

Pick n Pay H1 after-tax profit up 15% despite retrenchment costs

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Despite its warnings that its staff reduction programme [would cause headline earnings](#) to fall, Pick n Pay posted an impressive 15% growth in after-tax profit and raised its interim dividend by 12%.



Image credit: Freddy Mavunda via *Business Day*

The grocery chain did not say how many employees had accepted its voluntary separation programme, only that "the programme enabled 10% of roles and functions to be removed across Pick n Pay".

"The net impact amounted to R200m, before tax, and has had an impact on employee costs under trading expenses. This cost is expected to be fully recovered by the end of the financial year through resulting savings in employee costs," Pick n Pay said in Monday's interim results statement for the 26 weeks ended 27 August.

Pick n Pay grew its pretax profit by 14.6% to R605.2m and its after-tax profit by 15% to R438.8m. It raised its interim dividend by 12% to 33.4c from 29.9c. Diluted headline earnings per share (HEPS) grew 13% to 90.36c. The results said that including the retrenchments, diluted HEPS fell 24%. The group's overall interim revenue grew 5.5% to R40bn during the first half of its financial year. Excluding new stores, sales grew a modest 1.8%.

"This reflects the pressures of a challenging trading environment, some disruption from store refurbishments and closures, the temporary displacement of staff through the voluntary separation programme, and the investment in lower prices to customers," CEO Richard Brasher said in the results statement.

"Internal price inflation was restricted to 3.6%, well below CPI food inflation of 6.9%."

Brasher said the group launched a further 400 private label products in the first half of the financial year, taking the total to more than 2,000. Of these, 163 were new, and 237 were redesigned and improved products. The group ended the reporting period with 1,613 stores including those of its Zimbabwean joint venture, TM Supermarkets.

A total of 63 new stores - 40 company-owned and 23 franchises - were opened during the 26 weeks. Of these, 13 were Pick n Pay clothing stores, and 13 were Boxer stores, which it intends expanding from its home base of KwaZulu-Natal into a national brand.

The group opened four new stores outside SA: one in Namibia and three in Swaziland. Two underperforming stores were closed in Namibia, taking the total outside SA to 142 including TM Supermarkets.

Source: BDpro

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