

Dunelm Group plc

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Dunelm worries market with losses forecast but analysts remain bullish

Dunelm Group plc (LON:DNLM) tumbled on Thursday after admitting the current COVID-19 restrictions in the UK will push it into 'modest' weekly losses.

Homeware retailers were deemed 'non-essential' in the November and the current lockdowns, although they were trading during previous closures.

READ: Dunelm takes home strong festive sales but visibility remains low

As a result, all of the FTSE 250 group's 174 stores are now shuttered, with five operating with a COVID-secure click & collect service, though home delivery continues as normal.

In these conditions, Dunelm expects to make a "modest" weekly loss given its fixed cost base and the decision not to claim payments under the government's furlough scheme.

While first-half profit before tax is estimated to come in at £112m, from £83m last year, the firm did not provide any guidance for the remainder of the year because of the lack of clarity.

However, analysts remain optimistic about the company's prospects and market position.

"Dunelm has been a Covid winner with consumer spending more time at home during 2020 with home furnishings being a Covid project for many people," analysts at Shore Capital commented, "We like the self-help levers in the business and the multi-channel approach."

As perhaps expected by a house broker, Peel Hunt remained bullish on the post-closures recovery.

"Dunelm's market standing has accelerated over the past 12 months, despite Covid-19 disruption," analysts commented.

"Online engagement rates have hit new highs, active customers have grown by double-digit levels (by our calculation) and increased customer activity has benefited all channels, including stores. Confidence levels are high and we expect Dunelm to bounce back from the latest lockdown with no impact on our expectations for financial year 2022 and beyond."

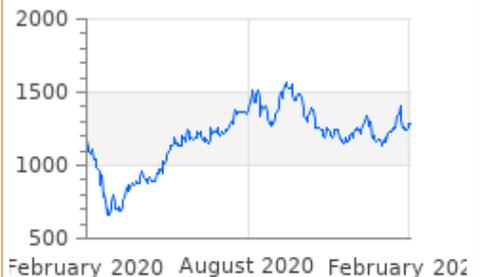
However, the broker downgraded full-year profit before tax expectations by £40m from £120m assuming stores remain closed until the end of March.

Shares dropped 7% to 1,209.9p on Thursday at lunchtime, and are down 22% from 2020 highs touched in October.

Price: 1284

Market Cap: £2.6 billion

1 Year Share Price Graph



Share Information

Code: DNLM

Listing: LSE

52 week High Low
1601.48 596.5

Sector: Retail

Website: www.dunelm-mill.com

Company Synopsis:

Dunelm Group plc is a specialist out-of-town homewares retailer providing a range of products to a customer base, under the brand name Dunelm Mill.

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