

Shoprite Holdings Ltd

Consumer staples

Company Update Report



Exceptional customer engagement and sharp execution continue to drive Shoprite's leadership in the industry

Analyst recommendation

Table 1: Analyst recommendation

Counter	Share price	Intrinsic value	Difference
Shoprite Holdings Ltd	R271	R318	17% Upside

11 July 2025

Executive summary

In this report, we will look at the half-year 2025 results:

- Supermarkets RSA
 - Supermarkets RSA delivered sales growth of 10.4% to R107.7 billion, driven by a 6.1% increase in like-for-like sales.
 - Internal selling price inflation for the segment eased to 1.9% during the period, down from 7.7% in the first half of (H1) 2024.
 - Checkers and Checkers Hyper, including Checkers Liquor Shop, increased sales by R5.7 billion (13.6%) to R47.6 billion, up from R41.9 billion in H1 2024.
 - Checkers Sixty60, the Group's on-demand grocery delivery app increased sales by 47.1% (H1 2024: 63.1%)
 - Shoprite and Usave, along with Shoprite Liquor Shop, recorded a 7.1% increase in sales, rising by R3.9 billion to reach R59.2 billion (H1 2024: R55.3 billion)
- Supermarkets non-RSA & Other operating segments
 - Supermarkets non-RSA delivered 4.1% sales growth to R11.0 billion in H1 2025, contributing 8.6% to group sales.
 - Internal Food Inflation: Averaged 9.5% across the non-RSA regions during the period.
 - Other Segments: Revenue from other operating segments rose 6.2% for the period, contributing 7.7% to group sales.
- We have upgraded Shoprite from Hold to Buy, raising our intrinsic value by 14% to R318. The revision reflects strong earnings momentum, resilient margins, and solid performance across key segments.

Analyst thesis

- At current levels, the stock trades below historical price multiples and presents an upside to our intrinsic value.
- Shoprite is a high-quality SA retailer as evidenced by:
 - Internal price inflation for the period averaged just 1.9%. This reflects Shoprite's commitment to affordability and its ability to pass on cost savings to consumers, which should help with future volume growth.
 - Shoprite's consistent margin expansion, driven by pricing power and operational efficiency, underscores its ability to preserve profitability while maintaining affordability, solidifying its value-driven market leadership.
 - Successful platforms like Sixty60 and Xtra Savings have boosted transaction values and customer loyalty, reinforcing margin resilience and evidencing management's innovation.
 - The group's consistent rollout of new stores across various formats, without compromising operational efficiency or margin integrity, reinforces its ability to capture market share, drive top-line growth, and deliver long-term shareholder value.
 - South Africa's recent shift to lower interest rates and a subdued inflation environment creates a supportive backdrop for consumer-focused businesses like Shoprite.



Valuation

We value Shoprite's shares by forecasting the 2026 EBIT and applying an EV/EBIT multiple on a bear, base and bull case scenario, enabling us to calculate an intrinsic value for each scenario. These intrinsic values are then weighed according to a probability assigned to each scenario to determine the final probability-weighted intrinsic value.

Over a 10-year time horizon, which includes the impacts of the Covid era, we see Shoprite's EV/EBIT multiple is above its average of 12.8x. In our base case we apply a multiple of 12.8x. The bear case assumes a multiple of 11.5x with a 10% probability. In the bull case we assign a multiple of 14x which is above its long-term average but above where it sits currently at 13.3x and assign 30% probability owing to management's continued efforts to grow the business and maintain margins. With this, we come to an intrinsic value of R318 which is a 17% upside to the current share price and recommend a Buy position.

Table 2: Valuation

	Bear	Base	Bull
2026 EBIT (R'm)	16 058	16 058	16 058
Consensus EBIT	16 383	16 383	16 383
EV/EBIT Multiple assumptions (x)	11.5	12.8	14
Discounted Enterprise Value (R'm)	184 667	205 542	224 812
Net Debt/(Cash) (R'm)	36 744	36 744	36 744
Equity Value (R'm)	147 923	168 798	188 068
Shares in Issue	543	543	543
Intrinsic Value per case (R'm)	272.42	310.86	346.35
Upside/downside per case	0.3%	14.5%	27.6%
Case Weight	10%	60%	30%
Intrinsic Value (R)		R318.0	
Current share price		R271.5	
Upside/(downside)		17.0%	

Source: PSG Wealth research

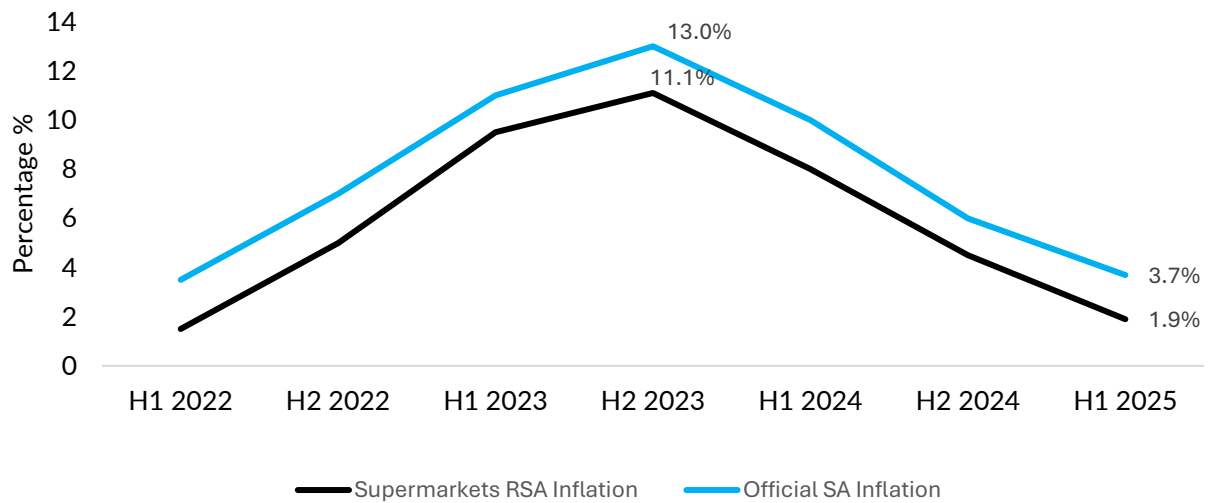
Most recent results

On 4 March 2025, Shoprite released its half year results for the period ending 29 December 2024.

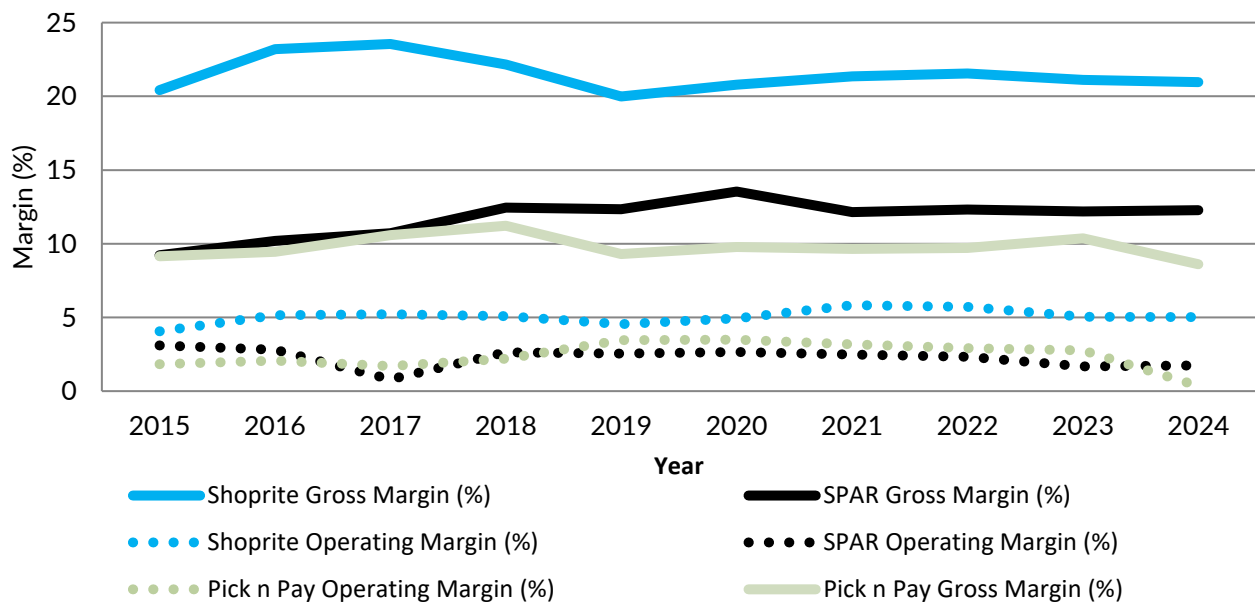
1. Group revenue rose by 9.4% year-on-year to R130.8 billion and a like-for-like increase by 5.4%.
2. Gross profit rose by 10.7% to R30.7 billion, with the gross profit margin improving by 0.3 percentage points to 23.5%
3. The Group reported a 16.7% increase in earnings before interest, tax, depreciation, and amortisation (EBITDA), rising to R11.7 billion in H1 2025.
4. The board has approved an interim dividend of 285 cents per share, marking a 6.7% increase compared to the prior year.
5. The Group opened 205 new stores during the interim period, expanding its continuing operations footprint to 3 417 stores.



Graph 1: Supermarkets RSA internal inflation vs Official food inflation

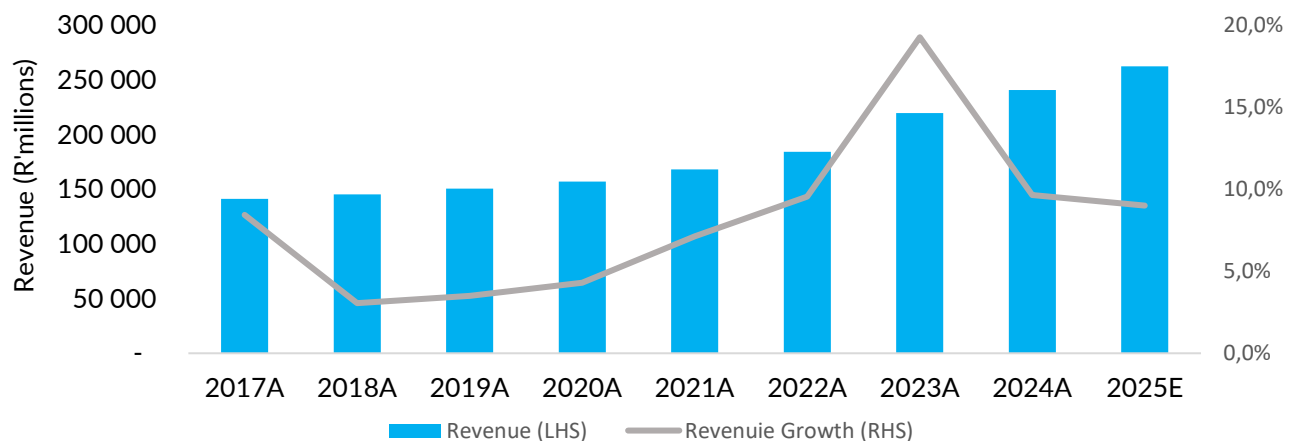


Graph 2: Peer group margin analysis



Source: PSG Wealth Research

Graph 3: Revenue analysis



Source: FactSet



Table 3: Qualitative summary

Factor review	Rating	Description
Growth		Revenue 2-year CAGR is expected at 9.23%, driven by strategic store growth, operational excellence and strong customer loyalty.
Valuation		Value the company on a EV/EBIT multiple valuation with a 17% upside.
Dividend yield		Shoprite's dividend yield of 2.5% but remains attractive relative to its retail peers.
Issuance		Since launching its share buy-back programme in FY2021, the Group has repurchased 12.1 million shares for a total of R2.6 billion, at an average price of R211.59 per share.
Catalyst	<ul style="list-style-type: none"> The company launched 283 new stores during the year and intends to maintain its expansion momentum. Digital innovation is driving growth through the expansion of Sixty60, enhanced by the strategic acquisition of Pingo Delivery. Expanding into higher-margin categories like pet, clothing, baby, and outdoor helps boost and sustain profitability. 	
Quality of earnings		Margins remain stable and predictable, with gross margins steady at approximately 24% and net margins at 3%, requiring minimal adjustments.
Moat		Established relationships with suppliers, efficient distribution networks and established brick and mortar stores creates barriers to entry for any new competitors.
Management and governance		Whilst management has been reliable and delivered excellent business performance in the last three years Christo Wiese's share structure gives him unique voting powers of up to 45% which creates a risk to ordinary shareholders.
Balance sheet		The company maintains a neutral balance sheet with a net debt-to-EBITDA ratio of 1.82x and an interest coverage ratio of 2.72x
Risks	<ul style="list-style-type: none"> Persistent high inflation leading to margin deterioration. Loadshedding costs impact on the bottom-line numbers. Further SA growth deterioration. 	
Regulation		No major concerns.
ESG		The ESG Truvalue score on FactSet falls below average.
Momentum price		Price momentum is negative, Price is below the 24D moving average ,55D moving average and below the 200D moving average.
Momentum earnings		Earnings momentum is positive, with a 0.7% earnings revision in the last 3 months for the next financial year.
Piotroski score		Piotroski score is neutral with a score of four (Range 0-9).

Source: PSG Wealth



Table 4: Price performance

Price Return	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
Shoprite Holdings Ltd	-9.3%	-3.5%	-5.4%	-8.3%	-7.7%	12.3%	31.3%	153.8%	57.2%
JSE Capped SWIX	14.7%	0.6%	7.5%	14.9%	18.8%	25.2%	40.4%	71.1%	47.4%
Outperformance / Underperformance	-24.0%	-4.1%	-12.9%	-23.1%	-26.4%	-13.0%	-9.0%	82.7%	9.8%

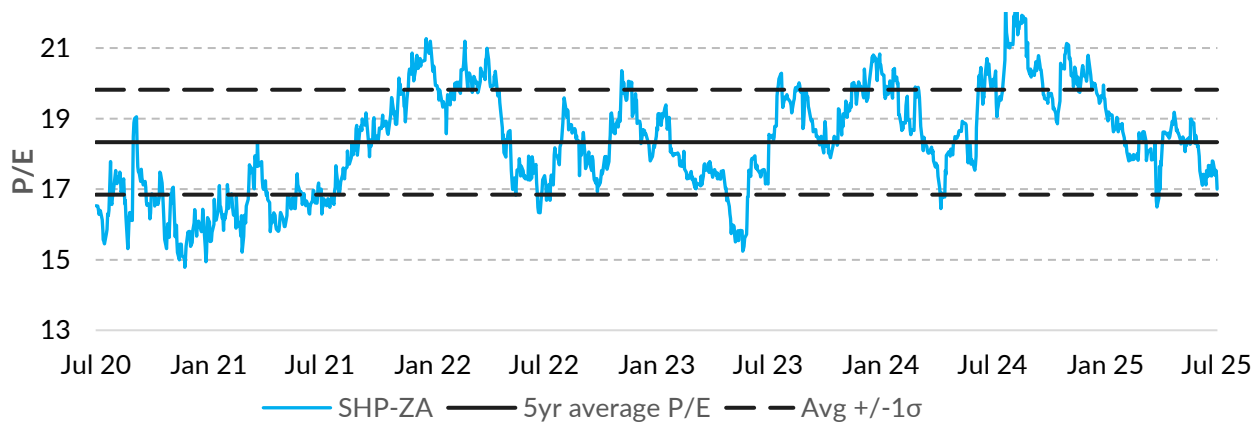
Source: FactSet

Table 5: Company data

52-week high	R315.69
52-week low	R234.21
Market value (bn)	R160.8
Price momentum	Negative
3m earnings revision	0.7%
Fiscal year end	2025/06/30
Beta (3Y, daily)	0.70

Source: FactSet

Graph 4: Price to earnings



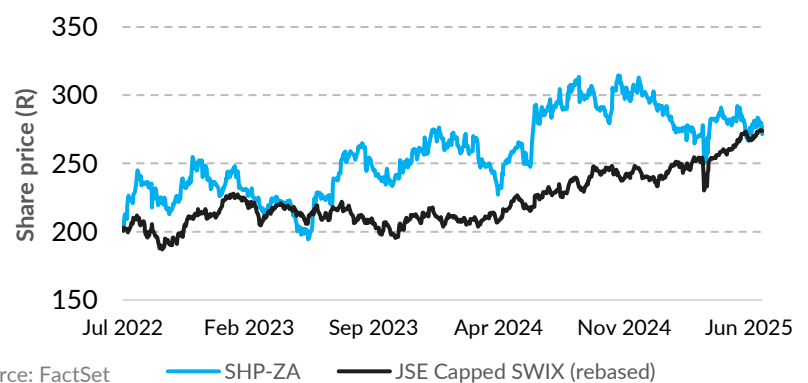
Source: FactSet

Table 6: Valuation multiples

Multiple	Latest: Jul-2025	Last note: March-2025
P:E	17.0x	17.9x
P/S	0.6x	0.6x
P/B	4.3x	4.2x
P/CF	-	17.3x
EV/EBITDA	8.2x	7.5x
EV/EBIT	11.4x	12.0x
EV/SALES	0.7x	0.7x
Dividend yield	2.5%	2.5%
FCF yield	-	2.9%

Source: FactSet

Graph 5: Share price history versus benchmark



Source: FactSet



Table 7: Key competitors

Code	Price (local)	Market Cap (Rbn)	Sales FY0 (Rbn)	EBIT FY0 (Rbn)	Net Income FY0 (Rbn)	EV/EBIT	P/E (NTM)	Price % (3mo)	Price % (1YR)
SHP-ZA	267.2	158	246	13	6	11.3x	16.7x	-5.4%	-7.7%
SPP-ZA	108.1	21	152	3	2	9.9x	9.3x	-2.6%	-10.2%
PIK-ZA	25.3	19	119	2	-1	12.0x	30.9x	-4.4%	4.6%
WHL-ZA	48.0	47	77	5	3	9.6x	11.7x	-15.1%	-19.7%

Source: FactSet

Table 8: Statement breakdown

Income statement (Rbn)	2017	2018	2019	2020	2021	2022	2023	2024
Sales	141.0	145.1	147.5	155.4	168.0	183.9	215.0	240.7
Y/Y growth (%)	-	2.9	1.6	5.4	8.1	9.4	16.9	12.0
Gross income	33.8	34.7	34.5	37.3	41.2	45.0	51.7	57.8
Y/Y growth (%)	-	2.6	-0.7	8.2	10.6	9.2	14.8	11.7
EBITDA	9.9	10.3	12.1	13.0	15.6	16.7	18.0	20.2
Y/Y growth (%)	-	3.4	17.8	7.9	20.0	6.5	8.0	12.5
EBIT	7.5	7.4	6.7	7.7	9.8	10.5	10.9	12.1
Y/Y growth (%)	-	-1.2	-9.0	14.4	27.6	7.5	3.1	11.7
Net income	5.4	5.2	3.5	3.4	4.9	5.7	5.9	6.2
Y/Y growth (%)	-	-3.9	-33.4	-3.0	43.9	18.1	2.8	5.4
EPS (Rand)	10.0	9.4	6.3	6.1	8.8	10.5	10.8	11.5
Y/Y growth (%)	-	-6.4	-33.2	-2.9	44.6	19.4	3.4	6.0

Balance sheet and cash flow (Rbn)	2017	2018	2019	2020	2021	2022	2023	2024
Capex	5.2	5.3	5.3	3.2	3.2	5.4	6.7	7.7
Cash from operations	5.9	10.4	5.3	12.8	10.3	9.9	13.2	17.6
Free cash flow	1.6	5.1	0.0	9.5	7.1	4.5	6.5	9.9
Y/Y growth (%)	-	219.0	-99.4	NM	-25.7	-36.1	43.2	51.8
Cash and ST investments	7.8	9.1	8.2	14.6	8.5	11.3	13.6	12.6
Total assets	55.7	78.2	81.0	82.7	77.1	91.5	102.5	112.3
ST debt	8.3	9.6	9.1	8.4	7.1	9.2	10.3	6.9
LT debt	0.0	1.4	28.2	29.0	27.1	33.0	38.3	42.5

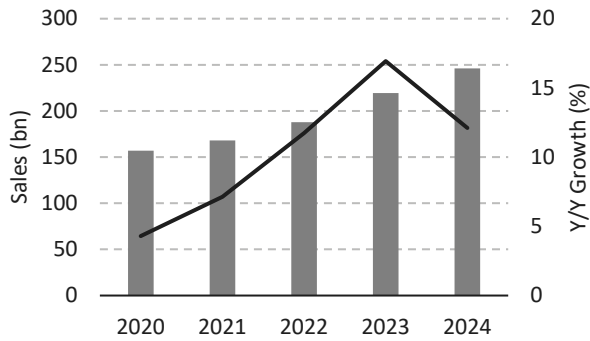
Ratios	2017	2018	2019	2020	2021	2022	2023	2024
Gross margin (%)	24.0	23.9	23.4	24.0	24.5	24.5	24.1	24.0
EBIT margin (%)	5.3	5.1	4.5	4.9	5.8	5.7	5.0	5.0
Net income margin (%)	3.9	3.6	2.4	2.2	2.9	3.1	2.7	2.6
Current ratio	1.17	1.1	1.19	1.2	1.2	1.3	1.4	1.3
Total debt to equity	30.1	40.1	168.8	188.3	162.4	165.3	185.8	177.6
Total debt to assets	15.0	17.7	46.1	45.2	44.4	46.1	47.4	44.0
ROA (%)	10.47	8.86	5.34	4.7	5.9	6.8	6.5	6.1
ROE (%)	22.4	18.9	15.4	18.4	23.0	24.7	24.4	24.4



Source: FactSet

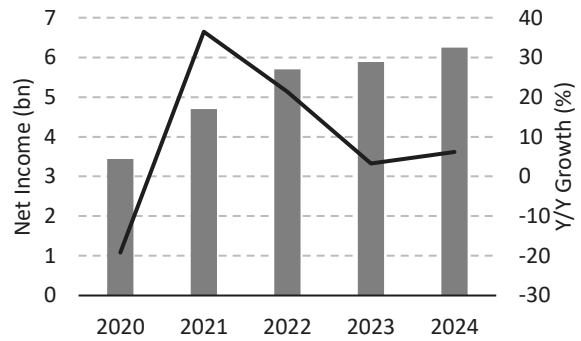
NM: Not meaningful

Graph 6: Annual sales



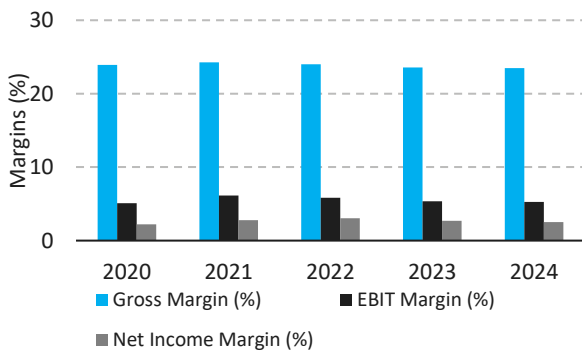
Source: FactSet

Graph 7: Annual net income



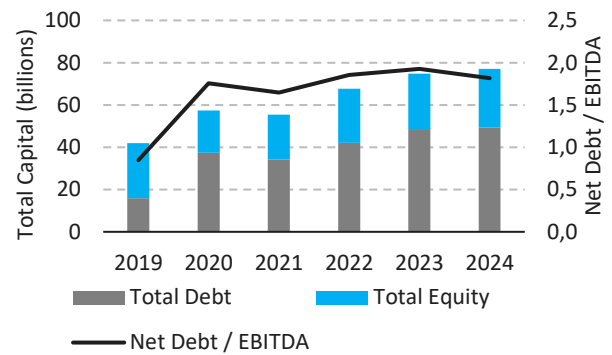
Source: FactSet

Graph 8: Gross, EBIT, net margins



Source: FactSet

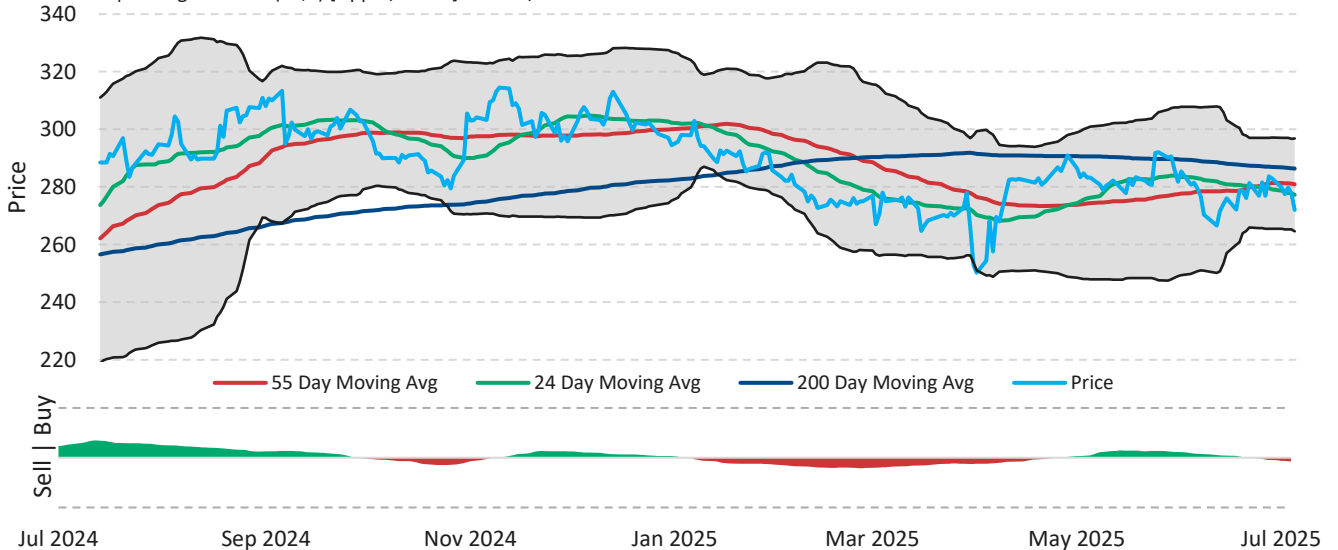
Graph 9: Capital structure & net debt/EBITDA



Source: FactSet

Graph 10: Price Momentum

Last: 272.07 | Bollinger Bands: (50,3) [Upper/Lower]: 296.78/264.64



Source: FactSet



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