Steinhoff holding up in credit crunch

By Nicola Mawson

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Steinhoff International Holdings held up sales in the global credit crunch and reported a net profit improvement in the six months to December.

The group, which sells products globally through almost 1,000 retail outlets, reported revenue 26% higher at R26bn, while profit was 18% up at R1,7bn. However, headline earnings per share were 2% off to 118c.

Steinhoff held operating margins stable operating margin was stable at 9.5%, down slightly from 9.6%, despite consolidation of a lower margin business and the trading conditions in the UK, the Pacific Rim and the automotive retail segment in SA.

CEO Markus Jooste said the results were satisfactory and an indication of its diversity and its vertical integration.

Steinhoff manufactures a range of furniture in more than 74 factories throughout the world.

With staff of more than 50,000, Steinhoff sells into southern Africa, Europe and Australia.

Chris Gilmour, an analyst at Absa Investments, said Steinhoff's results were the first in which the full effect of the credit crunch would be seen.

The group sold mostly into developed economies which had been taking strain and Steinhoff's portfolio of durable goods would be expected to cool off.

In southern Africa, its building supplies business — Timbercity and Pennypinchers — continues to expand its footprint. Comparable store sales rose 12%, but profitability was affected by start-up costs of the new stores.

However, the troubled automotive market left its mark on Unitrans, which reported a decline in sales and profitability. The unit, however, continued to “make a meaningful contribution to earnings from a relatively small investment base”.

The Hertz car rental division was affected by reduced inbound tourist volumes as well as lower than expected profits from de-fleeting.

In the UK, the group reported a performance consistent with the prior six months. It said its vertical integration, increased advertising and remedial steps taken to rescue the operation had paid off.

Jooste said the company had maintained market share and had room to grow as competitors had gone out of business.

In continental Europe, the group was shielded somewhat from the credit crunch by operations in Germany, Austria, Switzerland, Scandinavia and the Netherlands, where consumers were more conservative than in Spain, France, Portugal and Italy.

Its purchase of the European Retail Management (ERM) group was consolidated for the first time and performed well as European consumers traded down, Steinhoff said. It expected the trend to continue for the rest of the year. Jooste said ERM was “spot on” in the European market.

Australian operations held up revenue in a “challenging” environment.

Source: Business Day

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