

Woolies sees green shoots in Australia

By [Colleen Goko](#)

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Woolworths says it is beginning to see some "green shoots" in its Australian operations, with significant changes in store for David Jones and Country Road Group.



But the retailer warned that despite this encouraging trend, trading conditions in that market would remain difficult for the rest of the year.

CEO Ian Moir said Country Road Group had gone through "a really tough three years".

"We've spent a lot of time in the business. It's really beginning to make a difference.

"We are starting to see green shoots and that's not in just Country Road itself, but also within Witchery. Those two businesses are the biggest and were also the problem children and they are beginning to behave," said Moir.

The Country Road Group houses Country Road, Trenery, Witchery and Mimco.

In the 26 weeks ended December 25, David Jones' sales grew 4% and comparable sales 0.5% in Australian dollars. Country Road Group sales were 0.9% lower than the prior period due to high levels of promotional activity, Woolworths

said.

Anchor Capital investment analyst Liam Hechter said Country Road's results were largely expected and were likely to have been more seasonal than structural.

"Management made the point that the performance in the second quarter was stronger than the first, so the disappointing operational performance could possibly be short-lived, although we would have to give the numbers and prospects a thorough interrogation over the coming months before forming a strong conviction on that view," Hechter said.

Management had executed well on some of the guided changes at David Jones, while the big source of synergies - the cross-selling of private label products in David Jones stores - seemed to have disappointed.

"Not enough has passed to make a definitive call on whether the cross-sell of private label will deliver the expected synergies. When Woolworths bought David Jones, investors expected the guided synergies to be delivered in a linear fashion. While this was always unlikely to be the case, we remain cautiously optimistic that management is on the right track in delivering on the guided synergies although it is likely going to take longer than initially anticipated," he said.

Moir said the second half of the year would be similar to the first. "In Australia, consumer confidence is a bit muted. Australians are by nature a bit of a miserable bunch, but their confidence has been dampened by economic events."

GDP in Australia "is expected to grow, but at a rate slower than the long-term average", the CEO said.

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