



**FINANCIAL**

**ANALYST TEAM**

(150)

**REGIONAL 2022**

### Initial Case Study Topic:

GoGo Corp. is a popular fashion retailer with 733 locations in North America at the beginning of 2020, as well as an online presence in the US. GoGo’s corporate model is based on providing sustainable fashion at an affordable price. GoGo sells clothing and accessories for women, men, and children with a focus on diversity. The company has three strategic focus areas: to provide the customer with products that are unique, diverse, and sustainable; to be accessible to customers through both the design of their physical stores and the online experience; and corporate growth and expansion.

In 2019, GoGo made a commitment to only partner with suppliers who have demonstrated that they are supportive of healthy workplaces and healthy ecosystems (including such aspects as health and safety, discrimination, diversity and equality, fair living wages and benefits, working hours, child labor and young workers, as well as prison and illegal labor). GoGo also publicly stated their goal to use 100% recycled products or sustainably produced materials by 2040. The vision of the GoGo group is to lead the change towards circular and climate positive fashion while being a fair and equal company. Although sustainably resourced materials are more expensive, GoGo corporate management has believed that customers will reward companies with a strong commitment to environmental and social change.

The first quarter of 2020 started strong, with Quarter 1 net sales increasing by five percent compared with the same quarter of the previous year. However, the COVID-19 pandemic took a toll on the company’s bottom line. Georgiana Gregory, the founder and CEO, has stated that “the company’s quick and decisive measures, combined with wise and loyal customers, has led to better recovery than was expected.” During 2020, online sales increased by 38 percent, and represented 28 percent of total sales for the year. Meanwhile, GoGo chose to permanently close eleven stores. GoGo was able to effectively reduce their selling and administrative expenses during 2020, largely through renegotiation of rental agreements. One quarter of the company’s leases are eligible to be renegotiated each year. Women’s clothing has traditionally accounted for 73 percent of all sales, with children’s clothing accounting for 14 percent and men’s clothing the remainder. During 2020, sales of men’s clothing declined by 16 percent, while sales of women’s clothing declined by 11 percent and children’s clothing by six percent.

Despite the pandemic, GoGo was able to turn a profit in 2020. However, they are concerned about their financial future. The GoGo team would like you to prepare the appropriate financial statements and financial ratios, analyze their current financial situation, make projections regarding GoGo’s future given the current economic situation, and make recommendations to improve their corporate viability.



A team will be *disqualified* for violations of the Copyright and Fair Use Guidelines.

**Potential Questions for Financial Analyst Team**

* What market research did you do on the industry? How does GoGo compare to other companies in the same industry?
* The retail industry has seen a huge shift to online shopping. Do you expect the trend to continue, or shift back to brick-and-mortar stores?
* Should GoGo maintain their focus on sustainable fashion, or is it too expensive?
* In examining the financial statements, what do you see as the biggest red flag for this business?

**Key:**





