

Truworths share price rallies after trading update

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The share price of Truworths rallied 2.64% to R99.49 after the retailer reported on Thursday that retail sales for the first 18 weeks of the 2013 financial period increased by 15.9% to R3.3bn, with credit sales growth of 15.1%.

Comparable (same store) retail sales increased by 10.7% and product inflation averaged 3%. Credit sales comprised 72% of retail sales during the period, compared to 73% in 2012.

The trade receivables book grew by 16.5% over the corresponding prior period-end to R4bn. "The receivables book continued to perform in accordance with management's expectations," the group said.

Truworths and other retailers have been under pressure with the arrival of foreign retailers to SA's shores.

Zara, owned by the world's biggest fashion retailer Inditex, opened its doors in SA late last year, while UK fashion brands Topshop and Topman are due to set up shop in SA this month.

'Very positive'

Avior Research analyst Michael Mcleod said the update was "very positive" following previous concerns at the end of the 2012 financial year that earning growth seemed to be slowing.

"They have come out much further ahead than expected," Mcleod said, adding that same store sales increases of 10.7% was a strong performance.

While credit sales were significantly higher than the Foschini Group's, which was about 61%, this was not a big concern as Truworths had been good at managing their books.

The timing of the update - ahead of the Foschini Group's half-year results release later on Thursday and given of the entry of Topshop and Topman - showed Truworths "definitely have to stake their ground and this is very positive", Mcleod said.