

Mr Price share price knocked after update

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Shares in Mr Price (MPC) fell late on Thursday, 17 January 2013, after the retailer reported that sales grew 10% during the third quarter of the financial year ending 30 March compared to the same period in the previous year, while comparable store sales increased by 4.4%.

"As anticipated, the sales performance for the quarter was impacted by the planned curtailment of credit sales growth. In the third quarter of the prior year, unsecured credit granted in SA increased by 57.1%," the group said in a trading update.

After being 1.68% higher at midday, Mr Price's share price tumbled almost 5% to record a loss of 3.31%, or R4.15, at R121.25 by the JSE's close.

The group's intention to remain a cash-based retailer and the "downside risks currently associated with unsecured credit", led Mr Price to take a decision to slow credit sales growth off a high base.

"As a result, the growth in group credit sales in the current reporting period slowed considerably. This impacted the Mr Price apparel chain in particular, which also experienced the under-delivery of certain key categories of merchandise in October and November."

Retail selling price inflation for the period was 4.8%, with cash sales constituting 78.8% of total sales compared to 80.1% previously.

During the quarter the group opened 32 and closed two stores, adding a net 12,294 square metres to its trading area, and ended with 1,019 stores.

The apparel division, which includes Mr Price, Mr Price Sport and Miladys, which represented 73.3% of sales, achieved sales growth of 9.1% with comparable store sales growth of 2.9%.

The home division, which includes Mr Price Home and Sheet Street, achieved sales growth of 12.6% and comparable store sales growth of 8.8%.

Mr Price said its gross profit margin increased over the corresponding prior period, while collections from debtors were in line with expectations.

"The group is targeting an improved sales performance in the fourth quarter of the year due to an improved stock position

and a base period which included lower credit sales growth," it said.

Sales for the period 30 December 2012 to 16 January 2013, which are not included in the period, reflected an increase of 17.2% over the prior period, with comparable store sales increasing by 11.7%, Mr Price said.

The third quarter was from 30 September to 29 December.

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