

MARKET PREVIEW

06:00 08 Apr 2019

Retailers Tesco and ASOS to provide the main corporate excitement in coming week

Retailers will dominate a fairly quiet period for corporate news in the coming week as the Easter break approaches, with the main focus on the UK's biggest stores group, Tesco PLC (LON:TSCO), while online giant ASOS plc (LON:ASC) will also provide a keenly eyed update.

Away from the corporate news, Brexit will - of course - continue to provide an issue for investors, as will central banks with the latest European Central Bank rate decision due on Wednesday together with the publication of minutes from the last meeting of the US Federal Reserve.

Tesco investors hope recovery remains on track

Tesco has lost market share to German discounters Lidl and Aldi and faces the possibility of being overtaken by J Sainsbury PLC (LON:SBRY) and Asda as the UK's largest supermarket chain.

The latest industry data from Kantar Worldpanel showed Tesco's market share edged down 0.2 percentage points to 27.4% in the 12 weeks to March 24, although sales rose 0.5%.

Asda, now the second largest UK supermarket, and number-three Sainsbury's have proposed a merger and are awaiting the final decision from the UK's Competition and Markets Authority.

If approved, Tesco will be knocked from the top spot unless it can find a way to maintain its market position.

However, Tesco's acquisition of Booker Group has been progressing well, and a recent buying agreement with the French supermarket group Carrefour will give the group extra muscle against the merger - if it happens.

Tesco reports its full-year results on Wednesday when investors will be hoping to see more signs that the company's strategy under Dave Lewis is working.

In the first-half results in October, Lewis said Tesco was "firmly on track" to deliver its medium-term ambitions set out in October 2016 to reduce its costs by £1.5bn, to generate £9bn of retail cash from operations and to improve group operating margins to between 3.5% and 4.0% by 2019/20.

In a preview of the Tesco numbers, analysts at The Share Centre said: "There has been a recovery in the share price this year in the hope that the group's recovery remains on track.

"Long-suffering investors will be hoping that management demonstrate a measure of confidence for the year ahead in regard to operating margin, Booker synergies and the overall brand."

ASOS margin plans under the spotlight

Shares in ASOS have recovered somewhat since the fast fashion retailer shocked the markets at the end of 2018 with a big profit warning following a "significant deterioration" in November trading.

Shares plunged on the news, but they are now up 50% from those December lows, and last month's trading update seemed to reassure investors that the warning was just a blip.

Share Information

MarketTopic Synopsis:

Market Preview is published daily before trading kicks off, giving investors a roundup of macroeconomic and corporate news that is likely to move the markets along with the expected opening level of the major indices.

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EBIT margins are expected to fall to 2% this year, although ASOS wants to get these back above 4% over the longer-term, so investors will be keen to see how bosses plan to do this.

US sales will also be spied, especially after March's announcement that higher-than-expected order numbers led to a big backlog at the new Atlanta warehouse.

InMotion performance eyed at WH Smith

You'll still sometimes see WH Smith PLC (LON:SMWH) referred to as a high street retailer. The books, pens and papers seller does still have a presence on many UK high streets, but this side of this business has struggled in recent years, reflecting the troubles facing many bricks-and-mortar retailers.

Instead, WHS has been relying on the travel arm of the business - the shops in airports and train stations - to balance the books.

More of the same is expected in Thursday's half-year results, where analysts have speculated that another dividend rise could be on the cards.

The plan is to open 20 new travel stores this year, so investors will be keen to see if that target has been changed.

Elsewhere, these results will be the first for InMotion, the US airport retailer that WHS bought for £155m at the end of 2017. Bosses might be tempted to look for growth aboard once more if this shows signs that it is settling in well.

Dunelm expected to deliver strong third quarter

Dunelm PLC's (LON:DNLM) first half performance was much stronger than expected despite a tough retail market.

The homewares retailer, which issues a third-quarter trading update on Wednesday, reported a 3.8% rise in like-for-like store sales and online growth of 35.8% in the first half.

Dunelm said with its interims that the trading momentum had continued into the early part of the third quarter and it was confident of delivering full-year market expectations for pre-tax profits of between £114m-£118m.

However, the forecast depends on there being "no material change in the macro-economic environment".

"We still don't want to let our forecasts run away at this early stage, but our assumptions look too conservative, especially in light of the prior year heat wave effect in Q4 that creates a sharp drop off in the comparative," Peel Hunt said in a preview.

"We'll take a view on Wednesday with the Q3 announcement, but our sense is that turnover for 2019 could come in £20m or so ahead of our current expectations, which suggests we should be looking for a profit figure comfortably over £120m (vs our current estimate of £117.8m)."

The broker added that its current forecasts for 1.3% instore like-for-like growth and 15% online growth "look light".

Peel Hunt continues to see "significant upside" over the next two to three years as management delivers on an improved multi-channel platform, increased brand awareness and a softening department store competitor base following store closures by House of Fraser and Debenhams.

McCarthy & Stone looks to rebuild after profit slump

Away from the high street, investors in retirement home builder McCarthy & Stone PLC (LON:MCS) will be hoping for some new blood in its order book when it reports its interims on Wednesday following a fairly glum outlook in its final results in November.

At the time the group said its order book was 4% down on 2017 at £267m, although management said this was in line with expectations.

This was accompanied by a slump in annual pre-tax profits, which fell by more than a third to £58.1m in the 12 months ended 31 August (2017: £92.1m).

Unlike traditional housebuilders, McCarthy & Stone has not benefited from government schemes such as Help to Buy in recent years.

Instead, it has seen demand weaken as older people struggle to sell their properties in a stagnant market before moving into one of its retirement communities.

Shareholders will probably be hoping the firm's new dual chief operating officers, Nigel Turner and Mike Lloyd, can help rebuild.

More international growth eyed from PageGroup

There may be a bit of a cloud hanging over a trading update from FTSE 250 recruitment firm PageGroup PLC (LON:PAGE) on Wednesday, with chief executive Steve Ingham currently recovering from a severe back injury after a skiing accident in March.

In terms of the figures, investors will be hoping that the group's non-UK divisions have continued to provide enough growth to offset a spluttering UK arm that has struggled amid the ongoing Brexit uncertainty.

The division was the only one to report a decline in gross profits in the group's last set of full-year results, with all its other segments reporting double-digit increases.

EU, US central banks in focus

On the macro front, the European Central Bank will announce its latest interest rate decision on Wednesday.

The general consensus is the ECB benchmark rate should remain at 0% following the previous announcement of the new series of fiscal stimulus due to be launched in September 2019.

In January, industrial production in Europe dropped by 1.1% from the year before and forecasts see that declining further down to -2.1% in February.

Over the pond, investors will look out for the release of the Federal Open Market Committee minutes, also on Wednesday along with the latest US inflation figures.

Analysts expect an increase in the year-on-year CPI in March of 1.6%, following the 1.5% rise in February.

UK GDP, industrial production eyed

Domestically, the latest quarterly UK GDP figures will be closely watched by investors, with economists forecasting growth of just 0.1%, lower than the previous result of 0.2%, negatively impacted by net trade.

Meanwhile, following the year-on-year 0.9% decrease in UK industrial production in January, analysts expect a further decrease of 1.3% which would mark the sixth consecutive month of declining industrial activity.

Significant announcements expected for week ending April 12: Monday April 8:

Finals: Keyword Studios PLC (LON:KWS), Northbridge Industrial Services Plc (LON:NBI)

Trading updates: Sirius Real Estate Ltd. (LON:SRE)

Economic data: US consumer inflation expectations

Tuesday April 9:

Interims: Avacta Group PLC (LON:AVCT), Nanoco Group PLC (LON:NANO)

Finals: Sumo Group PLC (LON:SUMO), City Pub Group PLC (LON:CPC), Destiny Pharma plc (LON:DEST), Anexo Group PLC (LON:ANX), Luceco PLC (LON:LUCE), One Media IP Group PLC (LON:OMIP), Mission Marketing Group PLC (LON:TMMG), Anexo Group PLC (LON:ANX), Property Franchise Group PLC (LON:TPFG)

Economic data: US JOLTS job openings; US NIFB business optimism index

Wednesday April 10:

ECB rate decision

Finals: Tesco PLC (LON:TSCO), Futura Medical PLC (LON:FUM), Central Asia Metals PLC (LON:CAML), Epwin Group PLC (LON:EPWN), Frenkel Topping Group PLC (LON:FEN), Petards Group plc (LON:PEG), RA International Group PLC (LON:RAI), Warpaint London plc (LON:W7L), Walker Greenbank plc (LON:WGB)

Interims: ASOS plc (LON:ASC), McCarthy & Stone PLC (LON:MCS), Tracsis PLC (LON:TRCS)

Trading update: Dunelm PLC (LON:DNLM), PageGroup PLC (LON:PAGE), Finsbury Food Group PLC (LON:FIF)

Economic data: UK GDP estimate; UK industrial production; UK construction output; US CPI inflation rate; US FOMC minutes

Thursday April 11:

Trading update: Man Group PLC (LON:EMG),

Interims: WH Smith PLC (LON:SMWH)

Finals: Corero Network Security PLC (LON:CNS), hVivo PLC (LON:HVO), Trackwise Designs PLC (LON:TWD)

Ex-dividends to knock 7.97 points off FTSE 100 index: Aviva PLC (LON:AV.), Barratt Developments PLC (LON:BDEV), Croda International PLC (LON:CRDA), ITV plc (LON:ITV), Mondi Plc (LON:MNDI), Paddy Power Betfair plc (LON:PPB), Rentokil Initial PLC (LON:RTO), Standard Life Aberdeen PLC (LON:SLA), Smurfit Kappa Group PLC (LON:SKG)

Economic data: UK RICS housing survey; US weekly jobless claims; US PPI

Friday April 12:

Finals: Highland Gold Mining Ltd. (LON:HGM)

AGMs: HSBC PLC (LON:HSBA)

Economic data: US import, export prices; US University of Michigan consumer sentiment index

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