Company Update Report

Mr Price Group Limited

Consumer Discretionary

Ticker	MRP-ZA
Share price	R173.27
Intrinsic value	R228
Upside/(Downside)	32%
Recommendation	Buy

As at: 20 July 2026

Analyst thesis

Our recommendation is based on:

- Trading at historically low valuations on a P:E basis.
- Positioned to benefit from any positive changes in consumer affordability over the medium- to long-term through the easing of inflation and the central bank pivoting back to a rate-cutting cycle.
- An expectation of continued long-term growth and market share protection, driven by organic growth (store growth and subdivisions such as Mr Price Kids and Mr Price Cellular) and the performance of acquired businesses (Studio 88, Power Fashion, NKD, etc.), supported by relatively low debt levels compared to its peers.
- Expansion into Europe through the acquisition of NKD provides potential growth opportunities but also execution risks that will need to be managed to achieve the required return on investment. Although debt was used to purchase the business, management plans to reduce the level and cost of debt in Europe, with the full benefit evident by FY28.
- MRP demonstrates relatively strong business fundamentals and, when combined with low valuations and the defensive low-value proposition during consumer affordability concerns, is placed in a favourable position to be seen as one of the preferred retailers by consumers.

Latest company and market insights

Key highlights

In this report we review MRP's FY26 results released in June 2026 and assess the impact on our outlook:

Financial results at a glance:

- Group revenue was up 4.2% with Apparel revenue (accounting for 79.6% of group revenue) up 4.3% for the period – above the Retailer's Liaison Committee's 4% growth. Like-for-like sales in Apparel grew by 1.1% for the period, with flat unit growth and price inflation of 4%.
- Homeware revenue (making up 16.8% of group revenue) expanded by 3.8%. Like-for-like sales were up by 1.8%, while unit growth and price inflation both grew by of 1.9%.
- Telecoms revenue (totalling 3.6% of group revenue) advanced by 10.3% for the period, with like-for-like sales declining by 3.1%, unit growth up by 3.9%, and price inflation of 7.4%.
- The group's GP margin increased by 70 bps, to 41.2%, despite a highly promotional period, while remaining within its medium-term target range of between 40%-42%. The Apparel GP margin increased by 60 bps to 41.8% and the Homeware GP margin by 50 bps to 42.8%, both within their respective medium-term margin target ranges, while the Telecoms GP margin increased by 70 bps to 20.7%, exceeding its target range of 18%-20%.
- All group normalised results exclude the once-off transaction cost of R217 million related to the acquisition of Pegasus Group Holding, which trades as the retail businesses of NKD Group. As the acquisition only became effective after year-end, the results do not include NKD's operating performance.
- The overall group results were softer in the second half of the year, which had a higher prior period base driven by two-pot withdrawals providing a short-term boost.
- Group operating profit was up 4.3%, with normalised operating profit rising by 8%. On a reported basis, the group operating profit margin was flat at 14.2% and up by 50 bps on a normalised basis, advancing to 14.7%. Employment costs were up 7.9% for the period and account for approximately 41.7% of operating expenses.
- Group EBITDA rose by 5% on a reported basis and expanded by 7.4% on a normalised basis.
- Diluted headline earnings per share were up by 2.4% on a reported basis and 8% on a normalised basis.
- Dividends per share grew by 2.1% with a 63% payout ratio maintained for the period.

Management's outlook:

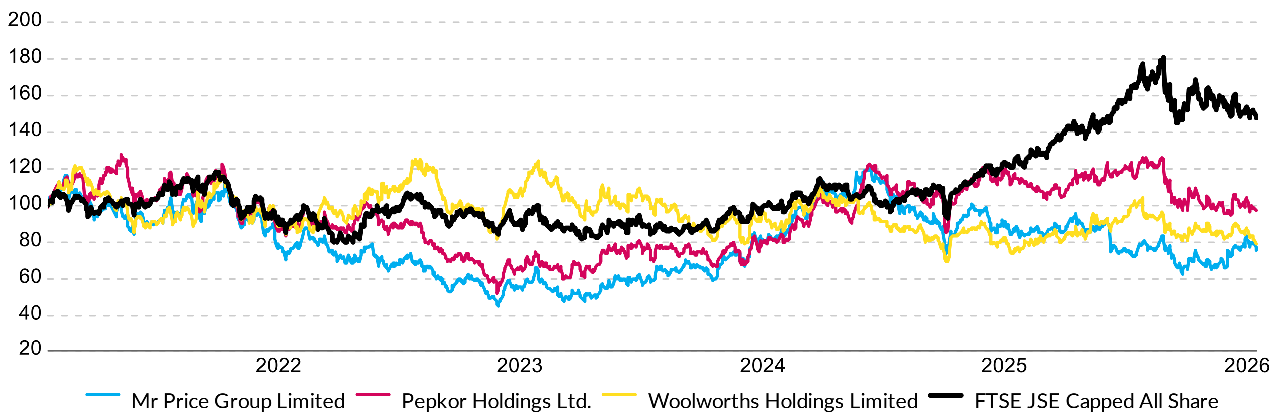
MRP's management has highlighted that the focus during 2026 to 2027 will be on evolving its existing South African business as well as on delivering the European NKD business case. Management does not expect any further new market entries or acquisitions in the near term. Part of the strategic outcomes following the NKD acquisition is to reduce incurred to the transaction. Overall, MRP remains a cash-generative business with a cautiously optimistic outlook.

Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★☆☆	Expected three-year revenue CAGR is 10.6% and expected three-year EPS CAGR is 9.5%. We expect earnings growth over the next three years to be driven by: The strategic focus on executing the European venture, along with evolving the existing South African businesses.
Valuation	★★★★☆	The share price is trading at a 32% discount to the intrinsic value (IV). Current NTM P:E of 10.7x is trading at a 18% discount to the five-year average P:E of 13.0x.
Dividend	★★★★☆	LTM dividend yield of 5.3%. NTM dividend yield of 5.8%.
Issuance	★★★☆☆	Share issuance has been flat over the past five years.
Catalyst	A return to an interest rate-cutting cycle and easing inflation should assist with consumer affordability. The focus on executing the European NKD strategy. Opening new stores along with evolving existing South African businesses.	
Quality of earnings	★★★☆☆	Five-year average ROE of 26.2%. Five-year average operating margin of 14.1%. The group has recorded positive earnings growth in six of the past 10 years. The core of the business remains cash generative while the slowdown in earnings is primarily related to the impact of Covid-19, loadshedding, and product markdowns affecting the bottom line.
Moat	★★★☆☆	Economies of scale through sheer store size and deploying new store concepts or tweaking existing ones. Cost advantage and leadership with own-brand and high-volume centralised sourcing. Highly cash generative clothing retailer with a strong brand across consumer income brackets.
Management and governance	★★★☆☆	The Chief Executive has a long tenure within the business, while the broader C-suite management team has a proven track record of executing new strategies.
Balance sheet	★★★★☆	Net debt/EBITDA ratio was at 0.4x pre-transaction and would be closer to 1.4x when including new debt from the NKD acquisition, with the interest coverage ratio at 6.8x. Debt/assets ratio of 38.5%.
Risks	The company faces competition from local peers and international value retailers such as SHEIN and Temu. Increased consumer spending on gambling, reducing disposable income available for retail purchases. Increased debt levels relative to the company's historical position. Higher-for-longer interest rates along with higher inflation impacting consumer affordability. Execution risk relating to the NKD acquisition.	

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



Source: FactSet

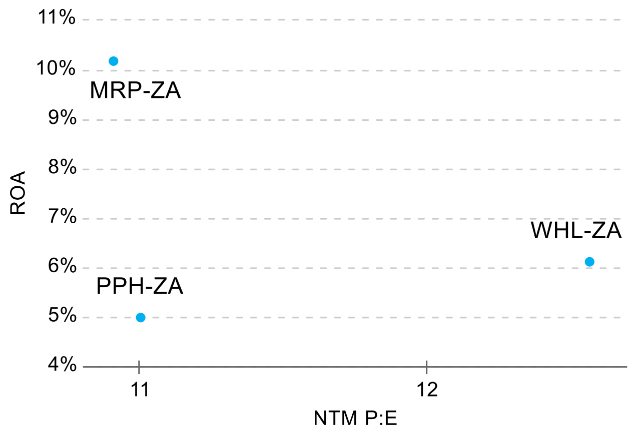
Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
MRP-ZA	-1.0%	-3.6%	5.6%	3.1%	-19.6%	-14.8%	19.9%	-14.5%	-21.2%
WHL-ZA	-15.6%	-6.1%	-9.2%	-19.3%	-3.3%	-19.9%	-38.1%	-10.8%	-44.9%
*PPH-ZA	-19.2%	-3.3%	-8.3%	-15.4%	-22.7%	8.7%	31.7%	9.3%	-
Capped All Share	-5.8%	-1.2%	-9.2%	-9.6%	10.1%	35.5%	41.7%	66.9%	101.4%

Source: FactSet

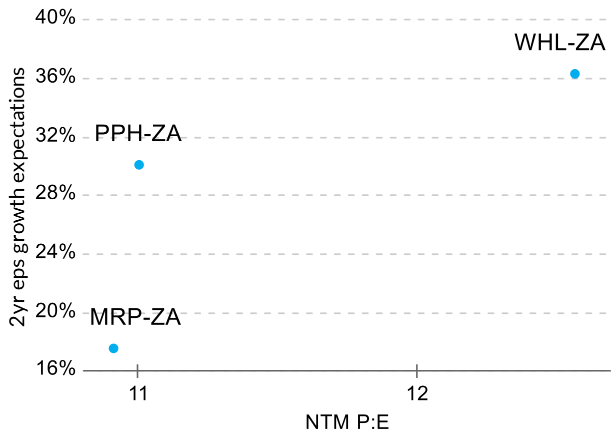
*No 10-year number due to period including pre-listing date

Graph 2: P:E vs 2Y average ROA



Source: FactSet

Graph 3: P:E vs EPS 2Y CAGR forecast



Source: FactSet

Valuation

We value MRP using a five-year DCF model. Our valuation considers the execution risks associated with the new European venture created through the acquisition of NKD. While the stock experienced a valuation derating following the announcement of the acquisition, we view it as fully priced in. Our valuation takes into account the higher debt levels arising from the acquisition, together with the execution risk with delivering the European strategy and servicing the additional debt. Nevertheless, we have confidence in management's ability to execute, given its proven track record of successfully integrating previous acquisitions.

From a P:E perspective, valuations remain subdued. The current NTM P:E is trading below its one standard deviation to the 10-year average. Although this takes into consideration the execution risk on new ventures, along with affordability concerns regarding South African consumers, we still see the current levels as attractive considering the upside potential in the medium-term of a potentially improving consumer environment through lower interest rates and stable inflation. We therefore place a higher weighting on our base case, supported by the aforementioned factors. Nevertheless, we continue to recognise the risk of a deterioration in the consumer environment and execution risk relating to the NKD acquisition, which underpin our bear case. Conversely, our bull case reflects the potential for a re-rating from current depressed valuation levels.

Accordingly, we arrive at an IV of R228, implying an upside of 32%, and maintain our buy recommendation. This presents a more bullish stance than consensus, reflecting our confidence in MRP's proven acquisition execution capabilities, despite the mixed track record of South African companies expanding beyond their domestic markets, together with the stock's subdued valuation.

Table 3: Valuation table

	Weight	IV	Upside/(Downside)
Bear	20%	145	-16%
Base	60%	207	19%
Bull	20%	374	116%
Weighted	100%	***228***	***32%***
Consensus		199	15%

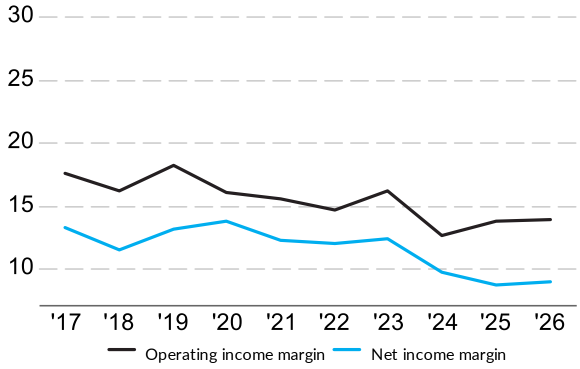
Sources: PSG Wealth Research, FactSet

Graph 4: NTM P:E relative to benchmark

Source: FactSet

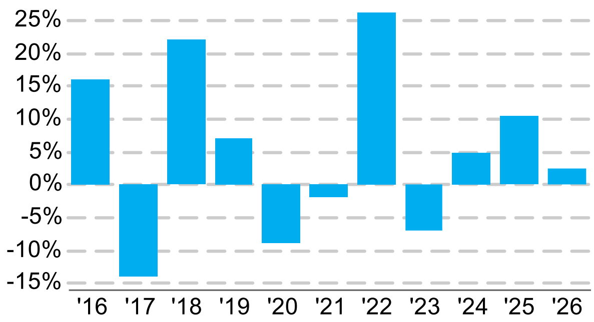
Above chart uses FTSE Capped All Share as the relative benchmark

Graph 5: Profit margins (%)



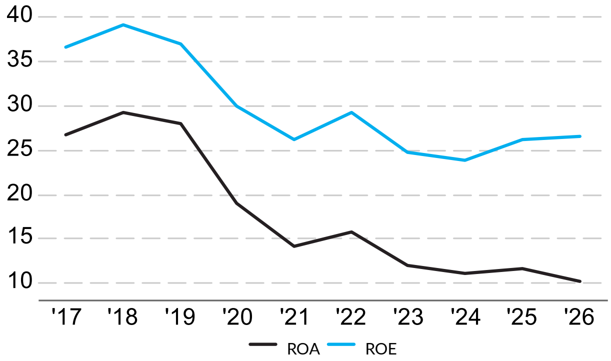
Source: FactSet

Graph 6: 10Y EPS year-on-year change



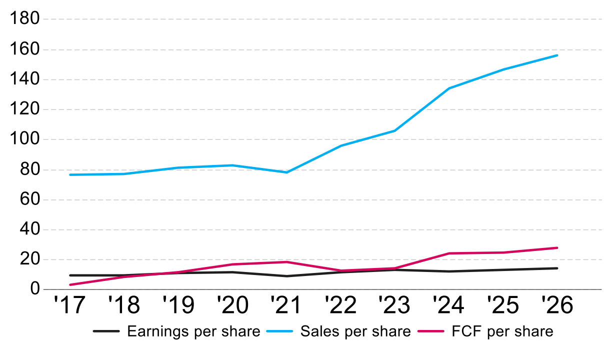
Source: FactSet

Graph 7: ROA and ROE (%)



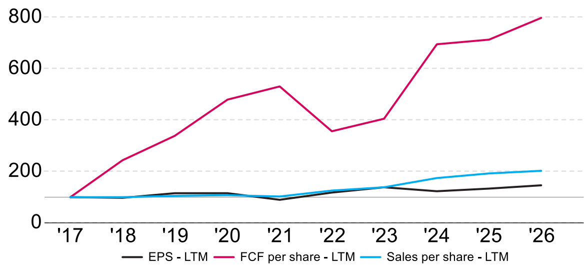
Source: FactSet

Graph 8: Sales, earnings and FCF per share (Rand)



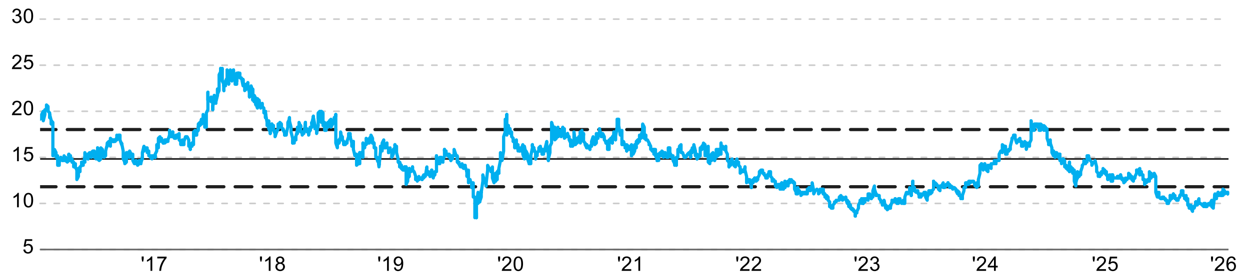
Source: FactSet

Graph 9: Sales, earnings and FCF per share indexed



Source: FactSet

Graph 10: NTM P:E



Source: FactSet

Table 4: Financials and ratios

Income statement (RMn)	Mar 22	Mar 23	Mar 24	Mar 25	Mar 26	1Y Growth	3Y CAGR	5Y CAGR
Revenue	28 083	32 871	37 944	40 933	42 654	4%	9%	14%
Cost of sales	15 820	19 144	22 144	23 574	24 324	3%	8%	14%
Gross income	12 263	13 727	15 800	17 359	18 330	6%	10%	14%
EBIT	4 946	4 938	5 307	5 780	6 028	4%	7%	13%
EBITDA	6 878	7 261	7 565	8 893	9 141	3%	8%	13%
Net income	3 347	3 244	3 424	3 789	3 850	2%	6%	8%
EPS (Rand)	13.0	12.1	12.8	14.2	14.5	2%	6%	7%
Balance sheet (RMn)	**Mar 22**	**Mar 23**	**Mar 24**	**Mar 25**	**Mar 26**	**1Y Growth**	**3Y CAGR**	**5Y CAGR**
Total assets	22 677	28 781	29 816	32 539	40 687	25%	12%	15%
Total shareholders' equity	12 056	13 928	15 426	14 420	15 328	6%	3%	7%
Total liabilities	10 621	14 853	14 390	18 119	25 359	40%	20%	23%
Ratios	**Mar 22**	**Mar 23**	**Mar 24**	**Mar 25**	**Mar 26**	**5Y Avg**		
Net debt/EBITDA	0.4	1.2	0.7	0.5	0.4	0.7		
Interest coverage	8.1	5.7	6.5	6.9	6.8	6.8		
Debt/assets	32.7	32.0	29.2	26.7	38.5	31.8		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
Bps	Basis points
CAGR	Compound annual growth rate
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation, and amortisation
EPS	Earnings per share
FCF	Free cash flow
FY	Financial year
GP	Gross profit
LTM	Last 12 months (also known as trailing)
M	Month
MRP-ZA	Mr Price Group Limited
MTD	Month-to-date
NTM	Next 12 months (also known as forward)
P:E	Price to earnings
PPH-ZA	Pepkor Holdings Ltd.
ROA	Return on assets
ROE	Return on equity
SA	South Africa
WHL-ZA	Woolworths Holdings Limited
Y/y	Year(s)
YTD	Year-to-date

Contact details

Fisokuhle Mbutho
Equity Analyst
+27 (11) 996 5200
Fisokuhle.Mbutho@psg.co.za

Pierre Muller, CA(SA), CFA
Head of Equity Solutions
+27 (11) 996 5200
Pierre.Muller@psg.co.za

The purpose of this document is to provide information and is not available for external distribution.

About PSG Investment Management recommendations

PSG Investment Management provides medium- to long-term recommendations based on the premium or discount that a company trades at, relative to our estimation of intrinsic value. We expect companies to rerate towards their intrinsic value over a one- to three-year period. The long-term valuation is a quantitative-based valuation based on the fundamental performance of each company in the past, as well as their future forecasts. The fundamental features used are based on profitability and growth measures such as EPS growth and return on equity (ROE).

House view guidance: House view guidance is indicative only. Each client's circumstances are different, and it remains critical that indicative guidance is discussed with your portfolio manager or financial adviser.

Date and share price: The date the report was reviewed and approved by the investment research team is likely to precede the release date and price on the report.

*Share price as at closing.

Analyst certification

The research analyst who prepared this report certifies that the view expressed herein accurately reflects the research analyst's personal views about the subject, security and issuer and that no part of their compensation was, is or will be directly or indirectly related to specific recommendations or opinions contained in this report.

FSP

PSG Investment Management (Pty) Ltd is an authorised financial services provider. FSP: 44306

PSG Securities Limited is an authorised member of the JSE and authorised financial services provider. FSP: 42996