



## ACQUISITION OF STUDIO 88 GROUP

 **mr price group limited**

13 April 2022



## WHO WE ARE

 mr price group limited

### VISION

To be the most valuable  
retailer in Africa

### PURPOSE

Your Value Champion

Valuable = market capitalisation



## WHO WE ARE



### Our group

#### ORGANISATIONAL OVERVIEW

Retail sales & other income (RSOI)

**R22.6<sup>bn</sup>**

**1 702 stores +19 500 associates**

SOUTH AFRICA **92%**



AFRICA **8%**



Apparel segment

**69%**

Home segment

**24%**

Financial services & Telecoms

**7%**

### Our divisions

 **mr price**

 **mr price sport**

 **mr price home**

 **mr price money**

MILADYS



**sheet•street**

**YUPPIECHEF**

Financial information to year end 3 April 2021



# Market leaders

## PERFORMANCE & RETURNS

### HEPS growth

**19.4%**

35 Year CAGR

mrpricegrouplimited

**10.2%**

10 Year CAGR

mrpricegrouplimited

**-1.4%**

10 Year CAGR

COMPETITORS

### Total shareholder returns

**12.1%**

10 Year CAGR

mrpricegrouplimited

**5.2%**

10 Year CAGR

COMPETITORS

## PROFITABILITY

### Return on equity

**27.3%**

mrpricegrouplimited

**13.0%**

COMPETITORS

### Return on assets

**14.9%**

mrpricegrouplimited

**5.2%**

COMPETITORS

Source: Bloomberg  
Competitors: Average of WHL, TFG, TRU, PEP. 10 year period excludes PEP  
Time period: FY2021

# Execution and growth

Driven by a multi-pronged strategy

## Comparative growth

- Focused on SA and gaining market share
- Retail science applied to maximise densities and margins
- Omni-channel focus (e-commerce contribution in SA of 2.9%, doubled since 2019)
- Store rejuvenation to protect and support brands
- Focussed on value, customer research, branding, marketing, trends and testing

## NEW CONCEPTS (ORGANIC)

- Target:
  - new customers and new segments
  - under-potentialised, high growth opportunities
- Attractive longer term growth prospects
- Test first to ensure appropriate capital returns can be achieved

## New concepts (organic)

## Non-comparative growth

- New store growth. All divisions, store footprint can extend to the whole country
- >20 new departments/categories launched since 2019
- New departments account for ~4% of sales
- Maximising acquired businesses

## ACQUISITIONS

- Target new customers and new segments
- Invest for the long term in the most attractive opportunities - returns and scalability
- Disciplined approach applied to filter opportunities

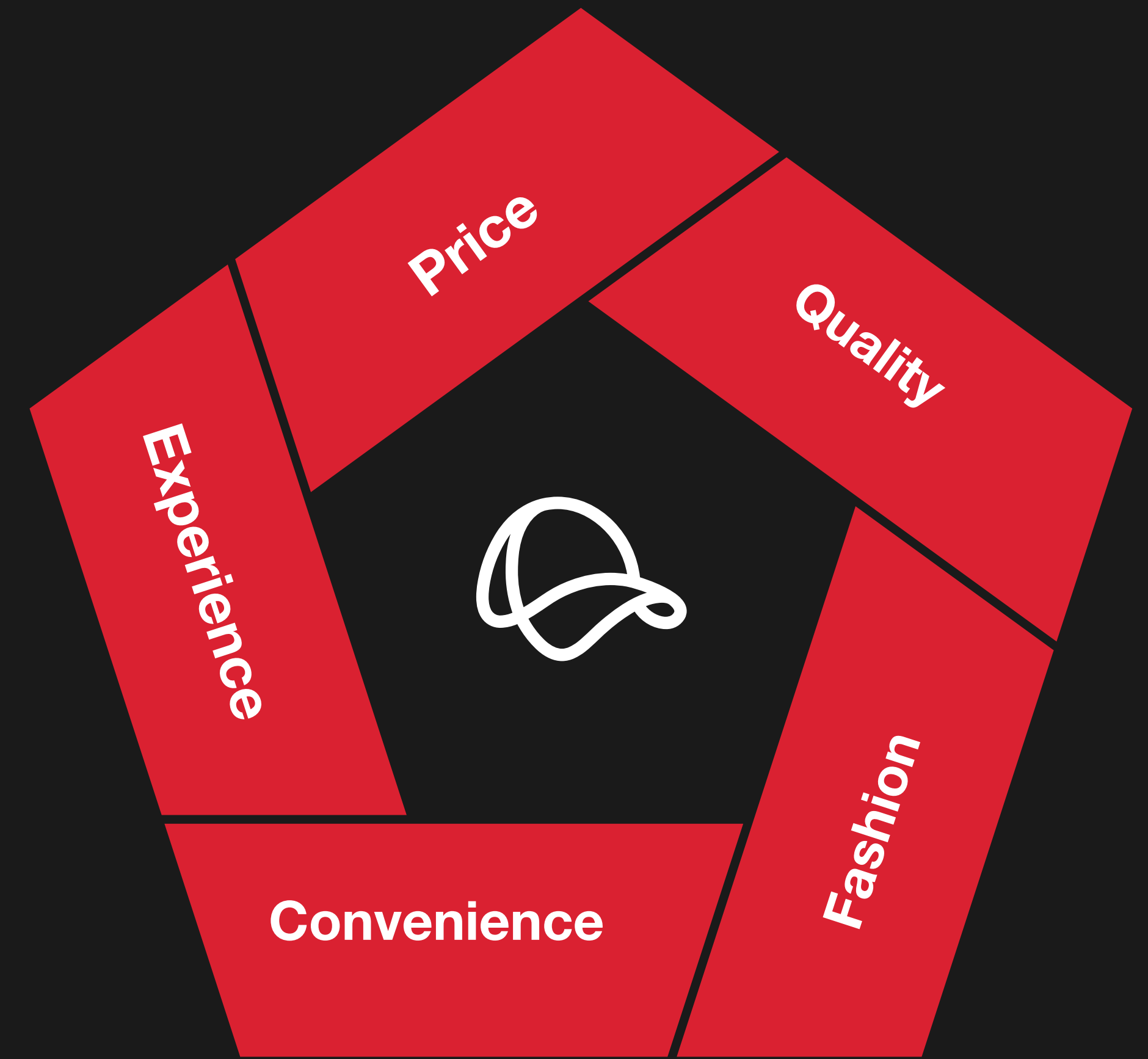
## Acquisitions



# Grow brand value

by **surprising and delighting** customers with the wanted item **at great value and a satisfying all-round experience.**

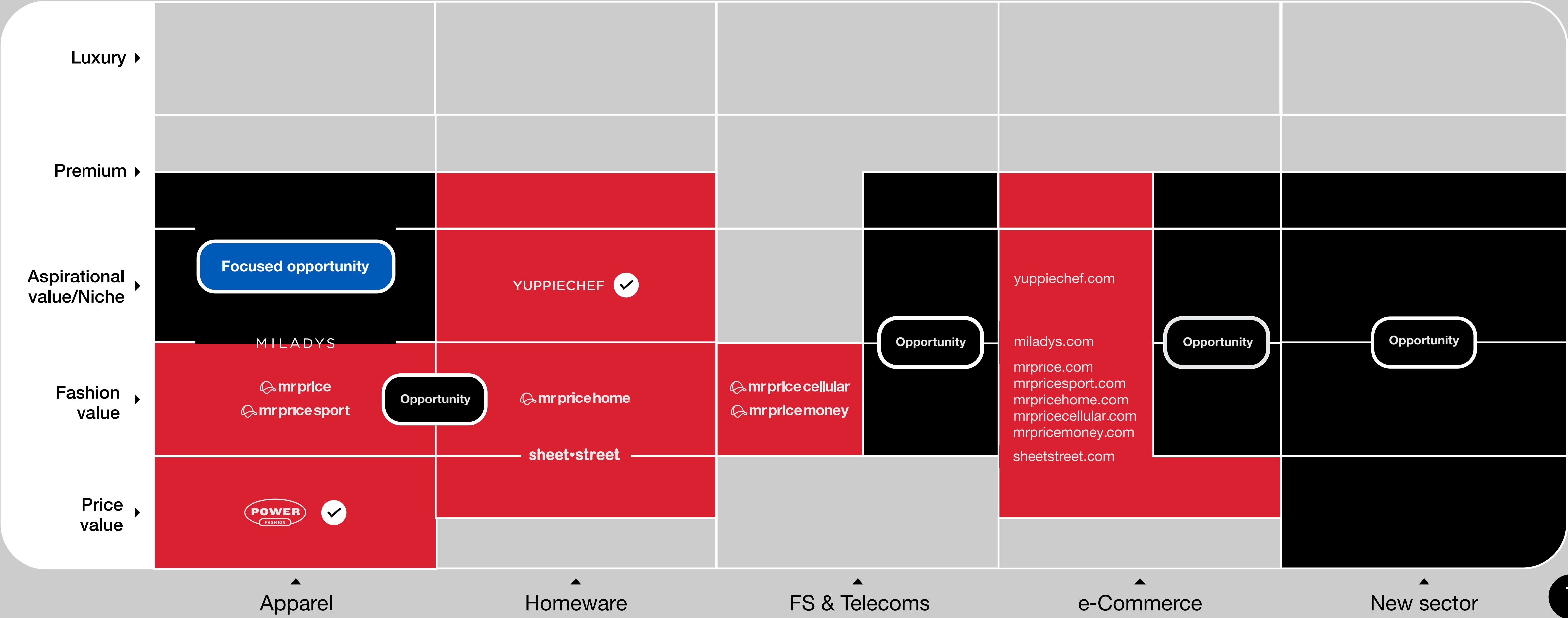
## OUR DEFINITION OF VALUE



OPPORTUNITIES  
MATRIX

The aspirational value segment within the apparel sector was identified as an attractive investment area in which the group is currently under-represented

- Identified opportunities
- Existing categories
- Focused opportunity
- Recently acquired







ABOUT

# Studio 88 Group

SOUTH AFRICA'S

# largest independent

retailer of branded  
leisure, lifestyle and  
sporting apparel &  
footwear



# Strategically aligned



## MEETS OUR STRICT INVESTMENT CRITERIA

1

Material entry into the high-growth urbanwear and athleisure segments of the market - currently under-represented

2

Complementary to Mr Price's existing customer positioning - broad appeal to aspirational and trend conscious customers across a wide range of age profiles and affordability levels

3

Gives Mr Price growth opportunities in the menswear segment where it is currently under-represented

4

High performing business (including through COVID-19) with a strong track record and proven management team who are all being retained

5

Strong future growth opportunities:

- Store growth across chains
- Increase e-commerce contribution
- Product and category extensions across brands and private labels

6

Highly cash generative and operates on a cash-only basis

7

Immediately earnings accretive with compelling future growth opportunities

8

An existing business of sizable scale, available at an attractive valuation. Expected returns significantly exceed Mr Price's cost of capital



# Store footprint

Positioned in central business districts, regional malls and rural high streets, and via its e-commerce platforms

TOTAL

711 STORES (173 869m<sup>2</sup>)

Financial year ended 30 September 2021

South Africa

92%

Rest of Africa

8%

Namibia  
Botswana  
Mozambique  
Lesotho  
Zambia  
eSwatini

GROUP TRADING DENSITY = R35 592m<sup>2</sup>

NO. OF STORES



313

Avg. Store size  
330m<sup>2</sup>



145

Avg. Store size  
250m<sup>2</sup>



127

Avg. Store size  
125m<sup>2</sup>



84

Avg. Store size  
188m<sup>2</sup>

Speciality

42

Avg. Store size  
200m<sup>2</sup>



OPPORTUNITIES  
MATRIX

Studio 88 Group delivers on Mr Price’s strategic positioning across price-value, fashion-value and aspirational value segments

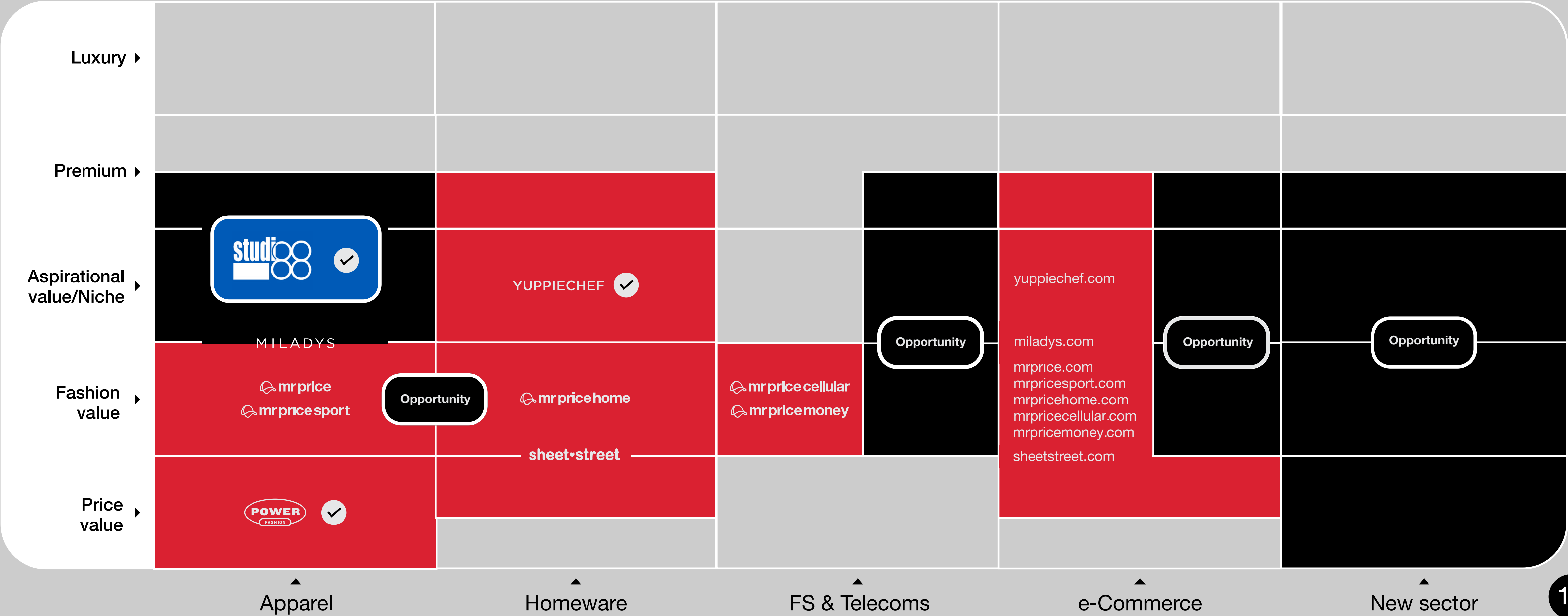
Identified opportunities

Existing categories

Acquired

✓

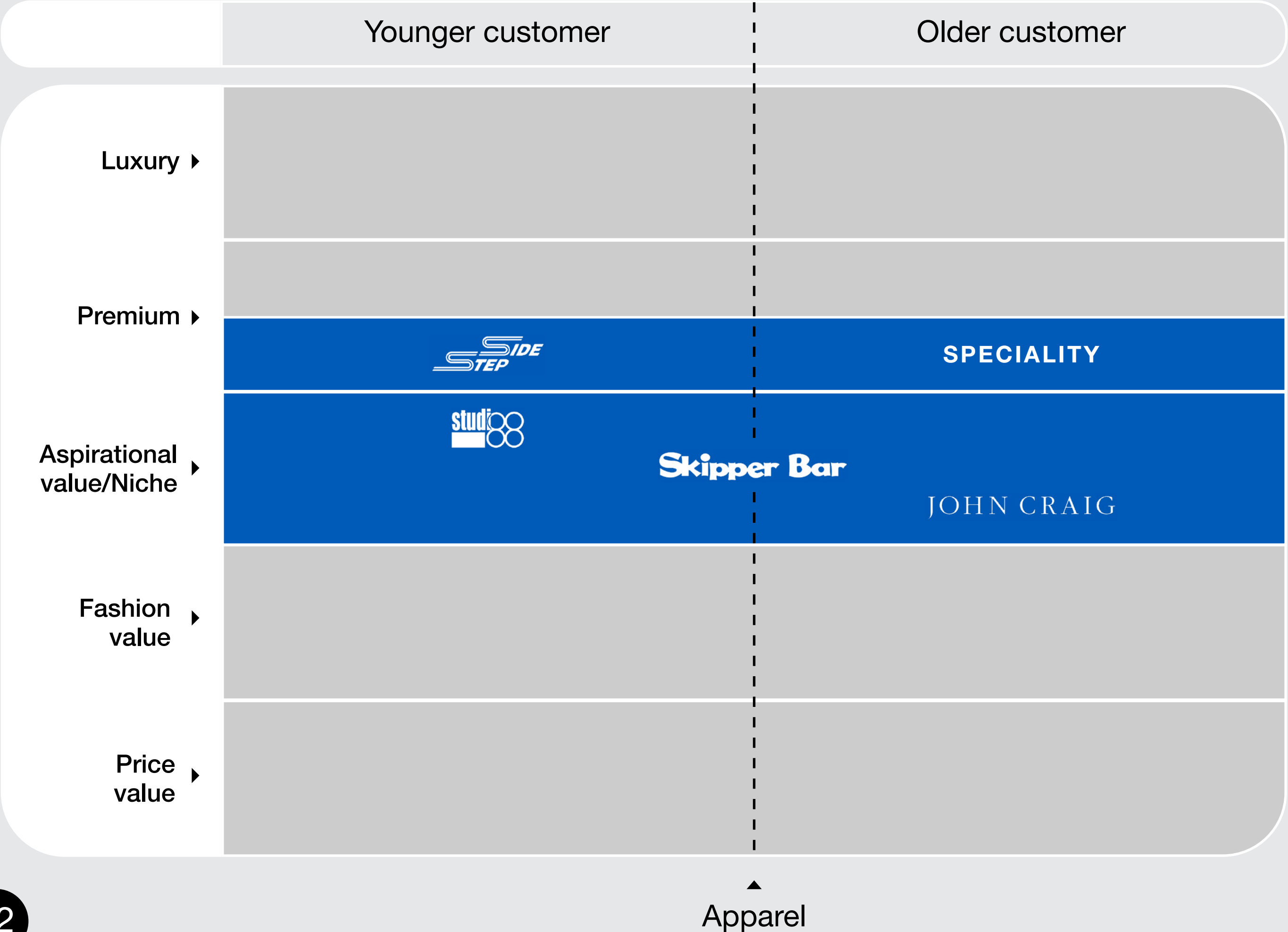
Recently acquired



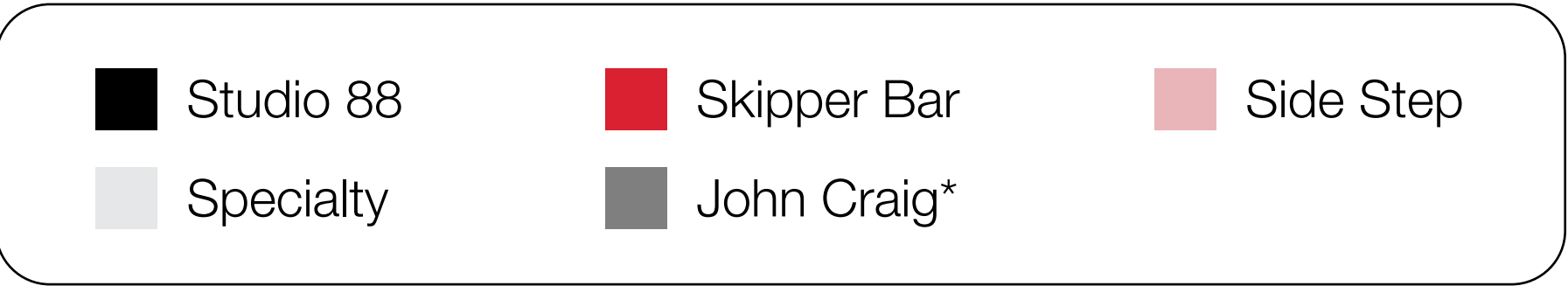
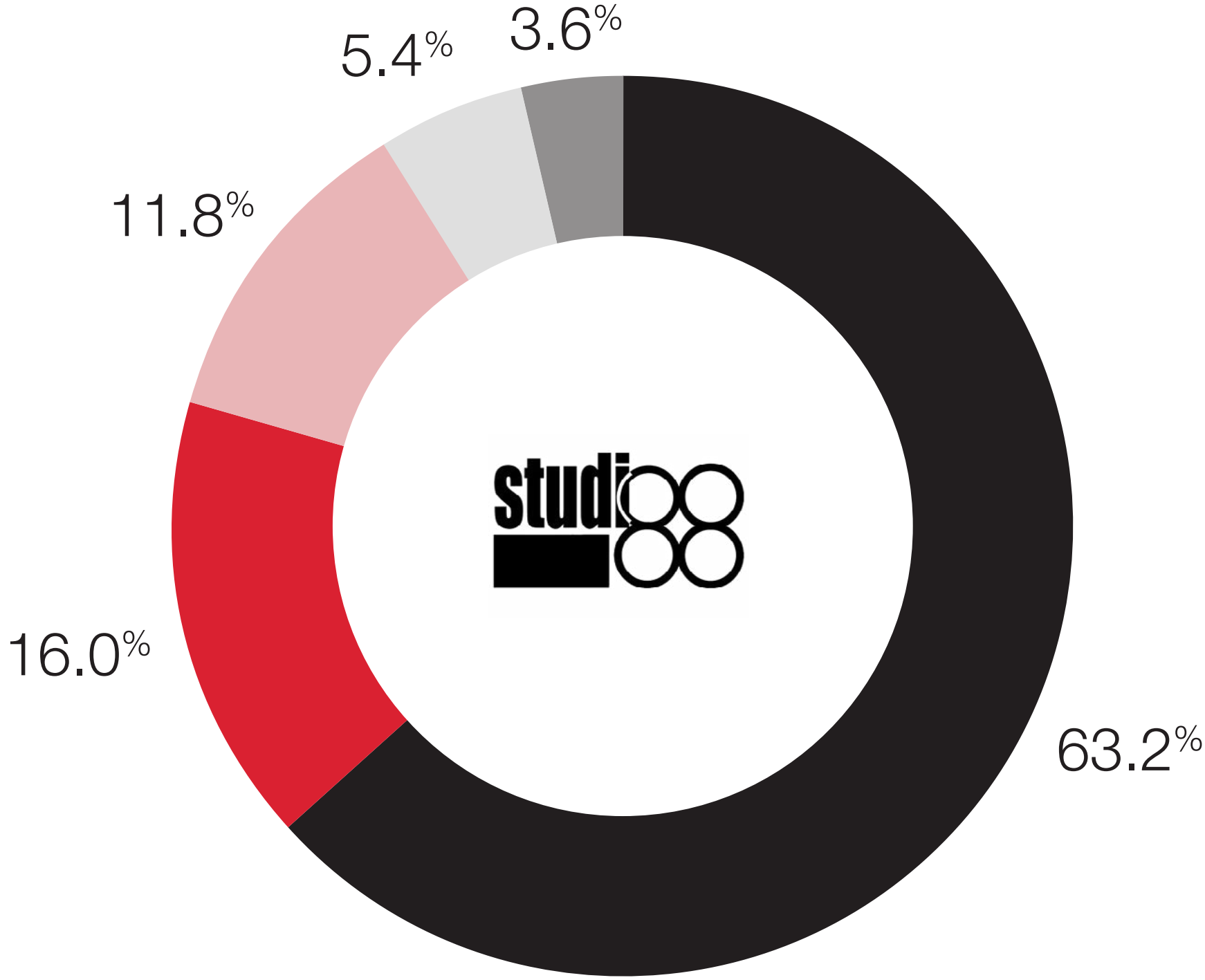


# Market Positioning

Studio 88 Group has broad appeal to aspirational and trend conscious customers across a wide range of age profiles and affordability levels



FY2021

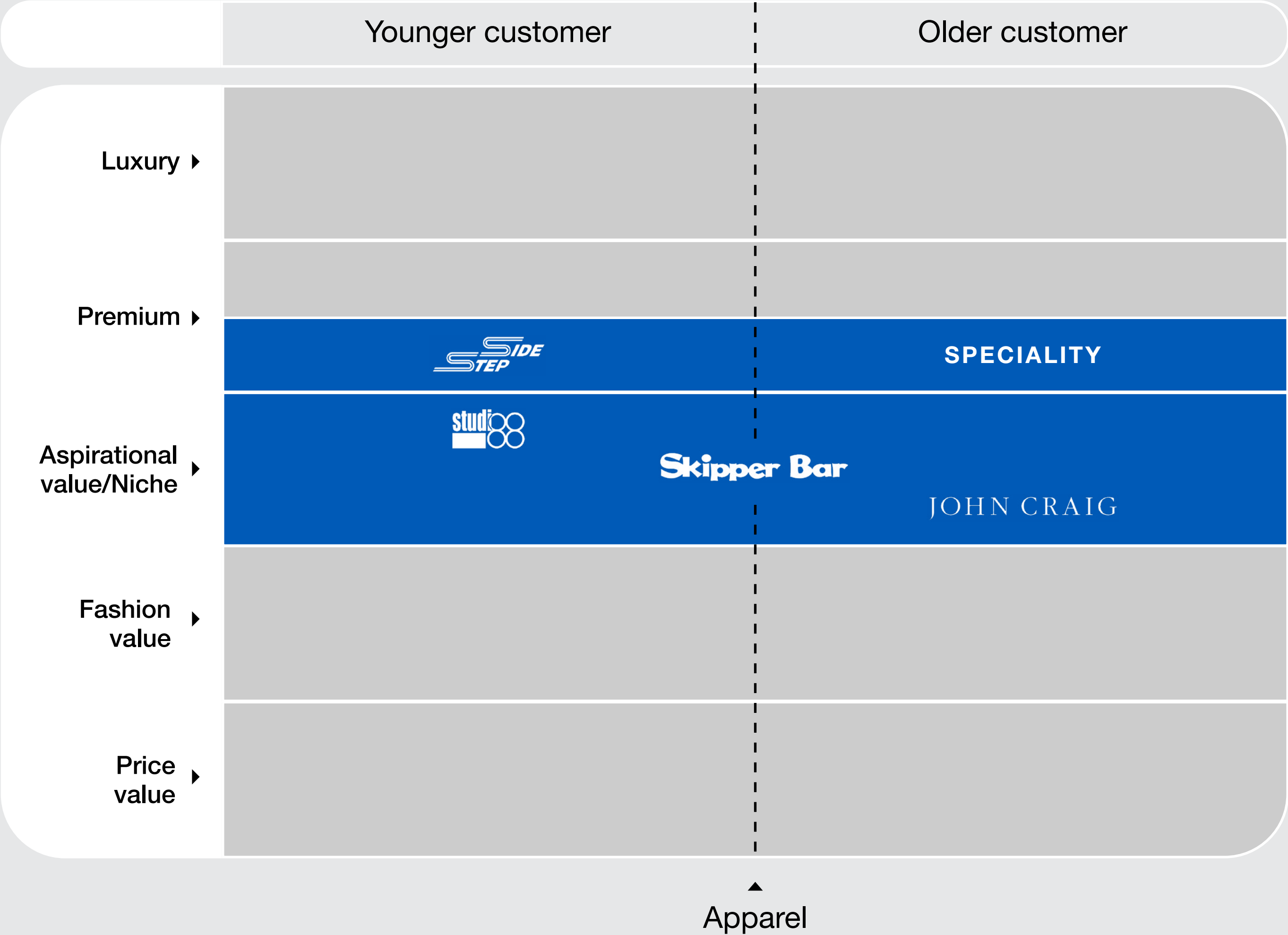


\*John Craig effective from March 2021



# Market Positioning Continued

Studio 88 Group has broad appeal to aspirational and trend conscious customers across a wide range of age profiles and affordability levels



STUDIO 88

Aspirational value/Niche  
Younger customer

- LSM 4-7. Customer is 18-35 years old
- Very trendy and fashion aware
- Stores tend to be larger and spearhead the group

SKIPPER BAR

Aspirational value/Niche  
Younger customer

- LSM 4-8. Customer is 25 to 40 years old
- Aspirational, fashion conscious but more conservative, driven by price
- Smaller footprint stores

SIDE STEP

Premium  
Younger customer

- LSM 5-9
- Younger customer base who want ‘street cred’ via fashionable sneakers
- Higher average price points
- Fashion forward sneaker business

JOHN CRAIG

Aspirational value/Niche  
Older customer

- LSM 4-8. More conservative customer than Studio 88
- Semi-formal/smartwear a bigger driver than athleisure
- Strategic use of brands to give credibility to “Stylish Fashion”

SPECIALITY

Premium  
Older customer

- Adidas (Franchise), Ellesse, DMD Linea Italia, Aeronautica, Paul & Shark and Factory outlet stores

# Brands

Studio 88 Group's merchandise range is a mix of international brands, some under exclusive license agreements, supplemented with private label ranges

## NON-EXCLUSIVE BRANDS\*

FORCEFIELD

FILA

THE  
NORTH  
FACE

asics

JOCKEY

FWING



VANS  
"OFF THE WALL"



SUPERGA  
PIRELLA GÖTTSCHE LOWE

Levi's

CONVERSE

adidas

## EXCLUSIVE BRANDS\*



ellesse

Sergio Tacchini



## OWN LABELS



MURATTI  
EST. 1973  
ITALIAN HERITAGE

NAUTIC SPIRIT



GREY  
WOLF

\*Trademark under license



SALES

R5.6bn

10-year compound growth rate of 22.2%

EBITDA (PRE IFRS 16 BASIS)

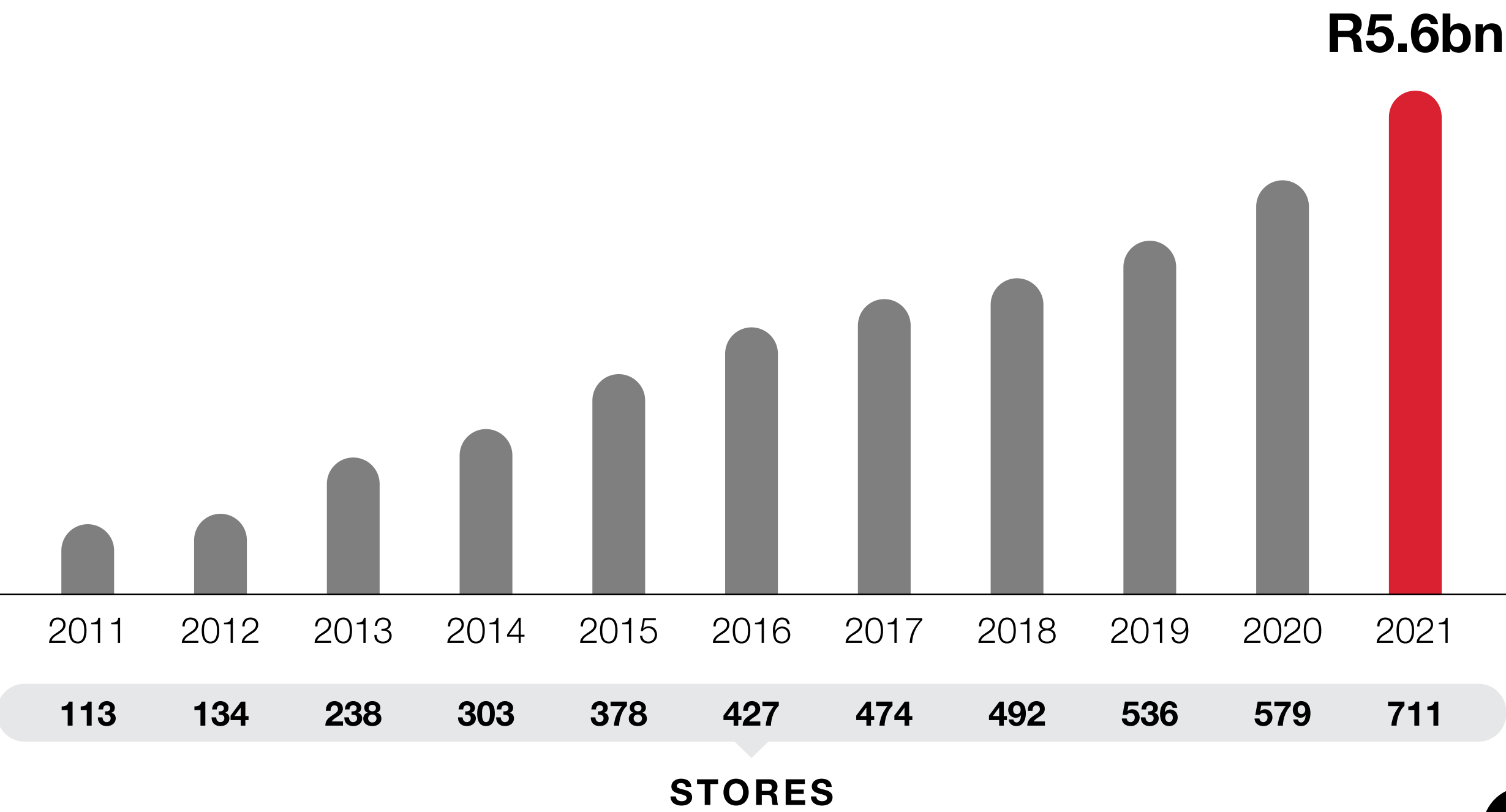
R630m

10-year compound growth rate of 21.9%

# Financial performance

Financial year ended 30 September 2021

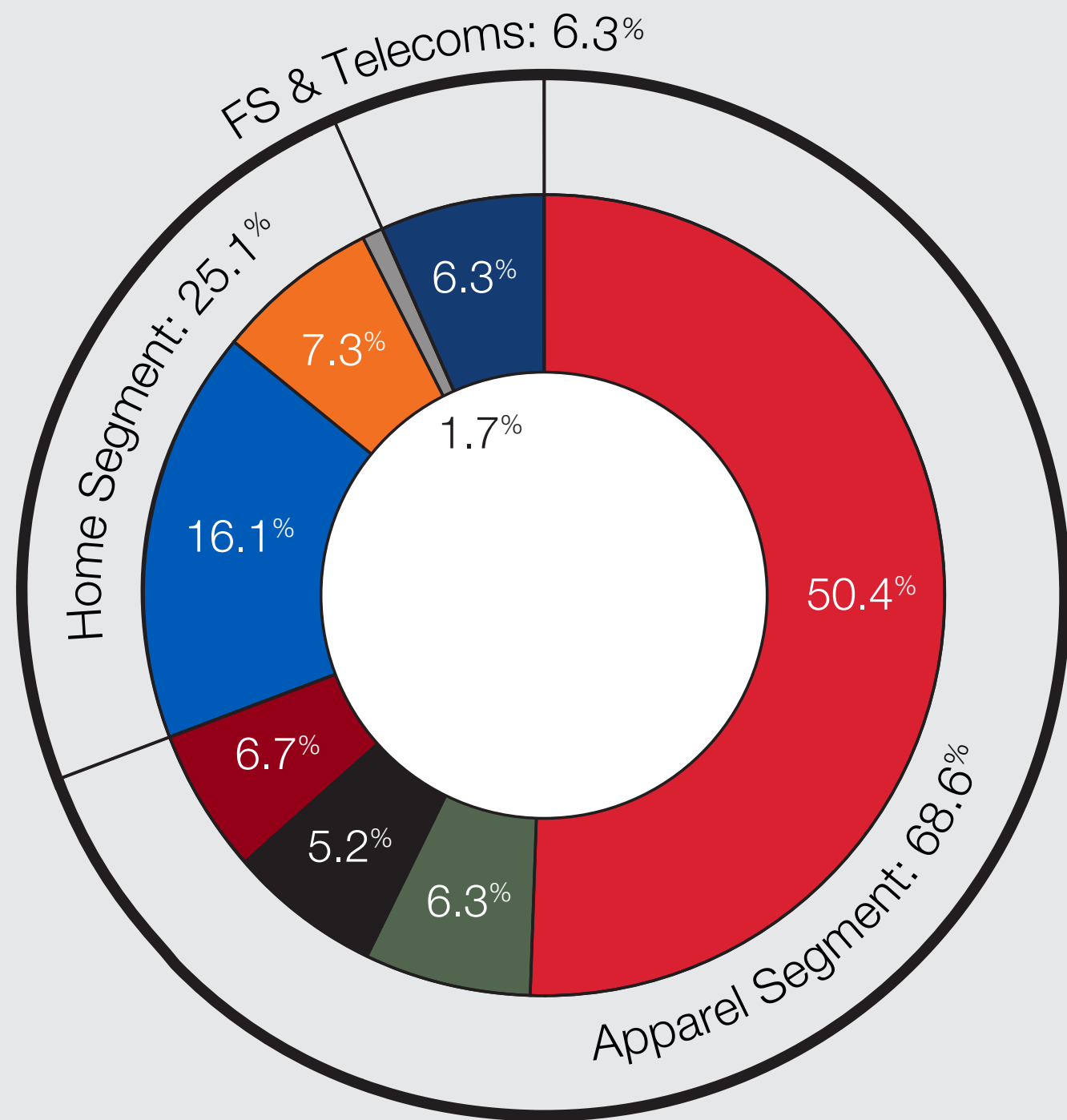
LONG TERM SALES PERFORMANCE



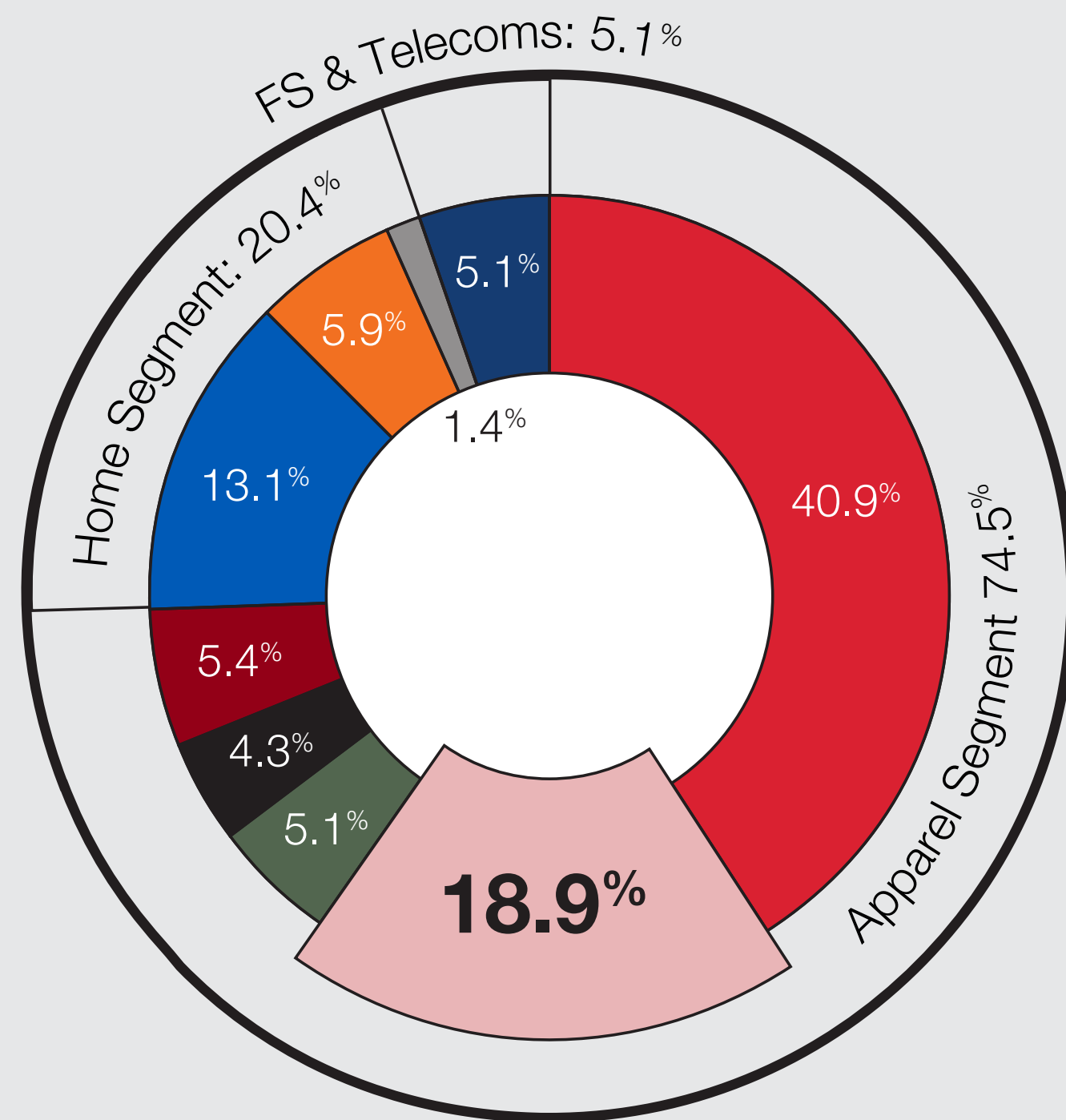


# Material contributor to Mr Price Group

MR PRICE GROUP PRE-ACQUISITION



MR PRICE GROUP INCLUDING STUDIO 88 GROUP



Reduced reliance on one division & diversification into differentiated product segment

Mr Price Apparel	Mr Price Sport	Miladys	Power Fashion	Studio 88 Group
Mr Price Home	Sheet Street	Yuppiechef	Mr Price Money	

Retail sales and other income FY21. PF & YC based on annualised revenue upon acquisition



# Transaction summary

## Acquisition price

- Enterprise value (“EV”) of R4.7 billion (on a 100% basis)
- Acquisition of 70% of the issued share capital of the Studio 88 Group for R 3.3 billion purchase consideration

	PRE IFRS 16	IFRS 16
<b>YEAR END 30 SEPTEMBER 2021</b>		
EBITDA	R630m	R1 080m
Implied EV/EBITDA multiple	7.5x	4.4x
<b>ROLLING 12 MONTHS TO 28 FEBRUARY 2022</b>		
EBITDA	R765m	*

#Source: Bloomberg | September 2021

\*IFRS 16 adjustments only processed at financial year end



7.5x based on seller's previous year end of 30 September 2021

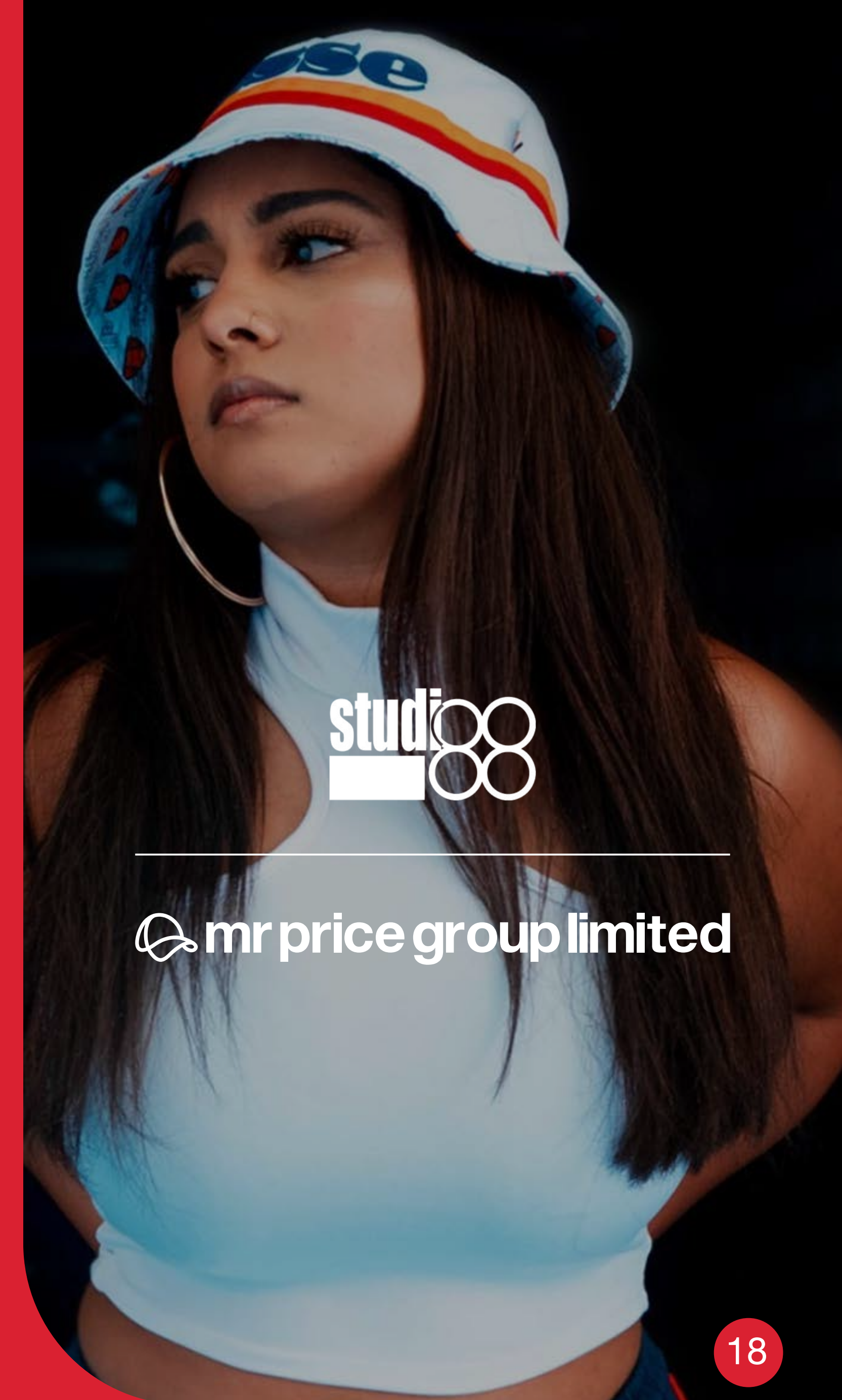
Mr Price Group<sup>#</sup> = 11.3x



# Transaction summary

## Transaction structure and mechanism

- Acquisition of 70% of the issued share capital of the Studio 88 Group from RMB Ventures and current management as part of the initial acquisition (“Initial Acquisition”), to be effected as follows:
  - Mr Price will acquire 100% of RMB Ventures shareholding; and
  - Management will dispose of an effective 50% of their shareholding.  
(90% cash, 10% shares in Mr Price Group - non-dilutive mechanism)
- Locked-box transaction mechanism as at 30 September 2021 for Initial Acquisition
- Appropriate escalation rate applied to the purchase consideration from 30 September 2021 for Initial Acquisition
- Remaining 30% management shareholding will be settled as outlined on **pg 19**



 **mr price group limited**



# Transaction summary

## Transaction structure and mechanism

### ACQUISITION OF FUTURE TRANCHES:

- Same multiple as Initial Acquisition
- Flexible to allow for earlier/later dates
- Aligned with the intention to retain management for the long-term

Remaining 30% management  
shareholding will be settled as follows:

	March 2024	March 2025	March 2026
SALES OF SHARES	20%	30%	50%
EFFECTIVELY	6%	9%	15%
MR PRICE EFFECTIVE SHAREHOLDING	76%	85%	100%





# Transaction summary

## Funding of purchase consideration & Conditions precedent

### FUNDING OF PURCHASE CONSIDERATION

- The transaction will be fully funded by utilising existing cash resources of the Mr Price Group

### CONDITIONS PRECEDENT

- Subject to the fulfillment of both regulatory and commercial suspensive conditions, as are usual for a transaction of this nature, including approval by the relevant competition authorities of South Africa and the other African territories as required, by no later than 31 October 2022

