M&S chairman tells investors there's no quick fix

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Shareholders in Marks & Spencer should not be overly concerned about its financial results over the next two years because those numbers are not that important to the clothing and food retailer's future, its new chairman told them on Tuesday.

Retail veteran Archie Norman joined M&S as chairman in September last year and two months later the company detailed its latest attempt at a turnaround after more than a decade of failed reinventions.

The plan included a five-year programme of store closures and relocations to cut excess selling space in its clothing business, increased technology investment and moves to make a misfiring food business more competitive.

Private investors account for a little more than 11% of M&S's share capital and there were 750 in attendance at Tuesday's annual meeting at Wembley Stadium to hear for themselves what Norman had to say about the company's progress.

"I don't want to shock you all, but I have to tell you - for me - the results in the next two years are not the most important thing," he told the meeting. "I hope that we'll be able to deliver some decent results and I hope we'll be able to please you, but that's not the most important thing. We're here to deliver a profitable growing business in five years' time. It's not a quick fix."

M&S has reported two straight years of profit decline and analysts are forecasting a third when it reports 2018-19 results next May, though this summer's soccer World Cup in Russia has delivered a sliver of unexpected good news.

As the England team has progressed to the semi-finals of the tournament, M&S has doubled sales of its waistcoats as fans clamour to emulate the sartorial elegance of team manager Gareth Southgate.
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Nevertheless, shares in the company have fallen 8% over the past year and it broke with tradition by not updating on first-quarter trading this year. It does not plan to report to the market until it delivers first-half results in November.

'BURNING PLATFORM'

The retailer said in May that it was modernising rapidly to survive - a theme Norman returned to on Tuesday with a stark warning. "Both I and (CEO) Steve (Rowe) and the board are under no illusions, this business has a burning platform," he said. "We don't have a God-given right to exist. Unless we change and unless we develop the company in the way we want to, in decades to come there will be no M&S."

But Norman, who is most famous for his revival of supermarket chain Asda in the 1990s, did take issue with one private shareholder, Sunil Pal, who said M&S had become a "byword for failure". "I think that is an exaggeration. There's a lot that's very successful around the company," said Norman, pointing to the strength of the M&S brand, its products and people.

"There's a fine borderline between stating it as it is and self-flagellation. I'm in the former camp, not the latter."

Another shareholder asked if M&S would consider joining forces with another retailer, given that Tesco has taken over wholesaler Booker and is forming a buying alliance with France's Carrefour, while Sainsbury's has proposed a takeover of Walmart's Asda.

"As a board of directors it's our obligation never to be closed-minded about these things, but ... we're not today and I don't think it would be right to do so," said Norman. "Our future is in our hands."

Norman's comments had little effect on the company's share price, which closed 0.5% down at 311p.

Chief Executive Rowe, meanwhile, told the meeting that he was "completely reviewing" the retailer's Sparks loyalty card, which is held by about 7 million shoppers. "We recognise that the scheme and the points and prizes conversation ... is not adequate for the loyal customer," he said.