PSG Wealth

Company Update Report

Mr Price Group Limited

Consumer Discretionary

Ticker	MRP-ZA
Share price	R208.75
Intrinsic value	R286
Upside/(Downside)	37%
Recommendation	Undervalued

As at: 28 August 2025

Analyst thesis

Our recommendation is based on:

- Trading at historic low valuations, offering an attractive entry point.
- Benefitting from an improved economic climate, with reduced inflation and interest rates providing support to consumers.
- Expecting continued long-term growth and market share gains, driven by organic expansion (store growth and subdivisions such as Mr Price Kids and Mr Price Cellular) and acquisitions (Studio 88, Power Fashion), supported by relatively low debt levels compared to peers.
- Mr Price demonstrates more stable growth than its peers.
- Relative to peers, we prefer Mr Price due to stronger fundamentals, including higher margins, more consistent historical earnings growth, and lower debt. It also trades at a lower forward P:E than Pepkor and a similar forward P:E to Woolworths.

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Key highlights

In this report, we revisit MRP's voluntary trading update for 1Q26 (13 weeks ended June 2025), released in July 2025, and assess its implications for our current view.

Financial results at a glance:

- During 1Q26, group retail sales were up 6.3% with LFL sales growth up 3% and market share gains of 10 bps were recorded during the period (*Retail Liaison Committee; MRP SENS*), confirming our outlook of continued long-term growth.
- Examining recent retail sales growth in detail, we consider the current sentiment to be overly pessimistic at this stage. Sales rose by 11.3% and 11.9% in April and May 2025, respectively, with a 20-bps market share gain. While retail sales in June 2025 saw a 5.1% decline against a strong 12.7% growth in the prior year, this may be influenced by seasonality factors like school holidays and base effects, representing just a single month's data. As such, the market may be placing disproportionate emphasis on this one data point.
- South African retail sales were up 6% with LFL sales up 2.6% in 1Q26. Non-South African sales were up 10.4%.
- Group retail selling price inflation was up 3.1%, which we believe to be supportive and low enough.
- Cash sales (87.5% of sales) were up 6.3%, with credit sales up 6.1%.
- Apparel, homeware, and telecoms segments were up 6%, 6.4% and 12.7% respectively in 1Q26.

Management's outlook:

So far this year, business operating conditions worldwide have remained disrupted and uncertain, largely due to the proposed US tariffs and their potential ripple effects. This has weighed on the broader economic recovery and, in turn, dampened the outlook for a smooth rebound domestically. Due to this, the domestic outlook for the remainder of the year remains uncertain, but this presents an opportunity, as we believe the current historically low valuation multiples are unjustified. Management guided that although there is subsiding inflation and lowering interest rates, performance is expected to face headwinds due to a high base in the second half of the year because of the two-pot inflows from 2024. Our view is that this should be common knowledge, and the market should reflect this in the current low valuations. Management further indicated that rising food and fuel prices could place pressure on consumers' disposable income, however, they remain optimistic and confident in its low-price value-led proposition, noting they are well-positioned to continue delivering margin-accretive market share gains.

Sector outlook

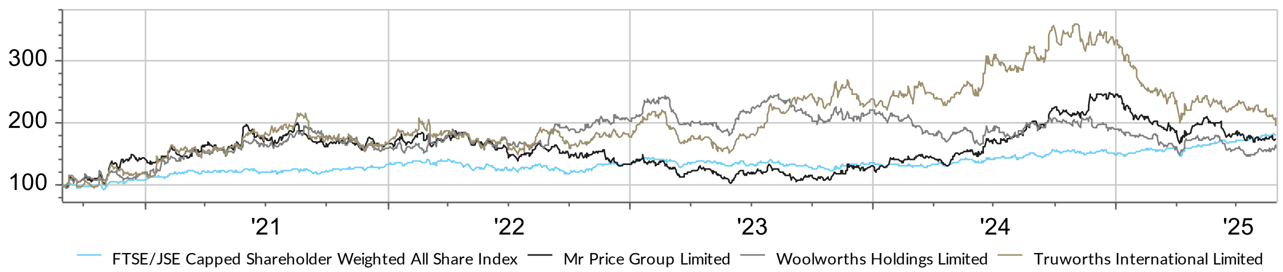
Recent reports from some of MRP's peers have been mixed. Performance of segments outside of Africa, specifically Australia and London, has faced challenges due to the consumer environments in those regions. However, within the clothing retail segments linked to South Africa, LFL growth has been under pressure, with margins also experiencing strain. MRP has been one of the better performing companies in its peer group and we remain confident that, with its focus on organic growth and the performance of its acquired assets, it should be the preferred stock over the long term.

Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is 7.2% and expected three-year EPS CAGR is 10.8% We expect earnings growth over the next three years to be driven by: • Organic brands growth and market share gains from acquired assets and store expansions. • Margin expansion through improved sourcing efficiencies, private-label rollouts (e.g., Salt devices), and disciplined markdown management. • MRP has a better track record of delivering stable growth relative to peers. • Five-year sales per share CAGR of 12.64% vs 3.98% TRU, 3.41% PPH, 1.97% WHL, 5.56% TFG. • EPS has demonstrated higher and more stable growth over the past 15 years. The 15-year CAGR is as follows: MRP 11.6%, TRU 6.74%, PPH 6.88%, WHL 5.23%, and TFG 5.23%.
Valuation	★★★★★	The share price is trading at a 37% discount of the IV. Current NTM P:E of 13.8x is trading at an 11% discount to the five-year average P:E of 15.5x
Dividend	★★★★☆	LTM dividends yield 4.2%. NTM dividends yield 4.7%. Although the yield is reasonable, the dividend per share growth has been relatively stable and has shown an 11.6% CAGR over the past 15 years.
Issuance	★★★★★	Shares issued have been flat over the past five years
Catalyst	Easing inflation and interest cuts should relieve some pressure on consumer disposable income. Own brand development and expansion through store growth (i.e. Mr Price Kids, Mr Price Cellular, etc). Reduced load shedding.	
Quality of earnings	★★★★☆	Five-year average ROE 26.1%. Five-year average operating margin 14.3%. Six of the past 10 years have seen both positive earnings with growth. Margins at peer-leading companies have remained strong, despite the overall sector experiencing margin pressure over the last decade.
Moat	★★★★☆	Scale and price advantage Regulatory moat on foreign competitors entering the market.
Management and governance	★★★★★	The management team has not raised any major concerns. The management team has showcased excellent use of assets and strong returns as seen in their ROAs and ROEs.
Balance sheet	★★★★★	Net debt/EBITDA ratio 0.5x, interest coverage ratio 6.9x. Debt/assets ratio 26.7%. MRP has lower debt levels when compared to peers reducing financial risk.
Risks	• Offshore competitors offering a similar low-price value proposition (i.e. SHEIN, Temu, etc). • A deteriorating consumer environment (rates remaining high and inflation increasing). • Detracting performance from acquired assets and poor execution of own brand development and expansions. • Increased load-shedding. • Regulation: No immediate concerns related to regulation and regulation's impact on the business model.	

Source: FactSet

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



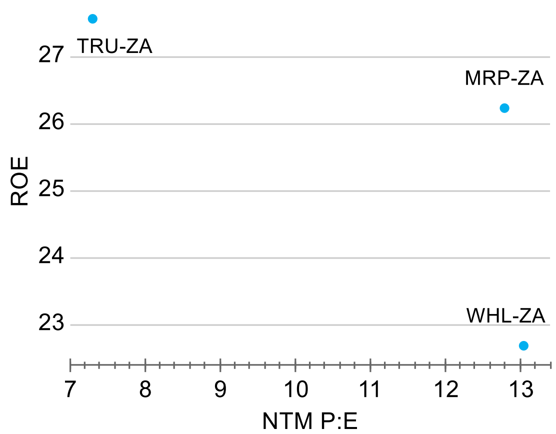
Source: FactSet

Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
MRP-ZA	-29.3%	-1.2%	-11.4%	-14.7%	-14.0%	49.4%	10.4%	73.2%	-10.9%
WHL-ZA	-16.8%	3.8%	-10.0%	-10.9%	-21.0%	-33.1%	-3.0%	58.3%	-46.6%
TRU-ZA	-41.8%	-14.7%	-17.1%	-23.1%	-39.8%	-13.8%	3.3%	93.0%	-31.4%
Capped SWIX	20.4%	3.4%	8.3%	18.0%	20.3%	35.3%	40.0%	79.8%	62.9%

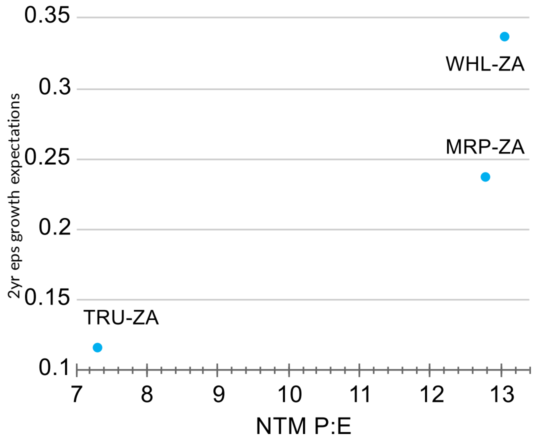
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

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



Source: FactSet

Valuation

We valued MRP through a DCF analysis, incorporating a terminal value based on an exit P:E multiple. Our forecast horizon has been extended to FY30, reflecting a more comprehensive outlook.

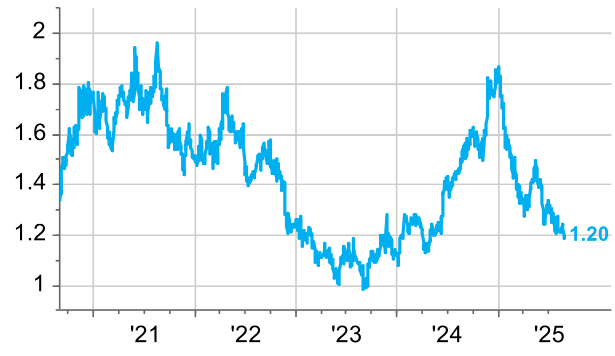
In our valuation, we assume on our base case, stable LFL sales growth driven by store expansion, existing acquired assets, and the development of own house store brands. We use a long-term exit P:E multiple of 14.9x with a weighted sales CAGR of 3.8% assumption to FY30.

However, considering the pressure LFL growth has had in the peer group, we consider a possible ripple impact into MRP, along with a pressured consumer environment for longer. This has led our scenario weights to be largely in our base case but also skewed more to the bear than the bull.

Table 3: Valuation summary

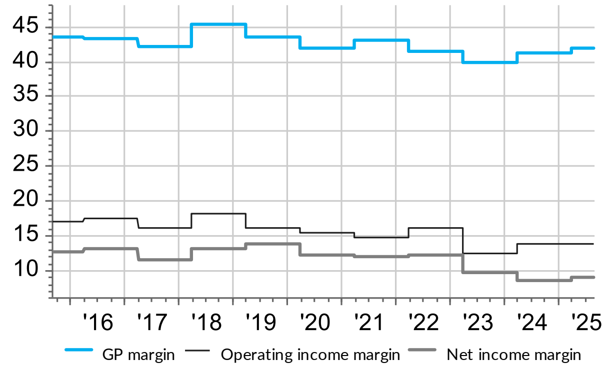
	Weight	*IV*	*Upside/(Downside)*
Bear	30%	192	-8%
Base	60%	309	48%
Bull	10%	425	104%
Weighted	100%	***286***	***37%***

Graph 4: NTM P:E relative to benchmark



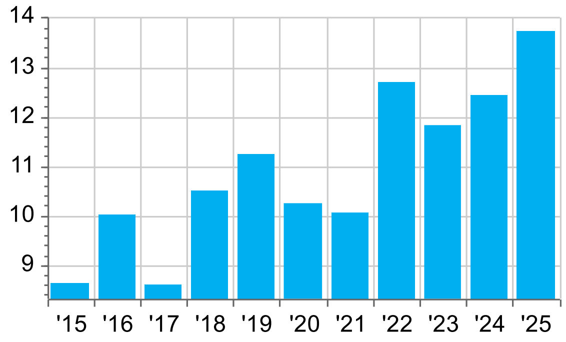
Source: FactSet

Graph 5: Profit margins (%)



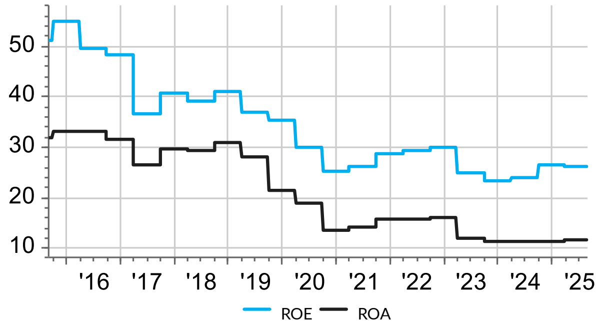
Source: FactSet

Graph 6: 10Y EPS Y/Y growth (%)



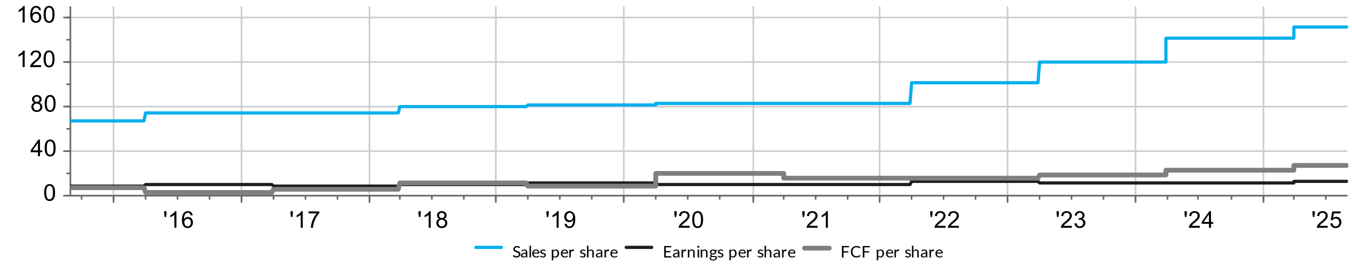
Source: FactSet

Graph 7: ROE and ROA (%)



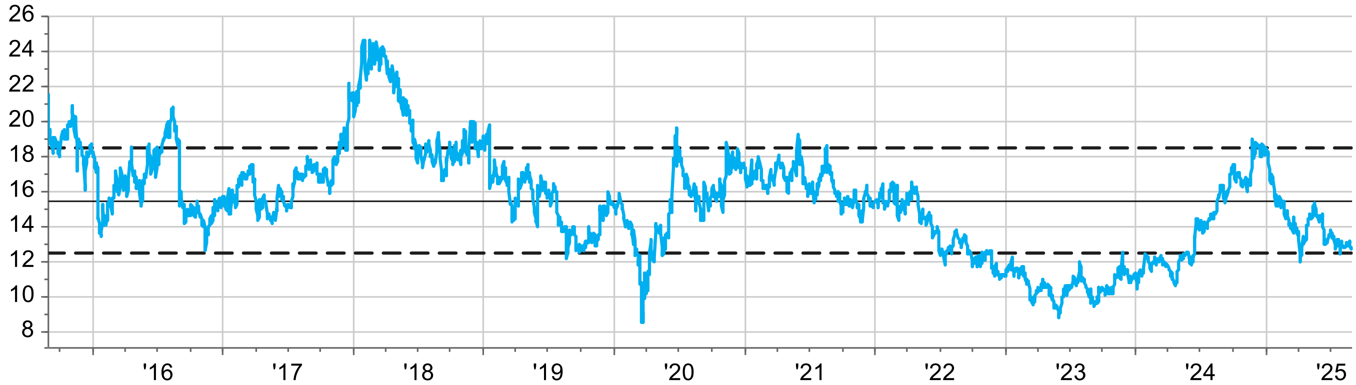
Source: FactSet

Graph 8: Sales, earnings and FCF per share



Source: FactSet

Graph 9: NTM P:E



Source: FactSet

Table 4: Financials and ratios

Income statement (RMn)	Mar 21	Mar 22	Mar 23	Mar 24	Mar 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	22 046	27 035	31 875	37 648	40 571	8%	14%	13%
Cost of sales	12 540	15 820	19 144	22 144	23 574	6%	14%	13%
Gross income	9 506	11 215	12 731	15 504	16 997	10%	15%	13%
EBIT	3 245	4 368	4 015	5 212	5 668	9%	9%	10%
EBITDA	4 943	6 300	6 338	8 131	8 781	8%	12%	12%
Net income	2 656	3 347	3 115	3 280	3 647	11%	3%	6%
EPS (Rand)	10	13	12	13	14	11%	3%	6%
Balance sheet (RMn)	**Mar 21**	**Mar 22**	**Mar 23**	**Mar 24**	**Mar 25**	**1Y Growth**	**3Y CAGR**	**5Y CAGR**
Total assets	19 875	22 677	28 781	29 816	32 539	9%	13%	14%
Total shareholders equity	10 838	12 056	13 928	15 426	14 420	-7%	6%	9%
Total liabilities	9 037	10 621	14 853	14 390	18 119	26%	19%	18%
Ratios	**Mar 21**	**Mar 22**	**Mar 23**	**Mar 24**	**Mar 25**	**5Y Avg**		
Net debt/EBITDA	0.2	0.4	1.2	0.7	0.5	0.6		
Interest coverage	6.8	8.1	5.7	6.5	6.9	6.8		
Debt/assets	29.9	32.7	32.0	29.2	26.7	30.1		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
MRP	Mr Price Group Limited
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBIT	Earnings before interest and tax
CAGR	Compounded annual growth rate
EPS	Earnings per share
NTM	Next twelve months (also known as forward)
LTM	Last twelve months (also known as trailing)
ROE	Return on equity
ROA	Return on assets
DCF	Discounted Cash Flow
YTD	Year to date
MTD	Month to date
M	Month
Y/y	Year(s)
P:E	Price to earnings
GP	Gross profit
FCF	Free cash flow
FY	Financial year
LFL	Like-for-like
Bps	Basis points
USA/US	United States of America
LSM	Living Standards Measure

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*Share price as at closing.

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