Pick n Pay earnings up 24.4% to 138.5c

Retailer Pick 'n Pay reported an increase in headline earnings per share (HEPS) for the year ended March of 24.4% to 138.51c up from 111.30c for the previously reported 368-day period in 2013.

Pick n Pay's Richard Brasher says Pick n Pay has much still to do before it achieves its objectives. Image: Pick n Pay

Basic earnings per share (EPS) increased 6% from 115.14c to 122.01c per share. The new 52-week reporting calendar resulted in the current reporting period being four trading days fewer than last year. The comparable EPS growth if the impact of 14.64c per share attributable to the additional trading days is excluded, is 21.4%.

The group instituted a substantial turnaround strategy since the beginning of last year under new Chief Executive Richard Brasher after losing market share to Woolworths, Spar and Shoprite. Brasher said it was a challenging but rewarding year.

"Much work lies ahead in what is a difficult trading environment," he said.

Turnover increased by 7.7% to R63.1bn with the gross profit margin maintained at 17.5%. An impairment of R104.1m was made on intangible assets relating to the centralisation of support functions.

The total dividend per share for the year is 92.30c, up 9.9% on the prior year, in line with the group's policy to moderate the dividend cover to 1.5 times headline earnings per share.

The group opened 111 new stores during the year and closed 26 under-performing stores, adding 3.4% net new space. "We are a stronger business than we were 12 months ago," the group said.

Inventory decreased by R16.7m or 0.4% which resulted in a slight improvement in net working capital.

"We have been focused on removing slow-moving inventory lines from our business, rationalising our product range to provide our customers with a more focused and relevant offering, as well as improving our supply chain efficiencies with improved strike rates to stores," the group said.

The groups said strong financial control was crucial in this environment. "We reduced our trading expenses as a percentage of turnover from 17.1% to 16.7% and our trading profit margin improved from 1.3% to 1.6%," it said.

It warned that customers are facing increasing financial pressure as a result of rising fuel, electricity and other utility costs, higher interest rates and huge levels of household debt.

"The weak rand is also contributing to rising commodity and consumer goods prices," it said.