

# ASOS PLC

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## 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](https://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:** 5766

**Market Cap:** £5.74 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](http://www.asos.com)

### Company Synopsis:

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

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

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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.

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