

Xmas 2022. Holiday spending increases are more likely to be due to inflation than to increased purchases.

Wall Street Speedbump. M&A activity in the US plunging a heart-stopping 40% so far in 2022. But bankers are optimistic that a strong dollar and overseas bargains galore will send animal spirits into overdrive.



The Very Group readies IPO

What Executives are Saying

■ *Despite challenges Levi's "brand had its highest third quarter revenue in a decade," per CEO Chip Bergh on an investors' call in late October.*

"In Q3 Average unit retail (AUR) were up mid-single digits in a more promotional environment and the pricing we've taken to offset inflation has largely stuck."

■ *"Management remains confident that the product proposition and commitment to providing glamorous looks at value prices will continue to appeal."*
— A company spokesperson from Quiz told investors.



Fraser's takes a stake in Asos

■ *Asos, which put up prices by about 4% this year, was "not obsessed with being the cheapest in the market", said CEO José Antonio Ramos Calamonte.*

Traditional Brands Could Start to Get Their Due Respect

A mere 18 months ago every pundit was projecting that digital-first companies would be reshaping the world order.

Investors jumped onto DTC brands whose surging growth (despite ongoing losses) made traditional brands look like market laggards.



Old brands are getting new respect

Now new research calls into question the "growth" vs. "value" construct Wall Street loves to tout.

A review of all US stocks between 1997 and 2022 found there was "little to no evidence of persistence in earnings growth, beyond chance, over the long term," according to Verdad research. (A similar study in 1997 by the Journal of Finance came to the same conclusion when looking at stock performance over the previous 25 years)

They also found that both internal company projected earnings growth rates and Wall Street analyst projections are rarely correct, and on average, growth stock earnings don't outpace value stock earnings.

Beating the Market

LVMH (France) said Q3 sales rose 19% year-on-year to \$19.2 billion. Sales for the first 9 months of the year rose 28% to \$55.3 billion.

• The group warned of an 'uncertain outlook', but is confident sales will grow at a similar rate for the rest of the year.

Superdry (UK) is in talks with its banks to renegotiate up to £70 million (\$77.6 mil-

lion) of debt. The company rebounded to profitability in fiscal year 2022, from a loss of \$41 million to a \$20 million profit.

Shein (China) is believed to hit revenue of \$24 billion this year, however the privately held company does not disclose audit financial statements.

• The company, which sells direct to consumer, claims to have a 98% sell through rate.

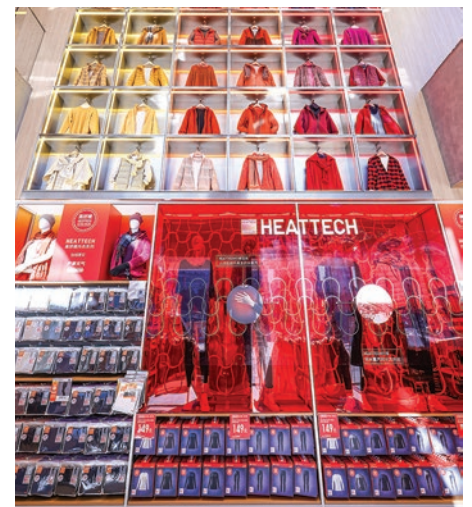
Quiz (UK) reported that sales rose by 37.2% to £49.4 million (\$55.3 million) for the six months to September. The brand specializes in dressy and occasion wear.



Quiz prospers as consumers get dressed up again

Fast Retailing (Japan) said full year revenue rose 7.9% to ¥2.3 trillion (\$15.5 billion), while revenue rose 19.4% to ¥29 billion (\$200 million).

• Growth in international markets helped offset a decline in China. Notably, operating profit margin for North America was just under 10%, and operations moved into the black.



Uniqlo outperforms the market

- The group expects fiscal year revenues to increase by at least 15%, but said that income will likely fall due to inflation.



Luxury show immunity to economic headwinds

Hermes (France) said sales rose 33% year-on-year to \$3.1 billion for the quarter ended October 1. The company plans to raise prices by 5-10% in 2023.

Profit Problems

H&M (Sweden) reported Q3 profits dropped by 88% to \$56 million. The brand said a major part of this was the \$245 million cost attributed to its exit from Russia.



H&M faces profit pressure

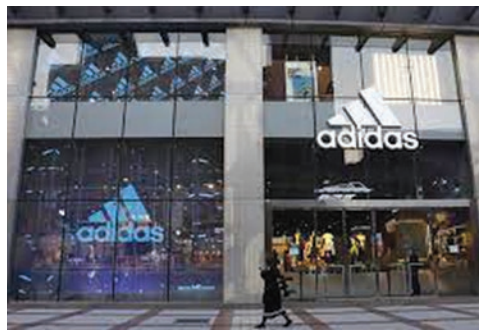
- Sales rose 3% to \$5.97 billion in Q3, and rose 13% for the first nine months of the year.

Nike (USA) reported revenue for the quarter ended August 31 rose 4% year-on-year to \$127 billion. Net income fell 22% to \$1.5 billion.

- Inventories were up 44% year-on-year, which the brand attributed to supply chain issues.
- Nike has been working aggressively to reduce inventories ahead of the holiday season.

Adidas (Germany) announced that it expects gross margins to weaken to 47.5% (from an earlier forecast of 49%) for the

year. Operating margins are forecast at 4% (from 7%). Like many others, Adidas is expecting more discounting in order to clear excess inventory.



Adidas warns of weakening margins

Amazon (USA) reported Q3 revenue rose 7% year-on-year to \$53.5 billion.

- Net income fell 9% to \$2.9 billion, while operating income dropped 48% to \$2.5 billion.
- Amazon warned that Q4 operating income could fall to between \$0 and \$4 billion.
- North American net income fell to a \$412 million loss from last year's \$880 million income.
- Revenue from marketplace seller services up 18% to \$28.7 billion, advertising up 25% to \$9.5 billion and subscriptions up 9% to \$8.9 billion.



Suddenly Amazon starts to struggle

- Amazon's AWS cloud services unit underperformed its retail operations. Sales in that segment rose 27% year-over-year to \$20.5 billion, and operating income fell 9.6% to \$5.4 billion.

Warnings

Boohoo (UK) has issued a profit and sales warning blaming the cost of living crisis. Sales fell 10% to £882 million (\$983 million) in the half year to Aug. 31.



Boohoo hit by market slump

Adjusted profits were down 58% to £35 million (\$39 million).

The company expects sales for the second half of the year to be down by about 10% year-on-year.

Asos (UK) reported £32 million (\$36 million) pre-tax losses, from a £177 million (\$200 million) profit a year ago.

- The online retailer said it is to write off more than £100 million (\$113 million) of stock and cut costs. Sales had risen only 1% to £3.94 billion in the year through August.
- Asos said it had agreed a £650m banking facility to give it "financial flexibility".

Matalan (UK) said rescue bids have been submitted to prevent it from being taken over by lenders. Bondholders owed £350 million by Matalan effectively control the business after the board failed to refinance the debts this summer.

Acquisitions

The Very Group (UUK) is said to be planning an IPO in the middle of next year that could value it at £4 billion (US\$4.9 billion).

- In the year to July overall sales were up 4.8% from pre-pandemic levels at £1.8 billion. Profits rose 2.2% from a year earlier to £63.9 million.

Frasers Group (UK) said it will take a stake in Asos (UK) of greater than 5%. The group raised its stake in Hugo Boss (Germany) to 32.8%, from previously 30%.

MySale (Australia) is set to be acquired by Frasers Group (UK) after it performed a U-turn to back its £19 million (\$20.2 million) takeover bid.