

MR PRICE GROUP LIMITED  
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Incorporated in the Republic of South Africa  
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("Mr Price" or "the company" or "the group")

## PRELIMINARY GROUP RESULTS FOR THE 52 WEEKS ENDED 2 APRIL 2022 AND CASH DIVIDEND DECLARATION

This short-form announcement is the responsibility of the Mr Price Group Limited board of directors and is a summary of the information in the detailed results announcement available on:

<https://senspdf.jse.co.za/documents/2022/JSE/ISSE/MRPE/09062022.pdf> and <https://www.mrpricegroup.com> and does not contain full or complete details. These documents and the results presentation to the investment community are available on the group's website at [www.mrpricegroup.com](http://www.mrpricegroup.com) and copies may be requested from the company secretary ([jcheadle@mrpg.com](mailto:jcheadle@mrpg.com) or +27 31 310 8000) at the company's registered office. Any investment decision in relation to the company's shares should be based on the full announcement.

### MR PRICE GROUP LIMITED REPORTS RESULTS FOR THE 52 WEEKS ENDED 2 APRIL 2022

Mr Price today released its FY2022 year end results for the 52 weeks ended 2 April 2022 ("Period"), increasing basic earnings per share 26.9% to 1 298.6 cents. Headline earnings per share (HEPS) grew 20.1% and on a comparable 52-week basis (FY2021, referred to as the "Corresponding Period", constituted 53-weeks) increased 25.9%. The group grew its annual market share by 140bps according to the Retailers' Liaison Committee (RLC) and its operating profit exceeded R4 billion for the first time, with operating margin increasing 60bps to 17.7%.

Group CEO, Mark Blair, said: "I am very satisfied with the way in which the team have responded to the multiple challenges we have faced this year. It is important to remember that we were one of the first businesses in South Africa to get back to pre-COVID-19 earnings levels. Our base is much higher than most of the market as we reported earnings growth in FY2021 when most companies' earnings were declining. We have continued to grow market share and have further entrenched 'Your Value Champion' promise to our customers."

As previously reported, external challenges were faced during the Period which included the COVID-19 third and fourth waves, frequent load shedding, civil unrest causing 111 of the group's stores to temporarily close, and numerous global supply chain disruptions. Despite this the group continued to strengthen its market position within South Africa, proving the resilience of its business model, which was most evidenced by the following highlights from the Period (52-week basis):

- Retail sales grew 26.0% and market share increased 140bps (RLC)
- Sales from organically launched departments totalled R1.2bn, contributing 4.5% of retail sales
- Online sales grew 48.2% and contributed 2.9% of retail sales
- Units sold totalled 276m, an increase of 35.3%
- Opened 130 new stores, acquired 7 and re-opened 96 of the 111 looted stores
- Acquisitions of Power Fashion and Yuppiefchef both earnings accretive
- Overhead expense growth well contained enabling healthy operating profit leverage
- The group remains free of financing debt and has a cash balance of R4.6bn
- Final dividends declared of 807.7 cents per share, up 25.9% and the pay-out ratio of 63.0% is maintained

### Results summary

Group results include the recent acquisitions of Power Fashion, effective 1 April 2021, and Yuppiefchef effective 1 August 2021. HEPS increased 20.1% to 1 282.1 cents and diluted HEPS increased 19.5% to 1 254.0 cents. On a 52-week comparable basis, diluted HEPS increased 25.3% to 1 254.0 cents.

Total group revenue increased 23.0% to R28.1bn and on a 52-week comparable basis (used for commentary hereafter), increased 25.9%. Retail sales grew 26.0% to R26.7bn (comparable stores 14.1%), which resulted in the group gaining 140bps of market share according to the RLC. Other income grew 37.5% to R1.2bn. This was predominantly due to the inclusion of the once off SASRIA insurance claim of R296.1m (including VAT) relating to inventory, cash and PPE losses as a result of the civil unrest. The Business Interruption claim remains under assessment and is expected to be finalised in FY2023.

Excluding acquisitions, total annual retail sales growth of 15.6% was achieved and on a two-year basis increased 12.5%. Retail sales in H2 FY2022 grew 7.3% against its market leading performance in H2 2021 of 8.2%, compared to the market's decline of 0.5% as reported by the RLC.

The group attributes this revenue performance to a highly sought-after merchandise assortment offering strong value. The trust that its customers have in its brand promise is confirmed by the latest Kantar BrandZ and Brand Finance reports (two unrelated sources), which ranked Mr Price as the most valuable fashion apparel brand in South Africa. Additionally, Mr Price Apparel was the most shopped fashion retailer in South Africa over the last three months according to the MAPS 2022 report. This strong

brand affinity coupled with the disciplined execution of its fashion-value business model, enabled the group to deliver differentiated merchandise at Everyday Low Prices.

Cash sales constitute 86.1% of group retail sales and grew 26.4%, aided by the inclusion of Power Fashion and Yuppiechef which are both wholly cash based. Excluding acquisitions, cash sales grew 14.3%. The group's credit sales momentum continued during the Period, increasing 23.6%, supported by higher basket spend and transaction frequency from its existing credit base. This performance was further aided by the recently introduced One Store Card Facility (which allows divisionally branded cards to be used across the group) which added R280m in sales over the Period. Credit demand from new customers was strong, as account applications increased 54.0%. The group maintained its credit discipline as the account approval rate of 33.1% remains well within its risk tolerance. Bad debt write-offs net of recoveries improved significantly on the Corresponding Period which experienced high write-offs due to COVID-19 related book stress.

Due to the inclusion of the lower average price point Power Fashion business, the group reported RSP deflation of 6.4%. Excluding acquisitions, RSP inflation was contained to 5.5%. This was despite high levels of volatility experienced from foreign exchange and supply chain costs. The group sold 276 million units during the Period, an increase of 35.3% (10.0% excluding acquisitions).

The total number of corporate owned stores grew to 1 721 as the group acquired 7 Yuppiechef stores and opened 130 new stores during the Period, a significantly higher number than its 5-year average store openings of 80. The most significant store growth came from Power Fashion which opened 36 new stores and increased its store footprint by 20.6% since being acquired. Despite this positive growth, new store openings were lower than planned as activities were re-directed to the re-opening of 96 of the 111 looted stores. The remaining 15 stores will be re-opened during FY2023 and FY2024 due to extensive centre damage incurred. Weighted average space growth was 12.5% and excluding acquisitions, weighted average and closing trading space were 3.2% and 4.2% higher respectively.

Online sales constitute 2.9% (2.3% excluding acquisitions) of retail sales and increased 48.2% against the high base growth of 64.1%. The group maintained its high customer engagement levels which were best reflected by its online traffic market share increasing 70bps to 13.3%, the second highest behind Takealot among omni-channel and pure-play retailers (Similar Web: April 2021-March 2022). Its nearly six million loyal social media followers grew by double-digits. The Mr Price mobile app remains the highest ranked South African fashion shopping app on the Google Play store, with customer usage up 27.3% according to Similar Web.

Total GP margin decreased 150bps to 41.0% impacted by the previously reported R159.3m inventory write-off due to the civil unrest (taken to cost of sales) and the inclusion of the two lower margin acquisitions not previously in the base. Excluding these non-comparative items, gross margin was in line with the Corresponding Period at 42.4%. Input price pressures experienced from global volatility placed further pressure on margin performance. Pleasingly the group's markdown levels remained low throughout the Period whilst maintaining a healthy inventory profile.

Total expenses grew 16.4%, well below the sales growth rate. Excluding acquisition overheads total expenses grew 6.2%, despite carrying the costs and related fixture write-offs relating to the civil unrest, and on a 2-year CAGR basis increased 4.6%. Continued emphasis on strict cost control was evidenced by a 210bps decrease in expenses as a % of retail sales and other income (RSOI) to 25.5%.

Profit from operating activities increased 34.1% to R4.9bn and positive operating leverage was achieved which resulted in the group's operating margin improving 100bps to 17.7% of RSOI.

The Apparel segment increased RSOI by 30.9% to R19.5bn. Operating profit increased 33.7% and the operating margin increased 40bps to 18.9%. This performance was supported by strong growth of 23.1% in H2. All divisions contributed strongly to the segment's performance, with each reporting their highest Q4 market share level on record with particularly strong sales growth in March 2022.

The Homeware segment reported double digit growth of 15.6%, increasing RSOI to R6.5bn. The segment was up against a significant second half base (H2 FY2021) as RSOI and operating profit grew by 14.5% and 39.2% respectively. As a result, operating margin decreased from its record performance of 21.3% in the Corresponding Period to 20.6%. Despite this, the group believes there is further opportunity for growth across its three homeware divisions.

The Telecoms segment exceeded one billion Rand in revenue for the first time, increasing 34.4% to R1.2bn. Mr Price Cellular, launched in 2017, has reported exponential growth since inception and is now available in 374 stores with promising growth opportunities, most notably the rollout of standalone stores. Cellular handsets and accessories gained 130bps of market share according to Growth for Knowledge (190bps including Powercell in Power Fashion), a significant gain considering the disruption caused by global supply chain challenges and the civil unrest during the Period.

The Financial Services segment revenue increased 6.2% to R697m. Debtors' interest and fees increased 5.6% and reported double digit growth in H2 due to a higher average debtors' book and a 75bps increase in the repo rate over the Period. The

group's strict credit granting criteria and strong collections and recovery performances positively impacted the portfolio, reflected by the net bad debt to book percentage decreasing to 6.0%, adequately covered by the impairment provision of 9.1%. Insurance premium income grew 6.4%.

Due to ongoing volatility within global supply chains and the go live of its retail ERP, the group held higher inventory levels. This is a short-term strategy to mitigate non-delivery risk and to avoid the potential negative impact of broken assortments, affecting its curated merchandise offering. The non-comparative inclusion of Yuppiechef, new merchandise categories and net growth in store footprint of 8.1% elevated inventory levels. Excluding acquisitions and higher goods in transit (GIT), inventory at year end was up 6.1% with inventory freshness remaining at healthy historic levels and low markdown units on hand. Inventory remains adequately provided for at 6.7%.

The group's balance sheet is strong with cash of R4.6bn available and remains free of financing debt. Capital expenditure of R734m was primarily allocated towards new store development, store re-builds post the civil unrest and technology modernisation programmes. Forecast capital expenditure for FY2023 is anticipated to be approximately R900m (includes 180-200 new stores). The group's ROE and ROA of 28.9% and 23.2% respectively, remain market leading and reflects its prudent capital allocation approach. Disciplined investment decisions by management will continue to be made in order to create sustainable, long-term shareholder value whilst balancing the group's market leading return metrics. Net asset value per share increased 11.6% to 4 686 cents.

## Prospects

The way forward is likely to be characterised by ongoing volatility. Global supply chain challenges, rising inflation and interest rate hikes are expected to continue, placing pressure on forecasting efforts and the cost of doing business. These knock-on effects will be felt domestically, amidst other previously communicated local challenges, exerting pressure on businesses and households. A constrained consumer environment is anticipated to persist for most of 2022 as post year end trade has reflected.

The group will continue to strive for its operating model to be supportive of its value roots and it aims to minimise as far as possible, the impact of rising input costs on its customers and operations. Adequate cover has been taken to protect the group against elevated exchange rate, freight rate and other key cost pressures. To ensure price leadership it has invested in key defensive departments and is holding certain price points while striving to preserve overall margins. High single digit input inflation is expected in H1 FY2023.

The group's extensive experience and track record in its primary market South Africa, has shown that despite the challenges outlined above, opportunity exists for organisations who embrace uncertainty and pursue growth. The group's vision is clear, and it is focused on executing its strategic plans which include exciting organic and inorganic prospects. The group's business model is well positioned to navigate an adverse economic climate. It will continue to differentiate itself by delivering its brand promise through fashion and value at Everyday Low Prices. This gives it the advantage of attracting customers trading down from higher price points as well as aspirational value shoppers, supported by its convenient omnichannel store footprint.

Group CEO Mark Blair, said, "We have faced two tough years in a row and with all the headwinds it looks like FY2023 will be no different. We will navigate the short term as we always have, with good execution, agility, and confidence. We have good momentum – our growth plan is coming together, and we are excited to welcome the Studio 88 team once we have regulatory approval. This business and its people are resilient, and I am extremely proud of the way in which everyone has responded, which is testament to our mantra of ordinary people doing extraordinary things."

Shareholders are invited to attend a live webcast of its annual results at 9am on 9 June 2022. Webcast link: <https://www.corpcam.com/MrPrice09062022>

ENDS

The preliminary condensed consolidated financial statements, for which the directors take full responsibility, were approved by the directors on 8 June 2022 and have been reviewed by Ernst & Young Inc, who issued an unmodified review conclusion report thereon. A copy of the report is available for inspection at the company's registered office and on the group's website [www.mrpricegroup.com](http://www.mrpricegroup.com). The results have been prepared under the supervision of Mr MJ Stirton, CA(SA), chief financial officer.

## FINAL CASH DIVIDEND DECLARATION

Notice is hereby given that a final gross cash dividend of 524.9 cents per share was declared for the 52 weeks ended 2 April 2022, an increase of 13.4%. As the dividend has been declared from income reserves, shareholders, unless exempt or who qualify for a reduced withholding tax rate, will receive a net dividend of 419.92 cents per share. The dividend withholding tax rate is 20%.

The issued share capital at the declaration date is 256 841 654 listed ordinary and 6 792 786 unlisted B ordinary shares. The tax reference number is 9285/130/20/0.

The salient dates for the dividend will be as follows:

Last date to trade 'cum' the dividend	Tuesday	28 June 2022
Date trading commences 'ex' the dividend	Wednesday	29 June 2022
Record date	Friday	01 July 2022
Payment date	Monday	04 July 2022

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 29 June 2022 and Friday, 01 July 2022, both dates inclusive.

Shareholders should note that dividend payments will be paid via electronic transfer into the bank accounts of shareholders whose banking details are held by the company's transfer secretaries, Computershare Investor Services (Pty) Ltd. Shareholders whose bank account details are not held by Computershare are requested to provide such details to Computershare on 0861 100 950 to enable payment of the dividend and all future dividends. Where shareholders do not provide the transfer secretaries with their banking details, the dividend will not be forfeited, but will be marked as "unclaimed" in the share register until the shareholder provides the transfer secretaries with the relevant banking details for payout.

The dividend was approved by the Board in Durban on 8 June 2022.

### DIRECTORS

SB Cohen\* (Honorary Chairman), NG Payne\* (Chairman), MM Blair (CEO), MJ Stirton (CFO), N Abrams\*^, MJ Bowman\*, JA Canny\*, M Chauke\*, SA Ellis\*, K Getz\*, D Naidoo\*, LA Swartz\*

\* Non-executive director    ^ Alternate director

Durban  
9 June 2022  
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