

From 'pandemic winner' to investors 'crying into their cornflakes': Analysts on Boohoo's changing fortunes

Analysts have reacted to the "disappointing" half-year results published by fashion giant Boohoo [this morning](#).

The Manchester-headquartered group, which also includes the PrettyLittleThing and Karen Millen brands, made a pre-tax loss of £15.2m for the six months to August 31, 2022, compared to a £24.6m profit during the same period in 2021. Boohoo also reported a 10% drop in its revenue to £882.4m.

The group said higher returns and cost-of-living pressures on customer spending had impacted [its results](#).

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Analysts at Jefferies described the update from Boohoo as "disappointing" due to a lack of improvement over the latest quarter while Derren Nathan, head of research at Hargreaves Lansdown, said that investors "may well be crying into their cornflakes after a read of Boohoo's interims".

He added that profits are being "squeezed both at the top line and through higher costs and this looks set to continue".



Models walk the runway for the Boohoo X Kourtney Kardashian fashion show during September 2022 New York Fashion Week (Image: Getty Images for NYFW: The Shows)

Julie Palmer, partner at Begbies Traynor, said: “This pandemic winner fortunes have changed since it was surfing the lockdown home shopping wave.

“There has been a working conditions scandal, supply chain disruption, leadership changes and now we have the worst rate of inflation for decades and a consumer confidence crisis that shows no signs of abating. Throw in the collapsing pound and Boohoo’s input costs are only going to go up.

“Sales at the fast-fashion giant were always going to struggle against the tough comparisons but taken all together and it looks like Boohoo has somewhat fallen out of favour with the stock market.

“It will be pleased to have maintained the guidance set out in May but retailers are still expected to bear the brunt of the

cost of living crisis and the group currently has the acrimonious title of being the most shorted stock in London so there's little to shout about for the time being."



Paris Hilton unveiled a fashion range with Manchester-based Boohoo in 2018

(Image: Boohoo)

Russell Pointon, director of consumer at Edison Group, said: "As inflationary pressures have squeezed consumers budgets in recent months and left their confidence at an all-time low, Boohoo's interim results gives investors cause for concern over the future of the fashion retail sector.

"Although the company emerged as lockdown-era winner in recent years, with 1H 2021 recording revenues of £975.9m, revenues have since declined by 10% to £882.4m with gross profit

sliding at a greater rate of 13%.

“Operating cost pressures led to the EBITA declining by 58% to £35.5m, and adjusted profit before tax collapsed by 90%. With an ongoing poor outlook for consumer spending, the company has reduced profit expectations for the full year.

“The difficult trading update reflects the ongoing challenges faced by almost all fashion retailers. ASOS and Boohoo’s key demographic of 16-25 year olds have been heavily impacted by the cost-of-living crisis, with many choosing to cut spending on new clothes and opt for cheaper second-hand alternatives.



Boohoo is headquartered in Manchester
(Image: Boohoo)

“Furthermore, there is also a growing sense that a significant amount of Boohoo’s customer base is slowly turning against fast fashion. The company’s announcement earlier this year

that it was partnering with Kourtney Kardashian on a 'sustainability journey' was met by many with sarcasm and disbelief across social media.

"In contrast, Patagonia's owner Yvon Chouinard relinquished ownership to a specially designed trust and a non-profit organisation to ensure all Patagonia's profits were put towards fighting climate change. The stark difference between these two businesses presents the question of whether consumers will vote with their money in the coming months and choose more sustainable brands over fast fashion retailers such as Boohoo.

"Despite these concerns, the group does continue to maintain a strong balance sheet, with £315m of gross cash and £10m in net debt at the end of 1H 2022. However, with inflationary pressures set to increase over the winter, and rising energy and food prices reducing discretionary spending, it will be interesting to see whether Boohoo can regain its position as a winner in the post-lockdown era."

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