

# Company Update Report

## Shoprite Holdings Limited

Consumer Staple

<b>Ticker</b>	SHP-ZA
<b>Share price</b>	R264
<b>Intrinsic value</b>	R306
<b>Upside/(Downside)</b>	16%
<b>Recommendation</b>	Buy

As at: 03 Feb 2026

### Analyst thesis

Our recommendation is based on:

- Valuations are subdued from an EV/EBITDA and P:E perspective.
- SHP's low value proposition, in keeping pricing inflation lower than general food and non-alcoholic inflation, positions it to continue with its momentum to gain market share.
- Checkers Sixty60 continues to dominate the grocery delivery space albeit growing competition (Woolies Dash, Pick n Pay ASAP!, Zulzi, etc).
- It's a stable growing business with a hold across LSM bands from its Shoprite & Usave formats to Checkers and Checkers Hyper stores.
- SHP is well-positioned to benefit further as consumers experience easing pressure from stabilising inflation and SARB interest rate cuts.

### Latest company and market insights

#### Key highlights

In this report, we review SHP's 1H26 trading update and evaluate its implications on our view.

**Financial results at a glance (the comparable numbers are YoY unless otherwise stated):**

- Group sales were up 7.2% for the period, driven by growth across all segments.
- Group sales remained strong but slowed sequentially in the second quarter to 6.5% (1Q26: +8.0%)
- Supermarket RSA's revenue (84.3% of group sales) was up 7.1% for the period (1Q26: +7.9%, 2Q26: +6.5%) and showed slower growth in the second quarter.
  - LFL sales were up 1.9%.
  - Shoprite and its associated brands grew 5.1% with Checkers and its associated brands up 8.9%; while Sixty60 surged 34.6%.
  - Selling inflation averaged 0.7%, remaining below official food and non-alcoholic beverages inflation of 4.7% over the period.
- Supermarkets non-RSA's revenue (8.4% of group sales) increased 12.1% for the period (1Q26:+12.9%, 2Q26: +11.3%), also showcasing a slower second quarter albeit maintaining resilient performance.
- Other operating segments' revenue (7.3% of group sales) was up 3.5% (1Q26: +4.8%, 2Q26: +2.3%).
- SHP opened 262 new stores within Supermarkets RSA and 15 Supermarkets non-RSA stores over the last 12 months.
- HEPS is expected to grow between 5.2% and 10.2% with diluted HEPS expected to grow between 5.4% and 10.3%.
- Interim results are expected by 3 March 2026.

#### Key result takeaways:

- The business continues to grow, but the pace of its main Supermarkets RSA segment is beginning to slow, despite still outpacing peers (2.3x ahead of the rest of the market in the last six months).
- The business continues to expand and capture market share, but slowing growth may signal a strategic shift towards maintaining, rather than rapidly growing its position.
- SHP remains a quality business and has a strong record of executing effectively on its strategies.

#### Management's outlook:

We received no outlook from the first quarter results; however, at FY25 year-end, management was cautiously optimistic. They remain confident in their ability to deliver on their strategy for the year: controlling costs, expanding its store footprint, while maintaining its income margin of 26%, and targeting a 6% trading margin (FY25: 5.9%). They guided to open 309 new stores over the full period.

The SA consumer remains under pressure, albeit with some relief in stabilising inflation, along with the SARB's interest rate cutting cycle. SHP's price inflation has remained below that of food and non-alcoholic beverage inflation, benefitting its



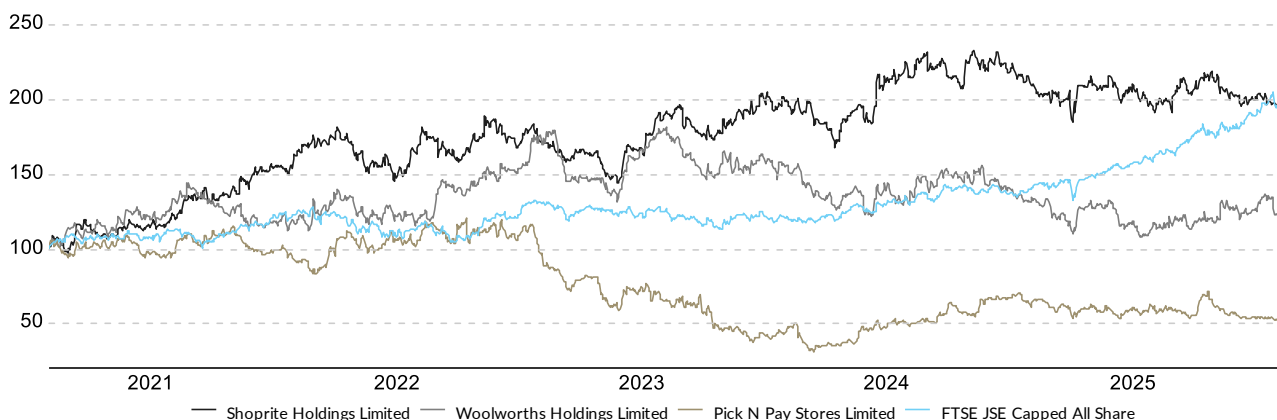
customer based with slower product prices increases relative to the broader category. This keeps volumes for SHP steady in an environment where the consumer is more conscious of how far they can stretch their money.

**Table 1: Qualitative summary**

Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is 8.8%, and expected three-year EPS CAGR is 10.8%. We expect earnings growth over the next three years to be driven by: Alleviated consumer pressure (decreasing interest rates and stabilising inflation), SHP's low value proposition in a cautious consumer environment, and ongoing store expansions.
Valuation	★★★★☆	The share price is trading at a 16% discount to the IV. Current NTM P:E of 17.1x is trading at a 16% discount to the five-year average P:E of 20.4x
Dividend	★★★★☆	LTM dividend yield 2.8%. NTM dividend yield 3.3%.
Issuance	★★★★☆	Shares issued have increased by 3% over the past five years.
Catalyst		Decreasing pressure on the consumer (decreasing interest rates, stabilising inflation). Private label expansion, lower loadshedding costs to control costs and protect margins.
Quality of earnings	★★★★☆	Five-year average ROE 24.2%. Five-year average operating margin 5.5%. Seven of the past 10 years had positive earnings growth.
Moat	★★★★☆	Cost leadership in being able to target below food and non-alcoholic inflation in its price inflation, while being able to grow. Scale as the business is a high-volume mammoth due to its lower-than-market pricing strategy. Store networks, formats, and data collection from a large customer base.
Management and governance	★★★★☆	Management has executed its growth strategies effectively over the years. Over the last five years, management has maintained ROE above 20%.
Balance sheet	★★★★☆	Net debt/EBITDA ratio 1.9x, interest coverage ratio 2.8x. Debt/assets ratio 44.7%.
Risks		Market remains competitive in traditional stores (Woolworths, Pick n Pay, Spar, etc) and in the growing grocery delivery space (Woolies Dash, Pick n Pay ASAP!, Zulzi, etc). Supply chain disruptions. A resumption of loadshedding would increase operating costs and put pressure on margins and earnings. Regulation: labour laws can impact/increase personnel costs, while ESG non-compliance risks damaging perception.

Source: FactSet

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



Source: FactSet

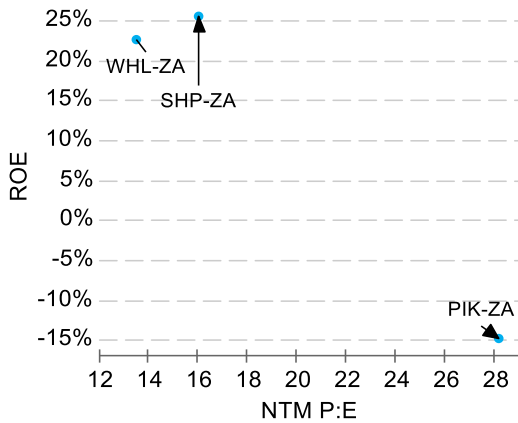
**Table 2: Price performance versus benchmark and peers**

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
SHP-ZA	-2.5%	-1.1%	-8.2%	-0.4%	-7.0%	-1.7%	13.5%	95.6%	87.5%
WHL-ZA	-2.0%	1.4%	5.7%	7.5%	-5.4%	-20.0%	-29.4%	24.4%	-39.7%
PIK-ZA	-2.9%	0.4%	-14.1%	-13.7%	-13.6%	19.6%	-45.5%	-46.7%	-48.2%
Capped All Share	4.2%	1.4%	11.3%	22.2%	40.9%	63.0%	49.4%	97.4%	145.6%

Source: FactSet

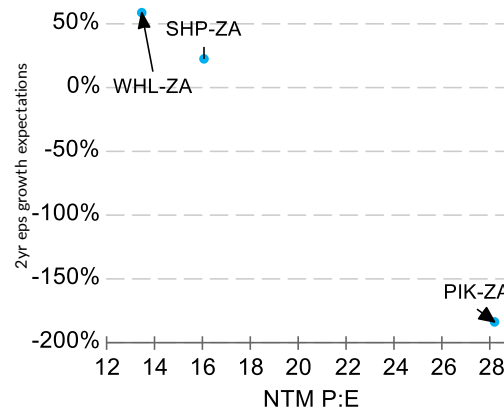


Graph 2: P:E vs 2Y average ROE



Source: FactSet

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



Source: FactSet

### Valuation

We value SHP using an EV/EBITDA multiple applied to our FY26 estimates. We have considered the current consumer environment and expect SHP to be well positioned with inflation stabilising, and interest rates decreasing amid ongoing consumer pressure to stretch budgets. This positions SHP to leverage its low-price, high-volume model to grow market share, as it has, but also going forward to sustain its customer base.

The NTM EV/EBITDA multiple is currently at a 16% discount to its 10-year average and at the brink of one standard deviation below the average of 8.6x. We view current levels, given the business's quality and its recent track record of executing growth strategies, as subdued. We have also factored in a bear case scenario, given the current uncertainty that has trickled from the global to the local markets, and have applied weighted scenarios skewed to the bear side.

Considering a weight of 10/60/30 to the bear/base/bull case scenarios, we arrive at an intrinsic value of R306 per share. We recommend a buy on SHP given its valuation levels, combined with it being a stable company and a quality food retailer in the sector.

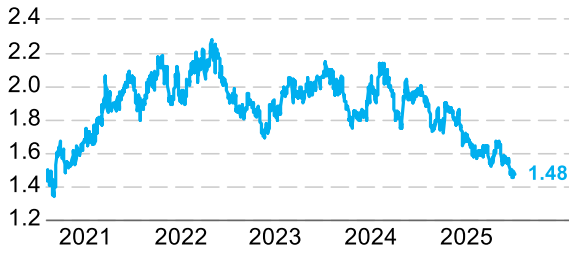
Table 3: Valuation

	Bear	Base	Bull	Weighted
Scenario	10%	60%	30%	100%
FY26 est EBITDA	14 250	24 480	27 665	24 412
EV/EBITDA	7.3x	8.6x	9.0x	8.6x
Enterprise Value (RMn)	104 025	210 527	248 985	211 414
Cash (RMn)	9 984	9 984	9 984	9 984
Debt (RMn)	55 876	55 876	55 876	55 876
Equity Value (RMn)	58 133	164 635	203 093	165 522
Shares Outstanding (Mn)	541	541	541	541
Intrinsic value (R )	107	304	375	306
Share price (R )	266	266	266	266
Upside/(Downside)	-60%	14%	41%	15%

Source: FactSet, PSG Wealth analysis

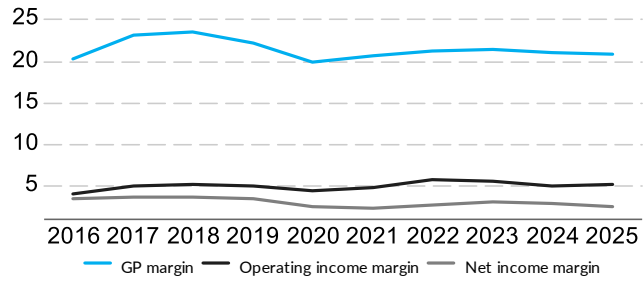


**Graph 4: NTM P:E relative to benchmark**



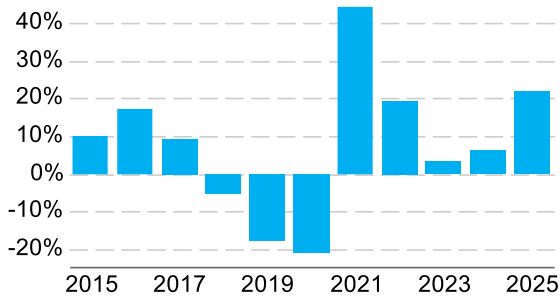
Source: FactSet

**Graph 5: Profit margins (%)**



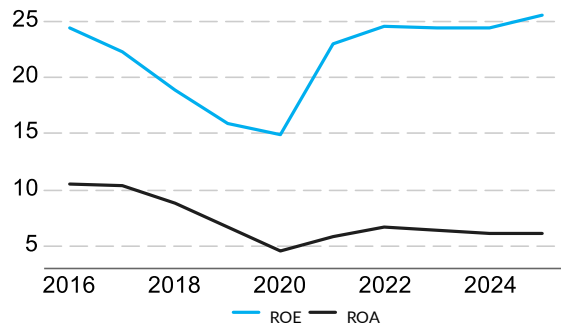
Source: FactSet

**Graph 6: 10Y EPS year-on-year growth**



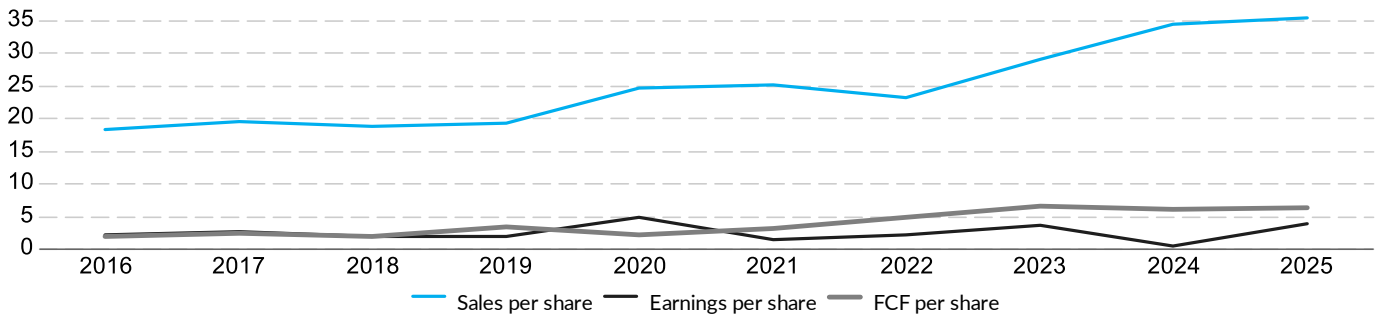
Source: FactSet

**Graph 7: ROE and ROA (%)**



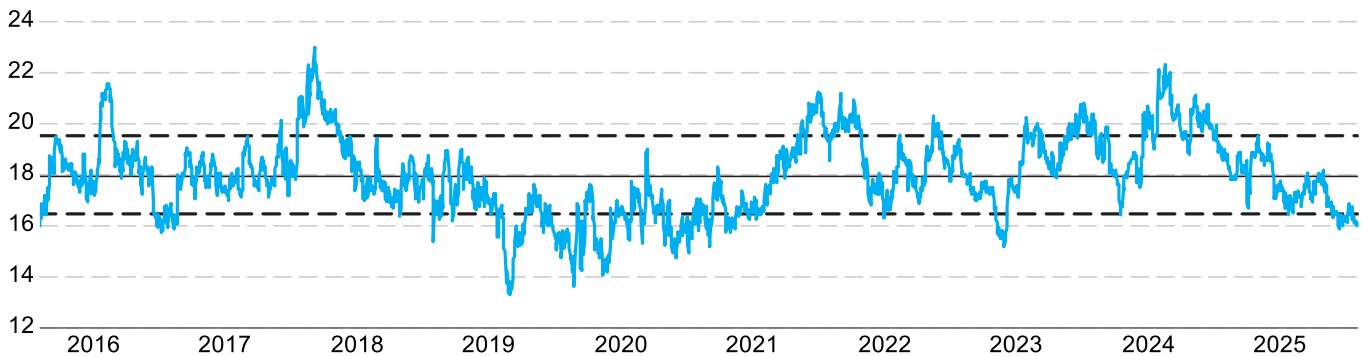
Source: FactSet

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



Source: FactSet

**Graph 9: NTM P:E**



Source: FactSet



**Table 4: Financials and ratios**

Income statement (RMn)	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	168 030	183 868	214 956	232 088	252 701	9%	11%	10%
Cost of sales	132 153	144 230	169 555	183 394	199 271	9%	11%	10%
Gross income	35 877	39 638	45 401	48 694	53 430	10%	10%	11%
EBIT	9 790	10 526	10 850	12 237	14 483	18%	11%	14%
EBITDA	15 640	16 656	17 981	19 914	23 550	18%	12%	13%
Net income	4 698	5 750	6 305	6 248	7 394	18%	9%	14%
EPS (Rand)	8.78	10.51	10.84	11.49	14.01	22%	10%	18%
Balance sheet (RMn)	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	1Y Growth	3Y CAGR	5Y CAGR
Total assets	77 066	91 455	102 450	112 328	124 944	11%	11%	9%
Total shareholders' equity	21 204	25 627	26 278	27 724	30 117	9%	6%	9%
Total liabilities	55 862	65 828	76 172	84 604	94 827	12%	13%	9%
Ratios	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	5Y Avg		
Net debt/EBITDA	1.6	1.9	1.9	1.8	1.9	1.8		
Interest coverage	3.1	3.5	2.9	2.8	2.8	3.0		
Debt/assets	44.4	46.1	47.4	43.9	44.7	45.3		

Source: FactSet

**Table 5: Standard finance and investment abbreviations**

Abbreviation	Definition
Bps	Basis points
EPS	Earnings per share
EV/EBITDA	Enterprise value to earnings before interest, tax, depreciation and amortisation
FCF	Free Cash Flow
FY	Financial year
GP	Gross profit
LFL	Like-for-like
LSM	Living Standards Measure
LTM	Last twelve months (also known as trailing)
M	Month
MTD	Month to date
NTM	Next twelve months (also known as forward)
P:E	Price to earnings
PIK	Pick N Pay Stores Limited
Q	Quarter
R	South African Rands
RMn	Millions of South African Rands
ROA	Return on assets
ROE	Return on equity
RSA	Republic of South Africa
SARB	South African Reserve Bank
SHP	Shoprite Holdings Limited
WHL	Woolworths Holdings Limited
Y/y	Years (s)
YoY	Year-on-Year
YTD	Year to date



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