

Mr Price Group Limited
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("Mr Price Group" or "group" or "Company")

TRADING UPDATE FOR THE 13 WEEKS ENDED 1 JANUARY 2022

During the third quarter from 3 October 2021 to 1 January 2022 (the "Period") of the financial year ending 2 April 2022 (FY2022), the group recorded growth in retail sales and other income ("RSOI") of 19.2% to R9.3bn. This included the recently acquired Power Fashion and Yuppiechef businesses, excluding which RSOI grew 7.2% to R8.3bn.

The group attributes its positive momentum to strong execution of its diversified and differentiated, fashion-value business model. This is despite the external challenges of significant trading hours lost due to load shedding during the Period and the group commencing the quarter with 41 unopened looted stores. Additionally, the group's market leading performance during the third quarter of financial year 2021 (27 September 2020 to 26 December 2020 referred to as "FY2021 Period"), where it grew retail sales 5.8%, created a firm base relative to the market's decline at that time of 3.6%, according to the Retailers' Liaison Committee (RLC).

Focus over the quarter was on selling more full price items in a retail environment that was highly promotional, particularly the month of November 2021. The result of this approach was a short-term loss in market share during October and November 2021, the months for which RLC data is currently available. Nonetheless the group's GP margin was maintained as planned and its strong December 2021 performance provides confidence that it will restore its market share gaining momentum.

The group is confident that its approach over the festive trading period supported its strategic initiatives, namely, to continue its retail sales growth momentum (Q3 FY2022: 17.1%; Q2 FY2022: 13.5%), maintain targeted GP margin and manage stock levels effectively.

Retail sales for the group's corporate-owned stores was as follows:

	Retail sales growth - Q3 FY2022 vs FY2021
Apparel segment	19.0%
Apparel segment excl PF	6.4%
Home segment	8.3%
Home segment excl YC	0.7%
Group*	17.1%
Group* excl PF and YC	5.4%

*Includes Cellular (handsets & accessories)

The commentary below relates to key group performance metrics excluding acquisitions unless specifically mentioned.

South African retail sales grew 5.8% (comparable stores 4.0%) to R7.4bn. Store sales increased 6.0% as consumers became more comfortable in the physical retail setting again. This was most evidenced in the group's larger format stores located in the super regional and regional shopping centres which performed strongly. Non-South African corporate-owned stores sales grew 0.4% to R554m.

The growing importance of e-commerce continues to warrant the ongoing investment into this channel, signified by the group's launch of its new e-commerce platform at the start of the Period and its recent acquisition of Yuppiechef. Group online sales including this acquisition increased 51.8% (2.7% contribution to total retail sales), against the high growth of 66.3% experienced in the FY2021 Period. Some stabilisation challenges on the new e-commerce platform were experienced and impacted performance, excluding which the group's online sales growth would have been higher.

Total unit sales grew 1.2% and group retail selling price inflation of 4.6% (below CPI) was carefully managed in order to maintain the group's leading value positioning.

The group's GP margin expanded 60 basis points (margin maintained when including lower margin acquisitions) over the Period. The group's strong value offering and high customer demand for the "wanted item" enabled management to preserve margins by maintaining low markdown levels over the period.

The store footprint increased by 45 stores (by 60 including new stores from acquisitions) to 1 702 from its half year ended 2 October 2021. Trading space increased 2.1% (8.9% including acquisitions) on a weighted average basis and 3.7% on a closing basis (13.7% including acquisitions). To date, 96 of the 111 looted stores (including acquisitions) from the July 2021 civil unrest have been re-opened and the balance of stores are expected to re-open during the remainder of FY2022 and FY2023.

Due to the uncertain economic conditions consumers faced during the FY2021 Period, cash transactions were preferred over credit by customers, who were aided by stimulus provided by government and private sector support initiatives. Against this high base, cash sales during the Period grew 4.6% (including acquisitions 17.9%) and constituted 87.1% (FY2021 Period: 86.4%) of total retail sales.

Credit sales showed a resurgence, increasing 10.6%, albeit off a weak base as the FY2021 Period was impacted by consumer's subdued credit appetite as well as fewer shoppers in stores due to COVID-19. Group credit sales for the Period were 1.5% higher than pre COVID-19 levels and constituted 12.9% of total sales. Credit applications for new accounts were 31.9% higher than the FY2021 Period, however the approval rate decreased 210 basis points as the group continues to enforce its strict credit granting criteria.

The apparel segment (retail sales contribution: 74.5%) grew 6.4% over the FY2021 Period. Mr Price Apparel, the group's largest division, continued its sales growth momentum which was delivered against a market leading performance in the FY2021 period. The division pleasingly gained market share in several of its newly launched categories. Miladys continued its resurgence and has now gained market share in 7 of the last 8 months according to RLC data. Mr Price Sport achieved pre COVID-19 sales levels despite the ongoing challenges with sport participation across schools and sports clubs.

The home segment (retail sales contribution: 22.6%) grew sales 0.7% against a double-digit base; 11.3% over the 2-year period. The high demand for homeware merchandise experienced through the FY2021 Period, benefitted both home divisions, bolstering the group's position as the homeware market share leader in South Africa.

Cellular handsets and accessories (retail sales contribution: 2.9%), available in 375 stores across the group, grew sales 18.7% over the period at a maintained GP% margin. Double digit comparable

sales and high accessory attachment rates supported further market share gains according to Growth from Knowledge (GfK).

The group is pleased with the performance of its two recent acquisitions. Power Fashion's (effective 1 April 2021) performance continues to improve since the disruption of the civil unrest in July 2021, gaining market share in October and November 2021 despite trading with the highest number of unopened looted stores in its store base. The market share level recorded in November 2021 was the second highest in the division's history. Yuppiechef (effective 1 August 2021) continues to grow in line with expectations and both acquisitions hold exciting prospects for the future.

Other income grew 96.2% to R431m over the Period. The high rate of growth is mainly attributed to the one-off receipt of income from insurance claims against the looted stores from the July 2021 riots of R204m. Excluding the income from insurance claims, other income increased 3.2%, supported by higher debtors' interest and fees from the groups debtors' book, which experienced positive growth due to higher credit sales and the repo rate increase of 25 basis points. The debtors' book is healthy, signaled by lower net bad debt due to reduced write-offs and higher recoveries. Collections as a percentage of the debtors' book increased compared to the FY2021 Period, resulting in an improved ageing profile.

Closing inventory levels at the end of the quarter (including new categories and acquisitions), reduced significantly from the start of the Period, in accordance with the group's previously communicated plan to reduce inventory growth to single digit levels by the end of FY2022.

OUTLOOK

The fourth wave of COVID-19 in South Africa proved to be shorter and less severe than originally anticipated. The increased economic activity and consumer spending that occurred after the lifting of restrictions was encouraging. The group is confident that its unique fashion-value positioning places it in a strong position to grow ahead of the market.

Shipping container availability, which materially impacted global supply chains in 2021 has significantly improved, lowering the risk of inventory shortages and delays. Shipping freight rates continue to be volatile and remain at elevated levels. The group is confident that its hedging policies ensure that it is adequately covered at highly competitive rates for the 2022 calendar year.

The short-term improvements in the trading environment are encouraging. However, the group anticipates further uncertainty for the foreseeable future. Rising input costs and exchange rates are expected to lead to higher merchandise inflation in the new financial year. Focus remains on strong merchandise execution to continue growing the core business and ensuring its investments into growth deliver to expectations.

Management is proud of the way in which the group's people, proven processes and partnership-based relationships have supported its purpose of being 'Your Value Champion'. The group acknowledges the effort of all its associates over this extremely busy and crucial retail period. In particular its frontline store and supply chain staff whose dedication to making the customer shopping experience a safe and satisfying one is paramount. The group's values of passion, value and partnership are at the centre of everything it does and these attributes continued to be lived out over the critical festive trading period.

The above-mentioned figures and any information contained herein do not constitute an earnings forecast or estimate and have not been reviewed and reported on by the Company's external auditors.

Durban
21 January 2022
JSE Equity Sponsor and Corporate Broker
Investec Bank Limited