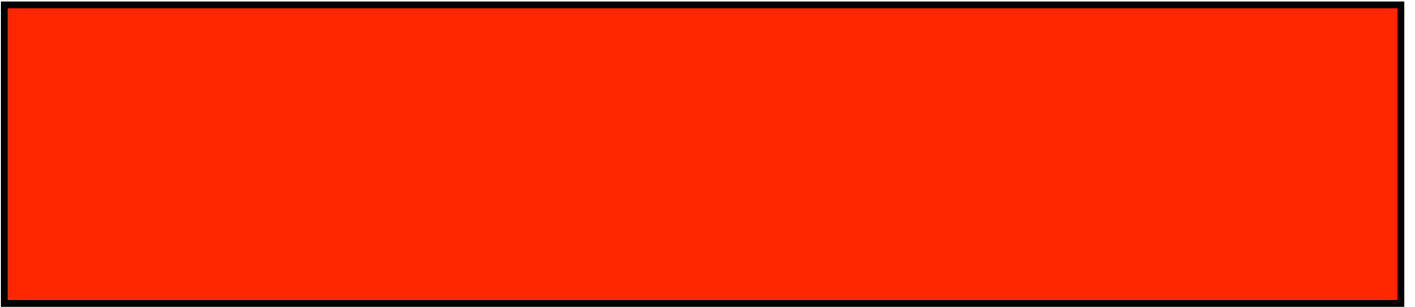
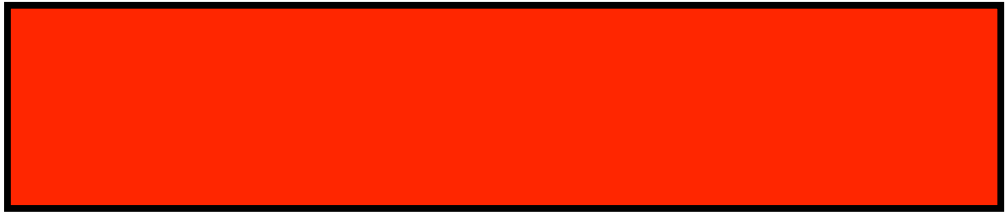




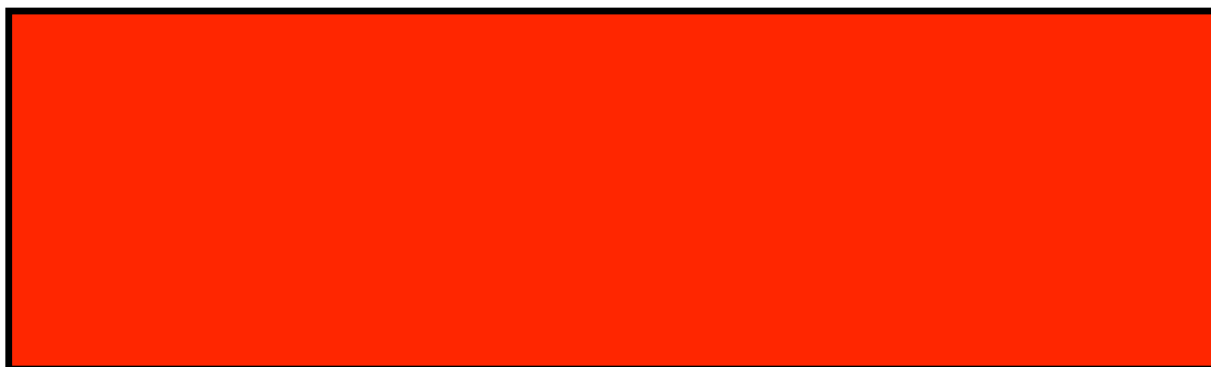


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excellent

I. PART A

1 Introduction:

The examination of financial choices and business tactics that maximize shareholder value is known as corporate finance. Analyzing capital structure, investment plans, and dividend policy are all part of it. Frank J. Fabozzi's *Foundations of Financial Markets and Institutions*, which addresses issues like financial management, risk assessment, and capital allocation within organizations to accomplish their financial goals while navigating market and institutional dynamics, may offer insights into this discipline.

An in-depth examination of significant financial components of Ocado plc during the previous five years is the main emphasis of this assignment. It will examine the computation and critical evaluation of the liquidity and leverage ratios based on the financial statements of the firm, giving insights into its ability to manage its debt both in the near term and over the long term. The research will also look at Ocado's financial structure, illuminating its debt-to-equity ratio and financing choices. The research will also assess the company's investment projects and their results, providing a holistic perspective of Ocado's financial performance and strategic objectives to support stakeholders and investors in making knowledgeable decisions.

Good

2 Background of company:

The British digital grocer Ocado was founded in 2000 by three ex-bankers from Goldman Sachs. An online grocery ordering and direct warehouse delivery service were how the company was initially envisioned. In 2009, Ocado launched its first customer-facing website and immediately began delivering food to customers in London (Ocado group, a).

Ocado has made large investments in robots, artificial intelligence, and machine learning to improve the efficiency of its warehouse operations as well as the accuracy and efficacy of its deliveries. To ensure that goods are delivered promptly and accurately, the company also hires drivers and maintains a fleet of delivery vans. The company's business strategy is based on using automation and advanced technology to make grocery delivery more efficient. To streamline its warehouse operations and increase the precision and effectiveness of its deliveries, Ocado has made significant investments in robotics, artificial intelligence, and machine learning (Ocado Group, b).

The history of Ocado has been marked by creativity and a readiness to try out novel business ideas and technological advancements. Notwithstanding a tragic fire that occurred in one of the company's warehouses in 2019 (BBC News, 2021), the company has persevered and expanded its operations despite some obstacles along the road. Ocado, one of the most successful online grocery retailers in the world, has a market capitalization of over **£7,762.90** Million (London Stock Exchange, n.d.).

2.1 Major competitors:

Ocado has competition from a range of companies since many of them specialize in the delivery of groceries online. Among its main competitors are the following:

Amazon Fresh is the organization for online grocery delivery service, offering a broad range of items at competitive prices (Amazon , n.d.).

Tesco, one of the largest food retailers in the UK, offers both in-person and online grocery shopping options (Tesco, n.d.).

Sainsbury's, a major supermarket company in the UK, offers online as well as in-store food purchasing alternatives (Sainsbury's, n.d.).

yes, this is excellent

2.2 Some Corporate events in the last few years:

A cooperation between Ocado and Marks & Spencer (M&S) was formed to provide M&S food products online. M&S invested £750 million for a 50% share in the business, with Ocado providing the tools and technology for online grocery sales and M&S providing the food. The new business will provide M&S the ability to compete with other online grocery retailers and offer both companies room for growth (The Guardian, 2019).

In November 2020, Ocado announced that it had acquired Kindred Systems and Haddington Dynamic Robotics, a robotics business with headquarters in the US. The purchase was meant to boost Ocado's technological prowess and hasten the development of its computerized warehousing systems. The anticipated prices for the trades were \$262 million and \$25 million, respectively (Shead, 2020).

Ocado announces the signing of a collaboration agreement between Ocado Solutions ("Ocado") and Lotte Shopping ("Lotte") for the development of Lotte's online operations in South Korea using the Ocado Smart Platform ("OSP"), (London Stock Exchange, 2022).

In a settlement with Auto Store, Ocado Group consented to a private cross-licensing of several patents. Without facing post-2020 infringement claims, Auto Store has access to pre-2020 patents and is free to use current items. Beginning in July 2023, they will pay £200 million over twenty-four monthly installments. The agreement allows access to the patent portfolio for product development but not for cooperation or technical support (London Stock Exchange, 2023 b).

Beginning on September 1, 2023, Rachel Osborne will hold the position of Independent Non-Executive Director for Ocado Group plc. Osborne adds insightful knowledge to the company's board thanks to his former roles as CEO of Ted Baker, Chief Financial Officer of Debenhams, and Finance Director of the John Lewis Division. The board will benefit from her knowledge of the sales, customer, and business-to-business sectors (London Stock Exchange, 2023 a).

II. PART B

3 Financial Ratios:

Ratios are a key indication of a company's financial statements and are important for both insiders and outsiders. With the aid of these ratios, not only can management make crucial decisions to strengthen the company's financial position, but investors can also consider the organization's existing situation. One can utilize ratio analysis to learn how well a firm is doing in comparison to its rivals. It may be used to determine the long-term and short-term situations of a corporation (Atrill, 2012).

Good

3.1 Liquidity ratio:

A company's capacity to satisfy short-term obligations and swiftly turn assets into cash is gauged using the liquidity ratio, a financial indicator. It displays the company's capacity to meet short-term financial needs and its overall short-term financial health. (Atrill, 2012)

- Current ratio: Some analysts frequently use the current ratio to assess a company's capacity to satisfy its immediate obligations. ($\text{Current Assets} / \text{Current Liabilities}$.)
- The acid-test ratio often called the quick ratio, is a financial indicator used to assess a company's short-term liquidity and capacity to pay obligations. A more thorough evaluation of financial health is provided since it assesses the accessibility of financial resources (excluding inventory) to satisfy urgent commitments. [$(\text{Current asset} - \text{Inventories}) / \text{Current Liabilities}$]]
- Operating cash flow ratio: An operating cash flow ratio is relevant to illustrate how the firm uses cash from activities to pay its liabilities ($\text{Cash flow from operation} / \text{Current liabilities}$). (Corporate Finance Institute, n.d.).

very nice

3.2 Leverage ratio:

A financial metric called a leverage ratio is used to evaluate a company's debt levels of its equity or assets. It sheds light on the degree of financial burden and the possible risk the business faces because of its debt financing. Increased reliance on debt is indicated by a larger leverage ratio, which can improve profits in advantageous circumstances but also raises the danger of financial instability in tough economic times (Corporate Finance Institute, n.d.).

Debt to Equity ratio: The debt-to-equity ratio measures an organization's financial leverage and capital structure, comparing total debt to shareholders' equity. A larger ratio indicates increased debt reliance, potentially resulting in better returns but increased financial risk. ($\text{Total debt and other liabilities} / \text{Shareholders equity}$).

Debt ratio: The debt ratio is a financial indicator determining a firm's financial leverage and asset financing by dividing total debt by total assets. A larger ratio indicates a firm's indebted capital structure, increasing financial risk. $(\text{Total Debt} / \text{Total Assets})$

Equity ratio: Equity ratio measures a company's percentage of assets funded by shareholders' equity, indicating financial stability and less debt reliance. A larger ratio indicates more assets supported by equity. $(\text{Shareholders equity} / \text{Total Assets})$

ok

3.4 The reason behind choosing this ratio:

- By analyzing how well a firm can pay its short-term debt with its present assets, investors and creditors who wish to compare the financial health of a company to that of its rivals may make use of this information.
- Liquidity ratios can also be used to predict an organization's future financial success.
- By comparing a company's debt to equity levels, the leverage ratio gauges its risk and helps determine its financial soundness.
- Enables stakeholders to assess the management's risk and financial management plans.
- Identifies the need for financial restructuring or reducing debt and makes strategic planning easier.

4 Some financial figures of Ocado from 2017-2022

Note: (All figures are in £million)

Financial figures of Ocado Group

properly label tables

Table 1

	2017	2018	2019	2020	2021	2022
Current assets	260.1	576.3	1009.2	2381.1	1885.3	1773.1
Current liabilities	257.2	329.3	459.3	494.1	467.0	606.8
Cash flow from operating activities	120.9	142.9	88.7	229.6	15.00	(4.0)
Inventory	42.9	56.5	52.3	61.6	86.7	106.8
Total asset	894.5	1349.9	2293.2	4028.2	4383.6	4813.2
Total debt/ Total liabilities	623.8	793.3	1234.9	2191	2674.2	2878.9
Shareholders' equity	270.7	556.6	1058.3	1837.2	1709.4	1934.3
Revenue	1463.8	1598.8	1756.6	2331.8	2498.3	2513.8
cash	150.00	410.8	750.6	1706.8	1468.6	1328
Net profit after tax	1.0	(44.9)	(211.8)	(69.6)	(185.7)	(481.3)

Source: (Ocado, n.d.)

Table 2

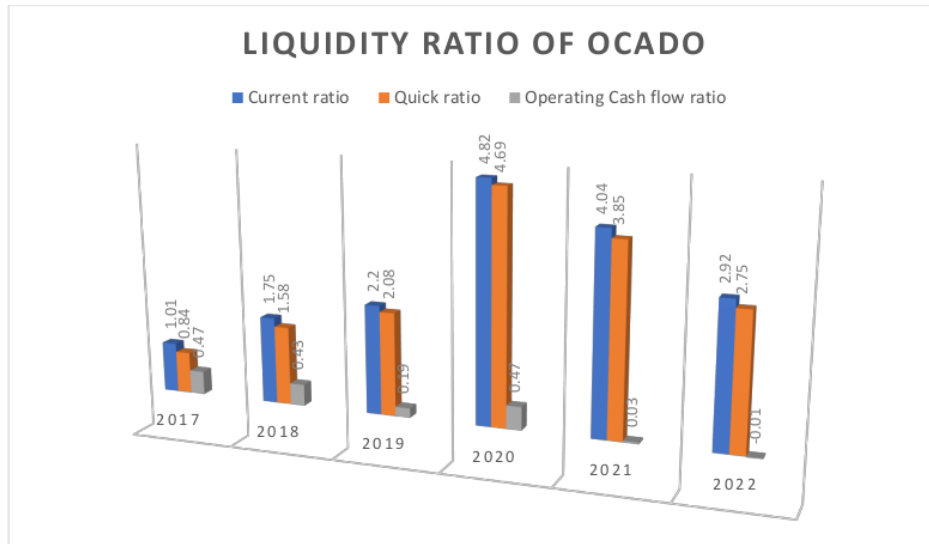
Good

OCADO FINANCIAL RATIO							
	Current ratio	Quick ratio	Operating Cash flow ratio		Debt to equity ratio	Debt ratio	Equity ratio
2017	1.01	0.84	0.47	2017	2.30	0.70	0.30
2018	1.75	1.58	0.43	2018	1.43	0.59	0.41
2019	2.2	2.08	0.19	2019	1.17	0.54	0.46
2020	4.82	4.69	0.47	2020	1.19	0.54	0.46
2021	4.04	3.85	0.03	2021	1.56	0.61	0.39
2022	2.92	2.75	-0.01	2022	1.49	0.60	0.40

(Source: Created by the learner)

Figure 1

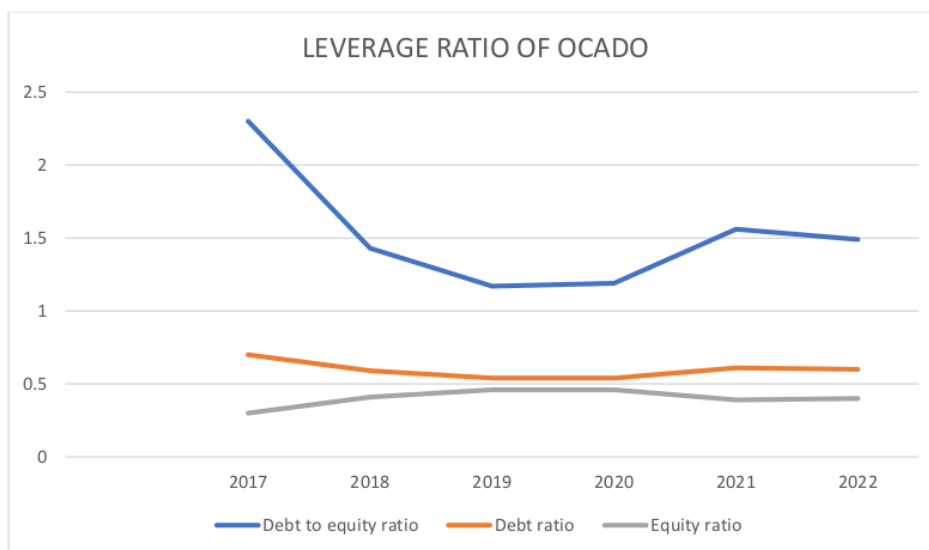
ok



great but
please
properly
label all
figures

(Source: Created by the learner)

Figure 2



source of
data?

(Source: Created by the learner)

4.1 Overview of OCADO Financial ratio:

Liquidity ratio: Any current ratio greater than one should be regarded as a reliable sign of the company's financial health. Ocado's current ratio is steadily rising from 1.01 to 4.04 between 2017 and 2021, which is a positive indicator that the business can pay its debts to the government relatively easily. However, this cannot be seen as a bad omen because it is possible that the corporation utilized its extra cash for investments. In contrast, the current ratio in 2022 virtually fell by 25% from 2021 to 2.92. We can see that the quick ratio was 0.84 in 2017, but from that point on until 2022, it increased steadily along with the current ratio. Over time, the cash flow from operations has been appalling. It was 0.47 in 2017 but fell to -0.1 in 2022, showing that the business is unable to cover its present obligations with operating cash flow.

Leverage ratio: Ocado's financial ratios exhibit a steady pattern of declining leverage and a growing reliance on equity funding during the six years from 2017 to 2022. From 2.30 in 2017 to 1.49 in 2022, the debt-to-equity ratio progressively decreased, showing a declining reliance on debt financing in comparison to shareholders' equity. The debt ratio also gradually decreased from 0.70 to 0.60, indicating a declining ratio of total debt to total assets. On the other hand, the equity ratio demonstrated a steady upward trend, increasing from 0.30 in 2017 to 0.40 in 2022, suggesting an increasing fraction of total assets backed by shareholders' equity. Overall, these ratios suggest that Ocado has been successful in lowering its financial leverage and improving its financial stability over time by depending increasingly on equity funding for its assets.

Good

5 Financial figures of Tesco

Table 3

	2017	2018	2019	2020	2021	2022
Current assets	15,073	13577	12570	12879	10202	11821
Current liabilities	19,234	19238	20680	17927	15721	16125
Cash flow from operating activities	2558	3309	2642	1181	1586	4608
Inventory	2301	2263	2617	2433	2069	2339
Total asset	45853	44862	49047	52302	45778	49351
Total debt/ Total liabilities	24022	34404	34213	39049	33177	33693
Shareholders' equity	6414	10458	14834	13253	12325	15644
Revenue	55917	57491	63911	64760	57887	61344
cash	3821	4059	2916	3408	2510	2345
Net profit after tax	(54)	1208	1320	973	6147	1483

(Source: (Tesco PLC, n.d.))

Table 4

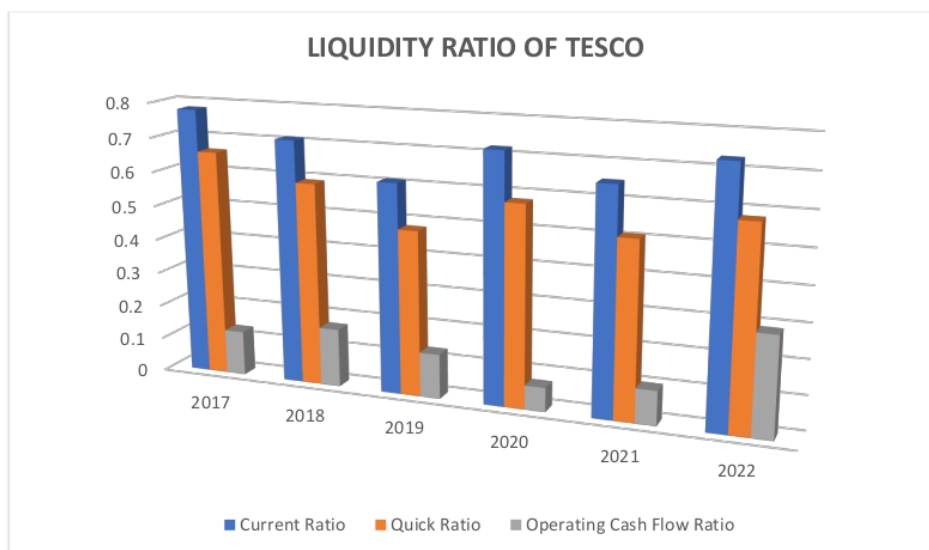
TESCO FINANCIAL RATIO							
	Current ratio	Quick ratio	Operating Cash flow ratio		Debt to equity ratio	Debt ratio	Equity ratio
2017	0.78	0.66	0.13	2017	3.75	0.52	0.14
2018	0.71	0.59	0.17	2018	3.29	0.77	0.23
2019	0.61	0.48	0.13	2019	2.31	0.70	0.30
2020	0.72	0.58	0.07	2020	2.95	0.75	0.25
2021	0.65	0.51	0.1	2021	2.69	0.72	0.27
2022	0.73	0.58	0.29	2022	2.15	0.68	0.32

(Source: Created by the learner)

ok

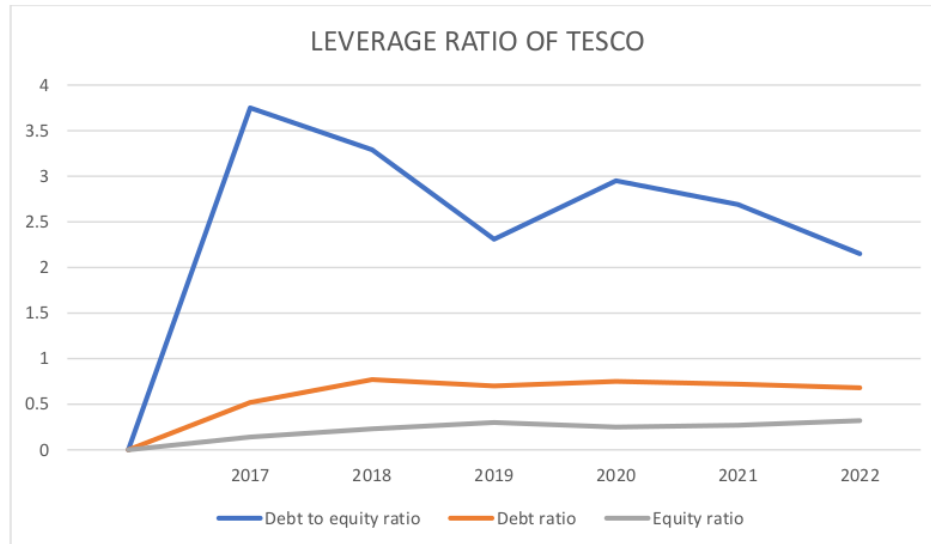
Fig 3

Figure 3



(Source: Created by the learner)

Figure 4



(Source: Created by the learner)

5.1 Measures of TESCO Financial ratio:

Liquidity ratio: In terms of Tesco's current ratio, it changed between 2017 and 2022 but stayed constant between 0.78 and 0.73. It remained below 1 the entire time, which indicates that it may be sad news for the organization. The same is true for the Quick ratio, which decreased slightly from 0.66 in 2017 to 0.58 in 2022. Regarding the cash flow from operations, it ranges from 0.13 in 2017 to 0.29 in 2022. Overall, Tesco may have negative liquidity over a specific period.

Leverage ratio: Tesco Plc's financial ratios from 2017 to 2022 show a consistent trend of reducing financial leverage and increasing reliance on equity financing. The debt-to-equity ratio declined from 3.75 to 2.15, while the debt ratio increased from 0.52 to 0.68. The equity ratio rose from 0.14 to 0.32, indicating an increasing portion of assets funded by shareholders' equity. These trends reflect Tesco's efforts to optimize capital structure, reduce financial risk, and improve financial stability through equity financing.

any other reasons?

what about markets as a whole?

6 Financial figures of Sainsbury

Table 5

	2017	2018	2019	2020	2021	2022
Current assets	6322	7857	7581	7582	7049	6742
Current liabilities	8573	10302	11417	12047	11717	9868
Cash flow from operating activities	1323	1526	749	1866	2785	1361
Inventory	1775	1810	1929	1732	1625	1797
Total asset	19737	22001	23541	27937	25162	26912
Total debt/ Total liabilities	12865	14590	15085	20164	18558	18489
Shareholders' equity	6872	7411	8456	7773	6604	8423
Revenue	26224	28456	29007	28993	29048	29895
cash	1083	1730	1121	994	1477	825
Net profit after tax	503	409	239	255	(261)	854

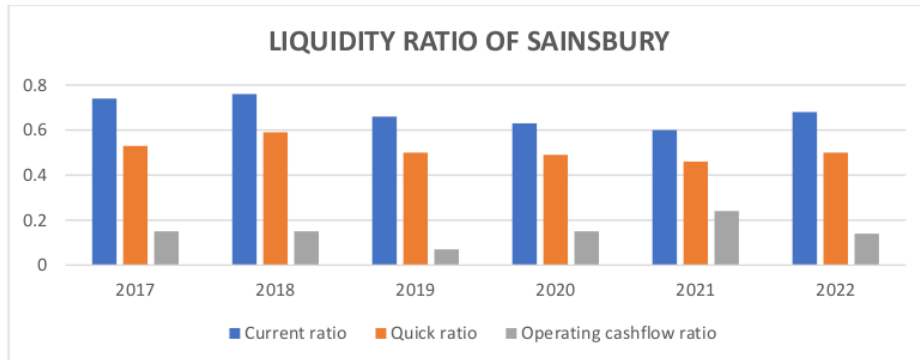
Source: (Sainsbury, n.d.)

Table 6

SAINSBURY FINANCIAL RATIO							
	Current ratio	Quick ratio	Operating Cash flow ratio		Debt to equity ratio	Debt ratio	Equity ratio
2017	0.74	0.53	0.15	2017	1.87	0.65	0.35
2018	0.76	0.59	0.15	2018	1.97	0.66	0.34
2019	0.66	0.5	0.07	2019	1.78	0.64	0.36
2020	0.63	0.49	0.15	2020	2.59	0.72	0.28
2021	0.6	0.46	0.24	2021	2.81	0.74	0.26
2022	0.68	0.5	0.14	2022	2.20	0.69	0.31

(Source: Created by the learner)

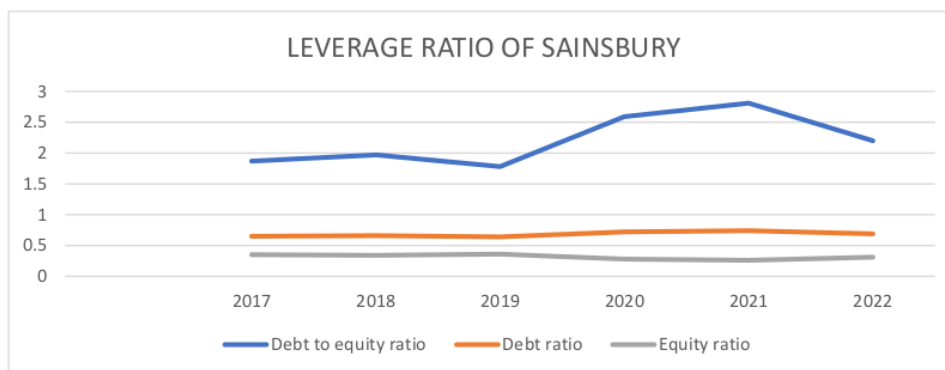
Figure 5



(Source: Created by the learner)

Good

Figure 6



(Source: Created by the learner)

6.1 Measures of SAINSBURY Financial ratio:

excellent analysis

Liquidity ratio: Over the time frame specified with small adjustments each year, Sainsbury's current ratio increased from 0.74 in 2017 to 0.68 in 2022. Additionally, the quick ratio fell from 0.53 in 2017 to 0.50 in 2022, which implies the business will only have access to 50% of its fast assets to cover its current liabilities. From 0.15 in 2017 to 0.14 in 2022, the corporation will be less able to cover its short-term obligations with operating cash flow.

Leverage ratio: The debt-to-equity ratio for Sainsbury's increased from 1.87 to 2.20 over the six years between 2017 and 2022, showing a varying but overall growing trend. Although it fluctuated, the debt-to-income ratio, which ranged from 0.64 to 0.74, was quite constant. The equity ratio, on the other hand, rose from 0.26 to 0.36 with just a slight volatility. These patterns imply that Sainsbury may have accumulated more debt than equity, which may have affected its stability and risk levels in terms of money throughout this time.

7 Capital structure Theories:

The term "capital structure" describes how a firm is funded, especially the proportion of debt and equity that is used to support both operations and investments (Titman, et al., 2014). It affects financial risk, the cost of capital, and the overall financial performance and value of the company.

Modigliani and Miller capital structure theory: The Modigliani and Miller capital structure theory contends that a firm's value is unaffected by its capital structure and is based on two basic premises. First off, there are no taxes, which suggests that loan interest payments have no impact on the value of the company. The company's operations and worth are unaffected by financial hardship since there are no bankruptcy fees. While these presumptions oversimplify reality, they underscore the theoretical theory that, in a perfect market, capital structure decisions have no impact on a company's value since investors may independently reproduce desired financial results (Titman, et al., 2014).

Good

The tradeoff theory: According to the trade-off theory of capital structure, businesses aim to find the best mix of financing by weighing the advantages of debt tax advantages and lower costs against the disadvantages of financial hardship and agency conflicts. The appropriate debt-to-equity ratio for a company is determined by balancing tax benefits, like as interest reductions, against potential bankruptcy-related costs and agency issues resulting from disputes between shareholders and debtholders (Titman, et al., 2014). This trade-off is influenced by market flaws and varied risk thresholds. As a result, businesses seek to determine the degree of debt that maximizes value while controlling risks, matching the capital structure with their level of risk acceptance, profitability, and strategic goals.

8 Average annual share return

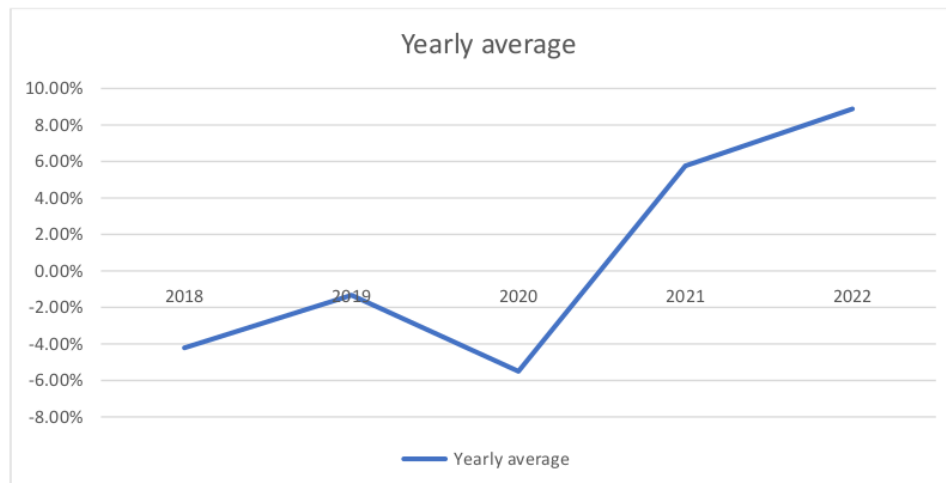
Table 7

Date	Close	Adj Close	Current price - previous price	Percentage of return	Yearly average (Average of 12 months)
12/1/2018	790.00	790.00	(201.20)	-20.30%	-4.21%
12/1/2019	1,279.00	1,279.00	55.50	4.54%	-1.33%
12/1/2020	2,287.00	2,287.00	(490.00)	-17.64%	-5.50%
12/1/2021	1,678.00	1,678.00	174.00	11.57%	5.76%
12/1/2022	616.80	616.80	(29.20)	-4.52%	8.88%

Source: (Yahoo Finance, n.d.)

Figure 7

curious did you analyse the data for correctness?



(Source: created by learner)

Explanation of table: Historical averages provide perspective, but individual outcomes may differ. Average return on share price indicates stock performance over time, impacted by market circumstances, corporate performance, and economic variables.

Ocado's yearly average return on share price varied from 2018 to 2022. It saw a drop of -4.21% in 2018, and then a lesser drop of -1.33% in 2019. Following a substantial decline of -5.50% in 2020, the trend changed in 2021 with a gain of 5.76%. The year 2022 had the most significant rise, with a substantial increase of 8.88%.

Good

9 Weighted Average Cost of Capital:

The combined cost of capital that a business employs for operations and investments is determined using the financial statistic known as WACC (Weighted Average Cost of Capital). To account for their varying proportions in the capital structure of the firm, it combines the costs of equity and debt. As it indicates the minimal return necessary for justifying investments while considering the company's entire cost of capital from diverse sources, WACC is an important consideration for assessing the viability of projects, valuing businesses, and making financial choices (Arnold, 2013). WACC is important because it evaluates a business's total cost of capital, supports investment choices by identifying the minimum necessary returns, and directs financial plans.

$$WACC = (E/V * K_e) + (D/V) * K_d * (1 - T_c)$$

label equations properly

E = Market value of equity

D = Market value of debt

V = Total market value of equity and debt (E+D)

[index of equations?](#)

K_e = Cost of equity, R_e = Risk-Free Rate + ($\beta \times$ Market Risk Premium)

K_d = Total interest paid/ total long-term debt

T_c = Corporate tax rate

Risk free rate of UK is 4.662% for 10-year bonds (worldgovernmentbonds, 2023).

For OCADO. (Figures in GBP) (OCADO PLC, 2022)

Total Equity = 1,837,900,000

Long term Debt = 1,362,600,000

Total capital = 3,200,500,000

% of the equity in total capital = 57.43

% of Debt in total capital = 42.57

Interest paid = 55,800,000 Corporate tax = 19%

Cost of equity (K_e) = 8.88% (Average annual return on the share price of 2022 because the calculation is not possible, the company has not declared any dividend, and the market return of FTSE 100 is negative for the last year and last 5 years. So, I got a negative cost of equity)

Cost of debt: Total interest paid/ total long-term debt = 55,800,000/1,362,600,000 = 4.10%

$$\begin{aligned} WACC &= (1,837,900,000/3,200,500,000) * 8.88 + (1,362,600,000/3,200,500,000) * 4.10 * (1 - 19\%) \\ &= 5.099376 + 1.413902 = \mathbf{6.513278} \end{aligned}$$

10 Critical analysis of ratios:

Favorable points:

Improvement in Current Ratio: From 2017 to 2021, Ocado's current ratio steadily increased, which is a good indication of the company's financial stability. A current ratio greater than one shows that the business can pay its short-term debts. This shows effective management of the company's existing assets and liabilities, enhancing its reputation among creditors.

Good

Equity Reliance: Ocado's conservative financial approach is evident from the lowering of leverage ratios and rising equity ratios. Reducing reliance on debt means a lesser likelihood of financial hardship, whilst increasing reliance on equity predicts greater stability. With this strategy, the business is well-positioned to weather recessions and seize expansion opportunities.

Debt Management: Ocado's dropping debt ratios, including the debt-to-equity and debt ratios, show that they have a careful approach to managing their debt. Lowering the danger of having too much debt, improves the company's total financial flexibility.

Unfavorable points:

Cash Flow Issues: It is concerning that the cash flow from operations is decreasing, falling from 0.47 in 2017 to -0.1 in 2022. Negative cash flow is a sign that the business activities are not producing enough money to satisfy its commitments, which might cause liquidity problems and limit its capacity to make investments or pay off debts.

ok

well sort of an understatement

Dip in the current ratio: While the current ratio reduction from 2021 to 2022 may be the result of investment activity, a considerable dip of around 25% may also be a hint that short-term commitments may be difficult to satisfy. To appropriately assess the ramifications of this decline, it is crucial to carefully examine its causes.

Impact of Equity Funding: While increasing the company's dependence on equity is good for stability, it is important to assess if doing so would prevent it from taking advantage of chances to leverage debt for expansion. Ocado's capacity to take on significant initiatives that would require debt funding could be constrained by an overreliance on equity.

In general, Ocado's financial situation appears to have improved over time, with an emphasis on lowering borrowing and boosting equity. The company's operational

effectiveness and short-term liquidity, however, may both be at risk because of the dropping cash flow and a sizable decline in the current ratio, which call for cautious attention.

1.1 Relationship between Leverage and return:

Good

Leverage and return have a complex connection that must be understood. Increased financial leverage is sometimes implied by a larger debt-to-equity ratio since borrowing money increases returns on lucrative investments. The unpredictable returns over 2018 and 2020 show that high leverage also accentuates losses during downturns. Ocado's strategy shift towards less leverage is seen by the debt-to-equity ratio's dropping trend from 2017 to 2022. This transition points to the company's attempts to improve financial stability and reduce the dangers brought on by excessive debt.

The positive return years (2021 and 2022) and reduced Debt to debt-equity ratios are indicative of the relationship between the two variables. This alignment suggests that Ocado may have been better able to weather economic uncertainty and take advantage of growth possibilities because of reducing its leverage, as seen by the increased returns during those years. Decreased leverage gave the corporation better control over its financial situation, boosting investor confidence and favorably affecting share price gains.

The shaky relationship between risk and reward is highlighted by the changing yearly returns on shares and declining Debt to Equity Ratio. In years of increased dependence on equity, Ocado's planned decrease in leverage has helped the company manage market swings and generate favorable returns, emphasizing the crucial interaction between leverage choices and shareholder returns.

III. Part C

12 Ocado Erith CFC:

The inauguration of the largest automated food warehouse in the world in Erith, UK, in 2020 marked a substantial improvement in Ocado Group PLC's automated warehousing capabilities. Ocado's dedication to transforming the food retail business through technology and automation reached a critical turning point with the opening of its innovative fulfillment center. Advanced robots, artificial intelligence, and innovative technology were used in the construction of the Erith warehouse to maximize automation and speed up order fulfillment (OCADO, 2020, P 45). The facility's construction cost of £310 million reflects the significant commitment made by Ocado to realize this ground-breaking initiative.

Good

12.1 Purpose:

promote the growth of Ocado's offerings and ability for online grocery fulfillment. Ocado would be able to fulfill increasing demands from customers and process deliveries more swiftly and effectively thanks to the new automated facility.

12.2 Aims:

- expand Ocado's ability to scale and its capacity for processing orders overall. Ocado's capacity would expand by more than 40% only with the Erith site.
- Allow for quicker order processing and boost client delivery times. Ocado aimed to improve the efficiency and accuracy of order processing to better serve its customers. Receiving orders accurately and promptly benefits customers, who are more satisfied and may become more loyal.
- Increase automation and implement innovative robotic and AI technology for fulfillment and warehousing operations (OCADO, 2020, P 45).
- Create a new standard for innovation and efficiency in automated food logistics.
- The automated warehouse was a calculated effort to support and enhance Ocado's position as the industry pioneer in online grocery retail. The improved technology and processing power provide them a competitive advantage over other online platforms and conventional merchants.

citations very good

12.3 Expected Results:

- Processing capacity of more than 600,000 orders per week, or more than thirty million orders annually. The facility's capacity to handle orders each week most certainly increased significantly as a result of the investment's success. To satisfy the rising demand for online food shopping, this result is crucial.
- a wider geographic and consumer base that may be served.
- Automation lowers the possibility of human error during order selection and packaging, resulting in more precise delivery and fewer client complaints. Improved customer service through quicker order processing and delivery times.
- As fewer human workers are needed for regular jobs, automation can eventually result in cheaper labor costs. This may result in higher profit margins. Reduce the cost of fulfillment by using less manual labor.
- increased efficiency and accuracy in choosing, packaging, and shipping orders.
- Extensive expertise with extremely sophisticated automation technology.
- a rise in the end-to-end online grocery industry of Ocado's competitiveness and distinctiveness.

12.4 Size of investment and how it is financed?

Modern automated Customer Fulfilment Centre (CFC) built by Ocado in Erith, UK, cost £310 million to build and will debut in 2020. Ocado uses its end-to-end automation system in its largest warehouse, which is in Erith and is 600,000 square feet (DAVIES, 2015).

The £310 million investment paid for the purchase of the site, the cost of building it, and the installation of automation technologies including robotic pickers, storage grids, and AI-assisted packaging stations (Davey & Holton, 2021).

Ocado has not disclosed all the financial information, but based on their financial records, market experts believe the firm used a combination of long-term debt, cash on hand, and extra equity funding. Ocado raised £600 million by issuing convertible bonds in December 2019. Moreover, Ocado raised around £1 billion in fresh equity (657 million) and convertible debt (350 million) earlier in 2020 to finance digital infrastructure initiatives like Erith (Ocado group, 2020, P 21). Before the building of Erith, the corporation also had non-current borrowing of £219.7 million in 2019 (Ocado Group, 2019).

Good

12.5 Feasibility of this Investment:

Micro level:

Technologically Viable - Ocado already has the in-house expertise and tested technology to put the robots and automated systems in place. Thus, execution risk is decreased.

Operational Efficiency: Determining if the automation would result in simplified order fulfillment procedures, fewer mistakes, and quicker delivery times, improving customer happiness and operational efficiency.

Financial viability: Determining if the expenses of building and running the automated warehouse are reasonable in comparison to the anticipated gains in order productivity, operational efficiency, and prospective revenue growth.

Strategically Viable - The warehouse strengthened Ocado's competitive position and capabilities in automated online food commerce. It also fits with Ocado's expansion plan.

Risk management is the process of identifying and reducing risks related to system failures, time off, compliance with regulations, and the potential need for redundancies.

Macro level:

Government Support - To stimulate investment in cutting-edge infrastructure, technology, and automation, the UK provides incentives and programs. The political and regulatory viability is improved.

Economic Benefits: Evaluating the possible economic gains that the investment might bring to the neighborhood, such as new jobs being created, technology being adopted, and potential ripple effects on adjacent sectors.

Environmental Impact: Considering the investment's effects on sustainability, including energy efficiency, carbon footprint reduction, and alignment with CSR objectives.

Supply Chain Resilience: Examining the extent to which the automated warehouse improves supply chain resilience by assuring effective operations even in the face of disruptions like the COVID-19 pandemic.

Market Demand: Considering shifting customer behavior and the general expansion of e-commerce, determining if the investment is in step with the increasing need for online grocery shopping.

Competitive Landscape: Examining how the investment puts Ocado in the marketplace, considering whether it offers a differentiating feature and a competitive edge over other merchants.

12.6 Results and Updates

Here are some of the major results and updates on the success of this investment thus far since Ocado inaugurated its highly automated fulfillment center in Erith, UK, in 2020:

The Erith warehouse processed over 150,000 orders per week during peak times by 2021 when it was running at over 90% capacity. ok

Ocado claimed that the systems' order picking and packing accuracy is greater than 98%. Robots that are led by AI are frequently used in the warehouse (Bennett, 2021).

When compared to pre-pandemic levels in 2019, the facility assisted Ocado in increasing UK retail revenue by 40% in the second quarter of 2020. The extra capacity helped meet the growing demand (Retail Insight Network, 2020).

Ocado has been able to lower its dependency on contract laborers for manual labor. An operational model that is leaner and more robust has been produced via automation.

The storage facility has facilitated new international collaboration agreements with merchants while showcasing Ocado's end-to-end automated fulfillment capabilities.

By enabling same-day delivery in numerous locations, Erith has helped Ocado provide better customer service (Cumins, 2019).

In comparison to earlier facilities, Ocado has decreased order fulfillment costs by integrating and deploying innovative technology including automated storage retrieval systems.

To maximize utilization, Ocado aims to expand Erith further and is looking into running the warehouse around the clock.

12.7 Problems faced by Ocado in Erith:

A significant fire started in July 2021 in Ocado's cutting-edge automated warehouse in Erith, UK. Firefighters had to battle the blaze for more than 24 hours after it broke out at one in the morning on July 16th. The tragic fire destroyed a sizable portion of the warehouse that housed important automation equipment, robotic handling devices, and goods. A total of eight hundred Ocado employees were evacuated during the crisis. Although the source of the fire is due to robots colliding (News Shopper, 2021). ok

Impacts and consequences for Ocado.

Ocado's warehouse operations and online food delivery were significantly hampered for several months by the fire's devastation. Following the incident, thousands of client purchases had to be canceled (News Shopper, 2021). Through 2021 and 2022, it is anticipated that the sophisticated automated systems will continue to be rebuilt and installed. According to analysts, Ocado might lose over £100 million in sales and pay damages and repair expenses.

However, insurance protection will assist in reducing some of the monetary losses. Despite the significant setback, Ocado is employing its technical and technological knowledge to get the cutting-edge Erith warehouse back up to its full automated capacity.

IV. Conclusion:

In conclusion, Ocado's growing current ratio, declining leverage, and prudent debt management demonstrate the company's overall strengthening financial health. However, several issues still warrant worry, such as the recent drop in the current ratio and diminishing cash flows. While reliance on equity improves stability, excessive reliance may limit prospects for growth. Overall, Ocado demonstrates good financial management, but it needs to keep an eye on its cash flow and leverage its ability to keep making investments. Ocado may continue to fortify its finances with careful management. Moreover, Ocado's Erith warehouse investment demonstrates its commitment to progress, improving operational prowess and customer experience. Despite challenges, financial stability is evident. Ocado should capitalize on this momentum for strategic investments, fostering innovation and resilience, and securing a robust future in online retail.

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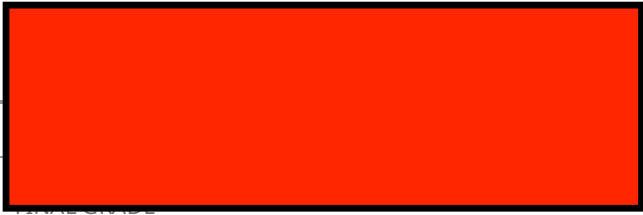
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GENERAL COMMENTS

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Good structure

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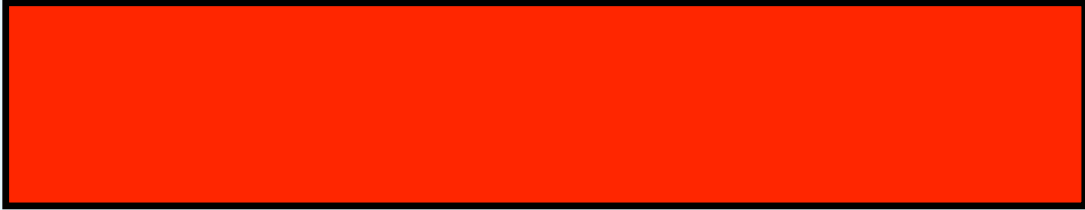
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80

CRITERION A (10%)

[500 words approximately] A brief history of the chosen corporation, including an outline of the key corporate events over the past five years (e.g. any M&A, change of directors, significant increases/decreases of earnings, litigation cases/financial penalties).



This was a very detailed and concise intro to the selected company, good summary of history and key events. Good supporting information. Well cited.

8

CRITERION B (50%)

[2,500 words approximately] A critical analysis of the corporation's financial performance. • Calculate and evaluate the corporation's liquidity and leverage ratios for the past 5 years; • Compare the ratios to the ratios of major competitor(s) and/or sector average if possible; A Review the alternative capital structure theories and their implications. • Briefly review the capital structure theories drawing on published empirical research. • Download monthly share prices of the company and calculate average annual share returns for the past five years (use average for 12 months). • Comment on the variation in the capital*

structure and share returns of the company i.e. Is there association between leverage and return?



This was a concise and well written writeup, solid citations throughout. Good data and solid analysis of calculations / meaning / composition (please index all equations). Clear mastery of analysis noted.

42

CRITERION C (40%)

[2,000 words approximately] Select one of the chosen company's largest recent investment activities during the past five years and write on the followings: • The purpose(s), aims and expected outcomes of this investment. • The size of the investment, and how it was financed. • The feasibility of the investment, at both the macro and micro level.



This paper presented a solid and well written analysis of investment opportunities, good focus on topic, well cited, overall this was a good to at times excellent discussion

30

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