

Pepkor store expansion plan on track despite tough operating environment

Pepkor said its plans to open more than 300 stores in the 2022 financial year remain on track, despite a challenging operating environment impacted by supply chain disruptions and constrained spending.



Source: Supplied

The group's robust store expansion programme saw it open 144 new stores in the six months to end-March, with revenue up 3% to R42bn. The group retail footprint comprised 5,708 stores as at 31 March 2022.

The group reported a 28.3% jump in half-year earnings, benefiting from the implementation of a global claims settlement by its parent company Steinhoff International Holdings. Its headline earnings per share rose to 91.5 cents in the six months ended 31 March, up from 71.3 cents a year earlier, while operating profit jumped 19.1% to R5.7bn.

Pepkor CEO Leon Lourens commented, "Over a comparable two-year period, the group achieved exceptional sales growth of 15.4% with substantial market share gains. Pepkor's business model and unique market positioning continue to underpin organic growth with store openings and format expansion, a trend that is set to continue.

"We opened 144 new stores (versus 108 stores in the comparable period) and we're on track to surpass this number in the second half of the year with an additional 205 new stores. Taking a three-year view, Pepkor opened 830 new stores, which also plays a big role in sustaining job creation in South Africa. We strongly believe this illustrates the organic growth

opportunities that still exist."

Pepkor owns brands including Pep, Ackermans, Tekkie Town, Bradlows, The Building Company and Incredible Connection.



Massmart sustains private label investment as shoppers search for savings

26 May 2022



Solid performance

Pepkor stated in a Sens announcement, "The group is very pleased with the solid performance for the first half of the 2022 financial year, based on a stronger second quarter and even more so when considering performance on a two-year basis, which eliminates volatility caused by Covid-19.

"The operating environment remains very challenging as unemployment levels and the cost of living continue to increase. The extension of the monthly R350 Covid-19 Social Relief of Distress (SRD) grant to March 2023, as announced in the recent State of the Nation Address by the president, will provide much needed relief for many consumers in South Africa who need to survive on a very small budget."

"The increased momentum in events and industries such as tourism is very encouraging and should alleviate some of the pressure consumers face," it added.

The company expects higher levels of price inflation for the next summer season starting in August 2022.

"While challenging, this operating environment motivates operations teams to develop innovative new ways to ensure that products remain affordable for consumers – thereby redefining and solidifying the group's position in the South African discount and value sectors.

"Supply chain disruption and uncertainty have continued. The group's merchandise teams have done exceptionally well to mitigate the impact of disruption on merchandise inflows and in-store availability. While global supply chain uncertainties persist, it seems that shipping costs have stabilised and may trend downwards," Pepkor said.

The group expects stronger trading during the second half of the year, supported by the lower base in the comparable period, which was affected by the civil unrest.



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Zuko Mdwaba 27 May 2022



KZN unrest, flooding

To date, the group has reopened 479 (87%) of the 549 stores looted and damaged in the civil unrest that erupted in the KwaZulu-Natal and Gauteng provinces of South Africa during July 2021. The reopening of the remaining 70 stores is delayed due to the need for property owners to rebuild stores or shopping centres.

Pepkor was also impacted by the recent flooding in KZN, with one of Pep's three distribution centres (Isipingo) sustaining significant damage and not operating since.

Contingency plans were put in place for stock to flow through Pep's unaffected distribution facilities in Johannesburg and Cape Town, but Pepkor said this interruption, in addition to a very challenging supply chain environment at present, will have an impact on service levels in the business.

Looking ahead

Commenting on the remainder of the year, Lourens said: "Consumers will remain under pressure for the rest of the year, and we're concerned about how rising inflation and increasing levels of unemployment will further impact consumers. As a group, we remain vigilantly focused on doing what we can to continue offering accessible, affordable products.

"We'll continue to leverage the organic growth opportunities in the second half of the year, by opening more stores than in the first half and more than in the comparable period, bringing our total number of new stores up to 350 for this year, which is an even bigger number than last year.

"While global supply chain uncertainties persist, shipping costs appear to have stabilised and may trend downwards. For us, ensuring customers can access the products they want remains a priority. This commitment is illustrated through the dedicated teams that are working hard to ensure resumption of operations in Pep's Isipingo distribution centre by the end of May, albeit on a limited basis initially. We are also concluding an investment into our Hammarsdale distribution centre, which will increase our capacity with 120,000 sqms.

"As a group, we're optimistic about the rest of the year as trade continues to normalise. Together with our valued teams across the business, we have everything in place to continue executing on our growth strategy and making a positive difference in people's lives."



Pepkor expands to South America with acquisition of Brazil's Avenida

3 Feb 2022



Avenida acquisition

The group's [recent acquisition](#) of well-established Brazilian value retailer Avenida, represents Pepkor's entry into the Brazilian value retail market, which "holds enormous long-term growth potential for the group".

Pepkor added, "Operating performance since February 2022 has exceeded expectations. Good progress was made in preparing the business for growth, while improved working capital, in particular inventory levels, supported sales performance." Avenida currently operates 130 stores.

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