

Steinhoff shares surge on earnings rise

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Furniture company Steinhoff's share price rose sharply after it announced its first-half profit had risen.

The vertically integrated furniture manufacturer and retailer said that headline earnings per share for the six months to December 31 were expected to be 20%-25% higher than the prior corresponding period, but that earnings per share were expected to be only 10%-15% higher.

Steinhoff jumped by 9,84% to R17,30, the biggest gain since February 2003, giving the company a market value of R23,4bn.

However, a revaluation of its Amalgamated Appliance Holdings (Amap) stake would weigh on earnings per share, it said.

It said this was "after providing for an impairment charge relating to the write-down of the carrying value of ... Amalgamated Appliance Holdings to its market value as at December 31".

Steinhoff owns 26,7% of Amap, which closed at R1,69, valuing Steinhoff's stake at about R96m.

In the furniture company's annual report, it said its 56,7-million shares in Amap, which it was holding as a "long-term investment", had a carrying value of R316,2 million, an increase on the previous year's R306,9m.

Amap, which was talking about a possible merger with Steinhoff last year before negotiations were called off in August, has been troubled for some time.

In the same month, the appliance and electronics company reported an 8% decline in revenue and a 42% drop in earnings per share for the year to June.

However, Amap could prove to be Steinhoff's avenue to expanding into the retail furniture sector. Steinhoff has said SA would be "targeted as a retail expansion area, particularly after the sale of the furniture manufacturing interests".

The company sold its South African furniture manufacturing interests to a consortium led by Absa Capital last year.

Chris Gilmour, an analyst with Absa Asset Management Private Clients, said it made sense for Steinhoff to merge with Amap and develop the company to include furniture. He said Steinhoff might revalue the stake upwards should Amap shares recover.

Source: *Business Day*

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