MR PRICE GROUP LIMITED
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("Mr Price" or "the company" or "the group")

PRELIMINARY GROUP RESULTS FOR THE 52 WEEKS ENDED 1 APRIL 2023 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/2023/JSE/ISSE/MRPE/22062023.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 RESULTS FOR THE 52 WEEKS ENDED 1 APRIL 2023

Mr Price today released its FY2023 year end results for the 52 weeks ended 1 April 2023 ("Period"). Group revenue was up 17.0% to R32.9bn aided by the inclusion of the acquisition of 70% of the Studio 88 Group (S88), effective 4 October 2022, which brought the total number of stores in the group to 2 702. The three recent acquisitions grew sales at double-digit levels and were earnings accretive to the group. A significant increase in loadshedding heavily impacted the most important festive trading months, resulting in an annual EBITDA increase of only 5.4% to R7.2bn.

Basic and headline earnings per share of 1 210.7 cents and 1 205.7 cents were down 6.8% and 6.0% respectively. Diluted headline earnings per share decreased 6.0% to 1 178.4 cents against a demanding base of 19.5%. A final dividend of 447.1 cents per share was declared, maintaining the 63% pay-out ratio.

Loadshedding

The group's core trading divisions were materially impacted by loadshedding in H2, particularly over the key festive season period. At the end of September 2022, back-up power was only available in 37% of the core business (58% including acquisitions). As a value retailer, the group had been conservative in its back-up power investment, as the historical implementation of loadshedding was manageable until September 2022, after which date it escalated to unprecedented levels. The cumulative quantum of loadshedding from September 2022 to March 2023 was greater than the previous 15 years combined, resulting in an estimated annual loss of 318 000 trading hours, equivalent to approximately R1bn in revenue. The indirect impact of loadshedding on changing customer shopping behaviour and lower levels of consumer confidence, coupled with the need to markdown higher levels of unsold stock, additionally weighed on the group's H2 performance.

The group accelerated its energy continuity roll-out plans and an investment of R220m in back-up solutions will result in 100% store coverage by end June 2023. This has had a positive effect with a 5% average sales growth differential in stores pre vs post back-up power installation. The solutions implemented are predominantly inverter and battery which can handle loadshedding up to a stage 8 level while maintaining a lighting level in all stores of 70%. The solutions are scalable should loadshedding worsen. The primary distribution centre and group head office are able to fully maintain continuity during power disruptions.

Consumer and Competitor Environments

Rising inflation which averaged 6.9% in FY2023 (FY2022: 4.5%) and interest rate increases totalling 350 basis points, proved to be significant headwinds for consumers. Real wage growth decreased 3.3% in Q4 2022 and has particularly impacted the group's low-to-middle income, cost-conscious customer base. Consumers are under considerable pressure resulting in a diversion of spending towards non-discretionary items.

These conditions together with loadshedding, contributed to forecast sales calls not materialising across the sector, resulting in a highly promotional trading environment. Retailers actively managed the build-up of inventory levels and higher than anticipated markdowns across the industry cut into H2 gross margins. The heavy discounting in the market undermined the group's everyday low-price positioning and compromised its ability to showcase its relative value to its customers.

Oracle ERP system

The implementation of a new Oracle Merchandise Enterprise Resource Planning system in April 2022 was a significant milestone for the group, de-risking its legacy, home-grown IT environment and building a firm platform for its growth ambitions. As noted in prior SENS announcements, post go-live stabilisation challenges were encountered, which are typical in such large company-wide installations and resulted in disruption and significant distraction to merchant activities. An internal diagnostic performed by management revealed that the system cut over impacted the group's competitive advantage of in-season trade and the execution of key sales, stock and margin management planning activities over the year. The project was successfully closed on 15 March 2023.

Results summary

Group retail sales grew 18.0% to R31.5bn (comparable stores decreased 3.4%). Excluding S88 retail sales grew 2.1% but decreased 0.9% in H2 FY2023 due to the above detailed factors. Other income decreased 1.0% to R1.2bn, impacted by the insurance proceeds in the prior period predominantly from the civil unrest claims. Excluding insurance proceeds, other income grew 18.0%.

Total store sales which contribute 97.5% to retail sales, increased 18.5% (excluding S88: 2.2%). Online sales increased 3.2% (excluding S88: 1.8%), off a strong growth of 48.2% in the prior period. Total unit sales increased 2.7% (excluding S88: -2.0%). Group RSP inflation rose to 15.0%, impacted by higher price point merchandise in S88. Excluding S88, inflation of 4.3% was well contained below CPI.

The store footprint increased by 1 000 stores during the Period as a result of 171 new stores from the core business, 51 from S88, and 778 acquired S88 stores. The total store footprint at the end of the Period was 2 702. Trading space increased 16.9% on a weighted average basis and 28.0% on a closing basis (excluding S88: weighted average 5.7%; closing 5.8%).

The trading period was characterised by an extended consumer credit cycle as household disposable income experienced pressure due to rising inflation. The group's core customer typically prefers to transact with cash, which contributed 87.3% of group retail sales during the Period. Cash sales growth of 19.7% was boosted by the inclusion of S88 (up 1.2% excluding S88). In comparison, credit sales grew 8.3%. A rise in credit demand in line with the industry trend was experienced with resultant credit applications up 30.9%. A conscious decision to curb this attractive credit sales opportunity was elected despite this demand. A more conservative credit posture into the second half of FY2023 resulted in account approval rates dropping to 23.0% from 33.1% in the prior period.

The gross profit margin declined by 150 basis points to 39.5%. Higher markdowns, increased input prices due to global inflation effects, currency depreciation and the inclusion of high growth, lower margin acquisitions impacted the gross profit margin. Total expenses increased 21.2%, driven by the inclusion of S88. Excluding S88, expenses were contained below CPI and increased 6.7% driven by new weighted average space in these divisions up 6.4% and a higher-than-normal movement in net bad debts. Profit from operating activities decreased 0.5% to R4.9bn and the operating margin decreased 260bps to 15.1% of retail sales and other income (RSOI).

The Apparel segment (76.8% contribution to retail sales) increased RSOI 24.6% to R24.3bn (excluding S88: +2.8%) and comparable retail sales decreased 1.4% against a base of +17.4%. The group's largest division, Mr Price Apparel (43.8% contribution to RSOI), was more impacted by loadshedding than other divisions due to its far-reaching store footprint, as well as the nature of its value focused customer base. Management is satisfied with the performance of Miladys and Mr Price Sport, while the double-digit sales growths in Studio 88 (now the second largest division in the group) and Power Fashion were pleasing.

Mr Price Apparel completed the test of its Baby and Kidswear concepts in 2022 and has evolved a new model which combines these two departments into a Mr Price Kids standalone concept which it plans to roll out rapidly in the coming years. These stores, many of which will be located near high volume Mr Price apparel stores will create space in those stores for better presentation of adult apparel, while giving the customer an expanded assortment of kidswear in the Mr Price Kids stores. The sales achieved in test stores in a number of locations suggest that Mr Price Kids could be another highly successful chain under the well recognised Mr Price brand. Approximately 300 potential Mr Price Kids locations have so far been identified.

In the Homeware segment (19.9% contribution to retail sales) RSOI decreased 3.8% to R6.3bn and comparable retail sales decreased 9.9% against a base of +6.1%. During COVID-19 lockdowns, home improvement sales grew rapidly and attracted a number of new competitors into this space where the group previously had a dominant share for several years. Given that many products are readily comparable this put pressure on sales and profits in the home businesses. The group is adjusting its business models to the new, more competitive environment and remains confident that both Mr Price Home and Sheet Street will continue to be important growth and profit vehicles in its future. Yuppiechef continues to make good progress against its strategic objectives, doubling its store base to 14 stores, with there being a long list of potential locations to build this brand into a true omni-channel, national retailer in the higher income customer segment.

In the Telecoms segment (3.3% contribution to retail sales) revenue increased 4.5% to R1.2bn. The instore cellular merchandise presence increased to a total of 465 stores and the 12 standalone stores continue to perform strongly. Over 800 000 cellular handsets and accessories were sold during the year, resulting in market share gains of 70bps according to Growth for Knowledge.

The Financial Services segment revenue increased 18.9% to R829m. Debtors' interest and fees increased 24.2% due to a higher average debtors' book and a 350 basis points increase in the repo rate over the Period. Despite the group's strict credit granting criteria, the collections and recoveries environment was challenged by the tough economic conditions. Bad debt write-offs increased 29.4% resulting in the net bad debt to book percentage increasing to 8.4% (FY2022: 6.0%), adequately covered by the impairment provision of 10.0% (FY2022: 9.1%). Insurance premium income grew 6.8%.

Inventory growth of 85.1% was inflated by the introduction of Studio 88, excluding which the increase was 18.6% (including goods in transit) outside the group's targeted plan due to the trade disruption factors noted above. Stock freshness (0-3 months aging) at the end of the Period was 83.4% and acute focus is being placed on stock management at improved stock turns.

The group ended the Period with available cash of R1.4bn, having settled the S88 acquisition of R3.6bn in H2. Capital expenditure of R945m was primarily allocated towards new store development and store revamps, and R67.8m was redirected towards the installation of back-up power solutions. Forecast capital expenditure for FY2024 is anticipated to be approximately R1.2bn. This will be primarily allocated to approximately 260 new stores, taking the group to nearly 3 000 stores by year-end, as well as to store revamps and back-up power solutions. Net asset value per share increased 15.6% to 5 415 cents.

Outlook

Further interest rate increases post year-end have not meaningfully reduced inflation, resulting in consumers continuing to shift their spend to a greater share of non-discretionary items. Compounding the challenges in the retail sector are the elevated inventory levels which continue to result in a highly promotional retail environment. The trading circumstances detailed earlier are expected to continue throughout H1 FY2024. However an anticipated improved performance from September 2023 should start to be seen – power outages will be in the base, inventory levels should be at desired levels, and hopefully inflation and interest rates start abating. The group is confident in its business model and ability to execute its plans in the absence of the significant disruption experienced in FY2023.

The potential higher stages of loadshedding throughout winter threaten to extend this disruptive retail cycle. Loadshedding has become a permanent and tiresome obstacle to businesses in South Africa and the cost of doing business has materially increased, stifling economic growth.

The group is continually evaluating its capital allocation framework, and is pleased to report that its investment into new stores is delivering good returns. Given the retail climate and the limited availability of good trading locations, it has pulled back on budgeted store openings slightly in the new year, and allocated capex in line with historical performance. It has also raised its ROCE threshold to ensure that only highly attractive opportunities are approved.

CEO Mark Blair said, "Despite a challenging environment, we are a resilient, motivated team, and can still see many opportunities, within our existing businesses and in the market. In the last two financial years, we have invested approximately R5.5bn in acquisitions, R1.7bn in capex and paid R4bn in dividends. This was funded wholly with cash and we have ended this year with an unencumbered balance sheet." To create the necessary capacity for leadership to focus on the execution of its various businesses, and to maintain a clear view of future growth plans, the group's executive team was expanded. Experienced sectoral heads were appointed from within, with the primary goals of improving like for like store sales and extracting efficiencies across the group.

Management and the Board wish to express its gratitude to all the wonderful people in the Mr Price family and to shareholders for their continued support. Mark Blair continued, "Times are difficult, but cycles are not permanent. The group has an experienced team, who have seen cycles come and go. Now is not the time for negativity–we have a great business, a strategy that is clear, and most importantly, talented people and a strong culture."

Shareholders are invited to attend a live webcast of its annual results at 9am on 22 June 2023. Webcast link: https://www.corpcam.com/MrPrice22062023

ENDS

The preliminary condensed consolidated financial statements, for which the directors take full responsibility, were approved by the directors on 21 June 2023 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. 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 447.1 cents per share was declared for the 52 weeks ended 1 April 2023. The group maintained its historic 63% dividend payout ratio of headline earnings. 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 357.68000 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	Tuesday	11 July 2023
Date trading commences 'ex' the dividend	Wednesday	12 July 2023
Record date	Friday	14 July 2023
Payment date	Monday	17 July 2023

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 12 July 2023 and Friday, 14 July 2023, 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 21 June 2023.

DIRECTORS

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

* Non-executive director ^ Alternate director

Durban
21 June 2023
JSE Equity Sponsor and Corporate Broker
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