

# 2022

## Results Presentation

For the 52 weeks  
ended 3 July 2022

**SHOPRITE**   
HOLDINGS LTD





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# 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



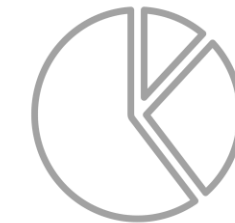
**+2.3%**

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

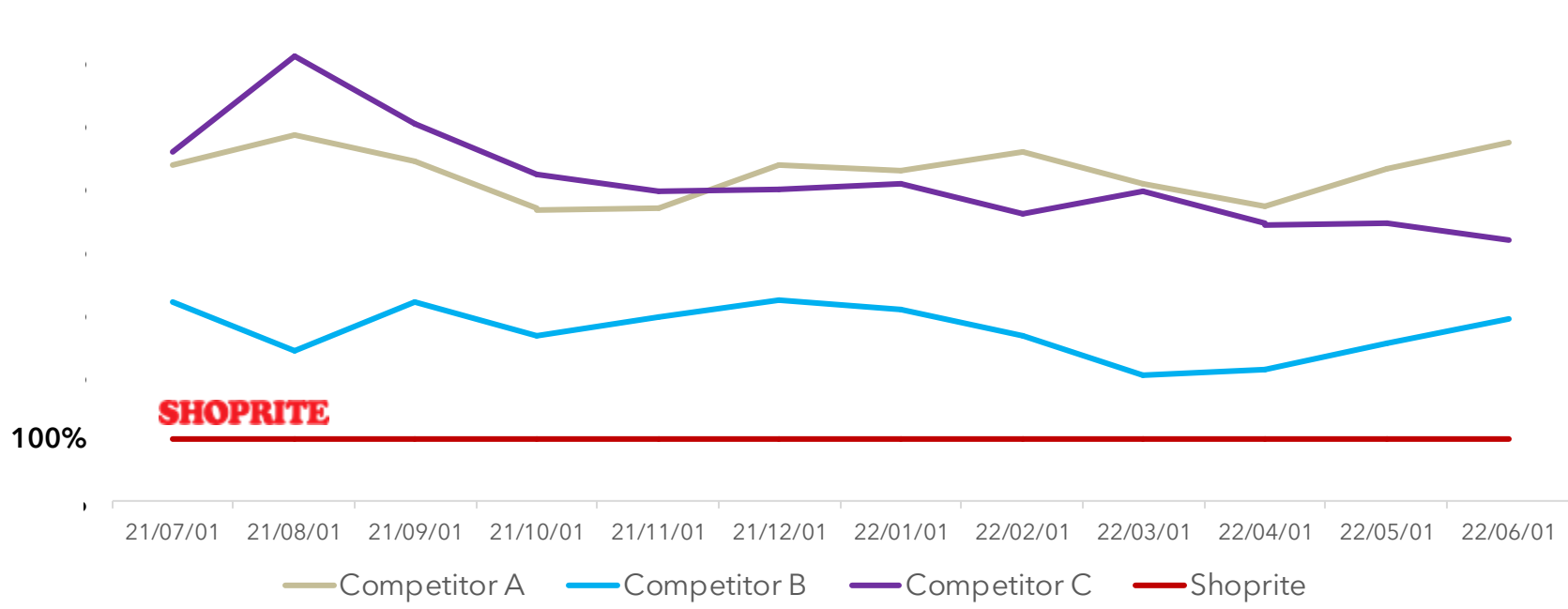


# Smarter pricing and promotions

## 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

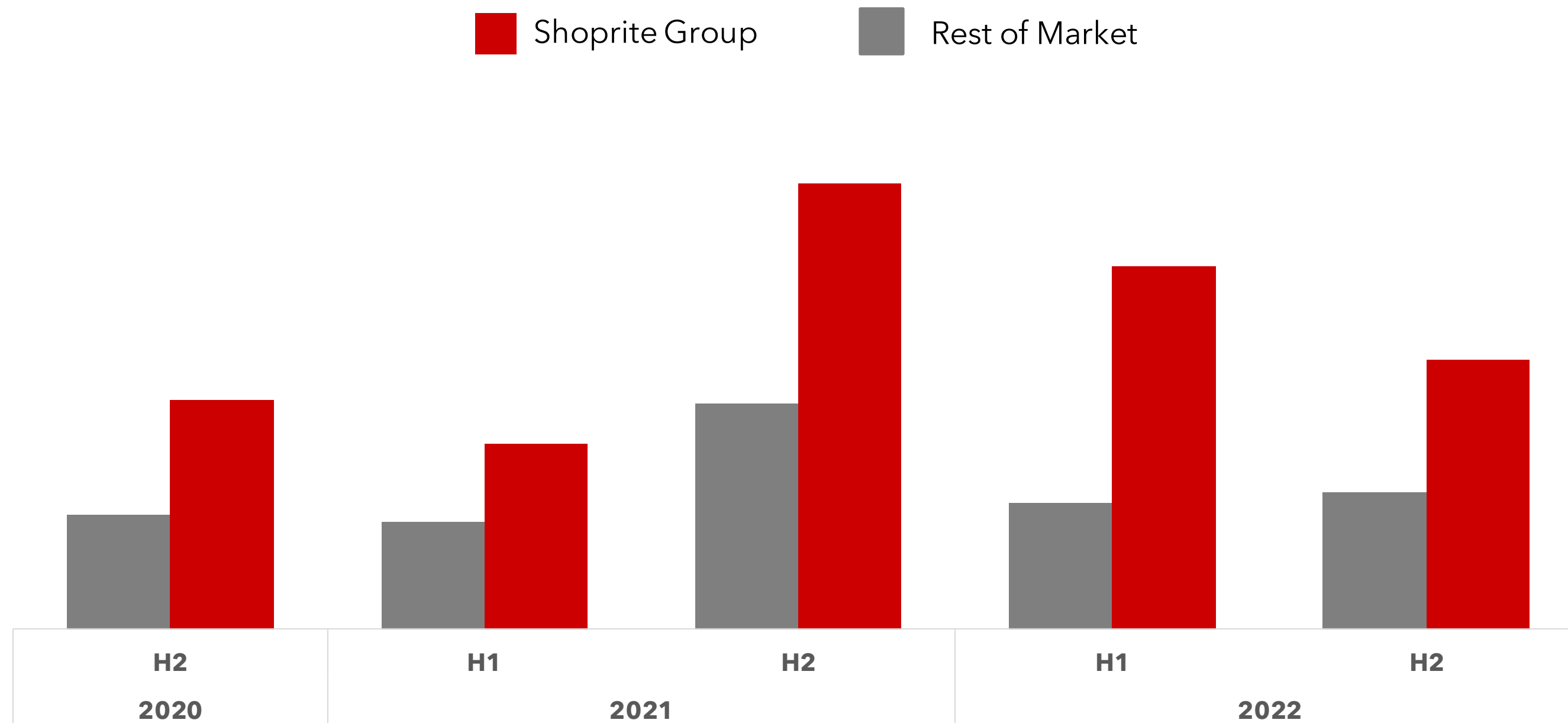


Source: Top 100 Key Value Items average price tracked monthly indexed vs. competitors in RSA through online and BMI store surveys



# 40 consecutive months of market share gains

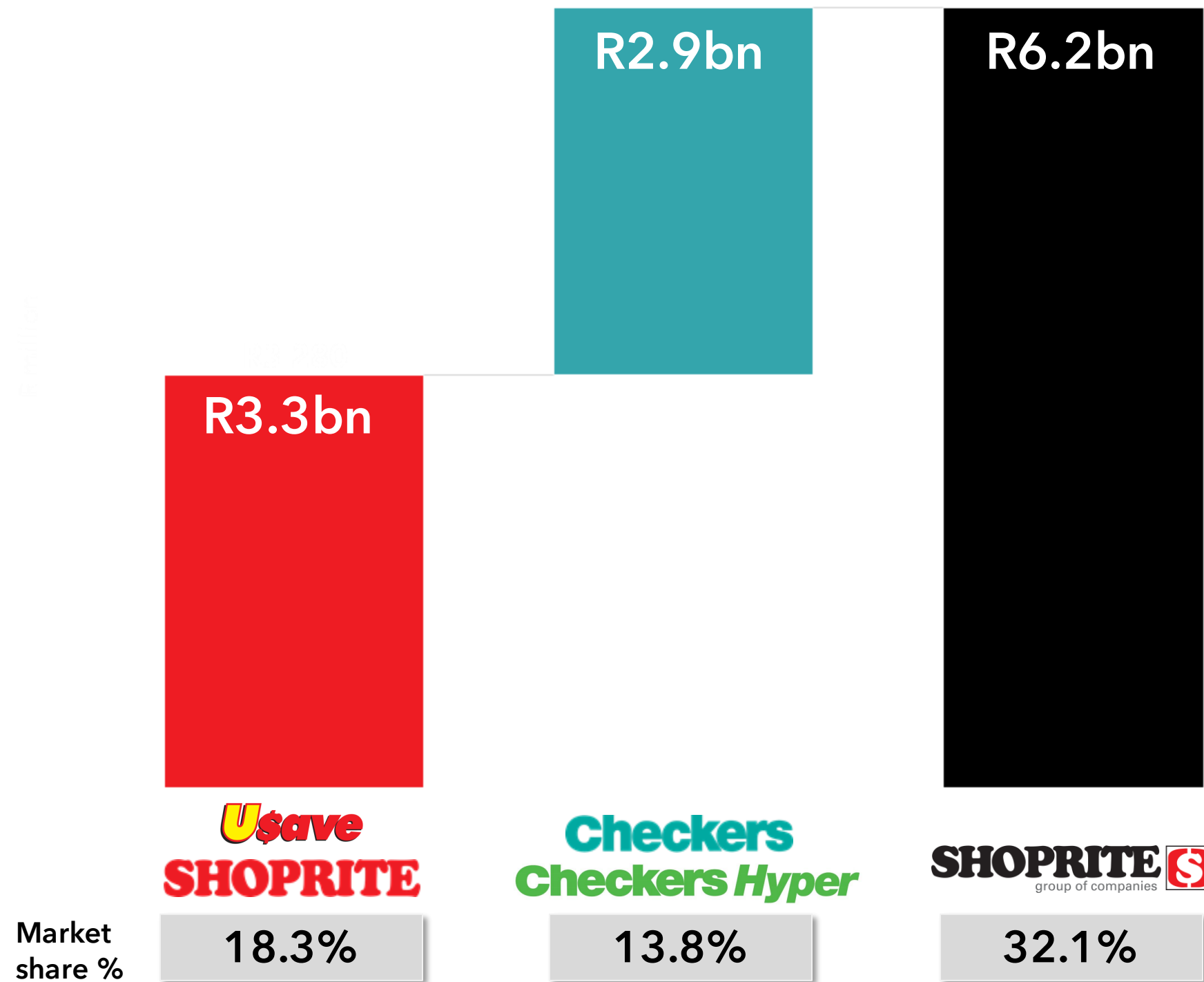
## Supermarkets RSA % sales growth by half vs. Rest of Market (incl. liquor - NielsenIQ)





# Distinct brand portfolio outperforming peers

## Record SA market share value gain 2022



### U\$ave

#### 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

### SHOPRITE

#### Africa's low-price grocery leader

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

### Checkers

#### Best value in fresh & premium foods

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

### Checkers Hyper

#### Amplified value on wider ranges

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

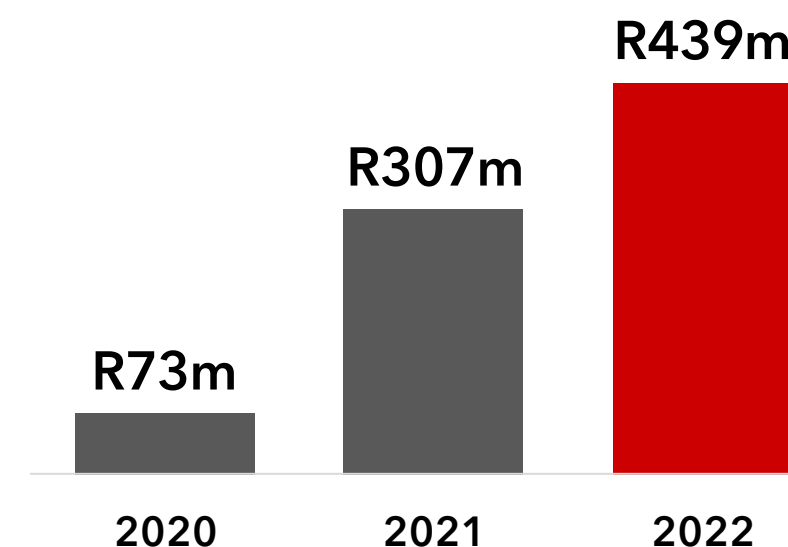


# Supermarkets Non-RSA improved performance



- 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

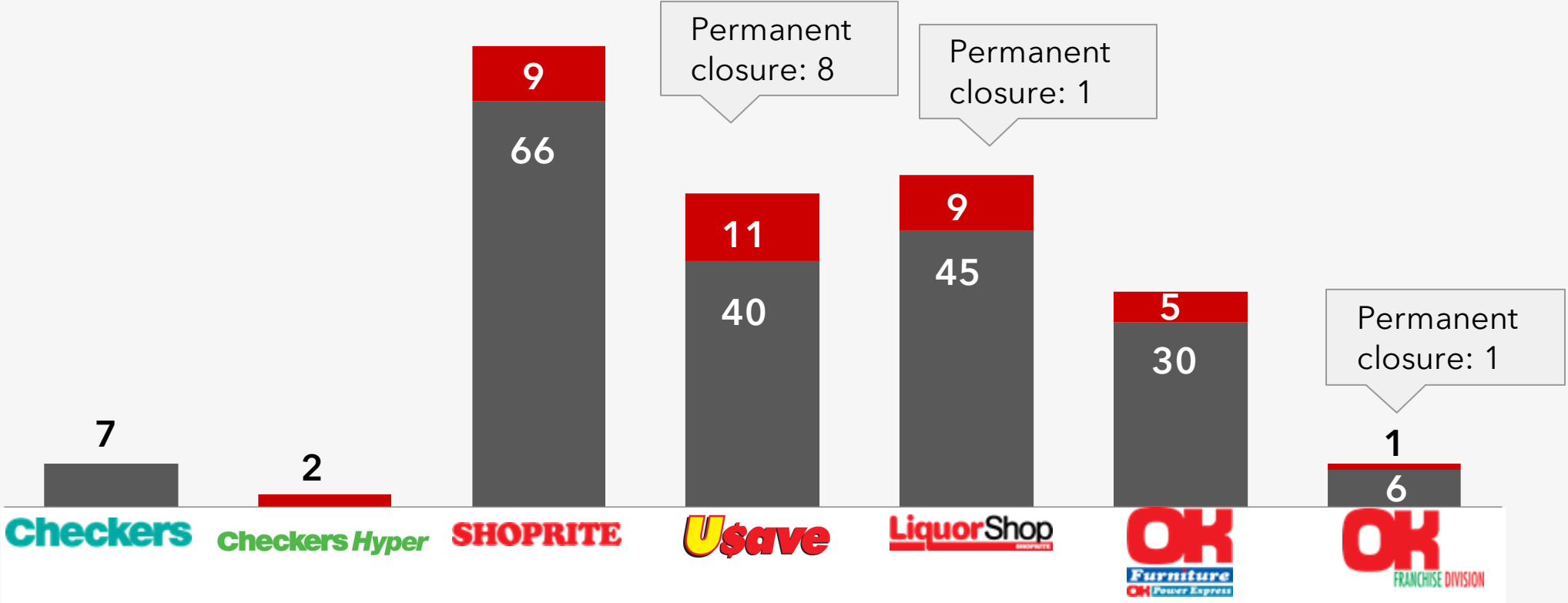




## Social unrest

- 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
<b>Continuing operations</b>			
Sale of merchandise	9.6	184 078	168 030
<b>Gross profit</b>	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)
<b>Trading profit</b>	6.8	11 030	10 332
Exchange rate losses	>100	(260)	(27)
Items of a capital nature	(96.5)	(29)	(828)
<b>EBITDA</b>	10.1	16 623	15 092
		<b>cents</b>	<b>cents</b>
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
		<b>%</b>	<b>%</b>
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%
<b>Trading profit after tax</b>	<b>7 628</b>	<b>(1 539)</b>	<b>6 089</b>	<b>7 004</b>	<b>(224)</b>	<b>6 780</b>	<b>(1 434)</b>	<b>5 346</b>
Invested capital	67 760	(26 011)	41 749	55 426	(224)	55 202	(22 401)	32 801
<b>Average invested capital</b>	<b>61 481</b>		<b>37 275</b>	<b>56 398</b>		<b>56 286</b>		<b>36 050</b>
<b>ROIC</b>	<b>12.4%</b>		<b>16.3%</b>	<b>12.4%</b>		<b>12.0%</b>		<b>14.8%</b>

	2022	2021
<b>ROE</b>	27.1%	26.4%
<b>WACC</b>	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** %
<b>Continuing operations</b>					
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
<b>Total continuing operating segments</b>	<b>9.6</b>	<b>11.9</b>	<b>10.0</b>	<b>9.1</b>	<b>13.8</b>

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

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



# Sales growth

	2022 Sales growth %	Like-for- like %	Number of net new stores 12 months*
<b>Continuing operations</b>			
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
<b>Total continuing operating segments</b>	<b>9.6</b>	<b>8.1</b>	<b>128</b>

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 %
<b>Continuing operations</b>				
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
<b>Total continuing operating segments</b>	<b>6.6</b>	<b>11 068</b>	<b>10 381</b>	<b>6.0</b>
Hyperinflation effect		(38)	(49)	-
<b>Consolidated continuing operations</b>	<b>6.8</b>	<b>11 030</b>	<b>10 332</b>	<b>6.0</b>

**10.3%**  
growth on a  
52-week basis



# Net finance costs



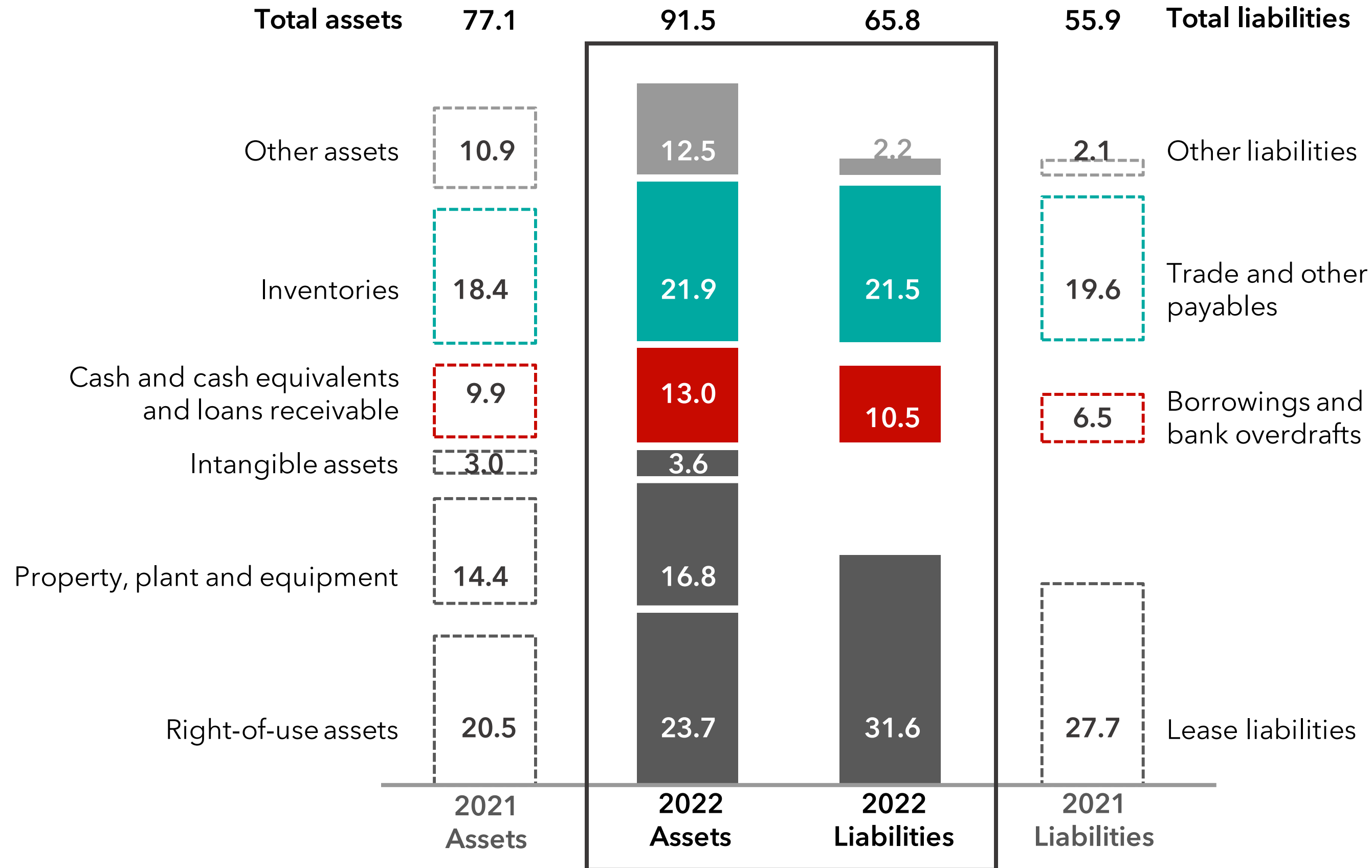
	Change %	52 weeks 2022 Rm	53 weeks 2021 Rm
<b>Continuing operations</b>			
Interest received from bank account balances	0.7	270	268
Finance cost: borrowings	(43.4)	(353)	(624)
Finance cost: lease liabilities	7.1	(2 646)	(2 471)
<b>Net finance costs</b>	<b>(3.5)</b>	<b>(2 729)</b>	<b>(2 827)</b>

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%**

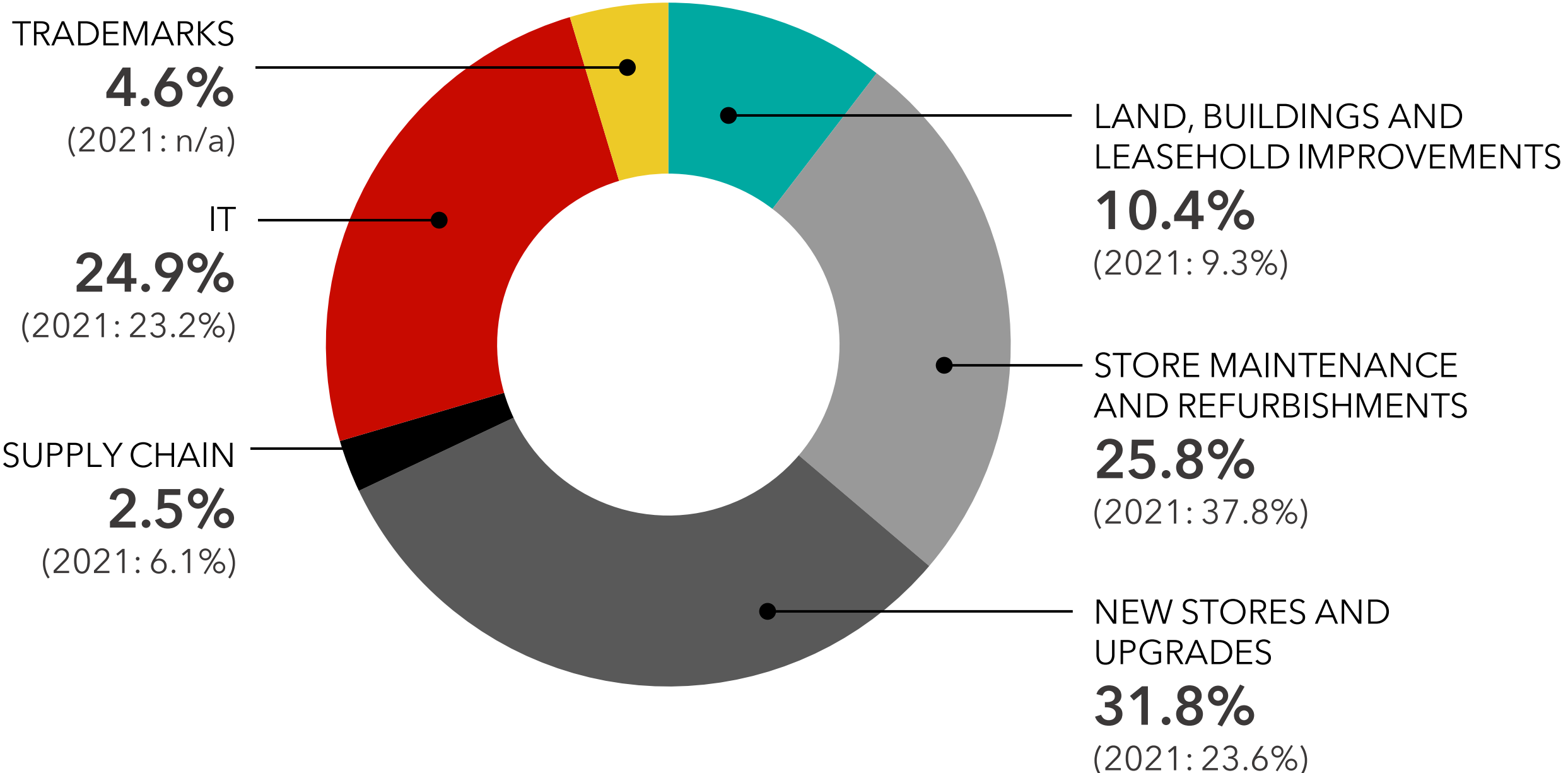
TRADE AND OTHER PAYABLES  
**2022: R21.5bn**  
**2021: R19.6bn**

**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)
	<b>4.6</b>

**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
<b>Total continuing operations</b>	<b>11.9</b>	<b>11.2</b>

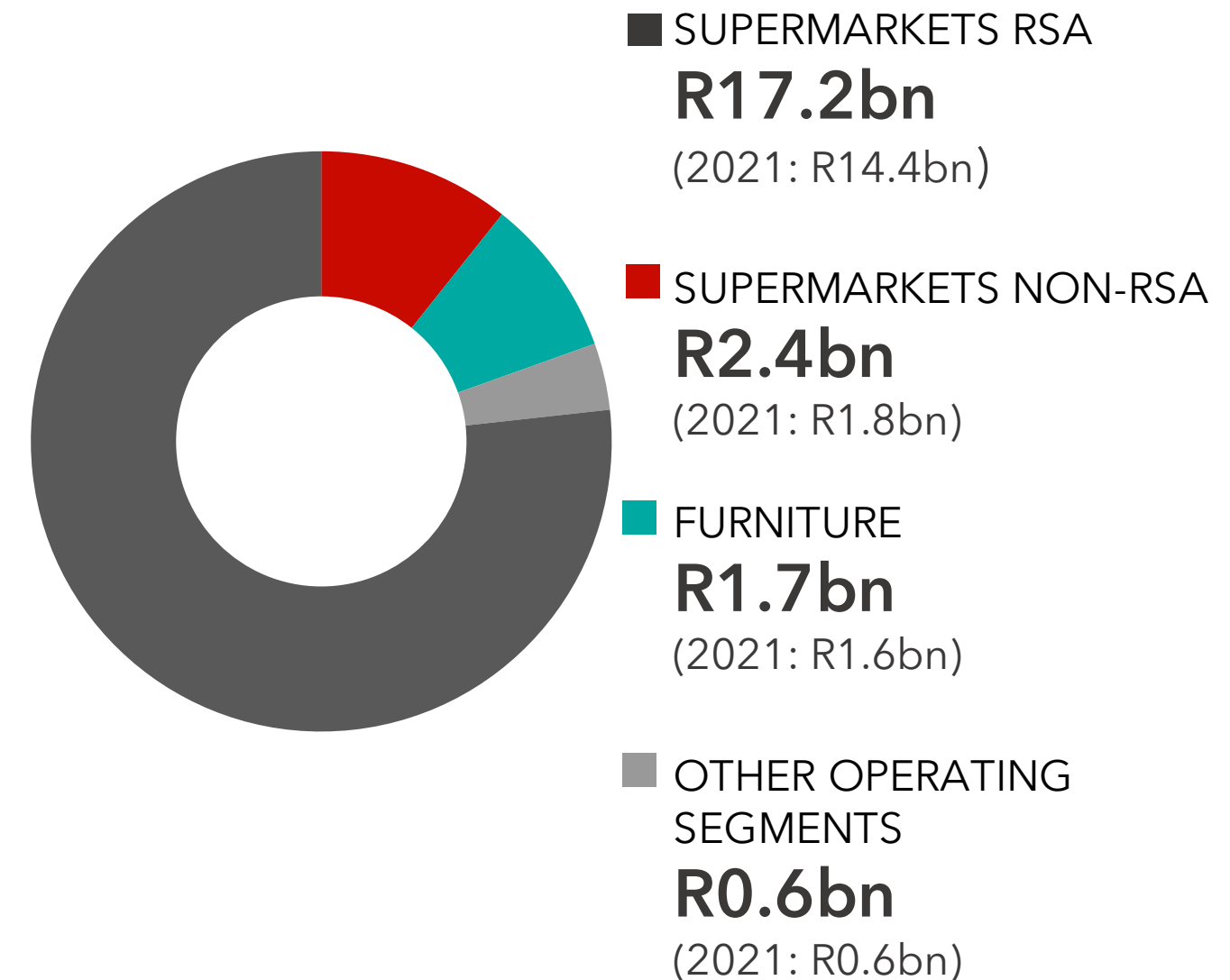
Excluding the impact of stock held in the distribution centres:  
 Total continuing operations 8.4% (2021: 8.3%)  
 Supermarkets RSA 7.9% (2021: 7.9%)

- 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

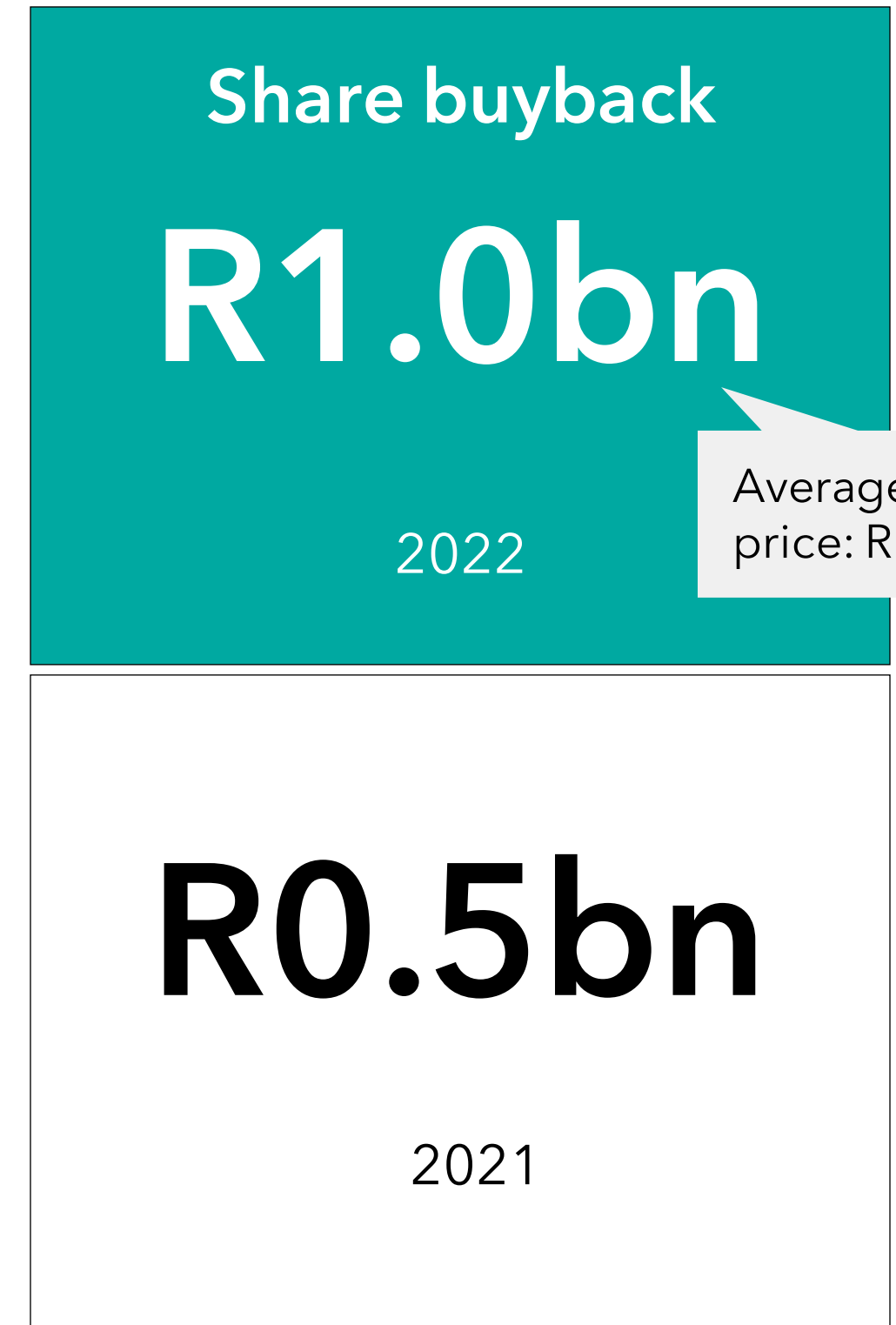
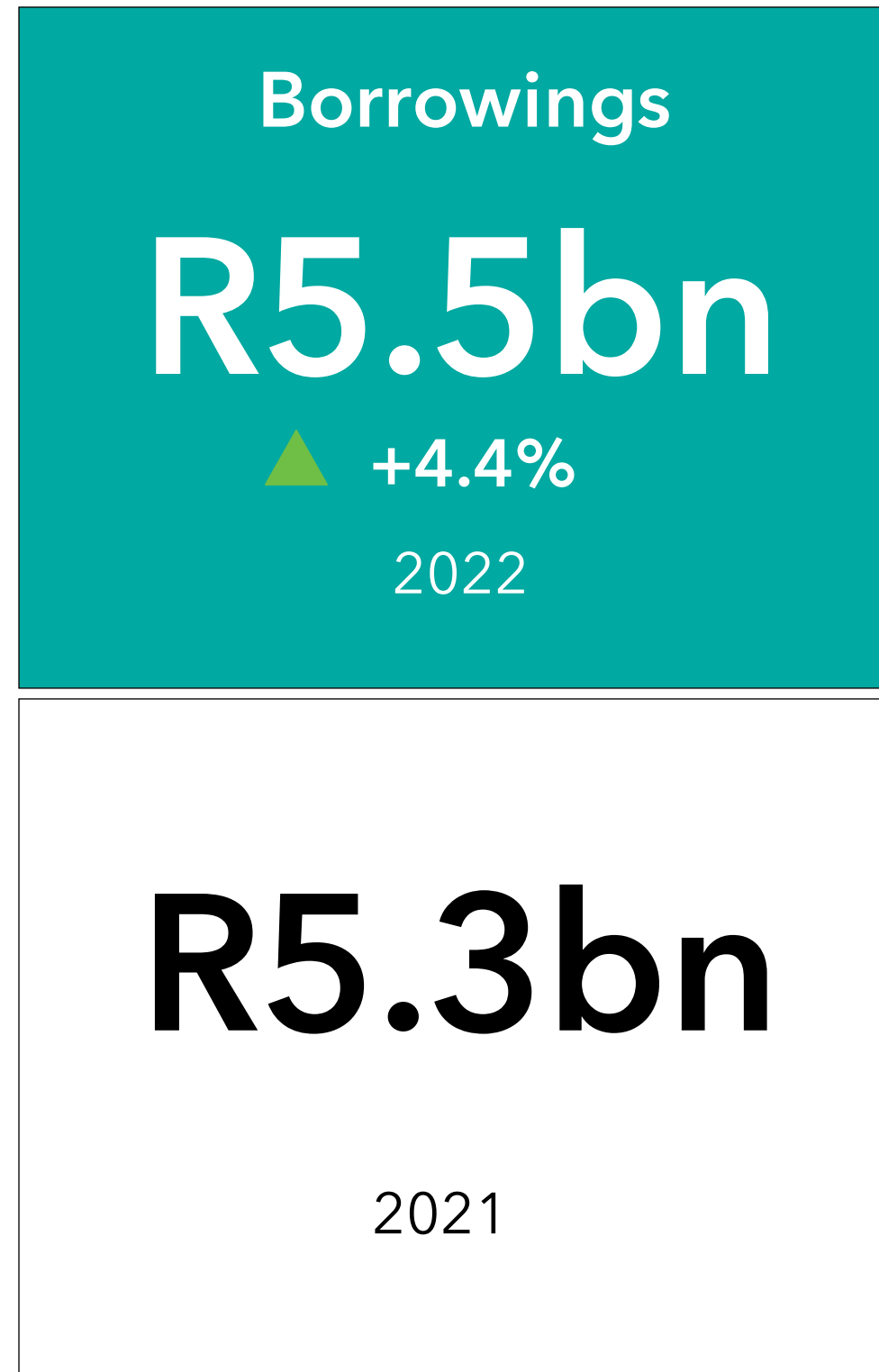
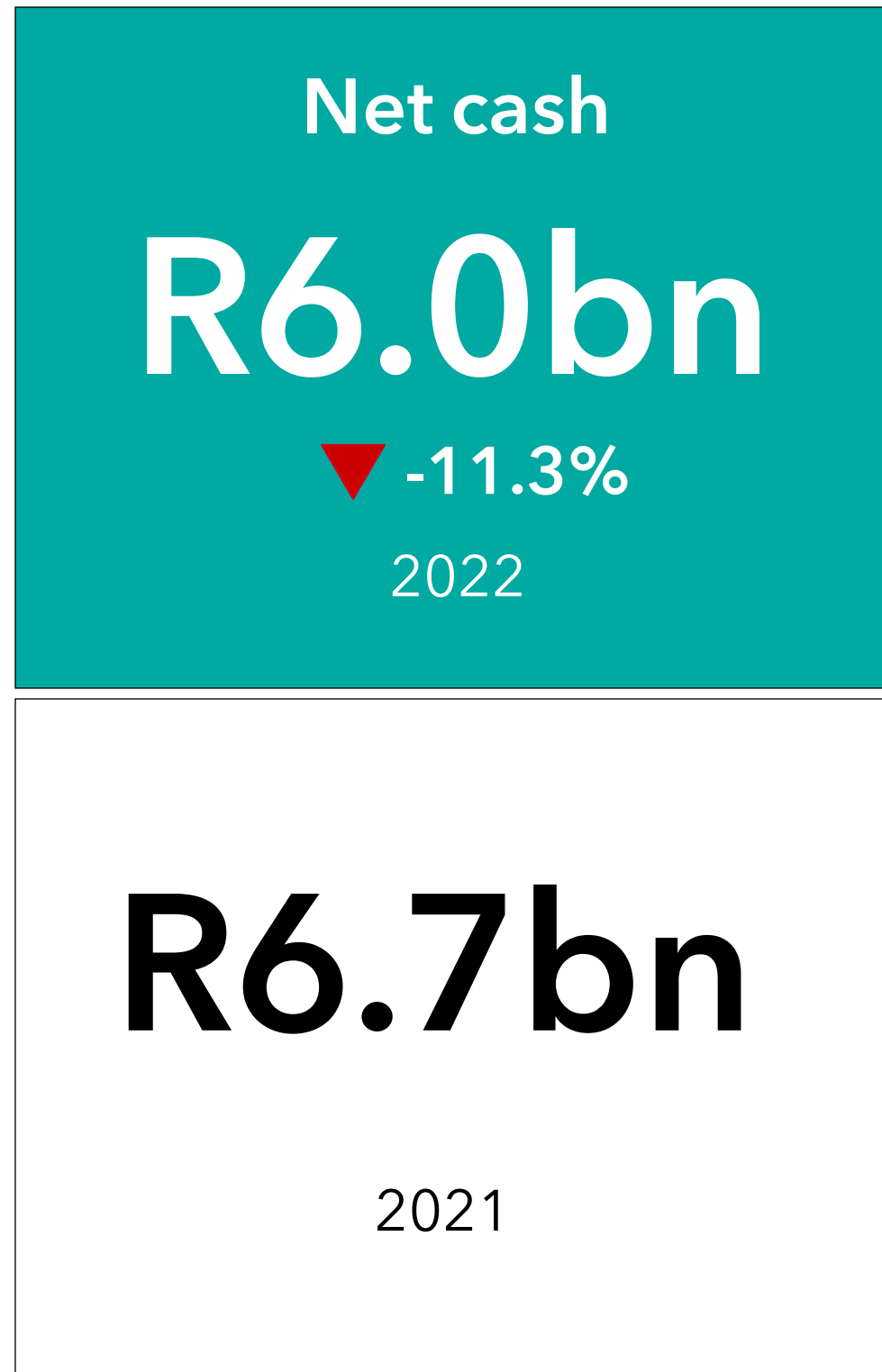
## INVENTORIES

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

**+18.9%**

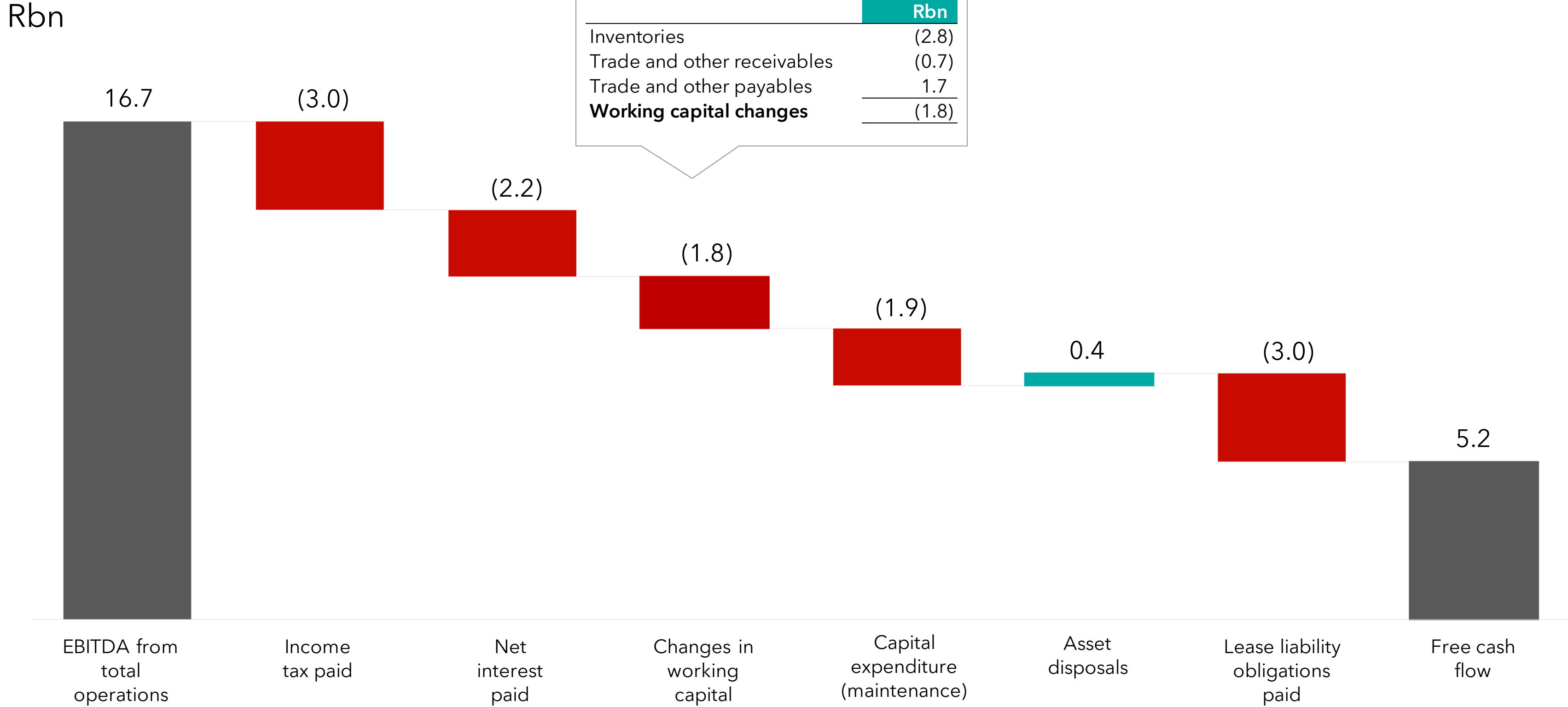








# Free cash flow



**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**

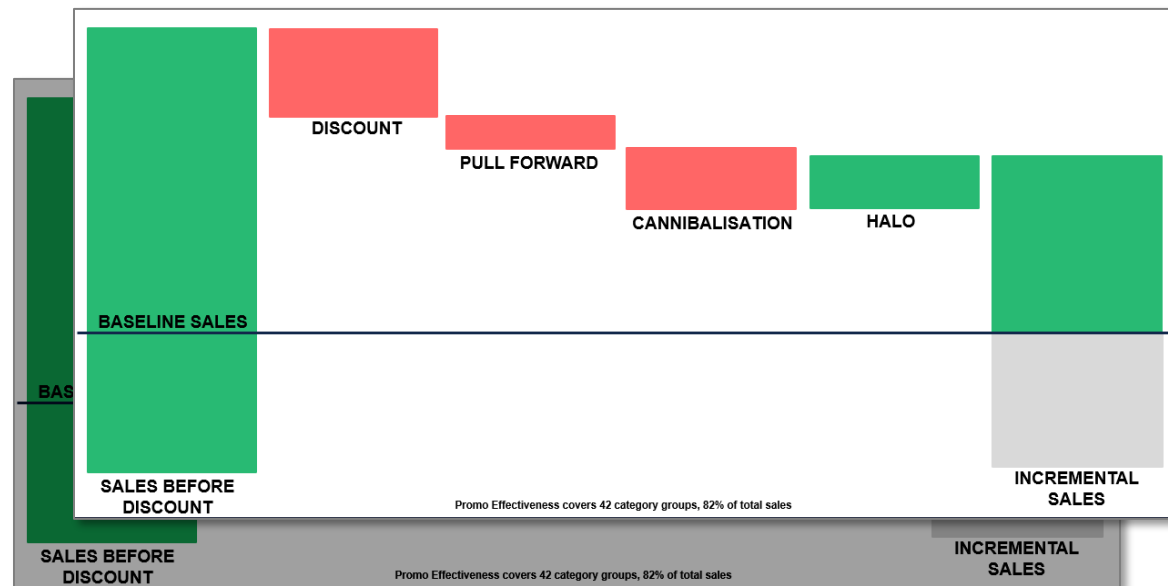
▼  
**CLOSING THE GAP IN KEY SEGMENTS**

▼  
**WINNING IN THE LONG TERM**

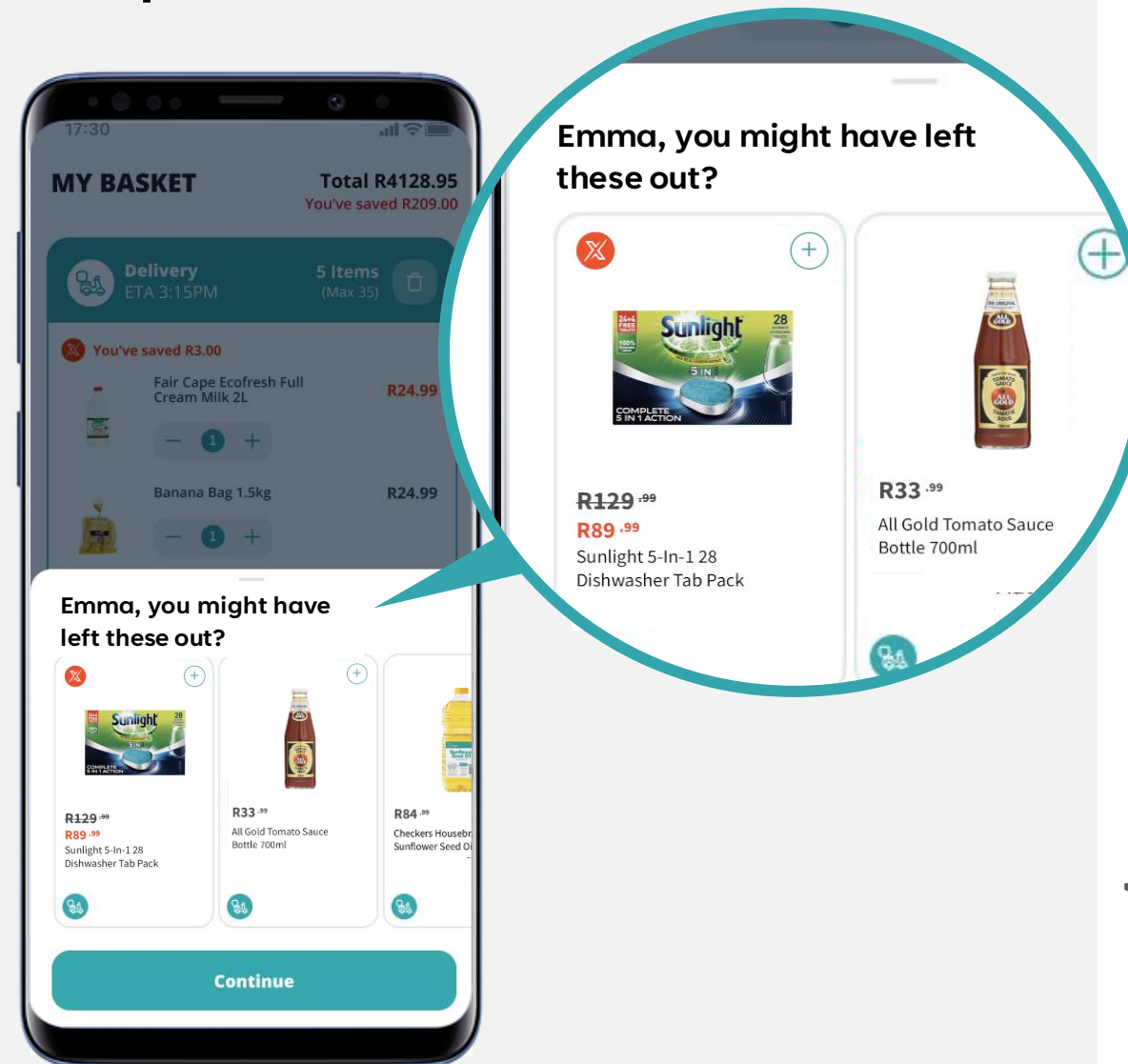
# A Smarter Shoprite

- 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

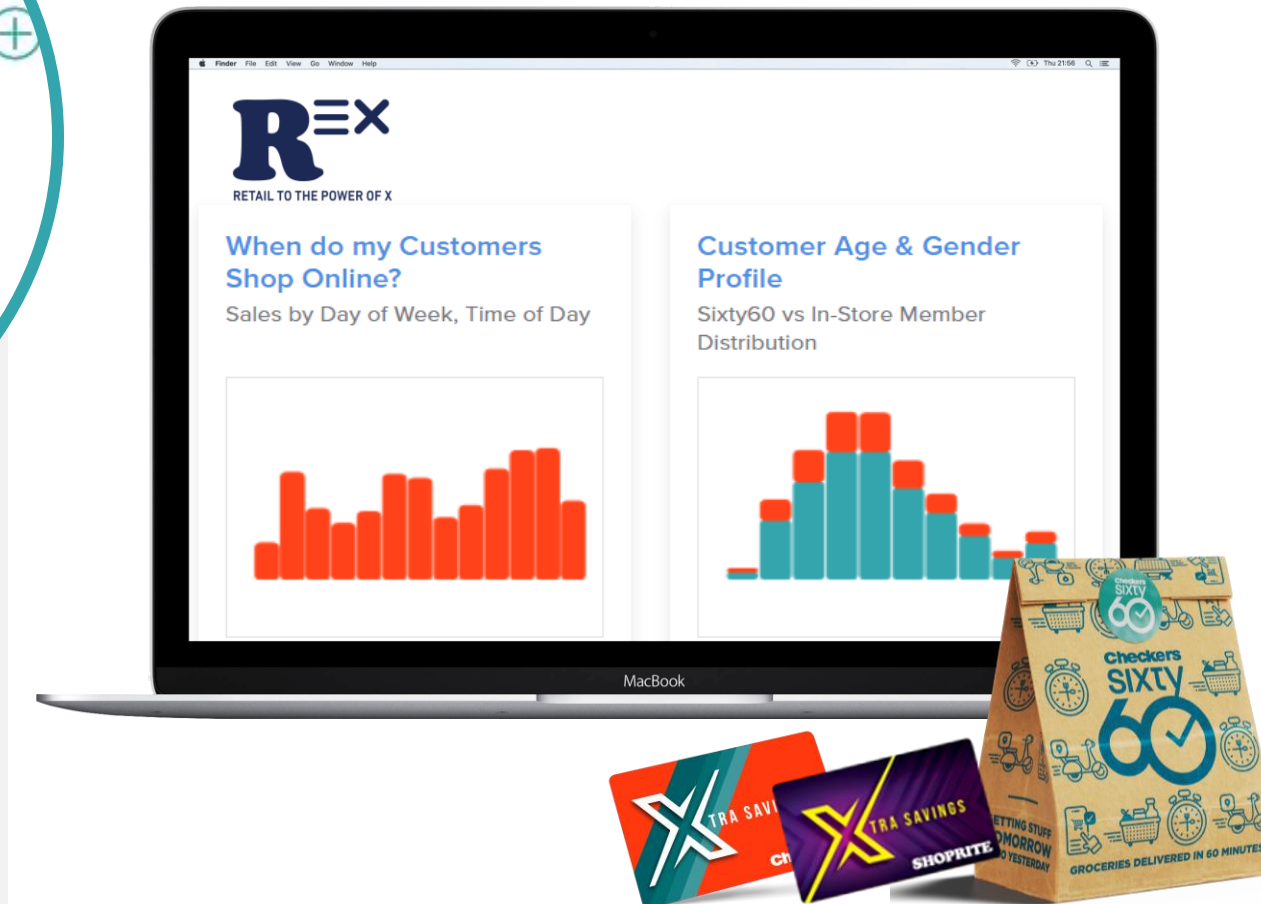
## 1 Optimised mass promotions and demand forecasting



## 2 Real-time personalised experiences



## 3 New customer insights platform for supplier partners

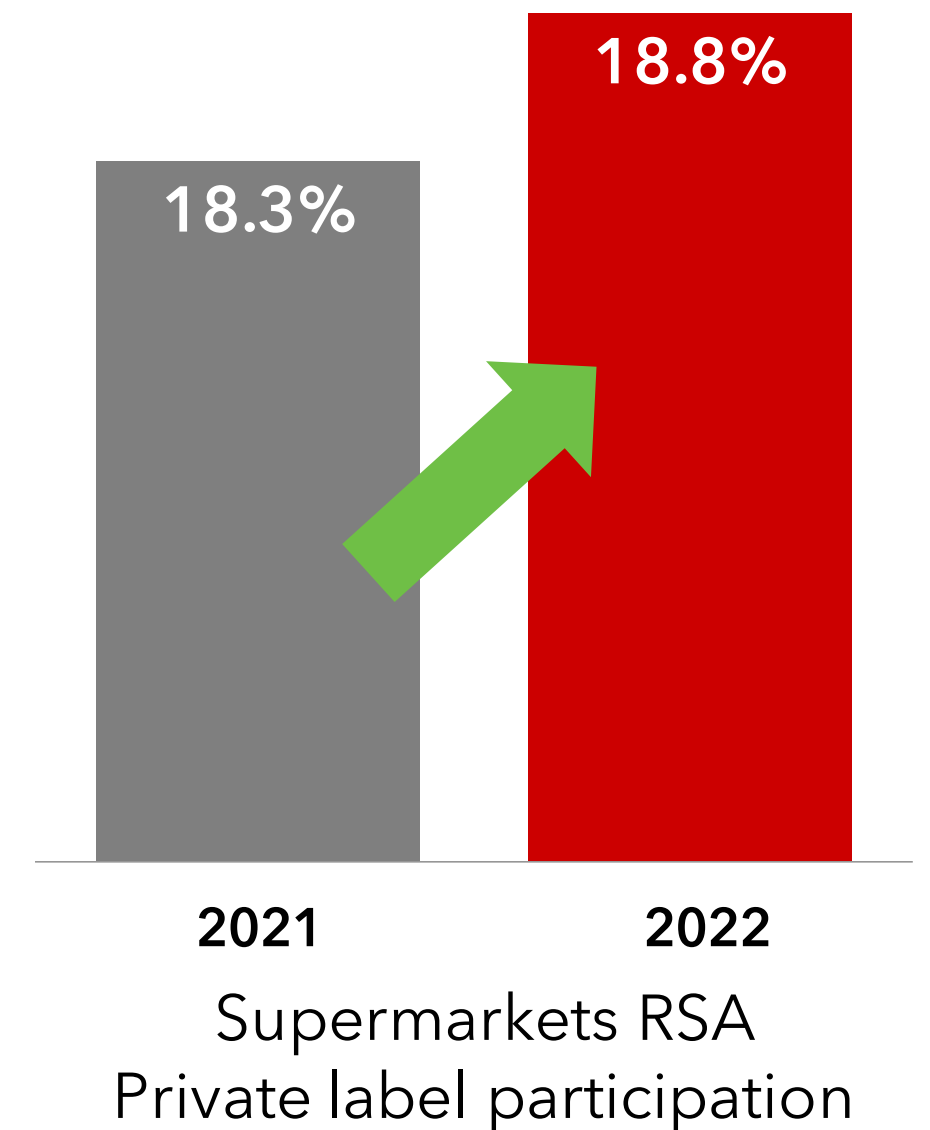




# Growth in trusted, profitable private labels



- 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

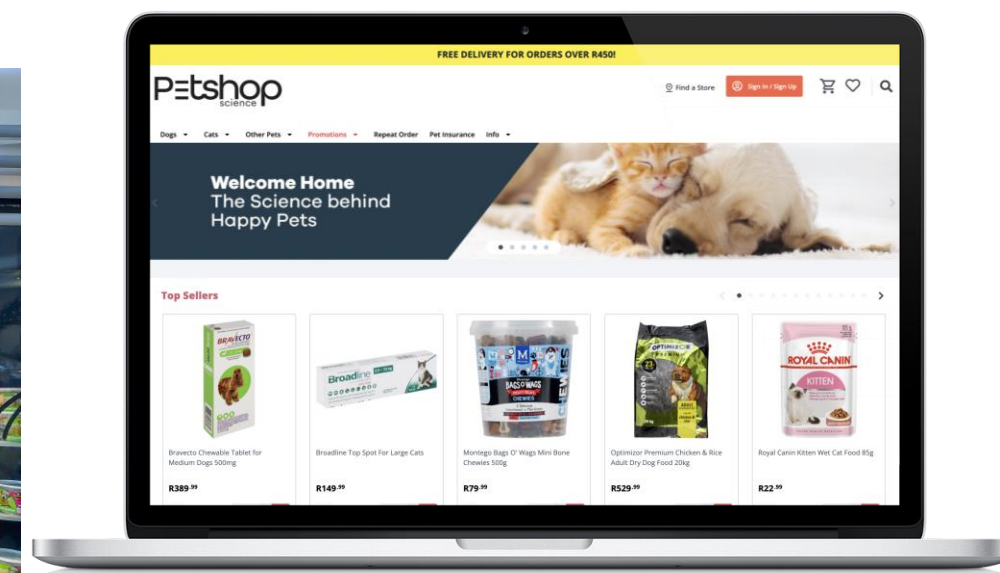




# Investing through the cycle for long-term growth



- 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



**Petshop science**  
**INSURANCE**

COVER YOUR PET FROM ONLY **R69** PER MONTH\*

\*Offer available on Accident Plan.

COVER ONLY AVAILABLE FOR DOGS AND CATS.

**OUT**  
SUBURANCE

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 m<sup>2</sup> 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



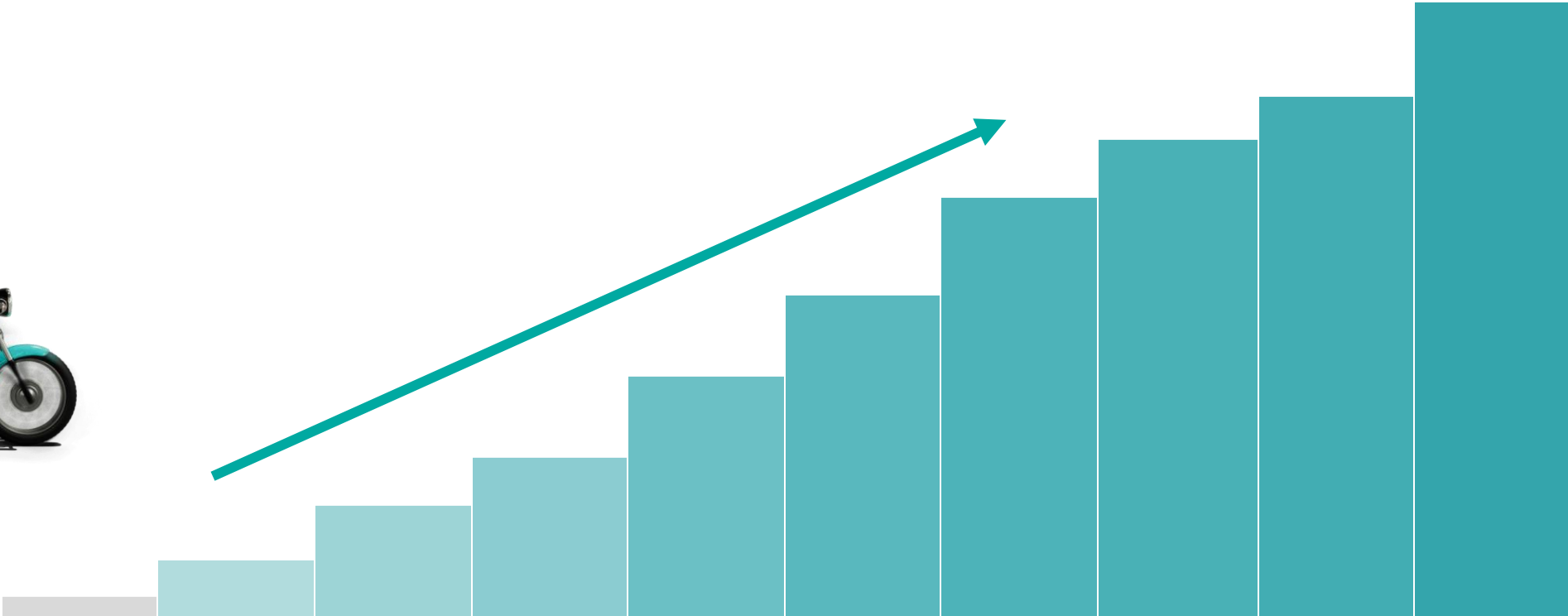
# Embracing digital for customers



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

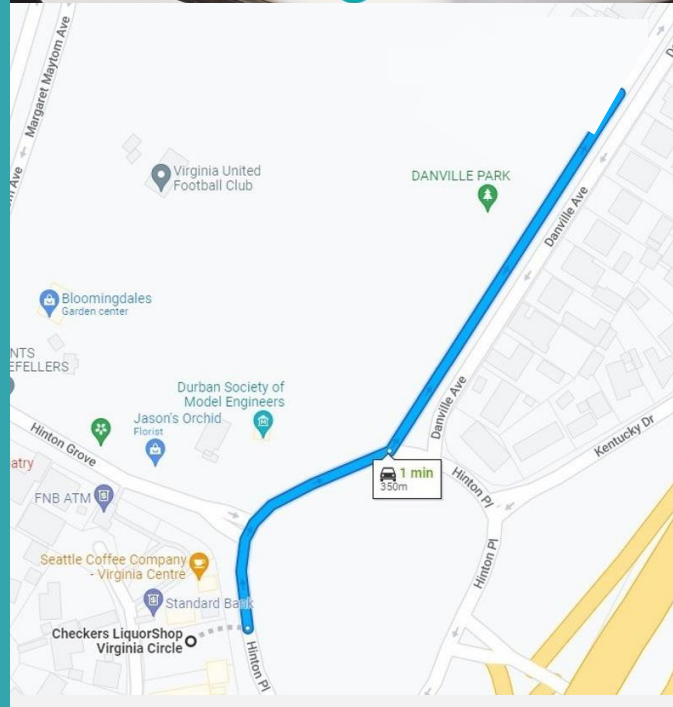
- Sixty60 growth performance continues with 150% increase in annual sales
- SA's No.1 grocery app with 2.4m downloads available in 300 locations
- 26 Innovation awards
- Supporting job creation totaling 6 299 new opportunities since launch

### Quarterly order volumes continue to grow post-Covid



Delivered orders by quarter

**Record 6m12s delivery**  
Feb 2022  
Virginia Circle, Natal



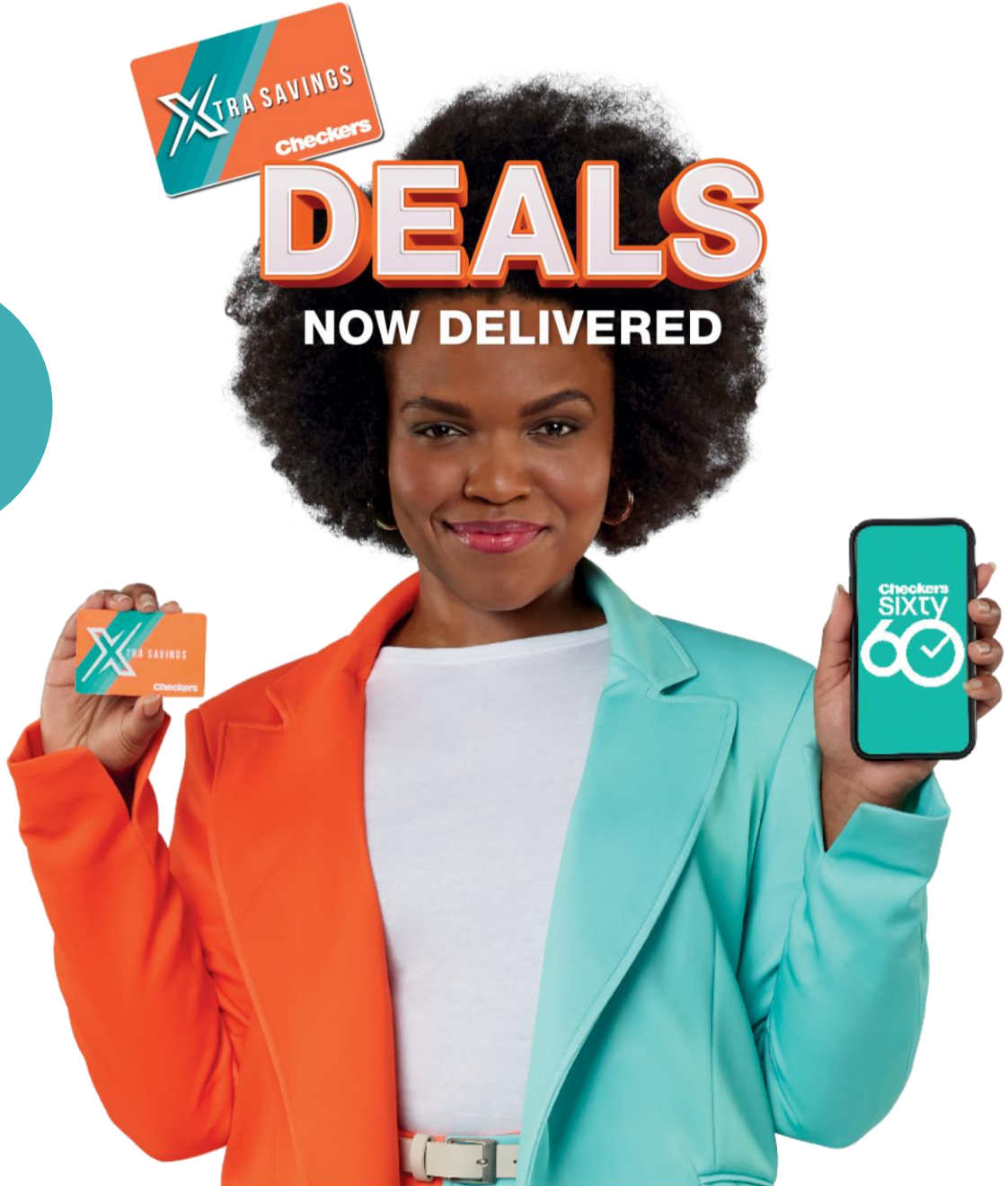
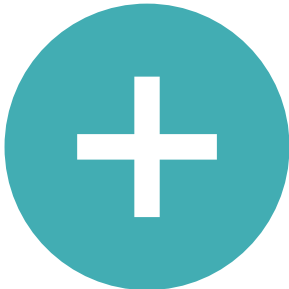
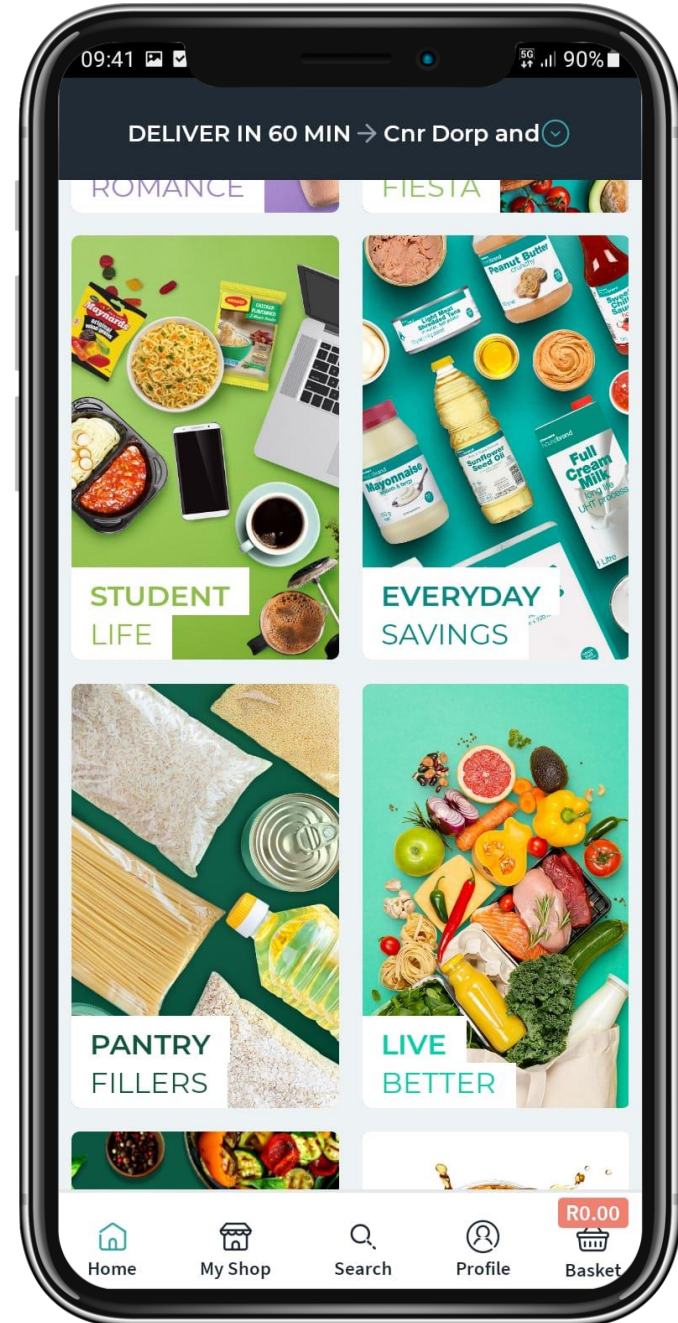


# Sixty60 delivery proposition is post-Covid fit

23k products at in-store prices

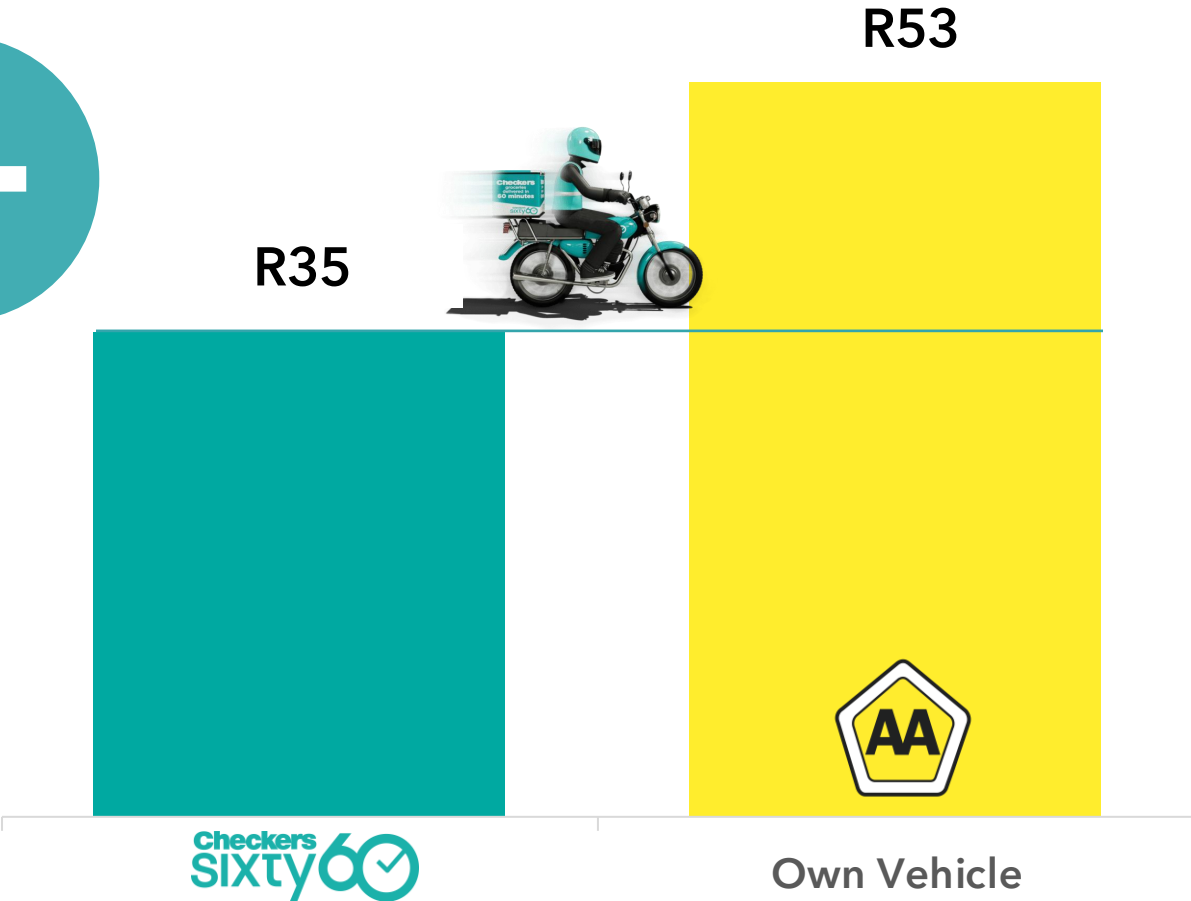
5 000 deals and personalised offers

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.

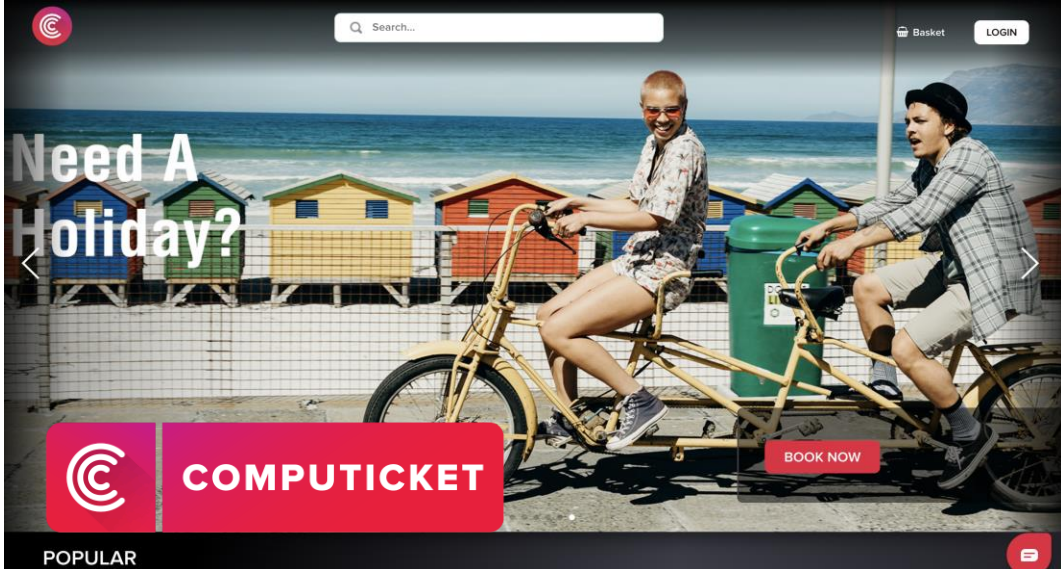


# Embracing digital to unlock value



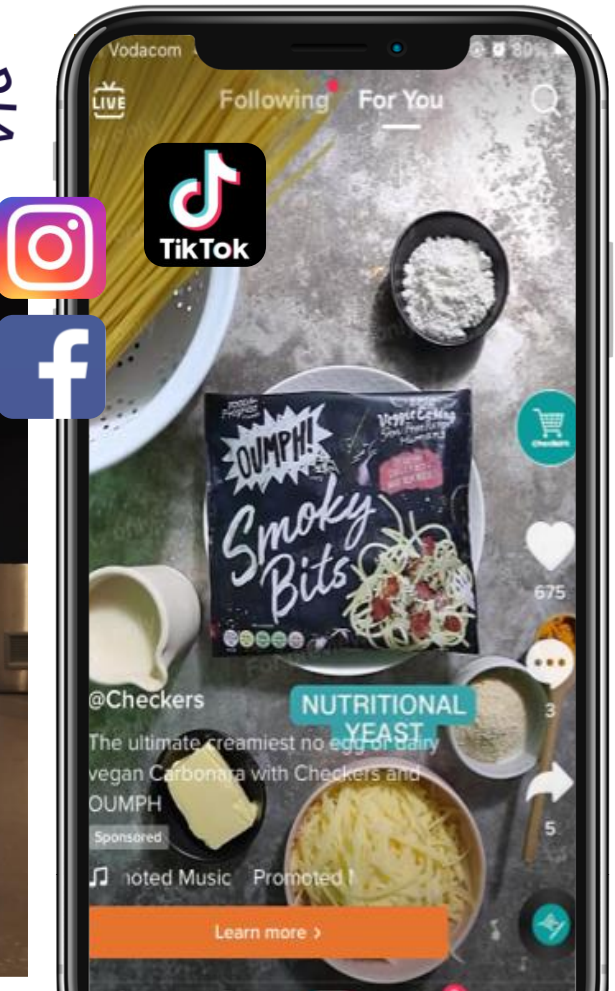
- Continued investment into digital talent, platforms & advanced analytics
- Building long-term competitive advantage and unlocking alternative revenue:
  - ✓ Retail media network
  - ✓ Financial services
  - ✓ Value-added services

## MoneyMarket <sup>m</sup>



## rainmaker <sup>MEDIA</sup>

Precision Marketing.





# 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

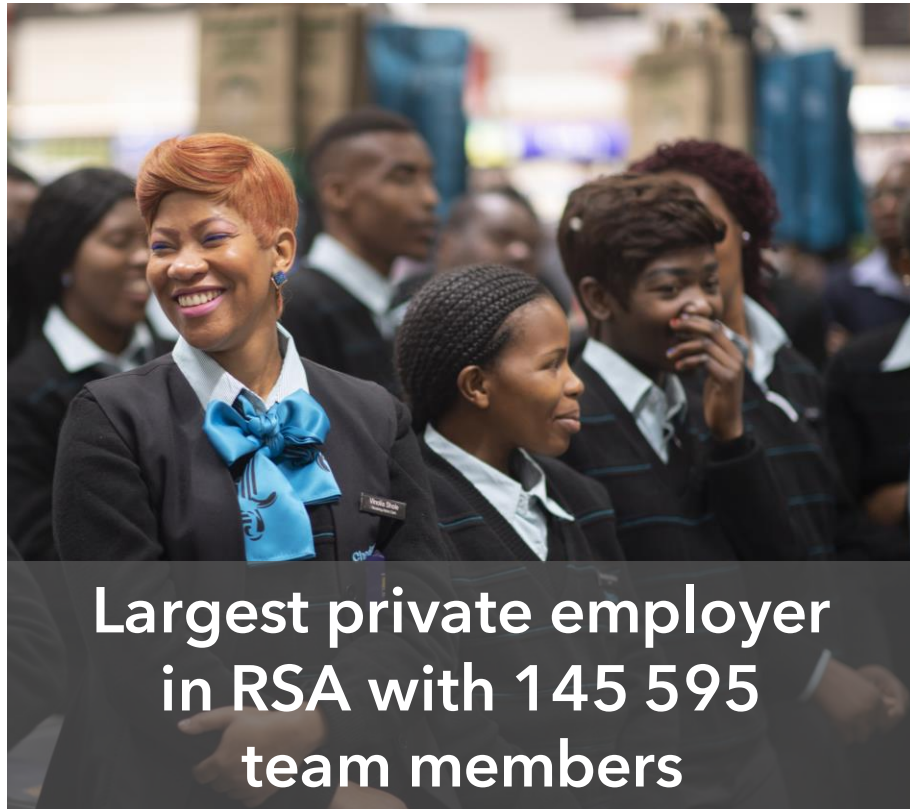
Our Simple Truth Palm Oil is 100% sustainably sourced



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 000m<sup>2</sup> 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
<b>DHEPS including discontinued operations</b>	<b>7.8</b>	<b>1 049.4</b>	<b>973.2</b>
<b>DHEPS continuing operations</b>	<b>10.0</b>	<b>1 048.1</b>	<b>952.5</b>
<b>Adjusted for:</b>			
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)
<b>Adjusted DHEPS from continuing operations</b>	<b>22.1</b>	<b>1 079.4</b>	<b>883.8</b>
<b>Adjusted Basic HEPS from continuing operations</b>	<b>22.5</b>	<b>1 086.5</b>	<b>887.3</b>



# 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)
<b>Adjusted headline earnings from continuing operations</b>	<b>5 920</b>	<b>1 079.4</b>

\*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
<b>Continuing operations</b>		
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)
<b>Total</b>	<b>(29)</b>	<b>(828)</b>

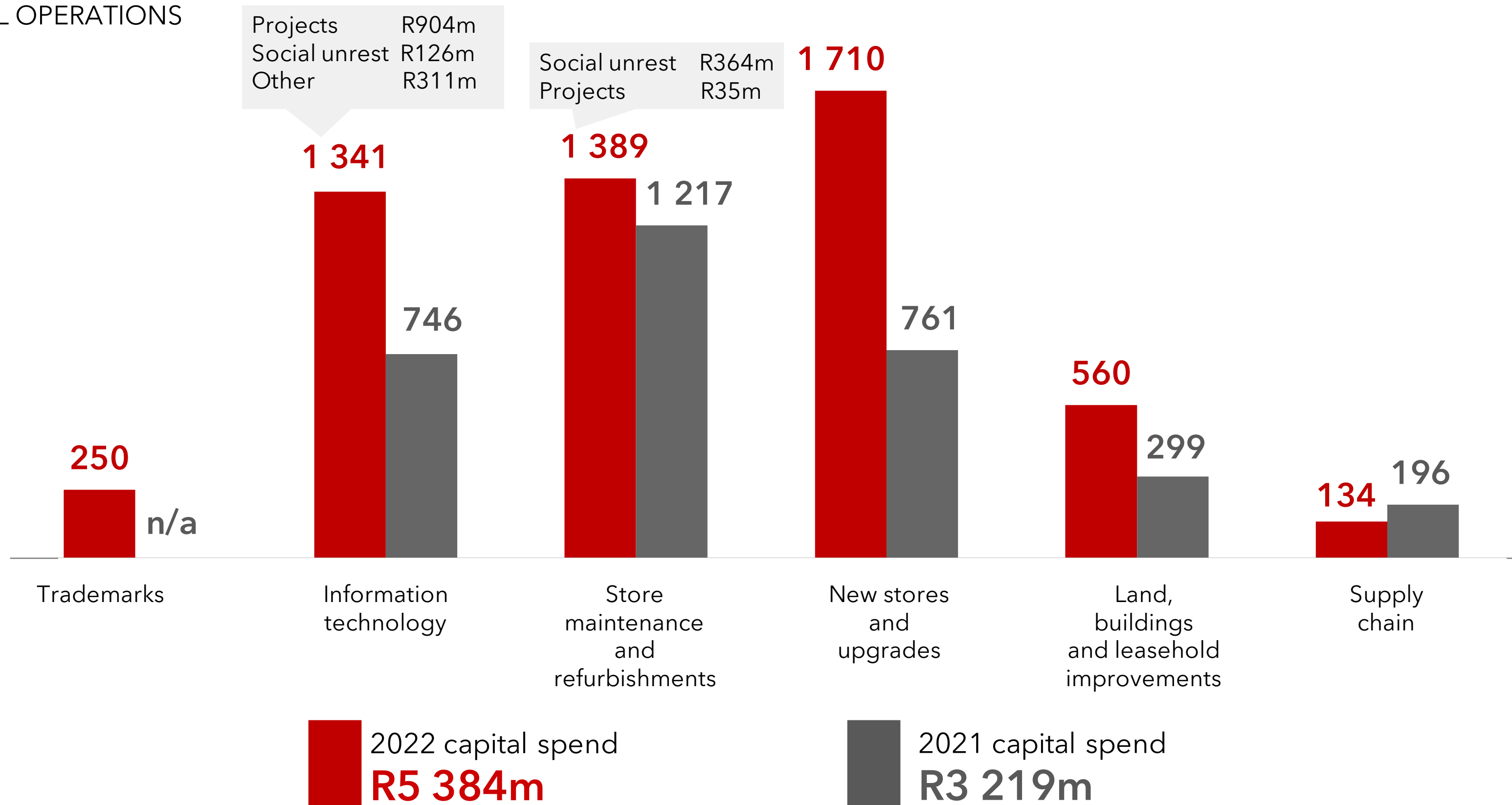
## Notes to the results:

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

2022  
vs  
2021

2021  
vs  
2020

Zambia kwacha



Angola kwanza



Mozambique metical



ZAR average rates

13.9%

13.1%

5.8%

(41.9%)

(39.2%)

(9.0%)

ZAR closing rates

34.3%

41.2%

12.2%

(48.2%)

(32.8%)

(10.6%)

USD closing rates

25.8%

33.6%

0.7%

(25.2%)

(12.2%)

6.5%



