



Part 8

By Mark Blair

Strategic positioning

Approach to the next phase of growth









Desired strategic outcomes



		STRATEGIC OUTCOMES								
FRONTLINE Surprise and delight our customers	1	Profitable market share	<ul style="list-style-type: none"> • Growing comp sales • Space growth • Category extensions 	3	Diversified offering	<ul style="list-style-type: none"> • Omni-channel • Differentiated fashion • Value positioning 	5	Operational excellence	<ul style="list-style-type: none"> • Digital & tech leadership • Supply chain • Efficiencies & leverage 	ENABLERS People Operations Sustainability
	2	Customer obsessed	<ul style="list-style-type: none"> • Leading brand equity • Customer engagement • Data insights 	4	Scalable opportunities	<ul style="list-style-type: none"> • Strategy function to continue research • New growth vehicles 	6	Top quartile returns	<ul style="list-style-type: none"> • Disciplined capital allocation framework • Industry leading metrics 	

UNDERPINNED BY SIX STRATEGIC PILLARS

 Growth and Innovation	 Brand Promise	 Stakeholder Engagement	 Strategic Enablement	 People	 Sustainability
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Significant progress made against strategic intent and creation of medium-term growth in SA

Existing business growth framework



COMP GROWTH	NON COMP GROWTH
<p>Sustainable comp growth is key to achieving our long term vision</p> <p>Key part of divisional strategies</p>	<p>This will build off a strong existing base, introducing innovation and accessing new/under-served customer segments</p>
<p>DIVISIONAL FOCUS</p> <ul style="list-style-type: none"> • Comp sales & comp profit growth • Basket builders & frequency of shop • Stock levels and store allocations • Performance of store revamps 	<p>DIVISIONAL FOCUS</p> <ul style="list-style-type: none"> • New store performance • Extended sizes • New categories
<p>GROUP FOCUS</p> <ul style="list-style-type: none"> • Omni-channel: <ul style="list-style-type: none"> - New stores & revamps - e-Commerce enhancements • Central ownership: <ul style="list-style-type: none"> - e-Commerce - Customer experience & brand promise 	<p>GROUP FOCUS</p> <ul style="list-style-type: none"> • Real estate opportunities • Extension of credit offerings • Investment committee to vet opportunities

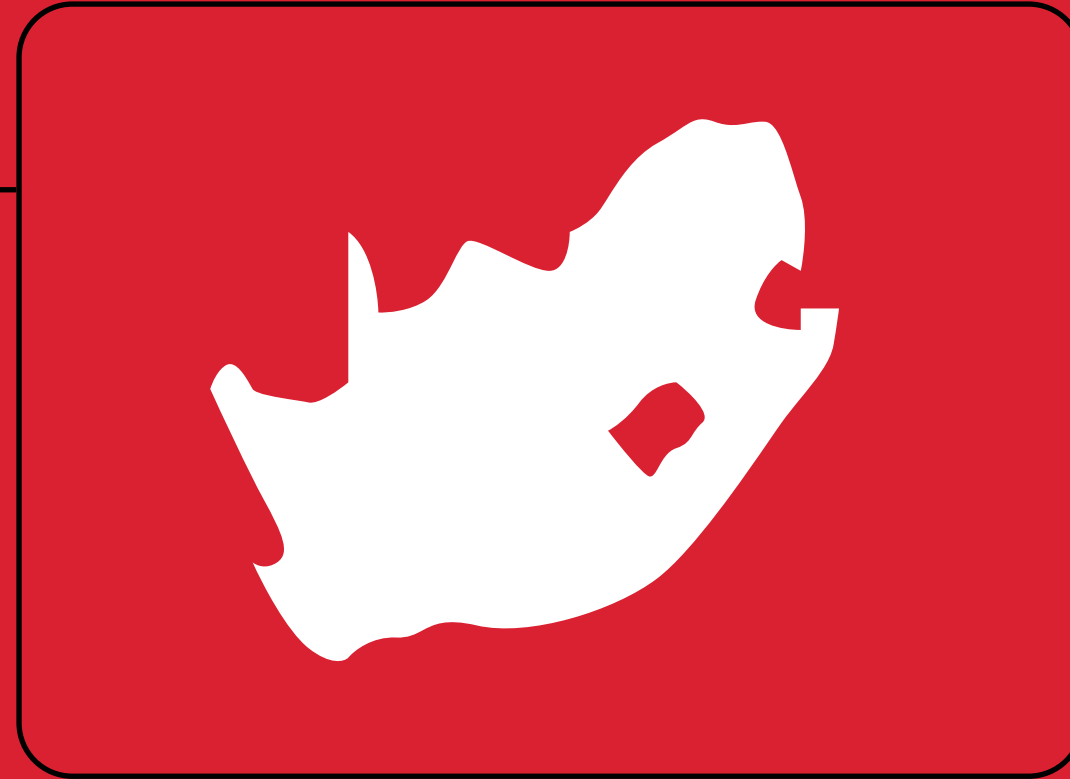




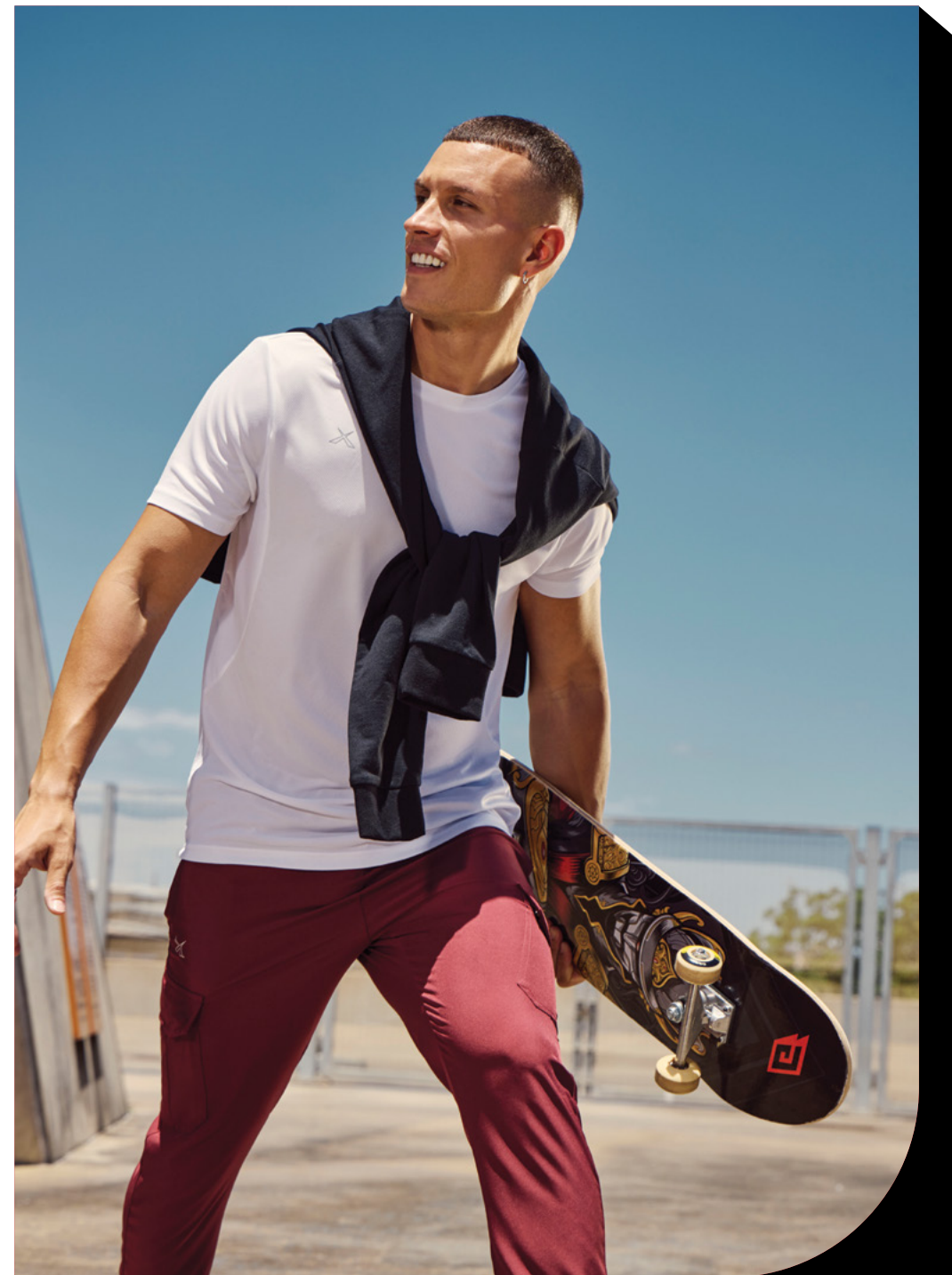
RSA

% of sales

92.2%



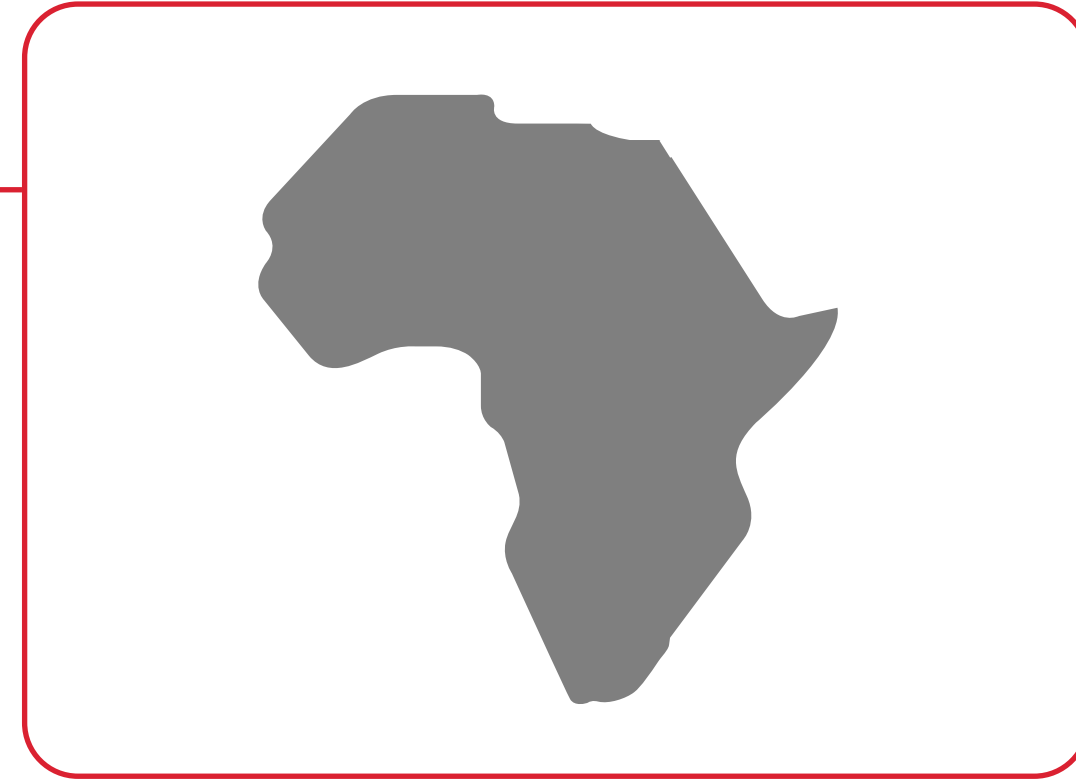
- Primary operations in South Africa
- Group focus is concentrated on extracting value from this market
- Established infrastructure and detailed knowledge of the customer
- Opportunities for growth irrespective of economic cycle
- Improved consumer environment will accelerate growth opportunities



REST OF AFRICA

% of sales

7.8%



- Focus on extracting growth from currently invested markets
- Blend of franchise and corporate owned stores across markets
- Serviced from South African operations
- Complex business environment - will manage investment appropriately





CASH

% of sales

88.9%

- Lowers group exposure to negative credit cycles
- Supports healthy working capital and cash generation
- In line with targeted customer segments preference for cash

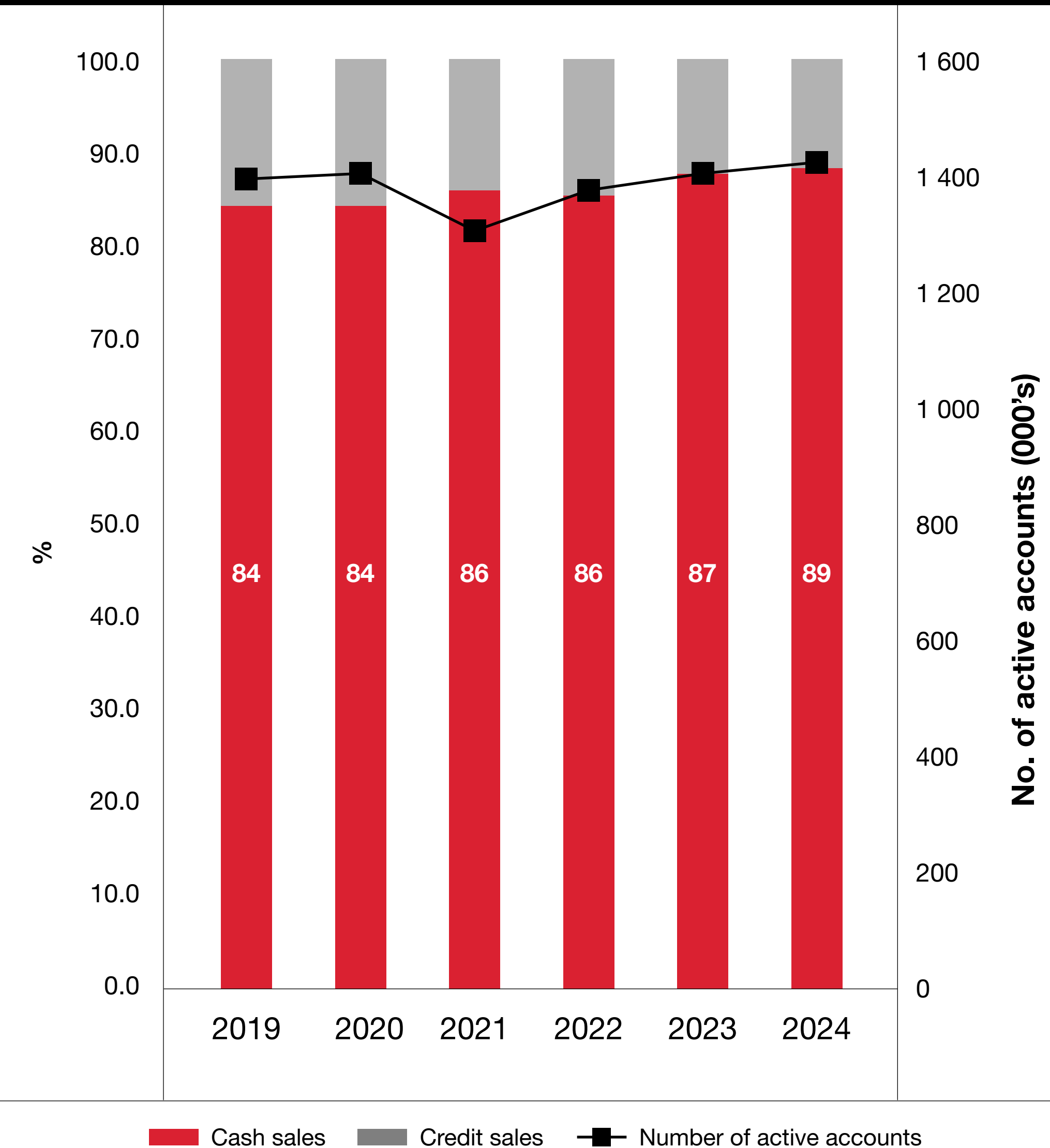
CREDIT

% of sales

11.1%

- Cautious credit risk appetite
- Opportunity for growth in an improved credit cycle
- Data to support timing and risk tolerance
- Credit is an important sales driver:
 - Increases customer accessibility to merchandise
 - Provides valuable customer data
 - Average basket size much higher than cash | R507 vs R340
- Opportunity to expand into acquired businesses

CREDIT SALES AND NUMBER OF ACTIVE ACCOUNTS





BRICKS

+9.9%

5-year CAGR

% of sales **97.9%**

- Growth acceleration since 2021: acquisition and organic opportunities
- Capex investment aligned to the shopping preference of our customers
- Further store growth opportunities exist in each division. Capex allocated to greatest opportunities
- Stores deliver high returns which are carefully monitored

ONLINE

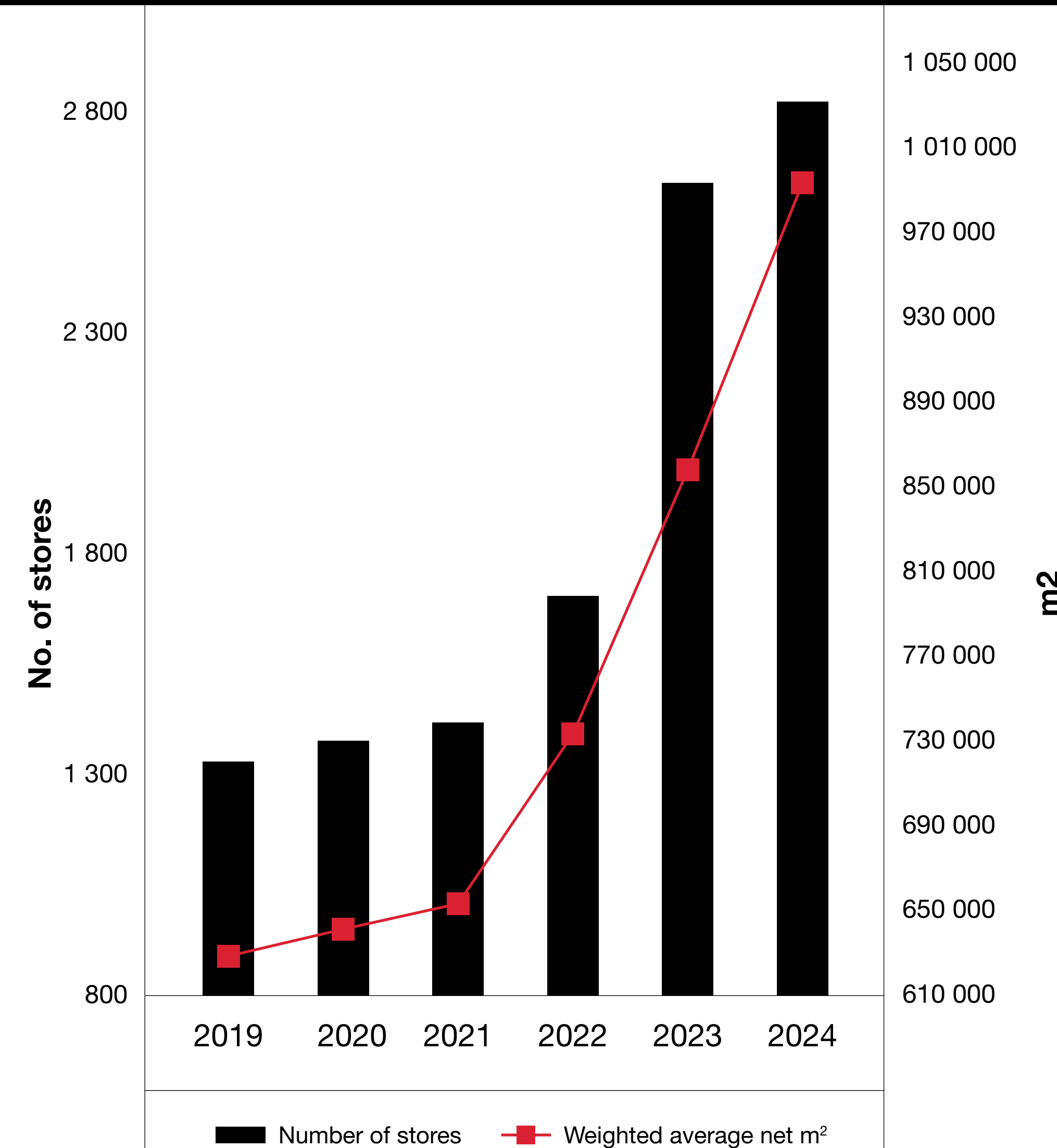
+23.6%

5-year CAGR

% of sales **2.1%**

- Online channel doubled since 2020
- Remains a strategically important channel
- Target customers prefer to engage and browse online, but purchase in-store
- Power Fashion (not present online), Studio 88 (limited offering) – in line with customers' shopping trends
- Excluding Power Fashion and Studio 88, group online contribution is 3.0%

NUMBER OF STORES AND TRADING AREA

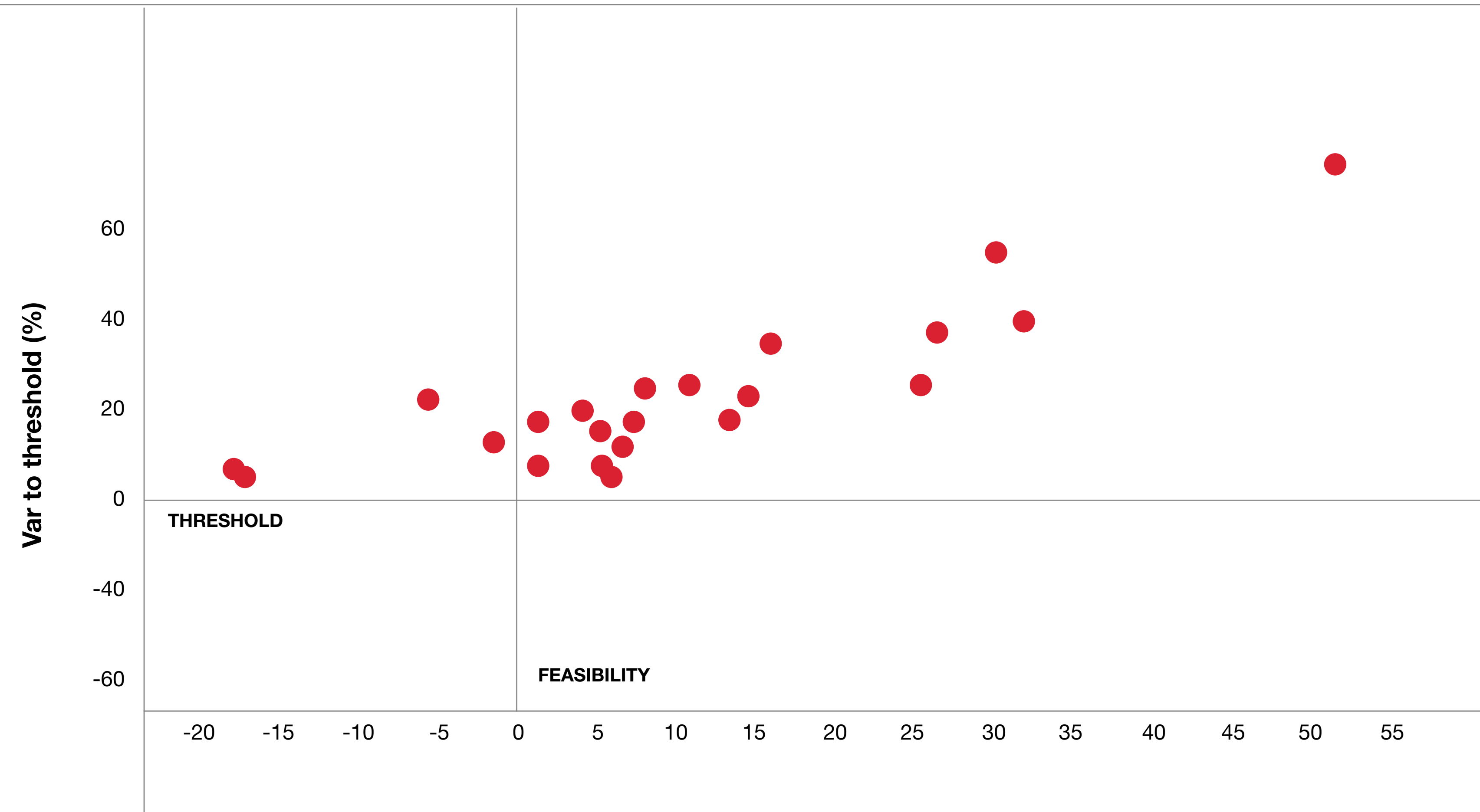




NON COMP NEW STORES | MAY 2024

FEASIBILITY FRAMEWORK

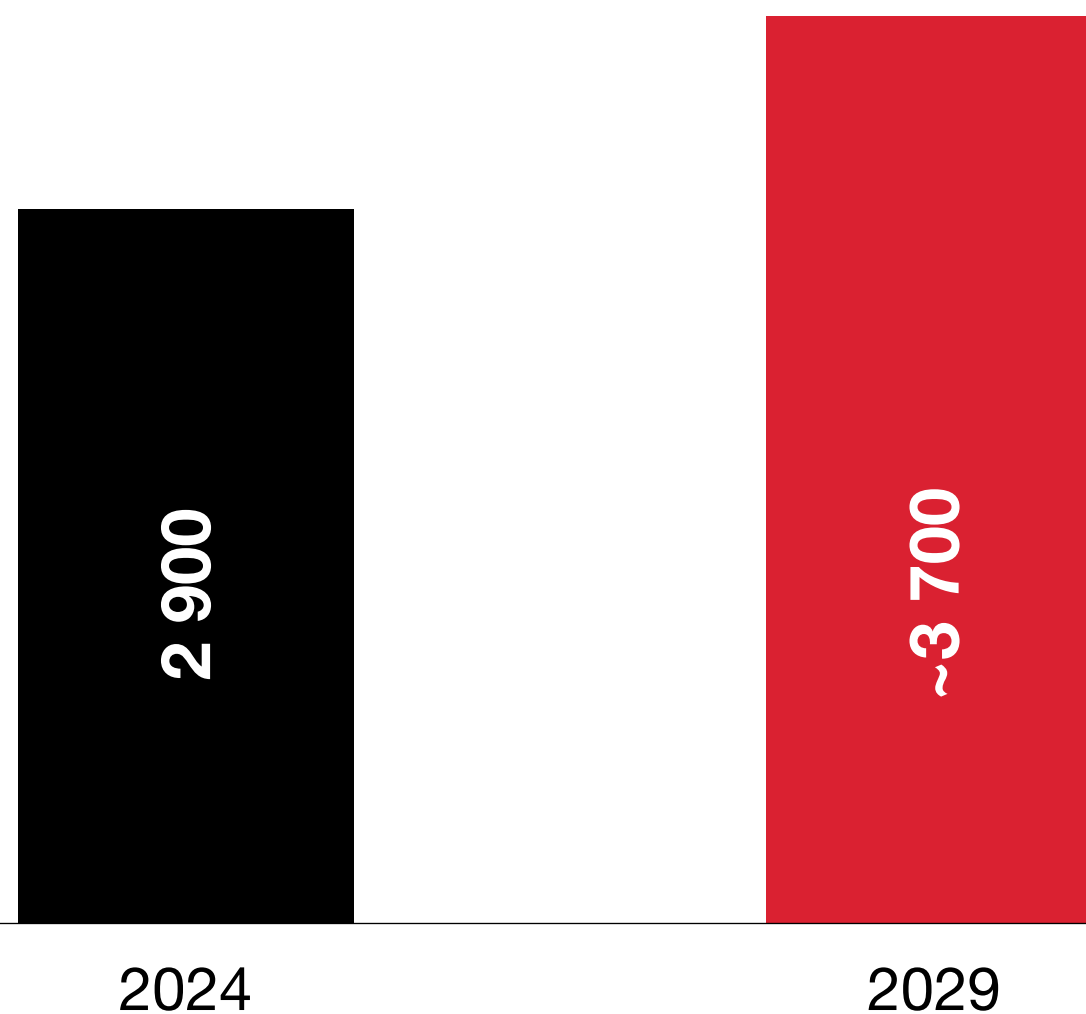
ROOA% var to feasibility & threshold



- Stringent investment process
 - 5-year feasibility outlook
 - Store selection
 - Performance tracking considers total capital employed
- Key metrics
 - Cannabilisation
 - Store contribution
 - ROOA
 - Operating margin
 - Profitability index
 - IRR
- New store ROOA threshold: 45%
- Payback period: 24 months



STORE FOOTPRINT: CURRENT VS FUTURE

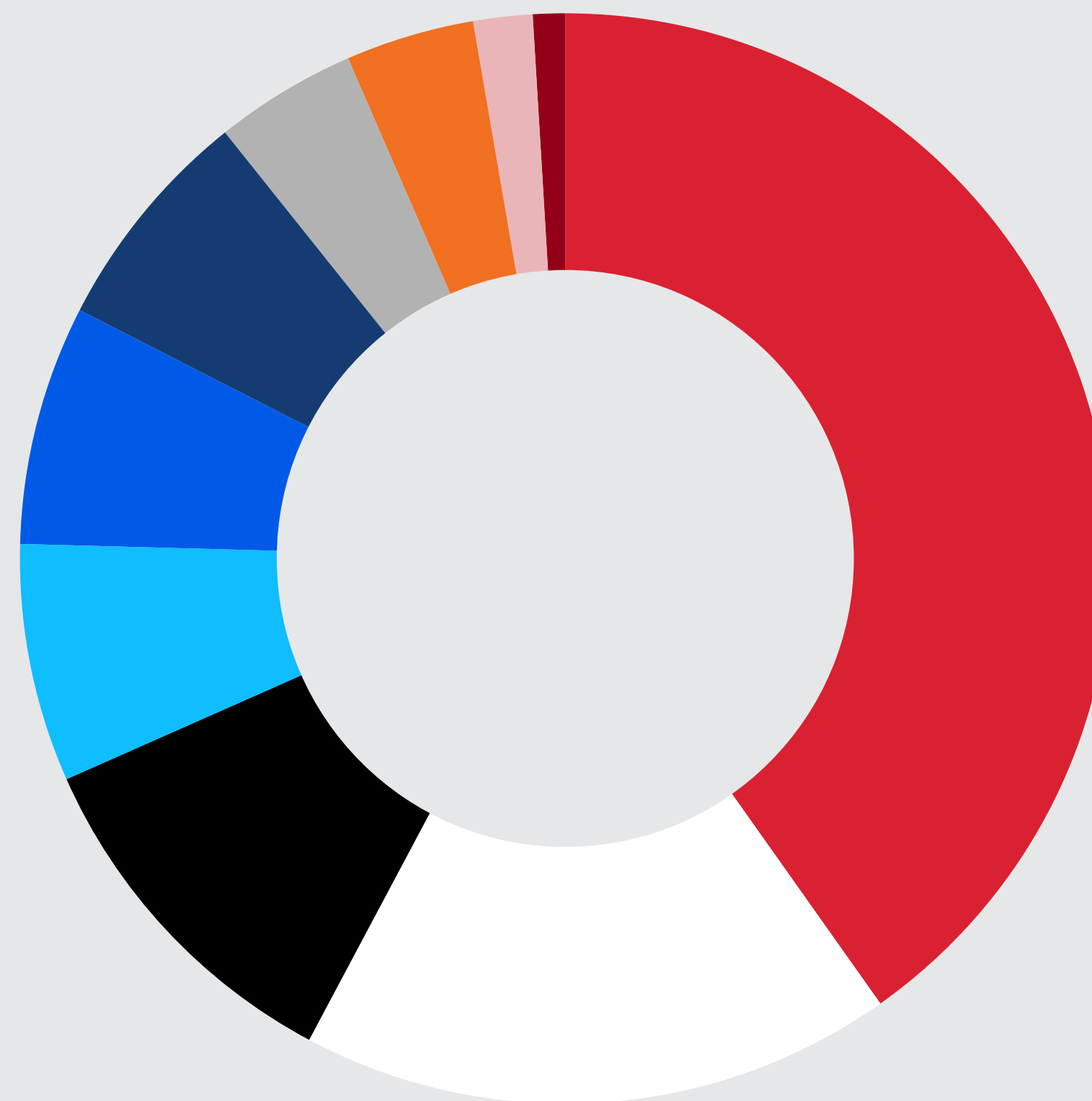


- FY2022-FY2024: average ~200 new stores per year

Invested through the cycle – when economy turns the platform for growth has been strengthened

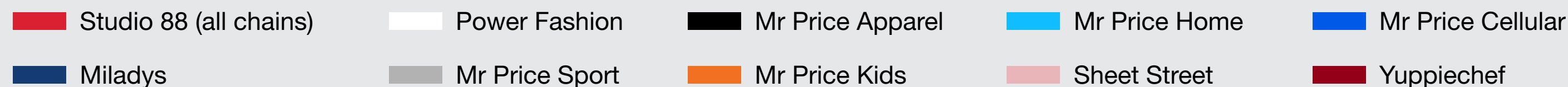
- Strict feasibilities result in very few closures, average of 22 closures across the group per annum

NEW STORE OPENINGS



Space opportunities still exist across the group's portfolio

- In FY2024:
 - 75% of stores were opened in malls smaller than 30 000m²
 - Opportunities across all trading chains
 - o No single chain exceeded 15% of store openings. Power Fashion largest contributor in FY24
- FY2025 onwards:
 - Continued focus on delivering quality space
 - New stores 150 – 175 per year





e-Commerce in South Africa

- Contribution to total retail has increased from 2.9% to 4.7% since 2020
- e-Commerce contribution lagged EM peers, remaining in the low single-digits:
 - Delivery challenges to informal markets
 - Consumers continued preference for in-store shopping
 - Data costs
- SA consumers have an entrenched expectation of multichannel offerings, key to maintain an effective online presence



OUR INVESTMENT REMAINS DRIVEN BY OUR CUSTOMERS AND NOT COMPETITORS



South Africans still value physical shopping experiences, enjoying visits to shopping malls and browsing in stores. Many South Africans compare prices online regularly but prefer shopping in-store for the immediacy of purchase.

Euromonitor 2023

Group response

- Highly profitable omni-channel offering
- Optimal customer convenience: known product fit and quality
- Investment in store experience and click & collect, catering to customer preferences
- Quick delivery times (1 – 3 days) and simple returns process
- Legislation changes impacting pure-play international retailers:
 - 1 September: 20% duty plus VAT
 - 1 November: 45% duty
 - Pricing playing fields to level

What do we still need to invest in for our model:

1. e-Commerce platform enhancements
2. Optimisation of extensive store footprint
3. Improve visibility of stock
4. Evaluation of CRM





COMMITTED TO CAPITAL ALLOCATION FRAMEWORK:

- Allocate cash to highest returning opportunities
 - Invest for the long-term in the most attractive opportunities based on returns and scalability
- Ongoing assessment of dividend policy and share buybacks



Concept considerations: Research to inform capital allocation



Acquisition considerations

- Level of earnings accretion
- Immediate access to new customer or merchandise segment
- Retention of existing management reduces group distraction
- Consider appropriate integration
- Regulatory approvals

Organic considerations

- Excellent opportunity to leverage internal skill and capability
- Ability to differentiate by launching unique and in-demand concepts
- Shape of profits (short-term losses vs size of long-term opportunity)
- Leverage strength of Mr Price and Power Fashion brands

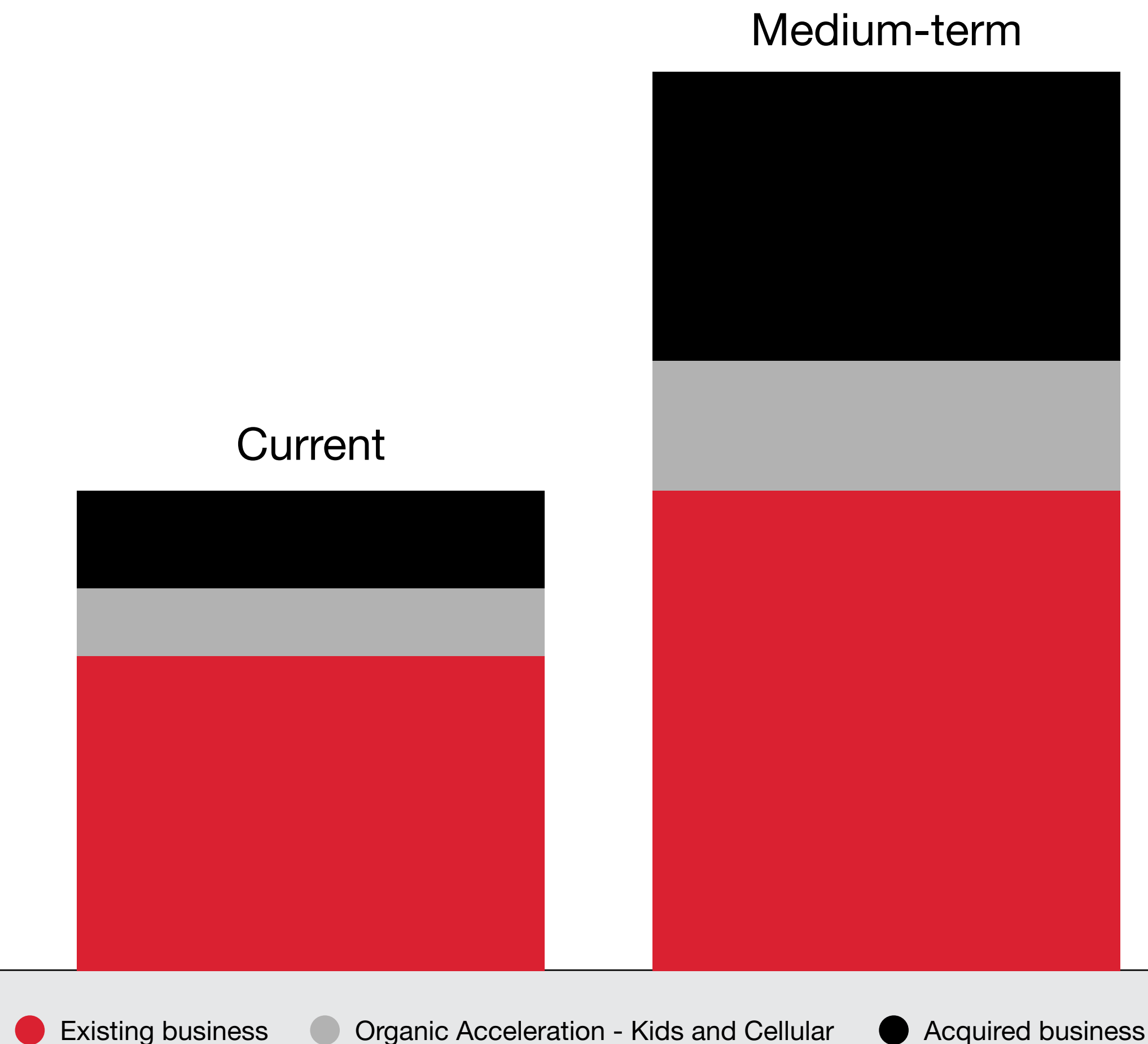


Customer segment considerations: Research to inform capital allocation





STRONG SALES GROWTH OPPORTUNITIES ACROSS THREE KEY AREAS:



- **Growth in core business driven by:**
 - Market share gains/recovery
 - o Gained R1bn in market share in FY24
 - o Gain or maintain in over-indexed categories and grow top 10 under-indexed categories per segment
 - New store opportunities
- **Accelerating growth in Kids and Cellular:**
 - Targeting 500bps gain in Kids market share, underpinned by a growing footprint
 - Targeting 200bps gain in Cellular market share, underpinned by store-in-store, standalone store and private label devices
- **Acquired business to deliver on strategic imperatives:**
 - Store opportunities
 - Expanding product categories
 - Expanding margin via private label, introduction of higher margin categories, stock management and scale

Summary



- A more favourable economic environment will provide consumer tailwinds for the sector
- We remain growth focused and invested through the cycle underpinned by:
 - Growing and regaining market share
 - Investing further in existing stores and customer experience
 - Opening new stores
 - Expanding into new categories
 - Accelerating growth of the organic launches
 - Extracting value from the acquisitions
- Not only about topline
 - Scaling of organic opportunities and acquisitions to drive efficiencies
 - Digital transformation and business process re-engineering to make us smarter retailers
- Focused leadership team
 - Clear structures to deliver value ensuring capacity and skills to navigate increased complexity and volatility
- Research to continue to identify new opportunities
 - Structure in place to deliver focused growth and eliminate distraction

