

CHOPPIES

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Choppies Enterprises Limited

Registration number: BW00001142508

Abridged unaudited Group Financial Results for the six months ended 31 December 2023

Group retail sales	Earning before interest and tax	Profit after tax continuing operations	EBITDA	Profit after tax excluding Zimbabwe
↑ 21.3%	↑ 28.4%	↑ 40.8%	↑ 20.6%	↑ 117.4%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2023

	Unaudited six months ended 31 December 2023 BWPm	Reviewed six months ended 31 December 2022 BWPm	Audited 12 months ended 30 June 2023 BWPm
Continuing operations			
Revenue	4 288	3 535	6 486
Retail sales	4 258	3 511	6 433
Cost of sales	(3 365)	(2 775)	(5 074)
Gross profit	893	736	1 359
Other operating income	31	24	53
Expenditure	(743)	(619)	(1 138)
Loss on disposal of plant and equipment	2	2	4
Net impairment (losses)/reversals	(1)	1	(6)
Administrative expenses	(654)	(533)	(978)
Selling and distribution expenses	(22)	(17)	(22)
Foreign exchange (losses) on lease liability	(23)	(9)	(31)
Foreign exchange gains on Zimbabwean legacy debt receipts	28	19	11
Other operating expenses	(73)	(80)	(115)
Net monetary loss on Zimbabwe entities	-	(2)	(1)
Operating profit before interest	181	141	274
Finance costs	(58)	(55)	(109)
Profit before taxation	123	86	165
Taxation	(23)	(15)	(15)
Profit from continuing operations	100	71	150
Loss from discontinued operations	(10)	-	-
Profit for the period	90	71	150
Other comprehensive (loss)/income	(14)	12	(53)
Items that may be reclassified to profit or loss	(14)	12	(53)
Exchange differences on translating foreign operations	(14)	(38)	(96)
Exchange differences on translating foreign operations in hyperinflationary economy	-	50	43
Total comprehensive income for the period	76	83	97
Profit for the period attributable to:	90	71	150
Owners of the parent	90	71	147
Non-controlling interest	-	-	3
Profit for the owners of the parent	90	71	147
From continuing operations	98	71	147
From discontinued operations	(8)	-	-
Non-controlling interest	-	-	3
From continuing operations	2	-	3
From discontinued operations	(2)	-	-
Total comprehensive income attributable to:	76	83	97
Owners of the parent	78	83	94
Non-controlling interest	(2)	-	3
Basic and diluted earnings/(loss) per share - Thebe*			
Earnings per share - continuing	5.4	5.3	10.9
Loss per share - discontinued	(0.4)	-	-
	4.9	5.3	10.9

* The previous year's basic and diluted earnings per share have been restated to account for the adjusted weighted average number of shares as a result of the rights offer completed during June 2023.

HEADLINE EARNINGS PER SHARE COMPUTATION

for the six months ended 31 December 2023

	Unaudited six months ended 31 December 2023 BWPm	Reviewed six months ended 31 December 2022 BWPm	Audited 12 months ended 30 June 2023 BWPm
Basic earnings	98	71	147
Profit on disposal of plant and equipment	(2)	(2)	(4)
Impairment losses	-	-	6
Tax impact	-	-	(1)
Headline earnings	96	69	148
Number of shares for basic earnings	1 824 461 674	1 341 936 894	1 344 958 813
Weighted average number of shares	1 824 461 674	1 341 936 894	1 344 958 813
Diluted weighted average number of shares	1 829 585 764	1 341 936 894	1 344 958 813
Basic and diluted headline earnings per share - Thebe*	5.3	5.2	11.1

* The previous year's headline earnings and diluted headline earnings per share have been restated to account for the adjusted weighted average number of shares as a result of the rights offer completed during June 2023.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Unaudited 31 December 2023 BWPm	Reviewed 31 December 2022 BWPm	Audited 30 June 2023 BWPm
ASSETS			
Non-current assets	1 694	1 245	1 330
Property, plant and equipment	744	598	639
Right-of-use assets	773	589	635
Goodwill	140	50	17
Intangible assets	8	8	8
Deferred tax	29	-	31
Current assets	1 117	841	847
Inventories	678	576	441
Trade and other receivables	229	140	174
Taxation refundable	13	10	10
Cash and cash equivalents	197	115	222
Assets held for sale	4	-	-
Total assets	2 815	2 086	2 177
EQUITY AND LIABILITIES			
Equity	122	(270)	42
Stated capital	1 207	906	1 207
Treasury shares	(32)	(30)	(32)
Hyperinflationary reserve	312	319	312
Foreign currency translation reserve	(692)	(624)	(682)
Retained loss	(572)	(740)	(664)
Non-controlling interests	(101)	(101)	(99)
Non-current liabilities	1 048	1 073	899
Long-term borrowings	280	486	216
Lease liabilities	749	572	660
Deferred taxation liabilities	19	15	23
Current liabilities	1 629	1 283	1 236
Trade and other payables	1 152	931	817
Current portion of long-term borrowings	109	86	153
Current portion of lease liabilities	258	174	168
Taxation payable	29	13	19
Bank overdraft	81	79	79
Liabilities held for sale	16	-	-
Total liabilities	2 693	2 356	2 135
Total equity and liabilities	2 815	2 086	2 177

STATEMENTS OF CASH FLOWS

for the six months ended 31 December 2023

	Unaudited six months ended 31 December 2023 BWPm	Reviewed six months ended 31 December 2022 BWPm	Audited 12 months ended 30 June 2023 BWPm
Profit before taxation	123	86	165
Non-cash and other adjustments	219	189	329
Changes in working capital	18	37	23
Taxation paid	(22)	(22)	(33)
Net cash generated from operating activities	338	290	484
Net cash used in from investing activities	(113)	(115)	(172)
Net cash used in financing activities	(270)	(164)	(180)
Net movement in cash and cash equivalents	(45)	11	132
Cash and cash equivalents at end of the period	143	17	17
Effect of translation of foreign entities	18	8	(6)
Cash and cash equivalents at end of the period	116	36	143

OPERATING SEGMENTAL INFORMATION

for the six months ended 31 December 2023

	Choppies Botswana	Choppies Namibia	Choppies Zambia	Choppies Zimbabwe	Kamoso Liquorama	Rest of Kamoso	Inter-segment or unallocated	Total Group
DECEMBER 2023 (Unaudited)								
Statement of profit or loss and other comprehensive income								
Revenue	2 537	293	636	277	482	252	(189)	4 288
Retail sales	2 505	292	636	276	480	251	(182)	4 258
Adjusted EBITDA	237	5	39	(10)	30	12	3	316
Loss on disposal of plant and equipment	2	-	-	-	-	-	-	2
Movement in credit loss allowance	(1)	-	-	-	-	-	-	(1)
Foreign exchange losses on lease liability	-	-	(21)	(3)	-	-	-	(24)
Foreign exchange gains on Zimbabwean legacy debt receipts net of commission	-	-	-	28	-	-	-	28
EBITDA	238	5	19	15	30	12	3	322
Depreciation and amortisation	(83)	(9)	(14)	(9)	(15)	(11)	-	(141)
Operating profit/(loss) (EBIT)	155	(4)	5	6	15	1	3	181
Adjustments as above	(1)	-	21	(25)	-	-	0	(5)
Adjusted EBIT	154	(4)	26	(19)	15	1	3	176
Statement of financial position								
Assets	1 526	240	284	162	270	226	107	2 815
Liabilities	1 597	176	230	115	159	190	226	2 693
DECEMBER 2022 (Unaudited)								
Statement of profit or loss and other comprehensive income								
Revenue	2 312	220	584	429	-	-	(10)	3 535
Retail sales	2 290	220	584	427	-	-	(10)	3 511
Adjusted EBITDA	198	7	32	17	-	-	-	254
Movement in credit loss allowance	1	-	-	-	-	-	-	1
Loss on disposal of plant and equipment	1	1	-	-	-	-	-	2
Foreign exchange losses on lease liability	-	-	(5)	(4)	-	-	-	(9)
Foreign exchange gains on Zimbabwean legacy debt receipts net of commission	-	-	-	19	-	-	-	19
EBITDA	200	8	27	32	-	-	-	267
Depreciation and amortisation	(93)	(9)	(19)	(5)	-	-	-	(126)
Operating profit/(loss) (EBIT)	107	(1)	8	27	-	-	-	141
Adjustments as above	(2)	(1)	5	(15)	-	-	-	(13)
Adjusted EBIT	105	(2)	13	12	-	-	-	128
Statement of financial position								
Assets	1 331	198	287	270	-	-	-	2 086
Liabilities	1 838	129	252	125	-	-	-	2 344

COMMENTARY

1. NATURE OF BUSINESS

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

On 19 July 2023, Choppies acquired 76% (seventy-six percent) of the Kamoso Group for BWP2.00 (two Pula) and took cession of shareholders' loans of BWP22 million. The Botswana Development Corporation ("BDC") retained its 24% stake. Kamoso was consolidated from 19 July 2023.

Each week, approximately 2.3 million customers visit 282 stores under seven formats in four countries. With an annual revenue of more than BWP8 billion, Choppies employs 11 000 people and is the largest grocery retailer in Southern Africa, outside of South Africa.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Unaudited Consolidated Interim Financial Statements for the six months ended 31 December 2023 have been prepared and presented in accordance with the requirements of the BSE ("BSE Listings Requirements") and JSE ("JSE Listings Requirements") as well as the requirements of the Botswana Companies Act, as amended.

The interim reports have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies used in the preparation of the Condensed Consolidated Interim Financial Statements are in terms of IFRS and are consistent with those applied in the previous period and the methods of computation are consistent with those of the previous Annual Financial Statements.

3. DIRECTORS' RESPONSIBILITY FOR THE CONDENSED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the unaudited interim 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 as prepared by management, 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 and is of the opinion that the Group has more than sufficient liquidity to support its working capital requirements adequately and consequently, is satisfied with the Group's ability to continue as a going concern for the foreseeable future. The economic situation in Zimbabwe, however, continues to be a challenge to the segment as we may need to fund its operations.

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/loss and segmental report

The Group results for the six-months ended 31 December ("the period") were positively impacted by the Kamoso acquisition while the economic situation facing the Choppies Zimbabwe segment negatively impacted results.

Notwithstanding the weak performance from the Zimbabwe segment, as well as excluding the Kamoso acquisition, the Group's performance was strong. The commentary below further explains the performance of the Group and its segments.

The Kamoso general merchandise business was sold and discontinued during the reporting period.

The Group's retail sales increased by 21.3% to BWP4 258 million (2022: BWP3 511 million), driven by 10 new Choppies stores and the acquisition of 100 liquor and hardware stores from Kamoso as well as other Kamoso divisions. Choppies segments saw volume growth of 8.0%, with only Zimbabwe experiencing negative volume growth. Price growth increased 0.6% mainly due to weaker translation exchange rates. Sales volume for like-for-like stores increased by 1.6%.

The gross profit margin remained flat at 21.0% from last period, despite the dilutionary impact of the Kamoso acquisition. Botswana, Namibia and Zimbabwe improved gross profit margins, while Zambia margins declined due to competitor discounting. Overall, the Choppies segments improved gross profit margins, offsetting the dilutionary impact of the Kamoso gross profit margin. Kamoso's gross profit margin of 17% is driven by liquor and the medical distribution business.

In Pula terms, gross profit increased by 21.3% to BWP893 million (2022: BWP736 million) despite the challenging economic environment.

Expenses increased by 19.9% due to new stores as well as high inflation. Excluding foreign exchange losses on lease liabilities of BWP23 million (2022: BWP9 million) and foreign exchange gains on Zimbabwean legacy debt receipts of BWP28 million (2022: BWP9 million), expenses increased by 18.8%.

Operating profit ("EBIT") increased by 28.4% from BWP141 million to BWP181 million, whilst adjusted EBIT, which excludes foreign exchange gains and losses on lease liabilities, movements in credit loss allowances and Zimbabwean legacy debt receipts, increased by 37.9%.

Net finance costs were higher than last period due to the inclusion of finance costs relating to Kamoso. Choppies segments' net finance costs reduced by BWP4 million due to lower borrowings which was offset by higher interest on leases due to new stores.

The effective tax rate is lower than the standard rate mainly due to the legacy debt receipts from Zimbabwe that are exempt from income tax and the raising of deferred tax on carried-forward tax losses. We raised a deferred tax asset of BWP8 million for Zambia, as we are now confident that this country will generate taxable profits in the foreseeable future.

Statements of financial position and cash flows

The Group continues to manage its cash resources and liquidity prudently with a net reduction of BWP269 million in debt from December 2022.

We raised debt of BWP21 million to fund new stores and settled debt of BWP312 million, with BWP86 million paid out of internally generated funds, and the balance of BWP269 million paid out of the proceeds of the rights issue. Capital expenditure of BWP82 million (2022: BWP115 million) was allocated to investing in new stores and maintaining the distribution fleet. The Kamoso acquisition added net debt of BWP134 million.

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 next year.

The Choppies segments increased its negative working capital from BWP203 million to BWP222 million, and Kamoso added BWP22 million in negative working capital.

6. OPERATIONAL OVERVIEW

Botswana

The Botswana segment continued to show strong resilience in an increasingly challenging economic environment with sales increasing by 9.4% and like-for-like sales growth at 6.7%. Sales increased to BWP2 505 million (2022: BWP2 290 million), supported by volume growth and price inflation.

EBITDA and adjusted EBITDA increased 19.0% and 19.7% respectively as gross profit increased much faster than costs.

The excellent performance resulted from good in-store execution and improved customer engagement, as well as due to the inventory optimisation system. Despite the continued competition from retailers and wholesalers, the segment managed to improve gross profit margins by 60 basis points.

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

Namibia

Namibia experienced sales growth of 32.7% and like-for-like sales growth of 2.6%. The segment is facing elevated competition from both retailers and wholesalers with competitors entering a price war to counter the Choppies expansion with the segment opening six new stores during the period.

As the new stores reach full potential, an improvement in profitability is expected.

Zambia

Zambia continues to perform very well, with sales growth of 8.9% in Pula value, equating to growth of 38.4% in Kwacha value and like-for-like sales growth of 30.8% in Kwacha value. Two new stores were opened during the period.

The Kwacha has experienced a 35% decline against the Pula since the end of December 2022, primarily due to a drop in metal prices and production in this copper-producing nation. Additionally, the ongoing efforts to restructure more than USD10 billion of external sovereign debt have further strained the currency.

EBITDA decreased by 29.6% due to the foreign exchange loss on the lease liability. Adjusted EBITDA increased by 21.9% and adjusted EBIT increased by 100%, despite the severe weakening of the Kwacha. We are confident that this segment will generate taxable profits in the foreseeable future.

Zimbabwe

As reported in our June 2023 results, the Zimbabwean Dollar ("ZWL") continued to significantly weaken during the reporting period.

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

As a result of the above-mentioned factors, Pula sales decreased by 35.4%. EBIT and EBITDA decreased by 77.8% and 53.1%, respectively, as cost inflation reduced margins. Adjusted EBIT and adjusted EBITDA decreased by 258.3% and 158.8% respectively.

Despite the significant declines in profitability, the segment is still profitable, including the legacy debt receipts.

We have implemented several measures to reduce losses and enhance cash flows. During the reporting period, two stores were closed and one store was relocated. We also indefinitely deferred a portion of the remuneration of the senior management team. We are also planning to close or relocate at least four stores to limit losses post the reporting period.

Kamoso acquisition segments

Kamoso has been consolidated effective from 19 July 2023 with all businesses based in Botswana. The business consists of the following segments:

- Liquor retail and wholesale
- Hardware retail
- Milling plants
- Tissue manufacturing plant
- Water bottling plant
- Medical distribution business
- The general merchandise business was sold and discontinued during the reporting period.

Although Kamoso was consolidated only from 19 July 2023, we discuss performance relative to last year, where appropriate.

For the period, sales increased by 7.1% and Kamoso moved from a loss after tax of BWP4 million last year to a profit after tax of BWP11.8 million this year. These numbers exclude the loss of BWP10 million relating to the discontinued business of Keriotic.

Overall, we are pleased with the performance of Kamoso in the short time since acquisition and we are seeing vital signs of a turnaround.

We are confident that the acquisition will be value accretive for the Group going forward.

7. RELATED PARTY TRANSACTIONS

Related party transactions amounted to BWP230 million (2022: BWP181 million).

8. EVENTS AFTER REPORTING DATE

The directors are not aware of any matters or circumstances arising subsequent to the reporting date up to the date of this report, which will require disclosure in these results.

9. CHANGES TO BOARD MEMBERS

As reported in the June 2023 Integrated Annual Report, the Company appointed a new Non-executive Director, Mr Dondo Mogajane, as recommended by the nominations committee and approved by the Board with effect from 30 August 2023.

10. DIVIDEND

The Board has declared an interim dividend of 1.6 thebe (2022: Nil thebe) per ordinary share, payable to shareholders on or before Tuesday, 16 April 2024. This is in accordance with the dividend policy adopted at the time of the BSE listing that a dividend cover of three will be maintained. The dividend has been declared out of income reserves.

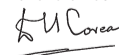
The last day to trade cum dividend will be Tuesday, 2 April 2024. As from Wednesday, 3 April 2024, all trading of Choppies Enterprises Limited's shares will take place ex dividend. The record date is Friday, 5 April 2024.

In terms of the Dividends Tax, the following additional information is disclosed:

- The local Dividend Tax rate is 10%.
- The net local dividend amount is 1.6 thebe per share for shareholders exempt from paying Dividends Tax and 1.44 thebe per share for shareholders liable to pay Dividends Tax.
- The issued ordinary share capital of the company as at the date of this declaration is 1 824 461 674 ordinary shares.

This interim dividend is the first dividend since FY2017, marking a key milestone in the performance of the Group and the return of value add to shareholders.

For and on behalf of the Board



D. K. U. Corea
Chairman
29 February 2024



R. Ottapathu
CEO

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SPONSORS: BSE: Stockbrokers, Botswana. JSE: PSG Capital

COMPANY SECRETARY: DPS Consulting Services (Pty) Ltd
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