

Massmart shareholders get good returns, as sales reach R91.3bn

Massmart, majority owned by WalMart, announced its full-year results for the 52 weeks to December 2016, indicating good margin management and astute expense control, resulting in pleasing trading profit and headline earnings growth.



Discott via [Wikimedia](#)

Key highlights

- Total sales up by 7.7% (R91.3 billion)
- Strong profit recovery at Game (trading profit up 54.8%)
- Online sales double
- Operating profit before interest up 15.5% (R2 483.4 million)
- Headline earnings up 15.6% (R1 293.3 million)

Against the backdrop of very low discretionary consumer spending, the group reported that comparable sales for the period increased by 5.4%, with product inflation estimated at 6.7%.

The sales performances across its major product categories reflect the economic pressures within the South African consumer environment. Total food and liquor sales grew at 11.7% for the year, while general merchandise, which continues to be impacted by very low discretionary consumer spending, grew by 1.5%.

Despite the challenges, Massmart outperformed the market in terms of general merchandise sales. In addition, it ran a number of very successful promotions in the year, such as the Black Friday promotion. On Black Friday, Game experienced its highest ever one-day sales and Makro broke all previous online records, generating the highest online sales in one day, contributing 6% to overall sales. The year also saw excellent sales from the group's retail food offering, which contributed to the strong performance from Game.

Operating expenses were well controlled, increasing by 7.7% over the prior year and excellent expense control resulted in comparable expense growth of 5.4%.

Cross-border sales grew

Sales from outside of South Africa represent 8.7% of total sales and grew by 11.2% in Rands and 13.4% in constant currencies. The severe drought in southern Africa and weak and volatile African currencies affected the reported rand sales. Eleven more stores will be opened outside South Africa in 2017 and 2018, representing African space growth of 26.2%.

Divisional performance

In Massdiscounters, the two-year focus on Game's merchandise execution as well as addressing in-store and supply chain costs manifested in a strong trading margin and expense performance. This, together with good sales and an impressive profit performance from Dion Wired, resulted in a 54.8% increase in trading profit before interest and tax in the division. The rollout of Fresh continues, with 88 Game stores now offering this category. Food and liquor sales participation has reached 23%, achieving comparable sales growth of 11%.

Makro continued to deliver a strong performance with total sales for the year increasing by 11.0%, boosted by total sales growth in food and liquor, which were higher than the overall business. Lower general merchandise sales were reflective of significantly constrained discretionary spending.

Given the sales pressures, particularly in the countries outside of South Africa, the increase in Massbuild's trading profit before interest and tax was 2.7%. In the year under review, a pilot online offering for Builders Warehouse contractor customers has progressed well. The online proposition is exceptional, with rich data and broad functionality and will be available by mid-2017.

Despite lower-income consumer demand and intense price pressure, Masscash increased total sales by 7.5% and comparable sales by 7.9%. Both Cambridge and Rhino performed well, growing comparable sales above 10%.

Massmart CEO, Guy Hayward said, "We are hopeful that several key economic drivers in South Africa will improve in 2017 - lower food price inflation, some rand strength and possibly lower interest rates. This makes us cautiously optimistic for the upcoming period. However, this optimism remains measured by the high levels of uncertainty and volatility that currently prevail.

"As a result, we will continue to focus on factors within our control and our strategic priorities remain unchanged: we are beginning to see pleasing results from our continued focus on new retail formats, including the growth of our online offering and African footprint, as well as the rollout of new retail food and builders outlets in South Africa. We will continue to implement efficiencies that ensure we are well positioned to take advantage of the turn in the business cycle."