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SA Retail Review

"Faith Departed": Post Strong Run, We Downgrade General Retail

Industry Overview

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- **The Tides are Turning** — We are beginning to see negative trends emerging from our key indicators for "General Retail" (Non-Food), namely: 1) Real Wage growth, 2) Consumer Confidence and 3) Unemployment. Post a strong run from 2009, we see rising food inflation/ weakening Rand, limiting General Retailers from showing +20% earnings growth in the medium term (as was seen in FY10 and FY11).
- **Sector Earnings Favour Food Retailers** — We now look for 25.2% and 23.7% HEPS growth for Food Retailers in FY12e and FY13e and expect 14.5% and 17% for General Retailers (Food Retail grew 4.3% in FY11 with General Retail at 23.3%). We highlight 5 key issues that underpin our bias towards Food Retailers in the next 12 months.
- **Issue 1: Lower Rate Outlook Priced In, Limited Further Re-Rating** — supporting the rally in General Retailers (especially Woolworths), has been the pushing out of estimates regarding rate hikes in SA. A near-term weakening Rand and coincidental inflationary pressures could easily result in a de-rating of General Retail names.
- **Issue 2: Food Inflation On the Up** — Food inflation is finally rearing its head after being in deflation for a considerable period of 2010, as the strong Rand outweighed rising global food inflation. With recent data suggesting this to be around 5% (and high single digits by year end), we see an improved FY12 for Food Retailers. We raise our earnings estimates and TP for Shoprite. We maintain them for Pick n Pay and only raise Spar's TP due to a valuation year roll forward.
- **Issue 3: FY11 Likely Bad Debt Trough, Less Operational Leverage Ahead** — While we have not seen much aggression from retail lending to date, we have seen a steep drop off in bad debt ratios. With a pick-up in bad debts likely in the medium term, this should result in reduced operating margin leverage than was seen in FY11. We believe this will be more pronounced at furniture retailers, given their higher reliance on financial services. We therefore cut earnings and TPs for JD Group and Lewis.
- **Issue 4: RoE Improvements Could Be Derailed By Slowdown** — The key driver of our continued General Retail RoE medium-term growth is expectations of firmer margins. A slowdown in semi-durable/ durable spend could result in lower profitability.
- **Issue 5: In Tougher Times, Defense is the Best Offense** — Food Retail has proven to be more defensive than General Retail in SA during the last 3 market corrections. With a high degree of global and local macro uncertainty, we favour being positioned in names that will provide downside protection in this environment. We lower our rating on Mr Price and Truworths to Hold and on Woolworths to Sell.
- **Buy Food, General Retail Downgraded, Except Furniture (Buy) and Foschini (Buy)** — Post a revision to some companies' earnings estimates and TPs (Shoprite, JD Group and Lewis) and housekeeping on recommendations, post strong share price appreciation in others (only Spar's TP has risen due to roll forward of valuation to FY12), we now see our sector pecking order as: 1) Food (1. Pick n Pay, 2. Spar, 3. Shoprite); 2) Furniture (1. JD Group, 2. Lewis); and 3) Clothing and Other Retailers (1. Foschini, 2. Mr Price, 3. Truworths, 4. Massmart and 5. Woolworths). See page 13 and 14 for a list of our rating, target price and estimate changes.

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Contents

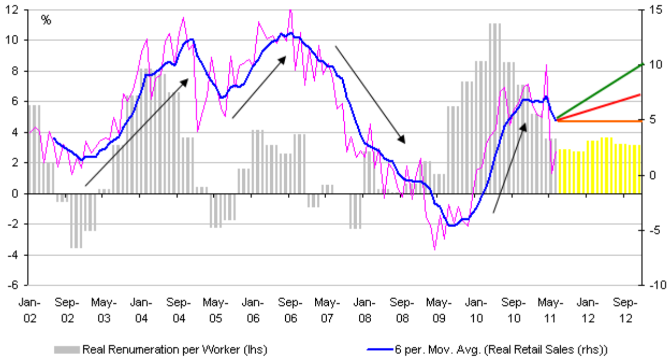
The Consumer Conundrum Continues

There has been growing skepticism from investors regarding the SA consumer's ability to continue driving General Retailers' (non-food) earnings in the medium term (especially post the slowing down of key variables like: 1) real wage growth, 2) consumer confidence, and 3) perceived growing unemployment. This report seeks to examine this key question and provides us an opportunity to review some of our earnings estimates and recommendations, given strong share price appreciation in certain segments (most notably clothing retailers).

Looking At Indicators – Positive, But Less Favourable than FY10/11

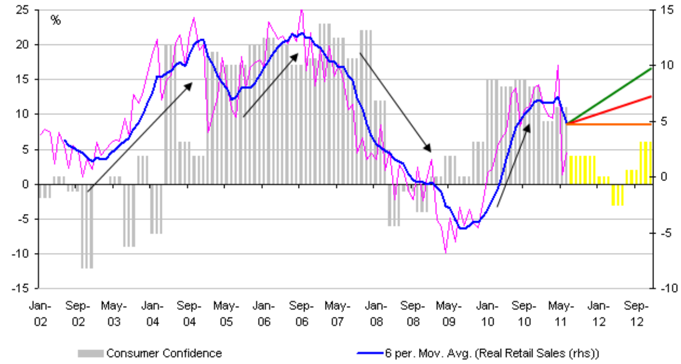
Generally we have assessed that three key macro economic indicators in SA have provided a useful gauge to the likely medium-term performance of retailers in SA (specifically non-food retailers). These being: 1) Real Wage Growth (leading indicator), 2) Consumer Confidence (co-incidental indicator), and 3) Unemployment (lagging indicator). We had been seeing positive trends in these indicators from mid-2009, but we find that we have now reached a contraction stage.

Figure 1. Real Wage Growth (yoy) and Real Retail Sales (yoy) over time



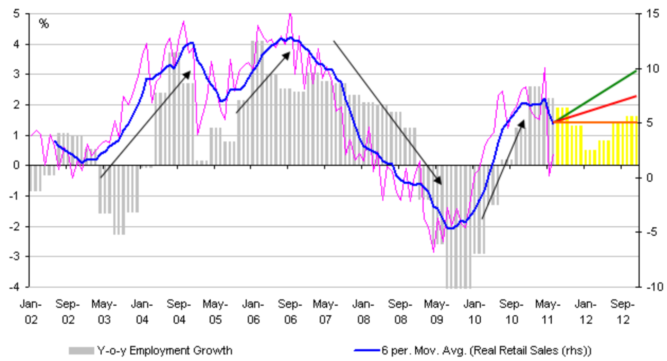
Source: CIRA and Stats SA (Note: Pink Line is Actual Real Retail Sales Y-o-Y Growth)

Figure 2. Consumer Confidence vs. Real Retail Sales (yoy) over time



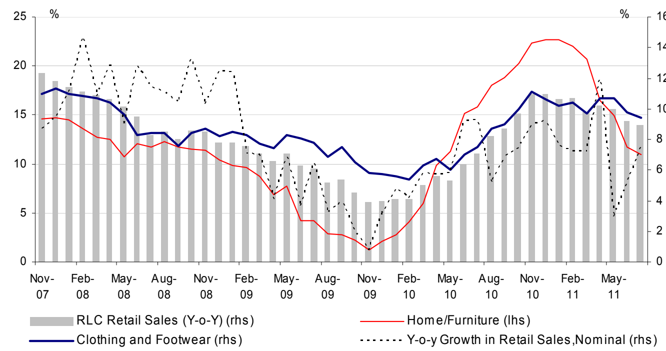
Source: BER and CIRA (Note: Pink Line is Actual Real Retail Sales Y-o-Y Growth)

Figure 3. Employment Growth (yoy) vs. Real Retail Sales (yoy)



Source: CIRA and EcoWin (Note: Pink Line is Actual Real Retail Sales Y-o-Y Growth)

Figure 4. Retail Sales, RLC (General Retailers) vs. Stats SA (All Retail)



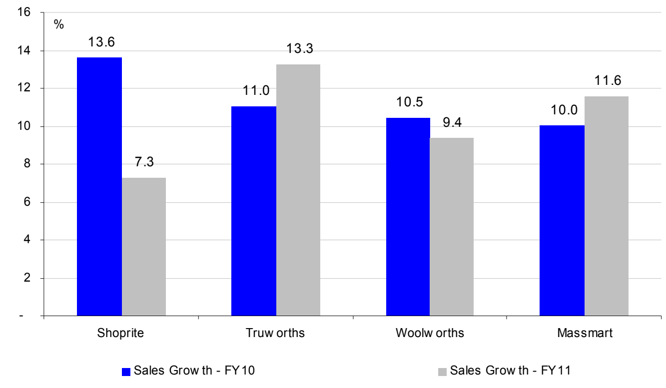
Source: BMR and Stats SA

However, even with this lowering of medium-term forecasts, there remains sufficient upside in each to warrant a more prolonged earnings growth trajectory for local general retailers, although we do expect the quantum of earnings growth to slow, largely due to: 1) less operational leverage that what was seen in FY10 and FY11 and 2) rising inflation to curb non-durable spending over the next 24 months (this has already slowed, relative to 2010, Figure 4). We do, however, see a more positive outlook for Food retailers, which have posted muted earnings growth in recent times given the weak inflation environment and intensified competition.

FY11: Clothing Exposure = Strong Results

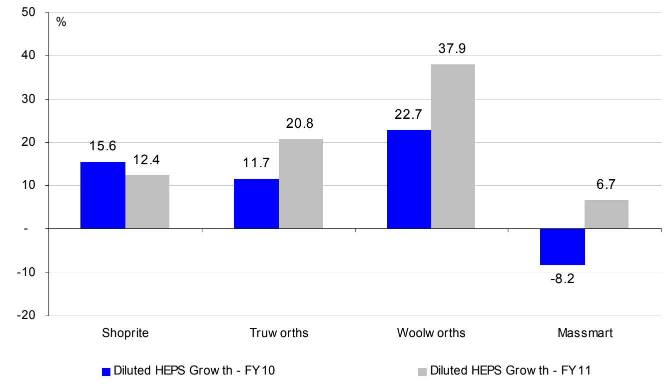
The last 18-24 months have seen a strong rebound in earnings in the General Retail sector from 2009 lows (especially clothing). This was evidenced in recent results, where we saw earnings growth from General outpacing Food Retailers.

Figure 5. Growth in Sales, FY10 vs. FY11



Source: Company Reports

Figure 6. Growth in Diluted HEPS, FY10 vs. FY11



Source: Company Reports

General Retail Showed More Earnings Resilience than Food in FY11

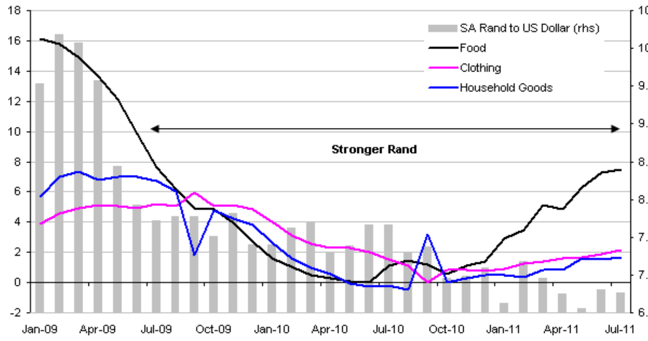
Even with several macro indicators showing that the consumer remains under pressure, we highlight some key reasons why listed SA retailers did well in FY11:

1. **Positive Real Wage Growth** – drove disposable income towards higher proportion of non-food consumption in a low inflation environment (in a high inflation environment, more spend is skewed towards food/transport).

2. **Margin Growth (effective management and low rates)** – top-line growth remained average relative to history; some retailers had strong margin gains through efficiency gains (sourcing, internal restructuring etc). Credit retailers' bad debts improve markedly in low rate/ inflation environment.

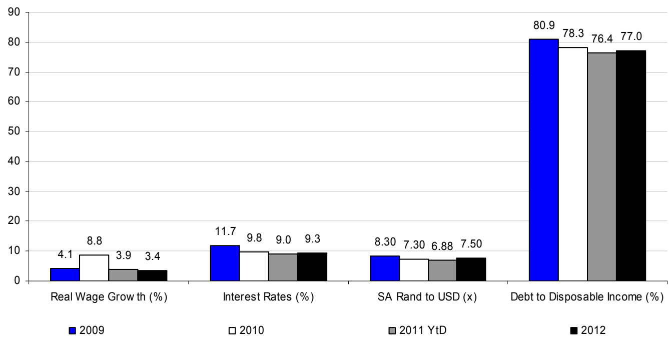
3. **Strong Rand** – has resulted in non-food goods being attractively priced in the past 18 months, driving strong volumes GP margin gains and protected SA from global inflationary pressures in the past 12 months. We discuss LFL growth (inflation + unit volumes) in the next section.

Figure 7. Inflation, Food vs. Clothing vs. Furniture/White Goods



Source: I-Net

Figure 8. Improvement in Key Consumer Metrics, 2009 to 2012e

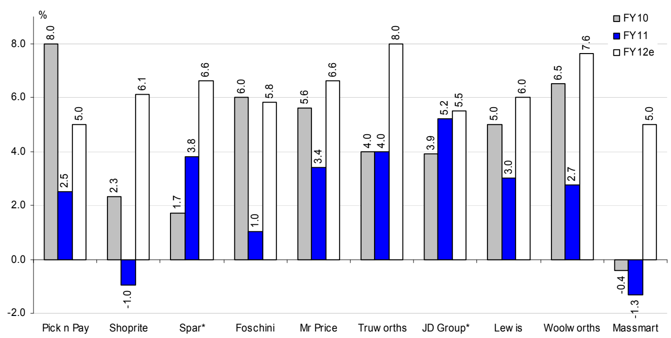


Source: Stats SA, I-Net, SARB and CIRA Estimates

Sales: LFL Up in Clothing, Down in Food

One of the key drivers of top-line growth has been recovering volumes for General Retailers (especially in FY10). This has been driven by: 1) a low base created from FY09, where the combination of mid-teen food inflation and considerable layoffs in SA, caused consumers to avoid any unnecessary retail spend (creating pent-up demand, which has been filtering through from FY10 and FY11, due to improving consumer conditions) and 2) the Strong Rand limiting the inflation creep of global inflationary pressures into SA and also making non-durable goods more affordable in a high real wage growth environment (Figure 9).

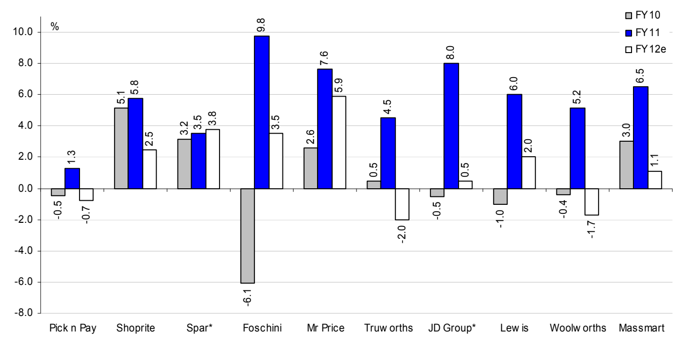
Figure 9. Internal Inflation Over Time, FY10 – FY12e



Source: Company Reports and CIRA Estimates

* Note: For JD Group, we have used only "Credit Retail" Sales Growth, and Spar and JD Group FY11 numbers are forecasts

Figure 10. Unit Volume Growth Over time, FY10 – FY12e

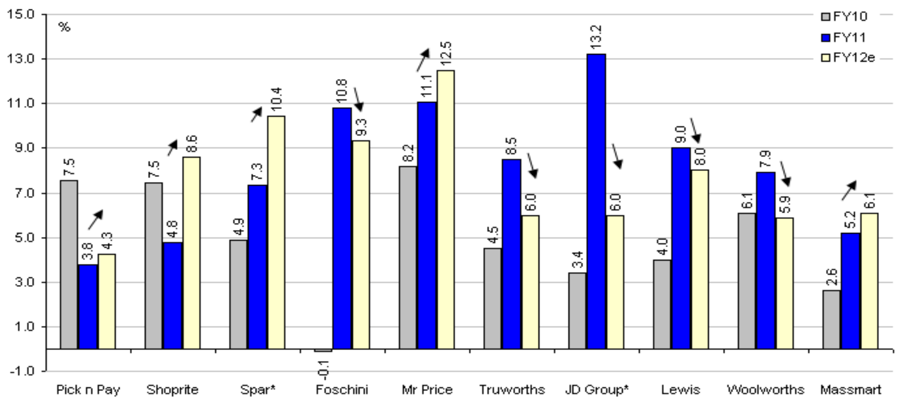


Source: Company Reports and CIRA Estimates

* Note: For JD Group, we have used only "Credit Retail" Sales Growth, and Spar and JD Group FY11 numbers are forecasts

Taking the above into account, we have seen on average: 1) falling comparable sales growth for Food retailers and 2) rising comparable sales growth for General Retailers, in FY11. Now, with food inflation creeping up each month in SA, as well as lower real wage growth and reduced levels of consumer confidence, we expect this to revert in FY12 with: 1) Food Retailers showing increasing comparable sales growth and 2) General Retailers showing slowing comparable sales growth, in FY12. However, we do not expect a collapse in sales within the General Retailers in FY12, but rather moderation, as some of the comparable sales erosion should be offset by still-encouraging space growth in the medium term (4%-6% on average).

Figure 11. Comparable Store Growth Over Time, FY10 – FY12e



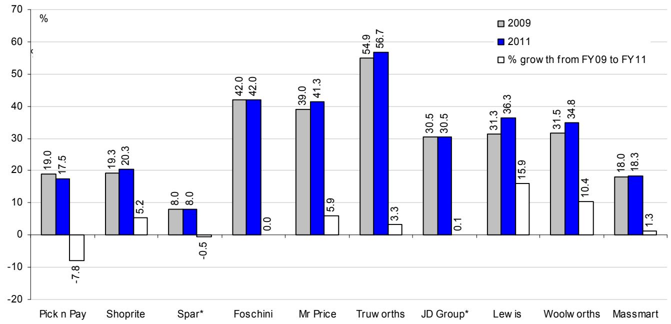
Source: Company Reports and CIRA Estimates
* Note: For JD Group, we have used only "Credit Retail" Sales Growth, and Spar and JD Group FY11 numbers are forecasts

Margin Movements: Assessing Profitability

A large part of the success of SA retailers in delivering strong earnings growth over time has been their ability to continuously grow margins. In Figure 12, we illustrate that other than Pick n Pay and JD Group (in the midst of turning around their business operations), all other listed SA retailers have seen GP margins be sustained or grow from 2009 (Spar has seen some erosion due to a highly competitive, low inflation environment in Food Retail, since peak food inflation in 2009). For most of the General Retailers, a large part of the gain has arisen from increased international sourcing in a strong Rand environment and improvements in their supply chains.

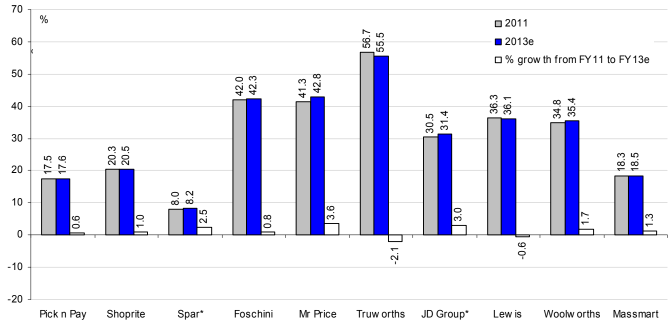
However, looking to FY13e, we still see on average, improving GP margins across our retail coverage universe (primarily for stocks with food exposure and those in recovery phase, e.g. JD Group should benefit from Steinhoff procurement).

Figure 12. GP Margin, FY09 vs. FY11 (and % change)



Source: Company Reports and CIRA Estimates (* Spar, JD Group still to report FY11)

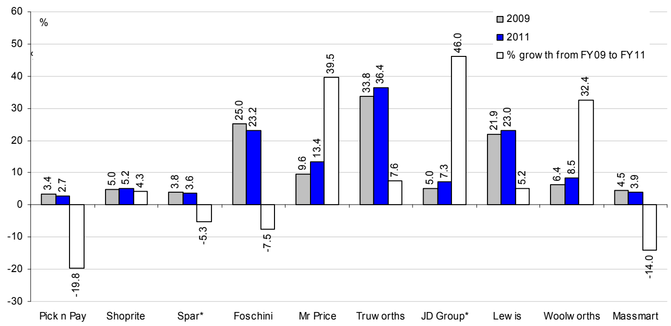
Figure 13. GP Margin, FY11 vs. FY13e (and % change)



Source: Company Reports and CIRA Estimates (* Spar, JD Group still to report FY11)

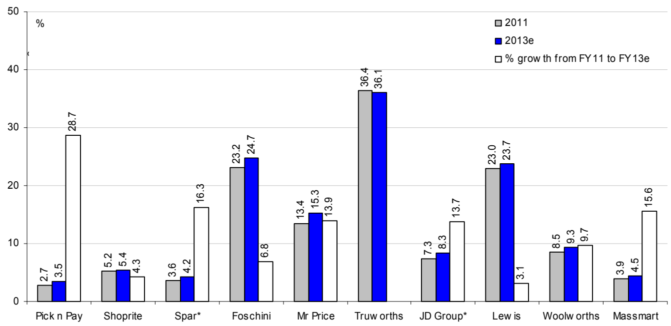
FY11 was a windfall year for many of SA's General Retailers, showing strong operating margins gains from FY10 (especially Woolworths and Mr Price). This again is evidence of the ability of management to drive strong operational leverage by: 1) eradicating/reducing/turning profitable formerly unprofitable portions of their business (Woolworths, Mr Price), 2) improving on already-strong units (Shoprite, Mr Price, Truworths), and 3) limiting cost build up with strong cost disciplines (leverage was further buoyed for credit-based retailers, which saw considerable improvement in bad debt ratios since 2009 highs e.g. Truworths, JD Group and Woolworths). We do expect the leverage to lower considerably for some, given recent sizeable margin gains (Truworths, Woolworths), and see more uplift for those in the process of turning around their performance (Pick n Pay, JD Group, Spar, Massmart). On average, we continue to expect operating margin gains for all to FY13e (Figure 15).

Figure 14. Operating Margin, FY09 vs. FY11 (and % change)



Source: Company Reports and CIRA Estimates (* Spar, JD Group still to report FY11)

Figure 15. Operating Margin, FY11 vs. FY13e (and % change)



Source: Company Reports and CIRA Estimates (* Spar, JD Group still to report FY11)

FY12: Food Retailers Will Likely Recover

In FY11, Food retailers earnings have seen muted growth driven by intensely low food inflation (and deflation for some), coupled with an increasingly competitive environment, which has driven margins lower (except for Shoprite, which was able to grow margins). In Figure 17, we illustrate the Sector Diluted HEPS growth relative to General Retailers in FY11.

Sector Performance: General Retail Outperforms Since 2009 Low's

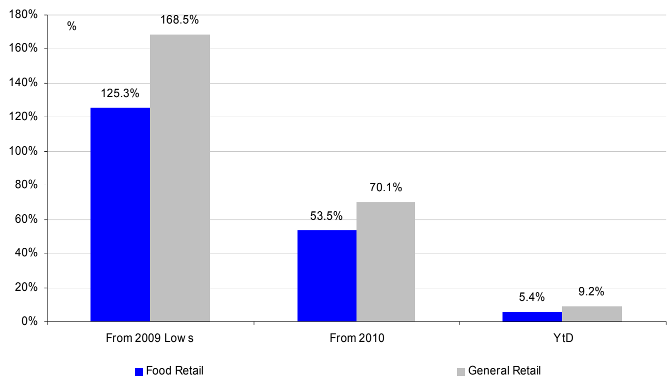
In Figure 16, we illustrate the Sector Share Price Performance for Food Retailers vs. General Retailers. On all the starting points, General Retail has outperformed, we discuss the reasons for this below:

1. **Higher base to grow from** – From the highs in 2007, General Retail fell c55%, with Food retail actually growing by c10%.

2. **Drivers Turned Against it** – With food inflation averaging mid-teens in 2009, the drop off to almost zero in FY11 put pressure on top-line growth and margins on average, leading to a fall off in earnings growth. Interest rates are also at c30 year lows, being a key driver re-rating General Retail.

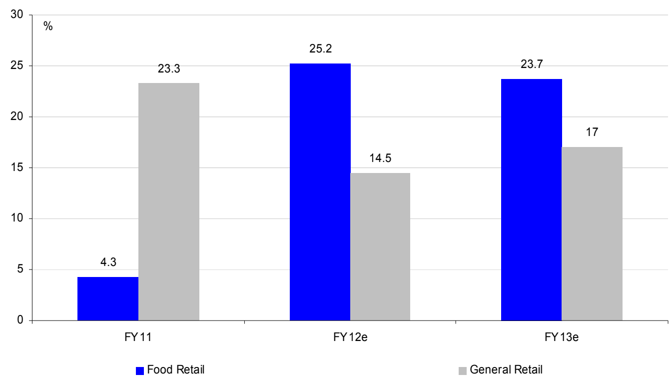
3. **Ailing Performers Weaken further** – further suppressing the Food retail sector share price performance was the demise of Pick n Pay over this period (HEPS growth went from 10.3% in FY09 to 1.3% in FY10 to -23% in FY11). Pick n Pay fell 15% from 2007 General Retail high to 2009 lows.

Figure 16. Sector Share Price Performance from Pre-Specified Dates



Source: I-Net

Figure 17. Sector – Diluted HEPS Growth Over Time



Source: Company Reports and CIRA Estimates

We Expect a Turnaround in the Next 24 Months – Buy Food Retailers

In Figure 17, we illustrate our Sector HEPS forecasts for Food/General Retailers. We see stronger earnings from Food Retailers in the next 24 months, due to:

1. **Increasing Food Inflation** – This will be a key driver of earnings growth, primarily from our expectation of stronger sales growth. SA Food Retailers tend to pass on all food inflation and GP margins are buoyed in rising food inflation periods, due to "stock profits". With a weaker Rand likely, Shoprite tends to benefit further from translation/margin gains with Africa exposure.

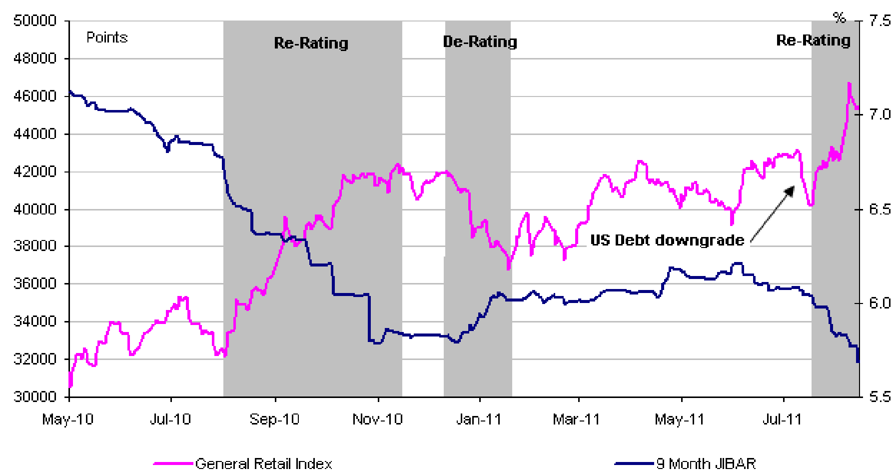
2. **Recovery of Pick n Pay and Spar** – We also expect much improved performances from Pick n Pay and Spar, due to: 1) better sales and cost control than FY11 and 2) low bases to grow from due to poor FY11.

We now look at some potential issues for General Retail in the medium term.

Issue 1: Pricing in Sustained Low Rates

With the continued moderation in the interest rate outlook in SA, as CPI is expected to exceed the target band range of 4%-6% for a brief period and then return to the range (coupled with worries around slower growth), we have seen a continued re-rating of the General Retail sector in 2011 (which has been further boosted by strong earnings performances from most). We are cautious that any sustained negative Rand movements could result in increased inflationary pressure in SA, resulting in the yield curve increasing in the next 12 months. This would be a key driver for a de-rating in General Retail (as we saw in January 2011), in our view.

Figure 18. 9 Month JIBR vs. General Retail Index (ex-Food) Over Time

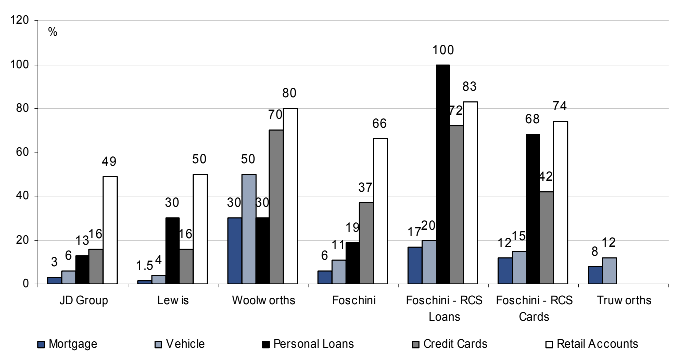


Source: I-Net and CIRA

While Retail Classically Not Interest-Rate Sensitive, Woolworths Is

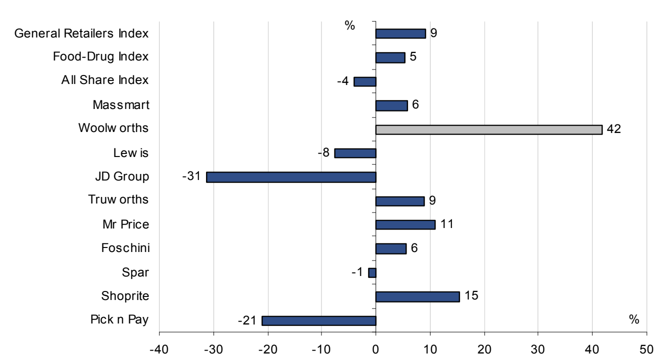
General retail in SA is not classically an interest-rate sensitive sector and as only c10-c15% of its consumer base holds interest-sensitive credit products like mortgage and vehicle finance (Figure 19), it will likely continue to be seen in this light. Thus, any upward movement in the yield curve over the next 12 months would see pressure being put on General retailers share prices. In Figure 20, we show the share price performance of SA retailers YtD. It is no surprise to see Woolworths having outperformed to such an extent, as its core target market is the most interest sensitive (and has generated great results in FY11). However, in the event of a steepening in the interest rate yield curve, it also stands to correct the most.

Figure 19. Retail Exposure to Other Forms of Credit in SA



Source: Company Reports and CIRA

Figure 20. YtD Performance of SA Retailers and Key JSE Sectors



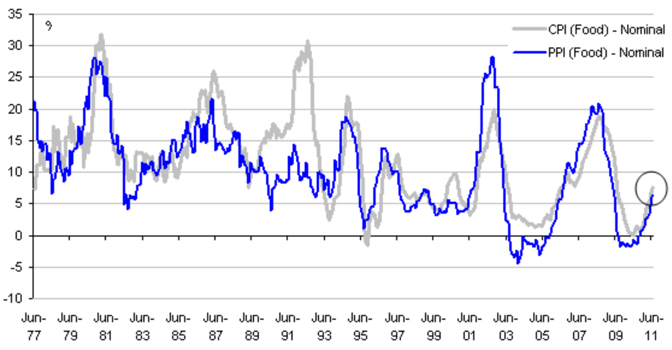
Source: I-Net

Issue 2: Food Inflation Rearing Its Head

Post the continued moderating of food inflation in South Africa from a peak of close to c20% in late 2008, to a trough of c0% in October 2010, largely driven by the continued strength of the Rand, we have seen a strong recovery in recent months (Figure 21). Most Food Retailers we have spoken to are seeing inflation of 5%-6% and expect this to be in the high single digits by the end of the year.

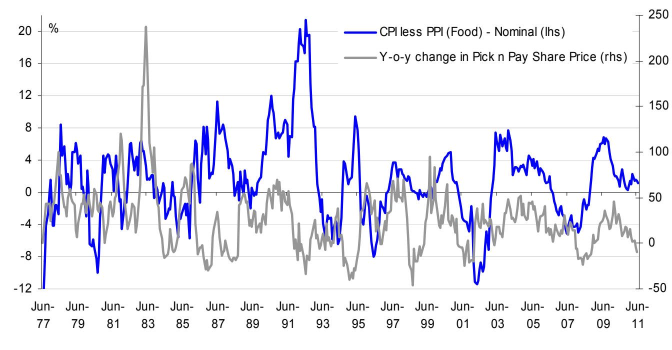
We believe this will result in three observations is the year ahead: 1) Top-line sales will be boosted by the incremental gain in selling prices from FY11, 2) GP margins will be further supported (likely to grow), given stock profits on pre-ordered goods and 3) it will pressure disposable income, reducing spend in General Retail.

Figure 21. Food CPI (Retailer) vs. Food PPI (Manufacturer) Over Time



Source: I-Net

Figure 22. GP Margin Proxy (CPI less PPI) and Pick n Pay Share Price

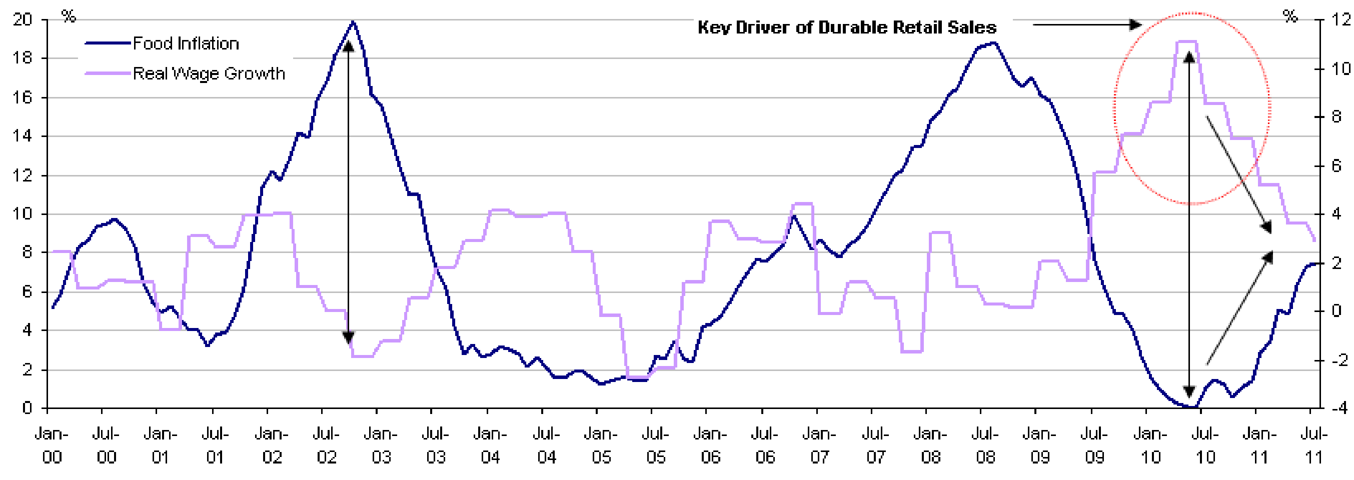


Source: I-Net

Switch into Food Retail Names – The Next 12- to 24-Month Play

On the last point, we illustrate in Figure 23, that a big driver supporting stronger sales in General Retail has been the limited "cannibalization" of disposable incomes in the last 18 months due to low food inflation. Recent trends have shown this gap narrowing materially. We thus find that while General Retail should still show mid-teen earnings growth, we are likely to see better earnings performances from Food Retailers in the next 12 to 24 months. Now is the time to accumulate food names, in our view.

Figure 23. Food Inflation vs. Real Disposable Income Per Worker Over Time

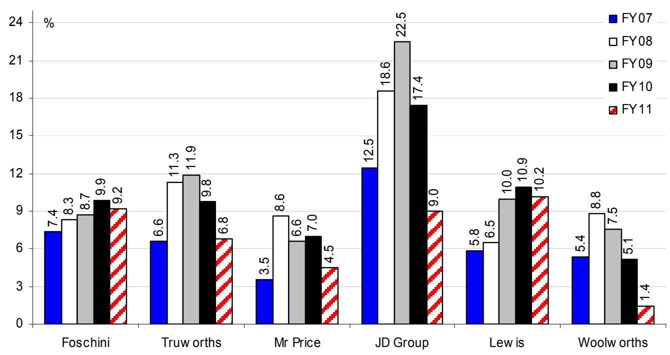


Source: EcoWin, I-Net and CIRA

Issue 3: Bad Debts Will Begin To Pick Up

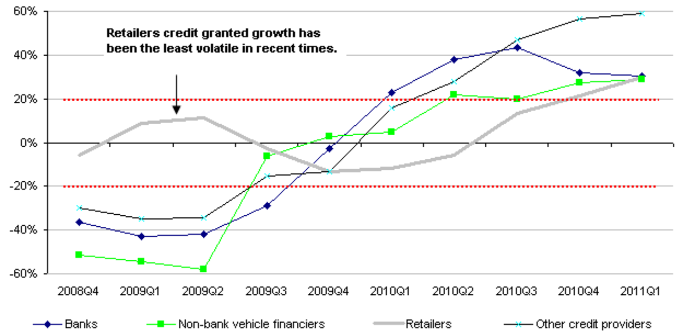
In Figure 24, we show the movement in bad debt ratios for credit retailers from FY07. Most saw this peak in FY09, a few in FY10, but all have seen moderation in FY11. Most of this reduction has been driven by improved collections (lower levels of write off's), rather than provisions being reduced drastically. Whilst we do feel that they remain conservatively provisioned, we do expect a pick up in credit sales in the next 24 months (See Figure 25), which should result in higher write off's than FY11. This would reduce their operational leverage, especially those with large corrections in their bad debt charges since FY09 (Truworths, Woolworths and JD Group).

Figure 24. Bad Debt Charge to Average Advances Over Time



Source: Company Reports and CIRA Estimates

Figure 25. Growth in Consumer Credit Granted (per Provider)

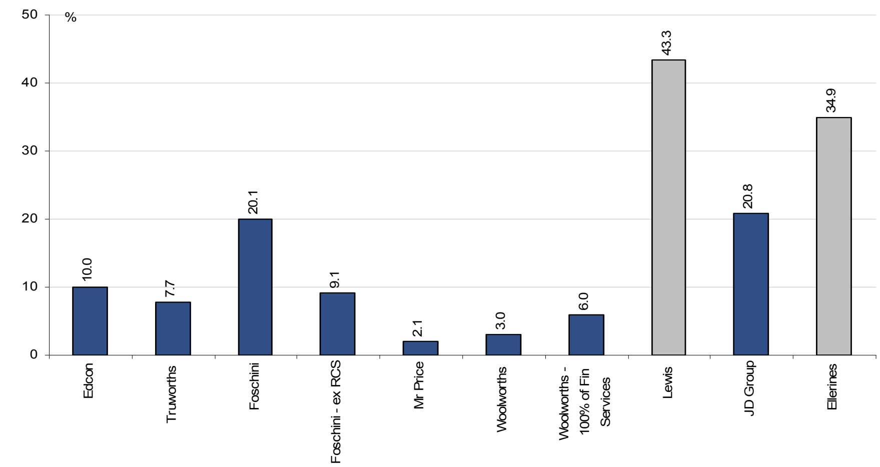


Source: NCR

Furniture Retailers to See Greater Lowering of Operational Leverage

Our recent work into the Credit retailers in SA has shown that most of these retailers use credit as a facilitator of sales growth rather than as a business unit on its own. However, we do see Furniture retailers having a high reliance on financial services revenue (See Figure 26) and hence would expect that with the likelihood of growing bad debts in the medium term, their operational leverage will reduce the most.

Figure 26. Financial Services Revenue to Total Revenue



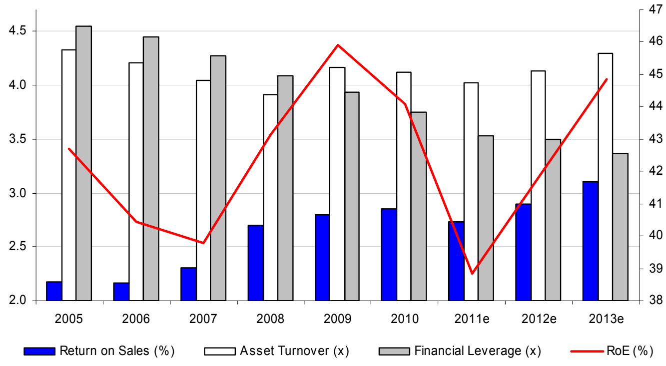
Source: Company Reports

Issue 4: RoE Impact of Market Downturn

We wish to reiterate that we still see RoE growing within the retail sector, largely driven by improving product margins, although to a lesser extent that what has been seen in FY11, except for furniture retailer JD Group, which is coming off a low base.

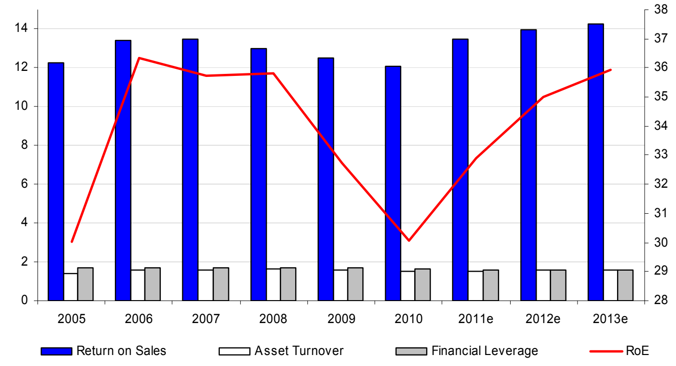
With a weaker medium-term consumer outlook (i.e. on inflation higher than current expectations), we could see some pressure on the growth expected in RoEs. While the combination of increased dividend payouts, share buybacks and some special dividends may provide a support for RoEs, the pullback in margins could see a lower quantum than our expectations.

Figure 27. Food: RoE Over Time (including Forecasts)



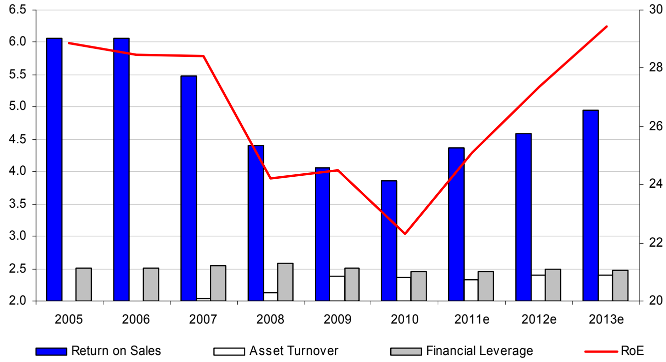
Source: Company Reports and CIRA Estimates

Figure 28. Clothing: RoE Over Time (including Forecasts)



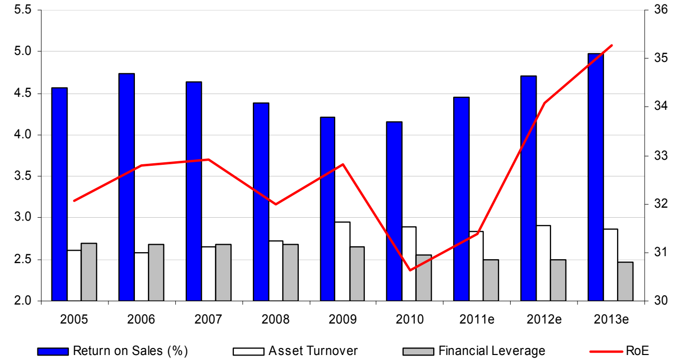
Source: Company Reports and CIRA Estimates

Figure 29. Furniture and Other: RoE Over Time (including Forecasts)



Source: Company Reports and CIRA Estimates

Figure 30. SA Retail: RoE Over Time (including Forecasts)



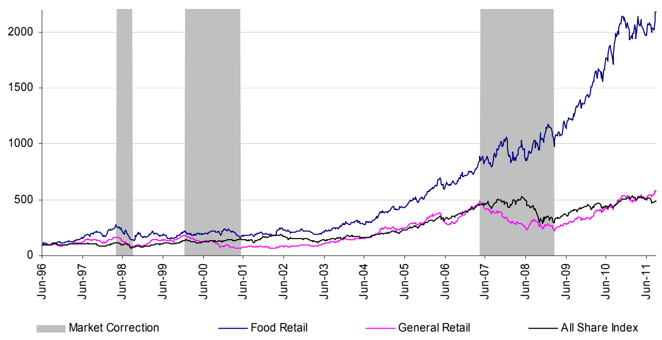
Source: Company Reports and CIRA Estimates

In our revisions to our earnings forecasts we have tried to capture some of this risk, but feel that the environment will still remain benign enough for our General Retail coverage universe to drive mid-teen earnings growth to FY13e. We thus merely wish to highlight the risk to our valuations in the event of macroeconomic conditions worsening from our current expectations.

Issue 5: Best Line of Offence = Defense

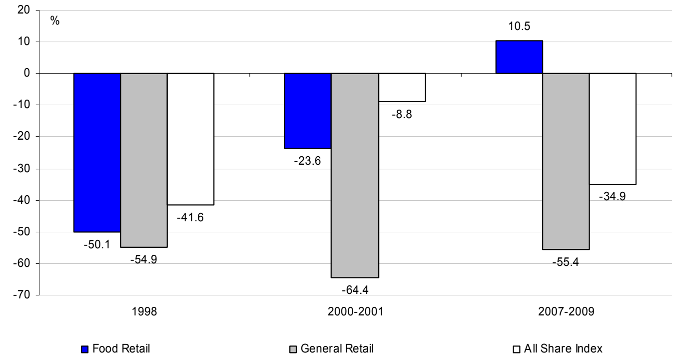
In Figure 30, we illustrate the performance of the Food Retail sector vs. the General Retail sector in the last 3 contractionary periods in SA (please keep in mind that in the first cycle, Spar, Massmart, Lewis were not listed). While we are not pre-empting a contractionary (recession-type) scenario in SA over the next 24 months, we are seeing a squeeze on disposable incomes from rising food and fuel prices (aided by a weaker Rand), resulting in incrementally less spend on semi-durable and durable goods compared to the last 18 months (interest rate exposure is still only between 10%-15% of retail customers). The severity of the rise in inflation (weakening of the Rand), will be key to the lessening of spend in General Retail.

Figure 31. Performance of Food Retail, General Retail and All Share Index Since 1996 (Rebased to 100)



Source: Citi Investment Research and Analysis

Figure 32. Correction from Peak to Trough, Last 3 Corrections

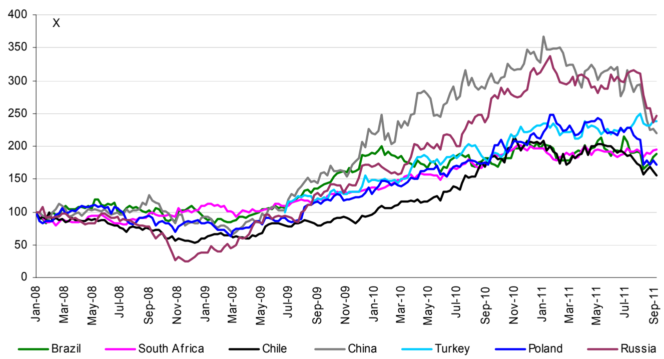


Source: I-Net and CIRA

SA Has Been the Most Defensive General Retail Emerging Market

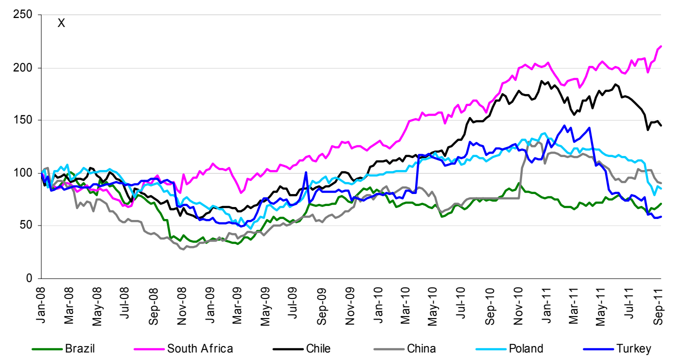
However, it must be noted, that for GEM investors who still feel positive regarding the prospects for emerging market consumers over the medium term, SA retail continues to be one of the most defensive plays, in our view. In Figure 32, while SA Food retail has not been the strongest performer, from the drop off in share prices from peaks in January 2011, it has been one of the most resilient (behind Turkey). In General Retail, SA has outperformed, and we think this has been driven by: 1) considerable earnings growth relative to other markets, large driven by margin growth and 2) the bolstering of this segment by the Massmart deal. So, we suggest that maintaining some SA exposure in GEM portfolios would be prudent.

Figure 33. Food Retail, Global and EM Retail: Performance from 2008



Source: I-Net, Bloomberg and DataStream

Figure 34. General Retail, Global and EM Retail: Performance from 2008



Source: I-Net, Bloomberg and DataStream

Revised Estimates and Valuation

As discussed earlier, General Retailers have had a strong run over the last 18 months (specifically those with clothing exposure). With our perception, that rising food/general inflation in the medium term (on a weakening Rand), will limit growth in real disposable incomes (likely to create consumer pressure), we have changed our stance and have become more positive on Food Retailers and less positive on Clothing Retailers and Woolworths. We make earnings changes for Shoprite, JD Group and Lewis, with the remaining changes (if any), being recommendations (except for Spar, where TP has risen due to roll forward of valuation to FY12e).

Figure 35. Prior and Revised, Sales Growth and Diluted HEPS

	Historic	% chg	1-Yr Fwd	% chg	2-Yr Fwd	% chg	3-Yr Fwd	% chg
Pick n Pay								
Sales Growth (%)	**5.9**	-3.9%	10.4	4.5%	12.5	2.1%	10.5	-2.0%
Diluted HEPS (Rands)	**1.62**	-23.0%	2.02	24.8%	2.82	39.2%	3.46	22.9%
Shoprite								
Sales Growth (%) - Prior	**7.3**	-17.3%	14.0	6.7%	15.4	1.4%	13.6	-1.8%
Diluted HEPS (Rands) - Prior	**5.08**	29.9%	6.21	22.4%	7.66	23.2%	8.74	14.1%
Sales Growth (%) - Revised	**7.3**	-17.3%	14.4	7.1%	15.4	1.0%	13.6	-1.8%
Diluted HEPS (Rands) - Revised	**5.08**	29.9%	6.37	25.5%	7.69	20.7%	8.89	15.6%
Spar								
Sales Growth (%)	**9.0**	-10.5%	10.0	1.0%	14.2	4.2%	12.4	-1.8%
Diluted HEPS (Rands)	**5.13**	9.2%	5.33	3.9%	6.66	24.9%	7.85	17.9%
Mr Price								
Sales Growth (%)	**12.9**	0.9%	14.4	1.5%	11.7	-2.7%	11.2	-0.5%
Diluted HEPS (Rands)	**3.89**	47.8%	4.75	22.1%	5.54	16.7%	6.36	14.7%
Foschini								
Sales Growth (%)	**15.5**	9.1%	14.0	-1.4%	12.9	-1.1%	12.0	-1.0%
Diluted HEPS (Rands)	**6.20**	19.6%	7.31	17.9%	8.32	13.9%	9.43	13.3%
Truworths								
Sales Growth (%)	**13.5**	3.0%	12.0	-1.5%	12.1	0.1%	11.4	-0.7%
Diluted HEPS (Rands)	**4.48**	34.9%	5.13	14.7%	5.86	14.2%	6.65	13.4%
JD Group								
Sales Growth (%) - Prior	**3.0**	-0.9%	7.8	4.8%	10.3	2.5%	9.6	-0.7%
Diluted HEPS (Rands) - Prior	**3.00**	2.2%	3.82	27.2%	5.25	37.4%	6.45	22.9%
Sales Growth (%) - Revised	**3.0**	-0.9%	7.8	4.8%	9.3	1.5%	9.6	0.3%
Diluted HEPS (Rands) - Revised	**3.00**	2.2%	3.89	29.6%	4.66	19.9%	5.50	18.0%
Lewis								
Sales Growth (%) - Prior	**12.0**	5.4%	14.2	2.2%	11.0	-3.2%	12.1	1.1%
Diluted HEPS (Rands) - Prior	**7.72**	20.7%	9.02	16.8%	10.64	18.0%	12.67	19.0%
Sales Growth (%) - Revised	**12.0**	5.4%	12.3	0.4%	11.0	-1.4%	10.9	-0.1%
Diluted HEPS (Rands) - Revised	**7.72**	20.7%	8.87	14.8%	10.29	16.0%	11.95	16.2%
Woolworths								
Sales Growth (%)	**9.4**	3.8%	11.8	2.4%	12.0	0.2%	10.1	-1.9%
Diluted HEPS (Rands)	**2.10**	69.3%	2.50	19.3%	2.92	16.7%	3.28	12.2%
Massmart								
Sales Growth (%)	**11.6**	3.2%	14.1	2.5%	14.6	0.5%	13.2	-1.4%
Diluted HEPS (Rands)	**5.79**	6.7%	6.42	10.9%	8.32	29.7%	10.09	21.3%

Source: Company Reports and CIRA Estimates

Note: Only for JD Group and Spar are 1-yr Forward HEPS, FY11. The remaining is FY12.

Post our changes to Shoprite earnings, we are now looking for c25% growth in Diluted HEPS for the Food Retailers in FY12, and post the lowering in estimates for JD Group and Lewis, we are now looking for 14.5% growth for General retailers. We do caution investors, that if inflation pressures remain subdued for longer than our revised expectations, we could see the General Retailers deliver stronger earnings than our forecasts and have more support to growth in their share prices.

Retailers With Clothing Exposure Downgraded – Except Foschini

In Figure 36, we show changes we make to our target prices and recommendations. We had already incorporated conservative estimates for the clothing names and Woolworths and so our estimates are unchanged for them. However, post strong share price appreciation, we downgrade Truworths and Mr Price to Hold from Buy and Woolworths to Sell from Buy. We also increase our risk rating on Woolworths to Medium from Low to reflect the heightened exposure it has to interest rate sensitive customers (puts it in a vulnerable position if the interest yield curve starts rising with a pick-up in inflation) . Foschini is now the only clothing retailer for which we retain a Buy (sufficient ETR to maintain this recommendation). For Spar, our TP increases to R114 from R106, due to a roll forward of valuation to FY12e.

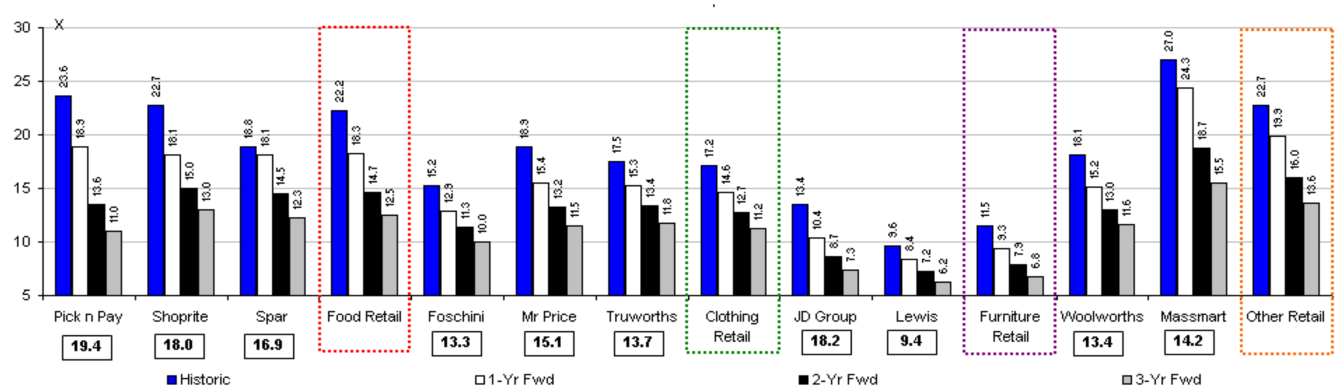
Figure 36. Revision to Target Prices and Recommendations (including commentary detailing reason for change, if any)

Rands	Current Price	Prior Target Price	Revised Target Price	Prior Rating	Revised Rating	ETR	Comments
Shoprite	115.45	120.00	130.00	1L	1L	**14.8%**	Diluted HEPS increased 2%-3% across forecast years. TP increases to R130, due to increased expectation of w eakening Rand, firmer margins and rising food inflation.
Mr Price	73.33	79.00	79.00	1M	2M	**12.4%**	No revisions made to earnings forecasts or TP. Dow ngrade to Hold on limited upside to TP. Still likely to deliver c22% HEPS grow th in FY12.
Foschini	94.34	106.00	106.00	1M	1M	**16.7%**	No revisions made to earnings forecasts or TP. Maintain Buy on sufficient upside to TP. Likely to deliver c18% HEPS grow th in FY12.
Truworths	78.42	84.00	84.00	1M	2M	**10.5%**	No revisions made to earnings forecasts or TP. Dow ngrade to Hold on limited upside to TP. Still likely to deliver c15% HEPS grow th in FY12.
JD Group	40.35	60.00	52.00	1M	1M	**33.8%**	HEPS forecasts cut betw een c11% and c15% across forecast years. Rising food inflation, w ill see pressure on non-durable spend. Maintain Buy, TP reduced to R52.
Lewis	74.17	91.00	86.00	1M	1M	**21.7%**	HEPS forecasts cut betw een c2% and c6% across forecast years. Rising food inflation, w ill see pressure on non-durable spend. Maintain Buy, TP reduced to R86.
Woolworths	37.97	36.00	36.00	1L	3M	**-1.4%**	No revisions made to earnings forecasts or TP. Dow ngrade to Sell due to full valuation.Any inflationary pressures (interest rates) could see it de-rate the most.
Spar	96.60	106.00	114.00	1L	1L	**22.0%**	No revisions made to earnings forecasts. TP rises due to valuation roll forw ard. Remain positive due to rising food inflation and likely low er cost grow th from FY11.
Pick n Pay	38.20	49.00	49.00	1M	1M	**32.8%**	No revisions made to earnings forecasts or TP. 25% FY12e HEPS grow th, only 14% on continued operations. Rising food inflation and Franklins deal to support.
Massmart	156.02	154.00	154.00	3L	3L	**1.2%**	No revisions made to earnings forecasts or TP. Share remains expensive on medium term forecasts, even w ith the building in of perceived "Wal-Mart" benefits

Source: I-Net and CIRA

In Figure 37, we illustrate our PE estimates. On average, we have retained Buys on names that are on a forward PE that are close to their historic averages (boxes).

Figure 37. Historic and Forward PE – Split by Sector (including Long Term Averages), JD Group and Spar Forward PE is For FY11, Others FY12

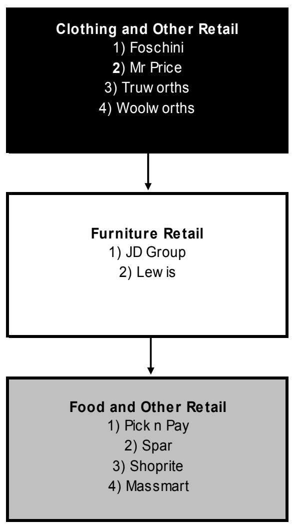


Source: Company Reports, I-Net and CIRA Estimates

Revised Sector and Stock Pecking Order

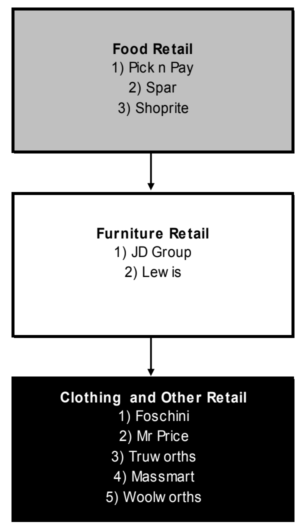
The main shift in our sector pecking order has been that we previously liked Clothing the most and Food the least, but this has now reversed (Figures 38/39). While furniture names have been affected the most due to our more cautious outlook for non-durable spend (TPs have reduced for JD Group and Lewis), there remains sufficient upside on revised estimates to maintain Buy ratings on both. For the next 12 months, our preferred pecking order is: 1) Food, 2) Furniture and 3) Clothing/Other Retail. We have included our stock pecking order per sector in Figure 38 and 39 below. **Note, our pecking order is based on potential upside.**

Figure 38. Prior: Sector and Stock Pecking Order



Source: CIRA

Figure 39. Revised: Sector and Stock Pecking Order



Source: CIRA

Appendix: Detailed Income Statements

Figure 40. Pick n Pay: Detailed Income Statement and Key Ratios

R Millions	FY10a	FY11a	% chg	FY12e	% chg	FY13e	% chg	FY14e	% chg
Revenues	**49 324**	**52 217**	5.9%	**57 787**	10.7%	**65 009**	12.5%	**71 855**	10.5%
Turnover	**49 069**	**51 946**	5.9%	**57 351**	10.4%	**64 517**	12.5%	**71 302**	10.5%
Other trading income	187	231	24.1%	247	6.7%	258	4.5%	269	4.3%
Cost of Sales	(40 245)	(42 860)	6.5%	(47 315)	10.4%	(53 162)	12.4%	(58 682)	10.4%
Gross profit	**8 824**	**9 086**	3.0%	**10 036**	10.5%	**11 355**	13.1%	**12 621**	11.1%
Gross Margin	**18.0%**	**17.5%**		**17.5%**		**17.6%**		**17.7%**	
Trading expenses	(7 371)	(7 900)	7.2%	(8 561)	8.4%	(9 346)	9.2%	(10 110)	8.2%
Trading profit	**1 639**	**1 418**	-13.5%	**1 722**	21.5%	**2 266**	31.6%	**2 779**	22.6%
Trading Margin	**3.3%**	**2.7%**		**3.0%**		**3.5%**		**3.9%**	
Other Operating Items	**173**	**-62**		**-81**		**-101**		**-122**	
Interest received	69	40		189		235		284	
Interest Paid	(86)	(111)		(270)		(335)		(405)	
Exceptional items	191	10		-		-		-	
Operating Profit	**1 812**	**1 356**	-25.2%	**1 641**	21.0%	**2 166**	32.0%	**2 658**	22.7%
Operating Margin	**3.7%**	**2.6%**		**2.9%**		**3.4%**		**3.7%**	
Operating Margin - excl. Exceptionals	**3.3%**	**2.6%**		**2.9%**		**3.4%**		**3.7%**	
Tax expense	(532)	(448)		(591)		(780)		(957)	
Effective Tax Rate	29.4%	33.0%		36.0%		36.0%		36.0%	
Profit for the Year (Cont Ops)	**1 280**	**908**	-29.0%	**1 050**	15.6%	**1 386**	32.0%	**1 701**	22.7%
Loss from discontinued operations	(91)	(123)		(50)		-		-	
Minorities	-	-		-		-		-	
Attributable Profit	**1 189**	**785**	-34.0%	**1 000**	27.4%	**1 386**	38.6%	**1 701**	22.7%
Adjust: non-headline items	**(177)**	**(1)**		**(20)**		**(20)**		**(20)**	
Headline Earnings	**1 012**	**784**	-22.5%	**980**	25.0%	**1 366**	39.4%	**1 681**	23.0%
Continued Operations	1 096	901	-17.8%	1 030	14.4%	1 366	32.6%	1 681	23.0%
Discontinued Operations	(84)	(116)		(50)		-		-	
Fully Diluted HEPS	**2.11**	**1.62**	-23.0%	**2.02**	24.8%	**2.82**	39.2%	**3.46**	22.9%
Continued Operations	2.28	1.86	-18.4%	2.13	14.3%	2.82	32.5%	3.46	22.9%
Discontinued Operations	-0.18	-0.24		-0.10		0.00		0.00	
DPS	**1.75**	**1.43**	-18.3%	**1.72**	20.4%	**2.39**	39.2%	**2.94**	22.9%
Dividiend cover	**1.2**	**1.2**		**1.2**		**1.2**		**1.2**	

Source: Company Reports and CIRA Estimates

Figure 41. Shoprite: Detailed Income Statement and Key Ratios

Rm	2011a	% chg	2012e	% chg	2013e	% chg	2014e	% chg
Revenues	**74,154**	7.5	**84,812**	14.4	**97,740**	15.2	**110,902**	13.5
Turnover	72,298	7.3	82,677	14.4	95,393	15.4	108,366	13.6
Cost of Sales	(57,624)	6.4	(66,142)	14.8	(76,314)	15.4	(86,693)	13.6
Gross profit	**14,673**	10.7	**16,535**	12.7	**19,079**	15.4	**21,673**	13.6
GP Margin (%)	20.3%		20.0%		20.0%		20.0%	
Other trading income	1,856	17.7	2,134	15.0	2,348	10.0	2,536	8.0
Trading expenses	**(12,543)**	10.6	**(13,956)**	11.3	**(15,927)**	14.1	**(17,839)**	12.0
Employee costs	(5,762)	9.3	(6,672)	15.8	(7,706)	15.5	(8,880)	15.2
Depreciation	(934)	11.2	(1,261)	35.1	(1,390)	10.3	(1,533)	10.3
Occupancy costs	(1,700)	9.7	(1,896)	11.5	(2,106)	11.1	(2,332)	10.7
Other Costs	(4,146)	12.8	(4,128)	-0.4	(4,725)	14.5	(5,095)	7.8
Trading profit	**3,987**	14.2	**4,714**	18.2	**5,500**	16.7	**6,369**	15.8
Trading Margin (%)	5.5%		5.7%		5.8%		5.9%	
Other Operating Items	(79)	-23.6	2	-102.6	37	1671.8	33	-10.5
Exchange Rate Gains	(0)		76		105		96	
Items of a Capital Nature	(79)		(74)		(69)		(64)	
Operating Profit	**3,908**	15.4	**4,716**	20.7	**5,536**	17.4	**6,402**	15.6
Operating Margin (%)	5.4%		5.7%		5.8%		5.9%	
Interest received	95	-10.5	115	21.1	135	17.4	155	14.9
Finance Costs	(126)	34.4	(146)	15.9	(166)	13.7	(186)	12.1
Profit before Tax	**3,876**	14.0	**4,684**	20.8	**5,505**	17.5	**6,371**	15.7
Tax expense	(1,347)	21.1	(1,499)	11.3	(1,651)	10.2	(1,911)	15.7
Effective Tax Rate (%)	34.7%		32.0%		30.0%		30.0%	
Profit for the Period	**2,530**	10.6	**3,185**	25.9	**3,853**	21.0	**4,460**	15.7
Minorities	(20)		(25)		(30)		(35)	
Attributable Profit	**2,510**	10.7	**3,161**	25.9	**3,823**	21.0	**4,425**	15.7
Adjust: non-headline items	***59***		***59***		***59***		***59***	
Gain/Loss on sale of equipment and vehicles	32		32		32		32	
Gain/Loss on sale of stores	-		-		-		-	
Gain/Loss on Sale of Property	(7)		(7)		(7)		(7)	
Goodw ill Adjustments	1		1		1		1	
Impairment of Associates/ Other Assets	56		56		56		56	
Other adjustments	(23)		(23)		(23)		(23)	
Headline Earnings	**2,569**	12.0	**3,220**	25.3	**3,882**	20.6	**4,484**	15.5
Weighted shares in issue	506.1		505.6		505.1		504.6	
Fully diluted w eighted SISS	506.1		505.6		505.1		504.6	
Fully Diluted EPS	4.96	11.1	6.25	26.1	7.57	21.1	8.77	15.8
Fully Diluted HEPS	5.08	12.4	6.37	25.5	7.69	20.7	8.89	15.6
DPS	2.53	11.5	3.18	25.8	4.05	27.1	4.68	15.6
Dividend Cover	2.0		2.0		1.9		1.9	

Rm	2011a	% chg	2012e	% chg	2013e	% chg	2014e	% chg
Segment Revenue	**72,298**	7.3	**82,677**	14.4	**95,393**	15.4	**108,366**	13.6
Supermarkets - RSA	57,214	7.2	65,224	14.0	75,007	15.0	85,133	13.5
Supermarkets - non-RSA	7,317	2.1	8,780	20.0	10,799	23.0	12,635	17.0
Furniture	3,060	1.9	3,213	5.0	3,470	8.0	3,747	8.0
Other operating Segments	4,708	21.7	5,461	16.0	6,116	12.0	6,850	12.0
Trading Profit	**3,987**	**14.2**	**4,714**	18.2	**5,500**	16.7	**6,369**	15.8
Supermarkets - RSA	3,302	19.9	3,913	18.5	4,500	15.0	5,193	15.4
Supermarkets - non-RSA	416	-14.5	509	22.6	659	29.4	783	18.9
Furniture	131	0.2	138	5.1	163	18.0	187	14.9
Other operating Segments	137	16.2	153	11.3	177	16.0	206	15.9
Trading Margin	**5.5%**	**0.3%**	**5.7%**	**0.2%**	**5.8%**	**0.1%**	**5.9%**	**0.1%**
Supermarkets - RSA	5.8%	0.6%	6.0%	0.2%	6.0%	0.0%	6.1%	0.1%
Supermarkets - non-RSA	5.7%	-1.1%	5.8%	0.1%	6.1%	0.3%	6.2%	0.1%
Furniture	4.3%	-0.1%	4.3%	0.0%	4.7%	0.4%	5.0%	0.3%
Other operating Segments	2.9%	-0.1%	2.8%	-0.1%	2.9%	0.1%	3.0%	0.1%
Segment Revenue - Split	**100.0%**		**100.0%**		**100.0%**		**100.0%**	
Supermarkets - RSA	79.1%	0.0%	78.9%	-0.2%	78.6%	-0.3%	78.6%	-0.1%
Supermarkets - non-RSA	10.1%	-0.5%	10.6%	0.5%	11.3%	0.7%	11.7%	0.3%
Furniture	4.2%	-0.2%	3.9%	-0.3%	3.6%	-0.2%	3.5%	-0.2%
Other operating Segments	6.5%	0.8%	6.6%	0.1%	6.4%	-0.2%	6.3%	-0.1%
Trading Profit Split	**100.0%**		**100.0%**		**100.0%**		**100.0%**	
Supermarkets - RSA	82.8%	3.9%	83.0%	0.2%	81.8%	-1.2%	81.5%	-0.3%
Supermarkets - non-RSA	10.4%	-3.5%	10.8%	0.4%	12.0%	1.2%	12.3%	0.3%
Furniture	3.3%	-0.5%	2.9%	-0.4%	3.0%	0.0%	2.9%	0.0%
Other operating Segments	3.4%	0.1%	3.2%	-0.2%	3.2%	0.0%	3.2%	0.0%

Source: Company Reports and CIRA Estimates

Figure 42. Spar: Detailed Income Statement and Key Ratios

R Millions	FY09a	FY10a	% chg	FY11e	% chg	FY12e	% chg	FY13e	% chg
Revenues	**32 291**	**35 184**	9.0%	**38 716**	10.0%	**44 229**	14.2%	**49 700**	12.4%
Turnover	**31 962**	**34 844**	9.0%	**38 342**	10.0%	**43 804**	14.2%	**49 236**	12.4%
Other trading income	294	315	7.2%	347	10.0%	396	14.2%	433	9.3%
Cost of Sales	(29 393)	(32 084)	9.2%	(35 275)	9.9%	(40 277)	14.2%	(45 199)	12.2%
Gross profit	**2 569**	**2 761**	7.5%	**3 067**	11.1%	**3 526**	15.0%	**4 037**	14.5%
Gross Margin	**8.0%**	**7.9%**		**8.0%**		**8.1%**		**8.2%**	
Trading expenses	(1 649)	(1 760)	6.7%	(2 034)	15.6%	(2 186)	7.5%	(2 410)	10.2%
Trading profit	**1 215**	**1 316**	8.4%	**1 380**	4.9%	**1 737**	25.8%	**2 061**	18.7%
Trading Margin	**3.8%**	**3.8%**		**3.6%**		**4.0%**		**4.2%**	
Other Operating Items	**-68**	**-9**		**-9**		**-10**		**-10**	
Interest received	35	25		27		29		31	
Interest Paid	(30)	(21)		(23)		(25)		(28)	
Exceptional items	(73)	(13)		(13)		(13)		(13)	
Operating Profit	**1 147**	**1 307**	14.0%	**1 371**	4.9%	**1 727**	26.0%	**2 051**	18.8%
Operating Margin	**3.6%**	**3.8%**		**3.6%**		**3.9%**		**4.2%**	
Operating Margin - excl. Exceptionals	**3.8%**	**3.8%**		**3.6%**		**4.0%**		**4.2%**	
Tax expense	(402)	(392)		(412)		(519)		(617)	
Effective Tax Rate	35.0%	30.0%		30.1%		30.1%		30.1%	
Profit for the Year (Cont Ops)	**745**	**915**	22.8%	**959**	4.8%	**1 208**	25.9%	**1 434**	18.7%
Attributable Profit	**745**	**915**	22.8%	**959**	4.8%	**1 208**	25.9%	**1 434**	18.7%
Adjust: non-headline items	**(59)**			**(7)**		**(14)**		**(21)**	
Headline Earnings	**686**	**916**	33.5%	**952**	4.0%	**1 194**	25.4%	**1 413**	18.4%
Fully Diluted HEPS	**3.92**	**5.06**	29.1%	**5.26**	3.9%	**6.59**	25.2%	**7.78**	18.1%
Fully Diluted HEPS - Normalised	**4.70**	**5.13**	9.2%	**5.33**	3.9%	**6.66**	24.9%	**7.85**	17.9%
DPS	**3.22**	**3.62**	12.4%	**3.81**	5.2%	**4.44**	16.5%	**5.23**	17.9%
Dividend cover	**1.5**	**1.5**		**1.4**		**1.5**		**1.5**	

Source: Company Reports and CIRA Estimates

Figure 43. Foschini: Detailed Income Statement and Key Ratios

Rm	2010a	%	2011a	%	2012e	%	2013e	%	2014e	%
Revenue	**10,780**	16.5	**12,371**	14.8	**14,139**	14.3	**16,088**	13.8	**18,015**	12.0
Retail Turnover	8,605	12.2	9,937	15.5	11,331	14.0	12,798	12.9	14,332	12.0
Cost of turnover	-5,006	11.8	-5,768	15.2	-6,549	13.5	-7,384	12.8	-8,255	11.8
Gross profit	**3,599**	12.9	**4,168**	15.8	**4,781**	14.7	**5,413**	13.2	**6,077**	12.3
GP Margin (%)	41.8%		42.0%		42.2%		42.3%		42.4%	
Interest received	1,444	36.7	1,486	2.9	1,764	18.7	2,140	21.3	2,417	12.9
Dividends received	14		12		15		18		21	
Other Revenue	718	40.3	936	30.4	1,029	10.0	1,132	10.0	1,246	10.0
Trading expenses	**-3,802**	32.5	**-4,301**	13.1	**-4,893**	13.8	**-5,538**	13.2	**-6,176**	11.5
Depreciation and amortisation	-264	29.1	-283	7.0	-308	9.0	-336	8.9	-365	8.7
Employment costs	-1,377	22.9	-1,656	20.3	-1,895	14.5	-2,129	12.4	-2,370	11.3
Occupancy costs	-816	39.9	-922	12.9	-1,053	14.2	-1,177	11.8	-1,300	10.4
Other operating costs	-633	29.2	-808	27.6	-929	15.0	-1,022	10.0	-1,093	7.0
Operating profit before debtor costs	**1,973**	-17.0	**2,301**	16.7	**2,697**	17.2	**3,166**	17.4	**3,584**	13.2
Operating Margin - pre debtor costs (%)	22.9%		23.2%		23.8%		24.7%		25.0%	
Net bad debt and provision - Retail	-359	65.3	-402	11.9	-446	10.9	-554	24.3	-664	19.9
Net bad debt and provision - RCS	-352	38.9	-231	-34.4	-262	13.2	-320	22.3	-384	19.9
Operating profit before finance charges	**1,973**	3.5	**2,301**	16.7	**2,697**	17.2	**3,166**	17.4	**3,584**	13.2
Operating Margin (%) - Medium Term Target = 25%	22.9%		23.2%		23.8%		24.7%		25.0%	
Interest Paid	-262		-250		-272		-391		-425	
Income from associate	-		-		-		-		-	
Exceptional Item	-		-		-		-		-	
Profit before tax	**1,711**	-4.2	**2,051**	19.9	**2,425**	18.2	**2,775**	14.4	**3,159**	13.8
Tax expense	-549		-662		-776		-888		-1,011	
Tax Rate (%)	32.1%		32.3%		32.0%		32.0%		32.0%	
Profit for the period	**1,163**	-3.6	**1,389**	19.5	**1,649**	18.8	**1,887**	14.4	**2,148**	13.8
Equity Holders	1,086	-3.8	1,302	19.9	1,546	18.8	1,769	14.4	2,013	13.8
Minority interest	77		87		103		118		135	
Attributable Profit	**1,086**		**1,302**		**1,546**		**1,769**		**2,013**	
Headline Earnings Adjustments	-		4		-		-		-	
Headline Earnings	**1,086**	-3.8	**1,306**	20.3	**1,546**	18.4	**1,769**	14.4	**2,013**	13.8
HEPS	5.21	-4.7	6.32	21.3	7.45	17.8	8.48	13.9	9.61	13.3
Fully Diluted HEPS	5.18	-3.7	6.20	19.6	7.31	17.9	8.32	13.9	9.43	13.3
DPS	2.88	0.0	3.50	21.5	4.14	18.3	4.71	13.9	5.34	13.3
Dividend Cover	**1.8**		**1.8**		**1.8**		**1.8**		**1.8**	

Source: Company Reports and CIRA Estimates

Figure 44. Mr Price: Detailed Income Statement and Key Ratios

Rand (Millions)	FY10a	FY11a	% chg	FY12e	% chg	FY13e	% chg	FY14e	% chg
Revenue	**9,747.9**	**10,973.3**	12.6	**12,540.5**	14.3	**14,007.3**	11.7	**15,572.4**	11.2
Retail Sales	9,454.1	10,673.4	12.9	12,213.9	14.4	13,646.9	11.7	15,175.8	11.2
Cost of Sales	-5,685.2	-6,201.6	9.1	-7,023.0	13.2	-7,806.0	11.1	-8,635.1	10.6
Gross Profit	**3,769.0**	**4,471.7**	18.6	**5,190.9**	16.1	**5,840.9**	12.5	**6,540.8**	12.0
GP Margin (%)	39.9%	41.9%		42.5%		42.8%		43.1%	
Other Income	214.1	239.7	11.9	263.7	10.0	290.1	10.0	319.1	10.0
Trading Expenses	**2,991.6**	**3,277.7**	9.6	**3,697.3**	12.8	**4,043.0**	9.4	**4,423.8**	9.4
Depreciation and Ammortisation	180.6	175.6	-2.8	183.4	4.5	192.6	5.0	202.2	5.0
Employee Costs	1,117.8	1,305.8	16.8	1,479.4	13.3	1,669.2	12.8	1,863.9	11.7
Occupany Costs	813.9	877.9	7.9	964.1	9.8	1,052.9	9.2	1,148.2	9.1
Other Operating Costs	865.0	918.4	6.2	1,070.4	16.6	1,128.4	5.4	1,209.4	7.2
Operating Profit	**991.5**	**1,433.8**	44.6	**1,757.3**	22.6	**2,087.9**	18.8	**2,436.1**	16.7
Operating Margin (%)	10.5%	13.4%		14.4%		15.3%		16.1%	
Interest Received	36.8	54.7	48.7	62.9	15.0	70.4	12.0	77.4	10.0
Operating Profit - Post Finance Income	**1,028.3**	**1,488.4**	44.7	**1,820.2**	22.3	**2,158.3**	18.6	**2,513.6**	16.5
Operating Margin (%)	10.9%	13.9%		14.9%		15.8%		16.6%	
Finance Costs and Other	-164.7	-4.2		-		-		-	
Profit before Tax	**863.6**	**1,484.2**	71.9	**1,820.2**	22.6	**2,158.3**	18.6	**2,513.6**	16.5
Tax	-190.0	-474.0	149.4	-564.3	19.1	-669.1	18.6	-779.2	16.5
Effective Tax Rate (%)	22.0%	31.9%		31.0%		31.0%		31.0%	
Profit attributable to Equity Holders	**673.6**	**1,010.3**	50.0	**1,255.9**	24.3	**1,489.2**	18.6	**1,734.4**	16.5
Headline Earnings Adjustments	8.6	16.1	88.5	16.6		18.2		20.1	
Headline Earnings	**682.1**	**1,026.4**	50.5	**1,272.5**	24.0	**1,507.5**	18.5	**1,754.4**	16.4
Headline earnings per share	2.77	4.19	51.3	5.17	23.5	6.10	18.0	7.07	15.9
Fully diluted headline earnings per share	2.63	3.89	47.8	4.75	22.1	5.54	16.7	6.36	14.7
Dividend per share	1.73	2.52	45.7	3.45	36.8	4.36	26.4	5.05	15.9
Dividend Cover	1.6	1.6		1.5		1.4		1.4	

Source: Company Reports and CIRA Estimates

Figure 45. Truworths: Detailed Income Statement and Key Ratios

Rm	2010	% chg	2011	% chg	2012e	% chg	2013e	% chg	2014e	% chg
Revenue	**7,659**	**21.1**	**8,684**	**13.4**	**9,771**	**12.5**	**11,000**	**12.6**	**12,316**	**12.0**
Sale of merchandise	6,937	**22.8**	7,858	**13.3**	8,813	**12.2**	9,893	**12.3**	11,038	**11.6**
Cost of sales	-3,098	**20.6**	-3,403	**9.8**	-3,878	**13.9**	-4,402	**13.5**	-4,912	**11.6**
Gross profit	**3,839**	**24.5**	**4,455**	**16.0**	**4,935**	**10.8**	**5,490**	**11.3**	**6,126**	**11.6**
GP Margin (%)	**55.3%**		**56.7%**		**56.0%**		**55.5%**		**55.5%**	
Other income	162	**11.0**	189	**16.7**	212	**12.0**	237	**12.0**	266	**12.0**
Trading expenses	**-2,201**	**17.4**	**-2,421**	**10.0**	**-2,690**	**11.1**	**-3,026**	**12.5**	**-3,363**	**11.1**
Depreciation and amortisation	-121	**26.0**	-129	**6.6**	-140	**8.2**	-158	**13.4**	-179	**13.4**
Employment costs	-759	**26.5**	-828	**9.1**	-900	**8.7**	-984	**9.3**	-1,071	**8.8**
Occupancy costs	-582	**40.2**	-652	**12.0**	-738	**13.2**	-848	**14.9**	-952	**12.2**
Trade receivable costs	-385	**-17.0**	-390	**1.3**	-435	**11.6**	-498	**14.4**	-568	**14.2**
Other operating costs	-354	**18.4**	-422	**19.2**	-477	**13.0**	-539	**13.0**	-593	**10.0**
Trading profit	**1,800**	**32.8**	**2,223**	**23.5**	**2,457**	**10.5**	**2,701**	**9.9**	**3,029**	**12.1**
Trading Margin (%)	**25.9%**		**28.3%**		**27.9%**		**27.3%**		**27.4%**	
Interest received	560	**6.7**	637	**13.8**	746	**17.1**	871	**16.7**	1,012	**16.3**
Profit before tax	**2,360**	**25.5**	**2,860**	**21.2**	**3,203**	**12.0**	**3,572**	**11.5**	**4,041**	**13.1**
Operating Margin (%)	**34.0%**		**36.4%**		**36.3%**		**36.1%**		**36.6%**	
Tax expense	-756	**26.8**	-917	**21.3**	-977	**6.5**	-1,036	**6.0**	-1,172	**13.1**
Tax Rate (%)	**32.0%**		**32.1%**		**30.5%**		**29.0%**		**29.0%**	
Profit for the period	**1,604**	**24.9**	**1,943**	**21.1**	**2,226**	**14.6**	**2,536**	**13.9**	**2,869**	**13.1**
Owners of the parent	1,604		1,943		2,226		2,536		2,869	
Minority interest	-		-		-		-		-	
Attributable Profit	**1,604**	**25.6**	**1,943**	**21.1**	**2,226**	**14.6**	**2,536**	**13.9**	**2,869**	**13.1**
% growth	**11.9%**		**21.1%**		**14.6%**		**13.9%**		**13.1%**	
less: Adjustements	1		-		-		-		-	
Headline Earnings	**1,605**	**25.7**	**1,943**	**21.1**	**2,226**	**14.6**	**2,536**	**13.9**	**2,869**	**13.1**
% growth	**11.8%**		**21.1%**		**14.6%**		**13.9%**		**13.1%**	
Per Share Earnings and Margin Analysis										
Fully diluted basic earnings per share	3.70	**27.8**	4.47	**20.8**	5.13	**14.8**	5.86	**14.2**	6.65	**13.4**
Fully diluted headline earnings per share	3.70	**27.9**	4.48	**20.8**	5.13	**14.7**	5.86	**14.2**	6.65	**13.4**
Dividend per share	**2.00**	**38.9**	**2.62**	**31.0**	**3.27**	**24.9**	**3.74**	**14.2**	**4.52**	**21.0**
Dividend Cover	1.9		1.7		1.6		1.6		1.5	
Gross margin	55.3	**0.8**	56.7	**1.4**	56.0	**-0.7**	55.5	**-0.5**	55.5	**-**
Trading expenses to sale of merchandise	31.7	**-1.4**	30.8	**-0.9**	30.5	**-0.3**	30.6	**0.1**	30.5	**-0.1**
Trading margin	25.9	**2.0**	28.3	**2.3**	27.9	**-0.4**	27.3	**-0.6**	27.4	**0.1**
Operating margin	34.0	**0.8**	36.4	**2.4**	36.3	**-0.0**	36.1	**-0.2**	36.6	**0.5**

Source: Company Reports and CIRA Estimates

Figure 46. JD Group: Detailed Income Statement and Key Ratios

Rm	FY10	% chg	FY11e	% chg	FY12e	% chg	FY13e	% chg
Revenue	**13,224**	2.3	**14,302**	8.2	**15,991**	11.8	**17,689**	10.6
Sales of Merchandise	9,520	3.0	10,261	7.8	11,218	9.3	12,292	9.6
Finance Charges Earned	1,575	4.7	1,684	6.9	2,054	22.0	2,367	15.2
Financial Services	1,180	(5.9)	1,304	10.5	1,501	15.1	1,664	10.8
Other Services	949	3.3	1,053	11.0	1,218	15.6	1,366	12.2
Cost of Sales	6,727	4.7	7,128	6.0	7,816	9.7	8,535	9.2
Gross Profit	**2,793**	(0.8)	**3,133**	12.2	**3,401**	8.5	**3,757**	10.5
GP Margin (%)	29.3%		30.5%		30.3%		31.4%	
Operating Expenses	**4,972**	4.9	**5,380**	8.2	**6,028**	12.0	**6,540**	8.5
Admin and other	1,203	9.2	1,299	8.0	1,403	8.0	1,501	7.0
Depreciation	193	(2.0)	216	12.1	247	14.2	278	12.4
Employee Costs	2,227	5.9	2,392	7.4	2,805	17.3	3,099	10.5
Marketing Costs	354	(1.9)	389	10.0	421	8.0	450	7.0
Occupancy Costs	755	6.9	808	7.0	856	6.0	899	5.0
Share Based Payments	26	8.3	34	30.0	35	5.0	37	5.0
Transport and Travel	217	(12.9)	241	11.0	260	8.0	276	6.0
Other	-		-		-		-	
Surplus on Disposal of PPE	(3)		-		-		-	
Operating Profit before Debtor Costs	**1,525**	(13.1)	**1,794**	17.6	**2,146**	19.7	**2,614**	21.8
Operating Margin (%)	11.5%		12.5%		13.4%		14.8%	
Debtor Costs	753	(32.1)	755	0.3	899	19.0	1,151	28.0
Operating Profit	**772**	19.5	**1,039**	34.5	**1,247**	20.1	**1,463**	17.3
Operating Margin (%)	5.8%		7.3%		7.8%		8.3%	
Investment Income	4		-		-		-	
Finance Income	**(101)**	14.8	**(93)**	(8.4)	**(109)**	18.1	**(116)**	6.6
Finance revenues	80		216		255		272	
Finance Costs	(181)		(309)		(365)		(389)	
Associates	-		-		-		-	
Profit before Tax	**675**	21.6	**946**	40.2	**1,138**	20.3	**1,347**	18.3
Taxation	167	(64.8)	284	70.0	341	20.3	404	18.3
Tax Rate (%)	24.7%		30.0%		30.0%		30.0%	
Profit for the Year	**508**	535.0	**662**	30.4	**797**	20.3	**943**	18.3
Net Margin (%)	3.8%		4.6%		5.0%		5.3%	
Minorities	(7)		(9)		(11)		(13)	
Attributable Profit	**501**	568.0	**653**	30.4	**786**	20.3	**930**	18.3
Headline Earnings	**499**	583.6	**650**	30.2	**782**	20.3	**925**	18.4
Key Earnings Metrics								
Earnings Per Share	3.05	563.7	3.96	30.0	4.75	19.9	5.61	18.0
Diluted Earnings Per Share	**3.01**	559.4	**3.91**	29.7	**4.69**	19.9	**5.53**	18.0
HEPS Per Share	3.04	579.1	3.94	29.8	4.73	19.9	5.58	18.0
Diluted HEPS Per Share	**3.00**	574.8	**3.89**	29.6	**4.66**	19.9	**5.50**	18.0
Adjusted HEPS per share	3.04	2.9	3.94	29.8	4.73	19.9	5.58	18.0
Adjusted Diluted HEPS per share	**3.00**	2.2	**3.89**	29.6	**4.66**	19.9	**5.50**	18.0
Dividend Per Share	1.50	265.9	1.98	32.1	2.38	19.9	2.80	18.0
Dividend Cover	2.0		2.0		2.0		2.0	

Source: Company Reports and CIRA Estimates

Figure 47. Lewis: Detailed Income Statement and Key Ratios

R Millions	FY10a	FY11a	% chg	FY12e	% chg	FY13e	% chg	FY14e	% chg
Revenue	**4110.6**	**4577.7**	11.4	**5010.9**	9.5	**5558.6**	10.9	**6159.1**	10.8
Merchandise sales	2045.5	2290.3	12.0	2572.9	12.3	2855.3	11.0	3165.3	10.9
Finance charges earned	907.1	919.6	1.4	972.4	5.7	1109.3	14.1	1272.4	14.7
Insurance premiums earned	616	752.4	22.1	807.5	7.3	874.9	8.4	993.9	13.6
Ancillary services	542	615.4	13.5	658.1	6.9	719.1	9.3	727.6	1.2
Cost of merchandise sales	**-1330.6**	**-1458.6**	9.6	**-1646.7**	12.9	**-1824.6**	10.8	**-2019.4**	10.7
Gross Profit	**714.9**	**831.7**	16.3	**926.3**	11.4	**1030.8**	11.3	**1145.8**	11.2
Gross Profit Margin	34.9%	36.3%		36.0%		36.1%		36.2%	
Operating costs	**-1438.6**	**-1607.7**	11.8	**-1711.1**	**6.4**	**-1884.4**	**10.1**	**-2054.6**	**9.0**
Admin and other	-194.7	-208.1	6.9	-224.7	8.0	-242.7	8.0	-262.1	8.0
Deprecitation	-46.3	-46.5		-52.2		-57.6		-63.5	
Employee Costs	-607.4	-693.5	14.2	-764.1	10.2	-836.2	9.4	-921.6	10.2
Marketing Costs	-134.3	-156.5		-169.0	8.0	-182.5	8.0	-197.1	8.0
Occupancy Costs	-165.1	-186.1	12.7	-172.0	-7.6	-219.5	27.6	-242.7	10.6
Transport and Travel	-135.9	-147.5	8.5	-149.0	1.0	-156.4	5.0	-164.2	5.0
Other	-154.9	-169.5		-180.0	6.2	-189.5	5.3	-203.4	7.3
Operating Profit before Debtor Costs	**1341.4**	**1511.4**	12.7	**1653.1**	9.4	**1849.6**	11.9	**2085.0**	12.7
Operating Margin (%)	32.6%	33.0%		33.0%		33.3%		33.9%	
Debtor Costs	-434.2	-458.9	5.7	-488.7	6.5	-532.2	8.9	-564.1	6.0
Operating profit	**907.2**	**1052.5**	16.0	**1164.4**	10.6	**1317.4**	13.1	**1520.9**	15.4
Operating Profit Margin (%)	22.1%	23.0%		23.2%		23.7%		24.7%	
Investment income	77.5	82.0	5.8	96.8	18.0	109.1	12.7	124.8	14.4
Profit before finance costs	**984.7**	**1134.5**	15.2	**1261.2**	11.2	**1426.5**	13.1	**1645.6**	15.4
Net finance costs	-88.7	-83.9	-5.4	-87.9	4.8	-91.9	4.6	-95.9	4.4
Exceptional Items - Forw ard Exchange Contracts	-32.5	-8.0		10.0		10.0		-	
Profit before taxation	**863.5**	**1042.6**	20.7	**1183.3**	13.5	**1344.6**	13.6	**1549.7**	15.3
Taxation	-272.1	-330.7	21.5	-372.7	12.7	-423.5	13.6	-488.2	15.3
Net profit attributable to ordinary shareholders	**591.4**	**711.9**	20.4	**810.6**	13.9	**921.0**	13.6	**1061.6**	15.3
Reconciliation of Headline Earnings									
Net profit attributable to ordinary shareholders	**591.4**	**711.9**		**810.6**		**921.0**		**1061.6**	
Adjusted for	**-25.9**	**-23.0**		**-24.0**		**-14.0**		**-14.0**	
Surplus on disposal of property, plant and equipment	-30.1	-26.4		-30.0		-20.0		-20.0	
Surplus on disposal of AFS assets	4.2	3.4		6.0		6.0		6.0	
Taxation	0.0	0.0		0.0		0.0		0.0	
Headline earnings	**565.5**	**688.9**		**786.6**	14.2	**907.0**	15.3	**1047.6**	15.5
Key Ratios									
EPS (cents)	6.72	8.07		9.24	14.5	10.56	14.3	12.25	15.9
HEPS (cents)	6.43	7.81		8.97	14.8	10.40	16.0	12.08	16.2
Fully Diluted EPS (cents)	6.70	7.98		9.14	14.5	10.44	14.3	12.11	15.9
Fully Diluted HEPS (cents)	6.40	7.72		8.87	14.8	10.29	16.0	11.95	16.2
Dividend per Share	3.23	3.63		4.27	17.7	4.95	16.0	5.75	16.2
Dividend Cover	2.0	2.2		2.1		2.1		2.1	

Source: Company Reports and CIRA Estimates

Figure 48. Woolworths: Detailed Income Statement and Key Ratios

Rm	FY10a	FY11a	% chg	FY12e	% chg	FY13e	% chg	FY14e	% chg
Revenue	**23,663.0**	**25,841.0**	**9.2**	**28,894.3**	**11.8**	**32,353.0**	**12.0**	**35,619.5**	**10.1**
Turnover	23,393.0	25,582.0	9.4	28,596.7	11.8	32,025.6	12.0	35,259.4	10.1
Cost of Sales	15,619.0	16,683.0	6.8	18,514.0	11.0	20,693.9	11.8	22,810.7	10.2
Gross Profit	**7,774.0**	**8,899.0**	14.5	**10,082.7**	13.3	**11,331.8**	12.4	**12,448.7**	9.9
GP Margin (%)	33.2%	34.8%		35.3%		35.4%		35.3%	
Other Revenue	270.0	259.0		297.6		327.4		360.1	
Expenses	**6,215.0**	**6,904.0**	11.1	**7,705.1**	11.6	**8,580.3**	11.4	**9,364.2**	9.1
Store Costs	3,988.0	4,448.0		4,832.1		5,361.4		5,812.1	
Other Operating Costs	2,227.0	2,456.0		2,873.0		3,218.8		3,552.1	
Operating Profit	**1,829.0**	**2,254.0**	23.2	**2,675.1**	18.7	**3,078.8**	15.1	**3,444.5**	11.9
Operating Margin (%)	7.8%	8.8%		9.4%		9.6%		9.8%	
Finance Costs	151.0	84.0	-44.4	90.2	7.4	98.2	8.9	106.2	8.1
Earnings from JV	81.0	136.0	67.9	158.7	16.7	179.9	13.3	208.4	15.8
Profit before Exceptional Intem	**1,759.0**	**2,306.0**	31.1	**2,743.7**	19.0	**3,160.5**	15.2	**3,546.7**	12.2
Exceptional Item	-	-		-		-		-	
Profit before tax	**1,759.0**	**2,306.0**	31.1	**2,743.7**	19.0	**3,160.5**	15.2	**3,546.7**	12.2
Tax	491.0	659.0		768.2		853.3		957.6	
Effective Tax Rate (%)	27.9%	28.6%		28.0%		27.0%		27.0%	
Profit after Tax	**1,268.0**	**1,647.0**	29.9	**1,975.4**	19.9	**2,307.2**	16.8	**2,589.1**	12.2
Net Margin (%)	5.4%	6.4%		6.9%		7.2%		7.3%	
Attributable to:	**1,268.0**	**1,647.0**	29.9	**1,975.4**	19.9	**2,307.2**	16.8	**2,589.1**	12.2
Shareholders of Parent	1,258.0	1,631.0	29.7	1,956.2	19.9	2,284.8	16.8	2,563.9	12.2
Minorities	10.0	16.0	60.0	19.2	19.9	22.4	16.8	25.2	12.2
Headline Earnings									
Attributable Earnings	1,258.0	1,631.0		1,956.2		2,284.8		2,563.9	
BEE Preference dividend	(11.0)	(19.0)		(19.6)		(22.8)		(25.6)	
Basic Earnings	**1,247.0**	**1,612.0**	29.3	**1,936.7**	20.1	**2,261.9**	16.8	**2,538.3**	12.2
Profit of sale of PPE	24.0	4.0		-		-		-	
Tax impacts of adjustments	(7.0)	16.0		10.0		10.0		10.0	
Headline Earnings	**1,264.0**	**1,632.0**	29.1	**1,946.7**	19.3	**2,271.9**	16.7	**2,548.3**	12.2
Unrealised Forex loss	(57.0)	-		-		-		-	
STC on share repurchase	-	-		-		-		-	
Adjusted Headline Earnings	**1,207.0**	**1,632.0**	35.2	**1,946.7**	19.3	**2,271.9**	16.7	**2,548.3**	12.2
Weighted average number of shares	768.0	759.5		759.5		759.5		759.5	
Diluted Weighted Number of Shares	793.5	777.9		777.9		777.9		777.9	
EPS	162.4	212.2	30.7	255.0	20.1	297.8	16.8	334.2	12.2
Diluted EPS	157.2	207.2	31.9	249.0	20.1	290.8	16.8	326.3	12.2
HEPS	164.6	214.9	30.6	256.3	19.3	299.1	16.7	335.5	12.2
Diluted HEPS	159.3	209.8	31.7	250.3	19.3	292.1	16.7	327.6	12.2
Adjusted HEPS	157.2	214.9	36.7	256.3	19.3	299.1	16.7	335.5	12.2
Adjusted Diluted HEPS	152.1	209.8	37.9	250.3	19.3	292.1	16.7	327.6	12.2
DPS	105.0	143.5	36.7	170.9	19.1	199.4	16.7	223.7	12.2
Dividend Cover	1.5	1.5		1.5		1.5		1.5	

Source: Company Reports and CIRA Estimates

Figure 49. Massmart: Detailed Income Statement and Key Ratios

Rm	FY10	% chg	FY11	% chg	FY12e	% chg	FY13e	% chg	FY14e	% chg
Sales	47,451.0	19.3	52,950.1	11.6	60,426.9	14.1	69,246.6	14.6	78,358.2	13.2
Cost of Sales	38,955.9	19.9	43,281.8	11.1	49,308.3	13.9	56,436.0	14.5	63,783.6	13.0
Gross Profit	**8,495.1**	16.3	**9,668.3**	13.8	**11,118.5**	15.0	**12,810.6**	15.2	**14,574.6**	13.8
Gross Margin (%)	17.9%		18.3%		18.4%		18.5%		18.6%	
Other Income	99.6	-38.2	139.4	40.0	151.1	8.4	173.1	14.6	195.9	13.2
Other Income - % of Sales	0.2%		0.3%		0.3%		0.3%		0.3%	
Operating Expenses	**6,728.0**	25.1	**7,749.0**	15.2	**8,769.3**	13.2	**9,870.5**	12.6	**11,017.9**	11.6
Depreciation	382.8	28.5	476.3	24.4	588.6	23.6	642.0	9.1	703.8	9.6
Impairment of Assets	3.7		10.0		12.0		14.0		16.0	
Employment Costs	3,352.9	22.5	3,766.3	12.3	4,142.9	10.0	4,557.2	10.0	4,967.4	9.0
Occupany Costs	1,415.1	47.0	1,664.7	17.6	1,881.1	13.0	2,106.8	12.0	2,317.5	10.0
Forex (loss)/ gain	87.7		72.3		(9.3)		(9.0)		(20.3)	
Other operating costs	1,485.8	3.2	1,759.4	18.4	2,153.9	22.4	2,559.5	18.8	3,033.4	18.5
Operating Profit	**1,866.7**	-10.5	**2,058.7**	10.3	**2,500.3**	21.5	**3,113.2**	24.5	**3,752.6**	20.5
Operating Margin (%)	3.9%		3.9%		4.1%		4.5%		4.8%	
Net Finance Costs	**46.7**	-27.1	**107.2**	129.6	**269.8**	151.7	**296.2**	9.8	**305.1**	3.0
Finance Costs	92.6		140.4		308.0		339.4		353.3	
Finance Income	45.9		33.2		38.2		43.2		48.2	
Exceptional Items	-		(447.4)		-		-		-	
Profit before Tax	**1,820.0**	-9.9	**1,504.1**	-17.4	**2,230.5**	48.3	**2,817.0**	26.3	**3,447.5**	22.4
PBT to Sales (%)	3.8%		2.8%		3.7%		4.1%		4.4%	
Tax	608.2	-8.3	585.3	-3.8	702.6	20.0	816.9	16.3	999.8	22.4
Effective Tax Rate (%)	33.4%		38.9%		31.5%		29.0%		29.0%	
Profit for the Year	**1,211.8**	-10.8	**918.8**	-24.2	**1,527.9**	66.3	**2,000.1**	30.9	**2,447.7**	22.4
less: preference holders	46.5		38.4		63.9		83.6		102.3	
minorities	35.4		41.7		69.3		90.8		111.1	
Attributable Profit	**1,129.9**	-14.0	**838.7**	-25.8	**1,394.7**	66.3	**1,825.7**	30.9	**2,234.3**	22.4
less: Headline Earnings Adjustments	8.7		414		7.0		9.0		11.0	
Headline Earnings	**1,138.6**	-10.7	**1,252.7**	10.0	**1,401.7**	11.9	**1,834.7**	30.9	**2,245.3**	22.4
Diluted Earnings Per Share	5.39	-16.4	3.88	-28.0	6.39	64.8	8.28	29.7	10.05	21.3
Diluted HEPS Per Share	**5.43**	-16.1	**5.79**	6.7	**6.42**	10.9	**8.32**	29.7	**10.09**	21.3
Adjusted Diluted HEPS per share (before FOREX)	**5.73**	-7.5	**5.45**	-4.8	**6.37**	16.9	**8.28**	29.9	**10.00**	20.8
Adjusted Diluted HEPS per share (adjusted for deal)	**5.43**	-16.1	**5.79**	6.7	**6.42**	10.9	**8.32**	29.7	**10.09**	21.3
Dividend Per Share	3.86	0.0	3.86	0.0	4.03	4.4	5.25	30.3	6.40	21.8
Dividend Cover	1.5		1.6		1.7		1.7		1.7	

Detailed Segmental Split

	FY10	% chg	FY11	% chg	FY12e	% chg	FY13e	% chg	FY14e	% chg
Sales	**47,451.1**	19.3	**52,950.1**	11.6	**60,426.9**	14.1	**69,246.6**	14.6	**78,358.2**	13.2
Massdiscounters	12,165.0	16.9	13,332.0	9.6	14,844.5	11.3	16,718.8	12.6	19,001.2	13.7
Masswarehouse	11,501.2	13.8	12,722.9	10.6	14,364.2	12.9	16,834.8	17.2	18,645.5	10.8
Massbuild	6,366.9	12.4	7,271.4	14.2	8,547.1	17.5	9,449.6	10.6	10,520.1	11.3
Masscash	17,418.0	28.0	19,623.8	12.7	22,671.0	15.5	26,243.5	15.8	30,191.5	15.0
Sales - Split (%)	**100.0%**		**100.0%**		**100.0%**		**100.0%**		**100.0%**	
Massdiscounters	25.6%	-0.5%	25.2%	-0.5%	24.6%	-0.6%	24.1%	-0.4%	24.2%	0.1%
Masswarehouse	24.2%	-1.2%	24.0%	-0.2%	23.8%	-0.3%	24.3%	0.5%	23.8%	-0.5%
Massbuild	13.4%	-0.8%	13.7%	0.3%	14.1%	0.4%	13.6%	-0.5%	13.4%	-0.2%
Masscash	36.7%	2.5%	37.1%	0.4%	37.5%	0.5%	37.9%	0.4%	38.5%	0.6%
Trading Profit	**2,190.9**	-5.7	**2,331.6**	6.4	**2,954.5**	26.7	**3,607.6**	22.1	**4,303.4**	19.3
Massdiscounters	660.4	-8.3	782.0	18.4	907.9	16.1	1,093.2	20.4	1,373.2	25.6
Masswarehouse	743.2	1.7	803.2	8.1	1,005.5	25.2	1,262.6	25.6	1,435.7	13.7
Massbuild	291.7	-32.6	354.7	21.6	499.1	40.7	570.7	14.3	656.4	15.0
Masscash	495.6	12.8	391.7	-21.0	542.0	38.4	681.1	25.7	838.1	23.0
Trading Profit - Split (%)	**100.0%**		**100.0%**		**100.0%**		**100.0%**		**100.0%**	
Massdiscounters	30.1%	-0.9%	33.5%	3.4%	30.7%	-2.8%	30.3%	-0.4%	31.9%	1.6%
Masswarehouse	33.9%	2.5%	34.4%	0.5%	34.0%	-0.4%	35.0%	1.0%	33.4%	-1.6%
Massbuild	13.3%	-5.3%	15.2%	1.9%	16.9%	1.7%	15.8%	-1.1%	15.3%	-0.6%
Masscash	22.6%	3.7%	16.8%	-5.8%	18.3%	1.5%	18.9%	0.5%	19.5%	0.6%
Trading Margin (%)	**4.6%**		**4.4%**		**4.9%**		**5.2%**		**5.5%**	
Massdiscounters	5.4%	-1.5%	5.9%	0.4%	6.1%	0.3%	6.5%	0.4%	7.2%	0.7%
Masswarehouse	6.5%	-0.8%	6.3%	-0.1%	7.0%	0.7%	7.5%	0.5%	7.7%	0.2%
Massbuild	4.6%	-3.1%	4.9%	0.3%	5.8%	1.0%	6.0%	0.2%	6.2%	0.2%
Masscash	2.8%	-0.4%	2.0%	-0.8%	2.4%	0.4%	2.6%	0.2%	2.8%	0.2%

Source: Company Reports and CIRA Estimates

Shoprite Holdings

Company description

Shoprite is one of the leading retailers in Africa, with over 1,246 company-owned outlets (1520 outlets if franchise is included) in 16 countries, including retail supermarkets, furniture and fast food outlets. It exited its operations in India in 2010.

Investment strategy

Shoprite is one of the few ways to invest in the African retail story, so the company's appeal is attractive. The group stands to benefit from the growing middle class and from the move to more formalized shopping across Africa. Growth should be supported by new store openings, food inflation and increased profits from its African and operations. However, post an encouraging FY11 performance in a zero food inflation environment, we see the pick-up in food inflation in FY12e and FY13e, coupled with sustained levels of increased profitability, positioning the group to deliver c20%+ earnings growth over the next 2 years. The following could result in further valuation upside for Shoprite in the medium term, namely:

- Rand weakness being positive for food inflation and translation from African operations,
- Stronger growth in Africa , with encouraging targets being set in the medium term, and
- Continued growth in other operating segments (and sustained margins), which is a viable source of additional revenue and led to higher foot count in its stores.

With any of the above being stronger than our expectations, we could see upward pressure in its share price in the medium term. Based on our positive outlook, we rate Shoprite Buy/Low Risk (1L).

Valuation

We set our target price based on a Sum of the Parts Valuation (SoTP) valuation following improved disclosure in FY10 results, which now allows for a look-through into the operating margin of each division. This disclosure only started in 1H10. Using the SoTP valuation, we are now able to obtain a clearer relative valuation for Shoprite's Divisions. The method used is as follows:

- We input our latest turnover and operating profit forecasts into our SoTP model, to allow us to obtain a relevant operating multiple in our historical year.
- We then use our discretion in applying a forward multiple for each division based on our historical multiple (and making sure that segment is relative to sector multiples).
- By multiplying our forecast year operating profit (currently FY12e) by our implied forward multiples, we arrive at a fair value for each unit.
- Thereafter, we subtract any debt (overdrafts) and minorities and add back the cash at the last reported date.

- Dividing by the number of shares, result in our fair value per share. We roll this forward by our CoE of 13% (Risk Free=8% and Equity Risk Premium of 5%) to derive our target price of R130.

Risks

We rate Shoprite as Low Risk. The group is sensitive to economic and political prospects in South Africa, broader Africa and India, and is therefore sensitive to GDP growth, interest rates, the currency level and the overall employment base. These macroeconomic factors introduce risk into the share and any adverse changes in these variables may affect its profitability, resulting in share price volatility.

- In addition, its African operations could face political hurdles, show reduced growth in relation to expectations on limited viable sites and draw upon further capital commitments than our expectations due to poor infrastructure.
- The longer-term occurrence of low single-digit food inflation (looking unlikely post the recent tick up in inflation in SA) could also affect group earnings.
- In the long term, we believe that the risk is mainly a function of employment growth.

If the impact of these risk factors is more or less negative than we anticipate, then the share price might deviate significantly from our target price.

Spar Group Limited

Company description

SPAR South Africa operates under a "voluntary trading" system, whereby the Spar holding group supplies merchandise to its various franchisees, which take advantage of SPAR's bulk trading power. The group's rollout of Tops (liquor outlets) and Build-It (building materials) is run in a similar fashion. The group has 1602 franchisee stores in Sub Saharan Africa, 858 Spar stores, 481 Tops stores and 263 Build-It stores.

Investment strategy

We rate Spar Buy/Low Risk. Through its seven distribution centres, Spar is able to leverage off a larger store base. Customers generally find the convenience and service offering appealing when compared to more traditional food retailers. There is scope for additional house brand sales, which should further assist in maintaining margins. The group stands to benefit from the growing middle class, as well as from the demand and need for further convenience.

While we think HEPS growth will be limited near term by cost pressures in FY11, driven by new initiatives and rising fuel costs, we think that post FY12, with these costs coming into the base and likely lower oil prices (coupled with top-line support from rising food inflation and new initiatives, as well as margin growth from these initiatives), we should see encouraging HEPS growth in the medium term.

Valuation

We use an EVA (Economic Value Added) approach. Our reasons for this are: 1) although Spar has 3 business units, they all operate through its wholesale business

model, thus they do not provide operating margins for each to allow valuation using a Sum of the Parts basis, and 2) we want to use a metric that is less influenced by management discretion in basing our valuation, and rather focused on the long-term economic value that will be created for shareholders. We detail the steps below:

- We input Profit After Tax (PAT) forecasts for 5 years (using 30% tax rate).
- We then calculate our WACC, by using a 15% CoE (8% risk free rate and 7% equity risk premium) and 7% After Tax Cost of Debt.
- We then calculate our WACC by multiplying our CoE (15%) and After Tax Cost of Debt (7%) by the proportion they constituted in last reporting period.
- We arrive at WACC of 15%.
- We then subtract our WACC from our PAT, to arrive at our EVA generated in each forecast year.
- We then discount the EVA amounts by our CoE, to arrive at our Discounted EVA value, and also calculate a Terminal EVA valuation by using the perpetuity formulae EVA(1+g)/(k-g). Terminal Growth used is 2% (Real).
- We add the above to our last Reported NAV, to arrive at a Fair Value of R99.
- By multiplying by our CoE (15%), we arrive at a 1 year Target Price of R114.

Risks

We rate Spar Low Risk due to its defensive, primarily food based wholesale model, in conjunction with our view of industry/company-specific risk factors:

- Despite Spar not owning its retail stores, it has a market share of c28%, which protects its base. The group is sensitive to economic prospects in South Africa and is therefore sensitive to GDP growth, interest rates, the currency level, and the overall employment base.
- With the Spar Group being a distributor of food and groceries to independent supermarkets and retailers and not being an end retail outlet, it faces risks from a highly competitive environment (which we have seen in 2010 and 2011), in addition to it not controlling the end-customer interface.
- In addition, food inflation is hovering at c1-2%, which is well below historical levels (6%-7%), which we feel will rebound in FY12e, but there remains risk in the trajectory that will be seen (we are looking for c5% on average).

These micro and macroeconomic factors introduce risk into the share and any adverse changes in these variables may affect its profitability. All of these factors could result in the share not reaching our target price. Conversely, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

Mr Price Group Ltd

Company description

Mr Price Group operates over 937 stores across Southern Africa. There are five retail chains, focusing on clothing, footwear, sporting goods, accessories and homewares, which are divided into two operational divisions: Apparel and Home. The brands include: Mr Price, Mr Price Home, Milady's, Sheet Street and Mr Price Sports. The group also has exposure to Africa via a franchise model (43 owned stores, 24 franchise stores).

Investment strategy

Mr Price Group has positioned itself as the true value retailer in Southern Africa. The group stands to benefit from upturns and downturns in the economy. It also continues to draw on more upper-end consumers in its Apparel business given its more fashionable product lines. This should make it more defensive to changing economic cycles. Mr Price continues to look for organic retail opportunities that have a synergistic fit to its broader business.

With Mr Price predominantly a cash retailer, it is not materially affected by bad debts. The balance sheet remains exceptionally strong, with cash of over R1,368m (of which R600-R700m is excess to its needs). We rate the stock as Hold/Medium Risk, given limited upside to our TP.

Valuation

To value Mr Price we use a SoTP Valuation, which involves the following steps:

- First, we apply an operating multiple to each division's operating profit forecast in FY11 (using industry benchmarks as proxies), to obtain individual valuations for each division. We then sum to get a Total Value.
- We add the "Net Cash" position, by adding the latest disclosed Debt and Cash Levels.
- We then have a firm value, which when divided by shares in issue, generates a R69 fair value for Mr Price.
- To obtain our target price, we multiple our Fair Value by the CoE of 15% (8% Risk free rate and 7% Equity Risk premium). This results in our target price of R79.

Risks

We rate Mr Price Group as a Medium Risk based on our assessment of industry and company-specific risk factors:

- The group is sensitive to the country's economic prospects, and is therefore sensitive to GDP growth, interest rates, the currency level and the overall employment base.
- In the medium-term, earnings risk is mainly a function of competition in the fashion sector and the risk of slowing growth in semi-durable/durable sales.
- Its success, if deciding to enter a new market, will reside in its ability to execute as successfully as it has done in its other product categories. This could present either a huge opportunity or risk for its business in future.

These micro and macroeconomic factors introduce risk into the share and any adverse changes in these variables may affect its profitability. If the impact of these risk factors is more or less negative than we currently anticipate, then the share price could fail to reach or rise above our target price.

Truworths Ltd

Company description

Truworths is a leading clothing retailer in South Africa. Its specialised retail formats - Truworths, Truworths Man, Daniel Hechter, Inwear, Fine Jewellery, Elements and LTD offer its customers a youthful, fashionable experience. More recently the group has acquired YDE (Young Designers Emporium) and Uzzi.

Investment strategy

Truworths is an aspirational brand with the highest exposure of the clothing retailers to the aspirational emerging market, so growth in the mid to upper LSM groupings bode well for the group (this segment was under pressure in 2009, but has seen an improvement in the last 18 months). We still expect double-digit growth in FY12e, although inflationary pressures with a weaker Rand could that a bit.

We believe Truworths is the most consistent performer in the clothing retail sector, with attractive margins and ROEs. Its FY11 results indicated that its consumer base is recovering, and also that the business is finally addressing the build up of "excess cash", through lowering dividend cover and also picking up a share buyback program. We expect that on top of this, a potential special dividend of 59c per share could be paid in 2012.

We rate Truworths as a Hold/Medium Risk on valuation grounds with increased profitability and a generally positive outlook, even though we use more cautious estimates post its FY11 results.

Valuation

We detail the steps we have used in calculating our Discounted EVA Valuation for Truworths:

- We input our Profit After Tax (PAT) forecasts for 5 years.
- We then calculate our WACC, by using a 14.5% CoE (8.5% risk free rate and 6% Equity Risk premium) and 6.3% After Tax Cost of Debt.
- As Truworths has no debt, we calculate our WACC by multiplying our CoE by the Average NAV forecast across our forecast years.
- We then subtract our WACC from our PAT, to arrive at our EVA generated in each forecast year.
- We then discount the EVA amounts by our CoE, to arrive at our Discounted EVA value, and also calculate a Terminal EVA valuation by using the perpetuity formulae EVA(1+g)/(k-g). With real terminal growth = 1%.
- Finally, we add the above values to our last Reported NAV figure, to arrive at a Fair Value for Truworths of R73.
- By discounting by our CoE (14.5%), we arrive at a 1-year Target Price of R84.

Risks

We rate Truworths as Medium Risk based on our assessment of industry and company-specific risk factors. Truworths is:

- Sensitive to the country's economic prospects, and is therefore sensitive to GDP growth, interest rates, the currency level as well as the overall employment base.
- Sensitive to fashion trends and the overall health of the consumer.
- Execution on expanding store network, improving distribution capacity and brand strategies are all vital in deciding the future earnings potential of the group.
- Failure to utilise or deploy excess cash (Cash stood at cR1.5bn at FY11) will continue to put downward pressure on its RoE.
- Its pure exposure to clothing (as opposed to peers, which have exposure to home products) limits the upside earnings potential in relation to these peers in the event of a sustained recovery in discretionary retail spending in the medium term.

These factors introduce risk into the share and any adverse changes in these variables may affect its profitability. All of these factors could result in the share not reaching our target price.

JD Group Ltd

Company description

JD Group is a leading furniture retailer, operating 1,138 stores across Southern Africa and Poland. Each chain is uniquely positioned for its chosen market segment. In addition, post the separation of its Financial Services and Traditional Retail units, its financial services are not only offered to facilitate sales, but also to derive external sources of revenue away from Traditional Retail.

JD Group has acquired the Retail Motor Business (Unitrans) and Hardware businesses (TimberCity and Penny Pinchers) from Steinhoff, and subsequently sold Abra to Steinhoff in a deal totalling cR3bn (which was financed with the issue of 49.33m shares to Steinhoff and R568m in cash).

Investment strategy

With its base being artificially suppressed in FY09, due to the settlement of its R338m contingent tax liability, the inclusion of R98m of restructuring costs, the underwhelming performance from Traditional Retail, and the surge in debtor costs, we see attractive growth going forward, with the exclusion of one-off charges and a strong recovery in Retail and Financial Services from FY11 (and beyond). We think the stock presents a good opportunity for investors to partake in a recovery story that offers scope for unlocking significant value.

We also see further upside to our valuation with the incorporation of Unitrans Auto and Steinbuild, post the deal with Steinhoff (and the sale of Abra, which was underperforming). This is provided that the business units acquired and new initiatives undertaken in these businesses perform in line with management expectations. Our rating is Buy/Medium Risk (1M).

Valuation

Our target price of R52 is based on a Sum-of-the-Parts analysis using 2012e operating profit forecasts per business unit. After splitting its financial services and retail businesses in 2009, we view a SoTP as the best approach to value JD Group.

We have included Unitrans Auto and Steinbuild in our SoTP valuation (and removed Abra), and valued them at acquisition valuations due to limited visibility to earnings developments at these business unit post JD Group takeover.

We calculate operating profit per business unit and apply an operating profit multiple based on industry metrics and our perceptions. Summing these gives us a value for the business units within JD Group. From this we subtract minorities and debt and add cash, to arrive at a fair value. Dividing by the weighted shares in issue derives a Fair Value per share. Multiplying by a 12-month CoE of 16% (8% risk free and 8% equity risk premium) derives our 12 month target price of R52.

We do not believe our valuation is demanding, given our conservative forecasts (we have reduced earnings estimates post a likely tick-up in inflation in the medium term reducing non-durable spend) and significant value unlock that can be achieved over the next few years with the revived business structure at JD Group (growing from low base in FY10).

Risks

We rate JD Group as Medium Risk based on our risk rating system. It is sensitive to economic and political prospects in Southern Africa and Poland, and is therefore sensitive to GDP growth, interest rates, currency volatility and overall employment. We highlight other factors that may result in our target price not being met:

- Increased unemployment, slower gross in real disposable income and an increased reduction in the size of its target market (than our expectations) due to the introduction of the NCA in 2007, could result in our sales growth and bad debt forecasts being overstated.
- The inability to grow its Financial Services in line with its long-term strategy due to competitive pressures, slow uptake on new products and offerings and poor retail sales, will affect the its future earnings trajectory.
- The historically high levels of competition in the sector, together with the impact of the NCA, could lead to long-term uncertainty on margins.
- Unitrans Auto and Steinbuild not generating medium term earnings in line with management expectations.

Lewis Group Limited

Company description

Lewis is a holding company for three furniture brands in South Africa: Lewis, Lifestyle Living (now My Home) and Best Electric. In addition to its vanilla furniture retailing, it facilitates additional sales via its financing (which is solely reliant on cash collections for credit based transactions) and insurance-related offerings (operates fully owned Monarch insurance, which is solely used for insurance on credit-based transactions for Lewis clients).

Investment strategy

With the emerging South African consumer base continuing to uplift itself, there is a natural demand for durable and semi-durable products. With consumers not having the funding to buy for cash, the average Lewis customer finds it necessary to finance his or her purchase. With Lewis catering more towards the lower end of the market, it has benefited from credit sales. Customers are typically less exposed to fluctuations in interest rates, with 98.5% not having mortgages and only 13% of its 700,000 account holders having credit cards.

We believe Lewis is still poised to show mid-teen earnings growth in the medium term, despite our expectation of tougher conditions relative to the last 2 years, assuming rising inflation pressures non-durable spend.

Even with our more conservative earnings expectations building in a slight slow down, we are encouraged that Lewis will generate solid returns for shareholders in the medium term, due to: 1) continued roll out of smaller and more profitable Lewis stores and improved profitability from My Home, 2) encouraging growth in its advances book as bad debts rise moderately, and 3) the strength it has with its customers from a credit provision and collections standpoint. We thus rate Lewis Buy/Medium Risk (1M).

Valuation

Our target price of R86 is based on a SoTP (Sum-of-the-Parts) method using 2012 operating profit forecasts and applying relevant industry-based multiples to determine a valuation for each of its three similar, yet unique, business units.

To obtain our Fair Value, we add back the net cash to the underlying value determined for each business unit and divide by the weighted shares in issue. This derives a Fair Value. Multiplying out this value by our CoE (8% Risk Free rate and 7% Equity Risk Premium) and rounding of to closest Rand derives our TP of R86.

We do not believe our valuation is demanding, given our conservative forecasts and significant value unlock that can be achieved over the next few years with the likely operating margin expansion that will be seen in the medium term.

Risks

We rate the Lewis Group as Medium Risk based on our assessment of industry and company-specific risk factors. Lewis is sensitive to the country's economic prospects, and is therefore sensitive to GDP growth, interest rates, the currency level and the overall employment base.

We highlight the following as key near-/medium-term risks that could have a positive or negative impact on our current recommendation for Lewis:

- In the near term, earnings risk is mainly a function of the continued improvements in collections, execution of merchandising strategies, and further growth in real wages, stable unemployment and reducing debt levels of its customers. The combination of a favourable playing out of the above will be positive for earnings and vice versa.

- The success in executing the planned growth in its store base from 539 to 700 over the next 4 years.

- The increased competitive pressures arising for competing furniture retailers in the near to medium term.

If the impact on the company from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets. However, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

Woolworths Holdings Limited

Company description

Woolworths Holdings Limited operates the Woolworths chains in South Africa and some other countries in Africa and the Country Road chains (c88% owned), which operates primarily in Australia but has begun growing its presence in South Africa. It runs 637 stores across the business (458 in SA and 179 in Australia). Its offering is primarily targeted at upper-end consumers in SA for food and clothing.

Investment strategy

Woolworths aims to position itself as a customer's chosen destination shop for their key purchases, whether it be food, clothing or homewares. We believe the group stands to benefit the most in its peer group from the growing middle and upper classes by being the most aspirational destination store.

With rates likely to be on hold for longer in SA, this provides the most relief for Woolworths' core target market, which should result in continued demand for its products. The planned increase in trading space over the next few years (mainly through store extensions) and rising inflation should provide further support for its top line growth.

However, with Woolworths showing c40% share price appreciation YtD, we believe this has been captured in its share price and that it has limited upside over the next 12 months. Also, with any negative inflation data in the next 12 months (which would add pressure to raise interest rates), Woolworths would likely see the largest impact on its share price, as its customers are the most interest-rate sensitive among listed retailers in SA. Thus, while we still see positive momentum for Woolworths in the medium term, we downgrade to Sell/Medium Risk (3M) on valuation grounds.

Valuation

To value Woolworths we use a SoTP Valuation, which involves the following steps:

- First, we apply an operating multiple to each division's operating profit forecast in FY12 (using industry benchmarks as proxies), to obtain individual valuations for each division.
- We then sum to get a Total Value. We then value its stake in the Financial Services business (50% less 1 share), by applying a 1.5x multiple to its latest disclosed apportioned book value.
- Finally, we add the "Net Cash" position, which is normally provided to us by management.

- We then have a firm value which, when divided by shares in issue, generates a R31.30 fair value for Woolworths.
- To obtain our target price, we multiply out our Fair Value by the CoE (14.5%). This results in our target price of R36.

Risks

We rate Woolworths as Medium Risk based on our quantitative risk rating system. In the long term we believe that Woolworths remains a solid yet cyclical share that has gearing to the aspirational and up-and-coming consumer base. We highlight the following as key risks that could result in the share price not reaching our target price, namely:

- The group is sensitive to fashion trends, especially given that c60% of its operating profit is derived from clothing.
- It also tends to be the most affected retailer by aspirational and upper-end buyers, so although it stands to benefit the most from the lower interest rate environment (but also stands to lose the most in a rising rate environment). Movements in economic variables affecting middle to higher income consumers are key risks for earnings at Woolworths (although this exposure is falling with changes in its business strategy).
- The performance of its 87.9%-owned subsidiary Country Road and the movement in the Australian dollar are key factors that can affect the level of profitability in any given year.

Conversely, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target price.

Appendix A-1

Analyst Certification

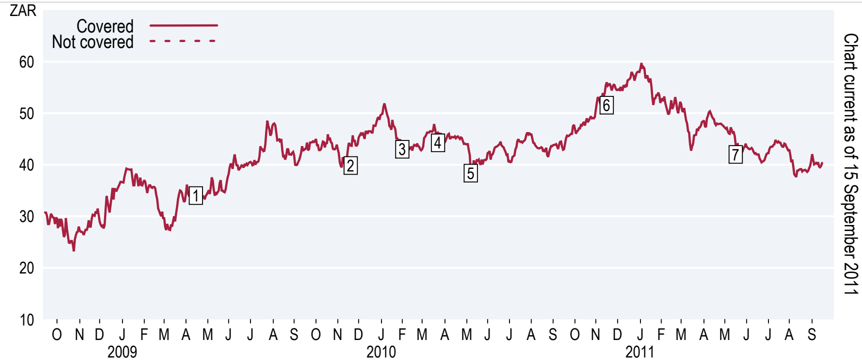
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

JD Group Ltd (JDGJ.J)

Ratings and Target Price History
Fundamental Research

Analyst: Zaheer Joosub
Covered since November 16 2009



	Date	Rating	Target Price	Closing Price
1	15-Apr-09	1M	*47.40	33.80
2	19-Nov-09	1M	*56.00	43.70
3	1-Feb-10	1M	*52.00	43.50
4	23-Mar-10	1M	*55.00	46.24
5	7-May-10	1M	*50.00	38.37
6	16-Nov-10	1M	*66.00	55.99
7	17-May-11	1M	*60.00	43.85

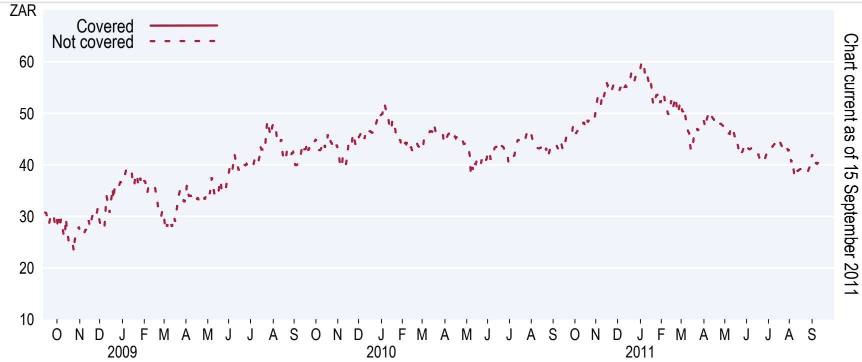
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

JD Group Ltd (JDGJ.J)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Zaheer Joosub
Covered since November 16 2009



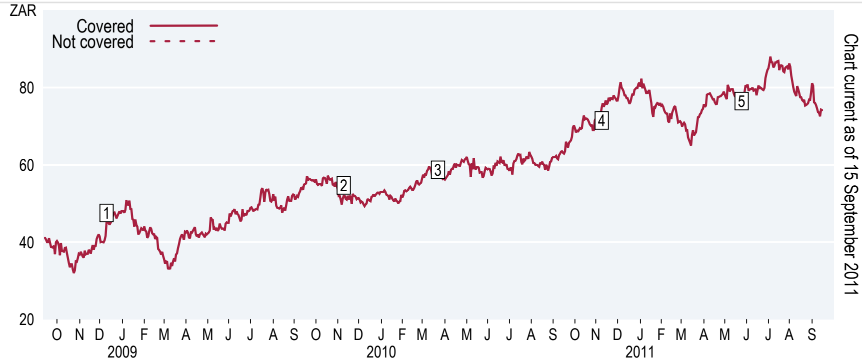
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Lewis Group Limited (LEWJ.J)

Ratings and Target Price History
Fundamental Research

Analyst: Zaheer Joosub
Covered since November 10 2009



	Date	Rating	Target Price	Closing Price
1	10-Dec-08	1M	*55.00	45.20
2	10-Nov-09	*2M	*58.00	52.00
3	23-Mar-10	2M	*62.00	57.00
4	9-Nov-10	*1M	*90.00	74.86
5	25-May-11	1M	*91.00	77.00

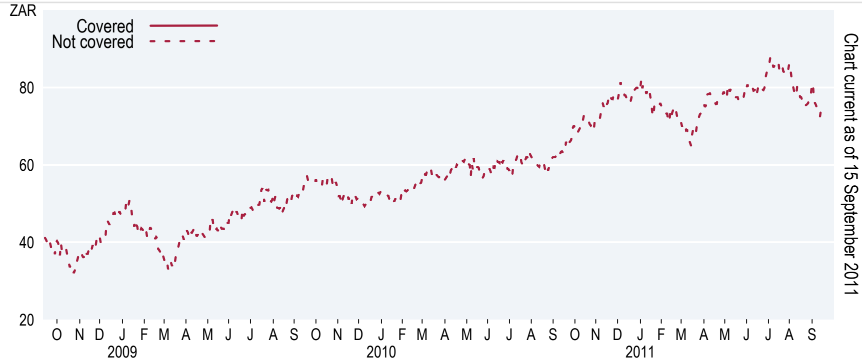
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Lewis Group Limited (LEWJ.J)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Zaheer Joosub
Covered since November 10 2009



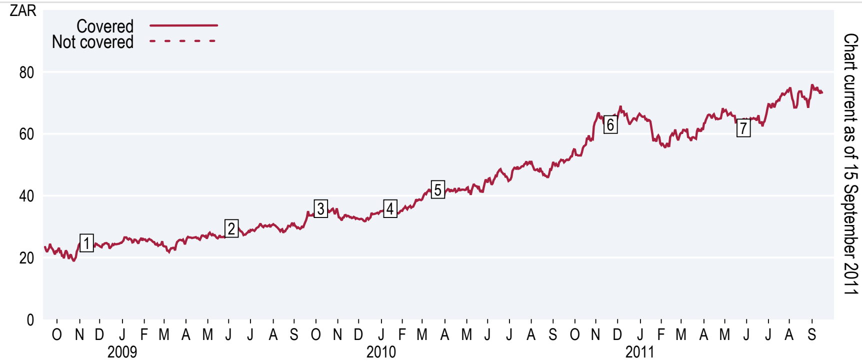
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Mr Price Group Ltd (MPCJ.J)

Ratings and Target Price History
Fundamental Research

Analyst: Zaheer Joosub
Covered since January 14 2010



	Date	Rating	Target Price	Closing Price
1	12-Nov-08	1L	*30.00	22.20
2	4-Jun-09	1L	*36.50	27.70
3	8-Oct-09	*2L	36.50	34.60
4	14-Jan-10	2L	*35.50	35.26
5	23-Mar-10	*3L	*41.00	41.00
6	21-Nov-10	*1M	*74.00	63.84
7	27-May-11	1M	*79.00	65.00

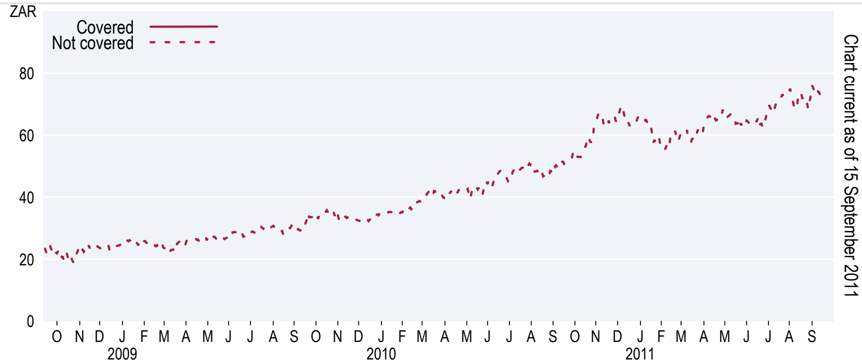
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Mr Price Group Ltd (MPCJ.J)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Zaheer Joosub
Covered since January 14 2010



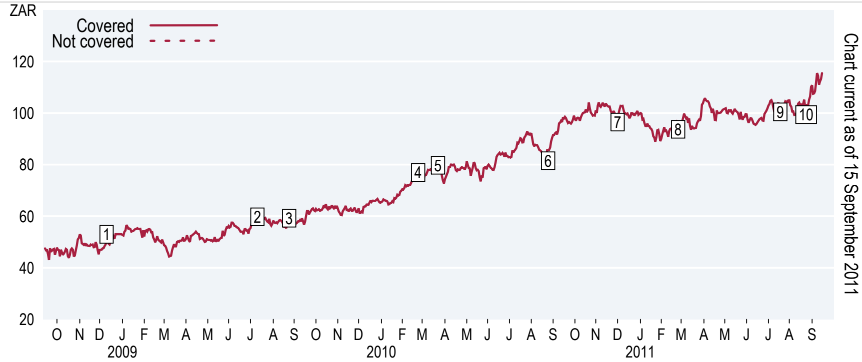
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Shoprite Holdings (SHPJ.J)

Ratings and Target Price History
Fundamental Research

Analyst: Zaheer Joosub
Covered since October 26 2009



	Date	Rating	Target Price	Closing Price
1	10-Dec-08	2L	*53.60	50.45
2	10-Jul-09	2L	*63.00	57.99
3	25-Aug-09	2L	*65.00	57.55
4	23-Feb-10	*3L	*70.00	76.47
5	23-Mar-10	3L	*72.00	78.50
6	25-Aug-10	*2L	*90.00	85.65
7	1-Dec-10	2L	*100.00	98.22
8	24-Feb-11	*1L	*109.00	93.80
9	19-Jul-11	*2L	*113.00	102.00
10	24-Aug-11	*1L	*120.00	103.40

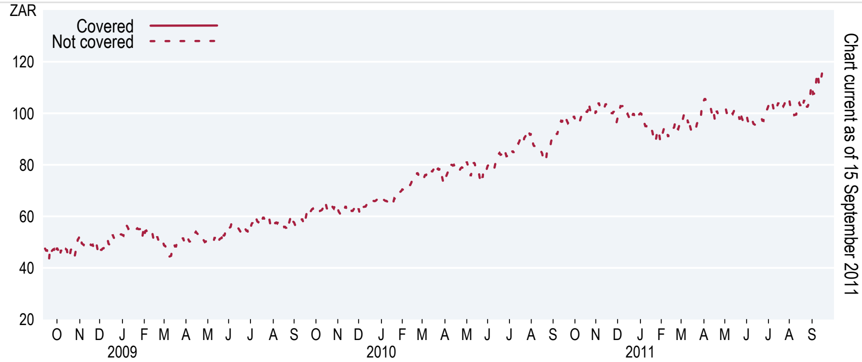
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Shoprite Holdings (SHPJ.J)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Zaheer Joosub
Covered since October 26 2009



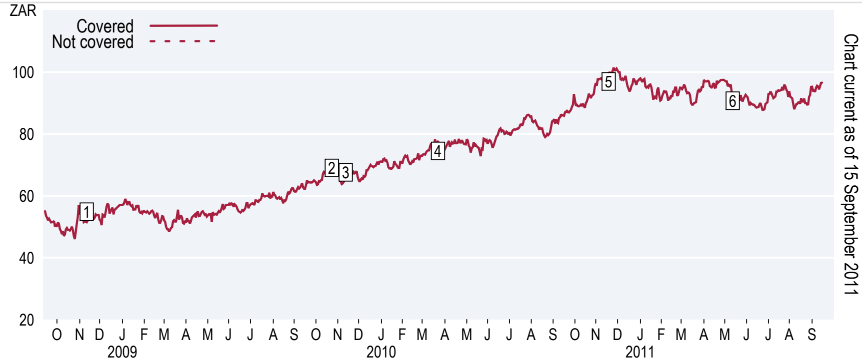
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Spar Group Limited (SPPJ.J)

Ratings and Target Price History
Fundamental Research

Analyst: Zaheer Joosub
Covered since October 26 2009



	Date	Rating	Target Price	Closing Price
1	12-Nov-08	1L	*70.00	51.42
2	23-Oct-09	1L	*76.00	68.40
3	12-Nov-09	1L	*77.00	66.97
4	23-Mar-10	*2L	77.00	77.70
5	18-Nov-10	2L	*112.00	100.00
6	12-May-11	*1L	*106.00	91.50

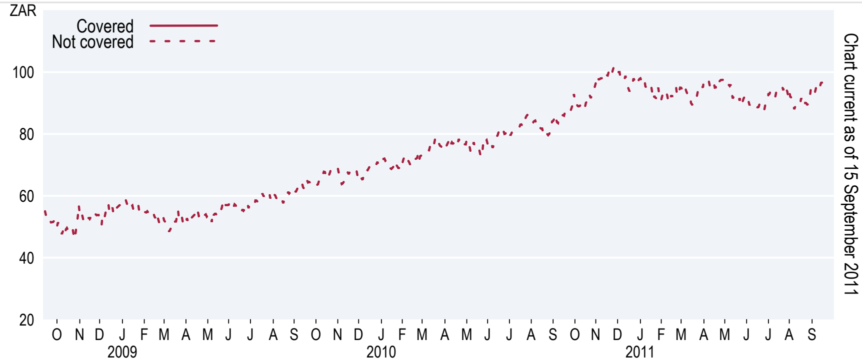
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Spar Group Limited (SPPJ.J)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Zaheer Joosub
Covered since October 26 2009



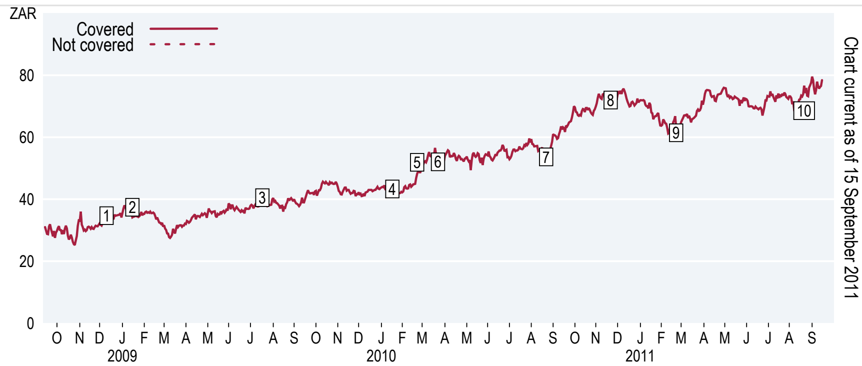
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Truworths Ltd (TRUJ.J)

Ratings and Target Price History
Fundamental Research

Analyst: Zaheer Joosub
Covered since January 18 2010



	Date	Rating	Target Price	Closing Price
1	10-Dec-08	1M	*38.00	34.69
2	15-Jan-09	*2M	*40.00	34.13
3	17-Jul-09	2M	*42.00	39.85
4	18-Jan-10	*3M	*40.00	42.25
5	22-Feb-10	*2M	*53.00	48.20
6	23-Mar-10	*3L	*55.00	54.15
7	23-Aug-10	*1M	*68.00	55.40
8	21-Nov-10	*2M	*80.00	74.28
9	22-Feb-11	*1M	*81.00	63.30
10	21-Aug-11	1M	*84.00	73.89

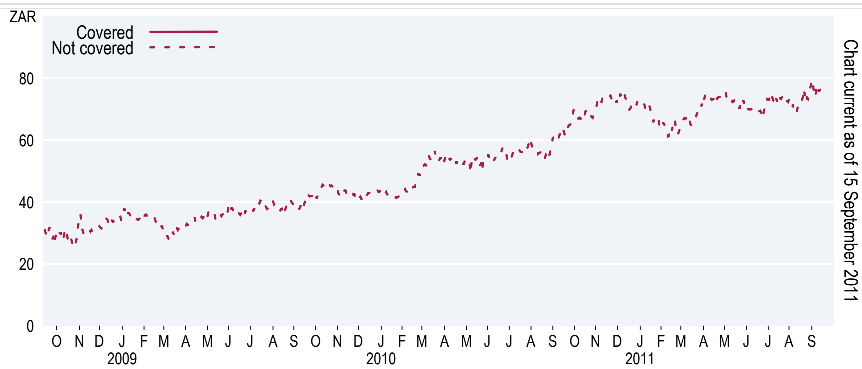
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Truworths Ltd (TRUJ.J)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Zaheer Joosub
Covered since January 18 2010



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Woolworths Holdings Limited (WHLJ.J)

Ratings and Target Price History
Fundamental Research

Analyst: Zaheer Joosub
Covered since February 19 2010

	Date	Rating	Target Price	Closing Price
1	24-Jul-09	1L	*20.00	14.67
2	19-Feb-10	*1M	*23.00	19.64
3	23-Mar-10	*2L	*24.30	22.58
4	29-Aug-10	*1L	*27.00	24.21
5	18-Nov-10	*2L	*29.00	28.00
6	18-Feb-11	*1L	*33.00	25.60
7	26-Aug-11	1L	*36.00	33.00

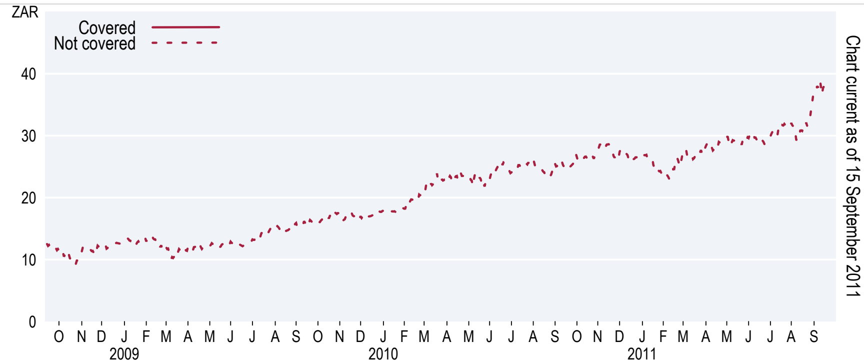
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Woolworths Holdings Limited (WHLJ.J)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Zaheer Joosub
Covered since February 19 2010



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of Massmart Holdings Ltd.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from Massmart Holdings Ltd.

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from Massmart Holdings Ltd.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from Massmart Holdings Ltd, Pick'n Pay Stores, Shoprite Holdings in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): Massmart Holdings Ltd.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: Massmart Holdings Ltd, Pick'n Pay Stores, Shoprite Holdings, Woolworths Holdings Limited.

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