

# 02 SUSTAINABLE VALUE CREATION

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# The Cashbuild Way

## HOW WE DO THINGS

As a retailer our business is simple: we buy and we sell but we do it The Cashbuild Way.

The Cashbuild Way is a set of policies and procedures that guide how we do things throughout the Group and conduct our relationships with external stakeholders. The Cashbuild Way refers not only to our documented policies but also to all our dealings with various stakeholders.

We buy quality building materials and associated products, supporting local suppliers as far as possible.

We aim to support local growth and development, positively influence the upstream value chain and build mutually beneficial long-term relationships.

We then sell quality building materials and associated products to our customers at the best value. We aim to ensure a pleasant shopping experience for all our customers in each of our 319 stores located throughout southern Africa with conveniently located stores, quality products, reputable brands and value-added services. Our customers are provided with in-store expertise, advice, service and assistance as well as various loyalty programmes, credit services, online shopping and a free local delivery service.

The Cashbuild Way aims to benefit each and every one of our stakeholders so that our customers as well as our employees, shareholders, suppliers and communities gain value from our operations. Our business model on pages 18 and 19 illustrates our value creation, showing our inputs, outputs and outcomes clearly.

The Cashbuild and P&L Hardware values are aligned and are consistent with those of prior years.

## WHY INVEST IN CASHBUILD

The Cashbuild Way, together with our strategy and corporate sustainability approach focused on the Six Capitals for the year ended 27 June 2021 is presented below:

- We are one of the larger retailers of quality building materials and associated products in southern Africa.
- We have an experienced Board and Executive Management Team.
- We strive to grow our employee base on an annual basis and invest extensively in the communities in which we trade. although this was not possible in the current year due to the effects of the Covid-19 pandemic.
- Our financial position is healthy and robust, allowing us to take advantage of growth opportunities when they arise.
- We continue to successfully open new stores and refurbish or relocate existing stores.
- We are a responsible corporate, taking our ESG commitments seriously, ensuring we adhere not only to the necessary laws, regulations and principles in play but also embracing the spirit in which these were promulgated.
- We reward our shareholders by paying a consistent dividend.

## OUR DIFFERENTIATORS

### What makes us unique

We focus on our customers, ensuring that our stores:

- are always in stock and ready for business;
- carry quality branded products at best value;
- provide free local customer delivery services; and
- are ready to go the extra mile.

We focus on our communities, ensuring that:

- we approach each new region with cultural sensitivity and awareness;
- we develop and empower the community sustainably; and
- we create direct and indirect employment opportunities.

We focus on our people, ensuring that:

- our management approach is consistent;
- internal growth and development opportunities are supported by best in class;
- HR systems, policies, processes are fair and equitable;
- our store managers feel empowered and supported; and
- we take pride in the Cashbuild and P&L Hardware brands and act according to our core values.

We focus on our suppliers, ensuring that:

- we use local suppliers and support their growth and development;
- we build long-term relationships based on common value sets;
- we positively influence the upstream value chain; and
- we create opportunities to partner for mutual growth.

We focus on sound governance and compliance, ensuring that:

- The Cashbuild Way is aligned to ISO 9001;
- we apply the principles of King IV™;
- we live by our core values; and
- we apply the triple bottom line of defense auditing system.

# The Six Capitals

## WHAT WE STRIVE FOR WITH THESE CAPITALS:



### FINANCIAL



To generate sustainable profits which will enable the Group to expand and grow our business.



### HUMAN



To ensure that our staff complement is diverse, motivated, skilled, ethical and safe. To invest in our people through creating opportunities for skills development and ensuring succession planning.



### SOCIAL



To invest in the communities in which we operate. To ensure upliftment through the support of local entrepreneurs, creating local employment opportunities and to ensure that our procurement and supply chain management is in line with our ethical values to meet our customers' needs and expectations. To develop and empower our communities through learnership programmes and bursaries.



### INTELLECTUAL



To ensure that the Cashbuild and P&L Hardware brands remain synonymous with quality service and product delivery.



### MANUFACTURED



To expand our footprint and build stores responsibly to best serve our customers.



### NATURAL



To minimise our impact on the environment and its resources and expect our stakeholders to do the same.

The interaction between the Six Capitals and the compliance to the UN SDGs are explained or indicated by using icons where applicable throughout the Integrated Report.

# Our Business Model

## Inputs



### Financial Capital

- Risk management
- New opportunities
- Strategic planning
- Strong financial position
- Shareholder investments



### Human Capital

- Internal recruitment processes
- Training and development
- Discipline
- Employee forums
- Code of Ethics
- Health and Safety
- Transformation
- Industrial relations



### Social Capital

- New store openings
- Free local customer deliveries
- Delivery driver programme
- Local brick and block makers
- Glass cutters
- Learnership and bursary programmes



### Intellectual Capital

- Experienced Board and Executive Management
- Cashbuild and P&L Hardware brands
- Process aligned IT systems
- Registered trademarks



### Manufactured Capital

- Procurement and supply chain
- Product responsibility
- Customer service
- Security and crime prevention
- Growing store footprint
- Local sourcing



### Natural Capital

- Energy and carbon management
- Water conservation
- Waste generation and recycling

## Operations

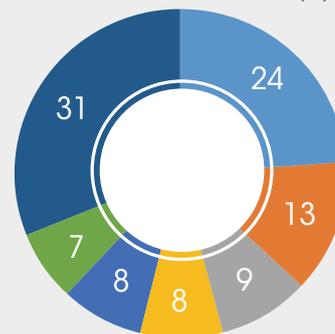
### Suppliers

Using local suppliers, as far as possible, we strategically source quality building materials and associated products.

### Products

Our product range consists of building materials such as cement, timber and bricks, and associated products such as tools, hardware and plumbing.

PRIMARY PRODUCTS (%)



- Cement
- Openings
- Decorative
- Bricks
- Roofing - Covering
- Other<sup>1</sup>
- Timber

<sup>1</sup> Other primary products represents sales from products that are similar in nature and individually, contributes less than 6% to revenue.

### Stores

Our products are delivered directly to our stores to ensure that we minimise costs and that we are always in stock and ready for business.

### Customers

Our customers are building contractors, home improvers, farmers, traders and anybody looking for quality building material at the lowest prices.

### Services

In addition to our in-store expertise, advice and assistance, we provide clients with a free local delivery service, an online store, credit services and various loyalty programmes.

UN SDGs impacted:



## Outputs

### Financial Capital

- Revenue growth
- Cost savings
- New, refurbished and relocated (where necessary) stores
- Informed shareholders
- Wealth created

### Human Capital

- Skilled workforce
- Lower staff turnover
- Healthy staff morale
- Minimise injuries
- Increased employment of HDSAs
- Employee safety

### Social Capital

- Create local employment opportunities
- Art@Heart (school donations)
- Support entrepreneurs
- Loyal customers

### Intellectual Capital

- Established management team
- Succession plan
- Trusted brands
- Efficient systems that enhance controls and reduce operational risks
- e-Commerce initiatives

### Manufactured Capital

- Good quality products at best value
- No "grey" goods
- "Every day best value" – marketing
- Loyal customers
- Number of local jobs created/supported through local sourcing

### Natural Capital

- Energy efficiency
- Lower carbon footprint
- Reduced water consumption
- Ensure a clean environment

## Outcomes

### Financial Capital

- Increased profitability
- Market share growth
- Improved shareholder return
- Industry leadership

### Human Capital

- Considered employer of choice
- Attract and retain best people
- Staff experience and skilled workforce
- Profit sharing
- Improved HDSA management representation

### Social Capital

- Community upliftment
- Encourage entrepreneurship
- Improved brand loyalty
- Good corporate citizenship

### Intellectual Capital

- Increased market share
- Considered brand of choice
- Market knowledge and being ahead of the curve in terms of market trends and influences
- Increased sales and customer interaction through various initiatives

### Manufactured Capital

- Expanded stores and customer base
- Suppliers with shared ethical values
- Continued safe environment
- Sustainable profits

### Natural Capital

- Sustainable business practices

# Our Group Structure

## OUR ORGANISATIONAL STRUCTURE

The Group's organisational structure differs from its operational reporting structure. The Group is organised into different operational areas each headed by an Operations Executive, who in turn reports to the Divisional or Operations Director/Managing Director. The Operations Executives, Divisional Director and Operations Director are members of the Executive Management Team.

## OUR OPERATIONAL REPORTING STRUCTURE

### Cashbuild

Shane Thoresson, *Operations Director*

Disemelo Masala, *Divisional Director*

**OPS 1 - Tyron Myburgh, Operations Executive:** Mpumalanga, Limpopo, Gauteng and North West

**OPS 2 - Hennie Roos, Operations Executive:** Eastern Cape, Gauteng, KwaZulu-Natal, Malawi, Mpumalanga and Zambia

**OPS 3 - Willie Dreyer, Operations Executive:** Gauteng, Limpopo, Mpumalanga and eSwatini

**OPS 4 - Ian McKay, Operations Executive:** Botswana, Eastern Cape, Free State, Gauteng, Lesotho, Limpopo, Namibia and North West

**OPS 7 - Mark Scholes, Operations Executive:** Western Cape, Eastern Cape, North West and Northern Cape

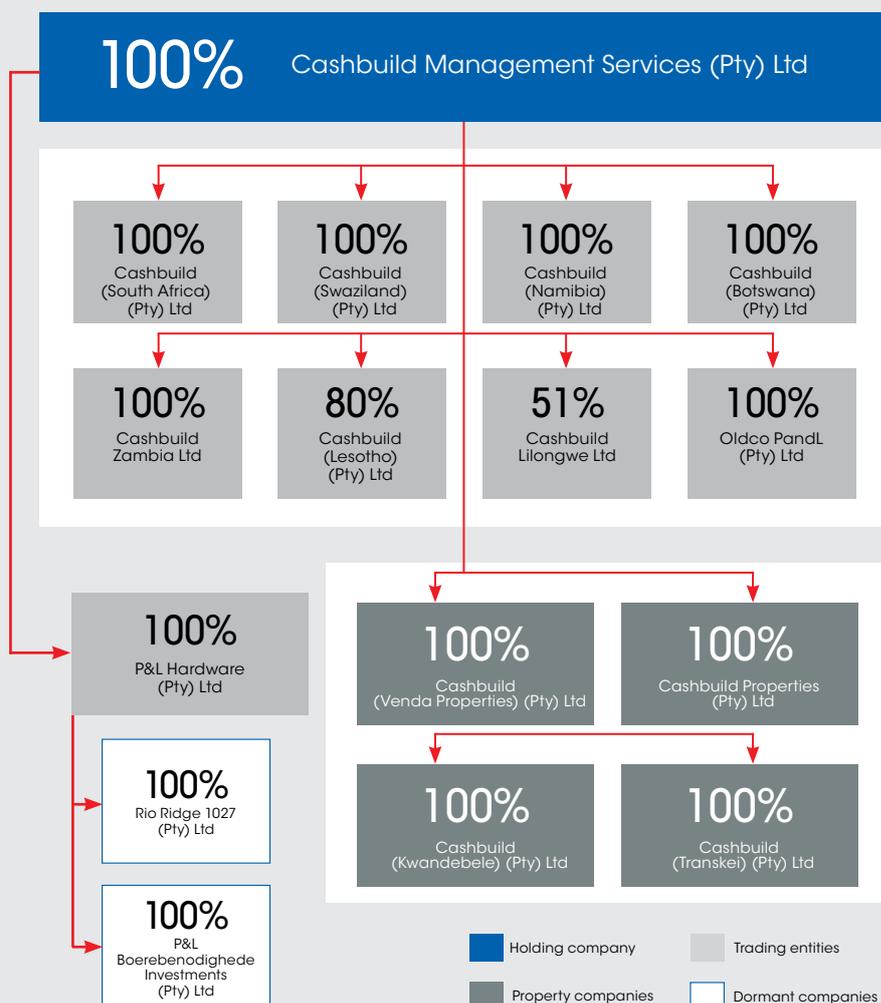
### P&L Hardware

Anton Hattingh, *Managing Director*

**OPS A - Nico Hanekom, Trainee Operations Executive:** Mpumalanga, Limpopo

**OPS B - Ryno van Staden, Trainee Operations Executive:** Gauteng, Limpopo, KwaZulu-Natal, Mpumalanga and Eastern Cape

LISTED ENTITY



■ Holding company     ■ Trading entities  
■ Property companies     □ Dormant companies

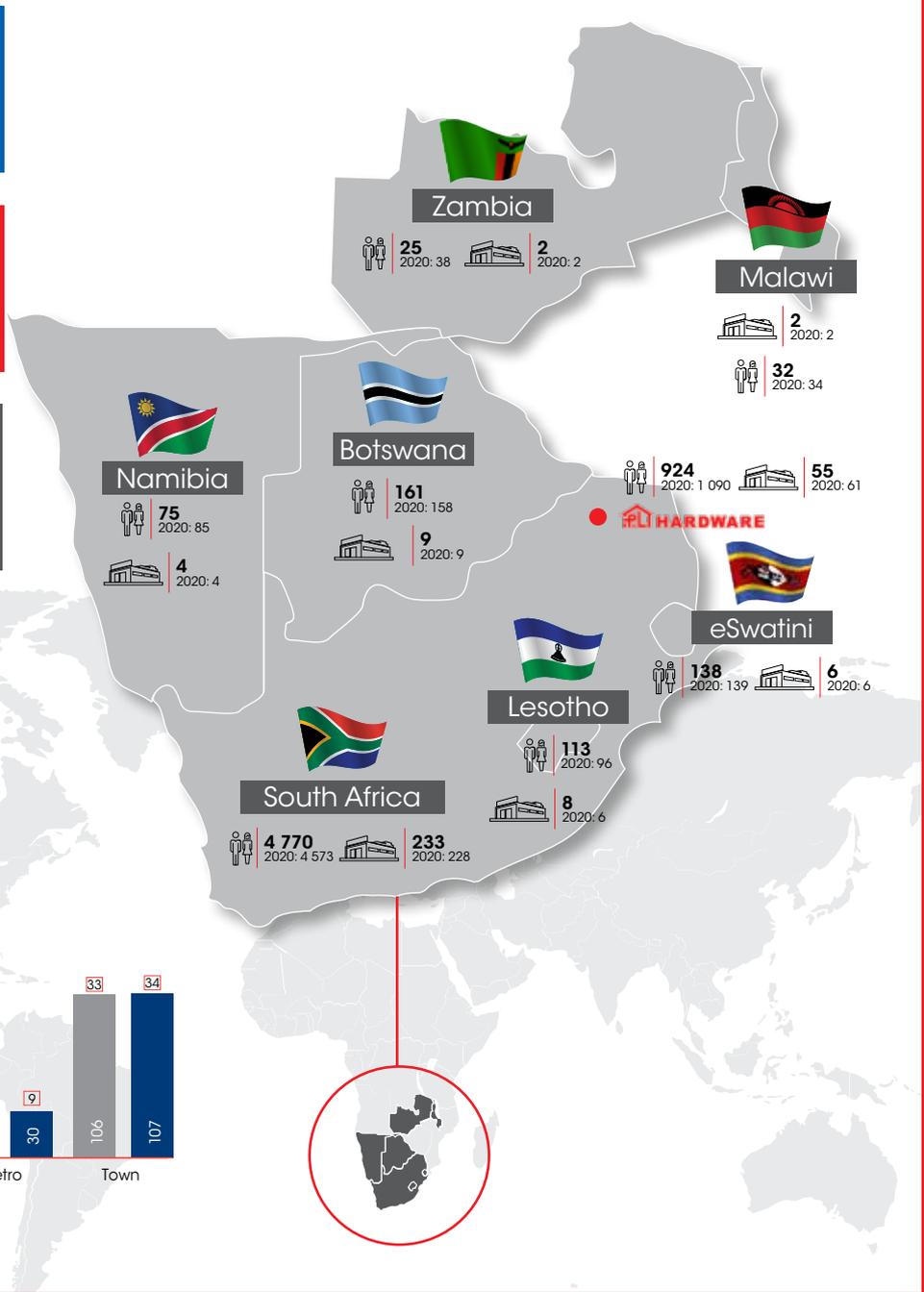
# Our Geographical Footprint

Cashbuild positions its stores to bring quality building materials at best value to communities and strives to enhance the community in which each store trades. Store locations are selected on the basis of in-depth feasibility studies and extensive stakeholder engagements. We will, for the foreseeable future, continue our strategy of store expansion, relocation and refurbishment, applying the same rigorous analysis and decision-making processes.

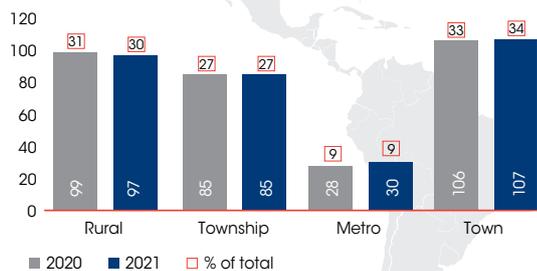
**319**  
(2020: 318)  
TOTAL NUMBER OF STORES

**6 238**  
(2020: 6 213)  
TOTAL NUMBER OF EMPLOYEES

**7**  
(2020: 7)  
TOTAL NUMBER OF COUNTRIES



LOCATION OF STORES



# Our Stakeholders

## ENGAGING WITH OUR STAKEHOLDERS

Our key stakeholders are identified on the basis of Board deliberations, risk identification and other internal processes, as well as through feedback received at operational management level in the regions in which the Group's stores are located.

Our material issues are evaluated on an annual basis. The material issues identified are based on both strategic imperatives and stakeholder feedback, and reflect the key mutual interests of Cashbuild and its stakeholders.

For the comprehensive interaction with stakeholders, each Group's expectations and concerns, how their expectations and concerns were addressed and how it links in with the Group's sustainability strategy, please refer to our website.



### SUPPLIERS, SERVICE PROVIDERS, SPECIALISTS AND INDUSTRY PARTNERS

#### Form of interaction

- Strategic sourcing meetings
- Meetings and correspondence
- Industry conferences and functions



### CUSTOMERS AND COMMUNITIES

#### Form of interaction

- Direct engagement at store openings
- Marketing surveys
- Customer care and feedback mechanisms



### EMPLOYEES, LEARNERS, CONTRACTORS AND SUB-CONTRACTORS

#### Form of interaction

- Employee forums
- Informal social meetings
- Employee surveys
- Executive Management store visits
- Health, safety and wellness forums
- Learnerships and bursaries



### LOCAL AND PROVINCIAL GOVERNMENTS AND REGULATORY BODIES (Labour, Health, SARS, etc.)

#### Form of interaction

- National builders forums
- Audit and related meetings
- Employment equity plan
- Tax compliance



### JSE AND OTHER LOCAL AND INTERNATIONAL REGULATORY BODIES

#### Form of interaction

- Business associations
- Written communications and presentations
- Sponsor presentations



### SHAREHOLDERS, INVESTORS, ANALYSTS AND MEDIA

#### Form of interaction

- Final and interim results presentations
- Investor roadshows
- Media interviews
- Annual General Meeting
- Investor relations consultants



### GENERAL

#### Form of interaction

- Website and social media
- SENS announcements
- Newspaper articles
- Advertisements
- Community participation
- Annual Integrated Report

UN SDGs impacted:



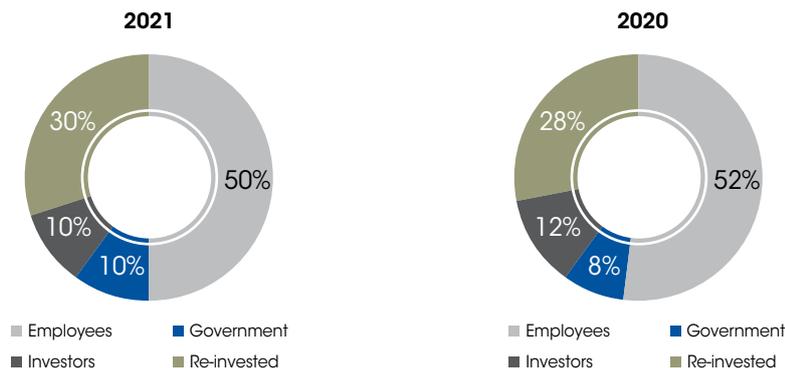
## VALUE-ADDED STATEMENT

A measure of the wealth created by Cashbuild, for various stakeholders, is the amount spent on the cost of goods and services provided, the remuneration paid to its employees, money paid to providers of equity and debt, taxes paid to government and capital reinvested in the Group.

R'000	27 June 2021	%	28 June 2020	%
<b>Revenue</b>	<b>12 615 629</b>		10 090 910	
Less: Cost of merchandise and expenses	<b>(10 361 704)</b>		(8 404 764)	
<b>Value-added from trading operations</b>	<b>2 253 925</b>		1 686 146	
Interest received from investments	<b>91 327</b>		65 182	
<b>Total wealth created</b>	<b>2 345 252</b>	<b>100.0</b>	1 751 328	100.0
<b>Allocated as follows:</b>				
To employees – salaries and benefits	<b>1 168 588</b>	<b>49.8</b>	907 820	51.8
To government – company taxation	<b>239 643</b>	<b>10.2</b>	135 748	7.8
To providers of capital:	<b>235 345</b>	<b>10.1</b>	204 304	11.7
– Dividend to shareholders	<b>229 916</b>	<b>9.9</b>	196 977	11.3
– Interest on borrowings	<b>24</b>	<b>0.0</b>	2 028	0.1
– Minorities' interest	<b>5 405</b>	<b>0.2</b>	5 299	0.3
<b>Wealth distributed</b>	<b>1 643 576</b>	<b>70.1</b>	1 247 872	71.3
Retained for re-investment in the Group	<b>701 676</b>	<b>29.9</b>	503 456	28.7
– Depreciation, amortisation and impairment of property	<b>368 352</b>	<b>15.7</b>	369 770	21.1
– Income retained in the business	<b>333 324</b>	<b>14.2</b>	133 686	7.6
<b>Total wealth distributed and reinvested</b>	<b>2 345 252</b>	<b>100.0</b>	1 751 328	100.0

	27 June 2021	Change %	28 June 2020
<b>Statistics</b>			
Number of employees	<b>6 238</b>	–	6 213
Wealth created per employee (R'000)	<b>376</b>	<b>33</b>	282
Wealth distributed per employee (R'000)	<b>263</b>	<b>31</b>	201
Revenue per employee (R'000)	<b>2 022</b>	<b>24</b>	1 624

### Wealth distributed and reinvested



# Our Strategy

Cashbuild has identified a number of strategic business imperatives based on identified risks and opportunities, aimed at maximising the profitability and sustainability of the Group in the medium- to long-term. As a result and impact of the effects of the Covid-19 pandemic, Cashbuild re-assessed its short- and medium-term strategy.

## KEY STRATEGIC BUSINESS IMPERATIVES

The key strategic initiatives approved by the Board are as per this illustration:

### OUR STRATEGIC BUSINESS IMPERATIVES

(derived from business strategy, risks and opportunities)

- Sustainable customer base and customer loyalty
- Increased market share and continued customer growth
- Stable operating environments
- Internal excellence (people, processes, systems)
- Strategic relationships and partnerships
- Good governance and controls
- Staying ahead of the competition
- Store growth
- Supplier loyalty

UN SDGs impacted:



## WHAT IS MOST IMPORTANT TO OUR STAKEHOLDERS

- Availability of quality goods
- Excellent service
- Sustainability of community initiatives
- Good governance and compliance
- Clear and transparent reporting
- Growth of total shareholder returns
- Local employment opportunities
- Development and growth opportunities
- Economic empowerment and transformation
- Free local delivery

Naturally, no organisation operates in isolation and these strategic imperatives are therefore influenced directly and indirectly by the broader macroeconomic environments in which the Group operates. The Group invests significant time and effort to understand the complexities and potential impacts of these environments in order to place itself in the best possible position to deal with future events and the uncertainties that these might create.



## STRATEGY FOR CORPORATE SUSTAINABILITY

In the broadest possible sense, sustainability is defined by Cashbuild as “maximising the Group’s chances of continued profitable existence into the future”. More specifically, and borrowing from the established definition of sustainable development, it can be defined as the utilisation of current resources without being detrimental to future generations.

For Cashbuild, the concept of sustainability is not limited to the Group’s impact on investors, society and the environment, but also extends to the impact of social and environmental considerations on the Group’s ability to continue sustaining itself and supporting those individuals and organisations that depend on its success.

The value created by the Group is certainly not limited to financial returns, but also includes the somewhat less tangible value that the Group adds through its operations to the communities in which its stores are located, as well as the value that can be created through mitigation of the Group’s environmental impacts (for example through emissions reduction initiatives). These various measures of value, and the interdependencies that they represent, all play a significant role in the Group’s efforts to grow and develop into the future.

The broader external environment in which the Group operates, including the various macroeconomic and geo-political factors identified elsewhere in this Report, will of course influence the Group’s attempts to create value for its stakeholders.

In response, Cashbuild will continue to proactively monitor these factors and take the required action, where necessary.

In developing any sustainability-related initiatives, the Board and Executive Management are required to adopt a prudent approach. We ensure that the interests of Cashbuild and any of its key stakeholder groups are carefully considered in the decisions taken or strategies implemented by the Group.

# Our Material Risks

UN SDGs impacted:



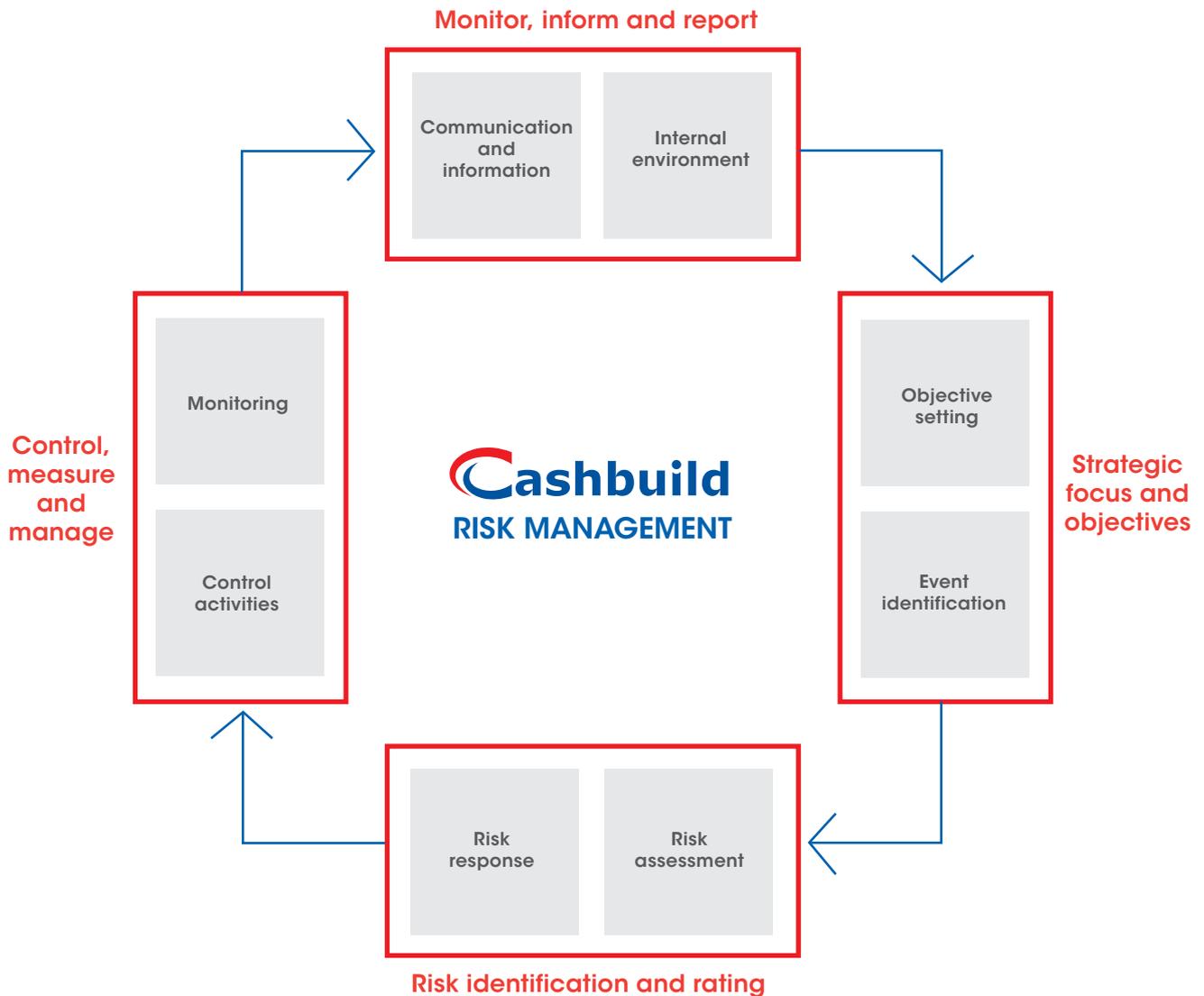
## RISK MANAGEMENT

Enterprise Risk Management and Compliance is a formal response to address corporate risk that may hamper the achievement of Cashbuild’s strategic objectives. It is a structured systematic process integrated into existing management responsibilities. This is a continuous process that responds to all types of risks in all parts of the Group and is an inherent part of the management philosophy of Cashbuild. The Group has adopted an approach to risk management that is in line with its risk appetite. Calculated risk taking is, however, acknowledged as an inherent part of business decision-making.

Each risk identified and recorded on the Group’s risk register is assigned an impact and a likelihood rating based on a standard 10-point scale. The multiplied effect of the impact and likelihood rating provides the risk rating which ranks as High, Medium or Low.

There is ongoing monitoring of the status of actions to mitigate identified risks, with regular reports made to the Executive Management Team and to the Board through quarterly Audit and Risk Committee meetings.

Risk management is discussed in the Audit and Risk Committee Report on pages 89 to 93 of this Integrated Report.



## MATERIAL RISKS RELEVANT TO CASHBUILD

The material risks identified are correlated with the Group's materiality determination and stakeholder engagement processes. The material principal risks and opportunities identified and attended to by Cashbuild are set out in the table below where the Group's top risks as at 27 June 2021 are ranked in order of risk level, and are categorised as Finance (one risk), Strategic (one risk), Operational (four risks) and IT (four risks).

Key Finance Risk ranked as high (prioritised as Number 1 risk) is:

Risk description	Mitigation plan
1 Delayed or short payment of suppliers due to the Covid-19 pandemic affecting the opening and functioning of back offices for processing.	<ul style="list-style-type: none"> <li>Increased meetings (interaction) between Cashbuild's creditors department and supplier processing staff to address exceptions and reconciling items.</li> <li>Re-instituting follow-up meetings between creditors and procurement addressing identified exceptions and overdue payments.</li> <li>Timely escalation and actioning of exceptions giving rise to reconciling items and overdue payments taking place.</li> </ul>

Key Strategic Risk ranked as medium (prioritised as Number 3 risk) is:

Risk description	Mitigation plan
3 Macroeconomic challenges placing strain on the achievement of business objectives.	<ul style="list-style-type: none"> <li>Continued monitoring of the macroeconomic indicators and trends and adapting business plans to take cognisance of the changing environment.</li> <li>Focus on core strengths and execution of business model.</li> </ul>

Key Operational Risks with all four of these ranked as medium (prioritised as Numbers 2, 5, 8 and 10, respectively), are:

Risk description	Mitigation plan
2 Impact of Covid-19 on Cashbuild's business.	<ul style="list-style-type: none"> <li>A Covid-19 Crisis Committee, consisting of Executive Management Team members, ensures that the business impact of Covid-19 regulations are: <ul style="list-style-type: none"> <li>timely identified, clearly understood, and consistently applied;</li> <li>the health and safety of staff members, customers and suppliers are optimally attended to;</li> <li>the business continuity and post-Covid-19 business resumption is attended to; and</li> <li>the client and supplier base and staff are kept informed of business arrangements impacted by the virus.</li> </ul> </li> <li>Focus on working with suppliers to secure supply of products and economic survival of our supplier base.</li> </ul>
5 Ineffective supplier deliveries as a result of the impact of Covid-19.	<ul style="list-style-type: none"> <li>Coordinate with key suppliers to prioritise deliveries to ensure stock availability, during the Covid-19 manufacturing restriction periods.</li> <li>Improve coordinated supplier follow up between both the Procurement and Operations functions.</li> <li>Increase accountability and performance measurement of suppliers if agreed supply targets are not met.</li> </ul>
8 Inadequate customer service.	<ul style="list-style-type: none"> <li>Company-wide customer service improvement drive focusing on increased awareness, training and execution.</li> <li>Ensuring delivery services meet customer expectations.</li> <li>Weekly review of customer complaints by Executive Management, identifying specific reasons for the complaints and ensuring the immediate implementation of the required remedial action.</li> </ul>
10 Compliance to OHASA.	<ul style="list-style-type: none"> <li>Increased awareness being created through weekly internal publication and reporting of incidents and reminders of due process to be followed.</li> <li>Increased monitoring of incidents and addressing root causes as part of management process.</li> <li>Executive review and follow up on status of incidents and corrective action taken.</li> </ul>

# Our Material Risks continued

## MATERIAL RISKS RELEVANT TO CASHBUILD CONTINUED

Key IT Risks with all four of these ranked as medium (prioritised as Numbers 4, 6, 7 and 9, respectively), are:

Risk description	Mitigation plan
<p>④ Vulnerability caused by exposure to single IT Service Provider with no alternative providers identified.</p>	<ul style="list-style-type: none"> <li>• Exposure to this risk to be minimised by continuous engagement with alternate service providers as considered appropriate.</li> <li>• Identified lack of service delivery to be addressed as matter of urgency and priority (as and when required) with the executive management of applicable Service Provider(s).</li> </ul>
<p>⑥ IT problem management relating to timely detection, escalation and resolution of reporting IT problems impacting optimal business performance.</p>	<ul style="list-style-type: none"> <li>• Effective IT operations structure which ensures IT operational delivery is tracked and is reported on weekly during Focus Meeting.</li> <li>• Adherence to processes and controls put in place to mitigate this risk to be continued with.</li> </ul>
<p>⑦ Capacity and or ability of primary IT Service Provider to successfully move Cashbuild to alternative technology without failure.</p>	<ul style="list-style-type: none"> <li>• Continued monitoring of service delivery with timely action taken on any potential irregularities identified.</li> <li>• Continued identification and assessment of alternative and or back-up service providers.</li> </ul>
<p>⑨ Exposure to cyber security events.</p>	<ul style="list-style-type: none"> <li>• Regular review of Information System Management Systems (SMS), processes and controls based on the International Standard ISO/IEC 27001, including an incident response plan.</li> <li>• Maintaining a comprehensive security posture that includes a combination of technologies such as firewalls, endpoint protection, intrusion prevention, access controls and cyber threat and vulnerability monitoring.</li> <li>• Update and maintain settings, processes and controls on a continuous basis.</li> <li>• Continuous programme of increased cyber security awareness and training.</li> <li>• Cyber security insurance put in place.</li> </ul>

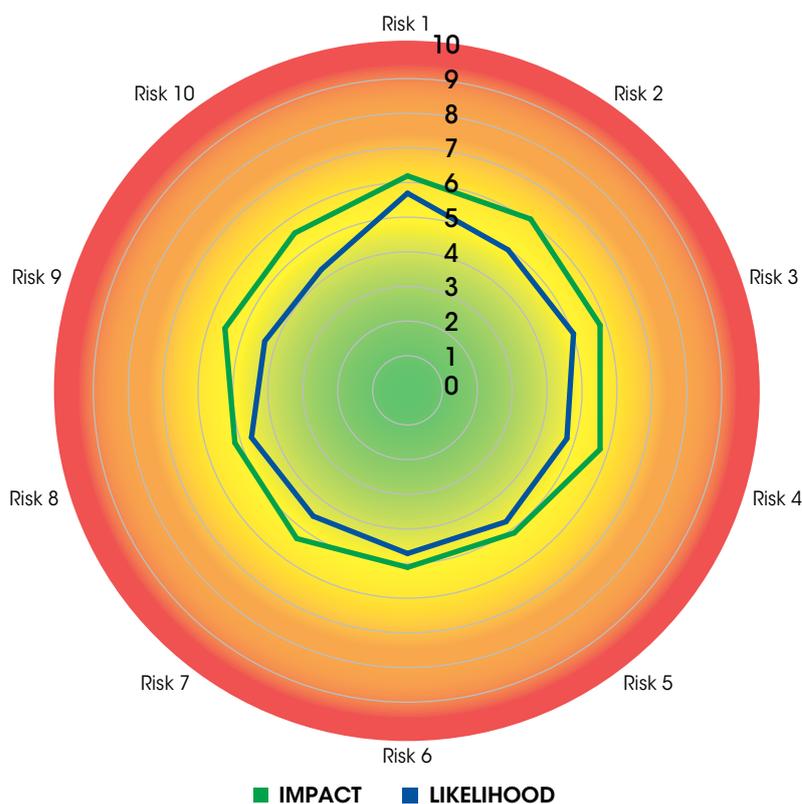
## MACROECONOMIC CHALLENGES AND CONCERNS

The following table details the macroeconomic challenges and concerns relevant to Cashbuild’s operations and activities, taking into account social and environmental issues as well as key concerns of various stakeholder groups.

Challenges/concerns	Potential impact	Probability	Response	Outcome
Current constrained economic conditions in the areas we trade.			Protect market share with competitive pricing and stringent cost control.	10 new stores opened (Cashbuild 9 and P&L Hardware 1) 9 stores closed (Cashbuild 2 and P&L Hardware 7) Gross profit margin increased to 26.9% Reduced loss-making stores in the Group.
High unemployment in the areas we trade.			By opening new stores, Cashbuild employs between 14 and 20 employees per new store.	1 016 new employees were employed in the current year
Macroeconomic developments such as exchange rate volatility, credit rating fluctuations and global economic slowdown.			Monitoring purchase price inflation and imported cement prices.	Purchase price inflation was at levels deemed to be acceptable. Only import cement from reputable suppliers where local suppliers are not competitive.
Skills shortage (including attraction, retention, and inadequate or sub-standard education and skills development).			Through Cashbuild’s training courses as well as Learnership and Bursary Programmes, we uplift and empower our employees who are keen to further their skills and qualifications.	During the current financial year: 5 348 employees attended training courses Learners employed: 92 NQF Level 2 learners 62 NQF Level 3 learners 115 NQF Level 4 learners 25 NQF Level 5 learners 110 Yes-4-Youth learners
Water and electricity interruptions, as well as political instability.			Water and electricity service interruptions continue to hamper trading conditions. The number of incidents of civil unrest reduced, mainly as a result of the Covid-19 lockdown. Subsequent to year end, this risk increased exponentially with the violent unrests in KwaZulu-Natal and Gauteng.	Water tanks, solar panels and generators have been installed to counter water outages and electricity load shedding. The year under review: 120 incidents compared to 162 in the previous year. 177 retail days lost compared to 491 in the previous year. R11.8 million in estimated potential lost sales compared to R38.8 million in the previous year. Subsequent to year end: 36 Stores were looted and damaged.



# Our Material Risks continued



Ranking	Risk Title	Category	RI	RL	RR
1	Delayed or short payment of suppliers due to the Covid-19 pandemic affecting the opening and functioning of back offices for processing.	Finance	6,1	5,6	33,8
2	Impact of Covid-19 on Cashbuild's business	Operational	6,0	4,9	29,5
3	Macroeconomic challenges placing strain on the achievement of business objectives	Strategic	5,8	5,0	28,8
4	Vulnerability caused by exposure to single IT Service Provider with no alternative providers identified	IT	5,8	4,8	27,8
5	Ineffective supplier deliveries as a result of the impact of Covid-19	Operational	5,2	4,8	24,5
6	IT problem management relating to timely detection, escalation and resolution of reporting IT problems impacting optimal business performance	IT	5,2	4,8	24,5
7	Capacity and or ability of primary IT Service Provider to successfully move Cashbuild to alternative technology without failure	IT	5,4	4,6	24,4
8	Inadequate customer service	Operational	5,2	4,7	24,1
9	Exposure to cyber security events	IT	5,5	4,3	23,4
10	Compliance to OHASA	Operational	5,5	4,2	22,9

RI: Risk Impact  
 RL: Risk Likelihood  
 RR: Residual Risk

# Our Opportunities

UN SDGs impacted:



Cashbuild’s sustainable business model incorporates the identification of opportunities such as store expansion, relocation and refurbishment, customer growth and other opportunities.

Cashbuild’s sustainable business model incorporates the identification of opportunities such as store expansion, relocation and refurbishment, customer growth and other opportunities.

The communication models incorporate factors as diverse as regional demographics, specialised retail advertising and corporate branding partnerships, all of which enable the Group to accurately develop, predict and take advantage of market trends, and thereby exceed customer expectations.



# Our Opportunities

## continued

### STORE EXPANSION, RELOCATION AND REFURBISHMENT

A critical element in the achievement of our strategic objectives is a sustained and sustainable increase in the number of Cashbuild stores, as well as the physical location of each store within its catchment area.

The Group plans to open on average 10 new stores per year. These additional stores are approved on the basis of identified locations showing clear potential to meet strict financial and operational criteria. Furthermore, from a human resources perspective, investment in a new store requires significant operational and store management experience to be available within the Group for deployment into new locations.

The Cashbuild store base is reviewed and critically analysed on an ongoing basis, particularly as and when leases are due for renewal, at which time a decision is made on whether to extend the lease, or relocate to a site with greater potential, or when deemed not viable to continue operating from a particular store, not extend the lease and close the store.

With regard to store refurbishments, Cashbuild's strategy is to refurbish and/or upgrade all stores on a rolling six-year basis. During the 2021 financial year 29 stores (28 Cashbuild and one P&L Hardware) (2020: 15 stores) were refurbished.

With regard to store relocations, during the 2021 financial year, five stores (three Cashbuild and two P&L Hardware) were relocated (2020: one store). As in the case of new store openings, store relocations are approved on meeting strict financial and operational criteria.

The decision taken in previous years to discontinue the Cashbuild DIY store project (mainly due to non-viability) and to rather expand on the P&L Hardware store concept is still in force. One DIY store remains trading. During the 2021 financial year, nine stores (two Cashbuild/seven P&L Hardware) (2020: eight stores) were closed.

### E-COMMERCE

Cashbuild is in the process of implementing a new store-specific online channel. All the Gauteng stores are operational and the expansion to the rest of South Africa started in July 2021. A further enhancement to the digital customer experience is a SMS2order system. This was successfully tested in a number of stores and will be expanded to all stores in South Africa during the second half of 2021. During the period under review, sales on the two platforms have doubled.

### REST OF AFRICA EXPANSION STRATEGY

Although Cashbuild has an Africa expansion strategy, the process of opening a store cross border is onerous and time-consuming. The Group currently has 33 stores outside of South Africa. Opportunities to expand further into the rest of Africa will continue to be carefully considered and their viability assessed, as and when they become evident.

The Cashbuild Zambia operations are currently not performing as expected due to various factors which have been identified and addressed or are in the process of being resolved. The cost of getting stock into Zambia from South Africa remains excessive and negatively contributes to our competitiveness in that country. A key focus of management is to progressively increase procurement through local suppliers with a view to improving competitiveness.

In addition, the medium of marketing has been revisited and a new strategy, more applicable to the local environment, has been put in place, which includes increasing brand awareness.

Excessive stock levels and slow-moving stock have also been addressed with effective reduction plans in place and being monitored on an ongoing basis.



## CUSTOMER GROWTH

Cashbuild’s customer model is one that encourages and enables communities to build, renovate, repair and decorate their homes and businesses throughout southern Africa.

The Group prioritises and actively supports the work of local councils and other local government bodies to build schools, clinics and housing in every community in which it trades.

As a result, Cashbuild has become the first choice retailer of quality branded building materials within these communities.

As part of maintaining this position, the Group has developed proven methods of communicating with customers in the most effective manner possible, taking into account geographical, socio-economic and other factors.

These methods are continually being refined and will continue into the future, with particular emphasis being placed on attracting new customers to Cashbuild, and encouraging and supporting customers to carry out their own home building and improvements.

The “Be Great” customer service programme, introduced in 2018, aims to improve customer service through positive “word-of-mouth” advertising. This programme enables the Group to improve its service throughout our stores and increase its customer base and continues to provide a delightful experience to our customers.



# Our Intellectual Capital

Investment in the Group's Intellectual Capital is intended to ensure that we continue to grow the Group's market share across all regions.

## OUR BRANDS AND TRADEMARKS

Our aim is to ensure that our brands are synonymous with quality service and product delivery. Thus enabling us to be the preferred DIY and building materials retailer in southern Africa whilst growing our customer base.

We own two main brands namely:



## IT SYSTEMS

Information technology is critical to the strategic transformation and organisational performance of Cashbuild. The Group strives to ensure that the IT application systems are bespoke, well suited and maintained to adequately support and enhance the Group's operating, reporting and management requirements. The project that was initiated to upgrade the P&L Hardware IT systems has been successfully completed and we can already see a marked difference in their reporting and monitoring of stock levels.

The knowledge and systems that we employ in order to generate returns for our shareholders are key to our business.

## E-COMMERCE INITIATIVES

In getting to know our customers better and improve direct communication, Cashbuild launched the Cashbuild Shopper customer loyalty programme in October 2018. This requires customers to provide their cell phone number at point of sale which has allowed us to analyse transactions and conduct focused marketing campaigns.

The Group has close to four million unique cell phone numbers in our Cashbuild Shopper database. This platform is used to reward our loyal customers. Each registered Cashbuild shopper has a chance to win their share of R50 000 on a monthly basis each time they shop at a Cashbuild store. To date, we have rewarded almost 3 000 shoppers to a value of R1 million. Reward prizes are increased during December months to further reward our customers.

Product-focused campaigns have also proven extremely successful in this regard.

The Group continues to enhance the Cashbuild Shopper to better reward our loyal customers with various value-added services and rewards, that are in line with the latest technology and product trends.

UN SDGs impacted:





# Our Manufactured Capital



As Cashbuild does not manufacture any products, its Manufactured Capital focuses on the Group's procurement policies to ensure the quality of the products sold in its stores are manufactured in line with its own values.

Cashbuild strives to do business with companies that conduct their activities in a responsible and ethical manner. This imperative is increasingly driven by the possibility of negative impacts or "risk by association" arising from doing business with companies that act unethically or irresponsibly.

## PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

Cashbuild's association with key suppliers has developed over a significant period of time, and is based on communication, trust and mutual benefit. The Group has, up to now, not identified a requirement to develop a quantitative method for assessing the environmental and social sustainability performance of its suppliers, but this will be further investigated as part of Cashbuild's own ESG strategy.

## PRODUCT RESPONSIBILITY

Cashbuild is not involved in the production or manufacturing process of the products it retails. The Group is committed to sourcing products that comply with applicable building industry standards, such as those developed by the SABS and other relevant certification agencies.

In line with Cashbuild's drive to be a responsible retailer, the Group only sources products that comply with legislative requirements related to product labelling, including warning labels. The production of the Champion branded products is outsourced to current suppliers. Cashbuild shares the labelling compliance with the manufacturers. However, Cashbuild collaborates on an ongoing basis with suppliers to ensure compliance in this regard.

In certain instances, particularly with regard to products with finite lifespans, such as paint or cement, Cashbuild constantly updates its procurement and inventory management practices to eliminate wastage arising from the disposal of expired products that can no longer be sold.

With regard to customer communication, the Group will, where appropriate, make use of in-store communication and signage, to both advise customers of inherent risks associated with certain products and to educate customers regarding their proper use.

## SECURITY, CRIME PREVENTION AND COUNSELLING

Crime, in particular theft, at Cashbuild stores remains an ongoing challenge and the Group promotes continuous vigilance within stores to combat this issue.

An area of particular emphasis is the prevention of any instances of crime that directly or indirectly affect employees, customers or our community members.

Cashbuild remains committed to offering the victims of such crimes appropriate counselling at both an individual and a Group basis, through an external service provider. The majority of crimes committed at the Group's stores during the 2021 financial year included 163 (2020: 142) burglaries and 22 (2020: 33) armed robberies.

Cashbuild subscribes to an anonymous tip-off service line where employees can report incidents of theft, fraud, mismanagement or unauthorised expenditure.

All tip-offs are investigated to identify their root causes and address the issues reported. The status of tip-offs logged is administered by Cashbuild's Group Risk Management department with regular updates provided to the Executive Management Team and quarterly reporting to the Social and Ethics Committee. During the past financial year, 116 (2020: 93) such incidents were reported, with each of these being directly addressed by the Group and the appropriate disciplinary action being implemented where warranted.

This issue is also linked to the rate of employee turnover within Cashbuild. In the reporting period, a total of 569 (2020: 463) employees were dismissed across Cashbuild's operations, with the majority of these dismissals related to incidents of theft or corruption.

The Group outsources security personnel where needed and is not aware of any human rights violations committed by security personnel in the execution of their responsibilities.

During the 2021 financial year, Cashbuild had 120 (2020: 162) incidents of community unrest, which resulted in some of our stores being closed for a total of 177 (2020: 491) trading days throughout the course of the year. Trading days affected resulted in an estimated loss in sales and damages of R11.8 million (2020: R38.8 million).

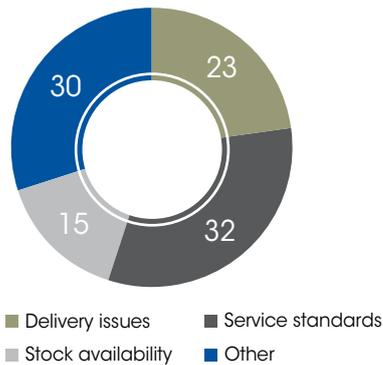
## CUSTOMER COMPLAINTS

The effect of Covid-19 had an adverse impact on staff and store operations, suppliers and customers resulting in an increase in customer complaints. This was mainly driven by the higher demand of products while some of Cashbuild's suppliers were unable to manufacture and supply at full capacity due to the various lockdown restrictions. This resulted in occasional stock shortages which added to the frustration of customers.

In addition to formal complaints raised by customers, Cashbuild receives informal feedback in-store. The Divisional Manager's details are displayed in-store to allow customers to contact them directly with service- and customer-related issues.

	2021	2020	2019	2018
Formal customer complaints	771	502	400	410
Complaints as a percentage of total sales transactions (%)	0.004	0.003	0.002	0.002

NATURE OF THE COMPLAINTS (%)



UN SDGs impacted:



# Chief Executive's Report

This year has definitely been one for the records. Despite the ongoing uncertainty created by the Covid-19 pandemic, as well as product shortages in some of our major product categories, Cashbuild reported a fantastic set of results. The dedication and hard work of our whole team were major contributors to the success of the Group and we are thankful for each one's valuable role.

Werner de Jager

## THE YEAR AT A GLANCE

Cashbuild reported a solid set of results for the financial year ended 27 June 2021, despite the devastating impact of the Covid-19 pandemic, as well as industry shortages in some of our major product ranges such as cement, timber and steel. The first half of the year set the tone for the second half with strong sales through our Cashbuild stores, with sales through our P&L Hardware stores trailing behind due to various challenges experienced.

The primary drivers behind the growth seen by most DIY retailers are attributable to more DIY projects being undertaken, which are not only decorative, but involve building projects as well. Further contributing factors were the TERS grants that were paid out in the first half of the reporting period, along with people using early pension and retrenchment package payouts, and generally more disposable income being available as customers spent more time at home, spending less on travel, eating out and entertainment.

Another contributor to the results was the way our team executed during these trying times. The fact that we managed to have stock available in most product lines is a testament to this.

Cashbuild continues to serve a unique clientele who are primarily cash driven, including small builders working specifically in the DIY project space, and operates in a market that remains largely fragmented. We continue to improve our e-Commerce offering and the roll-out of our new national e-Commerce platform was completed at the end of August 2021.

The Group reported solid results for the year ended 27 June 2021:

- Revenue increased by 25% to R12.6 billion;
- Operating profit increased by 100% to R1 039 million; and
- Attributable earnings increased by 149% to R665 million.

Cashbuild, as at 27 June 2021, had 319 stores, made up of 263 Cashbuild stores, 55 P&L Hardware stores and 1 Cashbuild DIY outlet. During the 2021 financial year we added 10 stores, consisting of 9 new Cashbuild stores and 1 P&L Hardware store, refurbished 29 stores, relocated 5 stores, and closed 9 stores.

## FINANCIAL REVIEW

Group revenue for the year increased by 25% to R12.6 billion from R10.1 billion. Revenue for stores in existence prior to July 2019 (pre-existing stores – 298 stores) increased by 23% and our 21 new stores contributed 2% growth. Transactions through the tills increased by 16% to that of the previous year.

Gross profit increased by 34% with gross profit margin percentage increasing from 25.0% to 26.9%. Selling price inflation was 7%.

Operating expenses, including new stores, were well controlled considering the revenue growth, increasing by 17% (existing stores 15% and new stores contributed 2% of the increase) resulting in the operating profit increasing by 100% to R1 039 million from R520 million in the prior year. The Group reported an operating profit margin of 8.2%, higher than the 5.2% reported in 2020. We must caution that we are expecting margins to normalise once trading returns to pre-Covid levels.

Basic earnings per share increased by 149% with headline earnings per share by 152% from 1 139 cents (June 2020) to 2 873 cents.

Cash and cash equivalents increased to R2 546 million mainly driven by increased profitability. Creditors' balances are higher due to supplier deliveries normalising from the low base a year ago post lockdown. Stock levels, including new stores have increased by 22% with stockholding at 74 days (June 2020: 60 days).

There was an increase in NAV per share of 21% from R84.70 (June 2020) to R102.12.

## DIVIDENDS

The Cashbuild Board has declared a final dividend of 2 211 cents. This is a one-off declaration in recognition of the exceptional results reported for this year. As a result, the total dividend amounting to 2 935 cents per share equals basic earnings per share for the year under review. It, however, does not change the stated 2 times dividend cover policy of the Company.

## STRATEGIC OVERVIEW AND INITIATIVES

Our strategy of being one of the leading southern African-based retailers of building materials and products, providing these materials and products at the best value, directly to the public, remains unchanged. Our strategy continues to be underpinned by our vision, mission and core values, which are set out on pages 8 and 9 of this Integrated Report.

We continue to subscribe to the highest ethical standards of business practice as endorsed by our Code of Ethics and our business is aligned with both local and international corporate governance best practice, set out in The Cashbuild Way. Every year, we endeavour to improve on our ESG initiatives and principles and this year we have restructured our Integrated Report to include an ESG Report, enhanced our ESG reporting as well as adopted the UN Sustainable Development Goals. Cashbuild's strategic ESG-related matters are set out in the ESG Report section of this Integrated Report, commencing on page 43.

Our people continue to be one of our most valuable assets and training and development of employees remain core priorities in order to ensure our ongoing sustainability. We are proud of the fact that Cashbuild is a Wholesale and Retail SETA-accredited training provider. Despite the impact of the pandemic, a total of 294 learnerships were offered to employed and unemployed individuals this year. In addition, 5 348 (2020: 4 772) employees were trained in their positions as well as back up roles to mitigate the risk of unforeseen absences by key staff. The total cost of training was R9.8 million (2020: R10.4 million).

Our response to the pandemic continues to be a large part of our safety, wellness and health programmes, with measurements still in place to safeguard the health and safety of our workforce. For the financial year ended 27 June 2021, we had 359 positive Covid cases with 1 related Covid death.

Our sympathies go out to the family, friends and colleagues of those in our employ who lost their loved ones or who have been severely affected by this devastating virus.

# Chief Executive's Report continued

## THE ACQUISITION OF THE BUILDING COMPANY (TBC)

As reported in the previous year's Integrated Report, Cashbuild announced on 4 August 2020 that it had entered into an agreement with Pepkor, subject to conditions precedent, to acquire 100% of the issued share capital of TBC, a wholly owned subsidiary of Pepkor, and the shareholder loan claims of Pepkor against TBC, for a purchase consideration of R1,075 million (the Transaction).

On Friday, 28 May 2021, shareholders were advised that the Competition Commission recommended that the Transaction be prohibited. The approval by the Competition Commission was a material suspensive condition which was required to be fulfilled in order to implement the Transaction. Consequently, given that not all the suspensive conditions would be met by the long-stop date of 16 August 2021, and the parties unable to agree on an extension of the long-stop date, it is with great regret that we had to announce on 12 August 2021 that the Transaction between Pepkor and ourselves has been terminated.

## LOOKING AHEAD

We are disappointed with the termination of the acquisition of TBC as we firmly believe that this transaction would have aligned with Cashbuild's vision of being the preferred supplier of building material and associated products and services across all market segments. Cashbuild will however continue to pursue growth opportunities while still maintaining its commitment to its customers in the South African and neighbouring markets.

Covid-19 and the impact on the economy as well as the well-being of the people remain of grave concern. Despite the challenges of operating under "new" trading conditions, our staff have adapted and embraced our enhanced safety and health protocols to ensure that there has been minimum disruptions to Cashbuild's trading.

The senseless violent protests and looting in mid-July, mainly in Gauteng and KwaZulu-Natal negatively impacted Cashbuild with a total of 36 stores (32 Cashbuild and 4 P&L Hardware stores) being damaged and looted.

One affected store has already been repaired and is currently trading. Cashbuild has initiated the process of assessing the damages and working with insurers in obtaining approvals for the rebuilding, restoring and restocking of the affected stores. The situation is continuously monitored and preventative measures taken to ensure the safety of our staff.

Taking the above into consideration, for the first six weeks of the year ending 26 June 2022, total sales for the Group decreased by 10% over the prior comparative period.

## APPRECIATION

To all my colleagues in management and all our staff, thank you for your extraordinary dedication, adaptability and loyalty during what has been another challenging year.

To our loyal customers and shareholders, thank you for your continued support this past year, and also to our industry partners, suppliers, contractors, formal and informal partners, thank you for collaborating with us to ensure we continue to enhance our product and service offering.

In conclusion, my appreciation and wholehearted thanks to every member of the Cashbuild Board, and especially our Chairman, for your support, commitment, advice and contributions during the year under review.

**Werner de Jager**  
*Chief Executive*

31 August 2021

