High Street fears mount as B&Q reveals DIY sales slump

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RESH fears for the high street emerged today when Kingfisher reported a slump in sales that could indicate the lockdown DIY boom is over.

While the company behind B&Q says demand is resilient and it is on track to hit profit targets for the year of £770 million, hedge funds are aggressively betting against the company.

While CEO Thierry Garnier is confident enough about the future to launch a £300 million share buyback, the mood music is uncomfortable.

Like for like sales, the most closely watched measure, fell 5.4% in the first quarter.

Garnier insists the business has held on to "a significant proportion of the increased sales during the pandemic".

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Back in 2019, Kingfisher reported a crash in profits that saw 65 stores closed at 3000 jobs lost.

Kingfisher shares rose 5p to 252p today, but they are down 30% this year. The stock is one of the most "shorted" in the FTSE 100 as hedge funds bet on it falling further.

Kingfisher said it was "mindful of the heightened macroeconomic and geopolitical uncertainty that has emerged since the start of the year", but added that it will look to increase its market share.

Naysayers think inflation, supply chain problems, and a public desire for holidays and other experiences will whack sales on the already battered high street.

A note from City broker Liberum today was brutal. It said.

"The macro outlook has worsened….share prices have collapsed….consumer spending is at an all-time low. The erosion of real incomes and a squeeze in living standards is not temporary."

It has "taken a knife" to profit forecasts for retailers of 20% and warned of "bombed out valuations". It does like some retail shares – Pets at Home and Superdry – but thinks ASOS, Primark owner ABF and boohoo are to be avoided.

Kingfisher says it is managing "inflation pressures effectively" and says both the DIY and DIFM (do-it-for-me) sectors are doing well at the moment.

Garnier said: "Our product availability is now very close to 'normal' levels across all our banners, and we continue to deliver value for our customers through our own exclusive brands and competitive prices."

Rising mortgage costs seem sure to debt consumer spending however.

Garnier said last month that "home improvement is not a bad place to be in a crisis". City analysts worry that DIY projects become luxuries to be delayed as consumers fret about energy and food costs.

Neil Wilson at Markets.com said: “Although the 3-yr like-for-likes were good and revenues in-line with forecast, the UK like-for-likes were pretty poor compared to last year and suggest that DIY activity is declining at a rapid pace. Spare rooms have been done up and garden offices built, now everyone is splurging on holidays and trips there is not the spare cash for home renovations. Kingfisher is a classic pandemic winner that experienced a big pull-forward in demand and is now finding growth flagging. Key will be the health of the housing market going forward and this does not look too promising.”