



Columbia
Sportswear Company®




Team 28

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Corporate Governance

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Corporate Governance Policy

- ❖ No limit on amount of times someone may run/be nominated for a board position
- ❖ No cap on retirement age as long as member is able to serve effectively
- ❖ Strict rules on identifying board members as “independent”
- ❖ Compensation is determined by Compensation Committee in accordance to policies and principles of the charter and rules enforced by NASDAQ
- ❖ Annual performance evaluations for all board and executive members
- ❖ According to their Governance policies, board members must have the following qualifications
 - Diversity, skills, integrity and moral responsibility, capacity to reach sound decisions, and availability to do justice to their duties

Board Structure

▲ Chair ● Member

Board Members	Independent	Audit	Compensation	Nominating and Corporate Governance
Timothy P. Boyle				
Stephen E. Babson	✓		▲	●
Andy D. Bryant	✓	●		▲
Walter T. Klenz	✓		●	●
Kevin Mansell	✓	●		●
Ronald E. Nelson	✓	●		●
Sabrina Simmons	✓		●	●
Malia H. Wasson	✓	▲		●
John Culver	✓		●	

- ❖ 8 out of 9 board members are independent board members
 - Timothy P. Boyle has served as the CEO since 1988
 - Minimizes group think
 - Different and diverse perspectives with independent board members
 - Provide expertise from different backgrounds
 - Protect interest of shareholders
- ❖ The board has an average age of 70 years old
 - Decisions will tend to lean towards conservative because of age
 - Board possesses experience and lots of insight in the market with older age

Executive Officers

Name	Age	Position	Compensation
Tim Boyle	70	Chairman, President, CEO	2.67M
Peter Bragdon	57	Executive VP, Chief Administrative Office, General Counsel	1.46M
Tom Cusick	68	Executive Advisor, COO	1.97M
Franco Fogliato	51	Executive VP, Global Omni-Channel	1.73M
Lisa Kulok	54	Executive VP, Chief Supply Chain Officer	No data
Richelle Luther	51	Senior VP, Chief HR Officer	No data
Doug Morse	64	Senior VP, Emerging Brands	No data
Peter Rauch	42	Senior VP, Asia Direct	No data
Jim Swanson	46	Executive VP, CFO	1.23M

- ❖ Average of 52 years old and 5.3 years tenure
 - Seasoned and experience team
 - Compared to board of directors, they are younger which can help with making more innovative and aggressive approaches
- ❖ Tim's compensation is below average for companies of similar size
 - Avg of 6.02M
 - Based on available data, it is below average for other officers

Corporate Governance Summary

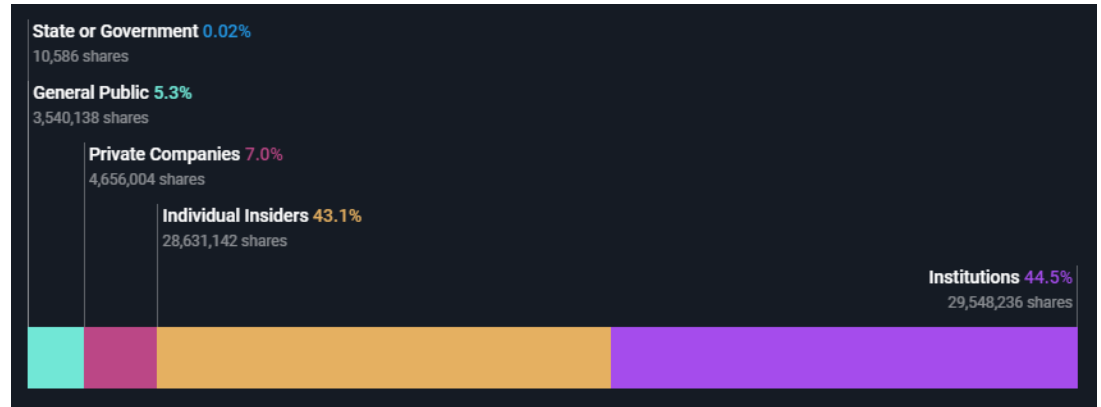
- ❖ Lack of separation between management and ownership as insiders own almost half of the shares
 - Insiders hold 43.1%
 - Institutions hold 44.5%
- ❖ Balance between an old board and fairly young executive team to make decisions and steer company on progressive routes
 - Overall, board and executive have a lot of experience in their respective fields
- ❖ 8 out of 9 board members are independent
 - Lack of ethnic diversity
 - Only 2 women are on board
- ❖ No age cap to retire and no limit on amount of terms a board member can run/be nominated for a position
- ❖ Annual performance evaluations for all executive and board members to ensure ability to perform all responsibilities

Stockholder Analysis

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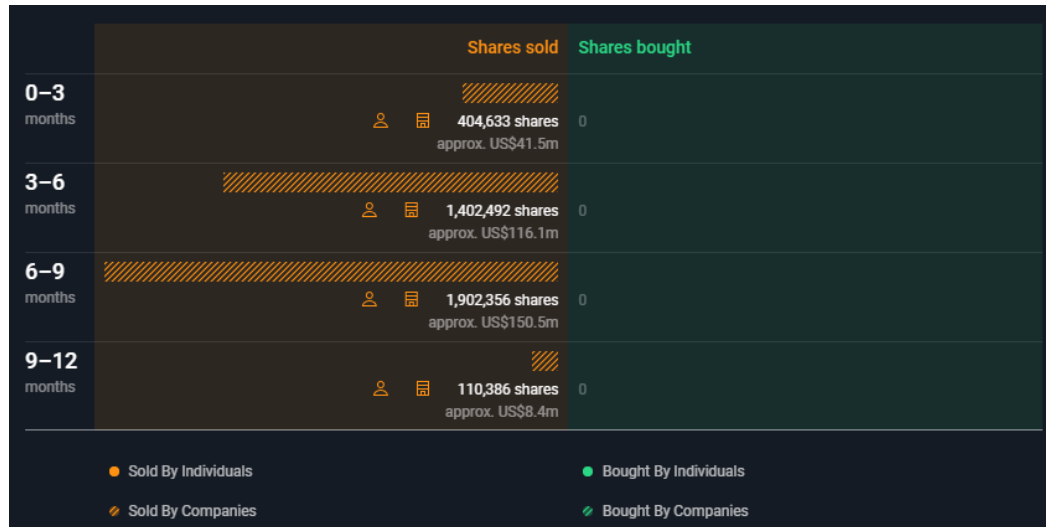
Columbia Sportswear's Shareholders

- ❖ Top 25 shareholders own 82.17% of the company
 - Timothy Boyle owns 35.64% of shares
 - Joseph Boyle (Executive VP and Brand President) owns 4.03%
- ❖ Almost half of shares are held by individual insiders
 - 43.1%
 - Institutions: 44.5%
- ❖ Currently 11 analysts
- ❖ Recommendation Rating: Buy



Ownership	Name	Shares	Current Value	Change %	Portfolio %
35.64%	Timothy Boyle	23,658,706	\$2.5b	-2.7%	no data
7.01%	Gertrude Boyle Trust	4,651,504	\$485.4m	-7.93%	no data
5.01%	Eaton Vance Management	3,323,417	\$346.8m	-8.77%	0.13%
5%	The Vanguard Group, Inc.	3,318,336	\$346.3m	8.65%	0.01%
4.15%	BlackRock, Inc.	2,753,548	\$287.3m	7.89%	0.01%
4.03%	Joseph Boyle	2,674,704	\$279.1m	0%	no data
3.18%	FMR LLC	2,111,239	\$220.3m	37.93%	0.02%
2.95%	Sarah Bany	1,958,554	\$204.4m	0%	no data

Insider Trading Volume

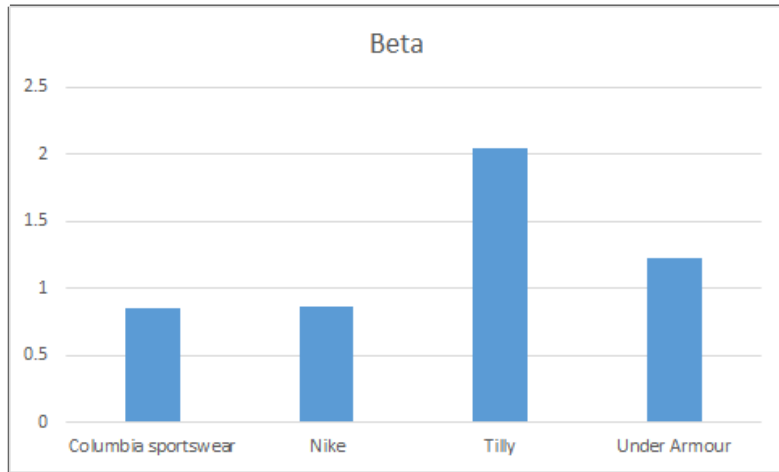


- ❖ Low Insider buying
 - COLM insiders have only sold shares the past 3 months
 - Two individual insiders and one company have sold shares the past 3 months
- ❖ Approx. 3.8M shares have been sold the past year
 - Majority sold by Gertrude Boyle Trust
 - Recent sale of 49,000 shares
- ❖ Despite decline in shares being bought by insiders, stock price has been steadily increasing
 - 25% in the past 3 months
 - Considered to be undervalued

Risk Profile



Columbia is less volatile than its competitor



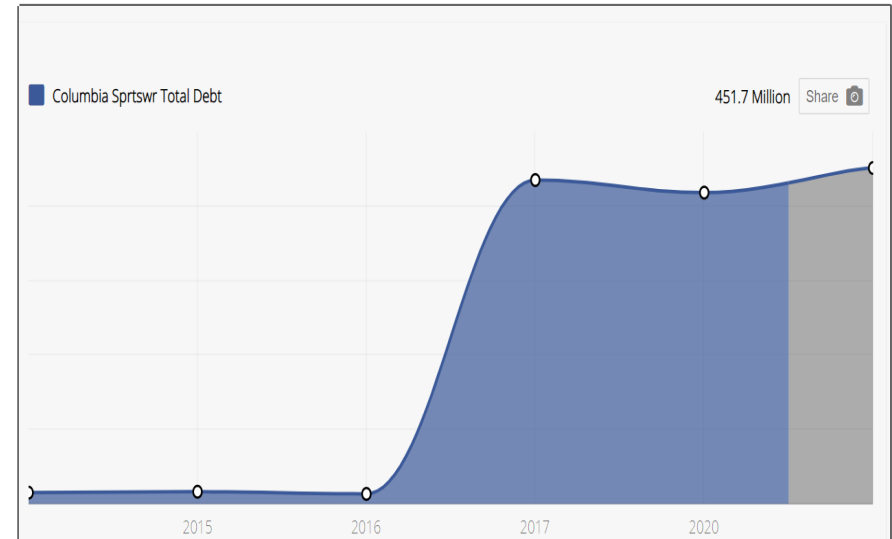
Columbia Sportswear has Beta of 0.85, which is lower than other competitors



Grey line represents grow of the stock of Columbia Sportswear which is less volatile than its competitors.

Cost of Debt

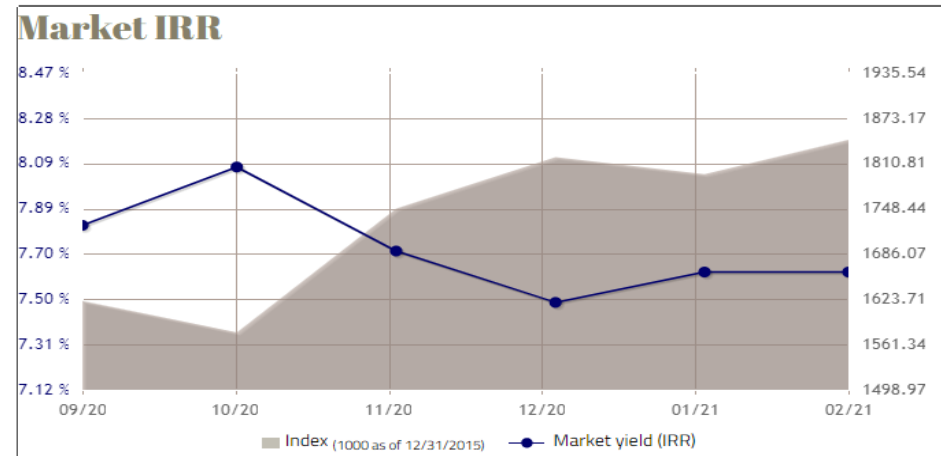
- ❖ The leverage of Columbia Sportswear is Total debt/Total equity = 418.56M / 1.83B = 22.87%
- ❖ The graph shows that the total debt of Columbia is relatively low (especially between 2014 to 2016)
- ❖ It indicates that there might be debt policy change in 2016.
- ❖ Cost of Debt(Before Tax) = interest expense/
Total debt = 0 / 418.56M = 0%



Cost of Equity

- ❖ 10 year Treasury Rate is at 1.6% (Risk free rate)
- ❖ Current market risk premium is 7.6%-1.6% = 6%
- ❖ Beta of Columbia Sportswear is 0.85
- ❖ So we can calculate the Cost of Equity according to CAPM Model
- ❖ Cost of Equity = 1.6% + 0.85 * 6% = 6.7%

$$E(R_i) = R(f) + \beta [E(m) - R(f)]$$



Weighted Average Cost of Capital

- ❖ The Weighted Average Cost of Capital

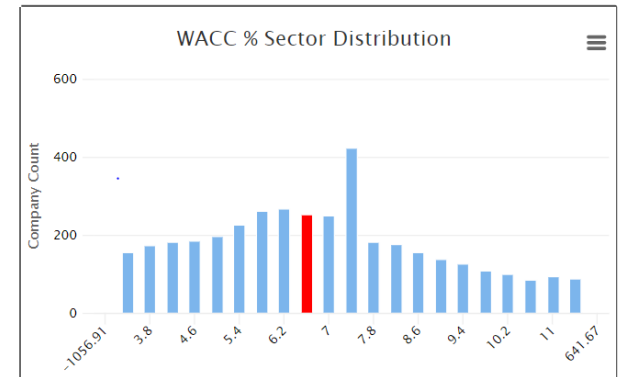
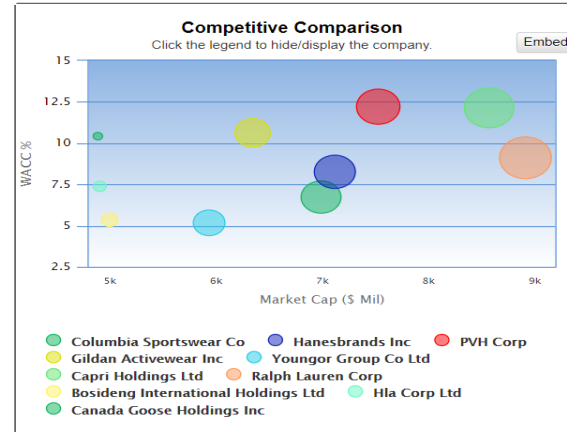


WACC Formula

$$WACC = \left[\left(\text{Weightage of Equity} \times \text{Cost of Equity} \right) + \left(\text{Weightage of Debt} \times \text{Cost of Debt} \right) \right] \times (1 - \text{Tax Rate})$$



- ❖ $WACC = 0.83 * 6.70\% + 0.13 * 0\% * (1 - 20.53\%) = 5.6\%$
 - WACC is volatile, the WACC we used according to current data in Yahoo Finance
- ❖ Columbia Sportswear has relatively lower WACC than its competitors
- ❖ WACC is decreasing.

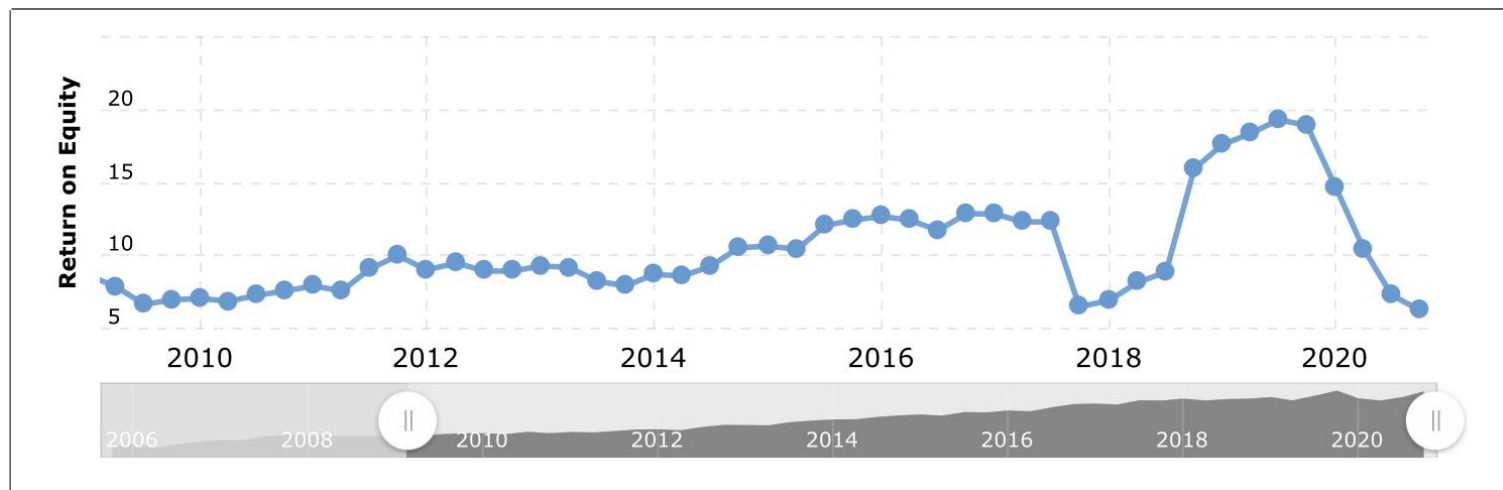


Summary

- ❖ Columbia tend to move with the market base on its performance of the stock
- ❖ Columbia Sportswear is less volatile than its competitor
- ❖ 5 years annual reports show that Columbia is not highly leverage, the leverage rate is safe.
- ❖ According to Columbia annual report in 2020, the interest expense is 0 which affect the cost of debt equals to 0%
 - The 0 interest expense is odd, investor probably should pay attention to this data
 - Increasing on total debt in the recent 2 years, but with 0 interest expense(0% cost of equity) leads WACC decreased.
- ❖ Columbia has lower WACC than its competitor, and thus it is a bit less risky for investors.
- ❖ Therefore, we conclude that Columbia has a lower level of risk comparing to its competitors.

Investment Returns

Investment Returns: ROE



Date	TTM Net Income	Shareholder's Equity	ROE
12.31.2020	\$0.11B	\$1.83B	6.26%

Investment Returns: ROA



Date	TTM Net Income	Shareholder's Equity	ROE
12.31.2020	\$0.11B	\$2.84B	3.98%

Analysts Predictions/Recommendations

- ❖ Despite numbers being worse than previous years, COLM announced results that exceeded analysts' expectations.
- ❖ Management aims at a growth of 18%-20% in 2021.
- ❖ Peer comparison shows that COLM is trading at 45% discount to its peers.
- ❖ DCF valuation shows a potential upside of at least 24%

Capital Structure

Total Debt to Total Equity	22.84
Total Debt to Total Capital	18.59
Total Debt to Total Assets	14.76
Interest Coverage	—
Long-Term Debt to Equity	19.27
Long-Term Debt to Total Capital	15.69
Long-Term Debt to Assets	0.12

- ❖ A ratio below 40% for mid-cap stocks is considered as financially healthy. Columbia Sportswear's debt-to-equity ratio is currently at 22.82.
- ❖ Investors' risk associated with debt is fairly low with COLM, and the company has the flexibility and ability to raise debt should it need to in the future

Debt Ratios

Dividend Policy

Dividend and Payout Analysis

Historical dividend analysis					
	FY2015	FY2016	FY2017	FY2018	FY2019
Div.Per Share	\$0.62	\$0.69	\$0.73	\$0.90	\$0.96
1-Year Growth Rate	9.30%	10.57%	5.82%	23.18%	3.83%
Div Expected Yield	1.26%	1.20%	1.30%	1.15%	0.97%
Div.Yield	0.56%	0.52%	0.44%	0.46%	0.40%
Payout Ratio	25.00%	25.09%	48.34%	23.38%	19.71%
Avg.Stock Price	\$110.70	\$133.96	\$167.27	\$197.74	\$237.98
Earnings Per Share(basic)	\$2.48	\$2.75	\$1.51	\$3.85	\$4.87
Shares Outstanding(Thousand)	70,162	69,683	69,759	69,614	67,837
Repurchased of common stock(Thousand)	70,068	11	35,542	201,600	121,702
Cash balance	\$369,770	\$551,389	\$673,116	\$451,795	\$6,886,009

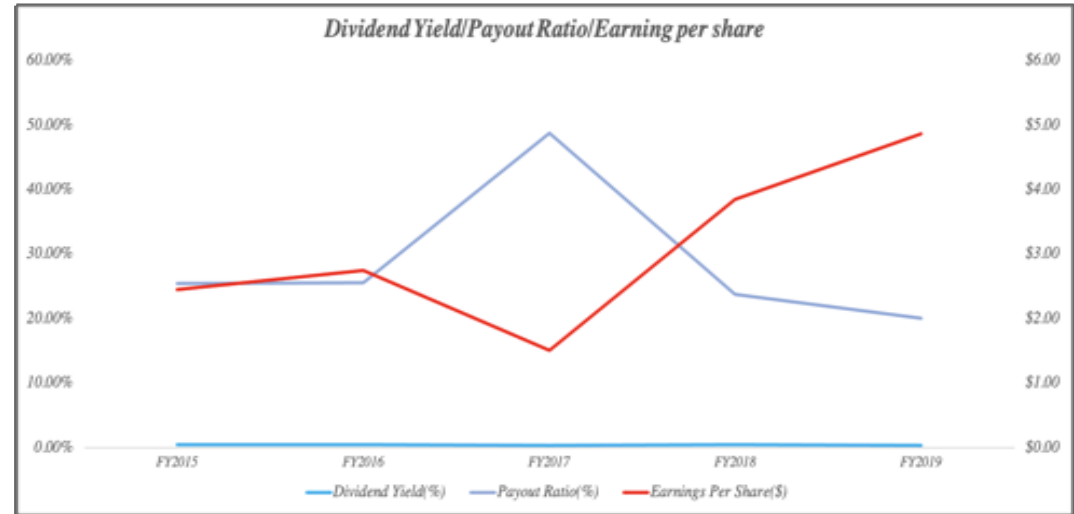
Dividend Per Share growth has been declining since 2015

- ❖ Rate has been decreasing
- ❖ Dividend yield has not reached the expected outcome
- ❖ Payout ratio maintained a stable rate
- ❖ Low payout ratio reflect a reinvesting financial strategy employed by the company

❖ Dividend Yield of Columbia Sportswear Co. has decreasing gradually, while there is slight increase in 2018

❖ Earning per share experiences a consistent rise despite a drop to \$1.51 in 2017

❖ A payout ratio has maintained at a steady level overall from 2015 to 2019, where experience a stronger increase during the period of 2016 to 2017, which signals a low reinvesting purpose to its expanding operation.



Columbia Sportswear Co. displays a decreasing proportion of dividend in earning and the overall adopts a relatively conservative dividend policy

	FY2015	FY2016	FY2017	FY2018	FY2019
Dividend Yield(%)	0.56%	0.52%	0.44%	0.46%	0.40%
Payout Ratio(%)	25.00%	25.09%	48.34%	23.38%	19.71%
Earnings Per Share(\$)	\$2.46	\$2.75	\$1.51	\$3.85	\$4.87

- ❖ Columbia Sports Co. adopts a more safer dividend policy, and less competitive in the industry
- ❖ Dividend yield is lower compared with its competitors, lowering its attraction for investor to invest in
- ❖ Compared to its competitors, Columbia Sports Co. had a relatively lower payout ratio in the past ratio in the past five years
- ❖ The lower payout ratio is a indication of reinvestment for expanding operation. Its continual decreasing trend shows its reliance on additional fund back to its business
- ❖ A steady payout ratio indicating the steady and sustainability of the company's payout program than more suggests

Dividend Yield

Dividend Yield Comparison					
	FY2015	FY2016	FY2017	FY2018	FY2019
Columbia Sports Co.	0.56%	0.52%	0.44%	0.46%	0.40%
Nike	1.20%	1%	1.10%	1.20%	1.00%
Adidas	1.80%	1.30%	1.60%	1.80%	1.30%

Payout Ratio

Payout Ratio Comparison					
	FY2015	FY2016	FY2017	FY2018	FY2019
Columbia Sports Co.	25.00%	25.09%	48.34%	23.38%	19.71%
Nike	28.28%	27.74%	27.13%	64.60%	33.47%
Adidas	47.09%	39.60%	37.10%	39.00%	39.20%

Repurchase of Stocks

- ❖ Increasing repurchasing of common stocks is a signal that the company was doing well from 2015-2019 The repurchase of common stock increased from 70,068 to 121,702 while the outstanding shares decreased with a quantity of 2,325 at the same period but remained at a level of around 70,000
- ❖ In some periods, like 2016, repurchasing of common stock drastically decreased to 11,000 which has displayed a decreasing capital return of the overall company
- ❖ Over the course of five years. the board of directors has maintained the level of shares outstanding and repurchase of common stock which will create more returns in capital to shareholders

Increasing repurchase of common stock overall
creates a better return

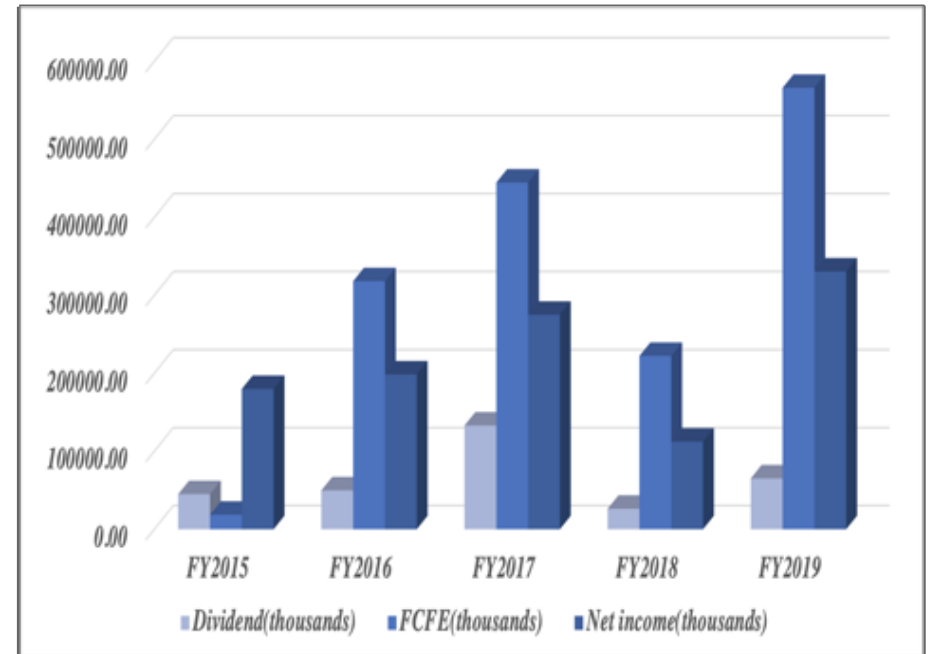
Shares Outstanding	70,162	69,683	69,759	69,614	67,837
Repurchase of common stocks	70,068	11	35,542	201,600	121,702

Source: Columbia Sportswear Co.,
Yahoo Finance

Strong FCFE

- ❖ In every year, FCFE is well above the amount of dividend payment to shareholders
- ❖ There is a trend between Net income and FCFE in a way that FCFE initially becomes lower but become higher afterwards
- ❖ Higher FCFE indicates expanding target of the company company has cash to expand the market

	FY2015	FY2016	FY2017	FY2018	FY2019
Net cash flow from operating activities	95105	275167		341128	289569
Capital Expenditure	-69917	-49987		-53352	-65622
Net borrowing	-6635	92828		156721	-1781
Total Cash preferred dividend	-	-	-	-	-
FCFE	18553	318008		444497	222166
NI	179851	198439		274948	112315
Dividend payout(thousands)	44962.75	49788.35		132909.86	26259.25



Dividend Policy Summary

- ❖ A relatively conservative dividend policy is adopted
- ❖ Increasing trend in stock repurchase indicate a better confidence in company itself, using capital strategy to make a better return for shareholders
- ❖ A low dividend yield displays a less profit paid to shareholders and stay at a relatively passive position to meet the expectation
- ❖ A decreasing payout ratio compared with other competitors proves that it is still expanding its business at a fast pace, and is expected to increase its dividend payment in the future
- ❖ Higher FCFE can secure the role of expansion of the company

CONCLUSION: Columbia Sports Co. meets
most of expectations

Valuation-Discounted Cash Flow

	FY2015	FY2016	FY2017	FY2018	FY2019
FCFF(thousands)	26034.23	225939.93	287956.18	223947.00	161936.00
FCFE(thousands)	18553.00	318008.00	444497.00	222166.00	565972.00
Discount rate calculations					
Current beta (0.85)					
terminal growth (0.04)					
WACC (0.07)					
Intrinsic Value	7017758.63				
Equity Value	5877856.00				
Intrinsic Value/Share	103.45				

- ❖ Under the discounted cash flow model we have determined that the intrinsic value with around \$103 is higher than that of market share price of \$101 in 2019 , which indicate the undervaluation of the company
- ❖ The terminal growth is around 4%
- ❖ By looking at the data from DCF model, we can say Columbia Sportswear Co has pretty good value in the market

Ratio Analysis

- ❖ ROE is 12% on average, showing that the company generates \$0.12 of profit for each \$1 invested from shareholders
- ❖ The inventory turnover ratio with around 2.5% means that the company has a good performance to sell its product efficiently
- ❖ With nearly 50% gross profit margin, and 10% net profit margin, Columbia sports company displays high and efficient profitability

	FY2015	FY2016	FY2017	FY2018	FY2019
Profitability					
Gross profit margin	0.50	0.50	0.47	0.47	0.46
Net profit margin	0.08	0.08	0.11	0.04	0.11
Short-term Ratios					
Inventory turnover	2.64	2.60	2.85	2.71	2.52
Receivable turnover	6.25	7.12	6.76	6.24	6.23
Payable turnover	5.77	5.02	4.76	5.16	5.98
Operating working capital turnover	2.63	1.99	2.07	2.35	2.44
Average days inventory in stock	138.01	140.62	127.97	134.51	144.86
Average days receivables outstanding	58.36	51.24	54.00	58.53	58.57
Average days payables outstanding	63.30	72.70	76.69	70.74	61.05
Return on Equity and Asset					
ROE	0.13	0.13	0.17	0.07	0.18
ROA	0.10	0.10	0.12	0.05	0.11
Activity Ratios					
Total Asset turnover	0.20	0.17	0.16	0.19	0.17

Ratio Analysis

❖ The Current ratio is over 2, it is a good indication for the overall liquidity for the company, and ensures that company is able to pay off its obligations

❖ Low Debt to total Asset ratio is an indicator of a company's financial leverage, showing a conservative strategy employed

	FY2015	FY2016	FY2017	FY2018	FY2019
Liquidity Ratios					
Current	3.41	3.64	3.08	3.08	2.97
Quick	2.12	2.56	2.28	2.17	2.01
Cash	1.01	1.22	1.18	0.79	1.09
Capitalization Ratio					
Debt to total Assets	0.23	0.21	0.25	0.29	0.37
Debt to total Capitalization	0.29	0.26	0.32	0.38	0.47
Solvency Ratios					
Total Debt to EBITDA	1.41	1.32	1.71	1.62	2.05
EBITDA to Interest	277.47	314.88	762.49	-	-
Times interest(Cash basis)	226.04	257.23	622.76	-	-

Competitor Analysis

❖ Columbia Sportswear Co. has much lower share outstanding compared with the other top firm in industry, displaying low price volatility

Competitor Analysis	Share Price(\$)	Outstanding Shares(thousands)	Market Value(thousands)	Enterprise Value(thousands)	T12MEBITDA(thousands)	EV to EBITDA	EV to Revenue
Company(Current)							
Columbia Sports Co.	101.00	67837.00	6851537.00	6960000.00	173122.89	38.22	7.29
Nike	96.66	1579700.00	152693802.00	155038802.00	2700000.00	57.42	3.90
Adidas	289.80	195969.39	56791928.35	56464128.35	3965000	14.24	2.39

❖ Compared to Nike and Adidas, Columbia Sportswear Co. has a higher EV to Revenue ratio and higher enterprise value relative to market value but a moderate EV to EBITDA ratio. We can predict that the company is undervalued

Moderate Financial Health Summary

- ❖ Under the DCF model, its intrinsic value is higher than that of , where investor will look at it as an opportunity and buy the stock at its current market value in expectation of gain
- ❖ With a Current ratio over 2, it is a good indication for the overall liquidity for the company, and ensures that company is able to pay off its obligations
- ❖ Company has a great gross and net profit margin, showing the efficient profitability generated
- ❖ Lower share outstanding exhibits the low price volatility of Columbia sportswear Co. in industry

Conclusion

- ❖ Well governance policy but lack diversification with ethnicity and gender
- ❖ Half of the shareholders are individual
- ❖ Columbia has a lower level of risk comparing to its competitors
- ❖ A relatively conservative dividend policy with lower payout ratio displays a higher expansion target
- ❖ High intrinsic value together with competitive ratio shows a better financial performance
- ❖ Company has a great gross and net profit margin, showing the efficient profitability generated
- ❖ Overall, Columbia Sportswear has a good financial health.