MR PRICE GROUP LIMITED
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Incorporated in the Republic of South Africa
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("Mr Price" or "the company" or "the group")

UNAUDITED INTERIM GROUP RESULTS FOR THE 26 WEEKS ENDED 26 SEPTEMBER 2020 AND CASH DIVIDEND DECLARATION

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 available on: https://senspdf.jse.co.za/documents/2020/JSE/ISSE/MRPE/26112020.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.

PRESS RELEASE

MR PRICE GROUP LIMITED REPORTS INTERIM RESULTS ENDED 26 SEPTEMBER 2020, DECLARES A CASH DIVIDEND AND ANNOUNCES A NEW GROWTH AGENDA

Mr Price today released its interim results for the 26 weeks ended 26 September 2020, a period in which the group absorbed the full impact of the COVID-19 pandemic, both in terms of operational disruptions (trading restrictions and port delays) and consumer behaviour impact (erratic demand). The group's cash-based, fashion-value business model has enabled a stronger performance than originally anticipated which has allowed management to continue its focus on growth opportunities. The key highlights from the period were:

- Post Lockdown*, diluted headline earnings per share grew 6.0%
- Market share gain for the full period as reported by the Retailers' Liaison Committee
- Online sales grew 71.5% from May 2020, accounting for 2.5% of sales
- Increased GP margins by 200bps to 42.0%
- High cash conversion raising the group's cash balance to R6.4bn
- Debt free balance sheet maintained
- Planned double-digit decrease in inventory on hand achieved
- Strong overhead management curtailing expense growth to below inflation
- Dividends declared of 210.1 cents per share, resumption of a pay-out ratio of 63.0%
- Share buybacks to the value of R85m (Additional R80m purchased in

  H2 to date)
- Agreement signed to acquire local value apparel retailer

*The impact of the April 2020 store closures due to COVID-19, distorts the performance comparison between the results of the current and prior periods. To provide a more meaningful assessment of the group's performance, pro forma information has been presented for the period May to September 2020 ("Post Lockdown").

FINANCIAL PERFORMANCE

The H1 period has been presented with significant challenges and uncertainty due to the COVID-19 pandemic. The government enforced lockdowns have had a material impact on the economy and on household income. Over two million jobs were lost during Q2 2020 and the unemployment rate rose to 30.8% in Q3 2020, its highest level in 17 years. During the month of April 2020, the group estimates that it lost approximately R1.8bn in sales as all its South African stores were forced to close. In May 2020, further restrictions on items permitted to be sold in the Home segment were enforced. As a result, management were anticipating the impact on earnings growth to be more substantial than what has transpired. The value of partnership has been displayed by all stakeholders, collectively embracing the call to action.

Basic earnings per share decreased 34.5% to 290.5 cents, headline earnings per share (HEPS) decreased by 24.8% to 333.5 cents and diluted headline earnings per share decreased by 24.6% to 328.5 cents. As disclosed in the trading statement released on the Stock Exchange News Service (SENS) on 4 November 2020, the difference between basic and headline earnings per share was the result of a R153.4m IT and right-of-use assets (store leases) impairment assessment. Excluding the April 2020 lockdown, HEPS and diluted HEPS grew 5.9% and 6.0% respectively.

Total revenue from continuing operations (discontinued operations in Nigeria) decreased 14.4% to R9.2bn with retail sales declining 14.8% (comparable stores -18.0%) to R8.6bn. Despite this, the group grew market share by 100 basis points over the period and excluding April 2020, retail sales grew 3.2% (RSA up 3.7%). Other income decreased 13.6% to R433m, impacted negatively by the weak credit environment and repo rate cuts of 300bps this year. Interest earned on cash grew 12.1% to R149m. Cash sales declined 12.5% (credit sales declined 27.3%) but contribution to total sales increased to 85.4% of group retail sales. Consumers continue to prefer to transact in cash as their capacity to take on higher levels of household debt has been further compressed. Retail selling price inflation of 3.9% was driven by more full priced items sold over the period.

The group's identified capex savings for FY21 resulted in 10 less stores opening in H1 than originally planned. Despite this, 17 new stores were opened, with the group expanding 2 stores, closing 9 and reducing the size of 12. This takes the total number of corporate owned stores to 1 386. Weighted average space growth was 2.2% and the group's store investment hurdles remain tightly managed. On an annualised basis, the number of loss-making stores remains immaterial, supporting the group's low right-of-use-asset impairment charge. The group renewed 125 leases in the period, resulting in average escalations decreasing and targeted rental reversions being achieved.

Merchandise GP margin improved 240bps to 43.2% as a strong value assortment across divisions resulted in low markdown levels. Telecoms (Mobile and Cellular) GP margin increased 260bps driven by strategic mix changes in Mobile and significant sales growth in Cellular handsets and accessories. Total group GP margin gains of 200bps were achieved with improvements across the group's Apparel, Home and Telecoms segments. Excluding April 2020, gross profit Rands grew 9.4%.

Selling and administration expenses were tightly controlled with growth of 2.2% well below inflation. Excluding impairments and additional debtors' provision, expenses declined by 4.5%. This performance was supported by management's identified austerity measures as well as government support initiatives. Expenses were negatively impacted by the impairments detailed above. Profit from operating activities from continuing operations declined by 32.0% to R1.1bn with operating margin decreasing to 12.7% of retail sales and other income (RSOI). Excluding April 2020 and the above-mentioned impairments, the operating margin increased by 40bps to 16.0%.

As targeted, inventory on hand at the end of the period was 16.7% lower than the corresponding period (including goods on the water, total inventory was down 9.1%). Inventory levels decreased at a faster rate than sales, which is testament to a merchandise assortment that was in high demand. The group's sourcing strategy and its ability to respond quickly to changing trends within season is built on strategic relationships with its long-standing supply base. This partnership approach enabled the group to work closely with suppliers to exit low demand categories and increase stock levels in high demand categories, ending the first half with clean stock levels.

The credit environment remains under pressure. Transunion's Consumer Credit Index reported deteriorating consumer credit health again in Q2 2020. The National Credit Regulator (NCR) report noted a spike in account arrears as well as the rejection rates on new accounts reaching an all-time high. The group received 27.3% fewer account applications over the period and the approval rate decreased by 310bps to 30.1%. The total debtors' book decreased 7.7% as credit sales and write offs deteriorated in line with the market. The group has therefore raised its impairment provision from 10.4% at the end of FY20 to 15.2% at the end of H1 FY21, in response to its modelled expected losses. Collections channels were significantly impacted in

April 2020 by store closures (approximately 80% of collections) but have subsequently improved monthly. Collections as a percentage of the debtors’ book have recovered and are now in line with the prior year.

COVID-19 TRADING INSIGHTS

Following the lifting of the level 5 lockdown restrictions, in the period May to September 2020 (“Post Lockdown”), a range of relief mechanisms from government (additional social grants and repo rate cuts) and the private sector (bank payment holidays and retrenchment packages) aided consumer expenditure. Household discretionary income flowed into the food, drug, apparel and homeware categories as entertainment, travel and liquor were curbed by restrictions.

Post Lockdown, Mr Price Apparel, Mr Price Home and Sheet Street (divisions representing 83.1% of the group’s retail sales) grew sales 4.5%. The group gained market share over the period with market share levels in the months between June to September 2020, the highest in three years.

During the Post Lockdown period, the group has capitalised on several trends:

- Consumers’ appetite for credit is low, preferring to transact in cash. This has favoured the group’s cash-based model, with cash sales growth of 6.4%, accounting for 85.5% of total sales. Credit sales decreased by 12.1%.

- Consumers still prefer to shop convenient locations compared to large shopping centres (although foot traffic has subsequently increased). The group’s diverse store footprint has been a competitive advantage and its micro, small and medium stores continue to perform strongly.

- Due to less frequent visits to physical stores, consumer transactions have declined but basket spend per transaction has increased by double digit levels.

- Online sales grew 71.5% (PY 19.4%) and accounts for 2.5% (PY 1.5%) of the group’s sales. Website traffic (web and app) increased 78.6% with the group holding the second highest share of traffic among its omni-channel competitors, according to Similarweb. This is a significant achievement considering the group only has six online brands. Further to this, according to Google trends, “Mr Price has been the most searched apparel retailer in South Africa over the last 5 years”. Mobile is an increasingly important online channel and accounts for 65.7% of the group’s online turnover. The group’s mobile traffic grew 97.5% and received a new apparel order every 51 seconds (PY 1 min 39 secs), highlighting the importance of the group’s continued investment into its digital capabilities.

- Mr Price Apparel outperformed the market, gaining market share every month since March 2020. Miladys has experienced headwinds due to its higher proportion of credit customers and its conservative customer base which has avoided shopping centre risks. Mr Price Sport initially benefited from a surge in demand for fitness apparel and equipment, but growth has subsequently been impeded by lower demand for seasonal sports merchandise as well as gym and school closures. Mr Price Sport online sales grew 170.1% (PY 37.7%) despite these challenges.

- The Home segment has grown by double digits as consumers have spent more time at home, either making improvements to their living environments or setting up home offices. Collectively the group's homeware divisions hold a high percentage of market share in South Africa and have continued to gain off this base, increasing share every month since June 2020, when homeware restrictions ended.

- Telecoms revenue also grew at double digit levels, driven by cellular handsets and accessories sold through 303 locations across the group. The Cellular division grew market share according to GFK.

CAPITAL ALLOCATION AND GROWTH

When the group reported its prior years interim results in November 2019, it communicated that it was in the process of undergoing strategic research to inform its capital allocation decisions. Despite the challenges of COVID-19, the group continued its research and has identified clear growth opportunities.

South Africa remains the group's primary market of focus where it believes it can deliver its strongest growth contribution, either organically or acquisitively. In June 2020, the group requested its shareholders to grant management the authority to issue shares for cash. It was made clear at the time that this request was to put it in a position to pursue acquisitive opportunities to support its growth ambitions, without changing the capital structure of its balance sheet during a very uncertain time. This authority was granted for a period of six months, ending in December 2020.

Subsequent to this process, the group has traded strongly, and its highly cash generative model has added further liquidity. Cash and cash equivalents increased 35.1% from March 2020 to R6.4bn. As planned, the R531m 'illiquid' component of this balance, due to cash held in non-RSA territories and share trusts, has reduced. After accounting for these factors, the accessible cash at the end of H1 FY21 was effectively R5.9bn and its free cashflow conversation ratio was 236.1%. The group remains debt free and its strong balance sheet supports its appetite for growth and differentiates it from the rest of the sector.

As a result of this stronger than anticipated cash position, the group hereby informs shareholders that it will not be funding its immediate growth opportunities with a capital raise, but instead will utilise its existing cash resources. Executive management and the board would like to thank shareholders for their overwhelming support and belief in the growth prospects of the group.

The group’s strategic research has helped identify attractive opportunities for growth, some of which have already been pursued. The group launched several new categories and extensions to existing categories in the last year which collectively delivered approximately R400m in retail sales. The group is pleased to announce that it will be launching three new categories in Mr Price Apparel in H2 FY21, namely, mrpBaby, mrpSchoolgear (uniforms) and mrp&co (novelty and gifting). These new high growth categories should provide additional market share growth and extend the group’s exceptional value offering. Lay-bys and other additional tender types were launched which will contribute to further growth. Research undertaken has identified potential new retail concepts including opportunities in sectors that the group doesn’t currently participate in. Detailed business cases are currently being developed.

Capital has been allocated to the repurchase of shares which commenced in September 2020. This was decided once trading had become more 'stable' (higher cash generation achieved) and the level of potential acquisition became clear. R165m has been purchased to date. The group anticipated repurchasing a higher volume of shares but were unable to alter parameters during the closed period.

The group will resume dividend payments at a 63.0% pay-out ratio, accordingly an interim dividend of 210.1 cents has been declared.

The group has considered several acquisition opportunities in the last year but has not concluded on any transaction as it continued to be guided by its investment criteria. This deliberate approach has been rewarded as the group has reached terms of agreement (subject to Competition Commission approval and fulfilment of conditions precedent) to acquire a local apparel value retailer, which meets the group’s hurdle rates and will be earnings accretive immediately. The effective date targeted is April 2021. The size of the transaction (approximately 4% of the group’s market capitalisation) falls below the threshold for a Category 2 transaction and therefore does not require a JSE terms announcement. Further information on this acquisition will be made available in the presentation slides by management at 9am on 26 November 2020, as well as on the group website: https://www.mrpricegroup.com/mr-price-group-investor-relations.aspx

OUTLOOK

The group continues to cautiously manage the ongoing challenges relating to COVID-19. The threat of the pandemic is by no means over and uncertainty regarding stricter lockdown levels remains. The group will continue to respond with agility to the trading environment while remaining vigilant of its associates’ and customers’ safety.

The group’s sales grew by double digits in the first six weeks of H2 FY21. However, sales growth was flat in the week prior to Black Friday week, indicating the extreme volatility in consumer purchasing behaviour. The group is expecting a challenging Black Friday week, due partly to COVID-19 store restrictions which will limit footfall in stores, as well as to the strong performance in the prior year. The group does however anticipate continued high online growth as customers switch channels.

Management are cautious about the trading environment for the remainder of H2, due to high levels of uncertainty relating to volatile consumer spending patterns and a potential shift in shopping trends prior to Christmas. The South African government and private sector relief mechanisms are coming to an end, placing increased strain on household disposable income. Additionally, reduced private sector bonuses and a shift in school holidays (less days falling before Christmas than the prior year) could affect this key trading month. The resilience of the group’s business model and its agile supply chain gives management comfort that it can balance the pursuit of additional market share while maintaining good fiscal discipline.

The group continues to keep its associates and family members who have been affected by COVID-19 in its thoughts. It acknowledges the incredible commitment of all its associates and particular mention must be made of those on the frontline, for their efforts in managing trade in very difficult circumstances. It has been a trying time, however, the group is in a strong position to deliver growth and further shareholder return.

The financial information above has not been reviewed and reported on by the company’s external auditors.

ENDS

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INTERIM CASH DIVIDEND DECLARATION

Notice is hereby given that an interim gross cash dividend of 210.1 cents per share was declared for the 26 weeks ended 26 September 2020, a 32.5% decline against the prior year. As the dividend has been declared from income reserves, shareholders, unless exempt or who qualify for a reduced withholding tax rate, will receive a net dividend of 168.08 cents per share. The dividend withholding tax rate is 20%.

The issued share capital at the declaration date is 255 739 206 listed ordinary and 7 895 234 unlisted B ordinary shares. The tax reference number is 9285/130/20/0.

The salient dates for the dividend will be as follows:

Last date to trade 'cum' the dividend	Monday	14 Dec 2020
Date trading commences 'ex' the dividend	Tuesday	15 Dec 2020
Record date	Friday	18 Dec 2020
Payment date	Monday	21 Dec 2020

Shareholders may not dematerialise or rematerialise their share certificates between Tuesday, 15 December 2020 and Friday, 18 December 2020, both dates inclusive.

Shareholders should note that dividend payments will no longer occur by cheque and as permitted by the company’s Memorandum of Incorporation, will only be paid via electronic transfer into the bank accounts of shareholders whose banking details are held by the company’s transfer secretaries, Computershare Investor Services (Pty) Ltd. Shareholders whose bank account details are not held by Computershare are requested to provide such details to Computershare on 0861 100 950 to enable payment of the dividend and all future dividends. Where shareholders do not provide the transfer secretaries with their banking details, the dividend will not be forfeited, but will be marked as “unclaimed” in the share register until the shareholder provides the transfer secretaries with the relevant banking details for payout.

The dividend was approved by the Board in Durban.

DIRECTORS
SB Cohen* (Honorary Chairman), NG Payne* (Chairman), MM Blair (CEO), MJ Stirton (CFO), N Abrams*^, MJ Bowman*, M Chauke*, SA Ellis^, K Getz*, RM Motanyane-Welch*, D Naidoo*, B Niehaus*, LA Swartz*
* Non-executive director ^ Alternate director

Durban
26 November 2020
Sponsor:
Rand Merchant Bank (a division of FirstRand Bank Limited)