

Company Update Report

Woolworths Holdings Limited

Consumer Discretionary

Analyst thesis

Ticker	WHL-ZA
Share price	R36.45
Intrinsic value	R45
Upside/(Downside)	25%
Recommendation	Buy

As at: 25 September 2026

Our recommendation is based on:

- Food remains a core earnings anchor: Food continues to be the stabilising element of the Woolworths Holdings Limited's (WHL) business and has been the largest contributor to revenue, particularly since the sale of David Jones. Top-line growth over the last five years has been driven by premium positioning, supporting like-for-like (LFL) growth as price inflation ranged from 3.5% to 8.3%, despite some volume fluctuations. Food accounts for 65% of revenue, reinforcing the segment's position as a stabilising anchor for the group. We anticipate this premium positioning to remain part of WHL's competitive advantage in the food space.
- Improving sales in the Fashion, Beauty and Home (FBH) segments: FBH remains a potential growth lever, with these categories focus on full-priced sales. This strategy has largely resulted in fewer discounts and higher price inflation, ranging from 6.0% to 11.6% annually over the last five years, which has slowed to 2.4% in FY26. Although Beauty and Home are seeing strong revenue growth, operating expenses have also increased, and inventory-control measures have recently weighed on operating profit.
- Potential recovery in Australian trading conditions and Country Road Group (CRG) turnaround: CRG is positioned as another potential lever for growth, although this has been constrained by the challenging macroeconomic environment in Australia. The segment recorded positive LFL sales growth and benefits from a higher online contribution to revenue of 27.8%. The operating-model reset has returned the segment to an operating profit from a loss in the prior period, but the operating environment in Australia remains a looming risk.
- WHL's NTM P:E is trading at a 24% discount relative to both the five- and 10-year averages. The derating of the multiple may reflect the slower recoveries of the FBH and CRG segments which are less stable than Food. This presents an opportunity to gain exposure to a stable core part of WHL, with Food accounting for 65% of revenue with potential upside from a re-rating driven by turnaround strategies in the non-Food segments, although progress has been slower than the market initially anticipated.

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Key highlights

In this report, we review WHL's FY26 results released in September 2026, and assess the impact on our outlook:

Financial results at a glance:

- Group turnover and concession sales increased by 4.3%, with growth across all businesses, although 2H26 performance was more moderate than in 1H26. Revenue from Food rose 5.7% for the period, with LFL sales growing 3.7% and price inflation of 4.7%. FBH revenue advanced 4.4%, with LFL sales up 4% and price inflation of 2.4%. CRG revenue edged 1% higher for the period, with LFL sales rising 1.6% and online sales contributing 27.8% of the segment's turnover and concession sales, the highest among the segments, compared with 7.3% for Food and 6.3% for FBH.
- Group gross profit increased by 3.4% for the year, although the group gross margin declined to 33.4% from 33.7%. This was primarily driven by elevated promotional activity in FBH to clear excess inventory, which reduced the segment's gross margin from 47.3% to 46.0%. Food maintained its gross margin at 24.9%, supported by operational efficiencies that offset higher fuel costs. CRG's gross margin expanded to 57.7% from 56.4%, reflecting a greater proportion of full-priced sales and more targeted promotional activity. Group operating expenses grew by 3.4%, driven by a combination of store cost growth of 3.4% and growth in other operating costs of 3.6%.
- Group adjusted EBIT expanded by 2.8%, supported by stable earnings growth in Food and Financial Services, and CRG's return to profitability from a prior-year loss. These gains partly offset weaker profitability in FBH, where higher store and other operating costs weighed on earnings. As a result, the group adjusted EBIT margin declined modestly to 6.3% from 6.4%. Adjusted diluted headline EPS rose by 3.7%, with the total dividend for the year growing 5.9%.
- Group FY26 results were largely in line with the voluntary trading statement released previously, which pre-empted the full year results.



Management outlook

While fuel prices and inflation appear to have moderated from peak levels, the key concern is the impact on consumer confidence and spending in the near term. Although trading conditions in both South Africa and Australia remain challenging, the group remains cautiously optimistic with initiatives in place to mitigate trading risks and maximise opportunities. WHL has highlighted that the Food segment remains its strongest source of competitive advantage, supported by a leading premium food ecosystem. Adjacent growth categories within the group include Beauty and Home, which are positioned to broaden the group's lifestyle proposition, along with the focus on CRG's road to recovery as demonstrated by the return to operating profit from a loss in the prior period.

Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	The expected three-year revenue CAGR is 5.5%, while expected three-year EPS CAGR is 18.4%. We expect earnings growth over the next three years to be driven by: The Food segment's premium positioning that drives LFL growth, the performance of Home and Beauty as part of FBH, along with the operational reset in CRG, which should support operating profit over time as shown by the recent move from a loss to the operating profit.
Valuation	★★★★☆	The share price is trading at a 25% discount to the intrinsic value (IV). The current NTM P:E of 10.5x is trading at a 24% discount to the five-year average P:E of 13.7x.
Dividend	★★★★☆	LTM dividend yield is 5.2%. NTM dividend yield is 6.3%.
Issuance	★★★★☆	Shares issued have decreased by 8% in the past five years.
Catalyst		Easing inflation and interest-rate cuts over the long term could improve consumer confidence, consumer spending, and the overall operating environment both in South Africa and Australia. Growth in Beauty and Home as part of the revitalisation of the FBH segment. Operational restructuring in CRG to improve efficiencies and profitability.
Quality of earnings	★★★★☆	Five-year average ROE of 26.7%. Five-year average operating margin of 7.2%. The group has recorded positive earnings growth in four of the past 10 years. This reflects a combination of a weaker Australian macroeconomic environment affecting the performance of CRG and David Jones, the impact of COVID-19 lockdowns and the subsequent normalisation, base effects from the sale of the David Jones business, and constrained South African consumer spending.
Moat	★★★★☆	Intangible asset – the Food segment's premium brand positioning: The segment has consistently been able to grow LFL sales through price increases, with limited impact on volume growth. This highlights the strength of WHL's positioning in the food space, supported by the quality of its value chain.
Management and governance	★★★★☆	The group has recently undergone a management change, with Sam Ngubeni appointed as CEO. His long tenure within the group and deep operational experience provide continuity during a period of strategic repositioning. However, concerns remain around strategy implementation outside the Food business, while the sale of the David Jones business at a significantly lower price than its acquisition price reflects the challenges faced by the group.
Balance sheet	★★★★☆	The latest net debt/EBITDA ratio is 1.9x, with the interest coverage ratio at 2.7x. The debt/assets ratio is 47.2%.
Risks		The group faces intense competition across all segments, including Shoprite, Pick n Pay and SPAR in Food; Shoprite, Mr Price, SHEIN, Truworths and Foschini in FBH; and Myer, Premier and David Jones in CRG, among others. Foreign-exchange volatility may impact reported earnings through the translation of Australian and African operations into rand, while macroeconomic headwinds in Australia could impact CRG performance. Elevated inflation and interest rates, or a slower-than-expected easing cycle, could weigh on consumer confidence and discretionary spending. Higher fuel prices may increase distribution and logistics costs, particularly within the Food segment. Food segment concentration is also a risk, with Food accounting for 65% of revenue in FY26. Margin risk from promotional activity in the non-Food segments to control inventory levels. Execution risk in the FBH turnaround.

Source: FactSet

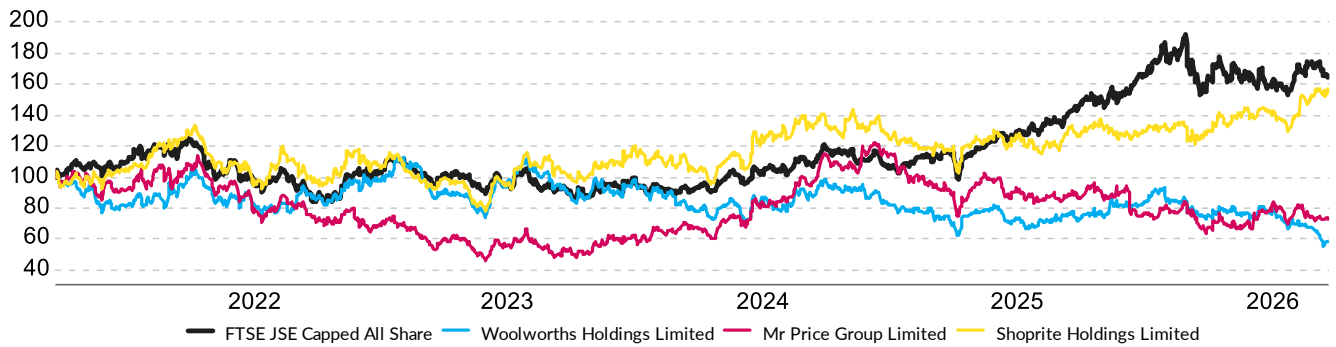
Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
WHL-ZA	-34.9%	-15.0%	-29.1%	-28.4%	-27.8%	-44.2%	-47.3%	-38.5%	-54.6%
MRP-ZA	-6.9%	1.0%	-7.4%	2.3%	-20.9%	-38.4%	20.7%	-20.1%	4.9%
SHP-ZA	18.0%	4.3%	7.4%	19.5%	15.8%	4.6%	32.4%	67.6%	66.9%
Capped All Share	-4.2%	-4.7%	-0.1%	-3.1%	5.6%	29.1%	51.2%	71.8%	111.4%

Source: FactSet

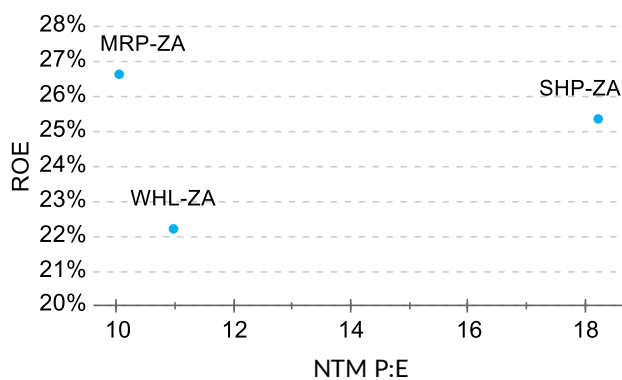


Graph 1: Five-year price (indexed to 100)



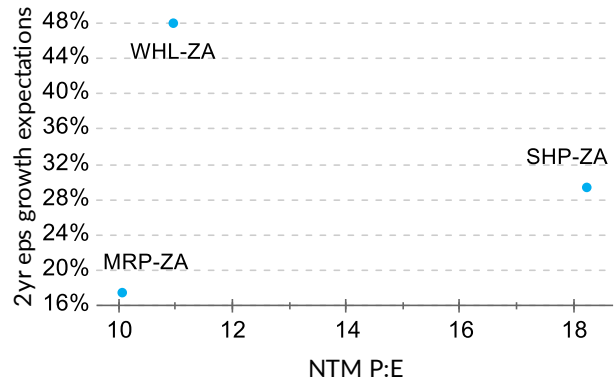
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs EPS 2Y growth forecast



Source: FactSet

Valuation

We value WHL using a 12-month forward earnings estimate and apply an NTM P:E multiple across our scenarios. Our forward earnings estimates are broadly in line with consensus, although we differ in the multiple we apply.

We use bear, base and bull multiples of 13x (slightly more than one standard deviation above the 10-year average), 14x (slightly above the 10-year average) and 15.5x (one of the higher levels seen over the last five years), respectively. While WHL has derated significantly, we view this as the market's response to a range of operational events that have affected near-term growth but may not fully reflect the quality of the group's business.

Although the higher contribution of the Food business to revenue has increased concentration risk, we view it as partly mitigated through the strength and premium positioning of the Food business. The derating may therefore be largely attributable to FBH and CRG, where we see momentum building in the repositioning of the business for medium- to long-term growth. Against this backdrop, WHL's valuation looks attractive, with the Food business accounting for the bulk of its value and scope for further value creation from CRG and FBH as they address recent operational challenges in the short term and improve their performance. Taking these factors into account, we arrive at an IV of R45, implying 25% upside, and retain a buy recommendation.

Table 3: Valuation table

	Bear	Base	Bull	Weighted	Consensus
Scenario weight	20%	60%	20%	100%	-
12-month forward EPS	3.22	3.22	3.22	3.22	3.46
NTM EPS	13.0	14.0	15.5	14.1	14.0
Intrinsic value	41.90	45.13	49.96	45.45	48.43
Share price	36.45	36.45	36.45	36.45	36.45
Upside/(downside)	15%	24%	37%	25%	33%

Sources: PSG Wealth Research, FactSet

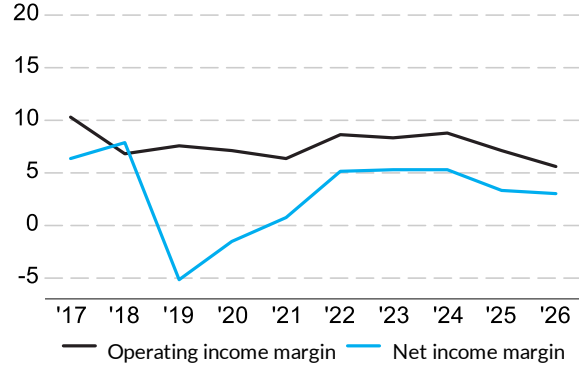


Graph 4: NTM P:E relative to benchmark



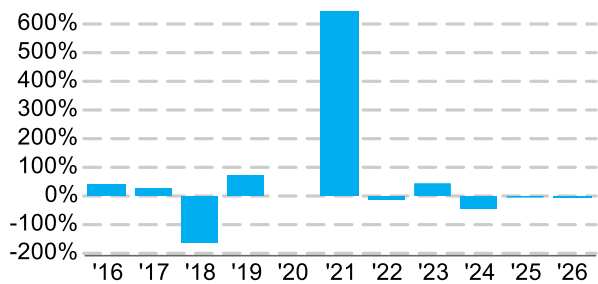
Source: FactSet

Graph 5: Profit margins (%)



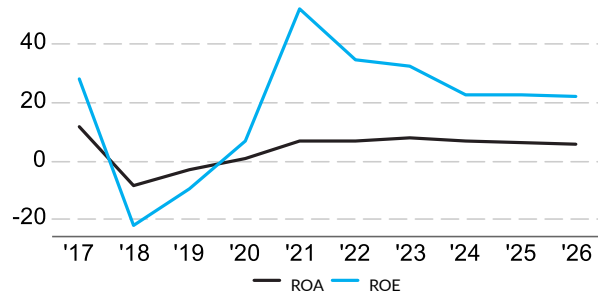
Source: FactSet

Graph 6: 10Y EPS year-on-year change



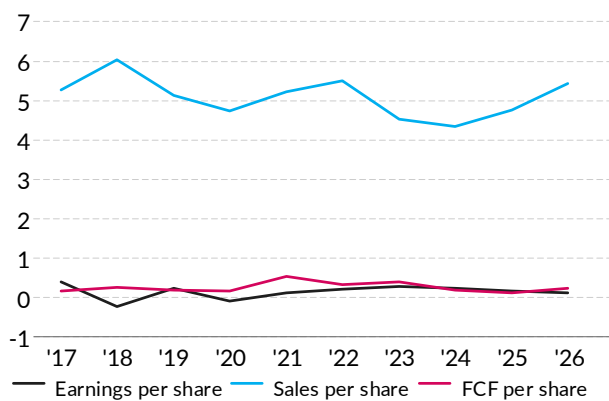
Source: FactSet

Graph 7: ROA and ROE (%)



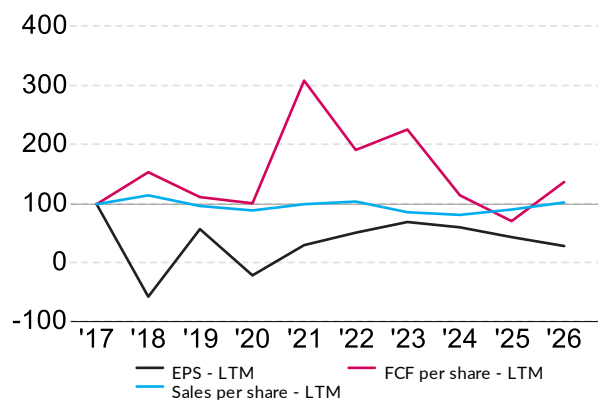
Source: FactSet

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



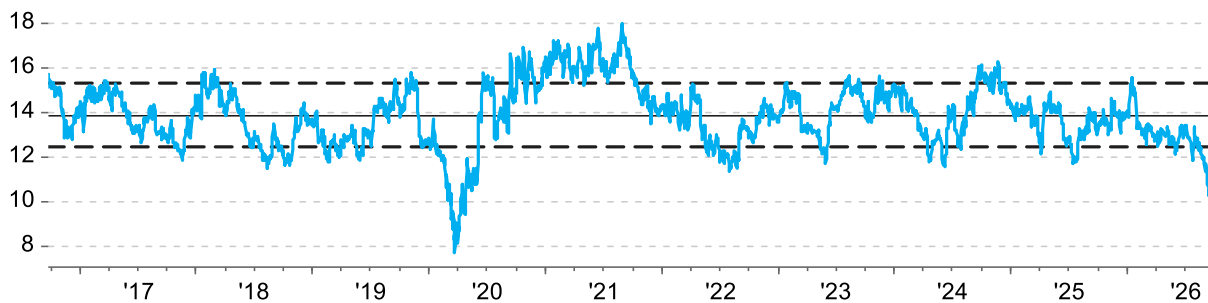
Source: FactSet

Graph 9: Sales, earnings and FCF per share indexed



Source: FactSet

Graph 10: NTM P:E



Source: FactSet



Table 4: Financials and ratios

Income statement (RMn)	Jun 22	Jun 23	Jun 24	Jun 25	Jun 26	1Y Growth	3Y CAGR	5Y CAGR
Revenue	82 255	72 688	77 335	80 243	83 471	4%	5%	1%
Cost of sales	50 881	45 440	49 064	52 258	54 645	5%	6%	2%
Gross income	31 374	27 248	28 271	27 985	28 826	3%	2%	0%
EBIT	6 773	6 644	5 984	5 050	5 115	1%	-8%	-5%
Net income	3 717	5 079	2 600	2 455	2 331	-5%	-23%	-11%
EPS (Rand)	3.9	5.5	2.9	2.7	2.6	-4%	-22%	-10%
Balance sheet (RMn)	Jun 22	Jun 23	Jun 24	Jun 25	Jun 26	1Y Growth	3Y CAGR	5Y CAGR
Total assets	56 079	39 227	38 702	40 847	39 430	-3%	0%	-7%
Total shareholders' equity	11 780	12 021	10 926	10 711	10 299	-4%	-5%	2%
Total liabilities	44 299	27 206	27 776	30 136	29 131	-3%	2%	-9%
Ratios	Jun 22	Jun 23	Jun 24	Jun 25	Jun 26	5Y Avg		
Net debt/EBITDA	2.7	1.3	1.8	1.9	1.9	1.9		
Interest coverage	4.7	4.4	3.2	2.6	2.7	3.5		
Debt/assets	56.8	43.5	46.8	48.2	47.2	48.5		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
CAGR	Compound annual growth rate
CRG	Country Road Group
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FBH	Fashion, Beauty and Home
FCF	Free cash flow
FY	Financial year
GP	Gross profit
IV	Intrinsic value
LFL	Like-for-like
LTM	Last 12 months (also known as trailing)
M	Month
MRP-ZA	Mr Price Group Limited
MTD	Month-to-date
NTM	Next 12 months (also known as forward)
P:E	Price-to-earnings ratio
Rand/R/ZAR	South African rand
ROA	Return on assets
ROE	Return on equity
SHP-ZA	Shoprite Holdings Limited
WHL-ZA	Woolworths Holdings Limited
YoY	Year-on-year
YTD	Year-to-date



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*Share price as at closing.

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