

Sosandar

Retail
20 December 2018

Give a girl the right pair of shoes...

Sosandar, the celebrity-endorsed women's fashion brand, benefits from a simple and scalable capital-light online model, a fast-growing affluent customer base and a robust pipeline of new styles introduced each month. The company is achieving impressive growth across all key performance metrics and has a solid balance sheet to support its rapid expansion in the UK and, we believe, internationally over the medium term.

A one-stop-shop for women's fashion

Sosandar is a pure-play online retailer of apparel, footwear and accessories with a refreshingly clear objective: to design and sell high-fashion and high-quality, affordable items to an underserved group of women, typically in their mid-30s to mid-50s. The brand was launched in 2016 by fashion industry professionals, Ali Hall and Julie Lavington, and brought to market in November 2017. The recent H119 results showed impressive growth across all key metrics. Sales quadrupled y-o-y to £1.8m, coupled with a +900bp increase in the gross margin and a sharp decline in the total cost/sales ratio, driven by scale economies. Net cash stood at £2.6m, excluding £3m of proceeds from a successful equity placing after the period end.

The focus: New styles and customer engagement

Recent investment in the e-commerce platform and the move to a seven-days-per-week service from Clipper Logistics has improved web functionality and delivery options. Each month c 70 new lines are introduced, compared with 20–30 a year ago, and lead times have been reduced to c 10 weeks. Celebrity endorsements continue to complement the paid-for marketing campaign and the average order value has increased by c 25% to £105 since launch. Given the scalability of the model, we believe international expansion is likely to be a medium-term objective.

High-growth expectations, albeit from a low base

Consensus estimates forecast a robust two-year sales CAGR of 165%, albeit from a low base. As an early-stage growth company, there is a balance to strike between aggressive investment in top-line growth and the desire to achieve profitability, currently anticipated in FY21.

Valuation: Priced for growth

The shares have approximately doubled since IPO and trade on an FY19 EV/sales multiple of 7.1x, reducing to 3.1x in FY20. There is execution risk; but the simplicity of the model and strong balance sheet support substantial growth expectations.

Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
03/17	0.3	N/A	N/A	0.0	N/A	0.0
03/18	1.35	N/A	N/A	0.0	N/A	0.0
03/19e	4.20	(3.5)	(3.0)	0.0	N/A	0.0
03/20e	9.50	(1.6)	(1.3)	0.0	N/A	0.0

Source: Reuters Eikon; company data

Price 30p
Market cap £33m

Share price graph



Share details

Code	SOS
Listing	AIM
Shares in issue	106.8m

Business description

Sosandar is an online own-label womenswear retailer of apparel, footwear and accessories. The merchandise is targeted at fashion-conscious women who have graduated from price-led fast-fashion alternatives.

Bull

- Significant opportunity to grow UK market share and expand internationally over the medium term.
- Pure-play online retailer; no exposure to dwindling high street trade.
- Strong balance sheet to support growth.

Bear

- Operational risks associated with rapid expansion.
- Reliance on a single brand.
- A limited proven track record, albeit with a credible and experienced management team.

Analysts

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