

# CHOPPIES

*Great value for your money!*

our  
shared  
value  
journey

Unaudited Interim Group Financial  
Results for the Six-Months ended

**31 December 2022**

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## Corporate information:

Registration number: BW00001142508

The Company's primary listing is on the BSE, and its secondary listing is on the JSE.

### BSE

ISIN: BW0000001072

Share code: CHOPPIES

Bloomberg code: CHOPPIES BG EQUITY

Reuters code: CHOPP.BT

Listing date: January 2012

### JSE

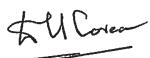
ISIN: BW0000001072

Share code: CHP

Listing date: May 2015

Total shares in issue: 1 303 628 341

## For and on behalf of the Board



**D. K. U. Corea**

(Chairman)

21<sup>st</sup> February 2023



**R. Ottapathu**

(Chief Executive Officer)

### REGISTERED OFFICE

Plot 50371,  
Fairgrounds office park,  
Gaborone, Botswana.

### SPONSORS

BSE: Stockbrokers  
Botswana  
JSE: PSG Capital

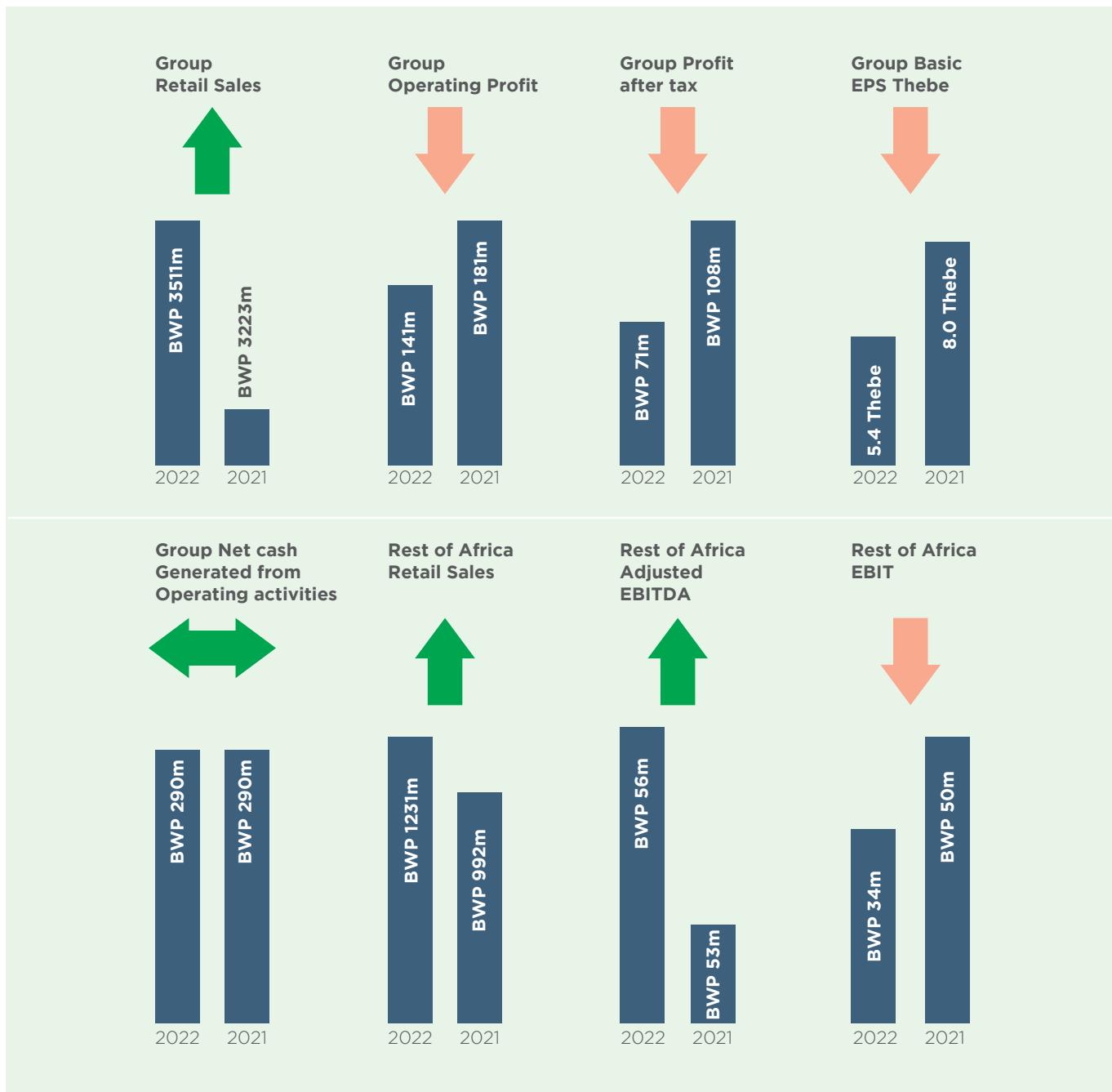
### COMPANY SECRETARY

DPS Consulting Services  
(PTY) Ltd.  
Plot 54513,  
Unit 6A  
Courtyard Village,  
Gaborone, Botswana.

### AUDITORS

Mazars  
Plot 139,  
Finance Park,  
Gaborone, Botswana.

# Financial Highlights



## Other Highlights

- Pula gross profit increased by 7.3%.
- Negative equity reduced by BWP 83 million from June 2022.
- Reaping rewards for investing in Africa.
- Group funding covenants complied with.
- Our teams demonstrated their sense of service and unfailing commitment
- Supporting local farmers in all 4-countries.
- Footfall up by 2.9%.
- Our value proposition resonates with customers, more customers are choosing us for the value and assortment we're known for.
- While we have strong and resilient brands, affordability is a growing constraint for consumers, limiting their ability to digest higher prices.
- Headwinds remain due to the Russia-Ukraine military conflict and load shedding in South Africa.

| Number of Stores                 | FY22    | FY21    | New Since Dec'21 |
|----------------------------------|---------|---------|------------------|
| <b>Group</b>                     | 172     | 159     | 13               |
| <b>Botswana</b>                  | 97      | 92      | 5                |
| <b>Rest of Africa</b>            | 75      | 67      | 8                |
| <b>Nambia</b>                    | 12      | 8       | 4                |
| <b>Zambia</b>                    | 30      | 27      | 3                |
| <b>Zimbabwe</b>                  | 33      | 32      | 1                |
| <b>Group Square Metres</b>       | 224,689 | 215,230 | 9,456            |
| <b>Group Number of Employees</b> | 9,686   | 9,325   | 361              |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| Figures in Pula millions  | Unaudited<br>6 Months<br>ended<br>31-Dec-22<br>BWPm | Unaudited<br>6 Months<br>ended<br>31-Dec-21<br>BWPm | Audited<br>12 Months<br>ended<br>30-Jun-22<br>BWPm |
|---|---|---|--|
| Continuing Operations   |   |   |  |
| <b>Revenue</b>  | <b>3,535</b>  | <b>3,248</b>  | <b>6,097</b>                                       |
| <b>Retail sales</b>   | <b>3,511</b>  | <b>3,223</b>  | <b>6,042</b>                                       |
| <b>Cost of sales</b>  | <b>(2,775)</b>                                      | <b>(2,537)</b>                                      | <b>(4,735)</b>                                     |
| <b>Gross profit</b>   | <b>736</b>  | <b>686</b>  | <b>1,307</b>                                       |
| Other operating income  | 24  | 25  | 55   |
| Expenditure   | (619)   | (530)   | (1,083)  |
| Profit / (Loss) on disposal of plant & equipment                                    | 2   | (2)   | (2)  |
| Movement in credit loss allowances  | 1   | -   | (7)  |
| Administrative expenses   | (533)   | (476)   | (834)  |
| Selling and distribution expenses   | (17)  | (13)  | (35)   |
| Other operating expenses  | (80)  | (68)  | (220)  |
| Foreign exchange (losses) / gains on lease liability                                | (9)   | 29  | 28   |
| Foreign exchange gains on Zimbabwean legacy debt receipts                           | 19  | -   | 15   |
| Contingent consideration on sale of South African operations                        | -   | -   | (20)   |
| Net Monetary Loss on Zimbabwe Entities  | (2)   | -   | (8)  |
| <b>Operating profit before interest</b>   | <b>141</b>  | <b>181</b>  | <b>279</b>   |
| Finance income  |   |   |  |
| Finance costs   | (55)  | (51)  | (99)   |
| <b>Profit before taxation</b>   | <b>86</b>   | <b>130</b>  | <b>180</b>   |
| Taxation  | (15)  | (22)  | (35)   |
| <b>Profit from continuing operations</b>  | <b>71</b>   | <b>108</b>  | <b>145</b>   |
| <b>Other comprehensive (loss) / income</b>  |   |   |  |
| <b>Items that may be reclassified to profit or loss</b>                             |   |   |  |
| Exchange differences on translating foreign operations                              | (38)  | (21)  | (113)  |
| Exchange differences on translating foreign operations in hyperinflationary economy | 50  | 27  | 75   |
|   | 12  | 6   | (38)   |
| <b>Total comprehensive profit for the period</b>                                    | <b>83</b>   | <b>114</b>  | <b>107</b>   |
| <b>Profit for the period attributable to:</b>                                       |   |   |  |
| Owners of the parent  | 71  | 105   | 140  |
| Non-controlling interest  | -   | 3   | 5  |
|   | 71  | 108   | 145  |
| <b>Total comprehensive profit attributable to:</b>                                  |   |   |  |
| Owners of the parent  | 83  | 112   | 103  |
| Non controlling interest  | -   | 2   | 4  |
|   | 83  | 114   | 107  |
| <b>Basic earnings per share - Thebe</b>   | <b>5.4</b>  | <b>8.0</b>  | <b>10.7</b>  |
| <b>Diluted earnings per share - Thebe</b>   | <b>5.4</b>  | <b>8.0</b>  | <b>10.7</b>  |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Figures in Pula millions                | Unaudited<br>31-Dec-22<br>BWPm | Unaudited<br>31-Dec-21<br>BWPm | Audited<br>30-Jun-22<br>BWPm |
|---|--------------------------------|--------------------------------|------------------------------|
| <b>Assets</b>                           |                                |                                |                              |
| <b>Non-current assets</b>               | <b>1,245</b>                   | <b>1,227</b>                   | <b>1,195</b>                 |
| Property plant and equipment            | 581                            | 540                            | 538                          |
| Right-of-use assets                     | 589                            | 597                            | 597                          |
| Goodwill                                | 50                             | 85                             | 48                           |
| Intangible assets                       | 8                              | 5                              | 4                            |
| Investments in new projects             | 17                             | -                              | 8                            |
| <b>Current assets</b>                   | <b>841</b>                     | <b>733</b>                     | <b>691</b>                   |
| Inventories                             | 576                            | 482                            | 461                          |
| Amounts due from related entities       | 7                              | 6                              | 4                            |
| Advances and deposits                   | 36                             | 36                             | 56                           |
| Trade and other receivables             | 97                             | 103                            | 75                           |
| Taxation refundable                     | 10                             | 10                             | 10                           |
| Cash and cash equivalents               | 115                            | 96                             | 85                           |
| <b>Total assets</b>                     | <b>2,086</b>                   | <b>1,960</b>                   | <b>1,886</b>                 |
| <b>Equity and Liabilities</b>           |                                |                                |                              |
| <b>Equity</b>                           | <b>(258)</b>                   | <b>(334)</b>                   | <b>(341)</b>                 |
| Stated capital                          | 906                            | 906                            | 906                          |
| Treasury shares                         | (30)                           | (30)                           | (30)                         |
| Hyper inflationary reserve              | 319                            | (494)                          | 269                          |
| Foreign currency translation reserve    | (624)                          | 220                            | (586)                        |
| Retained loss                           | (727)                          | (832)                          | (798)                        |
| Non - controlling interests             | (102)                          | (104)                          | (102)                        |
| <b>Non - current liabilities</b>        | <b>1,073</b>                   | <b>1,176</b>                   | <b>1,133</b>                 |
| Long term borrowings                    | 486                            | 583                            | 530                          |
| Lease liabilities                       | 572                            | 578                            | 587                          |
| Deferred taxation liabilities           | 15                             | 15                             | 16                           |
| <b>Current liabilities</b>              | <b>1,271</b>                   | <b>1,118</b>                   | <b>1,094</b>                 |
| Trade and other payables                | 880                            | 741                            | 717                          |
| Amounts due to related entities         | 39                             | 49                             | 44                           |
| Current portion of long term borrowings | 86                             | 81                             | 87                           |
| Current portion of lease liabilities    | 174                            | 182                            | 157                          |
| Taxation Payable                        | 13                             | 20                             | 21                           |
| Bank overdraft                          | 79                             | 45                             | 68                           |
| <b>Total liabilities</b>                | <b>2,344</b>                   | <b>2,294</b>                   | <b>2,227</b>                 |
| <b>Total equity and liabilities</b>     | <b>2,086</b>                   | <b>1,960</b>                   | <b>1,886</b>                 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Figures in Pula millions                           | Stated Capital | Treasury Shares | Foreign Currency translation reserve Translation Reserve | Hyper Inflationary reserve | Retained Earnings (loss) | Attributable to equity holders | Non Controlling Interest | Total        |
|--|----------------|-----------------|--|----------------------------|--------------------------|--------------------------------|--------------------------|--------------|
|  | P'000          | P'000           | P'000  | P'000                      | P'000                    | P'000                          | P'000                    | P'000        |
| <b>Balance as at 1 July, 2020 (Audited)</b>        | <b>906</b>     | <b>(30)</b>     | <b>(474)</b>   | <b>194</b>                 | <b>(938)</b>             | <b>(342)</b>                   | <b>(106)</b>             | <b>(448)</b> |
| Total comprehensive (loss) income for the period   | -              | -               | (20)   | 26                         | 106                      | 112                            | 2                        | 114          |
| Profit for the period                              | -              | -               | -  | -                          | 106                      | 106                            | 2                        | 108          |
| Other comprehensive (loss) income                  | -              | -               | (20)   | 26                         | -                        | 6                              | -                        | 6            |
| <b>Balance as at 31 December, 2021 (Unaudited)</b> | <b>906</b>     | <b>(30)</b>     | <b>(494)</b>   | <b>220</b>                 | <b>(832)</b>             | <b>(230)</b>                   | <b>(104)</b>             | <b>(334)</b> |
| Total comprehensive (loss) income for the period   | -              | -               | (92)   | 49                         | 34                       | (9)                            | 2                        | (7)          |
| Profit for the period                              | -              | -               | -  | -                          | 34                       | 34                             | 3                        | 37           |
| Other comprehensive (loss) income                  | -              | -               | (92)   | 49                         | -                        | (43)                           | (1)                      | (44)         |
| <b>Balance as at 30 June, 2022 (Audited)</b>       | <b>906</b>     | <b>(30)</b>     | <b>(586)</b>   | <b>269</b>                 | <b>(798)</b>             | <b>(239)</b>                   | <b>(102)</b>             | <b>(341)</b> |
| Total comprehensive (loss) income for the period   | -              | -               | (38)   | 50                         | 71                       | 83                             | -                        | 83           |
| Profit for the period                              | -              | -               | -  | -                          | 71                       | 71                             | -                        | 71           |
| Other comprehensive (loss) income                  | -              | -               | (38)   | 50                         | -                        | 12                             | -                        | 12           |
| <b>Balance as at 31 December 2022 (Unaudited)</b>  | <b>906</b>     | <b>(30)</b>     | <b>(624)</b>   | <b>319</b>                 | <b>(727)</b>             | <b>(156)</b>                   | <b>(102)</b>             | <b>(258)</b> |

## HEADLINE EARNINGS PER SHARE

| Figures in Pula millions                                     | Unaudited 6 Months ended 31-Dec-22 BWPM | Unaudited 6 Months ended 31-Dec-21 BWPM | Audited 12 Months ended 30-Jun-21 BWPM |
|--|---|---|--|
| Basic Earnings - total operations                            | 71                                      | 105                                     | 140                                    |
| (Profit) / Loss on disposal of assets                        | (2)                                     | 2                                       | 2                                      |
| Contingent consideration on sale of South African Operations | -                                       | -                                       | 20                                     |
| Tax impact   | -                                       | (1)                                     | -                                      |
| Headline earnings  | 69                                      | 106                                     | 162                                    |
| Number of shares for basic earnings                          | 1 303 628 341                           | 1 303 628 341                           | 1 303 628 341                          |
| Weighted average number of shares                            | 1 303 628 341                           | 1 303 628 341                           | 1 303 628 341                          |
| Diluted average number of shares                             | 1 303 628 341                           | 1 303 628 341                           | 1 303 628 341                          |
| Basic & diluted Headline Earnings per share                  | 5.3                                     | 8.1                                     | 12.4                                   |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | Unaudited<br>6 Months ended<br>31-Dec-22<br>BWP'000 | Unaudited<br>6 Months ended<br>31-Dec-21<br>BWP'000 | Audited<br>6 Months ended<br>30-Jun-22<br>BWP'000 |
|---|---|---|---|
| Figures in Pula millions                              |   |   |   |
| <b>Cash Flows from operating activities</b>           |   |   |   |
| <b>Profit before taxation</b>                         | <b>86</b>   | <b>130</b>  | <b>180</b>  |
| <b>Adjustments for:</b>                               | <b>189</b>  | <b>188</b>  | <b>319</b>  |
| Depreciation, write-off and amortisation              | 126   | 130   | 241   |
| (Gains) / Losses on disposals of plant and equipment  | (1)   | 2   | 2   |
| Interest income                                       | -   | -   | -   |
| Interest paid   | 55  | 51  | 99  |
| Foreign exchange gains/(losses) on lease liability    | 9   | -   | (28)  |
| Restricted cash movements                             | -   | 5   | 5   |
| <b>Changes in working capital:</b>                    | <b>37</b>   | <b>6</b>  | <b>8</b>  |
| Movement in inventories                               | (116)   | (141)   | (120)   |
| Movement in trade and other receivables               | (3)   | (39)  | (10)  |
| Movement in advances and deposits                     | 20  | 8   | (12)  |
| Movement in amount due from related entities          | (22)  | -   | -   |
| Movement in trade and other payables                  | 163   | 173   | 149   |
| Movement in amount due to related entities            | (5)   | 5   | 1   |
| <b>Cash generated from operations</b>                 | <b>312</b>  | <b>324</b>  | <b>507</b>  |
| Interest income                                       | -   | -   | -   |
| Taxation paid   | (22)  | (34)  | (44)  |
| <b>Net cash generated from operating activities</b>   | <b>290</b>  | <b>290</b>  | <b>463</b>  |
| <b>Cash flows from investing activities</b>           |   |   |   |
| <b>Net cash used in investing activities</b>          | <b>(115)</b>  | <b>(77)</b>   | <b>(115)</b>                                      |
| Purchase of property, plant and equipment             | (106)   | (79)  | (120)   |
| Proceeds on disposal of property, plant and equipment | 7   | 6   | 7   |
| Purchase of intangible assets                         | (4)   | (1)   | (2)   |
| Investment in new projects                            | (12)  | (3)   | -   |
| <b>Cash flows from financing activities</b>           |   |   |   |
| <b>Net cash used in financing activities</b>          | <b>(164)</b>  | <b>(141)</b>  | <b>(324)</b>                                      |
| Financing obtained from third parties                 | 30  | 35  | 36  |
| Capital payments of long-term liabilities             | (49)  | (44)  | (96)  |
| Lease payments  | (93)  | (84)  | (170)   |
| Interest paid   | (52)  | (48)  | (94)  |
| <b>Net movement in cash and cash equivalents</b>      | <b>11</b>   | <b>72</b>   | <b>24</b>   |
| Cash and cash equivalents at beginning of the year    | 17  | 6   | 6   |
| Effect of translation of foreign entities             | 8   | (27)  | (13)  |
| <b>Cash and cash equivalents at end of the year</b>   | <b>36</b>   | <b>51</b>   | <b>17</b>   |

# OPERATING SEGMENTAL INFORMATION

| Figures in Pula millions<br>DECEMBER 2022 (Unaudited)             | Rest of Africa includes Namibia, Zambia & Zimbabwe |                   |          |           |           | Total for<br>Continuing<br>operations |
|---|--|-------------------|----------|-----------|-----------|---------------------------------------|
|   | Botswana   | Rest of<br>Africa | Namibia  | Zambia    | Zimbabwe  |                                       |
| <b>Statement of profit or loss and other comprehensive Income</b> |  |                   |          |           |           |                                       |
| Revenue   | 2,302  | 1,233             | 220      | 584       | 429       | 3,535                                 |
| Retail sales  | 2,280  | 1,231             | 220      | 584       | 427       | 3,511                                 |
| <b>Adjusted EBITDA</b>  | <b>198</b>   | <b>56</b>         | <b>7</b> | <b>32</b> | <b>17</b> | <b>254</b>                            |
| Movement in credit loss allowance                                 | 1  | -                 | -        | -         | -         | 1                                     |
| Loss on disposal of plant & equipment                             | 1  | 1                 | 1        | -         | -         | 2                                     |
| Foreign exchange (losses) on lease liability                      | -  | (9)               | -        | (5)       | (4)       | (9)                                   |
| Foreign exchange gains on Zimbabwean legacy debt receipts         | -  | 19                | -        | -         | 19        | 19                                    |
| <b>EBITDA</b>   | <b>200</b>   | <b>67</b>         | <b>8</b> | <b>27</b> | <b>32</b> | <b>267</b>                            |
| Depreciation & Amortisation                                       | (93)   | (33)              | (9)      | (19)      | (5)       | (126)                                 |
| Operating Profit/(Loss) (EBIT)                                    | 107  | 34                | (1)      | 8         | 27        | 141                                   |
| <b>Statement of financial position</b>                            |  |                   |          |           |           |                                       |
| Assets  | 1,331  | 755               | 198      | 287       | 270       | 2,086                                 |
| Liabilities   | 1,838  | 506               | 129      | 252       | 125       | 2,344                                 |
| Figures in Pula millions<br>DECEMBER 2021 (Unaudited)             | Botswana Rest of Africa Namibia Zambia Zimbabwe    |                   |          |           |           | Total for<br>Continuing<br>operations |
|   | Botswana   | Rest of<br>Africa | Namibia  | Zambia    | Zimbabwe  |                                       |
| <b>Statement of profit or loss and other comprehensive Income</b> |  |                   |          |           |           |                                       |
| Revenue   | 2,254  | 996               | 119      | 406       | 471       | 3,250                                 |
| Retail sales  | 2,231  | 992               | 119      | 404       | 469       | 3,223                                 |
| <b>Adjusted EBITDA</b>  | <b>228</b>   | <b>53</b>         | <b>1</b> | <b>38</b> | <b>14</b> | <b>281</b>                            |
| Foreign exchange gains on lease liability                         | -  | 29                | -        | 29        | -         | 29                                    |
| <b>EBITDA</b>   | <b>228</b>   | <b>82</b>         | <b>1</b> | <b>67</b> | <b>14</b> | <b>310</b>                            |
| Depreciation & Amortisation                                       | (97)   | (32)              | (6)      | (20)      | (6)       | (129)                                 |
| Operating Profit/(Loss) (EBIT)                                    | 131  | 50                | (5)      | 47        | 8         | 181                                   |
| <b>Statement of financial position</b>                            |  |                   |          |           |           |                                       |
| Assets  | 1,310  | 650               | 113      | 237       | 300       | 1,960                                 |
| Liabilities   | 1,879  | 415               | 63       | 216       | 136       | 2,294                                 |
| Figures in Pula millions<br>JUNE 2022 (Audited)                   | Botswana Rest of Africa Namibia Zambia Zimbabwe    |                   |          |           |           | Total Group                           |
|   | Botswana   | Rest of<br>Africa | Namibia  | Zambia    | Zimbabwe  |                                       |
| <b>Statement of profit or loss and other comprehensive Income</b> |  |                   |          |           |           |                                       |
| Revenue   | 4,254  | 1,843             | 276      | 786       | 781       | 6,097                                 |
| Retail sales  | 4,209  | 1,833             | 275      | 783       | 775       | 6,042                                 |
| <b>Adjusted EBITDA</b>  | <b>405</b>   | <b>101</b>        | <b>5</b> | <b>59</b> | <b>37</b> | <b>506</b>                            |
| Movement in credit loss allowance                                 | (2)  | (5)               | -        | -         | (5)       | (7)                                   |
| Loss on disposal of plant & equipment                             | (2)  | -                 | -        | -         | -         | (2)                                   |
| Foreign exchange gains on lease liability                         | -  | 28                | -        | 28        | -         | 28                                    |
| Contingent consideration on sale of South Africa                  | (20)   | -                 | -        | -         | -         | (20)                                  |
| Foreign exchange gains on Zimbabwean legacy debt receipts         | -  | 15                | -        | -         | 15        | 15                                    |
| <b>EBITDA</b>   | <b>381</b>   | <b>139</b>        | <b>5</b> | <b>87</b> | <b>47</b> | <b>520</b>                            |
| Depreciation & Amortisation                                       | (190)  | (51)              | (14)     | (21)      | (16)      | (241)                                 |
| Operating Profit/(Loss) (EBIT)                                    | 191  | 88                | (9)      | 66        | 31        | 279                                   |
| <b>Statement of financial position</b>                            |  |                   |          |           |           |                                       |
| Assets  | 1,223  | 663               | 141      | 260       | 262       | 1,886                                 |
| Liabilities   | 1,121  | 1,106             | 200      | 394       | 512       | 2,227                                 |

# 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 operations 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 172 stores under five formats in four countries. With annual revenue of more than BWP6 billion, Choppies employs over 9 000 people and is the largest grocery retailer in Southern Africa, outside of South Africa.

## 2. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2022 have been prepared and presented in accordance with the requirements of the BSE Limited ("BSE Listing Requirements) and JSE Limited ("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 year and the methods of computation are consistent with those of the previous annual financial statements.

## 3. Director's responsibility for the condensed financial statements

The directors are responsible for the preparation of the unaudited 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 group's negative equity reduced from BWP 341 million as at June 2022 to BWP 257 million as at December 2022, due to trading profits.

In ensuring the ability of the group to operate as a going concern for at least the following 12 months, the Board considered the detailed cash flow forecasts as prepared by management, undertakings of financial support by the founding shareholders, the economic outlook of the countries in which it operates as well as the probable future impact of load shedding in South Africa, from where we source products.

The Board, relying on the presentations by management, concluded that the group would be a going concern for the foreseeable future.

## 5. Group results

The Group's revenue increased by 8.8% to BWP 3 535 million (2021: BWP 3 248 million), driven by thirteen new stores coupled with price growth of 11.1%. Sales volume declined by 2% and excluding the new stores by 7.2% on a comparable basis.

In Pula terms, gross profit grew by 7.3% to BWP 736 million (2021: BWP 686 million) despite the challenging economic environment.

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 their 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 21.0% from last year's 21.3% and the full-year margin for FY2022 of 21.6% due to higher supply chain costs, including fuel and managing prices due to higher cost inflation and competitor discounting.

Expenses increased at rates well above inflation partly due to new stores opened. Foreign exchange losses on lease liabilities of P9 million (against a gain of P29 million last year) were offset by foreign exchange gains on Zimbabwean legacy debt receipts of P19 million (2021: Nil).

Operating profit (EBIT) reduced by 22.1% from BWP 181 million to BWP 141 million whilst "adjusted" EBITDA, which excludes foreign exchange gains and losses on lease liabilities, movements in credit loss allowances and Zimbabwean legacy debt receipts, reduced by 9.6% as costs grew faster than gross profit. EBIT margins consequently declined from 5.6% to 4.0%.

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.

The Group continues to manage its cash resources and liquidity prudently with a reduction of BWP 64 million in net debt over the past six months from BWP 600 million to BWP 536 million. Capital expenditure increased to BWP 122 million (2021: BWP 83 million) as the Group invested in new stores and maintained the distribution fleet.

Management made deliberate investments in inventory to support service levels, combat supply chain disruptions and service new stores.

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 through the second half and position ourselves for next year.

## **6. Operational Overview**

### **Botswana**

Botswana experienced modest sales growth to BWP 2280 million (2021: BWP 2 231 million) due to negative volume growth. Sales from Botswana increased by 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.

Operating expenditure increased by 12.9% driven mainly by five new stores and higher inflation resulting in a 13.2% reduction in adjusted EBITDA and 18.3% reduction in operating profit (EBIT).

### **Rest of Africa consists of Namibia, Zambia and Zimbabwe.**

The Rest of Africa sales increased by 24.0% to BWP 1231 million (2021: BWP 992 million) driven by the addition of eight new stores, inflationary increases in Zimbabwe and Zambia and volume growth in Namibia and Zambia.

Adjusted EBITDA, which excludes foreign exchange gains and losses on lease liabilities, movements in credit loss allowances and Zimbabwean legacy debt receipts, increased by 5.7%. EBITDA was reduced by 18.3% due to foreign exchange losses on lease liabilities of P9 million against a gain of P29 million last year, offset by foreign exchange gains on Zimbabwean legacy debt receipts of P19 million (2021: Nil).

The segment EBIT declined by 32.0% due to foreign exchange losses on lease liabilities and higher depreciation on the back of the new stores.

## **7. Events after reporting date**

We expect continued uncertainty in our business and the Southern Africa due to the duration and intensity of load shedding in South Africa; the volatility in employment trends, inflationary pressures, and consumer confidence, all of which may impact our results.

The Board has decided to recapitalise the business to address the negative equity and raise funding for expansion. We have appointed advisors to guide this process and help determine the quantum and equity instruments best suited for the optimal long-term capital structure of the group. Further details will be issued through Xnews and Sens over the next few months.

## **8. Dividend**

The Board has resolved not to declare an interim dividend given the uncertain economic environment as well as the rebuilding phase of the Group's capital structure (2021: Nil).

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