

Columbia Sportswear

Difficult U.S. environment and warm weather pressure 4Q and 2024 outlook

Reiterate Rating: UNDERPERFORM | PO: 60.00 USD | Price: 82.07 USD

4Q EPS below given warm weather headwinds

Columbia Sportswear (COLM) reported 4Q23 EPS of \$1.55 (vs. our \$1.95). Revenue declined 9.4% (below our -5.5%) as warm weather impacted cold weather categories in the U.S. Gross margin of 50.6% was below our 51.2% given lower Direct-to-Consumer (DTC) margins on increased promotional activity. Our PO remains \$60 based on 12X our C25 EPS of \$5.00 as we roll forward our valuation base (from 12-13X our C24 EPS). We maintain Underperform given continued challenges from slower U.S. wholesale demand.

Lower 2024 given wholesale softness

We are lowering our 2024 EPS to \$3.70 (from \$4.75 & in line with company guidance) to reflect: (1) -HSD% decline in wholesale as retailers continue to take a cautious buying approach, and as COLM did not see the full extent of the 2H non-PFAS product restocking it had expected; (2) continued momentum in China; and (3) MSD% growth in DTC led by the contribution of 16 net new stores. We believe COLM pricing is ~flat vs. last year.

Gross margin tailwinds should help support 2024

We are modelling 100bps of gross margin expansion in C24 primarily to reflect inbound freight benefits through 1Q, and y/y gross margin expansion in 2H as COLM laps elevated inventory clearance activity. However, we do expect higher y/y promos in 1H as COLM continues late season inventory liquidation efforts.

Red Sea disruption limited to delayed shipments

We believe 20% of COLM global shipments flow through the Red Sea, with current impact limited to 1-2 week delays in Europe bound goods. We do not believe COLM is paying spot rates or surcharges and ocean carriers are abiding by current long term contracts. COLM is currently in negotiations for its upcoming contracts which become effective June 1st and there could be some pressure on rates if disruption persists, but COLM believes extra ocean container capacity should be an offset.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	4.95	4.10	3.70	5.00	7.26
GAAP EPS	4.95	4.05	3.70	5.00	7.30
EPS Change (YoY)	-7.1%	-17.2%	-9.8%	35.1%	45.2%
Consensus EPS (Bloomberg)			4.53	5.11	5.88
DPS	1.19	1.20	1.32	1.47	1.59
Valuation (Dec)					
P/E	16.6x	20.0x	22.2x	16.4x	11.3x
GAAP P/E	16.6x	20.3x	22.2x	16.4x	11.2x
Dividend Yield	1.5%	1.5%	1.6%	1.8%	1.9%
EV / EBITDA*	8.3x	9.7x	10.7x	8.6x	6.2x
Free Cash Flow Yield*	-2.4%	11.3%	8.4%	6.4%	8.4%

* For full definitions of *IQmethod*SM measures, see page 5.

01 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	3,564.9	3,398.7
2025E Rev (m)	3,743.1	3,636.6
2026E Rev (m)	4,192.3	4,073.0
2024E EPS	4.75	3.70
2025E EPS	5.50	5.00
2026E EPS	7.38	7.26
2024E DPS	1.46	1.32

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Stock Data

Price	82.07 USD
Price Objective	60.00 USD
Date Established	26-Oct-2023
Investment Opinion	B-3-7
52-Week Range	66.01 USD - 98.32 USD
Mkt Val (mn) / Shares Out (mn)	4,966 USD / 60.5
Free Float	56.6%
Average Daily Value (mn)	30.24 USD
BofA Ticker / Exchange	COLM / NAS
Bloomberg / Reuters	COLM US / COLM.OQ
ROE (2024E)	11.1%
Net Dbt to Eqty (Dec-2023A)	-18.4%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "[BofA ESGMeter Methodology](#)".

HSD = High Single Digit

MSD = Mid Single Digits

PFAS = perfluoroalkyl and polyfluoroalkyl substances

DTC = direct to consumer

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Refer to important disclosures on page 6 to 8. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Timestamp: 01 February 2024 08:47PM EST

iQprofileSM Columbia Sportswear

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	12.9%	10.5%	9.0%	10.9%	14.2%
Return on Equity	15.9%	13.0%	11.1%	13.3%	17.2%
Operating Margin	11.3%	8.9%	8.1%	10.0%	13.3%
Free Cash Flow	(118)	561	417	317	417

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0x	2.7x	2.2x	1.3x	1.2x
Asset Replacement Ratio	1.0x	1.0x	0.6x	0.6x	0.6x
Tax Rate	21.6%	22.9%	24.5%	24.5%	25.0%
Net Debt-to-Equity Ratio	-2.7%	-18.4%	-33.8%	-39.9%	-45.5%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	3,464	3,487	3,399	3,637	4,073
% Change	10.8%	0.7%	-2.5%	7.0%	12.0%
Gross Profit	1,711	1,730	1,719	1,855	2,065
% Change	6.1%	1.1%	-0.7%	7.9%	11.3%
EBITDA	511	437	400	497	689
% Change	-0.3%	-14.3%	-8.5%	24.2%	38.6%
Net Interest & Other Income	4	16	19	20	22
Net Income (Adjusted)	311	251	223	291	422
% Change	-12.0%	-19.3%	-11.5%	30.5%	45.2%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	311	251	223	291	422
Depreciation & Amortization	117	127	124	132	148
Change in Working Capital	(429)	311	141	(31)	(72)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	0	(6)	0	0	4
Capital Expenditure	(118)	(123)	(70)	(75)	(85)
Free Cash Flow	-118	561	417	317	417
% Change	NM	NM	-25.6%	-24.0%	31.6%
Share / Issue Repurchase	(290)	(169)	2	2	2
Cost of Dividends Paid	(75)	(73)	(79)	(86)	(93)
Change in Debt	(19)	29	(9)	24	45

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	431	765	1,104	1,337	1,663
Trade Receivables	548	423	412	441	494
Other Current Assets	1,158	827	680	715	801
Property, Plant & Equipment	291	287	233	176	113
Other Non-Current Assets	624	637	628	653	699
Total Assets	3,052	2,939	3,057	3,322	3,769
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	670	526	508	541	608
Long-Term Debt	379	408	399	423	468
Other Non-Current Liabilities	0	0	0	0	0
Total Liabilities	1,116	1,000	974	1,031	1,143
Total Equity	1,936	1,939	2,084	2,291	2,626
Total Equity & Liabilities	3,052	2,939	3,057	3,322	3,769

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Leisure

Company Description

Columbia designs, sources, markets, and distributes outdoor products under the Columbia Sportswear, Sorel, Mountain Hardwear and prAna brand names. Its product categories include outerwear, sportswear, footwear, accessories, and equipment.

Investment Rationale

We rate Columbia Sportswear underperform as we see near-medium risk from more cautious orders from wholesale partners, and gross margin pressure from elevated promotional activity.

Stock Data

Average Daily Volume 368,452

Quarterly Earnings Estimates

	2023	2024
Q1	0.74A	0.33E
Q2	0.14A	-0.11E
Q3	1.70A	1.85E
Q4	1.55A	1.64E

Exhibit 1: COLM Quarterly Earnings Analysis

\$ millions, except per share data

	Total Revenues	COGS	SG&A	Licensing Income	Optg Inc	Interest Expense (Income)	Pre-tax Income	Inc Tax	Minority Interest (Swire JV)	Net Inc bef. Extra	Extra Gain (Loss)	Net Inc.	Operating EPS	Reported EPS	Sh O/S
Mar-Q1	\$761.5	\$383.1	\$299.1	\$4.3	\$83.7	-\$0.4	\$84.1	\$17.3	\$0.0	\$66.8	\$0.0	\$66.8	\$1.03	\$1.03	64.6
Jun-Q2	\$578.1	\$293.9	\$281.3	\$5.9	\$8.8	\$0.9	\$7.8	\$0.7	\$0.0	\$7.2	\$0.0	\$7.2	\$0.11	\$0.11	62.7
Sept-Q3	\$955.1	\$496.6	\$319.0	\$5.7	\$145.3	-\$0.5	\$145.8	\$34.0	\$0.0	\$111.8	\$0.0	\$111.8	\$1.80	\$1.80	62.2
Dec-Q4	<u>\$1,169.5</u>	<u>\$579.5</u>	<u>\$440.7</u>	<u>\$6.1</u>	<u>\$155.4</u>	<u>-\$4.3</u>	<u>\$159.7</u>	<u>\$34.0</u>	<u>\$0.0</u>	<u>\$125.7</u>	<u>\$0.0</u>	<u>\$125.7</u>	<u>\$2.02</u>	<u>\$2.02</u>	<u>62.3</u>
2022	\$3,464.2	\$1,753.1	\$1,340.0	\$22.0	\$393.1	-\$4.3	\$397.4	\$86.0	\$0.0	\$311.4	\$0.0	\$311.4	\$4.95	\$4.95	63.0
Mar-Q1	\$820.6	\$421.1	\$347.4	\$4.3	\$56.4	-\$4.1	\$60.6	\$14.4	\$0.0	\$46.2	-\$2.0	\$46.2	\$0.74	\$0.74	62.4
Jun-Q2	\$620.9	\$306.9	\$312.5	\$4.7	\$6.2	-\$3.3	\$9.6	\$1.2	\$0.0	\$8.4	-\$1.0	\$7.4	\$0.14	\$0.12	61.8
Sept-Q3	\$985.7	\$505.5	\$351.6	\$5.9	\$134.6	-\$1.6	\$136.1	\$32.6	\$0.0	\$103.5	\$0.0	\$103.5	\$1.70	\$1.70	60.9
Dec-Q4	<u>\$1,060.0</u>	<u>\$523.8</u>	<u>\$429.8</u>	<u>\$6.7</u>	<u>\$113.1</u>	<u>-\$6.9</u>	<u>\$120.0</u>	<u>\$26.6</u>	<u>\$0.0</u>	<u>\$93.3</u>	<u>\$0.0</u>	<u>\$93.3</u>	<u>\$1.55</u>	<u>\$1.55</u>	<u>60.3</u>
2023	\$3,487.2	\$1,757.3	\$1,441.3	\$21.7	\$310.3	-\$15.9	\$326.2	\$74.8	\$0.0	\$251.4	-\$3.0	\$248.4	\$4.10	\$4.05	61.4
Mar-Q1E	\$742.6	\$373.5	\$350.9	\$4.4	\$22.6	-\$3.9	\$26.5	\$6.5	\$0.0	\$20.0	\$0.0	\$46.2	\$0.33	\$0.77	60.2
Jun-Q2E	\$589.9	\$294.9	\$312.5	\$4.8	-\$12.8	-\$3.9	-\$8.9	-\$2.2	\$0.0	-\$6.7	\$0.0	-\$6.7	-\$0.11	-\$0.11	60.1
Sept-Q3E	\$995.5	\$497.8	\$360.4	\$6.0	\$143.4	-\$3.9	\$147.3	\$36.1	\$0.0	\$111.2	\$0.0	\$111.2	\$1.85	\$1.85	60.0
Dec-Q4E	<u>\$1,070.6</u>	<u>\$513.9</u>	<u>\$440.6</u>	<u>\$6.8</u>	<u>\$122.9</u>	<u>-\$6.9</u>	<u>\$129.8</u>	<u>\$31.8</u>	<u>\$0.0</u>	<u>\$98.0</u>	<u>\$0.0</u>	<u>\$98.0</u>	<u>\$1.64</u>	<u>\$1.64</u>	<u>59.9</u>
2024E	\$3,398.7	\$1,680.1	\$1,464.3	\$22.1	\$276.3	-\$18.6	\$294.8	\$72.2	\$0.0	\$222.6	\$0.0	\$222.6	\$3.70	\$3.70	60.1
2025E	\$3,636.6	\$1,781.9	\$1,512.6	\$22.5	\$364.5	-\$20.4	\$384.9	\$94.3	\$0.0	\$290.6	\$0.0	\$290.6	\$5.00	\$5.00	58.1

Percentage Change**Ratio Analysis**

	Total Revenues	Optg Exp	Optg Inc	Ptx Inc	Operating EPS	Gr Mgn	Exp Ratio	Op Mgn	Int	Tx Rate	Ptx Mgn	Operating Net Mgn
Mar-Q1	21.7%	17.6%	18.7%	19.4%	22.6%	49.7%	39.3%	11.0%	-0.1%	20.5%	11.0%	8.8%
Jun-Q2	2.1%	7.4%	-74.9%	-77.8%	-82.0%	49.2%	48.7%	1.5%	0.2%	8.6%	1.4%	1.2%
Sept-Q3	18.7%	13.9%	8.8%	8.9%	18.4%	48.0%	33.4%	15.2%	-0.1%	23.3%	15.3%	11.7%
Dec-Q4	<u>3.5%</u>	<u>14.7%</u>	<u>-26.5%</u>	<u>-24.6%</u>	<u>-15.5%</u>	<u>50.4%</u>	<u>37.7%</u>	<u>13.3%</u>	<u>-0.4%</u>	<u>21.3%</u>	<u>13.7%</u>	<u>10.7%</u>
2022	10.8%	13.5%	-12.7%	-12.0%	-7.1%	49.4%	38.7%	11.3%	-0.1%	21.6%	11.5%	9.0%
Mar-Q1	7.8%	16.2%	-32.6%	-28.0%	-28.2%	48.7%	42.3%	6.9%	-0.5%	23.7%	7.4%	5.6%
Jun-Q2	7.4%	11.1%	-29.0%	21.9%	27.3%	50.6%	50.3%	1.0%	-0.5%	12.6%	1.5%	1.3%
Sept-Q3	3.2%	10.2%	-7.4%	-6.6%	-5.6%	48.7%	35.7%	13.7%	-0.2%	24.0%	13.8%	10.5%
Dec-Q4	<u>-9.4%</u>	<u>-2.5%</u>	<u>-27.2%</u>	<u>-24.9%</u>	<u>-23.3%</u>	<u>50.6%</u>	<u>40.5%</u>	<u>10.7%</u>	<u>-0.7%</u>	<u>22.2%</u>	<u>11.3%</u>	<u>8.8%</u>
2023	0.7%	7.6%	-21.1%	-17.9%	-17.2%	49.6%	41.3%	8.9%	-0.5%	22.9%	9.4%	7.2%
Mar-Q1E	-9.5%	1.0%	-59.9%	-56.2%	-55.4%	49.7%	47.2%	3.0%	-0.5%	24.5%	3.6%	2.7%
Jun-Q2E	-5.0%	0.0%	-305.1%	-193.0%	-178.6%	50.0%	53.0%	-2.2%	-0.7%	24.5%	-1.5%	-1.1%
Sept-Q3E	1.0%	2.5%	6.6%	8.2%	8.8%	50.0%	36.2%	14.4%	-0.4%	24.5%	14.8%	11.2%
Dec-Q4E	<u>1.0%</u>	<u>2.5%</u>	<u>8.7%</u>	<u>8.2%</u>	<u>5.8%</u>	<u>52.0%</u>	<u>41.2%</u>	<u>11.5%</u>	<u>-0.6%</u>	<u>24.5%</u>	<u>12.1%</u>	<u>9.2%</u>
2024E	-2.5%	1.6%	-11.0%	-9.6%	-9.8%	50.6%	43.1%	8.1%	-0.5%	24.5%	8.7%	6.5%
2025E	7.0%	3.3%	31.9%	30.5%	35.1%	51.0%	41.6%	10.0%	-0.6%	24.5%	10.6%	8.0%

Source: BofA Global Research Estimates, Company Filings

BofA GLOBAL RESEARCH



Price objective basis & risk

Columbia Sportswear (COLM)

Our \$60 PO is based on 12X our 2025E EPS of \$5.00 below COLM's historical multiple over the past five years (15-30x) given risk from continued wholesale softness.

Downside risks to our price objective are: an unseasonable warm winter could dampen demand for cold weather apparel and boots, labor costs continue to rise, international macro headwinds in LatAm, Europe and Asia continue, higher-than-expected cost pressures related to investment spend and marketing, and a promotional US retail environment could pressure gross margins.

Upside risks are: Input cost pressures moderate, DTC growth accelerates especially if China business reaccelerates, & Sorel driven upside given strong momentum.

Analyst Certification

I, Alexander Perry, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Broadlines, Hardlines, Food Retailers & Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Academy Sports + Outdoors	ASO	ASO US	Robert F. Ohmes, CFA
	BJ's Wholesale Club Holdings	BJ	BJ US	Robert F. Ohmes, CFA
	Costco Wholesale Corporation	COST	COST US	Robert F. Ohmes, CFA
	Fox Factory Holding Corp	FOXF	FOXF US	Alexander Perry
	Grocery Outlet Holding Corp.	GO	GO US	Robert F. Ohmes, CFA
	Harley-Davidson	HOG	HOG US	Alexander Perry
	Life Time	LTH	LTH US	Alexander Perry
	Planet Fitness, Inc.	PLNT	PLNT US	Alexander Perry
	Sysco Corporation	SY	SY US	Kendall Toscano
	Target Corp.	TGT	TGT US	Robert F. Ohmes, CFA
	The Kroger Co.	KR	KR US	Robert F. Ohmes, CFA
	Topgolf Callaway Brands Corp	MODG	MODG US	Alexander Perry
	Walmart Inc	WMT	WMT US	Robert F. Ohmes, CFA
NEUTRAL				
	Dick's Sporting Goods	DKS	DKS US	Robert F. Ohmes, CFA
	Xponential Fitness	XPOF	XPOF US	Alexander Perry
	YETI Holdings, Inc.	YETI	YETI US	Robert F. Ohmes, CFA
UNDERPERFORM				
	Canada Goose Holdings Inc	YGOOS	GOOS CN	Alexander Perry
	Canada Goose Holdings Inc	GOOS	GOOS US	Alexander Perry
	Columbia Sportswear	COLM	COLM US	Alexander Perry
	Dollar General Corporation	DG	DG US	Robert F. Ohmes, CFA
	Dollar Tree, Inc.	DLTR	DLTR US	Robert F. Ohmes, CFA
	Hibbett Sports, Inc.	HIBB	HIBB US	Alexander Perry
	National Vision	EYE	EYE US	Robert F. Ohmes, CFA
	Sprouts Farmers Market, Inc.	SFM	SFM US	Robert F. Ohmes, CFA

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

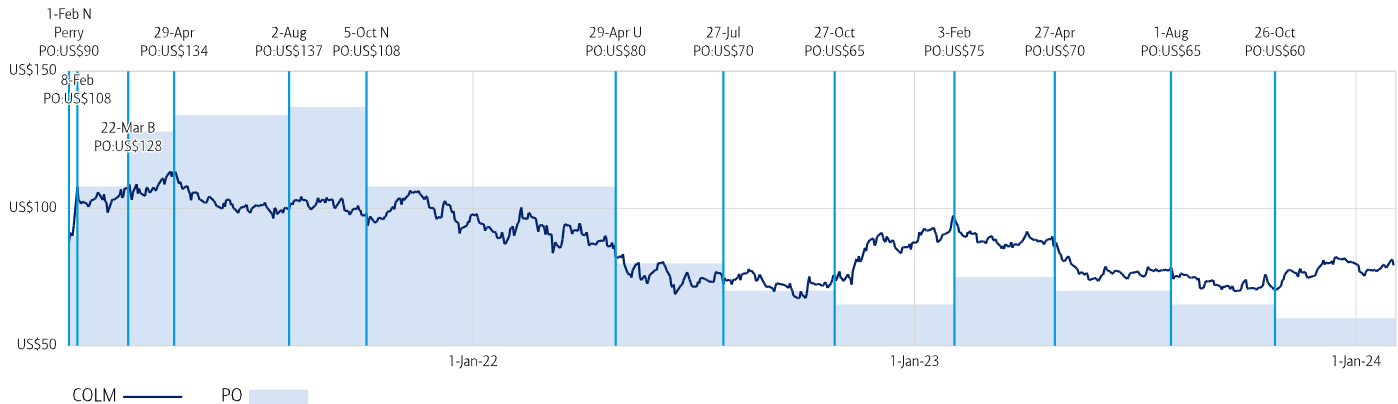
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Disclosures

Important Disclosures

Columbia Sportswear (COLM) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Leisure Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	16	55.17%	Buy	9	56.25%
Hold	7	24.14%	Hold	5	71.43%
Sell	6	20.69%	Sell	4	66.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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