



(LSE: ASC) 3Q17 Update: Pure-Play Apparel Retail Is Still in Fashion

- ASOS grew revenues by 32% in 3Q17. At constant exchange rates, revenues climbed by 26%.
- Retail gross margins were flat year over year.
- The company expects FY17 sales growth to be at the upper end of the 30%–35% range.

3Q17 Update

British pure-play fashion retailer ASOS reported strong growth for its third fiscal period, the four months ended June 30, which for the sake of simplicity, we will refer to as 3Q17.

Total revenues climbed by 32%, or by 26% at constant exchange rates, to £676 million. This marked a slight slowdown from 1H17 revenue growth of 37%, or 31% at constant exchange rates.

Retail gross margin was flat year over year in 3Q17. In FY16, ASOS's retail gross margin was 48.5%.

At constant exchange rates, ASOS reported the following regional performances:

- **UK:** Retail sales were up 16%, versus up 18% in 1H17.
- **US:** Retail sales were up 26%, compared to 39% growth in 1H17.
- **EU:** Retail sales were up 30%, versus up 36% in 1H17.
- **Rest-of-the-World:** Retail sales were up 41%, compared to 53% growth in 1H17.

The company reported the following nonfinancial metrics:

- Active customer numbers rose by 25%.
- Average basket value was up 3%.
- Average order frequency was up 6%.
- Conversion rates were up 10 basis points.
- The total number of orders shipped climbed 28% year over year to 16.9 million.

Outlook

The company guided for FY17 sales growth to be at the upper end of the 30%–35% range, and for full-year profit before tax to be in line with market consensus, which it noted to be £79 million. FY17 capital expenditure is expected to be in the range of £150–170 million. Over the medium term, the company expects to grow sales by 20%–25% per year.

For FY17, analysts expect ASOS to grow total revenues by 34% to £1.9 billion, and to grow EBIT by 25%. Consensus expectations are for FY17 diluted EPS of 75.9 pence, versus 61.8 pence last year. These estimates were collated before the most recent results.



FLASH REPORT

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