

Annual Avusa results now out

Avusa this morning, Thursday, 24 June 2010, released its annual results, reporting that advertising revenues were 17% lower than the prior year, with the resultant operating profit 39% below that of the comparative year. For the half year, Avusa had reported an operating profit 61% below the prior year.



According to the press statement, while the results mirror the recessionary environment, the business declared an increased dividend.

Asserted Prakash Desai, group CEO, "The softer advertising support in a recessionary environment was met with lower operating costs which flowed to results in the second half of the year. This confirms that the Avusa business model remains sound and robust."

He added: "We will continue to pursue long-term growth strategies, and we remain well positioned to capitalise on the anticipated improvement in the economy."

Stronger

The second half operating profit contribution was stronger, with the "company benefiting from early cost-savings initiatives that resulted in operating costs decreasing by 2% year-on-year". The entertainment businesses increased revenues and held profitability while making an investment in an online retail store.

Revenues from continuing operations were down 4% to R4.7 billion, and profit after tax from continuing operations was R1 million lower than the comparative period.

The media business unit revenues were soft while readership of most of the titles continued to grow. It is expected that recruitment advertising will be the last sector to recover.

The entertainment business showed increased market share for cinemas (with a 14% increase in attendances over the prior year). DVD sales saw a revenue decrease of 2% in a retail market under pressure. In a recessionary environment Nu Me delivered above indices on discretionary spend, resulting in R30 million profit from operations, compared to R13 million in comparative period, with an increase in DVD licensor representation, film distribution and gaming.

The rightsizing and restructuring initiatives undertaken in music in the second half of the prior year "paid off, with the business generating an operating profit for the year".

Retail up

The retail business unit revenues were up 5%, while profit from operations, which included R15 million (2009: R4 million) contributed by digital development and online costs, declined by R16 million. The business saw margin erosion as a result of a stronger rand, larger provisions made and inflationary cost increases in rental and labour. The Avusa online store, www.exclusives.co.za, was launched in March 2010, retailing DVDs, CDs, books and electronic games.

The books and maps business unit saw tough trading conditions, combined with recurring losses from the UK business, the

write-off of development costs in the digital business, and a foreign exchange loss of R7 million. Cost-cutting and working capital reduction initiatives remain key focus areas.

The balance sheet of the company remains "ungeared" and strong with net cash at the end of the financial year, totalling R504 million.

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