

# Crocs Inc. Stock Valuation

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*SEE READING:  
CROCS, INC.*

# Solution Bullish Simplified DCF of Crocs

Bull might forecast beta risk estimate and thus discount rate as *lower*

Bull might estimate future CFs as *higher*

Discount Rate	11%			
<b>BULL ANALYST</b>				
Forecast Year		<b>1</b>	<b>2</b>	<b>3</b>
FCF		150	216	6360
PV of CFs	\$4,960.82			
Number shares	85			
Stock Price Estimate	\$58.36			
Price Estimate / Target	\$58.36			
Current Price	47.74			
Upside / Downside	22.25%			

# Solution: Bearish Simplified DCF of Crocs

Bear might forecast beta risk estimate and thus discount rate as *higher*

Bear might estimate future CFs as *lower*

Discount Rate	13%			
<b>BEAR ANALYST</b>				
Forecast Year		<b>1</b>	<b>2</b>	<b>3</b>
FCF		100	144	4240
PV of CFs	\$3,139.80			
Number shares	85			
Stock Price Estimate	\$36.94			
Price Estimate / Target	\$36.94			
Current Price	47.74			
Upside / Downside	-22.62%			

# Solution: Mean / Median Simplified DCF of Crocs

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Market forecast of beta and discount rate is the median

Market estimate future CFs is also the median, TV year 3 included

Discount Rate	12%			
Median Analyst				
Forecast Year		1	2	5
FCF		125	180	5300
PV of CFs	\$4,027.54			
Number shares	85			
Stock Price Estimate	\$47.38			
Price Estimate / Target	\$47.38			
Current Price	47.74			
Upside / Downside	-0.75%			

# Bull View Multiples Valuation – Five Comps from Apparel

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Identifies 5 high growth companies (growth 54%)

**Apparel: P/E = 43.59**

**Apparel: EV/EBITDA = 22.91**

2007 per share data for Crocs:

- NI = 168; # shares = 84.19; EPS = 1.995
- EBITDA = 258
- Debt = .65
- Cash & Marketable Securities = 45.546

# Solution: Bull View of Crocs – Do the work

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**Apparel: P/E = 43.59**

P/E Valuation = Comps' PE \* company EPS

P/E Valuation = **43.59** \* 1.995 = **\$86.96**

**Apparel: EV/EBITDA = 22.91**

EV/EBITDA Valuation

= [Comps' EV/EBITDA \* company EBITDA - debt + Cash] / #  
shares

= [ (22.91 \* 258) - .65 + 45.546 ] / 84.19 = **\$70.74**

Average of two = **\$78.85**

# Solution: Bear / Hold View of Crocs

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**Footwear: P/E = 21.58**

**Example: NIKE**

P/E Valuation = Comps' PE \* company EPS

P/E Valuation =  $21.58 * 1.995 = \$43.05$

**Footwear: EV/EBITDA = 13.32**

EV/EBITDA Valuation

= [Comps' EV/EBITDA \* company EBITDA - debt + Cash] / # shares

= [  $(13.32 * 258) - .65 + 45.546$  ] / 84.19 =  **$\$41.35$**

Average of two =  **$\$42.20$**