BIZCOMMUNITY

Pick n Pay's load shedding bill costs R522m

Pick n Pay has today published its financial results for the year, with a whopping R522m load shedding bill.

Load shedding cost the retailer more than R500m. Source: Supplied.

The retail group said it has delivered an encouraging performance despite the substantial impact of load shedding and related costs, particularly in the second half of the trading year.

Additional costs

Considering the additional costs required to run diesel generators, the companies underlying earnings were ahead of the broadly flat guidance communicated by it to the market earlier in the year. Throughout the year, Pick n Pay said it made excellent progress in delivering the first stage of its multi-year Ekuseni strategic plan.

Group turnover increased by 8.9%, with another market-leading performance from Boxer, whose sales growth in South Africa was up 20.2%. Boxer opened 60 new stores in the year, and is on-track to deliver its target of opening 200 stores, and doubling sales, by FY26.

Sales growth from Pick n Pay South Africa was 4.3% (3.5% LfL). Sales were impacted by some disruption in stores as the Group began to implement its new customer value proposition (CVP). The Group is pleased with the following areas of progress in the Pick n Pay turnaround:

- Launch of Pick n Pay QualiSave – a new brand in the market, now comprising 118 stores, representing a strategic move to dedicate specific focus to serving a growing number of customers seeking exceptional value at the middle to lower end of the market

- Full conversion of 131 Pick n Pay and QualiSave stores to their new CVPs to differentiate the two store banners and improve the customer experience

- Fully converted stores have achieved an uplift of more than 10% in sales growth post conversion, well ahead of the 4.3% Pick n Pay South Africa growth

Pick n Pay Clothing went from strength to strength, with 15.3% sales growth from standalone stores. The Group opened 58 new clothing stores, more than double the number in FY22.

Pick n Pay Clothing lands milestone green building accolade
4 Apr 2023

Online sales

The Group was very encouraged by online sales growth of 72%, with on-demand sales growth well in excess of 100%. This was driven both by asap! and the new Pick n Pay offer on Mr D, in partnership with Takelot, which was launched in October 2022.

Given high inflationary pressures, exacerbated by load shedding, the Group was very pleased to have exercised good cost discipline in its operations throughout the year. Despite spending an incremental R522m on diesel to run generators (R430m net of electricity savings), and incurring anticipated costs in implementing the Ekuseni plan, the Group limited like-for-like cost growth to just 7.9%. This was due in large measure to R800m in efficiency savings under Project Future.

SA online retail passes R50bn mark in 2022
23 Dec 2022

Cost discipline and efficiency gains enabled the Group to restrict internal inflation at 8.5%, well below CPI at 10.4%. The Group attaches great importance to this achievement at a time when consumers are burdened to an unprecedented degree by rising inflationary pressures.

Pick n Pay also held its underlying gross profit margin (excluding the impact of the 2021 civil unrest on the FY22 GM) flat at 19.6%.

Group pro forma profit before tax declined 15.1% year-on year. However, taking into account R430m net energy costs, underlying profit before tax would have an estimated R2.1bn, up 7% year-on-year.

Pick n Pay removes plastic barrier bags from till points
14 Feb 2023

Respectable achievement

A total dividend of 185.15 cents per share was declared for the year.

Pick n Pay CEO Pieter Boone said:

“This result is a respectable achievement by Pick n Pay and Boxer colleagues in an exceptionally tough year.

“Like everyone in South Africa, we have had to manage substantial inflationary cost pressures, exacerbated by an unprecedented worsening of load shedding.

“Despite these pressures, the Group achieved three very important steps.

“First, we kept our eye on the ball and contained our costs very well. Restricting like-for-like cost growth to just 5.6% in Pick n Pay South Africa, despite significant additional costs from load shedding, was a major achievement.

“Secondly, our cost-discipline enabled us to keep our price increases well below CPI food. I know this is really important for every family in this country, and our commitment is that we will continue to do everything we can to keep prices down in the coming year.

“Thirdly, despite the external headwinds, we nonetheless developed, launched, and implemented our Ekuseni strategic plan.

“Ekuseni is the right plan for Pick n Pay and the right plan for South Africa. We are rejuvenating our PnP brand into PnP and PnP QualiSave to better serve customers with a more tailored Customer Value Proposition. We are accelerating our Boxer and Clothing growth engines to give customers greater access to these winning brands. Our omnichannel and digital offerings are delighting more customers, and will provide a strong runway for growth in the coming years.

“Load shedding has had a material impact on our result, particularly through massively increases in diesel costs. We are accelerating our energy resilience plan to mitigate these costs in the future.

“But I also ask our stakeholders to look through these costs as far as possible – to see the real underlying progress we are making in delivering our Ekuseni plan.

“It is going to be another tough year. But I have every confidence in our plan, and in the ability of our teams to deliver it."