

GROUP RESULTS AND FINAL CASH DIVIDEND DECLARATION – YEAR ENDED 1 APRIL 2017

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 30 May 2017 and the results presentation. 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. Results and commentary contained herein are based on comparable 52 on 52 week trading periods. Any investment decision in relation to the company's shares should be based on the full announcement, which contains comparable 52 (2017) and 53 (2016) week trading periods.

Results	2017	2016	% change
Profitability			
Operating profit (R'm)	3 048	3 553	(14.2)
Earnings per share			
Basic (c)	884.6	1 032.9	(14.4)
Headline (c)	911.4	1 035.2	(12.0)
Diluted headline (c)	887.9	991.2	(10.4)

Dividends	2017	2016	% change
Dividend per share - annual (c)	667.0	667.0	-
- final (c)	438.8	419.0	4.7

The final dividend, net of dividend withholding tax of 20% for shareholders who are not exempt, is 351.04c per share. Annual dividends of 667.0 cents have been maintained at last year's level.

31 year compound annual growth rate in headline earnings per share of 21.6% and dividends per share of 23.8%

Commentary

Diluted headline earnings per share of 887.9 cents represents a decrease of 10.4% on the previous year. This was the group's first earnings decrease in 16 years during a very difficult trading period. The annual dividend per share has been maintained at 667c, with the final dividend of 438.8c per share up 4.7%. Annual dividends have not declined in the last 31 years.

Free cash flow increased 131% to R1.8bn and cash resources at period end were R1.8bn. The company's cash based business model has enabled it to maintain its dividend track record and fund capital expenditure of R2bn in the last two years to build the necessary infrastructure to support its growth plans. This includes funding the full cost of the new distribution centre without incurring debt.

The year proved to be exceptionally challenging for the retail sector. Consumer confidence remained low as a result of the poor state of the local economy and a lack of faith in the current political leadership's ability to set high standards of governance and deliver inclusive growth. Cabinet reshuffles and downgrades by ratings agencies have caused further exchange rate volatility, which the consumer ultimately has to absorb. As a result, the retail environment has become more competitive, with any growth in a stagnant market coming from increased market share. This has led to retailers in our sector increasing their promotional activity to drive sales and manage stock levels.

Total revenue increased 0.7% to R19.8bn, with retail sales decreasing 0.5% (comparable stores -3.6%) to R18.6bn. Local online sales continued to perform well and were 13.0% higher. Sales growth in the fourth quarter was impacted by the Easter school holidays, which were in March in 2016 and in April in 2017. Cash sales were level with the previous year and constitute 83.3% of total sales. Credit sales were 3.1% lower, however initiatives introduced as a result of the new credit regulations gained traction in the second half of the year. New accounts opened in H2 increased by 26.5% and sales to new credit customers were up 36.4%, however were still lower than those recorded prior to the new credit regulations being introduced.

Selling price inflation was 10.7% and unit sales were 10.7% lower. New trading space increased 2.9% and 2.6% after closures and reductions.

Other income, derived mainly from the financial services division, MRP Money, increased 25.1% to R1.1bn, driven by cellular which increased 55.1%, insurance 13.1% and debtors' revenue 10.6%.

The merchandise gross profit margin decreased 1.3% to 40.6%, mainly due to higher markdowns in MRP Apparel. The other retail divisions held or increased their gross profit margins and the cellular margin improved from 6.4% to 15.7%. Selling and administrative expenses were well controlled, increasing 3.1% excluding foreign exchange differences and the write down of assets.

Operating profit increased in four of the six trading divisions, despite the challenges brought about by a poor economy and resulting constrained consumer environment. However, MRP Apparel and Miladys underperformed.

In the group's largest chain, MRP Apparel, sales of R10.9bn were 1.7% lower (comparable -4.7%). In the earlier part of the year, the product offer did not resonate with customers and competitor promotional activity during the mild winter brought prices closer to ours. There was an improvement in sell-off rates of high summer product, but the clearance of slower-moving older stock impacted performance. Limiting overhead growth below the inflation rate was insufficient to offset the decline in sales and gross profit, and operating profit declined.

MRP Sport increased sales 7.7% (comparable -1.8%) to R1.4bn, performing strongly in the first half with sales increasing 13.3%. Although softening second half trade required higher markdowns to manage stock levels, annual profit growth was achieved.

Miladys sales of R1.3bn were 5.3% lower (comparable -6.9%). The change in merchandise fashion pitch to refocus on its core customer is well on track. While sales in the first half of the year were 11.0% lower, they were on a par with the previous year in the second half. Operating profit increased in the second half, but declined on an annual basis despite a higher gross profit percentage and good cost control. Double digit sales growth was achieved in March.

The home chains experienced headwinds due to the discretionary nature of their products. This was confirmed by Stats SA which reported a 0.3% decline in type E retail sales to March 2017. MRP Home increased sales 0.9% (comparable -2.4%) to R3.4bn. The division achieved profit growth via an improved gross profit margin and controlling overheads. Sheet Street sales increased 3.8% (comparable 3.3%) to R1.5bn. The division reported solid profit growth in both reporting periods due to a higher gross profit margin and excellent overhead control.

MRP Money, the financial services division, delivered double-digit profit growth. Sound credit management resulted in a net bad debt to retail book ratio improving to 5.3%. The provision for impairment of the debtors' book of 7.3% is in line with last year. Insurance and cellular also performed well, with the latter including a R15m swing into profitability in the MRP Mobile joint venture.

Any improvement in the consumer environment is likely to be gradual. We are therefore focused on the most significant near-term opportunity, which is to regain lost market share. Despite the current poor trading environment, the group should have achieved better relative performance over the past year.

However, there are already encouraging signs in the new financial year, with the best sales performances coming from MRP Apparel and Miladys, which experienced sales and profit declines last year. The combined sales growth in these two chains for the 8 weeks to 27 May 2017 exceeded 10% (unaudited). Net inventories at year end were 3.0% lower than last year and are generally in better shape, which augurs well for future gross margin performance. The group plans to open 48 stores in the new financial year.

Our major internal projects are focused on enabling growth and will continue to receive the necessary priority. The new distribution centre has been an exceptionally well executed assignment and the "go live" in June will be a significant event. It will greatly improve distribution to stores utilising the latest technology and will allow the two current distribution centres to be brought under one roof in a 57 000 m² facility.

We will continue to pursue our international growth strategy and expect to have a clearer view of the potential of the Nigerian and Australian markets by year-end. Organic growth will be supported by acquisitive growth, should our specific requirements be met.

Our customer-centric strategy of ensuring we deliver wanted merchandise at great value continues to be central to our activities. We are confident that with our proven business model and our talented staff we will continue to bring value to our customers and worth to our partners. While the past year was well below the historical average the management team is committed, despite the tough economic environment, to returning to the past performance pattern.



Mr Price Group Limited
Directors

Sponsor
Transfer Secretaries

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