ASOS makes commercial chief its new CEO, warns on profit

By Sandra Halliday - June 16, 2022

ASOS had plenty of big news on Thursday from a trading statement in which it talked of higher sales but also a higher rate of returns impacting profit, as well as the announcement of its new CEO.

Its new leader will be – as widely expected – José Antonio Ramos Calamonte. He’s currently chief commercial officer of the company and takes up his new chief executive’s post with immediate effect.

The company said he’s “an experienced international retailer, with deep multichannel experience and a track record of driving innovation. In an 18-year career in retail, José has led on commercial strategy for high-profile brands including Inditex, Esprit and Carrefour Spain, having started his career at McKinsey”.

He originally joined ASOS from Portuguese fashion company Salsa Jeans, where he was CEO for almost two years.

The e-tailer added that he's already made “a significant impact”, taking responsibility for driving product and trading strategy globally, encompassing design, sourcing, garment technology, buying and merchandising, global trading, ASOS Studios and creative. He’s overseen product, category and range strategy, pricing and margin, own-label product innovation and brand partnerships, leading a team of more than 1,000 people.

Meanwhile Jørgen Lindemann will become chairman in August. He succeeds Ian Dyson who’s stepping down for a new role. Lindemann joined the board as a non-executive director last autumn. He “has deep experience of leading digital-first businesses” and is also chairman of Miinto, the Danish online fashion marketplace. He recently stood down from the board of Zalando after five-years as a non-exec.

GOOD NEWS AND BAD
Now to that trading statement. The company said that the three months ended 31 May had seen overall sales growth. Since the end of February, it has delivered “accelerating sales driven by strong operational performance and an increase in event-led demand, with improving momentum in the US and good performance in the UK”.

But the sting in the tail is that while gross sales accelerated, “net sales were impacted by a significant increase in returns rates in the UK and Europe towards the end of the period, reflecting inflationary pressures on consumers, which has a disproportionate impact on profitability”.

Looking at its numbers, total group revenue rose small 4% on a constant currency basis (CCY) and on a reported basis, sales dropped to £983.4 million from £987.9 million. UK sales were up 4% to £431.8 million, but in the EU they fell 5% to £294 million and were down 2% CCY.

Sales in the US rose a healthy 21% to £141.9 million and rose 15% CCY, but in the rest of the world they fell 20% to £115.7 million. They also fell 20% CCY, but with Russia taken out of the mix, they were only down 8% on a CCY basis. And for the first nine months of the financial year as a whole, total sales are up 1% at £2.987 billion.

Clearly there’s some strength but plenty of weakness in there and the company has updated its full-year guidance “to reflect uncertain consumer purchasing behaviour and the potential continuation of higher returns”. Revenue growth should be 4% to 7% and adjusted pre-tax profit is now expected to be in a fairly wide range of £20 million to £60 million.

Gross margin should be hit “as elevated returns are expected to drive higher levels of markdown and a continuation in the negative impact of returns on product mix”.

Yet it added that the business continues to make “good strategic progress, underpinned by a compelling consumer offer, the rollout of Partner Fulfils, expansion of Premier, and the continued growth of the Topshop brands across key territories”.

It cited 69% growth during the period for the Topshop brands and the return of ASOS Design to growth (+5%), supported by a “strong occasionwear offer amid increased demand for going-out-wear”. ASOS Edition was also up 84% year-on-year. And it saw growth in Premier customers of 19%, “driving increased engagement and associated improvements in frequency, conversion, and average customer value”.

The company also said it saw a “robust market share performance within key territories, reflecting the continued attractiveness of the customer offer”. And net revenue growth accelerated in May with an exit rate of 10%.

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