

# Woolworths' profit up 75%, but SA's power crisis will hurt growth

By Nqobile Dlodla

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Woolworths Holdings Ltd reported a 75.1% jump in half-yearly earnings on Wednesday, 1 March but warned of slower growth in the second half as the country's power crisis hits profitability.



Source: Reuters/Siphiwe Sibeko

Brick-and-mortar sales increased substantially in the first half ended 25 December, the company said, as shoppers, particularly in Australia, returned to the aisles after prolonged pandemic lockdowns.

Woolworths, which also operates in Australia under the Country Road and David Jones chains, said headline earnings per share (HEPS) rose to 294.5 cents in the reporting period, up from 168.2 cents in the prior year.

Group turnover and concession sales increased by 18.5% to R49.9bn, while profit before tax jumped by 63.3% to R3.7bn.



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In South Africa, which houses Woolworths' upmarket grocery, fashion, beauty and home businesses, the retailer grappled with crippling rolling power outages which have reduced its domestic adjusted operating profit by an estimated R15m per month.

Chief executive Roy Bagattini told investors that Woolworths was incurring about R20m to 30m per month in food waste and diesel costs when power is out for up to 10 hours a day.



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The "debilitating" power crisis, constrained consumer demand and normalisation of trade in Australia were likely to result in slower profit growth from continued operations in the current second half, which began on 26 December, Woolworths added.

Bagattini told *Reuters* that the retailer will ramp up renewable energy backup power supply at its distribution centres, while working with landlords at shopping malls to move towards renewable energy.

Eskom is implementing the worst rolling blackouts on record, leaving households in the dark for up to 10 hours a day, forcing retailers to crank up diesel generators for hours and putting pressure on their margins.

## ABOUT THE AUTHOR

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