

# Santa Claus Is Coming To Town

## Pan-European General Retail

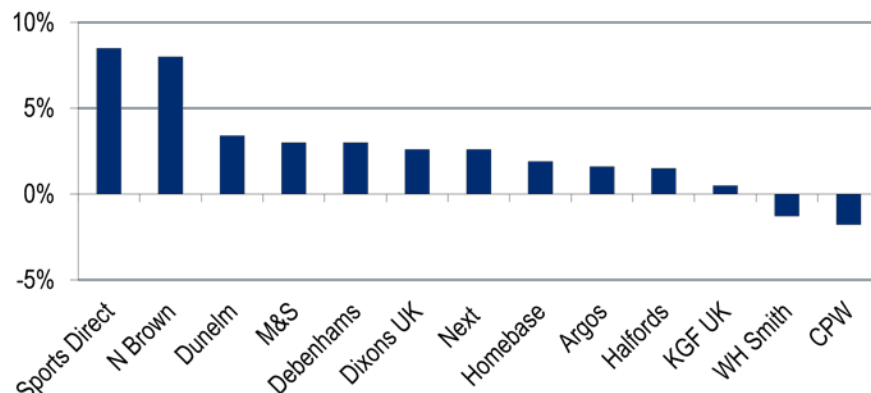
- **This is an accompaniment to our sector note. Please see our accompanying report “[Western Europe General Retail – Better World](#)” for a full breakdown of our sector view.**
- **4Q sector LFL gross profit +3%** — Post the +1.0% and +1.7% October and November BRC non-food LFL sales trends, we forecast UK aggregate LFL gross profit c+3% (ex ASOS) across 4Q13. UK clothing is the strongest performer, +5%, led by SPD and BWNG. In electricals, Dixons leads, driving +0.8% 4Q electrical LFL gross profit progress with DXNS (+2.6%) and Argos (+1.6%). Within DIY, while Christmas is not as significant a trading period, we forecast UK LFL gross profit +1% (B&Q +0.5%, Homebase +1.9%).
- **Valuation metrics look sustainable, EPS +12% pa** — Sector-wide, we forecast +12% 2013-15E EPS growth, driven by the UK cyclical and global growth retailers (EPS +15-30%). These trends should underpin the sector's current premium multiple and, in combination with +2.5% dividend yield, drive our **Overweight** sector stance.
- **Strongest UK LFL sales demand for a decade** — Our UK Household Available Cashflow analysis suggests that 2014e and 2015e will see non-food LFL sales growth of +2.6% and +3.1% (from +2.5% and +3.5%). We forecast a +2.8% trend in 2016e. This includes the assumption that rates start to rise in early 2015. The last time UK LFL was >2% was in 2003.
- **Europe stabilising** — Our continental HAC analysis points to broadly flat non-food LFL in 2014e, from -1.5% in 2013e. We expect +0.8% growth in 2015e with all regions returning to positive territory.
- **Most favoured** — DXNS, SPD, ASC (mid cap); ADS and KGF (large cap). **Least favoured** — DEB. Summary of changes overleaf.

Richard Edwards  
+44-20-7986-4006  
richard.edwards@citi.com

Assad M Malic  
+44-20-7986-8139  
assad1.malic@citi.com

Dan F Homan  
+44-20-7986-4112  
dan.homan@citi.com

Figure 1. General Retailer Cal 2013 4Q LFL Gross Profit Growth Estimates



Source: Citi Research Estimates

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Company	Ticker	Rating		Target Price		Current Year Earnings Estimates	
		Old	New	Old	New	Old	New
Adidas	ADSGn.DE	1	1	€100.00	€105.00	€3.98	€3.98
Amer Sports	AMEAS.HE	1	1	€19.00	€19.00	€0.82	€0.82
Asos PLC	ASOS.L	1	1	£70.00	£70.00	p63.8	p63.8
Jumbo	BABr.AT	2H	2H	€9.75	€11.50	€0.72	€0.72
Brown N	BWNG.L	2	2	£4.35	£5.25	p28.5	p28.8
Carphone Warehouse	CPW.L	1	1	£3.20	£3.20	p19.1	p19.1
Debenhams	DEB.L	2	2	£1.05	£1.00	p10.0	p10.0
Dunelm	DNLM.L	1	1	£12.00	£10.40	£0.44	£0.44
Darty Plc	DRTY.L	3	2	£0.60	£0.90	EU€4	EU€4
Dixons Retail	DXNS.L	1	1	£0.60	£0.60	p2.7	p2.7
Halfords	HFD.L	1	1	£5.45	£5.45	p26.4	p26.4
Hennes & Mauritz	HMb.ST	2	2	SKr280.00	SKr280.00	SKr10.55	SKr10.55
Home Retail	HOME.L	2	2	£1.95	£1.95	p9.1	p9.1
Marks & Spencer	MKS.L	1	1	£5.75	£5.75	p31.2	p31.2
Next Grp	NXT.L	1	1	£61.00	£61.00	p344.5	p344.5
Steinhoff	SHFJ.J	1	1	R29.00	R48.00	ZAc349	ZAc436
WH Smith	SMWH.L	1	1	£11.20	£10.50	p73.3	p73.3
Sports Direct	SPD.L	1	1	£8.25	£8.25	p33.4	p33.4

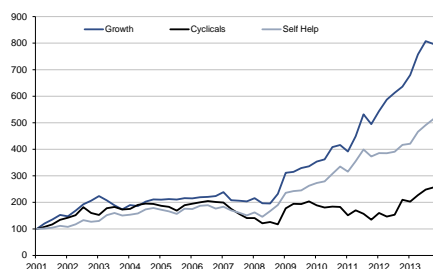
## Executive Summary

### Sector Investment Segmentation

**Over the last decade, 'Growth' and 'Self-Help' retailers have sharply outperformed the 'Cyclicals'**

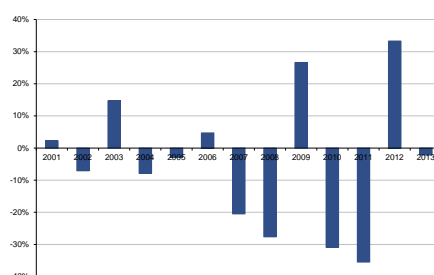
We continue to segment the European general retail sector into categories that we argue offer differentiated performance in this low growth environment. These segments split the retailers between those capable of growing sales and earnings in a low growth environment through international expansion, new space (Growth), those capable of driving earnings independent of the macro environment through self-help programmes (Self-help) and those more dependent on broader macro conditions (Cyclicals) to generate growth. Over time the 'Growth' and 'Self-Help' retailers have sharply outperformed the 'Cyclicals', albeit since the financial crisis the 'Cyclicals' have outperformed three times, in 2003 and 2009, in response to vast macro stimulus, and in 2012 on the early signs of an economic recovery.

Figure 2. Growth vs Self-help vs Cyclicals, Relative to Eurostoxx



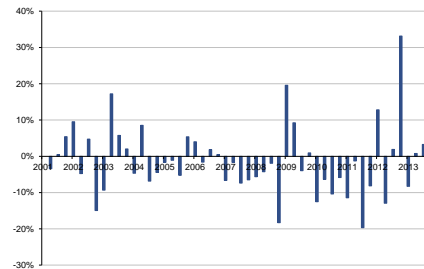
Source: DataStream, Citi Research

Figure 3. Cyclicals vs. Growth/Self-help Performance



Source: DataStream, Citi Research

Figure 4. Cyclicals vs. Growth/Self-help Performance



Source: DataStream, Citi Research

### Pan-European Demand outlook

**Pan-European 2014 non-food LFL raised +100bp to +0.7%**

The Citi Economists' Global Economic Outlook and Strategy publication summarises the Economic framework that drives our European Household Available Cashflow analysis and our bottom-up General Retail revenue forecast agenda (link: [Global Economic Outlook and Strategy](#), Willem Buiter et al, 2 December 2013). Applying these assumptions to our Pan-European Household Available Cashflow framework argues for a +0.7% increase in 2014 LFL retail sales (from -0.4%), driven by a notable LFL sales growth increase in Spain to -0.2% (from -3.7%), a modest 2014 LFL improvement in France (-0.2% from -0.3%) and the UK (+2.6% from +2.5%), and no change in Germany. Looking out to 2015, we argue for a +1.3% LFL retail sales agenda, driven predominantly by UK (+3.1%) but with all regions in positive growth.

Figure 5. Pan-European – Household Available Cashflow

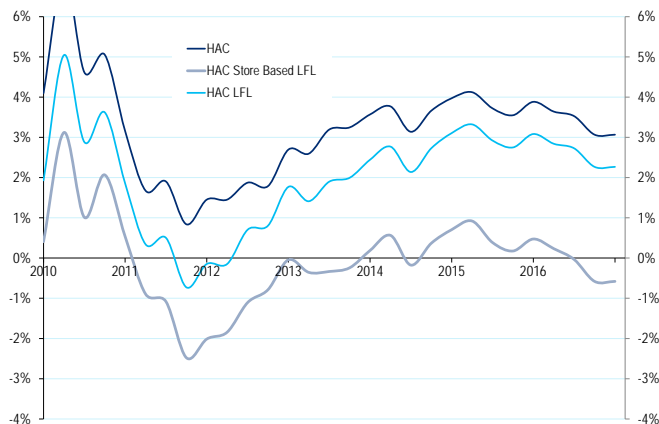
	UK			France			Germany			Spain		
	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
Nominal disposable income	1.2%	2.3%	3.7%	-0.2%	0.5%	1.6%	2.7%	2.6%	2.7%	-4.2%	-0.7%	0.9%
Household credit	-0.5%	2.3%	1.3%	-0.5%	0.4%	0.2%	-1.7%	-1.6%	-1.5%	1.9%	0.6%	0.2%
Household Available Cash	2.6%	3.6%	3.9%	-0.7%	0.9%	1.8%	1.0%	1.1%	1.2%	-2.3%	0.1%	1.1%
Space	-1.2%	-1.0%	-0.8%	-1.0%	-0.8%	-0.8%	-1.0%	-1.0%	-1.0%	0.0%	0.0%	0.0%
VAT				0.0%	-0.3%	0.0%				-0.5%	0.0%	0.0%
Implied LFL	1.5%	2.6%	3.1%	-1.7%	-0.2%	1.0%	0.0%	0.1%	0.2%	-2.8%	-0.2%	1.1%
Previous forecast	1.6%	2.5%	3.5%	-2.0%	-0.3%		-0.2%	0.1%		-5.0%	-3.7%	
Delta	-0.1%	+0.1%	-0.4%	+0.3%	+0.1%		+0.2%	-		+2.2%	+4.3%	

Source: Citi Research Forecasts

## UK General Retail – Demand Outlook

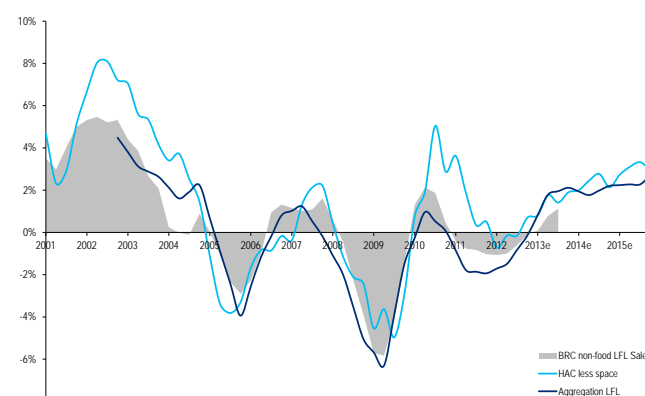
For the UK, non-food LFL sales +2.6% and +3.1% in 2014 and 2015, argues for c.flat store-based LFL sales trends from here

Figure 6. Household Available Cash with Implied Store LFL



Source: ONS, DataStream, BoE and BRC and Citi Research Estimates

Figure 7. UK HAC less Space vs BRC Non-Food Retail LFL Sales vs Aggregation LFL Sales



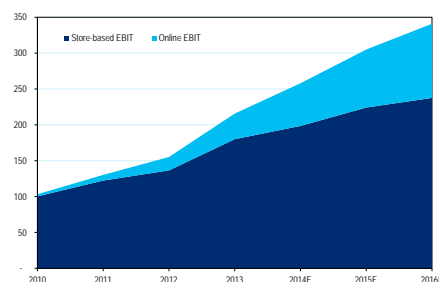
Source: ONS, DataStream, BoE and BRC and Citi Research Estimates

## Online channel shift: store-based EBIT margins now stable/rising

See more stable or rising sector store-based EBIT margins in 2014-15

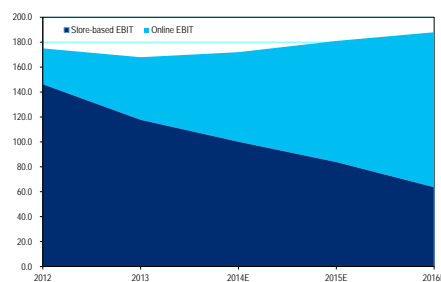
In the context of an improving UK demand environment, we now forecast stable or rising sector store-based retail EBIT margins in 2014-15 (eg SPD, NEXT, MKS). At Debenhams, adverse opex inflation still looks likely to drive store-based EBIT margins downward.

Figure 8. Sports Direct – store v online EBIT analysis £m



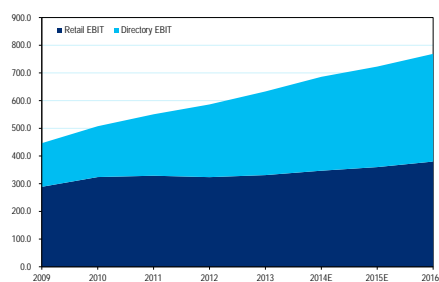
Source: Company Reports and Citi Research Estimates

Figure 9. Debenhams – store v online EBIT analysis £m



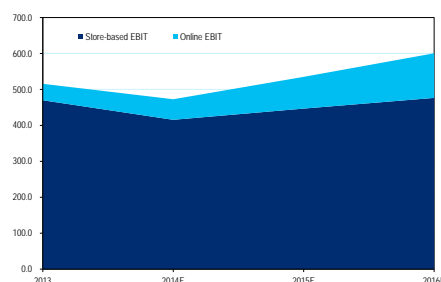
Source: Company Reports and Citi Research Estimates

Figure 10. Next – store v online EBIT analysis £m



Source: Company Reports and Citi Research Estimates

Figure 11. M&S – store v online EBIT analysis £m



Source: Company Reports and Citi Research Estimates

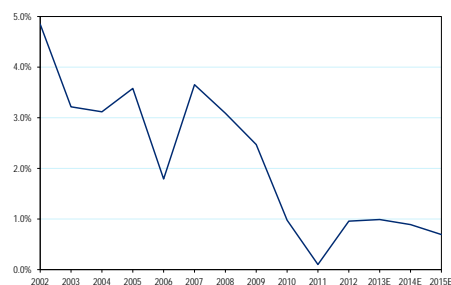
## Space growth: Slowing

**UK space growth is slowing and overall minimum lease commitments for retailers have declined**

Across the coverage universe the rate of decline of space growth has followed the structural growth of online with the likes of Home Retail and Dixons in a phase of space contraction, Halfords and Sports Direct at a fairly neutral position but clothing retailers such as Marks and Spencer and Debenhams still adding space. More interesting are those retailers such as Next which are diversifying away from pure clothing formats and into homewares formats, or Kingfisher through its trade format Screwfix.

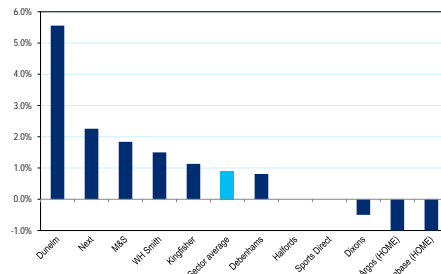
Overall lease commitments for most retailers have declined over the last 5 years. The sharpest declines have been at Darty (Comet closure), Halfords, Home and Dixons. The two main notable exceptions where minimum lease commitments have increased are Marks & Spencer and Debenhams where minimum lease commitments have increased by 27% and 11% respectively.

Figure 12. UK Non-food Retail Space Growth, 2002-2015E



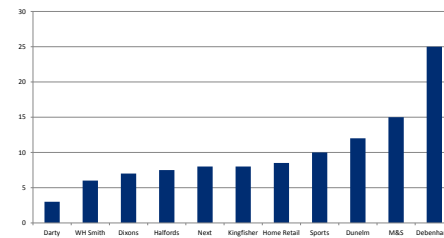
Source: Company Reports and Citi Research Estimates

Figure 13. UK Non-food Retail Space Growth, 2002-2015E



Source: Company Reports and Citi Research Estimates

Figure 14. UK Non-food Retail Space Growth, 2002-2015E



Source: Company Reports and Citi Research Estimates

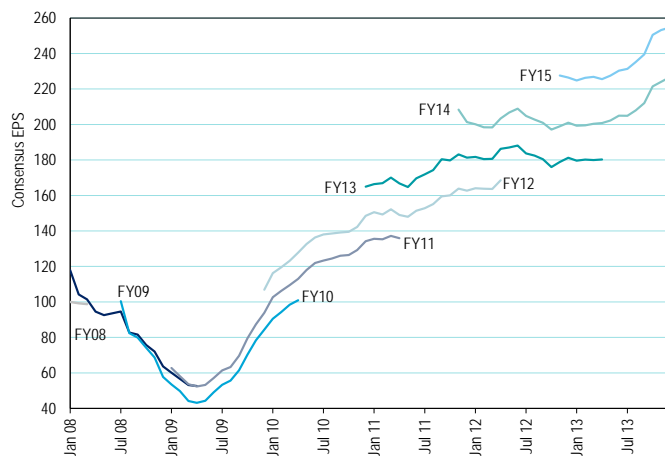
## Valuation

**Despite the 2013 re-rating, we argue that sector valuation metrics can be sustained**

In the context of a UK general retail sector that now trades on a 15x 2014E PE (a c.115 PE relative), above the long-run average (average PE Rel 100-105), there is a growing share price debate over the extent to which a stronger UK consumer demand outlook is already discounted in retail valuations.

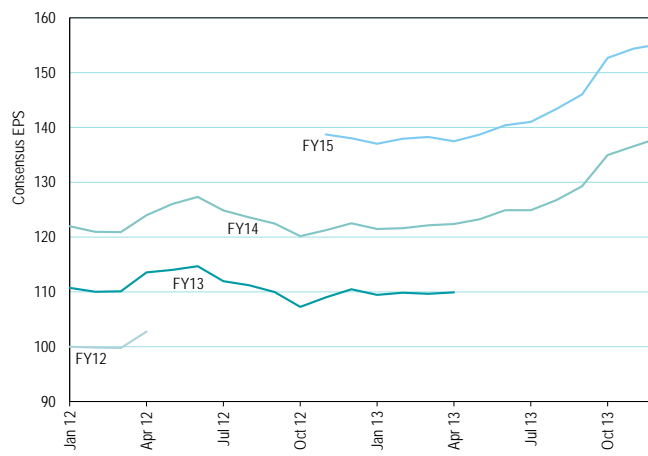
In our view the European equity market and retail sector **valuation metrics can be sustained**, despite recent re-rating. Our forecast sector earnings growth of c+12%, in combination with a 2.5% dividend yield, drives our Overweight sector stance.

Figure 15. UK Retail – Consensus EPS



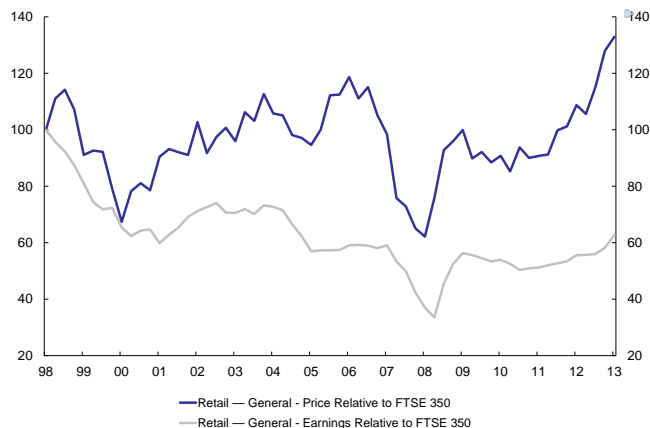
Source: DataStream and Citi Research

Figure 16. UK Retail – Consensus EPS – Short Run



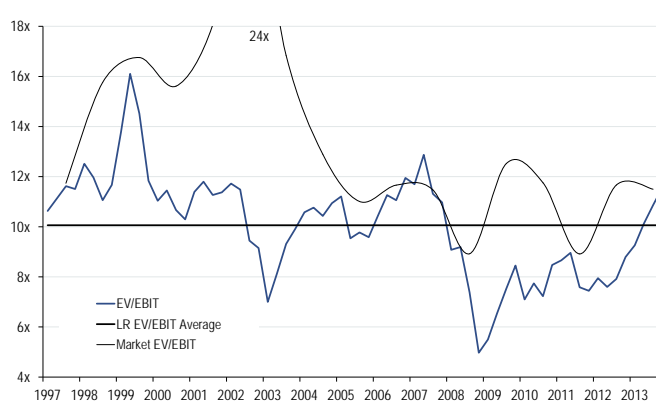
Source: DataStream and Citi Research

Figure 17. UK General Retail – Long Run Price and Earnings relative to FTSE 350



Source: Company Reports and Citi Research

Figure 18. UK General Retail – Long Run EV/EBIT



Source: Company Reports, Datastream and Citi Research

## Recommendations and Target Prices

Taking these dynamics together, our Buy investment ratings focus on the Growth retailers: Asos, adidas, Dunelm, Inditex and Sports Direct, and the Self-Help names: Amer Sports, Carphone Warehouse, Kingfisher, Next, Steinhoff and WH Smith.

Within the Cyclical, given current valuations there is a growing share price debate over the extent to which a stronger UK consumer demand outlook is already discounted but, within these, we remain Buyers on Dixons, Halfords and M&S. From a European context, given upside risk from some stabilisation in France into 2014, we have upgraded our recommendation on Darty to Neutral from Sell.

Overall, our most favoured stocks for 2014 are Dixons, adidas, Sports Direct, Kingfisher. Least favoured is Debenhams.

## Sector Changes

Figure 19. General Retail – Summary of Sector Changes (fiscal year closest to calendar year-end)

	Current Price	Citi Rating			Target Price			Earnings revision		
		Old	New		Old	New	ETR	2013E	2014E	2015E
<b>Growth</b>										
adidas	€ 88	Buy	Buy		€ 100	€ 105	↑	21.1%	-	4.5% 5.8%
ASOS	£57.1	Buy	Buy		£70	£70		22.6%	-	-
Dunelm	892 p	Buy	Buy		1200 p	1040 p	↓	18.7%	-	-
H&M	SKr 279	Neutral	Neutral		SKr 280	SKr 280		3.8%	-	-
Inditex	€ 115	Buy	Buy		€ 125	€ 125		10.7%	-	-
Sports Direct	744 p	Buy	Buy		825 p	825 p		10.9%	-	-
CDON	SKr 29.0	Neutral	Neutral					-	-	-
Delticom	€ 35.1	Neutral	Neutral		€ 37	€ 37		10.7%	-	-
Zooplus	€ 55.9	Neutral	Neutral					-	-	-
<b>Self Help</b>										
Amer Sports	€ 14.4	Buy	Buy		€ 19	€ 19		34.9%	-	-
Carphone Warehouse	280 p	Buy	Buy		320 p	320 p		16.1%	-	-
Kingfisher	365 p	Buy	Buy		450 p	450 p		25.9%	-	-
Next	£55.2	Buy	Buy		£61.0	£61.0		12.8%	-	1.0%
Steinhoff	ZAR 38.8	Buy	Buy		ZAR 29	ZAR 48	↑	25.6%	10.2%	25.0% 25.2%
WH Smith	936 p	Buy	Buy		1120 p	1050 p	↓	16.0%	-	-
<b>Cyclicals</b>										
Darty	88 p	Sell	Neutral	↑	60 p	90 p	↑	4.7%	-	8.8% 10.4%
Debenhams	92 p	Neutral	Neutral		105 p	100 p	↓	12.1%	-	-
Dixons Retail	51 p	Buy	Buy		60 p	60 p		18.2%	-	-
Halfords	470 p	Buy	Buy		545 p	545 p		19.0%	-	-
Home Retail	187 p	Neutral	Neutral		195 p	195 p		5.5%	-	0.1% 2.7%
Inchcape	581 p	Neutral	Neutral		615 p	615 p		8.1%	-	-
Jumbo	€ 11.8	Neutral	Neutral		€ 9.75	€ 11.50	↑	(0.8%)	-	-
M&S	472 p	Buy	Buy		575 p	575 p		25.6%	-	3.7%
N Brown	535 p	Neutral	Neutral		435 p	525 p	↑	0.7%	1.0%	1.9% 5.4%

Source: dataCentral, Citi Research. Priced as of 4 December 2013.

Figure 20. Valuation and Earnings Growth Sector Segmentation (Fiscal Year Nearest to Calendar Year-End)

		PE			EV/EBIT			EPS Growth		
		2013e	2014e	2015e	2013e	2014e	2015e	2013e	2014e	2015e
Growth basket										
adidas	Buy	22.1	18.5	15.6	14.7	12.4	10.4	5%	19%	19%
ASOS	Buy	116	89.5	63	86.2	67.1	47.3	24%	30%	42%
Dunelm	Buy	20.4	18.3	16.3	15.2	13.4	11.7	9%	11%	12%
H&M	Neutral	26.4	23.6	21.4	20	17.8	16.2	4%	12%	10%
Inditex	Buy	28.5	25.6	22.7	20.6	17.9	15.7	7%	11%	13%
Sports Direct	Buy	22.2	18.5	16.9	16.5	13.1	11	25%	20%	10%
CDON Group	Neutral	73.1	34	21.7	33.5	18.6	11.5	-248%	115%	57%
Delticom	Neutral	19.7	17.4	15.2	12.6	11.2	9.9	-4%	13%	15%
Zooplus	Neutral	189.8	53.4	29.5	163.3	42.9	23.4	-185%	256%	81%
Average (equal weighted) ex Online stocks		23.9	20.9	18.6	17.4	14.9	13	10%	15%	13%
Average (equal weighted)		57.6	33.2	24.7	42.5	23.8	17.4	-40%	54%	29%
Self Help										
Amer Sports	Buy	17.5	14.4	12.2	13.6	11.4	9.7	28%	21%	18%
Carphone Warehouse	Buy	14.7	13.1	12.3	10.2	9.4	9	66%	12%	6%
Kingfisher	Buy	16	14.3	13.1	11.5	10.2	9.2	4%	12%	9%
Next	Buy	16	14.7	13.1	12.9	12.1	11.4	19%	9%	12%
Steinhoff	Buy	8.9	8.2	7.8	8.5	7.1	6.2	23%	8%	5%
WH Smith	Buy	14	12.8	11.8	10.4	10	9.8	12%	10%	8%
Average (equal weighted)		13.9	12.6	11.6	10.7	9.8	9.1	25%	10%	8%
Cyclicals										
Darty	Neutral	24.8	18.8	16.6	14.5	11.7	10.5	81%	32%	14%
Debenhams	Neutral	9.1	9.2	8.7	9	8.7	8.1	4%	-2%	6%
Dixons Retail	Buy	19	16.1	14.3	8	6.8	5.9	119%	18%	13%
Halfords	Buy	17.8	16.6	14	14.7	13.9	11.6	-4%	7%	19%
Home Retail Group	Neutral	20.7	19	17.4	11.6	11.2	10.3	20%	9%	10%
Inchcape	Neutral	13.8	12.4	11.3	8.4	7.6	7.3	9%	11%	9%
Jumbo	Neutral	16.3	15.5	14.4	12.1	11.1	9.9	-4%	5%	8%
M&S	Buy	15.2	13	11.4	13.2	11.5	10	0%	17%	14%
N Brown	Neutral	18.6	17.2	16.2	15.5	14.5	13.6	1%	8%	6%
Average (equal weighted)		17.2	15.3	13.8	11.9	10.8	9.7	25%	12%	11%

Source: Company Reports and Citi Research Estimates



## Reporting Dates – January/February 2014

Figure 21. January – February 2014 Results Calendar

Reporting Date	Company	Rating	TP	Reporting	Preview Page	Citi Commentary and Forecasts
03-Jan	Next	Buy	6100p	4Q IMS		Next Retail LFL -2.5%, gross margin +50bp, Directory +9% and gross margin +50bp. Total Next Brand sales +4%, LFL +1.5
07-Jan	Dunelm	Buy	1040p	2Q IMS		LFL +2.5%, space +6%. Gross margins +40bp. 1H PBT £61m
9-Jan	M&S	Buy	575p	3Q IMS		Gen merchandise LFL +1% and gross margin +100bp, Food LFL +3% and gross margin +50bp. Total UK LFL +2% and gross margin +60bp
TBC (PY 10-Jan)	Jumbo	Neutral	€11.5	2Q		Group sales +3.8% to €178m
14-Jan	ASOS	Buy	7000p	Christmas Trading		Group sales +31% split UK +20%, US +50%, EU +50% and RoW +25%
15-Jan	H&M	Neutral	Skr 280	December Sales		Total sales (Local ccy) +11%, LFL +2%
30-Jan				FY Results		PBT SKr 22.8bn. EPS SKr 10.55. DPS SKr 9.5
16-Jan	Halfords	Buy	545p	3Q IMS		Retail: LFL +4%, gross margin -125bp. Autocentres: LFL flat
16-Jan	N Brown	Neutral	525p	3Q IMS		LFL sales +8% for the 19 weeks, gross margins flat
16-Jan	Dixons	Buy	60p	3Q IMS		Group LFL sales +2%. Q3 LFL and gross margin split: UK +3%, -10bp, Northern Europe +2%, -70bp, Southern Europe -7%, +30bp
16-Jan	Home Retail	Neutral	195p	3Q IMS		Argos LFL sales +2.5%, gross margin -30bp. Homebase LFL +1.5%, gross margins +20bp
17-Jan	Debenhams	Neutral	100p	1Q IMS		LFL +2.5% and gross margin +20bp
21-Jan	Carphone Warehouse	Buy	320p	3Q IMS		CPW Europe Q3 LFL flat, gross margins -55bp across H2. Virgin Mobile France revenues £95m, net additions of 14,000 subscribers
22-Jan	WH Smith	Buy	1050p	2Q IMS		21 weeks: High Street LFL -6%, gross margin +180bp. Travel LFL -3%, gross margin +130bp
31-Jan	Amer Sports	Buy	€19	FY Results		4Q ccy neutral +6.3%
6-Feb	Darty	Neutral	90p	3Q IMS		Q3 LFL sales and gross margin split: Darty -1.5%, +30bp, Belgium & Netherlands +2.0%, flat and Other -5%, -500bp
20-Feb	Sports Direct	Buy	825p	3Q IMS		Retail Sales +34% LFL +6% and gross margin +100bp

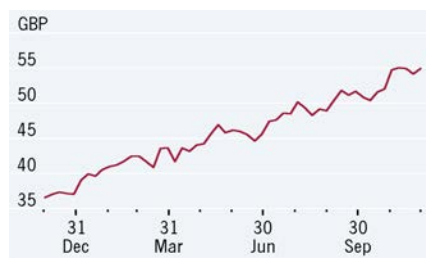
Source: Company Reports and Citi Research Estimates

## Company Focus

### ■ Estimate Change

Buy	1
Price (03 Dec 13)	£55.57
Target price	£61.00
Expected share price return	9.8%
Expected dividend yield	2.2%
Expected total return	12.0%
Market Cap	£8,615M
	US\$14,091M

Price Performance  
(RIC: NXT.L, BB: NXT LN)



## Next Group PLC (NXT.L) 4Q Trading Statement – 3 January 2014

■ **4Q IMS forecast** – Next has its Christmas trading statement on January 3, 2014. We forecast Next Retail sales +1.5% (LFL -2.5%) and gross margin +50bp, and Next Directory sales +9%, gross margin +50bp. This equates to Next Brand total sales +4% (LFL+1.5%) over the period.

■ **FY14E and FY15E PBT remain £670m and £712m (dil EPS 344.5p and 374.6p, +19% and +9% yoy)** — On the back of the above 4Q forecast agenda and Household Available Cashflow analysis in this report, we have retained our FY14 and FY15 PBT forecasts at £670 and £712m respectively. The FY15 forecast assumes Next Brand total sales +3.9% and Next Brand LFL sales +1.7% (broadly in line with our sector average non-food LFL sales expectation, c+2%), a flat gross margin and group operating costs +3%. By operating division, this splits Next Retail LFL -1.5%, Directory +7%, driving a +3.7% FY15 Next Retail EBIT forecast, with Directory EBIT +7%.

■ **FY16E PBT forecast raised modestly (+1%) to £757m** — This reflects our view that sector LFL sales trends remain c.+3% in calendar 2015. In this context we have raised our FY16E Next brand LFL to +2.7% (from +2%), driving a +1% PBT forecast increase to £757m (dil EPS 421.4p, +12.5% year on year).

■ **Investment case?** — The combination of a stable, well managed c.16% EBIT margin store-based clothing business (c.60% group sales), and a high-growth, higher EBIT margin Directory/online operation (c.40% group sales) should allow Next to maintain c.+5% p.a. EBIT progress (assisted in cal 2014-15 by the improving UK consumer demand outlook). In conjunction with a c.5% p.a. share buyback programme, we forecast c.+10% p.a. earnings growth from here. Taken together with c. +3% dividend yield, we argue this should drive a double-digit total return for investors (assuming valuation metrics are held over time).

■ **Buy rating, target price 6100p** — In deriving our 6,100p target price, we apply a c.14.5x FY16E PE multiple (in line with the recent FY15E average). This equates to a 12x EV/EBIT multiple and c.2.5% dividend yield.

Figure 22. Next LFL and GM

	Citi Xmas: 8w to 24 Dec:	PY Xmas: 8w to 24 Dec:	Last seen: 3Q to 29 Oct:	PY Last Seen: 3Q to 29 Oct:
Retail LFL Indicator	-2.5%	-1.6%	-2.8%	-1.5%
Directory growth	+9%	+11.2%	+10.7%	+5.6%
Retail Gross margin (2H)	+50bp	+40bp	+50bp	+30bp
Directory Gross margin (2H)	+50bp	+80bp	+50bp	+30bp

Source: Company Reports and Citi Research Estimates

### Next Group PLC (GBP)

Year to 31 Jan	2012A	2013A	2014E	2015E	2016E
Sales (£M)	3,441.1	3,562.8	3,694.7	3,847.3	4,050.8
Profit Before Tax (£M)	570.3	621.6	670.0	712.0	757.0
Diluted EPS (p)	247.5	289.9	344.5	374.6	421.4
Diluted EPS (Old) (p)	247.5	289.9	344.5	374.6	417.3
PE (x)	22.5	19.2	16.1	14.8	13.2
EV/EBITDA (x)	12.4	11.6	10.8	10.2	9.8
DPS (p)	90.0	105.0	122.0	134.0	148.0
Net Div Yield (%)	1.6	1.9	2.2	2.4	2.7

NXT.L: Fiscal year end 31-Jan						Price: £55.57; TP: £61.00; Market Cap: £8,615m; Recomm: Buy					
Profit & Loss (£m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	3,441	3,563	3,695	3,847	4,051	PE (x)	22.5	19.2	16.1	14.8	13.2
Cost of sales	-1,560	-1,600	-1,637	-1,707	-1,803	PB (x)	42.0	30.9	28.5	25.8	24.5
Gross profit	1,882	1,963	2,058	2,141	2,248	EV/EBITDA (x)	12.4	11.6	10.8	10.2	9.8
Gross Margin (%)	54.7	55.1	55.7	55.6	55.5	FCF yield (%)	3.8	5.9	6.0	6.8	7.6
EBITDA (Adj)	735	785	839	881	919	Dividend yield (%)	1.6	1.9	2.2	2.4	2.7
EBITDA Margin (Adj) (%)	21.4	22.0	22.7	22.9	22.7	Payout ratio (%)	36	36	35	36	35
Depreciation	-120	-117	-125	-125	-125	ROE (%)	187.9	186.1	184.7	184.7	192.4
Amortisation	0	0	0	0	0	Cashflow (£m)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	599	650	699	741	786	EBITDA	718	767	824	866	911
EBIT Margin (Adj) (%)	17.4	18.2	18.9	19.3	19.4	Working capital	-69	26	0	-10	-15
Net interest	-28	-29	-29	-29	-29	Other	-163	-170	-183	-179	-180
Associates	0	0	0	0	0	Operating cashflow	486	624	641	677	716
Non-op/Except	0	0	0	0	0	Capex	-126	-92	-120	-110	-110
Pre-tax profit	570	622	670	712	757	Net acq/disposals	-42	-73	0	0	0
Tax	-143	-149	-134	-150	-151	Other	43	0	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	Investing cashflow	-125	-165	-120	-110	-110
Reported net profit	427	473	536	562	606	Dividends paid	-135	-148	-177	-193	-204
Net Margin (%)	12.4	13.3	14.5	14.6	15.0	Financing cashflow	-363	-390	-527	-543	-604
Core NPAT	427	473	536	562	606	Net change in cash	-2	69	-6	24	1
Per share data	2012	2013	2014E	2015E	2016E	Free cashflow to s/holders	360	531	521	567	606
Reported EPS (p)	247.5	289.9	344.5	374.6	421.4						
Core EPS (p)	247.5	289.9	344.5	374.6	421.4						
DPS (p)	90.0	105.0	122.0	134.0	148.0						
CFPS (p)	281.6	382.2	412.0	451.2	498.0						
FCFPS (p)	208.6	325.6	334.8	377.9	421.4						
BVPS (p)	132.2	179.7	195.0	215.5	226.4						
Wtd avg ord shares (m)	168	159	151	146	139						
Wtd avg diluted shares (m)	173	163	156	150	144						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	-0.4	3.5	3.7	4.1	5.3						
EBIT (Adj) (%)	4.2	8.6	7.5	6.0	6.1						
Core NPAT (%)	6.6	10.7	13.3	4.9	7.7						
Core EPS (%)	14.4	17.1	18.8	8.7	12.5						
Balance Sheet (£m)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	56	136	176	216	232						
Accounts receivables	699	718	720	735	765						
Inventory	372	332	332	342	357						
Net fixed & other tangibles	582	537	532	517	502						
Goodwill & intangibles	46	45	45	45	45						
Financial & other assets	99	125	125	125	125						
Total assets	1,854	1,894	1,931	1,980	2,026						
Accounts payable	545	537	539	550	572						
Short-term debt	8	93	93	93	93						
Long-term debt	652	567	567	567	567						
Provisions & other liab	427	411	437	456	478						
Total liabilities	1,632	1,608	1,636	1,666	1,710						
Shareholders' equity	223	286	295	314	316						
Minority interests	0	0	0	0	1						
Total equity	223	286	295	314	317						
Net debt	603	524	483	444	428						
Net debt to equity (%)	270.9	183.3	164.0	141.3	134.8						

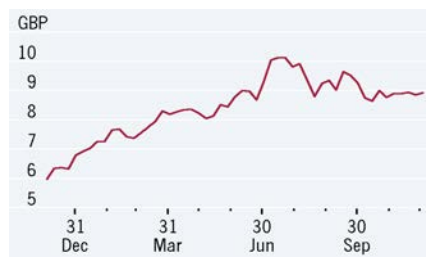
For definitions of the items in this table, please click [here](#).

## Company Focus

### ■ Target Price Change

Buy	1
Price (04 Dec 13)	£8.68
Target price	£10.40
from £12.00	
Expected share price return	19.8%
Expected dividend yield	2.1%
Expected total return	21.9%
Market Cap	£1,756M
	US\$2,878M

Price Performance  
(RIC: DNLM.L, BB: DNLM LN)



## Dunelm (DNLM.L) Q2 Trading Statement - 7 January 2014

- **2Q forecast LFL +2.6, space +6.3%, GM+40bp** – Our 2Q LFL forecast is +2.6% which, combined with +6.3% space growth, drives total sales of £205m. This implies 1H sales growth of +5.6% (LFL-1%, Space +6.6%). Our gross margin forecast is +40bps for 2Q and +55bps for 1H, driven by sourcing efficiencies.
- **Expect management guidance on 1H PBT** – Management is likely to guide to PBT in the trading statement; we forecast £61m 1H PBT (EPS 23.0p, +4% yoy) but note that each percentage point change on LFL would change EPS growth by around 3x the amount.
- **Full year PBT forecast £117m** – This shape is consistent with our FY14 PBT forecast of £117m (EPS 43.7p, +9.5% yoy). Our full year forecast assumes +7.6% sales growth (+1.5% LFL, +6.1% space contribution), +45bps gross margin progress and +8.5% cost growth driving a full year EBIT margin of 15.9%.
- **Remain Buyers despite premium valuation** – Dunelm is now trading on a calendarised 2014e EV/EBIT of 13.3x, a c.20% premium to the UK general retail sector. We continue to believe this premium is justified due to i) our double-digit EPS growth forecast; ii) Dunelm's sector-leading ROCE; iii) the potential of future operating improvements; and iv) the likelihood of further cash returns to shareholders.
- **Buy Rating, Target Price lowered to 1040p (from 1200p)** – Our target price (lowered due to recent de-rating) is based on Dunelm holding a 13.5x EV/EBIT multiple to Jun-16E. This is in line with the recent average and represents a c.20% premium to UK retail peers. This is equivalent to a 19x PE and 2.1% dividend yield in the same forecast year.

Figure 23. Dunelm LFL and GM

	Citi Xmas: 2Q to 31 Dec:	PY Xmas: 2Q to 31 Dec:	Last seen: 1Q to 01 Oct:	PY Last Seen: 1Q to 01 Oct:
LFL Indicator	+2.6%	+1.6%	-5.3%	+3.0%
Gross margin	+40bps	+20bps	+70bps	+40bps

Source: Company Reports and Citi Research Estimates

### Dunelm (GBP)

Year to 30 Jun	2012A	2013A	2014E	2015E	2016E
Sales (£M)	603.7	677.2	728.7	786.6	851.7
Profit Before Tax (£M)	96.2	108.1	117.0	129.0	143.0
Diluted EPS (£)	0.35	0.40	0.44	0.49	0.55
Diluted EPS (Old) (£)	0.35	0.40	0.44	0.49	0.55
PE (x)	24.7	21.7	19.9	17.8	15.9
EV/EBITDA (x)	14.9	13.4	12.4	11.1	9.7
DPS (£)	0.14	0.16	0.18	0.20	0.22
Net Div Yield (%)	1.6	1.8	2.1	2.3	2.5

DNLM.L: Fiscal year end 30-Jun						Price: £8.68; TP: £10.40; Market Cap: £1,756m; Recomm: Buy					
Profit & Loss (£m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	604	677	729	787	852	PE (x)	24.7	21.7	19.9	17.8	15.9
Cost of sales	-312	-347	-371	-397	-426	PB (x)	8.5	8.9	8.7	6.7	5.3
Gross profit	292	330	358	390	426	EV/EBITDA (x)	14.9	13.4	12.4	11.1	9.7
Gross Margin (%)	48.3	48.7	49.1	49.6	50.0	FCF yield (%)	3.1	4.3	4.7	5.3	6.0
EBITDA (Adj)	114	127	138	153	169	Dividend yield (%)	1.6	1.8	2.1	2.3	2.5
EBITDA Margin (Adj) (%)	18.9	18.7	19.0	19.4	19.8	Payout ratio (%)	40	40	41	41	40
Depreciation	-16	-18	-20	-22	-24	ROE (%)	39.1	40.2	44.6	42.7	37.3
Amortisation	-2	-2	-2	-2	-3	Cashflow (£m)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	95	107	116	128	142	EBITDA	114	127	138	153	169
EBIT Margin (Adj) (%)	15.8	15.7	15.9	16.3	16.7	Working capital	0	-3	-5	-5	-5
Net interest	1	2	1	1	1	Other	-22	-23	-24	-26	-28
Associates	0	0	0	0	0	Operating cashflow	92	100	109	121	136
Non-op/Except	0	0	0	0	0	Capex	-37	-23	-27	-28	-30
Pre-tax profit	96	108	117	129	143	Net acq/disposals	1	0	0	0	0
Tax	-25	-27	-28	-30	-31	Other	-2	-3	-3	-3	-3
Extraord./Min.Int./Pref.div.	0	0	0	0	0	Investing cashflow	-38	-26	-29	-31	-32
Reported net profit	71	81	89	99	112	Dividends paid	-24	-95	-85	-37	-41
Net Margin (%)	11.8	12.0	12.2	12.6	13.1	Financing cashflow	-24	-95	-85	-37	-41
Core NPAT	71	81	89	99	112	Net change in cash	30	-21	-6	53	63
Per share data	2012	2013	2014E	2015E	2016E	Free cashflow to s/holders	55	77	83	93	107
Reported EPS (£)	0.35	0.40	0.44	0.49	0.55						
Core EPS (£)	0.35	0.40	0.44	0.49	0.55						
DPS (£)	0.14	0.16	0.18	0.20	0.22						
CFPS (£)	0.45	0.49	0.53	0.60	0.67						
FCFPS (£)	0.27	0.38	0.40	0.46	0.52						
BVPS (£)	1.03	0.98	1.00	1.30	1.65						
Wtd avg ord shares (m)	202	203	203	203	203						
Wtd avg diluted shares (m)	203	204	204	204	204						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	12.1	12.2	7.6	8.0	8.3						
EBIT (Adj) (%)	14.3	11.9	8.9	10.3	10.9						
Core NPAT (%)	19.0	14.4	9.5	11.4	12.3						
Core EPS (%)	19.6	13.9	9.5	11.4	12.3						
Balance Sheet (£m)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	65	45	36	83	139						
Accounts receivables	17	18	20	21	23						
Inventory	86	93	100	108	116						
Net fixed & other tangibles	146	151	158	168	177						
Goodwill & intangibles	0	0	0	0	0						
Financial & other assets	3	6	6	6	6						
Total assets	318	313	321	387	462						
Accounts payable	97	102	106	110	115						
Short-term debt	0	0	0	0	0						
Long-term debt	0	0	0	0	0						
Provisions & other liab	14	13	13	13	13						
Total liabilities	111	115	119	123	128						
Shareholders' equity	207	198	202	264	335						
Minority interests	0	0	0	0	0						
Total equity	207	198	202	264	335						
Net debt	-65	-45	-36	-83	-139						
Net debt to equity (%)	-31.5	-22.6	-17.9	-31.6	-41.7						

For definitions of the items in this table, please click [here](#).

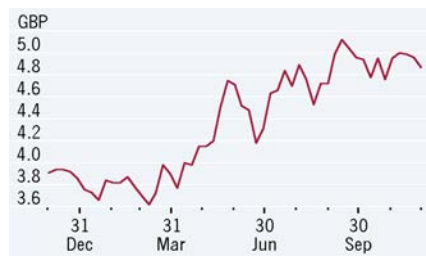
## Company Focus

### ■ Estimate Change

Buy	1
Price (03 Dec 13)	£4.81
Target price	£5.75
Expected share price return	19.6%
Expected dividend yield	3.7%
Expected total return	23.3%
Market Cap	£7,771M
	US\$12,711M

### Price Performance

(RIC: MKS.L, BB: MKS LN)



## Marks and Spencer Group PLC (MKS.L)

### 3Q Interim Management Statement – 9 January 2014

■ **3Q IMS** – We forecast 3Q UK LFL sales +2% and +60bp gross margin progress, split General Merchandise LFL +1%, gross margin +100bp, and Food LFL +3%, gross margin +50bp

■ **FY14E PBT forecast remains £640m** – The above 3Q IMS forecast is consistent with our £640m FY14 PBT forecast (EPS 31.2p, -0.4% year on year). Within this we assume 4Q Gen Merch LFL +1%, gross margin +100bp. and Food LFL+1%, gross margin +50bp.

■ **FY15E PBT £745m, FY16E raised +4% to £850m** — On the back of our UK Household Available Cashflow demand analysis for calendar 2014-15, while we have retained our FY15 PBT forecast (EPS 36.4p, +17% yoy), we have raised our M&S FY16 UK LFL sales forecasts by +100bp to +3% (+3% in both General Merchandise, Food). Assuming modest gross margin progress (c.+30bp p.a.) and c.+3.5% opex growth (both unchanged), we derive a +4% increase in our FY16 PBT forecasts to £850m (EPS 41.6p, +14% yoy).

■ **Investment thesis** — The combination of our stronger calendar 2014 and 2015 UK economic growth forecasts, and M&S management initiatives (esp rising Gen Merch availability) have markedly improved the credibility of double-digit FY15 and FY16 M&S EPS growth forecasts. We argue that this should underpin the group's current valuation metrics, driving double digit share price upside from here. Buy

■ **Buy rating, 575p target price** — Our 575p target is based on a 12x FY16e EV/EBIT multiple, in line with the recent average for the large-cap sector peers, and equates to a c.14x PE and a 3.5% dividend yield for the same forecast year.

Figure 24. Marks And Spencer LFL and GM

		Citi Xmas: 3Q to end Dec:	PY Xmas: 3Q to end Dec:	Last seen: 2Q to end Sep:	PY Last Seen: 2Q to end Sep:
LFL Indicator	Gen Merch	+1.0%	-3.8%	-1.3%	-1.8%
	Food	+3.0%	+0.3%	+3.2%	+1.6%
	Group	+2.0%	-1.8%	+1.1%	0.0%
Gross margin E	Gen Merch	+100bp	+100bp	-200bp	+200bp
	Food	+50bp	+30bp	+60bp	+35bp

Source: Company Reports and Citi Research Estimates

### Marks and Spencer Group PLC (GBP)

Year to 31 Mar	2012A	2013A	2014E	2015E	2016E
Sales (£M)	9,934.3	10,026.8	10,400.6	10,862.5	11,394.1
Profit Before Tax (£M)	705.9	665.2	640.0	745.0	850.0
Diluted EPS (p)	32.0	31.3	31.2	36.4	41.6
Diluted EPS (Old) (p)	32.0	31.3	31.2	36.4	40.1
PE (x)	15.0	15.4	15.4	13.2	11.6
EV/EBITDA (x)	7.5	8.0	8.0	7.2	6.5
DPS (p)	17.0	17.0	17.0	18.5	20.5
Net Div Yield (%)	3.5	3.5	3.5	3.8	4.3

MKS.L: Fiscal year end 31-Mar						Price: £4.81; TP: £5.75; Market Cap: £7,774m; Recomm: Buy					
Profit & Loss (£m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	9,934	10,027	10,401	10,863	11,394	PE (x)	15.0	15.4	15.4	13.2	11.6
Cost of sales	-5,884	-5,927	-6,129	-6,374	-6,649	PB (x)	2.7	3.1	2.8	2.5	2.3
Gross profit	4,050	4,100	4,271	4,489	4,745	EV/EBITDA (x)	7.5	8.0	8.0	7.2	6.5
Gross Margin (%)	40.8	40.9	41.1	41.3	41.6	FCF yield (%)	4.0	1.5	4.1	7.5	8.6
EBITDA (Adj)	1,290	1,249	1,292	1,425	1,525	Dividend yield (%)	3.5	3.5	3.5	3.8	4.3
EBITDA Margin (Adj) (%)	13.0	12.5	12.4	13.1	13.4	Payout ratio (%)	53	54	55	51	49
Depreciation	-480	-467	-517	-550	-550	ROE (%)	18.6	19.0	19.1	20.3	20.8
Amortisation	0	0	0	0	0	Cashflow (£m)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	810	782	775	875	975	EBITDA	1,290	1,249	1,292	1,425	1,525
EBIT Margin (Adj) (%)	8.2	7.8	7.5	8.1	8.6	Working capital	86	-5	30	-20	-20
Net interest	-130	-143	-141	-136	-131	Other	-301	-298	-228	-275	-291
Associates	0	0	0	0	0	Operating cashflow	1,075	946	1,094	1,130	1,214
Non-op/Except	26	27	6	6	6	Capex	-766	-830	-775	-550	-550
Pre-tax profit	706	665	640	745	850	Net acq/disposals	-102	-644	-75	-100	-100
Tax	-173	-151	-128	-149	-170	Other	0	0	0	0	0
Extraord./Min.Int./Pref.div.	-24	-10	-10	-10	-10	Investing cashflow	-868	-1,474	-850	-650	-650
Reported net profit	509	504	502	586	670	Dividends paid	-268	-272	-274	-282	-306
Net Margin (%)	5.1	5.0	4.8	5.4	5.9	Financing cashflow	-481	524	-244	-480	2,035
Core NPAT	509	504	502	586	670	Net change in cash	-274	-3	0	0	2,599
Per share data	2012	2013	2014E	2015E	2016E	Free cashflow to s/holders	309	117	319	580	664
Reported EPS (p)	32.0	31.3	31.2	36.4	41.6						
Core EPS (p)	32.0	31.3	31.2	36.4	41.6						
DPS (p)	17.0	17.0	17.0	18.5	20.5						
CFPS (p)	67.5	58.8	68.0	70.2	75.4						
FCFPS (p)	19.4	7.2	19.8	36.0	41.2						
BVPS (p)	176.7	156.6	171.5	190.1	212.0						
Wtd avg ord shares (m)	1,592	1,610	1,610	1,610	1,610						
Wtd avg diluted shares (m)	1,592	1,610	1,610	1,610	1,610						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	2.0	0.9	3.7	4.4	4.9						
EBIT (Adj) (%)	-1.8	-3.5	-0.8	12.9	11.4						
Core NPAT (%)	-2.3	-1.0	-0.4	16.7	14.3						
Core EPS (%)	-2.3	-2.1	-0.4	16.7	14.3						
Balance Sheet (£m)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	196	193	193	193	193						
Accounts receivables	116	112	117	122	128						
Inventory	682	767	796	831	872						
Net fixed & other tangibles	4,790	5,034	5,291	5,291	5,291						
Goodwill & intangibles	584	695	695	695	695						
Financial & other assets	75	97	97	97	97						
Total assets	6,443	6,898	7,188	7,229	7,276						
Accounts payable	989	1,026	1,026	1,026	1,026						
Short-term debt	0	0	0	0	0						
Long-term debt	2,053	2,807	2,817	2,599	2,321						
Provisions & other liab	622	578	621	581	556						
Total liabilities	3,664	4,412	4,464	4,206	3,903						
Shareholders' equity	2,790	2,505	2,744	3,042	3,392						
Minority interests	-11	-19	-19	-19	-19						
Total equity	2,779	2,486	2,725	3,023	3,373						
Net debt	1,857	2,614	2,624	2,405	2,127						
Net debt to equity (%)	66.8	105.1	96.3	79.6	63.1						

For definitions of the items in this table, please click [here](#).

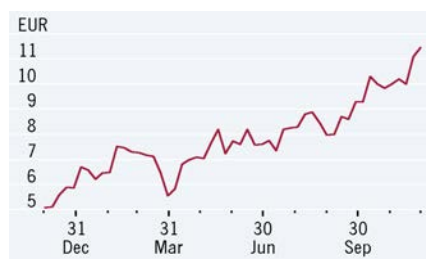


## Company Focus

### ■ Target Price Change

Neutral/High Risk	2H
Price (03 Dec 13)	€11.68
Target price	€11.50
from €9.75	
Expected share price return	-1.5%
Expected dividend yield	1.8%
Expected total return	0.3%
Market Cap	€1,520M
	US\$2,058M

Price Performance  
(RIC: BABr.AT, BB: BELA GA)



## Jumbo Babyland (BABr.AT)

### 2Q Trading Update – TBC (PY 10 January 2013)

- **Best in class Greece Retailer** — We believe Jumbo is a best in class retailer. The group has steadily expanded its operations across Cyprus, Bulgaria and will enter the Romanian market in late 2013. Its resilience in difficult markets has been underpinned by product diversification, geographic expansion, flexibility in responding to consumer demand pressures and strong cost control.
- **2Q sales preview** — We expect Jumbo to only report 2Q sales figures. We forecast sales of €178m, +3.8% yoy. We expect modest growth in Greece with continued double digit growth in both Cyprus and Bulgaria as seen through 1Q. 1Q trends were solid, +5.8% and showing some return to form for Greece continuing the improved trend seen through Q4 13 where overall sales grew +5.6%. For FY14, management has given guidance of 2-4% sales growth for the group, gross margins down -150bp and net profit of €75m (down 23% yoy); consensus is already tracking 25% ahead of this given management's historic conservatism on guidance.
- **FY 14E net income €94m (EPS 0.72c, -3.5% yoy)** — This assumes overall group sales growth of +5.8% (Greece LFLs flat), gross margins down -30bp and Group EBIT of €119m with EBIT margins expected to decline -50bp to 22.4%, driving net income of €94m, ahead of management guidance.
- **Neutral rating, target price increased to €11.50** — The shares are trading on prospective June 2015 PE and EV/EBIT of 15.1x and 10.7x (a premium of c40% to its long term historic average EV/EBIT multiple). Cash generation is likely to remain strong and we estimate annual free cash flow of c€70m per annum over the FY14E – FY16E period. Despite the group's strong focus on costs, the improved top line performance still only drives EPS growth forecasts +5% and +8% in FY14 & FY15. We retain a Neutral rating but have increased our price target to €11.5, rolling forward our 10.5x EV/EBIT valuation multiple (in line with its recent average) into FY 15E.

### Jumbo Babyland (EUR)

Year to 30 Jun	2012A	2013A	2014E	2015E	2016E
Sales (€M)	494.3	502.2	531.3	566.3	594.1
Net Income (€M)	97.4	97.6	94.2	98.9	106.5
Diluted EPS (€)	0.75	0.75	0.72	0.76	0.82
Diluted EPS (Old) (€)	0.75	0.75	0.72	0.76	0.82
PE (x)	15.6	15.6	16.1	15.4	14.3
EV/EBITDA (x)	11.1	11.1	10.4	9.4	8.6
DPS (€)	0.21	0.00	0.21	0.21	0.21
Net Div Yield (%)	1.8	0.0	1.8	1.8	1.8



BABr.AT: Fiscal year end 30-Jun						Price: €11.68; TP: €11.50; Market Cap: €1,520m; Recomm: Neutral/High Risk					
Profit & Loss (€m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	494	502	531	566	594	PE (x)	15.6	15.6	16.1	15.4	14.3
Cost of sales	-231	-239	-255	-271	-285	PB (x)	2.7	2.5	2.1	2.0	1.8
Gross profit	263	263	277	295	309	EV/EBITDA (x)	11.1	11.1	10.4	9.4	8.6
Gross Margin (%)	53.2	52.3	52.1	52.1	52.1	FCF yield (%)	3.7	2.5	4.7	4.9	5.4
<b>EBITDA (Adj)</b>	<b>134</b>	<b>134</b>	<b>140</b>	<b>149</b>	<b>158</b>	Dividend yield (%)	1.8	0	1.8	1.8	1.8
EBITDA Margin (Adj) (%)	27.2	26.7	26.4	26.3	26.5	Payout ratio (%)	28	0	29	28	26
Depreciation	-17	-19	-21	-22	-21	ROE (%)	18.2	16.6	14.1	13.2	13.1
Amortisation	0	0	0	0	0	<b>Cashflow (€m)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
<b>EBIT (Adj)</b>	<b>117</b>	<b>115</b>	<b>119</b>	<b>126</b>	<b>136</b>	EBITDA	134	134	140	149	158
EBIT Margin (Adj) (%)	23.7	22.9	22.4	22.3	22.9	Working capital	-2	-6	-9	-10	-8
Net interest	2	4	1	2	2	Other	-26	-37	-21	-24	-28
Associates	0	0	0	0	0	<b>Operating cashflow</b>	<b>106</b>	<b>91</b>	<b>111</b>	<b>115</b>	<b>122</b>
Non-op/Except	0	0	0	0	0	Capex	-50	-38	-40	-40	-40
<b>Pre-tax profit</b>	<b>119</b>	<b>119</b>	<b>120</b>	<b>128</b>	<b>138</b>	Net acq/disposals	0	-15	0	0	0
Tax	-22	-22	-26	-30	-32	Other	0	0	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	<b>Investing cashflow</b>	<b>-50</b>	<b>-53</b>	<b>-40</b>	<b>-40</b>	<b>-40</b>
<b>Reported net profit</b>	<b>97</b>	<b>98</b>	<b>94</b>	<b>99</b>	<b>106</b>	Dividends paid	-27	-27	0	-27	-27
Net Margin (%)	19.7	19.4	17.7	17.4	17.9	<b>Financing cashflow</b>	<b>-30</b>	<b>-76</b>	<b>0</b>	<b>-27</b>	<b>-27</b>
Core NPAT	97	98	94	99	106	Net change in cash	27	-38	71	47	55
<b>Per share data</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	<b>Free cashflow to s/holders</b>	<b>56</b>	<b>37</b>	<b>71</b>	<b>75</b>	<b>82</b>
Reported EPS (€)	0.75	0.75	0.72	0.76	0.82						
Core EPS (€)	0.75	0.75	0.72	0.76	0.82						
DPS (€)	0.21	0	0.21	0.21	0.21						
CFPS (€)	0.81	0.70	0.85	0.88	0.94						
FCFPS (€)	0.43	0.29	0.54	0.57	0.63						
BVPS (€)	4.38	4.67	5.59	5.93	6.53						
Wtd avg ord shares (m)	130	130	130	130	130						
Wtd avg diluted shares (m)	130	130	130	130	130						
<b>Growth rates</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>						
Sales revenue (%)	0.9	1.6	5.8	6.6	4.9						
EBIT (Adj) (%)	-2.4	-1.6	3.2	6.2	7.8						
Core NPAT (%)	2.7	0.2	-3.5	5.0	7.7						
Core EPS (%)	2.7	0.2	-3.5	5.0	7.7						
<b>Balance Sheet (€m)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>						
Cash & cash equiv.	185	180	241	288	343						
Accounts receivables	43	44	56	57	58						
Inventory	180	176	186	199	208						
Net fixed & other tangibles	434	463	479	497	515						
Goodwill & intangibles	0	0	0	0	0						
Financial & other assets	15	31	31	31	31						
<b>Total assets</b>	<b>857</b>	<b>894</b>	<b>993</b>	<b>1,071</b>	<b>1,155</b>						
Accounts payable	56	52	55	59	62						
Short-term debt	2	148	148	148	148						
Long-term debt	147	1	1	1	1						
Provisions & other liab	81	85	61	92	93						
<b>Total liabilities</b>	<b>286</b>	<b>286</b>	<b>266</b>	<b>300</b>	<b>305</b>						
Shareholders' equity	570	608	727	771	850						
Minority interests	0	0	0	0	0						
<b>Total equity</b>	<b>570</b>	<b>608</b>	<b>727</b>	<b>771</b>	<b>850</b>						
<b>Net debt</b>	<b>-36</b>	<b>-31</b>	<b>-92</b>	<b>-139</b>	<b>-194</b>						
Net debt to equity (%)	-6.2	-5.0	-12.6	-18.0	-22.8						

For definitions of the items in this table, please click [here](#).

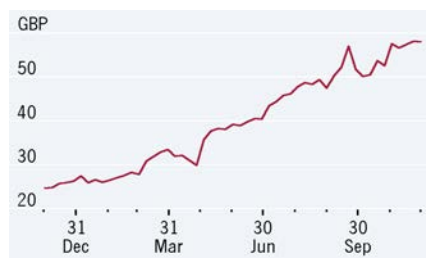
## Company Focus

## ASOS Plc (ASOS.L)

### 1Q Trading Statement – 14 January 2014

Buy	1
Price (03 Dec 13)	£57.66
Target price	£70.00
Expected share price return	21.4%
Expected dividend yield	0.0%
Expected total return	21.4%
Market Cap	£4,810M
	US\$7,868M

Price Performance  
(RIC: ASOS.L, BB: ASC LN)



- **1Q Trading Update** – ASOS will report trading for the four months to 31 December. We forecast group sales +31% and gross margin +50bp. This revenue forecast assumes UK sales +20%, US +50%, EU +50% and RoW +25%.
- **FY £70m PBT forecast** – This forecast agenda is consistent with our £70m FY14 PBT forecast (EPS 63.8p, +30% year on year). This is struck post the £5m staff bonus charge and assumes FY sales +30%, retail gross margin +40bp, distributions costs +37% and other operating costs +28% to drive a 7.0% EBIT margin.
- **Leading online fashion retailer** — ASOS combines a leading fast fashion concept, a best-in-class online customer fulfillment proposition, in-house content creation and digital marketing platform on an increasingly global basis. We believe that these qualities, a wealth of experience and a willingness to adapt mean that ASOS is well positioned for a number of years of rapid growth as a world leading online retailer. This underpins our investment case and our +30-35% EPS CAGR forecast.
- **Buy rating, target price 7000p** — Our 7000p target price is driven by a 15 year DCF, which assumes a +24% pa sales CAGR and 8% terminal EBIT margin. This equates to a c.25x 2018E EV/EBIT multiple and a c.35x PE multiple for the same forecast year.

Figure 25. ASOS Sales Growth and GM

		Citi Xmas: 4m to 31 Dec:	PY Xmas: 4m to 31 Dec:	Last seen: 3m to 31 August	PY Last Seen: 3m to 31 August
Sales growth	UK	+20%	+28%	+49%	+15%
	International	+38%	+38%	+47%	+42%
	US	+50%	+56%	+59%	+65%
	EU	+50%	+29%	+73%	+22%
	RoW	+25%	+39%	+26%	+53%
	Group	+31%	+34%	+47%	+31%

Source: Company Reports and Citi Research Estimates

### ASOS Plc (GBP)

Year to 31 Aug	2012A	2013A	2014E	2015E	2016E
Sales (£M)	552.9	769.4	998.9	1,297.6	1,662.4
Profit Before Tax (£M)	44.5	54.7	70.0	98.0	133.0
Diluted EPS (p)	39.6	49.2	63.8	90.7	123.4
Diluted EPS (Old) (p)	39.6	49.2	63.8	90.7	123.4
PE (x)	145.5	117.1	90.4	63.6	46.7
EV/EBITDA (x)	85.7	69.9	54.2	39.1	29.3
DPS (p)	0.0	0.0	0.0	0.0	0.0
Net Div Yield (%)	0.0	0.0	0.0	0.0	0.0

ASOS.L: Fiscal year end 31-Aug						Price: £57.66; TP: £70.00; Market Cap: £4,810m; Recomm: Buy					
Profit & Loss (£m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	552.9	769.4	998.9	1,297.6	1,662.4	PE (x)	nm	nm	90.4	63.6	46.7
Cost of sales	-349.1	-486.0	-637.1	-831.8	-1,069.2	PB (x)	42.2	29.5	20.7	14.9	11.0
Gross profit	203.8	283.4	361.8	465.8	593.2	EV/EBITDA (x)	85.7	69.9	54.2	39.1	29.3
Gross Margin (%)	36.9	36.8	36.2	35.9	35.7	FCF yield (%)	0.5	0.9	0.4	1.0	1.4
EBITDA (Adj)	55.8	67.9	87.1	119.6	157.6	Dividend yield (%)	0	0	0	0	0
EBITDA Margin (Adj) (%)	10.1	8.8	8.7	9.2	9.5	Payout ratio (%)	0	0	0	0	0
Depreciation	-5.7	-9.0	-17.5	-22.0	-25.0	ROE (%)	31.6	30.8	27.4	27.6	27.2
Amortisation	-4.5	-4.5	0	0	0	Cashflow (£m)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	45.6	54.5	69.6	97.6	132.6	EBITDA	55.8	67.9	87.1	119.6	157.6
EBIT Margin (Adj) (%)	8.2	7.1	7.0	7.5	8.0	Working capital	-9.9	5.4	-10.0	-10.0	-10.0
Net interest	-1.1	0.2	0.4	0.4	0.4	Other	0.3	0.2	-3.4	-8.4	-15.4
Associates	0	0	0	0	0	Operating cashflow	46.2	73.6	73.7	101.2	132.2
Non-op/Except	-4.5	0	0	0	0	Capex	-21.7	-31.3	-55.0	-55.0	-65.0
Pre-tax profit	40.0	54.7	70.0	98.0	133.0	Net acq/disposals	0	0.3	0	0	0
Tax	-11.6	-13.7	-16.6	-21.7	-28.6	Other	0	0.2	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	Investing cashflow	-21.7	-30.8	-55.0	-55.0	-65.0
Reported net profit	28.4	40.9	53.4	76.3	104.4	Dividends paid	0	0	0	0	0
Net Margin (%)	5.1	5.3	5.3	5.9	6.3	Financing cashflow	-10.9	0.5	0.5	0.5	0.5
Core NPAT	32.9	40.9	53.4	76.3	104.4	Net change in cash	13.7	43.3	19.2	46.6	67.7
Per share data	2012	2013	2014E	2015E	2016E	Free cashflow to s/holders	24.6	42.2	18.7	46.2	67.2
Reported EPS (p)	34.2	49.2	63.8	90.7	123.4						
Core EPS (p)	39.6	49.2	63.8	90.7	123.4						
DPS (p)	0	0	0	0	0						
CFPS (p)	55.7	88.5	88.1	120.1	156.2						
FCFPS (p)	29.6	50.8	22.4	54.8	79.4						
BVPS (p)	136.8	195.5	278.3	386.4	524.6						
Wtd avg ord shares (m)	77.5	81.8	82.8	83.8	84.8						
Wtd avg diluted shares (m)	83.0	83.1	83.7	84.2	84.6						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	37.2	39.2	29.8	29.9	28.1						
EBIT (Adj) (%)	42.1	19.5	27.8	40.2	35.9						
Core NPAT (%)	46.3	24.4	30.5	42.9	36.8						
Core EPS (%)	42.1	24.3	29.6	42.1	36.1						
Balance Sheet (£m)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	27.9	71.1	95.4	147.0	219.7						
Accounts receivables	19.1	18.4	17.4	16.1	14.3						
Inventory	100.3	143.3	187.0	243.6	312.8						
Net fixed & other tangibles	27.3	30.0	67.5	100.5	140.5						
Goodwill & intangibles	23.2	39.7	39.7	39.7	39.7						
Financial & other assets	8.5	9.1	8.9	8.9	8.9						
Total assets	206.3	311.8	415.9	555.8	736.0						
Accounts payable	100.3	149.5	183.2	229.8	289.0						
Short-term debt	0	0	0	0	0						
Long-term debt	0	0	0	0	0						
Provisions & other liab	0	2.4	2.4	2.4	2.4						
Total liabilities	100.3	152.0	185.6	232.2	291.5						
Shareholders' equity	106.0	159.8	230.3	323.6	444.6						
Minority interests	0	0	0	0	0						
Total equity	106.0	159.8	230.3	323.6	444.6						
Net debt	-27.9	-71.1	-95.4	-147.0	-219.7						
Net debt to equity (%)	-26.3	-44.5	-41.4	-45.4	-49.4						

For definitions of the items in this table, please click [here](#).

## Company Focus

## Hennes & Mauritz AB (Hmb.ST)

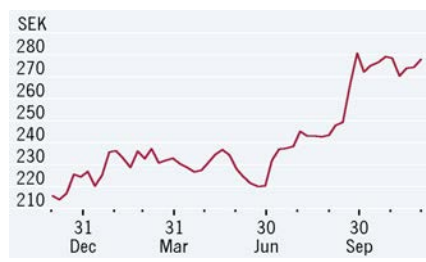
December Sales – 15 January 2014

FY Results – 30 January 2014

Neutral	2
Price (02 Dec 13)	SKr279.70
Target price	SKr280.00
Expected share price return	0.1%
Expected dividend yield	3.4%
Expected total return	3.5%
Market Cap	SKr462,924M US\$70,511M

### Price Performance

(RIC: Hmb.ST, BB: HMB SS)



- **December sales forecast** – We have a +11% total sales (local ccy) growth forecast, equating to LFL sales +2%
- **4Q sales due on December 17, 2012** – Given the pre-announced -2% and +1% September and October, and our +2% November LFL sales forecast, we derive 4Q H&M sales +10% to SKr35,865m (LFL +1%, ccy -1% and space +10%). To complete the picture, we have a +50bp 4Q gross margin delta, and total operating costs +9% (LFL opex flat), resulting in a SKr7.6bn 4Q PBT forecast (EPS SKr3.58, +12% year on year).
- **FY13 and FY14 PBT forecasts remain SKr22.8bn and SKr 25.6bn** — Consistent with the above 4Q earnings forecast assumptions, we have a SKr 22.8bn FY13 PBT forecast, EPS SKr10.55, +3.5% year on year. In FY14 we forecast H&M sales +11% (LFL sales +1%, space +10%), a flat gross margin delta (despite recent cotton and labour cost inflation), and ongoing tight opex (+0.5%). This drives our SKr 11.8 FY14 EPS forecast, +12% year on year.
- **Investment thesis** — Over the last 1, 3 and 5 years the H&M cumulative LFL is c.0%, alongside a -520bp EBIT margin decline. From here the share price debate centres on the prospect of LFL sales progress alongside a stable, lower EBIT margin base (17.5%), assisted by greater confidence in the group's online strategy. To date there is little evidence to support the positive side of this thesis, as, for example, 3-yr rolling LFL gross profit trends continue to deteriorate, albeit as a slower rate than in 1H13. Taken together with peak valuation metrics, we argue for a Neutral stance on the shares.
- **Neutral rating, Target Price SKr280** — We derive our SKr280 target price based on a target 16x 2015E EV/EBIT multiple (recent average). This equates to a c.21.5x target PE and c.4% target dividend yield for the same forecast year.

Figure 26. H&M LFL and GM

	Citi Xmas: 4Q to Nov:	PY Xmas: 4Q to Nov:	Last seen: 3Q to Aug:	PY Last Seen: 3Q to Aug:
LFL Indicator	+1.0%	Flat	+2%	Flat
Gross margin	+50bp	-30bp	+55bp	-35bp

Source: Company Reports and Citi Research Estimates

### Hennes & Mauritz AB (SEK)

Year to 30 Nov	2011A	2012A	2013E	2014E	2015E
Sales (SKrM)	109,999.0	120,799.0	127,932.1	142,586.9	157,207.6
Net Income (SKrM)	15,821.0	16,867.0	17,462.6	19,607.5	21,575.0
Diluted EPS (SKr)	9.56	10.19	10.55	11.85	13.04
Diluted EPS (Old) (SKr)	9.56	10.19	10.55	11.85	13.04
PE (x)	29.3	27.4	26.5	23.6	21.5
EV/EBITDA (x)	18.6	17.4	16.8	15.1	13.7
DPS (SKr)	9.50	9.50	9.50	9.87	10.86
Net Div Yield (%)	3.4	3.4	3.4	3.5	3.9

HMB.ST: Fiscal year end 30-Nov						Price: SKr279.70; TP: SKr280.00; Market Cap: SKr462,924m; Recomm: Neutral					
Profit & Loss (SKrm)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	109,999	120,799	127,932	142,587	157,208	PE (x)	29.3	27.4	26.5	23.6	21.5
Cost of sales	-43,852	-48,928	-51,821	-57,755	-63,681	PB (x)	10.5	10.6	10.2	9.5	8.8
Gross profit	66,147	71,871	76,111	84,832	93,527	EV/EBITDA (x)	18.6	17.4	16.8	15.1	13.7
Gross Margin (%)	60.1	59.5	59.5	59.5	59.5	FCF yield (%)	2.6	2.6	2.7	3.1	3.3
<b>EBITDA (Adj)</b>	<b>23,641</b>	<b>25,459</b>	<b>26,631</b>	<b>29,885</b>	<b>32,916</b>	Dividend yield (%)	3.4	3.4	3.4	3.5	3.9
EBITDA Margin (Adj) (%)	21.5	21.1	20.8	21.0	20.9	Payout ratio (%)	99	93	90	83	83
Depreciation	-3,239	-3,682	-4,164	-4,582	-5,043	ROE (%)	35.8	38.4	39.1	41.5	42.6
Amortisation	-23	-23	-23	-23	-23	Cashflow (SKrm)					
<b>EBIT (Adj)</b>	<b>20,379</b>	<b>21,754</b>	<b>22,444</b>	<b>25,280</b>	<b>27,850</b>	EBITDA	23,641	25,459	26,631	29,885	32,916
EBIT Margin (Adj) (%)	18.5	18.0	17.5	17.7	17.7	Working capital	-1,238	-79	-1,149	-1,149	-1,149
Net interest	563	531	356	320	320	Other	-5,103	-6,490	-4,981	-5,672	-6,595
Associates	0	0	0	0	0	<b>Operating cashflow</b>	<b>17,300</b>	<b>18,890</b>	<b>20,501</b>	<b>23,064</b>	<b>25,172</b>
Non-op/Except	0	0	0	0	0	Capex	-5,174	-6,864	-8,000	-8,800	-9,680
<b>Pre-tax profit</b>	<b>20,942</b>	<b>22,285</b>	<b>22,800</b>	<b>25,600</b>	<b>28,170</b>	Net acq/disposals	0	0	0	0	0
Tax	-5,121	-5,418	-5,337	-5,992	-6,595	Other	16	-437	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	<b>Investing cashflow</b>	<b>-5,158</b>	<b>-7,301</b>	<b>-8,000</b>	<b>-8,800</b>	<b>-9,680</b>
<b>Reported net profit</b>	<b>15,821</b>	<b>16,867</b>	<b>17,463</b>	<b>19,608</b>	<b>21,575</b>	Dividends paid	-15,723	-15,723	-15,723	-15,723	-16,340
Net Margin (%)	14.4	14.0	13.6	13.8	13.7	<b>Financing cashflow</b>	<b>-15,723</b>	<b>-15,723</b>	<b>-15,723</b>	<b>-15,723</b>	<b>-16,340</b>
Core NPAT	15,821	16,867	17,463	19,608	21,575	<b>Net change in cash</b>	<b>-3,581</b>	<b>-4,134</b>	<b>-3,223</b>	<b>-1,459</b>	<b>-847</b>
Per share data						Free cashflow to s/holders					
Reported EPS (SKr)	9.56	10.19	10.55	11.85	13.04		12,126	12,026	12,501	14,264	15,492
Core EPS (SKr)	9.56	10.19	10.55	11.85	13.04						
DPS (SKr)	9.50	9.50	9.50	9.87	10.86						
CFPS (SKr)	10.45	11.41	12.39	13.94	15.21						
FCFPS (SKr)	7.33	7.27	7.55	8.62	9.36						
BVPS (SKr)	26.65	26.49	27.54	29.51	31.68						
Wtd avg ord shares (m)	1,655	1,655	1,655	1,655	1,655						
Wtd avg diluted shares (m)	1,655	1,655	1,655	1,655	1,655						
Growth rates											
Sales revenue (%)	1.4	9.8	5.9	11.5	10.3						
EBIT (Adj) (%)	-17.4	6.7	3.2	12.6	10.2						
Core NPAT (%)	-15.3	6.6	3.5	12.3	10.0						
Core EPS (%)	-15.3	6.6	3.5	12.3	10.0						
Balance Sheet (SKrm)											
Cash & cash equiv.	21,277	17,143	13,749	11,967	10,967						
Accounts receivables	2,337	2,207	2,337	2,605	2,872						
Inventory	13,819	15,213	16,111	17,957	19,798						
Net fixed & other tangibles	19,235	21,383	25,196	29,391	34,005						
Goodwill & intangibles	1,035	1,558	1,558	1,558	1,558						
Financial & other assets	2,485	2,669	2,669	2,669	2,669						
<b>Total assets</b>	<b>60,188</b>	<b>60,173</b>	<b>61,621</b>	<b>66,147</b>	<b>71,869</b>						
Accounts payable	4,307	4,234	4,484	4,998	5,510						
Short-term debt	0	0	0	0	0						
Long-term debt	0	0	0	0	0						
Provisions & other liab	11,777	12,104	11,563	12,307	13,921						
<b>Total liabilities</b>	<b>16,084</b>	<b>16,338</b>	<b>16,047</b>	<b>17,305</b>	<b>19,431</b>						
Shareholders' equity	44,104	43,835	45,574	48,842	52,438						
Minority interests	0	0	0	0	0						
<b>Total equity</b>	<b>44,104</b>	<b>43,835</b>	<b>45,574</b>	<b>48,842</b>	<b>52,438</b>						
<b>Net debt</b>	<b>-21,277</b>	<b>-17,143</b>	<b>-13,749</b>	<b>-11,967</b>	<b>-10,967</b>						
Net debt to equity (%)	-48.2	-39.1	-30.2	-24.5	-20.9						

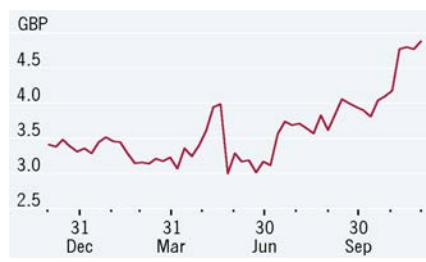
For definitions of the items in this table, please click [here](#).

## Company Focus

## Halfords Group Plc (HFD.L) Q3 Interim Management Statement – 16 January 2014

Buy	1
Price (03 Dec 13)	£4.70
Target price	£5.45
Expected share price return	15.9%
Expected dividend yield	3.0%
Expected total return	18.9%
Market Cap	£936M
	US\$1,532M

Price Performance  
(RIC: HFD.L, BB: HFD LN)



- **3Q Retail LFL +4%** — Halfords will report 3Q trading for the 15 weeks to 10 January. We forecast retail 3Q LFL of +4.0%. By category we forecast Car maintenance +5%; Car Enhancement +5%, Cycling +5% and Travel solutions +2%. We forecast a -125bps gross margin decline for 2H due to lower margin categories gaining further share in the mix.
- **Autocentres LFL flat** — For Autocentres we forecast 3Q LFL flat, reflecting the continued operational issues being faced by the business. We expect announcement of a new CEO for the business before the year end.
- **Full year PBT £67.5m** — This forecast agenda is consistent with our full year forecast of £70m PBT, this is driven by 2H retail LFL sales growth of +4%, -125bps gross margin fade and +7% cost growth to give EBIT of £24m (-23% yoy, after +10% in 1H). In Autocentres, we forecast full year total revenue growth of +7% (LFL -1%, space + 8%) and gross margins up +50bps driven by increased tyre sales. Along with net interest cost of £5.5m this drives full year PBT of £67.5m (EPS 26.4p, -4%yoy).
- **Early momentum underlines investment case** — We recently upgraded Halfords to Buy (see [The Time Is Now](#)) based on the successful execution of the turnaround strategy aided by a better macro outlook. While it is still early stages of the strategic plan the 1H results demonstrated strong momentum in the business and increased our confidence in management plans.
- **Service revenue growth important** — We will be looking for the growth of services and servicing revenue within the retail division. In 1H service income increased 19.3% with 3Bs jobs up +25.5% and Cycle repair sales +27.7%. We forecast 23% CAGR to 2016e for service revenues and see this as key to the strategy of returning Halfords to profitable growth.
- **Buy rating, target price 545p** — Our target price of 545p is based on Halfords holding a 13x EV/EBIT multiple (recent average) to March-16e, this is equivalent to 16.2x PE and a 2.9% dividend yield in the same forecast year.

Figure 27. Halfords – LFL and GM

		Citi Xmas: 3Q to 10 Jan:	PY Xmas: 3Q to 11 Jan:	Last seen: 2Q to 28 Sep:	PY Last Seen: 2Q to 28 Sep:
LFL Indicator	Retail	+4%	+0.4%	+6.6%	+4.6%
	Autocentres	flat	+5.6%	-3.4%	+12.4%
Gross margin	Retail(half year)	-125bps	+40bps	-125bps	-20bps

Source: Company Reports and Citi Research Estimates

### Halfords Group Plc (GBP)

Year to 31 Mar	2012A	2013A	2014E	2015E	2016E
Sales (£M)	863.1	871.3	926.2	962.6	1,007.6
Profit Before Tax (£M)	92.2	72.0	67.5	71.5	85.0
Diluted EPS (p)	33.5	27.5	26.4	28.3	33.6
Diluted EPS (Old) (p)	33.5	27.5	26.4	28.3	33.6
PE (x)	14.0	17.1	17.8	16.6	14.0
EV/EBITDA (x)	8.5	10.2	10.7	10.0	8.6
DPS (p)	22.0	17.1	14.0	14.0	16.0
Net Div Yield (%)	4.7	3.6	3.0	3.0	3.4

HFD.L: Fiscal year end 31-Mar						Price: £4.70; TP: £5.45; Market Cap: £936m; Recomm: Buy					
Profit & Loss (£m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	863.1	871.3	926.2	962.6	1,007.6	PE (x)	14.0	17.1	17.8	16.6	14.0
Cost of sales	-390.3	-394.2	-428.2	-445.8	-467.6	PB (x)	2.4	2.2	2.1	2.0	1.8
Gross profit	472.8	477.1	498.0	516.9	540.0	EV/EBITDA (x)	8.5	10.2	10.7	10.0	8.6
Gross Margin (%)	54.8	54.8	53.8	53.7	53.6	FCF yield (%)	7.9	8.0	0.9	4.2	5.3
EBITDA (Adj)	125.4	105.2	99.7	107.3	122.8	Dividend yield (%)	4.7	3.6	3.0	3.0	3.4
EBITDA Margin (Adj) (%)	14.5	12.1	10.8	11.1	12.2	Payout ratio (%)	66	62	53	49	48
Depreciation	-26.0	-25.3	-25.0	-30.0	-32.0	ROE (%)	17.7	13.4	12.2	12.3	13.7
Amortisation	-2.2	-1.8	-1.7	-0.8	-0.8	Cashflow (£m)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	97.2	78.1	73.0	76.5	90.0	EBITDA	125.4	105.2	99.7	107.3	122.8
EBIT Margin (Adj) (%)	11.3	9.0	7.9	7.9	8.9	Working capital	-1.9	11.5	-12.0	-7.1	-9.8
Net interest	-5.0	-6.1	-5.5	-5.0	-5.0	Other	-28.5	-22.4	-41.4	-21.1	-24.1
Associates	0	0	0	0	0	Operating cashflow	95.0	94.3	46.3	79.1	88.9
Non-op/Except	0	0	0	0	0	Capex	-20.0	-20.4	-38.0	-40.0	-40.0
Pre-tax profit	92.2	72.0	67.5	71.5	85.0	Net acq/disposals	0	0	0	0	0
Tax	-24.8	-18.2	-15.9	-16.1	-19.1	Other	-0.3	-0.4	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	Investing cashflow	-20.3	-20.8	-38.0	-40.0	-40.0
Reported net profit	67.4	53.8	51.6	55.4	65.9	Dividends paid	-44.2	-42.7	-31.5	-27.4	-28.7
Net Margin (%)	7.8	6.2	5.6	5.8	6.5	Financing cashflow	-68.8	-71.4	-6.6	-38.3	-48.1
Core NPAT	67.4	53.8	51.6	55.4	65.9	Net change in cash	2.2	1.8	1.7	0.8	0.8
Per share data	2012	2013	2014E	2015E	2016E	Free cashflow to s/holders	75.0	73.9	8.3	39.1	48.9
Reported EPS (p)	33.5	27.5	26.4	28.3	33.6						
Core EPS (p)	33.5	27.5	26.4	28.3	33.6						
DPS (p)	22.0	17.1	14.0	14.0	16.0						
CFPS (p)	47.3	48.2	23.7	40.4	45.4						
FCFPS (p)	37.3	37.7	4.3	20.0	25.0						
BVPS (p)	194.8	210.3	222.7	237.0	254.6						
Wtd avg ord shares (m)	201	196	196	196	196						
Wtd avg diluted shares (m)	201	196	196	196	196						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	-0.8	1.0	6.3	3.9	4.7						
EBIT (Adj) (%)	-24.1	-19.7	-6.5	4.8	17.6						
Core NPAT (%)	-25.9	-20.2	-4.0	7.3	18.9						
Core EPS (%)	-22.3	-18.1	-4.0	7.3	18.9						
Balance Sheet (£m)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	0	0	0	0	0						
Accounts receivables	45.3	55.7	55.7	55.7	55.7						
Inventory	297.3	289.0	334.1	347.3	362.0						
Net fixed & other tangibles	92.2	84.9	97.9	107.9	115.9						
Goodwill & intangibles	245.1	245.1	245.1	245.1	245.1						
Financial & other assets	0	0	0	0	0						
Total assets	679.9	674.7	732.8	756.0	778.7						
Accounts payable	140.4	144.9	154.0	160.1	167.6						
Short-term debt	13.4	7.9	7.9	7.9	7.9						
Long-term debt	125.8	102.7	127.6	116.7	97.3						
Provisions & other liab	8.8	7.4	7.4	7.4	7.4						
Total liabilities	288.4	262.9	296.9	292.1	280.2						
Shareholders' equity	391.4	411.7	436.0	464.0	498.5						
Minority interests	0	0	0	0	0						
Total equity	391.4	411.7	436.0	464.0	498.5						
Net debt	139.2	110.6	135.5	124.6	105.2						
Net debt to equity (%)	35.6	26.9	31.1	26.9	21.1						

For definitions of the items in this table, please click [here](#).

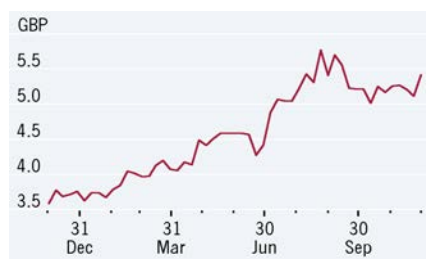


## Company Focus

- Estimate Change
- Target Price Change

Neutral	2
Price (04 Dec 13)	£5.29
Target price	£5.25
from £4.35	
Expected share price return	-0.8%
Expected dividend yield	2.6%
Expected total return	1.9%
Market Cap	£1,499M
	US\$2,458M

Price Performance  
(RIC: BWNG.L, BB: BWNG LN)



## N Brown (BWNG.L)

### 3Q Interim Management Statement – 16 January 2014

- **We forecast LFL sales of +8.3% and gross margins flat** — Our forecast implies a continuation from the strong first 6 weeks of the trading period (LFL +8.0%) and we forecast LFL sales +8.3% over the 18 week period. The 2-year LFL comparative over the 18-week trading period at +16% is ahead of that seen at H1 of c+11.5%. Alongside this, we forecast 2H gross margins flat.
- **Forecast Feb 2014 £103m (EPS 28.8p +1.0% yoy)** — Consistent with our Q3 estimate, we assume 2H LFL sales +8.6% and gross margins flat. This forecast drives a Feb-14 PBT of £103m +7% yoy. An increase in the tax charge after a one-off tax benefit last year drives 2014 EPS of 28.8p (+1.0% yoy). For Feb 2015 we forecast LFL sales +4% and gross margins down -20bp driving PBT of £108m and EPS 30.6p (+7 yoy).
- **Forecast Feb 2015 raised 2% to £110m (EPS 31.1p +8% yoy)** — On the back of our household cashflow analysis we have raised our 2015 PBT estimate modestly by 2%. This assumes LFL sales +4% and gross margins down -20bp driving PBT of £110m and EPS 31.1p (+8 yoy).
- **Seeking operating leverage** — In certain areas N Brown is doing the right things such as streamlining its brands, transitioning from paper catalogues, and testing International opportunities. However strong top line growth has been predominantly driven by Home & Leisure sales through FY 2013 and 1H 2014, with little sign of improvement in N Brown's core Womenswear category. Operational leverage from strong top line growth is being held back by higher bad debt charges from aggressive customer recruitment. In our view, near term benefits appear to be offset by ongoing investment and customer recruitment costs resulting in a muted 2013 – 2016E EPS CAGR of +5%.
- **Neutral rating, target price raised to 525p** — We believe N Brown should trade in line with peers due to its niche growth opportunities and scope for further online penetration. Given the sector re-rating, we value N Brown on c.16x PE for Feb 2016e, a small premium to its clothing peers, driving our 525p price target (from 435p). This equates to 13x EV/EBIT and a 3.0% dividend yield in the same forecast year.

Figure 28. N Brown LFL and GM

	Citi Xmas: 18w to 4 Jan:	PY Xmas: 18w to 5 Jan:	Last seen: 1H to July:	PY Last Seen: 1H to July:
LFL Indicator	+8.3%	+7.9%	+7.8%	+3.7%
Gross margin	Flat bps	+160bps	-80bps	-160bps

Source: Company Reports and Citi Research Estimates

#### N Brown (GBP)

Year to 28 Feb	2012A	2013A	2014E	2015E	2016E
Sales (£M)	740.3	784.7	851.4	885.5	920.9
Profit Before Tax (£M)	92.7	96.4	103.0	110.0	117.0
Diluted EPS (p)	28.0	28.5	28.8	31.1	33.1
Diluted EPS (Old) (p)	28.0	28.5	28.5	30.6	31.4
PE (x)	18.9	18.6	18.4	17.0	16.0
EV/EBITDA (x)	14.6	13.9	12.8	12.1	11.4
DPS (p)	13.0	13.7	14.4	15.5	16.0
Net Div Yield (%)	2.5	2.6	2.7	2.9	3.0



BWNG.L: Fiscal year end 28-Feb						Price: £5.29; TP: £5.25; Market Cap: £1,499m; Recomm: Neutral					
Profit & Loss (£m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	740	785	851	885	921	PE (x)	18.9	18.6	18.4	17.0	16.0
Cost of sales	-348	-369	-404	-422	-439	PB (x)	3.6	3.3	3.4	3.1	2.8
Gross profit	392	416	448	464	482	EV/EBITDA (x)	14.6	13.9	12.8	12.1	11.4
Gross Margin (%)	53.0	53.0	52.6	52.4	52.3	FCF yield (%)	2.8	3.9	3.7	4.5	5.0
<b>EBITDA (Adj)</b>	<b>115</b>	<b>121</b>	<b>131</b>	<b>139</b>	<b>147</b>	Dividend yield (%)	2.5	2.6	2.7	2.9	3.0
EBITDA Margin (Adj) (%)	15.6	15.4	15.4	15.7	15.9	Payout ratio (%)	47	48	50	50	48
Depreciation	-10	-12	-14	-22	-23	ROE (%)	20.3	18.7	18.2	18.9	18.2
Amortisation	-7	-7	-7	0	0	<b>Cashflow (£m)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
<b>EBIT (Adj)</b>	<b>99</b>	<b>102</b>	<b>110</b>	<b>117</b>	<b>124</b>	EBITDA	115	121	131	139	147
EBIT Margin (Adj) (%)	13.4	13.0	13.0	13.2	13.4	Working capital	-43	-27	-38	-33	-33
Net interest	-6	-6	-7	-7	-7	Other	-24	-29	-31	-31	-32
Associates	0	0	0	0	0	<b>Operating cashflow</b>	<b>49</b>	<b>66</b>	<b>63</b>	<b>75</b>	<b>82</b>
Non-op/Except	0	0	0	0	0	Capex	-25	-25	-25	-25	-20
<b>Pre-tax profit</b>	<b>93</b>	<b>96</b>	<b>103</b>	<b>110</b>	<b>117</b>	Net acq/disposals	0	0	0	0	0
Tax	-15	-17	-23	-23	-25	Other	0	0	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	<b>Investing cashflow</b>	<b>-25</b>	<b>-25</b>	<b>-25</b>	<b>-25</b>	<b>-20</b>
<b>Reported net profit</b>	<b>77</b>	<b>79</b>	<b>80</b>	<b>87</b>	<b>92</b>	Dividends paid	-35	-37	-39	-42	-43
Net Margin (%)	10.5	10.1	9.4	9.8	10.0	<b>Financing cashflow</b>	<b>-15</b>	<b>-37</b>	<b>-39</b>	<b>-42</b>	<b>-43</b>
Core NPAT	77	79	80	87	92	Net change in cash	8	4	-1	8	19
<b>Per share data</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	Free cashflow to s/holders	41	58	55	67	74
Reported EPS (p)	28.0	28.5	28.8	31.1	33.1						
Core EPS (p)	28.0	28.5	28.8	31.1	33.1						
DPS (p)	13.0	13.7	14.4	15.5	16.0						
CFPS (p)	17.5	23.5	22.4	26.9	29.3						
FCFPS (p)	14.7	20.6	19.5	24.0	26.4						
BVPS (p)	145.4	160.1	157.4	173.3	190.8						
Wtd avg ord shares (m)	277	279	279	279	279						
Wtd avg diluted shares (m)	277	279	279	279	279						
<b>Growth rates</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>						
Sales revenue (%)	3.0	6.0	8.5	4.0	4.0						
EBIT (Adj) (%)	-3.4	3.1	7.9	6.1	5.6						
Core NPAT (%)	4.0	2.5	1.1	8.2	6.4						
Core EPS (%)	3.5	1.8	1.1	8.2	6.4						
<b>Balance Sheet (£m)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>						
Cash & cash equiv.	58	61	60	68	87						
Accounts receivables	522	549	584	614	644						
Inventory	83	87	95	103	110						
Net fixed & other tangibles	67	66	70	73	70						
Goodwill & intangibles	63	70	70	70	70						
Financial & other assets	2	5	5	5	5						
<b>Total assets</b>	<b>794</b>	<b>837</b>	<b>883</b>	<b>932</b>	<b>985</b>						
Accounts payable	107	110	115	120	124						
Short-term debt	0	0	0	0	0						
Long-term debt	250	250	250	250	250						
Provisions & other liab	35	31	80	80	80						
<b>Total liabilities</b>	<b>392</b>	<b>391</b>	<b>445</b>	<b>450</b>	<b>454</b>						
Shareholders' equity	402	446	438	483	531						
Minority interests	0	0	0	0	0						
<b>Total equity</b>	<b>402</b>	<b>446</b>	<b>438</b>	<b>483</b>	<b>531</b>						
<b>Net debt</b>	<b>193</b>	<b>189</b>	<b>190</b>	<b>182</b>	<b>163</b>						
Net debt to equity (%)	47.8	42.3	43.3	37.6	30.7						

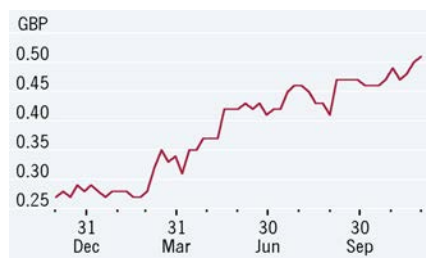
For definitions of the items in this table, please click [here](#).

## Company Focus

## Dixons Retail PLC (DXNS.L) 2Q Trading Statement – 16 January 2014

Buy	1
Price (03 Dec 13)	£0.51
Target price	£0.60
Expected share price return	17.3%
Expected dividend yield	0.0%
Expected total return	17.3%
Market Cap	£1,869M US\$3,057M

Price Performance  
(RIC: DXNS.L, BB: DXNS LN)



■ **3Q Dixons LFL +2% and gross margin -30bp** — We forecast Q3 LFL sales and GM% delta trends respectively, as follows: UK +3%, -10bp, Northern Europe +2%, -70bp, Southern Europe -7%, +30bp. We expect the UK performance to be the main focus with our +3% LFL forecast implying a slow down on the +8% 1HE given tougher comparatives. On a 2yr basis our 2Q UK LFL forecast is +11%, consistent with our estimate of +11% for 1H.

■ **April 2014 PBT forecast £158m (EPS 2.67p, +119% yoy)** — This assumes UK LFL sales growth of +4.7%, gross margins -30bp, driving EBIT of £132m. For Northern Europe we expect the combination of competitive pricing activity in 1H along with a negative currency impact in 2H to limit EBIT to £114m, driving operating margins down 20bp to 4.0%. Our Southern Europe forecast now consists solely of Greece, where we forecast LFL sales of -9% and losses of -£10m.

■ **April 2015E PBT forecast £180m (EPS 3.15p, +18% yoy)** — This assumes UK & Ireland LFLs of c+2.5% for April 2015, driving EBIT of £146m, +11% yoy, with the EBIT margin improving to 3.4%. We forecast Nordics LFL +3.0%, with EBIT of £118m, +3.5% yoy. We expect some reduction in Southern Europe losses to -£9.1m. Our EPS forecast of 3.15p is based on 35% tax rate.

■ **Further potential for macro recovery in the UK and fundamental P&L restructuring** — As we wrote in: [Dixons - Halfway to Paradise](#) we see upside potential to PBT from ongoing group restructuring. This includes 1/ Reducing property losses 2/ Reducing the interest charge through bond repayments, 3/ Upside to UK LFL and EBIT margins, 4/ Potential for profit recovery in Greece and 5/ A lower group tax charge. Such a Bull case would drive April 2015/16E PBT of £268m, EPS 5.1p and a FY13-16E EPS CAGR of 60%, potential PBT and EPS upgrades of 32% and 44% compared with our Base case forecasts.

■ **Buy, price target to 60p** — Our price target is based on a 9x FY15E EV/EBIT multiple, equating to an EV/Sales of 0.29x and a PE of 19x.

Figure 29. Dixons LFL and GM

		Citi Xmas: 12w to 5 Jan:	PY Xmas: 12w to 7 Jan:	Last seen: 12w to 31 July:	PY Last Seen: 12w to 31 July:
LFL Indicator	UK	+3.0%	+8.0%	+6%	+7.0%
	Nordics	+2.0%	+11.0%	+5.0%	+13.0%
	Southern Europe	-7.0%	-8.0%	-12.0%	-10.0%
Gross margin	UK	-10	-90	+10	+40
	Nordics	-70	-50	-150	-40

### Dixons Retail PLC (GBP)

Year to 30 Apr	2012A	2013A	2014E	2015E	2016E
Sales (£M)	7,910.2	8,213.9	7,322.3	7,394.7	7,583.8
Profit Before Tax (£M)	82.1	94.5	158.0	180.0	203.0
Diluted EPS (p)	1.1	1.2	2.7	3.2	3.6
Diluted EPS (Old) (p)	1.1	1.2	2.7	3.2	3.6
PE (x)	48.1	41.8	19.1	16.2	14.4
EV/EBITDA (x)	6.7	5.7	4.6	4.2	3.7
DPS (p)	0.0	0.0	0.0	0.0	0.0
Net Div Yield (%)	0.0	0.0	0.0	0.0	0.0

DXNS.L: Fiscal year end 30-Apr						Price: £0.51; TP: £0.60; Market Cap: £1,864m; Recomm: Buy					
Profit & Loss (£m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	7,910	8,214	7,322	7,395	7,584	PE (x)	48.1	41.8	19.1	16.2	14.4
Cost of sales	-5,625	-5,922	-5,302	-5,369	-5,509	PB (x)	4.7	12.5	6.8	4.5	3.3
Gross profit	2,285	2,292	2,020	2,026	2,074	EV/EBITDA (x)	6.7	5.7	4.6	4.2	3.7
Gross Margin (%)	28.9	27.9	27.6	27.4	27.4	FCF yield (%)	4.6	10.2	6.3	10.2	10.0
<b>EBITDA (Adj)</b>	<b>274</b>	<b>295</b>	<b>359</b>	<b>380</b>	<b>403</b>	Dividend yield (%)	0	0	0	0	0
EBITDA Margin (Adj) (%)	3.5	3.6	4.9	5.1	5.3	Payout ratio (%)	0	0	0	0	0
Depreciation	-139	-134	-140	-142	-145	ROE (%)	7.3	16.7	47.3	34.4	27.1
Amortisation	0	0	0	0	0	<b>Cashflow (£m)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
<b>EBIT (Adj)</b>	<b>135</b>	<b>161</b>	<b>219</b>	<b>238</b>	<b>258</b>	EBITDA	274	295	359	380	403
EBIT Margin (Adj) (%)	1.7	2.0	3.0	3.2	3.4	Working capital	16	95	-40	10	-30
Net interest	-39	-42	-39	-37	-35	Other	-104	-105	-80	-82	-69
Associates	0	0	0	0	0	<b>Operating cashflow</b>	<b>186</b>	<b>284</b>	<b>239</b>	<b>308</b>	<b>304</b>
Non-op/Except	-14	-25	-22	-21	-20	Capex	-102	-92	-120	-115	-115
<b>Pre-tax profit</b>	<b>82</b>	<b>95</b>	<b>158</b>	<b>180</b>	<b>203</b>	Net acq/disposals	70	0	-73	0	0
Tax	-42	-49	-58	-63	-71	Other	1	1	1	1	1
Extraord./Min.Int./Pref.div.	-2	0	-1	0	-1	<b>Investing cashflow</b>	<b>-30</b>	<b>-91</b>	<b>-192</b>	<b>-114</b>	<b>-114</b>
<b>Reported net profit</b>	<b>38</b>	<b>45</b>	<b>99</b>	<b>117</b>	<b>131</b>	Dividends paid	0	0	0	0	0
Net Margin (%)	0.5	0.5	1.3	1.6	1.7	<b>Financing cashflow</b>	<b>-155</b>	<b>-91</b>	<b>-24</b>	<b>0</b>	<b>-10</b>
Core NPAT	38	45	99	117	131	Net change in cash	0	102	23	194	180
<b>Per share data</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	Free cashflow to s/holders	85	192	119	193	189
Reported EPS (p)	1.1	1.2	2.7	3.2	3.6						
Core EPS (p)	1.1	1.2	2.7	3.2	3.6						
DPS (p)	0	0	0	0	0						
CFPS (p)	5.1	7.7	6.5	8.3	8.2						
FCFPS (p)	2.3	5.2	3.2	5.2	5.1						
BVPS (p)	10.8	4.1	7.5	11.3	15.5						
Wtd avg ord shares (m)	3,610	3,617	3,617	3,617	3,617						
Wtd avg diluted shares (m)	3,615	3,696	3,696	3,696	3,696						
<b>Growth rates</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>						
Sales revenue (%)	-3.0	3.8	-10.9	1.0	2.6						
EBIT (Adj) (%)	-3.9	19.4	35.9	8.7	8.4						
Core NPAT (%)	-26.3	17.6	119.3	17.9	12.7						
Core EPS (%)	-26.3	15.0	119.3	17.9	12.7						
<b>Balance Sheet (£m)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>						
Cash & cash equiv.	317	405	371	500	607						
Accounts receivables	344	305	305	305	305						
Inventory	874	895	925	935	955						
Net fixed & other tangibles	480	434	409	382	352						
Goodwill & intangibles	839	771	771	771	771						
Financial & other assets	192	195	195	195	195						
<b>Total assets</b>	<b>3,046</b>	<b>3,005</b>	<b>2,976</b>	<b>3,088</b>	<b>3,185</b>						
Accounts payable	1,579	1,668	1,658	1,678	1,668						
Short-term debt	178	22	22	22	22						
Long-term debt	148	245	245	245	245						
Provisions & other liab	737	922	782	736	691						
<b>Total liabilities</b>	<b>2,642</b>	<b>2,857</b>	<b>2,707</b>	<b>2,681</b>	<b>2,626</b>						
Shareholders' equity	391	148	270	408	560						
Minority interests	13	-1	-1	-1	-1						
<b>Total equity</b>	<b>404</b>	<b>147</b>	<b>269</b>	<b>407</b>	<b>559</b>						
<b>Net debt</b>	<b>9</b>	<b>-138</b>	<b>-104</b>	<b>-233</b>	<b>-340</b>						
Net debt to equity (%)	2.3	-93.5	-38.5	-57.2	-60.8						

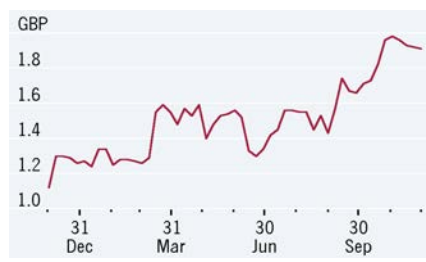
For definitions of the items in this table, please click [here](#).

## Company Focus

### ■ Estimate Change

Neutral	2
Price (03 Dec 13)	£1.90
Target price	£1.95
Expected share price return	2.6%
Expected dividend yield	1.3%
Expected total return	3.9%
Market Cap	£1,546M US\$2,528M

Price Performance  
(RIC: HOME.L, BB: HOME LN)



## Home Retail Group (HOME.L)

### 3Q Interim Management Statement – 16 January 2014

- **Argos 3Q LFL estimate +2.5%, gross margins -30bp** — We forecast Argos LFL sales +2.5% for the 18 week 3Q, after +2.7% in 2Q driven by buoyant demand for consumer electronics. This implies an increase in the 2yr LFL to +5.2% vs +4.1% in 2Q. We forecast gross margins -30bp although believe the risk of a more competitive environment impacting gross margins remains. This drives 3Q LFL gross profit of +1.6% vs +1.2% in 2Q.
- **Homebase 3Q LFL estimate +1.5%, gross margins +20bp** — Given an improving macro environment, we forecast Homebase LFL sales +1.5%. We look for 3Q gross margins +20bp, after -100bp movement in 1H. This drives LFL gross profit for 3Q of +2% vs +4% seen in 1H.
- **February 2014 PBT E £105m (EPS 9.1p, +20% yoy)** — Consistent with our 3Q estimate, we forecast Argos EBIT of £109.5m, +9% yoy assuming FY 2014 LFLs of +2.2% (+2.1% across 2H) with an EBIT margin of 2.7%. For Homebase we forecast EBIT of £14.5m, up 32% yoy. Factoring nil interest received and a tax rate of 29% results in an EPS of 9.1p, +20% yoy.
- **Investment case** — Whilst we continue to have our doubts about Home Retail's ability to execute its strategic transformation plan long term and hit FY 18 revenue and EBIT margin targets, we believe near term downside risks are diminishing. This is driven by a more favourable product cycle going into 3Q and FY 2015 on both mobile computing and video gaming, our positive stance on UK Household Available Cash flow and a greater degree of cost control as seen in recent results.
- **Neutral, 195p target price** — Our price target of 195p is based on 11.5x EV/EBIT for Feb 2016E, in line with its recent average and equating to c19x PE for the same forecast year.

Figure 30. Home Retail LFL and GM

		Citi Xmas: 3Q 18w to 31 Dec:	PY Xmas: 3Q 18w to 31 Dec:	Last seen: 2Q to 27 Aug:	PY Last Seen: 2Q to 27 Aug:
LFL Indicator	Argos	+2.5%	+2.7%	+2.7%	+1.4%
	Homebase	+1.5%	-3.9%	+11.0%	-3.7%
Gross margin	Argos	-30bps	-50bps	-50bps	-75bps
	Homebase	+20bps	-50bps	flat	+75

Source: Company Reports and Citi Research Estimates

### Home Retail Group (GBP)

Year to 28 Feb	2012A	2013A	2014E	2015E	2016E
Sales (£M)	5,491.5	5,475.4	5,581.6	5,636.3	5,746.7
Profit Before Tax (£M)	101.6	91.1	105.0	114.0	125.0
Diluted EPS (p)	8.7	7.6	9.1	9.8	10.8
Diluted EPS (Old) (p)	8.7	7.6	9.1	9.8	10.5
PE (x)	21.9	25.2	21.0	19.3	17.6
EV/EBITDA (x)	6.9	6.7	6.0	5.9	5.8
DPS (p)	4.7	3.0	3.0	3.0	3.0
Net Div Yield (%)	2.5	1.6	1.6	1.6	1.6

HOME.L: Fiscal year end 28-Feb						Price: £1.90; TP: £1.95; Market Cap: £1,546m; Recomm: Neutral					
Profit & Loss (£m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	5,492	5,475	5,582	5,636	5,747	PE (x)	21.9	25.2	21.0	19.3	17.6
Cost of sales	-3,468	-3,483	-3,577	-3,624	-3,695	PB (x)	0.6	0.6	0.6	0.6	0.6
Gross profit	2,023	1,992	2,004	2,012	2,052	EV/EBITDA (x)	6.9	6.7	6.0	5.9	5.8
Gross Margin (%)	36.8	36.4	35.9	35.7	35.7	FCF yield (%)	5.1	16.7	-3.2	-1.5	0.9
EBITDA (Adj)	223	218	233	246	257	Dividend yield (%)	2.5	1.6	1.6	1.6	1.6
EBITDA Margin (Adj) (%)	4.1	4.0	4.2	4.4	4.5	Payout ratio (%)	54	40	33	31	28
Depreciation	-126	-125	-128	-132	-132	ROE (%)	2.6	3.7	2.8	3.1	3.4
Amortisation	0	0	0	0	0	Cashflow (£m)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	98	93	105	114	125	EBITDA	223	218	233	246	257
EBIT Margin (Adj) (%)	1.8	1.7	1.9	2.0	2.2	Working capital	3	117	-30	-30	0
Net interest	3	4	0	0	0	Other	-18	2	-77	-65	-68
Associates	1	-6	0	0	0	Operating cashflow	209	337	126	151	189
Non-op/Except	0	39	0	0	0	Capex	-131	-79	-175	-175	-175
Pre-tax profit	102	130	105	114	125	Net acq/disposals	-25	-12	9	-2	-2
Tax	-32	-30	-30	-33	-36	Other	0	0	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	Investing cashflow	-155	-90	-166	-177	-177
Reported net profit	70	100	75	81	89	Dividends paid	-118	-8	-24	-24	-24
Net Margin (%)	1.3	1.8	1.3	1.4	1.5	Financing cashflow	-119	-6	-54	-24	510
Core NPAT	70	61	75	81	89	Net change in cash	-67	243	-124	-50	521
Per share data	2012	2013	2014E	2015E	2016E	Free cashflow to s/holders	78	258	-49	-24	14
Reported EPS (p)	8.7	12.3	9.1	9.8	10.8						
Core EPS (p)	8.7	7.6	9.1	9.8	10.8						
DPS (p)	4.7	3.0	3.0	3.0	3.0						
CFPS (p)	26.0	41.4	15.2	18.3	22.9						
FCFPS (p)	9.7	31.7	-6.0	-2.9	1.7						
BVPS (p)	328.4	341.3	330.6	324.9	324.6						
Wtd avg ord shares (m)	799	801	800	800	800						
Wtd avg diluted shares (m)	803	813	824	824	824						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	-6.2	-0.3	1.9	1.0	2.0						
EBIT (Adj) (%)	-61.0	-4.5	12.5	8.6	9.6						
Core NPAT (%)	-60.6	-11.8	21.4	8.6	9.6						
Core EPS (%)	-59.2	-12.9	19.9	8.6	9.6						
Balance Sheet (£m)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	194	396	302	251	239						
Accounts receivables	595	637	649	655	668						
Inventory	933	942	960	969	988						
Net fixed & other tangibles	588	564	564	564	564						
Goodwill & intangibles	1,681	1,673	1,673	1,673	1,673						
Financial & other assets	17	34	34	34	34						
Total assets	4,009	4,245	4,181	4,147	4,167						
Accounts payable	1,001	1,116	1,138	1,149	1,171						
Short-term debt	0	0	0	0	0						
Long-term debt	0	0	0	0	0						
Provisions & other liab	382	397	397	397	397						
Total liabilities	1,383	1,513	1,534	1,545	1,568						
Shareholders' equity	2,625	2,732	2,647	2,601	2,599						
Minority interests	0	0	0	0	0						
Total equity	2,625	2,732	2,647	2,601	2,599						
Net debt	-194	-396	-302	-251	-239						
Net debt to equity (%)	-7.4	-14.5	-11.4	-9.7	-9.2						

For definitions of the items in this table, please click [here](#).

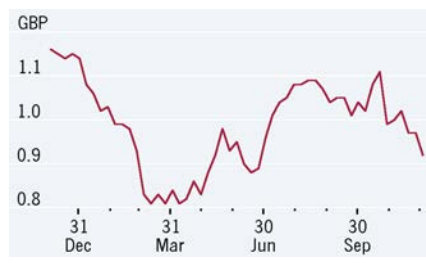
## Company Focus

### ■ Target Price Change

Neutral	2
Price (04 Dec 13)	£0.90
Target price	£1.00
from £1.05	
Expected share price return	10.6%
Expected dividend yield	3.8%
Expected total return	14.4%
Market Cap	£1,108M
	US\$1,816M

### Price Performance

(RIC: DEB.L, BB: DEB LN)



## Debenhams Plc (DEB.L) 1Q Interim Management Statement – 17 January 2014)

- **1Q IMS** – This trading statement covers the first 18 weeks of 1H. We are forecasting LFL sales +2.5% and +20bp gross margin progress, driving LFL gross profit +3%, inline with our FY14 forecast.
- **FY14E and FY15E EPS forecasts remain £154m and £163m** — This equates to 10p and 10.6p EPS (-2% and +6% yoy), and assumes +3% LFL in both FY14 and FY15, and GM% delta +20bp and flat in FY14 and FY15 respectively. The former is 1H weighted (1H +40bp, 2H flat) and represents a reversal of the -40bp 1H gross margin delta in FY13 (January snow-related).
- **Online EBIT margin progress forecast to broadly offset store-based EBIT margin decline** — Within the above FY14 PBT forecast, we assume that Debenhams online sales increase +25% (+46% in FY13) and online EBIT margins improve +200bp (to 13.5%), alongside store-based LFL sales -0.5% (FY13 c.-2%) and a -70bp store-based EBIT margin fade. This drives our FY14 +3.3% LFL and 6% (c.flat yoy) group EBIT margin forecast.
- **Investment thesis** — Despite Debenhams' steady market share gain progress through good retail discipline, strong online progress and ongoing store openings, the group EBIT margin headwind from declining store-based LFLs, a step up in head office costs, and introduction of revised IAS19 in FY14, look set to drive a broadly flat FY14 PBT outlook. We have a Neutral rating on the shares.
- **Neutral, target price 100p** — We base our 100p target price (from 105p following recent de-rating) on a c.10x 2014e target PE multiple, in line with the group's recent average. This equates to a c.9.5x EV/EBIT multiple and c.3.5% dividend yield to the same year-end.

Figure 31. Debenhams LFL and GM

	Citi Xmas: 18w to 5 Jan:	PY Xmas: 18w to 7 Jan:	Last seen: 4Q to end Aug:	PY Last Seen: 4Q to end Aug:
LFL Indicator	+2.5%	+2.9	-0.4%	-3%E
Gross margin E	+20bp	-40bp	+20bp	-40bpE

Source: Company Reports and Citi Research Estimates

### Debenhams Plc (GBP)

Year to 31 Aug	2012A	2013A	2014E	2015E	2016E
Sales (£M)	2,708.0	2,776.8	2,867.3	2,972.1	3,091.4
Profit Before Tax (£M)	158.3	154.0	154.0	163.0	170.0
Diluted EPS (p)	9.8	10.2	10.0	10.6	11.3
Diluted EPS (Old) (p)	9.8	10.2	10.0	10.6	11.3
PE (x)	9.2	8.8	9.0	8.5	8.0
EV/EBITDA (x)	5.3	5.3	5.2	4.9	4.6
DPS (p)	3.3	3.4	3.4	3.5	3.8
Net Div Yield (%)	3.6	3.8	3.8	3.9	4.2

DEB.L: Fiscal year end 31-Aug						Price: £0.90; TP: £1.00; Market Cap: £1,103m; Recomm: Neutral					
Profit & Loss (£m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	2,708	2,777	2,867	2,972	3,091	PE (x)	9.2	8.8	9.0	8.5	8.0
Cost of sales	-1,559	-1,598	-1,645	-1,705	-1,773	PB (x)	1.7	1.5	1.4	1.3	1.1
Gross profit	1,149	1,178	1,222	1,267	1,319	EV/EBITDA (x)	5.3	5.3	5.2	4.9	4.6
Gross Margin (%)	42.4	42.4	42.6	42.6	42.7	FCF yield (%)	6.9	5.8	5.6	9.7	10.7
EBITDA (Adj)	267	263	270	282	292	Dividend yield (%)	3.6	3.8	3.8	3.9	4.2
EBITDA Margin (Adj) (%)	9.8	9.5	9.4	9.5	9.4	Payout ratio (%)	33	33	34	33	33
Depreciation	-92	-95	-98	-101	-104	ROE (%)	19.0	18.2	15.8	15.3	14.8
Amortisation	0	0	0	0	0	Cashflow (£m)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	175	168	172	181	188	EBITDA	267	263	270	282	292
EBIT Margin (Adj) (%)	6.5	6.1	6.0	6.1	6.1	Working capital	-22	8	10	10	10
Net interest	-17	-14	-18	-18	-18	Other	-46	-71	-83	-85	-87
Associates	0	0	0	0	0	Operating cashflow	199	199	197	206	214
Non-op/Except	0	0	0	0	0	Capex	-119	-133	-135	-100	-100
Pre-tax profit	158	154	154	163	170	Net acq/disposals	0	0	0	0	0
Tax	-33	-26	-31	-34	-36	Other	-8	-3	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	Investing cashflow	-127	-136	-135	-100	-100
Reported net profit	125	128	123	129	134	Dividends paid	-39	-41	-42	-42	-44
Net Margin (%)	4.6	4.6	4.3	4.3	4.3	Financing cashflow	-72	-63	-62	-106	-114
Core NPAT	125	128	123	129	134	Net change in cash	0	0	0	0	0
Per share data	2012	2013	2014E	2015E	2016E	Free cashflow to s/holders	80	66	62	106	114
Reported EPS (p)	9.8	10.2	10.0	10.6	11.3						
Core EPS (p)	9.8	10.2	10.0	10.6	11.3						
DPS (p)	3.3	3.4	3.4	3.5	3.8						
CFPS (p)	15.5	15.9	16.0	17.0	18.0						
FCFPS (p)	6.2	5.3	5.0	8.8	9.6						
BVPS (p)	51.6	59.3	65.8	71.9	79.0						
Wtd avg ord shares (m)	1,281	1,255	1,232	1,212	1,187						
Wtd avg diluted shares (m)	1,283	1,257	1,234	1,214	1,189						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	2.6	2.5	3.3	3.7	4.0						
EBIT (Adj) (%)	3.2	-4.0	2.4	5.2	3.9						
Core NPAT (%)	12.8	2.1	-3.7	4.5	4.3						
Core EPS (%)	13.2	4.2	-1.9	6.2	6.5						
Balance Sheet (£m)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	70	70	70	70	70						
Accounts receivables	73	73	73	73	73						
Inventory	315	323	333	343	353						
Net fixed & other tangibles	662	700	738	737	734						
Goodwill & intangibles	865	865	865	865	865						
Financial & other assets	91	91	91	91	91						
Total assets	2,075	2,122	2,169	2,178	2,185						
Accounts payable	494	494	494	494	494						
Short-term debt	400	404	399	360	314						
Long-term debt	41	41	41	41	41						
Provisions & other liab	486	445	431	418	405						
Total liabilities	1,421	1,384	1,365	1,313	1,254						
Shareholders' equity	661	744	810	872	938						
Minority interests	0	0	0	0	0						
Total equity	661	744	810	872	938						
Net debt	371	375	370	331	285						
Net debt to equity (%)	56.2	50.3	45.7	38.0	30.4						

For definitions of the items in this table, please click [here](#).

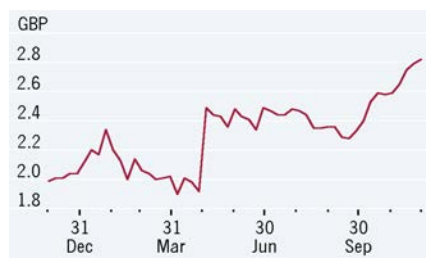


## Company Focus

## Carphone Warehouse (CPW.L) 3Q Interim Management Statement – 21 January 2014

Buy	1
Price (03 Dec 13)	£2.84
Target price	£3.20
Expected share price return	12.7%
Expected dividend yield	1.8%
Expected total return	14.4%
Market Cap	£1,636M
	US\$2,676M

Price Performance  
(RIC: CPW.L, BB: CPW LN)



■ **CPW Europe Q3 LFL E flat** — We forecast LFL sales flat given tougher comparatives across 2H. This trend reflects ongoing growth within postpay and tablets with a softer performance on prepay handsets as the UK market continues to move towards postpay. We expect further positive signs on 4G take up (last seen running at c20% of UK postpay connections). We forecast core CPW Europe gross margins down -55bp across H2.

■ **Virgin Mobile Franc, £95m revenue** — Within the Virgin Mobile France JV, we forecast Q3 revenue of £95m (-2% yoy, but -4% ex-currency) together with net additions of 14,000 driven by postpay. We also expect further progress on the migration of its customers to the full MVNO platform which stood at 66% at 1H.

■ **FY March 2014 and March 15 EPS growth +57%, +12%** — We forecast March 2015 PBT of £142m, EPS 19.1p, +57% yoy within CPW's reiterated guidance range of 17p – 20.0p. This assumes FY LFLs of +4.0% (2H flat) and EBIT of £156m for CPW Europe (guidance £140m - £160m). For Virgin Mobile France, we forecast EBIT of £13.4m. For March 2015, we forecast PBT of £157.7m, EPS 21.4p, +12% yoy.

■ **European developments underway and 4G trends supportive** — Management's renewed retail focus on CPW Europe is becoming more evident, with a priority to reinforce scale in Europe through the Connected World partnerships and drive high cash margin postpay connections. This is reinforced by prospects of increasing traction on 4G which is encouraging for cash gross profit trends into 2014.

■ **Buy rating, target price 320p** — Our price target of 320p is based on a 15x March 15E PE multiple broadly in line with the UK Retail sector. This equates to an EV/EBIT multiple of 10.2x and Dividend yield of 2.2% in the same year.

Figure 32. Carphone Warehouse LFL and GM

	Citi Xmas: 3Q	PY Xmas: 3Q	Last seen: 2Q PY	Last Seen: 2Q:
CPW Europe LFL (%)	Flat%	+7.8%	+3.6%	+5.2%
Virgin Mobile France Revenue (£)	£95m	£97m	£87m	£93m

Source: Company Reports and Citi Research Estimates

### Carphone Warehouse (GBP)

Year to 31 Mar	2012A	2013A	2014E	2015E	2016E
Sales (£M)	6.4	10.7	2,758.0	3,692.6	3,784.9
Profit Before Tax (£M)	58.3	56.0	142.0	157.7	167.6
Diluted EPS (p)	12.1	11.5	19.1	21.4	22.7
Diluted EPS (Old) (p)	12.1	11.5	19.1	21.4	22.7
PE (x)	23.5	24.8	14.9	13.3	12.5
EV/EBITDA (x)	17.0	18.0	4.6	4.5	4.4
DPS (p)	5.0	5.0	6.4	7.1	7.4
Net Div Yield (%)	1.8	1.8	2.3	2.5	2.6



CPW.L: Fiscal year end 31-Mar						Price: £2.84; TP: £3.20; Market Cap: £1,636m; Recomm: Buy					
Profit & Loss (£m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	6	11	2,758	3,693	3,785	PE (x)	23.5	24.8	14.9	13.3	12.5
Cost of sales	-5	-8	-1,915	-2,808	-2,879	PB (x)	1.8	2.0	2.9	2.9	2.9
Gross profit	1	3	843	884	906	EV/EBITDA (x)	17.0	18.0	4.6	4.5	4.4
Gross Margin (%)	15.6	25.2	30.6	23.9	23.9	FCF yield (%)	0.2	1.5	1.8	5.4	5.9
<b>EBITDA (Adj)</b>	<b>56</b>	<b>55</b>	<b>225</b>	<b>239</b>	<b>248</b>	Dividend yield (%)	1.8	1.8	2.3	2.5	2.6
EBITDA Margin (Adj) (%)	nm	nm	8.1	6.5	6.5	Payout ratio (%)	41	44	34	33	33
Depreciation	-1	-1	-65	-65	-65	ROE (%)	7.9	8.0	18.0	22.2	23.5
Amortisation	0	0	0	0	0	<b>Cashflow (£m)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
<b>EBIT (Adj)</b>	<b>55</b>	<b>54</b>	<b>160</b>	<b>174</b>	<b>183</b>	EBITDA	2	4	225	239	248
EBIT Margin (Adj) (%)	nm	nm	5.8	4.7	4.8	Working capital	0	0	-50	-30	-30
Net interest	3	2	-18	-16	-15	Other	1	18	-76	-52	-53
Associates	54	51	0	0	0	<b>Operating cashflow</b>	<b>3</b>	<b>22</b>	<b>99</b>	<b>157</b>	<b>165</b>
Non-op/Except	0	0	0	0	0	Capex	-1	-1	-70	-70	-70
<b>Pre-tax profit</b>	<b>58</b>	<b>56</b>	<b>142</b>	<b>158</b>	<b>168</b>	Net acq/disposals	0	41	10	0	0
Tax	-1	-1	-33	-36	-38	Other	10	6	10	10	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	<b>Investing cashflow</b>	<b>9</b>	<b>45</b>	<b>-50</b>	<b>-60</b>	<b>-70</b>
<b>Reported net profit</b>	<b>58</b>	<b>55</b>	<b>109</b>	<b>122</b>	<b>130</b>	Dividends paid	-30	-24	-28	-37	-40
Net Margin (%)	nm	nm	3.9	3.3	3.4	<b>Financing cashflow</b>	<b>-30</b>	<b>-56</b>	<b>77</b>	<b>-37</b>	<b>-40</b>
Core NPAT	58	55	109	122	130	Net change in cash	-18	11	-102	10	4
<b>Per share data</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	<b>Free cashflow to s/holders</b>	<b>2</b>	<b>21</b>	<b>29</b>	<b>87</b>	<b>95</b>
Reported EPS (p)	12.1	11.5	19.1	21.4	22.7						
Core EPS (p)	12.1	11.5	19.1	21.4	22.7						
DPS (p)	5.0	5.0	6.4	7.1	7.4						
CFPS (p)	0.7	4.6	17.3	27.6	28.9						
FCFPS (p)	0.5	4.4	5.0	15.3	16.6						
BVPS (p)	155.1	139.8	97.7	97.7	98.5						
Wtd avg ord shares (m)	457	473	562	562	562						
Wtd avg diluted shares (m)	478	479	570	570	570						
<b>Growth rates</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>						
Sales revenue (%)	14.3	67.2	nm	33.9	2.5						
EBIT (Adj) (%)	-15.4	-2.6	196.0	8.9	5.0						
Core NPAT (%)	-14.9	-4.8	97.7	12.3	6.3						
Core EPS (%)	-16.1	-5.1	66.2	12.3	6.3						
<b>Balance Sheet (£m)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>						
Cash & cash equiv.	103	117	15	25	29						
Accounts receivables	21	3	3	3	3						
Inventory	0	0	0	0	0						
Net fixed & other tangibles	66	27	27	27	27						
Goodwill & intangibles	0	0	0	0	0						
Financial & other assets	537	538	532	526	530						
<b>Total assets</b>	<b>727</b>	<b>685</b>	<b>577</b>	<b>580</b>	<b>589</b>						
Accounts payable	19	24	28	32	35						
Short-term debt	0	0	0	0	0						
Long-term debt	0	0	0	0	0						
Provisions & other liab	0	0	0	0	0						
<b>Total liabilities</b>	<b>19</b>	<b>24</b>	<b>28</b>	<b>32</b>	<b>35</b>						
Shareholders' equity	708	661	549	549	553						
Minority interests	0	0	0	0	0						
<b>Total equity</b>	<b>708</b>	<b>661</b>	<b>549</b>	<b>549</b>	<b>553</b>						
<b>Net debt</b>	<b>-103</b>	<b>-117</b>	<b>-15</b>	<b>-25</b>	<b>-29</b>						
Net debt to equity (%)	-14.5	-17.7	-2.8	-4.5	-5.3						

For definitions of the items in this table, please click [here](#).

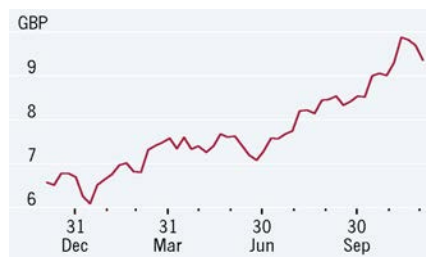
## Company Focus

### ■ Target Price Change

Buy	1
Price (04 Dec 13)	£9.41
Target price	£10.50
from £11.20	
Expected share price return	11.6%
Expected dividend yield	3.7%
Expected total return	15.3%
Market Cap	£1,153M
	US\$1,890M

### Price Performance

(RIC: SMWH.L, BB: SMWH LN)



## WH Smith PLC (SMWH.L)

### Trading Statement – 22 January 2014

- **We forecast Travel and High Street LFL of -3% and -6% respectively** – Across the 20 weeks to 19 January, we forecast group sales -3%, LFL -5%. In High Street, our -6% LFL is in line with 1Q due to continuing category decline offset by gross margin and cost efficiency gains. In Travel we forecast LFL -3%, slightly below the -2% LFL posted in the preceding two quarters, with potential for upside if improving trends have continued.
- **Further gross margin gains expected** - Across 1H, we assume Travel gross margins rise +130bps (driven by category mix management). In High Street we forecast GM increase of +180bp (category mix and improved sourcing).
- **Aug-14 PBT £111m (EPS 73.3p, +9.5% yoy)** – We retain our Aug-14 PBT forecast (ex IAS 19 pension affect). This includes the benefit of the £50m rolling share buy back.
- **Strong company in a weak sector** – WH Smith operates in sectors that have seen major cyclical and structural pressures in recent years (books, newspapers and travel). Throughout this time WH Smith has grown earnings in double digits (EPS CAGR 16% 2007-13) due to its high-quality, well incentivised management team and best-in-class operations in our view. The company has one of the most visible P&L forecasts in the sector and has made a habit of beating consensus estimates.
- **Buy Rating, Target Price 1050p (from 1120p)** — We value WH Smith using a SoTP valuation. Our 1050p target price (lowered from 1120p as we reduce multiples for UK on slightly moderated macro outlook) is derived from applying a 14x 2015e PE multiple to Travel and an ex-growth multiple of 10x to High Street. This is equivalent to a 11x group EV/EBIT and 3.9% dividend yield in same forecast year.

Figure 33. WH Smith – LFL and GM

		Citi Xmas: 21w to 20 Jan:	PY Xmas: 21w to 22 Jan:	Last seen: 10 Nov:	PY Last Seen: 10wk to 10 Nov:
LFL	High Street	-6%	-5%	-6%	-5%
	Travel	-3%	-4%	-2%	-3%
Gross margin	High Street	+180bps	+140bps	na	na
	Travel	+130bps	+170bps	na	na

Source: Company Reports and Citi Research Estimates

### WH Smith PLC (GBP)

Year to 31 Aug	2012A	2013A	2014E	2015E	2016E
Sales (£M)	1,243.0	1,186.0	1,154.3	1,145.2	1,139.4
Profit Before Tax (£M)	102.0	109.0	114.0	118.0	124.0
Diluted EPS (p)	59.7	66.9	73.3	79.0	86.6
Diluted EPS (Old) (p)	59.7	66.9	73.3	79.0	86.6
PE (x)	15.8	14.1	12.8	11.9	10.9
EV/EBITDA (x)	8.1	7.8	7.5	7.4	7.2
DPS (p)	26.9	30.7	35.3	40.6	46.7
Net Div Yield (%)	2.9	3.3	3.8	4.3	5.0

SMWH.L: Fiscal year end 31-Aug						Price: £9.41; TP: £10.50; Market Cap: £1,153m; Recomm: Buy					
Profit & Loss (£m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	1,243	1,186	1,154	1,145	1,139	PE (x)	15.8	14.1	12.8	11.9	10.9
Cost of sales	-578	-528	-494	-481	-470	PB (x)	12.9	11.3	10.9	11.9	13.0
Gross profit	665	658	660	664	669	EV/EBITDA (x)	8.1	7.8	7.5	7.4	7.2
Gross Margin (%)	53.5	55.5	57.2	58.0	58.7	FCF yield (%)	5.7	6.8	6.9	7.4	8.2
<b>EBITDA (Adj)</b>	<b>136</b>	<b>142</b>	<b>147</b>	<b>151</b>	<b>157</b>	Dividend yield (%)	2.9	3.3	3.8	4.3	5.0
EBITDA Margin (Adj) (%)	10.9	12.0	12.7	13.2	13.8	Payout ratio (%)	45	46	48	51	54
Depreciation	-34	-35	-35	-35	-35	ROE (%)	84.7	86.3	88.5	97.7	116.7
Amortisation	0	0	0	0	0	<b>Cashflow (£m)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
<b>EBIT (Adj)</b>	<b>102</b>	<b>107</b>	<b>112</b>	<b>116</b>	<b>122</b>	EBITDA	136	142	147	151	157
EBIT Margin (Adj) (%)	8.2	9.0	9.7	10.1	10.7	Working capital	0	1	0	0	0
Net interest	0	-1	-1	-1	-1	Other	-21	-24	-33	-34	-35
Associates	0	0	0	0	0	<b>Operating cashflow</b>	<b>115</b>	<b>119</b>	<b>114</b>	<b>117</b>	<b>122</b>
Non-op/Except	0	0	0	0	0	Capex	-43	-38	-34	-34	-34
<b>Pre-tax profit</b>	<b>102</b>	<b>106</b>	<b>111</b>	<b>115</b>	<b>121</b>	Net acq/disposals	6	-1	0	0	0
Tax	-22	-21	-21	-22	-23	Other	0	0	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	<b>Investing cashflow</b>	<b>-37</b>	<b>-39</b>	<b>-34</b>	<b>-34</b>	<b>-34</b>
<b>Reported net profit</b>	<b>80</b>	<b>85</b>	<b>90</b>	<b>93</b>	<b>98</b>	Dividends paid	-31	-34	-36	-45	-49
Net Margin (%)	6.4	7.2	7.8	8.1	8.6	<b>Financing cashflow</b>	<b>-83</b>	<b>-85</b>	<b>-86</b>	<b>-95</b>	<b>-99</b>
Core NPAT	80	85	90	93	98	Net change in cash	-5	-5	-6	-12	-11
<b>Per share data</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	<b>Free cashflow to s/holders</b>	<b>72</b>	<b>81</b>	<b>80</b>	<b>83</b>	<b>88</b>
Reported EPS (p)	59.7	66.9	73.3	79.0	86.6						
Core EPS (p)	59.7	66.9	73.3	79.0	86.6						
DPS (p)	26.9	30.7	35.3	40.6	46.7						
CFPS (p)	85.8	93.7	92.9	98.8	107.5						
FCFPS (p)	53.7	63.8	65.2	70.0	77.4						
BVPS (p)	73.1	83.6	86.0	79.3	72.6						
Wtd avg ord shares (m)	130	122	118	113	108						
Wtd avg diluted shares (m)	134	127	123	118	113						
<b>Growth rates</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>						
Sales revenue (%)	-2.4	-4.6	-2.7	-0.8	-0.5						
EBIT (Adj) (%)	9.7	4.9	4.7	3.6	5.2						
Core NPAT (%)	9.6	6.3	5.8	3.6	5.2						
Core EPS (%)	16.1	12.1	9.5	7.8	9.6						
<b>Balance Sheet (£m)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>						
Cash & cash equiv.	36	31	25	13	1						
Accounts receivables	54	51	51	51	51						
Inventory	151	148	148	148	148						
Net fixed & other tangibles	155	149	148	147	146						
Goodwill & intangibles	58	58	58	58	58						
Financial & other assets	29	26	26	26	26						
<b>Total assets</b>	<b>483</b>	<b>463</b>	<b>456</b>	<b>443</b>	<b>430</b>						
Accounts payable	246	232	226	224	223						
Short-term debt	0	0	0	0	0						
Long-term debt	0	0	0	0	0						
Provisions & other liab	142	129	129	129	129						
<b>Total liabilities</b>	<b>388</b>	<b>361</b>	<b>355</b>	<b>353</b>	<b>352</b>						
Shareholders' equity	95	102	101	89	78						
Minority interests	0	0	0	0	0						
<b>Total equity</b>	<b>95</b>	<b>102</b>	<b>101</b>	<b>89</b>	<b>78</b>						
<b>Net debt</b>	<b>-36</b>	<b>-31</b>	<b>-25</b>	<b>-13</b>	<b>-1</b>						
Net debt to equity (%)	-37.9	-30.4	-24.7	-14.0	-1.7						

For definitions of the items in this table, please click [here](#).

## Company Focus

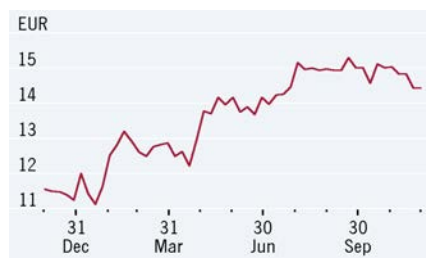
## Amer Sports (AMEAS.HE)

### FY Results – 31 January 2014

Buy	1
Price (02 Dec 13)	€14.55
Target price	€19.00
Expected share price return	30.6%
Expected dividend yield	2.6%
Expected total return	33.2%
Market Cap	€1,724M
	US\$2,335M

#### Price Performance

(RIC: AMEAS.HE, BB: AMEAS FH)



- **FY EBIT forecast €157m (EPS €0.82, +27.5% yoy)** – Amer Sports reports full year results on 31 January 2014. We forecast FY ccy neutral sales +5.9% to €2116m, GM +20bps to 43.8% and +1% opex increase to drive EBIT €157m, a 7.4% margin.
- **Implied 4Q EBIT of €67m** – This full year forecast implies a 4Q EBIT of €67m, representing a +47% yoy increase driven by a normalised performance from Winter Sports Equipment. We forecast Q4 ccy neutral sales +6.3%, GM +70bps to 42.5% and -3.9% reduction in costs to drive EBIT of €167m, a 10.5% margin.
- **Full year divisional forecast** – Winter & Outdoor +8.0% ccy neutral growth at 10.5% EBIT margin to drive €135m EBIT, Ball Sports -1% ccy neutral at 4.5% margin to drive €24m EBIT and Fitness +11% ccy neutral growth at 6.1% margin resulting in €18m EBIT. Together with €20m central costs this results in our €157m EBIT forecast.
- **Significant consolidation drives earnings potential** — Amer Sports consists of a number of well known, category-leading brands which have been run as separate business units. The consolidation of these businesses and the synergies this will create should drive large earnings uplift over the medium term.
- **Exposure to European macro recovery, balance sheet deleverage and further shareholder return** — Exposure to an improving European macro environment, a steadily improving balance sheet and potential for increased dividend payout makes Amer Sports a strong investment opportunity, in our view.
- **Buy, target price €19** — Our 12-month target price of €19.00 is based on Amer Sports trading on a 12x EV/EBIT multiple to Dec-15e. This is equivalent to a 16.1x PE and 2.6% dividend yield in the same forecast year. This valuation is supported by our €21.40 DCF derived target price.

Figure 34. Amer Sports Sales Growth and EBIT margin

		Citi Xmas: 3m to 31 Dec:	PY Xmas: 3m to 31 Dec:	Last seen: 3m to 30 September	PY Last Seen: 3m to 30 Sept
Sales growth (ccy neutral)	Winter & Outdoor	+8.3%	+5.0%	+7.0%	-1.0%
	Ball Sports	-3.0%	+13.0%	+3.0%	+4.0%
	Fitness	+10.7%	+17.0%	+10.0%	+10.0%
	<b>Group</b>	<b>+6.3%</b>	<b>+8.0%</b>	<b>+6.5%</b>	<b>+2.0%</b>
EBIT margin	Winter & Outdoor	14.1%	10.4%	20.8%	21.1%
	Ball Sports	1.0%	0.8%	-1.8%	-2.1%
	Fitness	8.2%	9.0%	8.7%	6.1%
	<b>Group</b>	<b>10.5%</b>	<b>7.5%</b>	<b>13.5%</b>	<b>13.4%</b>

Source: Company Reports and Citi Research Estimates

#### Amer Sports (EUR)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (€M)	1,880.8	2,064.0	2,115.6	2,200.9	2,336.5
Net Income (€M)	90.8	77.0	97.1	118.0	139.6
Diluted EPS (€)	0.71	0.64	0.82	1.00	1.18
Diluted EPS (Old) (€)	0.71	0.64	0.82	1.00	1.18
PE (x)	20.4	22.6	17.7	14.6	12.3
EV/EBITDA (x)	11.7	11.8	10.6	9.3	8.1
DPS (€)	0.30	0.33	0.38	0.45	0.50
Net Div Yield (%)	2.1	2.3	2.6	3.1	3.4

AMEAS.HE: Fiscal year end 31-Dec						Price: €14.55; TP: €19.00; Market Cap: €1,724m; Recomm: Buy					
Profit & Loss (€m)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	1,881	2,064	2,116	2,201	2,337	PE (x)	20.4	22.6	17.7	14.6	12.3
Cost of sales	-1,063	-1,163	-1,189	-1,224	-1,280	PB (x)	2.1	2.3	2.1	2.0	1.8
Gross profit	817	901	927	977	1,056	EV/EBITDA (x)	11.7	11.8	10.6	9.3	8.1
Gross Margin (%)	43.5	43.6	43.8	44.4	45.2	FCF yield (%)	-1.5	3.6	3.3	5.1	6.4
<b>EBITDA (Adj)</b>	<b>171</b>	<b>177</b>	<b>197</b>	<b>224</b>	<b>252</b>	Dividend yield (%)	2.1	2.3	2.6	3.1	3.4
EBITDA Margin (Adj) (%)	9.1	8.6	9.3	10.2	10.8	Payout ratio (%)	42	51	46	45	42
Depreciation	-36	-40	-40	-40	-40	ROE (%)	11.2	7.3	12.5	14.1	15.4
Amortisation	0	0	0	0	0	<b>Cashflow (€m)</b>	<b>2011</b>	<b>2012</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
<b>EBIT (Adj)</b>	<b>136</b>	<b>137</b>	<b>157</b>	<b>184</b>	<b>212</b>	EBITDA	171	152	197	224	252
EBIT Margin (Adj) (%)	7.2	6.6	7.4	8.4	9.1	Working capital	-98	-11	-30	-20	-20
Net interest	-21	-30	-22	-20	-18	Other	-43	-28	-60	-66	-72
Associates	0	0	0	0	0	<b>Operating cashflow</b>	<b>31</b>	<b>113</b>	<b>107</b>	<b>138</b>	<b>160</b>
Non-op/Except	0	0	0	0	0	Capex	-51	-49	-50	-50	-50
<b>Pre-tax profit</b>	<b>115</b>	<b>82</b>	<b>135</b>	<b>164</b>	<b>194</b>	Net acq/disposals	-1	8	0	0	0
Tax	-24	-24	-38	-46	-54	Other	0	0	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	<b>Investing cashflow</b>	<b>-52</b>	<b>-41</b>	<b>-50</b>	<b>-50</b>	<b>-50</b>
<b>Reported net profit</b>	<b>91</b>	<b>57</b>	<b>97</b>	<b>118</b>	<b>140</b>	Dividends paid	-36	-39	-45	-53	-59
Net Margin (%)	4.8	2.8	4.6	5.4	6.0	<b>Financing cashflow</b>	<b>16</b>	<b>-8</b>	<b>-82</b>	<b>-103</b>	<b>-109</b>
Core NPAT	91	77	97	118	140	Net change in cash	-6	64	-24	-15	1
<b>Per share data</b>	<b>2011</b>	<b>2012</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>	<b>Free cashflow to s/holders</b>	<b>-21</b>	<b>63</b>	<b>57</b>	<b>88</b>	<b>110</b>
Reported EPS (€)	0.71	0.48	0.82	1.00	1.18						
Core EPS (€)	0.71	0.64	0.82	1.00	1.18						
DPS (€)	0.30	0.33	0.38	0.45	0.50						
CFPS (€)	0.21	0.94	0.91	1.17	1.35						
FCFPS (€)	-0.22	0.53	0.49	0.75	0.93						
BVPS (€)	6.90	6.42	6.81	7.36	8.04						
Wtd avg ord shares (m)	120	118	118	118	118						
Wtd avg diluted shares (m)	120	118	118	118	118						
<b>Growth rates</b>	<b>2011</b>	<b>2012</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>						
Sales revenue (%)	8.1	9.7	2.5	4.0	6.2						
EBIT (Adj) (%)	25.6	0.7	14.9	17.2	15.2						
Core NPAT (%)	15.0	-15.2	26.1	21.5	18.3						
Core EPS (%)	17.2	-9.6	27.5	21.5	18.3						
<b>Balance Sheet (€m)</b>	<b>2011</b>	<b>2012</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>						
Cash & cash equiv.	79	143	118	103	104						
Accounts receivables	518	517	537	562	587						
Inventory	360	337	377	402	427						
Net fixed & other tangibles	158	163	173	183	192						
Goodwill & intangibles	510	501	501	501	501						
Financial & other assets	193	203	203	203	203						
<b>Total assets</b>	<b>1,818</b>	<b>1,863</b>	<b>1,908</b>	<b>1,953</b>	<b>2,014</b>						
Accounts payable	200	193	223	253	283						
Short-term debt	219	199	199	199	199						
Long-term debt	251	378	348	298	248						
Provisions & other liab	318	334	334	334	334						
<b>Total liabilities</b>	<b>989</b>	<b>1,104</b>	<b>1,104</b>	<b>1,084</b>	<b>1,064</b>						
Shareholders' equity	827	756	802	867	948						
Minority interests	3	3	3	3	3						
<b>Total equity</b>	<b>829</b>	<b>759</b>	<b>804</b>	<b>869</b>	<b>950</b>						
<b>Net debt</b>	<b>392</b>	<b>434</b>	<b>429</b>	<b>393</b>	<b>342</b>						
Net debt to equity (%)	47.2	57.2	53.3	45.3	36.0						

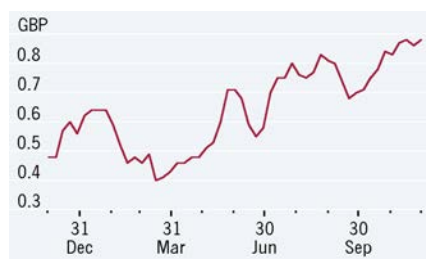
For definitions of the items in this table, please click [here](#).

## Company Focus

- Estimate Change
- Target Price Change
- Rating Change

Neutral	2
from Sell	
Price (03 Dec 13)	£0.86
Target price	£0.90
from £0.60	
Expected share price return	5.3%
Expected dividend yield	2.2%
Expected total return	7.5%
Market Cap	£453M
	US\$741M

Price Performance  
(RIC: DRTY.L, BB: DRTY LN)



## Darty Plc (DRTY.L)

### 3Q Interim Management Statement – 6 February 2014

■ **Upgrading to Neutral** — Darty in our view remains dependent on a pick-up in macro conditions, improving performance of its Netherlands business and loss reductions across its Other business segment which comprises Turkey and Datart. It seems risks around execution remain as does the potential for cost savings being annulled by further earnings pressure if macro conditions continue to be negative. However, we believe near term risks are diminishing as: 1) We expect Darty to continue to be a beneficiary of market share gains in its core French market 2) An improvement in our Household Available Cashflow for France in 2014 should support Darty France LFLs and 3) We see prospects for loss reduction within its Other making business.

■ **3Q LFL and gross margin sales forecasts by division** — Specifically, we forecast Q3 LFL sales and GM% delta trends respectively, as follows: Darty - 1.5%, +30bp, Belgium & Netherlands +2.0%, flat, Other -5%, -50bp.

■ **April 2014E PBT €40m (EPS 4.3c, 3.6p)** — Our 3Q estimates are consistent with our April 2014 PBT forecast of €40m (EPS 4.3c, 3.6p, +81% yoy) which assumes Darty France EBIT of €70.4m (LFL -1.0%, gross margin -50bp), Belgium and Netherlands EBIT of €10m and losses of -€17m within Other.

■ **April 2015E PBT increased 9% to €50m (EPS 5.6c, 4.7p)** — We have increased our April 2014 PBT forecast to €50m (EPS 5.6c, 4.7p, +32% yoy) reflecting a more rapid loss reduction in the 'Other' segment as the group continues to focus on driving cost synergies across the business. Our overall forecast assumes Darty France EBIT of €75m (LFL +1.0%, gross margin -15bp), Belgium and Netherlands EBIT of €13m and losses of -€12.5m within Other.

■ **Neutral rating, increasing price target to 90p** — Our price target of 90p is based on a 10x FY16E EV/EBIT, in line with its recent average. This equates to 17x PE and 3.0% dividend yield in the same year. This is raised from 60p due to our more positive earnings forecast.

Figure 35. Darty LFL and GM

	Citi Xmas: 12w to 31 Jan:	PY Xmas: 12w to 31 Jan:	Last seen: 1Q to 31 Jul:	PY Last Seen: 2Q to 31 Oct:
Darty LFL	-1.5%	+0.4%	-0.4%	-2.5%
Belgium & Netherlands LFL	2.0%	+2.4%	-1.5%	+9.8%
Other LFL	-5%	-13.4%	-5.1%	+2.1%

Source: Company Reports and Citi Research Estimates

### Darty Plc (EUR)

Year to 30 Apr	2012A	2013A	2014E	2015E	2016E
Sales (€M)	3,896.7	3,803.1	3,669.0	3,709.4	3,783.2
Profit Before Tax (€M)	78.6	26.4	40.0	50.3	56.8
Diluted EPS (c)	8	2	4	6	6
Diluted EPS (Old) (c)	8	2	4	5	6
PE (x)	13.0	44.2	24.4	18.5	16.3
EV/EBITDA (x)	2.3	5.7	5.3	4.9	4.6
DPS (c)	4	4	4	4	4
Net Div Yield (%)	3.4	3.4	3.4	3.4	3.4

DRTY.L: Fiscal year end 30-Apr						Price: £0.86; TP: £0.90; Market Cap: £455m; Recomm: Neutral					
Profit & Loss (€m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	3,896.7	3,803.1	3,669.0	3,709.4	3,783.2	PE (x)	13.0	44.2	24.4	18.5	16.3
Cost of sales	-2,675.7	-2,639.1	-2,549.2	-2,581.4	-2,632.9	PB (x)	-5.0	-2.2	-1.9	-1.9	-1.9
Gross profit	1,221.0	1,164.0	1,119.8	1,128.0	1,150.3	EV/EBITDA (x)	2.3	5.7	5.3	4.9	4.6
Gross Margin (%)	31.3	30.6	30.5	30.4	30.4	FCF yield (%)	-3.0	-20.0	-7.0	3.8	6.4
EBITDA (Adj)	208.3	111.9	127.0	140.3	144.8	Dividend yield (%)	3.4	3.4	3.4	3.4	3.4
EBITDA Margin (Adj) (%)	5.3	2.9	3.5	3.8	3.8	Payout ratio (%)	44	149	82	62	55
Depreciation	-118.6	-73.2	-75.0	-77.0	-77.0	ROE (%)	-118.3	na	na	na	na
Amortisation	0	0	0	0	0	Cashflow (€m)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	89.7	38.7	52.0	63.3	67.8	EBITDA	208.3	111.9	127.0	140.3	144.8
EBIT Margin (Adj) (%)	2.3	1.0	1.4	1.7	1.8	Working capital	58.9	-20.4	-10.0	-10.0	0
Net interest	-11.1	-12.3	-12.0	-13.0	-11.0	Other	-167.7	-132.1	-90.4	-44.5	-45.0
Associates	0	0	0	0	0	Operating cashflow	99.5	-40.6	26.6	85.8	99.8
Non-op/Except	-192.8	-98.2	-50.0	0	0	Capex	-115.9	-69.2	-65.0	-65.0	-65.0
Pre-tax profit	-114.2	-71.8	-10.0	50.3	56.8	Net acq/disposals	-174.5	53.0	10.0	10.0	10.0
Tax	48.8	-0.7	3.6	-19.5	-22.0	Other	0	0	0	0	0
Extraord./Min.Int./Pref.div.	-1.7	-3.2	-0.8	-0.8	-0.8	Investing cashflow	-290.4	-16.2	-55.0	-55.0	-55.0
Reported net profit	-67.1	-75.7	-7.2	29.9	34.0	Dividends paid	-37.0	-12.2	-15.1	-15.4	-15.4
Net Margin (%)	-1.7	-2.0	-0.2	0.8	0.9	Financing cashflow	-37.0	-12.2	-15.1	-15.4	-15.4
Core NPAT	42.1	12.4	22.5	29.6	33.7	Net change in cash	-227.9	-69.0	-43.5	15.4	29.4
Per share data	2012	2013	2014E	2015E	2016E	Free cashflow to s/holders	-16.4	-109.8	-38.4	20.8	34.8
Reported EPS (¢)	-13	-14	-1	6	6						
Core EPS (¢)	8	2	4	6	6						
DPS (¢)	4	4	4	4	4						
CFPS (¢)	19	-8	5	16	19						
FCFPS (¢)	-3	-21	-7	4	7						
BVPS (¢)	-21	-47	-54	-55	-53						
Wtd avg ord shares (m)	528	528	528	528	528						
Wtd avg diluted shares (m)	528	528	528	528	528						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	-34.1	-2.4	-3.5	1.1	2.0						
EBIT (Adj) (%)	-16.2	-56.9	34.4	21.7	7.2						
Core NPAT (%)	-26.7	-70.5	81.2	31.9	13.6						
Core EPS (%)	-26.7	-70.5	81.2	31.9	13.6						
Balance Sheet (€m)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	99.4	68.0	24.5	39.9	69.3						
Accounts receivables	189.5	197.2	190.2	192.3	196.2						
Inventory	526.9	477.9	461.6	467.5	476.8						
Net fixed & other tangibles	421.8	369.0	359.0	347.0	335.0						
Goodwill & intangibles	87.2	62.8	62.8	62.8	62.8						
Financial & other assets	124.6	56.0	56.0	56.0	56.0						
Total assets	1,449.4	1,230.9	1,154.2	1,165.5	1,196.1						
Accounts payable	905.3	887.2	857.0	867.8	885.1						
Short-term debt	6.6	0.3	0.3	0.3	0.3						
Long-term debt	217.3	218.3	218.3	218.3	218.3						
Provisions & other liab	437.2	384.9	376.7	379.6	384.3						
Total liabilities	1,566.4	1,490.7	1,452.2	1,466.0	1,488.0						
Shareholders' equity	-110.2	-249.2	-287.2	-289.6	-281.1						
Minority interests	-6.8	-10.9	-10.9	-10.9	-10.9						
Total equity	-117.0	-260.1	-298.1	-300.5	-292.0						
Net debt	124.5	150.6	194.1	178.7	149.3						
Net debt to equity (%)	na	na	na	na	na						

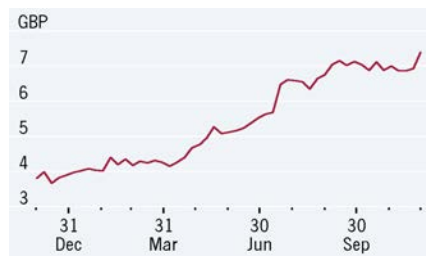
For definitions of the items in this table, please click [here](#).



## Company Focus

<b>Buy</b>	<b>1</b>
Price (03 Dec 13)	£7.46
Target price	£8.25
Expected share price return	10.6%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>10.6%</b>
Market Cap	£4,465M
	US\$7,303M

Price Performance  
(RIC: SPD.L, BB: SPD LN)



## Sports Direct International Plc (SPD.L) 3Q Interim Management Statement – 20 February 2014

- **3Q IMS** – Continuing the group's recent rapid sales progress, we forecast 3Q Retail sales +34% (LFL sales +6%) and gross margin +100bp, driving LFL gross profits +8.5% year on year. This is down from the 1H +17% LFL gross profit growth trend, given the anniversary of a demanding c.+17% LFL sales comparative from 3Q last year (1H LFL sales comparative c.+12%).
- **Full Year Forecast - FY14 EPS +25%, FY15 EPS growth still +20%** — On the back of an exceptional FY14 to date, where c.+12% LFL sales trends and strong gross margin progress (1H c.+100bp) is expected to deliver c.+25% EPS growth, we are forecasting a +5% FY15 LFL sales increase (underpinned by the football World Cup), which together with +20bp gross margin delta (product mix effects) drives our £318m FY15 PBT (EPS 40.2p, +20% yoy). These forecasts equate to £331m and £380m FY14 and FY15 EBITDA respectively, struck pre- the performance share plan bonus.
- **Investment case** — We argue that the recent strong group LFL sales and gross profit trading patterns (online sales growth incremental to the still positive LFL stores sales growth), the weak state of UK sports retail competition, growth opportunities in Europe, and the Brazil World Cup in 2014 make Sports Direct's achievement of its target c.+15% p.a. EBITDA growth over the next three years increasingly plausible. Taken together with a focus on cash generation and hence a sharply fading forecast EV/EBIT multiple, we continue to argue for a Buy rating on the shares.
- **Buy, target price 825p** — In deriving our 825p target price, we target a 15x April 2015e EV/EBIT multiple (recent FY14 average, carried forward a year). This equates to c.20x PE and c.12x EV/EBITDA for the same forecast year.

Figure 36. Sports Direct LFL and GM

	Citi Xmas: 13w to 22Jan:	PY Xmas: 13w to 22Jan:	Last seen: 9w to 30 Sep.	PY Last Seen: 9w to 25 Sep.
Retail LFL	+6%	+17.0%	+13.0%	+7.0%
Retail Gross margin	+100bp	+80bp	+190bp	+60bp

Source: Company Reports and Citi Research Estimates

### Sports Direct International Plc (GBP)

Year to 30 Apr	2012A	2013A	2014E	2015E	2016E
Sales (€M)	1,807.2	2,188.1	2,877.2	3,162.8	3,314.5
Profit Before Tax (€M)	149.1	208.1	265.0	318.0	360.0
Diluted EPS (p)	18.3	26.8	33.4	40.2	44.1
Diluted EPS (Old) (p)	18.3	26.8	33.4	40.2	44.1
PE (x)	40.8	27.8	22.3	18.6	16.9
EV/EBITDA (x)	21.2	17.1	13.8	11.4	9.7
DPS (p)	0.0	0.0	0.0	0.0	0.0
Net Div Yield (%)	0.0	0.0	0.0	0.0	0.0



SPD.L: Fiscal year end 30-Apr						Price: £7.46; TP: £8.25; Market Cap: £4,465m; Recomm: Buy					
Profit & Loss (£m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	1,807	2,188	2,877	3,163	3,314	PE (x)	40.8	27.8	22.3	18.6	16.9
Cost of sales	-1,075	-1,292	-1,675	-1,835	-1,917	PB (x)	9.0	6.6	5.3	4.1	3.4
Gross profit	733	896	1,203	1,328	1,397	EV/EBITDA (x)	21.2	17.1	13.8	11.4	9.7
Gross Margin (%)	40.5	40.9	41.8	42.0	42.2	FCF yield (%)	2.3	1.4	4.4	5.3	5.8
<b>EBITDA (Adj)</b>	<b>215</b>	<b>265</b>	<b>319</b>	<b>367</b>	<b>405</b>	Dividend yield (%)	0	0	0	0	0
EBITDA Margin (Adj) (%)	11.9	12.1	11.1	11.6	12.2	Payout ratio (%)	0	0	0	0	0
Depreciation	-58	-48	-47	-47	-47	ROE (%)	25.9	27.3	26.7	25.1	22.4
Amortisation	-4	-5	-5	-4	-4	<b>Cashflow (£m)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
<b>EBIT (Adj)</b>	<b>153</b>	<b>213</b>	<b>266</b>	<b>315</b>	<b>353</b>	EBITDA	215	265	319	367	405
EBIT Margin (Adj) (%)	8.5	9.7	9.2	10.0	10.7	Working capital	-37	-128	-20	-20	-20
Net interest	-4	-5	-1	3	7	Other	-18	-29	-58	-64	-70
Associates	1	1	-1	-1	-1	<b>Operating cashflow</b>	<b>160</b>	<b>108</b>	<b>241</b>	<b>283</b>	<b>315</b>
Non-op/Except	0	0	0	0	0	Capex	-60	-51	-45	-45	-45
<b>Pre-tax profit</b>	<b>149</b>	<b>208</b>	<b>265</b>	<b>318</b>	<b>360</b>	Net acq/disposals	-25	-46	0	0	0
Tax	-45	-55	-66	-76	-86	Other	30	2	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0	<b>Investing cashflow</b>	<b>-56</b>	<b>-95</b>	<b>-45</b>	<b>-45</b>	<b>-45</b>
<b>Reported net profit</b>	<b>104</b>	<b>153</b>	<b>199</b>	<b>242</b>	<b>274</b>	Dividends paid	0	0	0	0	0
Net Margin (%)	5.8	7.0	6.9	7.6	8.3	<b>Financing cashflow</b>	<b>-86</b>	<b>56</b>	<b>0</b>	<b>0</b>	<b>0</b>
Core NPAT	104	153	199	242	274	Net change in cash	18	69	196	238	270
<b>Per share data</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	<b>Free cashflow to s/holders</b>	<b>100</b>	<b>58</b>	<b>196</b>	<b>238</b>	<b>270</b>
Reported EPS (p)	18.3	26.8	33.4	40.2	44.1						
Core EPS (p)	18.3	26.8	33.4	40.2	44.1						
DPS (p)	0	0	0	0	0						
CFPS (p)	28.1	19.0	40.5	47.0	50.7						
FCFPS (p)	17.5	10.2	32.9	39.5	43.4						
BVPS (p)	83.1	113.3	142.0	180.6	218.8						
Wtd avg ord shares (m)	569	569	594	601	621						
Wtd avg diluted shares (m)	569	569	594	601	621						
<b>Growth rates</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>						
Sales revenue (%)	13.0	21.1	31.5	9.9	4.8						
EBIT (Adj) (%)	11.5	39.1	24.8	18.4	12.1						
Core NPAT (%)	8.6	47.0	30.1	21.6	13.2						
Core EPS (%)	8.6	46.9	24.6	20.2	9.6						
<b>Balance Sheet (£m)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>						
Cash & cash equiv.	85	165	361	599	868						
Accounts receivables	84	96	129	143	150						
Inventory	317	447	600	663	696						
Net fixed & other tangibles	313	332	330	328	326						
Goodwill & intangibles	225	240	240	240	240						
Financial & other assets	109	128	128	128	128						
<b>Total assets</b>	<b>1,132</b>	<b>1,409</b>	<b>1,788</b>	<b>2,100</b>	<b>2,408</b>						
Accounts payable	283	320	486	543	563						
Short-term debt	9	56	56	56	56						
Long-term debt	215	246	246	246	246						
Provisions & other liab	154	142	157	171	185						
<b>Total liabilities</b>	<b>660</b>	<b>764</b>	<b>945</b>	<b>1,015</b>	<b>1,049</b>						
Shareholders' equity	472	645	844	1,085	1,359						
Minority interests	-1	0	0	0	0						
<b>Total equity</b>	<b>472</b>	<b>645</b>	<b>843</b>	<b>1,085</b>	<b>1,359</b>						
<b>Net debt</b>	<b>139</b>	<b>136</b>	<b>-60</b>	<b>-297</b>	<b>-567</b>						
Net debt to equity (%)	29.5	21.1	-7.1	-27.4	-41.7						

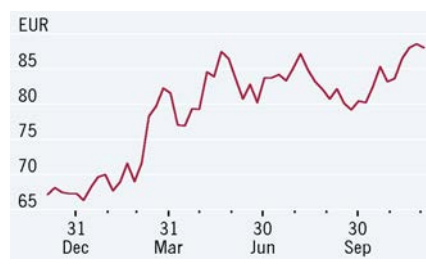
For definitions of the items in this table, please click [here](#).

## Company Focus

- Target Price Change
- Estimate Change

Buy	1
Price (03 Dec 13)	€88.03
Target price	€105.00
from €100.00	
Expected share price return	19.3%
Expected dividend yield	1.8%
Expected total return	21.1%
Market Cap	€18,417M
	US\$25,028M

Price Performance  
(RIC: AD SGn.DE, BB: ADS GR)



## adidas Group (AD SGn.DE)

2014-15E EPS raised c.+5%; target price raised to €105

■ **2014E and 2015E PBT forecasts raised c.+5% to €1380m and €1640m** — Following the group's recent 2014 revenue and EBIT margin guidance (ccy-neutral revenue +HSD and EBIT margin c.+100bp; Citi previously +5% and +80bp respectively), we have raised our 2014E and 2015E PBT forecasts by c.+5% to €1380m and €1640m (EPS €4.75 and €5.64, +20% and +19% respectively).

■ **Investment thesis** — We argue that adidas is one of a small group of genuine global growth apparel retailers and brands that is capable of GDP-plus revenue growth. Like the other global apparel brands (Nike, VF Corp, Ralph Lauren) adidas has a track record of organic sales growth of c.2-3x real global GDP, underpinning our c.5% p.a. adidas organic revenue growth forecast (2013-2015E). In addition, as group profitability recovers from one of the lower EBIT margin and ROCE metrics across its peers, adidas also offers material EBIT margin upside (Citi +200bp to 10.5% by 2015). These themes drive a c.+20% p.a. 2013-15E EPS growth forecast, and our Buy rating.

■ **Buy, target price €105 (from €100)** — We have a 12-month target price of €105 for adidas Group (from €100 following earnings forecast increase), based on the company holding a c.12.5x EV/EBIT multiple to Dec-15E (in line with the group's recent average). This is equivalent to a c.18.5x PE and 2.5% dividend yield for the same forecast year.

■ adidas is on the Citi EMEA Focus List

### adidas Group (EUR)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (€M)	13,344.0	14,883.0	14,336.5	15,051.2	15,817.4
Net Income (€M)	671.0	791.0	831.6	993.6	1,180.8
Diluted EPS (€)	3.21	3.78	3.98	4.75	5.64
Diluted EPS (Old) (€)	3.21	3.78	3.98	4.54	5.33
PE (x)	27.4	23.3	22.1	18.5	15.6
EV/EBITDA (x)	14.9	12.8	12.4	10.7	9.2
DPS (€)	1.00	1.35	1.57	1.90	2.30
Net Div Yield (%)	1.1	1.5	1.8	2.2	2.6

ADSGn.DE: Fiscal year end 31-Dec						Price: €88.03; TP: €105.00; Market Cap: €18,417m; Recomm: Buy					
Profit & Loss (€m)	2011	2012	2013E	2014E	2015E	Valuation ratios	2011	2012	2013E	2014E	2015E
Sales revenue	13,344	14,883	14,336	15,051	15,817	PE (x)	27.4	23.3	22.1	18.5	15.6
Cost of sales	-7,000	-7,780	-7,270	-7,553	-7,846	PB (x)	3.6	3.5	3.2	2.8	2.5
Gross profit	6,344	7,103	7,067	7,498	7,971	EV/EBITDA (x)	14.9	12.8	12.4	10.7	9.2
Gross Margin (%)	47.5	47.7	49.3	49.8	50.4	FCF yield (%)	2.4	2.8	2.2	3.1	3.9
<b>EBITDA (Adj)</b>	<b>1,264</b>	<b>1,456</b>	<b>1,490</b>	<b>1,700</b>	<b>1,940</b>	Dividend yield (%)	1.1	1.5	1.8	2.2	2.6
EBITDA Margin (Adj) (%)	9.5	9.8	10.4	11.3	12.3	Payout ratio (%)	31	36	39	40	41
Depreciation	-253	-271	-280	-280	-280	ROE (%)	13.8	15.2	15.0	16.1	17.1
Amortisation	0	0	0	0	0	<b>Cashflow (€m)</b>	<b>2011</b>	<b>2012</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
<b>EBIT (Adj)</b>	<b>1,011</b>	<b>1,185</b>	<b>1,210</b>	<b>1,420</b>	<b>1,660</b>	EBITDA	1,264	1,456	1,490	1,700	1,940
EBIT Margin (Adj) (%)	7.6	8.0	8.4	9.4	10.5	Working capital	-18	-18	-175	-185	-209
Net interest	-84	-69	-60	-40	-20	Other	-437	-498	-378	-426	-479
Associates	0	0	0	0	0	<b>Operating cashflow</b>	<b>809</b>	<b>940</b>	<b>937</b>	<b>1,089</b>	<b>1,252</b>
Non-op/Except	0	0	0	0	0	Capex	-376	-433	-525	-525	-525
<b>Pre-tax profit</b>	<b>927</b>	<b>1,116</b>	<b>1,150</b>	<b>1,380</b>	<b>1,640</b>	Net acq/disposals	22	64	0	0	0
Tax	-257	-327	-318	-386	-459	Other	0	-43	0	0	0
Extraord./Min.Int./Pref.div.	1	2	0	0	0	<b>Investing cashflow</b>	<b>-354</b>	<b>-412</b>	<b>-525</b>	<b>-525</b>	<b>-525</b>
<b>Reported net profit</b>	<b>671</b>	<b>791</b>	<b>832</b>	<b>994</b>	<b>1,181</b>	Dividends paid	-167	-209	-282	-328	-398
Net Margin (%)	5.0	5.3	5.8	6.6	7.5	<b>Financing cashflow</b>	<b>-127</b>	<b>-190</b>	<b>-282</b>	<b>-328</b>	<b>-398</b>
Core NPAT	671	791	832	994	1,181	<b>Net change in cash</b>	<b>328</b>	<b>338</b>	<b>129</b>	<b>235</b>	<b>329</b>
<b>Per share data</b>	<b>2011</b>	<b>2012</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>	<b>Free cashflow to s/holders</b>	<b>433</b>	<b>507</b>	<b>412</b>	<b>564</b>	<b>727</b>
Reported EPS (€)	3.21	3.78	3.98	4.75	5.64						
Core EPS (€)	3.21	3.78	3.98	4.75	5.64						
DPS (€)	1.00	1.35	1.57	1.90	2.30						
CFPS (€)	3.87	4.49	4.48	5.20	5.98						
FCFPS (€)	2.07	2.42	1.97	2.69	3.47						
BVPS (€)	24.47	25.23	27.91	31.09	34.84						
Wtd avg ord shares (m)	209	209	209	209	209						
Wtd avg diluted shares (m)	209	209	209	209	209						
<b>Growth rates</b>	<b>2011</b>	<b>2012</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>						
Sales revenue (%)	11.3	11.5	-3.7	5.0	5.1						
EBIT (Adj) (%)	13.1	17.2	2.1	17.4	16.9						
Core NPAT (%)	18.3	17.9	5.1	19.5	18.8						
Core EPS (%)	18.3	17.9	5.1	19.5	18.8						
<b>Balance Sheet (€m)</b>	<b>2011</b>	<b>2012</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>						
Cash & cash equiv.	1,371	1,935	2,064	2,299	2,629						
Accounts receivables	1,595	1,688	1,688	1,698	1,732						
Inventory	2,502	2,486	2,661	2,836	3,011						
Net fixed & other tangibles	1,554	1,709	1,954	2,199	2,444						
Goodwill & intangibles	3,216	2,932	2,932	2,932	2,932						
Financial & other assets	999	901	901	901	901						
<b>Total assets</b>	<b>11,237</b>	<b>11,651</b>	<b>12,200</b>	<b>12,865</b>	<b>13,649</b>						
Accounts payable	1,887	1,790	1,790	1,790	1,790						
Short-term debt	289	280	280	280	280						
Long-term debt	991	1,207	1,207	1,207	1,207						
Provisions & other liab	2,942	3,083	3,083	3,083	3,083						
<b>Total liabilities</b>	<b>6,109</b>	<b>6,360</b>	<b>6,360</b>	<b>6,360</b>	<b>6,360</b>						
Shareholders' equity	5,119	5,278	5,840	6,505	7,289						
Minority interests	9	13	0	0	0						
<b>Total equity</b>	<b>5,128</b>	<b>5,291</b>	<b>5,840</b>	<b>6,505</b>	<b>7,289</b>						
<b>Net debt</b>	<b>-91</b>	<b>-448</b>	<b>-577</b>	<b>-812</b>	<b>-1,142</b>						
Net debt to equity (%)	-1.8	-8.5	-9.9	-12.5	-15.7						

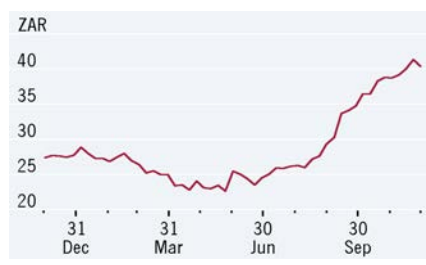
For definitions of the items in this table, please click [here](#).

## Company Focus

- Estimate Change
- Target Price Change

Buy	1
Price (03 Dec 13)	R39.86
Target price	R48.00
from R29.00	
Expected share price return	20.4%
Expected dividend yield	1.9%
Expected total return	22.3%
Market Cap	R75,922M
	US\$7,389M

Price Performance  
(RIC: SHFJ.J, BB: SHF SJ)



## Steinhoff International Holdings Ltd (SHFJ.J) Comin' On Strong

- Lower macro risk into 2014, restructuring opportunities and a modest re-rating off a low valuation base continue to support our Buy rating — In our view, the combination of: 1) restructuring of its European Retail operations (45% of sales, 27% of Group EBIT) given the full integration of Conforama and addition of Austrian furniture group Kika-Leiner; 2) margin gains from more vertically integrated sourcing with the European manufacturing business; and 3) Some signs of stabilisation and improving macro picture into 2014, supports our group forecast agenda of FY14-16E EBIT and EPS CAGRs of 12%.
- **We forecast the French Conforama business will see the most fundamental change from restructuring** — We estimate this will 1) drive product mix changes away from electricals towards higher-margin decorative. 2) deliver sourcing gains as it vertically integrates deeper into Steinhoff's manufacturing and sourcing business and 3) drive further cost savings in 2013.
- **Further opportunities to drive European manufacturing operating margins** — With the FY13 results in September highlighting manufacturing synergies are now developing, we see further potential across the European retail and manufacturing businesses through deeper integration with Conforama and additional volumes from the acquisition of Kika-Leiner.
- **FY14 PBT estimate increased 21% to R11.4bn (HEPS 436c, +23% yoy)** — The core driver of our upgraded forecasts is a combination of strong FY 13 results, more positive momentum through both the European Retail and Manufacturing businesses plus increasing FX tailwinds, and assumes overall group sales growth of 17%. Our EPS forecast of 436c, +23% yoy is struck post net interest of R1.9bn, minorities of R680m and assuming a 13.8% tax rate.
- **FY15 PBT estimate increased 21% to R12.4bn (HEPS 473c, +8% yoy)** — We forecast overall sales growth of 11%. The key contribution to overall group EBIT growth of +10% is evenly split between European Retail and Manufacturing. Our EPS forecast is 473c, +8% yoy.
- **Buy rating, increasing price target to R48** — On FY15E PE and EV/EBIT, valuation looks deeply discounted, with Steinhoff trading at a ~50% and ~25% discount to its European retail peers, respectively. Our target price increase to R48 is based on our DCF and SOTP valuations and reflects primarily our forecast upgrades, cross-checked against our peer PE analysis. At our price target, Steinhoff would still trade on a PE of only 10.2x, EV/EBIT of 8.3x and dividend yield of 2.3% for FY15E.

### Steinhoff International Holdings Ltd (ZAR)

Year to 30 Jun	2012A	2013A	2014E	2015E	2016E
Sales (RM)	80,435.7	115,486.0	135,521.2	149,765.7	154,825.2
Net Income (RM)	6,149.5	8,085.0	9,971.0	10,812.1	11,325.0
Diluted EPS (c)	288	353	436	473	495
Diluted EPS (Old) (c)	288	321	349	377	na
PE (x)	13.8	11.3	9.1	8.4	8.1
EV/EBITDA (x)	11.1	8.8	7.7	6.6	5.8
DPS (c)	80	82	101	109	115
Net Div Yield (%)	2.0	2.0	2.5	2.7	2.9

SHFJ.J: Fiscal year end 30-Jun						Price: R39.86; TP: R48.00; Market Cap: R75,922m; Recomm: Buy					
Profit & Loss (Rm)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	80,436	115,486	135,521	149,766	154,825	PE (x)	13.8	11.3	9.1	8.4	8.1
Cost of sales	-51,802	-75,401	-86,734	-95,850	-99,088	PB (x)	1.6	1.3	1.1	0.9	0.8
Gross profit	28,634	40,085	48,788	53,916	55,737	EV/EBITDA (x)	11.1	8.8	7.7	6.6	5.8
Gross Margin (%)	35.6	34.7	36.0	36.0	36.0	FCF yield (%)	7.4	1.3	8.9	12.6	12.5
EBITDA (Adj)	9,812	14,077	16,328	18,017	18,804	Dividend yield (%)	2.0	2.0	2.5	2.7	2.9
EBITDA Margin (Adj) (%)	12.2	12.2	12.0	12.0	12.1	Payout ratio (%)	28	23	23	23	23
Depreciation	-1,658	-2,380	-2,793	-3,087	-3,191	ROE (%)	13.9	14.1	14.3	13.5	12.7
Amortisation	-143	-382	-420	-462	-508	Cashflow (Rm)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	8,011	11,315	13,114	14,468	15,105	EBITDA	9,812	14,077	16,328	18,017	18,804
EBIT Margin (Adj) (%)	10.0	9.8	9.7	9.7	9.8	Working capital	-620	1,452	-324	-792	410
Net interest	-1,388	-2,021	-2,175	-2,411	-2,384	Other	-1,138	-7,636	-2,491	-1,947	-4,683
Associates	355	261	286	315	346	Operating cashflow	8,054	7,893	13,513	15,278	14,532
Non-op/Except	-72	-347	124	61	61	Capex	-1,770	-6,750	-5,421	-3,744	-3,097
Pre-tax profit	6,906	9,208	11,350	12,432	13,128	Net acq/disposals	-4,142	-1,985	-713	-785	-865
Tax	-863	-1,268	-1,563	-1,712	-1,808	Other	107	119	121	132	159
Extraord./Min.Int./Pref.div.	-698	-914	-954	-1,044	-1,128	Investing cashflow	-5,805	-8,616	-6,013	-4,397	-3,802
Reported net profit	5,345	7,026	8,832	9,676	10,192	Dividends paid	-339	-717	-1,632	-1,773	-1,859
Net Margin (%)	6.6	6.1	6.5	6.5	6.6	Financing cashflow	2,699	513	-1,032	-3,260	-3,215
Core NPAT	6,150	8,085	9,971	10,812	11,325	Net change in cash	4,948	-210	6,468	7,622	7,515
Per share data	2012	2013	2014E	2015E	2016E	Free cashflow to s/holders	6,284	1,143	8,092	11,534	11,435
Reported EPS (c)	250	307	386	423	445						
Core EPS (c)	288	353	436	473	495						
DPS (c)	80	82	101	109	115						
CFPS (c)	377	345	591	668	635						
FCFPS (c)	294	50	354	504	500						
BVPS (c)	2,465	3,142	3,731	4,202	4,697						
Wtd avg ord shares (m)	1,711	1,803	1,803	1,803	1,803						
Wtd avg diluted shares (m)	2,134	2,288	2,288	2,288	2,288						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	86.9	43.6	17.3	10.5	3.4						
EBIT (Adj) (%)	47.7	41.3	15.9	10.3	4.4						
Core NPAT (%)	54.0	31.5	23.3	8.4	4.7						
Core EPS (%)	27.6	22.6	23.3	8.4	4.7						
Balance Sheet (Rm)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	8,011	9,188	15,858	23,683	31,400						
Accounts receivables	17,928	23,052	24,134	24,619	25,451						
Inventory	14,431	16,320	18,565	20,516	21,209						
Net fixed & other tangibles	37,406	47,301	53,120	54,128	54,374						
Goodwill & intangibles	49,406	60,435	59,787	59,100	58,367						
Financial & other assets	5,880	8,343	8,726	9,139	9,585						
Total assets	133,062	164,639	180,190	191,184	200,386						
Accounts payable	23,688	27,488	31,188	34,467	35,631						
Short-term debt	7,228	8,189	8,850	9,569	10,351						
Long-term debt	33,858	45,041	44,980	42,774	40,636						
Provisions & other liab	14,651	17,302	17,982	18,737	19,241						
Total liabilities	79,425	98,020	103,001	105,547	105,859						
Shareholders' equity	47,129	60,152	70,763	79,252	88,182						
Minority interests	6,508	6,467	6,426	6,386	6,345						
Total equity	53,637	66,619	77,189	85,637	94,527						
Net debt	33,075	44,042	37,972	28,661	19,587						
Net debt to equity (%)	61.7	66.1	49.2	33.5	20.7						

For definitions of the items in this table, please click [here](#).

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## Financial Tables

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Figure 37. Steinhoff Profit & Loss (Rm)

Year to June	2011A	2012 A	2013 A	2014 E	2015 E	2016 E
<b>Revenue</b>	<b>43,040</b>	<b>80,436</b>	<b>115,486</b>	<b>135,521</b>	<b>149,766</b>	<b>154,825</b>
<i>Growth %</i>		87%	44%	17%	11%	3%
<b>Retail Activities</b>	25,776	59,839	89,573	109,648	122,947	127,691
<i>Growth %</i>		132%	50%	22%	12%	4%
- International	25,776	52,388	57,363	77,875	89,231	92,241
- African operations	0	7,451	32,210	31,773	33,716	35,450
<b>Manufacturing Sourcing, Logistics</b>	27,206	31,105	37,935	43,490	45,171	45,857
<i>Growth %</i>		14%	22%	15%	4%	2%
- International operations	18,301	20,042	22,545	27,396	28,327	29,013
- African operations	8,905	11,063	15,390	16,094	16,844	16,844
<b>Properties</b>	871	1,658	2,134	2,177	2,177	2,177
<i>Growth %</i>		90%	29%	2%	0%	0%
<b>Corporate Services</b>	1,197	1,139	1,632	1,144	1,149	1,149
<i>Growth %</i>		-5%	43%	-30%	0%	0%
- Brand management	344	383	533	544	549	549
- Investment participation	430	482	0	0	0	0
- Central treasury and other activities	424	274	1,099	600	600	600
Intersegment eliminations	(12,011)	(13,306)	(15,788)	(20,938)	(21,678)	(22,049)
<b>EBITDA (pre capital items)</b>	<b>6,563</b>	<b>9,812</b>	<b>14,077</b>	<b>16,328</b>	<b>18,017</b>	<b>18,804</b>
Depreciation	(1,073)	(1,658)	(2,380)	(2,793)	(3,087)	(3,191)
Amortisation	-66	-143	-382	-420	-462	-508
<b>Operating Profit (pre capital items)</b>	<b>5,424</b>	<b>8,011</b>	<b>11,315</b>	<b>13,114</b>	<b>14,468</b>	<b>15,105</b>
<i>% of Sales</i>	12.6%	10.0%	9.8%	9.7%	9.7%	9.8%
Capital Items	(64)	(96)	(350)	121	57	57
Operating Profit (post capital items)	5,360	7,915	10,965	13,235	14,525	15,162
<i>Growth %</i>		48%	39%	21%	10%	4%
<i>% of Sales</i>	12.5%	9.8%	9.5%	9.8%	9.7%	9.8%
Investment Income	987	1,157	1,250	953	695	649
Profit Share of Associate Companies	55	345	260	286	315	346
Financing Costs	(2,149)	(2,511)	(3,267)	(3,125)	(3,102)	(3,029)
<b>Profit Before Tax</b>	<b>4,253</b>	<b>6,906</b>	<b>9,208</b>	<b>11,350</b>	<b>12,432</b>	<b>13,128</b>
<i>Growth %</i>		62%	33%	23%	10%	6%
Tax Expense	(435)	(863)	(1,268)	(1,563)	(1,712)	(1,808)
Tax Rate %	10.2%	12.5%	13.8%	13.8%	13.8%	13.8%
Profit After Tax	3,818	6,043	7,940	9,787	10,720	11,320
Less Minority Interest	(208)	(388)	(640)	(680)	(770)	(854)
Profit from Sale of Discontinued	1,526	-	-	-	-	-
<b>Headline Earnings</b>	<b>3,463</b>	<b>5,655</b>	<b>7,300</b>	<b>9,106</b>	<b>9,950</b>	<b>10,466</b>
<b>Headline Dilutive Earnings</b>	<b>3,992</b>	<b>6,150</b>	<b>8,085</b>	<b>9,971</b>	<b>10,812</b>	<b>11,325</b>
EPS (cents) Continuing	237	312	390	490	537	565
<i>Growth %</i>		32%	25%	26%	10%	5%
HEPS (Cents)	237	322	405	505	552	580
<i>Growth %</i>		36%	26%	25%	9%	5%
Diluted EPS (cents)	223	286	347.3	427.6	464.4	487.0
<i>Growth %</i>		28%	22%	23%	9%	5%
HEPS (Cents)	226	288	353	435.8	472.6	495.0
<i>Growth %</i>		28%	23%	23%	8%	5%
<b>Dividend</b>	<b>65</b>	<b>80</b>	<b>82</b>	<b>101</b>	<b>109</b>	<b>115</b>
<i>Growth %</i>		23%	2%	23%	9%	5%

Source: Company Reports and Citi Research Estimates



Figure 38. Steinhoff Segmental Profit & Loss (Rm)

Year to June	2011A	2012A	2013A	2014E	2015E	2016E
<b>Revenue</b>						
<b>Retail Activities</b>						
- International Operations	25,776	52,388	57,363	77,875	89,231	92,241
- Conforama	8,773	32,908	35,090	42,271	43,912	44,960
- ERM	9,451	11,378	13,185	24,607	33,840	35,453
- UK	5,384	5,242	6,238	7,447	7,787	8,026
- Pacific Rim	2,167	2,860	2,850	3,550	3,692	3,803
- African Operations	-	7,451	32,210	31,773	33,716	35,450
<b>Manufacturing, Sourcing, Logistics</b>						
- International Operations	18,301	20,042	22,545	27,396	28,327	29,013
- Europe	7,045	7,561	8,420	10,191	10,494	10,704
- UK	1,766	1,976	2,240	2,711	2,791	2,847
- Habufa	697	780	863	1,024	1,033	1,033
- Int'l Sourcing/Logistics	8,793	9,725	11,022	13,471	14,008	14,428
- African Operations	8,905	11,063	15,390	16,094	16,844	16,844
<b>Properties</b>	871	1,658	2,134	2,177	2,177	2,177
<b>Corporate Services</b>	1,197	1,139	1,632	1,144	1,149	1,149
- Brand Management	344	383	533	544	549	549
- Investment Participation	430	482	-	-	-	-
- Central Treasury and Other	424	274	1,099	600	600	600
<b>Total Sales</b>	55,051	93,742	131,274	156,459	171,444	176,874
Intersegment Revenue Eliminations	(12,011)	(13,306)	(15,788)	(20,938)	(21,678)	(22,049)
<b>Reported Group Sales</b>	43,040	80,436	115,486	135,521	149,766	154,825
<b>Operating Profit (pre-capital items)</b>						
<b>Retail Activities</b>						
- International Operations	1,155	2,475	3,044	4,105	4,930	5,209
- Conforama	239	1,310	1,362	1,924	2,345	2,403
- ERM	582	738	1,110	1,426	1,748	1,926
- UK	267	374	469	620	690	728
- Pacific Rim	67	52	103	135	148	152
- African Operations	-	639	1,714	1,582	1,772	2,094
<b>Manufacturing, Sourcing, Logistics</b>						
- International Operations	1,587	1,685	2,285	3,039	3,329	3,407
- Europe	659	687	926	1,223	1,364	1,392
- UK	207	227	314	407	433	441
- Habufa	80	90	108	130	131	131
- Int'l Sourcing/Logistics	642	681	937	1,280	1,401	1,443
- African Operations	1,016	1,116	1,352	1,527	1,676	1,676
<b>Properties</b>	854	1,638	2,040	2,177	2,177	2,177
<b>Corporate Services</b>	1,206	1,155	868	685	583	542
- Brand Management	341	383	433	544	549	549
- Investment Participation	430	482	-	-	-	-
- Central Treasury and Other	435	290	435	140	34	(7)
<b>Total Operating Profit</b>	5,818	8,709	11,303	13,114	14,468	15,105
Intersegment Profit Eliminations	(394)	(698)	12	-	-	-
<b>Reported Group Operating Profit</b>	5,424	8,011	11,315	13,114	14,468	15,105

Source: Company Reports and Citi Research Estimates

Figure 39. Steinhoff Segmental Revenue Growth (%)

Revenue Growth %	2012A	2013A	2014E	2015E	2016E
<b>Retail Activities</b>					
- International Operations	103.2%	9.5%	35.8%	14.6%	3.4%
- Conforama	275.1%	6.6%	20.5%	3.9%	2.4%
- ERM	20.4%	15.9%	86.6%	37.5%	4.8%
- UK	-2.6%	19.0%	19.4%	4.6%	3.1%
- Pacific Rim	32.0%	-0.4%	24.6%	4.0%	3.0%
- African Operations		332.3%	-1.4%	6.1%	5.1%
<b>Manufacturing, Sourcing, Logistics</b>					
- International Operations	9.5%	12.5%	21.5%	3.4%	2.4%
- Europe	7.3%	11.4%	21.0%	3.0%	2.0%
- UK	11.9%	13.3%	21.0%	3.0%	2.0%
- Habufa	11.9%	10.6%	18.7%	1.0%	0.0%
- Int'l Sourcing/Logistics	10.6%	13.3%	22.2%	4.0%	3.0%
- African Operations	24.2%	39.1%	4.6%	4.7%	0.0%
<b>Properties</b>	90.4%	28.7%	2.0%	0.0%	0.0%
<b>Corporate Services</b>					
- Brand Management	11.4%	39.2%	2.1%	1.0%	0.0%
- Investment Participation	12.2%	-100.0%			
- Central Treasury and Other	-35.4%	301.1%	-45.4%	0.0%	0.0%
<b>Total Sales</b>	70.3%	40.0%	19.2%	9.6%	3.2%
Intersegment Revenue Eliminations	10.8%	18.7%	32.6%	3.5%	1.7%
<b>Reported Group Sales</b>	86.9%	43.6%	17.3%	10.5%	3.4%

Operating Profit Growth %	2012A	2013A	2014E	2015E	2016E
<b>Retail Activities</b>					
- International Operations	114.3%	23.0%	34.8%	20.1%	5.6%
- Conforama	449.1%	3.9%	41.3%	21.8%	2.5%
- ERM	26.8%	50.3%	28.4%	22.6%	10.2%
- UK	40.1%	25.3%	32.0%	11.4%	5.5%
- Pacific Rim	-22.2%	98.1%	31.0%	9.5%	3.0%
- African Operations	!	168.2%	-7.7%	12.0%	18.2%
<b>Manufacturing, Sourcing, Logistics</b>					
- International Operations	6.2%	35.6%	33.0%	9.5%	2.3%
- Europe	4.4%	34.7%	32.0%	11.6%	2.0%
- UK	10.0%	38.0%	29.7%	6.4%	2.0%
- Habufa	11.9%	20.2%	20.6%	1.0%	0.0%
- Int'l Sourcing/Logistics	6.1%	37.6%	36.6%	9.5%	3.0%
- African Operations	9.8%	21.1%	12.9%	9.8%	0.0%
<b>Properties</b>	91.8%	24.5%	6.7%	0.0%	0.0%
<b>Corporate Services</b>					
- Brand Management	12.3%	13.1%	25.7%	1.0%	0.0%
- Investment Participation	12.2%	-100.0%			
- Central Treasury and Other	-33.3%	50.0%	-67.7%	-75.8%	-121.8%
<b>Total Operating Profit</b>	49.7%	29.8%	16.0%	10.3%	4.4%
Intersegment Profit Eliminations	77.2%				
<b>Reported Group Operating Profit</b>	47.7%	41.3%	15.9%	10.3%	4.4%

Source: Company Reports and Citi Research Estimates

Figure 40. Steinhoff Segmental Operating Margins (%)

Operating Margin %	2011A	2012A	2013A	2014E	2015E	2016E
<b>Retail Activities</b>						
- International Operations	4.5%	4.7%	5.3%	5.3%	5.5%	5.6%
- Conforama	2.7%	4.0%	3.9%	4.6%	5.3%	5.3%
- ERM	6.2%	6.5%	8.4%	5.8%	5.2%	5.4%
- UK	5.0%	7.1%	7.5%	8.3%	8.9%	9.1%
- Pacific Rim	3.1%	1.8%	3.6%	3.8%	4.0%	4.0%
- African Operations		8.6%	5.3%	5.0%	5.3%	5.9%
<b>Manufacturing, Sourcing, Logistics</b>						
- International Operations	8.7%	8.4%	10.1%	11.1%	11.8%	11.7%
- Europe	9.3%	9.1%	11.0%	12.0%	13.0%	13.0%
- UK	11.7%	11.5%	14.0%	15.0%	15.5%	15.5%
- Habufa	11.5%	11.5%	12.5%	12.7%	12.7%	12.7%
- Int'l Sourcing/Logistics	7.3%	7.0%	8.5%	9.5%	10.0%	10.0%
- African Operations	11.4%	10.1%	8.8%	9.5%	10.0%	10.0%
<b>Properties</b>	98.0%	98.8%	95.6%	100.0%	100.0%	100.0%
<b>Total Operating Profit</b>	<b>10.6%</b>	<b>9.3%</b>	<b>8.6%</b>	<b>8.4%</b>	<b>8.4%</b>	<b>8.5%</b>
<b>Reported Group Operating Profit</b>	<b>12.6%</b>	<b>10.0%</b>	<b>9.8%</b>	<b>9.7%</b>	<b>9.7%</b>	<b>9.8%</b>

Operating Margin %	2011A	2012A	2013A	2014E	2015E	2016E
- International Operations		+24bps	+58bps	(4bps)	+25bps	+12bps
- Conforama		+126bps	(10bps)	+67bps	+79bps	+0bps
- ERM		+33bps	+193bps	(263bps)	(63bps)	+27bps
- UK		+218bps	+38bps	+80bps	+54bps	+21bps
- Pacific Rim		(127bps)	+180bps	+19bps	+20bps	+0bps
- African Operations			(325bps)	(34bps)	+28bps	+65bps
<b>Manufacturing, Sourcing, Logistics</b>						
- International Operations		(27bps)	+173bps	+96bps	+66bps	(1bps)
- Europe		(26bps)	+191bps	+100bps	+100bps	+0bps
- UK		(20bps)	+250bps	+100bps	+50bps	+0bps
- Habufa		+0bps	+100bps	+20bps	+0bps	+0bps
- Int'l Sourcing/Logistics		(30bps)	+150bps	+100bps	+50bps	+0bps
- African Operations		(132bps)	(130bps)	+70bps	+46bps	+0bps
<b>Properties</b>		+75bps	(320bps)	+440bps	+0bps	+0bps
<b>Total Operating Profit</b>		<b>(128bps)</b>	<b>(68bps)</b>	<b>(23bps)</b>	<b>+6bps</b>	<b>+10bps</b>
<b>Reported Group Operating Profit</b>		<b>(264bps)</b>	<b>(16bps)</b>	<b>(12bps)</b>	<b>(2bps)</b>	<b>+10bps</b>

Source: Company Reports and Citi Research Estimates

Figure 41. Steinhoff Cash Flow (Rm)

	2011 A	2012 A	2013 A	2014 E	2015 E	2016 E
EBIT	5,360	7,915	10,965	13,235	14,525	15,162
Depreciation	1,073	1,658	2,380	2,793	3,087	3,191
Amortisation	66	143	382	420	462	508
Other	117	0	0	0	0	0
<b>EBITDA</b>	<b>6,616</b>	<b>9,716</b>	<b>13,727</b>	<b>16,449</b>	<b>18,074</b>	<b>18,861</b>
D IN Working Capital Cycle	586	591	(1,452)	324	792	(410)
- D in inventory	(827)	(927)	14	(2,245)	(1,951)	(693)
- D in accounts receivable	(151)	788	(311)	(1,132)	(535)	(882)
- D in accounts payable	1,237	759	(1,155)	3,700	3,278	1,164
- Other	327	(29)	0	0	0	0
<b>Cash generated from operations</b>	<b>7,202</b>	<b>10,307</b>	<b>12,275</b>	<b>16,773</b>	<b>18,866</b>	<b>18,451</b>
Dividends received	13	114	54	286	315	346
Interest received	1,011	1,084	1,234	953	695	649
Interest paid	(1,871)	(2,104)	(2,820)	(3,125)	(3,102)	(3,029)
Dividends / capital distribution paid	(106)	(339)	(717)	(1,632)	(1,773)	(1,859)
Taxation paid	(573)	(771)	(1,087)	(1,563)	(1,712)	(1,808)
Non cash incentives (options etc)	0	61	0	93	104	117
Change in Provisions	0	0	769	382	427	152
<b>Other</b>	<b>(1,526)</b>	<b>(2,478)</b>	<b>(5,045)</b>	<b>(4,606)</b>	<b>(5,046)</b>	<b>(5,432)</b>
Additions to PPE	(6,334)	(5,254)	(6,736)	(5,421)	(3,744)	(3,097)
Additions to intangibles assets and goodwill	(85)	(5,646)	(368)	(420)	(462)	(508)
Proceeds from sale of PPE	188	274	298	0	0	0
<b>Capital Expenditure</b>	<b>(6,231)</b>	<b>(10,626)</b>	<b>(6,806)</b>	<b>(5,841)</b>	<b>(4,206)</b>	<b>(3,605)</b>
Investments in Subsidiaries	(8,165)	(2,104)	(858)	41	41	41
Increase in Other Investments and Loans	(342)	3,724	(1,102)	(155)	(173)	(195)
Investments in Associates	(763)	(390)	45	(133)	(140)	(147)
<b>Cash generated from investing</b>	<b>(15,100)</b>	<b>(9,403)</b>	<b>(8,656)</b>	<b>(6,299)</b>	<b>(4,711)</b>	<b>(4,148)</b>
Proceeds on issue of ordinary share capital	0	0	(1)	0	0	0
Proceeds on issue of preference share capital	2,963	(225)	(398)	0	0	0
Treasury shares bought back	0	0	0	0	0	0
Capital distribution paid	(182)	(133)	(318)	0	0	0
Change in bank overdrafts	730	(1,983)	8	158	166	174
Change in long-term loans	12,876	6,592	7,325	(61)	(2,206)	(2,139)
Change in short-term loans	(6,080)	(1,213)	(5,386)	503	553	608
<b>Cash flows from financing activities</b>	<b>10,307</b>	<b>3,038</b>	<b>1,230</b>	<b>600</b>	<b>(1,487)</b>	<b>(1,356)</b>
<b>D IN CASH</b>	<b>883</b>	<b>1,464</b>	<b>(196)</b>	<b>6,468</b>	<b>7,622</b>	<b>7,515</b>
Beginning cash balance	5,121	6,321	8,011	9,188	15,858	23,683
Translations / other	317	226	1,373	202	203	203
<b>Ending cash balance</b>	<b>6,321</b>	<b>8,011</b>	<b>9,188</b>	<b>15,858</b>	<b>23,683</b>	<b>31,400</b>
<b>Net Cash Reconciliation</b>	<b>2011 A</b>	<b>2012 A</b>	<b>2013 A</b>	<b>2014 E</b>	<b>2015 E</b>	<b>2016 E</b>
Long Term Debt	26,112	33,858	45,041	44,980	42,774	40,636
Short Term Debt	1,978	5,136	5,027	5,530	6,083	6,691
Overdraft	2,409	2,092	3,162	3,320	3,486	3,660
<b>Gross Debt</b>	<b>30,499</b>	<b>41,086</b>	<b>53,230</b>	<b>53,830</b>	<b>52,343</b>	<b>50,987</b>
Less Cash and Equivalents	6,321	8,011	9,188	15,858	23,683	31,400
<b>Gross Debt Less Cash and Equivalents</b>	<b>24,178</b>	<b>33,075</b>	<b>44,042</b>	<b>37,972</b>	<b>28,661</b>	<b>19,587</b>
Total Equity	40,830	53,637	66,619	77,189	85,637	94,527
Gearing %	59.2%	61.7%	66.1%	49.2%	33.5%	20.7%
Liquid interest-bearing assets and receivables	5,370	8,827	11,597	-	-	-
<b>Net Interest Bearing Debt</b>	<b>18,808</b>	<b>24,248</b>	<b>32,445</b>			
<b>Net Gearing %</b>	<b>46.1%</b>	<b>45.2%</b>	<b>48.7%</b>			

Source: Company Reports and Citi Research Estimates

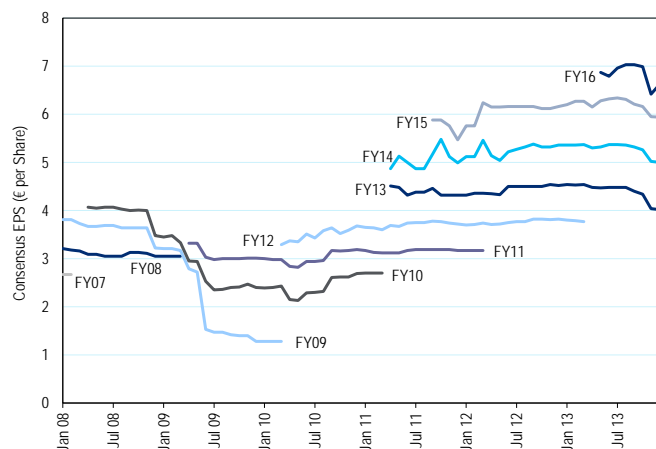
Figure 42. Steinhoff Balance Sheet (Rm)

	2011 A	2012 A	2013 A	2014 E	2015 E	2016 E
<b>ASSETS</b>						
<b>Non Current Assets</b>	74,749	90,521	112,032	117,418	117,964	117,714
Property Plant and Equipment	27,204	34,878	44,811	50,249	51,172	51,351
Vehicle Rental Fleet	0	9	0	0	0	0
Consumable Biological Assets	1,450	1,656	1,761	2,142	2,227	2,294
Goodwill	12,590	15,572	18,850	18,618	18,342	18,017
Intangible Assets	23,340	33,834	41,585	41,169	40,757	40,350
Interest in Associate Companies	4,274	2,353	2,658	2,791	2,930	3,077
Interest in JV	1	0	1	1	1	1
Investments and loans	5,470	1,356	1,637	1,719	1,805	1,895
Deferred taxation asset	420	863	729	729	729	729
<b>Current Assets</b>	26,170	42,541	52,607	62,772	73,220	82,672
Inventory	8,813	14,431	16,320	18,565	20,516	21,209
Vehicle Rental Fleet	0	363	455	501	551	606
Trade and Other Receivables	9,504	17,928	23,052	24,134	24,619	25,451
Short Term Loans Receivable	1,495	1,710	3,228	3,278	3,328	3,378
Derivative financial assets	0	0	0	0	0	0
Value added taxation receivable	0	0	0	0	0	0
Funds on call and deposit	0	0	0	2,379	3,552	4,710
Bank balances and cash	6,321	8,011	9,188	13,479	20,130	26,690
Financial Assets	0	0	0	0	0	0
Taxation Receivable	0	0	0	0	0	0
Assets Held-For-Sale	37	98	364	437	524	629
<b>TOTAL ASSETS</b>	<b>100,919</b>	<b>133,062</b>	<b>164,639</b>	<b>180,190</b>	<b>191,184</b>	<b>200,386</b>
<b>EQUITIES AND LIABILITIES</b>						
<b>Equity</b>	40,830	53,637	66,619	77,189	85,637	94,527
Ordinary Share Capital and Premium	8,474	9,898	9,801	15,135	21,156	27,597
Preference Share Capital and Premium	4,056	3,837	3,497	3,497	3,497	3,497
Reserves	25,275	33,394	46,854	52,131	54,599	57,088
Minority Interest	3,025	6,508	6,467	6,426	6,386	6,345
<b>Non Current Liabilities</b>	35,448	44,639	58,254	58,412	56,620	54,727
Interest Bearing Loans and Borrowings	26,112	33,858	45,041	44,980	42,774	40,636
Equalisation of Operating Lease Payments	16	218	231	254	280	307
Deferred Taxation Liabilities	6,420	7,765	9,652	9,652	9,652	9,652
Deferred Government grants	1	0	0	0	0	0
Employee benefits	519	705	722	815	919	1,036
Provisions	2,380	2,093	2,608	2,710	2,995	3,097
<b>Current Liabilities</b>	24,641	34,786	39,766	44,589	48,927	51,132
Trade and Other Payables	17,244	23,688	27,488	31,188	34,467	35,631
Employee benefits	517	845	887	887	887	887
Value Added taxation payable	893	909	1,265	1,265	1,265	1,265
Equalisation of Operating Lease Payments	0	8	11	12	13	15
Derivative Financial Liabilities	3	30	0	0	0	0
Overdrafts	2,409	2,092	3,162	3,320	3,486	3,660
Interest Bearing Loans and Borrowings	1,978	5,136	5,027	5,530	6,083	6,691
Taxation	574	649	850	850	850	850
Shareholders for Dividends	0	108	0	181	378	585
Provisions	1,023	1,321	1,076	1,355	1,498	1,548
<b>TOTAL LIABILITIES</b>	<b>60,089</b>	<b>79,425</b>	<b>98,020</b>	<b>103,001</b>	<b>105,547</b>	<b>105,859</b>
<b>TOTAL EQUITIES AND LIABILITIES</b>	<b>100,919</b>	<b>133,062</b>	<b>164,639</b>	<b>180,190</b>	<b>191,184</b>	<b>200,386</b>

Source: Company Reports and Citi Research Estimates

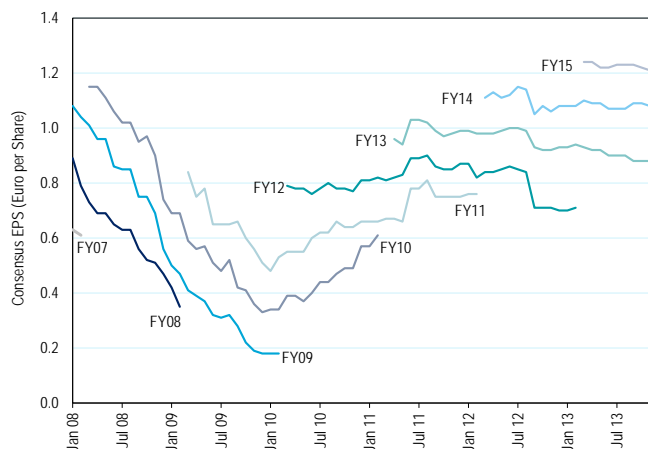
## Appendix I: General Retail Consensus EPS Progression

Figure 43. adidas



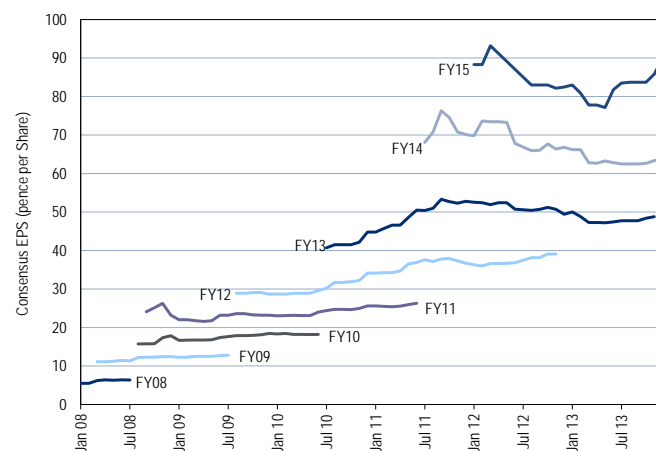
Source: DataStream

Figure 44. Amer Sports



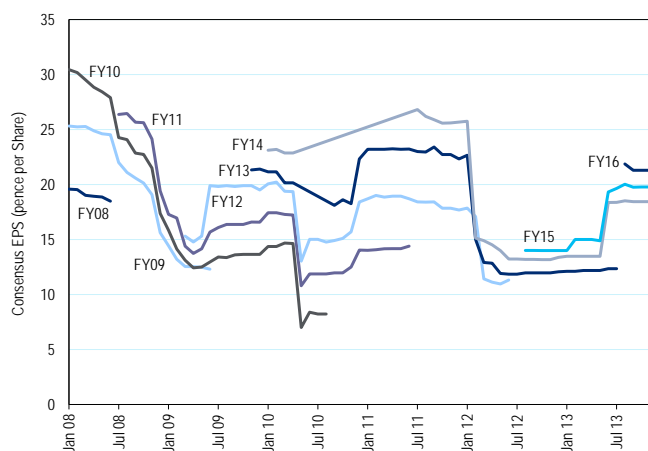
Source: DataStream

Figure 45. ASOS



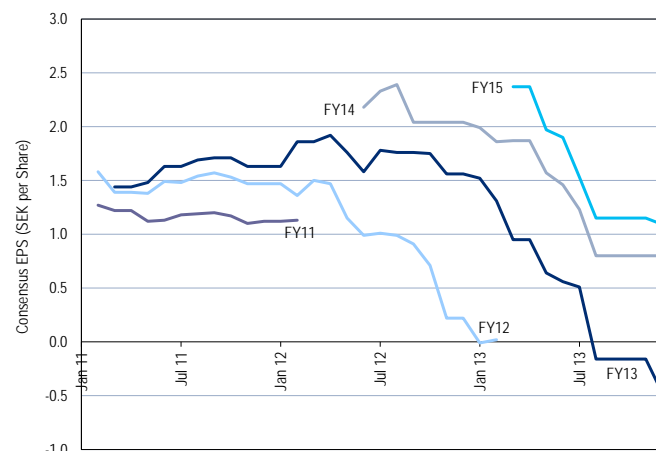
Source: DataStream

Figure 46. Carphone Warehouse



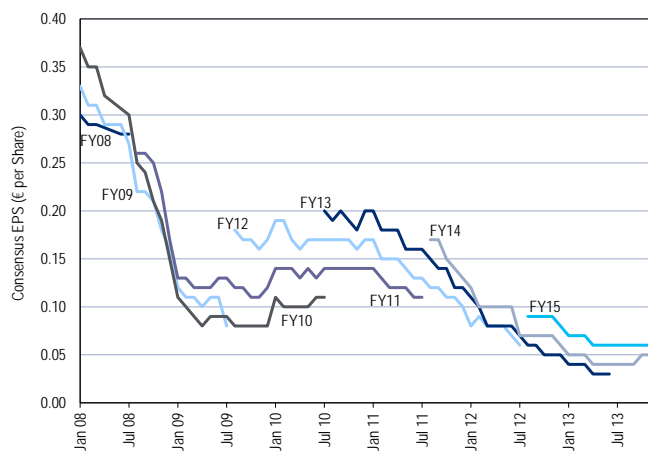
Source: DataStream

Figure 47. CDON Group



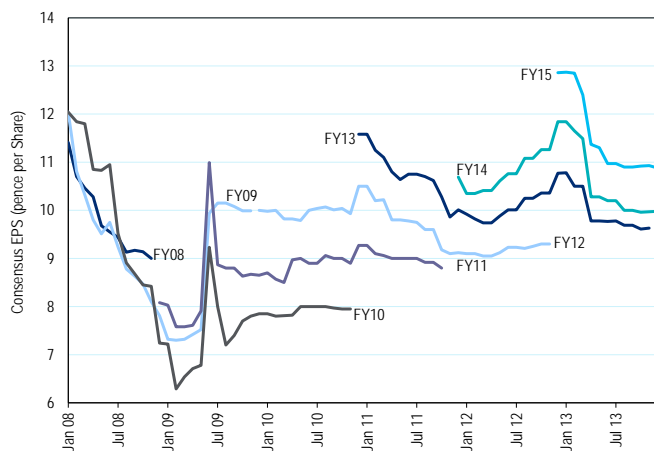
Source: DataStream

Figure 48. Darty



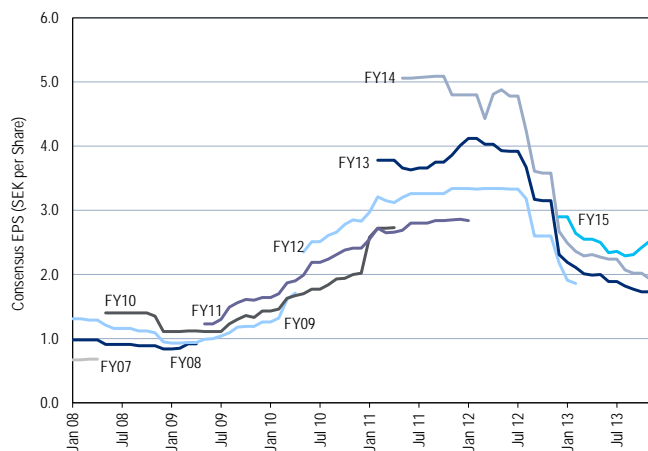
Source: DataStream

Figure 49. Debenhams



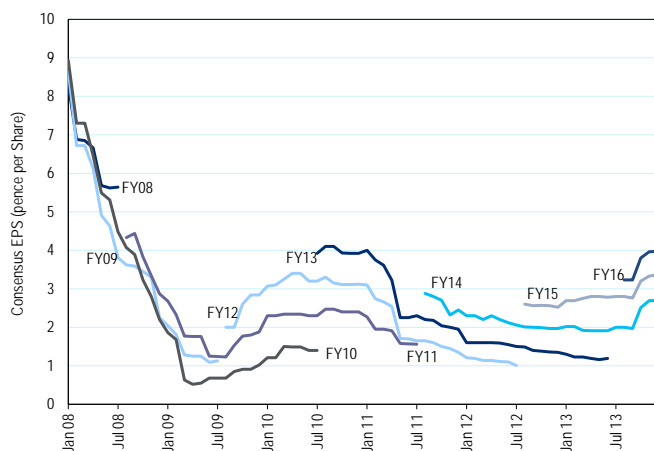
Source: DataStream

Figure 50. Delticom



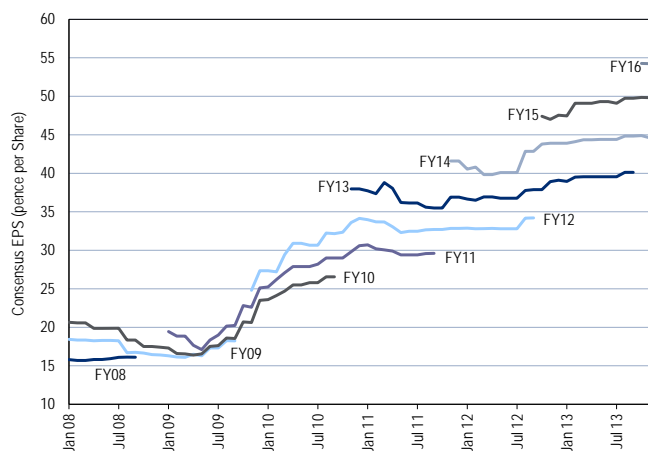
Source: DataStream

Figure 51. Dixons



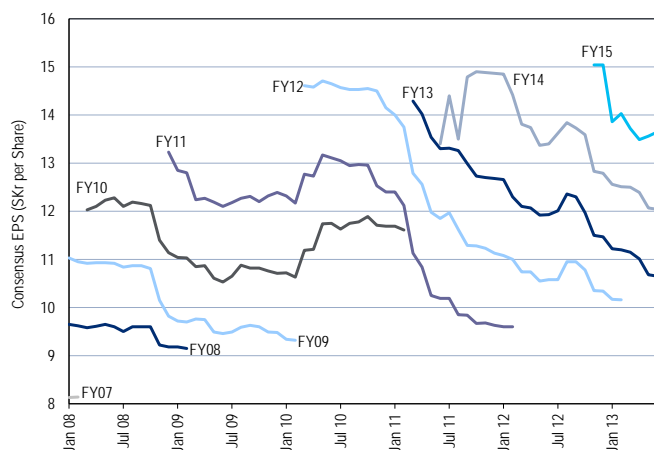
Source: DataStream

Figure 52. Dunelm



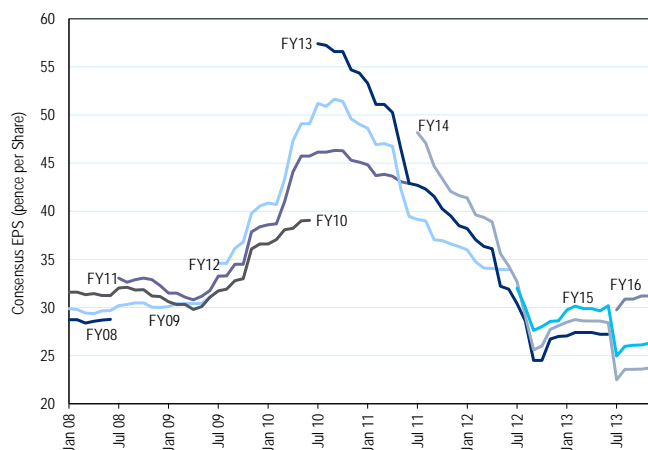
Source: DataStream

Figure 53. H&M



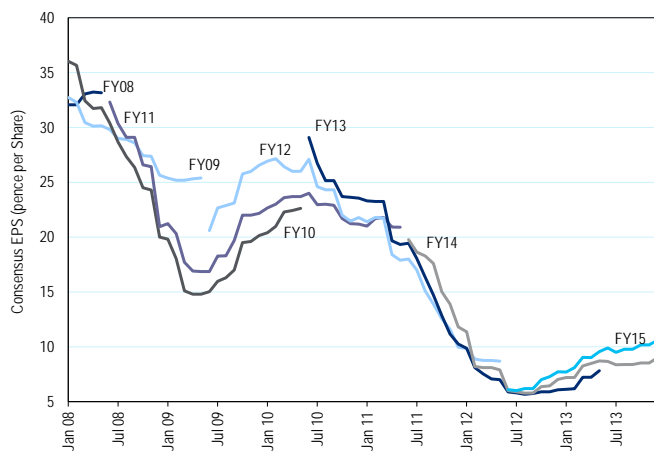
Source: DataStream

Figure 54. Halfords



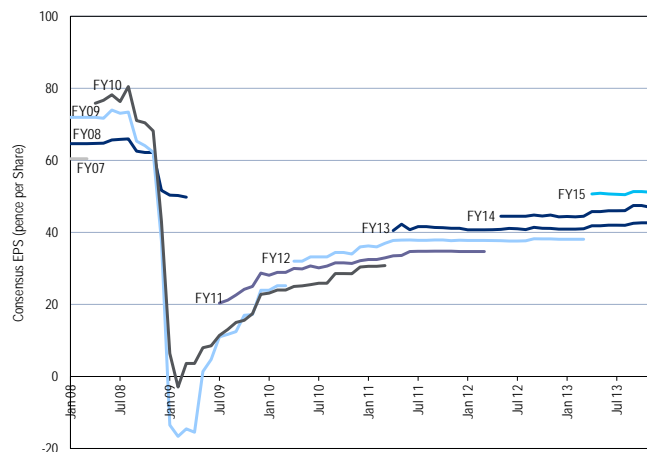
Source: DataStream

Figure 55. Home Retail Group



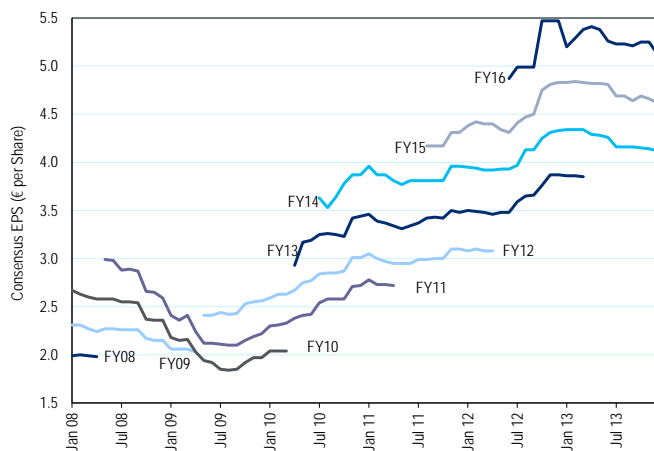
Source: DataStream

Figure 56. Inchcape



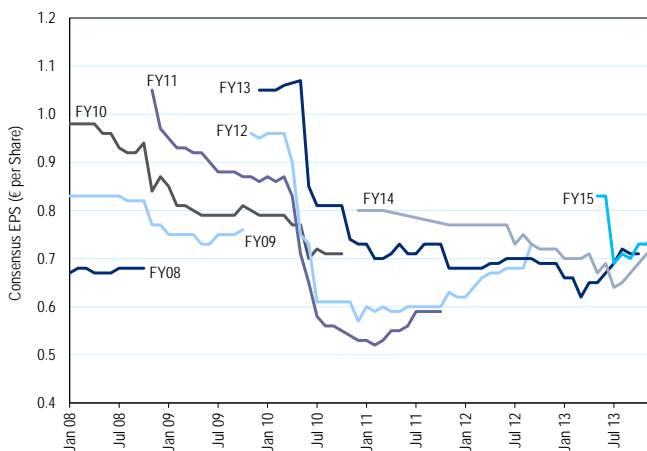
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Figure 57. Inditex



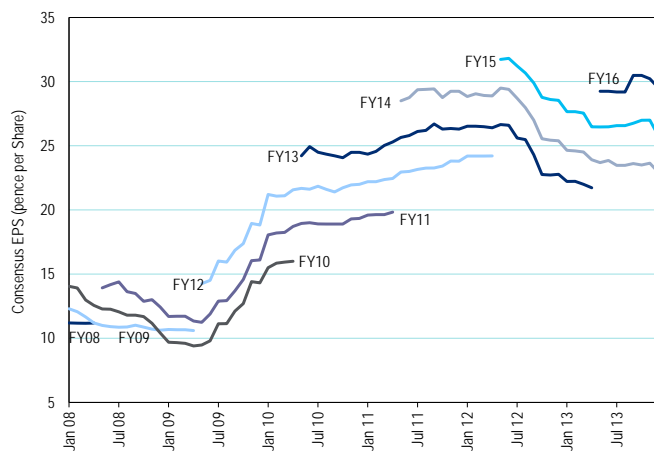
Source: DataStream

Figure 58. Jumbo



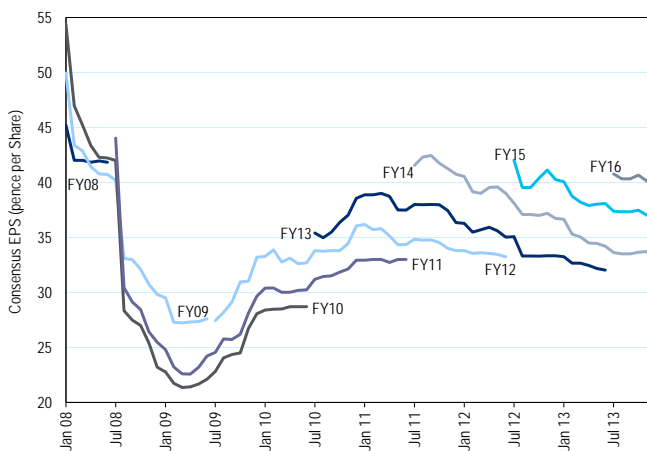
Source: DataStream

Figure 59. Kingfisher



Source: DataStream

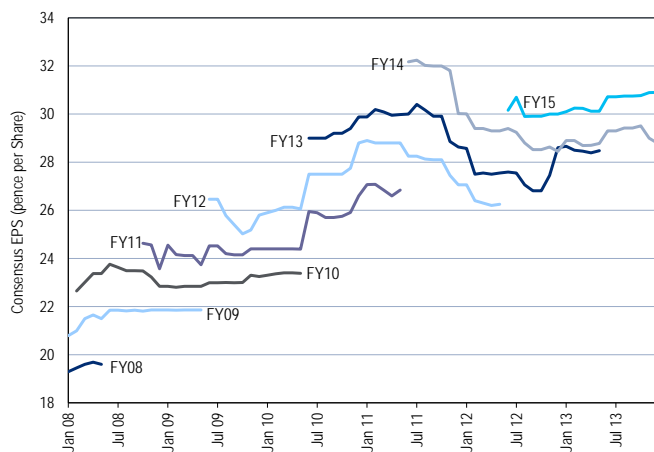
Figure 60. M&S



Source: DataStream

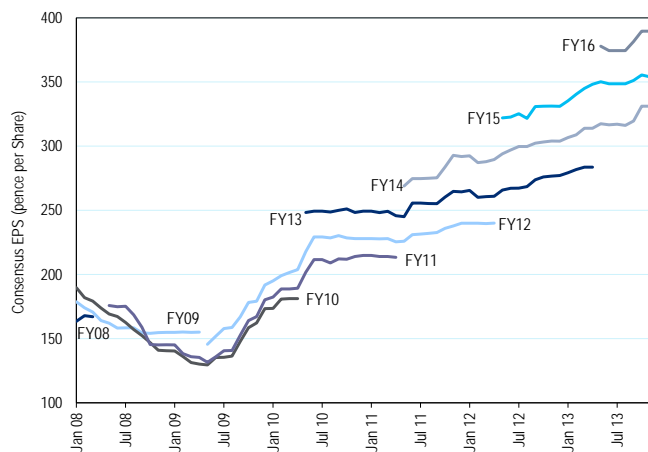


Figure 61. N Brown



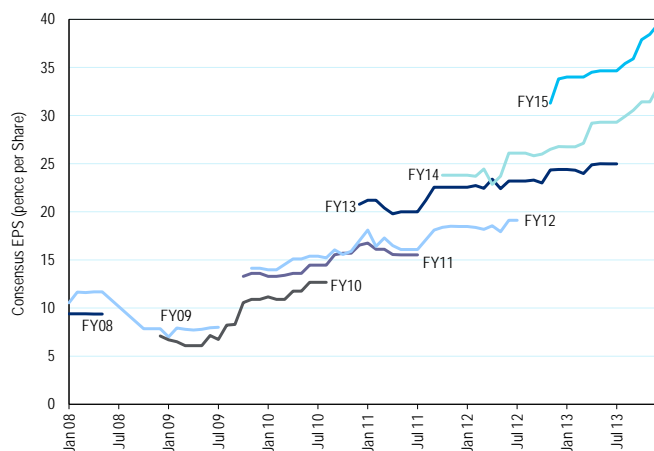
Source: DataStream

Figure 62. Next



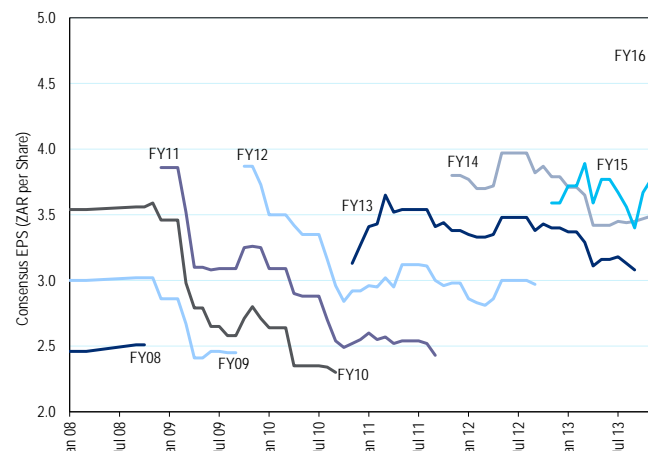
Source: DataStream

Figure 63. Sports Direct



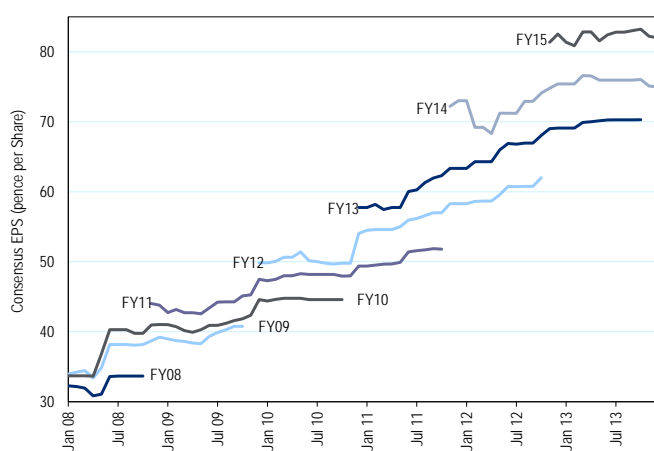
Source: DataStream

Figure 64. Steinhoff



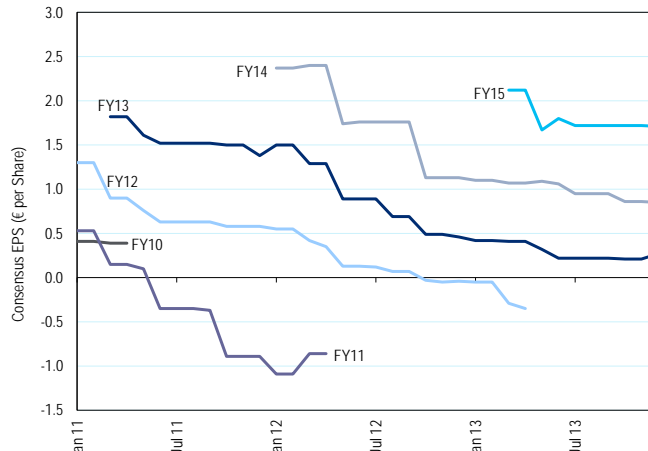
Source: DataStream

Figure 65. WH Smith



Source: DataStream

Figure 66. Zooplus



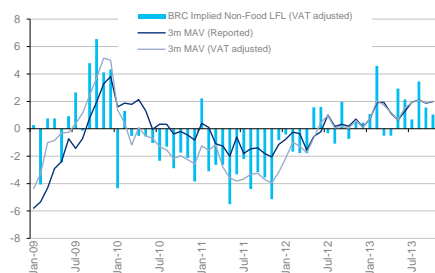
Source: DataStream

## Appendix II: Market Data Charts

### UK

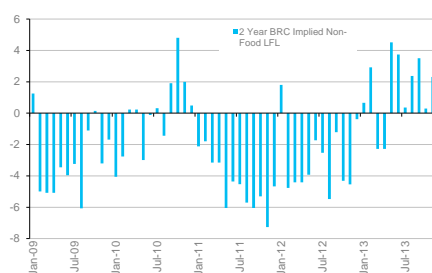
### BRC

Figure 67. Citi Implied Non-Food LFL



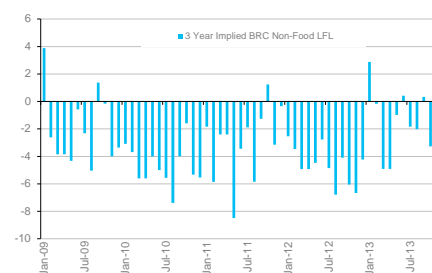
Source: BRC, Citi Research

Figure 68. Citi Implied Non-Food LFL – 2 year



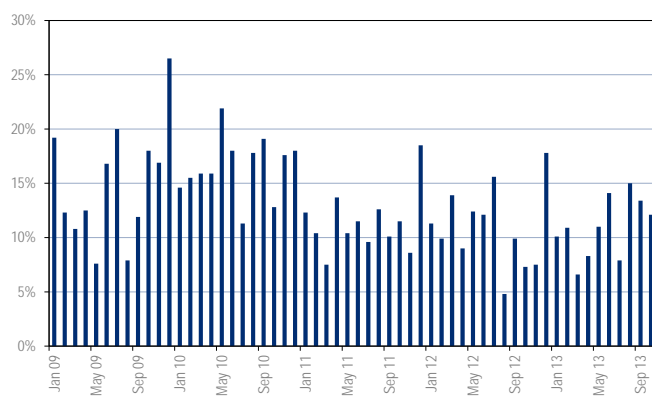
Source: BRC, Citi Research

Figure 69. Citi Implied Non-Food LFL – 3 year



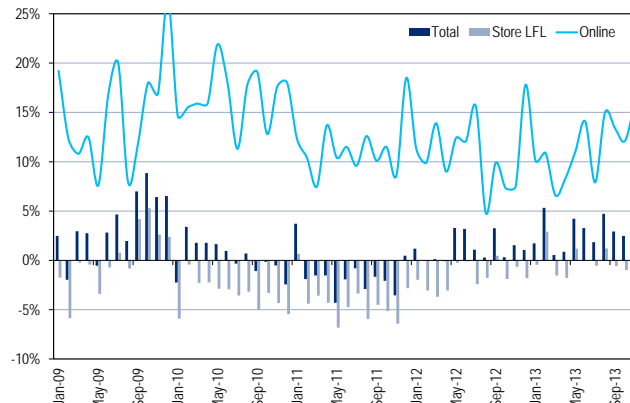
Source: BRC, Citi Research

Figure 70. BRC Non-food, non-store - % change yoy



Source: BRC, Citi Research

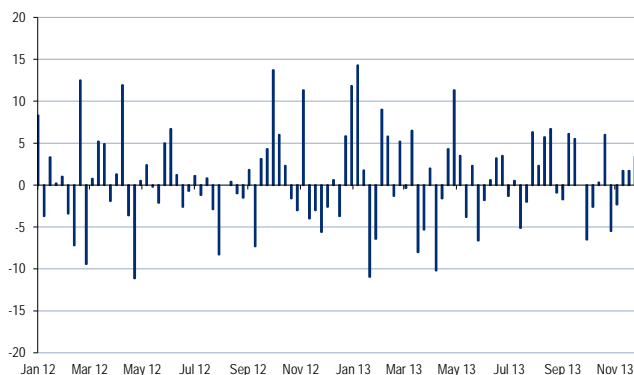
Figure 71. BRC Non-food sales growth vs Online sales growth vs Implied Store Sales Growth



Source: BRC, Citi Research

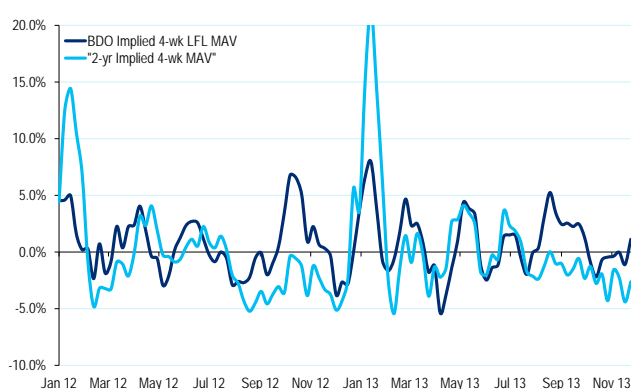
### BDO

Figure 72. Total Weekly LFL Sales Growth



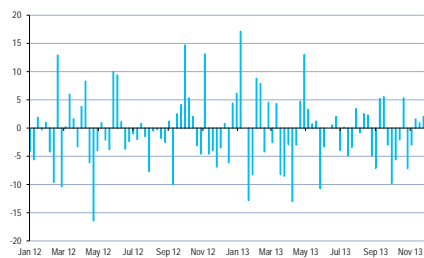
Source: BDO, Citi Research

Figure 73. BDO Implied Sales Trends



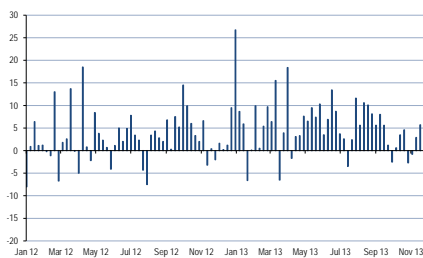
Source: BDO, Citi Research

Figure 74. Fashion – LFL Sales Growth



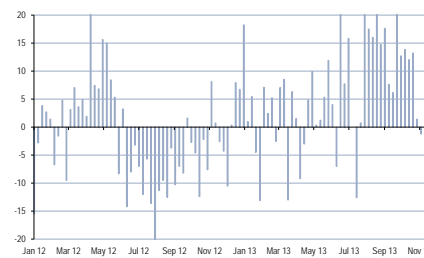
Source: BDO, Citi Research

Figure 75. Non-Fashion – LFL Sales Growth



Source: BDO, Citi Research

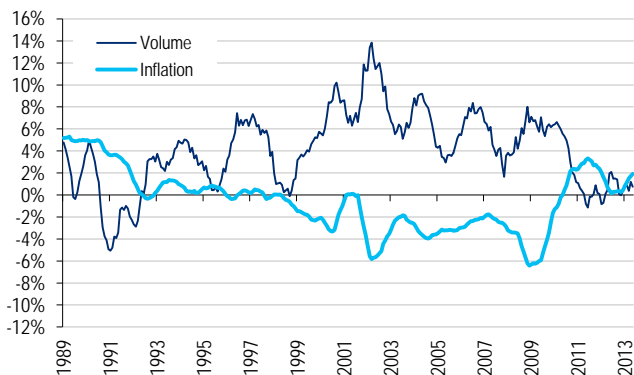
Figure 76. Homewares – LFL Sales Growth



Source: BDO, Citi Research

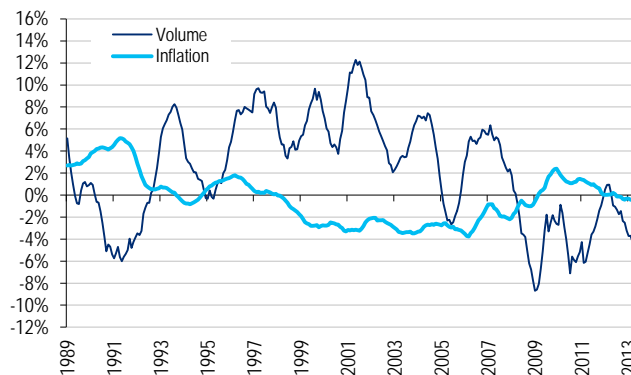
## ONS

Figure 77. Clothing Volume vs Inflation



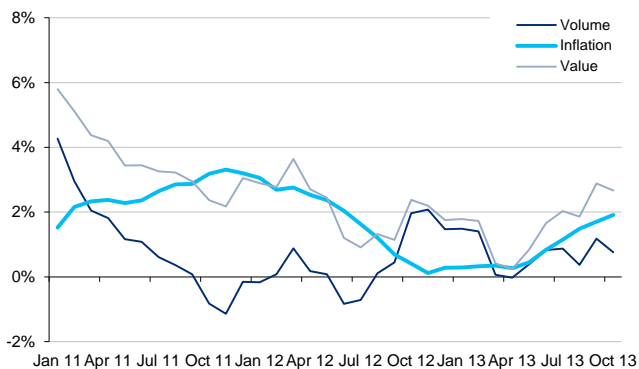
Source: ONS

Figure 78. Household Volume vs Inflation



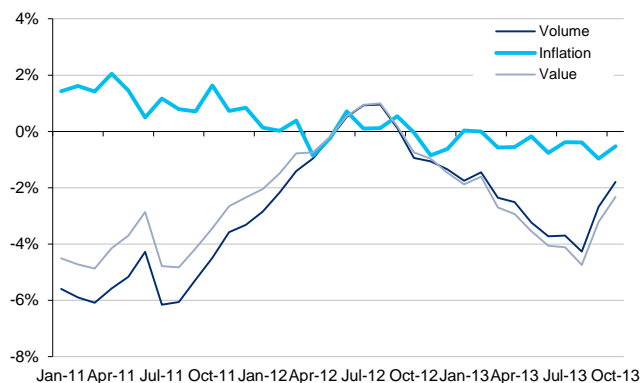
Source: ONS

Figure 79. Clothing Inflation (short run)



Source: ONS

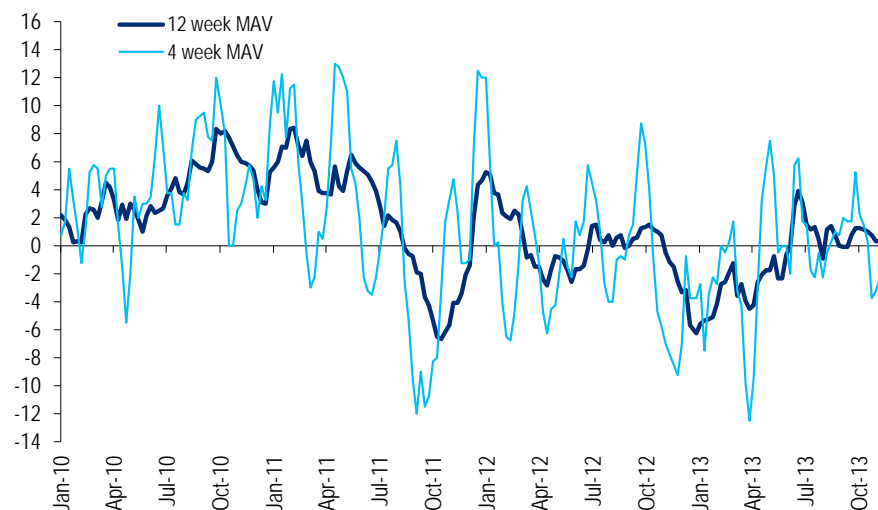
Figure 80. Household goods inflation (short run)



Source: ONS

## Germany

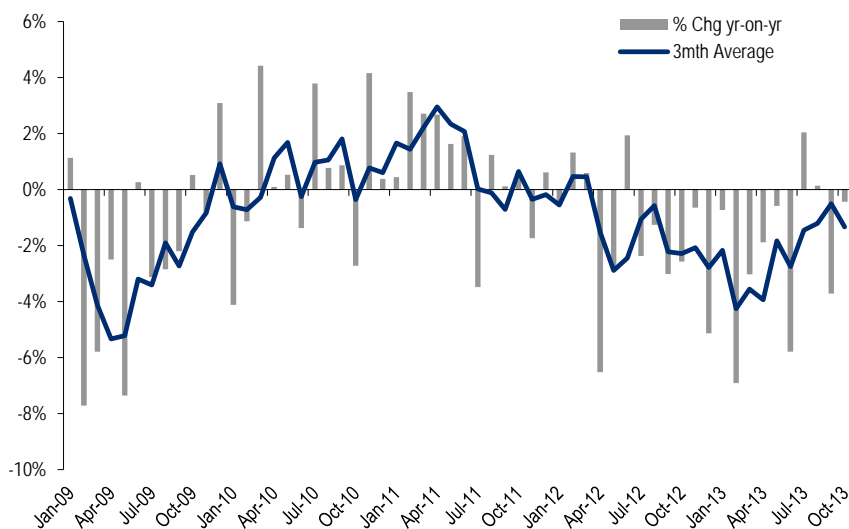
Figure 81. German Fashion Sales



Source: Textilwirtschaft, Citi Research

## France

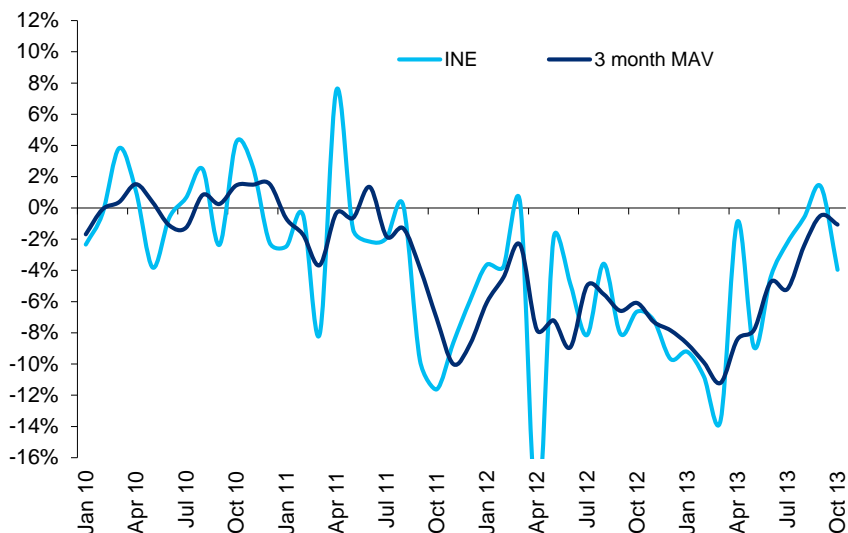
Figure 82. French Retail Sales



Source: Banque de France

## Spain

Figure 83. Spanish Clothing Sales



Source: INE

## Next Group PLC

### Company description

Next is the UK's number two retail clothing brand. The chain has around a 6% share of the market and trades from c.3m sq ft in around 375 outlets. The high street operation is fully integrated with a catalogue/internet proposition called Next Directory, which accounts for just under a quarter of brand sales. The chain is almost entirely UK-based, and has a small but rapidly growing home business.

### Investment strategy

The combination of a stable, well managed c.15% EBIT margin store-based clothing business (2/3 group sales), and a high-growth, higher EBIT margin Directory/online operation (1/3 group sales) should allow Next to maintain c.+4-5% p.a. EBIT progress which, in conjunction with c.5% p.a. share buyback programme, is forecast to drive c.+10% p.a. earnings growth from here. Taken together with c.+3% dividend yield, we argue this should drive a double-digit total return for investors (assuming valuation metrics are held over time). We maintain a Buy rating on Next.

### Valuation

In deriving our 6,100p target price, we apply a c.14.5x FY16E PE multiple (in line with the recent FY15E average). This equates to a 12x EV/EBIT multiple and c.2.5% dividend yield target for the same forecast year.

### Risks

The following risks may impede the achievement of our target price:

Next has been a long-run market share winner. If market share growth stalls, Next's growth profile could be well below that consistent with our forecasts.

Consumer spending growth has slowed recently, raising risks to estimates.

The buyback programme has increased gearing and hence made Next a more risky proposition.

The group is currently undertaking a phase of warehouse investment, which could generate implementation risks.

However, if the company continues to win share and/or is subject to a bid, the share price could rise above our target price. Additionally, if UK interest rates fall sharply in the near future, the Next share price could rise above our target price.

## Dunelm

### Company description

Dunelm is the UK's largest specialist out-of-town homewares retailer and provides a comprehensive range of products to a wide customer base, under the brand name Dunelm Mill. Dunelm was founded in 1979 by Bill and Jean Adderley, from a Leicester market stall. The business developed into a successful chain of high street shops in the Midlands specialising in soft furnishings and other homeware. Today the major focus is out-of-town retailing, and the company plans to double its store portfolio from here.

### Investment strategy

We rate Dunelm Buy. We believe Dunelm is a high-quality and cash-generative business part-way through a low-risk, high-return organic expansion programme. The combination of a visible, double digit EPS growth forecast, a strong balance sheet and the likelihood of future cash returns make this an enticing investment in the low growth UK retail sector.

### Valuation

Our 1040p target price is based on Dunelm holding a 13.5x EV/EBIT multiple to Jun-16E. As an immature retail concept Dunelm looks well set for further years of organic growth, which in our view merits a premium multiple to mature UK peers. This equates to a 19x PE and 2.1% dividend yield in the same forecast year.

### Risks

Risks to the share price reaching our target price include:

A return to industry capacity withdrawal or market share gains ahead of expectations drive premium LFL growth.

A change in the rate of availability of locations drives space growth materially different from our assumptions.

Continued inventory management or a shift to direct sourcing drives further gross margin gains.

Tight cost management offsets gross margin and LFL pressures to sustain or increase the returns profile of the business model.

A slowdown in the earnings growth profile results in the shares de-rating.

Significant cannibalisation of existing stores occurs as a result of the store rollout.

Increased industry capacity drives a weaker LFL trend than we expect.

Input cost pressures negatively impact gross margins as the competitive environment intensifies.

Competitive pricing in the industry is more severe than we expect and negatively impacts gross margins.

The pace of online penetration of the Homewares industry increases beyond Dunelm's ability to adapt.

An absence of available sites slows the rate of expansion.

If the impact of these risk factors is less negative than we currently anticipate, then the share price could exceed our target price.

## Marks and Spencer Group PLC

### Company description

M&S is the market leader in the UK clothing market with around 11% market share. Clothing accounts for just under half of chain sales, with food having a 46% participation rate. In the food sector, M&S is a niche player focused on premium-quality convenience foods. The chain is now almost entirely UK based, save for a small European franchise business, and has a significant (circa £3bn) freehold property portfolio.

### Investment strategy

The combination of our stronger 2014 and 2015 UK economic growth forecasts, and M&S management initiatives (esp on Gen Merch availability) has markedly improved the credibility of double-digit FY15 and FY16 M&S EPS growth forecasts. We argue that this should underpin the group's current undemanding valuation metrics. Holding the group's 12x FY15e EV/EBIT multiple out to FY16 drives our 575p price target and Buy rating on the shares.

### Valuation

Our 575p target price is based on a 12x FY16e EV/EBIT multiple, in line with the recent average for the large-cap sector peers, and equates to a c.14x PE and a 3.5% dividend yield for the same forecast year.

### Risks

We would highlight in particular the following risks that could cause the shares to rise above our target price:

M&S has been a long-run market share winner. If the company continues to win market share, there may be upside risk to our estimates.

Consumer spending growth has slowed recently, raising risks to estimates. However, recent weak trading patterns could reverse in the face of UK interest base rate cuts.



Weak LFL sales comparatives across 2H of last year could stimulate a better LFL sales performance later this year.

Clothing market capacity withdrawal could drive a recovery in M&S sales trends.

If the company is subject to a bid, the share price could rise above our target.

If the impact on the company from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets.

## Jumbo Babyland

### Company description

Jumbo is Greece's largest toy retailer, operating in the toys, baby apparel, stationery and seasonal/home products markets. It operates 62 stores of which three are in Cyprus, eight in Bulgaria and the rest in Greece. Key to its success has been its product diversification and one-stop shop for parents and children.

### Investment strategy

We rate Jumbo Neutral/High Risk. We believe the stock has attractive long-term growth/quality stories in the Greek market. It has also delivered robust results in the Greek retail space during the recession, although profitability has remained relatively static. We remain cautious on the Greek retail sector, given the weak macroeconomic environment and likely pressures on consumer spending from the significant fiscal tightening. Jumbo's price concept has outperformed in the downturn, but we expect Greek economic weakness to remain volatile over the next year and consumer spending is likely to lack visibility.

### Valuation

Our price target of €11.5 is based on an FY15E EV/EBIT of 10.7x, in line with the stock's recent average. At this price the shares would trade on a PE of 15x in the same forecast year.

### Risks

We rate the shares of Jumbo High Risk based on significant concerns over a prolonged Greek recession. Our assessment also includes other industry- and company-specific risk factors. As with other retailers, factors such as the availability of credit, interest rates, consumer confidence, changes in personal disposable income, age compression and structural changes in leisure tastes can affect Jumbo's results. In Jumbo's case, the weak Greek macroeconomic environment and the Greek government's austerity measures will likely have a significant impact on consumer spending. The group relies heavily on its main founder and the current Chairman of the group, Apostolos Vakakis, who is in his early 50s. If the impact of these risk factors is more or less negative than we currently anticipate, then the share price could deviate significantly from our target price.

## ASOS Plc

### Company description

ASOS was established in June 2000. Initially the main concept "As Seen On Screen" was the sale of a range of celebrity-linked items, including those seen on cookery and gardening shows. This concept developed to fashion, offering celebrity style at affordable prices. ASOS was floated on AIM in October 2001. Since then, ASOS has focused on clothing, developing its own credible fashion range, and has expanded to offering fast-fashion products from over 850 brands. ASOS is the UK's largest pure-play fashion retailer, with a c6% market share of online sales. ASOS also ships products to over 150 markets, where it generates over half of sales.

### Investment strategy

The encouraging early signs of the sales and profit growth potential from local country management recruitment, elevated A&P spend, greater CRM leverage, and supply chain efficiencies underpin our +25-30% p.a. earning forecast agenda. In combination with our medium term revenue and margin analysis, we derive a 7000p price target, and remain Buyers of the shares.

### Valuation

Our 7000p target price is driven by a 15 year DCF, which assumes a +24% pa sales CAGR and 8% terminal EBIT margin. This equates to a c.25x 2018E EV/EBIT multiple and a c.35x PE multiple for the same forecast year.

### Risks

The following risks could impede the share price from reaching our target price:

Over-stretched working capital, over-expansion or an inability to fulfill demand resulting in brand damage.

Increased competition. Traditional retailers are moving towards a multi-channel offering and as a high growth market new competitors will undoubtedly enter the market place.

Brands deserting the website. 50% of sales mix is branded product. Brands may end their partnership with ASOS, moving to an alternative third party website or offering product exclusively themselves.

Failure to grow overseas revenues. Continued growth in relatively unknown international markets growth may prove more costly than we expect or may not materialise.

Dependence on distribution and IT facilities. ASOS primarily operates out of one warehouse, and outsources distribution exclusively to one logistics firm. System performance problems or delivery-chain failure could seriously affect the ability of ASOS to trade.

## Hennes & Mauritz AB

### Company description

Hennes & Mauritz AB (H&M) designs and retails men's, women's and children's clothing, cosmetics, undergarments, hosiery and accessories. The company operates stores in c.40 global markets. H&M operates H&M, COS, Weekday, Monki and Cheap Monday stores.

### Investment strategy

Over the last 1, 3 and 5 years the H&M cumulative LFL is c.0%, alongside a -520bp EBIT margin decline. From here the share price debate centres on the prospect of LFL sales progress alongside a stable lower EBIT margin base (17.5%), in part triggered by greater confidence in the group's online strategy. To date there is little evidence to support this thesis, as for example, 3-yr rolling LFL gross profit trends continue to deteriorate, albeit as a slower rate than in 1H13. We retain a Neutral stance on the shares

### Valuation

We derive our SKr280 target price based on a target 16x 2015E EV/EBIT multiple (recent average). This equates to a c.21.5x target PE and 4% target dividend yield for the same forecast year.

### Risks

The following risks could impede the share price from reaching our target price:

H&M is subject to the usual risks associated with a fashion business spanning several geographic regions, pursuing an aggressive expansion plan: management resources and infrastructure may become too stretched, or suitable sites may not become available in a timely fashion, limiting the company's ability to deliver profits.

A merchandise misjudgement could significantly affect profits in any given period. In addition, the company operates in a cyclical industry and is therefore sensitive to changes in economic conditions.

H&M's international operations expose it to political, economic, regulatory and currency risks.

On the other hand, if the impact of these risk factors is less negative than we currently anticipate, then the share price might rise above our target price. Also, if the US dollar weakens materially, the H&M gross margin could rise rather than fall, driving an earnings forecast upgrade.

## Halfords Group Plc

### Company description

Halfords Group is a retailer of car maintenance, car enhancement, travel solutions and cycling products. It also has a car servicing and repairs business. Halfords operates from c.470 retail stores in the UK as well as c.260 autocentres.

## Investment strategy

Halfords is in the process of implementing an ambitious management turnaround strategy and faces structural issues including exposure to product categories that are in decline and an overspaced property portfolio. However, we think that managements plan to concentrate on growing the highly profitable service element of the business and driving LFL sales increases through better customer engagement are increasingly plausible. Coupled with an improving UK consumer environment this drives our positive rating on the shares. Buy.

## Valuation

Our target price of 545p is based on Halfords trading on a March 2016e EV/EBIT of 13x, a slight premium to mid-cap UK retail peers due superior top-line growth which the company hopes to drive. This valuation is supported by a 2.9% dividend yield and equates to 16.2x PE in the same forecast year.

## Risks

The following risk factors may cause the share price to deviate significantly from our target price:

Competitive risks - Halfords' high-return/high-margin product categories could attract non-specialists or general retailers into its key markets

Product risks - Halfords retails a limited range of products and is at risk if consumer demand for these products falls materially.

Technological risks - The reliability of new cars has increased, reducing the expenditure on maintenance. Continued improvements in this area may put downward pressure on demand growth for Halfords' products.

If the impact from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets. However, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

## N Brown

### Company description

N Brown is a home shopping business, offering a wide range of value for money products via a number of catalogues and websites. The group has over 5mn active customers. It produces c20 trading titles, offering products in clothing, footwear, household and electrical goods. It focuses primarily on older and larger women. It also provides a variety of credit plans to enable customers to spread the cost of their purchases.

### Investment strategy

We rate N Brown Neutral. N Brown offers a range of larger-sized clothing and footwear products not readily available on the High Street. An ageing, more obese population should therefore benefit N Brown. Credit sales (c65% total) are a key driver of revenue and customer retention. With fading economic trends, bad debts will continue to be a focus for the market, particularly as the group moves towards a younger customer mix. A prudent approach to provisioning and strong customer collection policies minimised this risk, but are likely to limit earnings growth, in our view, hence our Neutral rating.

## Valuation

The group's valuation now appears full with some market anticipation of a new strategy that CEO Angela Spindler may propose for N Brown. We expect a detailed announcement on group strategy in early 2014. We value N Brown on c.15x PE for Feb 2016e, a small premium to the Retail clothing peers average. This leads to a target price of £5.25. This target price equates to 13.0x EV/EBIT and a 3.0% dividend yield in the same forecast year.

## Risks

N Brown faces industry-specific risk, financial risks and management risk. Most retailers face such risks as a weaker consumer environment and unseasonal weather. Specific risks for N Brown we would highlight, which could prevent the shares reaching our target price, include:

**Bad debt charges.** The key risk to N Brown is that its credit customers default on their payments. Around 65% of group sales are on credit and increase in bad debts would impact profits.

**Postal disruption.** N Brown's business model relies on postal delivery to customers. Any disruption to the postal service would severely disrupt sales, especially over peak periods such as Christmas.

**Fashion risk.** Choosing the wrong fashion trends can lead to an inventory overhang, which hits gross margins through price discounting.

If the impact on the company from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets. However, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

## Dixons Retail PLC

### Company description

Dixons Retail PLC sells consumer electronics, communications equipment, computer products, domestic appliances and photography products. The group conducts retailing operations through its Currys, PC World stores in the UK, and Elkjop, Kotsovolos and ElectroWorld in Europe.

### Investment strategy

We rate Dixons Buy. The disposals of PIXmania and Turkey rapidly simplify the group's structure, lowering its risk profile, and allow for a further re-rating, in our view. With the UK operation benefitting from strong market share progress, we see potential for further upside from an improved UK macro and within Southern Europe from reducing losses over time. Furthermore we forecast continued improvement in leverage metrics and capital efficiency.

## Valuation

Given the group's stronger balance sheet, our view that Dixons should continue to be a beneficiary of market share gains through FY14 and expectations of some stability in margins, we derive our target price of 60p by applying a target multiple of 9x FY15E EV/EBIT, a slight premium to the stock's historical average but still a discount to the UK Retail sector. This would equate to 0.29x EV/Sales and 19x PE in the same forecast year.

## Risks

The following risks may cause the shares to significantly deviate positively or negatively from our target price:

Dixons' earnings remain linked to UK consumer spending patterns, which are still recovering. As Dixons develops formats across Europe, so consumer-spending patterns in these markets will have a growing impact on the group's performance. The transition to digital products may take longer than we anticipate. The group Transformation Programme could drive a better-than-expected earnings outlook. European fiscal and monetary policy could drive a stronger consumer demand environment. If the impact on the company from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets. However, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

## Home Retail Group

### Company description

Home Retail Group is the UK's leading catalogue retailer. Some 70% of group revenues and EBIT are generated by the Argos chain, with c.737 stores, which sells a broad range of general merchandise goods. The balance of the group is made up of Homebase, the UK's No. 2 DIY format.

### Investment strategy

Recent results have displayed a higher degree of control on costs within the Argos business and improved operational momentum, with some progress being made along its transformation plan. Alongside a more favourable product cycle going into 3Q and FY 2015 on both mobile computing and video gaming, our positive stance on UK Household available cash flow and high operational gearing, we believe near term downside risks are diminishing. Neutral rated.

### Valuation

Our target price of 195p is based on 11.5x EV/EBIT for Feb 2016E, in line with its recent average and equating to c19x PE for the same forecast year.

### Risks

With HRG, the following risks may cause the shares to deviate from our target price:

Argos has execution risk relating to its aggressive range extension.

HRG is also exposed to the UK consumer through its Argos and Homebase businesses. Argos is also highly seasonal, and has shown some evidence of cyclicity.

Argos has shown strong revenue growth so operational leverage could produce upside risk to forecasts.

If the impact on the company from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets. Conversely, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

## Debenhams Plc

### Company description

Debenhams is the second-largest department store chain in the UK. Its returns were transformed through a period of private ownership, before it returned to the equity markets in May 2006. Physical expansion of the Debenhams format (and to a lesser extent the new smaller format, "Desire") continues to drive revenue growth. The group operates 144 department stores across the UK and has 50 international franchise stores.

### Investment strategy

Despite Debenhams' steady market share gain progress through good retail discipline, strong online progress and ongoing store openings, the group EBIT margin headwinds from declining store-based LFLs, a step-up in head office costs, and introduction of revised IAS19 in FY14, look set to drive a broadly flat PBT outlook in FY14. We have a Neutral rating on the shares.

### Valuation

We base our 100p target price on a c.10x 2014e target PE multiple, in line with the group's recent average. This equates to a c.9.5x EV/EBIT multiple and c.3.5% dividend yield to the same year-end.

### Risks

The following risks could impede the share price from reaching our target price:

- Debenhams has shown aggressive cost removal and margin recovery. Sustaining EBIT margins could be difficult in the current weak consumer environment.
- The clothing market has capacity expansion. This could depress Debenhams' premium LFL record.
- Debenhams has a productive new space programme, which could be a weaker- or stronger-than-expected contributor to EBIT.

If the impact on the company from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets. Conversely, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target price.

## Carphone Warehouse

### Company description

Carphone Warehouse is the leading independent European telecommunications retailer, with circa 2,400 stores across Europe under the Carphone Warehouse and Phone House brands. In addition it has a 46% interest in Virgin Mobile France, the largest MVNO operator in France, 2 UK freehold property sites and has recently announced a Connected World partnership with retailing conglomerate Metro Group.



## Investment strategy

We rate Carphone Warehouse Buy. The group's core business benefits from a multi-year smartphone and tablet growth cycle, a 46% stake in the Virgin Mobile France MNVO, and potential profit shares related to the expansion of its Connected World business model, currently through its newly announced partnership with Metro Group.

## Valuation

At the current price the shares trade at a discount to the UK Retail Sector on FY15-16E P/E, which is unjustified, in our view. We base our 320p target price on a March 2015E PE multiple of 15x, broadly in line with the UK Retail sector. This would equate to an EV/EBIT multiple of 10.2x and dividend yield of 2.2% in the same forecast year.

## Risks

The following risks could impede the share price from reaching our target price:

§ Significant and rapid change in legislation, regulatory controls or customs and practices in which the Group operates could weaken Carphone's competitive position.

§ The business is dependent on key systems and assets and is at risk from disruption to them.

§ The Group does not exercise control over its joint ventures and is therefore reliant on co-operation with its partners. A breakdown in these relationships could impair the business.

§ A material change in distribution strategy from the mobile network operators or handset manufacturers could damage future earnings prospects.

§ The risk of rolling out to new and unfamiliar global markets under the Global Connect JV drives new levels of execution risk.

If the impact from any of these factors proves to be more negative than we anticipate the stock will likely have difficulty achieving our financial and price targets. Conversely if any of these factors prove more positive, we anticipate the stock could outperform our target.

## WH Smith PLC

### Company description

WH Smith plc is a UK retail operation focusing on the book, magazine/newspaper, confectionery and stationery markets. The group has c.600 high street stores and c.550 travel units at airports, railway stations, motorway service areas, hospitals and workplaces in the UK. There is a growing International Travel business.

### Investment strategy

We rate WH Smith Buy. The company operates in sectors that have seen major cyclical and structural pressures in recent years (books, newspapers and travel). Throughout this time WH Smith has grown earnings in double digits (EPS CAGR 16% 2007-13) due to its high-quality, well incentivised management team and best-

in-class operations. Based on a forecast agenda that assumes negative UK LFL sales and International travel expansion to be steady rather than dramatic, we derive c.4% annual operating profit growth for the next four years. Together with an ongoing share buyback and a c.4% dividend yield this implies an annual ETR of +10-15%, assuming current multiples hold.

## Valuation

Our 1050p target price is based on a FY15e sum of the parts valuation. This is derived from applying a 14x 2015e PE multiple to Travel and an ex-growth multiple of c.10.5x to High Street (c.25% discount to UK retail peers). This implies a target group EV/EBIT multiple of 10.8x FY15e, equivalent to 13.3x PE and a 3.9% dividend yield in the same forecast year.

## Risks

The following risks could impede the share price from reaching our target price:

WH Smith is exposed to the UK consumer cycles, which may decline.

Initiatives undertaken by management have so far yielded encouraging results; however, the risks for the company's outlook may remain on the downside as competitive pressures persist.

The Interantional expansion may absorb more costs or capital than anticipated and impact on the returns generated by teh group.

## Amer Sports

### Company description

Amer Sports is a global sporting goods company with a number of internationally recognised brands including Salomon, Wilson, Atomic, Arc'teryx, Mavic, Suunto and Precor. The company produces "better" or "best" sporting equipment, apparel, footwear and accessories over a wide range of sports including tennis, badminton, golf, American football, soccer, baseball, basketball, alpine skiing, snowboarding, cross-country skiing, fitness training, cycling, running, hiking, and diving.

Sales are split across Winter & Outdoor, Ball Sports and Fitness operating segments with over two-thirds of sales in equipment or hard-goods. Distribution is primarily wholesale although Amer is concentrating on growing its own retail operations which now account for c.10% of sales.

### Investment strategy

We rate Amer Sports Buy. We believe Amer combines high quality global brands with opportunity to expand and a well-conceived strategy to consolidate disparate businesses into one cohesive company which will drive scale and efficiencies which should feed through into rapid margin expansion. The stock trades broadly in line with its long-run average on EV/EBIT multiples with a rapidly improving balance sheet structure.

## Valuation

Our 12-month target price of €19.00 is based on Amer Sports trading on a 12x EV/EBIT multiple to Dec-15e, in line with the group's average since the current strategy was announced in September 2010 and comparable to global peers in leisure goods and apparel industries. This is equivalent to a 16.1x PE and 2.6% dividend yield in the same forecast year. This valuation is supported by our €21.40 DCF-derived valuation.

## Risks

We highlight the following risks which could impede the Amer Sports share price from reaching our target price:

**Strategic.** Amer Sports initiated a strategy in 2010 with the aim of i) consolidating disparate brands and business units in order to drive efficiencies and scale benefits; ii) growing in the softgoods categories where existing brands can be leveraged into new products and where supply can be more easily leveraged; iii) streamlining the business to preserve profitability when demand is abnormally low and iv) driving traction with customers and increasing direct to consumer sales. If this plan does not prove successful and cost investment is deemed wasted then shares are likely to de-rate.

**Macroeconomic.** Growth in the sporting goods industry is dependent on consumer spending. Amer Sports has a broad geographical portfolio with particularly dependency on Europe, America and Japan, an abrupt economic downturn in these regions would pose a risk to sales development.

**Weather.** Amer Sports is can be very affected by severe or unusual weather conditions, with snow conditions in Europe and North America particularly important.

**Raw Material costs.** Raw materials account for c.60% of the Group's cost of sales. The prices of steel, aluminium, rubber, cotton, polyester or other materials are subject to the risk of sharp price changes.

**Labour costs.** Increasing labour costs in Asia, and notably China, could have a negative impact as alternative low-cost sourcing countries are limited in short term.

**Customer risk.** Amer Sports works with a few key customers, which have the ability to exert pressure on Group margins through their scale, bargaining power and fulfillment demands. We note that no single customer accounts for more than 10% of group sales.

**Production risks.** Amer Sports' most important production facilities are in Austria, Bulgaria, USA and Finland and distribution facilities in Germany, Austria, USA and France. Any disruption to these facilities would have negative impacted on business operations.

**IT risks.** Key business processes are all dependent on IT systems. System performance problems or delivery-chain failure could seriously affect the ability of the Group to trade.

**Currency.** The biggest currency risk arises from a mismatch of the currencies required for sourcing (primarily dollars) versus the denomination of sales. A strengthening in the US dollar would therefore exert pressure on input costs. We note that the Group hedges currency on a rolling 12-24-month basis in order to mitigate impact of currency fluctuations.

## Darty Plc

### Company description

Darty Plc primarily retails consumer electronics and white goods. The company markets refrigerators, washing machines, microwave ovens, coffee makers, irons, televisions, DVD players, home cinema, plasma and LCD flat screen televisions, mobile telephones, and personal computers. Darty operates in core market France and has established businesses (Belgium, Czech, Netherlands) as well as developing businesses (Spain, Turkey).

### Investment strategy

Darty, in our view, remains dependent on a pick-up in macro conditions, improving performance of its Netherlands business and loss reductions across its Other business segment which comprises Turkey and Datart.

It seems risks around execution remain as does the potential for cost savings being annulled by further earnings pressure if macro conditions continue to be negative.

However, we believe near term risks are diminishing as: 1) We expect Darty to continue to be a beneficiary of market share gains in its core French market 2) An improvement in our Household Available Cashflow for France in 2014 (-1.0% vs -2.0% in 2013) should support Darty France LFLs and 3) We see prospects for loss reduction within its Other making business. We rate the shares Neutral.

### Valuation

Our price target of 90p is based on a 10x FY16E EV/EBIT, in line with its recent average. This equates to 17x PE and 3.0% dividend yield in the same year.

### Risks

With regard to Darty's industry and company-specific risk factors, we would highlight in particular volatility in line with the market, as well as what we consider to be average market, financial, and management risk. We highlight the following risks that could cause the share price to exceed our target price: The French consumer environment could recover more quickly from the downturn than anticipated. French consumption patterns could remain robust, improving the earnings outlook for Darty. If the impact on the company from any of these factors proves to be more positive than we anticipate, the stock could well remain above our target price.

## Sports Direct International Plc

### Company description

Sports Direct is the UK's leading sports retailer by revenue and operating profit, and the owner of several internationally recognised sports and leisure brands. Sports Direct offers a wide range of competitively priced, branded sports and leisure apparel, replica kit, footwear and sports equipment through its retail operations, and also operates an international wholesale and licensing business through its brands operations.

## Investment strategy

We argue that the recent strong group LFL sales and gross profit trading patterns (online sales growth incremental to the still positive LFL stores sales growth), the weak state of UK sports retail competition, growth opportunities in Europe, and the Brazil World Cup in 2014 make Sports Direct's achievement of its target c.+15% p.a. EBITDA growth over the next three years increasingly plausible. Taken together with a focus on cash generation and hence a sharply fading forecast EV/EBIT multiple, we continue to have a Buy rating on the shares.

## Valuation

We base our 825p target price on a 15x April 2015e EV/EBIT multiple (recent FY14 average, carried forward a year). This equates to c.20x PE and c.12x EV/EBITDA for the same forecast year.

## Risks

We highlight in particular the following risks to our target price:

- Any disruption to Sports Direct's supply chain could harm the group's business and competitive position.
- The group's business and competitive position could be harmed if it is unable to protect and enforce its intellectual property rights.
- Sports Direct's efforts to develop the Group Brands and Licensed-In Brands may be unsuccessful.

The following upside risks could cause the share price to exceed our target price:

- Sustained evidence that the industry's gross margin evolution can persist.
- Improved productivity from the Shirebrook distribution facility.

## adidas Group

### Company description

adidas was founded in Germany in 1948 by Adi Dassler. The adidas Group has a portfolio of brands including adidas (adidas Sport Performance, adidas Sport Style), Reebok, TaylorMade-adidas Golf, Rockport and Reebok-CCM Hockey.

The group operates a global distribution network, through wholesale, retail and e-commerce channels. The adidas and Reebok brands account for c.88% of group sales, three-quarters of which are made through the wholesale channel. Footwear and clothing account for c.45% of sales each, with the balance being equipment.

Europe is the Group's largest market, representing c.42% of sales, whilst the participation of Asia and Latin America has doubled over the last decade to 35% of sales. In all we estimate that one-third of sales are made to emerging markets.

### Investment strategy

We argue that adidas is one of a small group of genuine global growth apparel retailers and brands that is capable of GDP-plus revenue growth. Like the other global apparel brands (Nike, VF Corp, Ralph Lauren) adidas has a track record of organic sales growth of c.2-3x real global GDP, underpinning our c.5% p.a. adidas organic revenue growth forecast (2013-2015E). In addition, as group profitability recovers from one of the lower EBIT margin and ROCE metrics across its peers, adidas also offers material EBIT margin upside (Citi +200bp to 10.5% by 2015). These themes drive a c.+20% p.a. 2013-15E EPS growth forecast, and our Buy rating.

## Valuation

We have a 12-month target price of €105 for adidas Group, based on the company holding a c.12.5x EV/EBIT multiple to Dec-15E (in line with the group's recent average). This is equivalent to a c.18.5x PE and 2.5% dividend yield for the same forecast year.

## Risks

The following risks could impede the share price from reaching our target price:

**Macroeconomic Risks.** Growth in the sporting goods industry is dependent on consumer spending. Whilst adidas has a broad geographical portfolio, an abrupt economic downturn would pose a risk to sales development.

**Input Cost Risks.** Raw materials account for c.60% of the Group's cost of sales. The prices of rubber, cotton, polyester or other materials are subject to the risk of sharp price changes.

**Customer Risks.** adidas works with a few key customers, which have the ability to exert pressure on Group margins through their scale and bargaining power. A number of these customers are also developing own-branded offers, increasing the competitive environment. We note that as part of Route 2015 adidas is increasing the amount of controlled space sales. Further we note that no single customer accounts for more than 10% of Group sales.

**Promotion Partnership Risks.** Promotional partnerships play a key role in establishing and maintaining brand image and product authenticity with customers. adidas faces the risk of losing key partnerships or having to accept unfavourable terms in order to secure contracts. We note that adidas seeks to negotiate contract extensions before expiry on key partnerships, and constantly seeks to broaden the portfolio of premium partnerships.

**IT risks.** Key business processes are all dependent on IT systems. System performance problems or delivery-chain failure could seriously affect the ability of the Group to trade.

**Currency Risks.** The biggest currency risk arises from a mismatch of the currencies required for sourcing (primarily dollars) versus the denomination of sales. A strengthening in the US dollar would therefore exert pressure on input costs. We note that the Group hedges currency on a rolling 12-24-month basis in order to provide visibility on any pressures from currency fluctuations.

## Steinhoff International Holdings Ltd

### Company description

Steinhoff is a globally integrated lifestyle supplier that manufactures, warehouses, retails and distributes household goods; retails motor vehicles; and also provides financial and management services to the group companies. Steinhoff listed on the JSE in September 1998 and since then has entrenched itself as one of the top five furniture groups in Europe and Australasia, with diversified operations spanning Africa. Its purchase of Conforama in 2011 made it one of the largest furniture retailers in the world, and places the business in a stronger position to benefit from an enlarged footprint and economies of scale and to drive further consolidation in the region. The group also recently sold its SA automotive and retail assets to JD Group and now has a 56% stake. Steinhoff also has a 62% stake in KAP Holdings and a 20% stake in PSG Group.

## Investment strategy

We rate Steinhoff Buy. After a reshaping of the group in 2011-2013 with an increase in its exposure to both European and African furniture retail, we expect Steinhoff to start to leverage its vertically integrated business model to drive scale and efficiency gains through 2014.

We believe the combination of: 1) restructuring of its European Retail operations (45% of sales, 27% of Group EBIT) given the full integration of Conforama and addition of Austrian furniture group Kika-Leiner; 2) margin gains from more vertically integrated sourcing with the European manufacturing business; and 3) Some signs of stabilization and improving macro picture into 2014 supports our group forecast agenda of FY14-16E EBIT and EPS CAGRs of 12%.

## Valuation

Our price target of R48 is based on our DCF and SOTP valuations, cross-checked against our PE analysis. At our price target Steinhoff would still trade on a PE of only 10.2x, EV/EBIT of 8.3x and dividend yield of 2.3% for FY15E.

Our SOTP analysis applies peer 2015E EV/EBIT multiples to Steinhoff's various business lines. Our DCF model uses a WACC of 11.3% (based on a total cost of equity of 13.6% and cost of debt of 7.5%, with risk-free rates that have been weighted for Western Europe, Eastern Europe, South Africa and Pacific) and a terminal growth assumption of 2%.

## Risks

The group has operations across many geographies, giving it exposure not only to multiple currencies, but also to consumers across different regions. Although this implies potential benefits from diversification and ability to achieve lower costs through cheaper manufacturing, it leaves the group exposed to currency fluctuations and macro headwinds in different regions. We see the following as key risks for Steinhoff:

- Exposure to Eastern Europe through its various retail and manufacturing divisions has raised its risk profile.
- Tax dispensations in certain jurisdictions allow for a lower overall tax rate. We think the tax rate should normalize at between c12% and c15%, which is below the statutory rate in South Africa.
- It is heavily exposed to macro headwinds across Europe, including France through Conforama, the UK through Benson Beds and Harveys, and in Germany through Poco.
- Manufacturing synergies through increased direct sourcing and economies of scale through group product buying could take longer to materialise, while any margin gains may end up being reinvested back into price if competitive pressures increase in its respective retail markets.

Adverse developments relating to these risks could prevent the shares from reaching our target price. Conversely, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

**Notes**



**Notes**

## Appendix A-1

### Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

### IMPORTANT DISCLOSURES

#### Hennes & Mauritz AB (HMB.ST)

##### Ratings and Target Price History Fundamental Research

Analyst: Richard Edwards



	Date	Rating	Target Price	Closing Price
1	27-Jan-11	2M	*200.00	212.00
2	22-Jun-11	2M	*210.00	209.80
3	6-Sep-11	2M	*195.00	186.00
4	29-Sep-11	2M	*205.00	209.20
5	7-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
6	8-Oct-11	*2	205.00	202.90
7	10-Oct-11	*1	*240.00	210.10
8	15-Mar-12	1	*280.00	249.60
9	30-Mar-12	1	*270.00	239.40
10	30-Aug-12	*2	*255.00	239.80

	Date	Rating	Target Price	Closing Price
11	28-Sep-12	2	*230.00	228.20
12	12-Jun-13	2	*220.00	223.10
13	27-Sep-13	2	*280.00	280.70

Rating/target price changes above reflect Eastern Standard Time

#### Hennes & Mauritz AB (HMB.ST)

##### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Richard Edwards



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD LP	-	209.80

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	4-Nov-11	*REM LP	-	211.70

	Date	Rating	Target Price	Closing Price
3	10-Jun-13	*ADD LP	-	225.50

Rating/target price changes above reflect Eastern Standard Time

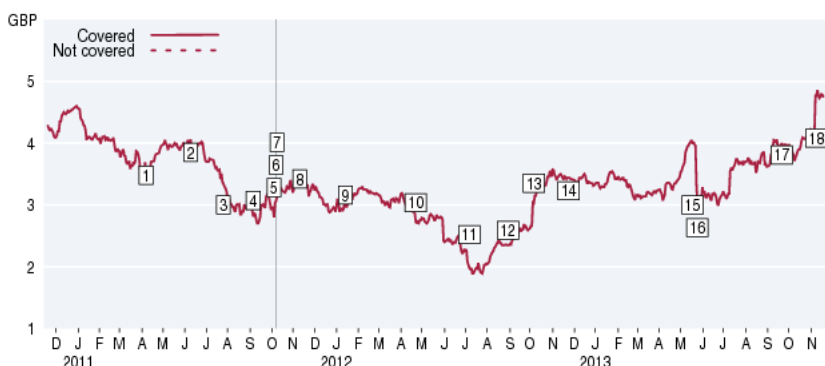
## Halfords Group Plc (HFD.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Dan F Homan

Covered since November 23 2012



	Date	Rating	Target Price	Closing Price
1	7-Apr-11	1M	*4.20	3.50
2	9-Jun-11	1M	*4.70	4.06
3	26-Jul-11	1M	*4.20	3.34
4	6-Sep-11	*2M	*3.10	2.81
5	5-Oct-11	2M	*2.90	2.80
6	7-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
7	8-Oct-11	*2	2.90	3.06
8	10-Nov-11	2	*3.40	3.42
9	13-Jan-12	2	*3.00	3.05
10	23-Apr-12	2	*2.75	2.72
11	6-Jul-12	2	*2.05	1.98
12	30-Aug-12	2	*2.25	2.35

	Date	Rating	Target Price	Closing Price
13	5-Oct-12	2	*2.95	3.03
14	23-Nov-12	2	*3.25	3.44
15	17-May-13	2	*3.85	3.99
16	24-May-13	2	*3.25	3.00
17	20-Sep-13	*1	*4.65	4.00
18	8-Nov-13	1	*5.45	4.77

Rating/target price changes above reflect Eastern Standard Time

## Halfords Group Plc (HFD.L)

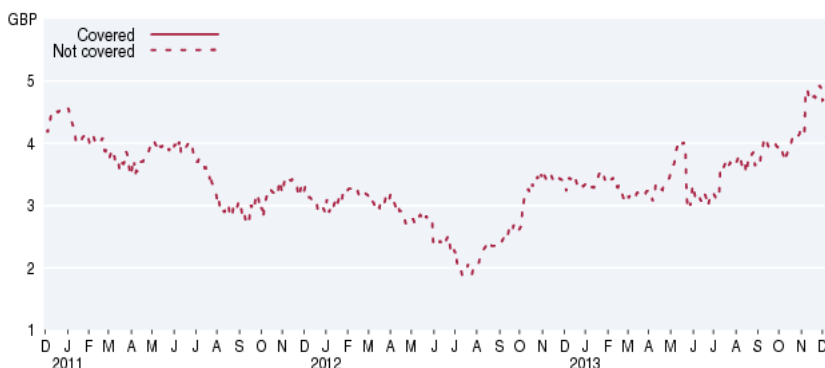
### Ratings and Target Price History

### Best Ideas Research

### Relative Call (3 Month)

Analyst: Dan F Homan

Covered since November 23 2012



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Debenhams Plc (DEB.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Richard Edwards



	Date	Rating	Target Price	Closing Price
1	21-Oct-10	*1M	*0.95	0.77
2	17-Jan-11	1M	*0.90	0.69
3	15-Mar-11	1M	*0.75	0.58
4	6-Sep-11	*2M	*0.54	0.53
5	30-Sep-11	2M	*0.57	0.56
6	7-Oct-11	Stock rating system changed		

\* Indicates change

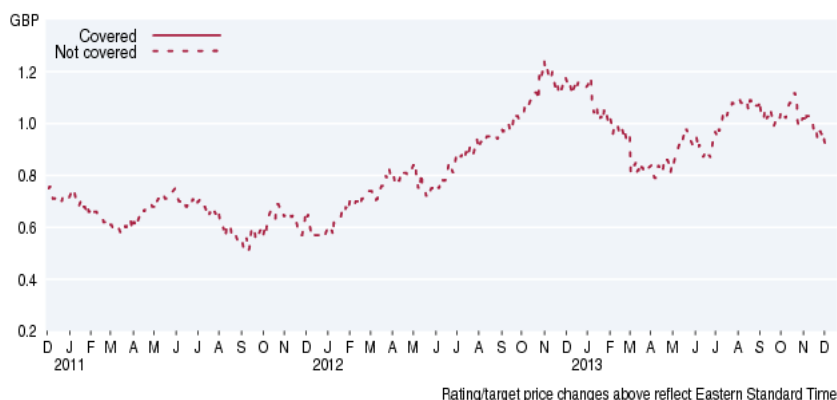
	Date	Rating	Target Price	Closing Price
7	8-Oct-11	*2	0.57	0.63
8	21-Oct-11	2	*0.75	0.69
9	13-Jan-12	2	*0.65	0.63
10	21-Mar-12	*1	*0.85	0.78
11	20-Apr-12	1	*0.95	0.81
12	30-Aug-12	1	*1.06	0.96

	Date	Rating	Target Price	Closing Price
13	28-Sep-12	1	*1.15	1.02
14	26-Oct-12	1	*1.35	1.17
15	9-Jan-13	1	*1.23	1.06
16	5-Mar-13	*2	*0.83	0.83
17	17-May-13	2	*0.95	0.96

Rating/target price changes above reflect Eastern Standard Time

**Debenhams Plc (DEB.L)**  
**Ratings and Target Price History**  
**Best Ideas Research**  
**Relative Call (3 Month)**

Analyst: Richard Edwards

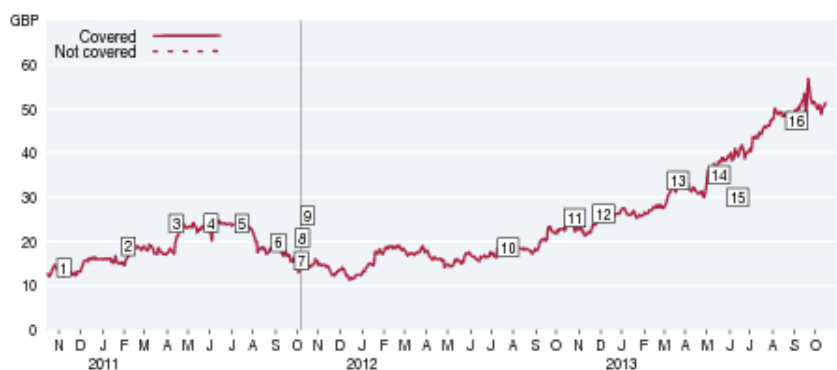


\* Indicates change

**ASOS Plc (ASOS.L)**  
**Ratings and Target Price History**  
**Fundamental Research**

Analyst: Richard Edwards

Covered since February 14 2012



	Date	Rating	Target Price	Closing Price
1	8-Nov-10	1M	*14.75	12.35
2	7-Feb-11	*1H	*21.00	16.75
3	14-Apr-11	1H	*23.00	20.50
4	2-Jun-11	1H	*25.00	21.44
5	15-Jul-11	1H	*29.00	23.85
6	6-Sep-11	1H	*24.00	17.81

\* Indicates change

	Date	Rating	Target Price	Closing Price
7	7-Oct-11	Stock rating system changed		
8	8-Oct-11	*1	24.00	14.43
9	17-Oct-11	1	*19.00	14.40
10	25-Jul-12	1	*22.00	17.61
11	26-Oct-12	1	*27.00	22.15
12	6-Dec-12	1	*30.00	24.92

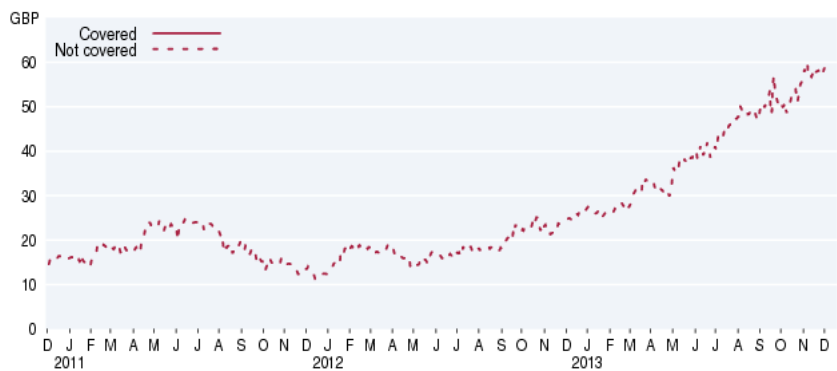
	Date	Rating	Target Price	Closing Price
13	21-Mar-13	1	*40.00	33.30
14	17-May-13	1	*44.00	38.26
15	13-Jun-13	1	*48.00	39.10
16	4-Sep-13	1	*58.00	49.17

Rating/target price changes above reflect Eastern Standard Time

**ASOS Plc (ASOS.L)**  
**Ratings and Target Price History**  
**Best Ideas Research**  
**Relative Call (3 Month)**

Analyst: Richard Edwards

Covered since February 14 2012



\* Indicates change

## N Brown (BWNG.L)

### Ratings and Target Price History Fundamental Research

Analyst: Assad M Malic

Covered since January 25 2013



	Date	Rating	Target Price	Closing Price
1	17-Jan-11	2M	*3.00	3.08
2	6-Sep-11	2M	*2.70	2.66
3	7-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
4	8-Oct-11	*2	2.70	2.69
5	13-Jan-12	2	*2.30	2.32
6	30-Aug-12	2	*2.70	2.69

	Date	Rating	Target Price	Closing Price
7	16-Oct-12	2	*3.00	3.07
8	6-Dec-12	2	*3.60	3.70
9	25-Apr-13	2	*4.35	4.48

Rating/target price changes above reflect Eastern Standard Time

## N Brown (BWNG.L)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Assad M Malic

Covered since January 25 2013



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Steinhoff International Holdings Ltd (SHFJ.J)

### Ratings and Target Price History Fundamental Research

Analyst: Assad M Malic

Covered since April 11 2013



	Date	Rating	Target Price	Closing Price
1	30-Sep-11	1H	*25.00	22.50
2	5-Oct-11	*2H	25.00	22.68

\* Indicates change

	Date	Rating	Target Price	Closing Price
3	7-Oct-11	Stock rating system changed		
4	7-Oct-11	*2	25.00	22.99

	Date	Rating	Target Price	Closing Price
5	10-Apr-13	*1	*29.00	23.40

Rating/target price changes above reflect Eastern Standard Time

## Steinhoff International Holdings Ltd (SHFJ.J)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Assad M Malik

Covered since April 11 2013



## WH Smith PLC (SMWH.L)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Dan F Homan

Covered since October 3 2012



	Date	Rating	Target Price	Closing Price
1	27-Jun-11	1M	*6.50	4.74
2	6-Sep-11	1M	*6.00	4.88
3	7-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
4	8-Oct-11	*1	6.00	5.26
5	30-Aug-12	1	*6.60	5.91
6	2-Oct-12	1	*7.20	6.38

	Date	Rating	Target Price	Closing Price
7	12-Apr-13	1	*9.00	7.85
8	10-Oct-13	1	*10.00	8.82

Rating/target price changes above reflect Eastern Standard Time

## WH Smith PLC (SMWH.L)

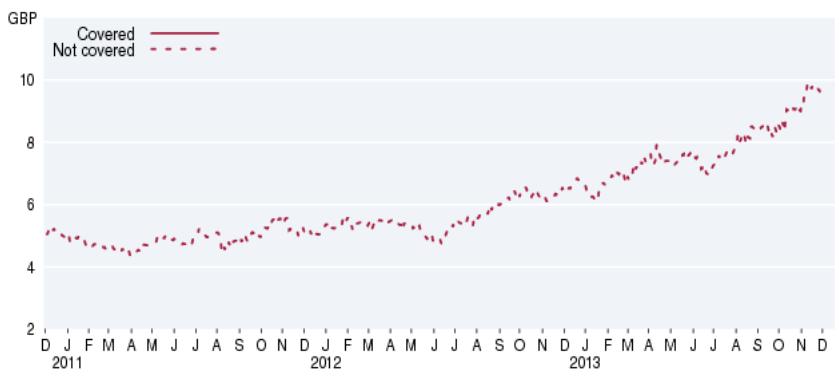
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Dan F Homan

Covered since October 3 2012



## Dunelm (DNLM.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Dan F Homan  
Covered since December 6 2012



	Date	Rating	Target Price	Closing Price
1	16-Jun-11	*2M	*4.03	3.95
2	3-Oct-11	2M	*4.41	4.50
3	7-Oct-11	Stock rating system changed		
4	8-Oct-11	*2	4.41	4.18
5	29-Mar-12	2	*4.73	4.77

\* Indicates change

	Date	Rating	Target Price	Closing Price
6	5-Jul-12	2	*4.82	4.92
7	30-Aug-12	2	*5.38	5.57
8	13-Sep-12	2	*5.94	6.11
9	19-Nov-12	2	*6.24	6.25
10	10-Jan-13	*1	*7.99	6.82

	Date	Rating	Target Price	Closing Price
11	13-Feb-13	1	*8.77	7.53
12	22-Jul-13	1	*11.70	10.19
13	18-Sep-13	1	*12.00	9.69

Rating/target price changes above reflect Eastern Standard Time

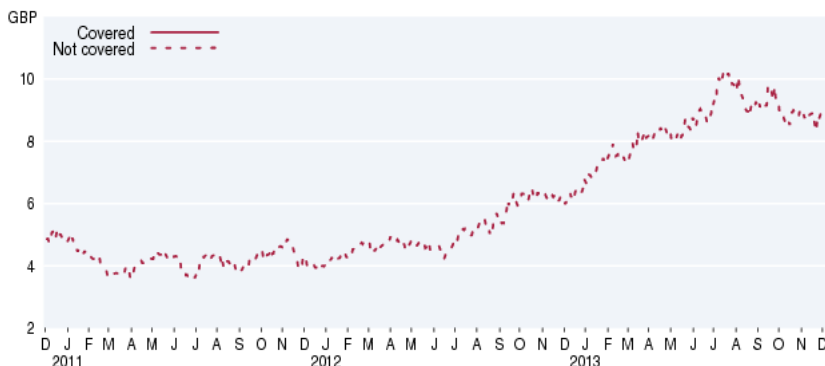
## Dunelm (DNLM.L)

### Ratings and Target Price History

### Best Ideas Research

### Relative Call (3 Month)

Analyst: Dan F Homan  
Covered since December 6 2012



\* Indicates change

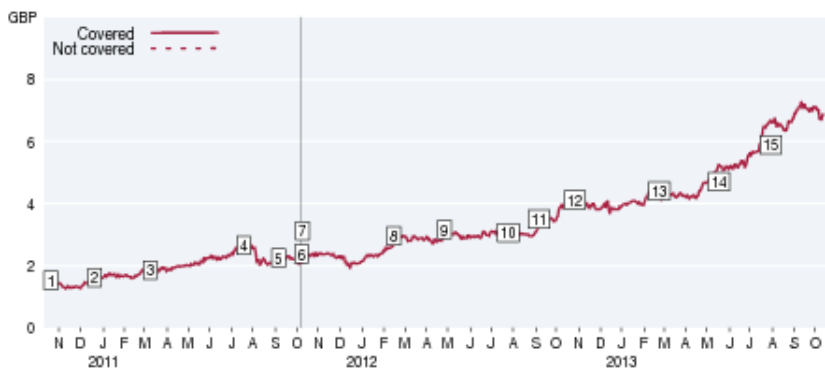
Rating/target price changes above reflect Eastern Standard Time

## Sports Direct International Plc (SPD.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Richard Edwards



	Date	Rating	Target Price	Closing Price
1	20-Oct-10	*1H	*1.65	1.44
2	21-Dec-10	1H	*2.00	1.54
3	9-Mar-11	1H	*2.15	1.82
4	19-Jul-11	*1M	*3.10	2.47
5	6-Sep-11	1M	*2.75	2.10

\* Indicates change

	Date	Rating	Target Price	Closing Price
6	7-Oct-11	Stock rating system changed		
7	8-Oct-11	*1	2.75	2.10
8	15-Feb-12	1	*3.30	2.78
9	26-Apr-12	1	*3.70	2.95
10	25-Jul-12	1	*3.40	2.90

	Date	Rating	Target Price	Closing Price
11	6-Sep-12	1	*3.80	3.30
12	26-Oct-12	1	*4.70	4.05
13	22-Feb-13	1	*5.30	4.35
14	17-May-13	1	*6.00	5.27
15	30-Jul-13	1	*7.80	6.70

Rating/target price changes above reflect Eastern Standard Time

## Sports Direct International Plc (SPD.L)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Richard Edwards

\* Indicates change



## adidas Group (ADSGn.DE)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Richard Edwards

Covered since February 14 2012



	Date	Rating	Target Price	Closing Price
1	11-Sep-11	*1M	*56.00	45.61
2	7-Oct-11	Stock rating system changed		
3	8-Oct-11	*1	56.00	47.53
4	4-Nov-11	1	*60.00	50.86
5	13-Jan-12	1	*63.00	52.67
6	8-Mar-12	1	*65.00	57.86

\* Indicates change

	Date	Rating	Target Price	Closing Price
7	3-May-12	1	*72.00	62.57
8	19-Jun-12	1	*68.50	59.11
9	29-Aug-12	1	*74.00	62.39
10	9-Nov-12	1	*76.00	64.20
11	21-Feb-13	1	*83.00	70.85
12	8-Mar-13	1	*88.00	76.20

	Date	Rating	Target Price	Closing Price
13	3-Apr-13	1	*93.00	81.30
14	7-May-13	1	*98.00	84.61
15	4-Sep-13	1	*95.00	79.75
16	20-Sep-13	1	*93.00	80.11

Rating/target price changes above reflect Eastern Standard Time

## adidas Group (ADSGn.DE)

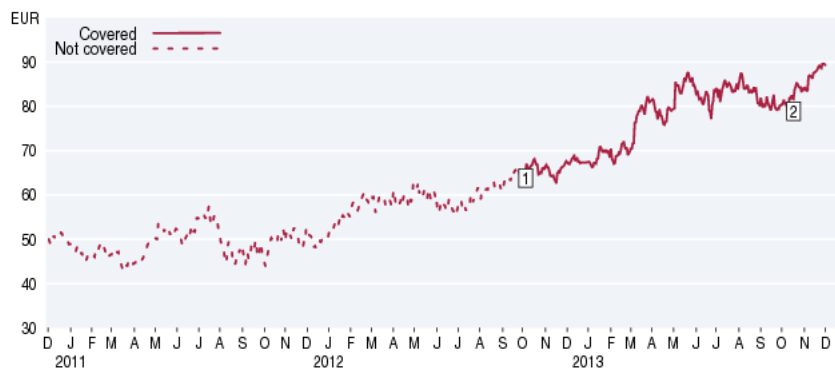
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Richard Edwards

Covered since February 14 2012



	Date	Rating	Target Price	Closing Price
1	4-Oct-12	*ADD MP	-	65.45

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	17-Oct-13	*REM MP	-	81.63

Rating/target price changes above reflect Eastern Standard Time

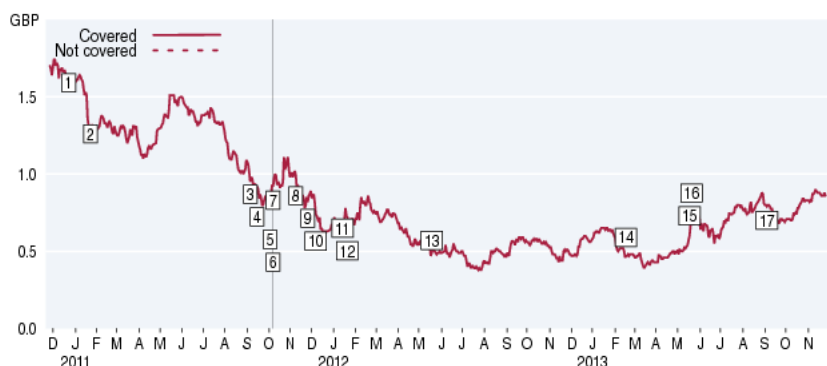


## Darty Plc (DRTY.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Assad M Malik  
Covered since July 20 2012



	Date	Rating	Target Price	Closing Price
1	23-Dec-10	2M	*1.60	1.61
2	24-Jan-11	2M	*1.40	1.26
3	6-Sep-11	*3M	*0.90	0.95
4	15-Sep-11	3M	*0.80	0.92
5	4-Oct-11	3M	*0.74	0.85
6	7-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
7	7-Oct-11	*3	0.74	0.92
8	9-Nov-11	3	*0.80	0.99
9	25-Nov-11	3	*0.74	0.82
10	7-Dec-11	3	*0.65	0.74
11	13-Jan-12	3	*0.55	0.68
12	20-Jan-12	3	*0.50	0.72

	Date	Rating	Target Price	Closing Price
13	18-May-12	3	*0.40	0.49
14	17-Feb-13	3	*0.32	0.46
15	17-May-13	3	*0.39	0.60
16	21-May-13	3	*0.47	0.73
17	4-Sep-13	3	*0.60	0.79

Rating/target price changes above reflect Eastern Standard Time

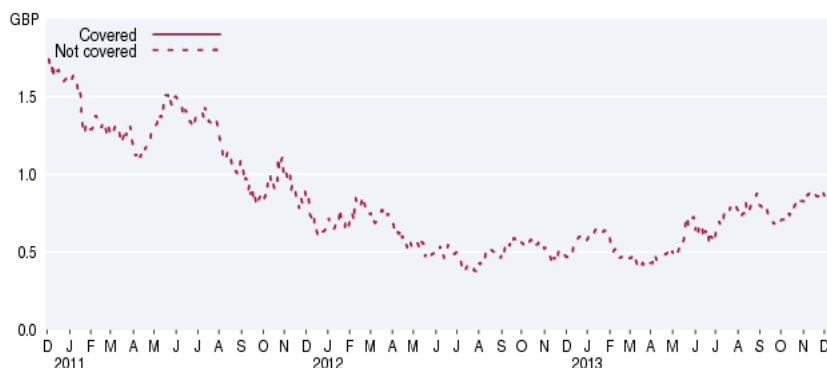
## Darty Plc (DRTY.L)

### Ratings and Target Price History

### Best Ideas Research

### Relative Call (3 Month)

Analyst: Assad M Malik  
Covered since July 20 2012



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Next Group PLC (NXT.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Richard Edwards



	Date	Rating	Target Price	Closing Price
1	4-May-11	1M	*26.00	23.19
2	14-Sep-11	1M	*28.00	24.83
3	29-Sep-11	1M	*30.00	26.11
4	7-Oct-11	Stock rating system changed		
5	8-Oct-11	*1	30.00	25.02
6	23-Mar-12	1	*33.00	29.87

\* Indicates change

	Date	Rating	Target Price	Closing Price
7	20-Jul-12	1	*37.00	32.25
8	2-Aug-12	1	*38.50	34.41
9	30-Aug-12	1	*40.50	36.18
10	13-Sep-12	1	*40.00	33.20
11	6-Dec-12	1	*41.00	37.12
12	4-Jan-13	1	*43.50	39.05

	Date	Rating	Target Price	Closing Price
13	22-Mar-13	1	*48.00	43.61
14	17-May-13	1	*52.00	46.93
15	4-Sep-13	1	*56.50	49.88
16	12-Sep-13	1	*58.50	52.05
17	31-Oct-13	1	*61.00	54.45

Rating/target price changes above reflect Eastern Standard Time

## Next Group PLC (NXT.L)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Richard Edwards



	Date	Rating	Target Price	Closing Price
1	31-Jan-12	*ADD MP	-	26.19

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	30-Apr-12	*REM MP	-	29.29

Rating/target price changes above reflect Eastern Standard Time

## Jumbo Babyland (BABr.AT)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Assad M Malic

Covered since October 10 2012



	Date	Rating	Target Price	Closing Price
1	30-Sep-11	*2S	*4.04	3.43
2	7-Oct-11	Stock rating system changed		
3	8-Oct-11	*2H	4.04	3.19

\* Indicates change

	Date	Rating	Target Price	Closing Price
4	5-Jan-12	2H	*4.27	3.43
5	23-Feb-12	2H	*4.55	3.61
6	30-May-13	2H	*7.00	6.93

Rating/target price changes above reflect Eastern Standard Time

	Date	Rating	Target Price	Closing Price
7	30-Oct-13	2H	*9.75	9.75

## Jumbo Babyland (BABr.AT)

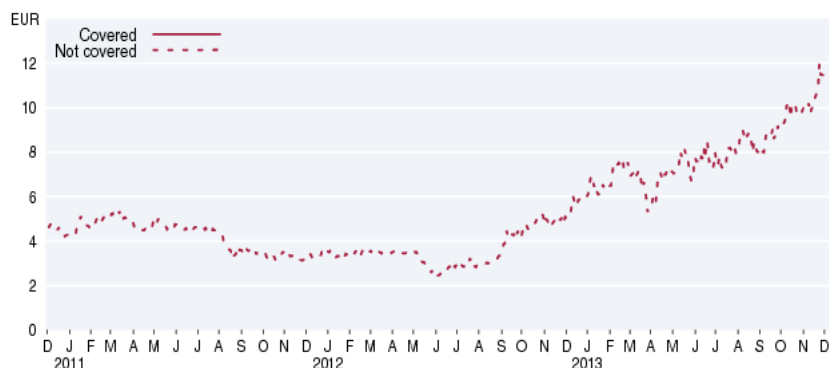
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Assad M Malic

Covered since October 10 2012



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Carphone Warehouse (CPW.L)

### Ratings and Target Price History Fundamental Research

Analyst: Assad M Malic

Covered since July 20 2012



	Date	Rating	Target Price	Closing Price
1	12-Oct-10	1M	*1.53	1.26
2	7-Nov-10	1M	*1.87	1.64
3	17-Jan-11	1M	*2.39	1.84
4	6-Sep-11	1M	*2.15	1.61
5	7-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
6	8-Oct-11	*1	2.15	1.65
7	7-Nov-11	1	*1.92	1.67
8	30-Jan-12	1	*2.28	1.67
9	18-Apr-12	1	*1.60	1.28
10	30-Aug-12	1	*1.75	1.46

	Date	Rating	Target Price	Closing Price
11	1-Nov-12	1	*1.95	1.72
12	14-Nov-12	1	*2.12	1.84
13	6-Dec-12	1	*2.25	1.85
14	25-Jan-13	1	*2.60	2.34
15	1-May-13	1	*2.90	2.43

Rating/target price changes above reflect Eastern Standard Time

## Carphone Warehouse (CPW.L)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Assad M Malic

Covered since July 20 2012



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD MP	-	1.97

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	2-Apr-12	*REM MP	-	1.50

Rating/target price changes above reflect Eastern Standard Time

## Dixons Retail PLC (DXNS.L)

### Ratings and Target Price History Fundamental Research

Analyst: Assad M Malic

Covered since July 20 2012



	Date	Rating	Target Price	Closing Price
1	17-Jan-11	1H	*0.35	0.21
2	10-Mar-11	*2H	*0.18	0.18
3	30-Mar-11	2H	*0.14	0.14
4	12-May-11	2H	*0.16	0.16
5	6-Sep-11	2H	*0.12	0.11
6	7-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
7	8-Oct-11	*2	0.12	0.12
8	24-Nov-11	2	*0.11	0.10
9	29-Mar-12	2	*0.19	0.19
10	22-Jun-12	2	*0.18	0.17
11	6-Sep-12	2	*0.20	0.20
12	30-Nov-12	2	*0.27	0.27

	Date	Rating	Target Price	Closing Price
13	17-Jan-13	2	*0.30	0.27
14	16-May-13	*1	*0.50	0.40
15	4-Sep-13	1	*0.53	0.44
16	5-Sep-13	1	*0.58	0.47

Rating/target price changes above reflect Eastern Standard Time

## Dixons Retail PLC (DXNS.L)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Assad M Malik

Covered since July 20 2012



\* Indicates change

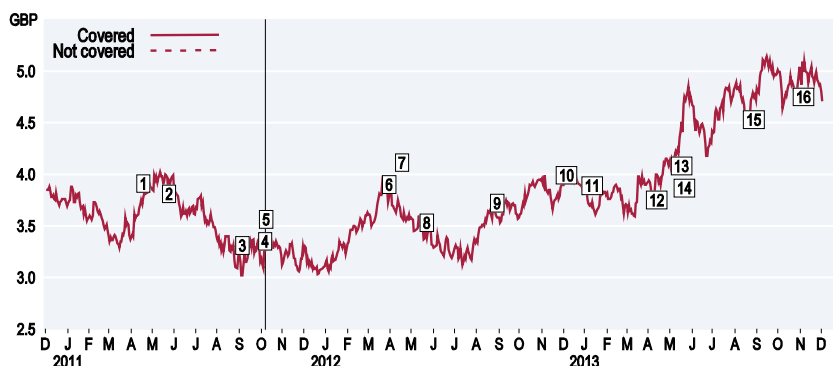
Rating/target price changes above reflect Eastern Standard Time

## Marks and Spencer Group PLC (MKS.L)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Richard Edwards



Date	Rating	Target Price	Closing Price
1 19-Apr-11	*1M	*4.25	3.77
2 25-May-11	1M	*4.50	3.93
3 6-Sep-11	*2M	*3.20	3.02
4 7-Oct-11	Stock rating system changed		
5 8-Oct-11	*2	3.20	3.26
6 30-Mar-12	2	*3.65	3.79

Date	Rating	Target Price	Closing Price
7 18-Apr-12	2	*3.55	3.58
8 23-May-12	2	*3.30	3.38
9 30-Aug-12	2	*3.50	3.58
10 6-Dec-12	2	*3.90	3.98
11 11-Jan-13	2	*3.60	3.73
12 12-Apr-13	2	*4.00	4.00

Date	Rating	Target Price	Closing Price
13 17-May-13	2	*4.40	4.51
14 22-May-13	2	*4.70	4.75
15 28-Aug-13	*1	*5.35	4.75
16 6-Nov-13	1	*5.75	4.99

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

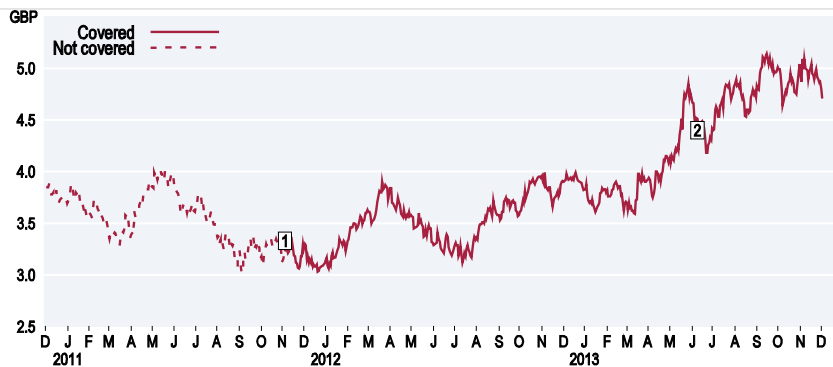
## Marks and Spencer Group PLC (MKS.L)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Richard Edwards



Date	Rating	Target Price	Closing Price
1 4-Nov-11	*ADD LP	-	3.24

Date	Rating	Target Price	Closing Price
2 10-Jun-13	*REM LP	-	4.51

\* Indicates change

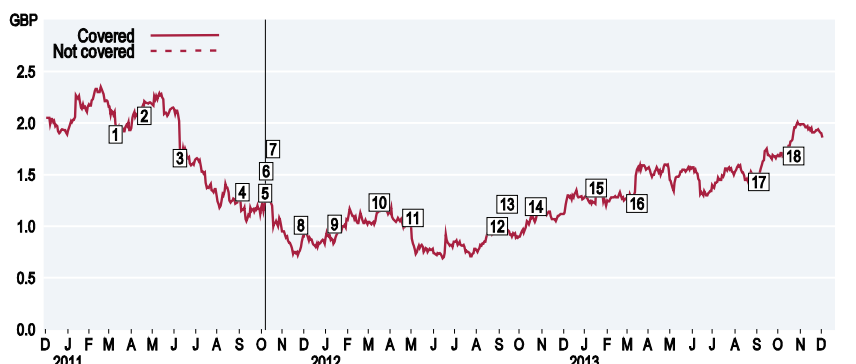
Rating/target price changes above reflect Eastern Standard Time

## Home Retail Group (HOME.L)

### Ratings and Target Price History Fundamental Research

Analyst: Assad M Malik

Covered since July 20 2012



	Date	Rating	Target Price	Closing Price
1	10-Mar-11	2M	*1.90	1.99
2	20-Apr-11	2M	*2.10	2.21
3	9-Jun-11	2M	*1.80	1.75
4	6-Sep-11	*3M	*1.00	1.16
5	7-Oct-11	Stock rating system changed		
6	8-Oct-11	*3	1.00	1.24

\* Indicates change

	Date	Rating	Target Price	Closing Price
7	19-Oct-11	3	*0.80	1.00
8	28-Nov-11	3	*0.80	0.80
9	13-Jan-12	3	*0.50	0.85
10	16-Mar-12	3	*0.80	1.17
11	3-May-12	3	*0.70	0.83
12	30-Aug-12	3	*0.66	0.93

	Date	Rating	Target Price	Closing Price
13	13-Sep-12	3	*0.70	0.95
14	24-Oct-12	3	*0.78	1.06
15	17-Jan-13	3	*0.90	1.37
16	15-Mar-13	3	*1.05	1.55
17	4-Sep-13	3	*1.15	1.45
18	23-Oct-13	*2	*1.95	1.92

Rating/target price changes above reflect Eastern Standard Time

## Home Retail Group (HOME.L)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Assad M Malik

Covered since July 20 2012



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD LP	-	2.33
2	21-Apr-11	*REM LP	-	2.20

\* Indicates change

	Date	Rating	Target Price	Closing Price
3	5-Oct-11	*ADD LP	-	1.15
4	17-Oct-13	*REM LP	-	1.78

Rating/target price changes above reflect Eastern Standard Time

## Amer Sports (AMEAS.HE)

### Ratings and Target Price History Fundamental Research

Analyst: Dan F Homan

Covered since October 30 2013



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	30-Oct-13	*1	*19.00	14.84

Rating/target price changes above reflect Eastern Standard Time

## Amer Sports (AMEAS.HE)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Dan F Homan

Covered since October 30 2013



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Citigroup is acting as Bookrunner in relation to Dixons Retail plc's announced offering of sterling - denominated fixed rate guaranteed notes with expected maturity 2017. Citigroup is also acting as Dealer Manager in the announced Tender Offer for existing notes.

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Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from Debenhams Plc, Amer Sports.

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### Citi Research Equity Ratings Distribution

Data current as of 30 Sep 2013

	12 Month Rating			Relative Rating		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Research Global Fundamental Coverage	48%	40%	12%	6%	87%	6%
% of companies in each rating category that are investment banking clients	55%	50%	43%	64%	51%	48%

### Guide to Citi Research Fundamental Research Investment Ratings:

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