

Media Release

Massmart reports resilient results

Good sales growth despite challenging economic conditions

Key highlights

- Total Sales up by 8.4% to R84.7 billion
- Operating profit before forex and interest up 14.1%
- Headline Earnings before forex up 7.7%

Massmart today announced its full-year results for the 52 weeks to December 2015, reporting a total sales increase of 8.4%, while comparable sales for the year increased by 6.7%. Effective margin management over the year lifted gross margins to 18.9% and this, together with and robust expense control, led to 14.1% growth in group operating profit, with volume growth of 5.4%.

Commenting on the results, Massmart CEO, Guy Hayward said: "In the context of the deteriorating South African consumer economy, we are pleased with this solid performance, which was achieved by effective margin control across all divisions, margin recovery at Game and good expense management. The economic outlook in SA has unfortunately weakened and although we anticipate further negative pressures, we remain focused on improving sourcing efficiencies and formulating deals that offer customers exceptional value."

Divisional performance

In the **Massdiscounters** division, Game's total sales for the year increased by 8.7%, with comparable sales growing 3.9%. The new stores in Zambia and Mozambique are performing particularly well, and, despite the difficult economic situation in Nigeria, Game is trading at acceptable levels in all four Nigerian stores. Game Africa's total Rand sales and sales in local currencies increased by 13.5% and 17.5% respectively. The Fresh produce roll-out continues with 84 Game stores now offering this category. Food and Liquor sales now comprise 21.3% of Game's total sales. DionWired has consolidated its position as South Africa's best appliances and electronics boutique, delivering pleasing total sales growth.

In **Masswarehouse**, Makro's indicative volume growth of 6.4% demonstrates that both retail and wholesale customers are responding strongly to its value proposition despite challenging macro-economic conditions. The 14.8% growth in Makro's trading profit before interest and tax was aided by excellent expense control in the face of margin pressure. Makro online sales now represent about 2% of total sales in the categories that form part of the online offering, and it is noteworthy that Makro card data analysis indicates that online shoppers continue to visit and shop the stores in person.

Massbuild delivered a strong performance, with total sales growth of 11.0% in the year. Total sales in non-SA stores grew by almost 50% and annualised sales may reach R1 billion soon. Commenting on this growth, Hayward stated: "This performance demonstrates the significant consumer demand for Builders Warehouse in African markets outside South Africa."

In the context of a very competitive retail and wholesale food environment, **Masscash** reported total sales growth of 6.1% and comparable sales growth of 5.8%. Despite the high level of competition, the South African Wholesale and Retail Food environment remains a vibrant and exciting market for Massmart.

Sales in Massmart's non-South African businesses represented 8.4% of total sales and increased by 12.6% in rand terms. "Massmart remains optimistic about growth opportunities in our merchandise categories across selected African countries, where we will maintain our measured long-term approach," Hayward said.

Financial performance

Excluding foreign exchange movements, headline earnings increased by 7.7%. Operating profit, excluding foreign exchange movements and interest grew by 14.1% to R2.3 billion.

Massmart announced an adjustment in its dividend ratio to 2.00 x cover. This is in line with local retail peers and is a sensible measure to enable a more conservative capital structure in the context of the economic environment.

Prospects

For the 8 weeks to 21 February 2016, total sales increased by 8.9% and comparable sales increased by 6.9%.

Hayward concluded: "We expect that the South African economic environment will constrain consumer spending through 2016. We are finalising the insourcing of several categories of employees who are currently employed by labour brokers. This is the right thing to do for the affected employees.

Going forward, our areas of strategic focus remain unchanged: we will continue to drive the growth and profitability of the core South African business over the medium term; expand further into food retail; pursue measured sub-Saharan expansion; and improve our e-commerce offerings."

For Media Enquiries

Annaleigh Vallie, Communications Manager
avallie@massmart.co.za
011 517 0000

Brunswick South Africa
Carol Roos
Gordon Kgaugelo Letsoalo
011 502 7300

About Massmart

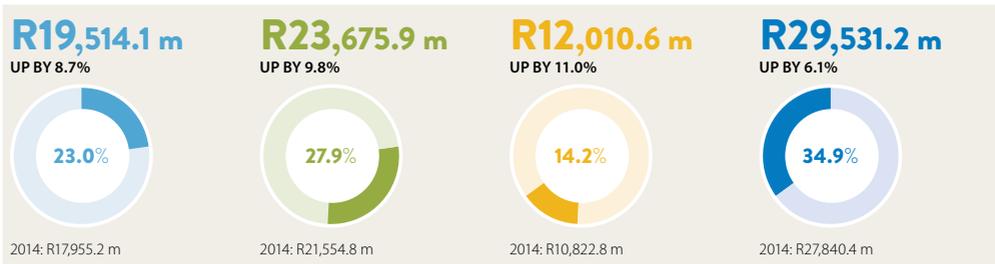
Massmart is a managed portfolio of four divisions, each focused on high-volume, low-margin, low-cost distribution of mainly branded consumer goods for cash, in 13 countries in sub-Saharan Africa comprising 403 stores.

The Group is the second largest distributor of consumer goods in Africa, the leading retailer of general merchandise, liquor and home improvement equipment and supplies, and the leading wholesaler of basic foods.

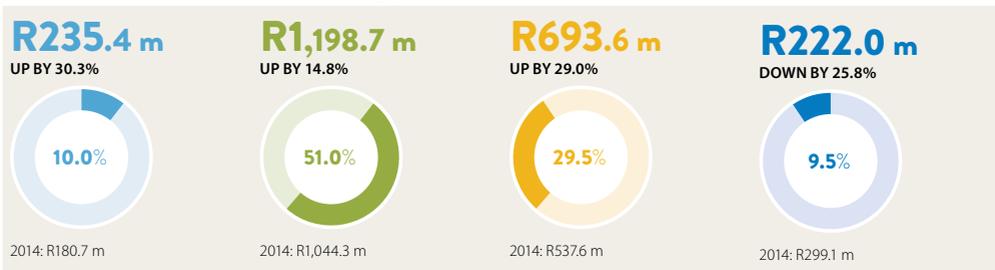
Massmart + Walmart 

Massdiscounters	Masswarehouse	Massbuild	Masscash
General merchandise discounter and food retailer	Warehouse club	Home improvement retailer and building materials supplier	Food wholesaler, retailer and buying association

Sales



Trading profit before interest and tax



Stores

161 STORES +8 FROM 153 533,078 SQM   137 STORES South Africa, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda, Zambia  24 STORES South Africa	19 STORES UNCHANGED 195,794 SQM   19 STORES South Africa	102 STORES +2 FROM 100 449,133 SQM   39 STORES South Africa, Botswana, Mozambique, Zambia  14 STORES South Africa  8 STORES South Africa	121 STORES +1 FROM 120 372,714 SQM    70 WHOLESALE STORES South Africa, Botswana, Lesotho, Mozambique, Namibia, Swaziland   51 RETAIL STORES South Africa   BUYING ASSOCIATIONS South Africa, Botswana, Namibia, Swaziland
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