

BUSINESS & FINANCIAL OVERVIEW

Profit and sales warnings batter retail stocks, but Lululemon shines

A group of retail stocks were trading sharply lower Monday, after a series of sales and profit warnings that further cemented the perception that it was a mixed holiday season for the sector.

The warnings came from companies who are presenters at the ICR Conference in Orlando, Fla., an invitation-only event that focuses on consumer trends and continues through Wednesday. They came after Macy's Inc.'s stock last week suffered its biggest-ever one-day percentage decline, after the department-store chain posted lackluster holiday sales numbers and lowered its full-year guidance.

Analysts are increasingly betting that the sector is creating clear winners and losers as companies battle juggernaut Amazon.com Inc. AMZN, +0.18% and struggle to find innovative ways to reach consumers. Macy's was criticized for failing to offer a lively holiday assortment and make its stores enticing.

"Some stores had virtually no holiday cheer and were crammed full of dull merchandise," said Neil Saunders, GlobalData Retail's managing director. "This unpleasant and uninspiring shipping environment meant Macy's was not able to capitalize on strong footfall to malls and cities."

Tailored Brands Inc. TLRD, +0.67% led the pack, falling 15% after it lowered fourth-quarter guidance to reflect weaker-than-expected same-store sales at its Jos. A. Bank chain. The company, which also operates Men's Wearhouse, K&G Men's Co. and Moores, said it now expects Jos. A. Bank same-store sales to be flat, versus prior guidance of a percentage rise in the low single digits.

Overall, same-store sales for November and December fell 1.4%, as same-store sales were down 0.1% at Jos. A. Bank and fell 3.6% at Men's Wearhouse. Tailored Brands is now expecting its overall adjusted per-share loss to range from 29 cents to 34 cents, versus prior guidance of a loss of 24 cents to 29 cents. The FactSet consensus calls for a loss of 26 cents.

Full-year fiscal 2018 adjusted EPS is expected to range from \$2.25 to \$2.30, compared with prior guidance of \$2.30 to \$2.35. The FactSet consensus foresees full-year earnings per share of \$2.33. B. Riley initiated coverage of Tailored Brands on Dec. 18 with a buy rating and said the company has taken steps to capitalize on a fashion shift toward more customized and branded clothing.

"This, coupled with TLRD's turnaround of Jos. A. Bank, has enabled the company to become a bellwether in the men's suiting and specialty retail spaces," analysts wrote at the time. Home-furnishings retailer At Home Group Inc.'s shares HOME, +1.08% slid 9% after the company said it expects fourth-quarter earnings to come in at the high end of guidance, which would still put them well below current consensus numbers.

"We are pleased with the continued strength of both our new and existing stores quarter-to-date and expect to deliver net sales and comparable-store sales toward the high end of our previously provided outlook of \$347 million to \$352 million and 1.0% to 2.0%, respectively," Chief Executive Lee Bird said in a statement. The current FactSet consensus is for sales of \$422 million. The company said it is backing its fourth-quarter adjusted EPS guidance of 45 cents to 48 cents, which is also below the FactSet consensus of 56 cents. (That consensus has now updated to 47 cents).

Shares of Ann Taylor parent Ascena Retail Group Inc. ASNA, -1.62% fell 3.8% after the company warned that its fourth-quarter loss will be bigger than previously expected. The company, which also owns plus-size retailer Lane Bryant, said it now expects a loss of 23 to 28 cents a share for the quarter, compared with prior guidance of a loss of 15 to 25 cents.

