

FY23 INTERIM RESULTS

26 weeks ended
28 August 2022



OUTLINE OF THE PRESENTATION

1

Introduction

Gareth
Ackerman

2

Result Overview

Lerena
Olivier

3

Strategic Outlook

Pieter
Boone

WHAT TO EXPECT TODAY

- Update on the progress of our Ekuseni strategy
- Separate disclosure of Boxer and Pick n Pay turnover
- Update on the performance of our revised customer value proposition
- Update on the progress we are making with our omnichannel offer

NECESSARY INITIATIVES

- The Group has clearly outlined environmental goals
 - Published in ESG report
- Action underway to increase the use of solar
 - Over 3MW will be installed at Eastport DC
- Investing in prices to reduce the impact of inflation
- Modernisation and efficiency initiatives across the Group through Project Future

TAKING ACTION

Creating jobs

increase of store footprint

Investing in SA

spending c.R4-4.5bn in CAPEX this year

Feeding the Nation

nearly 2.5m meals distributed last year

Getting involved

working with the Consumer Goods Council, CGCSA

ON THE RIGHT TRACK

- A determined business in a resilient country
- Encouraging result for the first half
- Strong momentum but work to do
- Hard-working, dedicated team

OUTLINE OF THE PRESENTATION

1

Introduction

Gareth
Ackerman

2

Result Overview

Lerena
Olivier

3

Strategic Outlook

Pieter
Boone



RESULT HEADLINES

	H1 FY23	H1 FY22	% change
Group turnover	R51.3bn	R46.0bn	11.5
South Africa turnover	R49.5bn	R44.5bn	11.2
Gross profit margin	19.4%	18.2%	
Other income ¹	R943.5m	R808.3m	16.7
Trading expenses	R9.8bn	R8.9bn	10.6
Pro forma PBT ²	R588.0m	R481.2m	22.2
Pro forma PBT – South Africa ²	R456.1m	R389.6m	17.1
Pro forma HEPS ²	88.76c	70.85c	25.3

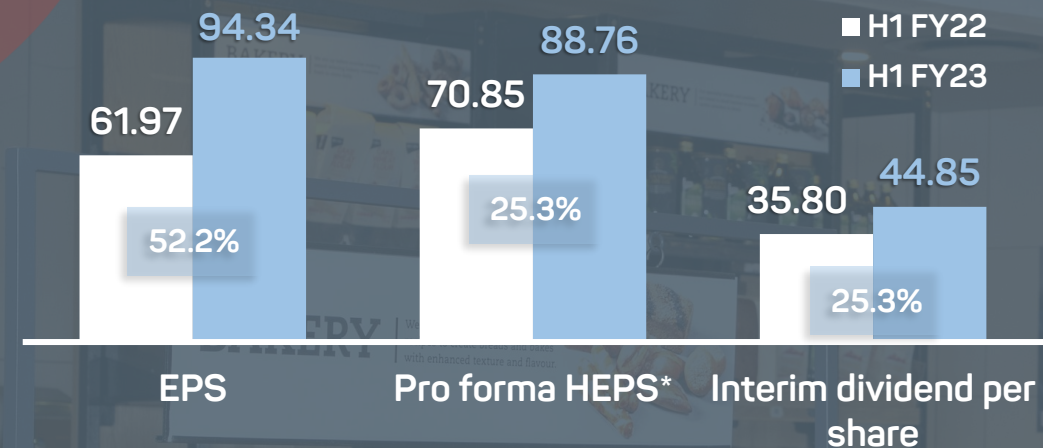
- Strong Group turnover growth of 11.5% (LFL 7.4%)
- Normalised growth was an encouraging 8.2%
- GP margin impacted by price investment to support customers and higher fuel costs
- Other income up 16.7%, a solid recovery from trade disruptions
- Trading expense growth driven by cost inflation, load shedding, and higher insurance and security costs after July 2021 unrest
- 22.2% growth in pro forma PBT (17.1% in South Africa) off a disrupted base

¹Other income excludes insurance proceeds received, refer to summarised financial statements

²Pro forma earnings exclude insurance recoveries related to the 2021 civil unrest, non-cash hyperinflation adjustments and items of a capital nature

PRO FORMA HEPS UP 25% ON A DISRUPTED BASE

Earnings and dividends:



FY23 H1 Reconciliation	PBT [^] Rm	HEPS cents per share
Reported	671.8	97.73
Non-cash hyperinflation impact	61.4	12.78
Insurance recoveries	(145.2)	(21.75)
Pro forma*	588.0	88.76

[^]PBT before capital items

*Pro forma earnings exclude insurance recoveries related to the 2021 civil unrest, non-cash hyperinflation adjustments and items of a capital nature

- Pro forma HEPS: 89 cents per share up 25.3% in line with PBT growth
- Pro forma HEPS primary driver of dividend payout ratio
- Interim FY23 dividend: 45 cents per share up 25.3% in line with pro forma HEPS
- Full year dividend cover of 1.3 times maintained

POSITIVE SALES PERFORMANCE

South Africa Sales	H1 FY23 Rbn	H1 FY22 Rbn	Sales growth %	LFL Sales growth %	Sales participation %
Pick n Pay	34.5	32.7	5.4	4.5	70
Boxer	15.0	11.8	27.2	14.2	30
Total	49.5	44.5	11.2	7.0	

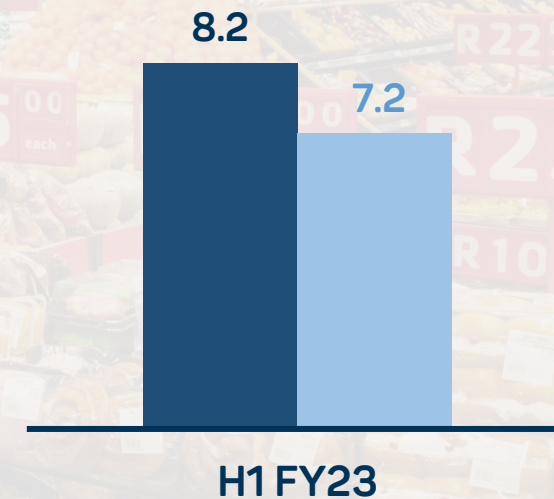
- Reported South Africa sales segmented between Pick n Pay and Boxer
- Total SA sales growth driven by Boxer, with market-leading growth of 27.2% (LFL 14.2%)
- Pick n Pay and QualiSave combined grew sales at a respectable 5.4% (LFL 4.5%)
- Sales from revised CVP stores encouraging, but not yet at a scale to impact this result

BETTER VALUE FOR CUSTOMERS

- Continuing to deliver lower prices for customers
- Internal selling price inflation of 7.2% - below CPI food at 8.2%
- Achieved in an inflationary environment, with cost pressure specifically on commodities
- Boxer particularly affected, due to higher commodity exposure
- Strategic inventory buy-ins partially mitigated rising selling price inflation

Inflation, %:

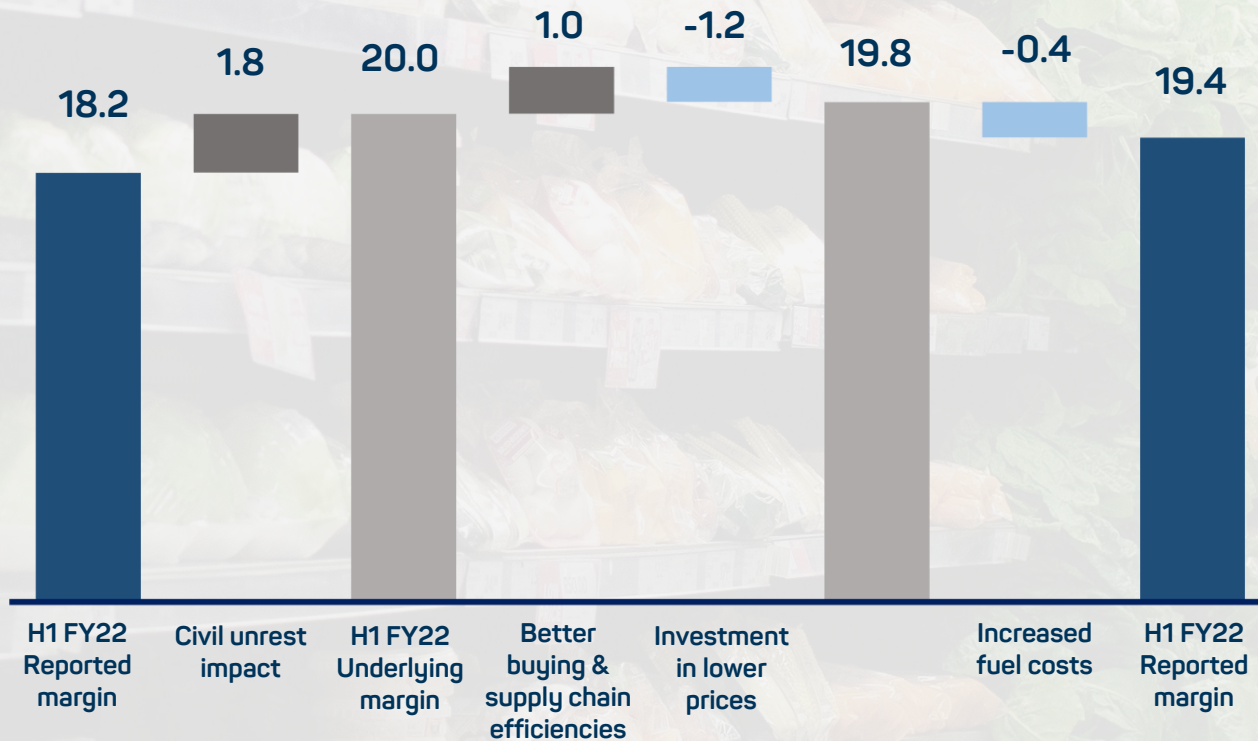
■ CPI food inflation*
■ Internal inflation



*Stats SA (CPI food & NAB)

STRATEGIC PRICE INVESTMENT

Gross profit margin, %:



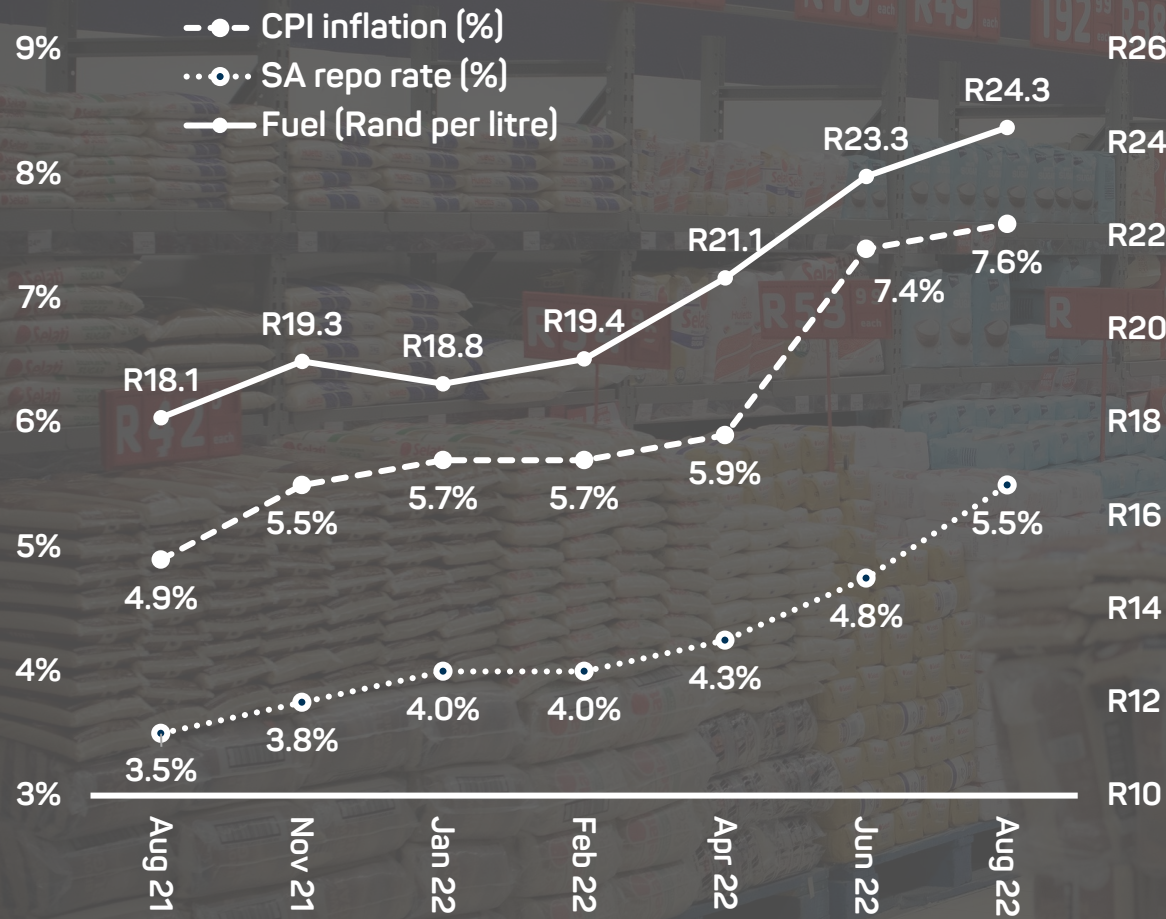
- Gross profit margin of 19.4% - 0.6%pts contraction against 20.0% normalised base due to:
 - unrecovered higher fuel costs, 0.4%pts
 - better buying and supply chain efficiencies added 1.0%pts
 - price investment across Pick n Pay and Boxer of 1.2%pts

SOLID RECOVERY IN OTHER INCOME

	H1 FY23 Rm	H1 FY22 Rm	% change
Franchise fee income	215.9	206.6	4.5
Operating lease income	71.4	57.9	23.3
Commission and other income	656.2	543.8	20.7
Other income	943.5	808.3	16.7
Insurance recoveries	145.2	753.7	
Reported other income	1 088.7	1 562.0	(30.3)

- Underlying other income grew 16.7%
- Franchise fees increased 4.5% - with franchise conversions offsetting disrupted base
- Commissions and other income up 20.7%, driven by strong value-added services growth:
 - cash withdrawals at tills
 - money transfers
 - travel and event ticketing
 - sale of lotto vouchers

EXTERNAL COST PRESSURES



- Higher diesel costs due to loadshedding
- Above-inflation increases in fuel, rates, utilities and electricity
- Security and insurance costs – significantly higher post July 2021 unrest
- 150bps repo rate rise in H1
- R110m additional spend on energy costs, net of electricity cost savings

*Source: Stats SA, Automobile Association SA; SARB

PROJECT FUTURE DELIVERING

	H1 FY23 Rbn	H1 FY22 Rbn	% change	% LFL change*
Trading expenses	9.8	8.9	10.6	6.0
Employee costs	4.2	3.9	6.5	3.0
Occupancy	1.5	1.3	12.5	6.8
Operations	2.5	2.2	12.8	7.8
Merchandising & administration	1.6	1.4	16.7	11.1

- Ekuseni requires cost investment
- Project Future delivered R315m (across GP and trading expenses)
- Pick n Pay and Boxer SA contained LFL cost growth at or below LFL sales growth
- Project Future key initiatives include:
 - store labour multi-skilling agreement
 - supply chain efficiencies
 - cost discipline and lower waste
 - support office consolidation

*Excluding restructuring costs

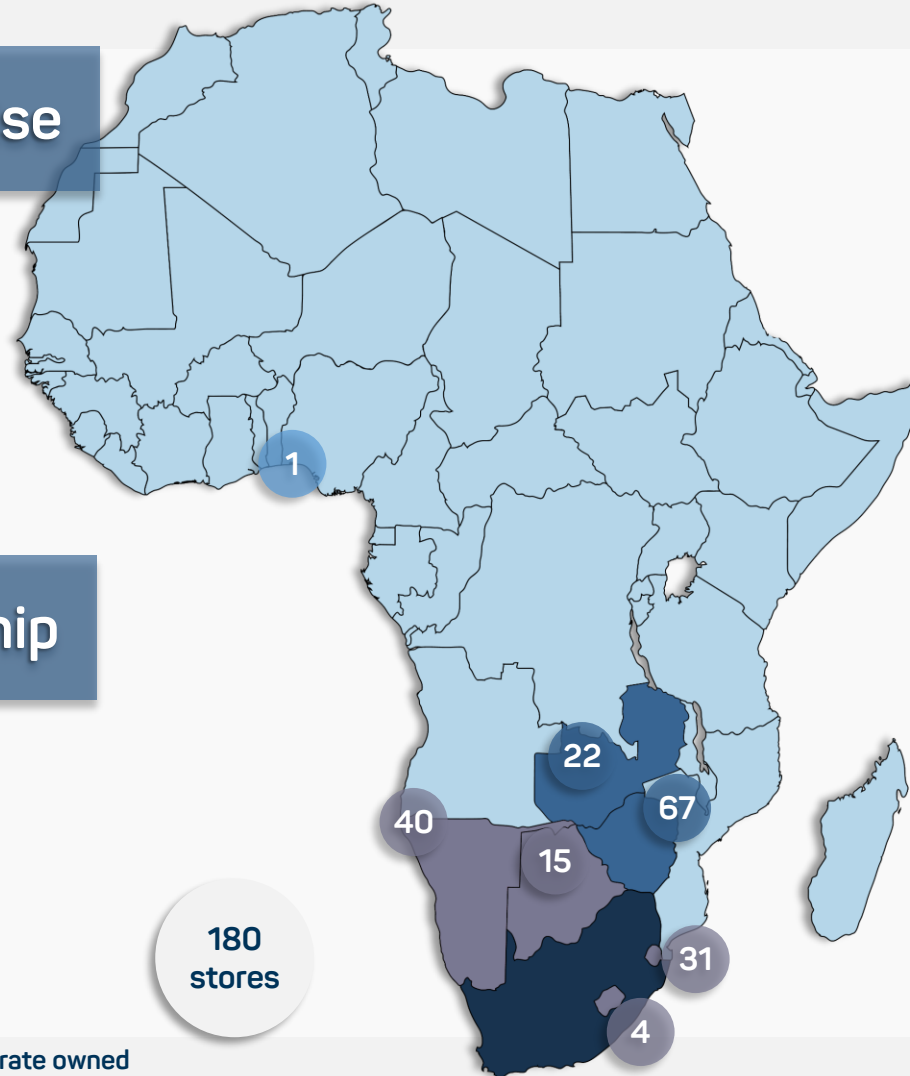
REST OF AFRICA

Franchise

Botswana	15
Lesotho	4
eSwatini*	31
Namibia	40

Owned or Partnership

Zimbabwe	67
Zambia	22
Nigeria	1



- Goal is sustained and steady growth across markets
- Positive LFL unit growth in key markets
- Inflation creating headwinds across markets
- RoA sales of R2.4bn up 17.9%, 8.3% in constant currency
- Profit of R131.9m up 44.0% (before hyperinflation)
- Strong performance from Zimbabwe

*Majority Franchise: 22 Franchise, 9 Corporate owned

WORKING CAPITAL MANAGEMENT

	H1 FY23 Rbn	H1 FY22 Rbn	% change
Inventory	8.9	7.3	22.6
Trade and other receivables*	4.4	5.0	(12.0)
Trade and other payables	13.8	14.0	(1.1)

Inventory analysis, Rbn:

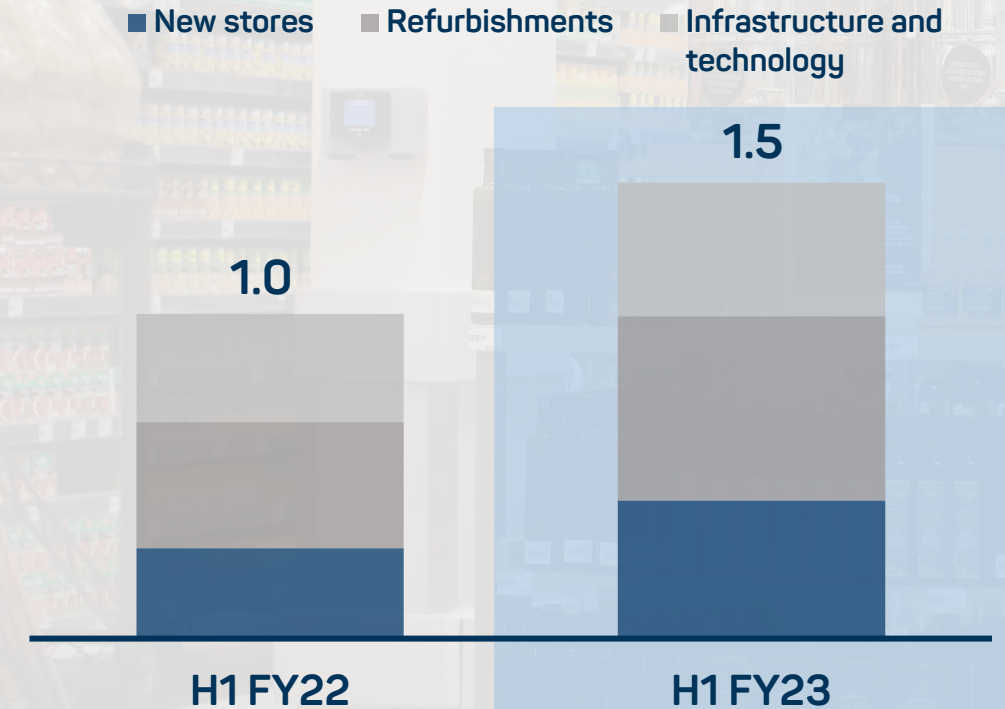


*Includes current and non-current balances

- Inventory up 22.6% mainly due to buy-ins
- CVP range optimisation will deliver inventory benefits over medium-term
- Trade and other receivables declined 12% against a disrupted base. Franchise debt well-controlled
- Trade and other payables down 1.1% due to:
 - buy-ins outside normal working capital cycle
 - increased supplier invoice financing within net debt
- Working capital benefits will be unlocked as strategic stock holdings unwind, and range rationalisation benefits are realised

PROGRESS AGAINST INVESTMENT PLAN

Capital investments, Rbn:



- Capital investment up 50% to R1.5bn
- 79 new stores across all formats, including 20 Boxer and 24 Clothing
- Increased refurbishment schedule in support of CVP roll out
- Full-year FY23 capital investment to be between R4.0bn to R4.5bn – in line with plan

CASH FLOW

Cash generation and utilisation, Rbn:

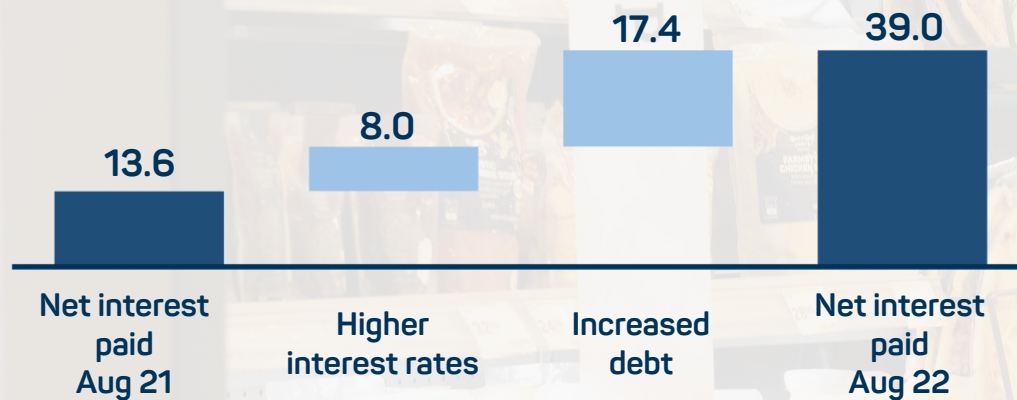


- Cash inflow from operations R1.2bn
- Free cash flow generated R100m
- The net cash outflow of R1.2bn reflects:
 - increased inventory buy-ins to mitigate inflation and deliver lower prices to customers
 - increased capital investment in line with Ekuseni initiatives

*Supplier invoice finance funding of R0.2bn included in working capital

GEARING TO SUPPORT STRATEGIC PLAN

Net interest paid, Rm:



- Net funding cost increased by R25.4m reflecting:
 - higher interest rates
 - increased capex and inventory
- Net gearing increased to R1.4bn, due to increased capital spend in support of Ekuseni
- Net debt to EBITDA well within target range
- H1 funding requirements managed through short-term ZAR-denominated debt
- Future debt rebalancing to include medium- and long-term debt as Ekuseni accelerates

	28 Aug 2022	28 Feb 2022	29 Aug 2021
Net gearing/(net cash), Rbn	1.4	0.4	(0.4)
Net debt to EBITDA*, multiple	0.4	0.1	(0.1)

*Excludes IFRS 16 leases. EBITDA based on 12 month rolling basis

RESULT SUMMARY AND OUTLOOK

- Positive Group turnover growth, with market-leading Boxer performance
- Sales from Ekuseni CVP stores highly encouraging for future Pick n Pay growth, but not yet at a scale to impact this result
- Effective cost control through Project Future – despite high inflation
- Positive HEPS reflected in interim dividend of 45 cents per share
- External headwinds such as inflation and loadshedding will continue to be a challenge
- Working hard to mitigate pressures but unlikely to fully insulate impact on full-year result

OUTLINE OF THE PRESENTATION

1

Introduction

Gareth
Ackerman

2

Result Overview

Lerena
Olivier

3

Strategic Outlook

Pieter
Boone

OVERVIEW OF THE INTERIM RESULT

11.5%

Group sales growth

7.4% LFL sales growth in a challenging economic environment

11.2%

Group SA sales growth

7.0% LFL sales growth with a strong performance from stores with new CVP

41

stores revamped with new CVP

130 planned for FY23, 93 PnP QualiSave revamps

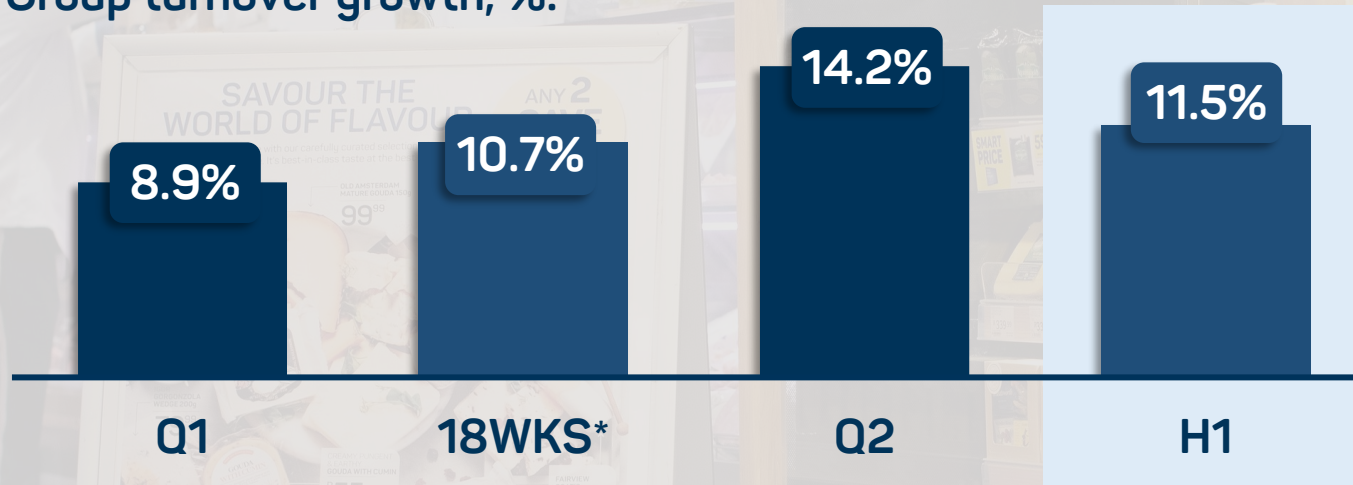
14.2%

Boxer SA LFL sales growth

4.5% LFL sales growth in Pick n Pay

TRADING MOMENTUM

Group turnover growth, %:



- Strong trade in H1 driven by price investments and a solid trade plan
- Robust sales in Q1, emerging from pandemic restrictions
- Q2 growth elevated by a softer base due to July '21 civil unrest
- Clear trading momentum from our investments and ongoing CVP revisions

Pick n Pay SA:

5.4%

4.5% LFL sales growth

Boxer SA:

27.2%

14.2% LFL sales growth

Rest of Africa:

17.9%

8.3% in constant currency

* provided in trading update issued at AGM, 18 weeks ended 3 July

EKUSENI STRATEGY BY FY26

1

Win with the
Pick n Pay customer

+20% NPS growth

2

Build Africa's no.1
discounter

2x Boxer sales

5

Delivering
through People

3

Build a market leading
online business

8x Online sales

4

Fund our ambition

R3 billion in savings

10% sales CAGR
>3% PBT margin

EXECUTING OUR EKUSENI PLAN

1

Win with the Pick n Pay customer

- 15% avg. weekly sales growth and 16% NPS growth in Ekuseni revamped stores

2

Build Africa's no.1 discounter

- Market-leading sales growth and on track to add 61 new Boxer stores in FY23

5

Delivering through People

- Consolidating support office
- Building capabilities and productivity
- Aligning incentives to deliver 10% sales CAGR and 3% PBT margin

3

Build a market leading online business

- Strong asap! growth and successful launch of new PnP offer on Mr D app

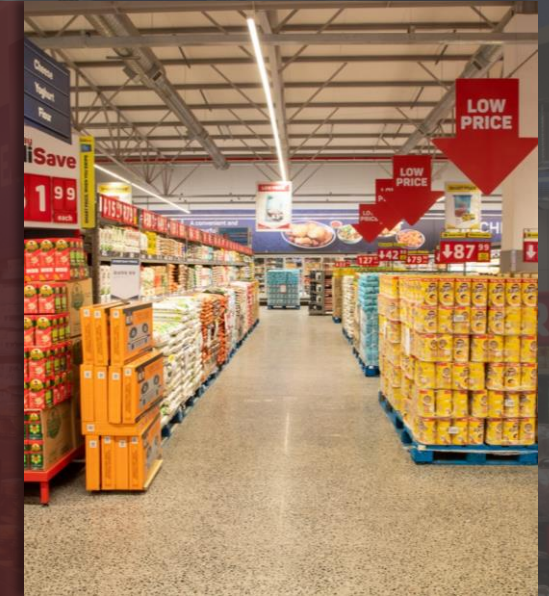
4

Fund our ambition

- On track to deliver planned savings in FY23, cost headwinds present challenge

PICK N PAY QUALISAVE

- Launched Pick n Pay QualiSave on 15 August
- Tailored to customers who want PnP quality at lower prices in the largest segment of the market
- Well-targeted promotions
- 93 stores already re-branded to QualiSave





RE-ENERGISED PICK N PAY



- Building on the strength of the Pick n Pay's great heritage
- Updated CVP focuses on the middle and more-affluent market
- Comprehensive range and quality
- Rolling out updated CVP through store revamps

SERVING CUSTOMERS WITH THREE BRANDS

			
SKUs	3 000 SKUs	8 000 SKUs	18 000 SKUs
Range	Focused, with strong confined label	Wider range, strong in fresh	Depth of range, quality, innovation and freshness
Price	Lowest price discounter	Low prices, great quality	Great value, best quality
Stores	Vibrant	Elevating the essentials	Aspirational and powerfully fresh
Service	Friendly and familiar	Service excellence	Experiential service

NEW PICK N PAY VALUE PROPOSITION

Ekuseni revamped stores:

- New CVPs fully implemented in 41 stores, 26 Pick n Pay and 15 QualiSave
- Strong sales growth and NPS improvement in stores with revised CVP
- Strong sales growth in critical categories
- Priority now is to roll out the new CVPs to more stores
- 130 planned for the full year

41

stores revamped with CVP, 130 planned

>20%

growth in key categories

Pick n Pay

Bakery
Hot Beverages
Snacks

15%

average weekly sales growth since launch

Pick n Pay QualiSave

Bakery
Butchery
Commodities

16%

growth in NPS in revamped stores

Pick n Pay

EKUSENI REVAMPED STORE PERFORMANCE

>20%

average increase in customer transactions since launch

3%

increase in average basket value since launch

29%

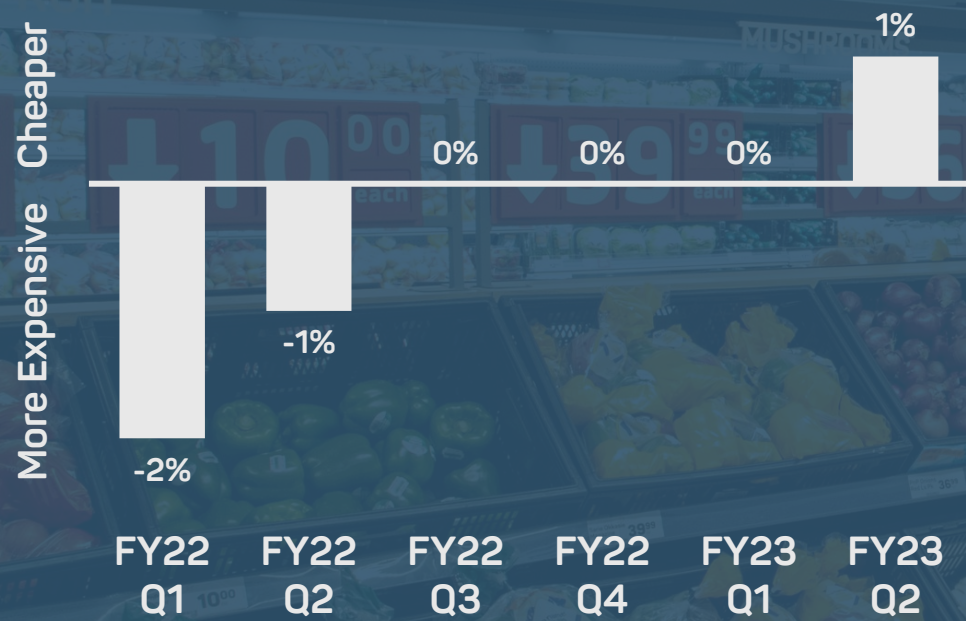
sales growth in our traffic categories which are our customer drivers

24%

sales growth in our power categories which are our differentiators

CORRECTING OUR PRICE PERCEPTION

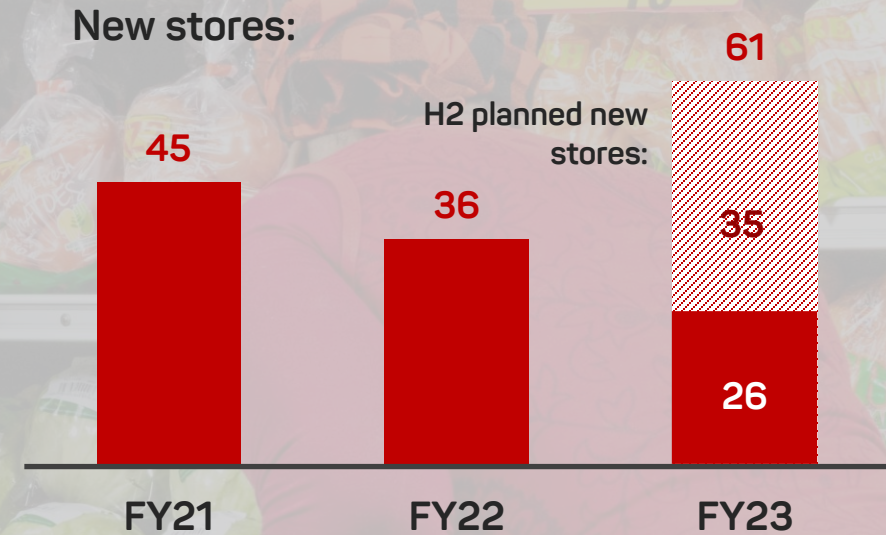
Pick n Pay price perception vs. key competitor:



- Project Future savings have fuelled sustainable price investment over past 18 months
- Customers notice the difference - pleasing improvement in price perception
- Organisation into PnP and QualiSave enables us to target price investment and promotions more effectively

BOXER: MARKET-LEADING DISCOUNTER

- Boxer's unique proposition delivers exceptional value for customers
- Market-leading growth in the largest and fastest growing segment of the market
- Strong growth in key categories (e.g. cold drinks, condiments, canned vegetables, household cleaners)
- Strong own-label and confined-label penetration (>40% in some categories)
- On track to open at least 61 new stores in FY23



27.2%

sales growth
14.2% LFL growth

61

new stores in FY23
26 launched in H1

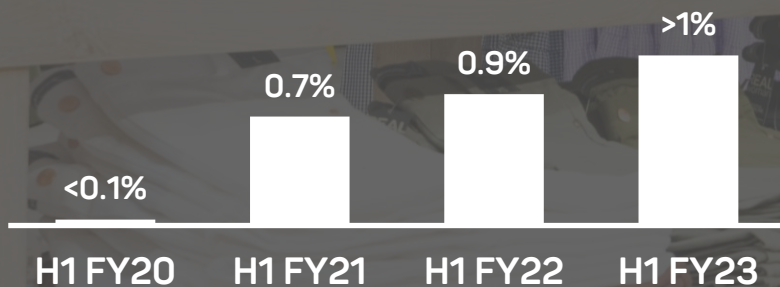
CLOTHING: AN ENGINE FOR GROWTH

New stores:



- 14.8% sales growth in Clothing
- Market share gains reflect broad appeal across every clothing category
- Adding more clothing stores than ever in FY23

Cumulative market share gains*:

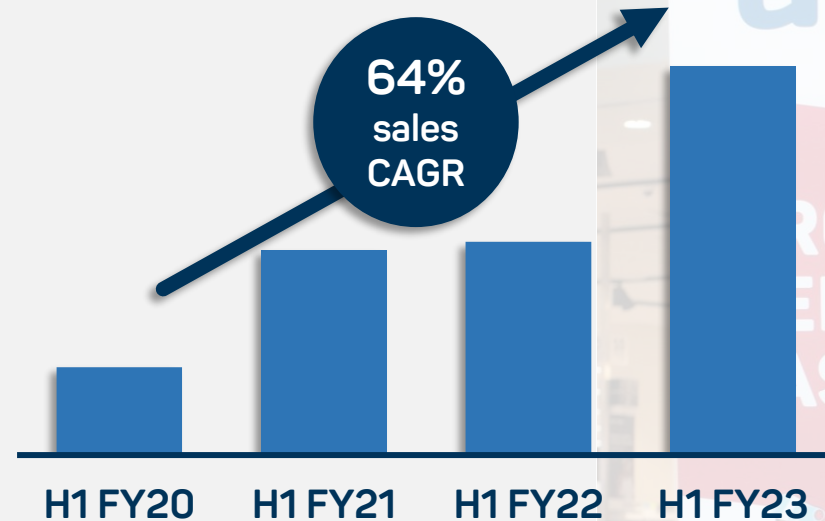


- c.40% of Clothing units are locally produced
- Products with sustainable attributes contribute 32% of the volume sold

*RLC data

ON-DEMAND DRIVING ONLINE SALES

- Customer demand for online grocery continues to grow in post-pandemic market
- Significant growth in online sales driven by asap!
- Improvements in customer experience, reliability and service
- Scheduled delivery remains a big opportunity – with plans to grow offer in FY24



82%
Online sales growth in H1

>200%
sales growth for asap!

Pick n Play
asap!

GROCERIES,
DELIVERED.
EASY.



Pick n Play

TAILORED GROCERY EXPERIENCE ON MR D

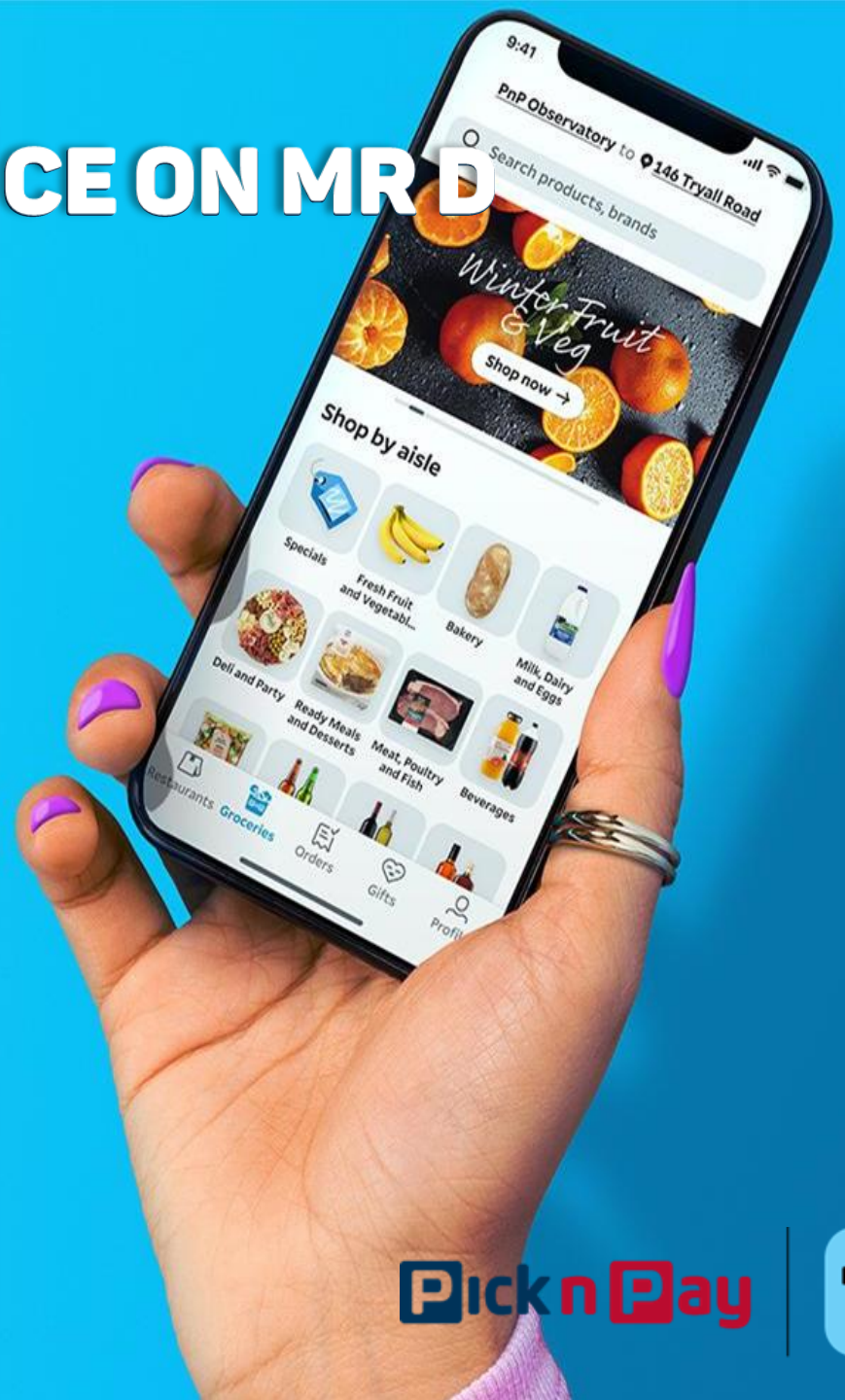
- Commercial agreement to launch Pick n Pay grocery offer on Mr D announced in May
- Picking from local stores with delivery within 60 minutes
- Available from over 270 stores, roll out complete by December
- Highly scalable – building on extensive PnP store network, large Mr D customer base, and unrivalled delivery capacity

10x

weekly active users vs asap!

10x

delivery capacity vs asap!



Pick n Pay



OUTLOOK FOR THE YEAR

- FY23 will be a year of major progress in delivering Ekuseni
 - Rejuvenating Pick n Pay by refining our CVP in two differentiated banners
 - Doubling-down on the growth of our high-performance formats, Boxer and Pick n Pay Clothing
 - Building a market-leading online business including Pick n Pay on Mr D app
 - Improving efficiency by driving Project Future modernisation and savings programme
- Expect external challenges to continue in the second half
- Building momentum as a Group, we are on the right path

SALAD



SAVE

Your Favorites
Combined Now With
Added Savings

**ANY 4
\$120**

Pick n Pay

THANK YOU