

DFS FURNITURE

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DFS Furniture on track to meet full-year estimates but shares drop on cautious outlook

DFS Furniture Plc (LON:DFS) said it was on track to meet its profit expectations for the year but said it remains "mindful" of the challenges facing retailers.

In a trading update for the year ended June 30, the furniture retailer reported a 7% increase in underlying gross sales.

The company said like-for-like gross sales grew across all its brands with online sales up 17%.

READ: DFS dips as it predicts "particularly challenging" market for 2019 Sofology, the furniture business that DFS bought at the end of 2017, achieved strong like-for-like gross sales growth with profitability in line with expectations, the group said.

DFS continues to expect full-year underlying profit before tax to be "slightly above" £50mIn, compared to £38.3mIn in 2018.

Cautious outlook

However, the company warned: "Despite a solid trading performance, we remain mindful of the risk that the volatile political and economic backdrop may further impact on already low consumer confidence levels."

DFS also pointed out that the first half of the 2018/2019 financial year was boosted by extra demand from purchases deferred from earlier periods.

The firm added: "Whilst weak trading environments make it harder to achieve significant levels of revenue growth, our omnichannel consumer offer, showroom sales densities, scale of operations and portfolio of well-recognised brands provide some resilience.

"We also believe that we can continue to drive profit benefits and synergies from our previous capital investments and acquisitions."

DFS also announced that interim chief financial officer Mike Schmidt will take up the role on a permanent basis with immediate effect.

Shares fell 1.47% to 234p in morning trading.

Peel Hunt maintains 'buy' rating

Peel Hunt maintained its rating at 'buy' and target price at 275p, saying it thinks the trading update is "pleasing in every respect, with core DFS especially impressive in our view, boosted by continued online progress".

"Yes, the weather and backdrop have been very helpful in the last few months (wet and cool and World Cup football-less) but an acceleration in group bricks and mortar like-for-like on the first half (when it was a pretty good 3.6%) is the

1 Year Share Price Graph



Share Information

Code:	DFS
Listing:	LSE
Sector:	Retail
Website:	www.dfs.co.uk

Company Synopsis:

We know a thing or two about sofas. That's because we've been making high quality, comfy and stylish sofas for over 45 years, many right here in the UK. Those decades of experience and expertise mean that today we're proud to bring you the biggest range of sofas in the country, along with unbeatable quality, and service that's second to none.

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stuff of decent market share gain," the broker said.

"Sofology has continued in double digit like-for-like as the advertising campaign boosts awareness, and if it wasn't for the unpredictable and worrying macro situation, we would be even more upbeat.

"For now we stick with forecasts and the price target but today's statement is testament to the fact that is this an absolute core holding."

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