

**10.9%**  
REVENUE GROWTH  
TO **R64.2bn**

**10.7%**  
GROWTH IN OPERATING PROFIT<sup>1</sup>  
TO **R6.4bn**

Excluding  
one-off  
costs

**1.9%**  
GROWTH IN OPERATING PROFIT<sup>1</sup>  
TO **R5.9bn**

Including  
one-off  
costs

**R5.3bn**  
CASH GENERATED FROM  
OPERATIONS

**3.6%**  
GROWTH IN RETAIL  
SPACE

**R18bn**  
REFINANCED AND  
GUARANTEES RELEASED

**27.8c**  
PER SHARE MAIDEN  
DIVIDEND DECLARED

Dividend  
cover of three  
times

# Audited financial results\*

FOR THE YEAR ENDED 30 SEPTEMBER 2018

<sup>1</sup> Before capital items \* Extracted financial information from the audited results for the year ended 30 September 2018

**PEPKOR**  
Holdings Limited

Providing everyday products  
at affordable prices at customers'  
convenience



**Clothing  
and general  
merchandise**



**Furniture,  
appliances  
and electronics**



**Building  
materials**



**FinTech**



## Highlights

	Year ended 30 September 2018 Audited Rm	Year ended 30 September 2017 Audited Rm	% change
Revenue	64 168	57 850	10.9%
Operating profit before capital items and one-off costs	6 439	5 815	10.7%
Basic earnings per share (cents)	83.6	132.6	(37.0%)
Headline earnings per share (cents)	84.5	133.6	(36.7%)
Net asset value per share	1 614.7	1 533.1	5.3%

Comparability of Pepkor's statutory results is impacted by the following two factors:

- During FY17 Pepkor issued 882 million shares. This included 132 million shares for the acquisition of Tekkie Town and 750 million shares issued on 20 September 2017, shortly before the FY17 year-end on 30 September 2017, impacting FY17 statutory earnings per share by approximately 30 cents.
- One-off costs in the financial year of R511 million pertaining to a provision for exposure to a corporate financial guarantee and associated loans negatively impacted FY18 basic and headline earnings per share metrics by approximately 15 cents.

For further information, refer to Pepkor's detailed results announcement available on [www.pepkor.co.za](http://www.pepkor.co.za)

## Commentary

The Pepkor group has completed its first full financial year as a listed company. The 2018 financial year (FY18) will be remembered as a year that included numerous significant corporate matters. Major milestones include the refinancing of the Steinhoff shareholder funding and cancellation of related financial guarantees, the name change to Pepkor and good overall financial performance under trying circumstances.

Pepkor today is financially independent and its strategy of providing everyday products at affordable prices at customers' convenience continues to underpin performance in a challenging retail environment.

Consumers continue to face significant pressure on spending power as a result of a strained economy, and the group's defensive market positioning has effectively supported performance. The group has some of the most trusted retail brands in South Africa, which continue to be supported by millions of customers.

During the year the group opened 428 stores, increasing retail space by 3.6%, resulting in a total store base of 5 236 stores.

Pepkor achieved revenue growth of 10.9% to R64.2 billion during the year ended 30 September 2018. Operating profit before capital items increased by 10.7% to R6.4 billion from the prior year (FY17), excluding the impact from R511 million one-off costs.

## Operational review

### Clothing and general merchandise

The clothing and general merchandise segment reported good performance despite a financially constrained South African consumer and significant selling price deflation resulting from a strengthening rand during 2017, translating into a reduction in retail selling prices. Segmental revenue increased by 7.2% to R42.5 billion, while operating profit increased by 8.1% to R6.1 billion.

Clothing, Footwear and Home (CFH) product departments, in particular Footwear, experienced significant deflation. Optimisation and development of the product mix and driving of sales volumes successfully countered the deflationary environment. This resulted in a 7.0% increase in sales units sold during the year, while the number of sales transactions increased by 6.3%

The segment opened 335 new stores during the year, expanding the retail footprint to 4 220 stores. Retail space increased by 4.5% to 1.6 million m<sup>2</sup>.

PEP remained true to its DNA of Best Price Leadership (BPL), notwithstanding deflation and competitive pressure. PEP celebrated its 19th consecutive year of double-digit growth in operating profit. Ackermans continues to outperform competitors in the South African apparel industry as the strong customer value proposition aimed at 'women with kids in their lives' continues to drive performance, resulting in the ninth consecutive year of high double-digit growth in operating profit. PEP Africa experienced a very challenging year, marked by the lagging effect of low commodity prices, foreign exchange shortages, and high inflation rates that continue to weigh on consumer spending.

The Refinery and John Craig brands reported stellar performances and Tekkie Town continues to trade well.

### Furniture, appliances and electronics

The furniture, appliances and electronics segment reported good results with a strong year-on-year improvement and achieved its turnaround objectives. The brands' customer proposition is proving successful with all brands reporting improved trading, despite the challenging durable goods market where consumer spending is easily deferred.

### Building materials

The building materials segment experienced a difficult year, due to a subdued economy with low business confidence and a highly competitive environment within the building industry. Good cost control was maintained across the business, which supported profitability.

### FinTech

The FLASH business reported very strong growth and increased the number of FLASH traders to 145 000 from 121 000 a year ago.

## Dividend

Pepkor has a relatively geared balance sheet compared to other listed retail peers. As a result of future capital commitments, strategic investments and the group's ambition to reduce its gearing to one times net debt-to-EBITDA in the medium term, the board has approved a revised dividend policy of three times earnings cover.

## Outlook

Management remains confident that the group's defensive market positioning and relentless focus on providing value to customers will continue to underpin good performance and results. While the challenging trading environment and low business confidence is expected to continue for the foreseeable future, this environment will provide opportunities for Pepkor to grow market share. Based on this, the group plans to open 300 stores, on a net basis, in the 2019 financial year, equating to approximately 4.0% retail space growth.

## CORPORATE INFORMATION

PEPKOR HOLDINGS LIMITED ('Pepkor' or 'the company' or 'the group') (Previously Steinhoff Africa Retail Limited) (Incorporated in Republic of South Africa)

EXECUTIVE DIRECTORS LM Lourens (Chief executive officer), RG Hanekom (Chief financial officer)

NON-EXECUTIVE DIRECTORS J Naidoo (Chairman), JB Cilliers<sup>1</sup>, PJ Dieperink (appointed 30 July 2018), LJ du Preez, PJ Erasmus (appointed 1 October 2018), MJ Harris<sup>1</sup> (appointed 30 July 2018), SH Müller<sup>1</sup>, F Peterson-Cook<sup>1</sup> (appointed 16 April 2018), DM van der Merwe, JD Wiese, HJ Sonn (Resigned 30 July 2018)

<sup>1</sup>Lead independent \*Independent

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TRANSFER SECRETARIES Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196

COMPANY SECRETARY Pepkor Proprietary Limited (appointed 11 June 2018) | AUDITORS PricewaterhouseCoopers Inc. | SPONSOR PSG Capital Proprietary Limited

ANNOUNCEMENT DATE 26 November 2018

For further information, refer to Pepkor's detailed results announcement available on [www.pepkor.co.za](http://www.pepkor.co.za)

## 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 the information in the detailed announcement.

The detailed announcement has been published on SENS and the company's website on [www.pepkor.co.za](http://www.pepkor.co.za) and is available for inspection at the registered office of the company and the offices of the sponsor, 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 [info@pepkor.co.za](mailto:info@pepkor.co.za)

or by telephoning Arend Keulder on 021 929 4800.

By order of the board

Company secretary

26 November 2018