



Massmart Results
For the 52 weeks ended 30 December 2018

Media Release

28 February 2019

Massmart reports 2.9% total sales growth in tough economic environment

Good expense control, strong online and Value Added Services sales growth

Key highlights

- **Total sales for the year grew 2.9% to R90.9 billion, while comparable store sales increased 1.2%**
- **Comparable expenses 2.3%**
- **Product deflation 0.2%**
- **Aggregate online sales increased 56%**
- **Value Added Services sales increased 61%**

Massmart today reported annual results for the 52 weeks ended 30 December 2018 against the back-drop of a difficult economic environment, characterised by low GDP and wage growth, and constrained consumer confidence. Notwithstanding the difficult environment Massmart maintained strong market share across durable goods categories including; small and large domestic appliances, hi-tech and most DIY and hardware categories.

To allow for a useful comparison with the prior year's results, while reflecting the impact of IFRS 9 and IFRS 15 in both the current and prior periods, the commentary below reflects Massmart's performance for the current and prior year 52-week period.

Massmart reported sales of R90.9bn, a 2.9% increase on the previous period. Total sales from the Group's South African stores – which generate 91.3% of Group sales - grew by 2.9% and comparable store sales grew by 1.5%.

Gross margins declined slightly from 19.63% to 19.45% primarily as a result of pressure in Game, although this was offset by higher retail participation at Massbuild. Once again, expense management remained effective with comparative expenses, excluding restructuring costs, increasing by 2.3%.

Group trading profit before interest and taxation (excluding restructure costs) declined by 16.8% to R2.1 billion. Headline earnings decreased by 31.7% to R901.2 million, while headline earnings excluding restructure costs decreased by 22.9% to R1.0 billion.

The Group's omni-channel focus, designed to improve customer choice and experience, saw aggregate online sales increase by 56%. Massmart's four e-commerce points of presence (Makro, Game, DionWired and Builders Warehouse) registered growth of 74% in online traffic. The Group continues to invest in driving online sales and all four of these platforms are currently using or migrating to SAP Hybris.

Continuing the strategy to pursue new revenue streams, Massmart recorded significant growth of 61% across the Value-Added Service product portfolio including money transfers, lotto sales, RCS credit product sales and extended warranties. This offering will continue to be pushed hard across the Group with a view to adding further services.

The Massdiscounters and Masswarehouse distribution centres were transitioned into Massmart Logistics during the period and will be used as a Group asset to support future growth. The Group is focussed on leveraging further opportunities to achieve supply chain efficiency and increase product velocity, resulting in improved cost recoveries and stock holding at the distribution centres.

Massmart's African growth plans remain on track. Total sales from the Group's stores outside South Africa grew by 3.9% in constant currencies, while in Rands total ex-SA sales increased by 3.7%. The Group added over 13,000m² of trading space outside of South Africa during the period, with planned future ex-SA space growth of 24.2%

Commenting on the results, Massmart CEO Guy Hayward said: "These results reflect a challenging operating environment in which we are resolutely focussed on those factors within our control. This is demonstrated by good expense management, 61% growth in Value Added Services and 56% growth in online sales."

Divisional performance

Massdiscounters total sales decreased by 1.2% and comparable sales were down 1.5%. Adjusting for product deflation of 2.9%, General Merchandise sales grew by 3.2% over the prior year. Game maintained strong market share in the domestic large appliances and hi-tech categories.

Masswarehouse total sales increased by 5.4% and comparable sales grew by 3.7%. Year-to-date product deflation was 0.2%. Total sales growth in food and liquor was 3.3% - a good performance given the consumer environment. General Merchandise sales growth was a pleasing 4.5% despite deflation and pressure on discretionary spending.

Massbuild grew total sales for the year by 5.9% with comparable sales increasing by 3.4% and year-to-date product inflation of 2.7%. Massbuild saw a softening trend in contactor sales, whilst retail sales held their own. Total sales growth in Massbuild's ex-SA stores was 14.1% in Rands

Masscash total sales increased by 2.1% and comparable sales decreased by 0.2%. Product inflation increased to 0.3% from June 2018 as commodities deflation eased. Cambridge and Rhino performed satisfactorily given the difficult consumer environment, growing total sales by 1.8%.

Outlook

For the seven weeks to 17 February 2019, total sales amounted to R11.2 billion, representing an increase of 5.2% over the prior period. Comparable store sales increased by 3.9%. Product deflation is estimated at 1.3%. Despite this slightly improved sales performance we remain cautious about the outlook for the South African consumer economy for the first half of the 2019 financial year.

About Massmart

Massmart comprises four divisions operating in 436 stores, across 13 sub-Saharan countries.

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Massmart, with total sales of R90.9 billion, comprises four Divisions operating in 436 stores, in 13 sub-Saharan countries. Through our widely-recognised, differentiated retail and wholesale formats, we have leading shares in the General Merchandise, Liquor, Home Improvement and wholesale Food markets. Our key foundations of high volume, low cost and operational excellence enable our price leadership.

Massmart + Walmart 

Saving our customers money so they can live better