



THE SPAR GROUP LTD

Unaudited interim results for the six months ended 31 March 2020 and cash dividend declaration

+10.1%

Group turnover

-3.4%

Operating profit

-13.4%

Normalised diluted HEPS²

+8.5%

Normalised diluted HEPS², excluding Poland

200 cents

Interim dividend per share

+322

Net new stores

Our purpose
to inspire people
to do and be more



SALIENT FEATURES

Rmillion	Unaudited six months ended 31 March 2020	Unaudited six months ended 31 March 2019	% change
Turnover ¹	59 749.4	54 273.2	10.1
Operating profit	1 334.9	1 382.5	(3.4)
Earnings per share (cents)	390.0	520.0	(25.0)
Headline earnings per share (cents)	408.0	523.6	(22.1)
Normalised diluted headline earnings per share ² (cents)	452.7	522.5	(13.4)
Dividend per share (cents)	200.0	284.0	(29.6)
Net asset value per share (cents)	3 602.7	3 662.5	(1.6)

¹ Turnover represents revenue from the sale of merchandise.

² Headline earnings adjusted for fair value adjustments to, and foreign exchange effects on financial liabilities, and business acquisition costs.

PERFORMANCE OVERVIEW

The SPAR Group delivered strong growth in turnover, increasing by 10.1% to R59.7 billion for the six months to 31 March 2020. Reported operating profit was down 3.4%, as a result of the Polish business which was acquired in this reporting period. As expected, the Polish business is currently loss making as it continues to be restructured and reorganised. The earnings were further impacted by the increased revaluation of the liabilities to purchase the Irish minorities. The combination of these two significant matters caused the substantial reduction in profits. Excluding the Polish result, normalised headline earnings increased 8.2%, reflecting the strong performance from the rest of the business.

- SPAR Southern Africa contributed growth in wholesale turnover of 7.8%, despite a challenging start to the reporting period and against internally measured food inflation of 4.1%. The TOPS liquor brand reported weak wholesale turnover growth of 3.9%, impacted by the move of certain products to direct sale and a loss of retail loyalty. Build it delivered a resilient performance in a weak sector, with wholesale turnover down 2.4%. The SPAR Southern Africa store network grew to 2 402 stores, with 53 net new stores opened across all formats. The group completed 163 store upgrades.
- The BWG Group (SPAR Ireland) again delivered solid euro-denominated results and all retail brands continued to report strong growth. The business did report stress in the cash and carry and liquor channels as new law impacted hospitality retail. The turnover performance was positively impacted by recent acquisitions – most notably, Heaney Meats and several corporate retail stores. SPAR Ireland's retail network is now 1 387 stores.
- SPAR Switzerland has delivered a significantly improved result against a weak comparable period which had been impacted by overly aggressive marketing. SPAR Switzerland's total store network has grown to 345 stores, an increase of 23 stores, largely attributable to the independent chain, PAM, which has joined the group.
- Notwithstanding its challenges, the business in Poland has made good progress in the first half. The SPAR licence for Poland has been officially transferred to the group. This allowed 157 existing SPAR retailers to join the new business. Nine existing Piotr i Pawel stores have been converted into SPAR stores. A new distribution centre in Czeladz, near Krakow, has commenced operations. The total store network in Poland stands at 219 stores, which includes 53 Piotr i Pawel stores. Poland contributed R1.0 billion in turnover for the first half.

COVID-19 UPDATE

Towards the end of the reporting period, our markets had begun to experience the onset of the global COVID-19 pandemic in the form of lockdowns or reactive consumer behaviour in anticipation thereof.

We have taken the necessary proactive measures to safeguard the following key priorities:

- The safety of our people, retailers, suppliers and customers
- Managing the supply chain and keeping our retailers' shelves replenished
- Supporting our communities

SUMMARY SEGMENT ANALYSIS

Rmillion	Southern Africa	Ireland	Switzerland	Poland	The SPAR Group Ltd
Income statement					
Turnover ¹	40 239.7	12 736.7	5 808.6	964.4	59 749.4
Gross profit	3 727.6	1 713.3	1 057.4	230.2	6 728.5
Operating profit	1 267.3	285.5	86.8	(304.7)	1 334.9
Profit before taxation	1 053.8	264.9	37.4	(324.9)	1 031.2
Financial position					
Total assets	24 020.0	15 407.8	9 536.1	2 751.7	51 715.6
Total liabilities	19 248.6	13 818.7	8 672.0	3 045.2	44 784.5

We have moved with urgency to invest in the safety and cleanliness of our offices, distribution centres, delivery vehicles and stores, to protect our colleagues and customers while working and shopping. Our retailers have proven their resilience with readiness to adapt in this time of crisis. Our supply chains have been robust to date and our distribution centres have worked tirelessly to ensure that inventory is tightly monitored and that our retailers continue to receive the service they are familiar with. All consumer concerns have been dealt with swiftly and we are committed to being transparent with all our stakeholders.

As an organisation, we are aware of the important role we play in society. We remain committed to supporting our communities. SPAR's family values and culture of caring and community underpin everything we do and in times of crisis, these principles truly come to the fore.

We thank all our suppliers, retailers, staff and customers who have adapted with us to find new ways of operating during these unprecedented times.

PROSPECTS

Considering the global COVID-19 pandemic, high levels of uncertainty are expected to remain across all our markets and trading conditions will remain challenging. Food prices are expected to rise, and consumer spending will experience unprecedented levels of pressure.

Given the important role we play in food wholesale and retail, contingency plans are essential to ensure the robustness of our supply chains and our management are actively focused on this. There is no doubt that the world is changing and against the backdrop of this pandemic, our businesses will continue to adapt to changing consumer behaviour.

In Southern Africa, our liquor and Build it retailers have been impacted by the temporary closure of stores, due to lockdown measures. Our Irish business has seen a severe impact on its value centres and foodservices businesses, with the pandemic enforced closure of the hospitality industry. In contrast to this, the closure of the borders and shopping centres has created some temporary new business in Switzerland, with the consumers opting for convenience over large supermarkets. Our Polish business has been impacted by the temporary closure of the courts and the resultant delay on business rescue proceedings that would have been completed by now. This has obstructed normal trading operations of the Piotr i Pawel business. This business has also been impacted by reduced footfall in the mall-based stores.

At this stage, it is not possible to estimate the full economic or business impact of the pandemic. Management will have greater visibility as the situation progresses and will continue to monitor the developments on an on-going basis. Owing to the uncertainty, the board has declared a conservative interim dividend and will consider the annual dividend at year-end, when there is more clarity.

Despite all the setbacks, nothing compares to the suffering that some will endure as a result of this pandemic. We are privileged to be in business, serving our communities during these unprecedented times. Two certainties remain – we will continue to be a retail destination in the communities we serve, and we will secure the future of our business by supporting our retailers through these challenging times.

Mike Hankinson
Chairman

Graham O'Connor
Chief Executive Officer

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that an interim gross cash dividend of 200 cents (2019: 284 cents) per share has been declared by the board in respect of the six months ended 31 March 2020. The dividend has been declared out of income reserves.

The salient dates for the payment of the interim dividend are detailed below:

Last day for shares to trade cum-dividend	Tuesday, 9 June 2020
Shares to commence trading ex-dividend	Wednesday, 10 June 2020
Record date	Friday, 12 June 2020
Payment of dividend	Monday, 15 June 2020

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Wednesday, 10 June 2020 and Friday, 12 June 2020, both days inclusive.

In terms of South African taxation legislation effective from 1 April 2012, the following additional information is disclosed:

- The South African local dividend tax rate is 20%
- The net local dividend amount is 160 cents per share for shareholders liable to pay tax on dividends and 200 cents per share for shareholders exempt from such dividend tax
- The issued share capital of The SPAR Group Limited is 192 602 355 ordinary shares
- The SPAR Group Limited's tax reference number is 9285/168/20/0

By order of the board

Mandy Hogan
Company Secretary

Pinetown
21 May 2020

CHANGES TO THE BOARD OF DIRECTORS

Mr Chris Wells retired as an independent non-executive director with effect from 11 February 2020.

ABOUT THIS ANNOUNCEMENT

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full details thereof. The full announcement can be found at <https://senspdf.jse.co.za/documents/2020/jse/isse/SPP/Interim20.pdf>. The full announcement is also available on the company's website at <https://investor-relations.spar.co.za/> and copies may also be requested from the company's registered office at no charge, during office hours. Any investment decision in relation to the company's shares should be based on the full announcement. The information contained in this announcement has neither been audited nor reviewed by the company's external auditors.

DIRECTORATE AND ADMINISTRATION

Directors: MJ Hankinson* (Chairman), GO O'Connor (Chief Executive Officer), MW Godfrey, LM Koyana*, M Mashologu*, HK Mehta*, P Mnganga*, AG Waller* (* Non-executive)

Company Secretary: MJ Hogan **THE SPAR GROUP LTD:** (SPAR) or (the company) or (the group) **Registration number:** 1967/001572/06 **ISIN:** ZAE000058517 **JSE share code:** SPP **Registered office:** 22 Chancery Lane, PO Box 1589, Pinetown 3600 **Transfer secretaries:** Link Market Services South Africa (Pty) Ltd, PO Box 4844, Johannesburg 2000

Auditors: PricewaterhouseCoopers, PO Box 1274, Umhlanga Rocks 4320

Sponsor: One Capital, PO Box 784573, Sandton 2146 **Bankers:** Rand Merchant Bank, a division of FirstRand Bank Ltd, PO Box 4130, The Square, Umhlanga Rocks 4021

Attorneys: Garlicke & Bousfield, PO Box 1219, Umhlanga Rocks 4320

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