

interim results 2014 presentation

SEPTEMBER

about mr price group

a high growth, omni-channel, fashion-value retailer

- Targeting younger customers in the **mid to upper LSM categories**
- Retailing predominantly **own branded merchandise**
- **81%** of sales are for cash
- **1 115 stores & online channels** offering full product assortments
- 28 year CAGR in **HEPS of 23% & DPS of 25%**¹
- **Market capitalisation of R52bn**, ranked 35th on JSE²
- Included in **MSCI Emerging Markets Index**
- **54% of shares** held by **international investors**²
- **Ranked 4th** in Business Times Top 100 Companies, **highest ranked retailer & JSE Top 40 Index company**

1: Mar 2014, 2: Sep 2014



group performance

↑ 14.7%

Revenue

○ R8.3bn

↑ 22.6%

Operating profit

○ R1.2bn

↑ 23.0%

Diluted HEPS

○ 349.0c

SENS notice 24 Oct
guidance range 20-24%

HEPS +21.7% to 371.1c

HEPS CAGR

5 year	29.6%
10 year	28.0%

↑ 25.9%

DPS

○ 211.5c

Closer alignment of interim
& annual payout ratios:

- Interim increased to 57% (PY: 55%)
- No change expected to annual ratio of 63%

DPS CAGR

5 year	35.5%
10 year	32.0%

SA retail environment is constrained

- Continued slowdown in credit growth, impact of ABIL
- Inflationary pressures - weak currency & high utility costs
- Moderating wage settlements & impact of strikes
- Impact of potential government fiscal discipline uncertain - job freezes, moderating salary increases, increase in taxes?

...but we are comparatively well positioned

- Cash based fashion-value model (pg 24, 27)
- History of increasing market share in tough economic conditions (pg 24)
- Target customers are in mid to upper LSM range - less impacted by economic environment (pg 27)
- Focus on cost control & operating efficiencies (pg 7, 8, 29)
- Planned growth into new channels & markets (pg 24-26)

Our fashion-value model has proved resilient
MPC sales growth has outpaced market growth (pg 5)



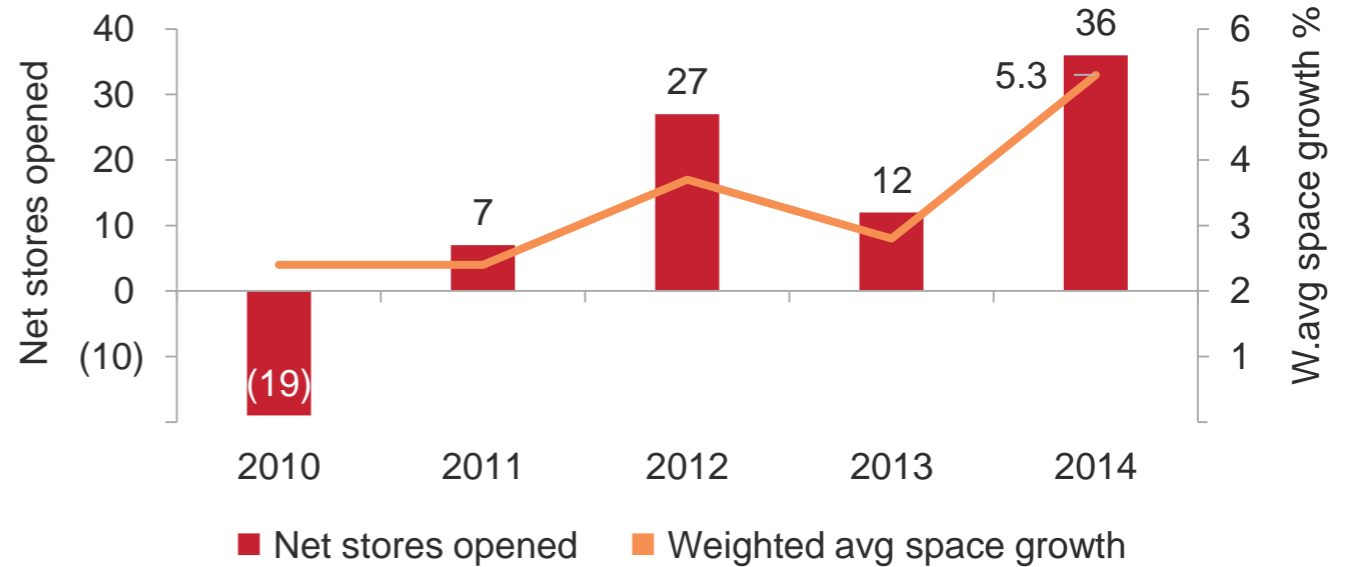
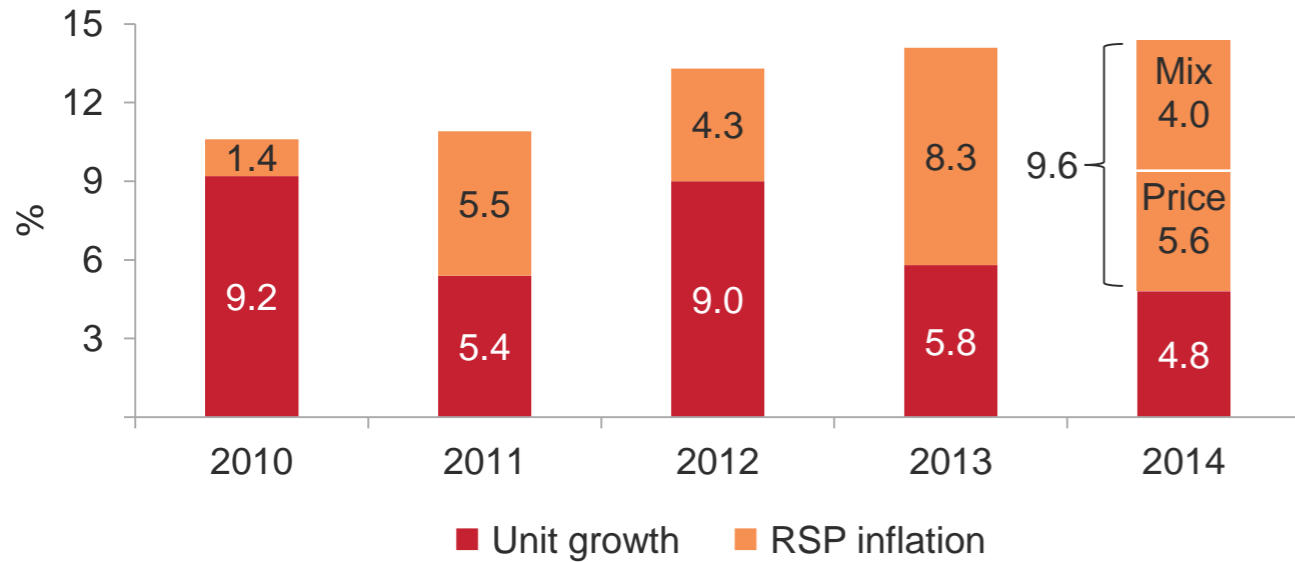
revenue analysis

R'm	2014	2013	% change
Retail sales			
SA - bricks	7 147	6 326	13.0%
- online	45	15	195.3%
Non-SA - bricks - corporate owned	633	485	30.4%
- franchise	49	62	(20.6%)
- online	9	4	142.3%
Retail sales (Comp growth 10.6%)	7 883	6 892	14.4%
Interest on trade receivables	170	148	15.0%
Insurance products	87	69	25.4%
Airtime sales	66	56	18.8%
mrpmobile (MVNO launched - 55% held)	10	-	
Club fees & other	12	8	50.0%
Other income	345	281	23.0%
Total retail sales & other income	8 228	7 173	14.7%
Net finance income (interest on cash balances)	38	31	24.2%
Total revenue	8 266	7 204	14.7%

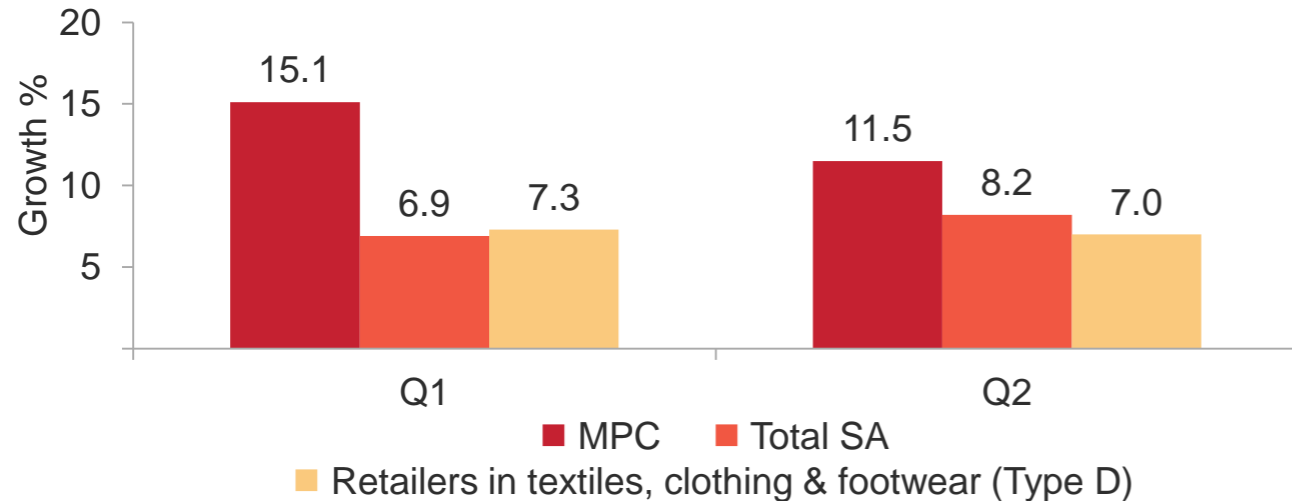
Sales to non-SA customers up by 25.4%, represents 8.8% of total



sales growth analysis



South African retail sales (Stats SA)



- Trading update to 2 Aug 2014, sales growth of 16.1%
- Aug - Late winter snap
 - Public holiday fell on Saturday (PY: Friday)
 - MPC & Type D growth 3-4% lower than Jul
- Sep - School holiday shift from 20 Sep - 1 Oct 2013 to 3 Oct - 13 Oct 2014 (pg 32)

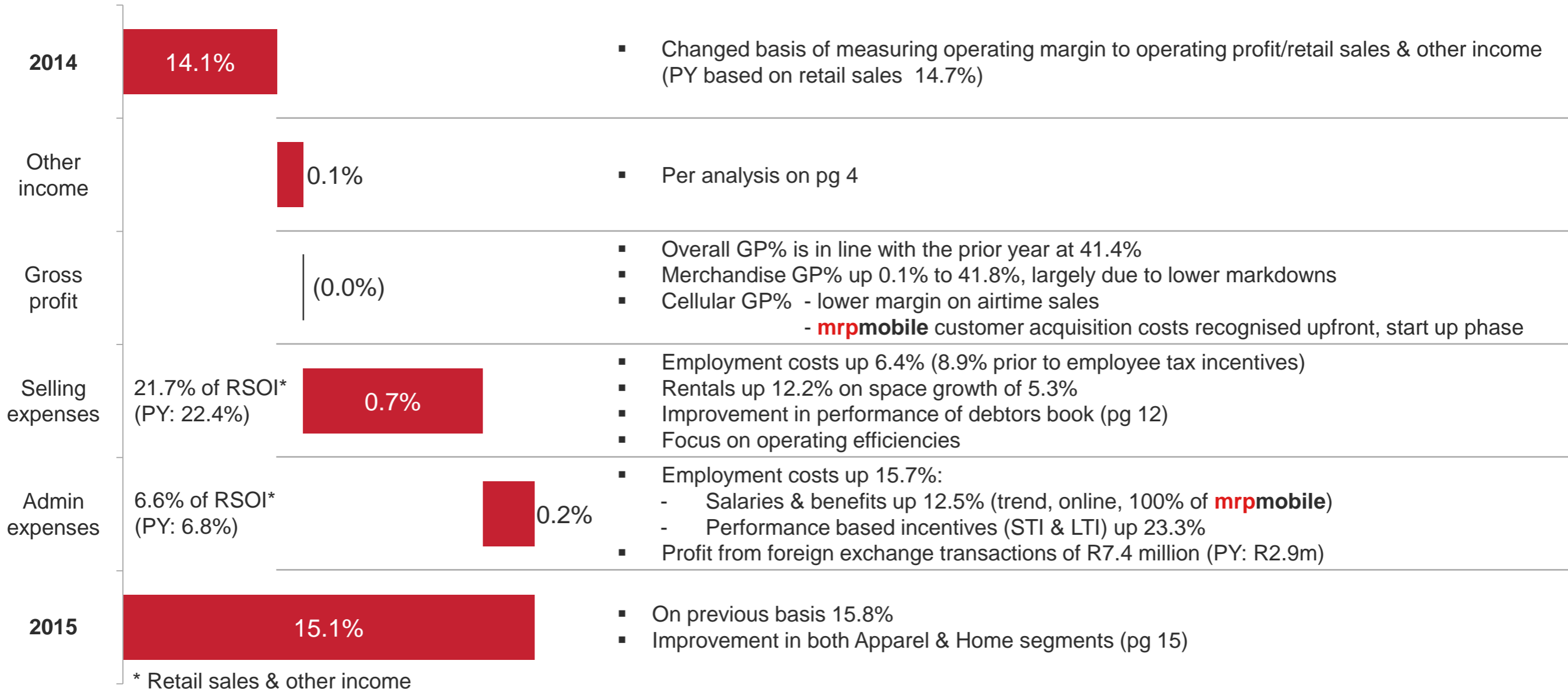
group income statement

	2014	2013	% change
Retail sales & other income (pg 4)	8 228	7 173	14.7%
Cost of sales	4 663	4 068	14.6%
Selling expenses	1 784	1 603	11.3%
Administrative expenses	539	489	10.2%
pg 7, 8			
Profit from operating activities	1 242	1 013	22.6%
Net finance income	38	31	24.2%
Profit before taxation	1 280	1 044	22.7%
Taxation	362	297	22.1%
Profit after taxation	918	747	22.9%
Loss attributable to minorities	3	-	
Profit attributable to shareholders	921	747	23.3%
Currency translation adjustments	5	2	
Defined benefit fund net actuarial gains	1	-	
Total comprehensive income	927	749	23.8%
EBITDA	1 342	1 105	21.4%

Sound performance considering start up losses in online & mrpmobile

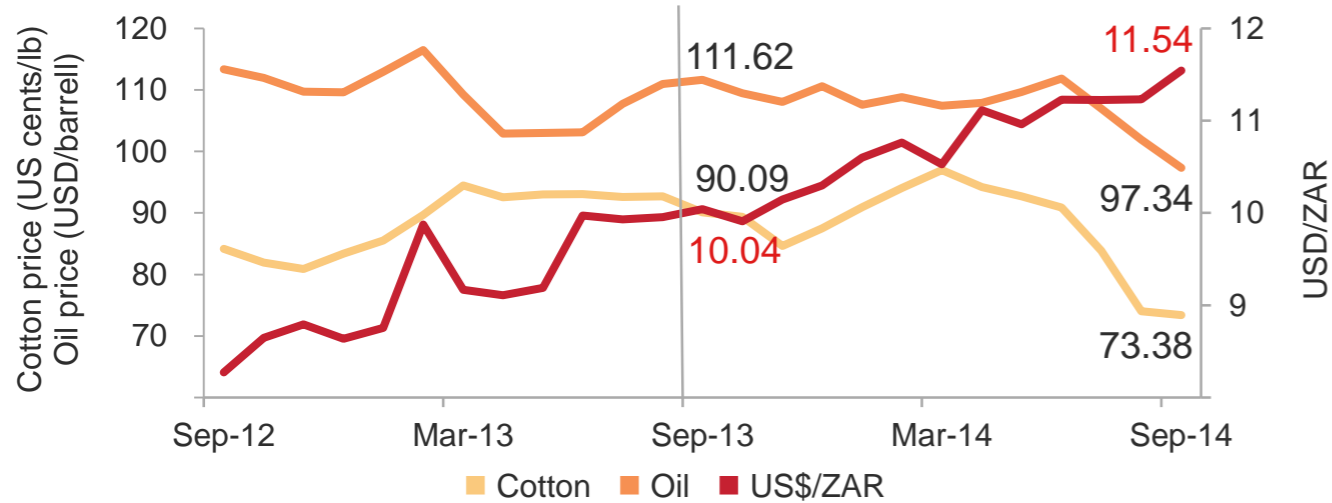


continued improvement in operating margin

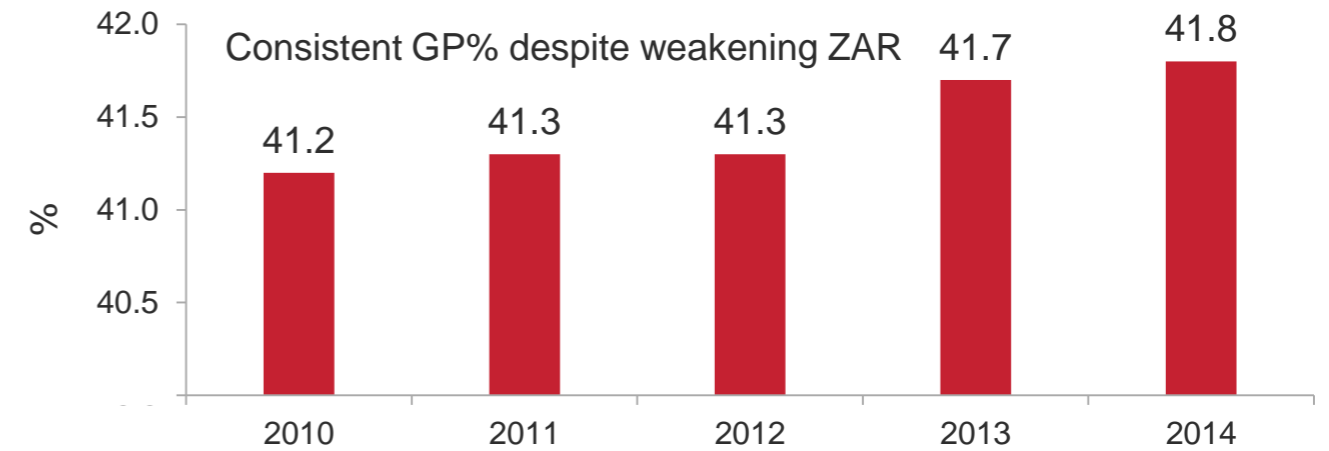


costs & expenses

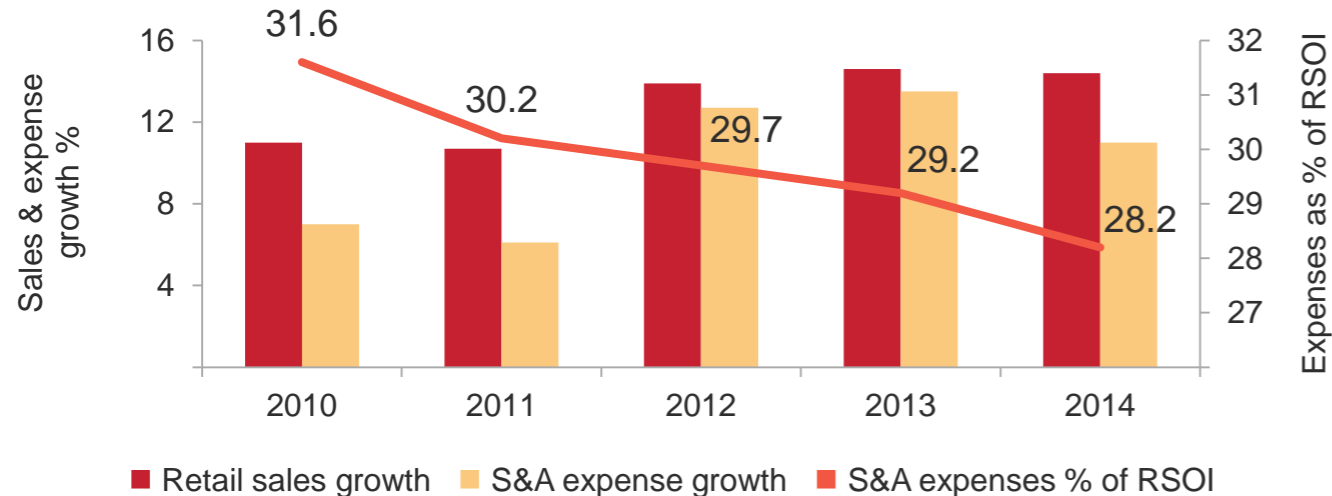
Cotton price, oil price & currency movements



Gross profit



Selling & admin (S&A) expenses



Maintain profit wedge

- Expense growth consistently lower than sales growth
- Maintain or grow GP%
- Workforce planning rollout in SA completed
- Facilities mgmt outsourcing evaluation in progress
- Interchange reduction delayed by SARB to Mar 2015
- Increased focus on all property related expenses

financial position

R'm	Sep 2014	Mar 2014	Sep 2013
Non-current assets			
Property, plant & equipment	770	718	681
Intangible assets	290	215	195
Other non-current assets	185	204	149
Current assets			
Inventories	1 654	1 403	1 324
Trade & other receivables	1 771	1 673	1 630
Reinsurance assets (cash)	163	98	124
Cash & cash equivalents	2 059	2 252	1 462
	6 892	6 563	5 565
Equity attributable to shareholders	4 126	3 922	3 335
Non-current liabilities	219	220	205
Current liabilities	2 547	2 421	2 025
	6 892	6 563	5 565

Reclassification of comparatives (IFRS10) not material



ppe & intangibles

R'm	Total	PPE	Intangibles
Opening	933	718	215
Additions	230	142	88
Disposals/impairments	(4)	(4)	-
Depreciation/amortisation	(99)	(86)	(13)
Closing	1 060	770	290

Retail capex split

Divisional



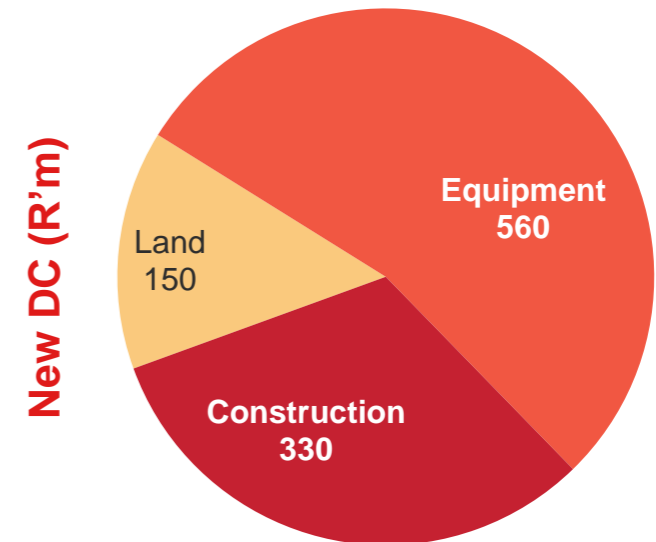
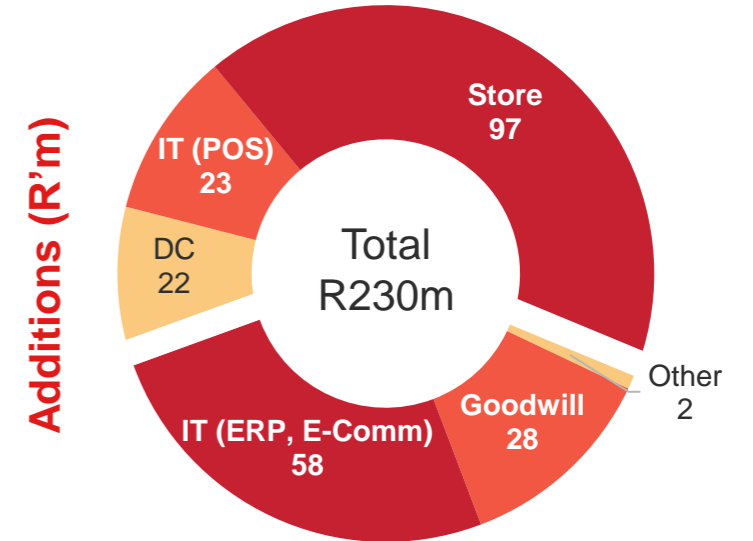
Space



Expected new DC capex (R'm)

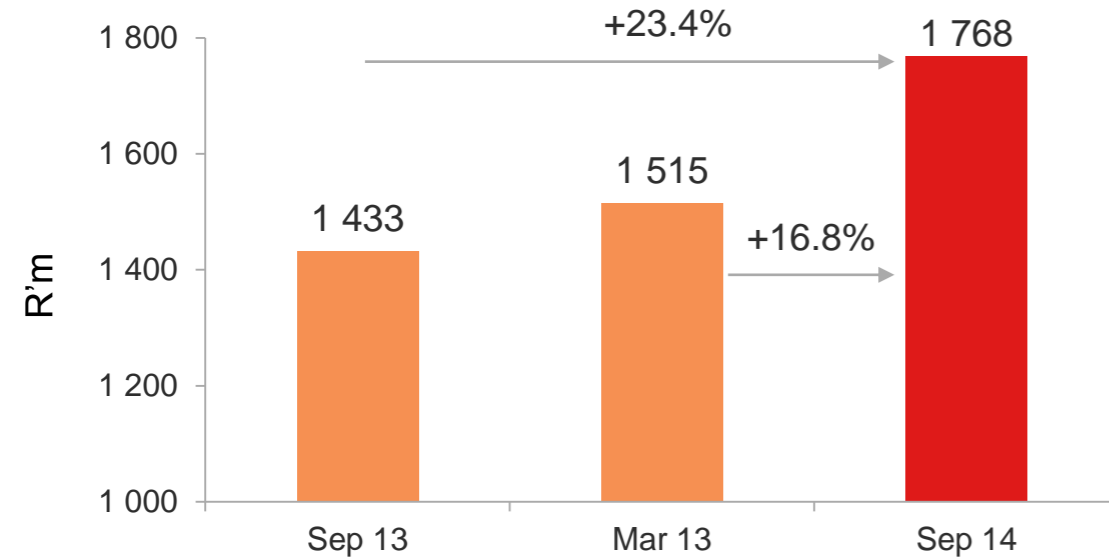
	1 st Half	2 nd Half
FY2015	10	60
FY2016	550	375
FY2017	20	-

Forecast Group capex for FY2015 is R555m



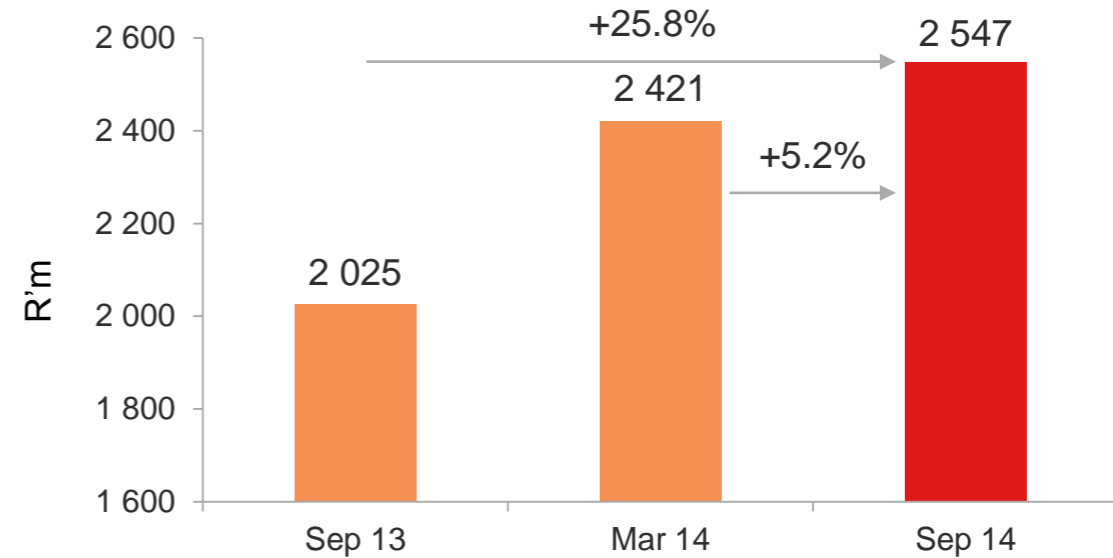
significant balance sheet items

Gross inventories



- Input inflation 10%, space growth 5.3% = 15.3%
- Sales performance Sheet Street
- Increase in direct importing (mainly Apparel)
- Change in timing of school holidays (pg 5)
- Inventory in good shape for 2nd half

Current liabilities

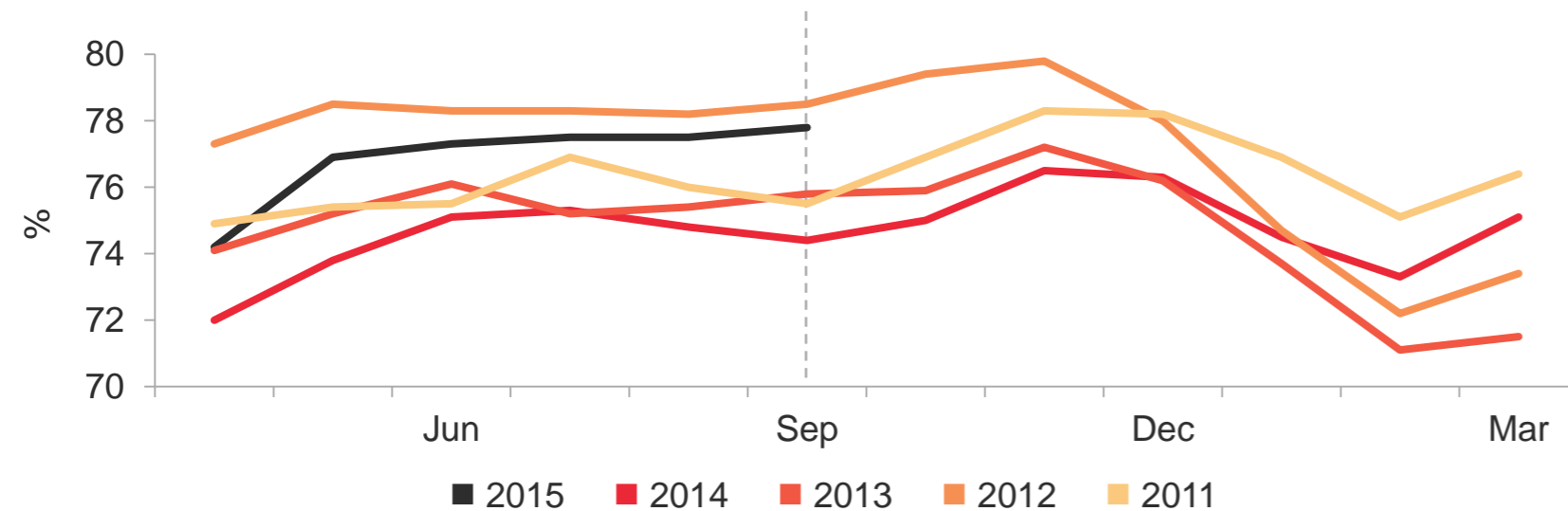


- R297 million tax paid after period close (PY: prior to)
- Reinsurance liabilities up 15.6%
- Current portion of lease obligations up 29.9%
- Trade & other payables up 11.3%

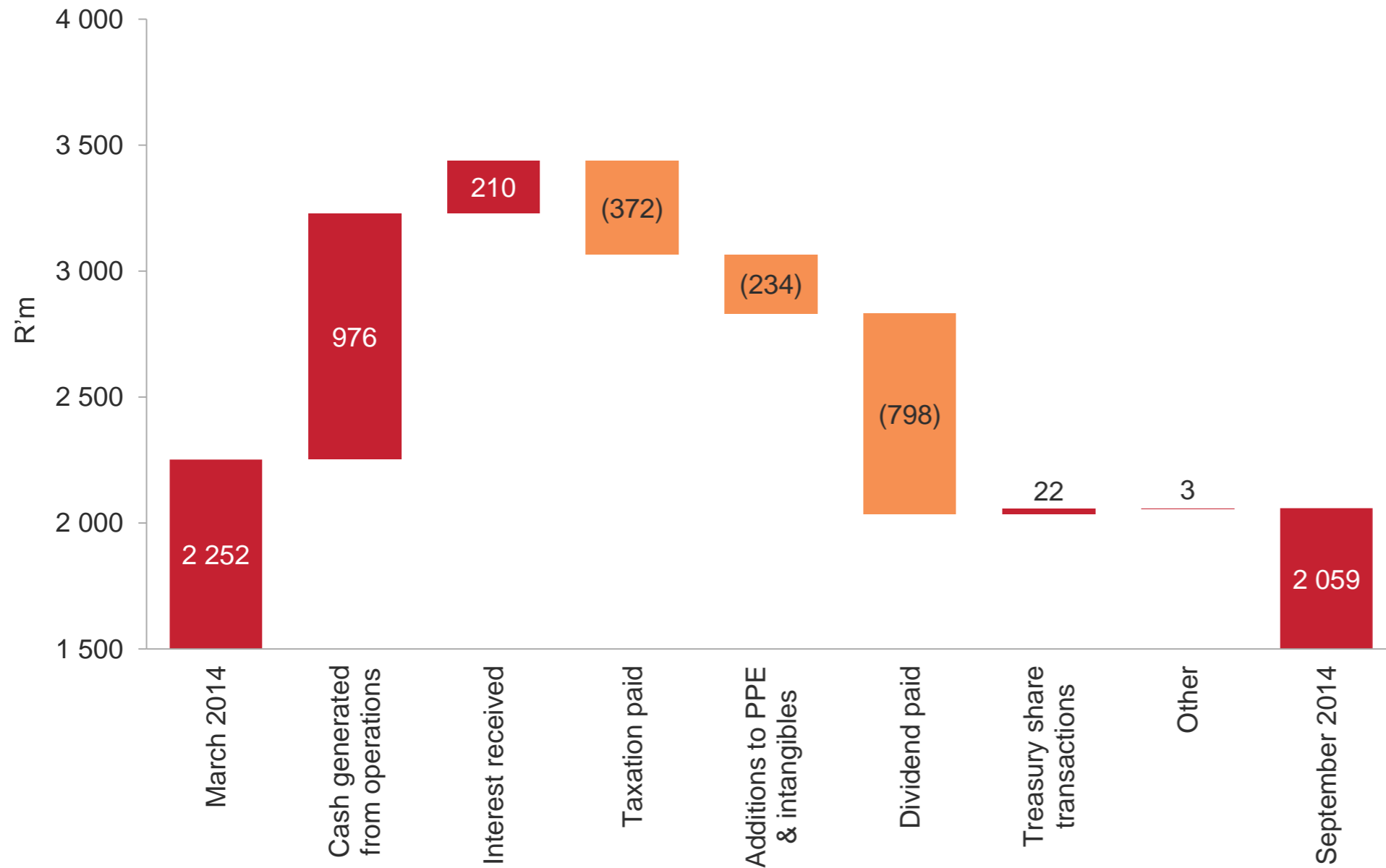
trade receivables

	2014	2013	% change
Gross trade receivables	R1 801m	R1 676m	7.5%
Active accounts	1 389k	1 361k	2.1%
Credit sales - contribution	19.1%	20.8%	
- growth	4.2%	11.6%	
Net bad debt to book	7.2%	6.8%	<ul style="list-style-type: none"> ■ Improvement from 7.6% at Mar 2014 ■ Bad debt less recoveries (Rand) ↓2.6% ■ Targeting 7.0% at Mar 2015
Impairment provision (Mar 2014 - 9.8%)	9.3%	9.4%	
Proportion of book interest bearing	95.5%	95.1%	

% balance 'current'



cash generative business model

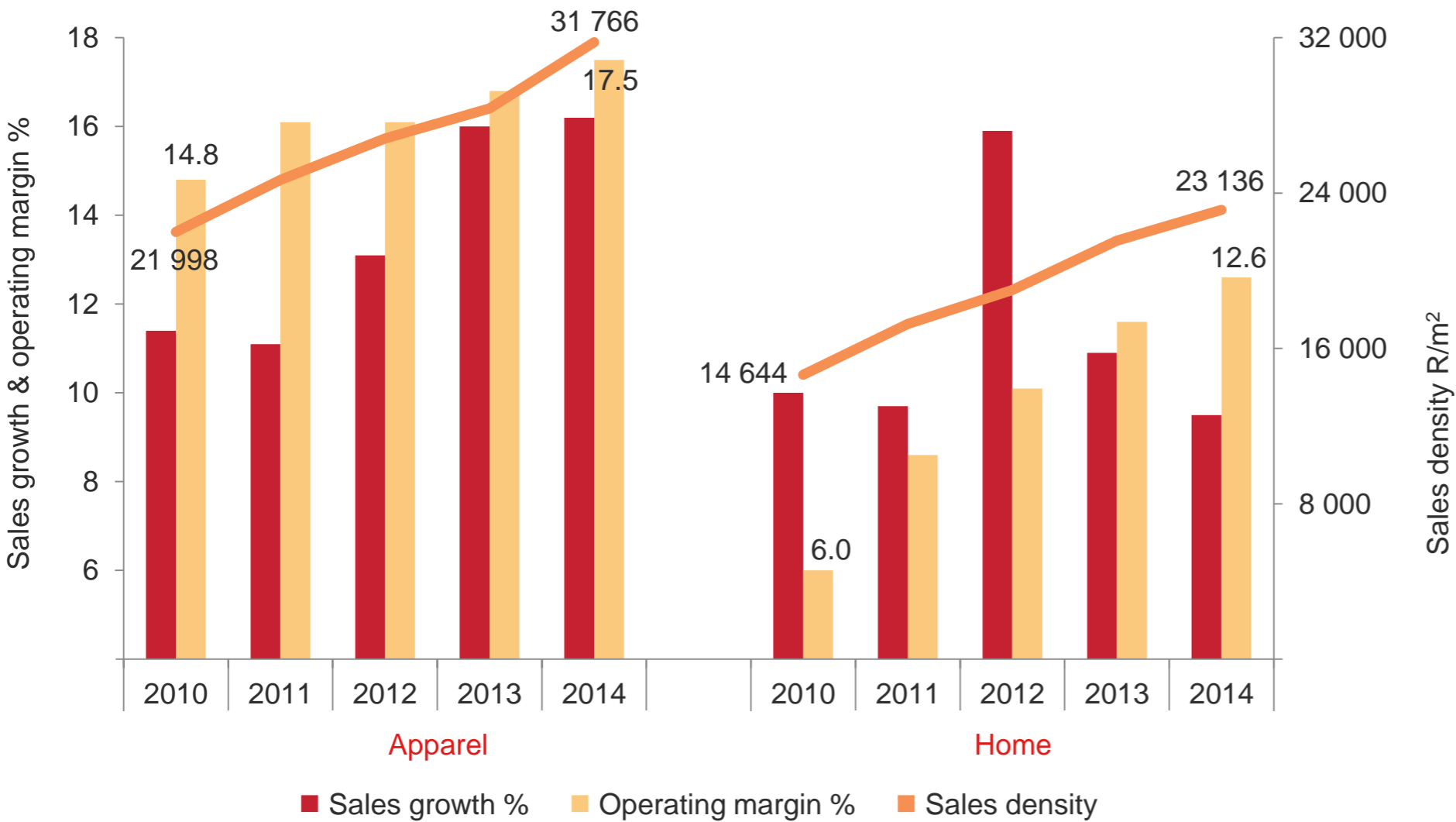




divisional performance

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segmental performance

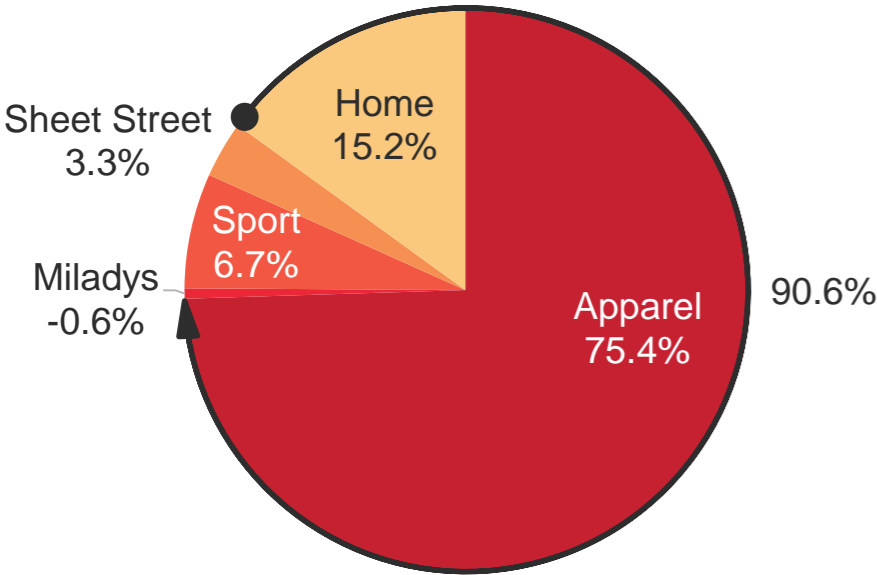


The Apparel segment represents 73.4% of Group sales & 79.6% of operating profit

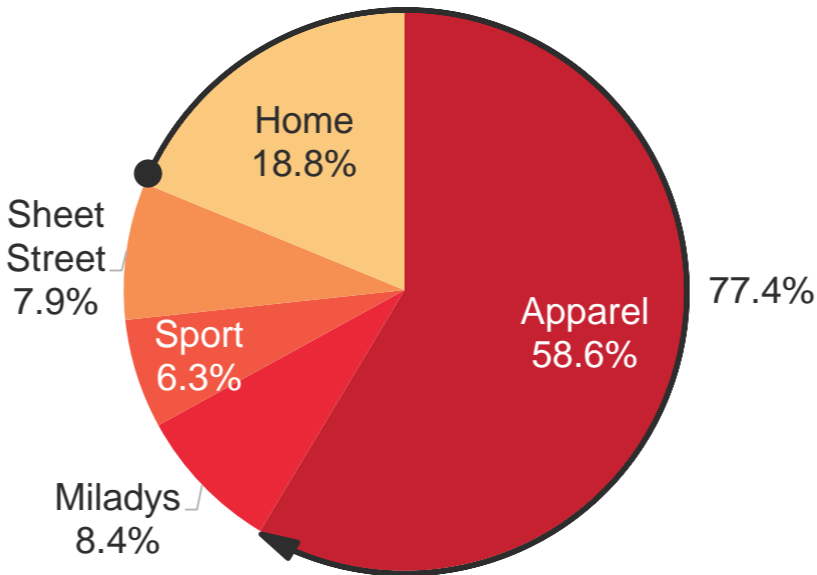


divisional performance

Contribution to increase in sales



Divisional sales splits



	2014	2013	% change
Retail sales	R4 582m	R3 828m	19.7%
Comparable sales	15.1%	10.3%	
Unit sales	65.9m	60.7m	8.5%
RSP inflation (price 5.6%, mix 4.7%)	10.3%	8.5%	
Weighted average space growth	8.1%	8.6%	
Trading density	R36 104m ⁻²	R32 518m ⁻²	11.0%

- Omni-channel strategy proving successful - online positively impacting store sales
- Double digit sales growth in all major departments
- Opened 17 stores, forecast annualised ROGA 121%*
- Mix inflation due to increased weighting of trending merchandise (dresses & bottoms)
- Completed first test using quick response suppliers, plan to upscale
- Opportunity to expand approximately 30% of stores by an average of 35%

* Stores opened since Oct 2013, with at least 3 months trade



	2014	2013	% change
Retail sales	R497m	R431m	15.3%
Comparable sales	3.4%	8.2%	
Unit sales	5.2m	4.8m	7.1%
RSP inflation	7.8%	7.7%	
Weighted average space growth	10.8%	(1.7%)	
Trading density	R20 342m ²	R19 070m ²	6.7%

- Shift in school holidays had a greater impact than expected
- Opened 6 new stores, annualised ROGA 90%
- Strong sales margin performance in own brands
- Economy negatively affecting higher price points (accessories & equipment)
- Lower markdowns led to improved GP%
- Launched **mrpsport.com** online in Aug 2014



	2014	2013	% change
Retail sales	R659m	R665m	(0.8%)
Comparable sales	0.0%	9.5%	
Unit sales	4.3m	4.4m	(2.7%)
RSP inflation	2.7%	5.7%	
Weighted average space growth	(1.3%)	(2.4%)	
Trading density	R22 547m ⁻²	R22 027m ⁻²	2.4%

- Performance impacted by:
 - Incorrect merchandise calls in casualwear department
 - Contraction in sales of outsizes, despite increasing market share
 - Credit cycle - 57% of sales on credit
- Good performance in athleisure department
- Opened 2 stores, annualised ROGA 46%
- Good cost control was insufficient to offset drop in sales & GP
- Inventory ageing profile improved from prior year



	2014	2013	% change
Retail sales	R1 474m	R1 318m	11.8%
Comparable sales	7.6%	10.5%	
Unit sales	18.4m	19.1m	(3.9%)
RSP inflation (price 9.4%, mix 7.5%)	16.9%	9.9%	
Weighted average space growth	2.3%	(1.5%)	
Trading density	R21 831m ⁻²	R19 986m ⁻²	9.2%

- Consistent performance across majority of departments, including furniture (+11.0%)
- Mix inflation due to:
 - Shift from singles to sets (glassware, crockery, napery)
 - Increased contribution from closing price points in selected categories
- Opened 2 stores. Reduced space in 2 stores:
 - Reduced stores annualised ROGA of 91%, profit up 54% on 33% less space
 - 5 500m² reduction planned for 2nd half
 - Opportunity to further reduce space by 20 000m² to 2019
- Online sales encouraging, particularly furniture. Recently implemented region-specific delivery charges



	2014	2013	% change
Retail sales	R621m	R588m	5.6%
Comparable sales	1.5%	4.8%	
Unit sales	8.5m	8.4m	0.5%
RSP inflation	5.5%	8.6%	
Weighted average space growth	2.2%	0.7%	
Trading density	R26 804m ⁻²	R25 332m ⁻²	5.8%

- Target customer segment (LSM 5-8) more affected by economic environment
- Opened 11 stores, annualised ROGA 85%
- Elements of product offer did not fully meet customers' tastes, correction thereof presents a future opportunity
- Good performance in bathroom & curtain departments





strategy

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strategy - to be a top performing international omni-channel retailer



growth

Extend our earnings track record through local & international growth



customers

Delight our customers with fashionable offering at great value



operations

World class infrastructure to enable the growth strategy



people

Energised environment with empowered & motivated people

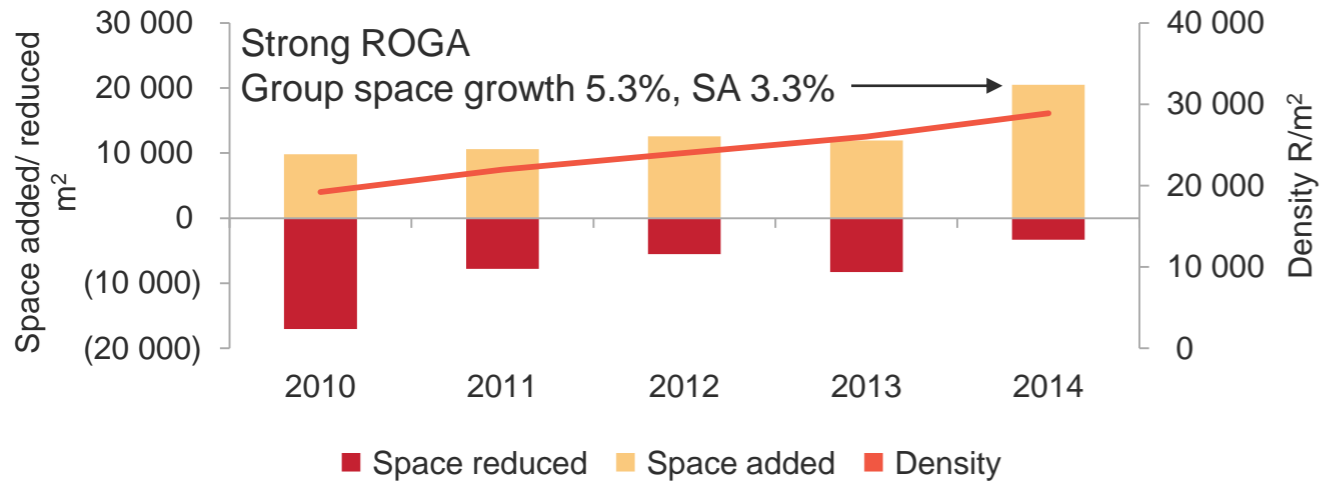


reputation

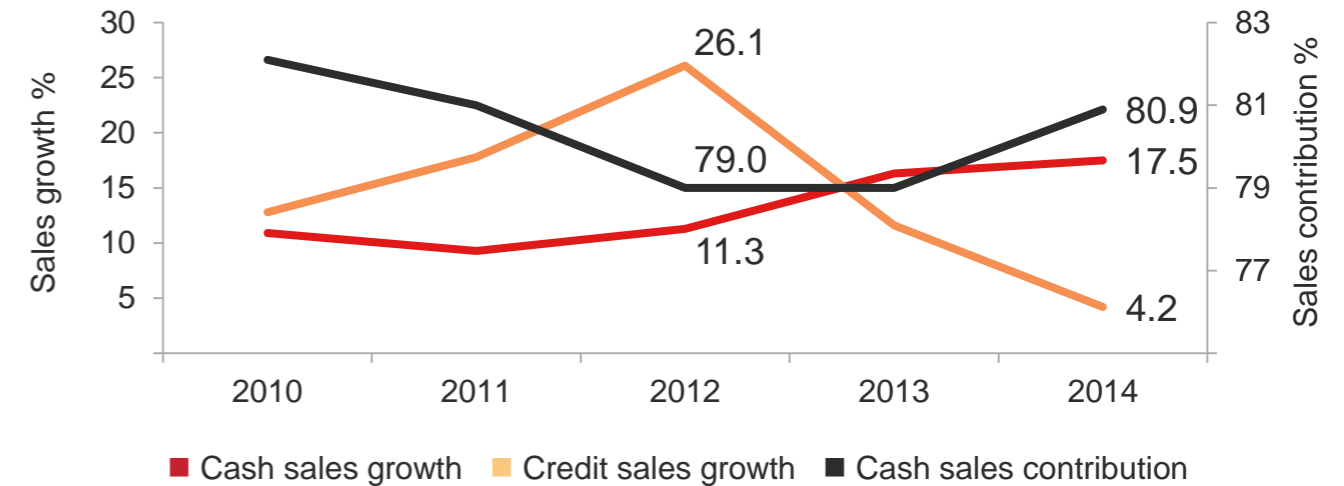
High standards of ethical behaviour & sustainable business practices

growth - South Africa

Introduce quality space



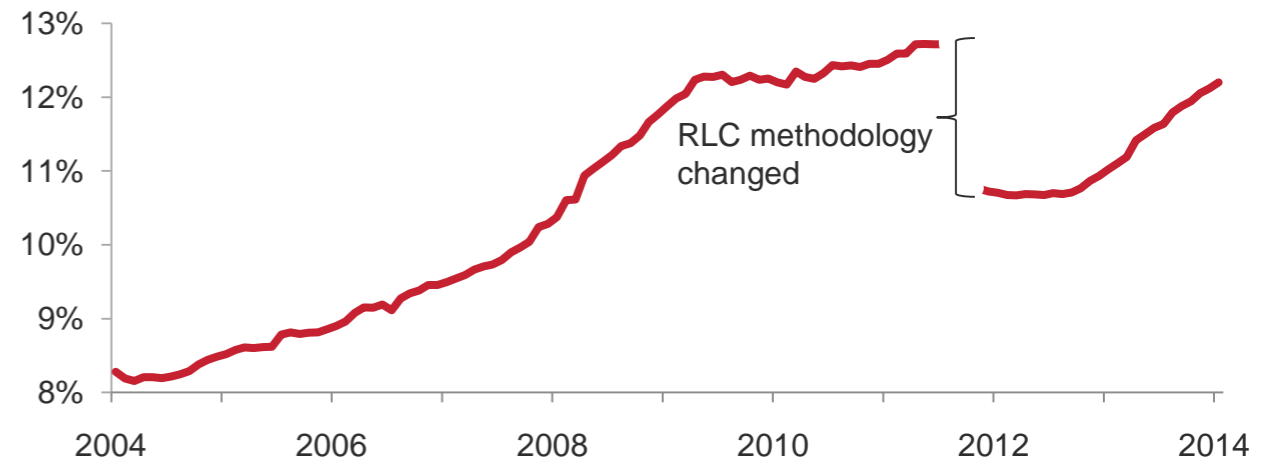
Focus on cash sales



Innovate - introduce new concepts

- Online:
 - Launched **mrpsport.com**
 - In all divisions except Miladys
 - **mrp** 61% of sales, **mrphome** 35%
 - Targeting profitability in **mrp** (SA) in 2nd half
- New store design (pg 28)
- Increase utilisation of mobile POS
- **mrpmobile** MVNO launched

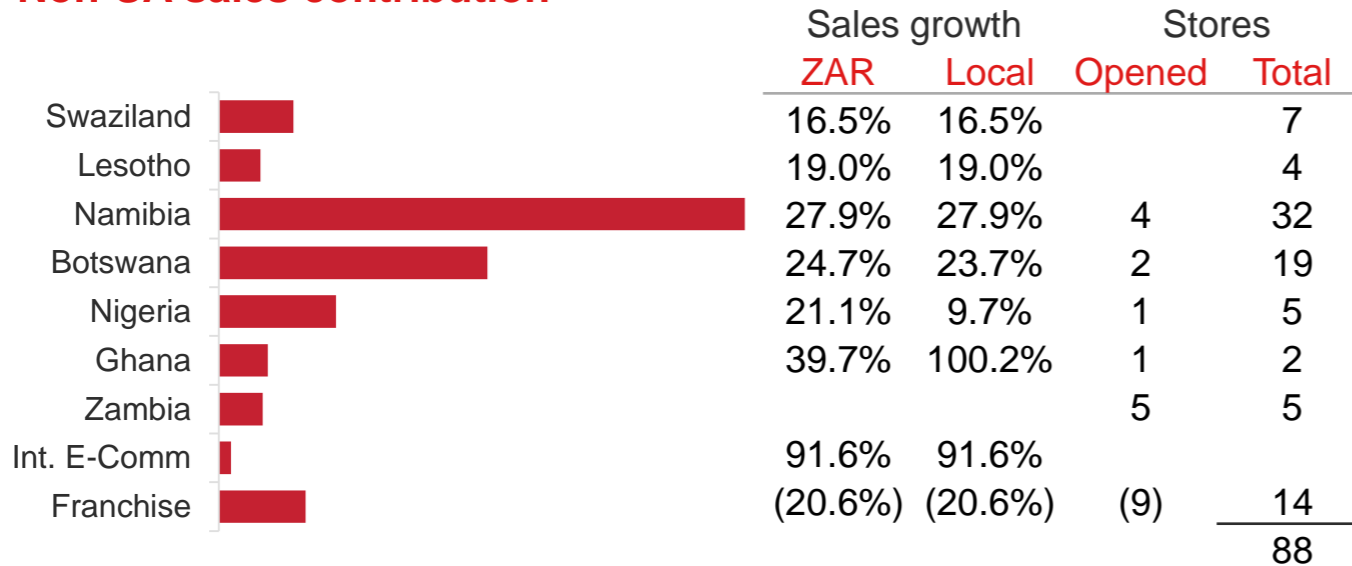
Increase market share



Strong **mrp** market share growth through various economic cycles

growth - Africa

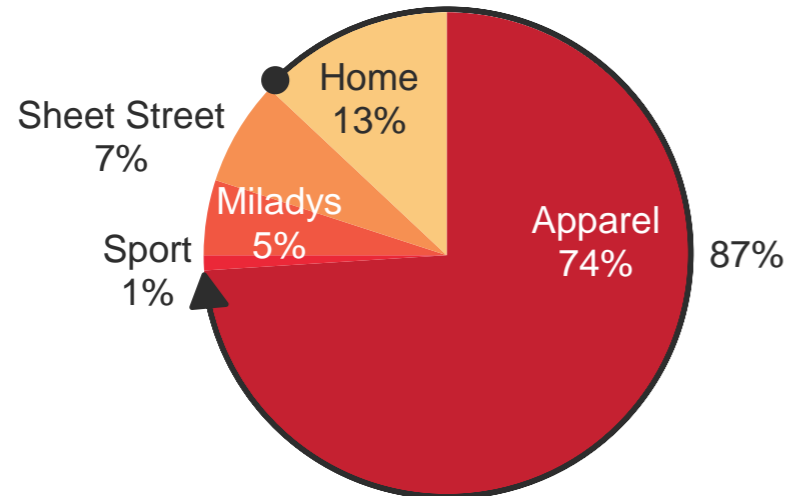
Non-SA sales contribution



Analysis

- International sales 8.8% of Group, 11.1% of **mrp**
- Nigeria RSP's decreased, comp unit growth 19.5%
- Nigeria online 2.7% of country sales. Will increase with better stock flow & sizing. Targeting 2nd half profitability
- Ghana RSP's increased (weaker Cedi), volumes up 32.9%
- Acquired Zambia franchise (Jun 2014), cancelled Mauritius

Non-SA sales split



Opportunities & focus areas

- Reduce RSP's in certain key markets via:
 - Single duties via improved supply chain (pg 29)
 - Revised transfer pricing policy
- Improved sales & GP via improved stock flow (pg 29)
- Africa sales are all for cash
- Mozambique & Tanzania franchise contracts expire Dec '15
- Researching Angola

growth - beyond Africa

Potential for **mrp**, **mrphome** & in time, **mrpsport** to expand internationally

Research in progress

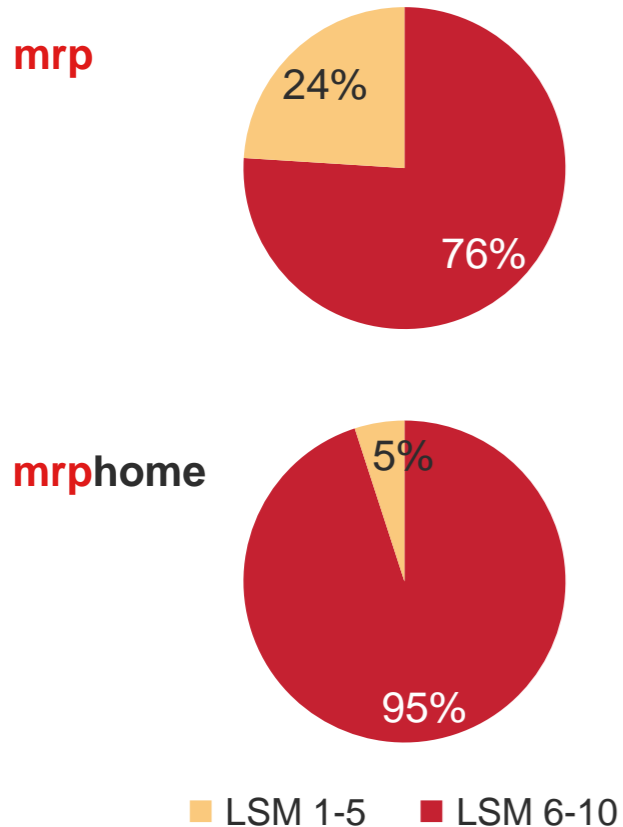
- Marketing test of **mrp.com** (online) in Australia highlights brand acceptance:
 - Print campaign completed, TV in progress
 - 85% of increase in sales is from new customers
 - Returning customers' basket size double the average
 - Expected better response relative to spend
 - Cost of customer acquisition is high, requires ongoing investment
- Omni-channel strategy proving successful in SA. Financial model in other markets could have higher GP% due to higher overhead structures, however:
 - Selling prices will be very competitive
 - Compliment our SA value positioning
- 3rd party business to consumer (B2C) platform test being researched
- Other markets being explored by **mrp** & **mrphome**



customers

Target market

- Maintain focus on LSM 6-10 (Sheet Street 5-8)



Fashion-value

- Fashionable/contemporary own branded merchandise at everyday low prices



mrp

Comp A	R199
Comp B	R199
Comp C	R160

R59.99



mrp

Comp A	R475
Comp B	R350
Comp C	R355

R129.99

Brand experience

- Consistent across formats, channels & markets
- Anticipate & respond to evolving customer expectations

- Phase 1 of CRM strategy in progress
- Increasing role of retail technology
- Marketing shift towards in-store, digital & social media
- Enhanced visual merch standards & processes

mrp new generation store



New **mrp** brand positioning



Marketing & brand communication via digital screens & social media wall



iPad kiosks offer customers the opportunity to shop or browse online at **mrp.com**



Sub-brands clearly differentiated through strong signage, use of different textures & fixture treatments



Key focal areas created to showcase specific ranges & curated edits that are convenient to shop

operations

ERP system implementation

- Project tracking well, **mrpsport** planning to go live in Aug 2015
- Forecasting & replenishment module implemented in Sheet Street (improves sales forecasting of core merchandise)

Resourcing

- Transition to increased factory direct relationships
- On track to achieve set targets:

	% of mrp imports	
	2015	2019
ZAR landed suppliers	60%	15%
Factory direct (FOB)	40%	85%

Distribution centre

- Alternative site selected, supported by KZN Premier
- Awaiting approval for re-zoning from agriculture
- Expected go live date of May 2017, strategy in place to handle Dec 2016 peak

Supply chain

- Direct shipment to Nigeria tested
- Bond store currently more efficient due to volumes
- Lead time to Nigeria reduced by 20 days (improved documentation)
- Expect to achieve 2015 target of foreign stores incurring single duty on 17% of inputs
- Estimate that in 2019, 90% of foreign store inputs will:
 - Be non-SA sourced
 - Incur single duty

people

- Human Capital Management system rollout nearing completion
- Store employment contracts from casual to flexi well progressed
- 76% of head office appointments are ACI
- Learning & development
 - Executive appointed to provide integrated approach for merchants
 - Retail operations blueprint being developed (includes focus on technology & consumer behavior)
- STI & LTI reward schemes are a key driver of the Group's success
 - These are based on performance & all associates participate
 - Executives & Executive Directors represent 22% of total Group LTI's



reputation

- Promote local industry
 - Founding member of SASTAC (commenced activities May 2014)
 - Covers value chain from cotton growers to manufacturing to retail
- Manufacturing skills development programme
 - Pre production (pattern making, design, sample production)
1st intake Jan 2014
 - Production - 96% of participants employed by suppliers
 - Increasing demand from suppliers to expand
- 80% of **mrp**, **mrphome** & Sheet Street suppliers (on whom we place orders) are members of SEDEX. Process commenced in **mrpsport** & Miladys
- Supplier code of conduct aligned with ETI base code
- Energy & waste management programmes embedded
- Requirements of new BEE code are demanding



prospects

- Expect trading conditions to remain challenging well into the new year
- Sales growth in 2nd half base is high:
 - Group 15.2% (Comp 11.3%)
 - **mrp** 20.4% (Comp 15.3%)
- Sales growth Oct 2014 17.6% (Comp 13.1%) aided by school holiday shift
- Plan to open 41 stores (net 39) in 2nd half

Positive long term outlook

- Many growth initiatives underway
- Proven business model should have broad reach
- Will continue to invest resources with a view on long term growth:
 - Throughout retail cycles
 - Often ahead of benefits derived





thank
you

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