

Massmart profits fall with consumers under pressure

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22 Aug 2013

Walmart-owned Massmart on Thursday (22 August) reported a 9.9% fall in first-half profits, as consumers in Africa's largest economy came under pressure.



Massmart said headline earnings per share before currency swings were at 181c in for the six months to June, compared with 201c in the previous year.

"With most South African gross domestic product (GDP) forecasts for 2013 being lowered, it was clear economic growth was below the level required to create jobs and compensate workers for energy and services price-inflation," Massmart said.

The group's sales have slowed as a result of lower-income customers remaining under economic pressure. Mounting living costs and rising debt have squeezed their disposable income.

"Total sales increased 8.9%, while comparable sales grew by 5.5%," the group said. Sales in Massmart's African businesses represented 7.6% of total sales and rose by 10.7%.

Excluding foreign exchange benefits, earnings before interest, tax, depreciation and amortisation (ebitda) of R1.1bn increased over the previous year by 1.4%. A final cash dividend of 146c per share was declared.

Declining economic growth

Massmart's chief executive Grant Pattison said the results mostly reflected declining economic growth and falling disposable income levels, and the company did not expect to see any improvement in the short term.

"The weaker rand should translate into higher product inflation, although demand weakness should mitigate this to some extent," he said.

The Massdiscounters division, which includes Game and Dion-Wired, grew total sales by 9% with comparable sales

growing 3.7%. At Masswarehouse, which includes Makro, total sales rose by 13.7% with comparable sales growth of 6.9%. Massbuild, whose portfolio includes Builders Warehouse, reported comparable sales growth of 9%.

"The first Massbuild regional distribution centre, opened in April this year, will distribute products in southern Africa," the company said.

Masscash total sales rose 5.6% with comparable sales up 4.2%, slightly bolstered by the Rhino acquisition in March 2012. Rhino stores are mainly involved in retail sales of groceries and liquor to low-income customers in KwaZulu-Natal and the Eastern Cape.

Massmart announced that it would introduce George, a clothing brand owned by Asda, Walmart's UK subsidiary, into Game and Makro stores from November. "Walmart has assisted us to innovate in this category with very little risk attached. Makro will stock babywear while the Essentials range and babywear will be rolled out to 40 Game stores," Pattison said.

The group has four more Builders stores planned for Mozambique and Zambia, and has secured sites in Kenya and Angola for Game. "We have developed a new food format which we will be (testing) in West Africa before the end of the year and continue to look at East Africa as well," Pattison said.

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