

Edcon's first quarter retail sales up 3.2%

Retailer Edcon said on Thursday (22 August) that retail sales increased 3.2% to R6.205bn in the first quarter of the current financial year.



It said better merchandising and cost-saving initiatives improved profitability, increasing pro forma adjusted earnings before interest, tax, depreciation and amortisation (ebitda) by 6% to R721m.

Gross profit for the three months ended June was up 5.9% to R2.4bn and the gross profit margin increased by one percentage point. The retail trading profit increased 11.0% to R342m.

The group reported cash sales growth of 12.1% and said revenue from operations outside SA contributed 9.9% of total sales.

"In the first quarter we continued to focus on the execution of our strategy to position Edcon for future growth, although we remain mindful of consumer pressures," Edcon's chief executive Jürgen Schreiber said. "During the quarter, we grew cash sales by 12.1%, largely due to our loyalty programme that now has over 10m card holders.

"We also continued implementing the second phase of Edgars' 72-store refurbishment programme, which is delivering a refreshed, consistent and compelling shopping experience and is timed to coincide with the peak Christmas trading period.

"Edgars is also in the process of rolling out exclusive brands, improving talent management and further optimising its operations," he added.

Discount division

Schreiber said the discount division continued to increase profitability, benefiting from strategic initiatives introduced over the past year, such as better sourcing and improved product selection as well as a strong focus on optimisation.

Edcon's total revenues increased 4.7% to R6.6bn but same-store sales were down 0.3% in the first quarter, largely as a result of the temporary disruption in the Edgars division.

The total number of stores increased by 9.6% to 1,301 stores but the total store costs rose by R88m, or 7.3%, from R1.2bn in the first quarter of last year to R1.3bn in first-quarter the current financial year, mainly due to higher rental and manpower costs.

Store costs were particularly well contained in the discount division, increasing only 3.3%, reflecting the success of the optimisation initiative. Store costs in the Edgars division increased 9.6% as the optimisation efforts will only benefit the business in the second half of the current fiscal year, once the large refurbishment programmes have been completed.

Edcon said the expansion outside SA continued to progress well. It recently secured store space in Ghana. The sales from countries outside of South Africa contributed 9.9% (8.2% excluding Zimbabwe) of retail sales for the first quarter of the year, up from 8.4% (7% excluding Zimbabwe) in the prior comparative period.

The group announced that Birgitt Gebauer has been appointed as the chief executive of Edgars department stores, effective from September. She has more than 28 years' retail and textile expertise, bringing a wealth of merchandise and product experience to the position.

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