



**Mr Price Group Limited** *Annual results March 2011*

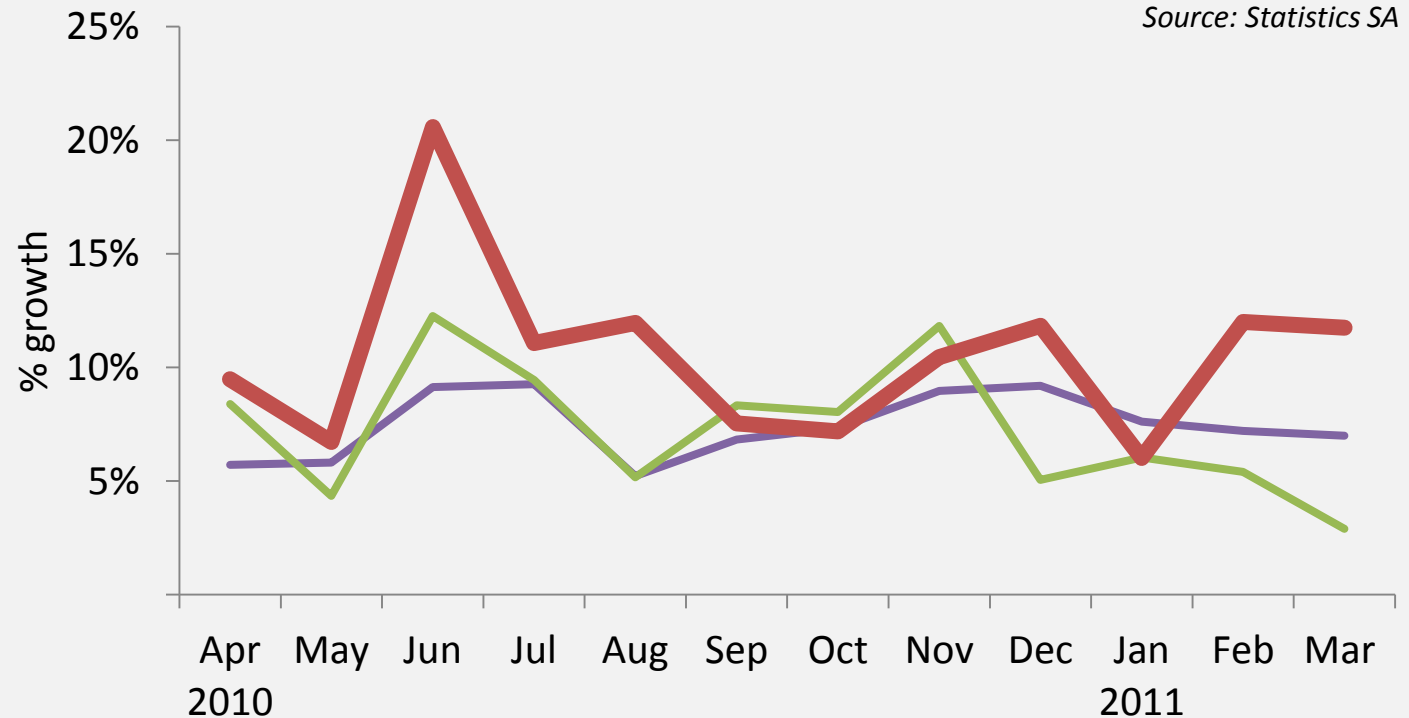
# Overview of retail environment

- Increase in retail sales in real terms for 14 consecutive months
- Positive growth in GDP for six consecutive quarters
- Interest rates lowest in three decades
- Strong Rand helping offset impact of high oil price and increases in merchandise input prices
- CPI remains within target range but will be impacted by transport, utilities and food
- Unemployment remains high at 25%
- Formal sector average monthly earnings up by 11.4% (year to November 2010)



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# South African retail sales growth



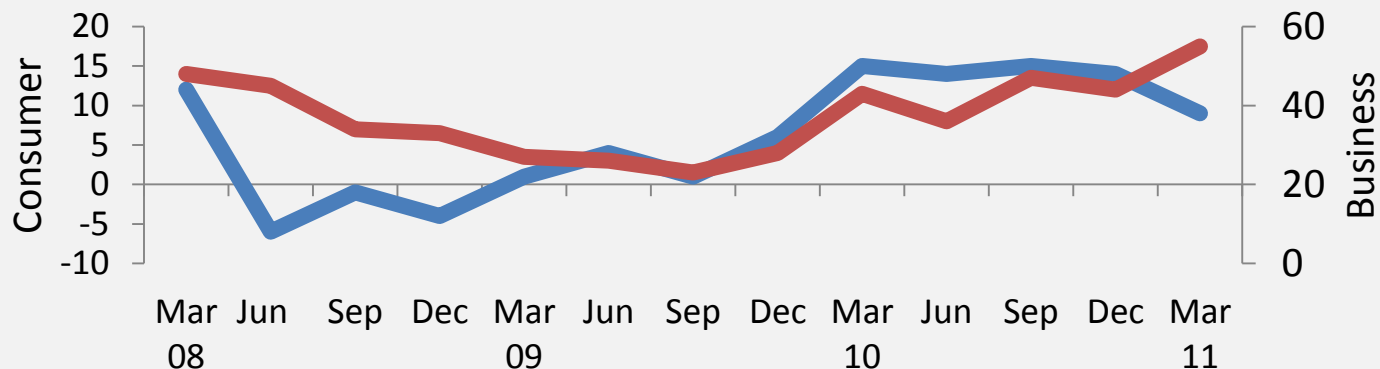
- Retailers in textiles, clothing, footwear and leather goods
- Total SA retail sales
- Mr Price Group



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# Business and consumer confidence



## ● Consumer

- Relatively high historically
- Outlook on own finances and economy, and willingness to purchase all dropped
- High earners (>R5 000) decreased while low earners unchanged

## ● Business

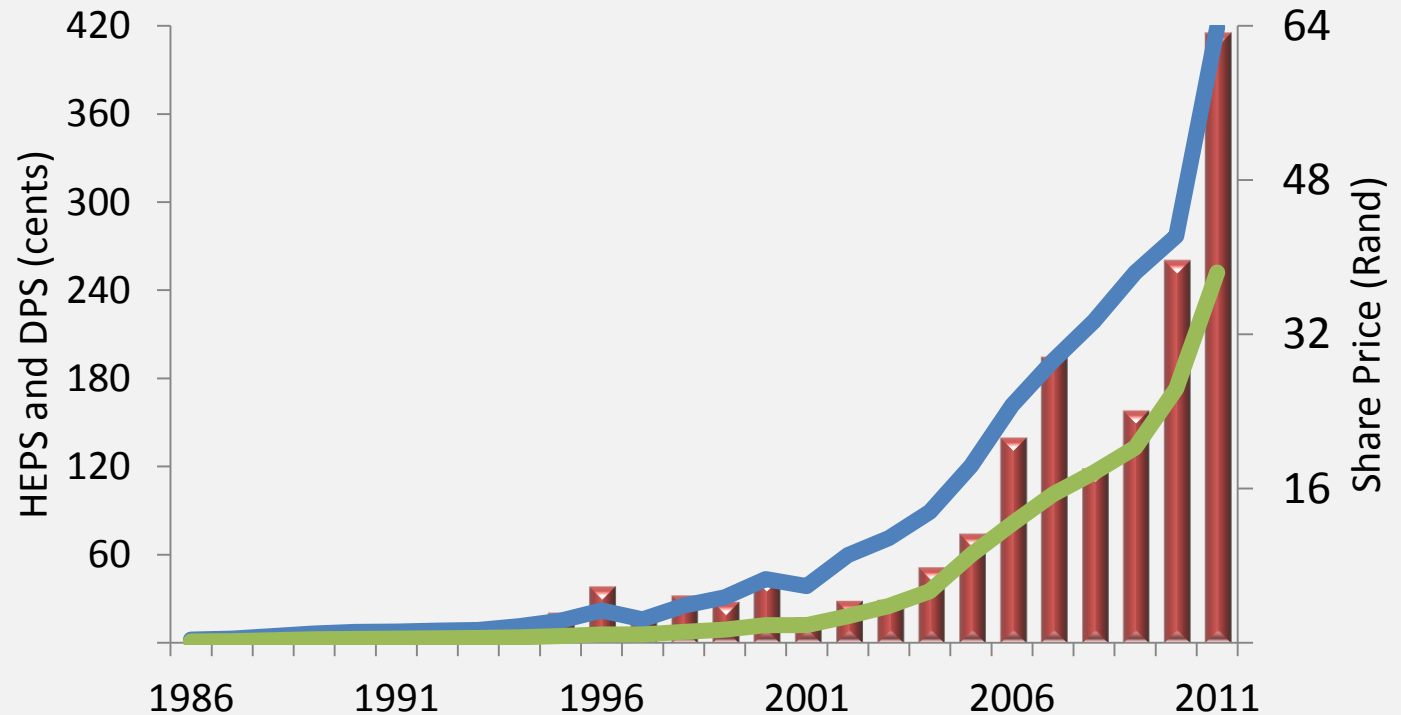
- More companies optimistic than pessimistic - 1<sup>st</sup> time in three years
- Motor and wholesale up, retail slightly down and no sign of recovery in building sector
- Jump in 1<sup>st</sup> Q suggests strong GDP growth probably sustained

Source: BER



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# Celebrating our 25<sup>th</sup> anniversary



## 25 Year Compound Annual Growth Rate

● Share price  
26.2%

● DPS  
25.3%

● HEPS  
23.5%



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# 2011 Group highlights

	2011	2010	Growth
Retail sales	R10.7 bn	R9.5 bn	12.9 %
Comparable sales			
• Including expanded and relocated stores in like-for-like locations			11.0 %
• Excluding the above* - 53 weeks			10.2 %
- 52 weeks			7.8 %
RSP inflation			3.0 %
Units sold	183 m	167 m	9.9 %
Weighted average space growth (net)			0.7 %

*Note: 2011 Group information represents 53 trading weeks (2010: 52 trading weeks) unless otherwise stated*

\* Basis disclosed in remainder of presentation



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# 2011 Group income statement

R'm	2011	2010	Growth
Retail sales	10 673	9 454	13 %
Cost of sales	6 202	5 685	9 %
Gross profit - Rand	4 471	3 769	19 %
- %	41.9%	39.9%	
Other income	240	214	12 %
Selling expenses	2 505	2 313	8 %
Administrative/other expenses	772	678	14 %
Profit from operating activities	1 434	992	45 %
Operating margin	13.4%	10.5%	
Net finance income	55	37	49 %
Export partnerships	(4)	(165)	(97 %)
Profit before taxation	1 484	864	72 %
Taxation	474	190	149 %
Profit attributable to shareholders	1 010	674	50 %
EBITDA - Rand	1 625	1 007	61 %
- %	15.2%	10.7%	



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# Operating margin analysis

<b>Operating margin last year</b>		<b>10.5 %</b>
Gross profit:	Input margin	1.2 %
	Markdowns	1.0 %
	Other	(0.2 %)
Store expenses:	Employment	0.2 %
	Occupancy	0.3 %
	Other	0.5 %
Administrative and central costs		(0.1 %)
<b>Operating margin this year (52 weeks: 13.2%)</b>		<b><u>13.4 %</u></b>

<b>% of sales</b>	<b>2011</b>	<b>2010</b>
Depreciation	1.6%	1.7%
Employment costs	11.9%	11.8%
Occupancy costs	8.0%	8.3%
Total expenses	30.7%	31.6%



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# Sales and operating profit growth

	1 <sup>st</sup> half 26 weeks	2 <sup>nd</sup> half 26 weeks	Full year 52 weeks
<b>Sales</b>			
Apparel	11.4%	10.4%	10.8%
Home	10.0%	9.7%	9.8%
<b>Total</b>	<b>11.0%</b>	<b>10.2%</b>	<b>10.5%</b>
<b>Operating profit</b>			
Apparel	34.4%	22.3%	27.1%
Home	1 785.7%	79.4%	153.7%
<b>Total</b>	<b>57.4%</b>	<b>29.7%</b>	<b>39.3%</b>

- Recovery of underperforming divisions commenced in 2<sup>nd</sup> half of 2010 financial year
- 2<sup>nd</sup> half 2011 up against higher base

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# Earnings per share

## 53 weeks

	2011	2010	Growth
Basic earnings per share	412.3 c	273.5 c	51 %
Headline earnings per share	418.9 c	276.9 c	51 %
Core headline earnings per share	420.6 c	285.7 c	47 %

## 52 weeks

Basic earnings per share	396.7 c	45 %
Headline earnings per share	403.3 c	46 %
Core headline earnings per share	405.0 c	42 %

Fully diluted HEPS 388.8c vs consensus earnings estimate 365.9c

Impact of 53<sup>rd</sup> week amounts 15.6c (3.7% of core HEPS)



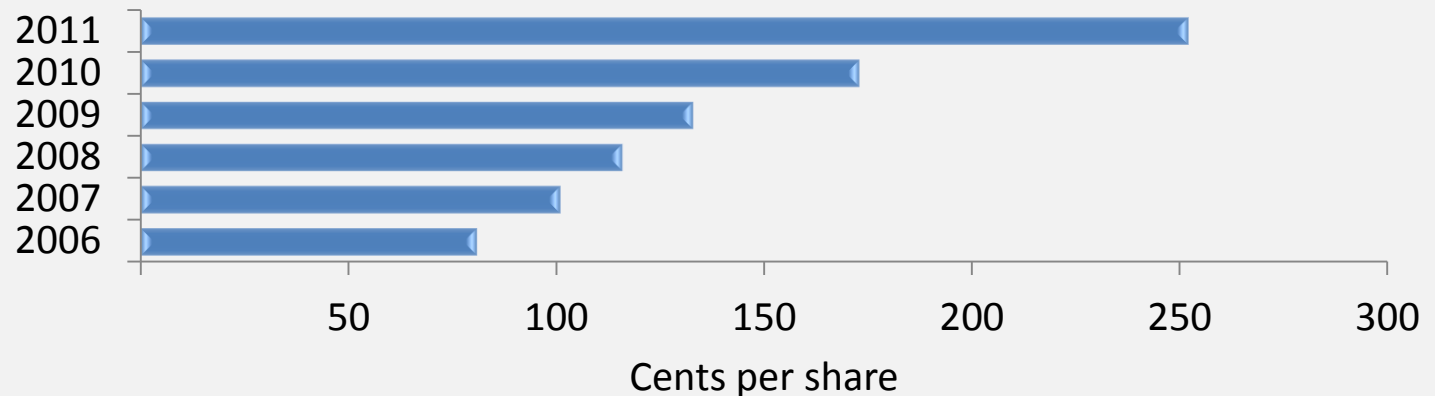
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# Dividends per share

**Dividend cover retained at 1.6 times** (based on 52 week HEPS)

Final dividend	175.3c	+38%
Annual dividend	252.0c	+46%



**DPS**

**5 year**  
25.5%

**10 year**  
35.6%

**25 year**  
25.3%

- 25 year CAGR in dividends per share and share price exceed 25%
- In the past 25 years dividends per share have never decreased
- Potential reduction in dividend cover for final dividend F2012

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# Financial position

**R'm**

**2011**

**2010**

## Non-current assets

Property, plant and equipment

460

530

Intangible and other assets

148

156

## Current assets

Inventories

954

935

Trade and other receivables

931

818

Cash and cash equivalents

1 368

1 171

**3 861**

**3 610**

Equity attributable to shareholders

2 394

2 071

Non-current liabilities

179

201

Current liabilities

1 288

1 338

**3 861**

**3 610**

Return on :

Net worth

42.2%

32.5%

Average shareholders equity

46.0%

35.6%

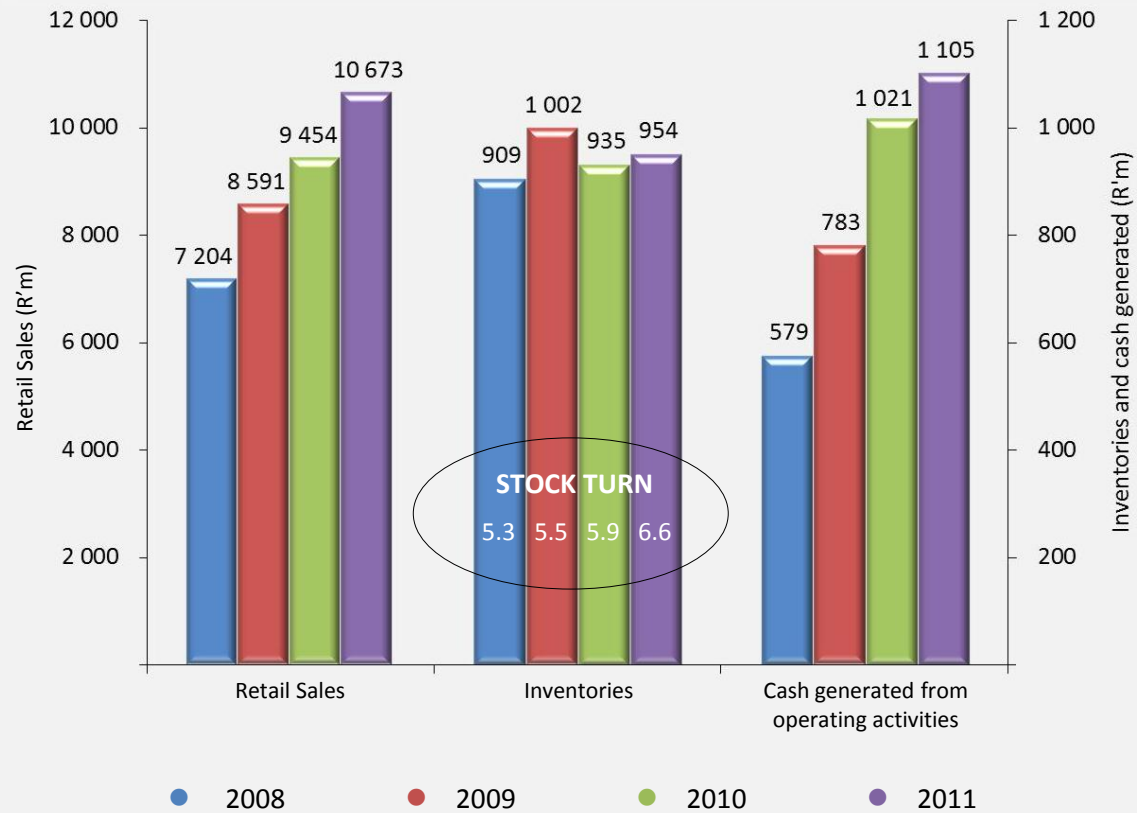
Operating assets

63.8%

52.4%

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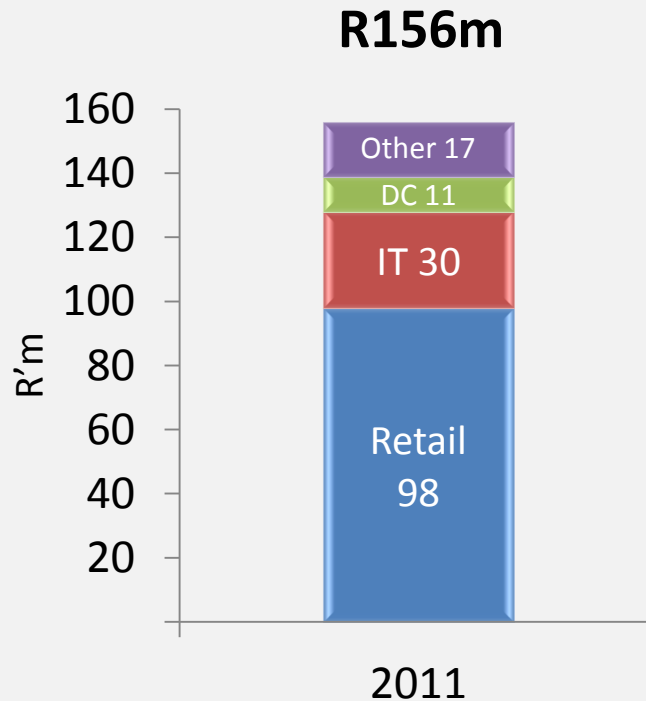
# Project Redgold



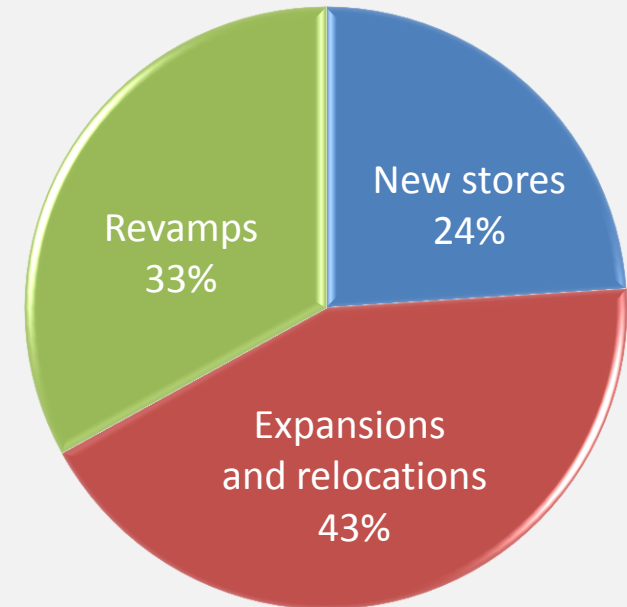
**Over the last four years inventory up 5% and sales up 48%**

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# Capital expenditure



**F2012 Retail capex**



**Projected capex spend for F2012 - R305m,  
of which retail spend is R181m**



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# Trade receivables

	2011	2010	Growth
Gross trade receivables	R820 m	R788 m	3.9 %
Net bad debts as % of credit sales*	2.1 %	3.7 %	
Net bad debts as % debtors*	4.5 %	7.0 %	
Impairment provision (% of debtors)	9.1 %	9.1 %	

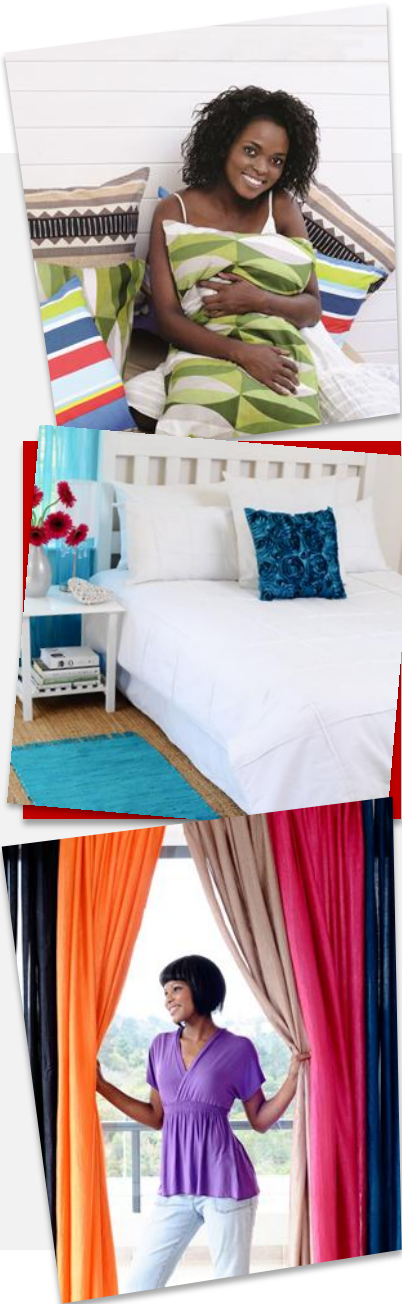
\* Excludes collection costs, movement in provision

## Independent benchmarking:

Mr Price Money, Miladys and Sheet Street occupy the top three positions in the industry in terms of '% current balance'



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# Trade receivables (cont.)

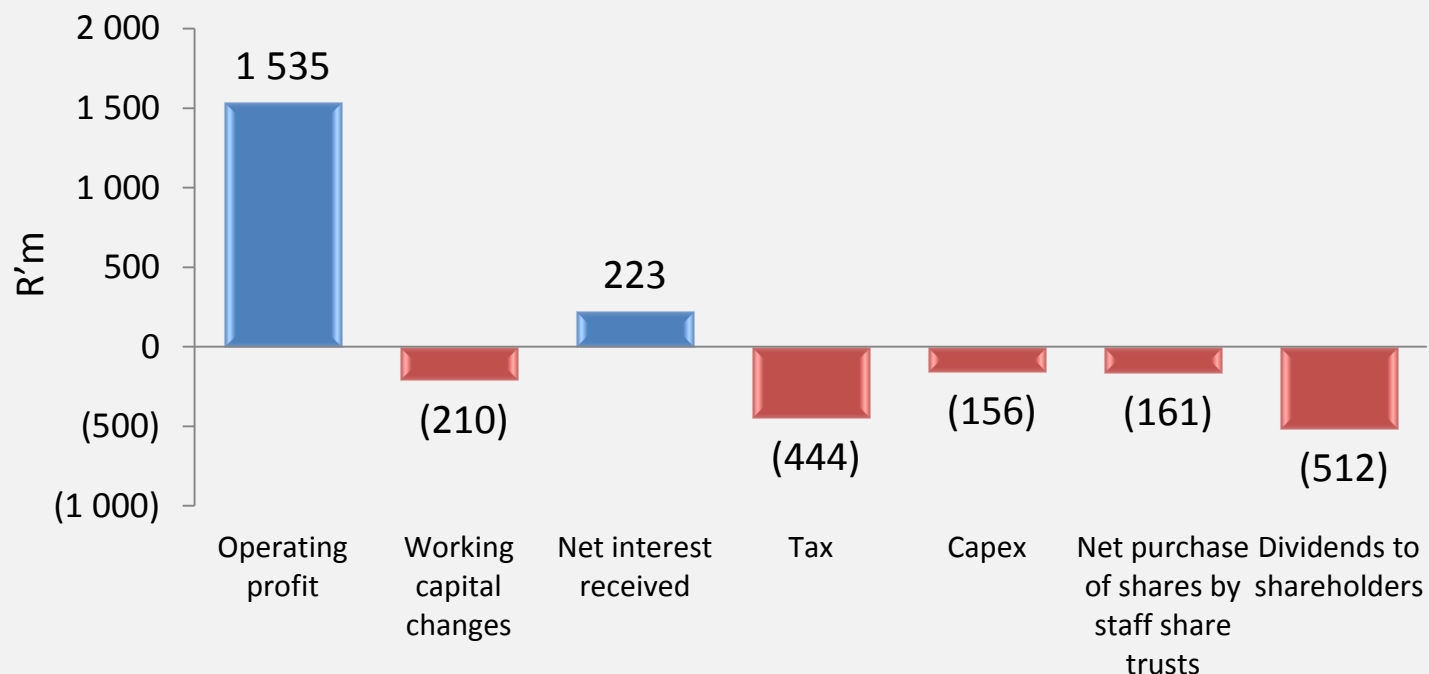
	2011	2010	Growth
Number of active accounts	1 034 k	903 k	14.5 %
Average credit limit	R2 228	R2 378	(6.3 %)
Average balance	R792	R873	(9.2 %)
% able to purchase	89 %	88 %	
New application approval rate	41 %	38 %	

**Average debtor credit limits and balances  
are less than half the industry average**



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# Cash flow – significant items



**Cash sales 83.8% (2010: 83.9%)**

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# Finweek Top 200 Review – March 2011

	Measure	Ranking on JSE
Market capitalisation	R16.5bn	59
Profit after tax	R694m	62
Internal rate of return	32.8%	23
Return on equity	42.7%	26
Return on average total assets	27.2%	49
Interest cover	188 times	20
Cash flow to debt	4.3 times	32

Above information is based on audited 2010 results

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# THIS IS HOW IT SHOULD BE

CARDI R99<sup>99</sup>

KNITWEAR DRESS R119<sup>99</sup>

FLEECE R119<sup>99</sup>

SHIRT R79<sup>99</sup>



**Mr Price Group Limited** *Divisional Performance*



# Segmental performance – Apparel

All segmental and divisional information is based on 52 weeks for both periods, or 26 weeks for the 2<sup>nd</sup> half

	2011	2010	Growth
Retail sales	R7.4 bn	R6.7 bn	10.8 %
Retail sales and other income	R7.6 bn	R6.9 bn	10.9 %
Comparable sales - year			6.3 %
- 2 <sup>nd</sup> half			6.1 %
Unit sales			7.6 %
RSP inflation			3.1 %
Weighted average space growth			3.0 %
Trading density	R23 017m <sup>-2</sup>	R21 369m <sup>-2</sup>	7.7 %
Operating margin	16.7 %	14.6 %	
Number of stores	578	588	

**Apparel constitutes 71% of group sales**



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# Mr Price

	2011	2010	Growth
Retail sales	R5.9 bn	R5.2 bn	11.8 %
Comparable sales - year			7.5 %
- 2 <sup>nd</sup> half			7.3 %
Unit sales			8.6 %
RSP inflation			3.1 %
Weighted average space growth			5.3 %
Trading density	R28 094m <sup>-2</sup>	R26 414m <sup>-2</sup>	6.4 %
Stock turn (times)	7.2	7.0	
Number of stores	340	338	

annual results *march 2011*

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# Highlights

	2011		2010
	Market share	Contribution to sales	Market share
Clothing	13.4%	86%	13.4%
Footwear	8.5%	14%	7.7%
<b>Total</b>	<b>12.4%</b>	<b>100%</b>	<b>12.3%</b>

- Per AMPS, division increased its overall shopper numbers by 16% and those in its target market by 30%
- Per Bateleur Khanya, Mr Price remains South Africa's most loved and most frequented retailer (four years running)
- International consultants designing a new look store – first store to open by November
- Planning to open 10 to 15 new stores in F2012 and expand ±12 000m<sup>2</sup> in high density stores

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# Mr Price Sport

	2011	2010	Growth
Retail sales	R542 m	R437 m	24.0 %
Comparable sales - year			7.1 %
- 2 <sup>nd</sup> half			7.1 %
Unit sales			25.1 %
RSP inflation			(0.7 %)
Weighted average space growth			5.2 %
Trading density	R12 241m <sup>-2</sup>	R10 382m <sup>-2</sup>	17.9 %
Stock turn (times)	5.1	3.8	
Number of stores	40	36	



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# Highlights

- Sales exceeded R500 million in just over four years

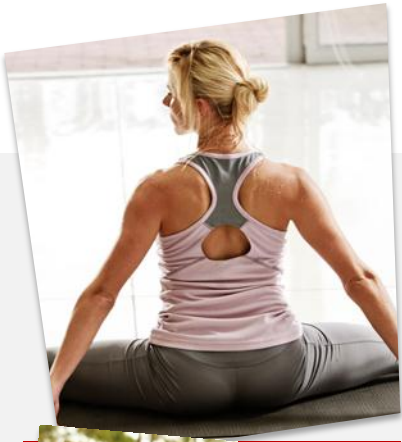
## **% contribution to sales**

Apparel	52%
Footwear	15%
Equipment and accessories	33%
<b>Total</b>	<b><u>100%</u></b>

- Enhancements to procurement process and leveraging off group purchasing power strengthened value offer
- Opened first store outside South Africa (Namibia)
- Tests of smaller stores (600m<sup>2</sup>) proving successful – total potential footprint now 80 to 100 stores
- Plan to open seven stores in F2012
- Targeting double digit operating margin in next three years



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# Miladys

	2011	2010	Growth
Retail sales	R1.0 bn	R1.0 bn	0.2 %
Comparable sales - year			0.9 %
- 2 <sup>nd</sup> half			0.7 %
Unit sales			(15.9 %)
RSP inflation			18.7 %
Weighted average space growth			(4.4 %)
Trading density	R14 834m <sup>-2</sup>	R14 158m <sup>-2</sup>	4.8 %
Stock turn (times)	6.4	6.7	
Number of stores	198	214	

MILADYS  
STYLE OF A WOMAN

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# Highlights

	2011		2010
	Market share	Contribution to sales	Market share
Outerwear	4.8%	65%	5.4%
Intimatewear	2.9%	10%	2.6%
Footwear	3.1%	13%	3.4%
Accessories	8.8%	10%	10.2%
Cosmetics	0.4%	2%	0.1%
<b>Total</b>	<b>3.8%</b>	<b>100%</b>	<b>4.1%</b>

- Per AMPS, 7% increase in brand recall among customers surveyed
- Significant changes to merchandise sourcing and planning processes. As anticipated, this caused disruption, but will result in future benefits
- Despite poor sales performance, operating profit increase was due to a higher gross profit margin and tight expense control
- Continued increase in new account applications
- Clearer about the target market and their merchandise requirements in terms of fashionability and value

MILADYS  
STYLE OF A WOMAN

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# Segmental performance - Home

	2011	2010	Growth
Retail sales	R3.0 bn	R2.7 bn	9.8 %
Retail sales and other income	R3.1 bn	R2.8 bn	9.9 %
Comparable sales - year			11.2 %
- 2 <sup>nd</sup> half			12.2 %
Unit sales			7.5 %
RSP inflation			2.8 %
Weighted average space growth			(2.9 %)
Trading density	R15 847m <sup>-2</sup>	R13 909m <sup>-2</sup>	13.9 %
Operating margin	8.5 %	3.6 %	
Number of stores	359	374	

**Recovery of Home chains commenced in 2<sup>nd</sup> half F2010, therefore higher base than 1<sup>st</sup> half**



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# Mr Price Home

	2011	2010	Growth
Retail sales	R2.1 bn	R1.9 bn	9.6 %
Comparable sales - year			11.2 %
- 2 <sup>nd</sup> half			11.1 %
Unit sales			8.0 %
RSP inflation			2.3 %
Weighted average space growth			(2.9 %)
Trading density	R14 729m <sup>-2</sup>	R12 925m <sup>-2</sup>	14.0 %
Stock turn (times)	5.8	4.7	
Number of stores	130	136	



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# Highlights



	<b>2011</b>		<b>2010</b>
	<b>Market Share</b>	<b>Contribution to sales</b>	<b>Market share</b>
Domestic textiles	27.3%	55%	25.9%
Household utensils	20.2%	13%	19.7%
Accessories and décor	12.6%	32%	13.5%
<b>Total</b>	<b>19.3%</b>	<b>100%</b>	<b>19.5%</b>

- Bateleur Khanya research reflected Mr Price Home as the most loved and most frequented homewares retailer
- Per AMPS, division showed a 8% growth in customers in target market. Increase of 25% in middle income black market
- Improvement in gross margin and control of expenses has driven significant improvement in operating margin
- Plan to open a net 10 stores in F2012, but space growth will be flat as the division exits unproductive space
- Division aims to achieve a double digit operating margin within the next two years



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# Sheet Street

	2011	2010	Growth
Retail sales	R933 m	R846 m	10.3 %
Comparable sales - year			11.1 %
- 2 <sup>nd</sup> half			14.3 %
Unit sales			6.5 %
RSP inflation			3.8 %
Weighted average space growth			(3.0 %)
Trading density	R19 040m <sup>-2</sup>	R16 715m <sup>-2</sup>	13.9 %
Stock turn (times)	5.9	4.8	
Number of stores	229	238	

sheet street

lots of linen for less!

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# Highlights



	2011		2010
	Market share	Contribution to sales	Market share
Domestic textiles	21.0%	84%	20.1%
Accessories and décor	3.3%	16%	3.5%
<b>Total</b>	<b>9.8%</b>	<b>100%</b>	<b>9.8%</b>

- Per Bateleur Khanya, voted second most loved and third most known and most shopped textile brand
- Winner of Ask Afrika Orange Award for best service - Home and Décor category
- Higher gross margin % as a result of improvements in resourcing and reduced markdowns (more than halved)
- Plan to open 10 stores in F2012, but space growth will be marginal
- Focused on achieving a double digit operating margin within the next two years

sheet street

lots of linen for less!

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# Mr Price International

- African footprint now 67 stores: 43 owned, 24 franchise
- Sales to franchisees: R94m
- Approval for bond store granted, phase-in has commenced
- Strategic focus is on corporate owned stores in areas where critical mass can be achieved - Nigeria, Angola and Ghana
- Initial growth will be slow as property is a significant limiting factor at present
- Plan to open five Mr Price and three Mr Price Home franchise stores in F2012
- Seven of the ten fastest growing economies in the world over the next five years will be in Sub-Saharan Africa (Source: RMB)



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# Economic outlook

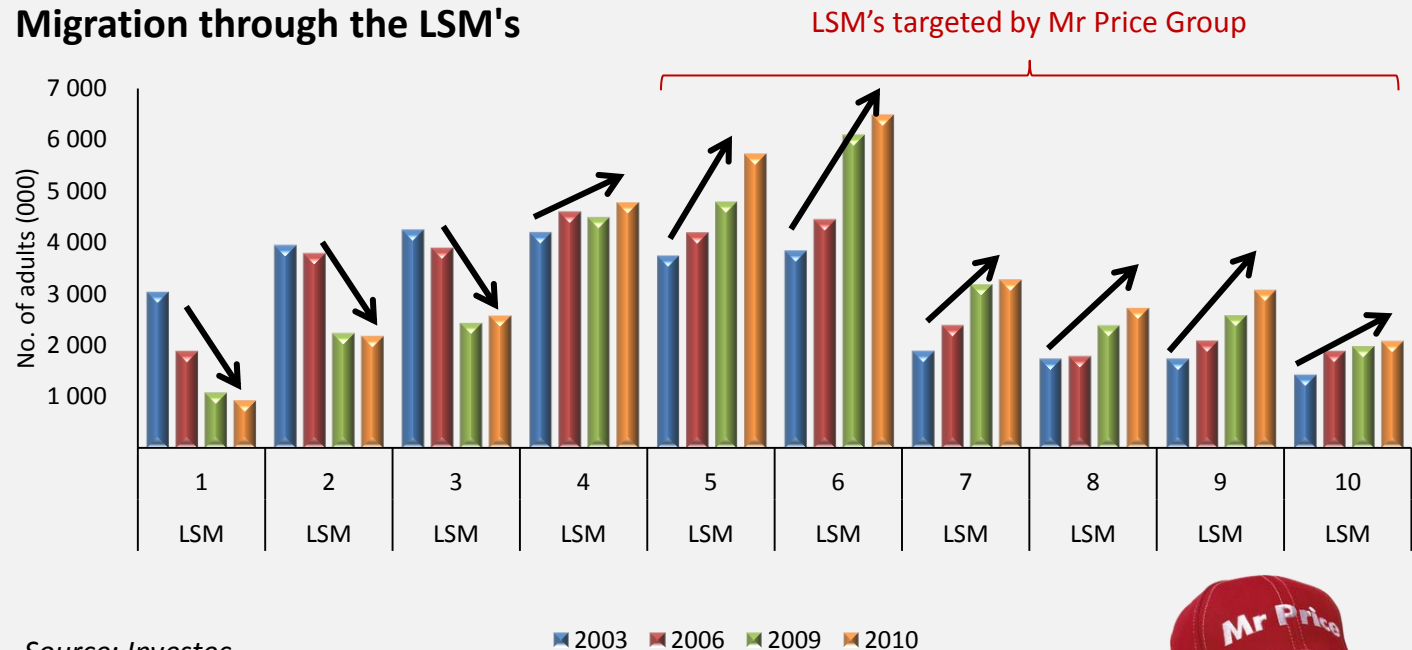
- Recent data indicates that the recovery remains fragile
- Real GDP growth of 3% to 4% in medium term
- Interest rate cycle may change in 2<sup>nd</sup> half
- Reserve bank recently raised its inflation outlook – expected to breach the 6% level in Q4 2011
- Job creation remains a challenge, however social grants are opening up many new locations to trade



# Prospects

- Rise in living standards for most South Africans will continue to benefit industries catering to consumers
- Trend has recently been driven by rising real incomes rather than debt

## Migration through the LSM's



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# Focus going forward

- Accelerate growth in categories where we are underpenetrated
- Identifying space opportunities – plan to open 40 to 50 stores in F2012. Closing space growth to be 4% to 5%
- International – country research completed, focus is now ‘on the ground’
- Development of supply chain blueprint with industry experts
- Select and commence implementation of a human capital management system
- International roadshows to commence in 2<sup>nd</sup> half in recognition of the increase in foreign shareholding to 30%

**The group aims to be internationally competitive in order to take advantage of any suitable opportunities and grow our local market share**



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**031**<sup>©</sup>  
THE 031 COLLECTION

PRESENTED BY **Mr Price**

DURBAN'S PREMIER  
**FASHION EVENT**

A COLLECTION OF LOCAL LEGENDS  
& SHOWCASE OF EMERGING TALENT

INVITED GUEST JUDGE

INTERNATIONAL SUPERMODEL  
**AGYNESS DEYN**

TICKETS AVAILABLE AT COMPUTICKET

Thank You