Mr Price Group Limited
(Registration number 1933/004418/06)
Incorporated in the Republic of South Africa
ISIN: ZAE000200457
LEI number: 378900D3417C35C5D733
JSE and A2X share code: MRP
("Mr Price Group" or "group" or "Company")

TRADING UPDATE FOR THE 13 WEEKS ENDED 2 JULY 2022

During the first quarter from 3 April 2022 to 2 July 2022 (the “Period”) of the financial year ending 1 April 2023 (“FY2023”), the group recorded growth in retail sales and other income (“RSOI”) of 7.0% to R6.9bn. Total retail sales of R6.6bn grew 6.4% and other income increased 25.5% to R270m. This performance should be evaluated against the following factors:

- the high base effect caused by the post COVID-19 recovery performance during the first quarter of the 2022 financial year (“FY2022”). During this period the group outperformed the market by recording sales growth of 70.3% and gained market share
- sales growth in April and May 2022 was adversely impacted by the non-payment of the COVID-19 social relief of distress grant, negatively impacting household disposable income
- a material loss in trading hours due to ongoing load shedding in South Africa
- The group achieved a significant milestone in its retail modernisation programme by implementing its new Enterprise Resource Planning (ERP) system on 4 April 2022. This has been a multi-year journey to de-risk the group’s legacy IT environment and provide a stable platform to support both operations and future growth. Projects of this magnitude and complexity are expected to have unforeseen short term ‘go-live’ challenges. Although April and May 2022 trade was negatively impacted, management is confident that the material issues are resolved, the evidence of which is the group’s sales growth of 14.8% in June 2022, which further accelerated in July (refer outlook section). The group acknowledges the significant effort and collaboration undertaken by its Technology and broader business teams in achieving this transformation.

Retail sales for the group’s corporate-owned stores was as follows:

	Retail sales growth Q1 FY2023 vs FY2022	Contribution to group retail sales Q1 FY2023
Apparel segment	+8.0%	74.3%
Home segment	+1.6%	22.2%
Telecoms* segment	+4.4%	3.5%
Group	+6.4%	100.0%

*Represents Cellular handsets & accessories

The commentary below relates to key group retail performance metrics and includes Power Fashion (included in the base for the full period) and Yuppiechef (effective 1 August 2021).

South African retail sales grew 6.6% (comparable stores 1.9%) to R6.2bn. Store sales increased 6.2%. Non-South African corporate-owned stores sales grew 2.9% to R452m.

Group online sales increased 21.4% (3.1% contribution to total retail sales), against the high growth of 61.0% experienced in the FY2022 Period.

Total unit sales grew 0.1%. Group retail selling price inflation of 6.3% was carefully managed in order to maintain the group's leading value positioning. The GP margin increased over the Period.

The store footprint increased by 27 new stores and the group's total footprint expanded to 1 745 stores. Trading space increased 4.5% on a weighted average basis and 5.3% on a closing basis.

The group remains highly cash generative, supported by cash sales constituting 84.6% (FY2022 Period: 85.5%) of total retail sales and increasing 5.3% during the Period. Credit sales increased 13.4% and the group continued its conservative credit granting posture.

The apparel segment grew 8.0% over the Period against base growth of 71.4%. The segment's performance improved as the ERP system began to stabilise in May 2022, reporting market share gains according to the Retailers' Liaison Committee (RLC-May 2022 latest available). Sales growth in June and July 2022 (to date) was at double-digit levels.

The home segment sales increased 1.6% against base growth of 70.2%. The global trend of diversionary spend is growing in the sector, as consumers have begun to re-direct their disposable income to travel, restaurants, apparel, and other discretionary categories, as COVID-19 restrictions have fallen away.

Cellular handsets and accessories grew sales 4.4% against base growth of 46.7% and continued to gain market share according to Growth for Knowledge (May 2022 latest data available).

Other income grew 25.5% to R270m over the Period, supported by higher debtors' interest and fees from the groups debtors' book, which experienced positive growth due to higher credit sales and the repo rate increase of 50 basis points.

The group's improved clearances and sales growth towards the end of the Period resulted in inventory closing at acceptable levels, including terminal winter stock in line with plan.

<u>OUTLOOK</u>

The ongoing rise in input costs and the weakening exchange rate in South Africa will continue to fuel a highly inflationary environment. Coupled with rising interest rates, the consumer basket will remain under pressure, requiring trade-offs in household expenditure and an increased expectation of value.

The previously guided high single digit input inflation will be carefully managed, to ensure the group's value positioning is not compromised. It is confident that its strategically positioned divisions can collectively create the defensive hedge required to provide value to customers and gain market share. The group anticipates its H1 FY2023 gross margin to exceed H1 FY2022. Its fashion differentiation at Every Day Low Prices is expected to provide a key competitive advantage in this retail environment.

Despite the challenges outlined above, some positive tailwinds could materialise in the second quarter of FY2023. These include the continuation of the COVID-19 social relief of distress grant payment (including relaxed minimum income criteria thresholds), as well as back pay in July and August 2022 (for the months of April and May 2022 non-payment). Additionally, the base in July and August 2022 is weaker due to the civil unrest impact in 2021, which caused 111 of the group's stores to close.

The group is comforted by the increasing momentum in the second half of the first quarter and believes that it is well positioned to capitalise on opportunities during the rest of FY2023. Sales growth for the first three weeks of July 2022 was 18.4%, which effectively takes sales growth for 3 April to 23 July to 8.2%.

Focus remains on strong execution from the core trading divisions, whilst ensuring that the recently acquired businesses maintain their positive trading momentum, as they continue to deliver on their strategic plans.

The group is encouraged by the Competition Commission approvals in South Africa, eSwatini and Botswana, and the positive interim recommendation in Zambia, relating to the acquisition of the Studio 88 Group. The collaborative interaction and the pace of decision making have been well received. The final approvals in Zambia and Namibia remain outstanding but the group is comfortable with the progress in these territories to date. The transaction is unlikely to close before the end of August and the effective date of the transaction will be communicated in due course.

The above-mentioned figures and any information contained herein do not constitute an earnings forecast or estimate and have not been reviewed and reported on by the Company’s external auditors.

Durban
25 July 2022
JSE Equity Sponsor and Corporate Broker
Investec Bank Limited