

No plans to list HomeChoice

Direct marketing retailer HomeChoice, which delisted from the JSE in 2003, has shelved its planned relisting.

The company, which retails mainly home décor products and offers specialised financial services, provisionally scheduled a listing for the fourth quarter of 2012.

It delisted under controversial circumstances in 2003 after founder and main shareholder Rick Garratt managed to buy out minority shareholders at a price largely deemed neither fair nor reasonable.

Though bitterness may linger in some investment quarters, it seemed strong operating performances from HomeChoice in recent years could lead to it again being listed on the JSE.

Apparently not. HomeChoice directors said current market conditions were not "supportive for a listing".

They added that after extensive engagement with potential investors locally and abroad, the uncertain market environment was not conducive to raising capital on suitable terms.

This despite HomeChoice posting impressive results in the past two years, and recently reporting a 25% jump in interim earnings to R627m, a 21% increase in operating profits to R181,5m and an interim dividend hike of nearly 50% to 52 cents a share.

Aside from a solid showing in its core home décor retail business, the "sexy" segment for HomeChoice is its highly profitable financial services niche. This fast-growing division pulled in R60m in operating profits from revenue of R111m.

Most of the funding sought by HomeChoice ahead of its proposed listing would have been earmarked to grow the financial services segment, which earns its income from small loans to long-standing retail customers.

HomeChoice chief executive Shirley Maltz suggests the company's heavy weighting to credit sales and fledgling financial services offerings might not have appealed to investors concerned about the high levels of unsecured lending in South Africa.

"We had a good engagement with investors. But things are quite uncertain and there are concerns."

HomeChoice, though, believes it can continue to invest as planned in its debtors books, information systems, in developing a new distribution centre and expanding its distribution infrastructure.

HomeChoice's operational cash flow at the interim stage was R88m. The operational cash flow for the year to December was R144m.

Source: *Financial Mail* via I-Net Bridge

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