

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 for the 39 weeks ended 26 September 2021, Update on impact of civil unrest, Black Friday and Festive trading and Massmart Wholesale leadership change

The 2021 financial year has been characterised by a softer consumer environment, exacerbated by the negative effects of the social unrest. This has weighed negatively on retail sales, with consumers prioritising spend on non-discretionary items. Overall retail sales were subdued in August, following the July civil unrest as retailers assessed the damage and began to restore operations.

In addition, Massmart, where liquor normally contributes around 15 % of overall merchandise mix, continued to feel the negative effects on liquor trading restrictions that resulted in 110 days of lost trade and that particularly undermined retail liquor sales.

The Massmart turnaround plan continues to be implemented as scheduled and management is confident that despite the recent headwinds, the strategic growth initiatives announced are bearing fruit and we fully expect this to gain momentum and continue in the medium to long term. This is clearly evident in cost saving measures arising from our Smart Spend programme that has resulted in sustainable group wide efficiencies arising from significantly improved ability to consistently leverage group-wide scale from a dedicated Indirect Spend Management team reporting to the Group Chief Financial Officer. Total improvements now top R1.3 billion and are on track to achieve our target of R1.9 billion.

Our eCommerce strategy continues to gain momentum with the launch of the Makro and Builders mini apps within the Vodapay Super App ecosystem. In addition, we have increased our stake in WumDrop to 100%, announced the acquisition of OneCart and are investing in improving in-store picking processes toward improving last mile delivery and customer confidence.

We are especially pleased with the early results of our programme to relay our Game stores in South Africa. To date we have relayed 106 stores and anticipate completing the remaining 8 by November 2021. The relay which has focused on refurbishing fixtures and signage and improving merchandise adjacencies has been well received by customers and has resulted in sales uplift in all the completed stores.

Total sales

Massmart’s total sales for the 39-week period ended 26 September 2021 amounted to R60.6 billion, increasing by 0.2% over the prior year, with comparable store sales increasing by 2.9% over the same period. Comparable stores sales account for the impact of stores opened or closed during the period, and also for the impact of stores damaged as a result of the civil unrest and unable to trade. Sales from our South African stores amounted to R55.4 billion, increasing by 1.2% on the prior year, with comparable store sales increasing by 4.4%. Total sales from our ex-South Africa stores amounted to R5.2 billion, translating to a 9.2% decline in Rand terms compared to same period last year, with comparable stores decreasing by 9.9%. Sales in the

Rest of Africa was impacted by local currency weakness. In constant currency, sales from our ex-South Africa stores increased by 1.8%, with comparable store sales increasing by 0.9%.

Continuing operations

Sales from continuing operations for the 39-week period amounted to R55.5 billion and represented an increase of 2.5% over the prior year, with comparable stores sales increasing by 4.5%. Sales from our South African stores amounted to R50.2 billion and increased by 3.9% over the prior year period, with comparable stores sales increasing by 6.3%.

In Makro, total sales of R19.9 billion increased by 10.8% over the prior year, with comparable stores sales increasing by 13.1%. Whilst food sales are under pressure as a result of ongoing lower activity in the corporate, hospitality, restaurant and catering industry, liquor and general merchandise sales have performed well. Liquor sales for the 9 month period increased by 48.1%, with general merchandise sales increasing by 9.5%. Sales in our Cash & Carry wholesale business amounted to R13.7 billion, and was 5.0% lower than the same period last year, with comparable stores sales declining by 1.4%.

Builders have continued to see strong sales performance, with total sales of R10.9 billion being 11.8% higher than last year, driven mainly by strong retail demand. Sales from comparable stores increased by 10.8%. Trade sales continue to be muted. Sales growth performance has slowed down in comparison to the very strong sales achieved in Q3 2020. Whilst most product categories in Builders have performed well, in particular we see strong sales in paint, home improvement, garden and patio goods, indicative of consumer's ongoing focus on investing in their living spaces.

At Game, foot traffic, consistent with trends noted by mall owners across the country, remains low, exacerbated by the impact of a number of large Game stores affected by the looting. Game's total sales of R10.9 billion was 8.2% lower than the same period last year. Sales from our stores in South Africa have decreased by 5.7%, 3.2% down on a comparable stores basis, while sales from stores ex- South Africa have decreased by 14.3% on a total and comparable stores basis in Rands, and 0.5% down on a constant currency basis (total and comparable stores). We are starting to see sales uplift in stores where relays have been completed, whilst in-stock levels have continued to improve. Together, these initiatives are contributing to Game's overall comparable stores growth, measured in constant currencies, to improve to 0.2% in Q3 2021, up from -3.9% reported in H1 2021.

Discontinued operations

Total sales in Cambridge of R4.7 billion were 20.1% lower than the same period in last year, and down 11.9% 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. Cambridge was also significantly impacted by the damages caused from the civil unrest, with 18 stores directly impacted, most of them severely.

Update regarding the impact of civil unrest in South Africa

As previously communicated, the civil unrest that took place in KwaZulu-Natal ("KZN") and in parts of Gauteng in July 2021 resulted in a total of 43 stores and two distributions centres being directly impacted. We are proud of our associates and partners for their efforts in ensuring that the affected stores become operational as soon as possible. Of the 43 impacted stores, 25 stores have resumed trading by the end of September, and the group estimates that another 9 stores

will be re-opened by the end of December 2021. Due to the extent of the damages suffered, the balance of stores are expected to re-open in 2022, including the Makro store in Pietermaritzburg that was destroyed by arson. The severe impact of the loss of our Riverhorse distribution facility in KZN, which was also destroyed by arson, has been offset by a successful shift of replenishment capabilities into other distribution facilities to ensure continuity in the replenishment cycle for all of our stores, in addition to a new distribution facility in Gauteng being brought online in September, earlier than expected.

The group estimates that the total replacement cost for property and stock damages suffered as a result of the civil unrest to be R2.5 billion of which R1.3 billion relates to inventory losses. This material impact is primarily due to two Makro stores (Pietermaritzburg and Springfield) and two Distribution Centres in KZN (Riverhorse and Cato Ridge) being looted and extensively damaged. The Makro in Pietermaritzburg and the Riverhorse DC was completely destroyed by arson. The group does have SASRIA insurance cover for the fixed asset and stock losses suffered, however, as previously communicated, the SASRIA cover is not sufficient to cover the full extent of the losses. The expected net loss for the group after taking the insurance cover into account is estimated at R650 million. Shareholders are advised that the accounting for the gross losses and insurance proceeds will likely take place in different reporting periods, depending on when the claim is finalised and approved by SASRIA. An interim insurance payment of R500 million was received in September 2021. The assessment of the business interruption (BI) losses is still ongoing. The group is comfortable that it is adequately covered for the full extent of the BI losses through a non-SASRIA policy. An interim payment for BI losses is expected imminently.

Black Friday & Festive Trading

The business is well prepared for the upcoming Black Friday and Festive trading periods. In the case of Black Friday we have, on the strength of customer feedback, extended the promotion to cover the full month of November across our Makro, Game and Builders trading banners all of which have, as part of our new ways of working, collaborated closely to leverage group-wide scale to negotiate deals that will deliver exceptional customer value whilst preserving margins.

Change in leadership

Doug Jones, Senior Vice President and CEO: Massmart Wholesale, has made the decision to take up a job opportunity in Sydney, Australia and will be exiting his current role at Massmart at the end of December 2021.

The leadership of Massmart Wholesale will be handed over to Llewellyn Walters, a seasoned retailer who successfully integrated and settled the various banners that currently comprise the very successful Builders trading banner, when he joined the Massmart Executive Committee in 2008.

The Game and Builders CEO's, who previously reported to Llewellyn in his retail role, will now report directly to Mitch Slape, the Massmart Group CEO.

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

Johannesburg
2 November 2021

Sponsor: JP Morgan Equities South Africa (Pty) Ltd