

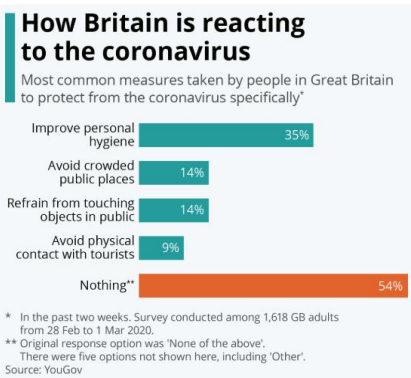
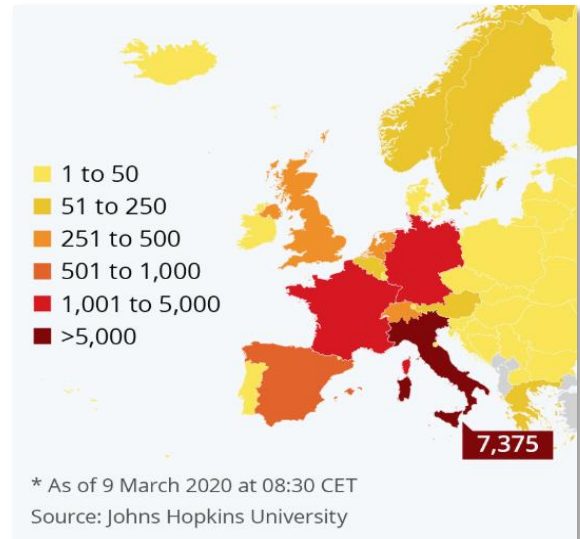
10th March 2020

The Coronavirus outbreak is an evolving situation and changing daily. In highly affected countries people are reducing time spent in public and crowded areas including travel outlets. Travel points will be most affected with less people travelling. On the flipside, people are going to supermarkets to stockpile on groceries so there may be some short term spikes in sales in a few retail channels. This report includes sales analysis based on short and long term impact to the magazine industry.

What we know so far

1. What is a coronavirus?
Coronaviruses are a family of viruses that infect a wide range of species including humans. SARS and MERS coronaviruses are thought to have originated in animals, but Coronaviruses are known to be able to occasionally jump from one species to another.
2. Origin of COVID-19.
On 31st December 2019, Chinese authorities notified the World Health Organisation of an outbreak of viral pneumonia in Wuhan City and by the 10th February 2020, this COVID-19 virus was named SARS-CoV-2.
3. How dangerous is the virus? *(Numbers as of 11/03/2020)*
Over 118,600 people have been infected globally since the outbreak in more than 100 countries and with over 4,200 deaths (ECDC). The number of cases in Europe has jumped sharply since the infection surge in Italy. Italy remains Europe's worst affected country, with 10,149 cases confirmed, followed by France 1,784, Spain of 1,639 and Germany of 1,296. The UK is the seventh worst hit with 373 cases.
4. How is this affecting the global economy?

*No. of outbreaks in Europe
(Source: Statista)*



(Source: Statista)

- a) The world's economy could grow at its slowest rate since 2009 this year according to the OECD.
- b) Global shares take a hit. The last week of February saw the worst performance for major stock markets since the 2008 financial crisis. European and US stock markets have seen a slight uptick since then as it's hoped that countries will intervene to protect economies. (BBC News).
- c) Factories slowing down - China makes up a third of manufacturing globally and is the world's largest exporter of goods. But activity has decreased as factories pause their operations to try to contain the spread of Covid-19. (BBC News).
- d) Data from analytics firm ForwardKeys shows international flights booked from China are down by (56%) YoY. UK travel industry experts have expressed concerns about Chinese tourists being kept at home. There were 415,000 visits from China in the 12 months to September 2019, and Chinese travellers spend three times more in the UK at £1,680 each.
- e) British Airways and Ryanair have cancelled hundreds of flights between the UK and parts of Europe and the US due to the coronavirus outbreak.

- f) The economic fallout could include recessions in the U.S., euro-area and Japan, the slowest growth on record in China, and a total of \$2.7 trillion in lost output—equivalent to the entire GDP of the U.K. *(Source: Bloomberg)*
- g) Parts of Europe is almost certain to go into recession over the coming months; and the Germany economy is particularly fragile, but the Italian economy and other parts of the European periphery could also be affected.



Global Retail Experience in High Affected Areas

Chinese Grocery Performance.

With Chinese nationals being advised to stay at home amid the ongoing coronavirus epidemic, demand for fresh food and household items has soared. Walmart’s online delivery business, JD Daojia, reported a five-fold increase in sales volume, with average basket spend 10 times higher than usual. Alibaba’s fresh food vendor Freshippo also reported similar increases. Its vegetable sales have grown by 50% when compared with normal working days. Shoppers are also buying more staples and drinks in one purchase to reduce contact with delivery staff. For magazines China reported February and March issues are affected from shortage of manpower in retailers. For the short term, magazine supplies will be reduced.



Italy Grocery Performance

In the third week of February 2020, sales in supermarkets, hypermarkets, superettes, and discounters registered an increase in Italy. In particular, several provinces in the North of Italy recorded a significant increase as a consequence to the outbreak of Coronavirus. According to a forecast of February 2020, it is estimated that Italy's GDP will decrease by (3.%) due to the impact of Coronavirus (worse case scenario). However, some industries could benefit from the spread of Coronavirus in terms of GDP growth. For instance, the gross domestic product could increase up to six percent in the following sectors: food, health, publishing activities, communication, and IT services. Though we have been able to understand the immediate affect of magazines sales, we could assume they will drop by (50%) YoY.

Rest of World Performance

To date, US, Australia, Canada, New Zealand and other parts of Europe have yet to see a sales impacted for magazines.

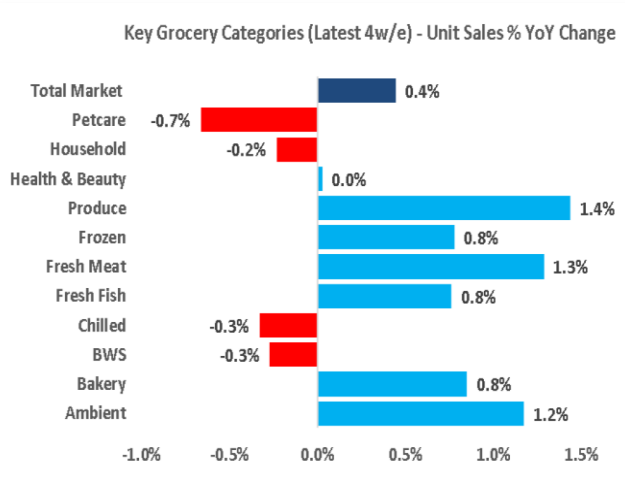
UK Retail Performance

It is very early days to get to grips on how this will impact UK Retailers. However, we do know retailers are operating as ‘business as usual’ until told otherwise by the Public Health England and the UK Government.

There are indications that consumers are spending more in Grocery stores in the last four weeks compared to last year, up 2% due to consumers purchasing more staple products. (Source: IRI)

Retailers are working to understand how the Coronavirus will impact *out of stocks* IF China doesn’t recover within the next few weeks. Spring goods have already been shipped, so the effects will not be immediate. The global nature of supply chains means we may see potential bottlenecks in the transportation of goods at a time when many retailers are keeping inventories tight.

Key Grocery Categories – last 4 wks YoY (Source: IRI)



SSP, which serves 1.5 million customers daily in airports and train stations in 35 countries, said group revenue in February would fall by between £10-£12 million pounds due to the outbreak. WH Smith has also seen its shares tumbles by (9.6%) in February. While we cannot see direct total sales transactions for WHS Travel, we can assume sales have fallen and will continue to do so until COVID-19 has stabilised and UK’s tourism resumes.

The UK is seeing spikes in online sales. If the UK reaches a stage where a 5th of Britons are housebound due to self isolation, we are unsure how long Grocers can keep up with the demand. Online shopping could be restricted by limited availability of vehicles, drivers, staff and delivery slots.



UK Retail Magazine Performance - EPOS

In the first week of 2020, magazines sales saw a decline of (11.1%) YoY. As the weeks continue, YoY sales performance improved compared to the first week. The first outbreak of the Coronavirus in the UK was confirmed on 31st January 2020. Since then, total EPOS sales continue to be stable YoY until week ending 29th February.

While Co-op, Sainsbury's and Tesco sales remain consistent, WHS Travel and High Street saw a steeper decline week ending 29th Feb. Its arguable, that sales declines will continue in Travel formats faster than other retailers. However, as more cases are reported, we are seeing YoY declines lessen in the others retailers such as Co-op, Sainsbury's, Tesco and High Street due to panic buying.

YoY Weekly Tracker (Constant Titles Only)										
	04/01/20	11/01/20	18/01/20	25/01/20	01/02/20	08/02/20	15/02/20	22/02/20	29/02/20	07/03/20
Coop	-10.2%	-6.7%	-6.3%	-6.7%	-7.5%	-4.6%	-6.5%	-6.9%	-7.6%	-6.4%
Sainsbury's	-12.3%	-7.8%	-8.1%	-10.0%	-8.7%	-9.4%	-7.5%	-7.2%	-9.5%	-9.7%
Tesco	-12.3%	-6.6%	-6.0%	-6.9%	-6.8%	-5.7%	-6.2%	-5.8%	-7.1%	-4.9%
WHS HS	-7.5%	-4.0%	-6.2%	-5.9%	-3.8%	-4.5%	-12.1%	-6.0%	-11.5%	-5.7%
WHS Travel	-6.2%	-10.4%	-10.7%	-13.7%	-10.9%	-11.2%	-14.5%	-13.0%	-17.5%	-19.2%
TOTAL EPOS	-11.1%	-6.9%	-6.9%	-8.0%	-7.4%	-6.8%	-7.9%	-7.0%	-9.1%	-7.6%

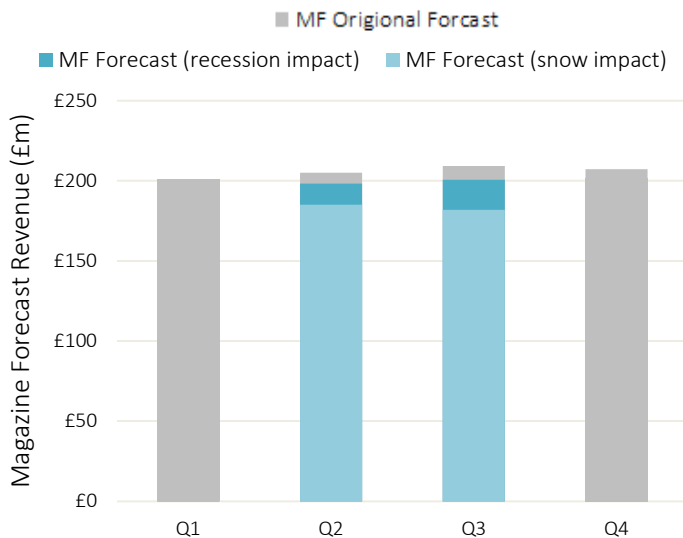
Week Ending Epos: Coop, Sainsbury's, Tesco, WHS HS, Travel

* 01/02/2020 – First week the Coronavirus was reported in the UK

** 07/03/2020 - Tesco YoY is based on a forecast figure due to missing data

Impact For Magazine In 2020 After The COVID-19 Outbreak

This graph is a Marketforce revenue forecast model by quarter for 2020 and includes the best and worst case scenarios for magazines, based on previous experiences; 2008 recession impact and 2018 snow impact.



In Q1, our revenue prediction shows a forecast of over £200m, down (4%) YoY and we don't expect this to change. With customers panic buying, grocery footfall will increase during the first quarter.

From April onwards is where we foresee a steeper YoY decline compared to our original forecast. In the month of April, we predict RSV will drop between (5.7%) to (6.2%) YoY. During May and June, the UK government is predicting the Coronavirus will be at its peak and therefore will we see further declines compared to our initial forecast. The overall revenue total for Q2 could drop low as (7.9%) to (14%) YoY. Q3 is projected to see an even significant revenue decline, with RSV dropping by (8.6%) to (17.1%) YoY. From Q4, we are hoping magazine revenue will pick up again and resume as normal after COVID-19 dies out.

Marketforce actions

- Marketforce is regularly consulting with its supply chain partners, wholesalers, hauliers and overseas agents to ensure and moderate supplies where necessary. All parties have contingency plans in place to maintain deliveries to customers during this time.
- Marketforce will continue to track EPOS sales on a weekly basis and will keep all parties informed of the impact.