The money Times

August 18, 2009

Lowe’s same store sales dip for 12th consecutive quarter

Toronto, August 18: Lowe's Cos (NYSE: LOW) reported a sharper –than-expected 19 percent fall in second-quarter profits. The world's second-largest home-improvement retailer, next only to Georgia based Home Depot Inc (NYSE: HD) cited poor demand for the dismal results.

In, what became the 12th consecutive quarter of same store sales decline, a key retail performance metric, for the Toronto based retailer, the sales plummeted 9.5 percent.

Worse-than-expected on most parameters

The fall compares with a 6.6 percent fall in the same store sales in the first quarter. The management had projected a decline of 4 percent to 8 percent in same-store-sales in the second quarter. Overall, sales fell 4.6 percent to $13.84 billion. In the comparative period last year, the company had reported sales of $14.51 billion.

Net income of the retailer skid to $759 million for the three months ended July 31 vis-à-vis a net income of $938 million for the same quarter last year.

Given the unrelenting recession, customers turned their backs to special-order kitchen cabinets and other high-priced but dispensable, at least for the time being, items.

The impact of the economic slowdown was evident as comparable sales for items costing more than $500 fell by as much as 16 percent. The items that cost less than $50, however, registered a "slightly positive” trend.

Chief Executive Officer of Lowe’s, Robert Niblock observed, “Consumers are only taking on home-improvement projects that they feel are absolutely necessary and are postponing discretionary projects until clarity about the future returns.”

Expansion plans curtailed

Placed at number 48 in the list of Fortune 500 companies, Lowe’s operates as many as 1,616 stores in the United States and Canada. The retailer is present in each of the 50 states in the United States. The company however, decided to put in abeyance many of its budding projects and also trimmed its store opening plans in North American scheduled for next year.

Christopher Horvers of J.P.Morgan opined, “The decision to cut bait on several projects is an acknowledgement of the challenging environment that is likely to persist for some time. We view the company's decision to further reduce square-footage growth positively.”

Analyst Joe Feldman of Telsey Advisory Group echoed Horvers’ opinion, "There's just no pick-up yet for spending. Foreclosure rates continued to accelerate and housing prices year over year are still down. Home Depot may give similar cautious outlooks."