

READ: Ocado shares gain as quarterly update gets analysts' nod of approval

Steiner added: "Our transformation journey is well underway with increased cash fees earned and greater investment as we execute on behalf of our partners.

"Creating future value now will involve us continuing to scale the business, enhancing our platform, enabling our UK retail business to take advantage of all its opportunities for growth, and innovating for the future. We look forward to fulfilling these opportunities with excitement and determination."

In 2019, Ocado expects EBTIDA to decline due to an estimated £15mIn-£20mIn in operating costs involved in building CFCs and adding features to its OSP. Total capital expenditure for the group is expected to be £350mIn.

The group predicts retail revenue will rise 10-15% as it expands its capacity and grows market share in the UK. Solutions revenue is expected to rise "well ahead" of retail growth.

Shares rose 1.3% to 1,005p in morning trading following an initial decline when the market opened.

Management has vision to turn Ocado into Microsoft of retail, says Peel Hunt

Peel Hunt maintained a 'buy' rating and target price of 1,700p on the stock, saying the results were broadly in line with expectations.

"Overall, the results do not change our core thesis: (1) Ocado is a unique profitable, pure-play online food retailer; (2) blue chips such as Kroger, Sobeys, and Casino have signed exclusive contracts to licence its tech; (3) the platform is agnostic, allowing it to expand into non-food and non-retail; (4) as the deals roll in, Ocado's supplier power grows; and (5) management has the vision and strategy to move Ocado towards becoming the Microsoft of retail."

No mention of M&S tie-up reports

Ocado made no mention of reports that it held "secret talks" with Marks & Spencer Group PLC (LON:MKS) about a tie-up that could result in dropping Waitrose as its key groceries supplier.

Laith Khalaf, senior analyst, Hargreaves Lansdown said a partnership between Ocado and M&S would make "some sense" for both parties.

"M&S basket sizes are relatively small, which makes the economics of online delivery particularly challenging. Clearly, Ocado can help out here, though any tie-up would raise questions over its existing partnership with Waitrose, which comes to a close in 2020," Khalaf said.

"Such high expectations baked into the share price raise the possibility of disappointment for investors. In this respect, Ocado is similar to Amazon, which likewise comes with a lofty price tag as the market has pencilled in high levels of future earnings growth. "

Khalaf said the future looks "extremely bright" for Ocado but the company needs to deliver on very high expectations.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is

provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.