

Pick n Pay loses R1.7bn due to civil unrest and liquor restrictions

EDWARD WEST AND PHILIPPA LARKIN

PICK N PAY lost R1.7 billion of sales during the second quarter due to the civil unrest in KwaZulu-Natal and Gauteng in July and from liquor sales lockdown restrictions, the retailer said in a trading update yesterday.

Nevertheless, in an update for the 26 weeks to August 29, the group said that despite severe trading and operational disruptions, the group managed to “deliver a resilient and positive performance, maintaining underlying momentum on sales and earnings growth”.

Some 212 of its stores were damaged or looted during the civil unrest, 112 were Pick n Pay stores and 100 were Boxer stores.

It had reopened 145, or about 70 percent of the damaged stores by the end of August, and 18 more in September. The group's two largest distribution centres in KwaZulu-Natal, which were looted

of all their stock, had also subsequently been reopened.

It reported sales growth of 4.1 percent for the 26 weeks. Normalised sales growth of 8 percent year-on-year, excluding the estimated impact of the civil unrest disruptions in July, reflected progress against a number of strategic priorities – including another market-leading sales performance by Boxer, better value for customers across Pick n Pay and Boxer and progress in growing Pick n Pay's omnichannel offer,

it said.

The retailer said its first half earnings would demonstrate continuing benefits from its Project Future modernisation programme – including a more efficient supply chain, more cost-effective store and support office operations, and strong management of working capital and capital investment.

At the height of the unrest, Pick n Pay had closed an additional 551 stores, 417 Pick n Pay and 134 Boxer, but the majority of these stores re-opened within four days, and all were trading by the end of July.

“The group incurred material damage losses (stock and assets) of approximately R900 million. These losses were fully covered by the Sasria insurance policies. The group is working with insurers and advisers to expedite all claims, and has to date received R600m in interim payments,” it said.

Pick n Pay also expected to recover the majority of all related lost profits under its business interruption insurance covers, subject to relevant policy limits and deductibles.

“Although it is not yet possible to quantify the full impact of the business interruption on sales and earnings, the group estimates that it resulted in approximately R930m of lost sales over the months of July and August,” it said.

The group said it was confident that it had the level of certainty required to provide for the recovery of the majority

of its losses.

Pick n Pay said in an update on Covid-19 trading restrictions, that its liquor business lost a further 55 trading days this period, as a result of the government's continuing restriction of off-site alcohol sales in response to the Covid-19 pandemic, which resulted in an estimated R800m of lost sales.

However, Pick n Pay said it had entered the financial year with good trading momentum, which was maintained in the first quarter, with an encouraging performance, in line with its expectations.

The group's estimated normalised sales growth, excluding the impact of disruption, was 8 percent for the period.

The group expected its comparable headline earnings per share for the 26 weeks to August 29 to be between 85 percent to 95 percent higher, or 68.67 cents per share to 72.38c per share, from 37.12c per share in the comparative period.

