Retail fallers and risers

By **Sarah Modlock** | Fri, 16/09/2011 - 09:36

An estimated £4 million went through the tills within the first few hours of trading at the shiny, gigantic Westfield shopping centre when it opened in Stratford, East London.

Spending is surely Britain's Olympic sport? We train hard. And often.

The performance of FTSE 350 general retailers certainly remains solid for now. The sector has tracked the FTSE all-share pretty convincingly over the last year and is currently outperforming it this week.

But there is clearly something amiss on the high street when John Lewis says trading is tough.

The retail bellwether did just that on Wednesday as it revealed that half-year profits plunged 18% to £90.4 million despite growing sales in "extremely challenging" conditions. Chairman Charlie Mayfield said the group's commitment to being 'never knowingly undersold' was squeezing margins as rivals discounted and pushed its prices lower.

Despite this, 3,500 new jobs were created in the period and invested £254 million - up one third - in new systems and expansion.

We learnt on Thursday that retail sales shrank during August, with volumes 0.2% lower than the previous month according to the Office for National Statistics (ONS).

Although there was some impact from the riots, the ONS said this was hard to measure. The dip is more likely to be linked to consumer prices inflation, which the ONS confirmed at 4.5% in August.

September sorrows

The bleak outlook for weaker retailers comes into sharp focus at the end of September as rents fall due for the new quarter.

We saw this bite in June when TJ Hughes, Jane Norman and HomeForm went to the wall but the threat remains for others.

One case in point is **Clinton Cards** (CC.), which has written to its landlords asking to split payment of its next-quarter rent to help it to continue trading over its most lucrative Christmas period.

The chain is already closing some of its 700 stores as leases expire in a bid to ease pressure. It has also re-launched its website and created an app in a bid to gain e-tail ground.

It has its work cut out.

A report from accountancy firm RSM Tenon recently has warned that September rent bills, combined with the pressure to buy Christmas stock, will see already-fragile companies fail.

"We may technically be out of recession, but it is clear that the high street is struggling at the moment. Retailers are suffering as their costs soar with increased fuel and manufacturing costs and shoppers remain thrifty with their purchases," said Carl Jackson, head of recovery at RSM Tenon.

"It appears people just aren't spending unless they have to, and who can blame them as they struggle with the cost of increased tax burdens and rising inflation."

He added that the firm had experienced higher demand from the sector for its turnaround and recovery service advice: "We believe this could spell gruelling times for business owners and it's likely that we will see an increase in retailers facing insolvency."

Biggest fallers

A glimpse at **our heatmap for the sector** shows that the shares of most general retailers have remained in the red during the last month.

Flooring specialist **Topps Tiles** (TOT) saw its shares down almost 42% in the period, following a 10% drop in like-for-like revenue and an August trading update that warned full-year earnings would be below the current range of analyst expectations.

It's hard for the group, which operates over 300 stores in the UK, to blame a lull in household renovation projects when B&Q owner **Kingfisher** (KGF) is **doing so well**.

Cash Convertors' (CCVU) shares sank more than 37%, but this was not due to lack of success on the high street. In fact, the money-lending chain has enjoyed booming business and last month unveiled record net profit of £27.6 million for the year to the end of June - 27.5% up on last time.

What did for its shares, however, was the $1.5 million (c£0.9 million) cost of flood damage to its shop in Queensland, Australia, which its insurers have refused to cover. The company is challenging the decision and so the shares may yet rebound.

Alexon (AXN) is a different story. Harsh weather last winter meant that its core demographic customers were less likely to be out shopping and the company issued a profit warning.

By the beginning of September, the company confirmed it was in play, discussing offers from more than one party. Its shares are down more than 37% on the month.

Biggest risers

Consistent strength in the business has set **French Connection** (FCCN) apart throughout the year.

Its shares jumped 20% in February when it told the market to expect strong performance. When it revealed the next month that pre-tax profits leapt from £0.7million to £7.3 million in the year to the end of January it delighted analysts as well as investors.

In August it said profit for the first half of this year would be in line with management expectations as it successfully weathers tough conditions on the high street.

Laura Ashley (ALY) traded well through the winter and announced in March that full-year pre-tax profit to the end of January had doubled to more than £24 million, pushing the dividend up 50%.

When sales fell 4.5% in the 17 weeks to 28 May it continued closing unprofitable stores and saw the plan pay off when half-year profits rose £1.6 million to £7.3 million. In the 31 weeks to 3 September, UK like-for-like sales growth was maintained at the first half level of 3.5%.

Transatlantic group **Signet Jewellers** (SIG) is best known in the UK for its H Samuel and Ernest Jones chains. But it hasn't had things all its own way in the past, springing as it did from the ashes of Ratners.

More recently there have been rumours of a potential private equity buyout of the UK business. And results for the 13 weeks ended July 31 showed same store sales up 9.9% and total sales reaching $797.6 million (£488.5 million).

But the yo-yo behaviour of the stock may give pause for thought. In the last three months alone it's seen some sharp moves in both directions, hitting its 3,017p annual peak in July and then plunging to 1,950p by late August.

Figures correct as at 15 September 2011.