

Ocado losses balloon to £500 million after retail sales decline

Losses at [Ocado](#) have widened to a staggering £500 million as the online grocery business battles soaring [inflation](#), weak consumer sentiment and a normalising of shopping habits following an end to pandemic restrictions.

The firm, which operates a joint venture with Marks and Spencer, posted a loss before tax of £500.8 million for 2022, while [retail sales](#) fell 3.8% to £2.2 billion. Shares slumped 9.9% to 563p as investors recoiled at the worse-than-expected results.

Tim Steiner, Chief Executive Officer of Ocado Group, said: “Over the last year every company has had its business model tested by a combination of macro-economic and geopolitical headwinds.

“As the Covid unwind fades and customer growth continues the business will start to recover the fixed costs of recent capacity commitments.”

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Ocado said the loss came as a result of inflationary pressure from fuel, energy and labour costs, as well as increased budgetary constraints on consumers, leading to an 11.5% in the average shopping basket size and an 8.5% fall in its value.

The firm said it was unable to pass all its increased costs on to customers and instead ramped up the use of customer discount vouchers to keep prices competitive. Food inflation rose to fresh highs in the first weeks of 2023, data from Kantar shows, reaching 17.1% in the four weeks to 19 February.

Richard Hunter, Head of Markets at interactive investor, said: "Ocado is caught between a rock and a hard place, as the two elements of its business continue to face different tests

"For the Retail business...the so-called "Covid unwind" has had an impact as shopping habits normalise, while given some UK economic hardship, customers have begun to seek cheaper product offerings elsewhere.

"Ocado's unique technology has excited investors and to some extent continues to do so. However, patience has been wearing thin with the increasing danger of it becoming regarded as a perennial "jam tomorrow" stock."

CEO Tim Steiner has collected over £86 million in salaries and bonuses since 2014, Bloomberg data shows, while Ocado shares are up just 0.1% over the same period.

Ocado sounded a more upbeat note about its logistics technology arm, which saw near-£100 million increases in turnover both in the UK and overseas, bolstered by the firm striking a deal late last year with South Korean retail giant Lotte Shopping to develop a network of customer fulfilment centres and cater to a range of grocery demands.

The business's hopes of pinning its retail sales decline on changing post-pandemic shopping habits may have been scuppered by results from online electricals retailer AO World, which today increased its profits guidance for the third time in just over three months.

The Bolton-based business boasted of "a continued resilient underlying customer base [which] has driven higher retail gross margins than previously expected" as it hiked its earnings expectations to between £37.5 million and £45 million.

AO World shares climbed 9% to 61p.