

2002



Shoprite Holdings Limited Financial Results

30 June 2002

Introduction



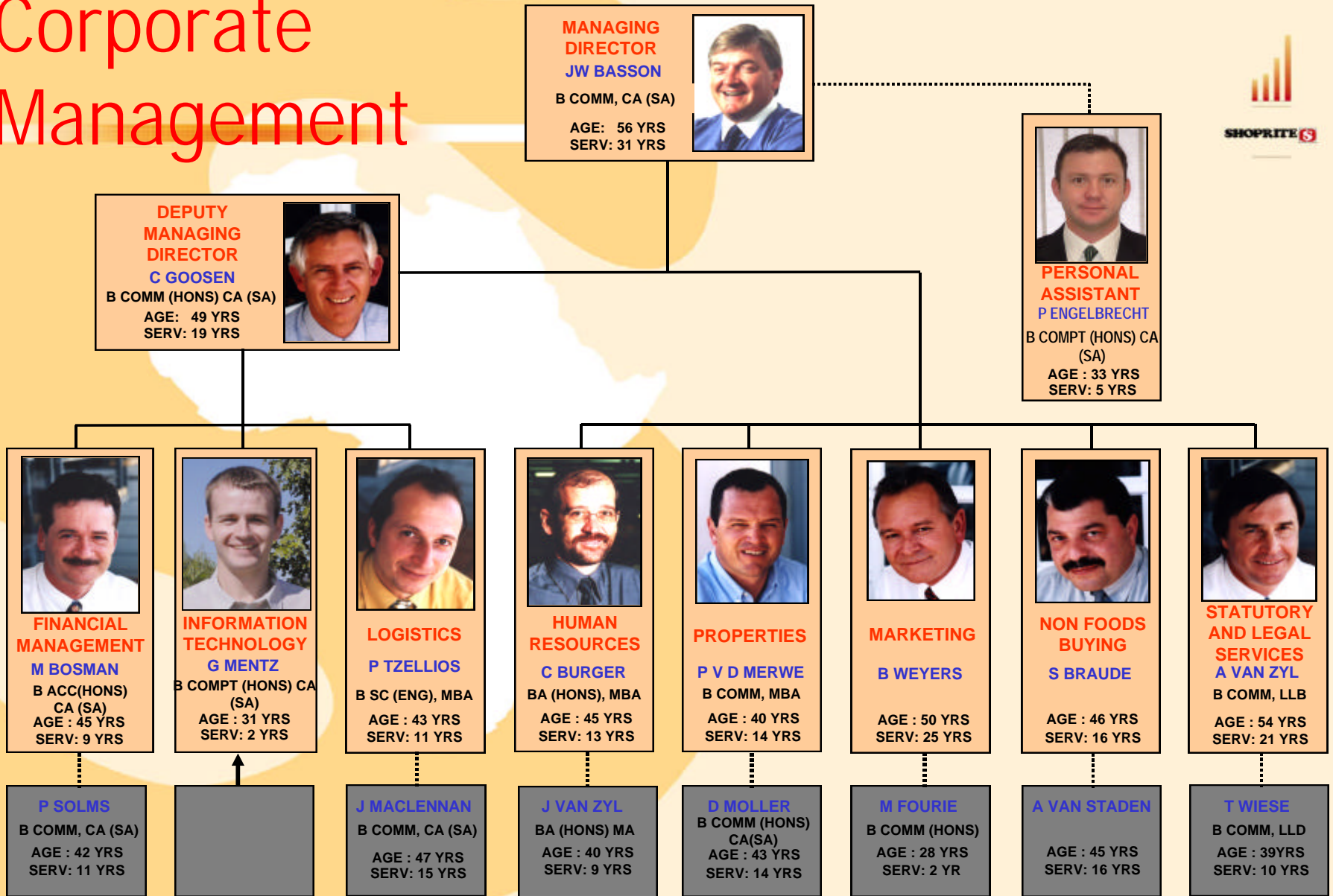
Whitey Basson
Chief Executive Officer
Shoprite Holdings Limited

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Corporate Management




Corporate Operations



MANAGING DIRECTOR
JW BASSON
 B COMM, CA (SA)
 AGE: 55 YRS
 SERV: 31 YRS



DEPUTY MANAGING DIRECTOR
C GOOSEN
 B COMM (HONS) CA (SA)
 AGE: 49 YRS
 SERV: 19 YRS



PORTFOLIOS
E NEL
 B COMM, CA (SA)
 AGE: 53 YRS
 SERV: 4 YRS




OPERATIONS TECHNICAL
S LAUBSCHER
 B SC (ENG)
 AGE: 59 YRS
 SERV: 1.5 YRS




SUB-SAHARA OPERATIONS
G FRITZ
 DIP COST ACC
 AGE: 42 YRS
 SERV: 20 YRS




FRESH FOODS
B DE KLERK
 AGE: 51 YRS
 SERV: 16 YRS



PORTFOLIOS: EAST COAST OF AFRICA, INDIA
R HARISUNKER
 AGE: 50 YRS
 SERV: 33 YRS



PROJECT MANAGER
P ENGELBRECHT
 B COMPT (HONS) CA (SA)
 AGE: 33 YRS
 SERV: 5 YRS



OK FRANCHISE
G KRIEL
 AGE: 49 YRS
 SERV: 21 YRS



MEAT MARKETS
D DIEMONT
 M SC, MBA
 AGE: 34 YRS
 SERV: 2 YRS



FRESHMARK
J V DEVENTER
 M COMM, PHD
 AGE: 42 YRS
 SERV: 8 YRS



OK FURNITURE
A KARP
 AGE: 43 YRS
 SERV: 12 YRS



ZAMBIA
 UGANDA
 ZIMBABWE
 TANZANIA
 MALAWI

FAST FOODS
SP LATEGAN
 AGE: 54 YRS
 SERV: 16 YRS

NAMIBIA
P MALAN
 AGE: 33 YRS
 SERV: 13 YRS

MONEY MARKETS
G HAYES
 B COMM (HONS)
 AGE: 27 YRS
 SERV: 4 YRS

U-SAVE
F STEMMET
 AGE: 39 YRS
 SERV: 5 YRS

EGYPT
M COPELAND
 AGE: 35 YRS
 SERV: 11 YRS

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P COMBRINK
 B SC
 AGE: 51 YRS
 SERV: 20 YRS

C V D WALT
 B COMM CA (SA)
 AGE: 48 YRS
 SERV: 8 YRS

Operations: Supermarkets




MANAGING DIRECTOR
JW BASSON
 B COMM, CA (SA)
 AGE: 56 YRS
 SERV: 31 YRS




PORTFOLIOS
E NEL
 B COMM, CA (SA)
 AGE: 53 YRS
 SERV: 4 YRS



COASTAL OPERATIONS AND BUYING
B ROGUT
 AGE: 76 YRS
 SERV: 34 YRS



CHECKERS HYPERS
G SMOLLEN
 AGE: 48 YRS
 SERV: 18 YRS



INLAND OPERATIONS
K ZWENNIS
 AGE: 50 YRS
 SERV: 18 YRS



NATAL MOZAMBIQUE MAURITIUS MADAGASCAR INDIA
R HARISUNKER
 AGE: 50 YRS
 SERV: 33 YRS



GAUTENG SUPERSTORES
V SCHOELER
 AGE : 40 YRS
 SERV: 13 YRS



GAUTENG CENTRAL
A GARDENER
 AGE : 40 YRS
 SERV: 13 YRS




WESTERN GAUTENG
J BEHR
 AGE : 54 YRS
 SERV : 26 YRS



GAUTENG NORTH
P VAN RENSBURG
 AGE : 42 YRS
 SERV : 16 YRS




WESTERN CAPE
S SCHIFF
 AGE : 61 YRS
 SERV: 25 YRS



FREESTATE
H VAN ROOYEN
 AGE : 48 YRS
 SERV: 29 YRS



EASTERN CAPE
J FOURIE
 AGE : 47 YRS
 SERV: 18 YRS



M JOUBERT
 AGE: 43 YRS
 SERV: 19 YRS

M ALBERTS
 AGE: 41 YRS
 SERV: 15 YRS

F STEMMET
 AGE: 39 YRS
 SERV: 5 YRS

J DE SWART
 B ACC
 B COMPT (HONS)
 AGE: 39 YRS
 SERV: 10 YRS

S GOUWS
 B COMM
 B COMPT (HONS)
 AGE: 33 YRS
 SERV: 4 YRS

D JACOBS
 AGE: 39 YRS
 SERV: 11 YRS

W HUNLUN
 AGE: 38 YRS
 SERV: 11 YRS

Financial Results Highlights



Presenter:

Carel Goosen

**Deputy Managing Director
Shoprite Holdings Limited**

Financial Results Highlights



Year Ended	June 00	June 01	June 02
Revenue (Rm)	18 430	19 597	22 110
Revenue growth (%)	6,2	6,3	12,8
Operating Profit (Rm)	319	407	522
Operating Profit growth (%)	168,1	27,6	28,4
Operating Margin (%)	1,7	2,1	2,4
Headline EPS	44,6	56,7	70,4*
Dividend per share	18,0	20,5	25,5
Dividend Cover	2,5	2,8	2,8

* Diluted

Key Points



- **Turnover**
 - **Food inflation up 10%**
 - **Grow customer base by 4.6%**
 - **Growth / rationalisation**
 - **Open 24, close 9 supermarkets**
 - **Open 12, close 9 furniture stores**
 - **35 supermarkets refurbished**
 - **Closure + Refurb = Net trading space reduction of 30 000m²**

Key Points (Cont)

- **Operating profit**
 - Operating margin improved to 2.4%
 - Stock losses improved further
 - Effective cost control
 - Currency profits reduced to R 24 m
 - Unproductive buildings – R 82 m
 - Africa
 - 10 % of Revenue
 - 20 % of Operating Profit

Key Points (Cont)

- **Exceptional items**
 - Impairment of assets R 39 m
 - Negative Goodwill R 69 m
 - Sale of Land & Buildings R 11 m
- **Investment income**
 - Cash flush – R 736 m
 - Share buy back – R 453 m
 - Stock holding opportunity = R 500 m

Key Points (Cont)



- **Taxation**
 - **Current tax rate 13,5%**
 - **Tax loss of R 600 m**

Information Technology



Actual '01	Actual '02	Budget '03
R 108 m	R 64 m	R 177 m

Past Year

- E-Procurement
- Scanning – 150 to 235
- SAP
- Wholesale
- Mainframe requirement analysis

Coming Year

- Mainframe replacement
- E-Business Platform
- Branch Systems
- Business Intelligence
 - Customer focus
- Supply Chain
 - Transport Layer
 - Vendor Managed Inventory

Financial Statistics - 22 Years



	1980	Comp Growth	2002
Revenue (Rm)	12	40,7%	22 110
Operating Profit (Rm)	0,9	33,5%	522

Share Statistics Since Listing



	1986	Comp Growth	2002
Revenue (Rm)	126	38,1%	22 110
Operating Profit (Rm)	3,9	35,8%	522
NAV/share (cents)	3,4	31,9%	287
Headline EPS (cents)	0,6	34,7%	70,4
Dividend per share (cents)	0	35,7%	25,5
Market Capitalisation (Rm)	226	19,6%	3 935



P/E Ratio comparison

USA:

Wal-Mart

Kroger

Europe:

Tesco

Sainsbury

Casino

South Africa:

Pick & Pay

Woolworths

Shoprite Holdings

P/E Ratio

2001

2002

36,6

31,5

20,2

12,5

22,9

18,4

21,4

16,4

28,8

20,5

17,2

16,2

13,8

13,1

9,9

10,5

Management & Human Resources



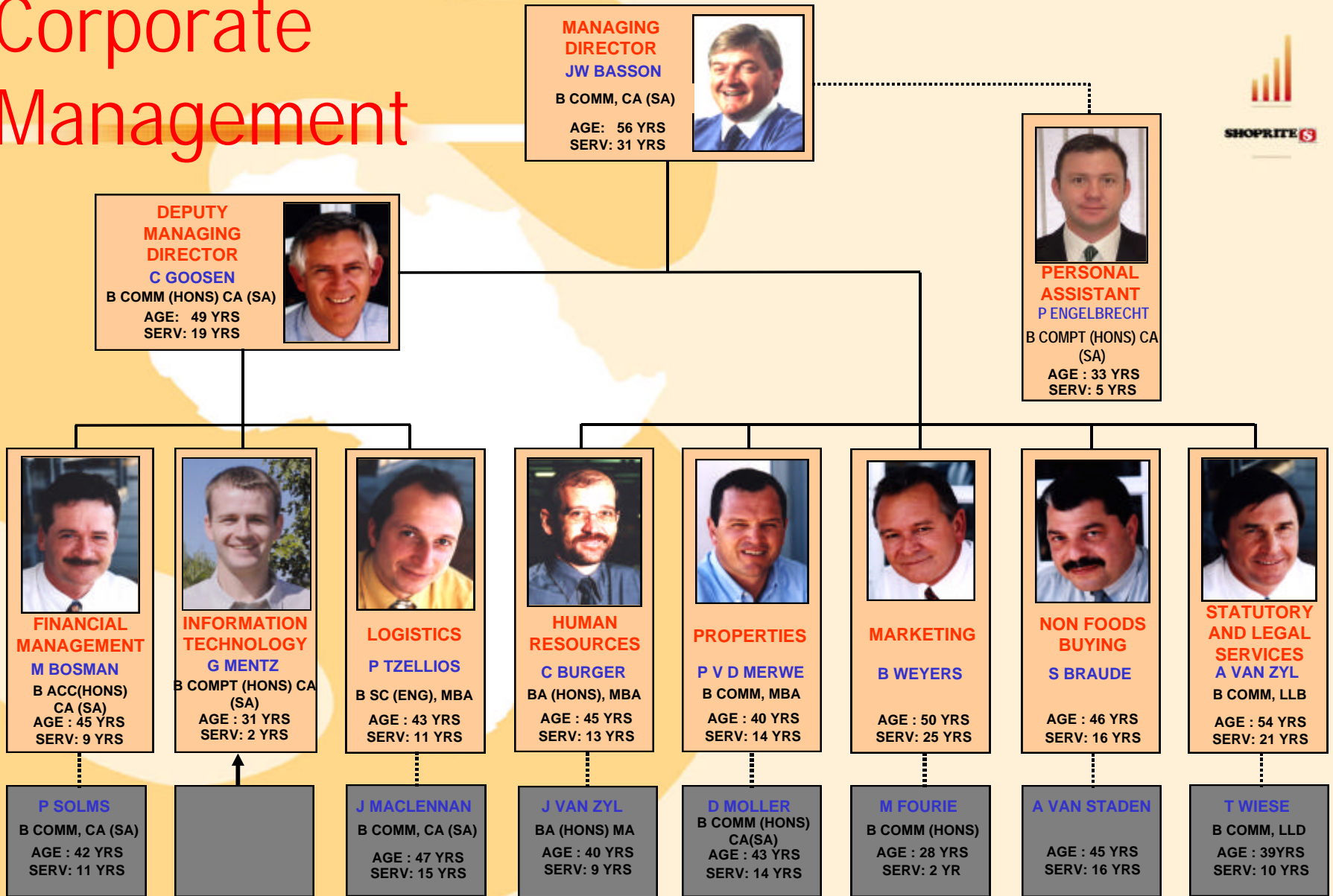
Presenter:

Callie Burger

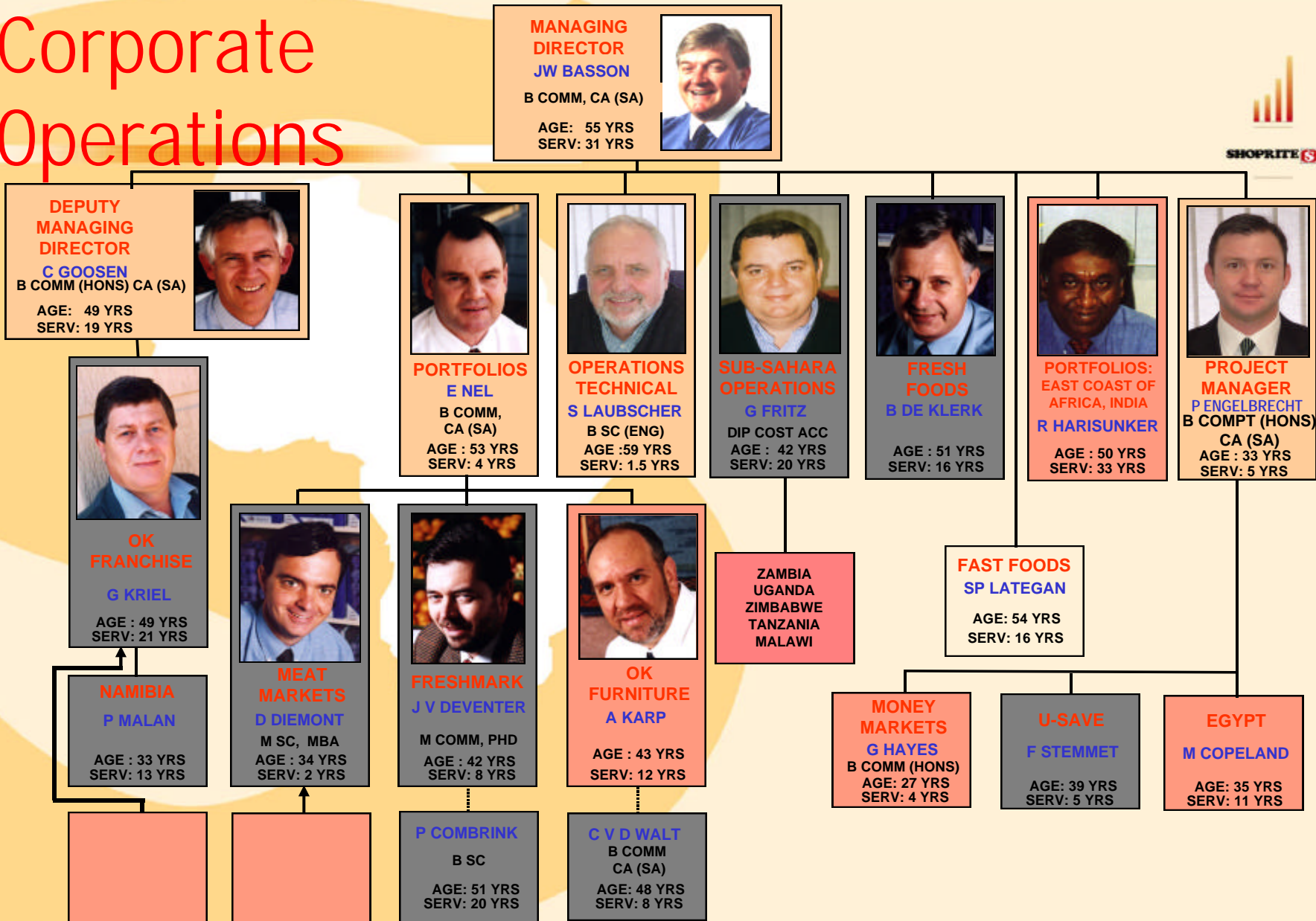
Human Resources Director

Shoprite Holdings Limited

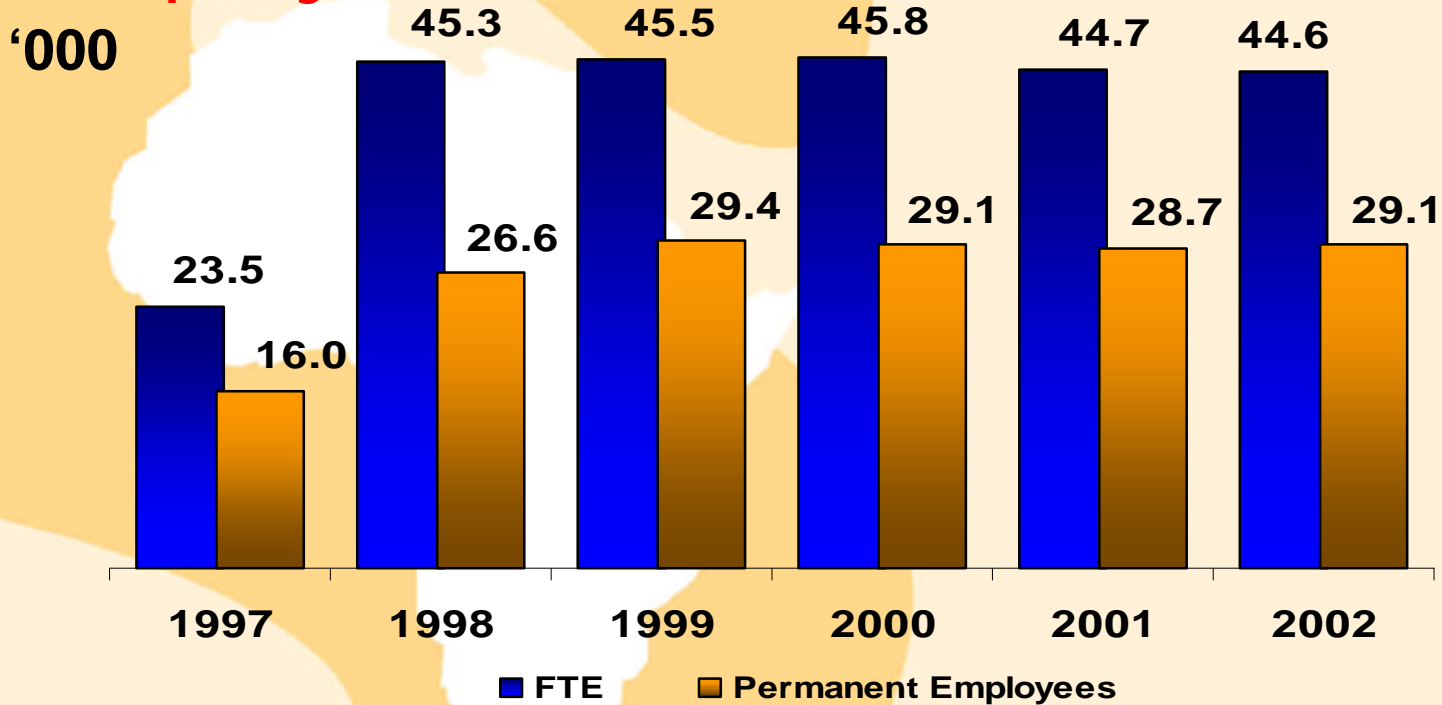
Corporate Management



Corporate Operations

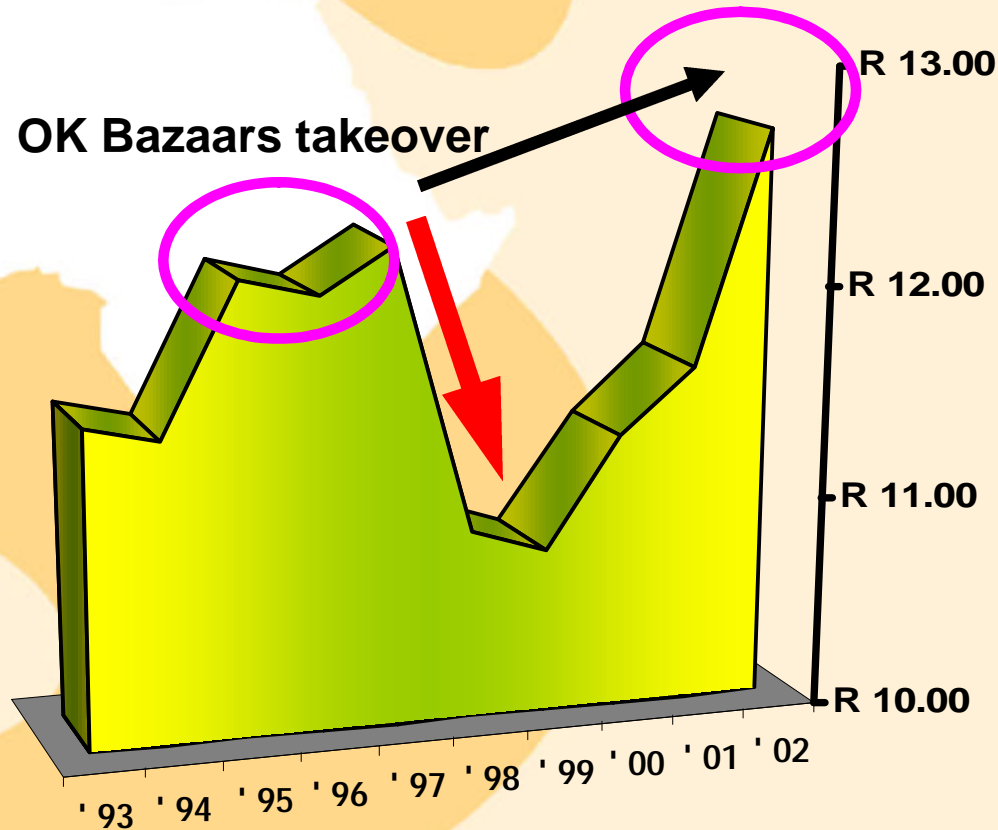


Employment Statistics



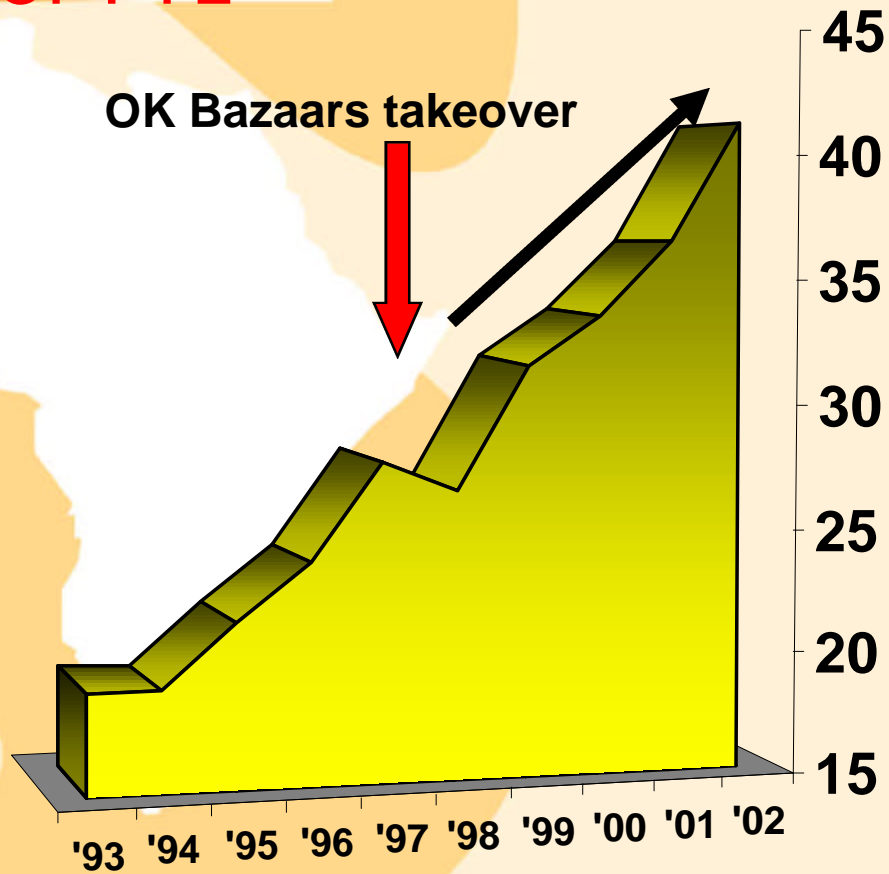
- Process 2,316,000 pay slips per annum for 12 countries on African continent
- 651 with post-matric qualifications
- Average years of service 12 years

Sales per R1 Cost of Employment



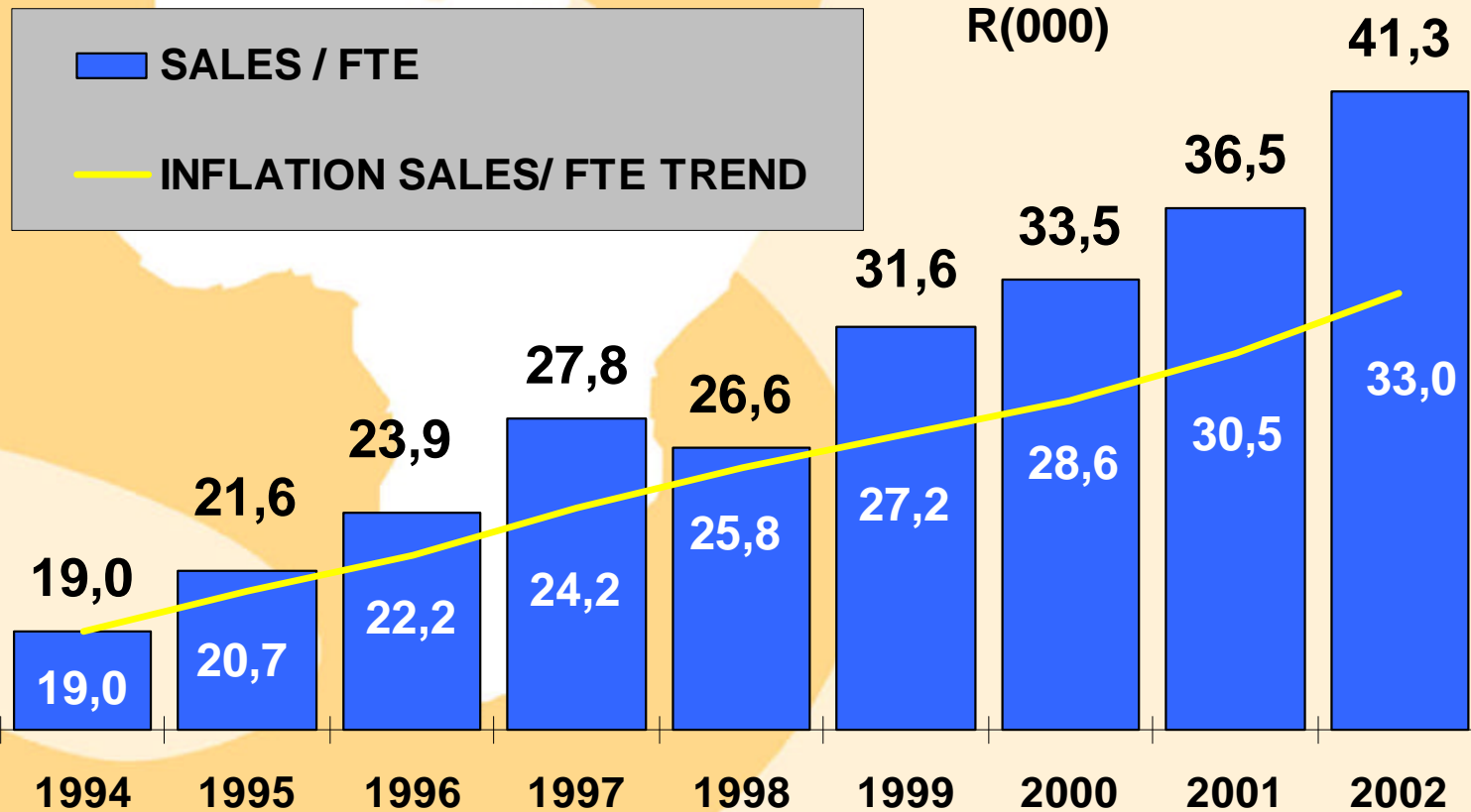
More than pre-OK takeover

Sales per FTE



Surpassed R 41 000

Sales per FTE v Inflation



Highlights

- **Productivity improved more than 13% (Sales per FTE)**
- **Sales per cost of employment back to pre-OK takeover**
- **2 Year Wage agreement in RSA (8% and 7%)- Negotiating wages in 6 different countries**
- **Never had a wage strike in Shoprite**

Highlights (cont)

- **First retailer and second company in RSA to implement SAP NQF training and development modules.**
(Assist in recovering training levy back and developing of skills base)
- **Group received official accreditation as a Training Provider from Wholesale and Retail Sector Education and Training Authority**
(Only Food retailer that has received accreditation)



Highlights (cont)

- **Successfully launched Retail Learnerships in Western Cape and Gauteng**
- **2 State of the art training centers for bakeries, deli's, meat and fresh produce**
- **44,065 employees attended training workshops and programs**
- **193 Training Courses and programs**

Highlights (cont)

- **184 Trainee Retail Managers qualified from Management Training Program.**
(Currently 311 in training, more than 72% from previous disadvantaged groups)
- **TOPP program produced a further 3 more qualified accountants**
- **Single biggest contributor towards Skills Development Fund for the Wholesale and Retail Sector**
 - **R14 million**
 - **Skills rebate - Shoprite fully complied to all requirements and received for 2001 = 100% of refundable amount.**

Store Rationalisation



Presenter:

Philip van der Merwe

Managing Director

Shoprite Checkers

Properties Limited

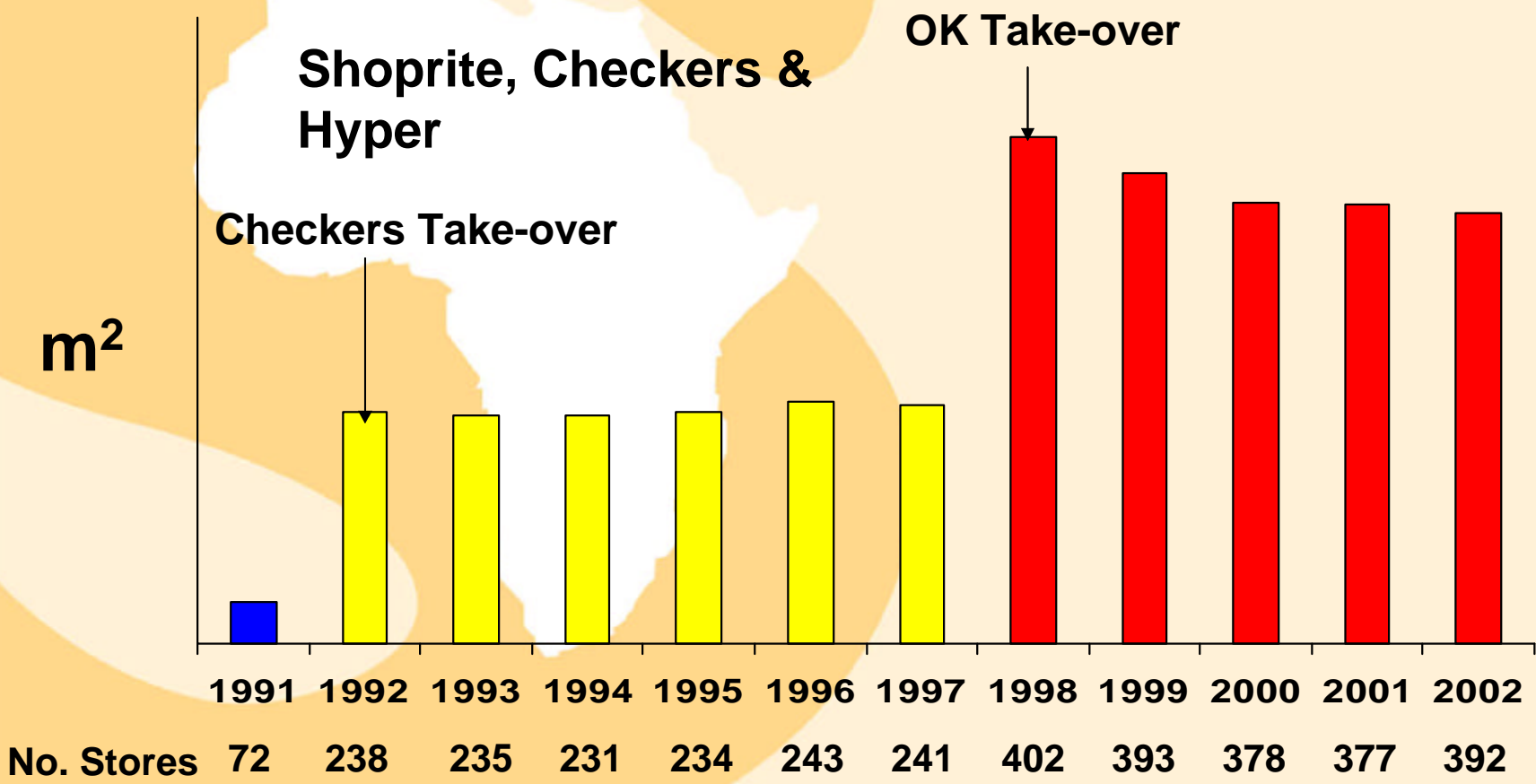


Size of the Operation - Group

	June 01	June 02
Supermarkets – RSA	339	346
– Non RSA	38	46
– Total	377	392
Furniture	155	158
Hungry Lion	41	48
No of own Outlets	573	598
Franchise	422	383
Total no of Outlets	995	981
No of Non RSA Countries	9	11



Trading Area of Supermarkets



Shoprite Checkers Properties



- **Manages 150 properties**
- **Market value of portfolio approximately R2.8 billion**
- **Owns 55 properties**
- **Market value of own portfolio approximately R950 million**

Marketing



Presenter:

Brian Weyers

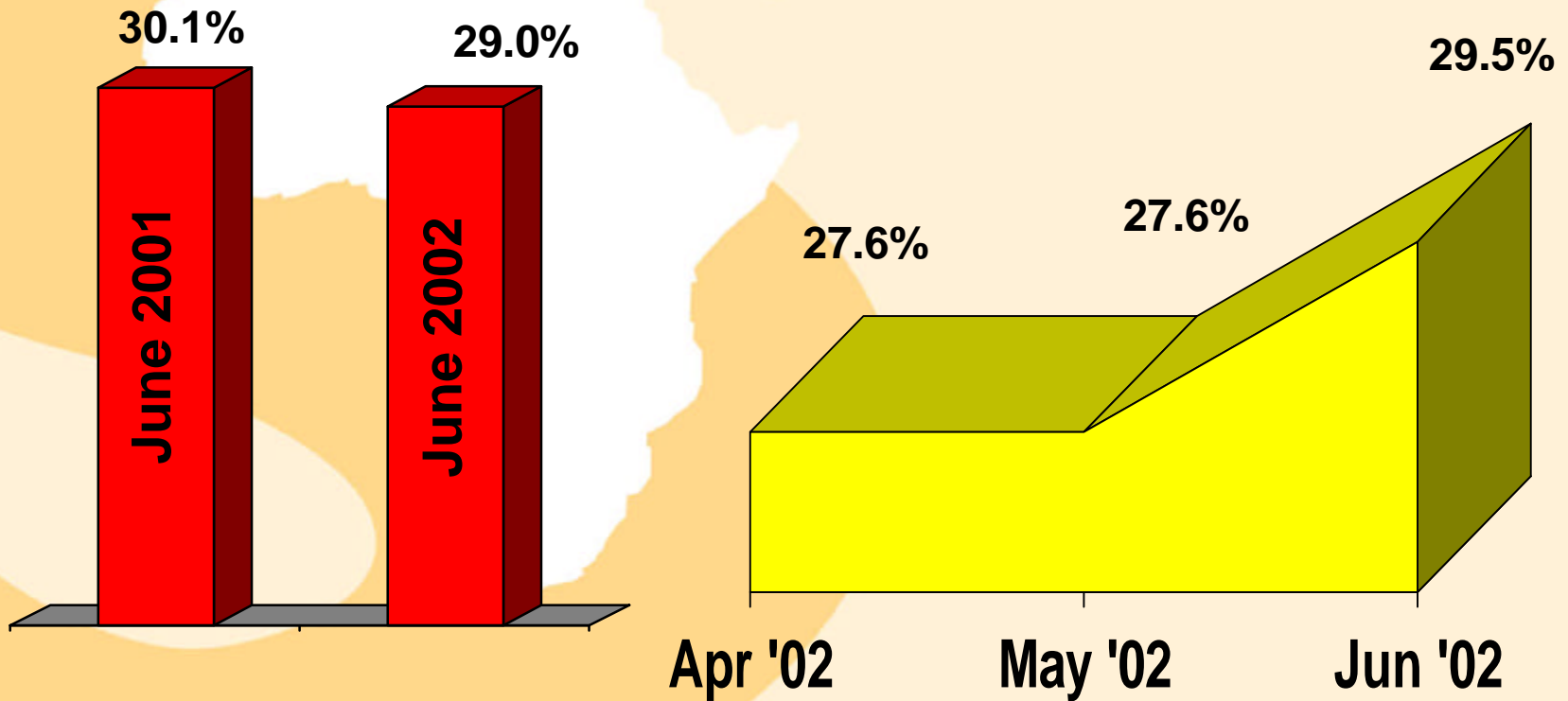
Marketing Director

Shoprite Holdings Limited

Market Share Majors



Total Store – Total South Africa only



Store Variances Total Market June 2001/2002

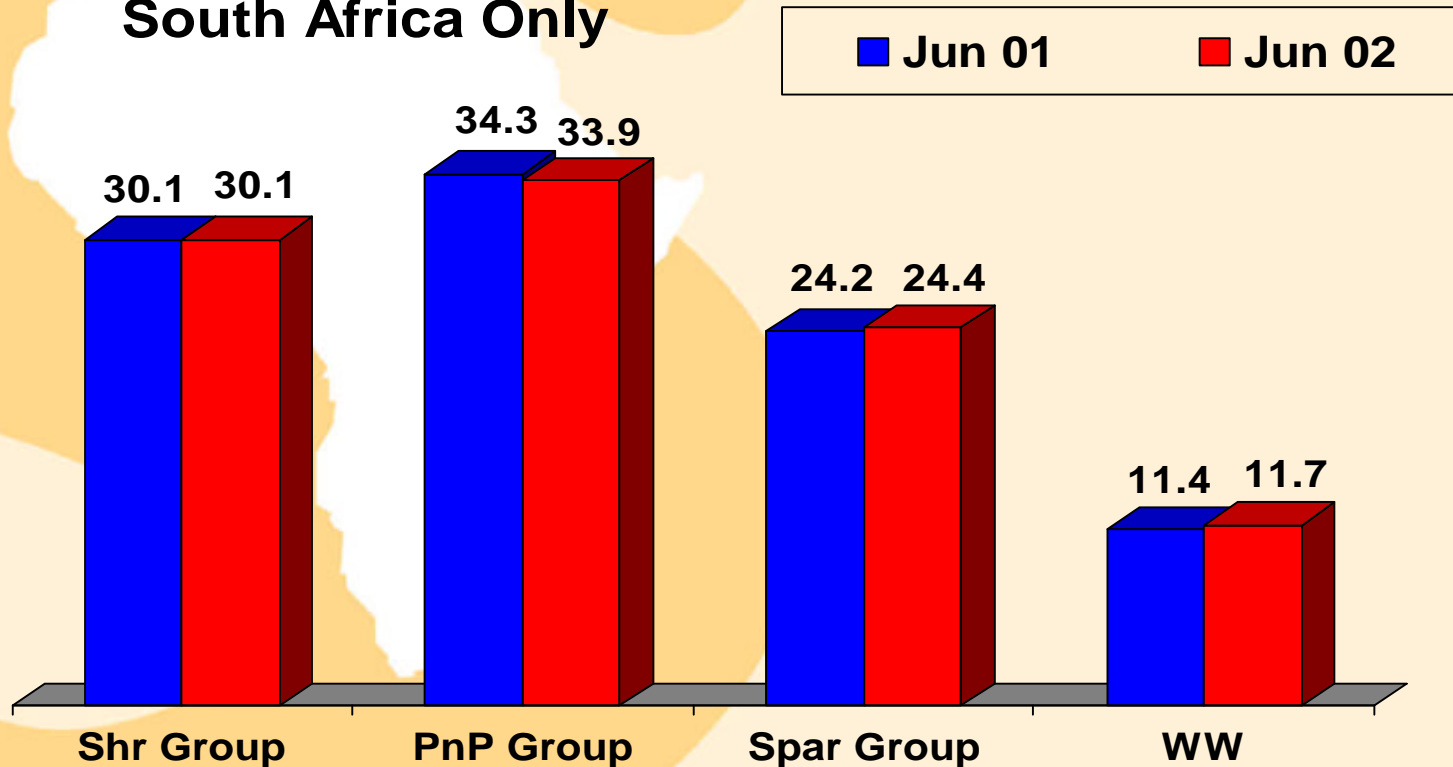


- **New stores: 332 (Sales R 2 200 m)**
- **Closed stores: 162 (Sales R 542 m)**
- **Net stores: 170 (Sales R 1 658 m)**
- **Shoprite share - R 453 m Sales growth
1.98% of total turnover**

Like for Like Market Share Corporate Majors



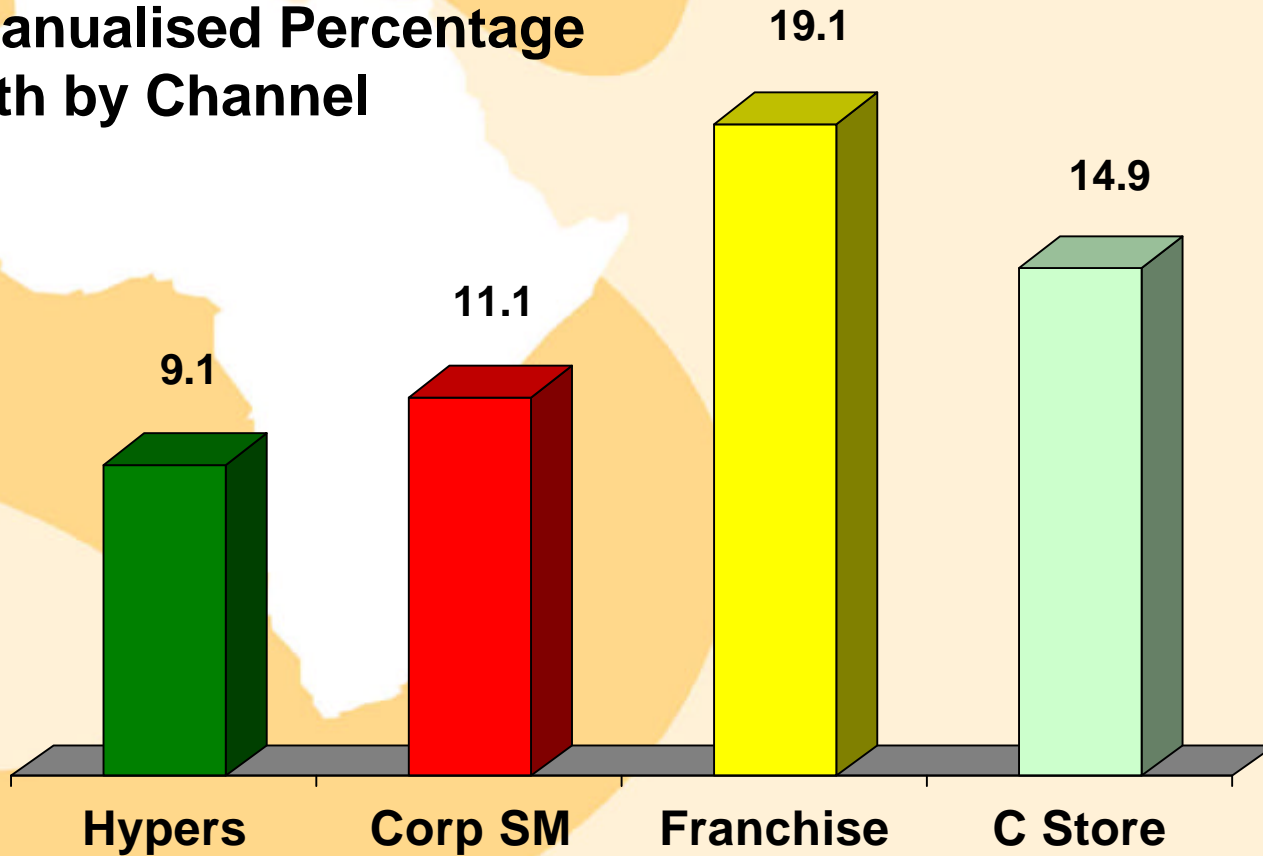
South Africa Only



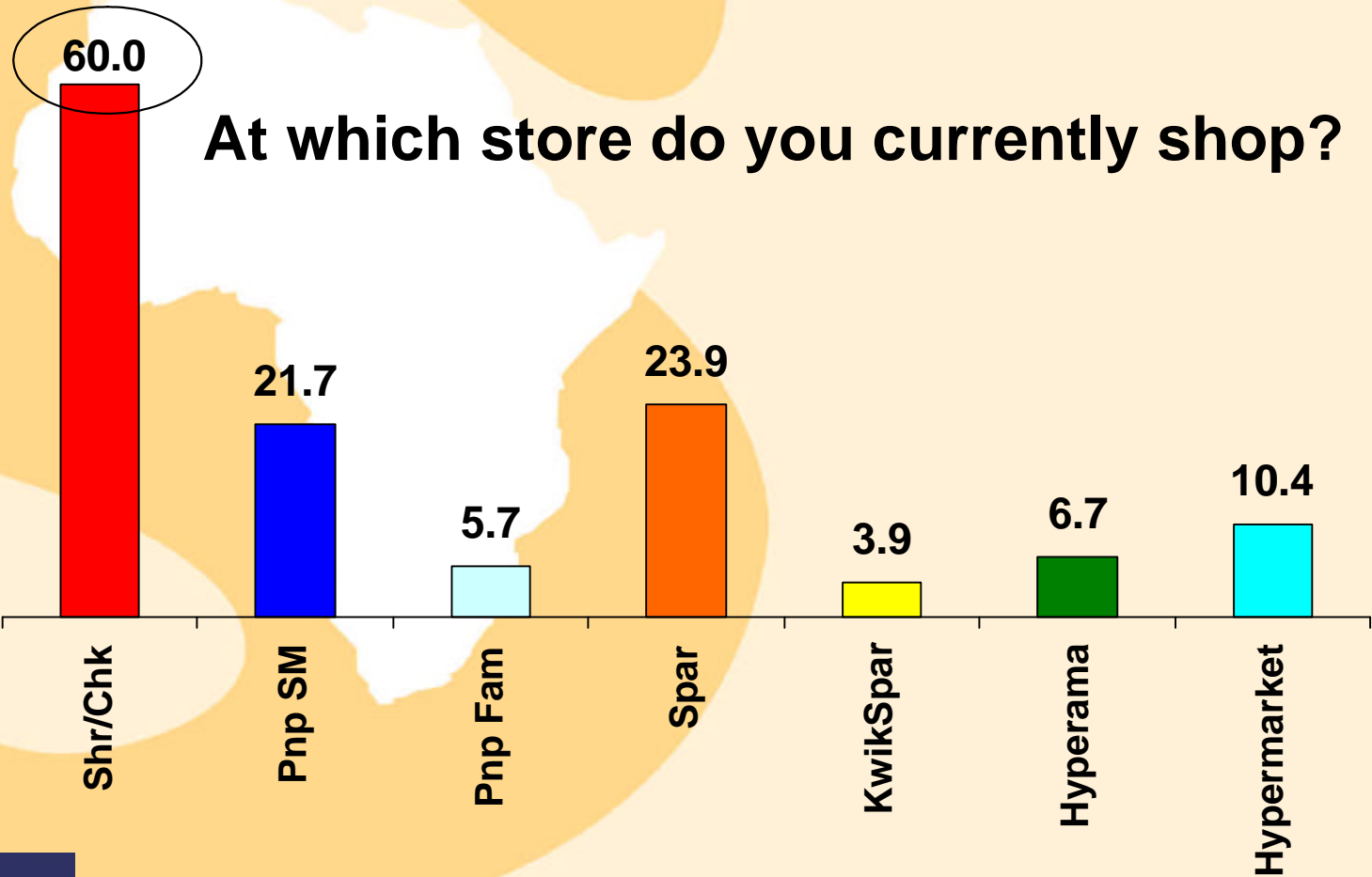
Total Store growth per channel



Total annualised Percentage Growth by Channel



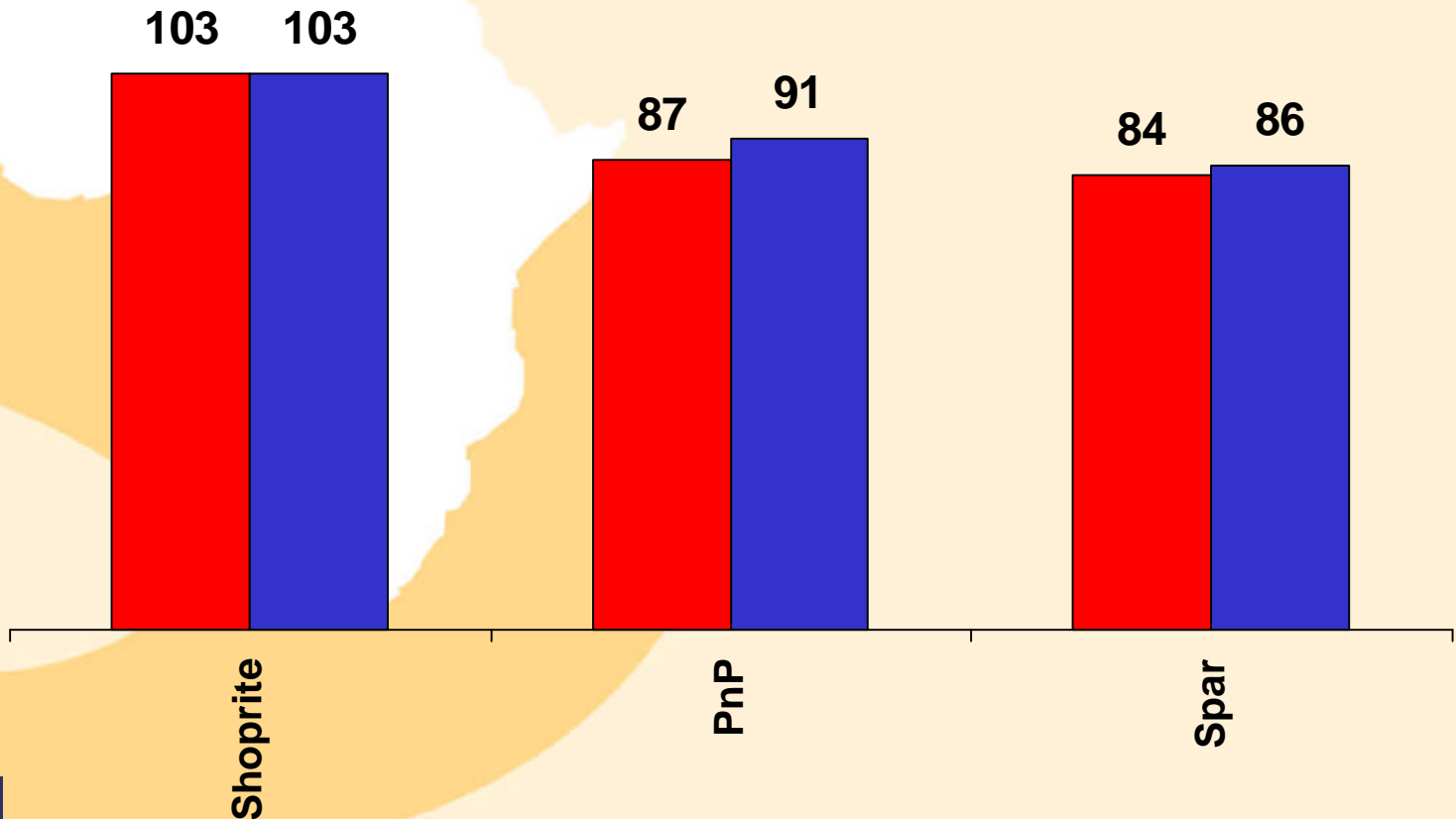
Preferred shopping destination



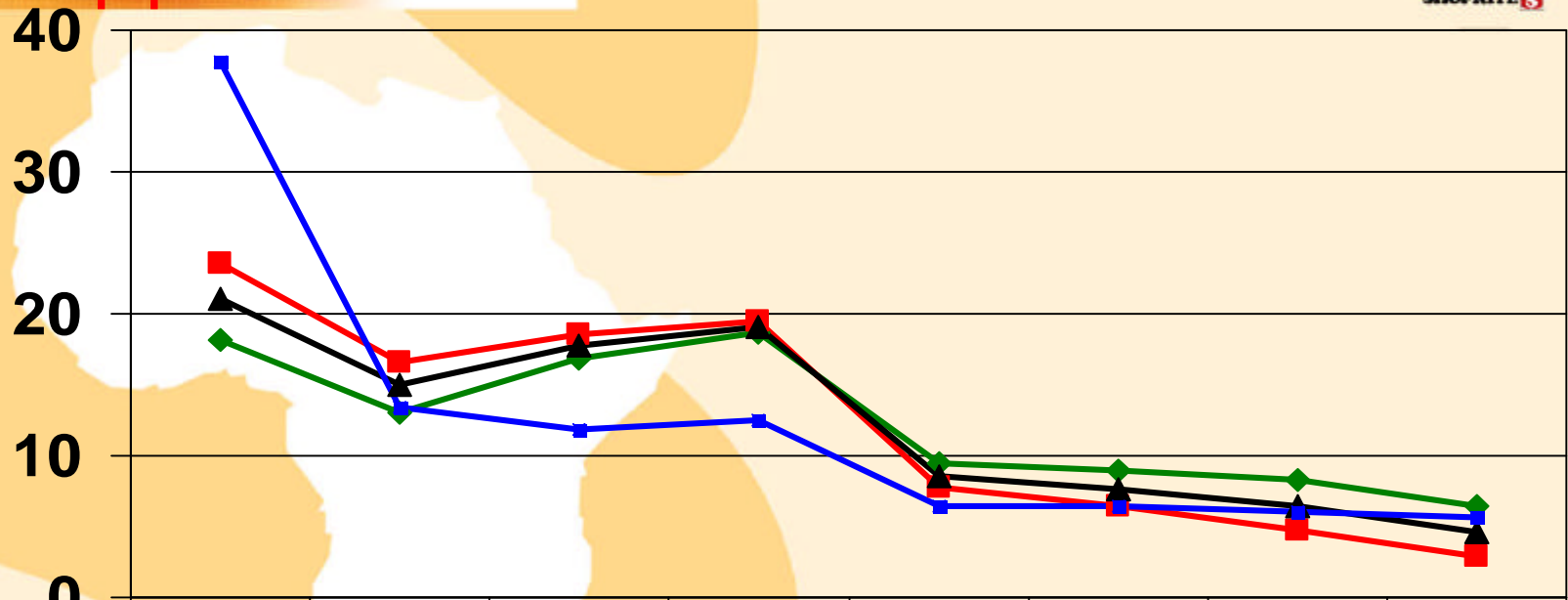
Consumer chain price ratings



■ Best Specials ■ Competitive priced

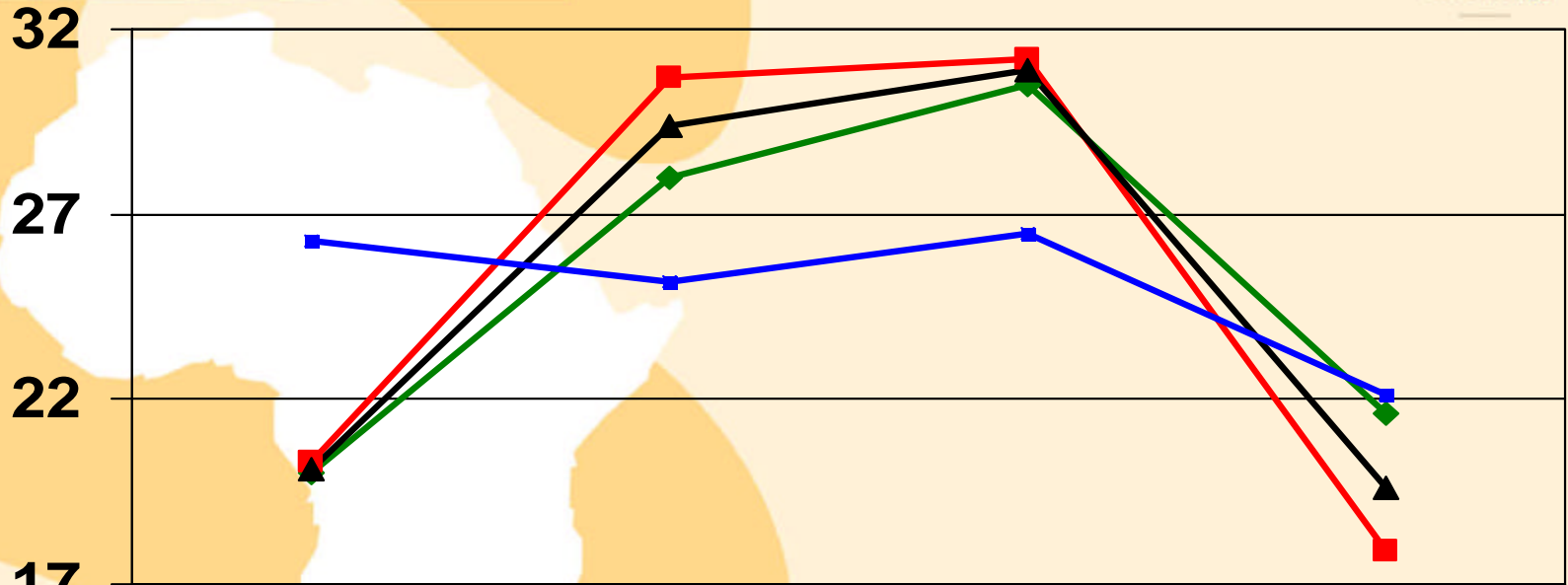


Shopper LSM Profile



	'1-3	4	5	6	7	8	9	10
◆ Checkers	18.2	13	16.8	18.7	9.5	9	8.3	6.5
■ Shoprite	23.5	16.6	18.6	19.5	7.7	6.4	4.8	2.9
▲ Shr/Chk	21.1	15.0	17.8	19.1	8.5	7.6	6.4	4.6
■ All Resp	37.7	13.4	11.9	12.5	6.4	6.4	6.1	5.6

Shopper Age Profile



	16 - 24	25 - 34	35 - 49	50
◆ Checkers	20	28	30.5	21.6
■ Shoprite	20.3	30.7	31.2	17.9
▲ Shr/Chk	20.1	29.4	30.9	19.6
■ All Resp	26.3	25.2	26.5	22.1



Whitey Basson
Chief Executive Officer
Shoprite Holdings Limited

Financial

- **Accounting principles**
 - GAAP Requirements
 - Accounting concepts
- **Buildings**
 - Valued R 950 m – 13% return
 - Book R 632 m
 - Undervalued R 318

Financial (cont)

- **Write off**
 - R 39 m impairment
 - R 17 m depreciation
- **Balance - Tax negative goodwill (R 303 m)**
- **Actual tax** R 151 m
 - Deferred tax R 77 m
 - Actual payment R 74 m (13,5%)
 - EPS (Eff. Tax) 85,4 c

Financial (cont)



- **Rent closed stores**
 - **Unproductive buildings R 82 m**
- **Franchise Operation**
 - **Abnormal write off R 42 m**
 - **Corporate stores as shut down not going concern**

Personnel

- **Succession Management**
- **New foreign expansion**

Marketing

- **Market Share**
- **Customer growth**
- **Checkers v Shoprite**



Africa – Existing & Future

- **Return on investment before loss making countries = 42%**
- **Establishment cost before interest: Current year = R 46 m**
- **GDP**
 - **South Africa = \$ 111,7 bn**
 - **Rest of Africa = \$ 410,7 bn**
 - **India = \$ 542,6 bn**
- **Egypt**
- **Mauritius**
- **India**

Business Check list



	Failed	Succeeded
Succession management		✓
Training		✓
No of Store openings (too few)	✓	
Stock reduction	✓	
Operating profit to 3% level		✓
IT & distribution		✓
Customer growth		✓
Basket size	✓	
Overall		✓

Not just luck over 22 years

Fasten your seatbelts...



Conclusion

- Corporate governance
v
Corporate incompetence
- Plett v Angola
- **ENJOY THE RIDE !**