EDISON

BRILLIANT KNOWLEDGE

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JANUARY SALES

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EDISON THEMES

As one of the largest issuer-sponsored research firms, we are known for our bottom-up work on individual stocks. However, our thinking does not stop at the company level. Through our regular dialogue with management teams and investors, we consider the broad themes related to the companies we follow. Edison themes aims to identify the big issues likely to shape company strategy and portfolios in the years ahead.

EDISON CLIENTS MENTIONED IN THIS REPORT

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Rank Group
Smiths News

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Economic slowdown widely expected…

Across the main economies there are many examples of falling demand, for example purchasing manager surveys, UK retail sales and US new home sales, which are broadly expected to intensify in 2023 as consumers battle higher interest rates and above-target inflation, albeit the latter is expected to continue to moderate as the year progresses. Despite an expected bounce in Christmas spending due to favourable COVID-19 comparisons, the pressure on disposable income is mounting and consumers are being forced to make real choices.

…leading to a challenging outlook for profit estimates…

As macroeconomic challenges mounted through the end of 2022, consensus profit estimates continued their downward trend for UK- and US-listed consumer companies but increased marginally for their European counterparts. However, the rate of downgrades to estimates in the UK and US slowed versus prior quarters. Consensus continues to forecast profit declines in CY23 for only a few of the subsectors we track, which we believe is optimistic in the face of expected lower consumer demand. In aggregate, consensus expects year-on-year profit growth of 16%, 6% and 13% for the UK, European and North American consumer sectors, respectively, in 2023. Many of the cost pressures which companies faced during 2022 have eased, for example freight, energy and materials, which will provide increasing support to profits through the year, but the source of pressure has shifted towards employee costs. The upcoming results season will present management teams and analysts with the opportunity to revisit their expectations for the coming year.

…but downgrades are widely discounted

Global investors are well primed for an economic slowdown in the key regions. We note that the main market indices staged a strong recovery in Q422 despite the deteriorating macroeconomic outlook. As companies battled with downgrades to profit estimates, there was a notable change in momentum in share prices for some of the consumer sectors, as investors took advantage of some extreme valuation opportunities at the end of Q322 and upped their risk appetite. More consumer sectors outperformed their regional benchmarks in Q422 than in the previous quarters, and there was a tilting in outperformance towards the discretionary sectors, away from the staples sectors in the UK and Europe. As we enter 2023, our screens have identified almost 800 companies in the three key regions that are valued below their long-term low EV/sales multiples, providing investors with a favourable risk/reward profile in these companies despite the potential risks to estimates.

MACRO OVERVIEW

Economic slowdown has lost the capacity to shock

We enter 2023 with most commentators expecting lower economic growth than in 2022, at best. The UK and eurozone are further into a slowdown/decline than the United States, but there are legitimate fears that the US economy will fall into recession later this year.

In its November 2022 Economic and fiscal outlook, the Office for Budget Responsibility (OBR) painted a bleak outlook for the UK economy, particularly consumer spending. Having previously (in March 2022) forecast low but persistent real economic growth through 2027, the new forecasts predicted a peak-to-trough decline in real GDP of 2.1% from Q322 that would last just more than a year. At that stage, the OBR forecast a decline in real GDP of 1.4% in 2023, followed by real growth of 1.3% in 2024 and that a decline in consumption would be the main driver of the decline in real GDP given lower real incomes due, in part, to high inflation (the highest in 40 years) and higher interest rates. With respect to real household disposable income per person, the OBR forecasts a cumulative fall of 7.1% from 2021/22 to 2023/24. This includes two years of declines, each year being greater than any prior period since records began in 1956/57. Bleak!

The evidence for slowing economic growth is in purchasing managers' indices, which are well below 50 in the UK, Europe and the US. Stresses in the supply chain have moderated and we note that US used car prices and container shipping rates are now falling, suggesting that demand for goods has eased considerably.

However, we highlight that for global investors this is now a consensus viewpoint. It is therefore unlikely to have a major impact on asset prices unless the forthcoming slowdown is materially worse than anticipated.

Historically, it has been the fear of recession rather than the onset of an actual recession that has the greater impact on global equity markets. Markets have often declined well ahead of contractions in economic activity and rebounded during the worst phase of economic contraction.

Nevertheless, there are some aspects of the coming slowdown that are likely to be different from prior slowdowns in the post-2009 era. In particular, the last decade's experiment of relying primarily on loose monetary policy to drive economic growth is likely over. We do not therefore expect a quick return to the valuation excesses of this era, whether in concepts such as digital currencies or in the broader technology sector.

Policy rates close to the end of their ascent

In 2022, investors faced a consistent upward drift in terms of policy interest rate expectations. Central bank policy makers had clearly misjudged the supply-side impact of the COVID-19 pandemic. The inflation outbreak in developed markets has no precedent since the 1970s and clearly caught monetary policy makers off-guard. Nevertheless, from the outset, the increase in total debt/GDP in the global economy since that period was always likely to imply that rates would not rise as far as during that period.

Instead, after completing its normalisation process, we believe monetary policy is likely to be less exciting in 2023. In our view, interest rates may come to feel as if they are on a high plateau, with relatively little change during the year, even as inflation on both sides of the Atlantic slowly falls back to target. While policy rates may prove relatively stable, central banks may yet focus on modulating the pace of quantitative tightening to ensure that long-term rates are well behaved as the economy slows.

Equity valuations at a better starting point for 2023

By far the most compelling reason for taking a more constructive view on equities for 2023 versus the start of 2022 is that the valuation starting point has eased considerably over the past 12 months. A year ago, global equities were trading two standard deviations above their long-run average price/book level. In our view, the primary factor behind market declines was not declining earnings or earnings expectations, but a significant increase in the discount rate. Both the long-term, risk-free rate and the global equity risk premium 'normalised' during the period. Later in this report we highlight valuation opportunities in the consumer sectors across the three key regions, comparing prospective EV/sales multiples for companies relative to their long-term ranges.

The most recent period of monetary tightening has therefore been associated with declining valuations, as is typically the case. At times of tighter monetary policy, investors also discover financial malfeasance, or uncover weak capital structures with increased frequency.

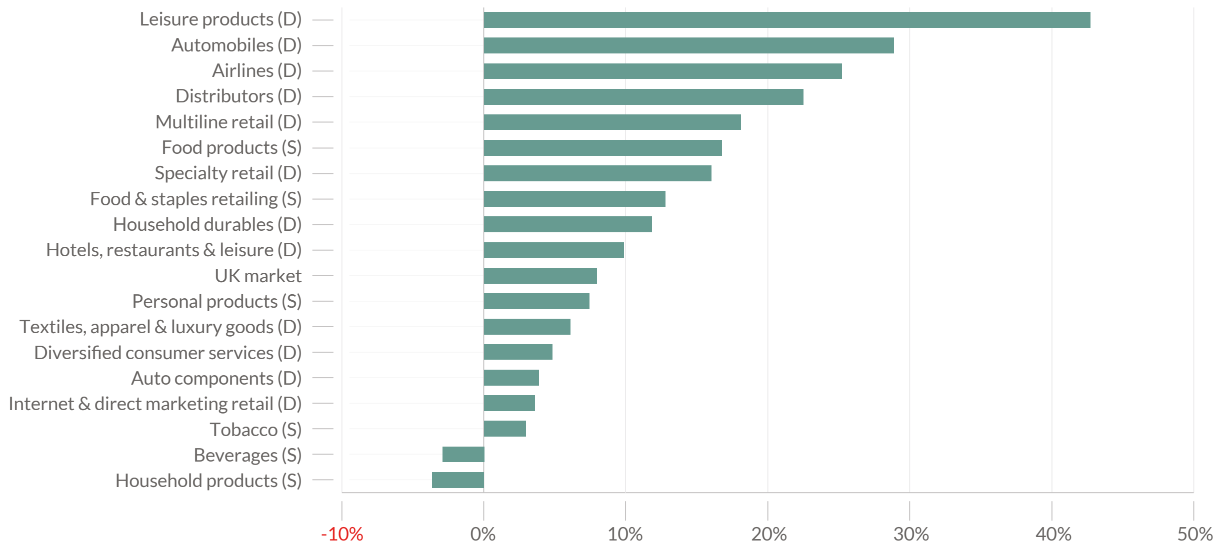
We believe that valuation pressure is now likely to ease, subject to inflation peaking during H123 and developed markets entering a period of disinflation over the coming quarters. However, this does not necessarily represent an 'all clear' for equity markets, which are also subject to declining earnings momentum as the economy slows.

While inflation is likely to remain above target this year as economies slow and provided energy prices do not return to the peak levels of last summer, a period of disinflation remains the most likely outcome rather than widespread second-round effects such as a wage price spiral.

UNITED KINGDOM

Rotation towards the discretionary sectors

Exhibit 1: Market value change in Q422 (£)

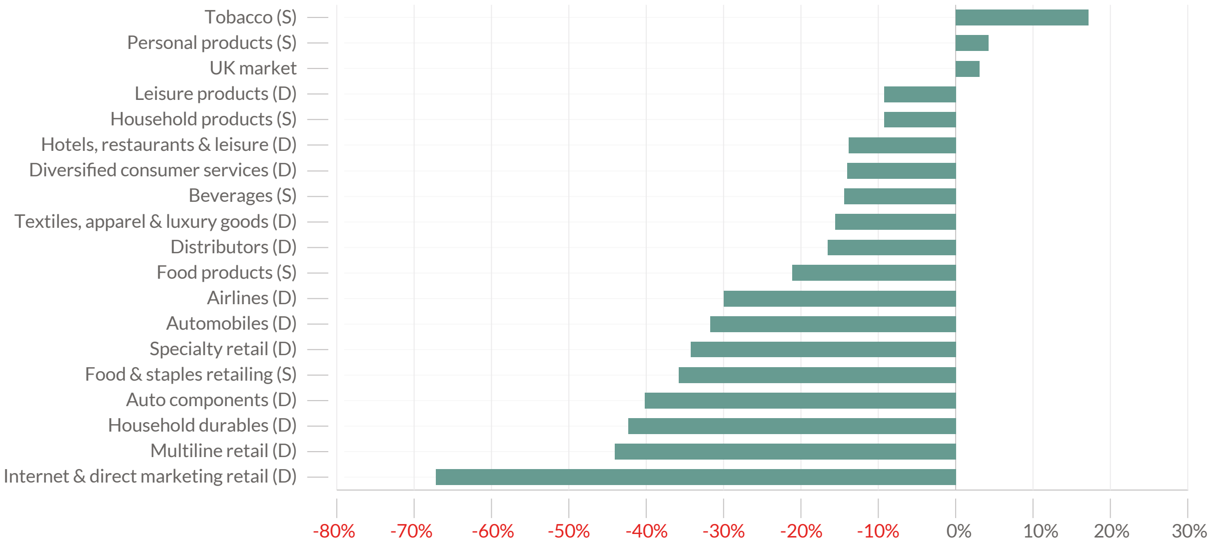


Source: Edison Investment Research, Refinitiv

The UK market enjoyed a strong end to the year; the positive 8% return in Q422 nudged the market to a small positive return of 3% for the year. The UK's market return in 2022 was much healthier than those of Europe and North America, which both declined, partly due to the UK's sector composition and with the tailwind to overseas earnings provided by a weak sterling. This is some achievement given the political shenanigans of the Conservative Party and the resulting fiscal problems, which have affected and will continue to affect domestic consumption. More, ie 10 of the 18 consumer sectors outperformed the UK market return in Q422 than underperformed, and all but two – household products and beverages – generated a positive return. Note that we are using sector (ie industry) classifications as defined by the MSCI's Global Industry Classification Standard. We also include some other sectors that are categorised outside the consumer sectors by MSCI, for example airlines, to give a broader view of how consumer-facing business have performed and are valued. In our charts, discretionary sectors are labelled D and staples sectors are labelled S.

Of particular note is the change in performance leadership during Q422 to the discretionary sectors from the staples sectors in prior 2022 quarters. Eight of the 10 sectors that outperformed were discretionary.

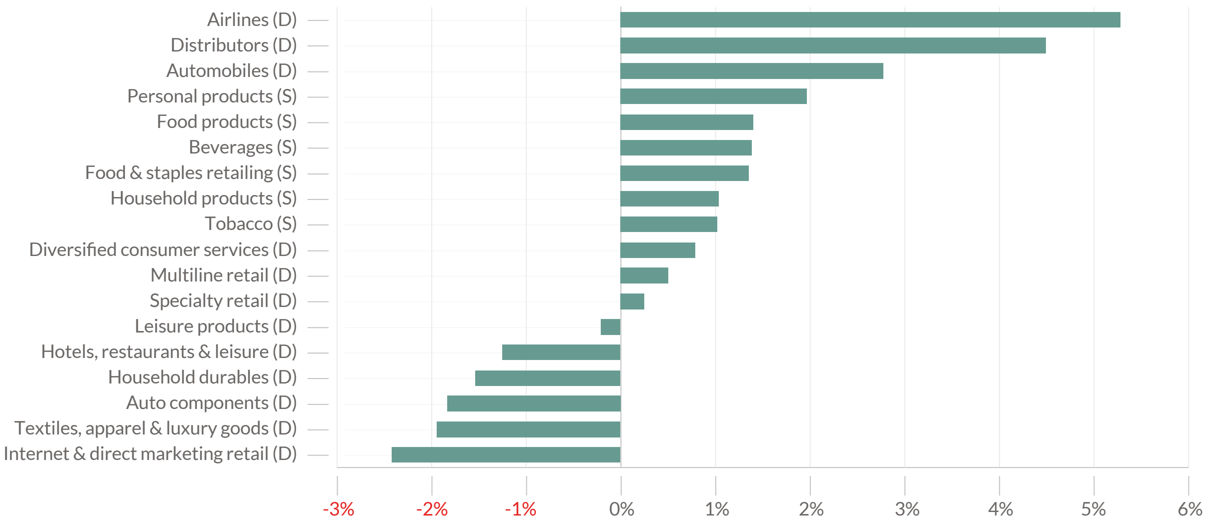
Exhibit 2: Market value change in 2022 (£)



Source: Edison Investment Research, Refinitiv

In aggregate, 2022 was a very challenging year for the consumer sectors, particularly the discretionary sectors, given the deteriorating outlook for earnings, higher inflation and higher interest rates. Only two sectors (tobacco and personal products) – both 'classic defensives' – outperformed the market. High double-digit declines were common among the other sectors, with material underperformance from internet and direct market retail (at -67%), multiline retail (-44%) and household durables (-42%).

Exhibit 3: Consensus CY22 revenue change in Q422 (£)

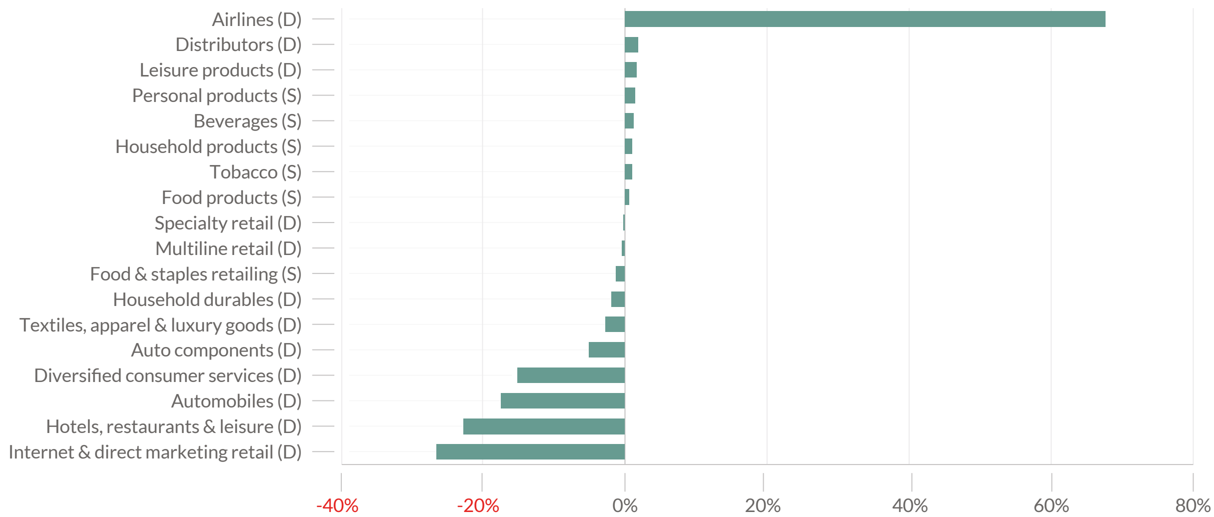


Source: Edison Investment Research, Refinitiv

Against a deteriorating macroeconomic backdrop, there was a marginal 1% increase in consensus CY22 revenue estimates during Q422. There were more individual sector revenue upgrades than downgrades; with upgrades of more than 1%, the staples sectors were the main beneficiaries, while estimates for the discretionary sectors increased marginally.

On a cumulative basis through the year, CY22 revenue forecasts for all sectors increased by 5%, again with a slight bias towards the staples sectors with upgrades of 7% versus 4% for the discretionary sectors. We believe this reflects some catch-up as COVID restrictions eased and the positive benefits from weak sterling and higher inflation. As we move through 2023, we will focus on estimates for the coming year. For now, we highlight that consensus CY23 revenue estimates increased by 6% through 2022, marginally ahead of the upgrades to CY22 estimates, again with a bias towards staples with upgrades of 8% versus upgrades of 4% for the discretionary sectors.

Exhibit 4: Consensus CY23e profit change in Q422 (£)



Source: Edison Investment Research, Refinitiv

As we noted in our Q222 and Q322 reports, the upgrades to revenue estimates the sectors enjoyed did not translate to upgrades to consensus CY22 EBIT (profit) estimates. In Q422, the sectors suffered further aggregate downgrades to CY22 profit expectations of 1%. The discretionary sectors fared poorly with downgrades of 4% during Q422, while estimates for the staples sectors increased by 1%. There was a broad divergence in changes to CY22 EBIT estimates in the period, with a significant upgrade for airlines while estimates were downgraded by almost 30% for internet and direct market retail (greater losses) and by more than 20% for hotels, restaurants and leisure. The downgrades during Q422 took the cumulative downgrades for all sectors through 2022 to 7%, which includes significant downgrades for the discretionary sectors of 25%, more than offsetting the 2% upgrades for staples. The downgrades to CY22 estimates through the year flowed through to aggregate downgrades of 6% to CY23 profit estimates.

Best performing sectors in Q422

Outperformance by leisure products (Exhibit 1) was driven by strong advances by the sector heavyweights, Games Workshop Group and ME Group International. Games Workshop reported a reassuring pre-close interim trading update, followed by interim results at the start of January 2023, as well as news of an agreement in principle to develop its intellectual property into film and television productions with Amazon, which is likely to be important for future earnings. ME Group's share price benefited from continued upgrades to CY22 and CY23 estimates.

The strong performance of automobiles in Q422 is attributable to its sole constituent, Aston Martin Lagonda, and follows significant weakness through the earlier part of the year, including a rights issue in Q322.

The outperformance of airlines was widespread at the individual company level, including healthy, more than 20% returns for International Consolidated Airlines Group (ICAG), Jet2 and Wizz Air, and positive returns for easyJet and Gama Aviation. The sector enjoyed significant upgrades to CY22 profit estimates during Q422, solely due to upgrades for ICAG.

The performance of the distributors sector was broad based, with five of the seven companies posting a positive return, most notably Smiths News, with further upgrades to consensus estimates, and UP Global Sourcing, albeit with no changes to estimates.

Worst performing UK sectors in Q422

The decline in Reckitt Benckiser's share price, despite further upgrades to CY22 profit estimates, as well as further declines in McBride's share price, despite no change to estimates, led to the decline in the household products sector.

The decline in beverages reflects quite different performances by the subsectors: brewers and distillers and vintners both fell, while the soft drinks sector posted a positive return. The sector's performance is driven by the sector heavyweight, Diageo, which declined by 4%, masking double-digit returns from C&C Group, Chapel Down Group, East Imperial, AG Barr, and Fevertree Drinks. Aggregate CY22 profit estimates for the sector increased by 1% during Q422, with upgrades of 9% for Coca-Cola HBC offset by downgrades of 8% for C&C Group.

The tobacco sector continued to generate a positive return in Q422, making it the best performing sector for the year (+17%). Its Q422 underperformance likely reflects the greater risk appetite of investors as CY22 profit estimates were upgraded for British American Tobacco and Imperial Brands by 1%.

Internet and direct marketing generated a small positive return in Q422, which caused a sigh of relief given the very weak performance earlier in the year. It was the worst performing sector for the whole of 2022 with a cumulative decline of 67%. The sector's poor performance through the year reflects a combination of significant downgrades to profit estimates, moving from an aggregate FY22 profit of c £330m at the start of the year to combined losses of over £220m by the year-end, and a higher cost of capital. The greatest contributors to the absolute swing in estimates changes were ASOS and THG, each with absolute downgrades of over £150m, followed by Deliveroo. The gold medal for share price performance during FY22 goes to Hostelworld, which, with a positive return of 70%, was the only company in the subsector with a higher share price by the end of the year than at the start.

During Q422, there were some strong rallies in the share prices of AO World, Hostelworld, Marks Electrical, musicMagpie, Ten Lifestyle, THG and Victorian Plumbing, with profit estimates for AO World (lower losses) and Victorian Plumbing upgraded.

Subsectors: Few profit declines forecast, attractive valuations

Having looked at the key changes to sector market values and estimates during Q422 and for the year as a whole, we turn our attention to looking at where consensus estimates are for 2023, and how EV/sales multiples for the subsectors, priced at the end of December 2022, compare with their long-term historical average and low valuations, between 2006 and 2022. To make the comparison of prospective multiples versus historical multiples more valid, we exclude lease liabilities, introduced with the adoption of IFRS 16 for accounting periods that began on or after 1 January 2019, from the calculation of enterprise value.

As highlighted above, through 2022 consensus revenue estimates for 2023 increased by 6% versus 5% for CY22, and CY23 profit estimates were downgraded by 6% versus 7% downgrades for CY22. Broadly, the analysts did not make significant incremental changes to relative CY23 growth rates versus CY22, despite more obvious macro pressures. We note that CY23 profit estimates for the discretionary sectors declined by 16% through 2022, lower than the 25% downgrades to CY22 profit estimates. This suggests potential forecast pressure to consensus estimates from here.

As can be seen in Exhibit 5, consensus for the majority of the subsectors continues to expect revenue growth in CY23. Revenue declines versus 2022 are forecast for just four subsectors: computer and electronics retail, home improvement retail, homebuilding and agricultural products. We believe the deteriorating economic outlook is not supportive of such widespread revenue growth, especially for companies with a domestic focus. We recognize that individual companies are being helped by easy comparatives from the start of CY22 due to the restrictions arising from the outbreak of the Omicron strain of COVID-19 at the end of 2021. Also, elevated inflation is supporting reported revenue, as is the relative weakness of sterling versus the US dollar for companies with exposure to North America, but this may normalise. Similarly, consensus is forecasting year-on-year profit declines in CY23 for just nine of the 37 subsectors.

At the end of December 2022, consensus forecast that three subsectors would move from an aggregate CY22 loss to an aggregate CY23 profit: internet and direct marketing retail, automobile manufacturers (Aston Martin Lagonda) and hotels, restaurants and leisure. For internet and direct marketing, retail consensus is expecting lower losses in CY23 than CY22 for Deliveroo and THG, higher profits for Auction Technology Group and a move to profitability for AO World. The key swing factor in expected profitability for the hotels, restaurants and leisure sector is Carnival's expected CY22 loss of £2.4bn improving to a profit of £2.0bn.

While downgrades to estimates are always unwelcome, the significant discounts at which the majority of subsectors trade to their long-term (2006–22) average and low EV/sales multiples suggests downgrades are more than adequately discounted in valuations. Exhibit 5 is sorted in descending order of the discount of the CY23 EV/sales multiple versus the long-term low, 2006–22. The majority, ie 24 of the 37 subsectors, were trading at a discount to their long-term low multiples.

Exhibit 5: UK subsector growth estimates and valuations

Subsector	Sales growth CY23e	EBIT growth CY23e	EV/Sales CY23e (x)	Long-term average EV/ Sales (x)	Long-term low EV/ Sales (x)	Premium/ (discount) to long-term average EV/ sales	Premium/ (discount) to long-term low EV/sales
Apparel retail (D)	6%	13%	0.1	1.3	0.7	(89%)	(80%)
Education services (D)	4%	116%	1.4	6.8	4.6	(80%)	(70%)
Internet & direct marketing retail (S)	6%	(112%)*	0.4	1.8	1.2	(80%)	(70%)
Food distributors (S)	0%	0%	0.3	1.1	0.9	(73%)	(67%)
Computer & electronics retail (D)	(2%)	(22%)	0.1	0.3	0.2	(71%)	(63%)
Airlines (D)	25%	183%	0.3	2.5	0.7	(89%)	(60%)
Packaged foods & meats (S)	8%	7%	0.6	1.6	1.3	(62%)	(55%)
Automotive retail (D)	7%	(3%)	0.1	0.2	0.2	(59%)	(47%)
Footwear (D)	14%	13%	1.8	3.8	3.1	(54%)	(42%)
Leisure facilities (D)	13%	13%	1.4	2.9	2.4	(51%)	(42%)
Food retail (S)	2%	(5%)	0.3	0.5	0.5	(49%)	(39%)
Specialised consumer services (D)	5%	18%	2.1	3.7	3.2	(43%)	(35%)
Home improvement retail (D)	(1%)	(13%)	0.3	0.6	0.5	(48%)	(35%)
Auto parts & equipment (D)	14%	35%	0.5	1.4	0.8	(62%)	(34%)
Household appliances (D)	8%	4%	0.6	1.0	0.9	(43%)	(33%)
Housewares & specialties (D)	3%	60%	0.4	0.7	0.5	(47%)	(28%)
Automobile manufacturers (D)	18%	(129%)*	1.4	2.6	1.9	(47%)	(26%)
Home furnishing retail (D)	0%	(9%)	0.8	1.4	1.1	(43%)	(25%)
General merchandise stores (D)	5%	(5%)	1.0	1.6	1.3	(38%)	(24%)
Hotels, resorts & cruise lines (D)	52%	(368%)*	2.2	3.5	2.9	(37%)	(24%)
Brewers (S)	5%	7%	1.0	1.4	1.2	(26%)	(14%)
Homebuilding (D)	(5%)	(23%)	0.8	1.2	0.9	(35%)	(13%)
Soft drinks (S)	10%	6%	1.2	1.6	1.3	(26%)	(10%)
Household products (S)	6%	4%	3.1	3.6	3.2	(15%)	(4%)
Agricultural products (S)	1%	(20%)	0.6	0.9	0.7	(26%)	(3%)
Restaurants (D)	15%	27%	1.1	1.2	1.0	(10%)	5%
Casinos & gaming (D)	11%	40%	2.0	2.5	1.8	(20%)	12%
Apparel, accessories & luxury goods (D)	8%	9%	2.1	2.5	1.9	(15%)	12%
Specialty stores (D)	8%	8%	0.7	0.9	0.6	(17%)	13%
Distillers & vintners (S)	8%	10%	5.0	4.9	4.3	3%	16%
Department stores (D)	1%	(9%)	1.7	1.7	1.4	(5%)	18%
Personal products (S)	7%	8%	2.4	2.3	2.0	5%	22%
Distributors (D)	4%	2%	0.3	0.3	0.3	(2%)	25%
Textiles (D)	9%	23%	0.8	0.8	0.6	3%	29%
Home furnishings (D)	10%	17%	0.9	0.8	0.6	10%	49%
Consumer electronics (D)	5%	14%	1.6	1.3	1.0	25%	57%
Leisure products (D)	8%	6%	4.3	2.0	1.4	115%	201%

Source: Edison Investment Research, Refinitv.
Note: Priced 31 December 2022. Note: *Lower losses versus CY22.

UK companies: Attractively valued

Having looked at the prospective revenue and profit growth estimates for the subsectors, we turn to identifying companies that are attractively valued versus their historical multiples. We focus on companies with a prospective CY23e EV/sales multiple that is below its own long-term low multiple. Given the high number of trading statements at the start of the new year, we have updated the estimates and valuation data for the closing valuation on 13 January 2023.

In total, 126 UK companies had a prospective CY23e EV/sales multiple below their long-term average on 13 January. We separate the companies into two lists below: those that are forecast to generate positive free cash flow in 2023 (Exhibit 6) and those that are not forecast to generate free cash flow or have no estimates for free cash flow according to Refinitiv (Exhibit 7). The short trading history of some companies may make the comparison of current prospective multiples versus historical multiples less relevant as these were initially supported by low interest rates and inflation.

Exhibit 6: UK valuation screen – companies with forecast positive free cash flow in 2023

Company	Ticker	Share price 13 Jan 2023 (p)	Market value 13 Jan 2023 (£m)	Sales growth CY23e	EBIT growth CY23e	EV/ Sales CY23e (x)	Long-term average EV/ sales (x)	Long-term low EV/ sales (x))	Premium/ (discount) to long-term average EV/sales	Premium/ (discount) to long-term low EV/ sales
Cairn Homes PLC	CRN	87	595	10%	13%	1.3	24.4	20.9	(95%)	(94%)
C&C Group PLC	GCC	167	656	10%	10%	0.5	2.2	1.6	(78%)	(71%)
Transense Technologies PLC	TRT	94	15	31%	N/A	3.4	30.3	9.9	(89%)	(66%)
Halfords Group PLC	HFD	181	395	8%	(9%)	0.2	0.8	0.6	(73%)	(66%)
Naked Wines PLC	WINEW	136	100	2%	69%	0.2	0.9	0.6	(75%)	(65%)
Hostmore PLC	MOREH	13	16	12%	104%	0.2	0.7	0.5	(72%)	(64%)
Playtech PLC	PTEC	527	1,610	4%	0%	1.4	5.3	3.7	(74%)	(64%)
R E A Holdings PLC	REAH	103	45	0%	22%	1.1	3.6	3.0	(69%)	(63%)
M P Evans Group PLC	MPE	820	443	(6%)	(38%)	1.8	5.9	4.6	(70%)	(62%)
Topps Tiles PLC	TPT	50	98	5%	(8%)	0.3	1.1	0.8	(71%)	(61%)
Greencore Group PLC	GNC	72	369	8%	7%	0.3	0.8	0.7	(65%)	(58%)
Lookers PLC	LOOK	84	322	5%	(14%)	0.1	0.2	0.1	(67%)	(57%)
Currys PLC	CURY	64	725	(1%)	(0%)	0.1	0.3	0.2	(67%)	(57%)
Marks and Spencer Group PLC	MKS	146	2,861	3%	(11%)	0.3	0.8	0.7	(62%)	(55%)
Restaurant Group PLC	RTN	36	272	8%	(10%)	0.5	1.3	1.0	(65%)	(54%)
Fevertree Drinks PLC	FEVR	1,017	1,183	11%	21%	2.7	8.8	5.8	(69%)	(53%)
Quixant PLC	QXT	167	111	10%	20%	0.9	2.7	1.9	(66%)	(52%)
On The Beach Group PLC	OTB	174	289	14%	55%	1.4	4.9	2.9	(71%)	(52%)
GYM Group PLC	GYM	133	237	28%	113%	1.3	3.5	2.7	(63%)	(52%)
Gear4music Holdings PLC	G4M	144	30	9%	19%	0.3	0.9	0.6	(66%)	(49%)
Card Factory PLC	CARDC	93	319	7%	2%	0.8	2.0	1.6	(58%)	(48%)
Trainline PLC	TRNT	302	1,446	21%	52%	4.1	11.6	7.6	(65%)	(46%)
Rank Group PLC	RNK	88	411	8%	(2%)	0.5	1.3	1.0	(59%)	(46%)
J Sainsbury PLC	SBRY	241	5,640	2%	(5%)	0.1	0.3	0.2	(54%)	(45%)
MJ Gleeson PLC	GLEG	411	239	0%	(16%)	0.6	1.4	1.0	(58%)	(44%)
Marston's PLC	MARS	43	272	4%	8%	1.4	2.5	2.3	(44%)	(39%)
Springfield Properties PLC	SPRSP	85	100	7%	7%	0.4	0.8	0.7	(49%)	(39%)
Loungers PLC	LGRS	201	207	17%	1%	0.7	1.5	1.1	(53%)	(39%)
McBride PLC	MCB	25	44	12%	(210%)*	0.2	0.5	0.4	(51%)	(39%)
Carnival PLC	CCL	760	10,669	62%	(161%)*	2.0	3.9	3.3	(48%)	(38%)
City Pub Group PLC	CPC	78	81	11%	50%	1.3	2.8	2.0	(54%)	(37%)
PPHE Hotel Group Ltd	PPH	1,050	445	14%	31%	2.5	4.3	3.9	(43%)	(37%)
Dr Martens PLC	DOCS	210	2,097	14%	14%	1.9	3.8	3.1	(49%)	(36%)

Cont.

Exhibit 6: UK valuation screen – companies with forecast positive free cash flow in 2023 cont.

Company	Ticker	Share price 13 Jan 2023 (p)	Market value 13 Jan 2023 (£m)	Sales growth CY23e	EBIT growth CY23e	EV/ Sales CY23e (x)	Long-term average EV/ sales (x)	Long-term low EV/ sales (x))	Premium/ (discount) to long-term average EV/sales	Premium/ (discount) to long-term low EV/ sales
Mitchells & Butlers PLC	MAB	170	1,014	4%	(11%)	1.0	1.8	1.5	(45%)	(36%)
Vistry Group PLC	VTYV	753	2,596	35%	(4%)	0.7	1.4	1.0	(51%)	(35%)
Tesco PLC	TSCO	246	18,014	4%	(2%)	0.3	0.5	0.5	(43%)	(34%)
AO World PLC	AO	70	400	(9%)	55600%	0.4	0.9	0.5	(58%)	(33%)
Motorpoint Group PLC	MOTR	145	130	9%	(2%)	0.2	0.3	0.2	(45%)	(33%)
Stelrad Group PLC	SRAD	128	163	8%	4%	0.6	1.0	0.9	(42%)	(32%)
DFS Furniture PLC	DFSD	162	380	(0%)	(12%)	0.4	0.8	0.6	(46%)	(32%)
Fuller Smith & Turner PLC	FSTA	500	195	8%	22%	1.0	1.6	1.4	(39%)	(32%)
Moonpig Group PLC	MOONM	117	399	8%	10%	1.7	3.7	2.5	(52%)	(31%)
Young & Co's Brewery PLC	YNGa	1,136	543	6%	6%	1.7	2.8	2.4	(38%)	(29%)
Shepherd Neame Ltd	SHEP	638	95	2%	N/A	1.0	1.7	1.5	(37%)	(28%)
IG Design Group PLC	IGRI	158	153	1%	155%	0.3	0.6	0.4	(48%)	(28%)
Associated British Foods PLC	ABF	1,795	14,102	10%	(2%)	0.7	1.1	0.9	(41%)	(28%)
Jet2 PLC	JET2	1,071	2,293	33%	92%	0.1	0.3	0.1	(74%)	(27%)
Portmeirion Group PLC	PMGR	363	51	1%	19%	0.5	0.9	0.7	(43%)	(26%)
Pendragon PLC	PDG	21	289	4%	1%	0.1	0.1	0.1	(42%)	(26%)
Anexo Group PLC	ANXA	115	135	8%	17%	1.3	2.1	1.8	(38%)	(26%)
Wizz Air Holdings PLC	WIZZ	2,852	2,939	43%	(151%)*	0.6	1.3	0.8	(53%)	(26%)
Hilton Food Group PLC	HFG	597	533	5%	16%	0.2	0.3	0.2	(38%)	(24%)
TI Fluid Systems PLC	TIFS	136	706	9%	12%	0.4	0.6	0.5	(35%)	(23%)
Northcoders Group PLC	CODE	310	24	73%	100%	2.5	4.0	3.2	(38%)	(22%)
Crest Nicholson Holdings PLC	CRST	267	685	(11%)	(27%)	0.7	1.1	0.8	(41%)	(20%)
Kingfisher PLC	KGF	266	5,145	(1%)	(13%)	0.4	0.6	0.5	(36%)	(20%)
Coca-Cola HBC AG	CCH	1,929	7,057	7%	0%	1.0	1.4	1.2	(33%)	(20%)
Bakkavor Group Plc	BAKK	101	582	7%	1%	0.4	0.6	0.5	(32%)	(19%)
J D Wetherspoon PLC	JDW	490	630	7%	78%	0.8	1.2	1.0	(32%)	(18%)
Henry Boot PLC	BOOT	235	313	17%	9%	1.0	1.5	1.2	(33%)	(18%)
AG Barr PLC	BAG	548	613	20%	5%	1.5	2.2	1.8	(31%)	(16%)
Wickes Group PLC	WIX	152	393	(3%)	(14%)	0.2	0.2	0.2	(38%)	(16%)
Benchmark Holdings PLC	BMKB	42	306	12%	(1611%)	2.0	3.0	2.3	(35%)	(16%)
Ten Entertainment Group PLC	TEG	293	200	3%	11%	1.5	2.3	1.8	(34%)	(16%)
Marks Electrical Group PLC	MRKM	98	103	18%	19%	0.9	1.3	1.0	(30%)	(15%)
Auction Technology Group PLC	ATG	767	923	17%	19%	7.4	13.5	8.6	(45%)	(14%)
Redrow PLC	RDW	523	1,725	(7%)	(22%)	0.7	1.1	0.8	(36%)	(14%)
B&M European Value Retail SA	BMEB	440	4,397	5%	(3%)	1.0	1.4	1.1	(29%)	(14%)
Bellway PLC	BWY	2,170	2,674	(10%)	(22%)	0.8	1.2	0.9	(33%)	(12%)
Hostelworld Group PLC	HSW	123	144	22%	(386%)*	2.0	3.6	2.2	(45%)	(11%)
Hollywood Bowl Group PLC	BOWL	243	415	4%	(3%)	1.9	2.8	2.1	(31%)	(10%)
Domino's Pizza Group PLC	DOM	299	1,259	8%	5%	2.4	3.4	2.7	(29%)	(9%)
British American Tobacco PLC	BATS	3,124	69,700	4%	5%	3.8	4.7	4.1	(19%)	(8%)
Ten Lifestyle Group PLC	TENG	75	62	19%	N/A	1.0	1.7	1.1	(43%)	(8%)
Whitbread PLC	WTB	3,033	6,115	11%	15%	2.2	3.0	2.4	(26%)	(8%)
Nichols PLC	NICL	1,073	390	2%	0%	2.0	2.8	2.1	(27%)	(6%)
Pets at Home Group PLC	PETSP	327	1,578	5%	(0%)	1.1	1.4	1.1	(25%)	(6%)
Supreme PLC	SUP	115	133	9%	13%	1.0	1.5	1.0	(34%)	(6%)
Smiths News PLC	SNWS	55	136	(3%)	0%	0.1	0.2	0.1	(22%)	(5%)
Barratt Developments PLC	BDEV	455	4,523	(8%)	(24%)	0.7	1.0	0.7	(30%)	(3%)
Vertu Motors PLC	VTU	56	194	13%	6%	0.0	0.1	0.0	(34%)	(2%)
Headlam Group PLC	HEAD	330	270	0%	(9%)	0.4	0.5	0.4	(22%)	(2%)

Source: Edison Investment Research, Refinitiv.
Note: *Move from profit to loss.

Exhibit 7: UK valuation screen – companies with forecast negative or no forecasts for free cash flow in 2023

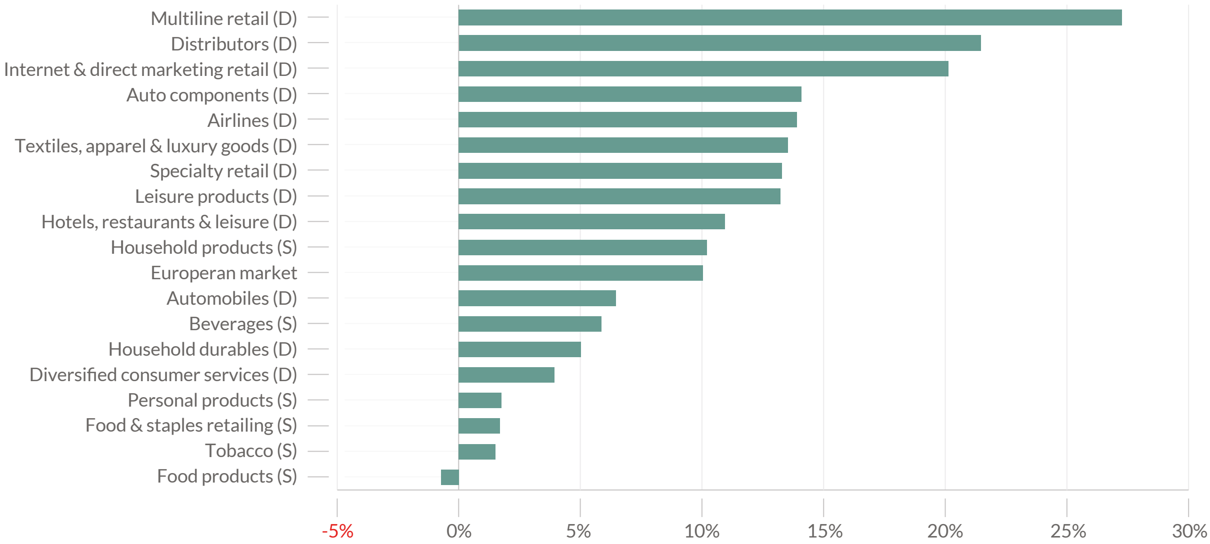
Company	Ticker	Share price 13 Jan 2023 (p)	Market value 13 Jan 2023 (£m)	Sales growth CY23e	EBIT growth CY23e	EV/sales CY23e (x)	Long-term average EV/sales (x)	Long-term low EV/sales (x)	Premium/(discount) to long-term average EV/sales	Premium/(discount) to long-term low EV/sales
Saietta Group PLC	SED	51	52	255%	N/A	1.1	35.4	16.3	(97%)	(93%)
Esken Ltd	ESKN	5	52	8%	(15%)	1.6	30.4	19.4	(95%)	(92%)
In The Style Group PLC	ITS	12	6	8%	(103%)*	0.0	1.1	0.4	(96%)	(90%)
Dekel Agri-Vision Plc	DKLD	3	17	39%	N/A	0.9	8.7	8.0	(90%)	(89%)
Revolution Bars Group PLC	RBG	7	17	15%	N/A	0.1	0.6	0.5	(88%)	(84%)
Seraphine Group PLC	BUMP	10	5	2%	(29%)**	0.2	1.9	1.1	(89%)	(83%)
Angling Direct PLC	ANG	31	24	9%	N/A	0.1	0.7	0.4	(87%)	(80%)
ASOS PLC	ASOS	745	744	3%	21%	0.2	1.9	1.1	(89%)	(80%)
boohoo group plc	BOOH	45	571	4%	(84%)	0.3	2.3	1.4	(87%)	(78%)
Superdry PLC	SDRY	153	125	6%	30%	0.2	2.2	0.8	(91%)	(76%)
Various Eateries PLC	VAREV	32	28	23%	N/A	0.5	2.4	2.1	(78%)	(76%)
XP Factory PLC	XPF	16	24	57%	N/A	0.5	5.5	2.1	(91%)	(75%)
CMO Group PLC	CMOC	28	20	5%	79%	0.2	1.2	0.8	(83%)	(75%)
THG PLC	THG	66	834	11%	(59%)**	0.4	2.3	1.5	(83%)	(73%)
Deliveroo PLC	ROO	92	1,612	9%	(35%)**	0.2	1.2	0.7	(83%)	(71%)
Sportech PLC	ROD	20	19	3%	N/A	0.4	1.8	1.3	(78%)	(70%)
Gusbourne PLC	GUS	71	43	27%	(60%)**	6.5	25.5	20.5	(74%)	(68%)
QUIZ PLC	QUIZ	17	21	10%	103%	0.1	0.6	0.4	(81%)	(68%)
Safestay PLC	SSTY	16	10	11%	35%	1.5	4.9	4.4	(70%)	(66%)
Procook Group PLC	PROC	32	35	11%	1%	0.5	1.9	1.4	(73%)	(63%)
Virgin Wines UK PLC	VINO	58	32	(1%)	(29%)	0.3	1.0	0.7	(75%)	(61%)
Works co uk PLC	WRKS	47	30	7%	(22%)	0.0	0.2	0.1	(76%)	(60%)
Fireangel Safety Technology Group	FA	8	15	12%	N/A	0.3	1.0	0.7	(72%)	(57%)
Fulham Shore PLC	FULH	10	65	15%	N/A	0.6	1.9	1.3	(70%)	(56%)
musicMagpie PLC	MMAG	37	40	6%	444%	0.3	0.9	0.6	(69%)	(56%)
Science in Sport PLC	SISS	14	24	9%	(46%)**	0.4	1.4	0.9	(69%)	(53%)
Nightcap PLC	NGHT	8	15	N/A	N/A	0.3	1.6	0.6	(82%)	(53%)
Mulberry Group PLC	MUL	240	144	7%	16%	0.9	2.5	1.8	(64%)	(50%)
DP Poland PLC	DPP	8	59	17%	N/A	1.5	5.4	2.9	(72%)	(49%)
Tortilla Mexican Grill PLC	MEX	101	39	24%	25%	0.5	1.1	0.9	(56%)	(46%)
Samarkand Group PLC	SMK	53	31	25%	(69%)**	1.4	3.6	2.5	(62%)	(45%)
Surface Transforms PLC	SCEU	35	84	265%	(154%)*	3.4	10.5	6.1	(68%)	(44%)
N Brown Group PLC	BWNG	27	124	(3%)	(24%)	0.6	1.2	1.0	(54%)	(43%)
Cake Box Holdings PLC	CBOX	134	53	10%	1%	1.3	3.3	2.3	(60%)	(43%)
Hotel Chocolat Group PLC	HOTC	194	266	3%	(7%)	1.1	2.7	1.9	(60%)	(43%)
easyJet PLC	EZJ	431	3,262	23%	890%	0.4	0.9	0.6	(58%)	(40%)
B90 Holdings PLC	B90	3	8	133%	(55%)**	1.7	7.4	2.7	(78%)	(40%)
Distil PLC	DISD	1	4	N/A	N/A	0.9	2.3	1.3	(61%)	(30%)
SSP Group PLC	SSPG	253	2,013	29%	165%	0.8	1.3	1.0	(40%)	(26%)
Venture Life Group PLC	VLG	38	48	23%	51%	1.0	2.0	1.3	(50%)	(24%)
Aston Martin Lagonda Global Holdings	AML	171	1,192	17%	(126%)*	1.5	2.6	1.9	(44%)	(21%)
CT Automotive Group PLC	CTA	95	48	5%	(224%)*	0.6	0.9	0.8	(31%)	(20%)
Dignity PLC	DTY	505	252	(0%)	(69%)	2.6	3.7	3.3	(29%)	(20%)
Colefax Group PLC	CFX	650	47	(4%)	N/A	0.3	0.4	0.3	(31%)	(12%)

Source: Edison Investment Research, Refinitiv.
Note: *Move from profit to loss. **Lower losses versus prior year.

CONTINENTAL EUROPE

Sector rotation to discretionary

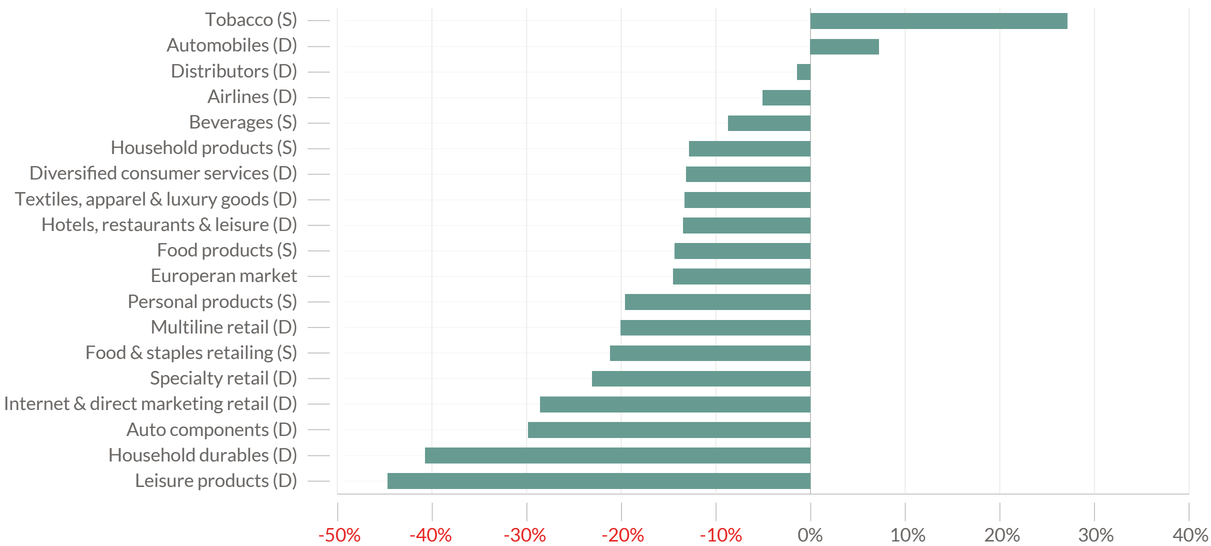
Exhibit 8: Market value change in Q422 (€)



Source: Edison Investment Research, Refinitiv

The European market also enjoyed a strong rebound in Q422, increasing by 10%. Within the consumer sectors there was evidence of clear sector rotation as nine of the 10 consumer sectors that outperformed the market return were discretionary sectors and the majority of the staples sectors underperformed. Only one sector, food products, generated a negative return in Q422, and the main underperformers were staples sectors including tobacco, food and staples retailing and personal products.

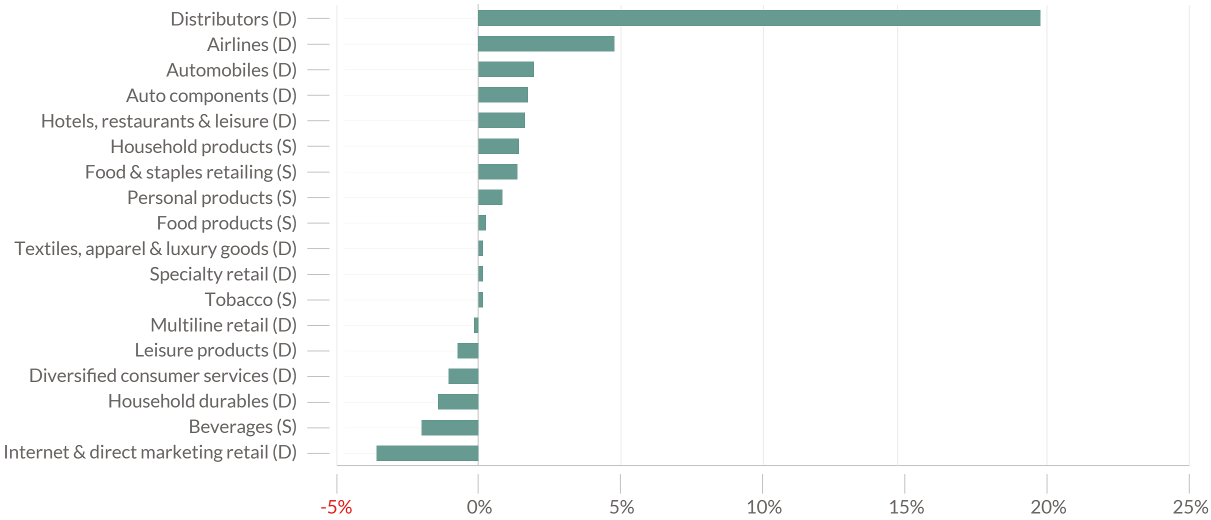
Exhibit 9: Market value change in CY22 (€)



Source: Edison Investment Research, Refinitiv

Unlike the UK market, the strong recovery in Q422 was not sufficient to offset the prior losses through the first nine months of the year and the European market ended the year down by 15%. More of the consumer sectors (ie 10 of the 18) outperformed the market than underperformed it. There was also a slight bias in performance towards the discretionary sectors, with six of the sectors outperforming. Only two sectors, tobaccos and automobiles, ended the year higher than at the start of the year.

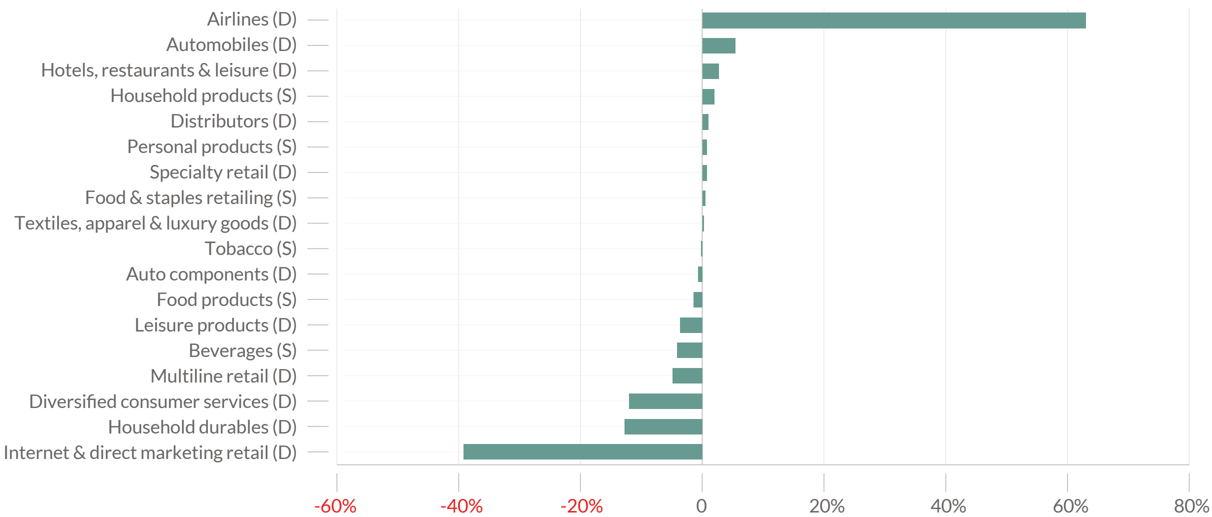
Exhibit 10: Consensus CY22e revenue change in Q422 (€)



Source: Edison Investment Research, Refinitiv

There were net upgrades to CY22 revenue estimates for the European sectors of 1% during Q422 and 8% through the year. With respect to the latter, there was a slight bias towards the staples sectors, with estimates upgraded by 10% through the year versus upgrades of 6% for the discretionary sectors. With c 58% of total sector revenue generated by just three sectors: automobiles, food and staples retailing and food products, the aggregate is heavily influenced by their performance. Estimates for all three sectors were upgraded through the year. The most significant upgrade to CY22 revenue estimates during Q422 was for the distributors sector, with upgrades of 20%, taking the year-to-date upgrade to 28%. Looking at expectations for the coming year, CY23 revenue estimates were upgraded by 7% through 2022, marginally below the 8% upgrade to CY22 estimates through the year.

Exhibit 11: Consensus CY22e profit change in Q422



Source: Edison Investment Research, Refinitiv

Unlike the UK sectors, in aggregate, revenue upgrades for the European sectors during the quarter did translate to aggregate upgrades for CY22 profit estimates, albeit only marginally (ie +1%). These compounded the upgrades through the earlier part of the year, taking cumulative CY22 profit upgrades to 6%, with greater upgrades for discretionary sectors of 7% versus staples at 3%. From a profit perspective, the aggregate profits of the region are heavily dependent on four key sectors: automobiles, beverages, food products, and textiles, apparel and luxury goods, which represent almost 80% of the total region's profits. In addition, the profitability of the regional consumer sectors is heavily skewed towards the discretionary sectors, which represent two-thirds of the total. Overall upgrades in Q422 mask very divergent trends: profit forecasts for airlines increased by 63% but estimates for diversified consumer services, household durables, and internet and direct marketing retail were downgraded by double digits, and for the latter estimated losses increased by almost 40%. Looking forward to CY23, consensus profit estimates fell by 1% through 2022. Analysts have therefore taken an incrementally more cautious view on expectations for the coming year as they upgraded profit estimates for CY22.

Best performing sectors in Q422

Multiline retail rallied strongly through the period (see Exhibit 8), increasing by 27%, although this was not sufficient to offset performance in the earlier part of the year, and finishing 2022 with a decline of 20%, below the market's 15% decline. The sector's strong Q422 performance was counter to estimate changes in the period as consensus profit estimates declined by 5%, notably for Stockmann, Tokmanni and Pepco.

Strong performance by distributors in Q422 took the year-to-date return to a slight decline of 1%. The performance was broadly based, with declines from only five of the 23 quoted companies. The positive return was well ahead of trends in CY22 estimates, with aggerate CY22 profit estimates increasing by 1% during Q422. The share prices of Duell and Inter Cars responded well to mid-single-digit upgrades to profit estimates.

Internet and direct marketing retail's positive return in Q422 was in sharp contrast to the performance of the sector in the UK, but it remained an underperformer for the year in Europe, declining by 29%. The sector performed well in Q422 despite downgrades to CY22 revenue and profit estimates (greater losses) of 4% and 39%, respectively. Upgrades to profit estimates were few and far between in Q422, with only seven of the 80 quoted stocks receiving upgrades to estimates.

Worst performing sectors in Q422

As highlighted above, food products was the only sector to post a negative return during Q422, a small decline of 1%. The decline was in line with the downgrades to CY22 profit estimates in the period. There were significant, ie greater than 10%, downgrades to CY22 profit estimates for 17 of the c 200 quoted companies, while upgrades of more than 10% were less prevalent, ie for just seven companies.

As investors looked to more discretionary companies, the classically defensive tobacco sector was, naturally, of less interest to investors. It increased in value by 2% in Q422, taking the full year to 27%, making it the best performing consumer sector for the year, as it was in the UK. Over the course of the year, CY22 profit estimates declined by about 1%, below the average for the staples sectors upgrades of 3%.

Food and staples retailing also underperformed the wider market in Q422, having proved less defensive than might have been expected given the wider market weakness, with a cumulative negative return of 21% through 2022, below the wider market's decline of 15%. The reason for the weaker-than-expected performance is likely due to the divergence in trends for revenue and profit estimates through the year. CY22 revenue estimates were upgraded by 1% in Q422 and by 9% through the full year, while profit estimates were broadly stable through the year, indicating cost pressure. Within the subsectors, share price performance was markedly different: food distributors and hypermarkets led the charge, increasing by 18% and 9%, respectively, food retailers were flat, and drug retailers declined by 13%. The food distributors shook off profit downgrades for Metro and Marr, both share prices performed well in the period, as did Carrefour and Distribuidora Internacional de Alimentacion in the hypermarkets sector.

Subsectors: Still expecting growth, attractive valuations

As we saw for the UK, consensus expects revenue and profit growth for the majority of the Continental European subsectors in CY23 versus last year. At the end of December 2022, revenue declines were forecast for just one subsector: homebuilding. The outlook for profits in the region was slightly more downbeat, with year-on-year EBIT declines anticipated for eight of 41 subsectors. We highlight above that consensus profit estimates for CY23 fell at a greater pace through CY22 than profit estimates for CY22.

A tougher outlook looks well discounted in valuations as 26 of the 41 subsectors are trading with CY23e EV/sales multiples at a discount to their long-term lows, and 31 are trading at discount to their long-term average multiples.

Exhibit 12: Continental Europe subsector growth estimates and valuations

Subsector	Sales growth CY23e	EBIT growth CY23e	EV/sales CY23e (x)	Long-term average EV/sales (x)	Long-term low EV/sales (x)	Premium/ (discount) to long-term average EV/ sales	Premium/ (discount) to long-term low EV/sales
Education services (D)	5%	8%	0.4	2.6	2.1	(85%)	(82%)
Computer & electronics retail (D)	1%	15%	0.1	0.3	0.2	(69%)	(59%)
Drug retail (S)	16%	(46%)*	0.5	1.2	0.8	(61%)	(46%)
Food distributors (S)	4%	5%	0.2	0.3	0.3	(48%)	(45%)
Hotels, resorts & cruise lines (D)	9%	43%	0.6	1.1	0.9	(46%)	(33%)
Footwear (D)	11%	10%	0.8	1.5	1.1	(47%)	(30%)
Apparel retail (D)	4%	3%	1.5	2.5	2.0	(42%)	(28%)
Leisure facilities (D)	16%	31%	1.4	2.3	2.0	(38%)	(27%)
Automotive retail (D)	6%	37%	0.3	0.5	0.4	(40%)	(25%)
Soft drinks (S)	12%	30%	0.9	1.4	1.2	(33%)	(24%)
Home furnishings (D)	1%	3%	0.5	0.8	0.6	(41%)	(22%)
General merchandise stores (D)	14%	6%	0.9	1.4	1.2	(33%)	(21%)
Food retail (S)	7%	5%	0.4	0.6	0.5	(34%)	(20%)
Homefurnishing retail (D)	3%	15%	0.5	0.9	0.7	(40%)	(19%)
Hypermarkets & super centres (S)	6%	17%	0.3	0.3	0.3	(28%)	(19%)
Agricultural products (S)	2%	(4%)	0.7	1.0	0.8	(32%)	(17%)
Department stores (D)	3%	(2%)	0.7	1.0	0.8	(29%)	(16%)
Auto parts & equipment (D)	7%	32%	0.4	0.6	0.5	(31%)	(16%)
Specialty stores (D)	12%	38%	0.9	1.3	1.1	(32%)	(15%)
Homebuilding (D)	(2%)	(1%)	0.7	1.1	0.8	(35%)	(13%)
Automobile manufacturers (D)	3%	(7%)	0.7	0.9	0.8	(20%)	(9%)
Brewers (S)	7%	5%	2.2	2.7	2.3	(20%)	(8%)
Household products (S)	3%	14%	1.4	1.6	1.4	(18%)	(3%)
Textiles (D)	9%	11%	0.8	1.0	0.8	(18%)	(1%)
Housewares & specialties (D)	2%	15%	1.0	1.2	1.0	(18%)	(1%)
Airlines (D)	13%	23%	0.4	0.5	0.4	(22%)	(1%)
Restaurants (D)	10%	31%	0.6	0.7	0.6	(14%)	0%
Home improvement retail (D)	1%	(5%)	0.3	0.4	0.3	(14%)	4%
Tyres & rubber (D)	2%	(2%)	0.8	1.0	0.8	(13%)	9%
Household appliances (D)	3%	44%	0.6	0.7	0.5	(15%)	11%
Packaged foods & meats (S)	4%	7%	2.1	1.9	1.7	10%	24%
Distillers & vintners (S)	9%	13%	3.9	3.5	3.0	12%	27%
Consumer electronics (D)	9%	29%	1.0	1.1	0.8	(9%)	30%
Motorcyle manufacturers (D)	3%	4%	0.9	0.8	0.7	12%	30%
Personal products (S)	6%	8%	3.9	3.2	2.7	23%	45%
Leisure products (D)	9%	15%	1.5	1.4	1.0	10%	46%
Distributors (D)	17%	18%	0.9	0.6	0.5	44%	78%
Apparel, accessories & luxury goods (D)	7%	9%	3.5	2.4	1.9	47%	85%
Internet & direct marketing retail (S)	13%	(75%)*	2.9	2.0	1.5	42%	96%
Tobacco (S)	8%	12%	5.4	2.7	2.2	102%	142%
Casinos & gaming (D)	11%	18%	3.8	2.1	1.5	85%	151%

Source: Edison Investment Research, Refinitiv.
Note: Priced 31 December 2022. *Lower losses versus CY22.

European companies: Valuation opportunities

On 13 January 2023, 285 Continental European companies were valued at a discount to their long-term low EV/sales multiples. Of these, consensus was forecasting positive free cash flow in 2023 for 183 companies. In Exhibit 13 we show the 100 companies that were trading at the greatest discount and were forecast to generate positive free cash flow in the year.

Exhibit 13: Continental European valuation screen – companies with forecast positive free cash flow in 2023

Company	Ticker	Share price 13 Jan 2023 (p)	Market value 13 Jan 2023 (£m)	Sales growth CY23e	EBIT growth CY23e	EV/sales CY23e (x)	Long-term average EV/ sales (x)	Long-term low EV/ sales (x)	Premium/ (discount) to long-term average EV/ sales	Premium/ (discount) to long-term low EV/sales
Aegean Airlines SA	AGNr	6	524	11%	(1%)	0.0	0.2	0.1	(99%)	(98%)
Glenveagh Properties PLC	GLV	1	583	12%	(8%)	1.0	50.8	41.9	(98%)	(98%)
MHP Hotel AG	CDZ0	1	49	33%	277%	0.4	16.3	10.0	(98%)	(96%)
Abitare In SpA	ABIT	6	160	48%	85%	1.3	27.1	23.2	(95%)	(94%)
Spinnova Oyj	SPINN	7	340	113%	(29%)**	3.6	53.5	33.6	(93%)	(89%)
Humble Group AB	HUMBLE	10	273	28%	(19%)**	0.9	13.0	7.4	(93%)	(88%)
Rapid Nutrition PLC	ALRPD	0	2	19%	11%	0.5	8.2	4.0	(94%)	(88%)
Desenio Group AB (publ)	DSNO	3	35	11%	70%	0.3	4.1	1.4	(94%)	(83%)
Fashionette AG	FSNT	5	32	5%	500%	0.1	1.1	0.8	(87%)	(82%)
Destination Italia SpA	DIT	1	13	69%	(%)**	0.2	1.5	1.1	(83%)	(78%)
XXL ASA	XXL	4	100	3%	(155%)*	0.2	1.2	0.9	(81%)	(75%)
Hexaom SA	HEXAO	19	133	7%	35%	0.1	0.3	0.2	(80%)	(71%)
Ceconomy AG	CECG	2	1,026	1%	27%	0.0	0.2	0.1	(78%)	(69%)
Norwegian Air Shuttle ASA	NAS	8	697	25%	91%	0.1	0.6	0.3	(80%)	(68%)
Orascom Development Holding AG	ODHN	8	307	14%	27%	0.7	2.6	2.0	(72%)	(64%)
Allegro.eu SA	ALEP	31	7,082	23%	23%	3.5	12.5	9.4	(72%)	(62%)
Geox SpA	GEO	1	218	7%	(779%)*	0.4	1.3	1.0	(68%)	(59%)
Eurocash SA	EUR	15	437	8%	8%	0.1	0.3	0.2	(69%)	(59%)
Greenyard NV	GREENY	7	352	4%	7%	0.1	0.4	0.3	(65%)	(59%)
Pierce Group AB (publ)	PIERCE	9	67	9%	(162%)*	0.3	1.2	0.8	(72%)	(59%)
H&M Hennes & Mauritz AB	HMb	130	16,834	3%	4%	0.7	2.2	1.7	(66%)	(57%)
Poulaillon SA	ALPOU	4	23	7%	80%	0.2	0.6	0.6	(63%)	(57%)
Beter Bed Holding NV	BETR	3	84	(0%)	9%	0.3	0.8	0.6	(68%)	(56%)
Elringklinger AG	ZILGn	8	502	5%	(352%)*	0.5	1.3	1.0	(64%)	(53%)
Feintool International Holding AG	FTON	21	305	9%	50%	0.3	0.8	0.7	(59%)	(51%)
Bike24 Holding AG	BIKE	4	184	7%	248%	0.7	2.3	1.5	(68%)	(51%)
Lastminute.com NV	LMN	24	274	18%	61%	0.3	1.1	0.6	(73%)	(50%)
Pferdewetten de AG	EMHn	10	48	91%	(117%)*	0.7	2.5	1.4	(71%)	(47%)
Bonduelle SA	BOND	14	461	(7%)	(15%)	0.3	0.6	0.5	(51%)	(46%)
Stellantis NV	STLA	14	45,726	3%	(15%)	0.1	0.3	0.2	(58%)	(46%)
Compagnie des Alpes SA	CDAF	15	746	11%	(15%)	0.7	1.4	1.2	(51%)	(45%)
Origin Enterprises PLC	OGN	4	494	(2%)	(19%)	0.2	0.4	0.3	(56%)	(45%)
Emova Group SA	ALEMV	1	8	7%	13%	0.8	2.1	1.4	(61%)	(43%)
Etablissementen Franz Colruyt NV	COLR	24	3,222	6%	(6%)	0.4	0.7	0.6	(52%)	(43%)
Kamux Oyj	KAMUX	5	182	1%	20%	0.2	0.5	0.4	(56%)	(42%)
AS Creation Tapeten AG	ACWNn	10	28	1%	(123%)*	0.2	0.4	0.3	(56%)	(42%)
Hellofresh SE	HFGG	27	4,642	10%	52%	0.5	1.4	0.8	(65%)	(41%)
Finnair Oyj	FIA1S	0	666	20%	(102%)*	0.1	0.3	0.2	(58%)	(40%)
RVRC Holding AB	RVRC	37	367	11%	(6%)	2.6	6.5	4.2	(61%)	(40%)
AST Groupe SA	ALAST	3	36	14%	1000%	0.2	0.4	0.3	(62%)	(40%)
Lumi Gruppen AS	LUMI	11	36	(5%)	19%	1.5	3.4	2.5	(56%)	(40%)
Oponeo.pl SA	OPN	37	109	12%	24%	0.3	0.6	0.4	(59%)	(40%)
Ontex Group NV	ONTEX	7	580	4%	243%	0.5	1.0	0.9	(47%)	(39%)
Scandi Standard AB (publ)	SCST	49	288	5%	31%	0.4	0.7	0.6	(47%)	(39%)
Monnalisa SpA	MONNA	3	14	11%	(240%)*	0.4	0.9	0.7	(51%)	(39%)
ForFarmers NV	FFARM	3	302	1%	30%	0.1	0.3	0.2	(52%)	(39%)

Cont.

Exhibit 13: Continental European valuation screen – companies with forecast positive free cash flow in 2023 cont.

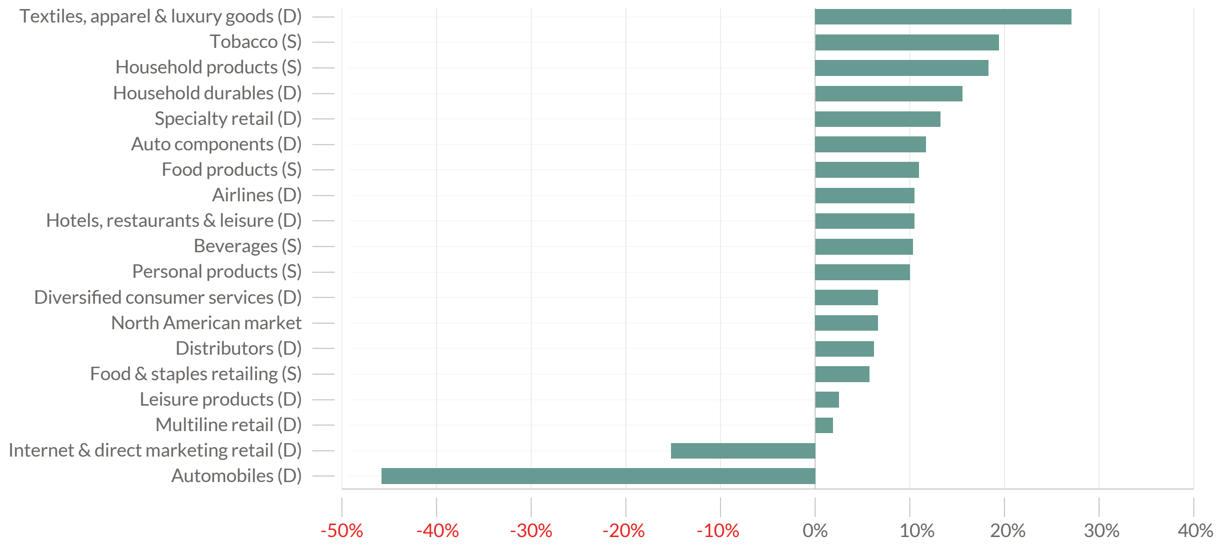
Company	Ticker	Share price 13 Jan 2023 (p)	Market value 13 Jan 2023 (£m)	Sales growth CY23e	EBIT growth CY23e	EV/sales CY23e (x)	Long-term average EV/ sales (x)	Long-term low EV/ sales (x)	Premium/ (discount) to long-term average EV/ sales	Premium/ (discount) to long-term low EV/sales
Dustin Group AB	DUST	37	370	1%	(3%)	0.3	0.6	0.5	(48%)	(39%)
Portale Sardegna SpA	PSAR	3	5	29%	(580%)*	0.5	1.1	0.9	(51%)	(39%)
Elior Group SA	ELIOR	4	684	6%	(630%)*	0.4	0.7	0.6	(46%)	(36%)
Sogefi SpA	SGFI	1	129	4%	(4%)	0.2	0.4	0.4	(47%)	(36%)
Kindred Group PLC	KINDsdb	98	1,997	18%	94%	1.3	2.7	2.0	(53%)	(36%)
Amrest Holdings SE	EATP	19	896	4%	11%	0.6	1.2	0.9	(50%)	(36%)
Betsson AB	BETSb	85	922	10%	4%	1.0	2.3	1.6	(55%)	(36%)
Verkkokauppa.com Oyj	VERK	3	133	3%	50%	0.3	0.5	0.4	(50%)	(36%)
Kongsberg Automotive ASA	KOA	3	256	1%	32%	0.3	0.6	0.5	(45%)	(35%)
Masoval AS	MASM	33	373	10%	(13%)	2.5	4.6	3.9	(45%)	(35%)
Haypp Group AB (publ)	HAYPP	29	75	17%	62%	0.3	0.5	0.4	(49%)	(35%)
Scandic Hotels Group AB	SHOTE	35	599	8%	(11%)	0.5	0.9	0.7	(46%)	(34%)
Tod's SpA	TOD	32	1,074	7%	55%	1.1	2.2	1.6	(50%)	(34%)
Continental AG	CONG	67	13,503	6%	31%	0.4	0.8	0.7	(46%)	(34%)
Fielmann AG	FIEG	36	3,061	4%	10%	1.6	2.9	2.4	(45%)	(33%)
Nokian Tyres plc	TYRES	11	1,517	(23%)	(44%)	1.3	2.5	1.9	(50%)	(33%)
Dalata Hotel Group PLC	DHG	4	854	9%	(16%)	1.9	3.7	2.8	(48%)	(33%)
Maisons du Monde SA	MDM	13	546	2%	8%	0.5	0.9	0.7	(51%)	(32%)
TUI AG	TUIGn	2	3,490	9%	82%	0.2	0.4	0.3	(46%)	(32%)
Schaeffler AG	SHA_p	6	1,060	6%	19%	0.2	0.3	0.3	(38%)	(32%)
Sats ASA	SATSS	8	156	9%	345%	0.7	1.4	1.1	(45%)	(32%)
Glanbia PLC	GL9	12	3,169	1%	12%	0.7	1.2	1.0	(43%)	(32%)
Meko AB	MEKO	118	590	8%	20%	0.7	1.3	1.0	(46%)	(32%)
Clas Ohlson AB	CLASb	80	423	1%	6%	0.6	1.1	0.8	(47%)	(32%)
Compagnie Plastic Omnium SE	PLOF	16	2,274	17%	15%	0.3	0.6	0.5	(46%)	(31%)
Sligro Food Group NV	SLIGR	17	775	6%	4%	0.3	0.6	0.5	(42%)	(31%)
Sonae – SGPS SA	YSO	1	1,965	3%	(21%)	0.4	0.6	0.6	(38%)	(29%)
Rugvista Group AB (publ)	RUG	49	91	1%	10%	1.4	3.0	2.0	(53%)	(29%)
AcadeMedia AB	ACADE	47	438	4%	1%	0.4	0.6	0.5	(42%)	(29%)
Matas A/S	MATAS	74	382	(1%)	(6%)	0.9	1.5	1.3	(40%)	(29%)
Kofola CeskoSlovensko as	KOFOL	252	235	12%	30%	0.9	1.5	1.3	(36%)	(28%)
Novem Group SA	NVM	9	369	15%	4%	0.7	1.1	0.9	(41%)	(28%)
Newlat Food SpA	NWLF	5	199	6%	18%	0.3	0.5	0.4	(40%)	(28%)
YIT Oyj	YIT	3	592	(0%)	(4%)	0.4	0.7	0.6	(43%)	(28%)
Austevoll Seafood ASA	AUSS	92	1,751	(0%)	19%	0.7	1.2	1.0	(43%)	(28%)
Gestamp Automocion SA	GEST	4	2,225	8%	21%	0.3	0.5	0.5	(37%)	(28%)
SMCP SA	SMCP	7	541	6%	18%	0.7	1.2	0.9	(43%)	(27%)
VAA Vista Alegre Atlantis SGPS SA	VAF	1	137	5%	131%	1.4	2.2	1.9	(38%)	(27%)
Marr SpA	MARR	12	828	4%	57%	0.5	0.7	0.6	(37%)	(27%)
Aker Biomarine ASA	AKBM	39	318	16%	18%	2.0	3.5	2.7	(43%)	(26%)
Aryzta AG	ARYN	1	1,143	10%	16%	0.7	1.1	0.9	(39%)	(26%)
Dufry AG	DUFN	42	3,813	20%	91%	0.8	1.3	1.1	(40%)	(26%)
HKScan Oyj	HKSAV	1	84	1%	21%	0.2	0.3	0.2	(34%)	(26%)
BHG Group AB	BHGF	22	352	0%	242%	0.6	1.1	0.7	(50%)	(25%)
B&S Group SA	BSGR	5	444	2%	8%	0.4	0.6	0.5	(38%)	(25%)
Atal SA	1AT	38	310	(13%)	(19%)	0.8	1.7	1.0	(54%)	(25%)
Ryanair Holdings PLC	RYA	15	16,709	29%	31%	1.4	2.4	1.9	(40%)	(24%)
Valamar Riviera dd	RIVP	4	528	7%	2%	2.2	3.3	2.8	(35%)	(24%)
Van de Velde NV	VELD	32	421	9%	4%	1.6	2.5	2.1	(37%)	(23%)
Bayerische Motoren Werke AG	BMWG	92	60,376	2%	(2%)	0.9	1.3	1.2	(28%)	(22%)
Agrana Beteiligungs AG	AGRV	16	995	0%	28%	0.4	0.7	0.6	(32%)	(22%)
GM Leather SpA	GML	2	19	34%	50%	0.6	0.8	0.8	(25%)	(22%)
Atria Oyj	ATRAV	9	180	1%	9%	0.2	0.3	0.3	(28%)	(21%)
Kjell Group AB (publ)	KJELL	35	96	5%	16%	0.6	0.9	0.7	(33%)	(21%)

Source: Edison Investment Research, Refinitiv.
Note: *Move from profit to loss. **Lower losses versus prior year.

NORTH AMERICA

Sector outperformance more balanced

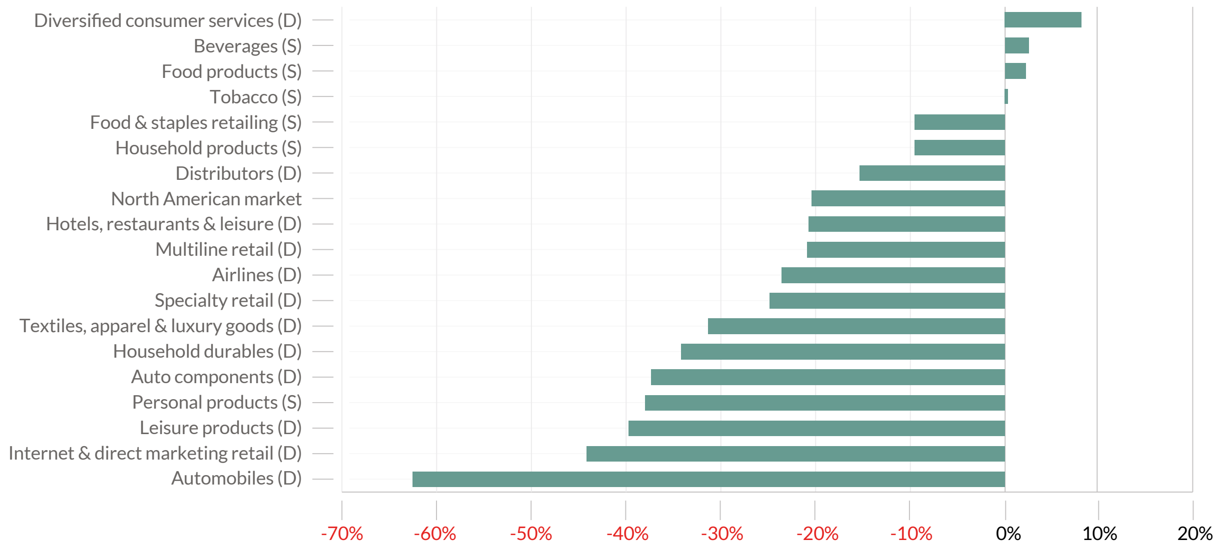
Exhibit 14: Market value change in Q422 (US$)



Source: Edison Investment Research, Refinitiv

As we saw in both the UK and Europe, more (ie 12 North American consumer sectors) outperformed the wider market's 7% return than underperformed (ie six sectors in Q422). However, unlike both those regions, there was no clear sector rotation as a greater proportion of staples sectors outperformed (ie five of the 12) than we saw in the UK and Europe. Only two sectors produced negative returns in Q422: automobiles declined by 46% and internet and direct marketing fell by 15%.

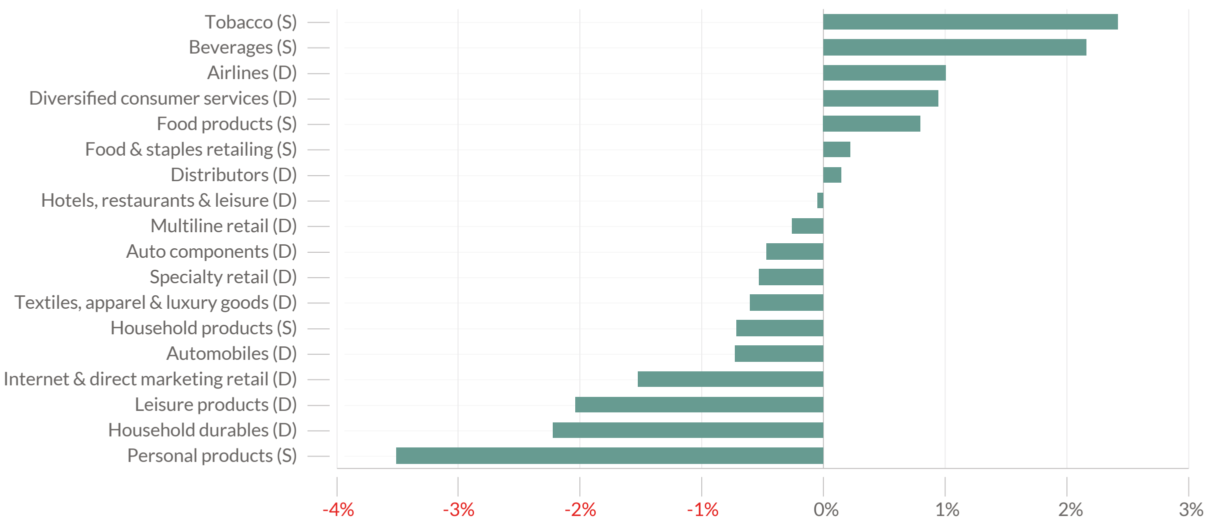
Exhibit 15: Market value change in CY22 (US$)



Source: Edison Investment Research, Refinitiv

As in Europe, the fourth quarter rally was welcome; although it was not sufficient to offset the prior weakness and general market malaise, the market declined by 20% in 2022. Only four consumer sectors provided a positive return: diversified consumer services, beverages, food products and tobacco, and seven sectors outperformed the wider market decline of 20% during the year. During the year, positive performance was naturally skewed to the staples sectors as the economic outlook became more challenging, with five of those sectors outperforming the market.

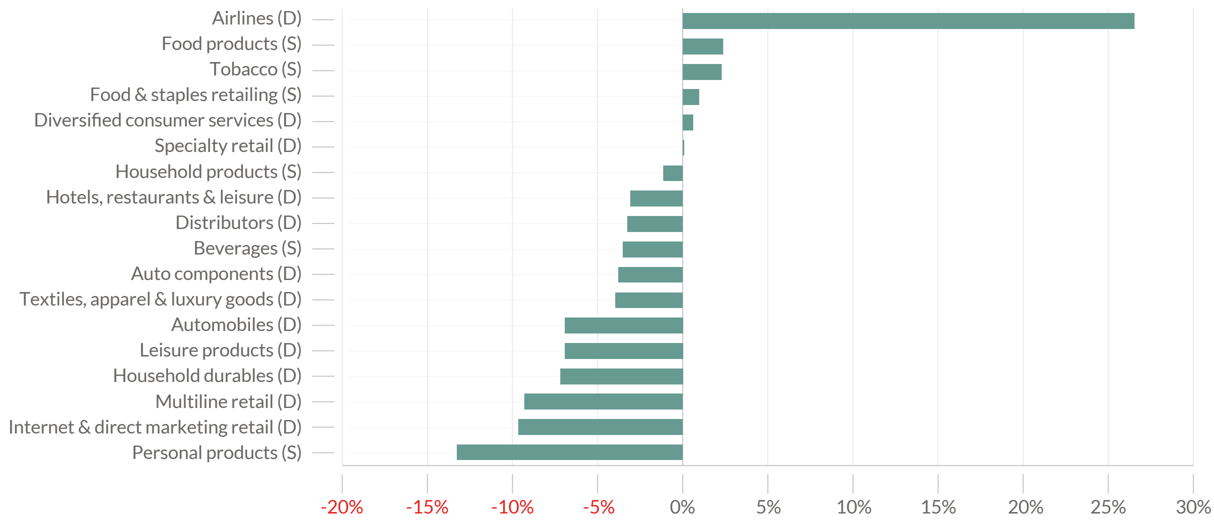
Exhibit 16: Consensus CY22e revenue change in Q422 (US$)



Source: Edison Investment Research, Refinitiv

The positive performance of the sectors during Q422 was in contrast to changes to CY22 revenue estimates, which were downgraded marginally during the period. There were minor downgrades for the discretionary sectors in aggregate, offsetting marginal upgrades for the staples sectors. There was a similar story for the estimate changes through the year: upgrades for staples of 4% were offset by downgrades for the discretionary sectors of 3%. Through the year, CY22 revenue estimates were broadly flat, although revenue estimates for CY23 were downgraded by a greater 3% through 2022. The importance of the individual sectors is slightly less skewed than Europe: the revenue of the three largest sectors in North America of food and staples retailing, internet and direct marketing retail and specialty retail represent just over half of total revenue. In aggregate, the North American discretionary sectors represent a greater proportion of total consumer sales (ie 59%) than the staples but the skew towards the discretionary sectors in North America is a little lower than in Europe, where they represent 65% of the total.

Exhibit 17: Consensus CY22e profit change in Q422



Source: Edison Investment Research, Refinitiv

The sectors fared less well in Q422 with respect to CY22 profit estimates with aggregate downgrades of 2%; within which the estimates for the staples sectors were broadly flat while expectations for the discretionary sectors declined by 4%. Profit estimates were upgraded for just five of the 18 sectors: airlines, food products, tobacco, food and staples retailing, diversified consumer services and specialty retail. The rate of downgrades slowed in Q422; through the year CY22 profit estimates for the discretionary sectors fell by 20% versus the 4% downgrades for the staples to give aggregate downgrades for all sectors of 14%. At the same time, profit estimates for CY23 declined by a greater 18% through 2022, suggesting increased caution on a relative basis.

Best performing sectors in Q422

Textiles, apparel and luxury goods was the best performing sector in Q422 (see Exhibit 14), growing by 27%, although it remained one of the weakest performers for the whole of 2022, declining by 31% versus the market decline of 20%. The performance contrasted with the downward direction in CY22 profit estimates, which were broadly spread across the companies, with aggregate downgrades of 4% in the final quarter and 17% in 2022.

Tobacco rallied strongly, by 19% in the final quarter, taking the cumulative year to date return to flat. Following downgrades to CY22 revenue and profit estimates earlier in the year, there were net upgrades of 2% in Q422, solely for RLX Technology.

Household products also saw a reversal in performance in Q422, improving by 18%, which took the sector's year to date performance to a fall of 10%, thus outperforming the wider market. Again, the strong share price performances were counter to revenue and profit estimates, which fell by 1% for the sector in the final quarter.

Worst performing sectors in Q422

The 46% decline in automobiles in the final quarter was driven by the US$440bn (-53%) loss in value of Tesla to US$389bn, in a sector with a market value of US$567bn at the end of 2022. It was also the worst performing sector for the year. Despite grabbing headlines, Tesla was not alone in suffering a decline in value in the period. Total CY22 profit estimates for the sector fell by 7% in Q422, including a 9% decline for Tesla. At the end of the year, Tesla's CY22 profit estimates were 30% higher than at the start of the year. The star performer in the quarter was Harley-Davidson, which enjoyed further profit upgrades of 4%, taking cumulative upgrades through 2022 to 18%.

Internet and direct marketing continued its weak performance through the first nine months of FY22 (9M22) by declining by 15% in Q422, taking the 2022 decline to 44%, making it the second worst performing sector for the year. The combination of falling estimates – CY22 profit expectations declined by 10% in Q422 and by 45% through the year – and higher discount rates proved to be difficult for the sector's valuations. Naturally, the sector's performance is heavily dependent on that of Amazon.com as it represents more than 60% of the sector's market capitalisation.

Subsectors: Fewer relative valuation opportunities

At the end of December 2022, consensus was forecasting year-on-year revenue and profit growth for the majority of the North American subsectors in CY23 versus CY22. Revenue declines in CY23 were forecast for eight of the 42 subsectors and profit declines for six.

The valuations of the North America subsectors relative to their own histories appears less attractive than we saw for the UK and Continental Europe, given none of the former is trading at a discount to its long-term low EV/sales multiple. However, 21 of the North American subsectors were valued at a discount to their long-term average multiples.

Exhibit 18: North American subsector growth estimates and valuations

Sub-industry	Sales growth CY23e	EBIT growth CY23e	EV/Sales CY23e (x)	Long-term average EV/ sales (x)	Long-term low EV/sales (x)	Premium/ (discount) to long-term average EV/ sales	Premium/ (discount) to long-term low EV/sales
Textiles (D)	0%	104%	0.3	0.6	0.5	(61%)	52%
Drug retail (S)	2%	6%	0.3	0.6	0.5	(49%)	61%
Brewers (S)	2%	10%	1.6	2.7	2.2	(42%)	70%
Department stores (D)	1%	(11%)	0.4	0.7	0.5	(44%)	72%
Internet & direct marketing retail (S)	10%	51%	1.5	2.8	2.0	(46%)	76%
Apparel, accessories & luxury goods (D)	4%	8%	1.4	2.2	1.8	(36%)	82%
Housewares & specialties (D)	(4%)	4%	1.1	1.6	1.3	(30%)	87%
Airlines (D)	12%	96%	0.6	0.8	0.7	(26%)	91%
Education services (D)	6%	111%	1.4	2.2	1.5	(39%)	91%
Food distributors (S)	6%	16%	0.4	0.5	0.4	(22%)	92%
Casinos & gaming (D)	17%	153%	2.5	3.4	2.7	(27%)	92%
Leisure facilities (D)	11%	16%	3.3	4.0	3.3	(17%)	100%
Hotels, resorts & cruise lines (D)	21%	125%	2.7	3.3	2.6	(19%)	101%
Home furnishings (D)	(2%)	(5%)	0.9	1.1	0.9	(19%)	103%
Motorcyle manufacturers (D)	10%	28%	2.1	2.5	2.1	(14%)	104%
Homebuilding (D)	(15%)	(35%)	1.0	1.2	0.9	(16%)	113%
Leisure products (D)	2%	17%	1.2	1.4	1.0	(16%)	113%
Tyres & rubber (D)	3%	11%	0.5	0.5	0.4	(5%)	114%
Homefurnishing retail (D)	(2%)	(7%)	0.8	0.9	0.7	(18%)	114%
Consumer electronics (D)	3%	8%	1.8	2.2	1.5	(20%)	117%
Food retail (S)	3%	4%	0.4	0.4	0.4	4%	119%
Automotive retail (D)	0%	(6%)	0.8	0.8	0.6	4%	126%
Packaged foods & meats (S)	4%	4%	1.9	1.7	1.5	10%	127%
Tobacco (S)	(1%)	0%	5.4	4.8	4.1	12%	130%
General merchandise stores (D)	4%	23%	1.0	0.9	0.8	9%	131%
Hypermarkets & super centres (S)	4%	6%	0.7	0.6	0.5	18%	133%
Restaurants (D)	9%	14%	3.3	2.9	2.4	16%	139%
Soft drinks (S)	4%	8%	4.2	3.3	2.9	25%	142%
Household products (S)	2%	5%	3.9	3.1	2.8	27%	142%
Computer & electronics retail (D)	(1%)	6%	0.4	0.4	0.3	(1%)	145%
Distillers & vintners (S)	7%	10%	5.7	4.6	3.9	24%	146%
Specialised consumer services (D)	4%	21%	2.5	2.1	1.7	20%	150%
Specialty stores (D)	4%	4%	1.1	1.0	0.7	14%	151%
Apparel retail (D)	4%	12%	1.2	1.0	0.8	16%	154%
Automobile manufacturers (D)	14%	19%	1.4	1.2	0.9	19%	155%
Distributors (D)	1%	3%	1.3	1.1	0.8	23%	156%
Auto parts & equipment (D)	6%	25%	0.8	0.7	0.5	19%	157%
Household appliances (D)	(2%)	27%	0.9	0.7	0.5	22%	158%
Agricultural products (S)	1%	(4%)	0.5	0.4	0.3	35%	162%
Footwear (D)	9%	11%	2.9	2.2	1.7	30%	167%
Home improvement retail (D)	(1%)	0%	2.0	1.4	1.2	40%	169%
Personal products (S)	3%	10%	3.1	2.3	1.7	34%	182%

Source: Edison Investment Research, Refinitiv.
Note: Priced 31 December 2022.

Companies: Attractive valuation opportunities

Despite the subsectors appearing to offer less relative value than the UK and Continental Europe, at 13 January 2023, more than 360 North American companies were valued at a discount to their long-term low EV/sales multiples, of which 198 were forecast to generate positive free cash flow in 2023. In Exhibit 19, we list the 100 companies that were trading at the greatest discount to their long-term low EV/sales multiples and for which consensus was forecasting positive free cash flow in 2023.

Exhibit 19: North American valuation screen – companies with forecast positive free cash flow in 2023

Company	Ticker	Share price 13 Jan 2023 (local)	Market value 13 Jan 2023 (local m)	Sales growth CY23e	EBIT growth CY23e	EV/Sales CY23e (x)	Long-term average EV/sales (x)	Long-term low EV/sales (x)	Premium/ (discount) to long-term average EV/ sales	Premium/ (discount) to long-term low EV/sales
D2L Inc	DTOL	6	124	11%	(65%)**	0.0	0.9	0.4	(97%)	(95%)
Golden Entertainment Inc	GDEN	39	1,103	(5%)	(4%)	1.8	27.8	19.7	(94%)	(91%)
Gan Ltd	GAN	2	83	11%	(67%)**	0.4	6.0	3.0	(93%)	(86%)
NeoGames SA	NGMS	12	317	55%	18%	1.5	11.6	8.0	(87%)	(82%)
Bluegreen Vacations Holding Corp	BVH	28	656	0%	12%	1.3	6.6	6.4	(81%)	(80%)
American Public Education Inc	APEI	13	241	3%	(117%)*	0.3	2.3	1.6	(85%)	(79%)
Vivid Seats Inc	SEAT	8	1,656	5%	23%	2.7	13.2	11.6	(80%)	(77%)
Baozun Inc	BZUN	8	477	3%	23%	0.2	1.5	0.8	(88%)	(76%)
PARTS iD Inc	ID	1	28	2%	(44%)**	0.1	0.4	0.3	(85%)	(75%)
Melco Resorts & Entertainment Ltd	MLCO	14	6,062	129%	(128%)*	3.9	16.4	14.6	(76%)	(74%)
DoorDash Inc	DASH	52	20,319	22%	(9%)**	2.1	10.2	7.5	(80%)	(73%)
Bragg Gaming Group Inc	BRAG	5	85	12%	(112%)*	0.8	7.9	2.7	(90%)	(71%)
Farfetch Ltd	FTCH	6	2,182	17%	(19%)**	0.8	5.4	2.9	(85%)	(71%)
Alibaba Group Holding Ltd	BABA	117	309,788	9%	13%	1.9	8.9	6.4	(79%)	(71%)
Vera Bradley Inc	VRA	5	168	3%	13%	0.3	1.7	0.9	(83%)	(70%)
AKA Brands Holding Corp	AKA	1	187	9%	132%	0.4	1.7	1.2	(75%)	(64%)
Lulu's Fashion Lounge Holdings Inc	LVLU	3	109	7%	114%	0.2	1.0	0.6	(76%)	(62%)
NIU Technologies	NIU	5	417	28%	251%	0.4	2.3	1.1	(82%)	(61%)
Big Rock Brewery Inc	BR	0	10	6%	N/A	0.5	1.6	1.2	(71%)	(60%)
Olaplex Holdings Inc	OLPX	6	4,090	5%	(4%)	6.1	21.3	15.0	(72%)	(60%)
Culp Inc	CULP	5	67	3%	(67%)**	0.2	0.6	0.4	(71%)	(59%)
Red Robin Gourmet Burgers Inc	RRGB	9	141	3%	(60%)**	0.2	0.7	0.5	(68%)	(58%)
Brilliant Earth Group Inc	BRLT	5	435	18%	20%	0.7	2.4	1.5	(73%)	(56%)
Solo Brands Inc	DTC	4	395	13%	19%	1.0	3.0	2.3	(65%)	(56%)
Arco Platform Ltd	ARCE	13	879	24%	55%	2.6	8.8	5.9	(70%)	(55%)
New Oriental Education & Technology Grp Inc	EDU	43	7,236	3%	(193%)*	1.1	4.4	2.3	(76%)	(55%)
Airbnb Inc	ABNB	100	63,552	13%	21%	5.9	16.6	12.9	(64%)	(54%)
Container Store Group Inc	TCS	5	265	2%	(19%)	0.4	1.1	0.8	(65%)	(53%)
Chico's FAS Inc	CHS	5	579	7%	18%	0.2	0.9	0.5	(73%)	(53%)
Elys Game Technology Corp	ELYS	1	18	10%	(158%)*	0.3	2.1	0.6	(86%)	(52%)
Under Armour Inc	UAA	11	4,891	4%	10%	0.8	2.4	1.6	(68%)	(52%)
Pollard Banknote Ltd	PBL	19	373	8%	26%	1.2	3.0	2.5	(60%)	(52%)
Duluth Holdings Inc	DLTH	6	214	(1%)	(16%)	0.4	1.1	0.8	(67%)	(51%)
Urban Outfitters Inc	URBN	28	2,613	3%	10%	0.5	1.4	1.0	(67%)	(51%)
Warby Parker Inc	WRBY	17	1,939	14%	(413%)*	2.6	7.4	5.2	(65%)	(51%)
2U Inc	TWOU	7	581	2%	36%	1.4	5.0	2.7	(73%)	(49%)
Nordstrom Inc	JWN	18	2,840	2%	9%	0.3	0.9	0.7	(61%)	(49%)
On Holding AG	ONON	21	6,542	38%	167%	3.8	9.4	7.3	(60%)	(48%)
ATRenew Inc	RERE	3	689	26%	N/A	0.2	0.9	0.4	(78%)	(46%)
Dorel Industries Inc	DIIb	6	157	7%	(128%)*	0.2	0.5	0.4	(55%)	(46%)
Rite Aid Corp	RAD	3	196	(7%)	(44%)**	0.1	0.3	0.3	(53%)	(46%)
Dingdong (Cayman) Ltd	DDL	6	1,332	14%	(93%)**	0.3	0.9	0.5	(71%)	(46%)
MTY Food Group Inc	MTY	60	1,103	49%	26%	1.6	4.0	3.0	(59%)	(45%)
Afya Ltd	AFYA	15	1,363	15%	17%	2.9	7.6	5.2	(62%)	(45%)
Vasta Platform Ltd	VSTA	4	346	18%	192%	1.5	4.2	2.6	(65%)	(44%)

Cont.

Exhibit 19: North American valuation screen – companies with forecast positive free cash flow in 2023 cont.

Company	Ticker	Share price 13 Jan 2023 (local)	Market value 13 Jan 2023 (local m)	Sales growth CY23e	EBIT growth CY23e	EV/Sales CY23e (x)	Long-term average EV/sales (x)	Long-term low EV/ sales (x)	Premium/ (discount) to long-term average EV/ sales	Premium/ (discount) to long-term low EV/sales
Fiverr International Ltd	FVRR	33	1,234	9%	73%	3.3	12.9	5.9	(74%)	(44%)
Kohls Corp	KSS	29	3,185	0%	(8%)	0.3	0.7	0.6	(56%)	(43%)
Vital Farms Inc	VITL	16	664	24%	611%	1.5	3.5	2.6	(58%)	(42%)
Walgreens Boots Alliance Inc	WBA	37	31,723	3%	(2%)	0.3	0.6	0.5	(52%)	(42%)
Groupon Inc	GRPN	9	261	5%	(154%)*	0.4	1.5	0.8	(71%)	(42%)
United Natural Foods Inc	UNFI	41	2,460	4%	4%	0.2	0.3	0.3	(54%)	(41%)
Honest Company Inc	HNST	3	282	6%	(37%)**	0.7	2.1	1.2	(65%)	(41%)
Laureate Education Inc	LAUR	10	1,656	9%	9%	1.1	2.1	1.8	(50%)	(41%)
One Group Hospitality Inc	STKS	7	239	20%	77%	0.7	1.4	1.1	(54%)	(41%)
Thorne Healthtech Inc	THRN	4	195	29%	298%	0.6	1.6	1.0	(62%)	(40%)
Accel Entertainment Inc	ACEL	9	776	9%	2%	1.0	2.2	1.7	(55%)	(40%)
Unifi Inc	UFI	9	166	(1%)	10%	0.3	0.6	0.5	(53%)	(39%)
Cedar Fair LP	FUN	42	2,279	3%	(28%)	2.3	4.5	3.8	(48%)	(39%)
MGM Resorts International	MGM	40	15,184	7%	294%	1.3	2.6	2.2	(48%)	(38%)
Carrols Restaurant Group Inc	TAST	2	109	4%	(114%)*	0.3	0.6	0.5	(48%)	(38%)
Sprouts Farmers Market Inc	SFM	32	3,387	6%	1%	0.5	1.0	0.8	(49%)	(38%)
Gaotu Techedu Inc	GOTU	4	987	(5%)	(70%)**	1.5	7.3	2.4	(79%)	(37%)
Tesla Inc	TSLA	122	386,509	34%	31%	3.4	18.6	5.3	(82%)	(36%)
Bally's Corp	BALY	21	984	8%	(3%)	1.8	3.4	2.8	(48%)	(35%)
Duolingo Inc	DUOL	79	3,188	27%	(5%)**	5.6	13.5	8.6	(59%)	(35%)
Zumiez Inc	ZUMZ	24	476	0%	(17%)	0.3	0.9	0.5	(63%)	(35%)
MYT Netherlands Parent BV	MYTE	11	924	18%	18%	0.9	2.2	1.4	(58%)	(35%)
Signet Jewelers Ltd	SIG	72	3,273	1%	(0%)	0.4	0.8	0.6	(53%)	(35%)
Tupperware Brands Corp	TUP	5	203	(6%)	6%	0.7	1.3	1.0	(49%)	(34%)
MarineMax Inc	HZO	34	753	3%	0%	0.3	0.6	0.4	(48%)	(33%)
Global-E Online Ltd	GLBE	24	3,784	40%	(15%)**	6.3	21.5	9.4	(71%)	(33%)
CareRx Corp	CRRX	3	100	2%	(128%)*	0.6	1.2	0.9	(53%)	(33%)
Latham Group Inc	SWIM	4	444	(16%)	(61%)	1.3	3.5	1.9	(64%)	(32%)
BJ's Restaurants Inc	BJRI	31	733	4%	(374%)*	0.6	1.2	0.8	(52%)	(32%)
Designer Brands Inc	DBI	10	613	1%	(1%)	0.3	0.7	0.4	(58%)	(32%)
Canada Goose Holdings Inc	GOOS	30	2,342	12%	22%	2.6	5.6	3.9	(53%)	(32%)
Playa Hotels & Resorts NV	PLYA	7	1,122	7%	31%	2.1	3.7	3.1	(43%)	(32%)
Century Casinos Inc	CNTY	8	238	26%	44%	0.9	1.7	1.3	(48%)	(32%)
Mav Beauty Brands Inc	MAV	1	14	1%	N/A	1.4	2.7	2.0	(49%)	(31%)
Torrid Holdings Inc	CURV	4	369	1%	(1%)	0.5	1.3	0.8	(59%)	(31%)
Bassett Furniture Industries Inc	BSET	19	170	(4%)	(19%)	0.2	0.4	0.2	(55%)	(31%)
Noodles & Co	NDLS	6	287	7%	1194%	0.6	1.2	0.8	(52%)	(30%)
Molson Coors Beverage Co	TAP	51	10,351	2%	6%	1.5	2.5	2.2	(40%)	(30%)
Vintage Wine Estates Inc	VWE	3	202	6%	(35%)	1.5	2.7	2.2	(44%)	(30%)
Traeger Inc	COOK	3	358	4%	(119%)*	1.2	2.6	1.7	(53%)	(30%)
Gap Inc	GPS	13	4,713	1%	209%	0.4	0.7	0.5	(50%)	(29%)
Calavo Growers Inc	CVGW	32	567	(4%)	79%	0.5	0.9	0.7	(46%)	(29%)
Toll Brothers Inc	TOL	56	6,361	(10%)	(15%)	1.0	1.7	1.4	(41%)	(29%)
Restaurant Brands International Inc	QSR	66	20,297	4%	5%	4.9	8.4	6.8	(42%)	(29%)
MercadoLibre Inc	MELI	1,083	54,465	22%	37%	4.4	10.1	6.1	(57%)	(29%)
Sally Beauty Holdings Inc	SBH	15	1,577	(1%)	(11%)	0.7	1.2	1.0	(39%)	(29%)
GoPro Inc	GPRO	6	875	1%	(4%)	0.6	1.6	0.8	(63%)	(29%)
Sportradar Group AG	SRAD	11	3,231	23%	59%	3.1	6.4	4.3	(52%)	(28%)
Leslie's Inc	LESL	14	2,588	4%	3%	2.0	3.3	2.8	(40%)	(28%)
Sun Country Airlines Holdings Inc	SNCY	19	1,091	15%	116%	1.2	2.3	1.6	(49%)	(27%)
Macy's Inc	M	23	6,238	(0%)	(9%)	0.4	0.6	0.5	(42%)	(27%)
Frontier Group Holdings Inc	ULCC	12	2,665	25%	(1442%)*	0.6	1.1	0.8	(48%)	(27%)
Vizio Holding Corp	VZIO	8	1,635	1%	959%	0.7	1.3	0.9	(47%)	(27%)
Frontdoor Inc	FTDR	24	1,948	5%	47%	1.3	2.5	1.8	(47%)	(26%)
Hibbett Inc	HIBB	73	926	7%	4%	0.5	1.0	0.7	(47%)	(26%)

Source: Edison Investment Research, Refinitiv.
Note: *Move from profit to loss. **Lower losses versus prior year.

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