Makings of a

Multibagger

Stockopedia

Introduction

Multi-Baggers - these are the stocks which can make a portfolio. Owning just one can transform your returns and lead to a great acceleration of personal wealth. Everybody looks abroad enviously at the US stock market, but in a very difficult decade for the UK economy, a selection of outstanding shares have dramatically beaten the market.

Our research team at Stockopedia have been investigating the top 10 stock-market winners of the last 10 years, and have identified the traits that led to their outstanding success. In this special report, exclusive to Stockopedia members, we catalogue the journey of these outstanding companies from little-known small-caps to established enterprises.

It turns out that these stocks all shared identifiable characteristics at the start of their journey. They did not promise blue-sky technologies, or outlandish prospects. They had solid, repeatable business models that they expanded through time with compounding results for their shareholders' wealth.

Within this report, you will find:

- The names and performance history of the top 10 performers of the last decade.
- A summary of their key financial characteristics at the start and end of their journey.
- Case studies of the business models that powered their share prices.
- A checklist of rules and resources to help you identify the multi-baggers of the future.

We hope you learn from this study, and use the insights in your hunt for the next 10 multi-baggers of the next decade.

Ed Croft

Founder and CEO, Stockopedia

Rules of the Game

The UK stock market is one of the oldest and most established in the world, but the era since the global financial crisis has been challenging for listed companies. Political instability, Brexit and higher inflation led global investors to shun UK stocks. Valuations were driven downwards and the bellwether FTSE Indices served up disappointing returns.

Nonetheless, difficult markets created significant opportunities, and UK companies learned to be more resilient and innovative through this period. The indices have hidden the truth that there are many stellar, long-term winners within the 1500 or more companies listed at any time.

Methodology

We constructed this research study by interrogating our own Stockopedia.com archive database, which has been storing our published financial data for every listed UK share since its inception in April 2013. We used the following criteria to identify the top performing stocks over a decade of market returns:

- **Universe:** All listed shares on the London Stock Exchange, including Full List and AIM stocks.
- **Timeframe:** A 10 year study from our initial archive on 20th of April 2013, to 20th of April 2023.
- **Trading History:** Shares had to have an active listing on the initial date and still be listed at the final date. IPOs and stocks that delisted during the study period were excluded.
- **Size:** Shares were required to have a starting market capitalisation of £50 million or more. Micro caps below this level were excluded.
- **Prices:** Split adjusted price histories were used to calculate returns and dividend payments were excluded.

We calculated the share price returns between the first, and the last date, sorted all the stocks for the price performance, and selected the top 10 performers for this analysis.

What is a Multi-bagger?

The term was first coined by Peter Lynch, the famed Magellan fund manager, in his book “One up on Wall Street”. He defined a “tenbagger” as a stock in which you’ve made ten times your money. Multi-baggers are shares that at least double.

”The more right you are about any one stock, the more wrong you can be on all the others and still triumph as an investor.”

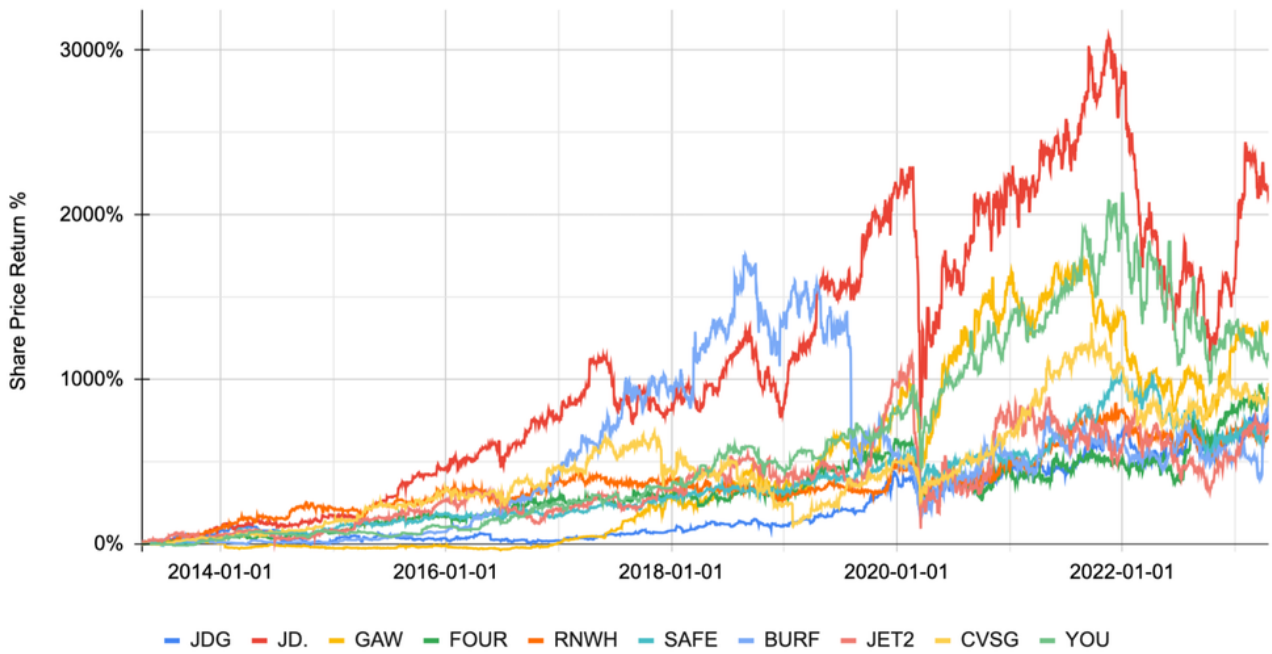
The Decade's Top 10 Performers: Key Insights

Here follows a brief synopsis of the top 10 multi-baggers in the study universe over the 10 year period. There are some familiar and well-known consumer names in the list below, from well known brands like JD Sports and package holiday purveyor Jet2, to some lesser known acquirers like CVS Group and Judges Scientific.

Name	Industry Group	Business Model	10 Year Return
JD Sports Fashion JD.	Apparel, Footwear & Accessories	Expansive retailer of sports fashionwear, outdoor clothing, footwear, and equipment.	22.3x
Games Workshop GAW	Leisure Products	Designs and retails tabletop wargaming products, with an extensive fictional universe and cult brand.	14.3x
YouGov YOU	Research & Consulting Services	Provides real-time panel research, data and analytics on politics, brands and other topics to industries.	12.2x
CVS Group CVSG	Health Care Providers & Services	A notable consolidator in the UK's veterinary services market - practices, labs, pet crematoria, and e-commerce.	10.8x
Burford Capital BUR	Diversified Financial Services	Specialises in legal finance and investment, helping to manage financial risks of litigation.	9.4x
4imprint FOUR	Commercial Services & Supplies	A leading seller of promotional products through direct marketing campaigns.	9.3x

Judges Scientific JDG	Electronic Equipment & Instruments	Recognised for acquisitions enhancing its offering in the design, manufacture, and sale of scientific instruments.	8.9x
Jet2 JET2	Airlines & Aviation	Offers scheduled flights, package holidays, and charter services to leisure destinations.	8.2x
Safestore Holdings SAFE	Specialised REITs	One of the UK and Europe's largest self-storage providers, for personal and business use.	7.7x
Renew Holdings RNWH	Construction & Engineering	Engineering services, focusing on energy, environmental, and infrastructure markets. Notable for ESG projects.	7.6x

All of the shares above at least six bagged in the study period with JD Sports the outstanding performer with a 22x return. The average performance of the set was an 11.1x return.



These results were not achieved overnight. While some did have some stellar single year runs such as Games Workshop more than tripling in 2017, most achieved their returns through the power of year-on-year compounding. Consistent growth over time led to quite astonishing long term returns.

An important insight is that patience is needed when owning shares to have the best chance of multi-bagger returns.

How did the shares perform in aggregate?

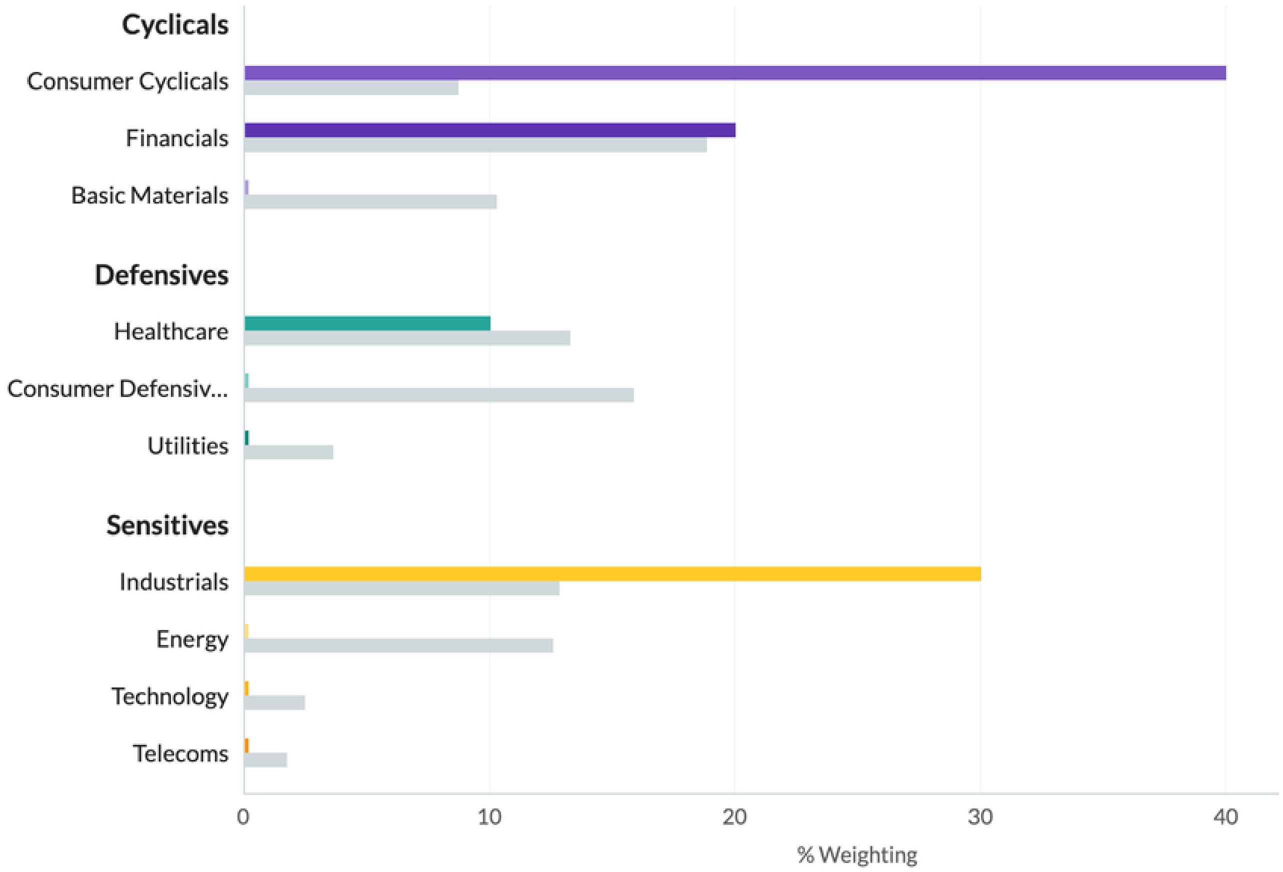
While it is highly unlikely that anybody invested in this portfolio for the entire 10 year period it is illustrative to look at the long run return of a model portfolio based on these shares.

** Equal weighted portfolio of all 10 stocks from April 20th 2013 to April 20th 2023*

One of the most striking aspects of the above chart is the dramatic drawdown that occurred during the pandemic crash between the 23rd of February and the 19th of March 2020. A portfolio of the shares would have collapsed by 54% in that period, an astonishing drawdown. Any investor who sold shares in panic at that moment may have regrets. It's remarkable that this portfolio tripled in price over the ensuing 18 months to September 2021.

Which sectors did they come from?

At Stockopedia.com we classify shares into ten economic sectors. Whenever you look at the great stock market winners, they are often more likely to be found in some sectors rather than others. The chart below illustrates that four of the top ten shares were in the consumer cyclical sector, three in the industrials sector, two financials, and one in healthcare. It's worth noting that Safestore is also a consumer facing company, but classified as a financial due to its status as a REIT (Real Estate Investment Trust). None of the top performers came from the basic materials (mining), energy, utilities, telecoms, or the technology sectors.



It is surprising to witness where the real value is created by businesses. In a decade when the US mega-cap technology shares dominated global market returns, the UK technology sector failed to serve up any of the market's outstanding performers. Even in the healthcare sector, dominated by exciting life sciences and biotechnology shares, the outstanding performer was CVS Group focused on the pet care and veterinary market.

Don't be afraid of exploring unusual, or even dull, business models in your search for a multi-bagger.

The Blueprint of Success - shared characteristics of the ten

After identifying the top performing stocks of the decade we have used a few different methods to assess for shared traits across the ten. The following sections will run you through these traits which are based on:

1. **The StockRanks.** Our proprietary scoring methodology threw up some interesting results. The ten highest performing stocks generally started the period with a high StockRank, which fell over the period as the Value Rank declined. The section below explains why.
2. **Quantitative metrics.** All ten of the high performing companies exhibited high quality ratios as well as expanding valuation multiples and strong growth. We discuss these in more detail below.
3. **Qualitative traits.** Unmeasurable traits are harder to identify across the ten stocks, but we have found some shared characteristics of the business model and management, which we discuss in the final section.

The StockRanks

At Stockopedia.com, we use a simple, but effective stock analysis framework based on the empirical evidence of which factors drive stock returns over the long run. We analyse thousands of technical and fundamental data points on every share daily across their Quality, Value and Momentum. We bring this analysis together in a proprietary scoring methodology called the StockRanks. We use the StockRanks here as an initial shorthand for assessing the traits of each of the 10 shares at the start and end of the ten year period.

2013 Key Statistics

Name	Market Cap £m	StockRank	Quality Rank	Value Rank	Momentum Rank
JD Sports Fashion	358	94	98	87	56
Games Workshop	212	88	99	75	53
YouGov	70	70	78	80	39
CVS	109	82	74	47	95
Burford Capital	225	58	57	75	44
4imprint	125	96	93	60	90
Judges Scientific	61	84	87	38	94
Jet2	228	100	86	95	93
Safestore Holdings	237	83	55	79	83
Renew Holdings	55	91	81	81	72
Median	**168**	**86**	**83**	**77**	**78**

At the start of the journey the companies shared the following themes:

- **Small Size:** Almost all of the companies would be classified as a "Small Cap" - which we define as a market capitalisation of between £50 million, and £350 million. The only company outside that range was JD Sports with a market cap of £358 million, marginally above the range. There were no other mid or large caps in the group. Size matters for finding multi baggers.
- **High Quality:** The Quality Rank assesses profitability, cash flow generation, margins and key red-flag to avoid bankruptcy and earnings manipulation risk. Most of the shares were extremely high by this score with a median Quality Rank of 83/100. These were already proper businesses. Profitability matters for finding multi baggers.
- **Moderate Valuation:** The Value Rank assesses each share's valuation across a range of six measures including the P/E ratio and the Dividend Yield. With a median rank of 77/100, the shares typically began their journey amongst the least expensive quarter of stocks in the market. This gave their P/E Ratios plenty of room to grow as the market woke up to each company's quality. Valuation matters for finding multi baggers, though it should be noted that a few of the shares spent their whole journey on higher valuations.
- **Momentum:** The Momentum rank assesses whether the share price is beating the markets, and whether a company is outperforming City Analyst expectations. With a median rank of 78/100, the stocks appeared to have strong price and earnings momentum. Trends matter for finding multi baggers.

2023 Key Statistics

Let's have a look to see how the statistics changed by the end of the journey.

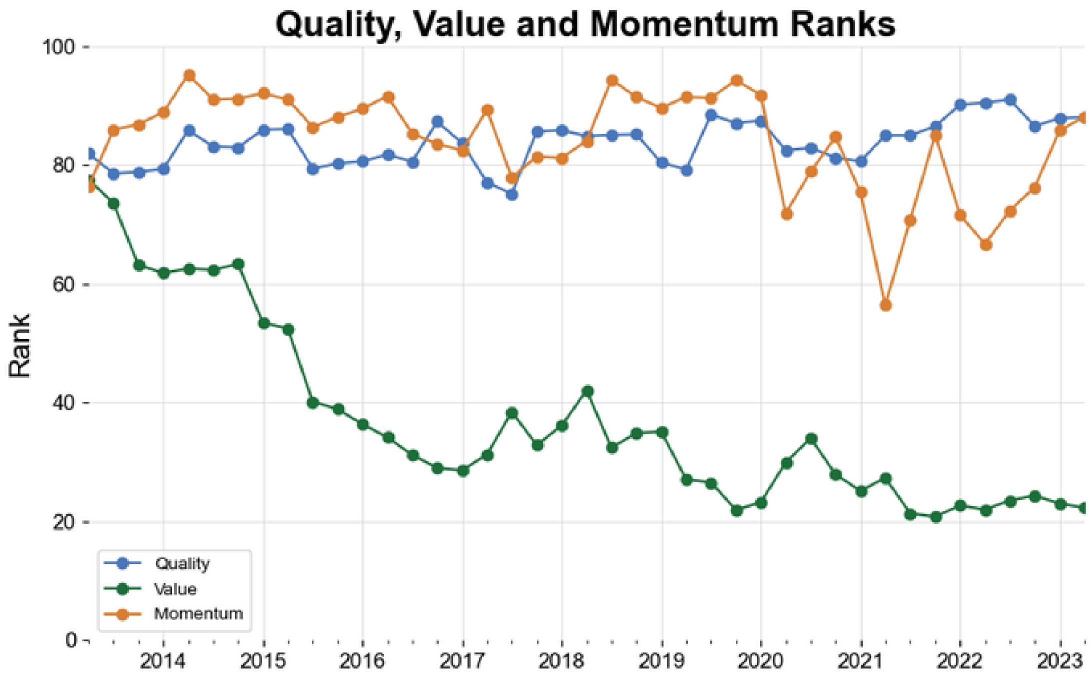
Name	Market Cap £m	StockRank	Quality Rank	Value Rank	Momentum Rank
JD Sports Fashion	8439	85	90	31	97
Games Workshop	3128	76	96	14	88
YouGov	986	64	99	12	70
CVS	1441	71	96	11	83
Burford Capital	2196	38	22	16	95
4imprint	1248	81	82	32	95
Judges Scientific	624	66	86	6	91
Jet2	2842	95	85	59	98
Safestore Holdings	2129	64	57	56	67
Renew Holdings	541	89	99	56	71
Median	**1785**	**74**	**88**	**23**	**90**

Three key observations come out of the averages of this data:

1. **From Small Cap to Large Cap:** The median market capitalisation has grown more than 10x to almost £1.8 billion. None are still classified as Small Caps. Most are Mid Caps (£350m to £2.5bn) but some have become large cap giants like like JD Sports, Games Workshop and Jet2.
2. **Valuation Expansion:** The Value Rank of the group has dropped from 77 to 23. The market woke up to these shares and bid them up to a premium valuation. The share's valuations rose from the cheapest quarter of the market to the most expensive quarter. The market pays up for consistent quality.
3. **Quality Sustained:** the Quality Rank of the set increased from 83 to 88. These companies have managed to improve their profitability as their operations grew. This is truly the trait of outstanding companies.

From "Super Stocks" to "High Flyers"

The visualisation below illustrates the journey of these shares perhaps better than words can tell. The Value Rank dropped considerably, as the shares moved from cheaper valuations to expensive valuations, while the Quality remained extremely high.

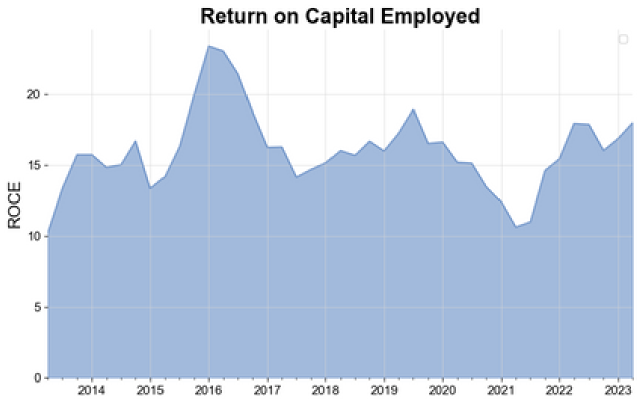


At Stockopedia, we classify the traits of shares, using the Quality, Value and Momentum Ranks into a set of eight different classifications that we call the “StockRank Styles”. It is notable that typically these shares have journeyed from a fingerprint of the “Small-Cap Super Stock” classification (good, cheap, strong shares) to the “Mid-Cap High Flyer” classification (good, expensive, strong). High Flyers are regarded as “growth” stocks which fund managers want to own, but they began as good quality, but out-of-favour, value stocks. The market changed it’s perception of these shares through time.

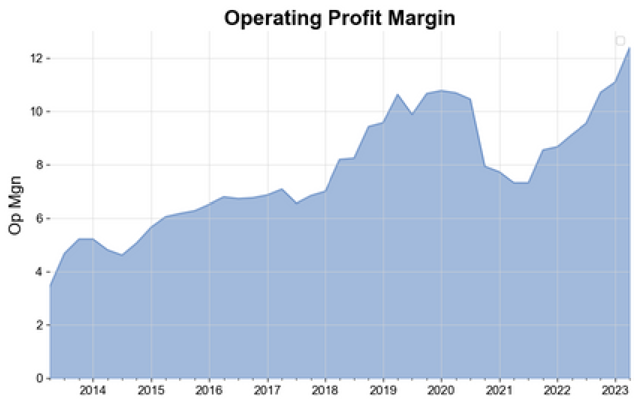
A deeper look at the fundamentals

While each individual company had its own unique, fundamental fingerprint, which changed through the period, we can make some general observations. The following charts are based on the median value of each financial measure across all the shares (the median being the middle value across the set of all ten stocks). Using medians allows us to ignore the impact of the outliers and view some general themes:

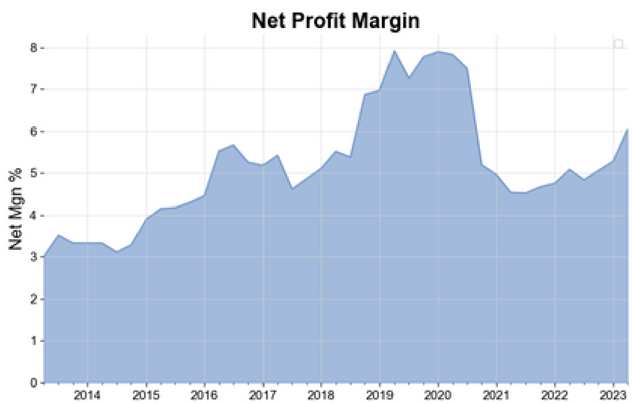
High Profitability: The companies sustained a median Return on Capital Employed of 16% throughout the study period. This allowed them to reinvest their profits at high rates of return, back into their operations. Scalable operations meant room for massive growth.



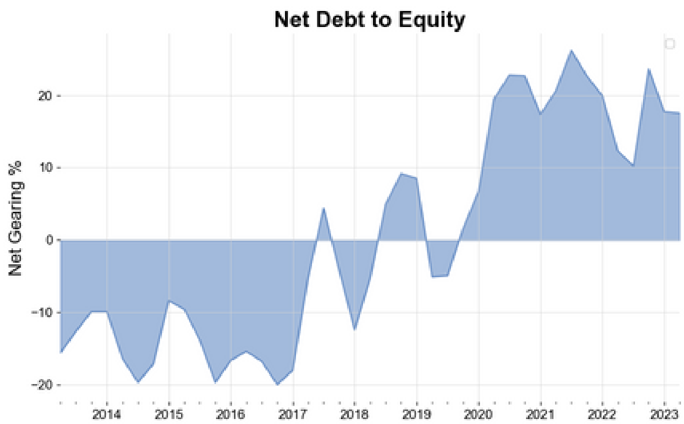
Growing Margins: The companies grew their operating margins from 4.5% to 12.5% through the study. Operating leverage appeared to help these companies grow their operating profits faster than sales by scaling up their enterprises.



Growing Net Margins did not grow as quickly post the pandemic, possibly due to higher tax and interest burdens.

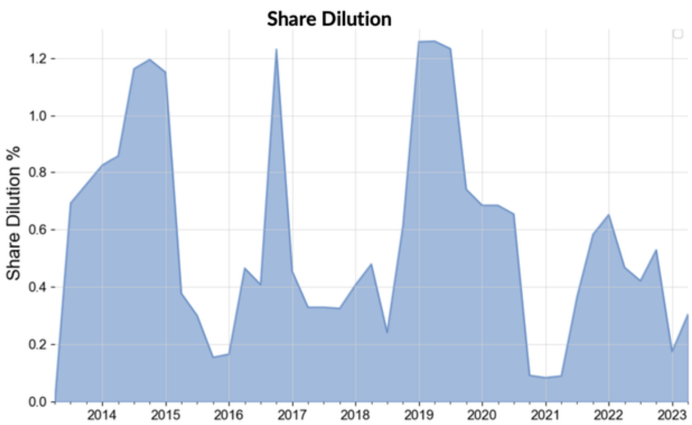


Debt used sparingly, if at all: Many of these companies were free cashflow generators, requiring minimal borrowings. The overall net debt to equity ratio began at -15% (net cash), growing only to 17% at the end of the study. Debt grew from 2020 as companies dealt with the impact of the pandemic.



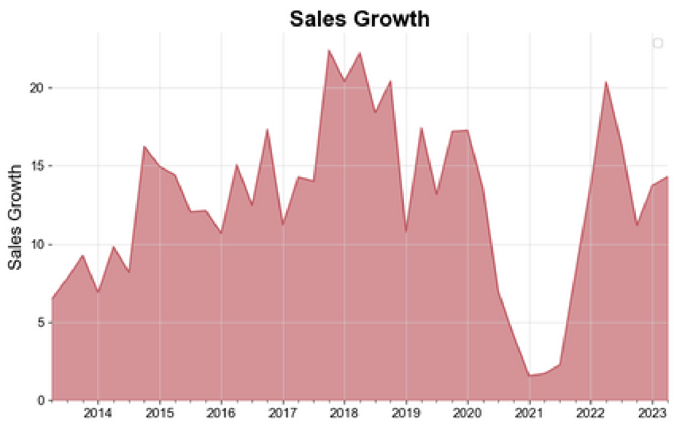
Negligible Shareholder Dilution: These companies averaged only 0.58% of share dilution annually, most likely for staff incentive schemes.

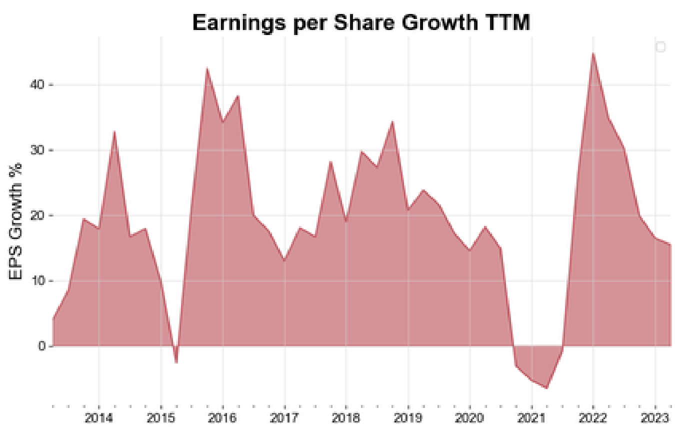
There was no strong evidence of share issuance, so shareholders did not suffer from significant dilution.



Strong Sales and Earnings Growth: Sales growth was maintained at very high levels, and trailing earnings per share growth was 20% annually.

Many of shares dipped into negative growth and losses during the pandemic - a period that hit many businesses.

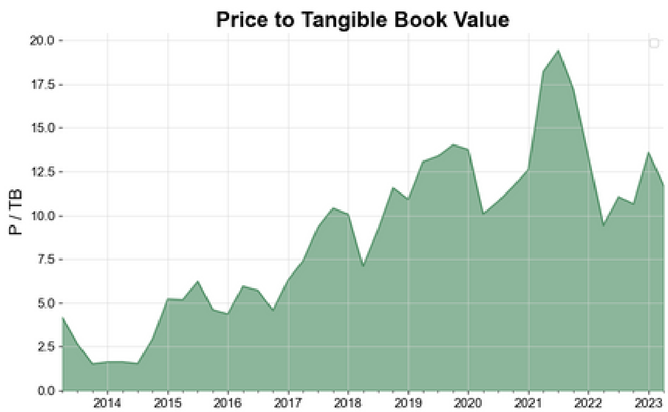




Expanding PE Ratios: Share prices are driven both by earnings growth but also an expansion in the price the market pays for those earnings - the Price / Earnings Ratio.

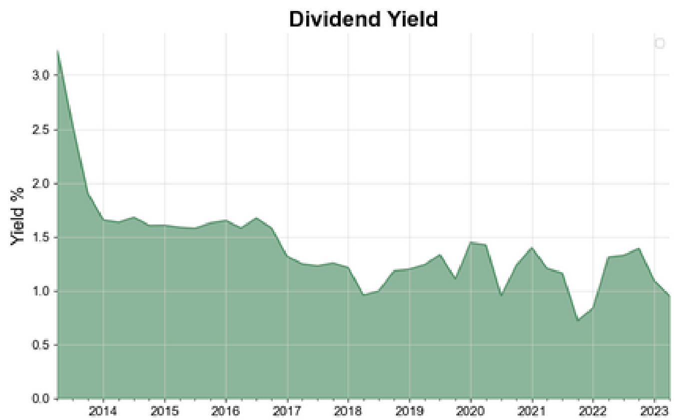
The set of super performers began their journeys on median PE Ratios of 14x, ending at 23x. This “earnings multiple expansion” supercharged their returns.

Expanding Price to Tangible Book Values: Multibaggers often are capital- light businesses. As the market began appreciating the value of their intangible assets - the brands, intellectual property and goodwill in the businesses - they put a higher price on the net- asset value.
The median P/TB increased from 4x to as high as 18x along the journey.



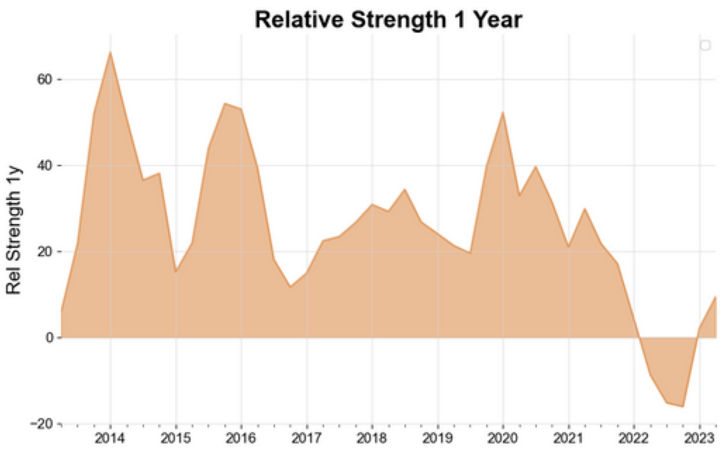
Dividend Yielders: Surprisingly, all ten of the stocks paid dividends on the initial date. The yields were higher at the start, but averaged under 1.5% through the journey.

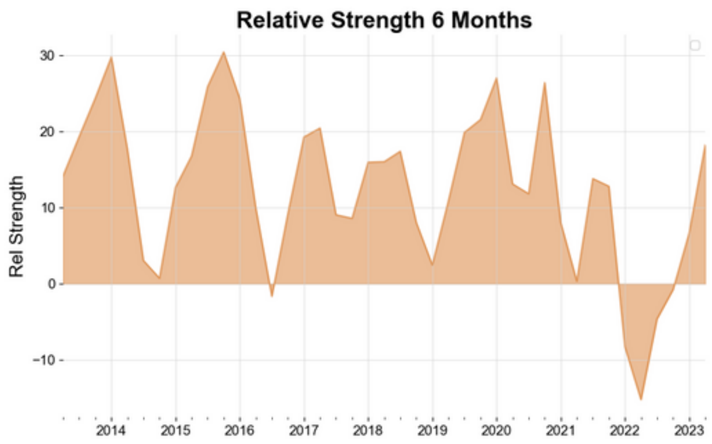
Given the high profitability, and excellent capital allocation by management, it’s arguable whether they should have paid out dividends at all. If all capital had been reinvested, shareholder returns may have been higher.



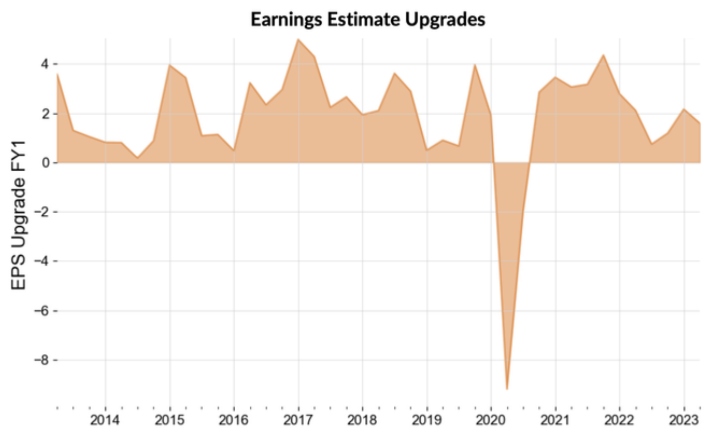
Strong Share Price Strength: Unsurprisingly, these stocks were outperforming the FTSE All Share by 12% on a 6 month basis, and 24% over a 1 year basis.

It was consistent share price performance that led to compounding gains. Buying multi-baggers is challenging as often the best time to buy is when the share price has already been beating the market.





Earnings Estimate Upgrades: There was a consistent trend of professional Analysts upgrading their earnings estimates for the coming year.
It was a consistent theme aside from a huge miss during the pandemic.
It was not unusual to see estimates upgraded by 5-10% each quarter through the study period.



A track record of executing ahead of expectations

We analysed the available news history across each of these shares to identify a range of positive and negative keywords. Keywords such as "ahead of expectations" help identify moments that surprised the market to the upside, while those "below expectations" may signify profit warnings.

We found that these companies were eight times more likely to announce news "ahead of expectations" than "below expectations". Regularly, their share prices would spike after a positive announcement. Taking profits in these scenarios would have been extremely costly.

	"Ahead/Above" Expectations	"Below/Behind" Expectations
Burford Capital	0	0
CVS Group	3	2
4Imprint	5	1
Games Workshop	3	1
JD Sports	5	0
Judges Scientifc	7	2
JET2	4	0
Renew Holdings	5	0
Safestore	4	0
YouGov	8	0
Average	4.8	0.6

One reason why these companies so often exceeded expectations was due to the low City Analyst coverage at the start of their journeys. They were under the radar, little-followed and under-researched. We found an average of only 3.1 Analysts covering each company which grew to 7.3 by 2023. Private investors have a huge advantage to get in early in under-the-radar small caps that may grow to become the multi-baggers of the future.

	2013	2023
Burford Capital	4	4
CVS Group	3	8
4Imprint	3	7
Games Workshop	1	4
JD Sports	3	13
Judges Scientifc	1	5
JET2	3	11
Renew Holdings	3	5
Safestore	7	10
YouGov	3	6
Average	3.1	7.3

Shared traits of the ten

The quantitative metrics mentioned above are the outcome of a number of traits of the businesses. We have found that we can group these traits into two key themes:

Simple scalable business models

Investors on the hunt for multi-bagger opportunities frequently look for blue-sky stories. Companies which claim world-changing innovation or ground-breaking intellectual property. The truth is that of the ten multi-baggers in our study, very few offer products or services that are especially exciting. Instead, the most common shared trait is the simple, scaleable nature of their business models.

Take the two retailers in the bucket, JD Sports and Games Workshop. Both sell relatively simple products via multiple channels which can be easily replicated and scaled. And then there are the businesses which were able to expand thanks to demand in multiple locations. Safestore serves local areas by acquiring and growing its number of storage facilities, CVS Group serves local petcare needs by buying veterinary services. YouGov, Jet2 and 4imprint are also incredibly simple business models operating in markets where demand allows for strong growth.

But simplicity alone is not enough. For these businesses to be able to scale unencumbered by competition, they required a competitive advantage. This is something Warren Buffet calls an ‘economic moat’.

There are a number of different types of economic moat which we have shown in the table below. These include traits which help companies retain and build their customer base (like an easily identifiable brand or switching costs which make it inconvenient for customers to switch to competitors). Or there are businesses which are protected thanks to economies of scale or superior processing power. Others benefit from network effects, where a growing number of users make the service provided by the company more valuable.

	Brand	Cornered Resource (e.g. IP protection)	Scale Economies	Switching Costs	Process Power	Network Effects
Burford Capital		Yes	Yes		Yes	
CVS Group			Yes	Yes	Yes	
4Imprint			Yes			
Games Workshop	Yes	Yes		Yes		Yes
JD Sports	Yes		Yes		Yes	
Judges Scientifc		Yes		Yes		
JET2	Yes		Yes		Yes	
Renew Holdings		Yes		Yes		
Safestore	Yes		Yes	Yes		
YouGov		Yes	Yes	Yes	Yes	Yes

Case Study: How Games Workshop used its moat to its advantage

Founded in 1975 as a manufacturer of traditional games, Games Workshop spent its first few years attempting to keep up with trends in gaming. The founders were passionate about gaming and set up a publishing arm of the business to promote the games sold.
In 1978 the company co-founded Citadel Miniatures which (now fully owned by Games Workshop) continues to manufacture the miniatures which are key in Games Workshop's branded games.

In 1986 Tom Kirby became the general manager and refocused the business to centre on its own-brand miniature war games. Under Kirby's leadership, the retail arm of the business became more mainstream - focusing on young people and families. The company's own games, which are sold under the brand name Warhammer, have built an incredibly strong and passionate following. At the time of the IPO in May 1994 turnover was £24.5m and pre-tax profits £4.5m, equivalent to a profit margin of 18%.

With its own games at the heart of the company the focus was on expansion (by product area, store expansion and geography), cost cutting and vertical integration of the business model. By 1997, revenues and pre-tax profits had increased to £58.4m and £11.1m respectively. Today Games Workshop's branded products are still enjoyed by an army of dedicated customers and the company also makes money from licensing the valuable IP.

Management's sensible capital allocation

An interesting shared trait across all ten of the top performing stocks in the UK over the last decade is the consistency of management. As the table below shows, all but two of the companies in the list has had the same chairman or chief executive throughout the ten years and any company which has had a change of chief executive during the decade has promoted someone internal. What's more, five of the companies are still led by a founder.

Company	**2013**	**2018**	**2023**
Burford Capital	Peter Middleton (Chair) **Christopher Bogart (CEO)** Miriam Connole (CFO)	Peter Middleton (Chair) **Christopher Bogart (CEO)** Miriam Connole (CFO)	Hugh Wilson (Chair) **Christopher Bogart (CEO)** Jordan Licht (CFO)
CVS Group	**Richard Connell (Chair)** Simon Innes (CEO) Nicholas Perrin (FID)	**Richard Connell (Chair)** Simon Innes (CEO) Nicholas Perrin (FID)	**Richard Connell (Chair)** Richard Fairman (CEO) Robin Alfonso (CFO)
4imprint	John Poulter (Chair) **Kevin Lyons-Tarr (Exec Dir)** Gillian Davies (Fin Dir)	Paul Moody (Chair) **Kevin Lyons-Tarr (CEO)** David Seekings (CFO)	Paul Moody (Chair) **Kevin Lyons-Tarr (CEO)** David Seekings (CFO)
Games Workshop	Tom Kirby (Chair and CEO) **Kevin Rountree (COO)** **Rachel Tongue (Company Secretary)**	Nicholas Donaldson (Chair) **Kevin Rountree (CEO)** **Rachel Tongue (CFO)**	John Brewis (Chair) **Kevin Rountree (CEO)** **Rachel Tongue (CFO)**
JD Sports	Peter Cowgill (Chair) Barry Bown (CEO) Brian Small (Fin Dir)	Peter Cowgill (Chair and CEO) Brian Small (CFO)	Andrew Higginson (Chair) Régis Schultz (CEO) Neil Greenhalgh (CFO)
Jet2.com	**Philip Meeson (Chair)** **Stephen Heapy (CEO)** **Gary Brown (CFO)**	**Philip Meeson (Chair)** **Stephen Heapy (CEO)** **Gary Brown (CFO)**	**Philip Meeson (Chair)** **Stephen Heapy (CEO)** **Gary Brown (CFO)**
Judges Scientific	**Alex Hambro (Chair)** **David Cicurel (CEO)** Ralph Cohen (Fi. Dir)	**Alex Hambro (Chair)** **David Cicurel (CEO)** Brad Ormsby (CFO)	**Alex Hambro (Chair)** **David Cicurel (CEO)** Brad Ormsby (CFO)
Renew Holdings	Roy Harrison (Chair) Brian May (CEO) John Samuel (Fin Dir)	David Forbes (Chair) Paul Scott (CEO) Sean Wyndham-Quin (CFO)	David Brown (Chair) Paul Scott (CEO) Sean Wyndham-Quin (CFO)
Safestore	Alan Lewis (Chair) **Frederic Vecchioli (CEO)** **Andy Jones (CFO)**	Alan Lewis (Chair) **Frederic Vecchioli (CEO)** **Andy Jones (CFO)**	David Hearn (Chair) **Frederic Vecchioli (CEO)** **Andy Jones (CFO)**
Yougov	Richard Rivers (Exec Dir) **Stephan Shakespeare (CEO)** Alan Newman (CFO)	Richard Rivers (Exec Dir) **Stephan Shakespeare (CEO)** Alexander McIntosh (CFO)	**Stephen Shakespeare (Chair)** Steve Hatch (CEO) Alexander McIntosh (CFO)

High quality, stable management seems to lend itself to sensible capital allocation. As we saw in the section above, all of these companies generate strong and reliable profits and we have noticed that the redeployment of those profits into further growth has been a hallmark of success.

For several of these companies that has meant investment in earnings enhancing acquisitions. JD Sports, Judges Scientific, Renew Holdings, CVS Group, YouGov and Safestore have all acquired small businesses along the way that enhanced and accelerated their earnings growth.

Company	Number of 'acquisition' regulatory headlines
JD Sports	16
Judges Scientific	14
Renew Holdings	11
CVS Group	7
YouGov	4
Safestore	2

Case Study: JD Sports' history of acquisition-fuelled growth

Established in 1981 by John Wardle and David Makin in Bury, Greater Manchester, JD Sports Fashion plc has transformed into a global retail powerhouse. Going public in 1997 marked the inception of a journey characterised by strategic acquisitions and international expansion.

JD Sports' rise to international recognition has been fuelled by a robust history of strategic acquisitions. Key additions include First Sport (2001), Allsports (2005), Chausport (2009), Finish Line (2018), Shoe Palace (2020), in addition to the more recent acquisitions of Iberia Sports Group (ISRG), and Groupe Courir in France. These ventures not only expanded JD Sports' market footprint but also diversified its brand portfolio.

Funding Strategic Acquisitions
Internal resources, debt financing, and share offerings form the trifecta propelling JD Sports' acquisition strategy. Typically relying on internal cash resources and favourable debt agreements, JD effectively funds its strategic moves.

The acquisitions of Finish Line and Shoe Palace, alongside the recent ventures into Groupe Courir and Iberia Sports Group, underscore JD Sports' global commitment. These strategic moves aim to fortify its presence, particularly in the US, where the ambitious plan is to expand to 1,800 stores by 2028.

JD Sports has demonstrated its readiness to make substantial investments in order to drive growth. For instance, the acquisition of Finish Line in 2018 amounted to $558 million, while the recent purchase of Groupe Courir in France was valued at £520 million. This strategic approach underscores the company's confidence and willingness to seize significant opportunities when they present themselves.

JD Sports predominantly pursues horizontal acquisitions, fortifying its position within sportswear and athleisure. This strategic choice cultivates synergies, amplifies market share, and enhances operational efficiency, especially through its omni-channel presence. Despite occasional setbacks, such as the takeover of Footyasylum, where regulatory intervention occurred, JD Sports has showcased resilience, bouncing back and refining strategies to maintain a competitive edge. Management's ruthlessness in continually reviewing the company's strategy is evident, as seen in the sale of UK fashion brands to Frasers Group in December 2022, maintaining a laser focus on the segments it serves.

While rooted in sportswear, recent acquisitions (Shoe Palace, ISRG, Groupe Courir) spotlight JD Sports' diversification emphasis. Venturing into specialty accounts in the US and expanding across Europe align with the vision to explore new markets and reach a broader customer base.

Navigating challenges, particularly during the pandemic, demonstrates the resilience of JD Sports' acquisition strategy. Its omni-channel presence provided a crucial edge compared to rivals, allowing a seamless shift online during the pandemic while maintaining a strong physical store presence as high-street shopping regains popularity.
In an ever-evolving retail landscape, JD Sports' unwavering commitment to strategic acquisitions, global expansion, and digital prowess positions it as a retail pioneer. Its ability to adapt, set trends, and diversify underscores the company's resilience. As the future unfolds, JD Sports remains poised to shape the retail industry, backed by its strategic vision and innovative approach.

Checklists for Identifying Multibaggers

Identifying the next big winner in the stock market is every investor's dream. But with thousands of options out there, how can one possibly pinpoint these elusive multi-baggers in advance? The key lies in discerning specific traits that successful stocks exhibit before their rises.

To help simplify this process and set you on a path to potentially transformative returns, we've distilled our research into an actionable checklist. Split into quantitative and qualitative characteristics, this checklist aims to be your compass in navigating the dynamic world of hunting for multi-baggers. Please note that it's highly unlikely that any one share will qualify for all these rules, so please use them as a guide, rather than as prescriptive must-haves.

Quantitative Traits

- **StockRank** - Look for StockRank > 82. Greater than 85/90 on "breakout".
- **Small Size** - Search for "Small Caps" (Market Cap from £50m-£350m).
- **Strong Profitability** - ROCE > 10%. Quality Rank > 75. Operating margins growing.
- **Low Debt** - Prefer low or no borrowing. (Net Gearing < 30%). High Free Cashflow.
- **Moderate Valuation** - P/E with room to grow. Forecast P/E < 15. (Yield < 3%).
- **Strong Growth** - Strong trailing sales growth > 10%. Forecast earnings growth .
- **Price Momentum** - Share price strength. 1y Relative Strength > 0% (ideally > 10%).
- **Low Share Issuance** - Avoid excessive share price dilution. Share dilution < 2%.

Qualitative Traits

- **Scalable Business Model -** look for simple, scaleable businesses.
- **Favourable industries -** e.g. Media, Retail, Software rather than hard asset firms.
- **Consistent Operations -** prefer businesses with a proven operating model.
- **Competitive Advantage -** look for brands, niches, network effects or other powers.
- **Smart Capital Allocation -** earnings enhancing acquisitions, not "diworseifications".
- **"Something New" -** new management/acquisitions/products can catalyse improvement.
- **Positive Surprises -** Look for trading statements "ahead of expectations".

Recommended Reading

Investors keen on understanding and identifying multi-baggers – stocks that offer multiple times returns – would benefit from reading some of the following titles:

- **"Common Stocks and Uncommon Profits"** by Philip A. FisherFisher, a pioneer in growth investing, elaborates on his investment philosophies and the idea of investing in innovative companies with growth potential.
- **"100 Baggers"** by Christopher W. MayerThis book provides a detailed study of stocks that have returned $100 for every $1 invested. Mayer provides insights into the characteristics of these stocks and how to identify future 100-baggers.
- "**One Up On Wall Street"** by Peter LynchLynch, the legendary fund manager, introduces the concept of "buy what you know" and delves into his strategy for picking growth stocks with multi-bagger potential.
- "**Beyond the Zulu Principle**" by Jim Slater.Slater discusses how to find adventurous growth stocks, with "clonable" business models. Many of the chapters contain gold for growth investors.
- **"The Little Book That Builds Wealth**" by Pat DorseyDorsey discusses the concept of economic moats, which can help investors identify companies that have sustainable competitive advantages – a trait often found in multi-baggers.

Conclusion

We hope this has been an eye-opening study for you and inspires you to hunt for similar stocks in today's market, or even to decide that one of these ten will do it again. Of course, markets change. The best ten stocks of the next decade may not be as acquisitive as the last ten years, perhaps they will lie in different industry groups. Interest rates are higher, and governments are becoming more proactive in shaping the economy.

Business managers adapt to the environments they find themselves in, and as private investors, it's important we learn to adapt too. Ultimately, there's nothing more enjoyable than sleuthing in the stock market. Do let us know what shares you identify. All the resources at Stockopedia.com are here as your trusty sidekick, and the community will be a valuable source of feedback on your ideas.

Safe investing!

Disclaimer

The pages within this document have been produced by Stockopedia Ltd ("Stockopedia") for educational purposes only. All rights regarding these pages are reserved. It is not for general circulation. Stockopedia is a subscription-based data & screening web service for self-directed individuals who have an adviser and/or are comfortable making their own decisions. Use of our data is subject to express Terms of Service. This service is intended to be used and must be used for informational purposes only. Our StockReports and screens are based on underlying data from other suppliers including Refinitiv/LSEG which is believed but not guaranteed to be accurate. Any figures cited are subject to change or possible correction. If we are notified of a possible error, we will endeavour to notify our supplier of this issue, although we cannot be certain that they will be willing to correct the error identified. Any forward-looking information is based on the Consensus Analyst Estimate as defined by Refinitiv/LSEG and is subject to their assumptions.

Stockopedia is not a broker/dealer, and we are not in the business of giving or receiving of financial, tax or legal advice. None of our content constitutes or should be understood as constituting a recommendation to enter in any securities transactions or to engage in any of the investment strategies discussed in our content. We do not provide personalised recommendations or views as to whether a stock or investment approach is suited to the financial needs of a specific individual. It is very important to do your own analysis before making any investment based on your own personal circumstances. You should take independent financial advice from a professional in connection with or independently research and verify any information you find in this document. Accordingly, we will not be liable, whether in contract, tort (including negligence) or otherwise, in respect of any damage, expense or other loss you may suffer arising out of such information or any reliance you may place upon such information.

We would like to draw your attention to the following important investment warnings:

- The value of shares and investments and the income derived from them can go down as well as up.
- Investors may not get back the amount they invested.
- Past performance is not a guide to future performance.

Data in this document is historic and dated when this document went to print: 16/11/2023. We are not regulated by the Financial Conduct Authority in the United Kingdom. All financial services are provided by Stockopedia Ltd, United Kingdom (company number 06367267). For Australian users: Stockopedia Ltd, ABN 39 757 874 670 is a Corporate Authorised Representative of Daylight Financial Group Pty Ltd ABN 77 633 984 773, AFSL 521404.

Stockopedia