

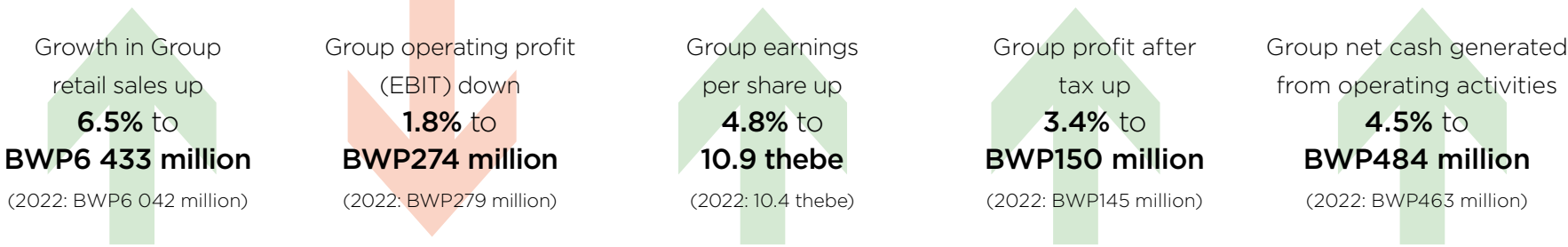
CHOPPIES

Great value for your money!

Choppies Enterprises Limited

Registration number: BW00001142508

Abridged Audited Group Financial results for the twelve months ended 30 June 2023



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2023

	Audited 12 months ended 30 June 2023 BWPm	Audited 12 months ended 30 June 2022 BWPm
<i>Figures in Pula millions</i>		
Continuing operations		
Revenue	6 486	6 097
Retail sales	6 433	6 042
Cost of sales	(5 074)	(4 735)
Gross profit	1 359	1 307
Other operating income	53	55
Expenditure	(1 138)	(1 083)
Profit/(loss) on disposal of plant and equipment	4	(2)
Expected credit loss movement	(6)	(7)
Administrative expenses	(978)	(834)
Selling and distribution expenses	(22)	(35)
Foreign exchange (losses)/gains on lease liability	(31)	28
Contingent consideration on sale of South African operations	0	(20)
Foreign exchange gains on Zimbabwean legacy debt receipts	18	15
Commission on legacy debt receipts	(7)	-
Other operating expenses	(115)	(220)
Net monetary loss on Zimbabwe entities	(1)	(8)
Operating profit before interest	274	279
Finance costs	(109)	(99)
Profit before taxation	165	180
Taxation	(15)	(35)
Profit from continuing operations	150	145
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(96)	(113)
Exchange differences on translating foreign operations in hyperinflationary economy	43	75
	(53)	(38)
Total comprehensive profit for the year	97	107
Profit/(loss) for the period attributable to:		
Owners of the parent	147	140
Non-controlling interest	3	5
	150	145
Total comprehensive loss attributable to:		
Owners of the parent	94	103
Non-controlling interest	3	4
	97	107
Basic & diluted earnings/(loss) per share – Thebe*	10.9	10.4

* The previous year's basic earnings and diluted earnings 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 year ended 30 June 2023

	Audited 12 months ended 30 June 2023 BWPm	Audited 12 months ended 30 June 2022 BWPm
<i>Figures in Pula millions</i>		
Basic earnings	147	140
Loss on disposal of asset	(4)	2
Impairment losses/(reversal) on non-current assets	6	-
Contingent consideration on sale of South African operations	-	20
Tax impact	(1)	-
Headline earnings	148	162
Number of shares for basic earnings – 000's	1 344 959	1 342 319
Weighted average number of shares – 000's	1 344 959	1 342 319
Diluted weighted average number of shares – 000's	1 344 959	1 342 319
Basic and diluted HEPS – thebe*	11.1	12.0

* The previous year's headline earnings and diluted headline earnings 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 30 June 2023

	Audited 30 June 2023 BWPm	Audited 30 June 2022 Restated* BWPm	Audited 30 June 2021 Restated* BWPm
<i>Figures in Pula millions</i>			
ASSETS			
Non-current assets	1 330	1 195	1 160
Property, plant and equipment	632	538	507
Right-of-use assets	635	597	580
Goodwill	17	48	60
Intangible assets	8	4	5
Investments in new projects	7	8	8
Deferred tax	31	-	-
Current assets	847	691	544
Inventories	441	461	341
Amounts due from related entities	3	4	5
Advances and deposits	71	56	44
Trade and other receivables	100	75	65
Taxation refundable	10	10	10
Cash and cash equivalents	222	85	79
Total assets	2 177	1 886	1 704
EQUITY AND LIABILITIES			
Equity	42	(354)	(461)
Stated capital	1 207	906	906
Treasury shares	(32)	(30)	(30)
Hyperinflationary reserve	312	269	194
Foreign currency translation reserve	(682)	(586)	(474)
Retained loss	(664)	(811)	(951)
Non-controlling interests	(99)	(102)	(106)
Non-current liabilities	899	1 133	1 207
Long-term borrowings	216	530	616
Lease liabilities	660	587	572
Deferred taxation liabilities	23	16	19
Current liabilities	1 236	1 107	958
Trade and other payables	785	733	584
Amounts due to related entities	31	44	44
Current portion of long-term borrowings	153	87	86
Current portion of lease liabilities	168	157	150
Taxation payable	20	18	26
Bank overdraft	79	68	68
Total liabilities	2 135	2 240	2 165
Total equity and liabilities	2 177	1 886	1 704

* Refer to note 2 in the Commentary.

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2023

	Audited 12 months ended 30 June 2023 BWP'000	Audited 12 months ended 30 June 2022 BWP'000
<i>Figures in Pula millions</i>		
Profit/(loss) before taxation	165	180
Non-cash and other adjustments	329	319
Changes in working capital	23	8
Taxation paid	(33)	(44)
Net cash generated from operating activities	484	463
Net cash (used in)/generated from investing activities	(172)	(115)
Net cash used in financing activities	(180)	(324)
Net movement in cash and cash equivalents	132	24
Cash and cash equivalents at beginning of the year	17	6
Effect of foreign currency translation on foreign currency balances	(6)	(13)
Cash and cash equivalents at end of the year	143	17

OPERATING SEGMENTAL INFORMATION
for the year ended 30 June 2023

Figures in Pula millions

	Botswana	Rest of Africa	Namibia	Zambia	Zimbabwe	Total for continuing operations
JUNE 2023 (Audited)						
Statement of profit or loss and other comprehensive income						
Revenue	4 499	1 987	443	1 141	403	6 486
Retail sales	4 459	1 974	440	1 133	401	6 433
Adjusted EBITDA	405	84	12	75	(3)	489
Loss on disposal of plant and equipment	4	-	-	-	-	4
Movement in credit loss allowance	(6)	-	-	-	-	(6)
Foreign exchange gains/(losses) on lease liability	-	(31)	-	(11)	(20)	(31)
Foreign exchange gains on Zimbabwean legacy debt receipts net of commission	-	11	-	-	11	11
EBITDA	403	64	12	64	(12)	467
Depreciation and amortisation	(145)	(48)	(14)	(30)	(4)	(193)
Operating profit/(loss) (EBIT)	258	16	(2)	34	(16)	274
Depreciation reassessment (refer to note 2)	(39)	(12)	(4)	(8)	-	(51)
Adjustments as above*	2	20	-	11	9	22
Adjusted EBIT	221	24	(6)	37	(7)	245
Statement of financial position						
Assets	1 510	659	201	344	122	2 177
Liabilities	1 655	479	133	270	76	2 135

* Adjusted EBITDA and adjusted EBIT in the operating segmental information is EBITDA and EBIT excluding foreign exchange rate differences on IFRS 16 Lease liabilities, profit or loss on sale of assets, reassessment adjustment for depreciation, Zimbabwean legacy debt receipt as well as income or expenditure of a capital nature.

JUNE 2022 (Audited)						
Statement of profit or loss and other comprehensive income						
Revenue	4 254	1 843	276	786	781	6 097
Retail sales	4 209	1 833	275	783	775	6 042
Adjusted EBITDA	405	101	5	59	37	506
Movement in credit loss allowance	(2)	(5)	-	-	(5)	(7)
Loss on disposal of plant and equipment	(2)	-	-	-	-	(2)
Foreign exchange gains/(losses) on lease liability	-	28	-	28	-	28
Contingent consideration on sale of South African operations	(20)	-	-	-	-	(20)
Foreign exchange gains on Zimbabwean legacy debt receipts net of commission	-	15	-	-	15	15
EBITDA	381	139	5	87	47	520
Depreciation and amortisation	(190)	(51)	(14)	(21)	(16)	(241)
Operating profit/(loss) (EBIT)	191	88	(9)	66	31	279
Adjusted EBIT	215	50	(9)	38	21	265
Statement of financial position						
Assets	1 223	663	141	260	262	1 886
Liabilities	1 134	1 106	200	394	512	2 240

COMMENTARY

1. NATURE OF BUSINESS
Choppies Enterprises Limited (“the 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 Johannesburg Stock Exchange (“JSE”), its are food and general merchandise retailing as well as financial service transactions supported by centralised distribution channels through distribution and logistical support centres.

Each week, approximately 2.0 million customers visit 177 stores under five formats in four countries. With annual revenue of more than BWP6 billion, Choppies employs 10 000 people and is the largest grocery retailer in Southern Africa, outside of South Africa.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES
The abridged 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 Listings Requirements and the JSE Listing Requirements, as well as the requirements of the Botswana Companies Act, as amended.

The reports have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (“IFRS”).

The accounting policies used in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous year and the methods of computation are consistent with those of the previous annual financial statements, except as described below.

Any investment or similar decisions by stakeholders should be based on the consideration of the complete Group annual financial statements, which are available for inspection at the Company’s registered office.

Prior period error
The Group has restated certain figures in the comparative financial statements for the year ended 30 June 2022, due to an error identified after the issuance of the prior year’s financial statements. The error relates to gratuity, which according to the Botswana Employment Act, was payable to the Chief Executive Officer (CEO) but was not accrued or paid up to 1 July 2018. The gratuity is a statutory requirement applicable to all employees who are not a member of a pension fund, and this was duly accrued and paid to all other eligible employees, but had been omitted in the case of the CEO. The gratuity was accrued after 1 July 2018 to 30 June 2023.

This gratuity liability was calculated to be BWP16 million as at 1 July 2018. The error has been corrected retrospectively as the amount related to compensation of key management and was therefore considered to be qualitatively material.

Reassessment of useful lives of property, plant and equipment
During the financial year the Group reassessed useful lives by reference to actual usage and relative to our maintenance plans which help extend useful lives. As a low-cost retailer, we sweat our assets but perform regular maintenance to maintain high standards of customer service. The impact on the current year depreciation is BWP51 million. The Group’s depreciation will be impacted in future periods by similar amounts.

3. DIRECTORS’ RESPONSIBILITY FOR THE CONDENSED FINANCIAL STATEMENTS
The directors are responsible for the preparation of the abridged audited 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 annual financial statements, considering the current financial position and their best estimate of the cash flow forecasts and considered 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, 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. Furthermore, it is expected that the Russia-Ukraine war will have less of an impact on the Group during the next financial year.

The Board, relying on management’s assessment 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’s retail sales increased by 6.5% to BWP6 433 million (2022: BWP6 042 million), driven by sixteen new stores coupled with price growth of 6.8%. Sales volumes increased by 1.6% and excluding the new stores declined by 4.6% on a comparable basis.

In Pula terms, gross profit grew by 4.0% to BWP1 359 million (2022: BWP1 307 million) despite the challenging economic environment. Botswana and Namibia marginally grew gross profit rates while rates in Zambia and Zimbabwe declined.

The Group faced a demanding economic environment characterised by stubbornly high inflation, higher interest rates and unemployment, all of which continue to constrain consumer spending and the consumer’s ability to digest higher prices. Sales volumes were lower in many categories, exacerbated by competitor discounting, with cost pressures only partly recovered through price increases.

The gross profit margin was accordingly reduced to 21.1% from last year’s 21.6% due to higher supply chain costs, including fuel and managing prices in response to higher cost inflation and competitor discounting.

While expenses increased 5.1%, excluding the depreciation restatement, expenses grew 9.8%, partly due to new stores and inflation. Foreign exchange losses on lease liabilities of BWP31 million (against a gain of BWP28 million last year) were partly offset by foreign exchange gains on Zimbabwean legacy debt receipts of BWP18 million (2022: BWP15 million).

Operating profit (EBIT) reduced by 1.8% from BWP279 million to BWP274 million while adjusted EBIT, which excludes foreign exchange gains and losses on lease liabilities, movements in credit loss allowances, Zimbabwean legacy debt receipts and the reassessment of depreciation, reduced by 7.5% as costs grew faster than gross profit.

Net finance costs were higher than last year due to higher interest rates and interest on new stores lease liabilities.

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 BWP23 million for Zambia as we are now confident that this country will generate taxable profits in the foreseeable future.

The segment report reconciles EBITDA and EBIT to adjusted EBITDA and adjusted EBIT.

Statements of financial position and cash flows
The rights offer was successfully finalised by year-end with a portion of the proceeds paid toward debt during and after the year-end.

The Group continues to manage its cash resources and liquidity prudently with a reduction of BWP132 million in debt with BWP87 million paid out of internally generated funds and the balance of BWP45 million paid out of the proceeds of the rights issue. Capital expenditure increased to BWP185 million (2022: BWP122 million) as the Group invested in new stores and maintained the distribution fleet. We raised BWP50 million from leases to fund the fleet (2022: BWP36 million).

Despite the growth in sales, inflation and new stores, our inventory reduced by BWP20 million helped by more stable global supply and the benefits of implementing our inventory optimisation system.

As the economies in which the Group operates recover and the new stores reach full potential, an improvement in margins is expected. With a value proposition that resonates with customers and with the cost of everyday items still stubbornly high in too many categories, more customers are choosing Choppies for the value and assortment we are known for. While we have strong and resilient brands, affordability is a growing constraint for consumers, limiting their ability to digest higher prices.

We are being thoughtful and balanced about inventory levels by category and expenditure as we work and position ourselves for next year.

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

6. OPERATIONAL OVERVIEW

Botswana
Botswana experienced sales growth to BWP4 459 million (2022: BWP4 209 million) supported by volume growth from new stores and double-digit price inflation. Sales from Botswana increased by 5.9% and like-for-like sales growth was 2.2%, as the business continued to show strong resilience in an increasingly challenging economic environment. The Botswana economy continues to experience elevated inflation, high unemployment, and low economic growth.

EBITDA grew 5.8% and adjusted EBITDA was flat on last year.

The performance for the second half was much stronger than in the first half as our strategies, leadership and inventory optimisation system have started to come to fruition.

Rest of Africa consists of Namibia, Zambia and Zimbabwe
The Rest of Africa sales increased by 7.7% to BWP 1 974 million (2022: BWP1 833 million) driven by the addition of nine new stores, inflationary increases in Zimbabwe and Zambia and volume growth in Namibia and Zambia. However, this was offset by a very weak Zimbabwean Dollar resulting in Zimbabwe’s Pula sales declining by 48.3%.

Namibia
Namibia has successfully turned around with sales growth of 60.0% and like-for-like sales growth of 14.4%. Five new stores were opened during the year.

EBITDA grew 140% with EBIT loss reducing from BWP9 million to BWP2 million. Adjusted EBIT, excluding the depreciation reassessment, reduced from BWP9 million to BWP6 million.

Zambia
Zambia continues to grow with sales up 44.7% and like-for-like sales growth of 33.3%. Three new stores were opened during the year.

While EBITDA declined by 26.4% due to the foreign exchange loss on the lease liability, adjusted EBITDA grew 27.1%. Adjusted EBIT declined marginally at 2.6%. We are confident that this country will generate taxable profits in the foreseeable future.

Zimbabwe
As reported in the first half, the Zimbabwean Dollar (ZWL) has significantly weakened especially in the last two months of the financial year.

As a result of the above mentioned factors, Pula sales declined by 48.3%. EBIT and EBITDA declined by 151.6% and 125.5% respectively as cost inflation reduced margins. Adjusted EBIT and adjusted EBITDA declined 133.3% and 108.1% respectively.

7. EVENTS AFTER REPORTING DATE
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 to the value of BWP22 million. The Botswana Development Corporation (BDC) will retain its 24% stake.

8. AUDIT OPINION
The Group’s annual financial statements have been audited by 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.

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. CHANGES TO BOARD MEMBERS
The Company appointed a new independent non-executive director, Mr Priyalal De Silva, as recommended by the Nominations Committee and approved by the Board with effect from 15 May 2023. Mr RP De Silva has also been appointed as chairman of the Audit and Risk Committee.

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.

Mr Tom Pritchard resigned effective 1 May 2023.

10. DIVIDEND
The Board has resolved not to declare a dividend given the uncertain economic environment as well as the rebuilding phase of the Group’s capital structure (2022: Nil).

For and on behalf of the Board

D. K. U. Corea

Chairman
20 September 2023

R. Ottapathu

CEO

REGISTERED OFFICE: Plot 50371, Fairgrounds office park, Gaborone, Botswana.
SPONSORS: BSE: Stockbrokers, Botswana. JSE: PSG Capital
COMPANY SECRETARY: DPS Consulting Services (Pty) Ltd
Plot 28892 (portion of plot 50370), Twin Towers, West Wing, first floor, Fairground, Gaborone.
AUDITORS: Mazars
Plot 139, Finance Park, Gaborone, Botswana.