

Truworths dips foot in European waters

Fashion retailer Truworths on Monday said it was in talks to buy the UK's Office Retail Group, making it the late South African retailer to pursue offshore expansion...

By [Fifi Peters](#) 15 Sep 2015



Photographer: Michael Etershank

Image source: [BDrive](#)

If successful it would be Truworths's first foray into the European market though it has 23 franchise stores in the rest of Africa and the Middle East.

The London Sunday Times pegged the takeover price at £300m - about R6.3bn at Monday's exchange rates.

Truworths would neither confirm nor deny the price on Monday.

Wayne McCurrie, a portfolio manager at Momentum Asset Management, questioned the timing of Truworths's potential entry into the UK, given the rand's present weakness against the pound.

"Over time, the strategy of diversifying out of SA is correct," he said. "But to buy something at around R21 against the pound? Although the rand is massively oversold, (having depreciated by 16% against the pound this year) it is not impossible for the rand to weaken further," he said.

Chris Gilmour, an investment analyst at Absa Wealth, said the deal would most likely be funded with debt. Interest rates in UK are set to rise from their historic lows, which would mean higher payments when they do. However, "the deal should be good in the longer term as it will result in annuity income in hard currency", he said.

At the June year-end, Truworths said it had R1.4bn in cash and cash equivalents on its balance sheet. Office Retail Group is a footwear chain that sells men and women's shoes from about 150 stores in the UK.

Investors welcomed the potential deal, sending its share price up more than 5% to a two-week high of R90.79. The stock closed almost 4% up at R89.58 on Monday.

South African retailers have made concerted efforts to expand abroad as the local economy slows down.

In January, the Foschini Group paid £140m for clothing store Phase Eight, and in June investment house Brait acquired New Look, a UK-based fashion retailer.

Last year Spar acquired an 80% stake in the BWG Group, a major food retailer operating in Ireland and south-west England while Steinhoff's R62.8bn takeover bid for Pepkor would see the furniture retailer expand into Eastern Europe and Australia.

Source: Business Day

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