

# Pick n Pay gain defies retail odds

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Investors in Pick n Pay sent the company's share price climbing as much as 3% in intraday trade on Friday, on a day when most food retailers made marginal gains, after releasing a trading statement that defied the constrained local consumer environment.



A customer heads for a Pick n Pay shop in Cape Town.

Picture: [Reuters/Mike Hutchings](#)

Consumer confidence has been wallowing in negative territory in 2016. The FNB/BER Index showed that consumer confidence levels of high-income shoppers (earning more than R7,000 per month on the index's scale) improved from -10 to -6 index points, but confidence in low-income consumers (earning less than R7,000) plunged from -8 to -15 index points in the second quarter of 2016.

Pick n Pay has exposure to both ends of the market. Food inflation has also eroded purchasing power.

The retailer said it expected a rise in headline earnings per share of between 20% and 25% for the 26 weeks to end-August from headline earnings per share of 66.62c a year ago.

Pick n Pay said the results were underpinned by stronger operational and financial discipline. "[The group] believes that the pressures facing consumers, in particular the pernicious effect of high food inflation, may begin to alleviate in the coming months," it said.

Sasfin Wealth's senior equity analyst Alec Abraham said the group's headline earnings were within expectation. "We were expecting turnover growth of about 9% and they reported it at 7.2%. Nevertheless, the figure means they are making very

positive margins. They are making good progress in terms of their switch-over to a central distribution system and their cost-saving measures are taking effect," Abraham said.

These results would mark the seventh period of substantive profit growth in a row, Pick n Pay said. For the year to date, Pick n Pay's share price is 5.8% higher.

The company is valued at about R33bn.

**Source:** Business Day

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