



VICTORY PARTNERS

MIDDLE MARKET INSIGHT

What Business Owners Need To Know

17% RISE

IN EARNINGS FOR Q2

H&M Reports Jump in Earnings as In-Store Sales Rise

- H&M reported a 17% jump in sales, beating estimates for Q2 Earnings. According to the Stockholm-based retailer, “well received collections allowed the company to scale back on discounted items.” In-store sales increased “substantially” with gross profit margin up 0.9%, beating analyst estimates.
- Though Q2 earnings beat estimates, H&M expects sales to decline 6% in June as a result of halting store operations in Ukraine, Russia and Belarus due to the ongoing conflict.
- Surging energy, commodities and transportation costs have resulted in a mixed bag of earnings reports for retailers. Macy’s and Dollar Tree saw increases in sales due to more spending on occasions and consumers turning to discount stores due to inflation. Walmart and Target reported steep profit declines this quarter due to inflation and supply chain related issues.

GROSS MARGIN

BEAT Q2 ESTIMATES BY 0.9%

Prioritizing Inflation Over Economic Growth

- European Central Bank (ECB) President Christine Lagarde and U.S. Federal Reserve Chair Jerome Powell attended the ECB Forum on Central Banking this week. Inflation is breaking multi-decade highs globally and supply chain bottlenecks are additionally pushing costs upward.
- Powell stated that policy moves to avoid a recession in the U.S. is possible, but “the pathway is narrow and there is no guaranteed success.” “The bigger mistake to make... would be to fail to restore price stability” answered Powell, when asked if the Fed would go too far in setting policy initiatives.
- The Fed increased rates 0.75 percentage points this past June, and they may do so again in July. The ECB flagged rate hikes in July and September, and The Bank of England (BoE) raised rates 1.25% in June. “There will be circumstances in which we will have to do more,” BoE Governor Andrew Bailey said, referring to recent rate increases.

INFLATION

AT RISK OF HIGHER LEVELS

FED’S POWELL:

“LOWERING INFLATION IS PAINFUL BUT NECESSARY”

U.S. FED

MAY HIKE RATES AGAIN IN JULY

Bed Bath & Beyond Shares Sink After Ousting CEO

- Bed Bath & Beyond (NYSE: BBBY) will be replacing Mark Tritton as CEO. Sales in Q1 fell 23% due to what executives are calling a “mismatch between what stores carry and what shoppers want.” The company’s independent director, Sue Gove, will serve as interim CEO while the board pursues a replacement for Mr. Tritton.
- Ms. Gove announced the company would focus on driving in-store and e-commerce sales in hopes to stabilize its supply chain and strengthen its balance sheet; it is reported that the company’s liabilities exceed assets by \$220 MM.
- The “Buybuy Baby” brand, the store’s chain of baby products, has quickly fallen apart. Neil Saunders from Global Data commented: “it needs to refine its turnaround strategy from a very weak financial position and at a time when the market for home furnishings is in the doldrums.”

SHARES FELL

20%

FOLLOWING THE ANNOUNCEMENT

CAPEX

BUDGET

WILL BE CUT BY \$100 MM

BBBY SHARES

DOWN 64% YTD

Sources: www.wsj.com | www.reuters.com | www.marketwatch.com