mr price group limited

Group Results & Final Cash Dividend Declaration
52 Weeks Ended 30 March 2019

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 31 May 2019 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.

Highlights

REVENUE	PROFIT AFTER TAX	OPERATING MARGIN
+5.8% R22.6bn	+7.2% R3.0bn	17.6% +0bps
HEPS	**DILUTED HEPS**	**DIVIDEND PER SHARE**
+6.2% 1 168.6c	+6.2% 1 142.3c	+6.2% 736.2c

Final Cash Dividend Declaration

The final gross dividend of 424.80 cents per share (339.84 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	18 June 2019
Date trading commences 'ex' dividend	Wednesday	19 June 2019
Record date	Friday	21 June 2019
Payment date	Monday	24 June 2019

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 19 June 2019 and Friday, 21 June 2019, both dates inclusive.

Commentary

Total revenue grew 5.8% to R22.6bn. For the first time, the group exceeded both retail sales of R20bn, growing 4.4% (comparable stores 1.6%), and profit before tax of R4bn. Other income grew 24.7% to R1.5bn, mainly from financial services and cellular. Interest earned on cash balances grew by 38.2% to R224m. Cash sales grew by 6.6% and constitute 84.2% of total sales, whilst credit sales including cellular increased by 2.3%. Local store sales were up 3.8% while non-South African store sales grew 12.1%, aided by the acquisition of the Kenyan franchise stores in May 2018. Retail selling price inflation was 5.1% and 220m units were sold, an increase of 0.2%. After opening 82 new stores and expanding 11, weighted average new space grew 3.1%. By closing 17 stores and reducing the size of 30, total weighted average space was up 1.4%, taking the total number of corporate owned stores to 1 323. The group continues to focus on optimising trading space with trading densities up 3.0%.

The group's gross profit margin declined by 40bps to 42.9%. All divisions grew merchandise margins except for MRP Apparel whose Q4 markdowns offset prior gains. Merchandise margins on an annual basis contracted 10bps to 43.6%. Cellular margins decreased 150bps to 19.1% due to product mix changes as Cellular kiosks, which are lower margin than MRP Mobile, were rolled out to over 200 stores. Selling and administration expenses were well managed, increasing by 4.0% (excluding Kenya and Poland 2.8%). Profit from operating activities increased by 5.5% to R3.9bn and the operating margin remained flat at 17.6% of retail sales and other income (RSOI). Basic earnings per share increased by 7.0% to 1 156.6 cents.

The Apparel segment increased RSOI by 3.8% to R15.6bn. Operating profit increased 3.4% off a strong base and the operating margin declined marginally from 18.1% to 18.0%. Sales in MRP Apparel grew 3.1% (comparable 0.1%) to R12.6bn, and exceeded market growth as reported by Stats SA (Type D) on an annual basis. Online sales grew at 30.2%, with 25.1m visits to mrp.com throughout the year. Miladys grew sales 4.0% (comparable 3.1%). MRP Sport reported strong sales growth of 9.7% (comparable 6.4%), with online sales growing at 43.8%.

Despite discretionary spend product being under pressure due to economic challenges, the Home segment performed well, increasing RSOI by 5.9% to R5.3bn. Operating profit increased 12.3% and the operating margin increased from 15.7% to 16.6%. Both divisions grew market share, outperforming the market on an annual basis as reported by Stats SA (Type D). Sales in MRP Home were up 7.2% (comparable 4.5%) with online sales increasing 34.8%. Sheet Street grew sales by 4.0% (comparable 1.6%).

The Financial Services & Cellular segment reported revenue growth of 25.9% to R1.4bn and an operating profit decline of 1.3%. Financial services revenue grew 4.9% to R760m. A weak credit environment, a lower effective repo rate and a change to IFRS 9 caused growth in interest and fees to slow. The industry has shown a rising number of new accounts in early default. In line with the group's prudent approach to credit, scorecard adjustments were made. The effect of this was less accounts approved despite growing new account applications. Cellular and mobile revenue grew 62.1% to R677m with Cellular products sold through 216 locations across the group, achieving sales density and operating profit per square metre in line with the other merchandise.

The balance sheet remains in a healthy position. Cash and cash equivalents increased 15.8% to R3.2bn. Net asset value per share increased 16.2% to 3 345 cents. The group's ROA and ROE were 26.8% and 37.5% respectively, significantly higher than the JSE Top 40 and retail competitors average. Solvency and liquidity ratios remain market leading. Capital expenditure of R424m was incurred primarily relating to store development activities. Inventory levels were up 18.9% due to an increase in goods in transit (GIT) to satisfy the timing of winter merchandise. Excluding GIT, inventory was up 14.2%. Excess stock due to lower than expected trade since festive will require promotional activity in the new year. The debtors book remains well managed, with a retail net bad debt to book ratio of 7.3% and an IFRS 9 impairment provision of 8.9%.

The appointment of Mark Blair as CEO effective 1 January 2019, came with him making a few key appointments including newly formed roles of Chief Operating Officer and Chief Retail Officer. The new management team has identified potential opportunities for growth across the business and prioritised key areas of focus which will form part of the process of updating the group strategy. High cash generation, a low cost operating model and strengthening the key fashion-value product offering at everyday low prices will continue to remain central to the business model. The group expects to open 70 new stores in FY2020.

The retail environment in South Africa is likely to remain under pressure in the short term as flat real wage growth and low levels of disposable income continue to challenge the consumers' ability to spend. The national elections delivered a positive outcome which we hope will lead to reformed economic policies that will encourage business growth and job creation. Hopefully this could be the start of an upward swing in the retail cycle, but any improvements are expected to be gradual and we are therefore anticipating a very tough first half of the new financial year. The second half should see an improvement due to the base effect and impact of internal initiatives coming through. Increased focus is being applied to our key differentiators to ensure that we continue to gain market share and deliver above market related returns for our shareholders.

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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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