01 Backdrop

Retail Environment, Group Performance & COVID-19 Insights
by Mark Blair - CEO
The impact of COVID-19 has been devastating on all economies across the world.

Macro-economic challenges

SA GDP growth

GDP growth Q2 2020

Cumulative load shedding

Business Confidence

The bounce back in Q3 2020 was a result of the transition to level 1 lockdown & the economy opening up further.

Source: SARB, BER Business Confidence
Consumer challenges

Consumers continue to be under pressure - unlikely to ease in the near term

2.2m jobs lost in Q2 2020. Potentially haven’t felt the full unemployment effect due to:

- Private sector retrenchment packages
- Temporary Employment Relief Scheme
- Credit providers payment holidays
- Significant repo rate cuts (300bps in 2020)
- Household discretionary income flowed into food, drug, apparel & homeware categories as entertainment, travel & liquor were curbed by restrictions
- Government relief funding via increased social grant payments & TERS. Support ceased Oct 20. R350 COVID-19 social relief grant extended by a further 3 months

Source: *Stats SA, BER Consumer Confidence

Unemployment

30.8%
Q3 2020 | 170bps increase
Highest level in 17 years

SA retail sales growth

Consumer Confidence

(Q2 2020: lowest level in 35 years)

-7.0% ▼ Q3 2019
-23.0% ▼ Q3 2020

Total retail sales*
Type D retailers*
Mr Price Group

%
### Group performance

**Revenue**
- Post Lockdown: +3.2% R8.9bn
- Pre Lockdown: (14.4%) R9.2bn

**EBITDA**
- Post Lockdown: (1.9%) R2.0bn
- Pre Lockdown: (20.1%) R2.0bn

**HEPS**
- Post Lockdown: +5.9% 367.9c
- Pre Lockdown: (24.8%) 333.5c

**Total diluted HEPS**
- Post Lockdown: +6.0% 362.4c
- Pre Lockdown: (24.6%) 328.5c

**Operating Margin**
- Post Lockdown: +40bps 16.0%
- Pre Lockdown: (150 bps) 14.4%

**Dividend per share**
- 210.1c

*Adjusted operating margin: Excluding IT & right-of-use asset impairments

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**“Post Lockdown”: May to Sep 2020. April 2020 excluded due to all RSA stores closed under level 5 restrictions**
Unprecedented challenges

Health & safety
Cash preservation
Lockdown levels
Supply chain

Consumer behaviour
- Significant pressure on household income
- Avoiding trips to regional & suburban centres to rather shop at convenient locations
- Fewer transactions but bigger baskets
- Rapid rise in online adoption & home shopping
- Strong emphasis on value purchases
- Preferring cash over credit

Response enablers

Business model
Fashion-value & cash-based

Your Value Champion

- Fashion-value product
  - Diverse merchandise categories
- Stores
  - Diversified location strategy
- Operations
  - Science of retail applied
- Supply chain
  - Agile & responsive
- Online
  - Strong omni-channel capabilities
- Geography
  - RSA focused (92.5% of sales)

Interim Results FY2021 - Backdrop
Group performance

Highlights

- Higher cash generation than anticipated despite estimated ~R1.8bn in lost sales
- Strong cash balance to execute operationally, invest in growth & return to shareholders
- Debt free: no distractions
- Quick in-season response through agile supply chain based on strategic partnership. In line with strategic intent, sourced 40.3% (cost value) of total merchandise in RSA
- Strong overhead expense management

- Stock on hand down 16.7% at the end of Sep 2020
- Home segment & Cellular reported double digit sales growth Post Lockdown
- Increased GP by 200bps due to low markdown levels
- Post Lockdown, online sales grew 71.5%, accounting for 2.5% of sales
- Value of partnership displayed by all stakeholders, embracing the call to action

Post Lockdown: May 2020 to Sep 2020

<table>
<thead>
<tr>
<th>Mr Price Group sales growth</th>
<th>vs</th>
<th>Market growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total: +3.2%</td>
<td></td>
<td>-4.7% (RLC)</td>
</tr>
<tr>
<td>RSA : +3.7%</td>
<td></td>
<td>-6.8% (*Stats SA)</td>
</tr>
</tbody>
</table>

Market share gains

Source: RLC | Type D: Textiles, Clothing, Footwear & Leather goods. Includes Mr Price Home segment

- Largest division gained every month since March 20
- Home segment gained every month post restrictions
Performance

Detailed Group & Divisional Results

By Mark Stirton - CFO
## Group income statement

<table>
<thead>
<tr>
<th>R'M</th>
<th>2020</th>
<th>2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuing operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail sales &amp; other income (pg 52)&lt;sup&gt;1&lt;/sup&gt;</td>
<td>9,053</td>
<td>10,622</td>
<td>(14.8%)</td>
</tr>
<tr>
<td>Gross profit (pg 14)&lt;sup&gt;2&lt;/sup&gt;</td>
<td>3,660</td>
<td>4,096</td>
<td>(10.6%)</td>
</tr>
<tr>
<td>Expenses (pg 15)&lt;sup&gt;3&lt;/sup&gt;</td>
<td>2,864</td>
<td>2,801</td>
<td>2.2%</td>
</tr>
<tr>
<td>Profit from operating activities</td>
<td>1,148</td>
<td>1,688</td>
<td>(32.0%)</td>
</tr>
<tr>
<td>Net finance (expense)/income</td>
<td>(87)</td>
<td>(88)</td>
<td>(1.4%)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>1,061</td>
<td>1,600</td>
<td>(33.7%)</td>
</tr>
<tr>
<td>Taxation&lt;sup&gt;4&lt;/sup&gt;</td>
<td>304</td>
<td>452</td>
<td>(32.6%)</td>
</tr>
<tr>
<td>Net profit from continuing operations</td>
<td>757</td>
<td>1,148</td>
<td>(34.1%)</td>
</tr>
<tr>
<td>Net loss from discontinued operations</td>
<td>(4)</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td>Profit attributable to shareholders&lt;sup&gt;5&lt;/sup&gt;</td>
<td>753</td>
<td>1,148</td>
<td>(34.4%)</td>
</tr>
</tbody>
</table>

- <sup>1</sup>Retail sales Post Lockdown up 3.2%, up 3.7% in RSA
- <sup>2</sup>Gross margin level improved 200bps, driven by lower markdowns
- <sup>3</sup>Cost curtailment efforts continued. Excluding impairments total expenses decreased 3.2%
- <sup>4</sup>Effective tax rate 28.7% (PY 28.2%). Increased due to timing differences vs PY
- <sup>5</sup>Profit growth impacted by lower sales, increased provisions & impairments/asset write-offs
### Group sales growth drivers

#### Geography

<table>
<thead>
<tr>
<th></th>
<th>H1 FY21 Post Lockdown</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RSA</td>
<td>-14.9%</td>
<td></td>
</tr>
<tr>
<td>Non RSA</td>
<td>-17.5%</td>
<td></td>
</tr>
<tr>
<td>RSA % of sales</td>
<td>92.5%</td>
<td></td>
</tr>
<tr>
<td>Non RSA % of sales</td>
<td>92.8%</td>
<td></td>
</tr>
</tbody>
</table>

#### Tender type

<table>
<thead>
<tr>
<th></th>
<th>H1 FY21 Post Lockdown</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>*Cash</td>
<td>-12.5%</td>
<td>+6.4%</td>
</tr>
<tr>
<td>*Credit</td>
<td>-27.3%</td>
<td>-12.1%</td>
</tr>
<tr>
<td>Cash % of sales</td>
<td>85.4%</td>
<td>85.5%</td>
</tr>
<tr>
<td>Credit % of sales</td>
<td>85.4%</td>
<td>85.5%</td>
</tr>
</tbody>
</table>

#### Channel

<table>
<thead>
<tr>
<th></th>
<th>H1 FY21 Post Lockdown</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bricks</td>
<td>-16.0%</td>
<td>+2.2%</td>
</tr>
<tr>
<td>Online</td>
<td>+48.7%</td>
<td>+71.5%</td>
</tr>
<tr>
<td>Bricks % of sales</td>
<td>97.4%</td>
<td>97.5%</td>
</tr>
<tr>
<td>Online % of sales</td>
<td>2.6%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

#### Merchandise

<table>
<thead>
<tr>
<th></th>
<th>H1 FY21 Post Lockdown</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RSP</td>
<td>-18.5%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>RSP unit growth</td>
<td>+3.9%</td>
<td>+4.6%</td>
</tr>
<tr>
<td>units</td>
<td>81m</td>
<td>79m</td>
</tr>
</tbody>
</table>

^Includes Cellular  | *Cash & Card (debit/credit)  | *Store card sale

- Post Lockdown starkly different to the full H1 period
- Bricks transactions down but Rands & units per basket up by double digits
- Strong online growth partly offset foot traffic decline
- Higher inflation driven by improved markdowns
## Divisional performance & insights

<table>
<thead>
<tr>
<th>Division</th>
<th>Contribution</th>
<th>Growth</th>
<th>Insights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Price</td>
<td>53.5%</td>
<td>-16.5%</td>
<td>Increase in stock holding over last 12 months &amp; opportunistic buying in SS have created competitive advantages</td>
</tr>
<tr>
<td>Mr Price Sport</td>
<td>6.7%</td>
<td>-22.3%</td>
<td>Gained market share every month since March 2020. Aug 2020 market share was the highest level achieved in the last two years</td>
</tr>
<tr>
<td>Miladys</td>
<td>5.8%</td>
<td>-32.1%</td>
<td>Seasonal sports, gym &amp; school disruptions impeded growth. Fitness apparel &amp; equipment performed strongly</td>
</tr>
<tr>
<td>Mr Price Home</td>
<td>17.6%</td>
<td>-9.8%</td>
<td>Higher proportion of credit sales &amp; more mature, conservative customer avoided shopping centres. Impacted by store locations &amp; trend of declining formalwear</td>
</tr>
<tr>
<td>Sheet Street</td>
<td>8.1%</td>
<td>-3.6%</td>
<td>Strong growth through cellular handsets &amp; accessories. Credit sales in line with industry trend as customers prefer cash. New account growth curbed. Insurance portfolio similarly affected</td>
</tr>
<tr>
<td>Mr Price Money</td>
<td>8.3%</td>
<td>+1.4%</td>
<td>Global trend: more time at home, setup home office. Gaining share from premium competitors. Mr Price Home strategically increased stock holding over last 12 months &amp; opportunistic buying in SS have both created competitive advantages</td>
</tr>
</tbody>
</table>

*Retail sales & other income"
Space growth

Numbers (Refer pg 53 for detail)
• Annualised: 3.1% new space growth & 2.2% net growth (w.avg)
• H1: 1.7% new space growth & 1.3% net growth (w.avg)
• 17 new stores added. 10 stores less than original capex plan
• Strategic plan to close identified non-RSA stores impacted net space growth
• 125 renewed leases. Avg escalation has decreased & meaningful rent reversions have been achieved
• Group trading density >R30 000m^-2. Declined at a significantly lower rate than retail sales

Strategic approach
• Interrogated and re-baselined store metrics
• Strong relationship with landlords is important, driven by frequent & transparent communication
• Strategic growth vehicles (new concepts etc) provides opportunity for landlords to grow with us
• Diversified store profile micro, small & medium size stores enabled growth
• Store base supports click & collect model, enabling a profitable online channel
• Net space growth target for H2 is 1% to 2%
Gross profit analysis

Merchandise GP

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>43.3%</td>
<td>40.8%</td>
<td>43.2%</td>
</tr>
</tbody>
</table>

Post Lockdown: Gross profit Rands up 8.7%

- Increase driven by low markdown levels offsetting negative avg exchange rate impact of 19.8% on PY
- Fashion-value assortment led to more full priced items sold per basket
- Clean stock levels end of winter

Telecoms GP

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>19.1%</td>
<td>17.7%</td>
<td>20.3%</td>
</tr>
</tbody>
</table>

Post Lockdown: Gross profit Rands up 49.3%

- Increase driven by strategic mix changes in Mobile (MVNO)
- Cellular GP% increase driven by significant sales growth in handsets & accessories

Total GP

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>42.6%</td>
<td>40.0%</td>
<td>42.0%</td>
</tr>
</tbody>
</table>

Post Lockdown: Gross profit Rands up 9.4%

- Gains across Apparel, Home & Telecoms segment
- ZAR/$ depreciation will add pressure to H2 margins despite disciplined hedging strategy
### Overhead expenses

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overhead expenses</td>
<td>1,993</td>
<td>2,134</td>
<td>(6.6%)</td>
</tr>
</tbody>
</table>

*Continuing operations

#### Administrative expenses* (R'M)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative expenses*</td>
<td>871</td>
<td>667</td>
<td>30.5%</td>
</tr>
</tbody>
</table>

- Impairment of IT assets of R142.8m
- Employment costs excluding provisions down 3.8% (timing impact)
- Excluding IT impairment & employment cost timing, expenses decreased 1.8%

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#### Selling expenses* (R'M)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling expenses*</td>
<td>1,993</td>
<td>2,134</td>
<td>(6.6%)</td>
</tr>
</tbody>
</table>

- COVID-19 costs of ~R20m (PPE, cleaning & data costs)
- Employment costs down 18.3%, aided by TERS
- W.avg space growth of 2.2% (new space growth of 3.1%)
- Rental concessions of R116.2m & lower turnover rentals
- Rent reversions aiding expense declines
- Increased debtors impairment provision to account for COVID-19 impact
- Impairment of right-of-use assets of R10.6m
- Excluding right-of-use asset impairment & COVID-19 debtors’ provision increase, selling expenses decreased 8.8%

*Continuing operations

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Total

Total excl. impairments & additional debtors’ provision

+2.2%

(4.5%)
Market leading balance sheet

Net asset value per share 3 874 cents, increased 18.4%

<table>
<thead>
<tr>
<th>R'M</th>
<th>Sep 2020</th>
<th>Sep 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>7 076</td>
<td>6 969</td>
</tr>
<tr>
<td>Current assets</td>
<td>11 211</td>
<td>9 472</td>
</tr>
<tr>
<td>Inventories</td>
<td>2 426</td>
<td>2 669</td>
</tr>
<tr>
<td>Trade &amp; other receivables&lt;sup&gt;1&lt;/sup&gt;</td>
<td>1 985</td>
<td>2 222</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>6 388</td>
<td>4 310</td>
</tr>
<tr>
<td>Reinsurance assets</td>
<td>238</td>
<td>202</td>
</tr>
<tr>
<td>Other&lt;sup&gt;2&lt;/sup&gt;</td>
<td>174</td>
<td>69</td>
</tr>
<tr>
<td>Total</td>
<td>18 287</td>
<td>16 441</td>
</tr>
<tr>
<td>Shareholders equity</td>
<td>10 019</td>
<td>8 487</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>8 268</td>
<td>7 954</td>
</tr>
<tr>
<td>Total</td>
<td>18 287</td>
<td>16 441</td>
</tr>
</tbody>
</table>

• Inventory on hand excl GIT decreased 16.7% (Including GIT -7.3%). Agile supply chain enabled stock inputs to decrease in line with sales
• GIT up 44.0% due to summer input delays & exchange rates
• Markdown units ~40% lower than PY
• Higher than expected free cash flow generation (Refer pg 17)
• R531m held in non RSA territories & share trusts. Reduced from March 2020 as planned
• Working capital improved ~R1bn

<sup>1</sup>Balance impacted by higher write-offs, reduced credit sales, slower new account growth & lower interest rates. Higher provision raised (refer pg 20)
<sup>2</sup>Fx hedging gains due to favourable mark to market movements
Cash generation

- Interim dividend of 210.1c declared at 63.0% pay-out ratio
- Additional short-term debt facilities not activated
- Will not implement equity raise. Will pursue capital allocation opportunities through cash & short-term debt (Refer pg 21 to 49)
- Budgeted capex continues to be closely monitored
- Share buyback during Sep 2020 & closed period
- COVID-19 second wave uncertainty & unpredictable trade
## Cash flow movements

<table>
<thead>
<tr>
<th>R'M</th>
<th>Mar 2020</th>
<th>4 726</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash from operations</td>
<td>1 959</td>
<td></td>
</tr>
<tr>
<td>Working capital</td>
<td>980</td>
<td></td>
</tr>
<tr>
<td>Net interest received</td>
<td>302</td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>(525)</td>
<td></td>
</tr>
<tr>
<td>PPE &amp; intangibles</td>
<td>(118)</td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(85)</td>
<td></td>
</tr>
<tr>
<td>Repayment of lease liabilities</td>
<td>(820)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(31)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6 388</td>
<td></td>
</tr>
</tbody>
</table>

**Interim Results FY2021 - Performance**

- **Decreased 18.2% on PY due to Apr 20 store closures. Post lockdown up 3.7%**
- **Improved payment terms & creditor timing. Lower stock & debtors’ balances**
- **Interest received up 12.1% on higher cash balances**
- **Timing of provisional & final payments vs PY**
- **PPE additions: R52m Intangible additions: R69m**
- **No final dividend declared in FY20**
- **Share buybacks**
- **Rental payments under financing cash flow**
- **Exchange losses on foreign currency translation**

**Operating R2.7bn**

- **Investing (R0.1bn)**
- **Financing (R0.9bn)**
Credit performance

Credit market

Consumer Credit Index (CCI)

- Break-even level between improvement & deterioration is at 50

Accounts in arrears

- Rose to 7.8% of total accounts from 6.4% in Q1

Source: Transunion | National Credit Regulator, Absa Research

Mr Price Group

Credit sales

- Credit sales declined 27.3% in line with market trends. Transactions decreased 24.5%, basket sizes grew 12.5%
- Sales growth decrease experienced across all divisions. Miladys impacted the most due to customer’s cautious return to stores
- Applications in the market down ~45%. Rejection rate rose to all time high of 67.4%
- Will continue to adopt a cautious approach for balance of FY21

Applications

- (27.4%) (R1.3bn)

Approvals

- (33.9%)

Approval rate

- 30.1%
- 2019: 33.2%
Trade receivables

- Credit sales deteriorated in line with market. April sales were significantly impacted by store closures.
- Increase in the provision compared to LY due to prescribed IFRS 9 modeling & economic overlays.

<table>
<thead>
<tr>
<th>R’M</th>
<th>Sep 20</th>
<th>Mar 20</th>
<th>Sep 19</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total debtors book</td>
<td>2 031</td>
<td>2 300</td>
<td>2 200</td>
<td>(11.7%)</td>
</tr>
<tr>
<td>NBD: book (excl collection costs)</td>
<td>8.1%</td>
<td>6.3%</td>
<td>7.6%</td>
<td>(7.7%)</td>
</tr>
<tr>
<td>Impairment provision</td>
<td>15.2%</td>
<td>10.4%</td>
<td>7.5%</td>
<td></td>
</tr>
</tbody>
</table>

Collections % of debtors book

Collection channels utilised

- Stores: impeded by closures in Apr 20 & customers shopping less frequently
- Other: encouraged settlement using alternative channels
Value creation & growth

Capital allocation & Outlook

by Mark Blair - CEO
Strategy & capital allocation journey

What we said in May 2019

- Frontline investment
- New categories
- Growth: organic or acquisition
- Geography: RSA
- Return to shareholders-dividends & share buyback

Undertook a detailed review of merchandise processes & structures, areas for improvement identified
Most significant immediate opportunity is for Mr Price apparel to re-gain market share
Commencing research phase to identify growth opportunities
Expect balance sheet strength & cash flow to fund our growth plans

Group strategic research

Capital allocation

- Sep 19 - Mar 20
  Market share gain: +10bps

- Apr 20 - Jun 20
  Market share gain: +20bps

- Jul 20 - Sep 20
  Market share gain: +150bps

React

- Lockdown
- Cash preservation
- Authority for equity raise
- Explore acquisition targets
- Pent up demand
- Sales exceeded revised budget

Reboot

- COVID-19 risk management
- Consumer demand slowing
- Sales exceeded budget = cash
- Explore acquisition targets
- Share buyback commenced
- Set group strategy
Capital allocation

Leading apparel retailer in generating return on capital

Source: JP Morgan - Annualised to Dec year end | Includes JPMe forecasts
Capital allocation

Frontline

• Investment back into the Mr Price Brand & unique people culture
• Store enhancements & navigation
• Customer experience & blended retail
• Product quality: fabric, fit & sizing
• Brand sponsorship
Retail brand value ranking

Brandz™ South African Top 30 and Most Valuable Brands 2020 (USD bn)

1. 2.7 bn FNB
2. 2.7 bn Standard bank
3. 2.7 bn Castle Lager
4. 2.5 bn Vodacom
5. 1.9 bn Nandos
6. 1.8 bn MTN
7. 1.1 bn Absa
8. 1.0 bn Discovery
9. 959 mn Woolworths
10. 892 mn DSTV
11. 846 mn Old Mutual
12. 840 mn Capitec
13. 830 mn Sanlam
14. 810 mn Nedbank
15. 776 mn Hansa Pilsener
16. 678 mn Investec
17. 672 mn Pick n Pay
18. 595 mn Shoprite
19. 571 mn Cell C
20. 535 mn Sasol
21. 455 mn Mr Price
22. 433 mn Life Healthcare
23. 430 mn Mediclinic
24. 407 mn Clicks
25. 376 mn Netcare
26. 374 mn Liberty
27. 340 mn Checkers
28. 333 mn Flying Fish
29. 316 mn Santam
30. 285 mn Hollard

Dark grey - Retail companies
Capable of allocation

Enablers

• Resourcing & supply chain capabilities
  - Supplier grading tool fully integrated into business process. Used extensively to improve supply chain performance
  - Increased local sourcing & committed to CTFL Master Plan 2030 with growth from ~80m units to ~100m units (R5.5bn) by 2025
• ERP & planning systems
  - Building strong infrastructure base to handle increased capacity to support growth plans
  - Planning tools to raise stock accuracy & support higher sales levels
• Predictive analytics & machine intelligence capabilities
• e-Commerce
  - Magento 2 re-platform due Feb 2021. Cloud based, increasing speed & capacity to meet higher demand
  - Live in >900 Pargo collection points supporting customer convenience
  - Store fulfillment extended to additional stores. Shorter delivery times & lower logistics costs
Strong e-commerce performance

Will continue to invest in the e-Commerce growth channel at an appropriate level that considers consumer trends & profitability.

Online sales contribution

Mr Price Apparel online vs store sales H1 FY21

- Post Lockdown growth +71.5%
- 5 year CAGR +23.5%
- Actual sales
  - FY15: 0.6%
  - FY20: 1.5%
  - H1 FY21: 2.6%
  - Mr Price Online
  - Flagship 1
  - Flagship 2
The power of traffic & mobile

Mr Price has been the most searched apparel retailer in South Africa for the last 5 years. (Google Trends)

"The future of mobile is the future of online. It is how people access online content now."

David Murphy, Founder and Editor of Mobile Marketing Daily

"You can't just open a website and expect people to flood in. If you really want to succeed you have to create traffic."

Joel Anderson, Walmart CEO

Mr Price has been the most searched apparel retailer in South Africa for the last 5 years.
Capital allocation

Share buyback
Once trading had become more ‘stable’ & the level of potential acquisition became clear:

- Commenced share buyback during Sep 2020 & closed period
- R165m re-purchased to date (1.3m shares at R126.50)
- Anticipated repurchasing a higher volume but were unable to alter parameters during closed period
- Future share buybacks will be determined in conjunction with other capital allocation decisions
**Capital allocation**

**Growth vehicles**

### Last 12 months
- Delivered ~R400m non comp merchandise sales growth
- Scarlett Hill Beauty
- Extended sizes
- Active-wear
- Furniture
- Miladys online
- Cellular online
- Other

### H2 FY21
- mrpBaby (R3.8bn market)
- mrpSchoolgear (R4.5bn market)
- mrp&co
- Tender types introduced:
  - Lay-by
  - Zapper
  - RCS card acceptance
- Acquisition
Key non-comp launches

Scarlett Hill Beauty

- Launched in Nov’19 in 40 stores
- Jul’20 = 80 stores full assortment plus another 100 stores with Tools
- Sep’20 = 120 stores full assortment plus another 60 stores with Tools
- Performing well ahead of plan
- GP% ahead of divisional average

Extended sizes

- Launched in response to voice of the customer
- Commenced from Oct’19. Incremental size roll-out in all stores
- Performing well ahead of plan
- GP% ahead of rest of merchandise-categories where implemented had higher margin than divisional average
Cue the ooh, because there’s a new baby in town!

Mr Price launched mrpBaby in 188 stores and online on the 5th of November.

Our aim is to gain our customer’s TRUST by giving them QUALITY at GREAT PRICES & delivering on our promise to always EXCITE & DELIGHT!

We will do this through our fashionability & a ONE-OF-A-KIND print handwriting – making sure to give our customer something that they won’t be able to find anywhere else.
Ready to make friends? Because, there’s a new kid in school! Mr Price will be launching Schoolgear in all stores and online from mid-December.

watch this space!
Key novelty and gifting categories including Tech, Pool & Beach, Lunch Club, Stationery and more!
Capital allocation

The Future

- Geography
- New concepts
- New sectors
- Acquisition
Sizing up the opportunity

- Stats SA reported total retail sales in 2019 of ~R1.1t
- Focusing on gaining a greater share of the South African retail market. Currently MRPG ~R21bn across three sectors = 6.8% share of textiles, homeware & cosmetics/pharma
- R287bn market share available via:
  - Existing competitors
  - Organic rollout of new concepts
  - Acquisition

Source: StatsSA
If our customers got to choose what we should invest in...
Mr Price Group and beyond

Existing business well positioned to capture market share. Each division has identified additional growth opportunities.

- **Luxury**
- **Premium**
- **Aspirational value/Niche**
  - **Fashion value**
    - **Price value**
      - **Apparel**
      - **Homeware**
      - **FS & Telecoms**
      - **e-Commerce**

- **Mr Price was the most shopped apparel retailer in ladies & mens in the last 3 months**

Source: MAPS Sep 2020
# Mr Price Group and beyond

<table>
<thead>
<tr>
<th>Apparel</th>
<th>Homeware</th>
<th>FS &amp; Telecoms</th>
<th>e-Commerce</th>
<th>New sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price value</td>
<td>Acquisition</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luxury</td>
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<tr>
<td>Aspirational value/Niche</td>
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<tr>
<td>Opportunity</td>
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<td>Opportunity</td>
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<tr>
<td>Fashion value</td>
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<tr>
<td>mr price sport</td>
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<td>mr price</td>
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<td>mr price home</td>
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<tr>
<td>mr price cellular</td>
<td></td>
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</tr>
<tr>
<td>mr price money</td>
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</tbody>
</table>
Research undertaken has identified new retail concepts & detailed business cases are currently being developed.

In due course, will further explore the opportunity to extend the Red-Cap halo beyond the opportunities identified.

As per investment criteria, all opportunities must have strong leadership & a skilled team. Not pursuing growth at all costs, resource capacity has to be sufficient.
Meets our strict investment criteria:

1. Value focused fashion business, cash-based. Aligned to our core capabilities

2. Transaction size ~4% of market cap, bolt on. Aligned to capital allocation strategy - to be settled in cash

3. High performing business (including through COVID-19) with strong track record. Not a “fixer-upper”

4. An existing business of attractive scale, available at a reasonable valuation. Immediately earnings accretive with opportunity for significant future growth in footprint & categories

5. Southern African footprint: 170 stores. Low risk of acquiring an entity in an unknown territory with additional foreign exchange risk

6. Strong management team, prevents distracting group management. Good cultural fit
Introducing Power Fashion

Customer

• Low to mid income households
• More value (price) than fashion focused
• Offers product for the whole family

Value proposition

• Value price positioning aligned to target market
• Fashionable but not fashion forward
• Mainly apparel, but also cellular, electricity, basic household items, basic cosmetics & other opportunistic products

Location

• High density & high foot traffic areas serving their target customer
• Typically high street & community centered malls rather than regional & super regional locations

A sufficiently differentiated business model
Provides access to a wider customer base
Introducing Power Fashion

Agility

• Trading mentality with quick decision making
• Avoid complexities that introduce cost with limited benefit to the model
• Potential clearing house for Mr Price Group merchandise if needed

Performance metrics

• Turnover : Will contribute ~7% to Mr Price Group revenue. Strong double digit growth over an extended period of time
• Expenses : % of RSOI similar to Mr Price Group
• Operating margin : Double digit but lower than Mr Price Group. Strategically aligned to growth vision. Scale & group efficiencies will improve this
• HEPS : Immediately earnings accretive

Process

• Sale & purchase agreement signed 20 November 2020
• Subject to competition commission approval & fulfillment of conditions precedent
• Targeting effective date April 2021
H2 outlook

- COVID-19 second wave uncertainty
- Stronger gross margin base in H2
- W.avg annual space growth to be between 1%-2%. 50 new stores planned (31 confirmed) in H2
- Double digit sales growth in first 6 weeks of H2. Sales growth flat in the week prior to Black Friday week
- Cautious on Black Friday week due to COVID-19 store restrictions & fragile consumer environment
- School holidays: same duration but different timing (less in Dec 2020 but more in Jan 2021)
- Next market communication: trading update in January 2021

Closing comments:

- Our relative performance has proven the resilience of our associates & our business model
- Well positioned to navigate further uncertainty
- New vision & strategy is centred around growth & underpinned by culture, fueling internal optimism
Appendix

04

Detailed supporting information
## Earnings & dividend per share

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit attributable to shareholders (R'm)</td>
<td>753</td>
<td>1 148</td>
<td>(34.4%)</td>
</tr>
<tr>
<td>W. Avg shares in issue (000)</td>
<td>259 262</td>
<td>258 881</td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>290.5c</td>
<td>443.6c</td>
<td>(34.5%)</td>
</tr>
<tr>
<td>Addbacks (R’m)</td>
<td>111.4</td>
<td>(0.9)</td>
<td></td>
</tr>
<tr>
<td>Headline earnings (R’m)</td>
<td>865</td>
<td>1 147</td>
<td></td>
</tr>
<tr>
<td>Headline earnings per share</td>
<td>333.5c</td>
<td>443.2c</td>
<td>(24.8%)</td>
</tr>
<tr>
<td>Shares for diluted earnings (000)</td>
<td>263 171</td>
<td>263 224</td>
<td></td>
</tr>
<tr>
<td>Diluted headline earnings per share</td>
<td>328.5c</td>
<td>435.9c</td>
<td>(24.6%)</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>210.1c</td>
<td>311.4c</td>
<td>(32.5%)</td>
</tr>
</tbody>
</table>
## Revenue

<table>
<thead>
<tr>
<th>R'M</th>
<th>2020</th>
<th>2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail sales</td>
<td>8,620</td>
<td>10,120</td>
<td>(14.8%)</td>
</tr>
<tr>
<td>Other income</td>
<td>433</td>
<td>502</td>
<td>(13.6%)</td>
</tr>
<tr>
<td>Financial services &amp; Telecoms</td>
<td>407</td>
<td>475</td>
<td>(14.3%)</td>
</tr>
<tr>
<td>Other</td>
<td>26</td>
<td>27</td>
<td>(1.8%)</td>
</tr>
<tr>
<td>Total retail sales, interest &amp; other income</td>
<td>9,053</td>
<td>10,622</td>
<td>(14.8%)</td>
</tr>
<tr>
<td>Finance income</td>
<td>150</td>
<td>134</td>
<td>11.9%</td>
</tr>
<tr>
<td>Total revenue</td>
<td>9,204</td>
<td>10,757</td>
<td>(14.4%)</td>
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</table>
## Space growth

### Space movements (m²)

<table>
<thead>
<tr>
<th></th>
<th>w.avg net growth</th>
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<tbody>
<tr>
<td>Mr Price Apparel</td>
<td>2.3%</td>
</tr>
<tr>
<td>Miladys</td>
<td>4.1%</td>
</tr>
<tr>
<td>Mr Price Sport</td>
<td>3.6%</td>
</tr>
<tr>
<td>Mr Price Home</td>
<td>0.7%</td>
</tr>
<tr>
<td>Sheet Street</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total space growth</th>
<th>Net growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>w.avg</td>
<td>(0.6%) (0.3%) 0.3%</td>
<td>2.8%</td>
</tr>
<tr>
<td>closing</td>
<td>(0.8%) (0.5%) 0.3%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Closures</th>
<th>Reductions</th>
<th>Expansions</th>
<th>New Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</table>

### Store movements

<table>
<thead>
<tr>
<th></th>
<th>Total store movements</th>
<th>Net growth</th>
</tr>
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<tbody>
<tr>
<td>Stores</td>
<td>9</td>
<td>17</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Closures</th>
<th>Reductions</th>
<th>Expansions</th>
<th>New Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>12</td>
<td>2</td>
<td>17</td>
</tr>
</tbody>
</table>
Segment performance

**RSOI Contribution**

*Retail sales & other income*

**RSOI Growth**

*Apparel*
- Mr Price Apparel: (16.5%)
- Mr Price Sport: (22.3%)
- Miladys: (32.1%)

*Home*
- Mr Price Home: (9.8%)
- Sheet Street: (3.6%)

*FS & Telecoms*
- Mr Price Money: +1.4%

**Segment**

- **Apparel**
  - RSOI: (18.8%)
  - Operating profit: (26.4%)
  - Operating margin: 13.3%

- **Home**
  - RSOI: (7.9%)
  - Operating profit: (9.5%)
  - Operating margin: 16.4%

- **FS & Telecoms**
  - RSOI: 1.4%
  - Operating profit: (58.5%)
  - Operating margin: 13.9%
<table>
<thead>
<tr>
<th></th>
<th>Mr Price Apparel</th>
<th>Miladys</th>
<th>Mr Price Sport</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2020</strong></td>
<td><strong>2019</strong></td>
<td><strong>% Change</strong></td>
<td><strong>2020</strong></td>
</tr>
<tr>
<td>Retail sales</td>
<td>R4 835m</td>
<td>R5 819m</td>
<td>(16.9%)</td>
</tr>
<tr>
<td>Comparable sales growth</td>
<td>(18.4%)</td>
<td>(4.3%)</td>
<td>(36.5%)</td>
</tr>
<tr>
<td>Unit sales</td>
<td>53.2m</td>
<td>66.7m</td>
<td>(20.3%)</td>
</tr>
<tr>
<td>RSP inflation</td>
<td>4.2%</td>
<td>(0.9%)</td>
<td>(2.2%)</td>
</tr>
<tr>
<td>Weighted avg. space growth</td>
<td>2.3%</td>
<td>3.9%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Sales density</td>
<td>R34 214m²</td>
<td>R38 137m²</td>
<td>(10.3%)</td>
</tr>
</tbody>
</table>

1 Excludes franchise & VAT | 2 Includes VAT
### Mr Price Home

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail sales</td>
<td>R1 586m</td>
<td>R1 758m</td>
<td>(9.8%)</td>
</tr>
<tr>
<td>Comparable sales growth</td>
<td>(11.2%)</td>
<td>1.8%</td>
<td></td>
</tr>
<tr>
<td>Unit sales</td>
<td>13.3m</td>
<td>15.0m</td>
<td>(11.3%)</td>
</tr>
<tr>
<td>RSP inflation</td>
<td>1.7%</td>
<td>7.5%</td>
<td></td>
</tr>
<tr>
<td>Weighted avg. space growth</td>
<td>0.7%</td>
<td>(1.3%)</td>
<td></td>
</tr>
<tr>
<td>Trading density</td>
<td>R27 485m²</td>
<td>R28 771m²</td>
<td>(4.5%)</td>
</tr>
</tbody>
</table>

### Sheet Street

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail sales</td>
<td>R735m</td>
<td>R763m</td>
<td>(3.6%)</td>
</tr>
<tr>
<td>Comparable sales growth</td>
<td>(4.4%)</td>
<td>2.5%</td>
<td></td>
</tr>
<tr>
<td>Unit sales</td>
<td>7.3m</td>
<td>7.8m</td>
<td>(6.4%)</td>
</tr>
<tr>
<td>RSP inflation</td>
<td>3.0%</td>
<td>11.0%</td>
<td></td>
</tr>
<tr>
<td>Weighted avg. space growth</td>
<td>1.1%</td>
<td>0.4%</td>
<td></td>
</tr>
<tr>
<td>Trading density</td>
<td>R31 319m²</td>
<td>R31 755m²</td>
<td>(1.4%)</td>
</tr>
</tbody>
</table>

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1 Excludes franchise & VAT | 2 Includes VAT
<table>
<thead>
<tr>
<th>R'm</th>
<th>2020</th>
<th>2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecoms</td>
<td>425</td>
<td>357</td>
<td>18.9%</td>
</tr>
<tr>
<td>Financial services</td>
<td>328</td>
<td>385</td>
<td>(14.8%)</td>
</tr>
<tr>
<td>Total revenue</td>
<td>753</td>
<td>743</td>
<td>1.4%</td>
</tr>
</tbody>
</table>
Rest of Africa

Total % of Group sales
7.5% FY20: 7.7%

No. of stores
124 Corporate owned stores: 116

Sales growth (ZAR)
(17.5%) FY20: (2.2%)