



FLASH REPORT

M&S M&S (LSE: MKS) 3Q17 Update: Improved Sales Beat Expectations

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- UK clothing-and-food retailer Marks & Spencer (M&S) reported that 3Q17 sales were up 5.9% as reported and up 4.3% on a constant currency basis.
- The closely watched UK Clothing and Home segment posted impressive comparable sales growth of 2.3%, beating analysts' expectations of 0.2% growth. The Food segment reported comps of 0.6%, beating expectations of a slight decline.
- In 3Q17, the company's total UK sales increased by 4.5% year over year and by 1.3% on a comparable basis. International sales increased by 18.9% year over year and by 2.9% on a constant currency basis.

3Q17 Update

M&S posted unusually strong top-line numbers in its core UK market, and comparable sales growth in its Clothing and Home segment was particularly impressive. The retailer joins a number of other major UK names, such as Tesco, Debenhams, Sainsbury's and Morrisons, in exceeding sales expectations over the Christmas period (for more details, see our separate [reports](#) on these companies).

M&S reported that 3Q17 sales were up 5.9% and up 4.3% on a constant currency basis.

The closely watched UK Clothing and Home segment posted 3.1% total sales growth and 2.3% growth on a comparable basis. This was the first quarterly increase in the segment's comps in nearly two years, and was ahead of the consensus estimate of a 0.2% decline.

In the clothing category, better product ranges, availability and prices contributed to the improved performance. The company also substantially reduced its promotions in the quarter.

The UK Food segment reported 5.6% total sales growth and 0.6% comparable sales growth, beating analysts' forecast of a slight decline in comps.

Total UK sales increased by 4.5% year over year and by 1.3% on a comparable basis, beating analysts' expectations of 0.5% UK comparable store sales growth. International sales increased by 18.9% year over year in 3Q17 and by 2.9% on a constant currency basis.

In the UK, M&S benefited from a number of factors, including weak comparatives in the prior year; calendar effects, as the quarter ended five days later than in the previous year and so included more of the post-Christmas sales period; and the closure of department store BHS in the summer of 2016. M&S estimated that the shift of the quarter-end positively affected UK Clothing and Home sales by about 1.5% and UK Food sales by about 0.3%.



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Outlook

M&S maintained its FY17 guidance.

Consensus estimates for FY17 revenue stand at £10.57 billion, implying flat year-over-year growth. Consensus expects operating profit of £675 million, implying a year-over-year decline of 14.0%. The FY17 consensus EPS estimate is 29 pence, implying a year-over-year decrease of 17.1%.



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