

Verimark earnings drop

Home retail group's headline earnings per share have declined on the back of a decline in revenues.

Home retail group Verimark Holdings saw headline earnings per share decline 64.7% from 11.6 cents to 4.1 cents for the year ended February. This was on the back of a 12.8% decline in revenues to R253 million.

The group says although good progress has been made in certain areas, it is clear that the turnaround would take longer.

Michael van Straaten, chief executive of Verimark, said: "Over the past year, we have made encouraging progress on our recovery strategy although tangible results have not yet filtered through to the financial performance. Introductions of new products are at the highest level ever and expenses are well under control.

"Whilst this process is taking longer than originally anticipated, we remain confident that the corrective actions and strategies in place will bear fruit. We are committed to do this in the shortest possible time and believe that the worsening in the general economic climate will open up more and better trading opportunities moving forward."

Van Straaten said the main reasons for the decrease in profitability were a reduction in sales and gross profit margin. Finance costs were much higher due to foreign exchange losses on the hedge contracts and interest on the preference share liability relating to the consolidation of the Verimark Employee Empowerment Trust.

Company remains confident

These were being remedied by tighter expense control and new product introductions. Verimark said that while its efforts over the last year to reverse the current performance did not show the results it had anticipated, the company was confident that the essential management changes made will bear fruit.

"These and other corrective actions and strategies are underway and although it might still take longer than anticipated to show improved financial results, we are committed to do this in the shortest possible time.

"New products sales have been satisfying and on par with our expectations. This improvement will be reinforced by a number of new products that have already tested successfully and will roll out early in the new year. "As earlier pointed out, another key challenge for the year ahead is to regain and improve our trading footprint and we believe that the worsening in the general economic climate will open up more and better trading opportunities moving forward," Verimark said.

Given the lower level of profitability and ongoing recovery strategy, the company considered it prudent not to declare a dividend for the year.

"We expect that dividend payments will resume in accordance with the current payout policy of 80% of headline earnings once the turnaround has been affected."

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