

Dis-Chem's diesel costs climb to R90m

Dis-Chem is the latest South African retailer to report rising costs associated with load shedding, as companies attempt to shield their operations from rolling power cuts by investing in backup power solutions.



Source: Dis-Chem Group

The pharmacy retailer said its strategic early investment in generator capacity has resulted in minimal disruption to its ability to trade, but its diesel expenses have increased by 65% to R91m for the 12 months ended 28 February.

"While the group has taken the necessary measures to minimise the operational impact of load shedding, the unavoidable increase in operational costs will continue to impact earnings," the company said.

The group today published its reviewed annual condensed consolidated results for the 12 months ended 28 February, reporting revenue growth of 7.4% to R32.7bn. Rising operational costs grew at a faster rate than revenue for the period, with Dis-Chem reporting a 16.1% overall growth in expenses (excluding depreciation).

Earnings per share and headline earnings per share are 116.3 cents and 116.5 cents per share respectively, reflecting an increase of 17.2% and 17.4% respectively.



Wholesale revenue grew by 10.4% to R24.2bn. Total income grew by 15.7% to R10.2bn, with the group's total income margin being 31.1% compared to 28.9% in the corresponding period.

During the 12 months to 28 February 2023, Dis-Chem opened 30 retail pharmacy stores and closed eight, which were all former Medicare stores. Eight retail baby stores were also opened.

Outlook

Dis-Chem said it expects that the South African consumer will continue to experience financial hardship, but noted that the company's integration into the healthcare value chain reinforces the "resilient nature" of its current and future earnings profile.

The group's board announced earlier this week that Dis-Chem cofounder Ivan Saltzman will step down as CEO at the end of June 2023 after 45 years at the helm. Saltzman will remain an executive director on the board and continue to serve as an active member of the executive management team, with his role including an emphasis on the group's commitment to accelerate retail space growth, together with a concentrated focus on the trade of the retail store network.



Dis-Chem founder Ivan Saltzman steps down as CEO

15 May 2023



Commenting on the move in today's financial update, Dis-Chem said, "The recently announced succession implementation ensures a smooth leadership transition and ensures executive management's commitment to deliver on the group's strategic ambitions over the long term."

Distribution centre acquisition

Dis-Chem also announced earlier this week that it's in the final stages of entering into an agreement to acquire a 63,000m² distribution centre in Gauteng for a purchase consideration of R502m. With the acquisition of this property, the group will increase its warehouse space by 75%.

The company said that this imminent acquisition of the distribution centre will support the group's commitment to accelerate retail space growth, adding warehouse capacity for the group to double its current store count, and continue to grow its market share in the independent market.

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