

## Revolve

# Domestic demand remains weak and return rates remain elevated

Reiterate Rating: UNDERPERFORM | PO: 12.50 USD | Price: 17.49 USD

## QTD trending down MSD challenged by dresses

4Q EPS of \$0.05 beat our/Visible Alpha consensus estimates of \$0.04/\$0.02 on sales and gross margin (GM) despite an opex miss. Sales declined 1% to \$257.8mn, as FWRD sales declined 10% and Revolve segment sales grew 1%. QTD sales are trending down MSD but comps get easier in March as sales were +MSD LY at this time followed by a weak March. We continue to expect weakness in demand and elevated return rates that will pressure profitability, and reiterate our Underperform rating. We maintain our F24E EPS estimates but are raising our PO by 19% to \$12.50, still at an 8x EV/EBITDA multiple, now on our F25 estimates (was F24).

## New category growth and international are bright spots

Dresses (25-30% of sales) were down 4.2% in 4Q (-5% F23), while beauty grew 49% (+29% in F23) to 5% of sales (up from 3% LY). Mgmt expects Beauty/Men's/Home to add >\$100m of sales in 2024. International grew 7% in 4Q whereas domestic declined 2%. GM increased 60bp to 52%, benefitting from improved full price mix and lower FWRD segment (vs higher margin Revolve segment) sales, partly offset by lower mix of owned brand sales. We expect these GM tailwinds to continue, but also anticipate growth in international as a percentage of total sales to be a pressure on GM given the high cost of fulfillment associated with international sales.

## AOV impacted by mix of FWRD and beauty

AOV declined 1% to \$303 given a lower mix of FWRD and higher mix of Beauty, although was positive ex-beauty. Active customers grew 9% to 2.5m. The new Revolve x FWRD winter pop-up store in Aspen aided customer awareness and featured merchandise at higher AOVs. We expect the growth in beauty to put downward pressure on AOV.

## Return rates remain above historical levels

Return rates improved sequentially to approximately 58% in 4Q compared to 60% in 3Q, although is still above RVLV's historical 50-55% average. Mgmt noted a typical 1% sequential improvement in return rates in 4Q, but other beneficial factors that aided the improvement include AI-aided recommendations and marketing, Virtual try-on, and higher beauty mix. Going forward mgmt expects a continuation of elevated return rates and guided to flat for 2024. We are modeling slight improvement in return rates to 58% in 2025 and back to 55% in three years as return enhancing initiatives take hold and customer purchasing patterns normalize.

| Estimates (Dec) (US\$)    | 2022A  | 2023A  | 2024E | 2025E | 2026E |
|---------------------------|--------|--------|-------|-------|-------|
| EPS                       | 0.79   | 0.46   | 0.56  | 0.82  | 1.01  |
| EPS Change (YoY)          | -42.8% | -41.8% | 21.7% | 46.4% | 23.2% |
| Consensus EPS (Bloomberg) |        |        | 0.49  | 0.75  | 1.07  |
| DPS                       | 0      | 0      | 0     | 0     | 0     |
| Valuation (Dec)           |        |        |       |       |       |
| P/E                       | 22.1x  | 38.0x  | 31.2x | 21.3x | 17.3x |
| EV / EBITDA*              | 13.0x  | 27.5x  | 18.4x | 12.6x | 10.3x |
| Free Cash Flow Yield*     | 1.4%   | 3.0%   | 0.8%  | 2.6%  | 3.0%  |

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

28 February 2024

### Equity

#### Key Changes

| (US\$)        | Previous | Current |
|---------------|----------|---------|
| Price Obj.    | 10.50    | 12.50   |
| 2024E Rev (m) | 1,083.0  | 1,135.6 |
| 2025E Rev (m) | 1,226.9  | 1,284.9 |
| 2026E Rev (m) | NA       | 1,380.6 |
| 2026E EPS     | NA       | 1.01    |

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### Stock Data

|                                |                       |
|--------------------------------|-----------------------|
| Price                          | 17.49 USD             |
| Price Objective                | 12.50 USD             |
| Date Established               | 28-Feb-2024           |
| Investment Opinion             | C-3-9                 |
| 52-Week Range                  | 12.25 USD - 28.72 USD |
| Mkt Val (mn) / Shares Out (mn) | 1,308 USD / 74.8      |
| Free Float                     | 99.4%                 |
| Average Daily Value (mn)       | 17.85 USD             |
| BofA Ticker / Exchange         | RVLV / NYS            |
| Bloomberg / Reuters            | RVLV US / RVLV.N      |
| ROE (2024E)                    | 10.1%                 |
| Net Dbt to Eqty (Dec-2023A)    | -63.7%                |
| ESGMeter™                      | 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"](#).

GM: gross margin

QTD: quarter to date

LY: last year

FWRD: FORWARD, Revolve's premium segment

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Timestamp: 28 February 2024 12:27AM EST

# iQprofile<sup>SM</sup> Revolve

## iQmethod<sup>SM</sup> – Bus Performance\*

| (US\$ Millions)            | 2022A | 2023A | 2024E | 2025E | 2026E |
|----------------------------|-------|-------|-------|-------|-------|
| Return on Capital Employed | 16.0% | 5.6%  | 8.8%  | 13.0% | 14.3% |
| Return on Equity           | 16.9% | 8.6%  | 10.1% | 14.3% | 15.5% |
| Operating Margin           | 6.6%  | 2.7%  | 4.0%  | 5.4%  | 6.3%  |
| Free Cash Flow             | 18    | 39    | 11    | 34    | 39    |

## iQmethod<sup>SM</sup> – Quality of Earnings\*

| (US\$ Millions)          | 2022A  | 2023A  | 2024E  | 2025E  | 2026E  |
|--------------------------|--------|--------|--------|--------|--------|
| Cash Realization Ratio   | 0.4x   | 1.3x   | 0.5x   | 0.8x   | 0.7x   |
| Asset Replacement Ratio  | 1.1x   | 0.8x   | 1.6x   | 1.4x   | 1.2x   |
| Tax Rate                 | 23.4%  | 25.6%  | 25.0%  | 25.0%  | 25.0%  |
| Net Debt-to-Equity Ratio | -61.8% | -63.7% | -57.6% | -59.1% | -59.9% |
| Interest Cover           | NA     | NA     | NA     | NA     | NA     |

## Income Statement Data (Dec)

| (US\$ Millions)              | 2022A         | 2023A         | 2024E        | 2025E        | 2026E        |
|------------------------------|---------------|---------------|--------------|--------------|--------------|
| Sales                        | 1,101         | 1,069         | 1,136        | 1,285        | 1,381        |
| % Change                     | 23.6%         | -3.0%         | 6.3%         | 13.1%        | 7.4%         |
| Gross Profit                 | 592           | 554           | 602          | 689          | 747          |
| % Change                     | 20.9%         | -6.4%         | 8.7%         | 14.3%        | 8.5%         |
| EBITDA                       | 84            | 40            | 59           | 87           | 107          |
| % Change                     | -29.5%        | -52.6%        | 49.5%        | 46.4%        | 22.6%        |
| Net Interest & Other Income  | 3             | 16            | 6            | 6            | 6            |
| <b>Net Income (Adjusted)</b> | <b>59</b>     | <b>33</b>     | <b>38</b>    | <b>57</b>    | <b>70</b>    |
| <b>% Change</b>              | <b>-43.1%</b> | <b>-43.7%</b> | <b>16.3%</b> | <b>47.9%</b> | <b>23.0%</b> |

## Free Cash Flow Data (Dec)

| (US\$ Millions)                        | 2022A         | 2023A         | 2024E         | 2025E         | 2026E        |
|--|---------------|---------------|---------------|---------------|--------------|
| Net Income from Cont Operations (GAAP) | 59            | 28            | 21            | 38            | 49           |
| Depreciation & Amortization            | 5             | 5             | 6             | 8             | 9            |
| Change in Working Capital              | (40)          | 10            | (16)          | (11)          | (18)         |
| Deferred Taxation Charge               | (6)           | (5)           | 0             | 0             | 0            |
| Other Adjustments, Net                 | 6             | 6             | 9             | 10            | 10           |
| Capital Expenditure                    | (5)           | (4)           | (9)           | (10)          | (11)         |
| <b>Free Cash Flow</b>                  | <b>18</b>     | <b>39</b>     | <b>11</b>     | <b>34</b>     | <b>39</b>    |
| <b>% Change</b>                        | <b>-69.6%</b> | <b>114.3%</b> | <b>-72.9%</b> | <b>218.0%</b> | <b>15.9%</b> |
| Share / Issue Repurchase               | 1             | (30)          | (40)          | 0             | 0            |
| Cost of Dividends Paid                 | 0             | 0             | 0             | 0             | 0            |
| Change in Debt                         | 0             | 0             | 0             | 0             | 0            |

## Balance Sheet Data (Dec)

| (US\$ Millions)                       | 2022A      | 2023A      | 2024E      | 2025E      | 2026E      |
|---------------------------------------|------------|------------|------------|------------|------------|
| Cash & Equivalents                    | 235        | 245        | 216        | 250        | 289        |
| Trade Receivables                     | 5          | 12         | 13         | 13         | 14         |
| Other Current Assets                  | 278        | 271        | 295        | 327        | 358        |
| Property, Plant & Equipment           | 9          | 8          | 11         | 14         | 16         |
| Other Non-Current Assets              | 29         | 36         | 36         | 36         | 36         |
| <b>Total Assets</b>                   | <b>556</b> | <b>572</b> | <b>571</b> | <b>640</b> | <b>712</b> |
| Short-Term Debt                       | 0          | 0          | 0          | 0          | 0          |
| Other Current Liabilities             | 175        | 183        | 192        | 214        | 226        |
| Long-Term Debt                        | 0          | 0          | 0          | 0          | 0          |
| Other Non-Current Liabilities         | NA         | NA         | NA         | NA         | NA         |
| <b>Total Liabilities</b>              | <b>175</b> | <b>183</b> | <b>192</b> | <b>214</b> | <b>226</b> |
| <b>Total Equity</b>                   | <b>380</b> | <b>385</b> | <b>375</b> | <b>422</b> | <b>482</b> |
| <b>Total Equity &amp; Liabilities</b> | <b>555</b> | <b>568</b> | <b>567</b> | <b>636</b> | <b>708</b> |

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Internet/e-Commerce

## Company Description

REVOLVE Group, Inc. is an eCommerce fashion retailer focused on Millennial and Generation Z consumers. The Company mainly markets and sells women's designer apparel, footwear, accessories and beauty styles through two differentiated segments, REVOLVE and FORWARD. The company generates high relative average order values (AOVs) versus peers, with close to 80% of its total net sales in the US.

## Investment Rationale

Our rating on REVOLVE is Underperform. We continue to view it as a long-term structural winner, but we now expect medium-term macro factors to pressure sales. The multiple has compressed significantly from 2021 highs but remains expensive versus peers, and we do not expect it to maintain this multiple as we view sales deceleration imminent. We see risk of downward estimate revision consensus.

## Stock Data

Average Daily Volume 1,020,471

## Quarterly Earnings Estimates

|    | 2023  | 2024  |
|----|-------|-------|
| Q1 | 0.19A | 0.08E |
| Q2 | 0.10A | 0.19E |
| Q3 | 0.11A | 0.16E |
| Q4 | 0.05A | 0.12E |



## Exhibit 1: RVLV Income Statement

We maintain our F24 EPS estimates but are raising our PO by 19% to \$12.50, still at an 8x EV/EBITDA multiple, now on our F25 estimates (was F24).

| Revolve                                      | FY 2022          | 1Q 23          | 2Q 23          | 3Q 23          | 4Q 23          | FY 2023E         | 1Q 24E         | 2Q 24E         | 3Q 24E         | 4Q 24E         | FY 2024E         | 1Q 25E         | 2Q 25E         | 3Q 25E         | 4Q 25E         | FY 2025E         |
|--|------------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|------------------|
| Income Statement (\$ Thousands except AOV)   |                  | Mar            | Jun            | Sep            | Dec            |                  | Mar            | Jun            | Sep            | Dec            |                  | Mar            | Jun            | Sep            | Dec            |                  |
| Revolve Revenue                              | 921,676          | 231,653        | 235,149        | 217,698        | 220,025        | 904,525          | 232,880        | 258,664        | 245,999        | 253,029        | 990,571          | 267,219        | 302,140        | 285,005        | 286,272        | 1,140,637        |
| Forward Revenue                              | 179,740          | 47,956         | 38,580         | 39,905         | 37,753         | 164,194          | 42,618         | 33,714         | 35,257         | 33,448         | 145,036          | 43,392         | 33,533         | 35,222         | 32,113         | 144,259          |
| <b>Net Sales</b>                             | <b>1,101,416</b> | <b>279,609</b> | <b>273,729</b> | <b>257,603</b> | <b>257,778</b> | <b>1,068,719</b> | <b>275,498</b> | <b>292,378</b> | <b>281,255</b> | <b>286,476</b> | <b>1,135,607</b> | <b>310,611</b> | <b>335,673</b> | <b>320,227</b> | <b>318,385</b> | <b>1,284,896</b> |
| Cost of Sales                                | 509,093          | 140,389        | 126,031        | 124,371        | 123,729        | 514,520          | 133,835        | 132,676        | 132,803        | 133,908        | 533,222          | 149,367        | 150,610        | 149,424        | 146,878        | 596,278          |
| Gross Profit                                 | 592,323          | 139,220        | 147,698        | 133,232        | 134,049        | 554,199          | 141,663        | 159,701        | 148,453        | 152,568        | 602,385          | 161,244        | 185,063        | 170,803        | 171,507        | 688,618          |
| Fulfillment                                  | 31,804           | 9,071          | 9,401          | 9,185          | 8,997          | 36,654           | 9,764          | 9,749          | 9,747          | 9,999          | 39,259           | 10,698         | 11,193         | 11,098         | 11,112         | 44,101           |
| Selling and Distribution                     | 190,419          | 51,458         | 50,893         | 48,925         | 45,776         | 197,052          | 50,943         | 52,420         | 50,882         | 48,065         | 202,310          | 56,418         | 59,134         | 57,932         | 52,457         | 225,941          |
| Marketing                                    | 181,648          | 38,343         | 51,497         | 39,581         | 42,353         | 171,774          | 41,602         | 51,497         | 44,331         | 44,951         | 182,380          | 46,905         | 59,123         | 50,980         | 49,957         | 206,965          |
| General and Administrative                   | 115,312          | 28,092         | 28,552         | 28,578         | 34,724         | 119,946          | 33,008         | 29,980         | 30,293         | 39,933         | 133,213          | 35,112         | 32,199         | 32,391         | 42,156         | 141,859          |
| Operating Income                             | 73,140           | 12,256         | 7,355          | 6,963          | 2,199          | 28,773           | 6,345          | 16,056         | 13,200         | 9,622          | 45,223           | 12,112         | 23,415         | 18,401         | 15,824         | 69,753           |
| Other expenses (income), net                 | (3,476)          | (6,585)        | (2,381)        | (3,984)        | (2,677)        | (15,627)         | (1,500)        | (1,500)        | (1,500)        | (1,500)        | (6,000)          | (1,500)        | (1,500)        | (1,500)        | (1,500)        | (6,000)          |
| Pre-tax Income                               | 76,616           | 18,841         | 9,736          | 10,947         | 4,876          | 44,400           | 7,845          | 17,556         | 14,700         | 11,122         | 51,223           | 13,612         | 24,915         | 19,901         | 17,324         | 75,753           |
| Taxes  | 17,919           | 4,669          | 2,433          | 2,871          | 1,382          | 11,355           | 1,961          | 4,389          | 3,675          | 2,780          | 12,806           | 3,403          | 6,229          | 4,975          | 4,331          | 18,938           |
| Tax Rate                                     | 23.4%            | 24.8%          | 25.0%          | 26.2%          | 28.3%          | 25.6%            | 25.0%          | 25.0%          | 25.0%          | 25.0%          | 25.0%            | 25.0%          | 25.0%          | 25.0%          | 25.0%          | 25.0%            |
| Net Income                                   | <b>58,697</b>    | 14,172         | 7,303          | 8,076          | 3,494          | <b>33,045</b>    | 5,884          | 13,167         | 11,025         | 8,341          | <b>38,417</b>    | 10,209         | 18,686         | 14,926         | 12,993         | <b>56,815</b>    |
| <b>Earnings per Share</b>                    | <b>\$0.79</b>    | <b>\$0.19</b>  | <b>\$0.10</b>  | <b>\$0.11</b>  | <b>\$0.05</b>  | <b>\$0.46</b>    | <b>\$0.08</b>  | <b>\$0.19</b>  | <b>\$0.16</b>  | <b>\$0.12</b>  | <b>\$0.56</b>    | <b>\$0.15</b>  | <b>\$0.27</b>  | <b>\$0.22</b>  | <b>\$0.19</b>  | <b>\$0.82</b>    |
| Diluted shares outstanding (wtd. Avg)        | 74,286           | 74,379         | 74,081         | 73,716         | 72,171         | 72,171           | 71,371         | 70,571         | 69,771         | 68,971         | 68,971           | 68,971         | 68,971         | 68,971         | 68,971         | 68,971           |
| <b>Margins</b>                               |                  |                |                |                |                |                  |                |                |                |                |                  |                |                |                |                |                  |
| Gross profit margin                          | 53.8%            | 49.8%          | 54.0%          | 51.7%          | 52.0%          | 51.9%            | 51.4%          | 54.6%          | 52.8%          | 53.3%          | 53.0%            | 51.9%          | 55.1%          | 53.3%          | 53.9%          | 53.6%            |
| bp change y/y                                | (117)            | (468)          | (198)          | (127)          | 57             | (192)            | 163            | 66             | 106            | 126            | 119              | 49             | 51             | 56             | 61             | 55               |
| Operating Expenses (Total)                   | 47.4%            | 45.4%          | 51.3%          | 49.0%          | 51.1%          | 48.6%            | 49.1%          | 49.1%          | 48.1%          | 49.9%          | 47.9%            | 48.0%          | 48.2%          | 47.6%          | 48.9%          | 47.7%            |
| bp change y/y                                | 461              | 98             | 198            | 152            | 383            | 123              | 371            | (214)          | (93)           | (125)          | (70)             | (111)          | (97)           | (50)           | (100)          | (21)             |
| Fulfillment (as % of revenue)                | 2.9%             | 3.2%           | 3.4%           | 3.6%           | 3.5%           | 3.4%             | 3.5%           | 3.3%           | 3.5%           | 3.5%           | 3.5%             | 3.4%           | 3.3%           | 3.5%           | 3.5%           | 3.4%             |
| bp change y/y                                | 50               | 67             | 71             | 56             | 20             | 54               | 30             | (10)           | (10)           | 0              | 3                | (10)           | 0              | 0              | 0              | (2)              |
| Selling and Distribution (as % of revenue)   | 17.3%            | 18.4%          | 18.6%          | 19.0%          | 17.8%          | 18.4%            | 18.5%          | 17.9%          | 18.1%          | 16.8%          | 17.8%            | 18.2%          | 17.6%          | 18.1%          | 16.5%          | 17.6%            |
| bp change y/y                                | 231              | 197            | 68             | 170            | 24             | 115              | 9              | (66)           | (90)           | (98)           | (62)             | (33)           | (31)           | 0              | (30)           | (23)             |
| % change y/y                                 | 15%              | 12%            | 4%             | 10%            | 1%             | 7%               | -1%            | 3%             | 4%             | 5%             | -3%              | 11%            | 13%            | 14%            | 9%             | -1%              |
| per order                                    | 22.9             | 22.6           | 22.4           | 22.9           | 22.6           | 22.6             | 22.1           | 22.1           | 22.7           | 22.4           | 22.3             | 22.6           | 22.6           | 24.0           | 22.7           | 23.0             |
| Marketing (as % of revenue)                  | 16.5%            | 13.7%          | 18.8%          | 15.4%          | 16.4%          | 16.1%            | 15.1%          | 17.6%          | 15.8%          | 15.7%          | 16.1%            | 15.1%          | 17.6%          | 15.9%          | 15.7%          | 16.1%            |
| bp change y/y                                | 74               | (225)          | 91             | (123)          | 104            | (42)             | 139            | (120)          | 40             | (74)           | (1)              | 0              | 0              | 16             | 0              | 5                |
| % change y/y                                 | 5%               | -15%           | -1%            | -11.2%         | 6%             | -3%              | 9%             | 0%             | 12%            | 6%             | 0%               | 13%            | 15%            | 15%            | 11%            | 0%               |
| General and Administrative (as % of revenue) | 10.7%            | 10.0%          | 10.4%          | 11.1%          | 13.5%          | 10.7%            | 12.0%          | 10.3%          | 10.8%          | 13.9%          | 10.6%            | 11.3%          | 9.6%           | 10.1%          | 13.2%          | 10.6%            |
| bp change y/y                                | 106              | 58             | (31)           | 49             | 235            | (4)              | 193            | (18)           | (32)           | 47             | (9)              | (68)           | (66)           | (66)           | (70)           | 0                |
| % change y/y                                 |                  | 6%             | -3%            | 5%             | 21%            | 0%               | 18%            | 5%             | 6%             | 15%            | -1%              | 6%             | 7%             | 7%             | 6%             | 0%               |
| <b>Operating income (adjusted)</b>           | <b>6.6%</b>      | <b>4.4%</b>    | <b>2.7%</b>    | <b>2.7%</b>    | <b>0.9%</b>    | <b>2.7%</b>      | <b>2.3%</b>    | <b>5.5%</b>    | <b>4.7%</b>    | <b>3.4%</b>    | <b>4.0%</b>      | <b>3.9%</b>    | <b>7.0%</b>    | <b>5.7%</b>    | <b>5.0%</b>    | <b>5.4%</b>      |
| <b>bp change y/y</b>                         | <b>(554)</b>     | <b>(565)</b>   | <b>(396)</b>   | <b>(279)</b>   | <b>(326)</b>   | <b>(395)</b>     | <b>(208)</b>   | <b>280</b>     | <b>199</b>     | <b>251</b>     | <b>129</b>       | <b>160</b>     | <b>148</b>     | <b>105</b>     | <b>161</b>     | <b>145</b>       |
| <b>% change y/y</b>                          |                  |                |                |                |                |                  |                |                |                |                |                  |                |                |                |                |                  |
| Sales  | 24%              | -1%            | -6%            | -4%            | -1%            | -3%              | -1%            | 7%             | 9%             | 11%            | 6%               | 13%            | 15%            | 14%            | 11%            | 13%              |
| EBIT   | -33%             | -57%           | -62%           | -53%           | -79%           | -61%             | -48%           | 118%           | 90%            | 338%           | 57%              | 91%            | 46%            | 39%            | 64%            | 54%              |
| <b>EPS</b>                                   | <b>-43%</b>      | <b>-37%</b>    | <b>-55%</b>    | <b>-32%</b>    | <b>-54%</b>    | <b>-42%</b>      | <b>-57%</b>    | <b>89%</b>     | <b>44%</b>     | <b>150%</b>    | <b>22%</b>       | <b>80%</b>     | <b>45%</b>     | <b>37%</b>     | <b>56%</b>     | <b>48%</b>       |

Source: BofA Global Research estimates, company filings

BofA GLOBAL RESEARCH

## Price objective basis & risk

### Revolve (RVLV)

Our \$12.50 price objective is based on 8x F25E EV/EBITDA, in line with a group of digitally native peers.

Upside risks: Results could hold up better in the near term than other retailers given its primarily fashion offering (versus casual) and higher-end demographic focus, estimate cuts could be greeted with a surge in the stock as the worst is behind, or the macro climate could fare better than we expect, paving the way for better sales growth than we are modeling.

Downside risks: the consumer could pull back faster than we expect due to inflation, pandemic-recovery margin gains may unwind through higher promotional activity, execution on the ramp of owned brand penetration, and shifts in the broader consumer trends away from products in categories Revolve offers.

## Analyst Certification

I, Alice Xiao, 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 - Softline Retailing and Dept Stores Coverage Cluster

| Investment rating   | Company                 | BofA Ticker | Bloomberg symbol | Analyst                  |
|---------------------|-------------------------|-------------|------------------|--------------------------|
| <b>BUY</b>          |                         |             |                  |                          |
|                     | Amer Sports Inc         | AS          | AS US            | Lorraine Hutchinson, CFA |
|                     | Bath & Body Works Inc   | BBWI        | BBWI US          | Lorraine Hutchinson, CFA |
|                     | Burlington Stores       | BURL        | BURL US          | Lorraine Hutchinson, CFA |
|                     | Crocs, Inc.             | CROX        | CROX US          | Christopher Nardone      |
|                     | Deckers Outdoor Corp    | DECK        | DECK US          | Christopher Nardone      |
|                     | European Wax Center     | EW CZ       | EW CZ US         | Lorraine Hutchinson, CFA |
|                     | lululemon athletica Inc | LULU        | LULU US          | Lorraine Hutchinson, CFA |
|                     | Oddity Tech             | ODD         | ODD US           | Lorraine Hutchinson, CFA |
|                     | PVH Corp                | PVH         | PVH US           | Christopher Nardone      |
|                     | Ralph Lauren            | RL          | RL US            | Christopher Nardone      |
|                     | Ross Stores Inc         | ROST        | ROST US          | Lorraine Hutchinson, CFA |
|                     | Tapestry Inc.           | TPR         | TPR US           | Lorraine Hutchinson, CFA |
|                     | TJX Companies           | TJX         | TJX US           | Lorraine Hutchinson, CFA |
|                     | Urban Outfitters        | URBN        | URBN US          | Lorraine Hutchinson, CFA |
|                     | Victoria's Secret & Co  | VSCO        | VSCO US          | Alice Xiao               |
| <b>NEUTRAL</b>      |                         |             |                  |                          |
|                     | American Eagle          | AEO         | AEO US           | Christopher Nardone      |
|                     | Birkenstock             | BIRK        | BIRK US          | Lorraine Hutchinson, CFA |
|                     | FIGS, Inc.              | FIGS        | FIGS US          | Alice Xiao               |
|                     | Foot Locker             | FL          | FL US            | Lorraine Hutchinson, CFA |
|                     | Levi Strauss & Co.      | LEVI        | LEVI US          | Christopher Nardone      |
|                     | Nike                    | NKE         | NKE US           | Lorraine Hutchinson, CFA |
|                     | Signet Jewelers         | SIG         | SIG US           | Lorraine Hutchinson, CFA |
|                     | Ulta Beauty             | ULTA        | ULTA US          | Lorraine Hutchinson, CFA |
|                     | Under Armour Inc        | UAA         | UAA US           | Lorraine Hutchinson, CFA |
| <b>UNDERPERFORM</b> |                         |             |                  |                          |
|                     | Aritzia                 | YATZ        | ATZ CN           | Alice Xiao               |
|                     | Aritzia                 | ATZAF       | ATZAF US         | Alice Xiao               |
|                     | Carter's Inc            | CRI         | CRI US           | Christopher Nardone      |
|                     | Gap Inc.                | GPS         | GPS US           | Lorraine Hutchinson, CFA |
|                     | Kohl's                  | KSS         | KSS US           | Lorraine Hutchinson, CFA |
|                     | Nordstrom               | JWN         | JWN US           | Lorraine Hutchinson, CFA |
|                     | Revolve                 | RVLV        | RVLV US          | Alice Xiao               |

## US - Softline Retailing and Dept Stores Coverage Cluster

| Investment rating | Company  | BofA Ticker | Bloomberg symbol | Analyst                  |
|-------------------|----------|-------------|------------------|--------------------------|
|                   | V F Corp | VFC         | VFC US           | Lorraine Hutchinson, CFA |
| <b>RSTR</b>       | Macy's   | M           | M US             | Lorraine Hutchinson, CFA |

**iQmethod<sup>SM</sup> 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**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + 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  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities  
Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + 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  
Market Cap = Current Share Price × Current Basic Shares  
Sales

Basic EBIT + Depreciation + Amortization

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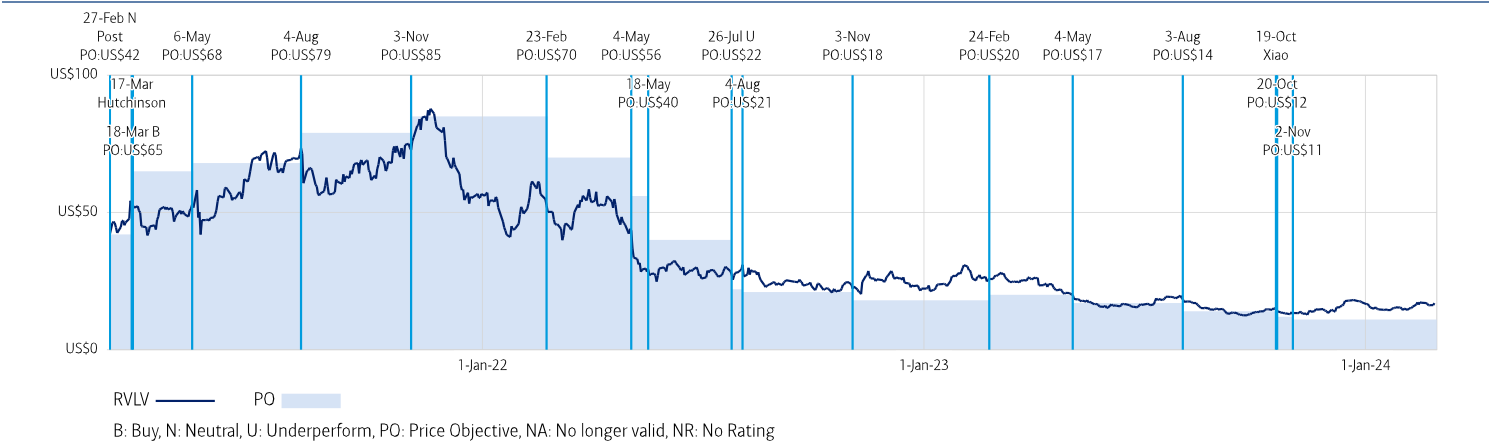
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Revolve (RVLV) Price Chart



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

| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 215   | 53.09%  | Buy                                      | 111   | 51.63%  |
| Hold              | 97    | 23.95%  | Hold                                     | 45    | 46.39%  |
| Sell              | 93    | 22.96%  | Sell                                     | 24    | 25.81%  |

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

| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | 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%  |

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

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