

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")

**Reviewed Interim Results for the 26 weeks ended 27 June 2021, trading update for the 33 weeks ended 15 August 2021 and changes to the Massmart Board and Committees**

Date: 2021/08/27

Shareholders are referred to the SENS announcement issued on 13 August 2021, which provided a sales update, trading statement for the 26 weeks ended 27 June 2021 and update on impact of civil unrest.

**INTERIM RESULTS**

Massmart is an African retail group, with total Group half-year sales of R41.3 billion. Through our widely recognised and differentiated retail and wholesale formats, represented in 411 Retail and Wholesale stores in 13 sub-Saharan countries, we have leading market shares in the general merchandise, liquor, home improvement and wholesale food markets. The Group's key foundations of high volume, low cost, responsible business and operational excellence enable our price leadership.

**Performance summary – Total Group**

Rm	26 weeks June 2021 (Reviewed)	26 weeks June 2020 (Reviewed)	Period % change	52 weeks December 2020 (Audited)
Sales	41,323.6	39,599.2	4.4	86,485.5
Trading profit/(loss) before interest and taxation	444.2	(266.6)	266.6	1,172.7
Loss for the period	(1,072.5)	(1,166.8)	8.1	(1,753.4)
Basic EPS (cents)	(502.6)	(534.2)	5.9	(802.3)
Headline loss	(645.4)	(1,090.3)	40.8	(924.3)
Headline EPS (cents)	(298.8)	(501.6)	40.4	(426.8)
Total dividend (cents)	-	-	-	-

**Performance summary – Continuing Operations**

Rm	26 weeks June 2021 (Reviewed)	26 weeks June 2020 (Reviewed) (Restated)*	Period % change	52 weeks December 2020 (Reviewed) (Restated)*
Sales	37,445.0	35,290.0	6.1	77,568.5
Trading profit before interest and taxation	792.1	92.1	760.0	1,613.0
Loss for the period	(774.1)	(899.6)	14.0	(1,027.9)
Basic EPS (cents)	(366.0)	(417.6)	12.4	(477.2)
Headline loss	(358.5)	(830.5)	56.8	(831.0)
Headline EPS (cents)	(166.0)	(382.1)	56.6	(383.7)
Total dividend (cents)	-	-	-	-

\* The comparative numbers have been restated in terms of IFRS 5 due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses.

## **Total Group Performance**

Massmart's total Group sales for the 26-weeks ended 27 June 2021 of R41.3 billion represents total growth of 4.4% and comparable store sales growth of 4.8%. Gross margin increased by 43 basis points, and expenses decreased by 1.8%. This resulted in trading profit of R444.2 million, an increase of 266.6% from the previous year. Impairment expenses of R597.7 million were recognised during the period. Foreign exchange losses of R87.9 million, decreased by 21.7% from the prior period. Interest expenses of R870.1 million decreased by 5.1% from the prior year due to decreased average borrowings and lower interest rates. As a result of the above, the Group incurred a net loss of R1,072.5 million, an improvement of 8.1% from the prior year loss of R1,166.8 million, over the same period. The headline loss amounted to R645.4 million, a 40.8% improvement from the prior period headline loss of R1,090.3 million.

## **Discontinued operations**

It was previously announced that the Board made the decision to dispose of the Group's Cambridge, Rhino and Massfresh (comprising The Fruitspot and a meat processing facility) assets. Following this, the Cambridge, Rhino and Massfresh businesses have been classified as one disposal group and reported as discontinued operations in terms of IFRS 5.

## **Group overview from continuing operations**

Massmart's total sales for the 26 weeks to 27 June 2021 of R37.4 billion represents an increase of 6.1%, and an increase of 6.6% on a comparable store sales basis. Sales from our South African stores increased by 8.1%, while comparable store sales increased by 8.9%. Total sales from our rest of Africa stores decreased by 10.1% in Rands, and increased by 1.6% in constant currencies.

The 11bps increase in gross margin to 20.6% was supported by the ongoing focus on trading discipline, driving everyday low prices while maintaining the Group's competitive price gap, and the positive impact from changes to the sales mix.

Our efforts towards implementing sustainable cost saving initiatives continue. Our Cost Reset programmes have delivered good results. Total operating costs reduced by 2.4% and increased by 0.2% on a comparable store basis. The period was also characterized by strong South African ownership category sales performance in Makro Liquor sales up 50.4%, Cash & Carry Liquor sales up 26.2%, Builders Home Improvement sales up 25.5% and Makro General Merchandise sales up 21.4%.

Group online sales growth of 34.4% was underpinned by increased online sales at Builders (85.4%), Game (101.3%) and Makro (16.3%) resulting in 3.8% sales participation.

The combined result of all the aforementioned factors resulted in a trading profit of R792.1 million compared to a trading profit of R92.1 million in the same period in 2020.

During the period, the Group incurred reorganisation and restructure costs of R73.4 million, compared to R26.4 million in the prior period. This mainly related to the previously announced S189 and S189A (of the Labour Relations Act) process of reorganising certain corporate support functions into centralised Centres of Excellence.

Impairment losses of R593.1 million were recognised during the period. This primarily related to Game's corporate assets, the most significant of which is the SAP ERP system software asset.

Although fluctuations in African currencies continue to negatively impact the Group, the losses incurred, primarily in Malawi and Zambia, were mostly offset by a gain in Mozambique, resulting in an overall impact that was largely neutral for the period. This, together with the net R82.0 million impact of the fair value adjustment on the fully hedged USD denominated loan, resulted in a foreign exchange loss of R87.9 million, compared to a loss of R112.3 million in the prior period.

Total cash interest expense, excluding those related to lease liabilities, of R220.5 million was incurred in relation to the Group's financiers and decreased by 36.5% compared to the same period last year. Total net finance costs (including those related to lease liabilities) decreased by 4.5% to R826.2 million as a result of an 8.0% decrease in average net debt and lower interest rates.

The Group's effective tax rate of 1.8% (June 2020: 6.5%) is mainly a result of the limitation of the recognition of certain deferred tax assets, disallowed expenses relating to depreciation on non-allowance assets, interest limitations and goodwill impairments.

The Group reported a net loss of R774.1 million for the period, compared to a loss of R899.6 million during the prior period, while reporting a headline loss of R358.5 million for the period compared to a headline loss of R830.5 million during the prior period.

## **Outlook and trading update**

Sales for the 7 week period post reporting date have been subdued. In addition to an increased national lockdown level which impacted commercial activity, a full restriction of liquor sales during the month of July, stricter curfews and renewed limitations on trading conditions in the hospitality and restaurant sectors, have further impacted sales performance. In light of heightening levels of the third wave Covid-19 infections in South Africa, consumers have remained reluctant to visit crowded spaces, and as we have seen before, shifted their spending towards essential items, as opposed to spending on durable items. Discretionary spending, particularly within the Game middle income customer segment, is severely constrained.

As mentioned, the civil unrest has directly impacted 43 of our stores, the majority of which are scheduled to reopen during October 2021. Sales in these stores were around R708 million lower compared to the same 7 week period in 2020.

Total sales, from continuing operations, for the 33 weeks to 15 August 2021 of R46.7 billion represents an increase of 4.9% (5.9% on a comparable store sales basis). Excluding the impact of damaged stores, sales for the 33 week period increased by 5.8% from the same period in 2020 (6.9% on a comparable stores sales basis).

Total sales, from discontinued operations, for the 33 weeks to 15 August 2021 of R4.6 billion represents a decrease of 15.2% (down 11.7% on a comparable stores sales basis), a further deterioration of the 10.0% contraction reported for the 26 week period. Excluding the impact of damaged stores, sales for the 33 week period decreased by 10.3% from the same period in 2020 (decreased by 6.0% on a comparable stores sales basis), mostly in line with the trend we have seen for this year so far.

Consequently, Total Group sales for the 33 weeks, including sales of R4.6 billion from discontinued operations, represents a sales increase of 2.7%, with a 4.1% increase in comparable store sales.

With the impact of Covid-19 related trading restrictions, increased levels of third wave infections, concerning increase in unemployment and the impacts of the recent civil unrest, we expect the subdued economic environment to persist. While this will present its own set of challenges, we are confident in our ability to successfully navigate through them. We expect the trends in SG&A and GP margin performance achieved during this reporting period to continue into the second half of the year, and expect that the majority of the stores damaged by the civil unrest will be operational for peak trading in the fourth quarter.

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 subdued economic outlook as well as the continued evaluation of the civil unrest impact, no interim dividend has been declared. No interim dividend was declared in June 2020.

## **NOTICE OF CHANGES TO THE COMPOSITION OF THE MASSMART BOARD, AUDIT, RISK, REMUNERATION NOMINATION AND SOCIAL AND ETHICS COMMITTEES**

In accordance with paragraph 3.59 of the JSE Limited Listings Requirements, the Massmart Board of Directors (the "Board") wishes to advise shareholders of the following:

### **CHANGES TO THE COMPOSITION OF THE BOARD:**

#### **Appointment of the Independent Non-Executive Director and Non-Executive Director**

The Board is pleased to announce the appointments of Ms. Sindiswa Victoria Zilwa as an Independent Non-executive director and Ms. Daria Esteen Beekom as a Non-executive director effective 27 August 2021.

Ms. Sindiswa Victoria Zilwa is a Chartered Accountant (SA) with more than 25 years' experience gained across various areas of accounting, auditing and business management. Ms Zilwa is a seasoned and experienced non-executive director, having held board roles in various listed entities in a number of sectors including retail, FMCG, construction,

automotive and financial services. She currently serves on the boards and committees of large corporates, including listed entities such as Aspen Pharmacare Holdings Limited, Discovery Holdings Limited and MetroFile Limited and holds the following qualifications Advanced Diploma, Financial Planning, Advanced Diploma, Banking, BCom, Accounting Science and BCompt (Hons).

Ms. Daria Esteen Beckom is a Walmart appointed nominee with 40 years of retail industry experience which includes extensive international retail and e-Commerce experience. Prior to retiring from Walmart she was the Vice President, Divisional Merchandise Manager - Home Furnishings & Décor and holds the following qualifications Bachelor of Arts in American Studies / Pre-Law.

The Board, Massmart Executive Committee and Management are pleased to welcome Ms. Zilwa and Ms. Beckom to the Board and wish them all of the very best.

### **Resignation of Independent Non-Executive directors – Ms Phumzile Langeni and Dr. Nolulamo (Lulu) Gwagwa**

The Board announces the resignation of Ms. Phumzile Langeni as the Deputy Chairman and Lead Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Nominations Committee of the Company and Dr. Nolulamo (Lulu) Gwagwa as a Non-Executive Director and Chairman of the Social and Ethics Committee and member of the Audit and Risk Committees with effect from 27 August 2021.

The Board, Massmart Executive Committee and Management extend their sincere appreciation and thank Ms. Langeni and Dr. Gwagwa for their significant and invaluable contribution to the Massmart business over the past years and wish them all of the very best in their future endeavours.

### **Resignation of Non-Executive director – Ms. Susan Muigai**

The Board announces the resignation of Ms. Susan Muigai as Non-Executive Director and member of the Social and Ethics Committee with effect from 27 August 2021. The Board, the Executive Committee and Management thank Ms. Muigai for her invaluable insights and contribution.

### **Appointment of the Lead Independent Non-Executive Director and Deputy Chairman**

The Board is pleased to announce the appointment of Ms Olufunke Ighodaro as the Lead Independent Non-Executive Director and Deputy Chairman with effect from 27 August 2021. Ms. Ighodaro was appointed to the Board on 1 October 2018 and currently serves as the Chairman of the Audit and Risk Committees.

## **CHANGES TO THE BOARD COMMITTEES**

### **Audit Committee**

Ms. Zilwa will be appointed as a member of the Massmart Audit Committee with effect from 27 August 2021.

### **Remuneration and Nominations Committee**

Ms. Zilwa will be appointed as a member and Chairman of the Massmart Remunerations Committee and a member of the Nominations Committee with effect from 27 August 2021.

### **Social & Ethics Committee**

Ms. Lindiwe Mthimunya will be appointed as a member and Chairman of the Massmart Social and Ethics Committee with effect from 27 August 2021. Ms. Beckom will also be appointed as a member of the Social and Ethics Committee with effect from 27 August 2021.

### **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 and can be found at (<https://senspdf.jse.co.za/documents/2021/jse/isse/MSM/1H21Result.pdf>), and is also available on the Company's

website: <https://www.massmart.co.za/interimresults2021>. Copies of the full announcement are available, at no charge, and may be requested by emailing [investor.relations@Massmart.co.za](mailto:investor.relations@Massmart.co.za) 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 Friday, 27 August 2021, at 10.30am. Details of the virtual presentation can be found on our results website, <https://www.massmart.co.za/interimresults2021>.

By order of the board

Mitchell Slape

Chief Executive Officer

27 August 2021

Sponsor: JP Morgan Equities South Africa (Pty) Ltd

Mohammed Abdool-Samad

Chief Financial Officer