

## Edcon's growth hinges on its initiatives

The unlisted owner of clothing chains Edgars and Jet, Edcon, on Tuesday (4 June) said it expected to see positive benefits from its strategic initiative investments in the medium term.



"Over the last financial year, we opened 147 new stores that included 128 conversions which, combined with refurbishments, resulted in investments in store fixtures of R530m," Edcon's chief executive Jürgen Schreiber said.

The company says it has established a new marketing calendar, changed merchandising teams and improved sourcing methods.

Edcon, which was once known as the retail jewel of SA, has significantly under-performed its peers since its highly leveraged private equity buyout in 2007 by Bain Capital.

As at the end of March, the group's total net debt, including cash and derivatives was R19.5bn, 25.1% less than the total net debt of R26.1bn in March last year.

The company, which owns Edgars, Jet, CNA, Red Square and Boardmans, said same-store retail sales growth slowed to 0.4% in the year to March, from 7.4% the previous year. Total revenue increased by 3.1% to R26.7bn, while gross profit was up 1.8% to R9.2bn and the gross profit margin remained relatively flat at 36.5%.

"While R8.7bn of trade receivables were sold to Absa in November last year, Edcon remains able to provide credit to its customers. The provision of credit by Absa is fundamental for Edcon and credit sales for 2013 remained stable at 51% of total retail sales," the company said.

### Fixing Edgars is the priority

Edcon is pushing hard to fix its Edgars business. Over the past five years, market-share gains of rival clothing retailers have come at the expense of the chain.

"The store refurbishment programme, Tipping Point, was initiated during the year and multiple new local and international brands were secured with a few starting to roll out into stores.

"Most, however, will become available in-store at Edgars in the next financial year as well as further mono-branded stores. We will conclude the refurbishments in about August or September. We opened an Edgars Shoe Gallery and we are in the process of rolling it out," Schreiber said.

Edcon's deal with Arcadia Group to bring the Topshop and Topman brands through shop-in-shops in its key Edgars stores has been part of its plan to attract more people into the stores. Edcon said that in the next six months it would launch six new brands.

Local companies such as Truworths and The Foschini Group have streamlined their fashion supply chain in the face of heightened competition as global companies such as Zara and others expand into SA.

Edcon noted that the continued growth of its operations outside of SA, mainly through the Jet, JetMart and Edgars Active formats, was encouraging and it would expand its footprint at a "steady pace," adding stores in Zambia, Mozambique and Ghana.

Sales outside of SA contributed 7.1% of retail sales for the financial year.

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