

YETI Holdings, Inc.

Bull vs. Bear: Competitive environment implies more caution on 2024

Reiterate Rating: NEUTRAL | PO: 50.00 USD | Price: 45.87 USD

Innovation and freight & mix benefits should continue

YETI is expected to report 4Q23 earnings on Thursday 2/22. YETI has seen continued improvement in gross margin in F23 supported by the recovery of inbound freight (as container costs have remained flat) and favorable product costs. We see potential upside to 4Q adjusted EPS given that the sales mix shift to DTC (from wholesale) should remain a modest tailwind in 4Q (see Exhibit 14) and remaining product recall reserves (we estimate to be ~\$26MM heading into 4Q) could also support adjusted EPS.

Competitive environment more difficult this holiday

We believe YETI drinkware faced stronger competition this holiday as “Stanley” search trends remained well ahead of YETI, peaking in December (see Exhibit 5). Retailers including DKS appeared to be significantly elevating their presentation of Stanley straw-lid tumblers (which we believe was a top gifting item). YETI also competes with lower price-point private label and brands on discount including Hydro Flask which offered 25% off on Black Friday. YETI online observed sales trends decelerated sequentially in 4Q driven by a decline in observed transactions according to Bloomberg Second Measure credit & debit card data (see Exhibit 8).

Expect more cautious 2024 outlook; Lower EPS

Given Stanley’s continued momentum and broad distribution we believe drinkware competition will continue into 1H24 as in-demand colors are replenished. YETI will also anniversary tough comparisons against LY’s pent-up demand for YETI coolers at DKS and ASO given shortages from supply chain disruptions (which may have pulled forward purchases into “restocked” 1H23). We lower our F24 adj. EPS estimate to \$2.65 (from \$2.80) to reflect our more cautious sales growth outlook. Our PO is unchanged at \$50, roughly 17x our F25E adj. EPS of \$3.00 (was \$3.25) (vs prior 18x F24E).

Long-term strategy remains intact; Reiterate Neutral

We reiterate our Neutral rating given we believe YETI’s long-term strategy is still intact and should be supported by: (1) product expansion (including innovation in drinkware and group sharing / entertainment options); (2) further international expansion with potential to reach 20-25% of sales LT; (3) continued support from lower inbound freight costs & increased DTC penetration; and (4) opportunity for M&A given strong cash generation, balanced with share buybacks in 2024. See Exhibit 4 for our bull vs. bear case analysis.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	2.57	2.37	2.32	2.65	3.00
GAAP EPS	2.42	1.03	1.95	3.33	3.79
EPS Change (YoY)	36.7%	-7.8%	-2.1%	14.2%	13.2%
Consensus EPS (Bloomberg)			2.32	2.67	3.01
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	18.1x	19.6x	20.0x	17.5x	15.5x
GAAP P/E	19.2x	45.1x	23.8x	13.9x	12.3x
EV / EBITDA*	11.6x	12.1x	12.0x	10.6x	9.4x
Free Cash Flow Yield*	7.0%	-0.2%	1.7%	7.3%	9.6%

* For full definitions of *IQmethod*SM measures, see page 13.

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Timestamp: 24 January 2024 01:58PM EST

24 January 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	1,862.7	1,830.5
2025E Rev (m)	2,066.5	2,017.2
2024E EPS	2.80	2.65
2025E EPS	3.25	3.00

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Stock Data

Price	45.87 USD
Price Objective	50.00 USD
Date Established	12-Dec-2023
Investment Opinion	C-2-9
52-Week Range	34.70 USD - 54.16 USD
Mkt Val (mn) / Shares Out (mn)	3,984 USD / 86.9
Free Float	99.3%
Average Daily Value (mn)	55.08 USD
BofA Ticker / Exchange	YETI / NYS
Bloomberg / Reuters	YETI US / YETI.N
ROE (2023E)	34.1%
Net Dbt to Eqty (Dec-2022A)	-26.3%
ESGMeter TM	High

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".

DKS: Dick's Sporting Goods

ASO: Academy Sports + Outdoors

LY: last year

LT: long term

YTD: year-to-date

DTC: Direct-to-Consumer

M&A: mergers and acquisitions

iQprofileSM YETI Holdings, Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	38.7%	29.2%	26.5%	23.0%	19.1%
Return on Equity	56.5%	39.5%	34.1%	27.6%	21.7%
Operating Margin	20.9%	16.8%	16.1%	17.1%	17.6%
Free Cash Flow	282	(10)	68	294	387

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.6x	0.2x	0.6x	1.5x	1.7x
Asset Replacement Ratio	2.3x	1.1x	1.3x	1.4x	1.3x
Tax Rate	20.9%	23.8%	25.3%	25.1%	25.1%
Net Debt-to-Equity Ratio	-37.1%	-26.3%	-47.3%	-67.8%	-75.5%
Interest Cover	NM	NM	NM	NM	NM

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	1,411	1,634	1,700	1,830	2,017
% Change	29.2%	15.8%	4.0%	7.7%	10.2%
Gross Profit	816	860	960	1,038	1,152
% Change	29.8%	5.4%	11.5%	8.2%	11.0%
EBITDA	327	314	316	357	404
% Change	28.4%	-4.0%	0.6%	13.1%	13.1%
Net Interest & Other Income	(4)	(4)	(3)	(3)	(3)
Net Income (Adjusted)	228	206	203	232	264
% Change	38.2%	-9.4%	-1.7%	14.4%	13.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	230	206	203	232	264
Depreciation & Amortization	32	40	41	45	49
Change in Working Capital	123	23	(55)	(41)	2
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(30)	(234)	(65)	120	138
Capital Expenditure	(73)	(45)	(56)	(61)	(66)
Free Cash Flow	282	-10	68	294	387
% Change	NM	NM	NM	329.1%	31.6%
Share / Issue Repurchase	29	36	0	0	1
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	18	(32)	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	312	235	410	785	1,167
Trade Receivables	110	79	91	100	114
Other Current Assets	348	405	375	376	411
Property, Plant & Equipment	119	125	139	155	172
Other Non-Current Assets	207	233	235	237	239
Total Assets	1,096	1,077	1,251	1,654	2,104
Short-Term Debt	25	25	25	25	25
Other Current Liabilities	369	372	409	460	507
Long-Term Debt	96	72	72	72	72
Other Non-Current Liabilities	89	82	82	82	82
Total Liabilities	579	550	587	638	685
Total Equity	518	526	664	1,016	1,418
Total Equity & Liabilities	1,096	1,077	1,251	1,654	2,104

* For full definitions of iQmethodSM measures, see page 13.

Company Sector

Leisure

Company Description

YETI is the leading designer, marketer and distributor of "premium" outdoor lifestyle hard cooler, soft cooler and (stainless-steel) drinkware products in the U.S. Founded in 2006 by brothers Roy and Ryan Seiders and headquartered in Austin, TX.

Investment Rationale

We rate YETI shares Neutral as we expect challenging near term direct-to-consumer outlook to be partially offset by strong long-term strategy supported by product expansion & international.

Stock Data

Average Daily Volume 1,200,729

Quarterly Earnings Estimates

	2022	2023
Q1	0.33A	0.18A
Q2	0.63A	0.57A
Q3	0.63A	0.60A
Q4	0.78A	0.97E

F4Q Preview

YETI is expected to report 4Q23 earnings on Thursday, February 22nd. We forecast 4Q adjusted EPS of \$0.97 (vs. Visible Alpha consensus of \$0.96) and 4Q adjusted gross margin of 58.6% (vs. Visible Alpha consensus of 58.8%). We model 2023 adjusted EPS in-line with Visible Alpha consensus of \$2.32.

Exhibit 1: YETI 4Q23 BofA vs. Consensus Analysis

We forecast YETI 4Q23 adj. EPS \$0.97 vs. Visible Alpha Consensus of \$0.96

	BofA Est.	Consensus Est.	Delta (BofA-Consensus)	y/y % change (BofA)
Adjusted Net Sales	\$536.2	\$536.3	-\$0.1	10.2%
Adj. Gross Margin	58.6%	58.8%	-20bps	+430bps
Adj. EBIT Margin	21.3%	20.9%	40bps	+300bps
Adjusted EPS	\$0.97	\$0.96	\$0.01	24.0%

Source: Visible Alpha, BofA Global Research Estimates, Bloomberg; Note: \$mns, except per share data

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Exhibit 2: YETI C2023 BofA vs. Consensus Analysis

We forecast YETI C2023 adj. EPS \$2.32, in-line with Visible Alpha Consensus

	BofA Est.	Consensus Est.	Delta (BofA-Consensus)	y/y % change (BofA)
Adjusted Net Sales	\$1,699.7	\$1,699.7	--	4.0%
Adj. Gross Margin	56.5%	56.4%	+10bps	+380bps
Adj. EBIT Margin	16.1%	16.1%	--	-65bps
Adjusted EPS	\$2.32	\$2.32	--	-1.9%

Source: Visible Alpha, BofA Global Research Estimates, Bloomberg; Note: \$mns, except per share data

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Exhibit 3: YETI C2024 BofA vs. Consensus Analysis

We forecast YETI C2024 adj. EPS \$2.65, below Visible Alpha Consensus of \$2.69

	BofA Est.	Consensus Est.	Delta (BofA-Consensus)	y/y % change (BofA)
Adjusted Net Sales	\$1,830.5	\$1,850.4	-\$19.9	7.7%
Adj. Gross Margin	56.7%	57.6%	-90bps	+20bps
Adj. EBIT Margin	17.1%	17.1%	--	+90bps
Adjusted EPS	\$2.65	\$2.69	-\$0.04	+14.0%

Source: Visible Alpha, BofA Global Research Estimates, Bloomberg; Note: \$mns, except per share data

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Exhibit 4: YETI Bull/Bear Debate

We believe investor sentiment remains mixed on YETI and outline key arguments on both the bull and bear cases

	YETI - BULL	YETI - BEAR
Sales	YETI's long-term strategy is supported by product/category expansion and innovation (we estimate core product count has expanded 4-5x since 2016) & international. We model 10.2% revenue growth in 4Q given launch of redesigned soft coolers and expect wholesale will return to LSD-MSD% growth next year (as YETI builds up Tractor Supply account). YETI expects to see more balanced growth between drinkware & coolers/equipment. YETI now has 17 owned stores that support its omnichannel strategy. DKS appears to be increasing investment in "hydration" and drinkware competitor Stanley could fall out of favor in 2024.	Coolers and drinkware are very competitive categories and YETI has seen a number of new entrants in drinkware in the last 12-18 months. Google search volume for "Stanley" nearly doubled vs. earlier this year and DKS and other retailers are significantly elevating their presentation of Stanley tumblers. YETI competitors have strong seasonal color launches & customization capabilities (Hydro Flask (HELE) offered free customization during holiday). YETI is guiding for adjusted sales to increase ~4% in 2023, below long-term growth algorithm of 10-15%. YETI was a beneficiary of Solitary Leisure during the pandemic as people spent more time outdoors but spending trends are normalizing to 2019 levels (see Exhibit 13).
Macro	Inflation, higher interest rates, and concerns of a recession have negatively impacted discretionary spend, but the YETI customer may be less price-sensitive, and YETI is not seeing lower price point trade down. YETI is working to enhance purchase occasions in-between key buying events such as "Moms, dads, and grads" and gifting for holiday with new color launches.	YETI is competing for attention as consumers are more discerning with spend, and macro pressures could worsen. Potential weakness in higher price point spectrum/big ticket and a longer replacement cycle given durability of the product are risks. Consumers could also shift to more affordable competitors & private label (priced 30-40% below YETI on average). YETI may be losing impulse purchases as consumers increasingly focus discretionary spending on "appointment" shopping periods (Holiday, Back-to-School, etc.)
International	YETI remains significantly underpenetrated in international (incl. Canada, Australia, Europe & Japan) which have seen outsized growth and have the potential to reach 20-25% of total sales (we estimate international will make up 15% of total sales in F23). YETI continues to make progress (added drinkware customization to e-commerce channel in Australia in 3Q).	International expansion requires continued investment and YETI doesn't have great visibility on global sell through (YETI only has U.S. sell through data). However, YETI has seen slower growth in Canada given similar demand trends as the U.S. and similar outsized impact of soft cooler recall.
Gross Margin	Freight rates have stabilized near pre-pandemic levels and should continue to support gross margin through 2023 (and into 2024). Gross margin is also supported by higher Direct-to Consumer (DTC) & drinkware penetration (we estimate DTC channel gross margin is 1000-1500bps higher than wholesale). We expect YETI will see most of freight benefit in 1H24 and mix should be a modest tailwind going forward (see Exhibit 14 for gross margin bridge).	Strong margins could be unsustainable given possible supply chain constraints, FX pressures, and heavy reliance on a few suppliers. Instead of downsizing wholesale distribution, YETI recently added Tractor Supply as a partner. As YETI expands internationally, some regions may be lower margin.
EBIT Margin	YETI full-year (2023) guidance implies operating margin of 16% (the high end of previously given range) with a return to 20%+ operating margins in 4Q. YETI could see EBIT margin improvement in C24 if variable SG&A expenses (incentive comp & impact of recall/stop sale) have less of an ongoing impact (YETI intends to lever OpEx over time).	YETI hasn't returned to peak operating margins in 2016 of 20%+. The Amazon channel has a lower EBIT margin than yeti.com given higher listing fees (fulfillment Opex varies across categories). SG&A growth could stay higher for longer and continue to outpace revenue if impacts from the recall linger and YETI continues to invest for growth.
E-commerce	YETI has seen lower average order values in the e-commerce channel, but Bloomberg data shows an improvement in online average order value in 4Q vs. 3Q (see Exhibit 9). DTC represents a larger % of revenue (we expect 60% penetration in 2023 vs. 42% in 2019) which has better margin profile vs. wholesale. YETI believes the AMZN customer is sticky and differentiated vs. one shopping yeti.com (more value and drinkware focused).	A battle for digital traffic could increase digital acquisition costs and result in higher marketing spend (while we see an acceleration in YETI web traffic in 4Q Stanley continues to significantly outpace YETI - see Exhibit 6). As DTC penetration increases, YETI has lower revenue visibility given demand is uncertain until a consumer makes a purchase (vs. wholesale business given largest retailers are generally ordering at least 6-9 months out).
Valuation	YETI currently trades at ~15.5x 2-yr forward P/E (below 5-year historical average of ~22.1x). YETI has a strong return on invested capital vs. peers (see Exhibit 17), ability to generate cash and share repurchases could continue to support earnings.	YETI shares are trading at ~15.5x P/E, below our coverage average of ~18.0x. Given drinkware competition and tougher comparisons in high-ticket coolers (as we lap pent up demand in 1H23), we could see more downside risk vs. upside opportunity into 2024. Lower-than-expected sales and EBIT margin downside could lead to P/E multiple compression from current levels. High short interest (~19% of float) could lead to elevated volatility and short squeeze.
Other	YETI could be having a "correction year" as sales have been materially adversely impacted by the stop sale of certain soft coolers. We believe \$8mn in recall-related expenses remain outstanding in F23 (YETI sales outlook does not include impact of gift card redemptions in 4Q). M&A is "front and center" in 2024 (YETI recently hired VP of Corporate Development) as YETI looks for opportunities to feed the YETI brand.	Recall reserve adjustments have impacted sales, COGS, and SG&A and we believe recall adjustments could distort sales comparisons (y/y) despite YETI having full portfolio of products back in the market (including innovation launched in 2H23) in 2024. We also believe 2024 guidance could be back-half weighted.

Source: BofA Global Research, Company reports

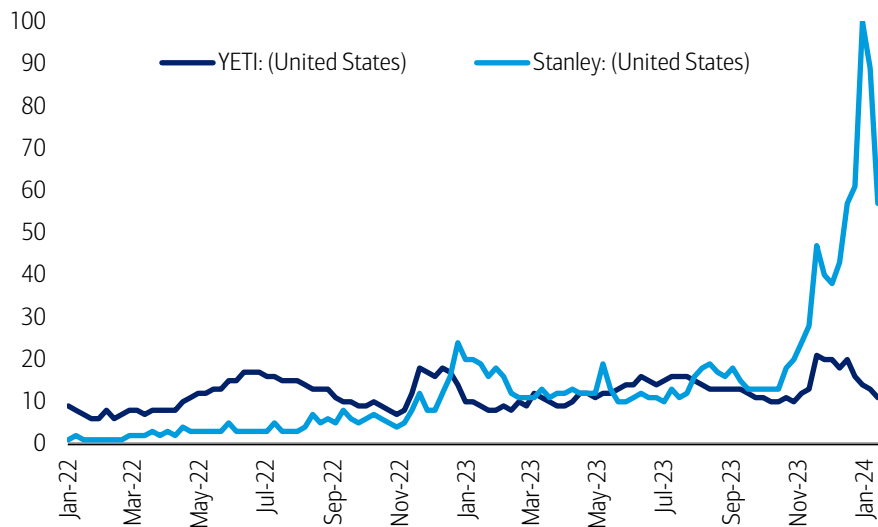
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Competitive environment more difficult this holiday

We believe YETI drinkware faced stronger competition this holiday as “Stanley” search trends remained well ahead of YETI, peaking in December (see Exhibit 5). Retailers including DKS appeared to be significantly elevating their presentation of Stanley straw-lid tumblers (which we believe was a top gifting item). YETI also competes with lower price-point private label and brands on discount including Hydro Flask which offered 25% off on Black Friday. Given Stanley’s continued momentum and broad distribution we believe drinkware competition will continue into 1H24 as in-demand colors are replenished.

Exhibit 5: Google Searches for Yeti vs. Stanley (Rebased to 100= most searches in time period)

Stanley search trends remain well ahead of YETI after peaking in December

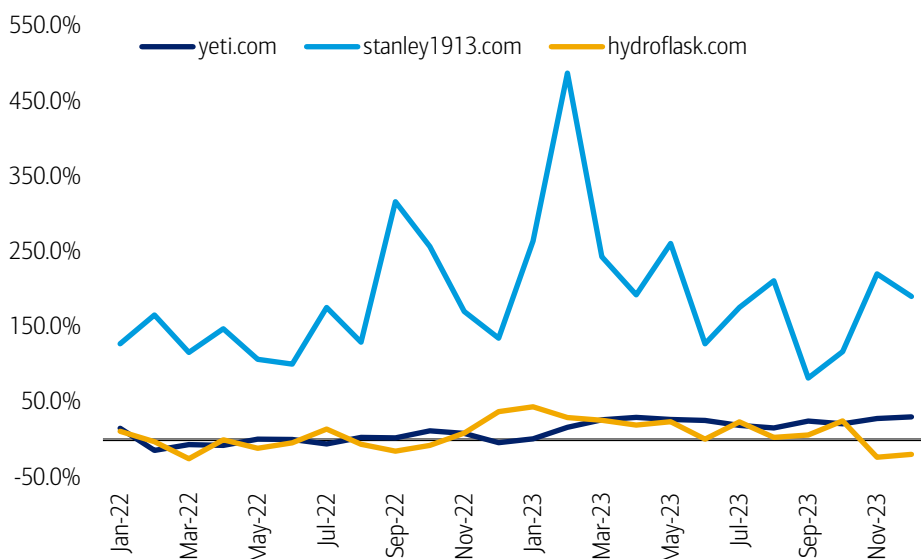


Source: Google Trends

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Exhibit 6: Y/Y% change in web traffic for yeti.com vs. stanley1913.com vs. hydroflask.com

Stanley web traffic is up 90.7% y/y in December vs. YETI up 30.5% and Hydro Flask down (19.4)%



Source: SimilarWeb

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Exhibit 7: Straw-lid Mug/Tumbler Prices by Brand

Hydro Flask offered a 25% discount on 40oz Tumbler through Black Friday weekend

Brand	Type of Straw-lid Mug/Tumbler	Price
Yeti	Rambler Straw Mug (42oz)	\$45
Stanley	Quencher H2.0 Flowstate Tumbler (40oz)	\$45
Hydro Flask	All Around Travel Tumbler (40oz)	\$45*
Yeti	Rambler Straw Mug (35oz)	\$42
Hydro Flask	All Around Travel Tumbler (32oz)	\$40*
Owala	Tumbler (40oz)	\$38
Stanley	Quencher H2.0 Flowstate Tumbler (30oz)	\$35

Source: Company websites; *was 25% off

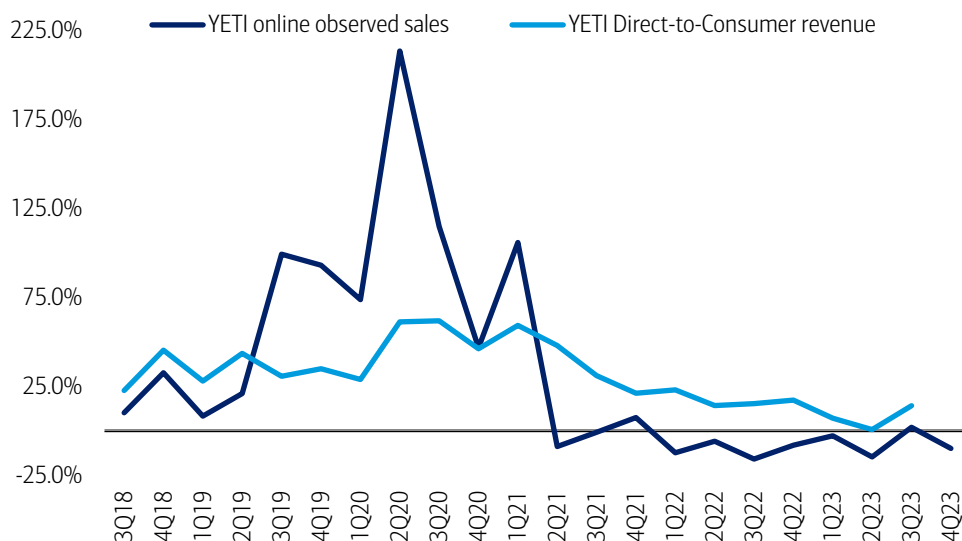
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Card data implies a deceleration in online transactions

According to Bloomberg Second Measure credit and debit card data, YETI online spending trends (78% correlated with YETI Direct-to-Consumer revenue since 1Q20) decelerated to (9.9)% in 4Q from 2.0% observed in 3Q. In 4Q, YETI expects to see a continuation of recent trends including cautious ordering patterns in the wholesale channel, weaker corporate sales growth (vs. last year), and lower average order values in the e-commerce channel. YETI's online average transaction value (ATV) remains negative but improved in 4Q while online observed transactions decelerated sequentially in 4Q compared to 3Q according to Bloomberg data.

Exhibit 8: Y/Y% change in YETI observed sales (Bloomberg Second Measure credit & debit card data) vs. Y/Y % change in YETI Direct-to-Consumer revenue

78% correlation since 1Q20



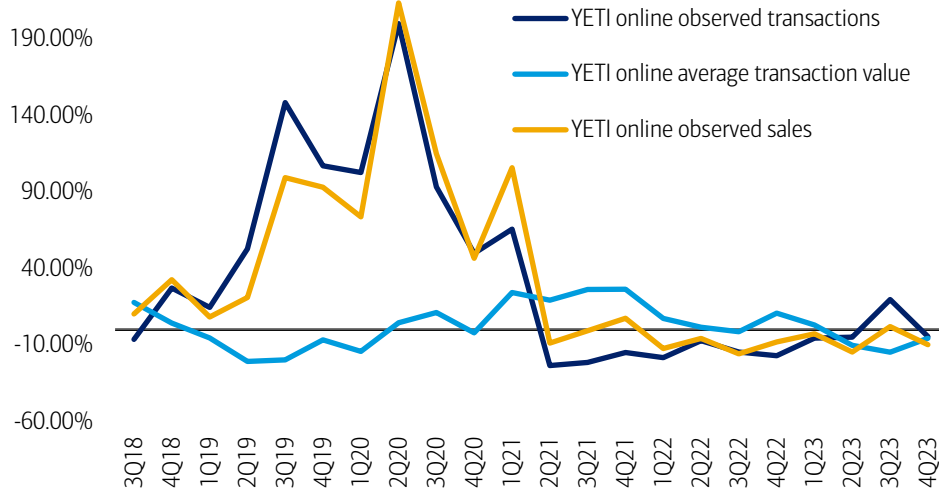
Source: Bloomberg Financial LP- ALTD <GO>

Yeti online sales include credit & debit card transactions at yeti.com

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Exhibit 9: YETI online observed sales vs. observed transactions and average transaction value according to Bloomberg Second Measure credit & debit card data

Online observed transactions decelerate in 4Q while average transaction value sees slight improvement



Source: Bloomberg Financial LP- ALTD <GO>

Yeti online sales include credit & debit card transactions at yeti.com

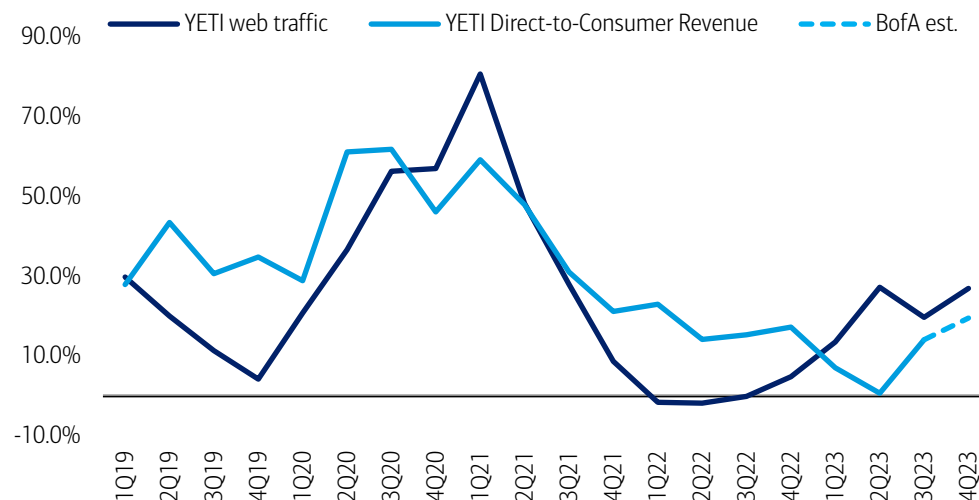
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Web traffic implies acceleration in 4Q DTC revenue

YETI web traffic data according to SimilarWeb (72% correlated with DTC revenue since 1Q19) accelerated to 27.0% in 4Q (October-December) vs. 19.7% in 3Q, while we are modeling a 19.6% acceleration in DTC revenue (vs. consensus of 20.7%). Web traffic (visits to yeti.com) could be impacted by Amazon Marketplace penetration (e.g. web traffic implied a deceleration in DTC revenue in 3Q, but DTC revenue was supported by greater volume in the Amazon business on Prime Day in July). Placer geolocation data implies foot traffic at sample of four YETI-owned stores improved y/y in December.

Exhibit 10: YETI Direct-to-Consumer revenue vs. YETI web traffic according to SimilarWeb

72% correlation between DTC revenue and web traffic since 1Q19



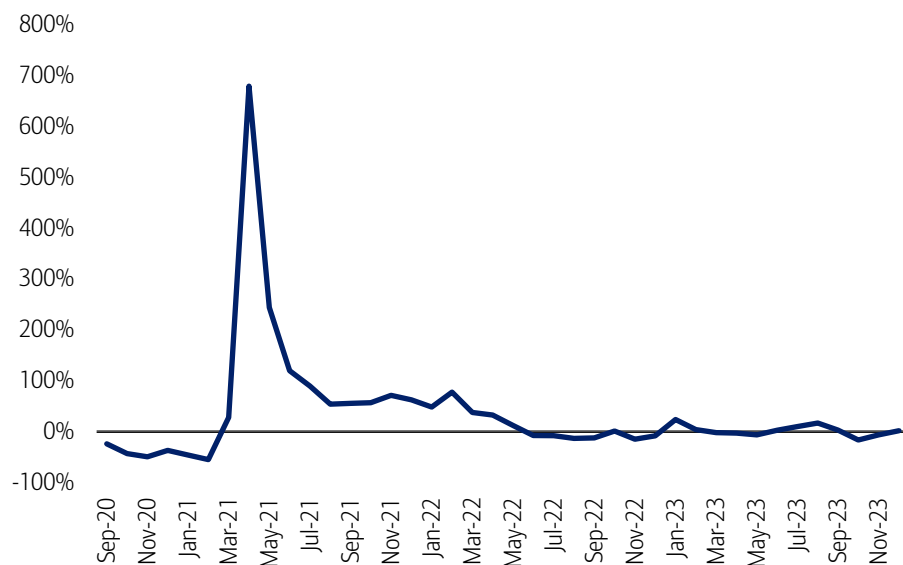
Source: BofA Global Research, SimilarWeb, Company filings

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Exhibit 11: Y/Y% change in YETI owned store traffic (Chicago, Charleston, Austin, Denver)

Foot traffic according to Placer improves y/y in December



Source: Placer

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Exhibit 12: YETI Estimated Sales Penetration by Category (% of total revenue)

DTC revenue includes YETI website & owned stores, corporate sales, and AMZN marketplace (we expect 60/40 DTC and wholesale split in C23)

	2022	2021	2020
Yeti website & owned stores	30.4%	31.7%	28.2%
Corporate Sales	14.6%	11.1%	10.6%
Amazon Marketplace	13.5%	12.8%	14.4%
Wholesale	41.5%	44.4%	46.8%

Source: BofA Global Research estimates, Company filings

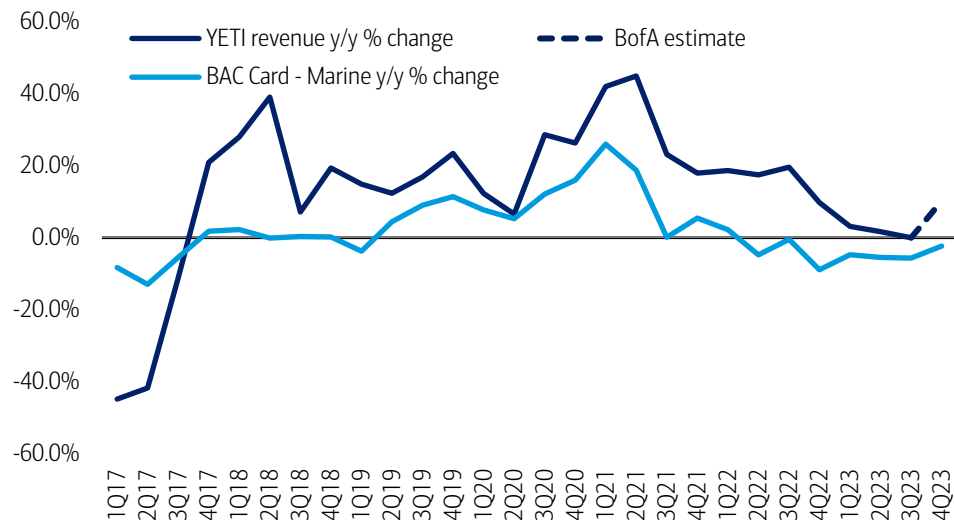
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Marine spending normalizing to pre-pandemic levels

According to BAC aggregated credit and debit card data, spending at marinas (boat leases & rentals and marine service and supplies) declined (2.3)% y/y in 4Q, an improvement from (5.6)% in 3Q. On a 4 yr. basis, spending at marinas increased 8.9% in 4Q from 5.5% in 3Q. Y/Y Marine spending (83% correlated with YETI revenue growth) was negative the last seven quarters as spending in the category continues to normalize to pre-pandemic levels.

Exhibit 13: Quarterly YETI revenue y/y % quarterly change vs. BAC card spending on Marine Equipment y/y % quarterly change

83% correlation between YETI revenue growth and Marine Equipment spending (since 1Q20)



Source: BAC Internal Data, Company Filings, BofA Global Research estimates

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See the latest [BofA on USA](#) note for an explanation of the methodology, disclaimers and limitations related to BAC card data.



Inbound freight and mix benefits should continue

YETI has seen continued improvement in gross margin in C23 supported by the recovery of inbound freight (as container costs have remained flat) and favorable product costs. We model 4Q gross margin in-line with our forecast of 58.6%, a sequential improvement from 3Q, supported by lower freight costs. In F24, we expect YETI will see more freight benefit (mostly in 1H24) and mix should be a modest tailwind.

Exhibit 14: YETI Gross Margin Bridge (C2020-C2025)

We expect Gross Margin to see continued support in F24E from freight and channel mix benefits

	LY Gross Margin	Inbound Freight		Product Costs		FX rates & Hedging		Pricing Actions		Channel & Product Mix		Product Recalls		Inventory Reserves		Other Costs		CY Gross Margin
F1Q20	49.3%	0.7%	1	1.7%	3	-	-	-	-	0.8%	1	-	-	0.5%	1	(0.0%)	(0)	53.0%
F2Q20	50.2%	0.2%	0	1.2%	3	0.7%	2	-	-	4.3%	11	-	-	0.9%	2	(1.8%)	(4)	55.7%
F3Q20	52.4%	0.7%	2	1.1%	3	0.9%	3	-	-	2.9%	9	-	-	0.7%	2	0.3%	1	59.1%
F4Q20	54.5%	0.6%	2	2.1%	8	0.6%	2	-	-	2.0%	8	-	-	(0.8%)	(3)	0.8%	3	59.8%
F2020	52.0%	0.5%	5	1.5%	16	0.6%	7	-	-	2.8%	31	-	-	0.2%	2	0.4%	(1)	57.6%
F1Q21	53.0%	1.4%	3	1.4%	3	0.5%	1	-	-	1.8%	4	-	-	-	-	0.5%	1	58.6%
F2Q21	55.7%	(0.3%)	(1)	0.9%	3	(0.8%)	(3)	-	-	1.1%	4	-	-	0.8%	3	1.1%	4	58.5%
F3Q21	59.1%	(2.1%)	(8)	0.5%	2	(1.1%)	(4)	-	-	-	-	-	-	1.4%	5	(0.7%)	(2)	57.1%
F4Q21	59.8%	(1.7%)	(8)	(0.8%)	(4)	(0.9%)	(6)	-	-	0.1%	0	-	-	1.3%	6	(0.3%)	(3)	57.5%
F2021	57.6%	(0.9%)	(13)	0.4%	6	(0.8%)	(11)	-	-	0.6%	8	-	-	1.0%	14	(0.1%)	(1)	57.8%
F1Q22	58.6%	(6.8%)	(20)	(0.3%)	(1)	(0.6%)	(2)	1.4%	4	0.9%	3	-	-	-	-	(0.5%)	(1)	52.7%
F2Q22	58.5%	(6.3%)	(26)	(1.5%)	(6)	-	-	1.7%	7	(0.4%)	(2)	-	-	-	-	0.2%	1	52.2%
F3Q22	57.1%	(4.9%)	(21)	(1.5%)	(7)	(0.7%)	(3)	1.7%	7	(0.2%)	(1)	-	-	-	-	(0.2%)	(1)	51.3%
F4Q22	57.5%	(3.3%)	(16)	(1.2%)	(6)	(1.0%)	(5)	1.8%	9	1.0%	5	-	-	-	-	(0.5%)	(3)	54.3%
F2022	57.8%	(5.1%)	(83)	(1.2%)	(20)	(1.0%)	(16)	1.7%	28	0.3%	5	(4.8%)	(78)	-	-	0.2%	3	52.7%
F1Q23	52.7%	2.2%	7	(1.0%)	(3)	(0.5%)	(2)	-	-	-	-	0.4%	1	-	-	(0.3%)	(1)	53.0%*
F2Q23	52.2%	3.3%	14	1.3%	6	(0.3%)	(1)	-	-	-	-	(1.5%)	(6)	-	-	(1.6%)	(7)	54.9%*
F3Q23	51.3%	4.8%	21	1.5%	7	-	-	-	-	1.1%	5	0.2%	1	-	-	(0.9%)	(4)	57.8%*
F4Q23E	54.3%	4.4%	24	1.0%	5	(0.4%)	(2)	-	-	0.6%	3	0.2%	1	-	-	(1.5%)	(8)	58.6%* EST
F2023E	52.7%	3.8%	65	0.8%	14	(0.3%)	(5)	-	-	0.5%	8	(0.2%)	(3)	-	-	(1.2%)	(20)	56.5%* EST
F1Q24E	53.0%*	3.0%	10	0.5%	2	(0.5%)	(2)	-	-	0.5%	2	-	-	-	-	(3.0%)	(10)	53.5% EST
F2Q24E	54.9%*	3.0%	14	0.5%	2	(0.5%)	(2)	-	-	0.5%	2	-	-	-	-	(3.0%)	(14)	55.4% EST
F3Q24E	57.8%*	1.5%	7	0.5%	2	(0.5%)	(2)	-	-	0.5%	2	-	-	-	-	(2.0%)	(9)	57.8% EST
F4Q24E	58.6%* EST	1.5%	6	0.5%	3	(0.5%)	(3)	-	-	0.5%	3	-	-	-	-	(1.9%)	(11)	58.7% EST
F2024E	56.5%* EST	2.0%	37	0.5%	9	(0.5%)	(9)	-	-	0.5%	9	-	-	-	-	-2.4%	(44)	56.7% EST
F2025E	56.7% EST																	57.1% EST

Source: Company filings, BofA Global Research estimates

*Adjusted gross margin (excludes the impact related to voluntary recall)

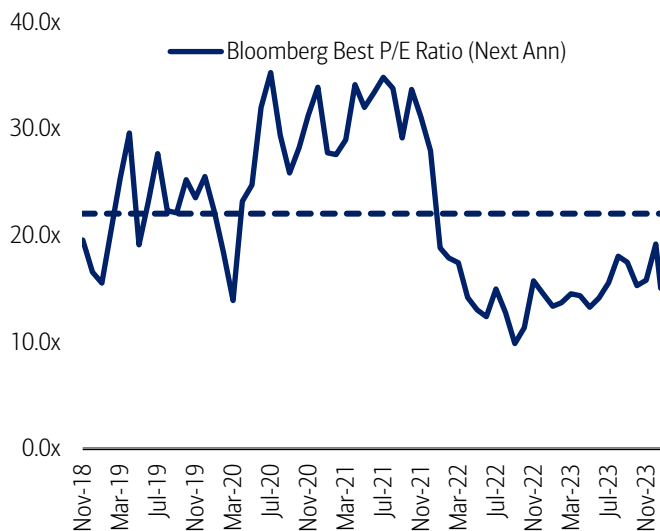
Gross margin including the impact related to recall (F1Q23= 53.5%, F2Q23= 53.4%, F3Q23= 58.0%)

Valuation

YETI currently trades at ~15.5x 2-yr forward P/E (below 5-year historical average of ~22.1x). YETI has a strong return on invested capital vs. peers, ability to generate cash and share repurchases could continue to support earnings. Lower-than-expected sales and EBIT margin downside could lead to P/E multiple compression from current levels.

Exhibit 15: YETI 2-year forward P/E ratio

YETI's current ~15.5x 2-year forward P/E is below 5-yr average of ~22.1x

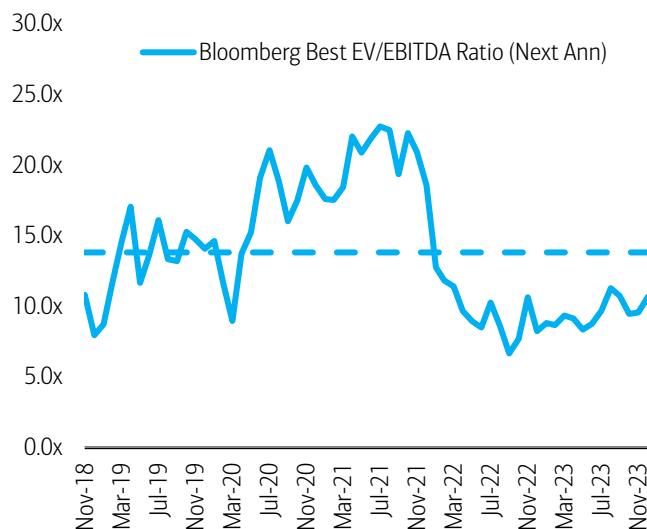


Source: Bloomberg, BofA Global Research

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Exhibit 16: YETI 2-year forward EV/EBITDA ratio

YETI's current ~9.6x 2-year forward EV/EBITDA is below 5-yr average of ~13.8x

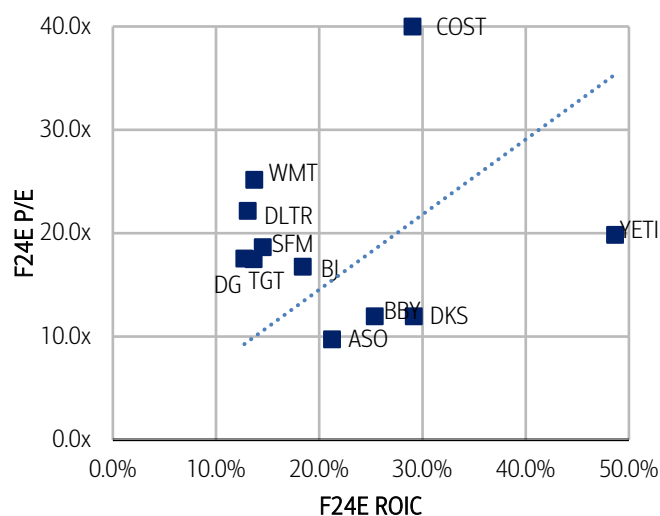


Source: Bloomberg, BofA Global Research

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Exhibit 17: Fiscal 2024 (C23) P/E vs. ROIC comparison

YETI P/E could improve based on current ROIC forecast

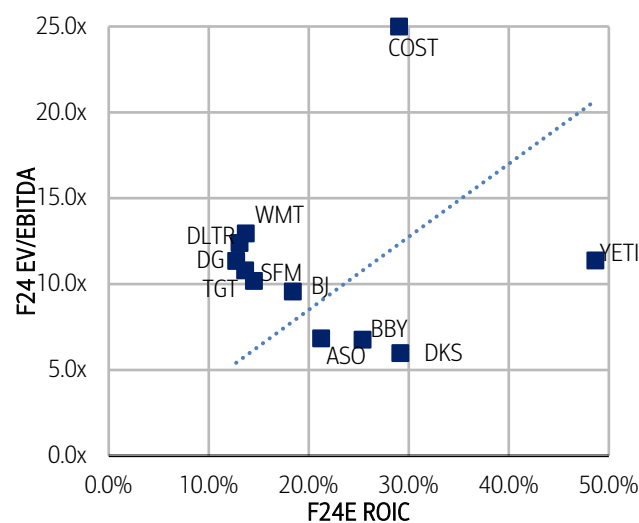


Source: Company filings, BofA Global Research estimates

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Exhibit 18: Fiscal 2024 (C23) EV/EBITDA vs. ROIC comparison

YETI EV/EBITDA could improve based on current ROIC forecast



Source: Company filings, BofA Global Research estimates

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Price objective basis & risk

YETI Holdings, Inc. (YETI)

Our \$50 price objective is based on roughly 17x our 2025E adjusted EPS of \$3.00, a valuation slightly below discretionary peers (18x) given: (1) strong brand momentum, (2) significant under penetration in international, (3) healthy and stable margin outlook, and (4) long-term product and category expansion.

Risks to the downside are: 1) Earnings uncertainty related to softening consumer demand, 2) coolers and drinkware are very competitive categories with low barriers to entry, 3) significant supply chain constraints and heavy reliance on a few suppliers, 4) strong margins could be unsustainable, 5) limited replacement cycle because of durability of products, 6) high concentration of sales with a few retailers

Upside risks are: 1) international could perform better than expected, 2) new product launches could drive upside, & 3) margins could increase as freight pressures ease.

Analyst Certification

I, Robert F. Ohmes, CFA, 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

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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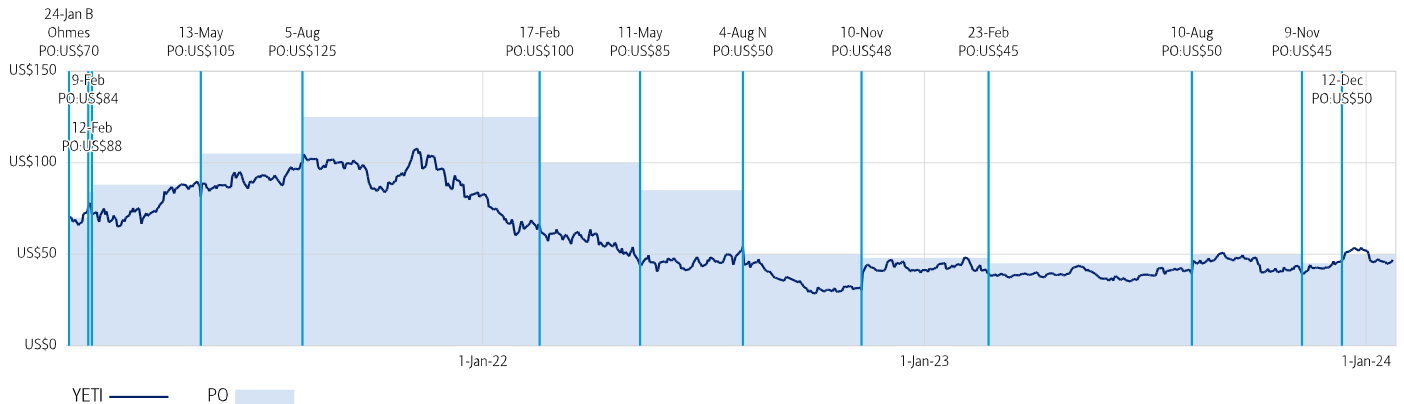
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Disclosures

Important Disclosures

YETI (YETI) Price Chart



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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%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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