Lewis's shares rise despite profit warning

By Robert Laing

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Furniture retailer Lewis warned shareholders on Wednesday that its earnings were expected to fall by as much as 66% - which appears to have been less severe than investors expected because its share price jumped 3% on Thursday morning.

Image credit: *Financial Mail*

Lewis said in its trading update it expected to report on 24 May that its basic earnings per share (EPS) for the year to end-March would be in the range of 58% and 66% lower than the previous year's R10.83. Headline earnings per share (HEPS) were expected to drop by between 30% and 40% from the previous year's R6.22.

Lewis said the drop in earning was partly due to its 2016 results benefiting from a one-off windfall of R496m from selling an investment portfolio held in its subsidiary, Monarch Insurance Company.

Merchandise sales in its 2017 financial year fell 2.2%, with like-for-like merchandise sales down 9.3%, the trading statement said. Its overall revenue was down 3.3%.

"The group's gross profit margin continued to expand in line with management's expectations and improved to 41.6% compared to 38% in the previous year," Lewis said.

"Debtor costs for the year increased by 6% reflecting an improvement from the 17% growth reported at the 2016 year-end."

Source: BDpro