

Ocado Group PLC

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Ocado sees strong start to joint venture with M&S

Ocado Group PLC (LON:OCDO) has reported a strong start to their newly agreed grocery delivery joint venture with Marks and Spencer Group PLC (LON:MKS).

A trading update for the 13 weeks to 1 September released by Ocado showed retail revenues had risen 11.4% to £386.3m year-on-year, while average orders had risen 12.1% to 314,000 per week.

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There was a slight reduction, 0.8%, in average order size to £105.4, which the firm blamed on greater frequencies of purchase.

M&S only took up its 50% share of the business when the deal was completed in August and the full launch of its food range alongside existing Ocado products will not take place until September 2020 - unless Ocado Retail's current arrangements with Waitrose terminate sooner.

Melanie Smith, chief executive of the Ocado Retail JV, who was promoted from strategy director at M&S, said the growth showed the "resilience" of the company despite the fire at its Andover warehouse earlier in the year.

The update provided no comment about Ocado's solutions division, the cornerstone of its valuation, which has seen the group pivot into being a software solutions provider, selling its robotic warehouse models to overseas supermarket chains.

Ocado has secured such deals with France's Casino, Swedish grocer ICA, Kroger in the US and Sobeys in Canada in recent years, which has helped push its share price up nearly 50% in the last 12 months.

Uncertain period ahead, says analyst

Graham Spooner, investment research analyst at The Share Centre, said that while the initial results for the joint venture had shown the company's "resilience", this would be tested in what could be "an uncertain period ahead".

The analyst said the split of the supply partnership with Waitrose meant some of Ocado's current customers could leave when the M&S deal came in to replace it, and thus the precise level of profitability was "uncertain".

Spoooner added that ongoing "geopolitical uncertainty" could also cause issues for the company given its international partnerships.

The shares were relatively muted in lunchtime trading on Tuesday, up 0.9% at 1,361p.

--Adds analyst comment and updates share price--

Price: 1319.21

Market Cap: £9.38 billion

1 Year Share Price Graph



Share Information

Code: OCDO

Listing: AIM

52 week High Low
1440.5 836.4

Sector: Retail

Website: www.ocado.com

Company Synopsis:

Ocado was launched in partnership with Waitrose in January 2002, and delivers quality groceries across selected areas of England and Wales. Our business was conceived with one simple objective in mind: to offer busy people a true alternative to going to the supermarket every week. By doing this, we created a totally new shopping experience, built entirely around our customers' needs.

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