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Quiz shares plunge 30% as retailer slashes profit guidance after Christmas discounting

Quiz Plc (LON:QUIZ) lost a third of its value on Friday after the clothes retailer warned that profits will be lower than expected this year as slow trading over Christmas forced it to cut prices.

Many of Quiz's peers have also complained of heavy discounting in the sector as they try all they can to force shoppers to part with their cash amid a downturn in consumer confidence.

Group revenue in the six weeks to 5 January rose 8.4%, with online leading the way.

READ: HoF collapse prompts profit warning at Quiz

But that was still below what the company itself had been expecting, and as a result, it has lowered its guidance to £133m from £138m.

Quiz had previously cautioned back in October that it would have to cut forecasts if Christmas didn't provide the necessary boost after it was hit by the collapse of House of Fraser.

The sluggish sales performance meant the retailer had to trim some of its prices to entice customers, a move which will hit margins and profitability.

Given the weak top-line growth and lower margins, Quiz is now guiding for an underlying profit (EBITDA) of £8.2m in the year to the end of March. It had previously forecast EBITDA of £11.5m.

'Prudent decision' to lower forecasts

"Against the backdrop of challenging trading conditions over recent months, QUIZ has delivered further revenue growth over the Christmas period driven by the performance of our own websites," said chief executive Tarak Ramzan.

"However, the growth and the margin achieved have been below our initial expectations and, consequently, the board considers it appropriate to revise its sales and profit expectations for the current year."

He added: "We remain confident about QUIZ's long-term potential as an omnichannel fashion brand with a clear customer focus."

'Fussy' shoppers want bargains

City broker Peel Hunt has slashed its price target for Quiz to 25p (from 32p) and kept its 'hold' recommendation in place, although it does have some sympathy for the retailer.

"It is obvious that the consumer is very fussy at the moment, and only the very best product is being sold at full price anywhere," read a note to clients.

Price: 27.45p

Market Cap: £34.1M

1 Year Share Price Graph



January 2018 July 2018 January 2019

Share Information

Code: QUIZ

Listing: AIM

52 week High Low
205.00p 20.90p

Sector: Clothing & Footwear

Website: www.quizclothing.co.uk

Company Synopsis:

Quiz is a dynamic fast fashion retail group that focuses on delivering catwalk style looks and all the latest trends at value for money prices. Our target audience is the fashion conscious women's wear market. We aim to be exciting and innovative, offering our customers the fashions, footwear and accessories that they want, when they want.

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"Quiz isn't quite firing at the moment, and the margin structure of the business is still fragile. Thus, small movements in the sales number can have a disproportionate effect on the bottom line and so it is today: it's another c20% off EBITDA forecasts.

The broker concluded: "It is difficult to see forecast momentum returning in the immediate future and thus there's not much to recommend the shares, even if the brand retains its qualities."

Quiz shares plunged 30% to 25p on Friday morning.

--Adds analyst comment--

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