

QUIZ

Retail
1 May 2018

Fashion forward

In a sector where traditional offers are struggling, the market awards high valuations to operators that have demonstrated the creation and development of new markets. QUIZ, with its expanding presence in the 16-35 year-old fast fashion market, and only nine months after IPO, is still in the process of realising that promise. The latest indications suggest that it is succeeding, and argue for a re-rating.

Pre-close: On course for FY18 PBT growth of 21%

QUIZ confirms that FY revenue grew by 30%, or 36% underlying, to £116.4m in line with expectations. Online sales, 26% of the total, grew by 158% driven by the company's own websites and growing presence in third-party websites. UK stores and concessions (56% of sales) grew 12%, driven about equally by strong like-for-likes and new openings. International stores (18%) grew by an underlying 32%, with openings in Spain and Ireland, and franchised stores across established markets. Gross margins are as expected and QUIZ is investing in growth across its IT, online, marketing, distribution, buying and merchandising functions.

Growth being realised across chosen channels

The QUIZ brand has traded since 1993 under CEO Tarak Ramzan. It has a niche, differentiated proposition, focused on value fast fashion and occasion wear. Its target market is 16 to 35 year-old fashion conscious ('fashion forward') customers who like to dress up and stand out from the crowd. It has 71 UK stores and a presence on the websites of Next, Zalando and Dorothy Perkins. At Debenhams and House of Fraser it also has store concessions, part of a total of 147.

Forecasts look realistic given independent appeal

With strong take-up for its fast fashion offer, QUIZ is progressing across its omni-channel market strategy. Its experienced management team is investing proportionately in the structure to sustain and support that growth. Revenue CAGR of 30% over FY19-20e looks well within reach and, while matching the structure to an expanding top-line is an issue for any small company, PBT CAGR at 25% allows for that investment in structure.

Valuation: Mid-range with re-rating potential

QUIZ's consensus FY18e P/E of 25.1x is mid-range between more traditional retailers like Next (12.7x) and high-growth online operators such as Boohoo (49.7x). If QUIZ validates its high growth forecasts, a re-rating should result.

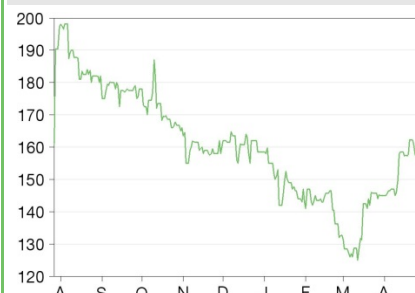
Consensus estimates

Year end	Revenue (£m)	EBITDA** (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
3/16	69.3	7.1	5.7	N/A	N/A	N/A	N/A
3/17	89.8	10.3	8.1	N/A	N/A	N/A	N/A
3/18e	116.7	12.8	9.8	6.3	0.6	25.1	0.4
3/19e	152.7	16.3	12.6	8.0	1.7	19.8	1.1

Source: QUIZ, Bloomberg. Note: **Excludes exceptional costs and share-based payments.

Price 158.25p
Market cap £197m

Share price graph



Share details

Code QUIZ
Listing AIM
Shares in issue 124.2m

Business description

QUIZ is an omni-channel brand in the value fast fashion sector. It aims to provide customers with a high quality shopping experience online, through its website and apps, or in store through 71 stores and 147 concessions in the UK and international franchise stores, concessions and wholesale partners in 20 countries. The company was founded in 1993 and employs over 1,350 people.

Bull

- Distinctive and differentiated brand proposition
- Value price level provides protection to consumer squeeze
- Established track record under experienced and commercial management

Bear

- Discretionary consumer market is not the most defensive
- Challenge of developing infrastructure at appropriate rate for top line growth
- Fashion is inherently unstable, although management has significant experience

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