WELCOME

1.FINANCIAL OVERVIEW

2.OPERATIONAL OVERVIEW

3.STRATEGIC UPDATE

4.QUESTIONS

FINANCIAL RESULTS

ANTON DE BRUYN

FINANCIAL RESULTS

1. Overview of Key Indicators

2. Performance Impacts

3. Unpacking Financial Results

4. New IFRS Standards

HYPERINFLATION

REQUIREMENT

- Angola's economy was assessed to remain hyperinflationary

- Adjust index from acquisition to reporting date

- Cumulative 3-year inflation of 107%

FINANCIAL IMPACT
DEC 2018

R2.3bn

STATEMENT OF FINANCIAL POSITION

| PPE | R2.1bn |
| Reserves | R1.7bn |

R287m
NET PROFIT

STATEMENT OF COMPREHENSIVE INCOME

Primary adjustments:

Gross profit	R10m↓
Depreciation	R49m↑
Net monetary gain	R439m↑

SEGMENTS AFFECTED

- Not allocated to a segment, but treated as reconciling item to consolidated results

PERFORMANCE IMPACTS

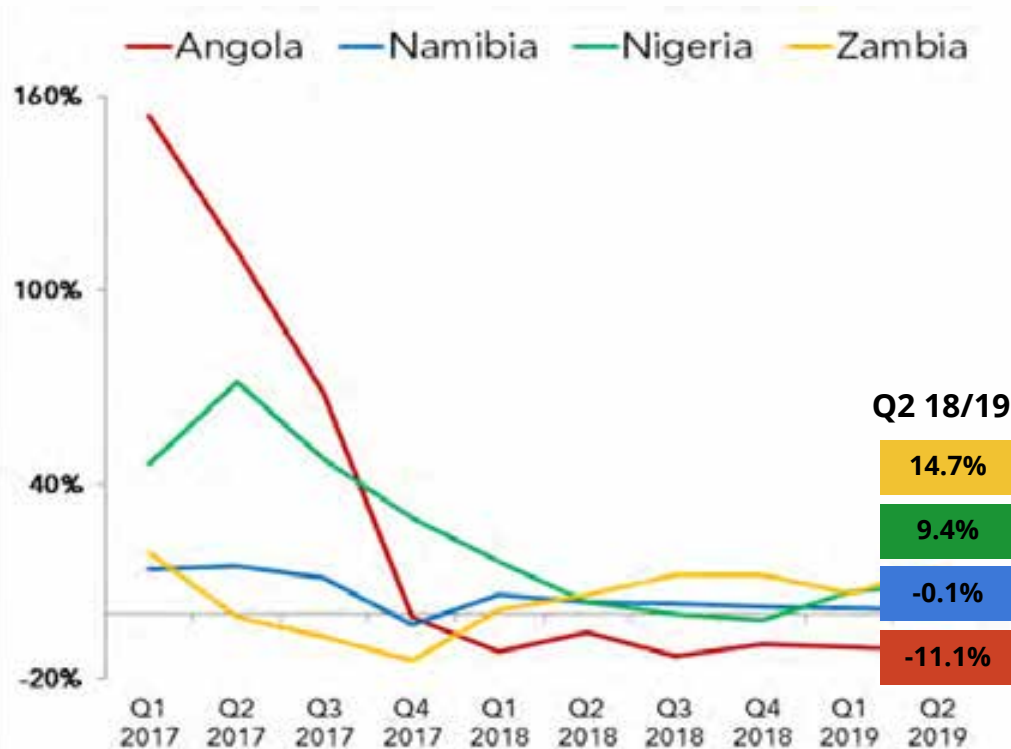**>R250m** — Centurion DC disruption profitability impact

R614.5m — Decline in Supermarkets Non-RSA trading profit

R95.2m — RMA → MAC

SUPERMARKETS NON-RSA PERFORMANCE

QUARTERLY SALES GROWTH IN LOCAL CURRENCY

Q2 18/19

14.7%	
9.4%	
-0.1%	
-11.1%	

- **Angola**: Unprecedented currency devaluation
- **Nigeria**: Impact of the NIFEX rate
- **Zambia:** Stronger performance
- **Kenya:** Establishment cost of greenfield operation
- Closure of **Mauritius**

RMA → MAC

RMA → MAC	IMPACT: STATEMENT OF FINANCIAL POSITION	IMPACT: STATEMENT OF COMPREHENSIVE INCOME
- Both methods approximate cost - Retail Method of Accounting (RMA): Margin per department - Moving Average Cost (MAC): Margin per line item	- Inventory adjustment all accounted for in June 2018 - No further adjustment on inventory to June 2019	- Once-off Gross Profit adjustment: Debit of **R95.2m** - Gross Margin impact - Impact fully accounted for

# SALES GROWTH PER SEGMENT

0.2%
SALES GROWTH

R75.8bn

	Existing stores	Net new stores	Total
Supermarkets RSA	-0.5%	3.1%	2.6%
Supermarkets Non-RSA	-16.5%	3.2%	-13.3%
Furniture	4.2%	0.1%	4.3%
Other Operating Segments	3.9%	2.6%	6.5%
Total Operating Segments	**-2.7%**	**2.9%**	**0.2%**
Total Including Hyperinflation			**0.2%**

SALES: SUPERMARKETS RSA

- >R1 billion lost sales due to industrial action and the subsequent SAP ERP system go-live

- Checkers positive growth, Hypers growth still impacted by revamp programme

- Shoprite and Usave brands growth most affected by Centurion DC challenges

- Liquor stores delivered solid growth

Supermarkets RSA contribution to Group sales

72.3%
2017

74.0%
2018

2.6%
SALES GROWTH TO

R56.1bn
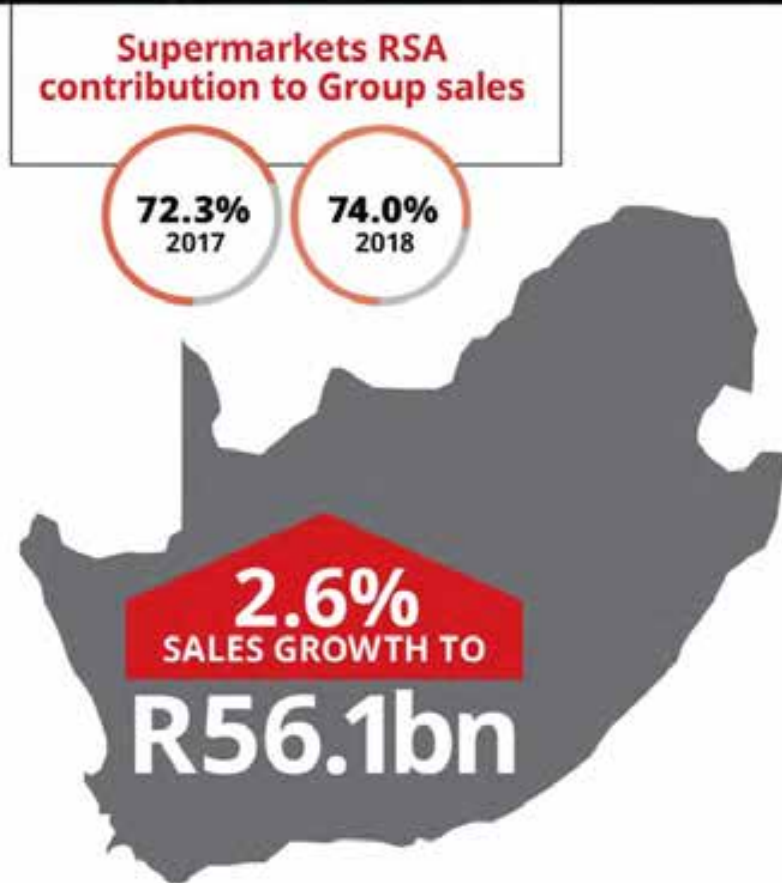
SALES: SUPERMARKETS NON-RSA

13.3%
SALES DECLINE TO
R11.1bn

CONSTANT
CURRENCY
+0.05%

Supermarkets
Non-RSA contribution
to Group sales

16.9% 2017

14.7% 2018

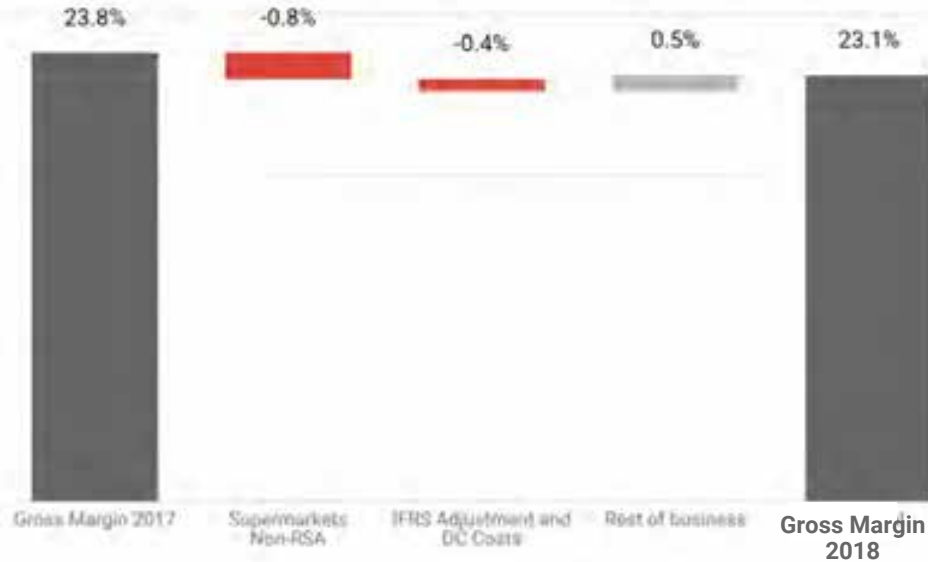|		SALES GROWTH	CONSTANT CURRENCY
	Angola	-45.0%	-9.9%
	Zambia	+0.7%	+11.0%
	Namibia	+1.1%	+1.1%
	Nigeria	-1.4%	+8.4%

GROSS MARGIN

- Components of gross margin

- Margin intact

- Impact of Non-RSA performance

OTHER OPERATING INCOME

	2017 Rm	2018 Rm	Growth
Finance income earned	146	140	-4.1%
Net premiums earned	177	137	-22.6%
Operating lease income	232	251	8.2%
Commissions received	431	447	3.7%
Franchise fees received	41	45	9.8%
Investment income	160	244	52.5%
Sundry income	244	301	23.4%
Total	**1 431**	**1 565**	**9.4%**

COST ANALYSIS

DEPRECIATION

9.6%

R1.3bn

- R49m impact as a result of the hyperinflation adjustment
- Excl. hyperinflation adjustment the growth is 5.5%
- SAP ERP replaced legacy systems which were fully depreciated during the period

OPERATING LEASES

7.4%

R2.3bn

- RSA like-for-like growth in line with CPI
- Non-RSA USD rentals - impacted by devaluation

EMPLOYEE BENEFITS

6.2%

R5.9bn

- Created 1 758 new jobs since June 2018
- Implemented the YES-programme
- New minimum wage increase effective January 2019

OTHER OPERATING EXPENSES
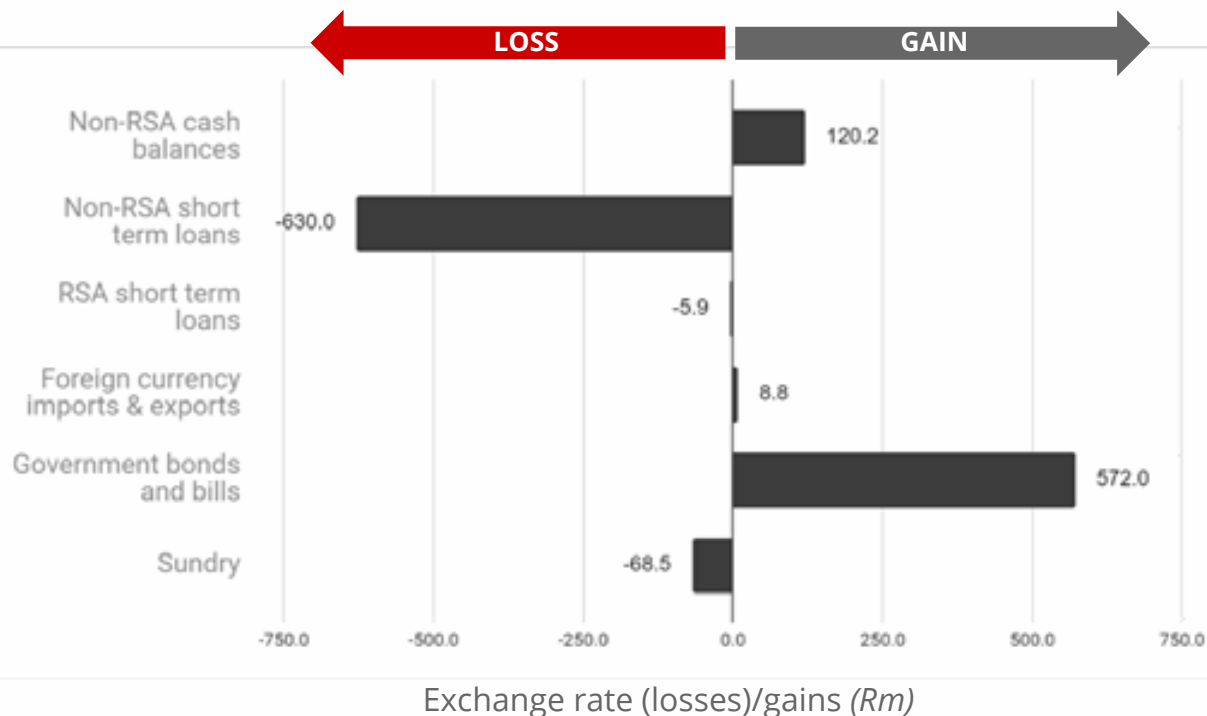
3.8%

R6.7bn

- Electricity and water increased by 6.1%

TRADING PROFIT

	2017 Rm	2018 Rm	Growth
Supermarkets RSA	3 342	2 839	-15.1%
Supermarkets Non-RSA	553	-62	-111.2%
Furniture	110	104	-5.5%
Other Operating Segments	99	66	-33.3%
Total Operating Segments	**4 104**	**2 947**	**-28.2%**
Hyperinflation Effect	-	376	
Total Including Hyperinflation	**4 104**	**3 323**	**-19.0%**

EXCHANGE RATE LOSSES

DEC 2017: **R4.0m gain**   DEC 2018: **R3.4m loss**

← LOSS | GAIN →

|	
Non-RSA cash balances	120.2
Non-RSA short term loans	-630.0
RSA short term loans	-5.9
Foreign currency imports & exports	8.8
Government bonds and bills	572.0
Sundry	-68.5

Exchange rate (losses)/gains *(Rm)*

- Hedging strategy for Non-RSA was effective

- Investments (Angola): R3.5bn

ITEMS OF A CAPITAL NATURE

	2017 Rm	2018 Rm
Impairment of assets	-40	-62
(Loss)/Profit on sale of assets	-16	26
Insurance claims receivable	-	103
Profit/(loss) on other investing activities	22	-2
Total	**-34**	**65**

NET FINANCE COST

Contributing factors to increase in net finance cost *(Rm)*
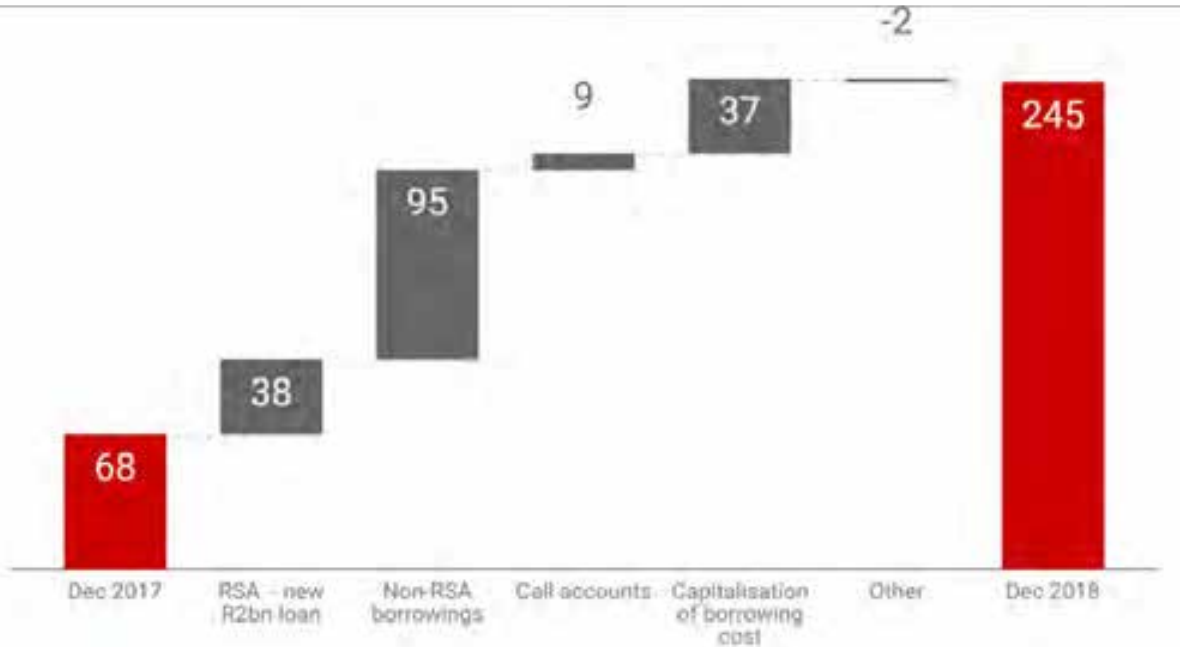
	2017 Rm	2018 Rm
Interest received	121	139
Interest paid	189	384
Net finance cost	**68**	**245**

FINANCIAL POSITION

CAPITAL SPEND	INVENTORY	WORKING CAPITAL
-4.7%	-0.3%	-26.6%
R2.8bn	R21.7bn	R2.6bn

NET CASH	NET DEBT
+59.3%	+96.4%
R4.9bn	R5.2bn

CAPITAL SPEND

DEC 2017:
R2.9bn

DEC 2018:
R2.8bn

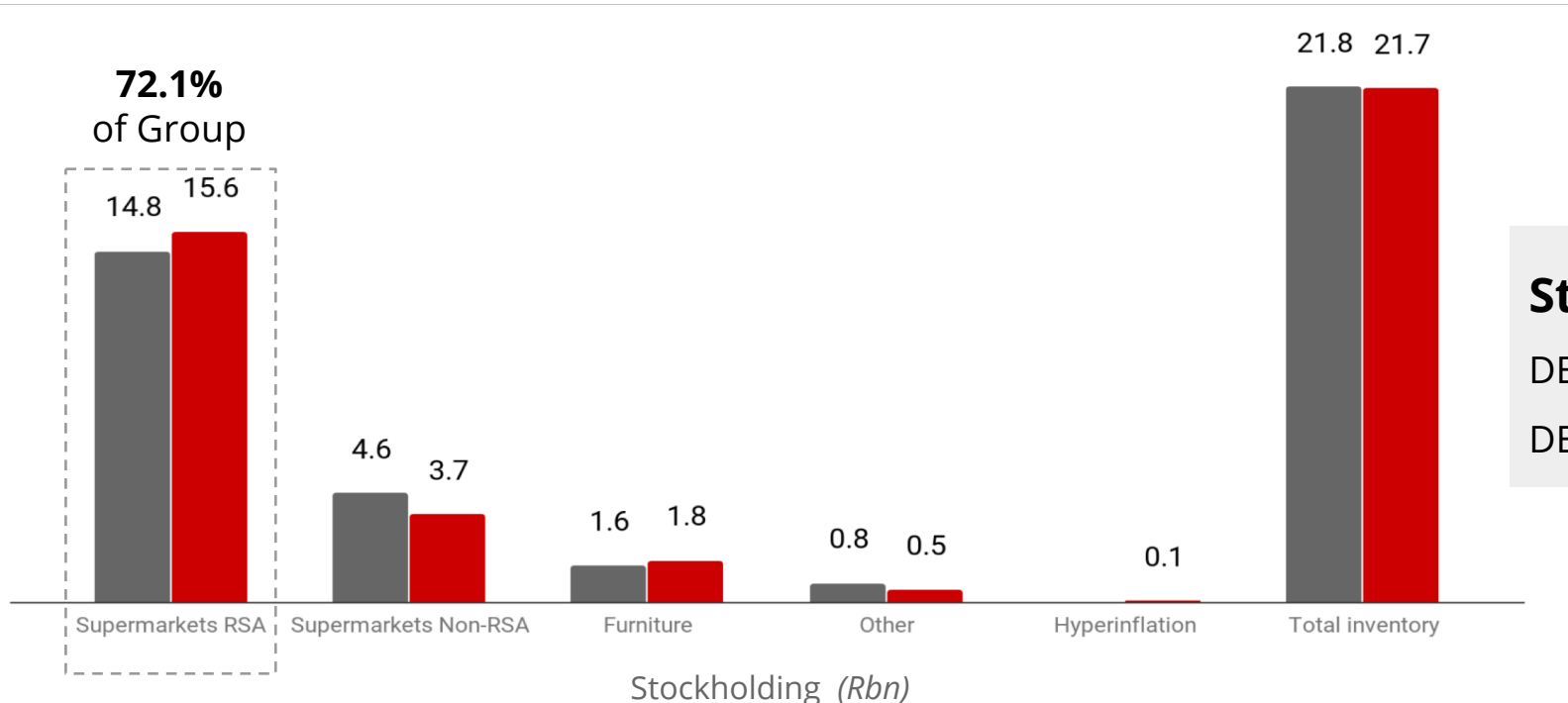TO EXPAND OPERATIONS:
R1.9bn

TO MAINTAIN OPERATIONS:
R0.9bn

Category	DEC 2017	DEC 2018
Other replacements	299	445
New stores	454	325
Land, buildings and leasehold improvements	424	304
Distribution centres	658	522
Information technology	564	543
Store refurbishment	535	656

Capital Spend *(Rm)*

TREASURY

	2017 Rm	2018 Rm
Cash and cash equivalents	8 466	8 760
Bank overdrafts	-5 406	-3 885
Net cash position	**3 060**	**4 875**
Short-term borrowings	-4 451	-2 968
Long-term borrowings	-1 241	-7 077
Net debt	**-2 632**	**-5 170**

CASH FLOW
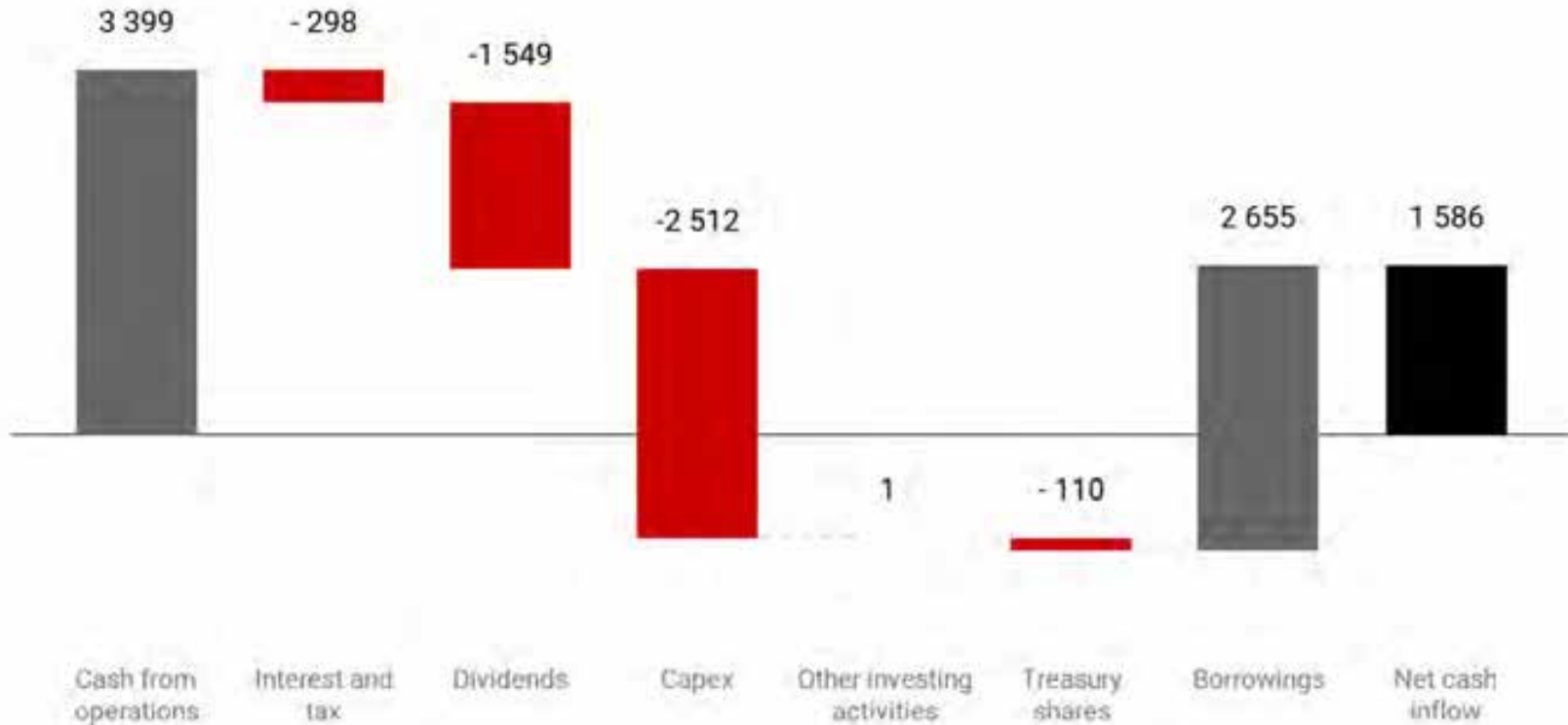
Cash generation/ (utilisation) *(Rm)*

IMPACT ON RESULTS - IFRS 9

REQUIREMENT

- Financial Instruments

- Classification, measurement and derecognition of financial assets and liabilities

- Introduces new rules for hedge accounting and a new impairment model for financial assets

FINANCIAL IMPACT

- Changes in accounting policies

- Comparatives not restated

- Opening retained earnings adjustment

2 JUL 2018 STATEMENT OF FINANCIAL POSITION

R412m

SEGMENTS AFFECTED

Retained earnings - 2 Jul 2018

SUPERMARKETS RSA

R20m

SUPERMARKETS NON-RSA

R133m

FURNITURE

R259m

IMPACT ON RESULTS - IFRS 15

REQUIREMENT

- Revenue from contracts with customers

- Classification, measurement and disclosure of revenue from contracts with customers

- Recognise revenue over time or at a point in time as or when performance obligations are satisfied and control of goods or services transfers to customers

FINANCIAL IMPACT

2 JUL 2017 STATEMENT OF FINANCIAL POSITION

R10m

Opening retained earnings adj.

31 DEC 2017 STATEMENT OF COMPREHENSIVE INCOME

Sales	R119m ↓
Cost of sales	R94m ↓
Other operating income	R71m ↑
Other operating expense	R46m ↑
Trading profit	R0m

SEGMENTS AFFECTED

Retained earnings - 2 Jul 2017

SUPERMARKETS RSA

R9m

SUPERMARKETS NON-RSA

R4m

OTHER OPERATING SEGMENTS

R3m

OPERATIONAL OVERVIEW

PIETER
ENGELBRECHT

YEAR OF TRANSITION

'There is no education like adversity' *Benjamin Disraeli*

2018 saw a convergence of extraordinary factors:

1	Completion of multi-year ERP re-platforming (>50% business went live H1)
2	Aftermath from May-June industrial action at our largest DC disrupted supply chain
3	Dramatic Angola kwanza devaluation of 85.1% against the USD
4	Longest period of stagnant internal inflation in a decade (six consecutive quarters)

- 26 weeks to Dec 2018 performance is not a reflection of the fundamental strength of the business

GROUP OPERATIONAL HIGHLIGHTS

+1.7%
CUSTOMER GROWTH

563m
CUSTOMERS SERVED

RECORD BLACK FRIDAY SELLING

1,781
ITEMS PER SECOND

WON MORE CONSUMER AWARDS IN 2018 THAN ANY OTHER SUPERMARKET

+0.2%
VOLUME GROWTH

3.75bn
PRODUCTS SOLD

CREATED
1,758
NEW JOBS

RANKED
86th
GLOBAL RETAILER
Deloitte 2019

ERP SYSTEM RE-PLATFORMING

- **Why we did it:**
  - Necessary pain to improve global competitiveness
  - New IT system for inventory, master data, ordering and store operations
- **What it meant:**
  - IT replacement of this size unparalleled, 4 year project
  - Required 81,000 man-days from store teams for training
  - Concurrent change from RMA to MAC stock valuation
- **What happened:**
  - Underestimated change impact
  - DC industrial action midway through deployment
  - Limited flexibility in deployment due to coexistence costs
- **What's next:**
 - Sharpen the sword

1,778 STORES

15 COUNTRIES

9 DCs

81,000 MAN-DAYS FOR TRAINING

JUL - DEC 2018
DCs 5
STORES 951

JAN - JUN 2018
DCs 3
STORES 665

AUG - DEC 2017
DCs 1
STORES 162

LAST 6 MONTHS OF DEPLOYMENT
- CENTURION EXPORT
- CENTURION RETURNS
- CENTURION
- EPPING EXPORT
- GREAT NORTH
- ANGOLA
- ZAMBIA
- FREE STATE

GO LIVE 5 PILOT STORES

IMPACT OF SUPPLY CHAIN DISRUPTION

- Labour disruption in our largest DC in May-June 2018
- Resulted in large order backlog before August ERP go-live
- Compounded inability to meet store demand
- Exacerbated by a record Black Friday
- Direct-to-store supplier deliveries affected distribution fees
- Product availability improvements achieved but work remains
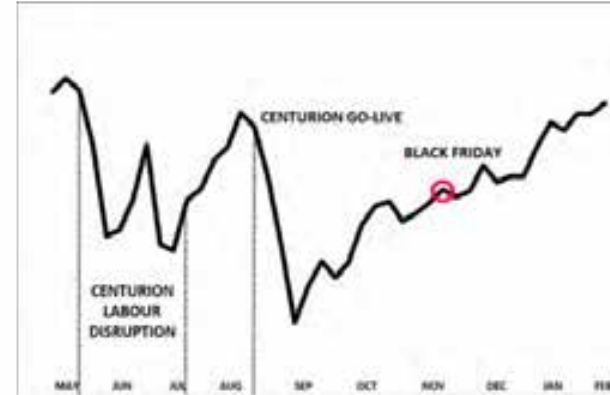
Store in stock percentage

>R1bn Missed Sales

Centurion DC supply line issues

>R250m Profit Impact

Gross Profit on lost sales, loss in distribution fees & additional expenses incurred

CYCLICAL CHALLENGES IN ANGOLA

- -9.9% Constant Currency Sales Growth
  - Adversely impacted by 85.1% currency devaluation
  - Hyperinflationary economy in recession

Angola GDP Growth rate

-1.3%	-2.2%	-4.5%	-1.6%
Q4 '17	Q1 '18	Q2 '18	Q3 '18

CYCLICAL CHALLENGES IN ANGOLA

- -9.9% Constant Currency Sales Growth
  - Adversely impacted by 85.1% currency devaluation
  - Hyperinflationary economy in recession

- Shielded customers from price increases
- Slower store expansion
- Negotiating property disposal
- Optimistic about Angola
  - Structural changes are positive for economy in LT
  - Rapid population growth forecast: 31m to 44m by 2030

Angola GDP Growth rate

-1.3%	-2.2%	-4.5%	-1.6%
Q4 '17	Q1 '18	Q2 '18	Q3 '18

40%

INTERNAL COST PRICE INFLATION

INTERNAL SELL PRICE INFLATION

0%

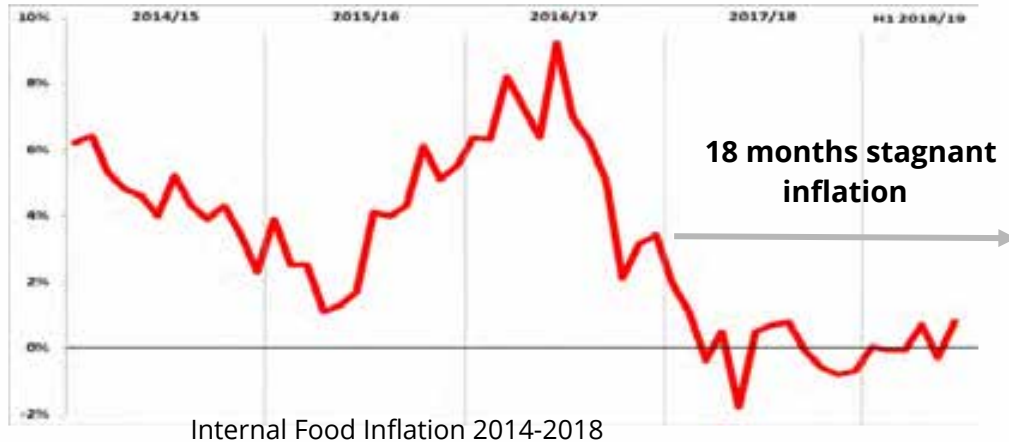JUL   AUG   SEP   OCT   NOV   DEC

SUPERMARKETS NON-RSA PORTFOLIO

- Sales Growth positive in constant currency
- Story of currency devaluations
- Limited hedge
- Smaller countries performing well

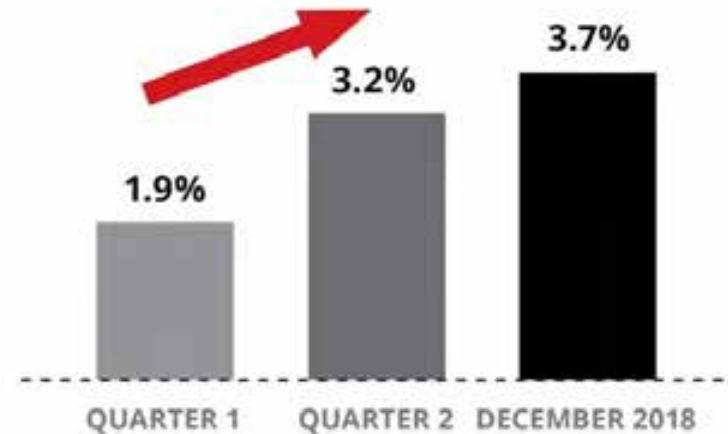| Sales Growth in local currencies	Q1	Q2
	+7.0%	+14.7%
	+7.3%	+9.4%

SUPERMARKETS RSA

- 2.6% Sales Growth underperformed the market
- 10,719 items remain in selling price deflation in Dec '18 benefiting customers
- 2% customer growth but volume upside constrained by supply

Internal Inflation persistently low H1: 0.4%
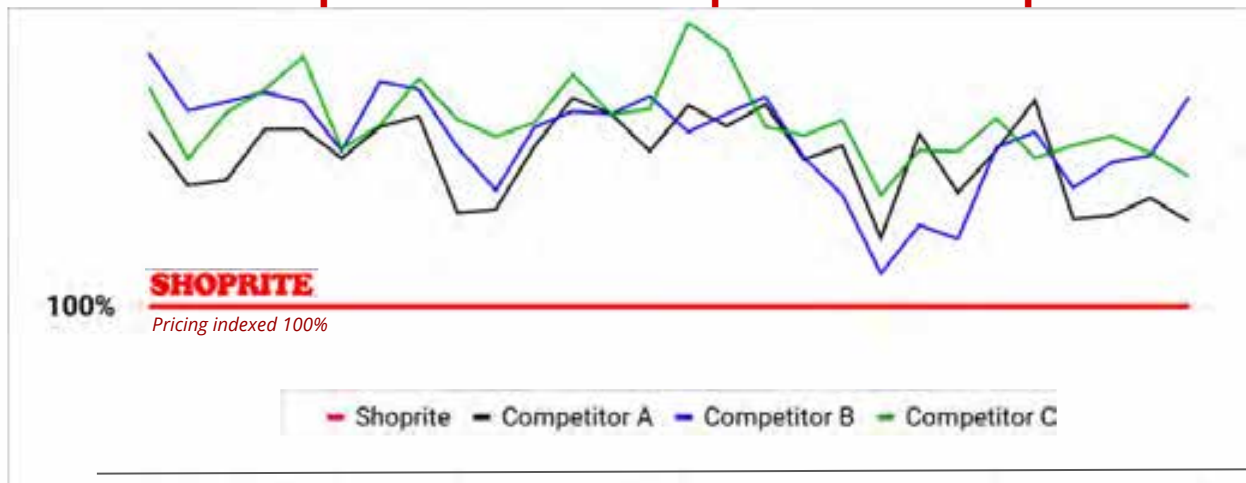
Improved sales growth trend

Internal Food Inflation 2014-2018

18 months stagnant inflation

1.9% QUARTER 1
3.2% QUARTER 2
3.7% DECEMBER 2018

STRATEGIC FOCUS AREAS

6 DRIVERS OF GROWTH

Low Price leadership uncontested despite increased promotional activity

100%   SHOPRITE
Pricing indexed 100%

Shoprite   Competitor A   Competitor B   Competitor C

Weekly indexed price sensitive basket vs key competitors: *July - December 2018*

Independent price surveys 2018

SA'S MOST SHOPPED RETAILER

80% SA market penetration

Retailer	Penetration
Shoprite Group	80%
MRP	38%
Pick n Pay	37%
PEP	34%
Spar	33%
Clicks	31%
Ackermans	26%
Edgars	20%
Jet	19%
Truworths	12%
Woolworths	12%
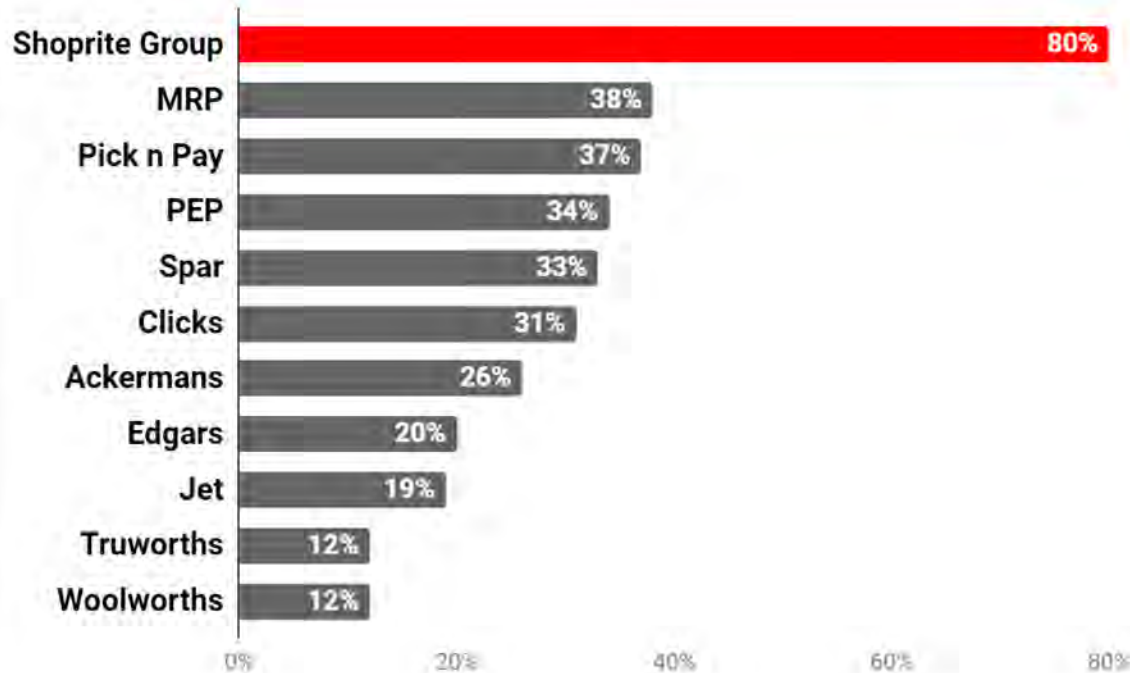
AFRICA'S MOST ACCESSIBLE RETAILER

Establishment Survey 2018 A: SEM = Socio-economic measure. Based on Shoprite Group: Shoprite, Checkers, Checkers Hyper, OK, Population 40m. Shopped last month

2. GROWING UPMARKET SHARE OF WALLET

- Checkers brand still leading our growth

- Market share gains in Fresh and Convenience foods

- FreshX concept store performing ahead of expectations: 20/80 target stores completed

- Healthier Simple Truth range launched: 360k new customers and 3x ave. basket spend

Market share source: Nielsen

3. DEVELOPING PRIVATE LABEL

LOWER PRICES. MORE CHOICE. BETTER MARGIN

- Private label growth at double the pace of all brands
  - Participation up +0.6 percentage points to 16%
- 51% product innovation targets upmarket choice

767 NEW PRODUCTS

NO.1 USAVE PRIVATE LABEL BRAND

4. STRONGER FRANCHISE OFFER

- Market share gain with 8.3% turnover growth

- 19,000 products available through Shoprite Group backbone

- 35 OK Express forecourt stores (+11 new in H1)

Market share source: Nielsen

5. STRATEGIC EXPANSION

- 1.9% supermarket space growth
  - 37 new RSA Supermarkets to open by June (6 Non-RSA)
- Kenya opening marks entry into East Africa's largest economy
- Future-fit formats with lower capex

- Liquorshop sales increased 20.3%
- Opened a store a week
- New online channels performing well:
  - On-demand home delivery partnership with MR D
  - Click 'n Collect now available at 257 Checkers stores

6. LEVERAGE AFRICAN ADVANTAGE

Courage to invest in long term potential

UNRIVALLED AFRICAN FOOTPRINT

419 stores in rest of Africa serving over 15.4 million customers every month
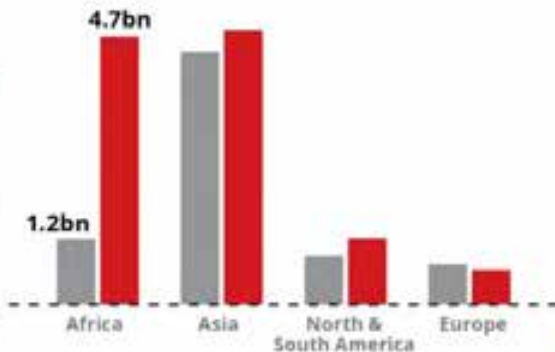
OPPORTUNITY IN NEW SERVICES

>R100bn in till-to-till cash remittances since 2008

EXPLOSIVE POPULATION GROWTH

1/3rd of world population will be African by 2100

4.7bn

1.2bn

Africa   Asia   North & South America   Europe

'THE FUTURE OF AFRICA IS SYNONYMOUS WITH THE FUTURE OF THE HUMAN RACE'
NOAH SMITH

OUTLOOK

ENGINEERING THE NEXT ERA OF GROWTH

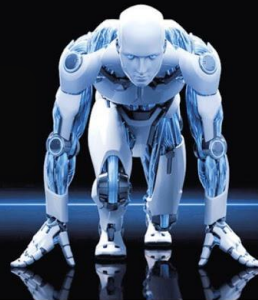## 2018 REPLATFORM

- Single system of record
- Real-time collaboration

SAP Google

2020 OPTIMISE

- Precision retailing through AI powered platform

2022 IGNITE

- Fuse scale & agility benefits
- High growth
- Rooted in Africa with a Global impact

ONE TRUTH > SMARTER DECISIONS > GLOBAL COMPETITIVENESS >

OUTLOOK

- Stronger sales growth for first 8 weeks since Jan 2019
- Improving stock availability remains highest priority
- Two year labour agreement
- Food inflation in Maize, Sugar and Chicken before June
- Load shedding and elections risks
- An improved H2 unlikely to fully offset H1 performance
- Predictions are difficult given upside and downside risks

THANK YOU | QUESTIONS

SHOPRITE S
HOLDINGS LTD