

Retail space growth expected to slow

Fashion retailer Truworths last week said it expected space growth to moderate over the next few years as the development of malls stalled.

But this was not expected to affect growth as long as the company continued to read fashion right, said Syd Vianello, analyst at Nedcor Securities.

He said the company's main growth had come from the Identity outlets, while the core brands had slowed dramatically.

CEO Michael Mark said the company would continue to expand, but would do so cautiously in challenging trading periods. He said space growth at the end of the year was likely to be 10%, but would moderate after that.

During the six months to December, space grew 11%. Mark said the openings did not include the outlets in the company's emporiums, which collected several brands under one roof.

Truworths planned to open 20 new stores in the second half of the year across all brands — Truworths, Truworths Man, Daniel Hecter and Identity. An additional seven stores will be refurbished or expanded.

During the previous six months, trading space increased 11% after the group opened 17 Truworths, 18 Identity and two Uzzi stand-alone stores. It also closed six Truworths stores, taking the total store base to 475.

In the next year, the company expected to grow space 7%, a trend it forecast would continue for the next few years. “There are a lot fewer malls being opened and proposed,” said Mark. He said that Truworths had seen most of its growth from new stores, with unit growth at about 1% on a like-for-like basis and at 6% at new stores.

Truworths reported revenue up 10% to R3,7bn, while profit before tax was up 11% to R1,2bn. Headline earnings per share increased 16% to 184,7c in the 26 weeks to December 28.

Sales of merchandise improved 10% to R3,3bn. Excluding the 27th week, sales would have grown by 14%.

Comparable store sales growth was 7%, with product inflation of about 6%.

Mark said sales for the first seven weeks of the second half of the year showed growth of 20% on the prior comparable period.

He cautioned that, despite the decline in interest rates and lower fuel prices, the retail trading environment remained

difficult.

“We do not expect conditions to improve materially over the remainder of the 2009 financial period.” However, he did expect the company to achieve real earnings growth for the financial year ending June 2009 and remains committed to meeting its financial targets.

Truworths grew its account base by 3% to 1,8m and its debtors group grew by 9%. Net bad debts and the allowance for doubtful debts as a percentage of the book grew to 11,9%. Credit sales accounted for 68% of retail sales — a decline.

Source: Business Day

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