

Anthony Gutman: Welcome to "Talks@GS." It gives me great pleasure to welcome Nick Beighton, the chief executive officer of Asos. Nick is a great friend of the firm and a great friend of mine. And Nick, it's a great pleasure to welcome you here today to talk to us. Why don't we, just on the topic of disruption, you know, when it launched in 2000, Asos dramatically disrupted the fashion industry as we know it and really drove the move into online fashion retail, which many followed. You've been at the business since 2009, so, you know, well over a decade and you've really witnessed a huge amount of change during that period. Can you talk to us a little bit about how the overall sector and industry has changed? And in particular, what are some of the key trends you're seeing at the moment?

Nick Beighton: Back in 2009, when I joined, Asos was 178 million turnover, about 150 people. Today there's probably about 15,000 people globally, and we just reported 3.3 billion of sales for the year. So it's changed under my nose, under my watch dramatically. One of the key principles we do is always stay in the present and go, "Right, where do we go next with it?" And where is our next opportunity? Where is our point of differentiation?

We always believed that there would be a massive shift online. But, you know, back in 2009 there was less than 10% of clothing bought online in the UK. You know, I just told you it's over 40% now. The key trends that I've seen under my watch is a change in out of town [?], a change in digital, a change where it's a connected experience where consumers don't wake up and go on spending 100 pounds online, 10 pounds offline. They just want a connected experience and a connection of digital-physical is where they want to be. It's almost seamless.

Social media was a huge change for us in early in my tenure. We didn't know where it was going to end up, but we just went this is a way to communicate with our customers. We'd better get on board with it. We then, early 2010, it was all about desktop. Then it became all about mobile. Then it became all about apps. Then it became how do we access AI to get better connection with our customers?

The next frontier with those things will be about how you interact with voice or our consumers interact with voice. How we interact with augmented reality. And AI is already powering our experience and how more AI will actually turbo charge our experience. It's almost like personalization on steroids that a

human can't do but AI can do. So those will be the next frontiers. Regrettably, I don't think we will be seeing a switch back to physical stores. That genie is out of the bottle. And I think the disruption we've seen over the last six months will prove to be a step change, not a blip.

Anthony Gutman: So, you know, when you launched, those customers who were in their early 20s at that point in 2000 are now in their mid 40s. I know one of them in particular. How have you grown with that customer group? And also at the same time, you know, done the magic of attracting the next generation who wants to be absolutely nothing like their parents?

Nick Beighton: Asos started with a 20-something mindset. And as we grew, we realized being 20-something and laser focused on 20-something is really important. So we didn't want to grow old with our customers. So being laser focused on 20-something falls in plus or minus 10 years. And so what it basically means, if we're going to stay focused on a 20-something market, you've got to stay forever young, you've got to stay forever fresh. The static window on that customer means the people coming into that frame are going to feel differently, want a different experience from the people exiting.

So we didn't want to grow old. We didn't want to chase up the price points. We didn't want to chase up the customers. There's a moment where we had to be really clear where your pound is or where your pound isn't. And so that's been really tough, but we've avoided that at all costs because we didn't want to grow old with our customers and therefore lose connection with our base. Which means we have to drive innovation, freshness, inventiveness because the customers coming in are different to the customers leaving.

So we've been really clear on staying laser focused on price points, on proposition, on tone of voice, on marketing channels, which is a challenge. But because it's online and it's global, there's a huge addressable market for us to chase.

Anthony Gutman: Nick, I just wanted to spend a little bit of time on ESG. I mean, you and I have talked about this over the years, and it's clearly building in focus. You're a leader of a business which is, you know, hugely focused on sustainability. But you're also operating in a sector that can often be a place of criticism in terms of the impact of fast fashion and the environment. You know, can you share with us a little bit about what you've been doing at Asos to offset your

environmental impact and just talk a little bit more generally about your perspectives on these themes?

Nick Beighton: Yeah, I will. So first of all, I would describe Asos as a purpose-driven organization. And that purpose is to give you the confidence to be whoever you want to be. And that purpose is for customers as well as individual, as well as Asos's [UNINTEL]. Mission led. The mission to be the world's number one fashion destination guided by four values -- authenticity, bravery, creativity, and discipline. So that's our inspiration level that guides what we do.

When you then examine that and then early in my tenure, we went through our sustainability credentials. And we then went clothing is one of the top five most polluting industries on the planet. We then sat and thought about that and went that is not going to be our legacy. So how do we go about doing it? And we did a lot of work as a team going around checking how fabrics were made, checking how garments were produced. And we went we can do this better.

And when you see something, you can't unsee it. And so we went that's not going to be our gift. And so we formed what we call now the Asos Fashion with Integrity Program. That's got four pillars. People, so wherever the Asos brand falls, we make sure that people are paid the right wages, they're in the right working conditions, and they have access to remediation and we encourage freedom of association, which is union membership. Which will sound weird to some people. But the reason we do that is because it gives you eyes and ears on the problem perpetually. So that was our first strategy.

We then went on products. We went wherever our products are made we want to make sure those products have got the highest level of sustainable, reusable cotton. So today I'm delighted that 85% of the Asos brand is made from sustainably sourced cotton.

We then dived in a couple of products like denim. Denim, the average pair of jeans has some, like, 1,200 liters of water. And we went hang on a sec. Water will become one of the most fought after commodities over the next 15 years. How are we going to get ahead of that? So the Asos denim now has around 85 liters of water consumed in it because we instituted ozone washing, laser whiskering, all those things going let's lower the usage of water. And we've got more to go on that.

And then we went on to packaging. We went, you know, two years ago we had 65 million orders went out that were in plastic bags. We went we've got to sort that out. So I'm delighted that 65% of those plastic bags are from recycled content and recyclable materials. And we're going to go further on it.

And then we went, right, we've got to have the last P, which is planet. So we did a Carbon 2020 initiative, which is a 5-year plan. That had a 30% reduction in carbon consumption, and we're just drawing up our credentials about where you go again to make another step change in it. And the reason we did that is because it didn't fit with our purpose because we don't want consumers to feel uptight that anything has been short cut along the way. It could transom [?] who we are. So we decided that was going to be a key legacy of how we build our business.

Anthony Gutman: I just want to cover one last question. I suppose this is more focused on the future. So, you know, once you're through this boom in loungewear and athleisure with people hopefully returning to offices at some point in the new year, what do you see as the next step in terms of developments for Asos?

Nick Beighton: As people emerge from this pandemic and once they've got into a new way of thinking, they may well start thinking about how connected we are as people, how connected we are economically, how connected we are globally, how connected we are as humans and think more about the planet we all share. And so they might start doubling down on their sustainability questions. So we went we have to be more sustainable.

Now, where that goes in trends, I think there's a likelihood of online will be here to stay in bigger proportions. It won't be a blip. It'll be a step change. So models have to be more digital, more online. Personal trends, we might not see people going back to the office in the same way. We might see a reversal of urbanization and people working from home far more than they've ever done before. We'll therefore see more casualization where people, the work wardrobe might not be the traditional work wardrobe. I think people start demanding more flexible working, which is not always better but actually allowing people the choice will become a key trend. Offices will therefore have to change. Physical footprints might have to change. Offices might be more networking spaces and collaboration events rather than sat behind desks, which I think might be a good thing but might need to re-change the way we do it.

My own working week at the moment is two days working from home, three days in the office. And then I do a two and three the other way around. And that's how we've been encouraging our people to do it. But we are saying we are less productive when we are not together. And, guys, we do need to come together because we're human beings, and we do our best work together when we're working together. So I think flexible working will change. People will demand it.

It will change, therefore, the fashion people are demanding. So we might see an increased casualization. But at the same time, when the world wakes up again and we'll need to do the things we want to do, there's nothing better than going out. And when you can go out and do the things that you want to do, we've got plenty of dresses and athleisure when you want it.

Anthony Gutman: Nick, a big, big thank you for taking the time. You've been a great friend and a great client to this firm. And we wish you and Asos and your family and everyone well in the future. Thank you.

Nick Beighton: Stay safe, everyone, and let's hope we all have a great Christmas.

Anthony Gutman: Take care, Nick. Thank you.

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