

Shoe Zone PLC
("Shoe Zone" or the "Company")
Interim results for the 26 weeks to 29 March 2025

Shoe Zone PLC is pleased to announce its interim results for the 26 weeks to 29 March 2025, (the "Period").

Financial highlights

- Revenue of £71.5m (2024 H1: £76.5m) -6.5%
 - Store revenue £53.3m (2024 H1: £59.4m) -10.3%
 - Digital revenue £18.2m (2024 H1: £17.1m) +6.4%
- Contribution of £6.4m (2024 H1: £12.2m)
 - Store contribution of £3.3m (2024 H1: £8.5m)
 - Digital contribution of £3.1m (2024 H1: £3.7m)
- Loss before tax of £2.3m (2024 H1: Profit £2.6m)
- Adjusted loss before tax of £2.6m (2024 H1: Profit £2.5m)*
- Earnings per share of -4.9p (2024 H1: 5.6p)
- Net cash of £1.7m (2024 H1: £4.1m)
- No interim dividend proposed (2024 H1: 2.5 pence)

Operational highlights

- 278 stores at Period end (2024 FY: 297) comprising:
 - 187 New Format (2024 FY: 185)
 - 91 Original (2024 FY: 112)
- 2 stores opened, 2 refits, 21 stores closed
- Capital expenditure of £1.0m (2024 H1: £5.3m)
- Annualised lease renewal savings of £0.2m, an average reduction of 19%
- Average lease length of 2.5 years (2024 FY: 2.3 years)
- Digital returns rate of 11.4% (2024 H1: 11.4%) - 12 months average

*Adjusted items 2025 H1 £0.3m forex gain. (2024 H1: Forex gain £0.1m)

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Chairman's statement

Introduction

Shoe Zone delivered a satisfactory performance in the Period against the continuing backdrop of weak consumer confidence and macro/global economic volatility. Total revenues reduced by 6.5% to £71.5m, having traded out of 31 fewer stores compared to 12 months ago, with digital revenue increasing by 6.4%. Quarter 1 revenues were £4.9m lower than 2024, with quarter 2 revenues £0.1m lower than 2024.

Store revenues were £53.2m (2024 H1: £59.4m - trading out of 31 fewer stores), digital revenues were £18.2m (2024 H1: £17.1m) with strong performance across all online channels with additional growth from shoezone.com, mainly due to the introduction of free next day delivery on all shoezone.com orders, which was introduced in Q4 of the last financial year.

Adjusted loss before tax was £2.6m (2024 H1: Profit £2.5m*), which is in line with management expectations for the Period.

We ended the Period trading out of 278 stores, which is a reduction of 31 compared to 12 months ago and 19 lower compared to last year end. In the first half we closed 21 stores, opened 2 new format stores and refitted 2 Original stores to our new larger format. In total we are now trading out of 91 Original stores and 187 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, which will open before Christmas.

Our average lease length is 2.5 years (2024 FY: 2.3 years), which is increasing as we open new stores with 5 year leases but is still low enough to give 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.

We have completed 27 lease renewals/re-gears in the Period with an annualised saving of £190k, with an average reduction of 19%.

Strategy Update

Our refit and relocation programme continues and we now have 187 stores converted to our new larger format and

our rent and relocation programme continues, and we now have 187 stores converted to our new, larger format and continue to invest in our digital platform and head office infrastructure. We expect to spend c£6.0m on capital projects this year, which is lower than the previous year due to the later timing of projects, and we will continue to invest at a higher level until all stores have been converted. Our ultimate goal is to have approximately 260 stores in total.

Digital revenues have continued to increase, having introduced a new mobile App, new payment methods and free next day delivery on all shoezone.com orders. Part of the continued success is our efficient returns process, which is complemented by our store network, and as a result we maintain our returns rate at 11.4% (2024 H1: 11.4%), with the vast majority of these returned to stores, hence why our physical network is so important to the future success of the digital channel.

Dividend

The Board does not propose an interim dividend.

Outlook

Our original full year profit before tax forecast was £10.0m, which was revised down to £5.0m. This reduction was due to the challenging trading conditions we experienced, particularly in the first quarter of this financial year, due to weak consumer confidence and unseasonal weather conditions. As a result of the changes announced in the October 2024 budget, we will also incur additional national insurance and national living wage costs in the second half of this financial year.

The second quarter has shown improvement, but the trading environment continues to be difficult as consumer confidence continues to be low. During the second quarter, we have seen more stability/reduction in the price of containers, and a strengthening of sterling against the dollar, both of which will start to benefit in the second half of this financial year.

Financial Review

Loss before tax was £2.3m, adjusted to £2.6m (2024 H1: profit £2.6m adjusted to £2.5m). The adjustment reflects a foreign exchange gain £0.3m and last year included a foreign exchange gain of £0.1m. The reduction is due to the first quarter performance, negatively impacted by weakening consumer confidence and unseasonal winter weather conditions.

In the Period, total revenues were £71.5m (2024 H1: £76.5m). Store revenues decreased by £1.7m as we traded out of 31 fewer stores than 12 months ago. Digital sales increased by £1.1m to £18.2m (2024 H1: £17.1m). Product margins reduced to 59.4% (2024 H1: 61.0%) due to higher container prices and a 'Buy one, get one free' promotion run in February.

Gross profit in the Period was £11.0m (2024 H1: £14.7m), with a margin of 15.4% (2024 H1: 19.3%). The £3.7m reduction reflects the sale performance, and the percentage reduction is due to the underlying product margin being lower at 59.4% (2024 H1: 62.7%), due to the impact of higher container prices, higher Digital sales related costs, and the impact of our February BOGOF promotion. Container prices have stabilised, post Chinese new year, and indications are that this will be maintained in the short term. Within cost of sales, we spent a similar amount on inventory purchases, £0.4m less on utility costs and £0.4m extra depreciation due to higher capital spend last year.

Administration expenses increased by £0.9m to £9.7m (2024 H1: £8.9m), due to £0.6m of additional store impairments/write offs, £0.2m extra digital sales related costs and £0.1m higher head office repairs.

Distribution costs remained the same at £2.8m (2024 H1: £2.8m) as we were able to absorb the increase in the National Living Wage.

Inventory at the Period end was £3.5m higher at £34.5m (2024 H1: £31.0m). This reflects a higher branded mix, having added more larger branded stores and a higher stock of boots, which will form part of the range in Autumn/Winter 2025/26.

The Company ended the Period with a net cash balance of £1.7m (2024 FY: £4.1m), which was in line with management expectations.

Capital expenditure in the Period was £1.0m (2024 H1: £5.3m). Relocation and refit projects are weighted towards the second half of the financial year as we continue our long-term target of converting all stores. We expect expenditure to be £6.0m for the full year.

The Shoefayre Limited Pension and Life Assurance Scheme deficit reduced to £1.5m (2024 FY: £1.6m deficit). This was due to an increase in bond yields which led to a higher discount rate assumption and therefore a lower value being placed on the scheme's liabilities. This was partly offset by lower than expected investment returns, due to an increase in gilt yields, which led to a fall in the scheme's Liability Driven Investment (LDI) holdings.

Earnings per share were -4.9p (2024 H1: 5.6p per share) reflecting the loss before tax in the Period.

Unaudited consolidated income statement (52 weeks audited)

	26 Wks end 29 Mar 2025 £'000	26 Wks end 30 Mar 2024 £'000	52 Wks end 28 Sep 2024 £'000
Revenue	71,486	76,475	161,322
Cost of sales	(60,496)	(61,734)	(125,802)
Gross Profit	10,990	14,741	35,520
Administration expenses	(9,726)	(8,863)	(18,540)
Distribution costs	(2,823)	(2,787)	(5,660)
Profit from Operations	(1,559)	3,091	11,320
Finance income	-	-	-
Finance expense	(702)	(480)	(1,204)
Profit before Tax	(2,261)	2,611	10,116
Taxation	-	-	(2,699)
Profit after Tax	(2,261)	2,611	7,417
Earnings per Share	(4.9)p	5.6p	16.0p

Unaudited consolidated statement of total comprehensive income (52 weeks audited)

	26 Wks end 29 Mar 2025 £'000	26 Wks end 30 Mar 2024 £'000	52 Wks end 28 Sep 2024 £'000
Profit/(Loss) for the period	(2,261)	2,611	7,417
Items that will not be reclassified subsequently to the income statement			
DB pension scheme	203	(5)	539
Movement in deferred tax on pension schemes	-	-	(135)
Cash flow hedges			
Fair value movements in other comprehensive income	413	(247)	(649)
Tax on cash flow hedges	-	-	162
Other comprehensive (expense)/Income for the period	616	(252)	(83)
Total comprehensive (expense)/Income for the period attributable to equity holders of the parent	(1,645)	(2,359)	7,334

Unaudited consolidated statement of financial position (52 weeks audited)

	26 Wks end 29 Mar 2025 £'000	26 Wks end 30 Mar 2024 £'000	52 Wks end 28 Sep 2024 £'000
Assets			
Non-current Assets			
Property, plant and equipment	20,774	21,444	23,938
Right of use assets	27,884	29,722	29,850
Total Non-current Assets	48,658	51,166	53,788
Current Assets			
Inventories	34,484	31,030	37,951
Trade and other receivables	3,539	2,881	4,472
Cash and cash equivalents	1,698	4,093	3,640
Deferred tax asset	39	573	176
Corporation tax asset	659	1,933	525
Total Current Assets	40,419	40,510	46,764
Total Assets	89,077	91,676	100,552
Current Liabilities			
Trade and other payables	(18,395)	(18,623)	(27,843)
Lease liabilities	(12,217)	(12,720)	(9,696)
Provisions	(2,387)	(1,283)	(2,707)
Total Current Liabilities	(32,999)	(32,626)	(40,246)
Non-current Liabilities			
Lease liabilities	(22,846)	(25,177)	(25,266)
Provisions	(767)	(2,873)	(767)
Employee benefit liability	(1,466)	(2,105)	(1,629)
Total Non-current Liabilities	(25,079)	(30,155)	(27,662)
Total Liabilities	(58,078)	(62,781)	(67,908)
Net Assets	30,999	28,895	32,644
Equity attributable to equity holders of the company			
Called up share capital	463	463	463
Merger reserve	2,699	2,699	2,662
Capital redemption reserve	37	225	37
Cash flow hedge reserve	338	-	(75)
Retained earnings	27,499	25,508	29,557
Total Equity and Reserves	30,999	28,895	32,644

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 2023	463	2,662	37	412	27,778	33,352
Profit for the period	-	-	-	-	2,611	2,611
Defined benefit pension movements	-	-	-	-	5	5
Cash flow hedge movements	-	-	-	(187)	-	(187)
Total comprehensive income for the period	-	-	-	(187)	(2,616)	(2,429)
Dividends paid	-	-	-	-	(6,886)	(6,886)
Contributions by and distrib. to owners	-	-	-	-	(6,886)	(6,886)
As at March 2024	485	2,662	37	225	25,508	28,895
At October 2023	495	2,662	37	412	27,778	33,352
Profit for the period	-	-	-	-	7,417	7,417
Defined benefit pension movements	-	-	-	-	539	539
Cash flow hedge movements	-	-	-	(649)	-	(649)
Deferred tax on other comp. income	-	-	-	162	(135)	27
Total comprehensive income for the period	-	-	-	(487)	7,821	7,334
Dividends paid	-	-	-	-	(8,042)	(8,042)
Contributions by and distrib. to owners	-	-	-	-	(8,042)	(8,042)
As at September 2024	463	2,662	37	(75)	29,557	32,644
At September 2024	463	2,662	37	(75)	29,557	32,644
Profit for the period	-	-	-	-	(2,261)	(2,261)
Defined benefit pension movements	-	-	-	-	203	203
Cash flow hedge movements	-	-	-	413	-	413
Total comprehensive income for the period	-	-	-	413	(2,058)	(1,645)
Dividends paid	-	-	-	-	-	-
Contributions by and distrib. to owners	-	-	-	-	-	-
As at March 2025	463	2,662	37	338	27,499	30,999

Unaudited consolidated statement of cash flows (52 weeks audited)

	26 Wks end 29 Mar 2025	26 Wks end 30 Mar 2024	52 Wks end 28 Sep 2024
	£'000	£'000	£'000
Operating activities			
Profit after tax	(2,261)	2,611	7,417
Corporation tax	-	-	2,699
Finance income	-	-	-
Finance expense	702	480	1,204
Depreciation of property, plant and machinery	3,822	2,757	5,907
Fixed asset impairment and loss on disposal of property, plant and machinery	310	187	838
Right of use asset on profit, depreciation & impairment and loss on disposal	5,718	9,763	11,793
	8,291	15,798	29,858
Decrease/(increase) in trade and other receivables	1,127	384	(1,253)
Decrease/(increase) in foreign exchange contracts	609	(179)	(756)
Decrease/(increase) in inventories	3,467	2,722	(4,199)
(Decrease)/increase in trade and other payables	(6,341)	(5,728)	459
Decrease in provisions	(320)	364	(318)
	(1,458)	(2,437)	(6,067)
Cash generated from operations	6,833	13,361	23,791
Net corporation tax paid	(134)	(1,919)	(2,679)
Net cash flows from operating activities	6,699	11,442	21,112
Investing activities			
Purchase of property, plant and machinery	(968)	(5,210)	(11,505)
Proceeds from Sale of Freeholds	-	-	-
Net cash used in investing activities	(968)	(5,210)	(11,505)
Capital element of lease repayments	(7,715)	(11,724)	(14,475)
Interest	43	117	196
Dividends paid during year	-	(6,886)	(8,042)
Net cash used in financing activities	(7,672)	(18,493)	(22,321)
Net inc/(dec) in cash and cash equivalents	(1,941)	(12,261)	(12,714)
Cash and cash equivalents at beginning of period	3,640	16,354	16,354
Cash and cash equivalents at end of period	1,698	4,093	3,640

Notes to the financial statements for the 26 weeks ended 29 March 2025

Basis for preparation

The consolidated interim financial statements of the company for the 26 weeks ended 29 March 2025, 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 29 March 2025, 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 2024 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 28 Sept 2024.

Going Concern

At the balance sheet date, the company had 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 Chairman 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 29 Mar 2025 £'000	26 Wks end 30 Mar 2024 £'000	52 Wks end 28 Sep 2024 £'000
External revenue by location of customers:			
United Kingdom	53,116	59,079	125,594
Digital	18,202	17,144	35,248
Other	168	252	480
	71,486	76,475	161,322

3. Taxation

The taxation charge of zero for the 26 weeks ended 29 March 2025 is based on the assumption that the capital allowances available on our estimated capital spend will reduce the expected charge at the half year.

4. Earnings per share

	26 Wks end 29 Mar 2025 £'000	26 Wks end 30 Mar 2024 £'000	52 Wks end 28 Sep 2024 £'000
Profit in the period and earnings used in basic diluted earnings per share	(2,261)	2,611	7,417
	(4.9)p	5.6p	16.04p

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