H&M Group is recovering from the devastation of the past two years and had good news on Thursday about sales and profit for Q1 (December to February). But its sales were still crimped by the pandemic and pre-tax profit was much less than analysts had expected as the retail giant continued to invest in its business and absorbed those Covid-linked effects.

Nonetheless, the second-largest fashion retailer globally swung to a profit before tax of SEK 282 million (€27m/£23m/$30m) after making a loss of SEK1.39 billion a year earlier.

So what about sales? Well, they were generally good as “well-received collections led to a higher share of full-price sales and lower costs for markdowns”, it said. That helped sales rise 18% in local currencies, or 23% in Sweden’s currency to SEK49.166 billion.

We’ve already seen the pre-tax profit figure, but gross profit rose to SEK24.62 billion from SEK19 billion, for a gross margin up to 49.3% from 47.6%. Operating profit increased to SEK458 million from a loss of SEK1.128 billion and net profit rose to SEK217 million. It had made a final loss of SEK 1 billion in Q1 last year.

“Sales and profits for the quarter were impacted by the negative effects of the pandemic in many of the group’s major markets”, it explained. “The result was also affected by increased growth-related initiatives, particularly within tech and the supply chain”.

But at least sales at the start of Q2 from March 1 to March 28 were still positive, rising 6% in local currencies. Yet that was lower than it would have seen if not for the Russia-Ukraine conflict that has clearly affected it in a big way. Excluding Russia, Belarus and Ukraine, the increase was as much as 11%. The group has paused all sales in those countries. In total 185 stores as well as online sales in Russia are affected.

The company is continuing to expand into new markets and this month, the first H&M store in Cambodia was
The company is continuing to expand into more markets and this month, the first H&M store in Cambodia was opened via franchise. Further new H&M markets in 2022 will be Ecuador, Kosovo and North Macedonia, and (via franchise deals) Costa Rica and Guatemala. In 2023 H&M plans to open its first store in Albania.

At the same time as it published the results, it also released its sustainability report and talked about its “further strengthened climate goals, a threefold increase in the use of recycled materials and a substantial decrease in the use of plastic packaging”.

CEO Helena Helmersson said of all this: “Having ended last year with sales back at the same level as before the pandemic and in a strong financial position, we started the new year with increased initiatives to create an even better foundation for long-term growth. The initiatives mainly involve continuing to develop the customer experience by, for example, further broadening the assortment and integrating the sales channels, and by continuing to invest in infrastructure such as tech and the supply chain, but also in renewable energy and sustainable materials.

“In addition to the general consequences of the pandemic such as disruptions and delays in the supply chain, some of our major markets were impacted by a new wave of the pandemic in the first quarter. Despite this we saw a recovery of sales in physical stores compared with last year, while online sales continued to perform well. This shows the value of having both physical and digital channels which strengthen and complement each other.”

By Sandra Halliday

Copyright © 2022 FashionNetwork.com All rights reserved.