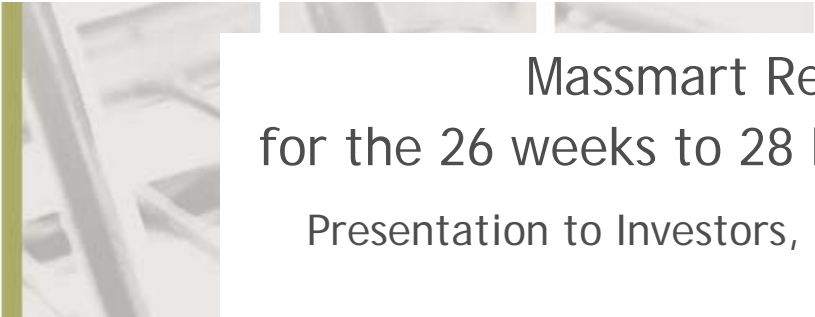





## Dedicated to Value



Massmart Reviewed Results  
for the 26 weeks to 28 December 2008

Presentation to Investors, Analysts and Media  
February 2009



# Agenda

---

- Operating & Financial Performance
- The Environment
- The Divisions
- Update on Vision for Growth 2011
- Long-term Growth
- Risks & Prospects

ADDENDUM – Additional financial data



December 2008

# Operating & Financial Performance



# Massdiscounters

	2008	% change
Sales	R6 088m	13.1%
PBT	R542m	17.0%
<i>PBT margin</i>	<i>8.9%</i>	

- Sales inflation 1.8%
- Game SA: good sales growth but profit slightly below prior year
- Reducing excess inventory levels took longer than anticipated
- Consumer Credit division & book sold 1<sup>st</sup> day of FY09:
  - Cash proceeds R174m
  - No impact on 1H PBT (FS Income down, expense savings, and higher interest)
- Africa performing well:
  - Total Rand sales +62% and local currency sales +32%
  - R21m forex gain (2007: R5m loss)
  - Slow repatriation of some cash from four countries, exacerbating forex translation

# Makro

---

	2008	% change
Sales	R5 868m	14.9%
PBT	R445m	21.1%
<i>PBT margin</i>	7.6%	

- Sales inflation 11.9%
- Gross margins steady
- Great cost control
- Inventory days unchanged
- Secured site for new store in Gauteng

# Massbuild

---

	2008	% change
Sales	R2 936m	1.4%
PBT	R169m	(29.2%)
<i>PBT margin</i>	5.8%	

- Sales inflation 10.6%
- Gross margins slightly lower
- Dramatically better inventory position (Builders Warehouse days improved by 26%)
- Better cost control – likely to mitigate some PBT pressure in 2H
- Higher interest income from improved working capital (and higher rates)
- Three new stores (+4.6% new space)

# Masscash

---

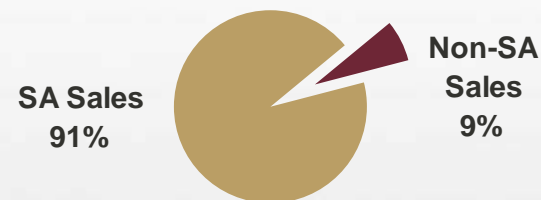
	2008	% change
Sales	R7 866m	16.8%
PBT	R289m	33.1%
<i>PBT margin</i>	<i>3.7%</i>	

- Sales inflation 15.9%
- New BATSA distribution model adversely affected total (3.8%) and comparable sales growths (4.6%)
  - Adjust for this then PBT margin 3.55%
- Cambridge Food acquisition effective 1 December 2008:
  - 51% interest. Cash consideration. Six stores
  - No income statement effect in 1H
- Seven acquired stores, one closure (+8.3% new space)

# Sales

(Rm's)	2008	2007	Total %Chg	Comp. %Chg
Massdiscounters	6 088	5 384	13.1	14.6
Makro	5 868	5 108	14.9	11.8
Massbuild	2 936	2 897	1.4	(2.7)
Masscash	7 866	6 734	16.8	16.9
<b>Total</b>	<b>22 758</b>	<b>20 123</b>	<b>13.1</b>	<b>11.9</b>

- Real total sales growth in Massdiscounters, Makro and Masscash
- Masscash & Makro assisted by Food inflation



# Inflation

---

- Annual rolling Group inflation to December 2008:
  - General Merchandise 1.1%
  - Home Improvement 10.6%
  - Food & Liquor 15.1%
  - Total 9.9%
- General Merchandise inflation low – from changing consumer behaviour, technology and lower price-points
- Early signs of Food inflation abating

# Store Portfolio

	Massdiscounters	Makro	Massbuild	Masscash	Total
June 08	90	*13	68	71	242
Acquired	-	-	-	7	7
Closed	-	-	-	(1)	(1)
Openings	3	-	3	-	6
<b>Dec 08</b>	<b>93</b>	<b>*13</b>	<b>71</b>	<b>77</b>	<b>254</b>

- Massdiscounters: two Game stores and one new Dion Wired store
- Massbuild: one new Builders Warehouse, one new Builders Express, one new Trade Depot
- Masscash: Cambridge and a single-store acquisition

\* Excludes two Makro Zimbabwe stores

# Trading Space

---

- Net new space 39 771m<sup>2</sup>
  - Opened and acquired 40 771m<sup>2</sup>
  - Closed 1 000m<sup>2</sup>
- December 2008 trading space 1 052 555m<sup>2</sup>
- 3.9% net space growth (unweighted)

# Sales Growth Analysis

---

	%
Existing stores (comparable growth)	11.9
New stores	1.2
<b>Total sales growth</b>	<b><u>13.1</u></b>

- 34-week sales growth update (22 Feb 09):
  - 12.7% total and 11.3% comparable
  - Slower growth across all four Divisions (disinflation, prior year power outages, cigarette sales)

# Gross Profit

---

	2008	2007
Gross Profit	R4 128m	R3 712m
<i>% of Sales</i>	18.1%	18.4%

- Steady margins in Masscash and Makro
- Lower gross margins in Massdiscounters and Massbuild
- Some portfolio effect – Massbuild sales at lower % participation as prior year

# Operating Costs

---

	2008	2007
Operating Costs	R2 932m	R2 622m
<i>% of Sales</i>	12.9%	13.0%

- Costs exclude Forex gains / losses and Other Income
- 11.8% increase, below sales growth
- This includes:
  - Total IFRS 2 charges R68.0m (2007: R52.4m)
  - Pre-opening costs of R17.7m (2007: R20.9m)
- Adjusting for these: 11.5% increase (12.5% of sales)

# Employment Costs (51% of total costs)

---

	2008	2007
Employment Costs	R1 493m	R1 350m
<i>% of Sales</i>	6.6%	6.7%

- 10.5% increase
- After adjusting for all IFRS 2 charges, 9.8% increase
- 3.6% increase in staff (FTEs)

# Occupancy Costs (18% of total costs)

---

	2008	2007
Occupancy Costs	R538m	R469m
<i>% of Sales</i>	2.4%	2.3%

- 14.9% increase
- 2.9% more space than December 2007
- Due to lease-smoothing, new stores and re-negotiations will generally cause disproportionate annual increases

# Depreciation and amortisation (6% of total costs)

---

	2008	2007
Depreciation	R171m	R143m
<i>% of Sales</i>	0.8%	0.7%

- 19.6% increase – driven by higher capital expenditure since 2006
- Expected to continue ahead of sales growth due to new stores and refurbishments

# Forex Gains & Losses (unrealised & realised)

<i>Rm's</i>	2008	2007
Massdiscounters	21.4	5.4
Other	31.0	(7.1)
IAS 39	0.3	(13.2)
<b>Total</b>	<b>52.7</b>	<b>(14.9)</b>

- Massdiscounters: net realised gains / unrealised losses arising from African operations
- Other: predominantly unrealised gains on translation of offshore monetary balances
- IAS 39: net realised and unrealised losses on FECs

# Group Forex Exposures & Effect

Main Types of Exposure	Exchange Rate?	Disclosure of Resulting Forex Gain or Loss?
Foreign balance sheets	At Spot	<p><i>Fixed Assets, Stock &amp; Equity:</i> no Income Statement effect, instead forex movement shown in Balance Sheet</p> <p><i>Debtors, Cash &amp; Creditors:</i> forex gain or loss shown in Income Statement</p> <p>Spot rate = higher volatility</p>
Foreign income statements	At Average	<p>No separate forex gain / loss, just higher or lower Rand-denominated foreign earnings</p> <p>Average rate = lower volatility</p>
FECs on imports	At Spot	<p>FEC premium shown in <i>Cost of Sales</i> not as forex loss</p> <p><i>Stock</i> is shown at the FEC rate</p>

FEC = Foreign Exchange Contract, being forward cover contracts on imports

# Divisional PBIT

<i>Rm's</i>	June		
	2008	2007	%
Massdiscounters	513.2	444.0	15.6
Masswarehouse	405.9	335.8	20.9
Massbuild	146.2	222.7	(34.4)
Masscash	268.5	198.0	35.6
<b>Total PBIT</b>	<b>1 333.8</b>	<b>1 200.5</b>	<b>11.1</b>
<b><i>PBIT growth excl forex</i></b>			<b>5.4%</b>

PBIT = Profit before Interest & Tax & IFRS 2 BEE charge

# Net Interest Paid

<i>Rm's</i>	December		
	2008	2007	%
Massdiscounters	28.3	18.7	51.3
Masswarehouse	39.5	32.0	23.4
Massbuild	22.6	15.7	44.0
Masscash	20.6	19.1	7.9
Corporate	(140.0)	(113.3)	23.6
<b>Total interest</b>	<b>(29.1)</b>	<b>(27.9)</b>	<b>4.3</b>

- Divisions – improved working capital & higher interest rates
- Corporate – higher lending to Divisions & higher interest rates

# Divisional PBT

<i>Rm's</i>	December		
	2008	2007	%
Massdiscounters	541.5	462.7	17.0
Masswarehouse	445.3	367.7	21.1
Massbuild	168.9	238.4	(29.2)
Masscash	289.0	217.1	33.1
<b>Total PBT</b>	<b>1 444.7</b>	<b>1 285.9</b>	<b>12.3</b>
<b><i>PBT growth excl forex</i></b>			<b>7.0%</b>

PBT = Divisional Profit before Tax & IFRS 2 BEE charge and corporate interest payment

# Tax Charge

---

	2008	2007
Total tax	R378m	R359m
Tax rate	29.7%	31.6%

- Applied 28% (2007: 29%) corporate rate
- All IFRS 2 charges not tax deductible, so effective tax rate is 28.2% (2007: 30.2%)
- Includes STC on dividends 2.1% (2007: 2.3%)

# Stock & Creditors

	Dec 2008		Dec 2007	
	Rms	Days	Rms	Days
Net Stock (1)	5 534	54.2	5 300	58.9
Trade Creditors (1)	8 129	69.8	7 416	72.3
Provisions & Accruals	950	-	845	-

- Great stock improvements in Massdiscounters and Massbuild
- Food supply constraints now minimal
- No noticeable pressure to reduce suppliers' terms

1. Days calculated using historic cost of sales (excludes Corporate).

# Debtors

	Dec 2008		Dec 2007	
	Rms	Days	Rms	Days
Gross Trade Debtors (1)	1 227	8.6	1 415	11.3
Consumer Debtors (1 & 2)	-	-	306	203.9

- Watching credit closely
- Massdiscounters' Consumer Debtors book sold 1<sup>st</sup> day of FY09

1. Days calculated using historic sales.  
2. Massdiscounters HP & Revolving Credit.

# Net Capital Expenditure

---

<i>Rm's</i>	Dec 2008	Dec 2007
Replacement Capex	124	153
Investment Capex	215	197
<b>Total Capex</b>	<b>339</b>	<b>350</b>
New businesses	147.2	-
<i>Depreciation &amp; amortisation</i>	171	143

# Group Gearing

---

- Group net gearing, using net interest paid as a proxy, was 14% (2007: 18%)
- Had anticipated the Group being net cash-positive for most of FY09 but now not possible given lagged 1H working capital performance
- Still considering property acquisitions – new sites and existing leased properties – although with less vigour
- Likely capital expenditure for FY09 unchanged at R627m

# Group Gearing Profile

Rm's

Dec 2008

Dec 2007

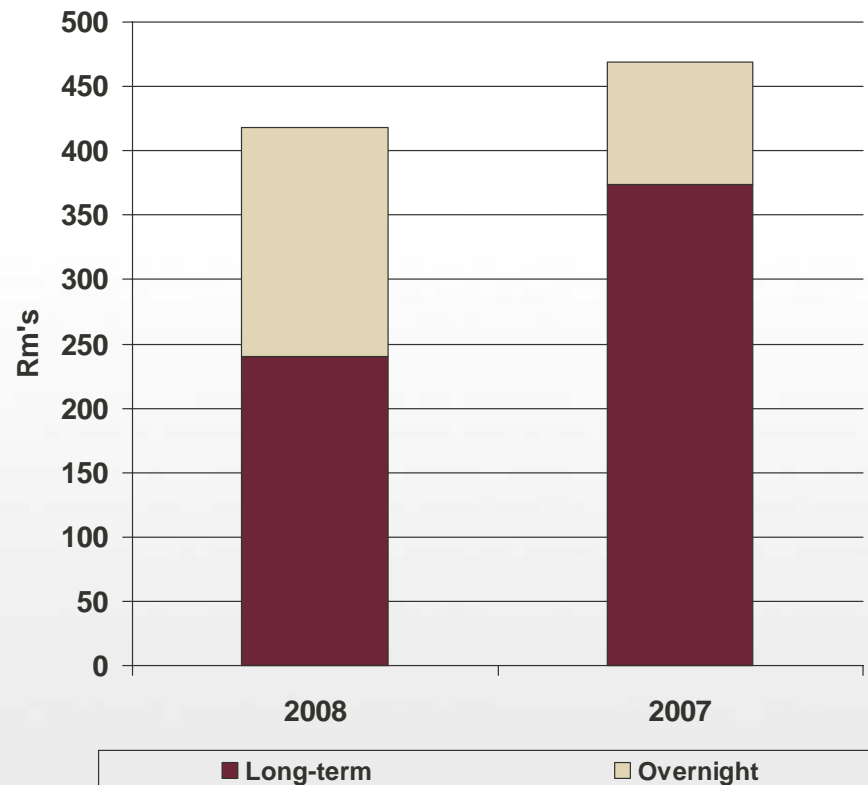
Average net gearing

R418m

R469m

Long-term: two five-year amortising loans (from 2006). Fixed interest rates

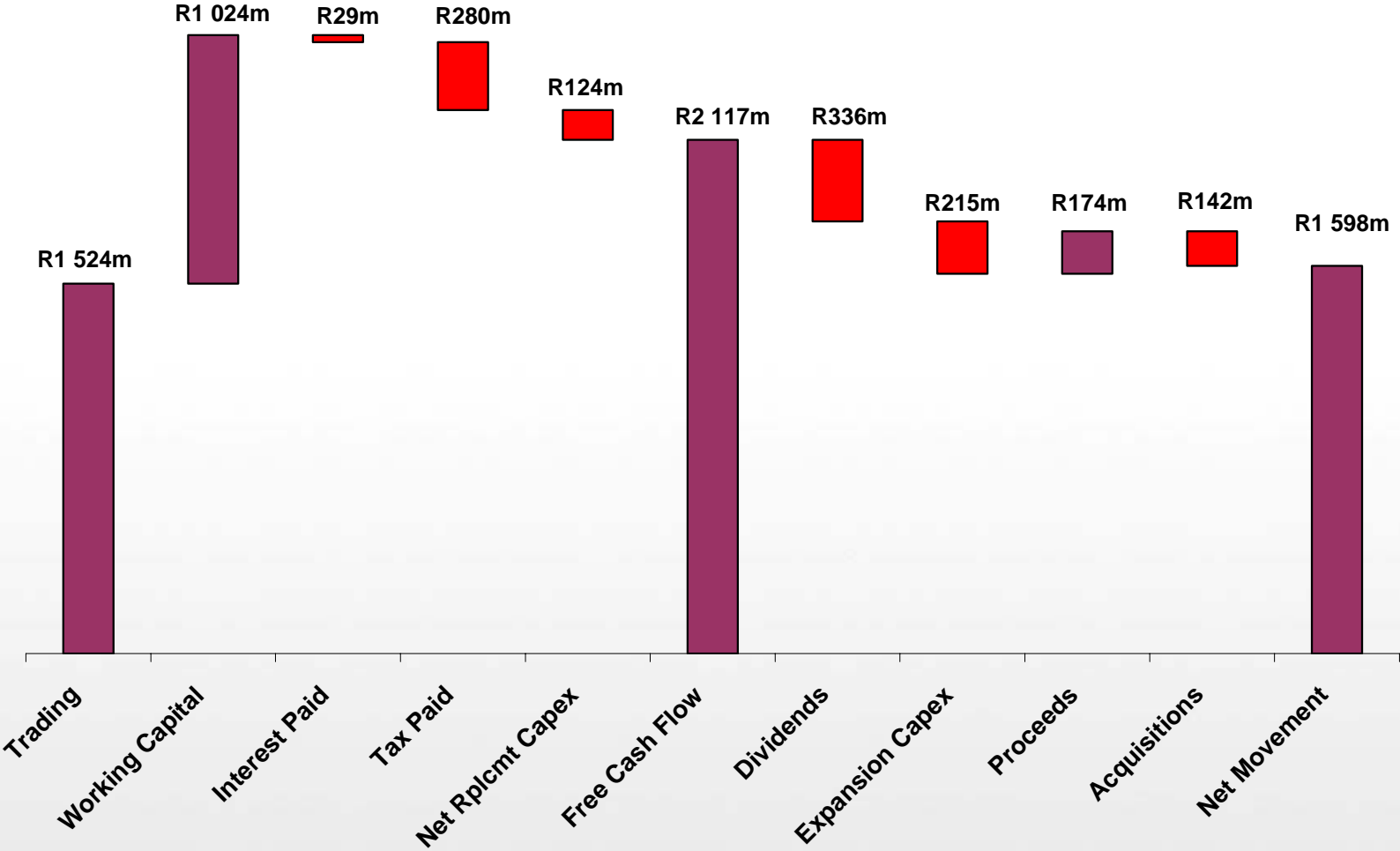
Overnight: unsecured bank facilities. Floating interest rates



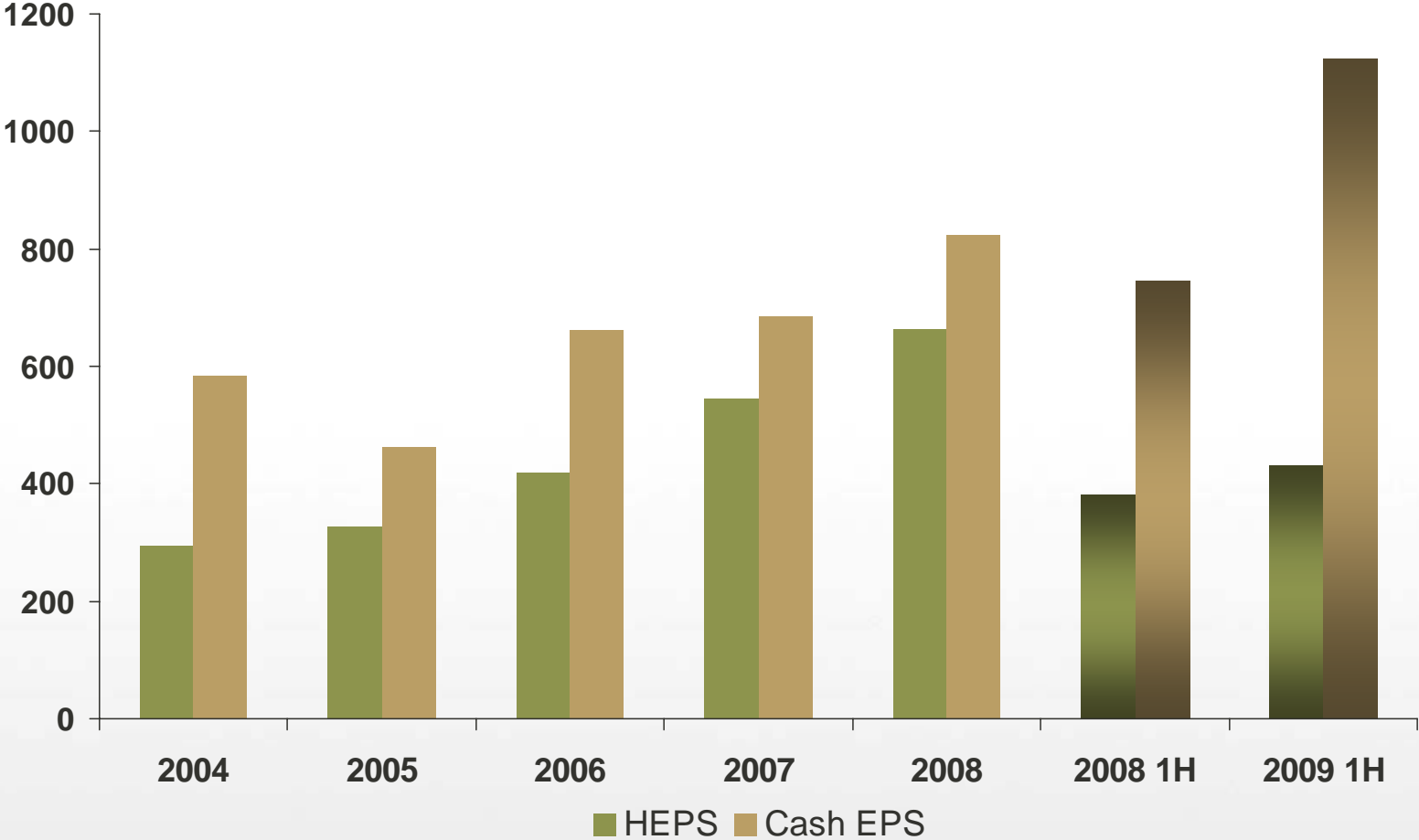
Average gearing calculated using Net Interest Paid as a proxy

**MASSMART**

# Cashflow Analysis



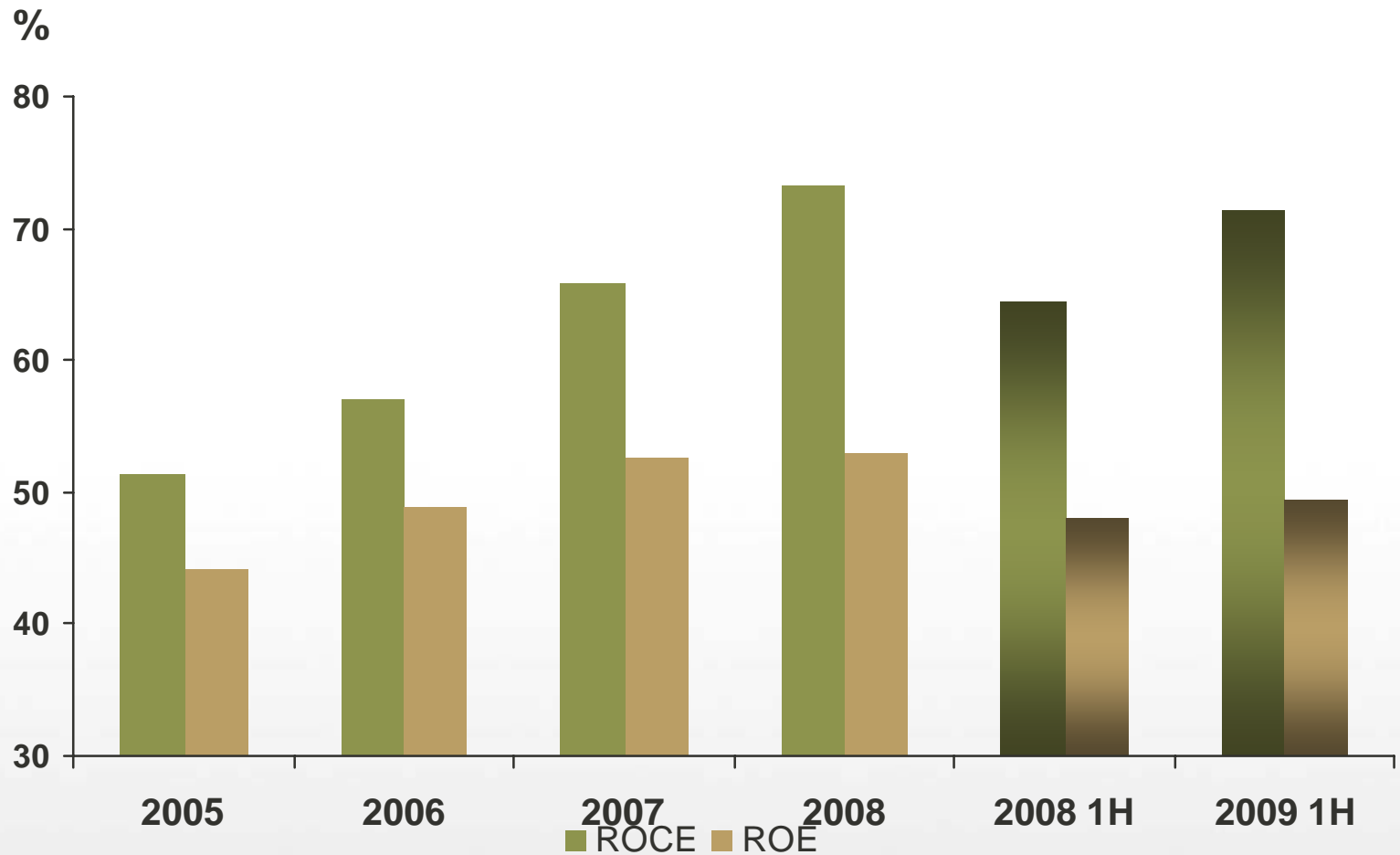
# Cash Earnings



HEPS – Headline Earnings per Share (cents)

Cash EPS – Cash from Operating Activities, before dividends paid

# Returns



ROCE - EBITA / Average Capital Employed

ROE - Headline Earnings / Average Shareholders Equity (ignoring previous goodwill & trademark write-offs)

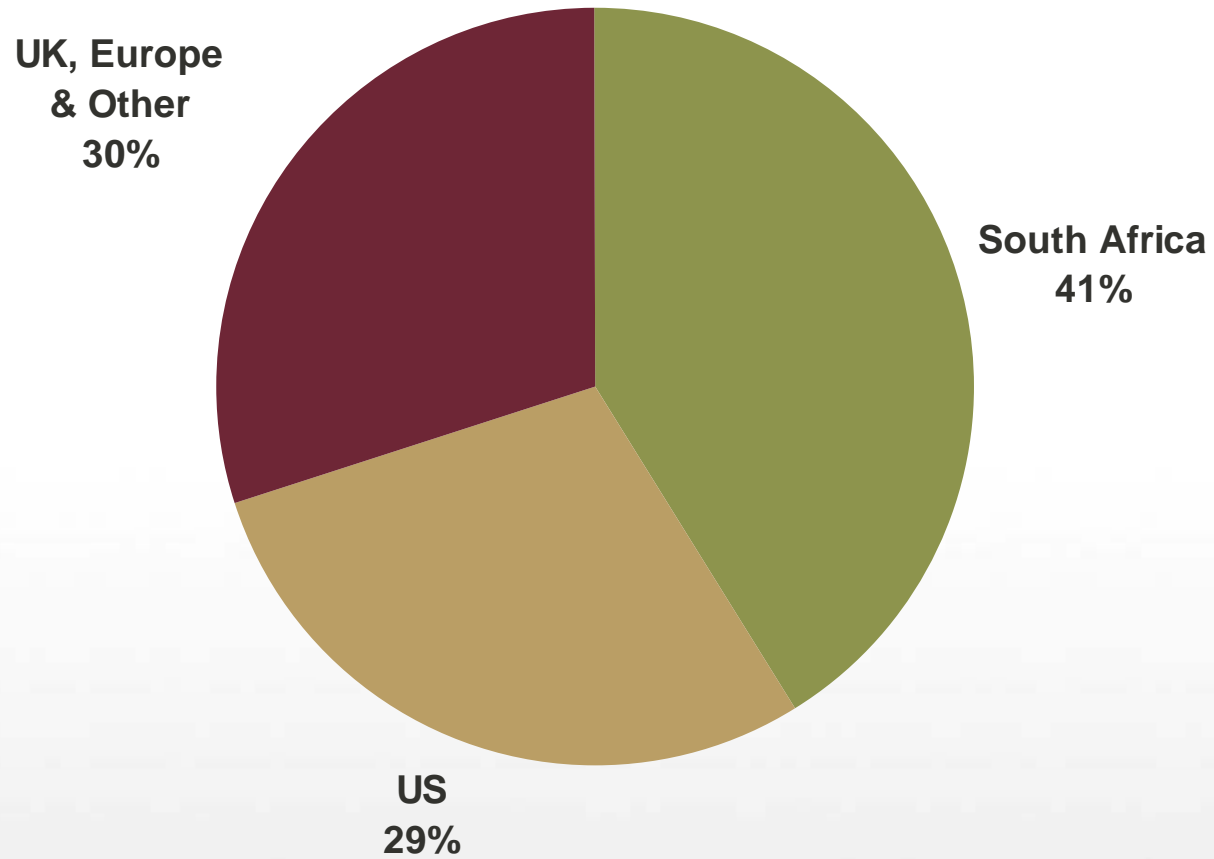
# Thuthukani BEE Staff Issue

---

- Effective 1 October 2006 – now annualised
- Remaining total Scheme IFRS 2 charge R264m
  - Still to be expensed over four years (was six in total)
  - Estimated maximum annual charge for 2009: R75m
  - Non-cash and no tax relief
- BEE Scheme Dividend:
  - In 2009: 75% and in 2010 100% of ordinary dividend
- IFRS 2 charge & Scheme dividend affected Group HEPS by 45 cents (2007: 31 cents)
- In 2008 (calendar) 11 900 participating employees received an average dividend of R2 412 each

# Massmart Shareholding - December 2008

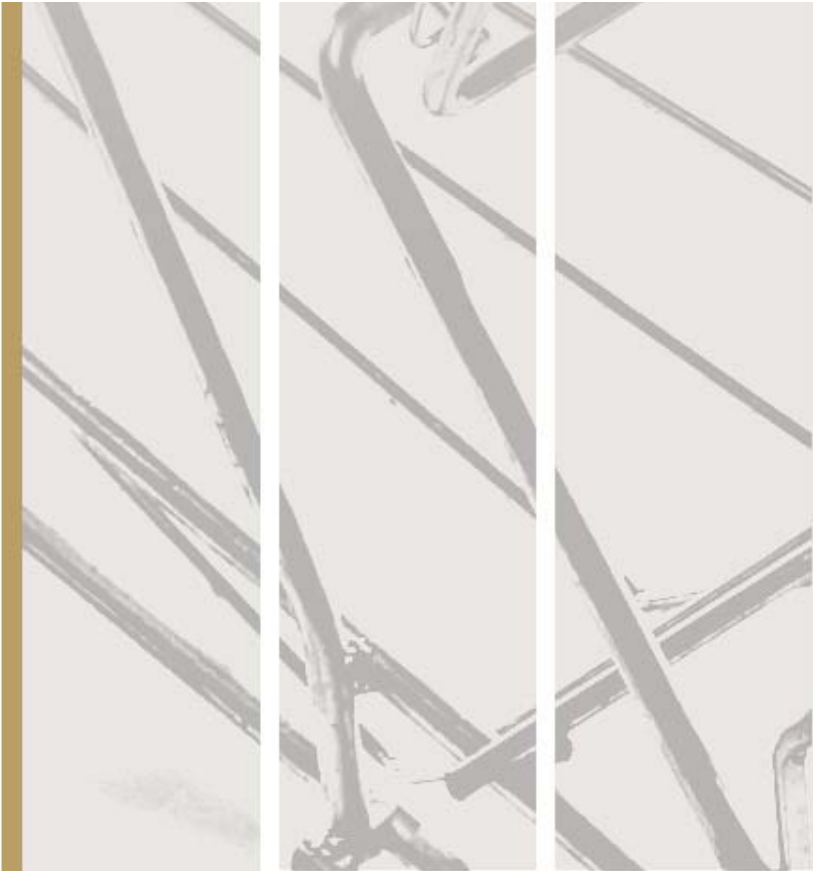
---



Source: JPMorgan Cazenove



## Environment



# Environment

---

- Interest Rate Cycle really starting to bite.
  - Consumers focused on more immediate needs, value, and cash.
  - Car and Home repossessions yet to find the bottom.
  - Whilst overall inflation has peaked, Food & Liquor inflation is still high (15.1%), although General Merchandise inflation is still very low (1.1%). Home Improvement inflation high (10.6%).
  - Lower-income consumer seemingly healthier than middle or upper-income consumer.
  - Banks' conservatism rising.
- Global Economic Environment impact starting to show its effect
  - Global Economic news getting worse.
  - Mining, construction and export-orientated manufacturing suffering.
  - Job loss announcements rising.

# Environment

---

- Massmart performance is story of the SA consumer
  - African consumers have been confident, enjoying the benefits of investment driven by commodities and the emergence of a small middle-class.
  - Lower-income consumers have absorbed food inflation and maintained their purchases in volume terms. Immigration and social spending and employment has propped up this market.
  - Middle-income consumers have looked for value and responded to lower price points and promotions. They have spent more on cash than credit.
  - Consumers with, or looking to buy bonded residential homes, have reduced their investment in property, although are still maintaining them where possible.
  - Upper-income consumers have become more value conscious but have still shown a propensity to spend on technology.



## The Divisions



# Massdiscounters

	Dec 2008	% change
Sales	R6 088m	13.1%
PBT	R542m	17.0%
<i>PBT margin</i>	<i>8.9%</i>	

- Africa performed exceptionally well - sales growing at 62.3%.
- Dion Wired also performing exceptionally well.
- Games SA comparable sales 5.3% (1.8% inflation). Investment in pricing. SA profits slightly down.
- Supply chain implementation now gathering momentum
  - RDC, Space Planning
- Game has dropped SA stock below last year.
- New-look store Boksburg performing above expectation.
- New Africa stores pipeline building. DRC approved.
- Financial Services settled, plans in place to re-develop entire offering.
- Dion Wired National rollout plan in place.

# Masswarehouse

---

	<b>Dec 2008</b>	<b>% change</b>
Sales	R5 868m	14.9%
PBT	R445m	21.1%
<i>PBT margin</i>	7.6%	

- Continued to trade opportunistically with shortages and increases.
- Good progress with identifying and securing new sites. We will bank land if necessary.
- Developments in supply chain. Forecasting and supply chain, warehousing.
- Makro Zimbabwe switched to US Dollar basis in November 2008.

# Massbuild

	Dec 2008	% change
Sales	R2 936m	1.4%
PBT	R169m	(29.2%)
<i>PBT margin</i>	<i>5.8%</i>	

- New Divisional CEO and FD joined in November.
- Improvement in control – particularly stock control.
- Massbuild has dropped stock levels to below last year
- Extent in cyclicity becoming evident – exaggerated by some own goals.
- Now starting to look for economic correlations.
- Newest thinking evident in North Riding and Centurion.
- Still struggling in KZN sites.
- Have introduced a greater value offering on-shelf.
- Diversify customer base into low income, commercial and infrastructure.

# Masscash

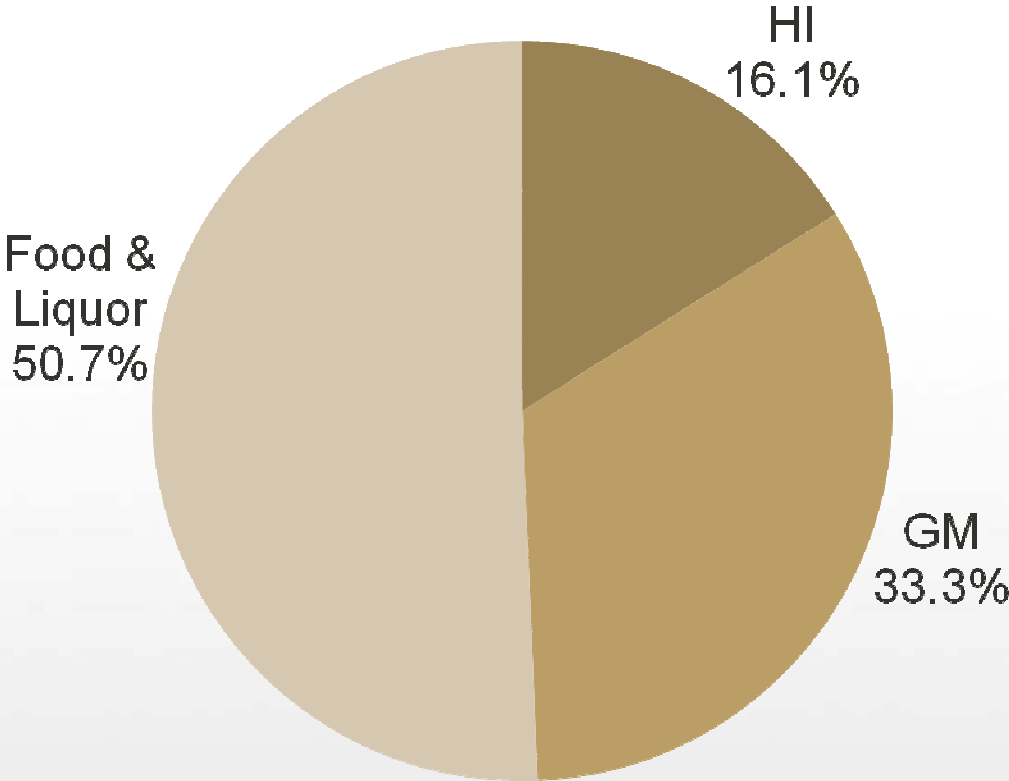
	Dec 2008	% change
Sales	R7 866m	16.8%
PBT	R289m	33.1%
<i>PBT margin</i>	<i>3.7%</i>	

- Food inflation dominant (17.7%). Volumes steady (BATSA effect on sales).
- Inflation in all categories.
- Lower levels of inflation profit than in previous cycle – stock shortages.
- Retail Cash and Carry (Hybrid) now up to 10 stores. Another 7 stores in various stages of approval. Still building the pipeline.
- Watching food inflation carefully.
- Systems rollout in full swing.

# Contribution by category

---

## Total Contribution by category



# Highest performing sub-category

---

<b>Category</b>	<b>Leading Sub-category</b>
HI	Paint, Adhesives & Allied Bricks & Building Mixes Hardware Tool
GM	Audio Visual Major appliances Computers, printers & peripherals House wares Sport and Outdoor
Food & Liquor	Commodities Groceries Cigarettes Maize Quarts



## Update on Vision for Growth 2011



# Update on Vision for Growth 2011

---

- Leadership and Transformation
- Growth of the core business
- New stores (expanding footprint)
- Greenfield formats
- Acquisitions
- Sustainability

# Update on Vision for Growth 2011

---

- **Highlights**

- Massmart University with a full 2009 program.
- Strengthened executive team.
- Private Brands growing ahead of total sales growth. New-look Trojan, Camp Master and Garden Master.
- All retail chains on replenishment. We have dropped stock simultaneously with sales growth declines.
- Game Cape RDC successful. Committed to new Gauteng Game RDC. Final plan now clear.
- Space-planning trial in Game going national.
- 3.9 % space growth in first-half (including acquisitions). New site secured for Makro in Gauteng.
- Completed Cambridge acquisition.
- Achieved verification of BEE status from level 6 to level 5. Allows 80% of purchases from Massmart to be counted as BEE.
- Accepted in SRI Index as top performer.

# Update on Vision for Growth 2011

---

- **New stores (excluding acquisitions)**
  - Net 25 stores (32 open, 7 close, 11 relocate):
    - 13 Game (3 G)
    - 1 Makro
    - 1 CBW
    - 7 Builders Warehouse, 2 Builders Express, 1 Trade Depot (1 BW, 1 BE, 1 TD)
  - 147 600m<sup>2</sup>, R3.66bn annualised turnover
  - Trading space growth (excluding acquisitions):
    - 2009 5.1%
    - 2010 6.0%
    - 2011 3.5%

\* Opened in the first half FY2009

# Targeted ROS (PBT / Sales)

(%)	FY08	Dec FY09	<i>FY Medium- term Target</i>
Massdiscounters	7.5%	<b>8.9%</b>	8.0%
Masswarehouse	7.2%	<b>7.6%</b>	7.0%
Massbuild	7.6%	<b>5.8%</b>	7.0%-9.0%
Masscash	3.2%	<b>3.7%</b>	3.0%
IFRS 2 & Net Corporate Interest	-0.7%	<b>-0.8%</b>	-0.5%
Group	5.6%	<b>5.6%</b>	*6.2%

\* Proforma using Dec 2008 full year sales mix



## Long-term Growth



# Long-Term Growth

---

- **Massdiscounters**
  - Significant competitive operating improvements post RDC and space planning.
  - Africa has the potential to be 50% of the size of the South African business.
  - Dion Wired has the potential to be a fully fledged 20-30 store national chain.
- **Masswarehouse**
  - Can see the potential of a further 4 stores in South Africa.
  - Potential for at least 4 African stores - lots of work to do.
  - Potential for additional Warehouse stores focused on other categories.
- **Massbuild**
  - Several years of store growth in all formats.
  - Many operating improvement opportunities visible.
  - Significant market share gain potential as competitors exit.
  - Africa potential in all formats.
- **Masscash**
  - Retail Cash and Carry could be as big as Cash and Carry.
  - Cash and Carry to migrate to franchising model – Banner Plus.
  - Africa potential for Retail Cash and Carry – South Africa first.



## Prospects & Risks



# Massmart's 2009 Prospects

---

- **Global Economic Crisis dominant**
  - Unprecedented levels of uncertainty.
  - No reliable signals of a bottom.
  - Most views are pointing to a later rather than sooner recovery.
  - Effects will continue to flow into South African and African economics.
- **Sales have slowed slightly since half year**
  - Comparable growth for the 34 weeks at 11.3% from 11.9% after 26 weeks.
  - Food inflation peaked or even dropping. Liquor strong. General Merchandise holding and Home Improvement weaker.
  - Petrol price lower than last year but declines seem over.
  - Rolling black-outs and BATSA effect.
  - Africa currency effect.
- **Will get worse before it gets better**
  - Interest rates will drop quickly to June.
  - Massmart Q3 and Q4 tougher than Q1 and Q2.
  - Perhaps base effect and lower interest rate will see improvement in Q1 and Q2 FY 2010.
  - Africa will start to feel the effects of the Global Economic Crisis.

# Massmart's 2009 Prospects

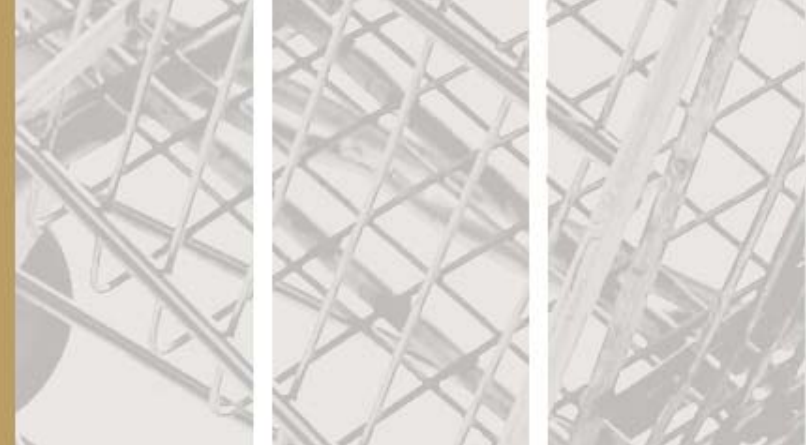
---

- **Massmart Operating Assumptions**
  - We will continue to respond to the most recent trends and not bet on some forecast of the future.
  - Food inflation will decline from March 2009 but remain relatively high through to December 2009.
  - General Merchandise inflation will increase although, until interest rate effects kick in, consumer will look for lower price points.
  - Home Improvement will remain under pressure until we see the bottom in home-loan stress.
  - Cash remains a premium and we will be very tight in Working Capital and Maintenance Capital.
  - We will continue to invest for growth where the returns are clear.
- **Opportunities lie in taking market share where competitors are weak.**
- **Management are focused on holding Group operating margins at 2008 level (adjusted for 53<sup>rd</sup> Week).**

# Risks

---

- **External**
  - Magnitude of Global Economic Crisis on SA and Africa.
  - Rising Unemployment
  - Sufficient funding being made available to sustain business activity.
  - Food deflation.
  - Property market not recovering in the short term.
  - Uncertainty affecting customer (Economic/Political).
- **Internal**
  - Keeping expense inflation below CPI.
  - Maintaining employee morale.



## Conclusion



# Conclusion

---

- Satisfactory Group profit performance, showing a slightly more cyclical mix.
- Record cash generation performance from tight working capital management leveraging investment in Supply Chain.
- Growth plan still in place, but will be managed with a close eye on cash.
- Performance to FY2009 focussed on holding margins as sales slow.
- FY2010 performance reliant on no further Economic shocks and lower interest rates driving volumes



Dedicated to Value

Dedicated to Shareholder Value

[www.massmart.co.za](http://www.massmart.co.za)





## Additional Financial Data



# Headline Tax Rate Reconciliation

---

%	<b>Dec 2008</b>	<b>Dec 2007</b>
Standard tax rate	28.0	29.0
Disallowed expenses	2.3	2.0
Exempt income	(1.2)	(1.0)
Foreign income	1.3	0.8
Prior year	-	0.1
STC	2.2	2.3
Other	(2.9)	(1.6)
<b>Group tax rate</b>	<b>29.7</b>	<b>31.6</b>

# Analysis of Tax Charge

---

Rm's	Dec 2008	Dec 2007
SA tax	289.6	286.8
STC	32.4	23.5
Deferred tax	2.6	20.5
Foreign tax	40.6	18.0
Foreign deferred tax	13.0	10.5
<b>Income Statement Charge</b>	<b>378.2</b>	<b>359.3</b>

# Capital Expenditure

---

Rm's	Dec 2008	Dec 2007
Land & buildings	9.9	4.8
Leasehold improvements	39.5	45.8
PPE	195.3	227.2
Computers	70.6	47.7
Motor vehicles	15.9	13.2
Sub-total	331.2	338.7
Goodwill & trademarks	11.0	14.5
<b>Total</b>	<b>342.2</b>	<b>353.2</b>

2009 Budget Capex R627m

# Headline Earnings Reconciliation

---

<b>Rm</b>	<b>Dec 2008</b>	<b>Dec 2007</b>
Attributable earnings	868.3	762.9
Loss on fixed asset disposals	0.6	0.2
Profit & sale of assets classified as held for sale	(7.0)	-
Tax effects on adjustments	0.7	(0.1)
<b>Headline earnings</b>	<b>862.6</b>	<b>763.0</b>

# Number of Shares

---

	<b>(000's)</b>
At June 2008	201 195
Shares issued	82
At December 2008	201 277
Weighted-average for period	199 390
Fully-diluted weighted average	205 348

The weighted-average number of shares is lower due to the effect of the share buyback.

IAS 33 requires the fully-diluted weighted-average shares calculation to be based on the extent to which the BEE shares are in-the-money. This must take into account the strike price, the associated IFRS 2 charge and average annual share price.

This calculation produces the additional 6.3m shares that are included to get the fully-diluted weighted-average no. of shares.

Total BEE shares issued were 20m.

# Targets

---

Group Annual ROS > 5.5%

Int-bearing Debt : Equity < 30%

Return on Capital Employed > 45%

Return on Equity > 35%

(ROCE = EBITA / Average capital employed, excluding goodwill and deferred tax assets)

(ROE = Headline Earnings / Average shareholders equity, excluding goodwill and deferred tax assets)