



Pick n Pay Stores Limited
Incorporated in the Republic of South Africa
Registration number: 1968/008034/06
Share Code: PIK ISIN code: ZAE000005443
("Pick n Pay" or "the Group")

Pick n Pay - Trading and Earnings Update

Shareholders are advised that Pick n Pay Stores Limited is in the process of finalising its financial results for the 52 weeks ended 28 February 2021 ("FY21"), which are due to be published on 21 April 2021.

The financial year fell almost entirely within the National State of Disaster caused by Covid-19, and the Group expresses its profound thanks to all staff and franchise partners for their dedication and service throughout this unprecedented time.

The Group is very pleased with its performance in this most difficult year. Once the disruption of Covid-19 is taken into account, the result will demonstrate a market-leading performance on core sales, and underlying strength and momentum in its quality of earnings:

- Group turnover growth of 4.3% (3.1% like-for-like) was significantly impacted by the prohibitions on the sale of alcohol and other products for significant parts of the trading year, which resulted in an estimated R4 billion in lost sales. Despite this disruption, the Group delivered market-leading sales growth of 10.0% in its core food and grocery offer in South Africa
- Group earnings were affected by the margin impact of restrictions on the sale of alcohol and other products, and by once-off compensation costs arising from voluntary and other retrenchments under the Group's Project Future programme. Once these once-off impacts are taken into account, the comparable result demonstrates significant underlying positive momentum in the Group's performance.

The Group is driving modernisation and efficiency through Project Future, which remains on track to deliver R1 billion savings over two years – enabling greater investment in lower prices and better value for customers. The Group also continued to innovate through its Smart Shopper loyalty programme, and through its online and value-added services offer, providing the most extensive digital platform in the market.

Sales performance

The Group delivered turnover growth of 4.3% this year, accelerating from 2.6% in the first half of the year to 6.0% in the second half.

	Turnover Growth		
	1H FY21 26 weeks to 30 August 2020 %	2H FY21 26 weeks to 28 February 2021 %	FY21 52 weeks to 28 February 2021 %
Group	2.6	6.0	4.3
Like-for-like	1.0	5.0	3.1
South Africa	3.4	6.8	5.0
Like-for-like	1.7	5.9	3.8
South Africa			
Core retail*	9.9	10.1	10.0
Core retail* - like-for-like	7.6	9.3	8.4
Liquor and tobacco	-47.5	-17.3	-31.0
Clothing	-4.2	6.7	1.3
South Africa			
Selling price inflation	3.4	4.2	3.8
Like-for-like volume growth in core retail categories	4.2	5.1	4.6

* Core retail sales include all food, grocery and general merchandise categories (including value-added categories impacted by trading restrictions such as hot foods, deli and bakery products), but exclude liquor, tobacco and clothing.

Core retail sales

The Group delivered a market-leading sales performance in its core food and grocery offer in South Africa, accelerating growth from 9.9% (7.6% like-for-like) in the first half of the year to 10.1% (9.3% like-for-like) in the second half. The FY21 sales performance demonstrates strong like-for-like volume growth, and is testament to sustained improvements in the Group's customer offer.

Liquor, tobacco and clothing

The Group lost 209 liquor trading days over the financial year (126 days in the first half and 83 days in the second), with reduced trading hours for all but three weeks of the financial year. The sale of cigarettes and other tobacco products was prohibited between 27 March and 17 August. These measures together had a profound impact on liquor and tobacco sales in South Africa, with negative growth of 31.0% over the year.

Clothing sales were prohibited during Level 5 lockdown and subject to some continuing restrictions under Level 4. Despite this, the Group's clothing sales increased 1.3% year-on-year, with 6.7% growth delivered in the second half of the year. The Group's high-quality and affordable clothing proposition continues to deliver market share growth in several key categories.

Earnings performance

Group earnings across the financial year was impacted by three major factors:

1. Government trading restrictions associated with Covid-19

Covid-19 trading restrictions disproportionately affected higher-margin categories: liquor, clothing, general merchandise, along with hot foods, deli and bakery products. Although this had a negative impact on total gross profit margin, the Group expects this to have been offset through improvements in its commercial and supply chain operations.

Sales were also impacted by reduced trading hours, limits on the number of customers in stores to uphold physical distancing requirements, and by some temporary store closures following the identification of positive Covid-19 cases among staff.

2. R200 million additional costs as a result of the Covid-19 crisis

Operating expenses will reflect R200 million costs directly related to the Group's Covid-19 operational response: R150 million in the first half of the year, and an additional R50 million in the second half. Additional safety and hygiene measures cost R130 million; a R50 million appreciation bonus was paid to front-line staff in the first half of the year; and security and communication costs added a further R20 million.

3. R200 million once-off compensation costs

Voluntary severance programme

R100 million was paid in once-off compensation to colleagues who volunteered for the voluntary severance programme (VSP) in Pick n Pay in the first half of the financial year. This cost has been fully recouped through savings in employee costs in the second half of the year and will deliver greater efficiency in subsequent years.

S189 severance programme

R100 million was paid in once-off compensation to employees retrenched as a result of a modernisation and restructuring of Pick n Pay regional and support office structures. The full cost of this programme was borne in the second half of the financial year and will deliver cost savings in subsequent years.

Comparable headline earnings presented below exclude hyper-inflationary adjustments related to the Group's associate in Zimbabwe. In addition, comparable headline earnings excluding once-off compensation costs removes the impact of the Group's severance programmes. The Group has not added back the costs associated with its Covid-19 operational response, as some of those costs are expected to recur (albeit at lower rates) under the Group's strengthened health, safety and security protocols.

The Group expects its FY21 earnings to fall within the following ranges:

	52 weeks to 28 February 2021 Current period Expected range % growth	52 weeks to 28 February 2021 Current period Expected range cents per share	52 weeks to 1 March 2020 Prior period cents per share*
Reported earnings metrics, including hyperinflation net monetary adjustments in Zimbabwe:			
Headline earnings per share (HEPS)	-15% to -25%	218.93 to 248.12	291.90
Diluted HEPS	-15% to -25%	217.79 to 246.82	290.38
Earnings per share (EPS)	-15% to -25%	188.18 to 213.27	250.90
Diluted EPS	-15% to -25%	187.20 to 212.16	249.60
Comparable earnings metrics, excluding hyperinflation net monetary adjustments in Zimbabwe:			
Comparable HEPS	-10% to -20%	226.26 to 254.54	282.82
Comparable HEPS, excluding once-off compensation costs**	0% to -10%	254.54 to 282.82	282.82

*Restated for the change in guidance contained in SAICA Circular 1/2019: Headline Earnings, relating to IFRS 16: Leases. Please refer to the Group's interim result announcement published on 20 October 2020 for further information.

** R200 million once-off compensation costs (R144 million net of tax) related to staff severance programmes undertaken during the year

Shareholders are advised that the Group plans to release its financial results for the 52 weeks ended 28 February 2021 on SENS before the market opens on Wednesday, 21 April 2021. A live online results presentation will follow at 9:30am.

All interested stakeholders are invited to watch the live webcast which can be accessed using the following link: <https://www.corpcam.com/PicknPay21042021>

The slides accompanying the live result presentation will be available on the Pick n Pay Investor Relations website at www.picknpayinvestor.co.za shortly before the commencement of the presentation on 21 April 2021. A playback of the webcast will be made available on our website approximately 2 hours after the presentation.

The financial information on which this trading and earnings update is based has not been reviewed by or reported on by the Group's external auditors.

By order of the Board
Cape Town
8 April 2021

Sponsor: Investec Bank Limited