


(LSE: OCDO) 1H17 Results: Solid Sales Growth Continues
Figure 1. Ocado 1H17 Key Metrics

	1H17	1H16	YoY Change
Revenues (GBP Mil.)	£713.8	£634.4	12.5%
Retail Gross Margin	34.7%	34.1%	60 bps
SG&A/Sales	36.8%	36.0%	80 bps
Retail Operating Margin	10.1%	10.0%	10 bps
Diluted EPS (Pence)	1.23	1.40	(12.1)%

Source: Company reports/Fung Global Retail & Technology

- **British online grocery retailer Ocado Group announced a 12.5% year-over-year increase in revenues for 1H17, above consensus analyst estimates.**
- **Contribution operating margin expanded 10 basis points on gross margin expansion of 60 bps. However, EPS declined 12.1% year over year.**
- **Ocado increased its active customer numbers by 12.7% and grew order numbers by 15.6%, but saw its average basket value decline by 1.4%.**

1H17 Results

Ocado Group announced another half year of strong top-line growth. Revenues for 1H17 came in at £713.8 million versus consensus of £698.2 million.

Retail gross margin expanded 60 bps, due to reduced multi-buy promotional activity, the SG&A margin increased 80 bps and the retail operating margin expanded 10 bps to 10.1%. Diluted EPS declined by 12.1% to 1.23 pence, which was below the 1.30 pence expected by analysts.

Among the nonfinancial metrics reported by Ocado were:

- Active customer numbers rose by 12.7% to 600,000.
- Order volumes grew by 15.6% to an average of 260,000 per week.
- The average grocery basket value declined by 1.4% to £108, impacted by increased uptake of Ocado's Smart Pass and reduced multi-buy promotions.

In June, Ocado announced a long-anticipated tie-up to provide technology services to a European retailer using the Ocado Smart Platform (OSP). The company noted that it continues to engage and develop discussions with further international retailers to adopt Ocado's OSP solution.

Outlook

Ocado noted that it expects to continue to outperform the online grocery market in the year ahead. It expects capital expenditure to total approximately £175 million in FY17, to fund further development of infrastructure and technology solutions.

The consensus estimate for FY17 revenue stands at £1,445.7 million, implying year-over-year growth of 13.8%. Consensus expects Ocado's operating profit to be £22.5 million, up 2.6% year over year. The FY17 EPS consensus estimate is £2.21, implying a year-over-year EPS decline of 5.6%.



FLASH REPORT

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