

Unpacking the significant capital trade-offs we anticipate making during FY23

We anticipate several trade-offs based on what we would like to achieve in FY23. Management's judgement in prioritising stakeholder needs and capital resources will be particularly significant to ensure our business continues to grow, adapt and innovate, without placing stakeholders at undue risk.

Anticipated capital trade-offs include:

Significant investment into new Pick n Pay and Boxer stores and the refurbishment of the Pick n Pay estate under the ambitions of Ekuseni, with measures in place to mitigate environmental impacts

Under Ekuseni, the Group has plans to realign its store estate and invest significantly in a store roll-out programme. This will require capital investment and the utilisation of natural resources in the short term to meet our ambitious growth targets. It also requires balancing our investments between Pick n Pay, Pick n Pay "Project Red" and Boxer stores – informed by the needs of our customers, while targeting spend to the investments which generate the greatest return. Over the longer term, the impact on our financial and natural capital will be offset by our commitment to greater business efficiency, which will enable us to reinvest in our customer value proposition, as well as performance against set environmental targets that include emission reduction targets, renewable energy targets and energy efficiency targets.

Relevant Ekuseni focus areas:



Capitals impacted:



↓ (short-term)
↑ (long-term)



↓ (short-term)
↑ (long-term)



↑



↑

Investment into key food and grocery lines ahead of price increases to keep our prices low for customers for as long as possible

In response to the challenging consumer environment and CPI Food of 6.0% in April 2022, we remain committed to ensuring a consistent supply of essential food and groceries at affordable prices to our customers. This includes maintaining consistently high levels of on-shelf product availability. This will require investment into key inventory lines for the Group, which will impact our net cash position in the short-term, and be recouped through higher sales volumes thereafter.

Relevant Ekuseni focus areas:



Capitals impacted:



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Building the office of the future: a simpler and more effective support function, including investment into digital systems and automation, which will result in a leaner support team

Project Future remains a key element of the Group's Ekuseni Strategic Plan and prioritises growth and efficiency to ensure we maintain momentum in an increasingly challenging economic environment. A key component of this is ensuring that we build a modern, efficient and agile office of the future, better able to serve our customers over the longer term. While this will result in necessary adjustments to our human capital, including the closure of our Johannesburg head office, which could bring anxiety and uncertainty to those affected, it is important to unlock savings to deliver future success.

Relevant Ekuseni focus areas:



Capitals impacted:



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Balancing investment spend between South Africa and the Rest of Africa

The Group is cognisant of the real risks of trading in emerging market economies in the Rest of Africa, including complex political, economic and operational challenges. However, these markets provide significant growth opportunities, driven by young and growing working-age populations and the rapid formalisation of informal retail markets. The Group is repositioning its Rest of Africa store operations, most notably in Zambia, into an increasingly cost-effective and efficient limited range discount model. The Group is committed to driving long-term sustainable growth in the Rest of Africa, at acceptable levels of risk, and without comprising core South African operations.

Relevant Ekuseni focus areas:



Capitals impacted:



↓ (short-term)
↑ (long-term)



↓ (short-term)
↑ (long-term)



↑ (long-term)

Looking to the future, our management team has developed a strong strategic plan to bring Pick n Pay closer to the customer and accelerate the progress delivered in recent years.

Through the actions taken during the year, we have strengthened our capital inputs and supported our strategic ambition to deliver long-term sustainable value creation. This ambition is anchored by a strong balance sheet, low gearing levels, and strategic funding partners who continue to demonstrate ongoing support for the Group and our long-term growth strategy.

Every decision we take will be informed by our corporate governance framework, which ensures that we align our interests with those of our stakeholders. Our ethical value system and purpose statement will continue to guide our everyday decision-making, supported by a sound risk management framework that considers the social and environmental impact of our actions and operations.

