

Pepkor H1 profit seen up 20% as cash-strapped shoppers seek value

By Nqobile Dlodla

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South African retailer Pepkor Holdings said on Wednesday half-year earnings were expected to rise by at least 20%, supported by growth at its discount clothing business and a reduction in net debt and finance costs.



South African clothing retailers have been hit as a second wave of Covid-19 infections and job losses constrain discretionary spending.

However, Pepkor, majority-owned by Steinhoff, is faring better than others with its focus on budget-conscious consumers, including more than 17 million South Africans on welfare and special Covid-19 grants.



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Headline earnings per share (HEPS), the main profit measure in South Africa, from continuing operations were seen rising by 9.1 cents in the six months ended 31 March from 45.6 cents a year earlier. Group revenue from continuing operations grew by 8.1% to R6.5bn. When revenue from its fintech businesses' credit books is excluded, revenue growth of 9.9% was achieved.

Conservative credit granting across all credit books in addition to lower interest rates, negatively impacted growth in revenue earned from the Tenacity, Connect and Capfin credit books, Pepkor said.



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The retailer, which vies with TFG's Jet clothing chain, said revenue at its clothing and general merchandise division rose by 8.1%, with the Pep and Ackermans clothing brands reporting sales growth of 8.8%, or 6.9% on a like-for-like basis.

The furniture, appliances and electronics division, which includes the JD Group, Incredible Connection and Hi-Fi Corporation brands, reported revenue growth of 12.8%, driven by technology upgrades and the trend of working and taking lessons at home, while revenue at its fintech division rose by 3.1%.

Net debt at 31 March reduced to R6.1bn from the R14.1bn reported a year ago, due to strong cash generation during the period, Pepkor said.

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