

OPERATIONAL UPDATE FOR THE QUARTER ENDING SEPTEMBER 2020

The Group's 2021 financial year has begun in earnest. Across the business adherence to strict COVID-19 protocols has become part of daily operations, whilst execution on growth across our store base, digital and customer first projects has continued.

In accordance with our 2020 year-end guidance expectations, the impact of COVID-19 lockdown regulations on RSA liquor trade was particularly marked over the quarter given it required our Supermarkets RSA LiquorShop business to remain closed for 60 of the 91 days in the period. The loss of trade notably impacted our Supermarkets RSA segment's sales growth and consequently Group growth and it is for this reason we have provided metrics including and excluding RSA LiquorShop's sales for both. Notwithstanding, the Group's continued focus on gross margin and expense management continued unabated and has delivered positive results for the quarter.

Sales growth from continuing operations for the three months to September 2020 over the corresponding three months ended September 2019:	Change %
Total Group (excluding Supermarkets RSA LiquorShop)	6.0
Total Group (including Supermarkets RSA LiquorShop)	3.0
By segment:	
Supermarkets RSA (excluding LiquorShop)	7.2
Supermarkets RSA (including LiquorShop)	3.3
Supermarkets Non-RSA	(8.4)
Furniture	20.6
Other operating segments	9.9

Supermarkets RSA

The Group's core business, Supermarkets RSA, inclusive of our LiquorShop business, which due to South African COVID-19 lockdown regulations was closed for 60 of the 91 days in the quarter, increased sales by 3.3%.

The Supermarkets RSA segment represented by Shoprite, Usave, Checkers and Checkers Hyper continued to report market share gains over the quarter. Sales excluding LiquorShop increased by 7.2%. Growth amongst the aforementioned brands that make up the segment remains led by our mid-to-upper end Checkers and Checkers Hyper banner. Internal selling price inflation for the quarter measured 4.4%.

The net store movement for the period for the segment measured 16 new stores. Across our three supermarket trading brands Shoprite, Usave, Checkers and Checkers Hyper we opened 25 new stores in the quarter: five Shoprite stores; two Checkers FreshX stores; one Checkers Hypermarket; eight Usave stores (including two Usave eKasi container stores) and nine LiquorShops.

Supermarkets Non-RSA

In line with the reporting of our 2020 year-end financials, as a result of the ongoing process pertaining to the sale of all or part of Retail Supermarkets Nigeria Limited, our Nigerian business remains classified as a discontinued operation and as such is not included in the reporting for this segment. Negotiations in this regard continue and the Group hopes to finalise this transaction during the second half of our current financial year.

Supermarkets Non-RSA's onerous operating paradigm has been impacted further by COVID-19 lockdowns and their associated restrictions. Notwithstanding this, some countries for example Zambia have traded well, whilst others, namely Angola, remain under pressure. Across the board however, an admirable performance in local currency for the most part has been eroded by currency devaluation, which has negatively impacted translation into our reporting currency, the rand, in which sale of merchandise for the quarter declined by 8.4%.

In terms of store movement over the quarter, three stores were opened (one in Zambia, one in Eswatini and one in Lesotho) and three stores were closed (two in Angola and one in Kenya). In line with the Group's prior statement pertaining to our Kenyan operations we expect to exit our two remaining stores by our financial year-end.

Furniture

The Group's Furniture operating segment made up of OK Furniture and House & Home increased sales by 20.6%. The segment remains mostly cash sales based with credit sales participation measuring 11.7% of sales for the quarter.

The Group's furniture business continues to consolidate its store base with a net closure of seven stores (nine closures and two openings).

Other operating segments

The Group's Other operating segments, made up of OK Franchise, Computicket, Transpharm and Medirite Pharmacies as well as Checkers Food Services, reported a 9.9% increase in sales. The OK Franchise division increased sales by 8.5% with 26 net new stores (36 openings and ten closures).

Outlook

Pursuant to the finalisation of the terms of the 25 February 2020 SENS, in which the Group outlined the establishment of Retail Logistics Fund Proprietary Limited, Shoprite Holdings received the cash consideration of R1.2 billion during November 2020. This, together with the results of our continued focus on working capital, US dollar borrowing reduction and measured capital allocation bodes well for continued improvement in the Group's net cash position.

From a digital transformation perspective we continue to execute well on our Group wide strategy. Noteworthy in this regard was the successful launch of the Group's Xtra Savings Rewards Programme in our Shoprite RSA supermarket business during October. This is a milestone event for the Group, timed to bring our Shoprite Xtra Savings Rewards Programme customers even more value at a time they need it most. To date, our Xtra Savings Rewards Programme has surpassed 12 million sign ups, half of which can be attributed to our Shoprite customer sign ups since the launch, five weeks ago. The Group's Xtra Savings Rewards Programme is an important foundational building block for the Group, allowing us to execute on our precision retailing objectives. Whilst firmly focussed on our customers, our efforts to future-fit our channels continues to gain momentum. Notably, our Checkers Sixty60 one hour delivery service has won three top tier innovation awards in the past month namely the People's Choice Award and the Best Enterprise Solution at the 2020 MTN Business App of the Year Awards, as well as the 2020 BCX Digital Innovation Award in the Corporate category. Furthermore, the accolade of Best Convenience and Grocery Store of the Decade in the 22nd annual Sunday Times Top Brands survey awarded to Shoprite earlier this month was a great honour and an achievement of which we are very proud.

It is pleasing to report that from last week (12 November 2020) the South African nationwide lockdown regulations pertaining to the restriction of off-consumption liquor trade were lifted. The result of this is that our sizable retail LiquorShop business, previously restricted from trading over weekends and mid-week after 5pm, is now able to trade seven days a week. This is a meaningful change for the Group and comes at a significant time as we begin our important festive season period.

The information contained in this announcement has not been reviewed or reported on by the Group's external auditors.

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Sponsor: Nedbank Corporate and Investment Banking

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