATE ABOUT RETAIL

- More than 25 years in the retail industry
- Worked in leadership roles in 9 different countries across the globe:
  - Asia
  - Latin America
  - Europe
- Enjoys the challenge of leading businesses in emerging markets

***Pick n Pay is an outstanding company in a beautiful, amazing country***



\* 'vol helicopter cape town South Africa 27.12.2013' photo by Werner Bayer, licensed under CC BY 2.0, <https://www.flickr.com/photos/wbayercom/13332325443>

# A VALUES FOCUSED BUSINESS



- The business has a great heritage
- Built with the customer and the community at its core
- The company has remained true to its founding values
- We will remain true to these values

***Goal is to grow with the aspirations of the South African people***

# A PLATFORM FOR GROWTH



**Pick n Play** is...

- A loved brand in South Africa
- A stable, well run company
- A people centric business
- A business with an excellent platform for future growth
- A business with strong and positive values

# CORNERSTONES OF FUTURE SUCCESS



**WINNING WITH OUR PEOPLE**



**MAKING PNP THE CUSTOMERS FIRST CHOICE**



**BUILD OUR OMNICHANNEL PROPOSITION**



**GROW THE BEST DISCOUNTER IN AFRICA**



**SUSTAINABLE GROWTH IN THE REST OF AFRICA**



# 03

## RESULTS OVERVIEW

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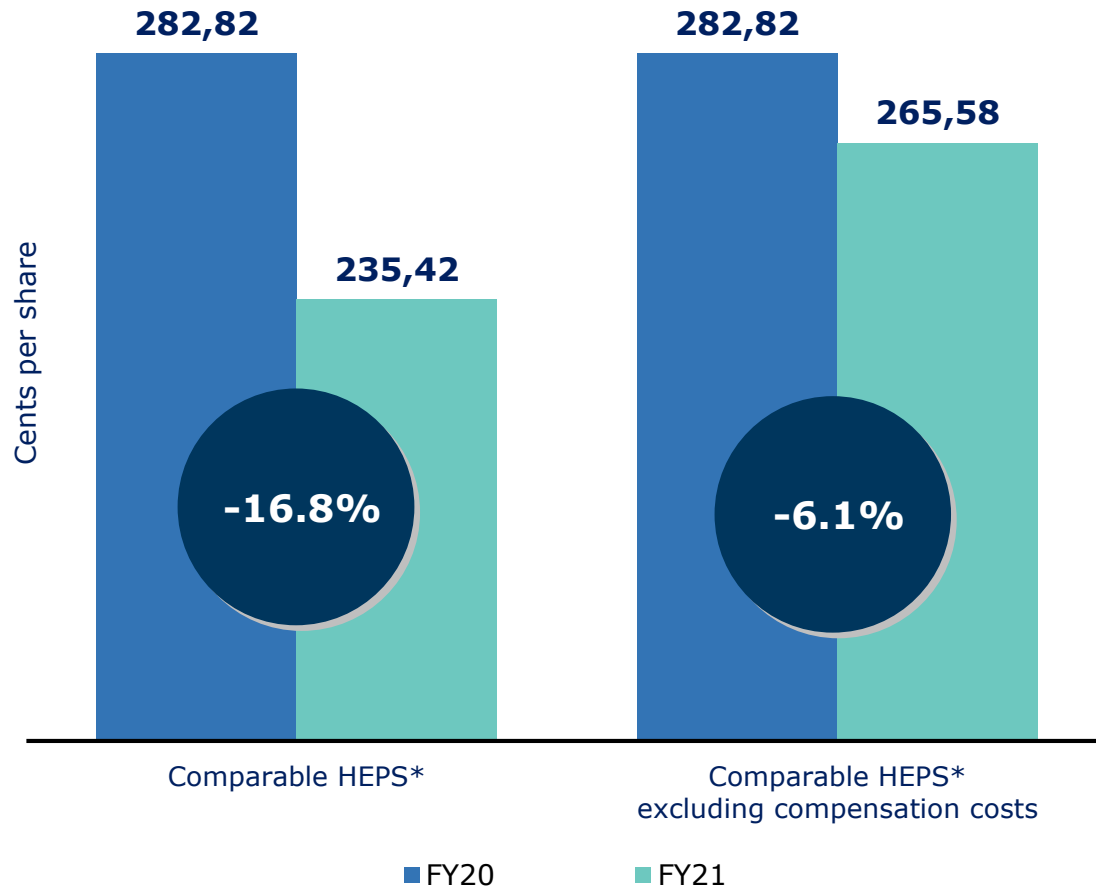
Lerena Olivier

**Chief Finance Officer**



# OUTSTANDING EARNINGS PERFORMANCE IN EXTRAORDINARY TIMES

## Comparable headline earnings per share



### • Covid-19

- FY21 was delivered almost entirely under the conditions of the Covid-19 pandemic
- trading restrictions over higher-margin categories
- store closures and physical distancing measures
- additional R200m Covid-19 operating costs

### • Project Future

- driving cost savings and efficiency gains
- once-off compensation costs of R200m targeting support office and supply chain efficiencies

### • Resilient result

- market-leading core food and grocery performance
- highly efficient supply chain
- increased opex and capex discipline
- strong cash and liquidity management

\* Excluding capital items and hyperinflation adjustments in Zimbabwe

# RESULT HEADLINES

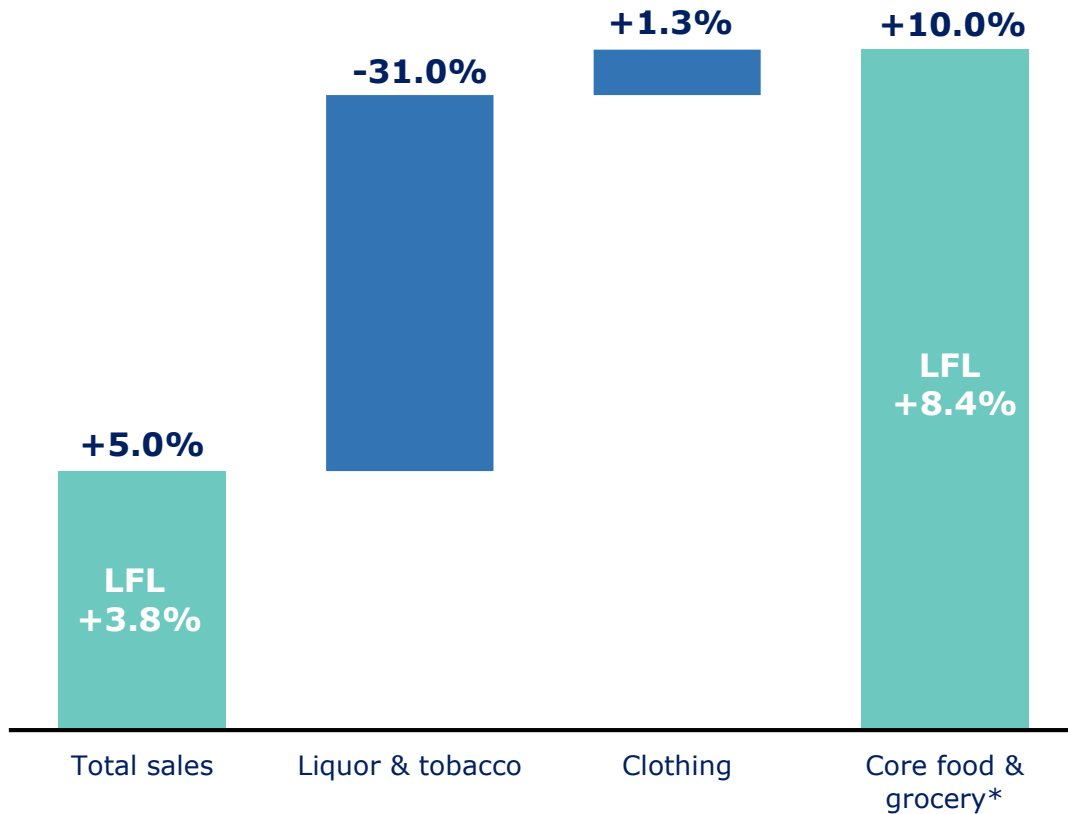
	FY21	FY20	% change
<b>Turnover</b>	<b>R93.1bn</b>	<b>R89.3bn</b>	<b>4.3</b>
<b>Gross profit margin</b>	<b>19.8%</b>	<b>19.7%</b>	
<b>Other income</b>	<b>R1.6bn</b>	<b>R1.6bn</b>	<b>0.7</b>
<b>Trading expenses</b>	<b>R17.3bn</b>	<b>R16.0bn</b>	<b>8.1</b>
Trading expenses, excl. Covid-19 and once-off compensation costs	R16.9bn	R16.0bn	5.6
<b>Trading profit</b> excl. once-off compensation costs	R2 907.8m	R3 174.5m	(8.4)
<b>Comparable PBT*</b>	<b>R1 583.4m</b>	<b>R1 897.2m</b>	<b>(16.5)</b>
<b>Comparable PBT</b> excl. once-off compensation costs	R1 783.4m	R1 897.2m	(6.0)

\* Excluding capital items and hyperinflation adjustments in Zimbabwe

- **Sales growth of 4.3%, 5.0% in SA**
  - year dominated by Covid-19 disruption
- **Gross profit margin expansion to 19.8%**
  - restrictions over higher-margin categories
  - mitigated by cost savings and efficiency gains
- **Other income flat year-on-year**
  - Covid-19 and related restrictions
- **Trading expenses up 5.6% excluding**
  - R200m additional Covid-19 costs
  - R200m once-off compensation costs
- **Effective cash and liquidity management**
  - net bank interest down 51% year-on-year
- **Comparable PBT**
  - down 6.0% excluding once-off compensation costs

# STRONG GROWTH IN CORE FOOD AND GROCERY

## SA sales growth analysis per category



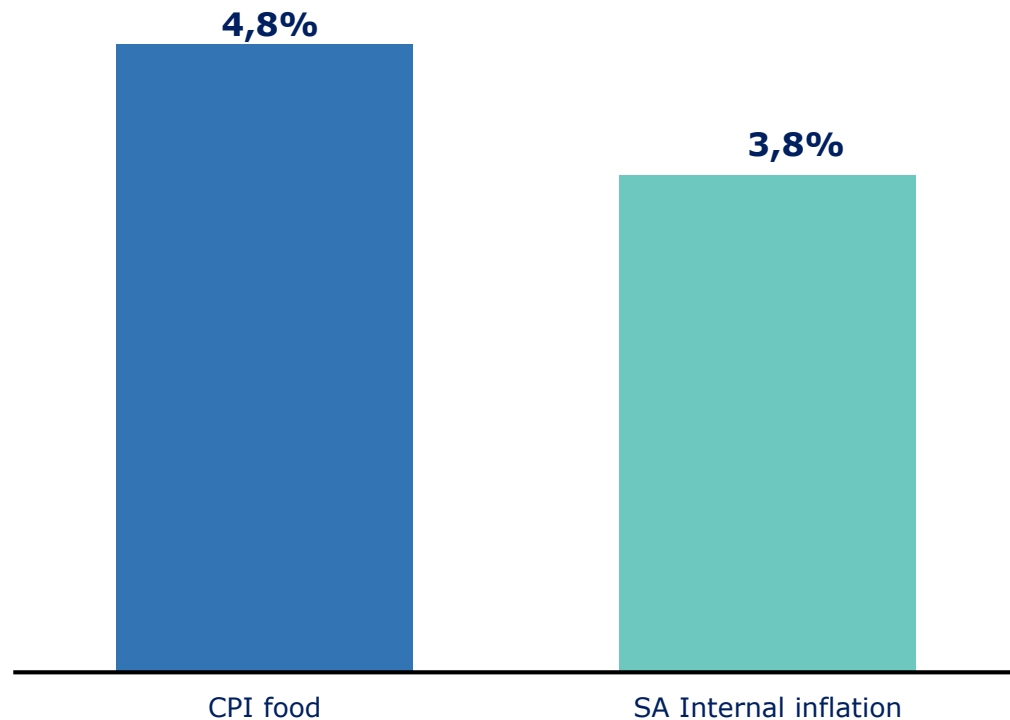
**R4bn lost sales as a result of Covid-19 trading restrictions and operational disruption**

- **SA core food and grocery up 10.0% (LFL 8.4%)**
  - strong underlying momentum
  - accelerating from 9.9% in H1 to 10.1% in H2
- **Liquor and tobacco sales down 31.0%**
  - 209 trading days lost as a result of trading restrictions
- **Clothing sales up 1.3%**
  - clothing sales prohibited during Level 5, with ongoing restrictions in Level 4
  - strong momentum with sales growth of 6.7% in H2

\* Food, grocery and general merchandise categories (including categories impacted by trading restrictions such as hot foods, deli and bakery products), but excluding liquor and tobacco and clothing

# BETTER VALUE FOR CUSTOMERS

## Price inflation versus CPI Food\*

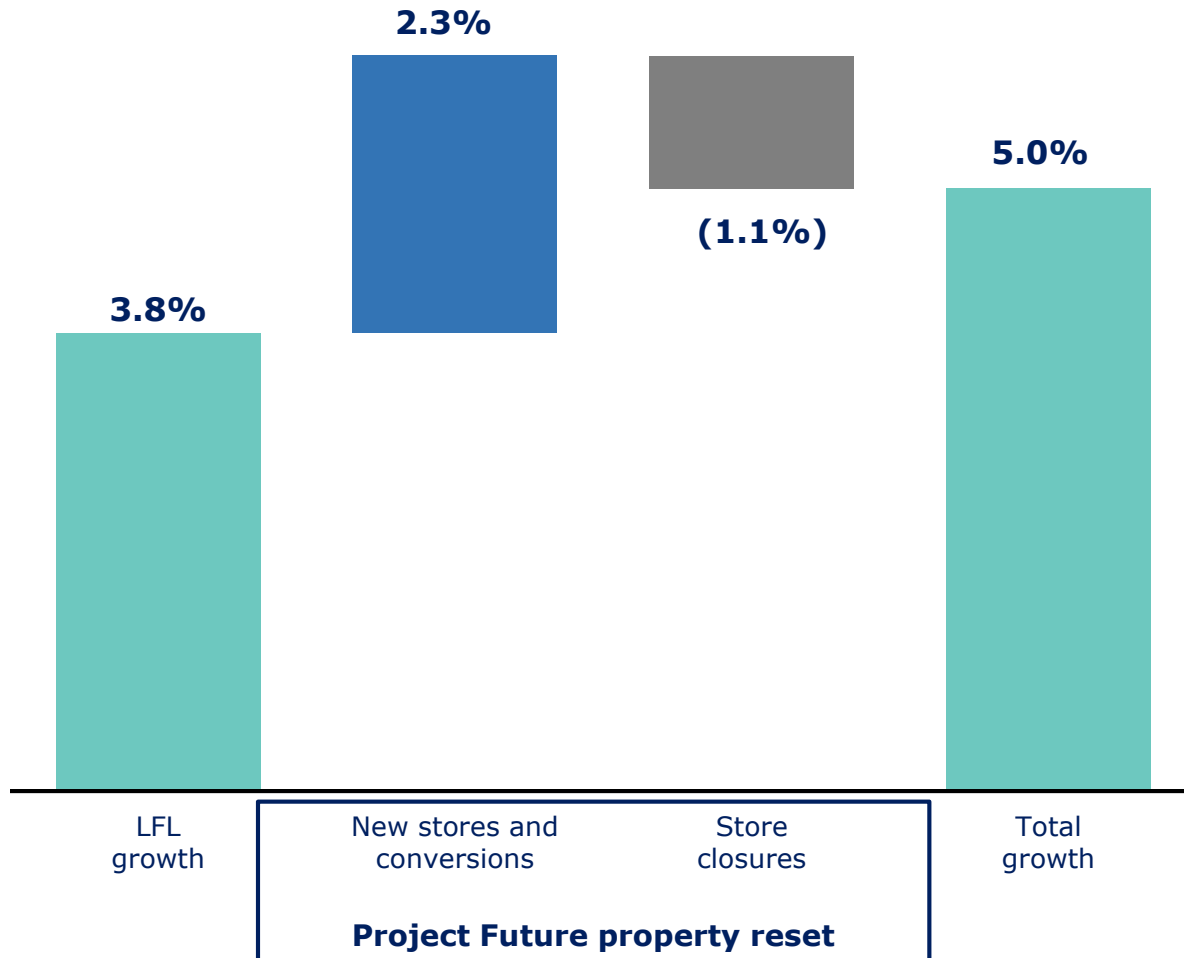


\*Data from Stats SA

- **Covid-19 shopping trends persist**
  - customers shopping less often for bigger baskets
- **Strong core food and grocery performance**
  - lower prices and stronger promotions
  - tailored range across PnP Value, Core, Select and Boxer
  - high levels of on-shelf availability
  - broad online reach
- **Selling price inflation restricted to 3.8%**
  - H1 3.4%
  - H2 4.2%
- **Sustained price investment supported by**
  - better buying
  - supply chain efficiency
  - cost discipline and less waste

# RESILIENCE IN THE FACE OF UNPRECEDENTED DISRUPTION

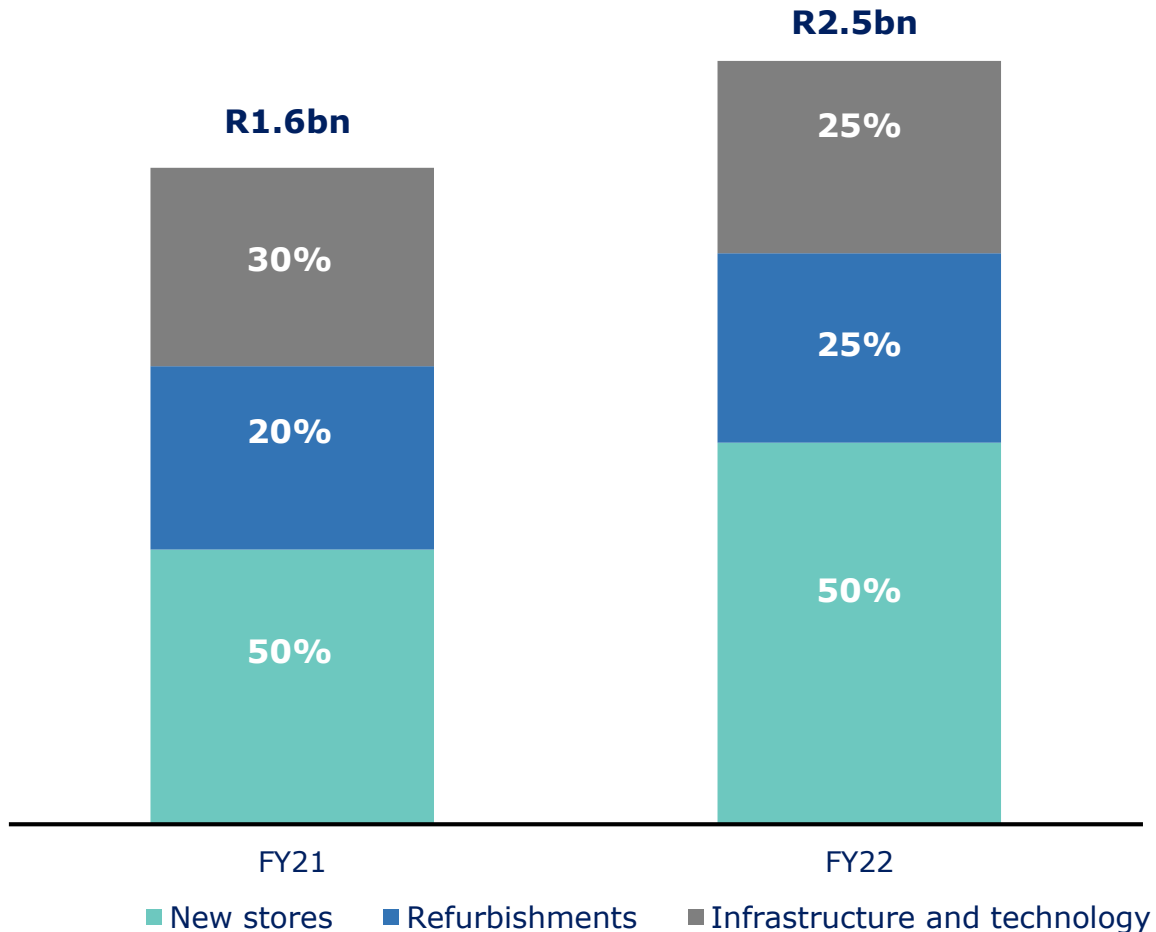
## SA sales growth analysis



- **Investment in 112 new stores across all formats**
  - continued strong new store pipeline
  - impact of Covid-19 delays offset by conversion programme
  - focused investment in value end of the market
  - smaller, community-based convenience stores
- **Flexibility of estate driving investment returns**
  - 28 Boxer and 21 Pick n Pay new owned supermarkets
  - supported by conversion of 34 franchise stores (22 supermarkets) to owned Pick n Pay and Boxer stores
  - targeted action to improve quality of estate with 43 closures
- **Strong franchise partners**
  - 43 new franchise stores over the year
  - franchise estate now at 761 stores
  - plans to open 40 more stores in FY22

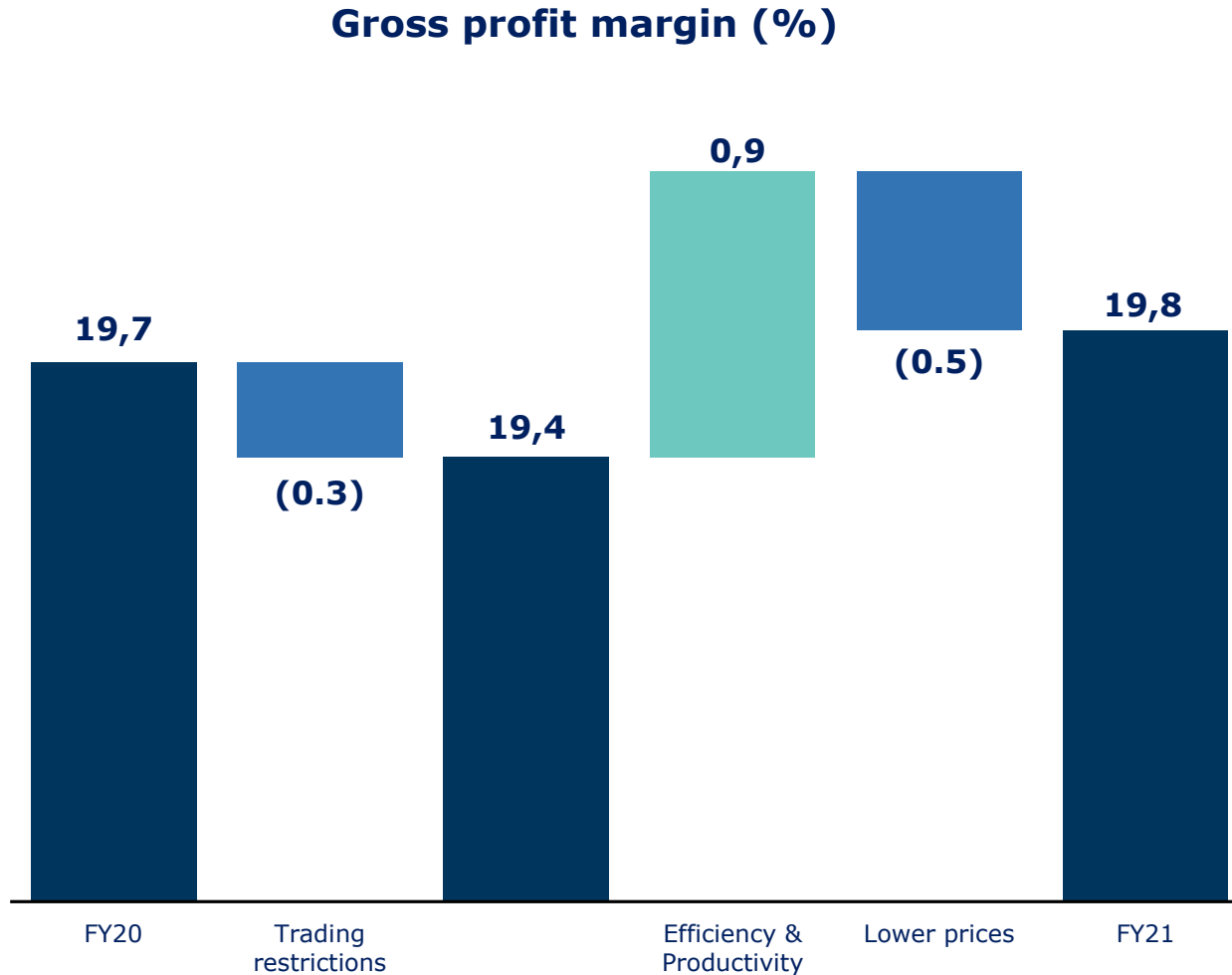
# STRATEGIC INVESTMENT TO DRIVE OPTIMISED RETURNS

## Capital investment focused on growth



- **R1.6bn of capital investments**
  - 50% targeted at new stores
- **Broad multi-format proposition during FY21**
  - 55 new supermarkets
  - 22 new clothing stores
  - 47 new liquor stores
  - on-demand grocery acquisition
- **Strong store pipeline, with 130 owned and franchise stores planned for FY22, including**
  - 20 Pick n Pay supermarkets
  - 25 Boxer supermarkets
  - 30 clothing stores and 40 liquor stores
- **Further investment in centralised supply chain**
- **Digitisation**
  - ongoing investment in modern and flexible systems infrastructure
  - driving business efficiency and customer innovation
  - expanding the online contribution

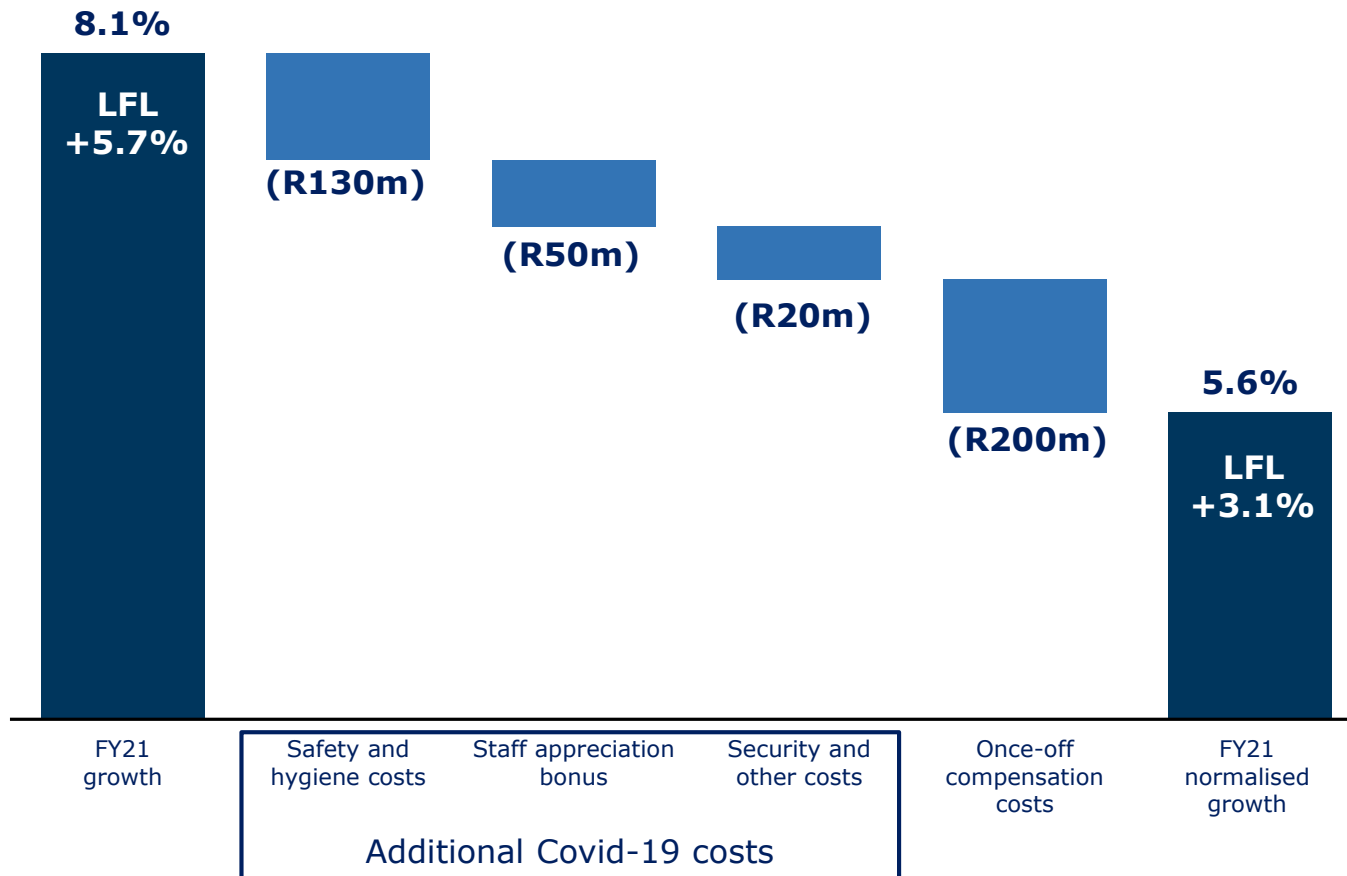
# GROSS PROFIT MARGIN IMPROVEMENT DESPITE COVID-19 PRESSURES



- **GP margin expansion - notwithstanding Covid-19 impact**
  - trading restrictions over higher-margin categories
  - lower net cost across all distribution centres
  - headroom for price investment to drive volume
- **Pick n Pay centralised supply close to 80%, with a focus on optimising**
  - cost of infrastructure and fleet
  - productivity of functionally outsourced partners
  - resource efficiency and waste reduction
  - systems automation and integration
- **Boxer centralised supply now at 55%, with a focus on driving**
  - higher levels of central supply
  - lower costs through economies of scale
  - increased distribution and other incentive income

# TRADING EXPENSES REFLECT YEAR OF DISRUPTION

## Trading expenses analysis



- **Covid-19: R200m additional operating costs**

- safety and hygiene costs R130m
- staff appreciation bonus R50m
- security and other costs R20m

- **Project Future: R200m once-off compensation costs**

- voluntary severance (VSP) R100m H1
- support office severance R100m H2

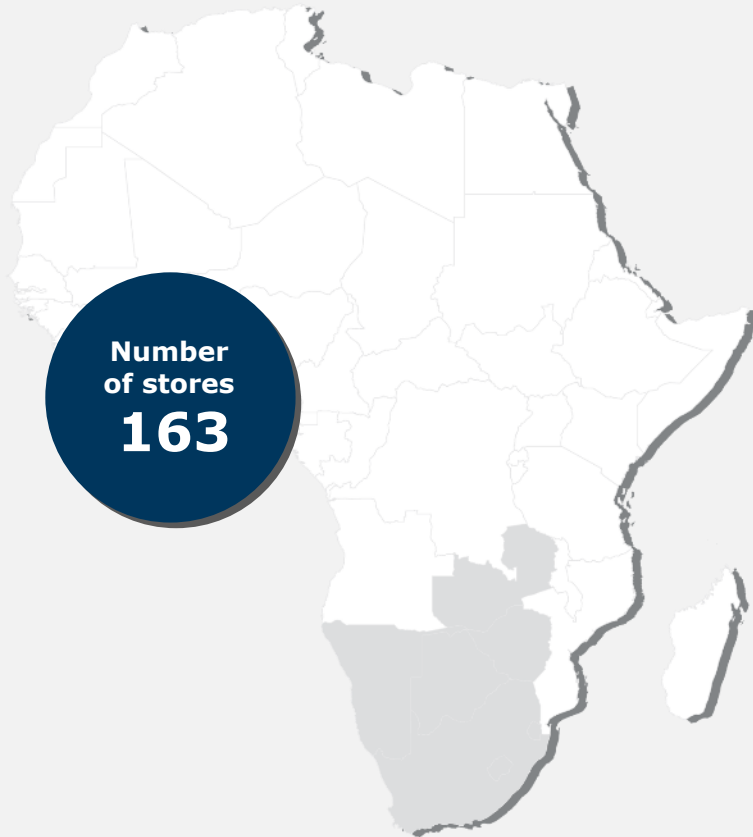
- **Trading expenses up 5.6% (LFL 3.1%) excluding additional Covid-19 and once-off compensation costs**

# TRADING EXPENSES REFLECT YEAR OF DISRUPTION

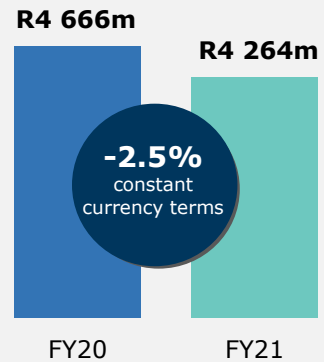
% change	H1 2021	H2 2021	FY 2021	FY 2021 LFL
<b>Trading expenses</b>	<b>4.9</b>	<b>11.5</b>	<b>8.1</b>	<b>5.7</b>
Employee costs	2.0	14.7	8.0	5.8
Occupancy	7.4	8.8	8.1	4.3
Operations	8.5	7.6	8.0	3.9
Merchandising & administration	6.2	10.7	8.5	9.5

- **Expense growth driven by**
  - Covid-19 operational response
  - Project Future once-off compensation costs
- **Employee costs in second half reflect significantly reduced base in FY20**
  - reversal of share-based payments in prior year
  - performance bonuses in FY21 (FY20: nil)
  - normalised employee costs up only 3.3%
- **Merchandising and administration costs reflect**
  - strengthened marketing programme
  - card commissions up 10.0% as customers move to contactless card payments
  - unrealised IFRS 16 forex losses in the second half of the year
- **Project Future discipline mitigating ongoing increases across**
  - security, insurance, rates, electricity and other regulated utility costs

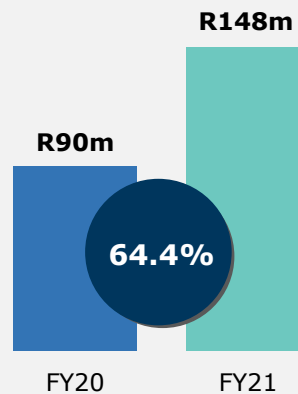
# REST OF AFRICA – PROFITABLE UNDER DIFFICULT CONDITIONS



## Segmental revenue



## \*Segmental profit

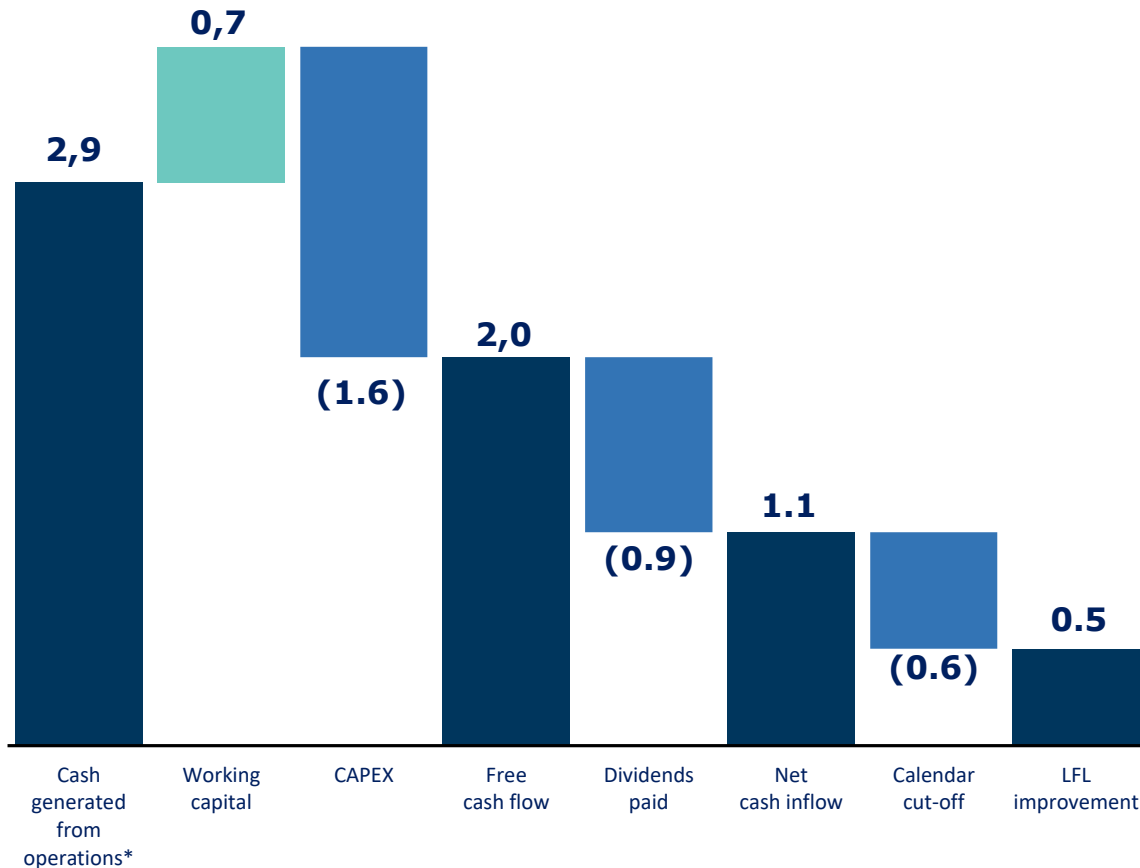


- **Segmental revenue of R4.3bn**
  - down 2.5% in constant currency terms
- **Difficult trading conditions persist across the emerging market economies in which we trade**
  - local currency weakness and high levels of inflation
  - trade restrictions and stock shortages
- **Operational teams resilient and highly responsive to challenging conditions**
  - exceptional cost discipline and working capital management
- **Segmental profit of R148m, up 64.4% on last year**
  - driven by improved performance in Zimbabwe

\* Excluding hyperinflation adjustments and capital items

# STRONG FREE CASH FLOW SUPPORTED BY OPERATIONAL DISCIPLINE

## Cash generation and utilisation – FY21 (Rbn)



\* Excl. IFRS 16 non-cash items

- **Cash generated from operations of R2.9bn**
- **Cash from working capital of R700m**
  - exceptional inventory management off-sets strategic investment in essential food and groceries to ensure on-shelf availability of more than 95%
  - resilient franchise debtors book
  - benefit from financial calendar cut-off
- **Capital spend of R1.6bn (prior year: R1.7bn)**
  - targeted strategic investment and critical maintenance to safeguard liquidity, ensure strong new store opening programme and optimise return on investment
- **R900m paid to shareholders in uninterrupted dividend cycle**
- **LFL net positive funding position improved by R500m**

# LOW DEBT, STABLE LIQUIDITY

Rm	28 February 2021	1 March 2020
Cash and investments	5 415.1	1 947.3
Cost-effective overnight borrowings	(1 951.4)	(2 050.0)
<b>Cash and cash equivalents</b>	<b>3 463.7</b>	<b>(102.7)</b>
1 to 3-month borrowings	(1 881.2)	(935.0)
6 to 12-month borrowings	(1 450.0)	-
<b>Net funding</b>	<b>132.5</b>	<b>(1 037.7)</b>
Financial calendar cut-off*	-	642.5
	<b>132.5</b>	<b>(395.2)</b>

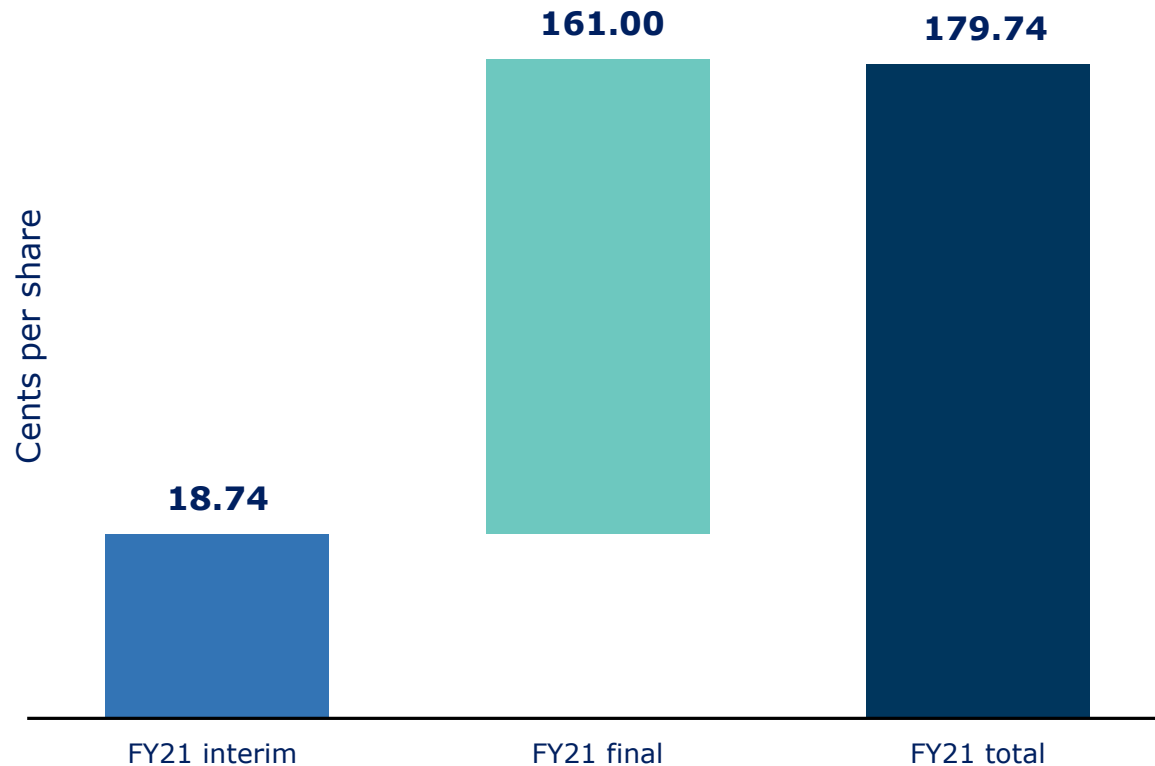
The Group's prudent approach to debt funding positioned it well into the Covid-19 crisis, providing a stable funding platform and necessary liquidity

- **Like-for-like net cash position R500m stronger year-on-year**
- **Covid-19 related liquidity pressures fully mitigated by strong operational discipline**
  - careful cash and liquidity management
  - focus on critical opex and capex spend
  - strong working capital management
- **New 6-month and 12-month funding**
  - taking advantage of low interest rate environment
- **No long-term funding and strong liquidity**
  - only 50% of facilities utilised

\* Month-end supplier payments prior to year-end last year

# STRONG BALANCE SHEET UNDERPINS DIVIDEND DECLARATION

## Dividend declaration



- **Dividend declaration in uninterrupted dividend cycle supported by**
  - resilient FY21 earnings performance
  - strong cash management
  - high levels of liquidity
- **Maintained a full year dividend cover of 1.3 times comparable headline earnings per share**
- **The Board has declared a final FY21 dividend**
  - 161.00 cents per share
- **Total FY21 dividend of 179.74 cents per share**
  - down 16.7% in line with comparable HEPS

# RESULTS OVERVIEW SUMMARY

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- Responsive and resilient operations - stayed open and fully stocked
- Market leading sales performance in core food and grocery offer
- Effective operations delivering sustainable gross profit margin expansion
- Cost discipline sustains lower prices and greater value for customers
- Project Future - R600m savings achieved against 2-year target of R1bn
- Positive net funding position, R500m stronger than last year
- Higher returns from targeted investment in new stores and conversions
- Strong platform for future growth



# 04

## PROGRESS ON OUR PLAN

Richard Brasher  
Chief Executive Officer



# THE PICK N PAY TURNAROUND PLAN

## Stage 1

Stabilise the business

- ✓ Strong financial control
- ✓ Business management systems
- ✓ Re-establish turnover and profit growth

## Stage 2

Change the trajectory

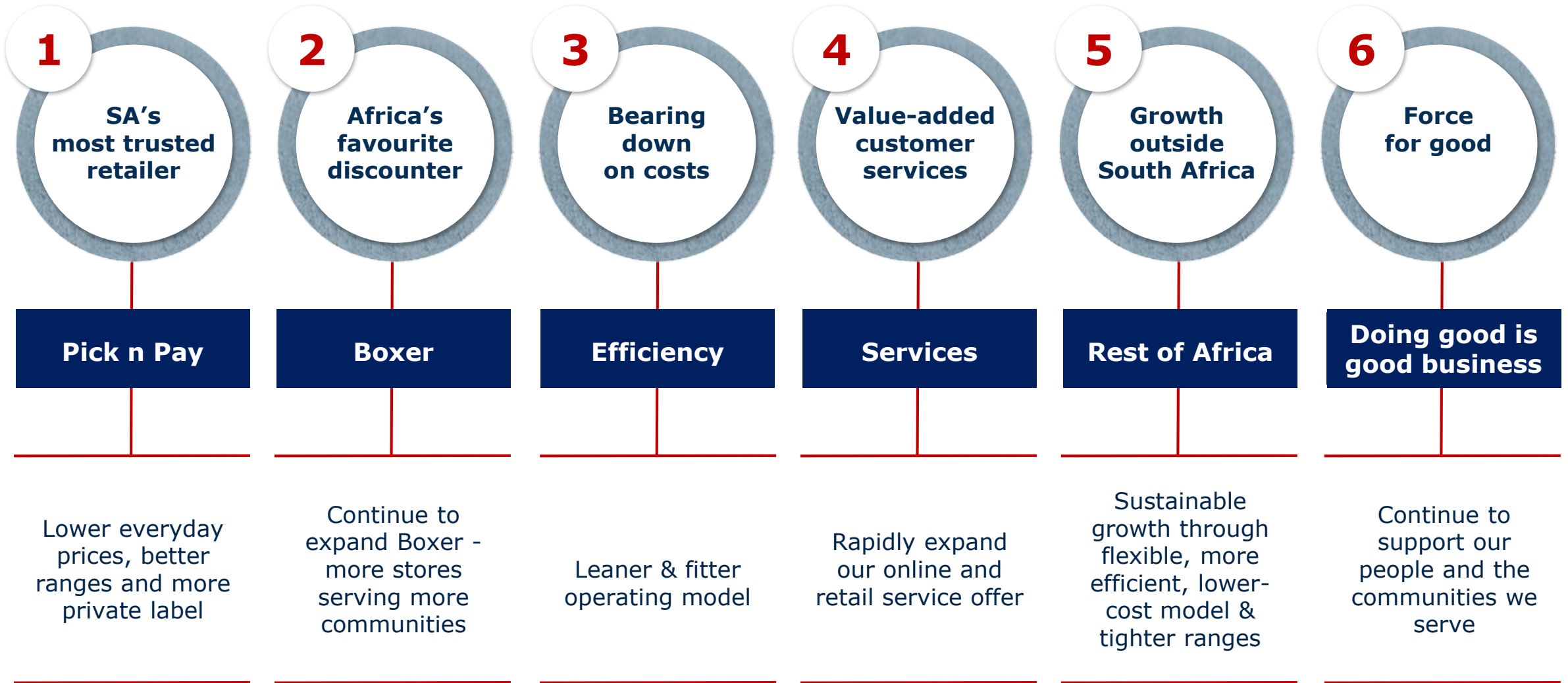
- ✓ Better for customers
- ✓ More efficient and effective
- ✓ Growth accelerators

## Stage 3

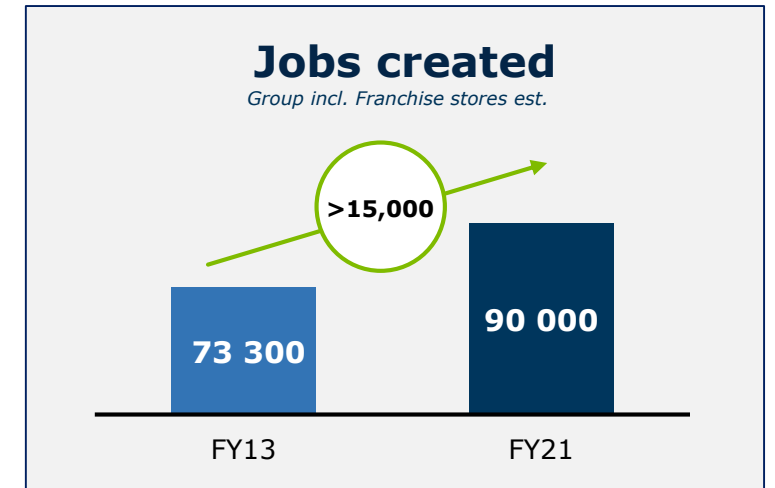
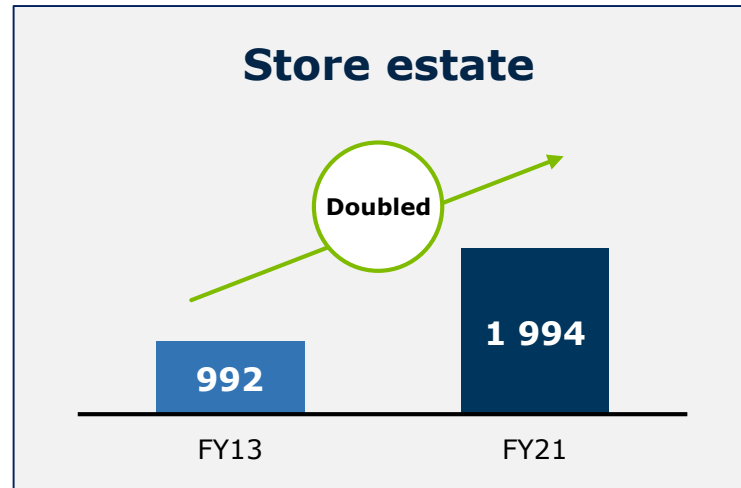
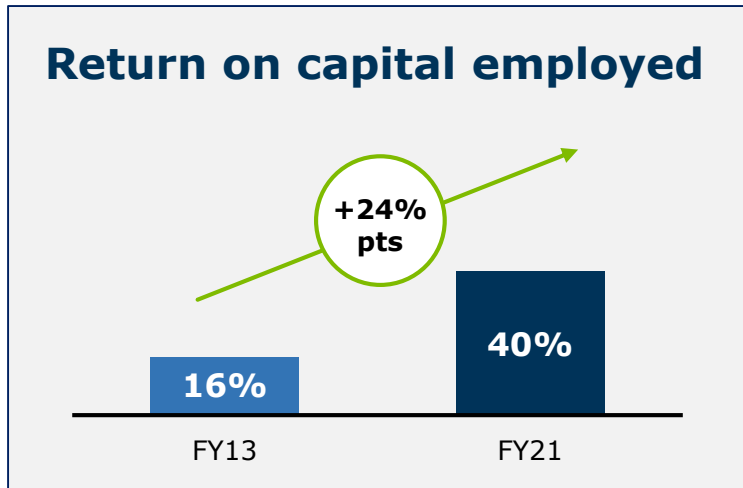
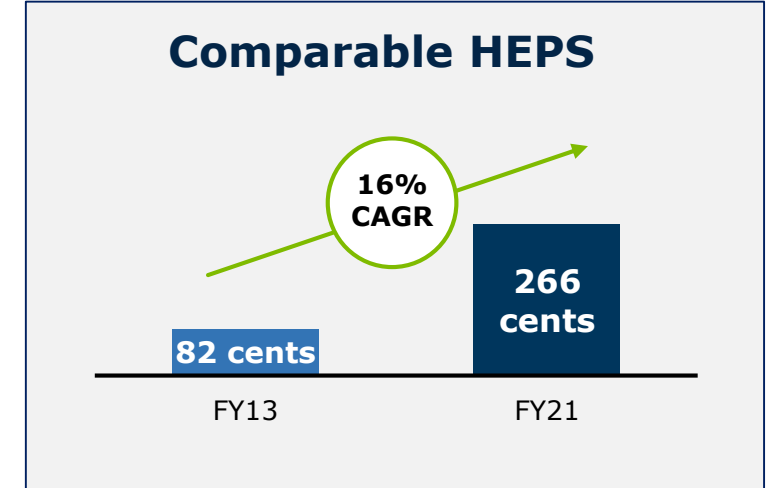
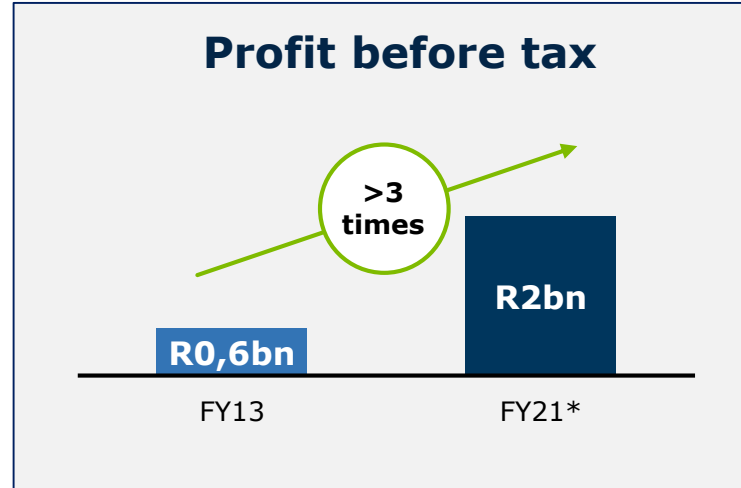
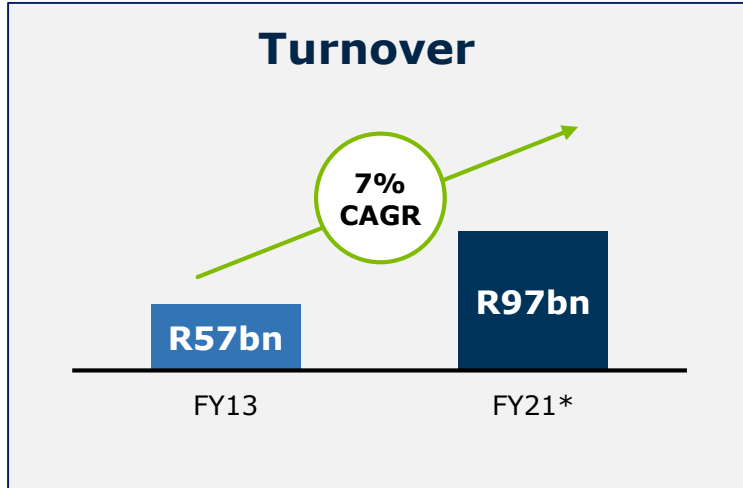
Sustainable long-term growth

- ✓ Building scale in Africa
- ✓ Accelerating Digital Transformation
- ✓ Positioned for growth across all market segments

# OUR SIX ENGINES OF GROWTH HAVE BEEN CORE TO OUR PLAN



# WE HAVE DELIVERED CONSISTENTLY OVER THE PAST EIGHT YEARS



\* Normalised

# WE HAVE DELIVERED CONSISTENTLY OVER THE PAST EIGHT YEARS

## Product



Stronger on fresh; better quality and price

## Value & loyalty



Lower prices and integrated loyalty

## Own brand



Choice and value for customers - innovation and growth for PnP and Boxer

## Clothing



High-quality, affordable products - a growing business

## Boxer



Transformed into Africa's leading discounter

## Better stores



A store format for every customer

## Supply chain



Centralisation complete in PnP and accelerating in Boxer

## Community



Never forgetting our core purpose

# 2020: PRIDE IN OUR RESPONSE TO UNPRECEDENTED CHALLENGES



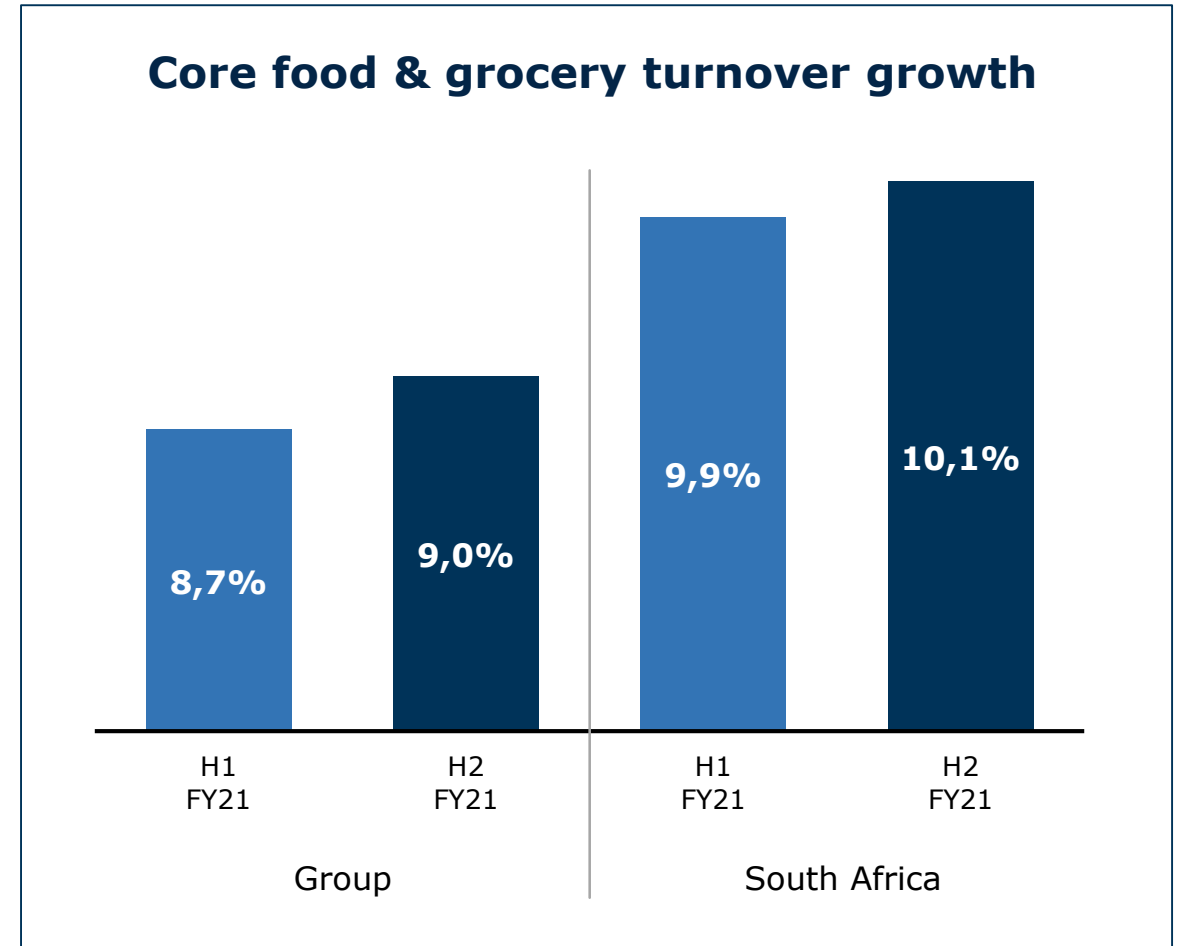
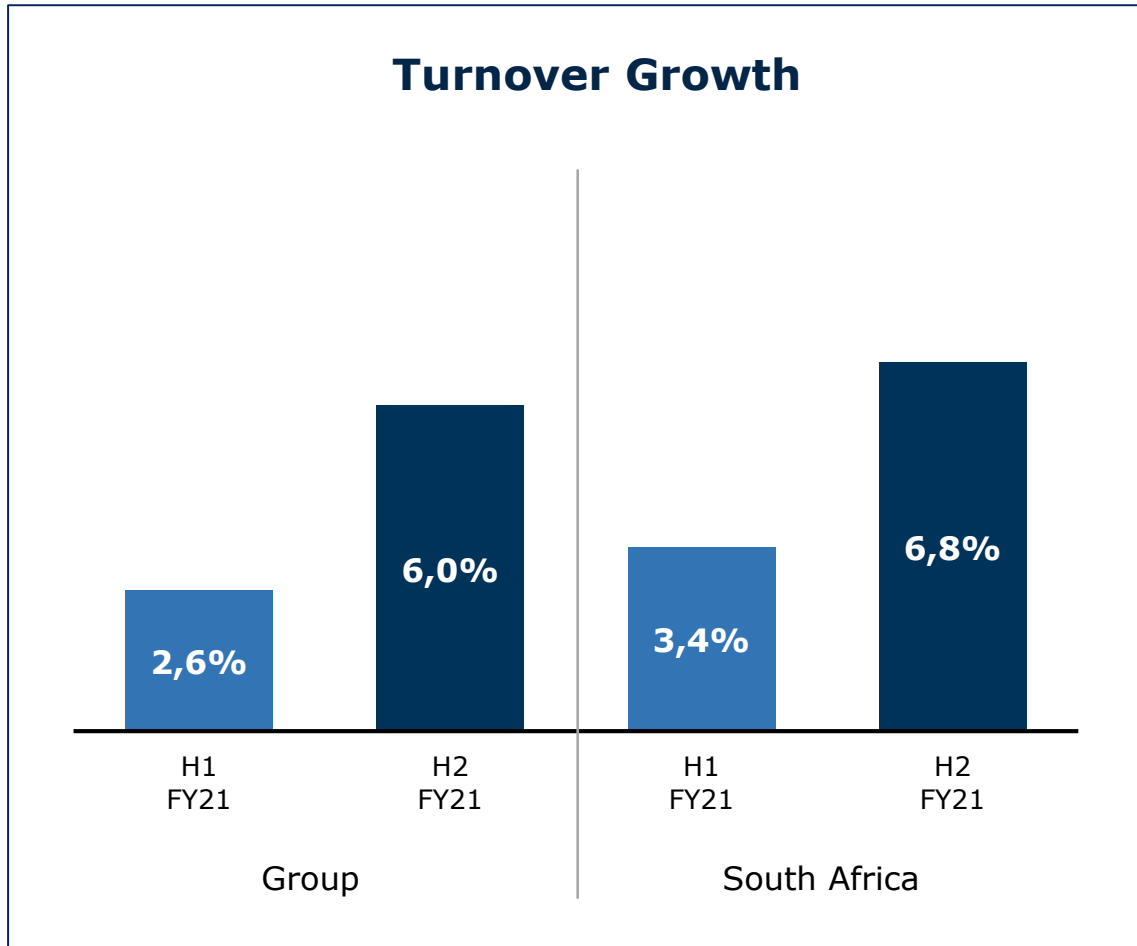
- **Unprecedented conditions:** new hygiene measures, panic buying; hard lockdown; prohibitions on sale; changes in customer behaviour
- We **mourn** all our colleagues, friends and family who we have **lost in the pandemic**
- We **delivered on our goal** to feed the nation by staying safe, open, full and working
- **Thank you to all Pick n Pay and Boxer colleagues** who rose to this challenge magnificently

# PICK n PAY GROUP'S BEST YEAR SINCE THE ERA OF RAYMOND ACKERMAN

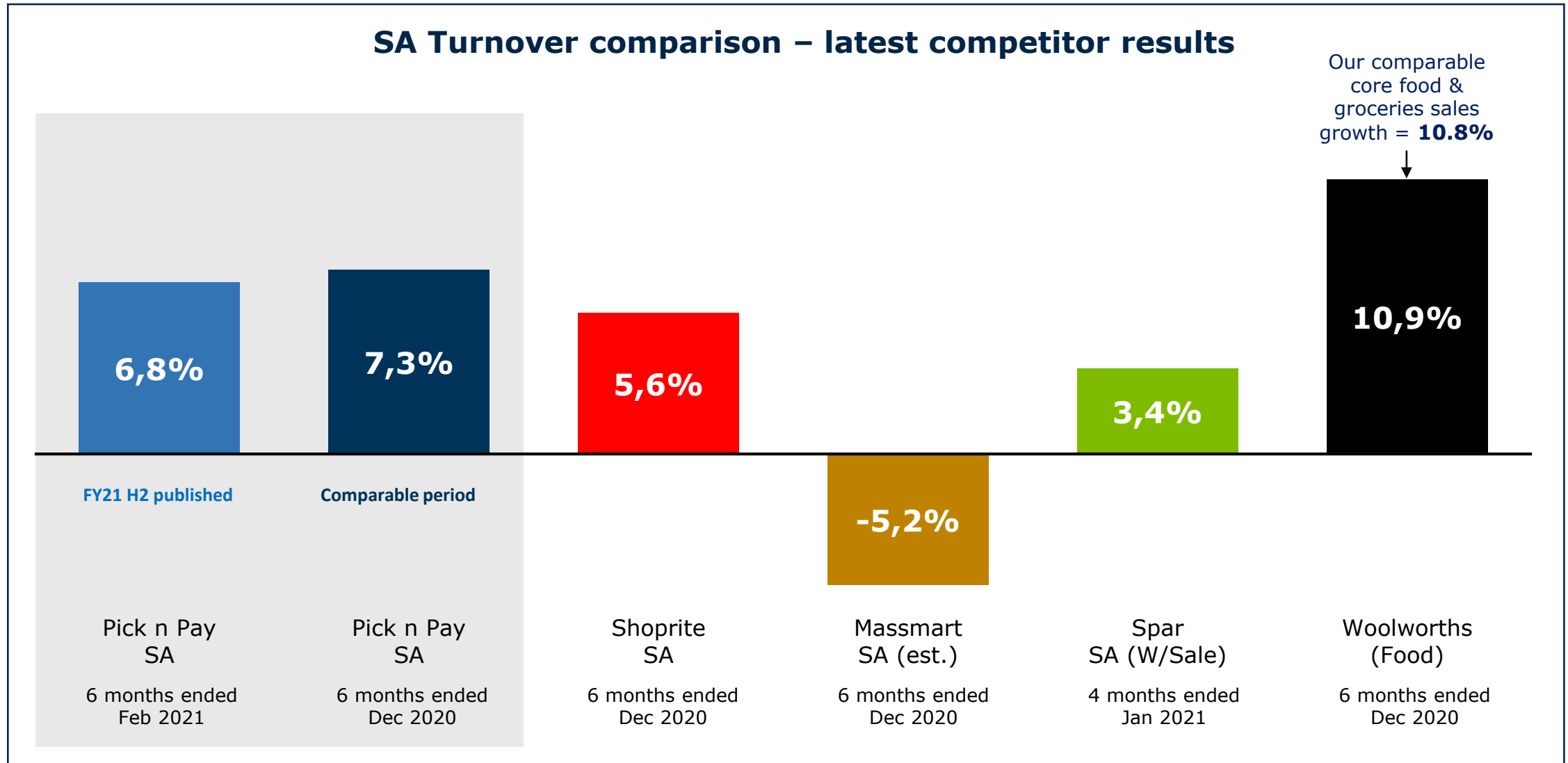


- We didn't just cope with Covid-19, we took the opportunity to make the **business significantly better**
- **Strong underlying performance delivered** this year despite prohibitions and restrictions:
  - **Materially improved efficiency and productivity** of operations in offices, stores and supply chain
  - **Reset our property:** retired 43 stores, converted 34 stores and opened 112 stores
  - Significantly increased our **investment in technology**
- **Business is positioned for even greater success in the future:** Whilst profits are slightly lower, many of the costs were once off so quality of earnings are materially higher

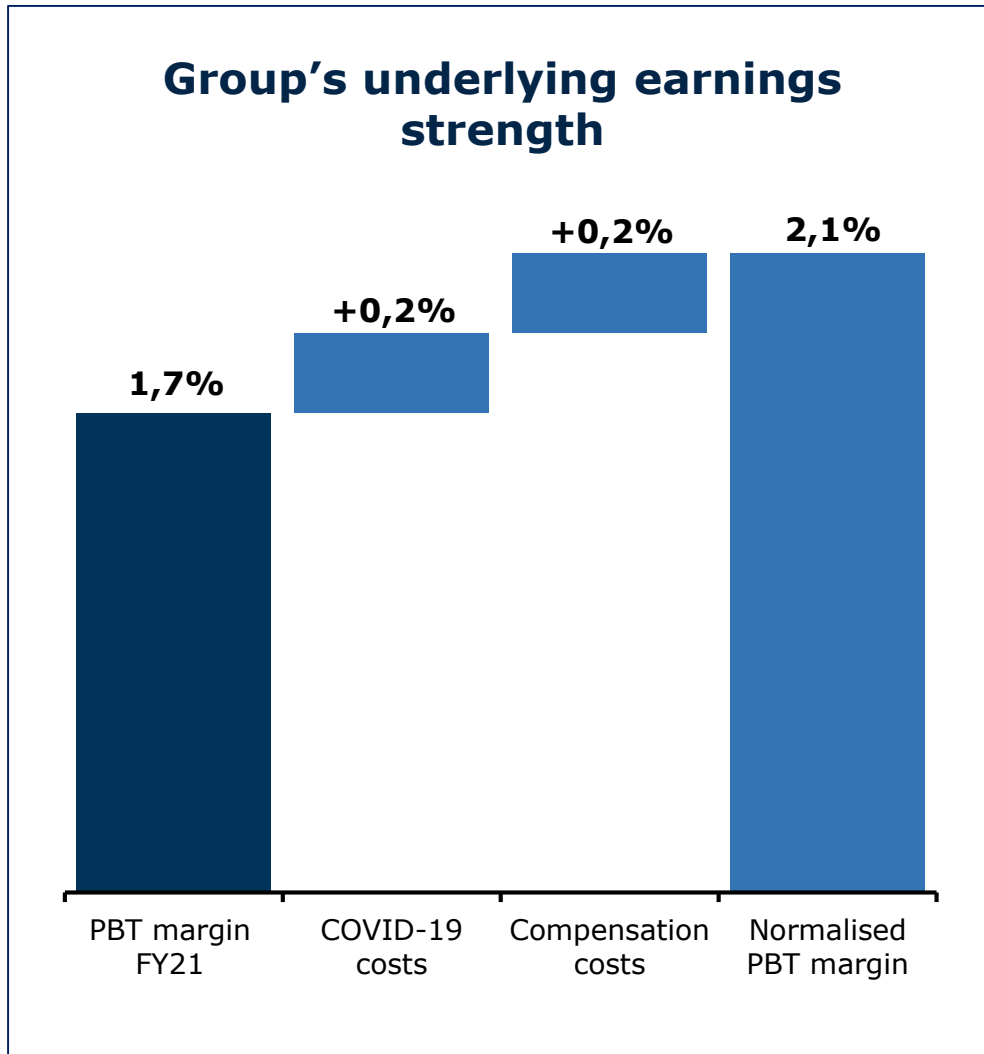
# FY21: AN EXCEPTIONAL PERFORMANCE



# OUTPERFORMED THE MARKET



# STRONG UNDERLYING QUALITY OF EARNINGS



- **Resilient earnings performance** in a year dominated by the challenges of Covid-19
- **Underlying profit margin maintained** at 2.1%, excluding
  - additional costs related to Covid-19 response
  - once-off compensation costs
- **Substantial margin impact of trading restrictions** and other disruptions fully mitigated by the successful execution of a clear and consistent plan, delivering
  - momentum in core sales growth
  - tight gross profit margin management
  - greater cost and working capital discipline

# THE PICK N PAY TURNAROUND PLAN

## Stage 1

Stabilise the business

- ✓ Strong financial control
- ✓ Business management systems
- ✓ Re-establish turnover and profit growth

## Stage 2

Change the trajectory

- ✓ Better for customers
- ✓ More efficient and effective
- ✓ Growth accelerators

## Stage 3

Sustainable long-term growth


- ✓ Building scale in Africa
- ✓ Accelerating Digital Transformation
- ✓ Positioned for growth across all market segments

# BETTER FOR CUSTOMERS: PRICES AND PRODUCTS



- **Lower Prices:** internal price inflation at 3.8%, below CPI Food of 4.8%
- **More and better deals:** Smart Price, Multi Buys & Daily Deals
- **More than 1,500** Pick n Pay own-brand products launched with participation now at 25%
- **Good for customers** - we outperformed the market in core food and groceries
- Also delivered **market share growth in Liquor and Clothing**

# BETTER FOR CUSTOMERS: WINNING LOYALTY



**THANKS FOR THE LOVE SA.**  
YOU'VE VOTED SMART SHOPPER  
SA'S NO. 1 RETAIL LOYALTY  
PROGRAMME.

[www.picknpay.co.za](http://www.picknpay.co.za)

- **10 years old and getting stronger**
- **Voted #1** retail loyalty programme of the past decade - Sunday Times
- **8.5 million** unique active Smart Shoppers
- **R3.5 billion savings** delivered to Smart Shoppers
- **300% growth in redemptions** of personalised discounts
- **Record participation of 75%**

# EFFICIENCY AND EFFECTIVENESS: PROJECT FUTURE

Target:  
**R1 billion**  
savings over  
two years

**Building a better company with Project Future—  
more modern, agile and capable of leading change in a changing market**

## **FY21: Phase 1**

**Delivered R600 million savings through:**

- Modernising our workforce roles & structures
- Outstanding control of shrink & waste
- Strict control of property cost escalations
- Improved management of working capital

## **FY22 and beyond: Phase 2**

**Further significant savings & modernisation:**

- Increase efficiency across operations
- Office of the future programme
- Leveraging digital technology to unlock benefits in efficiency, data, analysis, and personalisation
- Headroom to invest in better value for customers

**Project Future Programme on track to  
deliver R1 billion over 2 years**

# EFFICIENCY AND EFFECTIVENESS: LEANER OPERATIONS



- **Trading expenses\* contained** at a like-for-like increase of 3.1%
- **Improved picking productivity** and stability across all distribution centres
- **95% on-shelf availability** maintained on essential food & groceries - despite all Covid-19 disruptions
- **Centralisation** in Pick n Pay close to 80% and Boxer increased to 55%
- **Improved the efficiency of our transport model** by at least 5%

\* Excluding additional Covid-19 and once-off compensation costs

# GROWTH ACCELERATOR: BOXER



- Boxer transformed in 2015 from traditional grocer into **Africa's leading grocery discounter**
- **Shift to limited range** – carefully selected for aspirant customers seeking great value
- **Smaller stores and operational excellence** – with savings on cost going to the customer
- **More than doubled the Boxer estate** over the past 8 years, including 20 conversions from PnP
- **Market share growth** - Boxer is the fastest growing discounter in South Africa
- **Own brand participation up 4%** during the year to 23%

# GROWTH ACCELERATOR: PNP CLOTHING



- **Delivered sales and profit growths** despite Covid-19 lockdown prohibitions & restrictions
- **Strong market share gains**, particularly in womenswear and childrenswear
- Clothing offering is **available in over 400 stores** – extended to 36 additional stores in FY21
- Over **30% increase in products sourced locally**
- Successfully **launched PnP online clothing**, with over 1 million visits to the website

# THE PICK N PAY TURNAROUND PLAN

## Stage 1

Stabilise the business

- ✓ Strong financial control
- ✓ Business management systems
- ✓ Re-establish turnover and profit growth

## Stage 2

Change the trajectory

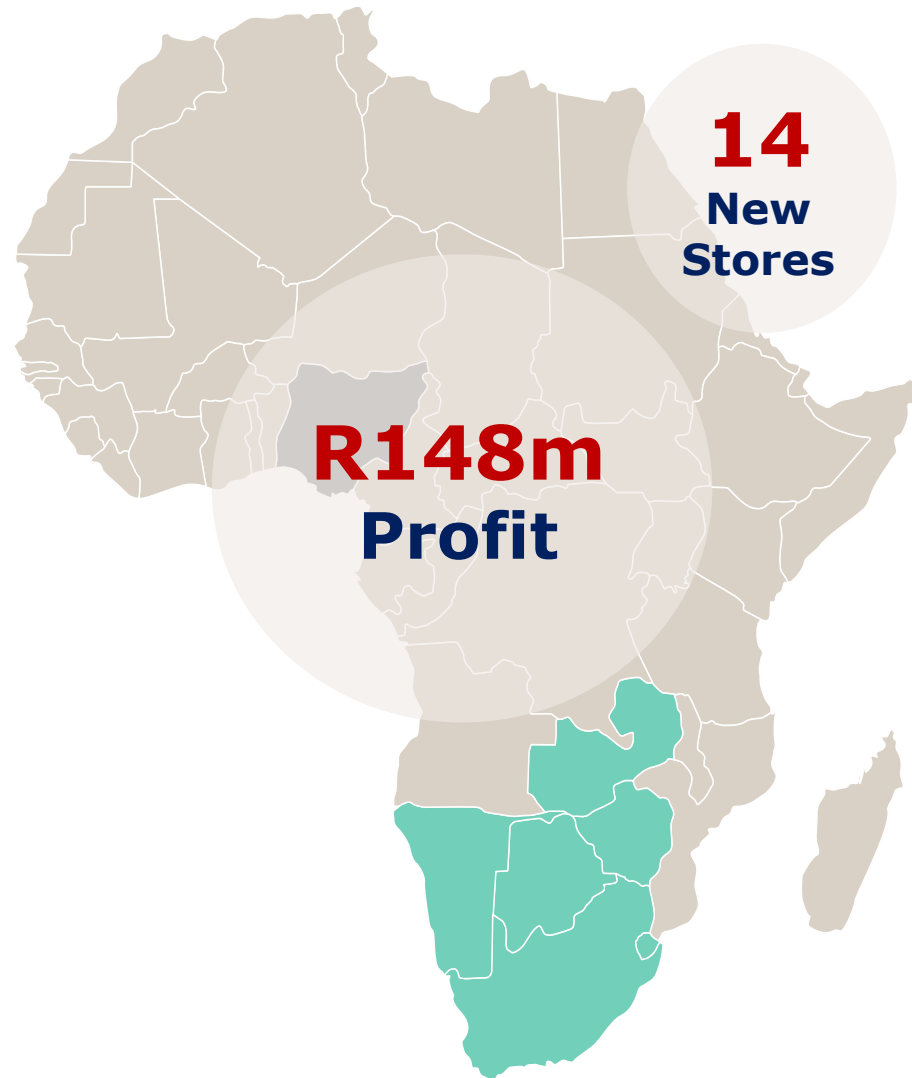
- ✓ Better for customers
- ✓ More efficient and effective
- ✓ Growth accelerators

## Stage 3

Sustainable long-term growth

- ✓ Building scale in Africa
- ✓ Accelerating Digital Transformation
- ✓ Positioned for growth across all market segments

# BUILDING SCALE IN AFRICA



- **163 stores across the Rest of Africa** with 14 new stores
- **Rest of Africa is profitable** for PnP
- **R148 million profit delivered** in a very tough trading environment
- **Over 10 000 people employed**
- Rest of Africa **remains a significant strategic opportunity** - right offer, right format
- Future of Africa lies in limited range discounting: **smaller stores, tighter ranges, lower prices**

# ACCELERATING DIGITAL TRANSFORMATION: **Pick n Pay.com**



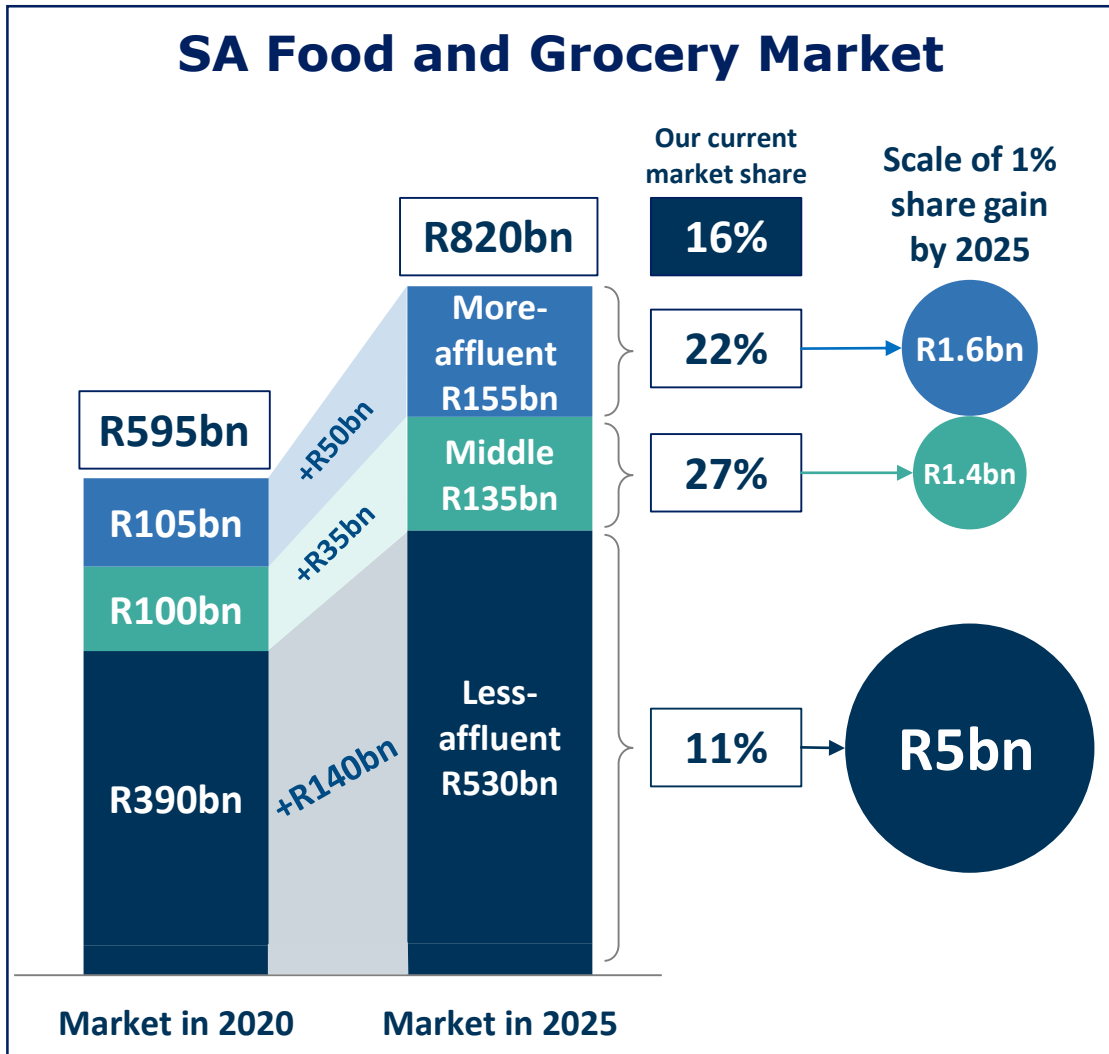
- **Launch of PicknPay.com** marks the integration of this offer
- Tremendous response during Covid-19 lockdown - **tripled the number of customers** served during lockdown
- **700% growth** in on-demand service
- **Online delivery complemented by Click n Collect** - including by franchisees - and by Bottles on-demand service
- **Customers can now shop seamlessly** with PnP anytime, anywhere and in whichever way they choose

# ACCELERATING DIGITAL TRANSFORMATION



- **Innovation in new products and services** - giving customers more choice, better value and greater convenience
  - 3 million TymeBank accounts opened
  - Processed over R13 billion contactless payments
  - MVNO launched - customers can purchase airtime and data from PnP Mobile & Boxercom - and earn Smart Shopper points
- **Digital technology is a significant driver of operational efficiency** & increased margin returns
  - digital integration – loyalty, buying, demand planning
  - quicker, data-led decision making
  - flexible and remote working
  - fast and effective cloud-based computing

# WELL-POSITIONED FOR GROWTH ACROSS THE MARKET



- Over **R200 billion growth expected in the food & grocery market** over the next 5 years
- PnP Group **well-positioned across the market**, with Boxer, PnP Value, PnP Core and PnP Select
- **1 994 stores across the Group** - within reach of most customers
- **R140 billion of total growth** is expected to come from the **less-affluent market**
- **Boxer and PnP Value are very well-placed to accelerate growth** in this part of the market - where we are currently under-represented

# DOING GOOD IS GOOD BUSINESS: FEED THE NATION



**R136 million raised**  
**28 million meals delivered**

# THANK YOU TO OUR INCREDIBLE TEAM



- A privilege to lead the Group for the past eight years
- A tough environment has kept me and my team focused on transforming the business
- My legacy is to leave the business stronger than I found it - equipped to win in the years to come
- I want to thank the Chairman, the Ackerman family and the Board for their unstinting support
- I want to thank my thousands of colleagues for walking every step of the way with me
- I wish Pieter and the team the very best for the future
- The future for Pick n Pay is bright. I am proud of the small part I have played in your story

FRUIT & VEG

Pick n Play

QUESTIONS

05

APPENDIX

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# TECHNICAL ACCOUNTING AND REPORTING CONSIDERATIONS

	Technical considerations	Comments
<b>Financial calendar</b>	52 weeks to 28 February 2021	<ul style="list-style-type: none"> <li>Financial calendar cut-off can have an impact on cash generated from working capital</li> <li>FY20 closed on 1 March 2020 - accounts payable reflect one additional day of supplier payments in the prior year</li> </ul>
<b>IAS 29: Hyperinflation accounting</b>	Hyperinflation accounting for TM Supermarkets (TM) introduced in FY20	<ul style="list-style-type: none"> <li>TM continues to trade in a hyperinflationary economy in Zimbabwe, categorised by currency weakness, currency illiquidity and high levels of inflation</li> <li>The Group remains conservative when recognising its share of income from its associate:               <ul style="list-style-type: none"> <li>Official auction rate: ZWL\$ 83.9 to the USD</li> <li>Group translation rate: ZWL\$ 115.0 to the USD</li> </ul> </li> </ul>
<b>IFRS 16: Leases</b>	IFRS 16: Leases adopted on a full retrospective basis in FY20	<ul style="list-style-type: none"> <li>Operating leases capitalised on balance sheet</li> <li>Rentals (previously occupancy costs) replaced with depreciation (occupancy costs) and implied interest paid (finance charges), with all supply chain related costs included in cost of sales</li> </ul>
<b>IFRS 16: HEPS restatement</b>	Profits and losses on early termination of leases no longer considered capital in nature	<ul style="list-style-type: none"> <li>FY20 restatement: R19m (net of tax) of early termination profits now included within headline earnings and headline earnings per share</li> </ul>

# STRONG GROWTH IN CORE FOOD AND GROCERY

Sales growth %	H1 2021	H2 2021	FY 2021
<b>Group</b>	<b>2.6</b>	<b>6.0</b>	<b>4.3</b>
Like-for-like	1.0	5.0	3.1
<b>Group constant currency</b>	<b>2.8</b>	<b>6.4</b>	<b>4.6</b>
<b>South Africa:</b>			
<b>Total</b>	<b>3.4</b>	<b>6.8</b>	<b>5.0</b>
Like-for-like	1.7	5.9	3.8
<b>Core food &amp; grocery</b>	<b>9.9</b>	<b>10.1</b>	<b>10.0</b>
Like-for-like	7.6	9.3	8.4
<b>Clothing</b>	<b>(4.2)</b>	<b>6.7</b>	<b>1.3</b>
<b>Liquor &amp; tobacco</b>	<b>(47.5)</b>	<b>(17.3)</b>	<b>(31.0)</b>

- Group sales up 4.3% year-on-year (LFL 3.1%)
- Group sales up 4.6% excluding local currency weakness in Rest of Africa
- SA sales up 5.0% (LFL 3.8%)
- Market-leading growth in core food and grocery -increasing from 9.9% in H1 to 10.1% in H2 at a time when the more discretionary areas of the consumer economy were opening up
- Clothing sales severely impacted by trading restrictions under Level 5 and Level 4 lockdown - but strong market share gains in key categories, including ladieswear and childrenswear
- Liquor and tobacco significantly affected by government trading restrictions, with prohibitions and reduced trading hours for all but three weeks of the financial year

# OTHER TRADING INCOME REFLECTS IMPACT OF COVID-19

Rm	FY21	FY20	% change
<b>Other trading income</b>	<b>1 580.9</b>	<b>1 570.2</b>	<b>0.7</b>
Franchise fee income	412.7	398.3	3.6
Operating lease income	142.5	140.7	1.3
Commissions and other income, including value-added services	1 025.7	1 031.2	(0.5)

- **Franchise fee income up 3.6%**

- reflects Covid-19 trading restrictions
- strategic closures and conversions
- franchisees remain resilient - benefitting from smaller, neighbourhood-based stores
- 40 planned new franchise stores for FY22

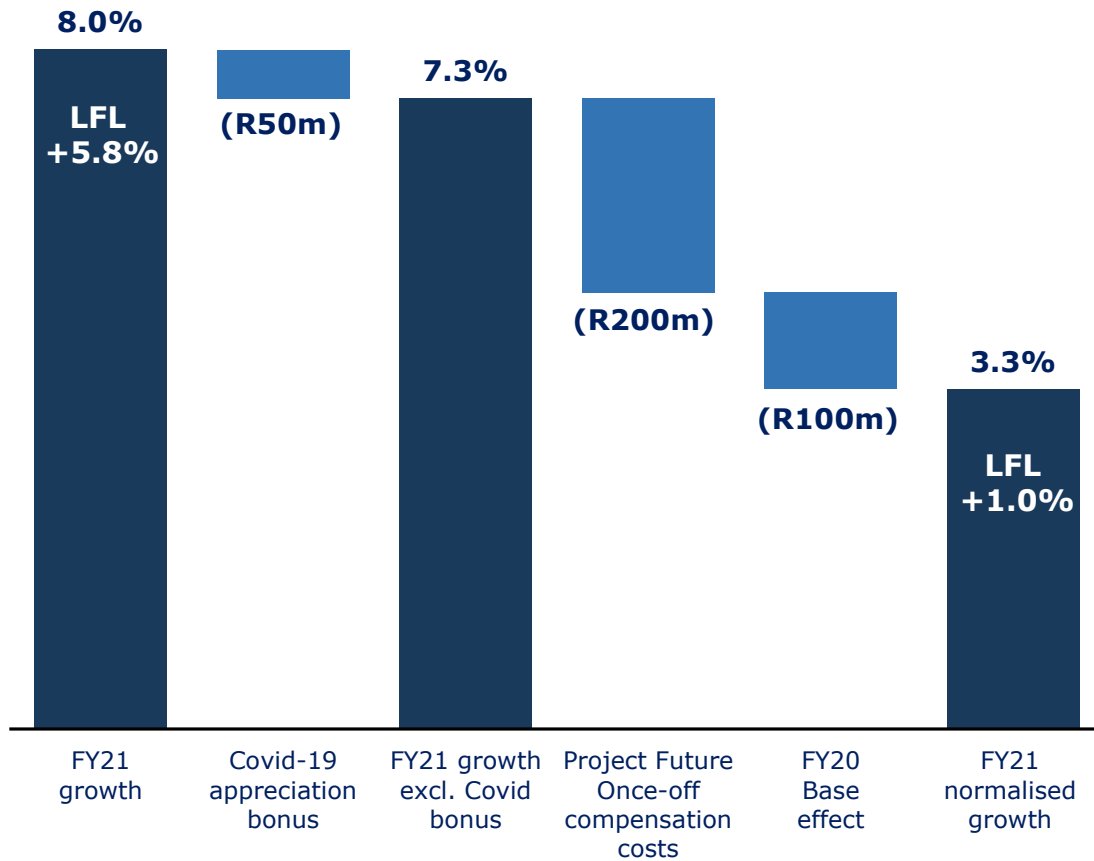
- **Commissions and other income down 0.5%**

- restrictions over non-essential goods and services, including event and travel ticketing
- switch from in-store convenience to online value-added services
- third party bill payments, courier services and the sale of gift cards all resilient



# PROJECT FUTURE TARGETS SUSTAINED COST CONTROL

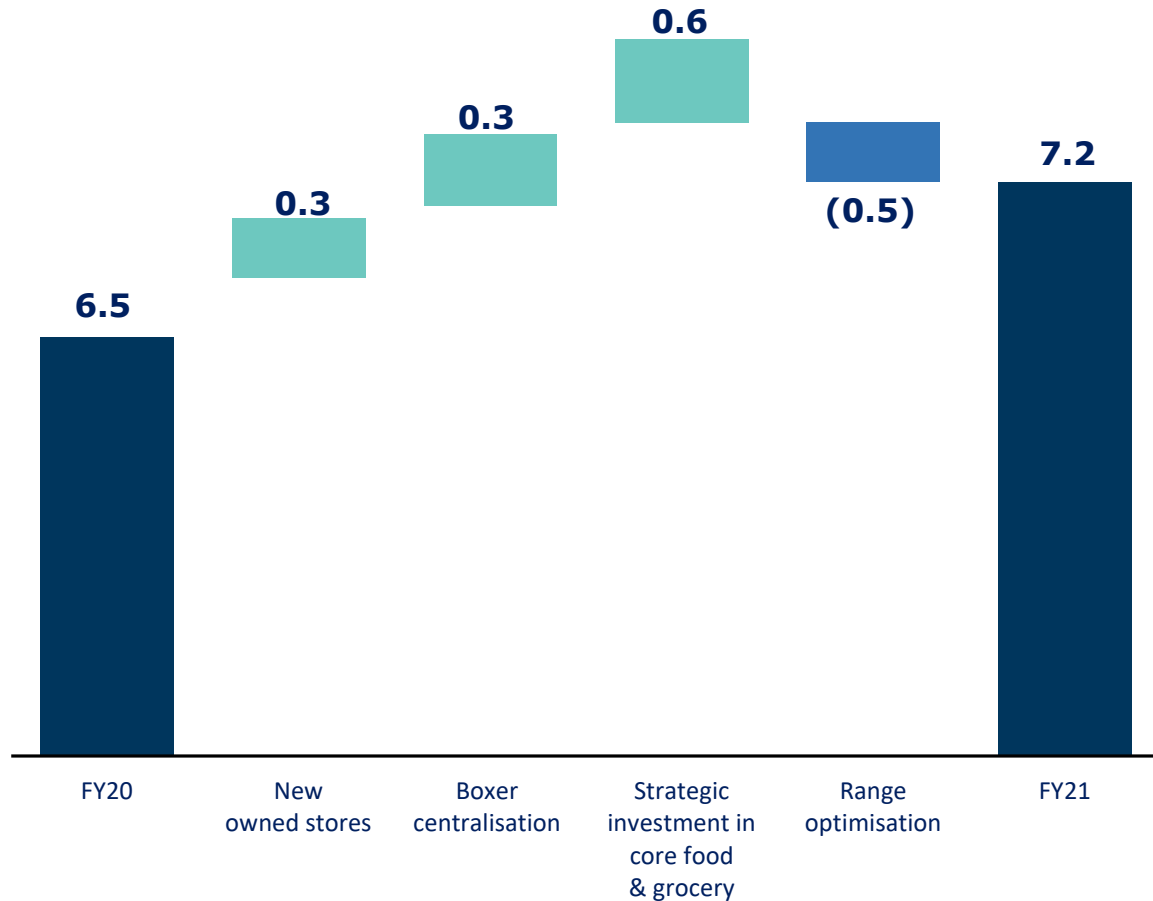
## Employee costs analysis



- **Employee costs up 8.0% (LFL 5.8%)**
- **Staff restructure an important step in delivering future productivity gains**
  - 1 600 roles removed to improve store, supply chain and support office efficiency
- **2 000 new roles created across 112 new stores**
- **Low FY20 base**
  - reversal of share-based payment costs and no bonuses to senior management in prior year
- **Staff recognition**
  - Covid-19 appreciation bonuses for front-line staff
  - performance bonuses recognise solid performance over a difficult year
- **Normalised employee costs up only 3.3% (LFL 1.0%)**

# STRONGER RANGE, IMPROVED AVAILABILITY

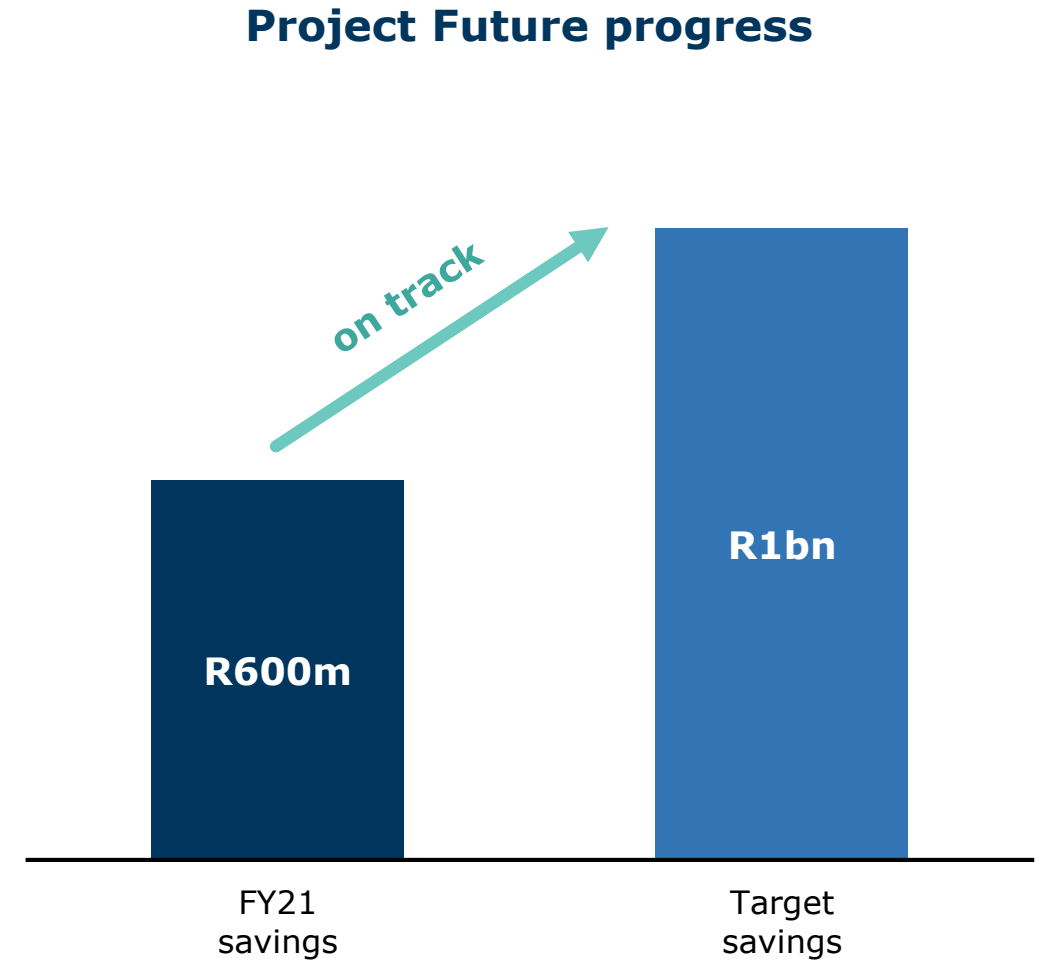
## Inventory investment analysis (Rbn)



- **Inventory increased by 10% to R7.2bn reflecting the Group's growth strategy**
  - 80 net new owned stores R280m
  - Boxer centralisation R290m
- **Strategic investment in essential food and groceries**
  - on-shelf availability maintained at over 95%, including over busy month-end SASSA periods
- **Solid progress on range optimisation**
  - ranges tailored across Value, Core and Select supermarkets
  - 4 500 duplicate and uneconomic products removed through range optimisation under Project Future
  - improved management of promotional stock
  - lower days stock on hand, with further improvements targeted in FY22

# PROJECT FUTURE ON TRACK TO DELIVER AGAINST TARGET

Rm	FY21
Modernising our workforce roles & structures across operations, supply chain & offices	350
Outstanding control of shrink & waste and gross profit optimisation	150
Strict control of property cost escalations & energy usage	50
Improved working capital management	50
<b>Project Future gross savings</b>	<b>600</b>
Once-off compensation costs	(200)
<b>Project Future net savings</b>	<b>400</b>



# RECONCILING EPS TO COMPARABLE HEPS

Cents per share	FY21	FY20	% change
<b>EPS</b>	<b>202.52</b>	<b>250.90</b>	<b>(19.3)</b>
Capital items	26.79	41.00	
<b>HEPS</b>	<b>229.31</b>	<b>291.90</b>	<b>(21.4)</b>
Hyperinflation net monetary adjustments	6.11	(9.08)	
<b>Comparable HEPS</b>	<b>235.42</b>	<b>282.82</b>	<b>(16.8)</b>
Once-off compensation costs	30.16	-	
<b>Comparable HEPS, excl. once-off compensation costs</b>	<b>265.58</b>	<b>282.82</b>	<b>(6.1)</b>

- Reported EPS includes the impact of hyperinflation in Zimbabwe and all items of a capital nature
- Reported HEPS, excludes all capital items, but specifically includes hyperinflation net monetary adjustments in Zimbabwe
- Comparable HEPS excludes a R29.2m non-cash hyperinflation net monetary loss recognised in Zimbabwe over the period (FY20: R43.2m gain)
- Comparable HEPS, excluding the R200m once-off cost (R144m net of tax) of the Group's staff severance programmes, is down 6.1% year-on-year
- Additional Covid-19 related costs of R200m have not been removed from comparable HEPS when assessing underlying performance, as a portion of these operating costs are expected to persist as a result of the Group's strengthened health, safety and security protocols

# ADDITIONAL EARNINGS METRICS

## Group

FY21

### EBITDA growth

0.0%

EBITDA margin

6.6%

### EBIT growth

-5.7%

EBIT margin

3.2%

### Comparable PBT

-6.0%

Comparable PBT margin

1.9%

All metrics excluding capital items, hyperinflation and once-off compensation costs

- Previously, EBITDA and EBIT would be used by stakeholders as key measures of the Group's underlying operating performance
  - EBITDA is profit before tax excluding interest, depreciation, amortisation and all capital items
  - EBIT is profit before tax excluding interest and all capital items
- IFRS 16 has capitalised the majority of the Group's underlying operating leases - replacing rental costs with implied interest and depreciation costs
- It is no longer relevant to focus on EBITDA and EBIT performance - as these measures exclude the majority of the Group's real cash cost of occupancy
- As a result of IFRS 16, the Group is focused on comparable PBT

# STRONG LOCAL PERFORMANCE IN ZIMBABWE (TM)

Rm	FY21	FY20
<b>Share of associate's earnings - excluding net monetary adjustments</b>	<b>109.2</b>	<b>23.1</b>
TM trading result	108.0	102.5
Forex gains / (losses) on translation of foreign debt	1.2	(79.4)
<b>Hyperinflation - net monetary adjustments</b>	<b>(29.2)</b>	<b>43.2</b>
<b>Impairment of investment in associate</b>	<b>(81.6)</b>	<b>(173.6)</b>
<b>TM contribution to Group PBT</b>	<b>(1.6)</b>	<b>(107.3)</b>
<b>Equity investment in TM</b>	<b>69.7</b>	<b>50.4</b>

- Solid trade and earnings performance under challenging economic conditions
- Sustained market share growth, anchored by outstanding customer offer and consistent on-shelf availability
- Trade debt repaid in full this year
- The fair value of our 49% stake in TM reflects the application of hyperinflation accounting and significant currency devaluation over the period:
  - **1 March 2020:** 30.8 **ZWL\$:** 1.0 USD
  - **28 February 2021:** 115.0 **ZWL\$:** 1.0 USD
- Fair value of investment reassessed at R69.7m - recognising a strong local performance and the elimination of all foreign denominated trade debt
- 61 supermarkets in Zimbabwe - 28 trading as Pick n Pay, with 3 new stores during the period