



goetzpartners

STRATEGY | M&A | TRANSFORMATION



COVID-19 | goetzpartners' Retail Industry Assessment

MUNICH, JUNE 2021

Retail Industry | Shareholder Sentiment

The retail industry has finally bounced back from the significant Covid impact and only sits slightly below the general market due to insolvencies of several smaller players benefitting larger player's market position

INDUSTRY STOCK PERFORMANCE

Index (Stock price on December 1st 2019 = 100)



- **Very volatile** dropping to -60% to rebounding and growing to 60% higher than the December 2019 index within 12 Months
- Strong and steady recovery, slightly underperforming general market
- Slightly counter-intuitive early **recovery of retail stocks** is mainly driven by the **anticipation of a stronger market position** post-pandemic:
 - As smaller retailers have lower cash reserves, they are more prone to bankruptcy
 - This will put larger (and listed) retailers at an advantageous market position

COMPANY CRISIS MANAGEMENT

SELECTION

"Best practice": Bed, Bath & Beyond



- **Restructuring:** Announcement of comprehensive restructuring program (before COVID)
- **E-commerce:** Shift from offline retail stores to stronger focus on e-commerce
- **Asset streamlining:** Unloading of certain assets to focus on core business and generate cash
- **Offline assets closure:** Permanent closure of 200 stores during COVID-19 pandemic

120% increase in stock price since December 2019

Outperformed Nasdaq Composite by **34%**^[2]

Closure of **200** stores

"Worst practices": Marks & Spencer



- **Lack of digital competency:** Very little competency and sales in e-commerce
- **Very targeted focus customers:** Food offering very reliant on commuters and entertaining at home, both of which were very reduced
- **Undiversified clothes portfolio:** Strong focus on high-end formal wear instead of having a balanced clothes portfolio

17% decrease in stock price since December 2019^[1]

Underperformed Nasdaq Composite by **49%**^[1]

[1] Weighted share price of mainly offline retailers [2] since 1st December 2019
Source: Investing.com, goetzpartners analysis

Retail Industry | The CEO's Agenda

The retail industry has been hit hard by the pandemic, with the curfews leading to cash flow difficulties, but as the pandemic ends, companies need to strengthen their business by considering defensive and offensive strategic options

LESSONS LEARNED FROM COVID-19 CRISIS



Omnichannel sales and increasing **customer service** is required to reach customers



Increasing **digital competence** to digitize sales channels, administration, and customer journey



Safe service in form of **comfort and security** are key criteria to retain customers



Focus on the **unique opportunities** of **physical retail** that enable **customer loyalty**



Increase usage of **smart solutions** that combine shopping and services



Steady crisis management required to **react quickly** to **changing environment**



STRATEGIC CONSIDERATIONS

DEFENSIVE
(FINANCING,
MARKET CATCH-
UP)

- Are you focusing your **company planning** to have sufficient **financing** in case of **crisis situations**?
- Have you carefully reviewed your **ability** to **reduce** your **cost** on a **short-term basis**?
- Should you pursue **collaborations** with **peers, online retailers, platform or service providers**?
- Are **new partners as debt or equity providers** available to support your company in the process of **digital transformation**?

OFFENSIVE
(ACQUISITION,
CARVE-OUT)

- How can the company's **balance sheet resilience** be improved?
- Are you keeping your attention on **mid-to long-term strategic goals** despite the external shock?
- Are you able to close **new partnerships** to ensure cross-channel customer experience?
- Has your company any **non-core assets and services** that can be **disposed**?

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