

MR PRICE GROUP LIMITED
Registration number 1933/004418/06
Incorporated in the Republic of South Africa
ISIN: ZAE000200457
LEI number: 378900D3417C35C5D733
JSE and A2X share code: MRP
("Mr Price" or "group" or "Mr Price Group")

ACQUISITION OF A CONTROLLING SHAREHOLDING IN THE STUDIO 88 GROUP

1. INTRODUCTION

Mr Price is pleased to announce that on 12 April 2022 it entered into transaction agreements (the "**Agreements**") to acquire 70% ("**Sale Shares**") of Blue Falcon Trading 188 (Proprietary) Limited ("**Blue Falcon**"), which owns the Studio 88 group of businesses (the "**Studio 88 Group**" or the "**Business**"), from RMB Ventures Six (Proprietary) Limited ("**RMB Ventures**") and current management of the Studio 88 Group (the "**Transaction**"). The R3.3 billion purchase consideration in relation to the Sale Shares ("**Purchase Consideration**") as set out in paragraph 4, represents approximately 6% of Mr Price's market capitalisation at 11 April 2022. The Transaction will be fully funded through existing cash resources of the group.

2. STUDIO 88 GROUP

The Studio 88 Group is the largest independent retailer of branded leisure, lifestyle and sporting apparel and footwear in South Africa, generating revenue of R5.6 billion for the financial year ended 30 September 2021. It is a founder-led business which has been operating in Southern Africa since 2001. The Business owns and operates retail outlets that offer clothing, footwear and accessories, trading through Studio 88, SideStep, Skipper Bar, John Craig and other chains.

The Studio 88 Group is focused on consumers who make aspirational fashion choices. The merchandise range is a mix of international brands, some of which are under exclusive license agreements, as well as private label ranges. The Business operates through in excess of 700 stores, predominantly based in South Africa, which are positioned in central business districts, regional malls and rural high streets, and via its e-commerce platforms. The Studio 88 Group is highly cash generative and operates on a cash-only basis, which contributes to its value positioning.

The management team of the Studio 88 Group has an impressive track-record of maintaining strong brand relationships and customer loyalty, delivering consistent earnings growth over the long term.

3. RATIONALE FOR THE TRANSACTION

Mr Price is predominantly a cash-based retailer, offering merchandise across the apparel, homeware, sportswear, financial services and telecoms segments. The group is currently the highest ranked apparel and homeware retailer in the FTSE JSE Top 40 Index¹. With more than 35 years of experience in serving South African consumers, it has deep insights into the local market and plans to continue pursuing high growth opportunities. The group has a strong performance track record, achieving a 35-year compound growth rate in sales and headline earnings of 17.3% and 19.4% respectively. A more detailed overview of the group can be accessed at: <https://invest.mprg.com/2p8k6wbk>.

In May 2021, Mr Price communicated a new long-term strategy, with the vision of becoming the most valuable retailer in Africa. This strategy was informed by extensive strategic research of the South African retail sector, which identified clear opportunities for growth, both organic and acquisitive. The aspirational value segment within the apparel sector was highlighted as an attractive investment area in which the group is currently under-represented. Mr Price has frequently communicated its acquisition criteria and is confident that the Business meets its strict requirements for investment. The group believes that this immediately earnings accretive acquisition fits well into its strategic plans and aligns with its capital allocation thresholds.

The inclusion of the Studio 88 Group would increase Mr Price's annual revenue to over R28 billion and would prospectively become the group's second largest of nine trading divisions. Mr Price's store footprint would increase to more than 2 400 stores and the group would employ over 25 000 people.

The brands offered by the Studio 88 Group are complementary to Mr Price's existing customer positioning and, combined, would deliver on the group's strategic positioning across the fashion-value and aspirational value segments. With a diverse store footprint and a portfolio of differentiated store chain formats, the Studio 88 Group has broad appeal to aspirational and trend conscious customers across a wide range of age profiles and affordability levels. Mr Price will benefit from growth opportunities in the menswear segment where it is currently under-represented.

Mr Price Group CEO, Mark Blair, said, "The partnership with Studio 88 Group gives Mr Price an ideal entry into the high growth urbanwear and athleisure segments of the market, which present us with a significant non-competing channel. We will continue to be a predominantly private label group, but our 'Value Champion' purpose can also be lived out through the aspirational fashion market, and we are very excited about these prospects."

Blair continued, "What attracts us to the Studio 88 Group is their deep understanding of trend conscious South African consumers and their ability to address their needs via their various trading formats. We also share a similar DNA, both being founder-led businesses intent on offering customers superior value and have high performance cultures."

The Founder of the Studio 88 Group, Laurence Wernars, will continue running the Business, maintaining his strong and trusted management team. Wernars said, "We are delighted to be partnering with an iconic South African retailer who has the vision and retail expertise that will be key to realising our considerable trading opportunities. I am very confident that there is strong cultural alignment with our new strategic partner and with our combined skills, we can accelerate our growth and contribute meaningfully to Mr Price achieving their vision."

The seven senior management team members who are shareholders will remain in their current roles and as shareholders, thereby benefiting from the further growth in the Business.

4. KEY TERMS OF THE TRANSACTION

The total value of the Business on a debt-free, cash-free basis is R4.7 billion ("**Enterprise Value**" or "**EV**"), based on a locked-box transaction mechanism as at 30 September 2021 ("**Locked-Box Date**"). The earnings before interest, tax, depreciation and amortisation ("**EBITDA**"), prepared on a pre-IFRS 16 basis in terms of International Financial Reporting Standards, for the financial year ended 30 September 2021 was R630 million, implying a historical EV/EBITDA transaction multiple of 7.5x ("**Historical Multiple**"). For the last twelve months to February 2022 the EBITDA was R765 million, based on unaudited management accounts of which the directors of Mr Price are satisfied with the quality thereof.

The Purchase Consideration is payable at the time of implementation of the Transaction ("**Closing Date**"). Mr Price will acquire 100% of RMB Ventures shareholding in Blue Falcon and management will dispose of an effective 50% of their shareholding, enabling Mr Price to acquire the Sale Shares ("**Initial Acquisition**"). Management's retained shareholding will be acquired over a four-year period post implementation of the Transaction, based on the same Historical Multiple as the Initial Acquisition.

An appropriate escalation adjustment will be applied to the Purchase Consideration from the Locked-Box Date to the Closing Date. The Transaction encapsulates warranties and indemnities consistent with transactions of this nature.

5. CONDITIONS PRECEDENT

The Transaction is subject to the fulfillment of both regulatory and commercial suspensive conditions, as are usual for such transactions, by no later than 31 October 2022. These conditions include competition authority approval in South Africa and other African territories.

6. FINANCIAL INFORMATION

The value of the net assets to be acquired as at 30 September 2021 amounts to R1.6 billion, being the date of the last audited financial statements which were prepared in terms of International Financial Reporting Standards. For the financial year ended 30 September 2021, the Studio 88 Group generated revenue of R5.6 billion and EBITDA (on an IFRS 16 basis) of R1.1 billion (R630 million on a pre-IFRS 16 basis). The Business has achieved compound annual growth rates in both revenue and EBITDA in excess of 20% over the last 10 years.

7. CLASSIFICATION OF THE TRANSACTION

The Transaction constitutes a category 2 transaction in terms of the JSE Limited Listings Requirements (“**Listings Requirements**”). As part of the Agreements, the maximum Purchase Consideration in relation to the Transaction (i.e. 70% of the issued share capital of Blue Falcon) will not exceed the Listings Requirements category 2 threshold and therefore does not require shareholder approval.

8. INVESTOR PRESENTATION AND CALL

An investor call will be held today at 10:00am SAST to provide an overview of the Transaction, after which the presentation slides will be made available. Details of the investor call are available on the group website at www.mrpricegroup.com.

9. OTHER

Mr Price confirms, for purposes of paragraph 9.16 of the Listings Requirements, that nothing in the constitutional documents of Mr Price and/or Studio 88, will, in any way, frustrate or relieve Mr Price from compliance with the Listings Requirements.

Durban
13 April 2022

Financial Advisor, JSE Equity Sponsor and Corporate Broker: Investec Bank Limited
Legal Advisor: Bowmans Inc.

Notes:

1. Source: JSE March Index Review found at <https://www.jse.co.za/services/indices/ftsejse-africa-index-series>

Disclaimer - Forward-looking statements:

Mr Price may, in this document, make certain statements that are not historical facts and relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable and which have not been reviewed or audited by the external auditors. These statements may also relate to our future prospects, developments and business strategies. Examples of such forward-looking statements include, but are not limited to, statements regarding exchange rate fluctuations, volume growth, increases in market share, total shareholder return and cost reductions. Words such as “believe”, “anticipate”, “expect”, “intend”, “seek”, “will”, “plan”, “could”, “may”, “endeavour” and “project” and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. You should understand that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. The list of factors discussed therein is not exhaustive; when relying on forward-looking statements to make investment decisions, you should carefully consider both these factors and other uncertainties and events. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.