

M&S posts 3rd straight decline in full-year profits as restructure bites

By
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Marks & Spencer has recorded a third consecutive year of decline in full year profits, as a sweeping overhaul of the business takes its toll on sales in its clothing and food arms.

M&S, often dubbed the bellwether of British retail, said that for the financial year ending March 31, it made a pre-tax profit before one off items of £523.2 million.

This compares to £580.9 million recorded last year and equates to a 9.9 per cent year-on-year drop.

Despite this, the latest profit figures were slightly better than analysts' average forecast of £519 million, according to *Reuters*.

Meanwhile, M&S recorded a three per cent year-on-year decline in group revenues to £10.4 billion.

This included a 1.8 per cent decline in UK sales, with food like-for-like sales down by 2.3 per cent and clothing & home like-for-like sales down by 1.6 per cent.

The decline in like-for-likes in M&S' two core departments were driven by a 0.6 per cent decline in total food sales and a 3.6 per cent drop in total clothing & home sales.

The heritage retailer is currently in the midst of a major transformation scheme, of which chief executive Steve Rowe said there were "green shoots".

However, he conceded that performance was not consistent and had been hit by its store closure programme, wide-ranging revamp plan, and the late timing of Easter.

M&S confirmed it was closing another 85 full-line stores and around 25 Simply Food outlets on top of the 35 full-line branches closed in 2018-19 under the restructure.

However, it said the overall size of the chain will remain in line with plans as it also opens and relocates shops, having launched another 48 full-service stores in the past financial year.

It said the food closures come as it focuses efforts on larger Simply Food shops with parking access, which will mean shutting and relocating smaller, less busy outlets.

M&S also revealed details of a £601 million rights issue to bankroll its £750 million joint venture deal with Ocado to sell food online.

The deal, first announced in February, also forms part of M&S's turnaround scheme and aims modernise the business.

M&S warned that it remained in the "difficult early stages" of its turnaround and progress will not come until the second half of 2019-20.

"Whilst there are green shoots, we have not been consistent in our delivery in a number of areas of the business," Rowe said.

"M&S is changing faster than at any time in my career – substantial changes across the business to our processes, ranges and operations – and this has constrained this year's performance, particularly in clothing & home.

"However, we remain on track with our transformation and are now well on the road to making M&S special again."