H&M has strong first half but June sales will fall

By Sandra Halliday - 30 June 2022

H&M’s first half (the six months to the end of May) was all about its ongoing recovery as the Swedish retail giant benefited from “well-received collections with increased full-price sales and lower markdowns”. But there remain challenges ahead and the comparison periods are starting to get tougher.

The company said on Wednesday that its net sales rose 20% to SEK103.67 billion (€9.7bn/£8.4bn/$10bn), with a 15% increase in local currencies. Gross profit rose to SEK54 billion from SEK44 billion and this means a gross margin of 52.2%, up from 50.9% a year earlier.

The company’s operating profit increased to SEK5.4 billion from SEK2.7 billion, for an operating margin of 5.3%, up from 3.1%. And net profit was SEK3.89 billion, up from SEK1.69 billion.

It also said that in the second quarter, net sales rose by 17% to SEK54.5 billion with a 12% rise in local currencies. Excluding Russia, Belarus and Ukraine, sales increased by 17% in local currencies.

Q2 gross profit increased to SEK29.8 billion from SEK25 billion with the gross margin up to 54.8% from 53.9%. And those “well-received collections” led to costs for markdowns decreasing by around 1 percentage point in relation to sales.

Quarterly operating profit increased to SEK4.9 billion from SEK3.8 billion and net profit rose to SEK3.6 billion from SEK2.7 billion.

That was all good news but, as mentioned, it’s not all rosy and sales in June are expected to fall 6% in local currencies compared to June 2021.

The paused sales in Russia, Belarus and Ukraine represent 5 percentage points of the fall, although the company said the June figure should be seen in the light of a “very strong comparison base in June 2021, an increase of
said the June figure should be seen in the light of a “very strong comparison base in June 2021, an increase of 24%, while July and August increased by 6%”.

On a more upbeat note, the company added that it’s accelerating its expansion in Latin America and a large number of leases have been signed for new stores.

CEO Helena Helmersson said: “Sales in physical stores increased substantially while online continues to do well. This once again shows the value of having both physical and digital channels, which strengthen and complement each other. The integration of the sales channels is therefore ongoing, in parallel with continual initiatives – in particular within tech, the supply chain and sustainability.

“Although most of the restrictions associated with Covid-19 essentially seem to be over, many challenges remain. Disruption and delays still exist in the supply chain, but are gradually being eased. At the same time, there is substantial inflation. The situation associated with the war in Ukraine and its consequences are continually being evaluated. We are actively looking at various options to find solutions that give consideration to customers and colleagues as well as the impact on the business as a whole.

“To navigate in a rapidly changing world it is more important than ever to be flexible and able to take quick decisions. We are carrying out extensive work to prioritise initiatives, redistribute resources and ensure continued good profitability.

“Despite the significant inflation in the world, customers must always feel confident that with all the H&M group’s brands they will find the best combination of fashion, price, quality and sustainability. With a strong customer focus, committed colleagues and a robust financial position we see good opportunities for profitable, long-term and sustainable growth.”

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