mr price group limited

Final Results - Supplementary Information
52 weeks ended 31 March 2018

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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, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107

Auditors
Ernst & Young Inc.

mr price group limited

GROUP RESULTS AND FINAL CASH DIVIDEND DECLARATION - YEAR ENDED 31 MARCH 2018

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 released on SENS on 1 June 2018 and the presentation to the Investment Analysts Society and does not contain full or complete details. These documents 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.

Highlights

Operating Profit
+22.4%
to R3.7bn

Operating Margin
+210bps
to 17.6%

Heps
+20.7%
to 1 100.1c

Diluted Heps
+21.1%
to 1 075.4c

Dividend per share
+3.9%
to 693.1c

Return on Equity
+230bps
to 40.1%

Final Cash Dividend Declaration

A final gross dividend of 414.10 cents per share (331.28c net of dividend withholding tax of 20% for shareholders who are not exempt) has been declared from income reserves. The salient dates are as follows:

Last date to trade 'cum' dividend	Tuesday	19 June 2018
Date trading commences 'ex' dividend	Wednesday	20 June 2018
Record date	Friday	22 June 2018
Payment date	Monday	25 June 2018

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 20 June 2018 and Friday, 22 June 2018, both dates inclusive.

Commentary

Total revenue rose by 8.0% to R21.3bn with retail sales increasing by 7.6% (comparable stores 5.6%) to R20.0bn. Cash sales grew by 8.4% and constitute 83.7% of total sales, whilst credit sales increased by 4.1%. Online sales increased by 11.5%, with MRP Apparel, South Africa's no.1 ranked fashion retailer on several social media platforms, recording growth of 31.9%. Local store sales were up 8.3% while non South African store sales increased by 3.8%. Retail selling price inflation was 1.7% and 220m units were sold, an increase of 6.4%. Net trading space increased by 2.1% and after opening 57 new stores, the group traded from 1 258 corporate owned stores at year end.

Strong gains in both the merchandise and cellular gross margins contributed to the group gross profit margin increasing by 320bps to 43.3%. The merchandise margin benefitted from a more favourable exchange rate, improved product execution and resultant lower mark-downs. Selling and administration expenses grew by 11.5% as a result of inflation, space growth and higher performance linked expenses. Profit from operating activities increased by 22.4% to R3.7bn and the operating margin improved from 15.5% to 17.6% of retail sales and other income (RSOI). Basic earnings per share increased by 21.7% to 1 076.4c, mainly driven by MRP Apparel, Miladys and MRP Money, and all divisions achieved profit growth in H2.

The Apparel segment increased RSOI by 9.8% to R15.0bn. Operating profit increased by 36.0% to R2.7bn and the operating margin increased from 14.6% to 18.1%. Sales in MRP Apparel grew 11.4% (comparable 8.9%) to R12.1bn, exceeding market growth as reported by STATS SA in 11 months of the year. Miladys continued to benefit from focusing on the needs of their core customer and increased sales by 8.4% (comparable 8.2%) to R1.4bn. MRP Sport grew sales by 2.7% (comparable -4.5%) to R1.4bn.

The Home segment performance is reflective of the economy and the discretionary nature of merchandise sold. RSOI grew by a modest 1.8% to R5.0bn. Operating profit decreased by 4.4% to R785.4m and the operating margin declined from 16.7% to 15.7%. MRP Home sales were up 1.0% (comparable -0.9%) to R3.4bn and Sheet Street by 3.9% (comparable 2.3%) to R1.5bn. Both chains reported higher sales growth in H2 of 3.6% and 5.4% respectively.

MRP Money recorded an increase in revenue of 7.2% to R1.1bn. Increases in debtors' interest and fees of 6.5%, insurance revenue of 14.2%, and cellular revenue of 4.3% were achieved.

The division acquired the minority interest in the MRP Mobile MVNO on 2 January 2018 and successfully rolled out cellular kiosks to 103 stores during the year. Cellular revenue growth in H2 was 14.0%.

Annual dividends per share increased by 3.9% to 693.1 cents and the final dividend per share of 414.1 cents is 5.6% lower than the comparable period. In the current year dividends have been based on a dividend payout ratio of 63% of HEPS, consistent with the 2016 financial year. However, the treatment in 2017 (annual dividends were maintained at the prior year's level of 667c per share despite an earnings decline) has impacted the current year's dividend growth rates.

The balance sheet remains in a healthy position, with free cash flow increasing by 71.8% to R3.0bn and cash resources of R2.7bn at year end. Inventories are in good shape and the debtors book continues to perform well, with a net bad debt to retail book ratio of 5.9% and an impairment provision of 7.7%. Envisaged capital expenditure in FY19 of R550m, funded by cash reserves, will include the opening of approximately 48 stores and the acquisition of 12 Kenyan franchise stores in May. Balance sheet strength and the cash generative business model (free cash flow to profit after tax conversion ratio of 109.3%) will also support our strategic acquisition strategy in selected markets.

The key focus areas in the medium term will be to deliver on our strategic enablement IT and supply chain projects. These enhancements are imperative in order for us to realise trading opportunities locally and to trade effectively internationally, including Africa, where recovering commodity prices are expected to be supportive of increased consumer spending.

We are proud of the resilience of our business model and the character shown by our associates in challenging times, and remain cautiously optimistic about the future. In our major market, South Africa, there is renewed hope of more robust economic growth, however many structural challenges remain that will not be fixed overnight. Although the vastly improved business and consumer confidence is welcoming, we believe that the consumers' ability to spend is still restricted.

Our fashion value positioning provides a competitive advantage and we are ideally positioned to capture further market share. There are various trading opportunities upon which to capitalise and we are confident of our team's ability to execute well and to benefit from what will hopefully be a recovering and more stable economy in the medium term.

mrp · mrpsport · MILADYS · mrphome · sheet•street · mrpmoney

Mr Price Group Limited	Registration Number: 1933/004418/06 · Incorporated in the Republic of South Africa · ISIN: ZAE000200457 · JSE Code: MRP
Directors	SB Cohen* (Honorary chairman), NG Payne* (Chairman), SI Bird (CEO), MM Blair (CFO), MJ Bowman*, K Getz*, MR Johnston*, RM Motanyane-Welch*, D Naidoo*, B Niehaus*, MJD Ruck*, N Abrams^, SA Ellis^, * Non-executive director, ^ Alternate director
Sponsor	Rand Merchant Bank (a division of FirstRand Bank Limited)
Transfer Secretaries	Computershare Investor Services (Pty) Ltd

PRESS RELEASE

MR PRICE GROUP LIMITED REPORTS FINAL RESULTS (52 weeks ended 31 March 2018) [Durban, 1 June 2018]

Mr Price today announced an increase in diluted headline earnings per share (HEPS) of 21.1% to 1075.4 cents. CEO Stuart Bird said "this was a solid performance by a dedicated and talented team, who re-focused and delivered after the under-performance of the previous year."

Total revenue rose by 8.0% to R21.3bn with retail sales increasing by 7.6% (comparable stores 5.6%) to R20.0bn. Cash sales grew by 8.4% and constitute 83.7% of total sales, whilst credit sales increased by 4.1%. Online sales increased by 11.5%, with MRP Apparel, South Africa's no.1 ranked fashion retailer on several social media platforms, recording growth of 31.9%. Local store sales were up 8.3% while non South African store sales increased by 3.8%. Retail selling price inflation was 1.7% and 220m units were sold, an increase of 6.4%. Net trading space increased by 2.1% and after opening 57 new stores, the group traded from 1 258 corporate owned stores at year end.

Strong gains in both the merchandise and cellular gross margins contributed to the group gross profit margin increasing by 320bps to 43.3%. The merchandise margin benefitted from a more favourable exchange rate, improved product execution and resultant lower mark-downs. Selling and administration expenses grew by 11.5% as a result of inflation, space growth and higher performance linked expenses. Profit from operating activities increased by 22.4% to R3.7bn and the operating margin improved from 15.5% to 17.6% of retail sales and other income (RSOI). Basic earnings per share increased by 21.7% to 1 076.4c, mainly driven by MRP Apparel, Miladys and MRP Money, although all trading divisions achieved profit growth in H2.

The Apparel segment increased RSOI by 9.8% to R15.0bn. Operating profit increased by 36.0% to R2.7bn and the operating margin increased from 14.6% to 18.1%. Sales in MRP Apparel grew 11.4% (comparable 8.9%) to R12.1bn, exceeding market growth as reported by STATS SA in 11 months of the year. Miladys continued to benefit from focusing on the needs of their core customer and increased sales by 8.4% (comparable 8.2%) to R1.4bn. MRP Sport grew sales by 2.7% (comparable -4.5%) to R1.4bn.

The Home segment performance is reflective of the economy and the discretionary nature of merchandise sold. RSOI grew by a modest 1.8% to R5.0bn. Operating profit decreased by 4.4% to R785.4m and the operating margin declined from 16.7% to 15.7%. MRP Home sales were up 1.0% (comparable -0.9%) to R3.4bn and Sheet Street by 3.9% (comparable 2.3%) to R1.5bn. Both chains reported higher sales growth in H2 of 3.6% and 5.4% respectively.

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Annual dividends per share increased by 3.9% to 693.1 cents and the final dividend per share of 414.1 cents is 5.6% lower than the comparable period. In the current year dividends have been based on a dividend payout ratio of 63% of HEPS, consistent with the 2016 financial year. However, the treatment in 2017 (annual dividends were maintained at the prior year's level of 667c per share despite an earnings decline) has impacted the current year's dividend growth rates.

The balance sheet remains in a healthy position, with free cash flow increasing by 71.8% to R3.0bn and cash resources of R2.7bn at year end. Inventories are in good shape and the debtors book continues to perform well, with a net bad debt to retail book ratio of 5.9% and an impairment provision of 7.7%. Envisaged capital expenditure in FY19 of R550m, funded by cash reserves, will include the opening of approximately 48 stores and the acquisition of 12 Kenyan franchise stores in May. Balance sheet strength and the cash generative business model (free cash flow to profit after tax conversion ratio of 109.3%) will also support our strategic acquisition strategy in selected markets.

The key focus areas in the medium term will be to deliver on our strategic enablement IT and supply chain projects. These enhancements are imperative in order for us to realise trading opportunities locally and to trade effectively internationally, including Africa, where recovering commodity prices are expected to be supportive of increased consumer spending.

"We are proud of the resilience of our business model and the character shown by our associates in challenging times, and remain cautiously optimistic about the future. In our major market, South Africa, there is renewed hope of more robust economic growth, however many structural challenges remain that will not be fixed overnight. Although the vastly improved business and consumer confidence is welcoming, we believe that the consumers' ability to spend is still restricted. Our fashion value positioning provides a competitive advantage and we are ideally positioned to capture further market share. There are various trading opportunities upon which to capitalise and we are confident of our team's ability to execute well and to benefit from what will hopefully be a recovering and more stable economy in the medium term." Bird concluded.

ENDS

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FINAL CASH DIVIDEND DECLARATION

Notice is hereby given that a final gross cash dividend of 414.10 cents per share has been declared for the 52 weeks ended 31 March 2018. 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 331.28 cents per share. The dividend withholding tax rate is 20%.

Annual dividends per share increased by 3.9% to 693.1 cents and the final dividend per share of 414.1 cents is 5.6% lower than the comparable period. In the current year dividends have been based on a dividend payout ratio of 63% of HEPS, consistent with the 2016 financial year. However, the treatment in 2017 (annual dividends were maintained at the prior year's level of 667.0 cents per share despite an earnings decline) has impacted the current year's dividend growth rates.

The issued share capital at the declaration date is 256 795 727 listed ordinary and 8 145 234 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	19 June 2018
Date trading commences 'ex' the dividend	Wednesday	20 June 2018
Record date	Friday	22 June 2018
Payment date	Monday	25 June 2018

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 20 June 2018 and Friday, 22 June 2018, both dates inclusive.

The dividend was approved on behalf of the board on 30 May 2018 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*^, MJ Bowman*, SA Ellis^, K Getz*, MR Johnston*, RM Motanyane-Welch*, D Naidoo*, B Niehaus*, MJD Ruck*
* Non-executive director ^ Alternate director

GROUP RESULTS FOR THE 52 WEEKS ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'm	**2018** **31 March**	2017 1 April
Assets		
Non-current assets	**2 628**	2 577
Property, plant and equipment	**2 092**	2 130
Intangible assets	**433**	356
Long-term receivables and other investment	**18**	23
Defined benefit fund asset	**63**	48
Deferred taxation assets	**22**	20
Current assets	**7 491**	6 338
Inventories	**2 215**	2 102
Trade and other receivables	**2 369**	2 207
Derivative financial instruments	**1**	14
Reinsurance assets	**146**	129
Taxation	**4**	63
Cash and cash equivalents	**2 756**	1 823
Total assets	**10 119**	8 915
Equity and liabilities		
Equity attributable to shareholders	**7 455**	6 729
Non-current liabilities	**257**	335
Lease obligations	**214**	199
Deferred taxation liabilities	**1**	59
Long-term liabilities	**13**	51
Post retirement medical benefits	**29**	26
Current liabilities	**2 407**	1 851
Trade and other payables	**1 982**	1 713
Derivative financial instruments	**133**	31
Reinsurance liabilities	**38**	41
Current portion of lease obligations	**36**	21
Taxation	**182**	6
Bank overdrafts	**36**	39
Total equity and liabilities	**10 119**	8 915

CONDENSED CONSOLIDATED INCOME STATEMENT

R'm	**2018 31 March 52 weeks**	2017 1 April 52 weeks	% change
Revenue	**21 347**	19 763	8.0
Retail sales	**19 994**	18 575	7.6
Other income	**1 191**	1 104	7.9
Retail sales and other income	**21 185**	19 679	7.7
Costs and expenses	**17 453**	16 631	4.9
Cost of sales	**11 582**	11 365	1.9
Selling expenses	**4 492**	3 995	12.5
Administrative and other operating expenses	**1 379**	1 271	8.5
Profit from operating activities	**3 732**	3 048	22.4
Net finance income	**160**	82	95.5
Profit before taxation	**3 892**	3 130	24.3
Taxation	**1 111**	867	28.1
Profit after taxation	**2 781**	2 263	22.9
Loss attributable to non-controlling interests	-	-	
Profit attributable to equity holders of parent	**2 781**	2 263	22.9
Weighted average number of shares in issue	**258 375**	255 793	
Earnings per share (cents)			
- basic	**1 076.4**	884.6	21.7
- headline	**1 100.1**	911.4	20.7
- diluted basic	**1 052.2**	861.9	22.1
- diluted headline	**1 075.4**	887.9	21.1
Dividends per share (cents)	**693.1**	667.0	3.9
Dividend payout ratio	**63.0**	73.2	

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'm	**2018** **31 March** **52 weeks**	2017 1 April 52 weeks
Profit attributable to equity holders of parent	**2 781**	2 263
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation adjustments	**(58)**	(83)
Net (loss)/gain on hedge accounting	**(78)**	68
Items that will not be reclassified subsequently to profit or loss:		
Defined benefit fund net actuarial gain	**5**	2
Total comprehensive income	**2 650**	2 250

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'm	**2018** **31 March**	2017 1 April
Total equity attributable to shareholders at beginning of the year	**6 729**	5 620
Total comprehensive income for the year	**2 650**	2 250
Treasury share transactions	**(98)**	435
Recognition of share-based payments	**87**	112
Dividends to shareholders	**(1 893)**	(1 688)
Acquisition of non-controlling interest	**(20)**	-
Total equity attributable to shareholders at end of the year	**7 455**	6 729

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'm	**2018 31 March 52 weeks**	2017 1 April 52 weeks
Cash flows from operating activities		
Operating profit before working capital changes	**3 861**	3 081
Working capital changes	**7**	(251)
Net interest received	**525**	433
Taxation paid	**(891)**	(689)
Net cash inflows from operating activities	**3 502**	2 574
Cash flows from investing activities		
Net receipts /(advances) in respect of long-term receivables	**5**	(4)
Acquisition of other investment	**-**	(1)
Additions to and replacement of intangible assets	**(129)**	(96)
Property, plant and equipment		
- replacement	**(111)**	(121)
- additions	**(221)**	(588)
- proceeds on disposal	**1**	1
Net cash outflows from investing activities	**(455)**	(809)
Cash flows from financing activities		
Net (outflow)/inflow in respect of long-term liabilities	**(51)**	15
Acquisition of non-controlling interest	**(1)**	-
Treasury share transactions	**(108)**	335
Dividends to shareholders	**(1 893)**	(1 688)
Net cash outflows from financing activities	**(2 053)**	(1 338)
Change in cash and cash equivalents	**994**	427
Cash and cash equivalents at beginning of the year	**1 784**	1 419
Exchange losses	**(58)**	(62)
Cash and cash equivalents at end of the year	**2 720**	1 784

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, distribution centre, logistics 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.

R'm	**2018** **31 March**	2017 1 April	% change
Retail sales and other income			
Apparel	**15 027**	13 685	9.8
Home	**5 002**	4 914	1.8
Financial Services and Cellular	**1 141**	1 064	7.2
Central Services	**15**	16	(8.1)
Total	**21 185**	19 679	7.7
Profit from operating activities			
Apparel	**2 713**	1 994	36.0
Home	**785**	822	(4.4)
Financial Services and Cellular	**425**	387	9.8
Central Services	**(191)**	(155)	23.5
Total	**3 732**	3 048	22.4
Segment assets			
Apparel	**2 465**	2 371	4.0
Home	**787**	771	2.1
Financial Services and Cellular	**2 281**	2 120	7.6
Central Services	**4 586**	3 654	25.5
Total	**10 119**	8 916	13.5

SUPPLEMENTARY INFORMATION

	2018 **31 March**	2017 1 April
Total number of shares issued (000)	**264 941**	264 941
Number of Ordinary shares (000)	**256 796**	255 196
Number of B Ordinary shares (000)	**8 145**	9 745
Less: shares held by share trusts (000)	**5 959**	6 352
Net number of shares in issue (000)	**258 982**	258 589
Weighted average number of shares in issue (000)	**258 375**	255 793
Net asset value per share (cents)	**2 879**	2 601
Reconciliation of headline earnings (R'm)		
Attributable profit	**2 781**	2 263
Loss on disposal, write off and impairment of property, plant, equipment and intangible assets	**85**	95
Taxation adjustment	**(24)**	(27)
Headline earnings	**2 842**	2 331

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

3. 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 2017 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.

4. 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.

5. In May 2017 litigation was instituted by the National Credit Regulator (NCR) in the National Credit Tribunal (NCT) to declare the group to have acted in contravention of the National Credit Act in relation to Miladys Club fee charges. The NCR requested that the NCT order the group to refund all club fees to customers from 2007 to date and pay a fine of 10% of the group's annual turnover. The group opposed the referral and applied to stay the proceedings pending the outcome of a similar matter between Edcon and the NCT. The high court recently ruled in favour of Edcon and the group is optimistic that the Miladys matter will have a similar outcome.

6. During the 2018 financial year, the company received an assessment from SARS relating to the disallowance of certain deductions claimed in the 2014 year of assessment. The assessment amounted to additional income tax of R65.1m, including interest and penalties charged to 31 March 2018 amounting to R33.1m. The assessed tax may result in of a reallocation of deferred tax to current tax of R59.5m and additional current tax of R5.6m. The overall potential impact on the income statement (including interest and penalties) therefore amounts to R38.7m.

   The company, supported by senior counsel's opinion, appealed the decision of the Commissioner to disallow the company's objection to the assessment. No adjustments have been made to the financial statements as the directors are of the opinion that the likelihood of the liability is remote.

7. On 2 January 2018, the group acquired the outside shareholder's 45% holding in MRP Mobile (Pty) Ltd. MRP Mobile revenue is less than 1% of group retail sales and other income for F2018.

8. The acquisition of 12 Kenyan franchise stores from Deacons East Africa Plc was completed on 18 May 2018.

9. Myles Ruck, non-executive director of the Mr Price Group, chair of the Remuneration and Nominations Committee and member of the Audit and Compliance Committee, has advised the Board of Directors that he will not offer himself for re-election at the August 2018 AGM and will accordingly retire by rotation. Myles will continue his Board and Committee responsibilities until then.

APPOINTMENT OF REMUNERATION AND NOMINATIONS COMMITTEE MEMBER

Further to the announcement on 7 May 2018 of the retirement by rotation of Myles Ruck at the August 2018 AGM, Mark Bowman was appointed as a member of the Group's Remuneration and Nominations committee ("Remnomco") on 29 May 2018. Marks appointment will ensure the smooth transition into his position as chair of Remnomco following Myles' retirement.

1 June 2018

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