

Reviewed Interim Results  
for the 26 weeks ended 27 June 2021

## Media Release



27 August 2021

## Massmart posts significant trading profit increase Driven by increased gross margin, decreased expenses and strong Builders Home Improvement, Makro Liquor and Makro General Merchandise Sales

### Key highlights

- 266.6% increase in total group trading profit\*
- 184% increase in Builders PBIT\*\*
- 70% increase in Wholesale PBIT\*\*

### Total group trading profit grows by 266.6% to R444.2 million

Today (27 August 2021) Massmart announced results for the 26 weeks ended 27 June 2021, reporting total group sales for the period of R41.3 billion, representing total sales growth and comparable store sales growth of 4.4% and 4.8% respectively. Gross margin increased by 43 basis points while expenses decreased by 1.8%. Overall, this resulted in total group trading profit of R444.2 million (a 266.6% year-on-year increase).

The group's performance was supported by strong profit before interest and tax (PBIT) increases at Builders (up 184%) and Massmart Wholesale (up 70%). It also benefitted from the positive impact of turnaround interventions including improved gross profit margins and exceptional delivery against expense savings targets, aimed at sustainably resetting the group's cost base.

Group earnings were negatively impacted by non-cash impairment charges of R597.7 million, predominantly allocated to the Game SAP ERP software asset.

Commenting, Massmart CEO Mitch Slape said: **"The period has been characterised by continued group-wide expense control and margin growth. This together with strong Builders Home Improvement and Makro General Merchandise and liquor sales has contributed to a much improved trading profit performance. We achieved this in a demanding trading environment notable for; continued disruption to liquor sales, poor food, liquor**

**and consumables demand amongst our core business-to-business Hotel, Restaurant and Catering (HORECA) customers, and constrained middle income discretionary spending on durable goods."**

### Continued track record for delivery against turnaround objectives

Massmart continued to deliver against the turnaround commitments communicated to shareholders in January 2020. Notable turnaround highlights for the period include:

- **Delivering a further R380 million in cost savings.** This translates to total banked cost savings of R1.1 billion in the 18 months to June 2021, against a three-year (December 2022) target of R1.8 billion.
- **Concluding negotiations for the sale of Cambridge Food, Massfresh and 12 Cash & Carry stores** for a consideration of R1.36 billion within five months of announcing the decision to dispose these assets. Combined with the pending reduction in the Game store portfolio exposure in East and West Africa, and previously completed portfolio actions involving the closure of Dion-Wired and the sale of 11 Cash & Carry stores, this will deliver annual PBIT improvement of approximately R750 million per annum.
- **Completing the relay of 64 Game stores** within six months since inception of the programme in February 2021, resulting in double-digit growth

\* Excludes restructure, re-organisation and impairment costs

\*\* Profit before interest and tax, includes Corporate allocations

in basket size and 13% average comparative sales growth in the pilot stores. The programme will be rolled-out across the entire Game (South Africa) store portfolio by November 2021. This outcome, along with store divestiture in East and West Africa, reduced depreciation expense as a result of the SAP impairment, already reduced labour costs, supply chain infrastructure cost reduction and further portfolio optimization opportunities, supports Massmart's optimistic outlook towards Game.

***"I am pleased with the culture of accountability for delivery against turnaround commitments. Recently epitomised by the supply chain team who opened a fully operational temporary distribution centre within 10 days of losing our Riverhorse facility to the KwaZulu-Natal unrest. Remarkably, this was accomplished while simultaneously remaining on track to open three state-of-the-art distribution centres within a six-month period,"*** added Slape.

## White space market review identifies potential growth opportunities

Massmart has completed a Home Improvement, Wholesale and eCommerce 'white-space' market review. The outcome confirmed a clear path for future growth, including:

- Home Improvement growth potential of R1.8 billion – R2.9 billion in >50 metros and emerging townships.
- Wholesale growth potential of R11 billion – R18 billion through big box and small proto stores, complemented by expanded, value adding product and services offering and an enhanced commercial platform.
- eCommerce growth potential of 17-26x current online sales through a seamlessly integrated retail and wholesale multichannel proposition. Toward this end we have established a unified group-wide eCommerce capability, increased existing stake to 100% shareholding in Wumdrop to enhance last mile delivery and are in advanced negotiations to acquire a majority stake in OneCart to drive on-demand eCommerce delivery segment.

***"Massmart's two business unit and centralised shared services operating structure has positioned the group to allocate capital resources, leverage group-wide infrastructure and focus management time more efficiently. This will allow us to take full advantage of new market opportunities such as those identified in our white-space market review,"*** concluded Slape.

### For Media Enquiries

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To view the full Reviewed Interim Results for the 26 weeks ended 27 June 2021 presentation delivered to investors on 27 August 2021 visit [www.massmart.co.za/interimresults2021](http://www.massmart.co.za/interimresults2021)

### Notes to Editors:

1. It was previously announced that the Board made the decision to dispose of Cambridge, Rhino and Massfresh assets. Following this, the Cambridge, Rhino and Massfresh businesses have been classified as one disposal group and reported as discontinued operations in terms of IFRS 5. Therefore, reference to 'Total group' describes performance including Cambridge, Rhino and Massfresh whilst reference to 'Continuing Operations' excludes Cambridge, Rhino and Massfresh.
2. Trading profit from continuing operations (excluding Cambridge, Rhino and Massfresh assets) was R792.1 million compared to a trading profit of R92.1 million in the same period in 2020.
3. Continuing operations sales for the 26 weeks to 27 June 2021 of R37.4 billion represents an increase of 6.1%, and an increase of 6.6% on a comparable store sales basis. Sale from our South African stores increased by 8.1%, while comparable store sales increased by 8.9%. Total sales from our rest of Africa stores decreased by 10.1% in Rands, and increased by 1.6% in constant currencies.
4. The period was characterised by strong South African ownership category sales performance including; Makro Liquor sales up 50.4% up, Cash & Carry Liquor sales up 26.2%, Builders Home Improvement sales up 25.5% and Makro General Merchandise sales up 21.4%.
5. Online sales grew 34.4% underpinned by growth of 101% at Game and 85% at Builders and resulted in a 3.5% online sales participation.
6. Sustained cost savings initiatives, as part of the turnaround strategy will ultimately reduce addressable spend from R10.4bn to R8.6bn over the three-year target period ending in December 2022.

Massmart powered by Walmart, with half-year sales of R41.3 billion, comprises two business units operating 411 stores across 13 sub-Saharan countries. We have leading shares in the General Merchandise, Liquor, Home Improvement and Wholesale Food markets.

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