



Interim Results Presentation

September 2015

 **mr price**grouplimited

Performance Highlights

Revenue

+9.2%
to R9.0bn



Operating Profit

+16.3%
to R1.4bn



Diluted HEPS

+16.6%
to 406.8c



Dividend Per Share

+17.3%
to 248.0c



Economic Overview

- GDP growth weakened in Q2 to 1.2% y/y & -1.3% q/q
- Weak & volatile currency
- CPI within targeted range (4.6% in Sep 15), but under pressure
- Market growth in credit granted remains muted at 4-5%
- Consumer confidence picked up, particularly in mid-high earners (now net positive). Q3 15 business confidence at lowest level since 2011
- HCE growth Q1 2.4% & Q2 1.2%, tracking growth in real disposable household income
- Unemployment rate up but more people employed (+712k y/y & +171k q/q)
- Difficult trading environment, particularly for businesses:
 - selling on credit
 - such as homewares, where spending is discretionary

MRPG: Mr Price Group Limited. **mrp**: Mr Price Apparel division



Results Overview

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➤ MRPG sales growth higher than the market	7
➤ Positive results in core RSA market	4
➤ Africa - long term potential, short term pain	8
➤ Responded rapidly to trade & generated a profit wedge	9,11
➤ 5 of 6 trading divisions delivered double digit profit growth, higher price point credit business underperforming	19-30
➤ Pleasing earnings growth in tough conditions	5



Group Income Statement

R'm	2015	2014	% change
Retail sales & other income (RSOI)	8 983	8 228	9.2%
Cost of sales	5 194	4 663	11.4%
Selling expenses ¹	1 815	1 761	3.1%
Administrative expenses ¹	529	562	(5.9%)
Profit from operating activities ²	1 445	1 242	16.3%
Net finance income	47	38	22.2%
Profit before taxation	1 492	1 280	16.6%
Taxation	422	362	16.5%
Profit after taxation	1 070	918	16.5%
Loss attributable to minorities (mrpMobile)	6	3	
Profit attributable to shareholders (PAS)	1 076	921	16.8%
EBITDA	1 558	1 345	15.9%

- Operating profit in RSA grew by 22.6% (excl mrpFoundation, mrpMobile, mrp Australia & rest of Africa)
- ¹ Minor reclassification between S&A expenses in FY14, net effect nil
- ² Includes consolidation of mrpFoundation & 100% of mrpMobile

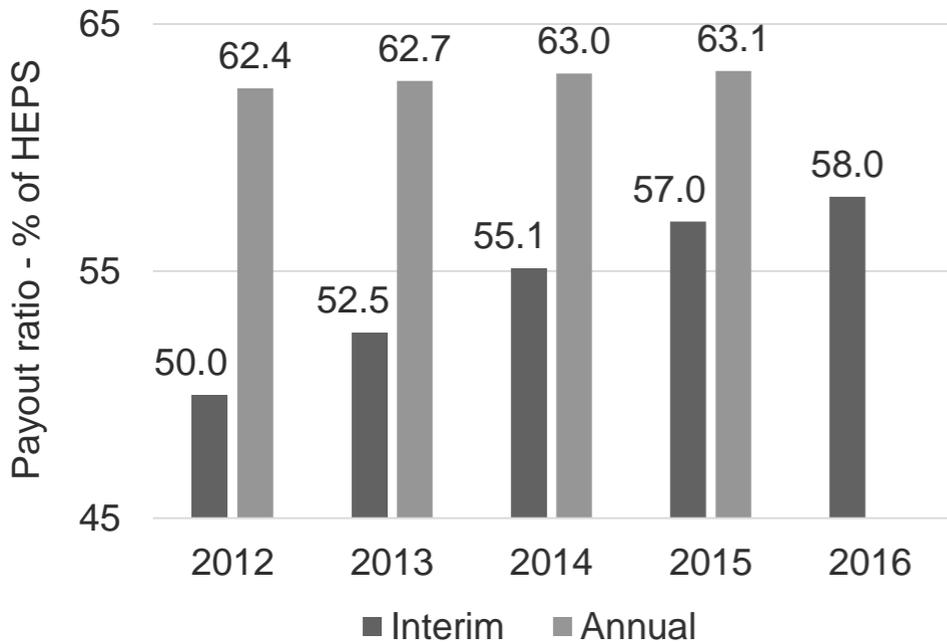


Earnings & Dividend Per Share

Cents	2015	2014	% change
Earnings per share			
Basic	426.2	370.5	15.0%
Headline	427.6	371.1	15.2%
Diluted headline	406.8	349.0	16.6%

- Weighted average share price up 16.6% & number of shares up 1.6%
- Share options outstanding 16.6% lower

Dividend per share	248.0	211.5	17.3%
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- Ongoing alignment of interim & annual payout ratios
- Annual ratio likely to remain unchanged in medium term
- Since the change in control in 1986 dividends have never decreased



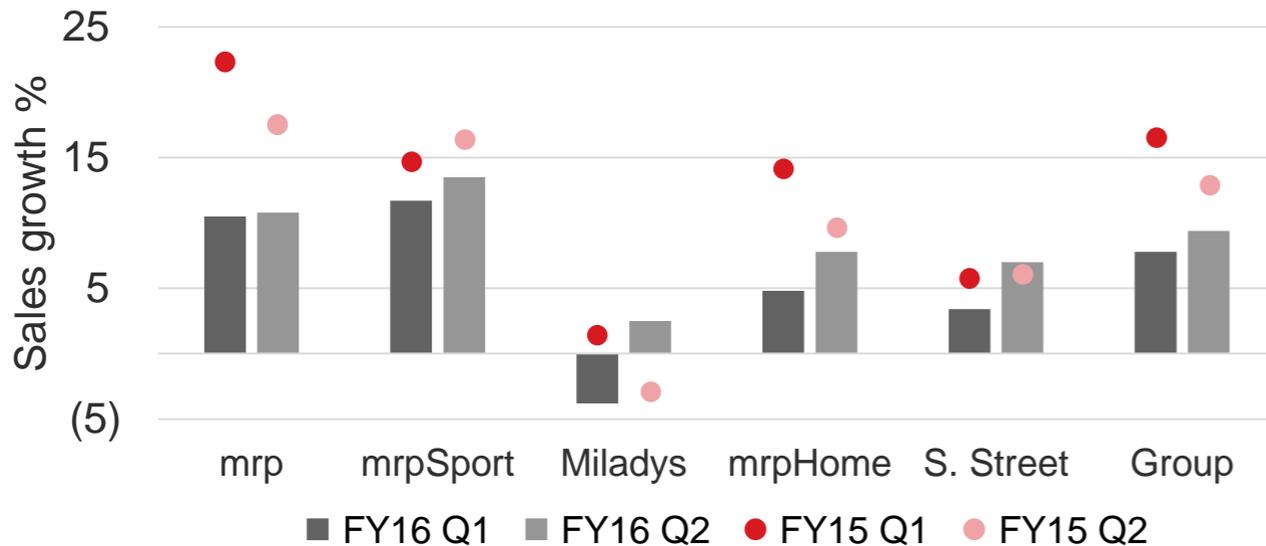
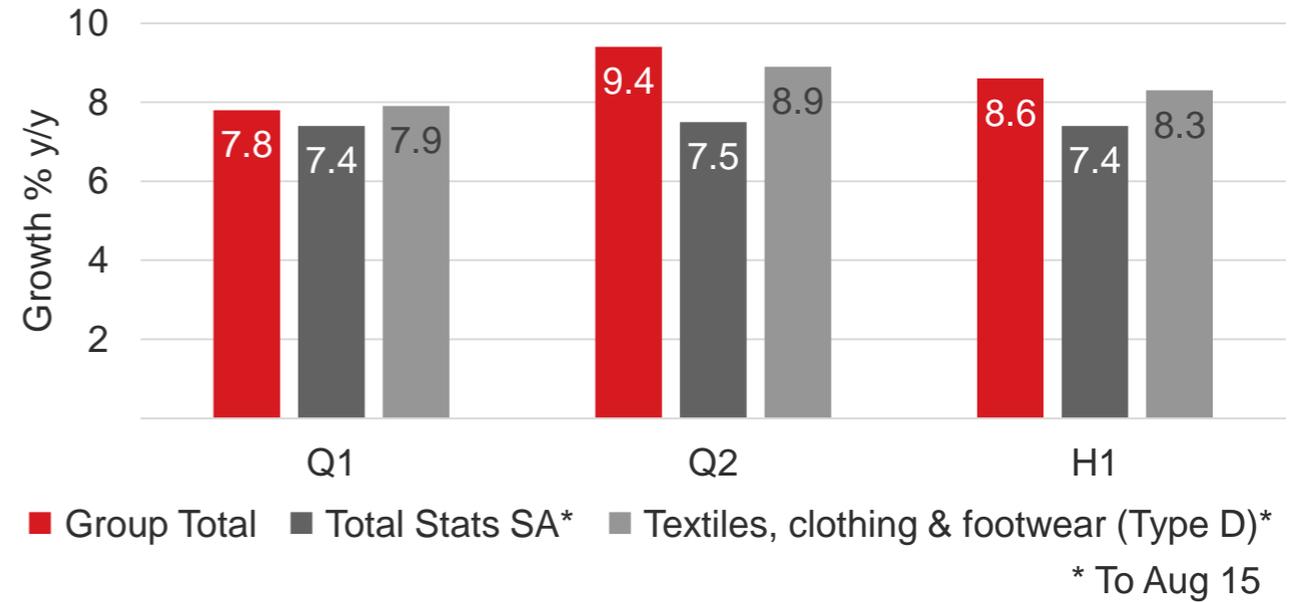
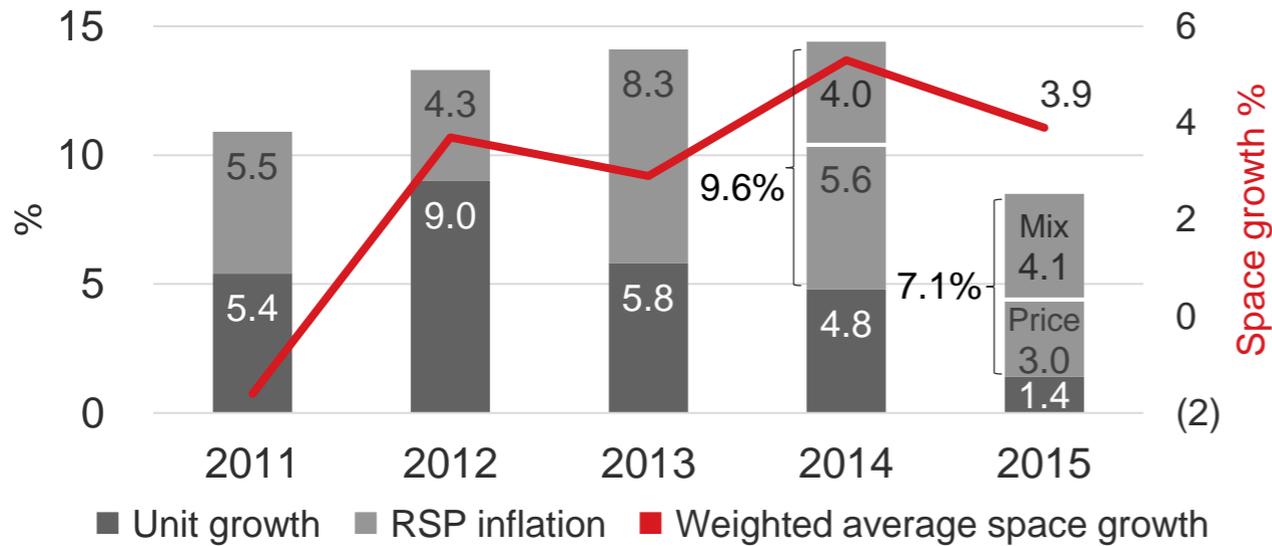
Revenue Analysis

R'm	2015	2014	% change
RSA - bricks	7 738	7 147	8.3%
- online	63	45	41.8%
Non-RSA - bricks - corporate owned	698	633	10.2%
- franchise	54	49	8.8%
- online	5	9	(40.3%)
Retail sales (comp growth 4.0%)	8 558	7 883	8.6%
Financial services (page 20)	410	336	22.2%
Other ¹	15	9	63.8%
Other income	425	345	23.1%
Total retail sales & other income	8 983	8 228	9.2%
Finance income (bank interest)	47	38	22.2%
Total revenue	9 030	8 266	9.2%

- Cash sales growth of 9.0%, higher than credit growth of 6.7%
- Total RSA sales up 8.5%, non-SA sales 9.5%
- Total online sales grew by 28.6%
- ¹ Constitutes club fees & external donations to **mrp**Foundation



Sales Growth Analysis



- Sales growth higher than market (total & Type D)
- High sales base in prior year, particularly **mrp**, **mrpHome** (78% of Group sales)
- Q1 sales growth impacted by timing of Easter school holidays & late onset of winter
- Q2 sales growth higher at 9.4%, but off a lower base

Sales Growth - Africa

Non-SA sales contribution %

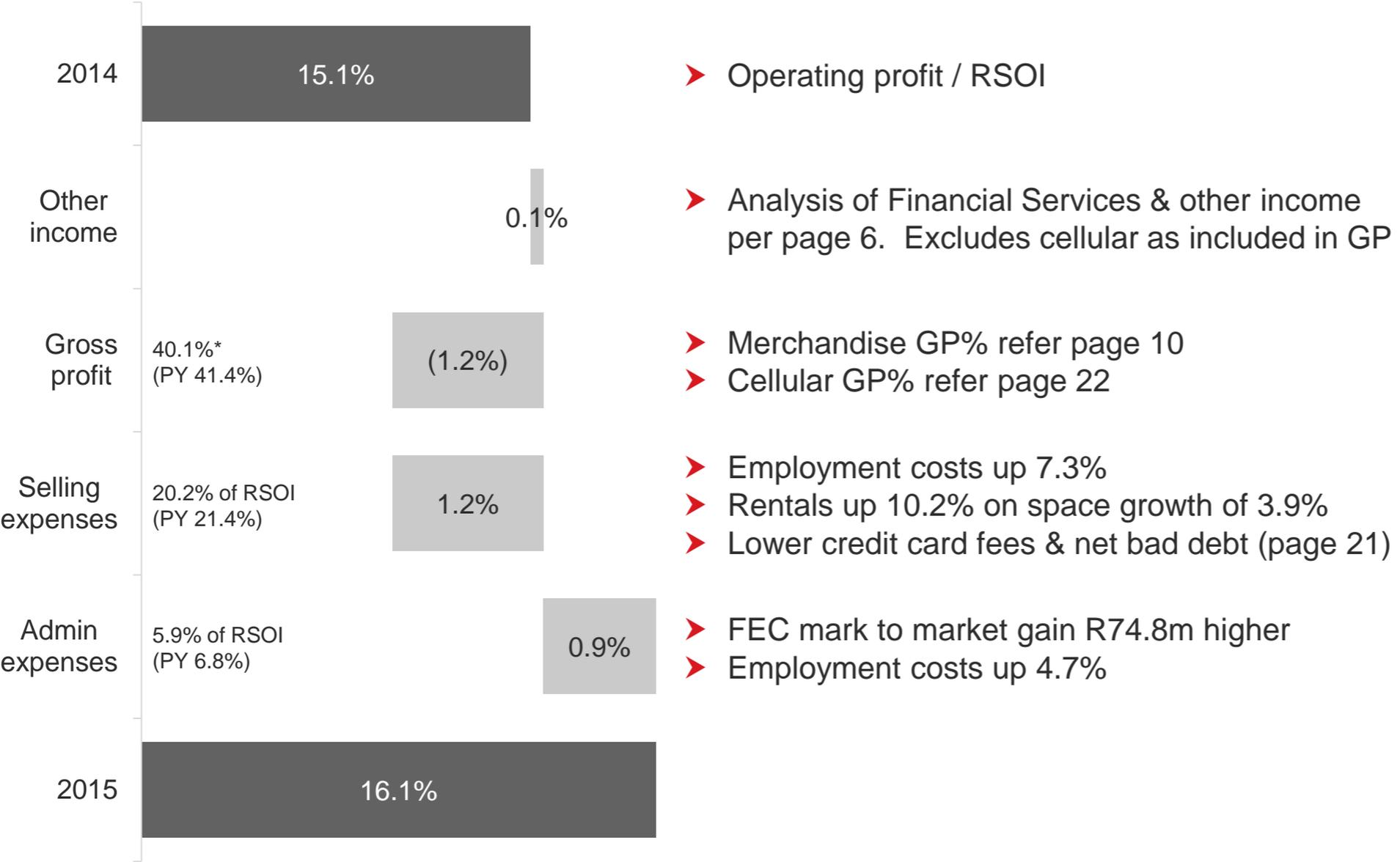
		ZAR	Stores	
		Sales growth	Opened	Total
Namibia	39.5	(0.1%)	0	37
Botswana	21.8	8.2%	1	21
Nigeria	11.5	27.9%	0	6
Franchise	7.1	8.8%	4	19
Zambia	6.6	98.7%	2	7
Swaziland	6.0	7.1%	0	7
Ghana	4.0	7.5%	0	5
Lesotho	3.5	10.4%	1	5
		10.1%	8	107

- African sales of R753m constitute 8.8% of Group sales (11.0% of **mrp**)
- Namibia growth in prior year high at 27.9% (comp 21.3%)
- Franchise growth 19.3% excluding Zambia (in base for 2 months)
- Mozambique to convert to corporate owned model in Apr 16

Nigeria

- Central Bank of Nigeria (CBN) Circular Jun 15: restricted certain importers from accessing FX market to pay for goods
 - Subsequently restricted processing of import documentation
 - CBN advised restrictions are temporary
 - New cabinet only recently appointed
-
- MRPG meeting with CBN Deputy Governor to urgently re-enable supply
 - Naira sales growth in Jun of 42.9% dropped to -19.3% in Sep
 - Closed 2 under performing stores
 - Profitable in H1 but expect negative sales growth & trading loss in H2

Continued Improvement In Operating Margin

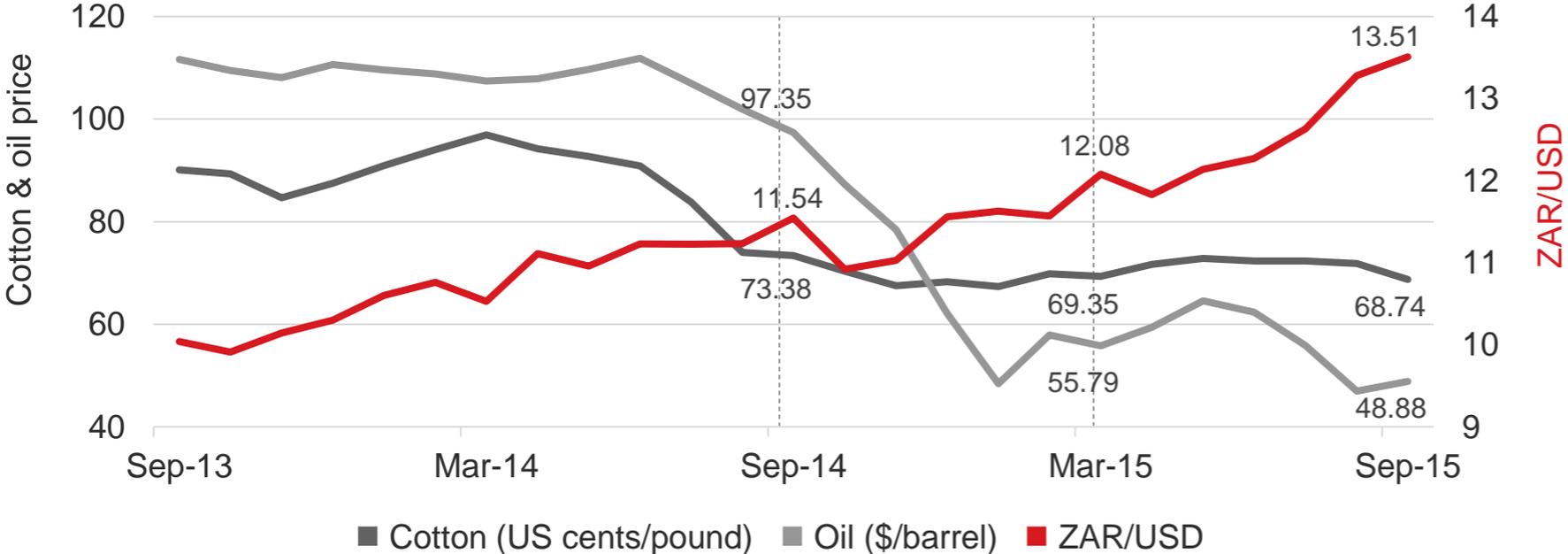


* Calculated on retail sales & cellular income & their respective costs of sales



Merchandise Gross Margin

Cotton price, oil price & currency movements



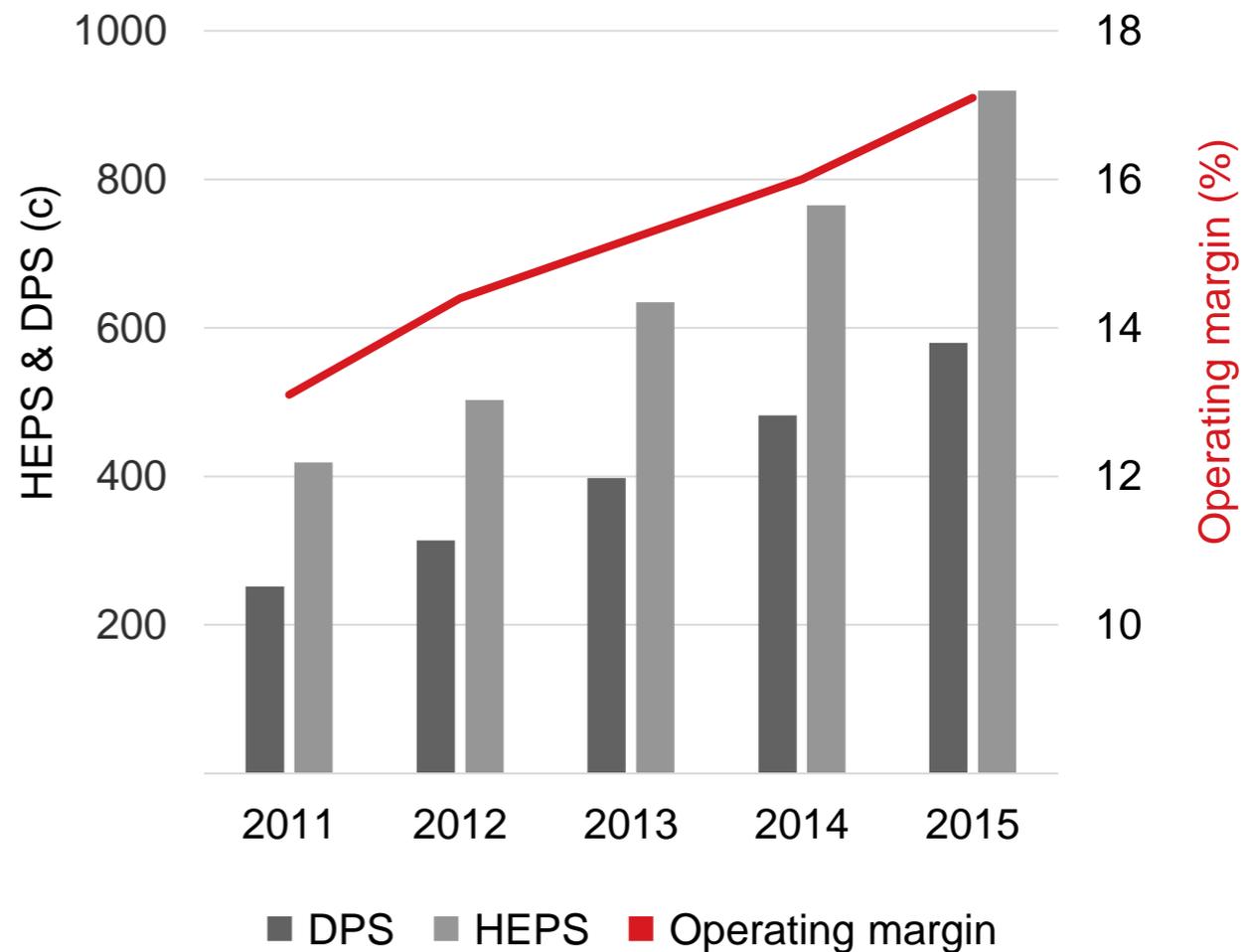
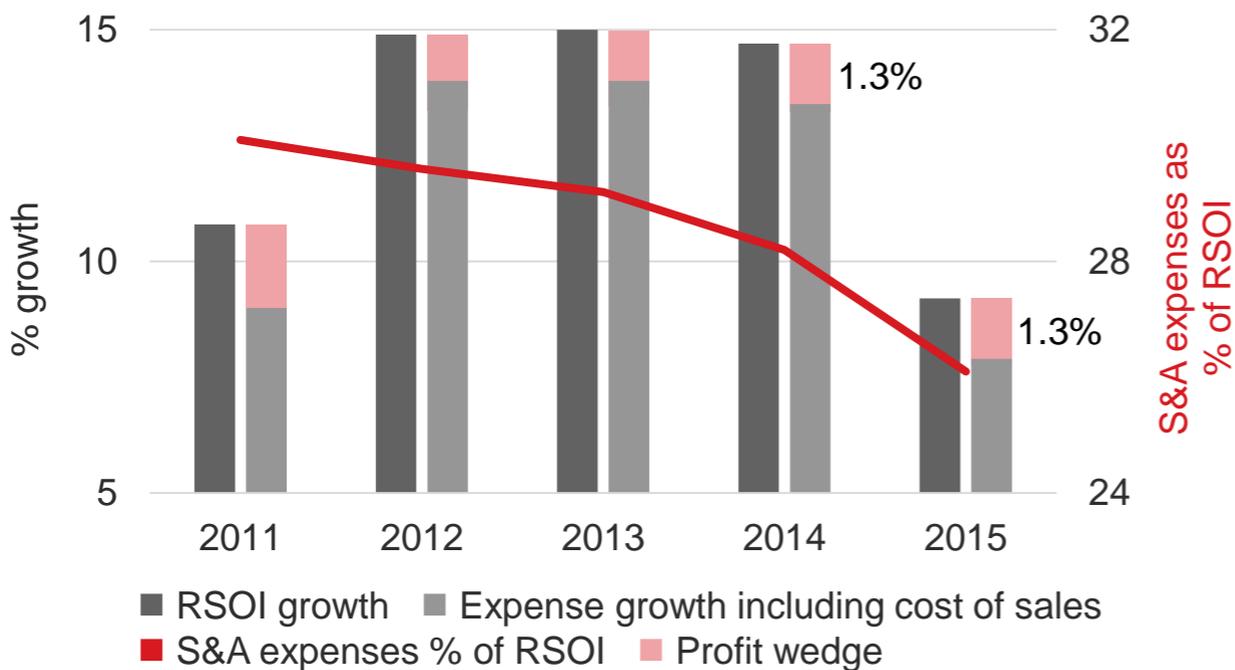
- Rand 17% weaker than Sep 14
- FOB / factory direct sourcing transition - FX differences are direct & immediate
- Merchandise gross profit margin down 1.1% to 40.7%
 - higher markdowns substantially offset by reduced carriage & shrinkage
 - drop in **mrp** (highest FOB component)
 - other divisions (combined) GP% in line with LY



Our Performance Culture & DNA

- MRPG identified as 1 of 6 JSE 'thriving' companies between 1997 & 2013.* Common characteristics:
 - agility - constantly innovating, speed & flexibility, able to dictate own pace
 - absorption - lots of small bets, ability to 'take a punch'
- Consistently achieved operating leverage irrespective of rate of sales growth

- MRPG has increased operating profit in 29 successive reporting periods
- 29 year CAGR in annual HEPS 23.3% & Dividends 25.0%



* Measured in 10 year cycles commencing in 1997 - Adrian Saville, Cannon Asset Managers 2014

Financial Position

R'm	September 2015	March 2015	September 2014
Non-current assets			
Property, plant & equipment	1 083	838	770
Intangible assets	368	328	290
Other non-current assets	153	198	185
Current assets			
Inventories	1 887	1 741	1 654
Trade & other receivables	2 037	1 874	1 771
Reinsurance assets (mainly cash)	184	124	163
Cash & cash equivalents	2 110	2 764	2 059
	7 822	7 867	6 892
Equity attributable to shareholders	4 801	5 021	4 126
Non-current liabilities	225	213	219
Current liabilities	2 796	2 633	2 547
	7 822	7 867	6 892

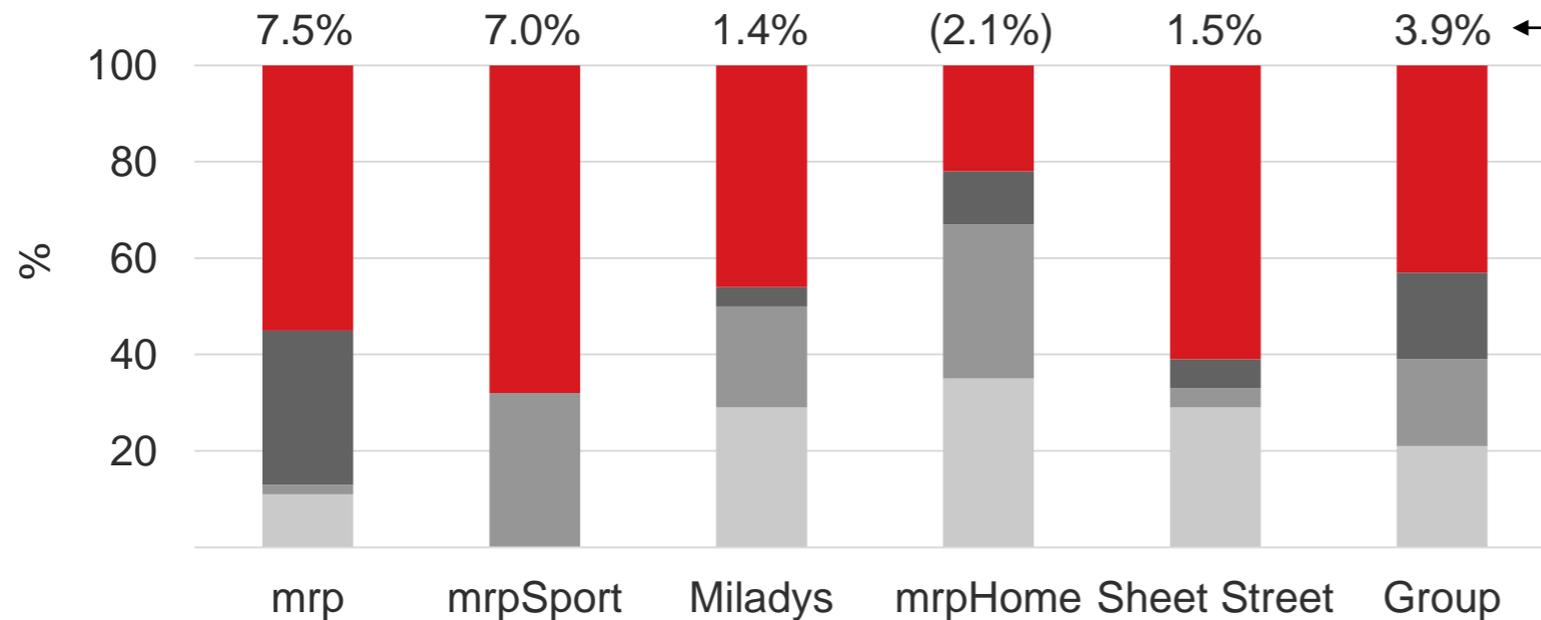


PPE & Intangibles

R'm	Total	PPE	Intangibles
Opening	1 166	838	328
Additions	399	337	62
Disposals & impairments	(7)	(3)	(4)
Depreciation & amortisation	(107)	(89)	(18)
Closing	1 451	1 083	368

R'm	2015	2014
IT	42	23
New DC	188	22
Stores	107	97
	337	142
H2 forecast capex	816	-

Space worked per format



	Stores	W. a. space growth
New stores	24	4.9%
Expansions	17	0.6%
		5.5%
Reductions	12	(0.4%)
Closures	8	(1.2%)
		3.9%
Annual forecast (net)		3.5%

Capital Expenditure

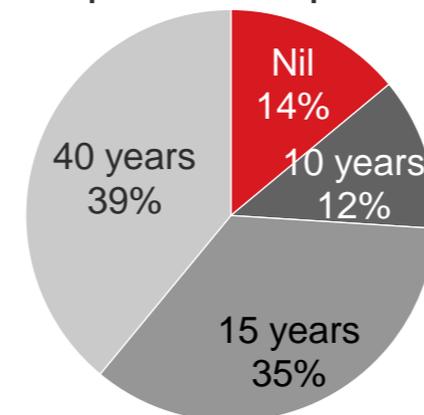
ERP system implementation

- Merchandise planning
 - replenishment live in 3 divisions
 - full suite in **mrpSport** in May 16
- ERP
 - installed Oracle V14.1
 - data cleanse in progress (**mrpSport** completed)
 - fundamentals (masterdata) operational in Apr 16
- Business intelligence
 - production & development environments built
 - intraday sales reporting for Australia from Oracle platform
 - foundation & planning data warehouse available May 16

Hammarisdale Distribution Centre

- Project on track
 - 1st division go live May 17, full transition by Aug 17
 - current facilities to be decommissioned by end Q1 18
 - R1.1bn total cost
- FY18 will include an element of cost duplication
- FY19 costs expected to be in line with current running costs (increased for inflation & unit growth)

Depreciation period

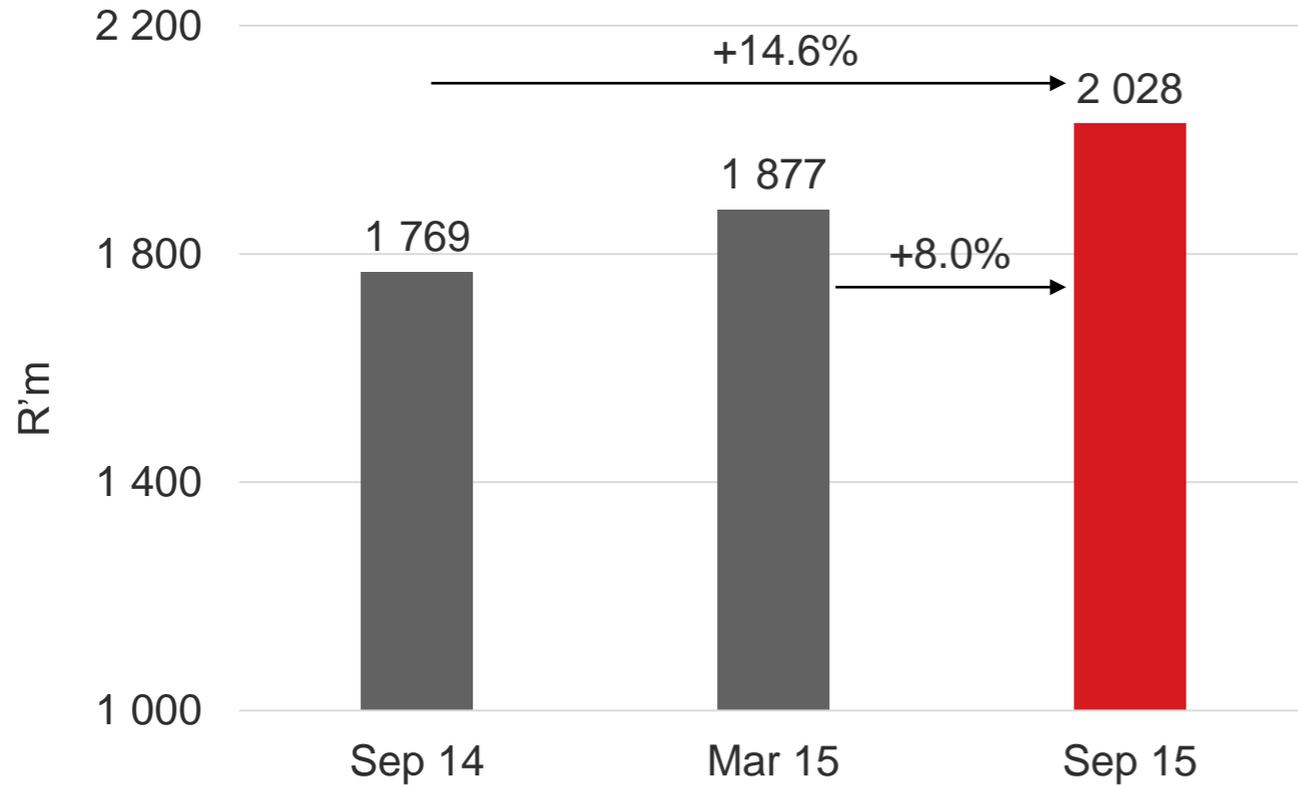


Hammarsdale Distribution Centre



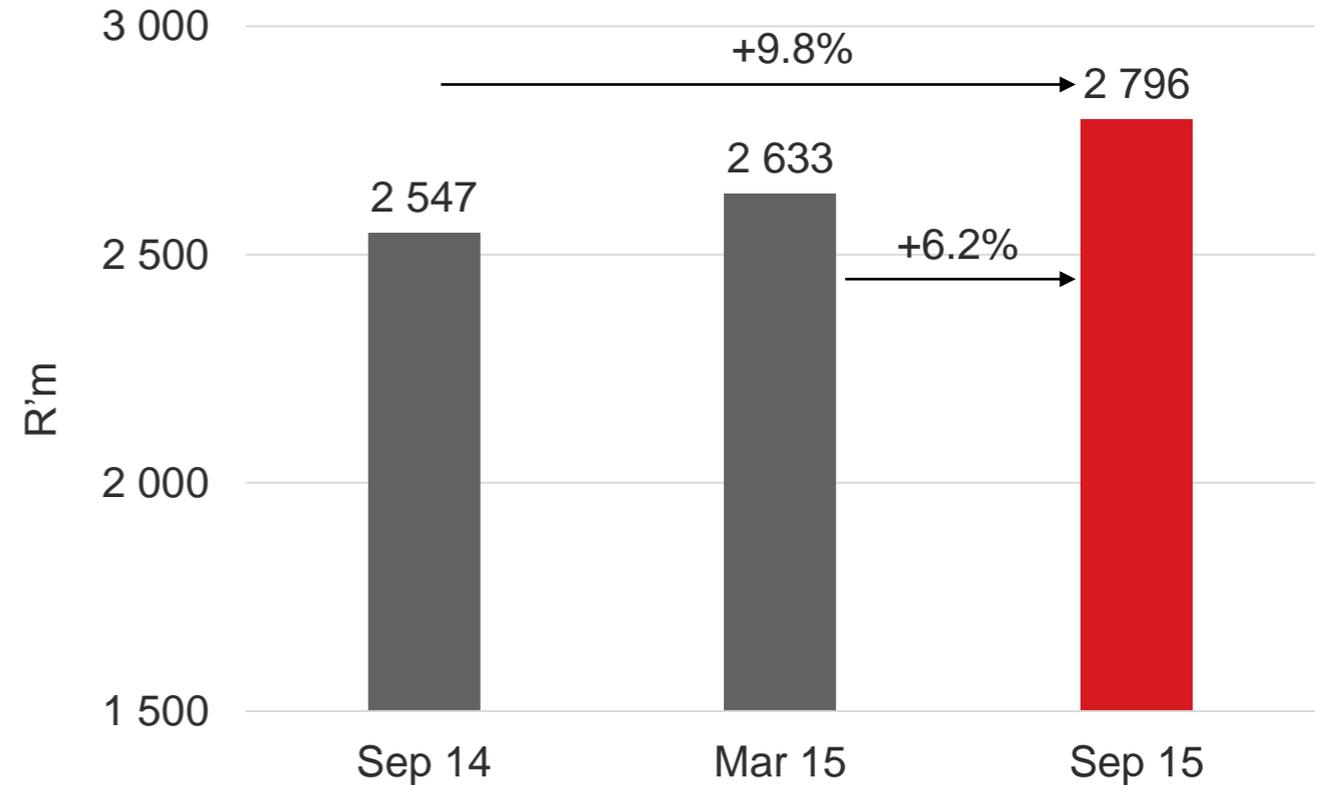
Significant Balance Sheet Items

Gross inventories



- Earlier ownership due to higher FOB purchases
- Inventory growth excluding GIT 10.0%
- Stock aging profile in line with LY

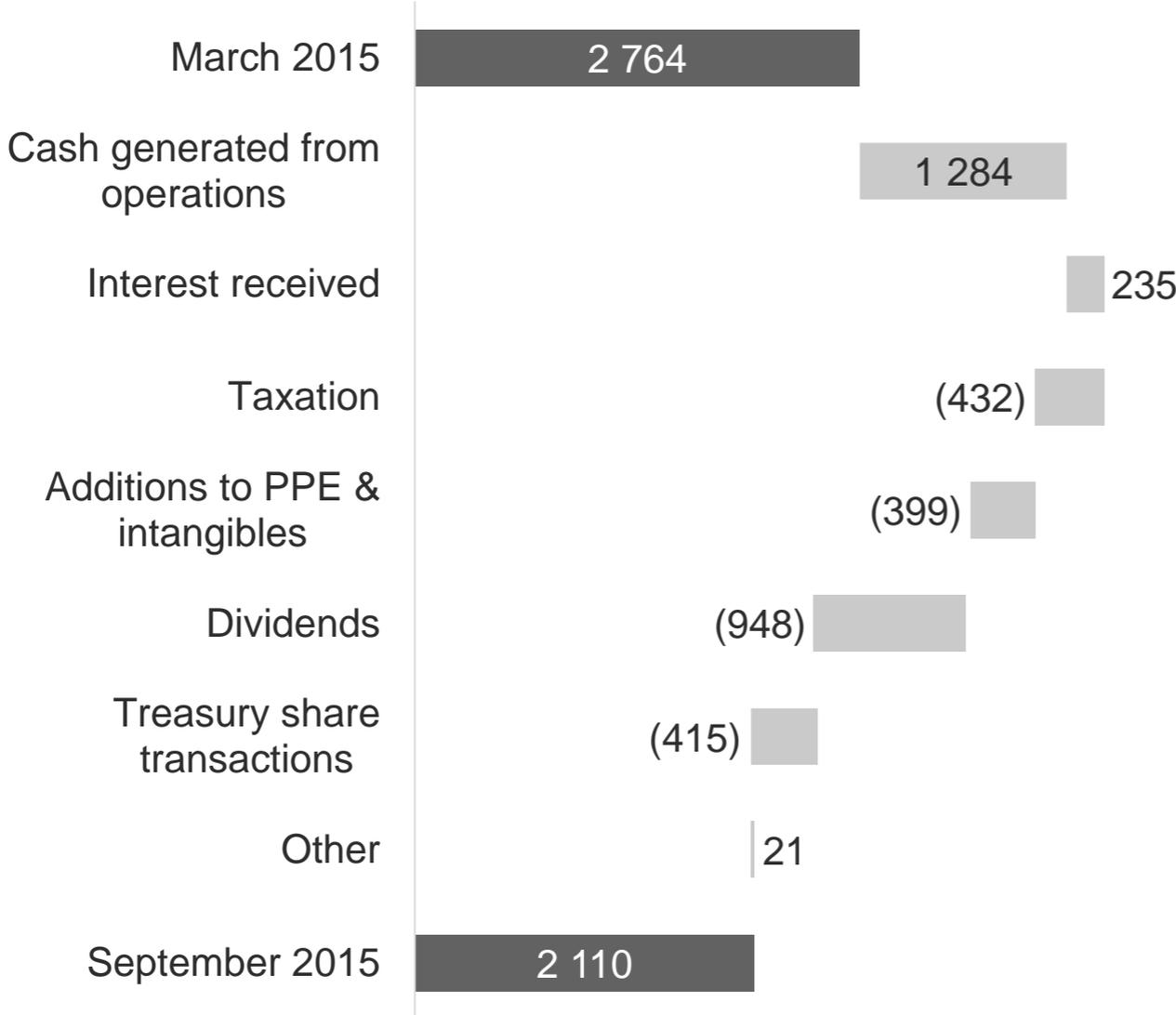
Current liabilities



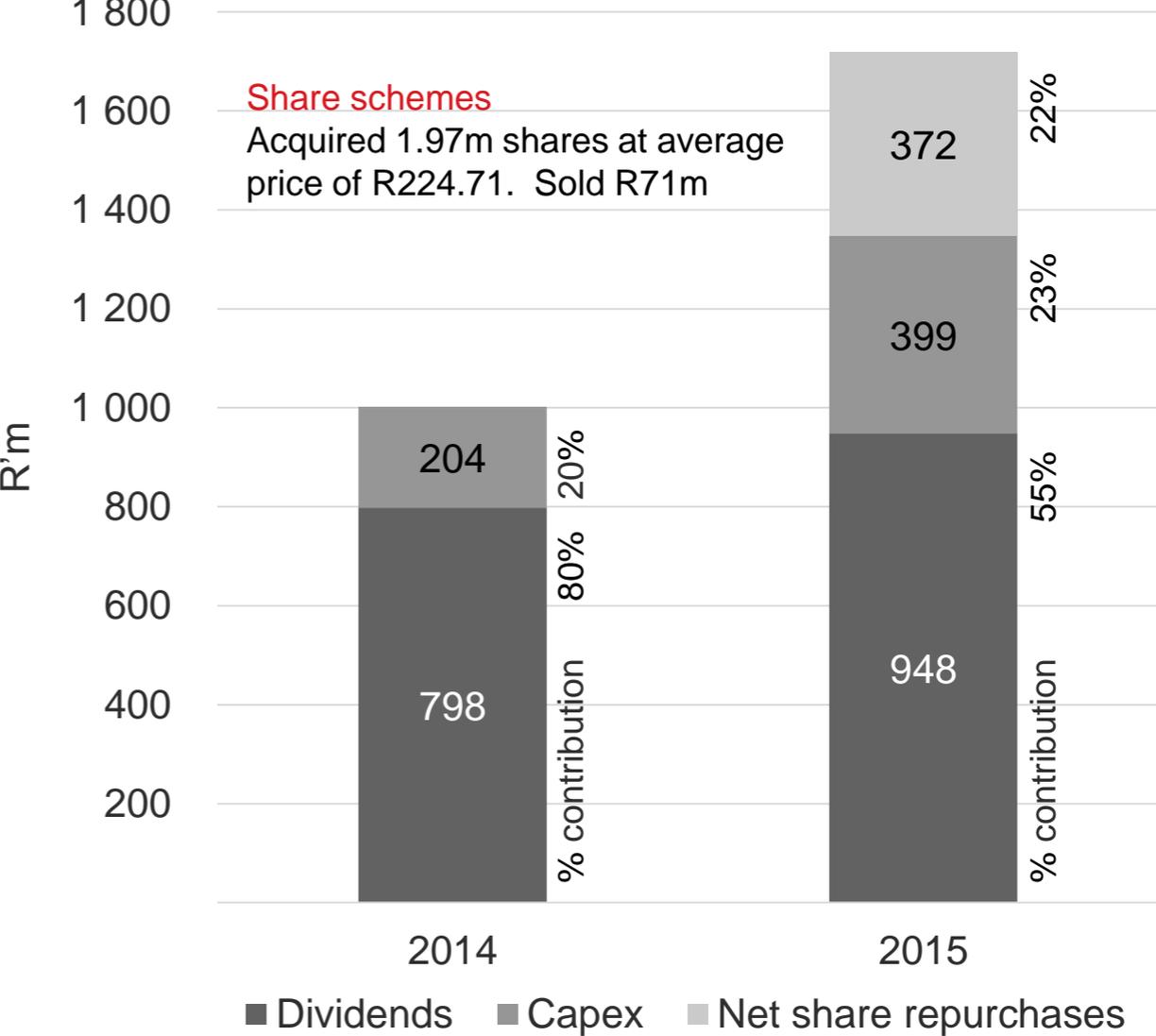
- Trade payables up 14.5%, in line with inventories
- Accruals & other payables & re-insurance liabilities at similar levels to LY

Cash Generated & Capital Allocation

Cashflow movements (R'm)



Capital allocation

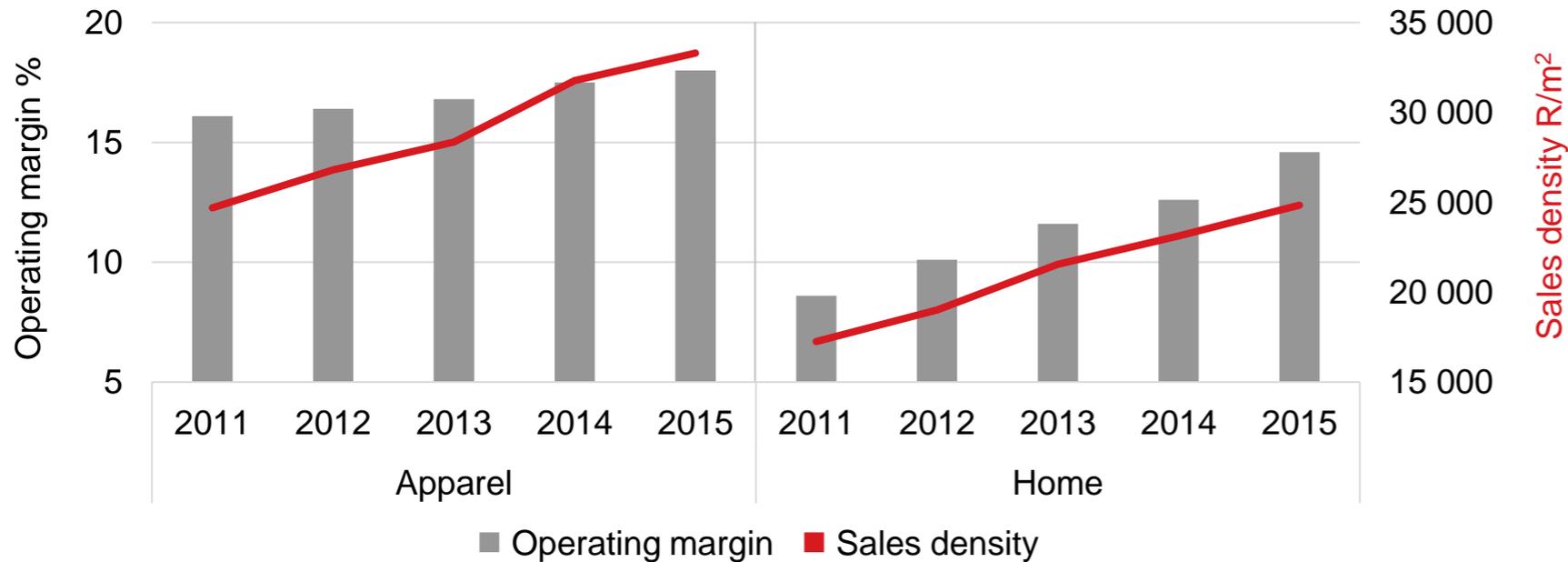




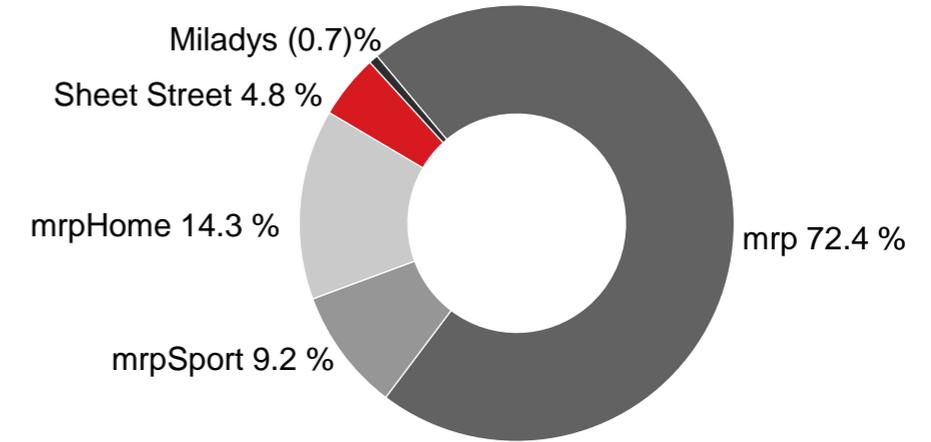
Segmental & Divisional Review

Segmental Performance

R'm	2015	2014	% change
Retail sales & other income			
Apparel	6 616	6 007	10.1%
Home	2 293	2 150	6.6%
Operating profit			
Apparel	1 194	1 052	13.4%
Home	334	270	23.5%



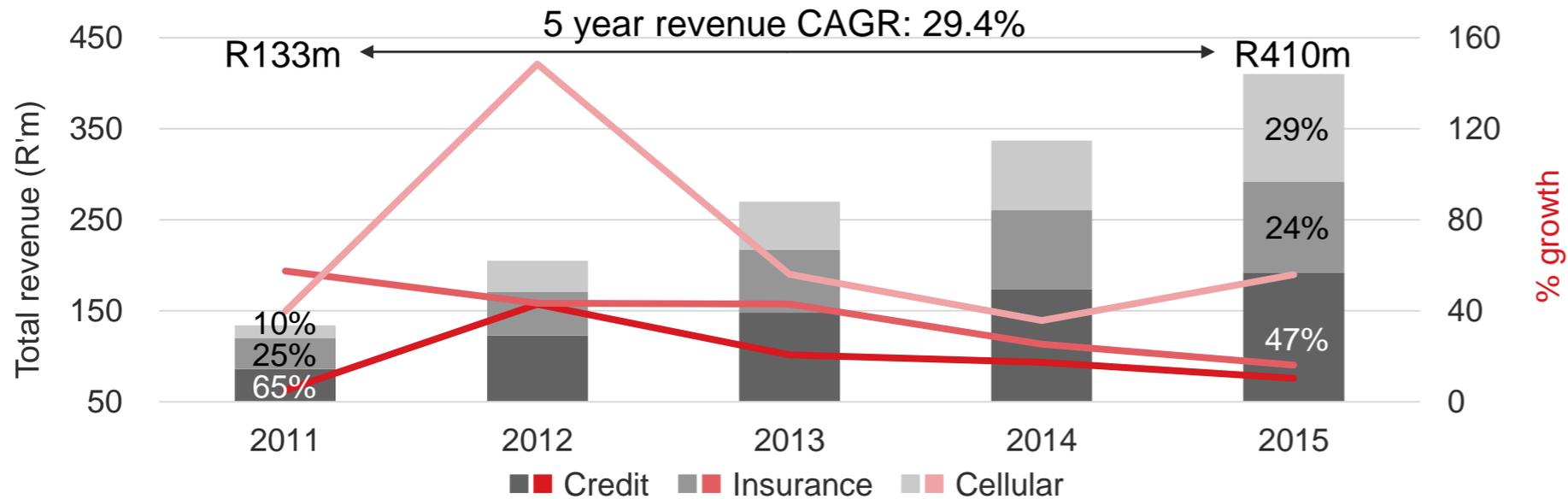
Contribution to increase in sales



The **mrp** divisions represent 85% of Group sales & contributed 96% of total sales growth

R'm	2015	2014	% change
Credit - interest & charges	192	174	10.4%
Insurance	100	86	16.1%
Cellular	118	76	55.9%
- Commission	1	1	
- Airtime sales	69	65	
- mrpMobile (cellular MVNO)	48	10	
Total revenue	410	336	22.1%

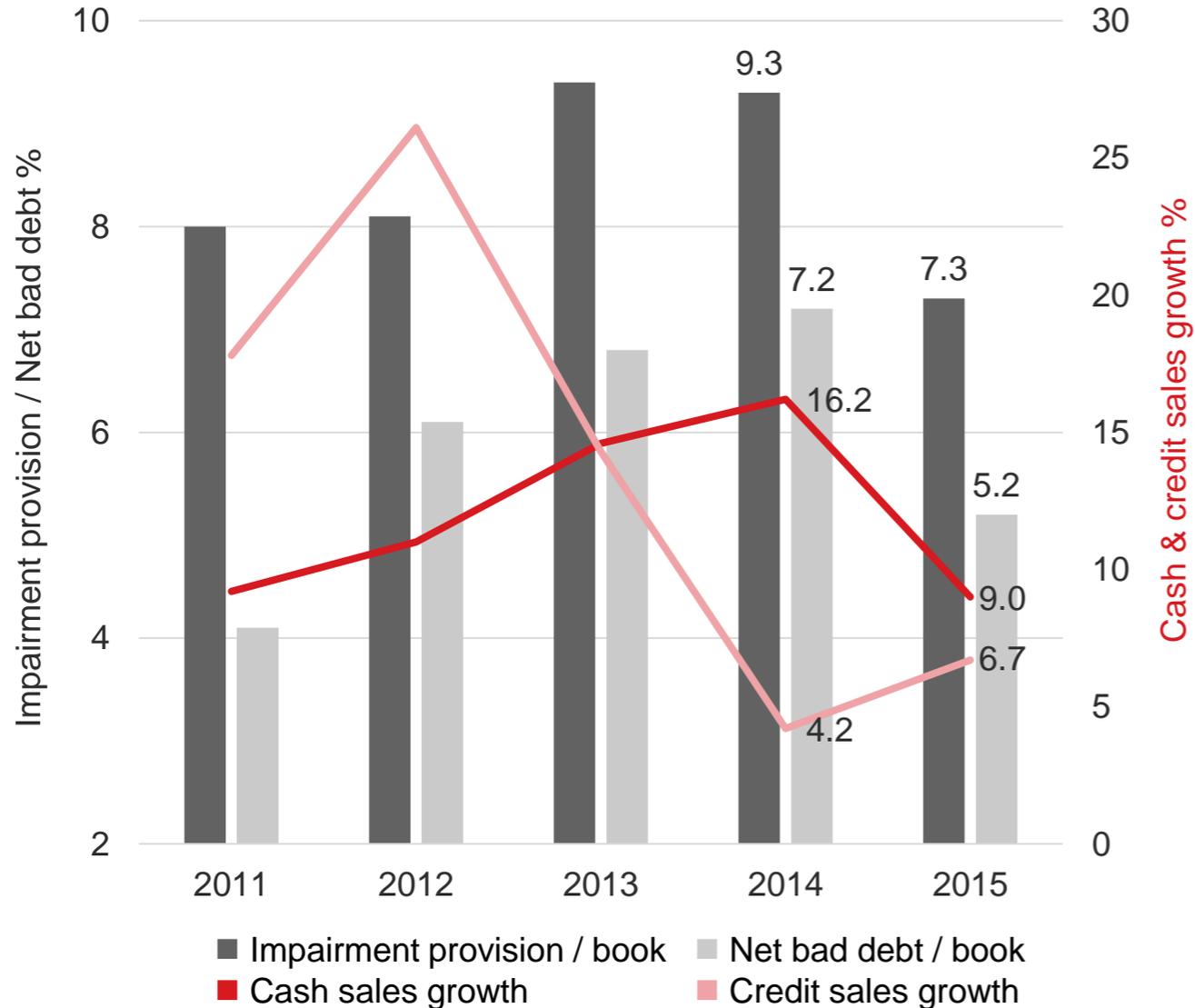
Building a more diversified business



FY11-FY13: Restated to include airtime sales



Continued improvement in performance of book



- Cash sales 81.4% of total, credit 18.6%
- Gross trade receivables up 7.8% to R1.9bn
- Active accounts up 2.6% to 1.4m
- Excellent collections performance
- NCR June 2015:
 - credit granted by retailers up 10.7% q/q & 24.6% y/y
 - did not translate into book growth (flat)

National Credit Act amendments

- Affordability assessments (effective 13 Sep 15):
 - decline in number of applications & acceptance rates (duplicate credit checks & income verification)
- Interest & charges (effective date 20 Apr 16):
 - capping of interest rate will lead to a reduction of 3.2%
 - permitted initiation & monthly service fees increased
 - MRPG introducing a value fee structure

Insurance

- Good sales growth, but now being impacted by slowdown in new account growth
- Introduced new insurance products in Oct 15
- Tested sales to cash customers - improving processes before scaling
- Credit life customer protection plan benefit is not compulsory:
 - represents 6% of insurance income
 - pricing (cost to balance ratio) is well below recently imposed cap

Cellular

- Postpaid (contract) activations in H1 68% higher than Mar 15 closing contract base:
 - handset margin increased by 4.1%
 - services margin improved from FY15, but still negative. Will improve as ratio of new activations to total base settles
- Increasing sales capacity following successful tests of sim only top up contracts
- **mrp**Mobile sim cards to be introduced to **mrp** stores
- Targeting operating profit in H2 FY16



	2015	2014	% change
Retail sales ¹	R5 071m	R4 582m	10.7%
Comparable sales	5.1%	15.1%	
Unit sales	67.4m	65.9m	2.2%
RSP inflation (Price: 3.4%, Mix: 4.8%)	8.2%	10.3%	
Weighted average space growth	7.5%	8.1%	
Trading density	R37 975m ⁻²	R36 104m ⁻²	5.2%

- 11 new stores opened (ROGA² 104%) & 10 expanded (ROGA 239%)
- As in the past, certain merchandise areas overperformed, while in others we could have done better
- Division most impacted by trading situation in rest of Africa
- Omni channel strategy delivering excellent results
 - SA online sales up 30.9%, positive impact on store sales
 - stopped marketing & subsidising transport in markets with no stores
- FOB & factory direct relationships - now 67% of imported merchandise
- Lower gross margin % but good cost control enabled operating profit growth
- Voted 'Coolest Clothing Store' in Sunday Times Generation Next study

1: Excludes franchise 2: Annualised forecast for stores opened since Oct 14, with more than 3 months of trade



mrp International Competition

Cotton On

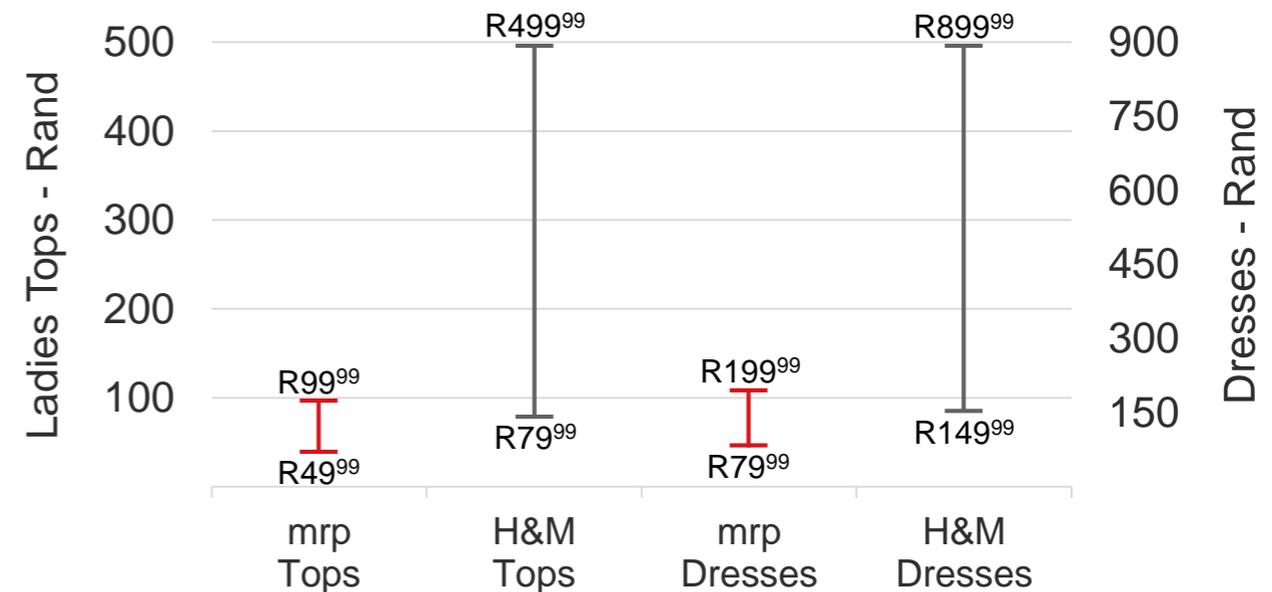


- No discernable pattern in **mrp** sales growth

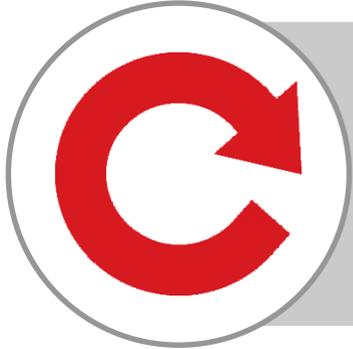
* 12 month differential in growth rate prior to & post Cotton On opening

H&M

- Opened 4 500m² store in V&A Waterfront on 17 Oct 15
- Not negatively impacting **mrp** sales growth:
 - 3 weeks preceeding opening 11%
 - 3 weeks post opening 26%
- Price points significantly higher than **mrp**:



- **mrp** has a higher contribution of merchandise at low to mid price points



Store refresh

- Touch screen POS rollout underway
- Bandwidth increase to support technology based initiatives



mrpEmpower

- Leveraging mobile technology to improve in store processes
- Visual merchandising, communication, KPI dashboard, customer feedback



Tap n Go

- Reduced transaction times
- Rollout to selected stores after test phase



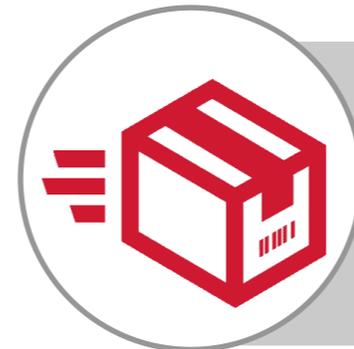
Mobile POS

- Reduced queues & transaction times
- Accepts mrpMoney & majority of dr & cr cards
- Store wide rollout before peak 2015 trade



Paperless receipting

- Reduced transaction times
- Saved 33km of paper in 6 weeks in 314 mrp stores



Online

- In store fulfilment - shorter delivery times, lower costs
- Re-platforming will significantly reduce operating costs. Impairment in H2 ~R30m



mrp

- Opened 2 test stores in Melbourne, Australia in Oct 15
 - Melbourne Central Shopping Centre, Corner Swanston & LaTrobe Street, Melbourne (1 050m²)
 - Eastland Shopping Centre, Maroondah Highway, Ringwood, Melbourne (850m²)
- Evaluate trade & business model in Q1 16 & firm up rollout strategy



	2015	2014	% change
Retail sales	R560m	R497m	12.6%
Comparable sales	3.6%	3.4%	
Unit sales	5.7m	5.2m	9.5%
RSP inflation (Price: 1.8%, Mix: 1.0%)	2.8%	7.8%	
Weighted average space growth	7.0%	10.8%	
Trading density	R21 382m ⁻²	R20 342m ⁻²	5.1%

- 3 stores opened. Exited 1 276m² unproductive space (ROGA 84.2%)
- 1st season of own branded footwear range & introduction of higher closing price points were well received
- Significant unit growth of private brands across the business
- Introduction of new formats:
 - successful test of smaller format fitness stores (Maxed brand), now being rolled out
 - 2 own branded merchandise stores planned in Nov 15
- Good performance in apparel departments, lower growth in equipment & accessories
- Continued strong growth in operating profit



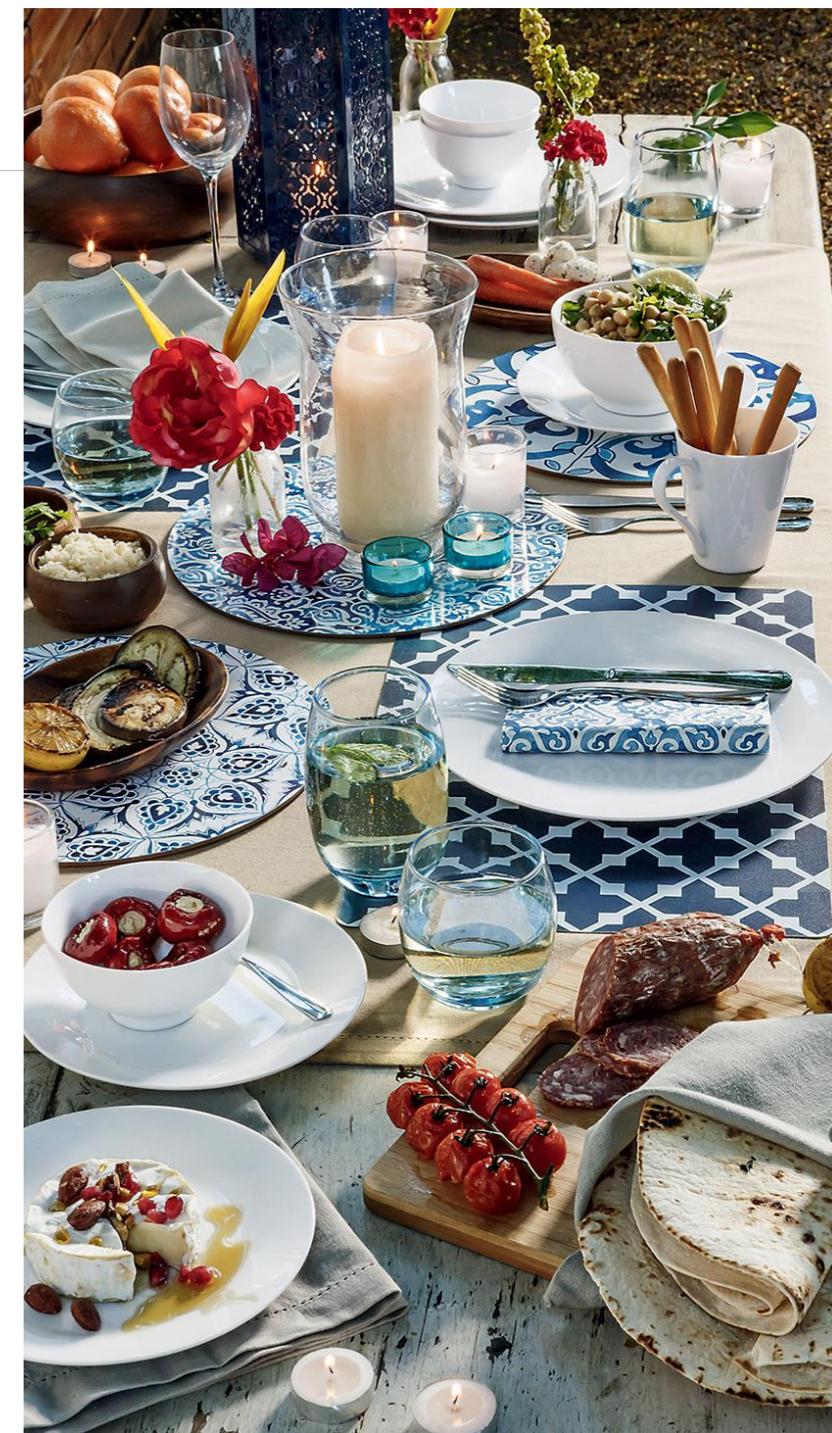
	2015	2014	% change
Retail sales	R654m	R659m	(0.8%)
Comparable sales	(1.7%)	0.0%	
Unit sales	4.0m	4.3m	(5.4%)
RSP inflation (Price: 6.7%, Mix: -1.4%)	5.3%	2.7%	
Weighted average space growth	1.4%	(1.3%)	
Trading density	R22 748m ⁻²	R22 547m ⁻²	0.9%

- Impacted by low credit growth (56% of sales) & tough trading segment in outsizes
- Incorporating Rene Taylor (outsizes) into Miladys brand as only 2 sizes were not already being catered for, planned completion by autumn 16
- 2 largest depts, Miladys casualwear & smartwear achieved reasonable sale growths
- Double digit sales growth in footwear & handbags
- Although GP% maintained & cost growth below inflation, profit declined



	2015	2014	% change
Retail sales	R1 567m	R1 474m	6.3%
Comparable sales	3.4%	7.6%	
Unit sales	18.0m	18.4m	(2.0%)
RSP inflation (Price: 6.5%, Mix: 2.0%)	8.5%	16.9%	
Weighted average space growth	(2.1%)	2.3%	
Trading density	R23 828m ⁻²	R21 831m ⁻²	9.1%

- Opened 3 stores, expanded 4
- Exited 8 500m² unproductive space. Forecast sales for stores reduced in size R6m lower, but profit R10m higher
- Best performing departments livingroom hards & furniture. Bathroom & kids experienced lower growth
- Strong growth in e-commerce channel, now profitable
- Strong profit growth in subdued homeware environment largely through GP margin management & excellent cost control
- Progressing evaluation of foreign markets for expansion



	2015	2014	% change
Retail sales	R653m	R621m	5.2%
Comparable sales	3.1%	1.5%	
Unit sales	8.5m	8.5m	0.8%
RSP inflation (Price: 3.1%, Mix: 1.2%)	4.3%	5.5%	
Weighted average space growth	1.5%	2.2%	
Trading density	R27 571m ²	R26 804m ²	2.9%

- Opened 5 new stores, ROGA 67%
- Sales growth continues to reflect constrained spending in mid LSM target market
- Good sales performance in bathroom & bedroom (above divisional average), while livingroom underperformed
- Double digit operating profit growth due to maintaining GP% & strong cost control
- Accolades: Icon Brand award winner, Sunday Times Top Brands category winner, Daily News Your Choice - Best linen store winner



Prospects

- Economic situation in RSA unlikely to improve in short term:
 - inflation expected to breach 6% in Q1 16
 - interest rates expected to increase by 100bpts in 2016
 - poor employment & wage increase prospects, including the public sector
 - possible further currency weakness
- H2 sales base still high, particularly Q3 (Group 13.1%, **mrp** 18.2%)
- Whilst trading conditions ahead are expected to be very tough, MRPG is comparatively well positioned:
 - fashion value model
 - mid to high LSM customers



Thank You

- Forthcoming market communication
 - 24 November 2015 Interim results conference call (3pm)
 - 15 January 2016 Q3 trading update release on SENS
 - 18 January 2016 Q3 trading update conference call

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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
- 1 166 stores & online channels offering full product assortments
- 29 year CAGR in HEPS of 23% & DPS of 25%
- Market capitalisation of R48.9bn, ranked 37th on JSE
- Included in MSCI Emerging Markets Index
- International shareholding 51%
- 17th in Business Times Top 100 Companies, highest ranked retailer
- Ranked 3rd in Financial Mail Top Companies 2015
- Included in JSE: Top 40, Socially Responsible Investment (SRI) Index
- JSE ticker code changed from MPC to MRP

