

# SHOPRITE

HOLDINGS LTD



# Shoprite Holdings Limited

Financial Results – June 2005



# Size of Operation

|                   | Jun 2005 |
|-------------------|----------|
| Sales             | R30 bn   |
| Owned outlets     | 763      |
| Franchise outlets | 251      |
| Countries         | 17       |
| Employees         | 61,000   |



# Financial Results

| Year ended                               | 30 June 2004<br>(52 weeks) | 30 June 2005<br>(53 weeks) |
|--|----------------------------|----------------------------|
| Revenue (Rm)                             | 27 168                     | 30 328                     |
| Revenue Growth (%)                       | 7,5                        | 11,6                       |
| Operating Profit (Rm)                    | 714                        | 912                        |
| Operating Profit Growth (%)              | 17,5                       | 27,8                       |
| Operating Margin (%)                     | 2,7                        | 3,1                        |
| Adjusted Diluted Headline EPS (cents)    | 92,9                       | 115,6                      |
| Adjusted Diluted Headline EPS Growth (%) | 15,4                       | 24,4                       |
| Dividend per Share (cents)               | 36                         | 50                         |
| Dividend Cover (times)                   | 2,2                        | 2,3                        |



# Highlights of Results

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- Gross margin maintained
  - Competitive market
  - Low food inflation



# Highlights of Results

- Other operating income decreased 3.3%  
Made up as follows:

|                             | % increase /<br>(decrease) | To R'm |
|-----------------------------|----------------------------|--------|
| Commission received         | 38,1                       | 67,0   |
| Finance income earned       | (3,8)                      | 164,8  |
| Franchise fees received     | (5,2)                      | 18,8   |
| Operating head-lease income | (15,2)                     | 184,9  |
| Net premiums earned         | 24,6                       | 147,2  |
| Sundry income               | (24,5)                     | 92,8   |



# Highlights of Results

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- Depreciation increased 18.90%
  - Increased spend on revamps and new branches
- Operating Leases increased 1.24%
  - Cancellation and maturing of head-leases
- Staff cost increased 12.14%
  - Adjusted increase 9.8%
  - Productivity increased



# Highlights of Results

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- Operating profit increased 27.84% above revenue growth of 11.63%
  - Efficient collaboration with suppliers
  - Confirmed growth in financial services
  - Decrease in uneconomical leases
  - Decrease in non-RSA operation





# Highlights of Results

- Exchange losses reduced by R85.4m
  - Rand to US Dollar exchange rates
    - June 2003           R7.61
    - June 2004           R6.35
    - June 2005           R6.73
  
- Exceptional items R'm
  - 2004 Negative goodwill (150)
  
  - 2005 Impairment of goodwill 26
  - Impairment of Non-RSA investments 48
  - Profit Canal Walk (18)



# Highlights of Results

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- Net investment income
  - Maintained positive cash flow
  - Lower interest rates
- Taxation R'm
  - Normal 292,3
  - STC 27,2
  - Deferred 3,8
  - Total 323,3



# Highlights of Results

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|                          |       |
|--------------------------|-------|
| • Capital expenditure    | R'm   |
| – Land & Buildings       | 206,2 |
| – Store Refurbishment    | 391,2 |
| – New Stores             | 155,5 |
| – Information Technology | 63,3  |
| – Other Replacements *   | 107,4 |
| – Total                  | 923,6 |

\* Distribution Centres, Motor Vehicles & Office Furniture



# Highlights of Results

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- Inventory
  - Same level as June 2004 against a sales growth of 11.6%
  - Improve stock turn on own distribution to 27 times, R400m reduction
- Cash balances vs Trade Creditors
  - Reductions due to balance sheet closing date
  - Restructuring of funding
  - Income tax payments



# Highlights of Results

- Debtors

|                       | 2004<br>R'm | 2005<br>R'm |
|-----------------------|-------------|-------------|
| Furniture             | 696         | 709         |
| Franchise             | 314         | 217         |
| Buy aid organisations | 190         | 175         |
| Other receivables     | 427         | 538         |
| Total                 | 1,627       | 1,639       |



# Highlights of Results

- Cashflow reconciliation for the year

|  | R'm   |
|--|-------|
| Cash at June 2004                            | 1,128 |
| Cash from operations                         | 1,430 |
| Changes in working capital                   | (652) |
| Net Finance income                           | 22    |
| Dividends paid                               | (213) |
| Tax paid                                     | (509) |
| Purchase of fixed assets & other investments | (811) |
| Other  | 14    |
| Cash at June 2005                            | 409   |



# RSA: Supermarkets

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- Sales Statistics
  - Boerewors: Enough to stretch from CapeTown to Cairo to Mumbai to Cape Town
  - Coke: Enough to fill 43 Olympic size swimming pools
  - All Gold Tomato Sauce: Totalling more than 187m tomatoes (36 per bottle!)
  - Nappies: Enough to supply all the babies in SA for 14 days
  - Washing powder: 300m loads washed per year
  - Dairy: 24,000 cows working fulltime for Shoprite per year



# RSA: Supermarkets

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- Sales growth of 12.6%
- Food inflation of 1.34%, but internal deflation 0.65% (top 80% of lines)
- Basket size growth of 4.2%
- Customer count growth of 8.5%
- Shoppers preferring Group's stores increased from 74.4% to 85.8% (source: AC Nielsen)

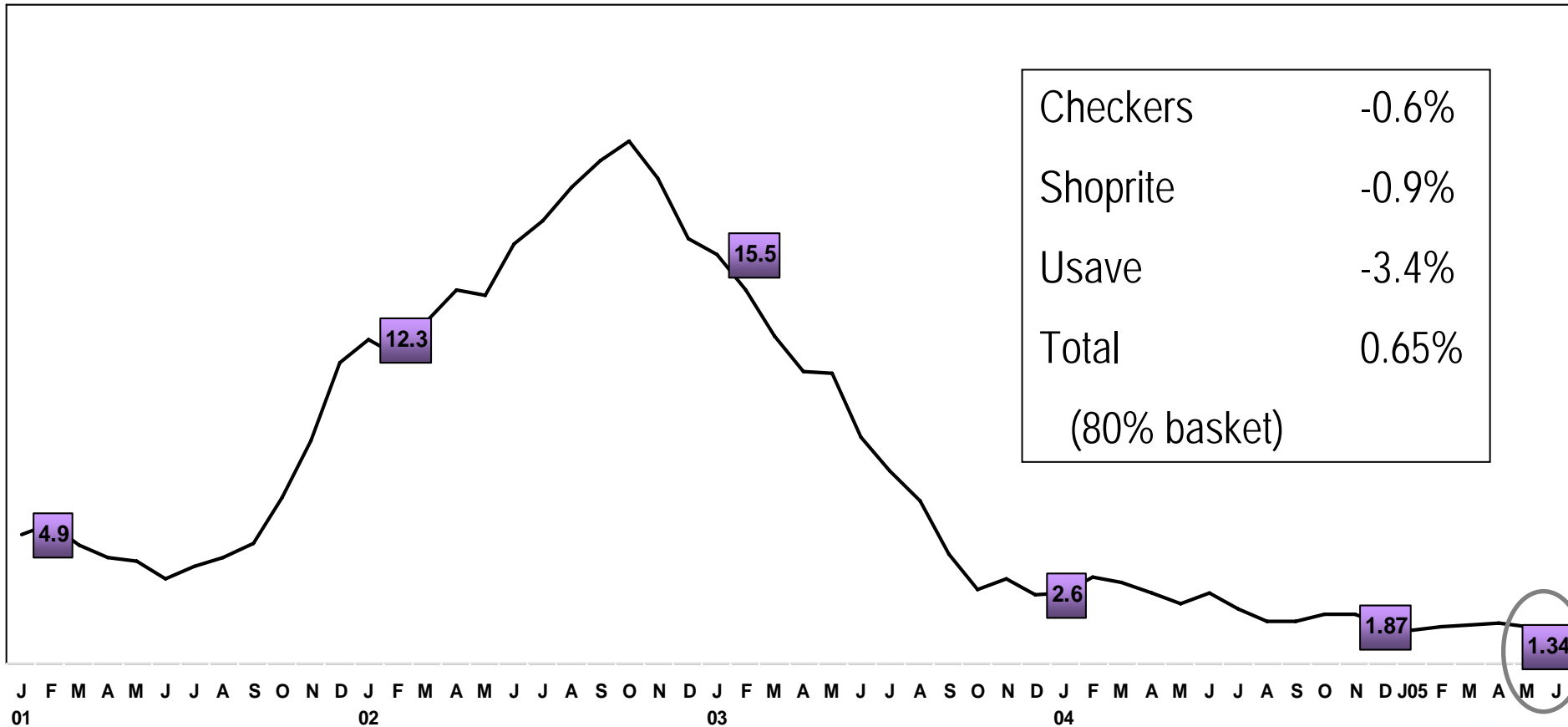




# Food Inflation

CPI - Total Republic

— Food



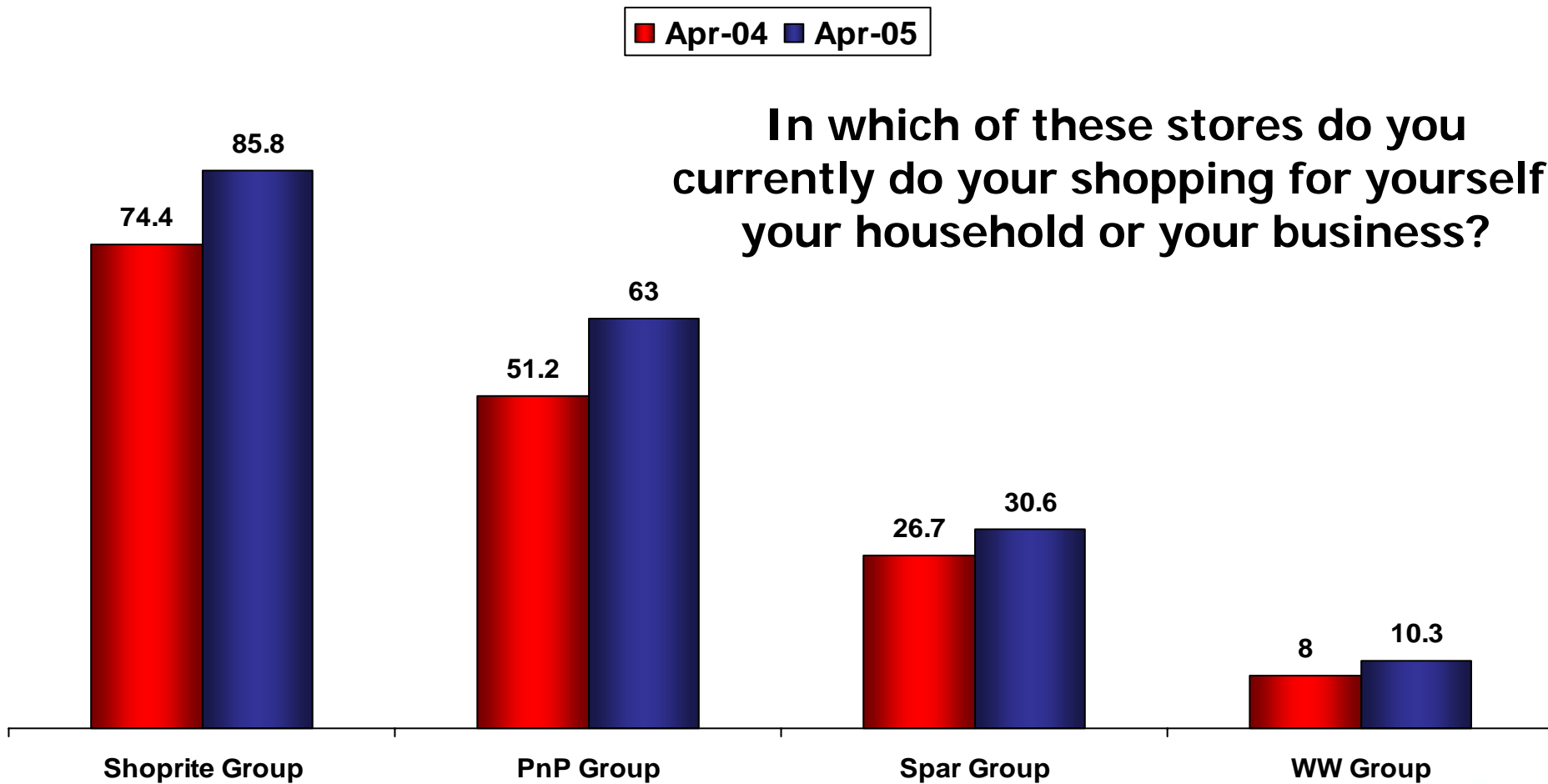
# Internal Food Deflation

- Top 5 Deflation categories:

| Category | % Deflation | Item e.g.                           | SP Jun04 | SP Jun05 | %    |
|----------|-------------|-------------------------------------|----------|----------|------|
| Maize    | -25%        | 5 Star 12,5kg                       | R29.99   | R16.89   | -44% |
| Oil      | -17%        | Housebrand Sunflower Oil 5L         | R39.59   | R25.99   | -34% |
| Chicken  | -17%        | Tydstroom Frozen Heads & Feets 1 kg | R7.99    | R6.99    | -13% |
| Wheat    | -15%        | Golden Cloud Semolina 500g          | R4.49    | R2.19    | -51% |
| Cereal   | -10%        | Nature Source Morning Oats 1kg      | R12.69   | R10.79   | -15% |



# Where does SA shop?



# RSA: Checkers

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- Sales growth 9.5%
- New stores - 2005
  - Checkers : 6
  - PnP : 23
  - Spar : 12
- Basket size growth 6.3%
- Customer count growth 3.3% to 10,4m customers per month



# RSA: Checkers

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- Operating margin higher than Shoprite
  - Still the cheaper supermarket
  - AC Nielsen Price Survey

|          |     |
|----------|-----|
| Checkers | 100 |
| PnP      | 101 |
| Spar     | 104 |



# RSA: Checkers

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- Non-Foods contribution 1% higher
- House Brand contribution
  - Sales growth of 137.4%
  - Profit growth of 126.9%
- Profitability increased (Gauteng)
  - 2004: 45%
  - 2005: 36%
- Increasing customer base of higher LSM (10)



# RSA: Shoprite

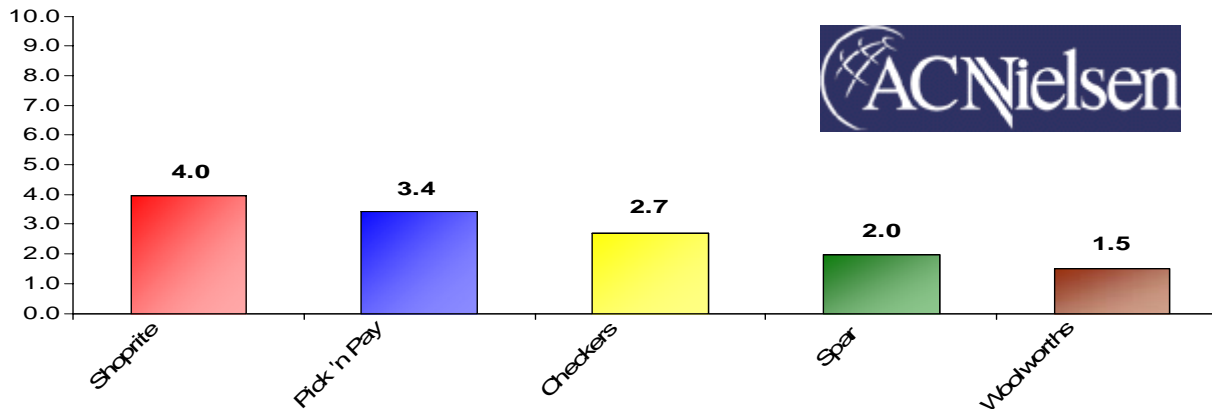
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- Sales growth 13.2%
- Market leader; 327 stores (15 new stores)
- Basket size growth of 5.4%
- Customer count growth of 7.8% to 24,1m customers per month



# RSA: Shoprite

- Operating margin again improved
- Supermarket brand with highest brand equity



- Acceptance across all markets
- Increasing customer base of all LSM's

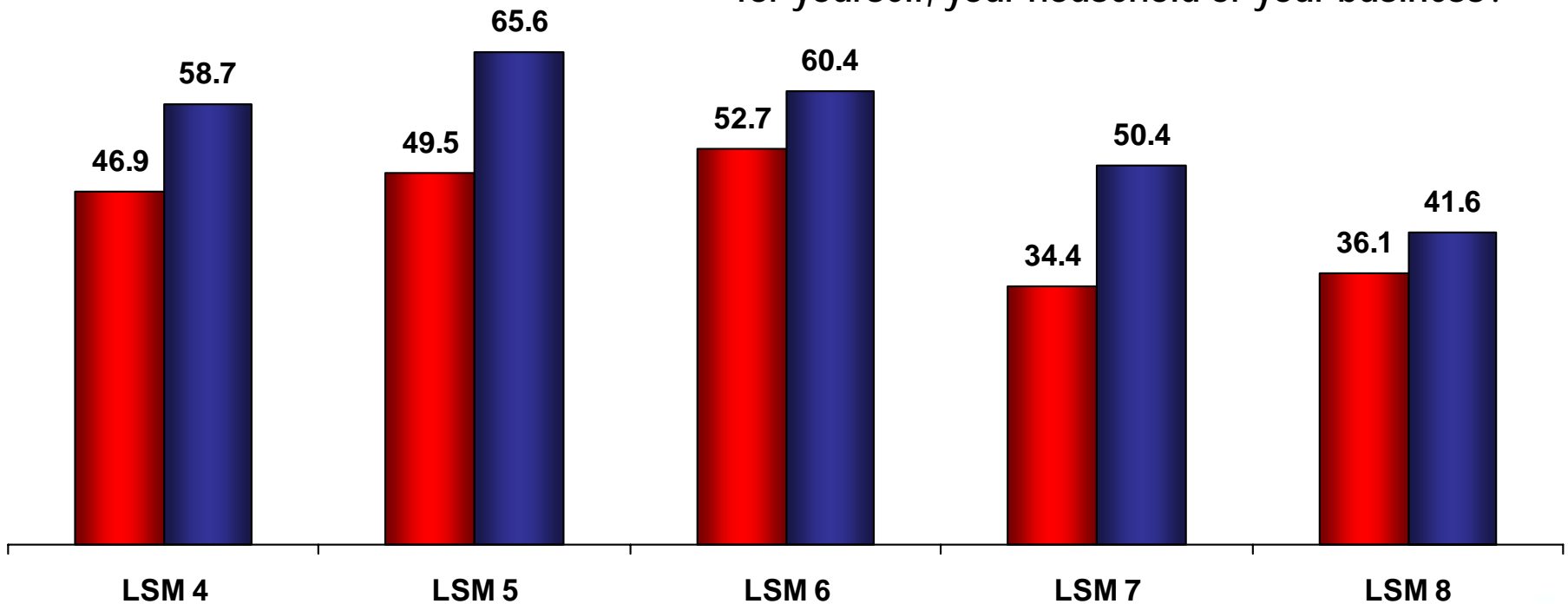




# Shoprite is showing an increase of shoppers of all middle LSM's

■ Apr-04 ■ Apr-05

In which of these stores do you currently do your shopping for yourself, your household or your business?



Shoprite

**SHOPRITE**   
HOLDINGS LTD

# RSA: USave

- Jun05: 75% of stores profitable
- Number of stores

|         | Jun 04 |     | Jun 05 |
|---------|--------|-----|--------|
| RSA     | 44     | 22  | 66     |
| Non-RSA | 15     | 8   | 23     |
|         | 59     | 30  | 89     |
| Closed  | -      | (5) | (5)    |
| Total   | 59     | 25  | 84     |



# RSA: USave

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- Minimal cost to close (R50k)
- Has strategic price fighter stores
- Own labels extended Sep ( additional GP)
  - RiteBrand = already brand leader
    - Diapers, Mayonnaise, Beans-in-Tomato, Cola
- Stock turn: 15 times
- GEB: 21.3%
- 2006: almost R1bn turnover



# MediRite Pharmacies

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- Trading: 24
- New licenses to date: 13
- Immediate Target: 92
- Making Shoprite biggest chain
- Opportunity for direct import
- GEB: 49,2%
- Health & Beauty Dept growth outstrip that of store



# LiquorShop

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- Trading: 3
- Approved licenses: 8
- Applications submitted: 19
- Potential stores: 200
- Spar: 155
- Liquor market growth: 11.8%
- Market size: R27bn



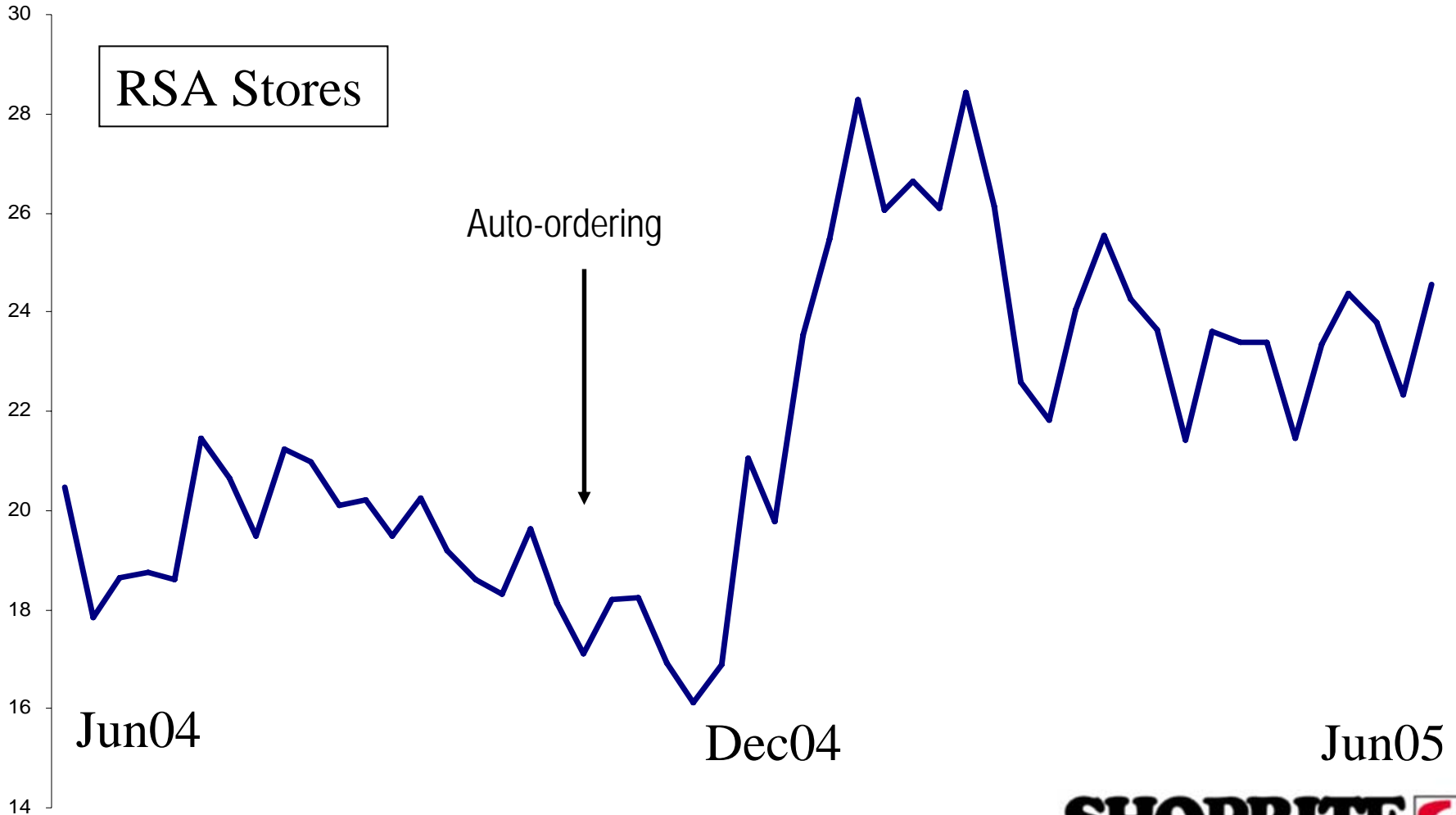
# Stock

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- Sales growth 11.9%
- SA stock turn increased 14.4%
- Improvement for last 2 yrs of R400m
- Stores on new replenishment model show an increased stock turn to 27 on replenished lines



# Own Distribution : Stockturn



# Central Distribution

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- Operate 17 centers with 240,000 m<sup>2</sup>
  - Largest distribution node 81,000 m<sup>2</sup>
- Supply more than 1,000 outlets
- Supply 16 countries outside SA
- Handle more than 10,000 TEU's (Twenty Foot Container)
- Leading Supply Chain initiatives amongst both retailers and distributors on the continent





# Central Distribution

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- Supply 64% of merchandise sold
- Supply 2,8 million cases per week
- Large centres each distribute more than any other distributor or retailer (more than 1m cases/week)
- Distribute more than 33,000 items



# Central Distribution

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- Service levels
  - Outbound 95%
  - Inbound improved by 7% to 90%
  - Direct suppliers to store ave 72% – 85%
- Stock turn 17 times



# Personnel

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- Productivity
  - Number of employees decreased 1.25% to 61,525
  - Part timers ave hours increased 10% (29 to 32 hours)
- Efficiency
  - Sales / FTE +8.9%
  - Items / FTE
    - RSA +12%
    - Non-RSA +21%
  - Result of training & improved processes



# Personnel

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- Training
  - Learnership program
    - Almost 40,000 training interventions
    - Received R1,9m grants 2005
    - Target: 400 learnerships in different disciplines next yr
  - W&R SETA
    - Highest contribution at R16,6m
    - R65m since 2000
    - 100% success on grant claims for last 4 yrs



# Non-RSA

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- Turnover growth: 11.6%
  - @ stable currency 20.2%
- Shrinkage + 1.5% of turnover



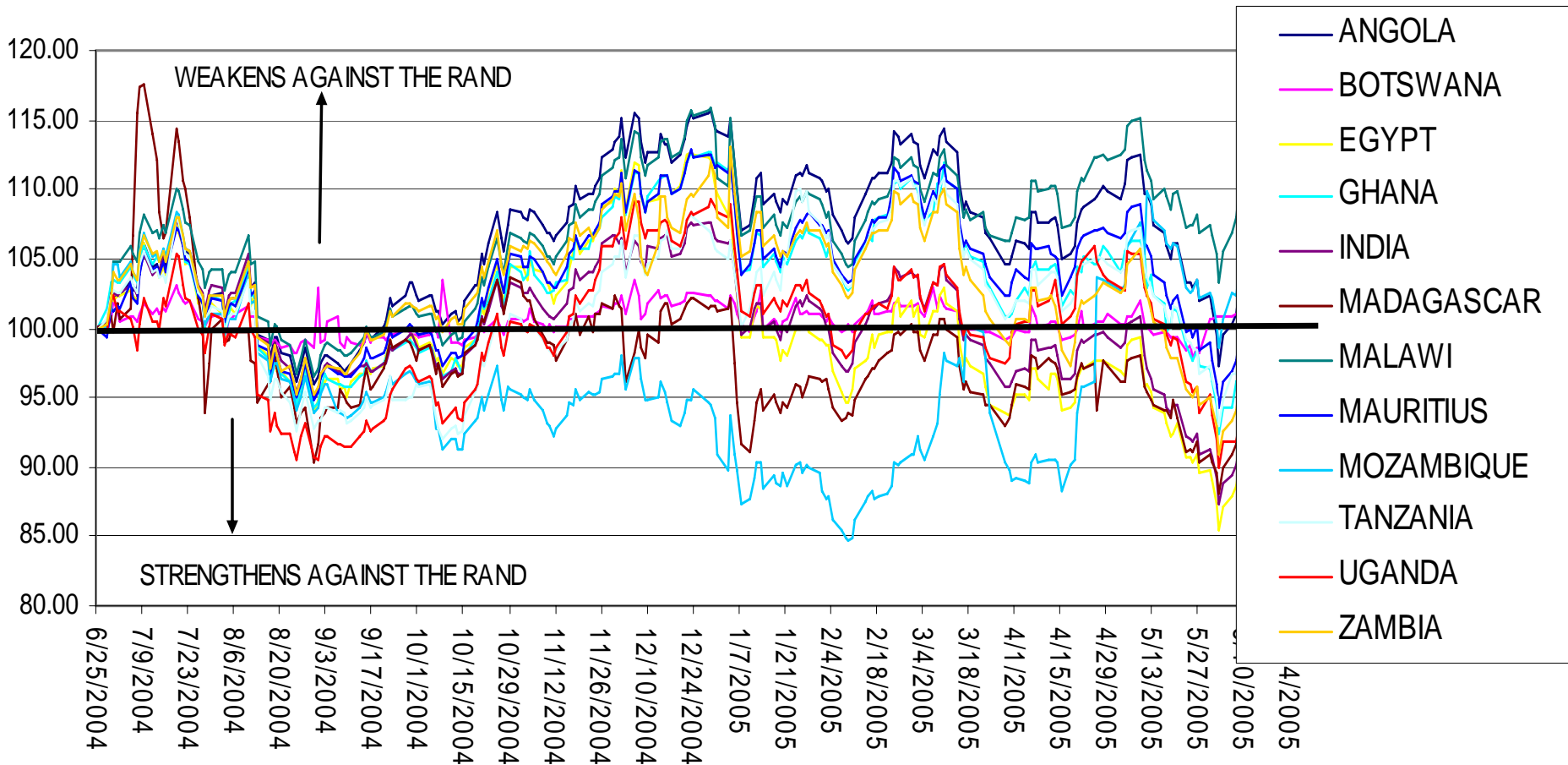
# Non-RSA

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- Exports decreased 23% in value
  - Strengthening of the Rand
  - Self-efficiency of African countries
- Global sourcing
  - Turnover R2,9bn, only 10.8% sourced from SA
  - 8,344 shipments, increase of 20% on last yr



# Currencies against Rand



# Growth for 2006

## Supermarket Expansion: Jun06

What is our new goal?

Planning 95 openings in 12 months to June 2006

Planning 126 openings in 18 months to December 2006

| Format       | Opened: June 2005 |           |           | Confirmed: June 2006 |           |           |
|--------------|-------------------|-----------|-----------|----------------------|-----------|-----------|
|              | RSA               | N-RSA     | Total     | RSA                  | N-RSA     | Total     |
| Shoprite     | 15                | 3         | 18        | 39                   | 7         | 46        |
| Checkers     | 6                 | -         | 6         | 20                   | -         | 20        |
| Usave        | 23                | 7         | 30        | 22                   | 7         | 29        |
| <b>Total</b> | <b>44</b>         | <b>10</b> | <b>54</b> | <b>81</b>            | <b>14</b> | <b>95</b> |

Usave confirmed to June only – many agreed but not contracted yet





# Growth for 2006

## RSA: Checkers

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39

- Ownership of specific categories
- Revamps
  - Completed 2005: 41
  - Planned revamps 2006: 19
- New stores: 20 (30% market share)
- Top brand after Woolworths
- Already has strongest middle market brand
  - Shoprite



# Growth for 2006

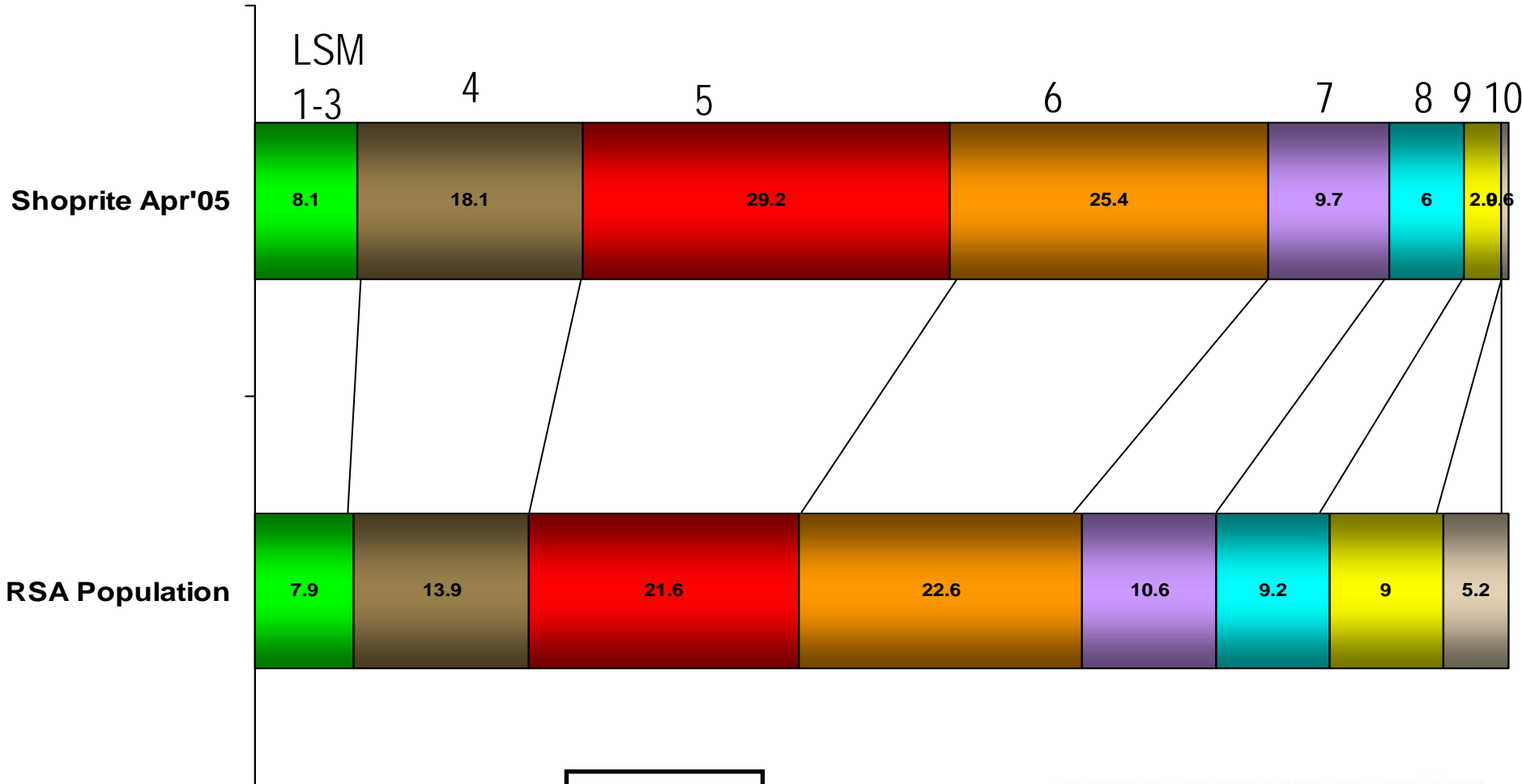
## RSA: Shoprite

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- Number of stores
  - Currently: 327
  - Opening 2006: 39
- Best positioned emerging market
  - 1,3m more people in LSM 4-6
- Benefit from R55bn grants
- Benefit from government housing
- Benefit from electrification project



# SA Population Demographic



All Races  
16 years +

# Growth for 2006

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- Head Leases reduce by R33m
- New Branch System
  - reduce admin (4 hours per day)
- Auto Replenishment – stock reduction continue
- Non-RSA R100m profit



Hopefully we will see less of King and more of Queen in 2006.

Questions?

