Pick n Pay reports disappointing results but shows growth in key areas

Pick n Pay has published its financial results for the 26 weeks to 27 August 2023.

Sean Summers, Pick n Pay CEO. Image supplied

The Group experienced a particularly challenging period, delivering a disappointing result at a time of high load shedding costs and increased competitive intensity. The Group spent just under R400m on diesel which added to expense growth, and limited its ability to respond to strong competitor promotional activity.

Group turnover growth was 5.4% (like-for-like 2.3%), with an exceptional performance from Boxer in South Africa, which grew 16.1%.

The gross profit margin came under pressure and declined 0.9% to 18.5%. Trading expenses increased 13.7%. However, this included R190m net incremental energy costs and R259m employee restructuring costs. Excluding these two items, underlying trading expense growth was 9.1% (5.7 % like-for-like).

Trading profit of R31.8m would have been R597m were it not for R565m of incremental abnormal costs (R190m net incremental energy costs; R116m duplication of supply chain costs from the Longmeadow/Eastport DC handover; and R259m employee restructuring costs).

Profit before tax was further impacted by a 47.3% increase in net finance charges. This resulted in a pro forma loss before tax and capital items of R837,2m.

The Group confirmed that it would maintain its capex guidance at R4-m for FY24, which would support the full momentum on its Boxer, Clothing and Online growth plans.

No dividend was declared.

Highlights

Highlights from the result include:

- Boxer delivered growth of 16.1%, taking the number of stores to 454. Boxer remains on track to achieve the goal of opening 200 new stores between FY22 and FY26, and doubling sales
- Pick n Pay Clothing performed very well, growing sales 13.8% from standalone stores, with 20 new company-owned stores. This division continues to grow market share across all market segments and is on track to open 60 new stores for the year.
- Online sales grew by 76.3%, driven by the Group's on-demand platforms Pick n Pay asap and Takealot's Mr D. The refreshed asap! app was relaunched in October. On-demand sales doubled year on year

Pick n Pay asap! relaunches, offering unlimited free delivery for October
6 Oct 2023

- Value-added services income grew 13.5% as the Group focused on maximising opportunities in banking and financial services, and mobile
- The Rest of Africa segment contributed R2,7bn of sales, up 14.4% year-on-year (12.2% in constant currency)
- Pick n Pay acquired Tomis, an abattoir and meat packaging business, which will allow the Group to significantly improve the quality of its fresh meat offer
- Project Future achieved savings of R334m in the first half, and the Group recorded R124m in energy savings, on track to achieve its FY24 energy savings target
- The Group seamlessly transferred inland distribution to the new Eastport distribution centre and sold Longmeadow
- The Group's franchise model was modernised to increase the franchisee loyalty rate
- Internal inflation was restricted to 8.3%, well below CPI Food of 11.4% for the period

The Group's disappointing performance led to a change in the Group's leadership earlier this month. The Board has appointed Sean Summers as the Group's new CEO. Summers successfully led the company from 1999 to 2007 and has returned as CEO effective 30 September 2023.

Said Summers: “I have hit the ground running. My focus is to return the core supermarkets business to growth and profitability, and maintain the growth of other key parts of the business. This is an exceptional company with a much-loved brand and a rich heritage. We have a lot of work to do, and I have received strong support from our people. They want to see Pick n Pay succeed, and my task will be to see that we work hard on the basics and improve significantly both on customer service and on execution in our supermarkets.

Our buying capabilities need work, and we will be engaging closely with our suppliers as a matter of urgency. Importantly, we need to rekindle customers’ affection for the Pick n Pay brand and energise our staff to focus their efforts on the critical road ahead.”