Massmart + Walmart

Saving our customers money so they can live better

Annual Results Presentation
For the 52 weeks ended 25 December 2016
Agenda

01 Financial review
02 Review of Operational performance
03 Strategy & outlook
R340m in sales on one day at Massdiscounters on Black Friday, double last year’s Black Friday sales of R156m
Financial highlights

**Sales**

- **7.7%**
- **R91,250.0 million**
  - 2015: R84,731.8 m

**Trading profit before forex and interest**

- **11.2%**
- **R2,612.9 million**
  - 2015: R2,349.7 m

**Headline earnings**

- **15.6%**
- **R1,293.3 million**
  - 2015: R1,118.8 m
Sales

Group sales: SA vs. ROA

SA sales 91.3%

Rest of Africa sales 8.7%

Group sales: category split

General Merchandise 29.1%

Food and Liquor 57.0%

Home Improvement 13.9%

Africa sales: Food vs. non-Food

Non-Food 53.1%

Food & Liquor 46.9%

Rest of Africa businesses’ sales growth: sales in ZAR grew by 11.2% / in constant local currencies grew by 13.4%
Operating expenses well controlled

<table>
<thead>
<tr>
<th>Employment costs</th>
<th>Occupancy costs</th>
<th>Depreciation</th>
<th>Other operating costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>R7,346.6 m</strong></td>
<td><strong>R3,133.2 m</strong></td>
<td><strong>R1,036.5 m</strong></td>
<td><strong>R3,397.8 m</strong></td>
</tr>
<tr>
<td>2015: R6,784.3 m</td>
<td>2015: R2,865.6 m</td>
<td>2015: R946.2 m</td>
<td>2015: R3,245.8 m</td>
</tr>
</tbody>
</table>

- Total increase of 8.3% / Comparable increase of 7.1%
- Number of staff (Full-Time Equivalents) in line with prior year, despite new stores: +/- 48,000 FTE’s

- Total increase of 9.3% / Comparable increase of 7.9%
- 2.2% increase in new trading space since Dec 2015 to a total of 1,568,744m²

- Depreciation growth of 9.5% / Comparable increase of 1.6%
- Increase in line with depreciable assets purchased over the year

- Total increase of 4.7% / Comparable increase of 0.7%
- Continued investment in IT infrastructure across the Group
## Trading profit before interest and taxation

**Strong divisional performance**

<table>
<thead>
<tr>
<th>Division</th>
<th>2016 Profit</th>
<th>2015 Profit</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massdiscounters</td>
<td>R364.3 m</td>
<td>R235.4 m</td>
<td>54.8%</td>
</tr>
<tr>
<td></td>
<td><strong>R364.3 m</strong></td>
<td><strong>R235.4 m</strong></td>
<td><strong>54.8%</strong></td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>R1,251.3 m</td>
<td>R1,198.7 m</td>
<td>4.4%</td>
</tr>
<tr>
<td></td>
<td><strong>R1,251.3 m</strong></td>
<td><strong>R1,198.7 m</strong></td>
<td><strong>4.4%</strong></td>
</tr>
<tr>
<td>Massbuild</td>
<td>R712.6 m</td>
<td>R693.6 m</td>
<td>2.7%</td>
</tr>
<tr>
<td></td>
<td><strong>R712.6 m</strong></td>
<td><strong>R693.6 m</strong></td>
<td><strong>2.7%</strong></td>
</tr>
<tr>
<td>Masscash</td>
<td>R284.7 m</td>
<td>R222.0 m</td>
<td>28.2%</td>
</tr>
<tr>
<td></td>
<td><strong>R284.7 m</strong></td>
<td><strong>R222.0 m</strong></td>
<td><strong>28.2%</strong></td>
</tr>
</tbody>
</table>

- **Massdiscounters**
  - Great margin management & expense control
  - Significant stock reduction

- **Masswarehouse**
  - Margin pressure from soft General Merchandise sales
  - 20th new store added 10.5% space & some expense pressure

- **Massbuild**
  - Strong margin management despite sales pressure
  - Good expense control

- **Masscash**
  - Margin management exceptional in highly promotional environment
  - Great expense control
Net finance costs

- Interest 2015: R475.3 m
- Rate increase
- Working capital
- Interest 2016: R571.9 m
Inventory

2015 Inventories: R11,935 m

2016 Inventories: R11,803 m

Inventory days down by 5%
In summary

Strong sales in challenging year

$7.7\%$

R91,250.0 million

2015: R84,731.8 m

Great expense control

Maintained at

16.4% of sales

5.4% Comparable growth

Effective inventory management

58 days

Stock down from 63 days
02
Review of operational performance

Massmart + Walmart

Over 1,500
55” TV’s
Sold at Makro over Black Friday weekend
Key performance highlights

Retail Food continues to outperform

- **10%** Comparable sales increase

Record-breaking Black Friday sales

- **R1 billion** in sales on Black Friday weekend

Tremendous growth online

- **100%** Sales growth
- **2%** Category participation

GM sales soft but gained market share

- **33%** Share in small & large appliances
Key performance highlights

Great profit recovery at Game

Masscash Wholesale & Retail performed well

Growth in EBIT

Great profit recovery at Game

Growth in EBIT
Consumer outlook

Mildly positive for 2017:

- Business cycle appears to be turning (SARB Leading Indicator)
- End of drought should lead to lower Food prices & falling CPI
- Rand strengthening
- Possible interest rate cuts in late 2017
- Household debt/disposable income ratio at a decade-low

But:

- Low consumer confidence
- Weak growth of formal employment
- Political and policy uncertainty
## Sales performance

### Massdiscounters
- Game SA comp sales growth higher than Africa
- Food & Liquor participation 23% and comparable sales growth > 11%
- DionWired did exceptionally in difficult environment

<table>
<thead>
<tr>
<th>2015: R19,514.1 m</th>
<th>2016: R20,544.5 m</th>
</tr>
</thead>
<tbody>
<tr>
<td>↑ 1.5% comparable sales</td>
<td>↑ 5.3%</td>
</tr>
</tbody>
</table>

### Masswarehouse
- Food & Liquor comparable sales growth > 10%
- BIG innovation in marketing, product & promotion
- Great online performance

<table>
<thead>
<tr>
<th>2015: R23,675.9 m</th>
<th>2016: R26,270.3 m</th>
</tr>
</thead>
<tbody>
<tr>
<td>↑ 7.6% comparable sales</td>
<td>↑ 11.0%</td>
</tr>
</tbody>
</table>

### Massbuild
- Improving SA sales growth from price & innovation
- Now 10 Superstores with comparable growth > 15%
- Africa sales good in local currency. R1bn annual sales from five stores

<table>
<thead>
<tr>
<th>2015: R12,010.6 m</th>
<th>2016: R12,687.1 m</th>
</tr>
</thead>
<tbody>
<tr>
<td>↑ 1.7% comparable sales</td>
<td>↑ 5.6%</td>
</tr>
</tbody>
</table>

### Masscash
- High product inflation masked very weak consumer demand
- Strong Retail sales growth. Comparable sales > 10%
- Effective store programme – openings & closures

<table>
<thead>
<tr>
<th>2015: R29,531.2 m</th>
<th>2016: R31,748.1 m</th>
</tr>
</thead>
<tbody>
<tr>
<td>↑ 7.9% comparable sales</td>
<td>↑ 7.5%</td>
</tr>
</tbody>
</table>
03
Strategy & outlook

Massmart + Walmart

Over 30,000 unique articles
Shopped at Massmart on Black Friday weekend
Strategic & operational priorities

- Improve & grow core business
- Retail Food & Builders formats in South Africa
- Grow Africa
- Grow online / omnichannel
Improve & grow core business

Game’s **SAP PoS** (2017) and **ERP** (2018) roll-out key to its long-term growth & profitability

Masscash Wholesale evolving towards **low-cost distribution partner**

Sustainably **reduce operating expenses** as % of sales

Group supply chain role focusing on **total cost to serve**

Drive **value-add Financial Services**

Private label
Retail Food & Builders formats in SA

- **Retail food offering** reduces cyclicalilty, increases customer visits, brings new customer groups (Game & Makro)
- **New Cambridge & Rhino stores** to gain share in lower-income Food market (12.8% space growth in 2016 & 16% planned for 2017)
- **Further growth and investment in Massfresh processing & distribution capacity** – two new Fruitspot plants opened & one new meat plant opening late 2017
- **Aggressively increase our market leadership through new stores** for all Builders formats – Warehouse, Express & Superstore
Grow Africa

For higher growth and diversification

Focus on 13 key ex-SA countries with Game, Builders & Masscash formats

Will trial smaller stores for cost and convenience

Opening 26.2% more ex-SA space in 2017 to 2018

Massmart’s categories capture 50% of potential SSA retail opportunity and forecast to grow at approximately 14% CAGR to 2024

Fast facts:

Sales in constant currency:

- Mozambique: 30.7%
- Nigeria: 32.4%
- Zambia: 50.7%

Africa:

- By 2024 retail modernisation increases from 8% to 17%
- Fifteen countries represent 88% of total SSA retail potential
- Approximately 100 major towns and cities

Source: Cambak
Grow online / omnichannel

**Online sales growth**

- **> 100%**
- **Participation**
  - **> 2%**
  - in Makro categories and across DionWired

**Makro Black Friday**

- **6% from online sales**
  - younger customer (18 – 30), and more large appliances

**Builders closed test of online offering for contractors with 10,000 products, great data and rich functionality.**

**30,000 products by end 2017**

**Game online with SAP Hybris**

- fully functional in 2018?
Prospects

The Group sales update & our near-term outlook

Any reference to future financial performance included in this document has not been reviewed or reported on by the Group’s external auditors. The auditor’s report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor’s engagement they should obtain a copy of the auditor’s report together with the accompanying financial information from the issuer’s registered office.

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628,000 units of General Merchandise sold at Massmart stores on Black Friday weekend
Sales update & prospects

• For the 8 weeks to 19 February 2017, total sales increased by 0.6% and comparable sales decreased by 1.5%
• South African total and comparable sales growth are 2.5% and 0.4% respectively, while the equivalents for ex-SA are both negative
• Sales growth in January was negative but has accelerated positively in February
• It is likely that several key economic drivers in SA will improve in 2017 – lower food price inflation, some Rand strength and possibly lower interest rates
• High levels of uncertainty and volatility complicate any economic guidance
• Expecting a satisfactory 2017 year
For further details, go to
www.massmart.co.za/
results2016
Additional information

- Condensed Consolidated Income Statement
- Tax Rate Reconciliation
- Cash Flow Statement
- Capital Expansion
- Capex Per Category
- Store Portfolio
- Forecast Stores: Jan 2017 – Dec 2018
- Number of shares

Massmart + Walmart

Over 12,000 bags of Campmaster Briquettes
Sold at Makro over Black Friday weekend
Condensed Consolidated Income Statement
for the 12 months ended December 2016

<table>
<thead>
<tr>
<th></th>
<th>Dec 2016 (Reviewed)</th>
<th>Dec 2015 (Audited)</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>91,546.9</td>
<td>84,857.4</td>
<td>7.9</td>
</tr>
<tr>
<td>Sales</td>
<td>91,250.0</td>
<td>84,731.8</td>
<td>7.7</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(73,948.9)</td>
<td>(68,689.6)</td>
<td>(7.7)</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>17,301.1</td>
<td>16,042.2</td>
<td>7.8</td>
</tr>
<tr>
<td>Other income</td>
<td>216.8</td>
<td>125.6</td>
<td>72.6</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(1,036.5)</td>
<td>(946.2)</td>
<td>(9.5)</td>
</tr>
<tr>
<td>Employment costs</td>
<td>(7,346.6)</td>
<td>(6,784.3)</td>
<td>(8.3)</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>(3,133.2)</td>
<td>(2,865.6)</td>
<td>(9.3)</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>(3,397.8)</td>
<td>(3,245.8)</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Trading profit before foreign exchange movements and interest</td>
<td>2,603.8</td>
<td>2,325.9</td>
<td>11.9</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>(76.7)</td>
<td>(25.7)</td>
<td></td>
</tr>
<tr>
<td>Insurance proceeds on items in PP&amp;E</td>
<td>98.1</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Operating profit before foreign exchange movements and interest</td>
<td>2,625.2</td>
<td>2,300.2</td>
<td>14.1</td>
</tr>
<tr>
<td>Foreign exchange loss</td>
<td>(141.8)</td>
<td>(149.8)</td>
<td></td>
</tr>
<tr>
<td>Operating profit before interest</td>
<td>2,483.4</td>
<td>2,150.4</td>
<td>15.5</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(571.9)</td>
<td>(475.3)</td>
<td>(20.3)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>1,911.5</td>
<td>1,675.1</td>
<td>14.1</td>
</tr>
</tbody>
</table>
## Tax rate reconciliation

<table>
<thead>
<tr>
<th>%</th>
<th>Dec 2016 (Reviewed)</th>
<th>Dec 2015 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard tax rate</td>
<td>28.0</td>
<td>28.0</td>
</tr>
<tr>
<td>Non-taxable income and disallowable expenses</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Assessed loss not utilised</td>
<td>2.7</td>
<td>2.6</td>
</tr>
<tr>
<td>Other - including foreign tax adjustments</td>
<td>(0.1)</td>
<td>(0.7)</td>
</tr>
<tr>
<td><strong>Group tax rate</strong></td>
<td><strong>30.8</strong></td>
<td><strong>30.2</strong></td>
</tr>
</tbody>
</table>
## Cash Flow Statement

<table>
<thead>
<tr>
<th>Rm</th>
<th>Dec 2016 (Reviewed)</th>
<th>Dec 2015 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash before working capital movements</td>
<td>3,984.9</td>
<td>3,384.4</td>
</tr>
<tr>
<td>Working capital movements</td>
<td>(263.0)</td>
<td>372.0</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>3,721.9</td>
<td>3,756.4</td>
</tr>
<tr>
<td>Net interest and tax paid</td>
<td>(1,013.2)</td>
<td>(1,027.7)</td>
</tr>
<tr>
<td>Net investment to maintain operations</td>
<td>(826.7)</td>
<td>(983.7)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>1,882.0</td>
<td>1,745.0</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(453.2)</td>
<td>(958.3)</td>
</tr>
<tr>
<td>Investment to expand operations and other net investing activities</td>
<td>(948.2)</td>
<td>(661.9)</td>
</tr>
<tr>
<td>Cash inflow before financing activities</td>
<td>480.6</td>
<td>124.8</td>
</tr>
</tbody>
</table>
Capital expansion

- Investment to maintain operations
- Investment to expand operations
- Businesses acquired
- Property acquisitions
- Total capex as a % of sales excluding business and property acquisitions

Capex as a % of sales

Dec 12 | Dec 13 | Dec 14 | Dec 15 | Dec 16

Investment to maintain operations
Investment to expand operations
Businesses acquired
Property acquisitions
Total capex as a % of sales excluding business and property acquisitions
Capital expansion

<table>
<thead>
<tr>
<th>Rm</th>
<th>Dec 2016 (Reviewed)</th>
<th>Dec 2015 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings/leasehold improvements</td>
<td>393.3</td>
<td>281.8</td>
</tr>
<tr>
<td>Vehicles</td>
<td>31.0</td>
<td>14.2</td>
</tr>
<tr>
<td>Fixtures, fittings, plant and equipment</td>
<td>443.3</td>
<td>353.6</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>56.8</td>
<td>31.3</td>
</tr>
<tr>
<td>Computer software</td>
<td>29.4</td>
<td>29.7</td>
</tr>
<tr>
<td>Investment to expand operations</td>
<td>953.7</td>
<td>710.7</td>
</tr>
<tr>
<td>Land and buildings/leasehold improvements</td>
<td>123.8</td>
<td>134.6</td>
</tr>
<tr>
<td>Vehicles</td>
<td>43.0</td>
<td>64.7</td>
</tr>
<tr>
<td>Fixtures, fittings, plant and equipment</td>
<td>300.7</td>
<td>586.3</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>157.5</td>
<td>105.0</td>
</tr>
<tr>
<td>Computer software</td>
<td>201.5</td>
<td>92.8</td>
</tr>
<tr>
<td>Other</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Investment to maintain operations</td>
<td>826.7</td>
<td>983.7</td>
</tr>
</tbody>
</table>

2.0% Total Capex as a % of sales
(Dec 2015: 1.9%)

- Land & buildings/leasehold improvements: 41.8%
- Vehicles: 12.0%
- Fixtures, fittings, plant & equipment: 13.0%
- Computer hardware: 4.2%
- Computer software: 13.0%
## Store portfolio

<table>
<thead>
<tr>
<th>Category</th>
<th>Change</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>+19</td>
<td>Opened</td>
</tr>
<tr>
<td></td>
<td>-10</td>
<td>Closed</td>
</tr>
<tr>
<td>Massdiscounters</td>
<td>+6</td>
<td>+4 Game +2 in South Africa +1 in Zambia +1 in Kenya +2 DionWired +2 in South Africa</td>
</tr>
<tr>
<td></td>
<td>+1</td>
<td>+1 Makro +1 in South Africa</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>+4</td>
<td>Builders Superstore +2 in South Africa</td>
</tr>
<tr>
<td></td>
<td>-2</td>
<td>Builders Warehouse -1 in Mozambique</td>
</tr>
<tr>
<td>Massbuild</td>
<td>+8</td>
<td>Retail +8 in South Africa</td>
</tr>
<tr>
<td></td>
<td>-6</td>
<td>-4 Wholesale -4 in South Africa</td>
</tr>
<tr>
<td>Masscash</td>
<td>+8</td>
<td>-2 Retail -2 in South Africa</td>
</tr>
<tr>
<td></td>
<td>-6</td>
<td>-4 Wholesale -4 in South Africa</td>
</tr>
<tr>
<td>Total</td>
<td>165</td>
<td>412 Up from 403 in Dec 2015</td>
</tr>
<tr>
<td>Massdiscounters</td>
<td>20</td>
<td>165 Up from 161 in Dec 2015</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>104</td>
<td>20 Up from 19 in Dec 2015</td>
</tr>
<tr>
<td>Massbuild</td>
<td>123</td>
<td>104 Up from 102 in Dec 2015</td>
</tr>
<tr>
<td>Masscash</td>
<td>412</td>
<td>123 Up from 121 in Dec 2015</td>
</tr>
</tbody>
</table>
## Forecast stores: Jan 2017 – Dec 2018

<table>
<thead>
<tr>
<th>Store Type</th>
<th>Total</th>
<th>Massdiscounters</th>
<th>Masswarehouse</th>
<th>Massbuild</th>
<th>Masscash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast</td>
<td>+58</td>
<td>+10</td>
<td>+1</td>
<td>+26</td>
<td>+21</td>
</tr>
<tr>
<td>(Up from</td>
<td>Up from 412 to 470</td>
<td>Up from 165 to 175</td>
<td>Up from 20 to 21</td>
<td>Up from 104 to 130</td>
<td>Up from 123 to 144</td>
</tr>
<tr>
<td>South Africa</td>
<td>+47</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>+11</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Game
- +2 in South Africa
- +3 in Ghana
- +1 in Namibia
- +1 in Nigeria
- +1 in Zambia

### Builders Warehouse
- +1 in South Africa
- +2 in Mozambique
- +2 in Zambia

### Builders Express
- +3 in South Africa

### Builders Superstore
- +18 in South Africa

### Additional Information:
- **+10.5%**
  - Up from 1,568,744m² to 1,732,864m²
- **+4.7%**
  - Up from 545,094m² to 570,514m²
- **+4.6%**
  - Up from 217,907m² to 227,907m²
- **+14.3%**
  - Up from 449,212m² to 513,526m²
- **+18.1%**
  - Up from 356,531m² to 420,917m²

This 10.5% increase includes a 26.2% increase in our Rest of Africa trading space.
Number of shares

<table>
<thead>
<tr>
<th></th>
<th>’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At December 2015</td>
<td>217,136.3</td>
</tr>
<tr>
<td>Shares issued</td>
<td>-</td>
</tr>
<tr>
<td>At December 2016</td>
<td>217,136.3</td>
</tr>
<tr>
<td>Weighted-average at December 2016</td>
<td>216,352.8</td>
</tr>
<tr>
<td>Diluted weighted-average at 2016</td>
<td>220,091.9</td>
</tr>
</tbody>
</table>