

ASOS PLC

12:41 13 Jan 2021

ASOS 'king of AIM' again but is lockdown-induced demand set to last?

ASOS PLC (LON:ASC) is the largest company on the junior market again but analysts wonder whether it will keep up the recent growth, considering it has been dependent on lockdown.

The online retailer is now valued at £5.1bn, well above rival boohoo Group PLC's (LON:BOO) £4.5bn market capitalisation, as it bounced back to October levels earlier this week following a trough in the festive period.

READ: ASOS says full-year profits to be at top end of expectations

The clothier said on Wednesday its full-year profit before tax is likely to be at the top end of market expectations thanks to a stronger than anticipated performance in the four months to December, with sales jumping 23%.

Customer demand topped forecasts despite intense competition during the key Christmas period and the lack of social occasions that usually push people to buy new clothes, helped by enforced store closures across many UK high streets.

In the period, ASOS gained 1.1mln new customers to 24.5mln - although it was down from the 1.4mln new accounts recorded in the same period last year - while website traffic surged 26% across the whole of 2020 according to figures by UK Domain.

"You have to think why demand for its clothes remains so strong. One could suggest that people are bored at home and ordering goods gives them something to look forward to. We've become a nation of curtain twitchers eagerly awaiting the next delivery van or the postman," said AJ Bell investment director Russ Mould.

Asos 2,000 orders a minute during Black Friday as shoppers stock up on lockdown styles. It rapidly switches to fashion trend - eg new corset styles inspired by Netflix's Bridgerton on its app now <https://t.co/OxKZkJ1J1y>
pic.twitter.com/SUJy7GQyDJ

— Ashley Armstrong (@AArmstrong_says) January 13, 2021

As a result, the pandemic will give half-year profits a £40mln boost which will more than offset extra costs of £15mln caused by Brexit.

However, gross margin dropped by 0.9% as ASOS had to adapt its product mix to more 'lockdown-friendly' categories, such as loungewear and sports clothing, investment into customer acquisition and increased freight costs due to COVID-19 disruption.

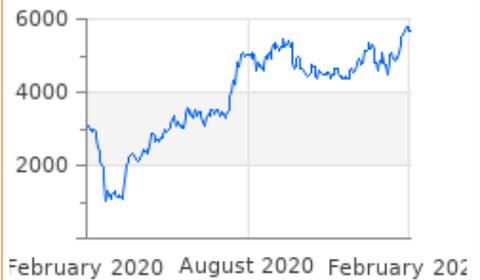
What about after the pandemic?

According to Peel Hunt, the group has a significant bounceback potential once restrictions are lifted, especially in the

Price: 5778

Market Cap: £5.77 billion

1 Year Share Price Graph



Share Information

Code: ASC

Listing: AIM

52 week High Low
5844 975.2

Sector: Retail

Website: www.asos.com

Company Synopsis:

Asos. com is the UK's largest online fashion and beauty store, attracting over one million visitors a week.

Asos. com is traded in the NEX Exchange [HERE](#).

action@proactiveinvestors.com

US, since it is geared more into dresses, occasionwear and events, but Liberum are wondering whether the high customer demand is sustainable in the longer term.

"With COVID-19 increasing the importance of the online channel for store-based retailers, the fight to get the incremental customer could actually get tougher from here which may require further marketing/ gross margin investment," the broker commented.

"We continue to prefer brands and platform models over ASOS's wholesale model where lead times are long and capital is tied up in inventory making it difficult to quickly change the product mix."

Susannah Streeter, analyst at Hargreaves Lansdown, is optimistic over the online platform's prospects, reckoned to be "perfectly placed to capitalise on the accelerated shift to shopping".

"Even though fashion demand in the market may have waned overall but it's harnessed its savvy marketing and social media prowess and invested in persuading more shoppers to turn their bedrooms into fitting rooms," she commented.

ASOS has also been trying to jostle for a higher position on the sustainability billboard to gain market share, although it remains a massive challenge for a fast-fashion retailer.

But compared to scandal-ridden boohoo, Streeter said, a focus on higher ethical standards might help it target the shoppers that it has failed to reach.

Shares advanced 3% to 5,336p on Wednesday at noon, a 62% increase compared to January 2020.

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.