

Exit Superdry: No turnaround in retail visible yet

Company:	Superdry (SDRY LN)	Market Cap:	£87mio
Industry:	Clothing/Retail	Net Debt:	£38mio (peak working capital)
Country:	UK, worldwide	Revenue:	£610mio
Date:	29 th November 2022	Net Income:	£10mio (1.6%)
Dividend:	-	Free Cash Flow:	£0mio (0%)
Entry:	£107mio	Exit:	£90mio

Statement regarding press speculation

When Superdry confirmed the press speculation that the company is in touch with Bantry Bay Capital regarding a financing facility after the RCF with HSBC and BNP Paribas is expiring in January 2023 without providing a trading update¹, it became clear to me that recent trading has not been good. Otherwise, Superdry would have provided a trading update, boosting the chances of getting a better financing agreement. This reminded me of the multiple statements Joules Group gave in respect to media speculation – which didn't end well. Similar to Superdry, Joules Group was also owned 20% by its founder, although Superdry's CEO is also the founder who recently bought £2mio additional shares, which was not the case with Joules Group. Nonetheless, the timing when Dunkerton bought the shares was just when retail sales recovered in October. As it turns out, this recovery was very short-lived...

Weaker retail sales

When the CBI later confirmed that retail sales declined by -19% y-o-y in November, with a fall of -21% expected for December², it became even clearer that there is no immediate turnaround for the consumer. In fact, the rise in sales in October appears to be a one-off, driven by demand for winter coats due to fears

¹ <https://www.londonstockexchange.com/news-article/SDRY/superdry-plc-spc-statement-re-press-comment/15732483>

² <https://www.cbi.org.uk/media-centre/articles/retail-outlook-darkens-in-november-cbi-distributive-trades-survey/>

of blackouts amidst the energy crisis. On top of that, M&S reportedly delayed clothing orders for next year in order to sell excess inventories first. Last year, orders arrived late for Christmas, causing an inventory overhang in January, this year it is exactly the opposite, with orders having been delivered early and hence more stock available than is demanded. In the end, the result will perhaps be the same: Excess inventory in January 2023. It is embarrassing that despite seeing the risks, I have still invested in the company at this stage. This was a big mistake. Especially, as there were many warning signs, including the negative update from Dr. Martens days before...



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