

SPAR GROUP LTD FINANCIAL RESULTS FOR HY2024 (SIX MONTHS ENDING 31 MARCH 2024)

TRADE INTELLIGENCE COMMENT

SPAR delivered a challenging set of half-year results, with key factors including continued SAP implementation issues and persistent losses from its Polish business, creating a financial “hangover” for the Group.

SPAR painted a complex picture of growth, reporting a +7.9% increase in turnover to R77.2bn for Southern Africa, Ireland, South West England and Switzerland. This growth did not translate into significant profit, however, with profit before tax showing a -11.2% decline to R1.15m. Prolonged high interest rates across all markets drove up net finance costs, impacting profitability, with profit after tax also decreasing -10.2% to R870m from R968.4m in the previous year. A notable development is the disposal of SPAR’s Poland business, treated as a discontinued operation. The disposal process is on track for completion by September 2024, albeit with significant financial implications.

On a more positive note, SPAR Southern Africa experienced a +4.8% increase in total wholesale turnover, with wholesale core grocery up +4.0% and private brands up +7.6%. The SPAR2U app expanded to 420 sites, resulting in a 463% increase in online volumes, and TOPS at SPAR made a strong recovery seeing a +12.8% increase in wholesale turnover. The building materials business reported stagnant wholesale sales, declining by -0.4% due to a subdued construction industry, while the pharmaceutical business delivered double-digit sales growth, increasing its contribution from 1.5% to 1.7% of SPAR Southern Africa sales.

Despite ongoing challenges with SAP software impacting distribution operations, SPAR is taking proactive measures to address the issues by deploying a “more cost-effective warehouse system”. With pockets of growth and strategic initiatives underway, SPAR’s results reflect the importance of critically assessing operational efficiency, competitive positioning and strategic direction. Thanks to a renewed focus on executing at speed and fostering accountability, there is optimism by the Group.

SPAR GROUP KEY HIGHLIGHTS (CONTINUING OPERATIONS)

- **Wholesale turnover** +7.9% to R77.2bn. 64.0% from Southern Africa (HY2023: 66.0%), excluding Poland. Tough trading conditions continue across all geographies and SAP continues to disrupt wholesale turnover in KZN
- **Gross profit** +7.3% to R9.2bn, margin largely maintained at 11.87% (HY2023: 11.93%) despite R128m lost in SA due to SAP
- **Operating profit** +0.2% to R1.6bn, **expenses**: +9.6% to R9.2bn. **Margin** 2.0% (HY2023: 2.2%)
- Diluted **HEPS**:¹ -7.6% to 464.8 cents per share. No dividend declared for HY2024 (FY2023: no dividend | FY2022: 400cps)

SPAR Group Ltd HY2024 Financial Results Summary Table

| | Wholesale Turnover (R’bn) | Wholesale Growth | Retail Growth | Comparable ⁵ Retail Turnover Growth | Internal Wholesale Price Inflation |
|-----------------------------------|---------------------------|-------------------|---------------|--|------------------------------------|
| Group | R77.2bn | +7.9% | – | – | – |
| SPAR Southern Africa ² | R49.3bn ³ | +4.8% | – | – | – |
| Grocery and Liquor | R43.8bn | +5.2% | +8.0% | +6.4% | |
| SPAR Core Grocery | R37.7bn | +4.0% | +7.1% | +5.6% | +7.0% (HY2023: +10.8%) |
| TOPS at SPAR | R6.0bn | +12.8% | +13.5% | +11.3% | +4.6% (HY2023: +7.3%) |
| Build it | R4.8bn | -0.4% | +1.2% | +2.6% | +5.2% (HY2023: +6.0%) |
| S Buys ³ | R0.8bn | +15.0% | – | – | – |
| SPAR Ireland ⁴ | R19.8bn | +16.0% EUR: +5.7% | – | – | – |
| SPAR Switzerland | R8.0bn | +8.7% CHF: -4.6% | – | – | – |

Notes: Results for continuing operations; Polish operation has been classified as discontinued | 1. Headline earnings adjusted for fair value, foreign exchange and acquisition costs | 2. Incl. SPAR Encore and turnover to retailers in Botswana, Mozambique, Namibia, Lesotho and eSwatini | 3. S Buys is wholesale pharmaceutical business | 4. SPAR Ireland and South West England (BWG Group) | 5. Comparable growth removes the impact of new and closed stores | – Data not reported

SPAR SOUTHERN AFRICA HIGHLIGHTS

- **Wholesale turnover** +4.8% to R49.3bn, hindered by ongoing challenges in KZN due to SAP. Case volumes through DCs +1.6% to 118.4 million cases (after declining in FY2023)
 - **Wholesale core grocery** turnover +4.0% to R37.7bn with internal inflation +7.0%. SPAR private brand growth supportive at +7.6%, accounting for 25.4% of wholesale grocery. Retail grocery growth +7.1%, ahead of wholesale growth as the Group struggles to regain retailer loyalty (especially in KZN). Grocery footprint: +10 net new over the six months to 1,016 stores
 - **Wholesale liquor** turnover +12.8% to R6.0bn, outperforming grocery. Liquor retail growth +13.5% as footfall increases +10.7%. Footprint: +17 net new over the six months to 913 stores
- **Gross profit** +1.0% to R4.7bn. Gross profit margin declined to 9.6% (HY2023: 10.0%), attributed to the estimated loss due to SAP: -R128m as well as pricing in the competitive food space and sales mix (grocery sales growth behind liquor)
- **Operating profit** -9.1% to R930m; **operating margin**: 1.9% (HY2023: 2.2%). **Expenses**: +5.0% to R4.3bn

SPAR GROUP COMMENT

“ There is a new wave of energy across the business, focused on shifting the culture towards executing at speed with greater accountability. We believe this shift will enable the business to compete more effectively by offering enhanced support to SPAR’s independent retailers so that our retailers can focus on what they do best – winning the hearts of the customers within the communities they serve.” – Angelo Swartz, SPAR Group Ltd. CEO