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Summary

Revenue	EBITDA	Operating profit*
R37.9bn	R8.2bn	R5.3bn
+15.5%	+13.5%	+7.9%
HEPS	Cash resources	Final dividend per share
1 286.2c	R2.8bn	526.8c
+6.7%	Cash conversion ratio: 86.9%	+17.8%

*Profit before finance income and costs

Final Cash Dividend Declaration

A final dividend of 526.8 cents per share (421.44 cents net of dividend withholding tax of 20% for shareholders who are not exempt) was declared. The dividend has been declared from income reserves. The salient dates for the dividend are as follows:

Last date to trade 'cum' dividend	Tuesday	02 July 2024
Date trading commences 'ex' dividend	Wednesday	03 July 2024
Record date	Friday	05 July 2024
Payment date	Monday	08 July 2024

Note:
Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 03 July 2024 and Friday, 05 July 2024, both dates inclusive.

Commentary: Profitable market share gains results in strong H2 performance

Mr Price today released its FY2024 year end results for the 52 weeks ended 30 March 2024 ("Period"), increasing revenue by 15.5% to R37.9bn. This performance includes the acquired Studio 88 Group (S88), effective 4 October 2022 (not in the base in H1 FY2024), excluding which revenue grew 5.8% to R30.3bn. The group grew its annual market share by 30bps according to the Retailers' Liaison Committee (RLC) and its operating profit exceeded R5bn for the first time.

Basic and headline earnings per share of 1 276.2 cents and 1 286.2 cents were up 5.4% and 6.7% respectively. Diluted headline earnings per share grew 6.3% to 1 252.6 cents. Despite a challenging retail environment, the group delivered a strong second half performance as diluted headline earnings per share grew 17.4%, due to significantly improved sales momentum, GP margin expanding 160bps to 40.6% and market share gains of 90bps. A final dividend of 526.8 cents per share was declared, up 17.8% and a pay-out ratio of 63% was maintained.

Group CEO, Mark Blair, said: "Over the last year, we have had a great deal to contend with. Despite the challenges our team has remained focused on execution, while remaining agile in responding to the volatility of the trading environment, which has reflected in the performance of the second half. By focusing on delivering value to our customers, the group has strengthened its market position, as evidenced by gaining market share for 7 consecutive months at better margins."

As previously reported, several material challenges were faced during the Period. The group estimates that due to loadshedding it lost approximately 65 000 trading hours, approximately R226m in revenue. Most of this impact was felt in the first half, as the group reached 100% back-up power by the end of Q1. Global and domestic supply chain disruptions caused challenges to optimal inventory management. These challenges were faced amidst the backdrop of a weak consumer environment as elevated inflation levels continued to impact the low to middle-income households (the group's core customer base) the most.

Results

Group retail sales grew 16.2% to R36.6bn and comparable store sales by 1.8%. Excluding S88 retail sales grew 6.2%. In H2, retail sales and comparable store sales increased 8.4% and 3.6% respectively (excluding S88: 8.3% and 3.8% respectively). Other income increased 2.3% to R1.2bn.

Total store sales increased 16.6% (excluding S88: 6.5%), contributing 97.9% to retail sales and online sales decreased 2.2% (excluding S88: -3.7%). Total unit sales increased 3.8% (excluding S88: 1.6%). Group RSP inflation for the Period was 12.2%, impacted by higher price point merchandise in S88. Excluding S88, inflation of 4.8% was well contained as the group focused on ensuring that customers continue to experience superior price value.

Through acquisitions and investment into new space, the group has more than doubled its store footprint over the last five years. This is in accordance with the group's growth strategy, as South African consumers continue to favour the convenience of omni-channel shopping. Store returns remain in multiples of the group's cost of capital. Trading space increased 16.0% on a weighted average basis and by 5.3% excluding S88.

Credit sales grew 1.7%, while cash sales which constitutes 88.9% of group retail sales, increased 18.3% (excluding S88: 7.0%). The group's strategic approach of being predominantly cash based remains beneficial as consumer credit affordability weakened and debt servicing costs escalated due to higher interest rates. Demand for credit remained high during the Period with new account applications increasing 18.7%, however the group's approval rate decreased further to 19.3% as its credit risk tolerance remains low.

The gross profit margin increased by 20bps to 39.7%, and the merchandise GP margin expanded to 40.5%. The group leveraged its agile supply chain model to minimise the supply chain disruptions experienced during the festive period and reduced the anticipated risks. Focused stock management resulted in lower markdown levels than the previous year and as a result, GP margin in H2 expanded 160bps to 40.6%, with all Apparel segment divisions maintaining or improving their GP margin.

Total expenses increased 20.1% (excluding S88: 7.7%), predominantly driven by new weighted average space and a higher operating cost environment. Group expenses to retail sales and other income of 27.3% was within the group's targeted range. Profit from operating activities increased 7.9% to R5.3bn and the operating margin decreased 110bps to 14.0% of retail sales and other income (RSOI), predominantly impacted by performance in H1. In H2, operating profit increased 13.2% and the operating margin expanded 70bps to 16.0%.

The Financial Services segment revenue increased 4.8% to R869m. Debtors' interest and charges increased 12.1% due to a higher average debtors' book and a 50bps increase in the repo rate over the Period. Considering the difficult economic conditions, the net bad debt to book percentage remains low by industry standards and the group remains sufficiently provided for.

The group achieved its objective of being in a negative stock growth position by year end as gross inventory was down 4.2%, stock freshness (0-3 months aging) at the end of the Period was 85.8% (+240bps).

The balance sheet remains in a healthy position with available cash of R2.8bn and a cash conversion ratio of 86.9% (+490bps). Capital expenditure of R1.1bn was primarily allocated towards new store development and the installation of back-up power solutions. The group's ROE and ROA of 23.3% and 11.7% respectively, remain market leading and reflects its prudent capital allocation approach. Net asset value increased 10.9% to 6 006 cents per share.

Outlook

The South African economy contracted between January and March 2024 and consumer pressures continue. During this period, group retail sales increased 5.9%, higher than the market, with a resultant increase in market share of 60bps, thereby demonstrating the strength of the group's brands and its strategic positioning. External research has recognised that the group holds the highest brand equity and most loved brands in the apparel and homeware sectors in South Africa. Furthermore, the group was ranked the most valuable fashion apparel retailer in South Africa and Mr Price Apparel was voted the coolest clothing store.

The later arrival of winter this year has resulted in subdued trade in the first two months of FY2025. Despite this the group gained market share in April 2024 (latest available data) and sales growth recovered strongly in early June, driven by the onset of winter. Group retail sales in Q1 FY2025 to 11 June 2024 increased 4.4%, against sales growth in the base of 17.0%, at higher GP margins than the prior year.

Supply chain challenges in the form of port inefficiency and increasing shipping costs will add pressure in the short term. However, the acquisition of port equipment by Transnet which will take some time to become operational, is encouraging.

In the forthcoming year the group will focus on its existing operations, raising customer service levels, and investing appropriately to ensure that their overall experience meets their expectations. Forecast capital expenditure for FY2025 is anticipated to be approximately R1.0bn and 200 new stores. Profitable market share gains and retaining strong operating and balance sheet metrics will be key outcomes.

Consumer relief in the latter half of the year is expected in the form of moderating inflation, decreasing interest rates, and a boost to discretionary spending with individuals being permitted to withdraw additional funds from their retirement savings. Further respite could result if the exchange rate improves, but this is dependent on the outcome of the government coalition talks pursuant to the South African general elections. A market friendly outcome has strong potential to elevate South Africa to a new growth path, making a significant impact in reducing unemployment and stimulating the economy.

Group CEO Mark Blair said, "On behalf of the management team we extend our gratitude to all our stakeholders for their ongoing support and belief in our business. Particular thanks must go to all our associates, both head office and frontline, for their ongoing commitment to ensuring that the group continues to build on its iconic legacy in South Africa. We have strong positive momentum, and our team is energised by the plans we have in place."