

## YETI Holdings, Inc.

# 4Q EPS below on weakness in high-ticket coolers; 2024 Guide below Street

Maintain Rating: NEUTRAL | PO: 50.00 USD | Price: 48.20 USD

## 4Q23 EPS below on weakness in high-ticket Coolers

YETI reported 4Q23 adj. EPS of \$0.90 (below our \$0.97 & Street at \$0.96) given “more cautious and inconsistent spending on high-priced ticket items in Coolers & Equipment category”. DTC channel revenue increased 11% (vs. our +23%) given growth in Drinkware while wholesale increased 26% (vs. our +12%). Adj. gross margin of 60.2% was above our 58.6% & Street at 58.8% given lower inbound freight costs, lower product costs, and mix shift to DTC (which includes growing AMZN business). We maintain our Neutral rating and \$50 PO.

## Drinkware revenue +12%, in-line with our expectations

Coolers & Equip adj. revenue declined 4% vs. our +7% forecast primarily driven by a decline in hard coolers. We expect YETI will anniversary tough comparisons in 1H24 against last year’s pent-up demand for coolers, which may have pulled fwd purchases ([see our preview note](#)). Drinkware revenue increased 12%, in-line with our expectations given continued expansion in Drinkware product offerings (incl. Rambler straw lid mugs) as well as new seasonal colorways, and likely supported by expanded presence on AMZN.

## F24 EPS guide & revenue midpoint below consensus

YETI provided initial 2024 guidance, which includes (1) adj. revenue in the range of 7% to 9% (vs. our +7.7% est. & street at +8.9%); (2) adj. EBIT margin in the range of approximately 16.0% (vs. our +17.1% est. & street at 16.9%); and (3) adj. EPS in the range of \$2.45 to \$2.50, well below our \$2.65 est. and street at \$2.67. YETI acquired both Mystery Ranch (designer & manufacturer of backpacks) and Butter Pat (designer & manufacturer of cast iron cookware) in 1Q24 for a combined \$48.5mn in cash.

## LT strategy supported by innovation & international

While we maintain a more cautious revenue outlook into 2024 given increased competition in drinkware and weakness in big-ticket discretionary, we believe YETI’s LT strategy remains intact and should be supported by (1) continued product innovation & category expansion including in bags with recent acquisition of Mystery Ranch ([see M&A report](#)) and in cookware with Butter Pat; (2) further international expansion as YETI has invested in logistics and DTC to support growth in 2024 & beyond; (3) potential gross margin support from lower inbound freight costs and increased DTC penetration; and (4) opportunity for share repurchases (YETI announced \$300mn repurchase authorization).

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)			2.31	2.67	2.99
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	18.8x	20.3x	20.8x	18.2x	16.1x
GAAP P/E	19.9x	46.8x	24.7x	14.5x	12.7x
EV / EBITDA*	12.1x	12.6x	12.5x	11.1x	9.8x
Free Cash Flow Yield*	6.7%	-0.2%	1.6%	7.0%	9.2%

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

15 February 2024

### Equity

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### Stock Data

Price	48.20 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)	4,186 USD / 86.9
Free Float	99.3%
Average Daily Value (mn)	62.76 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 <sup>TM</sup>	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](#)”.

DTC: Direct-to-Consumer

LT: long-term

AMZN: Amazon

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Timestamp: 15 February 2024 08:17AM EST

# iQprofile<sup>SM</sup> YETI Holdings, Inc.

## iQmethod<sup>SM</sup> – 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

## iQmethod<sup>SM</sup> – 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)
<b>Net Income (Adjusted)</b>	<b>228</b>	<b>206</b>	<b>203</b>	<b>232</b>	<b>264</b>
<b>% Change</b>	<b>38.2%</b>	<b>-9.4%</b>	<b>-1.7%</b>	<b>14.4%</b>	<b>13.6%</b>

## 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)
<b>Free Cash Flow</b>	<b>282</b>	<b>-10</b>	<b>68</b>	<b>294</b>	<b>387</b>
<b>% Change</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>329.1%</b>	<b>31.6%</b>
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
<b>Total Assets</b>	<b>1,096</b>	<b>1,077</b>	<b>1,251</b>	<b>1,654</b>	<b>2,104</b>
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
<b>Total Liabilities</b>	<b>579</b>	<b>550</b>	<b>587</b>	<b>638</b>	<b>685</b>
<b>Total Equity</b>	<b>518</b>	<b>526</b>	<b>664</b>	<b>1,016</b>	<b>1,418</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,096</b>	<b>1,077</b>	<b>1,251</b>	<b>1,654</b>	<b>2,104</b>

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

## 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 1,366,558

## 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



## 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

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

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	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
<b>NEUTRAL</b>				
	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
<b>UNDERPERFORM</b>				
	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

## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### 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

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### 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

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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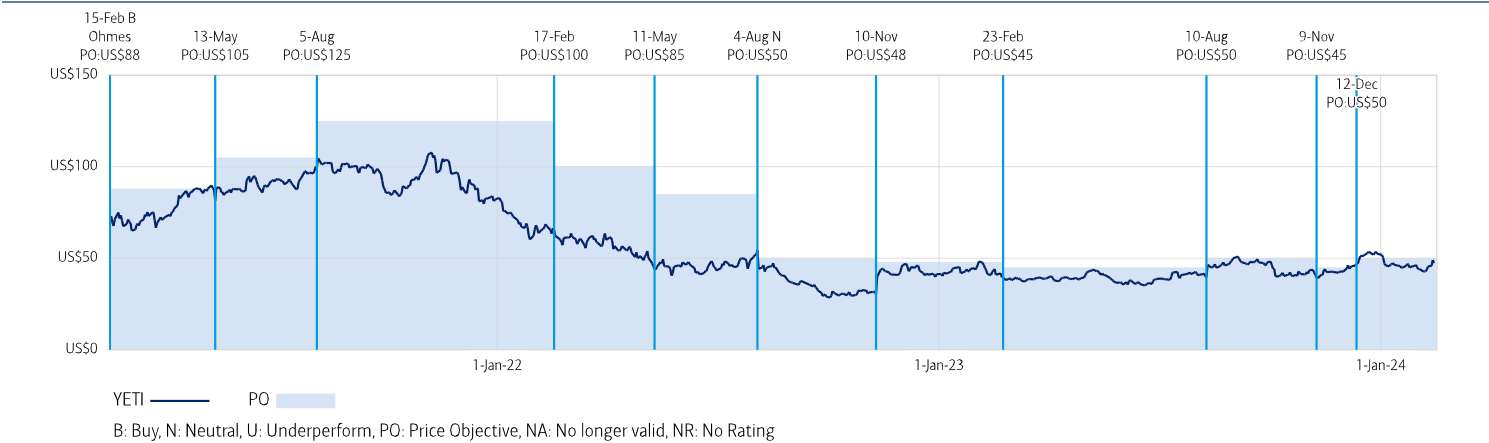
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YETI (YETI) Price Chart



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

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

<sup>R1</sup> 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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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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