Boohoo plans cost savings after issuing revenue warning

Boohoo has reported a plunge in revenues, saying that an anticipated recovery in group sales volumes proved weaker than expected in the first half of its financial year.

The online fashion retailer said group revenue over the six months to August fell by 17% to £729.1m compared to the same period last year.

UK revenues were 19% lower, boohoo’s statement said, despite discounting to help drive value for its target market of teens to 20-somethings.

As a result of the weaker than expected revenue performance, the group said sales for the year to the end of February 2024 were now forecast to decline by between 12% and 17%.

Shares – already 10% down in the year to date – dived by a further 11% at the market open.

The sales downgrade reflects the continuing squeeze on consumers amid the cost of living crisis and a battle for sales among retailers that has seen top athleisure brands perform well.

Boohoo, like its rivals, has been grappling with a surge in costs.

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It swung to a loss during its last financial year as post pandemic fashion trends changed and returns shot up.

The company said on Tuesday that while improved sourcing and inventory management had helped bolster its bottom line, it was now looking to further cost savings over 2024/25 to support its return to profitability.

It reported an adjusted pre-tax loss of £9.1m for the last six months.

A profit of £6.2m was achieved over the same period last year.

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Chief executive John Lyttle told investors: “Over the first half we have made substantial progress across key projects and initiatives, including the launch of our US distribution centre.

“We have seen significant improvements in sourcing lead times and invested in pricing to reinforce our value credentials.

“We have identified more than £125m of annualised cost savings that support our investment programme.

“Our confidence in the medium-term prospects for the group remains unchanged as we execute on our key priorities where we see a clear path to improved profitability and getting back to growth.”