mr price group limited

Final Results - Supplementary Information
52 weeks ended 28 March 2020

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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 and A2X 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
Private Bag X9000, Saxonwold, 2132

Auditors
Ernst & Young Inc.
1 Pencarrow Cresent, La Lucia Office
PO Box 859, Durban, 4000

mr price group limited

REVIEWED FINAL RESULTS

FOR THE 52 WEEKS ENDED 28 MARCH 2020 AND TRADING UPDATE

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/2020/JSE/ISSE/MRPE/25062020.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.

SUMMARY

Revenue	Operating profit	Total diluted HEPS	Adjusted normalised diluted HEPS	Free cashflow conversion	Return on equity
R23.0bn +2.1%	R4.0bn 0.0%	1 029.4c (9.9%)	1 089.3c (4.6%)	133.3%	30.0%
	Normalised: (9.2%)	Normalised: (7.8%)			

COMMENTARY

Increasing sales momentum and market share gain in H2 and a strong performance post the COVID-19 lockdown

Due to the COVID-19 pandemic, a national state of disaster was announced by government on 15 March 2020 and a national lockdown was implemented from 27 March 2020 until 30 April 2020. The enforcement of the lockdown period has been guided by varying levels of restrictions in order to encourage social distancing and to slow the spread of the virus, which has created unprecedented operational disruption and significant uncertainty. The group has taken additional impairment provisions on stock, its debtors' book and insurance claims. Its associates and stakeholders have worked tirelessly to minimise the impact on performance and to safeguard the future of the business.

For the 52 weeks ended 28 March 2020, basic earnings per share decreased 9.5% to 1 042.4c, headline earnings per share (HEPS) declined 10.4% to 1 047.0c and diluted HEPS decreased 9.9% to 1 029.4c. Excluding the additional COVID-19 provisions detailed above and the effects of the transition to IFRS 16, the adjusted normalised diluted headline earnings per share decreased by 4.6% to 1 089.3c. On this same basis, H2 diluted HEPS of 641.8c were 2.7% lower than the corresponding period last year, a meaningful improvement from H1 despite the disruption in the last 2 weeks of trade.

The group reported improved sales momentum and market share growth in H2 and a strong performance post the COVID-19 lockdown. Total revenue from continuing operations (discontinued operations in Poland and Australia) grew 2.1% to R23.0bn with retail sales increasing by 1.5% (comparable stores -1.4%) to R21.2bn. Cash sales including cellular grew by 2.4% and constitute 84.3% of total sales. Annual retail sales excluding the last two weeks of March 2020 grew 2.7%. In H2 sales grew 3.7% (Q3 +3.5% and Q4 excluding the last two weeks of March 2020 +4.2%) and market share increased by 0.2%, led by its largest division Mr Price Apparel, whose previously stated turnaround initiatives gained traction. This improved performance was achieved in a highly promotional trading environment which was further disrupted by regular electricity load shedding throughout most of the period. In its COVID-19 update issued through the Stock Exchange News Service (SENS) on 26 March 2020, the group reported sales growth of 8.6% in the first two weeks of March 2020, however in the last two weeks, following the announcement of the national lockdown on 15 March 2020, sales growth declined 32.9% as consumers prioritised essential items.

Post Year End Trading update – 1 April to 20 June 2020

In the month of April 2020, all the group's South African stores were closed and retail sales were down 89.1% off a base of R1.9bn in April 2019.

Following the relaxation of lockdown restrictions to level 4 from 1 May 2020, high levels of pent up consumer demand were experienced. Retail sales for the period 1 May 2020 – 20 June 2020 were up 12.0% (Mr Price Apparel +16.1%, Mr Price Sport +7.7%, Miladys -13.8%, Mr Price Home +1.3% and Sheet Street +15.2%). Pent up demand for apparel in May shifted to homewares in June, as lockdown restrictions on merchandise permitted to be sold were fully lifted.

Consumers continue to favour transacting in cash. In May and June combined, cash sales increased 16.7% while credit sales declined 9.4%. The group anticipates that the credit landscape will deteriorate further positioning it well to capture market share. Cash sales contributed 85.6% of total sales in comparison to 82.2% in the prior year.

Various factors over this period have led to unusually high levels of consumer demand: the need for winter & kids' merchandise, increased SASSA grant payments, debt payment holidays, TERS claims and constrained spending under restriction level 4 and 5. Negative GDP and retail sales growth outlooks (together with rising unemployment) is providing caution that current sales growth levels may be temporary. Therefore, the order book remains carefully managed and stock is expected to decrease by double digits level by the end of H1. The group's diversified supply chain strategy will enable it to buy into stock, should trading conditions improve.

Online sales grew strongly and were up 90.1% over the period. Mr Price Apparel & Mr Price Sport sales growth exceeded 100%. It is still to be seen whether this is a permanent step change in consumer behaviour. The group's historic and ongoing investment into its omni-channel offering has positioned it to take advantage of this trend. In addition to the changing online consumer behaviour, a shift in store location has been notable. Super regional centres lagged smaller formats due to reduced trading hours and customers preferring to shop at more convenient locations. The combination of strong online sales and store locations which support customer's needs positions the group well as a leading omni-channel retailer in this changing landscape.

As is common with the rest of the retail sector, a high proportion of credit account payments are made in store. Therefore, closure of the store base materially impacted collections during lockdown and although the monthly trend is improving, they were lower than the prior year in May and June combined.

COVID-19

The current and forecast spread of the virus in South Africa remains a concern given its impact on society due to loss of life and the devastating financial impact on businesses and citizens. It is not possible at this stage to quantify the economic impact on the group, but ongoing operational disruptions and future uncertainty remain significant challenges.

The group anticipates an extremely constrained consumer environment. As a result, ~R300m in budgeted expense reduction has been identified as part of group wide austerity activities and cash preservation initiatives have been undertaken, including a ~23% reduction in budgeted capex for FY2021. No final dividend has been declared in order to preserve cash considering the uncertainty and future potential disruption, resulting in a decrease in annual dividends of 57.7%. The group experienced a decline in cash reserves of ~R2bn during the 5-week lockdown period. However, a strong, cash-based performance since then has ensured that the current financial position remains sound, with cash resources and a debt-free balance sheet available to support current business operations and future uncertainty.

Opportunities

Amid all the uncertainty, the group is fully focused on efficiency, effectiveness, innovation and growth. The way in which the balance sheet has historically been managed has put the group in this unique position. Plans are well advanced in identifying organic growth opportunities, which may be augmented by acquisitions.

On 20 May 2020 the group announced on SENS its intent to affect a capital raise of up to 10% of the company's ordinary issued shares, at an appropriate point in time and as market conditions permit. The board and management are of the view that anticipated market conditions will allow strong companies to capitalise on growth opportunities whilst maintaining financial flexibility. The group needs to be well positioned to respond with speed and agility to opportunities that may arise and seeks shareholders' support in its growth ambitions.

Partnership

Through this period, the group's focus has been primarily directed toward the safety of its associates and communicating with them frequently. All associates have been paid in full and thanks must be extended to them for the way in which they have pulled together, taken decisive action and acted in line with the group's values. Extensive safety measures have been implemented to protect customers and the group is grateful for their ongoing support and understanding during this very challenging time. The group's responsibilities extend to a wide set of stakeholders and the way in which it engages with each of them will shape its future. The test of any businesses' values takes place not when trade is buoyant, but rather when it is at its toughest, therefore partnership is a value that is required now more than ever before. Consumers will continue to be constrained and seek value and the group is confident that its robust cash-based, fashion value model and growth mindset, will enable it to gain further market share and emerge from this crisis fit for growth.

mr price | mr price home | mr price sport | mr price money | sheet street | MILADYS

Mr Price Group Limited Registration Number: 1933/004418/06 - Incorporated in the Republic of South Africa - ISIN: ZAE000200457 - JSE/A2X code: MRP

Directors SB Cohen* (Honorary chairman), NG Payne* (Chairman), MM Blair (CEO), MJ Stirton (CFO), N Abrams^, MJ Bowman*, M Chauke*, SA Ellis^, K Getz*, MR Johnston*, RM Motanyane-Welch*, D Naidoo*, B Niehaus*, * 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 REVIEWED FINAL RESULTS FOR THE 52 WEEKS ENDED 28 MARCH 2020 AND TRADING UPDATE

Mr Price today released its annual results in which it reported improved sales momentum and market share growth in H2 and a strong performance post the COVID-19 lockdown.

Due to the COVID-19 pandemic, a national state of disaster was announced by government on 15 March 2020 and a national lockdown was implemented from 27 March 2020 until 30 April 2020. The enforcement of the lockdown period has been guided by varying levels of restrictions in order to encourage social distancing and to slow the spread of the virus, which has created unprecedented operational disruption and significant uncertainty. The group has taken additional impairment provisions on stock, its debtors' book and insurance claims. Its associates and stakeholders have worked tirelessly to minimise the impact on performance and to safeguard the future of the business.

Financial performance

Annual basic earnings per share decreased 9.5% to 1 042.4c, headline earnings per share (HEPS) declined 10.4% to 1 047.0c and diluted HEPS decreased 9.9% to 1 029.4c. Excluding the additional COVID-19 provisions detailed above and the effects of the transition to IFRS 16, the adjusted normalised diluted headline earnings per share decreased by 4.6% to 1 089.3c. On this same basis, H2 diluted HEPS of 641.8c were 2.7% lower than the corresponding period last year, a meaningful improvement on H1 despite the disruption in the last 2 weeks of trade.

Total revenue from continuing operations (discontinued operations in Poland and Australia) grew 2.1% to R23.0bn with retail sales increasing by 1.5% (comparable stores -1.4%) to R21.2bn. Cash sales including cellular grew by 2.4% and constitute 84.3% of total sales. Annual retail sales excluding the last two weeks of March 2020 grew 2.7%. In H2 sales grew 3.7% (Q3 +3.5% and Q4 excluding the last two weeks of March 2020 +4.2%) and market share increased by 0.2%, led by its largest division Mr Price Apparel, whose previously stated turnaround initiatives gained traction. This improved performance was achieved in a highly promotional trading environment which was further disrupted by regular electricity load shedding throughout most of the period. In its COVID-19 update issued through the Stock Exchange News Service (SENS) on 26 March 2020, the group reported sales growth of 8.6% in the first two weeks of March 2020, however in the last two weeks, following the announcement of the national lockdown on 15 March 2020, sales growth declined 32.9% as consumers prioritised essential items.

The group continues to grow its footprint and opened 71 new stores and expanded 16. After closing 16 stores and reducing the size of 28, total weighted average space was up 2.2%, taking total corporate owned stores to 1 378. New store capex was allocated mainly to micro, small and medium formats aiding group store growth of 4.2%. This supports the group's high trading densities and positions its store network favourably post COVID-19.

Merchandise GP% levels improved from 40.7% in H1 to 43.2% in H2. The group raised an additional R83m stock provision to account for future disruption from COVID-19, excluding which, the second half GP% was maintained in line with the corresponding period last year. The annual gross profit margin declined 170bps to 41.2%, as a consequence of H1 performance.

Selling and administration expenses were 2.8% lower. On a normalised basis, excluding the transition to IFRS 16, total expenses increased 3.2% on last year. Profit from operating activities from continuing operations was in line with the prior year at R4.0bn. The annual operating margin decreased 40bps to 17.4% of retail sales and other income (RSOI) and in H2 was maintained in line with the corresponding period last year at 18.8%.

The Apparel segment increased RSOI by 1.2% to R15.8bn. Operating profit from continuing operations decreased 4.6%, down 13.6% in H1 but recovered in H2, up 2.5%. The Home segment increased RSOI by 2.4% to R5.4bn. Operating profit from continuing operations increased 10.6%. The Financial Services & Cellular segment reported revenue growth of 8.1% to R1.6bn and an operating profit growth of 5.6%.

The group's balance sheet remains healthy, with net asset value per share at 3 636c, an increase of 8.7% from the prior year. Cash and cash equivalents rose to R4.7bn, of which R615m is not immediately accessible, and a +/-R500m provisional tax payment was made after the year end cut-off date. Plans to release the temporarily restricted funds are well progressed. True to its model, the group continued to be highly cash generative, reporting a free cashflow conversion ratio (adjusted for lease payments) of 133.3%. Inventory levels were up 3.7%, well within the targeted single digit range, which enabled the group to enter the lockdown period in a better position to manage the order book effectively. Heightened promotional activity is anticipated as competitors liquidate stock. Due to this future uncertainty and further potential disruption, the inventory provision was increased to 9.6%, up from 6.6% in the prior year. The total debtors' book was 5.2% higher and remains well managed, with a net bad debt to book ratio of 6.3%. Anticipated consumer distress has resulted in the group increasing its impairment provision from 7.5% at the half year to 10.4% at year end. Historically, the group has applied strict credit granting criteria to new and existing customers which will continue to be reinforced.

Post Year End Trading update – 7 weeks from 1 April to 20 June 2020

In the month of April 2020, all the group's South African stores were closed and retail sales were down 89.1% off a base of R1.9bn in April 2019.

Following the relaxation of lockdown restrictions to level 4 from 1 May 2020, high levels of pent up consumer demand were experienced. Retail sales for the period 1 May 2020 – 20 June 2020 were up 12.0% (Mr Price Apparel +16.1%, Mr Price Sport +7.7%, Miladys -13.8%, Mr Price Home +1.3% and Sheet Street +15.2%). Pent up demand for apparel in May shifted to homewares in June, as lockdown restrictions on merchandise permitted to be sold were fully lifted.

Consumers continue to favour transacting in cash. In May and June combined, cash sales increased 16.7% while credit sales declined 9.4%. The group anticipates that the credit landscape will deteriorate further positioning it well to capture market share. Cash sales contributed 85.6% of total sales in comparison to 82.2% in the prior year.

Various factors over this period have led to unusually high levels of consumer demand: the need for winter & kids' merchandise, increased SASSA grant payments, debt payment holidays, TERS claims and constrained spending under restriction level 4 and 5. Negative GDP and retail sales growth outlooks (together with rising unemployment) is providing caution that current sales growth levels may be temporary. Therefore, the order book remains carefully managed and stock is expected to decrease by double digits level by the end of H1. The group's diversified supply chain strategy will enable it to buy into stock, should trading conditions improve.

Online sales grew strongly and were up 90.1% over the period. Mr Price Apparel & Mr Price Sport sales growth exceeded 100%. It is still to be seen whether this is a permanent step change in consumer behaviour. The group's historic and ongoing investment into its omni-channel offering has positioned it to take advantage of this trend. In addition to the changing online consumer behaviour, a shift in store location has been notable. Super regional centres lagged smaller formats due to reduced trading hours and customers preferring to shop at more convenient locations. The combination of strong online sales and store locations which support customer's needs positions the group well as a leading omni-channel retailer in this changing landscape.

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The current and forecast spread of the virus in South Africa remains a concern given its impact on society due to loss of life and the devastating financial impact on businesses and citizens. It is not possible at this stage to quantify the economic impact on the group, but ongoing operational disruptions and future uncertainty remain significant challenges.

The group anticipates an extremely constrained consumer environment. As a result, approximately R300m in budgeted expense reduction has been identified as part of group wide austerity activities and cash preservation initiatives have been undertaken, including a 23% reduction in budgeted capex for FY2021. No final dividend has been declared in order to preserve cash considering the uncertainty and future potential disruption, resulting in a decrease in annual dividends of 57.7%. The group experienced a decline in cash reserves of approximately R2bn during the 5-week lockdown period. However, a strong, cash-based performance since then has ensured that the current financial position remains sound, with cash resources and a debt-free balance sheet available to support current business operations and future uncertainty.

Opportunities

Amid all the uncertainty, the group is fully focused on efficiency, effectiveness, innovation and growth. The way in which the balance sheet has historically been managed has put the group in this unique position. Plans are well advanced in identifying organic growth opportunities, which may be augmented by acquisitions. The group has delivered consistently high returns to shareholders over time, highlighted by its return on equity of 30.0%.

On 20 May 2020 the group announced on SENS its intent to affect a capital raise of up to 10% of the company's ordinary issued shares, at an appropriate point in time and as market conditions permit. The board and management are of the view that anticipated market conditions will allow strong companies to capitalise on growth opportunities whilst maintaining financial flexibility. The group needs to be well positioned to respond with speed and agility to opportunities that may arise and seeks shareholders' support in its growth ambitions.

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ENDS

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PROVISIONAL GROUP RESULTS FOR THE 52 WEEKS ENDED 28 MARCH 2020

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'm	**2020 28 Mar Reviewed**	2019 30 Mar Audited
Assets		
Non-current assets	**7 110**	2 655
Property, plant and equipment	**2 137**	2 117
Right of use asset	**4 362**	-
Intangible assets	**490**	423
Long-term receivables and other assets	**25**	40
Defined benefit fund asset	**55**	64
Deferred taxation assets	**41**	11
Current assets	**10 244**	8 481
Inventories	**2 719**	2 692
Trade and other receivables	**2 268**	2 179
Derivative financial instruments	**342**	27
Reinsurance assets	**182**	304
Taxation	**7**	4
Cash and cash equivalents	**4 726**	3 275
Non-current assets held for sale	**-**	9
Total assets	**17 354**	11 145
Equity and liabilities		
Equity attributable to shareholders	**9 428**	8 682
Non-current liabilities	**4 032**	289
Lease obligations	**-**	190
Lease liability	**4 014**	-
Deferred taxation liabilities	**-**	46
Long-term provisions	**-**	11
Long-term liabilities	**-**	11
Post retirement medical benefits	**18**	31
Current liabilities	**3 894**	2 174
Trade and other payables	**2 296**	1 920
Derivative financial instruments	**-**	-*
Reinsurance liabilities	**46**	46
Current provisions	**-**	13
Current portion of lease obligations	**-**	33
Current portion of lease liability	**1 027**	-
Taxation	**525**	37
Bank overdraft	**-**	125
Total equity and liabilities	**17 354**	11 145

* less than R1million

R'm	**2020 28 Mar 52 weeks Reviewed**	2019 30 Mar* 52 weeks Audited	% change
Continuing operations			
Revenue	**23 030**	22 558	2.1
Retail sales	**21 165**	20 850	1.5
Other income	**1 608**	1 484	8.3
Retail sales and other income	**22 773**	22 334	2.0
Costs and expenses	**18 807**	18 369	2.4
Cost of sales	**12 890**	12 284	4.9
Selling expenses	**4 519**	4 675	(3.3)
Administrative and other operating expenses	**1 398**	1 410	(0.9)
Profit from operating activities	**3 966**	3 965	0.0
Finance income	**257**	224	14.8
Finance costs	**(457)**	(4)	>100.0
Profit before taxation	**3 766**	4 185	(10.0)
Taxation	**1 053**	1 176	(10.5)
Net profit from continuing operations	**2 713**	3 009	(9.8)
Discontinued operations			
Net loss from discontinued operations for the period	**(9)**	(27)	
Net profit for the period	**2 704**	2 982	(9.3)
*Re-presented for discontinued operations			
Profit attributable to equity holders of parent	**2 704**	2 982	(9.3)
- From continuing operations	**2 713**	3 009	(9.8)
- From discontinued operations	**(9)**	(27)	66.7
Weighted average number of shares in issue	**259 419**	258 922	0.2
Earnings per share (cents)			
- basic	**1 042.4**	1 151.6	(9.5)
- headline	**1 047.0**	1 168.6	(10.4)
- diluted basic	**1 024.8**	1 125.7	(9.0)
- diluted headline	**1 029.4**	1 142.3	(9.9)
Earnings per share from continuing operations (cents)			
- basic	**1 045.7**	1 161.9	(10.0)
- headline	**1 049.9**	1 179.4	(11.0)
- diluted basic	**1 028.1**	1 135.7	(9.5)
- diluted headline	**1 032.2**	1 152.8	(10.5)
Dividends per share (cents)	**311.4**	736.2	(57.7)
Dividend payout ratio	**29.7**	63.0	

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'm	**2020 28 Mar 52 weeks Reviewed**	2019 30 Mar 52 weeks Audited
Profit attributable to shareholders	**2 704**	2 982
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss:		
Currency translation adjustments	**(10)**	21
Gain on hedge accounting	**315**	160
Deferred taxation thereon	**(88)**	(45)
Items that will not be reclassified subsequently to profit or loss:		
Defined benefit fund net actuarial loss	**(2)**	(7)
Deferred taxation thereon	**1**	2
Total comprehensive income	**2 920**	3 113

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'm	**2020 28 Mar Reviewed**	2019 30 Mar Audited
Total equity attributable to shareholders at beginning of the period	**8 682**	7 455
IFRS 9 opening retained income adjustment, net of tax	**-**	(8)
IFRS 15 opening retained income adjustment, net of tax	**-**	3
IFRS 16 opening retained income adjustment, net of tax	**(232)**	-
Adjusted total equity attributable to shareholders at beginning of the period	**8 450**	7 450
Total comprehensive income for the period	**2 920**	3 113
Treasury share transactions	**(60)**	(74)
Recognition of share-based payments	**62**	109
Dividends to shareholders	**(1 944)**	(1 916)
Total equity attributable to shareholders at end of the period	**9 428**	8 682

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'm	**2020** **28 Mar** **52 weeks** **Reviewed**	2019 30 Mar 52 weeks Audited
Cash flows from operating activities		
Operating profit before working capital changes	**5 166**	4 009
Working capital changes	**465**	(490)
Interest on trade receivables	**373**	373
Finance costs	**(5)**	(4)
Finance income received	**272**	222
Taxation paid	**(610)**	(1 253)
Net cash inflows from operating activities	**5 661**	2 857
Cash flows from investing activities		
Inflow/(outflow) in respect of long-term receivables	**15**	(9)
Acquisition of Kenyan franchise	**-**	(19)
Intangible assets		
- replacement	**(33)**	(24)
- additions	**(123)**	(94)
Property, plant and equipment		
- replacement	**(119)**	(129)
- additions	**(240)**	(177)
- proceeds on disposal of PPE and non-current asset held for sale	**28**	1
Net cash outflows from investing activities	**(472)**	(451)
Cash flows from financing activities		
Payment of financial liability	**(4)**	(4)
Repayment of lease liabilities	**(1 589)**	-
Sale of shares by staff share trusts	**19**	340
Purchase of shares by staff share trusts	**(65)**	(239)
Deficit on treasury share transactions	**(16)**	(183)
Share hedging cost	**(56)**	-
Dividends to shareholders	**(1 944)**	(1 916)
Net cash outflows from financing activities	**(3 655)**	(2 002)
Net increase in cash and cash equivalents	**1 534**	404
Cash and cash equivalents at beginning of the period	**3 150**	2 720
Exchange gains	**42**	26
Cash and cash equivalents at end of the period	**4 726**	3 150

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 chargeable and non-chargeable services. The trading segments are allocated costs for information technology, human resources and real estate and not charged for corporate expenditure in relation to running a listed company and internal audit.

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 at a group level and are not allocated to operating segments.

R'm	**2020 28 Mar Reviewed**	2019 30 Mar* Audited	% change
Retail sales and other income			
Apparel	**15 788**	15 596	1.2
Home	**5 405**	5 280	2.4
Financial Services and Cellular	**1 553**	1 437	8.1
Central Services	**27**	21	28.6
Total	**22 773**	22 334	2.0
Profit from operating activities			
Apparel	**2 679**	2 809	(4.6)
Home	**999**	904	10.6
Financial Services and Cellular	**443**	420	5.6
Central Services	**(155)**	(168)	(7.7)
Total	**3 966**	3 965	0.0
Segment assets			
Apparel	**6 235**	2 910	114.2
Home	**2 036**	825	146.6
Financial Services and Cellular	**2 477**	2 450	1.1
Central Services	**6 606**	4 960	33.2
Total	**17 354**	11 145	55.7

*Re-presented for discontinued operations

SUPPLEMENTARY INFORMATION

	2020	2019
	28 Mar	30 Mar
	Reviewed	Audited
Total number of shares issued (000)	**264 941**	264 941
Number of Ordinary shares (000)	**257 046**	256 946
Number of B Ordinary shares (000)	**7 895**	7 995
Less: shares held by share trusts	**5 632**	5 353
Net number of shares in issue (000)	**259 309**	259 588
Weighted average number of shares in issue (000)	**259 419**	258 922
Net asset value per share (cents)	**3 636**	3 345
Reconciliation of headline earnings (R'm)		
Attributable profit	**2 704**	2 982
Loss on disposal and impairment of property, plant, equipment and intangible assets	**17**	61
Taxation adjustment	**(5)**	(17)
Headline earnings	**2 716**	3 026
Reconciliation of headline earnings from continuing operations (R'm)		
Attributable profit	**2 713**	3 009
Loss on disposal and impairment of property, plant, equipment and intangible assets	**15**	63
Taxation adjustment	**(4)**	(18)
Headline earnings	**2 724**	3 054

Notes:

1. The provisional condensed consolidated financial statements, for which the directors take full responsibility, was approved by the directors on 24 June 2020 and has been reviewed by Ernst & Young Inc, who issued an unmodified review conclusion report thereon. A copy of the report is available for inspection at the company's registered office and on the group's website www.mrpricegroup.com. The results have been prepared under the supervision of Mr MJ Stirton, CA(SA), chief financial officer.

2. The provisional condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the South African Companies Act 71 of 2008. The JSE Limited Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of provisional condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for those relating to the adoption of IFRS 16 Leases, as disclosed in note 7.

3. In light of the uncertainty and significant economic impact presented by COVID-19, the directors and management anticipate a difficult trading environment for the remainder of FY2021 and beyond. Due to the uncertainty and the rapid pace at which events are unfolding, the impact of COVID-19 cannot be fully estimated however the directors and management have considered a wide range of factors to satisfy themselves that the going concern basis of preparation of financial statements is appropriate.

4. The disaggregated revenue is as follows:

R'm	2020 28 March Reviewed	2019 30 March* Audited
Revenue from contracts with customers	22 192	21 788
Retail sales	21 165	20 850
Insurance premium	247	261
Cellular and mobile income	780	677
Interest and charges on debtors	527	499
Other sundry income	54	47
Finance income	257	224
Revenue	23 030	22 558

*Re-presented for discontinued operations

Revenue from contracts with customers is recognised at a point in time, except where revenue has been earned through mobile contracts where services are transferred over time.

5. 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 company, supported by senior counsel's opinion, appealed the decision of the Commissioner to disallow the company's objection to the assessment.

   During the 2020 financial year, one of the issues was resolved and had no impact on the income statement. The matter that remains under dispute amounts to R10.9m, including interest and penalties charged to March 2020 of R5.3m. The overall potential impact on the income statement amounts to R10.9m (March 2019: R10.2m).

   No adjustments have been made to the financial statements as the directors are of the opinion that the likelihood of a liability is remote.

6. As a result of the closure of MRP Retail Australia (Pty) Ltd operations in May 2019 and the closure of the Mr Price Retail Poland Sp. z o.o operations in December 2019, the group's prior years condensed consolidated income statement and condensed segment analysis have been re-presented to take into account the effects of the application of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations".

R'm	**2020 28 Mar 52 weeks Reviewed**	2019 30 Mar 52 weeks Audited
Revenue	**5**	26
Retail sales	**5**	26
Retail sales and other income	**5**	26
Costs and expenses	**14**	53
Cost of sales	**8**	33
Selling expenses	**4**	16
Administrative and other operating expenses	**2**	4
Loss from operating activities	**(9)**	(27)
Finance income	**-**	-
Finance costs	**-**	-
Loss before taxation	**(9)**	(27)
Taxation		
Net loss from discontinued operations for the period	**(9)**	(27)
Reconciliation of headline earnings from discontinued operations (R'm)		
Attributable loss	**(9)**	(27)
Profit/(loss) on disposal and impairment of property, plant, equipment and intangible assets	**2**	(2)
Taxation adjustment	**-**	-
Headline earnings	**(7)**	(29)

	2020 28 Mar 52 weeks Reviewed	2019 30 Mar 52 weeks Audited	% change
Earnings per share from discontinued operations (cents)			
- basic	**(3.4)**	(10.3)	67.0
- headline	**(2.7)**	(11.1)	75.7
- diluted basic	**(3.3)**	(10.3)	68.0
- diluted headline	**(2.6)**	(11.1)	76.6

The condensed consolidated statement of other comprehensive income, condensed consolidated statement of financial position and condensed consolidated statement of changes in equity are not required to be re-presented.

7. IFRS 16 requires that a lessee recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Depreciation is recognised on the right-of-use asset and interest is recognised on the lease liability, replacing the straight-line operating lease expense under IAS 17 'Leases'.

   The group applied IFRS 16 using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 31 March 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 'Leases'. The group elected to recognise the right-of-use asset at the date of initial application at its carrying amount as if the standard had been applied since commencement date, but discounted using the group's incremental borrowing rate at the date of transition. The incremental borrowing rate ranges between 8.25% – 9.25%.

   The group elected not to reassess the definition of a lease as all the leases identified as a lease in terms of IAS 17 will still be leases under IFRS 16. The group also elected to apply the short-term lease and low value lease expedients.

   At transition date, the adoption of IFRS 16 resulted in the recognition of right-of-use assets to the value of R4 059m and lease liabilities of R4 604m. This, together with the derecognition of operating lease liabilities of R223m and adjustments of R90m for deferred tax, resulted in a R232m decrease in retained income on transition date.

8. The fair value of foreign exchange contracts (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. FECs have been entered into until October 2020 to manage foreign exchange volatility.

9. No final dividend has been declared in order to preserve cash in the business due to the economic uncertainty as a result of the COVID-19 pandemic.

10. COVID-19's impact on the South African economy and the retail sector will be far reaching and its effects expected to extend for a minimum of 12 months. Management has evaluated the year end provisioning amounts for inventory and trade receivables using several scenario outcomes. Additional overlay adjustments to both models have been made to account for the increased level of inventory, IBNR reserve and credit risk anticipated.

    Provision for net realisable value of inventory
    Government lockdowns, social distancing in store, supply chain disruptions, restrictions on travel and school holidays have materially impacted trade. The retail environment is expected to be very promotional. This will impact on the group's ability to sell stock at planned levels and margins. Additional likelihood of selling below cost is anticipated. In the last 2 years, the group's inventory provision has ranged between 6.6% - 7.7% of the inventory balance. Due to the uncertainty presented by the pandemic, management has increased the inventory provision to R282m (FY2019: R189m) representing 9.6% (FY2019: 6.6%) of the inventory balance at its year end.

    The provision for net realisable value of inventory represents management's estimate of the extent to which merchandise on hand at the reporting date will be sold below cost. This estimate takes into consideration past trends, evidence of impairment at year end and an assessment of future saleability, which takes into account fashionability, seasonal changes and current economic environment.

Provision for impairment of trade receivables

The national lockdown and its effect on the group's store base where over 80% of receipts occur, has impacted collections. Since lockdown, the group has aided many of its customers with payment assistance. The consequence is artificially lower bad debts write-offs versus the prior year. Increased impairment risk needed to be modelled in, to account for customer risk profile changes. South Africa's economic slowdown and resultant job losses will impact debt repayment. The economic risk factors element of the provision calculation, has therefore been adjusted to reflect the increased risk associated with the deteriorating financial health of customers within the next 12 months. The adjustment resulted in an increase to the impairment of retail trade receivables provision to R225m (FY2019: R188m). This represents 10.1% (FY2019: 8.9%) of the retail trade receivables balance.

The provision for impairment of trade receivables represents management's estimate of the extent to which trade receivables at the reporting date will not be subsequently recovered. This estimate considers historic and forward looking economic data such as the current and future unemployment rate and future changes to debt service cost to income and consumer price index.

11. The group has access to R442m of unutilised facilities at 28 March 2020. Due to its level of net cash resources, the group has no material long-term borrowings. Cash reserves are available to meet current working capital and capital investment requirements. The group, however, remains cautious in this environment with uncommitted facilities negotiated should the need arise.

12. Subsequent events

On 23 March 2020, the President of South Africa announced a nation-wide lockdown that placed the country into level 5 restrictions for an initial 21 days, which was extended until 30 April 2020. The group's South African stores, e-commerce, head office, distribution centre and call centres were closed from 27 March 2020. During this period, the group did not generate retail sales in its major market. The rest of our Africa operations were similarly affected as governments in those regions imposed restrictions. Refer to the COVID-19 update SENS release on 26 March for further details on the group's response to COVID-19.

On 25 April 2020, the President of South Africa announced the risk adjusted strategy to resume economic activity resulting in the relaxation of some lockdown rules, which would come into effect on 1 May 2020. This included a change in the status of the lockdown from level 5 to level 4. Based on the lifting of some of the lockdown restrictions, the group's stores, distribution centres and head offices resumed operations from 1 May 2020, with a limited assortment. With effect from 1 June 2020, the lockdown level was changed to level 3, which permitted all our stores to sell their full assortment.

On 20 May 2020, the company issued a SENS notice in which it notified shareholders of a special general meeting requiring shareholder authority to issue shares for cash up to 10% of its ordinary issued shares. If the authorisation is granted by shareholders, the equity raise could then be actioned. The group aims to utilise the proceeds to pursue organic and acquisitive growth opportunities.

The group has decided it will be exiting Nigeria in the first half of FY2021 and will be presented as a discontinued operation from that point. The necessary impairments have been taken into consideration.

ANNEXURE

Pro forma information

Basis of preparation

The adoption of IFRS 16 'Leases' from 31 March 2019 complicates the performance comparison between the results of the current and prior periods. To provide a more meaningful assessment of the group's performance, a pro forma condensed consolidated statement of profit and loss has been presented for the annual period ended 28 March 2020 to reflect the group results as if IFRS 16 had not been adopted (**"Normalised Non-IFRS financial information").**

Furthermore, due to the uncertain impact of COVID-19 on the South African economy, management made additional adjustments to the provision for net realisable value of inventory, provision for impairment of trade receivables and the incurred but not reported (IBNR) reserve considering the impact of COVID-19 (refer note 10) (together, the "**provision adjustments considering COVID-19**"**).**

Table A, below sets out the illustrative financial results to account for the:

- The Normalised Non-IFRS financial information;

Table B, below, sets out the illustrative financial results to account for the:

- Normalised Non-IFRS financial information; and
- Provision adjustments considering COVID-19

(collectively, the "**Non-IFRS Information**")

The directors of Mr Price Group Limited have only shown Non-IFRS Information for the provisional condensed consolidated statement of profit and loss for the annual period ended 28 March 2020 and not for the provisional condensed consolidated statement of financial position as at 28 March 2020, as the related IFRS 16 adjustments are already reflected in the IFRS provisional condensed consolidated statement of financial position for the period ended 28 March 2020 and the adjustments considering COVID-19 are inconsequential.

The directors of Mr Price Group Limited are responsible for compiling the Non-IFRS Information on the basis applicable to the criteria as detailed in paragraphs 8.14 to 8.33 of the JSE Limited Listings Requirements and the SAICA Guide on Pro Forma Financial Information, revised and issued in September 2014 and any relevant guidance issued by the Independent Regulatory Board for Auditors. The Non-IFRS Information has not been prepared using the accounting policies of Mr Price Group Limited and does not comply with IFRS. The Non-IFRS Information does not constitute financial statements fairly presented in accordance with IFRS. The Non-IFRS Information has been prepared for illustrative purposes only and because of its nature may not fairly present the group's results of operations. The Non-IFRS Information is based on the condensed consolidated statement of profit and loss for the annual period ended 28 March 2020.

Ernst & Young Inc. has issued a reporting accountants' report on the Non-IFRS Information for the year ended 28 March 2020, which is available for inspection at the group's registered office and on the group's website www.mrpricegroup.com.

Table A – Normalised Non-IFRS financial information

PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT (NORMALISED)

R'm	2020 28 Mar^ 52 weeks	IFRS 16 adjust-ments	Notes	2020 28 Mar Pro forma #	2019 30 Mar* 52 weeks	% change
Continuing operations						
Revenue	**23 030**			**23 030**	22 558	2.1
Retail sales	**21 165**			**21 165**	20 850	1.5
Other income	**1 608**			**1 608**	1 484	8.3
Retail sales and other income	**22 773**			**22 773**	22 334	2.0
Costs and expenses	**18 807**	**365**		**19 172**	18 369	4.4
Cost of sales	**12 890**			**12 890**	12 284	4.9
Selling expenses	**4 519**	**368**	a	**4 887**	4 675	4.5
Administrative and other operating expenses	**1 398**	**(3)**	b	**1 395**	1 410	(1.1)
Profit from operating activities	**3 966**	**(365)**		**3 601**	3 965	(9.2)
Finance income	**257**			**257**	224	14.8
Finance costs	**457**	**(453)**	c	**4**	4	0.0
Profit before taxation	**3 766**	**88**		**3 854**	4 185	(7.9)
Taxation	**1 053**	**25**	d	**1 078**	1 176	(8.4)
Net profit from continuing operations	**2 713**	**63**		**2 776**	3 009	(7.7)
Discontinued operations						
Net loss from discontinued operations for the period	**(9)**			**(9)**	(27)	
Net profit for the period	**2 704**	**63**		**2 767**	2 982	(7.2)

*Re-presented for discontinued operations

Profit attributable to equity holders of parent	**2 704**	**63**		**2 767**	2 982	(7.2)
- From continuing operations	**2 713**	**63**		**2 776**	3 009	(7.7)
- From discontinued operations	**(9)**	**-**		**(9)**	(27)	66.7
Weighted average number of shares in issue	**259 419**			**259 419**	258 922	0.2
Earnings per share (cents)						
- basic	**1 042.4**			**1 066.7**	1 151.6	(7.4)
- headline	**1 047.0**			**1 071.3**	1 168.6	(8.3)
- diluted basic	**1 024.8**			**1 048.7**	1 125.7	(6.8)
- diluted headline	**1 029.4**			**1 053.3**	1 142.3	(7.8)
Earnings per share from continuing operations (cents)						
- basic	**1 045.7**			**1 070.0**	1 161.9	(7.9)
- headline	**1 049.9**			**1 074.2**	1 179.4	(8.9)
- diluted basic	**1 028.1**			**1 052.0**	1 135.7	(7.4)
- diluted headline	**1 032.2**			**1 056.1**	1 152.8	(8.4)

Notes:

1. ^ This column has been extracted without adjustment from the condensed consolidated statement of profit and loss for the annual period ended 28 March 2020.
2. The IFRS 16 adjustments column comprises the following:
   a. Reversal of IFRS 16 depreciation on right-of-use assets (R1 230m) and reinstatement of operating lease expense (R1 616m) per IAS 17 for selling expenses. Reversal of foreign exchange revaluations on dollar-denominated lease liabilities (R18m)
   b. Reversal of IFRS 16 depreciation on right-of-use assets (R21m) and reinstatement of operating lease expense (R18m) per IAS 17 for administrative and other operating expenses.
   c. Reversal of IFRS 16 finance cost of lease liabilities; and
   d. Net deferred tax impact of the above (collectively, the "**IFRS 16 Adjustments**").
3. # This column presents the Normalised Non-IFRS financial information for the annual period ended 28 March 2020 subsequent to the IFRS 16 adjustments.

Table B – Non-IFRS information

PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT (ADJUSTED NORMALISED)

R'm	2020 28 Mar^ 52 weeks	IFRS 16 adjustments and provision adjustments considering COVID-19	Notes	2020 28 Mar Pro forma #	2019 30 Mar* 52 weeks	% change
Continuing operations						
Revenue	**23 030**			**23 030**	22 558	2.1
Retail sales	**21 165**			**21 165**	20 850	1.5
Other income	**1 608**			**1 608**	1 484	8.3
Retail sales and other income	**22 773**			**22 773**	22 334	2.0
Costs and expenses	**18 807**	**233**		**19 040**	18 369	3.7
Cost of sales	**12 890**	**(83)**	**e**	**12 807**	12 284	4.3
Selling expenses	**4 519**	**324**	f	**4 843**	4 675	3.6
Administrative and other operating expenses	**1 398**	**(8)**	g	**1 390**	1 410	(1.4)
Profit from operating activities	**3 966**	**(233)**		**3 733**	3 965	(5.9)
Finance income	**257**			**257**	224	14.8
Finance costs	**457**	**(453)**	h	**4**	4	0.0
Profit before taxation	**3 766**	**220**		**3 986**	4 185	(4.8)
Taxation	**1 053**	**62**	i	**1 115**	1 176	(5.2)
Net profit from continuing operations	**2 713**	**158**		**2 871**	3 009	(4.6)
Discontinued operations						
Net profit/(loss) from discontinued operations for the period	**(9)**			**(9)**	(27)	
Net profit for the period	**2 704**	**158**		**2 862**	2 982	(4.0)

*Re-presented for discontinued operations

Profit attributable to equity holders of parent	**2 704**	**158**		**2 862**	2 982	(4.0)
- From continuing operations	**2 713**	**158**		**2 871**	3 009	(4.6)
- From discontinued operations	**(9)**	**-**		**(9)**	(27)	66.7
Earnings per share (cents)						
- basic	**1 042.4**			**1 103.3**	1 151.6	(4.2)
- headline	**1 047.0**			**1 108.0**	1 168.6	(5.2)
- diluted basic	**1 024.8**			**1 084.7**	1 125.7	(3.6)
- diluted headline	**1 029.4**			**1 089.3**	1 142.3	(4.6)
Earnings per share from continuing operations (cents)						
- basic	**1 045.7**			**1 106.7**	1 161.9	(4.8)
- headline	**1 049.9**			**1 110.8**	1 179.4	(5.8)
- diluted basic	**1 028.1**			**1 088.0**	1 135.7	(4.2)
- diluted headline	**1 032.2**			**1 092.1**	1 152.8	(5.3)

Notes:

1. ^ This column has been extracted without adjustment from the condensed consolidated statement of profit and loss for the annual period ended 28 March 2020
2. The IFRS 16 adjustments and provision adjustments considering COVID-19 column comprises the following:
   e. Reversal of additional economic adjustment included in the provision for net realisable value of inventory as a result of COVID-19 (R83m).
   f. Reversal of IFRS 16 depreciation on right-of-use assets (R1 230m) and reinstatement of operating lease expense (R1 616m) per IAS 17 for selling expenses. Reversal of foreign exchange revaluations on dollar-denominated lease liabilities (R18m). Reversal of additional economic adjustment included in the provision for impairment of trade receivables as a result of COVID-19 (R44m)
   g. Reversal of IFRS 16 depreciation on right-of-use assets (R21m) and reinstatement of operating lease expense (R18m) per IAS 17 for administrative and other operating expenses. Reversal of additional adjustment included in IBNR reserve (R5m) as a result of COVID-19.
   h. Reversal of IFRS 16 finance cost of lease liabilities; and
   i. Net deferred tax impact of the above.
3. # This column presents the Non-IFRS information for the annual period ended 28 March 2020 after the IFRS 16 adjustments and provision adjustments considering COVID-19 have been made.

Durban
25 June 2020