

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

Operational update and trading statement for the 52 weeks ended 27 December 2020 and update on intention to dispose of certain Wholesale stores

Operational update and trading statement for the 52 weeks ended 27 December 2020

Further to the sales update for the 52 weeks ended 27 December 2020 released on SENS on 21 January 2021, the Group hereby provides an update on trading for the same period.

As previously announced, the Group's full year sales of R86.5 billion was 7.7% lower than 2019, with comparable stores sales being 7.5% lower.

Fourth quarter sales, which contracted by 4.1% over the previous year, represented an improvement on the H2 sales trajectory (total H2 2020 sales decreased by 5.9% over the previous year). Fourth quarter sales were impacted by softer sales over the Black Friday period, in addition to lower foot traffic, especially in regional malls. The Company's extension of Black Friday promotions throughout the month of November mitigated some of this impact, with total sales for November being 5.0% lower than the previous year. We are encouraged by strong sales growth relating to Home Improvement, which grew by 8.1% over the course of H2 2020, showing strong growth in the 4th quarter.

Massmart estimates the total sales lost for the full year due to Covid-19 restrictions, including extended restrictions on normal trading of liquor to be at least R6.0 billion when compared to 2019. Some of the impact of lost sales were offset by rent relief received from our landlords, and benefits received from Government through the Temporary Employment Relief Scheme (TERS) relief provided.

Ongoing focus on gross margin management saw our total margin percentage continue to improve, as was the case in H1 2020. Gross margins in the business have benefited from sales mix changes, especially in our Builders Warehouse business with increased contribution from retail sales, whilst we have seen improvement in everyday margins in all of our businesses through application of improved merchandising disciplines.

The Group continued to focus on expense management, especially in light of top-line pressures and in line with our turnaround plan. Similar to the H1 2020 expense performance, Massmart has been able to keep full-year expenses flat compared to last year.

The combination of the improvement in gross margin and strong expense management assisted to offset the impact of lost sales relating to Covid-19 restrictions. As a result, the Group estimates that trading profit will be between 3% and 8% better than last year's trading profit of R1.1bn.

On a full year basis, the Group incurred total retrenchment costs of approximately R132 million. This related to the closure of Dion Wired, the previously announced closure of 11 Masscash stores, the reorganisation of

the Game store-level operating model and the reorganisation of certain above-store level support functions into centralised Centres of Excellence.

As a result of changes in market conditions, the Group has recorded goodwill impairment losses relating to the Cambridge and Fruitspot businesses. In addition, the Group recorded an impairment loss relating to the Meat Production Facility. Certain store level assets have also been impaired. Consequently, total impairment losses of approximately R798 million have been incurred.

The Group's ongoing focus on liquidity, and pro-active management of cash flow, resulted in net debt being some R200 million higher than last year, despite the significant impact of lost sales relating to Covid-19 restrictions. Average borrowing costs were better than last year, which resulted in total interests costs being around 3.4% lower than last year.

Consequently, and notwithstanding the impact of the total lost sales due to Covid-19 restrictions, shareholders are advised that Massmart expects, with reasonable certainty, the following financial results compared to the 52 week period ended 29 December 2019:

Rm	Expected 2020	Reported 2019	Expected % change
Headline loss	(901.3) to (958.7)	(1,151.5)	16.7 to 21.7
HLPS (cents)	(416.2) to (442.6)	(529.0)	16.3 to 21.3
Net loss	(1,711.5) to (1,776.9)	(1,307.5)	(30.9) to (35.9)
Basic LPS (cents)	(790.3) to (820.3)	(600.6)	(31.6) to (36.6)

The information on which this trading statement is based has not been reviewed or reported on by the Group's external auditors.

Additional Portfolio Optimisation: Intention to divest an additional 14 Masscash stores

In January 2020, Massmart announced its intention to close Dion-Wired and 11 under-performing Masscash stores, pursuant to optimising the performance of our group store portfolio. This portfolio optimisation process is one of six work streams in the Massmart turnaround plan. (The other work streams being to; re-organise the group operating model, reset the group cost base, integrate the group supply chain, re-set Game and merge our wholesale assets).

We subsequently communicated that we had identified a potential buyer for 8 of the 11 aforementioned Masscash stores. On 16 February 2021, the Competition Tribunal approved the transaction covering those 8 stores with a condition linked to employment security. The potential sale of the remaining 3 stores is still being contemplated. Subsequent to the announcement of the aforementioned 11 Masscash stores, a decision was taken to divest the Qwa Qwa Masscash store. A suitable buyer was found for the store and the transaction will close shortly.

In a further development and following a more comprehensive strategic review, we have taken the decision to divest our interest in an additional 14 Masscash

Cash and Carry stores. This decision is aligned to our previously referenced turnaround objective to optimise the group store portfolio and is enabled by the good progress that we have made toward consolidating our Makro and Masscash wholesale store base within the Massmart Wholesale Business Unit.

The following Masscash stores were impacted by this decision: Browns & Weirs Cash & Carry - Idutywa, Browns & Weirs Cash & Carry - King Williams Town, Browns & Weirs Cash & Carry - Lusikisiki, Browns & Weirs Cash & Carry - Mount Frere, Ficksburg Cash & Carry, Manguzi Cash & Carry, Nelspruit Cash & Carry, Philippi Cash & Carry, Piet Retief Liquors, Pretoria West Cash and Carry, Springs Cash & Carry, Thembani Wholesalers Pty Ltd, Vryburg Cash & Carry, and Jumbo Cash & Carry - Durban.

The above referenced further divestiture is below the JSE categorisation threshold and this announcement is for information purposes only.

Sunninghill

19 February 2021

JSE Sponsor: J.P. Morgan Equities South Africa Proprietary Limited