

Truworths profit of R1,9bn in six months

Fashion retail group Truworths International on Wednesday (20 February) reported a 19% increase in diluted headline earnings per share to 324.8 cents for the six months to December.

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An interim dividend was increased by 21% to 204 cents per share.

Chief executive, Michael Mark, said the group delivered a pleasing performance across all brands in the increasingly competitive apparel retail market.

"Retail sales increased by 14.8% to R5.5bn and the gross margin improved to a record level of 57.1%, reflecting the success of our merchandising strategies in meeting our customer's needs for high quality, affordable fashion," he said.

The Truworths ladies-wear brand, which accounted for 34% of retail sales, increased turnover by 13%, Truworths mens-wear rose 16%, Daniel Hechter by 15%, LTD by 21% and Identity grew sales by 18%.

Strong sales growth ensured the group continued to increase market share. Based on figures from the retail liaison committee, ladies-wear clothing market share increased from 23.5% to 23.9% at December and mens-wear market share grew from 22.0% to 22.4%.

The group opened 39 new stores, bringing the number of stores it operates to 591. This includes 40 stores in the rest of Africa where 19 new outlets were opened, in Botswana (6 stores), Nigeria (four), Lesotho (four), Zambia (three) and Ghana (two).

Operating profit for the six months increased 13% to R1.9bn and the operating margin decreased marginally to 36.3%.

The group's financial position continued to strengthen as the cash balance increased to R2.6bn. The net asset value increased 18%. The group generated R2bn in cash from operating activities which was used partially to fund dividend payments (R665m), share buy-backs (R106m) and store development (R110m).

Mark said the credit environment has become more challenging as consumer delinquency levels increased nationally. The group's debtor book grew by 15.8% to R4.5bn and the active customer account base increased by 7% to over 2.6m accounts.

Net bad debt as a percentage of the debtors' book increased from 8.0% to 9.3%, with the doubtful debt allowance moving from 10.1% to 10.6%. At the end of December, 87% of customers were in a position to buy on credit.

Discussing the outlook for the remainder of the financial year, Mark said the credit environment is expected to deteriorate further owing to increasing levels of consumer indebtedness.

"This is likely to impact on both the group's delinquency and active account growth, as we will continue to apply strict credit granting and risk policies.

Mark added that the group's retail sales for the first seven weeks of this year increased by 9.3%.

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