ASOS sales growth slows, but UK and US markets are strong

By Sandra Halliday - January 13, 2022

ASOS faced “challenging market conditions” in the last four months of 2021 yet still managed to post revenue growth, its latest trading statement showed on Thursday.

But at 5% on a constant currency basis (CCY), that growth was well below the stellar double-digit figures we’ve become used to from the UK fashion e-tail giant.

The growth came “despite continued industry-wide supply chain constraints and increased uncertainty following the discovery of the Omicron variant”.

The company said the period saw the launch of a “more compelling Premier offer in key international territories” and its guidance for the year is unchanged with revenue growth of 10%-15% and adjusted pre-tax profit between £110 million and £140 million.

Interestingly, the AIM-listed business also announced its intention to move to the London Stock Exchange’s Main Market by end of February.

THE NUMBERS

So, what were the figures for the last four months? Total group revenue rose 5% CCY as mentioned, but it was up only 2% on a reported basis at £1.393 billion. That didn’t seem to worry investors and after a period in which the firm’s shares have plummeted, they actually rose over 8% in early Thursday morning trading.

The total sales figure divided down as a 13% rise in the UK to £645.2 million, “supported by strong peak performance and demand for going out wear”.

ASOS
It saw a 7% reported rise (11% CCY) in the US to £172.6 million, despite significant port congestion and supply chain disruption denting its ability to fully meet demand.

But — like rival Boohoo before it — the business reported declines in EU and rest-of-world (ROW) sales. EU sales fell 3% reported (but rose 2% CCY) to £390.2 million as the region was hit by the fourth Covid wave, with restrictions limiting events and going out occasions. And ROW sales fell 20% reported and 15% CCY to £185.1 million, “reflecting the continued impact of extended delivery propositions”.

Supply chain constraints were an issue globally, while market demand “remained volatile” due to Covid caseloads across the UK, Europe, and the US.

The gross margin fell by 400 bps to 43.4% driven by extra markdowns to shift SS21 stock, and by higher freight costs to get round supply chain constraints and maximise peak trading. But trends are “expected to improve across the remainder of the year”.

ASOS also said low-to-mid-single-digit price increases are being applied to mitigate cost inflation across both its own and partner brands.

Meanwhile, the returns rate has normalised in line with expectations.

The firm’s active customer base increased by 0.3 million customers to 26.7 million in the period, albeit this was a slowdown as it cycled a period of exceptional customer acquisition in the previous financial year.

The company has plenty of plans to boost business from here and said that following a successful pilot of the Partner Fulfils programme with Adidas and Reebok in the UK in November, it will expand the model in FY22, including a rollout to Europe.

It’s also upbeat about the Arcadia brand it acquired last year (or the ‘Topshop brands’ as it calls them) and said they continue to perform well on ASOS, posting strong growth of more than 200% year-on-year. The brands performed well across all regions, with the UK, Germany, and US strongest.

And its deal with Nordstrom is progressing with the “successful” debut of the first edit of ASOS Design, ASOS Edition, and ASOS Luxe in two Nordstrom stores and online. ASOS Curve is also exclusively available on Nordstrom.com.

MOVE TO MAIN MARKET

So finally, what about that move to the London Stock Exchange’s Main Market? It’s big deal for the firm as it has been listed on less-heavily-regulated AIM since its original stock market debut.

The Main Market is home to the biggest, well-established businesses and the company said its directors believe that given its “size and scale, now is the appropriate time to move from AIM to a premium Main Market listing. The company has demonstrated a proven track record, built a broad shareholder base, and has adopted, applied and reported against the UK Corporate Governance Code for several years. The directors consider admission would further enhance the company’s corporate profile and recognition, as well as extending the opportunity to own the company’s ordinary shares to a broader group of global institutional shareholders”.

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