

Massmart headline earning worse than 2020

Earlier this week South African retailer Massmart Holdings says its headline loss per share, the main profit measure in South Africa, will be at least 40% worse than the reported headline loss per share reported in 2020 of 426.8 cents.



Source: © Reuters

The retailer, majority-owned by Walmart Inc, flagged a wider annual loss, due to store damages and lost trading income suffered due to looting in July during protests over former President Jacob Zuma's imprisonment.

Significant inventory write-off

Headline earnings include the impact of the significant inventory write-off because of the looting that erupted after Zuma turned himself in to be jailed for contempt of court in July. The looting directly impacted 43 of its stores, with brands such as Game and Makro.

In total the looting cost R2.5bn (\$157.99m) in stolen goods and damaged assets, with an accounting loss of around R650m after insurance proceeds.

Lost sales from damaged stores and supply chain disruption from the unrest were compounded by Covid-19 liquor trading restrictions, which affected group sales in the 48 weeks ended 28 November, although total sales only fell 1.3% in the same period a year ago to R75.3bn.

Sales from continuing operations were 0.9% higher than in 2020, at R69.7bn. Comparable store sales - which excludes sales from new stores - from continuing operations were 3.6% higher.

Loan term extended

The disruptions had prompted Walmart to extend the term of a portion of the R4bn loan to Massmart, the group says. This will involve replacing R2bn of the loan by subscribing for a perpetual fixed rate unsecured note.

Massmart said the remaining Walmart loan had a six-month tenure, which can be extended at the end of each tenure period. The balance of the loan after the subscription for the perpetual note is approximately \$117m, it says.

The retailer also said it was considering selling 15 inadequately performing Game stores.

Source: Reuters

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