My SPAR, Our Tomorrow

Financial Overview

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Agenda

Capital Markets Day

Strategic priorities

Recent results

Balance sheet optimisation

Capital allocation framework

Strategic Priorities

SPAR strategic priorities

A core focus area for SPAR over the short to medium term has been de-gearing and balance sheet optimisation:

1 SPAR Poland exit

Completion date:
31 January 2025

Complete

- Regulatory approval: the sale was approved by Polish anti-monopoly authorities ("Anti-Trust") on 19 November 2024
- Finalisation and closing of disposal: All conditions precedent set out in the Sale and Purchase Agreement were fulfilled on 31 January 2025 and as such the disposal became wholly unconditional as at that date

2 Debt restructure

Target date:
March 2025

Complete

- The key focus areas of the balance sheet optimisation strategy are as follows:
  - Decision to sell interests in Poland
  - Consideration of debt structuring options
  - Improved capital allocation discipline - review of investments RoIC)
  - Improving working capital management
  - Preserve cash and reduce net debt
- Key recent achievements:
  - Removal of Ireland parental guarantee & Poland exit
  - Successful restructure of SA debt

3 Europe strategic decisions

Target date:
June 2025

In progress

- European portfolio review concluded for both SPAR Switzerland and BWG Group
- Remediation alternatives considered
- Rationale: Shifting focus to capital allocation and maximising SPAR's capital efficiency
- Indicative impacts on capital allocation:
  - Management focus
  - Group debt and leverage
  - Creating improved shareholder returns

4 SAP system rollout next DC

Target date:
September 2025

In progress

- Significant progress made in resolving SAP system issues since its implementation in Feb-23 at the KZN DC:
  - Pricing visibility, service levels, trading margins, logistic metrics and retailer loyalty have seen positive improvements
- Key target: Commence roll-out to other DC's post KZN issues being resolved (Sep-25)

5 South African profitability

Target date:
September 2026

In progress

- Operating drivers requiring focus:
  - Revenue not at expected levels (being remedied)
  - Gross margins negatively impacted by SAP implementation at KZN
  - Increased cost discipline - progress in terms of cost savings
  - Disposal of loss-making corporate stores to improve base
- Operating margin recovery plan: 3% EBIT target, operational efficiencies, disposal of loss-making corp. stores, sustainability initiatives and SAP resolution

Recent results reflection

Reflecting on FY24 results

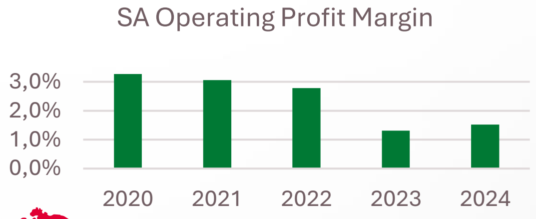
Solid year of recovery with progress on key metrics

FY 2024 Continuing Operations	Southern Africa ZAR'm	Ireland EUR'm	Switzerland CHF'm
Turnover	95 997.1	2 019.7	745.2
EBITDA (pre-IFRS 16)	1 798.7	75.2	22.3
Operating profit	1 461.0	60.4	10.4
Profit after tax	739.5	41.8	3.2
Key Metrics			
Gross Profit Margin (%)	9.5%	15.2%	18.3%
Operating Profit Margin (%)	1.5%	3.0%	1.4%

Southern Africa

Turnover
- SPAR & TOPS combined growth of 3.6%
- Liquor sales recovery 9.4% across all divisions
- Build it sales increased 2.3% on prior year with recovery in H2
- S Buys - strong growth of 14.5% driven by wholesale and Scriptwise

Gross profit
- Gross profit in Southern Africa has been flat year-on-year.
- SPAR SA GP% declined due to aggressive promotional activity & slow KZN recovery
- Encore reported a strong housebrands performance
- S Buys margin declined due to strong growth in Scriptwise business



Operating profit margin recovery in SA (1.5% vs prior year 1.3%), with ongoing focus on gross profit margins & cost mitigations to achieve long-term EBIT target of 3%

Ireland

Turnover
- EUR terms +2.8%
- Strong growth in BWG Foods +5.7%, with challenging UK market
- Successful consolidation of recent acquisitions

Gross profit
- Gross profit margin slight increase due to change in sales mix with growth in convenience food, drinks & confectionary categories

Operating profit margin recovery in Ireland (3.0% vs prior year 2.8%)

Switzerland

Turnover
- CHF terms -6.2%
- Continued market volumes decline
- Consumers seeking value at large supermarkets and cross border

Gross profit
- Overall gross profit margin increased despite lower volumes due to improved margin management within Retail and TopCC

January 2025 trading update

Disappointing topline performance, but margin improvement continues

Turnover growth (local currencies)	Southern Africa R'm	Ireland EUR'm	Switzerland CHF'm
SPAR	0.6%		
Tops	1.9%		
Build it	7.3%		
Pharmacy	13.3%		
	1.6%	-1.6%	-5.2%

Despite lower sales due to constrained consumer spending in all our regions, the Group demonstrated resilience and has seen continued positive momentum in improving operating margin levels through focused cost control and promotional activities, continuing to make progress towards our 3.0% EBIT margin target

Ireland

- Sales decrease of 1.6%, primarily impacted by decreased consumer spending in response to increased living costs (minimum wage increase from 1 January 2025 will support future spending)
- Operating expenses were well managed despite the increase in minimum wage from 1 January 2025
- Margin improvements driven by better sales mix

Switzerland

- Sales affected by increased living costs and intensifying competition

Southern Africa

Turnover

- Retail sales grew 3.4%, with robust growth in lower-income grocery stores
- Sales growth impacted by planned closure of 13 grocery stores in South Rand Region, lower promotional activity and erratic supply into Mozambique
- SPAR's on demand shopping platform, SPAR2U, delivered solid growth off a low base
- Good Build it performance with 7.3% growth and robust growth in pharmaceutical business of 13.3% attributable to Wholesaler and Scriptwise
- KZN has experienced a positive recovery with improvements in loyalty levels

Operating profit

- Improved performance from corporate grocery and liquor stores with closure of non-performing stores
- Continued focus on cost control and margin management to mitigate muted top line growth
- Improvements in KZN contributing to margin recovery

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Balance sheet optimisation

Balance sheet optimisation

Balance sheet is a priority, with debt reduction plans and a targeted gearing of 1.5 to 2.0x for SA

Key FY 2024 metrics	Southern Africa R'm	Ireland EUR'm	Switzerland CHF'm
Cash Generated from Ops	1 714.9	101.9	57.8
Net working capital changes	(651.2)	7.5	0.0
Net Borrowings	3 368.9	111.9	138.8
Leverage ratio*	1.9x	1.4x	6.0x

*SA leverage ratio for FY24 excludes Poland flows post year-end

Key achievements since September 2024 year-end

- Poland exit
- Irish Guarantee removal
- SA debt restructure
- Switzerland debt covenant removal
- Non-core asset optimisation progress

- We have successfully agreed a **restructure of our SA debt**, bolstering the SPAR balance sheet for the implementation of our strategic priorities
- Our underperforming international operations (South-West England and Switzerland) are under **strategic review** as part of our capital allocation and deleveraging framework, and we have **successfully removed** the Swiss debt covenant
- Strategic delivery of **improved EBIT margin** will increase business cash generation in the longer term
- We have reviewed our group **capex spend** and reconsidered key projects within the group to ensure controlled and directive investment aligns with deleveraging plans
- Alongside the above, a review and identification of **optimization of our non-core assets** continues with positive progress to date
- We have focused improvements in our **working capital management**, with identified optimization of creditor payment terms and a review underway for opportunities to refine our debtor management strategies
- Our Irish business continues to demonstrate **strong cash generation** and has deleveraged in recent years, enabling the removal of our parental guarantee as well as an agreed repatriation of dividends, with a **25% payout ratio**
- System investment opportunities identified for **improvements in efficiencies** across our finance & reporting structures, as well as our business insights analytics

Capital Allocation Framework

Capital allocation principles & targets

Our principles support our growth ambitions, whilst also seeking to satisfy our targeted gearing structure and shareholder growth aspirations

CAPITAL ALLOCATION IS DRIVEN TOP-DOWN AND TIGHTLY ALIGNED TO GROUP STRATEGIC PRIORITIES

What we aspire to deliver

- Real mid-single digit revenue growth
- Positive operating leverage
- RoCE > WACC + 3%
- Gearing 1.5 -2.0x

ALLOCATION OF CASH SEEKS TO BALANCE:

Balance sheet stabilisation & strengthening

- Group is cash generative but currently highly geared
- Targeted leverage differs by region and cost of borrowing however we are targeting the following for our major subsidiaries:
  - 1.5 - 2.0x for SA
  - 1.0x - 1.5x for Ireland

Continued growth and investment

- Source and allocation of cash based on strategic outlook for each business
- Capex spend driven top down - after maintenance spend we are focused on organic and strategic growth
- Inorganic opportunities subject to strict size and investment criteria

Meeting shareholder return aspirations

- Group is focused on debt reduction in the short term
- Pathway to dividend resumption in next 18-24 months
- SA and Ireland dividend prioritised at normalised payout ratio

SPAR capital allocation flow

Allocation of capital guided by considered measurable criteria, through the cycle performance whilst optimising sources of funding and maximising shareholder returns

Net operational cash flow

Balance sheet integrity
(current and targeted)

Maintenance capex plus priority projects
(as part of capex budgeting)

Priority projects that are imperative to SPAR's growth story

Satisfy balance sheet strategy and maintenance & priority capex requirements

Excess capital is determined as follows:

- Net operational cash flow
- After: ensuring balance sheet integrity
- After: providing for required capex
- After: servicing dividends to shareholders

Ordinary dividend
(dividend policy requirement)

If consistently excess capital and no high conviction investment options, option to increase pay-out ratio

Allocation of "excess capital" available

Investment
Organic growth options returns > WACC + 3%

Investment
Inorganic growth options returns > WACC + 3%

Return capital to shareholders
If excess capital and/or no high-conviction investment options

Share Buy-backs

Special dividends

High conviction capital allocation options

Low conviction capital allocation options

Theoretical risk adjusted return


UMHLANGA
ROCKS
SUPERSPAR
Durban
SOUTH AFRICA
Natural
MESQUITE
MACA
CHAGA
CHIA
CACAO
HEMP
LUCUMA

Outlook

In conclusion

Current environment and our response

Outlook

- Volatile global backdrop with Trump administration taking anti-SA stance
- Despite this, we have a reasonably stable outlook given the working GNU, loadshedding under control, low inflation and a return to modest growth
- We are feeling positive about the SA consumer as households are less geared, and interest rates are lower

Response

- Strong focus on our balance sheet
- Addressing operational issues to better support our retailers
- Focusing on becoming a simpler, but still diversified, centering on our core businesses in SA and Ireland
- Improving our capital allocation and resuming dividends


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Q&A