SHOPRITE DEFIES MARKET CONDITIONS

The Shoprite Group delivered industry-leading results for the 2017 financial year, defying tough market conditions. Now serving over 35 million individual customers on the African continent, the Group gained market-share and grew trading profit 11.6% (15.7% compared to 52 weeks) to R8 billion.

“We have now achieved 64 consecutive quarters of like for like sales growth. Our latest results are proof that the Group is healthy and able to thrive across multiple brands and countries, notwithstanding the headwinds.

“The Group made progress on all our strategic priorities, which included strengthening our private label products, franchise offer and footprint expansion and we had over 1 billion transactions in total. Against a disconcerting South African unemployment figure of 27%, we are proud of the 6 027 jobs we created, most of which are filled by youth. Our total staff complement rose to 143 802 employees, making our Group the largest South African employer in the private sector,” says Pieter Engelbrecht, Chief Executive Officer.

Key Figures *

- Trading profit up 11.6% (52 weeks: 15.7%) to R8 billion
- Turnover up 8.4% (52 weeks: 10.6%) to R141 billion
- EBITDA up 6.8% (52 weeks: 8.9%) to R10 billion
- Diluted headline earnings per share up 11.9% (52 weeks: 16.1%) to 1,007.4 cents
- A dividend of 504 cents per ordinary share has been declared, up 11.5% over the 452 cents of the corresponding period.

The core South African supermarket operation, which represents 72% of total sales and 79% of trading profit, grew sales by 8.0% to R101.734 billion (52 weeks: 10.5%). Internal inflation on all items was 5.9%.

“Off a high base of regular customers, which is more than double that of our nearest competitor, we grew market share by 0.45% to 31.9%. An unrelenting focus on customer service also resulted in our customer satisfaction reaching record levels,” says Engelbrecht.

Checkers and Checkers Hyper increased sales with 8.5% (52 weeks: 10.8%) to R38.594 billion. Growth in the LSM 8-10 market was supported by the enlargement of the division’s fresh and convenience product offer, which doubled over the past year, on the back of 100 new products which were added to the range.

The expansion of private labels is gaining momentum with sales growing ahead of total sales. In the last six months alone 341 new lines were added and private label sales equated to 14.7% of South African sales, which still lags the reported industry average of 18.5%, indicating significant growth potential.

The Shoprite brand, with its focus on middle and lower-income consumers, continued to subsidise basic food prices to assist the most economically vulnerable. Sales grew by 6.0% (52 weeks: 8.6%) to R52 billion and market share increased. With affordability being a key focus for its middle to lower LSM customers, the Group shielded customers from cost price increases worth R1.8 billion.

Among the smaller divisions in the Group, LiquorShop achieved the highest sales growth of 20.4% (52 weeks: 22.7%) to R4.8 billion. It's South Africa's fastest-growing retail liquor chain at a store opening rate of almost one per week. Market share is now 18.2% and growing.

The OK Franchise Division in general performed above expectation and turnover grew 10.1%, also gaining market share. The franchise division has a strong growth focus and will continue its restructuring to improve service delivery and to enhance the image of the OK brand.

Trading outside of South Africa's borders, where the Group opened a net 51 new stores of which 20 are supermarkets, strengthened, despite the significant devaluation against the rand of most of the currencies in which the Group transacts.

Growth was driven by improvements across the product and service offering and Supermarkets Non-RSA generated sales of R24.8 billion, 11.7% higher than the corresponding period (52 weeks: 13.5%). Growth in constant currencies was a very healthy 31.6%.

Engelbrecht says the Group continues to modernise and have invested in a new ERP technology platform to improve its agility and scalability for rapid deployment and future acquisitions.

Outlook

"It is expected that high levels of unemployment will persist with continued consumer indebtedness and shrinking disposable income. However, we have proven our ability to operate profitably in such circumstances. In fact, we no longer consider poor trading environments as exceptional. Volatile and difficult trading conditions are now standard," says Engelbrecht.

"In this environment, we choose to focus on serving our customers, delivering on our strategic focus areas and creating growth opportunities."

The Group will continue to establish new outlets in South Africa and the doors of its 1001st supermarket in the country will be opened tomorrow (23 August 2017).

Expansion in other emerging markets is one of the key drivers of growth. While developing countries beyond Africa are under investigation, the Group will continue to enlarge its footprint on the continent through expansion in the current countries it operates in as well as new territories altogether. Currently it trades in 15 countries through 2 689 stores and communicates to customers in 23 languages. These stores serve more than 100 customers every second of every day.

"Given the levels of internal energy and focus I strongly believe that the company is geared for further future growth." Engelbrecht says.

Ends

*The key information is for a 52-week period, compared to 53 weeks of the preceding financial year which have been restated for a change in accounting policy with respect to the treatment of advertising rebates. The comparative figures for the restated 52 weeks are given in brackets and are unaudited.

22 August 2017