

Edcon total sales up 7.3% for October

Clothing, footwear and textiles retailer, Edcon on Wednesday said despite challenging global economic conditions, its results for the second quarter ended October 1 showed consistent improvement.



Retail sales increased by R366 million, or 7.3%, from R5.034 billion in the second quarter 2011 (13-week period ended 2 October 2010) to R5.4 billion in the second quarter 2012 (13-week period ended 1 October 2011).

More importantly, this arose from a 6.2% increase in comparable store sales and was achieved with only 0.8% additional trading space, it said.

Adjusted EBITDA was up 16.5% to R571 million and credit sales contributed 51% to total sales for the quarter, up from 48% in the same quarter last year.

"We are pleased with the stronger earnings growth, which was achieved in spite of the company maintaining a conservative stance in our credit activities," said Jurgen Schreiber, CEO of Edcon.

Trading profit increased by R36 million, or 17.3%, from R208 million in the second quarter 2011 to R244 million in the second quarter 2012.

Gross profit increased by 5.2%, from R1.819 billion in the second quarter 2011 to R1.913 billion in the second quarter 2012.

Gross profit as a percentage of retail sales was 35.4%, down from the second quarter 2011 percentage of 36.1%.

"This is a direct result of input price inflation combined with a higher contribution of lower margin cellular and digital to the product mix," Edcon said.

Edgars Department Stores Division, which includes Edgars, Boardmans and Red Square, increased retail sales by 6.9%, mainly due to strong growth from cellular products, cosmetics and footwear.

CNA's retail sales improved by 11.7% and the Discount Division's retail sales were 6.9% up compared to the same quarter

last year, primarily from a strong performance by childrenswear and cellular products.

Edgars gross profit decreased slightly as a percentage of retail sales from 40.4% in the second quarter 2011 to 40.3% in the second quarter 2012, due to a shift in sales mix.

Gross profit as a percentage of retail sales in CNA decreased from 33.1% in the second quarter 2011 to 31.0% in the second quarter 2012 primarily because of a change in sales mix.

In the Discount Division, gross profit margin decreased from 31.1% in the second quarter 2011 to 29.8% in the second quarter 2012 due to a larger contribution from cellular products and higher input prices.

Consolidated annualised bad debts as a percentage of average debtors decreased to 8.9% from 11.8% for the same period last year. Credit and financial services operating profit grew of 54%.

Edcon said store costs increased by R71 million, or 6.9%, from R1.023 million in the second quarter 2011 to R1.094 million in the second quarter 2012 principally as a result of an increase of R30 million for electricity costs imposed by our utility provider, and increases in remuneration and rent.

Other operating costs increased by R94 million, or 14.7%, from R640 million in the second quarter 2011 to R734 million in the second quarter 2012, it added.

"At 1 October 2011, the total availability under the Senior Revolving Credit Facility was R2.517 billion which matures between June 2012 and March 2014.

"The Edcon OntheCards (OtC) Receivables-Backed Notes issued by OtC consist of R4.300 billion notes due between July 2012 and April 2017.

"During the second quarter 2012 the maximum utilisation of the revolving credit facility was R600 million," Edcon said.

"We are positive about retail conditions in SA and also encouraged by the outlook for the rest of the African economy, as evidenced by the recent opening of Edcon stores in Zambia," Schreiber commented.

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