

Superdry PLC

23:55 19 Jul 2019

Ted Baker and Superdry are 'not irrelevant' brands and Morgan Stanley sees value

Ted Baker PLC (LON:RED) and Superdry PLC (LON:SDRY) are 'brands' rather than 'retailers', reckon the fashionistas of Morgan Stanley, and as a result are less burdened by the property concerns hampering traditional clothes shop chains.

Initiating coverage on the pair, the street-savvy investment bank slapped an 'overweight' rating on Superdry, which it believes "offers the more attractive investment proposition", while Ted Baker is "fairly valued" and so was started at 'equal-weight'.

READ: Superdry swings to a massive loss as it writes down value of retail estate

On the brands versus retailers poser, Morgan Stanley said while the online channel shift continues to pose challenges for traditional retailers, "neither Ted Baker nor Superdry is burdened by onerous lease commitments".

"We estimate that less than 25% of their global gross merchandise value last year came from sales generated in company-owned stores.

"Instead they rely on wholesale, franchise, concession and licensing income - revenue sources that depend primarily on the strengths of their product ranges and their brands."

Shares in both have plunged over the last 18 months, with Ted down 70% and Superdry 77%, with significant earnings leaving both trading around 10 times forecast earnings, which MS analysts said were "low multiples" for stocks that have delivered annual profit growth of 13% and 35% respectively in the prior decade.

Are you even relevant?

New AlphaWise data supports the analysts' view that "neither brand has become 'irrelevant' and that perception in the UK has remained relatively stable year over year.

With Superdry's issues "largely self-inflicted", a meeting with returning boss Julian Dunkerton leaving the analysts "hopeful that the business can be put back on track within a couple of seasons".

This leads to a bull-case target of 2,100p per share, though the price target is set rather lower at 890p, though if it takes longer to fix the company there is a bear case of 140p.

Ted, on the other hand has just lost its key man, Ray Kelvin, and if this leads to trading weakening further it points to a bear case of 400p.

Although there is "a lack of potential positive catalysts" for the coming 12-18 months, though if the analysts are wrong and Ted reaccelerates growth and the concerns around the US environment are misplaced this would lead to a bull

Price: 400

Market Cap: £328.02 m

1 Year Share Price Graph



Share Information

Code: SDRY

Listing: LSE

52 week High Low
575.5 356.6

Sector: Retail

Website: www.supergroup.co.uk

Company Synopsis:

SuperDry (previously SuperGroup PLC) is a distinctive branded UK fashion retailer offering quality clothing and accessories. It operates a multi-channel business through a combination of Cult and Superdry standalone stores, Superdry concessions, e-Commerce and its UK and International Wholesale operations.

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case of 2,600p.

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