

Will the UK & US Leisure Goods Sector Be Home for Christmas?

October 2021

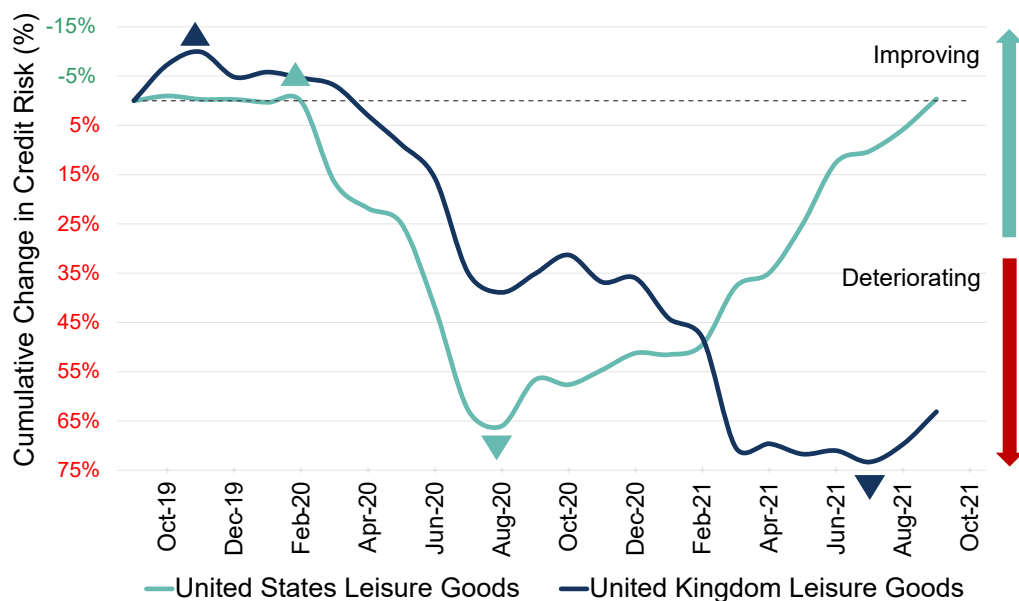


Much of the Leisure Goods¹ sector was hit hard by Covid, especially during the draconian early lockdown phases. While lockdowns have eased, some social distancing has persisted. Golf equipment, boats, tents and caravans have done well, outpacing indoor sports; but growing supply chain problems are a threat to the winter holiday season, and to toy sales in particular.

According to the National Retail Federation, overall US retail sales have bounced back from the [depths of the pandemic](#), and within this US Sporting and Leisure goods show modest improvement. However, Reuters report that the recovery in overall UK retail sales has been more subdued and [volatile](#).

Figure 1 shows the credit trends for Leisure Goods in both regions.

Figure 1: US and UK Leisure Goods: Credit Trends



Source: Credit Benchmark

In the US, Leisure goods credit quality started to recover in late summer 2020 and have consistently strengthened since then. The UK languished, flatlining in spring / early summer 2021; improvement has been modest following the easing of restrictions in Jul-21.

¹ Consumer Electronics, Recreational Products & Toys

Figures 2 and 3 show upgrades vs. downgrades for the US and UK respectively.

Figure 2: Upgrades vs. Downgrades, US; 21 credit category scale.

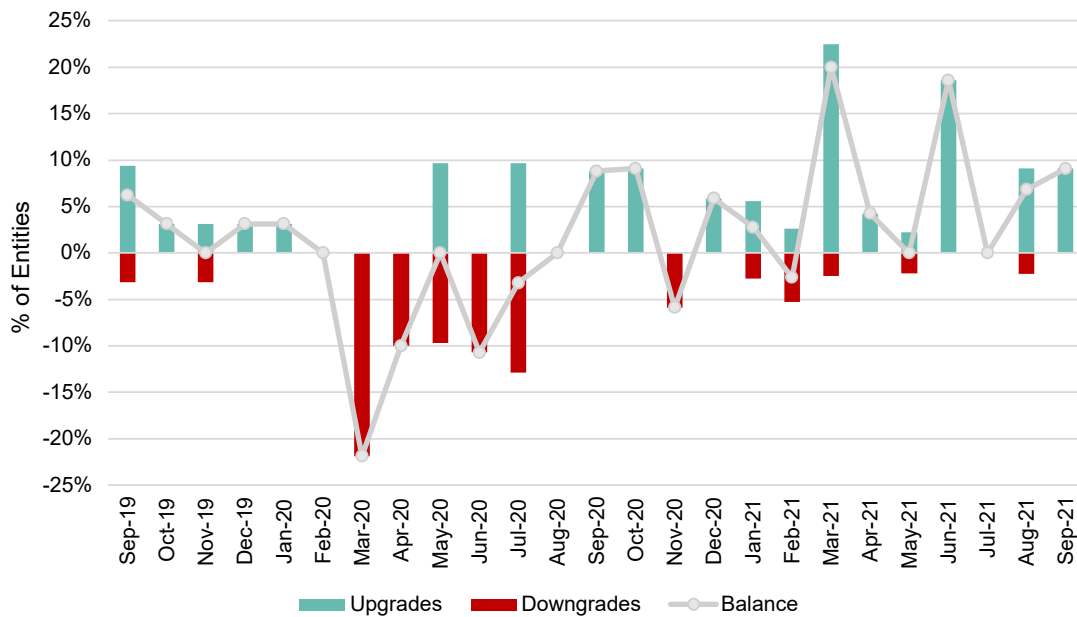
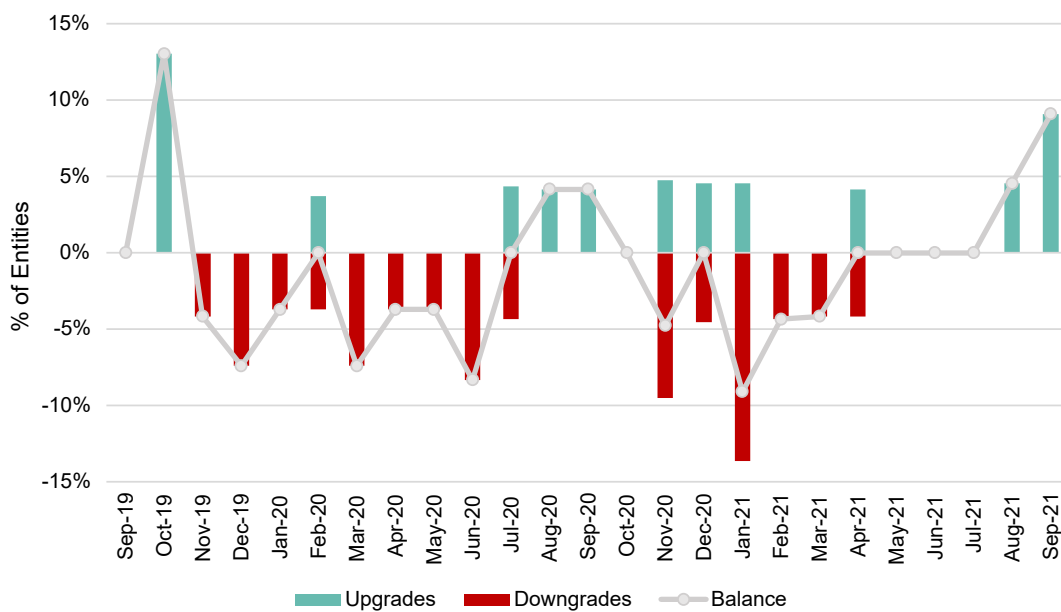


Figure 3: Upgrades vs. Downgrades, UK; 21 credit category scale.



The balance of upgrades vs. downgrades reached its nadir in the US in March 2020; since then, there have been an erratically improving trend. The UK has only moved decisively into positive territory in the past two months. In some cases, the recent improvements have been rapid; over the past 6 months, a number of companies have seen multi-notch upgrades on the 21 category scale.

Figure 4 and 5 shows the change in credit distribution over the past 12 months for the US and UK respectively.

Figure 4: Credit Distribution, US Leisure Goods, Sep 2020 and Sep 2021.

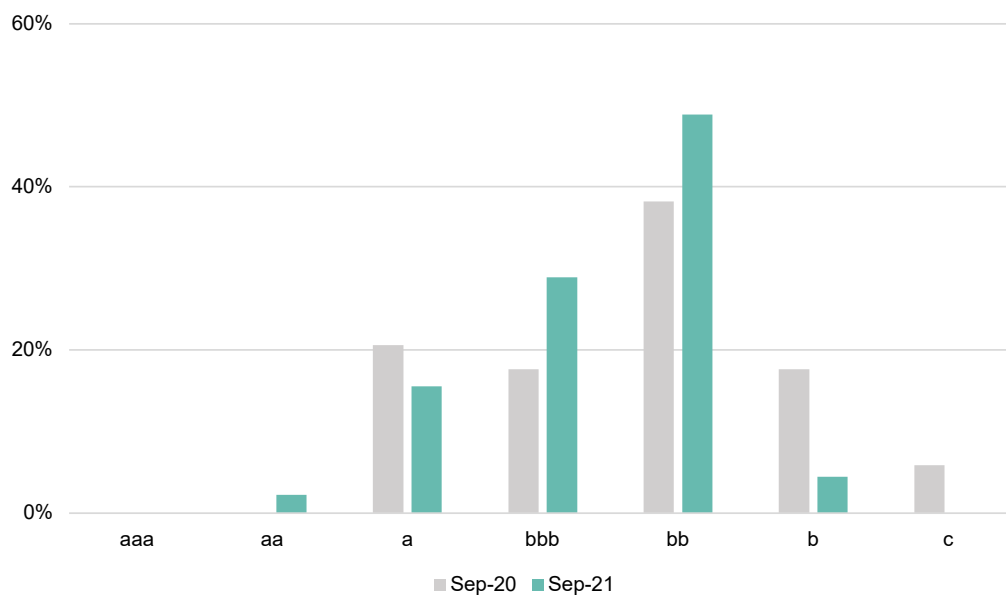
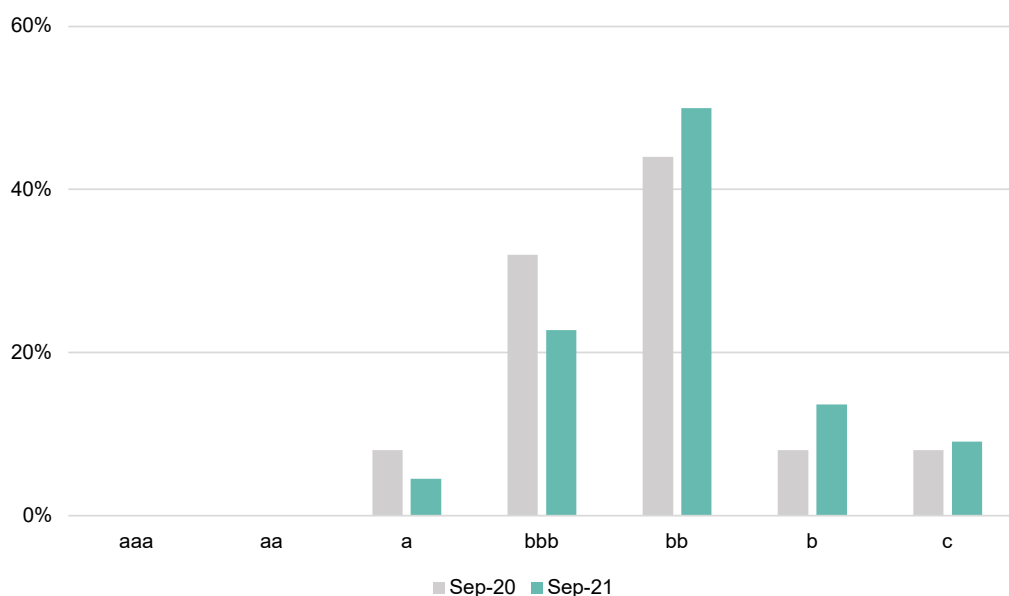


Figure 5: Credit Distribution, UK Leisure Goods, Sep 2020 and Sep 2021.

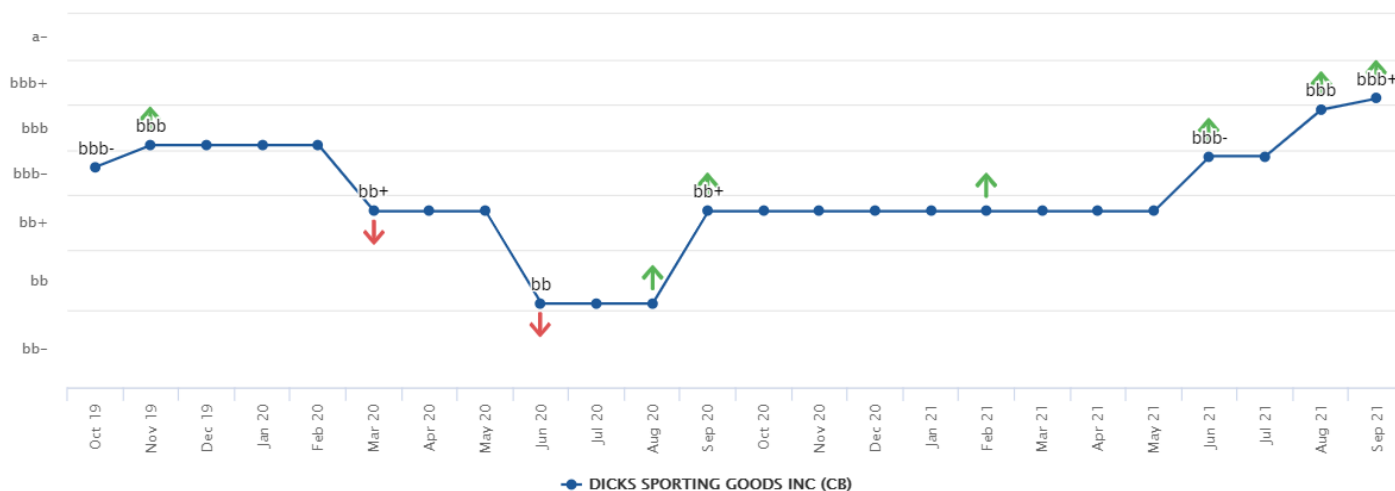


Compared with a year ago, there are now some US Leisure Goods entities in the **aa** credit category, and there are now none in the **c** category. There has been a major drop in the **b** category with significant increases in the **bb** and **bbb** categories. Overall, there has been a net shift into investment grade.

Conversely, the UK has experienced a net shift into high yield with major drops in the **a** and **bbb** categories and significant increases in the **bb**, **b** and **c** categories, compared with a year ago.

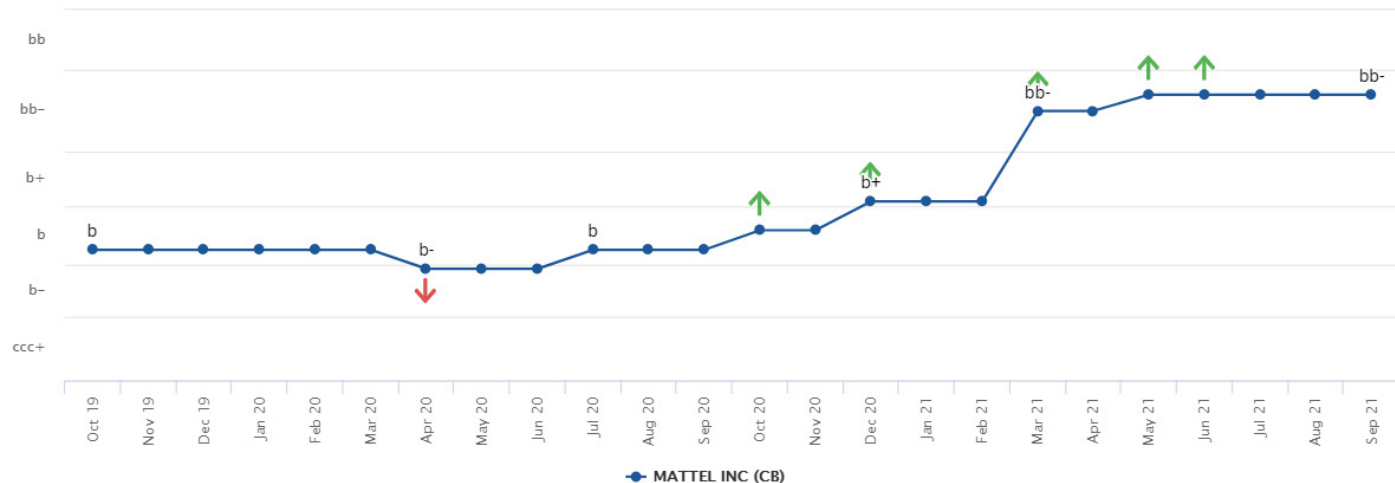
Figures 6 and 7 show the detailed credit trends for two US public companies in this sector: Dick's Sporting Goods and Mattel.

Figure 6: Dicks Sporting Goods Inc, a US sporting goods retail company



After major credit improvements over the pandemic, Dicks Sporting Goods has now reached investment grade. Alongside this, Dicks share price has also risen significantly in the last 18 months, reaching new highs.

Figure 7: Mattel Inc, a US toy manufacturing company



The consensus suggests that supply chain issues will not stop plenty of toys being unwrapped over the winter holidays as Mattel Inc (Barbie movie imminent) shows dramatic credit improvements - although not yet into investment grade territory. Mattel Inc's share price has also now risen to above pre-Covid levels.

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- › Accounts Payable & Receivable



10 Million

Contributed Credit Risk Estimates Per Year
40 Million+ Estimates Collected Since Launch



60,000+

Entities Covered



2x

Twice Monthly Frequency



75%

Unrated by Major Credit Rating Agencies



1,100+

Aggregates



100+

Countries



75+

Months of Data



50+

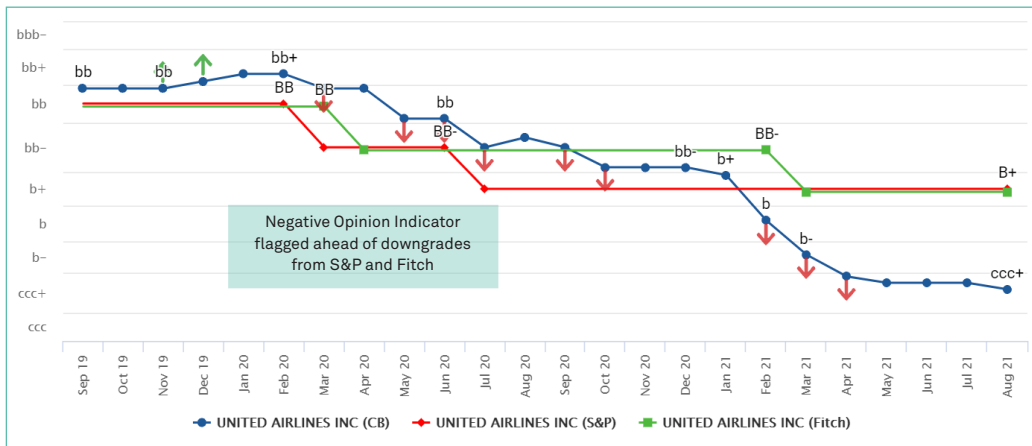
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Opinion Indicator: Month over month observation-level net downgrades or upgrades

Credit Benchmark Web App: Entity-Level Data Sample

Build screener with criteria below:

- S&P Rating is Unrated
- Fitch Rating is Unrated
- CCR is aaa aa+ aa aa- a+ a a- bbb+ bbb bbb-

44,628 Entities found

CBID	Entity Name	Credit Consensus Rating	S&P Rating	Fitch Rating
CB0000000009	IHS GLOBAL CANADA LTD	bbb-	Unrated	Unrated
CB0000000025	GYP HOLDINGS III CORP	bb	Unrated	Unrated
CB0000000080	GESTIELLE CEDOLA DUAL BRAND	a-	Unrated	Unrated
CB0000000087	TRANE TECHNOLOGIES LUXEMBOURG FINANCE SA	bbb+	Unrated	Unrated
CB0000000088	TECK HIGHLAND VALLEY COPPER PARTNERSHIP	bbb	Unrated	Unrated

Credit Benchmark Web App: Data Screen Sample

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Credit Benchmark data is available via our Web App, Excel add-in, API, flat-file download, and third-party channels including Bloomberg.

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