

Profiting from the pandemic

Completed May 8, 2020



Fidelman & Co.





Profiting from the pandemic 3

Initial Findings 3

Top Global Industries 3

Highly Successful Companies Over the Last few Months 4

1) Slack Technologies 4

2) Zoom Video Communications 4

3) Netflix 5

4) Lakeland Industries 5

5) Clorox 6

SOURCES

Sources 7

Profiting from the pandemic

Slack Technologies, Zoom Video Communications, Netflix, Lakeland Industries, and Clorox are some companies that have been extremely successful over the last few months and have experienced strong business growth. We have presented below a detailed overview of these companies outlining the recent growth in their business performance. As suggested, we have also included our initial findings in this final report.

Initial Findings

Top Global Industries

- There was no pre-compiled list found for the industries with the highest profit margins over the last few months. All the lists found were focused on the most loss-making industries. Most of the content about successful industries was focused on predictions around when the pandemic measures would end for them.
- The attached IBIS [report](#) highlights various industries across the globe that have experienced setbacks or severe losses during the pandemic.
- During our initial research, we found some articles that stated the reasons behind the high profits of certain individual industries. However, these articles did not rank those industries. For example, the Economist [reported](#) that tech giants are thriving, particularly digital platforms.
- There was no publicly available information regarding the profit margins of the individual industries for April 2020. The margin information tends to be reported [quarterly](#). The tech industry saw a profit margin of [55.7%](#) for Q1 2020, which is up from 51% in Q4 2019.
- The broadcast industry saw a significant leap in profit margins from Q4 2019 to Q1 2020, growing from [78%](#) to 92%.
- According to [Forbes](#), four industries or business types that are still hiring (suggesting that they are still somewhat successful) are pharmacies, teleworking software, grocery stores, and tech support.
- The US Chamber of Commerce [notes](#) that the following business types have managed to thrive during the changed circumstances: cleaning services, delivery services, drive-in motor theaters, grocery stores, wine and liquor stores, meal prep delivery services, canned goods, game makers, fitness equipment companies, and landscapers.

Highly Successful Companies Over the Last few Months

1) Slack Technologies

- The company's business performance has been extremely positive over the last few months. The total number of connected users for the company increased from [10 million](#) on March 10, 2020, to [12.5 million](#) on March 25, 2020.
- The company added [9,000](#) new paid customers from February 1, 2020, to March 25, 2020. This represents an [80%](#) increase over the full quarterly total for the preceding two quarters. The number of messages sent per user per day using Slack increased by approximately [20%](#) over the same period.
- As per the earnings reported by the company in March 2020, its gross margin expanded [120 basis points](#) annually to [88.3%](#) during the quarter. In addition, the company's revenue grew by [49%](#) annually.
- Over the last few months, the cumulative number of minutes of active use of Slack by all users globally has exceeded [one billion](#) during weekdays.
- The company's user engagement has reached unprecedented levels over the past few months. In April, the application was opened [9 hours per day](#) and had an engagement rate of [90 minutes per day](#).
- Commenting upon the recent business performance of Slack, [Brad Zelnick](#), a stock expert at Credit Suisse, has stated in a recent note to clients, "with what would have otherwise taken three to seven years is being shortened into several weeks."

2) Zoom Video Communications

- The company has been extremely successful over the last few months and has witnessed strong business growth. In late April, the company surpassed [300 million](#) daily Zoom meeting participants, a [50 percent](#) increase from the [200 million participants](#) earlier in the month, and an increase of 2,900 percent $[(300-10)/10*100]$ from the [10 million](#) participants in December 2019.
- The number of daily downloads of the Zoom app has increased [30x year-over-year](#) in recent months and the app has been the [top free app](#) for iPhone users in the United States since March.
- As per the earnings reported by the company in March 2020, its non-GAAP operating margin was [20.4%](#), up from [12.8%](#) in the last quarter.
- Commenting upon the recent business success of Zoom, [Jonathan Harrop](#), Senior Director of Global Marketing & Communications at AdColony, stated that the company has "gained a lot of users who will be agitating with their IT departments to officially move away from

clunkier tools like WebEx, Go2Meeting, and FreeConferenceCall.com".

3) Netflix

- The company's business performance has exceeded its expectations over the past few months. The total number of paid subscribers of the company reached [15.8 million](#) in the first three months of 2020, primarily driven by the coronavirus pandemic, which has forced people to stay at home. This is almost double the company's expectation of [7.2 million](#) subscribers for Q1'2020.
- The company has now become one of the world's largest entertainment services with [182.8 million](#) subscribers and expects to further add [7.5 million](#) global paid subscribers over the next three months.
- As per the earnings reported by the company in April 2020, its revenue increased by [27.6%](#) year-on-year in Q1'2020 (ended March 31, 2020), primarily due to the increased demand from the pandemic.
- In addition, owing to the strong growth fueled by the ongoing pandemic, the company had to spend around [18% less](#) on marketing activities in Q1'2020 as compared to earlier periods.
- The company's net profit margins have reached an all-time high of [10.43%](#) in March 2020, up from [9.26%](#) in December 2019.
- According to [Paolo Pescatore](#), a media expert at PP Foresight, the surge in the number of subscribers for Netflix is notable and the same is likely to have a positive impact on its revenue over subsequent quarters. He stated that the company's "engagement is going through the roof and will proliferate over the coming months."

4) Lakeland Industries

- In March 2020, the company, which is a leading global manufacturer of protective clothing for industry, healthcare, and to first responders on the federal, state, and local levels, announced that it would expand its previously planned "sealed seam" manufacturing capacity by [30%](#). This is primarily due to the increased demand witnessed by the company during the pandemic.
- As per the earnings reported by the company in April 2020, the company's sales included approximately [\\$1.0 million](#) of demand related to COVID-19.
- In addition, in April 2020, the company highlighted that its [sales into China](#) have increased due to demand related to COVID-19. The demand was reduced during most of the last year due to slower economic activity in the region and ongoing international trade negotiations.
- As per [Zacks Equity Research](#), the stock market expert, the company has an extremely strong earnings outlook and is among the strongest value stocks on the market right now. It is

one of the market's strongest value companies and holds strong growth potential for investors.

5) Clorox

- In a letter published in March 2020, the company stated that it has witnessed an unprecedented demand for its disinfecting products in recent months due to the current pandemic. The same has [surged by 500%](#) as compared to earlier months.
- In response to the growing demand, the company has enhanced its production capacity and has increased its supply of disinfectants by [40 million units](#) in the United States during the past couple of months, an increase of more than [40%](#) versus the same period last year.
- The company has also undertaken certain product innovations over the last few months. It has created a new [55-gallon bleach-drum](#) innovation for some of the largest healthcare facilities in the United States. Each drum can clean up to [14,000 hospital rooms](#).
- As per the earnings reported by the company in April 2020, the company witnessed strong demand in all its business segments due to the pandemic, especially in the cleaning products segment, which alone grew by [32%](#).
- Also, the company's gross margins expanded by [330 basis points to 46.7%](#), which enabled the earning per share of Clorox to increase by [31%](#) during the three months ended March 2020.
- As per [Zacks Equity Research](#), the stock market expert, the company is expected to have impressive sales and EPS growth over the coming months and is likely to beat the industry average. The company also has an impressive 'Asset Utilization Ratio' of [1.16](#) as compared to the industry average of [0.9](#), which implies that the company generates \$1.16 in sales for each dollar in assets. The company is likely to be a potential outperformer in the coming months.

Sources

1) Coronavirus Update: Industry Fast Facts | IBISWorld Industry Insider

<https://www.ibisworld.com/industry-insider/coronavirus-insights/coronavirus-update-industry-fast-facts/#Information>

2) Big tech's covid-19 opportunity

<https://www.economist.com/leaders/2020/04/04/big-techs-covid-19-opportunity>

3) Technology Sector Profitability by quarter, Gross, Operating and Net Margin from 1 Q 2020

https://csimarket.com/Industry/industry_Profitability_Ratios.php?s=1000

4) Broadcasting Media & Cable TV Industry Profitability by quarter, Gross, Operating and Net Margin from 1 Q 2019

https://csimarket.com/Industry/industry_Profitability_Ratios.php?ind=902

5) 4 Industries That Are Still Hiring In The Midst Of COVID-19

<https://www.forbes.com/sites/ashleystahl/2020/04/01/4-industries-who-are-still-hiring-in-the-midst-of-covid-19/>

6) Coronavirus: Businesses That Are Succeeding During the Pandemic

<https://www.uschamber.com/co/start/strategy/coronavirus-successful-businesses>

7) Slack CEO Stewart Butterfield Shares Updated Business Metrics During Tweetstorm on Impact of COVID-19

<https://investor.slackhq.com/news/news-details/2020/Slack-CEO-Stewart-Butterfield-Shares-Updated-Business-Metrics-During-Tweetstorm-on-Impact-of-COVID-19/default.aspx>

8) Should You Buy Slack Technologies After Its Post-Earnings Plunge? | The Motley Fool

<https://www.fool.com/investing/2020/03/17/should-buy-slack-technologies-after-earnings-drop.aspx>

9) Slack Set To Accelerate From Coronavirus And Work-From-Home

<https://www.forbes.com/sites/bethkindig/2020/04/26/slack-set-to-accelerate-from-coronavirus-and-work-from-home/>

10) Zoom grows to 300 million meeting participants despite security backlash

<https://www.theverge.com/2020/4/23/21232401/zoom-300-million-users-growth-coronavirus-pandemic-security-privacy-concerns-response>

11) Zoom Video Communications Reports Fourth Quarter and Fiscal Year 2020 Financial Results

<http://www.globenewswire.com/news-release/2020/03/04/1995406/0/en/Zoom-Video-Communications-Reports-Fourth-Quarter-and-Fiscal-Year-2020-Financial-Results.html>

12) How Zoom became so popular during social distancing

<https://www.cnn.com/2020/04/03/how-zoom-rose-to-the-top-during-the-coronavirus-pandemic.html>

13) Zoom's Rise to Fame and Challenges During COVID-19: Lessons for Marketers

<https://marketing.toolbox.com/zoom-fame-challenges-lessons>

14) COVID 19 impact: Netflix reaches almost 16 million subscribers in the first three months, predicts a lower second half

<https://www.indiatoday.in/technology/news/story/covid-19-impact-netflix-reaches-almost-16-million-subscribers-in-the-first-three-months-predicts-a-lower-second-half-1670196-2020-04-23>

15) What to expect from Netflix after its best quarter yet

<https://www.siliconrepublic.com/companies/netflix-coronavirus-earnings-q1-2020>

16) Netflix Net Profit Margin 2006-2020 | NFLX

<https://www.macrotrends.net/stocks/charts/NFLX/netflix/net-profit-margin>

17) Netflix reports surge in subscriptions and revenues thanks to COVID-19

<https://telecoms.com/503865/netflix-reports-surge-in-subscriptions-and-revenues-thanks-to-covid-19/>

18) Lakeland Industries Adds Capacity to Meet Organic Growth Plans from Traditional Industrial PPE Market and Global Coronavirus Requirements

<https://www.marketwatch.com/press-release/lakeland-industries-adds-capacity-to-meet-organic-growth-plans-from-traditional-industrial-ppe-market-and-global-coronavirus-requirements-2020-03-13>

19) Lakeland Industries, Inc. Reports Fiscal 2020 Fourth Quarter and Year End Financial Results

<https://www.accesswire.com/585144/Lakeland-Industries-Inc-Reports-Fiscal-2020-Fourth-Quarter-and-Year-End-Financial-Results>

20) Is Lakeland Industries (LAKE) a Great Value Stock Right Now?

<https://www.zacks.com/stock/news/883803/is-lakeland-industries-lake-a-great-value-stock-right-now>

21) Clorox's Response to COVID-19 – We Want to Continue Earning Your Trust - Good Growth Blog | The Clorox Company

<https://www.thecloroxcompany.com/blog/clorox-ceo-letter-coronavirus/>

22) COVID-19 Has Powerful Impact on Clorox Sales

<https://retailerleader.com/covid-19-has-powerful-impact-clorox-sales>

23) Clorox (CLX) is an Incredible Growth Stock: 3 Reasons Why

<https://www.zacks.com/stock/news/864672/clorox-clx-is-an-incredible-growth-stock-3-reasons-why>

24) Zoom Video Communications Reports Third Quarter Results for Fiscal Year 2020

<http://www.globenewswire.com/news-release/2019/12/05/1957055/0/en/Zoom-Video-Communications-Reports-Third-Quarter-Results-for-Fiscal-Year-2020.html>