

SHOPRITE HOLDINGS LIMITED

Investment Summary — Discounted Cash Flow Valuation

Prepared by: Shawn Sibanyoni | Date: 19 February 2026 | Market Price: R264.00

Scenario	Intrinsic Value	vs Market (R264)
Current Market Price	R264.00	—
Bear Case Intrinsic Value	R79.13	-70.0%
Base Case Intrinsic Value	R147.27	-44.2%
Bull Case Intrinsic Value	R220.50	-16.5%

A multi-scenario discounted cash flow valuation suggests intrinsic equity value below the current market price across downside, base, and upside assumptions. The base case valuation of R147.27 per share implies approximately 44% downside relative to the prevailing market price of R264.00.

Even under optimistic assumptions incorporating margin expansion and a lower cost of capital, the implied valuation of R220.50 remains below market levels. Current pricing therefore appears to embed stronger long-term growth and profitability expectations than those supported by projected free cash flows under modelled assumptions.

This analysis applies a structured intrinsic valuation framework to assess valuation risk and return asymmetry. While market pricing may reflect forward expectations beyond modelled inputs, the DCF framework indicates limited margin of safety at current levels under reasonable operating and capital cost assumptions.

Methodology

The DCF model is built on a five-year explicit forecast period (FY2026–FY2030) with a Gordon Growth terminal value. Free cash flow is defined as Operating Cash Flow less Capital Expenditure. Historical capex is sourced from net investing activities per the Shoprite AFS.

Assumption	Base Case	Bull Case	Bear Case
Revenue CAGR (FY2025–FY2030)	8.0%	9.0%	6.5%
OCF Margin	5.5%	6.0%	5.0%
Capex (% of Revenue)	3.0%	2.8%	3.5%
WACC	12.0%	11.0%	13.0%
Terminal Growth Rate	3.0%	3.5%	2.5%

Valuation Components — Base Case

Component	Value
Sum of PV of FCFs (FY2026–FY2030)	R13,221m (est.)
PV of Terminal Value	R77,540m (est.)
Enterprise Value	R90,761m (est.)
Less: Net Debt (Net Cash Position)	(R2,953m)
Equity Value	~R87,088m
Shares Outstanding	591.34m
Implied Share Price	R147.27

Analytical Interpretation

The valuation gap across all three scenarios reflects two dynamics:

- The market is embedding growth expectations materially above the modelled assumptions (particularly post-FY2025 margin expansion or volume acceleration).
- Terminal value sensitivity is high — a modest change in terminal growth rate or WACC shifts the implied price by R30–R60 per share.

Investors buying at R264 are therefore pricing in either: (a) higher-than-modelled FCF margin expansion, (b) a lower cost of capital than 11–13%, or (c) continuation of Shoprite's market share gains at above-industry growth rates. The model does not invalidate these views — it frames the expectations that current pricing requires.

Note: Free cash flow is defined as operating cash flow less capital expenditure (net investing activities). Historical capex from AFS: R6,229m (FY2023), R6,779m (FY2024), R7,365m (FY2025).