

Marks and Spencer Group PLC

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Marks and Spencer 'cultural change' sparks upgrade from Citi

Marks and Spencer Group PLC (LON:MKS) has been upgraded by Citigroup as it sees a "cultural change" has taken place at the retail chain.

This change in corporate philosophy, couple with the online grocery's joint venture with Ocado, is key to understanding why the investment case at M&S is "evolving", the US bank said.

READ: M&S to open superstores that stock full food range ahead of online delivery launch with Ocado

M&S in February agreed to pay £750m for a 50% equity stake in Ocado's UK food retail unit, a business that generated sales of £1.48bn and underlying earnings of £34.2m in its last full year.

The high street fixture said it will fund the whole upfront consideration via a £600m fully-underwritten rights issue and would also cut back future dividends to free up cash.

Citi's general retail and food retail analysts put their heads together to undertake a "detailed bottom up scenario analysis" of the Ocado JV, which suggests a £4.7bn sales base and £334m EBITDA after 15 years would be possible.

READ: Marks & Spencer weak as Credit Suisse cuts its rating to 'underperform' from 'neutral'

"The Ocado JV deal is an elegant solution to a structural gap in the M&S business model and reflects a bold decision to buy into a market leading online proposition."

With the changes all part of M&S "making itself more relevant for the next decade", analysts Adam Cochrane and Nick Coulter said the structural changes at the group have the potential to "re-invigorate the M&S business to a greater degree than investors expect".

Citi upgraded its rating to 'buy' from 'neutral', hiking its target price to 330p from 290p.

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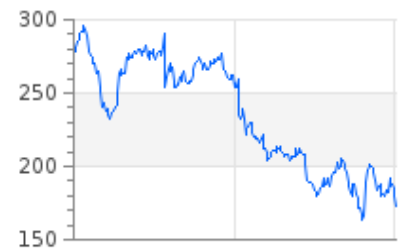
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Price: 173.45

Market Cap: £3.38 billion

1 Year Share Price Graph



November 2018 May 2019 November 20

Share Information

Code: MKS

Listing: LSE

52 week **High** **Low**
298.594 161.35

Sector: Retail

Website: www.marksandspencer.com

Company Synopsis:

*Marks and Spencer Group is a retailer of clothing, food and home products in the United Kingdom. The Company has 622 stores, including Simply Food franchise stores, as well as an international business. *

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