

Executive Summary (FY2023–FY2025)

Shoprite delivered consistent top-line growth over FY2023–FY2025, with revenue increasing from **R219,530m to R256,682m**. While revenue growth moderated in FY2025 relative to FY2024, overall profitability remained resilient. Operating margins were maintained in the mid-5% range, and net margins remained broadly stable, reflecting disciplined cost control in a challenging retail environment.

Revenue & Profitability

Revenue growth decelerated from FY2024 to FY2025, consistent with scale effects as the business matures. Despite this moderation, **gross margins remained stable in the low-to-mid 24% range**, indicating effective pricing and cost management.

Operating profit increased from **R12,344m in FY2023 to R14,943m in FY2025**, supported by steady operating margin performance. Profit after tax rose from **R6,320m to R7,392m**, with net margins holding around ~3% and showing a modest recovery in FY2025.

Overall, profitability trends suggest a business transitioning from high-growth expansion toward efficiency, margin protection, and operational discipline.

Cash Flow & Earnings Quality

Operating cash flow strengthened significantly in FY2024, reaching **R13,841m**, before normalising to **R10,984m** in FY2025. This pattern indicates timing effects related to working capital movements, which are typical in large-scale retail operations.

Operating cash flow margin peaked in FY2024 before declining in FY2025, highlighting cash conversion volatility as a key variable. While earnings quality remains acceptable, **sustained consistency between profit and cash generation warrants ongoing monitoring**, particularly across inventory and supplier payment cycles.

Balance Sheet & Financial Position

Total assets expanded from **R102,356m to R124,944m** over the period, reflecting continued investment in the operating base. Total liabilities increased in parallel from **R76,078m to R94,827m**.

Liquidity tightened gradually, with the **current ratio declining from 1.28 to 1.19**, while leverage increased moderately, with **debt-to-equity rising from 2.90 to 3.15**. Although these movements are not immediately concerning, they indicate a reduced liquidity buffer and a higher reliance on efficient working capital management and cash flow discipline.

Key Takeaways / Watch Items

- **Growth remains healthy but is moderating**, shifting management focus from expansion toward productivity, efficiency, and margin preservation.
 - **Margins are stable**, suggesting strong cost control; however, sustainability should be assessed against inflationary pressures and competitive pricing dynamics.
 - **Cash conversion volatility is the primary swing factor**, requiring deeper analysis of working capital drivers.
 - **Leverage and liquidity are tightening**, reinforcing the importance of disciplined capital allocation and balance sheet management.
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Key Risks

- Working capital pressure and variability in cash conversion
 - Margin compression from input cost inflation or heightened price competition
 - Gradual tightening of liquidity as leverage increases
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Next Analysis Priorities

- Detailed working capital analysis (inventory, payables, receivables days)
- Store-level or segment productivity analysis (subject to data availability)
- Interest coverage and lease liability sensitivity analysis, given retail exposure