

OPERATIONAL UPDATE FOR THE SIX MONTHS ENDED 27 DECEMBER 2020

For the six months to 27 December 2020 the Shoprite Group increased total sale of merchandise by 4.7% to approximately R83.4 billion. Excluding the impact of the closure of the RSA LiquorShop business due to COVID-19 lockdown regulations, the Group increased total sale of merchandise by 6.3%.

	H1 ended Dec 2020 Rbn	% Sales growth over the corresponding period last year		
		H1 ended Dec 2020 %	Q1 ended Sep 2020 %	Q2 ended Dec 2020 %
Approximate sales from continuing operations				
Total Group (including Supermarkets RSA LiquorShop)	83.4	4.7	3.0	6.1
Total Group (excluding Supermarkets RSA LiquorShop)		6.3	6.0	6.6
By Segment:				
Supermarkets RSA (including LiquorShop)	65.1	5.6	3.3	7.6
Supermarkets RSA (excluding LiquorShop)		7.8	7.2	8.3
Supermarkets Non-RSA	8.6	(8.4)	(8.4)	(8.4)
Furniture	3.8	15.7	20.6	11.9
Other operating segments	5.9	10.0	9.9	10.2
Total operating segments	83.4	4.7	3.0	6.1

The following information provides context to the overall sales growth:

Supermarkets RSA

- The Group's core business, Supermarkets RSA, contributing 78.0% to Group sales, achieved sales growth of 5.6% (like-for-like 4.8%).
- Supermarkets RSA, excluding LiquorShop sales, achieved sales growth of 7.8% (like-for-like 5.7%).
- Checkers and Checkers Hyper reported sales growth of 11.1%.
- Shoprite and Usave reported sales growth of 5.6%.
- The Group's LiquorShop business' sales declined by 21.8%. Due to the COVID-19 nationwide lockdown regulations, the Group's LiquorShop business was required to close for trade on Fridays and/or weekends and more recently, close completely. The total number of days our liquor business was closed totalled 79 days over the six months: 60 days during the first quarter and 19 days during the second quarter.
- Internal selling price inflation measured 4.3%, a result of second quarter inflation declining slightly to 4.2% from the 4.4% reported for the first quarter.
- Supermarkets RSA opened a net of 45 stores.

Supermarkets Non-RSA

- Supermarkets Non-RSA increased sales in constant currency by 0.9% as pre-existing challenges from a macro economic and consumer affordability perspective were exacerbated by COVID-19 and its associated lockdown restrictions.
- Supermarkets Non-RSA's sales declined by 8.4% in rand terms and contributed to 10.2% of Group sales.
- Supermarkets Non-RSA's net store base was unchanged.

Furniture

- The Group's Furniture segment, made up of OK Furniture and House & Home, increased sales by 15.7% (like-for-like 17.3%).
- Whilst growth remained high overall, growth during the second quarter was impacted by an already high base in December 2019.
- Credit sales participation declined to 11.8% (Dec 2019: 13.7%).
- The Furniture segment closed a net of ten stores.

Other operating segments

- The Group's Other operating segments, comprising OK Franchise, Transpharm, MediRite Pharmacies, Checkers Food Services (CFS) and Computicket, reported sales growth of 10.0%.
- The MediRite Pharmacies and Transpharm business traded well. Both CFS and Computicket were negatively impacted by COVID-19 lockdown regulations given their reliance on tourism, hospitality, travel and eventing.
- The Group's OK Franchise division remained resilient, achieving sales growth of 8.1% despite the impact of the liquor lockdown restrictions. The OK Franchise business added a net of 28 stores.

Update on discontinued operations – Nigeria

The Group communicated previously the decision to sell either all or a majority stake in its Retail Supermarkets Nigeria Limited subsidiary. We hereby confirm that the terms of sale have been concluded and that the transaction has been lodged with the Nigerian Federal Competition and Consumer Protection Commission (FCCPC) for approval. Management expects the transaction to be approved by the end of the 2021 financial year.

Voluntary earnings guidance

The following items impacted the results for the period under review:

- COVID-19 related costs in the amount of approximately R180.1 million.
- The provision for impairment against the Furniture segment's instalment debtors book declined to approximately 47.2% (June 2020: 50.5%).
- Net expenditure of a capital nature of approximately R327 million.
- The Group's effective tax rate reduced to approximately 29.2%.

Furthermore, to facilitate comparison, we have included the calculation of an adjusted basic HEPS which excludes the after tax effect of exchange rate differences and the impact of hyperinflation.

	Estimated Dec 2020 cents	Restated* Dec 2019 cents	Expected change %
Earnings including discontinued operations:			
Basic EPS	383.7 to 420.9	372.1	3.1 to 13.1
Basic HEPS	410.2 to 448.4	381.9	7.4 to 17.4
Adjusted basic HEPS**	412.3 to 448.3	360.5	14.4 to 24.4
Earnings from continuing operations:			
Basic EPS	375.6 to 411.7	375.2	0.1 to 9.7
Basic HEPS	400.6 to 438.6	379.0	5.7 to 15.7
Adjusted basic HEPS**	400.1 to 435.7	355.6	12.5 to 22.5

* Restated for the change in guidance contained in SAICA Circular 1/2019: Headline Earnings relating to the IFRS 16: Leases rule.

**The adjusted basic HEPS and continuing operations information provided, constitutes pro forma financial information in terms of the JSE Listing Requirements.

Impact of the Group's pro forma constant currency disclosure

The Group discloses unaudited constant currency information to indicate the Supermarkets Non-RSA operating segment performance in terms of sales growth, excluding the effect of foreign currency fluctuations. To present this information, current period sales for entities reporting in currencies other than ZAR are converted from local currency actuals into ZAR at the prior year's actual average exchange rates on a country-by-country basis.

The table below sets out the percentage change in sales, based on the actual results for the period in reported currency and constant currency for the following major currencies. The total impact on Supermarkets Non-RSA is also reflected after consolidating all currencies in this segment.

% Change in sales on prior period 26 weeks	Reported currency	Constant currency
Angola kwanza	(39.5)	(15.5)
Mozambique metical	(6.1)	(2.9)
Nigeria naira	(1.0)	(4.8)
Zambia kwacha	(12.7)	15.8
Supermarkets Non-RSA including discontinued operations	(7.4)	0.1
Supermarkets Non-RSA continuing operations	(8.4)	0.9

Statement on pro forma financial information

The pro forma financial information contained in this announcement, which is the responsibility of the Group's directors, has been prepared for illustrative purposes only and may not fairly present the Group's financial position, changes in equity, cash flows or results of operations.

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

Group interim results release, presentation timing and registration link

The Group plans to publish its 2021 interim results on SENS by 8h00 on Tuesday, 16 March 2021. The 2021 interim results webcast presentation will follow at 9h00.

Shoprite welcomes all who would like to attend to register for the webcast via <http://www.corpcam.com/shoprite16032021>. Alternatively, registration via the company website www.shopriteholdings.co.za will be possible.

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