

## *Pepkor: “stitching together” the informal market’s ecosystem.*

*Pepkor is pivoting from a traditional discount retailer to a retail-powered consumer platform. By leveraging its massive footprint (6,500+ stores) and a customer base representing over 50% of the South African population, the Group is “stitching together” essentials - from clothing and cellular to a full-service banking ecosystem.*



**Jana  
van Rooyen**

Almost every article I’ve read about Pepkor begins in much the same way, and I feel my own piece would be incomplete without including it too. It remains one of the most powerful opening statements for this beloved and trusted South African brand: “A South African town isn’t officially a town until it has a PEP store.” The presence of a PEP store is the ultimate litmus test of a settlement’s economic maturity.

However, the narrative is evolving. While Pepkor’s leadership in retail remains firmly established, a compelling new catalyst is emerging: the Group’s strategic expansion into formal banking. This transition from a traditional bricks and mortar retailer to a tech enabled financial player is reshaping the investment case and reinforcing confidence that Pepkor’s most significant growth opportunities may still be ahead.

### **1. Unrivalled Scale: The Retail Powerhouse**

Pepkor is South Africa’s largest apparel retailer, with a market capitalisation of approximately R82.5 billion, nearly double that of its closest peer, Mr Price. Across the wider Pepkor Group, which also includes Clothing and General Merchandise brands such as Ackermans, Tekkie Town, Refinery and Brazil’s Avenida, as well as Furniture, Appliance and Electronics brands like Russells, Bradlows and HiFi Corp, the scale is extraordinary. Store growth has been nothing short of remarkable, with a new store opening on every working day of the year in 2025. With more than 6,500 stores across the Group, Pepkor is a retail powerhouse - operating more stores globally than IKEA, Target and Primark combined!

This scale has allowed the Group to deliver consistent high single-digit to double-digit growth, even while competitors

### **SPEED READ**

- **Retail scale leader:** Pepkor is South Africa’s largest apparel retailer, with a market capitalisation of R82.5 billion and a footprint of more than 6,500 stores - more than IKEA, Target and Primark combined.
- **Earnings momentum:** This unmatched scale has driven consistent high single digit to double digit growth, with fintech emerging as the fastest growing and highest margin segment since FY24.
- **Data driven ecosystem:** Pepkor has a proven fintech track record and sells eight out of every ten prepaid smartphones in South Africa, giving it direct access to how customers participate in the digital economy.
- **Banking disruption:** The upcoming PlusB bank will launch with unprecedented physical reach and access to nearly half of South Africa’s population, supported by deep customer engagement and transactional data.
- **Clear growth catalyst:** The Group is targeting a compound average growth rate of 10 - 15% earnings over the next three years, with banking and financial services representing the most compelling driver of Pepkor’s next growth phase

struggle due to a constrained consumer. This outperformance is driven by a deliberate strategy: expanding off-price offerings, growing the home category, and refining the adult wear range. Yet, the standout contributor hasn’t just been clothing; it is the Fintech segment, which has delivered double-digit growth since FY24 and currently stands as the highest-margin segment across the business.

### **2. The Digital Leap: Omnichannel and Data Mastery**

Pepkor’s confidence is underpinned by its proven execution in financial services. The Group’s existing fintech and financial services businesses - including Flash (now falling under its own segment called Informal Market Services), Capfin, Tenacity Financial Services, Connect Financial Solutions, and Abacus - are highly complementary to its

retail operations and leverage the store footprint extensively. This integration is evident in shifting sales dynamics. In FY21, cash sales accounted for 93% of group sales; by FY25, this had reduced to 84%, reflecting growing credit penetration. Looking ahead, Pepkor is targeting a compound annual growth rate (CAGR) in credit sales of 17 - 19% over the next three years.

Pepkor is also strengthening its omnichannel capabilities. Online sales grew by 27% in FY25 and now contribute 2.4% of total sales. While this percentage may appear modest, it is strategically important given Pepkor’s mass market positioning. Central to this effort is the +More app, Pepkor’s collective loyalty and rewards platform launched in 2024. Adoption has been rapid, with more than 16 million members already onboarded. Customers using the app demonstrate a 1.2x higher basket value, while the platform provides Pepkor with a powerful customer database and valuable behavioural insights - assets that become increasingly important as the Group moves deeper into financial services.

In an ecosystem where Pepkor sells eight out of every ten prepaid smartphones in South Africa, they don’t just own the store; they own the primary device the customer uses to interact with the digital economy. This data is the foundation upon which their banking ambitions are built.

### 3. PlusB: Disrupting the Banking Landscape

The most anticipated development is the launch of PlusB, Pepkor’s upcoming banking initiative set to go live in 2027. Led by fintech industry veteran Merwe Scholtz, PlusB is not just another digital bank; it is a play for the “Kasinomics” ecosystem - a name given by author and consultant GG Alcock to the sophisticated, multi-billion-rand informal economy.

PlusB will launch with an unprecedented physical footprint. With over 2,700 PEP stores alone, it will have more access points than the combined branch networks of South Africa’s “Big Four” banks. By capturing income flows directly at the source, PlusB aims to lower transaction friction and fund its credit book with deposits. Targeting a return on equity of approximately 30% - on par with industry leader Capitec - PlusB represents a logical, yet massive, extension of the Pepkor ecosystem. Pepkor also benefits from immense customer reach, with 32 million known customer touchpoints which is roughly half of South Africa’s population, and 23% more than Capitec. No other bank has entered the market with this level of embedded distribution, customer engagement, and transactional data already in place.

Currently, the Fintech segment contributes approximately

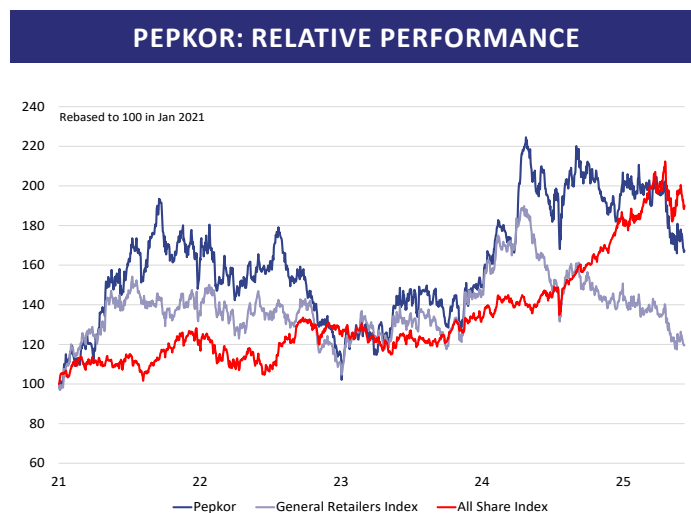
17% of Group profits. Under the new fintech growth strategy, turnover in this segment is projected to grow at a 20% CAGR, lifting its profit contribution to around 23%.

At a group level, Pepkor has set a headline earnings growth target of 10–15% CAGR over the next three years. While several initiatives will support this growth, financial services, especially banking stood out as the most compelling driver.

### Conclusion: A Closed-Loop Future

Pepkor’s purpose: “Making life’s essentials affordable and accessible to all by solving customer needs”, is deeply aligned with the informal market. Introducing banking and financial services into an ecosystem where cash still dominates transactions represents a significant opportunity to unlock value.

Pepkor is no longer simply a product retailer. It is building a closed-loop ecosystem. By capturing income flows through PlusB, the Group aims to own the entire customer financial lifecycle - from the device in their pocket to the credit used for everyday essentials. While the share price has faced pressure from geopolitical uncertainty, the underlying fundamentals remain robust. Investors are looking at a business targeting double-digit earnings growth over the next three years, with a reliable dividend return. In my view, the shift from retail to a fully integrated banking and fintech strategy is the clearest catalyst for Pepkor’s next phase of growth.



*Pepkor has rallied hard since late 2023, driven largely by a re-rating of its valuation as investors increasingly recognised the value of its financial ecosystem. The recent weakness in the share price over the past few months is attributable to geopolitical risks stemming from the Middle East conflict. Notwithstanding this volatility, Pepkor has significantly outperformed South Africa’s general retail sector over the past five years.*



Our next seminar will be held in June. As usual, we will review the first six months of the year and update our outlook for the remaining six months.



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**Topic:**

**2026: The first six months**

### Natal Midlands

Date: 4 June 2026

Venue: Christ Church Howick, 23 Mare Street, Howick

Morning Time: 10am for 10.30am

Evening Time: 5.30pm for 6pm

### Johannesburg

Date: 9 June 2026

Venue: Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham

Time: 7am for 7.30am

### Cape Town

Date: 11 June 2026

Venue: Kelvin Grove Club, 144 Camp-ground Rd, Newlands, 7700

Time: 7.30am

Venue: Helderberg Village Lifestyle Estate, 63 Bakkerskloof Rd, Helderberg Village, Cape Town

Time: 5.30pm for 6pm



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Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Performance fees do not apply to any funds managed by Harvard House. The manager does not provide any guarantee either with respect to the capital or return of the portfolio. A schedule of fees, charges, and maximum commissions are available on request from the manager.



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