SHOPRITE HOLDINGS BEATS THE ODDS

Market share and profit growths in a tough environment point to the Group's exceptional, industry-leading performance

– Diluted headline earnings up 14.2% to 525.2 cents a share
– Trading profit up 5% to R4.104 billion
– Turnover up 6.3% to R75.823 billion
– A 13.9% higher dividend of 205 cents a share

The Shoprite Group produced an industry-leading performance in the 26 weeks to 31 December 2017 with growth in turnover, profit and market share.

"Results were boosted by a strong performance in our core South African supermarket operations, which grew turnover by 7.8%," said Pieter Engelbrecht, Chief Executive. This helped offset a 0.4% decline in turnover of Non-RSA supermarket operations, measured against an exceptional prior year increase of 32.3%.

The Group's 1 451 South African outlets, which generated 81% of supermarket sales, continued to lead the industry with their superior supply-line infrastructure, on-shelf availability and customer-centric focus.

Checkers' sharpened focus on high income group customers contributed to the Group's overall 0.44 percentage point increase in market share, which proves its resilience in less favourable periods.

"In South Africa, where we sold 4.1% more products and grew customers by 4.1%, we managed an 11.7% increase in trading profit despite our internal inflation dropping seven percentage points to just 0.4%, with more than 5 000 of our products selling at lower prices than last year. The Group will continue to shield South Africa's poorest consumers, having subsidised 80 million loaves of brown bread at R4.99 without any price increases for two years. Initiatives aimed at protecting those most at risk from the upcoming VAT increase are also planned," Engelbrecht said.

Checkers grew sales by 9.6% in South Africa and gained market share on the back of significant improvements in service, enhancements to fresh products and convenience food offerings and upgraded store design.

The flagship Shoprite chain, with its focus on middle and lower-income consumers, remained fully exposed to the effects of a strained economy, and sales increased by a creditable 6.2% under the circumstances.

Usave performed exceptionally well, as did the Furniture and Franchise divisions.

Non-RSA supermarkets, spread across 14 countries, had a challenging six months. Supermarket sales in Angola were down 9.5% in local currency (against prior year growth of 155.4%), reflecting last year's exceptional performance, a drop in internal inflation of 17.3 percentage points across the Non-RSA operations and a more competitive landscape.

Nigeria's turnover growth in local currency was 9.3%, hampered by import restrictions and forex shortages in the country. Zambian operations, however, are starting to show positive growth, with sales up 4.5% in local currency.

Expansion in Africa continues with a planned entry into Kenya before the end of 2018, where weakened competitor positions have opened a window of opportunity, to strengthen the Group's presence in East Africa.

Engelbrecht pointed out that while in the prior year, Non-RSA operations did much better than the South African operations, "this year reflects an inversion of the trend and validates the strength of our strategy which includes geographical diversification and the extraction of value across all operations and brands."

"We place a lot of focus on our hedging strategy," Engelbrecht said. "Africa did well last year because of the significant growth in sales in Angola, while South Africa did less well as the economy slumped," he said.

"This year, we have scaled back the pace of expansion in Non-RSA operations, while we have made use of our flexibility, innovation and customer science data to make the most of growth opportunities locally. This reflects the efficiency of our hedging capabilities."

The Group opened a net 158 new stores in the past 12 months and at end-December was trading from 2 811 outlets, employing more than 148 000 people after adding 4 254 jobs in the reporting period.

OUTLOOK

"The Group continues to face extremely testing trading conditions, yet we continue to extract sales and profit growth ahead of our competitors," Engelbrecht said. We only worry about external conditions to the extent to which they affect our customers and the communities in which we operate. We judge our own performance against our targets, strategy and aspirations and in this regard, we are proud of our results and aim to continuously improve in the future."

Renewed consumer confidence, political developments and the strong rand point to the potential for improvements in sales and profitability.

Sales in the Non-RSA business will remain under pressure in the coming months, as currency weakness, low commodity prices and forex shortages continue to hamper economic growth in most territories. The Group is committed to each and every territory in which it operates, and continues to look for growth opportunities across the continent.

"We have entrenched our position as the continent's leading retailer and are extremely well-positioned to capitalise on any change in conditions with our continued investment into our enviable store footprint, superior brands and focus on our strategic growth drivers," said Engelbrecht.

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