

SHOPRITE HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Reg. No. 1936/007721/06
ISIN: ZAE000012084
JSE Share code: SHP
NSX Share code: SRH
LuSE Share code: SHOPRITE
("Shoprite Holdings" or "the Group")

OPERATIONAL UPDATE FOR THE QUARTER ENDING SEPTEMBER 2018

In the three months to September 2018, the Shoprite Group's turnover increased by 0.4% (excluding Hyperinflation accounting in Angola). The Group managed to increase the number of customers served by 1.6%, however overall turnover growth was impacted by three main issues:

- Sharp devaluations in the currencies of some of the countries in the rest of Africa where the Group trades, in particular the large operations in Angola and Zambia, negatively impacted the Non-RSA sales performance in rand terms;
- Sales in Supermarkets RSA were impacted by consistently low internal food inflation of -0.1% for the quarter; and
- Product availability challenges stemming from the Group's largest Distribution Centre in Gauteng which accounts for 53% of total centralised food distribution for the RSA supermarkets business. The culmination of a 6 week service provider strike and the deployment of a brand new warehousing system shortly after the labour disruption meant that we were temporarily not able to meet store demand adequately. The result was that the Group didn't live up to the high customer standards we pride ourselves on. This resulted in significant lost sales opportunities, which naturally benefitted some of the Group's competitors. The situation has now normalised and a more positive volume trend is emerging in October on the back of improving product availability.

Supermarkets RSA, the Group's primary business, grew sales by 1.7% during a period which saw continued low inflation with more than 11,607 items in September remaining cheaper than they were a year ago. The core customer base of its Shoprite chain in particular remained under pressure from rising transport costs and unemployment. Checkers continued to show better growth, notwithstanding also being affected by availability issues in the broader Gauteng region as detailed above.

Facing many emerging market currency related headwinds, the Group's Supermarkets Non-RSA operating segment reported a decline in turnover of 8.6% in rand terms, mainly due to the further depreciation of both Angola's currency after year end and more recently the depreciation of the Zambian currency. The Angola kwanza and Zambia kwacha have depreciated by 76.3% and 21.0% respectively against the US dollar since the beginning of 2018. The Group's hedging strategy continues to soften the blow of forex challenges caused by weakening African currencies.

The Group's Other Operating Segments (which includes OK Franchise, Computicket, MediRite pharmacies and Checkers Food Services) continued to make a good contribution to Group turnover, with the Furniture division reporting an 8.7% increase in sales. The OK Franchise division recorded turnover growth of 6.3%.

Although some food price inflation in the next few months is inevitable given the current rand weakness and escalating transport costs, the Group doesn't foresee material increases in internal food inflation until 2019. This provides some good news for consumers ahead of the important festive season.

The Group opened 15 supermarkets in the quarter and will open a further 41 new supermarkets before the end of December 2018.

In the medium term, the Group remains positive about its operational strength and is making good progress on its strategic priorities particularly around private label development, franchise offer and its ability to capture a higher share of the more upmarket shoppers' grocery spend.

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Date issued:

29 October 2018

Sponsor:

Nedbank Corporate and Investment Banking