# Pick n Pay delivers sustainable growth in ‘new normal' environment

Announcing its results for the year ended 26 February 2017; Pick n Pay achieved an 18% growth in headline earnings per share, a turnover growth of 7% and like-for-like growth of 3.4%. The group declared a final dividend of 146.40 cents per share, bringing the total dividend for the year to 176.30 cents.

gopixa © – 123RF.com

This is the group’s eighth consecutive reporting period of substantive earnings growth, with an improvement in the profit before tax margin up from 2.1% to 2.3%.

CEO Richard Brasher said, “With this result, we have maintained the positive momentum we have achieved over each of the past four years. We have improved our customer offer, opened more Next Generation stores, tightened our operating model, centralised more of our supply chain, grown our online sales and retail services, expanded our Boxer business and made progress in the rest of Africa.

“We are now a much better business for our customers than we were four years ago. With a cost-effective and efficient engine and effective platforms for long-term growth, we are well advanced on our journey to restore a sustainable profit margin to the business.

“A fitter and stronger Pick n Pay is important because our customers need our help more than ever. At all income levels, people are finding it harder to make ends meet. They are demanding consistently lower prices and better value. In our low-growth economy, competition for the hard-pressed customer is going to be the new normal.

“This year we celebrate 50 years since Pick n Pay was founded by Raymond Ackerman. He built the company by being the consumer’s champion, fighting for lower prices and best value. In our anniversary year, we are returning to our roots and are focused on helping and winning customers in the new normal. We have made a strong start in the past few weeks by investing R500 million in permanently lower prices on 1 300 everyday grocery lines and by modernising our Smart Shopper loyalty scheme to deliver weekly instant discounts.

“We will build on this throughout the year, as we continue to build a better group - better for customers, better for colleagues and better for shareholders.”

## Performance

Turnover increased 7%, reflecting a difficult trading environment and some disruption from store refurbishments and closures, with 62 stores refurbished and 12 under-performing stores closed. The group created 4 500 new jobs at a time of growing national unemployment.

Like-for-like sales grew by 3.4%. The company provided meaningful support to customers in a tough year by buying better and running a more efficient business. Selling price inflation was held to 6.1%, well below published CPI food inflation of 11.0%.

The company opened 68 new Pick n Pay corporate stores and 25 Boxer stores. New stores contributed 3.6% to turnover growth. Seventy new Pick n Pay franchise stores were opened, including 32 Pick n Pay Express stores on BP forecourts.

An increasingly centralised supply chain and greater operating efficiency helped deliver a stronger gross profit margin. On-shelf stock availability of 96% was consistently achieved throughout the year.

The increase in like-for-like trading expenses was well-contained at only 3.0%. Overall trading expenses increased only 6.7% to R13.3 billion, notwithstanding a net increase of 86 corporate stores over the year. The like-for-like increase in employee costs was 3.3%, reflecting a more efficient store operating model.

Pick n Pay’s clothing business delivered strong double-digit growth. The group’s liquor business grew 15%. Online turnover in the Western Cape grew 30% year-on-year, driven by the success of its dedicated online picking warehouse near Cape Town. A second online warehouse was opened outside Johannesburg in December 2016.

The company delivered consistently strong growth in commissions and other income, which grew 22.3% to R398.2 million. This reflected a solid performance across all categories of value-added services, including income from prepaid electricity, third party bill payments, ticketing and travel, and financial services.

Boxer again delivered strong turnover growth in highly competitive market. The Boxer team invested meaningfully in the price of basic commodities, while strengthening its fresh meat, fruit and vegetable offer over the year.

## Africa

Segmental revenue for the rest of Africa division increased 8.7% in constant currency. Like-for-like revenue fell by 0.4% because of a difficult economy and tough trading conditions in Zambia. Operations in Namibia, Botswana, Swaziland and Lesotho continued to trade well, as did the group’s associate in Zimbabwe, TM Supermarkets, which delivered a strong performance in a tough economic environment.