mr price group limited

Group results and interim cash dividend declaration

FOR THE 26 WEEKS ENDED 28 SEPTEMBER 2024

This short-form announcement is the responsibility of the Mr Price Group Limited board of directors and is a summary of the information in the detailed results announcement available on https://senspdf.jse.co.za/documents/2024/JSE/ISSE/MRPE/21112024.pdf and https://www.mrpricegroup.com and does not contain full or complete details. These documents and the results presentation to the investment community are available on the group's website at www.mrpricegroup.com and copies may be requested from the company secretary (jcheadle@mrpg.com or +27 31 310 8000) at the company's registered office. Any investment decision in relation to the company's shares should be based on the full announcement.

Summary

Revenue	Gross profit	EBITDA
R17.6bn	R6.8bn	R3.5bn
+5.2%	+8.1%	+5.8%
HEPS	**Dividend per share**	**Cash resources**
481.8c	303.6c	R2.2bn
+7.1%	+7.1%	+90.4%

Interim Cash Dividend Declaration

An interim dividend of 303.6 cents per share (242.88 cents net of dividend withholding tax of 20% for shareholders who are not exempt) was declared. The dividend has been declared from income reserves. The salient dates for the dividend are as follows:

Last date to trade 'cum' dividend	Tuesday	10 December 2024
Date trading commences 'ex' dividend	Wednesday	11 December 2024
Record date	Friday	13 December 2024
Payment date	Tuesday	17 December 2024

Note:
Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 11 December 2024 and Friday, 13 December 2024, both dates inclusive.

Commentary: Profitable market share gains and strong momentum into H2

For the 26 weeks ended 28 September 2024 ("Period"), Mr Price Group increased total revenue by 5.2% to R17.6bn. The group gained 60bps of market share, as its retail sales growth of 5.1% outperformed the comparable market's sales growth of 2.2% (RLC: April 2024 - September 2024). These gains were achieved with a gross margin expansion of 110bps to 39.7%.

Basic and headline earnings per share of 481.5 cents and 481.8 cents were up 7.3% and 7.1% respectively. Diluted headline earnings per share grew 6.5% to 468.0 cents.

While there were macroeconomic positives of no loadshedding, increased political stability and the appreciation of the Rand, the earnings performance during the Period is reflective of the continued constraint on consumer affordability levels. Negative real wage growth and low disposable income growth remained weighed down by the effects of previously prolonged periods of high inflation, elevated interest rates and high consumer debt servicing levels.

The resilience of the group's EDLP model through a persistently challenging retail environment is highlighted by its market share performance. The group gained market share in 5 out of 6 months, only losing share in the highly promotional month of July as competitor winter merchandise was discounted (the group gained GP margin in July). The group has now gained market share for four consecutive quarters.

Group CEO, Mark Blair, said: "The financial year started with a very challenging first quarter, impacted by a contraction in the economy caused by uncertainty prior to the national elections and the late onset of winter. We are very satisfied with our overall market share performance which was supported by higher gross margins in all three trading segments. The increasing sales momentum in the second quarter and the strong start in the second half with sales up 12.4% in the first 7 weeks is encouraging and hopefully early signs that South Africa is entering an upward economic cycle."

An interim dividend of 303.6 cents per share was declared, up 7.1% and a pay-out ratio of 63% was maintained.

Group results summary

Group retail sales of R16.9bn increased 5.1% (Q1: 4.9%; Q2: 5.3%) and comparable store sales increased 0.4% (Q1: 0.1%; Q2: 0.7%), reflecting improving momentum through Q2. Other income of R636m was up 4.8% and finance income of R91m increased 59.4% as the group's cash balance of R2.2bn continues to build post the Studio 88 acquisition.

Group store sales increased 5.1% and online sales 4.0%. The group's focused investment in its omni-channel offering, aligned with its customers' preference for in-store shopping, supported its consistent achievement of being ranked as the most shopped retailer in South Africa (MAPS 2024). Total unit sales increased 2.0% and retail selling price (RSP) inflation was contained at 2.7% as the group continued to deliver on its leading value proposition for its customers.

The store footprint at the end of the Period closed at 2 958 stores, increasing by 92 new stores across the group's 15 trading chains. Weighted average trading space increased 4.9%. On 27 November, the group will open its 3000th store, a significant milestone which represents decades of focused capital investment, growth, and an unyielding commitment to bringing fashion-value to South Africans.

Cash sales constituted 88.1% of group retail sales and increased 5.1%. Despite the Transunion Consumer Credit Index showing early signs of recovery, the group's credit sales growth of 2.7% reflects an ongoing prudence in extending new credit accounts in the current environment. Demand for credit from consumers remained high as new account applications increased 32.6%, however the approval rate of 19.0% was appropriate based on customer affordability constraints. The group will continue to review its credit growth appetite as the environment improves, supported by additional interest rate cuts.

The group's gross profit margin increased 110bps to 39.7%. All segments reported expanded margins, supported by lower markdowns due to strong merchandise execution and a clean winter season exit. Continued discipline on merchandise execution and focus on stock management have been instrumental in delivering positive margin gains.

Profit from operating activities increased 4.0% to R2.0bn. Total expenses increased 9.2% as the group continued its space growth investment (new weighted average space growth of 6.1%). Operating margin decreased 10bps to 11.4% of retail sales and other income, mainly attributable to the challenging Q1 sales environment. The group's operating margin in H1 is typically seasonally lower than H2.

The Financial Services segment's revenue increased 6.4% to R472m. Debtors' interest and fees were up 6.0% and Mr Price Insurance increased 7.3%. Persistent tightening of the credit granting scorecard through this challenging cycle has enabled the group to keep its net bad debt to book ratio at industry low levels and remains adequately provided for. While there may be opportunity in an improving credit cycle, the group remains cautious in its credit granting posture and will be led by customer affordability metrics.

Inventory management remains an area of key focus across the group which supported its ability to exit the winter season in a clean position and minimise end of season markdowns. Gross inventory growth of 13.6% at the end of the Period was driven by the early arrival of stock ahead of the festive period to ensure that global supply chain disruption was minimised. Excluding goods in transit, inventory was up 9.5%. Stock freshness (0 - 3 months ageing) at the end of the Period of 86.5% was significantly higher than the prior period of 81.0%.

Capital expenditure of R383m was primarily allocated towards new stores and revamps. The annual capex forecast of approximately R1bn and 200 stores remains. The group's cash conversion ratio increased to 83.7% and it ended the Period debt free and with available cash of R2.2bn.

Outlook

South Africa's economic outlook has improved since the general elections in May. A collaborative Government of National Unity has brought renewed optimism and has established a platform to support higher economic growth.

The group anticipates that the persistence of economic and consumer pressures experienced in H1 will begin to ease. Lower inflation, interest rate cuts and the implementation of the two-pot retirement system will buoy disposable income and discretionary spending.

The group planned its festive season inventory intake early to mitigate supply chain risks and ensure that it has optimal stock levels. Early signs of a recovery in the retail environment were seen in Q2 with improving sales growth in all 3 months. September closed with sales growth of 6.6% and this momentum continued into October with sales up 11.5% ahead of the market's 7.4%, resulting in further market share gains of 60bps for the group. The first two weeks of November started strongly with sales increasing 14.7%. All trading segments delivered double digit growth in the seven week period to 16 November and recorded improvements in GP margin.

The group is confident that it can continue to execute strongly and deliver appealing fashion-value merchandise at everyday low prices. Delivering profitable market share gains and returns in line with the group's annual medium-term targets remain key strategic outcomes in H2.

The festive trading period is a key time in the retail trading calendar and places additional demand on all components of the business. Management is confident in the strength of its team across the organisation and is satisfied with the careful planning undertaken to ensure that its merchandise and operational outcomes can be achieved.

The group has continued to invest through the negative economic cycle and in the last five years has invested nearly R10bn in capital expenditure and acquisitions, while returning R8.6bn to shareholders as dividends, all from cash generated in the business. The company remains debt free and is well positioned to capitalise on an improving consumer environment. Considerable progress has been made in identifying opportunities to lead the group into its next phase of growth and pursuit of its long-term vision.

The group will report its voluntary Q3 trading update in late January 2025.

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Mr Price Group Limited	Registration Number: 1933/004418/06 - Incorporated in the Republic of South Africa - ISIN: ZAE000200457 - JSE/A2X code: MRP
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Transfer Secretaries	Computershare Investor Services (Pty) Ltd