

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
("the company" or "the group")

Q1 TRADING UPDATE FOR THE 13 WEEKS ENDED 29 JUNE 2024

During the first quarter from 31 March 2024 to 29 June 2024 (the Period) of the financial year ending 29 March 2025, the group recorded retail sales growth ahead of the market, gaining 90bps of market share (RLC) at improved GP margins than the corresponding period.

Group retail sales growth of 4.6% (2-year CAGR: 12.9%) increased to R8.5bn, ahead of the total comparable market's retail sales growth which decreased 0.2% (the market reflected four consecutive months of sales decline until end May 2024). The group has gained market share for 11 consecutive months and on a 12-month rolling basis has gained just over R1.1bn in market share.

The group previously reported in its annual results outlook that trade in April and May 2024, the first two months of FY2025, was subdued due to the factors outlined under the 'operating environment' below. During these two months the group grew retail sales by 0.9% compared to the comparable market's decline of 4.6%. Retail sales growth accelerated in June to 12.7% compared to the market's growth of 10.3%.

Pleasingly, these sales trends were similar across all trading segments. Gross margin % increases were achieved in every division during the Period, due to lower markdowns, resulting in more full priced merchandise sales, supporting the group's focus on profitable market share gains. The three recent acquisitions delivered the highest sales growth in the business.

Operating environment

While the prospects for higher economic growth in South Africa appear promising, household finances remain under pressure. High interest rates, increasing debt and elevated food inflation collectively continued to impact disposable income. The retail sector was further impacted by several factors:

- The movement of Easter and school holidays into March 2024 (the company's prior period), impacting sales performance in April 2024

- Significantly higher average temperatures in April and May 2024, resulting in delayed consumer spend on winter merchandise
- The late onset of cold weather in June 2024, which was supported by pent-up consumer demand for winter merchandise
- The South African national elections, as consumers withheld spend in anticipation of the election results. Following the formation of the Government of National Unity, positive consumer sentiment supported improved sales performance across the sector in June 2024

Despite the macroeconomic and consumer challenges, the group's differentiated fashion-value business model has continued to outperform the market.

Group performance

Group retail sales grew 4.6% to R8.5bn and comparable store sales increased 0.1%. Other income increased 9.3% to R321m due to a higher average debtors' book, while debtors' interest and fees increased 6.6%.

South African retail sales grew 4.3% to R7.8bn while non-South African corporate-owned store sales increased 8.5% to R668m.

Total store sales increased 4.6% while online sales, which contributed 2.4% to retail sales, increased 3.8% during the Period, and accelerated to double digit levels in June 2024, driven by Mr Price Apparel. The group's e-commerce strategy remains focused on a holistic blended retail offering, aligned with most South African consumers' preference for online browsing and in-store purchasing.

Group retail selling price (RSP) inflation of 2.2% was carefully managed, despite lower markdowns across the group which contributed to an increase in more full-priced sales. Total unit sales increased 2.4%.

The store footprint increased by 35 stores (net of closures) and the group's total footprint expanded to 2 935 stores. Weighted average trading space increased 5.4%.

Cash sales, which constitute 87.5% of total retail sales, increased 5.2% while credit sales increased 0.3%. Demand for new accounts was high during the Period, up 42.7%. However, the group's approval rate remained low at 18.7% as it continues with its measured approach to credit granting in a challenging consumer environment.

The group has remained focused on stock management, ensuring that it exits winter in a clean inventory position and transitions seamlessly into spring/summer with fresh merchandise inputs.

Segmental performance

	Retail sales growth	Cont. to retail sales
Q1 FY2025 vs FY2024		
Apparel segment	4.4%	78.8%
Home segment	3.7%	17.8%
Telecoms segment	13.3%	3.4%
Group	4.6%	100.0%

Retail sales in the Apparel segment grew 4.4% during the quarter (2-year CAGR: 16.3%), accelerating to 13.6% in June. Mr Price Apparel gained 100bps of market share and the division has now gained market share for 11 consecutive months. Power Fashion's momentum continued into the Period as their accessible price points and differentiated fashion, delivered value to its low to middle income customer base. The division has now gained market share for 29 consecutive months.

Mr Price Kids continues to perform strongly as the department, aided by its standalone concept expansion, gained 60bps market share over the Period.

The Homeware segment continued to report improved performance with retail sales growing 3.7% during the Period. The group is confident that its strategic initiatives are proving effective. Mr Price Home gained market share in May and all Homeware chains grew ahead of the market and gained market share in June 2024.

The Telecoms segment continued its high growth performance during the Period, increasing retail sales by 13.3%. Further expansion into Mr Price Cellular standalone stores continued, supporting market share gains of 80bps to a new market share high, according to GfK (latest data available May 2024).

Outlook

Prospects in South Africa are improving with a positive growth outlook based on a favourable election outcome, no loadshedding for over 100 days and the onset of a consumer confidence recovery. Despite the positive outlook, it is anticipated that the medium term will remain challenging for consumers until key relief factors come into effect.

Lower inflation, interest rate cuts and the two-pot retirement system all support a better consumer spending environment. However, it is likely that the influence of these events on real wage growth and consumer expenditure will only take effect towards the end of 2024 and into 2025.

As a result, management remain focused in the short term on continuing its profitable market share gains, while ensuring that its brands are well placed to benefit from the anticipated consumer recovery in the medium term. The group's EDLP model and its market leading brand strength in South Africa place it in a strong position to benefit from future gains.

Supply chain volatility remains an imminent risk, as the disruption to routes through the Red Sea impact global shipping lines. The group is well prepared for possible disruption and has planned accordingly to ensure that stock arrives timeously for the important festive trading period.

Management extends its welcome to all shareholders and analysts to its inaugural Capital Markets Day on 12 and 13 September 2024.

The above-mentioned figures and 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
22 July 2024

JSE Equity Sponsor and Corporate Broker
Investec Bank Limited