

15 July 2020



ASOS plc ("the Company")
Trading Statement for the four months ended 30 June 2020

ASOS on track to deliver strong profit growth for full year

ASOS today announces trading for the four months to 30th June 2020. Our main priority through the period was protecting the health and wellbeing of our people and our customers through the global pandemic and this was reflected in the strict social distancing protocols implemented and adhered to across our business. Within this context, we have continued to focus on trading dynamically and managing business performance rigorously. This is evident in our P3 performance, which shows a steady improvement in sales growth through the period alongside materially improved levels of profitability and cash generation.

£m ¹	Four months to 30 June				Ten months to 30 June			
	2020	2019	Reported Increase	CCY ² Increase	2020	2019	Reported Increase	CCY ² Increase
UK retail sales	329.2	334.1	(1%)	(1%)	906.3	815.6	11%	11%
EU retail sales	328.0	269.0	22%	20%	816.1	671.2	22%	22%
US retail sales	124.9	121.4	3%	(2%)	327.5	283.0	16%	13%
ROW retail sales	201.2	169.5	19%	18%	484.8	405.5	20%	19%
International retail sales	654.1	559.9	17%	15%	1,628.4	1,359.7	20%	19%
Total retail sales	983.3	894.0	10%	9%	2,534.7	2,175.3	17%	16%
Total group revenue³	1,014.2	919.8	10%	9%	2,611.0	2,234.3	17%	16%

¹All numbers subject to rounding throughout this document, ²Constant currency is calculated to take account of hedged rate movements on hedged sales and spot rate movements on unhedged sales, ³Includes retail sales, delivery receipts and third-party revenues

P3 Results Summary

- Group Sales up 10% to £1,014.2m with a steady improvement throughout the period, reflecting increasing warehouse capacity, underlying improvement in demand and a beneficial returns profile
- Active customer base increased to 23m, +16% year on year, with particularly strong growth in new international customers
- Item growth +15% whilst ASP down driven by 'lockdown' product mix and limited demand for occasion wear
- Good agility shown in refocussing product mix in response to customer demand; growth in 'lockdown' categories held back by availability given health and safety measures implemented across our product supply chain
- Strong recovery in EU and ROW reflecting easing of 'lockdown'
- UK & US reflect more pronounced impact from product mix shift and consumer dynamics related to 'lockdown' measures
- Gross margin -70bps despite adverse product mix reflecting tight inventory management
- Improved profitability and cash generation delivered despite the Covid-19 demand and supply impacts as we continue to focus on our non-strategic cost agenda
- Previously claimed furlough support from UK Government to be repaid

Outlook:

- Against the backdrop of continued social distancing, ongoing restrictions of events and an uncertain economic outlook for our 20-something customers, we remain cautious on the short to medium term outlook on demand
- FY20 PBT expected to be towards the top end of market expectations, despite material incremental Covid-19 costs, supported by rigorous performance management, continued removal of non-strategic cost and beneficial returns profile
- Strong net cash position reflecting proactive actions; robust cash management expected to deliver return to positive FCF in FY20

Nick Beighton, CEO, commented:

"This has been a tough time for all businesses, but we have remained focused on doing the right thing for our people and our customers and making sure that we emerge from the current crisis as a stronger and"

better organisation. I am particularly proud of the resilience, flexibility and creativity the ASOS team and our business partners have shown.

Our performance in P3 shows that we are delivering against this aim despite the tough economic and social backdrop. We have learnt a lot and adapted quickly, and ASOS finishes the period with improved underlying profitability. While we remain cautious about the consumer impact of Covid-19 looking forward, we are on track to deliver strong year-on-year profit growth and to return to positive free cash flow for the full-year."

Investor and Analyst conference call:

ASOS will be hosting a webcast for analysts and investors at 8.30am (UK time) today. Please join via the link: <https://www.asosplc.com/investors/financial-calendar> or dial +44 20 3787 4277, and use conference call ID: 484 362 083#

A recording of this webcast will be available on the ASOS Plc investor centre website later today: <http://www.asosplc.com/investors.aspx>

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Forward looking statements:

This announcement may include statements that are, or may be deemed to be, "forward-looking statements" (including words such as "believe", "expect", "estimate", "intend", "anticipate" and words of similar meaning). By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances, and actual results may, and often do, differ materially from any forward-looking statements. Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Save as required by applicable law, the Company undertakes no obligation to publicly revise any forward-looking statements in this announcement, whether following any change in its expectations or to reflect events or circumstances after the date of this announcement.

Background note:

ASOS is an online retailer for fashion-loving 20-somethings around the world, with a purpose to give its customers the confidence to be whoever they want to be. Through its market-leading app and mobile/desktop web experience, available in ten languages and in over 200 markets, ASOS customers can shop a curated edit of 85,000 products, sourced from 850 of the best global and local third-party brands and its mix of fashion-led in-house labels – ASOS Design, ASOS Edition, ASOS 4505 and Collusion. ASOS aims to give all of its customers a truly frictionless experience, with an ever-greater number of different payment methods and hundreds of local deliveries and returns options, dispatched from state-of-the-art fulfilment centres in the UK, US and Germany.

ASOS's websites attracted 235.7 million visits during June 2020 (June 2019¹: 197.4 million) and as at 30 June 2020 it had 23.0 million active customers² (30 June 2019: 19.9 million), of which 7.0 million were located in the UK and 16.0 million were located in our international territories (30 June 2019: 6.3 million in the UK and 13.6 million internationally).

¹Restated visits, previously reported number 200.9 million, ²Defined as having shopped in the last twelve months as at 30 June

Performance Summary

Total sales growth has improved materially since March when containment measures were introduced by governments in response to Covid-19. As we said at HY results, sales were c.20 to 25% lower when those measures were first introduced. We are therefore pleased to have delivered 10% sales growth for the period overall. This performance was supported by good new customer acquisition, strong growth in 'lockdown' product categories (casualwear, activewear, face + body), an overall improvement in underlying demand and beneficial returns behaviours showing more deliberate purchasing.

Our underlying profitability and cash generation through the period was strong and reflective of the operational rigour with which we managed the business through unprecedented levels of uncertainty. This rigour to managing the business, including adjusting our intake profile, means that we do not foresee a material inventory risk or write off requirement relating to Covid-19.

Notwithstanding the strong recovery in sales, our growth was held back by a number of factors relating to the Covid-19 pandemic and associated customer behaviour as we sought to appropriately balance sales growth with protecting business performance and the customer experience.

We managed performance in the context of protecting the health and wellbeing of the people across our business through this global pandemic. Our warehouse throughput capacity was significantly reduced to ensure social distancing standards could be maintained. Accordingly, we adopted a more limited approach to promotional and marketing activity in line with capacity. Secondary to that is the impact of consumer behaviour. Given the restrictions introduced, we saw a pronounced shift in demand away from the event led categories where ASOS is most established. The reduction in event led demand for occasion wear (dresses and formalwear) led to less frequent spend from our existing customers as well as a mix towards lower ASP product. In response to this, we refocused our product mix towards those categories seeing greater demand. Whilst our model has shown a good degree of agility in delivering this, customer demand for key 'lockdown' category product has outstripped supply.

From a regional perspective, we saw good recovery in the EU and ROW, reflective of lockdown easing which started to drive a more normalised product mix, alongside good new customer acquisition. In the UK and US, product demand remained skewed more heavily towards 'lockdown' categories and was therefore greater impacted by product supply and availability, with a proportionately lower benefit from customer acquisition in the UK given the strength of our existing position.

Through a continued focus on improving capacity in our warehouses, whilst also ensuring social distancing is maintained, we have been able to increase throughput capacity as the period has progressed. This has enabled us to restore our proposition and return to a more dynamic trading stance which has supported the improvement in our sales growth through the period.

Product

Customer demand for product changed dramatically towards casualwear as countries entered lockdown, and we saw an immediate and pronounced mix shift towards activewear, casualwear and face + body. Year on year growth in these categories has been extremely strong over this period up almost 50%. However, they represent a smaller share of our overall product mix and this demand came at the expense of demand for occasion led categories where ASOS, particularly ASOS Design, is most established, notably dresses and formalwear. In the comparable period last year, activewear, casualwear and face + body accounted for 23% of our mix, whilst dresses, formalwear, fashion footwear and outerwear represented 48% of our mix.

This shift in product demand was reflected in a reduction in average selling price, which was 9% lower in the period and flowed through to average basket value. The categories that outperformed also attract an overall lower gross margin. However, this was offset by beneficial returns behaviour associated with these product categories and we saw a move towards more intentional purchasing.

Whilst the strength of our brand in the key occasion led categories positions us well for the future and differentiates us from a customer perspective, demand is likely to be constrained until a more normal pattern of events, holidays and social behaviour resumes.

We focussed on working in a collaborative way with our suppliers throughout the disruption, ensuring regular and open dialogue. This, alongside the strength of our long-term supplier relationships, enabled us to navigate the disruption to sourcing that lockdown caused across the globe and we were pleased to be able to take receipt of all ASOS Design product that had been made. This supports our relationships and continuity in our supply chain as we plan together for a less certain profile of demand.

Warehouse Throughput Capacity

We implemented significant throughput capacity restrictions in our UK and European warehouses whilst operations were amended to enable effective social distancing. Our warehouses are highly automated, which results in the workforce being concentrated in certain high-density areas. This, therefore, required our processes to be redesigned rather than simply increasing distancing between members of the workforce. Within our Euro hub, we also faced a reduction in our available workforce whilst the border between Germany and Poland was closed.

At its low point, available labour in our European and UK warehouses was at 45% and 63% respectively of our prior planned capacity. This drove a number of customer facing decisions as we worked to restore capacity to the required levels. Most notable was, the speed of delivery. We updated our delivery promise across our sites to ensure we were transparent and up front with customers before point of order on the speed of delivery. Accordingly, next day delivery was not available in the UK or Europe for 5-7 weeks and our standard proposition had up to 11 days added to it for 10 weeks.

The teams in our warehouses have made great progress in restoring capacity and both hubs are now operating with good headroom. This has allowed us to restore our delivery proposition across all our key markets. We are continuing to improve capacity throughput further, to ensure that our facilities can support peak trade whilst adhering to social distancing.

Trading Stance

As a result of the capacity restrictions in our warehouses, we chose to soften our promotional calendar and reduce our investment in performance marketing to ensure we weren't stimulating demand we couldn't effectively service. Our performance marketing spend was reduced year on year and we removed a number of like for like activities.

These decisions undoubtedly impacted traffic, demand and customer acquisition, particularly in the context of a more promotionally active market. However, these decisions protected our profitability and the customer experience as we managed through an unprecedented level of operational change and prioritised the health and safety of our people.

We ensured regular communication with our customers on how and why we were managing our proposition in the context of Covid-19 and health and safety. This included the slower than usual delivery speeds referred to above, but also the 90-day extended returns period we chose to offer.

Customer

We saw good engagement throughout the period, across our social media channels and in traffic to our sites. Traffic was up 13% in the period on an improving trajectory and we had our strongest ever month for social media engagements in May with over 9 million likes, comments and shares, up over 90% vs the prior month. Consumers have reacted very positively to our content and the way it has pivoted to reflect realities of lockdown living, and this reflects the strength of our engagement with customers beyond a role as a transactional platform.

Our active base increased by 0.7m customers in the period which we are particularly pleased with given our reduced level of marketing and promotional activity. In line with our six key priorities for the year, we continue to focus on optimising our approach to customer retention and will work to drive engagement with these newly acquired customers.

We saw good new customer acquisition, particularly in our international territories, with these customers driving strong growth in 'lockdown' product categories. Reactivated customer growth was also good globally. However, spend from our existing customers was more subdued through the period, reflective of the changing product mix, associated reduction in ASP and the lack of occasion led demand to shop.

Cash & Profitability

Rigorous performance management alongside a continued focus on removing non-strategic cost have driven improvements in underlying profitability and cash generation. We took decisive action to protect our profitability in response to uncertain consumer demand, warehouse capacity restrictions and adverse product mix. Increasing warehouse efficiencies and a stronger operational grip have further underpinned our performance and as a result we now expect to deliver substantial year on year profit growth in FY20.

As a result of our expectation that we will deliver a better than initially anticipated full-year performance, we are repaying the support we received from the UK Government furlough scheme.

From a liquidity perspective, we took decisive precautionary action during the early stages of the pandemic in response to the significant uncertainty in outlook. This approach has allowed us to work proactively with our supplier base, ensuring we were able to pay to terms and take receipt of all ASOS Design product that had been made. We have subsequently secured a further one-year extension for our core £350m RCF facility, which now matures in July 2023. We retain the option for a further one-year extension, to be agreed in 2021.

Following the material improvement in trade since April alongside robust working capital management we expect to deliver positive free cash flow in FY20 and end the year with a very strong net cash position.

Priorities & Outlook

We continue to focus on trading through spring/summer with an agile and dynamic approach as we also prepare for autumn/winter. We will be working closely with our supplier base to ensure we are positioned with the right product and flexibility to maximise opportunity across the peak period and the season ahead. We will continue to develop those product categories which remain a long-term and differentiated asset for ASOS, alongside reshaping our customer facing offer through this period of increased uncertainty.

Within our warehouses, progress continues to build further capacity, in line with social distancing protocols, to ensure we are able to service peak demand, a target we are comfortable in our ability to reach.

Beyond the specific challenges associated with this pandemic, our focus on our six key priorities for the year remains. We have continued to progress with identifying and removing non-strategic cost across the business and have determined further opportunities to drive efficiency through the crisis. Our internal capabilities were further bolstered during the period with Patrik Silen, Chief Strategy Officer, and Jo Butler, Chief People Officer, joining our executive team. We will continue the momentum we have built on optimising our approach to customer acquisition and retention, looking to deploy the learnings we have taken so far this year to continue to drive customer engagement, particularly with those we have recently acquired.

We remain cautious in the outlook for consumer demand, cognisant of the significant uncertainty ahead, particularly as the medium-term economic consequences start to emerge for our 20-something customers. We expect continued limited demand for occasion led wear until a more normal pattern of social events resumes, the timing of which is hard to predict, particularly in the context of a risk of a second-wave. Stock availability from some brand partners may also remain a challenge into autumn/winter.

Despite this uncertainty, we are confident that our rigorous performance management and strong operational grip will deliver an improved financial performance this year and ensure we emerge as a stronger, more diverse and more resilient business. As we look further ahead, we are well capitalised, with a differentiated product offer and global infrastructure to leverage. This gives us continued confidence that ASOS will continue in progressing as one of the few truly global leaders in retail.

Appendix 1 – Retail sales growth by period in sterling

Year ending 31 August 2020

£m	P1 ¹ YOY%		P2 ¹ YOY%		P3 ¹ YOY%		P4 ¹ YOY%		2019/20 YTD YOY%
UK retail sales	408.9	18%	168.2	26%	329.2	(1%)			906.3 11%
<i>EU retail sales</i>	332.5	21%	155.6	23%	328.0	22%			816.1 22%
<i>US retail sales</i>	139.3	23%	63.3	32%	124.9	3%			327.5 16%
<i>ROW retail sales</i>	194.2	23%	89.4	14%	201.2	19%			484.8 20%
International retail sales	666.0	22%	308.3	22%	654.1	17%			1,628.4 20%
Total retail sales	1,074.9	20%	476.5	23%	983.3	10%			2,534.7 17%

Year ended 31 August 2019

£m	P1 ¹ YOY%		P2 ¹ YOY%		P3 ¹ YOY%		P4 ¹ YOY%		2018/19 YOY%
UK retail sales	347.8	16%	133.7	18%	334.1	16%	177.8	12%	993.4 15%
<i>EU retail sales</i>	275.9	17%	126.3	11%	269.0	5%	154.5	17%	825.7 12%
<i>US retail sales</i>	113.5	11%	48.1	3%	121.4	12%	58.2	7%	341.2 9%
<i>ROW retail sales</i>	157.8	4%	78.2	17%	169.5	14%	91.9	22%	497.4 12%
International retail sales	547.2	12%	252.6	11%	559.9	9%	304.6	16%	1,664.3 11%
Total retail sales	895.0	13%	386.3	13%	894.0	11%	482.4	15%	2,657.7 13%

Year ended 31 August 2018

£m	P1 ¹ YOY%		P2 ¹ YOY%		P3 ¹ YOY%		P4 ¹ YOY%		2017/18 YOY%
UK retail sales	300.9	23%	113.6	17%	288.0	23%	158.8	29%	861.3 23%
<i>EU retail sales</i>	235.2	42%	113.9	37%	257.4	31%	132.6	34%	739.1 36%
<i>US retail sales</i>	102.4	24%	46.6	12%	108.1	15%	54.5	27%	311.6 19%
<i>ROW retail sales</i>	151.9	34%	66.8	8%	149.2	11%	75.3	20%	443.2 19%
International retail sales	489.5	35%	227.3	22%	514.7	21%	262.4	28%	1,493.9 27%
Total retail sales	790.4	30%	340.9	20%	802.7	22%	421.2	29%	2,355.2 26%

¹Periods are as follows:

P1: four months to 31 December

P2: two months to 28/29 February

P3: four months to 30 June

P4: two months to 31 August

Appendix 2 – Retail sales growth by period at constant currency

Year ending 31 August 2020

£m	P1 ¹ YOY%		P2 ¹ YOY%		P3 ¹ YOY%		P4 ¹ YOY%		2019/20 YTD YOY%
UK retail sales	408.9	18%	168.2	26%	329.2	(1%)			906.3 11%
<i>EU retail sales</i>	<i>332.5</i>	<i>22%</i>	<i>155.6</i>	<i>24%</i>	<i>328.0</i>	<i>20%</i>			<i>816.1 22%</i>
<i>US retail sales</i>	<i>139.3</i>	<i>20%</i>	<i>63.3</i>	<i>33%</i>	<i>124.9</i>	<i>(2%)</i>			<i>327.5 13%</i>
<i>ROW retail sales</i>	<i>194.2</i>	<i>23%</i>	<i>89.4</i>	<i>14%</i>	<i>201.2</i>	<i>18%</i>			<i>484.8 19%</i>
International retail sales	666.0	22%	308.3	23%	654.1	15%			1,628.4 19%
Total retail sales	1,074.9	20%	476.5	23%	983.3	9%			2,534.7 16%

Year ended 31 August 2019

£m	P1 ¹ YOY%		P2 ¹ YOY%		P3 ¹ YOY%		P4 ¹ YOY%		2018/19 YOY%
UK retail sales	347.8	16%	133.7	18%	334.1	16%	177.8	12%	993.4 15%
<i>EU retail sales</i>	<i>275.9</i>	<i>13%</i>	<i>126.3</i>	<i>7%</i>	<i>269.0</i>	<i>3%</i>	<i>154.5</i>	<i>16%</i>	<i>825.7 9%</i>
<i>US retail sales</i>	<i>113.5</i>	<i>8%</i>	<i>48.1</i>	<i>(4%)</i>	<i>121.4</i>	<i>6%</i>	<i>58.2</i>	<i>2%</i>	<i>341.2 4%</i>
<i>ROW retail sales</i>	<i>157.8</i>	<i>5%</i>	<i>78.2</i>	<i>18%</i>	<i>169.5</i>	<i>16%</i>	<i>91.9</i>	<i>24%</i>	<i>497.4 14%</i>
International retail sales	547.2	9%	252.6	8%	559.9	8%	304.6	15%	1,664.3 10%
Total retail sales	895.0	12%	386.3	11%	894.0	11%	482.4	14%	2,657.7 12%

Year ended 31 August 2018

£m	P1 ¹ YOY%		P2 ¹ YOY%		P3 ¹ YOY%		P4 ¹ YOY%		2017/18 YOY%
UK retail sales	300.9	23%	113.6	17%	288.0	23%	158.8	29%	861.3 23%
<i>EU retail sales</i>	<i>235.2</i>	<i>34%</i>	<i>113.9</i>	<i>29%</i>	<i>257.4</i>	<i>23%</i>	<i>132.6</i>	<i>24%</i>	<i>739.1 28%</i>
<i>US retail sales</i>	<i>102.4</i>	<i>28%</i>	<i>46.6</i>	<i>23%</i>	<i>108.1</i>	<i>22%</i>	<i>54.5</i>	<i>29%</i>	<i>311.6 25%</i>
<i>ROW retail sales</i>	<i>151.9</i>	<i>32%</i>	<i>66.8</i>	<i>7%</i>	<i>149.2</i>	<i>11%</i>	<i>75.3</i>	<i>18%</i>	<i>443.2 18%</i>
International retail sales	489.5	32%	227.3	20%	514.7	19%	262.4	23%	1,493.9 24%
Total retail sales	790.4	28%	340.9	19%	802.7	21%	421.2	26%	2,355.2 24%

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P1: four months to 31 December

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