

# FY20

**Interim results**  
to 28 September 2019







01

# Overview

Retail Environment & Group Performance  
by Mark Blair - CEO

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02

# Performance

Detailed Group & Divisional Results  
by Mark Stirton - CFO

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# Overview

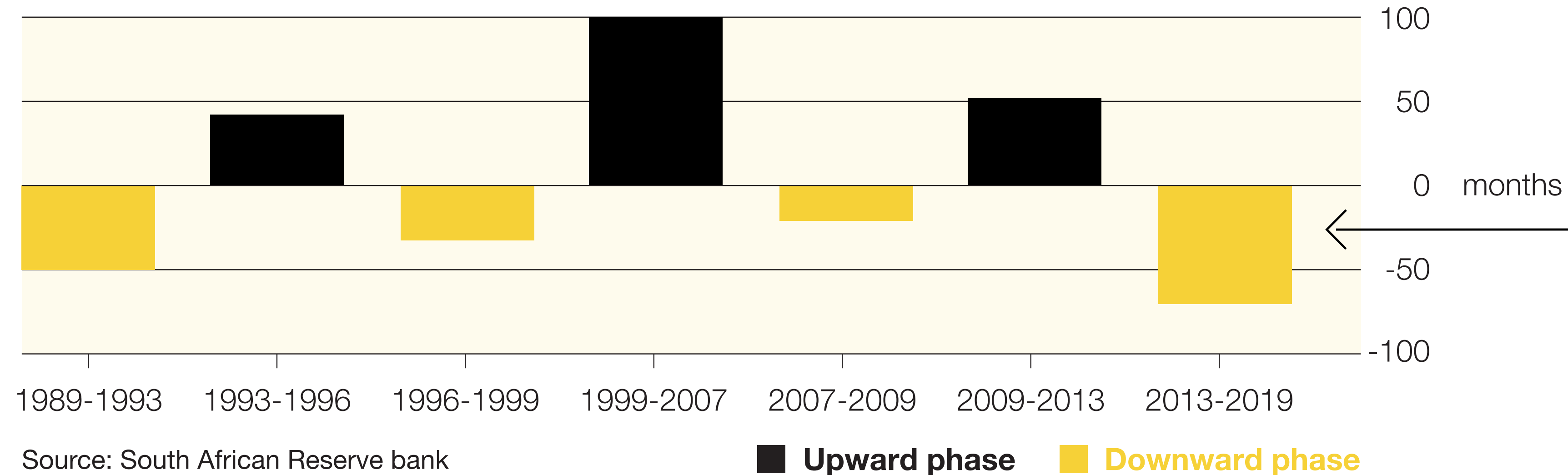
Retail Environment & Group Performance  
by Mark Blair - CEO

# 01



# Economic overview

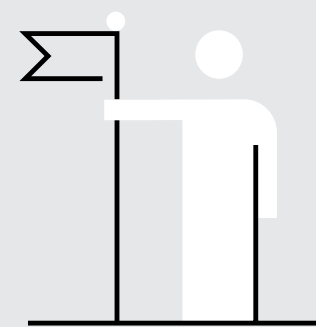
The South African economy (200 metrics monitored by SARB)



## Protracted slump

Longest downward business cycle yet: 70 months of decline

### Business confidence



**21** index points  
(Q3 2019)

Q3 2018: 34 index points

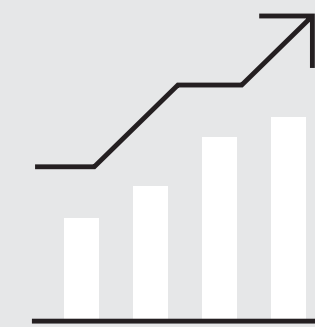
### Unemployment rate



**29.1%**  
(Q3 2019)

Q3 2018: 27.5%

### Exchange rate avg.



**R14.69**  
(Q3 2019)

Q3 2018: R14.08

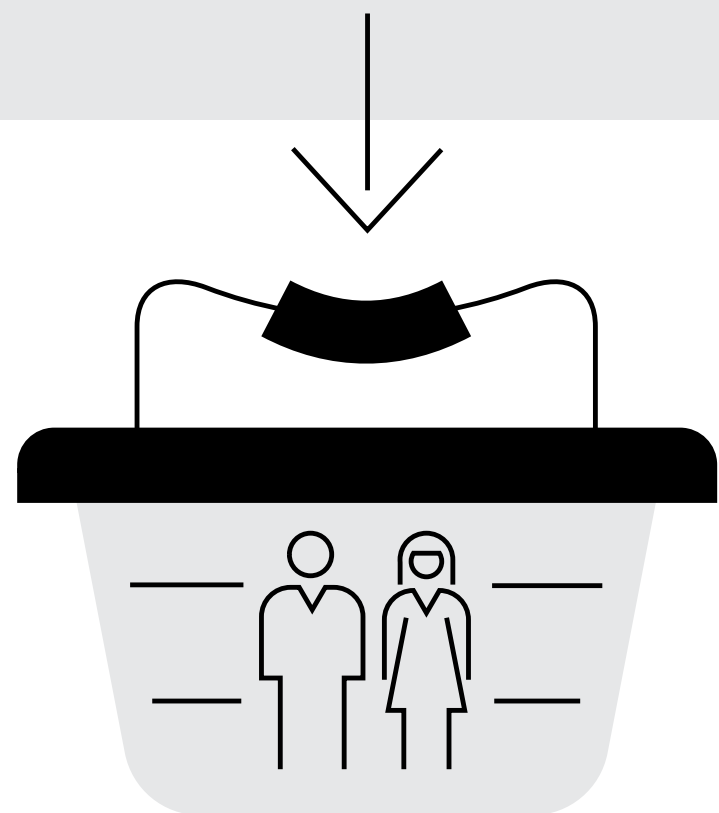
Unsupportive economic drivers



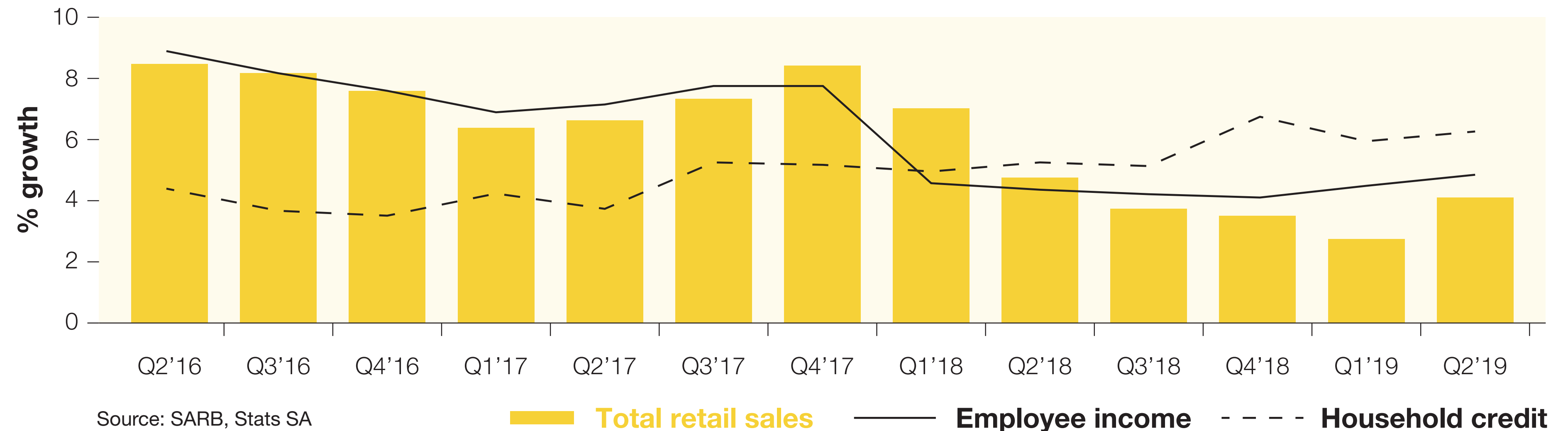
# Consumer environment

## consumers under pressure

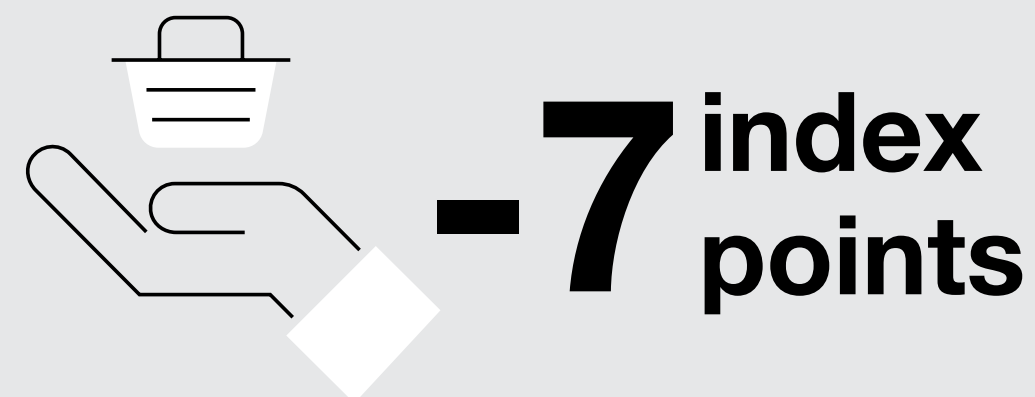
- Lower disposable income
- Reduced savings
- Higher debt service costs



Source: BER Consumer Confidence | Stats SA



## Consumer confidence (Q3 2019)



Q3 2018: 7 index points

## Household debt to disposable income (Q2 2019)



Q2 2018: 71.6%



# Group performance

Revenue

**+2.6%**

R10.8bn

Operating margin

**15.8%**

(60bps)

EBITDA

**+32.2%**

R2.5bn

Normalised: (10.0%)

Profit after tax

**(10.2%)**

R1.1bn

Normalised: (7.8%)

Total diluted HEPS

**(9.6%)**

435.9c

Normalised: (7.2%)

Dividend per share

**Maintained**

311.4c

Normalised: excluding impact of transition to IFRS 16  
(IAS 17 basis - refer pg 9)

# Key ratios

ROE\*

**36.9%**

Dividend Yield\*

**4.6%**

Quick ratio

**1.7**

Current ratio

**2.4**

Cash conversion ratio<sup>#</sup>

**2.8**

Debt:Equity ratio

**0.9**

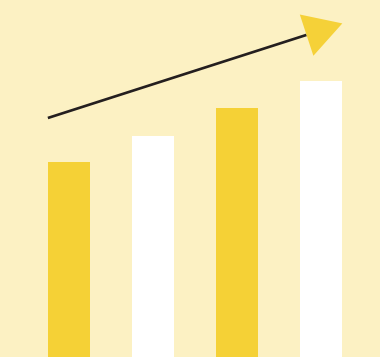
\*Annualised | <sup>#</sup>Cash from operations to profit attributable  
to shareholders



# Performance unpacked

## What we said in May:

- inventory carry from PY
- H1 FY20 is going to be 'messy' but should see improvement in H2 - initiatives in Mr Price Apparel



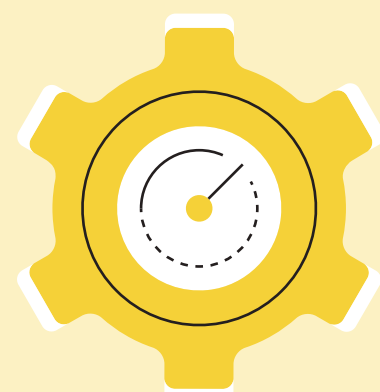
### Group performance excluding Mr Price Apparel

- Revenue grew 7.4%
- Retail sales up 6.1%
- Gross margin expanded 20bps
- 5 out of 6 divisions grew operating profit, 3 of which were at double digit levels
- Trading density up 8.9%



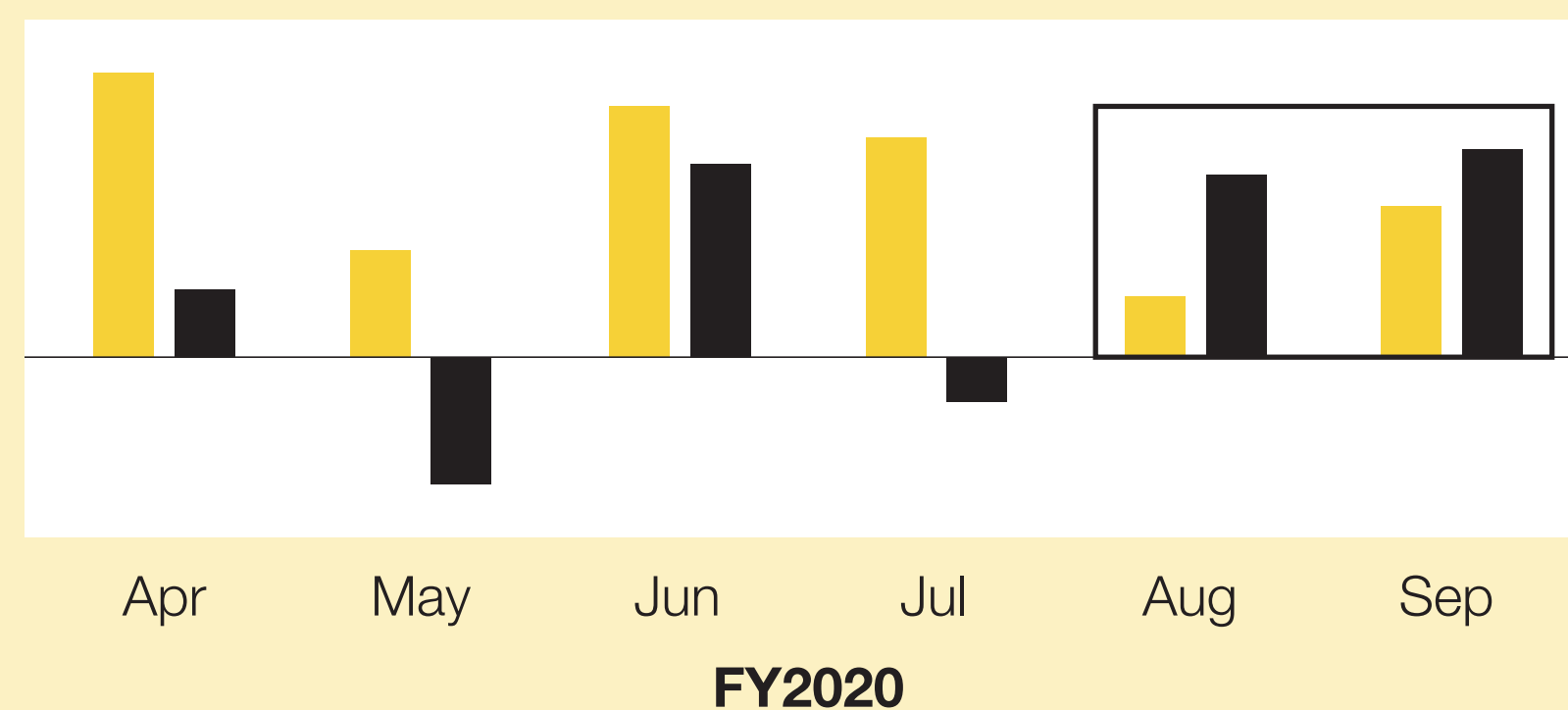
### Group performance barriers

- Soft macroeconomic & consumer environment
- FX headwinds: ZAR/USD exchange rate depreciated 8.8% (H1 avg. vs PY). Impacting GP% & pricing strategies
- Internal factors impacting Mr Price Apparel

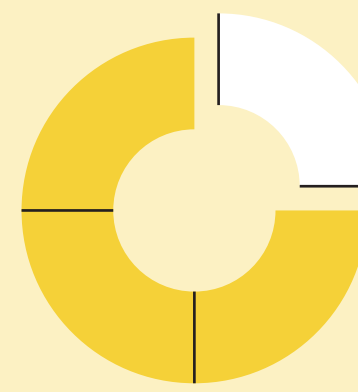


### Group momentum change

Retail sales growth per Stats SA



■ Type D excl MRPG ■ MRPG



### Group market share

- MRPG retail sales growth per trading update 1 Apr to 3 Aug '19 of 0.6%. Remainder of H1 up 4.4%
- RLC (~60% of Stats SA Type D retailers)- group, excl Mr Price Sport
  - lost market share in H1
  - gained market share in Sep'19
- Stats SA- group incl Mr Price Sport
  - sales growth lagged market Apr-Jul'19
  - exceeded market in Aug & Sep'19



# Performance

Detailed Group & Divisional Results  
By Mark Stirton - CFO

# 02



# Accounting standard changes

## 2020 Financial Period

### IFRS 16 Leases

#### Summary of financial impact

- Leases affected materially by new standard predominantly related to stores
- IFRS 16 requires a lessee to recognise:
  - a right of use asset (ROUA) representing its right to use the underlying asset
  - a lease liability representing its obligation to make lease payments
- Modified retrospective method applied: no restatement of comparatives
- Both methods record the same expense over the full period of the lease
- IFRS 16 results in a higher expense in the earlier years of a lease & a lower expense in the later years compared to IAS 17
- 56% of our leases are in the first two years of their lease, with 76% in the first three years
- Right of use assets of R4 059m & lease liabilities of R4 604m were recognised at take on, with equity decreasing by R232m after derecognition of straight line provision
- Depreciation of R620m & interest on lease liability of R221m were recognised during H1
- Impact in standard change on H1 income statement is a higher charge of R42m before tax & R31m after tax

## Key ratios impacted:

### Positive:

- EBITDA margin
- operating margin
- ROCE/ROE
- operating cash flows

### Negative:

- debt to equity
- interest cover
- ROA
- current & quick
- NAV per share



# Earnings & dividend per share

	2019	2018	% Change	
			Statutory	Normalised
Profit attributable to shareholders (R'm)	1 148	1 279	(10.2%)	(7.8%)
W. Avg shares in issue (000) <sup>1</sup>	258 881	258 630		
Basic earnings per share	443.6c	494.4c	(10.3%)	(7.9%)
Addbacks (R'm)	(0.9)	(0.1)		
Headline earnings (R'm)	1 147	1 279		
Headline earnings per share	443.2c	494.3c	(10.3%)	(7.9%)
Shares for diluted earnings (000) <sup>2</sup>	263 224	265 030		
Diluted headline earnings per share	435.9c	482.4c	(9.6%)	(7.2%)
Dividend per share <sup>3</sup>	311.4c	311.4c	0.0%	

- <sup>1</sup> Movement relates to LTI schemes' shares vesting. Shares previously held by trusts now back in the market
- <sup>2</sup> Lower dilution impact than PY. Increase in w.avg share options outstanding of 7.2% & w.avg share price 24.3% lower
- <sup>3</sup> Interim dividend maintained at 311.4c



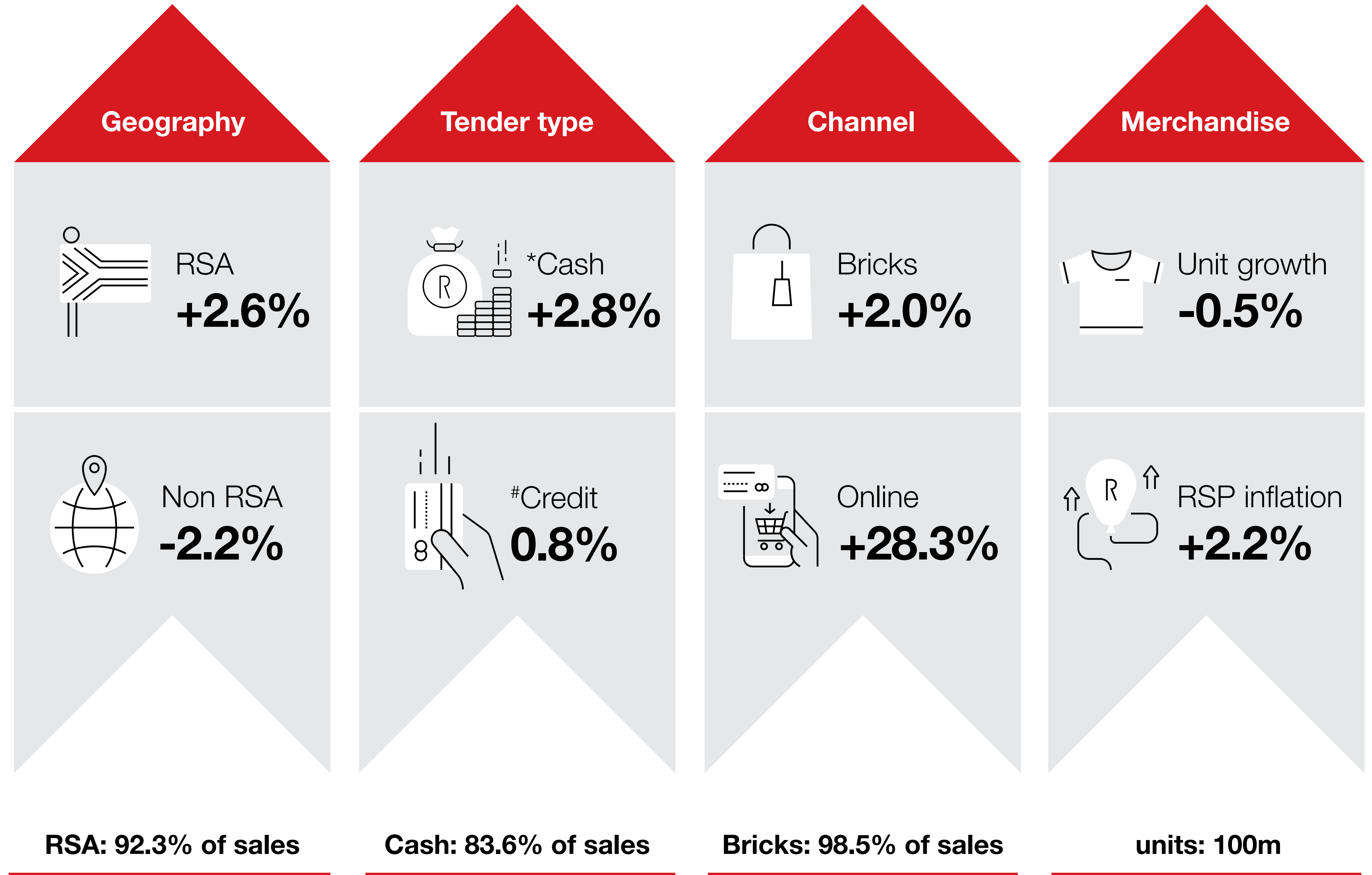
# Group income statement

R'M	2019	2018	% Change
<b>Continuing operations</b>			
Retail sales & other income (pg 13)	10 661	10 424	2.3%
Gross profit (pg 16) <sup>1</sup>	4 096	4 278	(4.2%)
Expenses (pg 17) <sup>2</sup>	2 823	2 970	(5.0%)
Profit from operating activities	1 686	1 714	(1.6%)
Net finance (expense)/income <sup>3</sup>	(88)	101	(187.5%)
Profit before taxation	1 598	1 814	(11.9%)
Taxation <sup>4</sup>	452	515	(12.2%)
Net profit from continuing operations	1 146	1 299	(11.7%)
Net profit/(loss) from discontinued operations <sup>5</sup>	2	(20)	
Profit attributable to shareholders	1 148	1 279	(10.2%)

- <sup>1</sup>Gross margin gains for all divisions except Mr Price Apparel
- <sup>2</sup>IFRS 16 impact: Includes right of use asset depreciation of R620m which is lower than rental expense exclusion
- <sup>3</sup>Includes interest on lease liability expense (IFRS 16) of R221m & interest on cash reserves of R135m
- <sup>4</sup>Effective tax rate 28.3% (PY 28.4%)
- <sup>5</sup>Relates to discontinued Australian operations



# Group sales<sup>^</sup> growth drivers





# Revenue

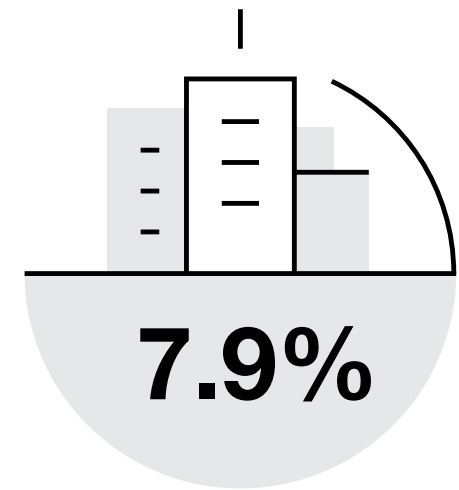
R'M	2019	2018	% Change
*Retail sales <sup>1</sup>	9 891	9 725	1.7%
Total other income	770	698	10.2%
Financial services & cellular <sup>2</sup> (pg 22)	743	673	10.3%
Other	27	25	5.7%
Total retail sales, interest <sup>3</sup> & other income	10 661	10 423	2.3%
Finance income <sup>4</sup>	135	103	31.8%
Total revenue	10 796	10 526	2.6%

- <sup>1</sup> Retail sales growth per trading update 1 Apr to 3 Aug '19 of 0.6%. Remainder of H1 up 4.4%. Excluding Mr Price Apparel, retail sales grew 6.1% in H1
- <sup>1</sup> All divisions grew comp sales excluding Mr Price Apparel
- <sup>2</sup> High cellular growth driven by further roll out of in-store kiosks
- <sup>3</sup> Interest on accounts receivable
- <sup>4</sup> Interest on higher cash balances (refer cash flow pg 20)

\*Excludes cellular

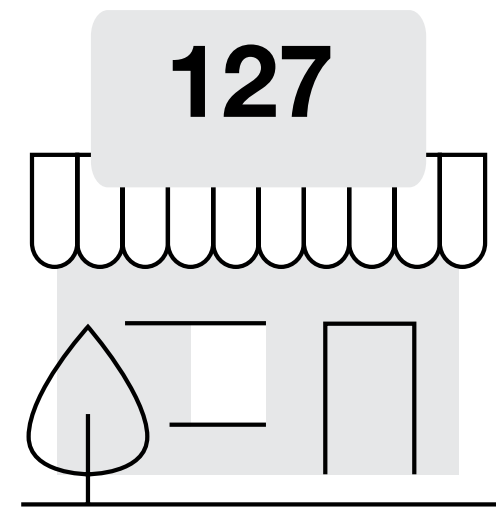


Total % of Group sales



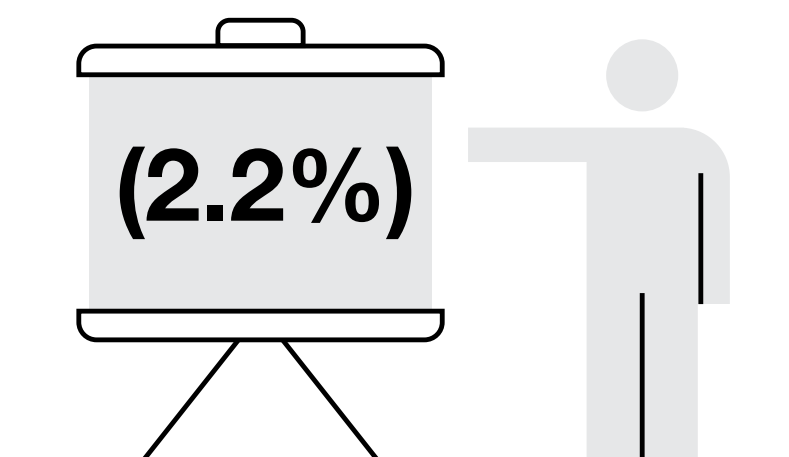
FY19: 8.2%

No. of stores



Corporate owned stores: 116

Sales growth (ZAR)



FY19: +11.4%

# Non RSA sales

	Contribution	Growth
Namibia	32.4%	(8.5%)
Botswana	23.5%	+5.0%
Kenya	10.5%	+42.9%
Swaziland	8.5%	(3.8%)
Zambia	7.8%	(11.5%)
Ghana	5.2%	+2.6%
Nigeria	5.0%	(5.0%)
Lesotho	4.4%	+3.3%
Africa	97.3%	(0.1%)
Australia	0.3%	(78.7%)
Poland	0.2%	
Online	0.1%	
Rest of world	0.6%	(64.9%)
Franchise	2.1%	(33.5%)
<b>Total</b>	<b>100%</b>	<b>(2.2%)</b>

## Africa

- Treated on a portfolio basis due to materiality
- Facing similar challenges to other SA retailers
- Regional strategy determined by ability to scale
- Non material & under performing regions are under review
- Namibia: impacted by poor economic environment & drought (state of emergency)
- Botswana: economy has bounced back; GDP growth of 4.1% forecast for 2020
- Kenya: acquired 12 stores in May 2018
- Australia: discontinued operations April 2019
- Poland: discontinued operations as of Dec 2019



# Space growth

- 3.9% new space growth, 1.9% net
- 1 338 stores across regions (SA 1 222; Non SA 116)
- 103 leases renewed: base rental reversions achieved & avg. escalation 6.1%. Further focus on achieving favourable deal structure on new leases
- Group trading density up 0.5%. Excluding Mr Price Apparel up 8.9%
- Annual space growth target: closing ~3%; w.avg ~2%
- ROGA\*: 146% avg. over the last 5 years
- Store payback period: 12-18 months
- Hunting list: strong store pipeline identified. Minimum target to open 60 stores per year across the group over the next 5 years

\*Return on gross assets

Space movements (m²)					w.avg net growth
Mr Price Apparel					3.9%
Miladys					0.6%
Mr Price Sport					1.1%
Mr Price Home					(1.5%)
Sheet Street					0.4%

Total space growth					Net growth
w.avg	(1.2%)	(0.8%)	0.6%	3.3%	1.9%
closing	(1.5%)	(1.1%)	0.9%	3.8%	2.1%
	Closures	Reductions	Expansions	New Stores	

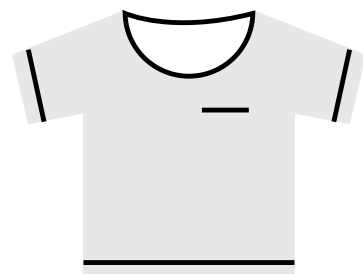
Store movements				
Mr Price Apparel	2	1	6	12
Miladys	2	6	1	7
Mr Price Sport		2	3	
Mr Price Home	6	4	1	2
Sheet Street	2	3	3	

Total stores movements					Net growth
Stores	12	16	8	27	4.0%
	Closures	Reductions	Expansions	New Stores	



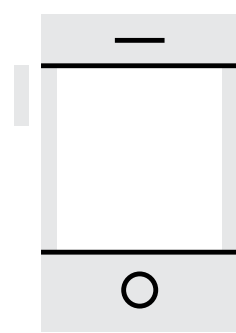
# Gross profit margin

## Gross profit analysis



### Merchandise GP

2018	2019	2020
42.5%	43.3%	40.8%



### Cellular GP

2018	2019	2020
18.8%	19.1%	17.7%



### Total GP

2018	2019	2020
42.0%	42.6%	40.0%

- Merchandise GP% decreased 250bps
  - divisions excluding Mr Price Apparel grew gross profit 7.5% & GP% 60bps
  - significant markdowns in Mr Price Apparel impacted performance
  - ZAR/USD exchange rate depreciated 8.8% (H1 avg. vs PY)
- Strategic intent to further roll out Cellular kiosks (handsets/accessories). Lower margin than Mobile (MVNO) resulting in GP% dilution. Significant long term opportunity, refer pg 22
- Group GP% decreased 260bps
  - anticipated Mr Price Apparel performance recovery in H2 should enable lower markdowns & increase group GP%
  - value chain evolution provides significant long term opportunity to sustain GP margin





# Overhead expenses

## Selling expenses\* (R'M)

2019	2018	% Change	
		Statutory	Normalised
2 151	2 257	(4.7%)	3.1%

- W.avg space growth of 1.9% (new space growth of 3.9%)
- Rental reversions achieved on renewed leases
- Variable employment costs flexed with lower sales
- Impact of IFRS 16:
  - depreciation up 527.5%
  - basic rent declined 99.9%
- Total selling expenses including lease liability up 4.8%. Normalised up 3.1% (IAS 17 basis)
- Bad debt written off up 6.3%. Refer pg 19
- Rates, water & electricity increased 12.1%. Ongoing investment into sustainable energy sources

## Administrative expenses\* (R'M)

2019	2018	% Change	
		Statutory	Normalised
672	713	(5.8%)	(5.6%)

- Group wide savings initiatives undertaken
- Employment expenses down 7.9% due to decrease in incentive provision & share options costs (IFRS 2)
- Excluding incentives, employment expenses decreased 0.8%, with basic salaries up 4.0%
- Depreciation on ROU asset was 28.2% higher than last year's basic rental
- Normalised expenses decreased 5.6%

\*Continuing operations

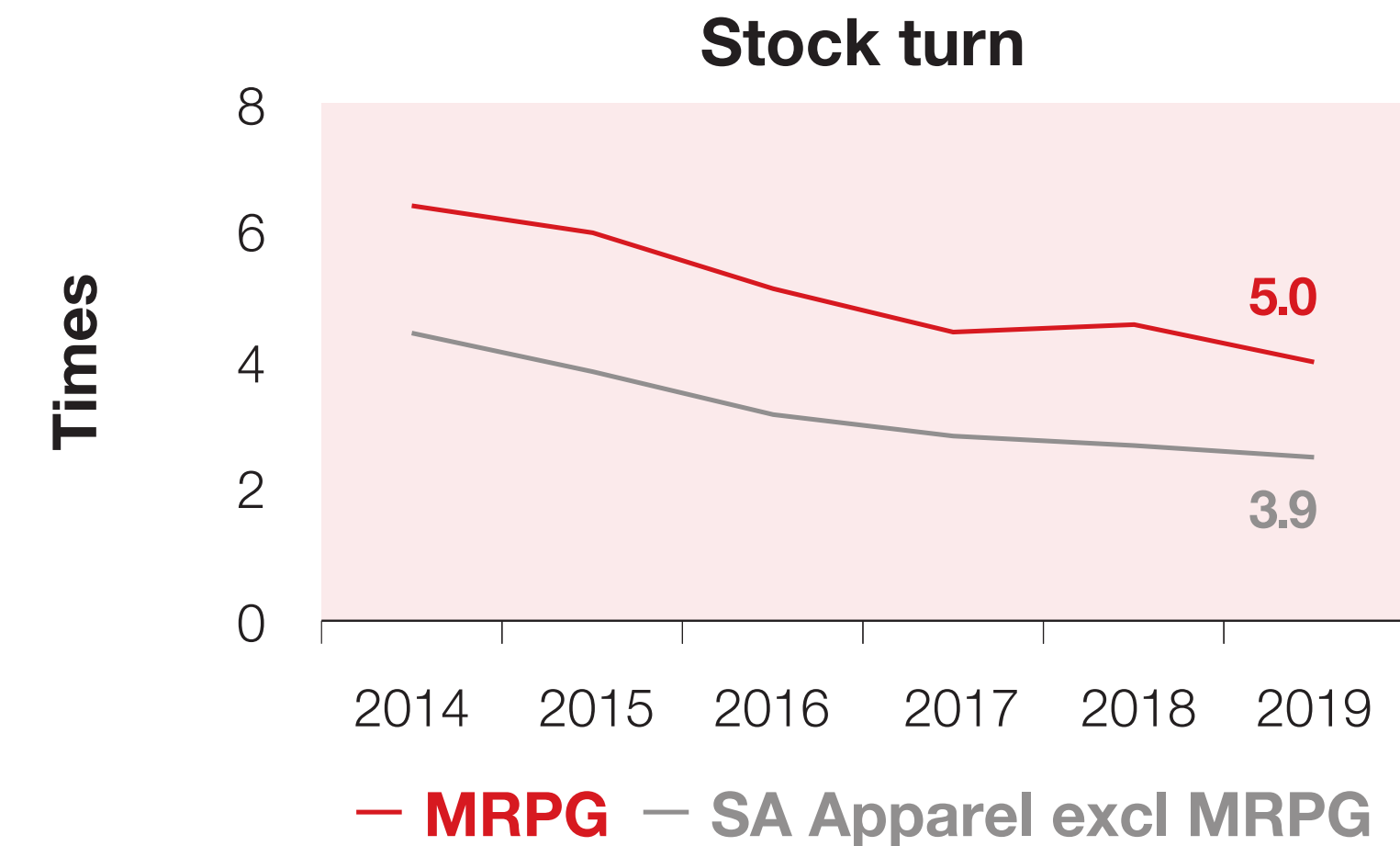


# Strong balance sheet

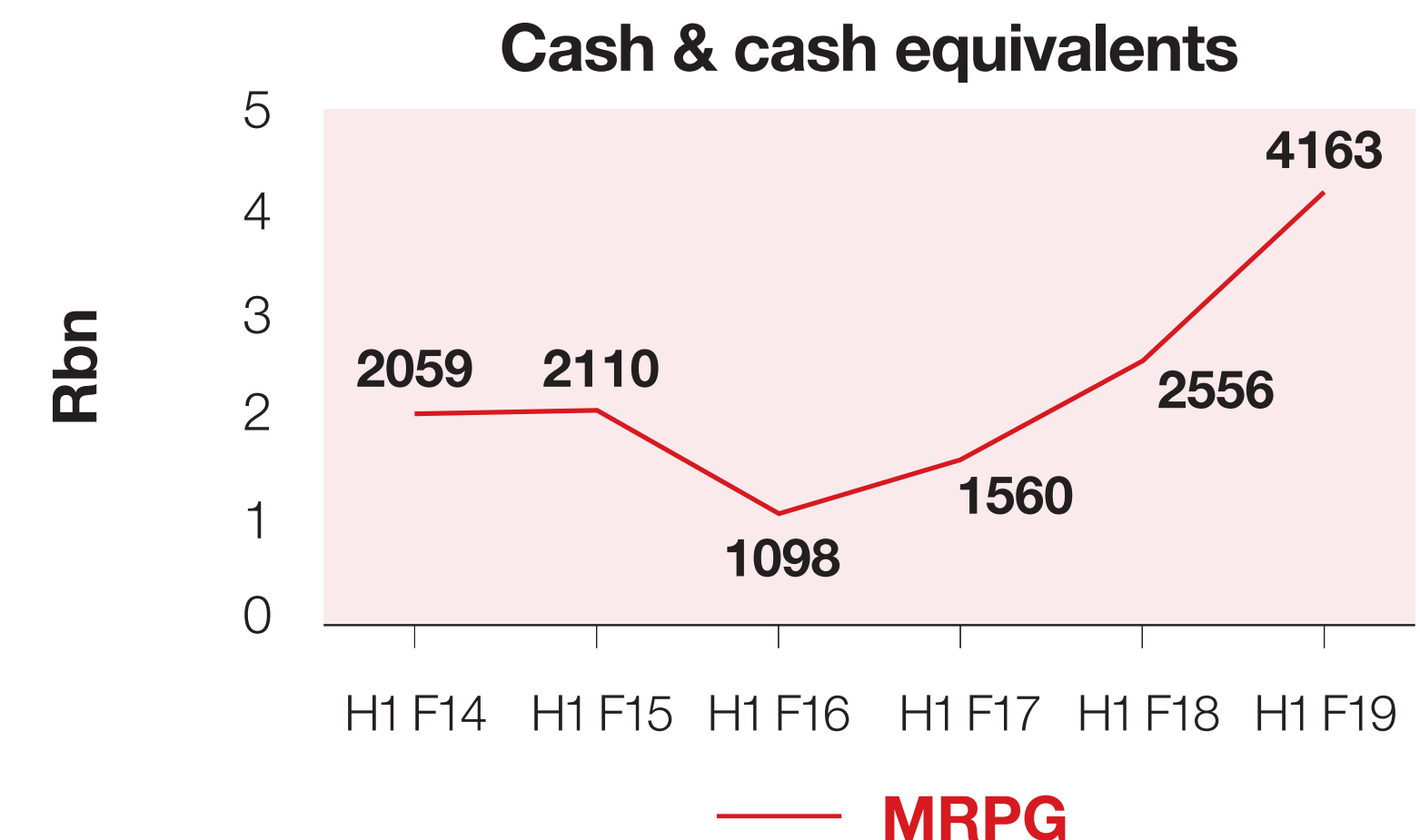
R'M	Sep 2019	Sep 2018
<b>Non-current assets<sup>1</sup></b>	<b>6 969</b>	<b>2 657</b>
<b>Current assets</b>	<b>9 472</b>	<b>7 360</b>
Inventories <sup>2</sup>	2 669	2 322
Trade & other receivables	2 222	2 192
Cash & cash equivalents <sup>3</sup>	4 310	2 562
Reinsurance assets	202	246
Other	69	38
<b>Total</b>	<b>16 441</b>	<b>10 017</b>
Shareholders equity	8 487	7 666
Total liabilities <sup>4</sup>	7 954	2 351
<b>Total</b>	<b>16 441</b>	<b>10 017</b>

- <sup>1</sup>Includes right of use assets of R4 245m
- <sup>2</sup>Markdown units as a percentage of total units are lower than PY. Stock freshness (2 months or less) at healthy levels
- <sup>3</sup>Excludes bank overdraft of R147m
- <sup>4</sup>Includes lease liability of R4 861m. Includes increase of creditors to R2 432m (PY: R1 895m) & tax payable to R419m (PY: R92m) due to timing

## Opportunities



- Significantly improve inventory management
- Increase stock turn across the divisions



- Growing & healthy cash balance
- Refer pg 38 for investment opportunities

Source: Refinitive Eikon last 12 months



# Trade receivables

R'M	Sep 19	Mar 19	Sep 18	% change	
				Sep/Mar	Sep/Sep
Retail debtors	2 129	2 120	2 116	0.4%	0.6%
Mobile* & franchise debtors	71	66	81	7.8%	(12.2%)
Total debtors book	2 200	2 186	2 197	0.6%	0.1%
Retail debtors (97% of total)					
NBD: book (excl collection costs)	7.2%	7.3%	6.2%		
Impairment provision	7.2%	8.9%	8.3%		

- Stagnant growth in book due to poor credit sales from Mr Price Apparel. Excluding Mr Price Apparel, credit sales grew in line with cash sales
- Roll rates have impaired slightly highlighting the deteriorating credit environment
- Provision in line with NBD to book at 7.2%

\*Includes debtors with repayment terms greater than 12 months



# Cash flow movements

R'M	March 2019	3 150			
Cash from operations	2 394				IFRS 16: rent expense removed. Refer to financing cashflows
Working capital		580			Accounts payable timing due to H1 cut off
Net interest received		316			Interest received up 31.8%
Taxation		(82)			Timing of cash payment vs PY
PPE & intangibles		(231)			PPE additions: R146m. Intangible additions: R85m
Long term receivables		(2)			Long term mobile receivables
Dividends	(1 123)				Final F2019 dividend of 424.8c paid in June
Treasury shares	(55)				Long term incentive schemes
Repayments of lease liabilities	(779)				Cash paid for rentals previously included in operating activities
Other	(5)				Exchange losses
September 2019	4 163				

Operating  
R3.2bn

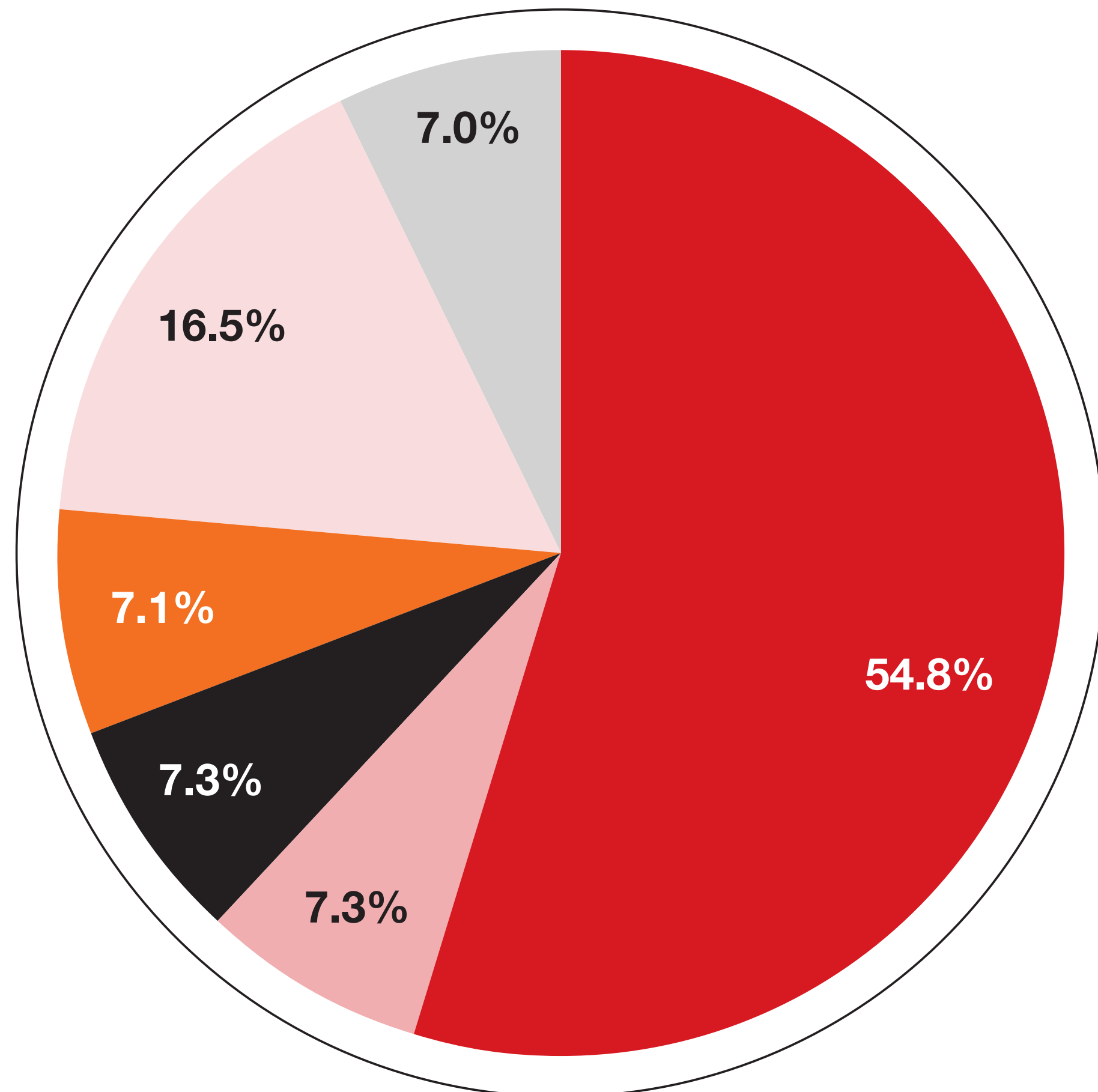
Investing  
(R0.2bn)

Financing  
(R2.0bn)



# RSOI divisional summary

RSOI\* Contribution



RSOI\* Growth

	Mr Price Money +10.3%	FS & Cellular	RSOI +10.3%
	Mr Price Home +3.6%		OP profit +20.7%
	SheetStreet +5.0%		OP margin# 34.0%
	Miladys +8.1%	Home	RSOI +4.1%
	Mr Price Sport +12.2%		OP profit +17.8%
	Mr Price Apparel (1.2%)		OP margin# 16.7%

Segment

\*Retail sales & other income based on continuing operations  
#Excludes interest on lease liability



mrpMoney			
R'M	2019	2018	% Change
Cellular & mobile	358	296	20.7%
Financial services	385	377	2.2%
Total revenue	743	673	10.3%

• **Cellular & mobile:**

- 242 stores selling handsets & accessories; further store roll out planned
- 22.9% growth in number of units sold
- strong accessories (higher margin) attachment rate achieved
- comp store sales growth >20% attracting increased support from external mobile networks
- significant opportunity through higher margin on biller product (still in test due to systems development delays) & 24 month repayment facility on handsets
- gross profit margin & Rands ahead of budget & strong operating profit growth achieved
- post paid (MVNO) sales slowed as traditional contracts become less relevant. Sim only product contributing positively in meeting customer's disposable income constraint

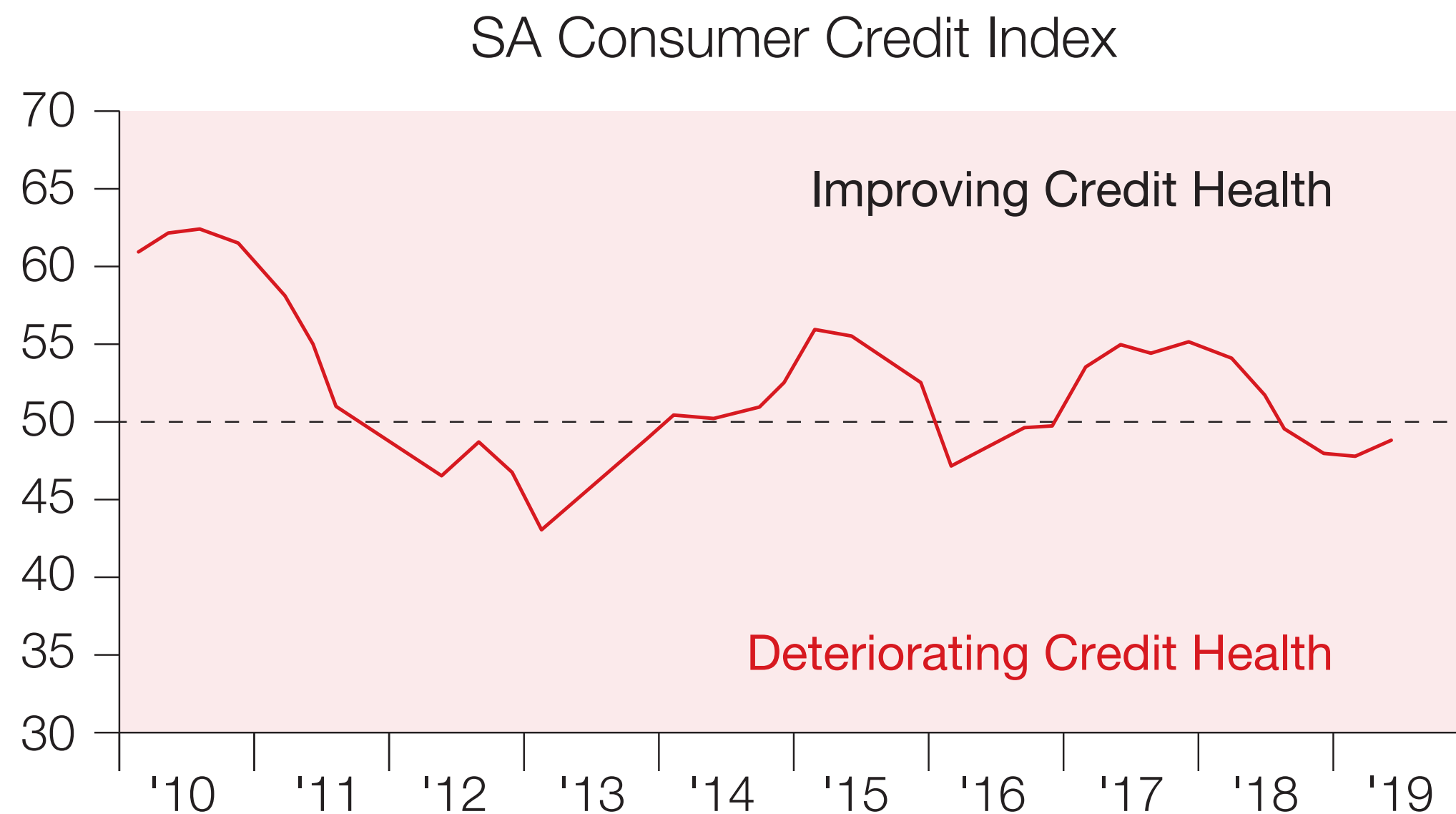
**Financial services:**

- Insurance:
  - revenue down 4.8%. Recruiting & retaining accredited (FAIS) staff remains challenging. Mr Price Academy has developed a program to build talent pipeline
  - high % of credit customers take out insurance policies. Lower new credit accounts impacted growth
  - increased consumer affordability strain impacted higher number of cancelled policies. Despite higher claims, loss ratio remains low & continues to be closely monitored
- Credit:
  - interest revenue & charges up 5.9%. Impacted by lower credit sales & 25bps repo rate cut
  - Mr Price Apparel merchandise performance impacted credit sales. All other divisions reported positive credit growth





# Credit performance



- SA consumer credit health has trended below the 50 level for over a year. MRPG will continue to be conservative in this channel
- Mr Price Apparel performance impacted overall credit sales & new accounts. Turnaround in H2 should stimulate the credit channel
- New account applications up 0.3% & approvals down 7.9%. High base growth due to affordability regulations falling away (Mar '18). Tightened scorecard (Jun '18) intentionally slowing approvals
- Frequency of credit transactions down which offset basket size growth

Source: Transunion Consumer Credit Index Q2 2019 | \*Includes VAT

Credit sales



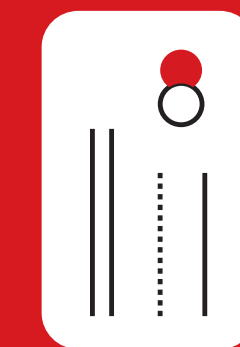
**R1.7bn**  
+0.8%

Avg credit basket\*



**R401**  
+2.9%

# of credit transactions



**4.8m**  
-2.1%

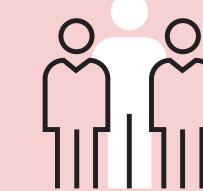
Active accounts



**1.4m**  
-1.6%

## New accounts

**+0.3%**  
Applications



H1 F19: +17.3%

**-7.9%**  
Approvals



H1 F19: +15.5%

**33.1%**  
Approval rate

H1 F19: +40%



# Home segment

	Mr Price Home			Sheet Street		
	2019	2018	% Change	2019	2018	% Change
Retail sales <sup>1</sup>	R1 758m	R1 703m	3.2%	R763m	R726m	5.0%
Comparable sales growth	1.8%	6.6%		2.5%	2.5%	
Unit sales	15.0m	15.6m	(4.0%)	7.8m	8.2m	(5.4%)
RSP inflation <sup>2</sup>	7.5%	3.9%		11.0%	(1.3%)	
Weighted avg. space growth	(1.3%)	(1.6%)		0.4%	1.9%	
Sales density	R28 771m <sup>-2</sup>	R27 100m <sup>-2</sup>	6.1%	R31 755m <sup>-2</sup>	R30 784m <sup>-2</sup>	3.2%

- **Mr Price Home:** consistent growth across Q1 (+3.0%) & Q2 (3.3%) despite a tough base. Inflation driven by assortment mix changes. Trading density growth driven by successful space rationalisation. GP% & operating profit growth achieved
- **Sheet Street:** good performance despite ongoing constraint in core customer demographic. Inflation driven by product mix changes & deflation in the base. Second highest trading density in the group. GP% gains & operating profit growth achieved

<sup>1</sup>Excludes franchise & VAT <sup>2</sup>Includes VAT



# Apparel segment

	Miladys			Mr Price Sport		
	2019	2018	% Change	2019	2018	% Change
Retail sales <sup>1</sup>	R764m	R706m	8.1%	R775m	R691m	12.2%
Comparable sales growth	3.3%	8.2%		6.1%	2.3%	
Unit sales	3.8m	3.5m	7.7%	6.2m	5.8m	7.0%
RSP inflation <sup>2</sup>	0.2%	5.2%		4.9%	4.4%	
Weighted avg. space growth	0.6%	(1.7%)		1.1%	2.6%	
Sales density	R25 140m <sup>-2</sup>	R24 192m <sup>-2</sup>	4.0%	R25 218m <sup>-2</sup>	R22 491m <sup>-2</sup>	12.1%

- **Miladys:** Q2 (+13.1%) sales growth increased significantly from Q1 (+3.8%). Grew market share in 5/6 months per RLC data. Customer segment growth in key race, age & demographic areas. New categories performing well. GP% improved & double digit operating profit achieved
- **Mr Price Sport:** Q1 (+8.7%) sales momentum continued in Q2 (+16.0%). Improved assortment & supplier performance drove comp sales. Non comp products continue to perform well. Online sales grew 34.9%. Improved GP% & double digit operating profit achieved

<sup>1</sup>Excludes franchise & VAT <sup>2</sup>Includes VAT



# Apparel segment

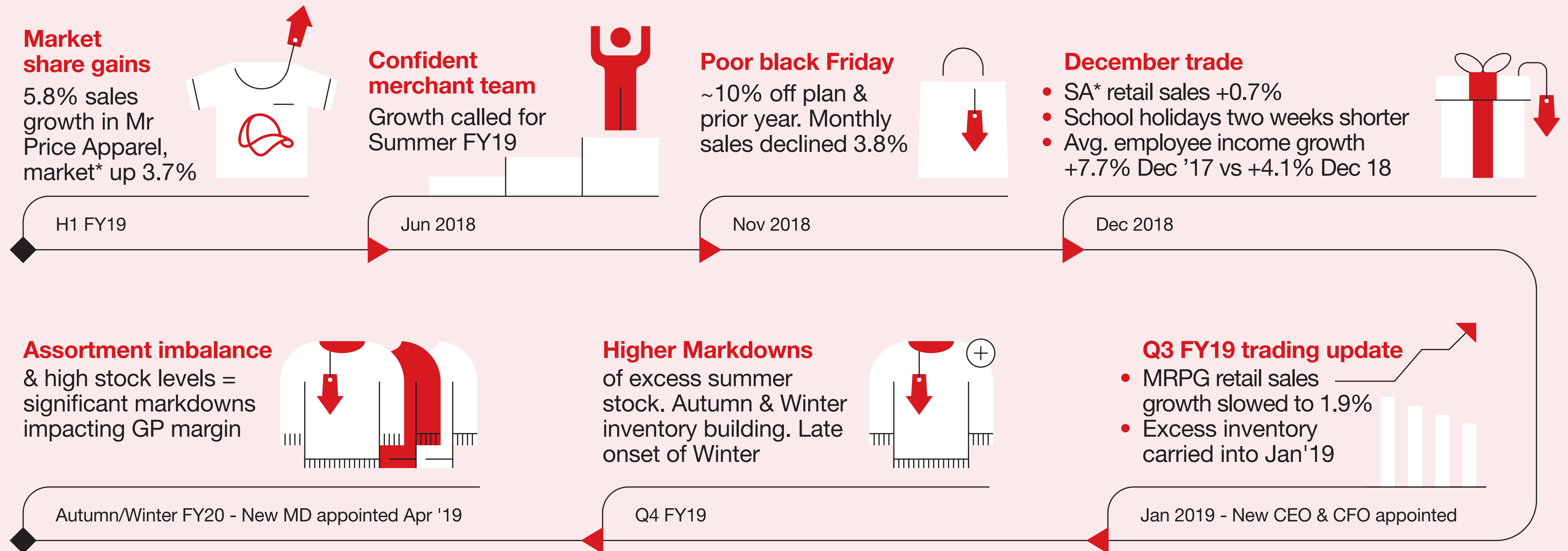
	Mr Price Apparel		
	2019	2018	% Change
Retail sales <sup>1</sup>	R5 819m	R5 887m	(1.2%)
Comparable sales growth	(4.3%)	3.0%	
Unit sales	66.7m	66.8m	(0.2%)
RSP inflation <sup>2</sup>	(0.9%)	5.1%	
Weighted avg. space growth	3.9%	2.9%	
Sales density	R38 137m <sup>-2</sup>	R39 670m <sup>-2</sup>	(3.9%)

- Sales growth per August trading update down 2.1%. Sales up 1.3% in Aug/Sept. New initiatives advised in May '19 positively impacting early summer reads
- Excess stock & muted sales due to imbalanced assortment required markdowns, causing GP margin to contract
- Profit wedge not achieved impacting operating leverage despite tight cost control

<sup>1</sup>Excludes franchise & VAT <sup>2</sup>Includes VAT



# Performance timeline: Mr Price Apparel

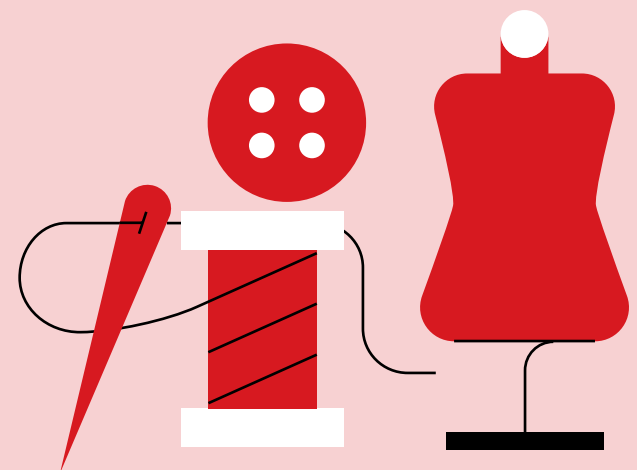


\*Market: Stats SA retail sales growth



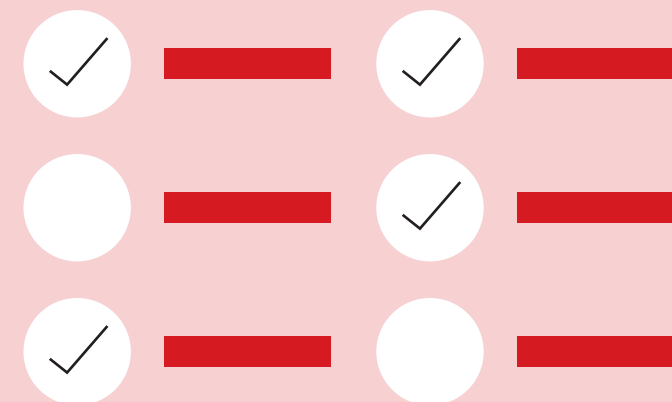
# H1 FY2020 performance: Mr Price Apparel

An extended & thorough review identified several areas of deviation from established processes & disciplines



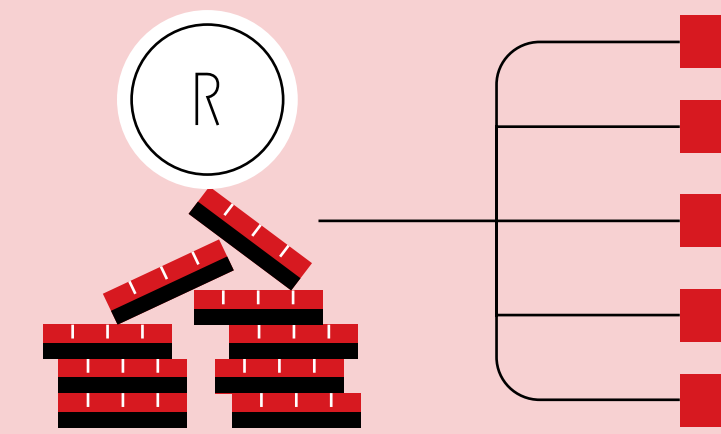
## Fashion vs Core

- Higher fashion volume, significant increase in markdowns
- Core volume decreased, acceptable markdown performance
- Replenishment of top core performers was limited due to shallow depth called



## Options

- Too much width leading to shallow depth for replenishment
- 15% more options than prior Winter
- Increased fashion items with higher risk
- Fragmented assortment
- All-store buys compromised
- Clutter in store negatively impacted clarity of offer, particularly when markdowns are required



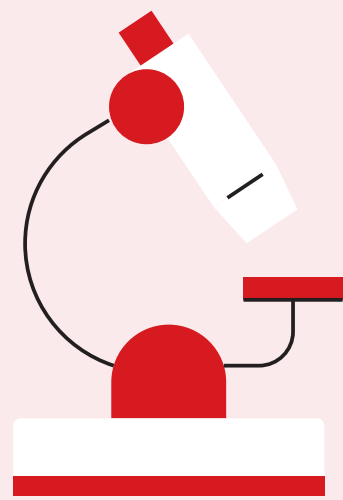
## Price architecture

- Insufficient representation at the opening price points created an opportunity for competitors to show value in tough climate
- Opening price point volume decreased & closing price point volume increased
- Challenging to shout 'price value' & compete defensively

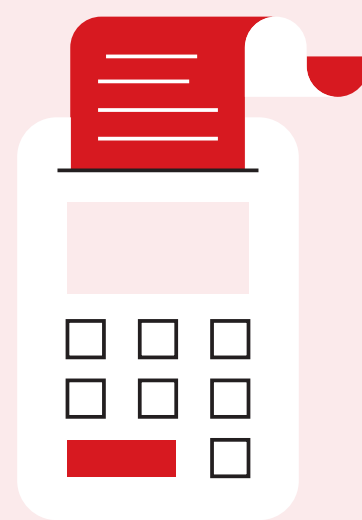


# Corrective action

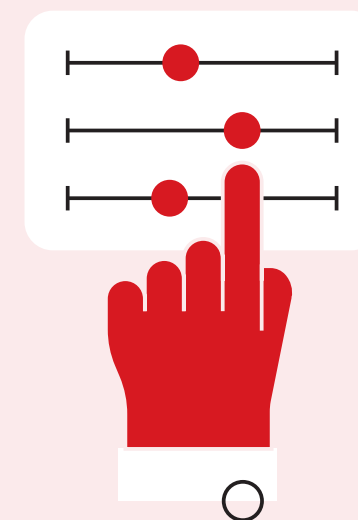
Factors below should result in improved category dominance, clarity of offer, value & supplier performance = improved sales & lower markdowns



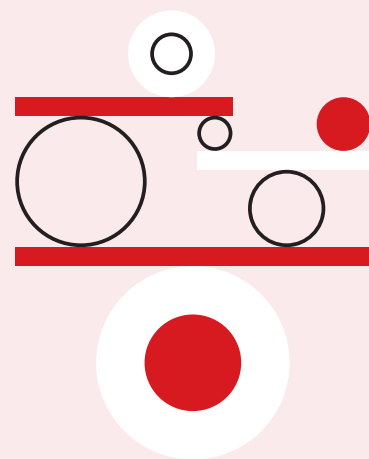
**Clinical attention to detail in setting up the season plan.**  
Post Mortem, Strategy, Trend & Review



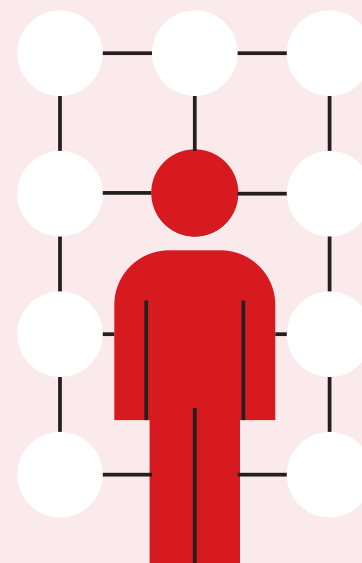
**The process begins with the numbers & not the product.**  
This informs the sales target for the upcoming season



**Number of options, width, depth, price points etc.**  
are determined at sub category level & built bottom up to deliver the budget



**Through this process**  
a better balance between creative & analytical planning is achieved & disciplines are entrenched



**Reinforced merchant disciplines relating to:**  
thorough pre-season testing, investment in bold calls, adequate depth, adhering to order timelines & aligning with parameters that have achieved historical success



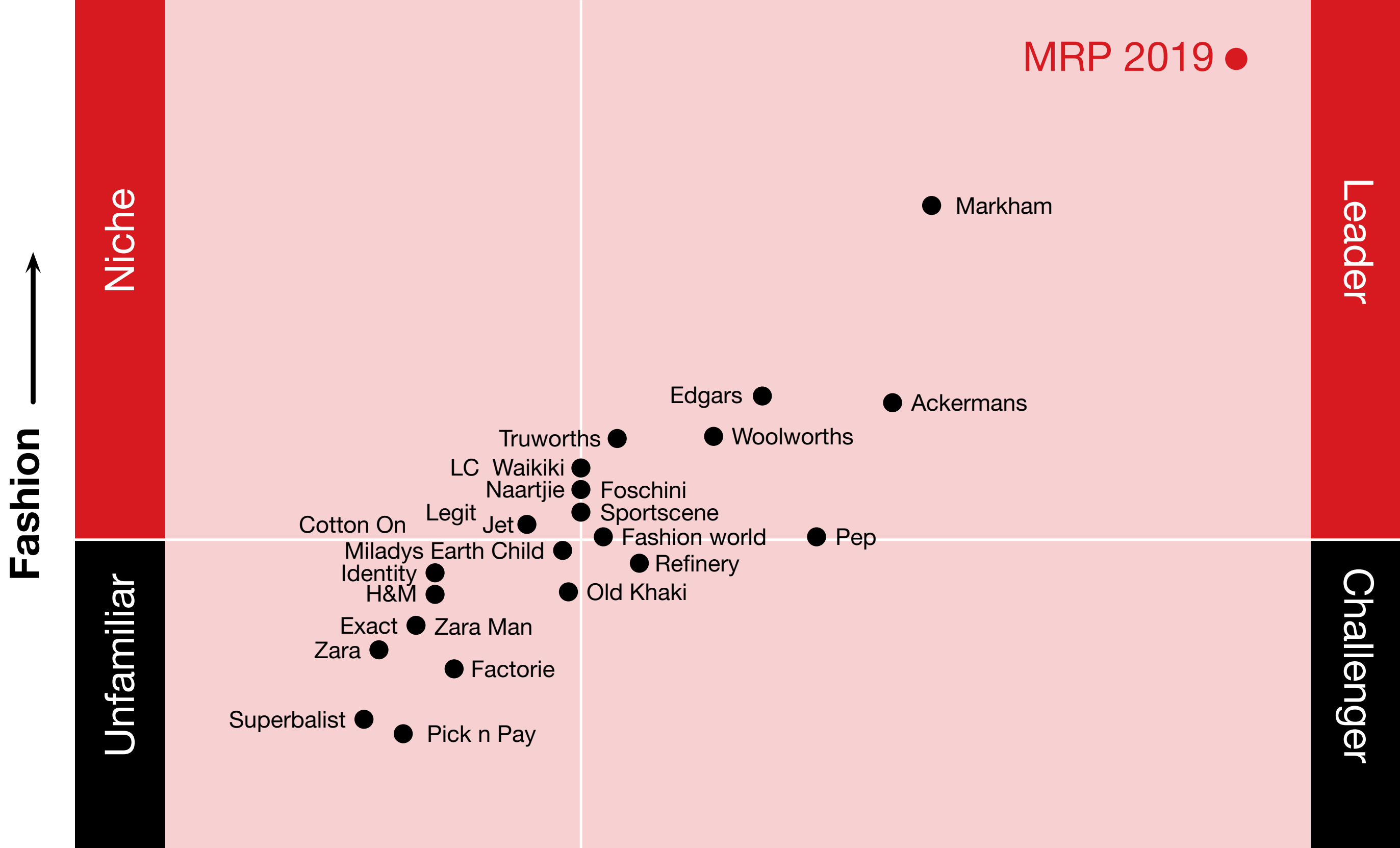
**Team structure:**

- new MD appointed 1 Apr 2019
- reviewed & updated processes & redesigned org structure (buying & planning)
- reinforced accountability across departments
- personnel review enabling talent optimisation



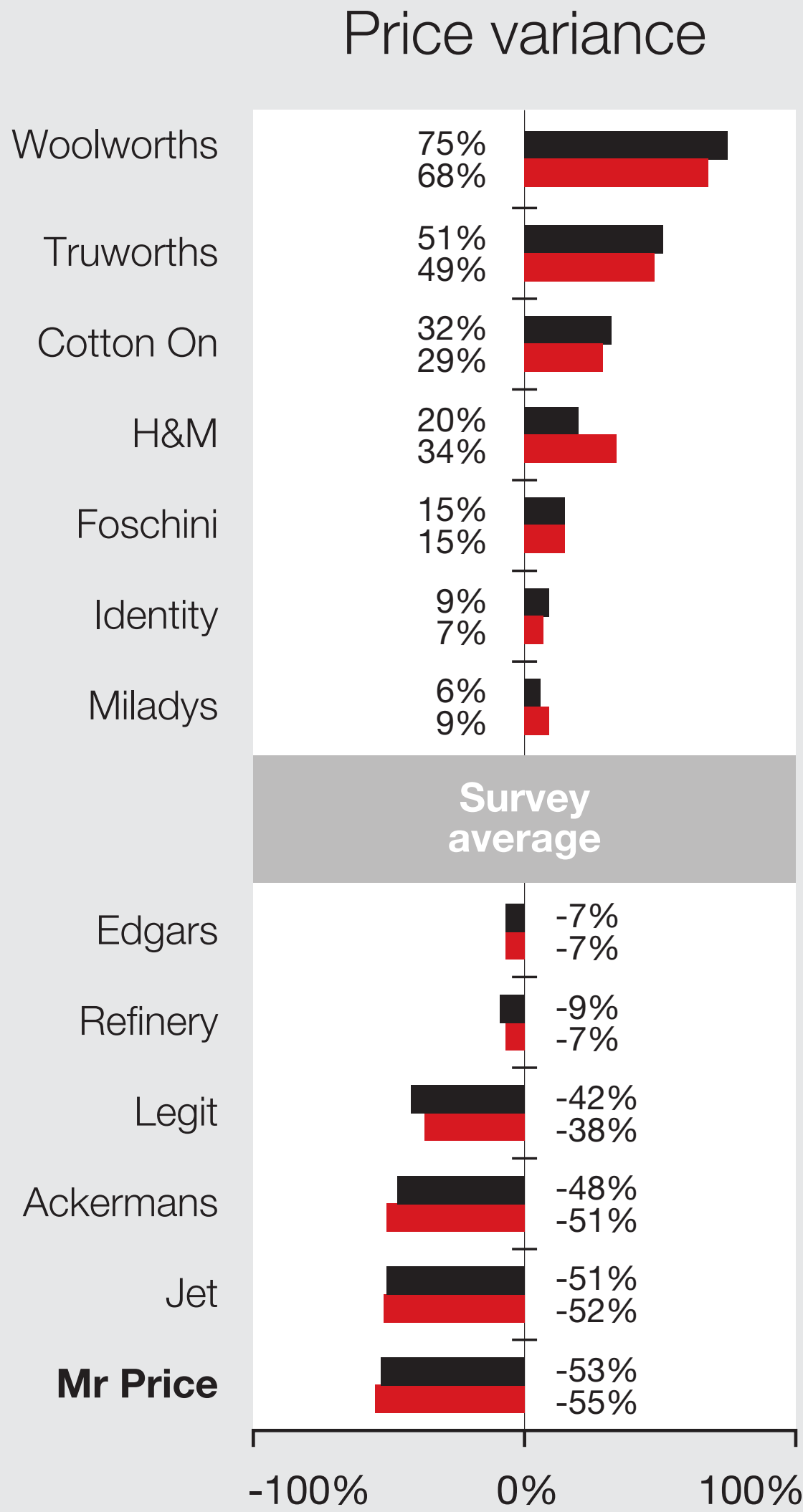
# Market positioning

Differentiated fashion value positioning



Source: Nielsen, Retail Map

- Mr Price remains the market leader in delivering value through best price & fashion mix
- Mr Price average price remains at a significantly lower level than the rest of the market
- Market share losses in Mr Price Apparel benefited value competitors (including ‘one unders’)



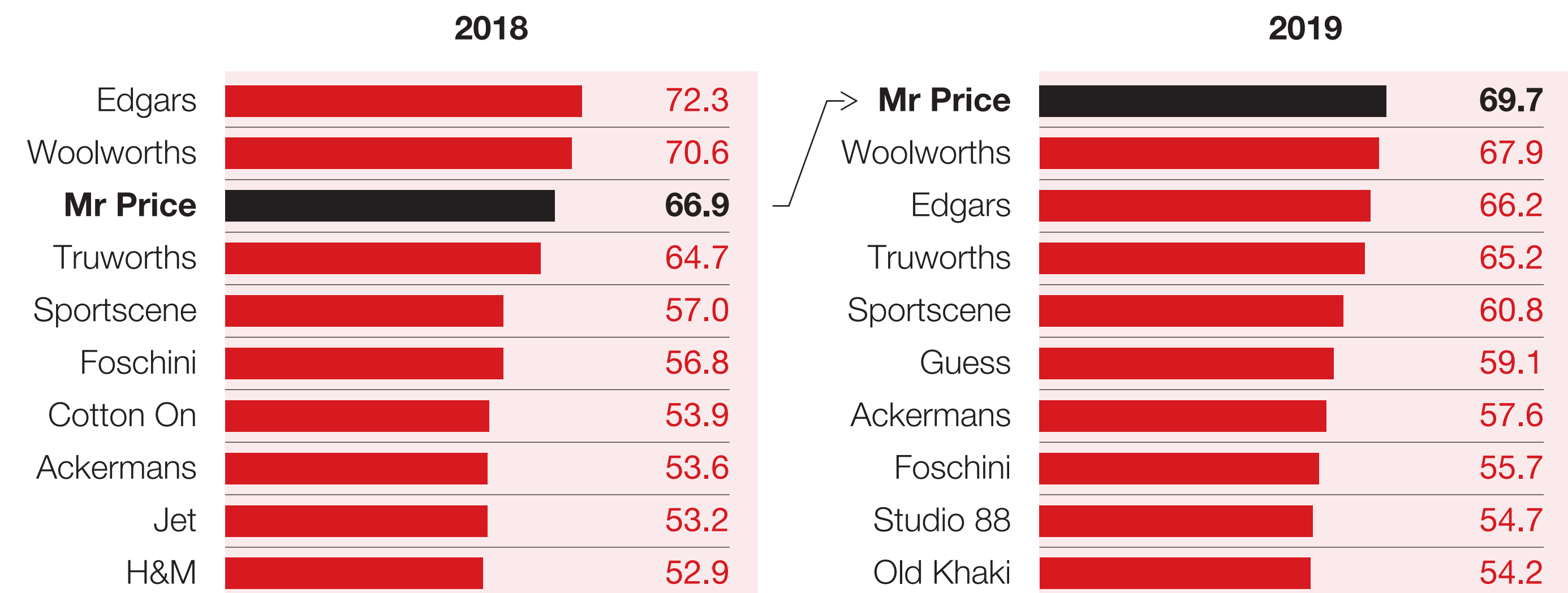


# Positioned for recovery

Strong brand appeal

## Top women's clothing store

Based on: Brand awareness, user experience & brand presence



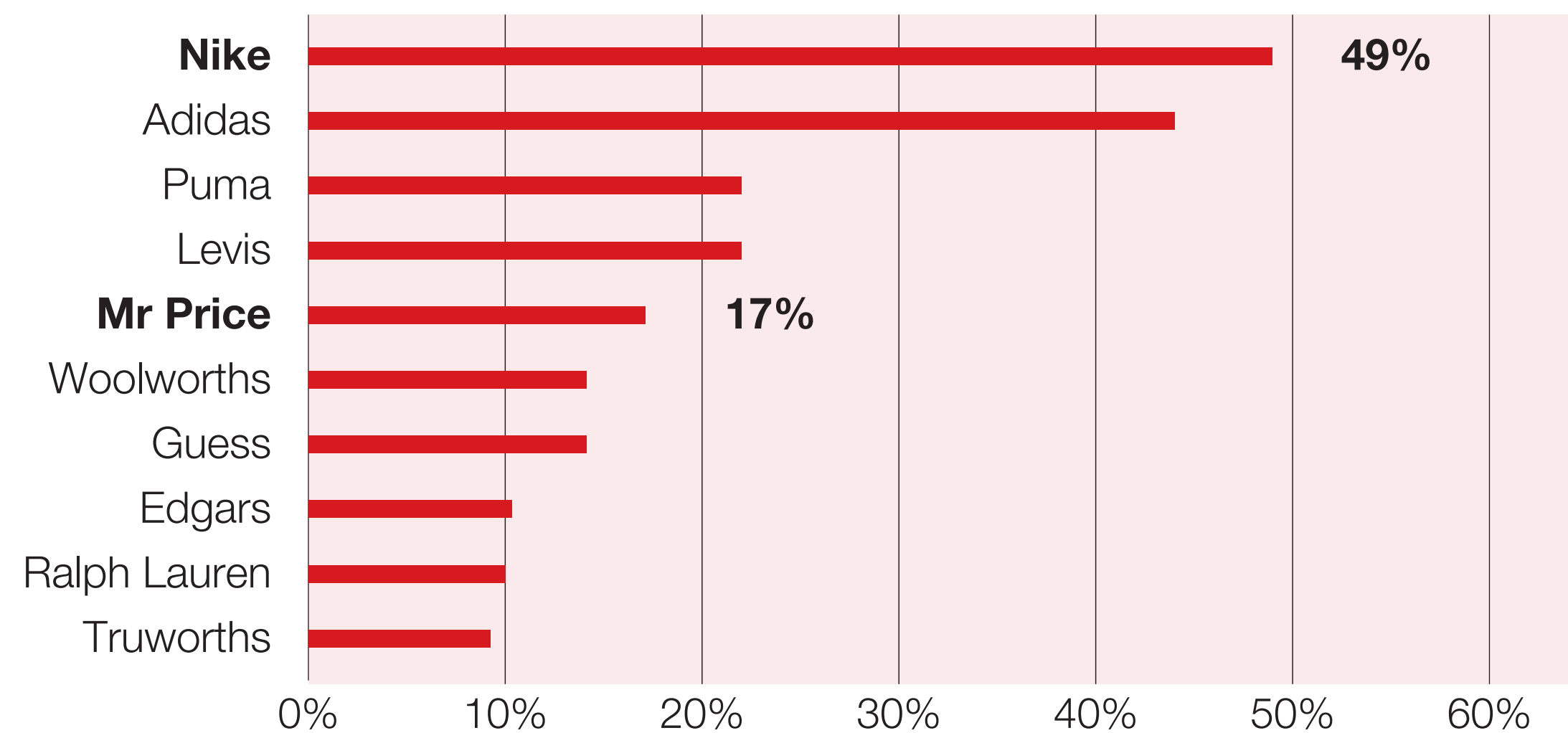
Source: Sunday Times/Sowetan Shopper Survey 2019 | National study



# Positioned for recovery

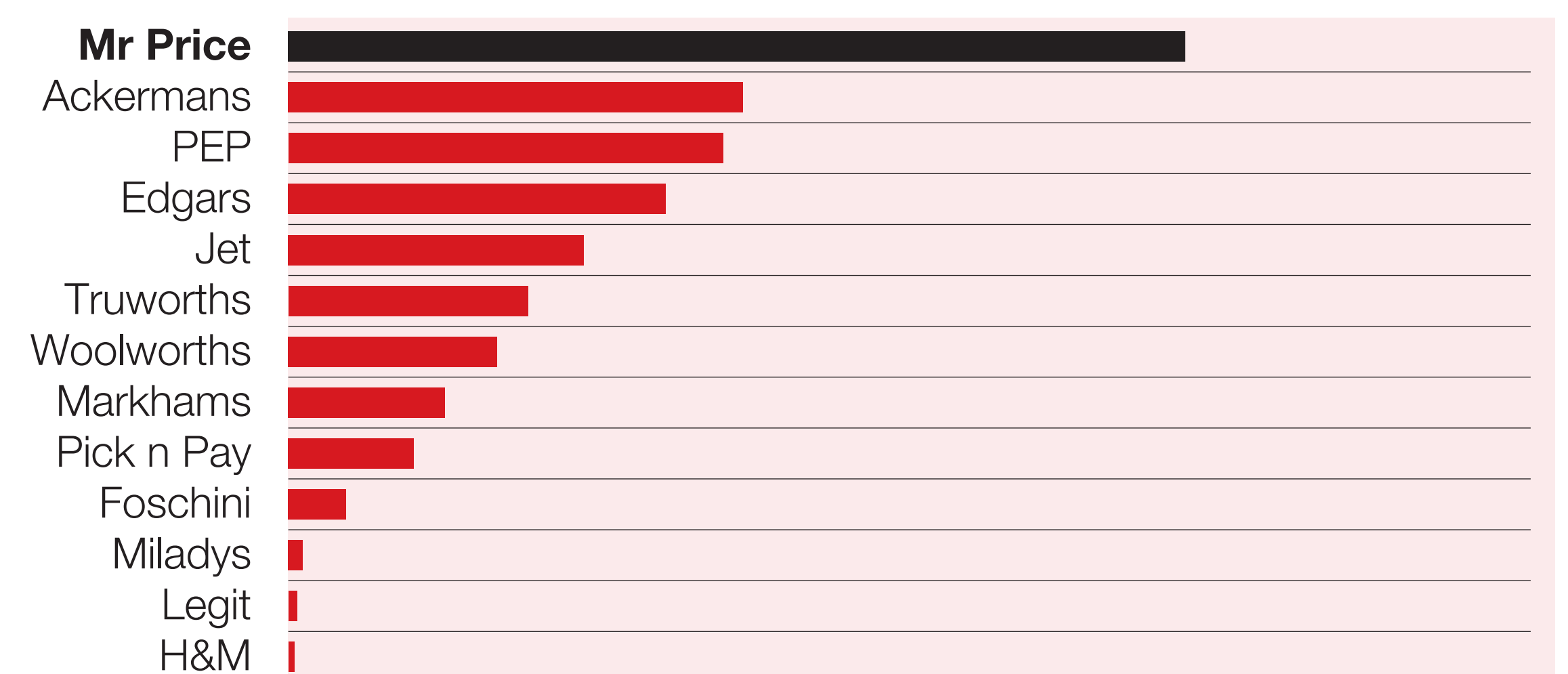
High customer awareness & engaged customer base

Brands that come to mind (spontaneous)  
when thinking of clothing (%)



Source: UBS evidence lab 2019

Clothing stores shopped at most often



Source: BRC (Broadcast Research Council) 2019



# Sourcing

## Strategic objectives

- Greater control of import process (short term)
- Closer proximity to source (long term)

## Desired outcomes

- Increase visibility throughout the supply chain
- Improve supplier performance & compliance
- Positively impact GP margin & improve product quality

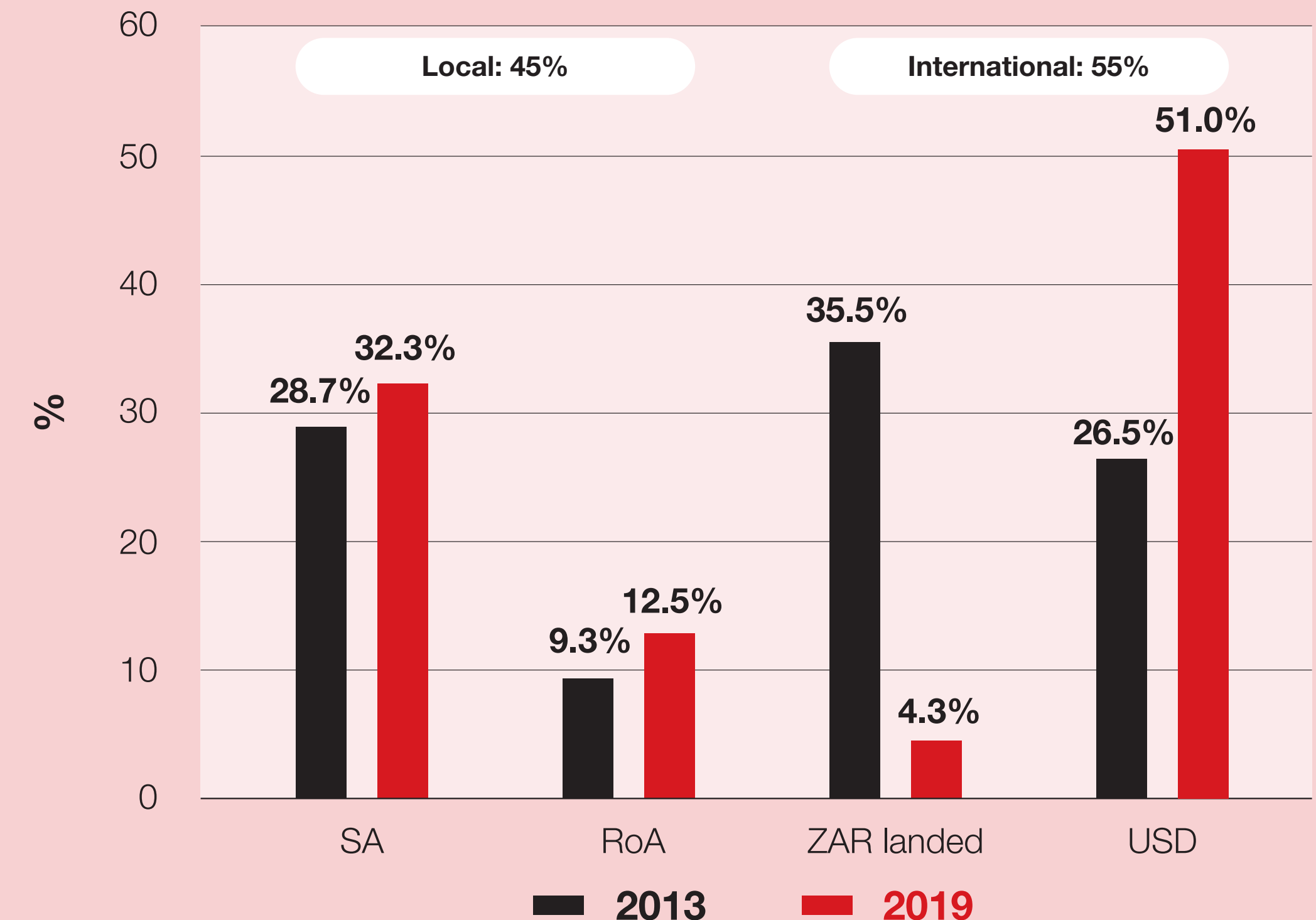
## Commitment to local

- Initiating membership with Proudly South African to address poverty, inequality & unemployment
- MRPG aligned with strategic intent of Retail CTFL\* Master Plan:
  - reignite manufacturing in SA
  - increase competitiveness, ensure an ethical & environmental value chain & create jobs
- Ongoing dialogue with Minister of Trade, Industry & Competition
- FY19 ~80m units sourced in SA: 35% of total group inputs
- Founding retail member of the SA Cotton Cluster (SACC)
- MRPG procured 1500 tonnes of cotton in FY19. A further R30m has been committed to the development & support of small scale farmers

\*CTFL: Clothing, Textile, Footwear & Leather goods

## Greater control of import process

Mr Price Apparel sourcing channels (R)



- In line with strategic intent, locally sourced orders have increased from 38.0% to 45.8% over the last six years
- Mr Price Apparel is the importer on record for 93% of all international orders, giving greater visibility & control of the import process



# Sourcing continued

## Risk management controls

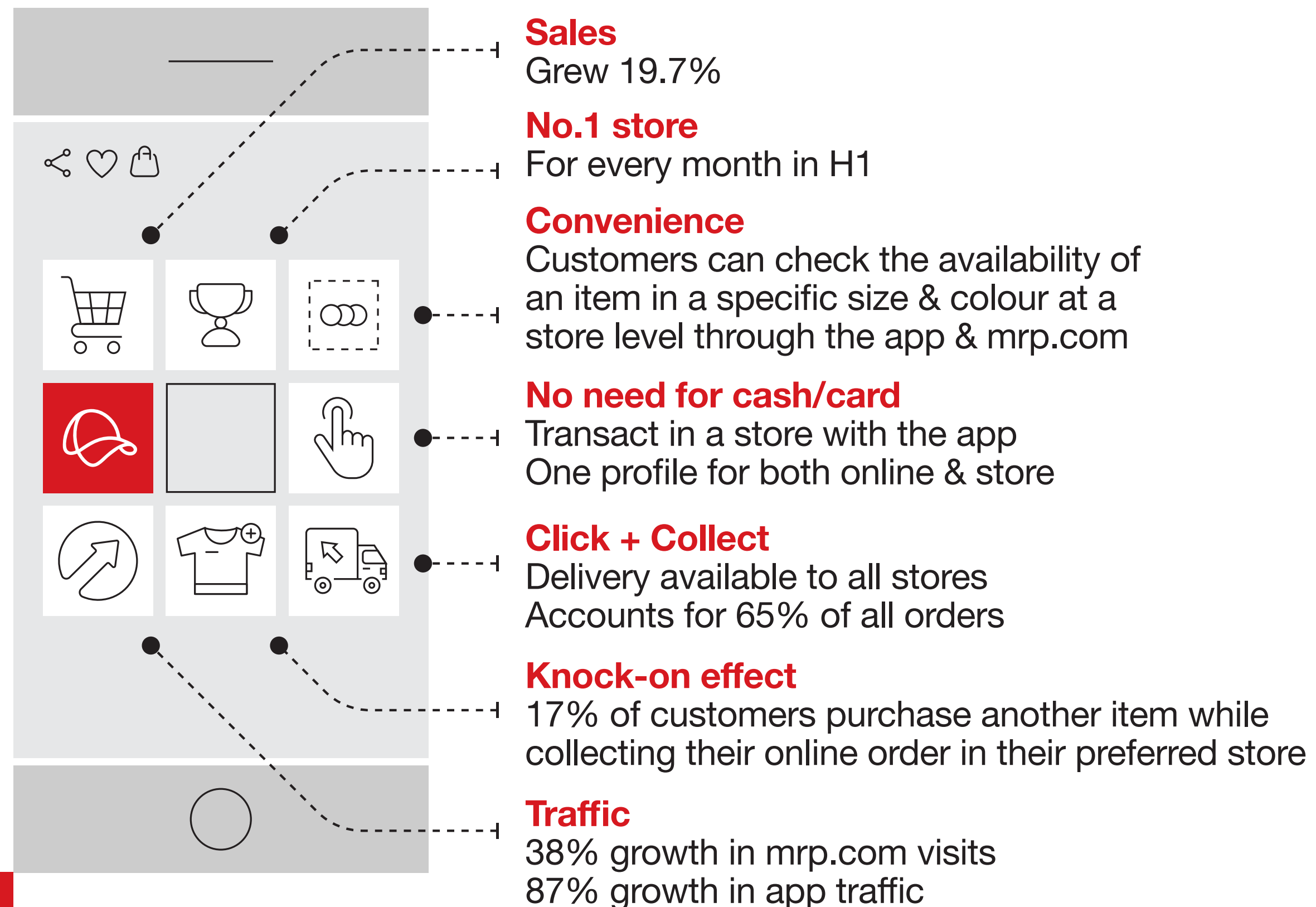
- MRPG Code of Conduct – signed annually by associates & suppliers
- Responsible sourcing framework & implementation guide in place for associates & supplier partners
- Members of ETI since 2015 – annual reporting framework against ETI's principles of implementation
- New Supplier Portal to replace SEDEX:
  - new supplier on-boarding process – mandatory factory social audit required for all production sites. Includes factory visit to assess capacity & capability
  - migration of existing suppliers to new portal requires mandatory social audits
- Third party social audit standards accepted are SMETA, BSCI, SGS, INTERTEK, WRAP & DISNEY
- QIMA third party bulk inspection – verification of production sites. Provision of bulk inspection KPI's at factory level
- Supplier workshops – held in SA & offshore
- Confidential whistle blower platform available for both associates & suppliers
- Internal Audit: recognised in 2011 as the first function in SA with full Internal Audit Report conformance to all standards
- Head of Internal Audit awarded the “Excellence in Internal Audit Leadership Award” at the Southern Africa Internal Audit Conference 2019





# Blended retail

eCommerce



Store experience

Click & Collect

**Ordered Online?**  
Pick up your hot fashion  
*right here*

Self-check out

Mobile POS

**want to skip  
the queue?**  
You can with our self-checkout.

**check out  
faster!**

pay by card here

or

scan here,  
pay at the till



# Investment opportunities

## Frontline

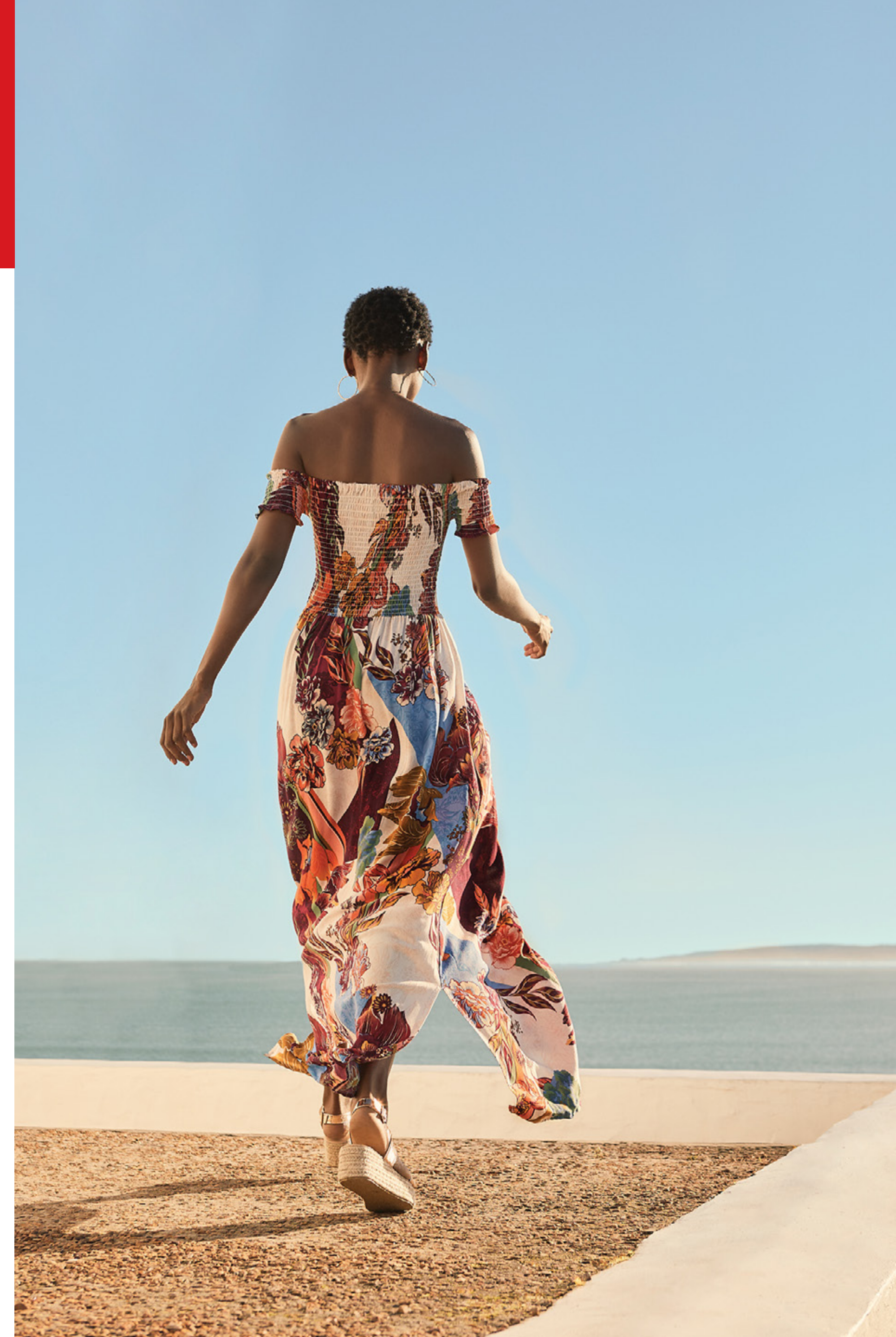
- Investment back into the Mr Price Brand & unique people culture
- Store enhancements & navigation
- Customer experience & blended retail
- Product quality: fabric, fit & sizing
- Existing category expansions & new category development
- Testing lay-bye facility

## Enablers

- Resourcing & supply chain capabilities
- ERP & planning systems
- Predictive analytics & machine intelligence capabilities

## Acquisitions

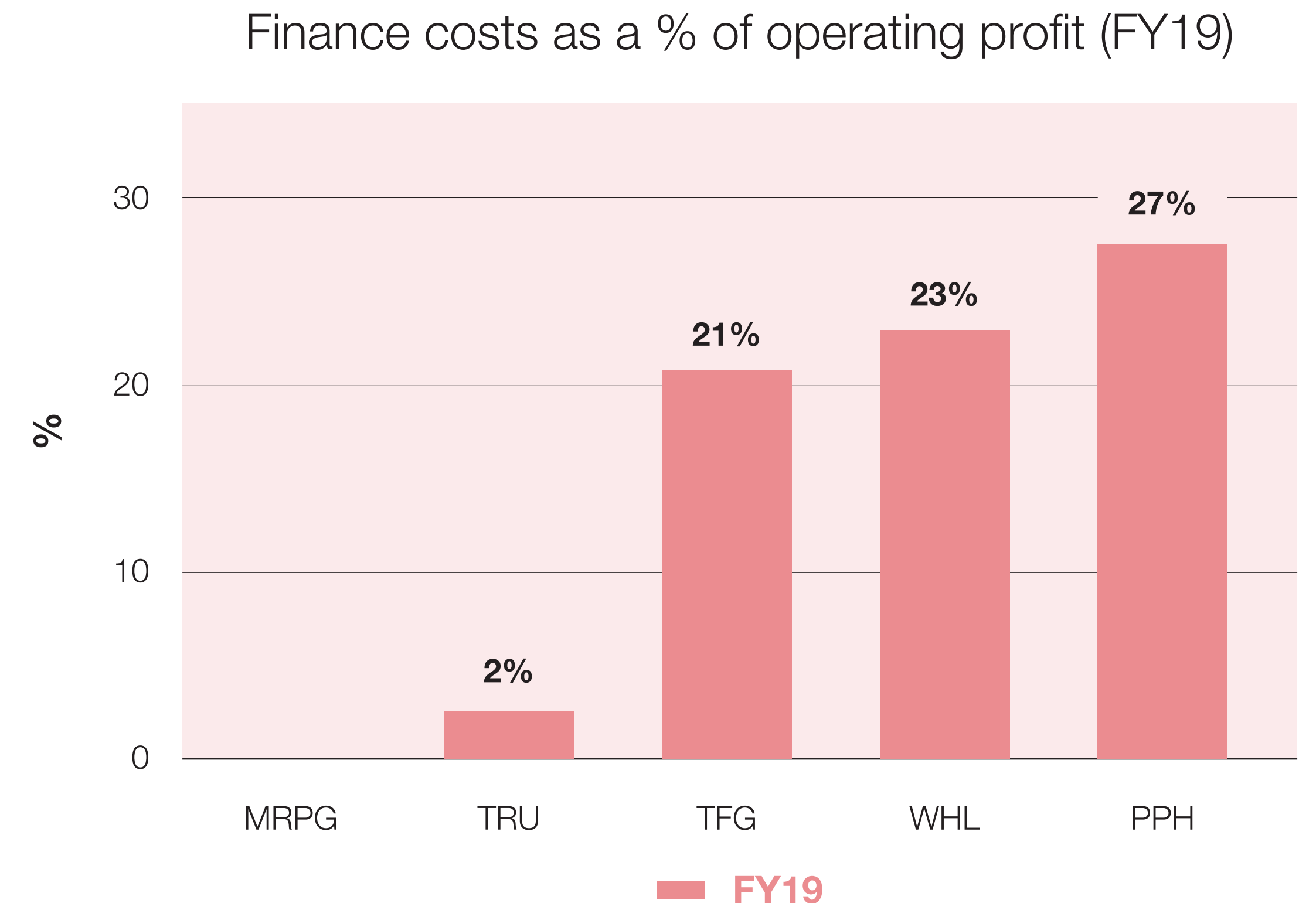
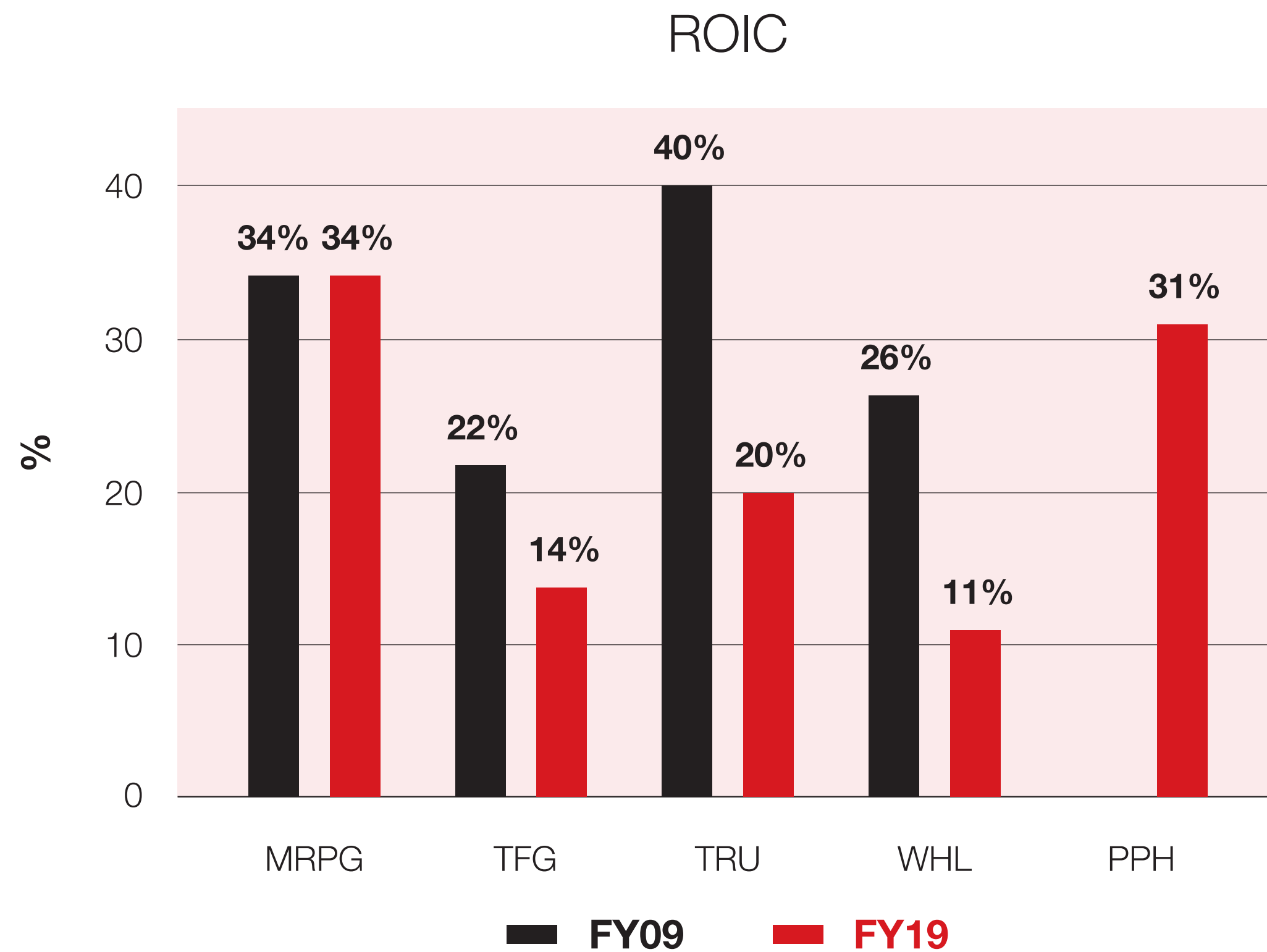
- International unlikely to be pursued at this point
- Local will be considered if:
  - target has sustainable earnings growth
  - efficiencies can be achieved (supply chain, organisational structures & overheads)
  - further enhancements in digital & online are possible
  - a different target market/segment could be reached
- Share buyback under consideration as part of broader capital allocation review





# Proven track record

Strong base for future investments



Source: Refinitive Eikon last 12 months | Investec





# H2 Outlook

- A consumer recovery is unlikely in the short-medium term. GDP growth & fiscal health requires decisive structural reforms to gain traction
- Global political & trade risks continue to threaten currency stability
- Focus by executive & divisional management on execution of merchandise processes across divisions
- Working capital is being closely managed. Goal to reduce inventory to low single digit growth by FY year end
- Responsible overhead control remains high priority
- Space opportunities identified across divisions. Expect higher store growth vs space growth due to innovative formats. 40 new stores planned for H2
- Black Friday & December trade will determine magnitude of H2 performance recovery





thank  
you