Lewis Group earnings slightly up at 417.4c

Lewis Group has reported diluted headline earnings per share of 417.4c for the six months to September, marginally higher than the 414.9c for the same period last year.

Lewis says market conditions will remain tough for the rest of the year. Image: Lewis Group

Revenue was up 4.5% at R2.54bn, while operating profit grew 0.6% to R523.4m and net profit attributable to shareholders was 1.7% higher at R380m. An interim dividend of 215c per share was declared, up from 212c a year ago.

The group said it had delivered a competitive performanc" in a difficult environment marked by declining levels of consumer confidence, high levels of indebtedness within the unsecured credit market and rising cost pressures.

The effect of the weak trading environment was reflected in group merchandise sales growth of 1% to R1.17bn. Sales for the first quarter to June were flat, but slightly stronger in the second quarter.

Credit sales for the six months accounted for 72.4% of total sales. Lewis said its value offering attracted higher levels of cash customers in this period and was part of the drive to increase sales momentum.

The gross profit margin at 37.7% was consistent with the previous period despite the rand's weakness during the six months.

"The gross profit margin was within management's target of 37.5% to 38.5%, with direct imports accounting for 28% of all merchandise purchases," it said.

Ten outlets all in the smaller format were opened during the period, bringing the store base to 627 at the end of September. A further 76 stores were refurbished and 13 converted into the smaller store format. There are currently 110 smaller format stores.

Lewis said it continued to invest for the future and remained on track to meet the target of opening between 20 and 25 new stores in the current financial year.

During the period, the group launched a R2bn domestic medium-term note programme and successfully raised R500m in the first issuance, which was listed on the JSE at the end of October.

Looking ahead, the group said new merchandise had been launched ahead of the festive season trading period. "Strong marketing campaigns had been developed and directed at creditworthy consumers, through value for money merchandise offerings," it said.

"The current difficult trading conditions are expected to continue for the remainder of the financial year. The focus in this environment will remain on driving quality credit sales growth while containing operating and debtor costs," it said.