

## Mr Price down, not out

Mr Price Group reported a drop in headline earnings for the first time in 16 years following a difficult year for South African consumers. But CEO Stuart Bird said on Tuesday there were significant opportunities despite the apparel retailer's poor showing in its full-year results.



Credit: Freddy Mavunda via *Business Day*

In the year to 1 April 2017, Mr Price reported a decrease of 10.4% in diluted headline earnings per share to 887.9c. The annual dividend was maintained at 667c a share.

"We see the environment as continuing to be constrained and in this kind of environment, your opportunities are mostly limited to market share growth and [the environment] places more emphasis on margins, costs and efficiencies. We have scope to increase market share in all our existing businesses," Bird said.

He said the brands that would stand to benefit most were Mr Price, Milady's and the cellular division. "We think we've passed the worst of it. We've seen a positive start to this new financial year - though from a low sales base. Our inventories are in a much better place than they were this time last year," Bird said.

The group reported an increase in total revenue of 0.7% to R19.8bn compared with the year-earlier period. Retail sales eased 0.5%, while comparable store sales fell 3.6% to R18.6bn. Cash sales were level with the previous year and constituted 83.3% of total sales. Credit sales were 3.1% lower.

Sanlam Private Wealth investment analyst Renier de Bruyn said it had been a tough year for Mr Price as the consumer was under pressure as a result of a weak economy and high food inflation.

"Credit growth was constrained by new regulations and lower appetite from lenders. MRP (Mr Price) also lost some market share as heavy discounting by competitors reduced MRP's price advantage and their fashion offering didn't hit the mark," De Bruyn said.

He said the extra trading week in the previous year and timing of Easter had further negatively affected year-on-year growth. "Notwithstanding the lower profits, cash generation showed a healthy increase and should continue to improve over the coming years following the completion of their new distribution centre."

Following the release of the results, Mr Price Group's share price shot up 6%.

"If the rand can hold steady, consumer confidence should improve over the coming year as inflation subsides and interest rate cuts become more likely. If MRP (Apparel) can then just get the fashion right, the seeds would have been sown for a recovery in 2018 from a much less demanding base," De Bruyn said.

In the group's largest chain, MRP Apparel, sales of R10.9bn were 1.7% lower. Comparable sales were down 4.7%. The group's smallest division, financial services and cellular, was its best performing, growing operating profit 12.2% to R387m and sales 24.6% to R1bn.

Overseas, the group would be reducing the sizes of its Mr Price clothing stores in Australia, Bird said.

*Source: Business Day*

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