

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 26 June 2022 and trading update for the 33 weeks ended 14 August 2022, CEO Succession and notice of detailed cautionary announcement regarding a potential offer by Walmart Inc.

Date: 2022/08/29

Shareholders are referred to the SENS announcements issued on 2 August 2022, which provided a sales update and trading statement for the 26 weeks ended 26 June 2022.

Reviewed Interim Results for the 26 weeks ended 26 June 2022

Massmart is an African retail group, with total Group sales of R41.3 billion for the 26 weeks ended 26 June 2022. Through our widely recognised and differentiated retail and wholesale formats, represented in 403 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 2022 (Reviewed)	26 weeks June 2021 (Reviewed)	Period % change
Sales	41,316.8	41,323.6	-
Trading profit before interest and taxation	323.5	444.3	(27.2)
Loss for the period (Owners of the parent)	(1,101.9)	(1,085.8)	(1.5)
Basic EPS (cents)	(509.0)	(502.6)	(1.3)
Headline loss	(942.5)	(645.4)	(46.0)
Headline EPS (cents)	(435.3)	(298.8)	(45.7)
Total dividend (cents)	-	-	-

Performance summary – Continuing Operations

Rm	26 weeks June 2022 (Reviewed)	26 weeks June 2021 (Reviewed)	Period % change
Sales	38,141.0	37,445.0	1.9
Trading profit before interest and taxation	377.3	792.1	(52.4)
Loss for the period (Owners of the parent)	(919.7)	(790.6)	(16.3)
Basic EPS (cents)	(424.8)	(366.0)	(16.1)
Headline loss	(903.5)	(358.5)	(152.0)
Headline EPS (cents)	(417.3)	(166.0)	(151.4)
Total dividend (cents)	-	-	-

Operating environment

The operating environment was characterised by growing inflationary pressures and increased interest rates which created pressure on discretionary spending by consumers. Eight stores are not trading at the end of this reporting period as a consequence of the civil unrest in July 2021 and flooding during April 2022.

Total Group Performance

Total Group sales for the 26-weeks ended 26 June 2022 of R41.3 billion is flat compared to the same period in 2021, while comparable store sales grew by 2.3% over the same period. Gross margin decreased by 100bps to 19.6% mainly due to the lower General Merchandise sales mix compared to the prior year period and cost inflation outpacing sales inflation. Our ongoing focus on cost management resulted in a 0.6% decrease in expenses. Other income increased by 173.6% to R383.0 million and primarily related to insurance proceeds accrued for business interruption claims relating to the civil unrest. This resulted in a trading profit of R323.5 million, a decrease of 27.2% from the prior year period. The Group recognised R205.9 million of retrenchment and business transformation costs, R184.0 million of which related to a once-off negotiated lease settlement cost in respect to the Riverhorse Distribution Centre that was destroyed during the July 2021 civil unrest. The Group recognised an impairment expense of R146.5 million, the majority of which related to goodwill in the Cambridge business. Fluctuations in African currencies resulted in foreign exchange losses of R110.1 million and represented a 25.3% increase from June 2021. A higher opening net debt compared to June 2021, together with increased interest rates, contributed to the 11.2% increase in net interest expenses to R967.5 million. As a result of the above, the Group incurred a net loss of R1,029.2 million, which represents an improvement of 4.0% from the prior year loss of R1,072.5 million for the same period. The headline loss amounted to R942.5 million, and increased by 46.0% from the prior period headline loss of R645.4 million.

Discontinued operations

As previously announced the Board made the decision to divest of the Group's Cambridge, Rhino and Massfresh (comprising The Fruitspot and a meat processing facility) assets. The Cambridge, Rhino and Massfresh businesses have therefore been classified and reported as discontinued operations in terms of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

Group overview from continuing operations

Total sales from continuing operations for the 26 weeks to 26 June 2022 of R38.1 billion represented an increase of 1.9%, and an increase of 4.3% on a comparable store sales basis, with estimated year-to-date internal sales inflation of 4.5%. Sales from our South Africa stores increased by 1.9%, and by 4.6% on a comparable store sales basis. Total

sales from our Rest of Africa stores increased by 1.6% in Rands, and decreased by 2.6% in constant currencies. On a comparable store sales basis, our Rest of Africa store sales increased by 1.3% in Rands and decreased by 2.9% in constant currencies.

Sales from our eCommerce platforms grew by 50.0% compared to the prior year period, while orders increased by 109.0% and gross merchandise value increased by 108.0% over the same period.

Gross margin decreased by 95bps to 19.6% and was impacted by a combination of global General Merchandise supply chain challenges; sales mix, with softer margin-accretive General Merchandise sales; and inflationary pressures with cost inflation outpacing sales inflation.

The majority of other income related to a R270.0 million insurance proceeds total Group accrual for business interruption claims as a consequence of the 2021 civil unrest.

Our ongoing commitment to cost-saving and Smart Spend initiatives resulted in expenses growing below inflation at 4.4%.

The above resulted in a trading profit of R377.3 million compared to a trading profit of R792.1 million in the prior year period.

During the period, the Group incurred retrenchment and business transformation costs of R205.9 million, compared to R73.4 million in the prior year period. This mainly related to a once-off R184.0 million negotiated lease settlement cost relating to the Riverhorse Distribution Centre that was destroyed during the July 2021 civil unrest.

Fluctuations in African currencies continue to negatively impact the Group. This, together with the impact on the revaluation of the USD-denominated Walmart loan resulted in a foreign exchange loss of R110.1 million being incurred, compared to a loss of R87.9 million in the prior year period.

Net finance costs of R930.4 million increased by 12.6% compared to R826.2 million in the prior year period. Cash interest to the Group's financiers, excluding those related to lease liabilities, increased by R58.5 million to R279.0 million, compared to the prior year period. This is due to several interest rate increases, coupled with the higher opening net debt balance compared to the prior year period.

The effective tax rate for the reporting period was 3.4% (2021: 1.8%) which was impacted by the limitation of the recognition of deferred tax assets relating to certain loss-making entities, the South African rate change and disallowed expenditure.

A net loss of R847.0 million was reported for the period (2021: R774.1 million loss), with a headline loss of R903.5 million (2021: R358.5 million loss).

Trading update and outlook

Total Group sales for the 33-weeks to 14 August 2022 of R52.8 billion represents an increase of 2.9% and a comparable store sales increase of 4.4% over the same period in 2021. Sales from continuing operations of R48.8 billion represents an increase of 4.6% and a comparable store sales increase of 6.0% for the 33-week period to 14 August 2022, over the same period in 2021.

The 7-week sales performance post our interim reporting period showed an improved performance relative to the prior year. Total sales from continuing operations increased by 15.5%, and by 12.8% on a comparable store sales basis, driven in part by the civil unrest-comparison period from the prior year.

We remain focused on our strategy to strengthen our core business, and are investing in e-commerce, Home Improvement, General Merchandise, and Wholesale Food & Liquor growth.

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. No interim dividend has been declared in June 2022 (June 2021: Nil).

CEO Succession

The board of Massmart is pleased to announce the appointment of Massmart Chief Operating Officer (COO), Jonathan Molapo, to the position of Chief Executive Officer (CEO), with effect from 1 January 2023, when he will take over from Mitch Slape. Jonathan has strong executive leadership and international experience having joined Massmart from Astron Energy where he was Chief Executive Officer from June 2018 to December 2021 whilst having previously been employed by Puma Energy and Total SA Group, where he held respective roles as Chief Operating Officer and Executive Vice President for Central and East Africa. During his time with these organizations Jonathan was exposed to all aspects of the value chain gaining experience in the full range of commercial and retail functions, including the ongoing rollout of Total's retail forecourt stores. He also had the opportunity to work across various geographies, including France and Ghana. In his role as Massmart COO, Jonathan has been responsible for key business areas including, Data & Analytics, Supply Chain and Central Operations. Jonathan has a BA Economics from Laurentian University, Canada and has completed the International Executive Programme at the Insead Business School in France.

The Board would also like to thank outgoing CEO Mitch Slape for his immense commitment and contribution to Massmart under the most difficult of circumstances. The actions taken by the management team under his guidance have resulted in the successful delivery of more than 30 turnaround projects. These included resetting the cost base by removing R1.9 billion in non-payroll costs, leading the disposal of non-core assets, rationalising the group-wide supply chain, revitalising the Game store proposition and initiating an intensified ecommerce investment programme. Massmart is a better, more focused business as a direct result of the leadership provided by Mitch.

Mitch will remain in his role until 31 December 2022 and will have ultimate responsibility to deliver the FY2022 financial plan whilst also facilitating the handover to Jonathan.

Notice of detailed cautionary announcement regarding a potential offer by Walmart to acquire all the outstanding shares in Massmart

Holders of Massmart Holdings Limited ordinary shares ("Massmart Shareholders") are hereby advised that the Board of Directors of Massmart Holdings Limited ("Massmart") and the Board of Directors of Walmart Inc. ("Walmart") have reached in principle agreement regarding the terms and conditions of a potential offer by Walmart to acquire all of the issued ordinary shares in Massmart Holdings Limited ("Ordinary Shares"), other than those Ordinary Shares already indirectly held by Walmart through its wholly-owned subsidiary, Main Street 830 Proprietary Limited, or a treasury shareholding subsidiary of Massmart, pursuant to a scheme of arrangement and standby general offer ("Potential Offer"). If the Potential Offer is made and implemented, it would result in the delisting of all the Ordinary Shares from the main board of the JSE. The Potential Offer Consideration is ZAR62 per share which represents a premium of 53% to the closing share price and 62% premium to the 90-day volume weighted average price as at 26 August 2022, the day prior to the detailed cautionary announcement. Massmart Shareholders are referred to the detailed cautionary announcement which will be released on Monday, 29 August 2022, immediately following the release of this results announcement for full details.

About this announcement

This short-form announcement is the responsibility of the Company's Board of Directors ("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. This short-form announcement has not been reviewed but has been extracted from the reviewed results. The Directors confirm that the information contained in this short-form announcement has been correctly extracted. The full announcement has been released on the JSE Stock Exchange News Service and can be found at (<https://senspdf.jse.co.za/documents/2022/jse/isse/MSM/1H22Result.pdf>), and is also available on the Company's website. Copies of the full announcement are also available at the offices of the sponsor or the Company's registered offices, at no charge, and may be requested by emailing 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 presentation covering these results, on Monday, 29 August 2022, at 10.30am. Details of the presentation can be found on our results website, <https://www.massmart.co.za/interimresults2022>.

By order of the board

Mitchell Slape

Chief Executive Officer

29 August 2022

Sponsor: JP Morgan Equities South Africa (Pty) Ltd

Mohammed Abdool-Samad

Chief Financial Officer