



**THE SPAR GROUP LTD  
INTERIM RESULTS PRESENTATION  
FOR THE SIX MONTHS ENDED 31 MARCH 2020**



**COVID-19 UPDATE**

**BUSINESS OVERVIEW**

**FINANCIAL OVERVIEW**

**OPERATIONAL UPDATE**

**OUTLOOK**

**QUESTIONS**





## COVID-19 UPDATE

GRAHAM O'CONNOR  
CEO

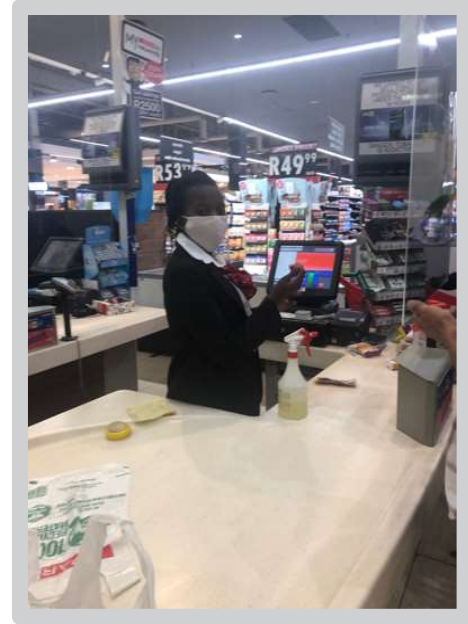


**PRIORITIES**

**Safety of our people, retailers,  
customers & suppliers**

**Managing the supply chain and  
keeping our retailers' shelves  
replenished**

**Support our communities**



**WE ARE STILL OPEN, PLEASE DO NOT PANIC.**  
SPAR REMAINS COMMITTED TO SERVING ITS CUSTOMERS,  
AND OUR STORES WILL BE REPLENISHED REGULARLY.  
PLEASE BE CONSIDERATE WHEN SHOPPING AND ONLY BUY  
WHAT IS ESSENTIAL.

**CULTURE speaks for itself**

**Resilience of our retailers**

**Determination of our people  
at the DCs and HQ**

**Readiness to adapt to change  
and swift to make a plan**

**Community is at the heart  
of what we do**

**VALUES & PURPOSE**



PASSION



FAMILY VALUES



ENTREPRENEURSHIP

**PURPOSE**

**To inspire people  
to do and be more**

**IT'S PERSONAL**

**WELL POSITIONED  
TO DEAL WITH THE CRISIS**



# BUSINESS OVERVIEW

GRAHAM O'CONNOR  
CEO



**48** countries



**246** distribution centres



**> 13 000** stores



**13.5m** customers per day



**€35.8bn** wholesale turnover



Independent  
wholesalers  
and retailers  
working together  
serving  
communities  
around the world

Uniting global  
partners  
to be and act  
**BETTER  
TOGETHER**



S. Africa\*



Ireland



Switzerland



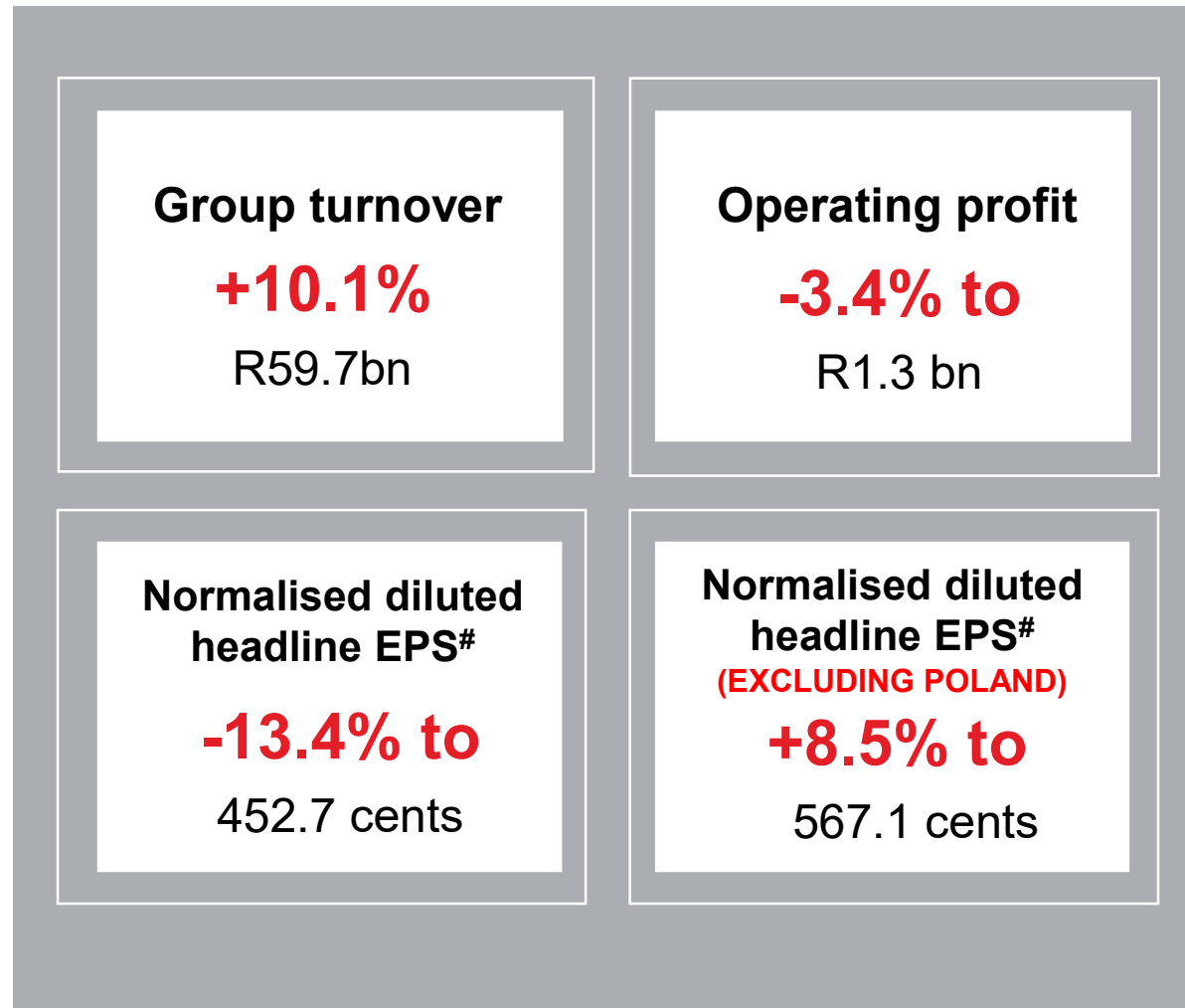
Poland\*\*

	S. Africa*	Ireland	Switzerland	Poland**
<b>Stores</b>	• 2 402	• 1 387	• 345	• 219
<b>Cash &amp; Carry</b>	• –	• 26	• 11	• –
<b>Warehousing</b>	• 295 000 m <sup>2</sup>	• 35 000 m <sup>2</sup>	• 33 000 m <sup>2</sup>	• 16 000 m <sup>2</sup>
<b>Turnover – H1</b>	• R40.2bn	• R12.7bn	• R5.8bn	• R1.0bn

\* Southern Africa includes distributions to Botswana, Mozambique, Zambia, Namibia, Swaziland, Lesotho

\*\*Poland in year one of business development phase





- Decline in earnings fundamentally impacted by Polish losses
- Conservative interim dividend of 200 cents (H1 FY19: 284 cents), owing to uncertainty that lies ahead

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



# FINANCIAL OVERVIEW

**MARK GODFREY**  
CFO

## SUMMARY OF SALIENT FEATURES

Rmillion	H1 2020	H1 2019	Change (%)
Revenue – sale of merchandise	59 749.4	54 273.2	+10.1
Gross profit	6 728.5	5 650.7	+19.1
<i>Gross profit (%)</i>	<i>11.26%</i>	<i>10.41%</i>	
Operating profit	1 334.9	1 382.5	-3.4
<i>Operating margin (%)</i>	<i>2.23%</i>	<i>2.55%</i>	
Profit after tax	713.8	1 001.2	-28.7
Headline earnings per share (cents)**	408.0	523.6	-22.1
Normalised* headline earnings per share (cents)**	454.4	525.9	-13.6
Dividend per ordinary share (cents)	200.0	284.0	-29.6
Net asset value per share (cents)**	3 602.7	3 662.5	-1.6

\* *Normalised HEPS is calculated on headline earnings adjusted for fair value adjustments to, and foreign exchange effects on financial liabilities, and business acquisitions costs*

\*\* *Weighted average number of ordinary shares (net of treasury shares) 192 388 904 (2019: 192 554 957)*

## IMPACT OF POLISH LOSSES ON HEADLINE EARNINGS

Rmillion	H1 2020	H1 2019	Change (%)
Headline earnings	785.0	1 008.3	-22.1%
Adjusted for fair value adjustment to, and foreign exchange effects on financial liabilities, and business acquisition costs	89.3	4.4	
Normalised* headline earnings	874.3	1 012.7	-13.7%
Adjusted for Polish reported headline loss for the period attributable to ordinary shareholders	221.0	—	
Normalised* headline earnings excluding Polish result	1 095.3	1 012.7	+8.2%
Diluted weighted average number of ordinary shares net of treasury shares (millions)	193.1	193.8	
Normalised* diluted headline earnings per share (cents)	452.7	522.5	-13.4%
Normalised* diluted headline earnings per share excluding Polish result (cents)	567.1	522.5	+8.5%

\* Normalised HEPS is calculated on headline earnings adjusted for fair value adjustments to, and foreign exchange effects on financial liabilities, and business acquisitions costs



## EFFECT OF IFRS 16 ADOPTION – H1 2020

Rmillion	As reported H1 2020	IFRS 16	Pre IFRS 16 H1 2020	H1 2019
Net operating expenses	(6 549.4)	(67.2)	(6 616.6)	(5 316.8)
Operating Profit	1 334.9	(67.2)	1 267.7	1 382.5
<i>Operating Profit %</i>	2.23%		2.12%	2.55%
Other non-operating items	(99.6)	–	(99.6)	(3.5)
Interest Income	311.9	(215.8)	96.1	90.1
Interest Expense	(455.9)	321.1	(134.8)	(105.5)
Finance costs on financial liabilities	(45.8)	–	(45.8)	(65.8)
Share of equity accounted associate losses	(14.3)	–	(14.3)	(3.5)
Profit before tax	1 031.2	38.1	1 069.3	1 294.3
Tax	(317.4)	(8.3)	(325.7)	(293.1)
Profit for the period	713.8	29.8	743.6	1 001.2

- Depreciation of R490.2m and net finance costs of R105.3m have been recognised, replacing net rental expenses of R557.4m
- This resulted in a net negative impact on profit before tax of R38.1m
  - The acquisition of SPAR Poland in the current year contributed R28.8m to this impact on profit before tax

## EFFECT OF IFRS 16 ADOPTION – H1 2020

Rmillion	H1 2020 Actual	Poland	H1 2020 Excl. Poland	As expected at September 2019
<b>Statement of financial position</b>				
Property, plant and equipment – ROU asset	6 168.7	(977.7)	5 191.0	5 100.0
Finance lease receivable	4 469.0	(214.6)	4 254.4	4 250.0
Net deferred tax asset	124.5	–	124.5	130.0
Finance lease liabilities	11 374.3	(1 192.3)	10 182.0	10 150.0
Retained earnings	(616.1)	–	(616.1)	(670.0)
Reversal of IAS 17 related balances	4.0	–	4.0	–
<b>Statement of comprehensive income</b>				
	<b>H1 2020 Actual</b>	<b>Poland</b>	<b>H1 2020 Excl. Poland</b>	<b>Full year 2020 expectation</b>
Depreciation	490.2	(85.1)	405.1	780.0
Profit before interest and tax	67.2	9.7	76.9	180.0
Finance income	215.8	(4.2)	211.6	350.0
Finance costs	321.1	(23.3)	297.8	520.0
Profit before tax	(38.1)	28.8	(9.3)	10.0
Tax	8.3	(5.4)	2.9	3.0
Headline earnings	(29.8)	23.4	(6.4)	7.0
Headline earnings per share (HEPS)	(15.5)	12.2	(3.3) cents	4 cents

## KEY REGIONAL METRICS



Rmillion	Southern Africa	Ireland	Switzerland	Group excl. Poland	Poland	Group
<b>Income statement</b>						
Revenue – sale of merchandise	40 239.7	12 736.7	5 808.6	58 785.0	964.4	59 749.4
Gross profit	3 727.6	1 713.3	1 057.4	6 498.3	230.2	6 728.5
<i>Gross profit %</i>	9.3%	13.5%	18.2%	11.1%	23.9%	11.3%
Operating expenses	2 887.8*	1 674.3*	1 432.7	5 994.8	554.6	6 549.4
Profit/(loss) before tax	1 053.8	264.9*	37.4	1 356.1	(324.9)	1 031.2
Profit/(loss) after tax	711.2	249.8*	27.8	988.8	(275.0)	713.8
Attributable to ordinary shareholders	700.2	249.8*	27.8	977.8	(227.4)	750.4
<i>Earnings per share (cents) – by segment contribution</i>	364.0	129.8	14.4	508.2	(118.2)	390.0
<i>Headline earnings per share (cents) – by segment contribution</i>	375.5	132.1	15.3	522.9	(114.9)	408.0

\* adjusted for inter-group charges

# TURNOVER



Rmillion	H1 2020	H1 2019	Change (%)
<b>SPAR/TOPS</b>	35 817.9	32 853.2	+9.0
<i>Liquor sales (TOPS AT SPAR)</i>	4 169.4	4 014.9	+3.9
<b>Build it</b>	3 871.7	3 966.9	-2.4
<b>Southern Africa (excl. S Buys/Encore)</b>	<b>39 689.6</b>	<b>36 820.1</b>	<b>+7.8</b>
S Buys – Pharmaceutical business	546.8	495.6	+10.3
SPAR Encore – Monteagle*	3.3	–	–
<b>Total Southern Africa</b>	<b>40 239.7</b>	<b>37 315.7</b>	<b>+7.8</b>
Ireland	12 736.7	11 855.1	+7.4
Switzerland	5 808.6	5 102.4	+13.8
Poland	964.4	–	–
<b>Total Group</b>	<b>59 749.4</b>	<b>54 273.2</b>	<b>+10.1</b>

\*Only incremental sales after inter-company elimination against SPAR SA



### Group

- Strong growth in turnover across the group, further boosted by the acquisition of the Polish business which added 1.8% total growth

### SPAR Southern Africa

- Growth in wholesale turnover of 7.8%
- Challenging start to the year, boosted by increased buying in advance of the lockdown measures

### SPAR Ireland

- Strong growth of 3.2% in EUR terms (7.4% in ZAR terms)
- +2.6% for the comparable business (excluding new business acquisitions)
- COVID-19 has negatively impacted cash & carry and foodservice businesses in the month of March

### SPAR Switzerland

- Excellent turnover growth of 4.4% in CHF terms (13.8% in ZAR terms)
- Benefiting from temporary new business due to closure of borders
- Boosted by deliveries to new PAM stores

### SPAR Poland

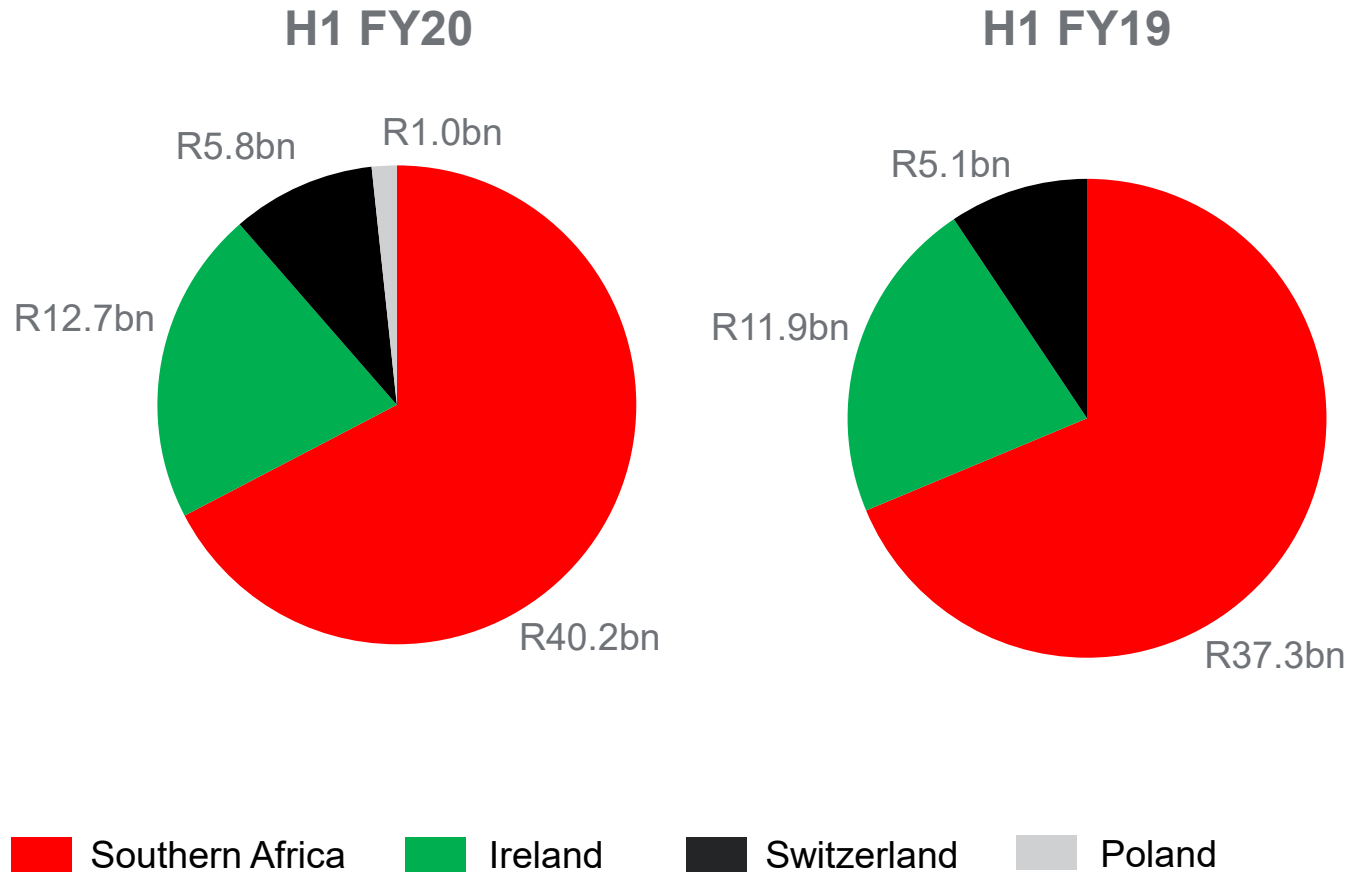
- SPAR Poland turnover for H1: R1.0bn
- This is expected to grow as 157 SPAR retailers are onboarded

SPAR Southern Africa  
**67.4%**  
 (H1FY19: 68.8%)

SPAR Ireland  
**21.3%**  
 (H1FY19: 21.8%)

SPAR Switzerland  
**9.7%**  
 (H1FY19: 9.4%)

SPAR Poland  
**1.6%**  
 (H1FY19: N/A)



## INFLATION: H1 AND LOOKING AHEAD

	H1 2020	H1 2019
SPAR wholesale business	4.1%	1.9%
Liquor	3.9%	5.9%
Build it	c.3.4%	c.4.0%

### SPAR Southern Africa

- Current trend: regions ranging from 3.0% to 5.8%
- Inflation expected to increase
- Building material inflation budget at c.4.1% for 2020

### SPAR Ireland

- 2021 food inflation estimate of 1.5%
 

	<u>2020 (%)</u>	<u>2019 (%)</u>
• Irish CPI for the period	+0.7	+1.1
• Food and non-alcoholic beverage	-1.6	-0.6
• Alcohol and tobacco	+2.7	+3.1

### SPAR Switzerland

- 2021 inflation estimate of 0.6%
 

	<u>2020 (%)</u>	<u>2019 (%)</u>
• Swiss CPI for the period	-0.5	+0.7
• Food and non-alcoholic beverage	-0.3	+1.0
• Alcoholic beverages and tobacco	+1.5	+1.0

### SPAR Poland

- 2021 inflation estimate of 3.6%
 

	<u>2020 (%)</u>
• Polish CPI for the period	+4.6
• Food and non-alcoholic beverage	+8.0
• Alcohol and tobacco	+4.3

## GROSS PROFIT MARGIN

Rmillion	H1 2020 (GP%)	H1 2020 Turnover (Rm)	H1 2019 (GP%)
<b>Southern Africa</b>	9.1	<b>39 689.6</b>	8.7
S Buys	9.1	546.8	9.9
SPAR Encore	16.2	3.3	–
<b>Total Southern Africa</b>	9.2	<b>40 239.7</b>	8.8
Ireland	13.5	12 736.7	12.8
Switzerland	18.2	5 808.6	17.0
Poland	23.9	964.4	–
<b>Total Group</b>	<b>11.3</b>	<b>59 749.4</b>	<b>10.4</b>

### SPAR Southern Africa

- Largely impacted by change in sales mix due to weaker performance by both liquor and Build it

### SPAR Ireland

- Contribution from foodservice businesses – Corrib Foods & Heaney Meats, together with additional corporate retail stores

### SPAR Switzerland

- Significant improvement on comparable period, which was impacted by an aggressive marketing campaign in the prior year

### SPAR Poland

- Poland has contributed a relatively high margin percentage due to large exposure to corporate retail



## OPERATING EXPENSES



	H1 2020		H1 2019		Increase (%)
	Expenses (Rm)	% of Sales	Expenses (Rm)	% of Sales	
Southern Africa (comparable base)	2 800.7	7.0	2 506.8	6.8%	+11.7
S Buys	53.0	9.7	48.1	9.7%	+10.2
SPAR Encore	34.1*	7.2	–	–	–
Southern Africa	2 887.8*	7.2	2 554.9*	6.8%	+13.0
Ireland	1 674.3*	13.1	1 478.4	12.5%	+13.3
Switzerland	1 432.7	24.7	1 283.5	25.2%	+11.6
Poland	554.6	57.5	–	–	–
<b>Total Group</b>	<b>6 549.4</b>	<b>11.0</b>	<b>5 316.8</b>	<b>9.8%</b>	<b>23.2</b>

\*After adjusting for inter-group charges

### SPAR Southern Africa

- Increase of 11.7%
- 40% of this increase is attributed to costs related to the recently acquired corporate stores
- Costs in the wholesale business continue to be well managed:
  - IT costs increased 15.1%
  - Fuel costs increased 9.5% (c.6% of total Southern African expenses)
  - Marketing and selling costs up 12.0%

### SPAR Ireland

- Expenses increased 9.4% in EUR terms (13.3% in ZAR terms)
  - Newly acquired Heaney Meats and retail stores (contributed 3.1%)
  - An additional IFRS 9 provision relating to potential COVID-19 risk (representing 2.8%)
  - Payroll costs driven by higher wage rates contributed 1.6%

### SPAR Switzerland

- Increase of 2.3% in CHF terms (increase of 11.6% in ZAR terms)
  - Higher distribution costs due to growth in turnover
  - Additional operational expenses relating to COVID-19 pandemic

### SPAR Poland

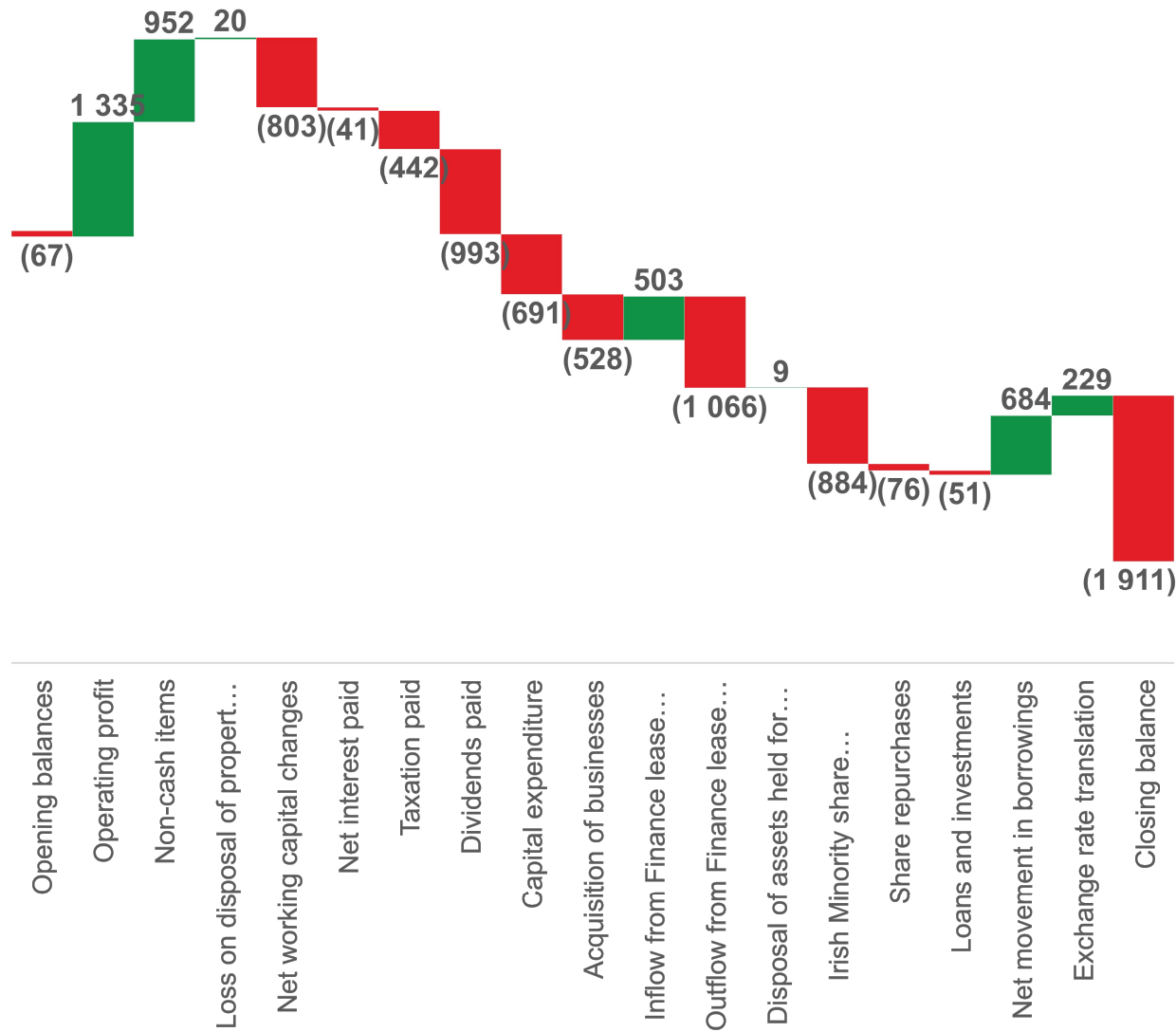
- Polish expenses include the following abnormal costs:
  - Forex losses on the translation of loans: R34m
  - Forex losses on the translation of leases: R30m
  - Legal and professional fees: R33m
  - Bad debts provision (incl. IFRS 9 provision): R31m

# CASH FLOW

Rmillion	H1 2020	H1 2019
Cash flow from operating activities (adjusted for non-cash items)	2 306.8	1 800.3
Working capital changes	(803.2)	(1 073.1)
Increase in inventory	(343.3)	(385.8)
Increase in trade receivables	(1 460.3)	(226.6)
Increase/(decrease) in trade payables	1 000.4	(460.7)
Cash generated from operations	1 503.6	727.2
Net interest paid	(40.8)	(23.4)
Taxation paid	(442.2)	(360.1)
Dividends paid	(993.2)	(883.9)
Capital expenditure	(691.1)	(405.3)
Acquisition of businesses	(528.4)	(223.9)
Inflow from finance lease receivables	503.3	–
Outflow from finance lease liabilities	(1 065.9)	–
Disposal of assets held for sale	9.2	–
Loans/share repurchases	(126.9)	(37.1)
Irish minority share repurchases	(884.4)	–
Net borrowings raised	683.5	59.0
<b>Net cash movement</b>	<b>(2 073.3)*</b>	<b>(1 147.5)</b>

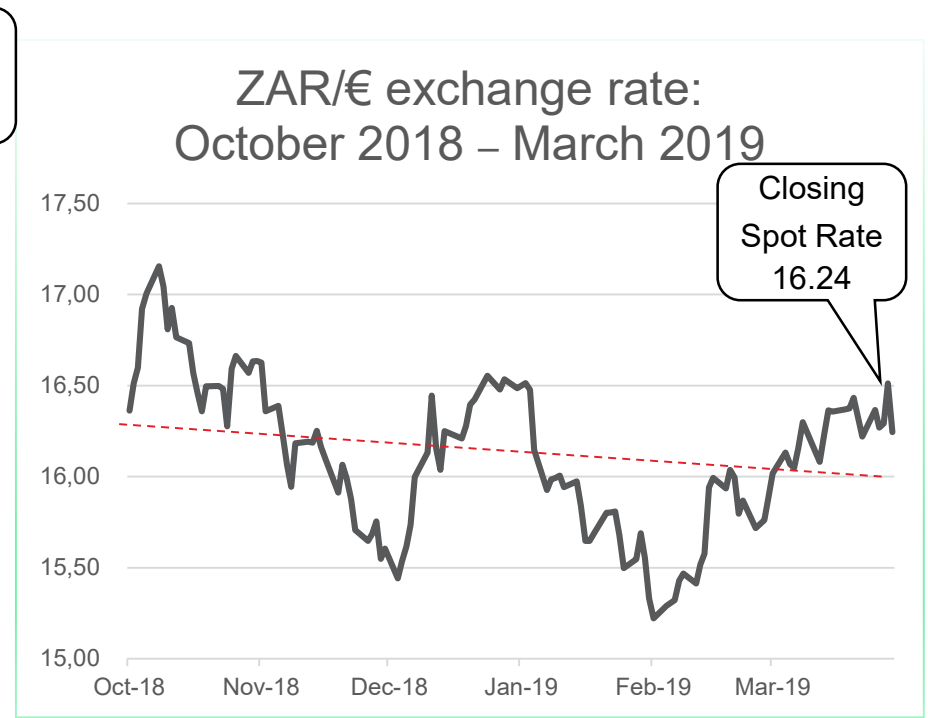
\* Includes positive foreign currency translation adjustment of R229.5m

# CASH FLOW continued

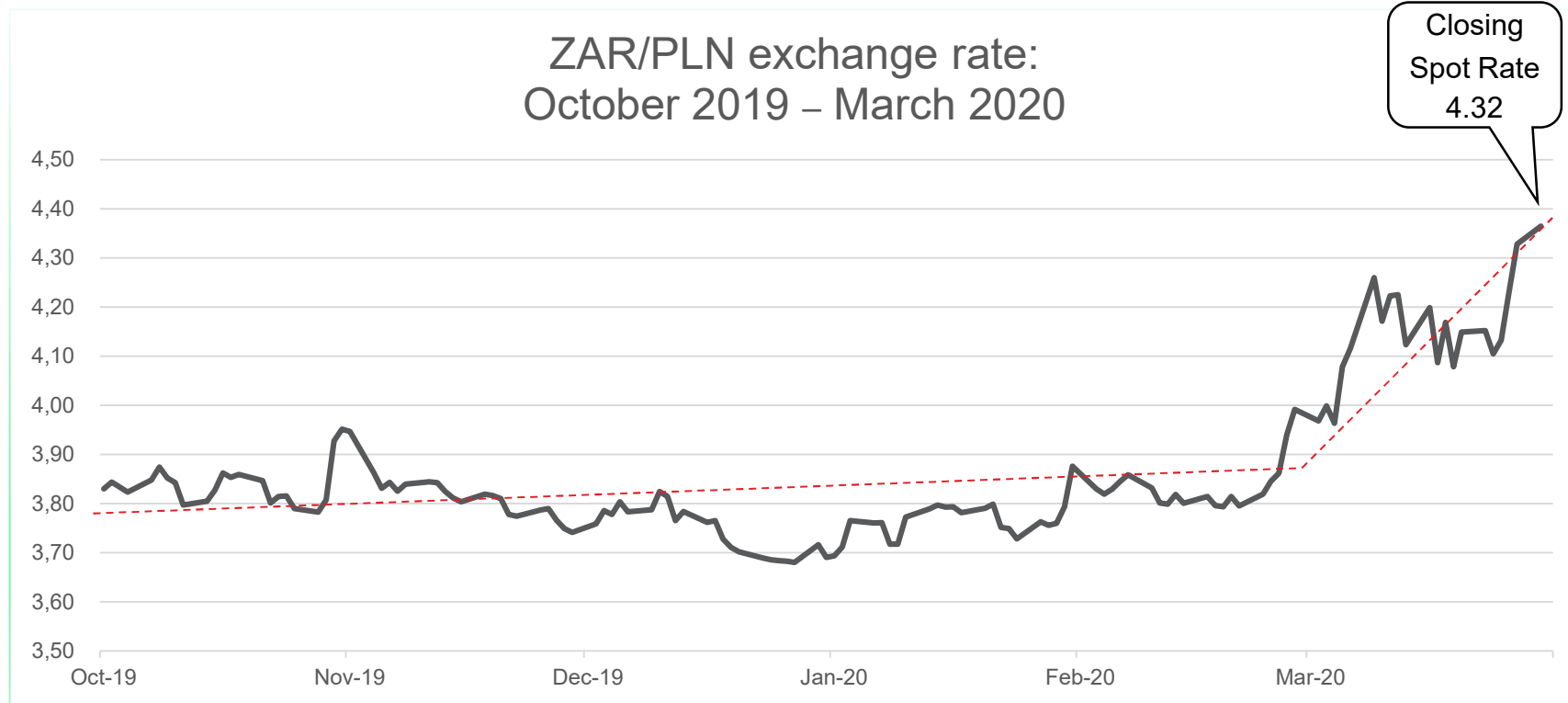


- Net outflow on finance leases of R562.6m offset against related increase in cash generated from operations
- Dividends of R993.2m paid to shareholders
- Business acquisitions of R528.4m
- Investment in Capex of R691.1m
- Purchase of Irish minority of R884.4m
- Net overdraft at period end of R1 911.2m

# CURRENCY IMPACTS (VS ZAR)



Average rate: ZAR/€		
H1 FY19	FY19	H1 F20
16.11	16.17	16.78



Average rate: ZAR/PLN	
FY19	H1 FY20
3.76	3.88



## EARNINGS AND HEADLINE EARNINGS PER SHARE



	H1 2020	H1 2019	Change (%)
Rmillion			
<b>Profit for the period attributable to ordinary shareholders</b>	<b>750.4</b>	<b>1 001.2</b>	<b>-25.0</b>
<u>Adjusted for:</u>			
Net loss on disposal of property, plant and equipment	18.6	4.6	
Impairment of goodwill	12.6	2.5	
Loss on deemed disposal of associate	6.7	–	
Profit on disposal of assets held for sale	(3.3)	–	
<b>Headline Earnings</b>	<b>785.0</b>	<b>1 008.3</b>	<b>-22.1</b>
Earnings per share (cents)	390.0	520.0	-25.0
Headline earnings per share (cents)	408.0	523.6	-22.1

## RECONCILIATION OF NORMALISED HEPS

Rmillion	H1 2020	H1 2019	Change (%)
<b>Reported headline earnings</b>	<b>785.0</b>	<b>1 008.3</b>	<b>-22.1</b>
Adjusted for:			
• <i>Fair value adjustments to financial liabilities</i>	87.9	–	
• <i>Foreign exchange loss/(gain) on minority liability</i>	(10.4)	0.9	
• <i>Business acquisition costs</i>	11.8	3.5	
Normalised headline earnings	874.3	1 012.7	-13.7
<b>Normalised headline earnings per share (cents)</b>	<b>454.4</b>	<b>525.9</b>	<b>-13.6</b>
<i>Weighted average number of ordinary shares (millions) (net of treasury shares)</i>	192.4	192.6	
<i>Diluted weighted average number of ordinary shares (millions) (net of treasury shares)</i>	193.1	193.8	

## RECONCILIATION OF DIVIDEND DECLARATION



Rmillion	H1 2020
<b>Reported headline earnings</b>	<b>785.0</b>
Adjusted for:	
• <i>Fair value and forex loss on financial liability measurement (non-cash related)</i>	<u>77.5</u>
Adjusted headline earnings	862.5
<i>Shares ranking for dividend at declaration date ('000s)</i>	192 389
Adjusted headline earnings (cents)	448.3
Dividend cover (consistent with H1 2019)	<u>1.85 times</u>
Dividend per share (cents) assuming a consistent historical interim cover	<u>243.0</u>
<b>After consideration of the uncertainties facing the business, the board have declared a conservative interim dividend (cents)</b>	<b><u>200.0</u></b>

## BALANCE SHEET: KEY REGIONAL METRICS



Rmillion	Southern Africa	Ireland	Switzerland	Poland	Group
<b>Balance sheet</b>					
Property, plant and equipment	2 696.3	2 312.6	3 385.1	412.5	8 806.5
ROU assets & fin. lease receivables	4 403.2	2 607.7	2 738.8	1 198.2	10 947.9
Goodwill and intangible assets	1 042.7	4 901.9	500.4	379.2	6 824.2
Current assets	14 801.4	5 402.6	2 757.4	637.8	23 599.2
Current liabilities	(14 344.2)	(6 714.4)	(3 167.8)	(1 157.8)	(25 384.2)
Long-term liabilities	(4 904.4)	(7 104.3)	(5 504.2)	(1 887.4)	(19 400.3)
<i>Net asset value per share (cents)</i>	<i>3 565.8</i>	<i>605.1*</i>	<i>449.1*</i>	<i>(203.7)</i>	<i>3 602.7</i>

\* Ignores the effect of consolidation entries

## CAPITAL EXPENDITURE

Rmillion	H1 2020	H1 2019
Investing to expand operations	(474.1)	(212.1)
Investment to maintain operations	(217.0)	(193.2)
• Replacement of property, plant and equipment	(233.7)	(215.5)
• Proceeds on disposal of property, plant and equipment	16.7	22.3
Acquisition of business/subsidiaries	(528.4)	(223.9)
<b>Total capital expenditure</b>	<b>(1 219.5)</b>	<b>(629.2)</b>

- Business acquisition net cash outflows arising on:
  - Heaney Meats – R236.0m
  - Monteagle Africa Ltd – R120.1m
  - Retail stores in SA and Ireland – R194.0m

## REGIONAL CAPITAL EXPENDITURE

Rmillion	Expansion	Replacement	H1 2020
South Africa	78.5	102.5	181.0
Ireland	101.7	76.4	178.1
Switzerland	115.0	54.8	169.8
Poland	178.9	–	178.9
	<b>474.1</b>	<b>233.7</b>	<b>707.8</b>

### SPAR Southern Africa

- Investment in commercial vehicles, plant and equipment

### SPAR Ireland

- Primarily internal transport of R60.8m and further retail store investment

### SPAR Switzerland

- Ongoing store refurbishments and upgrades to technology

### SPAR Poland

- Investment to secure the SPAR license



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## OPERATIONAL UPDATE

GRAHAM O'CONNOR  
CEO

# OPERATIONAL REVIEW

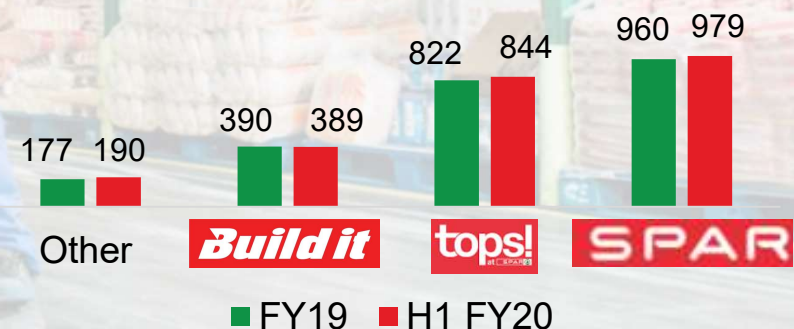
## SOUTHERN AFRICA – DISTRIBUTION CENTRES



- Volumes dispatched by DCs
  - +3.8%; 126.0m cases (H1 FY19: 121.4m)
- Driving retailer confidence
  - Making stores more relevant to communities being served
    - 163 store upgrades; 83 SPAR stores
    - 53 new stores across all formats; 19 SPAR stores
    - 124 pharmacy stores; 57 SPAR express stores
- Providing leadership, guidance and world-class retail operations support to assist our retailers in running their businesses
- Community confidence in our stores

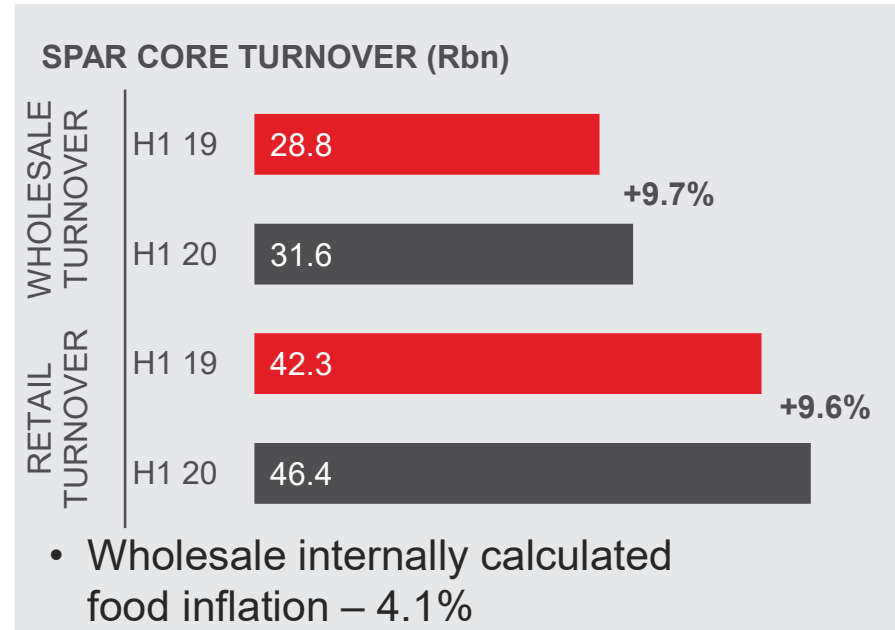


Store portfolio





**WHOLESALE V RETAIL TURNOVER**



**RETAIL TURNOVER OVERVIEW**

H1 FY20	Growth %	LFL%
SPAR	+9.6%	+7.9%
TOPS	+10.6%	+6.8%
BUILD IT	+0.9%	-0.1%

- Combined food & liquor +9.7% (LFL 7.8%)



# OPERATIONAL REVIEW

## SOUTHERN AFRICA – RETAIL



- Securing the supply chain
  - Completed acquisition of Encore (Monteagle Africa) for R156.2m (controlling interest)
    - End-to-end supply chain service
    - Competition Commission approval – 6 March
- Strong growth in house brands
  - All house brands
    - R7.5bn +9.9% YoY (23.6% core turnover)
    - SPAR private label
      - R5.0bn +11.8% YoY (15.9% core turnover)

# encore



**AS GOOD  
AS THE BEST,  
FOR LESS!**

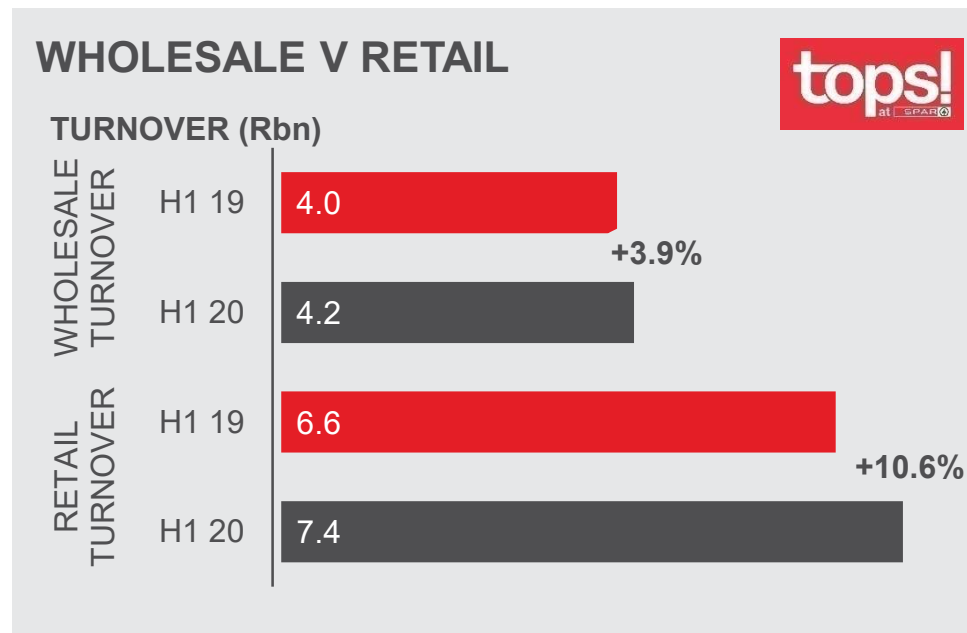


# OPERATIONAL REVIEW

## SOUTHERN AFRICA – RETAIL – TOPS AT SPAR



- Aggressive market activity in the first half
- Strong marketing initiatives
  - Innovative, disruptive and fun
- 22 net new stores; 36 refurbbs
- 844 total stores



**WHEN YOUR DAY DESERVES GOOD WINE AT GREAT PRICES**



EVERYDAY WINE FOR EVERY DAY

Visit [topsatspar.co.za](http://topsatspar.co.za) to learn more.

available ONLY AT **tops!** AND SELECTED SPAR STORES



Not for Persons Under the Age of 18.



# OPERATIONAL REVIEW

## SOUTHERN AFRICA – RETAIL – BUILD IT

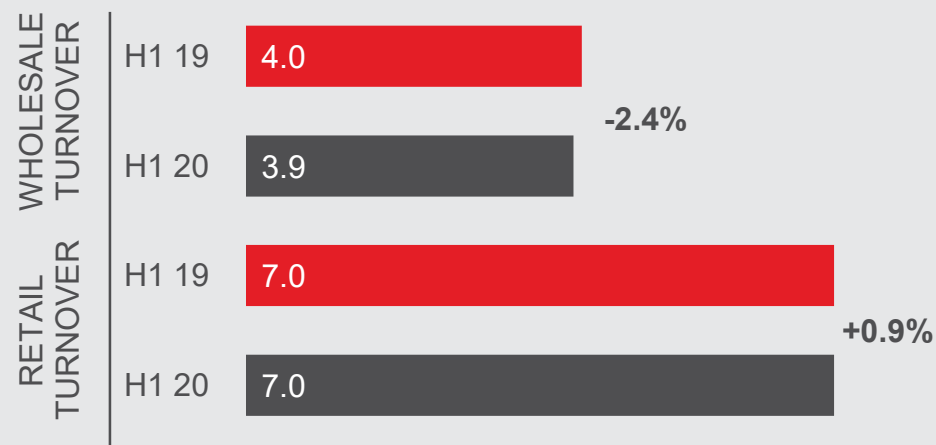
- Continuity planning / leadership
- Agile and quick to meet customer needs
- Consumer opting for small refurb over alterations
- YES WE CAN – brand essence
- Strategic initiatives
  - 1) Drive retailer profitability 2) Improve working capital 3) Development of skills



### WHOLESALE V RETAIL



TURNOVER (Rbn)



- Market leader in retail convenience
- Solid euro-denominated results +3.2%
- Once again positively impacted by acquisitions
  - Complimentary food service meat specialists, Heaney Meats
- COVID-19 impact in H1
  - Pressure on Dublin city-based stores, value centres and foodservice business towards the end of March
  - Strong feedback received from retailers for the incredible levels of support provided by BWG Foods



To the 23,000 staff and 1,000 independent retailers serving over 1 million local shoppers every day in towns and villages across the country. You have answered the call to help provide important food shopping services to local communities during this national Covid-19 crisis. We've had so much positive feedback from shoppers around the country who appreciate what you are doing. We know it's tough for everyone so we wanted to say a very big thank you for your service.



# OPERATIONAL REVIEW

## SPAR SWITZERLAND



- Getting business organised moving forward
- Wholesale turnover growth in CHF +1.5%
- Deliveries to 23 PAM stores started in January
- COVID-19 impact
  - Lockdown measures – 13 March
  - Noticeable change in retail landscape with closure of borders
    - Consumers opting for convenience stores over large supermarkets
    - TopCC business benefitting from closure of borders



- Understanding the market opportunity
  - One of the better global economies to weather the COVID-19 crisis
  - GDP growth Q4 2019: +3.9%
  - Supportive macro environment
    - On-going government fiscal stimulus
    - Low unemployment rate
    - Positive consumption environment
  - Strong competition but gap in the market for specialist fresh supermarket and convenience offering
  - Big penetration of private label
  - Number of small retail chains looking for a home

## POLAND





# OPERATIONAL REVIEW

## SPAR POLAND – PROGRESS IN H1

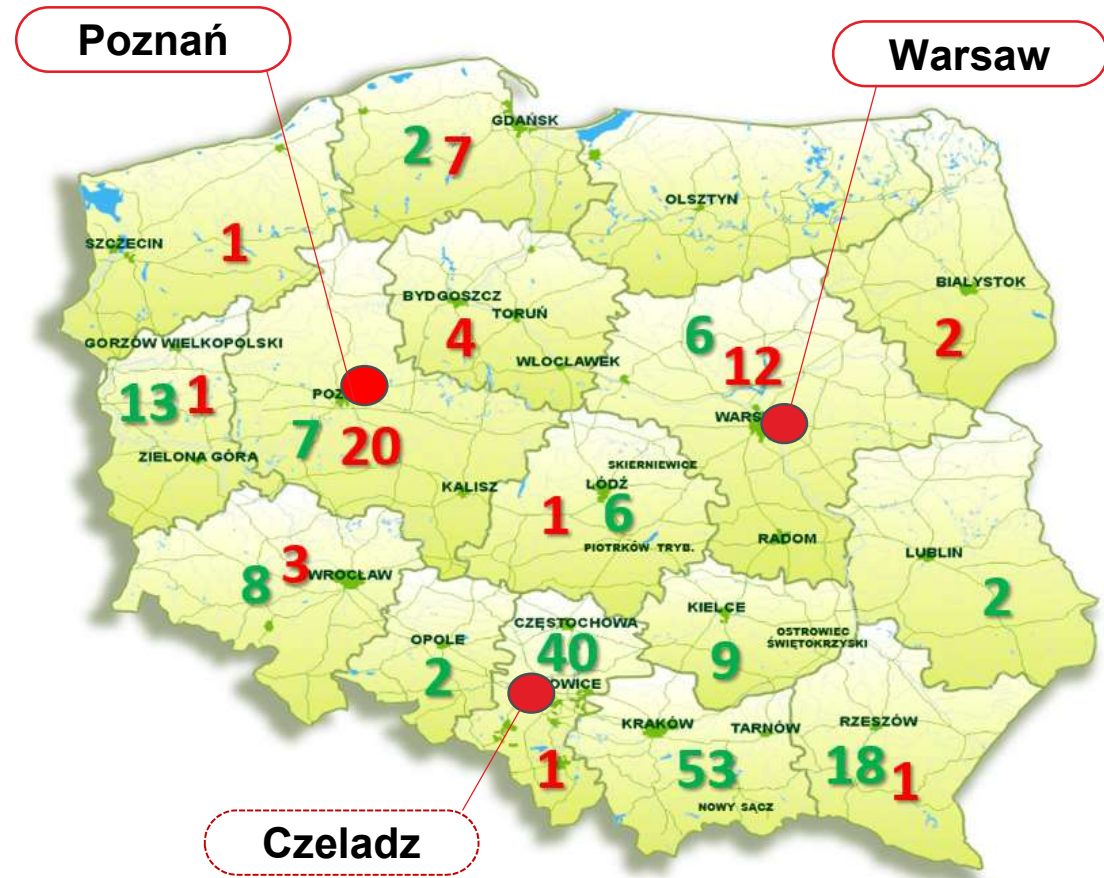


- Good progress made in H1
  - Strong team in place under leadership of Tomasz Syller and supervision of Rob Philipson
  - SPAR license officially transferred to group
  - Secured third distribution centre in Czeladz
  - Piotr i Paweł / SPAR conversions
    - Brand statement with SPAR conversion at Blue City Mall in Warsaw
- Piotr i Paweł “Business rescue” status nearing completion



Terms of acquiring Piotr i Paweł:

- 80% for consideration of €1
- 20% to be acquired for €4m at a future date by minority partner
- Funding to stabilise the business
  - €40m term loan (Overdue head leases, overdue creditors, CAPEX on DCs)
- Additional funding requirements
  - €40m term

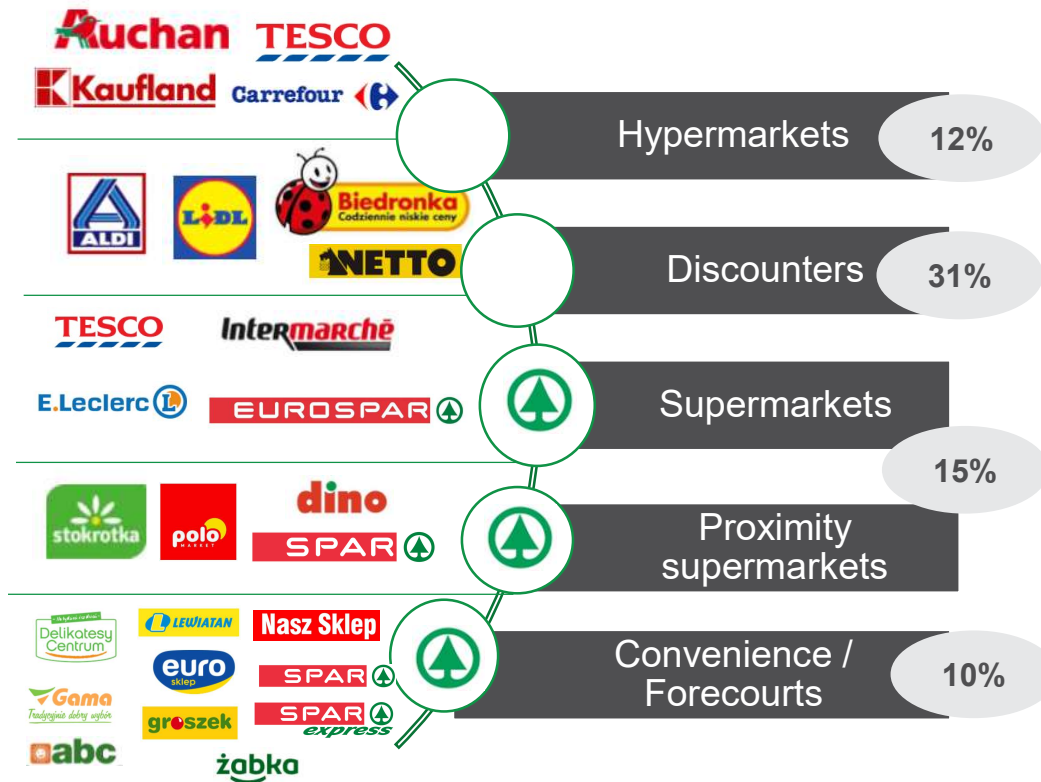


**STORES: SPAR – 166 / PIOTR I PAWEŁ – 53**

**DISTRIBUTION CENTRES: **



## Key players in food retail



Modern trade – 68%  
Traditional trade – 32%

## Where does SPAR fit in?

### Supermarkets and proximity supermarkets

- High quality at competitive prices
- Quality private label offering
- Good presence of regional suppliers
- Differentiated from discounters by world-class fresh departments (bakery, butchery, HMR deli counters)

### Convenience

- Specialised concepts
- Differentiated by “food-on-the-go” offering
- Adapted for location & local consumer



**PART OF THE LOCAL COMMUNITY**  
**Home for the independents**

- Estimated turnover forecast
  - FY20: €160m
  - FY21: €280m
  - FY22: €350m
  - FY23: €400m
- Margin structure
  - Expected EBIT margin of 2% to 3%
- Break even
  - Best estimate now 24 months





# OUTLOOK

GRAHAM O'CONNOR  
CEO

## COUNTRY IMPACT

## SALES IMPACT

(4 weeks to end April 2020 compared with prior year)

- **Southern Africa**

- Closure of stores/prohibited products (c.20 – 25% of turnover)
  - TOPS c.10% & Build It c.10%
  - Cigarettes and Home meal replacement c.5%

-12% to -14%

- **Ireland**

- Value centre & foodservice business impacted due to closure of hospitality industry
- Dublin city-based stores impacted due to lack of footfall
- Rural & neighbourhood stores, including EUROSPAR, trading well

-1% to -2%  
(EUR terms)

- **Switzerland**

- Temporary new business for TopCCs with closure of borders
- Convenience stores preferred over big supermarkets

+22% to +24%  
(CHF terms)

- **Poland**

- Impact on operations due to delayed granting of SPAR license
- 14 stores impacted by closure of malls (stores open, but drop in footfall)
- Court closures impact on completion of business rescue status proceedings of Piotr I Pawel

-5% to -8%  
down, on original  
forecast for month  
of April 2020



### Looking ahead

- Expect high levels of uncertainty across all our markets
- Trading conditions will remain challenging
- Contingency plans are essential to ensure the robustness of our supply chain
- Our businesses will continue to adapt to changing consumer behaviour
- Impossible to estimate the full economic or business impact of the pandemic

**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**



# QUESTIONS



THANK YOU AND STAY SAFE

This presentation contains forward-looking statements about the company's operations and financial conditions. They are based on **SPAR** Group Limited's best estimates and information at the time of writing. They are nonetheless subject to significant uncertainties and contingencies, many of which are beyond the control of the company. Unanticipated events will occur, and actual future events may differ materially from current expectations due to new business opportunities, changes in priorities by the company or its joint ventures, as well as other factors. Any of these factors may materially affect the company's future business activities and its ongoing financial results.