



Business Intelligence Report

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1. Executive Summary

Key Financial Information: SuperDry PLC had been experiencing a steady growth in its global net revenue but since last year it's been affected due to the global pandemic situation worldwide. This has caused a decrease in global revenue by 19.2% i.e. £167.3MN.

Industry and Competitor Analysis: SuperDry PLC is a multi-national clothing brand founded in United Kingdom. This brand competes in category of (VL: Very Large Companies) according to Fame reports for comparison of yearly turnover based on retail, wholesale and e-commerce sales. Key Competitors are: Zara, Ted Baker, and Ralph Lauren.

Factors affecting the company at present: The on-going pandemic situation across the globe has surely had an adverse effect on the store sales which has dropped by 50.9% accounting for £140.9MN due to closed stores all over the world.

Market Analysis: SuperDry is known to targets young audience from 15-30. Hence, it has a limited scope but an effective one as the percent of population in that age group is relatively larger than other groups.

Recommendation for Investment: SuperDry PLC can considered as a strong investment once the pandemic situation has settled down and day-to-day life begins. Recent endorsement have made noticeable growth in engagement with the brand which suggests that it is on the way to be back on track. Hence the suggestion for potential investors would be to **'Hold'** or **'Invest'**.



2. Introduction

SuperDry PLC is a branded clothing company founded in the United Kingdom. The products from SuperDry combine the vintage Americana styling with graphics inspired from Japanese designs with a hint of British style. It is headquartered in Cheltenham, England and founded in 1985 by Julian Dunkerton and his former partner. Recently Julian Dunkerton was appointed as a CEO in 2019. SuperDry was previously known as SuperGroup PLC but later changed to make it more appealing.

SuperDry is a multinational clothing brand which have are distinguished by high-quality fabrics, authentic vintage washes, one-of-a-kind details, world-class hand-drawn designs, and customized fits with a wide range of styling options. Because of its uniqueness, the brand has garnered special appeal as well as an international celebrity following.

It operates in around 65 countries with approximately 768 branded shops world-wide, with 245 of them in UK and mainland Europe alone. Apart from stores it also has a very well-developed online shopping website as an e-commerce option. It is particularly known for its customer service and hassle-free delivery and return processes (SuperDry: About Us). It has a well spread business over both retail and wholesale market.

SuperDry has a presence on various social media platforms on which they regularly update followers on recent offers, new arrivals, trends and events organised by the company.

Official Social Media Links for SuperDry:



Instagram



Twitter



Facebook

Contact Info: +44 (01242) 578376

Official E-commerce Website: <https://www.superdry.com/>

Corporate Website: <https://corporate.superdry.com/>



3. Key Financial Information

The financial information provided in the following sections belong to the SuperDry PLC based on its global and national scope. The Superdry PLC is listed on London Stock Exchange under the code name 'SDRY'.

3.1 Financials

The global turnover for Superdry PLC stands shy by £167.3 MN i.e. approximately 19.2% in 2020 compared to 2019. From which total loss incurred in the United Kingdom was of £47.3 MN.

This brand saw a huge growth in turnover from 2016 to 2018 but ever since the pandemic situation it is dipping. But the national turnover for the UK has remained pretty consistent through the pandemic without major changes.

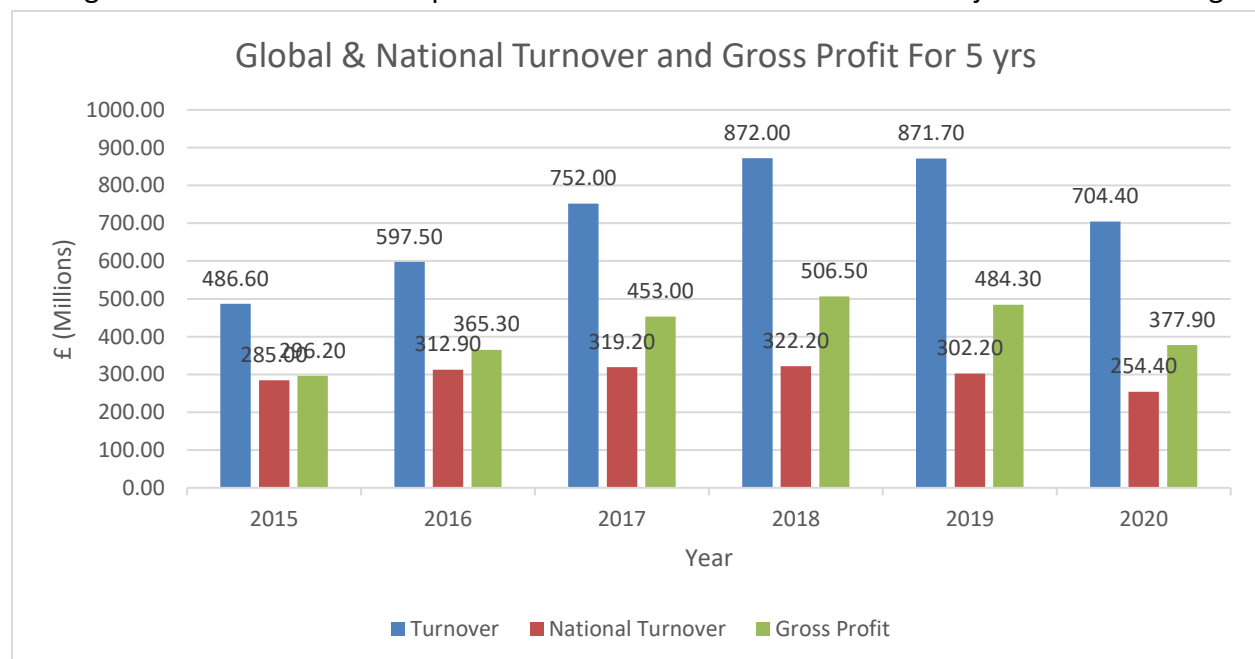


Figure 1 SuperDry Global & National Turnover and Gross Profit over last 5 years (Fame, 2021)

Due to world-wide lockdown store sales dropped which resulted in overall decrease in profits made by SuperDry. Also the recent withdrawal of the United Kingdom from the European Union has affected the sales significantly (Peter Williams, Chairman- The Annual Report 2021).



Superdry PLC performs head-to-head against its biggest competitors in terms of profit margin % from 2016 to 2018 but from 2019 we see a major loss as the profit margin % goes sub-zero. Although the pandemic situation in 2020 the competitors outperforms Superdry by a huge margin as Superdry incurred a loss of 23%.

Company Name	2016	2017	2018	2019	2020
TED BAKER PLC	12.86	11.54	11.63	8.24	-12.67
ZARA U.K. LIMITED	10.90	6.51	7.35	2.89	7.02
SUPERDRY PLC	9.27	11.28	7.49	-9.80	-23.69
RALPH LAUREN UK LIMITED	0.26	1.05	3.95	6.12	1.32

Figure 2 Profit Margin Comparison (FAME, 2021)



3.2 Analysis of Financial Health

Superdry PLC which was the 3rd largest personal goods company in the United Kingdom based on its market cap has dropped by 12.2% to the 20th spot (NewsBites, Mintel 2021). The total Market Cap lost was calculated to around £6.2MN. To avoid further losses due to post Brexit EU tariffs SuperDry has planned to use bonded warehouses to store goods in EU countries to avoid taxes (James Davey, 2021). The company's net loss in FY2020 was GBP143.4 million, compared to a net loss of GBP98.5 million in FY2019 (Fame, 2021).

SuperDry boosted its financial capital with about £70MN with the help of lending facility to get it through the Covid crisis which in-turn helped its share price rise (Walsh, 2020). While the stores had been incurring huge losses the e-commerce held the company up on its feet. The revenue in the fourth quarter increased by 0.8% with some stores opening and e-commerce on the other hand doing well (Mintel, 2020). The CEO Julian Dunkerton stated that, "They see light at the end of the tunnel", suggesting there's still hope for the company (Reuters, 2021).



As stated by a financial writer from a well-established financial analysis firm, Superdry has seen a rise of 250% in its stock value this year which is very promising (Jamie Adams, 2021). The recommendation from them is to “Buy” or “Hold” the stock as it is still expected to rise as the situation all over the world slowly going back to normal.



Figure 3 SuperDry Stock Price Graph over 5 yrs (Google: SuperDry PLC, 2021)



4. Industry and Competitor Analysis

SuperDry PLC is one of the leading global brands in medium to high priced apparel industry in retail as well as wholesale sector. It also has its mark on the e-commerce sector as a well-established brand. Its main and biggest competitors are 'Ted Baker', 'Zara' and 'Supreme'. All these brands including SuperDry come under premium range of clothing brand.

4.1 Industry Analysis

The entire apparel's industry has suffered huge losses due the global pandemic situation starting from March 2020. In addition to the Covid crisis, the Brexit deal also had a significant effect on retail sales in the clothing industry. Subsequently, retail market in the UK has seen a 7.7% growth in sales in April and May 2021 as compared to March 2020 as the restrictions on retail were eased (Office for National Statistics, 2021).



Figure 4 Volume Sales for UK (ONS, 2021)



The only factor that has saved apparel retail industry is by the growing popularity of online shopping. This has led to growth in the online channel which now accounts for 32.1% of the industry's total value, a trend which has been accelerated by the COVID-19 pandemic. The performance of the industry is forecasted to accelerate, with an anticipated CAGR of 6.9% for the five-year period 2020 - 2025, which is expected to drive the industry to a value of \$1,730,944.3m from \$1,242,134.6m in 2020 by the end of 2025. The industry's compound annual growth rate is expected to be 6.9 percent between 2020 and 25. (MarketLine Industry Profile, 2021).

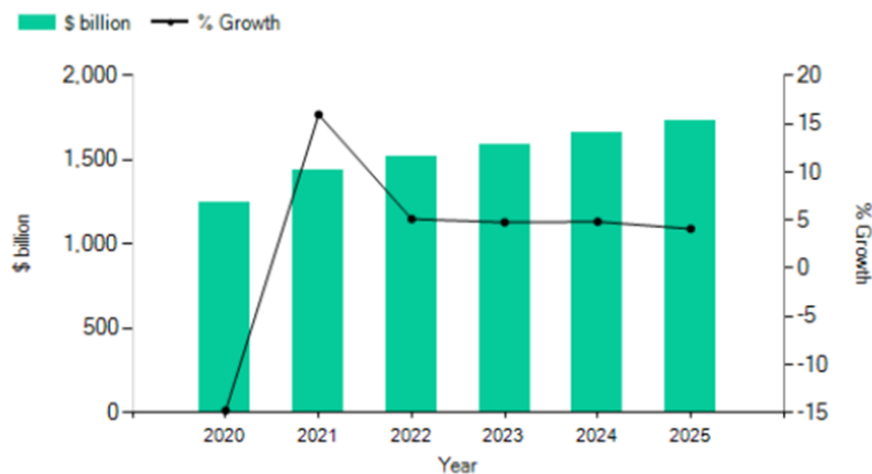


Figure 5 : Global apparel retail industry value forecast: \$ billion, 2020–25 (MarketLine, 2021)

4.2 Factors Affecting the Industry (PESTLE Analysis)

Political and Legal Factors: The magnitude by which the government rules and regulations intervenes with the sales of products defines political factors (Chavan, 2018). For example, the Brexit deal called for extra tariffs on goods from the UK which resulted into extra expenditure (Tobin, 2019). When a brand is on a global level, they need to comply with every country's rules which causes legal obligations to be followed.

Social Factors: The changing socio-cultural trends have a major effect on the fashion industry. A demographic change in the population may result in a threat to a company targeting a specific group of people (Dewanto, et. al., 2020). Besides this, trends in fashion are majorly influenced by celebrities and media which may affect brands with a specific category of clothing (e.g. hipster, sport, casual) (Toby, 2019).



Economic Factors: Economic challenges such as recession and similar economic difficulties affect the apparel retail industry in terms of revenue. As people spend less money on fashion as it comes under non-essential commodity.

Technological Factors: The giant tech companies like Amazon and Ebay have been providing a medium to sell anything which has made it difficult to stand-alone brands to make their way up in the e-commerce sector of retail business (Rahman, 2020). Although, it has helped the brands to keep up with the sales during the covid crisis.

Environmental Factors: Many brands in the fashion retail industry are moving towards sustainability. It is found that fashion industry alone accounts for approximately 4% of all greenhouse gas emissions (SuperDry: Sustainability, 2021).

4.3 Social media Presence

Although the followers of SuperDry are comparatively lower than its competitors, their activity and social media interaction with followers is very regular. They have constant updates on new trends and offers throughout their social media pages.

Brand Name	Twitter	Facebook	Instagram
SuperDry	92.7K	2.4MN	650K
Ted Baker	100K	1.2MN	1.2MN
Zara	1.3MN	29MN	44.2MN
Supreme	21.3K	2.2MN	13.5MN



5. Key Issues Affecting the Company

5.1 Current News

The British Brand SuperDry PLC has signed a 3-year endorsement contract with Neymar Jr. in order to leads its organic cotton campaign based on sustainability issues (Lepitak, 2021). This proved as an exceptional deal as it led to over 2 million engagements in first 3 weeks of signing the deal. Also, Neymar Jr. has a follower's base of around 150MN which has promoted the brand to a large number of people.

SuperDry is planning to lead the campaign “#GrowFutureThinking” of developing sustainable fashion with vegan trainers and jackets made from recycled plastic bottles. In accordance with Neymar Jr.'s endorsement deal, SuperDry is planning to go organic in all its cotton garments by 2025(Lepitak, 2021).

5.2 SWOT Analysis

5.2.1 Strength

Superdry PLC operates in over 60 countries as a retail, wholesale and e-commerce based fashion brand (SuperDry PLC, 2021). This spread-out business strategy used by SuperDry helps it serve its customers globally which in turn helps to improve customer base and profitability.

Signing endorsement deals with well-known celebrities like David Beckham, Edris Alba, Zac Efron and recently with Neymar Jr., and promoting fashion trends through them has been of good value to the company over the years (Jolly, 2018).

Strong Marketing strategies through social media sites by creating blogs on recent fashion trends helped the company to promote products to a wide range of customers.

The brand keeps up with the on-going trends.



5.2.2 Weakness

Under performance in the year of 2020 due to covid crisis resulted in huge decline in revenue which in turn caused in inadequate supply funds for marketing and sales department (MarketLine 2021). In FY2020, the firm recorded a GBP159.4 million operational loss, compared to a GBP78.2 million operating loss in FY2019 (Fame, 2021). Decline in operational performance resulted in poor judgement on cost management (SuperDry PLC, 2021).

This brand has a very specific range of age group that are being targeted which decreases the opportunity to increase the sale.

5.2.3 Opportunity

There is a vast opportunity for Superdry such as they can target various market segment like affordable, middle and higher class. Apart from clothing industry, Superdry should also dive into the footwear industry which is expected to grow at an exponential rate by 2023 (MarketLine, 2021).

5.2.4 Threat

Fashion trends change very quickly and hence this industry is generally susceptible to losses if the brand doesn't keep up. It is critical for the firm to offer the products in sufficient quantities and to achieve the proper balance in the combination of fashion basics and current trends. As Superdry is a global brand, the expectations can be different from each market (MarketLine, 2021). As a result, if the business fails to offer items in accordance with the seasonal and fashion needs of various regions, the products may not be widely accepted in the market.



6. Market Analysis

6.1 Target Market

When Superdry PLC was formed it was only for men's apparel but now it has grown to accommodate fashion designs for Men, Women and Youth. Their main target age group is the Gen-Z group of people i.e. age group 16-35 (SuperDry PLC, 2021).

6.2 Consumer Characteristics

The recent change in lifestyle of the people leading healthy living has boosted the market for sports apparel. Along with healthier lifestyle people are becoming more concerned about the sustainable environment which leads to brands adopting sustainable methods to produce clothing (Rahman, 2020).

6.3 Profitability

To achieve sustainability in the production of apparels, SuperDry has appointed a team to ensure the goal of reaching 100% sustainability by 2030 is completed (SuperDry PLC: Sustainability, 2021). Which may influence many people working toward protecting environment develop a liking towards this brand. SuperDry is generally very consistent with keeping up with the ongoing trends which in turn helps them to stay above the profit margin (SuperDry PLC: Annual Report, 2021).



7. Conclusion and Recommendation for Investors

Based on the findings related to the Superdry PLC following recommendations are suggested for potential investor;

- During the first week of May 2021 stock price of SuperDry PLC went up by 40% which resulted in increase of its yearly performance by around 220% (Boyrazian, 2021).
- SuperDry's wide range of market availability i.e. retail, wholesale, and e-commerce has helped it stay in the business. With E-commerce sector keeping the business going even during the covid crisis displayed a great strategic advantage for the firm.
- Its constant efforts to make endorsement deals with famous celebrities results in better engagement with potential investors and customer base.
- Recent appointment of Julian Dunkerton as the new CEO of the firm has been a positive towards firm's future.
- They have shown a strong ability to generate returns even in the times of pandemic situation. And are most likely to be succeed in taking up the 'bullish' trend in the stock market in the future.

In conclusion, the recommendation about this stock would be either to **'Hold'** or **'Buy'**.



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