

17 December 2018

## ASOS plc ("the Company") Trading Update

ASOS today announces a trading update for the first three months of the financial year. Although we delivered solid growth in sales of 14%, we experienced a significant deterioration in the important trading month of November and conditions remain challenging. As a result, we have reduced our expectations for the current financial year. Trading over the first three months of the current financial year is detailed as follows:

£m <sup>1</sup>	Three months to 30 November			
	2018	2017	Reported Increase	CCY <sup>2</sup> Increase
UK retail sales	237.1	199.6	19%	19%
<i>EU retail sales</i>	<i>203.8</i>	<i>172.1</i>	<i>18%</i>	<i>14%</i>
<i>US retail sales</i>	<i>85.0</i>	<i>75.2</i>	<i>13%</i>	<i>11%</i>
<i>ROW retail sales</i>	<i>114.1</i>	<i>117.3</i>	<i>(3%)</i>	<i>(2%)</i>
International retail sales	402.9	364.6	11%	9%
<b>Total retail sales</b>	<b>640.0</b>	<b>564.2</b>	<b>13%</b>	<b>12%</b>
<b>Total group revenue<sup>3</sup></b>	<b>656.0</b>	<b>576.7</b>	<b>14%</b>	<b>13%</b>

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

### Highlights:

- Total sales grew at +14% on a reported basis and +13% on a constant currency basis
- Retail gross margin -160bps
- Total orders placed 17.1m (+16% YoY)
- Customer engagement: active customers<sup>4</sup> +19%, average selling price (ASP) -6%, average basket size (ABS) +3%, average basket value (ABV) -3%, order frequency<sup>5</sup> +5%, conversion +20bps

### Revised guidance for the current financial year to August 2019:

- Sales growth: c.15% (previously +20-25%)
- Retail gross margin: c.-150bps (previously flat at 49.9%)
- EBIT margin: c.2% (previously c.4%)
- Capital expenditure re-phased down to c.£200m

Whilst trading in September and October was broadly in line with our expectations, November, a very material month for us from both a sales and cash margin perspective, was significantly behind expectations. The current backdrop of economic uncertainty across many of our major markets together with a weakening in consumer confidence has led to the weakest growth in online clothing sales in recent years. We have recalibrated our expectations for the current year accordingly.

<sup>4</sup>Defined as having shopped in the last twelve months as at 30 November, <sup>5</sup>Calculated as last twelve months' total orders divided by active customers

There has been a high level of discounting and promotional activity across the market. We have increased our own level of promotional activity, leading to a higher discount and continued high clearance mix.

This increased discounting, coupled with the unseasonably warm weather during the last three months has reduced our ASP which has not been compensated by higher units per basket. Consequently, ABV is now lower year on year. This has driven higher variable costs through both our distribution and warehouse cost lines. All other operating cost trends remain largely in line with expectations. We remain in a period of heavy transition costs which this year remain budgeted at a peak level of c.£30m. This drag on our profitability will decrease during the second half of the current financial year.

As a consequence of our current trading experience, the weighting of our H1:H2 profitability will shift from c.30%/70% as seen in prior years to an even more substantial weighting towards the second half of the current financial year.

### **Capital expenditure and Cash**

We have reduced capital expenditure for the current year to c.£200m. Capex as a percentage of sales will continue to fall as previously guided.

We have significant headroom within our existing banking facilities and continue to anticipate returning to a free cash flow positive position in FY20.

Whilst we remain in a period of heavy transition costs, automation of Eurohub2 will continue as planned with efficiencies accruing towards the end of this financial year. Our US distribution centre is currently operational and on track to achieve c.100% local fulfilment during the current financial year. Automation of the facility will now be re-phased by c.6 months. It is not anticipated that this will impact sales growth or distribution cost savings, but it will delay previously anticipated warehouse cost benefits.

### **Performance by geography**

In the UK, ASOS continues to materially outperform in its home market with sales growth YTD (1 September through 30 November) of +19% (cc: 19%), although this has been achieved at the cost of more promotional activity than initially planned and consumers buying into lower priced product. Consumer confidence is increasingly fragile as evidenced by the most recent BRC data (four weeks ended 24 November).

Turning to the EU, sales growth across this segment was +18% (cc: 14%) YTD. Trading conditions across our two largest markets of Germany and France, which account for c.60% of EU sales, have become significantly more challenging, with the performance of these two countries at +15% YTD. We have however seen some more encouraging performances across a number of the other EU countries, particularly those in which we have recently launched more localised experiences, and the performance of the EU segment excluding France and Germany is +24% YTD.

Our US performance, at +13% (cc: 11%) YTD, has largely been in line with our expectations as we have been testing our new operation in Atlanta as we move to 100% local fulfilment during the course of the current financial year. Discounting activity over the Black Friday period was very significant, a trend we did not follow.

In our ROW segment, our revenue performance has been significantly behind our expectations with sales YTD -3% (cc: -2%). The impact of sales misses in this region is more pronounced at the profit level as this segment has a higher gross margin and a lower returns rate than the group averages.

**Nick Beighton, CEO, commented:**

*"We achieved 14% sales growth in a difficult market, but in the light of a significant downturn in November, we think it's prudent to recalibrate our expectations for the full year. We are taking all appropriate actions and our ambitions for ASOS have not changed".*

ASOS intends to next update the market on trading on 15 February 2019.

***Investor and Analyst conference call:***

ASOS will be hosting a conference call for analysts and investors at 7.30am (UK Time) today. Please dial 0800 376 7922 within the UK, or +44 207 192 8000 if outside the UK. The conference call ID is: 6199518. Participants should dial in 15 mins early to avoid any delay in joining the call.

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

***For further information:*****ASOS plc**

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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 a global fashion destination for 20-somethings, selling all the freshest styles complemented by exclusive content, making ASOS.com the hub of a thriving fashion community and giving our audience the confidence to be whoever they want to be. ASOS sells over 87,000 branded and ASOS Brand products through localised app and mobile/desktop web experiences, delivering from fulfilment centres in the UK, US and Europe. ASOS curates a mix of our in-house designed labels, ASOS DESIGN, ASOS EDITION, ASOS WHITE and ASOS 4505, with global and local brands sold through our own channels to deliver a locally relevant offer. Our ground-breaking propositions help bring our amazing products to almost every country

in the world and we serve customers globally with increasingly tailored local experiences: relevant languages, payment methods and delivery and return options. You can currently shop ASOS in over 200 markets, in eight languages, using an ever greater number of different payment methods, with hundreds of local deliveries and returns options from pick up and drop off networks to Next-Day Delivery. We aim to give all our global customers a truly frictionless experience.