

Carpetright plc

Pre Close Trading Update

Carpetright plc, Europe's leading specialist carpet and floor coverings retailer, today announces a trading update for the 11 weeks ended 14 April 2012.

Highlights

- Group sales declined by 4.2%
- Sales in the UK declined by 3.2%, with like-for-like sales² up 1.4%, the latter driven by a strong emphasis on value and service, introduction of a wider laminate range and an uplift in sales from refurbished stores.
- In local currency terms, total sales in Europe (The Netherlands, Belgium and the Republic of Ireland) decreased by 4.7% with like-for-like sales down 4.4%. After allowing for the movement in exchange rates, this translates to a total sales decline of 8.0%.
- The level of bed sales in the UK has been below forecast and along with the weakening sales in Europe, will result in the full year underlying pre-tax profit being in the range of £3m-£4m.

	11 weeks to 14 April 2012	24 weeks to 14 April 2011	50 weeks to 14 April 2011
Group Sales	(4.2%)	(4.5%)	(4.3%)
UK			
- Total	(3.2%)	(4.5%)	(5.0%)
- Like-for-like	1.4%	0.2%	(1.1%)
Europe			
- Total (in GBP)	(8.0%)	(4.3%)	(1.1%)
- Total (in local currency)	(4.7%)	(2.9%)	(2.7%)
- Like-for-like (in local currency)	(4.4%)	(2.3%)	(2.1%)

The UK floorcoverings business reported an improved performance in the final quarter, with like-for-like sales, including the expected poor performance from the insurance replacement business, growing by 1.4%, in line with expectations. The 32 stores refurbished to date continue to outperform the core estate and further refinements are being made to the new format ahead of a roll-out.

Following the launch of the revised beds range in early 2012, bed sales grew marginally year on year in the fourth quarter with an improved margin of over 700bps, accounting for over 6% of total sales in the period. While we have been encouraged by the customer response to the new range, the overall level of sales growth has been behind initial expectations, with a corresponding impact on Group profitability. A series of performance improvement initiatives are planned for the new financial year.

The Group's European business saw a reversal of the stronger trading momentum reported in Q3, as weakening consumer confidence in The Netherlands and Belgium was reflected in lower store footfall. In contrast, the Republic of Ireland business continues to see sales growth in response to our recovery plan.



As a result of actions taken in the UK, the second half gross margin is expected to be around 220bps below that achieved in the same period of the prior year, and the full year cost reduction is now expected to be £7m, both elements being an improvement on previous guidance.

The Group's year end net debt will be below £45m (2011: £65.7m) as expected.

The Board now expects that the combination of disappointing bed sales and the deterioration in trading in Continental Europe will result in underlying profit before tax for the year ended 28 April 2012 being in the range of £3m - £4m.

Lord Harris of Peckham, Chairman and Chief Executive, said:

"The fragile confidence of our customers continues to produce a weak and volatile floorcoverings market. We are encouraged to see the UK floorcoverings business return to like-for-like sales growth and are cautiously optimistic that this trend will continue in to the new financial year.

"In contrast to this, bed sales, while still showing growth, have been below management expectations and tougher trading conditions in The Netherlands and Belgium have also contributed to a weaker Group result for the final quarter."

Carpetright will announce its preliminary results for the year ended 28 April 2012 on Tuesday 26 June 2012.

Analyst conference call

Lord Harris will host a conference call for analysts at 08:15 BST today.

The dial in number is +44(0)20 7136 2050 with the passcode 8903714

Thereafter, for further enquiries please contact:

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A copy of this trading statement will be available on our website www.carpetright.plc.uk today from 7.00am

Notes

1. All sales figures are quoted after deducting VAT.
2. Like-for-like sales calculated as this year's net sales divided by last year's net sales for all stores that are at least 12 months old at the beginning of our financial year. Stores closed during the year are excluded from both years.

No account is taken of changes to store size or introduction of third party concessions. Sales from insurance and house building contracts are supplied through the stores and included in their figures.

3. There have been no significant changes to the Group's financial position during the period.

4. Certain statements in this report are forward looking. Although the Group believes that the expectations reflected in these forward looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward looking statements. We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

Appendix 1: Store portfolio

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Store portfolio	14 April 2012		21 January 2012	
	Sites	Sq Ft	(Previously reported) Sites	Sq Ft
UK				
Standalone	475	4,240	479	4,273
Concessions	16	33	22	44
Total	491	4,273	501	4,317
Europe				
Republic of Ireland	20	147	20	147
The Netherlands	94	1,094	93	1,088
Belgium	28	329	28	329
Total	142	1,570	141	1,564
Total Group	633	5,843	642	5,881

Link: www.carpetright.plc.uk/press/archive/2012-2012-04-24interim-management-statement