

H1 FY23 Results

10th May 2023

asos

Agenda

H1 FY23 Results

Overview

CEO Update

H1 FY23 Financial Results

Outlook



Executing on Driving change agenda, creating strong foundations for sustainable profit and cash generation

H1 FY23

Sales declined 7%¹ reflecting a challenging backdrop and **planned profitability initiatives**. Adjusted EBIT of (£69.4)m reflecting phasing of headwinds and benefits across FY23.

Operational excellence

On track to deliver **over £300m benefits**, with over £100m delivered in H1 and more than 95% of H2 balance flowing from **actions already taken**.

New Commercial model

Stock reduction ahead of plan (down 9% vs FY22 year end), with plan to reduce stock c.20% YoY by year end. Gross margin exit rate up over 300bps YoY.

Robust Balance sheet

Cash headroom of over £400m at H1 FY23. In May, amended and extended £350m RCF facility through to November 2024.

Leadership & culture

Simplified decision-making processes, promoted culture of innovation, and **reinforced the senior leadership team** with strategic key hires.

Driving Change

Remain focused on **executing the final stages of Driving Change** agenda, creating strong foundations for next phase of growth.



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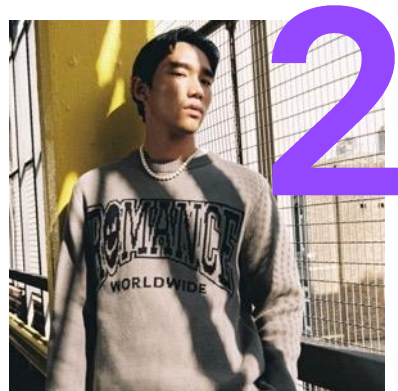
Outlook



The Driving Change agenda underpins ASOS' journey to sustainable profit and cash generation



Renewed
commercial model



Stronger order
economics and lighter
cost profile



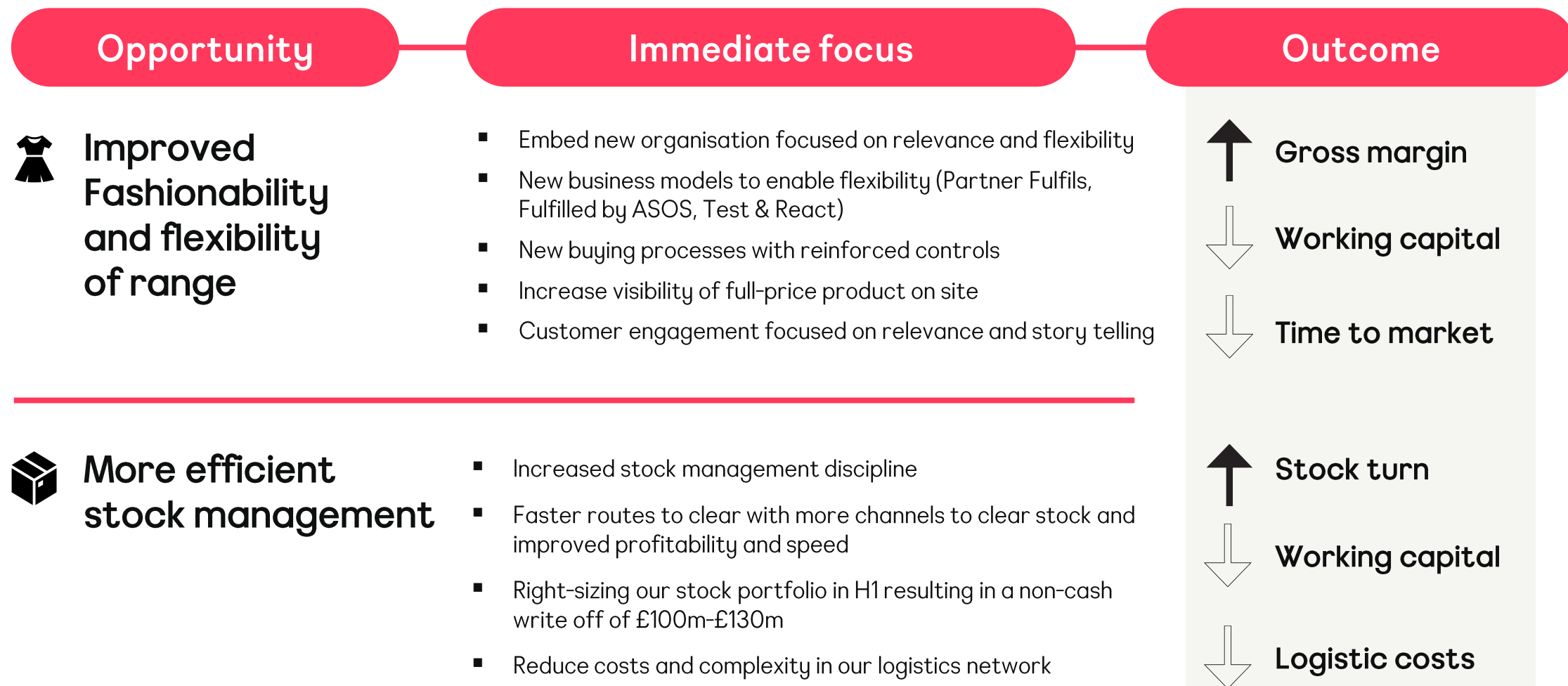
Robust and flexible
balance sheet



Refreshed leadership
team & culture

01. Renewed commercial model

Accelerated change in buying and merchandising resulting in a more curated customer offer and more efficient stock management



01. Renewed commercial model

Accelerated change in buying and merchandising resulting in a more curated customer offer and more efficient stock management

Opportunity



Improved Fashionability and flexibility of range



More efficient stock management

What we've achieved

Maintained gross margin¹ in the face of headwinds

Progress on stock
(-9% vs plan of -5% on FY22)

Extracted c.90% of stock identified for write off

Central merchandise planning team created

Decisive action taken to lower SS23 and AW24 intake



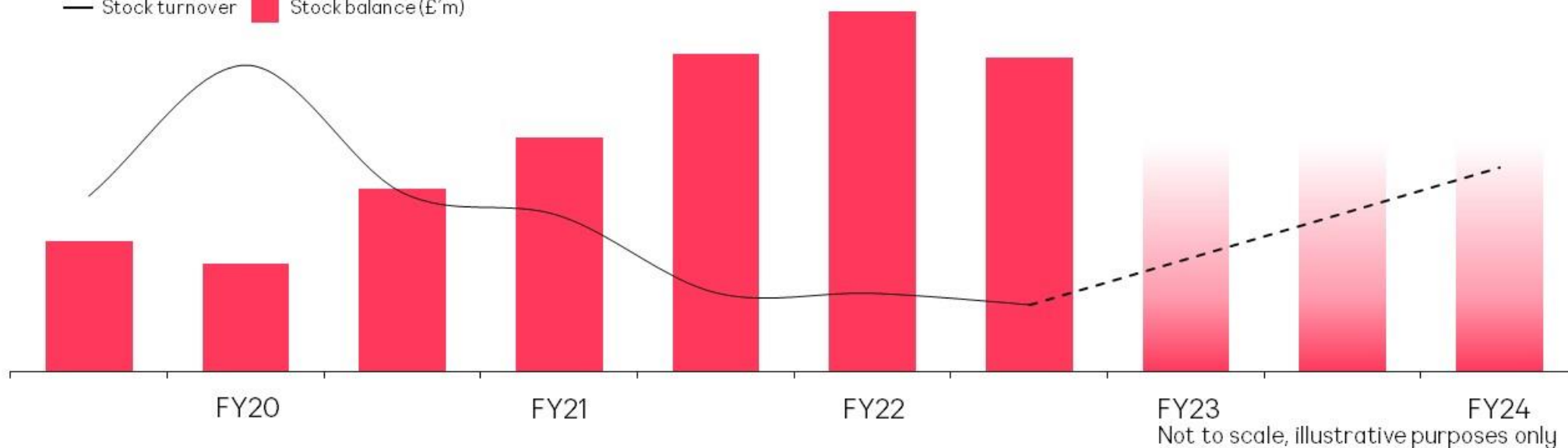
¹ Adjusted gross margin in H1 FY23 of 42.9%, vs. H1 FY22 43.1%
All sources: ASOS internal operational records

01. Renewed commercial model

Structured approach to reducing stock with stock turn returning to pre-pandemic levels by FY24

Stock Balance & Stock Turnover¹

— Stock turnover ■ Stock balance (£'m)



Pandemic, Supply chain disruption and old commercial model

- Historical lack of discipline on clearance
- Volatile demand, global supply chain issues
- Stock build ahead of expected sales growth

Driving Change

- Stock write-off
- New commercial model
- Reduced option width for SS23

New Model

- Restored width and optimised volume for AW23 and beyond
- Stock turn restored by FY24

¹Stock balance as per reported financial statements. Stock turnover based on stock balance and forward-looking COGs
All sources: ASOS internal operational records

01. Renewed commercial model

ASOS is trialling new initiatives to increase long-term flexibility in the assortment

Own brand: Test & React

UK pilot across selected product categories to pressure test ASOS processes



Success on 'Test' cycle:
product to site in c.2 weeks



'React' cycles in progress: success will
be measured by rate of sell through

Small initial purchase + product refinement based on customer reaction +
replenishment based on demand

Benefits include:



First to market
on new trends



'React' not 'repeat':
differentiated product
based on learning



Quicker turnover and less
product into markdown

Potential to roll out across categories / geographies based on initial learnings



■ 01. Renewed commercial model

ASOS is trialling new initiatives to increase long-term flexibility in the assortment

Partner brands: Partner Fufils

Product available on ASOS platform but fulfilled directly by partner brands

Benefits include:



Increased width / depth
without inventory risk



Additional flexibility in longer lead categories
(e.g. sportswear)

Tech development to enable easier integration for new brands and better partner experience

From 2 brands in the UK at launch in FY22 to 24 brands in the UK and EU today

For one key sportswear brand, Partner Fufils sales accounting for c.20% of sales mix in countries where we are live



ASOS

● 02. Stronger order economics and lighter cost profile

Mitigate the impact of inflation and improve profitability

11

Opportunity



Improved order economics, especially outside key strategic markets

- Revisit our positioning outside key strategic markets
 - Optimise prices and service levels
 - Revisit price of our delivery services
- Reduce split deliveries

Immediate focus

Outcome



Margin per order



Split shipments



Logistics cost/order



Overhead costs



Intake margin



Optimise our cost base

- Optimise our logistics costs
 - Consolidation of warehouses
 - Increase of operational efficiency
- Reduction of our overhead costs
 - Simplification of processes and organisation
 - Optimisation of promotional spend
 - Reduction of external spend
 - Rationalisation of assortment
- Improvement of freight costs

● 02. Stronger order economics and lighter cost profile

Mitigate the impact of inflation and improve profitability

Opportunity



Improved order economics, especially outside key strategic markets



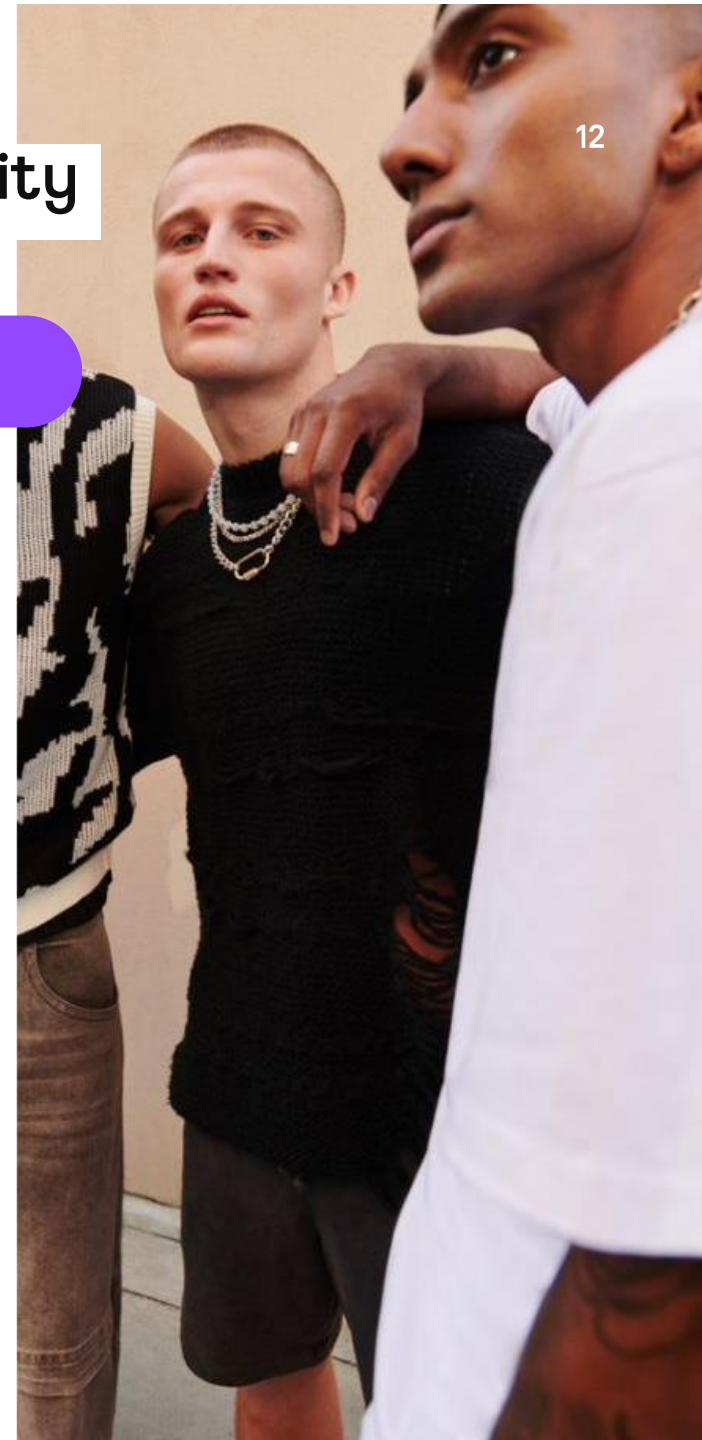
Optimise our cost base

What we've achieved

Over £100m of Driving Change benefits already realised

Significant improvement in country-level profitability

Discipline on marketing spend to drive ROI



● 02. Stronger order economics and lighter cost profile

Through Driving Change actions we have realised more than £100m of benefits in H1 split between four main categories

Workstreams include...

Buying Optimisation

Examples include:

- Reduction in duty and reprocessing costs
- Product specific actions to improve profitability, e.g. on bridalwear

Pricing and Proposition

Examples include:

- Changes to price and delivery proposition by country
- Dynamic pricing based on demand

Supply Chain

Examples include:

- Winding down of ancillary storage
- Reduced fulfilment from Lichfield
- Streamlining UK returns

Other

Examples include:

- Reduction of overheads
- Optimisation of marketing spend
- Consolidation of tech contracts



02. Stronger order economics and lighter cost profile

Profit optimisation measures have been taken to address unprofitable brands, geographies and customer behaviours

	Target	Example	Solution	Outcome
From Oct 2022	Brand	Example: <ul style="list-style-type: none">Strategic partner with multiple brandsLoss-making in FY22	<ul style="list-style-type: none">Removed promo on best performersReduced markdown in red pen eventsCapped discount depth	<ul style="list-style-type: none">c.9m units sold in H1, +c.10% YoYSwing to positive contribution
From Nov 2022	Country	Poland: <ul style="list-style-type: none">Top 20 by salesLoss-making in FY22	<ul style="list-style-type: none">Standard delivery charge reduced / no free deliveryPricing changesReduced markdown and marketing	<ul style="list-style-type: none">Swing to positive contribution
From Mar 2023	Customer	<ul style="list-style-type: none">6% customersLoss of c.£6 per orderMarkdown focused, high returns, frequent orders	<ul style="list-style-type: none">Disincentivise negative behavioursPersonalise approach by cohort	<ul style="list-style-type: none">Early stage

▲ 03. Robust and flexible balance sheet

Enhanced flexibility to support agenda for change

15

Opportunity

Significantly enhanced financial flexibility

- Proactively renegotiated the RCF and waiver of banking covenants
- Cash and undrawn facilities of over £650m at FY22 year end

Immediate focus

Outcome

 **Operational flexibility**

 **Capex**

Create more flexible and prioritised allocation of capex

- Reduced logistics capex and investment focused on priority digital initiatives
- Planned strategic investment in technology will be maintained in support of an improved customer experience, better data management and some critical priority initiatives such as Partner Fulfil

▲ 03. Robust and flexible balance sheet

Enhanced flexibility to support agenda for change

Opportunity

🎯 Significantly enhanced financial flexibility

📦 Create more flexible and prioritised allocation of capex

What we've achieved

Amended and extended £350m RCF facility through to November 2024

Robust balance sheet with cash and headroom of >£400m at 28 February 2023

Capex scaled back in H2 capex via deferral of automation projects

Investment re-prioritised to support innovation in key initiatives



▲ O3. Robust and flexible balance sheet

Investment re-prioritised to support innovation in key initiatives

17

Project

Result

AI-based pricing elasticity tool to optimise markdown approach



Reduced markdown depth for top 40 brands over peak

"ASOS Drops" functionality



Limited drops to give customers a fairer chance to access in-demand product

Further development of Partner Fulfil



Infrastructure to add additional partners with a more efficient onboarding process

Flowline forecasting for ASOS Design products



Improvement of out of stock rate

Further development of personalisation functionality



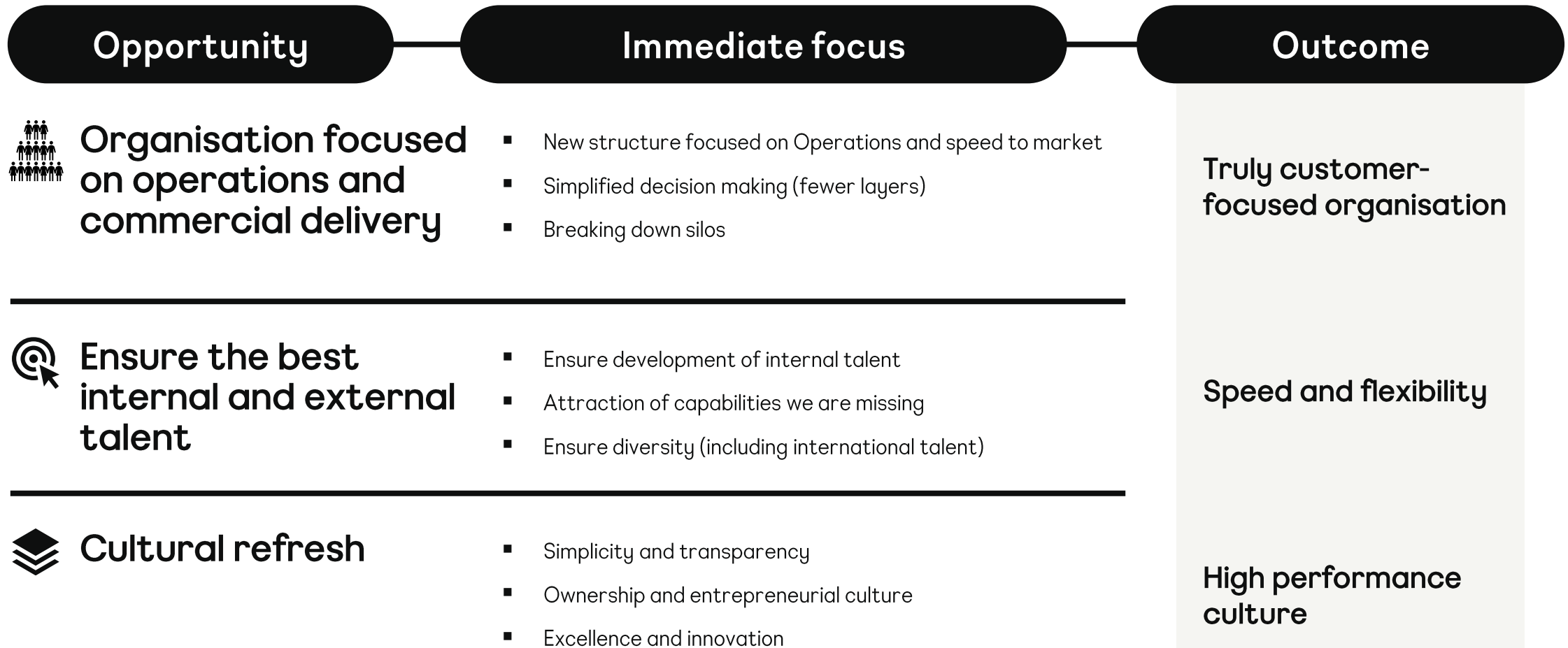
Personalising view of recently stocked products and increasing exposure to wider product range



asos

■ 04. Refresh leadership team and culture

Focus the organisation on operations, simplify decision making and embed a high performance culture



■ 04. Refresh leadership team and culture

Focus the organisation on operations, simplify decision making and embed a high performance culture

Opportunity



Organisation focused on operations and commercial delivery



Ensure the best internal and external talent



Cultural refresh

What we've achieved

New Management Committee operational

Internal talent complemented by external hires

Flatter structures enabling quicker decision-making

Commitment to innovation and creativity



■ 04. Refresh leadership team and culture

The ASOS Management Committee blends best-in-class external hires with home-grown talent

20



CEO

José Antonio Ramos
Calamonte

Management Committee



Senior Customer Director
Dan Elton



Chief Financial Officer
Sean Glithero
Interim



Chief Technology Officer
Cliff Cohen



Chief People Officer
Caroline Ross
Interim



Senior Creative Director
Vanessa Spence



**Senior Global Commerce
& Channels Director**
Fiona Gaughan



**General Counsel and
Company Secretary**
Emma Whyte



**Senior Director of Strategy
& Corporate Development**
Michelle Wilson



**Director of Corporate
Transformation**
Jag Weatherley



**Technical Adviser to CEO &
Senior Director of Operations**
Sean Trend



**Senior Global Logistics,
Supply Chain & Customer
Care Director**
Christoph Stark



Senior Product Director
Supported by WW, MW and
Partner Brands Directors in
the interim

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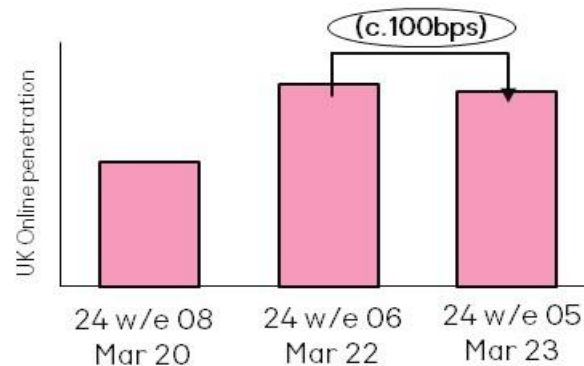


Financial performance reflects focus on profit over top-line growth in a challenging trading environment

22

Trading environment

- Online penetration declined YoY but remains notably higher than pre-pandemic¹



- c.20% of 16-35 year old UK shoppers “financially struggling”²
- UK market position maintained with growing share in UK 16-35 year old online market³

Driving Change actions

- Profitability actions by geography, brand and customer cohort
- Reduced investment in markdown in P2
- Right-sizing of stock reducing options short-term
- Discipline on marketing spend

¹ASOS calculation of online penetration being online spend / spend in total market (store and online) from Kantar Worldpanel | GB Fashion Panel | Total clothing, footwear & accessories | Online | 24 w/e 3rd March 2023 vs. LY and LY-2

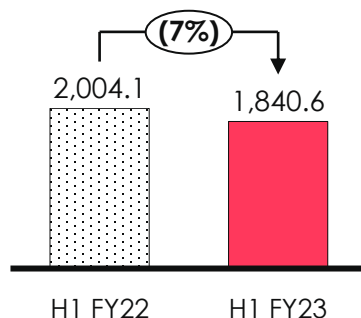
²Kantar Worldpanel | GB Fashion Panel | Total clothing, footwear & accessories | Online | 24 w/e 5th Feb 2023 vs. LY

³Kantar Total Market | Total Clothing, Footwear and Accessories | Top Retailers | Total, Online | 24 w/e 5th March 2023 vs. LY

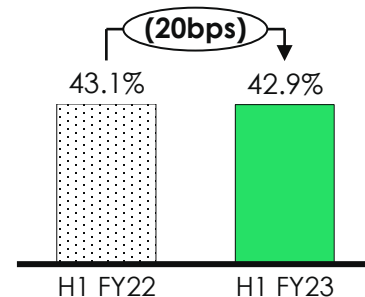
H1 FY23 Headline Results

23

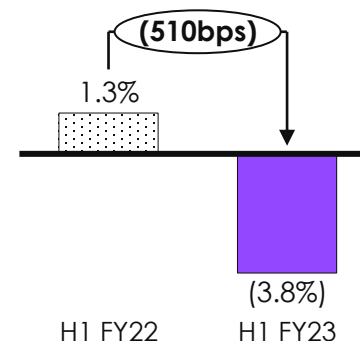
TOTAL SALES¹ (£'m)



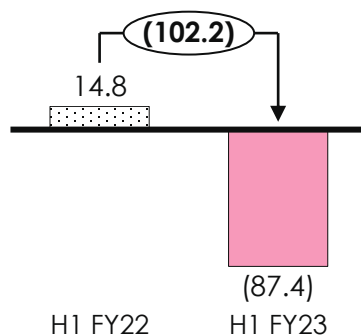
ADJUSTED² GROSS MARGIN (%)



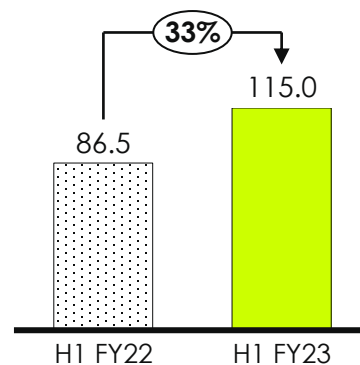
ADJUSTED³ EBIT MARGIN (%)



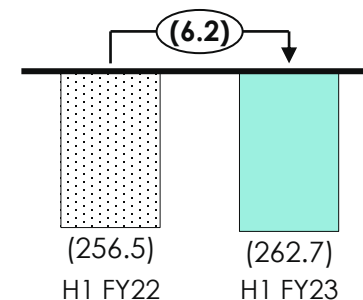
ADJUSTED⁴ PBT (£'m)



CAPEX⁵ (£'m)



FREE CASH OUTFLOW⁶ (£'m)



¹Total sales growth based on constant currency sales growth and excludes Russian sales in H1 FY22.

²Excluding adjusting items totalling £124.6m in H1 FY23 (H1 FY22: £nil. Please see RNS for full breakdown).

³Excluding adjusting items totalling £203.1m in H1 FY23 (H1 FY22: £30.6m). Please see RNS for full breakdown.

⁴Excluding adjusting items totalling £203.5m in H1 FY23 (H1 FY22: £30.6m). Please see RNS for full breakdown.

⁵Capex reflects cash capex and excludes any fixed asset additions in relation to the right use of assets as part of IFRS 16.

⁶Free cash flow is calculated by adding net cash used in operating activities, cash used in investing activities and cash generated from financing activities and excluding RCF drawdown.

All sources: ASOS internal operational records.

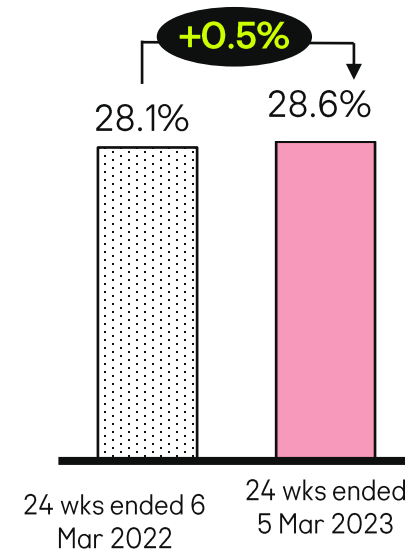


Focus on profitability is delivering improved order economics and increased customer share of wallet at the expense of growth

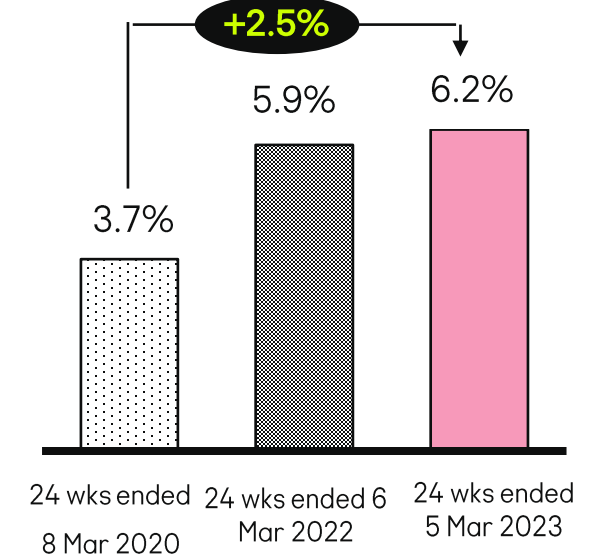
24

Group KPIs	H1 FY23 ¹	Change vs LY
ABV CC ²	£39.86	+5%
Visits	1,384.6m	(5%)
Average Order Frequency ³	3.7	(1%)
Active Customers ⁴	24.9m	(2%)
Premier Customer growth		(7%)
Conversion ⁵	3.1%	(20bps)

ASOS UK Shoppers Share of Wallet⁶



Market Share (UK 16-35 year olds)⁷



Adjusted gross profit per order +6%



ABV growth due to higher ASP resulting from pricing and discipline in markdown



Reduction in customers due to profit actions and post-pandemic churn



Improving customer loyalty evidenced by 50bps increase in share of wallet⁶

¹ Group KPIs are on an ex-Russia basis in H1 FY22. ² ABV quoted on a constant currency basis excluding Russia. ³ Calculated as last 12 months' total orders divided by active customers. ⁴ Active customers defined as having shopped in the last 12 months as at 28 February. ⁵ Calculated as total shipped orders divided by total visits. ⁶ Kantar ASOS Shoppers | Online | Spend % | 24 w/e 5th March 2023 vs LY. ⁷ Kantar Total Market | Total Clothing, Footwear and Accessories | 16-35 year olds | Market Shares | 24 w/e 5th March 2023 vs LY and LY-2. All sources: ASOS internal operational records

Key financials by segment



UK

Sales impacted by weak consumer sentiment, with online penetration back YoY, and trading volatile



EU

Flat sales despite macroeconomic backdrop and profitability measures taken in the region



US

Sales impacted by lower markdown and reduced marketing spend in a period of weak consumer sentiment



RoW

Substantial changes from the country profitability review undertaken in P1 and sharp reduction in marketing spend

	UK	EU	US	RoW ¹
Total sales CC ²	(10%)	Flat	(7%)	(12%)
Visits	(8%)	Flat	(1%)	(18%)
Conversion ³	(30bps)	(10bps)	(20bps)	(10bps)
CC ABV ⁴	+4%	+6%	+6%	+11%
Active Customers ⁵	8.6m (-2%)	10.6m (+1%)	3.2m (-9%)	2.5m (-7%)
Premier Customer growth	(13%)	+13%	(6%)	+78%

¹ Calculation of metrics, or movements in metrics, on an ex-Russia basis involves the removal of Russia from H1FY22 performance. This adjustment allows YoY comparisons to be made on a like-for-like basis following the decision to suspend trade in Russia on 2 March 2022. The exception to this is visits, where ASOS have also excluded any visits from Russia in H1FY23, in addition to H1FY22

² Segmental sales based on total sales, which includes retail sales and income from other services, and growth rates calculated on a constant currency basis

³ Calculated as total shipped orders divided by total visits

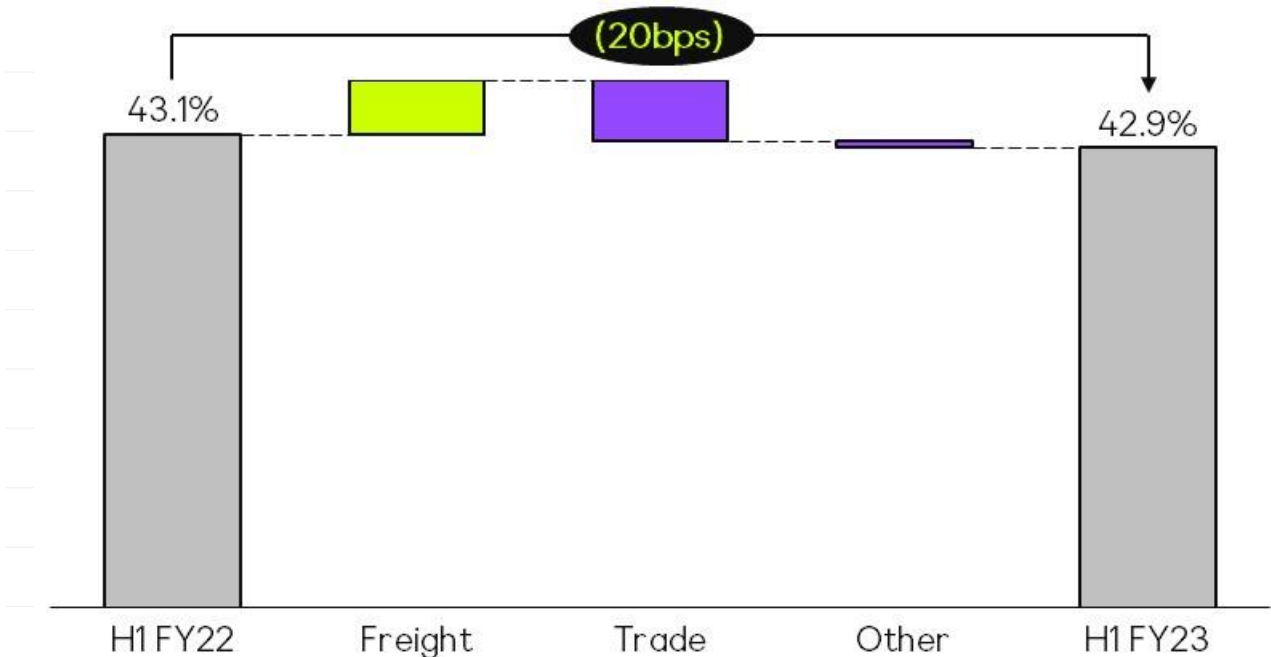
⁴ ABV CC metrics is calculated as net retail sales/number of orders in the period on a constant currency basis

⁵ Active customers defined as having shopped in the last 12 months as at 28 February

All sources: ASOS internal operational records

On an adjusted basis, gross margin was broadly flat versus both H1 FY22 and P1 FY23 in the face of significant headwinds

H1 FY23 Adjusted Gross Margin Bridge¹



Adjusted Gross Margin impacts



Initial benefits from improved freight prices and reduction in air freight



Adversity from trading activity including input cost inflation, partially offset by benefits from pricing

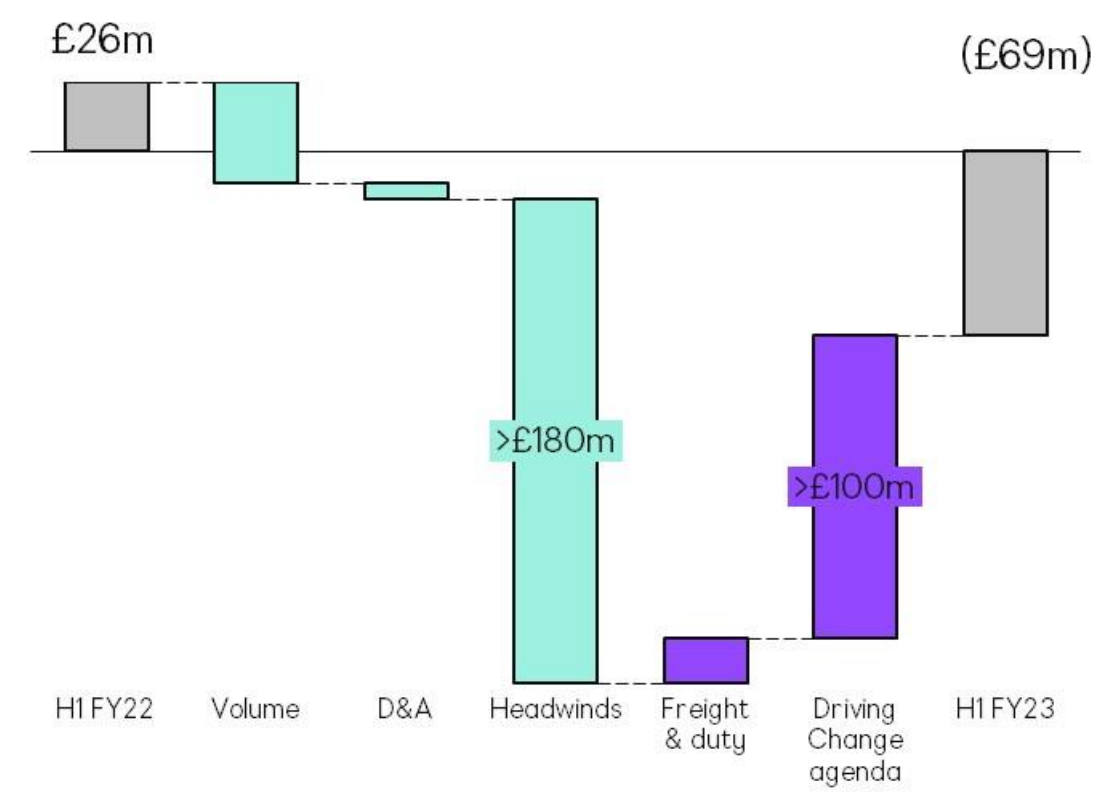


Recent gross margin run rate up more than 300bps YoY driven by actions taken in the period combined with improving freight & duty rates

¹ASOS internal operational records

Phasing of Driving Change benefits and headwinds resulted in an adjusted EBIT loss in H1 FY23

H1 FY23 Adjusted EBIT Bridge vs H1 FY22 (£'m)¹



Headwinds and mitigating Driving Change agenda initiatives

Headwinds

- ✗ Inflation across all cost lines – average of mid-single digit on total cost base
- ✗ Return rate normalisation annualising in May 2023
- ✗ Supply chain inefficiencies from overstocking at beginning of the year – UK LCPU +16%
- ✗ Annualisation of incremental costs in FY22

Driving Change agenda

- ✓ Profit optimisation and cost saving measures across 78 workstreams
- ✓ H1 initiatives include supply chain cost savings (c.£27m), overhead savings (c.£12m) and marketing (c.£6m)

¹Excluding adjusting items totalling £203.1m in H1 FY23 (H1 FY22: £30.6m). Please see RNS for full breakdown ASOS internal operational records

Warehouse and other costs reflecting the majority of headwinds

28

	H1 FY23 % of sales	Change vs H1 FY22	Key Drivers
Adjusted Gross Margin¹	42.9%	(20bps)	
Distribution Costs	(12.5%)	30bps	<ul style="list-style-type: none"> Impact of Driving Change initiatives more than offsetting increased fuel surcharges
Warehouse	(12.4%)	(210bps)	<ul style="list-style-type: none"> Headwinds of labour, consumables & utilities inflation and return rate normalisation partially offset by Driving Change initiatives
Marketing	(6.0%)	Flat	<ul style="list-style-type: none"> Investment optimised in light of economic conditions and focus on profitable growth
Other Costs	(11.9%)	(260bps)	<ul style="list-style-type: none"> Wage and other overhead inflation, contractual increases and annualisation of headcount build in H2 FY22
Depreciation and Amortisation	(4.0%)	(60bps)	
Other Income	0.1%	10bps	
Adjusted EBIT Margin²	(3.8%)	(510bps)	

¹Excluding adjusting items totalling £124.6m in H1 FY23 (H1 FY22: £nil). Please see RNS for full breakdown.

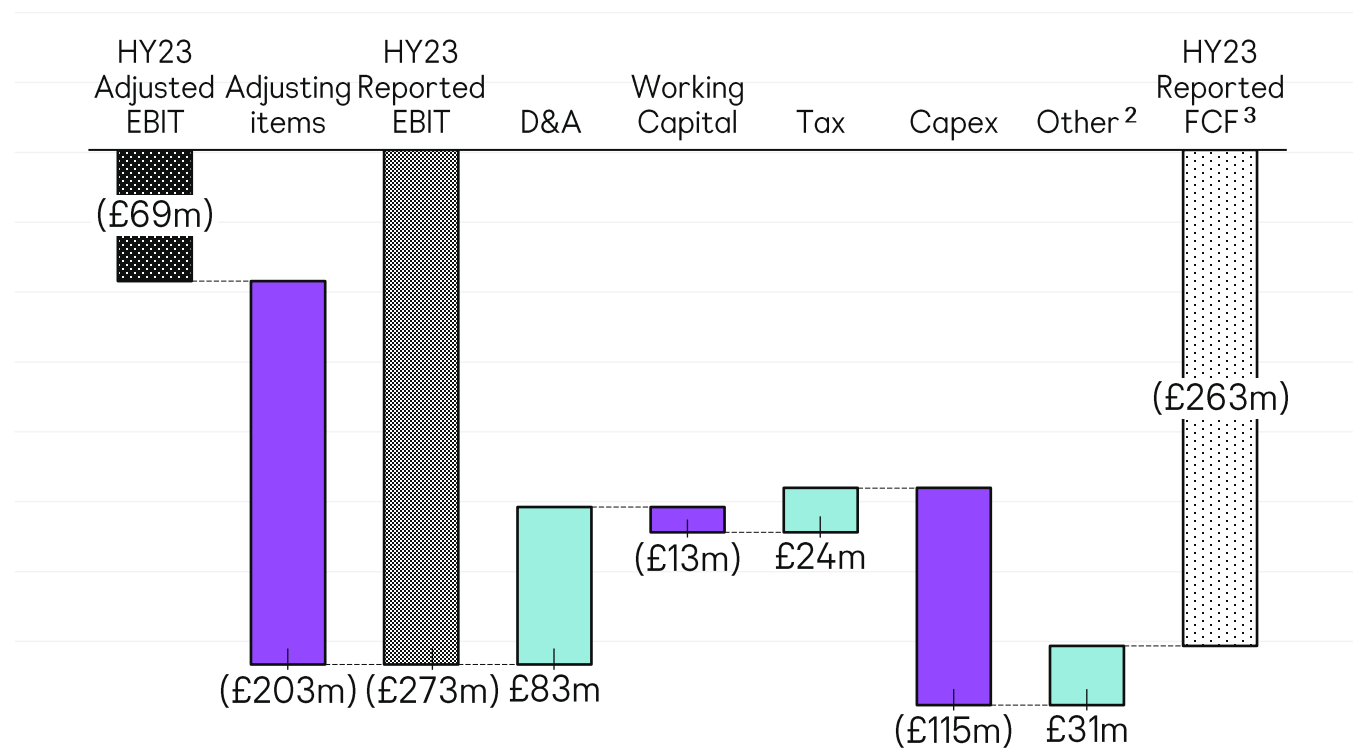
²Excluding adjusting items totalling £203.1m. Please see RNS for full breakdown.

Note: Above table subject to rounding. All sources: ASOS internal operational records



Free cash outflow derived from reported EBIT loss and H1-weighted capex

H1 FY23 Free Cashflow Bridge (£'m)¹



¹ASOS internal operational records

²Other is mainly driven by non cash impairments

³FCF outflow is excluding RCF drawdown of £250m

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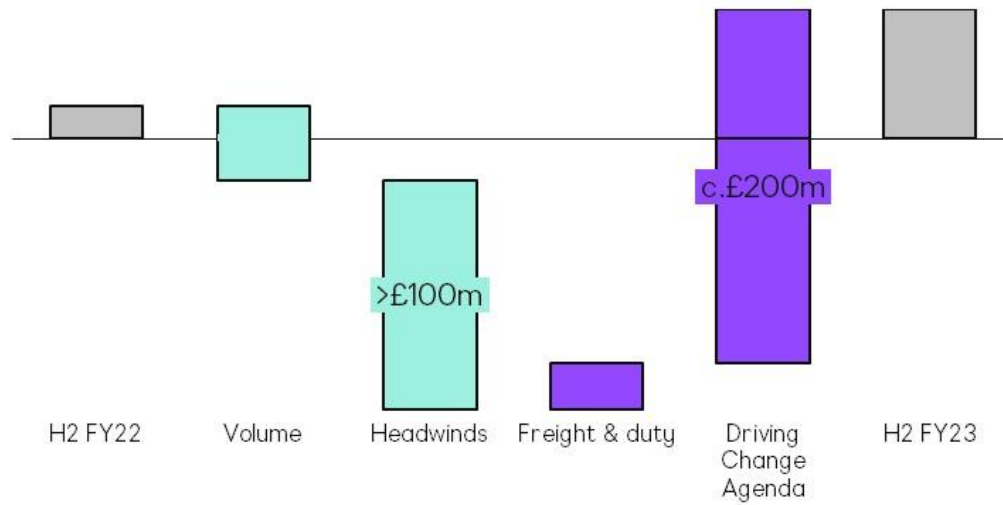
Outlook



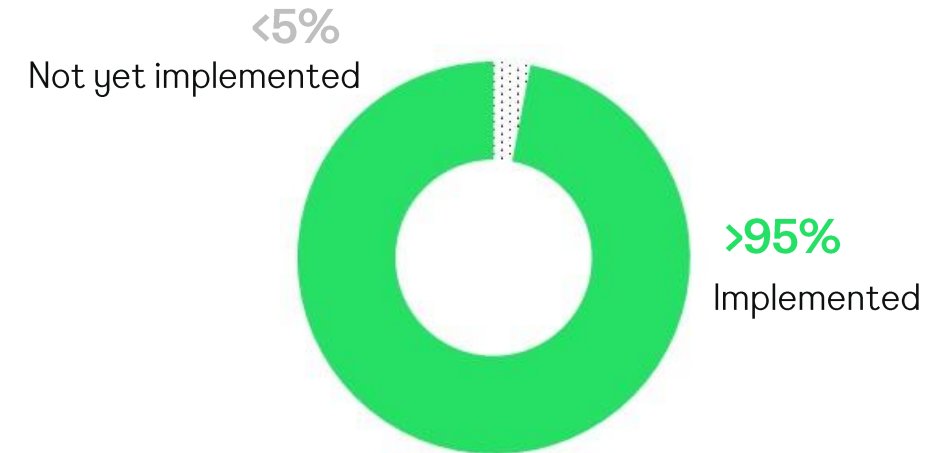
Return to profit in H2 FY23 with headwinds abating and over 95% of Driving Change benefits from initiatives already in place

31

H2 FY23 Adjusted EBIT Bridge vs H2 FY22 (£'m)¹



H2 Driving Change agenda



Headwinds

- ✓ Starting to ease:
 - Mid-single digit inflation
 - Return rate annualising in May 2023
 - Improved efficiency from reduced inventory

Driving Change agenda

- ✓ More than 95% of c.£200m H2 profit optimisation and cost benefits based on initiatives already in place
- ✓ For example: supply chain initiatives all implemented and set to drive >£35m in H2 FY23 (c.£27m in H1 FY23)

¹ASOS internal operational records

Current trading & H2 outlook

Current trading:

- P2 sales momentum broadly continued into March and April (-15% CCY ex Russia) with approx. half of the sales decline driven by planned profitability measures.
- Gross margin run rate remains up over 300bps YoY.

H2 guidance:

- Sales (CCY ex Russia) decline of low double digit YoY
- Adjusted gross margin improvement of c.200bps YoY expected in H2 FY23, inventory reduction of c.20% YoY at FY23 year end
- Adjusted EBIT of £40-£60m (c.3% adjusted EBIT margin)
- Free cash inflow of over £150m (excluding all incremental refinancing costs), which equates to >£125m free cash inflow including refinancing costs
- Interest expense of c.£30m, including amortisation of arrangement fees and related costs
- Capex of £60-85m (in-line with FY23 guidance of £175-200m)
- EBIT impact of adjusting items in the range of £25m-£30m in, of which £15m is non-cash (mostly relating to the Driving Change agenda).

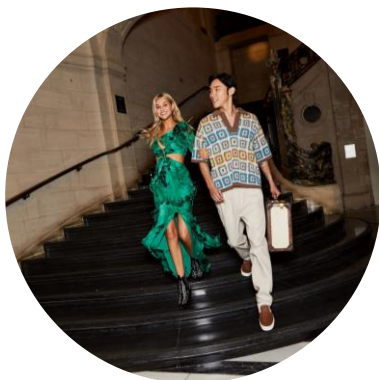
Full year guidance:

- FY23, free cash outflow (prior to incremental refinancing costs) will be around £100m (i.e. around the bottom end of the £0 to £100m outflow guidance provided at FY22)

¹Total sales growth based on constant currency sales growth and excludes Russian sales in H1 FY22
All sources: ASOS internal operational records



Action taken over the last six months lays strong foundations for sustainable profitability and cashflow in H2 and beyond



Good progress in the rollout of new commercial model



Profit optimisation and cost initiatives on track



Refinanced to deliver robust and flexible balance sheet



Refreshed leadership team, simplified structure and focus on innovation

Q & A

The image features a solid black background. At the top and bottom edges, there are decorative horizontal bands composed of various white geometric shapes, including rectangles, squares, and lines of different lengths, creating a modern, architectural feel. Centered in the middle of the image is the word "asos" in a large, white, lowercase, sans-serif typeface. The letters are thick and have a clean, minimalist design.

asos

EBIT adjusting items for H1 totalled £203.1m, with a cash impact of £23m. Adjusting items for H2 guided to be in the range of £25-£30m

	H1 23 (£'m) EBIT impact	H2 23 expected EBIT impact (£'m)
Stock write off	128.2	c.3
Property impairments	49.4	5-10
Other strategic initiatives of Driving Change agenda	10.6	c.12
Topshop brands amortisation	5.1	c.5
Non-underlying sales tax	9.8	
Total of Adjusting Items	203.1	25-30
Cash impact of Adjusting Items	23.0	10-15

Property impairments

A number of Group-occupied sites were vacated in H1, including office and warehouse space, resulting in:



One-off non-cash impairment charge to write down assets for sites vacated



Accelerated depreciation charge on sites to be vacated in H2



Exit provisions relating to onerous contract costs on leased sites identified for closure

