

Market applauds TFG's 14.5% sales growth

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Retailer TFG reported double-digit sales growth for the nine months to December, a feat that was widely applauded by the market, sending the share price soaring more than 6% in intraday trade.



Picture: [Sunday Times](#)

The upbeat update was a welcome surprise for investors following a poor showing by both Woolworths and Truworths last week.

In the nine months to December 24, TFG reported a 14.5% rise in group sales. Between November 27 and December 24 2016, sales increased 14.6% compared with the year-earlier period.

TFG's share price closed 5.29% higher at R168.50.

Mergence Investment Managers equity analyst Peter Takaendesa said the sales growth rate was a bit better than consensus expectations of 13.5%.

"What's quite clear in the results is that TFG is continuing to execute better than its peers and the retail sector in general experienced better trading conditions over the December festive period," Takaendesa said.

“The weaker pound is likely to continue to dilute the results from their UK operations as evident in results for the latest three months to December but we expect the improvement in their South African operations to offset that pound headwind.”

In the nine months, turnover growth for TFG International was 47.8% in pound terms. TFG said the international operations were performing in line with management’s expectation.

Growth for TFG Africa was 9.7% with same store sales growth of 3.7%. Cash sales grew 17.4% and credit sales 2.7% in the period under review.

Ashburton Investments fund manager Wayne McCurrie said TFG was doing extremely well.

“The performance exceeded management’s own expectation. What we can see is that they are not suffering from the increasing foreign competition yet. They [TFG] are getting their clothing ranges and price correct. They can offer their merchandise at a competitive price.”

TFG’s broader range of merchandise categories compared with its retail peers has cushioned it against the economic headwinds that the retail sector has endured. Its brands include apparel retailers Markham, Due South and G-Star Raw, jewellery brands Sterns and American Swiss, and furniture store @home.

Last week Truworths reported a 21% increase in group sales for the 26 weeks to December 25, to R10.2bn (including sales from its UK fashion footwear chain Office Retail Group). But Truworths’ like-for-like retail sales (excluding Office Retail Group) decreased 3%.

Truworths cited increased pressure on consumers from rising inflation, a weak employment market and soft real growth in incomes as factors for its poor performance. It expects to report a decrease of between 2% and 6% in interim diluted headline earnings per share.

Woolworths reported a volume decline in both the clothing and food divisions in the 26 weeks to December 25.

Source: Business Day

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