Currys hurt by overseas discounting as it cuts annual profit outlook

Electricals retailer Currys has cut its annual profit outlook after diving into the red during the first half of its financial year.

The UK-based group, which has more than 800 stores alongside its online operation, reported an adjusted pre-tax loss of £17m for the six months to 29 October compared to a profit of £48m a year earlier.

It blamed the performance on its international business, mainly located on the continent, where it said that fierce discounting by rivals had hammered margins and revenues.

A fall in sales within its UK and Ireland (UK&I) division, on the other hand, was offset by cost-cutting and higher gross margins.

Business was harmed across the group by the **cost of living crisis** with like-for-like sales down 8% on the same period last year.

Currys chief executive, Alex Baldock, said in a statement that the international business was particularly hurt by heavy promotional activity among domestic competitors with excess stocks.

“It’s a tough environment, and we are planning for that to continue.

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Alex Baldock is planning further cost-cutting to offset inflationary pressures and boost margins

“Still, we expect to maintain the trajectory of improving UK&I profitability and a robust recovery in International profits.

“Our ever-improving customer experience and strong Services give us confidence in improving margins. And we will continue our excellent progress on cost efficiency.”

Currys said it now expected full year profit before tax to be between £100m-£125m – down from the previously guided £130m-£150m range.

Shares, down by more than 40% ahead of the trading update, fell 7% at the open.

John Moore, senior investment manager at RBC Brewin Dolphin, said: “Currys was always going to struggle in the immediate aftermath of the pandemic, with demand for its products pushed artificially higher during lockdowns.

“Added to that is the fact that the company’s international markets are going through structural changes, forcing it to heavily discount – but much of this is reflected in the share price, which is down more than -40% on a year ago.

“Still, Currys is showing its survival bias yet again. The company is willing and able to take the measures necessary to weather these tough periods and stay relevant to its customers.”