WH Smith's full year profits rise as travel store sales growth mitigates high street decline

WH Smith Plc (LON:SMWH) reported flat full year like-for-like sales as growth in its travel business offset another decline at the retailer's struggling high street stores.

Shares in the stationary and books supplier fell 2.2% to 2,025p in early trading before recovering slightly to 2,062p.

In the year to 31 August 2017, total revenue rose 2% to £1.23bn from £1.21bn last year but was flat on a like-for-like basis. Group pre-tax profit grew 7% to £140mln compared to £131mln last year.

High street store sales fall, travel business booms
Trading profit at high street stores was flat at £62mln while total revenue fell 5% and like-for-like sales dropped 4%. To mitigate the decline in sales, the company delivered £12mln in cost savings.

WH Smith said it is targeting a further £9mln of cost savings for the next financial year.

"WH Smith's traditional town centre business has been struggling for years, as online competition heats up and high street footfall sinks," said Nicolas Hyett, equity analyst at Hargreaves Lansdown.

"In response the company focused on building up the travel business in stations and airports, while managing the decline of the high street estate. The transition has been managed deftly, with the High Street sustaining profits despite falling sales, and the group is now not only present in practically every major UK travel hub, but operating in airports around the world."

The travel division, which operates 815 stores at airports and train stations, propped up the group's results with a 9% increase in total revenue and a 4% rise in like-for-like sales.

Chief executive Stephen Clarke said for the first time revenue in travel has overtaken high street and travel is now the largest part of the group in both revenue and profit.

Hyett said the results marked a "important milestone" for WH Smith as travel becomes a major contributor to group performance and expects the trend to continue.

"Overall we like WH Smith's direction of travel. Falling sales on the high street will inevitably hit profits eventually, but continued success in Travel should mean that's a smaller headwind going forwards."

WH Smith lifts dividend, announces share buyback
The group proposed a final dividend of 33.6p, up 10% on the prior year, bringing the total dividend to 48.2p compared to 43.9p in 2016.
The company also announced it would return up to £50mln in cash to shareholders through a rolling on-market share buyback programme. It follows the completion of a £41mln share buyback announced in October 2016.

Clarke said the further share buyback and increased dividend reflects strong cash generation and the company's confidence in its future prospects.

Free cash flow came to £105mln, down from £108mln last year, as the company invested in its store opening programme.

"Looking ahead, we will focus on profitable growth, cash generation and new opportunities to profitably invest in the future," said Clarke.

"While the economic environment remains uncertain, we are well positioned for the current year and beyond."

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

Proactive Investors is a publisher and is not registered with or authorised by the Financial Conduct Authority (FCA). You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.