

Massmart Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration Number: 1940/014066/06)
Share code: MSM
ISIN: ZAE000152617
(‘Massmart’ or ‘the Company’)

**SALES UPDATE, TRADING STATEMENT FOR THE 26 WEEKS ENDED 27 JUNE 2021 AND
UPDATE ON IMPACT OF CIVIL UNREST**

SALES UPDATE

For the 26-week period ended 27 June 2021, Massmart’s total sales amounted to R41.3 billion, representing an increase of 4.4% on the same period last year, with comparable store sales increasing by 4.8%. Sales over the same period in 2020 were impacted by various levels of trading restrictions as a result of the CO-19 level 5, 4 and 3 lockdown restrictions effective from 27 March 2020 until reporting date.

Total sales from South African stores for the 26-week period increased by 5.9%, while comparable stores sales increased by 6.6%.

Total sales, measured in Rands, from our Rest of Africa stores for the 26-week period decreased by 10.1%, with comparable store sales decreasing by 11.2%. Sales performance in the Rest of Africa, in Rands, have been impacted by currency fluctuations over the first half of the year. When measured in constant currency, total sales relating to our Rest of Africa stores have increased by 1.6%, with comparable store sales increasing by 0.3%.

Whilst the partial easing of Covid-19 related trading restrictions marked slightly better trading conditions for the reporting period, further Covid-19 waves of infection prompted more liquor bans, extended levels of lockdowns and curfews, rising unemployment, and has consequently adversely impacted consumer confidence.

In Makro, total sales of R13.7billion increased by 13.5% over the prior year, while total sales in our Cash & Carry business of R9.3 billion were 2.3% lower than the same period last year. Food sales remained under pressure, decreasing by 2.9% in Makro and 8.0% in Cash & Carry, as a result of ongoing lower activity in the corporate, hospitality, restaurant and catering industries. However, liquor and general merchandise sales have performed well. Total liquor sales in our combined Wholesale business are 39.6% higher than last year, which was impacted by the ban on liquor sales in place in April and May 2020.

Builders have continued to see strong sales performance, with total sales of R7.2 billion being 24.0% better than last year, with comparable stores sales growing by 22.0%, driven mainly by strong retail demand. Trade sales continue to be muted due to the slowdown in the construction industry. Builders was restricted from trading for most of April 2020.

Foot traffic in most super and regional malls and retail centres remain constrained, as consumers prefer to avoid crowded indoor spaces in light of

Covid-19 infection concerns. Consequently, given its relative high presence in these locations, Game's total sales of R7.6 billion was 7.6% lower than the same period last year, with comparable stores sales being 6.9% lower. Sales from South African stores decreased by 4.6%, with comparable stores decreasing by 3.7%. Sales from the Rest of Africa stores decreased by 18.6% in Rands for both total and comparable stores, while decreasing by 5.0% in constant currency.

Total sales in Cambridge of R3.6 billion were 9.4% lower than the same period in last year, decreasing by 9.6% on a comparable stores basis. Sales trends indicate that customers in this segment of the market are mostly impacted by the pressures of increased unemployment and lower disposable income.

TRADING STATEMENT FOR THE 26-WEEK PERIOD ENDED 27 JUNE 2021

A sluggish economic recovery in South Africa, ongoing concerns around Covid-19 infections and resulting lockdowns and restrictions on the sale of goods and movement of people has impacted on trading performance. While sales have recovered compared to the same period last year, we continue to see sales pressures persist in Game, Cambridge and Wholesale food and liquor. However, ongoing focus on trading discipline, driving everyday low prices while maintaining our competitive pricing gap and the positive impact from sales mix changes, has continued to support enhanced gross profit margin percentages. At the same time, expense control and focused cost savings initiatives continue to deliver results ahead of expectations, with total expenses expected to be lower than the prior year period. Consequently, the combination of these trading principles and exceptional cost control, supported by overall sales growth, has supported improved trading profits. As such, Group trading profit, from continued operations, is expected to be between 751% and 771% better than the trading profit of R92 million reported in the same period last year.

Earnings are expected to be adversely affected by the impairment of the carrying value of assets in Game of approximately R570 million, as well as retrenchment costs relating to the reorganisation of certain home office support functions. In addition, interest costs are expected to improve on the prior year due to improved levels of average borrowings. As announced, the sales process of the Cambridge and Massfresh businesses continues, and as such, the results of Cambridge and Massfresh are treated as discontinued operations.

Consequently, Massmart expects, with a reasonable degree of certainty, that earnings and headline earnings on a continuing basis, which excludes the Cambridge, Rhino and Massfresh businesses as discontinued operations, and total earnings and headline earnings, will be within the ranges reflected in the table below:

	Expected June 2021	Reported June 2020	Expected % change
Continuing Operations			
Headline loss (Rm)	(316.9) to (399.9)	(830.4)	51.8% to 61.8%
HEPS (cents)	(146.8) to (185.0)	(382.0)	51.6% to 61.6%
Net loss (Rm)	(745.1) to (835.9)	(907.7)	7.9% to 17.9%
Basic EPS (cents)	(345.0) to (386.8)	(417.6)	7.4% to 17.4%
Total business			
Headline loss (Rm)	(590.9) to (699.9)	(1,090.3)	35.8% to 45.8%
HEPS (cents)	(273.7) to (323.8)	(501.6)	35.4% to 45.4%
Net loss (Rm)	(1,027.7) to (1,143.9)	(1,161.0)	1.5% to 11.5%
Basic EPS (cents)	(475.9) to (529.3)	(534.2)	0.9% to 10.9%

Massmart's financial results for the 26 weeks to June 2021 will be released on the Stock Exchange News Service of the JSE Limited on 27 August 2021.

The financial information above has not been audited or reviewed or otherwise reported on by the Company's external auditors.

UPDATE ON IMPACT OF CIVIL UNREST

As previously announced, a total of 43 stores and two distributions centres have been directly impacted by the recent civil unrest and looting events in the provinces of KwaZulu-Natal and Gauteng of South Africa. In addition, a number of additional stores have been closed for a short period of time in light of safety concerns. All of the stores not directly impacted have been reopened for operations within one week, with the exception of our Makro store in Cornubia, Durban, which remained closed until end of July as a result of air quality concerns stemming from fire damage from a neighbouring chemical storage facility.

Of the 43 impacted stores, operations in 8 stores have already restarted, and with the exception of those stores that sustained structural damage, most stores should be open for business in the coming weeks. In addition, we have successfully shifted replenishment capabilities into our other distribution facilities to ensure continuity in the replenishment cycle for all of our stores, despite the impact of the two affected distribution centres.

It is too early to estimate the cost of damage caused by the civil unrest and the subsequent loss of sales. Insurance cover is in place but will not fully offset the losses suffered. Once the assessment of the full extent of the damage is finalised, we will determine the extent of the uncovered losses. We will provide a further update on the resumption of trading in the remaining affected stores in due course.

We remain focused and committed to helping our associates, customers and the communities that we serve. In addition to the distribution of basic need support

packages and providing access to basic goods to our associates in Kwazulu-Natal, we have also committed significant donations of food and basic goods to disaster relief partners to alleviate pressure on the most vulnerable communities.

Johannesburg
13 August 2021

Sponsor: JP Morgan Equities South Africa (Pty) Ltd