

# Weak update hurts Mr Price

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*Disappointed investors punish the clothing retailer and shoot down its share price by close to 5%.*



Picture: [Freddy Mavunda](#)

Worried investors punished Mr Price Group on Tuesday, sending the share price down close to 5% after the retailer released a mediocre trading update.

Mr Price said total retail sales in the quarter to December were 0.5% lower at R6.1bn compared with the year-earlier period, while comparable stores sales dropped 2.9%.

36One Asset Management retail analyst Evan Walker said it was a disappointing performance from the group.

"This is probably the retailer that should be doing better in this environment. It's a slight improvement from their last update, but still disappointing."

Walker said it was unlikely to get easier for retailers going forward as the promotion and discounting trend would continue for some time.

"Additionally, Edcon is going to become more of a threat to all retailers in 2017 and 2018. I've looked at the price points in

Edcon and they have come down quite substantially. It will be a bigger threat in the next 12 months," said Walker.

Lentus Asset Management chief investment officer Nic Norman-Smith said given the share price weakness, the update had not been expected. "They [Mr Price] are operating in an increasingly competitive environment at a time where the consumer is coming under pressure. This is on the heels of a decade of tailwinds driven by low interest rates and credit extension. It is not unexpected that the sector will undergo a downturn in the business cycle. Retail is a volatile and difficult business to operate," he said.

In the update, Mr Price said poor economic growth, low levels of consumer confidence and higher selling prices driven by a weak and volatile exchange rate had resulted in a competitive retail environment, with persisting high levels of price discounting and promotional activity.

"Given this situation and the need to manage inventory levels going into the new year, higher promotional markdowns were required, particularly in MRP Apparel," the company said.

Gryphon Asset Management portfolio manager Reuben Beelders said it was clear retailers were at the bottom of the cycle based on the recent updates. "One thing Mr Price has been quite open about, which I'm not sure the other retailers are being transparent with, is the effect that sales and discounts are having on their margins."

Including "other income" of R284.4m from interest and insurance charges along with cellular airtime sales, the group managed to report a small rise of 0.4% in revenue to R6.4bn.

**Source:** Business Day

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