mr price group limited

GROUP RESULTS AND FINAL CASH DIVIDEND DECLARATION - YEAR ENDED 31 MARCH 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 1 June 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

Operating Profit
+22.4%
to R3.7bn

Operating Margin
+210bps
to 17.6%

Heps
+20.7%
to 1 100.1c

Diluted Heps
+21.1%
to 1 075.4c

Dividend per share
+3.9%
to 693.1c

Return on Equity
+230bps
to 40.1%

Final Cash Dividend Declaration

A final gross dividend of 414.10 cents per share (331.28c net of dividend withholding tax of 20% for shareholders who are not exempt) has been declared from income reserves. The salient dates are as follows:

Last date to trade 'cum' dividend	Tuesday	19 June 2018
Date trading commences 'ex' dividend	Wednesday	20 June 2018
Record date	Friday	22 June 2018
Payment date	Monday	25 June 2018

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 20 June 2018 and Friday, 22 June 2018, both dates inclusive.

Commentary

Total revenue rose by 8.0% to R21.3bn with retail sales increasing by 7.6% (comparable stores 5.6%) to R20.0bn. Cash sales grew by 8.4% and constitute 83.7% of total sales, whilst credit sales increased by 4.1%. Online sales increased by 11.5%, with MRP Apparel, South Africa's no.1 ranked fashion retailer on several social media platforms, recording growth of 31.9%. Local store sales were up 8.3% while non South African store sales increased by 3.8%. Retail selling price inflation was 1.7% and 220m units were sold, an increase of 6.4%. Net trading space increased by 2.1% and after opening 57 new stores, the group traded from 1 258 corporate owned stores at year end.

Strong gains in both the merchandise and cellular gross margins contributed to the group gross profit margin increasing by 320bps to 43.3%. The merchandise margin benefitted from a more favourable exchange rate, improved product execution and resultant lower mark-downs. Selling and administration expenses grew by 11.5% as a result of inflation, space growth and higher performance linked expenses. Profit from operating activities increased by 22.4% to R3.7bn and the operating margin improved from 15.5% to 17.6% of retail sales and other income (RSOI). Basic earnings per share increased by 21.7% to 1 076.4c, mainly driven by MRP Apparel, Miladys and MRP Money, and all divisions achieved profit growth in H2.

The Apparel segment increased RSOI by 9.8% to R15.0bn. Operating profit increased by 36.0% to R2.7bn and the operating margin increased from 14.6% to 18.1%. Sales in MRP Apparel grew 11.4% (comparable 8.9%) to R12.1bn, exceeding market growth as reported by STATS SA in 11 months of the year. Miladys continued to benefit from focusing on the needs of their core customer and increased sales by 8.4% (comparable 8.2%) to R1.4bn. MRP Sport grew sales by 2.7% (comparable -4.5%) to R1.4bn.

The Home segment performance is reflective of the economy and the discretionary nature of merchandise sold. RSOI grew by a modest 1.8% to R5.0bn. Operating profit decreased by 4.4% to R785.4m and the operating margin declined from 16.7% to 15.7%. MRP Home sales were up 1.0% (comparable -0.9%) to R3.4bn and Sheet Street by 3.9% (comparable 2.3%) to R1.5bn. Both chains reported higher sales growth in H2 of 3.6% and 5.4% respectively.

MRP Money recorded an increase in revenue of 7.2% to R1.1bn. Increases in debtors' interest and fees of 6.5%, insurance revenue of 14.2%, and cellular revenue of 4.3% were achieved.

The division acquired the minority interest in the MRP Mobile MVNO on 2 January 2018 and successfully rolled out cellular kiosks to 103 stores during the year. Cellular revenue growth in H2 was 14.0%.

Annual dividends per share increased by 3.9% to 693.1 cents and the final dividend per share of 414.1 cents is 5.6% lower than the comparable period. In the current year dividends have been based on a dividend payout ratio of 63% of HEPS, consistent with the 2016 financial year. However, the treatment in 2017 (annual dividends were maintained at the prior year's level of 667c per share despite an earnings decline) has impacted the current year's dividend growth rates.

The balance sheet remains in a healthy position, with free cash flow increasing by 71.8% to R3.0bn and cash resources of R2.7bn at year end. Inventories are in good shape and the debtors book continues to perform well, with a net bad debt to retail book ratio of 5.9% and an impairment provision of 7.7%. Envisaged capital expenditure in FY19 of R550m, funded by cash reserves, will include the opening of approximately 48 stores and the acquisition of 12 Kenyan franchise stores in May. Balance sheet strength and the cash generative business model (free cash flow to profit after tax conversion ratio of 109.3%) will also support our strategic acquisition strategy in selected markets.

The key focus areas in the medium term will be to deliver on our strategic enablement IT and supply chain projects. These enhancements are imperative in order for us to realise trading opportunities locally and to trade effectively internationally, including Africa, where recovering commodity prices are expected to be supportive of increased consumer spending.

We are proud of the resilience of our business model and the character shown by our associates in challenging times, and remain cautiously optimistic about the future. In our major market, South Africa, there is renewed hope of more robust economic growth, however many structural challenges remain that will not be fixed overnight. Although the vastly improved business and consumer confidence is welcoming, we believe that the consumers' ability to spend is still restricted.

Our fashion value positioning provides a competitive advantage and we are ideally positioned to capture further market share. There are various trading opportunities upon which to capitalise and we are confident of our team's ability to execute well and to benefit from what will hopefully be a recovering and more stable economy in the medium term.

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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
Directors	SB Cohen* (Honorary chairman), NG Payne* (Chairman), SI Bird (CEO), MM Blair (CFO), MJ Bowman*, K Getz*, MR Johnston*, RM Motanyane-Welch*, D Naidoo*, B Niehaus*, MJD Ruck*, N Abrams^, SA Ellis^, * Non-executive director, ^ Alternate director
Sponsor	Rand Merchant Bank (a division of FirstRand Bank Limited)
Transfer Secretaries	Computershare Investor Services (Pty) Ltd