

AVI says price hikes boost sales, but profits flat

By [Ngobile Dlodla](#)

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AVI Ltd posted half-year sales growth of 7.2% on Thursday, 26 January, as the South African food producer and fashion retailer lifted prices to offset input cost pressures, but warned its profits would barely rise.



Source: ©Markus Mainka - www.123RF.com

Food and consumer goods companies worldwide are grappling with soaring costs for raw materials, energy and transportation. Many consumers have so far seemed to accept the resulting price increases, but rising inflation, higher interest rates and unemployment is constraining spending.

"Whilst we have strong and resilient brands, affordability is a growing constraint for consumers, limiting their ability to digest higher prices," the maker of Five Roses and Freshpak tea and Bakers biscuits said.

"Sales volumes were lower in some categories, exacerbated by competitor discounting, with cost pressures not always recovered through higher prices."

Performance across divisions

The group's Entyce and Snackworks businesses, which make coffee, tea and biscuits, as well as its fashion division, benefited from the price hikes, with "sound volume growth" in the six months ended 31 December.

But its fish I&J unit saw a decline in revenue "with lower catch rates and the re-emergence of lockdowns in China and Hong Kong affecting the abalone sales mix," AVI said, adding that sales at its personal care business improved moderately, supported by growth in the aerosol and fragrance categories.



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The price increases also helped the group's gross profit margin, which improved marginally, while its operating profit was 1.7% higher than last year, with only I&J's earnings declining.

AVI warned its headline earnings per share for the six months ended 31 December was expected to either be flat or inch up just 1% over the prior year.

At 10:07 GMT, AVI's shares were down 2.16%.

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