

Rest of Africa helps drive superb sales for Shoprite

Last year may have been a difficult year for retail in Africa but consumers still came in droves to Shoprite, which reported double-digit sales growth on the continent in the six months to December.



Image by Pxabay.com

In a welcome surprise, the group's non-South African supermarkets recorded sales growth of 32.2% - a result that was achieved in the face of low commodity prices and forex shortages in certain countries.

Africa's largest food retailer reported a 10.7% increase in sales from its local operations supported by good festive trading. Growth on a like-for-like basis was 7.4% with internal inflation averaging 7.4% for the period.

Absa Wealth & Investment Management analyst Chris Gilmour said Shoprite had done remarkably well outside of SA. "This speaks well about how well positioned they are in the rest of Africa. It's an outstanding result," he said.

Shoprite operates in Ghana, Nigeria, Democratic Republic of Congo, Uganda, Angola, Zambia, Malawi, Mozambique, Namibia, Botswana, Madagascar, Lesotho, Swaziland and Mauritius.

In Nigeria, Shoprite operates about 23 stores. Tight capital controls and currency volatility combined to make 2016 a challenging year for the oil-rich nation. With oil prices plummeting to an average of about 45 per barrel - down from highs of \$115 in 2014 - Nigeria faced a significant drop in revenue in 2016.

Overall, non-South African supermarket growth on a like-for-like basis was 14.2%. Taken at constant currencies, sales grew 51.7%.

Cratos Wealth senior analyst Ron Klipin said Shoprite had shown consistent strength and its competitors would be hard-pressed to produce better numbers.

"Africa was the star performer; those operations are looking very good indeed. Furniture looks strong as well despite the National Credit Act having had some impact on that sector. I would say its numbers look well ahead of its peers," Klipin said.

Shoprite's core market is the lower-income consumer. Woolworths, which serves the interests of higher-income consumers, reported a slide in food sales volumes last week.

Shoprite said its furniture division grew sales 10% for the period. The other operating segments had achieved growth of 10.5%, mainly driven by the OK Franchise division's strong performance, the company said.

These will be the last results with Whitey Basson at the helm. Basson retired at the end of 2016.

New CEO of the group, Pieter Engelbrecht, is a mere 18 days into the top job. The responsibility now falls on him and his management team to flesh out a possible deal with Steinhoff.

Following the release of the update, Shoprite's share price initially rallied 2%, but ended the day down 1.23% at R176.50 - valuing the company at about R104bn.

Source: [*Business Day*](#).

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