

Shoprite climbs after saying turnover to surpass R100bn

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16 Jul 2014

Africa's largest supermarket, Shoprite, on Monday catalysed a strong rebound among listed retail shares, recently hit by a wave of selling pressure on views they are too expensive.



(Image extracted from the Shoprite website)

The JSE's biggest retailer leapt nearly 4% to an intraday high of R164.45 after it said in an operating update that total turnover for the year ended last month would surpass R100bn for the first time despite a slowdown in sales from its South African operations.

By the market close, the stock had pulled back slightly to close 2.96% higher at R163.05, valuing the company at R93.4bn.

Total turnover was expected to show an increase of 10.5% to about R102bn, when the retailer publishes its results next Tuesday, from R92.7bn in the previous financial year, the company said.

Turnover growth from its stores outside SA - including Nigeria, Botswana, Mozambique, Ghana and Zimbabwe - is expected to rise 26.3% during the period, sustaining the momentum achieved last year when turnover grew 27.9%. Shoprite has 169 supermarkets on the continent, which account for about a fifth of total turnover.

Highest close

The profit guidance pushed the JSE's food and drug retailers' index - including Shoprite, Woolworths, Spar and Massmart - to its highest close since June 2. The general retail index closed at its highest level since last October.

"Shoprite, like most other retailers, has had a terrible start to the year," Investec Asset Management's head of dealing for emerging markets, Ryan Wibberley, said, noting that investors were using the company's operational update as a catalyst to bounce back from what looked like oversold positions.

In 2012, the general retail index surged over 40% due to increased demand from foreign investors looking for exposure to the continent.

Since then, rising consumer indebtedness, weak employment growth and higher inflation have affected sentiment towards the sector.

The surprise hike to local interest rates announced by the South African Reserve Bank earlier this year saw the share prices of some retail shares plunge as much as 15%, a Johannesburg-based retail analyst said.

The above headwinds are still being faced by the local consumer, as noted by Shoprite CEO Whitey Basson, who warned that turnover from its South African supermarkets - the group's largest division - would grow at a slower pace of 8.7% this year from the 9.8% recorded last year.

Should the Bank announce another 50-basis-point hike in interest rates on Thursday, listed retailers may be in for another turbulent period.

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