

2022

Results Presentation

For the 52 weeks
ended 3 July 2022

SHOPRITE 
HOLDINGS LTD



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Operational review

Pieter Engelbrecht

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Anton de Bruyn

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Pieter Engelbrecht



Operational Review

Pieter Engelbrecht
Chief Executive Officer



A record year in review

Robust sales performance notwithstanding 53-week base period



R184.1bn

Group Sales

+11.9%
52 vs 52 weeks

+9.6%

+8.1% Like-for-like

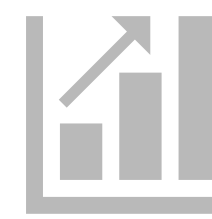


R45.1bn

Gross Profit

+9.3%

24.5% Gross margin



+22.1%
Adjusted DHEPS

+10.0%

DHEPS

600c

Record dividend

Continuing operations

Customers voted with their wallets

More
customers



+4.5%

Customer visits

+5.4%

Basket size growth

Increased
volumes



+2.3%

Volume growth

+154m

Additional products sold

Profitable market
share gains



+R6.2bn

RSA annual market share gain

40

Months of uninterrupted
market share gains

(NielsenIQ June 2022)

Continuing operations

An extraordinary year in challenging times



Operationally, structurally and financially stronger

- Proud of the daily dedication of the team and leadership
- Shoprite today is reaping rewards from a multi-year transformation journey
- Supermarkets RSA strong sales momentum in our core market continued
 - 10.1% sales growth and 6.8% trading margin
 - 8.5% like-for-like sales growth is the strongest in a decade
 - LiquorShop sales +44.5% as lockdown restrictions were lifted
- Powerful combination of value, fresh & online reduced the need for customers to shop around
- Largest market share gain in Group's history

Affordability obsession

- Laser-focused on value as customers faced unprecedented increases in the cost of living
- Shielding customers from rising inflation: Internal price inflation of 3.9% well below official food inflation of 6.5% in RSA
- Accessibility remains our priority as lower income customers affected by inflation on essential foods:
 - Invested an additional R856m in promotional discounts on essentials - Frozen Chicken, Maize and Rice

320 million
loaves subsidised since 2016



Ritebrand → No.1 brand in groceries in SHOPRITE



Key lines vs Brand
Leader Equivalent

(Average Selling price FY22)

15%
cheaper

4.8%
lower inflation

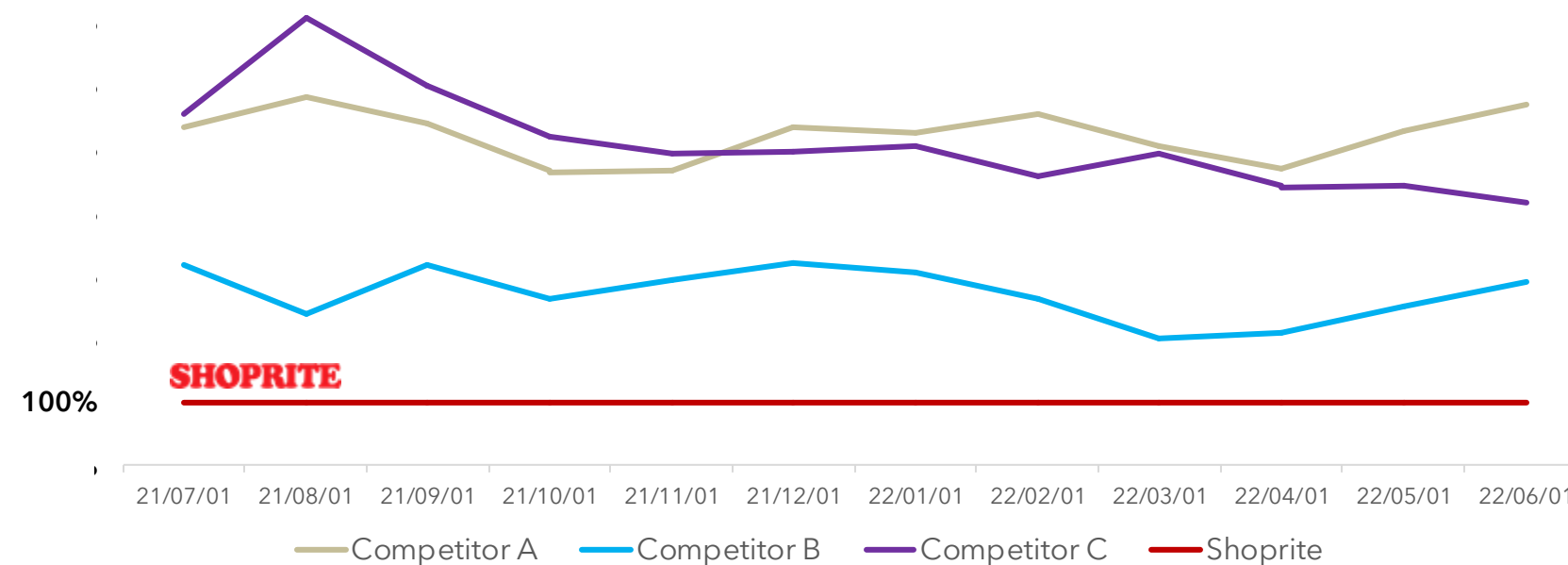
24%
volume growth

Smarter pricing and promotions

Gross margin maintained without compromising price leadership

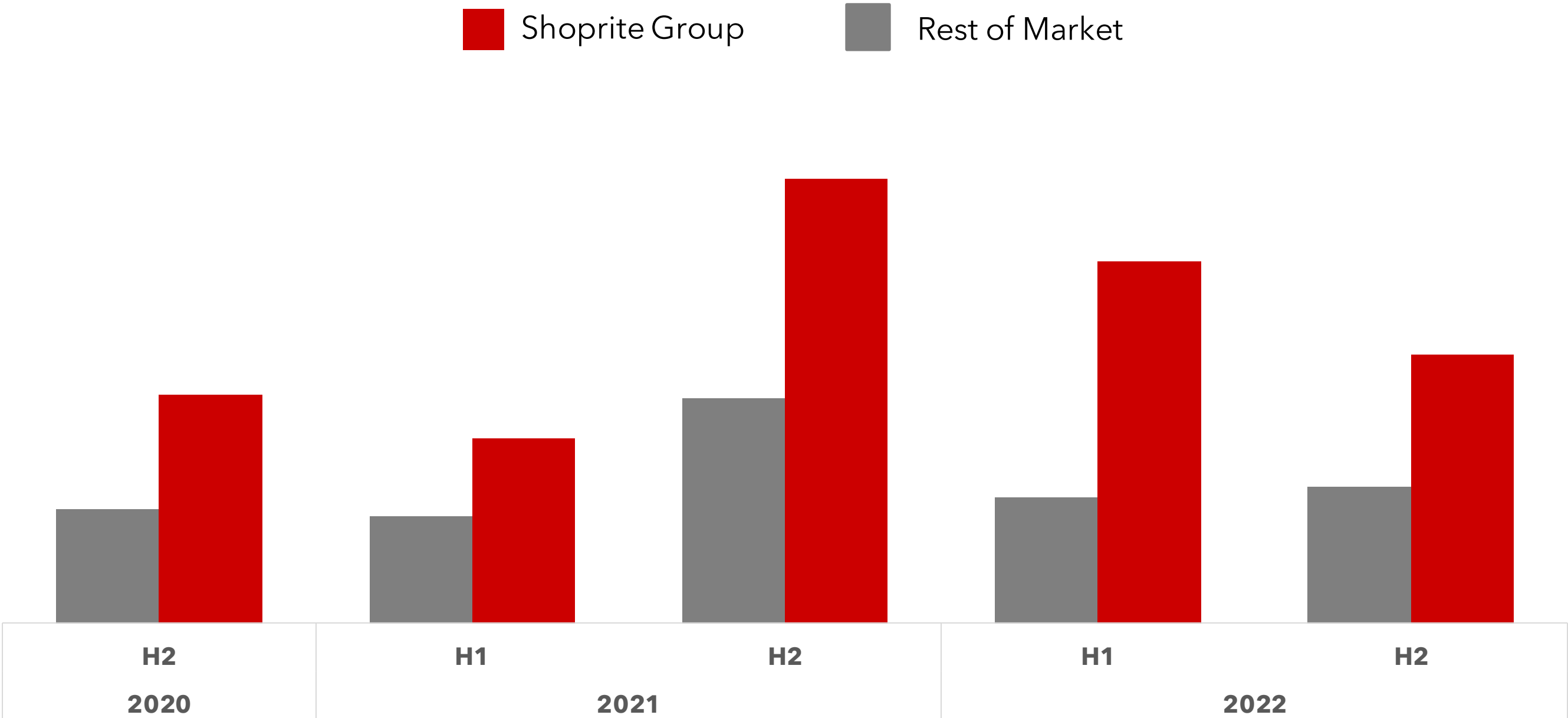
- Continued investment to protect our price sensitive customers
- Margin mix benefit from strong Checkers sales growth
- Win-Win-Win promotions:
 - R9.4bn back in Xtra Savings discounts
 - Increased deal-seeking behaviour resulting in higher promotional contribution
 - Offset by smarter promotions through advanced analytics

Shoprite's Low Price Leadership uncontested



40 consecutive months of market share gains

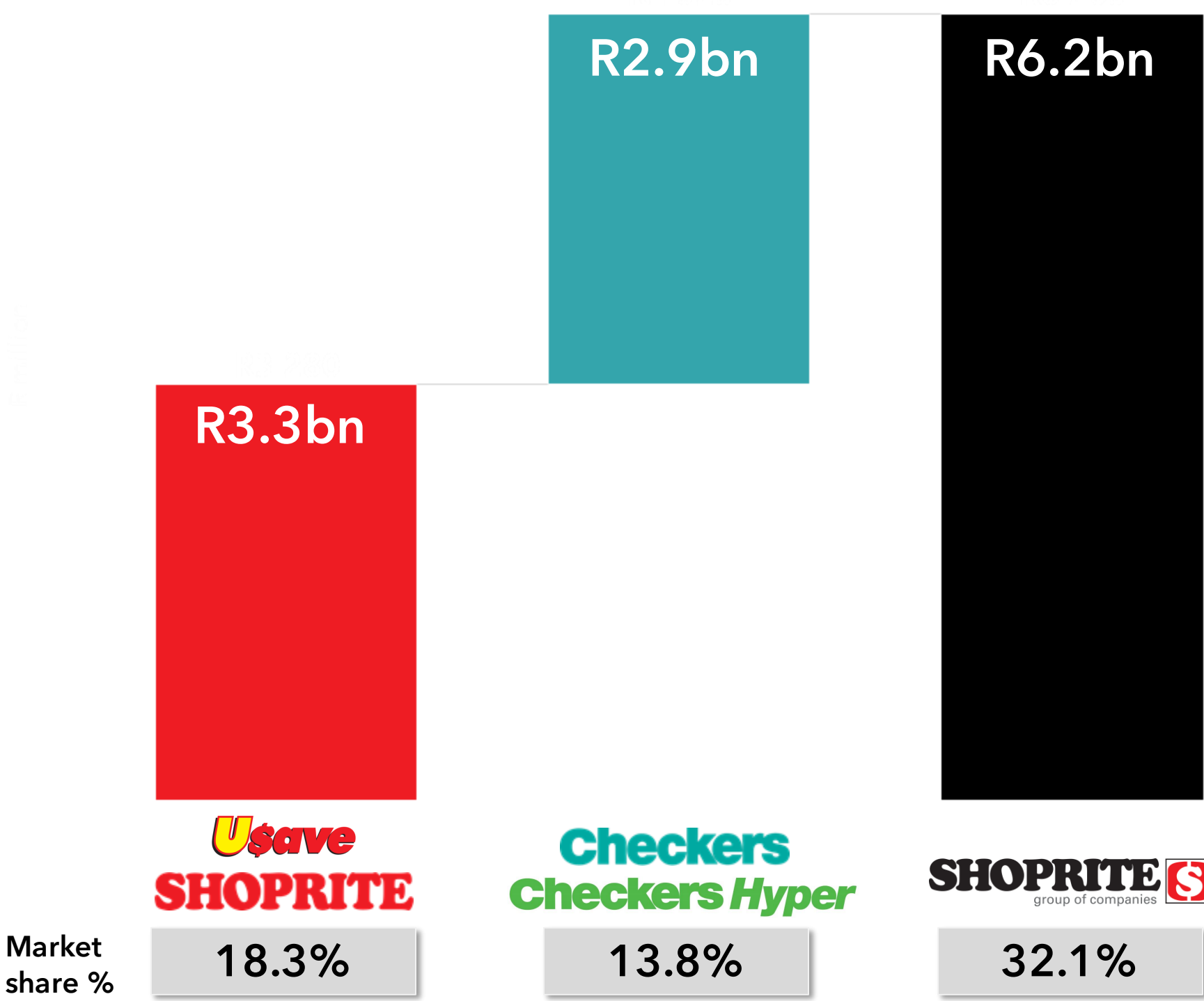
Supermarkets RSA % sales growth by half vs. Rest of Market (incl. liquor - NielsenIQ)



Source: NielsenIQ, 2019- 2022. Rest of Market Universe includes Pick n Pay, Boxer, Clicks, Woolworths, Dis-Chem, Fruit & Veg City, Game, Spar, PEP, Jetmart

Distinct brand portfolio outperforming peers

Record SA market share value gain 2022



Limited assortment food discounter

Proximity-to-home advantage offering a limited assortment of the most popular grocery items at unrivalled affordability for the most price-sensitive customers



Africa's low-price grocery leader

Lowest prices on trusted grocery brands, without compromising on customer service and product quality for price-conscious customers



Best value in fresh & premium foods

Omni-channel market leader in value on fresh, groceries and premium food for upmarket customers



Amplified value on wider ranges

Checkers format with wider ranges in bulk groceries, general merchandise and key categories like Pet, Baby and Electronics

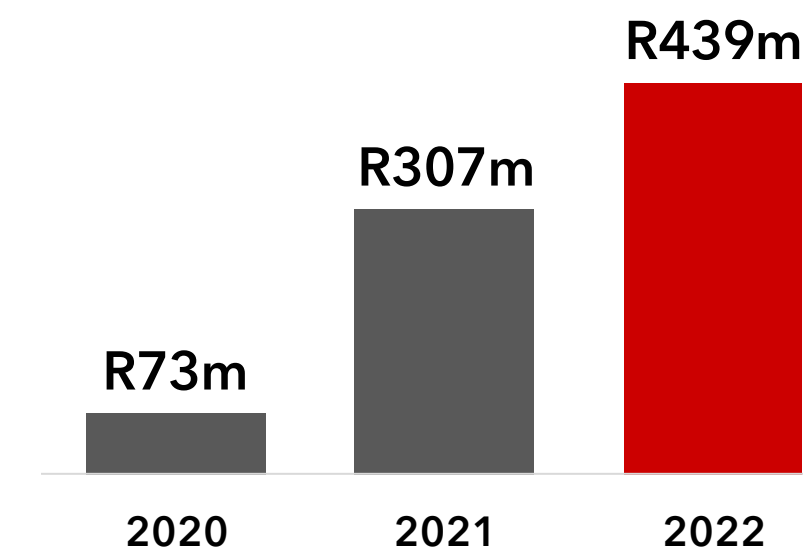
Source: NielsenIQ, 52 weeks 2022 incl. liquor. Rest of market universe includes Pick n Pay, Boxer, Clicks, Woolworths, Dis-Chem, Fruit & Veg City, Game, Spar, PEP, Jetmart

Supermarkets Non-RSA improved performance



- Continuing operations sales increased by 10.4%
- Sales in constant currency increased by 5.9%*:
 - Zambia was the best performer, sales increased by 17.7%
- Three years into our Non-RSA consolidation strategy
 - Madagascar and Uganda exits concluded this year
 - Now a ten-country operation
 - R439m trading profit - approaching our R500m medium-term target
- Overall, the region remains challenging
 - Strict capital allocation approach continues
 - Divesting from sub-scale regions reduces complexity

Supermarkets Non-RSA
trading profit



* Constant currency sales growth represents pro forma financial information in terms of JSE Limited Listings requirements

2022 Financial Results

Anton de Bruyn
Chief Financial Officer



Significant events

Social unrest

- 231 stores impacted
- 37 stores have not re-opened, 10 of which have been permanently closed
- Insurance claim of **R1.6bn settled**
- **R145m** irrecoverable social unrest cost

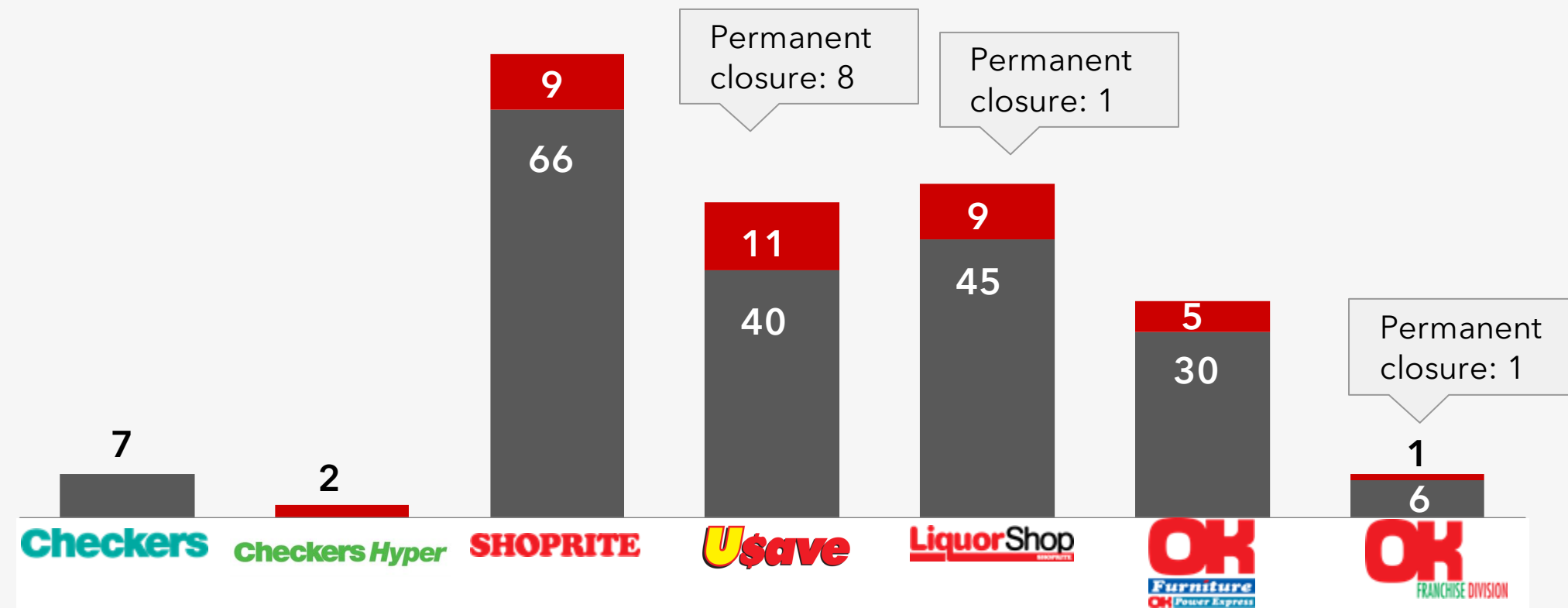
01 Covid-19

02 Social unrest

03 KZN Floods

231 stores impacted:

- 194 stores re-opened
- 37 stores still closed



Financial overview 52 vs 53 weeks

	Change %	52 weeks 2022 Rm	53 weeks 2021 Rm
Continuing operations			
Sale of merchandise	9.6	184 078	168 030
Gross profit	9.3	45 061	41 213
Other operating income	19.2	3 118	2 616
Interest revenue	0.4	544	542
Total expenses	10.7	(37 693)	(34 039)
Trading profit	6.8	11 030	10 332
Exchange rate losses	>100	(260)	(27)
Items of a capital nature	(96.5)	(29)	(828)
EBITDA	10.1	16 623	15 092
		cents	cents
Basic HEPS	10.3	1055.0	956.3
Adjusted Basic HEPS	22.5	1086.5	887.3
DHEPS	10.0	1048.1	952.5
Adjusted DHEPS	22.1	1079.4	883.8
Full year dividend	10.3	600.0	544.0
		%	%
Gross margin		24.5	24.5
Trading margin		6.0	6.1
Effective tax rate		30.8	32.2

Notes to the results:

Other operating income growth 19.2%

- Commissions received +13.8%
- Dividends received from unlisted share investments of R144m mainly from Centriq insurance cell captive
- On-demand delivery recoveries >100%

Expense growth 10.7% (H1 +9.1%, H2 +12.4%)

- Depreciation and amortisation +1.3%
- Employee benefit cost +9.1%
 - R128m H2 charge for Shoprite Employee Trust benefit and Non-RSA region equivalent payments
 - Excluding this cost, employee costs +8.2%
- Other operating expenses +16.1% includes:
 - R145m irrecoverable social unrest cost
 - Advertising spend +12.7%
 - Electricity and water +9.0%
 - Fuel increase +43.6%
 - Security services +11.2%

Financial metrics

	2022			2021				
	ROIC Rm	IFRS 16 impact Rm	ROIC excl IFRS 16 Rm	ROIC Rm	Week 53 adjustment Rm	ROIC 52-week basis Rm	IFRS 16 impact Rm	ROIC excl IFRS 16 Rm
Trading profit	11 030	(2 225)	8 805	10 332	(331)	10 001	(2 115)	7 886
Effective tax rate	30.8%		30.8%					32.2%
Trading profit after tax	7 628	(1 539)	6 089	7 004	(224)	6 780	(1 434)	5 346
Invested capital	67 760	(26 011)	41 749	55 426	(224)	55 202	(22 401)	32 801
Average invested capital	61 481		37 275	56 398		56 286		36 050
ROIC	12.4%		16.3%	12.4%		12.0%		14.8%

	2022	2021
ROE	27.1%	26.4%
WACC	15.1%	13.8%

DEFINITIONS: ROIC: Trading profit after tax (calculated by applying the effective tax rate) expressed as a percentage of average invested capital for the period
Invested capital: Net asset value excluding borrowings, lease liabilities and bank overdraft
ROE: Headline earnings from continuing operations expressed as a percentage of equity at the beginning of the period
WACC: Weighted average cost of capital calculated in terms of Group policy

Sales growth analysis



	2022 change %	Pro forma 2022 change* %	H1 2022 change %	H2 2022 change %	Pro forma H2 2022 change** %
Continuing operations					
Supermarkets RSA	10.1	12.6	11.3	9.0	13.8
Supermarkets Non-RSA	10.4	12.9	8.4	12.6	17.9
Furniture	(1.4)	0.7	(6.5)	5.2	10.4
Other operating segments	8.5	9.3	8.9	8.1	9.8
Total continuing operating segments	9.6	11.9	10.0	9.1	13.8

* 52 weeks 2022 compared to 52 weeks ended 27 June 2021, excluding the impact of the 53rd week in the previous year

** 26 weeks 2022 compared to 26 weeks ended 27 June 2021, excluding the impact of the 53rd week in the previous year

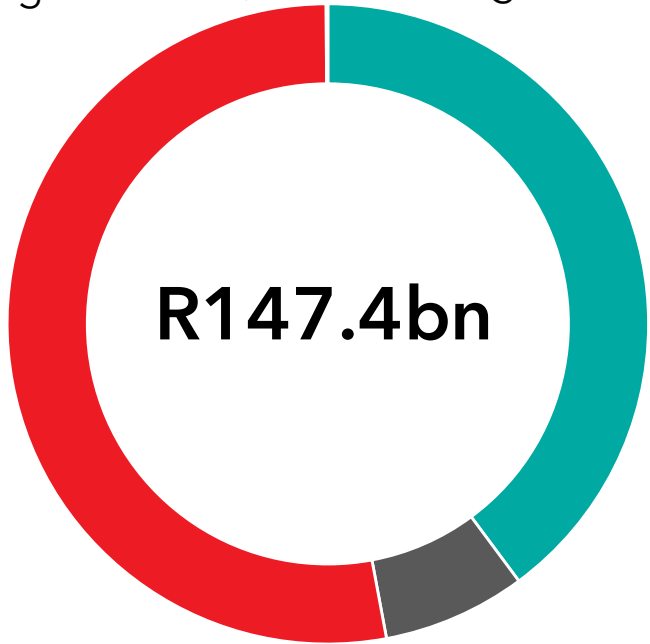
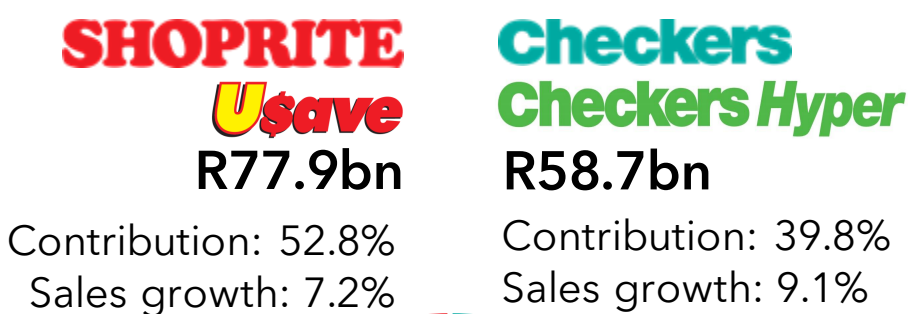
Sales growth

Continuing operations	2022 Sales growth %	Like-for- like %	Number of net new stores 12 months*
Supermarkets RSA	10.1	8.5	117
Supermarkets Non-RSA	10.4	8.4	3
Furniture	(1.4)	0.3	5
Other operating segments	8.5	7.4	3
Total continuing operating segments	9.6	8.1	128

Growth on a 52-week
basis: 11.9%

Supermarkets RSA

Brand contribution and sales growth



* Net new stores opened over the last 12 months excluding the impact of store closures due to the social unrest

Trading profit



	Change %	52 weeks 2022 Rm	53 weeks 2021 Rm	Trading margin 2022 %
Continuing operations				
Supermarkets RSA	7.0	10 055	9 401	6.8
Supermarkets Non-RSA	43.0	439	307	2.6
Furniture	(44.8)	211	382	3.1
Other operating segments	24.7	363	291	2.8
Total continuing operating segments	6.6	11 068	10 381	6.0
Hyperinflation effect		(38)	(49)	-
Consolidated continuing operations	6.8	11 030	10 332	6.0

10.3%
growth on a
52-week basis

Net finance costs



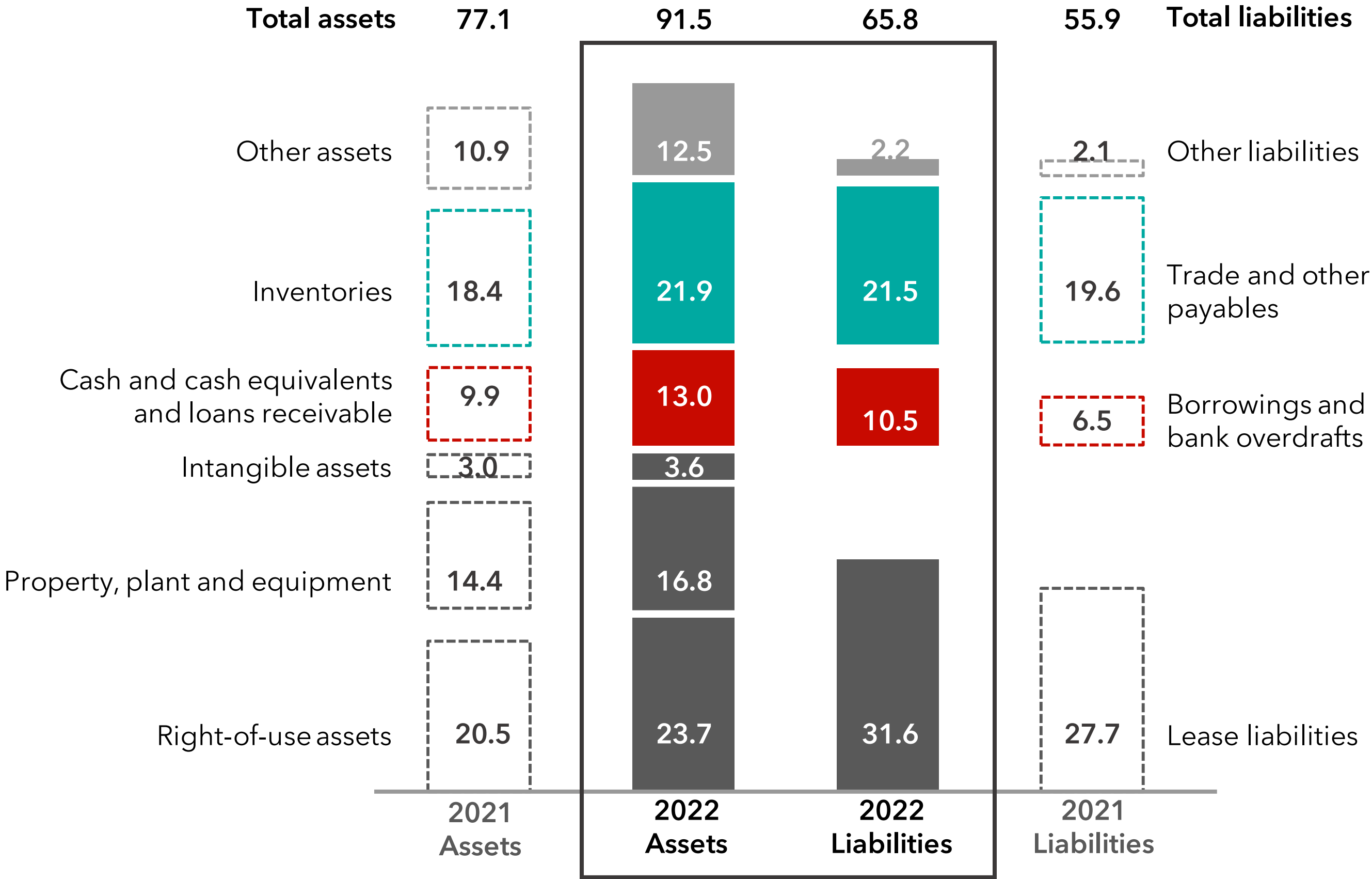
	Change %	52 weeks 2022 Rm	53 weeks 2021 Rm
Continuing operations			
Interest received from bank account balances	0.7	270	268
Finance cost: borrowings	(43.4)	(353)	(624)
Finance cost: lease liabilities	7.1	(2 646)	(2 471)
Net finance costs	(3.5)	(2 729)	(2 827)

Includes R178m breakage cost on early settlement of a US\$250m fixed interest rate loan.

Balance sheet composition



Rbn

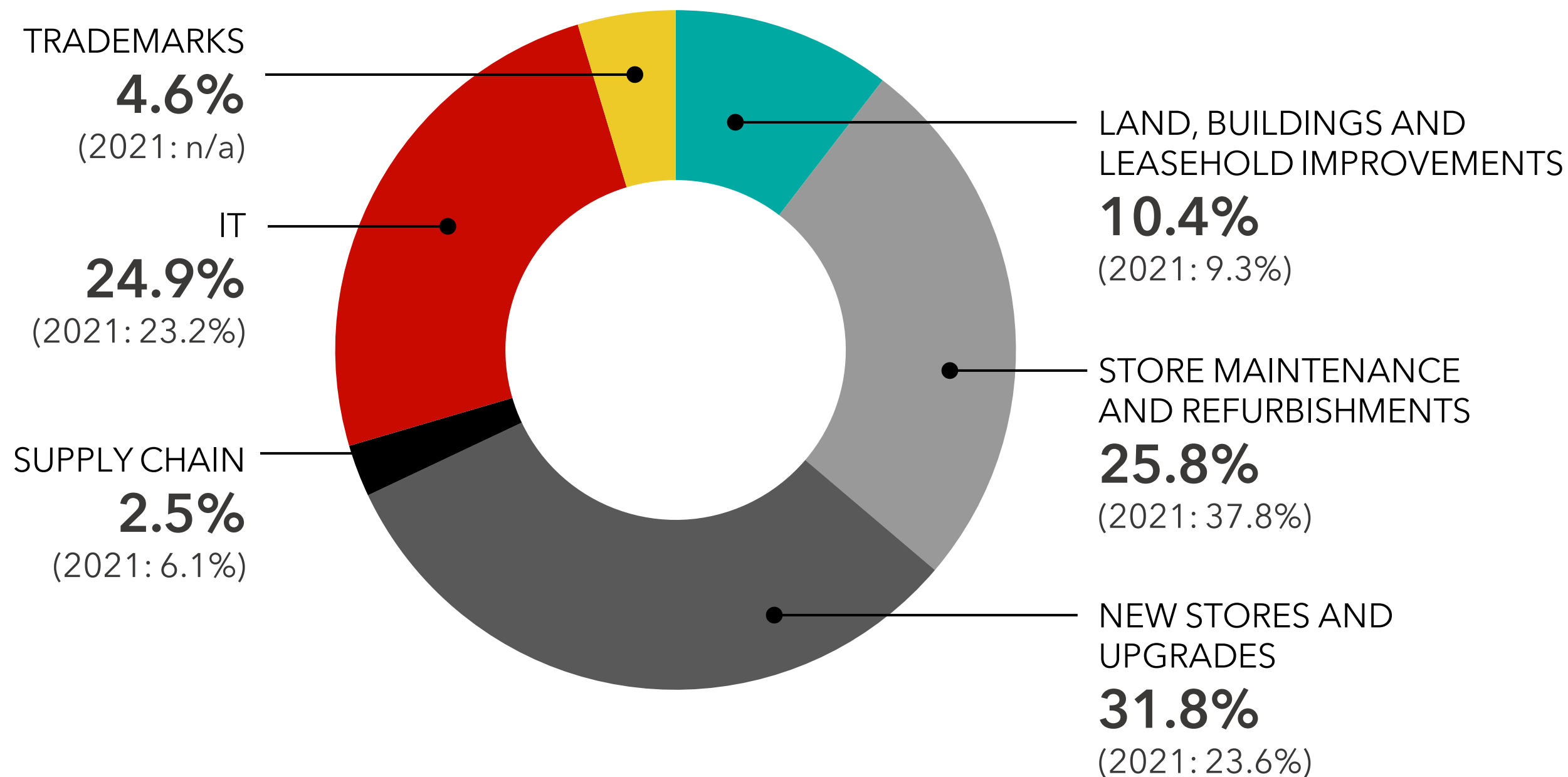


BORROWINGS AS % OF EQUITY
2022: 21.5%
2021: 24.9%

TRADE AND OTHER PAYABLES
2022: R21.5bn
2021: R19.6bn
9.3%

ROIC excl IFRS 16
(Return on average invested capital excluding the impact of IFRS 16)
2022: 16.3%
2021: 14.8%
52-week basis

Capital expenditure



CONTRIBUTION TO TOTAL OPERATIONS CAPITAL EXPENDITURE

CAPITAL SPEND
2022: R5.4bn
2021: R3.2bn

	Rbn
Capital spend	5.4
Excluded from guidance:	
Impact of social unrest	(0.5)
Investment in Trademark	(0.3)
	4.6

2022 GUIDANCE: R4.8bn

2023 GUIDANCE: R5.9bn

(Excludes investment capital for acquisitions - Masscash/Cambridge)

Inventories

Inventories as % of sales (52 weeks) from continuing operations

	2022 %	2021 %
Supermarkets RSA	11.7	11.0
Supermarkets Non-RSA	13.7	12.0
Furniture	24.8	24.4
Other operating segments	4.9	4.8
Total continuing operations	11.9	11.2

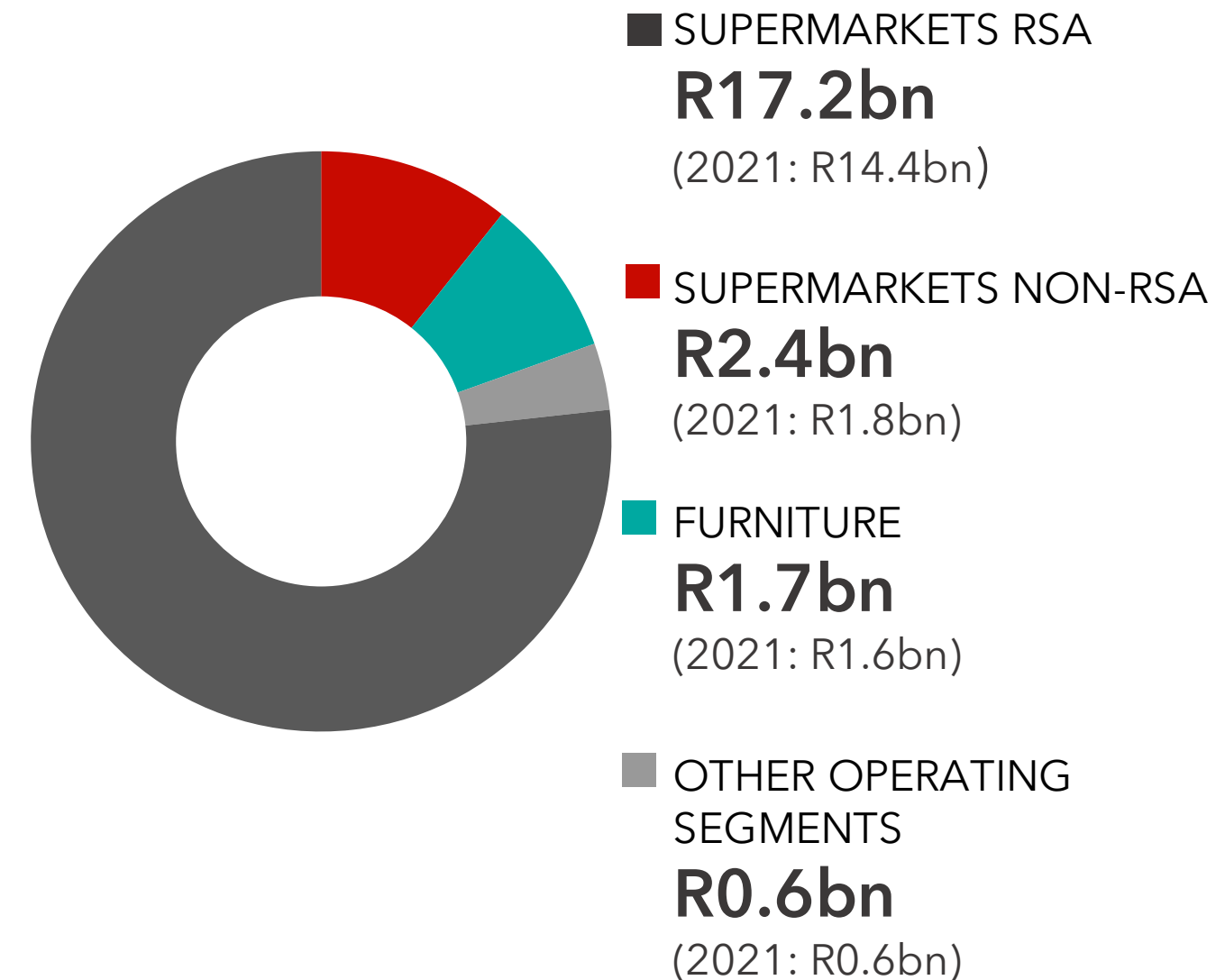
Excluding the impact of stock held in the distribution centres:
 Total continuing operations 8.4% (2021: 8.3%)
 Supermarkets RSA 7.9% (2021: 7.9%)

- Inflationary pressure led to strategic buy-in of various commodity driven food categories
- Increase in supply chain network capacity to manage additional safety stock levels
- Increased general merchandise stock in response to global supply chain constraints

INVENTORIES

2022: R21.9bn
 2021: R18.4bn

+18.9%



Net cash

R6.0bn

▼ -11.3%

2022

R6.7bn

2021

Borrowings

R5.5bn

▲ +4.4%

2022

R5.3bn

2021

Share buyback

R1.0bn

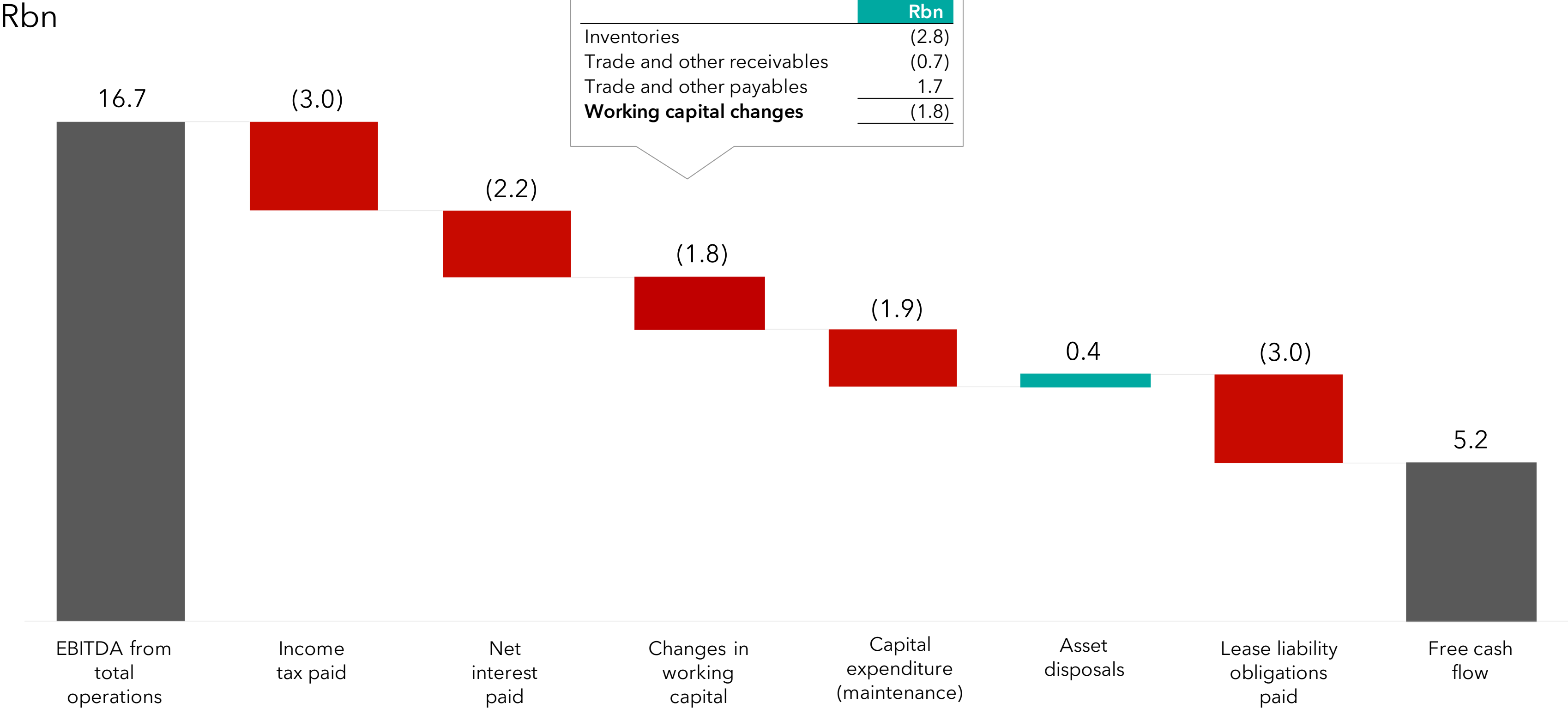
2022

R0.5bn

2021

Average share
price: R196.69

Free cash flow



FREE CASH FLOW DEFINITION:
Cash generated after accounting for cash outflows to support operations and maintain capital assets

2023 guidance summary



New stores

- Group opening 275 new stores in 2023
- This does not include the proposed Masscash/Cambridge acquisition

Capital allocation

- Masscash/Cambridge acquisition approval from Competition Tribunal is pending
- Share buyback ongoing
- Dividend policy: 1.75x DHEPS cover from continuing operations
- Continue to assess adjacent M&A opportunities in RSA market

Tax

- 30%-31% effective tax rate

Capex

- R5.9bn
- Excludes investment capital for acquisitions (Masscash/Cambridge)

Inventory

- 12.0% of sales
- Excludes acquisitions (Masscash/Cambridge)

Strategy Update

Pieter Engelbrecht
Chief Executive Officer



Multi-year transformational journey



2017-2018

Single system of record



RE-PLATFORM



2019-2020

Digital transformation for customers and precision retailing



TRANSFORM



2020-2021

A Smarter, Stronger Shoprite



OPTIMISE



2022 onwards

Leverage platform advantage to unlock value in the ecosystem



AMPLIFY

Nine drivers of growth remain future-fit

Investing in strategic priorities to **optimise our core retail capabilities** and **win in the long term**

**1. A TRULY
CUSTOMER-FIRST
CULTURE**

**4. TRUSTED,
PROFITABLE
PRIVATE LABELS**

**7. UNLOCK
ALTERNATIVE
REVENUE**

**2. DEVELOP
FUTURE-FIT
CHANNELS**

**5. GROW SHARE IN
PREMIUM AND
FRESH FOOD**

**8. FUTURE-FIT
TALENT**

**3. ENABLE
PRECISION
RETAILING**

**6. A STRONGER
FRANCHISE
OFFER**

**9. LEVERAGE
PLATFORM
ADVANTAGE**

**A SMARTER
SHOPRITE**

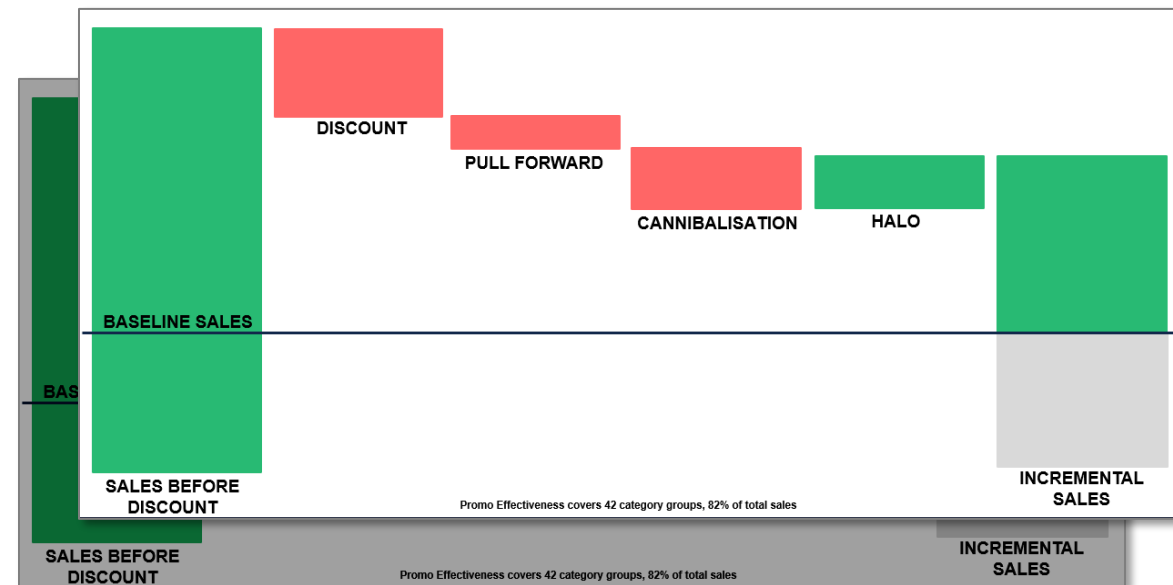
**CLOSING THE GAP IN
KEY SEGMENTS**

**WINNING IN THE
LONG TERM**

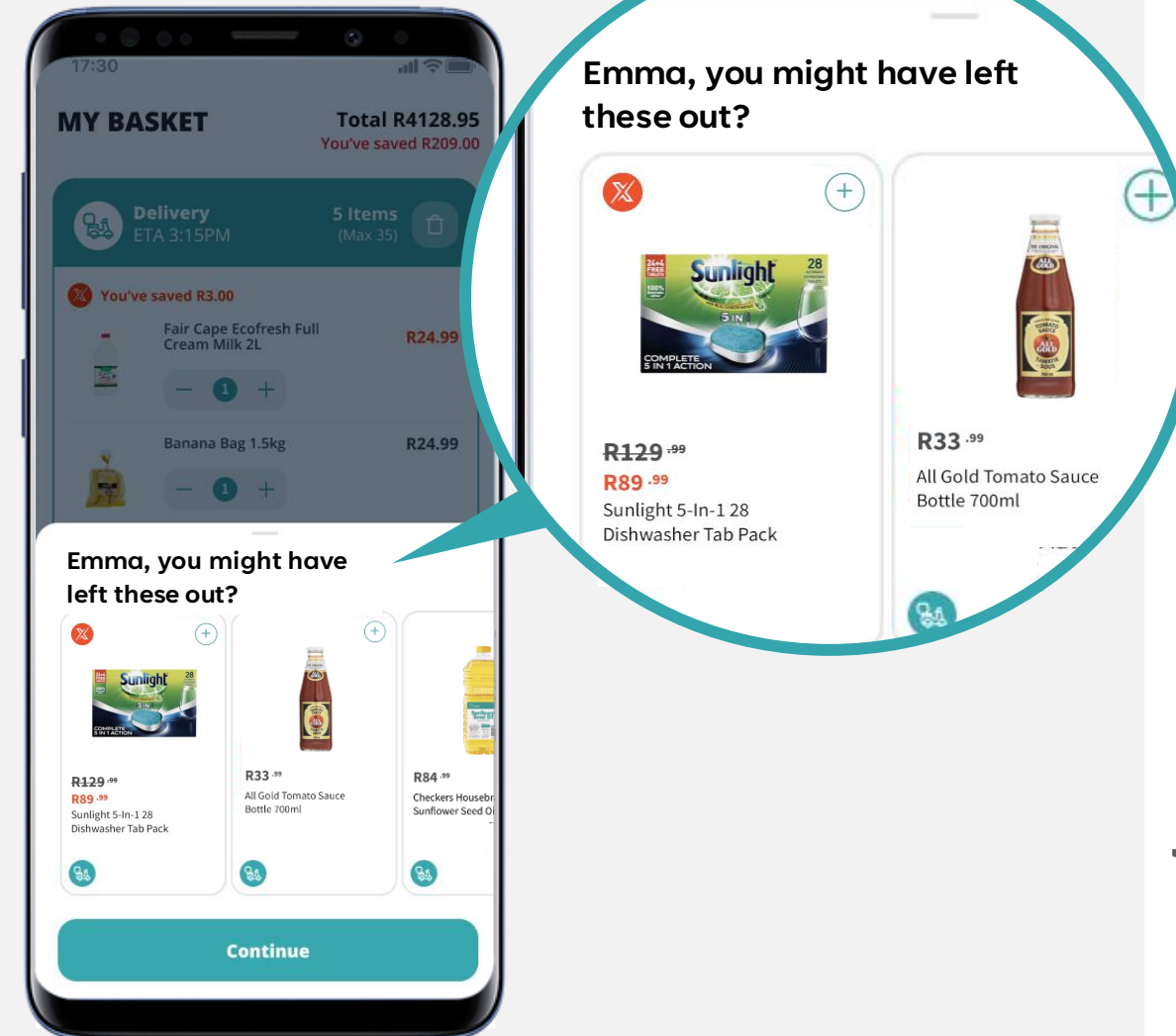
A Smarter Shoprite

- Digital and Data Science is powering a customer-first culture to help customers save even more
- Award-winning Xtra Savings Rewards Programme continues to grow with over 1 800 swipes every minute
- Unlocking value from rich consumption data

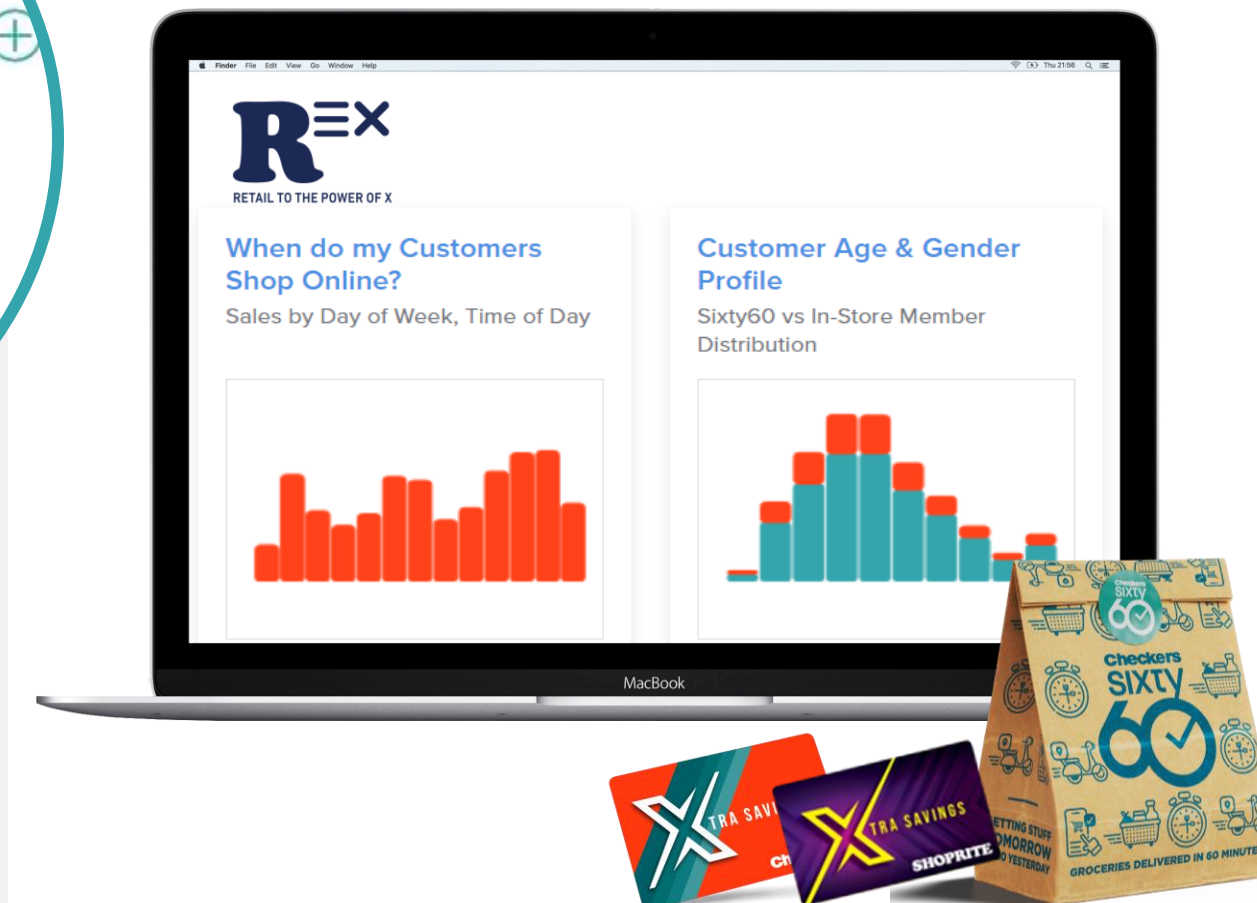
1 Optimised mass promotions and demand forecasting



2 Real-time personalised experiences



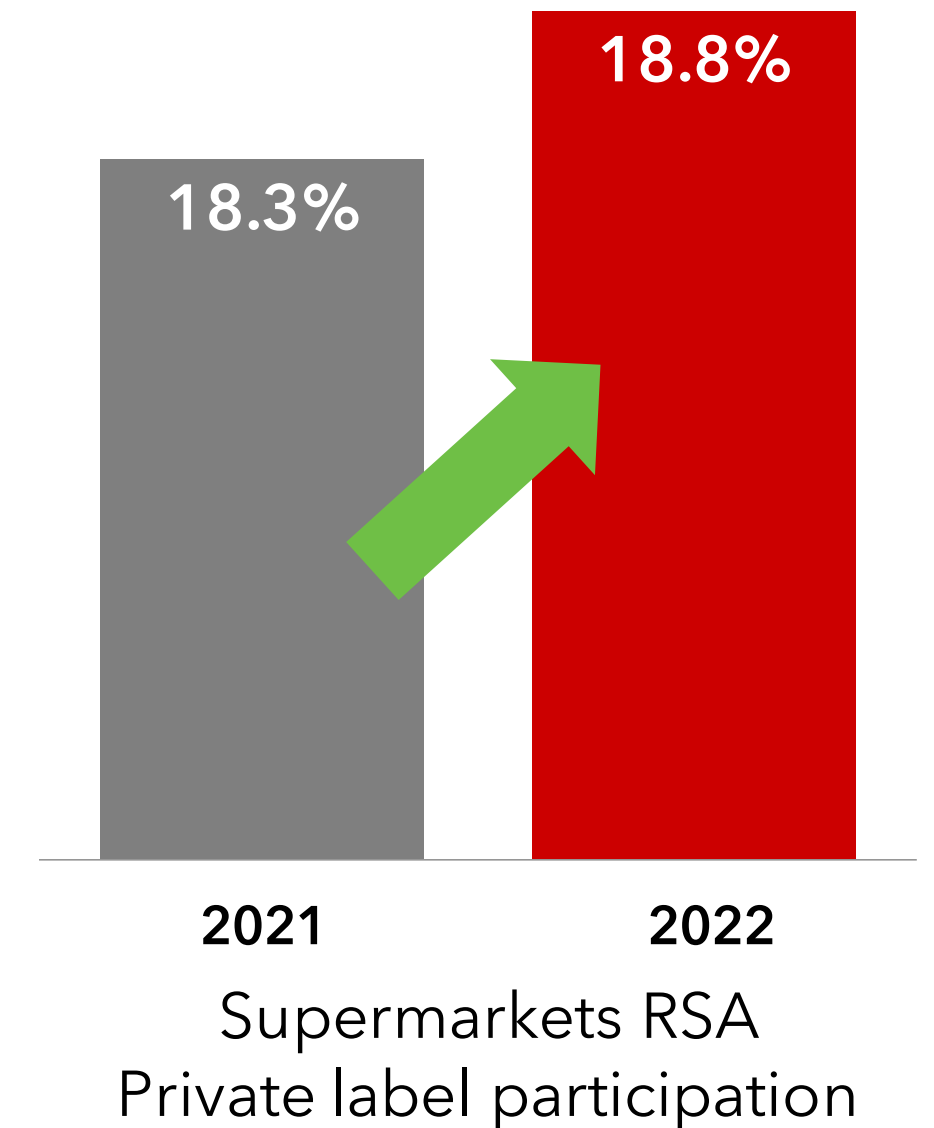
3 New customer insights platform for supplier partners



Growth in trusted, profitable private labels



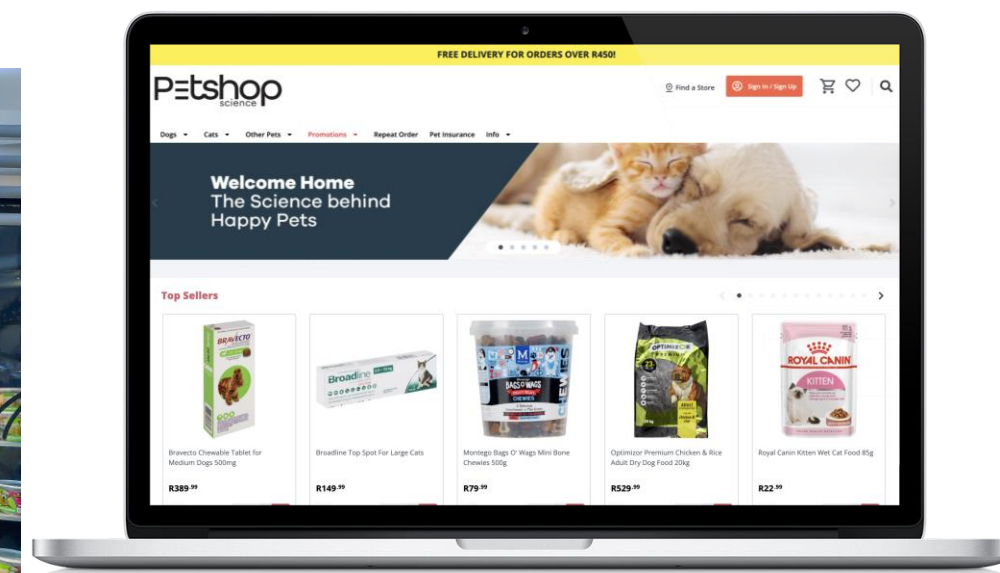
- Value-seeking consumers switching to private label alternatives
- Supermarkets RSA Private label participation up from 18.3% to 18.8%
 - Building trusted exclusive brands: 30 > R100m in annual sales
 - Opportunity in new categories – 1 285 new products in the past year
 - Forage & Feast™ range leading in premiumisation of food



Investing through the cycle for long-term growth



- Expanding store network to all corners of SA from a strong brand & value foundation
 - Share of wallet opportunities remain from all customer segments
- 275 new Group stores with closer to home, smaller formats
- The Checkers store renewal programme leading in fresh food theatre & paying dividends
 - Industry-leading growth driven by premiumisation of in-store and online offer
 - 102 of 275 Checkers stores updated: +51 targeted in next 12 months
- Growing omnichannel revenue opportunities in adjacent pet and baby categories





INSURANCE

COVER YOUR PET FROM ONLY

R69

PER MONTH*

*Offer available on Accident Plan.



COVER ONLY AVAILABLE FOR DOGS AND CATS.



Underwritten by OUTSURANCE

New PetShop Science e-commerce platform launched July 2022

Investing through the cycle for long-term growth



- Prioritising best-in-class availability resulted in stockholding growth in 2022:
 - Supported higher sales trends and stock builds ahead of price increases
 - Compensated for declining supplier service levels
 - Adapted to global supply chain constraints linked to Covid-19 and Ukraine crisis
- Will invest ahead of growth to take more control of stock availability for customers
- Expansion of future-fit supply chain through Retail Logistics Fund:
 - Next phase of supply chain transformation initiated for next decade of growth
 - Building new capacity of over 200 000 m² in the next 2-3 years
 - Complementing larger DCs with smaller, nimbler, e-commerce ready infrastructure
- Completed transaction with RTT On-demand to establish Pingo, owning crucial last-mile logistics to win in digital

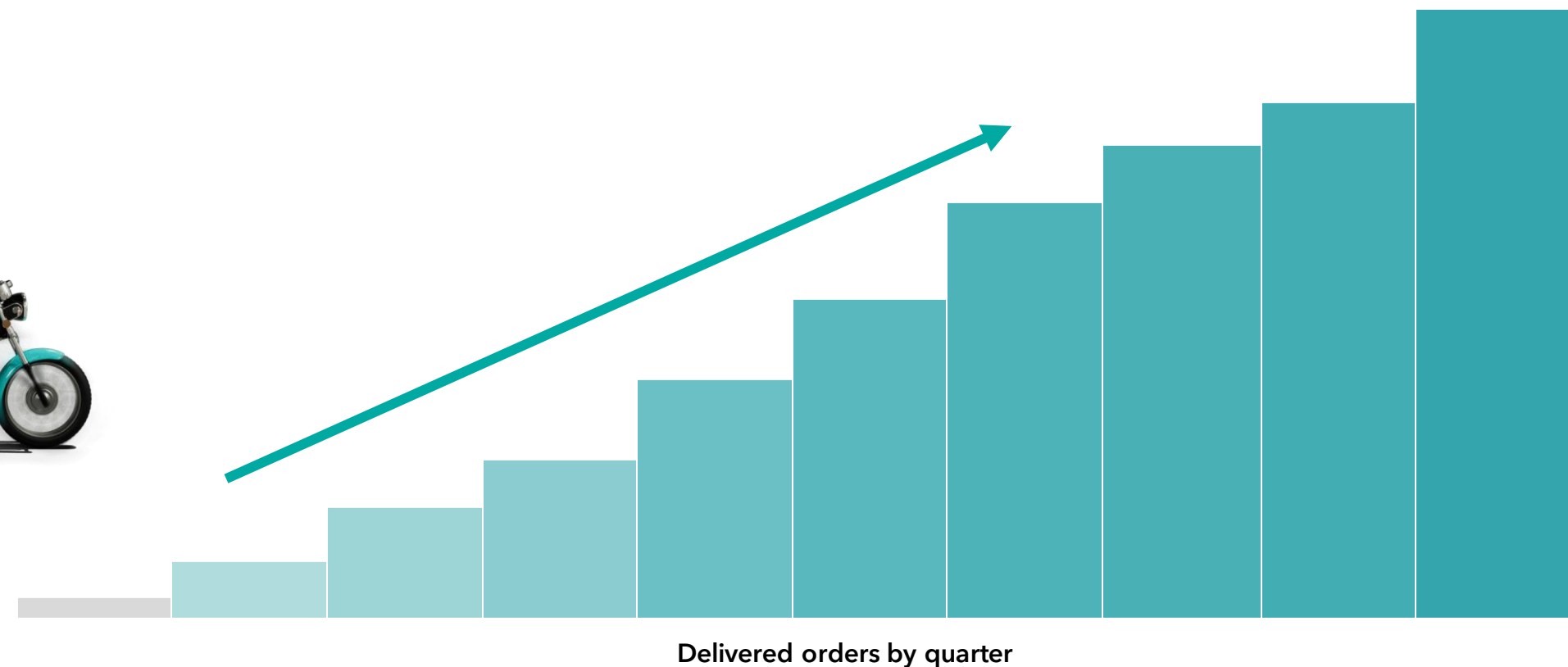
Embracing digital for customers



Digital disruption & hyper-scaling of 1-hour delivery service

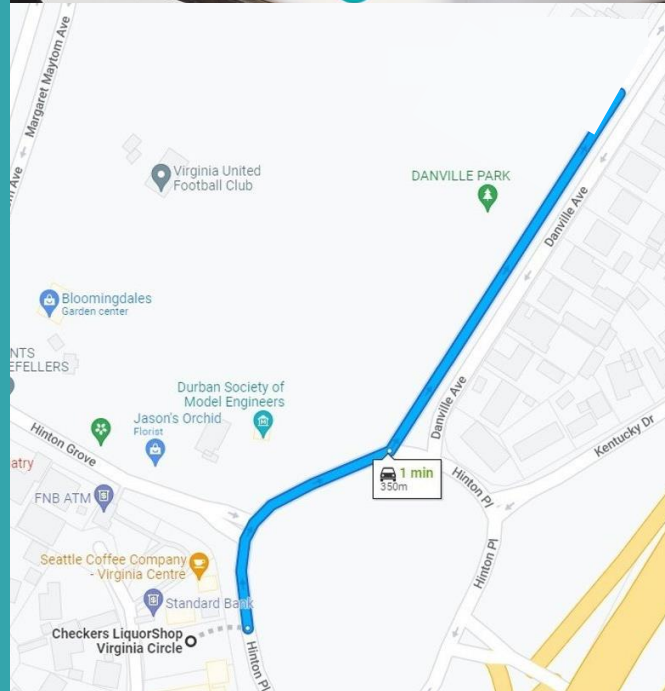
- Sixty60 growth performance continues with 150% increase in annual sales
- SA's No.1 grocery app with 2.4m downloads available in 300 locations
- 26 Innovation awards
- Supporting job creation totaling 6 299 new opportunities since launch

Quarterly order volumes continue to grow post-Covid




**Record
6m12s
delivery**

Feb 2022
Virginia Circle,
Natal



Sixty60 delivery proposition is post-Covid fit

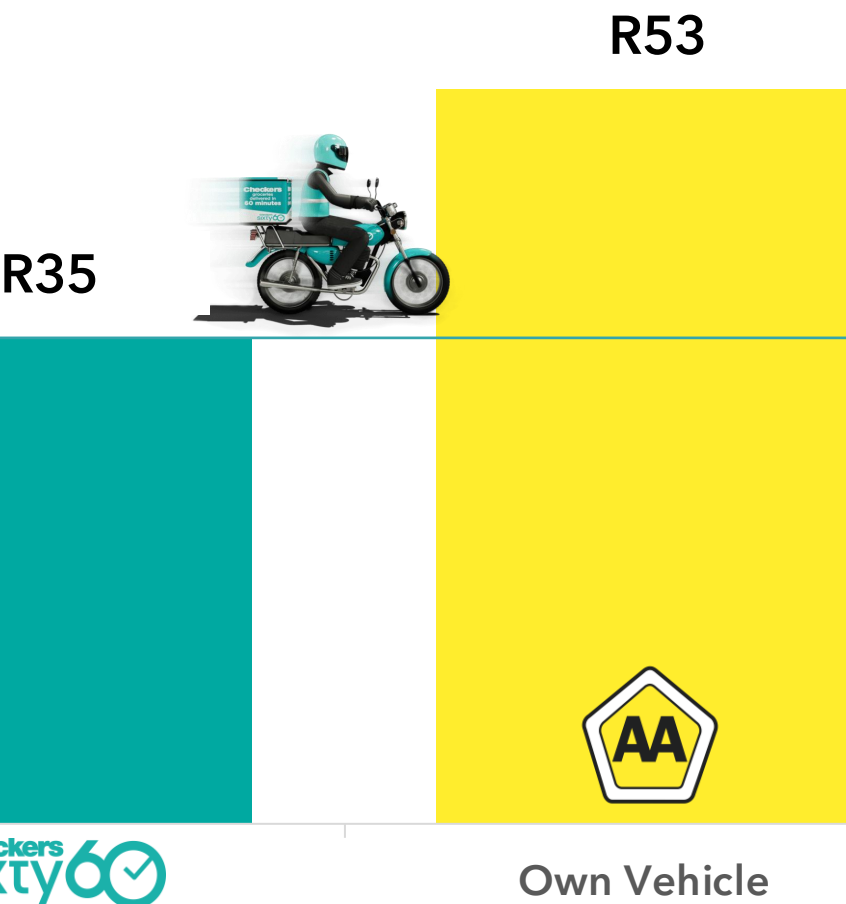
23k products at in-store prices

5 000 deals and personalised offers

Cheaper to get it delivered

Confirmed by the 

DELIVERY FEE COMPARISON (ZAR)



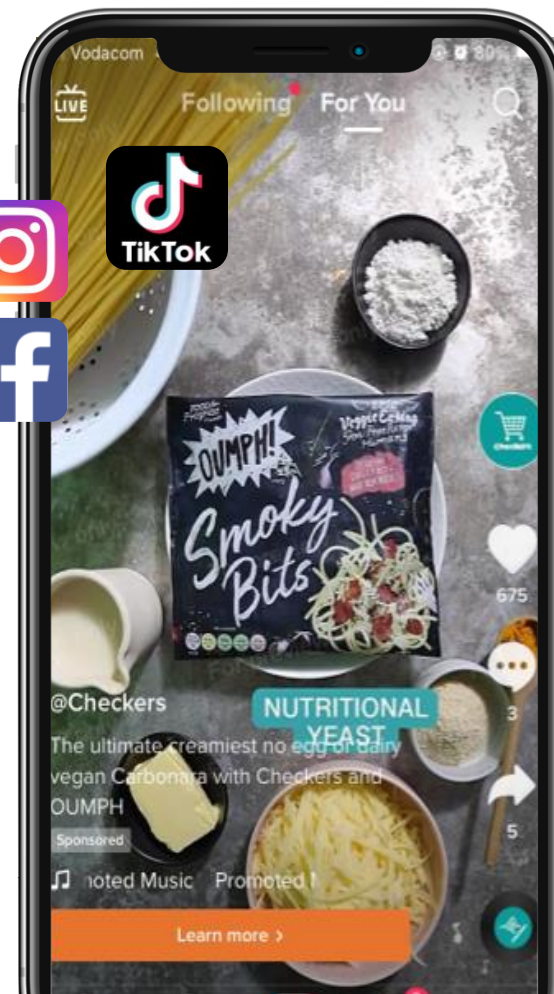
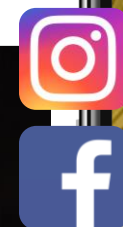
Source: Own vehicle cost = R7.01 per km to run a VW Polo Vivo x the average 7.5km return journey for a Sixty60 delivery.

Embracing digital to unlock value

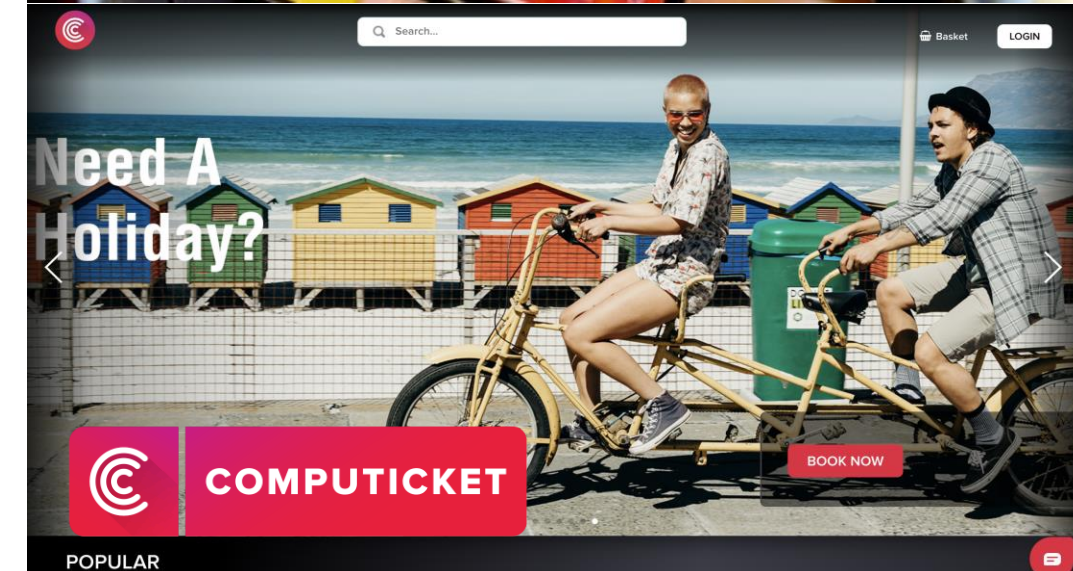
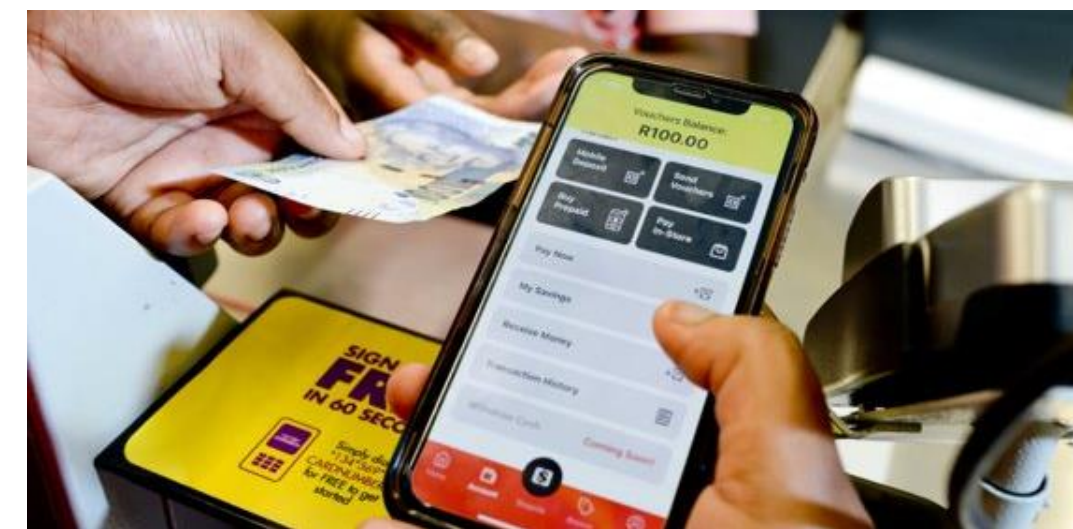


- Continued investment into digital talent, platforms & advanced analytics
- Building long-term competitive advantage and unlocking alternative revenue:
 - ✓ Retail media network
 - ✓ Financial services
 - ✓ Value-added services

rainmaker MEDIA
Precision Marketing.



MoneyMarket ^m



A force for good - planet

Fighting climate change with a smaller carbon footprint



62 sites are generating cleaner and greener renewable energy

1 041 trailers are powered by solar PV systems, saving 3.3m kg of carbon emissions every year

'Design for sustainability' approach to reducing plastic

100% of in-store paper and board packaging is responsibly sourced

Our Planet Bag is 100% recycled, recyclable and durable enough to reuse

Simple Truth products are packaged in recycled and recyclable packaging

Fighting water, paper and food waste

We recycled more than 51 552 tons of cardboard and plastic last year. That's the weight of a Blue Whale every day.

We donated more than R146.6 million in surplus goods to communities in need last year

Better-for-our-planet products

Our Simple Truth Palm Oil is 100% sustainably sourced



Our Forage & Feast cocoa is 100% responsibly sourced

A force for good - people



Building our ecosystem of value for customers



Looking forward



- Supermarkets RSA July 22 sales growth ahead of the 10.1% reported for 2022
 - July 2022 selling price inflation is 7.3%
 - LiquorShop experienced Covid-19 trading restrictions in July 2021 base
- Masscash/Cambridge acquisition awaiting final Competition Tribunal approval
- Investment in our Ecosystem: stores, supply chain infrastructure and digital
 - 275 stores opening across the Group in 2023
 - Multi-year supply chain expansion begins with new 85 000m² Gauteng facility in Q1
- Continue to invest in and grow our core RSA business
- Optimistic about our strategic momentum despite tough climate
 - Value safe-haven for increasingly price-conscious customers
 - Using digital and data flywheel powers our ability to meet these needs like never before

◆

Thank you
Questions





2022 Additional Information

Anton de Bruyn
Chief Financial Officer



Diluted headline earnings per share (DHEPS)



	Change %	52 weeks 2022 cents	53 weeks 2021 cents
DHEPS continuing operations	10.0	1 048.1	952.5
DHEPS discontinued operations	(93.7)	1.3	20.7
DHEPS including discontinued operations	7.8	1 049.4	973.2
 DHEPS continuing operations	 10.0	 1 048.1	 952.5
Adjusted for:			
Forex	>100	47.4	4.8
Hyperinflation	(21.6)	6.9	8.8
Lease modifications and terminations	(64.1)	(12.1)	(33.7)
Related income tax effect	(77.6)	(10.9)	(48.6)
Adjusted DHEPS from continuing operations	22.1	1 079.4	883.8
 Adjusted Basic HEPS from continuing operations	 22.5	 1 086.5	 887.3

Adjusted DHEPS reconciliation



	2022 Headline earnings Rm	2022 DHEPS* cents
Headline earnings including discontinued operations	5 755	1 049.4
Headline earnings discontinued operations	(7)	(1.3)
Headline earnings continuing operations	5 748	1 048.1
Adjusted for:		
Forex	260	47.4
Hyperinflation	38	6.9
Lease modifications and terminations	(66)	(12.1)
Related income tax effect	(60)	(10.9)
Adjusted headline earnings from continuing operations	5 920	1 079.4

*DHEPS based on 548 503 033 weighted average number of ordinary shares adjusted for dilution

Items of a capital nature

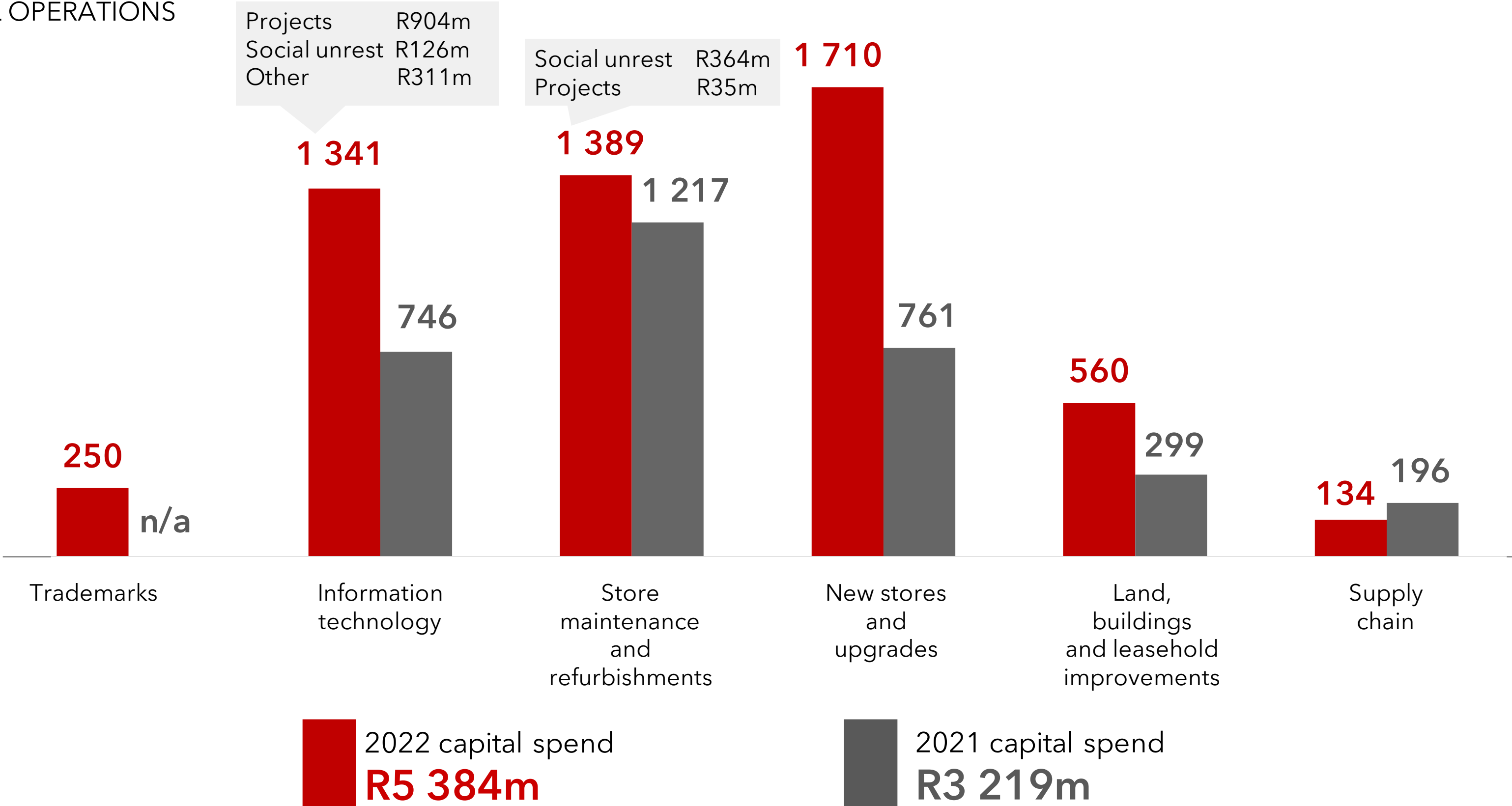
	52 weeks 2022 Rm	53 weeks 2021 Rm
Continuing operations		
Impairment of PPE	(46)	(860)
Impairment of right-of-use assets	(88)	(198)
Impairment of intangible assets	(12)	(30)
Non-financial asset impairments	(146)	(1 088)
Profit on sale and leaseback transaction	-	160
Profit on disposal of assets held for sale	18	131
Loss on disposal and scrapping of plant and equipment and intangible assets	(366)	(133)
(Loss)/profit on disposal and scrapping of property	(94)	3
Insurance claims receivable	582	102
Other	(23)	(3)
Total	(29)	(828)

Notes to the results:

Non-financial asset impairments / (reversals) by segment	52 weeks 2022 Rm
Supermarkets RSA	53
Supermarkets Non-RSA	88
Furniture	17
Total continuing operating segments	158
Hyperinflation effect	(12)
Consolidated continuing operations	146

Capital spend

TOTAL OPERATIONS
Rm



Exchange rate exposure

