



Second Quarter Trading Statement

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Home Retail Group Plc
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Home Retail Group, the UK's leading home and general merchandise retailer, today updates on the trading of its second financial quarter covering the 13 weeks to 1 September 2012.

Terry Duddy, Chief Executive of Home Retail Group, commented:

"Argos has had a solid first half of the year supported by its multi-channel performance, while at Homebase seasonal product sales continued to be adversely impacted by the poor weather conditions. At this stage, we expect to deliver full year Group benchmark profit in line with current market expectations but, as always, the outcome will depend upon trading at Argos in its peak Christmas period. While we continue to plan cautiously we approach our peak trading period in good operational shape."

	Q1 (13 weeks to 2 June 2012)	Q2 (13 weeks to 1 September 2012)	H1 (26 weeks to 1 September 2012)
Argos			
Sales	£819m	£867m	£1,686m
Like-for-like sales change	(0.2%)	1.4%	0.6%
Net space sales change	0.4%	(0.4%)	0.0%
Total sales change	0.2%	1.0%	0.6%
Gross margin movement	Down c.25bps	Down c.75bps	Down c.50bps
Homebase			
Sales	£421m	£366m	£787m
Like-for-like sales change	(8.3%)	(3.7%)	(6.2%)
Net space sales change	0.2%	(0.2%)	0.0%
Total sales change	(8.1%)	(3.9%)	(6.2%)
Gross margin movement	Up c.225bps	Up c.75bps	Up c.150bps

Argos

Total sales at Argos grew by 1.0% to £867m. Net closed space reduced sales by 0.4%; seven stores closed in the quarter, reducing the store portfolio to 739.

Like-for-like sales increased by 1.4% in the quarter. Consumer electronics continued to deliver an improved sales performance, driven by strong growth in tablets and e-readers, which together with further good growth in white goods offset the market driven sales declines in the video gaming and audio categories and the weaker trading in seasonal products.

Sales via the online Check & Reserve service grew 24% and represented 30% of total Argos sales. Total internet sales grew 16% and represented 42% of total Argos sales. Total multi-channel sales represented 52% of total Argos sales, up from 47% a year earlier.

The approximate 75 basis point gross margin decline was driven by an adverse sales mix and price investment, partially offset by the expected benefit of a reduced level of stock clearance activity and the anticipated net benefit of favourable currency and reduced shipping costs.

Homebase

Total sales at Homebase declined by 3.9% to £366m. Net closed space reduced sales by 0.2%; one store closed in the quarter, reducing the store portfolio to 340.

Like-for-like sales declined by 3.7% in the quarter, driven by big ticket sales which were down in a market that continues to be challenging, and seasonal products which have continued to be impacted by the poor weather conditions. Sales for the remaining categories were broadly flat.

The approximate 75 basis point gross margin improvement was driven by the anticipated net benefit of favourable currency and reduced shipping costs together with a beneficial sales mix. This was offset in part by an increased level of seasonal stock clearance activity.

Enquiries

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There will be a conference call for analysts and investors to discuss this statement at 8.15am this morning. The call can be listened to live on the Home Retail Group website www.homeretailgroup.com. An indexed replay will also be available on the website later in the day.

Home Retail Group will announce its half-year results on Wednesday 24 October 2012. An Interim Management Statement covering the 18 weeks from 2 September 2012 to 5 January 2013 will be announced on Thursday 17 January 2013.

Information in this announcement is based upon unaudited management accounts. In addition, certain statements made are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward looking statements.

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