

FOR IMMEDIATE RELEASE
14 June 2023

The SPAR Group shows resilience in the face of economic headwinds as it focuses on private label, omnichannel for future growth

Durban, 14 June 2023 – The SPAR Group delivered sales growth of 7.9% increasing turnover to R72.9 billion in the six months ending March 31, 2023. However, economic headwinds and cost pressures led to earnings falling 30.3% over the period.

While the installation of solar power plants across all its distribution centres helped alleviate the strains placed on the business by incessant bouts of load shedding, fuel, energy and other inflationary cost pressures, together with the temporary go-live challenges of a new SAP IT system, continued to bite.

"We estimate the added cost of diesel incurred by our retailers required to run generators during the period amounted to more than R700 million. If loadshedding continues at these high levels, this could amount to well over R1 billion this year," says Mike Bosman, Executive Chairman of The SPAR Group Limited. "Helping to ensure food security in South Africa is also top of mind for us as a national imperative and we take our role in this very seriously".

"Despite the obvious cost pressures, the business has made good progress with its accelerated growth plan, which is being embedded broadly across all our divisions in South Africa," says Bosman.

The SPAR Group's wholesale grocery business reported sales growth of 7.9% compared to a 4.6% increase in the same period in 2022. Among the highlights were the Competition Commission's approval of the acquisition of the remaining 50% share in private label specialist SPAR Encore (including the merchandising business SPAR Engage), which became effective on 1 April 2023.

"This will enable improved vertical integration of SPAR's supply chain and consolidation of the private label business, which continues to be an important driver of growth. SPAR private label sales delivered growth of 10.0% for the period.

22 Chancery Lane, Pinetown, 3610 | Tel: 031 719 1900, Fax: 031 719 1990
P.O. Box 1589, Pinetown, 3600 | Website: <https://www.spar.co.za>

NON-EXECUTIVE DIRECTORS: J. A. Canny*, P.M.P. da Silva*, L.M. Koyana*, M. Mashologu*, S.T. Naran*, A.G. Waller*, S.A. Zinn* (Deputy Chairperson)

EXECUTIVE DIRECTORS: M.J. Bosman (Executive Chairman), M.W. Godfrey. **COMPANY SECRETARY:** S. Ashokumar

GROUP EXECUTIVE MANAGEMENT COMMITTEE: M.J. Bosman (Executive Chairman), L.J.A. Crawford, M.W. Godfrey, M.P. Huxtable, K.J. O'Brien, M.J. Oliva, R.G. Philipson.

SOUTH AFRICAN EXECUTIVE MANAGEMENT COMMITTEE: M.J. Oliva (Chief Executive), L.H. Balcomb, D.C. Borrageiro, R.G. Brink, S. Dick, S.I. Engelbrecht, M.P. Huxtable, J.P. Jacobs, R.A. Lister, W. Mahne, A.C. Mun-Gavin, J.C.H. Nicol, K.J. O'Brien, B.N. Raubenheimer, M.G. Robinson, A.P. Swartz, S.A.T. Tabudi, M.G. Webber.

* Independent.

“We have been integrating the SPAR team with the Engage and Encore teams in one office, which will lead to streamlined synergies and efficiencies, and have defined a new architecture for our private label that will take us to the next level and see us leading in this space in the sector,” says Bosman.

“Extremely exciting times lie ahead for this business as we put the finishing touches on the structure and growth strategy for this part of the business that brings to life our belief that SPAR products are as good as the best for less. It will be hugely beneficial in terms of cost-savings to those grappling with the 14-15% food inflation,” he adds.

Meanwhile, The SPAR Group’s new and innovative on-demand shopping platform for groceries and liquor, SPAR2U is showing momentum among retailers and customers. It ramped up its availability to 234 sites at the end of the period, with plans for 400 sites by the end of September 2023.

“Consumer feedback has been extremely positive, and we expect to make major inroads in this space going forward, notably as our offering is unique in the market, providing the flexibility for independent retailers to offer their individual blend of customer excellence and value to their customers,” says Bosman.

The SPAR Group also made progress on the governance front.

“As a relationships business with a broad stakeholder base, good governance is fundamental to the sustainability and success of all we do. In line with the King IV code, we’ve made good progress in terms of our structure during the period, especially in respect of the composition of the board.

“In May, we appointed a new company secretary dedicated to supporting the board and committees in further elevating governance within the group. Our former company secretary will focus on driving SPAR’s commitment to the future of our brand and the planet as SPAR’s ESG Executive. We’re also progressing well on recruiting our new Group CEO, and today announced the appointment of a Deputy Chair of the board,” explains Bosman.

During the reporting period, TOPS at SPAR liquor sales declined by 1.9%, against growth of 41.6% in the prior comparative period due to the COVID-19 liquor restrictions coming to an end in September 2021.

Build It delivered a credible performance, albeit with sales declining by 3.8%, as the building sector came under pressure and failed to match the stellar uptick seen during the work-from-home demand at the height of COVID-19.

The pharmaceutical business delivered strong sales performances by both Pharmacy at SPAR and Scriptwise (specialised pharmacy), delivering 20% turnover growth.

The BWG Group, in Ireland and South West England, increased turnover by 8.8% for the period in EUR terms, and 15.1%% in ZAR terms. Turnover for the Swiss business, however, declined by 4.3% in CHF terms and increased by 6.9% in ZAR terms, against the prior comparative period. SPAR Poland delivered turnover growth of 4.5% in PLN denominated currency and 9.3% in ZAR terms.

ENDS//

About the SPAR Group:

SPAR is a warehousing and wholesale distribution business, supplying goods and services to independently owned retailers, trading predominantly under the SPAR retail brand. Part of a global organisation, The SPAR Group Ltd is the registered licensee of the SPAR brand in parts of Southern Africa including South Africa, Namibia, Botswana and Mozambique and in Europe, Switzerland, Ireland, South West England and Poland. The nature of the relationship between the company and independently owned stores is one of joint co-operation for the benefit of the members of this association. SPAR's primary revenue stream is derived from the provision of goods and services to its member stores. The financial performance of independent retailers does not form part of the company's financial results.

SPAR operates under a 'voluntary trading model' whereby retailers may also source goods from local traders, thereby supporting their local communities. In South Africa, SPAR's brands include SUPERSPAR, SPAR, KWIKSPAR, SPAR Express and SaveMor (groceries), TOPS at SPAR (liquor), Build it (building materials), Pharmacy at SPAR, S Buys and SPAR Encore (private label procurement). In Ireland (and South West England) its brands include SPAR, EUROSPAR, MACE, XL, Londis and Value Centre. In Switzerland, its brands include SPAR, SPAR Express, MAXI and TopCC. In Poland, the brands include SPAR, SPAR Express and TOPS at SPAR. The group also has a joint venture operation in Sri Lanka.

SPAR is part of the SPAR international organisation (with presence in 48 countries), the world's leading voluntary food retail chain and the biggest supermarket retail network in the world. This global brand, prides itself on supporting independent retailers, working in partnership to provide a high quality, value for money shopping experience for the communities it serves.

LinkedIn: [sparsouthafrica](#)

Facebook: [@MY SPAR](#)

Twitter: [@My Spar](#)

Instagram: [@my_spar](#)