mr price group limited

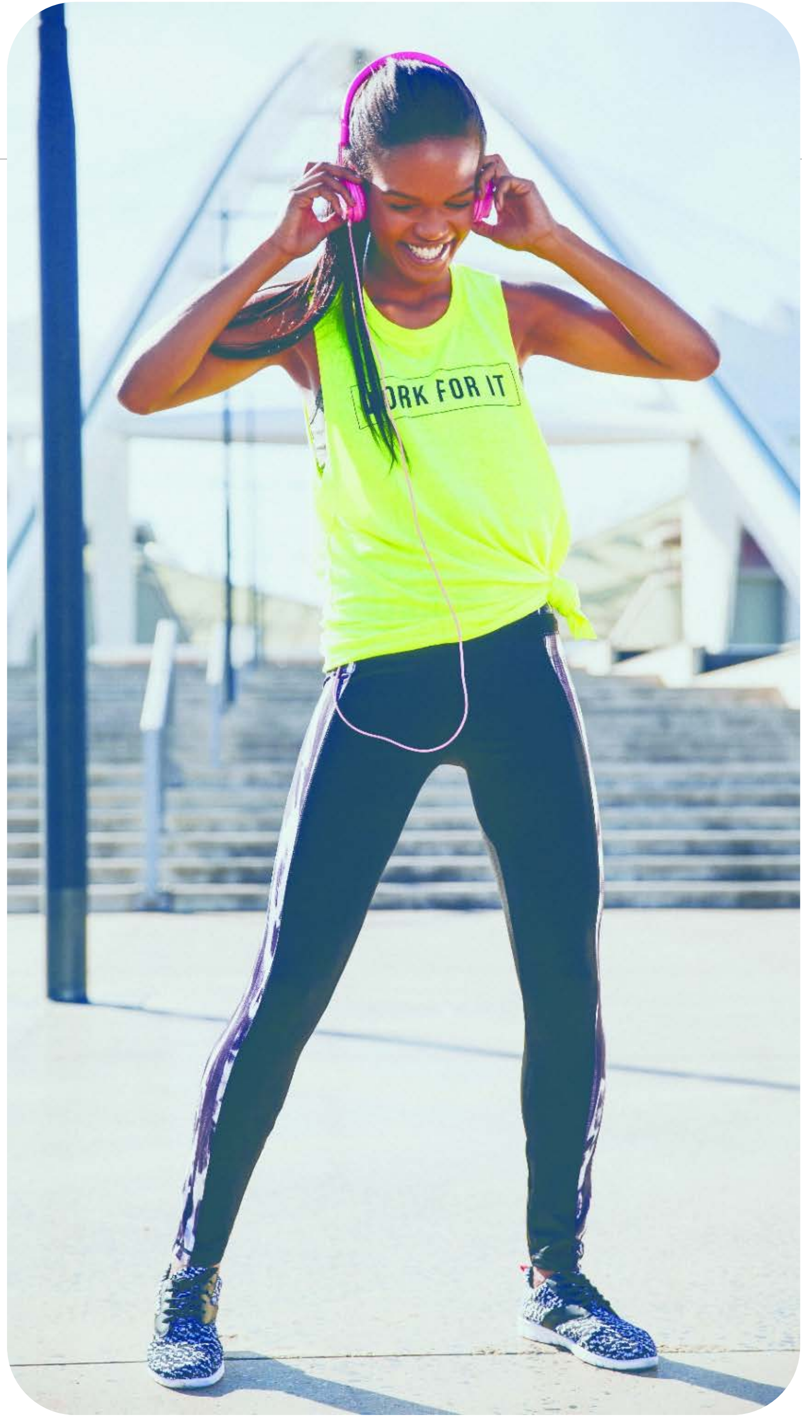
Interim Results - September 2016

Performance Overview

	Statutory		Normalised*	
Revenue	R9.17bn	1.5%		
Operating profit	R1.25bn	(13.4%)	R1.29bn	(4.2%)
EBITDA	R1.37bn	(11.5%)	R1.41bn	(2.9%)
Diluted HEPS	351.2c	(13.7%)	360.4c	(4.9%)
Dividends per share	228.2c	(8.0%)		

* Normalised earnings - explanation pg 2
- detailed reconciliation pg 36

Normalised Earnings Adjustment



- Foreign exchange contracts (FEC's) are entered into to hedge the importation of merchandise in USD
- H1 FY16
  - on fair value accounting basis
  - mark to market adjustments on FEC's accounted for in administrative expenses
  - total translation gains of R102.8m
- H1 FY17
  - applied cash flow hedge accounting with effect from Jan 16
  - foreign currency surrendered
  - proportion of hedges less than 100% effective reclassified to income statement
  - loss of R33.7m
- Normalised earnings excludes FX variances reflected in administrative expenses
- Expect lower impact and less volatility in future

Overview of Retail Environment

- Political environment impacting currency and broader economy
  - GDP growth y/y Q1 -0.1%, Q2 0.6%
  - inflation currently 6.1%, food 11.3%
  - unemployment rate up to 26.6% y/y
  - demographic tailwinds slowed
- Consumers are feeling the strain
  - diverting spend to essential items
  - continued low level of consumer confidence
  - durables and semi-durables are under intense pressure
  - basket value increase lower than RSP inflation and customers shopping less often
- Intensifying discounting and promotional activity in the apparel retail sector
  - has altered consumers' perception of value
  - in this environment shoppers are responding to enhanced value
- Credit regulation changes continue to impact growth
- Headwinds not restricted to South Africa

Group Income Statement

R'm	2016	2015	% change Statutory	% change Normalised
Retail sales & other income (RSOI)	9 131	8 983	1.6%	
Cost of sales	5 347	5 194	3.0%	
Selling expenses	1 914	1 815	5.5%	
Administrative expenses	619	529	17.0%	(7.4%)
Profit from operating activities	1 251	1 445	(13.4%)	(4.2%)
Net finance income	35	47	(24.0%)	
Profit before taxation[1]	1 286	1 492	(13.9%)	(5.1%)
Taxation[2]	365	422	(13.6%)	(4.7%)
Profit after taxation	921	1 070	(13.9%)	(5.1%)
Loss attributable to minorities[3]		6		
Profit attributable to shareholders	921	1 076	(14.4%)	(5.7%)

- [1] 4 of the 6 trading divisions achieved strong growth in operating profit. Miladys & mrp performed below expectations
- [2] Effective tax rate 28.4% (LY: 28.3%)
- [3] Outside shareholder's 45% interest in mrpMobile

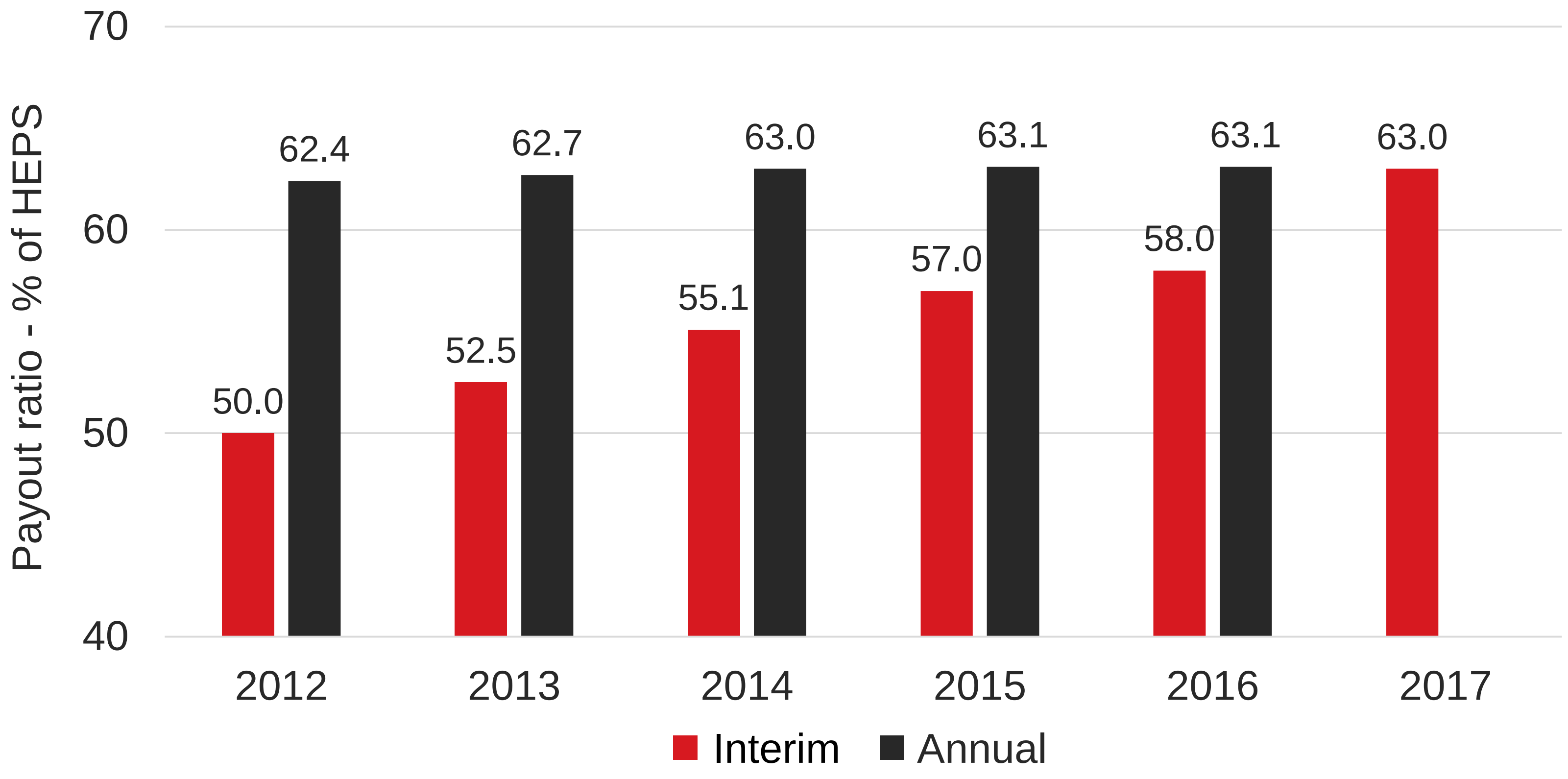
Earnings Per Share

	2016	2015	% change Statutory	% change Normalised
Profit attributable to shareholders	R921m	R1 076m	(14.4%)	(5.7%)
W. avg number of shares in issue (000)[1]	254 562	252 439	0.8%	
Basic earnings per share	361.8c	426.2c	(15.1%)	(6.5%)
Addbacks	R1m	R4m	(62.0%)	
Headline earnings	R922m	R1 080m	(14.6%)	
Headline earnings per share	362.3c	427.6c	(15.3%)	(6.8%)
Dilution impact				
No. of shares for diluted earnings (000)[2]	262 599	265 542	(1.1%)	
Diluted headline earnings per share	351.2c	406.8c	(13.7%)	(4.9%)

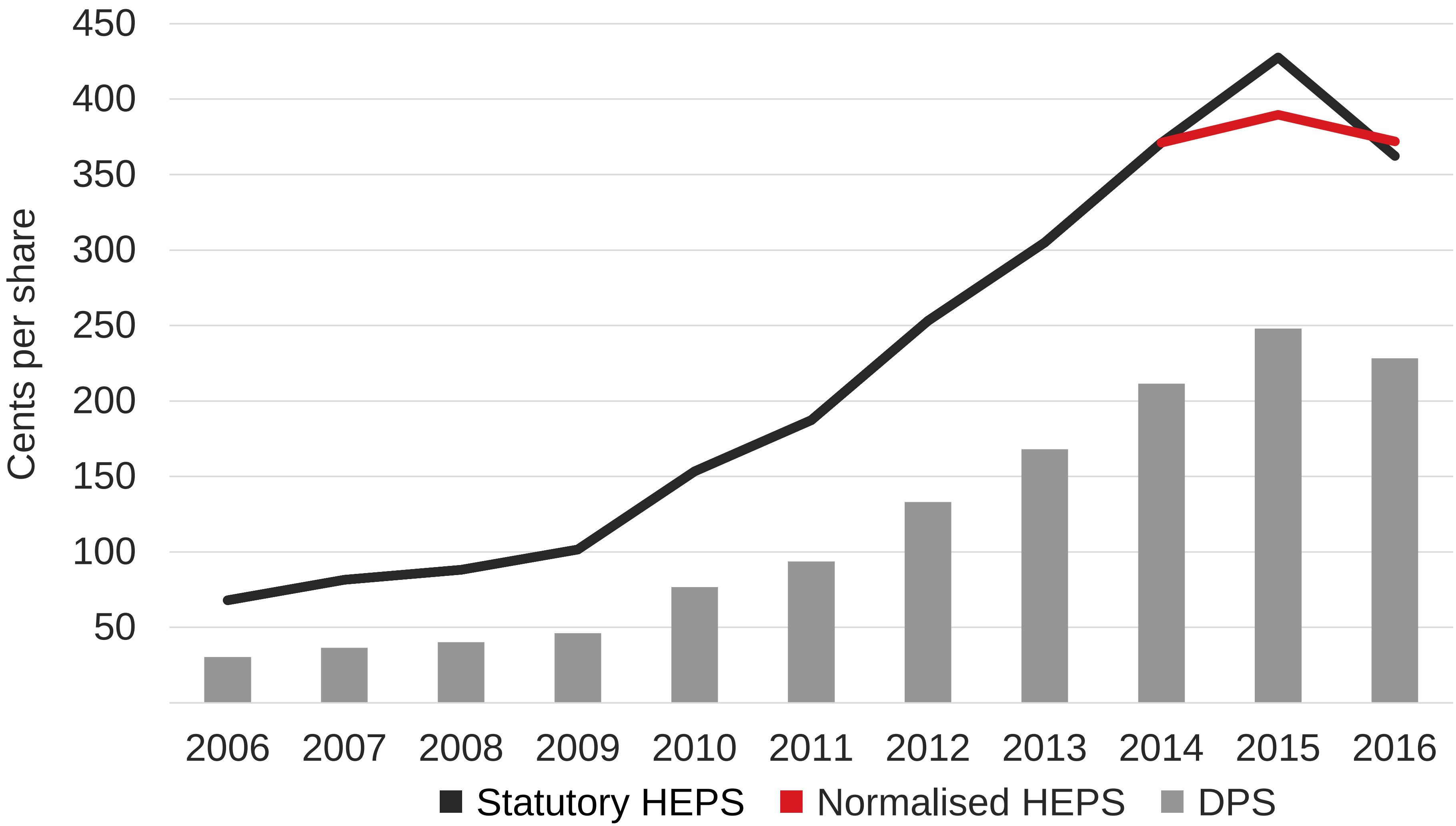
- [1] Relates to LTI scheme shares vesting held by trusts now back in the market
- [2] Lower number of
  - share options in issue
  - shares under option deemed to have been issued for no consideration

Dividend Per Share

- Previously communicated our intention to align interim & annual payout ratios
- Interim payout ratio increased from 58% to 63%
- Alignment objective now achieved
- Interim dividend of 228.2c (LY: 248.0c), down 8.0%
- FY16 annual dividend was based on 53 week HEPS



Interim HEPS & DPS History



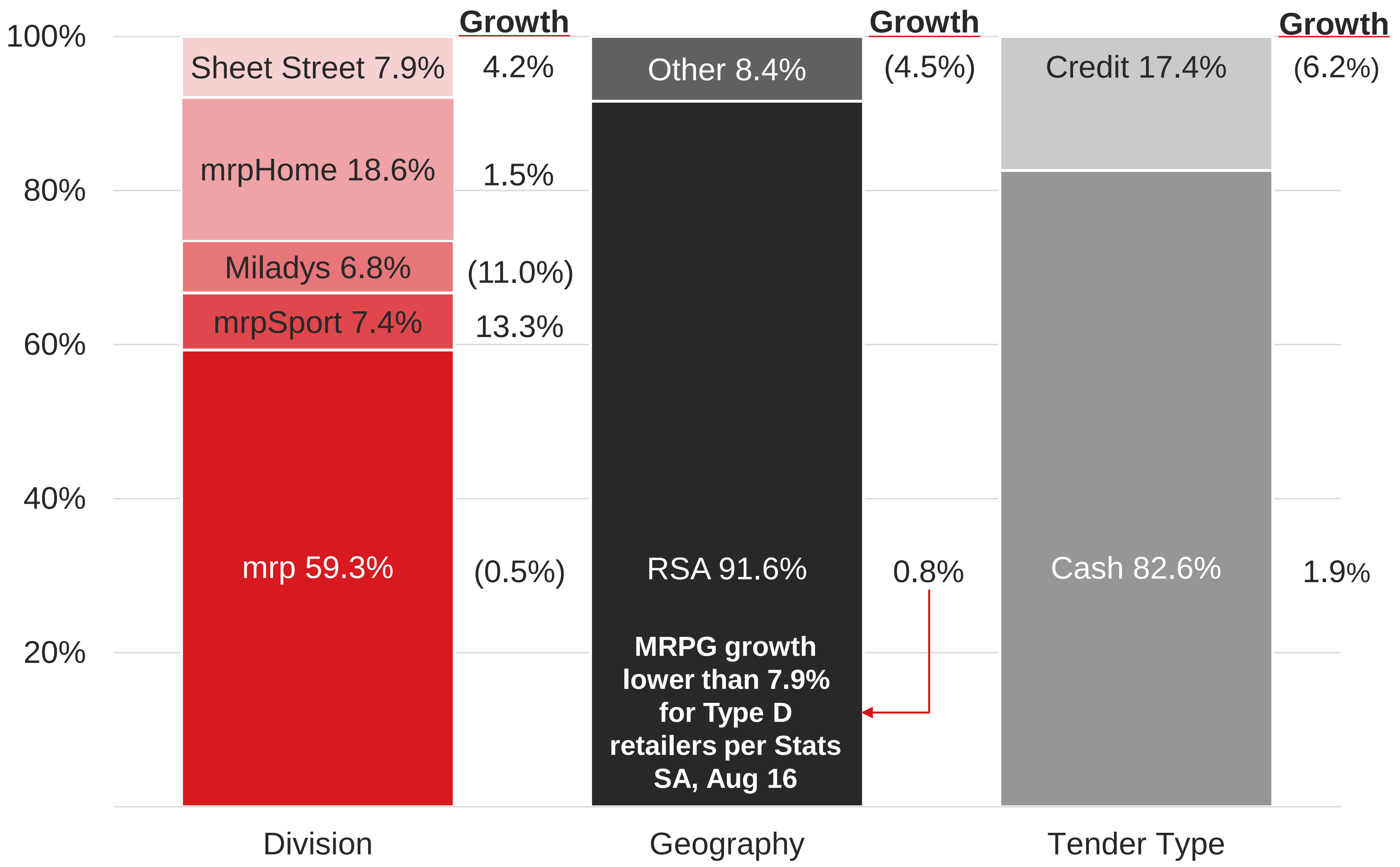
10 YEAR CAGR IN HEPS OF 18.2% & DPS OF 22.3%

Revenue Analysis

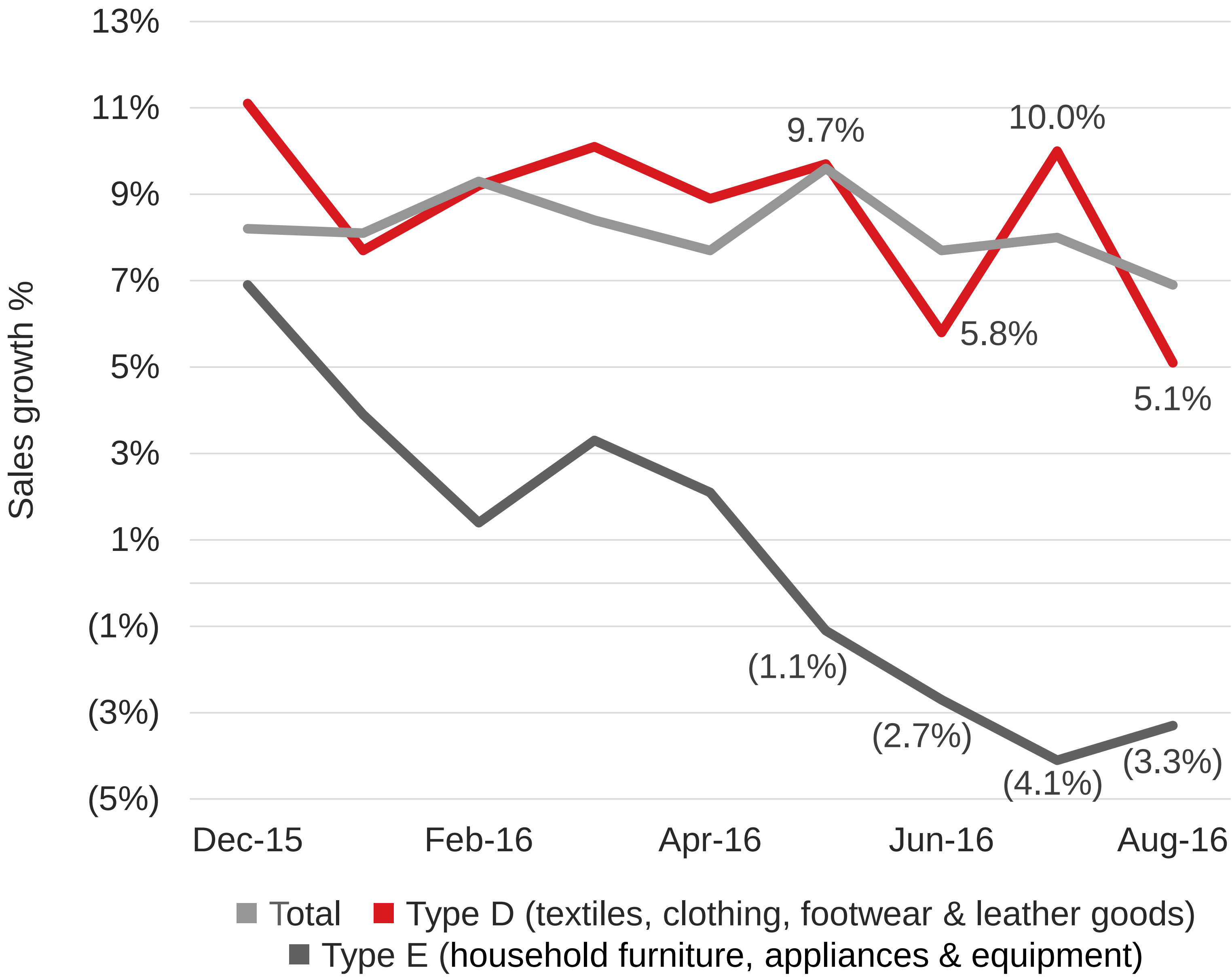
R'm	2016	2015	% change
Retail sales[1, 2, 3]	8 588	8 558	0.4%
Financial services (pg 21)	525	410	27.9%
Other[4]	18	15	28.1%
Other income	543	425	27.9%
Total retail sales & other income	9 131	8 983	1.6%
Finance income (bank interest)[5]	36	47	(24.0%)
Total revenue	9 167	9 030	1.5%

- [1] Units sold were 10.2% lower, RSP inflation 11.4%
- [2] Comparable store sales declined by 3.2% (LY: +4.0%)
- [3] Net weighted average space growth 2.2% - pg 16
- [4] Constitutes Miladys club fees & external donations to mrpFoundation
- [5] Lower cash balances than last year - refer cash flow analysis pg 19

Retail Sales Analysis



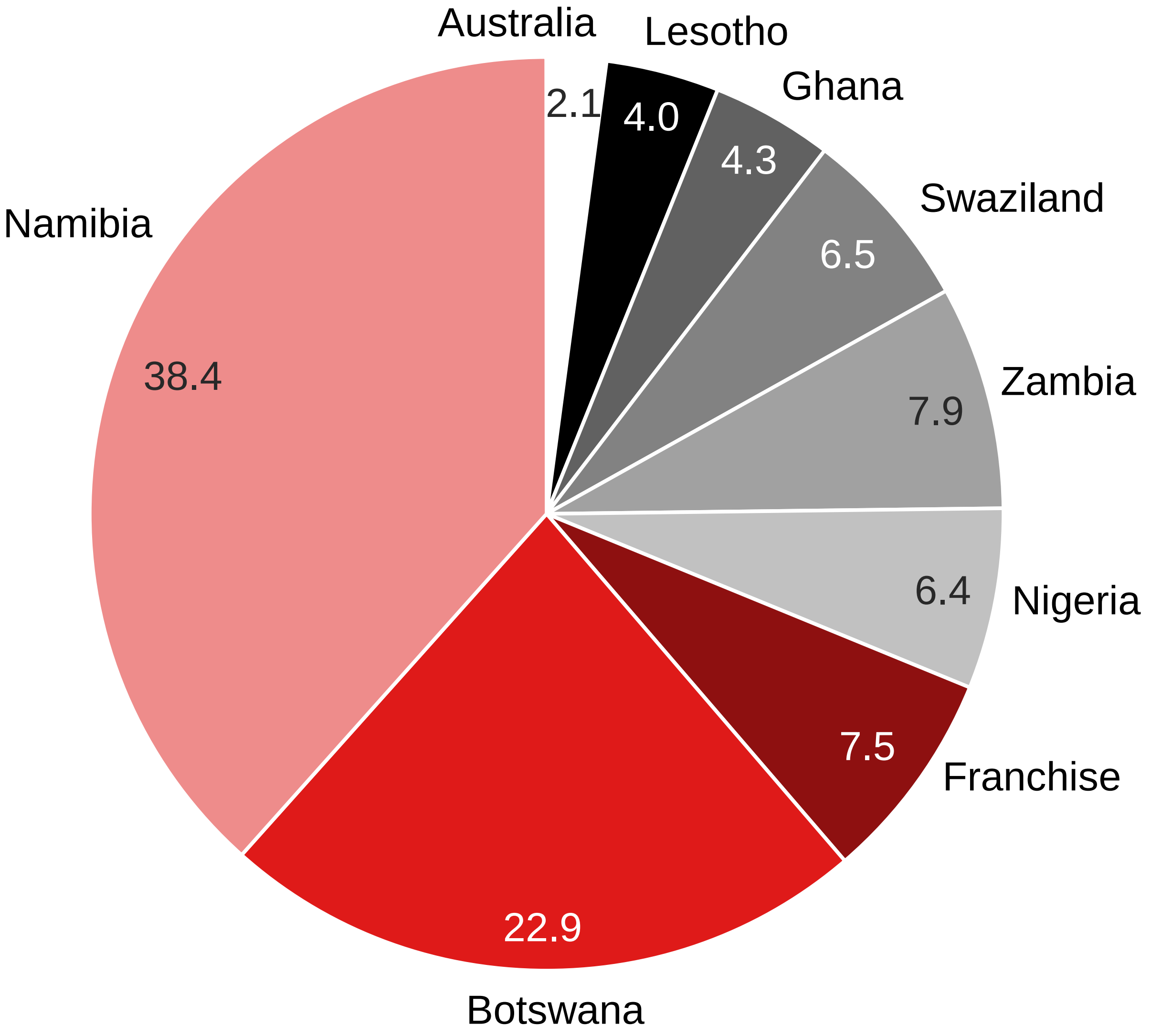
Retail Sales Growth per Stats SA is Slowing



- Company trading update 31 Aug 16 - advised of shifts in consumer spending patterns
- Subsequent results have confirmed
  - Holdsport HEPS -19%
  - Edcon sales growth -8.1%, GP% -200bps, adjusted EBITDA -54%
  - Truworths RSA comp sales -5%
  - Lewis HEPS -40%
  - TFG Africa clothing comp sales 1.6%, homewares -4.6%
  - Woolworths clothing & general merchandise comp sales -0.8%
  - Stuttafords voluntary business rescue
- H&M PAT -22% due to weather, exchange rates and markdowns
- Expect Stats SA Sep figures to confirm this downward trend (release date 16 Nov 16)

International Performance

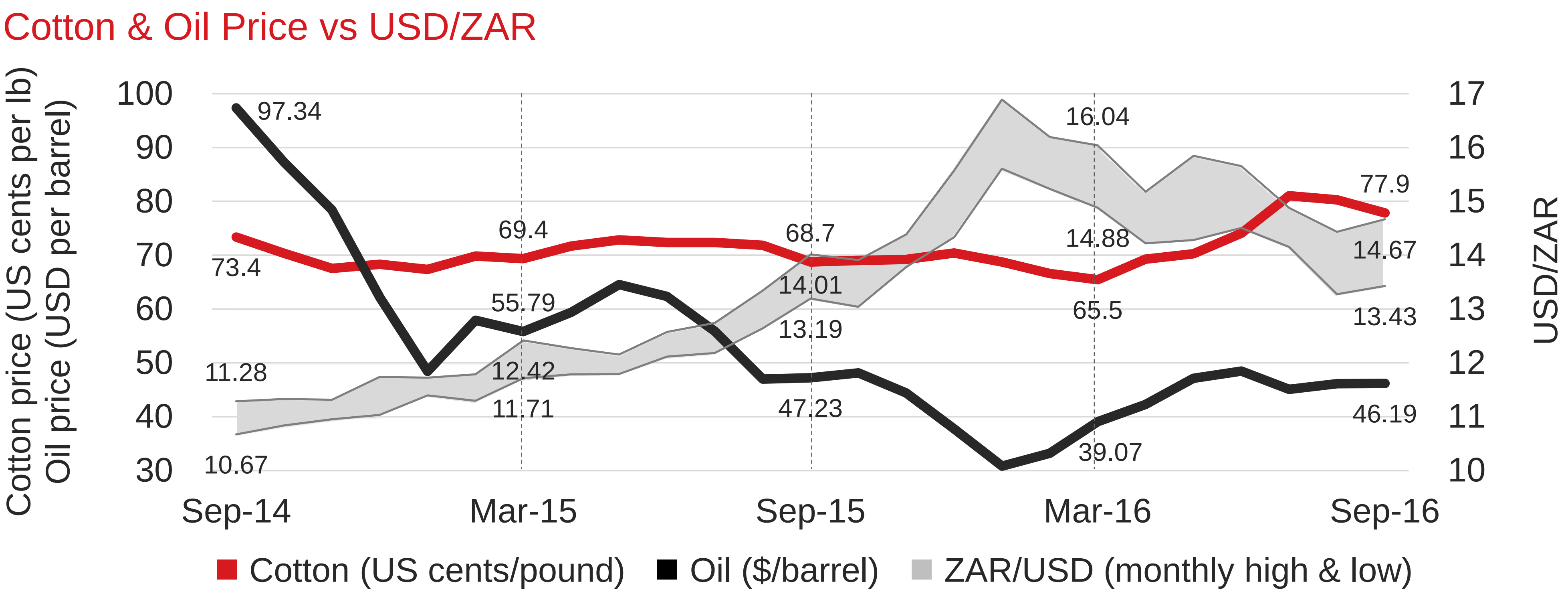
Sales contribution % (bricks)



	Sales		Stores	
	R'm	Growth	Change	Total
Namibia	276	(7.0%)		37
Botswana	165	0.2%		22
Nigeria	46	(46.0%)		5
Zambia	57	13.7%	1	9
Swaziland	46	4.0%		7
Ghana	31	3.2%		6
Lesotho	29	10.5%	1	6
Australia	16			2
Total bricks	666	(4.5%)	2	94
Online & franchise	56	(4.2%)		19
Total	722	(4.5%)		113

- Nigeria
  - severely limited stock inputs due to currency restrictions
  - improved documentation to quicken import approvals
  - good sell through rates when in stock
- Combined loss in Australia, Nigeria and Ghana R33m
- All other territories continue to operate very profitably

Merchandise Gross Margin



- Group gross profit margin of 39.2% (LY: 40.1%)
- Merchandise gross profit margin down 0.9% to 39.8%
  - higher ingoing margin than last year but still at lower level than Sep 14
  - increased markdowns in mrp resulted in drop in GP%
  - 4 other trading divisions held or improved GP margins

Expense Growth & Operating Margin

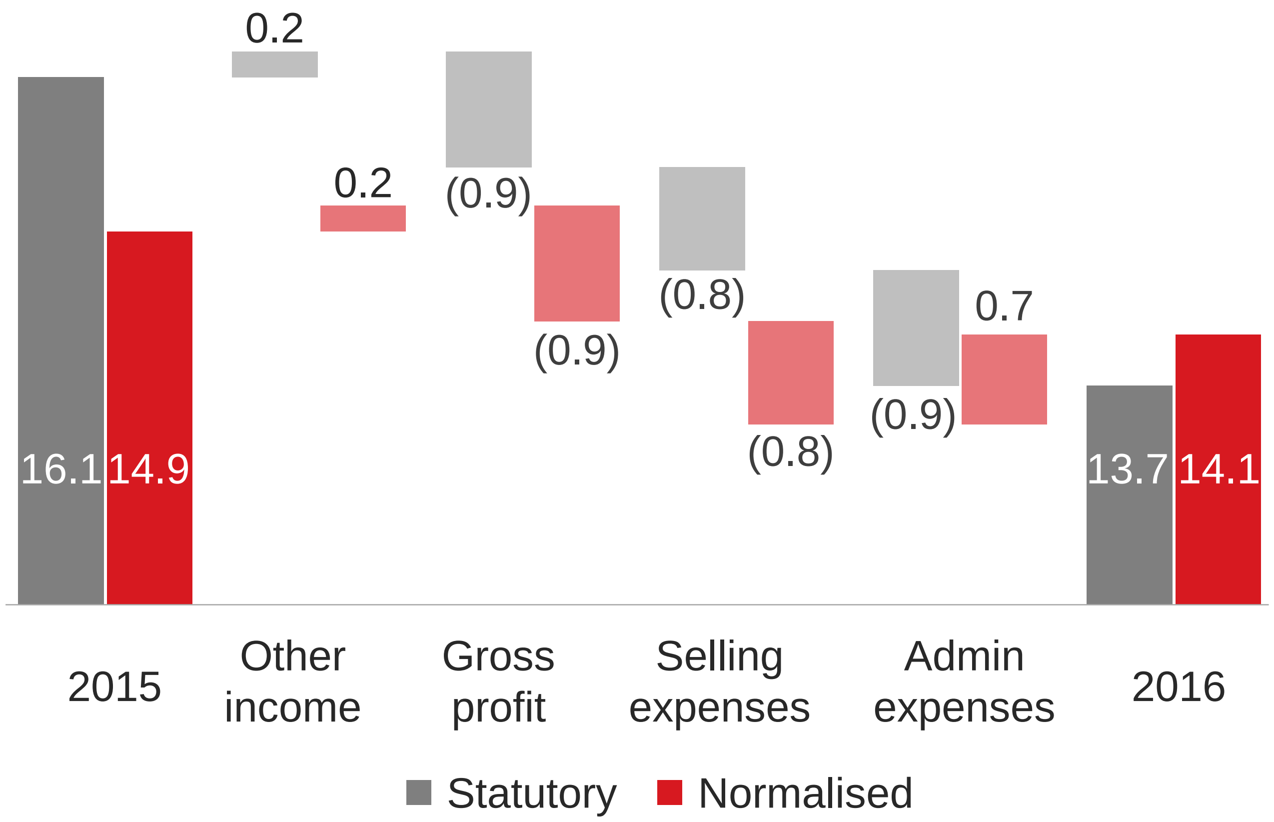
Selling Expenses +5.5%

- Bad debt net of recoveries up 5.4%
- Release of impairment provision in base of R19m
- Employment costs up 3.0%
  - lower overtime & incentives
  - higher ETI allowance
- Rentals up 3.9% (7.9% excluding turnover rentals)
- Higher depreciation charge
- Australian costs not in base for full period
- Lower advertising costs

Administrative Expenses +17.0%

- Down 7.4% on a normalised basis
- Employment cost decreased by 3.3%
  - basic salaries & benefits up 5.5%
  - lower incentives
- Lower bank charges, CSI costs - mrpFoundation, legal & consulting fees

2.2% Increase in S & A expenses excluding FX

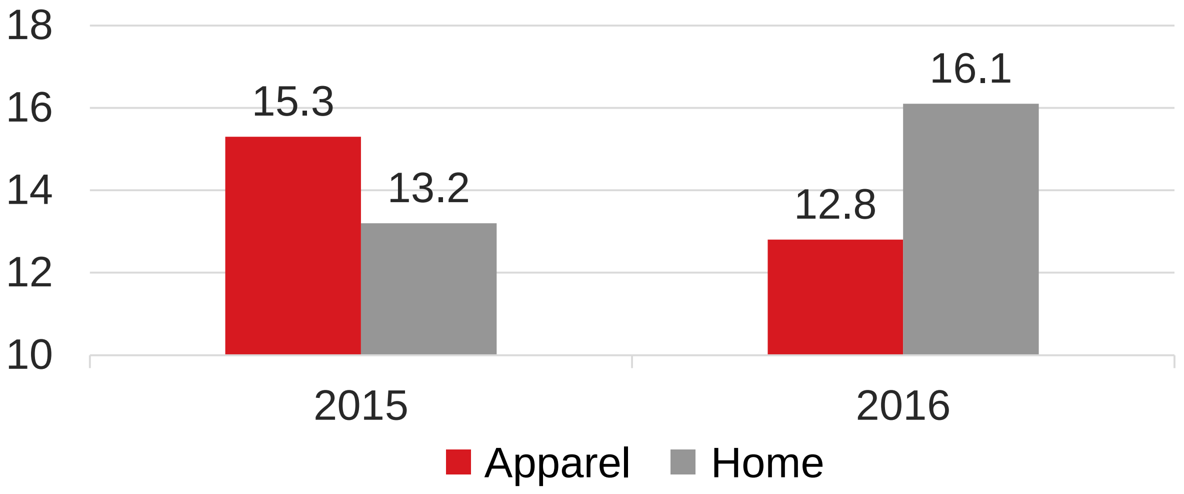


Segmental Performance

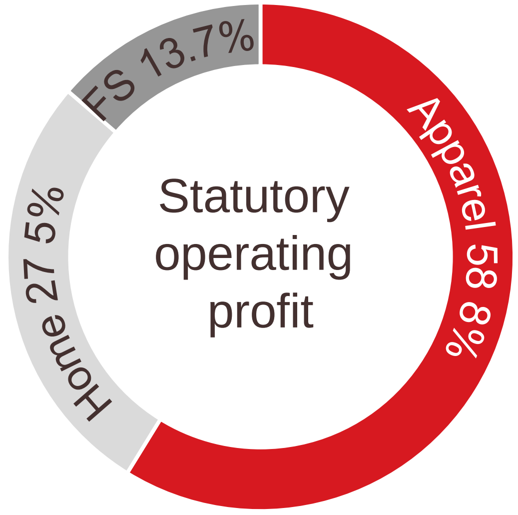
	2016	2015	% change Statutory	% change Normalised
Retail sales & other income				
Apparel	6 319	6 338	(0.3%)	
Home	2 281	2 229	2.3%	
Financial services & cellular	524	412	27.2%	
Operating profit				
Apparel	779	1 063	(26.7%)	(16.8%)
Home	364	302	20.4%	24.8%
Financial services & cellular	181	174	4.1%*	

* Up 16.8% excluding debtors provision released in H1 FY16

Normalised operating margin %



% contribution



Financial Position

R'm	September 2016	March 2016
Non-current assets		
Property, plant & equipment	1 903	1 672
Intangible assets	399	373
Other non-current assets[1]	156	196
Current assets		
Inventories[2]	2 073	2 168
Trade & other receivables	2 104	2 136
Reinsurance assets[3]	174	99
Cash & cash equivalents	1 098	1 419
	7 907	8 063
Equity & liabilities	5 530	5 620
Non-current liabilities[4]	235	244
Current liabilities[5]	2 142	2 199
	7 907	8 063

- [1] Pension fund asset, deferred tax asset ↓ R60m, long term receivables ↑ R20m
- [2] Inventories 3.8% lower (excluding GIT 5.4% down). Ageing improved in home chains, deteriorated in others
- [3] Mainly cash
- [4] SLL liability, loan from mrpMobile JV partner
- [5] Higher tax liability (timing) offset by lower creditors

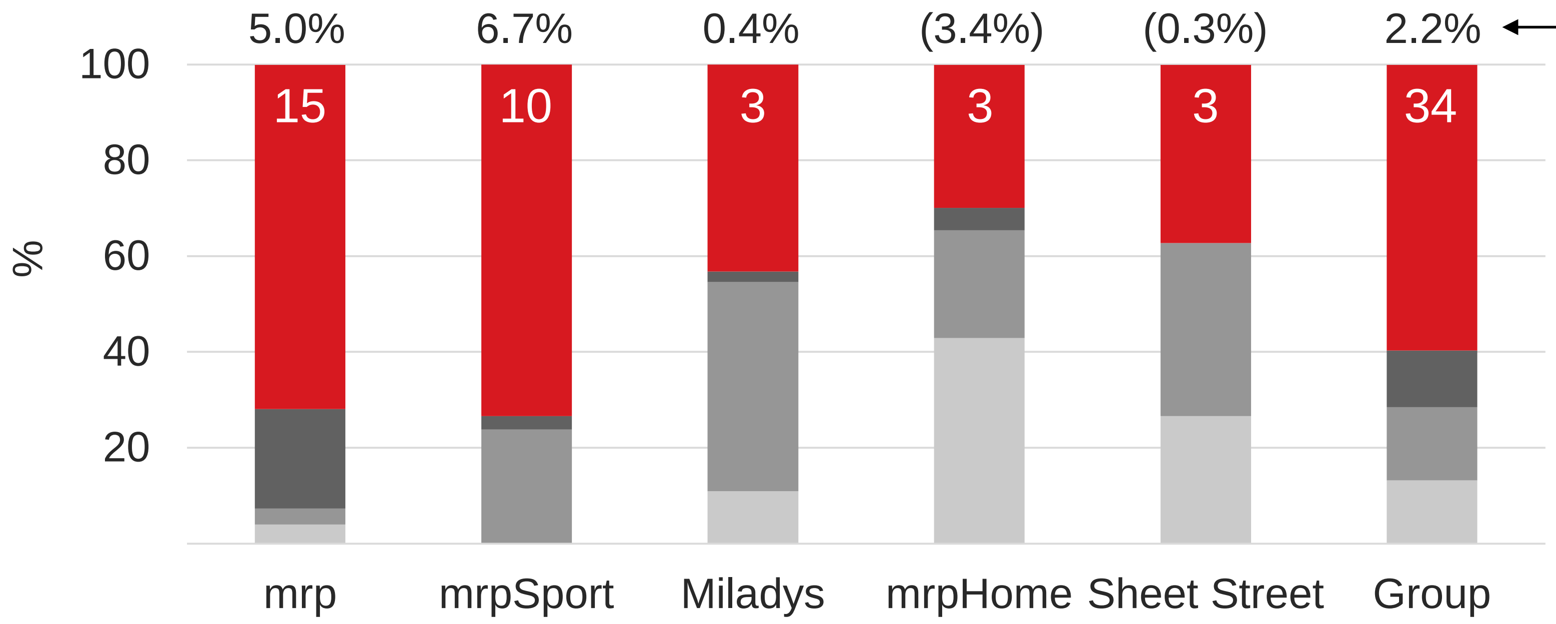
PPE & Intangibles

R'm	Intangibles	PPE	Total
Opening	373	1 672	2 045
Additions	45	350	395
Disposals & impairments		(3)	(3)
Depreciation & amortisation	(19)	(104)	(123)
Translation - foreign subsidaries		(12)	(12)
Closing	399	1 903	2 302

Additions include

- Hammarsdale Distribution Centre
  - project on track for Jun 17 go live
  - 84% of total cost of R1.25bn spent to date
- mrpWorld
  - Oracle ERP progressing well
  - JE merchandise planning system challenges
- Ecommerce re-platform
  - successfully launched Aug 16

Space worked per format



	Stores		W. average
	H2 FY16	H1 FY17	space growth
New stores	21	13	3.2%
Expansions	10	13	0.4%
			3.6%
Reductions	9	11	(0.7%)
Closures	6	1	(0.7%)
			2.2%

Hammarsdale Distribution Centre

Hammarsdale Distribution Centre

Cash Flow Movements (Rm)

March	2016: 1 419 / 2015: 2 764*		R1 516m including cash in reinsurance assets
Cash from operations	1 159	Operating R1.1bn#	Decrease of 9.7% on H1 FY16
Working capital	(176)	Operating R1.1bn#	Receivables R38m, Inventories R101m, Payables -R315m
Interest received	206	Operating R1.1bn#	Lower cash balances & debtors book, interest rate cap
Taxation	(50)	Operating R1.1bn#	Lower tax payments due to timing of reporting periods
PPE & intangibles	(395)#	Investing R0.4bn	Refer pg 16
Long term receivables	(20)	Investing R0.4bn	Cellular contracts greater than 1 year
Dividends	(1 089)	Financing R1.0bn	FY16 final dividend based on 53 weeks
Treasury shares	90	Financing R1.0bn	Long term incentive schemes
Other	(46)	Financing R1.0bn	
September	2016: 1 098 / 2015: 2 110		R1 272m including cash in reinsurance assets

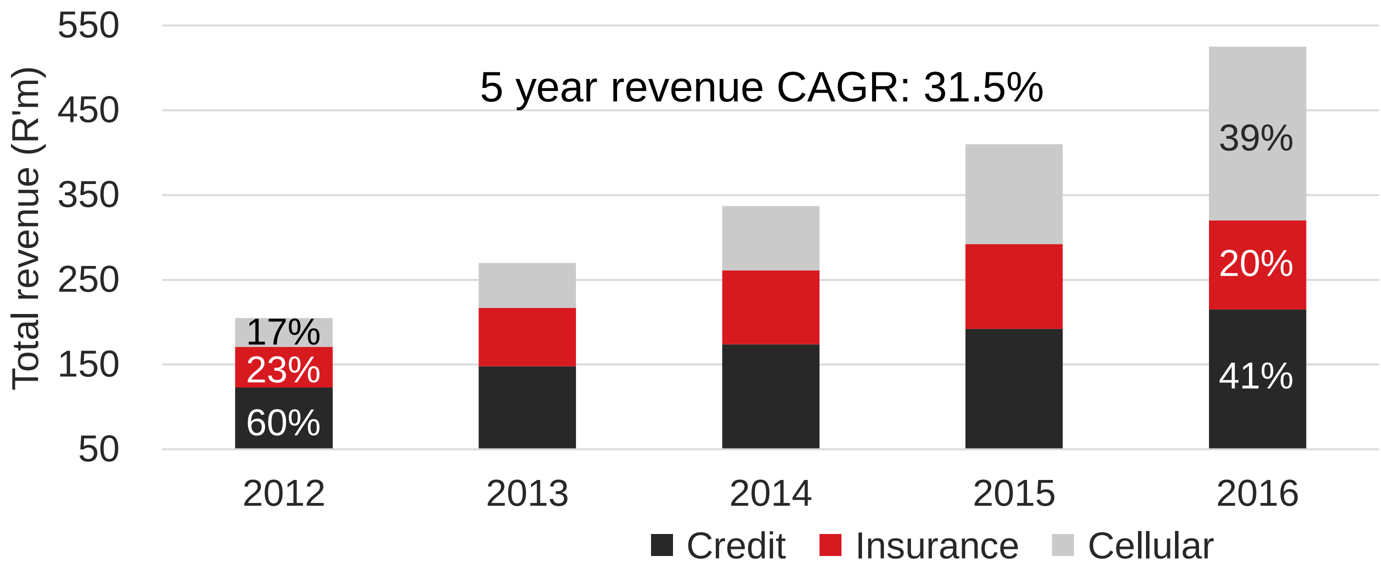
*** In last 18 months spent R2.0bn on capex (R1.5bn) & treasury shares (R463m) # Free cash flow of R745m, up 8.1% from LY**

Divisional Review

mrpmoney Revenue

R'm	2016	2015	% change
Credit - interest & charges	215	192	11.9%
Insurance	105	100	4.7%
Cellular	205	118	73.9%
- Commission	1	1	(3.5%)
- Airtime sales	91	69	31.6%
- mrpMobile (cellular MVNO)	113	48	136.6%
Total revenue	525	410	27.9%

Building a more diversified business



FY11-FY13: Restated to include airtime sales

Credit

- Lower interest offset by account charges

Insurance

- Positive growth despite lower account openings

Airtime sales

- Represents sales across all networks
- Gross profit 4.8%

mrpMobile

- Improvement from operating loss of R14m in Sep 15 to a profit of R1m
- Subscriber base of 106 000
- Postpaid revenue R94m up 114%
- Prepaid/SIM/VAS revenue R19m up 280%
- Improved gross profit margin to 19.8%

Total cellular GP increased from 2.1% to 13.1%

RSA Credit Environment

NCR Consumer Credit Market Report - Jun 16

	Total book	Change y/y	Ageing	
			Current	Change y/y
Mortgages	52.1%	1.1%	90.7%	(0.6%)
Secured	22.5%	4.9%	89.9%	(1.4%)
Credit facilities*	13.2%	3.5%	83.0%	0.4%
Unsecured	9.8%	0.0%	73.4%	3.9%
Other	2.4%			
	100%			

- * Includes retailers - book decreased by 1.1% y/y, credit granted 32.3% lower
- NCR Credit Bureau Monitor - impaired records in Q1 & Q2 at lowest level in last 3 years

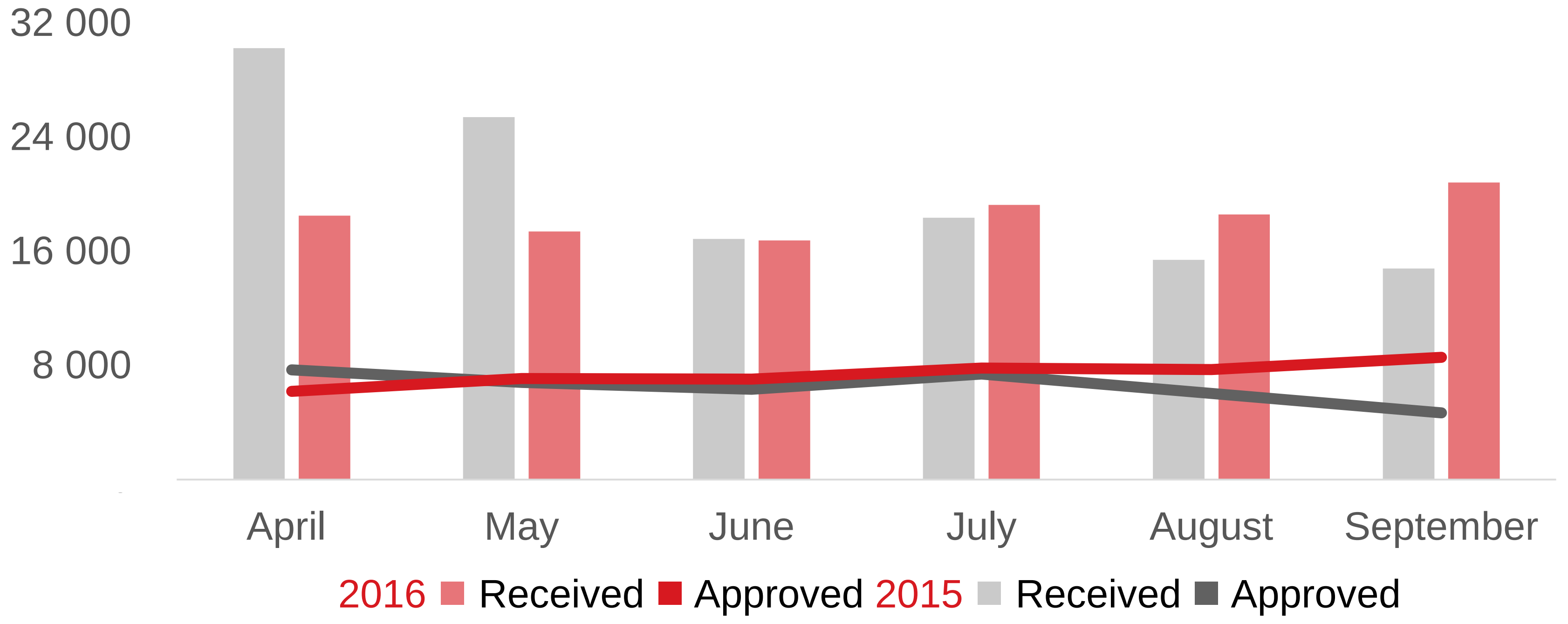
Mr Price Group Limited

- Gross trade receivables down 3.1% to R1.9bn on the comparable prior period. 2.1% lower than Mar 16
- NBD reflective of strong collections performance, particularly given the lower book

	2016	2015
Net bad debt	5.8%	5.2%
Impairment provision	7.4%	7.3%

mrpmoney Credit

Good progress made with new account applications in mrp (credit specialist stores)



- Dedicated credit specialists in 219 mrp stores, plan to extend to 250 stores before festive trade. Currently being tested in other divisions
- Softer base going forward - anniversary date of new regulations 13 Sep
- On a group basis, approved accounts in Sep were higher than LY
- Focus on existing base to stimulate spend and reduce attrition rates

	2016	2015	% change
Retail sales[1]	R5 046m	R5 071m	(0.5%)
Comparable sales	(4.1%)	5.1%	
Unit sales	61.2m	67.4m	(9.2%)
RSP inflation	8.8%	8.2%	
Weighted average space growth[2]	5.0%	7.5%	
Trading density[2]	R37 594m^{-2}	R37 975m^{-2}	(1.0%)

- Economic environments in RSA & Africa, credit regulations & weather were the most significant contributing factors
- Achieving good comp growth for ~10 days after month end pay day. Indicates that customers are satisfied with our product offer & are shopping when they have money
- Intensified promotional activity brought competitors' higher prices closer to mrp
- Consumers
  - responded to competitors' discounted prices (perceived higher quality)
  - shifted to more 'timeless' product that can be worn beyond the current season

1: Excludes franchise 2: Annualised over last 12 months mrp

Consumer environment is constrained, however there are merchandise opportunities

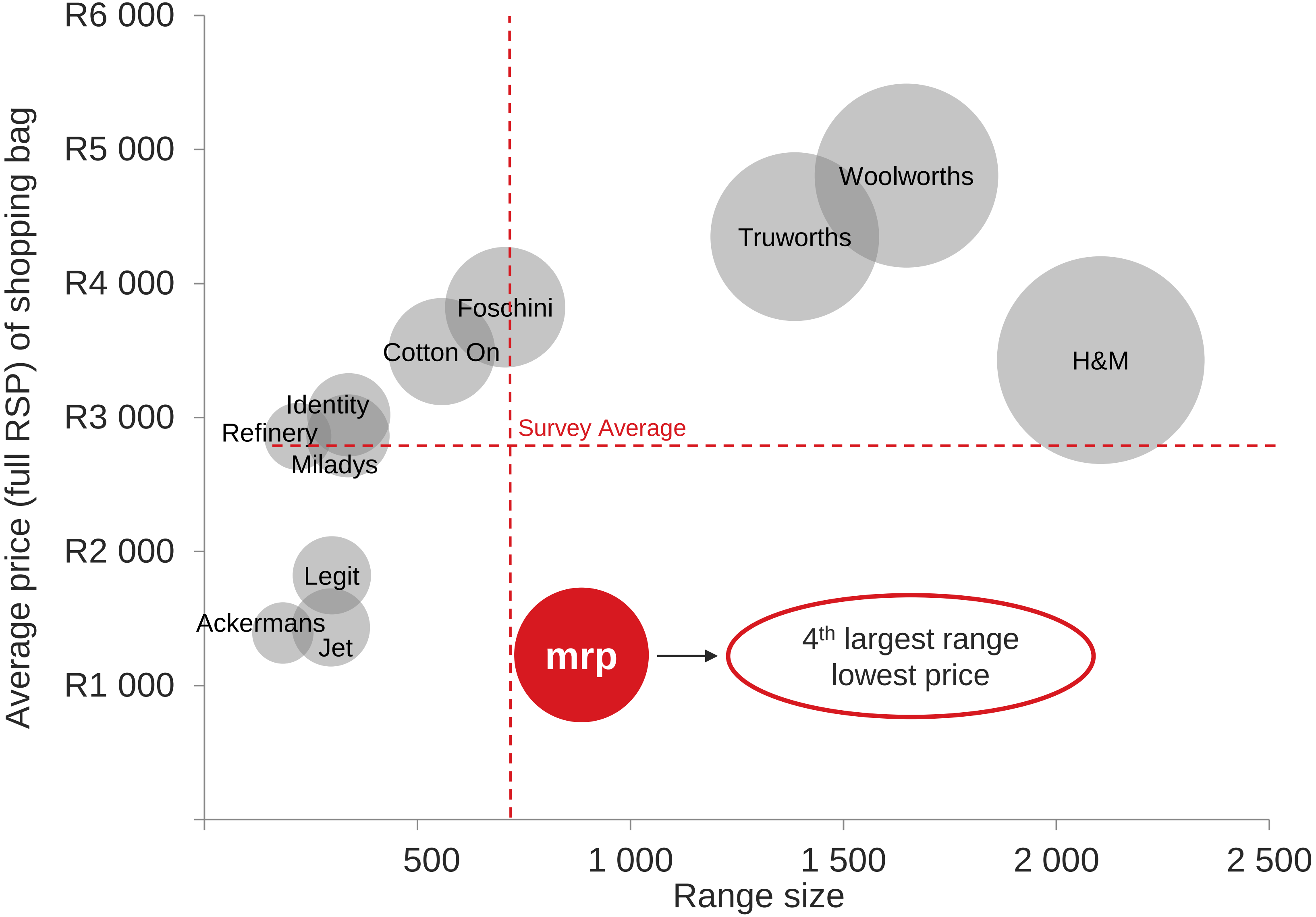
- Best performance in menswear. Largest department, ladieswear, underperformed
- Weak currency impacted product execution in certain categories
- Under-invested in heavier weight product in the height of winter
- Did not respond early enough to the aggressive promotional environment. Stock build-up impacted fresh inputs
- Did not present a bold, clear offer in store
  - appeared over-assorted and unclear
  - value messaging could have been stronger

Continued support from our target market

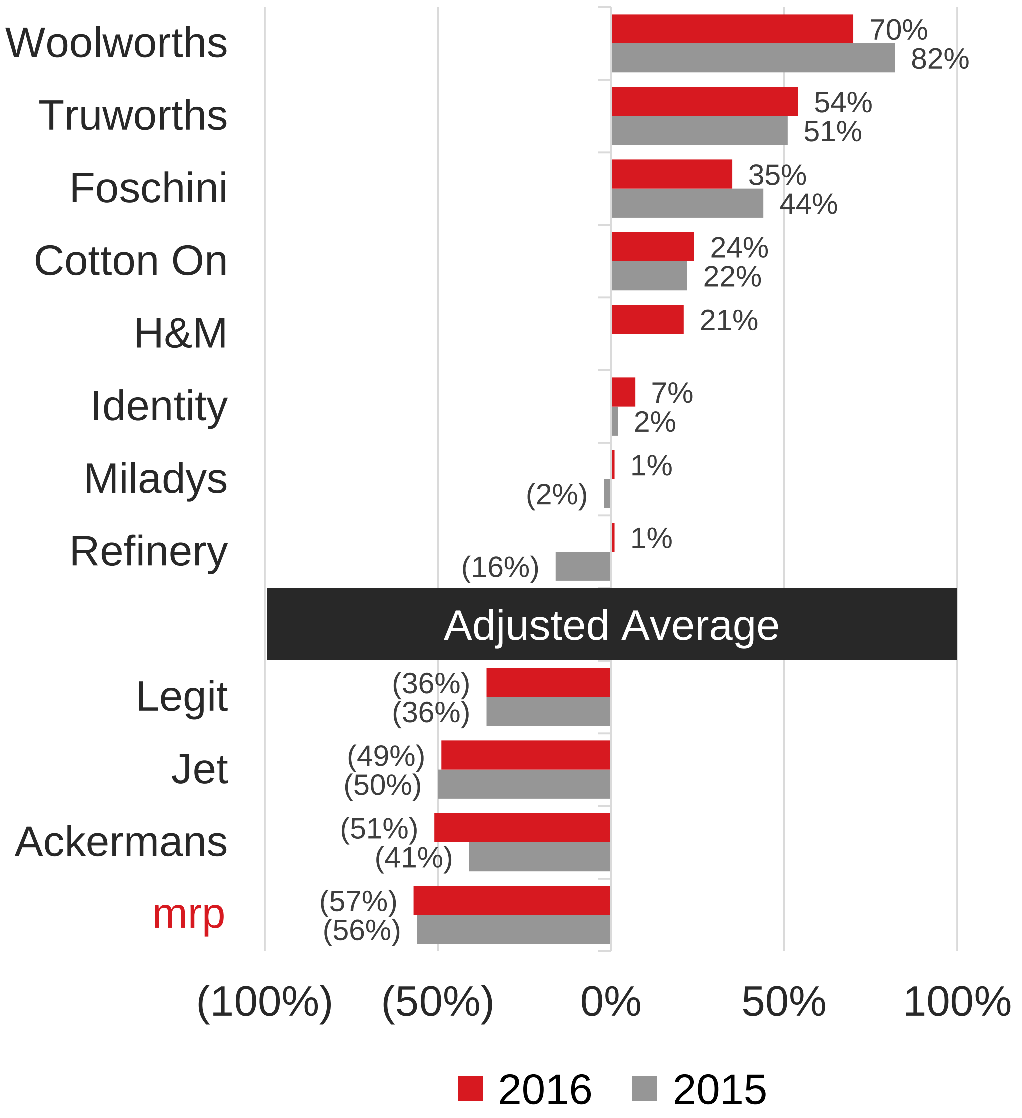
- Sunday Times Generation Next award - voted Coolest Clothing Store by SA's youth for the 4th consecutive year
- Ask Afrika award - winner of the Women's Retail Clothing Category in the 2016/17 Icon Brand Survey

mrp retailmap Survey - Women's Clothing (23 May – 3 Jun 16)

Maintained competitive position y/y



Pricing Is As Strong As Ever



mrp Areas Re-inforced

Excellence in execution

- Re-inforced merchandise processes and disciplines
- Strengthened and restructured the business and merchandise leadership teams

Price and fashion value

- Re-inforce the value perception - balance between price and quality
- Potential quality, pricing and margin opportunities via improved exchange rate and efficiencies in resourcing transition
- Improve the fashion assortment through ensuring an appropriate balance between fashion and core

Category dominance

- Confidently present a merchandise assortment with depth in key categories and items

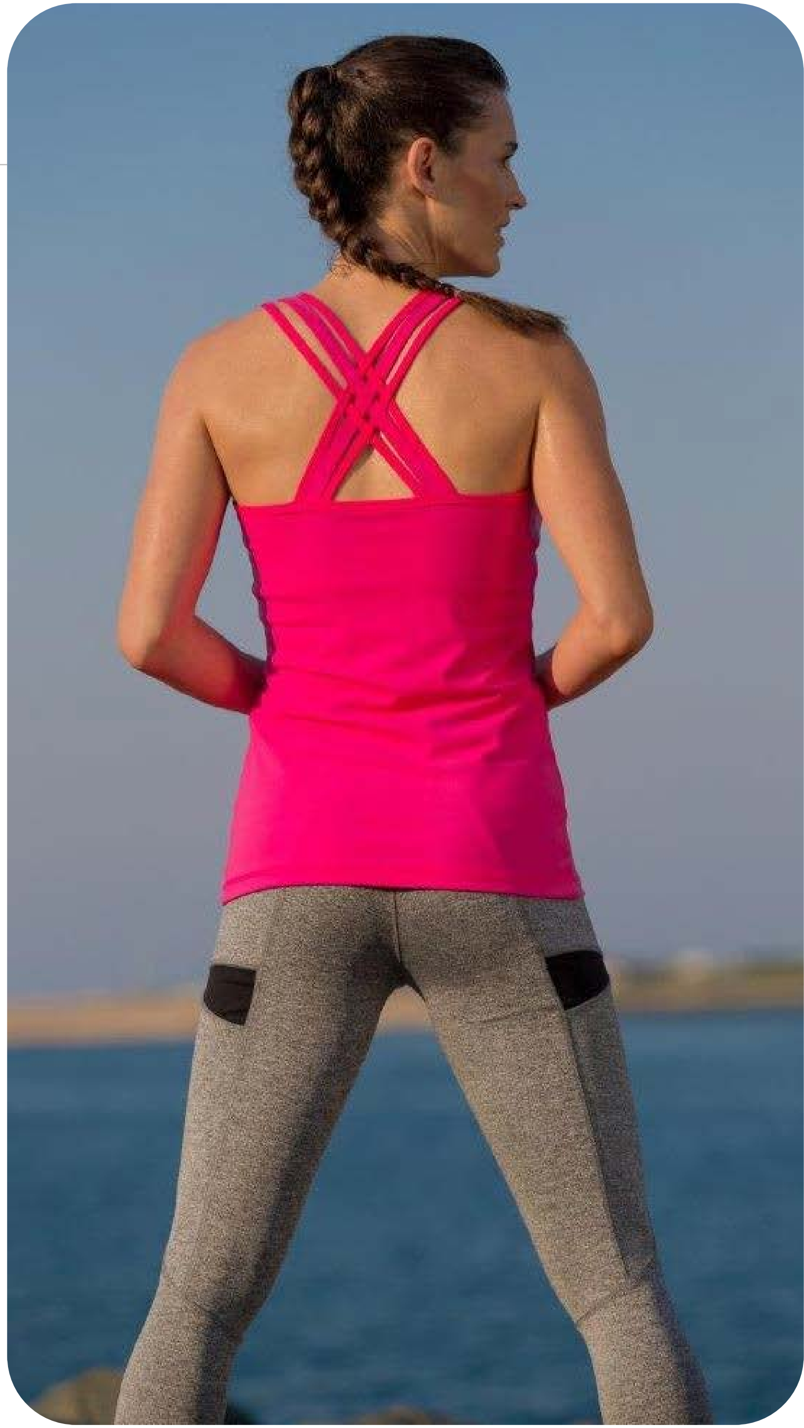
Promotional appeal

- New visual merchandising and store wrap has been successfully tested and is being rolled out

mrpsport

	2016	2015	% change
Retail sales	R634m	R560m	13.3%
Comparable sales	2.1%	3.6%	
Unit sales	5.5m	5.7m	(3.4%)
RSP inflation	16.9%	2.8%	
Weighted average space growth	6.7%	7.0%	
Trading density	R23 113m^{-2}	R21 382m^{-2}	8.1%

- Continued strong performance in our Maxed fitness brand with comp sales up 13%
- Excellent sales growth in footwear of 24.9%, with Maxed brand growing by 33%
- Lower growth in equipment & outdoor departments
- Strong growth in profit
  - maintained gross profit %
  - overheads grew at lower rate than sales



MILADYS

	2016	2015	% change
Retail sales	R582m	R654m	(11.0%)
Comparable sales	(12.4%)	(1.7%)	
Unit sales	3.3m	4.0m	(19.3%)
RSP inflation	10.4%	5.3%	
Weighted average space growth	0.4%	1.4%	
Trading density	R21 158m^{-2}	R22 748m^{-2}	(7.0%)

- Refocused on our niche customer to ensure that we provide a versatile wardrobe
- Removed ‘vanity fits’ to bring sizing in line with regular standards
- Discontinued Rene Taylor brand, moved to extended sizes in the Milady’s assortment
- Athleisure assortments, where our fashion pitch was unchanged, performed better
- Strong sales growth in accessories & intimatewear
- Gross profit % maintained and cost growth was lower than inflation
- Signs that initiatives are starting to gain traction in the summer season

mrphome

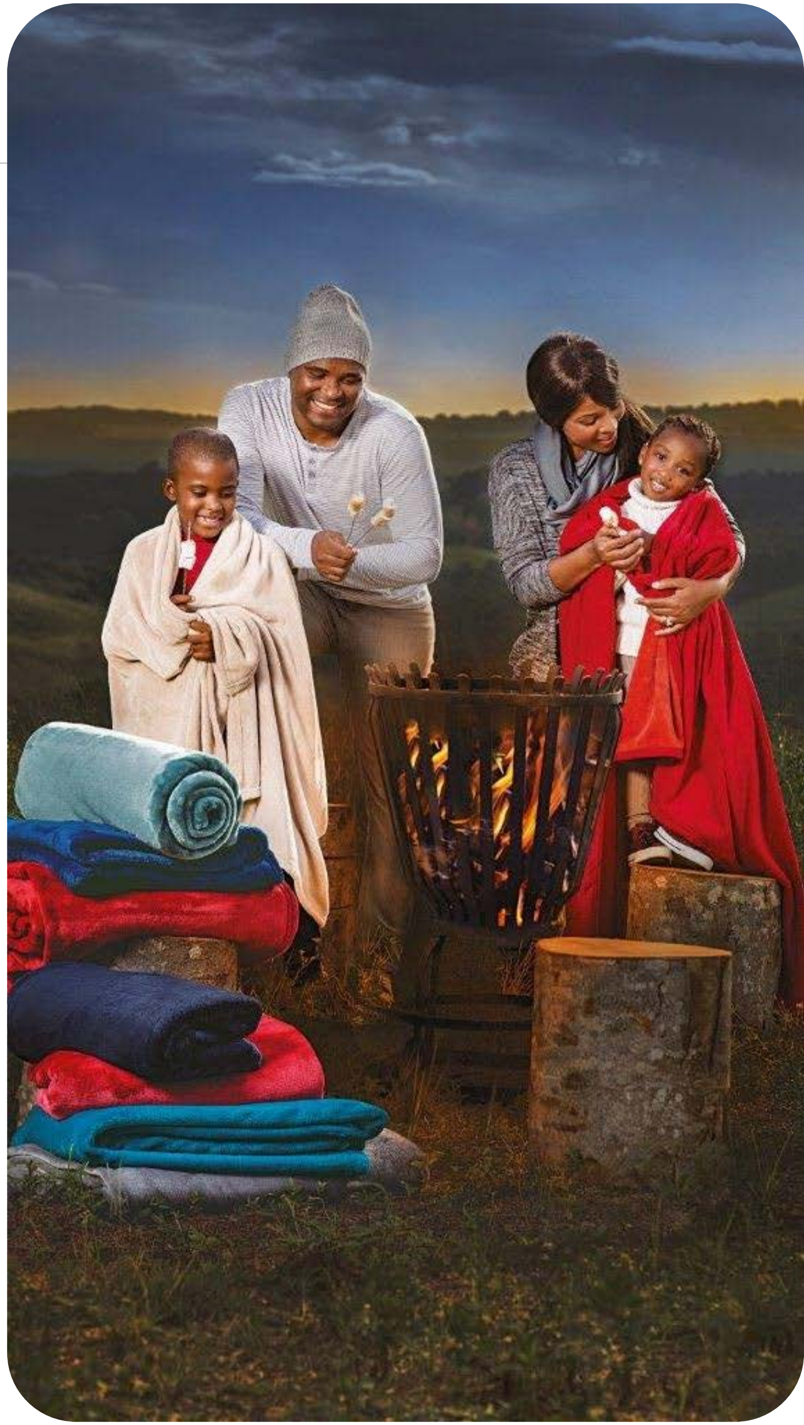
	2016	2015	% change
Retail sales	R1 590m	R1 567m	1.5%
Comparable sales	(0.7%)	3.4%	
Unit sales	15.3m	18.0m	(15.1%)
RSP inflation	19.1%	8.5%	
Weighted average space growth	(3.4%)	(2.1%)	
Trading density	R25 529m^{-2}	R23 828m^{-2}	7.1%

- Living softs department performed best. As expected, the more discretionary nature of furniture and kids departments showed much lower growth
- Ecommerce sales (including kiosk) increased by 28%
- Improved GP% and cost control delivered double digit profit growth
- Ask Afrika Award - winner of the bedding category in the 2016/17 Icon Brands Survey
- Times Sowetan Shopper Survey - second in the home accessories and décor category

sheet street

	2016	2015	% change
Retail sales	R680m	R654m	4.0%
Comparable sales	3.3%	3.1%	
Unit sales	7.9m	8.5m	(7.7%)
RSP inflation	12.7%	4.3%	
Weighted average space growth	(0.3%)	1.5%	
Trading density	R28 818m^{-2}	R27 571m^{-2}	4.5%

- Strongest sales growth in livingroom department of 7.4%
- Improved GP% and overheads increasing at a slower rate than sales resulted in strong operating profit growth
- Could not have expected a better result in this environment
- Awards
  - Daily News Your Choice - best linen store
  - The Times/Sowetan - best home accessories and décor



International Growth

mrp

- 2 large stores opened in Oct 15 in Australia. Full range has provided clarity as to which product categories perform best
- Considering smaller format test store
- Launching Magento online platform - fulfillment from Eastlands store

mrpHome

- Opened 350m^2 store on 20 Oct 16 in Northlands Shopping Centre, Melbourne
- Trade to date has exceeded expectations

mrpSport

- At early stages of research into potential new markets

Africa

- Addressing USD based rentals issue
- Remain optimistic about the long term potential
- Bumpy in short term, so managing our investment via reduced stock flow and overheads

Acquisitions

- Continue to assess potential opportunities that meet our specific criteria

Northlands Shopping Centre, Melbourne, Australia

Prospects

- Annual closing trading space expected to increase by 3.2%
  - H2 26 new stores, 22 expansions & 11 reductions
  - further expansion opportunities may arise as competitors tackle densities
  - focused on introducing quality new space (vs quantity). The group has highest 5 year CAGR in trading density amongst its competitors (to Mar 16)
- Key events
  - S&P sovereign rating review on 2 Dec 16. If downgrade is averted & political leadership is focused on economic growth
    - this could improve exchange rates, inflation, consumer confidence & GDP growth
    - in the absence of the above, expect an extension of current consumer hardship
  - uncertainty regarding the longer term impact of the US election on the SA economy
- Satisfied with progress as we move procurement closer to source - achieved improved USD cost prices. Will continue to work with intermediaries that add value
- All chains are adapting to the changed and more difficult trading environment and are fighting to maintain or increase market share
- All things being equal, we expect improvements in high summer, further traction going into winter 17

Thank You

Normalised earning reconciliation

R'm	1 October 2016 Statutory	Adjustment	Normalised	26 September 2015 Statutory	Adjustment	Normalised	% change Statutory	Normalised
Retail sales and other income	9 131		9 131	8 983		8 983	1.6	1.6
Costs and expenses	7 880	(34)	7 846	7 538	103	7 641	4.5	2.7
Cost of sales	5 347		5 347	5 194		5 194	3.0	3.0
Selling expenses	1 914		1 914	1 815		1 815	5.5	5.5
Administrative and other operating expenses	619	(34)	585	529	103	632	17.0	(7.4)
Profit from operating activities	1 251	34	1 285	1 445	(103)	1 342	(13.4)	(4.2)
Net finance income	35		35	47		47	(24.0)	(24.0)
Profit before taxation	1 286	34	1 319	1 492	(103)	1 390	(13.9)	(5.1)
Taxation	365	10	374	422	(29)	393	(13.6)	(4.7)
Profit after taxation	921	24	945	1 070	(74)	996	(13.9)	(5.1)
Loss attributable to non-controlling interests				6		6	(99.0)	(99.0)
Profit attributable to equity holders of parent	921	24	945	1 076	(74)	1 002	(14.4)	(5.7)
Earnings per share (cents)								
- basic	361.8		371.3	426.2		397.0	(15.1)	(6.5)
- headline	362.3		371.8	427.6		398.7	(15.3)	(6.8)
- diluted basic	350.7		360.0	405.2		377.4	(13.4)	(4.6)
- diluted headline	351.2		360.4	406.8		379.1	(13.7)	(4.9)