Dunelm sees profits drop amid surging cost pressures

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unelm has cheered higher sales, boosted by cost-conscious customers looking for products to help lower energy costs, but the homeware chain's boss warned the outlook remains unpredictable.

The FTSE 250 retailer, which has 179 stores, recorded 5% sales growth to £835 million in the first half to December 31.

Pre-tax profit declined 16.6% to £117.4 million, due to inflationary impacts and a tough comparison: a year earlier there was bumper trading after all lockdown restrictions were fully lifted.

Sales in the first half were broad based, but goods including warmer bedding and thermal curtains were popular.

Most recently, the firm's Easter range, including chick hoodies, has been in demand.

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Chief executive Nick Wilkinson said: "Whilst customers have been resilient to date, the outlook remains unpredictable as consumers are still adapting to the new economic reality."

But the chain, which said it now has a near 7% share of the £23 billion UK homewares and furniture market, stuck with its previous profits guidance. It also announced a 15p per share dividend and a special dividend of 40p.

Plans this year include further investments in digital and more store openings.

A note from RBC Capital Markets said: “We believe that the homewares sector has shown greater than expected resilience in recent months, with consumer demand remaining good, helped, we think, by an improved macro backdrop.”