

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")

MSM: MASSMART HOLDINGS LIMITED – Results for the 52 weeks ended 27 December 2020

Date: 2021/03/08

Massmart, with total sales of R86.5 billion, comprises two Business Units operating 423 stores, in 13 sub-Saharan countries. Through our widely-recognised, differentiated retail and wholesale formats, we have leading shares in the General Merchandise, Liquor, Home Improvement and Wholesale Food markets. Our key foundations of high volume, low cost and operational excellence enable our price leadership.

### Performance summary

Rm	52 weeks December 2020 (Reviewed)	52 weeks December 2019 (Audited) (Restated)*	Period % change
<b>Sales</b>	<b>86,485.5</b>	<b>93,660.0</b>	<b>(7.7)</b>
<b>Trading profit before interest and taxation</b>	<b>1,172.7</b>	<b>1,111.2</b>	<b>5.5</b>
<b>Loss for the period</b>	<b>(1,753.4)</b>	<b>(1,296.4)</b>	<b>(35.3)</b>
<b>Basic EPS (cents)</b>	<b>(802.3)</b>	<b>(600.6)</b>	<b>(33.6)</b>
<b>Headline (loss)/earnings</b>	<b>(924.3)</b>	<b>(1,151.5)</b>	<b>19.7</b>
<b>Headline EPS (cents)</b>	<b>(426.8)</b>	<b>(529.0)</b>	<b>19.3</b>
<b>Total dividend (cents)</b>	<b>-</b>	<b>-</b>	<b>-</b>

*\*Restated to apply the SAICA Circular 1/2019 on headline earnings which resulted in a prior year amount of R5.7 million relating to the pre-tax loss arising from the partial or full termination of leases no longer being a headline earnings adjustment. Refer to note 1.*

### Group overview

Massmart's total sales for the 52-weeks ended 27 December 2020 of R86.5 billion represents a decline of 7.7%, with a 7.5% decline in comparable store sales. Sales for the Group were impacted by the Covid-19 pandemic and more specifically by restrictions on the sale of certain product categories.

An increased focus on optimising our product and promotional mix, combined with shifting towards the everyday low price (EDLP) proposition resulted in the gross margin increasing by 147 bps to 20.4% from December 2019.

In light of top-line pressure and the significant impact of the Covid-19 pandemic on cash flows, we remain focused on improving expense management and continuing the trend from our interim reporting period, further savings have been realised through our sustainable cost saving initiatives. This is reflected in an excellent cost performance with total operating expenses decreasing by 0.3% over the prior year period.

A trading profit of R1,172.7 million was reported for the period representing an increase of 5.5% from the R1,111.2 million trading profit reported in 2019.

For the year, the Group incurred total retrenchment costs of approximately R132.5 million. This related to the closure of the 23 DionWired stores, the previously announced potential closure of 11 Masscash stores, the reorganisation of the Game store level operating model and the reorganisation of certain corporate support functions into centralised Centres of Excellence.

As a result of current market conditions and as part of an annual impairment assessment, the Group deemed it necessary to perform reviews of the carrying value of Goodwill and certain store assets. Consequently, the Group has impaired goodwill relating to the Cambridge and Fruitspot businesses. In addition, the Group impaired the assets relating to the Meat Processing Facility in Massfresh. Certain store level assets have also been impaired. The consolidation of the Group's various head office locations and a strategic shift away from fresh and frozen offerings in the Game business, resulted in further impairments being recognised.

Fluctuations in Rest of Africa currencies continue to negatively impact the Group, especially in relation to foreign denominated leases and payables. These contributed to the foreign exchange loss of R381.1 million.

Despite pressure associated with lower cash flows from restrictions relating to the Covid-19 pandemic, a combination of ongoing focus on working capital management and reduced interest rates resulted in net finance costs improving by 3.4% to R1.7 billion during the period. Cash interest to financiers reduced by 15.6%.

The Group's effective tax rate of 6.5% (2019: -18.9%) resulted from not recognising certain deferred tax assets, disallowed goodwill impairment losses and the taxation charge on profit-making entities.

The Group reported a net loss of R1.8 billion for the period, compared to a loss of R1.3 billion during the same period in 2019, while reporting a headline loss of R0.9 billion for the period compared to a headline loss of R1.2 billion during the same period in 2019.

The condensed consolidated results from which the information above have been correctly extracted, have been reviewed by the Group's Independent External Auditors, Ernst & Young Inc. and their unmodified review report is available for inspection at the Company's registered office.

### **Portfolio optimisation and non-core asset sale**

In January 2020, we announced a Portfolio Optimisation initiative as one of six work streams in the Group's Turnaround Plan. To date this has informed the closure of our DionWired stores and the decision to divest a number of underperforming Masscash stores. This portfolio optimisation process continues as an ongoing part of the turnaround of our South African store portfolio and will be extended, during the second quarter of 2021, to include a review of our stores outside SADC. We are also now moving beyond our turnaround imperative to align the group portfolio to our strategic objective to prioritise investment in core and high returning trading assets. To this end we have appointed Barclays to facilitate the disposal of our Cambridge Food, Rhino and Massfresh (comprising The Fruitspot and a meat processing facility) assets. Further update announcements will be made in due course.

### **Outlook and trading update**

Total sales for the nine weeks to 28 February 2021 of R13.9 billion represents a sales decline of 6.6%, with a 6.5% decline on a comparable sales basis. This decline is attributed mainly to the liquor ban in January and delayed reopening of schools.

We expect the uncertain operating environment, constrained consumer financial health position and negatively impacted economy related to the Covid-19 pandemic to persist. While trade in all our categories is currently permitted, the imposition of new restrictions remain uncertain. We however remain confident that we will continue to effectively navigate through this difficult period and with the support of our exceptional employees we have a renewed focus on our number one priority, our customers.

The financial information on which this outlook statement is based has not been reviewed and reported on by the Company's external auditors.

### **Dividend**

Our current dividend policy is to declare and pay an interim and final cash dividend representing a 2.0 times dividend cover, unless circumstances dictate otherwise. Due to the headline loss reported and the need to preserve cash, as a

result of the uncertain economic outlook, no final dividend has been declared. No final dividend was declared in December 2019.

#### **About this announcement**

This short-form announcement is the responsibility of the Company's Board of Directors and is a summary of the information in the full results announcement and as such does not contain full or complete details of the full results announcement. The full announcement has been released on the JSE Stock Exchange News Service at (<https://senspdf.jse.co.za/documents/2021/jse/isse/MSM/MSMDec2020.pdf>) and is also available on the Company's website: <https://www.massmart.co.za/results2020>. Copies of the full announcement are available for inspection and may be requested at the Company's registered office, at no charge, during office hours. Any investment decisions by investors and/or shareholders, in relation to the Company's shares, should be based on a consideration of the full announcement.

Massmart will host a virtual presentation covering these results, on Monday, 8 March 2021, at 10.30am. Details of the virtual presentation can be found on our results website, <https://www.massmart.co.za/results2020>.

By order of the board

Mitchell Slape

Chief Executive Officer

8 March 2021

Sponsor: JP Morgan Equities South Africa (Pty) Ltd

Mohammed Abdool-Samad

Chief Financial Officer