

Joules Group

General retail
2 May 2018

Energy for expansion

Joules Group is strategically focused on the multi-channel distribution of its distinctive aspirational own brand to a loyal and growing active customer base. It has a significant opportunity to grow international market share via wholesale partners and its online platform. The company has been consistently delivering results ahead of market expectations and consensus revenue forecasts for FY19 and FY20 appear undemanding.

A loyal and growing active customer base

Joules is an aspirational brand, renowned for colourful, family-oriented apparel and homeware ranges that are targeted at a broad and increasingly international demographic. What sets the company apart from its peers is a relentless focus on customer engagement, which it is using its distinctive product ranges and a strategic focus on multi-channel distribution to achieve. At H118 the group had grown its active database by 18% y-o-y to 1.1 million customers.

Creating a strong international platform

Joules Group is a growth company with a significant opportunity to increase market shares overseas. International currently represents 11.3% of group revenue and is focused on wholesale distribution in the US and Germany, supported by dedicated websites for each market. The recently expanded sales and marketing team in New York has brought brand distribution to over 600 independent stockists in-house. As the brand becomes better established in these markets, we see a compelling opportunity to develop the web platforms for higher margin online sales.

The strategy is proving effective

The group has been defying wider macroeconomic uncertainties, consistently delivering double-digit sales growth across all channels and has a track record of beating market expectations. In our view, the 12% y-o-y revenue growth consensus for both FY19 and FY20 appears undemanding, set against current-year consensus projections of 18% growth and the strategic opportunity for expansion.

Premium justified

The shares trade on a 27.1x forward P/E (apparel peer group 17.8x). As with any high growth company, there is execution risk; however, Joules has a robust strategy with a compelling international opportunity, £3m of net cash (end H118) and there is potential for future upgrades to consensus forecasts. Thus a premium to the peer group appears justified, and is supported by an in-line 1.5x EV/sales multiple.

Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
05/17	157.0	10.1	9.2	1.8	40.9	0.5
05/18e	185.0	12.5	11.8	2.4	31.9	0.6
05/19e	207.8	14.6	13.9	2.9	27.1	0.8
05/20e	232.5	17.6	16.7	3.9	22.5	1.0

Source: Bloomberg

Price 376.5p
Market cap £329m

Share price graph



Share details

Code JOUL
Listing AIM
Shares in issue 87.5m

Business description

Joules is a UK-based premium lifestyle brand that was established by Tom Joule almost 30 years ago. The company designs and sells clothing, accessories and home-wares in the UK and internationally via 118 retail stores, wholesale and e-commerce.

Bull

- Distinctive brand and loyal customer base.
- International growth potential.
- Ongoing programme of investment in infrastructure and supply chain.

Bear

- Operational risks associated with rapid expansion.
- Reliance on a single brand.
- Discretionary products.

Analysts

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