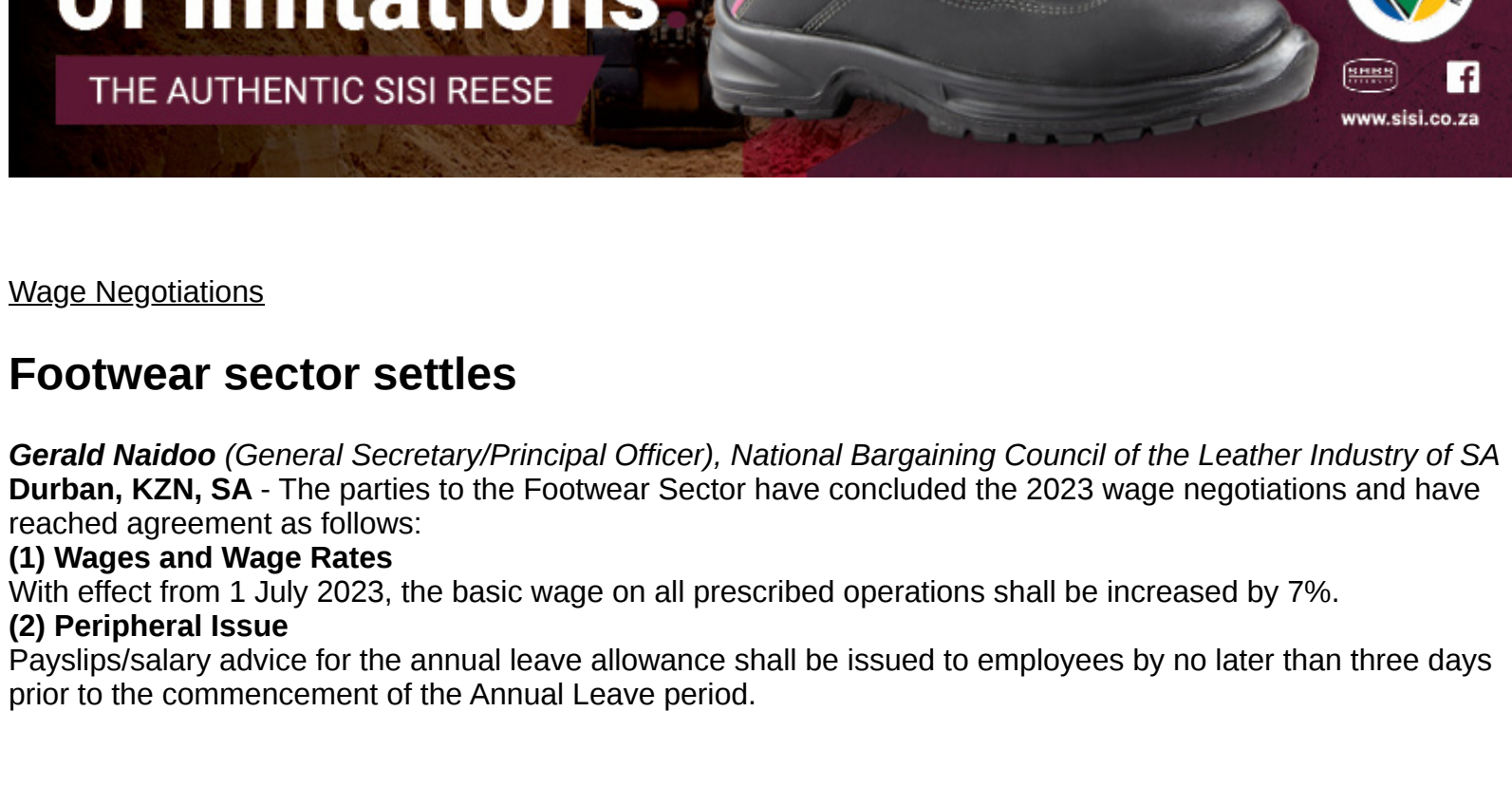


S&V Weekly Newsletter Vol.9 No.26, June 26 2023

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Wage Negotiations

Footwear sector settles

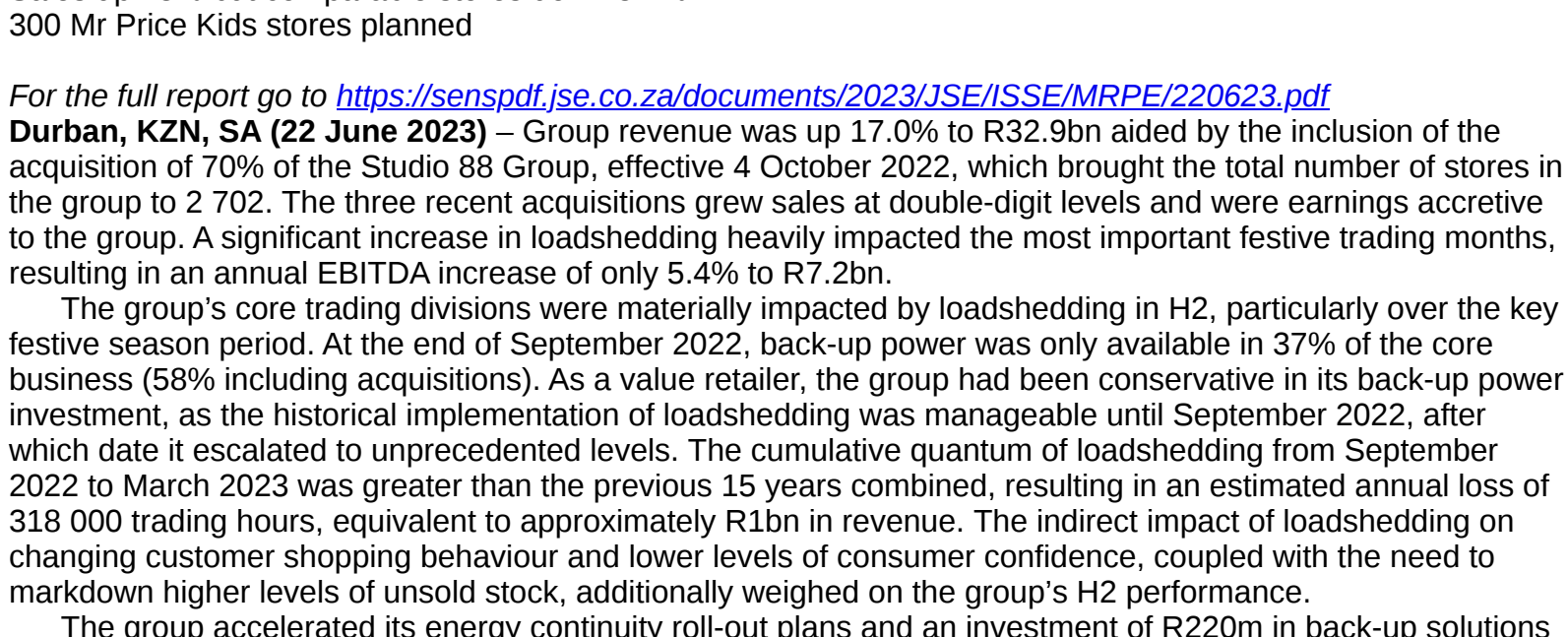
Gerald Naidoo (General Secretary/Principal Officer), National Bargaining Council of the Leather Industry of SA Durban, KZN, SA - The parties to the Footwear Sector have concluded the 2023 wage negotiations and have reached agreement as follows:

- (1) **Wages and Wage Rates** With effect from 1 July 2023, the basic wage on all prescribed operations shall be increased by 7%.
- (2) **Peripheral Issue** Payslips/salary advice for the annual leave allowance shall be issued to employees by no later than three days prior to the commencement of the Annual Leave period.

Wholesale

Former Joey & Sam team back with leather range

Johannesburg, Gauteng, SA – Muhammad Bulbulia, formerly with retailer Joey & Sam, which is now closed, said the family business began selling tea beverages during the covid19 period, but has come back into footwear with an all-leather product range imported from Brazil. "Clave is the new winter collection we are currently sell on our online platform www.tranquildawn.co.za," he wrote. He said the business, which is "a 75% ladies-run group", will also wholesale.



Stock Exchange News Service (SENS)

Load shedding dominates results

Mr Price results for the 52 weeks ended 1 April 2023
 Store footprint up 1 000 to 2 700, mostly through acquisition
 Sales up 18% but comparable stores down 3.4%
 300 Mr Price Kids stores planned

For the full report go to <https://senspdf.jse.co.za/documents/2023/JSE/ISSE/MRPE/220623.pdf>
Durban, KZN, SA (22 June 2023) – Group revenue was up 17.0% to R32.9bn aided by the inclusion of the acquisition of the Studio 88 Group, effective 4 October 2022, which brought the total number of stores in the group to 2 702. The three recent acquisitions grew sales at double-digit levels and were earnings accretive to the group. A significant increase in loadshedding heavily impacted the most important festive trading months, resulting in an annual EBITDA increase of only 5.4% to R7.2bn.

The group's core trading divisions were materially impacted by loadshedding in H2, particularly over the key festive season period. At the end of September 2022, back-up power was only available in 37% of the core business (58% including acquisitions). As a value retailer, the group had been conservative in its back-up power investment, as the historical implementation of loadshedding was manageable until September 2022, after which date it escalated to unprecedented levels. The cumulative quantum of loadshedding from September 2022 to March 2023 was greater than the previous 15 years combined, resulting in an estimated annual loss of 318 000 trading hours, equivalent to approximately R1bn in revenue. The indirect impact of loadshedding on changing customer shopping behaviour and lower levels of consumer confidence, coupled with the need to mark down higher levels of unsold stock, additionally weighed on the group's H2 performance.

The group accelerated its energy continuity roll-out plans and an investment of R220m in back-up solutions will result in 100% store coverage by end June 2023. This has had a positive effect with a 5% average sales growth differential in stores pre vs post back-up power installation. The solutions implemented are predominantly inverter and battery which can handle loadshedding up to a stage 8 level while maintaining a lighting level in all stores of 70%. The solutions are scalable should loadshedding worsen. The primary distribution centre and group head office are able to fully maintain continuity during power disruptions.

Rising inflation which averaged 6.9% in FY2022 (FY2022: 4.5%) and interest rate increases totalling 350 basis points, proved to be significant headwinds for consumers. Real wage growth decreased 3.3% in Q4 2022 and has particularly impacted the group's low-to-middle income, cost-conscious customer base. Consumers are under considerable pressure resulting in a diversion of spending towards non-discretionary items.

These conditions together with loadshedding, contributed to forecast sales calls not materialising across the sector, resulting in a highly promotional trading environment. Retailers actively managed the build-up of inventory levels and higher than anticipated markdowns across the industry cut into H2 gross margins. The heavy discounting in the market undermined the group's everyday low-price positioning and compromised its ability to showcase its relative value to its customers.

Group retail sales grew 18.0% to R31.5bn (comparable stores decreased 3.4%). Excluding S88 retail sales grew 2.1%, impacted by the insurance proceeds in the prior period predominantly from the civil unrest claims. Excluding insurance proceeds, other income grew 18.0%.

Total store sales which contribute 97.5% to retail sales, increased 18.5% (excluding S88: 2.2%). Online sales increased 3.2% (excluding S88: 1.8%), off a strong growth of 48.2% in the prior period. Total unit sales increased 2.7% (excluding S88: -2.0%). Group RSP inflation rose to 15.0%, impacted by higher price point merchandise in S88. Excluding S88, inflation of 4.3% was well contained below CPI.

The store footprint increased by 1 000 stores during the Period as a result of 171 new stores from the core business, 51 from S88, and 778 acquired S88 stores. The total store footprint at the end of the Period was 2 702. Trading space increased 16.9% on a weighted average basis and 28.0% on a closing basis (excluding S88: weighted average 5.7%; closing 5.8%).

The Apparel segment (76.8% contribution to retail sales) increased RSOI 24.6% to R24.3bn (excluding S88: -2.6%) and comparable retail sales decreased 1.4% against a base of +17.4%. The group's largest division, Mr Price Apparel (43.8% contribution to RSOI), was more impacted by loadshedding than other divisions due to its far-reaching store footprint, as well as the nature of its value focused customer base. Management is satisfied with the performance of Milyads and Mr Price Sport, while the double-digit sales growths in Studio 88 (now the second largest division in the group) and Power Fashion were pleasing.

Mr Price Apparel completed the test of its Baby and Kidswear concepts in 2022 and has evolved a new model which combines these two departments into a Mr Price Kids standalone concept which it plans to roll out rapidly in the coming years. These stores, many of which will be located near high volume Mr Price apparel stores will create space in those stores for better presentation of adult apparel, while giving the customer an expanded assortment of kidswear in the Mr Price Kids stores. The sales achieved in test stores in a number of locations suggest that Mr Price Kids could be another highly successful chain under the well recognised Mr Price brand. Approximately 300 potential Mr Price Kids locations have so far been identified.

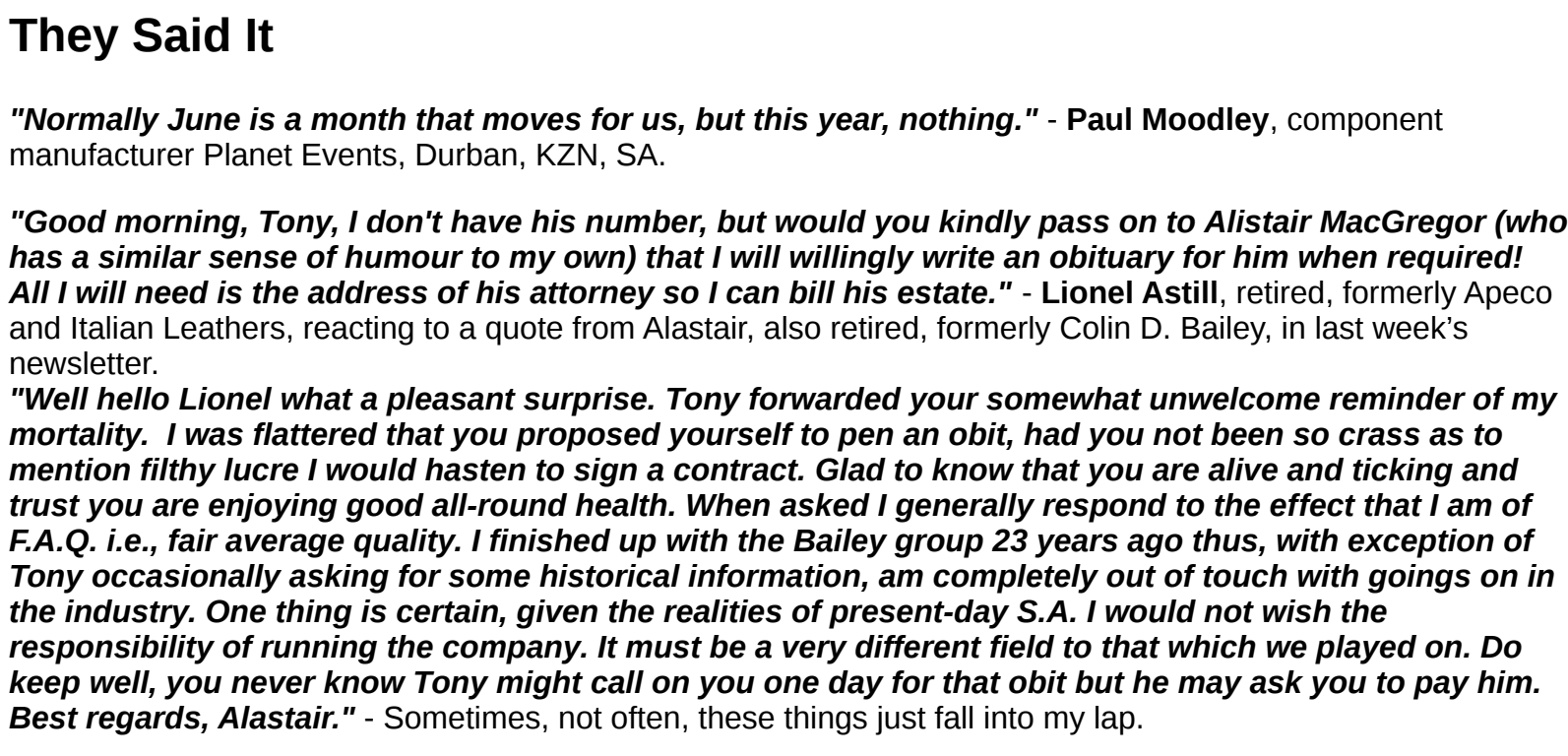
The group ended the Period with available cash of R1.4bn, having settled the S88 acquisition of R3.6bn in H2. Capital expenditure of R945m was primarily allocated towards new store development and store revamps, and R67.8m was redirected towards the installation of back-up power solutions. Forecast capital expenditure for FY2024 is anticipated to be approximately R1.2bn. It will be primarily allocated to approximately 260 new stores, taking the group to nearly 3 000 stores by year-end, as well as to store revamps and back-up power solutions. Net asset value per share increased 15.6% to 5 415 cents.

The potential higher stages of loadshedding throughout winter threaten to extend this disruptive retail cycle. Loadshedding has become a permanent and tiresome obstacle to businesses in South Africa and the cost of doing business has materially increased, stifling economic growth.

CEO **Mark Blair** said, "Despite a challenging environment, we are a resilient, motivated team, and can still see many opportunities, within our existing businesses and in the market. In the last two financial years, we have invested approximately R5.5bn in acquisitions, R1.7bn in capex and paid R4bn in dividends. This was funded wholly with cash and we have ended this year with an unencumbered balance sheet."

In case you missed it!

The June issue of S&V African Leather Magazine



S&V African Leather Magazine Vol17 No5 May 2023
IN THIS ISSUE:

03 Upfront

- A new quip from **Sam Setter** in each issue.

05 Furniture Leather

- Hannitan Atlantis plant to be called... Hannitan Atlantis.
- Leather furniture market "not as bad as you might think", says **Hugo Zuanni** of Leather Link.
- But there's still a casualty as Bravo Brands closes factory.
- Sheep skin processor would like to access more skins.

07 An Eclectic View

- Biogenic leather. Plastics – including 'vegan leather' – have handed leather a free pass to win hearts and minds in the battle to curtail old, bad, carbon, writes **H. Procter**.

09 Sustainability

- Adapting to a changing world: Report from Sustainable Leather Foundation MD **Deborah Taylor**.

10 Weights & Measures

- Compiled by the ISTT.

11 Agriculture

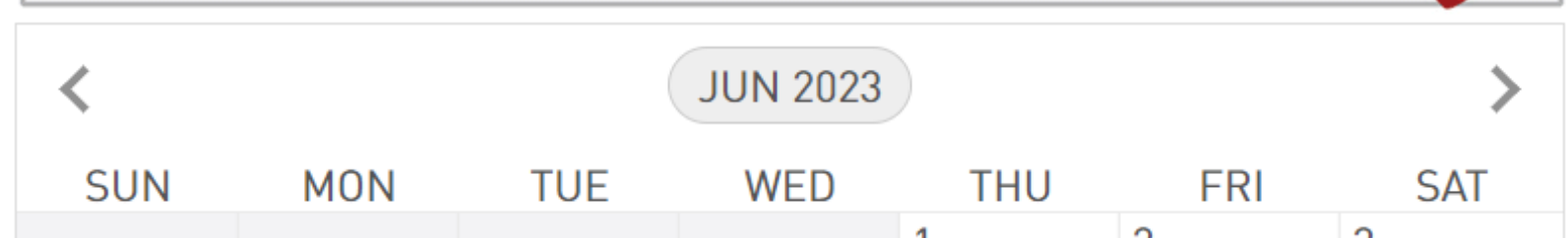
- Government grants for renewable energy can ease the burden of CESAR and the Department of Labour's crackdown on South African farmers, writes **Viren Sookhun**, Managing Director of Oxyon People Solutions.
 - No respite for farmers as debt servicing costs escalate following another 50-basis points hike, writes **Paul Makube** of FNB.
 - Nampo is not just an event, it contributes to the success of agriculture, writes **Dawie Maree** of FNB.

13 Trade Statistics

- SA hides, skins and leather trade statistics for April 2023, issued by SARS.

Advertisers in this Issue

APLF (OFC), Authenticae (02), Evolution Engineering (01), International School of Tanning Technology (ISTT) (02), Mimosa (04), Rolfe Leather Division (06), S&V Calendar (14), S&V Directory (10), Southern African Footwear & Leather Export Council (SAFLEC) (08), Sustainable Leather Foundation (03).



They Said It

"Normally June is a month that moves for us, but this year, nothing." - **Paul Moodley**, component manufacturer Planet Events, Durban, KZN, SA.

"Good morning, Tony, I don't have his number, but would you kindly pass on to **Alistair MacGregor** (who has a similar sense of humour to my own) that I will willingly write an obituary for him when required! All I will need is the address of his attorney so I can bill his estate." - **Lionel Astill**, retired, formerly Apeco and Italian Leathers, reacting to a quote from Alistair, also retired, formerly Colin D. Bailey, in last week's newsletter.

"Well hello **Lionel** what a pleasant surprise. Tony forwarded your somewhat unwelcome reminder of my mortality. I was flattered that you proposed yourself to pen an obit, had you not been so crass as to mention filthy lucre I would hasten to sign a contract. Glad to know that you are alive and ticking and trust you are enjoying good all-round health. When asked I generally respond to the effect that I am of F.A.Q. i.e., fair average quality. I finished up with the **Basked 1 group 23 years ago** thus, with exception of Tony occasionally asking for some historical information, am completely out of touch with goings on in the industry. One thing is certain, given the realities of present-day SA. I would not wish with goings on in the responsibility of running the company. It must be a very different field to that which we played on. Do keep well, you never know Tony might call on you one day for that obit but he may ask you to pay him. Best regards, **Alastair**." - Sometimes, not often, these things just fall into my lap.

New subscribers last week

Canper van der Walt, CFO, Bader SA (Pty) Ltd, South Africa
Enrico Carestia, International sales shoes manufacturer, S&V Carestia, Milano, Italy

Directory entries updated last week

Chimpel (Pty) Ltd, Cape Town, W. Cape, SA.
Embroidery Junxion [Junxion Group cc], Johannesburg, Gauteng, SA.

Got anything you'd like to share?

Do you have any suggestions, comments or experiences about the industry that you'd like to share with the industry? - tony@svmag.co.za

Birthdays this week

- 26/06/1935: **Jurgen Wedekind**, retired, formerly Bellstedt, Durban, KZN, SA.
- 26/06/1945: **John 'Zorb' Caryer**, retired, formerly Camdeboo Meat Processing, Graaff Reinet, E. Cape, SA.
- 27/06/1956: **Beau Rynhoud**, RRR Chemicals, Edenvale, Gauteng, SA.
- 27/06/1977: **Mpho Ramoshaba**, the DTI, Pretoria, Gauteng, SA.
- 28/06/1948: **Joan Furner**, retired, formerly Shoe Style, Johannesburg, Gauteng, SA.
- 28/06/1957: **AH Bulbulia**, formerly Papa Shoes/Bulhafi Shoes, Pretoria, Gauteng, SA.
- 28/06/1975: **Zane Ashraf**, Foot Style, Durban, KZN, SA.
- 29/06/1947: **Aheed Bux**, Elahi Footwear, Durban, KZN, SA.
- 30/06/1948: **John Ashworth**, Little Slipper, Port Elizabeth, E. Cape, SA.
- 01/07/1964: **Raj Sankh**, Mr Price, Durban, KZN, SA.
- 01/07/1953: **Bobby Jangy**, retired, formerly Michelle Footwear, Durban, KZN, SA.
- 01/07/1963: **Tommy Sharma**, Bata SA, Pinetown, KZN, SA.
- 02/07/1949: **Maria Augusta Craveiro**, Coosie's, Ladybrand, Free State, SA.
- 02/07/1959: **Leo Greef**, formerly Southern Hemisphere Trading Trust, Uitenhage, E. Cape, SA.
- 02/07/1967: **Yusef Vadi**, The Cross Trainer, Johannesburg, Gauteng, SA.
- 02/07/1971: **Rajeev Matai**, Equator Belt, Pinetown, KZN, SA.
- 02/07/1971: **Suritha Naicker**, Ethekwini Leather, Durban, KZN, SA.

In memoriam this week

- 26/06/2021: **Dave Singh** (b. 02/02/1931), retired, formerly Monique Shoes, Pietermaritzburg, KZN, SA.
- 27/06/2015: **Gordon Bromfield** (b. 19/11/1946), Apeco, Pinetown, KZN, SA.
- 27/06/2019: **Ebrahim 'Briggs' Mohamed** (b. 29/04/1943), agent, Johannesburg, Gauteng, SA.
- 28/06/1996: **Geoff Hirsch**, Leather Publicity Committee, S&V, Durban, KZN, SA.
- 28/06/2020: **Athan 'Saki' Baronos** (b. 07/04/1958), E. Baronos Leather Manufacturers, Johannesburg, Gauteng, SA.
- 29/06/2014: **Joe Vivian** (b. 02/11/1928), agent, Cape Town, W. Cape, SA.
- 01/07/2016: **Matthew Barnard** (b. 07/05/1936), Stanhope Boot & Shoe, Pinetown, KZN, SA.
- 02/07/1997: **Clemente Villani**, Villani Shoes, Johannesburg, Gauteng, SA.
- 02/07/2010: **Justin McCarthy** (b. 29/01/1958), Groundcover, Curry's Post, KZN, SA.
- 02/07/1971: **Cecil Hansen** (b. 08/01/1936), C.L. Hansen Agencies, Durban, KZN, SA.

Have you let us know about your birthday, or the birthdays of your colleagues? Our readers love this section, so please become part of it. This also applies to the In Memoriam section. Help us remember former colleagues.

SUN	MON	TUE	WED	THU	FRI	SAT
				1	2	3
4	5 FFANY M...	6 A-OSH 2... Securex ... Fireexpo 2... Facilities... FFANY M...	7 A-OSH 2... Securex ... Fireexpo 2... Facilities... FFANY M...	8 A-OSH 2... Securex ... Fireexpo 2... Facilities... FFANY M...	9 FFANY M...	10
11	12	13	14	15	16	17 Expo Riv...
18 Expo Riv...	19 Expo Riv...	20 Expo Riv...	21	22	23	24
25	26	27	28	29	30	

Exchange rates

Note: For previous rates, see [HERE](#)

- SA Rand (ZAR)/Lesotho Loti (LSL)/Namibian Dollar (NAD)/Swazi Lilangeni (SZL)
 Source: <http://www.x-rates.com/calculator/>

	Euro €	GBP £	US \$	CNY ¥
03/06/2023	R20.89	R24.27	R19.49	R2.75
10/06/2023	R20.14	R23.53	R18.71	R2.62
17/06/2023	R19.91	R23.32	R18.19	R2.55
24/06/2023	R20.40	R23.78	R18.70	R2.60

- Botswana Pula (BWP)
 Source: <https://www.xe.com/currencyconverter/>

	Euro €	GBP £	US \$	CNY ¥
03/06/2023	14.64	17.00	13.66	1.92
10/06/2023	14.58	17.04	13.55	1.90
17/06/2023	14.49	16.97	13.24	1.85
24/06/2023	14.53	16.94	13.32	1.85

- Malawian Kwacha (MWK)
 Source: <https://www.xe.com/currencyconverter/>

	Euro €	GBP £	US \$	CNY ¥
03/06/2023	1094.62	1271.60	1021.25	144.14
10/06/2023	1094.60	1279.18	1017.29	142.78
17/06/2023	1020.69	1312.23	1023.44	143.62
24/06/2023	1109.83	1293.54	1017.45	141.72

- Zambian Kwacha (ZMW)
 Source: <https://www.xe.com/currencyconverter/>

	Euro €	GBP £	US \$	CNY ¥
03/06/2023	21.19	24.62	19.77	2.79
10/06/2023	21.89	25.59	20.34	2.85
17/06/2023	21.29	24.93	19.44	2.72
24/06/2023	18.65	21.74	17.10	2.38

- Zimbabwean Dollar (ZWL\$)
 Source: <https://www.xe.com/currencyconverter/>

	Euro €	GBP £	CNY ¥	Official US\$
03/06/2023	387.90	450.61	51.08	2670.02
10/06/2023	389.30	455.11	50.79	2586.33
17/06/2023	396.28	464.01	50.78	6596.76
24/06/2023	394.75	460.13	50.41	6860.23

Note: For previous rates, see [HERE](#)

ABSA Agri Trends: Hides & skins prices

Johannesburg, Gauteng, SA (22 June 2023) - The current average hide price decreased 0.9% to R3.40/kg from R3.43/kg a week ago. The current price is 6.6% lower than the average price a month ago and 17.9% lower than the average price a year ago. The range of prices reported was as follows: Minimum price: R3.20 Maximum price: R4.50. Please note: Our methodology weighs the prices we collect according to the number of hides they sell in a month. This is done to make it more representative of the prevailing market price. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies. - **Marlene Louw**, senior agricultural economist, and **Nkhensani Mashimbyi**, agricultural economist, and **Zama Sangweni**, agricultural economist, Absa group.

Note: For previous prices, see [HERE](#)

Have a look at these links

We invite businesses to send us links to websites, Facebook pages and the like which they feel would be of interest to others. The links below are from our database.
Muhammad Bulbulia, formerly of retailer Joey & Sam, has asked us to highlight the website belonging to a new business, **Tranquil Dawn**, Joey & Sam has closed.
Tranquil Dawn, Johannesburg, Gauteng, SA. Importer, wholesaler and retailer of Brazilian leather footwear.
Just In Case, Durban, KZN, SA. Travel goods retailer.

Contact us

News & Classifieds: **Tony Dickson**, +27 (0)31 209 7505, tony@svmag.co.za

Next newsletter: **July 03, 2023.**

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