Foschini Group results show positive signs

The Foschini Group (TFG) has released its half-yearly result for the six months up to September 2010. Headline earnings per share were up 16.9% to 272.3c with turnover up by 12.5% to R4.6-billion. Turnover in the first seven weeks of the second half is up 16.1%, and same store turnover up 12%, supporting its cautious optimism. An interim dividend of 138c, 16.9% higher than for the same period last year has been declared.

During the period under review, it unveiled a new corporate brand and changed its JSE listing from Foschini Limited to The Foschini Group Limited to better reflect the groups' diverse retail footprint. Aside from its Foschini stores across the country, it also has Fashion Express, Donna-Claire, jewellery stores comprising American Swiss, Sterns and Matrix stores, sports outlets trading as Totalsports, Sportscene and DueSouth, menswear stores under the Markham brand and @home stores, among others.

In addition to its retail stores, it has a strong financial services division, comprising TFG Financial Services, which manages the group's in-store credit card programme as well as overseeing the group's financial services. The RCS Group, an operationally independent consumer finance business doing business in South Africa, Namibia and Botswana, provides private label cards to customers of retailers outside of TFG as well as fixed term finance personal loans directly to consumers. TFG holds 55% of RCS while The Standard Bank of South Africa Limited holds the remaining shares.

Christmas expectations

CEO, Doug Murray, says SA's retail environment remains challenging but a more positive consumer sentiment and improved consumer spending, spurred by the 2010 FIFA World Cup has been evident since the beginning of the financial year.

"The interim results are encouraging and all indications are that this trend is sustaining itself and gaining in momentum since the start of our second half period. However, as always, the second half of the year is heavily dependent on Christmas trading, which will largely determine the performance of the group for the year as a whole.

"Continued unemployment remains a potential business risk, but we are relatively optimistic about second half year trading, buoyed by the sales figures we are starting to see coming through in the past few weeks."

Results commentary

Commenting on the results, Murray says in the past six months', clothing sales were pleasing, increasing by 11.7% on the back of a strong growth of 11.2% for the previous corresponding period.

"We think this performance is especially satisfactory given the current economic climate. Jewellery sales were also a pleasant surprise at 10.4% up despite the fact that these are usually regarded as luxury items and not expected to sell well in tougher economic times. Home wares were 16.1% up, while cellphone sales increased by 25.5% largely due to resolved supply issues.

Murray says same store turnover for @home is now a positive 7.9% for the first time in a number of years, now that new store openings have reduced and efficiencies are being improved.

The retail debtors' book grew by 6,9% to R3,4-billion during the period. The performance of its debtors' book continues to improve, despite the tough times with net bad debt as a percentage of book improving to 9,5% from its peak towards the end of the last financial year of 10,1%.

The RCS business increased its net profit before tax by 14,9% to R121,8-million while its net bad debt improved significantly, falling by 21,6% compared to the previous period.

RCS successfully raised R623-million in its Domestic Medium-Term Note programme to fund its future expansion through a mixture of long and short term paper. It is now in the process of using this funding to grow its personal loans business further and it is expected to make further positive contribution to the group profits going forward.