

Mr Price Group Limited
(Registration number 1933/004418/06)
Incorporated in the Republic of South Africa
ISIN: ZAE000200457
LEI number: 378900D3417C35C5D733
JSE and A2X share code: MRP
("group" or "company")

TRADING UPDATE FOR THE 18 WEEKS ENDED 7 AUGUST 2021

During the first 18 weeks from 4 April 2021 to 7 August 2021 (the "Period") of the financial year ending 2 April 2022 ("FY2022"), the group recorded growth in retail sales and other income ("RSOI") of 48.8% to R8.6bn. This performance was supported by the inclusion of the recently acquired Power Fashion ("PF"), effective 1 April 2021, and Yuppiechef ("YC"), effective 1 August 2021. Excluding these acquisitions, RSOI grew 38.6% to R8.0bn.

The financial performance commentary below is against the first 18 weeks of financial year 2021 (29 March 2020 to 3 April 2021, referred to as "FY2021 Period") and to provide a more relevant comparison due to the significant effects of the COVID-19 lockdown restrictions enforced during FY2021 (all stores closed in April 2020), commentary is supplemented with comparison against the same period in financial year 2020 (31 March 2019 to 28 March 2020, referred to as "FY2020 Period").

The group gained 250 basis points of market share and excluding acquisitions gained 90 basis points according to the Retailers' Liaison Committee (RLC) from April 2021 to June 2021 (the latest period for which data is available). This is a continuation from the 150 basis points of market share gained in the twelve months to the end of March 2021. The group experienced several external disruptions during the Period which impeded performance. However, market share gains were achieved despite these challenges, highlighting the resilience of the group's fashion-value business model.

The recovery in the consumer environment was negatively affected by extended COVID-19 lockdowns which moved from less restrictive level 2 and fluctuated between more restrictive adjusted levels 3 and 4 from 15 June 2021 to 26 July 2021. The country is currently under adjusted level 3 lockdown restrictions. Significant disruption was also caused to trade and supply chain operations by the civil unrest during the month of July in KwaZulu-Natal and parts of Gauteng, two of the country's prominent provinces (Refer SENS 14 July 2021 and 21 July 2021). Additionally, the group's primary port of entry, Durban, had its operations disrupted intermittently by the civil unrest and an unprecedented cyber-attack. All these factors have weighed

heavily on business and consumer confidence, population mobility and hampered economic activity during the Period.

Retail sales for the group's corporate-owned stores compared to the FY2021 Period and FY2020 Period was as follows:

	Total sales growth - 18 weeks	
	FY22 vs FY21	FY22 VS FY20
Apparel segment	56.2%	17.0%
Apparel segment excl PF	41.1%	5.7%
Home segment	42.7%	14.0%
Home segment excl YC	42.2%	13.6%
Group*	50.9%	16.9%
Group* excl PF and YC	40.1%	8.6%

*Includes Cellular (handsets & accessories)

The commentary below relating to key group performance metrics excludes acquisitions.

South African retail sales grew 40.7% to R7.7bn over the FY2021 Period (+8.9% on FY2020 Period). The two-year growth of 8.9% includes the effects of the COVID-19 level 5 lockdown in April 2020, subdued discretionary sales in the retail sector in June 2021, high levels of pent-up demand in the base and the store closures due to civil unrest in July 2021.

Store sales were up 40.5% over the FY2021 Period (+7.3% on FY2020 Period), a strong performance considering that at one stage 539 stores were closed during the week of civil unrest and 104 stores remained closed and did not trade for the last 3 weeks of the Period, due to either being looted or partially damaged to varying degrees. Non-South African corporate-owned stores sales grew 33.2% to R546m over the FY2021 Period (+4.6% on FY2020 Period).

The group's online channel continues to perform strongly, increasing sales 46.4% over the FY2021 Period (+103.2% on FY2020 Period), and contributing 2.9% to sales (1.6% in FY2020 Period).

Unit sales grew 34.4% over the FY2021 Period (-0.9% on FY2020 Period) and inflation was up 5.2% over the FY2021 Period (+10.1% on FY2020 Period).

The group's diverse store footprint expanded by 211 stores from its financial year ending 3 April 2021 (acquisitions: 181; new stores: 30) to total 1 629, offering accessible and convenient shopping locations for its customers. Trading space increased 5.2% (1.6% excluding acquisitions) over the FY2021 Period on a weighted average basis.

The prevailing consumer environment continues to see customers favouring cash transactions, and as a result the group increased cash sales 39.7% over the FY2021 Period (+11.5% on FY2020 Period), constituting 84.9% (82.7% in FY2020 Period) of total sales. The group has seen an improvement in credit sales, which grew 42.4% over the FY2021 Period (-5.3% on FY2020 Period), driven by an increase in new and existing account sales. Credit sales are approaching pre COVID-19 levels, despite a marginally lower account base due to consolidation during the FY2021 Period. The group continues to be prudent in its credit granting criteria due to the volatility of the consumer environment.

In the apparel segment, the group's largest division, Mr Price Apparel has gained market share for 15 consecutive months, highlighting its strong customer value proposition. This has been achieved through its differentiated fashion merchandise and an intentional strategy to enhance the value offered to its customers. Miladys, which competes in a niche segment of the apparel market, has made good progress in countering the challenging consumer trends it has faced during the COVID-19 pandemic. It has successfully launched an online platform and traded into higher demand categories, resulting in market share gains in all 3 months during the Period. The recently acquired Power Fashion business, which competes in the lower-income segment of the market, also gained market share during the Period. Mr Price Sport performed strongly, albeit off a lower base than the rest of the group, but continues to face trading challenges due to the ongoing COVID-19 restrictions which have negatively affected schools, sports clubs and gyms.

Due to the extended COVID-19 lockdowns, the homeware trend has continued, and the home segment performed strongly. Mr Price Home and Sheet Street collectively gained 150 basis points of market share during the period.

Cellular handsets and accessories increased sales 11.2% over the FY2021 Period (41.8% on FY2020 Period). Products are available in 371 stores and online, supporting further market share gains during the period according to Growth from Knowledge.

Other income grew 4.3% to R291m over the FY2021 Period (-10.5% on FY2020 Period). Debtors' interest and fees were adversely affected by a reduced debtors' book and lower repo rates.

Civil Unrest

The group previously communicated on 14 and 21 July 2021 that the civil unrest that took place in KwaZulu-Natal and in parts of Gauteng resulted in 111 stores closing.

The group continues its assessment of the damage but is confident that it is adequately covered for its incurred losses through its riot wrap cover (business interruption covering lost gross profit from day 15 up to 12 months) and SASRIA insurance cover (physical damage to fixed assets and stock loss).

The fully quantified insurance claims and GP margin impact are scheduled to be communicated at the interim results presentation in November. Shareholders are advised that accounting for the losses may take place in a different reporting period than when the insurance recovery is recorded.

We are proud of our associates and partners for their efforts in ensuring that the affected stores become operational as soon as possible. Of the 111 stores, the group estimates that approximately 75% of these will be re-opened by the end of September 2021. An additional 10% of stores will re-open by the end of FY2022 with the outstanding balance of stores expected to re-open during FY2023.

Outlook

The group anticipates the consumer environment to remain constrained. The South African economy continues to feel the impact of the ongoing COVID-19 restrictions, exacerbated further by the slow pace of the vaccination roll-out. The recent civil unrest has added strain to the country's GDP growth recovery.

In this challenging environment consumers will become increasingly value conscious. The group is confident that its fashion-value merchandise offering is well positioned to build on the market share gains from the last year. Its recent acquisitions add further strength to its ability to increase its share of wallet in its two primary segments.

International port congestion and global supply chain imbalances are having a material impact on distribution operations and costs, and on the economy as a whole. In line with the rest of the sector, the group is experiencing the negative impact of these disruptions and anticipates it to continue into the second half of FY2022.

The group's inventory position at the end of the period was higher than planned due to the temporary store closures during the week of civil unrest. In addition, the total apparel and homeware market reported subdued sales growth in June 2021 (RLC decreased 3.8%), a similar trend experienced by the group, further compounding the stock position. The terminal winter component of this inventory is not significant, and management are focused on ensuring that the non-seasonal stock position improves throughout the remainder of FY2022. Consumers remain

constrained and protecting them from inflation pressure is a priority in ensuring that the group's everyday low-price promise is delivered.

The group anticipates that it will report a reduced GP margin in H1 as a result of the following factors: inventory write-offs due to the civil unrest (recoveries from insurance claims will be accounted for under other sundry income); markdown levels have been acceptable but are higher than the historically low levels reported in the FY2021 Period; and the inclusion of acquisitions which trade at lower margins than the group. The non-recurring credits in the H1 expense base (rental relief and government support initiatives) will impact expense growth and management continues to apply its disciplined approach to cost control.

The group's cash-based, omni-channel business model has proven extremely resilient over the last 35 years. Despite the store closures and fully funded acquisitions, the group's cash balance remains healthy at R4.2bn. Our associates have consistently and proudly lived the group's beliefs of passion, value and partnership through the events over the last 18 months. We extend our sincere gratitude to them for their commitment to the group and to all stakeholders for their understanding and support.

The forecast financial information on which this trading update is based has not been reviewed and reported on by the company's external auditors.

Durban
20 August 2021

JSE Equity Sponsor and Corporate Broker
Investec Bank Limited