Lewis sells more furniture, but more of it is on credit

By Robert Laing

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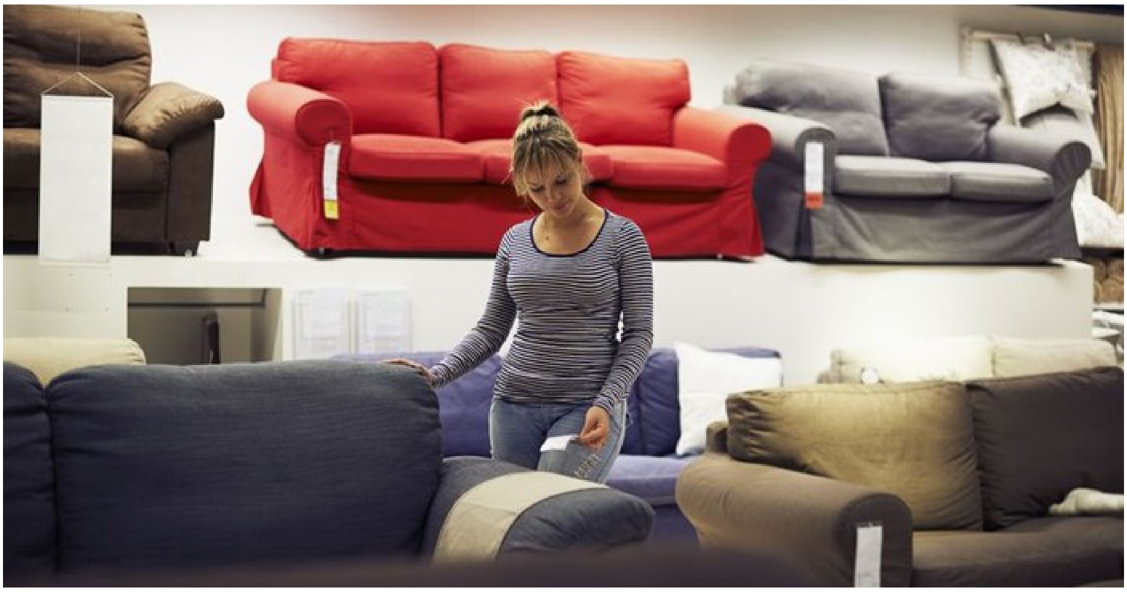
The proportion of furniture Lewis sold on credit in the first half of is financial year widened to 68.8% from 63.4% in the matching period, helping it grow merchandise sales 5% to R1.3bn.



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Merchandise sales contributed about half of Lewis's overall revenue. A quarter of its total revenue came from finance charges and initiation fees, which declined 7.3% to R678.5m, Lewis reported on Monday morning.

Insurance revenue fell 15% to R356.4m and what the group calls "ancillary services" revenue fell 9% to R328.9m for the six months to end-September from the matching period in 2016. The declines in the fees Lewis adds to the price for customers who buy their furniture on credit saw the group's overall interim revenue decline 3% to R2.66bn.

Lewis maintained its interim dividend at R1 despite its after-tax profit falling 18% to R143.4m Headline earnings per share (HEPS) fell 16% to 163.9c, midway between Lewis's guidance of a 12%-18% decline.

The group increased its marketing expenditure by 9% to R123m, and CEO Johan Enslin indicated this would rise further in the second half of its financial year. "The important festive trading season will be supported by strong promotional activity and new merchandise ranges," he said in the results statement.

At 30 September, the group traded out of 744 stores across its three retail brands - Lewis, Ellerines and Beares - following the net closure of 17 stores during the period.

Trading space reduced by 4.2% as the group switched to smaller-format Lewis stores and closed marginal stores. The Lewis brand traded out of 207 smaller-format stores in its portfolio of 500 stores. The group's 110 stores outside SA accounted for 15% of the total store base, the results statement said.

Comparable store sales grew by 7.3%. Stores outside SA contributed 24.3% of merchandise sales. The group managed to reduced its debtor costs by 11.5% to R444.3m from R502.1m in the matching period.

"Collection rates improved from 74.6% in the first half of the 2017 financial year to 76.2% in the current period. Debtor costs as a percentage of net debtors decreased from 8.6% to 8%. The level of satisfactory paid customers at 67.7% is in line with last year's 67.9%," Lewis said.

>i>Source: BDpro