mr price group limited

Group Results & Interim Cash Dividend Declaration

For the 26 weeks ended 1 October 2022

This short-form announcement is the responsibility of the Mr Price board of directors and is a summary of the information in the detailed results announcement available on https://senspdf.jse.co.za/documents/2022/JSE/ISSE/MRPE/24112022.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	Profit after tax
R13.3bn	R1.9bn	R1.3bn
+6.5%	+13.0%	+13.3%

HEPS	Cash resources	Dividend per share
+10.6%	R3.3bn	312.5c
496.0c	Pre-acquisition	+10.6%

INTERIM CASH DIVIDEND DECLARATION

The interim dividend increased 10.6% to 312.5 cents per share (250.0 cents net of dividend withholding tax of 20% for shareholders who are not exempt). The dividend has been declared from income reserves. The salient dates for the dividend are as follows:

Last date to trade 'cum' dividend	Monday	12 December 2022
Date trading commences 'ex' dividend	Tuesday	13 December 2022
Record date	Thursday	15 December 2022
Payment date	Monday	19 December 2022

Note:
Shareholders may not dematerialise or rematerialise their share certificates between Tuesday, 13 December and Thursday, 15 December, both dates inclusive.

COMMENTARY: Double-digit earnings growth & meaningful progress on strategic plans

Mr Price today released its interim results for the 26 weeks ended 1 October 2022 ("Period"), increasing basic earnings per share 13.7% to 500.1 cents against H1 FY2022 ("Corresponding Period"). Headline earnings per share (HEPS) increased 10.6% to 496.0 cents and diluted headline earnings per share increased by 10.8% to 486.1 cents. Dividends per share (DPS) increased 10.6% to 312.5 cents.

Group revenue was up 6.5% to R13.3bn, the group gross margin expanded 60bps and expense growth was well-controlled at an increase of 5.9%. This enabled the operating margin to improve by 80bps. This result was achieved in a highly contested retail environment where consumer spending was constrained.

In the 13-week trading update issued in July 2022, shareholders were advised that revenue growth had been adversely impacted by several disruptive factors, some of which affected the industry as a whole, and continued for the duration of the Period:

- Electricity loadshedding - 56% of trading days were interrupted by loadshedding during the Period. The group estimates that over 80 000 trading hours were lost
- The inconsistent and non-payment of social grants during the Period
- The replacement of the group's Merchandise Enterprise Resource Planning system on 2 April 2022, disrupted supply chain and merchant activities, and materially impacted retail sales in April and May. Sales for these two months combined, (which contribute approximately 40% of H1 retail sales), grew 3.1%, while June to August sales performance improved, growing 12.9%. September was a poor trading month for the market as a whole as severe load-shedding was implemented (44.1% of trading hours lost in H1 were in September alone) and sales declined 6.7%.

"The top-line performance did not meet our internal targets, but our market leading retail performance post COVID-19 with sales growth of 37.8% in the base, in which we gained further market share, was always going to present a challenge. I also take comfort that the systems impact in particular is once-off and we have achieved a significant milestone in our Retail Modernisation Programme aimed at de-risking our IT environment and establishing an infrastructure to support our ambitions." said CEO Mark Blair.

RESULTS SUMMARY

Retail sales grew 6.0% to R12.6bn (comparable stores -0.3%). Group store sales (contribution: 97.0% of sales) were up 5.8% and online sales (contribution: 3.0% of sales) grew 11.2% (H1 FY2022: 49.9%). Retail selling price inflation was 3.8%, well below CPI with units increasing 1.7% to 122m units sold.

By opening seventy-eight new stores and expanding eleven, weighted average new space grew 6.3%. After closing eight stores and reducing the size of nine, total weighted average space was up 5.7%, advancing the total number of corporate owned store locations by 4.1% to 1 791.

Other income grew 17.1% to R536m, primarily driven by a 200bps increase in the repo rate, increasing interest on trade receivables by 29.8%.

Cash sales constitute 84.9% of group retail sales and increased 5.2% during the Period. The group's credit sales grew ahead of cash sales at 11.5% (contribution: 15.1% of retail sales), driven by new account sales growth up 20.0%. Growth within the existing credit customer base was robust and the One Store Card facility added sales of R242m during the Period. The group has no appetite to push the credit channel outside of its long established low risk tolerance and reduced its approval rate by 640bps to 27.1%.

The group's gross profit margin increased to 40.3%, supported by a once-off inventory write-off in the Corresponding Period due to the civil unrest. Profit from operating activities increased by 13.0% to R1.9bn with the operating margin expanding to 14.7% of retail sales and other income (RSOI).

The Apparel segment (73.0% contribution to retail sales) increased RSOI 8.5% to R9.2bn (Comparable stores: 2.7%). Operating profit increased 22.8% and the operating margin increased 190bps to 15.6%. The Homeware segment (23.1% contribution to retail sales) decreased RSOI by 1.6% to R2.9bn (Comparable stores: -9.9%). The segment was up against a significant fi rst half base (H1 FY2022) as RSOI and operating profit grew by 27.3% and 46.6% respectively. This segment in particular has seen aggressive competitor activity over the last 12 months which has negatively impacted its market share, which remains dominant. Telecoms segment revenue (3.9% contribution to retail sales) increased 9.2% to R570m and Financial Services segment revenue increased 19.6% to R403m.

Inventory is up 35.6% for the Period and excluding higher goods in transit (GIT), stock was up 25.5%. Due to supply chain uncertainties, the group has secured its stock delivery ahead of its key festive trading period to minimise disruptions and ensure arrival into important trading weeks. Additional factors influencing the higher inventory levels were new space growth of 6.3% over the Period, 65 of the 119 planned new stores in H2 FY2023 opening before Christmas (excluding Studio 88) and higher price inflation. Stock freshness at the end of the Period was 85.5%.

The group ended the Period with available cash of R3.3bn. However, the payment of R3.6bn for the Studio 88 acquisition took place after the Period close, which reduced the group's cash reserves. The group's highly cash generative model, including the newly acquired businesses, gives it confidence that it will re-build its cash balance for investment in identified growth opportunities. Net asset value per share increased 12.6% to 4 796 cents.

OUTLOOK

Adverse global economic factors will continue to cast uncertainty upon the balance of this financial year. The impact of inflation in conjunction with rising interest rates makes it a very challenging trading environment. The retail credit environment is forecast to tighten as defaults rise, which should position the group positively as consumers seek merchandise that can fit their budgets. Associates within the group understand customers' current challenges and are committed to ensuring that they are surprised and delighted by the merchandise value offered by the group's various divisions.

Despite the disruption management remains focused on generating long-term sustainable returns from existing and new businesses, whilst stewarding its market leading metrics.

"It's been a tough period for trading", said CEO Mark Blair. "But against all the uncertainty, we've gained traction on our strategy implementation. Our acquisitions have been value accretive, we launched the Mr Price Baby concept, proved the business case for a rollout of Mr Price Cellular stores, were recognised as the only fashion-value retailer in the FTSE/JSE Responsible Investment Top 30 Index and carried out an extensive organisational design review to ensure we have the capacity and skills to execute our long term plan. I am immensely proud of the dedication and energy of all our associates."

Studio 88 results will be included with effect from 4 October 2022 and will favourably impact H2 earnings. In the latest unaudited results to 30 September 2022 the company reported revenue of R6.4bn and EBITDA of R793m.

mr price · mr price home · mr price sport · mr price money · sheet•street · MILADYS · POWER FASHION · YUPPIECHEF · studio88

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*, JA Canny*, M Chauke*, SA Ellis*, K Getz*, D Naidoo*, LA Swartz*, * Non-executive director, ^ Alternate director
Sponsor	Investec Bank Limited
Transfer Secretaries	Computershare Investor Services (Pty) Ltd