

Lewis diluted earnings up

Furniture retailer Lewis Group on Monday, 14 November, reported diluted headline earnings per share of 374.9 cents for the six months ended September 2011 from 329.9 cents previously. Headline earnings per share were up 13.9% to 378.7 cents.

The company declared an interim dividend of 172 cents per share, an increase of 10.3% from last year.

Revenue for the period increased by 6.7% to R2.3 billion with merchandise sales increasing by 3.2% to R1.1 billion.

Chief executive Johan Enslin said trading conditions were challenging as the group experienced inconsistent sales patterns during the period.

"Trading was impacted by the shift in the timing of the Easter holidays in April, the local government elections in May and industrial action across several sectors of the economy," he said.

The group's operating profit margin at 21.9% was consistent with the previous year, while its gross profit margin improved from 35.1% to 38.5%.

Merchandise sales for the six-month period increased by 3.2% over the previous year.

Merchandise sales in the flagship Lewis brand, which account for 83% of total sales, increased by 4%.

The company's Best Home and Electric division grew sales by 10%.

Overall sales growth was impacted by the rationalisation of the Lifestyle Living brand, including the closure of three stores this year, the company said. Furniture and appliance sales increased by 5%.

Credit sales increased from 71% to 73% of total sales owing mainly to targeted customer promotions and the launch of new furniture and appliance ranges.

Debtor costs increased from 4.8% to 5.1% of net debtors.

"Collections were negatively impacted by the holidays in April and the elections in May, but gathered momentum in the latter stages of the reporting period," the retailer said.

Operating costs, excluding debtor costs, rose by 11.3%.

"Expenses were impacted by increased marketing and promotional activity to support sales, as well as higher electricity costs and increased transport costs," Lewis Group said.

In the past six months, ten Lewis stores and six Best Home and Electric outlets were opened, bringing the store base to 593 at the end of September 2011.

The company said sales and collections for the first month of the new reporting period were showing signs of gradual improvement.

"While customers' disposable income is coming under renewed pressure from higher transport, electricity and other utility costs, the response to the launch of new and exclusive merchandise ranges during the latter part of October has been encouraging," it added.

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