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Game Group smashes half yearly forecasts

But shares slump on fears that the peak is now over

by Katie Scott published on 6 July 2008

Games including the blockbusters Grand Theft Auto IV and Wii Fit has driven sales at British retailer Game Group way beyond investor forecasts.

The company, which now has more than 1200 shops, is reporting that its profit before tax and one-off items would be at least £33 million in the six months to 31 July, beating analysts' forecasts of between about £15 and £25 million.

Sales at shops, which have been open at least a year, were up 24.8% in the 22 weeks to 28 June, boosted by what Chief Executive Lisa Morgan called an "unprecedented number of triple A software launches - all in a period that would normally be a quiet time in our industry".

These releases include Wii Fit, GTA IV, Mario Kart and Metal Gear Solid 4.

But despite booming sales, the company's shares have slumped.

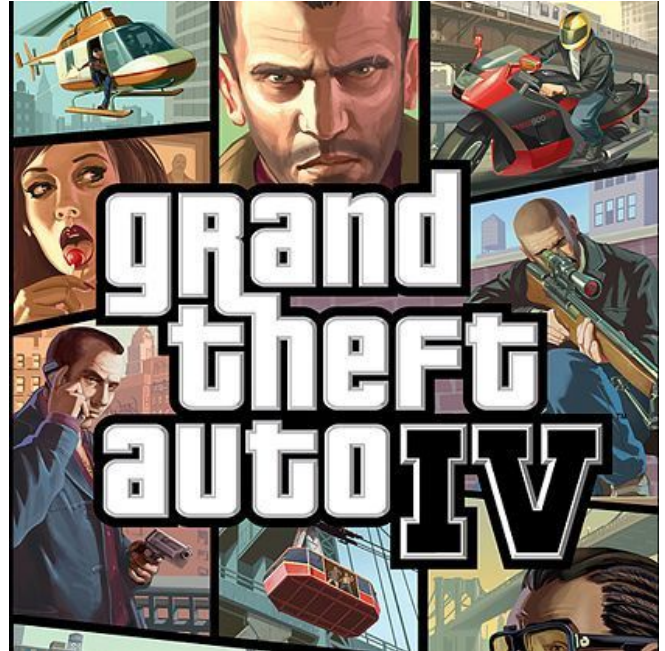
Game shares fell as much as 14% to a three month low of 225p at the end of last week.

The reason - analysts simply don't believe that the boom is sustainable.

Shore Capital analyst John Stevenson told Reuters: "[This was] a stunning trading update".

"[But] unless we see new hardware launches into the UK market over the next 2 years, which appears unlikely at present, then we believe profits will peak this year and fall consistently over the following three years."

But Morgan from Game strenuously denied this



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saying that the market was "absolutely not" at a peak.

"The point to make is that we haven't seen any new console releases in the first half and we were up against the launch of Playstation 3 last year", she told reporters.

"What you're seeing now is that as the installed base (of consoles) grows there's a fantastic momentum for a whole host of software titles", she explained adding that hotly tipped sequels of the FIFA series and the Need for Speed title could arrive before Christmas, and will boost sales yet again.