mr pricegrouplimited

FY19

annual results
march 2019

mr price group limited

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by Mark Blair - CEO

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Backdrop

Retail Environment Overview - by Mark Blair - CEO

Economic overview

SA Economy

GDP growth (2018)	Unemployment rate (Q1 2019)	CPI avg. (Q1 2019)	Exchange rate avg. (Q1 2019)
+0.8%	27.6%	4.2%	R14.01
2017: +1.4%	Q1 2018: 26.7%	Q1 2018: 4.1%	Q1 2018: R11.94

Business

Unsupportive economic factors	Low business confidence	Slowing retail sales	Load shedding impact
Will limit growth. Market share battle continues	Q4 2018 the second lowest since the GFC	Q1 2019 +3.3% (Q1 2018 +6.5%). Highly promotional retail environment	7%-10% of tradeable hours lost in March 2019

Source: Stats SA

Consumer environment

+8.0% Petrol price per litre (R14.62 March 2019)
March 2018: R13.54

-24 index points Consumer confidence (Q1 2019)
Q1 2018: +31 index points

+14.0% Electricity price (2019)
2018: +7.3%

Retail sales*
Q4 2018: 3.1%
Q4 2017: 8.0%

Type D retailers*
Q4 2018: 2.4%
Q4 2017: 9.5%

+0.0% Real wage growth (Q4 2018)
Q4 2017: +3.2%

+3.2% Household expenditure (Q4 2018)
Q4 2017: +3.7%

+1.5% Disposable income (Q4 2018)
Q4 2017: +3.0%

Source: BER Consumer Confidence | SARB | Stats SA | AA | Eskom
*Current prices

Performance

Company & Divisional Results - By Mark Stirton - CFO

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Group performance

Revenue
+5.8%
R22.6bn

EBITDA
+6.0%
R4.3bn

Profit after tax
+7.2%
R3.0bn

Operating margin
17.6%
+0bps

Diluted HEPS
+6.2%
1 142.3c

Dividend per share
+6.2%
736.2c

mr price group limited

Group performance

Revenue

FY18		FY19
R21.3bn		R22.6bn
+8.0%	Annual	+5.8%
+6.7%	H1	+7.8%
+9.2%	H2	+4.1%

EBITDA

FY18		FY19
R4.1bn		R4.3bn
+22.8%	Annual	+6.0%
+22.5%	H1	+11.1%
+23.1%	H2	+2.4%

Profit after tax

FY18		FY19
R2.8bn		R3.0bn
+22.9%	Annual	+7.2%
+23.7%	H1	+12.3%
+22.4%	H2	+3.7%

Operating margin

FY18		FY19
17.6%		17.6%
+210bps	Annual	+0bps
+200bps	H1	+50bps
+220bps	H2	-40bps

Diluted HEPS

FY18		FY19
1 075.4c		1 142.3c
+21.1%	Annual	+6.2%
+23.6%	H1	+11.1%
+19.5%	H2	+2.9%

Dividend per share

FY18		FY19
693.1c		736.2c
+3.9%	Annual	+6.2%
+22.3%	H1	+11.6%
(5.6%)*	H2	+2.6%

*Payout ratio increased in FY17. Normalised in FY18 to 63%

Earnings & dividend per share

	2019	2018	% Change	
			Annual	H2
Profit attributable to shareholders (R'm)	2 982	2 781	7.2%	3.6%
W. Avg shares in issue (000)[1]	258 922	258 375		
Basic earnings per share	1 151.6c	1 076.4c	7.0%	3.4%
Addbacks (R'm)[2]	44	61		
Headline earnings (R'm)	3 026	2 842		
Headline earnings per share	1 168.6c	1 100.1c	6.2%	2.6%
Shares for diluted earnings (000)[3]	264 883	264 306		
Diluted earnings per share	1 142.3c	1 075.4c	6.2%	2.9%
Dividend per share[4]	736.2c	693.1c	6.2%	2.6%

- [1]LTI movements. Shares previously held by trusts now back in the market
- [2]Loss on disposal/de-recognition of PPE & intangibles (pg 16)
- [3]Dilution impact in line with PY. Decrease in w.avg share options outstanding
- [4]Payout ratio maintained at 63% of HEPS

Group income statement

R'M	2019	2018	% Change	
			Annual	H2
Retail sales & other income (pg 12)[1]	22 361	21 185	5.6%	3.9%
Gross profit (pg 15)[2]	9 236	8 829	4.6%	1.0%
Expenses (pg 16)[3]	6 106	5 871	4.0%	0.7%
Profit from operating activities	3 938	3 732	5.5%	1.8%
Net finance income	220	160	37.3%	24.1%
Profit before taxation	4 158	3 892	6.8%	2.8%
Taxation[4]	1 176	1 111	5.9%	0.6%
Profit attributable to shareholders[5]	2 982	2 781	7.2%	3.6%

- [1]RSOI growth Q3 (SENS) +3.5%; Q4 +4.6%
- [2]All divisions grew gross profit margin to Dec 2018 (SENS). Trend continued into Q4 for 4/5 divisions. mrpApparel margins impacted by higher markdowns
- [3]Cost curtailment efforts & lower variable remuneration enabled low H2 expense growth
- [4]Effective tax rate 28.3% (PY 28.5%)
- [5]Annual profit wedge (sales:pbt) achieved despite a challenging trading environment

Retail sales growth drivers

Geography

RSA
+3.8%

Non RSA
+12.3%

Tender Type

*Cash
+5.3%

#Credit
-0.3%

Cash
84.4%
of total sales

Channel

Bricks
+4.1%

Online
+32.1%

Merchandise

Unit growth
+0.2%

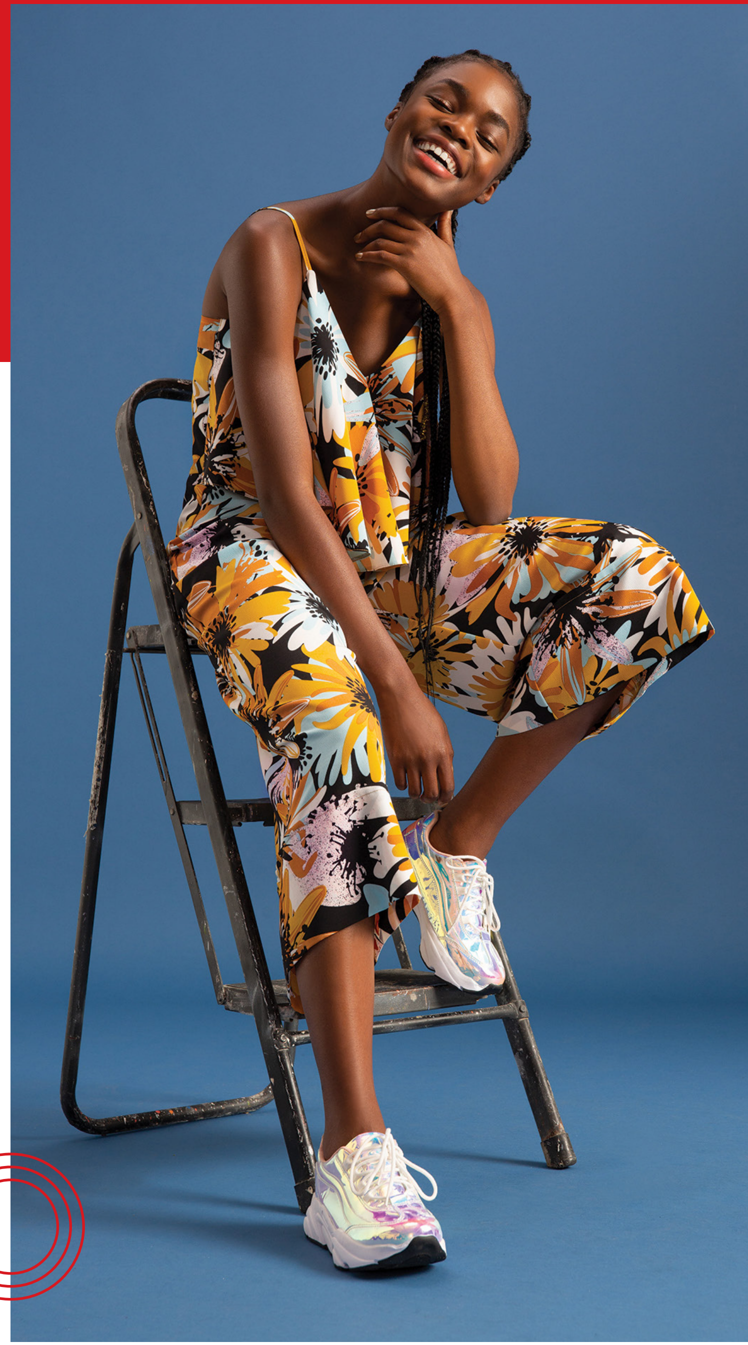
RSP inflation
5.1%

*Cash & Card (debit/ credit merchandise sales excl Cellular) | #Store card merchandise sales excl Cellular

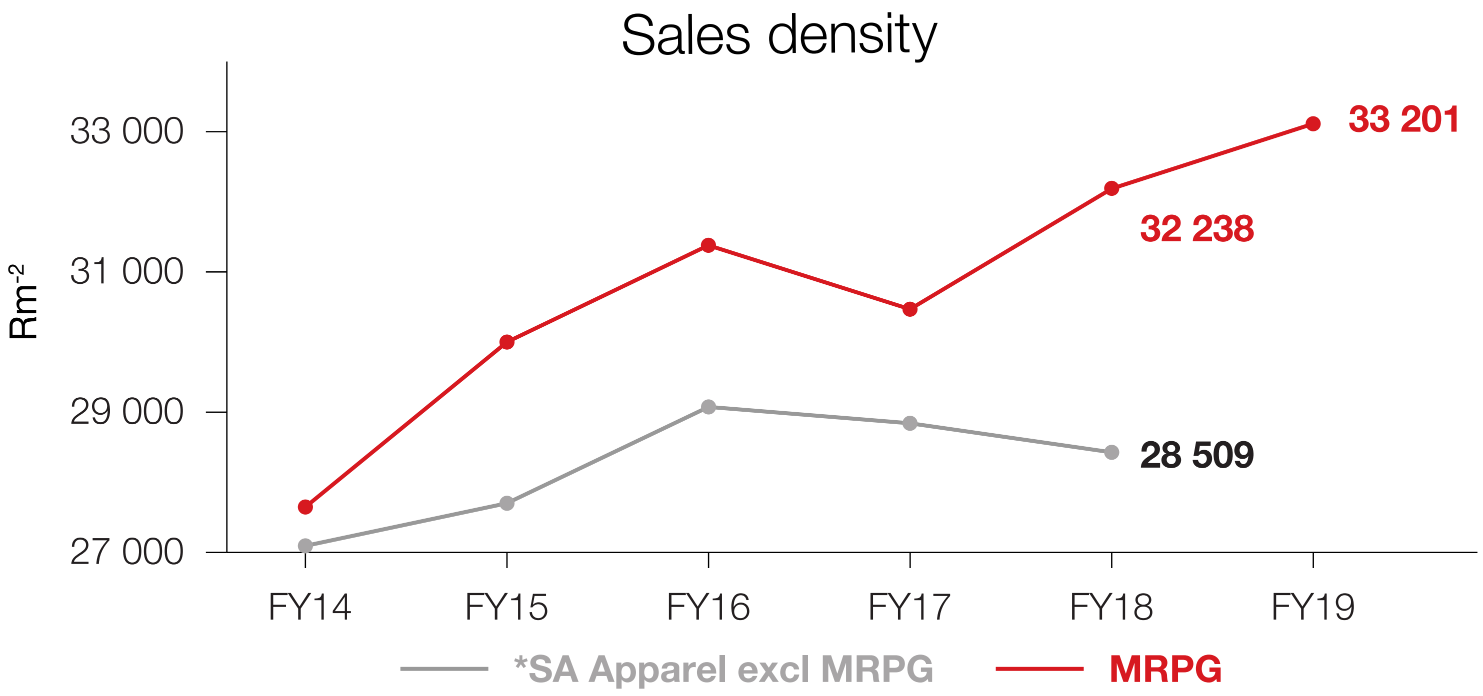
Revenue

R'M	2019	2018	% Change	
			Annual	H2
Retail sales[1]	20 877	19 994	4.4%	2.6%
Total other income	1 484	1 191	24.7%	28.0%
Financial services & cellular (pg 20)	1 437	1 142	25.9%	28.0%
Other[2]	47	49	(4.7%)	25.9%
Total retail sales, interest & other income	22 361	21 185	5.6%	3.9%
Finance income[3]	224	162	38.2%	27.8%
Total revenue	22 585	21 347	5.8%	4.1%

- [1]Retail sales growth per January trading update (Q3) of 1.9%. Q4 up 3.6%
- [2]Excluding prior year insurance claim, up 26.3%
- [3]Interest on higher average cash balances (pg 26)



Space growth analysis



- Sales densities continue to rise despite a difficult sales environment
- MRPG sales density 1.7X higher than the MSCI Real Estate Index in Dec 2018
- 247 leases renewed. Avg escalation ~6%, base rental reversions achieved
- Express format (400m^{-2} to 500m^{-2} stores) introduced in FY18 performing above feasibility. Lower rent & capex

*SA apparel: average of WHL, TFG, TRU

Space growth

Total Group
1 323 stores

Total gross space: 745 662m^{-2}

mrpApparel	512 stores
Miladys	214 stores
mrpSport	112 stores
mrpHome	179 stores
Sheet Street	306 stores

Space movements (m^2)

	w.avg net growth
mrpApparel	3.4%
Miladys	(1.1%)
mrpSport	0.6%
mrpHome	(1.9%)
Sheet Street	1.8%

Total space growth

	Closures	Reductions	Expansions	New Stores	Net growth
w.avg	(0.5%)	(1.2%)	0.2%	2.9%	1.4%
closing	(1.7%)	(1.1%)	0.5%	4.3%	2.0%

Positively impacting sales density & profitability

4.8% growth will drive non comp in FY2020

Store movements

	Closures	Reductions	Expansions	New Stores
mrpApparel	5	4	5	36
Miladys	5	5	1	12
mrpSport		6		7
mrpHome	3	8	3	11
Sheet Street	4	8	2	16

Total stores movements

	Closures	Reductions	Expansions	New Stores	Net growth
Stores	17	31	11	82	5.2%

Gross profit margin

Gross profit analysis

Merchandise GP

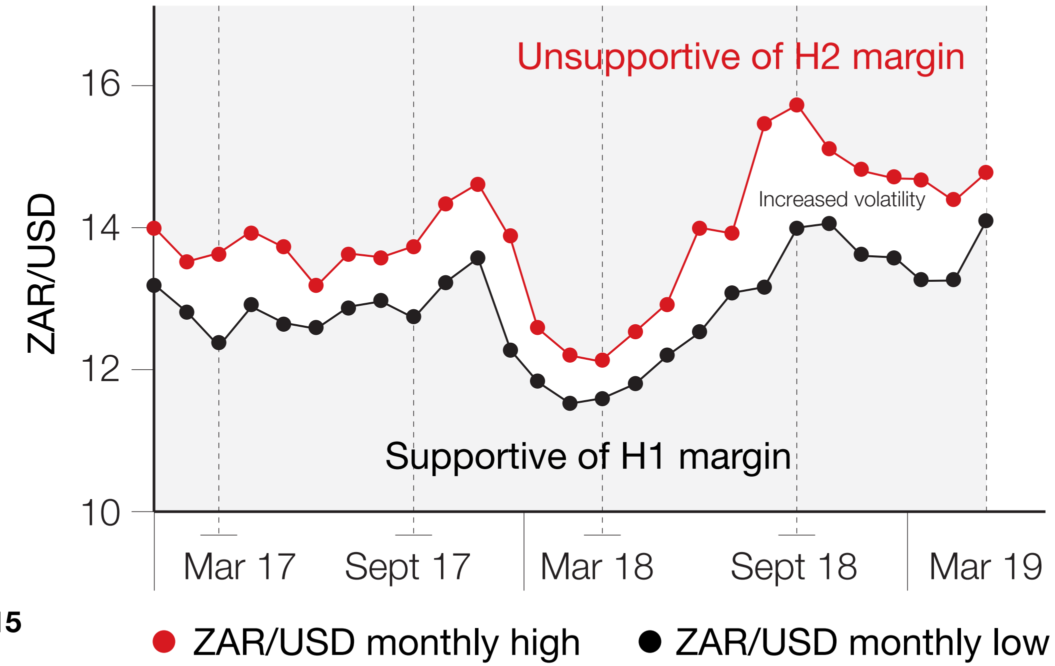
2017	2018	2019
40.6%	43.7%	43.6%

Cellular GP

2017	2018	2019
15.7%	20.6%	19.1%

Total GP

2017	2018	2019
40.1%	43.3%	42.9%



- Merchandise GP% was flat. Higher markdowns in mrpApparel in Q4 impacted margin & offset gains in other divisions
- Currency volatility & Rand depreciation in H2, impacted Q4 margins
- Cellular GP% decreased 150bps due to roll out of Cellular kiosks (lower margin product than mrpMobile) to over 200 stores. Operating margin per m^{-2} in line with merchandise margin
- Group GP% decreased 40bps. All trading divisions grew margins except for mrpApparel (grew GP% to Dec 18)

Overhead expenses

Selling expenses (R'M)

2019	2018	% Change	
		Annual	H2
4 691	4 492	4.4%	1.4%

- W.avg new space added of 3.1% (1.4% net of closures & reductions)
- Comparable store expenses up 3.1%. Non comparable store expenses driven by new space growth, Kenya acquisition & cellular growth
- Rental costs increased 5.2% (H2: +3.0%)
  - basic store rentals & operating costs up 6.5%
  - higher straight line lease adjustment (timing)
  - lower turnover rentals
  - onerous leases unwound in current period
- Employment costs up 3.6% (H2: -0.9%). Lower variable performance linked incentives
- Net bad debt up 12.1% on book growth of -0.4%. Declining standard of credit customer in the market

Administrative expenses (R'M)

2019	2018	% Change	
		Annual	H2
1 415	1 379	2.6%	(1.5%)

- Salary costs up 3.1%. Staff appointments offset by lower incentive pay out
- Includes IT de-recognition of R60.1m. Impact offset by profit/loss on disposal of PPE in base
- Amortisation up 11.2% relating to timing of IT projects capitalisation in prior year
- Excluding the above, admin expenses declined by 1.3%

RSOI divisional summary

Trading division RSOI

		Contribution	Growth
Apparel	mrpApparel	56.4%	+3.1%
	mrpSport	6.9%	+9.7%
	Miladys	6.6%	+4.0%
Home	mrpHome	16.5%	+6.8%
	Sheet Street	7.2%	+4.0%
Financial Services & Cellular	mrpMoney	6.4%	+25.9%

Trading segment

	*RSOI	Operating profit	Operating margin
Apparel	+3.8%	+3.4%	18.0%
Home	+5.9%	+12.3%	16.6%
Financial Services & Cellular	+25.9%	(1.3%)	29.2%

*Retail sales & other income

Apparel segment

	mrpApparel			Miladys			mrpSport		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
Retail sales[1]	R12 525m	R12 148m	3.1%	R1 462m	R1 405m	4.1%	R1 544m	R1 408m	9.7%
Comparable sales growth	0.1%	8.9%		3.1%	8.2%		6.4%	(4.5%)	
Unit sales	147m	149m	(1.0%)	7.3m	7.1m	3.3%	13.4m	12.7m	5.4%
RSP inflation[2]	5.1%	2.3%		1.3%	9.2%		5.0%	0.7%	
Weighted avg. space growth	3.4%	3.0%		(1.1%)	(0.5%)		0.6%	6.4%	
Sales density	R39 092m^{-2}	R39 200m^{-2}	(0.3%)	R24 265m^{-2}	R23 074m^{-2}	5.2%	R24 047m^{-2}	R22 049m^{-2}	9.1%

- Apparel segment grew ahead of [3]market growth of 2.7%
- **mrpApparel:** H1 (+5.8%) sales performance, not repeated in H2 (+0.8%). Excess stock required markdowns to clear in Q4, diluting GP%. Overheads carefully managed enabling positive annual operating profit growth
- **Miladys:** H2 (+0.3%) sales growth lower than H1 (+8.4%). Strong non-apparel performance in H2 offset by weaker apparel performance in a highly promotional environment. Annual GP% improved & double digit operating profit growth delivered
- **mrpSport:** H1 (+7.2%) sales momentum continued in H2 (+11.8%). Non comp product introductions & extentions to existing product contributed to performance. GP% gain driven by lower markdowns. Annual double digit operating profit growth achieved

[1]Excludes franchise & VAT [2]Includes VAT [3]Market per Stats SA Type D retailers, excluding mrp sales & VAT (Apr 18- Mar 19)

Home segment

	mrpHome			Sheet Street		
	2019	**2018**	**% Change**	**2019**	**2018**	**% Change**
Retail sales[1]	R3 684m	R3 437m	7.2%	R1 610m	R1 548m	4.0%
Comparable sales growth	4.5%	(0.9%)		1.6%	2.3%	
Unit sales	34.0m	33.7m	1.4%	18.1m	17.7m	2.7%
RSP inflation[2]	6.6%	0.1%		2.1%	2.0%	
Weighted average space growth	(1.9%)	(0.1%)		1.8%	0.5%	
Trading density	R28 196m^{-2}	R25 795m^{-2}	9.3%	R31 120m^{-2}	R30 454m^{-2}	2.2%

- Home segment grew ahead of [3]market growth of 2.7%
- **mrpHome:** H2 (+5.4%) sales growth slower than H1 (+9.3%). Good performance in a tough trading environment. New trialists from premium competitors increased, supporting trade. High contribution departments recovered strongly from prior year. Annual GP% gains through lower markdowns. Annual double digit operating profit achieved
- **Sheet Street:** positive sales performance despite Sheet Street's low to mid LSM customer being more financially constrained. Consistent sales growth across H1 (+4.5%) & H2 (+3.5%). GP% improved & annual operating profit growth achieved

[1]Excludes franchise & VAT [2]Includes VAT [3]Market per Stats SA Type D retailers, excluding mrp sales & VAT (Apr 18- Mar 19)

mrpmoney

mrpMoney				
R'M	2019	2018	% Change	
			Annual	H2
Cellular & mobile	677	418	62.1%	70.7%
Financial services	760	724	4.9%	2.5%
Total revenue	1 437	1 142	25.9%	28.0%

Cellular & mobile: profits grew strongly

- Mobile: Solid growth over the year (double digit growth in H2). Increasing momentum as billings & upgrades are now managed internally
- Cellular: Sold in 216 stores across 4 divisions, comp store growth in high double digits. Despite lower gross margin, sales density & operating profit per m^{-2} in line with merchandise. Gross margin improvements expected as on biller (wholesaling of minutes & data on behalf of other networks) gains momentum into FY2020

Financial services: profits under pressure

- Insurance: Reduced number of policies sold to individual customers to mitigate affordability concerns which impacted performance. Increased regulations & employee accreditation (FAIS) impacted profit. Full sales team beginning FY2020
- Credit: Interest growth (+2.0%) slower than prior year (+4.0%). A deteriorating credit environment affecting new & existing credit sales, a lower repo rate for 8/12 months & IFRS 9 (unrecognised interest in stage 3) all impacted growth. Initiation & monthly service fees supported performance but remain lower than competition

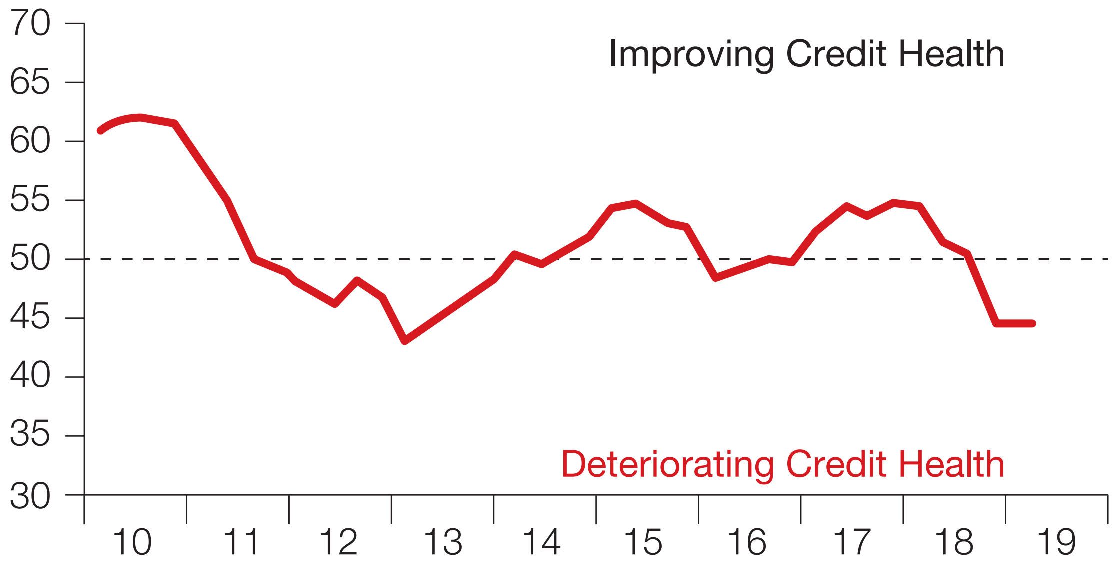
  Miladys Club Fee matter: positive outcome, NCR to appeal the decision. Debt Intervention Bill: shared concern with other retailers & credit providers

SA credit landscape

"Poor employment conditions, high fuel prices in Q4, weak income growth, and higher interest rates all appear to have taken their toll on consumer credit health."

Stephen de Blanche - Regional Vice President, Financial Services, TransUnion Africa

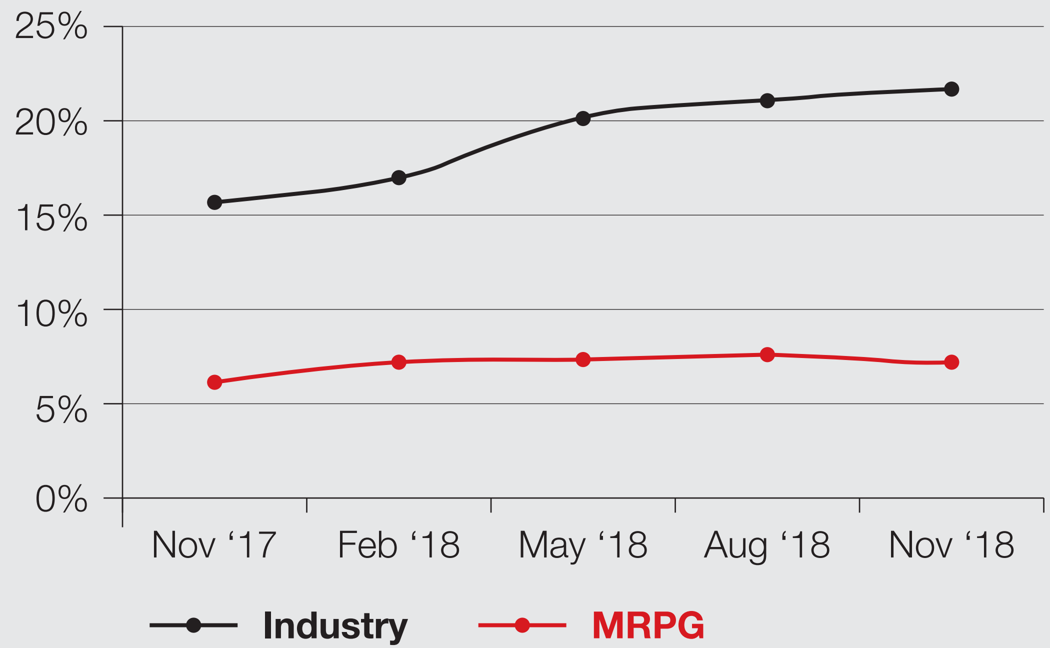
SA Consumer Credit Index



- New accounts 3 months in arrears rose 6% in Q1 2019
- Weak consumer confidence tempered credit appetite, particularly among mature credit customers with lower limit utilisation experienced
- Household free cashflow (used to pay off credit) remains weak
- Debt service costs increased as the repo rate was raised in December 2018 to 6.75%

Source: Transunion Consumer Credit Index Q1 2019

Originating accounts:
% Customers 3+ in arrears elsewhere



- Industry average is higher for customers 3+ in arrears than for MRPG
- MRPG credit risk appetite is lower than the industry

Source: Principa- Credit Compass & Bureau Benchmarking

Credit performance

Credit sales
R3.4bn
+2.2%

Avg credit basket*
R404
+3.8%

# of credit transactions
9.6m
-0.6%

Active accounts
1.4m
-1.1%

- Credit sales in mrpApparel & Miladys declined, impacting overall divisional performances. The Home segment & mrpSport reported positive growth
- Total active account growth in line with the industry (-1.2%) per Principa Combined Benchmarking
- A deteriorating credit landscape led to scorecards being adjusted. As a result, active account growth <12 MOB is lower for MRPG than the industry (+22.9%)
- New account applications up 6.9% & approvals up 1.0%. MRPG approves a lower risk customer than the industry
- Basket size growth was offset by lower transactions, reflective of the economic environment

*Includes VAT

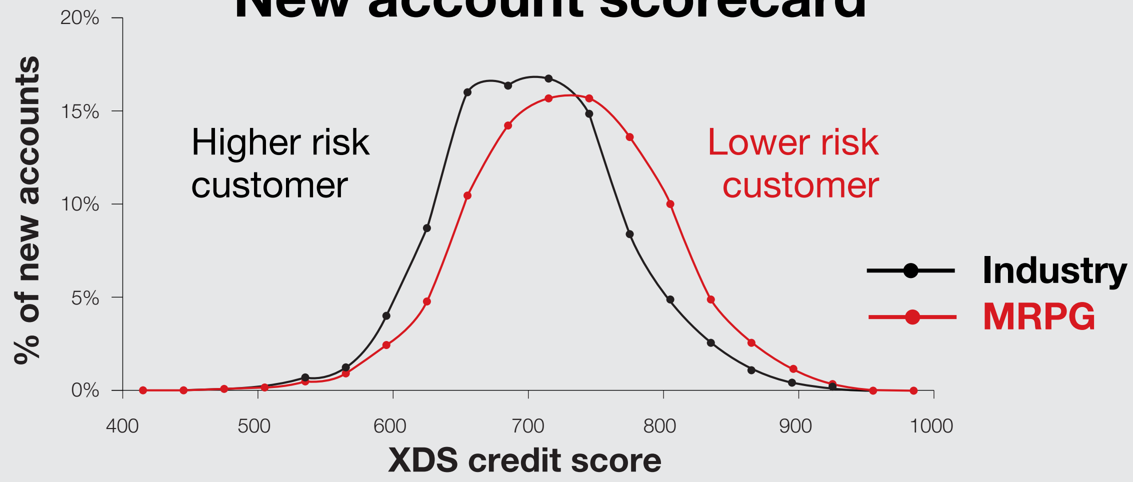
New accounts

621k Applications
2018: 581k

210k Approvals
2018: 208k

33.8% Approval rate
2018: 35.8%

New account scorecard



Source: Principa- Credit Compass & Bureau Benchmarking Q4 2018

Trade receivables

R'M	March 19	Sept 18	March 18	% change Mar/Sept	% change Mar/Mar
Retail debtors	2 120	2 116	2 134	0.2%	(0.7%)
Mobile* & franchise debtors	66	81	60	(18.3%)	9.0%
Total debtors book	2 186	2 197	2 194	(0.5%)	(0.4%)

Retail debtors (97% of total)					
NBD: book (excl collection costs)	7.3%	6.2%	5.9%		
Impairment provision	8.9%	8.3%	7.7%		

- IFRS 9 - retail debtors: general provision methodology applied resulted in increased provision vs prior period
- Higher bad debt levels have impacted provision requirement due to expected credit loss vs incurred loss methodology. Roll rates between statuses improved post scorecard adjustment in June 2018
- NBD to book at 7.3%, remains well below impairment percentage of 8.9%
- IFRS 9 - mobile debtors: simplified provision methodology applied. Improved book performance

*Includes debtors with repayment terms greater than 12 months

Accounting standard changes

2019 Financial Period

IFRS 9 Financial instruments
Summary of financial impact

- Retail debtors: general provision methodology applied
- Mobile debtors: simplified provision methodology applied
- Expected credit loss vs incurred loss model
- Opening retained earnings down R8m net of tax
- Opening provision increased R11m
- Interest accrued on stage 3 customer accounts in FY19 not recognised in revenue
- FY19 provision movement in income statement up 5.9%

2019 Financial Period

IFRS 15 Revenue from contracts with customers
Summary of financial impact

- Recognition of right of return liability of R12m, related right of return asset of R7m & derecogntion of credit note provision of R4m
- Mobile debtors: opening retained earning declined R5m; improved matching of revenue to costs
- Combined opening retained earnings up R3m net of tax

2020 Financial Period

IFRS 16 Leases
Summary of financial impact

- Total assets expected to increase between 40% - 50% as a result of right of use asset
- Total liabilities expected to increase between 90% - 100% as a result of lease liability
- One renewal period will be applied on leases with option
- Total overheads (including lease liability interest) expected to be impacted negatively by between 1% - 2%

Healthy balance sheet

R'M	March 2019	March 2018
Non-current assets*	**2 664**	**2 628**
Current assets	**8 481**	**7 491**
Inventories	2 692	2 215
Trade & other receivables	2 210	2 374
Cash & cash equivalents	3 275	2 756
Reinsurance assets	304	146
Total	**11 145**	**10 119**
Shareholders equity	8 682	7 455
Total liabilities	2 463	2 664
Total	**11 145**	**10 119**

- Growth excl GIT up 14.2%. Timing of Easter & early winter inputs
- Units excl GIT up 4.7%. Differential driven by higher priced winter merchandise

How we compare

	mrpg	Competitors
Current ratio	3.9	2.2
Quick ratio	2.7	1.4
Inventory turn	5.0	4.2
Solvency ratio#	1.8	
NAV per share#	+16.2%	

Source: Refinitive Eikon last 12 months
Competitors: Average of WHL, TFG, TRU, PPH
#Aggregated metric not available for competitors

Clean balance sheet enabling high free cash flow

*includes non current assets held for sale

Cash flow movements

R'M			
2018	2 720		
Cash from operations	4 009	Operating R2.9bn	EBITDA up 6.0%
Working capital	(490)		Lower receivables offset by higher closing inventory & reduced creditors
Net interest received	591		Higher average cash balances up 29.8%
Taxation	(1 253)		Timing of provisional payment. R177m FY18 top up payment paid in FY19
Kenyan Acquisition	(19)	Investing (R0.5bn)	12 stores acquired from Kenyan franchisee in May 2018
PPE & intangibles	(424)		PPE additions: R306m. Intangibles additions: R118m
Long term receivables	(6)		Long term mobile receivables
Dividends	(1 916)	Financing (R2.0bn)	Final FY18 dividend of 414.1c. Interim FY19 dvidend of 311.4c
Treasury shares	(82)		Long term incentive schemes
Other	20		Translation of foreign cash reserves to Rand
2019	3 150		

Future

Situational Analysis, Strategy & Outlook
By Mark Blair - CEO

03

Situational analysis

Strong fundamentals

ROE

40.9%
mrpg

17.4% JSE Top 40

22.7% Competitors

ROA

31.0%
mrpg

7.2% JSE Top 40

13.3% Competitors

Debt/equity

0.5%
mrpg

54.6% JSE Top 40

45.1% Competitors

Source: Refinitive Eikon last 12 months | Competitors: Average of WHL, TFG, TRU, PPH

Strong performance & returns

HEPS growth

33 year CAGR
MRPG 21.1%

5 year CAGR
MRPG 8.8%

5 year CAGR
Competitors 7.3%

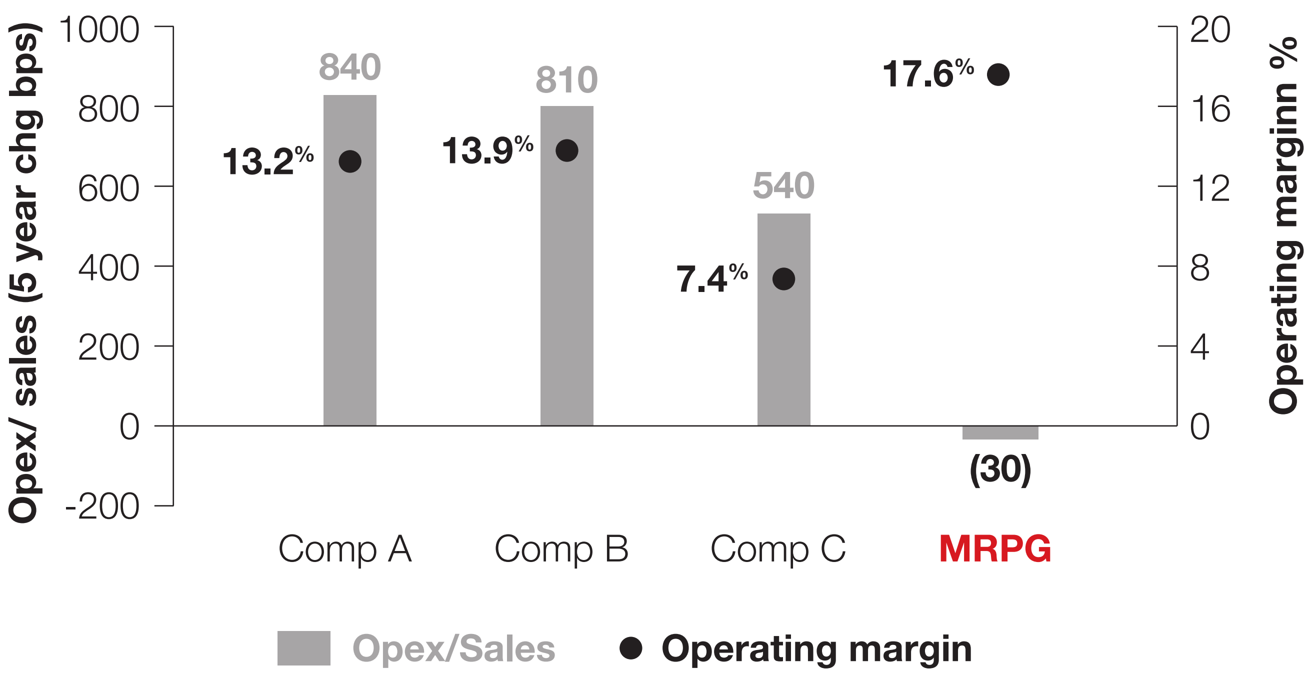
Total Shareholder Return

10 year CAGR
MRPG 25.7%

Situational analysis

Low cost model

Continued strong operating leverage (2013 - 2018)



- MRPG operating expense to sales ratio has improved by 30bps in last 5 years
- Trend continued in FY19 with operating expenses to sales ratio improving by 20bps versus FY18

Source: Bank of America Merrill Lynch | Refinitive Eikon FY18

How we compare (2013 - 2018)

mrpg	Competitors
5 year sales growth CAGR	
8.6%	14.7%
5 year opex CAGR	
8.4%	19.7%
Total expenses as a % of sales	
29.4%	37.7%

Source: Bank of America Merrill Lynch FY18
Competitors: Average of WHL, TFG, TRU

Situational analysis

Top 30 most valuable SA brands

Market capitalisation: R54.3bn
JSE Top 40 rank: 27
ExQ JSE Top 40 Rank: 13
(Exponential organisations)

1	4.8 bn	Standard bank
2	3.7 bn	FNB
3	3.3 bn	Castle Lager
4	3.2 bn	Vodacom
5	2.9 bn	MTN
6	2.2 bn	Nandos
7	2.0 bn	Absa
8	1.9 bn	Nedbank
9	1.7 bn	Discovery
10	1.7 bn	Old Mutual
11	1.4 bn	Woolworths
12	1.2 bn	Sasol
13	1.1 bn	Investec
14	1.1 bn	Shoprite
15	1.1 bn	Hansa Pilsener
16	986 mn	Cell C
17	805 mn	mrp
18	776 mn	DSTV
19	765 mn	Pick n Pay
20	761 mn	Capitec
21	653 mn	Netcare
22	617 mn	SAA
23	598 mn	Checkers
24	589 mn	Life Healthcare
25	582 mn	Mediclinic
26	579 mn	Edgars
27	437 mn	Santam
28	409 mn	Clicks
29	383 mn	Dis-chem
30	368 mn	OUT Surance

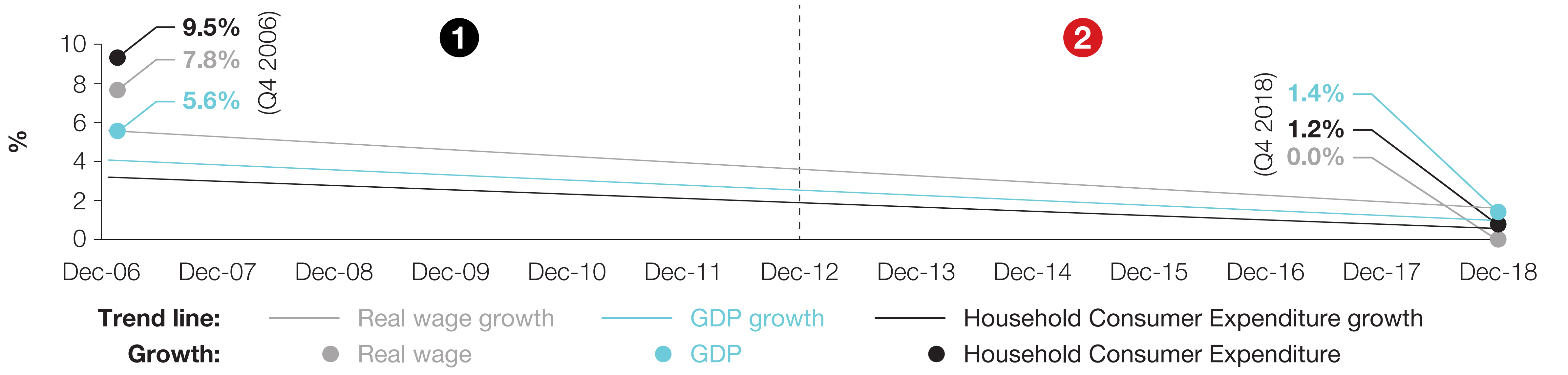
Source: Kantar Millwardbrown | 2018 brand value in USD | JSE | ExO works

Situational analysis

Market dynamics

Increase focus on:

1. **Reducing complexity**
2. **Process discipline**
3. **Prioritisation & trade-offs**
4. **Growth strategy**



1

Market

- Demographic tailwinds supporting consumer facing business
- Higher levels of real wage growth, disposable income & household expenditure
- Strong space growth

MRPG

- Focused on expansion, merchandise offer & operational execution
- Founders mentality mindset supported by business simplicity

2

Market

- Tailwinds dissipating
- Lower levels of real wage growth, disposable income & household expenditure
- Slowing space growth
- Low business & consumer confidence

MRPG

- New initiatives resulted in increased business complexity - IT, supply chain, resourcing, international test stores

Strategy

Frontline

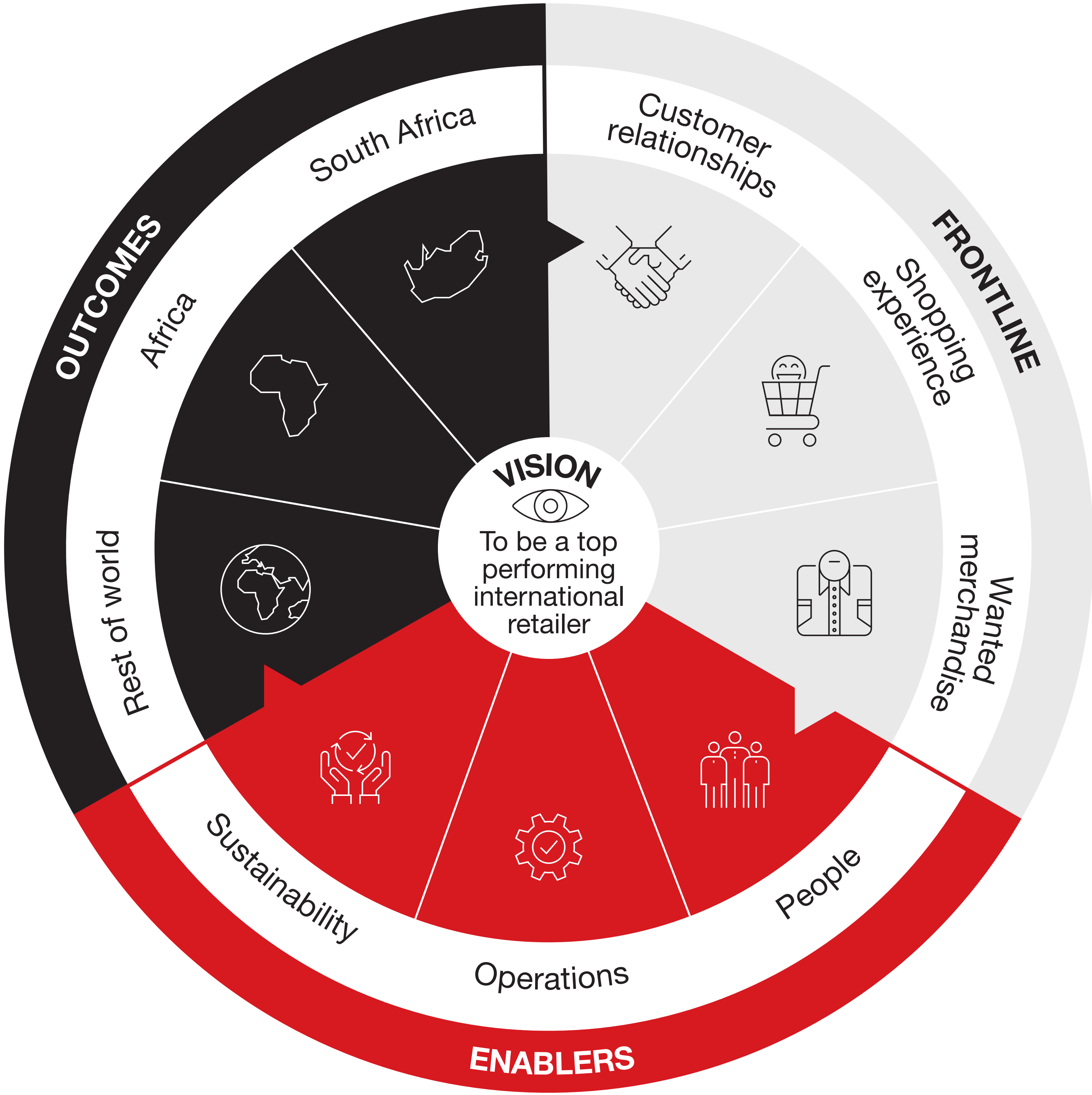
Surprise and delight our customers

Enablers

The mrp way, supportive of our culture and value positioning

Outcomes

Extend our track record of earnings growth



Frontline - Customer relationships

Winning through eCommerce

75% of all MRP sessions & online orders come through a mobile device

56% of MRP shoppers influenced by social media when deciding where to shop

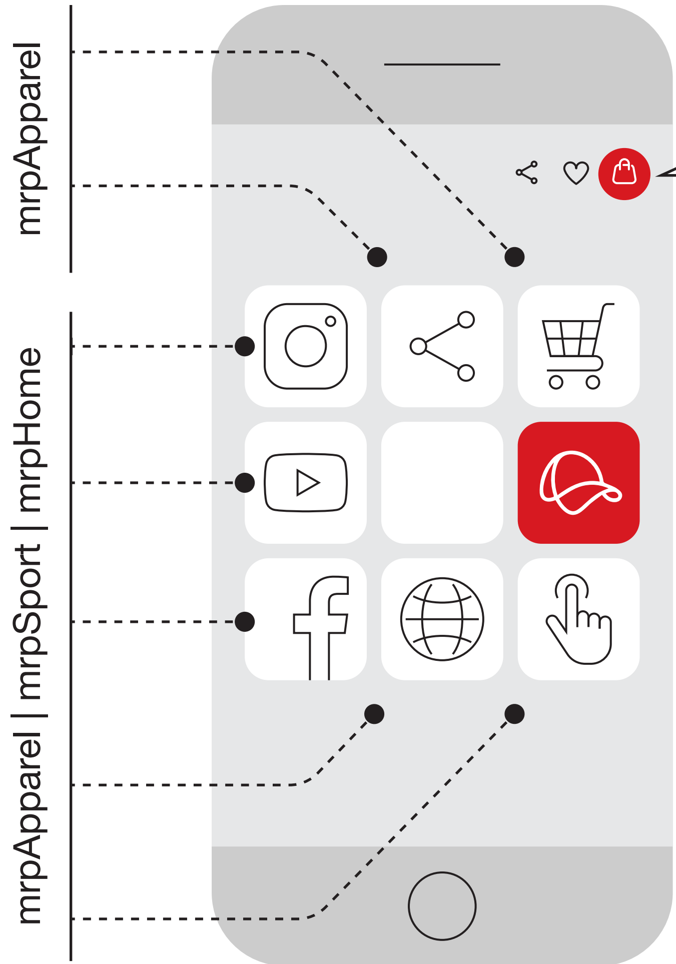
>600k followers MRP: No 1 fashion retailer in SA

>19 million video views

>1.9m followers 82% of MRP shoppers active on this channel

36 million visits to divisional websites

Active app users increased by **47%** & new users increased YOY by **44%**



Online basket size exceeds store basket size **on average by 50%**

Online growth:

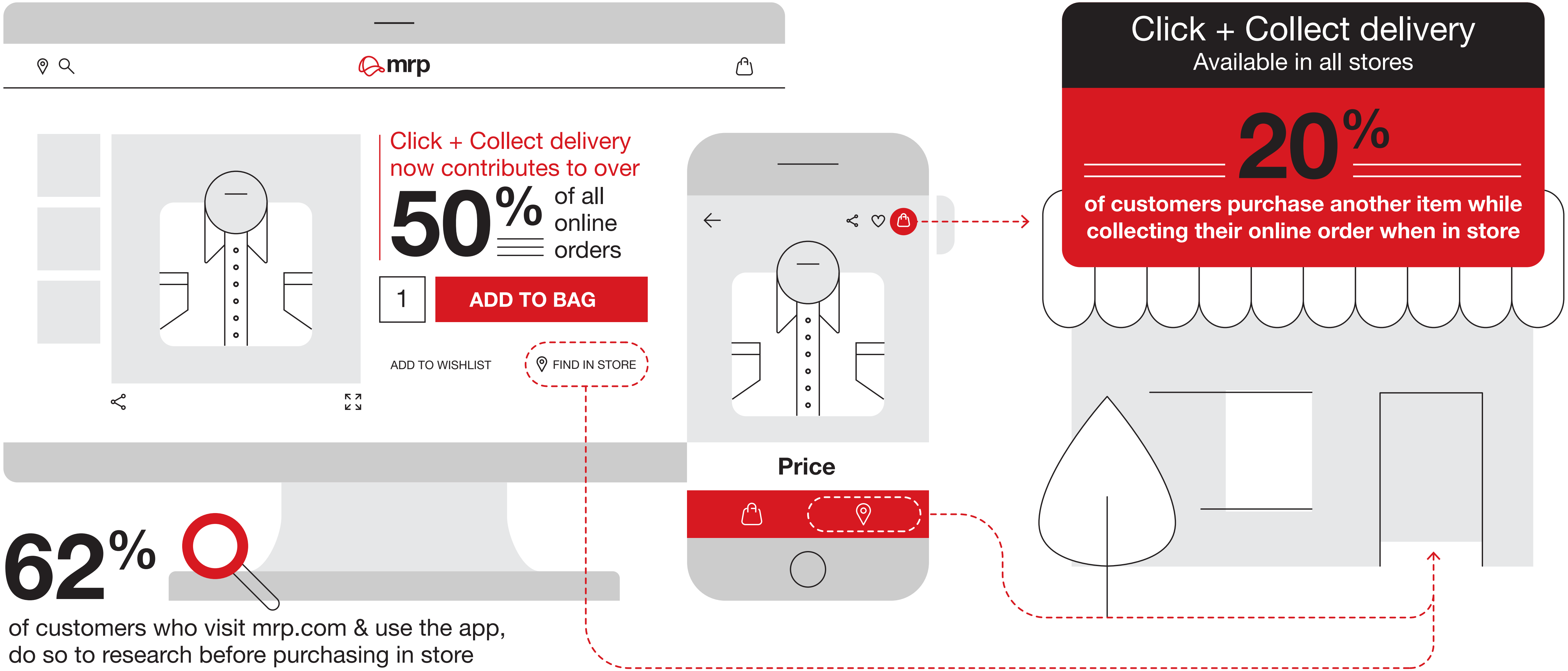
mrpApparel:	+30.2%
mrpSport:	+43.8%
mrpHome:	+34.8%
Total growth:	+32.1%

Critical investment in our future

- Online growth trend will continue
- Positive impact on store performance
- Enhances brand equity
- Profitable channel

Frontline - Shopping experience

Omni channel champions



Frontline - Shopping experience

Omni channel champions

Store of the future

World retail awards 2019:
Retail transformation award finalist

- Eastgate store re-opened Oct 2018. Most technologically advanced & innovative store to date (refer video included in Nov 18 results presentation)
- Self service check out counters
- Click & collect lockers
- Digital drive aisle screens
- Online trending product rail
- Further roll out across selected stores in FY2020

Frontline - Wanted Merchandise

Market share

Key tool in generating group & department level insights to inform strategic decision making

Retail Liaison Committee (RLC) reconstituted:

- market share information once again available from Jan 2017
- 17 retail groups, 76 retail formats

Participating

makro, H&M, Edcon, CONTEMPO, takealot.com, TFG, Pick n Pay Clothing, JAM, TRUWORTHS INTERNATIONAL, CAPE UNION MART Est. 1933, POWER FASHION FACTORY, WHL, QUEENSPARK, Retailability, COTTON ON GROUP, Pepkor

Not Participating

CROSS TRAINER, ZARA, Dis-Chem, Rage, CLICKS GROUP LIMITED, BUSBY, cb, studio88, SPITZ, ESTÉE LAUDER COMPANIES, IDEALS the smart choice, HOLDSPORT, zando

Frontline - Wanted Merchandise

Market share

RLC Market Share Apr 18 to Mar 19	% Change	
MRP Apparel	+0.0%	Gained in Autumn/ Winter, lost in Spring/Summer
Mrp Sport	n/a	Holdsport not participating
Miladys	+0.0%	Maintained or grew in all categories
Mrp Home	+0.4%	Departmental gains & losses directly correlate between each division
Sheet Street	-0.5%	Net gain in segment of 0.1%

RLC approximately 60% of STATS SA, but it enables a superior assessment of relative performance

STATS SA (RSA sales only, all MRPG divisions included in Type D (clothing, footwear, leather goods to Mar 19)

	Q1	Q2	Q3	Q4
MRPG growth	7.7%	6.5%	2.0%	3.8%
Market growth (excl MRPG)	3.7%	3.6%	3.1%	3.3%
MRP Apparel growth	8.3%	4.3%	0.2%	1.5%
Market growth (excl MRP Apparel)	1.8%	4.3%	2.5%	2.2%

Gained annual market share against both data sets, but unsatisfactory performance in H2

mr price group limited

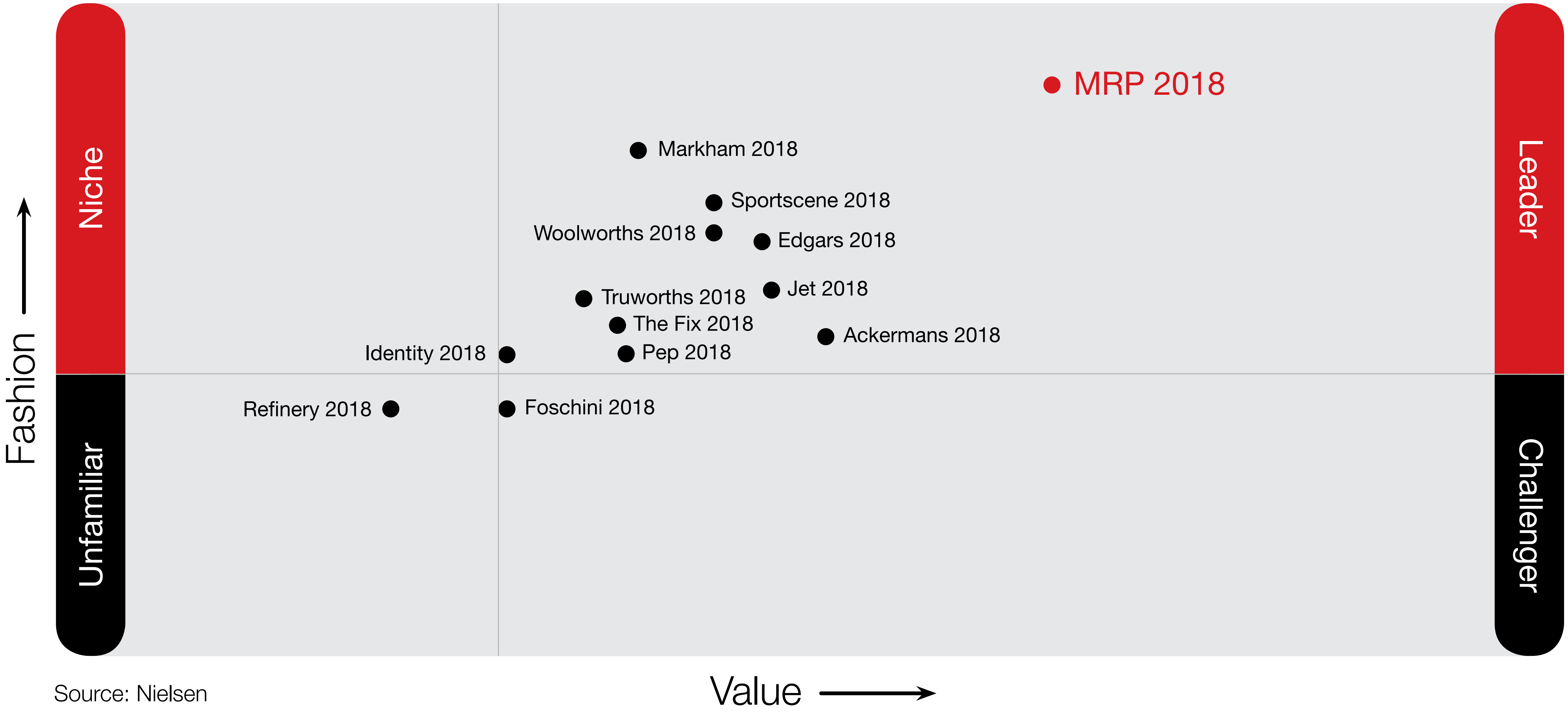
Frontline - Wanted Merchandise

Fashion value matrix

MRP still leads the general clothing category in fashion value perception

The brands remain in similar positions in relation to one another, year on year

Differentiated fashion value positioning

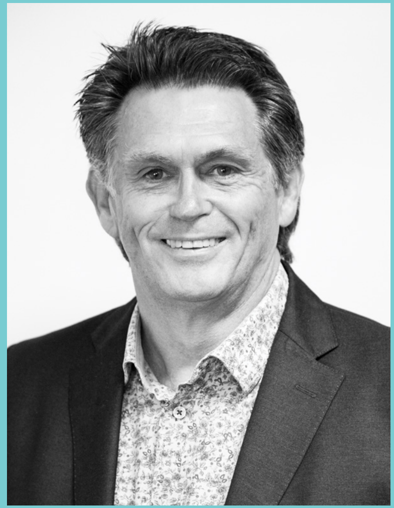


Source: Nielsen

Enablers

People

Initial focus on executive structures to build capacity & strengthen operational & strategic execution



Steve Ellis

Executive Director
27yrs MRPG experience

Mark Stirton

Chief Financial Officer
5yrs MRPG experience
Appointed Jan 2019

Nicci Lyne

Chief Retail Officer
20yrs MRPG experience
Appointed April 2019

Arn de Haas

Chief Operating Officer
20yrs MRPG experience
Appointed April 2019

- Restructured divisional leadership teams – all internal appointments
- Managing director of mrpHome will have an oversight role of homeware sector, enabling clear market positioning
- Looking externally to appoint an experienced Chief Information Officer
- Appointed Antoinette Joubert as Head of New Business Director (previously MRPG Real Estate Director, Redefine Retail Asset Manager, Stanlib & Morgan Stanley Retail Analyst)
- Excellent blend of experience & forward thinking, analytical & creative skills
- Changes well received & there is a renewed positive energy in the business

Enablers

Operations

Supply chain

- DC stabilization achieved following move to new location
- Sold 200 million units during the year
- Focus will be on realising planned DC efficiencies (throughput productivity & inventory accuracy)
- Sourced 36.7% of units from South African manufacturers; 46.2% SADC Reviewing resourcing strategy to reduce complexity & risk as well as improve on time in full deliveries, lead times & agility. Significant opportunity
- Introduced supplier grading tool to enhance relationships & measure supplier performance

Information technology

- Extensive IT project prioritisation review undertaken
- Strengthened management structure, including appointing experienced program manager & dedicated business owner
- Focus on landing transformational projects, data management & analytics

Total % of Group sales

8.1%

FY18: 7.5%

No. of stores

118

Sales growth (ZAR)

+12.1%

FY18: (0.5%)

Outcomes

Non RSA sales

Growth beyond RSA has not been impactful enough

	Contribution	Growth
Namibia	33.6%	(6.4%)
Botswana	21.9%	+5.1%
Lesotho	4.5%	+7.2%
Nigeria	5.3%	+5.4%
Ghana	4.9%	+21.9%
Zambia	7.9%	+15.8%
Swaziland	8.4%	+22.3%
Kenya	8.7%	
Africa	95.2%	+13.8%
Poland	0.1%	
Australia	1.5%	(40.3%)
Online	0.1%	
Rest of world	1.7%	(35.7%)
Franchise	3.1%	+6.3%
Total	100%	+12.1%

Africa

- Erratic performance, good long-term potential
- Growth in non RSA driven by acq. of Kenyan franchise stores
- The largest market, Namibia, faces ongoing economic challenges
- Evaluating Nigeria in light of independent detailed analysis taken

International

- Organic growth beyond Africa has proven challenging & distracting
- Start up from scratch, no local knowledge, takes years to impact group earnings
- High marketing costs to generate awareness
- Not chasing revenue if can't generate returns
  - raised onerous lease provision for Poland
  - closed Australian test stores in May 19

Outcomes

SA performance

- **MRPG grew annual market share (RLC & Stats SA):**
  - comfortably outperformed the market in H1
  - disappointing H2, particularly in competitive apparel sector (mrpApparel & Miladys)

- **MRPG results heavily influenced by mrpApparel (56.4% of group RSOI):**
  - H2 sales expectations informed by H1 outperformance
  - internal factors impacting key merchandise areas of buying & planning
  - excess stock levels required markdowns in Q4
  - above factors impacted category dominance & clarity of offer
  - Black Friday - our EDLP model is based on strong promotional appeal on wanted items, not distressed stock

- **Action taken by new management:**
  - undertook a detailed review of merchandise processes & structures, which identified areas for improvement
  - appointed experienced Ladieswear Merchandise Director (joining Oct 19)
  - expanded leadership structure including group-wide merchandise oversight roles

Expect impact of action taken to be effective from H2 FY2020

Outcomes

Growth

- **Most significant immediate opportunity is for mrpApparel to gain market share by fanatically focusing on our well established criteria:**
  - balancing core/fashion, width/depth of assortment
  - category dominance
  - price architecture

- **Commencing research phase in June 2019:**
  - evaluate identified opportunities in existing markets
  - identify attractive international markets
  - most likely approach will include partnership with existing successful business
  - must have the ability to scale
  - adequately resource significant opportunities
  - strong test mentality

- Expect balance sheet strength & cash flow to fund our growth plans. Do not anticipate increasing dividend pay-out ratio or paying special dividends

Outcomes

Founders mentality

1 • Sharp focus on cash & costs; treat each Rand as if it is our own
• Rapidly redeploy people & capital. They are most critical to the business

2 • Make & act upon key decisions faster than our competitors
• People take on personal responsibility & risk to do the right thing

3 • Simplified initiatives to focus on the biggest priorities that deliver value
• Planning & review processes are the best in our industry, efficiently reallocating resources to make our front line more competitive

4 • Clear about the "big-why" – the unique purpose for why we are in business
• Mission to be personally energising & inspiring to all

5 • Clear on one or two capabilities that drive our differentiation with customers

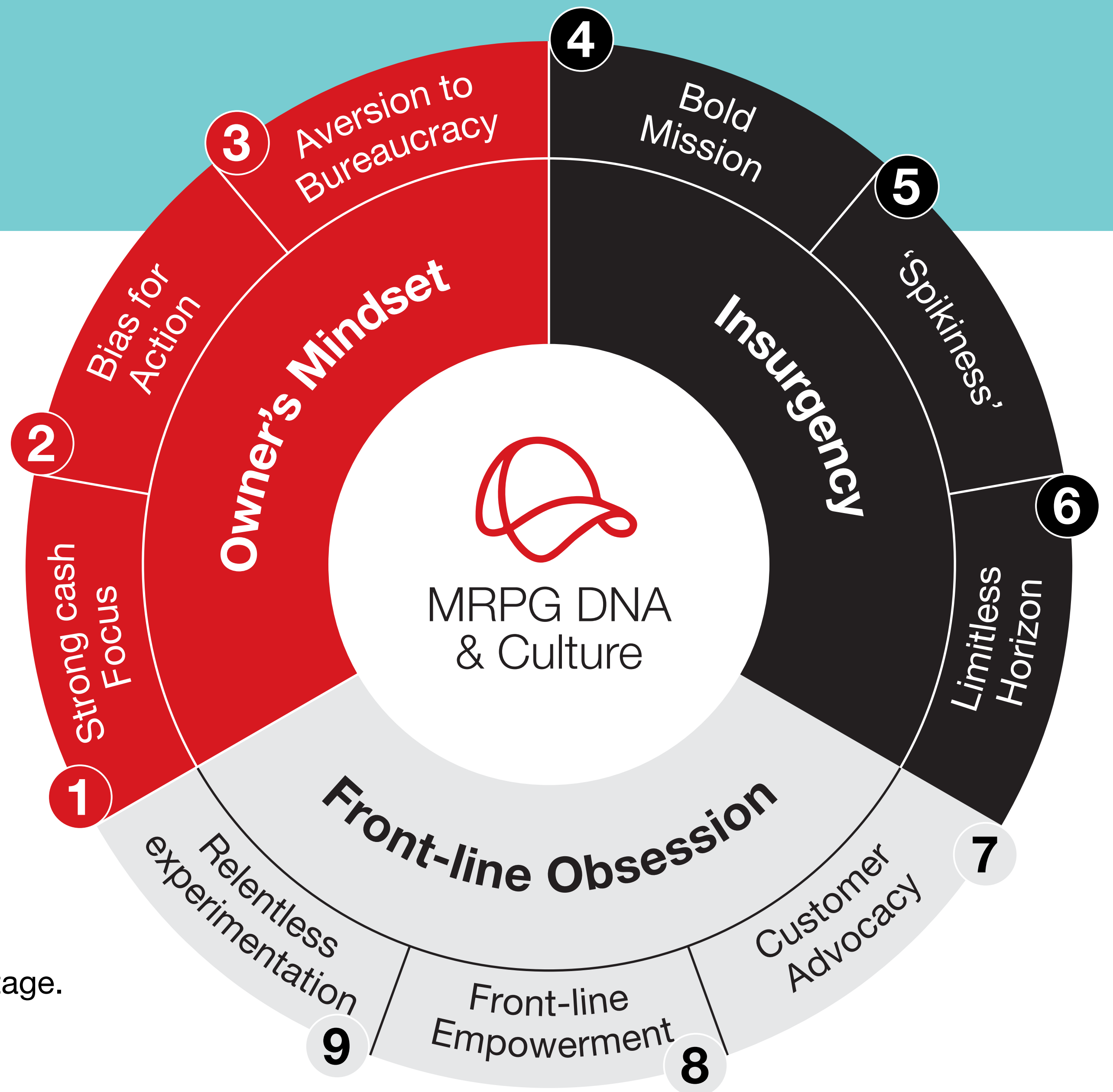
6 • Focused on the long term in our investments & budgetary decisions; managing short-term earnings is secondary
• Experimenting & building new business models ahead of the competition

7 • Clear about who our core customers are; their loyalty is a competitive advantage.
• Voice of the customer is fully represented in all important meetings

8 • Most sought-after employer by top talent in our industry
• Treat our front-line people as the heroes of our business & do whatever is needed to support them

9 • Innovate & experiment a lot in the field; this drives our learning & is a competitive advantage
• Efficient feedback processes to help us understand what is working & take corrective action quickly

Source: The Founders Mentality by Chris Zook & James Allen



Outlook

- Results of General Elections largely favourable:
  - government has a clear mandate to focus on reform – job creation & economic growth
  - reinstated an advisory unit in office of presidency to speed up policy execution
- Exchange rate is a concern; next ratings review & outcome of US/China trade standoff are critical
- May be entering a lower interest rate cycle
- Expect a very tough H1:
  - poor retail environment, warm weather
  - inventory carried over from FY19
  - impact of IFRS16 (lease accounting)

  but better H2 due to softer base & impact of internal initiatives
- Despite the short-term industry challenges, we can significantly improve our own execution
- Expect to open ~70 new stores; closing space growth ~3% (w.avg ~2%), capital expenditure ~R500m

thank you

mrp group limited