

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

## **Pick n Pay - Trading and Earnings Update for the 26 weeks ended 29 August 2021**

Shareholders are advised that Pick n Pay Stores Limited is in the process of finalising its financial results for the 26 weeks ended 29 August 2021 (H1 FY22), which is due to be published on 20 October 2021.

Despite severe trading and operational disruptions in the second quarter of the financial year, the Group delivered a resilient and positive performance, maintaining underlying momentum on sales and earnings growth.

The Group reported sales growth of 4.1% for the period. Normalised sales growth of 8.0% year-on-year (excluding the estimated impact of the disruptions set out in detail below) reflects solid progress against a number of the Group's strategic priorities - including another market-leading sales performance by Boxer, better value for customers across Pick n Pay and Boxer and progress in growing Pick n Pay's omnichannel offer.

The Group's first half earnings will demonstrate continuing benefits from the Group's Project Future modernisation programme - including a more efficient supply chain, more cost-effective store and support office operations, and strong management of working capital and capital investment.

### **Update on civil unrest**

The civil unrest in KwaZulu-Natal and Gauteng in July had a significant impact on Group operations. 212 stores (112 Pick n Pay and 100 Boxer) were damaged by looting and destruction, with many stores requiring extensive restoration before re-opening. The Group had re-opened 145 (close to 70%) of these damaged stores by the end of August, with a further 18 stores re-opened in September. As well as damage to stores, Pick n Pay's two largest distribution centres in KwaZulu-Natal were looted of all stock and suffered considerable damage to infrastructure. As a result of exceptional tenacity and teamwork, both of these distribution centres were repaired, re-stocked and operational within two weeks.

At the height of the unrest, the Group closed an additional 551 stores (417 Pick n Pay and 134 Boxer) as a precautionary measure to protect staff and our customers. The majority of these stores re-opened within four days, and all were trading by the end of July.

The Group incurred material damage losses (stock and assets) of approximately R900 million. These losses were fully covered by the Group's SASRIA insurance policies. The Group is working with insurers and advisors to expedite all claims under the policy, and has to date received R600 million in interim payments.

In addition, the Group expects to recover the majority of all related lost profits under its business interruption insurance covers, subject to relevant policy limits and deductibles. Although it is not yet possible to quantify the full impact of the business interruption on sales and earnings, the Group estimates that it resulted in approximately R930 million of lost sales over the months of July and August.

The Group has submitted its material damage claims to insurers and has made good progress in estimating its lost profits to date (business interruption claims). Insurers have provided assurance around their financial ability and commitment to settle outstanding claims in the market, and loss adjustors have provided assurance around the validity and quantum of the Group's claims. On this basis, and with the substantial interim payments received to date, the Group is confident that it has the level of certainty required to provide for the recovery of the majority of its losses, in line with International Financial Reporting Standards.

The swift and heroic response of our teams during and after the civil unrest and looting enabled a rapid restoration of retail operations in most of the affected areas. This was vital in maintaining food supplies, social welfare and public morale at a very critical time. We express our sincere thanks to our extraordinary Pick n Pay and Boxer teams, and to our highly-valued franchisees, suppliers and service providers, who worked so tirelessly to rebuild and restore.

#### Update on Covid-19 trading restrictions

The Group's liquor business lost a further 55 trading days this period, as a result of the government's continuing restriction of off-site alcohol sales in response to the Covid-19 pandemic. These restrictions resulted in an estimated R800 million of lost sales over the period.

The South African government is alone among major countries in using restrictions on alcohol sales as a tool in its pandemic response, and we call on the President to heed the extensive evidence that it is not an effective measure, while having a significant negative economic and employment impact.

#### Trading update

The Group entered the financial year with good trading momentum. This was maintained in the first quarter, with an encouraging performance, in line with Group expectations. However, the severe trading disruptions resulting from the civil unrest and restrictions on liquor sales resulted in an estimated R1.7 billion in lost sales in the second quarter. Across the whole first half, Group turnover increased 4.1% year-on-year to R46.0 billion. The Group's estimated normalised sales growth, excluding the impact of disruption, is 8.0% for the period.

	H1 FY22 R'bn	% growth
<b>Group turnover - reported</b>	<b>46.0</b>	<b>4.1</b>
<b>Trade disruptions - estimated</b>	<b>1.7</b>	<b>3.9</b>
Civil unrest	0.9	2.1
Covid-19 liquor restrictions	0.8	1.8
<b>Group turnover - excluding estimated disruptions</b>	<b>47.7</b>	<b>8.0</b>

The normalised sales growth of 8.0% reflects the Group's strong recovery in categories which were restricted during the hard lockdown in the first half of last year. The Group also continued to deliver market-leading growth in the value segment of the market, through its Boxer and Pick n Pay Value supermarkets, and extended its market share gains in clothing.

#### Earnings Update

Accounting for the costs and disruption arising from the civil unrest will inevitably add complexity to the Group's reported financial result. As stated above, the majority of losses in respect of both material damage and business interruption are expected to be recovered under the Group's insurance programme.

Furthermore, while all related costs and losses will be evidenced across the Group's Statement of Financial Performance as relevant (turnover, cost of sales, gross profit, trading expenses), most insurance recoveries will be recorded in other income in line with International Financial Reporting Standards. This will have an impact on the Group's reported margins and other financial ratios. When the Group publishes its result, it will endeavour to provide stakeholders with a normalised view of key performance metrics, excluding any impact from the civil unrest, in order to facilitate a comparable analysis of year-on-year performance.

The Group expects its H1 FY22 earnings to fall with the following ranges:

	26 weeks to 29 August 2021 Current period Expected range % growth	26 weeks to 29 August 2021 Current period Expected range cents per share	26 weeks to 30 August 2020 Prior period Actual cents per share
<b>Comparable earnings metrics, excluding hyperinflation and including the impact of all trade disruptions</b>			
Comparable headline earnings per share (HEPS)*	85% - 95%	68.67 - 72.38	37.12
<b>Reported earnings metrics, including the impact of all trade disruptions</b>			
Headline earnings per share (HEPS)	35% - 45%	59.10 - 63.48	43.78
Diluted HEPS	35% - 45%	58.98 - 63.35	43.69
Earnings per share (EPS)	80% - 90%	59.81 - 63.14	33.23
Diluted EPS	80% - 90%	59.69 - 63.00	33.16

*\*Comparable HEPS is the Group's primary measure in determining its dividend pay-out ratio and excludes any impact from hyper-inflation accounting in Zimbabwe. Comparable HEPS growth this period is reflective of the underlying performance of the Group's South African segment.*

#### H1 FY22 - Interim Financial Result Announcement

Shareholders are advised that the Group plans to release its financial results for the 26 weeks ended 29 August 2021 on SENS just after 7:00am on Wednesday, 20 October 2021. An online results presentation will follow at 9:00am. All interested stakeholders are invited to register for the results webcast via the following link: <https://www.corpcam.com/PicknPay20102021>

The slides accompanying the result presentation will be available on the Pick n Pay Investor Relations website at [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za) shortly before the commencement of the presentation. 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  
30 September 2021

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