ASOS stays ahead in H1, but growth slows, sees risks ahead

By Sandra Halliday - 13 April 2022

ASOS on Tuesday said it's still seeing rising sales, while it made a profit in line with guidance. But the figures were muted and it warned that the external environment is riskier than usual at present.

It delivered 4% revenue growth (on a constant currency — or CCY — basis) and £14.8 million of adjusted pre-tax profit in the six months to the end of February, “despite industry-wide supply chain constraints impacting stock availability and ongoing Covid-19 restrictions”. Some analysts had expected revenue growth to be even lower.

The company said it saw strong operational progress in the year to date, with its H2 stock position “materially enhanced, driving increased newness and availability”.

And apart from the removal of Russia's contribution to the second half, its guidance is unchanged, “although an increasingly challenging external environment introduces a greater degree of risk than normal”. Russia usually accounts for around 4% of sales.

THE RESULTS

Group revenues rose to £2.004 billion (the first time they topped £2 billion). That may have been a 4% CCY rise, but it was only 1% in total.

The gross margin was down to 43.1% from 45% and the operating loss was £4.4 million after an operating profit of £109.7 million a year ago. Adjusted EBIT was £26.2 million, down 77% on the year, and the reported pre-tax loss was £15.8 million (down 115%). Although it made an adjusted pre-tax profit, as mentioned, that £14.8 million was 87% lower than a year ago.

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Yet even with reduced stock availability, both the UK and US “delivered a strong performance”. However, EU sales growth was weaker and rest-of-world (ROW) sales fell on delivery challenges. That was a similar ROW story to that recently reported at rival Boohoo Group.

UK total sales grew “a pleasing” 8% to £895.5 million on recovering demand for going-out wear.

Europe rose only 1% CCY to £577.4 million, due to supply chain constraints, along with continued Covid restrictions. Germany performed well on increased demand for going-out wear, however this was offset by a weaker trading period in France where customers flocked back to physical stores.

The US saw revenue growth of 11% CCY to £252.7 million even with supply chain issues. A strong promotion programme and underlying demand meant its highest ever peak sales month in the US in November. February also saw strong customer engagement.

It expanded its wholesale business in the US further too. The debut of select ASOS brands in two Nordstrom stores and on Nordstrom.com in November was followed by further extensions to two new retail concepts in-store in February.

ROW total sales declined 10% CCY as low stock availability impacted all markets, and delivery lead times remained a constraint, particularly in Australia and Israel.

But on the plus side, the firm saw continued triple-digit sales growth of its Topshop brands (+193% year-on-year), and they were “particularly strong” across the UK, US and Germany.

LOOKING AHEAD

ASOS said it enters the second half with a “much-improved stock position driving increased newness and availability”.

And it has plenty of growth initiatives too. The successful UK rollout of Partner Fulfils in H1 will be followed by range extension and expansion to Europe by the end of FY22.

It highlighted the “highly successful optimisation of the Premier offer, supporting 24% growth in Premier subscribers”. It has also seen “continued improvements in data science to further personalise the experience”, and the next phase of data evolution and investments are under way in support of the Data Strategy.

As mentioned earlier, it sees some challenges ahead. It won’t be getting any sales from Russia for the foreseeable future and it said it sees “greater risk in H2 than normal as the full impact of recent inflationary pressure on consumers and the potential impact on discretionary spend are yet to be felt”.

But it still expects sales growth to accelerate during the current half.

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