MR PRICE GROUP LIMITED
Registration number 1933/004418/06
Incorporated in the Republic of South Africa
ISIN: ZAE 000200457
LEI number: 378900D3417C35C5D733
JSE and A2X share code: MRP
("Mr Price" or "the company" or "the group")

INTERIM GROUP RESULTS FOR THE 26 WEEKS ENDED 1 OCTOBER 2022 AND CASH DIVIDEND DECLARATION

This short-form announcement is the responsibility of the Mr Price 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/24112022.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 and copies may be requested from the company secretary (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 REPORTS INTERIM RESULTS FOR THE 26 WEEKS ENDED 1 OCTOBER 2022

Mr Price today released its interim results for the 26 weeks ended 1 October 2022 ("Period"), increasing basic earnings per share 13.7% to 500.1 cents against H1 FY2022 ("Corresponding Period"). Headline earnings per share (HEPS) increased 10.6% to 496.0 cents and diluted headline earnings per share increased by 10.8% to 486.1 cents. Dividends per share (DPS) increased 10.6% to 312.5 cents.

Group revenue was up 6.5% to R13.3bn, the group gross margin expanded 60bps and expense growth was well-controlled at an increase of 5.9%. This enabled the operating margin to improve by 80bps. This result was achieved in a highly contested retail environment where consumer spending was constrained.

In the 13-week trading update issued in July 2022, shareholders were advised that revenue growth had been adversely impacted by several disruptive factors, some of which affected the industry as a whole, and continued for the duration of the Period:

- Electricity loadshedding – 56% of trading days were interrupted by loadshedding during the Period. The group estimates that over 80,000 trading hours were lost
- The inconsistent and non-payment of social grants during the Period
- The replacement of the group's Merchandise Enterprise Resource Planning system on 2 April 2022, disrupted supply chain and merchant activities, and materially impacted retail sales in April and May. Sales for these two months combined, (which contribute approximately 40% of H1 retail sales), grew 3.1%, while June to August sales performance improved, growing 12.9%. September was a poor trading month for the market as a whole as severe load-shedding was implemented (44.1% of trading hours lost in H1 were in September alone) and sales declined 6.7%.

"The top-line performance did not meet our internal targets, but our market leading retail performance post COVID-19 with sales growth of 37.8% in the base, in which we gained further market share, was always going to present a challenge. I take comfort that the systems impact in particular is once-off and we have achieved a significant milestone in our Retail Modernisation Programme aimed at de-risking our IT environment and establishing an infrastructure to support our ambitions." said CEO Mark Blair.

Results summary

Retail sales grew 6.0% to R12.6bn (comparable stores -0.3%). Group store sales (contribution: 97.0% of sales) were up 5.8% and online sales (contribution: 3.0% of sales) grew 11.2% (H1 FY2022: 49.9%). Retail selling price inflation was 3.8%, well below CPI with units increasing 1.7% to 122m units sold.

By opening seventy-eight new stores and expanding eleven, weighted average new space grew 6.3%. After closing eight stores and reducing the size of nine, total weighted average space was up 5.7%, advancing the total number of corporate owned store locations by 4.1% to 1 791.

Other income grew 17.1% to R536m, primarily driven by a 200bps increase in the repo rate, increasing interest on trade receivables by 29.8%.

Cash sales constitute 84.9% of group retail sales and increased 5.2% during the Period. The group's credit sales grew ahead of cash sales at 11.5% (contribution: 15.1% of retail sales), driven by new account sales growth up 20.0%. Growth within the existing credit customer base was robust and the One Store Card facility added sales of R242m during the Period. Applications for new accounts were up 45.5%, indicating increased pressure on household disposable income as household savings diminish due to inflation and interest rate increases. Transunion's Consumer Credit Index (Q2 2022) reported that the credit environment is showing signs of sharp deterioration. The group has no appetite to push the credit channel outside of its long established low risk tolerance and reduced its approval rate by 640bps to 27.1%. The declined account applicants are increasingly converting to the group's lay-bye offering, positively impacting the group's cash sales.

The group's gross profit margin increased to 40.3%, supported by a once-off inventory write-off in the Corresponding Period due to the civil unrest. Profit from operating activities increased by 13.0% to R1.9bn with the operating margin expanding to 14.7% of retail sales and other income (RSOI).

The Apparel segment (73.0% contribution to retail sales) increased RSOI 8.5% to R9.2bn (Comparable stores: 2.7% against a base of 31.2%). Operating profit increased 22.8% and the operating margin increased 190bps to 15.6%. According to the Retailers' Liaison Committee (RLC), the group gained market share in every quarter over the last two years leading up to the retail ERP implementation. Over the last two quarters it has lost marginal market share. Power Fashion, which was not part of the systems change, gained market share in each month of the Period. The group has industry leading customer brand recognition, with Mr Price Apparel reported as the most shopped retailer in the last three months, being voted the 'Coolest Clothing Store' in the Sunday Times Next Generation Awards.

The Homeware segment (23.1% contribution to retail sales) decreased RSOI by 1.6% to R2.9bn (Comparable stores: -9.9% against a base of 21.0%). The segment was up against a significant first half base (H1 FY2022) as RSOI and operating profit grew by 27.3% and 46.6% respectively. This segment in particular has seen aggressive competitor activity over the last 12 months which has negatively impacted its market share, which remains dominant.

The Telecoms segment (3.9% contribution to retail sales) revenue increased 9.2% to R570m. Cellular merchandise and data is now available in 683 stores across the group. Cellular handsets and accessories gained 130bps of market share according to Growth for Knowledge, with the segment exceeding the 5% market share threshold for the first time. The standalone Mr Price Cellular stores continue to exceed expectations with further store rollouts planned.

The Financial Services segment revenue increased 19.6% to R403m. Debtors' interest and fees increased 25.5% due to a higher average debtors' book and a 200bps increase in the repo rate over the Period. The group applied tighter approval hurdles to mitigate the risk of defaults arising which has had a positive impact on the debtors' book performance. The net bad debt to book percentage decreased to 7.2%, adequately covered by the impairment provision of 7.9%. Insurance premium income grew 6.7% with market leading loss ratios.

Inventory is up 35.6% for the Period and excluding higher goods in transit (GIT), stock was up 25.5%. Due to supply chain uncertainties, the group has secured its stock delivery ahead of its key festive trading period to minimise disruptions and ensure arrival into important trading weeks. Additional factors influencing the higher inventory levels were new space growth of 6.3% over the Period, 65 of the 119 planned new stores in H2 FY2023 opening before Christmas (excluding Studio 88) and higher price inflation. Stock freshness (0-3 months ageing) at the end of the Period was 85.5%. The stock position is planned to normalise by the end of FY2023.

The group ended the Period with available cash of R3.3bn. However, the payment of R3.6bn for the Studio 88 acquisition took place after the Period close, which reduced the group's cash reserves. The group's highly cash generative model, including the newly acquired businesses, gives it confidence that it will re-build its cash balance for investment in identified growth opportunities. Net asset value per share increased 12.6% to 4 796 cents.

Studio 88 Acquisition concluded

As announced on the Stock Exchange News Service (SENS) on the 30 September 2022, all conditions precedent to bring effect to the group acquiring a 70% controlling stake in the Studio 88 Group (S88) were fulfilled. Management is pleased that S88 has exceeded budgeted expectations by delivering retail sales of R6.4bn and EBITDA of R793m for their unaudited Financial Year ending 30 September 2022. This resulted in an effective EV/EBITDA multiple of 6.3 at the closing date. Management and the Board welcomes its new partners and looks forward to continuing the growth trajectory of S88 in this exciting new merchandise and customer segment of the market. As the effective date of the transaction was 4 October 2022, the group's H2 results will incorporate S88 for the full period.

Outlook

Adverse global economic factors will continue to cast uncertainty upon the balance of this financial year. The impact of inflation in conjunction with rising interest rates makes it a very challenging trading environment. The retail credit environment is forecast to tighten as defaults rise, which should position the group positively as consumers seek merchandise that can fit their budgets. The group remains deliberate in its purpose of being the People's Value Champion. Associates within the group understand customers' current challenges and are committed to ensuring that they are surprised and delighted by the merchandise value offered by the group's various divisions.

Exchange rate hedges are below current spot rates for the remainder of FY2023 and newly contracted shipping rates reflect a noticeable decline from the heightened levels of FY2022. Previously communicated GP margin guidance remains intact. Including S88, capital expenditure for FY2023 is forecast to be approximately R1.3bn and the target of opening 230-250 new stores remains on track. New stores continue to deliver returns on invested capital well in excess of the weighted average cost of capital. Return on capital expenditure and return on invested capital over the last five years are market leading and the group will continue to allocate capital which generates long-term stakeholder value.

Despite the disruption management remains focused on generating long-term sustainable returns from existing and new businesses, whilst stewarding its market leading metrics.

“It’s been a tough period for trading”, said CEO Mark Blair. “But against all the uncertainty, we’ve gained traction on our strategy implementation. Our acquisitions have been value accretive, we launched the Mr Price Baby concept, proved the business case for a rollout of Mr Price Cellular stores, closed out the Studio 88 acquisition, were recognised as the only fashion-value retailer in the FTSE/JSE Responsible Investment Top 30 Index and carried out an extensive organisational design review to ensure we have the capacity and skills to execute our long term plan. I am immensely proud of the dedication and energy of all our associates.”

The voluntary sales trading update will be released in January 2023, reporting performance from Q3 FY2023.

INTERIM CASH DIVIDEND DECLARATION

Notice is hereby given that an interim gross cash dividend of 312.5 cents per share was declared for the 26 weeks ended 1 October 2022, a 10.6% increase against the prior year. 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 250.0 cents per share. The dividend withholding tax rate is 20%.

The issued share capital at the declaration date is 256 791 496 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	Monday	12 December 2022
Date trading commences ‘ex’ the dividend	Tuesday	13 December 2022
Record date	Thursday	15 December 2022
Payment date	Monday	19 December 2022

Shareholders may not dematerialise or rematerialise their share certificates between Tuesday, 13 December 2022 and Thursday, 15 December 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.

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
24 November 2022

JSE Equity Sponsor and Corporate Broker
Investec Bank Limited