



16 November 2018

Nice work from SPAR, with a solid set of results, and from UMS with some global recognition. Some concern among the manufacturers though, you'll see what we mean when you get down to the section in question. Enjoy the read.

RETAILERS AND WHOLESALERS

SPAR

Green shoots

Hot off the PowerPoint mill, those SPAR results that have had you wearing a hole in the carpet these how many days now? Let's cut to the chase: Group wholesale turnover up +5.9% to – woohoooh! just north of a hundred billion, for the first time ever, with operating profit up +7.9% to R2.8bn. The Southern African business grew turnover to R68.8bn, with Ireland contributing R22.5bn and Switzerland close to R10bn. TOPS was, as always, the star performer, with wholesale turnover up +13%. SPAR Southern Africa now serves 2,236 stores, with 145 new stores opened across all brands in FY18, and 276 refurbished, up 20-odd from last year. Operating expenses were tightly managed amid challenging trading conditions, while the Irish and Swiss acquisitions are beginning to pull their weight with greater vim and vigour. For more details, have a look at our synopsis [here](#).

Comment: The translation of the Group's recently refreshed strategy, the ability to maintain member purchasing loyalty of ±80% and being adaptable enough to respond to changed market conditions, will inform the success of this impressive business going forward. We look forward to seeing how this plays out.

Tatler Reporter 14/11/18

UMS

United we stand

Big up to our friends over at Unitrade Managements Services (UMS) who run a network of over 400 independent retail and wholesale stores. Two of these stores – KZN-based Supersave Food Town Hyper and Take n Pay Food Town Hyper – have just been nominated for consideration in the IGA International Retailer of the Year awards. Who are IGA? you may ask, as we did. IGA (the Independent Grocers Alliance) as it turns out, are a global retail alliance group that bring family-owned, local, independent retailers together to give them the ability to better compete, while at the same time allowing them to stay true to their roots – very much like UMS. IGA provides services to over 6,000 independent retailers in more than 30 countries around the world, and UMS is their exclusive African partner.

Comment: Nice work – and a great insight into the global reach of this very exciting sector.

Tatler Reporter 14/11/18

MANUFACTURERS AND SERVICE PROVIDERS

Tiger Brands

In the forests of the night

Tiger Brands recently had occasion to issue a profit warning to the effect that the HEPS would decline to the tune of 22-37% on results that were not expected to be all that in a “challenging consumer and competitive environment”. Among their woes, they specifically cited the volatile rand, fuel price increases, labour settlements and higher administered costs, which had yet to be recovered in selling price increases, as well as something they're calling “further impairments of intangible assets in (the) personal-care business.” In marginally better news, they have since narrowed this band down to 25-30%, presumably, in part, as a result of the re-opening of the Enterprise meat canning and value-added meat facilities.

Comment: In the lean and still troubled market we are experiencing, few businesses can cushion themselves adequately against crises like the Listeriosis outbreak.

Business Day 09/11/18

Tongaat Hulett

A caning, as it were

The Tongaat interims are in, and we wish we had happier news to report: despite a +9% increase in revenue to R8.8bn, operating profits fell -64% to R530m on “difficult local market conditions experienced by the sugar operations in SA and Mozambique”, their words. The news provided howls of self-righteous outrage from various analysts. There's also the matter of big deals in their land conversion and development business not having been finalised in the period in question. Of particular concern is that the business' debt went up to R10.7bn through September from R9.1bn at the end of March. The business plans to tighten cash flow management, reduce working capital requirements, limit capex and improve operating cash flows to sort this out.

TRADE ENVIRONMENT

Retail Trade Sales

Saling, we are saling...oh, shut up.

Retail trade sales are in for the months of September, and you will be relieved – but not especially so – to hear that they were up to the tune of +0.7% year on year, with household furniture, appliances and equipment barnstorming in at +10.9%, and our own great sector actually declining by -3%. Not good news for us. The dimmish silver lining, however, is that combined with the recent +1.7% growth in manufacturing, and despite the -19% crash in gold production, that +0.7% should be enough to get us over the line and out of recession. The Treasury expects that real economic growth will top out – coincidence – this year at +0.7% and accelerate slowly to +1.7% in 2019. Some commentators believe that if everything works out we could add another percent in 2020.

Comment: Zambia's growing at +4.1%. Just sayin'.

Financial Mail 08/11/18

IN BRIEF

International Retailers

A nation of shopkeepers

Some minor bits from the international aisles this week: UK retailer Morrison's has apparently grown for its third straight year, like literally every South African retailer, so we're not sure what the big whoop is there. M&S sales in both food and clothing fell in the first half of the year, and Associated British Foods (AB Foods) plans to open more of its Primark clothing stores in the US and Eastern Europe after strong growth at the fashion chain boosted full-year group profit. And that's a (not extremely nutritious) wrap.

Tatler Reporter 14/11/18

Choppies

Correction

Last week, we gave the "market value" of Choppies as R50m – an error similarly reported by several of our competitors in the business press. The market cap is in fact R800m, which makes one think that the initial figure was a dollar amount. Also, the share has been suspended only once from the Botswana Stock Exchange and JSE, not twice, having been merely halted in September this year and then reopened shortly thereafter. Apologies to the business and to you, our readers, for the error.

Tatler Editorial 14/11/18

AVI

Listicles

AVI, you will be interested to note, have listed their share on the A2X platform, which joins three other exchanges - ZAR X, 4AX and Equity Exchange Express Securities – set up in competition with the dear old JSE (where, naturally, AVI remains listed). The listing of AVI as its first FMCG giant is doubtless a feather in the gleaming new A2X cap.

Business Day 08/11/18

THE WEEKLY GURU

"Quotation (n): The act of repeating erroneously the words of another."

Ambrose Bierce

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