

New Lewis stores to fill gaps

By [Fifi Peters](#)

30 May 2016

Consolidation in the furniture sector has placed Lewis in a strong position to roll out 10 to 15 new stores in SA in its next financial year.



Pixabay

Lewis, which is in a face-off with the National Credit Regulator (NCR) over allegations of reckless lending, says it could not disclose the location of the new stores, as this would make it easier for remaining competitors to employ counter strategies.

But CEO Johan Enslin said the new stores would be spread across the nine provinces.

Lewis, which reported on Wednesday a 26.5% fall in headline earnings per share to R6.22 in the year to March, was trading out of 790 stores at year-end.

The store count excluded 20 of the 56 Ellerines and Beares stores it bought from Ellerines Holdings, the furniture arm of rescued African Bank Investments Limited (Abil), in 2015.

The acquisition doubled its store count outside SA to 119.

"We still see a lot of opportunity in SA in the medium term, (mainly) because of the demise of Ellerines and store closures by JD Group," Enslin said.

"Things may be tough in the short term, but we do believe that there is light at the end of the tunnel, and the fact that we are the only man standing will serve us well in the long term."

Ellerines went into bankruptcy last year in August, when Abil withdrew funding to the lossmaking retailer. Also in the past year, Steinhoff International acquired the remaining shares in JD Group it did not already own.

JD Group was subsequently delisted and Steinhoff announced plans to close 265 of its 1,200 stores to revamp the struggling retailer.

Enslin said the store closures had resulted in intense competition during the reporting period as JD Group offered discounts of up to 60% on stock. "The aggressive discounting was very disruptive," he said.

It resulted in Lewis's merchandise sales nudging up only 2.9% to R2.6bn in the 12 months to end-March, while operating costs jumped 12.1%.

Sales were also hit by rising food inflation triggered by the drought, which constrained consumer spending; unemployment soaring to a record 26.7%; and the introduction of more stringent lending laws by the NCR.

The group's credit sales dropped 4.5% in the year as a result of the new laws, which require customers to provide their three most recent payslips or bank statements.

In late July, Lewis will stand before the National Credit Tribunal to defend allegations that it breached the National Credit Act.

The credit regulator has accused the group of recklessly extending credit related to employment insurance, disability cover, club fees and extended maintenance contracts.

Enslin admitted the company had erred in selling employment insurance and disability cover to pensioners and self-employed people due to "human error".

To date, Lewis has paid back 85% of the R67m it had elected to refund to customers, without instruction from the NCR.

Source: Business Day