

Clicks H1 diluted HEPS up 7.6% to 131.5c

Despite tough trading conditions, retailer Clicks (CLS) has reported a 7.6% rise in diluted headline earnings per share to 131.5 cents for the six months ended February from 122.2 cents a year ago.

Releasing its interim results on Thursday, 26 April 2012, the group also said its full year diluted HEPS are anticipated to increase by between 6% and 11% over the previous year.

Clicks reported a 6.8% rise in total turnover to R7.7 billion, with selling price deflation of 0.2% for the period. Retail turnover grew by 8.3% with price inflation of 0.1%, while UPD increased turnover by 5.0% as price deflation averaged 0.5%.

In this low inflationary environment all the group's businesses showed real growth in sales, it said.

Operating profit increased by 5.8% to R488.9 million and the group's operating margin declined slightly from 6.5% to 6.4%. Headline earnings increased by 3.2% to R333 million.

The interim dividend was increased by 19.2% to 44.1 cents per share.

Chief executive David Kneale said the retail trading environment had been highly competitive, with increased promotional offers necessary to attract value conscious consumers.

"Low or negative selling price inflation has led to a slowdown in the growth of the health and beauty market. In this low inflationary environment all our businesses showed real growth in sales."

He said the group maintained its competitive advantage by increasing volumes and growing its share of the health and beauty market. Clicks increased retail pharmacy market share to 16.1% from 14.5% in 2011 while UPD grew its share of the private pharmaceutical market to 23.2% from 22.9% last year.

The Clicks chain grew turnover by 9.6% and benefited from new store openings during the period. Clicks increased its store base to 412 while the pharmacy footprint was expanded to 295.

Musica grew operating profit by 11.7% and performed well in a declining market. The brand increased market share in CDs, DVDs and gaming.

The Body Shop posted a strong performance for the first half, with turnover increasing by 14.5%.

UPD grew wholesale turnover by 5.0%. Four new distribution agency contracts were taken on during the period, "evidence

of increasing supplier confidence in our ability to provide a full distribution and wholesale service," Kneale said.

Looking ahead, Kneale said the health and beauty markets are expected to remain highly competitive. Selling price inflation is anticipated to be less than 2% for the full year.

"In these market conditions, the group's focus will be on driving volume growth and containing costs," he said. "We are committed to maintaining investment for the longer term growth of the business, with capital expenditure of R183 million committed for the second half."

Kneale said the group remained well positioned for the medium-term through the market leadership and growth potential of both Clicks and UPD.

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