

Could Steinhoff be preparing for a listing?

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Steinhoff could be ready to list its South African operations separately as a retail entity, says Cratos Wealth portfolio manager Ron Klipin.



Markus Jooste.

Picture: [Jeremy Glyn](#)

Integrated retailer Steinhoff could pull a rabbit out of the proverbial hat following the restructuring of its South African operations.

On Wednesday Steinhoff CEO Markus Jooste said that in the quarter ended September 2016, the group had closed 84 stores in the local household goods operations.

"It was a very disruptive quarter. We spent €25m of the restructuring budget during the period under review and the remaining €5m is expected to come through during the next three months," he said.

Cratos Wealth portfolio manager Ron Klipin said the closure of the stores could be in preparation for a listing.

"The stores that were closed were probably from the JD Group. Steinhoff could be ready to turn around and list the South

African operations separately as a retail entity," said Klipin.

Currently, 61% of the group's revenue is earned in Europe and the UK. Africa — and mostly SA — contributes 32%.

In the period under review, the group's total revenue increased 12.1% to €3.4bn. Approximately 93% of revenue was generated by group retail operations. The retail operations improved sales 15.6%.

Steinhoff reported a 12.5% increase in operating margin to €327m, representing an operating profit margin for the group as a whole of 9.7%. When adjusting for one of restructuring costs, the group increased margin 21.1% to €352m.

Revenue of the household goods retail segment increased 13.6% to €2.2bn.

Klipin said recent acquisitions Poundland in the UK and Mattress Firm in the US would drive growth. Mattress Firm has 3,500 outlets and about 28% market share.

Poundland had the potential to achieve a higher level of profitability through the roll-out of the Pep&Co concept, he said.

Jooste said that so far, the roll-out had proven to be a success, although it was still in its infancy.

"We have taken quite a number of the bigger Poundland stores and introduced some of our best-selling Pep&Co apparel and footwear products. The sales of those products were higher than we ever expected. Management is quite confident that a multiprice point and a different mix of products is definitely in store for the future for those (Poundland) businesses. We are quite excited and confident about the way forward," he said.

Source: BDpro

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