

Carpetright shares surge 12pc after upbeat results

New chief executive Wilf Walsh has set out a plan to revive the retailer's fortunes



Carpetright's new chief executive plans to rejuvenate the firm's website and product range Photo: PA



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By Marion Dakers, and Graham Ruddick

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Shares in Carpetright bounced more than 12pc in early trading after the flooring retailer said its full-year profits are expected to come in at the top end of forecasts and its new chief executive pledged to brush up the brand.

Wilf Walsh, who was appointed boss in July, said he would introduce interest-free credit and try to attract more upmarket customers who believe Carpetright is "too value focused".

Mr Walsh denied that he planned to take Carpetright upmarket, but said: "There was a mixed review of the brands. Its a broad church. We want to take the appeal to higher spending customers."

Carpetright is considered an economic bellwether because of its links to the housing market. However, it has made a string of profit warnings in the past 18 months due to trouble at home and in Europe.

The company reported a 5pc rise in UK revenues for the six months to October 25, with like-for-like sales up 6.5pc. However, weaker trading in Europe resulted in a 2.6pc rise in overall revenues to £227.9m.

Special offers in the UK helped deliver some of this increase, though it came at the expense of gross margins, which fell 1.4 percentage points to 61.7pc. Carpetright said it was "continuing to work with suppliers to mitigate this impact" but that its gross margins would be lower than last year.

Underlying profit before tax more than doubled to £6.7m. The group opened nine shops and closed 21 during the six month period, taking its total to 602. It has refurbished almost two-thirds of its British shops.

Mr Walsh, who took over from Lord Harris of Peckham at the head of the company in July, said he will start overhauling the business next year with a goal to revitalise the Carpetright brand by competing on pricing and customer service.

The company will start offering interest free credit from Boxing Day, after a successful trial in Scotland, and will rejig its range of carpets and floor coverings. An "updated and more inspirational" website will launch in the spring.

The company could close more stores, with 27pc of its leaseholds up for renewal within the next five years. The firm said that it has negotiated exits from four sites with leases it felt were onerous in the past six months.

"We believe that, with a well researched and well executed strategy, we can begin to reshape Carpentry to ensure the business fully capitalises on its market leading position," said Mr Walsh.

"These changes will take time to take full effect but we are absolutely focused on maintaining the recent improvements in the performance of the group, as well as devoting our energies to revitalising our brand and operations in line with contemporary customer expectations."

On a statutory basis, pre-tax profits rose from £1.9m to £6.7m.

Greg Bromley, consultant at Conlumino, said: "Overall, we believe this to be a positive set of results for Carpentry.

"In the UK, the uplift in like-for-likes suggests the retailer is moving in the right direction, even before its new business strategy has been implemented.

"Wider economic improvements have led to an increase in bigger ticket purchasing such as flooring. However, at the same time, the market for flooring has become more competitive, with players such as John Lewis, B&Q and Homebase working to improve their offers, and newer, more nimble players such as ScS and Wilko aiming to gain a greater foothold in this market."

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