mr price group limited

Final Results - Supplementary Information
52 weeks ended 1 April 2017

Index	Page

Mr Price Group Limited
(Incorporated in the Republic of South Africa)
Registration number: 1933/004418/06
Tax reference number: 9285/130/20/0
JSE code: MRP
ISIN: ZAE000200457

Registered Office
Upper Level, North Concourse
65 Masabalala Yengwa Avenue
Durban, 4001

PO Box 912, Durban, 4000

Website
www.mrpricegroup.com

Sponsor
Rand Merchant Bank (a division of FirstRand Bank Limited)

Transfer Secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 16 Biermann Avenue, 2196, Rosebank, Johannesburg
PO Box 61051, Marshalltown, 2017

Auditors
Ernst & Young Inc.

PRESS RELEASE

MR PRICE GROUP LIMITED RESULTS FOR THE YEAR ENDED 1 APRIL 2017
(Commentary based on comparable 52 on 52 week trading periods - unaudited)

[Durban, 30 May 2017], Diluted headline earnings per share of 887.9 cents represents a decrease of 10.4% on the previous year. "This was the Group's first earnings decrease in 16 years during a very difficult trading period," said CEO Stuart Bird. The annual dividend per share has been maintained at 667c, with the final dividend of 438.8c per share up 4.7%. Annual dividends have not declined in the last 31 years.

Free cash flow increased 131% to R1.8bn and cash resources at period end were R1.8bn. The company's cash based business model has enabled it to maintain its dividend track record and fund capital expenditure of R2bn in the last two years to build the necessary infrastructure to support its growth plans. This includes funding the full cost of the new distribution centre without incurring debt.

The year proved to be exceptionally challenging for the retail sector. Consumer confidence remained low as a result of the poor state of the local economy and a lack of faith in the current political leadership's ability to set high standards of governance and deliver inclusive growth. Cabinet reshuffles and downgrades by ratings agencies have caused further exchange rate volatility, which the consumer ultimately has to absorb. As a result, the retail environment has become more competitive, with any growth in a stagnant market coming from increased market share. This has led to retailers in our sector increasing their promotional activity to drive sales and manage stock levels.

Total revenue increased 0.7% to R19.8bn, with retail sales decreasing 0.5% (comparable stores -3.6%) to R18.6bn. Local online sales continued to perform well and were 13.0% higher. Sales growth in the fourth quarter was impacted by the Easter school holidays, which were in March in 2016 and in April in 2017. Cash sales were level with the previous year and constitute 83.3% of total sales. Credit sales were 3.1% lower, however initiatives introduced as a result of the new credit regulations gained traction in the second half of the year. New accounts opened in H2 increased by 26.5% and sales to new credit customers were up 36.4%, however were still lower than those recorded prior to the new credit regulations being introduced. Selling price inflation was 10.7% and unit sales were 10.7% lower. New trading space increased 2.9% and 2.6% after closures and reductions.

Other income, derived mainly from the financial services division, MRP Money, increased 25.1% to R1.1bn, driven by cellular which increased 55.1%, insurance 13.1% and debtors' revenue 10.6%.

The merchandise gross profit margin decreased 1.3% to 40.6%, mainly due to higher markdowns in MRP Apparel. The other retail divisions held or increased their gross profit margins and the cellular margin improved from 6.4% to 15.7%. Selling and administrative expenses were well controlled, increasing 3.1% excluding foreign exchange differences and the write down of assets.

Operating profit increased in four of the six trading divisions, despite the challenges brought about by a poor economy and resulting constrained consumer environment. However, MRP Apparel and Miladys underperformed.

In the group's largest chain, MRP Apparel, sales of R10.9bn were 1.7% lower (comparable -4.7%). In the earlier part of the year, the product offer did not resonate with customers and competitor promotional activity during the mild winter brought prices closer to ours. There was an improvement in sell-off rates of high summer product, but the clearance of slower-moving older stock impacted performance. Limiting overhead growth below the inflation rate was insufficient to offset the decline in sales and gross profit, and operating profit declined.

MRP Sport increased sales 7.7% (comparable -1.8%) to R1.4bn, performing strongly in the first half with sales increasing 13.3%. Although softening second half trade required higher markdowns to manage stock levels, annual profit growth was achieved.

Miladys sales of R1.3bn were 5.3% lower (comparable -6.9%). The change in merchandise fashion pitch to refocus on its core customer is well on track. While sales in the first half of the year were 11.0% lower, they were on a par with the previous year in the second half. Operating profit increased in the second half, but declined on an annual basis despite a higher gross profit percentage and good cost control. Double digit sales growth was achieved in March.

The home chains experienced headwinds due to the discretionary nature of their products. This was confirmed by Stats SA which reported a 0.3% decline in type E retail sales to March 2017. MRP Home increased sales 0.9% (comparable -2.4%) to R3.4bn. The division achieved profit growth via an improved gross profit margin and controlling overheads. Sheet Street sales increased 3.8% (comparable 3.3%) to R1.5bn. The division reported solid profit growth in both reporting periods due to a higher gross profit margin and excellent overhead control.

MRP Money, the financial services division, delivered double-digit profit growth. Sound credit management resulted in a net bad debt to retail book ratio improving to 5.3%. The provision for impairment of the debtors' book of 7.3%

is in line with last year. Insurance and cellular also performed well, with the latter including a R15m swing into profitability in the MRP Mobile joint venture.

Any improvement in the consumer environment is likely to be gradual. We are therefore focused on the most significant near-term opportunity, which is to regain lost market share. Despite the current poor trading environment, the group should have achieved better relative performance over the past year. However, there are already encouraging signs in the new financial year, with the best sales performances coming from MRP Apparel and Miladys, which experienced sales and profit declines last year. The combined sales growth in these two chains for the 8 weeks to 27 May 2017 exceeded 10%. Net inventories at year end were 3.0% lower than last year and are generally in better shape, which augurs well for future gross margin performance. The group plans to open 48 stores in the new financial year.

Our major internal projects are focused on enabling growth and will continue to receive the necessary priority. The new distribution centre has been an exceptionally well executed assignment and the “go live” in June will be a significant event. It will greatly improve distribution to stores utilising the latest technology and will allow the two current distribution centres to be brought under one roof in a 57 000 m^2 facility.

We will continue to pursue our international growth strategy and expect to have a clearer view of the potential of the Nigerian and Australian markets by year-end. Organic growth will be supported by acquisitive growth, should our specific requirements be met.

Our customer-centric strategy of ensuring we deliver wanted merchandise at great value continues to be central to our activities. We are confident that with our proven business model and our talented staff we will continue to bring value to our customers and worth to our partners.

The group has achieved a 31 year compound annual growth rate in headline earnings and dividends per share of 21.6% and 23.8% respectively. While the past year was well below the historical average the management team is committed, despite the tough economic environment, to returning to the past performance pattern.

ENDS

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FINAL CASH DIVIDEND DECLARATION

Notice is hereby given that a final gross cash dividend of 438.8 cents per share has been declared for the 52 weeks ended 1 April 2017. As the dividend has been declared from income reserves, shareholders, unless exempt or who qualify for a reduced withholding tax rate, will receive a net dividend of 351.04000 cents per share. The dividend withholding tax rate is 20%.

The issued share capital at the declaration date is 255 464 880 listed ordinary and 9 476 081 unlisted B ordinary shares. The tax reference number is 9285/130/20/0.

The salient dates for the dividend will be as follows:

Last date to trade 'cum' the dividend	Tuesday	20 June 2017
Date trading commences 'ex' the dividend	Wednesday	21 June 2017
Record date	Friday	23 June 2017
Payment date	Monday	26 June 2017

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 21 June 2017 and Friday, 23 June 2017, both dates inclusive.

The dividend was approved on behalf of the Board on 29 May 2017 in Durban by:

NG Payne - Chairman
SI Bird - Chief Executive Officer

DIRECTORS

SB Cohen* (Honorary Chairman), NG Payne* (Chairman), SI Bird (CEO), MM Blair (CFO), N Abrams*^, M Bowman*, SA Ellis^, K Getz*, MR Johnston*, RM Motanyane*, D Naidoo*, MJD Ruck*, WJ Swain*

* Non-executive director ^ Alternate director

AUDITED GROUP RESULTS FOR THE 52 WEEKS ENDED 1 APRIL 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'm	2017 1 April	2016 2 April
Assets		
Non-current assets	**2 577**	2 241
Property, plant and equipment	**2 130**	1 672
Intangible assets	**356**	373
Long-term receivables and other investment	**23**	18
Defined benefit fund asset	**48**	41
Deferred taxation assets	**20**	137
Current assets	**6 338**	5 822
Inventories	**2 102**	2 168
Trade and other receivables	**2 207**	2 136
Derivative financial instruments	**14**	-
Reinsurance assets	**129**	99
Taxation	**63**	-
Cash and cash equivalents	**1 823**	1 419
Total assets	**8 915**	8 063
Equity and liabilities		
Equity attributable to shareholders	**6 729**	5 620
Non-current liabilities	**335**	244
Lease obligations	**199**	174
Deferred taxation liabilities	**59**	8
Long-term liabilities	**51**	36
Post retirement medical benefits	**26**	26
Current liabilities	**1 851**	**2 199**
Trade and other payables	**1 713**	**1 987**
Derivative financial instruments	**31**	**118**
Reinsurance liabilities	**41**	**30**
Current portion of lease obligations	**21**	**60**
Taxation	**6**	**4**
Bank overdrafts	**39**	-
Total equity and liabilities	**8 915**	8 063

CONDENSED CONSOLIDATED INCOME STATEMENT

R'm	**2017 1 April 52 weeks**	2016 2 April 53 weeks	53 weeks % change
Revenue	**19 763**	20 004	(1.2)
Retail sales	**18 575**	19 038	(2.4)
Other income	**1 104**	885	24.8
Retail sales and other income	**19 679**	19 923	(1.2)
Costs and expenses	**16 631**	16 320	1.9
Cost of sales	**11 365**	11 314	0.5
Selling expenses	**3 995**	3 848	3.8
Administrative and other operating expenses	**1 271**	1 158	9.7
Profit from operating activities	**3 048**	3 603	(15.4)
Net finance income	**82**	81	0.8
Profit before taxation	**3 130**	3 684	(15.0)
Taxation	**867**	1 042	(16.8)
Profit after taxation	**2 263**	2 642	(14.3)
Loss attributable to non-controlling interests	**-**	3	
Profit attributable to equity holders of parent	**2 263**	2 645	(14.5)
Weighted average number of shares in issue	**255 793**	252 786	
Earnings per share (cents)			
- basic	**884.6**	1 046.5	(15.5)
- headline	**911.4**	1 057.8	(13.8)
- diluted basic	**861.9**	1 002.1	(14.0)
- diluted headline	**887.9**	1 012.9	(12.3)
Dividends per share (cents)	**667.0**	667.0	0.0

The 2016 financial year included an additional trading week. Refer to page 12 for a 52/52 weeks analysis.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'm	**2017 1 April 52 weeks**	2016 2 April 53 weeks
Profit attributable to equity holders of parent	**2 263**	2 642
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation adjustments	**(83)**	31
Net gain/(loss) on hedge accounting	**68**	(85)
Items that will not be reclassified subsequently to profit or loss:		
Defined benefit fund net actuarial gain/(loss)	**2**	(2)
Total comprehensive income	**2 250**	2 586

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'm	**2017 1 April**	2016 2 April
Total equity attributable to shareholders at beginning of the year	**5 620**	5 021
Total comprehensive income for the year	**2 250**	2 589
Treasury share transactions	**435**	(500)
Recognition of share-based payments	**112**	105
Dividends to shareholders	**(1 688)**	(1 592)
Non-controlling interests	**-**	(3)
Total equity attributable to shareholders at end of the year	**6 729**	5 620

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'm	**2017 1 April 52 weeks**	2016 2 April 53 weeks
Cash flows from operating activities		
Operating profit before working capital changes	**3 081**	3 596
Working capital changes	**(251)**	(813)
Net interest received	**433**	465
Taxation paid	**(689)**	(1 340)
Net cash inflows from operating activities	**2 574**	1 908
Cash flows from investing activities		
Net receipts advances in respect of long-term receivables	**(4)**	(12)
Acquisition of other investment	**(1)**	-
Additions to and replacement of intangible assets	**(96)**	(119)
Property, plant and equipment		
- replacement	**(121)**	(104)
- additions	**(588)**	(921)
- proceeds on disposal	**1**	2
Net cash outflows from investing activities	**(809)**	(1 154)
Cash flows from financing activities		
Increase in long-term liabilities	**15**	22
Treasury share transactions	**335**	(553)
Dividends to shareholders	**(1 688)**	(1 592)
Net cash outflows from financing activities	**(1 338)**	(2 123)
Change in cash and cash equivalents	**427**	(1 370)
Cash and cash equivalents at beginning of the year	**1 419**	2 764
Exchange (losses)/gains	**(62)**	25
Cash and cash equivalents at end of the year	**1 784**	1 419

SEGMENTAL REPORTING

For management purposes, the Group is organised into business units based on their products and services, and has four reportable segments as follows:

- The Apparel segment retails clothing, sportswear, footwear, sporting equipment and accessories;
- The Home segment retails homewares;
- The Financial Services and Cellular segment manages the Group's trade receivables and sells financial services and cellular products; and
- The Central Services segment provides services to the trading segments including information technology, internal audit, human resources, group real estate and finance.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Net finance income and income taxes are managed on a group basis and are not allocated to operating segments.

	2017	2016	
	1 April	2 April	
R'm	**52 weeks**	53 weeks	% change
Retail sales and other income			
Apparel	**13 685**	14 139	(3.2)
Home	**4 914**	4 922	(0.2)
Financial Services and Cellular	**1 064**	854	24.6
Central Services	**16**	8	112.6
Total	**19 679**	19 923	(1.2)
Profit from operating activities			
Apparel	**1 994**	2 630	(24.2)
Home	**822**	793	3.6
Financial Services and Cellular	**387**	345	12.2
Central Services	**(155)**	(165)	(6.2)
Total	**3 048**	3 603	(15.4)
Segment assets			
Apparel	**2 371**	2 424	(2.2)
Home	**771**	696	10.7
Financial Services and Cellular	**2 120**	2 001	5.9
Central Services	**3 653**	2 942	24.2
Total	**8 915**	8 063	10.6

SUPPLEMENTARY INFORMATION

	2017 **1 April**	2016 2 April
Total number of shares issued (000)	**264 941**	264 629
Number of Ordinary shares (000)	**255 196**	253 684
Number of B Ordinary shares (000)	**9 745**	10 945
Less: shares held by share trusts (000)	**6 352**	11 099
Net number of shares in issue (000)	**258 589**	253 530
Weighted average number of shares in issue (000)	**255 793**	252 786
Net asset value per share (cents)	**2 602**	2 217
Reconciliation of headline earnings (R'm)		
Attributable profit	**2 263**	2 645
Loss on disposal and impairment of property, plant and equipment and intangible assets	**95**	40
Taxation adjustment	**(27)**	(11)
Headline earnings	**2 331**	2 674

Notes:

1. These preliminary consolidated results, for which the Directors take full responsibility and which is not itself audited, have been correctly extracted from the audited annual financial statements upon which Ernst & Young Inc. has issued an unqualified opinion. A copy of the opinion and the Group annual financial statements are available for inspection at the Company's registered office. The results have been prepared under the supervision of Mr MM Blair, CA(SA), Chief Financial Officer.

2. The accounting policies and estimates applied are in compliance with IFRS including IAS 34 Interim Financial Reporting, as well as the SAICA Financial Reporting Guides and Financial Pronouncements as issued by the Financial Reporting Standards Council and are consistent with those applied in the 2016 annual financial statements. All new and revised Standards and Interpretations that became effective during the period were adopted and did not lead to any material changes in accounting policies.

   In the previous financial year, (January 2016) the Group applied Cash Flow Hedge Accounting under IAS39 with gains/ losses arising from fair value adjustments being recognised in OCI. Subsequently these amounts were to be reclassified to profit or loss when the hedged item affects profit or loss (recycling method). In the current year the Group decided to change its treatment of amounts previously recognised in equity in an effort to provide more reliable information to the users of the Annual Financial Statements. The result of the change is that when the hedged item is a non-financial asset or non-financial liability, the amounts recognised in OCI are transferred to the initial carrying amount of the non-financial asset or liability (basis adjustment method).

   This change has had no impact on the statement of comprehensive income, statement of financial position, statement in changes of equity or the statement of cash flows on previously reported financial statements as the amounts recognised in equity at the end of the previous financial year related only to fair value gains/losses on open hedging instruments for which the underlying hedged transaction had not yet taken place.

3. The fair value of FECs as calculated by the banks is measured using a forward pricing model. The significant inputs into the Level 2 fair value of FECs are yield curves, market interest rates and market foreign exchange rates. The estimated fair values of recognised financial instruments approximate their carrying amounts.

4. The financial statements have been prepared in accordance with the Companies Act of South Africa.

5. There was an allotment and issue in May 2016 of 2 312 013 shares to various share option schemes.

6. 2 000 000 shares were repurchased in terms of a special resolution approved by shareholders at the annual general meeting on 31 August 2016. These shares were subsequently cancelled and returned to the status of authorised and unissued.

7. Mark Bowman was appointed as an independent non-executive director on 28 February 2017.

8. The matter raised by SARS in 2009, in which SARS intends to hold the company accountable as the 'deemed importer' in relation to the underpayment of import duties in 2005 and 2006 by one of its previous suppliers to the amount of R43.6 million, remains outstanding.

9. On 19 May 2017 the company received notification from the National Credit Regulator that it has been referred to the National Consumer Tribunal as a consequence of allegedly contravening sections 90, 100, 101(1)(a) and 102(1) of the National Credit Act, 2005. An independent audit is required of all customers who were charged club fees as part of a credit agreement since 2007. For the year ended 1 April 2017, club fees charged by Miladys represented 0.1% of group turnover. The relief sought further includes the imposition of a fine in the amount of 10% of annual turnover. Initial legal advice is that the NCR has no rational basis for the relief sought. Accordingly the application will be opposed and an opposing affidavit will be filed by the deadline of 8 June 2017.

IMPACT OF 53rd WEEK IN THE PRIOR YEAR

The Group manages its retail operations on a 52 week retail calendar basis, and as a result, a 53rd week is required every five years for calendar realignment purposes.

The prior year included the 53rd week for statutory reporting purposes. The analysis below facilitates comparison against the 52 week pro-forma financial information. The 53rd week adjustments were calculated with reference to actual turnover and cost of sales for the 53rd week (27 March to 2 April 2016), expenses based on an assessment of management information and an effective tax rate of 31%, all attributable to the appropriate segments.

Consolidated Statement of Profit and Loss

R'm	2017 1 April 52 weeks	2016 2 April 53 weeks	2016 26 March 52 weeks	% change 53 weeks	**% change 52 weeks**
Revenue	19 763	20 004	19 628	(1.2)	**0.7**
Retail sales	18 575	19 038	18 665	(2.4)	**(0.5)**
Other income	1 104	885	882	24.8	**25.1**
Retail sales and other income	19 679	19 923	19 547	(1.2)	**0.7**
Costs and expenses	16 631	16 320	15 994	1.9	**4.0**
Cost of sales	11 365	11 314	11 082	0.5	**2.6**
Selling expenses	3 995	3 848	3 819	3.8	**4.6**
Administrative expenses	1 271	1 158	1 093	9.7	**16.3**
Profit from operating activities	3 048	3 603	3 553	(15.4)	**(14.2)**
Net finance income	82	81	81	0.8	**1.2**
Profit before taxation	3 130	3 684	3 634	(15.0)	**(13.9)**
Taxation	867	1 042	1 026	(16.8)	**(15.5)**
Profit after taxation	2 263	2 642	2 608	(14.3)	**(13.2)**
Loss attributable to non-controlling interest	-	3	3		
Profit attributable to equity holders of parent	2 263	2 645	2 611	(14.5)	**(13.3)**
Earnings per share (cents)					
- basic	884.6	1 046.5	1 032.9	(15.5)	(14.4)
- headline	911.4	1 057.8	1 035.2	(13.8)	(12.0)
- diluted headline	887.9	1 012.9	991.2	(12.3)	(10.4)