

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

SALES UPDATE AND TRADING STATEMENT FOR THE 26 WEEKS ENDED 26 JUNE 2022

SALES UPDATE

Total Group sales for the 26-week period ended 26 June 2022, amounted to R41.3 billion, being broadly in line with the same period last year.

Total South African store sales for the 26-week period, which continue to be impacted by stores damaged in the July 2021 civil unrest remained flat, while comparable stores sales increased by 2.4%. Total sales, measured in Rands, from our Rest of Africa stores for the 26-week period increased by 1.6%, with comparable store sales increasing by 1.3%. When measured in constant currency, total sales for our Rest of Africa stores decreased by 2.6%, with comparable store sales decreasing by 2.9%.

SALES FROM CONTINUING OPERATIONS

Sales from continuing operations, which excludes Cambridge, Rhino and Massfresh, amounted to R38.1 billion, an increase of 1.9% over the prior year period, with comparable store sales from continuing operations increasing by 4.3%. Total sales relating to continuing operations in South Africa increased by 1.9%, with comparable stores sales increasing by 4.6%. Total sales from continuing operations in the Rest of Africa increased by 1.6% and by 1.3% on a comparable store basis. Pleasingly, comparable stores sales growth from our continuing operations, core store base in South Africa, which excludes the 15 Game stores subject to divestiture, amounted to 5.1%. Total internal sales inflation is estimated at 4.8% for the 26-week period.

Liquor sales performed strongly, with like-on-like sales on a continuing operations basis increasing by 21.3% over the same period last year. This reflects sales recovery in our Hospitality, Restaurant and Catering (HORECA) and wholesale customer base.

Food sales increased by 6.4% on a like-for-like basis over the same period last year, also supported by recovery in the HORECA sector. Total internal sales inflation relating to food is estimated at 6.8%.

As previously reported, sales relating to General Merchandise, our second largest product category by value, have been softer as consumers prioritised non-durable goods spending in the context of rapidly increasing food, energy and transport cost inflation. Like-on-like General Merchandise sales declined by 1.4% compared to the same period last year.

SALES FROM DISCONTINUED OPERATIONS

Total sales from discontinued operations of R2.9 billion were 19.7% lower than the same period last year, with like-on-like sales being 17.2% lower. Sales were directly impacted by the July civil unrest including stores that remain closed and product categories that were not re-introduced into stores that have re-opened.

TRADING STATEMENT FOR THE 26-WEEK PERIOD ENDED 26 JUNE 2022

While sales have recovered on a like-for-like basis compared to the same period last year, softer General Merchandise sales have negatively impacted sales contribution in this margin accretive category. Margin pressure has further been negatively impacted by cost inflation outpacing sales inflation and lower margins in Builders resulting from increased trade sales associated with recovery in the construction sector. Our trading result has also been negatively impacted by two other material items. These are a once off negotiated lease exit settlement cost of R184 million relating to the Riverhorse Distribution Centre that was destroyed in the July civil unrest and increased finance costs attributable to a higher opening net debt balance compared to the prior year, also as a direct consequence of the impact of the July civil unrest.

Pleasingly, the opening net debt balance gap has closed materially. In addition to the above, the Group has received the second interim payment of R270 million relating to the Business Interruption Insurance claim, stemming from the civil unrest in July 2021, bringing the total Business Interruption Insurance recoveries received to date to R370 million. We continue to work with our insurers to conclude the claim and final payment before the end of the year.

As announced, the sales process of the Cambridge and Massfresh businesses continues, as such, the results of Cambridge and Massfresh are treated as discontinued operations.

The combination of the aforementioned factors namely; lower margin, once-off lease exit settlement cost and increased finance costs, has negatively impacted earnings. Massmart therefore expects, with a reasonable degree of certainty, that total earnings and headline earnings on a continuing basis, which excludes the Cambridge, Rhino and Massfresh businesses will be within the ranges reflected in the table below:

	Expected June 2022	Reported June 2021	Expected % change
TOTAL GROUP			
Headline loss (Rm)	(910.3) to (974.9)	(645.4)	(41.0%) to (51.0%)
HEPS (cents)	(420.5) to (450.3)	(298.8)	(40.7%) to (50.7%)
Net loss (Rm)	(1,048) to (1,156)	(1,085.8)	+3.5% to (6.5%)
Basic EPS (cents)	(483.9) to (534.1)	(502.6)	+3.7% to (6.3%)
CONTINUING OPERATIONS			
Headline loss (Rm)	(885.7) to (921.5)	(358.5)	(147.1%) to (157.1%)
HEPS (cents)	(409.1) to (425.7)	(166.0)	(146.4%) to (156.4%)
Net loss (Rm)	(880.2) to (959.2)	(790.6)	(11.3%) to (21.3%)
Basic EPS (cents)	(406.5) to (443.1)	(366.0)	(11.1%) to (21.1%)

Note: Continuing operations excludes Cambridge, Rhino and Massfresh businesses.

The financial information on which this sales update and trading statement was based has not been reviewed or reported on by the Company's auditors.

Massmart's financial results for the 26-week period to 26 June 2022 will be released to the market on 29 August 2022.

Johannesburg

02 August 2022

Sponsor: JP Morgan Equities South Africa (Pty) Ltd