PSG Wealth

Company Update Report

Woolworths Holdings Limited

Consumer Discretionary

Ticker	WHL-ZA
Share price	R50
Intrinsic value	R67
Upside/(Downside)	33%
Recommendation	Buy

As at: 26 Sept 2025

Analyst thesis

Our recommendation is based on:

- Low valuations on a risk-adjusted basis, considering all three segments and the current consumer environment.
- We expect Food to continue to be a stellar performer, holding its margins and expanding on volumes while increasing prices.
- CRG provides upside potential from a recovery in consumer spending with easing inflation and decreasing interest rates.
- We expect FBH's turnaround to continue with full-priced sales being a large portion of its revenue.
- However, considering the upside, we highlight risks presented by the consumer environments in both clothing regions (South Africa and Australia). Consumers in both regions continue to face macro pressure as evident in CRG's performance and FBH's volume pressure. We anticipate the risks to be offset by the strength of the Food business.

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Key highlights

In this report, we assess WHL's FY25 results, released in September 2025, and evaluate their implications on our view.

Financial results at a glance:

- During the period, the group saw sales up 6.1%, adEBIT down 10.9% and adHEPS down 19.2%.
- Sales performance was largely led by the Food segment, which was up 11% with 7.7% LFL growth and price movement of 5.3% showcasing positive volume growth, presenting a strong hold when it comes to its customer base. FBH's sales were up 4.7% with LFL sales up 5.1% and price inflation of 5.3% showcasing flat volumes as the segment pushes towards more full-priced sales in its strategy. CRG was down 5.4% in A$, with LFL down 6.8% being a testament to the bleak macro backdrop in Australia, which also saw the segment's GP margin down 390bps.
- adEBIT performance was largely a factor of CRG's 135.3% underperformance due to a negative macro backdrop in Australia, FBH's -9.1% performance driven by operating expense growth of 5.7% and Financial Services -3.1% performance driven by a 3.5% decrease in net interest income. The performance of the three segments offset the performance of Food (+7.4%), driven by strong LFL sales growth and cost control to expand its GP margin by 20bps.
- FY26's first seven weeks see Food's sales up 6.9% (1H26 price inflation expected between 4.5%-5.5%), FBH sales up 8.3% (1H26 price inflation expected between 4.5%-5.5%) and CRG's sales up 1.2%. CRG's first seven weeks' performance shows improvement in momentum compared to FY25's performance of the segment.

Management's outlook:

The outlook remains cautiously optimistic, considering easing inflation, interest rate decreases, but with subdued consumer confidence, discretionary spending remains constrained. Global uncertainty continues to be at the forefront as US tariffs present a headwind to the world's macroeconomic outlook. That being said, management remains confident in their ability to execute on keeping the Food business stable and growing, continuing to turn around the FBH segment, along with keeping CRG afloat. In FY26, the group expects to deliver adEBIT margins of greater than 7%, greater than 12% and greater than 10% for Food (FY25: 7.0%), FBH (reduced from greater than 14% due to product mix, FY25:10.6%), and CRG (FY25:-1.7%), respectively. We maintain the view that the Food business should continue to do well to support volume issues in FBH, along with the bleak macro backdrop in Australia for CRG.

Sector outlook

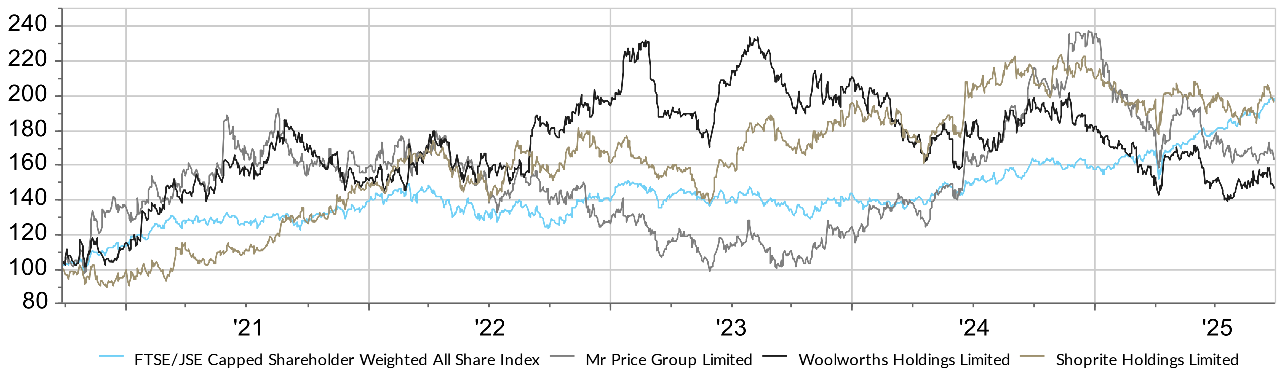
WHL seems to be well-positioned with its diversification, however it is not boding well in Australia, while the FBH segment goes through a turnaround and the Food segment being the only one with minimal issues. The consumer environment for clothing retail across the sector remains uncertain, with regions outside of South Africa facing subdued consumer confidence, while South Africa itself is seeing easing inflation and interest rates, but food and housing inflation continue to put pressure on disposable income. This places WHL in a risky position, given higher price points in FBH and a negative macro background for CRG, which is offsetting Food's resilient performance.

Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is 6.9% and expected three-year EPS CAGR is 22.6%. We expect earnings growth over the next three years to be driven by: The Food segment but offset by CRG and the current turnaround in motion in FBH.
Valuation	★★★★☆	The share price is trading at an 33% discount to the IV. Current NTM P:E of 14.1x is trading at a 12% discount to the five-year average P:E of 16.1x.
Dividend	★★★☆☆	LTM dividend yield 4.3%. NTM dividend yield 4.9%.
Issuance	★★★☆☆	Shares issued have decreased by 7% in the past five years.
Catalyst		Easing inflation and interest cuts in South Africa should relieve some pressure on consumer disposable income. Turnaround of FBH with full priced sales filtering to earnings growth and margin expansion. A positive change in the Australian consumer environment to restart growth in the segment.
Quality of earnings	★★★☆☆	Five-year average ROE 32.8%. Five-year average operating margin 7.8%. Five of the past 10 years had both positive earnings with growth. Two years of losses (2018/9) in the last 10 years related to David Jones asset impairments- segment has been sold out of in 2023.
Moat	★★★☆☆	Competitive advantage in Food with its cold chain. Brand loyalty in the Food segment as seen in price growth but continuing to see volumes grow.
Management and governance	★★★☆☆	The management team has showcased excellent use of assets and strong returns as seen in their ROAs and ROEs (except in 2018/9).
Balance sheet	★★★☆☆	Net debt/EBITDA ratio 1.9x, interest coverage ratio 2.6x. Debt/assets ratio 48.2%.
Risks		Offshore competitors offering low-price alternative to some of its items in FBH (i.e. SHIEN, Temu, etc). Local competitors in Food (Shoprite/Checkers) & FBH (MRP,TRU & TFG). A deteriorating consumer environment (rates remaining high and inflation increasing). Australia's macro environment persisting, negatively impacting the performance of CRG and in turn the group. Regulation: No immediate concerns related to regulation and regulation's impact on the business model.

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



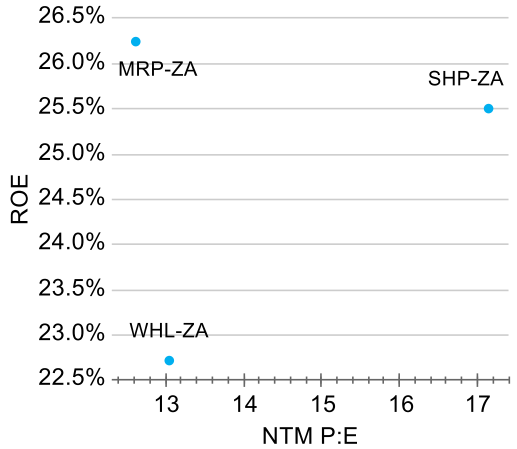
Source: FactSet

Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
WHL-ZA	-19.3%	-3.1%	-2.0%	-5.2%	-23.8%	-27.2%	-19.5%	47.0%	-48.2%
MRP-ZA	-30.6%	-1.2%	-6.4%	-10.3%	-23.3%	49.5%	12.8%	63.4%	2.7%
SHP-ZA	-6.3%	5.0%	0.0%	2.3%	-8.9%	14.0%	25.5%	96.5%	74.9%
Capped SWIX	26.1%	4.6%	11.1%	18.1%	21.4%	47.2%	59.4%	93.8%	75.3%

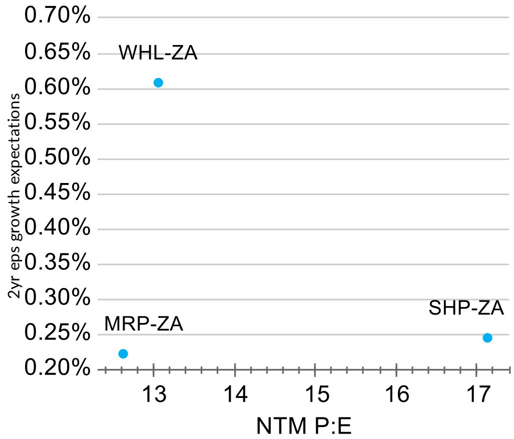
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs consensus EPS 2Y CAGR forecast



Source: FactSet

Valuation

We value WHL using a weighted DCF to account for the value of the company considering future cash flows, along with an EV/EBITDA SOTP to take into consideration the separate value of the business given its diverse risk offering.

In our base DCF valuation, we assume stable sales growth in Food driven by strong LFL growth, stable growth in FBH as the segment turns around, and low growth in CRG as the Australian economy continues to put pressure on consumer spending. In the base EV/EBITDA SOTP valuation, we used an average peer group multiple for Food and FBH, along with assuming the lowest multiple in the peer in the last five years for CRG to account for the current bleak macro in the region.

In the DCF valuation, we have weighed our base case scenario at 50% given that we expect current macro conditions and their impact on performance to persist. We have a skew to the bear case due to the higher risk CRG and FBH currently have relative to Food. We weighted the EV/EBITDA SOTP valuation at 50% as a sense check to our DCF and arrive a similar intrinsic value.

Considering the valuation, we arrive at a buy recommendation on WHL. Although the Food business holds up strong on a reported and LFL basis, CRG offers risk in the short to medium term, while FBH is turning around, but its full price sales approach is having some negative impact on volume growth. This positions the stock as cheap but the risks on 2/3 segments remains front of mind.

Table 3: DCF valuation summary

	Weight	IV	Upside/(downside)
Bear	40%	21	-58%
Base	50%	87	73%
Bull	10%	102	103%
Weighted	100%	62	23%

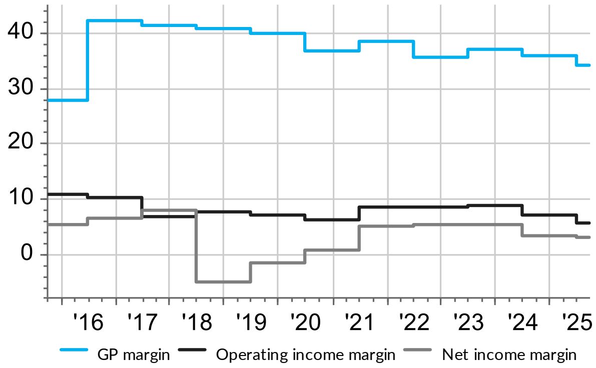
Table 4: DCF & EV/EBITDA SOTP valuation summary

	Weight	IV	Upside/(downside)
Weighted DCF	50%	62	23%
Base EV/EBITDA SOTP	50%	72	43%
Weighted	100%	*67*	*33%*

Graph 4: NTM P:E relative to benchmark

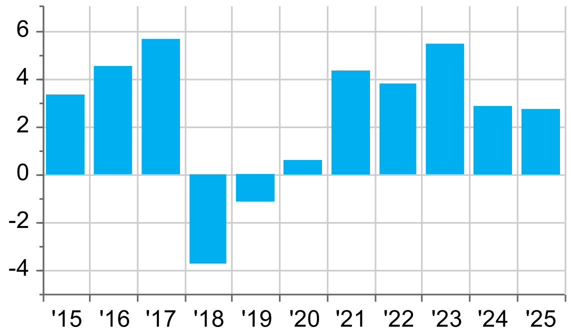
Source: FactSet

Graph 5: Profit margins (%)



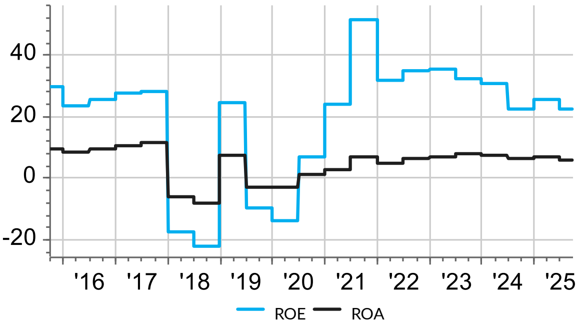
Source: FactSet

Graph 6: 10Y EPS Y/Y growth (%)



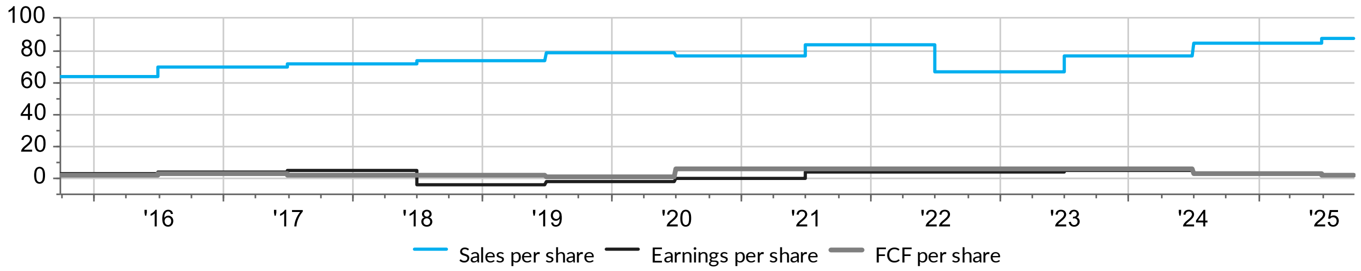
Source: FactSet

Graph 7: ROE and ROA (%)



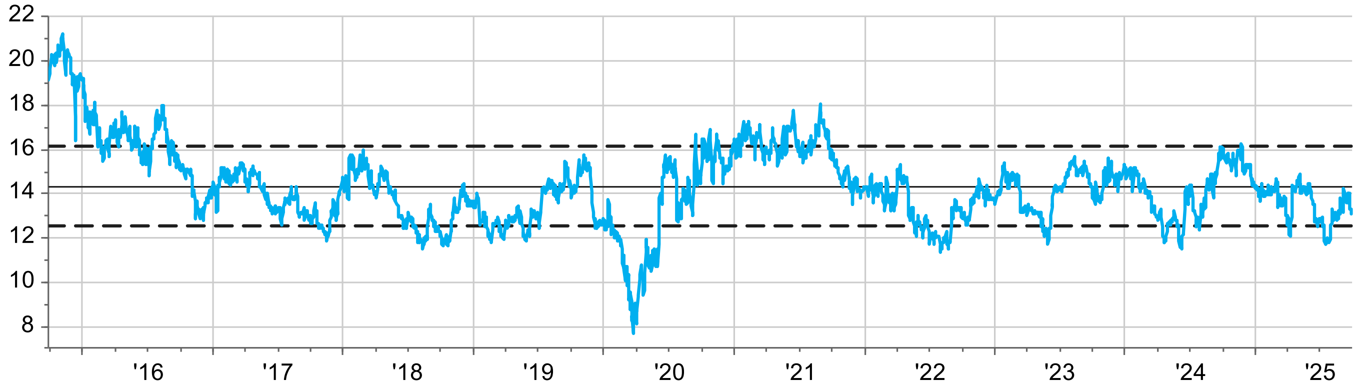
Source: FactSet

Graph 8: Sales, earnings and FCF per share (ZAR)



Source: FactSet

Graph 9: NTM P:E



Source: FactSet

Table 5: Financials and ratios

Income statement (RMn)	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	80 850	65 362	72 266	76 533	79 537	4%	7%	1%
Cost of sales	49 816	42 137	45 440	49 064	52 258	7%	7%	2%
Gross income	31 034	23 225	26 826	27 469	27 279	-1%	6%	0%
EBIT	6 978	5 518	6 392	5 529	4 527	-18%	-6%	-1%
EBITDA	11 714	9 959	10 068	8 754	8 012	-8%	-7%	-3%
Net income	4 161	3 502	3 878	2 593	2 443	-6%	-11%	34%
EPS (Rand)	4	4	6	3	3	-5%	-11%	36%
Balance sheet (RMn)	**Jun 21**	**Jun 22**	**Jun 23**	**Jun 24**	**Jun 25**	**1Y Growth**	**3Y CAGR**	**5Y CAGR**
Total assets	55 588	56 079	39 227	38 702	40 847	6%	-10%	-9%
Total shareholders equity	9 328	11 800	12 021	10 926	10 711	-2%	-3%	10%
Total liabilities	46 260	44 279	27 206	27 776	30 136	8%	-12%	-12%
Ratios	**Jun 21**	**Jun 22**	**Jun 23**	**Jun 24**	**Jun 25**	**5Y Avg**		
Net debt/EBITDA	2.4	2.7	1.3	1.8	1.9	2.0		
Interest coverage	2.8	4.7	4.4	3.2	2.6	3.5		
Debt/assets	60.9	56.8	43.5	46.8	48.2	51.2		

Source: FactSet

Table 6: Standard finance and investment abbreviations

Abbreviation	Definition
1H/2H	First/Second half of the financial year
A$	Australian dollar
adEBITDA	Adjusted earnings before interest, tax, depreciation and amortisation
adHEPS	Adjusted headline earnings per share
Bps	Basis points
CAGR	Compound annual growth rate
CRG	Country Road Group
DCF	Discounted Cash Flow
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDA	Earnings before interest and tax
EPS	Earnings per share
FBH	Fashion Beauty and Home
FCF	Free Cash Flow
FY	Financial year
GP	Gross profit
HEPS	Headline earnings per share
LFL	Like-for-like
LTM	Last twelve months (also knows as trailing)
M	Month
MTD	Month to date
NTM	Next twelve months (also known as forward)
P:E	Price to earnings
ROA	Return on assets
ROE	Return on equity
SOTP	Sum of the parts
WHL	Woolworths Holdings Limited
Y/y	Years (s)
YTD	Year to date

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House view guidance: House view guidance is indicative only. Each client's circumstances are different, and it remains critical that indicative guidance is discussed with your portfolio manager or financial adviser.

Date and share price: The date the report was reviewed and approved by the portfolio committee is likely to precede the release date and price on the report.

*Share price as at closing.

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