Joules shares plunge 40% on back of fresh profits warning

Joules is expecting profits to be well below forecasts as a result of a fresh Covid hit and rising costs, despite posting decent sales.

The country casual fashion giant said supply chain and Covid-related setbacks would see profits of around £5 million this year, compared to the £10 million and £12 million it previously expected.

Shares in Joules were down 40 per cent this morning at 71p.

Back in June they were trading at 300p, prompting one market analyst to say that management was now under pressure to get things back on track.

The business, which recently opened a new HQ in Market Harborough, Leicestershire, said its shops had been badly hit by Omicron in January – with the number of shoppers heading to stores down more than a third on January 2021.

There were also delays to new stock arrivals due to global supply chain challenges, leaving fewer full-price products available and hitting profit margins.

Sales to third parties in wholesale agreements took a subsequent knock due to the delays, and some customer orders were cancelled.

Meanwhile, profits were also hit by rising costs in freight, duties and distribution.

Distribution centre costs had more than doubled, and were £1.2 million above expectations in December and January, while wage costs were also higher – although they have since reduced.

Management said that, as a result, prices of items in its spring-summer collection will be higher for customers.

They will also rein in costs for marketing, at head office and on upgrades to stores.

The business said older stock will be sold off cheaply through third parties via outlet stores, while Joules' wholesale operation will be simplified.

Overall, sales in the nine weeks to January 30 were up almost a third against the previous year and 19 per cent on a two-year basis.

The company confirmed that revenues in the six months to November 28 were £127.9 million, up from £95.4 million a year earlier, with underlying pre-tax profits of £2.6 million.

But for the full year pre-tax profits are set to be down and will be no less than £5 million, compared with £6.1 million a year earlier, Joules added.

Russ Mould, investment director at stockbroker AJ Bell, said Joules was getting into the habit of issuing profit warnings centred on the key festive trading period – including a pre-Christmas alert in December.

He said: "Retailers need to be well oiled machines in the current climate and Joules has clearly messed up by not running everything as efficiently as possible.

"All retailers have suffered from supply chain issues but plenty of them have sailed through thanks to good forward planning, something which Joules seems to have lacked.

"As a premium lifestyle brand, it needs to uphold a reputation for superior quality and that includes the way the business is run as well as the products.

"After numerous setbacks management will have to get the business back on track soon otherwise chief executive Nick Jones could soon find he is fighting for his job.

"The share price is down approximately 70 per cent since he became the boss and investors won't put up with that kind of performance for long."

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