

Marks & Spencer warns of tougher trading ahead as half-year profits dive

High street giant Marks & Spencer warned of tougher trading ahead as it revealed that its half-year profits tumbled by nearly a quarter after soaring costs offset resilient sales growth.

The retailer reported a 23.7% fall in underlying pre-tax profits to £205.5 million in the six months to October 1 as it saw double-digit inflation in food costs, as well as more difficult trading in its [Ocado](#) retail joint venture.

Profits were also knocked by the cost of higher property taxes after the end of business rates relief, as well as its exit from [Russia](#).

M&S said like-for-like sales jumped 13.7% across its resurgent clothing and home division as its bounce-back gathers pace, while comparable sales lifted 3% across its food business.

But underlying earnings in the food division slumped to £71.8 million from £124 million a year earlier as it said it chose not to pass it on an 11% costs increase in full to customers.

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The group warned of “more challenging” trading ahead in the cost crisis and said it is looking to make savings of around £150 million in 2023-24 to offset soaring inflation and help it weather the storm.

M&S said it expects to post full-year pre-tax profits “similar” to the guidance it set out previously, with most analysts expecting a fall in underlying profits to £397 million against £523 million in 2021-22.

This strips out the impact of business rates relief ending, Russia, and Ocado Retail, which is now expected to record a loss, according to M&S.

Chief executive Stuart Machin said: “[Trading](#) in the first half has been robust, with both businesses growing ahead of the market, reflecting the beginnings of a reshaped M&S.

“This progress means we face into the current market headwinds with an increased resilience and level of confidence.”

He added: “Looking beyond the current stormy weather, much is in our control and our mandate is clear – to step up the pace, accelerate change, drive a simpler, leaner business and invest in growth opportunities to build a reshaped M&S.”

The company said trading in the first four weeks of its second half was in line with its forecasts, with sales up 4.2% in clothing and home, 3% higher for food and 4.1% ahead in its international business.

M&S recently said it is speeding up a major shake-up of its stores estate, which will result in the closure of 67 larger

shops as part of long-term plans to axe 110 stores under a sweepingoverhaul led by previous boss Steve Rowe.