Upscale high street retailer Joules hits financial buffers

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roubled high street retailer Joules has hit the financial buffers releasing a widely downbeat update on recent trading at the country lifestyle chain predicting a “significant” loss for the first half of the year.

In the update, released this morning (Friday), the favoured outlet of William and Kate the Duke and Duchess of Cambridge said that it had encountered “significant” pressure on its gross margins with consumer appetite “weighted towards mark-downs amidst a heavily promotional environment”.

The company’s share price dropped more than 30% in early trading this morning.

Joules continued the downbeat appraisal stating that over the five weeks to the 14 August, the trading environment had “softened materially” with margins declining six percentage points year-on-year.

It also reported that although “positive” discussions were continuing with fellow retailer Next to take up to a 25% stake in the company for £15 million that there was “no certainty” that the discussions would lead to any agreement.

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The financial update will set a huge challenge for incoming boss Jonathon Brown who was appointed to head the group earlier this week replacing Nick Jones who announced he would step down as boss of the group in May.

Joules said that the "recent extremely warm and dry summer" weather had adversely affected full price sales of core categories such as outerwear, rainwear, knitwear, and wellies that had compounded the "ongoing subdued consumer demand due to the well-documented cost of living crisis".

The group added that as a result retail sales had been depressed over the five-week period, resulting in an "8% year-on-year reduction in retail sales in the 11 weeks of the current financial year to date".

It indicated that it was managing cash resources "carefully" and that at the end of July, the group's net debt was £21.1 million, leaving headroom under its bank facilities of £11.4 million.

Since then, the retailer has completed documentation of the previously announced £5m addition to its borrowing facilities. This will only be available until November this year.

Joules said: "The group also continues to have positive discussions with its bank on its medium-term financing, including a review of covenants to enable progress on the previously announced business simplification and cost reduction measures.."

It said it would require "a waiver of certain covenants" on its facilities and was currently in positive discussions with its bank in this regard

Joules further flagged that wholesale trading for the Joules brand had reached 10% growth year-on-year despite delays experienced in US ports, however garden trading wholesale has continued to be significantly impacted by the wider slowdown in the home and garden market.

However, the group said it continued to make good progress with its “initiatives to simplify the business and improve profitability” as outlined in previous updates to the market.