AO World reveals widened losses amid cost crisis, but insists actions paying off

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nline electricals retailer AO World has posted widened half-year losses after sales fell, and cautioned trading will be remain under pressure amid the cost-of-living crisis and supply chain woes.

The group reported pre-tax losses of £12 million for the six months to September 30, against losses of £4 million a year earlier, as revenues tumbled 17% to £546 million.

Founder and chief executive John Roberts said the firm’s turnaround plan to strip out costs was paying off as it revealed full-year underlying earnings would now be at the top end of the £20 million to £30 million previous guidance.

I’m pleased with this progress, particularly against the backdrop of an extraordinarily difficult macro-economic climate

The firm has seen its shares hammered over the past year after a series of profit warnings as the cost crisis has hit consumer spending on white goods, and due to labour shortages and supply chain disruption.

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The company started its turnaround plan with a £40 million fundraising round in the summer in a bid to strengthen its balance sheet amid fears of a cash crunch.

AO has closed its loss-making German operation as part of the shake-up and has launched actions to save at least £30 million a year by 2023-24 – including by recently axing senior and middle management jobs.

The firm has also ditched unprofitable products, while introducing delivery charges and cutting cashback incentives to reduce the cost of sales.

It added it would continue to "right size" its cost base to market conditions and the trading outlook.

AO World said: "We are, of course, not immune to the challenging and uncertain consumer environment, and we expect to continue to be impacted by both the cost-of-living crisis affecting consumer spending as well as by ongoing supply chain issues."

But Mr Roberts said: "During the first six months of the year we've made good progress with our strategic realignment as we focus on profitability and cash generation, all of which is yielding the results we expected.

"We've now closed the loss-making and cash consumptive parts of our operations, meaning the remaining UK business is cash generative, and are successfully closing our German business with a minimal cash impact to the wider group.

"I'm pleased with this progress, particularly against the backdrop of an extraordinarily difficult macro-economic climate.”