CISOS

The Online Fashion Store

ASOS PLC

Interim Report for the 6 months to 30 September 2009



CISOS

The Online Fashion Store

Nick Robertson, Chief Executive of ASOS

"A strong first half performance and a very encouraging start to the second half. UK sales continue to grow and international sales have accelerated. We invested in a number of customer facing initiatives, specifically around delivery and returns and continued to build our International operations, the output of which is clearly visible with International now representing 25% of our sales. Fundamentally, the internet is the retail channel with the greatest potential and ASOS is ideally situated to exploit it."

Winning the online fashion race

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Highlights

Summary Results:

£,000	H1 09/10	H1 08/09	Change
Group revenues	96,503	65,706	47%
Gross profit	40,484	30,233	34%
Gross profit margin	42.0%	46.0%	_
Operating profit	4,384	3,836	14%
Profit before tax	4,403	4,052	9%
Earnings per share (fully diluted)	4.0	3.7	8%
Net cash	8,661	8,852	-2%

Key Highlights

- Total sales growth +47%: UK sales growth +33%, International sales growth +112%
- Investment in UK growth and International continues
- Number of active customers up +32% year on year to 1.2m at the end of October 2009
- Costs and stock tightly managed
- Introduction of free returns for all UK customers

Current trading and outlook:

- Positive start to the second half with total sales for
 7 weeks to 15 November +46% year on year
- UK sales for the 7 week period +23%, International sales +161%
- Online sales continue to outperform the overall retail market
- Board remains cautiously optimistic ahead of peak trading period

Chief Executive's Statement

SUMMARY

We posted a strong first half with UK sales up 33% and International sales up 112%. This performance was a direct consequence of the investments we made in extending the product range, enhancing the customer experience and expanding our International capabilities. Sales were slightly flattered in the period due to the timing of the Easter sale.

Stock and costs were managed more tightly, ensuring that profit before tax was ahead of the prior year despite the reduction in retail margin over the period. This reduction was the result of the additional sale mentioned above, an increase in the branded mix and the foreign exchange impact on our bought in margin.

Following the introduction of a new warehouse management system in April, we were able to leverage the improved working processes and our scale to greatly enhance our service proposition, specifically around delivery and returns as set out in more detail below.

BUSINESS REVIEW

We added a further 12,700 lines to the site (including a number of new brands), taking the total number of lines to 34,000. This included a men's offer within ASOS Outlet and an own label kids' range called Little ASOS.

A number of new delivery options were introduced during the period, including a same day service within the M25 including Saturday and Sunday, a nominated day service and a super saver six day service. We are also trialling our ASOS Premier service whereby customers receive an unlimited free next day delivery and returns pick-up service for an annual fee. Delivery is now free in the UK for orders over £75 and we have made returns free for all UK customers. The financial impact of free returns is within anticipated levels.

We are planning additional marketing activity over the coming months to further increase brand awareness in the UK.

KEY PERFORMANCE INDICATORS (KPIs) H1 2009/10

The key performance indicators for the first half are shown in the table below.

KEY PERFORMANCE INDICATORS

	H1 2008/09	Change	
Sales (£'000)	96,503	65,706	47%
Retail margin (excludes third party revenues and postage receipts)	44.6%	48.3%	_
Average basket value (£, inc. VAT)	62.03	58.36	6%
Average units per basket	2.81	2.64	6%
Average selling price per unit (£, inc. VAT)	22.08	22.12	0%
Returns % to sales (by value)	25.5%	26.4%	_
% International sales	25%	17%	_
Number of orders ('000)	2,207	1,609	37%

INTERNATIONAL

We continue to develop our International capability which now represents 25% of our sales. Our offer extended to an additional 56 countries, taking the total to 114 and we introduced fixed rate shipping charges and an express shipping option to 112 of these countries. We also increased our marketing efforts in a number of key territories. Our main markets during the first half were Denmark, Ireland, France, Germany and the US.

OUTLOOK

Our outlook for the second half remains cautiously optimistic. We expect UK sales to carry on growing, underpinned by further marketing activity, and for International sales to continue providing additional momentum. Stock and costs have been controlled well, so our performance in the second half should be significantly ahead year on year, provided sales continue to grow in line with expectations.

Nick Robertson

Chief Executive

Finance Director's Review

During the half year ended 30 September 2009, ASOS made excellent progress, with sales increasing 47% over the previous year.

REVENUES

An analysis of our revenues is shown below:

£'000	H1 09/10	H1 08/09	Change
Retail sales	87,657	58,932	49%
Delivery receipts	7,942	6,271	27%
Third party revenues*	904	503	80%
Group revenues	96,503	65,706	47%

^{*} Advertising revenues.

Sales remained robust against a tough consumer backdrop. In the second half we expect delivery receipts to stay broadly level on the prior year. Third party revenues (mainly comprising our advertising revenues) increased strongly and are well on track to meet the revenue targets for the full year.

Segmental analysis of revenues:

£'000	H1 09/10 H1 08/09		Change
UK	72,491	54,356	33%
International	24,012	11,350	112%
Group revenues	96,503	65,706	47%

Our International expansion is progressing well and is in line with our plans to increase the ease of shopping for our existing International customers and to extend our offer to a greater number of territories. With this in mind, we added 56 countries to our delivery schedules, bringing the total number of countries covered to 114.

These activities have driven our International business forward significantly with sales growth of 112% for the half year, whilst our International resources have been built up accordingly.

GROSS PROFIT

Our gross profit increased by 34% to £40.5m, with Group gross margin coming in at 42%, against 46% in the prior year. The 370 basis points reduction in the retail margin to 44.6% (from 48.3% in H1 2008/09) resulted from increased sourcing costs, incremental markdown arising from the extra sale period during the first half and a change in the branded product/own-label mix, when compared to last year.

Following the strategic decision to make investments in the service proposition, the delivery margin declined

accordingly. Going forward, the incremental cost of implementing our free returns policy will be borne in the delivery cost line, which is included in the cost of goods sold. During the second half of the year, we therefore expect to post a negative gross margin in this part of our business. This will, however, have only a small impact on the Group gross margin.

OPERATING COSTS

Operating costs grew by 37% to £36.1m, and in total, the operating cost ratio to sales improved by 280 basis points to 37.4% (2008/09: 40.2%).

£'000	H1 09/10	H1 08/09	Change
Payroll and staff costs	13,152	9,903	33%
Warehousing	9,609	7,165	34%
Marketing	4,101	3,931	4%
Production	960	725	32%
Other operating costs	6,844	3,787	81%
Depreciation	1,434	887	62%
Operating costs	36,100	26,398	37%
% of sales	37.4%	40.2%	-280bps

During the first half, we focused on controlling operating costs, resulting in an increase in operating efficiency.

Finance Director's Review continued

Our headcount at the end of the half year (excluding the logistics team which is outsourced) totalled 520 people, up from 441 at the year end.

During the half year we upgraded the warehouse management systems at our warehouse in Hemel Hempstead. The operating costs in the warehouse have increased by 34% on the prior year but again delivered a greater productivity ratio year on year. The operating cost ratio improved by 90 basis points to 10% (2008/09: 10.9%).

Marketing costs were held broadly flat year on year, as management prioritised the investment into the service elements of the business. A greater amount of investment is anticipated in the second half as we look to further increase our brand awareness domestically and internationally.

There was also a rise in productivity relating to production costs (preparing, photographing and managing the website images) during the half year as we continued to expand the breadth and depth of our product offering.

Other costs include head office running costs, IT infrastructure and legal and professional fees. The step change in these costs was down to a significant investment in the IT function and infrastructure to support the core system replacement programme and the development of the website. We do not expect this rate of increase to be maintained for the remainder of the year.

OPERATING PROFIT

Operating profit for the financial year increased by 14% over the half year to £4.4m and the operating margin declined to 4.5%, down from 5.8% in H1 2008/09. The gross margin dilution was partially offset by the operating cost ratio improvement, resulting in an overall 130 basis points decrease at the operating profit level.

FINANCE INCOME AND TAXATION

The cash balance was broadly level year on year at £8.7m (H1 2008/09: £8.9m). The financial income derived on this cash balance was, however, significantly lower than the prior year, as a result of lower prevailing interest rates.

The effective rate of tax for the Group was 28.2%, slightly above the UK statutory corporation tax rate.

EARNINGS PER SHARE

Fully diluted earnings per share grew by 9% to 4.0p, up from 3.7p in H1 2008/09.

CAPITAL EXPENDITURE

Capital expenditure during the half year amounted to $\mathfrak{L}5.1m$, up from $\mathfrak{L}3.7m$ in the prior year. The split of capital expenditure is set out below:

£'000	H1 09/10	H1 08/09
П	2,955	1,107
Warehouse	1,571	2,364
Office fixtures and fit-out	529	225
Total	5,055	3,696

The increase in capital expenditure is predominantly related to IT spend, associated with the replacement and enhancement of the warehouse management system, the merchandise planning system and our data centre.

We expect capital expenditure for the financial year to be approximately £11m.

CASH FLOW AND NET CASH

The Group continues to enjoy a strong, cash backed balance sheet, which is free of significant long-term liabilities and commitments. Major sources of cash inflow in the first half were Σ 5.8m EBITDA and other creditors of Σ 1.1m. In addition to the capital expenditure of Σ 5.1m, the Group continued to invest into the employee benefit trust (EBT), contributing Σ 0.5m in the period.

The Group cash balances were maintained at last year's level and reduced from the year end by £4.9m. This is due predominantly to a first half working capital unwind, associated with the settlement of foreign value added taxes (VAT). We expect cash balances to increase in the second half.

DIVIDEND

Sustaining the levels of growth delivered to date has required and will continue to require significant capital investment in the Company. The Board believes it is in the best interests of shareholders to continue to exploit the significant growth opportunities available to the business and consequently does not propose paying a dividend this year. This policy remains under constant review.

Nick Beighton

Finance Director



UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

	6 months to	6 months to	12 months to
3	0 September	30 September	31 March
	2009	2008	2009
	£'000	£'000	£'000
Revenue	96,503	65,706	165,395
Cost of sales	(56,019)	(35,473)	(93,696)
Gross profit	40,484	30,233	71,699
Administration expenses	(36,100)	(26,397)	(57,764)
Operating profit	4,384	3,836	13,935
Share of losses from joint venture	(74)	_	(78)
Finance income	93	216	268
Profit before tax	4,403	4,052	14,125
Taxation	(1,243)	(1,150)	(4,116)
Profit for the period	3,160	2,902	10,009
Earnings per Share			
Basic	4.26	4 .0p	13.6p
Diluted	4.02	3.7p	12.8p

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

	Share capital	Share premium	Retained earnings	Treasury shares	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2009	2,590	3,608	22,383	(2,872)	25,709
Shares allotted in the period	24	465	_	_	489
Purchase of shares by Employee Benefit Trust	_	_	_	(466)	(466)
Share options charge	_	_	109	_	109
Profit for the period	_	_	3,160	_	3,160
Balance as at 30 September 2009	2,614	4,073	25,652	(3,338)	29,001



UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 September 2009

	30 September	30 September	31 March
	2009	2008	2009
	£'000	£'000	£'000
Goodwill	1,060	1,060	1,060
Property, plant and equipment	15,198	8,398	11,578
Interest in joint venture	165	_	162
Deferred tax asset	3,073	2,550	3,562
Non-current assets	19,496	12,008	16,362
Inventories	35,187	22,126	28,085
Trade and other receivables	3,753	5,395	3,404
Cash and cash equivalents	8,661	8,852	13,587
Current assets	47,601	36,373	45,076
Current liabilities	(37,341)	(29,192)	(34,135)
Current tax liabilities	(755)	(838)	(1,594)
Net current assets	9,505	6,343	9,347
Provisions for other liabilities and charges	_	(636)	_
Net assets	29,001	17,715	25,709
Called up share capital	2,614	2,581	2,590
Share premium	4,073	3,536	3,608
Treasury shares	(3,338)	(2,420)	(2,872)
Retained earnings	25,652	14,018	22,383
Total equity	29,001	17,715	25,709

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2009

	6 months to	6 months to	12 months to
30) September	30 September	31 March
	2009	2008	2009
	£'000	£'000	£'000
Cash generated from operations	1,683	4,324	16,199
Taxation paid	(1,592)	(1,081)	(3,158)
Net cash inflow from returns on investment and servicing of finance	93	216	268
Net cash from investing activities	(5,133)	(3,696)	(8,440)
Net cash from financing activities	23	(1,280)	(1,651)
Net (decrease)/increase in cash and cash equivalents	(4,926)	(1,517)	3,218

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NOTES TO THE FINANCIAL STATEMENTS

The interim accounts for the six months ended 30 September 2009 are unaudited and do not constitute statutory accounts in accordance with section 240 of the Companies Act 1985. The financial information for the six months ended 30 September 2008 has not been audited but has been extracted from the IFRS compliant financial statements for the twelve months ended 31 March 2009. The auditors gave an unqualified report on these results. A copy of those financial statements has been filed with the registrar of companies.

2) SEGMENTAL ANALYSIS

	6 months to	6 months to 30 September	12 months to 31 March
	2009	2008	2009
	£'000	£'000	£'000
Geographical analysis of revenue:			
UK	72,491	54,356	133,165
International	24,012	11,350	32,230
Gross revenues	96,503	65,706	165,395

Revenue consists primarily of Internet and advertising sales as well as postage and packaging receipts. Revenue is recorded net of returns, relevant vouchers and value added tax when the significant risks and rewards of ownership have been transferred to the buyer.

3) EARNINGS PER SHARE

The calculation of earnings per share is based on the following:

	6 months to	6 months to	12 months to
30	September	30 September	31 March
	2009		2009
	£'000	£'000	£'000
Profit attributable to shareholders	3,160	2,902	10,009
Weighted average number of shares			
For basic earnings per share	74,139,725	73,434,444	73,635,398
For diluted earnings per share	78,571,605	78,639,912	78,144,164

4) The interim report will be posted to all shareholders of the Company and copies will be available upon application to ASOS PLC, Greater London House, Hampstead Road, London, NW1 7FB.

COMPANY INFORMATION

DIRECTORS:

Lord W Alli (Chairman)

N Robertson

J Kamaluddin

R Bready

P Williams

N Beighton (appointed 27 April 2009)

M Turner (appointed 30 September 2009)

K Jones (appointed 30 September 2009)

COMPANY SECRETARY:

J Kamaluddin

(resigned 27 April 2009)

N Beighton

(appointed 27 April 2009)

REGISTERED OFFICE:

Second Floor

Greater London House

Hampstead Road

London

NW1 7FB

Registered in England number

4006623

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP

Chartered Accountants and

Registered Auditors

10 Bricket Road

St Albans

Hertfordshire

AL1 3JX



LAWYERS:

Lawrence Graham LLP

4 More London Riverside

London

SE1 2AU

FINANCIAL ADVISOR,

NOMINATED ADVISOR

AND JOINT BROKER:

JPMorgan Cazenove Limited

20 Moorgate

London

EC2R 6DA

JOINT BROKER:

NUMIS Securities Limited

5th Floor

10 Paternoster Square

London

EC4M 7LT

FINANCIAL PR:

Cubitt Consulting Limited

30 Coleman Street

London

FC2R 5AL

REGISTRARS:

Capita Registrars

Northern House

Woodsome Park

Fenav Bridge

Huddersfield

HD8 0GA

ASOS PLC

Greater London House Hampstead Road London NW1 7FB

www.asos.com