By Werner Pelser

Logistics strategy
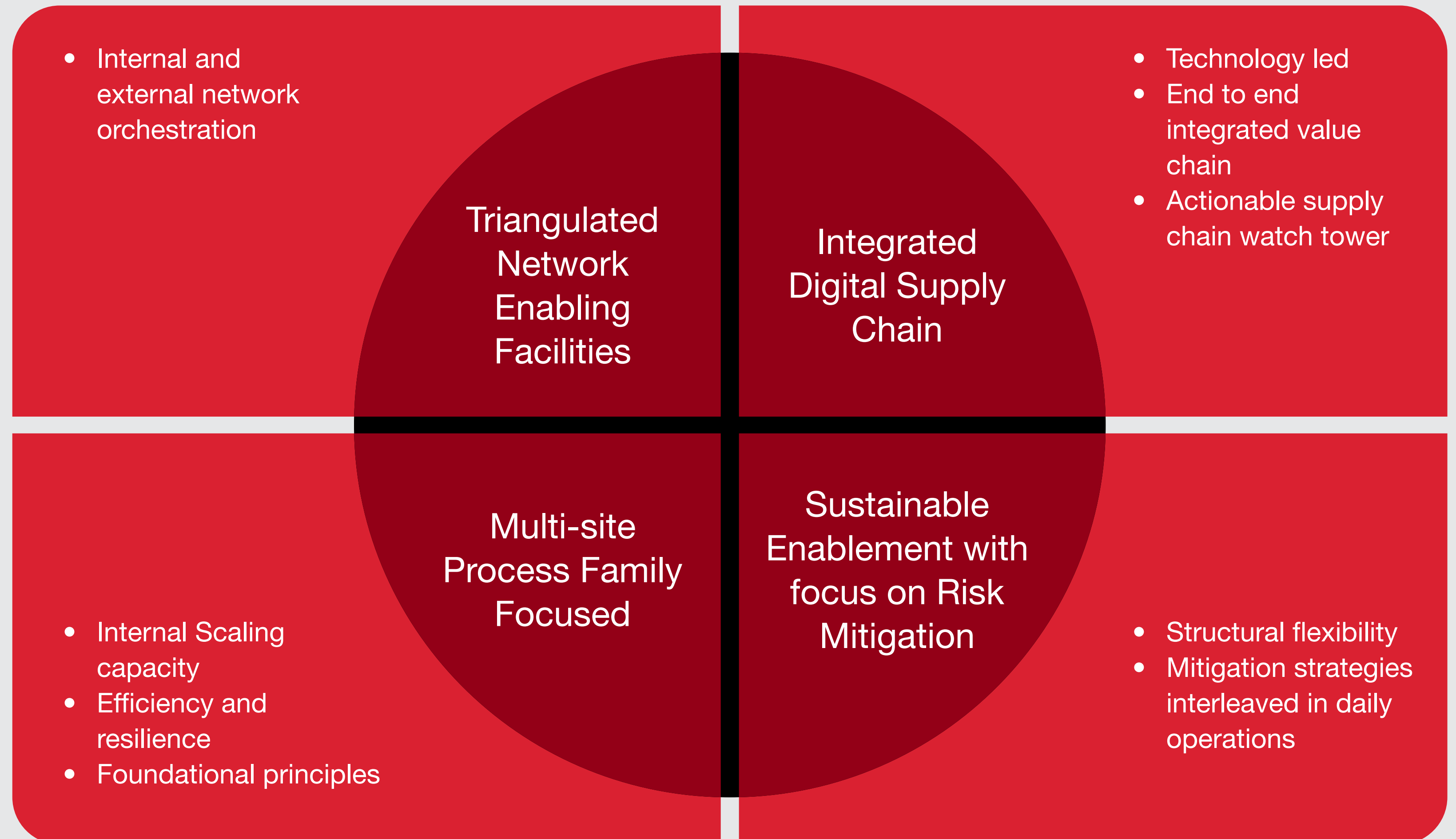
Part 1

Logistics strategy

OUR OBJECTIVE:

To create & manage lean, agile & sustainable supply chains, enabling growth and supporting our value model

How we will achieve our objective

- Focus our business activities more precisely on our core competitive advantages
- Work towards more effective, resilient and shorter supply chains, ensuring optimal operations

SUPPLY CHAIN ENABLEMENT STRATEGY

- Internal and external network orchestration

Triangulated Network Enabling Facilities

Integrated Digital Supply Chain

- Technology led
- End to end integrated value chain
- Actionable supply chain watch tower

Multi-site Process Family Focused

Sustainable Enablement with focus on Risk Mitigation

- Internal Scaling capacity
- Efficiency and resilience
- Foundational principles

- Structural flexibility
- Mitigation strategies interleaved in daily operations

Global supply chain disruptions | Red Sea

- Ongoing tensions have disrupted global shipping routes

- Transit times have increased ~30% due to rerouting of ships around Africa's Cape of Good Hope

- Rerouting has caused a 9% reduction in effective global container shipping capacity

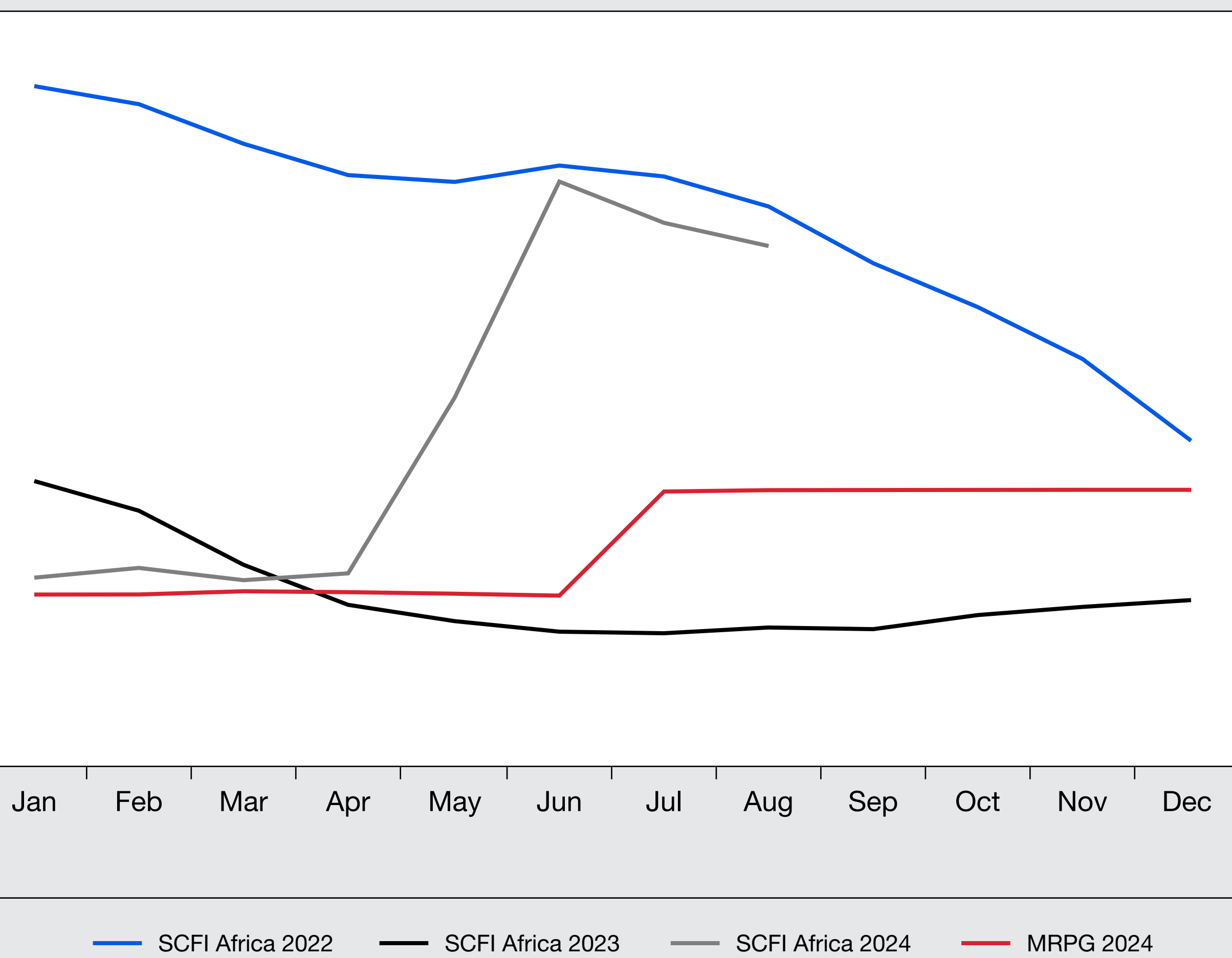- Increased costs and capacity deficits have impacted supply chains worldwide

WCI RATES (DREWRY) & SCFI (AFRICA) SHIPPING RATES

— SCFI Africa Index — WCI Index

2021   2022   2023   2024

Global supply chain disruptions | Our response
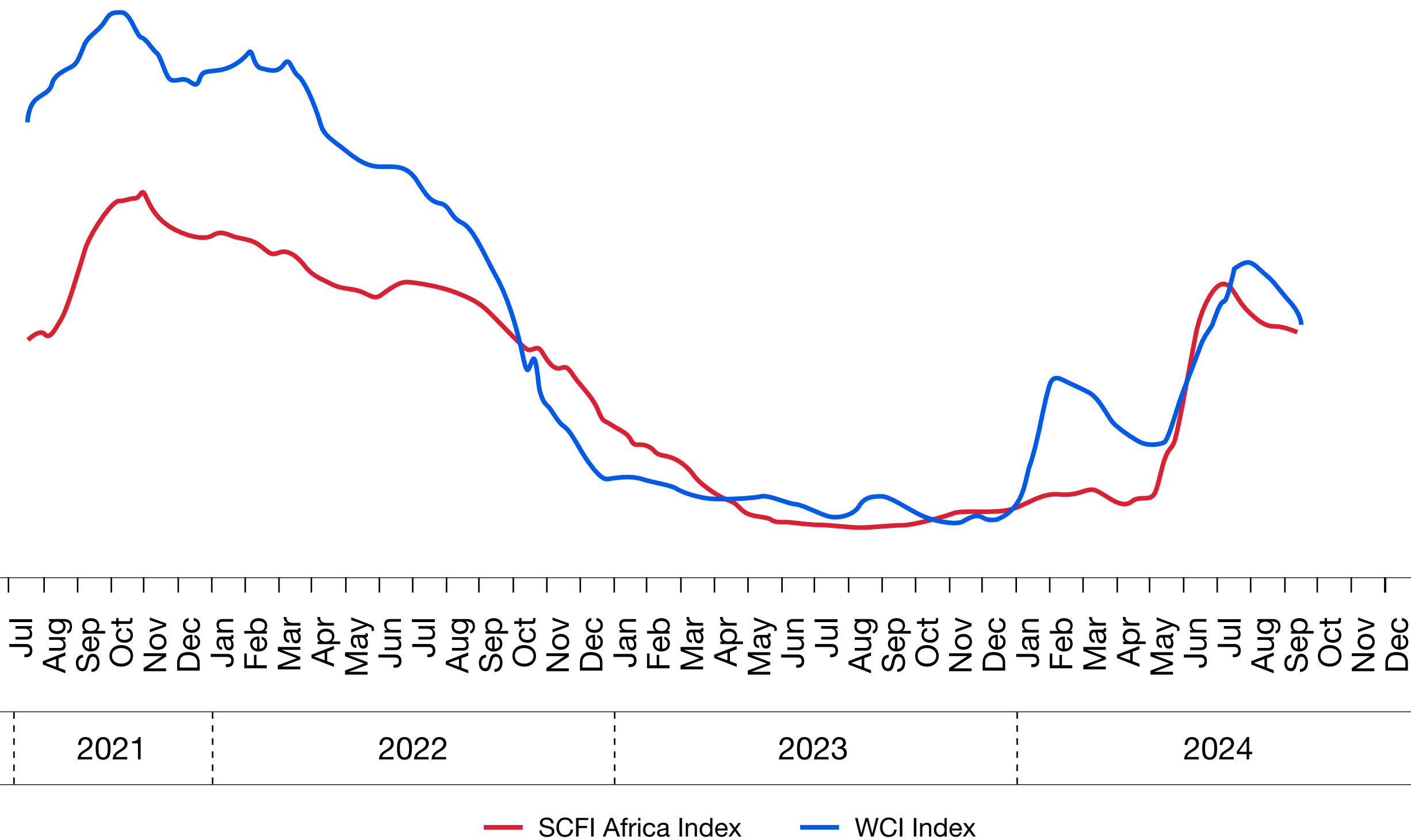
MR PRICE GROUP CONTRACTUAL RATES COVERED UNTIL END DECEMBER 2024

Shangai Container Freight Index Rate - Africa Route

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

— SCFI Africa 2022   — SCFI Africa 2023   — SCFI Africa 2024   — MRPG 2024

- Group's contractual rates are fixed, with possibility to lower if market reduces significantly

- New contract negotiations scheduled for Q3 F2025

- Currently the group is using its widest carrier base in 5 years to ensure:
  - Equipment availability and rate optimisation
  - Challenges in Transnet ports are best managed
  - Navigation around highly congested international trans-shipment hubs

- Diversifying supply chains
  - Wider multiple carrier strategy that manages product over differentiated channels from origin to South Africa
- Building strong partnerships
  - Trusted supply chain partners can help plan for alternative transportation modes or shipping routes, minimising impact on our supply chain
- Leveraging data analytics and technology
  - Constant analysis of routes and conditions, allows us to divert product to alternate channels and transport modes

- Lead-times impacted by both Transnet's poor performance and Red Sea rerouting, resulting in extended transit times

- Marginal improvement in Transnet operations, however long-term investments likely to come to fruition in 2025

Mitigation plans

- Additional transit lead-times
  - Planned variable lead-time across specific departure weeks and aligned to specific routes, ensuring we do not use a blanketed approach
  - Accounts for origin diversions and destination delays

- Wider carrier supplier enabling access to Pier 1 and multipurpose terminal where smaller vessels berth
  - Providing greater access to berthing and offloading services

- Alternate entry ports
  - Maputo port being tested as an entry point

- Optimising extraction from port to DC
  - Working groups are actively testing to ensure all back of port opportunities for rail extraction benefit are being used
  - Rail from pier 2 is now operating more consistently, moving >200 containers a day out of the port vs LY's 100
 - Rail to Cato Ridge remains inconsistent but efforts to resolve are underway

Our network

- Supply chain is managed from a central distribution centre via a hub and spoke regional network

- Majority of the inbound volume into our network originates in the greater Durban area, with all imports entering via ocean freight through the Durban port

- Inputs from BLNS countries are channeled through the most efficient input point

- Recently started using Cape Town and JHB depots as input locations for inbound inventory near sourced to those locations
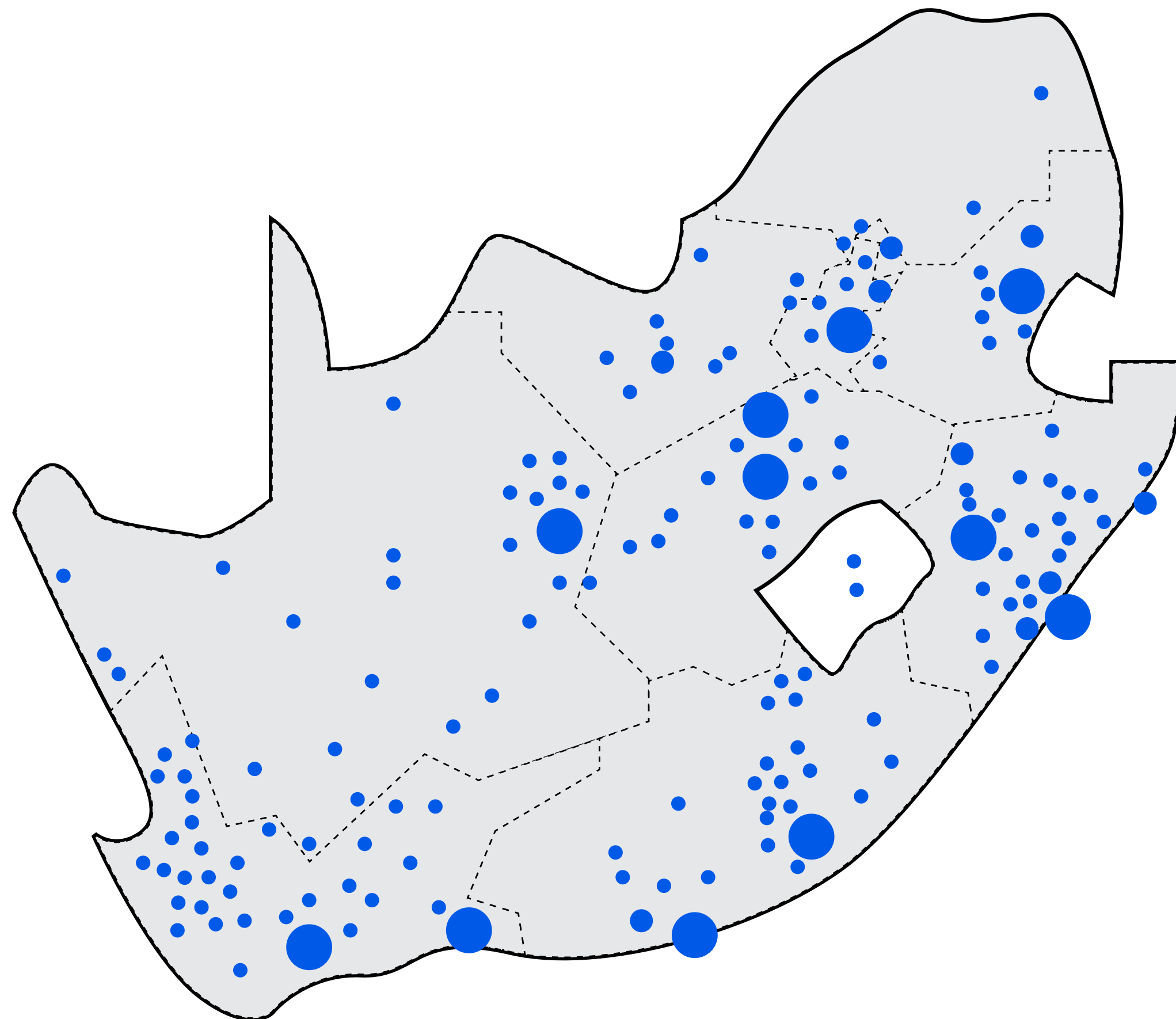
INBOUND SOURCE LOCATIONS
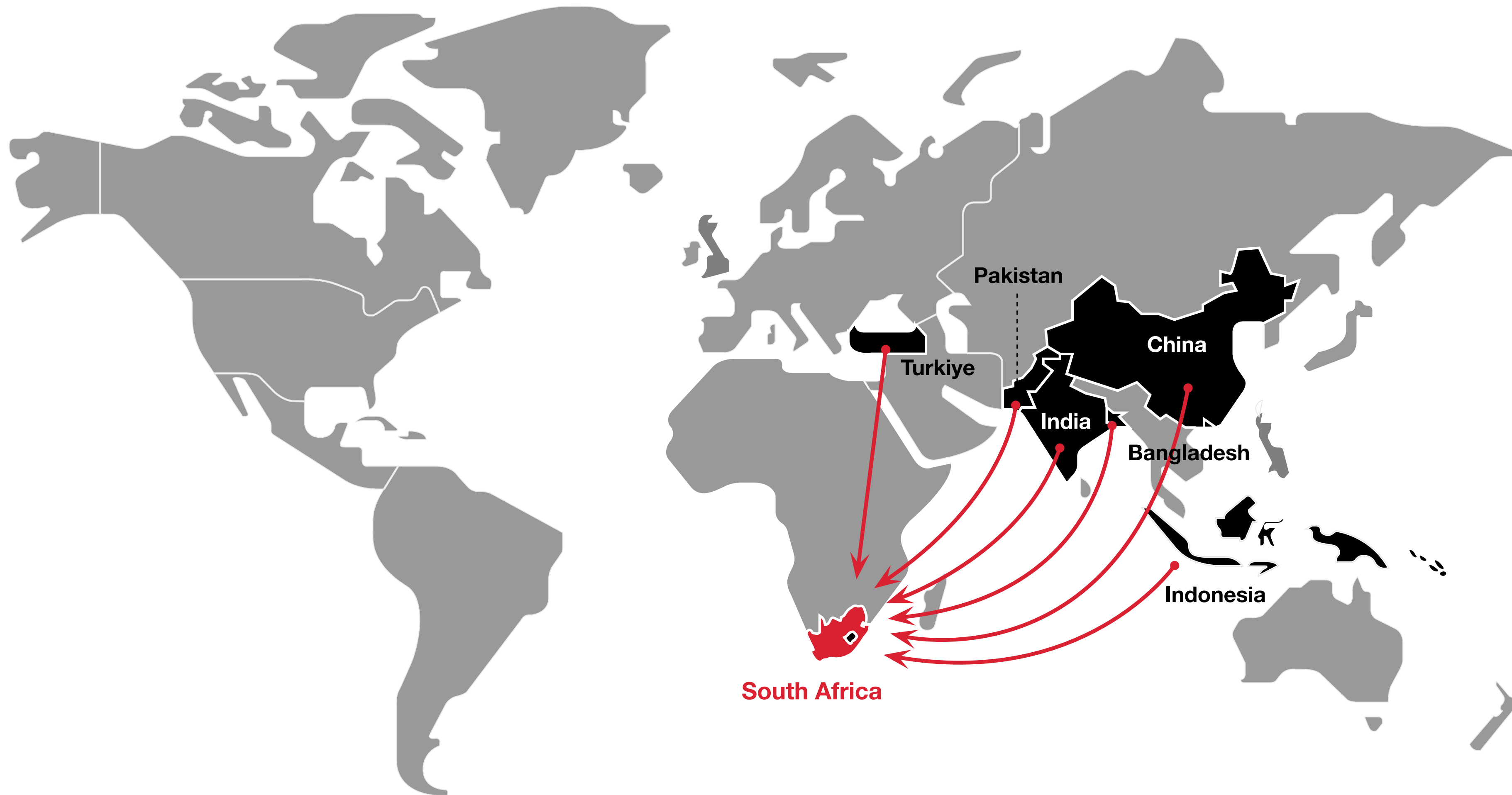
From port to DC

- Total imported containers = 13 000 (TEU)

Pakistan

Turkiye

China

India

Bangladesh

Indonesia

South Africa

REGIONAL NETWORK

Regional hubs represented as big blue dots

From DC to hubs

- Outbound flow is managed via a hub and spoke network of partner depots via a single courier using a multi-principle method
- The group has 12 depots around South Africa and 1 in Namibia
- Average transit time from the group's DC to stores is 2.7 days

Distribution flow to stores

- Routes are divided into local and outlying regions, based on economic delivery distances
- The route master managing store sequence is dynamic and governed by delivery cost, minimum frequency and inventory availability
- Each store receives a delivery at least once a week
  - Minimum: 1 delivery per week
  - Maximum: 5 deliveries per week

Our scale & efficiencies

Group distribution network

- Our network in comparison to our retail peers is the most efficient in terms of value throughput per m^2, and units processed per m^2
  - This is linked to our strategic intent of being value driven
  - Our scale facilitates strategic partnerships

Diversification

- Aligned with the group's initial strategic intent
  - Expansion of DC in Gauteng will enhance our network and further entrench the triangulated network
  - This will also enable further integration of new divisions
- Gauteng DC was designed with growth enablement as its core driver and risk mitigation as a benefit
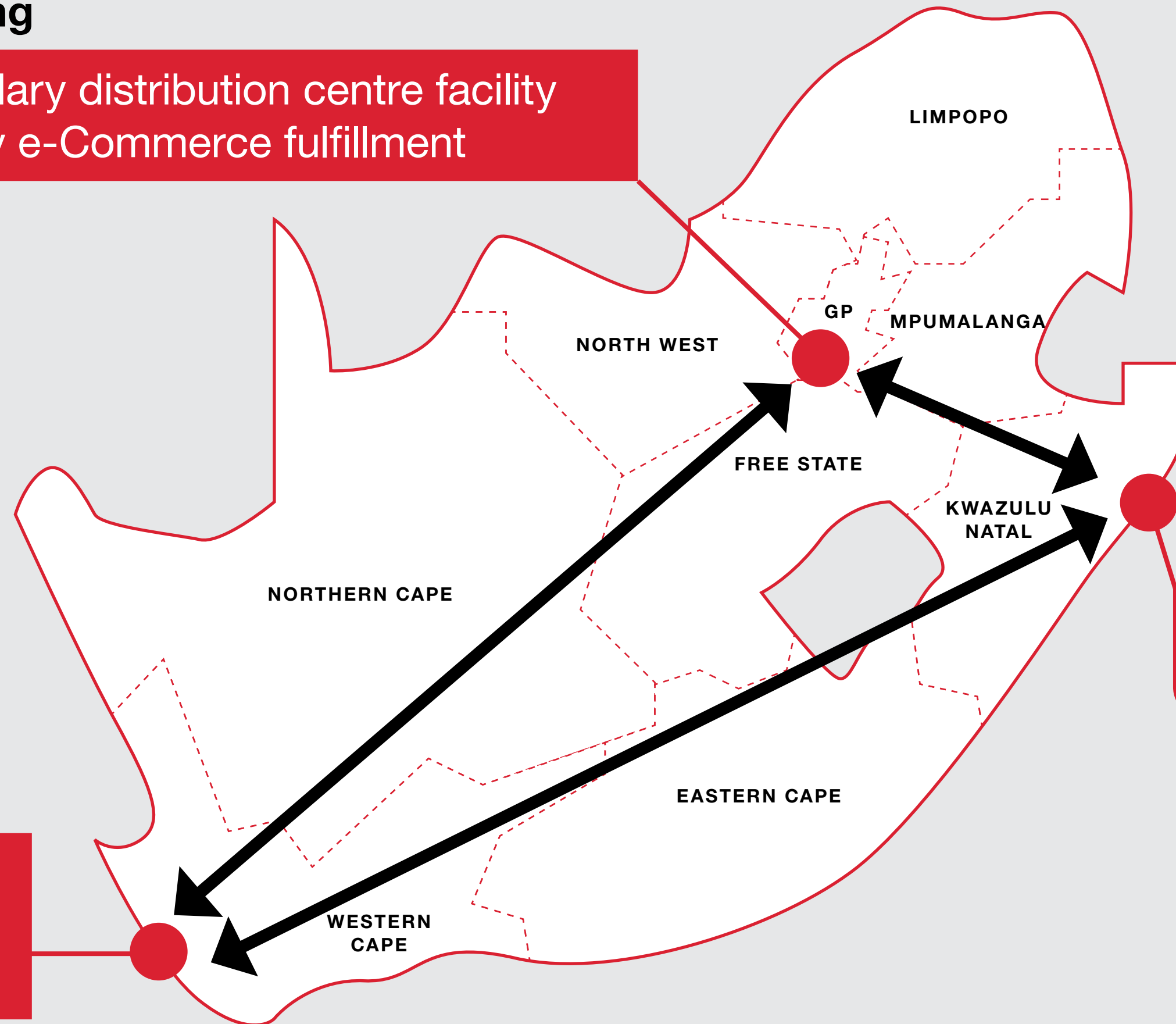
THE GROUP'S DISTRIBUTION CENTRE AND FULFILLMENT NETWORK FOOTPRINT

Completely Triangulated Transport Network

Gauteng

Secondary distribution centre facility
Primary e-Commerce fulfillment

LIMPOPO

GP   MPUMALANGA

NORTH WEST

FREE STATE

KWAZULU NATAL

NORTHERN CAPE

Durban

Primary port
Primary distribution centre facility

EASTERN CAPE

Cape Town

Secondary port
Secondary e-Commerce fulfillment DC
Future group distribution centre

WESTERN CAPE

INTEGRATION IN A MANNER THAT ENSURES VALUE ADD TO THE GROUP & NEW DIVISIONS

PROGRESS

Logistics operational consolidation timeline

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	Processes performed
Mr Price Group DC								Standard operations continue
Power Fashion								Access functionality, network & process for optimisation and integration into group network
Gauteng DC								Manual low volume DC to high volume automated fulfillment facility
Power Fashion								Integrate into group consolidated DC
Studio 88								Assess functionality, network & process for optimisation & integration into group network
Yuppiechef								Integrate Yuppiechef store fulfillment into group network

Enabling growth and unlocking margin opportunities

- Power Fashion's operational transition to Warehouse Management System completed, currently enabling cross DC functionality
- Yuppiechef & Power Fashion outbound transport integrated into group network
- Currently conducting detail transport & inventory deployment studies for Studio 88