

FLASH REPORT



H&M (STO: HM-B) Monthly Sales Update: Weakening Growth in November and the Full Year

- Total sales for November rose by 9% year over year in local currencies versus 10% in October.
- In 4Q16, sales grew by 7% in local currencies and 8% in Swedish krona (SEK).
- In FY16, H&M increased sales by 7% in local currencies and 6% in SEK.

Each month, H&M reports sales growth in local currencies, including VAT, as well as monthly store numbers. In November, sales growth of 9% missed analysts' expectations of 11%–15%. The company offered no commentary. Sales growth lagged store growth by 188 basis points in the month, a narrowing from the 214-basis-point difference in October.

H&M also released 4Q16 sales, covering the period September 1 to November 30. Sales including VAT grew by 7% in local currencies, and converted into SEK, increased by 8% to SEK61,053 million.

In FY16, covering the period December 1, 2015 to November 30, 2016, sales including VAT increased by 7% in local currencies, and 6% in SEK to SEK222,820 million. This marked a substantial year-over-year weakening compared to FY15: H&M grew sales by 11% in local currencies and by 19% in SEK. H&M will publish its full-year report on January 31, 2017.

H&M's results come one day after rival Inditex reported an 11.3% increase in 9M17 revenues.

Figure 1. H&M Sales and Stores: YoY % Change, Six-Month View

	June	July	August	September	October	November
Sales (%)	8	10	7	1	10	9
Stores (%)	12.4	12.5	12.5	12.6	12.1	10.9
Difference (bps)	(444)	(250)	(552)	(1162)	(214)	(188)

Source: Company reports/Fung Global Retail & Technology

Note on Sales Growth Versus Store Growth

Changes in the difference between sales growth and store growth suggest changes in the underlying sales growth rates, however, the measure should not be taken as indicative of comparable sales growth in absolute terms. The figures are calculated from rounded sales growth data and unrounded store growth data.



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