Farfetch losses continue, but locked-down GMV and customer numbers soar

By Sandra Halliday  -  August 14, 2020

Luxury online platform Farfetch said it saw “strong momentum” in its business in Q2 that was driven by the acceleration of online adoption, helping it to make “significant” market share gains and connect to record numbers (half a million+) of new customers.

The quarter covered April, May and June, when lockdowns were in force in many of the countries in which both its fashion store/brand partners and its customers are based. And it clearly benefited from the shift to online that was seen as a result of those lockdowns. The company’s traffic rose 60%.

This all meant its Q2 Gross Merchandise Value (GMV) and Digital Platform GMV growth rates were faster than ever with 48% and 34% year-on-year rises, respectively. GMV rose to $721 million and Digital Platform GMV to $651 million.

Overall, Q2 revenue was up 74% to $365 million and the company was able to boost its profitability with a 44% gross profit margin and 35% Digital Platform order contribution margin. They were up 290bps and 690bps, respectively.

But the company remained loss-making with the net loss at $436 million actually being wider than a year ago when it lost $95.4 million. This was primarily due to the “non-cash impact of its higher share price on items held at fair value”.

However, it highlighted that the results showed it’s making progress towards its adjusted EBITDA profitability targeted for FY21 with the Q2 adjusted EBITDA loss having narrowed to $25 million from $37.5 million while the adjusted EBITDA margin improved to -8% from close to -21%.

The business has been expanding its directly-owned brand operations and said it saw Q2 Brand Platform Revenue of $66 million that reflected some delays in AW20 shipments, “as retailers focused on selling-through SS20 inventory ahead of receiving new season product”.

Farfetch under José Neves has reported further progress, although it's still loss-making
But its New Guards brands acquisition appeared to be paying off and it said that for the fifth consecutive quarter, in aggregate, New Guards exceeded GMV for any other single brand on the Farfetch Marketplace.

Off-White continued its strong performance and Palm Angels “gained traction and became one of the top 20 brands on the Farfetch Marketplace, based on GMV”.

For the current quarter, the company expects Digital Platform GMV of $588 million-$609 million, representing growth of 40%-45% year-on-year. Brand Platform GMV should be $90 million-$95 million and it expects adjusted EBITDA to be a loss of between $20 million and $25 million.

Additionally, the company announced the addition of four new members to its board — Victor Luís, Stephanie Horton, Diane Irvine and Gillian Tans — who bring “extensive experience across technology, e-commerce, luxury fashion and finance”.

Luís was the long-time CEO Coach/tapestry and Horton is Director of Marketing for Google Shopping. Meanwhile, Irvine currently serves on the boards of several public companies, including Yelp, Casper Sleep and Funko, while Tans joins from Booking.com.

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