

Massmart Holdings Limited
(Incorporated in the Republic of South Africa)
Company registration No. 1940/014066/06
JSE Code: MSM
ISIN: ZAE 000152617
("Massmart" or the "Company" or the "Group")

COVID-19 IMPACT ON THE MASSMART, SALES UPDATE FOR THE 19 WEEK PERIOD ENDED 10 MAY 2020, LIQUIDITY AND CASH FLOW MANAGEMENT AND UPDATE ON MASSMART'S CURRENT FOCUS

COVID-19 IMPACT ON THE MASSMART

Shareholders are referred to the SENS announcement issued on 30 March 2020 which provided an update of the impact of the Covid-19 national lockdown on the Massmart Group. As previously reported, Massmart supports the measures the South African Government has outlined to contain the spread of the Covid-19 virus. In line with regulations and amendments as published, the following Massmart formats were registered with the Department of Trade and Industry ("DTI") to enable trading activity during the level 5 lockdown period: Makro, Wholesale Cash & Carry stores, Game, Shield Buying Group, Rhino and Cambridge Food.

Whilst the above formats continued trading during this period, trading was restricted to essential goods. Consequently, Game and Makro did not trade in general merchandise, save for those categories falling under the definition of basic and essential goods. No alcoholic or tobacco products were sold and our South African Builders stores were not permitted to trade in accordance with the regulations. Likewise, our non-essential product distribution network and our home and regional offices were closed with almost all of our regional and home office associates working remotely.

Whilst we initially planned for a 21-day level 5 lockdown period, we developed in an abundance of caution robust contingency plans and procedures in the event that this period was extended. We were therefore well positioned and prepared when the level 5 lockdown was extended to a period of 5 weeks, ending on 1 May 2020. Massmart pro-actively engaged with the DTI on additional products to be authorized for trade, particularly where these supported and facilitated the government's objective of encouraging home confinement including "work-from-home" and "school-from-home". We were therefore pleased to note the inclusion of these product categories in the amended Level 5 regulations that came into effect in mid-April. Similarly, we were also pleased to be authorized to open selected Builders stores to trade with essential service providers during the last week of the level 5 lockdown, with supplies being limited to those needed in the execution of emergency and essential repairs and maintenance.

Notwithstanding these developments, Massmart was unable to trade in the majority of general merchandise, home improvement and liquor products for most of April. These untradeable product categories represent a significant portion of our overall merchandise offering. The contribution of these product categories to sales in the 2019 financial year was as follows: General Merchandise (26%), Liquor (15%) and Home Improvement (15%). Given the high level of contribution of these categories to total sales, April Covid-19 sales were significantly lower than would be the case under normal trading conditions.

SALES UPDATE FOR 13 WEEK PERIOD ENDED

As previously reported, for the 13-week period ended 29 March 2020, total sales increased by 1.3% over the prior year, with comparable store sales increasing by 0.9% over the same period. As mentioned, the Covid-19 lockdown had a significant impact on normal trading patterns. Consequently, total sales for the 19 weeks ended 10 May 2020 amounted to R28.2 billion, and were 11.9% lower than the same period last year. Comparable store sales were 12.1% lower than last year. Sales from our South African stores amounted to R25.3 billion, 13.1% lower than last year, with comparable store sales decreasing by 13.2%. Total sales from our ex-South Africa stores amounted to R2.9 billion, 1.3% higher than last year, with comparable stores decreasing by 0.3%.

LIQUIDITY AND CASH FLOW MANAGEMENT

The intensified pressure resulting from extended Covid-19 trading restrictions increased the daily focus on liquidity and cash flow management. Massmart has a strong balance sheet and based on our cash flow forecasts, has sufficient cash facilities and resources to meet its obligations.

In line with good financial practice, Massmart continued to focus on prudent cash flow management and initiatives to improve cash generation performance. These included initiatives to negotiate rental reductions and improved, mutually beneficial terms with strategic suppliers. We were fortunate that most of these interventions were in-flight and publically confirmed prior to the onset of the lockdown. Massmart has met all payment obligations throughout the lockdown period and has continued to pay all employees in full. We will continue to proactively work with all suppliers and stakeholders to manage our cash position going forward including:

- Negotiating and participating in the rental relief package from the Property Industry Group;
- Vendor engagement sessions to negotiate mutually beneficial commercial terms with key suppliers (to date we have engaged with ± 67% of our trade spend base);
- Engaging with the South African Revenue Services to obtain outstanding VAT and Income Tax refunds;
- Applying for available Employee Tax Incentive relief measures such as Temporary Employment and Relief Scheme and Skills Development Levy relief;
- Sensibly Reducing Capex for the full year; and
- Aggressively pursuing cost reduction initiatives as already outlined in our turnaround plan.

MASSMART'S CURRENT FOCUS

We remain concerned with regard to the impact of a prolonged lockdown and limited trading environment on the South African economy and population. We take pride in our responsibility as an essential services provider and our ability to provide South Africans with food, basic and essential goods during this period. We remain focused on ensuring a safe operating environment for our customers and associates, and have implemented various measures and initiatives in order to achieve this. These include measures to ensure our associates can travel safely to and from work on a daily basis, and introducing daily associate and customer screening. We have taken steps to optimise the supply of food, basic and essential goods and ensuring the availability of these products in-store, while our online platforms are processing and fulfilling customer orders of basic and essential goods. All other online orders will be processed for delivery once the appropriate lockdown level allows for this.

The factors impacting financial performance remain fluid and adds complexity to short term forecasting. Updated information will be provided to shareholders once there is a reasonable degree of certainty around financial performance.

18 May 2020

Johannesburg

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