Steinhoff earnings of 394.8c up from 315.4c

Steinhoff International Holdings on Tuesday (10 September) said that the prevailing global economic environment remained volatile but it was confident that the diversity inherent in its assets and earnings would continue to protect the group against any prolonged downturn in any one market where it operated.

In the full-year, the JSE-listed furniture group benefited from its European business which gained momentum as investments in its expanded footprint continued to reap rewards. The Johannesburg-based firm reported a 25% rise in full-year profit for the year to June.

Revenue was up 44% to R115.5bn, while operating profit increased 41% to R11.3bn. Headline earnings per share (HEPS) were at 395c from 315.4c, previously.

"Our continued investments in our European store network have delivered further benefits with market share gains and margin improvement reported in many of the countries where we operate," said Steinhoff's chief executive, Markus Jooste.

"Our cost rationalisation programmes to support profitability worldwide, are also delivering ongoing benefits," he said.

Cash generated from operations grew by 26% to R13bn, reflecting the increased profitability of the group and the improved cash flow of both the European and African operations.

"This increase is in spite of the investment in working capital, which resulted from a deliberate reduction in creditors, due to the greater amount of sourcing activities in emerging low-cost countries," Jooste said.

Retail activities rise

During the year under review, revenue attributable to the group's international retail activities increased 10% to R57.5bn and operating profit increased by 23% to R3.1bn.

"Cost rationalisation programmes helped to support the subdued markets of France, Italy and Spain, while Switzerland continued to perform well," the company said.

In terms of Steinhoff's manufacturing, sourcing and logistics operations, the European and eastern European manufacturing business which includes the global sourcing and logistics division reported a 13% growth in revenue and a 36% increase in operating profit to R2.3bn.

The consolidation of the JD Group and the manufacturing assets in KAP saw turnover in Steinhoff's separately listed African operations increase to R47.4bn Operating profit grew to R3.2bn, but margins declined as a result of overall decreases in margin in the African retail business segment.

JD Group (JDG), a diversified retail and consumer finance business, became an associate of Steinhoff in June 2011 and a subsidiary of the group in April 2012. JD Group reported a decline in headline earnings to R866m due to the subdued and challenging South African retail environment coupled with above-average inflationary cost increases as well as higher debtor costs.

Industrial business

The diversified industrial business, KAP Industrial Holdings has been an associate of Steinhoff since 2005 and became a subsidiary last year. For the period, KAP reported a 21% improvement in operating profit to R1.3bn, attributable primarily to strong performance in the timber, passenger and manufacturing divisions. Headline earnings increased to R682m.

Steinhoff declared a dividend of 80c.

Looking ahead, the group said in Africa, the low economic environment was expected to continue and had led to a focus on containment of costs and improved efficiencies to maintain margins in a more competitive low-volume environment.

"The favourable interest rate environment, especially in Europe, remains conducive to property investment opportunities. These investments will promote the longevity of the retail operation without the volatility in profitability that may arise as a result of rental escalations. The serviceability of the group's debt and the diverse mix of debt instruments provide comfort in the sustainability of the group's capital structure," it said.