

Dedicated to Value

Massmart Reviewed Results for the year to June 2012

Presentation to Investors, Analysts and Media
August 2012



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Agenda

- Highlights
- Operations
- Financials
- Environment
- Strategy
- Prospects

ADDENDUM – Additional financial data



Highlights

Performance Highlights

June 12

Total sales	+15.6%	<i>Growth across all Divisions</i>
Comparable sales	+9.6%	<i>Comp volumes of +7.8%</i>
Gross profit	+16.4%	<i>Improving GP% in Massbuild & Game Africa</i>
Comparable expenses	+7.0%	<i>Becoming more difficult to contain</i>
Operating Profit <small>(excl Forex & Integration)</small>	+3.6%	<i>From Depr & Property costs 24% higher</i>
Increase in Inventory	+23%	<i>From new stores. Stock days steady</i>
Cash from Operations <small>(after w/capital)</small>	+42%	<i>Cash generation & good w/capital mgmt</i>
New trading space	+7.3%	<i>40 new & acquired stores</i>
New FTEs	+2 964	<i>9% increase</i>

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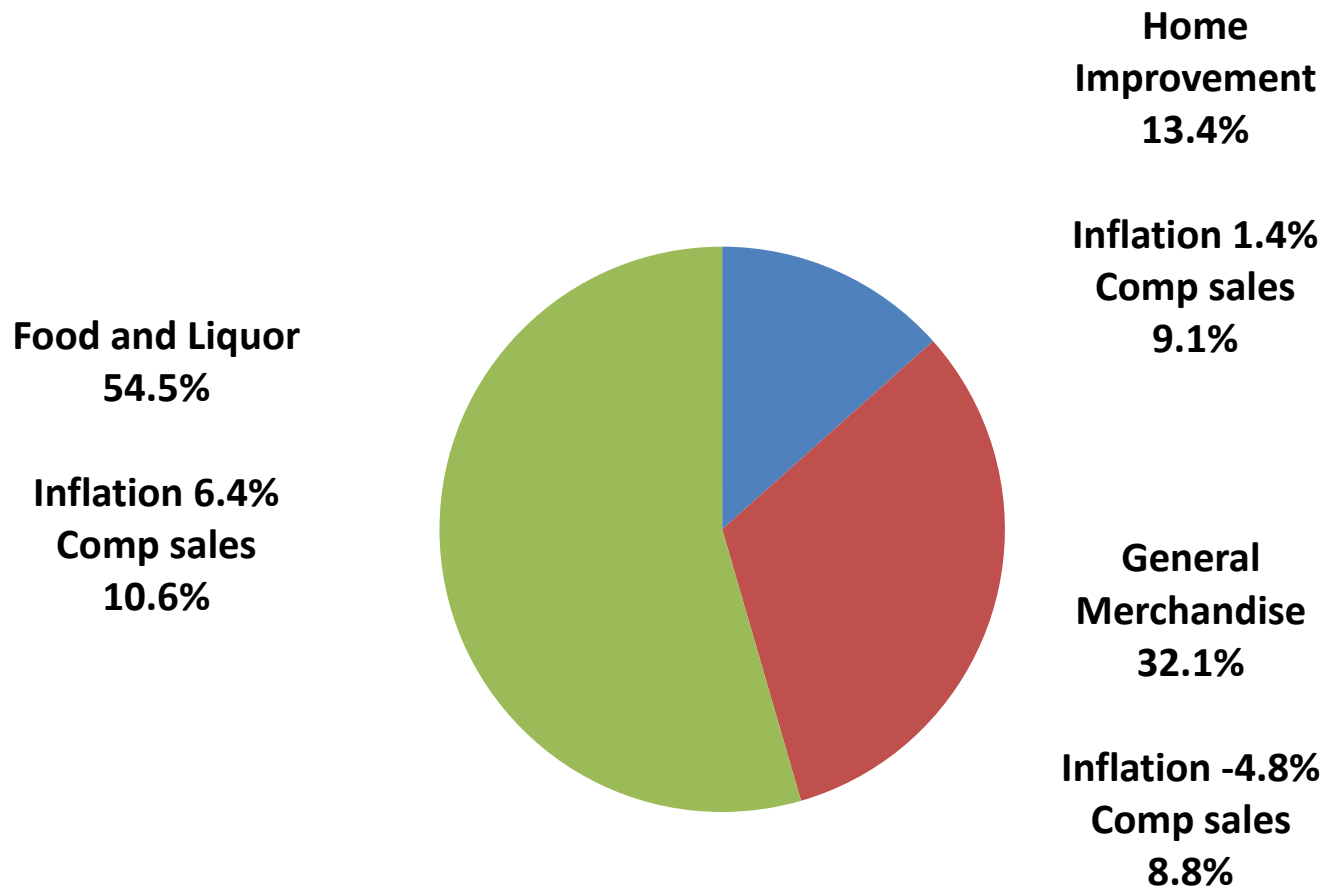
Focus Areas

New stores	<i>40, including 3 Makros. Builders Warehouse in Africa</i>
Foodco	<i>Now 20 stores, including 3 in Africa</i>
Food Retail	<i>R9bn annualised sales, 15% of total</i>
New RDCs	<i>Massdiscounters, Builders Warehouse, Makro</i>
Total RDC space	<i>280 791m². CAGR of 36% from 2008</i>
New IT systems	<i>Cambridge, Massbuild</i>
EDLP	<i>Improving understanding. Extended promotions informative</i>
Acquisitions	<i>Rhino & Fruitspot</i>
Disposals	<i>Kawena & Score stores</i>
Walmart	<i>Closed legal transaction & formal integration over</i>

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Contribution and Performance by Category



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Divisional Performance

Massdiscounters

	2012	Total	Comps	Inflation
Sales	R14.79bn	11.0%	4.4%	(3.3%)

- > Game SA. Low nominal sales (comps 1.3%) but still decent volumes:
 - Middle-income consumer stretched, some Makro cannibalisation
 - Gaining market-share across most categories
 - Product deflation affects financial performance
- > Game Africa. Strong performance (comps 20%, own currency comps 14%):
 - Steady economic recovery across most countries
 - Currency devaluation in Malawi
- > Dion Wired. Great performance with total sales up 38%:
 - National brand: 18 stores. All top-end suppliers' products available
 - Launched national online shopping in July '12
- > Norman Drieselmann (ex-Makro) appointed Massdiscounters CFO

Massdiscounters *continued*

	2012	Change
Sales	R14.79bn	11.0%
PBT	R813m	4.0%
<i>PBT margin</i>	5.5%	

- > Foodco: 16 stores new / converted during FY12. Now 20 including three in Africa. Performing at or above expectations
 - Focus on sourcing, supply chain & skills
- > Third final RDC successfully opened in Durban July '12
 - National footprint. Focus on optimising the investment
- > New RDCs & conversions dragging on profitability:
 - Lease-smoothing charges & Depreciation accelerating
 - EBITDA growth 8%
- > Trading space increased 7%
- > Two-year wage agreement

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Masswarehouse

	2012	Total	Comps	Inflation
Sales	R15.37bn	20.8%	11.6%	1.9%

- > Exceptional trading performance:
 - Opened three stores and closed one
 - Good comp sales growth in all three categories
- > New stores performing well
- > Fruitspot acquired January '12:
 - Performing ahead of expectations, positive profit contribution
 - Makro's Fresh supply chain
 - Fresh offering now in five stores
- > Two-year wage agreement
- > Launched RCS-funded consumer credit in May '12. Performing ahead of expectations

Masswarehouse *continued*

	2012	Change
Sales	R15.37bn	20.8%
PBT	R906m	12.8%
<i>PBT margin</i>	5.9%	

- > Great profit performance:
 - Before pre-opening costs, PBT +16%
 - Also being affected by Lease-smoothing & Depreciation
- > Working capital well managed
- > Opened new DC and extending existing DC. Renewed focus on optimising logistics & distribution
- > Trading space increased by 14%
- > Opening two stores this year – one each at end August (Cape Gate) & September '12 (Bloemfontein)

Massbuild

	2012	Total	Comps	Inflation
Sales	R8.14bn	11.9%	9.3%	1.4%

- > Great performance:
 - Very strong sales in Builders Warehouse & Express (comps > 10%)
 - Good results from Builders Warehouse focus on trade customers
 - Trade Depot recovering but hampered by soft housing market
- > Creating common platform for Warehouse, Express & Trade Depot
- > First non-SA Warehouse store in Gaborone, Botswana, performing well:
 - Overcame initial cross-border complexities (IT, merchandise, supply)
 - Will open in Zambia & Mocambique in FY13
- > RCS-funded consumer credit gaining traction
- > Market consolidating around the major players and independents

Massbuild *continued*

	2012	Change
Sales	R8.14bn	11.9%
PBT	R435m	22.7%
<i>PBT margin</i>	5.3%	

- > Builders Warehouse & Express PBT margin > 7%
- > Mocambique:
 - Kangela struggled – over-reliance on cement sales
 - Expanding in-country executive capacity, strengthening IT
 - Bridgehead for new stores
- > New RDC in Midrand to open in FY13
- > Zandile Manana appointed Massbuild Marketing Director
- > Trading space increased by 2%

Masscash

	2012	Total	Comps	Inflation
Sales	R22.9bn	16.7%	11.6%	6.1%

- > Wholesale & Retail comp sales both in low 'teens %
- > Food inflation steady, but commodity-led inflation spike very likely
- > Rhino Cash & Carry:
 - Acquired 100% effective March 2012. Performing well
 - 15 stores in KwaZulu-Natal & E Cape. Have opened 16th store
- > Metro:
 - We acquired two Wholesale stores (and a Retail store which falls into Dec '12 period)
 - Competition intensified around stores acquired by independents
- > Trading space increased 11%

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Masscash *continued*

	2012	Change
Sales	R22.9bn	16.7%
PBT	R302m	(22.8%)
<i>PBT margin</i>	1.3%	

- > Disappointing profit performance:
 - Affected by accumulation of small charges from some operational errors & selling stores; and
 - Costs of building capacity quickly, DC inefficiency & undoing a poor 2010 small acquisition
- > Fourth quarter trading & profitability encouraging, and current trends are similar
- > Jon Martinek appointed Masscash Retail Food Director
- > Louis von Fintel appointed Masscash Wholesale Ops Director

Store Portfolio

	Massdiscounters	Makro	Massbuild	Masscash	Total
June 11	113	14	81	105	313
Acquired	-	-	-	15	15
Closed	(1)	(1)	-	(3)	(5)
Openings	13	3	3	6	25
June 12	125	16	84	123	348

- > Massdiscounters: opened eight Game, including Enugu, Nigeria, and five Dion Wired. Closed Mauritius
- > Makro: opened Montague, Nelspruit & Polokwane. Closed Milnerton
- > Massbuild: Opened Builders Warehouse, Botswana, and two Builders Express
- > Masscash stores: Retail – five opened & two closed. Wholesale – one opened & one closed

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June 2012
Financial Performance

Brief Overview of FY12

Income Statement:

- > Strong total & comparable sales growth in all Divisions
- > High space growth: 3 new Makro stores & 2 new African stores
- > Expense pressure due to investing in new stores & RDC's
- > Comparable expenses +7.0%
- > Integration costs R185 million
- > Strong results – Makro & Massbuild, Poor result – Masscash
- > Underlying PBT growth 3.7%

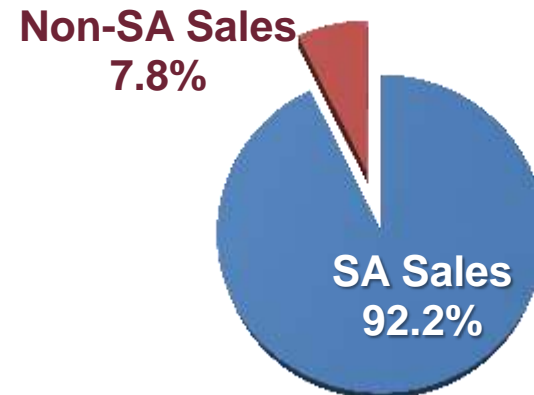
Balance Sheet:

- > Good retail disciplines: Inventory days well controlled & steady supplier funding levels
- > Significant capital expenditure

Sales

(Rm's)	2012	2011	Total % Chg	Comp % Chg	Inflation %
Massdiscounters	14 806	13 333	11.0	4.4	(3.3)
Makro	15 371	12 723	20.8	11.6	1.9
Massbuild	8 138	7 271	11.9	9.3	1.4
Masscash	22 895	19 624	16.7	11.6	6.1
Total	61 210	52 951	15.6	9.6	1.8

- > Strong real comparable sales growth in all Divisions
- > Africa local sales growth 14.4%
Rand growth 21.7%



Sales Inflation

YTD Sales Inflation to June 2012	
General Merchandise	-4.8%
Home Improvement	+1.4%
Food & Liquor	+6.4%
Total	+1.8%

- > General Merchandise still experiencing deflation
- > Rising Food prices

Gross Profit

	2012	2011
Gross Profit	R11 252m	R9 668m
<i>As % of Sales</i>	18.38%	18.26%

- > Margins have improved slightly:
 - Higher Africa sales contribution
 - Better margins in Massbuild
 - Partially offset by greater food contribution

Operating Costs

	2012	2011
Operating Costs	R9 199m	R7 677m
<i>As % of Sales</i>	15.0%	14.5%

- > Total costs increased by 19.8%
- > New store pre-opening costs of R82m (2011: R43m)
- > Maintained comparable expenses growth at 7.0% (including depreciation), below comparable sales growth

Employment Costs (47% of total costs)

	2012	2011
Employment Costs	R4 336m	R3 766m
<i>As % of Sales</i>	7.08%	7.11%

- > Total increase 15.1%
- > Comparable increase 11.9%
- > Increase in staff (FTEs) of 9% as a result of new stores, HO skills & RDC

Occupancy Costs (22% of total costs)

	2012	2011
Occupancy Costs	R 2 060m	R 1 665m
<i>As % of Sales</i>	3.4%	3.1%

- > Total increase of 23.7%.
- > Comparable increase of 13.1%
- > 7.3% net new trading space (compared to June '11)
- > Rates, services & electricity inflation remains high

Depreciation

	2012	2011
Depreciation	R594m	R476m
<i>As % of Sales</i>	<i>0.97%</i>	<i>0.90%</i>

- > Increased by 24.8%.
- > Significantly higher than sales growth
- > Expect high depreciation to continue ahead of sales growth due to new stores, refurbishments & RDCs

Walmart Transaction & Integration costs

	2012	2011
Integration costs	R185m	R409m

- > Includes all ex-pat costs, & direct charges, travel & accommodation for initial integration work-streams
- > Should normalise at R50m per year from 2013

Forex Gains & Losses

<i>Rm's</i>	2012	2011
Massdiscounters	(100.8)	(58.7)
Other	28.3	(13.5)
Total	(72.5)	(72.2)

- > 50% Currency devaluation in Malawi
- > Losses offset by Rand weakness compared to African currencies basket

EBITDA & EBITDAR

Rm's	2012	2011	% change
Operating profit before Walmart costs	2 135	2 059	3.7%
Depreciation	(522)	(420)	24.4%
Amortisation & impairments	(88)	(66)	33.1%
EBITDA	2 745	2 545	7.9%
Occupancy costs	(2 060)	(1 665)	23.7%
EBITDAR	4 805	4 210	14.1%

Tax Charge

	2012	2011
Total tax	R618m	R585m
<i>Tax rate</i>	33.7%	38.9%

- > Effective tax rate will drop slightly due to decrease in the proportion of non-deductible expenditure
- > Tax rate includes STC on dividends 4.3% (2011: 5.2%)
- > No STC charge in future

Stock & Creditors

	June 2012		June 2011	
	Rms	Days	Rms	Days
Net Stock ⁽¹⁾	7 616	50.5	6 200	49.8
Trade Creditors ⁽¹⁾	8 909	57.1	7 554	55.9

- > Despite 23% stock increase, stock days very similar to 2011
- > Stock remains fully funded by creditors

1. Days calculated using historic cost of sales.

Debtors

	June 2012		June 2011	
	Rms	Days	Rms	Days
Gross Trade Debtors	1 605	8.4	1 311	7.9

- > Closely monitor commercial credit
- > Bad debt experience steady
- > RCS still doing well in Massdiscounters
- > RCS launched Private Label Card in Makro & Builders

Net Capital Expenditure

Rm's

Replacement Capex

Investment Capex

Total Capex

Businesses acquired

Total Capital Expenditure

	June 2012	June 2011
Replacement Capex	620	305
Investment Capex	710	843
Total Capex	1 330	1 148
Businesses acquired	328	171
Total Capital Expenditure	1 658	1 319

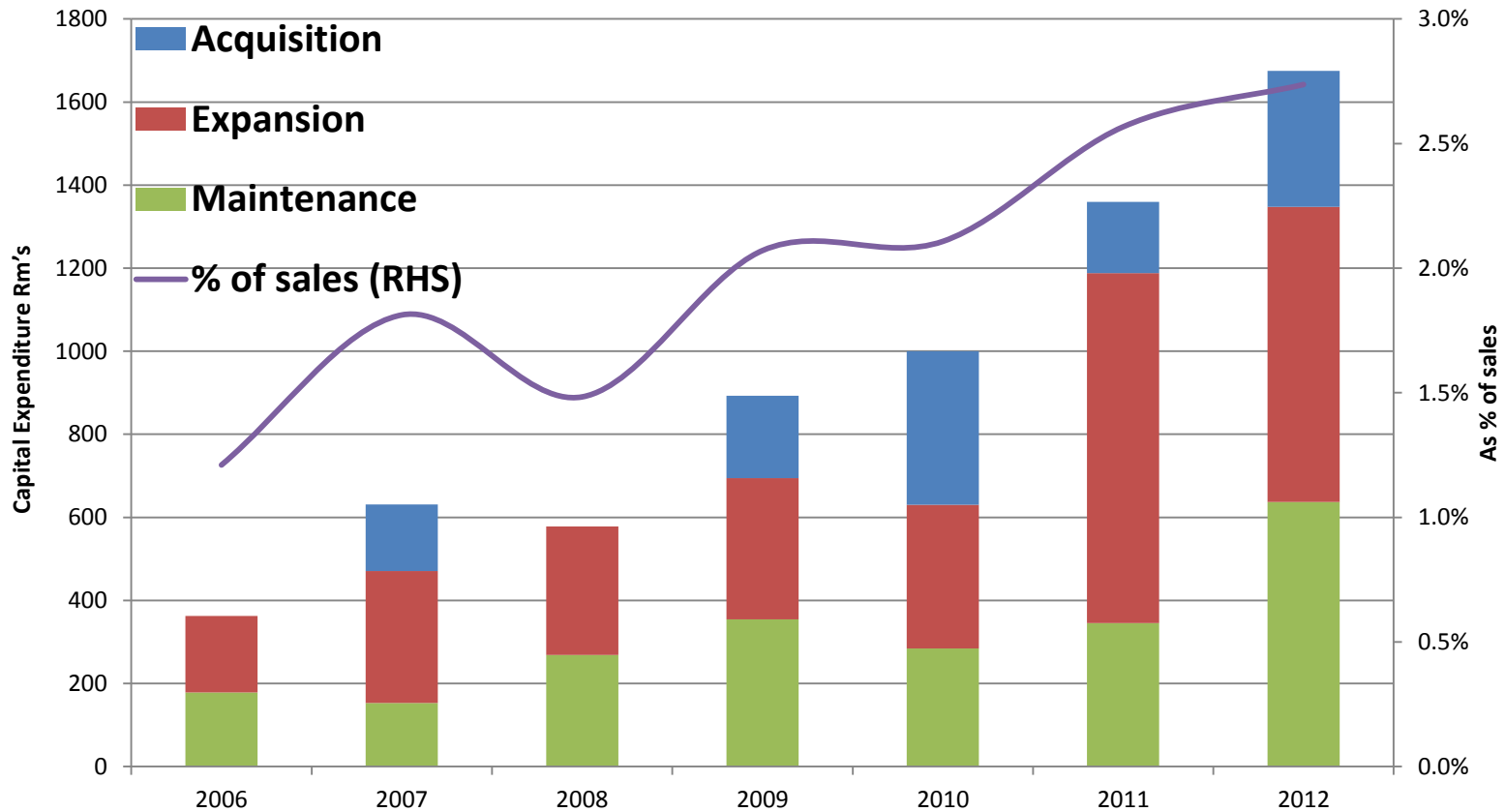
> Includes:

- New Makro stores R165m
- Roll out of Foodco and KZN RDC R358m
- Acquired Fruitspot (January) and Rhino (March) R328m

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Accelerating Capex



- > Group capex increased from 1.5% to 2.7% of sales
- > Capex as % of sales steady for next 18 months, then decline

Cashflow Statement

Rm's

Operating cashflows (includes Walmart costs of R123m, 2011: R239m)

Working capital movements

Cash from Operations

Interest & Tax paid

Replacement capex

Free cashflow

Dividends paid

Net investment capex & acquisitions

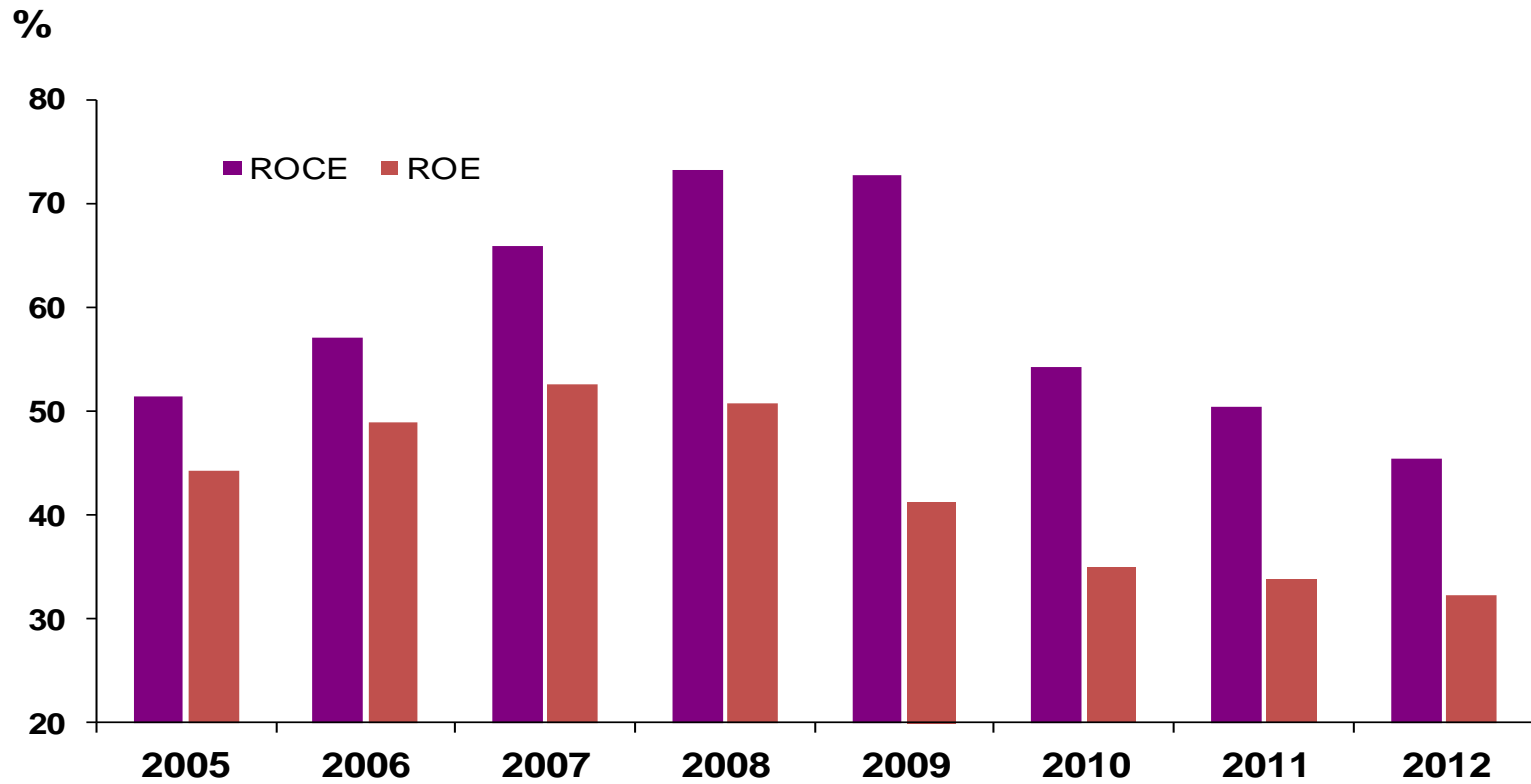
Cash outflow before Financing

	2012	2011
	2 615	2 265
	54	(625)
	2 669	1 640
	(707)	(703)
	(620)	(305)
	1 342	632
	(839)	(823)
	(988)	(993)
	(485)	(1 184)

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Returns



- > ROCE = EBITA / Average Capital Employed.
EBITA in FY11 & FY12 excludes Transaction Costs
- > ROE = Headline Earnings / Average Shareholders Equity.
Headline Earnings in FY11 & FY12 excludes Transaction Costs

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Dividends

	2012	2011
Total dividend per share (cents)	398	386

- > Despite lower headline earnings since 2008, have held the dividend per share constant
- > Previous dividend policy x1.7 cover on headline earnings
 - Adjusted for new Dividend tax legislation.
 - New cover x1.55
- > Final cash dividend 146 cents per share

Change in Financial Year-end

- > To align with Walmart, will change to December financial year-end with effect from December 2012

- > Consequences:
 - Will report a six-month audited period to December 2012
 - AGM now in April / May 2013
 - Annual report for six-months to December 2012
 - And June 2013 will be our first Interim results release



Environment

Environment – Socio Economic

Economic

- > GDP growth declined through the period
- > But comparable sales growth held up
- > Product inflation increased through the period, albeit only slightly
- > Volume growth 7.8% changes supply chain dynamics
- > Upper income and lower income consumers were stable
- > Middle income consumers under pressure, particularly those who rely on unsecured credit
- > Like for like, RCS credit card spend down 30%
- > New RCS cards up over 30%

Social

- > Some job creation, albeit small
- > Real wage increases a boost for consumer spend supported by stable interest rates
- > Local rates and taxes high

Environment – Competitive Retail

Retail market:

- > Walmart entry has shaken things up and everyone is responding
- > In this period we didn't do anything significant, with integration being a priority
- > Walmart Price Cut advert increasingly successful, saving a collective R260m
- > Brands now implementing their own versions – journey towards EDLP started
- > New entry price points established by some competitors in Hard Goods
- > Low-end retail food, very competitive
- > Wholesale food affected by the Metro demise
- > Home Improvement – surprisingly buoyant
- > Supply Chain efficiencies an important but invisible competitive effect

Massmart performance was affected by:

- > Gen Merch volume growth high – supply chain costs
- > Home Improvement – unchanged dynamics, increased home maintenance, renovations, extensions – little change in construction
- > Food Retail – new space, learning fresh, EDLP, relative basket price, market-share growth
- > Food wholesale – food inflation, expanded independents, more movement in franchisees

Environment

Challenges

- > Increased regulatory demand (CPA, Labour Amendment Bill, BEE Amendment Bill, National/Provincial Liquor Licences, Legislation, etc.)
- > Granting of Liquor Licenses
- > Shortage of skills, particularly modern retail skills
- > Above-inflation increases in employee costs, requiring the search for productivity gains
- > Administration burden of the LRA Amendment Bill



Strategy

Performance Against Transaction Commitments

- > All employees retrenched in a Massdiscounters re-engineering project that was unrelated to the transaction have been contacted and offered alternative employment within the Group. Total of 226 retrenched employees have accepted new positions
- > Investment in new stores and infrastructure has led to the creation of 2 964 Full Time Equivalent (FTE) positions, in line with the estimated creation of 15 000 new direct and indirect positions within a five-year period
- > Food, Liquor and FMCG procurement has grown by R4bn against an estimated increase of cumulative R60bn also within five years, indicating we are on plan
- > The Supplier Development Fund (SDF) has committed R40m in four initiatives, including Black-owned Brand wine development, paint manufacture and direct-to-farm projects

Strategic Highlights

Food Retail

- > Annualised Sales approximately R9bn
- > Have basic competency in Fresh F&V, Meat. Developing Bakery, Deli, and Prepared Foods
- > Direct Farm
- > Reached Critical Mass - 43 Cambridge, 20 Foodco Stores, 5 Makro Fresh, 104 Saverites

Supply Chain

- > Completed the Massdiscounters network
- > Built our first Dry Grocery DC
- > Approved our first Home Improvement national DC
- > First shared Group Supply Chain

Stores

- > Space growth of 7.3%
- > First Builders Warehouse out of SA
- > First Food Retail out of SA
- > First Walmart-branded product – Great Value

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Priorities

Complete the Transaction

- > Done, waiting for Competition Appeal Court SDF ruling

Formal Integration

- > Done – hand-over during next 12 months

Maintaining Momentum

- > Food Retail, Supply Chain, Fresh critical mass
- > Made some mistakes – cleaning up and correcting

Corporate Citizenry

- > Market Leaders
- > With Walmart's help, will make significant difference in energy, waste management, packaging, ethical sourcing
- > BBEE, Enterprise Development, and Women
- > Supplier Development Fund (SDF)

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Strategic Agenda 2015

- > Operating Discipline:
 - Merchandise and Price Authority
 - Shrinkage and Wastage
 - Food Quality and Safety
 - Private Brand
 - Supply-chain utilisation
 - Customer Engagement
- > Food Retail: Makro, Foodco, Cambridge, Saverite
- > EDLP/EDLC
- > Extract Value from Walmart
- > Africa Food Retail
- > Organic Growth:
 - 2013 – 7.9% (2MW, 5MB, 14MDD, 7MC)
 - 2014 – 7.1% (2MW, 7MB, 11MDD, 10MC)
 - 2015 – 6.2% (3MW, 6MB, 19MDD, 12MC)
- > Lead on Corporate Citizenry



Risk & Prospects

Massmart's 2012 Prospects

- > For 8 weeks to 19 August 2012 comparable stores sales growth of 9.8% and total sales growth 17.7%
- > 6 months to Dec12 – good sales – no net margin growth – space growth of 3.2%
- > 12 months to Dec 13 – Comparable sales above inflation plus real GDP. Space growth 7.9%. Again no net margin growth
- > Thereafter will achieve operating leverage and net margin growth

Risks

- > Economic effect of increased national labour unrest
- > Cost effect of LRA Amendment Bill
- > Significant changes in Economic Policy
- > Competitive intensity



Conclusion

Conclusion

- > We are nearing the end of a significant investment cycle
- > Achieved critical mass in Food Retail
- > Positioned to drive sales growth through new space and market-share gain
- > Value is starting to flow from Walmart relationship
- > Renewed focus, with Transaction and Integration behind us
- > Well positioned for the medium- to long-term
- > Some hard work in the next 18 months

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Thank You & Questions



Additional Financial Data

Headline Tax Rate Reconciliation

	%	June 2012	June 2011
Standard tax rate		28.0	28.0
Disallowed expenses		6.4	10.7
Exempt income		(2.0)	(0.4)
Foreign income		1.6	(1.6)
Prior year		(3.7)	(1.4)
STC		4.3	5.6
Other		(0.9)	(2.0)
Group tax rate		33.7	38.9

Capital Expenditure (excluding acquisitions)

Rm's	June 2012	June 2011
Land & buildings	122.7	243.3
Leasehold improvements	126.1	92.9
PPE	796.1	567.6
Computers	224.7	235.9
Motor vehicles	61.2	48.8
Total	1330.8	1 188.5

Headline Earnings Reconciliation

Rm	June 2012	June 2011
Attributable earnings	1173.5	838.7
Impairment of assets	16.5	10
Profit / Loss on fixed asset disposals	12.6	(2.9)
Fair value adjustment on assets classified as held for sale	7.9	0
Loss on sale of business	12.1	34.9
Tax effects on adjustments	(5.9)	1.2
Headline earnings	1216.7	881.9

Number of Shares

	(000's)
At June 2011	213 883
Shares issued	2 241
At June 2012	216 124
Weighted-average for period	215 539
Fully-diluted weighted average	220 284



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