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Accent Group wins big on anti-discounting

By Paige Murphy | 27 November 2018

Accent Group expects earnings for the first half of fiscal 2019 to be 15-20% higher than last year.

The footwear giant more than doubled its forecast after seeing better than expected results in the first 20 weeks.

The full year FY18 results announcement in August 2018 outlined that it was targeting mid-single digit EBITDA growth in FY19 through:

- Low single digit LFL store growth, continued strong growth in digital and growth from new stores.
- Continued margin improvement through increasing vertical brands penetration, new emerging brands and reduced discounts.

- The Athlete's Foot new corporate store acquisitions program which is expected to EBITDA neutral for FY19 after implementation costs.

Overall, results for the first 20 weeks of FY19 have been stronger than expected.

LFL sales after the first 20 weeks were up 2.5% on last year and on track with expectations.

The group has removed discount driven core promotional activity.

Digital growth has been stronger than expected, up 88% on the prior year.

There has also been an increase in new store openings with more than 40 stores now targeted to open in FY19 against 30 stores originally planned.

It has also had a stronger gross margin than expected, with more than 300bp ahead of the prior year YTD, with LFL margin dollar growth tracking higher than LFL sales growth.

Accent Group CEO Daniel Agostinelli said the group is delighted with its current results.

“We are delighted with the results achieved for the first 20 weeks of FY19.

“Whilst we still have a significant proportion of the H1 and annual EBITDA to achieve in the key Christmas and back to school periods through December and January, our operational plans are well set for this trading period.

“Based on the strong results achieved to date in H1, and if LFL sales continue to track at low single digit growth, EBITDA for H1 is now expected to be between 15%-20% higher than the prior year.

“The outlook for H2 FY19 has not changed and the group is still targeting mid-single digit EBITDA growth for the second half.

“In H1, margin improvement has been a key driver of the increased profit guidance.

“In H2, we do not expect the same margin impact as we will be cycling through an already improved margin from the second half of the prior year.”