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South Africa's Mr Price resumes final dividend after strong H2

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South Africa's Mr Price said on Thursday it would pay a final dividend after full-year profit rose 1.9% on a strong second half and as it captured a bigger share of the market, pushing its shares to a two-year high.

A branch of South African clothing and homeware retailer Mr Price in Cape Town, South Africa, 26 November 2020. Reuters/Mike Hutchings

South African clothing retailers were hit hard by Covid-19 lockdowns in April and May last year and the subsequent second wave of Covid-19 infections. Millions of job losses as a result of the pandemic also constrained discretionary spending.

However, the pandemic also sparked a home improvement and DIY trend, giving a fresh lease of life to retailers.

The budget clothing and homeware retailer, benefitting from value-seeking shoppers, declared a final dividend of 462.7 cents per share, having skipped a payout a year ago.

According to chief executive Mark Blair, it gained R1.2bn rand in market share, with its clothing business gaining ground every month.

The company's shares rose as much as 13% to their highest since May 2019.

"Mr Price released solid results that beat consensus expectations across most metrics in a very tough operating environment," Anchor Capital's equity analyst Zinhle Mayekiso said.

Trade in the first six weeks of its new financial year to May 15, has also been strong, with group retail sales rising 27.5% compared to the same period in 2019, the retailer said.

For the 2020 year, diluted headline earnings per share - the main profit measure in South Africa - ticked up to 1,049 cents in the 53 weeks ending April 3, from 1,029.4 cents a year earlier. Diluted Heps in the second half grew 21.4%.

Total revenue from continuing operations fell 2.9% to R22.3bn ($1.62bn), with retail sales falling 2.4%. Online sales grew 64.1%, more than doubling in Mr Price apparel and Mr Price sport.

In clothing, retail sales and other income fell 5.8% overall, but notably improved in the second half as lockdowns eased, growing 5.9%. Homeware continued to capitalise on limited mobility and the work-from-home trend, increasing sales and other income by 4%.