



*CFA provides information about our industry's vulnerable business issues. The current issue's importance is part of CFA's continuing effort to assist our members.*

April 2020

## THOUGHTS ABOUT THE FUTURE

### As Seen In... Wells Fargo Retail Industry Update



### "Markets Can Quickly Rebound After a Correction"

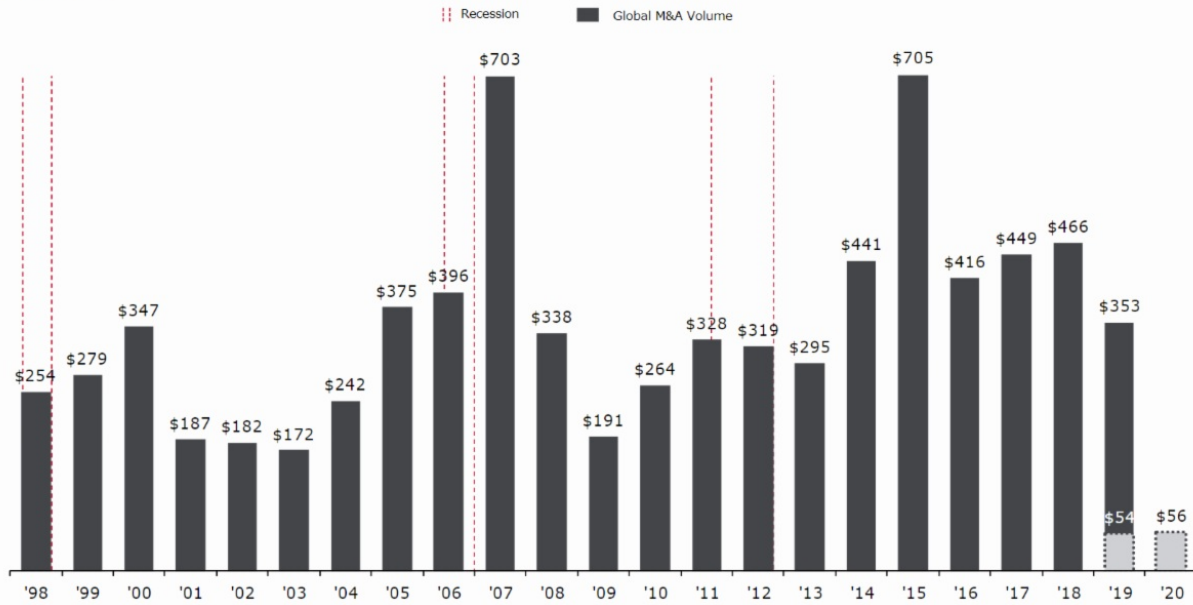
	Event	Approximate Start	Time to Rebound from Trough to Previous Peak		
			S&P	M&A Volume	U.S. Real GDP Growth / Global Real GDP Growth
1	Iraq Invades Kuwait; Oil Markets Spike, Recession in the U.S.	Aug-90	~ 2 Quarters	~ 7 Quarters	~ 5 Quarters / ~ 12 Quarters
2	Greenspan Warns on Inflation; Russia's Gov't Defaults, LTCM is Insolvent	Jul-98	~ 2 Quarters	~ 4 Quarters	~ 2 Quarters / ~ 12 Quarters
3	Burst of the Dot-Com Bubble, 9/11 Attacks	Mar-00	~ 11 Quarters	~ 17 Quarters	~ 8 Quarters / ~ 12 Quarters
4	The Great Recession	Dec-07	~ 12 Quarters	~ 25 Quarters	~ 4 Quarters / ~ 4 Quarters
5	European Sovereign Debt Crisis and 2010 Flash Crash	Jan-10	~ 2 Quarters	~ 4 Quarters	~ 3 Quarters / N/A
6	Weak U.S. Macro, Euro Crisis Continues, U.S. Debt Downgraded	Aug-11	~ 3 Quarters	~ 2 Quarters	~ 2 Quarters / N/A
7	Trade Talks with China, Potential for a U.S. Gov't Shutdown	Sep-18	~ 1 Quarter	N/A	N/A / N/A
8	COVID-19 Spreads Beyond China	Feb-20	N/A	N/A	N/A / N/A

Source: Capital IQ, FactSet, Federal Reserve Economic Data, Thomson Financial

### "Historical Global Impact of Market Correction on Consumer & Retail M&A"

### Global Consumer & Retail M&A Volume

(\$ Volume in Billions)



Source: Thomson Reuters | Note: M&A data on deal announcement date; industry based on target | 2019 and 2020 YTD volume as of 4/6/2020

## "Analysts Revise 2020 Retail Outlook Amid COVID-19's Market Disruption"

### Industry Perspectives

- Despite a solid fourth quarter holiday season, slowing GDP growth and gross margin contraction point toward decelerating EBIT growth
  - Larger companies with scale will enjoy less margin pressure
- Overall, retail multiples have risen, with valuation expansion expected to continue in 2020
- Many retailers will focus on:
  - International expansion as middle-class demand grows in China and Asia
  - Next day delivery
  - Payment optionality on ecommerce platforms
- Brick-and-mortar retailers are shuttering stores across the globe, with closures adversely impacting small and medium-size retailers
- The week of March 15<sup>th</sup>, 3.28M workers applied for unemployment, ending a decade-long run of job growth
  - 6.6M workers filed for unemployment the following week
  - Millions of U.S. businesses have announced layoffs or furloughs
- Notable retailers are slashing first and second quarter sales forecasts as stay-at-home orders impact demand in the APAC region
- Rate cuts will serve as an important boost to the economy, as levered retailers require liquidity

Source: Euromonitor, U.S. Department of Labor, NBER, Wall Street equity research, publicly available information

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***The CFA was formed to facilitate these service and we are grateful to the many members and non-members alike who have stepped up in support of the country's population in dire stress.***

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