Next planning strategic stake in struggling Joules

Country casual brand Joules has been given a lifeline by Next with the offer of a £15m investment in the business and use of its online and distribution service Total Platform.

Joules has had a tough year, with "significant" pressure on gross margins and plans to drop its EU and US wholesale operation, cut the amount of products sourced from China, as well as the announcement that chief executive Nick Jones was leaving the business.

Shares in Joules had slumped over the last year, but were buoyed by the Next news — the <u>headquarters of both businesses</u> <u>are in Leicestershire</u> and Next already sells Joules products online.

Total Platform supports other retailers with everything from website services to warehousing, distribution and till systems.

In a statement, <u>Harborough-based Joules</u> said: "Joules confirms that it is in discussions with Next Plc about adopting its Total Platform services to support the group's long term growth plans.

"Additionally, in conjunction, Joules confirms it is in discussions with Next about a potential equity investment raising proceeds for Joules of circa £15 million at no less than Joules' current market price, which would result in Next becoming a strategic minority shareholder in the group.

"The equity investment would be subject to approval by Joules' shareholders.

"There can be no certainty these discussions will lead to any

agreement. A further announcement will be made if and when appropriate."

Danni Hewson, a financial analyst at online investment provider AJ Bell, said she felt the deal was not the first step in a full acquisition.

She said: "Posh wellies seller Joules has found a new lease of life on the stock market following news of a potential investment in the business by retail giant Next.

"Joules has been struggling this year, with disappointing sales, supply chain problems and rising costs. Once a shining star in the retail sector, Joules saw its share price collapse after a string of profit warnings.

"Next doesn't typically buy companies outright so it seems unlikely that an initial investment in Joules will lead to a full takeover. Instead, expect to see it become an influential shareholder and for more of Joules' products to appear on Next's website.

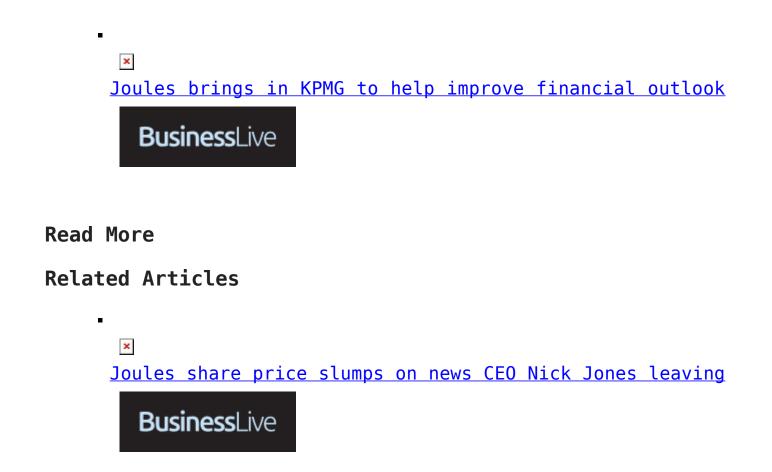
"Next has a system called Total Platform, which enables third party retailers to grow their sales without large capital costs, operational risks or time developing sophisticated infrastructure.

"This platform is already used by the likes Gap UK, Reiss and Victoria's Secret, with Next having also acquired equity stakes in these businesses.

"In essence, Next can offer more products on its website which makes it more attractive to customers, and it also earns a fee for handling the e-commerce needs of third parties."

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