Pepkor Holdings Limited (Pepkor) achieved a commendable set of operating results for the 2019 financial year (FY19), despite a very difficult retail environment where consumer spending remained constrained, fuelled by high levels of unemployment and low economic growth. The group’s defensive discount and value market positioning, disciplined focus on customer needs and low cost of doing business proved to be resilient in this challenging environment.

Pepkor’s strategy of providing the right product, at the best possible price, in accessible locations continues to underpin Pepkor’s performance, resulting in continued market share gains in most of the retail brands. Creating value for our customers and improving their lives in the process remains the primary focus for each of the retail brands in the group.

Pepkor continued its expansion and opened 338 new stores, expanding the group’s footprint to 6,415 stores. The group’s flexible store formats enable it to open stores closer to its customers’ homes, saving them transport costs and creating opportunities for more frequent customer spend.

With 66,100 employees, the group remains one of the largest employers in the South African retail sector and will continue to focus on capitalising on its core competencies and assets to capitalise on the opportunities that the current market conditions present.

### Highlights

- **Revenue Growth**: **9.0%**
  - **Growth in Operating Profit**: **15.6%**
  - **Growth in Headline Earnings per Share**: **16.7%**
  - **Cash Generated from Operations**: **15.6%**
  - **New Stores Opened**: 338

### Overview

Pepkor’s resilient business model supports performance and market share growth. The group’s flexible store formats enable it to open stores closer to its customers’ homes, saving them transport costs and creating opportunities for more frequent customer spend. With 66,100 employees, the group remains one of the largest employers in the South African retail sector and will continue to focus on capitalising on its core competencies and assets to capitalise on the opportunities that the current market conditions present.

### Furniture, appliances and electronics

The JD Group performed well in a market characterised by difficult trading conditions, with consumers spending mainly on essentials rather than durables. The JD Group performed well in a market characterised by difficult trading conditions, with consumers spending mainly on essentials rather than durables. The JD Group performed well in a market characterised by difficult trading conditions, with consumers spending mainly on essentials rather than durables.

### Clothing and general merchandise

This segment, which contributed 66.8% to group revenue, increased revenue by 6.5% to R45.0 billion, delivering a 2.7% increase in operating profit to R6.3 billion (excluding BVI related costs). All the Clothing, Footwear and Home (CFH) brands managed to grow market share during the period, which is testified by the strong like-for-like growth of PEP’s retail brands that continue to resonate with its customers. The largest brands, PEP and Ackermans, reported merchandise sales growth of 6.3% and like-for-like growth of 2.6%, indicating a stronger performance during the last six months of the year. Expansion plans for both these brands are on track with 198 new stores opened during the year. Within the core CFH product categories, retail selling price inflation strengthened to 4.8% for the year compared to deflation in the prior year. The African business is in a consolidation phase and 14 stores were closed, reducing the store network to 313 stores in total, excluding Zimbabwe. The decision to exit operations in Zimbabwe was based on the continued adverse macroeconomic conditions and weakening of the local currency.

### Building materials

The Building Company is trading in an exceptionally difficult environment but nevertheless produced a satisfactory sales performance with a like-for-like growth of 2.2%. The focus remains on protecting and growing market share, impacting gross margins and consequently reducing profitability. The full value of goodwill and intangible assets pertaining to the business was impaired, impacting gross margins and consequently reducing profitability. The full value of goodwill and intangible assets pertaining to the business was impaired, impacting gross margins and consequently reducing profitability.

Credit sales were maintained at a conservative level of R7.6 billion, while like-for-like sales declined by 0.6%. The business continues to re-invest in future growth and the expansion of its product offer. The number of FLASH traders increased from 145,000 to 158,000 during the year.

### Outdoors

Trading subsequent to year-end remains volatile and management is of the opinion that the difficult trading environment will persist as consumer spending continues to be constrained. Notwithstanding, the group is cautiously optimistic about growth for the coming year and its merchandise-buying plans reflect this.

The current environment provides opportunities for market share expansion and the strong customer value propositions of Pepkor’s retail brands is expected to remain a competitive advantage. Organic expansion opportunities remain top of mind, including store footprint expansion, the development of new retail formats and the creation of new channels through which to serve our customers. The group will continue to focus on market share expansion and improving operating cost efficiencies.

### Dividend

Based on the stated ambition to reduce Pepkor’s gearing to one times net debt-to-EBITDA, the board has elected to declare a scrip dividend with a cash alternative of 20.9 cents (27.8 cents in the prior year) in respect of the year ended 30 September 2019.

Pepkor’s two largest shareholders, representing 79.8% of the group’s issued share capital, have committed to receive the scrip dividend.

### About this short-form announcement

This short-form announcement is the responsibility of the Directors. It should be read in conjunction with the audited results for the year ended 30 September 2019. This announcement is not intended to be used for investment decisions. How to read this announcement: The information contained in this announcement should be read in conjunction with the audited financial results for the year ended 30 September 2019. The board recommends that investors do not rely solely on this announcement and read the audited financial information. This announcement should only be read alongside the full audit report and financial statements for the year ended 30 September 2019, which are available on the company’s website.