mr pricegrouplimited

annual results

MARCH 2018

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Retail environment
Mark Blair - CFO

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Company Performance
Mark Blair - CFO

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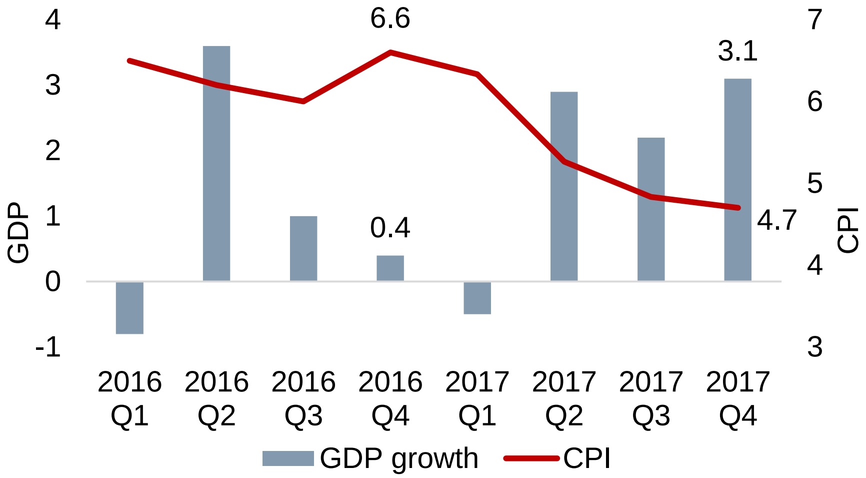
Strategy and Outlook
Stuart Bird - CEO

intro

Retail Environment Overview

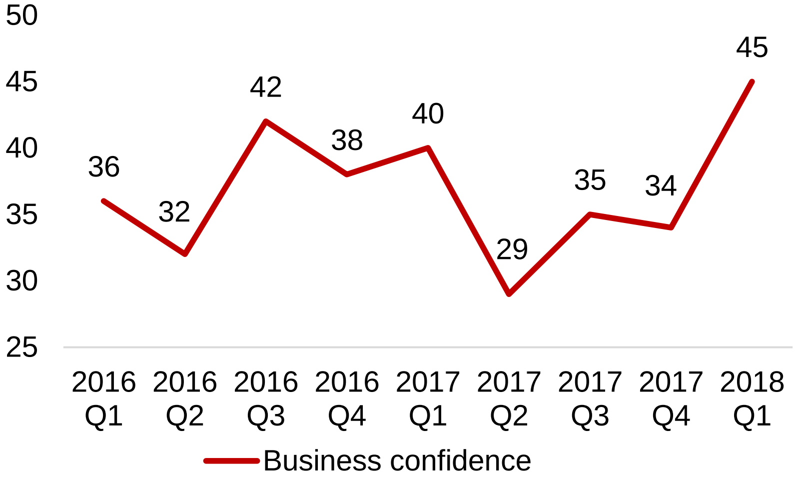
Economic overview

ECONOMY



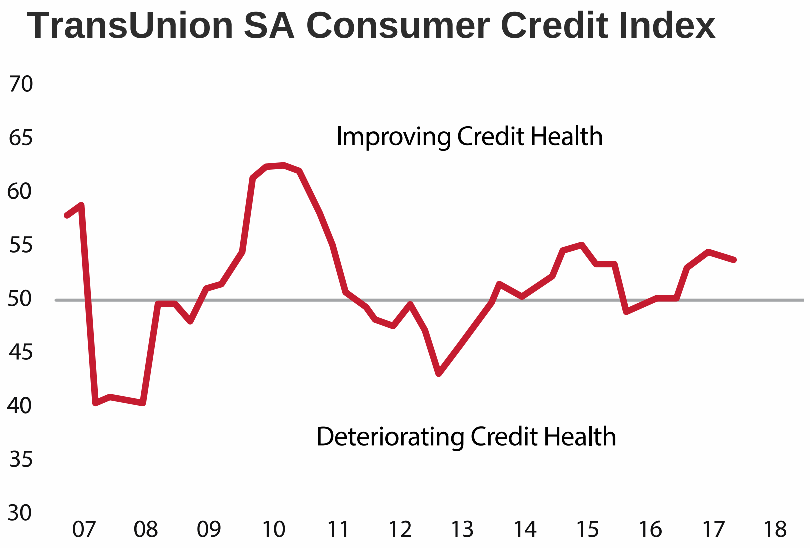
- 2017 GDP growth averaged 1.3%
- 2017 CPI averaged 5.3%. Mar 18 3.8%
- Repo rate down 50bps to 6.5%
- Unemployment rate Q1 2018 26.7%
- Improved exchange rate - favourable political outcome in Dec 17

BUSINESS

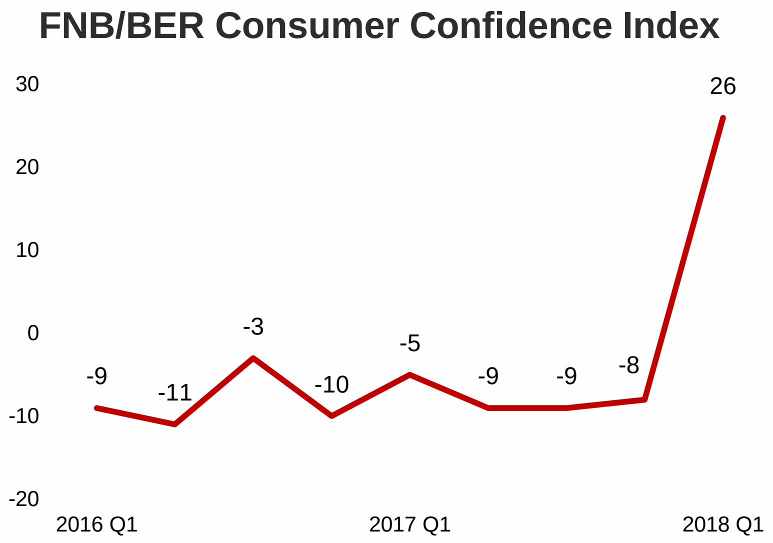


- Q1 2018 business confidence increased to highest level in three years
- Improved environment to attract FDI
- High promotional environment persists
- Retailers competing for market share in a stagnant economy

Consumer overview



- Gradual rise since Q1 2016
  - cautious lending
  - consumers deleveraging
  - stronger currency



- Surged to all time high in Q1 2018
  - outlook of economy
  - households' financial prospects
  - time to purchase durable goods

In our view:

- household cash flow unlikely to improve significantly in short term (interest rates lower but higher VAT, fuel price, CPI April 18 up to 4.5%)
- consumer confidence indicative of consumers' willingness to spend, not their ability

results

Company & Divisional Performance

Group highlights

Revenue	**Ebitda**
R21.3bn +8.0%	R4.1bn +22.8%
Profit before tax	**Operating margin**
R3.9bn +24.3%	17.6% +210bps
Diluted heps	**Dividend per share**
1075.4c +21.1%	693.1c +3.9%
Free cash flow	**Return on equity**
R3.0bn +71.8%	40.1% +230bps

Results vs expectations

	Growth %	Range (cents) – SENS 26 April 2018		
		Low	Actual / consensus	High
Basic EPS	20-24%	1061.5	**1076.4**	1097.0
Basic HEPS	18-22%	1075.5	**1100.1**	1112.0
Diluted EPS	20-24%	1034.3	**1052.2**	1060.8
Diluted HEPS	18-22%	1047.7	* **1071.4** * **1069.9** **1075.4**	1083.2

Actual results ●

Consensus estimates Mar 2018: * Bloomberg * Thomson Reuters

Group highlights

H1 & H2 earnings growth **~20%**

All trading divisions grew **operating profit in H2**

Results driven by **improved operational execution** - assortment & value proposition

MARKET SHARE GAIN in largest division

220m units sold in **FY18**

Successfully transitioned to new **single facility distribution centre**

Acquired Kenyan franchise stores

Another good year in **financial services**

- won case against National Credit Regulator
- test cellular in store offer
- acquired minority interest in mrpMobile MVNO
- profit growth for 10 consecutive years

Earnings per share

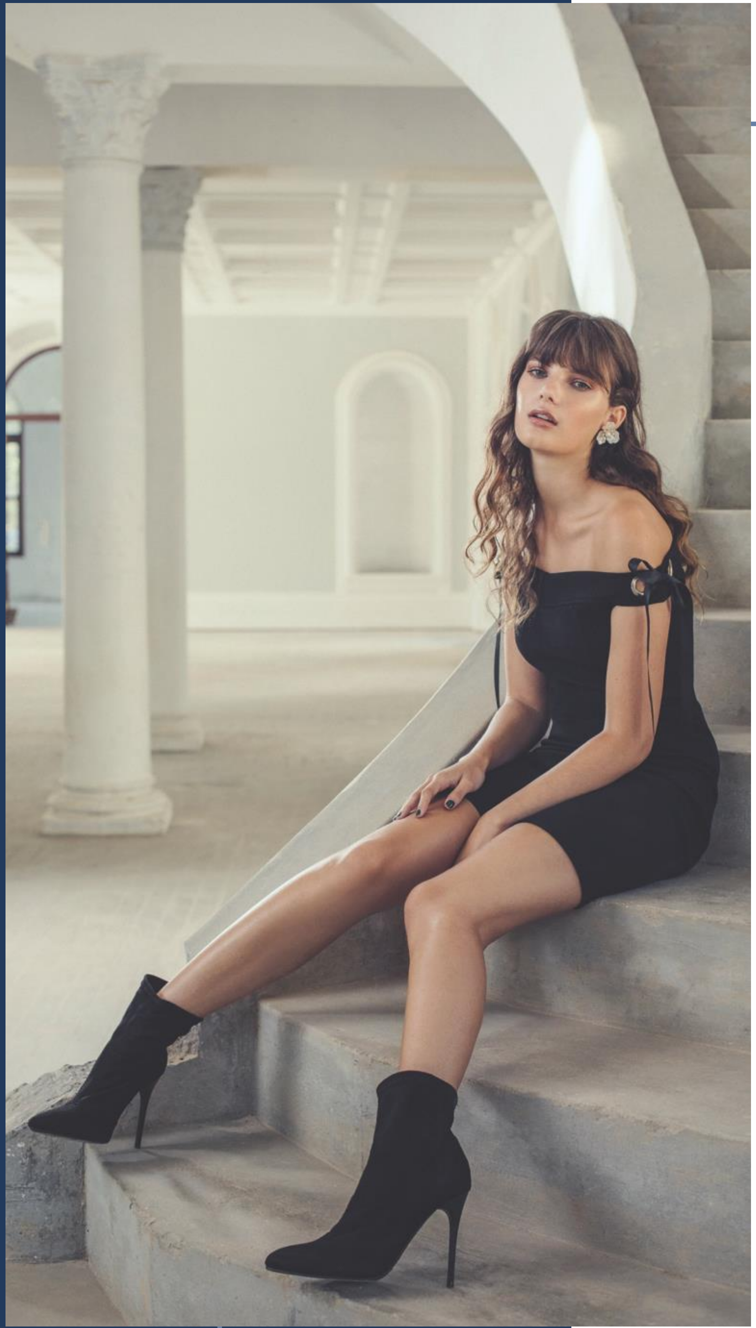
	2018	2017	% Change Annual	% Change H2
Profit attributable to shareholders (R'm)	2 781	2 263	22.9%	22.5%
W. Avg shares in issue (000)[1]	258 375	255 793		
Basic EPS (cents)	1 076.4	884.6	21.7%	21.6%
Addbacks (R'm)[2]	61	68		
Headline earnings (R'm)	2 842	2 331		
HEPS (cents)	1 100.1	911.4	20.7%	19.7%
Shares for diluted earnings (000)[3]	264 306	262 544		
Diluted HEPS (cents)	1 075.4	887.9	21.1%	19.5%

- [1] Movement relates to LTI schemes' shares vesting. Shares previously held by trusts now back in the market
- [2] Asset write offs:

selling expenses (pg 18)	R26.6m	92% in H2
administration expenses (pg 19)	R54.8m	
cost of sales	R3.9m	
taxation thereon	(R23.9m)	
	R61.4m	

- [3] Dilution impact in line with PY- decrease in LTI's outstanding; higher share price

Dividends per share



FY2017

Interim payout ratio

58% FY2016 **VS** **63%** FY2017

decline in HEPS **15.3%** **VS** decline in DPS **8.0%**

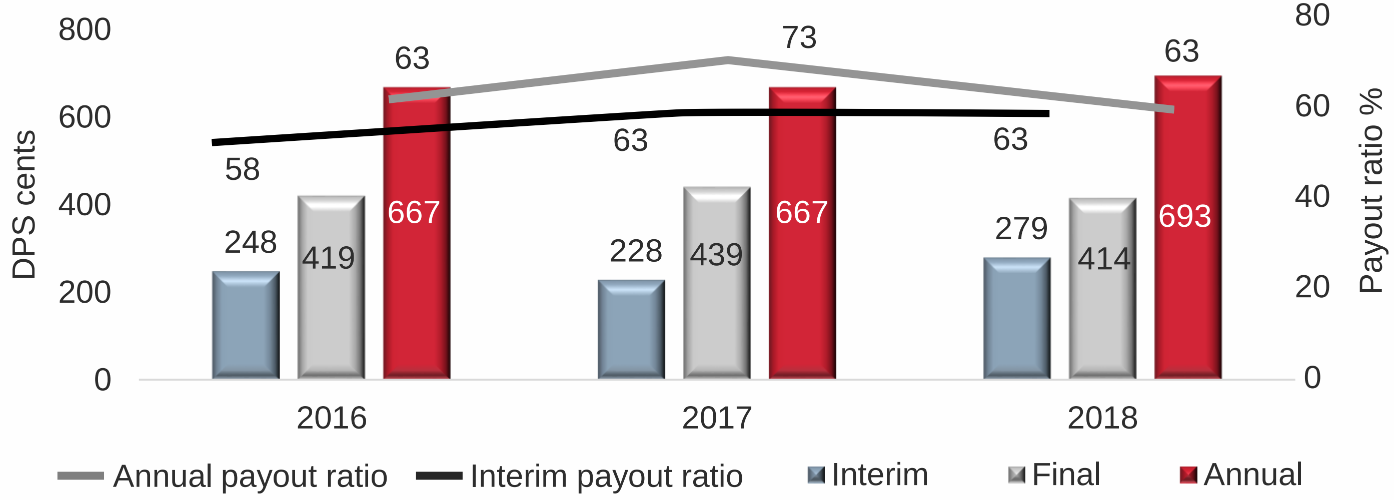
Annual dividend maintained at 667c.
Final dividend up 4.7%

FY2018

Cents	2018	2017	% Change
Interim	279.0	228.2	22.3%
Final	414.1	438.8	-5.6%
Annual	**693.1**	667.0	**3.9%**

Interim dividend growth = HEPS growth

Final and annual dividends impacted by treatment in prior year



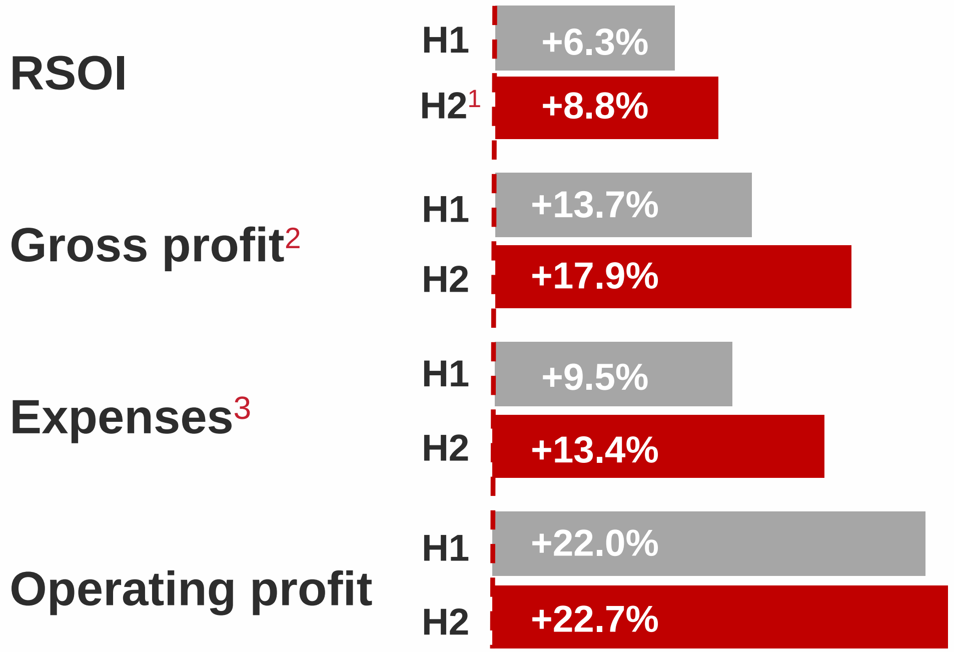
Growth drivers

	2018	2017
Cash sales growth	8.4%	0.1%
Credit sales growth	4.1%	-3.2%
RSA sales growth	8.4%	-0.2%
Non RSA sales growth*	3.8%	-3.6%
W. avg space growth	2.1%	2.6%
Lower RSP inflation	1.7%	10.9%
Unit growth achieved	6.4%	-10.5%
Higher Gross Profit %	43.3%	40.1%

* Corporate owned stores

Income statement & growth drivers

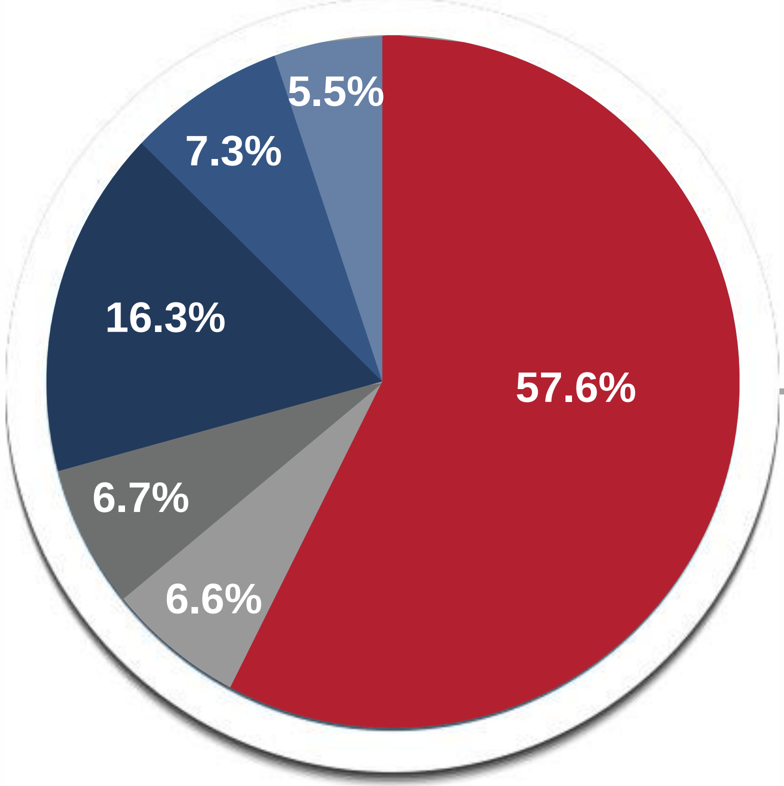
R'm	2018	2017	% Change Annual	% Change H2
Retail sales and other income[1] (pg 15)	21 185	19 679	7.7%	8.8%
Cost of sales[2] (pg 17)	11 582	11 365	1.9%	2.5%
Expenses[3] (pg 18-19)	5 871	5 266	11.5%	13.4%
Profit from operating activities	3 732	3 048	22.4%	22.7%
Net finance income	160	82	95.5%	100.2%
Profit before taxation	3 892	3 130	24.3%	24.6%
Taxation[4]	1 111	867	28.1%	30.7%
Profit after taxation	2 781	2 263	22.9%	22.4%
Profit attributable to shareholders[5]	2 781	2 263	22.9%	22.4%



- [1] Sales growth Q3 (SENS) +8.5%; Q4 +10.0%
- [2] Improved product execution resulted in higher input margins & lower markdowns. Higher merchandise & cellular GP% in both periods
- [3] In line with expectations following cost curtailment in PY & variable performance linked expenses
- [4] Effective tax rate 28.5% (PY 27.7%). Have not raised deferred tax assets in Ghana, Nigeria & Australia
- [5] Sound results in both periods, strong Apparel recovery. Acquired minority interest in MVNO 2 Jan 2018

Segment results

Retail Sales & Other Income (RSOI) Contribution



RSOI Growth	Segment
mrp +10.9%	**Apparel**
mrpSport +2.7%	
Miladys +8.3%	
mrpHome +0.8%	**Home**
SheetStreet +4.0%	
mrpMoney +7.2%	**FS & Cellular**

Apparel

RSOI	+9.8%
OP profit	+36.0%
OP margin	18.1%

Home

RSOI	+1.8%
OP profit	-4.4%
OP margin	15.7%

FS & Cellular

RSOI	+7.2%
OP profit	+9.8%
OP margin	37.2%

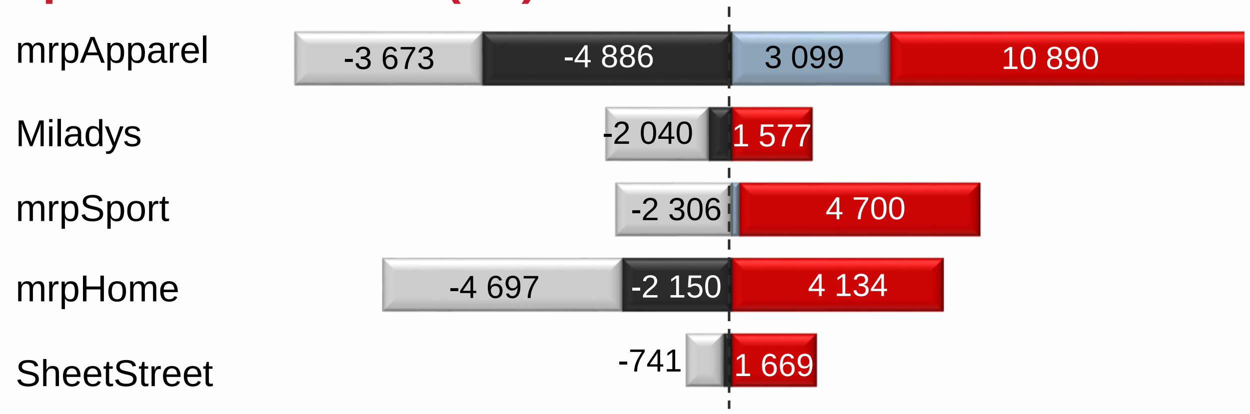
Revenue

R'm	2018	2017	% Change Annual	% Change H2
Retail sales[1]	19 994	18 575	7.6%	8.7%
Financial services and cellular (pg 25)	1 142	1 065	7.2%	10.8%
Other[2]	49	39	25.1%	-10.9%
Total other income	1 191	1 104	7.9%	9.7%
Total retail sales, interest & other income	21 185	19 679	7.7%	8.8%
Finance income[3]	162	84	92.9%	93.9%
Total revenue	21 347	19 763	8.0%	9.2%

- [1] Comparable sales growth 5.6% (H2 6.5%)
  RSA store sales up 8.3% (H2 9.4%). Non-RSA store sales up 3.8%
  RSA online sales up 12.5% (H2 18.1%), strong growth in mrpApparel
- [2] Miladys club fees R23m +4.5% (H2 +9.1%)
  mrpFoundation R10m -4.8% (H2 -30.8%, timing of external donations)
  Other R16m +145.7% (incl mrpHome insurance claim)
  R49m
- [3] Interest on cash resources - refer cash flow (pg 32)

Space growth analysis

Space movements (m²)



Store movements

	Closures	Reductions	Expansions	New stores
mrpApparel	7	6	11	18
Miladys	2	13	1	7
mrpSport		4		13
mrpHome	5	6	1	8
Sheetstreet	1	8		11
Stores	15	37	13	57
Space growth	-0.4%	-1.3%	0.2%	3.6%

F2018

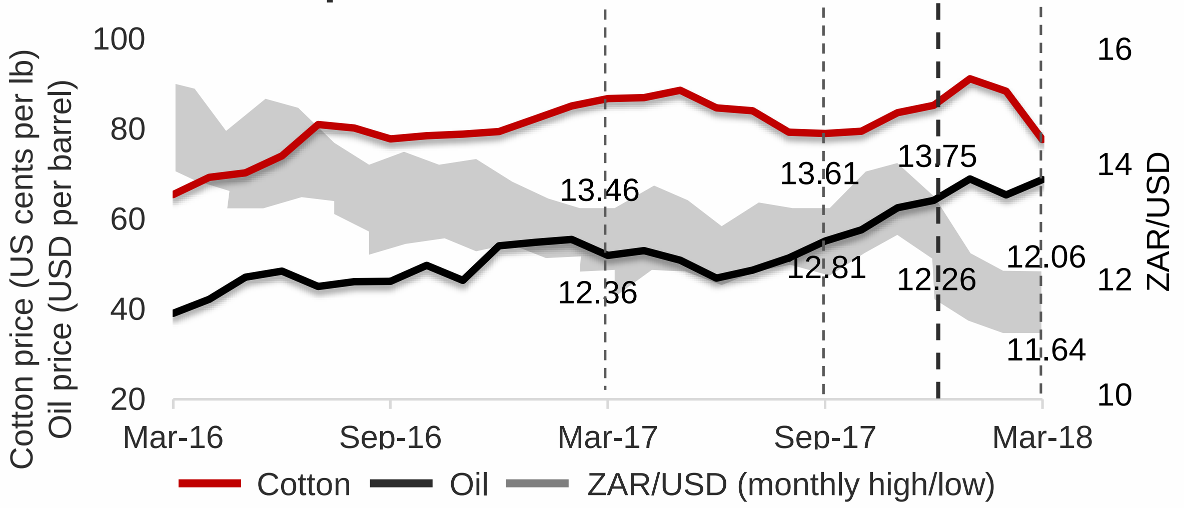
- 3.8% growth in new space, 2.1% net
- 1 258 stores across regions (SA 1 157; Non SA 101)
- Store expansions & reductions are achieving feasibility
- 227 leases renewed: base rentals flat & average escalation 6.0%
- 581m² average store size (PY 597m²)
- Trading density of R32 238m² up 5.8% vs industry decline of 2.3%

F2019

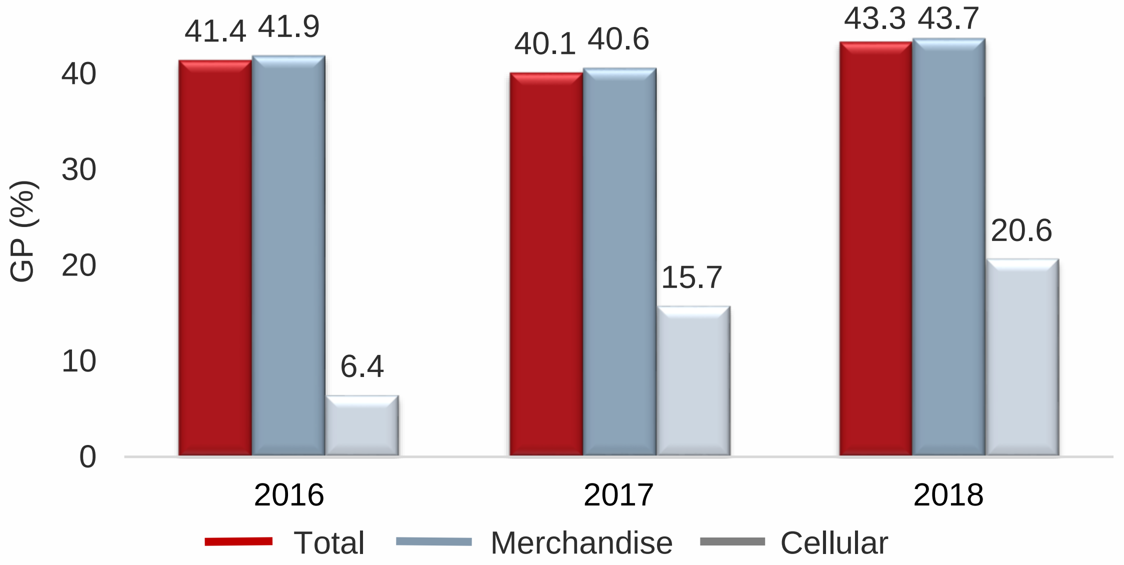
- Expecting ~4% growth in new space, ~2-3% net
- Space reduction opportunity in Sport, Home & Miladys
- Focus on location & deal structure of new leases
- Retailers consolidating their footprints & industry vacancy rates ahead of long term averages

Gross profit margin

Cotton & oil price vs US /ZAR



Gross profit analysis



- Extended hedging period due to potential risk from political events in Dec
- USD/ ZAR closing exchange rate:
  - Nov 17: R13.54 pre ANC elective conference
  - Dec 17: R12.29 (+9.2%) - new ANC leadership
  - Mar 18: R11.81 (+3.9%)
  - Weakened to a peak of R12.80 post year end, a decline of 8.4%

- Merchandise GP% up by 310bps
  - improved ingoing margin & lower markdowns
  - gains in all divisions, most prominent in Apparel chains, particularly mrpApparel
- H2 merchandise margin up on H1 by 230bps. Similar ingoing as H1 margin but lower markdowns
- Cellular GP% gain due to mix changes (pg 28)

Selling expenses

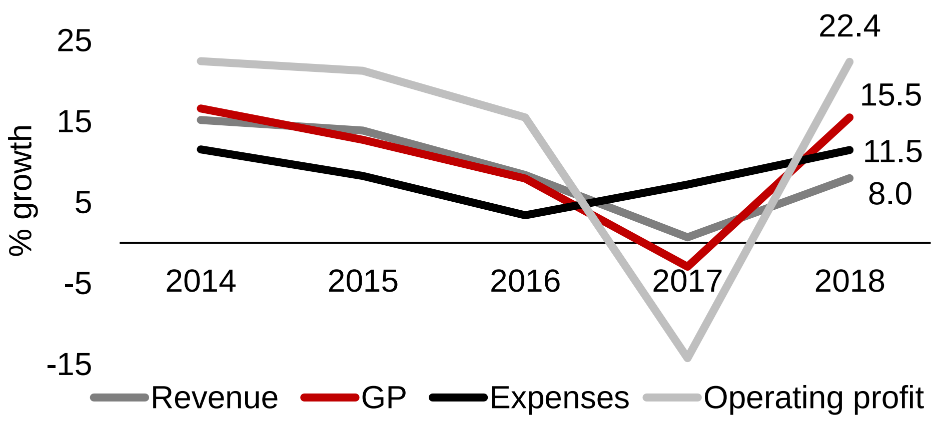
R'm	2018	2017	% Change Annual	% Change H1	% Change H2
Total selling expenses	4 492	3 995	12.5%	9.9%	14.8%
Less: impairment/ loss on disposal[1]	(27)	(22)			
onerous leases[2]	(25)	(1)			
Total selling expenses	4 441	3 973	11.8%	9.7%	13.8%

- [1] Includes impairment/write off of all Australian stores fixtures of R13.4m
- [2] Increase in provision, mainly Australia R34.3m less PY reversals
- New space added of 3.8% (2.1% net of closures & reductions)
- Rental costs up 11.6%
  - basic store rentals & operating costs up 6.7%. Successful renewal negotiations
  - higher straight line lease adjustment vs credit in PY
  - improved trade resulted in higher turnover rentals (credit in PY)
- Employment costs up 17.8%, or 9.8% net of lower ETI allowance & higher incentives
- Net bad debt up 9.6% (retail 7.2%) on book growth of 4.5%
- Excluding once off credit in base, rest of costs up 5.9% (H1 +6.5%, H2 +5.3%)

Admin expenses & profit wedge

R'm	2018	2017	% Change Annual	% Change H1	% Change H2
Total admin expenses	1 379	1 271	8.5%	8.1%	8.9%
Less: impairment/ loss on disposal[1]	(55)	(74)			
foreign exchange loss	(2)	(33)			
Total net of adjustments	1 324	1 164	13.5%	14.1%	13.0%

- [1] Mainly relates to changed approach on ERP implementation (pg 41)
- Employment costs up 16.6%, or 3.4% net of performance based incentives
- Excluding the above & higher legal costs, other costs up 5.7% (H1 5.0%; H2 6.4%)



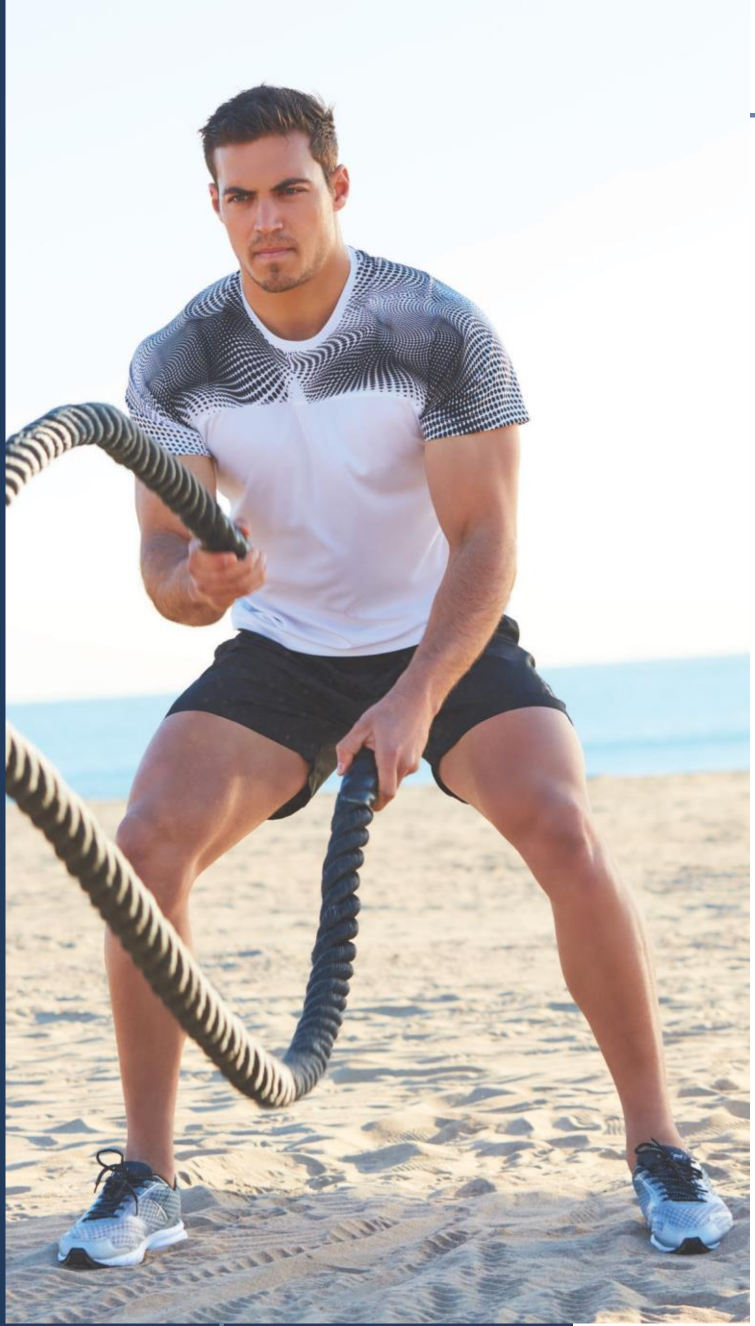
- Expense to sales ratio consistently lower than competitors
- Profit wedge driven by improved sales growth & GP recovery
- Profit wedge not possible in PY: low sales growth & resultant lower GP%

mrp

	2018	2017	% Change
Retail sales[1]	R12 148m	R10 907m	11.4%
Comparable sales	8.9%	(4.7%)	
Unit sales	149m	136m	8.8%
RSP inflation	2.3%	8.3%	
Weighted average space growth	3.0%	4.7%	
Trading density	R39 200m^{-2}	R36 255m^{-2}	8.1%

- Positive H1 performance continued into H2
  - focused on RSA, with total sales growth of 12.0% & comp growth of 9.3%
  - strongest growth in junior RT businesses (both > 20%)
  - 28 of 30 departments grew sales, 18 by double digits
- Strong online sales growth of 31.9%
- Input price deflation was offset by mix changes & improved markdowns
- Delivered on objectives of investing in quality & growing gross margin %. Assisted by product execution, sourcing & an improved USD exchange rate
- Sales growth comfortably ahead of Type D retailers per Stats SA (excl mrp) for 11 out of 12 months. Rest of market +7.7%
- Operating profit growth well ahead of PY & budget

1: Excludes franchise



mrpsport

	2018	2017	% Change
Retail sales	R1 408m	R1 370m	2.7%
Comparable sales	(4.5%)	(1.8%)	
Unit sales	12.7m	12.4m	2.2%
RSP inflation	0.7%	13.4%	
Weighted average space growth	6.4%	6.5%	
Trading density	R22 049m^{-2}	R22 835m^{-2}	(3.4%)

- Tough trading environment for sports goods. Consumers delaying spend until time of need or indefinitely
- Improved performance in H2 - total sales up 3.7% (H1 1.5%) & online sales up 18.6% (H1 3.1%)
- Men's fitness recorded double digit growth, footwear up 7.8%
- Outdoor & equipment departments sales declined
- Improved GP% in both FY18 periods insufficient to compensate for top line performance & expense growth
- Operating profit growth in H2 brought annual result into line with PY
- In the upcoming 2018 Comrades Marathon, 35 elite athletes will be running head to toe in Maxed gear

MILADYS

	2018	2017	% Change
Retail sales	R1 405m	R1 296m	8.4%
Comparable sales	8.2%	(6.9%)	
Unit sales	7.1m	7.1m	0.1%
RSP inflation	9.2%	11.5%	
Weighted average space growth	(0.5%)	0.1%	
Trading density	R23 074m^{-2}	R21 192m^{-2}	8.9%

- Improved merchandise offer by refocusing on loyal niche customer- mature, fuller figured, who requires moderate fashion & comfortable fitting garments
- Positive results from moving extended sizes into Miladys assortment
- H2 sales growth 5.5% is lower than H1 (latter had soft base of -11.0%)
- The biggest department of leisurewear (athleisure & casualwear) grew at 17.1%, footwear by 10.7%
- Opportunities continue in smartwear, intimatewear & accessories which grew by low single digits, & combined represent ~50% of the business
- Inflation driven by prices in extended sizes & lower markdowns
- Strong GP% improvement & overhead growth being well maintained resulted in strong profit growth in both halves

mrphome

	2018	2017	% Change
Retail sales	R3 437m	R3 403m	1.0%
Comparable sales	(0.9%)	(2.4%)	
Unit sales	33.7m	33.1m	1.8%
RSP inflation	0.1%	17.3%	
Weighted average space growth	(0.1%)	(1.3%)	
Trading density	R25 795m^{-2}	R25 512m^{-2}	1.1%

- Consumers shopping less frequently & home products remain discretionary in the consumer basket
- H2 sales growth of 3.6% (Q4 +5.2%) improved on -2.0% in H1
- Bathroom & bedroom were the best two performing departments. Livingroom hards & furniture continue to reflect the trading environment
- mrpInc a strong addition to the departments offering good variety across stationery, travel gadgets, gifting and general accessories
- Online sales grew by 8.4% in H2 (Q4 16.6%)
- Lower annual profitability, despite improved H2 sales, GP% & profit growth

sheet street

	2018	2017	% Change
Retail sales	R1 548m	R1 490m	3.9%
Comparable sales	2.3%	3.3%	
Unit sales	17.7m	17.3m	2.0%
RSP inflation	2.0%	14.2%	
Weighted average space growth	0.5%	(0.4%)	
Trading density	R30 454m^{-2}	R29 452m^{-2}	3.4%

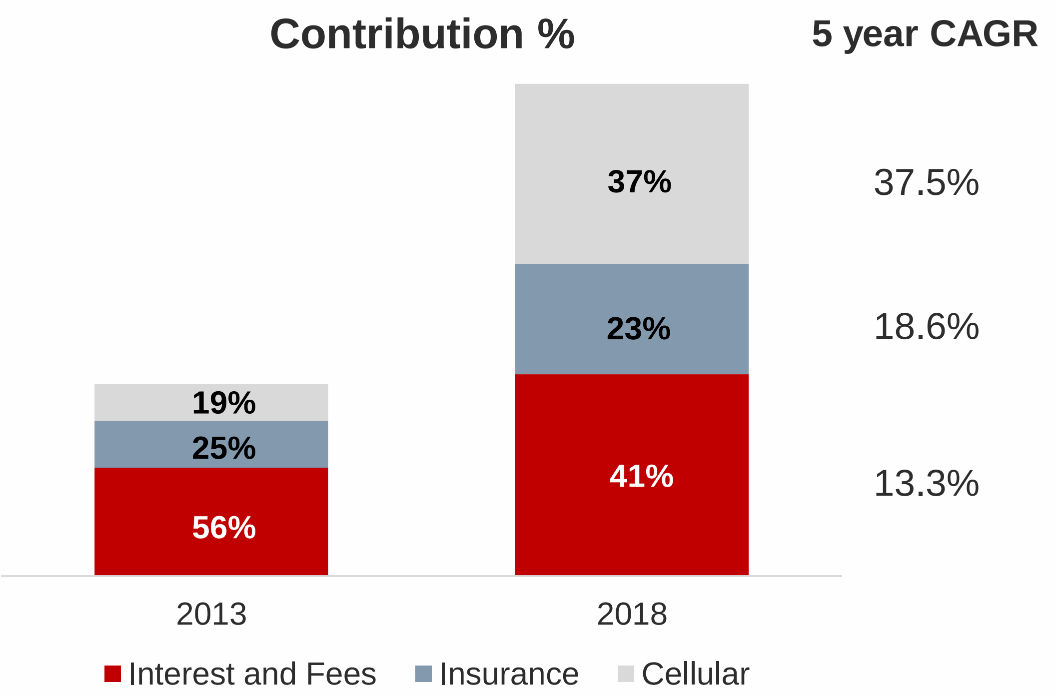
- Improved H2 sales performance with growth of 5.4% (H1 2.1%)
- Livingroom softs continued good performance with 6.2% growth for the year
- Opportunity to build on good performance in kitchen (annual) & biggest department, bedroom (H2)
- Addressed assortment issues which led to H2 bathroom sales decline of 2.5%
- Slight improvement in GP% & expenses well managed. Operating profit growth recorded in H2 & annual

mrpmoney

R'm	2018	2017	% Change Annual	% Change H2
Credit- interest & charges[1]	467	439	6.5%	6.5%
Insurance[2]	257	225	14.2%	13.3%
Cellular	418	401	4.3%	14.0%
- mrpMobile MVNO	162	213		
- cellular (Hello mrp)	67			
- airtime sales & commission	189	188		
Total revenue	1 142	1 065	7.2%	9.7%

- [1] 4.0% increase in interest earned due to book growth, despite interest rate reduction. Increased monthly charges to R8.50 & maintained initiation fee at R25. Both still well below competitors' rates
- [2] Good balance between volume growth & price increases. Should benefit from an increase in new account openings

Revenue



- More diversified revenue stream
- Total revenue R1 142m vs R445m in 2013
  - represents growth of 156.3%
  - divisional 5 year CAGR of 20.7%

Credit performance

Credit sales
R3.3bn +4.1%

Average credit basket[1]
R402 +4.6%

Active accounts
1.4m +0.1%

of credit transactions
9.2m -0.4%

R'm	2018	2017	% change
Retail debtors	2 134	1 991	7.2%
Mobile[2] & franchise debtors	60	110	(44.5%)
Total debtors book	2 194	2 101	4.4%

Retail debtors (98% of total)			
- Net bad debts: book (H1: 5.9%)	5.9%	5.3%	
- Impairment provision (H1: 7.3%)	7.7%	7.3%	

[1]Includes VAT
[2]Includes debtors with repayment terms greater than 12 months

Regulatory matters

Club Fees- High Court Rulings

- Dismissed NCR’s bid to overturn Lewis Group ruling
- Ruled in favour of Edcon. Optimistic that Miladys matter will have a similar outcome

Affordability Assessment Regulations

- High court ruled in favour of retailers regarding the requirements to obtain bank statements and payslips. DTI did not appeal
- NCR issued draft guidelines, requiring income verification for those formally employed, & the use of an affordability model for those not
- MRPG will continue to cautiously assess each application
  - all submitted to bureau & vetted against credit risk scorecard
  - ‘higher risk’ applications to continue providing supporting documents
  - affordability model more conservative than NCR requirements

mrpmoney - Cellular & mobile

Total revenue
R418m
+4.3% (H2 14.0%)

R189m

Airtime via USSD
High convenience factor for account customers via all networks
No differentiation, low margins, not a focus area

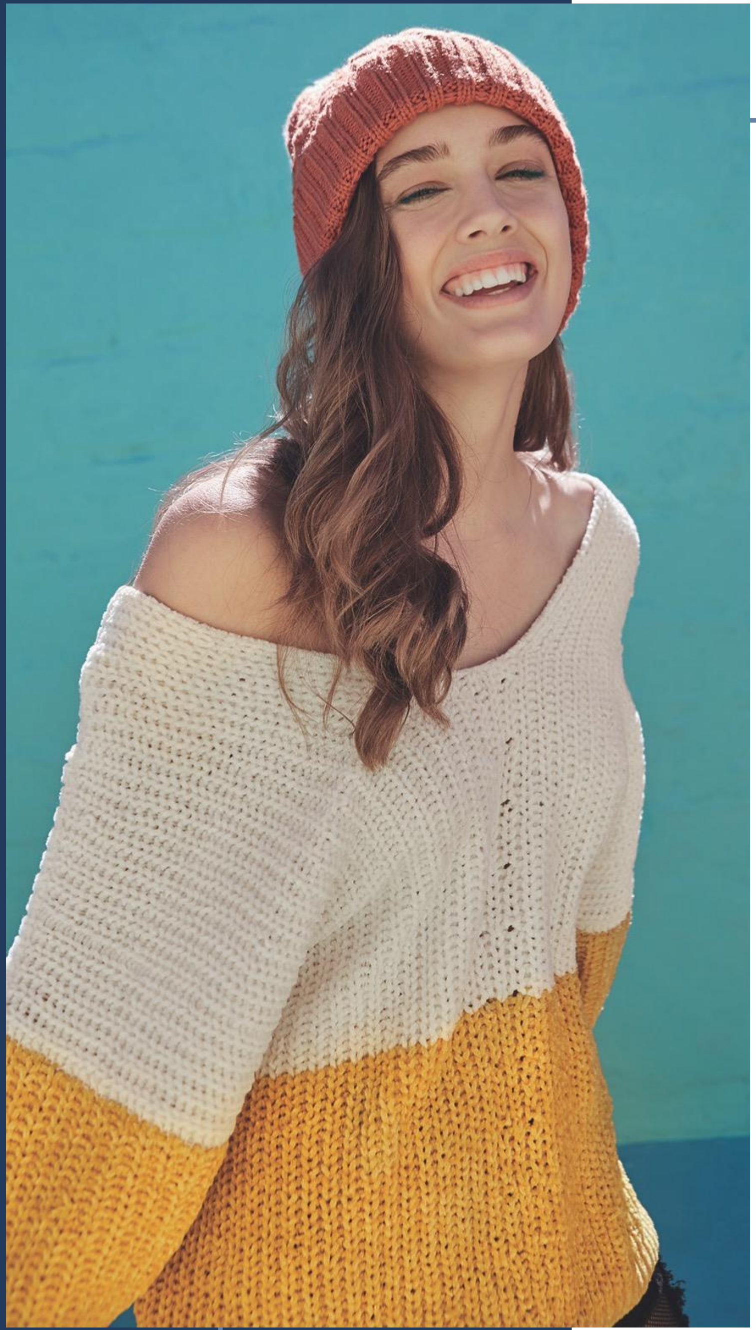
R67m

Cellular
Introduced kiosks to 103 stores in FY18. Handsets, accessories, SIM card activation and annuity income

On-biller
Excellent pricing and good margins. Focus area to replace USSD revenue. Currently via call centre, in-store in H1 FY19

R162m

mrpMobile MVNO
Slowed revenue to improve processes- collections, debit orders, application of limits
– delivered increased GP% & GP Rands (up 7.0%)
– now ready to scale
  - focus on postpaid, with competitive pricing & good margins
  - improve call centre metrics & in-store test in H1 FY19



Impact in FY19

Lower interest rates	-	Reduced by 50bps FY18. Positive for consumers, negative for interest earned
Interest recognition	-	IFRS 9: interest not raised if account reaches stage 3 (MRPG >120 days)
New impairment provisioning	-	IFRS 9: not material*
Sales revenue & gift vouchers	-	IFRS 15: not material. Returns generally within a month of purchase*
Potential higher credit growth	+	Revised regulations
Insurance premiums	+	Linked to growth in debtors accounts
Initiation & monthly service fees	+	Review ‘value’ pricing relative to market
Revenue & cost recognition	+	IFRS 15: generally more favourable over contract term*
Mobile & Cellular revenue	+	Increased cross-selling opportunity

*** Initial recognition adjusted to opening retained income**

Financial position

R'm	2018	2017
Non-current assets		
Property, plant and equip (pg 31)	2 092	2 130
Intangible assets (pg 31)	433	356
Other non-current assets[1]	103	91
Current assets		
Inventories[2]	2 215	2 102
Trade & other receivables (pg 26)	2 374	2 284
Cash & cash equivalents (pg 32)	2 756	1 823
Reinsurance assets (mainly cash)	146	129
	10 119	8 915
Equity and liabilities		
Shareholders equity	7 455	6 729
Non-current liabilities[3]	257	335
Current liabilities[4]	2 371	1 812
Bank overdraft[5]	36	39
	10 119	8 915

- [1] Defined benefit asset increase
- [2] Gross inventories up 4.8%. Divisional growths linked to sales performance. In good shape at year end
- [3] Lower deferred tax liabilities & JV partner loan
- [4] Trade payables up 7.6%. Sundry creditors up 21.0% due to improved results in FY18 - turnover rentals, incentives, taxation liability
- [5] CFC bank account usually settled overnight

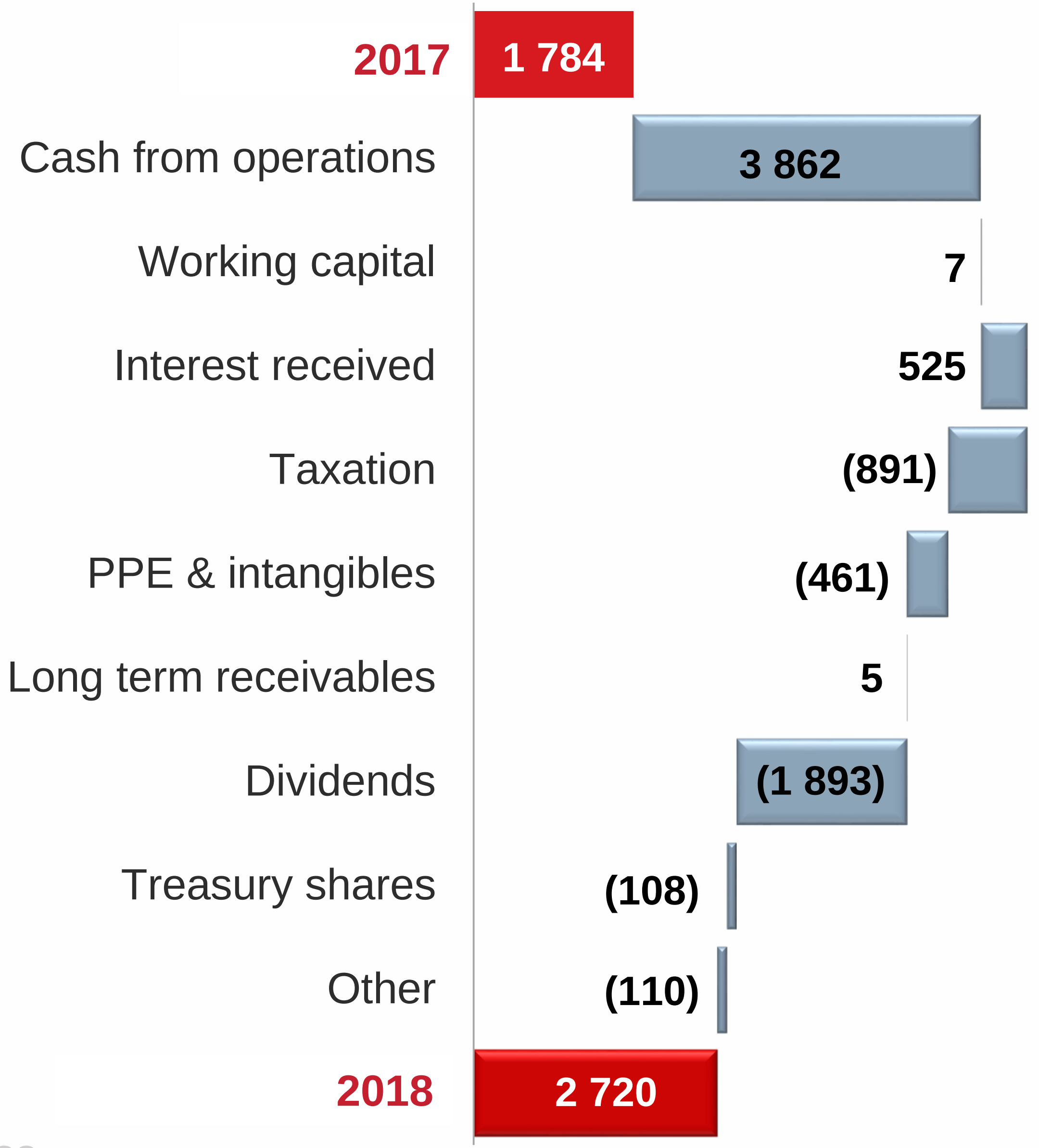
PPE & intangibles

R'm	Total	PPE	Intangibles
Opening	2 486	2 130	356
Additions	461	332	129
Disposals, impairments, revaluations	(94)	(42)	(52)
Reclassification	-	(55)	55
Depreciation & amortisation	(328)	(273)	(55)
Closing	2 525	2 092	433

New Hammarsdale Distribution Centre

- Included in carrying value above of R1.2bn
- Successfully processed peak season unit requirements despite port delays
  - Q3 inbound contribution grew to 36% of annual
  - Processed 1.5m cartons in week 48, 3 times the weekly average
- Expect overhead costs to be lower than the previous facilities in FY19

Cash flow movements (R'M)



Operating R3.5bn (+36.1%)

- Increase of 28.7%
- Higher receivables & inventory offset by higher payables
- Higher debtors book & cash balances
- In line with increase in taxable income

Investing (R0.5bn)

- Additions 49% lower than PY following DC completion

Financing (R2.1bn)

- Up 12.1% (final FY17 up 4.7%, interim FY18 up 22.3%)
- Long term incentive schemes
- Acquisition of MVNO & foreign translation losses

Profit after tax to free cash flow conversion ratio of 109%

future

Strategy & Outlook

Strategy

Frontline Surprise and delight our customers

Wanted merchandise

Customer relationships

Shopping experience

Enablers The mrp way, supportive of our culture and value positioning

People
Energised environment of empowered & motivated people

Operations
World class methods & systems

Sustainability
High Ethical standards & sustainable business practices

Outcomes Extend our track record of earnings growth

South Africa

- Constrained trading conditions expected to persist for FY19, with GDP growth of ~ 2%. Places more emphasis on margins, efficiencies & prioritisation
- Satisfied with level of product execution. Have identified opportunities to gain market share, particularly in Apparel segment (60% of group sales)
- Continuation of space expansion & rationalisation program
- Well positioned for further online growth
- Financial services & cellular well positioned for growth
- Hopeful of more robust economic growth in medium term, provided government structural reforms are successfully implemented

South Africa

Strong infrastructure which we can leverage

talented team with intimate knowledge of local market

strong affinity with local consumers

well established low cost base

planned IT & merchandise systems

new DC with high capacity

strong presence in e-commerce, leading social media presence

value chain opportunities

Identifying further local growth opportunities

Africa

- Expanded beyond BNLS to test developing markets
- Have operated profitably in all territories, but recent results impacted by:
  - impact of declining commodity prices on economies
  - worst drought on record in Southern Africa
  - poor merchandise performance in mrpApparel in FY17 & resultant focusing of efforts on primary market, RSA, in FY18
- Lower cost structures, generally higher GDP growth & emerging middle class in comparison to developed markets. Supports our business model- lower mark ups & high volumes
- Successfully addressed RSA performance, will now re focus on Africa:
  - senior executive assigned to develop growth blue-print
  - entrench processes, including optimising stock-flow
  - establish a clear value proposition in each market
  - research & test new territories
  - bed down Kenya franchise acquisition
  - scope to test Sheet Street (Zambia in H1 FY19)

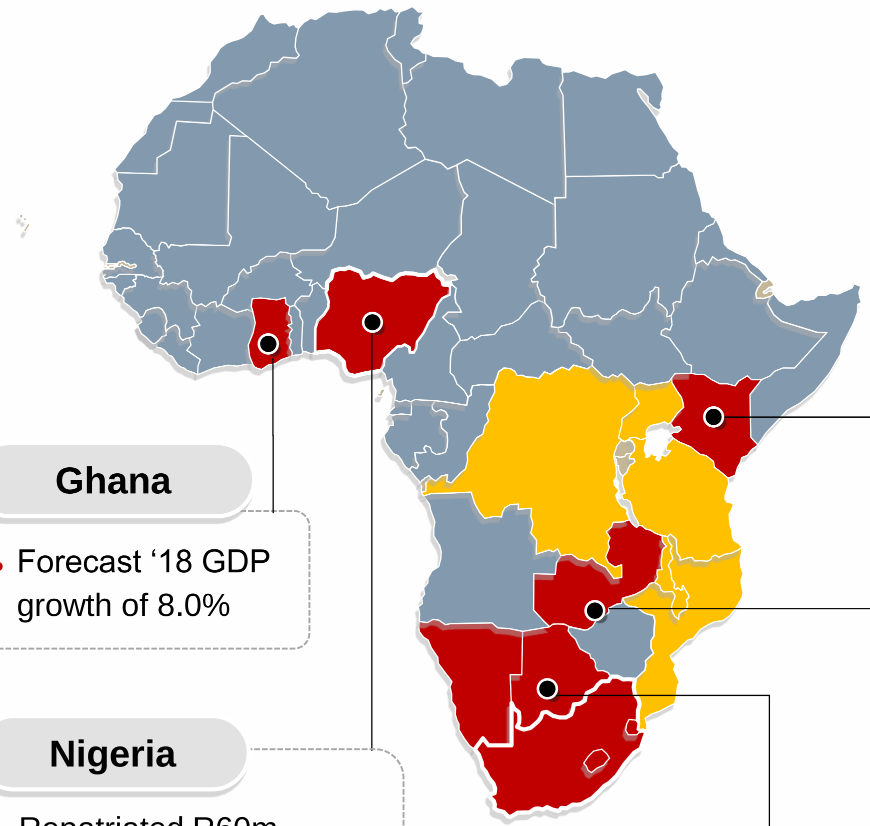
We have sufficient trading opportunities on the African continent while we prepare for international growth

Africa

	Stores total	Sales contr.	Growth local	Growth ZAR
Namibia	40	40%	3.8%	3.8%
Botswana	24	23%	3.5%	0.9%
Swaziland	11	8%	16.4%	16.4%
Lesotho	5	5%	13.4%	13.4%
Total BNLS	80	76%		4.6%
Nigeria	5	6%	8.3%	-11.8%
Zambia	9	8%	7.2%	2.7%
Ghana	4	5%	31.0%	10.8%
Australia	3	3%	16.8%	11.9%
Total owned stores	101	97%		3.8%
Franchise & online	23	3%		-53.3%
Total	124	100%		-0.5%

➤ Economic outlook in Africa improving:

- commodity prices recovering
- higher GDP growth rates
- moderating inflation rates



Corporate owned
Franchise
Not present

Kenya

- Acquired 12 franchise stores May '18 (7 apparel, 5 Home)
- Opportunity to substantially expand

Ghana

- Forecast '18 GDP growth of 8.0%

Zambia

- Improved H2 sales performance: +12.8%, Q4 +27.8%
- Sheet Street test planned in H1 FY19

Nigeria

- Repatriated R60m
- Recovery in oil price but, expect continued fx restrictions for retailers

BNLS

- Botswana GDP growth expected to double to 3.2% in '18
- Namibia GDP growth expected to triple to 1.5% in '18 & 3.0% in '19

International

- Expanded beyond Africa into Australia to test a developed market:
  - substantially higher cost structures
  - very competitive retail environments
  - generally these territories have lower GDP growth
- Achieving success in new markets (& locally) is heavily dependent on supply chain resources & processes & the supporting IT systems

Deal with the complexities of international trading

better value & agility

Sell sufficient volumes at the required margin

Achieve differentiated fashion value positioning, in each market, as per RSA

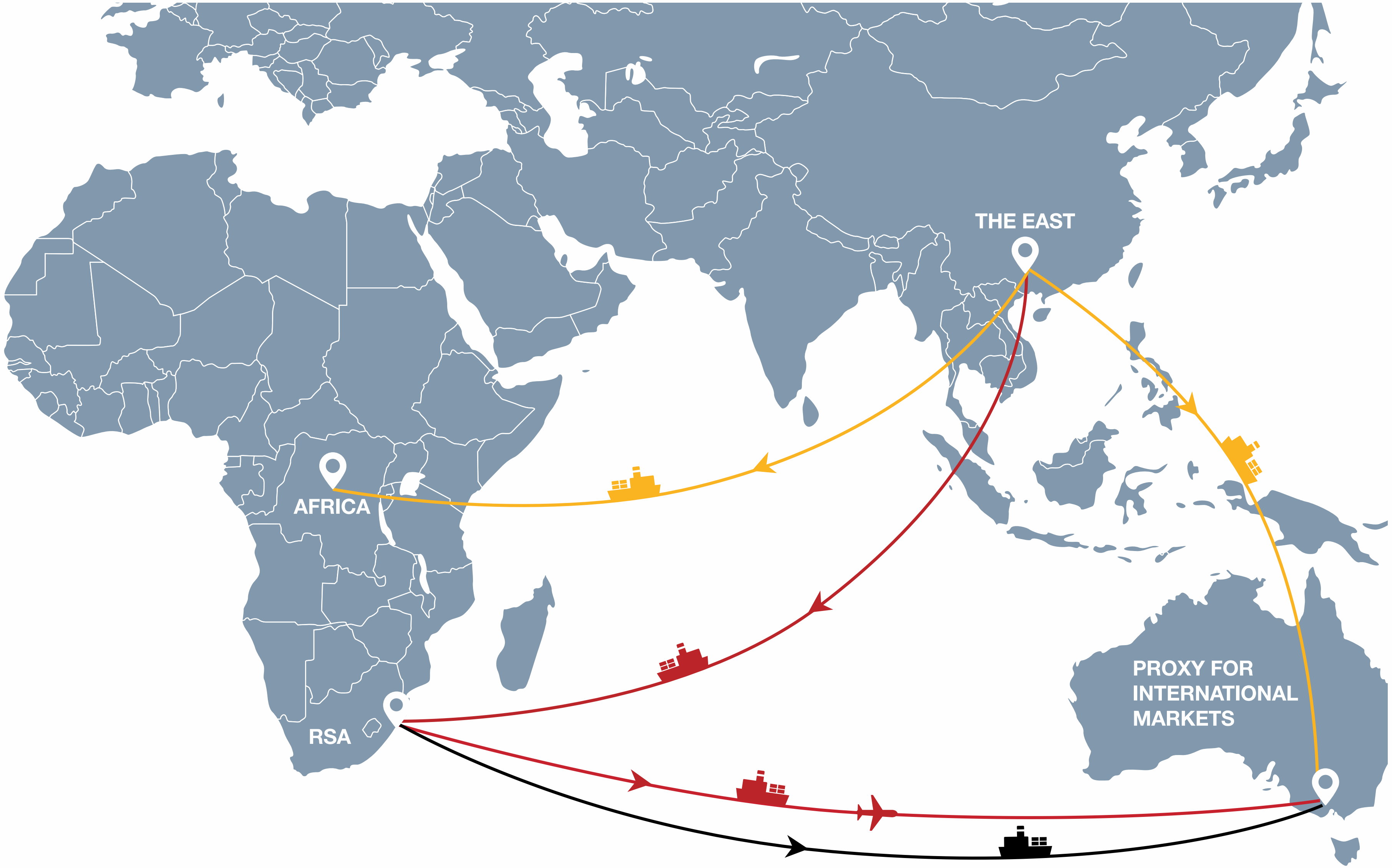
Prove the business case prior to scaling operations

Supply chain

Import into RSA, export to foreign market
Simple process, but costly time delays & inefficient

Items manufactured in RSA & exported are not competitive
Only ‘competitive’ in RSA due to duty protection. Impacts value proposition in destination

Most economic & efficient desired future state
Requires dual sourcing & direct shipping which introduces more complexity



Systems

E-Commerce

- Successfully re-platformed in FY17
- Strong omni-channel capabilities – FY18 total online sales in mrp up 31.9% & positively impacts store sales

ERP & Merchandise Planning

- Original planning solution selected did not meet our performance requirements
- Resultant delays & selection of new vendor caused work done on RMS to be impaired (updated V16 contained most of our customised requirements)

Distribution Centre

- Major project delivered on time
- Initial challenges relatively minor & substantially resolved. Remaining stabilisation issues to be cleared in H1 FY19

The IT management structure has been strengthened to ensure delivery in this critical area

International tests

mrp Australia	- Operating loss (excl *below) improved on PY despite stock clearance markdowns as operations were reduced to 1 store - Rebased pricing to reflect required fashion/value positioning positively impacted unit sales - 'clean' full winter assortment in store in April performing better
mrphome Australia	- Operating results deteriorated on PY - 2nd store not in base for full year - replenishment stock impacted by move to Hammarsdale DC

Short term focus on improving sales performance (assortment, stock-flow) should also improve margins via improved markdowns. Expect improved performance in FY19. Taken precautionary measure of impairing assets & accounting for onerous leases.*

mrphome Poland	- mrpHome plans to open a ~350m^2 test store in Oct 18 - emerging middle class, good economic growth prospects - overhead structures supportive of business model - fewer seasonality issues in product assortment than Apparel

Will continue to test these markets as they are the most rigorous examination of the capabilities required for profitable international growth

International

- Major mrpWorld & value chain projects have continual delivery milestones, with full completion expected in 2-3 years

- Group will:
  - ensure delivery of key project requirements
  - focus on identified trading opportunities detailed earlier
  - conduct research to identify suitable markets for our brands for organic growth. Likely to be developing markets
  - conduct tests in identified markets
  - identify acquisitions, subject to strict criteria, in these markets to
    - partner in their growth
    - provide infrastructure for our organic expansion when ready

Closing comments

mrp Model

- Proven resilience
- Fashion value EDLP positioning is a key differentiator throughout economic cycles
- Associates are focused & energised

Financial Assets

- Our largest financial assets are in good shape (inventory & debtors book)
- Highly cash generative business model & a healthy balance sheet

Trading

- Mar/ Apr trading disrupted by shift of Easter & possible consumer reaction to VAT increase on 1 April 2018
- Combined Mar/Apr sales growth exceeded FY18 annual sales growth rate

Growth

- Opportunities exist across current & future markets
- Optimistic about our long term prospects

Next formal communication: trading update 30 August 2018

mr pricegrouplimited

thank you