# Shoprite sees growth in earnings

By Adele Shevel

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Africa's largest food retailer, Shoprite, said yesterday headline earnings per share for the 12 months ended in June this year would be between 25% and 35% higher than a year ago.

However, with inflation slowly declining, food retailers, particularly, will be under pressure to manage costs.

A fund manager said: “The big story in Shoprite is the same as all of the food retailers: that inflation and the rate of decline of inflation is coming down. If one of two things don't happen — if volumes are not lifted or more general merchandise is not sold — things will be extremely tough for the next period.”

The question facing fast-moving consumer goods companies is what happens if expenses growth runs ahead of inflation growth.

## Most diversified

Shoprite is seen as the most diversified of the big retailers but concerns exist that diversify too far from their core business.

Shoprite is well positioned strategically and well managed, and has buffered itself well against the recession.

The group has benefited from high inflation, particularly from its basket, but is likely to suffer as inflation slows.

It has outperformed competitors, as its core Shoprite chain is aimed at the bottom end of the market, whose buying habits have not been as badly impacted by the recession.

Dean Ginsberg, retail analyst at Citigroup, said with more than 100 stores in Africa, “we believe Shoprite is the best positioned of the South African retailers to expand north of South African borders”. Shoprite will release its annual results on August 25.

Source: *The Times*

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