APERTURE
INSIGHTFUL AND RELEVANT RESEARCH UPDATES

Shoprite HY 2026 Results

Share Price	R263.83
Date	6 March 2026

RESULTS SUMMARY

Shoprite reported interim 2026 results, with sales increasing 7.2% to R136.8bn, below expectations. Supermarkets RSA grew 7.1%, with the group continuing to gain market share despite a low inflation environment. Checkers and Checkers Hyper led growth at 8.9%, while the value-focused Shoprite and USave brands grew 5.1%, reflecting the group's continued focus on affordability.

Sixty60 remained a key growth driver, with sales up 34.6% to R11.9bn and now accounting for 10.3% of Supermarkets RSA sales. Growth was largely volume-driven, with internal selling price inflation averaging just 0.7%, well below official food inflation of 4.7% and briefly moving into deflation over the festive period. Management noted that the difference partly reflects methodology, as Stats SA measures inflation using a 2023 basket of goods, while Shoprite tracks a basket that reflects current customer spending patterns.

Trading profit from continuing operations increased 5.9% to R7.7bn, while diluted HEPS rose 7.9% to 708.9 cents, broadly within guidance. Gross margin eased slightly to 23.8%, reflecting continued price investment and the accounting impact of the Pingo reclassification.

Looking ahead, management expects selling price inflation to remain in the low single-digits and guided to a FY26 trading margin of 5.7% – 5.9%, slightly below the group's medium-term target of 6%. Capital expenditure should moderate into the second half, with full-year capex of around R7.5bn, including plans to open 123 new stores in SA.

OUR LONG-TERM INVESTMENT VIEW

- Shoprite is Africa's largest retailer, with over 3000 stores that span across South Africa and neighbouring countries. The company operates under different brands, store formats and market segments in the various regions which adds an element of defensiveness, which we expect to benefit the group's margins over time.
- Leveraging their scale, Shoprite generates some of the most attractive margins in their sector. This also serves to boost their cash generation ability, supporting balance sheet management and shareholder payments. Following a period of high capital expenditure, management are now focused on business optimisation, market share gains and balance sheet "right-sizing", which should improve free cash flow and unlock shareholder returns over the medium-term.
- After years of low-cost supremacy catering to lower LSM groups, Shoprite has effectively gained market share among relatively more affluent consumers. Products sold in this segment tend to be more premium but also carry more profitability. Combined with their new IT platform, we believe the group's continued penetration of this segment serves as an attractive growth area that will drive both sales volumes and economies of scale but will also enhance margins over time.

UNPACKING THE HY 2026 RESULTS

High level numbers

- **Group sales** increased 7.2% (2.7% like-for-like) to R136.8bn, driven by Supermarkets RSA growth of 7.1% and continued market share gains
- **Gross margin** declined 10bps to 23.8%, reflecting continued price investment and the
- **Sixty60** sales surged 34.6% to R11.9bn, now accounting for 10.3% of Supermarkets RSA sales.
- **Shoprite and USave** grew 5.1% to R62.2bn, with supermarkets growing at 4.4% and liquor at 10.1%.
- **Adjacent businesses** including Petshop, LittleMe and UNIQ clothing grew 70.9% to R0.9bn.

accounting reclassification following the Pingo transaction, partially offset by supply chain efficiencies

- **Trading profit** grew 5.9% to R7.7bn, with operating costs increasing 6.6%, resulting in a 5.7% trading margin
- **Net cash** was R15bn, much higher than prior period of R5.4bn, driven by once-off items including the Pingo acquisition and shares purchased in the prior year base and with this year's balance ignoring creditor payments made post cut-off.
- **Capex** of R3.9bn (2.9% of sales) was invested primarily into new stores, supply chain capacity and technology, with 82% allocated to growth initiatives.
- **Diluted headline earnings per share (DHEPS)** increased 7.9% to 708.9 cents from continuing operations

Strong growth in core business

- **Supermarkets RSA** (c.84% of group sales) grew sales 7.1% (1.9% like-for-like), driven primarily by higher volumes. Internal selling price inflation averaged just 0.7%, well below official food inflation.
- **Checkers and Checkers Hyper** grew sales by 8.9% to R52.2bn, with its supermarkets growing by 8.6% and liquor by 12.7%. Checkers remained the fastest-growing premium grocer, gaining market share as its value-and-convenience offering, fresh category strength and premium FreshX formats drove higher customer visits and loyalty.
- **Supermarkets Non-RSA** sales (8.4% of sales) grew 12.1% to R11.5bn, although trading profit declined 17.4% to R303m amid lower gross margins and disruptions in Mozambique
- **Sales in other segments** increased 3.5% to R9.9bn, with strong growth in Medirite (+13.5%) (with Medirite Plus retail pharmacies (+73.5%)), partially offset by softer franchise sales growth

Acquisitions and disposals

During the period, Shoprite's results reflected the prior acquisition of the remaining 50% stake in Pingo Delivery, which led the group to fully consolidate the business and implement related accounting reclassifications. Shoprite also continues to streamline its portfolio. The furniture business, along with operations in Ghana and Malawi, are classified as discontinued operations.

Looking ahead

Management expects selling price inflation to remain in the low single digits, which may continue to temper top-line growth. For FY26, the group is guiding to a trading margin of 5.7% – 5.9%, relative to its medium-term 6% target, with gross margin expected between 23.9% - 24.2%. Capex of R7.5bn is planned for the year, largely directed toward store expansion (123 new Supermarkets RSA stores) and technology investments.

Shoprite remains well positioned to continue gaining market share, supported by its scale and digital ecosystem. While low inflation may constrain near-term performance, we remain constructive over the long term, with initiatives in AI tools and pharma retail. Trading below its historical average, the current share price offers an attractive entry point.

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