Woolworths to spend R10bn in capex by 2026

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South African retailer Woolworths said on Wednesday, 30 August 2023, it planned to spend R10bn ($538m) in capital expenditure over the next three years as it seeks to strengthen margins.

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The capex will be aimed at capacity enhancement and improved customer experience, the food and fashion retailer's head of finance Zaid Manjra told analysts.

Woolworths, with operations in South Africa, Australia and New Zealand, is a high-end retailer of apparel and grocery and enjoys a distinct brand loyalty among affluent consumers.

Analysts say bigger rival Shoprite has been rapidly grabbing market share with aggressive promotions across all income levels, forcing Woolworths to find innovative ways to improve margins.

"Market share is not our primary focus in the fashion, beauty and home business," CEO Roy Bagattini told analysts. The company's priority is "not just share of revenue, but share of profits".

Woolworths spent R1bn more in the 12 months ended June 25 than it did in the previous year, and plans to spend an additional R700m in the current financial year, Manjra said.

The roll out of the capital should see operating profit margin in the fashion, beauty and home segment reach more than 14% and more than 7% in food by the end of the financial year 2026, the company said in a presentation.

Its high-end apparel arm Country Road Group's operating profit margin is expected to be more than 12% on the back of the capex investment over the same period, it said.

On Wednesday, Woolworths, which earns around two-thirds of its profit from South Africa, posted an almost 15% rise in its headline earnings per share from continuing operations for the 12-month period ended June 25. It announced a total dividend of 313c per share.

The company, like rival Shoprite, has performed better than South Africa's benchmark index to date this year.

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