

NEWS ANALYSIS

Poundland last week recorded a stellar set of first-half results. **Ben Cooper** reports on how it is taking advantage of changes in consumer behaviour



POUNDLAND FIRST-HALF RESULTS

Like-for-like sales growth



Underlying pre-tax profits £12.6m



Gross profits



Store estate



STRUCTURAL CHANGES in retail continue to play into Poundland's hands as "savvy shoppers" seek value products, boss Jim McCarthy (pictured) has said.

Speaking as the retailer reported like-for-like sales growth of 4.7% in its first half results, McCarthy said that Poundland was on course for its target of 1,000 UK stores as demand for value grows.

In the 26 weeks to the end of September Poundland's underlying pre-tax profits hit £12.6m, up 34.2% on the same period the year before, with gross profits up 15.2% to £192.5m.

Poundland's store estate stood at 557 by the end of the September, including its Dealz fascia in Ireland and in Spain, up 67 in a year.

McCarthy said that by the end of this financial year Poundland will have added 60 more stores.

Poundland now operates four Dealz stores in Spain, the fourth of which opened last week in Malaga. It follows openings in Madrid, Torremolinos and Alicante.

Commenting on the results, McCarthy said: "Structural changes are under way in retail at the moment and Poundland has had a role in bringing them about.

"We think we're perfectly positioned to take advantage of changes in consumer behaviour.

"We're making good progress on new stores and we're confident in our expansion program."

Greater range of shoppers

He also said that the retailer would not limit itself to a type of location for new stores, with more retail park locations on the cards.

"We will go wherever there are large numbers of consumers in sustainable locations," he said.

He said that Poundland was seeing an increasing number of ABC1 shoppers coming through its doors, as discount shopping becomes more popular among a wider demographic.

"We've become the standard bearer for value," he said. "Poundland has universal appeal and we're seeing savvy shoppers from all walks of life coming into our shops."

McCarthy cited new product lines such as its 100-piece make-up range, which hit the shelves in October, as being big factors in tempting new shoppers, and the Jane Asher kitchen

range, which has sold 5 million pieces since it launched in April.

Discount rivals

Commenting on the wider discount market, he acknowledged that the downturn had given rise to competitors such as Aldi, Lidl and B&M, and said that the overall sector was still outperforming other parts of retail.

He said that as conditions improve and shoppers find themselves with more money in their pockets the retailer is likely to benefit from an overall higher spend and the extra footfall in the proximity of its stores.

"In times of recession, history shows that Poundland outperforms," he said. "But we also trade well in times of economic confidence."

Poundland's capital expenditure remains at around £20m, with one of the retailer's key outgoings in the period being its move into a new 350,000 sq ft distribution centre in Harlow in Essex, and £9.9m in IPO-related payments.

The performance exceeded expectations from the City, with Shore Capital analyst Darren Shirley saying that the retailer's "strong balance sheet is a major virtue".

However, Shirley said that Shore's final year forecast would remain unchanged depending on how it rides through the crucial third quarter.

"We think we're perfectly positioned to take advantage of changes in consumer behaviour" Jim McCarthy