Steinhoff lifts diluted headline earnings

Steinhoff Holdings (SHF) on Tuesday, 6 March 2012, reported fully diluted headline earnings per ordinary share of 150.5 cents for the six months ended 31 December, versus 102.2 cents previously.

The group reported basic earnings per ordinary share (EPS) of 166.3 cents from 106.4 cents previously.

The board recommended that a dividend of 374 cents per preference share be declared on or before 2 April, in respect of the period from 1 July 2011 to and including 31 December 2011.

Revenue increased 123% to R37.645 billion, while operating profit increased 59% to R3.699 billion.

The results for the period under review include six months trading contribution of French furniture company Conforama.

Conforama's results were not included in the comparative period as the business was acquired effective 1 March 2011, the company said.

In addition, the results exclude the performance of the Unitrans automotive and Steinbuild businesses that now form part of JD Group (JDG).

Steinhoff said it had reported a strong financial performance in a challenging market.

"This performance was supported by our resilient value proposition in our retail formats, good cost control across the group, and our ongoing focused investments in brands, product, infrastructure and properties," it added.

Group turnover in Steinhoff's continuing African operations increased by 11% to R5.132 billion, while turnover earned in currencies other than rand, as measured in euro, increased by 139% to EUR3.092 billion, mainly due to the first-time consolidation of Conforama in the six months under review.

The group's reporting currency (rand) weakened against the euro by 11% during the period.

A total of 86% of the group's revenue was earned in currencies other than the rand.

In sharp contrast to the macro-economic woes of Europe, the company said its retail operations in continental Europe generated strong growth in revenue and profit.

In the UK, it said its focus in providing an appropriate value offering to its key target market proved to be the main contributor to the improved performance.

"The UK retail division outperformed the market, increased market share and profitability, despite fewer trading outlets across all brands and a subdued market," the group said.

In the Pacific Rim, the company said Australian retailers that differentiated on low prices grew market share at the expense of the middle to upper-end market segments in line with the trend experienced in Europe.

While in Eastern Europe, the group's joint venture retail operations continued to be affected by the tough consumer spending conditions prevailing in these markets.

"The newly acquired Abra reported an improved performance in the months since our acquisition," Steinhoff said.

Operating profit from manufacturing and sourcing activities increased 9% to R1.172 billion and logistics services contributed R489 million to operating profit, a 16% increase compared to the previous period.

Net finance charges increased by R144 million to R585 million, reflecting the increase in absolute debt levels as a result of the Conforama acquisition.

However, due to increased trading levels as a result of the Conforama acquisition, interest cover increased from 5.3 to 6.3 times.

The group said it remained well capitalised with net debt at 31 December 2011 of R20.9 billion, translating to the debt:equity ratio reducing to 45%.

In the past six months, the group opened seven stores in Germany, two in Spain, and acquired nine previously franchisee stores that will now be trading as owned Conforama stores.

Conforama also opened two Confo Deco stores. These new stores comprise 145,351 square metres and account for the majority of the expansion capital invested in the group during the period under review.

Looking ahead, the company said it was confident that its repositioning over the last six months established the base that would provide focus from which the separate operating units would continue to deliver sustainable earnings growth.