SHOPRITE HOLDINGS LIMITED

Executive Summary — Financial Performance Analysis

Coverage Period: FY2023–FY2025 | Prepared by: Shawn Sibanyoni | Date: 19 February 2026

1. Revenue & Profitability

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 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.

Metric	FY2023	FY2024	FY2025
Revenue (Rm)	219,530	246,082	256,682
Gross Margin %	23.8%	24.1%	24.3%
Operating Profit (Rm)	12,344	14,210	14,943
Operating Margin %	5.6%	5.8%	5.8%
Profit After Tax (Rm)	6,320	6,543	7,392
Net Margin %	2.9%	2.7%	2.9%

2. 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.

Free cash flow — defined as operating cash flow less capital expenditure (net investing activities) — shows a more volatile profile than headline OCF, and is a more accurate measure of cash available to equity holders after sustaining the business:

Metric	FY2023	FY2024	FY2025
Operating Cash Flow (Rm)	9,831	13,841	10,984
Capital Expenditure (Rm)	6,229	6,779	7,365
Free Cash Flow (Rm)	3,602	7,062	3,619
OCF Margin %	4.5%	5.6%	4.3%
FCF Margin %	1.6%	2.9%	1.4%
FCF Conversion (FCF / PAT)	0.57x	1.08x	0.49x
Cash Conversion (OCF / PAT)	1.56x	2.12x	1.49x

The FCF Conversion ratio — measuring free cash flow generated per rand of reported profit — highlights the true cash earnings quality. FY2024's 1.08x conversion reflects exceptional working capital inflows; FY2025's 0.49x suggests capex intensity and working capital normalisation. The sustained divergence between OCF and FCF (capex consuming 50–67% of OCF across the period) is a key variable for ongoing monitoring.

Note: Capital expenditure is sourced from net cash used in investing activities (Shoprite AFS). This represents primarily growth and maintenance capex across the store network.

3. 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.

Metric	FY2023	FY2024	FY2025
Total Assets (Rm)	102,356	112,840	124,944
Total Equity (Rm)	26,278	27,893	30,117
Total Liabilities (Rm)	76,078	84,947	94,827
Current Ratio	1.28x	1.23x	1.19x
Debt-to-Equity	2.90x	3.04x	3.15x
ROE (PAT / Equity)	24.0%	23.5%	24.5%

4. 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.
- FCF conversion is volatile — the primary swing factor between FY2023–FY2025 is the interaction between working capital cycles and capex timing. OCF alone overstates distributable cash.
- Capital expenditure is consuming a significant and rising share of OCF (63% in FY2025 vs 63% in FY2023), limiting free cash flow generation despite improving operating profits.
- Leverage and liquidity are tightening, reinforcing the importance of disciplined capital allocation and balance sheet management.

5. 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
- Capex intensity constraining FCF generation in years of high investment

6. 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
- FCF yield analysis relative to market capitalisation and peer group