

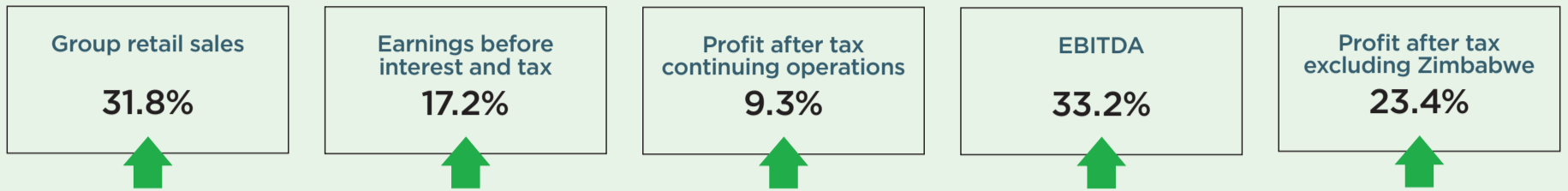
Choppies Enterprise Limited

CHOPPIES

Great value for your money!

(Registration number: BW00001142508)

Abridged Audited Group Financial Results for the year ended 30 June 2024



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in Pula millions

	Audited 12 months ended 30 June 2024 BWpM	Audited 12 months ended 30 June 2023 BWpM
Continuing operations		
Revenue	8 541	6 486
Retail sales	8 477	6 433
Cost of sales	(6 732)	(5 074)
Gross profit	1 745	1 359
Other operating income	64	53
Expenditure	(1 488)	(1 138)
Profit on disposal of plant and equipment	3	4
Net impairment losses	(15)	-
Profit on sale of business	16	-
Administrative expenses	(1 342)	(978)
Selling and distribution expenses	(33)	(22)
Foreign exchange losses on lease liability	(17)	(31)
Foreign exchange gains on Zimbabwean legacy debt receipts net of commission	55	11
Expected credit loss movement	(1)	(6)
Other operating expenses	(154)	(115)
Net monetary loss on Zimbabwe entities	-	(1)
Operating profit before interest	321	274
Finance income	4	-
Finance costs	(118)	(109)
Profit before taxation	207	165
Taxation	(43)	(15)
Profit from continuing operations	164	150
Loss from discontinued operations	(28)	-
Total profit for the period	136	150
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(35)	(96)
Exchange differences on translating foreign operations in hyperinflationary economy	-	43
	(35)	(53)
Total comprehensive profit for the year	101	97
Profit/(loss) for the period attributable to:		
Owners of the parent	138	147
Non-controlling interest	(2)	3
	136	150
Basic earnings (loss) per share - Thebe		
Continuing operations	8.8	10.9
Discontinuing operations	(1.2)	0.0
	7.6	10.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in Pula millions

	Audited 30 June 2024 BWpM	Audited 30 June 2023 BWpM
ASSETS		
Non-current assets	1 704	1 330
Property plant and equipment	754	632
Right-of-use assets	754	635
Goodwill	108	17
Intangible assets	7	8
Loans to related entities	40	-
Investments in new projects	9	7
Deferred tax	32	31
Current assets	1 123	847
Inventories	664	441
Amounts due from related entities	3	3
Advances and deposits	71	71
Trade and other receivables	165	100
Taxation refundable	14	10
Cash and cash equivalents	206	222
Total assets	2 827	2 177
EQUITY AND LIABILITIES		
Equity	136	42
Stated capital	1 207	1 207
Treasury shares	(32)	(32)
Hyperinflationary reserve	312	312
Foreign currency translation reserve	(714)	(682)
Retained loss	(512)	(664)
Non-controlling interests	(125)	(99)
Non-current liabilities	1 012	899
Long-term borrowings	243	216
Lease liabilities	736	660
Deferred taxation liabilities	33	23
Current liabilities	1 679	1 236
Trade and other payables	1 202	785
Amounts due to related entities	23	31
Current portion of long-term borrowings	104	153
Current portion of lease liabilities	241	168
Taxation payable	28	20
Bank overdraft	81	79
Total liabilities	2 691	2 135
Total equity and liabilities	2 827	2 177

NOTE: HEADLINE EARNINGS PER SHARE COMPUTATION

Figures in Pula millions

	Audited 12 months ended 30 June 2024 BWpM	Audited 12 months ended 30 June 2023 BWpM
Basic earnings	159	147
Profit on disposal of asset	(3)	(4)
Impairment losses	15	6
Profit on sale of business	(16)	-
Non-controlling interest	4	-
Tax impact	1	(1)
Headline earnings	160	148
Number of shares for basic earnings	1 824 461 674	1 824 461 674
Weighted average number of shares	1 824 461 674	1 344 958 813
Diluted weighted average number of shares	1 852 580 135	1 344 958 813
Headline earnings per share - Thebe	8.8	11.1
Diluted headline earnings per share - Thebe	8.6	11.1

CONSOLIDATED STATEMENTS OF CASH FLOWS

Figures in Pula millions

	Audited 12 months ended 30 June 2024 BWpM	Audited 12 months ended 30 June 2023 BWpM
Profit (loss) before taxation	207	165
Non-cash and other adjustments	434	329
Changes in working capital:	108	23
Interest income	4	-
Dividends paid	(29)	-
Taxation paid	(45)	(33)
Net cash generated from operating activities	679	484
Cash flows from investing activities		
Net cash (used in)/generated from investing activities	(285)	(172)
Net cash used in financing activities	(406)	(180)
Net movement in cash and cash equivalents	(12)	132
Cash and cash equivalents at beginning of the year	143	17
Effect of foreign currency translation on foreign currency balances	(6)	(6)
Cash and cash equivalents at end of the year	125	143

OPERATING SEGMENTAL INFORMATION

June 2024 (Audited) – BWP millions	Choppies Botswana	Choppies Namibia	Choppies Zambia	Choppies Zimbabwe	Kamoso Liquorama Botswana	Rest of Kamoso Botswana	Inter-segment or unallocated	Total Group
Statement of profit or loss and other comprehensive income								
Revenue	5 141	613	1 303	541	855	434	(346)	8 541
Retail sales	5 078	612	1 302	538	854	431	(338)	8 477
Adjusted EBITDA	461	5	70	(30)	41	21	(2)	566
EBITDA	463	5	53	25	41	37	(2)	622
Operating profit/(loss) (EBIT)	293	(14)	27	(14)	14	13	2	321
Adjusted EBIT	291	(14)	44	(54)	14	(3)	2	280
Statement of financial position								
Assets	1 578	271	323	128	274	253	-	2 827
Liabilities	1 613	220	238	122	141	357	-	2 691

June 2023 (Audited) – BWP millions	Choppies Botswana	Choppies Namibia	Choppies Zambia	Choppies Zimbabwe	Kamoso Liquorama Botswana	Rest of Kamoso Botswana	Inter-segment or unallocated	Total Group
Statement of profit or loss and other comprehensive income								
Revenue	4 511	443	1 141	403	-	-	(12)	6 486
Retail sales	4 470	440	1 133	401	-	-	(11)	6 433
Adjusted EBITDA	405	12	75	(3)	-	-	-	489
EBITDA	403	12	64	(12)	-	-	-	467
Operating profit/(loss) (EBIT)	258	(2)	34	(16)	-	-	-	274
Adjusted EBIT	221	(6)	37	(7)	-	-	-	245
Statement of financial position								
Assets	1 510	201	344	122	-	-	-	2 177
Liabilities	1 655	134	270	76	-	-	-	2 135

COMMENTARY

1. NATURE OF BUSINESS

Choppies Enterprises Limited ("Choppies" or "the Company" or "the Group") is a Botswana-based investment holding company operating in the retail sector in Southern Africa. Dual-listed on the Botswana Stock Exchange ("BSE") and Johannesburg Stock Exchange ("JSE"), its operations include food, liquor and general merchandise retailing as well as milling, manufacturing and financial services transactions supported by centralised distribution channels through distribution and logistical support centres.

Each week, approximately 2.5 million customers visit 306 stores across seven formats in four countries. With annual revenue of more than BWP 8 billion, Choppies employs over 11 000 people and is the largest grocery retailer in Southern Africa, outside of South Africa.

On 19 July 2023, Choppies acquired 76% (seventy-six percent) of the Kamoso Group for BWP 2.00 (two Pula) and took over the existing shareholders loan and paid BWP 22 million. The Botswana Development Corporation (BDC) retained its 24% stake. Kamoso has been consolidated from 19 July 2023.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial results and financial position of the Group are extracted from the audited Group annual financial statements prepared in accordance with the requirements of the BSE Limited ("BSE Listings Requirements") and JSE Limited ("JSE Listings Requirements"), as well as the requirements of the Botswana Companies Act, as amended.

Any investment or similar decisions by stakeholders should be based on considering the complete Group annual financial statements, which are available for inspection at the Company's registered office and are available on the Group's website under Investor Relations.

3. DIRECTOR'S RESPONSIBILITY FOR THE CONDENSED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the audited condensed group financial results and financial position of the Company in accordance with BSE and JSE Listings Requirements and the Companies Act of Botswana.

4. GOING CONCERN

The Board evaluated the going concern assumption up to the date of signing of the Group financial statements, considering the current financial position and their best estimate of the cash flow forecasts and deemed it to be appropriate in the presentation of the consolidated annual financial statements.

The Board has reviewed the cash flow forecast for the next 12 months to September 2025 as prepared by management and is of the opinion that the Group has more than sufficient liquidity to adequately support its working capital requirements and consequently, is satisfied with the Group's ability to continue as a going concern for the foreseeable future.

The Board is satisfied that the Group is a going concern and therefore continues to apply the going concern assumption in the preparation of the financial statements.

5. GROUP RESULTS

Statement of profit or loss and segmental report

The Group's retail sales increased by 31.8% to BWP 8 477 million (2023: BWP 6 433 million), driven by 14 new stores, the acquisition of 108 liquor and hardware stores from Kamoso, the other segments in Kamoso and inflation and volume growth. Choppies segments saw combined volume growth of 17% despite Zimbabwe experiencing negative volume growth. Choppies segments achieved price growth of 0.2% mainly due to weaker translation exchange rates. Choppies segments sales volume for like-for-like stores increased by 21.0%.

The gross profit margin declined by 50 basis points to 20.6% (2023:21.1%), as a result of lower margins in the Choppies segments due to competitor discounting and the dilutionary impact of the Kamoso acquisition which has lower margins. Choppies Botswana, Choppies Zambia and Choppies Zimbabwe experienced lower gross profit rates while Choppies Namibia's gross profit rate improved.

In Pula terms, gross profit increased by 28.4% to BWP 1 745 million (2023: BWP 1 359 million) despite the competitive and challenging economic environment.

Expenses increased by 30.8% due to new stores, inflation, and the acquisition of Kamoso. Expenses excluding the following items increased 37.3%: foreign exchange losses on lease liabilities of BWP 17 million (2023: BWP 31 million) and foreign exchange gains on Zimbabwean legacy debt receipts of BWP 55 million (2023: BWP 11 million), the profit on sale of the Mediland business of BWP 16 million and impairment of goodwill in the Zimbabwe segment of BWP 15 million.

Operating profit (EBIT) increased by 17.2% from BWP 274 million to BWP 321 million. In contrast, Adjusted EBIT, which excludes foreign exchange gains and losses on lease liabilities, movements in credit loss allowances and Zimbabwean legacy debt receipts, the profit on sale of the Mediland business of BWP 16 million and impairment of goodwill in the Zimbabwe segment of BWP 15 million increased by 26.6%.

Net finance costs were higher than last year due to the inclusion of finance costs relating to Kamoso. Choppies segments net finance costs reduced by BWP 11 million due to lower borrowings offset by higher interest on leases due to new stores.

The effective tax rate of 20.8% (2023: 9.1%) is higher than last year due to the impairment of Choppies Zimbabwe's deferred tax asset of BWP 9 million (2023: raised BWP 9 million deferred tax asset) and Botswana becoming more profitable.

Statements of financial position and cash flows

The Group continues to manage its cash resources and liquidity prudently with a net reduction of BWP 153 million in non-IFRS 16 debt from June 2024. Non-IFRS 16 debt reduction of BWP 78 million paid out of internally generated funds and the balance of BWP 75 million paid out of the proceeds of the June 2023 rights issue. We raised non-IFRS 16 debt of BWP 41 million to fund new stores and motor vehicles. The Kamoso acquisition added net non-IFRS 16 debt of BWP 173 million of which BWP 17 million was short-term.

Capital expenditure of BWP 162 million (2023: BWP 181 million) was allocated to investing in new stores and maintaining the distribution fleet.

Group funding covenants were complied with, and the Group has sufficient headroom in the covenants to cushion any shocks.

We are being thoughtful and balanced about inventory levels by category and expenditure as we work and position ourselves for the next year. Year-end payables are higher than last year due to June 2024 month-end falling on a weekend resulting in a delay in payments. Adjusting for this, the movement in trade and other payables reduces from the disclosed BWP 210 million inflow to a BWP 160 million inflow.

The Choppies segments have successfully increased its negative working capital from BWP 202 million to BWP 322 million and Kamoso added BWP 19 million in positive working capital.

6. OPERATIONAL OVERVIEW

Choppies Botswana

Sales from Botswana increased by 13.6% with like-for-like sales growth of 10.6%, as the business continued to show strong resilience in an increasingly challenging economic environment. Sales increased to BWP 5 078 million (2023: BWP 4 470 million) supported by volume growth of 10.1% and price inflation of 3.1%.

EBITDA and Adjusted EBITDA increased 13.8% and 14.9% respectively as gross profit increased much faster than costs.

The excellent performance resulted from good in-store execution, improved customer engagement, and enhanced availability due to the inventory optimisation system.

Our 20th Big Birthday Bonanza was an incredible success helping to drive customers into the stores and improving engagement. Although the segment is still very young it has achieved dominance in the market in only 20 years.

Choppies Namibia

Namibia experienced sales growth of 39.1% and like-for-like sales growth of 25.5%.

As the new stores reach full potential, an improvement in profitability is expected. The quarter to September 2024 saw a marked improvement in the gross profit rate as we are more precise in our promotional activity, and we completed the implementation of our inventory optimisation system during the current quarter and will start seeing the benefits of better managed availability in the balance of the nine-months of financial year 2025.

Choppies Zambia

Zambia continues to perform very well with sales growth of 14.9% in Pula value equating to growth of 48.1% in Kwacha value and like-for-like sales growth of 48.0% in Kwacha value. Only one new store was opened during the year.

In Kwacha terms, Adjusted EBITDA grew 27.5% and Adjusted EBIT grew 50.6%. In Pula terms, EBITDA decreased by 18.5% due to the foreign exchange loss on the lease liability and the weaker translation rate. In Pula terms Adjusted EBITDA decreased by 6.7% and Adjusted EBIT increased by 69.2% despite the severe weakening of the Kwacha. We are confident that this segment will generate taxable profits in the near future.

Choppies Zimbabwe

The country has been struggling with economic challenges for many years, including high inflation, high unemployment levels and a shortage of foreign currency.

The Group is weighing various options in Zimbabwe given the stress it is placing on our overall performance.

Choppies Kamoso Botswana

Kamoso was consolidated only from 19 July 2023.

The following acquired businesses were discontinued during the year – medical distribution, South African Liquor, and general merchandise.

For the financial year, sales increased 11.0% and Kamoso moved from a loss after tax of BWP 39 million last year to a loss after tax of BWP 19 million this year.

Overall, we are pleased with Kamoso's performance in the short time since its acquisition and are seeing vital signs of a turnaround. We are confident that the acquisition will be value-accretive for the Group.

7. EVENTS AFTER THE REPORTING DATE

There have been no material changes in the affairs or financial position of the Group from 1 July 2024 to the date of this publication.

8. AUDIT OPINION

The Groups annual financial statements have been audited by Forvis Mazars who issued an unqualified opinion.

The auditor's report does not necessarily report on all the information in these condensed financial statements. Shareholders are therefore advised that to obtain a complete understanding of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office and on the Company website.

Forvis Mazars' report is published on XNews and SENS simultaneously with this condensed release of results and is also available on the Group's website: <https://choppiesgroup.com/investor-relations/>.

This condensed financial information has not been reviewed by the Group's external auditor and has been extracted from the audited annual financial statements.

9. DIVIDEND

The Board has declared a final dividend of 1.4 thebe per share payable on 28 October 2024

For and on behalf of the Board



D. K. U. Corea
Chairman

25 September 2024



R. Ottapathu
Chief Executive Officer

Registered office: Plot 28892, Twin Towers, Fairground, Gaborone, Botswana

Sponsors: BSE: Motswedi Securities (Pty) Ltd, JSE: PSG Capital

Company Secretary: BP Consulting Services (Pty) Ltd

Plot 28892 Twin Towers, Fairground, Gaborone, Botswana

Auditors: Forvis Mazars

Plot 139, Finance Park, Gaborone, Botswana.