mr price group limited

UNAUDITED GROUP RESULTS AND INTERIM CASH DIVIDEND DECLARATION – 26 WEEKS ENDED 29 SEPTMBER 2018

This short-form announcement is the responsibility of the Mr Price Group Limited board of directors and is a summary of the information in the detailed results announcement released on SENS on 22 November 2018 and the presentation to the Investment Analysts Society and does not contain full or complete details. These documents are available on the group's website at www.mrpricegroup.com and copies may be requested from the company secretary (jcheadle@mrpg.com or +27 31 310 8000) at the company's registered office. Any investment decision in relation to the company's shares should be based on the full announcement.

Highlights

Revenue	Operating profit	Operating margin
R10.5bn	R1.7bn	16.2%
+7.8%	+10.9%	+50bps

EPS	HEPS	Dividend per share
494.4c	494.3c	311.4c
+12.1%	+11.6%	+11.6%

Interim Cash Dividend Declaration

The interim dividend of 311.40 cents per share (249.12 cents net of dividend withholding tax of 20% for shareholders who are not exempt), is based on a payout ratio of 63%, which is in line with the comparable period. The dividend has been declared from income reserves. The salient dates for the dividend are as follows:

Last date to trade 'cum' dividend	Tuesday	11 December 2018
Date trading commences 'ex' dividend	Wednesday	12 December 2018
Record date	Friday	14 December 2018
Payment date	Tuesday	18 December 2018

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 12 December 2018 and Friday, 14 December 2018, both dates inclusive.

Commentary

Mr Price Group Limited delivered double digit earnings and dividend growths in tough economic and retail environments. Retail sales in both the apparel and homeware segments grew ahead of the market for the period, as reported by Stats SA.

Total revenue grew 7.8% to R10.5bn supported by retail sales growth of 6.6% (comparable stores 3.9%) to R9.7bn. Other income, mainly from financial services and cellular, grew 24.7% to R801m. Cash sales which constitute 83.4% of total sales grew 7.5% while credit sales increased 2.2%. Local retail sales increased 6.2% while non-South African sales grew 11.4%, aided by the acquisition of the Kenyan franchise stores in May 2018. Retail selling price inflation was 4.5% and 100m units were sold, an increase of 2.9%. By opening 34 new stores and expanding 2, weighted average space grew by 3.7%. After closing 6 and reducing the size of 13 stores, net weighted average space growth was 1.4%, taking the total number of corporate owned stores to 1 286. Group sales densities increased 6.2% as space optimisation initiatives continue to deliver the desired results.

Merchandise and cellular gross margin gains contributed to the group, improving its gross profit margin by 60bps to 42.6%. Merchandise margins improved 80bps to 43.3% as continued product execution resulted in more full priced items being sold. Cellular margins increased 30bps to 19.1%. Selling and administration expenses increased 7.7% (excluding Kenya 6.6%), positively impacting operating profit growth, which was up 10.9% to R1.7bn. The operating margin improved from 15.7% to 16.2% of retail sales and other income (RSOI).

The Apparel segment grew RSOI by 6.2% to R7.3bn. Operating profit increased 11.2% off a strong base, particularly in MRP Apparel and Miladys. The operating margin increased from 16.1% to 16.9%. Sales in MRP Apparel increased 5.9% (comparable 3.0%) to R5.9bn. Online sales grew at 31.6%, supporting the omni channel strategy. Miladys grew sales 8.3% (comparable 8.2%). MRP Sport reported improved performance with sales growth of 7.3% (comparable 2.3%), with online sales growing at 40.4%.

The Home segment increased RSOI by 7.2% to R2.4bn. Operating profit increased 13.8% and the operating margin increased from 13.4% to 14.3%. Sales in MRP Home were up 9.2% (comparable 6.6%) with improved sales in bedroom and furniture departments and growth in the online channel of 29.0%. Sheet Street grew sales by 4.5% (comparable 2.5%).

The Financial Services & cellular segment reported growth of 23.5% lifting revenue to R673m. Interest and fees increased 7.5% to R246m, insurance revenue grew 7.6% to R131m, while cellular revenue accelerated to R296m, an increase of 52.3%. Cellular products are now sold through 249 locations across the group and its centralised call centre.

The group's financial position remains healthy. Net asset value per share increased by 15.6% to 2 967 cents. Cash and cash equivalents increased 63.8% to R2.6bn. Capital expenditure of R173m was incurred primarily relating to store development activities. Inventory levels were 7.3% higher in order to better manage the transition of seasons and peak season supply chain risks. The debtors book remains well managed, with a retail net bad debt to book ratio of 6.2% (8.4% including collection costs) and an IFRS 9 impairment provision of 8.3%.

Independent research has confirmed that consumers' perception of MRP Apparel's quality and fashion has improved relative to competitors, and that their price positioning has been further entrenched. Declining GDP growth in South Africa and rising fiscal challenges, as noted in the most recent medium term budget speech, points to further challenging trading conditions ahead for South African retailers. Despite this, the Group remains confident that the fashion value business model is well positioned to capture further market share.

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Mr Price Group Limited	Registration Number: 1933/004418/06 · Incorporated in the Republic of South Africa · ISIN: ZAE000200457 · JSE Code: MRP
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Sponsor	Rand Merchant Bank (a division of FirstRand Bank Limited)
Transfer Secretaries	Computershare Investor Services (Pty) Ltd