Mr Price buys Durban-based value retailer Power Fashion

Mr Price Group has concluded an agreement to acquire family-owned value retailer Power Fashion, which currently has 170 stores located across southern Africa. According to the Group, Power Fashion's differentiated business model gives Mr Price access to a wider customer base and the opportunity to significantly scale further.

Power Fashion was founded in the 1950s and is a high growth apparel retailer based in Durban. It is value-focused and cash-based, servicing low to middle-income households. It offers merchandise for the whole family, retailing largely apparel merchandise but also offering cellular products, basic household items, value cosmetics, electricity and other opportunistic products.

"Power Fashion merchandise is fashionable, but not fashion-forward. It focuses on the deep-value segment of the market and its price positioning is strongly aligned to its target customer base. Stores are typically high street and community centred malls rather than regional and super-regional locations," Mr Price said in a statement on Thursday.

Mr Price reveals impact of SA lockdown and its plans to exit Nigeria
29 Jun 2020

Investment appeal

The Group said its strategic research has helped it identify clear opportunities for growth, both organic and acquisitive. It has frequently communicated to shareholders its strict investment criteria for an acquisition, which has guided it as it has considered several opportunities in the last year. In Power Fashion, the group will acquire a business that meets each of these closely researched criteria:

- Value focused business that predominantly trades in cash and is aligned to the group's core capabilities
- Fits within the group's capital allocation strategy and is bolt-on in nature (the size of the transaction is approximately 4% of market capitalisation)
- High performing business with a strong track record, eliminating the need for any turnaround strategy and

avoiding the associated management distraction and integration costs
- An existing business of attractive scale which is available at a reasonable valuation. Immediately earnings accretive and not dependant on synergies
- Opportunity for significant future growth in footprint and categories
- Low risk as opposed to acquiring an unknown territory with additional foreign exchange risk
- Strong management and skilled team to prevent distraction and ensure continuity

Kindred cultures

Mr Price CEO, Mark Blair, said: “Mr Price and Power Fashion share a similar set of values which makes this acquisition a great fit. Power Fashion was built on a similar entrepreneurial mindset to Mr Price and also offers exceptional value to its customers. We both have high-performance cultures and are equally focused on strategic growth. Our sufficiently differentiated business models and target customers will enable strong positioning in both the deep-value and fashion value segments of the market.

"We are pleased that we will provide immediate returns to our shareholders, as well as continue to deliver on our respective promises to our customers.”

Noel Otto, CEO and majority shareholder of Power Fashion, commented: “It has been an incredible journey building our business into what it is today. Our team is immensely proud of what we have achieved. In some ways, the journey has only just begun, and I couldn’t think of a better way forward than for Mr Price to take the baton and continue the growth trajectory.

"Both companies are driven by a strong entrepreneurial spirit and I look forward to seeing Power Fashion grow into a significant contributor to the Mr Price growth story. We have kindred cultures and along with the continuity provided by my management team, I believe that the transition will be a smooth one.”

TFG takes over 382 Jet stores in SA - saving 4,800 jobs
28 Sep 2020

The existing management team and all Power Fashion employees will transfer to Mr Price, and a new managing director will be appointed in due course. Noel Otto will retire on the effective date but will conclude a consulting agreement for a period post the effective date to provide continuity.

The targeted effective date of the transaction will be April 2021 to align with the start of the Group’s new financial year. This is subject to the fulfilment of both regulatory and commercial suspensive conditions. These conditions include competition authority approval in South Africa and Eswatini. The transaction will be settled in cash.