mr price group limited

Interim results

For the 26 weeks ended 2 October 2021

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 available on https://senspdf.jse.co.za/documents/2021/JSE/ISSE/MRPE/25112021.pdf and https://www.mrpricegroup.com and does not contain full or complete details. These documents and the results presentation to the investment community 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.

Summary

Revenue	Market share	HEPS
R12.4bn +35.2%	**+210bps** Source: RLC	**448.3c** +34.4%

Normalised diluted HEPS	Cash resources	Interim dividend per share
481.1c +46.4%	**R3.9bn** Post acquisitions Debt free	**282.4c** 63.0% pay-out ratio

Note:
FY2021 Period: 29 March 2020 to 26 September 2020, referred to as "FY2021 Period"
FY2020 Period: 1 April 2019 to 28 September 2019, referred to as "FY2020 Period"
Normalised HEPS excludes R185m write-off for losses incurred for stock, cash and PPE (Property, Plant and Equipment) relating to the civil unrest. No adjustment has been made for ongoing store costs, lost revenue and profit from the 111 affected stores

Interim Cash Dividend Declaration

The interim dividend of 282.4 cents per share (225.92 cents net of dividend withholding tax of 20% for shareholders who are not exempt). An increase of 34.4%. The dividend has been declared from income reserves. The salient dates for the dividend are as follows:

Last date to trade 'cum' dividend	Monday	13 December 2021
Date trading commences 'ex' dividend	Tuesday	14 December 2021
Record date	Friday	17 December 2021
Payment date	Monday	20 December 2021

Note:
Shareholders may not dematerialise or rematerialise their share certificates between Tuesday, 14 December 2021 and Friday, 17 December 2021, both dates inclusive.

Commentary

The group emerged from a challenging period with higher market share and remains in a strong cash position

Mr Price today released its interim results for the 26 weeks ended 2 October 2021 (the FY2022 Period). During this time the group faced a COVID-19 third wave, frequent load shedding, civil unrest causing 111 of its stores to close, and ongoing global supply chain disruptions. Despite this, the group continued its sales and earnings growth momentum and its earnings per share now exceed its pre COVID-19 levels (1 April 2019 to 28 September 2019, referred to as "FY2020 Period"). It has emerged from a challenging period with higher market share and has maintained its strong cash position.

Basic earnings per share (EPS) increased 51.4% to 440.0 cents and headline earnings per share (HEPS) increased 34.4% to 448.3 cents. Diluted HEPS increased 33.5% to 438.7 cents and normalised diluted HEPS, grew 46.4% to 481.1 cents.

Total revenue increased 35.2% to R12.4bn with retail sales increasing 37.8% (comparable stores 27.3%) to R11.9bn, a strong performance considering the external disruptions during the FY2022 Period. These results were additionally supported by the inclusion of recently acquired Power Fashion, effective 1 April 2021, and Yuppiechef effective 1 August 2021. Excluding acquisitions, total revenue and retail sales increased 25.8% and 27.8% respectively.

The strong retail sales performance resulted in the group gaining 210bps of market share (50bps excluding acquisitions) within its apparel and homeware segments according to the RLC. Despite the ongoing external challenges, the group's market share gains highlight the defensive nature of its business model through its compelling customer value proposition. The differentiation that it offers its customers through its merchandise fashionability is highlighted by its largest division, Mr Price Apparel, gaining market share for 19 consecutive months.

Credit sales continued to gain momentum, increasing 34.2% over the FY2021 Period. Credit sales are approaching pre COVID-19 levels, down 2.2% on FY2020 Period. The quality of the debtors' book continues to improve, reflected by lower net bad debt and the bad debt provision standing at 10.6% of the debtors' book, a decrease from the FY2021 Period.

Cash sales constitute 85.7% of group retail sales and continues to be consumers' preferred tender type during a period of high uncertainty and financial constraint. Cash sales grew 38.2%, supporting the group's strategy of being predominantly cash based.

The group reported merchandise deflation of -6.0% due to the inclusion of the lower average price point Power Fashion business. Excluding acquisitions, inflation of 5.3% was in line with CPI. The group sold 120 million units during the FY2022 Period, an increase of 47.7% (21.7% excluding acquisitions).

Capital expenditure was redirected from the group's store re-vamp programme towards ensuring that its looted stores were operational as quickly as possible. 96 of the 111 looted stores will be operational by the end of November 2021. Despite the demands this has placed on operational resources, the group was still able to open an additional 48 new stores and acquired 7 Yuppiechef stores. The group expanded 10 stores, closed 5 and reduced the size of 7 during the FY2022 Period, increasing the total number of corporate owned stores to 1 642. Weighted average space growth was 11.1% (excluding acquisitions, weighted average and closing trading space were 2.3% and 2.9% higher respectively).

Online sales continue to increase in retail sales contribution, up to 2.9% (2.7% excluding acquisitions). Online sales growth of 49.9% was against a high growth rate of 48.7% in the FY2021 Period due to COVID-19 related increased demand. The online channel remains key to the group's future growth plans.

Total GP margin decreased 230bps due to the impact of inventory write-offs (R151.5m) from the civil unrest. Excluding this impact, GP margin decreased 100bps. The group's two newly acquired divisions of Power Fashion and Yuppiechef trade at lower margins than the group which created a dilutionary effect. Excluding the acquisitions and inventory write-offs, total GP margin decreased 40bps. Total expenses grew 19.7%. Excluding acquisition costs and non-recurring expense items (FY2021 Period: rental relief, government assistance and IT impairment; FY2022 Period: cash and asset write-offs from the civil unrest) total expenses grew 6.5%.

Profit from operating activities increased 48.9% to R1.7bn and exceeded pre COVID-19 levels. Operating margin grew 120bps to 13.9% of retail sales and other income (RSOI) despite the civil unrest write-off costs.

Inventory on hand is up 43.7% against base growth of -9.2% (lower stock in the FY2021 Period due to COVID-19 and higher than expected trading performance post the level 5 hard lockdown). Additionally, the inclusion of the two acquisitions and several non-comparable departments, which were not in the base year, resulted in the higher stock position. The group is well positioned for its key festive trade period. The shape and quality of the stock on hand is healthy and the group is confident that its inventory growth will reach single digit levels by the end of FY2022.

The group's balance sheet remains in a healthy position with cash of R3.9bn after the acquisition of Yuppiechef. The group is well positioned to continue delivering against its recently communicated new long-term strategy of becoming the most valuable retailer in Africa. Net asset value per share increased to 4 260 cents.

Outlook

The high level of uncertainty experienced during the FY2022 Period is most likely set to continue for the remainder of FY2022 and beyond. The threat of further COVID-19 waves, load-shedding and global supply chain challenges, all continue to affect the organisation's ability to plan with accuracy, requiring increased focus on proven disciplines and agile decision making.

Group CEO, Mark Blair said, "Our fashion-value merchandise, fiscal discipline and highly cash generative business model has helped us to trade through some difficult circumstances and emerge in a position of strength. Sincere gratitude is extended to all our associates and partners for their commitment to protecting and restoring our operations and communities during a very challenging time, and operating with agility in the true spirit of partnership. We remain focused on our recently stated growth ambitions in South Africa, bedding down our acquisitions and taking hold of strategic opportunities through superior execution."

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Mr Price Group Limited	Registration Number: 1933/004418/06 - Incorporated in the Republic of South Africa - ISIN: ZAE000200457 - JSE/A2X code: MRP
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Transfer Secretaries	Computershare Investor Services (Pty) Ltd