

Under Armour Inc. (NYSE: UAA)

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Company Overview

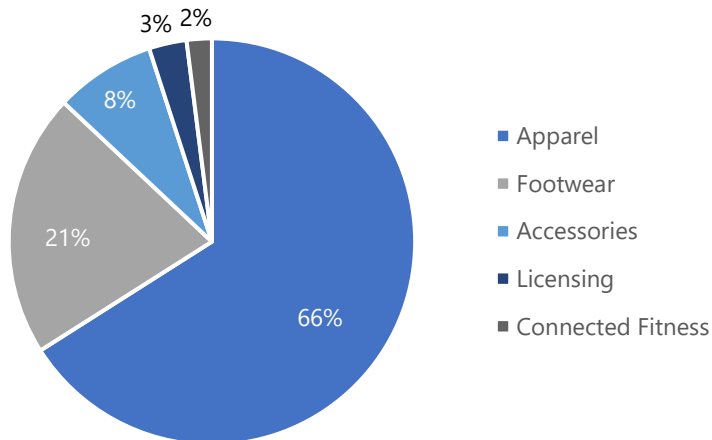
A leading sports equipment company with global operations and a seasoned management team



Business Description

- Under Armour Inc. (NYSE: UAA) is an American sports equipment company that develops, markets, and distributes branded performance apparel, footwear and accessories. The company was founded in 1996 and is currently headquartered in Baltimore, Maryland
- UA sells its products through wholesale channels, including national and regional sporting goods chains, department store chains, institutional athletics departments, as well as sporting leagues and teams
- Operates a direct-to-consumer channel through a network of 388 brand and factory house stores, as well as through e-commerce stores
- Key categories of footwear offerings include running, basketball, cleats, training and outdoor

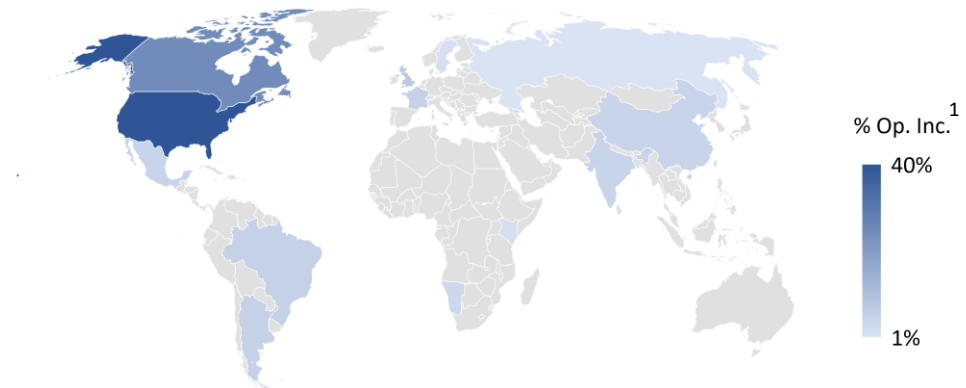
Net Revenue by Category



Management Team

Name	Patrik Frisk	David Bergman	Lisa Collier	Colin Browne
Position	CEO	CFO	CPO	COO
Experience (Years)	30	25	33	31
Background	Turned around Timberland, CEO of ALDO	Responsible for finance, accounting, tax & treasury	Led strategic transformation at Levi Strauss	Led sourcing strategy at VF Corporation

Geographic Operations

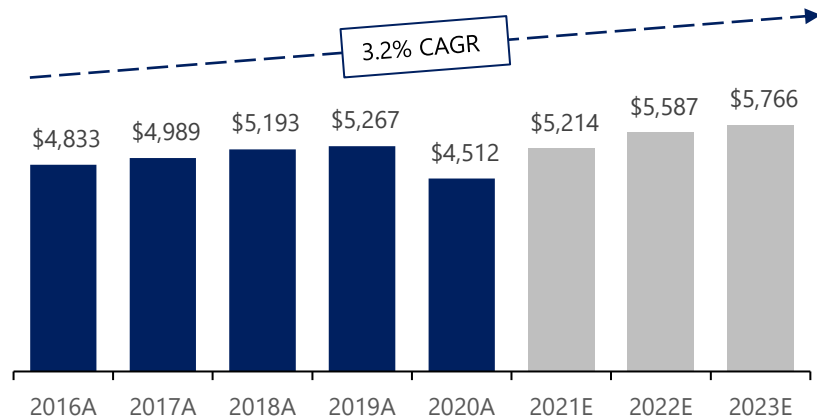


Company Overview

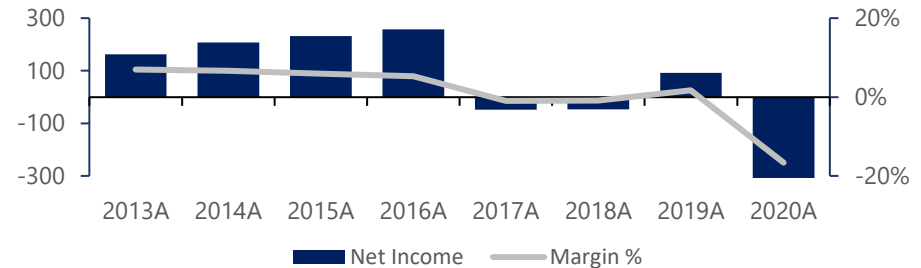
Strong revenue growth with recent headwinds due to COVID-19 lockdowns and internal restructuring



Revenue Growth



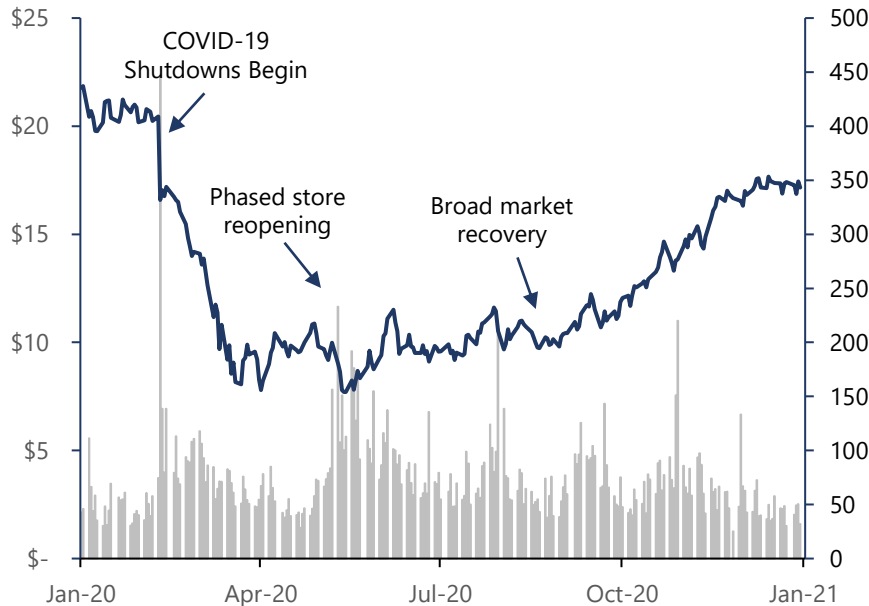
Net Income Performance



Commentary

Weak net income performance from 2017 onwards is primarily due to restructuring and related charges from scaling down global workforce and the 2018 restructuring plan

\$UAA Historical Stock Performance



Market Statistics

Price	(USD\$)	\$17.17
EV/2019A EBITDA	-	6.25x
EV/2020E EBITDA	-	4.61x
EV/2021E EBITDA	-	1.04x
P/2019A EPS	(USD\$)	5.22x
P/2020E EPS	(USD\$)	2.61
P/2021E EPS	(USD\$)	0.69
52 Week High	(USD\$)	21.65
% of 52 week high	(%)	20.7%
52-Week Low	(USD\$)	7.15
2-Yr Beta	-	1.61

Company Overview

Multi-pronged business undergoing distribution strategy transformation



Wholesale & Direct to Consumer

Products

heatgear®

coldgear®



ARMOURBOX

RUSH

Channel Overview

- Wholesale channel targets independent and speciality stores, department and sporting goods chains and institutional athletic departments and leagues and teams
- Direct-to-consumer channel sells to customers globally through brand and factory stores as well as e-commerce

Licensing & Connected Fitness

Applications

myfitnesspal

MAPMYFITNESS

UNDER ARMOUR
CONNECTED FITNESS

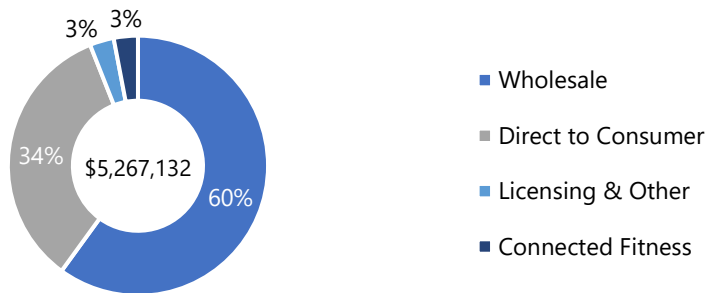
Channel Overview

- Licensing consists of agreements with the National Football League, National Basketball Association and collegiate sports teams to sell branded apparel and related merchandise
- Connected fitness division includes digital platforms that enhance customers' athletic experiences

Distribution Channel Trends

- Rapid expansion in brick and mortar and brand commoditization has significantly deteriorated operating margins
- Recent sale of myfitnesspal and subsequent acquisition of Triple Pte, an Asian-based retailer, allows UA management to focus on Wholesale & Direct to Consumer segment
- New distribution strategy of shifting away from discount channels has reduced off-price sales penetration by 4% of YTD global sales

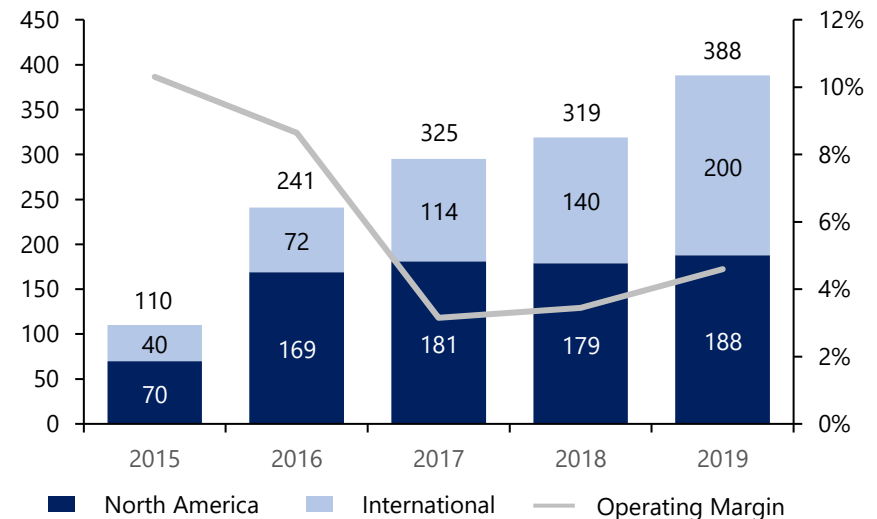
2019 Sales by Distribution Channel



Commentary

- A shift away from discount channels in Europe has been margin accretive in the wholesale channel
- Further premiumization with a sticky customer base is expected to improve margins and revitalize brand perception

Total Door Count¹

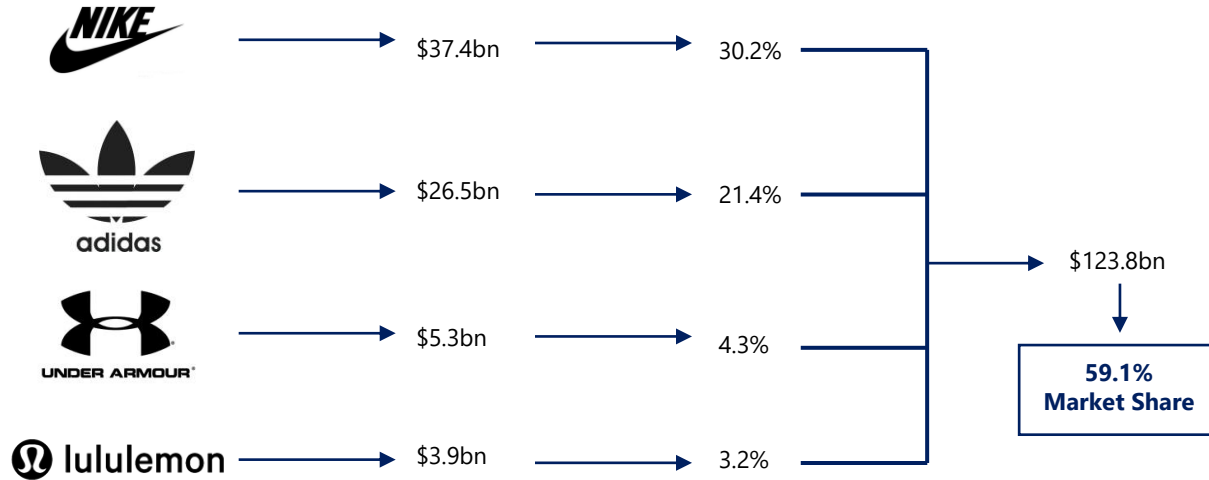


Industry Analysis

A consolidated and fast-growing athleticwear market allows operators to scale organically



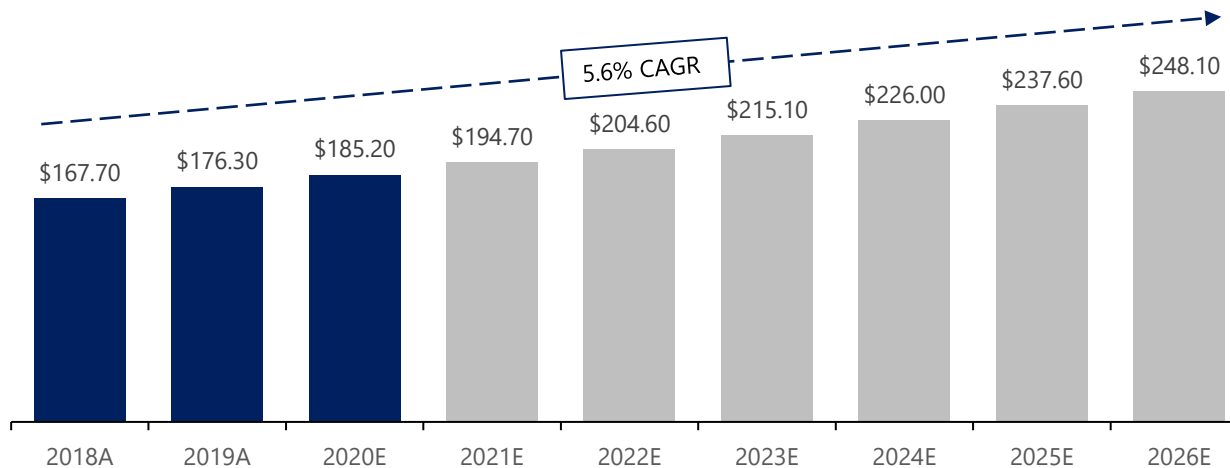
Leading Global Athleticwear Players



Athleticwear Players Highlights

- The global athleticwear market is relatively concentrated with the two key players being Nike and Adidas
- Apparel and footwear continue to be the key revenue drivers for all 4 major operators, with footwear being the fastest growing segment due to increasing demand and technology
- Wholesaling is the largest distribution channel for Nike and Adidas
- Nike currently owns only one subsidiary - Converse

Global Athleticwear Market Performance (\$USD bn)



Market Performance Commentary

- Intense market competition drives higher R&D to develop key technologies, allowing the industry to grow organically through new apparel and footwear releases
- Quality of marketing has been a key driver for growth, including athlete and celebrity sponsorship
- Athleticwear is relatively underpenetrated in emerging markets including China and India – providing future expansion opportunities

Industry Analysis

Capitalizing on key trends and targeted pricing strategies create value in the athleticwear market



Industry Drivers

Growth of "Athleisure"

- The athletic apparel industry is continuously offering more options to allow consumers to easily transition between leisure and exercise, dubbed "Athleisure". This product line includes innovation in products such as yoga pants, jogger pants, tank tops, sports bras, and hoodies
- Increased interest from Chinese customers for athletic wear to wear across social and fitness contexts
- On average, Chinese customers own 2.5 t-shirts, 2 pairs of shorts and 2 compression shirts. This relatively low number combined with the increased popularity of sports such as running provides a strong growth runway in the Chinese athleisure market

Increased demand for sustainably sourced apparel



Customers are becoming increasingly environmentally conscious, demanding more transparency about how their clothing was produced and sustainable trends they are following



Athletic wear companies continue to use products such as reduced polyester and low-impact non-toxic dyes and phase out of plastic in packaging to remain competitive



Major industry operators such as Reebok are highlighting some of their sustainable products made with organic cotton

Key Cost Drivers

Research and Development



With high market competition, innovative technology and staying on top of fashion trends provides a strong incentive to buy. As such, the quality of R&D has a direct correlation with top line growth and profitability

Supply Chain Management



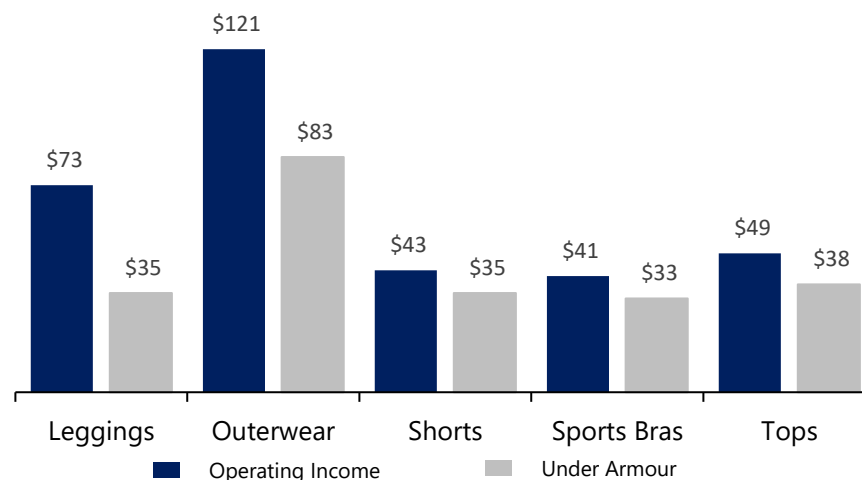
The COVID-19 crisis has disrupted global supply chains in athleticwear and the broader apparel industry. Continuous efforts to diversify supplier bases impacts supply availability and the quality of product outputs

Branding and Marketing



Brand perception, especially in high performance athleticwear, plays a major role in league and athlete contract win rates. Stronger brand recognition allows for higher pricing, creating a more attractive LTV:CAC profile at the consumer level.

2020 Relative Apparel Pricing (\$USD average)

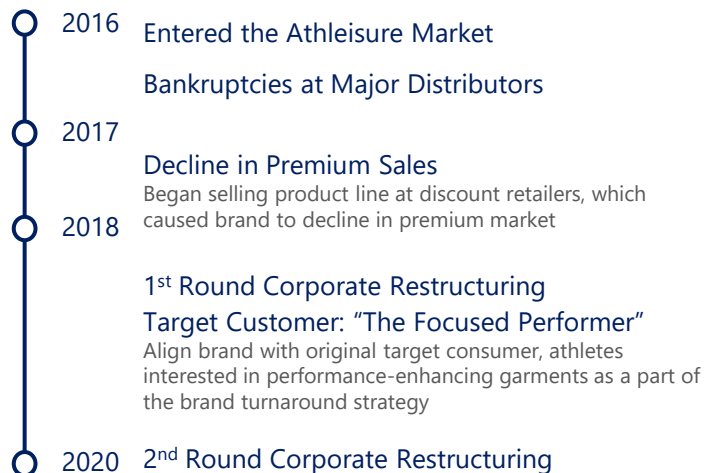


Thesis I: Underappreciated Brand Turnaround Strategy

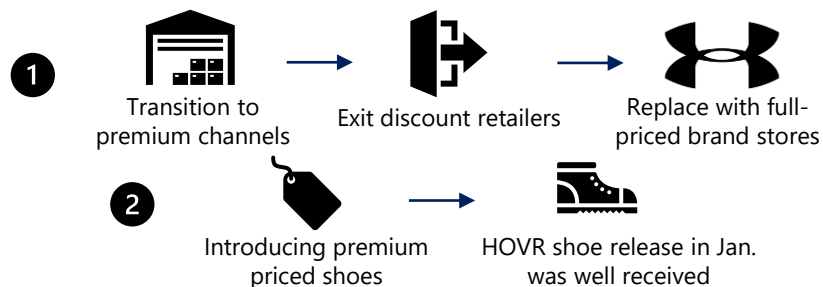
Patrick Frisk's robust and proven turnaround strategy is poised to improve efficiency and bolster margins



Corporate Timeline

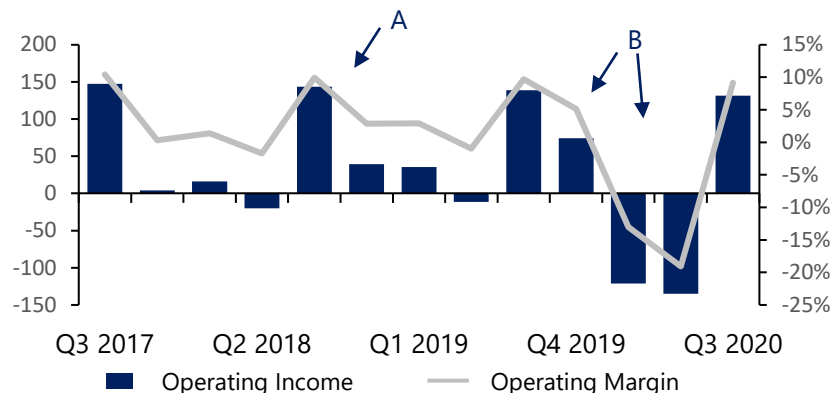


Premium Pricing



- UAA intends to decrease the number of wholesale distribution doors by 2,000-3,000 by 2022 and increase the number of full priced stores in North America from 19 to 2,500 by 2023
- Despite high levels of inventory and pandemic-related declines, Q3 2020 had lower than expected discount rates, which demonstrates consumer willingness to pay higher prices for UAA
- The premiumization strategy will be margin accretive. Future performance in line with tests will higher profitability and cash flow

Restructuring to Improve Margins



- (A) Began reduction in workforce
- (B) Termination of leases (specifically New York flagship), wholesale contracts, and employees
- Restructuring efforts produced approximately \$40-60M in SG&A savings this year
- The termination of leases (primarily factory locations) and unprofitable wholesale contracts allows management to focus on the opening of brand stores and the sale of premium priced goods, allowing for higher margins

Outlook

- Redefining the brand allows UAA to better capitalize on their investments in innovative wearable technology, such as footwear connectivity to the MapMyRun app
- Minimal changes in sales volume from the adaptation of premium prices in North American and European markets proves the effectiveness of this strategy and the stickiness of the customer base
- A combination of increased margins, recurring revenues and gains in efficiency from the 2018 internal restructuring will allow UAA to be resilient and continue to capture market share both during and after the COVID-19 pandemic

Thesis II: Veteran CEO Experienced in Brand Turnaround Strategies

Patrick Frisk's experience turning around businesses improves probability of success in premiumization



Patrick Frisk - CEO

- There are similarities between Frisk's efforts at ALDO and Timberland and his plans for UA, shown through the utilization of customer data as well as a rebranding shift by UA towards a more premium "focused performer"

- 2011 President of the Timberland Co.**
Frisk was credited with revitalization of the Timberland Brand. Change was focused on a brand overhaul from rugged outdoorsman to urban style, similar to UA's current branding shift to a more premium athlete
- 2014 CEO of ALDO Group**
Led a holistic restructuring of the company, including the implementation of Salesforce.com products, akin to the operational restructuring being implemented at UA
- 2019 CEO of Under Armour**
Frisk brought similar strategies to UA, including shifting the UA brand to be more "premium" and better suited for the target consumer.

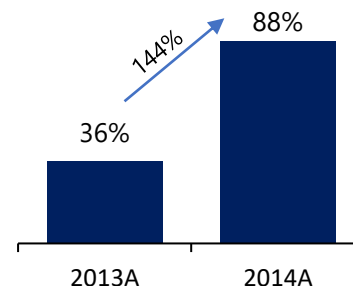
Restructuring of ALDO Group (2014 – 2017)



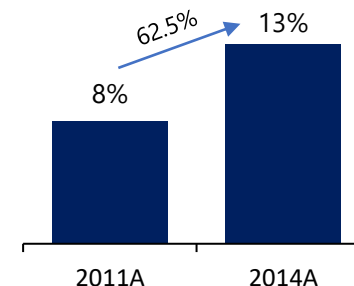
Revitalization of The Timberland Co.

- Frisk was president of The Timberland Co. from 2011 – 2014, during which he employed a 2-year customer survey ending in 2013 to rebrand Timberland as a style-first brand. Rebranding from rugged outdoorsman to urban style allowed Timberland to demand higher prices from customers willing to pay, while decreasing promotional discounts.
- This rebranding was done primarily through marketing techniques and a more focused "city dweller" product line.
- Improved profitability of retail stores from 16% to mid-20s, through cutting supply chain costs. Furthermore, Frisk improved sales in every global market and product category.

Timberland's % of Full Price Website Purchases



Timberland's Net income Margin



Restructuring of ALDO Group (cont'd.)

- Salesforce products generated a more holistic understanding of ALDO's customer base, allowing ALDO to focus more on its high-end customers
- Similar software to the SAP system implemented at UA, Frisk's experience with utilizing customer data will be an asset to UA's ability to capitalize on the SAP system

Risks and Catalysts

Mitigated risks and attractive catalysts display high business quality



Increased competition in athleisure poor connected fitness performance may hinder Under Armour's growth prospects

Risks

- Increased Competition in Athleisure**

Nike and Adidas currently have stronger brand recognition and more operational experience overseas, building a stronger customer base that could hinder Under Armour's market penetration activities in the future
- High Wholesaler Exposure**

66% of revenues are generated through large wholesale customers. Declining retail financial conditions could adversely impact operations
- Poor Connected Fitness Performance**

While connected fitness makes up only 2% of revenues, its absence would have resulted in an increase of 47% in overall operating income due to its heavy annual losses

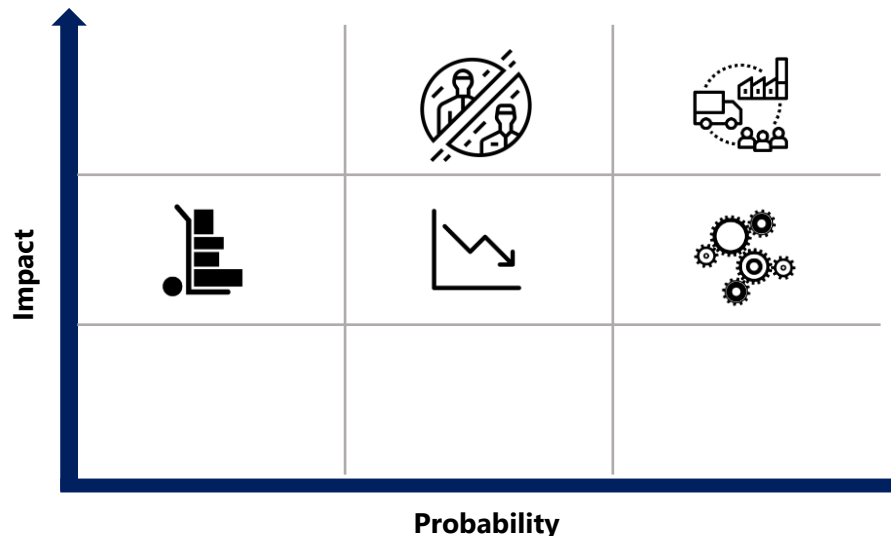
Mitigations

- Product Extension and Brick and Mortar Investment**

Proposed extension of product lines under the turnaround strategy and opening of new branded retail stores will continue to grow Under Armour's brand recognition and drive higher penetration
- Diversification into DTC Channel**

Management under Patrik Frisk has invested heavily into scaling and diversifying the DTC channel, reducing additional risk from exposure to wholesalers
- Winding Down Connected Fitness Segment**

While connected fitness makes up only 2% of revenues, its absence would have resulted in an increase of 47% in overall operating income due to its heavy annual losses



Catalysts

- Improved Supply Chain Dynamics**

Under Armour has committed to work with software maker SAP over the next three years to provide an integrated enterprise resource planning solution across all business lines. This investment will be useful in management's mission to "getting the right product in the right place at the right time"
- Synergies from Triple PTE Acquisition**

The Triple PTE acquisition closing on March 2nd, 2020 helps Under Armour vertically integrate and supports an expansion opportunity into Southeast Asia through the brand turnaround strategy

Discounted Cash Flows

Free Cash Flow Projections

(US\$ millions)

	Historical			Forecast									
	FY18	FY19	FY20	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Revenue	5193	5267	3071	4546	4820	5197	5585	5991	6410	6818	7217	7575	7912
Revenue Growth (%)		1.4%		(13.7%)	6.0%	7.8%	7.5%	7.3%	7.0%	6.4%	5.8%	5.0%	4.4%
Less: COGS	(2853)	(2797)	(1604)	(2139)	(2521)	(2708)	(2904)	(3079)	(3269)	(3395)	(3580)	(3750)	(3916)
Gross Profit	2340	2470	1467	2407	2299	2489	2681	2911	3141	3423	3637	3825	3996
Gross Margin (%)	45.1%	46.9%	47.8%	52.9%	47.7%	47.9%	48.0%	48.6%	49.0%	50.2%	50.4%	50.5%	50.5%
Less: Operating Expenses	(2365)	(2234)	(2136)	(2848)	(2362)	(2339)	(2401)	(2546)	(2692)	(2836)	(2973)	(3106)	(3244)
EBIT	(25)	236	(669)	(441)	(62)	151	280	366	449	587	664	720	752
EBIT Margin (%)	(0.5%)	4.5%	(21.8%)	(9.7%)	(1.3%)	2.9%	5.0%	6.1%	7.0%	8.6%	9.2%	9.5%	9.5%
Less: Taxes	0	79	0	0	0	45	84	110	135	176	199	216	226
NOPAT	(25)	157	(669)	(441)	(62)	106	196	256	314	411	465	504	526
Add: D&A	182	186	124	165	139	141	150	165	175	179	185	184	186
Less: CapEx	(170)	(146)	(112)	(91)	(145)	(182)	(223)	(210)	(192)	(205)	(180)	(189)	(158)
Less: Change in Net Working Capital	696	102	(198)	(126)	(370)	(40)	(60)	111	(21)	83	(77)	(52)	(56)
Unlevered Free Cash Flows	683	300	(854)	(492)	(438)	26	62	323	277	468	392	447	498

Key Assumptions

- Revenue expected to recover to pre-COVID levels by 2024 with strong growth from brand turnaround strategy
- Revenue projections based on forecasted segment growth in apparel, footwear, accessories, license revenues, and connected fitness segments
- Management projection is for gross margin expected to improve to 48% by 2023 after restructuring plan
- Operating Expense Margins expected to decrease back to pre-COVID levels by 2023 and steadily improve with restructuring and turnaround strategy
- Market price in DCF reflects price on December 2nd, 2020

Discounted Cash Flows

Valuation

	Forecast									
	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
NOPAT	(441)	(62)	106	196	256	314	411	465	504	526
Add: Depreciation & Amortization	165	139	141	150	165	175	179	185	184	186
Less: CapEx	(91)	(145)	(182)	(223)	(210)	(192)	(205)	(180)	(189)	(158)
Less: Change in Net Working Capital	(126)	(370)	(40)	(60)	111	(21)	83	(77)	(52)	(56)
Unlevered Free Cash Flows	(492)	(438)	26	62	323	277	468	392	447	498
Discount Period	-	-	1	2	3	4	5	6	7	8
WACC	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
Discount Factor	1.00	1.00	0.94	0.89	0.84	0.80	0.75	0.71	0.67	0.63
PV of Unlevered Free Cash Flows	(492)	(438)	24	56	272	220	352	279	300	315

Terminal Multiple Method		Gordon Growth Method	
Cumulative PV of Free Cash Flow	1,380	PV of Forecast Period	1,380
% of Enterprise Value	13.1%	% of Enterprise Value	13.4%
Terminal Value		Terminal Value	
Terminal Year EBITDA	938	Terminal Year UFCF	498
EBITDA Multiple	15.4x	Perpetuity Growth Rate	2.3%
Terminal Value	14,447	Terminal Value	14,045
PV of Terminal Value	9,149	PV of Terminal Value	8,895
% of Enterprise Value	86.9%	% of Enterprise Value	86.6%
Enterprise Value	10,529	Enterprise Value	10,275
Less: Net Debt	(1,161)	Less: Net Debt	(1,161)
Equity Value	9,367	Equity Value	9,113
Fully Diluted Shares Outstanding	455	Fully Diluted Shares Outstanding	455
Implied Share Price	\$20.60	Implied Share Price	\$20.04
Current Share Price	\$16.30	Current Share Price	\$16.30
Implied Margin of Safety	26.4%	Implied Margin of Safety	23.0%

		WACC				
		4.9%	5.4%	5.9%	6.4%	6.9%
Terminal Growth	1.3%	\$ 21.57	\$ 18.25	\$ 15.65	\$ 13.56	\$ 11.85
	1.8%	\$ 25.02	\$ 20.78	\$ 17.57	\$ 15.06	\$ 13.04
	2.3%	\$ 29.79	\$ 24.12	\$ 20.02	\$ 16.92	\$ 14.49
	2.8%	\$ 36.79	\$ 28.73	\$ 23.25	\$ 19.29	\$ 16.29
	3.3%	\$ 48.10	\$ 35.51	\$ 27.71	\$ 22.42	\$ 18.58

		WACC				
		4.9%	5.4%	5.9%	6.4%	6.9%
Exit Multiple	14.4x	\$ 20.99	\$ 20.12	\$ 19.29	\$ 18.49	\$ 17.73
	14.9x	\$ 21.69	\$ 20.80	\$ 19.94	\$ 19.12	\$ 18.33
	15.4x	\$ 22.39	\$ 21.48	\$ 20.60	\$ 19.75	\$ 18.94
	15.9x	\$ 23.10	\$ 22.15	\$ 21.25	\$ 20.38	\$ 19.55
	16.4x	\$ 23.80	\$ 22.83	\$ 21.90	\$ 21.01	\$ 20.15

Comparables Analysis

Valuation



Valuation Statistics		Equity Value		Enterprise Value		EV/Revenue		EV/EBITDA		P/E	
Company Name						LTM	NTM	LTM	NTM	LTM	NTM
Lululemon Athletica Inc.	LULU	48,244.60		48,502.20		12.5x	10.2x	51.6x	41.3x	89.9x	70.1x
Ralph Lauren Corporation	RL	6,268.70		7,430.50		1.6x	1.4x	17.3x	10.4x	NM	16.7x
Tapestry, Inc.	TPR	7,856.10		10,720.20		2.2x	2.0x	14.3x	9.4x	NM	12.0x
Capri Holdings Limited	CPRI	5,329.90		9,084.90		2.1x	1.9x	15.8x	10.7x	NM	11.7x
Hanesbrands Inc.	HBI	4,946.20		8,696.50		1.3x	1.3x	8.9x	9.5x	11.5x	9.9x
Skechers U.S.A., Inc.	SKX	5,260.00		6,111.10		1.3x	1.1x	19.9x	9.8x	49.2x	16.5x
NIKE, Inc.	NKE	211,455.60		214,941.60		5.8x	4.9x	46.3x	32.0x	79.7x	44.2x
adidas AG	ADS	64,133.30		68,335.30		2.8x	2.5x	25.8x	20.3x	113.8x	33.6x

Maximum		\$211,455.6		\$214,941.6		12.5x	10.2x	51.6x	41.3x	113.8x	70.1x
75th Percentile		\$52,216.8		\$53,460.5		3.6x	3.1x	31.0x	23.3x	89.9x	36.3x
Median		\$7,062.4		\$9,902.6		2.2x	1.9x	18.6x	10.6x	79.7x	16.6x
25th Percentile		\$5,312.4		\$8,380.0		1.5x	1.4x	15.4x	9.7x	49.2x	11.9x
Minimum		\$4,946.2		\$6,111.1		1.3x	1.1x	8.9x	9.4x	11.5x	9.9x

Mean		\$44,186.8		\$46,727.8		3.7x	3.2x	25.0x	17.9x	68.8x	26.8x
Median		\$7,062.4		\$9,902.6		2.2x	1.9x	18.6x	10.6x	79.7x	16.6x

Under Armour	UAA	\$7,065.8		\$8,227.3		1.8x	1.7x	34.7x	34.4x	NM	828.5x
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Implied Valuation		EBITDA		Revenue	
Company		LTM	NTM	LTM	NTM
Under Armour Inc.		\$124.20	\$238.97	\$4,512.10	\$4,774.52
Summaries		EV/EBITDA		EV/Revenue	
Mean		25.0x	17.9x	3.7x	3.2x
Implied Enterprise Value					
Mean		\$3,105.01	\$4,288.53	\$16,735.72	\$15,137.44
Adjustments					
Net Debt		\$1,161.40	\$1,161.40	\$1,161.40	\$1,161.40
Implied Equity Value					
Mean		\$1,943.61	\$3,127.13	\$15,574.32	\$13,976.04
Shares Outstanding		454.7	454.7	454.7	454.7
Implied Price per Share		\$4.27	\$6.88	\$34.25	\$30.74

Notes to Comparables Analysis

- More merit has been placed on the EV/Revenue valuation given it is a more accurate reflection of UA's economic reality during its restructuring process
- EBITDA is currently not as reflective of Under Armour's value due to major operational changes that since Q3 2017

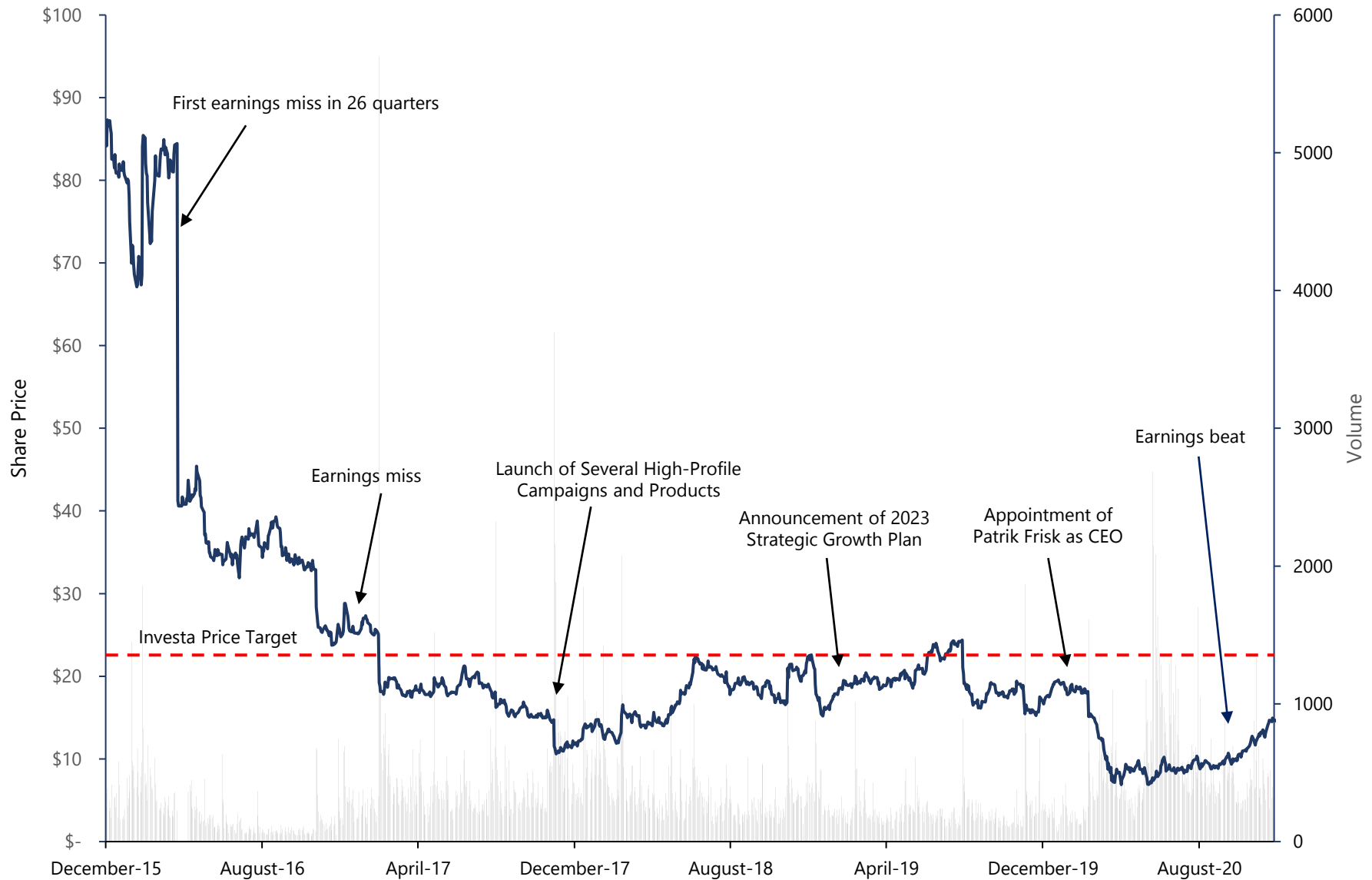
Under Armour Inc. (NYSE: UAA)

Recommendation

Buy \$UAA at \$16.30 with an implied upside of 24.7%



Appendix I: Annotated Stock Chart



Appendix II: Revenue Build and Key Assumptions



Target - Key Drivers: Product Category Growth:	Historical												
	FY18	FY19	FY20	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Apparel	3,464	3,470	2,921	2,950	3,185	3,504	3,819	4,144	4,476	4,789	5,100	5,381	5,650
Apparel %		0.17%	-15.82%	-15.00%	8.00%	10.00%	9.00%	8.50%	8.00%	7.00%	6.50%	5.50%	5.00%
Footwear	1,063	1,087	953	957	1,014	1,095	1,172	1,248	1,323	1,396	1,465	1,531	1,592
Footwear %		2.26%	-12.33%	-12.00%	6.00%	8.00%	7.00%	6.50%	6.00%	5.50%	5.00%	4.50%	4.00%
Accessories	422	416	379	383	398	418	443	465	488	508	523	534	539
Accessories %		-1.42%	-8.89%	-8.00%	4.00%	5.00%	6.00%	5.00%	5.00%	4.00%	3.00%	2.00%	1.00%
License Revenues	125	139	113	114	112	114	117	120	123	126	128	130	131
License Revenues %		11.20%	-18.71%	-18.00%	-2.00%	2.00%	3.00%	2.50%	2.50%	2.00%	2.00%	1.00%	1.00%
Connected Fitness	120	136	138	138	110	66	33	13	-	-	-	-	-
Connected Fitness %		13.33%	1.47%	1.45%	-20.00%	-40.00%	-50.00%	-60.00%	-100.00%	0.00%	0.00%	0.00%	0.00%
Corporate Other	(2)	19	8	5	-	-	-	-	-	-	-	-	-
Net Revenues	5,192	5,267	4,512	4,546	4,820	5,197	5,585	5,991	6,410	6,818	7,217	7,575	7,912
Net Revenues %		1.44%	-14.33%	-13.69%	6.02%	7.84%	7.45%	7.27%	7.00%	6.37%	5.85%	4.96%	4.45%
Cost of Goods Sold													
COGS	54.94%	53.10%	52.25%	52.35%	52.30%	52.10%	52.00%	51.40%	51.00%	49.80%	49.60%	49.50%	49.50%
Operating Income & Expenses:													
SG&A % Revenue:	42.02%	42.42%	51.65%	51.50%	49.00%	45.00%	43.00%	42.50%	42.00%	41.60%	41.20%	41.00%	41.00%
Tax Rate	-31.1%	33.5%	-2.1%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%

Commentary

- Apparel and Footwear expected to have very high growth with recovery from COVID and brand turnaround strategy
- Accessories segment expected to have moderate growth and licensed revenue assumed to have conservative growth
- Connected Fitness segment winded down and divested by 2025
- Gross Margin expected to improve to 48% by 2023 after restructuring plan
- Operating Expense Margins expected to decrease back to pre-COVID levels by 2023 and steadily improve with restructuring and turnaround strategy

Appendix III: Discounted Cash Flow Schedules



Debt Schedule:													
	FY18	Historical: FY19	FY20	FY20	FY21	FY22	FY23	Projected: FY24	FY25	FY26	FY27	FY28	FY29
Beginning Balance		728.8	592.7	592.7	997.3	1,047.3	1,097.3	1,147.3	742.7	1,142.7	542.7	742.7	842.7
Net Change		(136.1)	404.6	404.6	50.0	50.0	50.0	(404.6)	400.0	(600.0)	200.0	100.0	50.0
Ending Balance	728.8	592.7	997.3	997.3	1,047.3	1,097.3	1,147.3	742.7	1,142.7	542.7	742.7	842.7	892.7
Interest Expense	(33.6)	(21.2)	(37.5)	(39.8)	(51.1)	(59.0)	(67.3)	(56.7)	(56.6)	(50.6)	(38.6)	(47.6)	(52.1)
Interest Rate		3.2%	4.7%	5.0%	5.0%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
PP&E Schedule:													
	FY18	Historical: FY19	FY20	FY20	FY21	FY22	FY23	Projected: FY24	FY25	FY26	FY27	FY28	FY29
Beginning Property and Equipment		826.8	792.1	792.1	662.9	674.9	721.8	800.8	850.3	872.6	902.6	902.5	911.4
(-) Depreciation of Property and Equipment	(181.8)	(177.3)	(161.1)	(158.4)	(132.6)	(135.0)	(144.4)	(160.2)	(170.1)	(174.5)	(180.5)	(180.5)	(182.3)
(+) Capex	170.3	145.8	111.6	90.9	144.6	181.9	223.4	209.7	192.3	204.5	180.4	189.4	158.2
Historical Adjustment		(3.2)	(61.7)	(61.7)	-	-	-	-	-	-	-	-	-
Ending Property and Equipment	826.8	792.1	680.9	662.9	674.9	721.8	800.8	850.3	872.6	902.6	902.5	911.4	887.3
Depreciation as % of Beginning Property and Equipment		21%	20%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Capex as a % of Revenue	3%	3%	4%	2.0%	3.0%	3.5%	4.0%	3.5%	3.0%	3.0%	2.5%	2.5%	2.0%
Intangibles Schedule:													
	FY18	Historical: FY19	FY20	FY20	FY21	FY22	FY23	Projected: FY24	FY25	FY26	FY27	FY28	FY29
Beginning Intangibles		41.8	36.3	36.3	37.0	31.5	28.5	26.5	24.6	22.9	21.3	19.8	18.4
(+) New Intangibles		0.6	7.5	7.5	1.1	3.3	3.7	3.4	3.2	3.0	2.8	2.6	2.4
(-) Amortization of Goodwill & Intangibles:	(6.1)	(6.1)	(6.6)	(6.8)	(6.6)	(6.3)	(5.7)	(5.3)	(4.9)	(4.6)	(4.3)	(4.0)	(3.7)
Ending Intangibles	41.8	36.3	37.2	37.0	31.5	28.5	26.5	24.6	22.9	21.3	19.8	18.4	17.1
Amortization % of Beginning Intangibles		15%	18%	18.7%	17.8%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%

Appendix III: Working Capital Schedule



Working Capital Schedule:

	FY18	Historical: FY19	FY20	FY20	FY21	FY22	FY23	Projected: FY24	FY25	FY26	FY27	FY28	FY29
Accounts Receivable	652.5	708.7	806.9	800.0	924.3	925.5	918.0	902.7	965.9	934.0	988.6	1,037.7	1,083.8
Inventory	1,019.5	892.2	1,056.8	1,040.0	1,104.9	1,149.9	1,193.4	1,138.9	1,119.6	1,069.8	1,127.8	1,181.4	1,233.9
Prepaid Expenses	364.1	313.1	243.9	230.0	265.1	285.8	307.2	329.5	352.6	375.0	396.9	416.6	435.2
Total Current Non-Cash Assets	2,036.1	1,914.0	2,107.6	2,070.0	2,294.3	2,361.2	2,418.6	2,371.0	2,438.0	2,378.7	2,513.3	2,635.7	2,752.9
Accounts Payable	560.9	618.1	643.3	663.2	550.0	544.6	526.3	558.0	590.1	582.8	611.0	638.2	666.6
Accrued Expenses	340.4	374.7	309.0	313.3	283.4	304.0	312.2	331.0	363.4	382.9	401.4	434.8	454.1
Customer Refund Liability	301.4	219.4	197.5	204.6	216.9	233.9	251.3	269.6	256.4	272.7	288.7	303.0	316.5
Other	113.2	83.8	141.6	145.0	130.0	125.0	115.0	110.0	105.0	100.0	95.0	90.0	90.0
Total Current Liabilities	1,315.9	1,296.0	1,291.4	1,326.0	1,180.2	1,207.5	1,204.8	1,268.6	1,314.9	1,338.4	1,396.0	1,466.0	1,527.2
Net Working Capital	720.2	618.0	816.2	744.0	1,114.1	1,153.7	1,213.8	1,102.5	1,123.1	1,040.3	1,117.3	1,169.7	1,225.7
Change in Net Working Capital		(102.2)	198.2	(72.2)	370.0	39.6	60.1	(111.3)	20.6	(82.8)	77.0	52.4	56.0
Revenue	5,193.0	5,267.0	3,070.9	4,545.7	4,819.5	5,197.2	5,584.6	5,990.6	6,410.0	6,818.0	7,216.8	7,575.0	7,911.9
COGS	2,853.0	2,797.0	1,604.4	2,139.2	2,520.6	2,707.7	2,904.0	3,079.2	3,269.1	3,395.4	3,579.6	3,749.6	3,916.4
Operating Expenses	2,365.0	2,234.0	2,135.8	2,847.7	2,361.6	2,338.7	2,401.4	2,546.0	2,692.2	2,836.3	2,973.3	3,105.8	3,243.9
Days	365	365	365	365	365	365	365	365	365	365	365	365	365
Days Sales Outstanding	46	49	96	65.0	70.0	65.0	60.0	55.0	55.0	50.0	50.0	50.0	50.0
Days Inventory	130	116	240	165.0	160.0	155.0	150.0	135.0	125.0	115.0	115.0	115.0	115.0
Prepaid Expenses as % of Revenue	7.0%	5.9%	7.9%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Days Payables Outstanding	87	101	110	85	85	85	80	80	80	75	75	75	75
Accrued Expenses as % of Operating Expenses	14.4%	16.8%	14.5%	11.0%	12.0%	13.0%	13.0%	13.0%	13.5%	13.5%	13.5%	14.0%	14.0%
Customer Refund Liability % of Sales	5.8%	4.2%	6.4%	4.5%	4.5%	4.5%	4.5%	4.5%	4.0%	4.0%	4.0%	4.0%	4.0%

Appendix IV: Comparables Operating Statistics



Operating Statistics:						Other &	Enterprise	Revenue		EBITDA		EPS		Projected		EBITDA Margin	
Company Name	Ticker	Share Price	Diluted Shares	Equity Value	Net Debt	NCI	Value	LTM	FY21 (NTM)	LTM	FY21 (NTM)	LTM	NTM	Revenue Growth	EBITDA Growth	LTM	NTM
Lululemon Athletica Inc.	LULU	370.22	130.3	48,244.60	257.6	-	48,502.20	3,868.50	4,737.26	940.2	1,173.49	4.12	5.28	22.5%	24.8%	24.30%	24.8%
Ralph Lauren Corporation	RL	85.75	73.1	6,268.70	1,161.80	-	7,430.50	4,705.80	5,348.79	428.7	712.79	-1.11	5.14	13.7%	66.3%	9.11%	13.3%
Tapestry, Inc.	TPR	28.32	277.4	7,856.10	2,864.10	-	10,720.20	4,775.70	5,372.01	749	1,141.82	-1.59	2.36	12.5%	52.4%	15.68%	21.3%
Capri Holdings Limited	CPRI	35.38	150.6	5,329.90	3,755.00	-	9,084.90	4,324.00	4,839.10	576	847.16	-2.66	3.03	11.9%	47.1%	13.32%	17.5%
Hanesbrands Inc.	HBI	14.2	348.3	4,946.20	3,750.30	-	8,696.50	6,614.50	6,639.42	971.8	911.15	1.23	1.44	0.4%	(6.2%)	14.69%	13.7%
Skechers U.S.A., Inc.	SKX	33.47	157.2	5,260.00	612.4	238.71	6,111.10	4,619.20	5,471.22	307.5	626.03	0.68	2.03	18.4%	103.6%	6.66%	11.4%
NIKE, Inc.	NKE	134.7	1569.8	211,455.60	3486		214,941.60	37,337.00	43,427.22	4639	6707.75	1.69	3.05	16.3%	44.6%	12.42%	15.4%
adidas AG	ADS	328.83	195	64,133.30	3889.8	312.2	68,335.30	24,270.70	27,478.58	2644.6	3358.28	2.89	9.78	13.2%	27.0%	10.90%	12.2%
Maximum		\$ 370.22	\$ 1,569.80	\$ 211,455.60	\$ 3,889.80	\$ 312.20	\$ 214,941.60	\$ 37,337.00	\$ 43,427.22	\$ 4,639.00	\$ 6,707.75	\$ 4.12	\$ 9.78	22.5%	103.6%	24.3%	24.8%
75th Percentile		183.23	295.13	52,216.78	3,751.48	293.83	53,460.48	11,028.55	11,849.21	1,390.00	1,719.69	1.99	5.18	16.8%	55.9%	14.9%	18.4%
Median		\$ 60.57	\$ 176.10	\$ 7,062.40	\$ 3,175.05	\$ 275.46	\$ 9,902.55	\$ 4,740.75	\$ 5,421.62	\$ 844.60	\$ 1,026.49	\$ 0.96	\$ 3.04	13.4%	45.8%	12.9%	14.6%
25th Percentile		32.18	145.53	5,312.43	1,024.45	257.08	8,380.00	4,545.40	5,221.37	539.18	813.57	(1.23)	2.28	12.3%	26.4%	10.4%	13.1%
Minimum		14.20	73.10	4,946.20	257.60	238.71	6,111.10	3,868.50	4,737.26	307.50	626.03	(2.66)	1.44	0.4%	(6.2%)	6.7%	11.4%
Mean		128.86	362.71	44,186.80	2,472.13	275.46	46,727.79	11,314.43	12,914.20	1,407.10	1,934.81	0.66	4.01	14%	45%	13%	16%
Median		\$ 158.97	\$ 245.06	\$ 58,175.04	\$ 3,618.74	\$ 293.83	\$ 60,897.89	\$ 17,649.63	\$ 19,663.90	\$ 2,017.30	\$ 2,538.98	\$ 1.84	\$ 4.11	16.6%	50.9%	12.6%	15.0%
Under Armour	UAA	\$ 16.57	454.7	\$ 7,065.8	\$ 1,161.4	\$ -	\$ 8,227.3	\$ 4,512.1	\$ 4,774.5	\$ 124.2	\$ 239.0	\$ (1.7)	\$ 0.02	5.8%	92.4%	2.8%	5.0%

Appendix V: M&A Comparables



Acquirer Name	Target Name	Announcement Date	Transaction EV	LTM Revenue	Valuation Multiples		
					LTM EBITDA	EV/LTM Revenue	EV/LTM EBITDA
JD Sports Fashion plc	The Finish Line, Inc.	2018-03-26	481.00	1,835.00	97.00	0.3 x	5.0 x
Boardriders, Inc.	Billabong International Limited	2018-01-04	265.00	752.00	38.00	0.4 x	6.9 x
Michael Kors Holdings Limited	Gianni Versace S.p.A.	2018-09-25	1,830.00	732.00	83.00	2.5 x	22.0 x
Kathmandu Holdings Limited	Oboz Footwear, LLC	2018-03-20	75.00	30.00	5.00	2.5 x	16.3 x
Monomoy Capital	West Marine	2017-06-17	291.00	702.00	38.00	0.4 x	7.7 x
	Maximum		1,830.00	1,835.00	97.00	2.5 x	22.0 x
	75th Percentile		481.00	752.00	83.00	2.5 x	16.3 x
	Median		\$ 291.00	\$ 732.00	\$ 38.00	0.4 x	7.7 x
	25th Percentile		265.00	702.00	38.00	0.4 x	6.9 x
	Minimum		75.00	30.00	5.00	0.3 x	5.0 x
	Mean		\$ 588.40	\$ 810.20	\$ 52.20	1.2 x	11.6 x
	Median		\$ 386.00	\$ 742.00	\$ 60.50	1.5 x	12.0 x

WACC Analysis	
10-Year U.S. Treasury	0.92%
Market Risk Premium	5.30%
Beta	1.25
Size Premium	-
Cost of Equity	7.55%
Cost of Debt	4.82%
Tax Rate	30%
After-Tax Cost of Debt	3.37%
Target Debt/Capitalization	40.00%
WACC	5.88%

Debt Tranche Analysis		
	Effective	Tranche
(US\$ millions)	<u>Interest Rate</u>	<u>Weighting</u>
Total Senior Bonds and Notes	3.50%	49.20%
Total Lease Liabilities	6.10%	50.80%
Weighted Average	4.82%	100.00%

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