

# Ocado shares rally as British online grocer narrows losses

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By Louis Goss



Automated packing robots during a visit by Britain's Prime Minister and Conservative Party leader Rishi Sunak to an Ocado distribution centre near Luton, north of London, on July 2, 2024 on the campaign trail in the build-up to the July 4 general election. Ocado shares rebounded on Tuesday. PHIL NOBLE/AGENCE FRANCE-PRESSE/GETTY IMAGES

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OCDO +12.90% ▲ MKS +1.83% ▲

Ocado Group shares rebounded on Tuesday as the company reported a narrowing of its losses in the first half of 2024, after a downgrade by analysts saw the grocery delivery firm's stock price plummet earlier in the week.

The Hatfield, Hertfordshire-headquartered online grocer reported a 12.6% increase in its first half revenue, to £1.5 billion (\$1.9 billion), leading to a 46.9% reduction in its pre-tax losses, from £290 million in the first 26 weeks of 2023 to £154 million in the equivalent period this year.

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be in the "mid-teens percentage range," having previously said it expected to achieve margins "greater than 10%" in the full-year 2024.

Ocado's **OCDO, +12.90%** share price previously fell by almost 14% on Monday after Bernstein's analysts downgraded the stock to an underperform rating, on concerns about the realization of its long-term plans to strike partnerships with supermarkets in the U.S., Canada and Australia.

The British firm's shares have now recovered from Monday's losses, on the back of a surge on Tuesday morning that saw the company's London-listed shares increase 18%. Ocado's shares remain down 47% in the year-to-date after it was relegated from the FTSE 100 in June.

Bernstein's analysts, who described themselves as "having been one of the last bulls standing," on Monday voiced concerns in a note that sales via its Ocado.com website had failed to bounce back after the pandemic — when its sales surged on the back of a boom in online shopping.

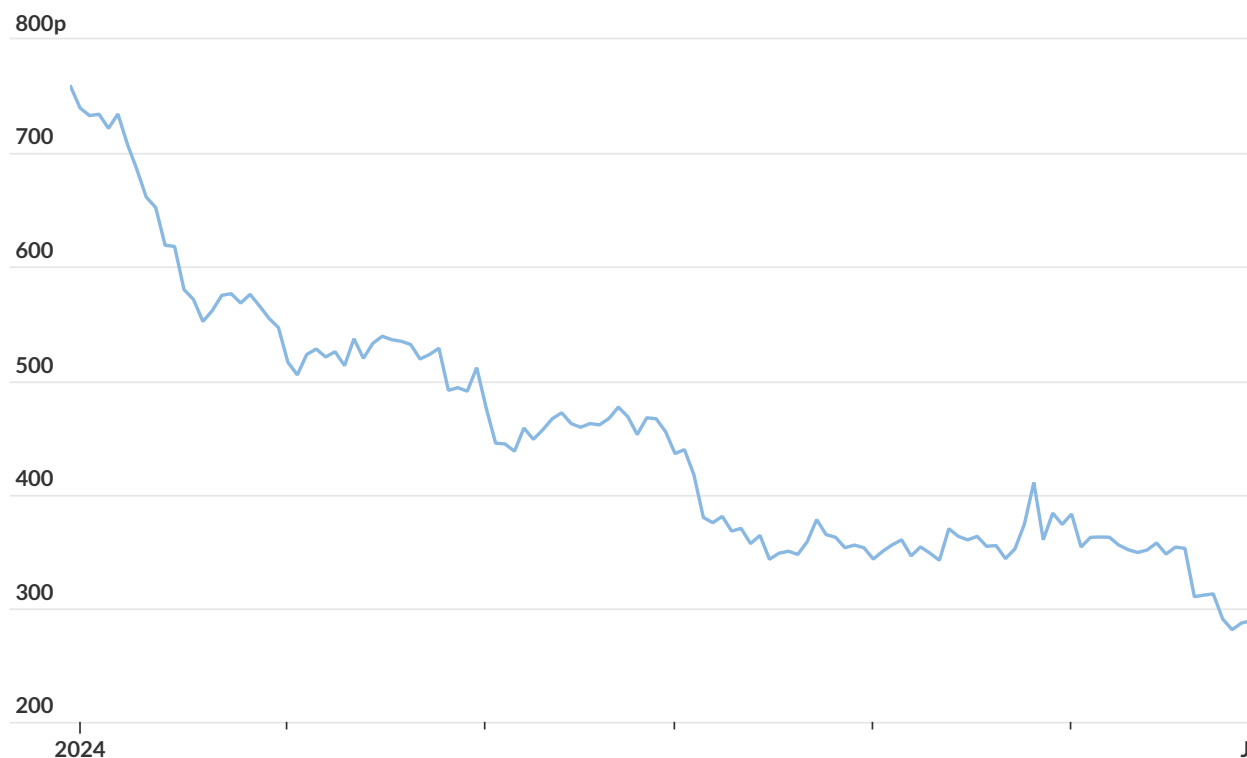
The analysts also cast doubt on whether its high tech model is culturally suited to that used by "slow-moving, traditional grocers," as Ocado increasingly looks to generate revenue by licensing its "technology solutions" to supermarkets.

Ocado CEO Tim Steiner, who set up the company in 2000 with two former colleagues from Goldman Sachs, said in a statement that the firm's first half results now show "the global channel shift to online has now resumed" following "an unprecedented period for online grocery."

Steiner said Ocado is "uniquely well positioned to take advantage" of the wider shift towards online sales of groceries which was temporarily stunted by "multiple years of high food inflation following a surge in demand during the pandemic."

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Ocado still generates the majority of its revenue from its Ocado Retail joint venture with Marks & Spencer **MKS, +1.83%**, which saw its sales increase by 11.3% in the first half of 2024, to £1.3 billion, on the back of a decision to keep its price hikes below inflation in a bid to win over new customers.

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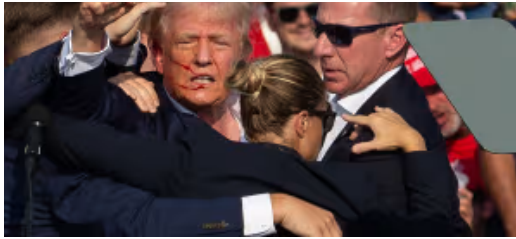
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The U.K. firm's Technology Solutions business – which sees it make deliveries on behalf of supermarkets via heavily automated customer fulfillment centers – saw its revenue increase 21.8%, to £241.4 million.

Richard Hunter, head of markets at Interactive Investor, said that while “there is some evidence that Ocado is finally beginning to turn its fortunes around,” investors are also losing patience as they wait for “large swathes of investments to deliver profitability on anything like a sustainable basis.”



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**Louis Goss**

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