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")

Leadership change, Trading update, and further trading statement for the 26 weeks ended 27 August 2023

Sean Summers to replace Pieter Boone as CEO

The Pick n Pay Board and Pieter Boone have agreed that Pieter will step down from his position as Chief Executive Officer effective 30 September. Sean Summers, a Pick n Pay veteran who ran the Group as MD and CEO for 11 years, will replace Pieter with immediate effect.

Chairman Gareth Ackerman commented:

> "I want to thank Pieter for his dedication to Pick n Pay over the past two-and-a-half years. He became our CEO while the Covid pandemic was still raging, and has led the business through some extraordinary challenges, including the transition out of the Covid lockdown, the unprecedented civil unrest in 2021, and the current loadshedding crisis. Despite this, he devised and led the launch of our Ekuseni strategic plan, overseeing the very pleasing acceleration of our Boxer, Clothing and Omnichannel growth engines, and launching our new QualiSave brand.
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> "Unfortunately, in a very difficult environment, the performance of our core Pick n Pay business has been very challenging over the past months, and has not met expectations. Pieter accepts that the Board has decided on a change in leadership. He leaves us with our heartfelt thanks and best wishes for the future."

Sean Summers worked previously for the Group between 1974 and 2007, rising to become Managing Director in 1996, and CEO in 1999. He left the Group in 2007. He has a unique understanding of the business and South African grocery retailing. During his tenure, Pick n Pay was the clear grocery market leader in South Africa.

Over the coming weeks, Sean will relocate physically to South Africa, and will spend time analysing the business and meeting staff and customers. Gareth Ackerman, chairman of the Pick n Pay Group, said: "We are delighted that Sean is coming back to Pick n Pay. His knowledge and experience are unrivalled. He is passionate about getting Pick n Pay back on to the right trajectory, and winning the trust and confidence of customers new and old. He is absolutely the right person for the job at this time".

Said Summers: "I am very excited to be coming home to Pick n Pay. Retailing is my passion, and this company is in my blood. I have great excitement and energy for the task ahead. I look forward to leading the Group back to the position it deserves."

Trading update

The Group experienced a particularly challenging H1 FY24 (26-week period ended 27 August 2023), driven by a weak consumer environment, loadshedding costs, and heightened competitive intensity. Continued strong sales momentum in the Ekuseni growth drivers of Boxer, Online and Clothing was offset by muted sales growth in Pick n Pay SA supermarkets, gross profit margin pressure, and load shedding cost pressures. While Boxer managed to withstand the combined impact of these pressures, the impact on Pick n Pay SA supermarkets was significant.

Group sales

The Group achieved a pleasing uptick in South African and Group sales momentum over the latter six weeks of the period, versus the initial part of the period (20 weeks to 16 July, as previously reported). Group sales for H1 FY24 increased 5.4%. South Africa sales growth for the period was 5.1% (1.8% like-for-like), while the Group's Rest of Africa segment sales increased 14.4% (12.2% on a constant currency basis).

- Pick n Pay SA grew H1 FY24 sales 0.3% (0.8% like-for-like) as lower levels of loadshedding in the latter part of the period allowed Pick n Pay to re-intensify its promotional programme. Consequently, sales growth for the latter six weeks of the period was 2.4% versus the -0.3% previously reported for the first 20 weeks.
- Boxer SA grew H1 FY24 sales 16.1% (4.2% like-for-like), as Boxer extended the strong sales momentum shown in the earlier part of the period.

Clothing sales in stand-alone stores grew 13.8%, while Group liquor sales for the period grew 9.6%. Online sales growth for the period grew 76.3%, driven primarily by growth in our on-demand platforms Pick n Pay asap! and Mr D.

South African H1 FY24 internal selling price inflation was 8.3%, well below Statistics SA Food CPI of 11.4% for the period, as the Group maintained its commitment to delivering low prices to consumers.

	26 weeks ended 27 August 2023 % growth	20 weeks ended 16 July 2023 % growth
Pick n Pay SA sales	0.3%	-0.3%
Boxer SA sales	16.1%	15.4%
SA total sales	5.1%	4.4%
Rest of Africa sales	14.4%	15.9%
Group turnover	5.4%	4.8%

Trading statement

Shareholders are referred to the announcement released on the Stock Exchange News Service on 19 July 2023, wherein the Group advised that it expected to report a loss at the earnings, headline earnings, and pro forma headline earnings levels for H1 FY24. At the time, the Group also advised that the expected loss was primarily due to restructuring costs, duplication of supply chain costs due to the Longmeadow / Eastport Distribution Centre handover, and net incremental energy costs due to loadshedding.

Pick n Pay is in the process of finalising its financial result for H1 FY24, and is thus in a position to further update investors. The Group now expects incremental abnormal costs for H1 FY24 of approximately R565 million, consisting of:

- Total diesel costs to run generators of R396 million, and net incremental energy costs of R190 million;
- R116 million duplication of supply chain costs during the Longmeadow / Eastport handover;
- R259 million of employee restructuring costs, primarily due to the Voluntary Severance Programme (VSP) and Junior Store Management restructuring which were concluded during the period. The Group expects to realise approximately R300 million of annualised on-going cost savings from these Project Future initiatives.

The previous trading statement guided that the Group did not expect to report an H1 FY24 loss excluding incremental abnormal costs. We now advise that the Group no longer expects to make a profit excluding these costs. The more negative performance relative to the Group's previous guidance is due to gross profit margin for the period being below our previous expectation. This was a consequence of a highly promotional trading environment, which impacted both sales growth and gross margin, and included the impact of supplier incentive income for the period being finalised at below our previous expectation.

Management expects to face continued headwinds in the latter half of the year, but anticipates the H2 FY24 earnings outlook to be materially stronger than H1 FY24, driven by (a) more supportive earnings seasonality, (b) net incremental energy cost growth to be relatively low (given the high H2 FY23 base), (c) non-repeat of supply chain cost duplication, and (d) efficiency gains from the H1 FY24 Project Future initiatives beginning to contribute.

The Group's balance sheet remains strong. Group net debt at period end was R3.8 billion vs. R3.7 billion at 26 February 2023. The stable gearing was primarily the result of strong working capital management and prudent capital allocation during the period.

The Group expects its H1 FY24 earnings to fall within the following ranges:

	26 weeks to 27 August 2023 Expected range Cents per share	**26 weeks to 28 August 2022 Reported Cents per share**
Reported earnings metrics		
(Loss)/earnings per share (EPS)	-98.18 to -79.31	94.34
Diluted EPS	-97.93 to -79.08	94.23
Headline (loss)/earnings per share (HEPS)*	-149.36 to -129.82	97.73
Diluted HEPS	-148.97 to -129.45	97.62
Pro forma earnings metrics**		
Headline (loss)/earnings per share (HEPS)	-139.52 to -121.77	88.76
Diluted HEPS	-139.17 to -121.44	88.66

**The H1 FY24 difference between EPS and HEPS is partially attributed to a capital profit from the sale of the Longmeadow Distribution Centre*

***H1 FY23 pro forma earnings exclude R145.2 million (R104.5 million net of tax) business interruption insurance proceeds received and accounted for in that period, but previously included in FY22 pro forma earnings. In-line with normal Group practice, pro forma earnings also exclude all non-cash hyperinflation gains and losses related to the Group's TM business in Zimbabwe. The Group has not added back any of the R565m incremental abnormal costs for the purposes of calculating the pro forma earnings metrics. Pro forma HEPS is the Group's primary measure in determining its dividend pay-out ratio.*

Final result announcement

Shareholders are advised that the Group plans to release its financial results for the 26 weeks ended 27 August 2023 on SENS just after 7:05am on Wednesday 18 October 2023. An in-person and online presentation will follow at 9:00am, the details of which will be shared in due course

The slides accompanying the 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.

Pro forma information

The pro forma financial information is presented in accordance with the JSE Listings Requirements and is presented for illustrative purposes only. The pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

The constant currency sales growth information contained in this announcement has been presented to illustrate the impact of changes in the Group's major foreign currencies - namely the Zambian kwacha and the Botswana pula - on the sales growth of its Rest of Africa segment. The Group's turnover growth in constant currency is calculated by translating the prior period local currency turnover at the current period average exchange rates on a country-by-country basis and then comparing that against the current period turnover translated at current period average exchange rates.

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

By order of the Board
Cape Town
2 October 2023

Sponsor: Investec Bank Limited