Results Presentation

For the 26 weeks ended 1 September 2019
Chairman’s introduction
Gareth Ackerman | Chairman

Results overview
Lerena Olivier | Chief Finance Officer

Progress on our plan
Richard Brasher | Chief Executive Officer
Chairman’s Introduction

Gareth Ackerman
Chairman
Chairman’s Introduction

Congratulations to the Pick n Pay and Boxer teams for this result
Despite all the doom and gloom, we are making positive changes. Modern retail exists to make people’s lives better.
Chairman’s Introduction

OUR BUSINESS IS BUILT ON 3 CORE VALUES

1. Consumer sovereignty
2. Business efficiency
3. Doing good is good business
Chairman’s Introduction

Our re-opened On Nicol store is the best, most modern, most customer-centric and environmentally friendly store in Southern Africa.
Chairman’s Introduction

- We can achieve more in partnership with others
- One of the areas where partnership is vital is on reducing food waste
- Reducing food waste has been a priority for Pick n Pay for years. Through our partnership with Food Forward, we donate more than 1 600 tonnes of food every year to the needy
- We are one of 10 of the world’s largest food retailers and food manufacturers to sign a new global initiative
- The project is called 10x20x30 and is committed to a 50% reduction in food waste by 2030
- We have pledged to ask 20 of our largest suppliers to help us reduce food waste. I will be writing to them to elicit their support and commitment
Results Overview

For the 26 weeks ended 1 September 2019

Lerena Olivier
Chief Finance Officer
Consistency at the core delivers another strong result

<table>
<thead>
<tr>
<th>Category</th>
<th>Growth Rate</th>
<th>Comparable Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover growth</td>
<td>6.0%</td>
<td></td>
</tr>
<tr>
<td>SA turnover growth</td>
<td>6.5%</td>
<td></td>
</tr>
<tr>
<td>SA trading profit growth</td>
<td>16.4%</td>
<td></td>
</tr>
<tr>
<td>HEPS growth</td>
<td>9.5%</td>
<td></td>
</tr>
</tbody>
</table>

- Consistent execution of long-term strategy
- Sustained progress in:
  - customer offer
  - new store and refurbishment programme
  - cost and working capital discipline
- Turnover and earnings growth in a constrained consumer environment
- Solid performance from core South African operations – mitigates economic challenges in Zambia and Zimbabwe
- Comparable earnings growth of 9.5%
Understanding the accounting complexities

**IFRS 16 - Leases**
- H1 2019 Reported: 100.2c
- H1 2019 Restated: 77.7c
- Full retrospective adoption
- Historic financial information restated
- Performance measures recalibrated

**Turnover Growth**
- H1 2020 Reported: 4.8%
- H1 2020 Comparable: 6.0%
- Strategic change to only sell airtime and data on an agency basis this year
- Sales and purchases previously recognised in turnover and cost of sales, now recognised within other income

**IFRS 15 - Revenue from contracts**
- H1 2020 Reported: 4.8%
- H1 2020 Comparable: 6.0%

**HEPS Growth**
- H1 2020 Reported: 17.5%
- H1 2020 Comparable: 9.5%
- Income from associate in Zimbabwe now accounted for under hyperinflation accounting standard

The result which follows is presented on a restated fully comparable basis to reflect the underlying operational performance of the business.
## Result snapshot – 26 weeks

<table>
<thead>
<tr>
<th></th>
<th>H1 2020</th>
<th>H1 2019</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comparable turnover</strong></td>
<td>R43.1bn</td>
<td>R40.7bn</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Gross profit margin</strong></td>
<td>19.8%</td>
<td>18.8%</td>
<td></td>
</tr>
<tr>
<td><strong>Trading expenses</strong></td>
<td>R8 128m</td>
<td>R7 404m</td>
<td>9.8</td>
</tr>
<tr>
<td><strong>Expenses margin</strong></td>
<td>18.8%</td>
<td>18.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Trading profit</strong></td>
<td>R1 188m</td>
<td>R1 056m</td>
<td>12.5</td>
</tr>
<tr>
<td><strong>Trading profit margin</strong></td>
<td>2.7%</td>
<td>2.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Trading profit – SA</strong></td>
<td>R1 158m</td>
<td>R995m</td>
<td>16.4</td>
</tr>
<tr>
<td><strong>Trading profit margin</strong></td>
<td>2.8%</td>
<td>2.5%</td>
<td></td>
</tr>
<tr>
<td><strong>Comparable PBT</strong></td>
<td>R555m</td>
<td>R506m</td>
<td>9.7</td>
</tr>
<tr>
<td><strong>PBT margin</strong></td>
<td>1.3%</td>
<td>1.2%</td>
<td></td>
</tr>
<tr>
<td><strong>Comparable HEPS</strong></td>
<td>85.03c</td>
<td>77.67c</td>
<td>9.5</td>
</tr>
<tr>
<td><strong>Comparable Diluted HEPS</strong></td>
<td>84.41c</td>
<td>76.27c</td>
<td>10.7</td>
</tr>
</tbody>
</table>

- Successful execution, consistent earnings growth
- Stronger customer offer drives improved performance across all formats
- Increased relative sales and earnings contribution from company-owned stores, lifts gross profit and trading expenses as a percentage of turnover
- Solid performance from SA - trading profit up 16.4%
- Comparable profit before tax (PBT) up 9.7% to 1.3% of turnover
- HEPS up 9.5% on a comparable basis

* Excluding capital items, hyperinflation net monetary gain and impairment loss
Sustained growth in shareholder returns

- Reported EPS reflects hyperinflation and other capital losses this year, against capital profits last year

- Reported HEPS excludes all capital items, but includes hyperinflation gain in Zimbabwe

- Comparable HEPS excludes all capital items and the hyperinflation gain in Zimbabwe – reflecting underlying operating performance

- Interim dividend up 9.5%, in line with comparable HEPS growth – with plans to maintain an IFRS 16 recalibrated dividend cover of 1.3 times earnings for the full year

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**Earnings per share (cents)**

<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
<th>H1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported EPS</td>
<td>80.57</td>
<td>81.31</td>
</tr>
<tr>
<td>Reported HEPS</td>
<td>77.67</td>
<td>91.28</td>
</tr>
<tr>
<td>Comparable HEPS*</td>
<td>77.67</td>
<td>85.03</td>
</tr>
<tr>
<td>Interim dividend</td>
<td>39.10</td>
<td>42.80</td>
</tr>
</tbody>
</table>

* Excluding capital items, hyperinflation net monetary gain and impairment loss

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**Earnings growth in a tough market**
Solid trading performance against strong base

- Group turnover up 6.0% driven by strong core SA performance
- SA turnover up 6.5%, with 3.5% LFL growth
- LFL volume growth of 1.3% in a difficult economy - anchored by sustained improvements in customer offer
- 63 net new stores - 75 new and 12 closures
- Net new stores added 3.1% to turnover growth

### H1 2020 vs H1 2019

<table>
<thead>
<tr>
<th></th>
<th>H1 2020*</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover growth</td>
<td>6.0%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Like-for-like turnover growth</td>
<td>2.9%</td>
<td>3.8%</td>
</tr>
<tr>
<td>SA turnover growth</td>
<td>6.5%</td>
<td>6.7%</td>
</tr>
<tr>
<td>SA like-for-like turnover growth</td>
<td>3.5%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Internal selling price inflation</td>
<td>2.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td>SA like-for-like volume growth</td>
<td>1.3%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Turnover growth from net new space</td>
<td>3.1%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Net new stores</td>
<td>63</td>
<td>47</td>
</tr>
<tr>
<td>Customer growth (number of transactions)</td>
<td>3.6%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Basket size growth (avg. transaction value)</td>
<td>2.8%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

* Comparable
Ongoing investment in customer value

- Ongoing price investment restricts selling price inflation to 2.2%, supported by:
  - Better buying
  - Greater efficiency through range optimisation
  - Less waste
  - Improving supply chain efficiency

- Internal selling price inflation kept below general price and food inflation

* Data from Stats SA
Stronger execution lifts margin

- Consistent execution of strategy means a better business in all formats.
- Increased sales and earnings contribution from owned stores, relative to a lower-margin franchise business.
- This changing shape of our business has lifted gross profit margin to 19.8%.
Added convenience through value-added services

- Other trading income up 4.9%
- Commissions and other income up 5.1%, and includes all commission and incentive income not directly related to the sale of inventory
- Income from value-added services grew 16.1% year-on-year, with growth across our platform, including financial services, third party bill payments, travel and event ticketing, and the sale of prepaid electricity

<table>
<thead>
<tr>
<th></th>
<th>H1 2020 Rm</th>
<th>H1 2019 Rm</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other income</td>
<td>755.5</td>
<td>719.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Franchise fee income</td>
<td>204.5</td>
<td>196.4</td>
<td>4.1</td>
</tr>
<tr>
<td>Operating lease income</td>
<td>67.2</td>
<td>63.2</td>
<td>6.3</td>
</tr>
<tr>
<td>Commissions and other income, including value-added services</td>
<td>483.8</td>
<td>460.3</td>
<td>5.1</td>
</tr>
</tbody>
</table>

Value-added services are a key component of the broader customer offering
Greater efficiency mitigates rising costs

<table>
<thead>
<tr>
<th></th>
<th>H1 2020 Rm</th>
<th>H1 2019 Rm</th>
<th>% change</th>
<th>% LFL change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading expenses</td>
<td>8 128.2</td>
<td>7 403.9</td>
<td>9.8</td>
<td>7.4</td>
</tr>
<tr>
<td>Employee costs</td>
<td>3 876.4</td>
<td>3 446.7</td>
<td>12.5</td>
<td>10.3</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1 119.7</td>
<td>1 029.2</td>
<td>8.8</td>
<td>6.0</td>
</tr>
<tr>
<td>Operations</td>
<td>1 879.7</td>
<td>1 752.7</td>
<td>7.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Merchandising and administration</td>
<td>1 252.4</td>
<td>1 175.3</td>
<td>6.6</td>
<td>5.1</td>
</tr>
</tbody>
</table>

- Trading expense growth of 9.8% (LFL 7.4%)
- Employee costs up 12.5% (LFL 10.3%), driven by:
  - growing contribution from owned stores
  - strengthened management structures
  - more hours in-store delivering improved service
  - owned store employee costs up 6.9% LFL
- Occupancy costs up 8.8% (LFL 6.0%), driven by double-digit increases in rates and security
- Operations costs up 7.2% (LFL 4.0%) with operating efficiency and lower energy consumption mitigating high increases in fuel, water and other utilities
- Merchandising and administration well controlled, up 6.6% (LFL 5.1%)

Bearing down on costs remains a key priority and is an engine of earnings growth
## Margin expansion in a challenging market

<table>
<thead>
<tr>
<th>Rm</th>
<th>South Africa</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H1 2020</td>
<td>H1 2019</td>
</tr>
<tr>
<td>EBITDA*</td>
<td>2,569</td>
<td>2,298</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>6.2%</td>
<td>5.8%</td>
</tr>
<tr>
<td>EBIT*</td>
<td>1,158</td>
<td>995</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>2.8%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Comparable PBT*</td>
<td>510</td>
<td>370</td>
</tr>
<tr>
<td>PBT margin</td>
<td>1.2%</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

* Excluding capital items, hyperinflation net monetary gain and impairment loss

- Group EBITDA up 9.6% to R2.6bn, with margin improvement of 0.3%pts to 6.1% of turnover
- Leading performance from Group’s South Africa division – EBIT up 16.4% with margin improvement of 0.3%pts to 2.8%
- Net interest up 3.4% - driven by 4.6% increase in implied IFRS 16 interest charge, with net funding interest well managed
- IFRS 16 implied depreciation and interest charges collectively up 6.9% in line with rent paid
- Effective tax rate now at 28%, driven by adoption of hyperinflation accounting in Zimbabwe

**Consistent margin improvement in SA**
Currency devaluation hits Rest of Africa division

- Tough trading conditions outside of SA
- Segmental revenue down 1.8%, increasing 2.4% in constant currency terms
- Constrained trading environment in Zambia characterised by low economic growth and low consumer confidence
- Segmental profits down 79.8% year-on-year with contribution from TM Supermarkets in Zimbabwe down from R77.8m profit last year to a R1.7m loss
- 3 net new stores across Namibia, Eswatini and Zimbabwe

* Segmental profit comprises the segment’s trading result and directly attributable costs only. No allocations are made for indirect or incremental cost incurred by the South Africa segment relating to this division
## Hyperinflationary operating environment in Zimbabwe

<table>
<thead>
<tr>
<th></th>
<th>H1 2020 Rm</th>
<th>H1 2019 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group’s share of TM’s earnings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TM trading result</td>
<td>74.6</td>
<td>77.8</td>
</tr>
<tr>
<td>Forex loss on translation of foreign debt</td>
<td>(58.0)</td>
<td>-</td>
</tr>
<tr>
<td>Hyperinflation - net monetary gain</td>
<td>29.7</td>
<td>-</td>
</tr>
<tr>
<td>Hyperinflation - impairment</td>
<td>(48.0)</td>
<td>-</td>
</tr>
<tr>
<td><strong>TM earnings contribution</strong></td>
<td>(1.7)</td>
<td>77.8</td>
</tr>
</tbody>
</table>

- Group’s share of TM trading result, excluding forex losses, at R74.6m
- Forex loss on translation of TM’s foreign debt reduced our earnings by R58.0m
- TM is operating in a hyperinflationary economy - our share of earnings is accounted for under the provisions of IAS 29 Hyperinflation accounting
- Hyperinflation net monetary gain of R29.7m on the re-measurement of TM’s assets to reflect the current purchasing power of the Zimbabwe dollar
- Hyperinflated assets were subsequently tested for impairment - resulting in a R48m capital impairment loss
- Group comparable HEPS excludes the impact of hyperinflation gains and losses
Fair value of TM reflects impact of currency devaluation

<table>
<thead>
<tr>
<th></th>
<th>Equity Investment</th>
<th>Amounts Receivable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 3 March 2019</td>
<td>184.4</td>
<td>132.9</td>
<td>317.3</td>
</tr>
<tr>
<td>FCTR – devaluation of Zim dollar</td>
<td>(132.3)</td>
<td>-</td>
<td>(132.3)</td>
</tr>
<tr>
<td>TM earnings contribution</td>
<td>(1.7)</td>
<td>-</td>
<td>(1.7)</td>
</tr>
<tr>
<td>Net repayments</td>
<td>-</td>
<td>(36.1)</td>
<td>(36.1)</td>
</tr>
<tr>
<td>At 1 September 2019</td>
<td>50.4</td>
<td>96.8</td>
<td>147.2</td>
</tr>
</tbody>
</table>

- Our total investment in TM consists of our 49% equity share of R50.4m and amounts receivable of R96.8m
- Significant currency devaluation over the period:
  - 3 March 2019 3.3 ZWL : 1.0 USD
  - 1 Sept 2019 12.4 ZWL : 1.0 USD
- Equity investment in TM Supermarkets written down by R132.3m as a result, through FCTR
- Share of associates losses of R1.7m
  - Investment fairly valued at R50.4m - no further impairment required
  - Amounts receivable fairly valued and considered recoverable – payments received as foreign currency becomes available
Strong cash generation and working capital management

- Cash generated through operations of R1.5bn
- Net funding costs decreased 8.4%, from R58m to R53m
- Group maintains working capital benefits delivered last year
- R1.9bn of free cash flow generated over the period - reflecting benefits from the timing of financial calendar cut-off
- R930m paid to shareholders in H1

* Cash generated before working capital net of movement in lease liabilities and lease receivables
Strategic investment enhances customer experience

- Capital investment reflects strong new store and refurbishment programme focused on sustainable returns
- 75 new stores:
  - 40 company-owned stores
  - 33 franchise stores
  - 2 TM Supermarkets
- Closed 12 stores
- 25 stores modernised during the period
- R1.7bn planned for FY20 – delivering on plan with capital cost discipline

<table>
<thead>
<tr>
<th>Rm</th>
<th>Actual H1 2020</th>
<th>Planned FY20</th>
<th>Actual FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion into new stores</td>
<td>218</td>
<td>550</td>
<td>476</td>
</tr>
<tr>
<td>Improving existing stores</td>
<td>332</td>
<td>840</td>
<td>620</td>
</tr>
<tr>
<td><strong>Improving the customer experience</strong></td>
<td><strong>550</strong></td>
<td><strong>1 390</strong></td>
<td><strong>1 096</strong></td>
</tr>
<tr>
<td>Investing in future infrastructure</td>
<td>92</td>
<td>150</td>
<td>164</td>
</tr>
<tr>
<td>Maintaining current infrastructure</td>
<td>116</td>
<td>160</td>
<td>213</td>
</tr>
<tr>
<td><strong>Total capital investment</strong></td>
<td><strong>758</strong></td>
<td><strong>1 700</strong></td>
<td><strong>1 473</strong></td>
</tr>
</tbody>
</table>

Stringent capital control to optimise return on investment
## Low debt, high liquidity

<table>
<thead>
<tr>
<th></th>
<th>1 September 2019</th>
<th>26 August 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>2 063.3</td>
<td>1 209.0</td>
</tr>
<tr>
<td>Cost-effective overnight borrowings</td>
<td>(1 000.0)</td>
<td>(500.0)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td><strong>1 063.3</strong></td>
<td><strong>709.0</strong></td>
</tr>
<tr>
<td>1- to 3-month borrowings</td>
<td>(1 700.3)</td>
<td>(1 075.0)</td>
</tr>
<tr>
<td>Secured borrowings</td>
<td>-</td>
<td>(17.1)</td>
</tr>
<tr>
<td><strong>Net funding position</strong></td>
<td><strong>(637.0)</strong></td>
<td><strong>(383.1)</strong></td>
</tr>
</tbody>
</table>

- Free cash flow supported by:
  - Higher profitability
  - Greater efficiency
  - Effective capital investment programme
  - Comparability impacted by calendar cut-off
- 1- to 3-month debt takes advantage of competitive interest rates
- No long term funding
- The Group’s liquidity position remains strong, with R4.7bn of unutilised facilities

Strong cash generation and stable balance sheet reflects consistent execution of long term plan.
Progress on Our Plan

Richard Brasher
Chief Executive Officer
Consistency at the core delivers another strong result

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover growth</td>
<td>6.0%</td>
<td>6.5%</td>
</tr>
<tr>
<td>LFL turnover growth</td>
<td>2.9%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Trading profit growth</td>
<td>12.5%</td>
<td>16.4%</td>
</tr>
<tr>
<td>HEPS growth</td>
<td>9.5%</td>
<td>n/a</td>
</tr>
</tbody>
</table>

• Another reporting period of positive turnover and profit growth – despite tough conditions inside and outside South Africa

• Strong South Africa performance by Pick n Pay and Boxer. Our offer is:
  • more competitive
  • more relevant
  • more efficient

• South Africa trading profit up 16.4%

• South Africa trading profit margin up from 2.5% to 2.8% of turnover

• Comparable HEPS growth of 9.5%

*All financial information provided is on a comparable basis excluding the impact of hyperinflation
Six engines of growth

1. SA’s most trusted retailer
   - Great prices, better quality and more innovation for customers across all segments
   - Pick n Pay

2. Africa’s favourite discounter
   - Unbeatable prices and promotions, giving customers the best value in the industry
   - Boxer

3. Efficiency
   - Greater operational efficiency and discipline to mitigate rising costs
   - Efficiency

4. Value-added customer services
   - Making financial and other services a seamless part of the shopping trip
   - Services

5. Growth outside South Africa
   - Adaptable model designed to grow sustainably in African markets
   - Rest of Africa

6. Force for good
   - Communities, people and the environment are central to our business
   - Doing good is good business
Highlights: Delivering great value for customers

• Giving customers low prices, great promotions and exceptional value remains at the heart of our plan

• Focus on fewer, deeper promotions, more relevant to customers

• Restricted internal price inflation to 2.2% - below general inflation and food inflation

• Customers responded by giving us another period of positive volume growth – against a strong base

• Strong growth in clothing and liquor and significant opportunity to grow market share further
Highlights: Best range with excellence in fresh

- Progress on range optimisation – achieving the right mix of products in every store
- Transformed our fresh offer – with strong growth in a number of produce, butchery, bakery and convenience lines
- Better operating standards mean improved on-shelf availability and less waste
- More than 320 new own brand products, with own brand participation now at 22%
- Pick n Pay has won many accolades for quality and innovation this year, including 5 Sunday Times food awards
Highlights: Helping our customers to live well

- Growing health and wellness challenge. Rising obesity and associated problems including heart disease, stroke and diabetes

- 80% of customers across all social groups want help to live more healthily and tackle specific dietary needs

- Our new LiveWell campaign empowers customers by giving them healthy choices and better information

- Recently introduced new LiveWell products - including lower salt, no sugar, gluten free, lactose free, vegan, vegetarian and low carb

- Tackling the perception that healthier products are less affordable – with great promotions on fresh and LiveWell products
Highlights: Extra value through personalised loyalty

- Huge scale: Now well over R7m active customers
- Significant investment in the customer: >R200m in points given every year, plus specific Smart Shopper promotions
- 7 years of data driving business decision making, and shared with suppliers.
- Driving personalised value to customers: 72% increase in redemptions of personalised cash-off vouchers
- New BP partnership has delivered 10bn points to Smart Shoppers
- Smart Shopper voted SA’s best loyalty programme for a 7th consecutive year
Highlights: A store format for every customer

- Group now has 1,858 stores across all formats, including 744 franchise stores
- Opened 40 company owned stores, 33 franchises and 2 TM stores in Zimbabwe
- Closed 12 underperforming stores
- Completed 25 refurbishments – better layouts, lower shelves, wider aisles and brighter, energy-efficient lighting
- Growing importance of our convenience store formats – meeting the customer demand for a tighter range in smaller, well-located stores
- New flagship On Nicol store launched last week
Highlights: Accelerated Boxer momentum

- More customers turning to Boxer for unbeatable value, choice and shopping experience

- Excellence on range, pricing, promotions and availability rewarded by growing basket size

- Key focus on fresh – strong growth in butchery and bakery offer, including bread volumes up over 30% year-on-year

- Own brand an increasingly important part of the Boxer offer, now close to 20% of participating categories

- Growing value-added services offer- customers can now join and use TymeBank in all Boxer stores
Highlights: More effective Boxer stores

- Relentless Boxer focus on simplicity, tight range, efficient store operations and great customer engagement

- Boxer opened 14 new stores in H1 and converted 2 Pick n Pay franchise stores to Boxer

- Boxer now has 286 stores in total

- 80% of Boxer supermarket estate is now in its New Generation format

- 10 new store openings planned for H2

- Strong progress on supply chain centralisation, with close to 45% of Boxer products now distributed through its own DCs
Highlights: Greater operational efficiency and cost discipline

• Supply chain centralisation now close to 80%, with perishables and non-edible groceries now over 90%

• Good control of shrink and waste

• Like-for-like inventory down 5% year-on-year

• Mitigated the increase in rental expenses through rental renegotiations and other initiatives

• Increases in employee costs mitigated by greater operating efficiencies

• Environmental initiatives – e.g. solar PV, natural light domes, doors on fridges, CO2 refrigeration – have reduced energy usage
Highlights: Ongoing innovation in value-added services

- Income from value-added services up 16.1%
- 850,000 TymeBank accounts opened in Pick n Pay and Boxer stores – one of the fastest growing digital banks in the world
- Banking at POS platform growing by 50% - now accepting account deposits from four Banks
- 2 million customers visited our Pick n Pay online shop this year delivering a 24% increase in order volumes
- 150,000 customers now use Storecard – with rigorous processes to ensure a responsible low-cost credit offer
- Partnered with Hollard to offer a broad range of insurance solutions
Highlights: Challenging conditions outside South Africa

Segmental revenue in constant currency up 2.4%

**Zambia**
Trading performance negatively impacted by sluggish economy, local currency weakness and low consumer confidence

- **20 Stores**

**Namibia, Botswana, Lesotho, Eswatini**
Positive segmental revenue growth from franchise operations

- **73 Stores**

**Zimbabwe**
Earnings negatively impacted by economic and social instability, hyperinflation, and foreign exchange losses

- **58 Stores**

- **3 Net new stores**
Highlights: Resilience outside South Africa

- Despite very tough conditions in Zimbabwe and Zambia, our Rest of Africa operations remain resilient.

- Dedicated teams - despite adversity, they deliver for customers everyday, and enjoy huge loyalty in return.

- Operations outside SA contributed R46m to comparable PBT this year (excluding hyperinflation gains and losses).

- Pick n Pay is stronger, not weaker, for their participation – alongside that of our franchise partners in Namibia, Eswatini, Botswana and Lesotho.
Highlights: Our people make the difference

- Over 100 managers completed formal management development programmes at a top university

- Pick n Pay offers over 330 training programmes to employees, from basic literacy and numeracy to advanced leadership programmes

- Dedicated retail learnership programme for people with disabilities

- Over 1 200 promotions

- New 3-year wage deal with labour union provides stability and security for employees

- New Employment Equity Plan submitted for 2019–2024
Launched lowest priced reusable bags in South Africa
Established 3,800 community and home gardens to date
Donated more than 1,600 tonnes of food every year
Supported over 2 million learners through Pick n Pay School Club
Our six engines of growth remain core to our plan

1. SA’s most trusted retailer
   - Pick n Pay

2. Africa’s favourite discounter
   - Boxer

3. Bearing down on costs
   - Efficiency

4. Value-added customer services
   - Services

5. Growth outside South Africa
   - Rest of Africa

6. Force for good
   - Doing good is good business
Looking forward: Retail market growth drivers 2020-25

1. Demographic
   - Urbanisation
   - Rising working-age population
   - New housing developments

2. Lifestyle
   - Price and value
   - Striving for more convenience
   - Healthier foods and products

3. Innovation
   - Demand for financial services
   - Rising internet penetration
   - Greener living

Opportunities
- Formalisation
- New shopping areas
- Smaller stores
- Discount retailing
- Convenience formats
- More own brand
- New financial services
- Multichannel
- Greener products
Looking forward: Grocery retail market growth 2020-25

- Muted growth forecasts for the next five years, with real GDP at 1–1.5% pa and CPI around 5% pa

- However, we expect additional consumer demand as a result of dynamic changes in the economy:
  - Population growth is forecast to grow at just over 1.5% pa
  - A third of the population is younger than 16, which should provide an influx of income earners in coming years
  - As urbanisation continues, more people will access the formal market and modern grocery retail

- The grocery retail market could therefore grow around 1–1.5% ahead of GDP + inflation

- This will not be evenly distributed across LSM groups. Future success will therefore depend on having a dynamic and flexible approach to growth
A dynamic and flexible plan linked to demographic growth

- **Less-affluent market**
  - 75% households
  - 60% spend
  - 2,000 - 3,000 SKUs

- **Middle market**
  - 20% households
  - 25% spend
  - 6,000 - 12,000 SKUs

- **More-affluent market**
  - 5% households
  - 15% spend
  - 10,000 - 20,000 SKUs

Distribution of formal grocery spend (%)

- 975% households, 60% spend
- 920% households, 25% spend
- 95% households, 15% spend

**Value**
- Lean operating model

**Core**
- Full service offer

**Select**
- Boxer
- Pick n Pay
- Pick n Pay
- Pick n Pay

**Formal grocery spend (%)**: 75% households, 60% spend; 20% households, 25% spend; 5% households, 15% spend.
Thank You