ConsumerWatch | October 2024

DON'T LOOK DOWN

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.

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A relatively stable macroeconomic environment and modest cuts to interest rates appear to have stimulated investor interest in the sector, with outperformance versus the UK market in Q324 for the first time this year and continued outperformance versus the North American market. There was an element of looking towards better times as overall profit estimates continued to decline in the quarter. Indeed, we hear plenty of companies talking about economic indicators that point to better trading ahead, even if current trading remains subdued. We were a little disappointed to see the reversion to more downgrades than upgrades at the individual company level in Q324. The current quarter is an important time for many companies from a trading perspective. It also includes two significant upcoming events, which appear to have recently negatively affected consumer confidence in the UK and US: the first budget from the Labour government in the UK at the end of October and the US presidential election at the start of November. It is going to be an interesting quarter.

A better quarter for performance

The sector caught the eye of investors in Q324, with the UK notching up its first quarter of outperformance this year and the North American sector continuing its outperformance from the prior quarter. A general easing of inflation and reductions in interest rates by central banks have certainly been helpful. Recent upgrades for economic growth by the International Monetary Fund (IMF) and the Bank of England (BoE) point to a more favourable backdrop in the UK, and the consumer-facing sectors should be set to benefit from a projected increase in household consumption. This should come as a huge relief to the companies given that household spend has been diverted towards essential purchases in recent years. The US backdrop remains relatively robust but consumer confidence has been more volatile and weaker than in the UK and Europe. This is probably due to concerns about jobs and inflation and helped by uncertainties around the impending election.

Discretionary sectors driving profit growth

There was not much respite for consensus profit expectations for the consumer sector in Q324 as the downward trend from the prior two quarters continued. Perhaps the most disappointing aspect of the quarter from an earnings perspective was the change in momentum back towards more downgrades to profit estimates for individual companies than upgrades. We had become quite excited by the reverse trend in our prior note, but alas, no. The main issue appears to be the top-line or revenue as the estimated growth rates for these, in aggregate, have declined at a greater rate than the accompanying downgrades to profit forecasts. Naturally, with low overall economic growth, there are plenty of winners and losers. Across the three regions we look at, the discretionary sectors are predicted to lead the profit growth. Many are forecast to generate double-digit profit growth.

Valuation opportunities everywhere

Our valuation screen finds many companies that appear attractively valued on a relative basis when comparing expected levels of profitability across the sector in the individual regions. A good number are enjoying good momentum in profit estimates, which should be helpful for future performance.

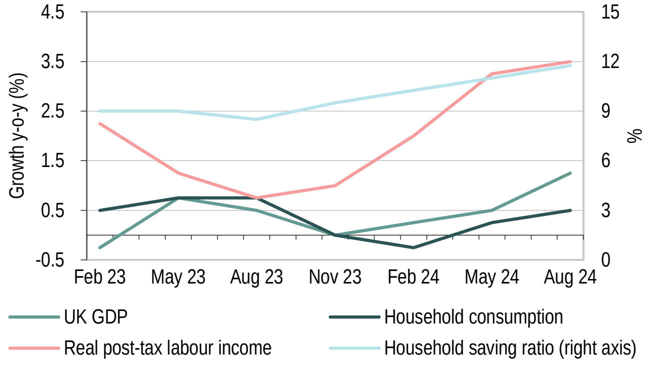
OVERVIEW

Global growth forecasts stable but 'underwhelming'

There were mixed fortunes for the different geographies in the IMF's updated World Economic Outlook released in October but no significant changes to overall global growth estimates (forecast at 3.2% for both 2024 and 2025). On the plus side, 2024 growth estimates were increased for the US (to 2.8% from 2.6% in July 2024) and there was a significant jump for the UK (to 1.1% from 0.7%). These have been the key sources of good news this year, with cumulative upgrades of 0.7% and 0.5%, respectively. On the negative side, there were relatively minor downgrades to 2024 growth estimates for the Euro Area (to 0.8% from 0.9% in July 2024) and emerging or developing economies (to 4.2% from 4.3%). All the changes flowed through to upgrades or downgrades for the individual geographies in 2025, apart from the UK where growth estimates were unchanged at 1.5%, although this is higher than its expected 2024 growth. The growth estimates remain, to quote the IMF, 'underwhelming' versus historical levels of growth but not bad given where we have come from.

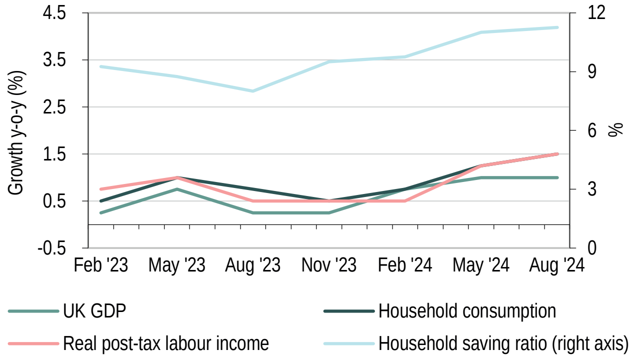
The upgrade for the UK was consistent with the most recent quarterly update by the BoE (although it was last updated in August 2024). With the upcoming Budget at the end of October, the Office for Budget Responsibility will opine on what we can expect in the next couple of years. In the August report, the BoE continued to upgrade its growth forecasts for UK GDP, household consumption and real post-tax labour income for 2024, 2025 and 2026. The upgrades for each of these measures began at various stages since the November 2023 update. The BoE is expecting greater growth in household consumption in 2025 (1.5%) than 2024 (0.5%), which should be helpful for the outlook of the consumer-facing sectors. This is helped by an expected slight dip in the household saving ratio to 11.25% in 2025, from 11.75% in 2024, despite a forecast dip in projected GDP growth to 1% from 1.25% and real post-tax labour income to 1.5% from 3.5%. So, the UK looks like an increasingly better place to be, if not terribly exciting.

Exhibit 1: Bank of England forecasts for 2024



Source: Bank of England Monetary Policy Report, August 2024

Exhibit 2: Bank of England forecasts for 2025

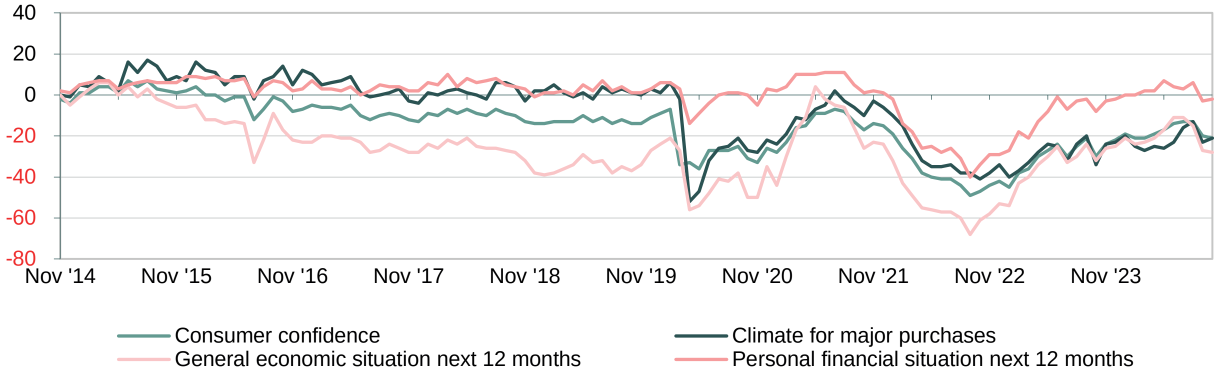


Source: Bank of England Monetary Policy Report, August 2024

Consumer confidence, mixed and choppy

Consumer confidence has been a bit more variable in recent months. There was a large dip in the overall UK consumer confidence indicator in September 2024, which came as a bit of a blow as it was only the second month-on-month decline of 2024, followed by a slight dip again in October. The size of the correction was so large that it took the overall indicator back towards levels last seen at the start of the year. Looking at the individual indicators, there were large drops for the 'climate for major purchases', 'general economic situation next 12 months' and 'personal financial situation next 12 months' indicators, the latter moving into negative territory for the first time in 2024. Despite the generally more buoyant mood elsewhere, due to inflation declining, potentially lower interest rates and more favourable signs in the housing market, the decline was attributed to concerns about the upcoming Budget.

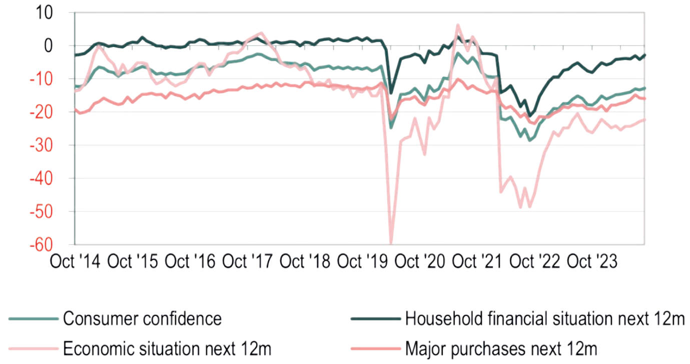
Exhibit 3: GfK UK consumer confidence



Source: LSEG Data & Analytics

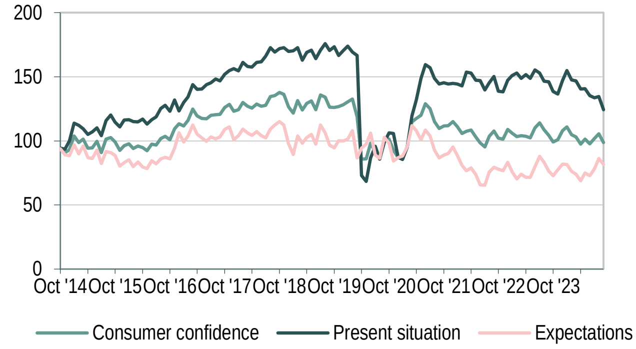
In contrast to the UK, consumer confidence in the Euro Area has been on a broadly improving trend through the summer, continuing its prior recovery. However, there was some weakness in one of the constituent indices, the 'major purchase next 12 months' indicator, in the most recent two months, August and September 2024. Conversely, consumer confidence in the US saw a similar deterioration in September 2024 as the UK but this was the fifth month-on-month decline this year, so has been a bit more variable than the UK's mainly improving trend through 2024.

Exhibit 4: Euro Area consumer confidence (European Commission)



Source: LSEG Data & Analytics

Exhibit 5: US consumer confidence (The Conference Board)



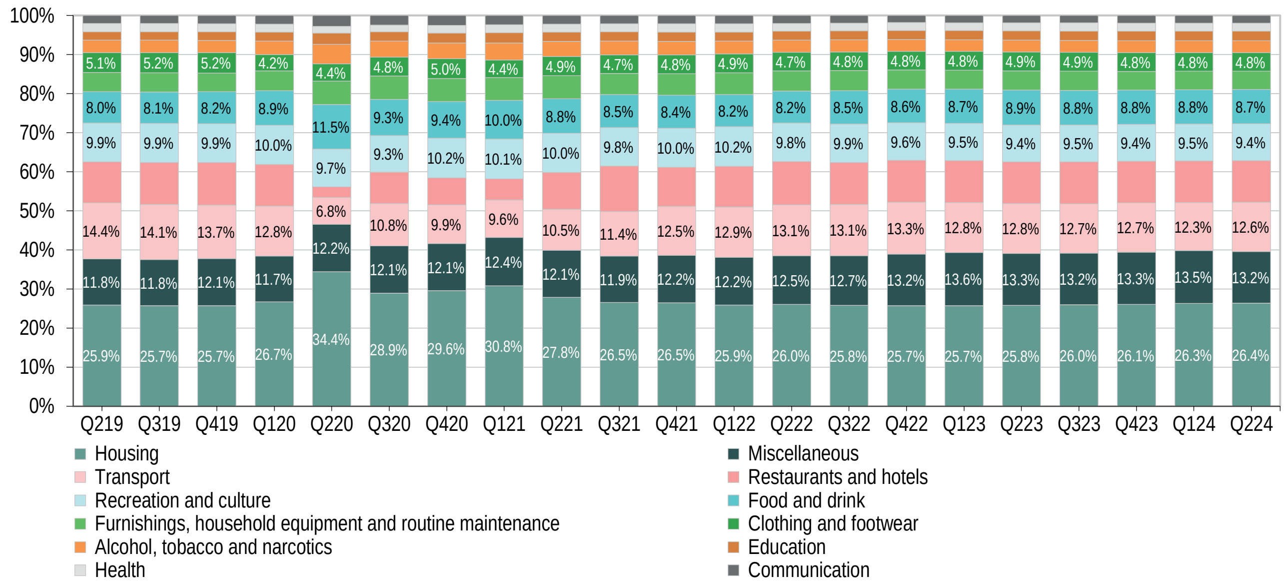
Source: LSEG Data & Analytics

Focus on the UK consumer

Prior to looking at more recent trends in retail sales, we look at how UK household consumption has changed over recent years. The challenges faced by the UK consumer sector are evident in the fact that total domestic household consumption in Q224 without any inflation was only marginally above that of Q219, which has naturally placed strains on the companies. It was significantly higher (ie 22%) when inflation is included but so were the companies' costs.

With limited underlying growth, the strains on the subsectors can be seen by looking at how the various items of household consumption have evolved from Q219 through Q224. The main observation is that households have had to commit a greater proportion of their consumption towards housing, food and drink and 'miscellaneous' (which includes items such as financial services and personal care) at the expense of transport, clothing and footwear, and furnishings, household equipment and routine maintenance. If the forecast growth in the UK economy and consumer spend comes through, these down-trodden areas of spend could spring back to life.

Exhibit 6: UK household consumption



Source: Office for National Statistics

Moving on to more recent trends, the UK's Office for National Statistics reported good seasonally adjusted retail sales (excluding auto fuel) growth of 3.6% for September 2024. Although September did not represent the strongest year-on-year growth rate of 2024, the two-year growth rate, which adjusts for the monthly swings in the comparatives from 2023, was as strong as it has been at any time in 2024, which is very encouraging. As inflation has eased since the start of 2023, volume growth has improved slowly to take up the strain. Pretty dismal weather in the early summer likely did not help and the spate of riots temporarily affected footfall on some high streets.

Exhibit 7: UK retail sales volume seasonally adjusted

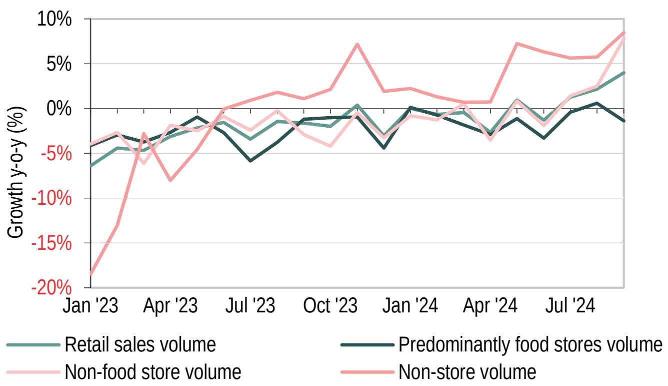
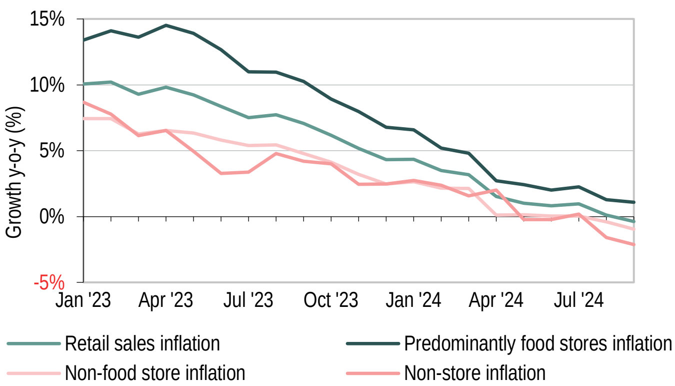


Exhibit 8: UK retail sales inflation seasonally adjusted



Source: Office for National Statistics

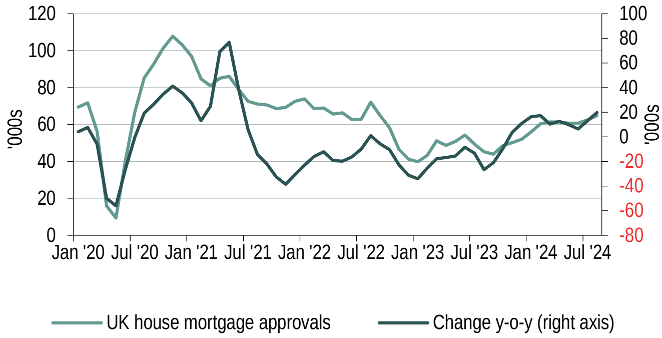
Some retailers will be happy that overall retail sales volume growth was positive in every month of Q324 as this was the first time this has happened since Q122 when growth rates were skewed by the COVID-19 pandemic. However, not all categories benefited; volumes declined for ‘predominantly food stores’ in a couple of the months in Q324. To demonstrate how challenging the last few years have been for the retailers, in volume terms September 2024’s sales remain about 1% below September 2019’s level and 7% below September 2020’s level.

More positive news for consumers came with September 2024 showing the first overall negative number for inflation in retail since February 2021. While there was inflation for ‘predominantly food stores’, there was deflation for ‘non-food stores’ and ‘non-stores’. As consumers are painfully aware, inflation has provided a good boost for retail sales, as shown by September 2024’s retail sales being 21% higher than those of September 2019.

In recent company results calls, companies that are exposed to spending on home-related items have indicated that they are more encouraged about the outlook based on an improvement in several indicators, even if current trading remains lacklustre.

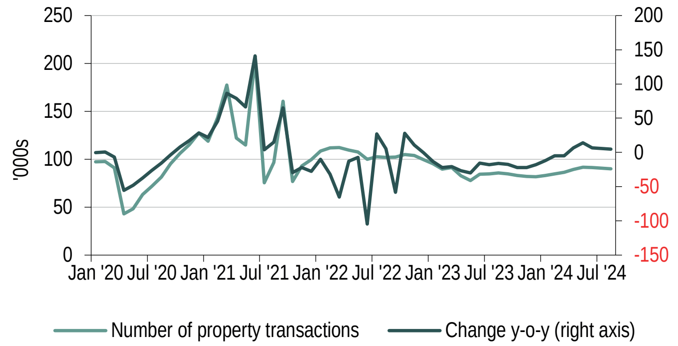
Monthly mortgage approvals (Exhibit 9) have been trending upwards, with year-on-year increases for 10 consecutive months, to 64.9k in August 2024 versus 45.2k in August 2023. However, they remain well below the long-term (since October 1986) monthly average of 81.5k and the August average of 78.5k. The number of property transactions (Exhibit 10) have also shown good year-on-year growth in four of the last five months, following declines that stretched back to December 2022. Again, at 90.2k in August 2024, they remain below the August average (since 2005) of 95.5k.

Exhibit 9: UK house mortgage approvals



Source: Bank of England

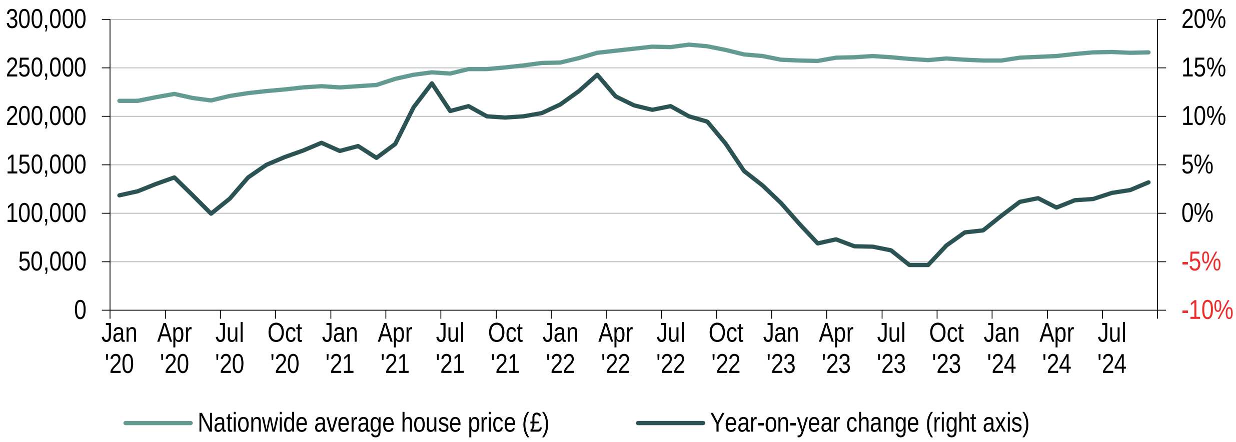
Exhibit 10: UK residential property transactions



Source: HM Customs and Excise

For the homeowner, these have translated through to year-on-year increases in average house prices in eight of the nine months of 2024 and increases in recent months that are above the headline rate of inflation.

Exhibit 11: Nationwide average house price (£)



Source: LSEG Data & Analytics

Consumer sector performance and trends in estimates in Q324

In the following sections of the report, we look at what happened to the share prices and consensus CY24 profit (operating profit) estimates for the UK, Continental European and North American consumer sectors in Q324. We generalise a little below as we talk about the overall consumer sector. Many companies and subsectors are performing nicely but many are still finding life a challenge or underwhelming.

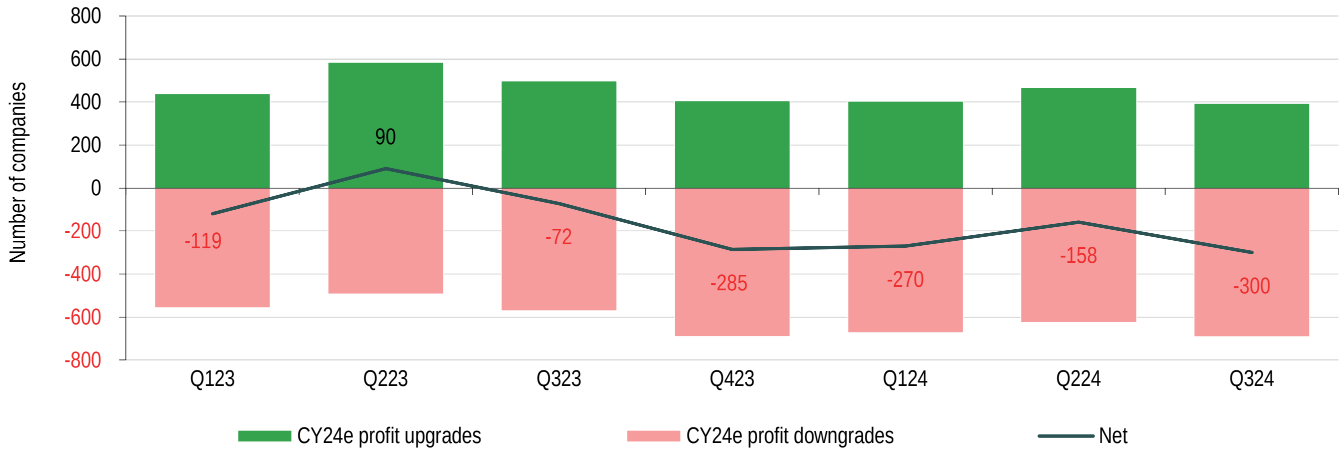
There were several bright spots from a performance perspective in Q324. Notably, it was the first quarterly outperformance by the UK consumer sector and the second consecutive quarterly outperformance by the North American consumer sector. The Continental European sector had a tougher time, continuing its underperformance from Q124 and Q224.

The trend in consensus CY24 profit estimates in Q324 was unhelpful for all three regions. Following downgrades to estimates for the UK and European sectors in Q124 and Q224, there were further downgrades in Q324. Frustratingly, there was a move back to net downgrades for the North American sector, following a swing to net upgrades in Q224.

At the subsector level, trends were underwhelming everywhere. In the UK and Europe, only five of the 16 subsectors enjoyed net upgrades to consensus estimates in Q324. The trends were even more disappointing for North America as estimates for only two subsectors were upgraded.

In our previous report, we highlighted more encouraging trends for consensus CY24 profit estimates than previously for the individual companies, with more upgrades and fewer downgrades in all three regions. However, this reversed in Q324 for all three regions (Exhibits 16, 22 and 28). This is a little frustrating. In Q224, the UK and European sectors saw their first improvement in the net number of individual upgrades to downgrades since Q223, while it was the second consecutive quarter of improving trends for the North American sector. Exhibit 12 brings together the figures for the three regions to give an overall picture of there being fewer upgrades and more downgrades to consensus CY24 profit estimates in Q324. This likely reflects the reappraisal of full-year expectations as the analysts went through the halfway point of the year and saw what was needed to keep estimates for the year where they were. We note there was a similar trend in 2023 of relative improvement from Q1 to Q2 and deterioration from Q2 to Q3.

Exhibit 12: Quarterly trends in upgrades/downgrades to CY24e profit



Source: LSEG Data & Analytics, Edison Investment Research

Consensus expectations for CY24

Following the downgrades to profit estimates, at the end of Q324 consensus was forecasting better profit growth in CY24 for the North American sector (14%) than the UK (4%) and Continental Europe (-10%) sectors in local currency terms. The projected decline for Continental Europe is driven by a significant expected 30% fall for automobiles, which is a large subsector at 30% of the total profit pool. The underlying picture for Europe is healthier when we strip out the automobile sector, with forecast revenue and profit growth of 3% and 5%, respectively.

Exhibit 13: Consensus growth for CY24e and CY25e

	Revenue growth		Profit growth	
	CY24e	CY25e	CY24e	CY25e
UK total (£)	0%	4%	4%	6%
- UK discretionary (£)	(0%)	6%	8%	13%
- UK staples (£)	0%	3%	2%	3%
Continental Europe (€)	1%	5%	(10%)	12%
- Continental Europe discretionary (€)	(0%)	5%	(17%)	14%
- Continental Europe staples (€)	4%	4%	6%	8%
North America (US$)	4%	6%	14%	12%
- North America discretionary (US$)	5%	7%	19%	15%
- North America staples (US$)	2%	4%	8%	7%

Source: LSEG Data & Analytics, Edison Investment Research

For the UK, consensus forecasts no revenue growth in CY24 versus the 3% expected growth in our report at the start of the year. For the record, estimated profit growth at the time was 5% versus the current forecast of 4%.

The discretionary sectors are driving the expected profit growth in all regions. In the UK, the most significant contribution to expected growth is from hotels, restaurants and leisure, but almost three-quarters of the subsectors are expected to grow profit in CY24. In Europe, double-digit profit growth is forecast for hotels, restaurants and leisure; consumer staples distribution and retail; specialty retail; household durables; and broadline retail. In North America, broadline retail; hotels, restaurants and leisure; automobiles; auto components; diversified consumer services; and personal products are all expected to generate double-digit profit growth in CY24.

Valuation opportunities in the consumer sector

For the three regions, we screen for valuation opportunities in the sector. In our July 2024 report we introduced a screen that compares prospective EV/sales multiples (including lease liabilities) with operating margins. We work on the assumption that a higher level of profitability would justify a higher valuation (all other things being equal), while recognising that different industries have different investment requirements, growth rates etc. We also recognise that, for many companies, current expectations for operating margin are at or towards cyclical lows and, therefore, understate the potential valuation multiples using the regression analysis. For the UK companies, we continue to find a reasonably good correlation between the two data points, with an R-squared for the line of best fit of 0.73 (Exhibit 18) versus Continental Europe's 0.41 (Exhibit 24) and North America's 0.4 (Exhibit 30). Having identified the line of best fit for each of the regions, we highlight the companies that were valued below their implied valuations for each region: UK (Exhibit 19), Europe (Exhibit 25) and North America (Exhibit 31).

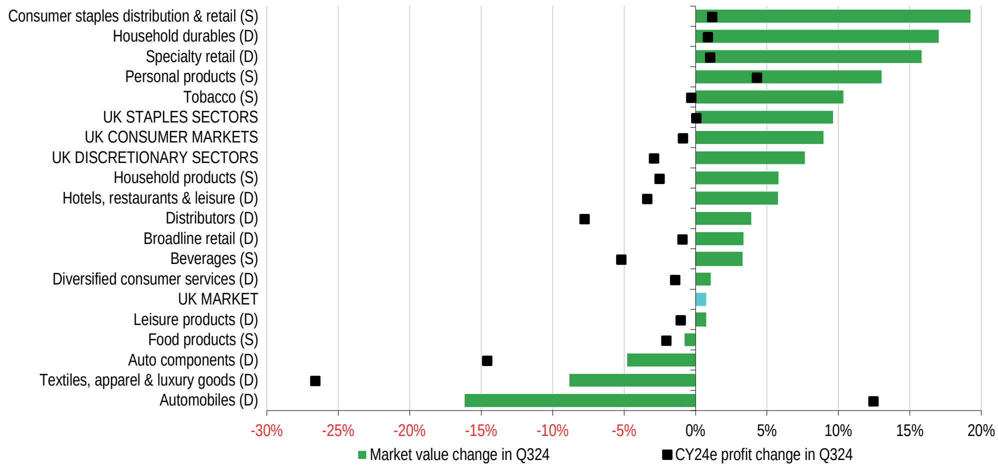
Throughout the report we use sector (ie industry) classifications as defined by the MSCI Global Industry Classification Standard and in our charts the discretionary subsectors are labelled D and the staples sectors are labelled S.

We create the industry aggregations bottom-up by summing the data for the individual companies in the sectors. The quoted changes in market values and growth rates for estimates are on a like-for-like basis, meaning we only include data for a company if there are data for both the base and current period. The source of our data is LSEG Data & Analytics (formerly Refinitiv), and so we are dependent on the completeness (LSEG Data & Analytics may not include data from all covering analysts and may not include every line item of the analysts' models), timeliness and, therefore, accuracy of its data.

UNITED KINGDOM

There was a lot of enthusiasm for the UK consumer sector in Q324 as most (11 of the 16) sectors outperformed the market. This was the first quarter of outperformance in 2024, suggesting that investors started to buy into the improving outlook. The outperformance came despite net downgrades to consensus CY24 profit estimates of c 1%, continuing the downgrades seen in Q124 and Q224. Only five of the 16 subsectors enjoyed net upgrades to consensus estimates and, for some subsectors, the downgrades to estimates were severe. For example, auto components and textiles, apparel and luxury goods were downgraded by more than 10%. The downgrades to profit estimates were lower than the c 2% reduction in revenue estimates, suggesting better profitability and/or mix benefits to the total profit pool.

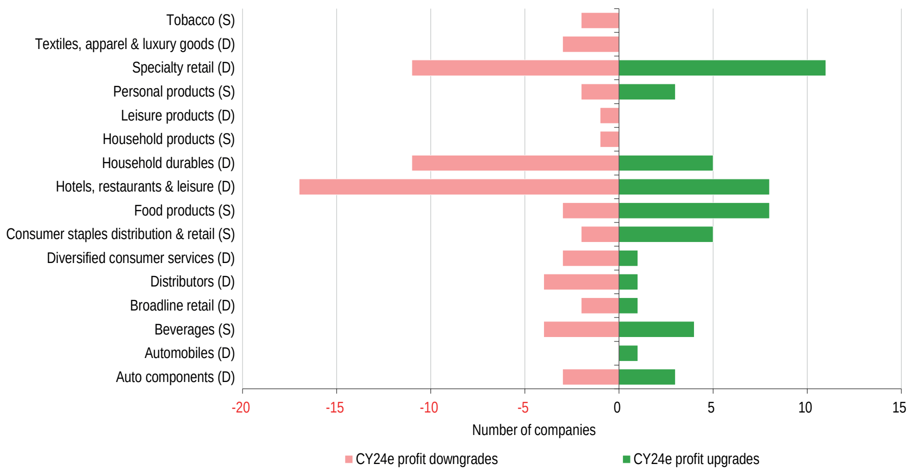
Exhibit 14: UK subsector performance versus consensus CY24e profit in Q324



Source: LSEG Data & Analytics, Edison Investment Research

To get better insight into the overall health of the sector and eliminate any skewing of estimates changes for the major companies, we look at the number of companies that received upgrades and downgrades to consensus CY24 profit estimates in the period to derive the net number of upgrades (positive) or downgrades (negative). There is a clear pattern of more downgrades than upgrades in Q324. Subsectors that fared better include consumer staples distribution and retail and food products, while the opposite was true for hotels, restaurants and leisure and household durables.

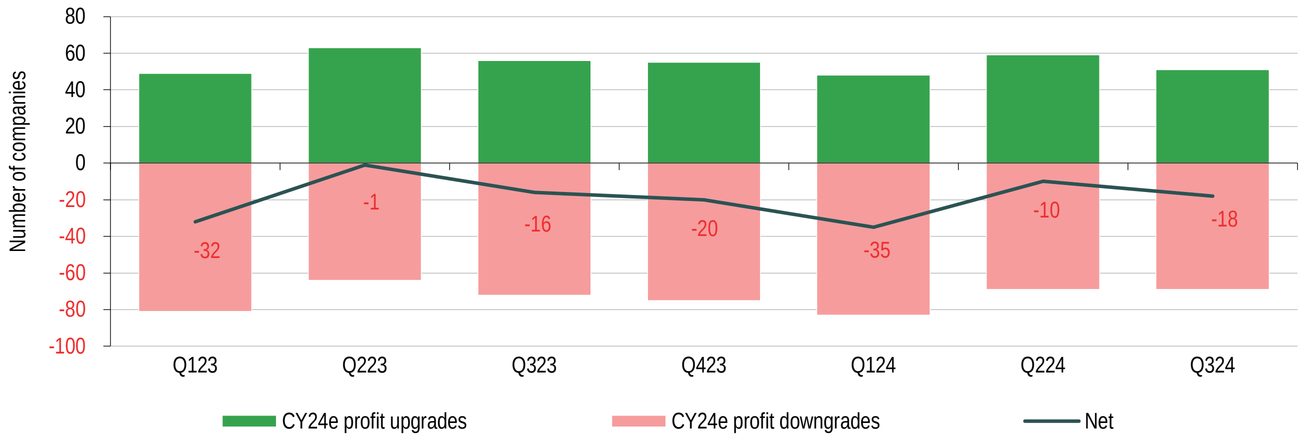
Exhibit 15: Number of companies to receive downgrades/upgrades to CY24e profit in Q324



Source: LSEG Data & Analytics, Edison Investment Research

While the number of UK companies to receive downgrades to consensus CY24 profit estimates in Q324 was the same as in Q224, fewer companies benefited from upgrades. As a result, the first signs of an improving trend in the net ratio of upgrades to downgrades that we saw in Q224 reversed in Q324.

Exhibit 16: Quarterly progression in upgrades/downgrades to CY24e profit



Source: LSEG Data & Analytics, Edison Investment Research

Growth expectations

The net downgrades to consensus CY24 profit estimates in Q324 follow downgrades to profit estimates in Q124 and Q224. Therefore, at the end of September 2024, consensus was expecting limited revenue growth in CY24 and profit growth of 4%. These are on a like-for-like basis as we only include the companies for which LSEG Data & Analytics has reported figures for FY23 and estimates for FY24.

In Exhibit 17 we show the consensus revenue and profit growth expectations for the subsectors and their relative contributions to the overall growth in the profit pool, in descending order of the latter. Naturally, there is a wide disparity in expectations for the individual subsectors, with profit growth of 68% for auto components and a fall of 44% for textiles, apparel and luxury goods. The overall growth in the total profit pool is expected to come from the discretionary subsectors, with the most significant contribution from hotels, restaurants and leisure. From a revenue perspective, more (nine of 16) subsectors are forecast to see lower revenue in CY24 versus CY23 than are expected to generate revenue growth. However, consensus is more optimistic about the prospects for profit as 11 subsectors are forecast to report growth in CY24. The strength of sterling is likely to be unhelpful for the exporters on the revenue side but helpful for the importers on the cost side.

Exhibit 17: UK consumer subsectors CY24e growth

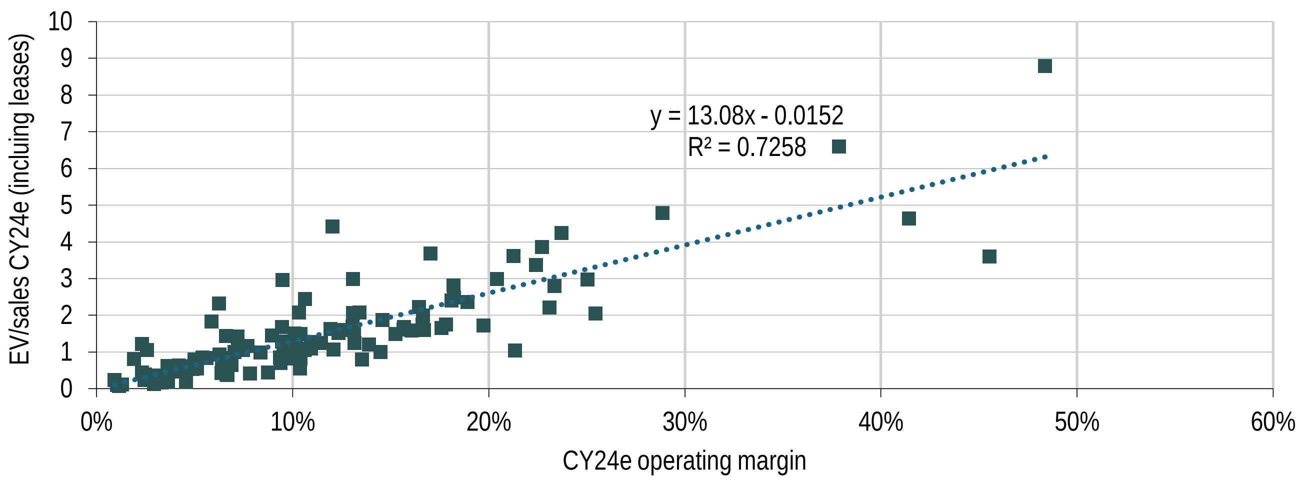
	Revenue growth CY24e	EBIT growth CY24e	Contribution to total CY24e profit growth
Hotels, restaurants & leisure (D)	(1%)	23%	68%
Personal products (S)	(2%)	6%	26%
Food products (S)	2%	24%	23%
Consumer staples distribution & retail (S)	3%	12%	21%
Auto components (D)	(4%)	68%	8%
Specialty retail (D)	2%	3%	4%
Diversified consumer services (D)	(1%)	13%	4%
Automobiles (D)	11%	78%	3%
Broadline retail (D)	6%	2%	1%
Household products (S)	(2%)	1%	1%
Leisure products (D)	6%	1%	0%
Distributors (D)	(14%)	(13%)	(4%)
Household durables (D)	1%	(9%)	(11%)
Tobacco (S)	(4%)	(2%)	(13%)
Textiles, apparel & luxury goods (D)	(10%)	(44%)	(14%)
Beverages (S)	(3%)	(7%)	(18%)

Source: LSEG Data & Analytics, Edison Investment Research

UK consumer valuation opportunities

In our July 2024 report, we introduced a new screen to identify potential valuation opportunities. We found a higher correlation (R-squared of 0.73) between prospective EV/sales multiples (including leases) and operating margin for the individual companies than between prospective EV/sales multiples (including leases) and gross margins (R-squared of 0.23). We recognise that, for many companies, current expectations for operating margin are at or towards cyclical lows and, therefore, understate the potential valuation multiples using the regression analysis. For the record, the R-squared figures for the two correlations as at the end of September 2024 were similar at 0.73 and 0.26, respectively.

Exhibit 18: Correlation of CY24e EV/sales and operating margin



Source: LSEG Data & Analytics, Edison Investment Research

In Exhibit 19 we show the UK-listed consumer companies that were trading at a discount relative to their implied valuations using the lines of best fit for both regression analyses at the end of September 2024. We also show how their consensus CY24 profit estimates changed during Q324. The data are sorted in ascending order of prospective EV/sales multiples and we exclude companies with a market capitalisation of less than £20m.

The above regression analyses would suggest we place greater emphasis on the companies that look attractively valued versus operating margin than gross margin. Therefore, in Exhibit 19, we have bolded the 27 companies that are attractively valued using EV/sales and operating margin, and had positive momentum in their CY24 profit estimates during the period.

Exhibit 19: UK valuation screen

Company	Ticker	Market value 30 September 2024 (£m)	EV/sales CY24e including leases (x)	Gross margin CY24e	EBIT margin CY24e	Relative value using gross margin CY24e	Relative value using operating margin CY24e	CY24e EBIT change Q324
Vertu Motors	VTU	201	0.1	n/a	1%		Y	(2%)
Naked Wines	WINEW	40	0.1	n/a	1%		Y	(51%)
Wynnstay Group	WYWYN	74	0.1	n/a	1%		Y	0%
Virgin Wines UK	**VINO**	**22**	**0.1**	**n/a**	**3%**		**Y**	**5%**
Smiths News	SNWS	143	0.2	7%	4%	Y	Y	0%
IG Design Group	IGRI	123	0.2	19%	5%	Y	Y	(12%)
Motorpoint Group	MOTR	127	0.2	8%	1%	Y		0%
Currys	CURY	1,014	0.2	20%	2%	Y	Y	(1%)
Hilton Food Group	**HFG**	**806**	**0.3**	**n/a**	**3%**		**Y**	**1%**
J Sainsbury	SBRY	6,973	0.3	7%	3%		Y	(0%)
McBride	MCB	206	0.4	n/a	7%		Y	0%
Halfords Group	HFD	329	0.4	48%	2%	Y		(1%)
ASOS	ASOS	512	0.4	43%	(2%)	Y		25%
Dowlais Group	DWL	798	0.4	17%	7%	Y	Y	(12%)
Boohoo Group	BOOH	379	0.4	52%	(2%)	Y		(52%)
Sanderson Design Group	SDG	55	0.4	n/a	8%		Y	(18%)
Inchcape	INCH	3,233	0.4	16%	6%	Y	Y	(8%)
Nexteq	NXQ	59	0.4	38%	9%	Y	Y	(45%)
Likewise Group	LIKE	41	0.4	31%	2%	Y		(21%)
Marks Electrical Group	**MRKM**	**64**	**0.5**	**25%**	**4%**	**Y**	**Y**	**1%**
Revolution Beauty Group	REVB	57	0.5	47%	4%	Y	Y	0%
Tesco	**TSCO**	**24,584**	**0.5**	**7%**	**4%**		**Y**	**1%**
Bakkavor Group	**BAKK**	**910**	**0.5**	**27%**	**5%**	**Y**	**Y**	**5%**
C&C Group	GCC	627	0.5	n/a	4%		Y	(2%)
Kitwave Group	**KITW**	**282**	**0.5**	**22%**	**5%**	**Y**	**Y**	**3%**
Mothercare	MTC	20	0.5	n/a	10%		Y	0%
TI Fluid Systems	TIFS	820	0.5	n/a	7%		Y	(19%)
Colefax Group	CFX	52	0.6	n/a	6%		Y	(3%)
Greencore Group	**GNC**	**827**	**0.6**	**32%**	**5%**	**Y**	**Y**	**1%**
Topps Tiles	TPT	85	0.6	54%	4%	Y		(11%)
Kingfisher	**KGF**	**5,888**	**0.6**	**37%**	**5%**	**Y**	**Y**	**0%**
AO World	AO	652	0.6	23%	4%	Y		0%
Wickes Group	WIX	424	0.6	37%	4%	Y		1%
Springfield Properties	**SPRSP**	**128**	**0.6**	**24%**	**7%**	**Y**	**Y**	**2%**
THG	THG	732	0.6	46%	(4%)	Y		(100%)
Shoe Zone	SHOE	79	0.7	22%	7%	Y	Y	(26%)
Journeo	**JNEO**	**47**	**0.7**	**34%**	**9%**	**Y**	**Y**	**7%**
Marks and Spencer Group	**MKS**	**7,641**	**0.7**	**38%**	**7%**	**Y**	**Y**	**1%**
Rank Group	RNK	422	0.7	n/a	7%		Y	(2%)
Procook Group	PROC	28	0.8	66%	5%	Y		(1%)

Cont.

Exhibit 19: UK valuation screen cont.

Company	Ticker	Market value 30 September 2024 (£m)	EV/sales CY24e including leases (x)	Gross margin CY24e	EBIT margin CY24e	Relative value using gross margin CY24e	Relative value using operating margin CY24e	CY24e EBIT change Q324
Supreme	SUP	183	0.8	26%	14%	Y	Y	(0%)
Carr's Group	**CARRC**	**125**	**0.8**	**23%**	**6%**	**Y**	**Y**	**1%**
Frasers Group	**FRAS**	**3,753**	**0.8**	**43%**	**10%**	**Y**	**Y**	**2%**
Ultimate Products	**ULTP**	**121**	**0.8**	**26%**	**10%**	**Y**	**Y**	**1%**
SSP Group	SSPG	1,272	0.8	72%	7%	Y	Y	(1%)
DFS Furniture	DFSD	283	0.8	56%	5%	Y		5%
JD Sports Fashion	**JD**	**7,985**	**0.8**	**48%**	**9%**	**Y**	**Y**	**2%**
Stelrad Group	SRAD	196	0.9	n/a	10%		Y	0%
MJ Gleeson	GLEG	368	1.0	24%	8%		Y	(2%)
Associated British Foods	ABF	17,335	1.0	24%	10%		Y	(4%)
Watches of Switzerland Group	**WOSG**	**1,143**	**1.0**	**15%**	**10%**		**Y**	**1%**
Mulberry Group	MUL	75	1.0	69%	(1%)	Y		0%
Card Factory	**CARDC**	**367**	**1.0**	**35%**	**14%**	**Y**	**Y**	**2%**
Anexo Group	ANXA	78	1.0	79%	21%	Y	Y	0%
PZ Cussons	PZC	413	1.0	39%	10%	Y	Y	(8%)
Deliveroo	ROO	2,491	1.0	37%	3%	Y		0%
Evoke	EVOK	292	1.1	67%	11%	Y	Y	(18%)
Churchill China	CHCH	99	1.1	n/a	12%		Y	0%
Dr Martens	DOCS	542	1.1	65%	10%	Y	Y	(1%)
Vistry Group	VTYV	4,354	1.1	16%	11%		Y	(1%)
B&M European Value Retail	BMEB	4,168	1.1	37%	11%	Y	Y	(1%)
Victorian Plumbing Group	VIC	336	1.1	49%	7%	Y		(2%)
Loungers	LGRS	284	1.1	40%	8%	Y		0%
Henry Boot	BOOT	304	1.1	n/a	10%		Y	0%
Pets at Home Group	**PETSP**	**1,417**	**1.2**	**47%**	**10%**	**Y**	**Y**	**0%**
Aston Martin Lagonda Global Holdings	AML	994	1.2	41%	(1%)	Y		12%
R E A Holdings	REAH	36	1.2	n/a	14%		Y	0%
Tribal Group	TRBG	94	1.2	n/a	13%		Y	0%
Focusrite	TUNE	161	1.2	46%	10%	Y	Y	(14%)
Mitchells & Butlers	**MAB**	**1,768**	**1.2**	**n/a**	**11%**		**Y**	**3%**
Coca Cola HBC	CCH	9,647	1.3	35%	11%		Y	(0%)
Fuller Smith & Turner	**FSTA**	**267**	**1.3**	**n/a**	**10%**		**Y**	**1%**
Ocado Group	OCDO	3,196	1.4	44%	(9%)	Y		6%
Burberry Group	BRBY	2,514	1.4	66%	7%	Y		(49%)
Venture Life Group	VLG	57	1.4	41%	9%	Y		0%
On The Beach Group	OTB	233	1.5	n/a	15%		Y	(2%)
WH Smith	SMWH	1,908	1.5	63%	10%	Y		(1%)
Dunelm Group	**DNLM**	**2,334**	**1.5**	**51%**	**12%**	**Y**	**Y**	**0%**
Taylor Wimpey	TW	5,817	1.6	19%	12%		Y	(0%)
Cake Box Holdings	CBOX	70	1.6	n/a	16%		Y	0%
A G Barr	**BAG**	**699**	**1.6**	**n/a**	**13%**		**Y**	**1%**
Anpario	**ANP**	**69**	**1.6**	**n/a**	**13%**		**Y**	**33%**
Cairn Homes	CRN	1,018	1.6	21%	17%		Y	(3%)
Premier Foods	PFD	1,594	1.6	37%	16%		Y	(1%)
Entain	ENT	4,879	1.6	60%	12%	Y		(10%)
Playtech	PTEC	2,326	1.7	n/a	18%		Y	(1%)
Greggs	GRG	3,194	1.7	61%	9%	Y		0%
Nichols	**NICL**	**358**	**1.7**	**n/a**	**16%**		**Y**	**2%**
Persimmon	**PSN**	**5,258**	**1.7**	**20%**	**13%**		**Y**	**1%**
Berkeley Group Holdings	**BKGH**	**4,822**	**1.7**	**26%**	**20%**		**Y**	**1%**
Tate & Lyle	TATE	2,636	1.7	n/a	17%		Y	(2%)
Coats Group	COA	1,605	1.7	37%	18%		Y	(2%)
Young & Co's Brewery	YNGa	495	1.9	n/a	15%		Y	0%
Marston's	MARS	263	2.0	n/a	17%		Y	(6%)
M P Evans Group	**MPE**	**508**	**2.0**	**27%**	**25%**		**Y**	**1%**
ME Group International	MEGPM	732	2.2	35%	23%		Y	(1%)

Cont.

Exhibit 19: UK valuation screen cont.

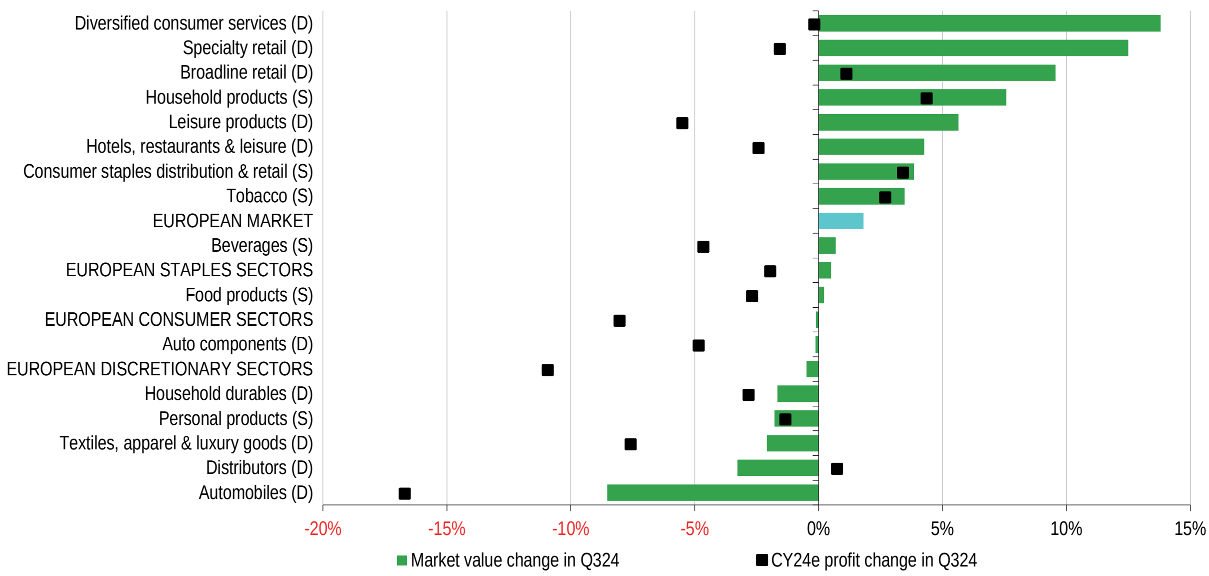
Company	Ticker	Market value 30 September 2024 (£m)	EV/sales CY24e including leases (x)	Gross margin CY24e	EBIT margin CY24e	Relative value using gross margin CY24e	Relative value using operating margin CY24e	CY24e EBIT change Q324
Moonpig Group	MOONM	705	2.3	58%	19%		Y	(0%)
Reckitt Benckiser Group	RKT	31,694	2.8	61%	23%		Y	(3%)
GYM Group	GYM	276	3.0	99%	9%	Y		12%
Hollywood Bowl Group	BOWL	533	3.0	n/a	25%		Y	0%
British American Tobacco	BATS	60,327	3.6	83%	46%		Y	(0%)
Auction Technology Group	ATG	512	4.6	68%	41%		Y	(4%)

Source: LSEG Data & Analytics, Edison Investment Research

CONTINENTAL EUROPE

The Continental European consumer sector was broadly flat over Q324 and underperformed the market return of 2% as further downgrades to consensus CY24 profit estimates of 8% weighed on performance. The large discretionary subsectors (automobiles, textiles, apparel and luxury goods, and leisure products) all saw significant downgrades. It was not all doom and gloom as half of the subsectors outperformed, despite only five of the 16 subsectors benefiting from upgrades to profit estimates. Most of the subsectors that enjoyed upgrades, excluding distributors, outperformed the benchmark.

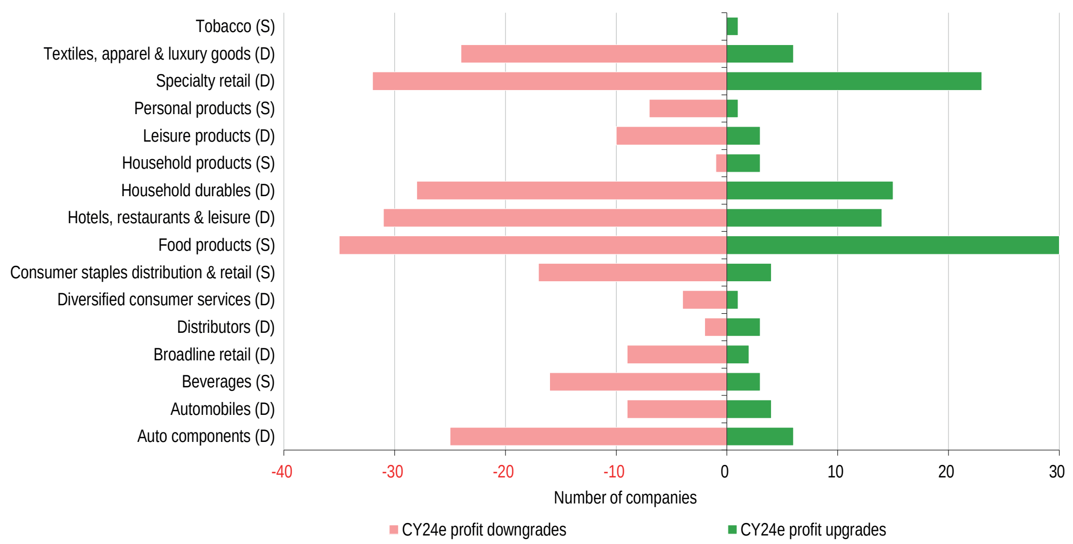
Exhibit 20: Continental Europe subsector performance versus consensus CY24e profit in Q324



Source: LSEG Data & Analytics, Edison Investment Research

There was a clear picture of more companies receiving downgrades to CY24 profit estimates than upgrades during Q324.

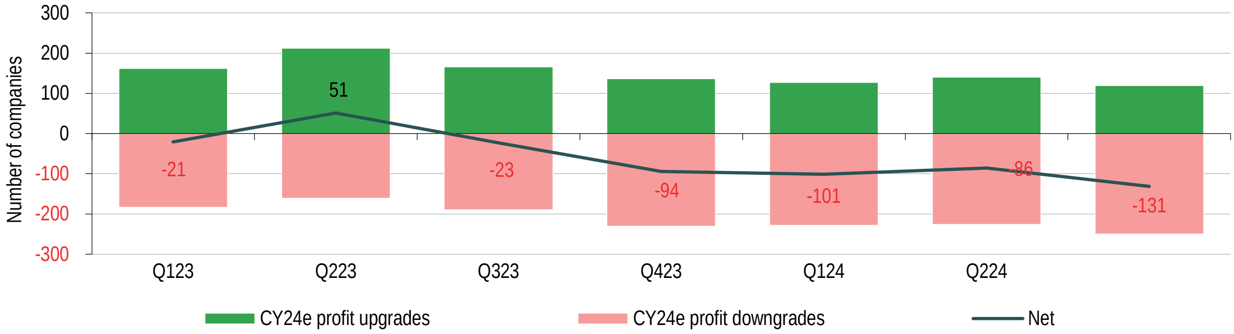
Exhibit 21: Number of companies to receive downgrades/upgrades to CY24e profit in Q324



Source: LSEG Data & Analytics, Edison Investment Research

There were fewer upgrades and more downgrades to consensus CY24 profit estimates in Q324 than Q224 for the European consumer companies. As we saw with the UK companies, this reversed the improving trend in the ratio of upgrades to downgrades, a very similar reversal to that experienced from Q223 into Q323.

Exhibit 22: Quarterly progression in upgrades/downgrades to CY24e profit



Source: LSEG Data & Analytics, Edison Investment Research

Automobiles sector decline masks better growth elsewhere

Following the downgrades to CY24 profit and revenue estimates in Q324, at the end of September 2024 consensus was forecasting growth in revenue of 1% and a decline in profit of 10% for the year. This follows downgrades to profit estimates in Q124 and Q224. The overall expected decline in profit is driven by the significant (more than 30%) forecast decline in profit by automobiles, which is significant as it represents 30% of the total profit pool. The underlying picture is healthier when we strip this out with forecast revenue and profit growth 3% and 5%, respectively, for the rest of the sectors. Notably, consensus is forecasting a strong year of profit growth for broadline retail, hotels, restaurants and leisure, consumer staples distribution and retail and specialty retail.

Exhibit 23: Continental European consumer subsectors growth CY24e

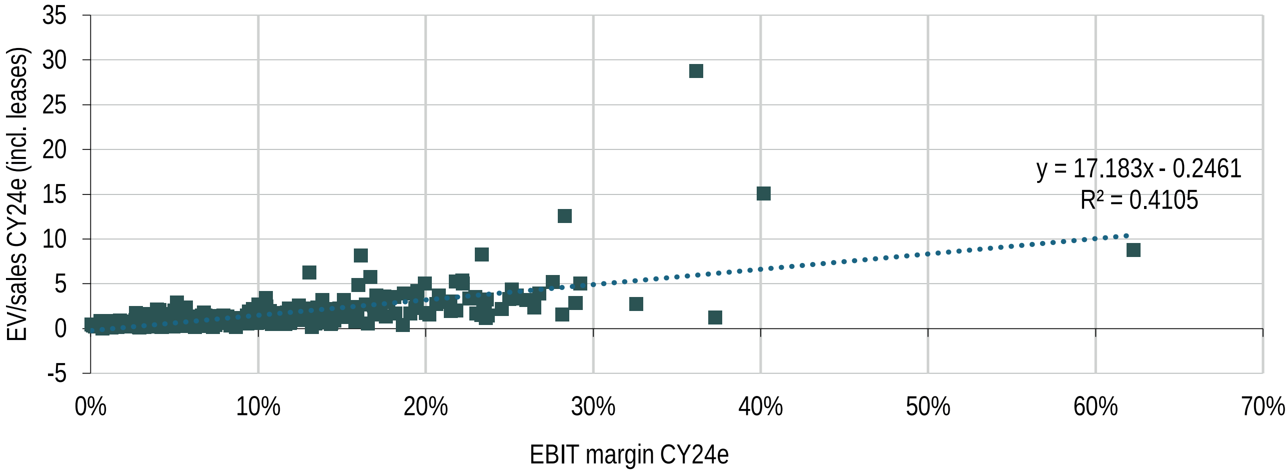
	Revenue growth CY24e	EBIT growth CY24e	Contribution to total CY24e profit growth
Hotels, restaurants & leisure (D)	9%	29%	8%
Consumer staples distribution & retail (S)	6%	21%	7%
Specialty retail (D)	5%	17%	7%
Beverages (S)	0%	5%	4%
Food products (S)	2%	4%	4%
Personal products (S)	7%	7%	2%
Household durables (D)	(0%)	16%	2%
Broadline retail (D)	13%	43%	1%
Auto components (D)	(0%)	2%	1%
Household products (S)	1%	1%	0%
Distributors (D)	7%	2%	0%
Leisure products (D)	1%	(2%)	(0%)
Tobacco (S)	5%	(8%)	(0%)
Diversified consumer services (D)	11%	(17%)	(0%)
Textiles, apparel & luxury goods (D)	2%	(5%)	(8%)
Automobiles (D)	(3%)	(32%)	(129%)

Source: LSEG Data & Analytics, Edison Investment Research

Continental European consumer valuation opportunities

In our July 2024 report, we found a similar lower correlation between prospective EV/sales and gross margin (R-squared of 0.14) than for EV/sales and operating margin (R-squared of 0.42), and for the same regression analyses for the UK companies. LSEG Data & Analytics' data are less comprehensive for the European companies. At the end of September 2024, there was a very similar level of correlation for the regression analysis using an operating margin of 0.41.

Exhibit 24: Correlation of CY24e EV/sales and operating margin



Source: LSEG Data & Analytics, Edison Investment Research

In Exhibit 25 we show the 100 European companies that, at the end of September 2024, were trading at the greatest discount to their implied multiples from the regression analysis using prospective EV/sales and operating margin. The 31 companies that also had positive momentum in their consensus CY24 profit estimates in Q324, as well as an attractive relative valuation, are highlighted with bold text.

Exhibit 25: Continental Europe valuation screen

Company	Ticker	Market value 30 September 2024 (€m)	EV/sales CY24e including leases (x)	Gross margin CY24e	EBIT margin CY24e	CY24e EBIT change Q324
Naturhouse Health	NTH	101	1.5	72%	28%	0%
Jumbo	BABr	3,506	2.7	55%	33%	(2%)
Betsson	**BETSb**	**1,360**	**1.2**	**n/a**	**24%**	**1%**
Atal	**1AT**	**527**	**1.5**	**27%**	**24%**	**1%**
Sipef	SIFB	598	1.5	47%	23%	(3%)
Dom Development	DOMP	1,152	1.6	32%	23%	12%
Lottomatica Group	LTMC	2,831	2.3	33%	27%	1%
Greek Organisation of Football Prognostics	OPAr	5,922	2.8	42%	29%	(0%)
Laurent Perrier	LPER	636	2.8	n/a	29%	(10%)
Fountaine Pajot	ALFPC	174	0.2	62%	13%	(1%)
Masoval	MASM	309	2.1	n/a	25%	(17%)
Austevoll Seafood	**AUSS**	**1,677**	**0.8**	**n/a**	**16%**	**16%**
Bergbahnen Engelberg Truebsee Titlis Bet	TIBN	144	1.5	92%	20%	(11%)

Cont.

Exhibit 25: Continental Europe valuation screen cont.

Company	Ticker	Market value 30 September 2024 (€m)	EV/sales CY24e including leases (x)	Gross margin CY24e	EBIT margin CY24e	CY24e EBIT change Q324
Evolution	EVOG	18,822	8.8	79%	62%	(3%)
Catana Group	CATGR	148	0.6	53%	14%	0%
Abitare In	ABIT	111	1.9	n/a	22%	(24%)
Gentili Mosconi	GMN	45	0.7	34%	14%	0%
Fope	FOPE	141	2.0	n/a	22%	0%
Orascom Development Holding	**ODHN**	**268**	**0.7**	**27%**	**14%**	**6%**
B&C Speakers	37B	169	1.7	n/a	20%	(5%)
Wittchen	WTN	111	1.0	n/a	16%	0%
Telematic Interactive Bulgaria	BGTIB	116	1.3	n/a	18%	0%
Puig Brands	PUIGb	3,603	1.0	75%	16%	(2%)
Dr Ing hc F Porsche	P911_p	32,653	0.9	28%	15%	(12%)
Van de Velde	VELD	394	1.7	64%	19%	(17%)
Trigano	TRIA	2,237	0.6	32%	12%	(2%)
Scandinavian Tobacco Group	**STOGR**	**1,186**	**1.5**	**n/a**	**17%**	**3%**
Holidaycheck Group	HOC	352	1.7	n/a	18%	0%
Gentoo Media	G2MNO	316	2.6	100%	23%	(3%)
Pirelli & C	**PIRC**	**5,464**	**1.3**	**70%**	**16%**	**0%**
Nacon	NACON	92	0.5	66%	11%	(3%)
Italian Sea Group	TISGR	454	1.2	78%	15%	(2%)
Stellantis	STLAM	37,511	0.2	18%	9%	(24%)
Sanlorenzo	SNL	1,281	1.3	n/a	15%	(2%)
Anheuser-Busch Inbev	ABI	106,718	3.2	55%	26%	(5%)
Olvi Oyj	**OLVAS**	**503**	**0.7**	**40%**	**12%**	**3%**
CIE Automotive	CIEA	3,105	1.1	41%	14%	(0%)
New Wave Group	NEWAb	948	1.3	50%	15%	(1%)
Compagnie des Alpes	CDAF	721	1.1	86%	14%	(2%)
KWS SAAT	**KWSG**	**2,099**	**1.5**	**61%**	**16%**	**5%**
Dexelance	**DEX**	**248**	**0.9**	**n/a**	**13%**	**1%**
Dalata Hotel Group	DHG	900	2.8	62%	24%	(8%)
Kri Kri Milk Industry	**KRIr**	**446**	**1.7**	**32%**	**17%**	**17%**
Glenveagh Properties	**GLV**	**897**	**1.2**	**18%**	**14%**	**3%**
Ferretti	YACHT	946	0.6	42%	10%	(3%)
Einhell Germany	**EIN_p**	**295**	**0.3**	**40%**	**8%**	**1%**
Kaufman & Broad	KOF	619	0.2	19%	7%	(0%)
Compagnie Generale des Etablissements Michelin	MICP	26,067	1.1	28%	13%	(2%)
Novem Group	NVM	226	0.5	51%	9%	(10%)
La Francaise des Jeux	**FDJ**	**6,844**	**2.3**	**52%**	**19%**	**1%**
Arctic Fish Holding	AFISH	131	3.3	n/a	25%	(10%)
Cars Motorcycles and Marine Engine Trade and Import Company	MTDr	78	0.8	n/a	11%	0%
Pandora	PNDORA	12,129	3.3	80%	25%	(0%)
Papoutsanis Industrial and Commercial of Consumer Goods	PSALr	62	1.2	37%	13%	0%
Kindred Group	**KINDsdb**	**2,645**	**1.7**	**n/a**	**16%**	**6%**
Voyageurs du Monde	ALVDM	501	0.4	32%	7%	0%
Embellence Group	**EMBELL**	**69**	**1.2**	**59%**	**12%**	**7%**
Indel B	INDB	131	0.7	n/a	9%	0%
De' Longhi	**DLG**	**4,186**	**1.2**	**53%**	**12%**	**0%**
Platform Group	**TPGG**	**134**	**0.4**	**30%**	**7%**	**16%**
Volvo Car	**VOLCARb**	**7,406**	**0.2**	**19%**	**6%**	**2%**
Saf-Holland	SFQ	760	0.6	20%	9%	(3%)

Cont.

Exhibit 25: Continental Europe valuation screen cont.

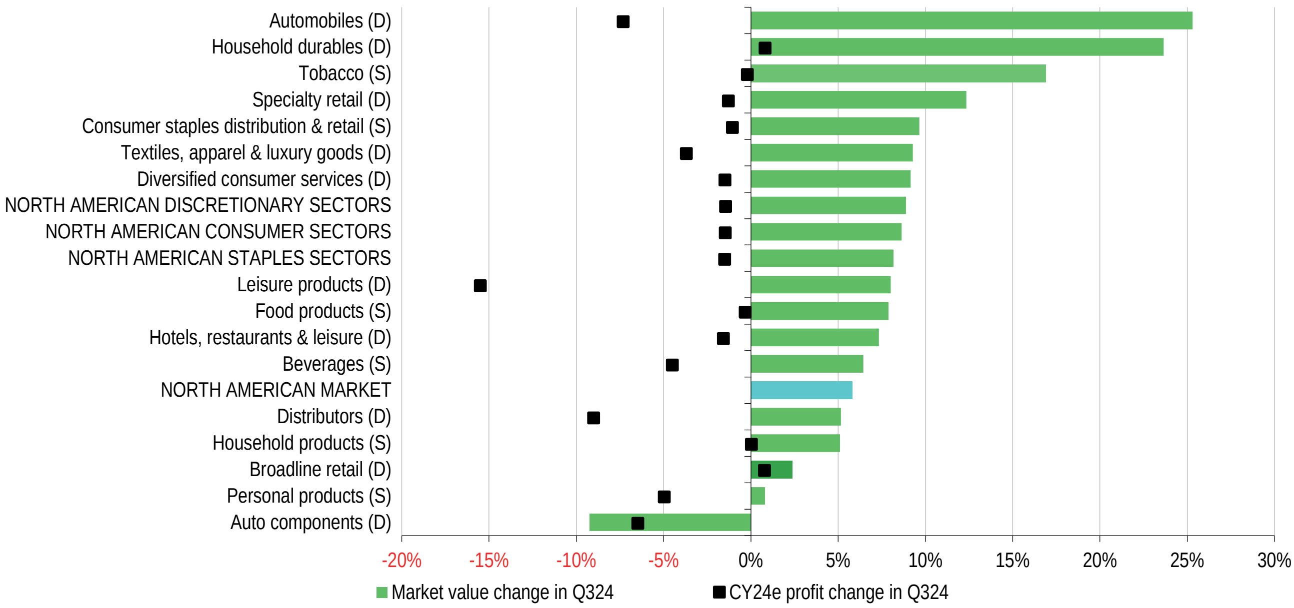
Company	Ticker	Market value 30 September 2024 (€m)	EV/sales CY24e including leases (x)	Gross margin CY24e	EBIT margin CY24e	CY24e EBIT change Q324
Piaggio & C	PIA	936	0.7	29%	9%	(8%)
SalMar	SALM	6,225	3.2	57%	24%	(17%)
Douglas	**DOU1**	**2,224**	**0.9**	**46%**	**10%**	**1%**
Brembo	BRBI	3,292	1.0	54%	11%	(1%)
Novamarine	NOVAM	44	1.8	n/a	15%	0%
MR Bricolage	ALMRB	82	0.4	42%	7%	(8%)
JDE Peets	**JDEP**	**9,144**	**1.6**	**38%**	**14%**	**5%**
Valsoia	VALS	104	0.9	n/a	10%	0%
RVRC Holding	RVRC	476	2.7	71%	21%	(5%)
Nilorngruppen	**NILb**	**59**	**0.7**	**43%**	**9%**	**4%**
Zinzino	**ZZb**	**233**	**1.2**	**n/a**	**11%**	**1%**
Synsam	**SYNSAM**	**669**	**1.6**	**77%**	**14%**	**3%**
Henkel	**HNKG_p**	**34,872**	**1.7**	**48%**	**14%**	**4%**
Kofola CeskoSlovensko	KOFOL	295	1.0	45%	10%	0%
Leroy Seafood Group	LSG	2,466	1.2	45%	11%	(11%)
Rainbow Tours	**RBW**	**371**	**0.3**	**17%**	**6%**	**30%**
Fenix Outdoor International	FEOIb	619	1.0	n/a	10%	(18%)
Mowi	MOWI	8,358	1.9	48%	15%	(17%)
Nordrest Holding	NREST	140	0.8	54%	9%	(3%)
Remy Cointreau	RCOP	3,580	3.6	71%	25%	(4%)
TUI	**TUI1n**	**3,471**	**0.2**	**9%**	**6%**	**2%**
Belysse Group	BELYS	34	0.6	54%	8%	(8%)
LPP	LPPP	6,872	1.5	53%	13%	(1%)
Ebro Foods	**EBRO**	**2,459**	**0.9**	**44%**	**9%**	**3%**
Wawel	WWL	222	1.0	n/a	10%	0%
Schaeffler	SHA_p	769	0.3	22%	6%	(13%)
Carlsberg	CARLb	15,703	1.9	46%	15%	(1%)
Lanson BCC	ALLAN	280	3.0	n/a	21%	(6%)
Kambi Group	**KAMBI**	**364**	**1.8**	**n/a**	**15%**	**53%**
Podravka	PODR	1,092	1.5	n/a	12%	0%
Minor Hotels Europe & Americas	**NHH**	**1,896**	**1.8**	**n/a**	**14%**	**3%**
Profoto Holding	PRFO	190	3.0	68%	21%	(10%)
Pernod Ricard	PERP	34,351	3.9	60%	27%	(4%)
Schloss Wachenheim	SWAG	123	0.4	41%	7%	(2%)
Sogefi	SGFI	240	0.2	29%	5%	(12%)
Italian Wine Brands	ITWB	208	0.8	35%	8%	(2%)
Continental	**CONG**	**11,659**	**0.4**	**22%**	**6%**	**1%**
Societe LDC	LOUP	2,505	0.3	51%	5%	(0%)

Source: LSEG Data & Analytics, Edison Investment Research

NORTH AMERICA

The North America consumer sector performed well in Q324, with 11 of the 16 subsectors outperforming the market return of c 6%, making it the second consecutive quarter of outperformance. This outperformance came despite downgrades to consensus CY24 profit estimates of c 1%. The downgrades follow a more positive trend in Q224 and very marginal downgrades of -0.2% in Q124. Upgrades to profit estimates were few and far between in Q324, with only two subsectors enjoying net upgrades of c 1%: broadline retail and household durables.

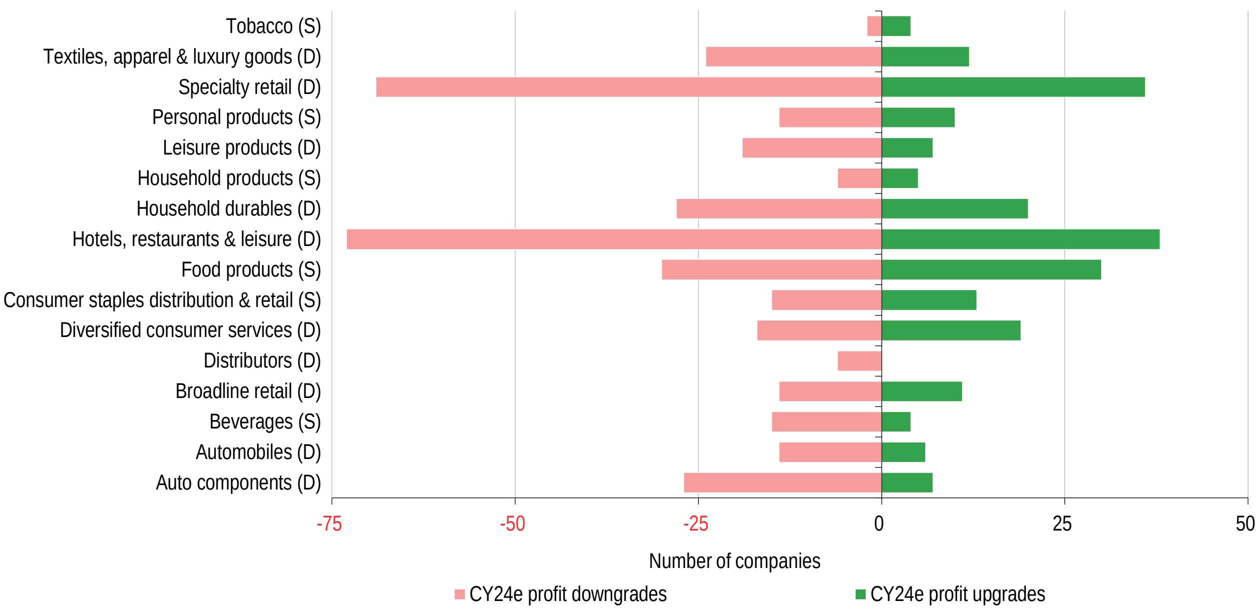
Exhibit 26: North American subsector performance versus consensus CY24e profit in Q324



Source: LSEG Data & Analytics, Edison Investment Research

Similar to the UK and Europe, it is clear that more companies saw downgrades than upgrades to their consensus CY24 profit estimates in Q324.

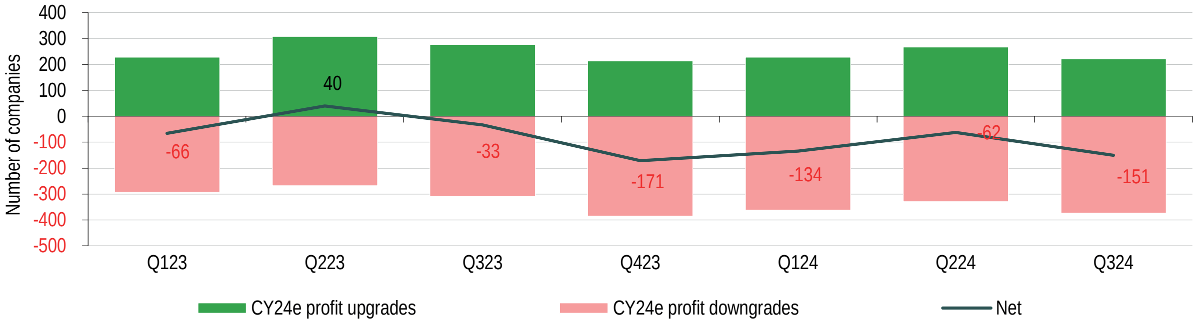
Exhibit 27: Number of companies to receive downgrades/upgrades to CY24e profit in Q324



Source: LSEG Data & Analytics, Edison Investment Research

As we saw for the UK and European sectors, fewer companies enjoyed upgrades to consensus CY24 profit estimates in Q324 than Q224 and more companies suffered downgrades.

Exhibit 28: Quarterly progression in upgrades/downgrades to CY24e profit



Source: LSEG Data & Analytics, Edison Investment Research

Strongest growth forecast of the regions

At the end of September 2024, consensus was forecasting revenue and profit growth of 4% and 14%, respectively, for the consumer sector in CY24. These are, by far, the greatest rates of forecast growth of the three regions covered in this report. The improvements are broad-based, with 11 of the 16 subsectors forecast to grow revenue and 13 subsectors forecast to grow profit in CY24. Only three subsectors are expected to report a decline in profit in CY24: textiles, apparel and luxury goods; distributors; and leisure products. The discretionary subsectors are providing most of the expected growth, with significant contributions from broadline retail and hotels, restaurants and leisure. Strong profit growth is also forecast for automobiles, auto components and diversified consumer services.

Exhibit 29: North American consumer subsectors growth CY24e

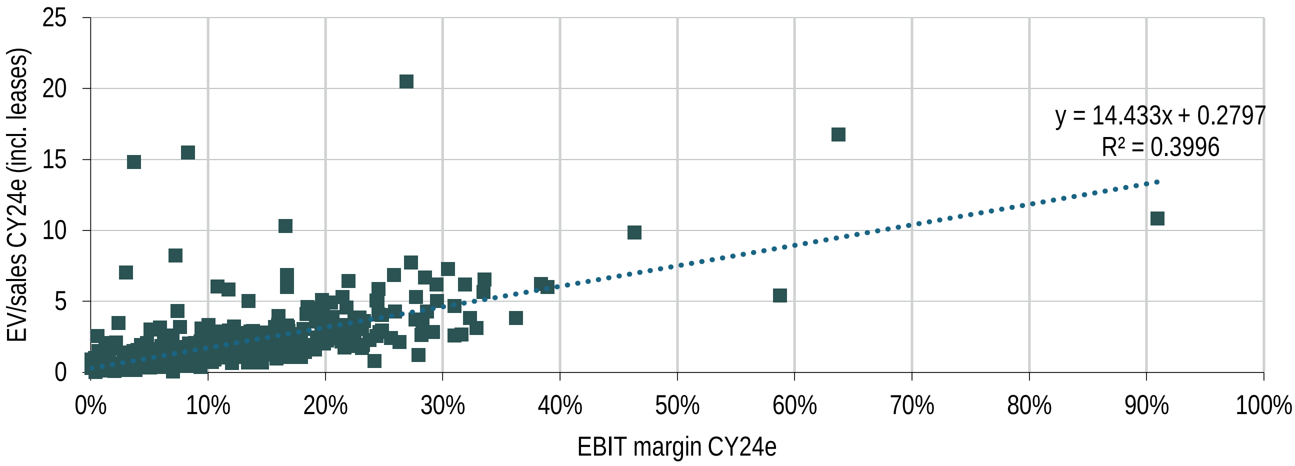
	Revenue growth CY24e	EBIT growth CY24e	Contribution to total CY24e profit growth
Broadline retail (D)	11%	45%	48%
Hotels, restaurants & leisure (D)	8%	17%	16%
Consumer staples distribution & retail (S)	3%	7%	7%
Automobiles (D)	2%	30%	6%
Beverages (S)	4%	9%	5%
Household products (S)	2%	9%	4%
Auto components (D)	(0%)	23%	3%
Food products (S)	(2%)	5%	3%
Specialty retail (D)	1%	2%	2%
Tobacco (S)	(3%)	7%	2%
Diversified consumer services (D)	8%	34%	2%
Household durables (D)	3%	5%	2%
Personal products (S)	1%	17%	1%
Textiles, apparel & luxury goods (D)	(2%)	(1%)	(0%)
Distributors (D)	3%	(3%)	(0%)
Leisure products (D)	(10%)	(6%)	(0%)

LSEG Data & Analytics, Edison Investment Research

North America valuation opportunities

At the end of September 2024, there was a lower correlation (R-squared of 0.4) for the North American-listed companies in the regression analysis of prospective EV/sales (including leases) multiples and operating margin than we found for the UK-listed companies. This is consistent with the data at the end of June.

Exhibit 30: Correlation of CY24e EV/sales and operating margin



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 31 shows the 100 companies that were trading at the greatest discount to their implied valuation, using the above line of best fit at the end of September 2024. Just under half of the companies enjoyed upgrades to consensus CY24 profit estimates in Q324 and those companies are highlighted with bold text in the table.

Exhibit 31: North American valuation screen

Company	Ticker	Market value 30 September 2024 (U$m)	EV/sales CY24e including leases (x)	Gross margin CY24e	EBIT margin CY24e	CY24e EBIT change Q324
Altria Group	MO	87,086	5.4	70%	59%	(2%)
Perdoceo Education	**PRDO**	**1,461**	**1.2**	**82%**	**28%**	**1%**
GreenTree Hospitality Group	GHG	314	0.8	n/a	24%	(22%)
Diversified Royalty	**DIV**	**366**	**10.8**	**100%**	**91%**	**10%**
Vector Group	**VGR**	**2,348**	**2.7**	**n/a**	**32%**	**4%**
PDD Holdings	PDD	187,220	2.6	63%	31%	(1%)
Target Hospitality	**TH**	**781**	**2.1**	**52%**	**26%**	**1%**
Laureate Education Inc	LAUR	2,534	1.7	n/a	23%	(2%)
Afya	**AFYA**	**1,503**	**3.1**	**62%**	**33%**	**6%**
Betterware de Mexico SAPI de CV	BWMX	473	1.1	65%	18%	(8%)
Duckhorn Portfolio	NAPA	855	2.6	54%	28%	(1%)
Green Brick Partners	**GRBK**	**3,716**	**1.9**	**34%**	**23%**	**17%**
Legacy Housing	LEGH	665	3.8	49%	36%	(2%)
Dine Brands Global	DIN	478	1.9	48%	23%	(4%)
Chegg	CHGG	183	0.7	72%	15%	(13%)
Cal-Maine Foods	**CALM**	**3,311**	**1.1**	**n/a**	**17%**	**150%**
United Parks & Resorts	PRKS	2,932	2.8	93%	29%	(4%)
Pultegroup	**PHM**	**29,786**	**1.8**	**29%**	**22%**	**5%**
Despegar.com	**DESP**	**893**	**1.0**	**71%**	**16%**	**2%**
Crocs	**CROX**	**8,600**	**2.4**	**59%**	**26%**	**1%**
M/I Homes	**MHO**	**4,697**	**1.1**	**27%**	**16%**	**9%**
JJill	JILL	372	0.7	71%	13%	(2%)

Cont.

Exhibit 31: North American valuation screen cont.

Company	Ticker	Market value 30 September 2024 (U$m)	EV/sales CY24e including leases (x)	Gross margin CY24e	EBIT margin CY24e	CY24e EBIT change Q324
Adecoagro	AGRO	1,134	1.4	n/a	18%	(21%)
Boyd Gaming	BYD	5,932	2.3	n/a	24%	(1%)
Buckle	BKE	2,233	1.6	48%	19%	(3%)
Toll Brothers	**TOL**	**15,599**	**1.6**	**27%**	**19%**	**3%**
GigaCloud Technology	GCT	951	0.6	25%	12%	(10%)
Tapestry	TPR	10,936	1.6	73%	19%	(1%)
Build-A-Bear Workshop	**BBW**	**465**	**0.9**	**55%**	**14%**	**2%**
Garrett Motion	GTX	1,788	0.9	21%	13%	(3%)
Vasta Platform	VSTA	211	1.0	64%	14%	(12%)
Vipshop Holdings	**VIPS**	**8,391**	**0.4**	**23%**	**9%**	**4%**
H & R Block	**HRB**	**8,791**	**2.5**	**n/a**	**24%**	**2%**
Bath & Body Works	BBWI	6,994	1.5	44%	17%	(3%)
Spin Master	**TOY**	**2,346**	**1.2**	**54%**	**15%**	**4%**
Meritage Homes	**MTH**	**7,450**	**1.2**	**25%**	**15%**	**5%**
International Game Technology	**IGT**	**4,260**	**2.1**	**52%**	**21%**	**0%**
Taylor Morrison Home	TMHC	7,324	1.2	24%	15%	(4%)
Adtalem Global Education	**ATGE**	**2,845**	**2.0**	**57%**	**20%**	**2%**
G-III Apparel Group	**GIII**	**1,339**	**0.4**	**40%**	**9%**	**7%**
Alibaba Group Holding	**BABA**	**254,155**	**1.6**	**38%**	**17%**	**7%**
Olaplex Holdings	**OLPX**	**1,556**	**3.8**	**73%**	**32%**	**17%**
Golden Entertainment	GDEN	900	1.8	n/a	18%	(8%)
Vista Outdoor	**VSTO**	**2,288**	**1.1**	**32%**	**13%**	**0%**
Helen of Troy	HELE	1,411	1.1	48%	14%	(12%)
USANA Health Sciences	USNA	722	0.5	81%	9%	(8%)
Six Flags Entertainment	**FUN**	**4,042**	**1.9**	**91%**	**19%**	**66%**
Academy Sports and Outdoors	ASO	4,103	0.7	34%	10%	(5%)
DR Horton	**DHI**	**62,199**	**1.7**	**24%**	**17%**	**3%**
Linamar	**LNR**	**2,873**	**0.5**	**17%**	**9%**	**5%**
Abercrombie & Fitch	**ANF**	**7,146**	**1.3**	**64%**	**15%**	**8%**
Lennar	**LEN**	**50,381**	**1.4**	**22%**	**15%**	**0%**
Molson Coors Beverage	**TAP**	**11,229**	**1.4**	**39%**	**15%**	**0%**
eBay	**EBAY**	**31,839**	**3.3**	**72%**	**28%**	**1%**
MGP Ingredients	MGPI	1,831	2.8	42%	25%	(0%)
Tri Pointe Homes	TPH	4,241	1.1	23%	12%	(1%)
Herbalife	**HLF**	**724**	**0.5**	**77%**	**9%**	**1%**
Motorcar Parts of America	MPAA	146	0.4	20%	8%	0%
Travel + Leisure Co	**TNL**	**3,215**	**2.2**	**n/a**	**20%**	**1%**
One Group Hospitality	**STKS**	**115**	**0.6**	**19%**	**9%**	**13%**
Ethan Allen Interiors	**ETD**	**811**	**1.0**	**60%**	**12%**	**1%**
Nomad Foods	**NOMD**	**3,106**	**1.4**	**29%**	**15%**	**3%**
Signet Jewelers	SIG	4,543	0.6	40%	9%	(1%)
ADT	**ADT**	**6,593**	**2.9**	**82%**	**25%**	**1%**
Borgwarner	BWA	8,266	0.7	18%	10%	(0%)
Phinia	**PHIN**	**2,010**	**0.7**	**21%**	**10%**	**1%**
Jack in the Box	JACK	890	1.7	31%	16%	(2%)
Dillard's	DDS	6,208	0.9	41%	11%	(8%)
Kraft Heinz	KHC	42,451	2.4	35%	21%	(1%)
Dave & Buster's Entertainment	PLAY	1,338	1.2	83%	13%	(1%)
Guess?	GES	1,035	0.5	44%	8%	(7%)
Lifetime Brands	LCUT	145	0.4	38%	7%	(1%)
PVH	PVH	5,628	0.8	60%	10%	(2%)
Sally Beauty Holdings	SBH	1,393	0.6	51%	9%	(0%)
Pilgrims Pride	**PPC**	**10,920**	**0.7**	**10%**	**9%**	**24%**
Solo Brands	DTC	129	0.6	61%	8%	(16%)
Oxford Industries	OXM	1,362	0.9	63%	10%	(18%)
Urban Outfitters	URBN	3,534	0.5	34%	8%	(0%)
Visteon	VC	2,629	0.6	14%	8%	(8%)
Caleres	CAL	1,163	0.5	45%	7%	(7%)
Yeti Holdings	**YETI**	**3,473**	**1.8**	**59%**	**17%**	**2%**
FitLife Brands	FTLF	151	2.4	44%	21%	0%
Ingredion	**INGR**	**8,941**	**1.3**	**23%**	**13%**	**1%**
Autoliv	ALV	7,353	0.8	19%	10%	(12%)

Cont.

Exhibit 31: North American valuation screen cont.

Company	Ticker	Market value 30 September 2024 (U$m)	EV/sales CY24e including leases (x)	Gross margin CY24e	EBIT margin CY24e	CY24e EBIT change Q324
Aptiv	APTV	19,137	1.2	19%	12%	(3%)
Upbound Group	UPBD	1,749	0.7	49%	8%	(2%)
Energizer Holdings	ENR	2,280	1.8	41%	16%	(0%)
Lassonde Industries	**LASa**	**895**	**0.5**	**27%**	**7%**	**11%**
KB Home	KBH	6,444	1.1	21%	11%	(0%)
Skechers USA	**SKX**	**10,195**	**1.0**	**54%**	**10%**	**1%**
MGM Resorts International	MGM	11,874	0.9	31%	10%	(5%)
Accel Entertainment	**ACEL**	**960**	**1.0**	**31%**	**11%**	**9%**
Turning Point Brands	**TPB**	**764**	**2.4**	**52%**	**20%**	**1%**
Martinrea International	MRE	631	0.4	16%	6%	(1%)
Playa Hotels & Resorts	PLYA	1,004	2.0	n/a	17%	(10%)
Rocky Brands	**RCKY**	**237**	**0.8**	**39%**	**9%**	**1%**
American Eagle Outfitters	**AEO**	**4,300**	**0.8**	**39%**	**8%**	**1%**
Edgewell Personal Care	**EPC**	**1,792**	**1.3**	**43%**	**12%**	**0%**
Qurate Retail	**QRTEA**	**275**	**0.6**	**n/a**	**7%**	**0%**
Monarch Casino & Resort	**MCRI**	**1,463**	**2.8**	**n/a**	**22%**	**1%**

Source: LSEG Data & Analytics, Edison Investment Research

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