

Shoe Zone PLC
("Shoe Zone" or the "Company")
Interim results for the 26 weeks to 30 March 2024

Shoe Zone PLC is pleased to announce its interim results for the 26 weeks to 30 March 2024, (the "Period").

Financial highlights

- Revenue of £76.5m (2023 H1: £75.4m) +1.5%
 - Store revenue £59.4m (2023 H1: £61.1m) -2.8%
 - Digital revenue £17.1m (2023 H1: £14.3m) +19.6%
- Contribution of £12.2m (2023 H1: £11.1m)
 - Store contribution of £8.5m
 - Digital contribution of £3.7m
- Profit before tax of £2.6m (2023 H1: £1.5m)
- Adjusted profit before tax of £2.5m (2023 H1: £2.5m)*
- Earnings per share of 5.6p (2023 H1: 3.1p)
- Net cash of £4.1m (2023 H1: £12.9m)
- Proposed interim dividend of 2.5 pence per share (2023 H1: 2.5 pence)

Operational highlights

- 309 stores at Period end (2023 FY: 323) comprising:
 - 162 New Format (2023 FY: 135)
 - 147 Original (2023 FY: 188)
- 15 stores opened, 15 refits, 29 stores closed
- Capital expenditure of £5.3m (2023 H1: £5.3m)
- Annualised lease renewal savings of £0.2m, an average reduction of 28%
- Average lease length of 2.3 years (2023 FY: 2.1 years)
- Digital returns rate of 11.4% (2023 H1: 11.9%) - 12 months average

*Adjusted items 2024 H1 £0.1m forex gain. (2023 H1: Forex loss £1.3m, offset by property gain £0.3m)

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Chairman's statement

Introduction

Shoe Zone delivered a robust performance in the Period against a continuing backdrop of consumer uncertainty and macroeconomic volatility. Total revenues increased by 1.5% having traded out of 27 fewer stores compared to 12 months ago, with digital revenue increasing by 19.6%. The performance further demonstrates the resilience of our business and the success of our ongoing strategy.

Trading over all channels was positive with total revenues of £76.5m (2023 H1: £75.4m), store revenues were £59.4m (2023 H1: £61.1m - trading out of fewer stores), digital revenues were £17.1m (2023 H1: £14.3m) with strong performance across all online channels with additional growth from our online exclusive range and range extensions.

Adjusted profit before tax was £2.5m (2023 H1: £2.5m*), which is in line with management expectations for the Period.

We ended the Period trading out of 309 stores, which is a reduction of 27 compared to 12 months ago and 14 lower compared to last year end. In the first half we closed 29 stores, opened 15 new format stores and refitted 15 Original stores to our new format. In total we are now trading out of 147 Original stores and 162 new format stores. We are actively working to relocate and refit further stores in the second half of the year, together with a number of stores currently in the pipeline, opening before Christmas.

Our average lease length is 2.3 years (2023 FY: 2.1 years), which is increasing as we open new stores with 5 year leases but still gives the opportunity and flexibility to respond to changes in any retail location at short notice. Property supply continues to outstrip demand and we continue to take advantage of this and significantly improve our property portfolio over the medium term.

Strategy Update

We continue to accelerate our refit and relocation programme along with further investment in our digital and head office infrastructure. All of these are key to our strategy, and we expect to spend £10m+ on capital projects this year and during each of the following two years.

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We have continued to invest in our portfolio with more Original stores converted to our new format. The results continue to be very positive, and we will carry on looking for further opportunities to roll out the new format. Our ultimate goal is a 300 new format stores in the medium term. We anticipate trading from a similar retail square footage, albeit from a reduced number of locations. Digital revenues grew by 19.6% as we continue to invest in new product lines and additional brands as well as enhancing our platform with the development of a mobile App and adding new payment options via wallet payments, all of which will improve customer experience.

Part of the success of our digital operation is our very efficient returns process which is complemented by our extensive network of stores. We have a returns rate of 11.4% (2023 H1: 11.9%) and the vast majority of these are returned to store, hence why our physical store network is critical to our future success.

Dividend

The Board proposes an interim dividend of 2.5p per share, which will become payable on 14 August 2024 to those shareholders on the Company's register as at the close of business on the record date of 12 July 2024. The ex-dividend date will be 11 July 2024.

Outlook

Our original full year profit before tax forecast was £15.2m, which has been revised down to £13.8m, a reduction of £1.4m. At the point at which the original forecast was prepared the consensus was that the National Living Wage would increase to £11.08, but when announced, the increase was to £11.44 which adds £0.4m of cost in our second half. The continuing disruption in the Middle East has increased shipping times and container prices which adds a minimum of £0.5m of cost and due to the large number of stores we have closed, particularly in Scotland, we have provided for an additional £0.5m of dilapidations.

Financial Review

Profit before tax was £2.6m, adjusted to £2.5m (2023 H1: £1.5m adjusted to £2.5m). The adjustment this year reflects a foreign exchange gain £0.1m and last year included foreign exchange losses of £1.3m, offset by profit on freehold property sale of £0.3m. We benefitted in the Period from better underlying margins as lower container prices were realised, offset by cost increases due to National Living Wage, utilities and depreciation.

In the Period, total revenues were £76.5m (2023 H1: £75.4m). Store revenues decreased by £1.7m as we traded out of 27 fewer stores than 12 months ago. Digital sales increased by £2.8m to £17.1m (2023 H1: £14.3m). Digital gross margins increased to 61.0% (2023 H1: 58.0%) due to lower container prices, and contribution was £3.7m (2023 H1: £3.2m).

Gross profit in the Period was £14.7m (2023 H1: £13.6m), with a margin of 19.3% (2023 H1: 18.1%). The percentage increase was due to the underlying product margin being higher at 62.7% (2023 H1: 60.1%), due to the impact of lower container prices and a stronger sterling to dollar exchange rate. Container prices have increased post Chinese new year due to the continuing disruption in the Red Sea, and indications are that this will continue until at least the end of the year, which is longer than we initially estimated. Within cost of sales, we spent £1.1m less on stock purchases and £0.8m less in rates due to less stores and refunds received. There were cost increases on utilities of £0.6m due to energy price rises, depreciation of £0.9m due to higher capital spend and higher lease depreciation of £0.5m, due to more 5 year leases and less temporary leases.

Administration expenses reduced by £0.2m to £8.9m (2023 H1: £9.1m). Last year included a £1.3m foreign exchange loss, so if this was excluded, costs have increased year on year by £1.1m due to higher sales related digital costs £0.5m, higher wages £0.3m and lower lease disposal profits £0.3m.

Distribution costs increased by £0.1m to £2.8m (2023 H1: £2.7m) due to the increase in the National Living Wage.

Stock at the Period end was £2.9m higher at £31.0m (2023 H1: £28.1m). This reflects a higher branded mix, having added 50+ more branded Hybrid stores, higher stock of Ladies sandals as we received a proportion of the range earlier than last year and a higher stock of boots which will form part of the Autumn/Winter 2024 range.

The Company ended the Period with a net cash balance of £4.1m (2023 FY: £16.4m). However, we generated a strong operating cash flow of £13.4m compared to £12.0m last year, and the 68% decrease in net cash is driven by dividend payments of £6.9m, increased capex of £5.3m and higher stock levels of £2.6m.

Capital expenditure in the Period was £5.3m (2023 H1: £5.3m) which is continuing our long-term target of £10m+ per annum. Expenditure in the Period included new stores, refits and relocations, which are partly funded by Landlord rent free periods, IT expenditure and infrastructure works in head office and distribution centre, which will be continued through the second half of the year.

The Shoefayre Limited Pension and Life Assurance Scheme deficit increased to £2.1m (2023 FY: £2.0m deficit). This was due to a fall in bond yields which led to a lower assumed discount rate and therefore a higher value being placed on the scheme's liabilities. The Shoe Zone Pension Scheme's surplus remained at £0.5m (2023 FY: £0.5m surplus).

Earnings per share were 5.6p (2023 H1: 3.1p per share) reflecting a higher profit before tax generated in the Period.

Unaudited consolidated income statement (52 weeks audited)

	26 Wks end 30 Mar 2024 £'000	26 Wks end 1 Apr 2023 £'000	52 Wks end 30 Sep 2023 £'000
Revenue	76,475	75,391	165,657
Cost of sales	(61,734)	(61,752)	(124,805)
Gross Profit	14,741	13,639	40,852
Administration expenses	(8,863)	(9,100)	(18,791)
Distribution costs	(2,787)	(2,668)	(5,311)
Profit from Operations	3,091	1,871	16,750
Finance income	0	0	0
Finance expense	(480)	(342)	(568)
Profit before Tax	2,611	1,529	16,182
Taxation	0	0	(2,962)

Profit after Tax	2,611	1,529	13,220
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Earnings per Share	5.6p	3.1p	27.8p
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Unaudited consolidated statement of total comprehensive income (52 weeks audited)

	26 Wks end 30 Mar 2024 £'000	26 Wks end 1 Apr 2023 £'000	52 Wks end 30 Sep 2023 £'000
Profit/(Loss) for the period	2,611	1,528	13,220
Items that will not be reclassified subsequently to the income statement			
DB pension scheme	(5)	(1,973)	(2,054)
Movement in deferred tax on pension schemes	0	(57)	513
Share buy back	0	(1,849)	(7,125)
Cash flow hedges			
Fair value movements in other comprehensive income	(247)	(776)	(295)
Tax on cash flow hedges	0	0	54
Other comprehensive (expense)/Income for the period	(252)	(4,655)	(8,907)
Total comprehensive (expense)/Income for the period attributable to equity holders of the parent	(2,359)	(3,127)	4,313

Unaudited consolidated statement of financial position (52 weeks audited)

	26 Wks end 30 Mar 2024 £'000	26 Wks end 1 Apr 2023 £'000	52 Wks end 30 Sep 2023 £'000
Assets			
Non-current Assets			
Property, plant and equipment	21,444	15,859	19,178
Right of use assets	29,722	25,454	25,751
Deferred tax asset	573	902	529
Total Non-current Assets	51,739	42,215	45,458
Current Assets			
Inventories	31,030	28,117	33,752
Trade and other receivables	2,835	3,007	3,219
Derivative financial assets	46	0	0
Cash and cash equivalents	4,093	12,870	16,354
Total Current Assets	38,004	43,994	53,383
Total Assets	89,743	86,029	98,841
Current Liabilities			
Trade and other payables	(16,690)	(17,281)	(24,353)
Lease liabilities	(12,720)	(13,562)	(13,071)
Derivative financial liabilities	0	(603)	0
Provisions	(1,283)	(2,575)	(1,026)
Corporation tax liability	0	(289)	0
Total Current Liabilities	(30,693)	(34,310)	(38,450)
Non-current Liabilities			
Lease liabilities	(25,177)	(21,349)	(22,219)
Provisions	(2,873)	(1,508)	(2,766)
Employee benefit liability	(2,105)	(1,973)	(2,054)
Total Non-current Liabilities	(30,155)	(22,830)	(27,039)
Total Liabilities	(60,848)	(59,140)	(65,489)
Net Assets	28,895	27,069	33,352
Equity attributable to equity holders of the company			
Called up share capital	463	485	463
Merger res/Cap red	2,699	2,677	2,699
Cash flow hedge reserve	225	(123)	412
Retained earnings	25,508	24,030	29,778
Total Equity and Reserves	28,895	27,069	33,352

Unaudited consolidated statement of changes in Equity

(prior years audited)

	Share Capital	Share Premium	Capital Redemp. Reserve	Cash flow Hedge Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At October 2022	495	2,662	5	653	33,428	37,243
Profit for the period	0	0	0	0	1,528	1,528
Defined benefit pension movements	0	0	0	0	(1,973)	(1,973)
Cash flow hedge movements	0	0	0	(776)	0	(776)
Share buy-back	(10)	0	10	0	(1,849)	(1,849)
Deferred tax on other comp. income	0	0	0	0	(57)	(57)
Total comprehensive income for the period	(10)	0	10	(776)	(2,351)	(3,127)
Dividends paid	0	0	0	0	(7,047)	(7,047)
Contributions by and distrib. to owners	0	0	0	0	(7,047)	(7,047)
As at April 2023	485	2,662	15	(123)	24,030	27,069
At October 2022	495	2,662	5	653	33,428	37,243
Profit for the period	0	0	0	0	13,220	13,220
Defined benefit pension movements	0	0	0	0	(2,054)	(2,054)
Cash flow hedge movements	0	0	0	(295)	0	(295)
Share buy-back	(32)	0	32	0	(7,125)	(7,125)
Deferred tax on other comp. income	0	0	0	54	513	567
Total comprehensive income for the period	(32)	0	32	(241)	4,554	4,313
Dividends paid	0	0	0	0	(8,204)	(8,204)
Contributions by and distrib. to owners	0	0	0	0	(8,204)	(8,204)
As at October 2023	463	2,662	37	412	29,778	33,352
At October 2023	463	2,662	37	412	29,778	33,352
Profit for the period	0	0	0	0	2,611	2,611
Defined benefit pension movements	0	0	0	0	(5)	(5)
Cash flow hedge movements	0	0	0	(187)	0	(776)
Share buy-back	0	0	0	0	0	0
Deferred tax on other comp. income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	(187)	2,606	2,419
Dividends paid	0	0	0	0	(6,886)	(6,886)
Contributions by and distrib. to owners	0	0	0	0	(6,886)	(6,886)
As at March 2024	463	2,662	37	225	25,498	28,885

Unaudited consolidated statement of cash flows (52 weeks audited)

	26 Wks end 30 Mar 2024 £'000	26 Wks end 1 Apr 2023 £'000	52 Wks end 30 Sep 2023 £'000
Operating activities			
Profit after tax	2,611	1,529	13,220
Corporation tax	0	0	2,962
Finance income	0	0	0
Finance expense	480	342	568
Depreciation of property, plant and machinery	2,757	1,737	3,929
Fixed asset impairment and loss on disposal of property, plant and machinery	187	(111)	369
Right of use asset on profit, depreciation & impairment	9,763	6,977	17,484
	15,798	10,474	38,532
Decrease/(increase) in trade and other receivables	384	3,064	2,852
Decrease/(increase) in foreign exchange contracts	(179)	(412)	(265)
Decrease/(increase) in inventories	2,722	4,071	(1,564)
(Decrease)/increase in trade and other payables	(5,728)	(5,520)	1,552
Increase in provisions	364	313	22
	(2,437)	1,516	2,567
Cash generated from operations	13,361	11,990	41,099
Net corporation tax paid	(1,919)	(1,738)	(4,171)
Net cash flows from operating activities	11,442	10,252	36,928
Investing activities			

investing activities

Purchase of property, plant and machinery	(5,210)	(5,314)	(11,372)
Proceeds from Sale of Freeholds	0	411	478
Net cash used in investing activities	(5,210)	(4,903)	(10,894)
Share buy-back	0	(1,849)	(7,125)
Capital element of lease repayments	(11,724)	(8,196)	(18,954)
Interest	117	186	176
Dividends paid during year	(6,886)	(7,047)	(8,204)
Net cash used in financing activities	(18,493)	(16,906)	(34,107)
Net inc/(dec) in cash and cash equivalents	(12,261)	(11,557)	(8,073)
Cash and cash equivalents at beginning of period	16,354	24,427	24,427
Cash and cash equivalents at end of period	4,093	12,870	16,354

Notes to the financial statements for the 26 weeks ended 30 March 2024**Basis for preparation**

The consolidated interim financial statements of the company for the 26 weeks ended 30 March 2024, which are unaudited, have been prepared in accordance with the same accounting policies, presentations and methods of computation followed in the condensed set of financial statements as applied in the group's latest audited financial statements. A copy of those accounts has been delivered to the Registrar of Companies.

The financial information for the 26 weeks ended 30 March 2024, contained in this interim report, does not constitute the full statutory accounts for that period. The independent Auditors' report on the Annual Report and Financial Statements for 2023 was unqualified, did not draw attention to any matters by way of emphasis. And did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The consolidated interim financial statements have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board.

The condensed consolidated interim financial statements have been prepared on a going concern basis and under the historic cost convention, as modified by the revaluation of derivative financial instruments to fair value.

The condensed consolidated interim financial statements are presented in sterling and have been rounded to the nearest thousand (£'000).

The preparation of financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual events ultimately may differ from those estimates.

1. Accounting policies

In preparing these interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements reported in the latest annual audited financial statements for the 52 weeks ended 30 Sept 2023.

Going Concern

At the balance sheet date, the company had a good cash balance and a strong net asset position. Based on the cash forecasts prepared by the Directors, these financial statements have been prepared on a going concern basis.

2. Segmental Information

The group complies with IFRS 8 'Operating Segments' which determines and presents operating segments based on information provided to the chief operating decision maker. The chief decision maker has been identified as the management team including the Chief Executive and Finance Director. The Board considers that each store is an operating segment but there is only one reporting segment as the stores qualify for aggregation, as defined under IFRS 8.

	26 Wks end 30 Mar 2024 £'000	26 Wks end 1 Apr 2023 £'000	52 Wks end 30 Sep 2023 £'000
External revenue by location of customers:			
United Kingdom	59,079	60,776	134,078
Digital	17,144	14,347	30,966
Other	252	268	613
	76,475	75,391	165,657

3. Taxation

The taxation charge of zero for the 26 weeks ended 30 March 2024 is based on the assumption that the capital allowances available on our estimated capital spend will reduce the expected charge for the full year.

4. Earnings per share

	26 Wks end 1 Apr 2024 £'000	26 Wks end 1 Apr 2023 £'000	52 Wks end 30 Sep 2023 £'000
Profit in the period and earnings used in basic diluted earnings per share	2,611	1,529	13,220

5.6p	3.1p	27.8p
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