# Financial Challenges Mount for Ocado as Investors Bet Against the Online Grocery Retailer



Investors are increasingly betting against Ocado, the UK-based online grocery company, as it faces mounting financial challenges. The retailer, struggling to achieve profitability, is on the brink of being relegated from the FTSE 100, with its share price nearly halving since the start of 2024. Currently, Ocado is the second-most shorted stock on the London Stock Exchange, behind Petrofac. Regulatory data shows that investors like Kintbury Capital, D1 Capital Partners, and BlackRock Investment Management hold significant short positions against the company.

Ocado reported a £394 million loss for the fiscal year ending December, following a £581 million loss the previous year, despite sales growth. The losses are largely attributed to its joint venture with Marks & Spencer (M&S), known as Ocado Retail. The company has struggled with high operational costs, notably those associated with delivery logistics. Confidence has further waned due to a post-lockdown slowdown in the online shopping sector.

Adding to Ocado's woes is its underperformance in meeting targets set in its partnership with M&S, leading to a significant payment dispute. Ocado has acknowledged that the goals needed to secure a £190.7 million payment from M&S were not met, estimating the owed amount at a much lower figure. This has led to the consideration of legal action.

On the technology front, Ocado's Technology Solutions unit, which offers robotic warehouse technology to global retailers, continues to show potential but has not met growth forecasts. Anticipated contracts have not materialized as quickly as investors had hoped, impacting valuation.

Meanwhile, investor TCV has raised $3 billion to invest in growth-stage tech start-ups, focusing on North America and Europe. This marks TCV’s 12th fund and aims to capitalize on lower valuations and decreased competition in the tech sector. Despite the global venture capital market cooling down from its 2021 peak, TCV plans to invest in more established start-ups nearing public listing, adhering to a more measured investment strategy.

TCV has a portfolio of significant tech companies, including Spotify, Netflix, and Airbnb. As of November, TCV made its first investment from the new fund, partnering with Blackstone, General Atlantic, and Permira to acquire Norwegian online classifieds business Adevinta for €14 billion. TCV continues to provide consistent returns to its investors, maintaining liquidity despite the challenging market conditions for venture capital.