

ConsumerWatch | April 2023

A SPRING IN THE STEP

EDISON THEMES

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Rocky economic recovery with enhanced risks

Investors entered 2023 with relatively low expectations for economic growth, and the consensus view was that consumers faced challenging times given above average inflation and higher interest rates. While some inflationary pressures have eased, the International Monetary Fund (IMF) recently highlighted that underlying inflation remains 'stubbornly high', despite significant reductions to some commodity costs. As a result, its global GDP growth forecasts for 2023 were relatively unchanged during the quarter.

Consumer confidence remains low and the effects of above-average inflation and higher interest rates means that consumer spending remains under pressure in the key regions covered in this report, which means consumers are continuing to have to prioritise where they spend their money, suggesting that volume growth for all will not be what it once was.

Despite the tough backdrop, the UK and mainland European consumer sectors' aggregate Q123 returns of 4% and 12% were ahead of their regional indices, 2% and 9%, respectively, although the North American consumer sectors marginally underperformed with a return of 5% versus the market return of 7%.

Profit estimates continue to be at risk...

We believe that 2023 earnings forecasts remain on a [downward track](#), which is set to accelerate given the recent stresses in the banking system. The challenging macroeconomic environment continued to exert downward pressure on aggregate consensus CY23 profit (EBIT) estimates for the consumer sectors through the first quarter of the year. For the UK and European sectors, the main cause of the downgrades was a relatively disappointing earnings season, which meant that CY22 base profits were lower than had been forecast at the end of 2022. However, in absolute terms, the downgrades to CY23 profit estimates for both regions were lower than the reductions to the CY22 bases, implying underlying upgrades for CY23 during the first quarter. The sector averages mask many moving parts, but it is interesting to note that discretionary sectors have continued to benefit from better earnings momentum through Q123 than the staples sectors despite the external challenges. The North American sectors fared less well on a relative basis, with greater absolute downgrades to CY23 profit estimates than to the CY22 base, indicating further underlying downgrades in the first quarter. Above average inflation continues to support revenue growth estimates, but volume growth remains challenging for many companies.

Exhibit 1: Consensus growth expectations

	Revenue growth		Profit growth	
	CY23e	CY24e	CY23e	CY24e
United Kingdom (£)	8%	5%	20%	11%
Continental Europe (€)	5%	5%	6%	10%
North America (US\$)	4%	6%	14%	17%

Source: Edison Investment Research, Refinitiv

...but low valuations continue to appeal

Despite pessimism about the outlook for consumer spending and profit expectations, investors have been willing to look through the challenging macroeconomic news in the main, attracted by the relatively low trading multiples of a large number of companies. Our screens continue to highlight many companies in the three regions that are valued below their long-term multiples, which suggests a continuing favourable risk/reward profile for investors.

MACRO AND STRATEGY OVERVIEW

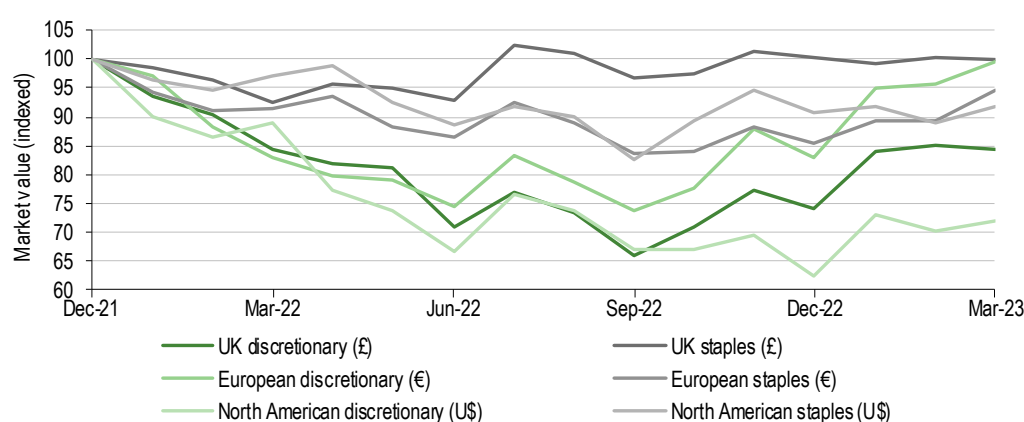
Rocky recovery

Our most recent global equity strategy and market outlook can be found [here](#).

The year started well, with positive returns for the equity indices of the major economies through Q123. The strong rally through February demonstrated that, following a period of pessimism, the mere absence of negative news can be sufficient to drive a powerful rally. However, these strong initial returns in the quarter were subsequently dampened by the banking mini-crisis in March.

In Exhibit 2 we show how the discretionary and staples sectors performed in the main geographic markets. The UK and mainland European consumer sectors, which increased in value by 4% and 12% respectively in Q123, outperformed their regional indices, which grew by 2% and 9%, respectively, continuing their outperformance from Q422. The North American consumer sectors performed well on an absolute basis, growing by 5%, but underperformed the North American index return of 7%.

Exhibit 2: Performance of consumer sectors (indexed to December 2021)



Source: Edison Investment Research, Refinitiv

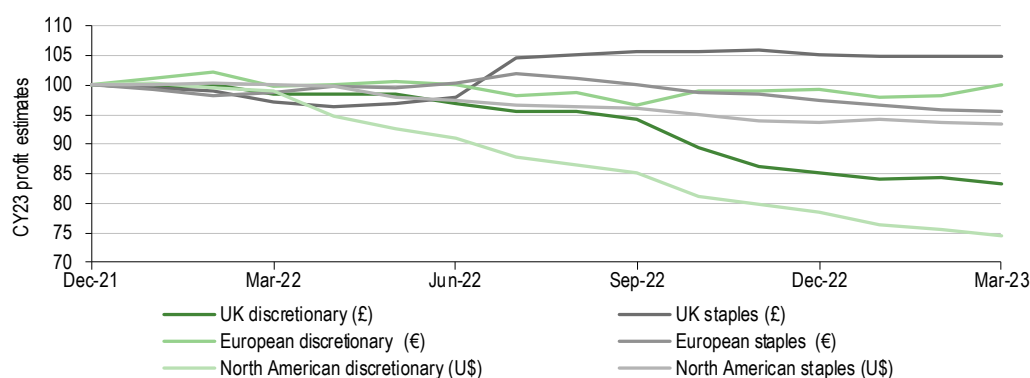
As we entered 2023, most commentators were expecting lower economic growth than in 2022, at best. With what the IMF refers to as 'stubbornly high' inflation despite the reductions in energy prices and other commodity prices, and taking into account the recent turmoil in the financial sector, in April 2023 the IMF downgraded its projections for global GDP growth in 2023 and 2024. The downgrades were marginal, ie by 0.1% from its January 2023 update, to 2.8% and 3.0%, respectively, following 3.4% growth in 2022. While global growth is still expected in both years, among the advanced economies the IMF forecasts 2023 declines for Germany (down 0.1% versus growth of 0.1% in January 2023) and the UK (down 0.3% compared to a 0.6% decline in January 2023) and downgraded growth estimates for Japan (by 0.5% to 1.3%). In contrast, there were some rays of sunshine with upgrades for the US and the euro area despite the latter including the above downgrade to Germany's outlook. The IMF points to a 'rocky recovery' with stated forecast risk to the downside given debt levels and geopolitical tensions remaining high.

Turning to the UK and the outlook for the consumer, in its March 2023 economic and fiscal outlook, the UK's Office for Budget Responsibility (OBR) continued to have a bleak outlook for UK consumer income and spending, albeit not quite as bleak as in the previous update in November 2022, which we highlighted in our [last report](#). The OBR's new forecast for the cumulative decline in real household disposable income per person over the financial years 2022-23 and 2023-24 was reduced to 5.7%, but still represents the largest two-year fall since records began in the mid-1950s.

Earnings estimates stuck on a downward track

According to our most recent [Equity strategy and market outlook](#), we believe that 2023 earnings forecasts remain on a downward track, which is set to accelerate given the recent stresses in the banking system. Declines are evident at a global level and are widely spread across the sectors, including in consumer sectors as shown in Exhibit 3.

Exhibit 3: CY23 profit estimates for consumer sectors



Source: Edison Investment Research, Refinitiv

Conclusion: Valuation opportunities in consumer sectors

While we believe earnings forecasts remain vulnerable to further downgrades, our valuation screens for the consumer sectors continue to identify a large number of companies that are trading below their long-term average EV/Sales multiples, and many of these are also trading at a discount to their long-term P/E multiples, providing a favourable risk/reward for investors. The majority of consensus estimates for these companies assume that CY23 operating margins are within their historical ranges, highlighting a degree of conservatism.

UNITED KINGDOM

Sectors outperformed
despite profit downgrades

Summary of Q123

The UK-consumer sectors had a good first quarter with an aggregate return of 4%, a little ahead of the UK market return of 2%. The overall performance of the consumer sectors contrasted with the direction of consensus CY23 profit estimates, which declined by c 1% in the period, despite further upgrades to revenue estimates. The decline in CY23 profit estimates was driven by a reduction to the CY22 base, indicating a relatively disappointing results season, offset by a marginal upgrade to y-o-y growth rates for CY23.

As we highlighted in our last report, there has been a change in performance leadership since October 2022 as investors sought to increase their beta with the rebound in the wider market, helped by the reduction in bond yields, and expectations that the peak in inflation was close. Outperformance by the discretionary sectors indicates that investors have been willing to look through the threats presented by the pressures on disposable incomes and taken advantage of the sectors' attractive valuations, as highlighted in our previous reports.

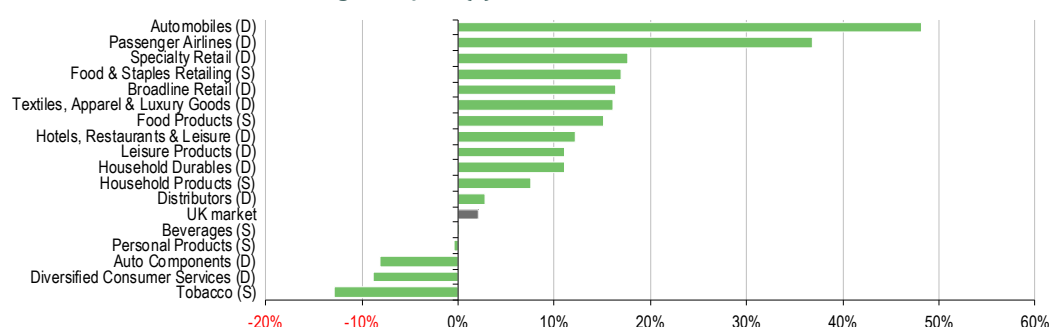
In the sections below, we look in further detail at how the individual sectors performed in Q123, how their estimates changed and valuations, with the aim of identifying potential opportunities. We identify more than 150 companies with a prospective CY23 EV/Sales multiple below their long-term average, with separate screens for those with positive free cash flow and those with negative or no estimated free cash flow in CY23 and CY24.

Note that throughout this report, we use sector (ie industry) classifications as defined by the MSCI Global Industry Classification Standard (GICS). In March 2023, the MSCI reviewed the GICS sector classifications and company constituents, which led to some key changes to the classifications used in our last report. The main changes were the creation of a new industry group, broadline retail, while the previous industry groups – multiline retail and internet & direct marketing retail – ceased to exist. This led to a reallocation of companies from the deleted sectors and from the previous existing sectors. For example, Deliveroo has moved from the internet & direct marketing retail sector to the hotels, restaurants and leisure sector. Similarly, THG moved from the internet & direct marketing retail sector to the newly created broadline retail sector to stand alongside B&M European Value Retail, Next and Samarkand Group. In addition to these more significant changes, the MSCI changed a number of the subindustry names: specialty stores became other specialty retail; hypermarkets and super centres became consumer staples merchandise retail; and soft drinks became soft drinks & non-alcoholic beverages. In our charts, the discretionary sectors are labelled D and the staples sectors are labelled S.

Sector outperformance continued into the new year

The change in sector leadership is demonstrated by the aggregate return from the discretionary sectors of 14% being greater than the marginal decline in the staples sectors. Similar to what we saw in Q422, there was a skew in outperformance towards the discretionary sectors, as they accounted for nine of the 12 sectors that performed better than the market.

Exhibit 4: UK consumer market value changes in Q123 (£)



Source: Edison Investment Research, Refinitiv

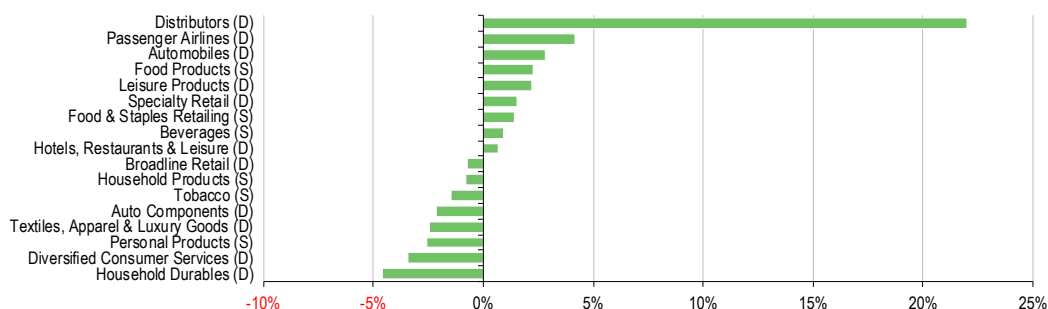
The market value distribution of the UK consumer sectors is heavily weighted towards the staples sectors. The six UK staples sectors represented 64% of total consumer sector market value at the end of Q123.

Further upgrades to revenue estimates in Q123...

Following net upgrades to consensus CY23 revenue estimates of 6% during 2022, the UK consumer sectors continued to enjoy upgrades to revenue estimates of 1% in Q123.

In the UK, aggregate CY23 revenue estimates are evenly split between the discretionary and staples sectors, at 48% and 52% of the total, respectively. To give some idea of the relative importance of the subsectors, the largest contributors to revenue estimates at the end of the quarter were food & staples retailing (20% of total), hotels, restaurants & leisure (15%), specialty retail (13%) and personal products (13%).

Exhibit 5: UK consumer consensus CY23e revenue changes in Q123 (£)



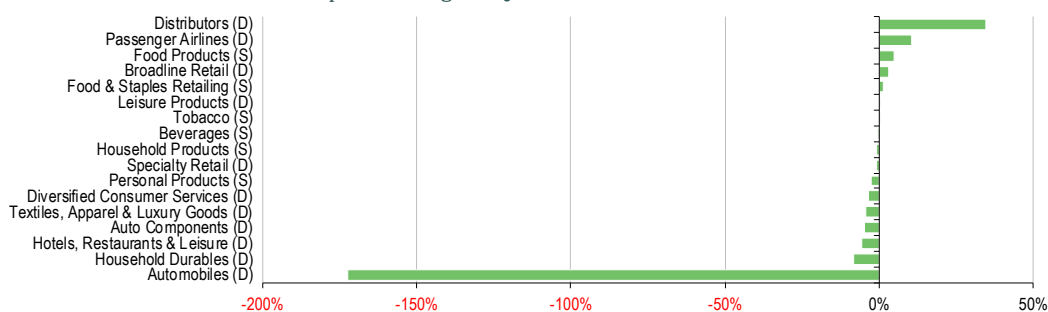
Source: Edison Investment Research, Refinitiv

...could not prevent further downgrades to profit estimates

Despite continuing to receive further upgrades to revenue estimates in Q123, consensus CY23 profit (EBIT) forecasts for the aggregate consumer sectors fell by 1% in Q123, continuing the trend seen in 2022 when profit estimates for CY23 fell by 6% in aggregate. This highlights that not all sectors and companies have been successful in fully passing on higher input costs.

UK aggregate CY23 profit estimates are weighted to the staples sectors, which represented two-thirds of total UK consumer profit forecasts at the end of Q123. The net reduction for overall profit estimates in the period was driven by downgrades for the discretionary sectors of more than 2% alongside very marginal net downgrades for the staples sectors.

Exhibit 6: UK consumer consensus CY23e profit change in Q123



Source: Edison Investment Research, Refinitiv

Outperforming UK sectors in Q123

The automobiles sector raced to the top of the consumer podium in Q123. The only listed company in the sector, Aston Martin Lagonda, performed well as consensus CY23 revenue estimates increased and it shook off the downgrades to profit estimates highlighted above.

There were near-universal upgrades to consensus CY23 revenue (+4%) and profit estimates (+11%) for the passenger airlines sector during Q123, which helped to lift share prices. The most notable were double-digit profit upgrades for Jet2, easyJet and International Consolidated Airlines Group.

Specialty retail performed very well during Q123, with a positive return of 18% despite downgrades to aggregate CY23 profit estimates of 1%. There was a divergent performance in the subsectors, with positive performances by the apparel, home improvement, home furnishing and other specialty retail sectors, partially offset by weak performance by the automotive retailers. The most significant upgrades to CY23 consensus profit estimates were for AO World (+43%), Vertu Motors (+19%) and Gear4Music (+10%). On the more negative side, there were significant profit downgrades for Motorpoint (-40%), Superdry (-38%), Works.co.uk (-24%) and Halfords (-24%).

Underperforming UK sectors in Q123

Tobacco's 13% decline in market value in Q123 is in contrast to 2022, when it was the best performing consumer sector. With no net change to aggregate CY23 consensus profit estimates in Q123, tobacco's performance reflects greater investor appetite for the more cyclical consumer sectors.

The 9% decline in diversified consumer services in Q123 was driven by the sector's two heavyweights: Pearson (now categorised as an education services company versus its previous inclusion in the publishing sector in the GICS classification) fell by 10% following 4% downgrades to consensus CY23 profit estimates and Auction Technology Group fell by 18%. These were partially offset by strong performances from the smaller companies: Dignity (+28%), which was bid for at the start of the year, and Franchise Brands (+25%), which saw strong upgrades of 10% to CY23 profit estimates during Q123.

The weak performance of the auto components sector in Q123 masks a wide range of performance by individual companies. Journeo increased by more than 120%, while numerous companies including the largest company in the sector, TI Fluid Systems, declined by more than 20%. The negative performance was in stark contrast to changes in consensus profit estimates, which declined by 5%, predominantly due to TI Fluid Systems.

Subsectors: Few profit declines forecast; valuations attractive

Having looked at the key changes to sector market values and estimates during Q123, we turn our attention to consensus growth expectations for the subsectors in CY23 and how they were valued relative to their history, priced at the end of March 2023.

In Exhibit 7, we show the following for the individual subsectors:

- Consensus CY23 revenue and profit estimates.
- How the growth rates of consensus CY23 revenue and profit estimates have changed during Q123. The changes may reflect a combination of a new base year figure, eg reporting of actual CY22 revenues versus a prior estimate; introduction/deletion of estimates for an individual company that was (or was not) included previously; underlying changes to estimates; and changes in foreign exchange rates during the period for those companies with overseas earnings. The sector aggregates have also been affected by the MSCI's changes to industry classifications highlighted above.

- The prospective EV/Sales multiple for CY23, priced at the end of March 2023, and how it compares with the long-term average multiple. To make the comparison 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. The long-term average covers the period from 2006–22 so that we include the changes over the most recent cycle, ie the global financial crisis of 2007/08. The subsectors are sorted by ascending order of the discount/premium to their long-term average.
- The CY23e EBIT margin relative to history, which shows how the subsector's prospective margin compares with the range of reported profit margins between 2006 and 2022. A negative percentage indicates an expected margin that is below those achieved between 2006–22, a percentage between 0% and 100% indicates where the expected margin is within the historical range and a percentage greater than 100% indicates an expected margin that is greater than the subsector has achieved between 2006 and 2022.

The table shows that, at the end of March 2023, the consensus outlook for the UK consumer subsectors continued to be positive, with forecast revenue growth of 8% and profit growth of 20% in CY23 (Exhibit 1). These compare with the expected growth rates of 7% and 16%, respectively, at the end of December 2022. The higher projected y-o-y profit growth rate at the end of Q123 versus Q422 includes a 3% lower CY22 base, indicating a relatively disappointing results season, but helped by an underlying upgrade for CY23 during the first quarter.

The table also shows that consensus continues to expect revenue and profit growth for the majority of the subsectors in CY23. Revenue declines are forecast for just five of the 35 listed subsectors, and profit declines are forecast for 10 of the subsectors.

At the end of March 2023, consensus forecast that CY23 profit margins would be within their historical ranges for the majority of the UK subsectors. There was a relatively high level of pessimism about CY23 margin prospects for four subsectors: apparel retail, computer & electronics retail, footwear and household appliances, with expectations that they would report a lower profit margin in CY23 than historically. Conversely, there was a high level of optimism for the CY23 margin prospects of five subsectors relative to their historical ranges: education services, distributors, consumer electronics, textiles and leisure products.

Although the macroeconomic outlook suggests ongoing risks for profit estimates, the majority of the subsectors, ie 26 of those shown, were trading at a discount to their long-term average sales multiples at the end of March, suggesting further downgrades are well discounted.

Exhibit 7: UK subsector growth estimates and valuations

Subsector	Sales growth CY23e	Profit growth CY23e	Change in CY23e sales growth in Q123	Change in CY23e profit growth in Q123	EV/Sales CY23e (x)	Premium/ (discount) to long-term average EV/Sales	CY23e EBIT margin relative to history
Apparel retail (D)	2%	(13%)	(5%)	(48%)	0.3	(79%)	(16%)
Computer & electronics retail (D)	(3%)	(24%)	(2%)	(23%)	0.1	(68%)	(21%)
Auto parts & equipment (D)	10%	114%	(1%)	84%	0.5	(63%)	92%
Automotive retail (D)	11%	(7%)	4%	(5%)	0.1	(62%)	30%
Packaged foods & meats (S)	10%	12%	1%	10%	0.7	(57%)	52%
Footwear (D)	6%	2%	(8%)	(13%)	1.5	(55%)	(4%)
Leisure facilities (D)	9%	(10%)	(5%)	(31%)	1.4	(52%)	93%
Food distributors (S)	(2%)	12%	(16%)	(13%)	0.4	(47%)	64%
Automobile manufacturers (D)	19%	78%	1%	50%	1.4	(46%)	70%
Passenger airlines (D)	29%	149%	7%	(49%)	0.4	(44%)	88%
Food retail (S)	3%	(0%)	1%	2%	0.3	(42%)	18%
Home improvement retail (D)	0%	(12%)	2%	0%	0.4	(40%)	24%
Home furnishing retail (D)	2%	(5%)	2%	4%	0.8	(40%)	26%
Housewares & specialties (D)	2%	59%	(1%)	2%	0.5	(33%)	12%
Brewers (S)	9%	1%	6%	N/A	0.9	(32%)	73%
Hotels, resorts & cruise lines (D)	34%	281%	(14%)	39%	2.4	(29%)	90%
Broadline retail (D)	4%	(1%)	N/A	N/A	1.3	(26%)	15%
Homebuilding (D)	(10%)	(24%)	(5%)	0%	0.9	(22%)	62%
Household appliances (D)	8%	3%	0%	(1%)	0.7	(21%)	(4%)
Specialised consumer services (D)	3%	2520%	(1%)	2502%	3.0	(20%)	31%
Soft drinks & non-alcoholic beverages (S)	9%	6%	0%	2%	1.3	(17%)	48%
Agricultural products (S)	(2%)	(17%)	12%	8%	0.7	(14%)	65%
Household products (S)	4%	5%	(1%)	1%	3.2	(10%)	31%
Education services (D)	(1%)	29%	(5%)	(86%)	1.6	(9%)	111%
Restaurants (D)	16%	31%	0%	7%	1.1	(9%)	70%
Casinos & gaming (D)	12%	119%	2%	78%	2.4	(6%)	35%
Other specialty retail (D)	8%	7%	(0%)	(4%)	0.9	0%	91%
Distributors (D)	25%	36%	21%	34%	0.3	0%	119%
Distillers & vintners (S)	8%	10%	(2%)	(3%)	5.0	3%	78%
Apparel, accessories & luxury goods (D)	9%	11%	1%	3%	2.7	6%	66%
Consumer electronics (D)	4%	25%	(2%)	16%	1.3	7%	128%
Personal products (S)	4%	5%	(0%)	(0%)	2.6	12%	70%
Home furnishings (D)	10%	14%	(1%)	(6%)	0.9	17%	73%
Textiles (D)	8%	16%	1%	(4%)	1.1	32%	108%
Leisure products (D)	8%	5%	(1%)	(2%)	4.6	144%	117%

Source: Edison Investment Research, Refinitiv. Note: Priced 31 March 2023. Tobacco excluded due to data comparability issues.

Valuation opportunities in the UK consumer sectors

Having looked at the prospective revenue and profit growth estimates for the subsectors, we have screened for companies that are attractively valued relative to their historical trading multiples. We focus on EV/Sales multiples given the complications of comparing profit multiples following the effects of the introduction of IFRS 16.

Exhibit 8 below shows 109 UK-listed companies which, at the end of March 2023, were trading at a prospective CY23 EV/Sales multiple below their long-term average (2006–22) and for which consensus was forecasting positive free cash flow in CY23 and CY24. For those with a higher risk appetite, Exhibit 9 lists 46 companies for which consensus was forecasting either negative free cash flow in CY23 and CY24 or for which there are no estimates. The exhibits also include for each company: CY23 revenue and profit growth estimates; how the forecast profit (EBIT) margin for CY23 compares with the long-term historical range; CY23e P/E multiples and how these multiples compare with their long-term averages.

At the end of March 2023, the majority of the companies highlighted in Exhibit 8 had consensus forecast CY23 profit margins within their historical ranges, which shows that there is some conservatism in forecasts. Also, many of the companies were valued at a discount to their long-term average P/E multiples, indicating a favourable risk/reward for investors.

We highlight that the short trading history of some of the companies, eg those that listed in more recent years, may make the comparison of current prospective multiples versus historical multiples less relevant given the changes in interest rates and inflation over the last year.

In addition to the companies included below, we highlight companies that did not benefit from upgrades to CY23 profit estimates. These included Naked Wines, On The Beach Group and Pendragon, all of which enjoyed upgrades to profit estimates of more than 5%, but whose share prices declined in the first quarter.

Exhibit 8: UK valuation screen – companies ranked by CY23e EV/Sales versus long-term average

Company	Ticker	Share price 31 March 23 (p)	Market value 31 March 23 (£m)	Sales growth CY23e	EBIT growth CY23e	EV/Sales CY23 (x)	Premium/ (discount) to long- term average EV/Sales	CY23e EBIT margin relative	P/E CY23e (x)	P/E CY23e vs long- term average
SCS Group PLC	SCSS	177	60	4%	(27%)	0.0	(131%)	10%	10.7	(6%)
Cairn Homes PLC	CRN	90	616	12%	75%	1.3	(95%)	100%	8.5	(87%)
Transense Technologies PLC	TRT	86	14	31%	1356%	3.2	(90%)	101%	N/A	(56%)
ASOS PLC	ASOS	821	824	3%	(69%)	0.2	(87%)	0%	29.3	(48%)
Naked Wines PLC	WINEW	103	76	(3%)	894%	0.2	(82%)	60%	N/A	N/A
boohoo group plc	BOOH	60	755	(0%)	(117%)	0.4	(81%)	137%	N/A	N/A
On The Beach Group PLC	OTB	144	239	14%	160%	1.0	(79%)	83%	10.7	(96%)
C&C Group PLC	GCC	157	617	8%	261%	0.5	(79%)	47%	13.1	(52%)
Playtech PLC	PTEC	527	1,614	7%	90%	1.2	(78%)	20%	10.9	(45%)
Works co uk PLC	WRKS	33	21	3%	27%	0.0	(76%)	67%	11.9	(58%)
Topps Tiles PLC	TPT	46	90	4%	(19%)	0.3	(74%)	7%	9.2	(39%)
Halfords Group PLC	HFD	175	383	8%	(32%)	0.2	(74%)	(23%)	9.5	(22%)
Gear4music (HOLDINGS) PLC	G4M	86	18	10%	(71%)	0.2	(72%)	15%	5.6	(85%)
Trainline PLC	TRNT	249	1,201	20%	274%	3.4	(70%)	104%	N/A	(53%)
M P Evans Group PLC	MPE	886	478	(6%)	19%	1.8	(69%)	84%	9.9	(62%)
Currys PLC	CURY	59	669	(3%)	(37%)	0.1	(68%)	(21%)	7.5	(62%)
R E A Holdings PLC	REAH	100	44	6%	(13%)	1.2	(67%)	43%	2.2	(78%)
Revolution Bars Group PLC	RBG	7	15	12%	(270%)	0.2	(66%)	84%	N/A	N/A
Lookers PLC	LOOK	82	317	7%	(1%)	0.1	(66%)	62%	6.6	(41%)
GYM Group PLC	GYM	92	164	15%	119%	1.2	(66%)	77%	N/A	N/A
Crest Nicholson Holdings PLC	CRST	218	561	(17%)	11%	0.4	(65%)	17%	9.5	(73%)
Rank Group PLC	RNK	73	344	7%	533%	0.5	(64%)	20%	N/A	N/A
Hostmore PLC	MOREH	13	16	12%	107%	0.2	(63%)	308%	N/A	N/A
Greencore Group PLC	GNC	81	406	9%	59%	0.3	(63%)	30%	9.9	(66%)
Quixant PLC	QXT	177	118	8%	129%	1.0	(62%)	40%	14.4	(41%)
AO World PLC	AO	65	374	(5%)	238%	0.3	(61%)	118%	23.6	(91%)
Hotel Chocolat Group PLC	HOTC	186	255	0%	(11%)	1.0	(61%)	(1%)	N/A	N/A
Card Factory PLC	CARDC	87	298	7%	119%	0.8	(60%)	48%	7.9	(54%)
Restaurant Group PLC	RTN	41	313	5%	46%	0.5	(59%)	65%	25.6	4%
Fevertree Drinks PLC	FEVR	1,284	1,497	14%	(45%)	3.6	(59%)	(16%)	65.1	6%
Victorian Plumbing Group PLC	VIC	79	259	7%	(45%)	0.7	(59%)	40%	16.8	(54%)
Marks and Spencer Group PLC	MKS	167	3,281	4%	11%	0.3	(59%)	20%	10.9	(70%)
Dr Martens PLC	DOCS	142	1,424	6%	(5%)	1.5	(55%)	(4%)	9.9	(57%)
N Brown Group PLC	BWNG	28	132	(3%)	(48%)	0.6	(53%)	(23%)	N/A	N/A
MJ Gleeson PLC	GLEG	432	252	(1%)	(10%)	0.7	(52%)	74%	10.4	(43%)
City Pub Group PLC	CPC	84	86	12%	(215%)	1.4	(51%)	101%	N/A	(69%)
Loungers PLC	LGRS	205	213	17%	86%	0.7	(51%)	96%	15.8	(37%)
Pendragon PLC	PDG	17	231	9%	(16%)	0.1	(50%)	74%	6.1	(74%)
Vistry Group PLC	VTYV	781	2,700	35%	24%	0.7	(50%)	68%	8.5	(64%)
Auction Technology Group PLC	ATG	614	744	18%	433%	5.9	(50%)	222%	19.1	(92%)
Jet2 PLC	JET2	1,313	2,818	36%	165%	0.2	(49%)	97%	9.7	(38%)
McBride PLC	MCB	28	48	15%	(571%)	0.2	(49%)	35%	N/A	N/A
Wizz Air Holdings PLC	WIZZ	2,973	3,070	52%	9%	0.7	(49%)	76%	70.4	658%
Anpario PLC	ANP	196	47	(9%)	(38%)	1.1	(47%)	92%	19.7	(7%)
Carnival PLC	CCL	734	10,258	65%	26%	2.0	(47%)	94%	N/A	N/A
DFS Furniture PLC	DFSD	136	319	(1%)	(33%)	0.4	(46%)	60%	11.4	(39%)
Benchmark Holdings PLC	BMKB	35	259	12%	25%	1.6	(45%)	77%	N/A	N/A
J Sainsbury PLC	SBRY	279	6,537	2%	0%	0.2	(45%)	48%	N/A	N/A
Marston's PLC	MARS	36	228	4%	261%	1.3	(45%)	35%	5.9	(62%)
Mitchells & Butlers PLC	MAB	165	983	4%	179%	1.0	(44%)	20%	N/A	N/A
Marks Electrical Group PLC	MRKM	84	88	16%	(3%)	0.7	(43%)	12%	15.8	(39%)
Ten Entertainment Group PLC	TEG	274	188	4%	700%	1.4	(43%)	98%	8.4	(60%)
Motorpoint Group PLC	MOTR	135	122	8%	(46%)	0.2	(42%)	(24%)	N/A	N/A
Shepherd Neame Ltd	SHEP	595	88	9%	249%	0.9	(42%)	58%	14.6	(18%)
SSP Group PLC	SSPG	246	1,960	28%	120%	0.7	(41%)	94%	29.2	(93%)
Young & Co's Brewery PLC	YNGa	1,026	514	7%	205%	1.6	(41%)	96%	N/A	N/A
Wickes Group PLC	WIX	138	359	(1%)	(11%)	0.2	(41%)	(19%)	8.4	(30%)
PPHE Hotel Group Ltd	PPH	1,150	489	12%	230%	2.5	(40%)	91%	30.1	134%
IG Design Group PLC	IGRI	196	190	2%	(8%)	0.3	(40%)	16%	N/A	N/A
Hostelworld Group PLC	HSW	132	160	28%	62%	2.3	(39%)	99%	34.7	(59%)
Associated British Foods PLC	ABF	1,940	15,145	12%	34%	0.7	(39%)	54%	14.5	(35%)
Wynnstay Group PLC	WYWYN	440	99	(5%)	62%	0.1	(39%)	19%	10.8	(10%)
Fuller Smith & Turner PLC	FSTA	465	191	9%	1672%	1.0	(39%)	80%	13.2	(4%)
A G Barr PLC	BAG	504	567	21%	6%	1.4	(38%)	(9%)	16.7	(16%)
Tesco PLC	TSCO	266	19,445	3%	(9%)	0.3	(38%)	43%	12.6	(52%)

Company	Ticker	Share price 31 March 23 (p)	Market value 31 March 23 (£m)	Sales growth CY23e	EBIT growth CY23e	EV/Sales CY23 (x)	Premium/ (discount) to long-term average EV/Sales	CY23e EBIT margin relative	P/E CY23e (x)	P/E CY23e vs long-term average
Supreme PLC	SUP	95	111	9%	(8%)	0.8	(37%)	51%	8.7	(42%)
TI Fluid Systems PLC	TIFS	107	559	9%	(23%)	0.4	(37%)	53%	8.9	(76%)
Hollywood Bowl Group PLC	BOWL	233	400	0%	175%	1.8	(37%)	64%	13.1	(72%)
Moonpig Group PLC	MOON M	123	422	7%	(11%)	1.8	(36%)	(0%)	11.0	(68%)
Kingfisher PLC	KGF	261	5,064	1%	(17%)	0.4	(35%)	34%	10.3	(69%)
Accrol Group Holdings PLC	ACRL	31	100	13%	1296%	0.5	(35%)	79%	N/A	N/A
Smiths News PLC	SNWS	47	116	(3%)	(7%)	0.1	(33%)	122%	4.5	(61%)
Bellway PLC	BWY	2,207	2,724	(10%)	5%	0.8	(33%)	47%	N/A	N/A
Vertu Motors PLC	VTU	60	210	18%	(29%)	0.0	(32%)	40%	6.0	(60%)
Redrow PLC	RDW	476	1,575	(9%)	9%	0.8	(32%)	82%	7.2	(44%)
Henry Boot PLC	BOOT	223	298	3%	144%	1.0	(32%)	33%	10.1	(23%)
Northcoders Group PLC	CODE	295	24	83%	491%	4.2	(31%)	107%	N/A	N/A
Domino's Pizza Group PLC	DOM	287	1,203	3%	(6%)	2.4	(30%)	15%	17.3	(29%)
Bakkavor Group Plc	BAKK	104	601	6%	(12%)	0.4	(30%)	(10%)	12.7	(72%)
Hilton Food Group PLC	HFG	692	619	7%	(23%)	0.2	(29%)	37%	14.9	(20%)
Springfield Properties PLC	SPRSP	82	97	2%	17%	0.5	(29%)	39%	6.1	(43%)
Headlam Group PLC	HEAD	304	245	0%	78%	0.4	(29%)	43%	9.9	(28%)
Whitbread PLC	WTB	2,987	6,036	12%	757%	2.2	(29%)	91%	20.0	(2%)
PZ Cussons PLC	PZC	185	794	8%	10%	1.2	(25%)	5%	15.4	(35%)
Barratt Developments P L C	BDEV	467	4,601	(8%)	0%	0.8	(24%)	75%	8.6	(34%)
J D Wetherspoon PLC	JDW	715	921	5%	131%	0.9	(23%)	83%	28.3	(61%)
B&M European Value Retail SA	BMEB	482	4,830	6%	(7%)	1.1	(23%)	47%	13.6	(52%)
Coca Cola HBC AG	CCH	2,213	8,119	9%	15%	1.1	(23%)	74%	14.7	(36%)
British American Tobacco PLC	BATS	2,841	63,511	4%	6%	3.6	(22%)	111%	7.2	(49%)
Nichols PLC	NICL	1,130	412	(0%)	12%	2.1	(22%)	31%	21.5	(20%)
Focusrite PLC	TUNE	605	360	(1%)	(10%)	2.0	(21%)	105%	13.3	(42%)
Stelrad Group PLC	SRAD	123	157	8%	(16%)	0.7	(21%)	(4%)	9.3	(75%)
Dunelm Group PLC	DNLM	1,105	2,228	3%	4%	1.3	(19%)	19%	15.1	(9%)
Pets at Home Group PLC	PETSP	369	1,783	6%	12%	1.2	(16%)	30%	17.1	1%
Watches of Switzerland Group PLC	WOSG	816	1,954	16%	32%	1.2	(14%)	98%	13.9	(74%)
Frasers Group PLC	FRAS	777	3,655	9%	20%	0.7	(14%)	77%	9.8	(42%)
Tribal Group PLC	TRBG	40	85	1%	(75%)	1.1	(12%)	81%	N/A	N/A
Colefax Group PLC	CFX	763	55	(2%)	0%	0.4	(11%)	59%	10.7	(6%)
Reckitt Benckiser Group PLC	RKT	6,158	44,270	4%	18%	3.4	(10%)	29%	N/A	N/A
Sanderson Design Group PLC	SDG	127	91	3%	12%	0.7	(10%)	41%	9.3	(24%)
Taylor Wimpey PLC	TW	119	4,218	(25%)	10%	1.0	(9%)	63%	13.3	20%
Pearson PLC	PERSON	844	6,047	(1%)	(8%)	1.6	(9%)	111%	15.0	(32%)
Cranswick PLC	CWK	3,004	1,610	6%	5%	0.7	(7%)	24%	14.8	(7%)
Persimmon PLC	PSN	1,256	4,027	(39%)	(24%)	1.4	(6%)	54%	14.2	30%
Next PLC	NXT	6,572	8,461	2%	(3%)	1.8	(4%)	27%	13.7	5%
Flutter Entertainment PLC	FLTRF	14,630	25,771	19%	(66%)	3.3	(3%)	40%	N/A	N/A
Finsbury Food Group PLC	FIF	96	125	9%	4%	0.4	(2%)	36%	10.1	(15%)
Inchcape PLC	INCH	775	3,199	31%	37%	0.3	(1%)	123%	9.3	(53%)
Ab Dynamics PLC	ABDP	1,865	429	17%	63%	3.9	(1%)	58%	35.8	(23%)

Source: Edison Investment Research, Refinitiv. Note: We include only companies with forecast positive free cash flow in CY23 and CY24.

Exhibit 9: UK valuation screen – companies ranked by CY23e EV/sales versus long-term average

Company	Ticker	Share price 31 March 23 (p)	Market value 31 March 23 (£m)	Sales growth CY23e	EBIT growth CY23e	EV/ Sales CY23 (x)	Premium/ (discount) to long-term average EV/Sales	CY23e EBIT margin rel.	P/E CY23e (x)	P/E CY23e vs long-term average
Brand Architekts Group PLC	BARB	27	8	23%	N/A	(0.0)	(104%)	75%	N/A	N/A
Esken Ltd	ESKN	5	55	10%	35%	1.5	(95%)	49%	N/A	N/A
Angling Direct PLC	ANG	27	20	8%	N/A	0.0	(94%)	31%	N/A	N/A
Saietta Group PLC	SED	44	46	96%	N/A	2.2	(93%)	(100%)	N/A	N/A
Superdry PLC	SDRY	108	89	5%	(17%)	0.2	(91%)	22%	14.3	(60%)
XP Factory PLC	XPF	19	29	82%	N/A	0.6	(89%)	102%	N/A	N/A
Virgin Wines UK PLC	VINO	40	22	(1%)	(38%)	0.1	(87%)	(28%)	N/A	N/A
Seraphine Group PLC	BUMP	30	16	N/A	N/A	0.4	(85%)	(107%)	N/A	N/A
Dekel Agri-Vision Plc	DKLD	3	14	3%	N/A	1.4	(84%)	97%	N/A	N/A
CMO Group PLC	CMOC	22	16	5%	(64%)	0.2	(84%)	49%	N/A	N/A
QUIZ PLC	QUIZ	16	20	10%	(135%)	0.1	(84%)	85%	N/A	N/A
Sportech PLC	ROD	19	19	7%	N/A	0.4	(80%)	55%	N/A	N/A
Deliveroo PLC	ROO	92	1,607	6%	(32%)	0.3	(79%)	163%	N/A	N/A
THG PLC	THG	68	877	2%	1506%	0.5	(79%)	84%	N/A	N/A
East Imperial PLC	EISB	2	6	14%	39%	1.2	(75%)	131%	N/A	N/A
Gusbourne PLC	GUS	71	43	27%	(17%)	6.5	(74%)	107%	N/A	N/A
Surface Transforms PLC	SCEU	30	73	351%	24%	2.9	(73%)	118%	N/A	N/A
Various Eateries PLC	VAREV	28	25	5%	N/A	0.7	(72%)	215%	N/A	N/A
Science in Sport PLC	SISS	12	21	15%	68%	0.4	(72%)	90%	N/A	N/A
DP Poland PLC	DPP	9	61	17%	N/A	1.5	(72%)	102%	N/A	N/A
musicMagpie PLC	MMAG	26	28	5%	(95%)	0.2	(71%)	(134%)	N/A	N/A
Samarkand Group PLC	SMK	35	21	25%	(16%)	0.9	(70%)	633%	N/A	N/A
Fulham Shore PLC	FULH	10	65	14%	40%	0.6	(69%)	97%	35.0	(97%)
Mulberry Group PLC	MUL	215	130	6%	(8%)	0.8	(67%)	48%	N/A	(81%)
Safestay PLC	SSTY	23	15	12%	(140%)	1.6	(67%)	89%	N/A	N/A
Sosandar PLC	SOSS	24	59	39%	(206%)	1.0	(67%)	103%	N/A	N/A
Fireangel Safety Technology Group PLC	FA	10	18	12%	N/A	0.3	(66%)	49%	N/A	N/A
Procook Group PLC	PROC	31	34	6%	(81%)	0.5	(66%)	221%	N/A	N/A
Distil PLC	DISD	0	3	67%	1261%	0.8	(65%)	64%	N/A	N/A
Cake Box Holdings PLC	CBOX	121	49	10%	(14%)	1.2	(63%)	(9%)	N/A	N/A
B90 Holdings PLC	B90	5	13	142%	(39%)	3.0	(60%)	85%	N/A	N/A
Nightcap PLC	NGHT	10	18	26%	(134%)	0.4	(58%)	111%	23.5	(83%)
Strip Tinning Holdings PLC	STGS	45	7	(9%)	N/A	0.4	(54%)	N/A	N/A	N/A
easyJet PLC	EZJ	518	3,930	28%	(118%)	0.4	(51%)	78%	N/A	27%
Aston Martin Lagonda Global Holdings PLC	AML	228	1,595	19%	59%	1.4	(46%)	70%	N/A	N/A
Equipmake Holdings PLC	EQIP	8	65	94%	N/A	7.0	(41%)	(58%)	N/A	N/A
Anexo Group PLC	ANXA	106	126	9%	18%	1.2	(39%)	(100%)	N/A	N/A
Tortilla Mexican Grill PLC	MEX	120	47	25%	4%	0.7	(39%)	(62%)	N/A	N/A
Portmeirion Group PLC	PMGR	378	53	2%	32%	0.6	(39%)	5%	N/A	N/A
Ocado Group PLC	OCDO	535	4,421	12%	139%	1.6	(38%)	37%	N/A	N/A
CT Automotive Group PLC	CTA	52	27	30%	(270%)	0.4	(38%)	147%	N/A	N/A
Venture Life Group PLC	VLG	39	49	15%	29%	1.3	(36%)	88%	6.1	(90%)
International Consolidated Airlines Group SA	ICAG	151	7,484	25%	(145%)	0.3	(36%)	90%	9.3	(32%)
Warpaint London PLC	W7L	205	158	11%	N/A	2.2	(13%)	5%	N/A	N/A
Dignity PLC	DTY	530	266	(11%)	(150%)	2.7	(26%)	40%	N/A	N/A
Artisanal Spirits Company PLC	ART	95	67	16%	(6%)	3.2	(8%)	435%	N/A	N/A

Source: Edison Investment Research, Refinitiv. Note: These companies have forecast negative free cash flow in CY23 and CY24 or there are no free cash flow estimates.

CONTINENTAL EUROPE

Positive returns across the board

Overview of Q123

As in the UK, the European consumer sectors outperformed the regional index, with a local currency return of 12% versus the European market of 9%. Including continued outperformance by the discretionary sectors. These sectors performed well despite further very minor downgrades to consensus CY23 profit expectations. due to a lower CY22 base, ie a disappointing results season.

At the end of the period, consensus was forecasting CY23 revenue growth of 5% and 6% profit growth for the European consumer sectors in CY23.

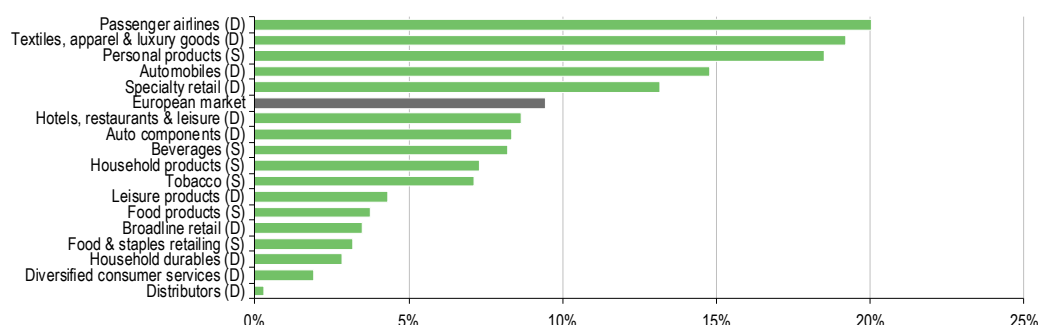
Our screen in Exhibit 14 highlights 100 companies that were trading with a CY23e EV/Sales multiple below their long-term averages, many of which are also trading with a CY23 P/E multiple at a discount to their long-term average, providing a favourable risk/reward for investors.

Discretionary sectors drove performance

Although only five of the 17 consumer sectors outperformed the regional benchmark in Q123, the outperforming sectors included those with a relatively important market capitalisation: textiles, apparel & luxury goods (31% of total market value) and automobiles (13%).

As seen in the UK in Q123, the discretionary sectors outperformed with an aggregate return of 15% versus 8% from the staples sectors. Again, this followed a strong Q422 outperformance by the discretionary sectors in the region, which are an important driver of overall consumer sector performance in Continental Europe, as they represented 62% of total market value at the end of Q123 and 67% of consensus CY23 profit estimates.

Exhibit 10: Continental Europe consumer sectors market value change in Q123 (€)



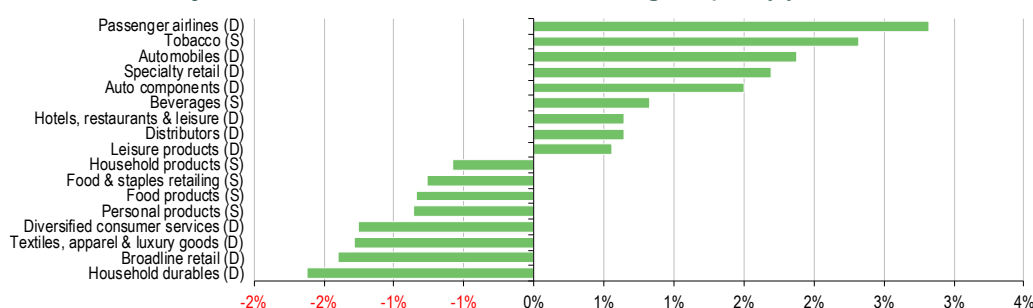
Source: Edison Investment Research, Refinitiv

Further upgrades to CY23e revenue in Q123...

Consensus CY23 revenue estimates for the group increased by just under 1% in the quarter, including upgrades for the discretionary sectors, which offset marginal downgrades for the staples sectors. This follows a strong year of upgrades in 2022, when estimates for CY23 were upgraded by 7%, including upgrades of 12% for the staples and 4% for the discretionary sectors.

The balance of sectors receiving upgrades to revenue estimates versus downgrades was broadly evenly split, with upgrades for the important automobiles sector (34% of total estimated regional sales) versus downgrades for eight sectors including the important food & staples retailing and food products sectors, 14% and 10% of estimated sales, respectively.

Exhibit 11: Continental Europe consumer consensus CY23e revenue change in Q123 (€)



Source: Edison Investment Research, Refinitiv

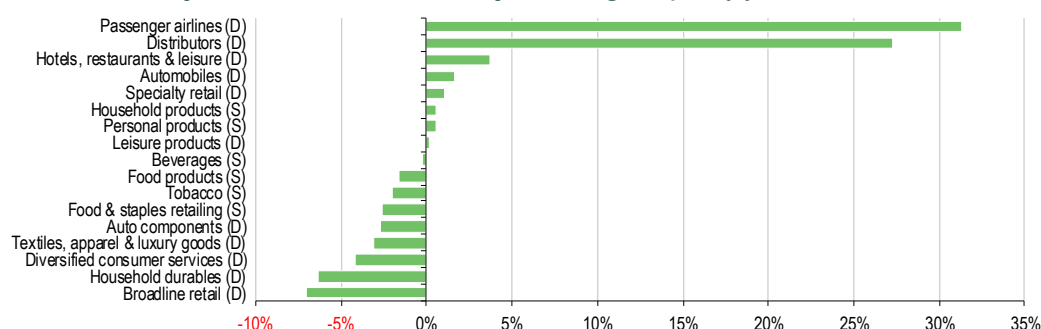
...but aggregate CY23e profit broadly unchanged

Consensus CY23 profit estimates were broadly unchanged overall during the quarter, but within this, estimates for the more significant discretionary sectors (67% of total CY23 profit estimates) were upgraded by just under 1%, offsetting downgrades of a similar scale for the staples sectors.

The most important sectors from a profit perspective at the end of Q123 were automobiles (34% of total European consumer CY23e profit), textiles, apparel & luxury goods (17%) and food products (12%) and beverages (11%).

Automobiles was the only sector that enjoyed upgrades to estimates.

Exhibit 12: Continental Europe Consumer consensus CY23 profit change in Q123 (€)



Source: Edison Investment Research, Refinitiv

Outperforming Continental European sectors in Q123

Although not significant in the wider context, the performance of the passenger airlines sector (1% of total consumer sector market value) was quite broad based, with positive returns for 13 of the 17 listed companies. In aggregate, the sector enjoyed upgrades to CY23 revenue estimates of 3%, which fed through to more significant upgrades to profit estimates of 31%.

The strong return of 19% in textiles, apparel and luxury goods during the quarter was significant as the sector represents 31% of the total consumer sector market value. The sector's strong performance was achieved despite downgrades of 3% to consensus CY23 profit estimates. The megacaps of Adidas, Christian Dior, Compagnie Financiere Richemont, Hermes International, Kering and LVMH all produced handsome double-digit returns in Q123. Consensus CY23 profit estimates increased by more than 10% for Brunello Cucinelli, Fope, OVS, Swatch Group and Geox.

The positive return of 18% the personal products sector in Q123 was driven by heavyweights Beiersdorf and L'Oréal, with marginal upgrades and downgrades to consensus CY23 profit estimates, respectively, during the quarter.

Underperforming Continental European sectors in Q123

The market value of the distributors sector was relatively unchanged by the end of the quarter despite upgrades to consensus CY23 revenue estimates of 1% and profit estimates of 27%. The share price of D'Ieteren, the most important company in the sector, with more than 70% of the sector's market value, did not benefit (ie it declined by 3%) from the significant upgrades to its profit estimates of almost 80%.

The positive return of 2% for diversified consumer services in Q123 was against a backdrop of downgrades to consensus CY23 revenue and profit estimates of 1% and 4%, respectively.

Household durables also posted a positive return despite downgrades to CY23 revenue and profit estimates of 2% and 6%, respectively during the quarter. The companies that enjoyed profit upgrades included B&C Speakers, Bang & Olufsen (lower losses expected), Roche Bobois, Ariston Holding, Purmo Group and VAA Vista Alegre Atlantis.

Subsectors: Majority trading at discount to long-term average

The changes to the estimates highlighted above plus the reporting of results since our last update mean that at the end of Q123, consensus expected 5% revenue growth and 6% profit growth for the European consumer sectors in CY23, little changed from end-December 2022 expectations of 5% revenue growth and 5% profit growth. The change in CY23 estimated y-o-y growth rates includes an absolute reduction in the CY22 profit base of 2% during Q123, indicating a slight disappointment versus Q422 expectations, and implies a marginal underlying upgrade to CY23 profit expectations during the first quarter.

At the subsector level, revenue declines were forecast for nine of the 39 subsectors and profit declines for just seven of the subsectors. For the major subsectors in the region, the expected 2% decline for automobiles (34% of total profits) weighs on overall growth expectations, whereas expected growth for apparel, accessories & luxury goods (16% of total profits), packaged foods & meats (12%) and brewers (10%) supports overall expected growth.

With respect to profit expectations, consensus is more optimistic about the profit margin outlook relative to trading histories for seven of the subsectors: housewares & specialties, leisure products, distillers & vintners, motorcycle manufacturers, personal products, tobacco and casino & gaming. Conversely, only one sector, automotive retail, is forecast to have a lower profit margin than historically.

As we saw in the UK, the majority of subsectors continued to trade at a discount to their long-term average sales multiples at the end of the period, suggesting that further potential downgrades to estimates are discounted.

Exhibit 13: Continental Europe subsector growth estimates and valuations

Subsector	Sales growth CY23e	Profit growth CY23e	Change in CY23e sales growth in Q123	Change in CY23e profit growth in Q123	EV/Sales CY23e (x)	Premium/ (discount) to long-term average EV/Sales	CY23e EBIT margin relative to history
Computer & electronics retail (D)	(0%)	24%	(1%)	9%	0.0	(87%)	13%
Education services (D)	2%	(8%)	(3%)	(15%)	0.4	(84%)	63%
Food distributors (S)	5%	(15%)	1%	(20%)	0.1	(55%)	16%
Home furnishing retail (D)	3%	60%	0%	45%	0.4	(53%)	25%
Footwear (D)	9%	4%	(2%)	(5%)	0.7	(50%)	30%
Agricultural products (S)	(4%)	(12%)	(6%)	(8%)	0.6	(42%)	11%
Apparel retail (D)	4%	13%	0%	10%	1.5	(39%)	27%
Automotive retail (D)	(15%)	456%	(20%)	419%	0.3	(38%)	(4%)
Other specialty retail (D)	35%	20%	23%	(18%)	0.8	(37%)	85%
Home furnishings (D)	(2%)	(11%)	(3%)	(13%)	0.5	(34%)	22%
Homebuilding (D)	(4%)	(4%)	(2%)	(3%)	0.7	(34%)	40%
Home improvement retail (D)	(2%)	54%	(3%)	58%	0.3	(32%)	56%
Drug retail (S)	(0%)	(39%)	(16%)	8%	0.8	(31%)	79%
Restaurants (D)	7%	357%	(3%)	326%	0.6	(29%)	51%
Auto parts & equipment (D)	9%	27%	2%	(5%)	0.4	(29%)	52%
Food retail (S)	5%	3%	(2%)	(2%)	0.3	(28%)	(4%)
Soft drinks & non-alcoholic beverages (S)	13%	31%	1%	2%	0.9	(27%)	74%
Consumer staples merchandise retail (S)	4%	10%	(1%)	(7%)	0.2	(26%)	35%
Leisure facilities (D)	13%	18%	(3%)	(12%)	1.8	(22%)	40%
Automobile manufacturers (D)	4%	(2%)	1%	4%	0.7	(18%)	94%
Brewers (S)	8%	7%	1%	3%	2.2	(17%)	53%
Housewares & specialties (D)	(2%)	6%	(4%)	(9%)	1.0	(17%)	115%
Hotels, resorts & cruise lines (D)	12%	33%	3%	(10%)	1.3	(15%)	96%
Household products (S)	(0%)	2%	(3%)	(12%)	1.4	(13%)	30%
Consumer electronics (D)	8%	49%	(1%)	20%	1.0	(12%)	93%
Household appliances (D)	1%	47%	(2%)	3%	0.6	(12%)	58%
Tyres & rubber (D)	0%	4%	(2%)	6%	0.8	(10%)	67%
Textiles (D)	2%	(26%)	(7%)	(37%)	0.9	(6%)	78%
Passenger airlines (D)	16%	89%	3%	66%	0.5	5%	94%
Leisure products (D)	7%	7%	(3%)	(8%)	1.6	15%	108%
Packaged foods & meats (S)	3%	7%	(1%)	(0%)	2.2	16%	90%
Distillers & vintners (S)	8%	12%	(1%)	(1%)	4.3	24%	134%
Motorcycle manufacturers (D)	6%	9%	3%	5%	1.0	26%	123%
Personal products (S)	6%	5%	(0%)	(3%)	4.6	45%	102%
Tobacco (S)	9%	12%	1%	(0%)	1.4	50%	108%
Distributors (D)	32%	35%	14%	16%	1.0	57%	72%
Apparel, accessories & luxury goods (D)	6%	7%	(1%)	(2%)	4.3	83%	88%
Broadline retail (D)	14%	(702%)	N/A	N/A	7.1	103%	44%
Casinos & gaming (D)	12%	20%	1%	1%	4.4	113%	111%

Source: Edison Investment Research, Refinitiv

Valuation opportunities in Continental European consumer sectors

In Exhibit 14 below we highlight 100 companies in the European consumer sectors that were trading at the greatest discount to their long-term EV/Sales multiples at the end of March 2023, shown in descending order of the discount. We also show consensus revenue and profit growth estimates for CY23, and how their expected margins and prospective CY23 P/E multiples compare to their long-term history. We only include companies for which consensus was forecasting positive free cash flow in CY23 and CY24.

Very few of the companies have higher projected CY23 profit margins versus their long-term reported margins, suggesting margin assumptions are not aggressive in a historical context, and the majority of the highlighted companies were trading at a discount to their long-term P/E multiples, indicating a favourable risk/reward for investors.

In addition to the companies in Exhibit 14 below, we highlight companies that did not benefit from upgrades to CY23 profit forecasts in Q123. These were Olvi Oyj, Boozt, D'Ieteren, Metro, Eurocash, Omer Decugis & Cie, Origin Enterprises, Suedzucker, MHP Hotel, VAA Vista Alegre Atlantis, Racing Force, Maisons du Monde and Rugvista.

Exhibit 14: Continental European valuation screen – companies ranked by EV/Sales 23e versus long-term average

Company	Ticker	Share price 31 March 23 (€)	Market value 31 March 23 (€m)	Sales growth CY23e	EBIT growth CY23e	EV/Sales CY23 (x)	Premium/ (discount) to long-term average EV/Sales	CY23e EBIT margin rel.	P/E CY23e (x)	P/E CY23e vs long- term average
Ceconomy AG	CECG	2.32	1,122	0%	(62%)	(0.0)	(119%)	22%	8.8	(76%)
Eurocash SA	EUR	13.61	403	9%	N/A	(0.0)	(102%)	41%	23.3	(20%)
Desenio Group AB (publ)	DSNO	1.33	18	(1%)	(29%)	0.1	(98%)	(5%)	3.7	(96%)
Glenveagh Properties PLC	GLV	0.99	592	(9%)	43%	1.0	(98%)	100%	N/A	N/A
MHP Hotel AG	CDZO	1.13	49	29%	1002%	0.3	(98%)	97%	20.8	(37%)
Abitare In SpA	ABIT	5.02	133	215%	48%	1.3	(95%)	1%	3.9	(88%)
Strax AB	STRAX	1.33	14	(9%)	(173%)	0.6	(92%)	41%	N/A	N/A
Fashionette AG	FSNT	4.34	27	5%	159%	0.1	(90%)	21%	N/A	N/A
Vranken Pommery Monopole SA	VRKP	17.25	154	1%	N/A	0.5	(82%)	22%	11.4	(95%)
XXL ASA	XXL	2.20	81	(7%)	(176%)	0.2	(79%)	26%	N/A	N/A
Spartoo SAS SA	ALSPT	0.73	13	0%	N/A	0.1	(78%)	(188%)	N/A	N/A
Beter Bed Holding NV	BETR	2.98	81	1%	(41%)	0.2	(78%)	15%	10.7	(44%)
Pierce Group AB (publ)	PIERCE	8.20	58	1%	(186%)	0.3	(77%)	53%	41.3	(63%)
Hellofresh SE	HFGG	17.54	3,016	7%	(32%)	0.3	(76%)	63%	N/A	N/A
Bike24 Holding AG	BIKE	3.03	133	7%	(134%)	0.5	(76%)	56%	33.3	(91%)
Allegro.eu SA	ALEP	26.16	5,903	22%	(24%)	3.0	(75%)	1%	33.1	(74%)
Orascom Development Holding AG	ODHN	7.20	296	10%	(9%)	0.7	(72%)	83%	N/A	N/A
Pferdewetten de AG	EMHn	10.15	49	131%	N/A	0.8	(71%)	55%	N/A	N/A
Fodelia Oyj	FODELIA	4.29	35	25%	(62%)	0.8	(71%)	36%	17.4	(99%)
METRO AG	B4B	7.42	2,705	3%	22%	0.1	(70%)	(18%)	N/A	(10%)
Hexaom SA	ALHEX	17.70	122	7%	N/A	0.1	(69%)	(1%)	5.7	(61%)
Lanson BCC SA	ALLAN	34.80	234	3%	N/A	0.8	(69%)	77%	9.0	(42%)
RVRC Holding AB	RVRC	29.50	297	7%	10%	2.0	(68%)	(13%)	12.7	(61%)
Kernel Holding SA	KER	18.49	331	(13%)	9%	0.2	(68%)	31%	1.3	(91%)
BHG Group AB	BHGF	9.49	151	(8%)	(178%)	0.3	(68%)	46%	125.4	88%
H & M Hennes & Mauritz AB	HMb	122.02	15,914	1%	(40%)	0.7	(67%)	11%	20.7	(24%)
Bang & Olufsen A/S	BO	9.26	152	4%	(163%)	0.3	(67%)	67%	N/A	N/A
Spinnova Oyj	SPINN	5.60	288	(55%)	(66%)	19.2	(66%)	51%	N/A	N/A
Geox SpA	GEO	1.07	276	8%	109%	0.4	(66%)	55%	17.8	(73%)
Kongsberg Automotive ASA	KOA	2.20	205	(1%)	(30%)	0.2	(66%)	63%	14.7	(49%)
Greenyard NV	GREENY	6.43	330	4%	19%	0.1	(65%)	27%	N/A	(73%)
Poulaillon SA	ALPOU	4.45	23	12%	N/A	0.2	(65%)	82%	15.9	(63%)
Elringklinger AG	ZILGn	8.12	514	4%	(57%)	0.4	(65%)	14%	10.4	(53%)
SRP Groupe SA	SRPG	1.40	166	5%	(94%)	0.2	(62%)	73%	N/A	N/A
Rugvista Group AB (publ)	RUG	42.05	78	(7%)	(45%)	1.2	(62%)	5%	14.9	(44%)
Angler Gaming PLC	ANGLR	3.26	22	(43%)	(92%)	1.1	(62%)	34%	20.3	47%
Maisons du Monde SA	MDM	9.50	389	2%	(48%)	0.4	(60%)	14%	9.8	(40%)
Omer Decugis & Cie SA	ALODC	3.82	33	7%	N/A	0.2	(59%)	72%	13.8	(66%)
VAA Vista Alegre Atlantis SGPS SA	VAF	0.81	134	3%	N/A	0.9	(59%)	99%	15.2	(96%)
ForFarmers NV	FFARM	3.16	299	(4%)	4%	0.1	(59%)	15%	10.0	(62%)
Oponeo.pl SA	OPN	38.80	115	9%	(22%)	0.3	(59%)	44%	12.9	(55%)
Emova Group SA	ALEMV	1.15	10	N/A	N/A	0.9	(59%)	125%	N/A	(99%)
Feintool International Holding AG	FTON	22.30	331	8%	(41%)	0.4	(57%)	64%	17.3	(40%)
Zalando SE	ZALG	34.64	9,129	2%	(76%)	0.8	(56%)	29%	70.2	(54%)
Kamux Oyj	KAMUX	4.98	199	3%	(33%)	0.2	(56%)	23%	12.0	(44%)
Savencia SA	SAVEN	62.00	867	1%	N/A	0.1	(56%)	19%	6.2	(56%)
Rainbow Tours SA	RBW	28.60	89	24%	35%	0.1	(56%)	87%	8.8	(56%)
AS Creation Tapeten AG	ACWNn	11.60	32	1%	(197%)	0.2	(56%)	71%	35.5	15%
Amrest Holdings SE	EATP	18.34	857	6%	20%	0.5	(56%)	72%	14.3	(82%)
M2i SA	ALMII	3.68	19	9%	N/A	0.3	(55%)	88%	N/A	N/A
Clas Ohlson AB	CLASb	74.15	396	(5%)	(39%)	0.5	(54%)	6%	13.8	(26%)
Midsona AB	MSONb	8.00	104	(3%)	(81%)	0.4	(53%)	85%	7.6	(62%)
Novem Group SA	NVM	9.72	417	N/A	N/A	0.7	(53%)	(12%)	9.5	(49%)
Continental AG	CONG	64.76	12,908	7%	2%	0.4	(53%)	36%	8.7	(68%)
Stellantis NV	STLAM	16.23	52,153	2%	32%	0.1	(53%)	72%	3.7	(91%)
Scandic Hotels Group AB	SHOTE	32.59	555	3%	737%	0.4	(53%)	84%	9.0	(56%)
Verkkokauppa.com Oyj	VERK	2.80	127	(2%)	(75%)	0.2	(52%)	15%	28.1	(70%)
Byggmax Group AB	BMAX	35.22	184	(5%)	(42%)	0.4	(52%)	23%	6.6	(65%)
Pandora A/S	PNDORA	613.60	7,838	0%	21%	2.3	(52%)	32%	11.6	(49%)
Sligro Food Group NV	SLIGR	15.34	679	14%	600%	0.3	(52%)	44%	16.2	(26%)
Duell Oyj	DUELL	1.69	51	9%	(21%)	0.7	(52%)	58%	10.6	(80%)
Duffry AG	DUFN	39.32	4,831	73%	197%	0.6	(52%)	89%	15.5	(94%)
Finnair Oyj	FIA1S	0.50	699	22%	64%	0.2	(51%)	94%	N/A	N/A
Centrale del Latte d'Italia SpA	CLII	2.63	37	4%	(48%)	0.3	(51%)	53%	10.2	(81%)
Betsson AB	BETSb	99.30	1,075	13%	12%	1.1	(51%)	44%	8.7	(25%)
Wawel SA	WWL	470.00	150	3%	(36%)	0.9	(50%)	(17%)	20.1	27%

Company	Ticker	Share price 31 March 23 (€)	Market value 31 March 23 (€m)	Sales growth CY23e	EBIT growth CY23e	EV/Sales CY23 (x)	Premium/ (discount) to long-term average EV/Sales	CY23e EBIT margin rel.	P/E CY23e (x)	P/E CY23e vs long- term average
Gaming Innovation Group Inc	GIG	24.40	275	21%	40%	2.4	(49%)	96%	N/A	N/A
Dalata Hotel Group PLC	DHG	4.23	940	10%	558%	1.8	(49%)	94%	13.2	(54%)
Etablissements Franz Colruyt NV	COLR	25.76	3,442	5%	(34%)	0.4	(49%)	(7%)	17.0	(8%)
Tod's SpA	TOD	34.30	1,131	6%	196%	1.1	(49%)	59%	28.3	8%
Elior Group SA	ELIOR	3.10	534	6%	(94%)	0.3	(49%)	68%	N/A	N/A
Portale Sardegna SpA	PSAR	3.25	5	29%	(126%)	0.5	(49%)	356%	N/A	N/A
Meko AB	MEKO	116.20	584	6%	(11%)	0.6	(48%)	6%	9.5	(43%)
AST Groupe SA	ALAST	2.11	27	12%	(1632%)	0.2	(48%)	47%	12.3	(95%)
Alfio Bardolla Training Group SpA	ABTG	2.05	10	15%	(139%)	0.6	(48%)	84%	5.1	(62%)
LPP SA	LPPP	9585.00	3,784	N/A	N/A	1.0	(47%)	41%	15.6	(41%)
B&S Group SA	BSGR	3.78	317	6%	(17%)	0.3	(47%)	26%	6.7	(66%)
Kambi Group PLC	KAMBI	197.60	549	13%	(40%)	2.7	(46%)	58%	16.0	(70%)
Sogefi SpA	SGFI	1.14	136	4%	17%	0.2	(46%)	12%	4.0	(89%)
YIT Oyj	YIT	2.33	490	(2%)	116%	0.4	(46%)	25%	9.1	(79%)
Monnalisa SpA	MONNA	3.07	16	18%	27%	0.5	(46%)	92%	N/A	N/A
Farmae SpA	FARMA	11.00	75	19%	(112%)	0.7	(46%)	201%	N/A	N/A
Kindred Group PLC	KINDsdb	113.25	2,321	16%	(75%)	1.5	(45%)	15%	16.7	(1%)
Austevoll Seafood ASA	AUSS	87.30	1,566	(9%)	29%	0.7	(44%)	81%	8.6	(55%)
Telematic Interactive Bulgaria AD	BGTIB	14.50	96	18%	N/A	1.1	(43%)	(6%)	7.0	(22%)
Scandi Standard AB (publ)	SCST	49.34	291	3%	30%	0.4	(43%)	32%	12.5	(52%)
Olvi Oyj	OLVAS	29.80	505	6%	28%	0.7	(43%)	21%	11.2	(36%)
Hochdorf Holding AG	HOCN	22.20	48	8%	73%	0.3	(43%)	72%	N/A	N/A
Origin Enterprises PLC	OGN	4.15	460	0%	25%	0.3	(42%)	28%	7.9	(64%)
NH Hotel Group SA	NHH	3.55	1,539	7%	(481%)	1.0	(42%)	95%	N/A	N/A
Lastminute.com NV	LMN	21.05	247	22%	N/A	0.7	(41%)	94%	10.3	(57%)
Kjell Group AB (publ)	KJELL	25.00	69	(2%)	(28%)	0.4	(41%)	38%	8.6	(66%)
Sats ASA	SATSS	7.40	133	(2%)	109%	0.7	(41%)	73%	N/A	N/A
SMCP SA	SMCP	7.70	580	7%	14%	0.7	(40%)	79%	8.3	(66%)
Gestamp Automocion SA	GEST	4.01	2,301	10%	30%	0.3	(40%)	83%	7.1	(44%)
Atal SA	1AT	42.40	349	(16%)	1%	1.0	(40%)	42%	7.0	(21%)
Ryanair Holdings PLC	RYA	14.29	16,266	30%	300%	1.4	(40%)	73%	N/A	N/A
Matas A/S	MATAS	81.85	419	(1%)	4%	0.9	(40%)	(2%)	11.5	(17%)
Fielmann AG	FIEG	38.06	3,186	4%	N/A	1.7	(40%)	(20%)	26.3	(7%)
AcadeMedia AB	ACADE	48.54	456	2%	(14%)	0.4	(40%)	13%	6.9	(44%)

Source: Edison Investment Research, Refinitiv. Note: We only include companies with forecast positive free cash flow in CY23 and CY24.

NORTH AMERICA

Consumer sectors lagged market

Q123 overview

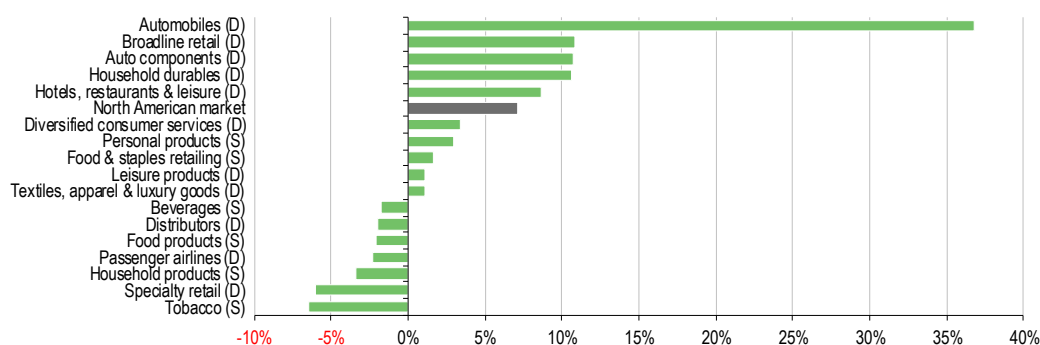
The 5% aggregate US\$ return generated by North American consumer sectors in Q123 was below the 7% North American market return, making it the only major region in this report to underperform its regional index. Again, the sectors' performance contrasted with the direction of consensus estimates. CY23 profit estimates declined by 3% following significant downgrades through CY22, partially explained by the negative effects of the strength of the US dollar for overseas earners.

At the end of the quarter, consensus was estimating revenue growth of 4% and profit growth of 14% for the group in CY23. In Exhibit 19, we identify 100 companies that were trading at a discount to their long-term average multiples at the end of March 2023.

Relative underperformance by consumer sectors in Q123

The only consumer sectors that outperformed the North American index in Q123 were discretionary. The aggregate 9% return for all discretionary sectors, including underperformers, more than offset the 1% decline by the staples sectors. The overall market value of the sector is weighted towards the discretionary sectors, which represented 62% of total value at the end of the quarter. The performance of the largest sectors was mixed, with outperformance by the cyclical broadline retail (18% of total market value) and hotels, restaurants & leisure (13%) sectors, while food & staples retailing (12%) and specialty retail (11%) underperformed.

Exhibit 15: North American consumer market value change in Q123 (US\$)



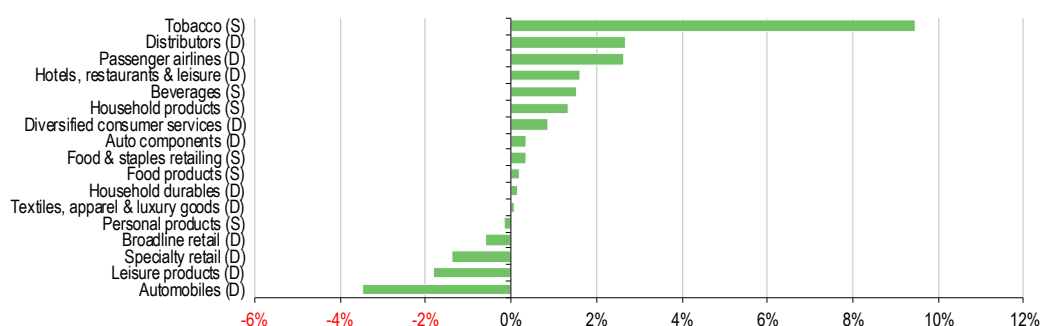
Source: Edison Investment Research, Refinitiv

No net change to CY23e revenue in Q123...

Through Q123, aggregate consensus CY23 revenue estimates for the North American consumer sectors were unchanged, which was welcome following the downgrades made in Q422 and the whole of 2022.

Although overall estimates were unchanged in the period, the staples sectors fared better with upgrades of 1%, offsetting downgrades for the discretionary sectors.

Exhibit 16: North American consumer consensus CY23e revenue change in Q123 (US\$)

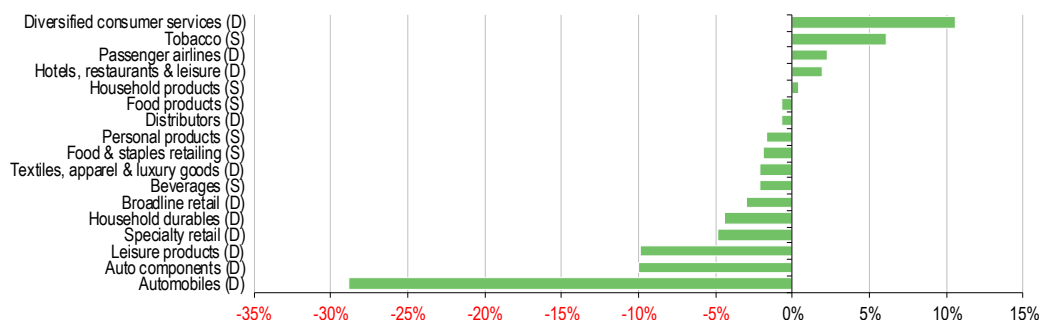


Source: Edison Investment Research, Refinitiv

...but CY23e profit was downgraded again

The more significant sectors from a profit perspective – broadline retail, specialty retail and food & staples retailing, which represent almost 40% of total profits – saw downgrades to profit estimates in Q123. In addition, there were significant downgrades, ie more than 10%, for automobiles, auto components and leisure products, but these are relatively small sectors, representing just under 7% of total profit estimates.

Exhibit 17: Consensus CY23e profit change in Q123 (US\$)



Source: Edison Investment Research, Refinitiv

Outperforming North American sectors in Q123

The automobiles sector made a significant U-turn in the quarter, generating a positive return of 37% following significant negative returns in Q422 (-46%) and for the whole of 2022 (-63%), when it was the worst performing consumer sector. This contrasts with consensus revenue and profit estimates, which fell by 3% and 29%, respectively. The fortunes of the sector are heavily dependent on Tesla (almost 80% of the sector's market capitalisation by the end of the quarter), which had weighed on the sector's performance in Q422 but rocketed up by 56% in Q123 despite consensus CY23 profit estimates falling by 31%.

Broadline retail performed well, with an 11% increase during the quarter, while revenue estimates fell by 1% and profit estimates declined by 3%. Amazon.com, which represents two-thirds of the new sector's capitalisation, delivered an important boost to the sector's performance even though its consensus profit estimates fell by 8%. Conversely, Alibaba Group, 15% of the sector's market value, fell marginally despite small upgrades to profit estimates.

Auto components also performed well, also with an 11% return in Q123, despite downgrades to profit estimates of 10%. The sector had performed poorly in 2022 but performed strongly in the final quarter of the year. Companies that generated good positive returns in Q123 despite downgrades to profit estimates included Aptiv and Autoliv.

Underperforming North American sectors in Q123

Tobacco moved to the bottom of the performance pile, declining by 7% in the quarter, having been one of the best performing consumer sectors in 2022. Q123 performance was in direct contrast to the direction of change in CY23e consensus in the period, with 9% upgrades to revenue and 6% upgrades to profit estimates. Within the sector, the most notable performance was by its largest constituent, Philip Morris International (62% of the sector's market value), whose share price fell by 8% despite upgrades to CY23 profit estimates of 12%.

Specialty retail's decline of 6% was more or less in line with the downgrades to consensus profit estimates of 5% in the period. At 11% of consumer sector market value at the end of Q123 and 14% of total consumer consensus profit estimates for CY23, changes in the sector are important to overall performance. Upgrades to profit estimates were few and far between, with the exception of Abercrombie & Fitch, Urban Outfitters, Cazoo Group, Vroom, GameStop, Barnes & Noble Education and Grove Collaborative Holdings.

The household products sector fell by 3% although aggregate CY23 profit estimates were unchanged in Q123. Among the larger companies, the share prices of Procter & Gamble and Colgate Palmolive both fell despite upgrades to profit estimates.

Subsectors: Valuations more balanced

In Exhibit 18 we show the growth prospects and valuations of the subsectors at the end of March 2023. Consensus was estimating revenue growth of 4% and profit growth of 14% for the group in CY23, broadly similar to the growth rates expected at the end of CY22. In absolute terms, the CY22 profit base, which is a combination of newly reported and updated estimates for the period, was 3% lower than expected at the end of CY22.

Of the 40 highlighted subsectors in Exhibit 18, revenue is forecast to decline in CY23 for 13 subsectors and profit declines are expected for just four subsectors.

With respect to the subsectors' prospective CY23 EV/Sales multiples versus their long-term averages, the figures are more balanced than in the UK and Europe. Just under half, that is 18 of the 40 subsectors, were trading at a premium to their long-term average sales multiples at the end of Q123.

From a forecast margin perspective, only one sector – textiles – is forecast to earn a lower profit margin in CY23 than in 2006–22. Four sectors were expected to generate a higher profit margin in CY23 than historically: tobacco, food retail, distributors and agricultural products.

Exhibit 18: North American subsector growth estimates and valuations

Subsector	Sales growth CY23e	Profit growth CY23e	Change in CY23e sales growth in Q123	Change in CY23e profit growth in Q123	EV/Sales CY23e (x)	Premium/ (discount) to long-term average EV/Sales	CY23e EBIT margin relative to history
Textiles (D)	(2%)	22%	(2%)	(82%)	0.3	(60%)	(438%)
Drug retail (S)	1%	24%	(1%)	(29%)	0.3	(50%)	21%
Brewers (S)	2%	27%	(1%)	(38%)	1.5	(42%)	50%
Apparel, accessories & luxury goods (D)	5%	2%	0%	(10%)	1.4	(38%)	62%
Education services (D)	6%	157%	1%	(268%)	1.4	(37%)	54%
Housewares & specialties (D)	(9%)	(5%)	(6%)	1%	1.1	(31%)	38%
Home furnishing retail (D)	(6%)	114%	(4%)	(106%)	0.7	(28%)	23%
Passenger airlines (D)	12%	114%	0%	(211%)	0.6	(26%)	85%
Broadline retail (D)	7%	23%	N/A	N/A	1.6	(23%)	26%
Casinos & gaming (D)	21%	486%	4%	(639%)	2.6	(22%)	86%
Food distributors (S)	6%	24%	(0%)	(40%)	0.4	(22%)	36%
Leisure facilities (D)	11%	24%	0%	(39%)	3.3	(20%)	79%
Home furnishings (D)	(3%)	(9%)	(1%)	14%	0.9	(17%)	54%
Leisure products (D)	1%	22%	(1%)	(39%)	1.2	(14%)	67%
Motorcycle manufacturers (D)	(5%)	46%	(15%)	(74%)	2.1	(13%)	34%
Consumer electronics (D)	(1%)	1%	(5%)	(9%)	2.0	(11%)	34%
Hotels, resorts & cruise lines (D)	22%	142%	1%	(267%)	2.9	(10%)	91%
Tyres & rubber (D)	4%	22%	0%	(33%)	0.4	(10%)	54%
Homebuilding (D)	(15%)	(38%)	(0%)	73%	1.1	(8%)	81%
Computer & electronics retail (D)	(3%)	7%	(1%)	(14%)	0.4	(8%)	7%
Apparel retail (D)	4%	11%	(1%)	(23%)	1.0	(1%)	63%
Tobacco (S)	(1%)	7%	0%	(7%)	4.9	4%	116%
Automotive retail (D)	(1%)	(2%)	(1%)	8%	0.8	6%	53%
Other specialty retail (D)	4%	4%	(0%)	(8%)	1.1	9%	69%
Packaged foods & meats (S)	4%	5%	0%	(9%)	1.9	10%	46%
Food retail (S)	2%	6%	(1%)	(10%)	0.5	11%	122%
Consumer staples merchandise retail (S)	4%	5%	0%	(11%)	0.8	17%	1%
Specialised consumer services (D)	3%	21%	(1%)	(43%)	2.4	18%	83%
Restaurants (D)	10%	16%	1%	(31%)	3.4	18%	59%
Household appliances (D)	(3%)	27%	(1%)	(54%)	0.8	19%	49%
Distributors (D)	4%	6%	2%	(9%)	1.3	20%	105%
Household products (S)	2%	5%	1%	(11%)	3.8	23%	51%
Soft drinks & non-alcoholic beverages (S)	5%	11%	1%	(18%)	4.1	23%	50%
Distillers & vintners (S)	6%	9%	(1%)	(18%)	5.6	24%	86%
Agricultural products (S)	(0%)	17%	(1%)	(13%)	0.5	25%	136%
Home improvement retail (D)	(2%)	2%	(1%)	(2%)	1.9	33%	96%
Footwear (D)	8%	12%	(1%)	(22%)	2.9	33%	67%
Auto parts & equipment (D)	6%	34%	(0%)	(59%)	0.9	33%	73%
Personal products (S)	2%	10%	(1%)	(20%)	3.2	38%	90%
Automobile manufacturers (D)	7%	2%	(7%)	(21%)	2.0	65%	98%

Source: Edison Investment Research, Refinitiv

Valuation opportunities in North American consumer sectors

In Exhibit 19 we show 100 companies that were trading at the greatest discount to their long-term average EV/Sales multiples at the end of March 2022. We only include those companies that were expected to generate positive free cash flow in CY23 and CY24.

For each company we also show consensus revenue and profit growth estimates for CY23 and how their expected margins and prospective CY23 P/E multiples compare to their long-term history, which helps to give the relative EV/Sales multiples some perspective.

Exhibit 19: North American valuation screen – companies ranked by EV/Sales 23e versus long-term average

Company	Ticker	Share price 31 March 23 (US\$)	Market value 31 March 23 (US\$m)	Sales growth CY23e	EBIT growth CY23e	EV/Sales CY23 (x)	Premium/ (discount) to long-term average EV/Sales	CY23e EBIT margin relative	P/E CY23e (x)	P/E CY23e vs long-term average
TAL Education Group	TAL	5.90	2,958	(24%)	(37%)	(0.1)	(101%)	24%	N/A	N/A
American Public Education Inc	APEI	5.02	96	1%	(60%)	0.1	(96%)	(58%)	N/A	N/A
Golden Entertainment Inc	GDEN	42.11	1,187	(3%)	(11%)	1.8	(94%)	99%	18.0	(9%)
Bragg Gaming Group Inc	BRAG	4.91	76	16%	87%	0.7	(91%)	100%	N/A	N/A
Yatsen Holding Ltd	YSG	1.43	799	3%	45%	0.8	(89%)	167%	N/A	N/A
Citi Trends Inc	CTRN	17.74	148	(4%)	(78%)	0.1	(87%)	22%	24.9	(68%)
D Market Elektronik Hizmetler ve Ticaret AS	HEPS	1.19	388	(15%)	91%	0.2	(87%)	85%	N/A	N/A
D2L Inc	DTOL	7.60	143	11%	70%	0.2	(86%)	123%	N/A	N/A
ATRenew Inc	REER	2.82	628	34%	14%	0.1	(86%)	372%	N/A	N/A
Alibaba Group Holding Ltd	BABA	86.12	228,006	7%	7%	1.3	(86%)	31%	10.1	(70%)
Dingdong (Cayman) Ltd	DDL	3.58	846	3%	88%	0.1	(86%)	111%	N/A	N/A
New Oriental Education & Technology Group Inc	EDU	37.06	6,289	5%	44%	0.7	(85%)	66%	22.8	(39%)
Gaotu Techedu Inc	GOTU	4.11	1,066	20%	96%	1.2	(84%)	91%	28.6	(82%)
NIU Technologies	NIU	3.80	292	26%	(150%)	0.4	(84%)	87%	11.5	(75%)
AKA Brands Holding Corp	AKA	0.56	73	(5%)	(87%)	0.3	(82%)	37%	N/A	N/A
Dada Nexus Ltd	DADA	7.96	2,149	33%	21%	0.9	(82%)	250%	N/A	N/A
Zumiez Inc	ZUMZ	17.21	335	(7%)	(72%)	0.2	(81%)	(73%)	41.3	87%
Warby Parker Inc	WRBY	9.87	1,145	10%	7%	1.4	(81%)	689%	N/A	N/A
NeoGames SA	NGMS	14.71	380	48%	(340%)	2.2	(80%)	46%	N/A	N/A
Melco Resorts & Entertainment Ltd	MLCO	12.13	5,376	175%	29%	3.2	(80%)	96%	N/A	N/A
Bluegreen Vacations Holding Corp	BVH	25.58	549	10%	(4%)	1.3	(80%)	1%	9.0	52%
Brilliant Earth Group Inc	BRLT	3.53	340	8%	(40%)	0.5	(79%)	(19%)	17.2	(97%)
Honest Company Inc	HNST	1.69	158	0%	102%	0.5	(79%)	38%	N/A	N/A
Vacasa Inc	VCASA	0.91	399	(10%)	21%	0.2	(78%)	284%	N/A	N/A
Under Armour Inc	UAA	8.93	3,756	28%	N/A	0.6	(76%)	43%	N/A	N/A
Olaplex Holdings Inc	OLPX	3.99	2,601	(16%)	2%	5.0	(76%)	(20%)	13.3	(77%)
DoorDash Inc	DASH	59.90	23,485	21%	(144%)	2.5	(76%)	51%	N/A	N/A
MYT Netherlands Parent BV	MYTE	6.47	549	15%	368%	0.6	(75%)	162%	N/A	(83%)
Lulu's Fashion Lounge Holdings Inc	LVLU	2.38	94	(4%)	(61%)	0.3	(74%)	(53%)	85.0	(46%)
Udemy Inc	UDMY	8.58	1,247	14%	(94%)	1.1	(74%)	207%	N/A	N/A
2U Inc	TWOU	6.76	536	3%	40%	1.3	(74%)	190%	N/A	N/A
Chico's FAS Inc	CHS	5.26	658	6%	195%	0.2	(72%)	71%	6.0	(87%)
Urban Outfitters Inc	URBN	26.37	2,431	4%	(34%)	0.4	(71%)	29%	10.7	(59%)
Afya Ltd	AFYA	10.68	1,001	17%	36%	2.2	(71%)	(2%)	9.1	(77%)
RumbleOn Inc	RMBL	6.61	108	(16%)	1438%	0.4	(71%)	100%	N/A	N/A
Container Store Group Inc	TCS	3.31	168	1%	(31%)	0.3	(70%)	34%	5.1	(92%)
Vasta Platform Ltd	VSTA	3.16	264	14%	223%	1.2	(70%)	158%	N/A	N/A
Culp Inc	CULP	5.30	65	0%	(533%)	0.2	(70%)	19%	N/A	N/A
Tesla Inc	TSLA	191.81	606,907	25%	115%	5.7	(69%)	100%	46.4	(77%)
GoPro Inc	GPRO	4.84	750	(6%)	(59%)	0.5	(69%)	82%	15.8	(76%)
Arco Platform Ltd	ARCE	12.71	842	16%	148%	2.7	(68%)	113%	N/A	N/A
Latham Group Inc	SWIM	2.83	325	(17%)	238%	1.0	(68%)	123%	N/A	N/A
Unifed Natural Foods Inc	UNFI	24.82	1,474	4%	3%	0.1	(67%)	3%	7.0	(66%)
Universal Electronics Inc	UEIC	9.58	122	(18%)	(25%)	0.3	(65%)	19%	65.0	(29%)
Signet Jewelers Ltd	SIG	73.77	3,336	(1%)	(42%)	0.3	(64%)	69%	5.7	(60%)
Nordstrom Inc	JWN	15.38	2,463	(4%)	39%	0.3	(64%)	51%	8.0	(56%)
Kohls Corp	KSS	21.69	2,402	(8%)	(76%)	0.3	(64%)	32%	8.7	(53%)
Genius Sports Ltd	GENI	4.09	921	15%	74%	2.1	(64%)	117%	N/A	N/A
Designer Brands Inc	DBI	8.66	551	(3%)	28%	0.2	(64%)	82%	4.7	(90%)
Gap Inc	GPS	9.03	3,321	(3%)	(87%)	0.3	(64%)	26%	15.5	(11%)
Canada Goose Holdings Inc	GOOS	24.63	1,874	8%	4%	2.0	(64%)	20%	17.6	(60%)
Global-E Online Ltd	GLBE	29.24	4,780	40%	(159%)	7.9	(64%)	95%	N/A	N/A
Lovesac Co	LOVE	24.00	365	7%	5%	0.5	(62%)	91%	11.0	(50%)
Vital Farms Inc	VITL	15.28	623	25%	7908%	1.3	(62%)	65%	46.5	(85%)
Tillys Inc	TLYS	7.08	211	(5%)	(78%)	0.2	(62%)	3%	69.7	80%
Genesco Inc	GCO	33.72	425	2%	(30%)	0.2	(61%)	54%	6.4	(65%)
PDD Holdings Inc	PDD	71.68	90,631	24%	322%	3.0	(61%)	99%	15.1	(78%)
Dorel Industries Inc	DIIb	3.76	91	4%	(294%)	0.2	(60%)	40%	N/A	N/A
Vipshop Holdings Ltd	VIPS	14.88	8,718	6%	6%	0.4	(60%)	108%	8.3	(71%)
Franchise Group Inc	FRG	26.25	917	0%	(1%)	0.6	(59%)	78%	8.6	(52%)
Airbnb Inc	ABNB	117.91	74,440	14%	237%	7.0	(59%)	101%	N/A	N/A
Abercrombie & Fitch Co	ANF	25.20	1,240	2%	(62%)	0.3	(58%)	18%	17.5	(57%)
Torrid Holdings Inc	CURV	3.23	335	0%	98%	0.5	(57%)	96%	N/A	N/A

Company	Ticker	Share price 31 March 23 (US\$)	Market value 31 March 23 (US\$m)	Sales growth CY23e	EBIT growth CY23e	EV/Sales CY23 (x)	Premium/ (discount) to long-term average EV/Sales	CY23e EBIT margin relative	P/E CY23e (x)	P/E CY23e vs long-term average
National Vision Holdings Inc	EYE	17.69	1,397	6%	(65%)	0.8	(57%)	(15%)	32.1	(93%)
Hibbett Inc	HIBB	58.49	743	5%	(22%)	0.4	(56%)	51%	6.0	(62%)
Coupang Inc	CPNG	15.27	27,093	16%	91%	1.0	(56%)	147%	N/A	N/A
Macy's Inc	M	17.10	4,641	(5%)	(14%)	0.3	(56%)	75%	4.3	(65%)
CareRx Corp	CRRX	2.19	91	(4%)	53%	0.5	(56%)	34%	N/A	N/A
BJ's Restaurants Inc	BJRI	28.55	672	4%	79%	0.5	(56%)	64%	53.8	26%
Rover Group Inc	ROVR	4.33	801	22%	18%	2.6	(56%)	175%	N/A	N/A
Southwest Airlines Co	LUV	30.15	17,918	14%	185%	0.5	(56%)	83%	10.6	(58%)
Red Robin Gourmet Burgers Inc	RRGB	14.02	224	2%	15%	0.3	(56%)	61%	N/A	N/A
Tupperware Brands Corp	TUP	2.29	102	(10%)	(61%)	0.6	(54%)	38%	5.5	(62%)
MercadoLibre Inc	MELI	1,191.79	59,897	24%	135%	4.6	(54%)	42%	N/A	N/A
JAKKS Pacific Inc	JAKK	14.68	143	(8%)	805%	0.2	(54%)	73%	3.5	(87%)
Accel Entertainment Inc	ACEL	8.93	774	11%	38%	1.0	(54%)	98%	N/A	N/A
Yatra Online Inc	YTRA	1.90	121	803%	N/A	2.1	(54%)	150%	N/A	N/A
Chegg Inc	CHGG	15.89	2,011	(2%)	(82%)	2.8	(53%)	132%	N/A	N/A
On Holding AG	ONON	30.24	8,527	46%	161%	4.3	(53%)	114%	56.3	(49%)
Pollard Banknote Ltd	PBL	22.15	434	1%	(48%)	1.4	(53%)	5%	23.1	6%
Walgreens Boots Alliance Inc	WBA	32.94	28,420	3%	(0%)	0.3	(53%)	16%	7.1	(63%)
Sportradar Group AG	SRAD	11.10	3,299	28%	(25%)	3.1	(53%)	108%	46.7	(87%)
Soho House & Co Inc	SHCO	6.54	1,279	22%	45%	1.5	(53%)	144%	N/A	N/A
Chewy Inc	CHWY	34.38	14,678	11%	(161%)	1.3	(53%)	88%	N/A	N/A
Thorne Healthtech Inc	THRN	4.73	250	31%	(47%)	0.8	(53%)	236%	6.6	(82%)
Capri Holdings Ltd	CPRI	43.53	5,472	3%	9%	1.2	(53%)	34%	N/A	N/A
Century Casinos Inc	CNTY	7.24	216	31%	1%	0.8	(52%)	107%	10.2	(80%)
Guess? Inc	GES	18.04	989	2%	(9%)	0.4	(51%)	43%	6.8	(70%)
Rite Aid Corp	RAD	2.18	123	(7%)	(361%)	0.1	(51%)	13%	N/A	N/A
MGM Resorts International	MGM	41.73	15,561	10%	(434%)	1.3	(51%)	75%	N/A	N/A
MakeMyTrip Ltd	MMYT	23.78	2,503	41%	224%	2.8	(50%)	113%	74.8	(78%)
MTY Food Group Inc	MTY	60.53	1,075	48%	9%	1.9	(50%)	(2%)	14.3	(23%)
One Group Hospitality Inc	STKS	7.82	247	18%	(29%)	0.7	(50%)	85%	N/A	N/A
Revolve Group Inc	RVLV	26.25	1,926	7%	(24%)	1.4	(49%)	(12%)	33.3	(14%)
Solo Brands Inc	DTC	6.89	662	4%	(57%)	1.4	(49%)	85%	N/A	N/A
Alaska Air Group Inc	ALK	38.99	4,970	8%	371%	0.5	(49%)	80%	6.8	(61%)
Carnival Corp	CCL	8.79	10,982	65%	35%	1.9	(49%)	94%	N/A	N/A
Lindblad Expeditions Holdings Inc	LIND	8.60	457	33%	43%	1.6	(49%)	91%	N/A	N/A
Strattec Security Corp	STRT	21.75	89	6%	(71%)	0.2	(48%)	56%	15.0	(18%)
Calavo Growers Inc	CVGW	27.15	482	(8%)	259%	0.5	(48%)	31%	N/A	N/A

Source: Edison Investment Research, Refinitiv. Note: We only include companies with forecast positive free cash flow in CY23 and CY24.

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