

SHOPRITE

HOLDINGS LTD



UNAUDITED RESULTS
FOR THE 26 WEEKS
ENDED 31 DECEMBER 2017

WELCOME TO THE FRONTLINE

FRESH X STORE

packed with goodness

BIGGER AND BETTER

bursting with flavor

*living leaves stay
fresher for longer*

BIGGER AND BETTER

a fruitful harvest

BIGGER AND BETTER

AGENDA

1. FINANCIAL HIGHLIGHTS

Marius Bosman

2. OPERATIONAL HIGHLIGHTS

Pieter Engelbrecht

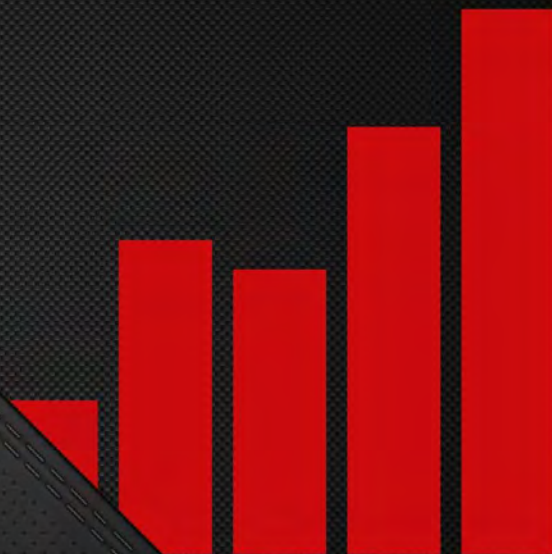
3. QUESTIONS

Executive Team



FINANCIAL HIGHLIGHTS

MARIUS BOSMAN
CHIEF FINANCIAL OFFICER



FINANCIAL HIGHLIGHTS



6.3%

TURNOVER GROWTH TO

R75.8bn

5.0%

TRADING PROFIT GROWTH TO

R4.1bn



TRADING MARGIN

A warehouse worker wearing a blue shirt, a high-visibility yellow vest, and a black beanie with 'LABOUR FLOW' written on it is operating a yellow forklift. The background shows a large warehouse with blue shelving units. Overlaid on the image are two semi-transparent boxes containing trading margin percentages for 2016 and 2017. The 2016 box is white with black text, and the 2017 box is yellow with red text. A vertical yellow bar separates the two boxes.

5.48%

2016

5.41%

2017

FINANCIAL HIGHLIGHTS

14.2%

DILUTED HEPS GROWTH TO

525.2c

13.9%

DIVIDEND PER SHARE GROWTH TO

205c



FINANCIAL HIGHLIGHTS

Sales growth per segment	Existing stores	Net new stores	Total
Supermarkets RSA	3.5%	4.3%	7.8%
Supermarkets Non-RSA	-6.4%	6.0%	-0.4%
Furniture	11.0%	-0.3%	10.7%
Other Operating Segments	4.3%	2.4%	6.7%
Total	2.0%	4.3%	6.3%

- Supermarkets Non-RSA at constant currencies: **1.9%**

GROSS PROFIT MARGIN

23.43%
2016

23.81%
2017

FINANCIAL HIGHLIGHTS

Other operating income	2016 Rm	2017 Rm	Growth
Finance income earned	162	146	-9.9%
Net premiums earned	192	177	-7.8%
Operating lease income	210	232	10.5%
Commissions received	398	425	6.8%
Franchise fees received	36	41	13.9%
Investment income	82	160	95.1%
Sundry income <small>*incl. recycling income</small>	127	179	40.9%
Total	1 207	1 360	12.7%

FINANCIAL HIGHLIGHTS

- Depreciation and amortisation: 11.0%
 - Cilmor DC and new stores
- Operating leases: 13.0%
- Employee benefits: 5.9%
 - Previous share scheme ended in June 2017
- Other operating expenses: 10.8%
 - Security costs



KEY INFORMATION PER SEGMENT

Trading Profit	2016 Rm	2017 Rm	Growth
Supermarkets RSA	2 992	3 342	11.7%
Supermarkets Non-RSA	746	553	-25.9%
Furniture	95	110	15.8%
Other Operating Segments	74	99	33.8%
Total	3 907	4 104	5.0%

EXCHANGE RATE DIFFERENCES

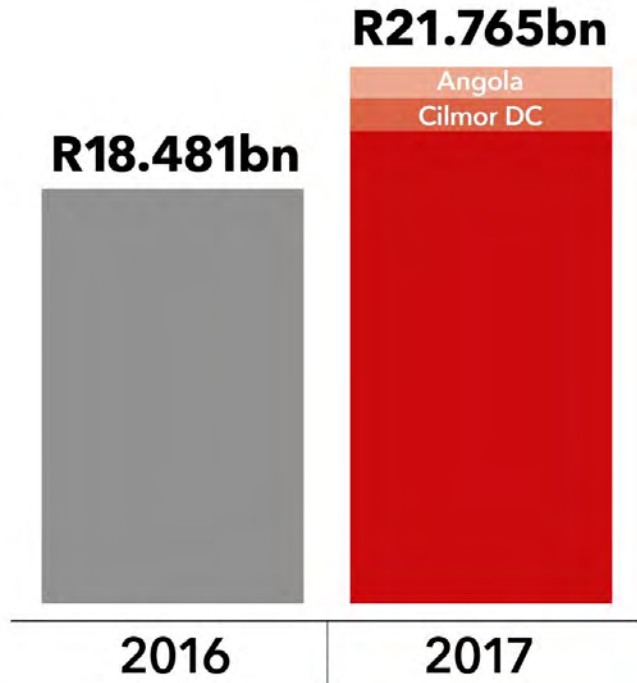
Rand appreciation against the US Dollar

- Dec 2017: R12.41/\$
- June 2017: R13.04/\$
- Dec 2016: R13.64/\$

R188.29m loss
2016

R3.99m gain
2017

INVENTORY LEVELS



Growth in inventory: 17.8%

- R1bn new Cilmor DC
- R540m increase in Angola
- Net 121 new corporate outlets in last 12 months

FINANCIAL HIGHLIGHTS

Capital expenditure	2016 Rm	2017 Rm
Land, Buildings and Leasehold Improvements	516	565
Store Refurbishment	368	535
New Stores	429	454
Information Technology	683	564
Other Replacements*	587	816
Total	2 583	2 934

** Includes DC equipment, vehicles and general asset replacements*

FINANCIAL HIGHLIGHTS

	2016 Rm	2017 Rm	Growth
Net Cash Balances	6 034	3 060	-49.3%

- Buy-back and cancellation of ordinary shares
- Investment in USD Index Linked, Angola Government bonds
- Investment in Angola treasury bills
 - Higher interest and short-term paper

OPERATIONAL OVERVIEW

PIETER ENGELBRECHT



A person wearing a red spacesuit is seen from the chest up, reaching out of a circular window of a spacecraft. The person's hand is extended towards the Earth, which is visible as a large, curved blue and white sphere in the background. The spacecraft's interior and the window frame are dark, creating a high-contrast scene with the bright Earth.

**"I think it is possible for
ordinary people to choose
to be extraordinary"**

- ELON MUSK -

WORKING HARDER FOR CUSTOMERS

- Satisfied with strong performance
- Sales growth continued to outstrip competitors
 - Remain the Low Price reference
 - Continued space growth of 2.5%

0.44%

RSA MARKET SHARE GAINED

R802m

MARKET SHARE GAIN

Nielsen 6m Dec 2017

3.6%

CUSTOMER GROWTH

3.9%

VOLUME GROWTH

"The heart of a poor boy, with the mind of a conqueror"



DEFLATION DILEMMA

- Proven track record in response to volatility
- 5,279 products in deflation in RSA
 - Impacted disproportionately given our dominant share of commodities in significant deflation (e.g. Maize: -30%)
- Shifted into volume mode



147 million more products sold

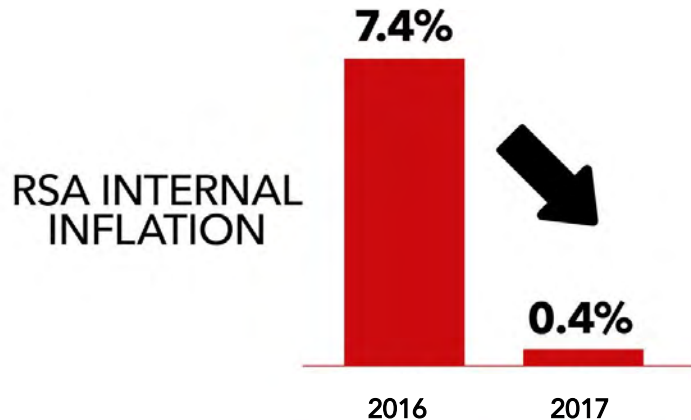


19.2 million more customers served



RSA REMAINS RESILIENT

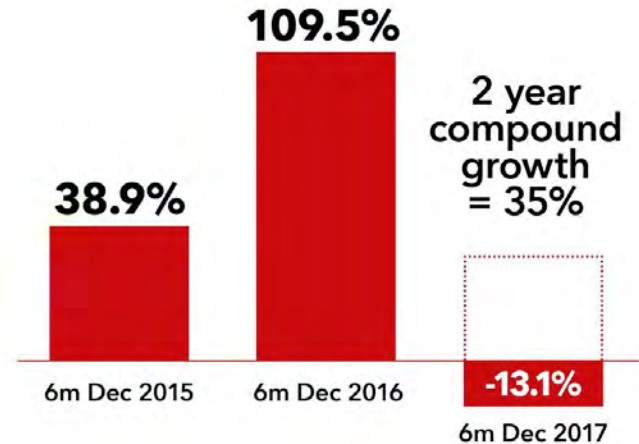
- Strong Supermarkets RSA sales growth of 7.8% with the lowest internal inflation in 6 years
- Superior promotional execution and a record Black Friday
- Good festive season despite work stoppage on 22 Dec



SHORT TERM SETBACKS IN NON-RSA

- **Low-water mark in volatile growth cycle**

- Supermarkets Non-RSA sales growth of -0.4% (1.9% constant currencies)
- Internal inflation 17.3 percentage points lower than last year
- Trading Profit -25.9%: Increases in cost of employment, supply chain and rentals
- Angola's base effect given its large contribution



Supermarkets
Angola Sales (ZAR)

- **Positives:**

- Improved shrinkage
- Stronger promotions and supplier investment
- Local Supplier development in Zambia and Angola

LOCAL CURRENCY SALES PERFORMANCE



Angola

- Fire at rented DC in May
- 26% currency devaluation in January '18



Nigeria

- Harsh import restrictions and forex shortages
- Port Harcourt development with Resilient



Zambia

- Surge in competitors and weak consumer spending
- Inflation normalising post currency depreciation

OTHER BRANDS PERFORMING WELL



TURNOVER GROWTH

21.8%

- 48 new stores (incl. franchises) for the six months to Dec 2017
- Gained +2.06% share*



TURNOVER GROWTH

10.7%

- Lower credit sales: 14.7%
- Trading Profit improved 15.8%

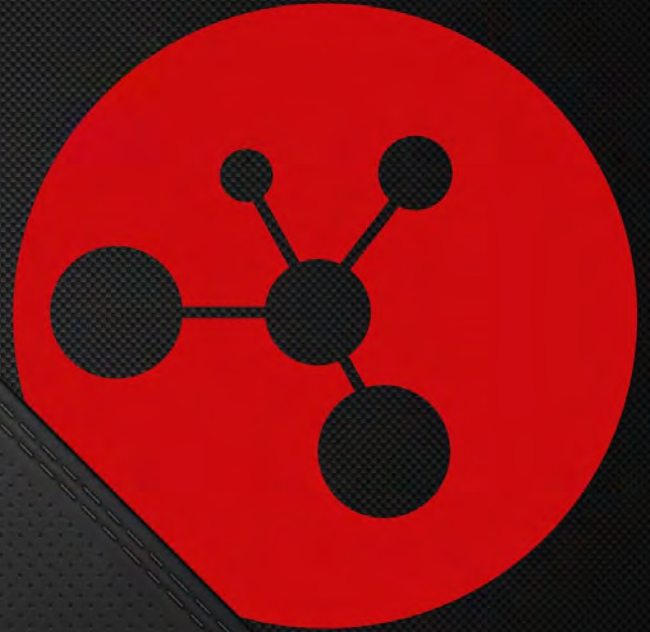


TURNOVER GROWTH

8.0%

- Strengthened operational team
- Gained market share

STRATEGIC FOCUS AREAS





**1. Customer-
first** culture



**2. Growing
LSM 8-10** share
of wallet



**3. Developing
Private Label**



**4. A Stronger
Franchise
Offer**



**5. Leverage
African Advantage**



**6. Strategic
Expansion**

6 DRIVERS OF GROWTH

CUSTOMER-FIRST CULTURE

- **"No customer leaves the store unhappy"**
 - One escalated complaint for every 33,000 customers served
- **Operational teams now aligned to brands**
 - More responsive and relevant to consumers
- **Customer data powering decisions**
 - Category science and execution-ready insights

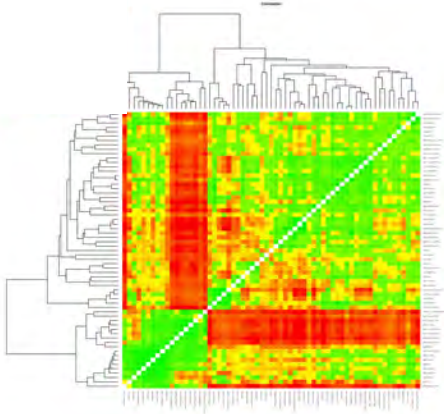


**Xolani Sambo -
MediRite Gauteng**

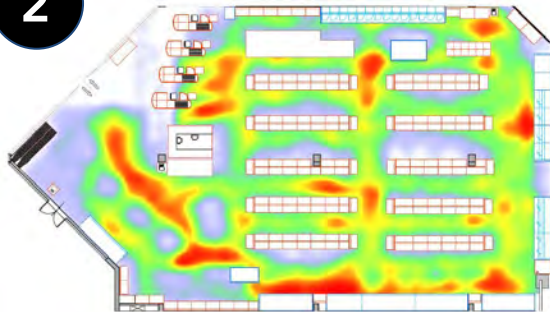
SIMPLIFIED SHOPPING DRIVEN BY DATA

87 billion different ways customers could shop Personal Care dept.

1



2



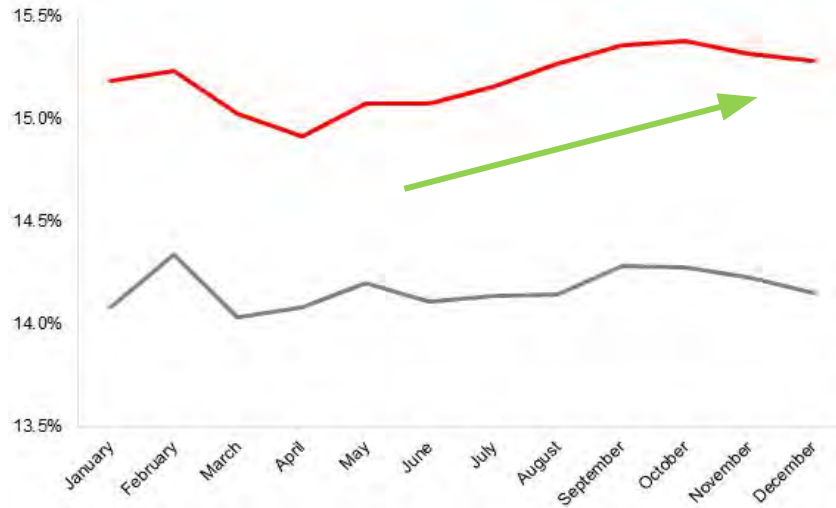
3



+2.7% sales uplift

BUILDING POWERFUL PRIVATE LABEL BRANDS

- 17 own brands > R100m in annual sales



Cumulative monthly Private label participation 2017



494

NEW PRODUCTS
LAUNCHED

+1.2
PERCENTAGE POINTS TO

15.4%

PARTICIPATION

LEVERAGE AFRICAN ADVANTAGE

- Committed to Africa: growing middle class and exploding population
- Results are volatile and cyclical in the short term
- Weaker African economies and currencies
- Our Non-RSA operation remains significant and profitable
- Portfolio effect/hedge

**30%
ROI**

ON NON-RSA
BUSINESS

460
OUTLETS



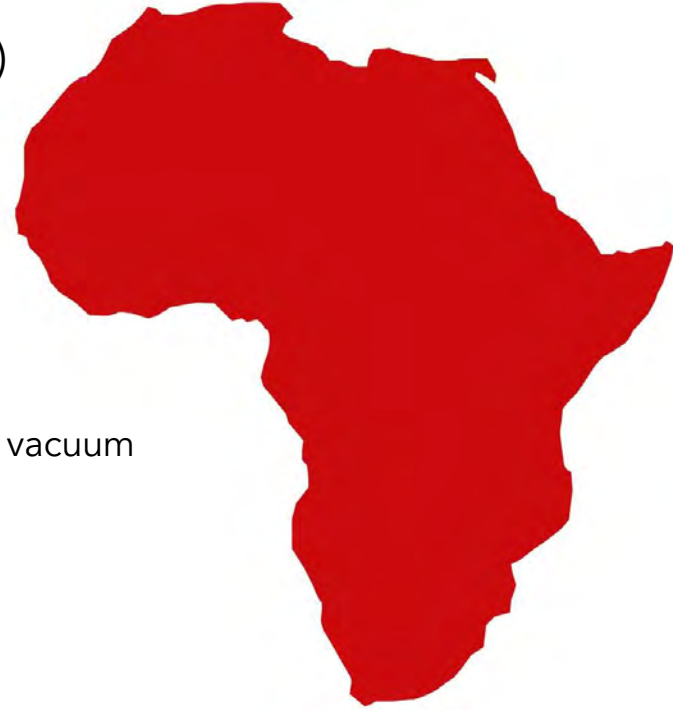
**ANGOLA
PURCHASING
POWER**

Our Angola stores sell 4x more
sparkling wine than our RSA
Checkers stores on average.



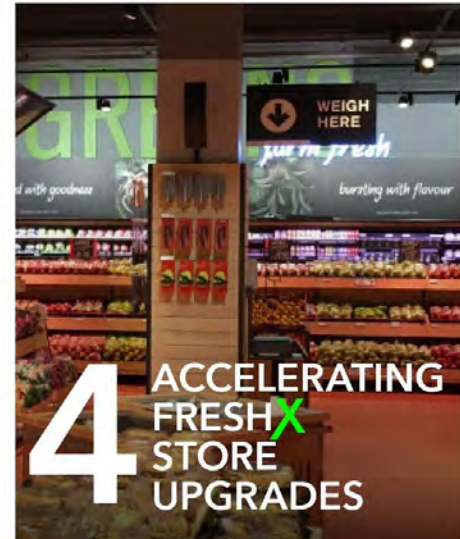
STRATEGIC EXPANSION

- 93 new Supermarkets for the year
- New Cilmor DC primed for growth (incl. Perishables)
- SAP ERP roll-out underway enables scalability
- **Expansion beyond borders on our terms**
 - Harnessing East Africa's largest economy
 - Kenya market entry by year end, filling the competition vacuum
 - 5.5% GDP growth forecast in Kenya in 2018*
 - Beyond the continent under investigation



GROWING UPMARKET SHARE OF WALLET

- Significant opportunity remains in premium food retail
- 4 Levers enabling growth in share of LSM 8-10 spend



1. ENHANCE CHECKERS BRAND PERCEPTION

Checkers

CHRISTMAS TV



2. BETTER FRESH

34%

of market share
gains in Checkers
driven by fresh
departments
in-store

3. GEARING PRODUCT INNOVATION CAPABILITY

Continued
success
of OMG
brand



Enhanced
wellness range

107 new convenience
products launched



*Nielsen 6 months December 2017

4. ACCELERATING FRESHX STORE UPGRADES

Amplifies fresh:

3.4x

Faster sales growth of Fresh
departments post launch



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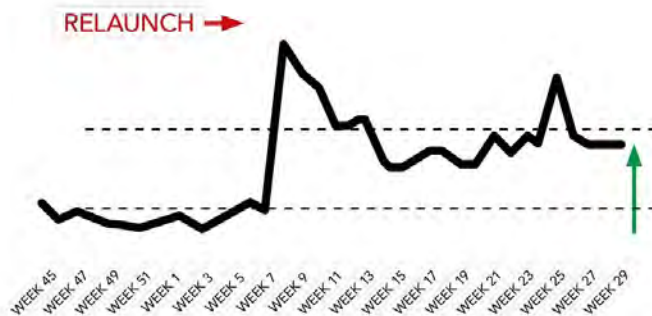
Faster sales growth of Fresh departments post launch



Attracts upmarket shoppers:

17%

More upmarket baskets post launch



4. ACCELERATING FRESH^X STORE UPGRADES

Amplifies fresh:

3.4x

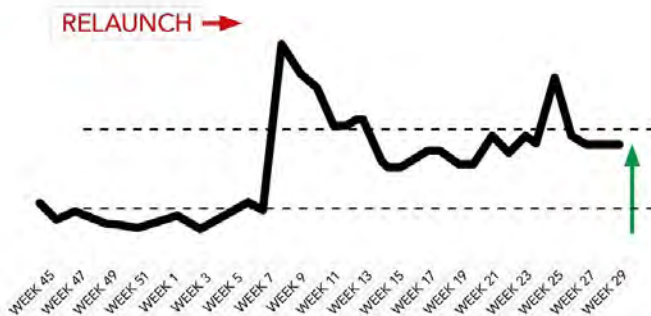
Faster sales growth of Fresh departments post launch



Attracts upmarket shoppers:

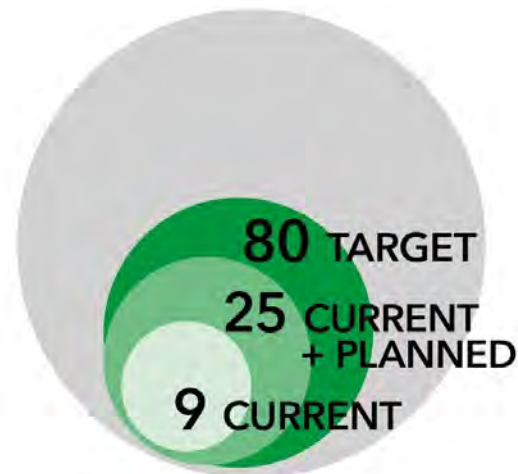
17%

More upmarket baskets post launch



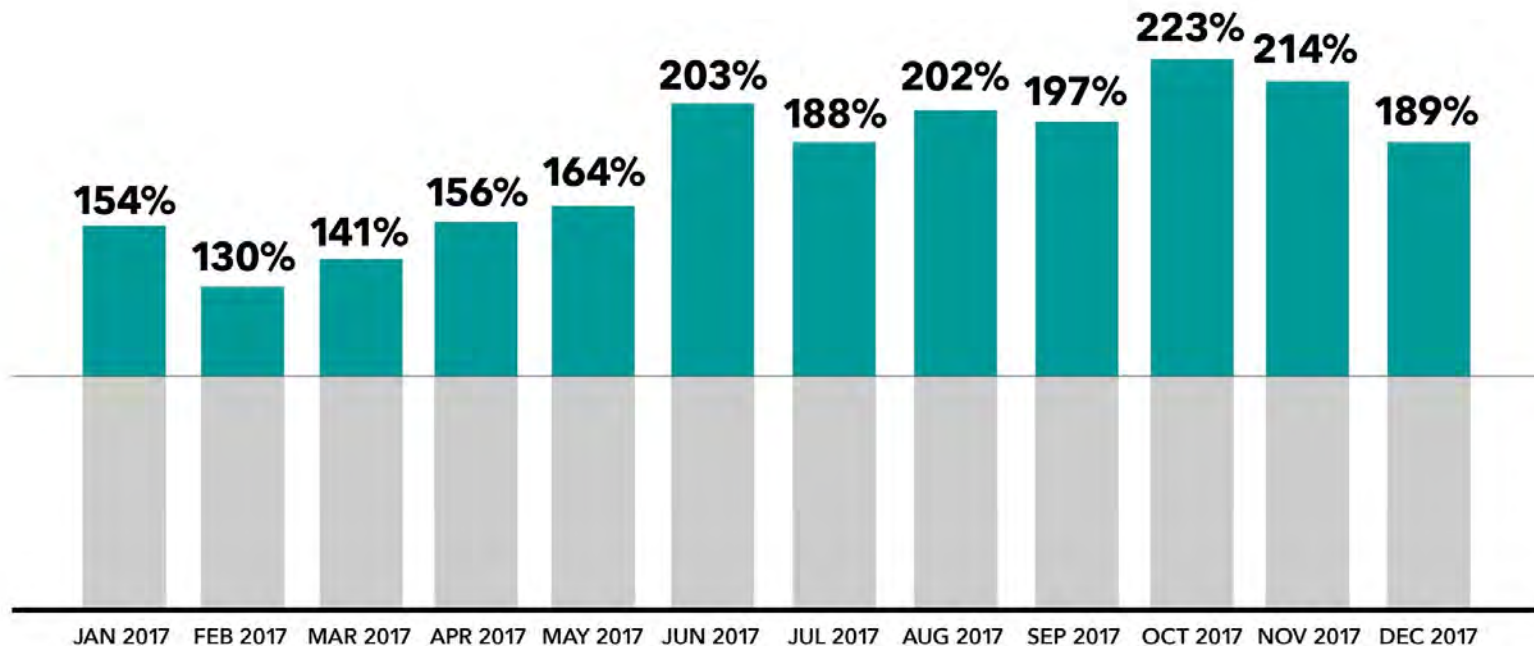
Further runway:

Targeting **1/3rd**
of estate



GROWING UPMARKET SHARE OF WALLET

Checkers achieved uninterrupted market share gains



3 months moving indexed Sales Growth: Checkers vs. Other Retailers | Nielsen Dec 2017

OUTLOOK



OUTLOOK

Geared to capitalise on any economic green shoots

- Groundswell of optimism and positive political changes
- Balanced portfolio of brands will quickly absorb economic improvements
- Creating jobs: 4,254 new jobs for the period, totalling 148,056 employees
- Above inflation increase in Social Grants
- **Shoprite remains fighting fit**



THANK YOU

QUESTIONS?



