

16 October 2019

ASOS plc
Global Online Fashion Destination
Final Results for the year to 31 August 2019

Summary financial results

£m ¹	Year to 31 August 2019	Year to 31 August 2018	Change	CCY ² Change
Group revenues ³	2,733.5	2,417.3	13%	12%
Retail sales	2,657.7	2,355.2	13%	12%
UK retail sales	993.4	861.3	15%	15%
International retail sales	1,664.3	1,493.9	11%	10%
Gross profit	1,334.3	1,237.1	8%	
Retail gross margin	47.4%	49.9%	(250bps)	
Gross margin	48.8%	51.2%	(240bps)	
Profit before tax	33.1	102.0	(68%)	
Diluted earnings per share	29.4p	98.0p	(70%)	
(Net debt) / Cash	(90.5)	42.7		

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

Results summary

- Retail sales up 13%
- UK sales growth +15%, EU +12%, US +9%, ROW +12%
- PBT £33.1m after substantial transition and restructuring costs (FY18: £25m, FY19: £50.5m)
- Total orders placed of 72.3m, +14% year on year
- Net debt of £90.5m reflecting elevated capex investment in support of the global logistics platform

Solid finish to the year

- P4 sales growth +15%, P4 visits +20%
- Euro Hub automation and mechanisation issues resolved, facility operational as planned
- Product rebalancing and stock build in US progressing well

Priorities for FY20

- Strengthen organisational capability to deliver effectively into the future
- Remove non-strategic cost to support future growth and profitability
- Further increase product choice, availability and newness
- Continue to improve presentation and social media engagement
- Optimise approach to customer acquisition and retention
- Leverage benefits from transformational investments to drive efficiency and enhance customer propositions

Nick Beighton, CEO, commented:

"This financial year was a pivotal period for ASOS, where we have invested significantly and enhanced our global platform capability to drive our future growth. Regrettably this was more disruptive than we originally anticipated. However, having identified the root causes of our operational issues, we have made substantial progress over the last few months in resolving them. Whilst there remains lots of work to be done to get the business back on track, we are now in a more positive position to start the new financial year."

"Our focus now shifts to ensuring that we enhance our capability to drive an improved customer experience and leverage the benefits from the investments we have made. With over 60% of our revenue coming from international customers and a strong global logistics platform with capacity to grow, we are well positioned to take advantage of the global growth opportunity ahead of us."

Investor and analyst meeting:

There will be a meeting for investors and analysts that will take place at 9.30am today, 16 October 2019, at ASOS, Greater London House, Hampstead Road, NW1 7FB. A webcast of the meeting will be available both live and following the meeting at www.asosplc.com.

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 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 800 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, including Next-Day and Same-Day Delivery, dispatched from state-of-the-art fulfilment centres in the UK, US and Germany.

ASOS's websites attracted 187.4m visits during August 2019 (August 2018: 157.2m) and as at 31 August 2019 had 20.3m active customers¹ (31 August 2018: 18.4m), of which 6.4m were located in the UK and 13.9m were located in international territories (31 August 2018: 6.0m in the UK and 12.4m internationally).

¹ Defined as having shopped in the last twelve months as at 31 August

ASOS plc ("the Group")
Global Online Fashion Destination
Final Results for the year to 31 August 2019

Overview

The financial and operating performance of ASOS has been disappointing this year. The huge investment we undertook in transitioning us into a business with scale and operational capability in both the EU and US has been more challenging than we foresaw. The transformation has been huge and we underestimated the impacts of large scale operational change being executed on two continents simultaneously. With the benefit of hindsight, we were not adequately prepared for the additional complexities of planning and trading across our expanded warehouse footprint. It is also clear that our internal capabilities had not kept pace with this growth and change in complexity, and accordingly we lost focus on several of our core competencies, notably product, presentation and customer engagement.

This was reflected in our financial performance. Total sales grew by 13% to £2,733.5m supported by an improving performance in P4. Retail gross margin reduced 250bps to 47.4% reflecting the shift to a local platform in the US, expansion of our high street brand offering and adverse country mix as a result of the operational challenges experienced in the year. PBT of £33.1m further reflected a number of transitional impacts from the logistics transformation programme and warehouse implementations undertaken in the year.

We are confident in having identified the root causes of the issues faced this year and continue to make good progress against the remedial plans set out earlier in the year. Embedding automation within our Euro Hub has progressed in line with our expectations and we continue to make good progress expanding our US stock pool in advance of peak trading. Whilst we are seeing encouraging signs of recovery, both in our product performance and our customer engagement, we are clear on what we still need to do to further build momentum globally.

Having invested heavily into the platform and foundations of the business over the last few years, both in terms of physical infrastructure and technology, our focus now shifts to enhancing the capabilities needed to ensure we leverage these investments. With the current investment in the global platform largely complete, this year represents the end of a period of elevated capital spend which we expect to fall towards more normal levels going forward. As a result, in FY20 we expect capex to be around £150m.

As we look ahead to FY20 and beyond, the foundations we have built will allow us to continue capitalising on the opportunity to be one of the few truly global leaders in retail. We are positioned well, with a strong 20-something fashion focussed brand backed by the strategic assets, and in the right channel to continue capturing market share as consumers migrate online.

In order to deliver on this global growth opportunity, our priorities for the year ahead are:

- Strengthen organisational capability to deliver effectively into the future
- Remove non-strategic cost to support future growth and profitability
- Further increase product choice, availability and newness
- Continue to improve presentation and social media engagement
- Optimise approach to customer acquisition and retention
- Leverage benefits from transformational investments to drive efficiency and enhance customer propositions

Strengthening Organisational Capabilities

We are strengthening the depth and breadth of our senior management team to ensure we are well set for the next phase of growth. We have restructured our executive team and over the course of FY20 we will be adding new roles including a Chief Growth Officer, Chief Commercial Officer, Chief People Officer and a Chief Strategy Officer to sit alongside our CEO, CFO, CIO and COO.

This team will bring greater depth and experience to ASOS. The reorganisation also creates senior-level end-to-end ownership of our product and customer below the CEO for the first time. We have already acted to restructure teams in alignment with the new c-suite roles to better harness the talent and passion of our people in a more effective structure. Developing our organisational culture towards a more joined-up, empowered and efficient model in support of our global ambitions is also a key priority for us over the next few years.

We recently announced the appointment of four new independent Non-executive Directors, bringing a wealth of knowledge and skills across retail, technology, logistics, international markets and people management to our Board. Karen Geary, Luke Jensen and Mai Fyfield will all be in role by the start of November and Eugenia Ulasewicz will formally be appointed in April 2020. The additional experience and expertise will be invaluable in guiding ASOS through this next phase of growth.

Removing Non-Strategic Cost

We have increased focus on our deployment of all cost and investment across the business, as well as the processes we use to manage our operational and financial performance. We have started to identify areas where we are now clear we are not generating the anticipated return and therefore see an opportunity to remove cost. We have also sought to ensure that our commercial arrangements are appropriately reflecting the investments we have made to support global growth, both for us and for our commercial partners.

We have already taken action in a number of areas across the business but are clear there is more to be done. These initiatives will allow us to drive investment into areas that will support long-term growth and sustainable improvements in our profitability.

To ensure we are taking the right decisions and deriving the appropriate returns from our investments, we are instilling a greater degree of financial discipline across the business. We have already made progress in increasing the rigour in our performance management processes. However, we are clear further improvements are needed to ensure the right levels of accountability across the business.

Increasing Product Choice, Availability & Newness

Our combination of exclusive product, brand choice and consistent newness continues to differentiate ASOS' proposition for a fashion loving 20-something customer. Our balance between curation of product from the most relevant third-party brands, alongside exclusive product from the ASOS family of brands, ensures we appeal to a broad range of styles and capture all moments within the 20-something lifestyle. Our focus for the year ahead is on further increasing our product choice, availability and newness to provide our customers with the best, most relevant product for them.

This year we launched our newest brand within the ASOS family, Collusion, to great success. It was positioned and created in collaboration with 16-24 year olds as a brand for the next generation. It has landed well and firmly established itself within our top 10 brands, resonating well with our younger customers and achieving a strong new customer mix. Collusion was searched for on-site almost 2 million times and we have sold over 150,000 brand carrying items indicating how our target market has really connected with this brand.

We continue to see good growth in Activewear, including ASOS 4505. Sales in the year have surpassed our expectations and we have significant growth plans in place for next season. We are especially excited about the upcoming Snow & Ski range; with the last two ranges having sold out in a matter of days. The product for our third season benefits from improvements in both design and performance.

Earlier this year we set out our approach to strengthening performance within ASOS Design, where our presentation, newness and width of product had diminished. Our corrective actions are beginning to work and we are seeing an improving performance. ASOS Design increased to 40% of the mix in P4, up from 36% in the first half and growing well year on year. The mix in the US was still supported to some extent by lower branded availability, but mix has stepped up in both the UK and EU in P4.

Within womenswear, performance in dresses was particularly strong with animal print, broderie and satin styles really resonating. We also saw great success with our customer segment targeted edits, notably ASOS Design Luxe and our Modest Fashion edit.

We launched our first Modest Fashion edit in April, approached through the lens of a fashion loving 20-something. It is a playful, modern take and includes pieces created by ASOS Design, alongside a curated edit of modest fashion brands. The collection landed well, particularly in UK, Germany and US, with strong sell-through and ASOS Design representing over 60% of the mix.

In menswear, growth of ASOS Design accelerated to double digits in the second half from 1% in the first half. We had success with key trends in neon and utility including the return of the casual trouser in the form of the cargo pant. Performance in shirts was strong throughout the second half and we have begun to see an improving trajectory in tailoring which had been softer earlier in the year.

Our focus now turns to ensuring we have the right mix of product available in each of our warehouses, with the right brands, newness and width of product available for each market.

Improving Presentation & Social Media Engagement

Amplifying our focus and presentation particularly for the 'glam' customer has been a priority. Our ASOS Design Luxe collection provided customers with great product for 'going out out' with inspirational styling and presentation to match. We saw an amazing customer reaction to this collection, driving the highest ever product views for the category. We supplemented this with a selection of new direct to consumer brands, otherwise known as 'InstaGlam Brands', including 'In The Style', 'Never Fully Dressed' and 'AYM' which have all performed well on site following launch in the second half. Our Madison Beer ASOS Design style edit also really resonated with this customer, which saw the singer/influencer pick her favourite ASOS Design styles for Autumn/Winter, modelling a selection of them on site.

Improving our presentation and range for our 'Alpha' customer segment was a key focus for menswear. We launched an ASOS Design Dark Future collection targeted at this style, which has performed well and offers inclusive sizing options for both Plus and Tall. Our recent collaboration with Ovie from Love Island also landed exceptionally well, with him providing both an ASOS Design style edit of his favourite pieces as well as a design collaboration on an exclusive range. Within third-party brands, we have onboarded a number of new brands this half, including Topman and Karl Kani, a popular 'old school streetwear' brand.

We have increased the velocity and improved the content of our social media led customer conversations. Content through our most important social media channels doubled in the second half and our engagement levels have increased dramatically, supported by new channels like TikTok and IGTV.

Optimising Customer Acquisition & Retention

The way in which we acquire, retain and connect with our customers remains at the heart of how we drive sustainable growth. We have taken decisive action to address the areas where our approach fell short earlier in the year. Whilst we have begun to see encouraging signs in active customer growth we are clear there is more to be done, both in ensuring our approach continues to evolve and in reactivating customers in the US and Europe following the warehouse transitions.

During the year we began re-appraising our balance between 'fast' and 'slow' customer acquisition activity and the most effective tools for doing so. This ensures we are both acquiring customers where we see immediate opportunity, responding to demand in the market by acting with agility and commercial zeal and building out our brand awareness to establish long-term consideration and engagement. Online fashion and customer expectations are fast changing; so our approach will continue to adapt.

In the second half we have successfully experimented with using promotional activity as a more prominent customer acquisition and reactivation tool and we have trialled a number of different mechanics. The changes we made in velocity and content on our social media channels have also landed well with customers, driving considerably higher levels of engagement. This, alongside the changes we have made to our product newness and presentation have been effective in recovering growth with our younger customer cohorts. In the second half we saw both improving customer acquisition in the 18-21 age cohort and increasing spend from the 22-25 age cohort.

Leveraging Transformational Investments

Logistics

Over the last three years we have invested heavily into our warehousing capabilities and have doubled our warehousing capacity which provides significant headroom for growth globally. Our focus this year will be on leveraging the benefits from the transformational investments we have made. These will include both efficiency improvements and enhancements to our customer propositions in a number of markets. The facilities we have built, and the automation technology embedded within them, will allow us to serve our growing global customer base with a market leading proposition, combining choice of product with speed of delivery. These facilities allow us to cost efficiently manage a range of 85,000 customer facing SKUs, with 5,000 new SKUs added each week, and offer next day delivery to over 80% of our sales base. Our investment in dynamic buffers and AI driven purchase prediction technology within our warehouses is further driving efficiency both in throughput speed and labour cost, providing additional opportunity into the future.

Tech

Investment in technology remains at the centre of our growth strategy enabling us to deliver a unique and constantly improving customer experience. These investments allow customers to shop our substantial range in an intuitive, friction-free and increasingly personalised way. At the same time, we are able to acquire new customers through the increasing local relevance of our websites and content. We have also deployed technology investment into a number of efficiency and security initiatives which allow us to offer the same customer experience in a safe and secure way at a lower cost.

Our transformational tech programme has seen substantial investment over the last few years and with the implementation of our Truly Global Retail (TGR) programme which will commence in phases over the next 12 months, we will completely transform our internal systems capabilities across the business, enabling us to truly compete and trade globally.

We have developed our personalisation and customer interaction engine significantly including improvements to our recommendations algorithms, launching a style profile builder, roll out of targeted content banners and push notifications for back in stock and delivery status updates. A new tool for customer segmentation has further enhanced how we talk to customers. The second half also saw us roll out responsible filters, allowing customers to shop by recycled or sustainable materials, an area we know is increasingly important to them.

This year we have launched new payment methods for our customers including Afterpay in Australia and New Zealand, Yandex in Russia and a Klarna powered 'Pay-in-4' solution in the US, alongside four new currencies and developed local language sites for Poland and Denmark following the success of Sweden and the Netherlands launched late last year. This year also saw the roll out of our clustered US sites, allowing for regional specific targeted proposition.

Key investments in efficiency this year included embedding new returns processing software and the recent development of a paperless returns process which uses a mobile QR code rather than a customer returns label, which we are now starting to pilot in the UK and will enable us to move to 100% paperless for our customers. Investments in efficiency and productivity will continue to be a focus as we look to further embed process optimisation and automation.

Finally, investment within our Transformation programmes is beginning to fall away as we reach the end of these programmes to significantly upgrade all our internal systems capabilities across the business. Over the last three years we have delivered a new finance system, people system, data insight systems, product enrichment system and are moving towards completion of our TGR systems.

TGR is a key component in supporting our global growth ambitions. These systems unlock much greater visibility and flexibility in how we buy, plan, merchandise and trade by warehouse. This enables better, faster decision making and improves our ability to give customers the best choice of product at the right price and to trade as a truly global retailer. Given the scale of change associated with this programme going live, we are planning a phased implementation as well as a parallel run of the more complex technical changes, allowing for more time to identify technical issues before the business starts to use the systems at scale.

Performance by Market

UK

In the UK, where our proposition is most established, we saw strong demand from our customer base, with good growth in frequency and conversion for the year as a whole. In the early part of the year, new customer acquisition and traffic were disappointing reflecting poor trading over Black Friday, where our offer had looked uncompetitive and we experienced the results of our loss of focus on product and customer engagement. The second half saw stronger traffic, alongside an

improving trajectory in monthly active customers, reflecting a more proactive promotional calendar and the corrective actions we have taken across product and engagement.

The UK market has been more promotionally intense over the last year and our approach throughout the year has evolved to respond in a more agile and demand led way, whilst not losing sight of profitability. We experimented with 2-hour flash sales and using discounted Next Day Delivery mechanics in the second half, which resonated well with our UK customers and proved particularly successful in driving customer reactivation. Alternative payment methods continued to grow in prevalence during the year and drove incremental sales.

Our new brand Collusion landed particularly well in the UK, and even more so with our youngest customers, those under 21, in line with our plans for the brand positioning and supported improved performance from our younger customer cohorts.

As we look forward, we expect performance to be supported by the improvements we have made to our product and presentation but in the context of an intense promotional environment. We will also watch consumer confidence carefully, particularly in the context of Brexit.

EU

Within Europe our performance reflects to a large extent the warehouse transition issues we experienced, particularly in P3. Automation within Euro Hub is now fully operational, which has allowed us to begin unlocking improved product availability for customers in Europe alongside extending order cut off times. We will start to fully leverage the benefits next year, generating further efficiencies and opportunities to improve our customer proposition. We have already extended our Next Day Delivery cut off time to midnight for 28 German cities. We remain at a price premium to our competitors in Europe and will review our pricing carefully as we start to realise these efficiency benefits.

Sweden and the Netherlands were stand out performers in the year following the release of their local language websites, and we are looking forward to seeing the impact of sites we have recently released for Denmark and Poland. In terms of product, dresses overindex in Germany within the mix, and they reacted well to the improved stock position in P4. We also saw sales of cold weather product accelerate earlier than last year as we cycled the prolonged hot summer weather in the prior year across Europe.

We ended the year with 7.8m active customers in Europe, giving overall growth of 700k in comparison to 1.4 million in the prior year. This, in addition to the step back in conversion, are illustrative of the customer impact of a restricted stock pool and disrupted proposition. We are starting to see improvement, however, we are clear we have further work to do on reactivating customers now our proposition has been restored which will be a priority for the first half of FY20.

US

FY19 was a year of major transition in our US operations. Our new US Hub in Atlanta opened at the end of FY18 and ramped up local fulfilment quickly as we switched our US site to face the new US Hub in February 2019. Whilst we initially faced greater problems than anticipated building the right range and profile of stock in this warehouse, we are now making good progress with the breadth of our branded stock pool ahead of peak trading.

Our US Hub is serving us well and we have significant headroom for growth. The facility has unlocked our ability to deliver a next day proposition, via regionally clustered sites across the US, which has been rolled out to a number of cities this year from the East to the West coast and landed well with customers, making us one of the few retailers offering a true next day proposition and at a competitive price. In time as capacity increases, we will have the option to automate the warehouse which will unlock further efficiency and capacity benefits. For now the US warehouse is the least efficient in our network given the more manual nature of the operation which affects the relative cost of this operation when compared to our UK and EU operations.

Customers in the US reacted well to implementation of Klarna 'Pay-in-4' which launched at the end of July and quickly established a healthy share of payment mix. Roll out of new customer targeted discount codes on site also worked well in the US and drove a stronger new customer acquisition trend towards the end of the year.

Rest of World

The start of the year was disappointing in our ROW segment, impacted by a pull back on Black Friday promotional activity in a number of our key territories, notably Australia and Russia, reflecting capacity constraints in Barnsley ahead of the US warehouse transition.

A more localised and reactive promo calendar and release of new locally relevant payment methods improved our offer and customers reacted accordingly from P2 onwards. Activity around Chinese New Year, Single's Day and Ramadan landed

particularly well. Australian customers responded extremely well to our release of Afterpay and it was a strong driver of new customer acquisition and improved the growth trajectory for the country overall in the second half. Russia and MENA have been the key performers of the year, with strong sales and active customer growth.

Outlook

FY19 was a year of substantial operational change for ASOS. Whilst this caused disruption to both our business and our customers, the majority of the transformation program is behind us and has laid the right foundations to enable our future global growth. We are now refocusing on delivering the core elements of our business through a clear set of priorities which will enable us to provide our customers with the most relevant choice of amazing, competitively priced 20-something fashion.

We are clear on the actions required to further improve our performance and re-engage those customers we disappointed and are encouraged by the progress we have made on product, presentation and engagement. We have taken early actions to improve our efficiency, reduce non-strategic cost, refocus our capital expenditure and enhance our capabilities. All of which will allow us to support our growth plans and to deliver sustainable long term increases in sales, profitability and cashflow.

We ended the year better positioned than we began it and have made a solid start to FY20. Whilst mindful of consumer uncertainty and retail trends in a number of our markets we are confident in the substantial global opportunity for ASOS and look forward to the future with confidence.

Nick Beighton
Chief Executive Officer

Mathew Dunn
Chief Financial Officer

Financial review

Overview

	Year to 31 August 2019				
	UK £m	EU £m	US £m	RoW £m	Total £m
Retail sales	993.4	825.7	341.2	497.4	2,657.7
Delivery receipts	27.4	17.5	12.1	9.4	66.4
Third party revenues	9.0	0.3	0.1	–	9.4
Total revenue	1,029.8	843.5	353.4	506.8	2,733.5
Cost of sales					(1,399.2)
Gross profit					1,334.3
Distribution expenses					(415.6)
Administrative expenses					(883.6)
Operating profit					35.1
Finance expense					(2.0)
Profit before tax					33.1

	Year to 31 August 2019	Year to 31 August 2018	Change
Active customers ¹ (m)	20.3	18.4	10%
Average basket value (including VAT)	£71.29	£73.00	(2%)
Average units per basket	3.05	3.01	2%
Average selling price per unit (including VAT)	£23.34	£24.29	(4%)
Average order frequency ²	3.56	3.43	4%
Total orders (m)	72.3	63.2	14%
Total visits (m)	2,266.5	1,992.8	14%
Conversion ³	3.2%	3.2%	0bps
Mobile device visits	81.9%	77.0%	+490bps
Net Promoter Score ⁴	-4	-3	

¹Defined as having shopped in the last twelve months as at 31 August ²Calculated as last twelve months' total orders divided by active customers ³Calculated as total orders divided by total visits ⁴Net Promoter Score is based on a customer pulse survey and this represents the movement in the average score in the twelve-month period ended 31 August

In FY19, we had over 72m orders, an increase of 14% on the previous year with visits to the site growing by the same amount reflecting continued strong inbound traffic for our website. Our active customer database grew by 10% with pleasing progression towards the end of the financial year. Our total active customer base is now comfortably over 20 million. The trend towards mobile as a preferred device continued with 81.9% of visits now coming via this channel.

We generated revenue of over £2.7bn from our customer base, an increase of 13% on the previous year (12% on a constant currency basis) with order frequency increasing as customers become more loyal to our platform. However, our conversion remained flat - in part impacted by the warehouse transition issues we experienced in the year. These issues also affected our ABV, with higher ASP product availability impacted, as well as impacting our NPS scores.

Gross profit increased 8%, with gross margin down 240 bps versus the prior year driven by three principal factors: increased freight and duty costs reflecting the go-live of our US warehouse, adverse territory mix due to underperformance in US and EU due to warehouse transition issues and the expansion of our high street branded offer. Promotional intensity also had an impact but this was much smaller relative to the other factors.

Profit before tax decreased 68% to £33.1m after transition costs of £45m, up £20m on the prior year reflecting a substantial amount of one-off costs in support of our warehouse transitions. We also incurred £5.5m of restructuring costs reflecting the changes we started to make to our organisation in support of our approach to removing non-strategic cost.

Profit before tax was also impacted by an increase in finance costs as the business moved into a net debt position following the elevated investment in support of our warehouse programme.

UK performance

UK KPIs	Year to 31 August 2019
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Retail Sales	+15%
Visits	+9%
Orders	+18%
Conversion	+40bps
ABV	Flat
Active Customers	6.4m (+7%)

UK retail sales grew a pleasing 15% in the year, despite an increasingly competitive market, demonstrating the strength of our proposition in our most established market. Our total UK customer base grew 7% in the year and conversion was strong, up 40bps.

In the first half of the year, our sales growth was supported by increased demand from existing customers, reflected in strong order growth (+20%) and conversion (+70bps) but softer customer acquisition and visits growth (+4%). Visits growth was stronger in H2 at +11% reflecting the product, promo and engagement improvements we have made, whilst orders growth remained robust at +15%. As a result, total orders for the year were up 18%.

ABV was flat for the year, as a small overall decline in ASP was offset by an increase in items per basket. This was an improvement from P1 when higher promotional activity had resulted in a sharper decline in ASP that was not offset by items per basket increases.

EU performance

EU KPIs	Year to 31 August 2019
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Retail Sales	+12% (9% CC)
Visits	+16%
Orders	+12%
Conversion	-10bps
ABV	(6%)
Active Customers	7.8m (+10%)

EU retail sales grew 12% (9% in constant currency), below our expectations as operational challenges following Euro Hub automation impacted stock availability. This was evident as order growth lagged visits growth and was particularly notable in P3. As a result, conversion stepped back 10bps. Orders growth improved in P4 as our trading stock increased and is reflected in P4 sales growth of 17%. ABV reduced 6% and was driven by restricted availability of higher ASP products throughout the period of warehouse transition.

Despite the operational challenges we have experienced, we have increased our active customer base by 10% and now have nearly 8m customers across the EU with 7m of them actively engaging with us via our apps. However, there is still work to do to re-engage customers with NPS impacted by the sub-optimal experience for our customers and we will need to actively seek to re-engage these customers in the first half of FY20.

US performance

US KPIs	Year to 31 August 2019
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Retail Sales	+9% (4% CC)
Visits	+8%
Orders	+8%
Conversion	Flat
ABV	(4%)
Active Customers	2.8m (+12%)

US retail sales grew by 9% (4% in constant currency). US performance was impacted by operational challenges reflecting the move for customers from the Barnsley warehouse to the newly commissioned Atlanta warehouse in February of this year. Following this transition, our performance has also been impacted by lower availability of some key product as building our range of imported brands was slower than planned. This also impacted our ABV with higher availability of lower price point product. As a result sales lagged order growth, with P4 further impacted by higher markdown mix as we looked to rebalance our stock profile appropriately ahead of the Autumn/Winter season. As a result, our sales growth for P4 was only 7%.

Despite the challenges we have experienced, our total active customer base in this region grew 12% in the year to 2.8m. ASOS Design resonated particularly well, with its mix of total product up 240bps.

ROW performance

ROW KPIs	Year to 31 August 2019
Retail Sales	+12% (14% CC)
Visits	+19%
Orders	+15%
Conversion	(10bps)
ABV	+3%
Active Customers	3.3m (+18%)

ROW retail sales grew by 12% (14% in constant currency) with particularly strong growth in Russia and the Middle East. Changes to our promo calendar and proposition supported a recovery in sales and momentum after a poor peak period performance in P1 (Sales -3%, Visits +4%, Orders flat). The remainder of the year saw visits growth of over 20% in P2-P4, marginally ahead of orders growth resulting in full year visits growth of 19% and orders growth of 15%. ABV increased 3% driven mainly by an increase in items per basket offsetting a small decline in ASP.

Gross margin

Group gross margin was down 240bps with retail margin down 250bps in the year. Increased freight and duty costs after opening the US hub in Atlanta had a large impact. Gross margin was also impacted by an increase in branded product mix reflecting the expansion of our high street and Face + Body offering, which carry lower gross margins. We also absorbed a significant country mix impact, as a result of the warehouse transition issues with a greater proportion of sales in the UK rather than the EU and US in the year. There was a further impact in year, as a result of Australian and US sales taxes, as we absorbed sales taxes on behalf of our customers.

Operating expenses

£m	Year to 31 August 2019	% of sales	Year to 31 August 2018	% of sales	Change
Distribution costs	(415.6)	15.2%	(380.8)	15.8%	(9%)
Warehousing	(301.4)	11.0%	(241.1)	10.0%	(25%)
Marketing	(121.8)	4.4%	(106.7)	4.4%	(14%)
Other operating costs	(389.1)	14.3%	(352.0)	14.5%	(11%)
Depreciation and amortisation	(71.3)	2.6%	(54.6)	2.3%	(31%)
Total operating costs	(1,299.2)	47.5%	(1,135.2)	47.0%	(14%)

¹Inclusive of non-cash share-based payment charges

Operating expenses increased 14% to £1.3bn and total operating costs increased 50bps as a percentage of sales, largely due to increased warehouse transition costs resulting from the warehouse transformation programmes in the US and Europe.

This increase was partially offset by lower distribution costs as a percentage of sales, as we fulfilled more US orders locally from our new US Hub, as well as a reduction in payroll costs as a percentage of sales as we continued to streamline our corporate functions to maximise operational effectiveness. Depreciation costs increased by 30bps as a percentage of sales driven by the cycle of elevated capital investment in transformation over the last three years.

Interest

Interest costs rose to £2.0m in the year as we incurred costs from drawing down on our credit facility which supported our working capital cycle and elevated capital investment in the year.

Taxation

The effective tax rate increased by 650bps to 25.7% (2018: 19.2%). This arose mainly from a one-off permanent difference on share based payments which was driven by the substantial fall in the share price year on year, and a fall in profit before tax, meaning permanently disallowable items in the tax calculation had a greater impact. Going forward, ASOS expects the effective tax rate to be approximately 100bps higher than the prevailing rate of UK corporation tax due to permanently disallowable items.

Earnings per share

Basic and diluted earnings per share decreased by 70% to 29.4p (2018: 98.9p and 98.0p). This was driven by the decrease in profit before tax during the year.

Cash flow

There was a £133.2m free cash outflow in the year, compared with a £117.6m outflow in the previous year. The increase in outflow this year is largely driven by a reduction in EBITDA resulting from the decrease in profit before tax detailed above. This was partially offset by a reduction in working capital outflow year on year. Cash capital expenditure was £221.6m in the year and includes a capital creditor outflow of £26.7m associated with our FY19 investment.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
For the year to 31 August 2019

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
Revenue	2,733.5	2,417.3
Cost of sales	(1,399.2)	(1,180.2)
Gross profit	1,334.3	1,237.1
Distribution expenses	(415.6)	(380.8)
Administrative expenses	(883.6)	(754.4)
Operating profit	35.1	101.9
Finance income	-	0.3
Finance expense	(2.0)	(0.2)
Profit before tax	33.1	102.0
Income tax expense	(8.5)	(19.6)
Profit for the year	24.6	82.4
Profit for the year attributable to owners of the parent company	24.6	82.4
Net translation movements offset in reserves	(0.8)	0.3
Net fair value (losses)/gains on derivative financial assets	(14.9)	67.7
Income tax relating to these items	2.8	(12.8)
Other comprehensive (loss)/income for the year¹	(12.9)	55.2
Total comprehensive income for the year attributable to owners of the parent company	11.7	137.6
Earnings per share		
Basic	29.4p	98.9p
Diluted	29.4p	98.0p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital £m	Share premium £m	Retained earnings ¹ £m	Employee Benefit Trust reserve (EBT) ² £m	Hedging reserve £m	Translation reserve £m	Total equity £m
At 1 September 2018	2.9	6.9	422.1	1.0	7.5	(1.6)	438.8
Profit for the year	–	–	24.6	–	–	–	24.6
Other comprehensive loss for the year	–	–	–	–	(12.3)	(0.6)	(12.9)
Total comprehensive income/(loss) for the year	–	–	24.6	–	(12.3)	(0.6)	11.7
Net cash received on exercise of shares from EBT²	–	–	–	0.3	–	–	0.3
Share-based payments charge	–	–	3.4	–	–	–	3.4
Tax relating to share option scheme	–	–	(0.6)	–	–	–	(0.6)
Balance as at 31 August 2019	2.9	6.9	449.5	1.3	(4.8)	(2.2)	453.6

For the year to 31 August 2019

At 1 September 2017	2.9	6.9	327.2	(0.6)	(47.5)	(1.8)	287.1
Profit for the year	–	–	82.4	–	–	–	82.4
Other comprehensive income for the year	–	–	–	–	55.0	0.2	55.2
Total comprehensive income for the year	–	–	82.4	–	55.0	0.2	137.6
Net cash received on exercise of shares from EBT ²	–	–	–	1.7	–	–	1.7
Transfer of shares from EBT ² on exercise	–	–	0.1	(0.1)	–	–	–
Share-based payments charge	–	–	10.4	–	–	–	10.4
Tax relating to share option scheme	–	–	2.0	–	–	–	2.0
Balance as at 31 August 2018	2.9	6.9	422.1	1.0	7.5	(1.6)	438.8

¹Retained earnings includes the share-based payments reserve

²Employee Benefit Trust and Link Trust

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2019

	At 31 August 2019 £m	At 31 August 2018 £m
Non-current assets		
Goodwill	1.1	1.1
Other intangible assets	325.1	256.9
Property, plant and equipment	296.0	241.6
Derivative financial assets	0.1	3.8
	622.3	503.4
Current assets		
Inventories	536.8	407.6
Trade and other receivables	72.8	42.6
Derivative financial assets	11.0	10.7
Cash and cash equivalents	–	42.7
Current tax asset	2.6	–
	623.2	503.6
Current liabilities		
Trade and other payables	(669.0)	(549.7)
Cash and cash equivalents	(15.5)	–
Borrowings	(75.0)	–
Derivative financial liabilities	(12.7)	(5.3)
Current tax liability	–	(3.0)
	(772.2)	(558.0)
Net current liabilities	(149.0)	(54.4)
Non-current liabilities		
Deferred tax liability	(12.6)	(8.2)
Derivative financial liabilities	(7.1)	(2.0)
	(19.7)	(10.2)
Net assets	453.6	438.8
Equity attributable to owners of the parent		
Called up share capital	2.9	2.9
Share premium	6.9	6.9
Employee Benefit Trust reserve ¹	1.3	1.0
Hedging reserve	(4.8)	7.5
Translation reserve	(2.2)	(1.6)
Retained earnings	449.5	422.1
Total equity	453.6	438.8

CONSOLIDATED STATEMENT OF CASH FLOWS For the year to 31 August 2019

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
Operating profit	35.1	101.9
Adjusted for:		
Depreciation of property, plant and equipment	25.3	17.0
Amortisation of intangible assets	46.0	37.6
Loss on disposal of non-current assets	-	0.8
Fixed asset impairment	1.4	2.7
Increase in inventories	(129.2)	(84.3)
Increase in trade and other receivables	(30.2)	(14.0)
Increase in trade and other payables	143.3	35.9
Share based payments charge	2.5	8.9
Other non-cash items	0.7	0.5
Income tax paid	(5.2)	(13.1)
Net cash generated from operating activities	89.7	93.9
Investing activities		
Payments to acquire intangible assets	(124.9)	(107.4)
Payments to acquire property, plant and equipment	(96.7)	(105.6)
Finance income	-	0.3
Net cash used in investing activities	(221.6)	(212.7)
Financing activities		
Proceeds from borrowings	75.0	-
Net cash inflow relating to EBT ¹	0.3	1.7
Finance expense	(1.4)	(0.2)
Net cash generated in financing activities	73.9	1.5
Net decrease in cash and cash equivalents	(58.0)	(117.3)
Opening cash and cash equivalents	42.7	160.3
Effect of exchange rates on cash and cash equivalents	(0.2)	(0.3)
Closing cash and cash equivalents	(15.5)	42.7

NOTES TO THE FINANCIAL INFORMATION

For the year to 31 August 2019

1. Preparation of the consolidated financial information

a) General information

ASOS Plc ('the Company') and its subsidiaries (together, 'the Group') is a global fashion retailer. The Group sells products across the world and has websites targeting the UK, US, Australia, France, Germany, Spain, Italy, the Netherlands, Russia, and Sweden. The Company is a public limited company which is listed on the Alternative Investment Market (AIM) and is incorporated and domiciled in the UK. The address of its registered office is Greater London House, Hampstead Road, London, NW1 7FB.

b) Basis of preparation

The condensed consolidated financial information for the year to 31 August 2019 has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies adopted for the year to 31 August 2019 are consistent with those adopted and disclosed in the Group financial statements for the year to 31 August 2018.

The financial information contained within this preliminary announcement for the years to 31 August 2019 and 31 August 2018 does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year to 31 August 2018 have been filed with the Registrar of Companies and those for the year to 31 August 2019 will be filed following the Company's annual general meeting. The auditors' report on the statutory accounts for each of the years to 31 August 2019 and 31 August 2018 is unqualified, does not draw attention to any matters by way of emphasis, and does not contain any statement under section 498 of the Companies Act 2006.

Going concern and viability

The Directors have reviewed current performance and cash flow forecasts, and are satisfied that the Group's forecasts and projections, taking account of potential changes in trading performance, show that the Group will be able to operate within the level of its current facilities for the foreseeable future. The Directors have therefore continued to adopt the going concern basis in preparing the Group's financial statements.

The Directors have also assessed the Group's prospects and viability over a three year period to 31 August 2022. This three year assessment period was selected as it corresponds with the Board's strategic planning horizon as well as the time over which senior management are remunerated via long-term incentive plans.

In making this assessment, the Directors took account of the Group's current financial position, annual budget, three-year plan forecasts and sensitivity testing. The Directors also considered many other factors, including the Group business model, its strategy, risks and uncertainties and internal control effectiveness. Whilst the principal risks and uncertainties could impact future performance, none of them are considered likely, individually or collectively, to affect the viability of the business during the three year assessment period. The Group is operationally strong with a robust balance sheet, and has a track record of delivering profitable and sustainable growth, which is expected to continue.

Based on this assessment, there is a reasonable expectation that the Group will continue in operation and meet all its liabilities as they fall due during the period up to 31 August 2022.

Changes to accounting standards

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year to 31 August 2018, with the exception of the adoption of two new standards:

- IFRS 9, "Financial instruments" (effective 1 January 2018). The adoption of the standard has therefore had no effect on the financial statements. Changes to the classification, impairment and measurement of financial assets and liabilities have been considered and it has been concluded these changes do not impact the group.

- IFRS 15, "Revenue from contracts with customers" (effective 1 January 2018). An assessment was carried out on whether the new standard impacted recognition or measurement of any of the Group's revenue streams, but ultimately it has been concluded that there is no impact on existing revenue recognition policies.

IFRS 16 'Leases' is effective for the Group's period beginning 1 September 2019 onwards, which the Group has not adopted early. This will be adopted by the Group from 1 September 2019, using the simplified transition approach and therefore there is no restatement of comparatives.

On adoption of IFRS 16, the main impact for ASOS will be the recognition of right-of-use assets and lease liabilities on the opening balance sheet for all applicable leases. On 1 September 2019 ASOS expects to recognise lease liabilities of £382m representing the total cash commitments under operating leases (£432m) discounted to present value. ASOS will also recognise right-of-use assets of the equivalent value (£358m). The right-of-use assets will be adjusted for the reclassification of prepaid lease expenses, lease incentives and dilapidation accruals. On transition to IFRS 16, a deferred tax asset of £4.1m will be recognised as a result of the difference between the lease liability recognised on transition, and the right of use asset.

Going forward, a straight-line depreciation expense will be recognised in the consolidated income statement in relation to the right-of-use assets and an amortising interest charge will be recognised in the Consolidated Income Statement in relation to the lease liabilities. The interest charge will be front-loaded in the earlier periods of a lease as the interest element unwinds. This will replace the operating lease expense currently recognised in the income statement under IAS 17.

There will be no quantitative impact to cash flows (other than the phasing of tax cash flows related to movements in profit), however the classification of cash flows will change. It is estimated that the Group's operating cash outflows will decrease, and financing cash outflows will increase, by approximately £26m as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The effect of the changes outlined above will also be reflected in the Group's KPIs, including EBIT and EBITDA. For the year ended 31 August 2020, assuming no changes in the lease portfolio, this will result in a c.£3m increase in EBIT and a c.£30m increase in EBITDA.

The Group's activities as a lessor are currently not material.

2. Segmental analysis

IFRS 8 'Operating Segments' requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been determined to be the Executive Board who receive information on the basis of the Group's operations in key geographical territories, based on the Group's management and internal reporting structure. The Executive Board assesses the performance of each segment based on revenue and KPIs reflecting territory and customer performance.

	Year to 31 August 2019				
	UK	EU	US	RoW ¹	Total
	£m	£m	£m	£m	£m
Retail sales	993.4	825.7	341.2	497.4	2,657.7
Delivery receipts	27.4	17.5	12.1	9.4	66.4
Third party revenues	9.0	0.3	0.1	–	9.4
Total revenue	1,029.8	843.5	353.4	506.8	2,733.5
Cost of sales					(1,399.2)
Gross profit					1,334.3
Distribution expenses					(415.6)
Administrative expenses					(883.6)
Operating profit					35.1
Finance income					–
Finance expense					(2.0)
Profit before tax					33.1

	Year to 31 August 2018				
	UK	EU	US	RoW ¹	Total
	£m	£m	£m	£m	£m
Retail sales	861.3	739.1	311.6	443.2	2,355.2
Delivery receipts	22.3	15.3	9.0	7.8	54.4
Third party revenues	7.4	0.1	0.2	–	7.7
Total revenue	891.0	754.5	320.8	451.0	2,417.3
Cost of sales					(1,180.2)
Gross profit					1,237.1
Distribution expenses					(380.8)
Administrative expenses					(754.4)
Operating profit					101.9
Finance income					0.3
Finance expense					(0.2)
Profit before tax					102.0

¹ Rest of World

Due to the nature of its activities, the Group is not reliant on any individual major customers. No analysis of the assets and liabilities of each operating segment is provided to the Chief Operating Decision Maker in the monthly management accounts. Therefore, no measure of segments assets or liabilities is disclosed in this note. The total amount of non-current assets located in the UK: £463.4m (2018: £380.8m), EU: £113.0m (2018: £75.2m), US: £44.7m (2018: £42.5m) and RoW: £nil (2018: £nil).

3. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the year. Own shares held by the Employee Benefit Trust and Link Trust are eliminated from the weighted average number of ordinary shares.

Diluted earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the year, adjusted for the effects of potentially dilutive share options.

	Year to 31 August 2019	Year to 31 August 2018
	No. of shares	No. of shares
Weighted average share capital		
Weighted average shares in issue for basic earnings per share	83,565,283	83,290,514
Weighted average effect of dilutive options	159,117	781,491
Weighted average shares in issue for diluted earnings per share	83,724,400	84,072,005
Earnings (£m)		
Earnings attributable to owners of the parent	24.6	82.4
Earnings per share:		
Basic earnings per share	29.4p	98.9p
Diluted earnings per share	29.4p	98.0p

4. Reconciliation of cash and cash equivalents

(a) Cash and cash equivalents

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
Net movement in cash and cash equivalents	(58.0)	(117.3)
Opening cash and cash equivalents	42.7	160.3
Effect of exchange rates on cash and cash equivalents	(0.2)	(0.3)
Closing cash and cash equivalents	(15.5)	42.7

Cash and cash equivalents comprise highly liquid funds which the Group can access without restriction.

(b) Borrowings

During the year the Group re-financed its existing £150.0m Revolving Credit Facility (RCF). The Group now has in place a £350.0m RCF available until July 2022. At year-end the Group had drawn down £75.0m (2018: £nil) of the RCF which is repayable within one month.

5. Contingent liabilities

From time to time, the Group is subject to various legal proceedings and claims that arise in the ordinary course of business, which due to the fast-growing nature of the Group and its e-commerce base, may concern the Group's brand and trading name or its product designs. All such cases brought against the Group are robustly defended and a liability is recorded only when it is probable that the case will result in a future economic outflow which can be reliably measured.

At 31 August 2019, there were no pending claims or proceedings against the Group which were expected to have a material adverse effect on its liquidity or operations. The Group had contingent liabilities of £21.6m (2018: £20.3m) in relation to supplier standby letters of credit, rent deposit deeds and other bank guarantees. The likelihood of a cash outflow in relation to these contingent liabilities is considered to be low.

6. Financial instruments

There are no changes to the categories of financial instruments held by the Group.

	Year to 31 August 2019	Year to 31 August 2018
	£m	£m
Financial assets		
Derivative assets used for hedging at fair value	11.1	14.5
Loans and receivables ¹	51.2	70.8
Financial liabilities		
Derivative liabilities used for hedging at fair value	(19.8)	(7.3)
Amortised cost ²	(750.4)	(537.5)

¹Financial assets at amortised cost include trade and other receivables and cash, and exclude prepayments

²Included in financial liabilities at amortised cost are trade payables, overdrafts, borrowings, accruals and other payables

The Group operates internationally and is therefore exposed to foreign currency transaction risk, primarily on sales denominated in US dollars and Euros. The Group's policy is to mitigate foreign currency transaction exposures where possible and the Group uses financial instruments in the form of forward foreign exchange contracts to hedge future highly probable foreign currency cash flows.

These forward foreign exchange contracts are classified above as derivative financial liabilities and are classified as Level 2 financial instruments under IFRS 13, "Fair Value Measurement." They have been fair valued at 31 August 2019 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value. All forward foreign exchange contracts were assessed to be highly effective during the period to 31 August 2019 and a net unrealised loss of £14.9m (2018: gain of £67.7m) was recognised in equity. All derivative financial liabilities at 31 August 2019 mature within two years based on the related contractual arrangements.

7. Related parties

The Group's related party transactions are with the Employee Benefit Trust, Link Trust, key management personnel and other related parties. There have been no material changes to the Group's related party transactions during the year to 31 August 2019.