

# Accent Group AX1.ASX

## Report • Not Financial Advice, Informational Research Only

Accent owns and operates several footwear and apparel businesses in the performance and active lifestyle sectors.

Here's a few main points on what they need in order to recover:

- AUD/USD to remain above 70 cents – currently above that at 71c
- Close loss making stores – in progress
- Renew leases favourably in 2027, or close more loss making stores.
- Improve stock ordering, inventory and mark downs.

Since December 2024, the stock has been sliding from around \$2.50 per share, down to \$0.62 making a 75% drop in price, while still maintaining similar revenue. Note, there was a 40.5% drop in after tax profit making a good portion of that price drop warranted. There are several concerns outlined in this report as to why this stock represents risk.



## Top 5 Price Drivers

- Revenue ↑ to \$817m, but profit after tax fell to \$28.1m.
- 1: Profit after tax ↓ 40.5% from \$47.2m in the previous period.
- 2: Recognized a \$3.17m impairment charge related to underperforming Glue stores.
- 3: Increased debt facilities by \$101.7m, totalling \$371.7m.
- 4: Basic earnings per share ↓ to 4.67 cents from 8.35 cents.

## Plain-English Summary

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Accent Group's revenue increased by 5.3%, but profit dropped by 40.5% due to higher costs and a weaker Australian dollar. This mixed performance might lead to share price volatility as investors weigh growth against profit decline.

Accent Group's latest report shows a decrease in profit compared to the previous period, but an increase in cash reserves. This mixed performance might lead to a cautious reaction from investors, potentially stabilizing the share price.

Accent Group's latest report shows a decrease in profit due to non-recurring losses and asset impairments, despite an increase in sales revenue. This mixed performance might lead to uncertainty in the share price movement.

Accent Group reported a decision to close its Glue stores due to poor performance, resulting in a significant impairment charge. The company also announced an increase in its debt facilities and a planned dividend, which may influence investor sentiment and share price. Accent Group's report highlights a decrease in profit and earnings per share compared to the previous year, alongside strategic expansions and closures.

These mixed results could lead to fluctuations in the share price as investors weigh growth opportunities against current profitability challenges. The interim financial report for Accent Group Limited was reviewed by auditors, who found no issues with the company's financial position or performance. This stable report is unlikely to cause significant movement in the share price.

## Analysis

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**Price Impact:** The significant drop in profit despite revenue growth could lead to a decrease in share price as investors may be concerned about profitability. The decrease in profit might concern investors, but the strong cash position could provide some reassurance, leading to a mixed impact on the share price. The decrease in profit and the impact of non-recurring losses are likely to put downward pressure on the share price. The closure of Glue stores and the associated impairment charge may negatively impact the share price, while the increased debt facilities and planned dividend could provide some positive sentiment. The decrease in profit and earnings per share might push the share price down, but strategic acquisitions and partnerships could provide long-term growth potential. The report's confirmation of a stable financial position might reassure investors, but it's unlikely to cause a major price change.

**Opportunities:** Revenue growth and plans to open more stores indicate potential for future expansion. The increase in cash reserves suggests the company has more funds available to invest in growth opportunities. Increased sales revenue indicates potential for growth in market demand. The increase in debt facilities suggests potential for future growth and investment opportunities. The acquisition of new stores and partnership with Frasers Group could drive future revenue growth. The absence of financial issues and compliance with standards are positive signs.

**Risks:** Decreased profit and gross margin due to higher costs and currency fluctuations are concerning. The decrease in profit and increased debt levels could pose risks if not managed properly. Significant non-recurring losses and increased inventory write-downs are concerning. The closure of Glue stores and the impairment charge highlight operational challenges and potential financial strain. The closure of the MySale business and reduced earnings per share are immediate concerns for investors. The report does not highlight any specific risks or red flags.

## Income Statement (plain English)

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Revenue increased to \$817 million, but profit after tax decreased to \$28.1 million due to higher costs and currency impacts. The company reported a profit after tax of \$28,087,000, down from \$47,184,000 in the previous period.

Earnings per share also decreased. The company reported a total sales revenue of \$810.5 million, up from \$767 million in the previous period. However, profit after tax fell to \$28.1 million from \$47.2 million due to non-recurring losses and asset impairments. The company recognized a \$3.17 million impairment charge related to Glue stores due to poor performance. No additional impairments were required for other stores.

The company reported a profit of \$28,087,000, down from \$47,184,000 the previous year. Basic and diluted earnings per share both decreased to 4.67 cents from 8.35 cents. The report confirms that the company's financial performance for the period is stable and complies with relevant standards.

## Balance Sheet (plain English)

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The company maintains a strong balance sheet with a flexible business model and low debt levels. Total assets increased to \$1,420,687,000, with significant growth in cash and inventories. Liabilities also rose, mainly due to increased borrowings.

The company has increased its inventory levels, with a provision for write-downs rising to \$17.1 million. No new impairments were identified for brands and trademarks. The company reported an increase in trade payables and secured borrowings.

It also extended its debt facilities, increasing them by \$101.7 million to \$371.7 million. The financial position includes acquisitions of new stores and closure of non-performing businesses. The company maintains bank guarantees and letters of credit for international suppliers. The financial position of the company as of 28 December 2025 is considered true and fair by the auditors.

## Cash Flow (plain English)

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The company experienced changes in cash flow due to currency impacts and hedging, but overall cash availability remains strong. Net cash from operating activities was \$106,127,000. The company increased its cash reserves significantly, despite using cash for investments and paying dividends. Cash flows are based on current trading results, excluding uncommitted

growth initiatives. A steady 2% long-term growth rate is assumed, with cash flows discounted at a 10.8% rate. Cash flows were projected with a 2.0% long-term growth rate in earnings before tax and other costs. No material changes in distributor agreements are expected. Cash flow was impacted by acquisitions, with \$16,224,000 used for acquiring 9 TAF stores. The closure of the MySale business is expected to reduce future cash outflows. The statement of cash flows for the period from 30 June 2025 to 28 December 2025 was reviewed and found to be in order.