Mr Price today released its interim results for the 26 weeks ended 2 October 2021 (the FY2022 Period). During this time the group faced a COVID-19 third wave, frequent load shedding, civil unrest causing 111 of its stores to close, and ongoing global supply chain disruptions. Despite this, the group continued its sales and earnings growth momentum and its earnings per share now exceed its pre-COVID-19 levels (1 April 2019 to 28 September 2019, referred to as “FY2020 Period”). It has emerged from a challenging period with higher market share and has maintained its strong cash position.

Basic earnings per share (EPS) increased 51.4% to 440.0 cents and headline earnings per share (HEPS) increased 34.4% to 448.3 cents. Diluted HEPS increased 33.5% to 438.7 cents and normalised diluted HEPS, grew 46.4% to 481.1 cents.

Total revenue increased 35.2% to R12.4bn with retail sales increasing 37.8% (comparable stores 27.2%) to R11.9bn, a strong performance considering the external disruptions during the FY2022 Period. These results were additionally supported by the inclusion of recently acquired Power Fashion, effective 1 April 2021, and Yuppiechef effective 1 August 2021. Excluding acquisitions, total revenue and retail sales increased 25.8% and 27.8% respectively.

The strong retail sales performance resulted in the group gaining 210bn of market share (50bps excluding acquisitions) within its apparel and homeware segments according to the RLC. Despite the ongoing external challenges, the group’s market share gains highlight the defensive nature of its business model through its compelling customer value proposition. The differentiation it offers its customers through its merchandise fashionability is highlighted by its largest space growth was 11.1% (excluding acquisitions, weighted average and closing trading space were 2.3% and 2.9% respectively).

Online sales continue to increase in retail sales contribution, up to 2.9% (2.7% excluding acquisitions). Online sales growth of 49.9% was also a result of a high growth rate of 48.7% in the FY2021 Period due to COVID-19 related increased demand. The online channel remains key to the group’s future growth plans.

Total GP margin decreased 230bps due to the impact of inventory write-offs (R151.5m) from the civil unrest. Excluding this impact, GP margin decreased 100bps. The group’s two newly acquired divisions of Power Fashion and Yuppiechef trade at lower margins than the group which created a dilutionary effect. Excluding the acquisitions and inventory write-offs, total GP margin decreased 40bps. Total expenses grew 19.7%. Excluding acquisition costs and non-recurring expense items (FY2021 Period: rental relief, government assistance and IT impairment; FY2022 Period: cash and asset write-offs (from the civil unrest)) total expenses grew 6.5%.

Profit from operating activities increased 48.9% to R1.7bn and exceeded pre-COVID-19 levels. Operating margin grew 120bps to 13.9% of retail sales and other income (RSOI) despite the civil unrest write-off costs.

Inventory on hand is up 43.7% against base growth of -9.2% (lower stock in the FY2021 Period due to COVID-19 and higher than expected trading performance post the level 5 hard lockdown). Additionally, the inclusion of the two acquisitions and several non-comparable departments, which were not in the base year, resulted in the higher stock position. The group is well positioned for its key festive trade period. The shape and quality of the stock on hand is healthy and the group is confident that its inventory growth will reach single digit levels by the end of FY2022.

The group’s balance sheet remains in a healthy position with cash of R3.9bn after post the level 5 hard lockdown). Additionally, the inclusion of the two acquisitions and several non-comparable departments, which were not in the base year, resulted in the higher stock position. The group is well positioned for its key festive trade period. The shape and quality of the stock on hand is healthy and the group is confident that its inventory growth will reach single digit levels by the end of FY2022.

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Mr Price Group Limited

Registration Number: 1933/004418/06 - Incorporated in the Republic of South Africa - ISIN: ZAE000020457 - JSE/A2X code: MRP


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Outlook

The high level of uncertainty experienced during the FY2022 Period is most likely to continue for the remainder of FY2022 and beyond. The threat of further COVID-19 waves, load-shedding and global supply chain challenges, all continue to affect the organisation’s ability to plan with accuracy, requiring increased focus on proven disciplines and agile decision making.

Group CEO, Mark Blair said, “Our fashion-value merchandise, fiscal discipline and highly cash generative business model has helped us to trade through some difficult circumstances and emerge in a position of strength. Sincere gratitude is extended to all our associates and partners for their commitment to protecting and restoring our operations and communities during a very challenging time, and operating with agility in the true spirit of partnership. We remain focused on our recently stated growth ambitions in South Africa, bedding down our acquisitions and taking hold of strategic opportunities through superior execution.”

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/2021/JSE/ISSE/MRPE/25112021.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.