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**0831119**

### **AMOD 5560 FINAL PROJECT**

**1) Nike, Inc.**, founded in 1962 and headquartered in Beaverton, Oregon, is a global leader in athletic footwear, apparel, and equipment. Its major products include footwear (65% of sales), apparel (25%), and equipment (5%). The company also owns Converse. Insiders own 1.70% of Nike's shares. Headquartered in Beaverton, Oregon.

**key officers and their roles at Nike:** **Philip H. Knight** (Chairman Emeritus, Director since 1968) , **Mark G. Parker** (Executive Chairman, Director since 2006) , **Elliott Hill** (President & CEO, Director since 2024), **Cathleen Benko** (Director since 2018), **Timothy Cook** (Lead Independent Director, Director since 2005) , **Thasunda B. Duckett** (Director since 2019), **Mónica Gil** (Director since 2022), **Maria Henry** (Director since 2023) , **Peter B. Henry** (Director since 2018), **Travis A. Knight** (Director since 2015), **Michelle A. Peluso** (Director since 2014), **John W. Rogers, Jr.** (Director since 2018) , **Robert Swan** (Director since 2022)

Nike engages in CSR by prioritizing sustainability and ethical practices. It supports communities through programs like Active Schools & Youth Sports, promotes fair labor practices, and ensures regulatory compliance. The company emphasizes career growth, diversity, and environmental conservation to address stakeholder concerns.

Nike has increased its quarterly dividends since 2004, with a \$0.34 per share dividend in 2023. The company repurchased 14.81 million shares for \$1.18 billion between June and August 2024 as part of an \$18 billion buyback program running through 2026.

The IPO prospectus outlines restrictions to safeguard Canstar's operations and ownership, focusing on controlled corporate actions:

1. **No Solicitation:** Canstar cannot solicit or encourage proposals for mergers, acquisitions, or asset sales with third parties, except NIKE or its affiliates.
2. **Fiduciary Exceptions:** Actions involving third-party offers are allowed only if legally advised as necessary for fiduciary obligations, with immediate notification to NIKE.
3. **Mandatory Reporting:** All third-party inquiries or proposals must be promptly disclosed to NIKE.
4. **Post-Termination Limits:** For four months after termination, Canstar is restricted from major transactions with external parties.

**2) Columbia Sportswear** is a global leader in outdoor and active lifestyle apparel, footwear, and equipment. It offers products like jackets, footwear, and accessories under brands such as Columbia, Mountain Hardwear, Sorel, and prAna. The company operates in over 100 countries, with 65% of its

revenue generated in the U.S. Its headquarters is in Portland, Oregon. Insiders hold 51.09% of Columbia's shares.

**key officers and their roles at Columbia:** **Mr. Timothy P. Boyle:** Chairman, CEO, and President, **Mr. Jim A. Swanson:** Executive VP & CFO, **Mr. Peter J. Bragdon:** Executive VP, Chief Administrative Officer & General Counsel, **Mr. Joseph P. Boyle:** Executive VP & Columbia Brand President, **Mr. Steven M. Potter:** Executive VP & Chief Digital Information Officer, **Mr. Andrew Shuler Burns CFA:** Director of Investor Relations & Competitive Intelligence, **Ms. Mary Ellen Glynn:** Senior Director of Corporate Communications, **Ms. Richelle T. Luther:** Executive VP of Corporate Affairs & Chief Human Resource, **Ms. Lisa A. Kulok:** Executive VP & Chief Supply Chain Officer, **Mr. Michael W. Blackford:** Senior VP & Chief Product Officer for Columbia Brand.

Columbia Sportswear focuses on empowering people through community health initiatives and supporting women in supply chains. It promotes environmental sustainability, including water conservation and sustainable manufacturing. The company also uses eco-friendly materials and ensures ethical practices in its supply chain.

Columbia pays an annual dividend of \$1.20 per share with a yield of 1.36% and a payout ratio of 33.13%. It recently declared a quarterly dividend of \$0.30 for Q4 2024. The company repurchased 2.9 million shares for \$230.9 million in 2024 and authorized an additional \$600 million for buybacks.

The IPO prospectus outlines the following M&A-related policies:

1. **Business Combination Act:** Restricts transactions with shareholders owning 15%+ of voting stock for three years unless specific conditions, like board or supermajority approval, are met.
2. **Mergers and Asset Sales:** Significant actions, including mergers, major asset sales, or stock transfers, require board approval to align with strategic goals.
3. **Stock Options:** In M&A events, the board can maintain, convert, or accelerate stock options, ensuring flexibility for all parties.
4. **Shareholder Protections:** Actions like consolidations, issuing new shares, or altering business operations need board or unanimous shareholder consent in some cases.

**3) Lululemon Athletica** is a global retailer specializing in athletic apparel for yoga, running, dance, and fitness. It offers products such as fitness pants, shorts, tops, and jackets. The company is headquartered in Vancouver, Canada, and its CEO is Calvin R. McDonald. Insiders hold 4.63% of the shares, Other key executives include Meghan Frank (CFO) and Celeste Burgoyne (President of Americas & Global Guest Innovation).

**key officers and their roles at Lululemon Athletica:** **Calvin R. McDonald** - CEO & Director, **Meghan Frank** - Chief Financial Officer, **Celeste Burgoyne** - President of Americas & Global Guest Innovation,

**Andre Maestrini** - Executive Vice President of International, **Julie Averill** - Executive VP & Chief Information Officer, **Howard Brett Tubin** - Vice President of Investor Relations, **Shannon Higginson** - Chief Legal & Compliance Officer, **Allison Reid** - Vice President of Corporate Communications, **Susan Gelinas** - Chief People & Culture Officer, **Jennifer Battersby** - Senior Vice President of Product Engine

Lululemon focuses on sustainability, working towards a circular economy by promoting product resale, recycling, and repair. It has shifted to 100% renewable energy in U.S. operations and uses sustainable materials, such as plant-based nylon, to reduce environmental impact.

Lululemon does not pay dividends. However, in Q3 2024, the company repurchased 1.6 million shares for \$408.5 million. On December 3, 2024, the board approved an additional \$1.0 billion for its stock repurchase program, leaving about \$1.8 billion in remaining authorization as of December 5, 2024.

In the IPO prospectus, key strategic and M&A points are:

1. **Voting Rights:** Series TS Preferred Stockholders have 100 votes per share, except for matters related to the Canada Group.
2. **Change of Control Transaction:** Includes events like a Sale Liquidity Event, majority share sale to non-affiliates, or mergers with non-affiliates, excluding transactions where stockholders retain at least 51% control.
3. **Change in Control:** Occurs when a person acquires over 50% of voting power, or in events like mergers, asset sales, or liquidation.
4. **Sale:** Involves selling all or most assets, a majority of shares to non-affiliates, or a merger, unless current shareholders retain majority control.
5. **Approved Sale:** Shareholders waive rights in mergers or stock transfers and must sell on agreed terms, participating pro-rata if not all securities are sold.

**4) Dick's Sporting Goods, Inc.** is a leading omni-channel sporting goods retailer headquartered in Coraopolis, Pennsylvania. The company offers a wide range of sporting goods, apparel, and footwear, operating over 850 stores and an eCommerce platform. It features exclusive brands such as Walter Hagen and Alpine Design, alongside national brands like Nike. The company is led by Executive Chairman Edward W. Stack and CEO Lauren R. Hobart. Insiders own 3.72% of the company's shares.

**key officers and their roles at Dicks:** **Edward W. Stack** – Executive Chairman, **Lauren R. Hobart** – President & CEO, **Navdeep Gupta** – Executive VP & CFO, **Vladimir Rak** – Executive VP & CTO, **Raymond Sliva** – Executive VP of Stores, **Elizabeth H. Baran** – Senior VP, General Counsel & Corporate Secretary, **Emily Silver** – Senior VP & Chief Marketing & Athlete Experience Officer, **Julie**

**Lodge-Jarrett** – Executive VP and Chief People & Purpose Officer, **Vincent A. Corno** – Senior VP of Real Estate

Dick's Sporting Goods focuses on sustainability, diversity, and community engagement. It supports diversity through training and equitable recruitment, while also promoting community development with over \$44 million invested in grants and donations, benefiting youth sports. The company also prioritizes sustainable product sourcing, innovation, and environmental impact, reducing energy consumption and eliminating plastic bags.

The company pays an annual dividend of \$4.40 per share, yielding 2.03%, with a 30.45% payout ratio. Dick's has increased dividends for 10 consecutive years. For share repurchases, it bought back 0.8 million shares for \$170.3 million in 2024 and has \$609.3 million remaining in its buyback program.

In the IPO prospectus, the merger and acquisition (M&A) provisions highlight the following key points:

1. **M&A Restrictions:** The company's revolving credit facility restricts its ability to incur additional debt, issue shares, engage in mergers, or sell assets. In case of insolvency, the lenders under this facility will have priority over stockholders in asset distribution.
2. **Control via Voting Power:** Following a charter amendment, there will be two classes of common stock: one with one vote per share and another (Class B) with 10 votes per share. Mr. Edward W. Stack and his relatives will control a majority of voting power, allowing them to control corporate decisions, including M&A transactions, and prevent any change in control.
3. **Impact of Change in Control:** Upon a merger or asset sale, awards under the company's plan may be accelerated or assumed by the acquiring entity. The Board can determine whether outstanding stock options are assumed or substituted.
4. **Acquisitions and Mergers:** The issuance of Class B shares makes it difficult for outside parties to take control in an M&A situation if the Class B shareholders oppose it. Similarly, the common stockholders will not be able to remove or replace directors in such transactions.
5. **Liquidation Provisions:** In the event of a merger, asset sale, or liquidation, the rights of preferred stockholders to receive payment are outlined, ensuring their claims are satisfied before common stockholders receive any distributions.

JD Sports Fashion PLC is a leading omnichannel retailer specializing in branded sports and leisure wear. It offers products such as footwear, clothing, accessories, and outdoor equipment from global brands like Nike, Adidas, and Puma, as well as private labels like Pink Soda and Supply & Demand. The company operates over 900 stores across 21 territories, including the UK, Australia, and the US. It is headquartered in the UK and led by CEO Régis Andre Schultz.

**key officers and their roles at JD SPORTS:** **Régis Andre Schultz:** CEO & Director, **Dominic James Platt:** CFO & Director, **Sherilyn Paterson:** Chief Operations Officer, **Matthew Hall:** Interim Group

Technology Director, **Theresa Casey**: General Counsel & Company Secretary, **Nicola Kowalczyk**: Chief People Officer, **Michael Armstrong**: Global Managing Director, **George Mersho**: Community Brands Managing Director, **David Segarra**: Managing Director of Sporting Goods, **Angel Segarra**: Managing Director of Sporting Goods,

- **Environmental**: JD Sports is committed to reducing its carbon emissions, with goals to use 100% renewable energy in Europe by 2022 and globally by 2025. The company has earned an A-rating in Climate Change from CDP.
- **Social**: The company focuses on providing a safe, inclusive workplace and supporting global urban youth through community engagement initiatives.
- **Governance**: JD adheres to the UK Corporate Governance Code principles, promoting diversity and sustainable practices in its leadership and operations.

JD Sports pays an annual dividend of £0.009 per share, yielding 0.89%, with a payout ratio of 23.7%. The dividend is paid semi-annually, with the most recent ex-dividend date being November 7, 2024. However, the company has seen a slight decrease in dividend growth of -4.12%. JD Sports Fashion has not reported recent share buybacks, focusing instead on strategic acquisitions and investments to drive growth.

The strategic plan in the IPO prospectus regarding mergers and acquisitions (M&A) is outlined in Section 16, which covers changes affecting deposited securities. It specifies that in the event of a merger, consolidation, bankruptcy, or other corporate reorganization, the Depositary has the right to exchange or surrender the deposited securities for other shares, securities, cash, or property that may be issued or distributed as a result.

Additionally, in the case of mergers or acquisitions, the Depositary can require the surrender of existing receipts and issue new ones to reflect the change in securities. This ensures that holders of receipts are entitled to receive the equivalent securities or cash, with the Depositary handling any associated fees and taxes.

## Part 2

### QUESTION 1

#### FINANCIAL LEVERAGE RATIOS

##### Total Debt Ratio

STOCKS	2020	2021	2022	2023	2024
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NIKE	41.53	33.95	31.32	32.36	31.36
COLUMBIA	14.76	12.56	12.43	13.88	-
LULULEMON	22.55	19.08	17.83	19.09	19.79
DICKS	46.77	40.64	49.88	46.76	45.79
JD SPORTS	46.68	40.66	33.75	30.79	32.48

Nike has reduced its debt ratio from 41.53% in 2020 to 31.36% in 2024, reflecting improved debt management. Columbia has maintained a low debt ratio between 12.43% and 14.76%, indicating financial stability, though data for 2024 is missing. Lululemon decreased its ratio from 22.55% to 17.83%, but saw a slight increase to 19.79% in 2024, suggesting some rise in debt. Dick's Sporting Goods' ratio fluctuated between 40.64% and 49.88%, with a slight decrease in 2024, indicating higher debt reliance. JD Sports reduced its ratio from 46.68% to 30.79%, but it rose slightly to 32.48% in 2024, reflecting some increased borrowing.

Debt/equity Ratio= $\frac{total\ debt}{total\ equity}$

STOCKS	2020	2021	2022	2023	2024
NIKE	161.58	100.36	82.63	86.72	82.83
COLUMBIA	22.84	19.36	19.59	21.04	-
LULULEMON	37.9	31.22	32.15	33.99	33.16
DICKS	179.05	134.66	214.61	166.56	162.91
JD SPORTS	157.36	140.26	105.59	94.91	91.11

Nike's debt-to-equity ratio decreased from 161.58 in 2020 to 82.83 in 2024, indicating a reduction in leverage. Columbia maintained a low ratio between 19.36 and 22.84, reflecting conservative borrowing, but data for 2024 is missing. Lululemon's ratio declined from 37.9 to 32.15, showing reduced reliance on debt, but remained relatively stable in recent years. Dick's Sporting Goods had a high and fluctuating ratio, reaching 214.61 in 2022, before decreasing to 162.91 in 2024, indicating high debt levels. JD Sports' ratio decreased from 157.36 to 91.11, reflecting a reduction in debt reliance over the period.

CASH COVERAGE RATIO= $\frac{EBIT+DEPRICIATION}{interest\ Expense}$

STOCKS	2020	2021	2022	2023	2024
NIKE	$\frac{3115.0+721}{151.0} = 25.4$	$\frac{6937+744}{296} = 25.9$	$\frac{6675+717}{299} = 24.7$	$\frac{5915+703}{291} = 22.7$	$\frac{6311+796}{269} = 26.42$
COLUMBIA	$\frac{137.0+NG}{NG} =$	$\frac{450.5+NG}{NG} =$	$\frac{393.1+NG}{NG} =$	$\frac{310.3+NG}{NG} =$	$\frac{310.3+NG}{NG} =$

<b>LULULEMON</b>	$\frac{889.1+161.8}{NG} =$	$\frac{820.0+180.1}{NG} =$	$\frac{1333.4+215.4}{NG} =$	$\frac{1328.4+283.0}{NG} =$	$\frac{2132.7+283.0}{NG} =$
<b>DICKS</b>	$\frac{375.6+249.1}{17.0} = 36.75$	$\frac{741.5+317.5}{48.8} = 21.1$	$\frac{2,034.5+315.7}{57.8} = 4$	$\frac{1,463.0+332.3}{95.2} = 1$	$\frac{1,282.4+353.8}{58.0} = 28$
<b>JD SPORTS</b>	$\frac{12,343.0+5,266.0}{1,125.0} = 15.65$	$\frac{4,141.0+5,276.0}{1,213.0} = 7.76$	$\frac{19,723.0+5,988.0}{2,106.0} = 11.46$	$\frac{26,025.0+6,988.0}{2,881.0} = 10.78$	$\frac{37,770.8+NG}{NG} =$

Nike's cash coverage ratio fluctuates between 22.74 in 2023 and 26.42 in 2024, indicating a strong ability to cover interest expenses. Columbia's data is incomplete, with missing figures for depreciation and interest expenses. Lululemon data is incomplete, with missing figures for interest expenses. Dick's Sporting Goods has a strong ratio, ranging from 18.86 in 2023 to 40.66 in 2022, though it decreased in 2023. JD Sports, starting at 15.65 in 2020, shows a decline in its ability to cover interest, with the ratio dropping to 7.76 in 2021 and fluctuating between 12.21 and 11.46 in subsequent years, with 2024 data unavailable.

### Interest Coverage

STOCKS	2020	2021	2022	2023	2024
NIKE	20.63	23.44	22.32	20.33	23.46
COLUMBIA	-	-	-	22.67	-
LULULEMON	-	-	-	-	-
DICKS	22.08	15.19	35.18	15.36	22.10
JD SPORTS	64.64	67.54	128.79	146.55	115.9

Nike's interest coverage ratio fluctuates between 20.33 in 2023 and 23.46 in 2024, indicating strong ability to cover interest payments. Columbia's data is unavailable for 2020-2022 and 2024, but it recorded a ratio of 22.67 in 2023. Lululemon does not have available data for the entire period. Dick's Sporting Goods has a varying interest coverage ratio, from 15.19 in 2021 to 35.18 in 2022, with 2023 and 2024 at 15.36 and 22.10, respectively. JD Sports shows high interest coverage, starting at 64.64 in 2020 and peaking at 146.55 in 2023, though it decreases to 115.9 in 2024.

### MARKET VALUE RATIOS

#### PE RATIOS

STOCKS	2020	2021	2022	2023	2024
NIKE	54.81	37.00	31.34	32.59	21.21
COLUMBIA	45.03	18.23	14.82	16.74	20.64
LULULEMON	48.56	69.87	40.52	32.01	27.91

<b>DICKS</b>	<b>11.97</b>	<b>9.48</b>	<b>8.16</b>	<b>11.46</b>	<b>15.24</b>
<b>JD SPORTS</b>	<b>32.50</b>	<b>32.41</b>	<b>26.26</b>	<b>44.27</b>	<b>16.84</b>

Nike's price-to-earnings (P/E) ratio has declined from 54.81 in 2020 to 21.21 in 2024, reflecting a decrease in stock price relative to earnings. Columbia's P/E ratio decreased from 45.03 in 2020 to 16.74 in 2023 but rose to 20.64 in 2024. Lululemon's P/E ratio saw a peak of 69.87 in 2021 but has decreased to 27.91 by 2024, indicating a decline in investor expectations. Dick's Sporting Goods showed a steady decrease in its P/E ratio from 11.97 in 2020 to 8.16 in 2022, before rising to 15.24 in 2024. JD Sports had a stable P/E ratio around 32 in 2020 and 2021 but saw a rise to 44.27 in 2023, before dropping to 16.84 in 2024.

### dividend yield

<b>STOCKS</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>NIKE</b>	<b>0.97</b>	<b>0.78</b>	<b>0.98</b>	<b>1.23</b>	<b>1.91</b>
<b>COLUMBIA</b>	<b>0.57</b>	<b>1.07</b>	<b>1.37</b>	<b>1.51</b>	<b>1.36</b>
<b>LULULEMON</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DICKS</b>	<b>2.49</b>	<b>1.40</b>	<b>6.27</b>	<b>1.54</b>	<b>1.98</b>
<b>JD SPORTS</b>	<b>0.21</b>	<b>0.04</b>	<b>0.15</b>	<b>0.3</b>	<b>0.89</b>

Nike's dividend yield has gradually increased from 0.97% in 2020 to 1.91% in 2024, reflecting a steady rise in its dividend payouts. Columbia's dividend yield increased from 0.57% in 2020 to 1.51% in 2023 but slightly decreased to 1.36% in 2024. Lululemon did not pay any dividends during this period. Dick's Sporting Goods experienced significant fluctuations in its dividend yield, peaking at 6.27% in 2022, but stabilizing around 1.98% in 2024. JD Sports showed a low dividend yield, starting at 0.21% in 2020, and gradually increasing to 0.89% in 2024.

### M/B ratio

<b>STOCKS</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>NIKE</b>	<b>19.07</b>	<b>16.87</b>	<b>12.22</b>	<b>11.52</b>	<b>8.44</b>
<b>COLUMBIA</b>	<b>3.16</b>	<b>3.19</b>	<b>2.81</b>	<b>2.46</b>	<b>2.83</b>
<b>LULULEMON</b>	<b>15.98</b>	<b>16.75</b>	<b>14.82</b>	<b>12.57</b>	<b>12.25</b>
<b>DICKS</b>	<b>2.13</b>	<b>2.43</b>	<b>4.07</b>	<b>4.11</b>	<b>5.70</b>
<b>JD SPORTS</b>	<b>6.56</b>	<b>5.87</b>	<b>5.21</b>	<b>3.94</b>	<b>2.24</b>

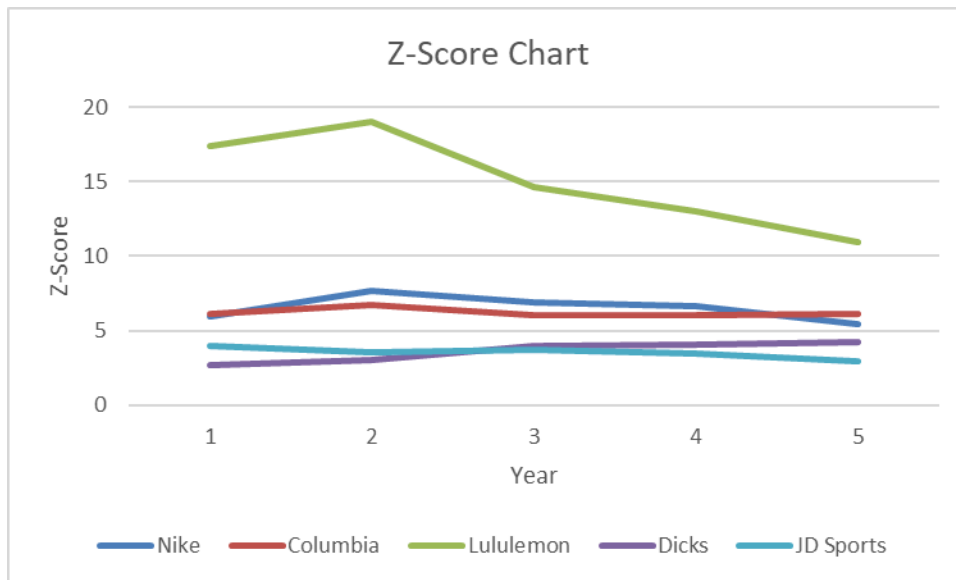
Nike's market-to-book (M/B) ratio has steadily decreased from 19.07 in 2020 to 8.44 in 2024, indicating a decline in its market value relative to its book value. Columbia's M/B ratio has been relatively stable, ranging from 3.16 in 2020 to 2.83 in 2024. Lululemon's M/B ratio decreased from 15.98 in 2020 to 12.25 in 2024, reflecting a gradual decline in its market value compared to its book value. Dick's Sporting Goods saw an increase in its M/B ratio from 2.13 in 2020 to 5.70 in 2024, indicating a significant rise in market value relative to its book value. JD Sports experienced a decline in its M/B ratio from 6.56 in 2020 to 2.24 in 2024.

### Question2



## Z-score

STOCKS	2020	2021	2022	2023	2024
NIKE	5.96	7.65	6.86	6.61	5.47
COLUMBIA	6.11	6.69	6.07	6.06	6.10
LULULEMON	17.42	19.00	14.61	13.02	10.91
DICKS	2.72	3.06	4.00	4.06	4.20
JD SPORTS	3.99	3.51	3.74	3.47	2.98



Year 1 = 2020, Year 2 = 2021, Year 3 = 2022, Year 4 = 2023, Year 5 = 2024

## QUESTION 3

### MERGER BETWEEN NIKE & WNBA LLC

**1. Merger Premium:** The **target deal price** includes a **20.0% premium**, which means that WNBA LLC's stock is priced at **\$1.20** in the deal, compared to its current price of **\$1.00**. This premium reflects the additional value offered by Nike Inc. to entice the target's shareholders to approve the deal.

### 2. Performance Metrics:

- **P/E Ratios (Price-to-Earnings):** For **2024**, the P/E ratio for the target is **23.9x** and for the acquirer (Nike Inc.), it is **23.9x** as well. This shows that both companies are valued similarly in terms of their earnings expectations for the year. For **2025**, the target's P/E ratio rises to **25.7x**, while Nike's ratio stays at **25.7x**, indicating stable performance expectations over the next year.
- **Enterprise Value:** The enterprise value of the acquirer is **\$118,447.3 million**, reflecting the total value of Nike Inc. in the market.
- **EV/EBITDA Ratios:** The acquirer (Nike Inc.) has an **EV/EBITDA** ratio of **20.0x** for 2024 and **19.9x** for 2025, indicating slight improvement in operational efficiency in the years ahead.

**3. Pro Forma (Post-Transaction) Performance:** For **2024**, the **EPS (Earnings per Share)** for the proforma (combined) entity is **3.25**, with the same value for both the target and acquirer. This suggests no immediate impact on the EPS after the merger. For **2025**, the **EPS** remains consistent at **3.02**, indicating no significant change in earnings per share after the merger.

**4. Leverage and Synergies:** The **Net Leverage** ratio (Net Debt to TTM EBITDA) is low at **0.3x**, which indicates that the acquirer is relatively under-leveraged, providing room for taking on debt if needed to finance the transaction.

**5. Sources and Uses of Funds: Sources of Funds:** The deal appears to be funded primarily through **debt issuance**, with a rate of **4.3090%** for credit facilities, loans, senior notes, and subordinated notes. The total debt issuance is heavily weighted at **100%**. **Uses of Funds:** The funds are intended for **Target Equity Purchase, Debt Repayment, and Transaction Fees**, though exact amounts for these categories are not provided. There is no issuance of new stock or significant cash usage reported.

**6. Shareholding and Equity Ownership:** No specific changes in **equity ownership by target holders** are listed, suggesting the deal may not significantly alter the shareholder structure after the merger.

The **NPV** of this merger depends on the synergy value generated from the deal, the integration process, and the financing structure. From the perspective of the acquiring firm, Nike, the primary benefits include expansion and cost synergies, while the costs involve the premium paid and debt incurred. For WNBA LLC, the benefits include access to greater resources and brand recognition, but the potential costs could involve loss of autonomy and possible job cuts.

## **MERGER BETWEEN COLUMBIA SPORTSWEAR & prAna Living llc**

**1. Merger Premium:** The **premium** paid by the acquiring company, **Columbia Sportswear Co** (ticker: COLM), is **20%** over the target company's stock price. This means Columbia is offering 20% more than prAna's current market price, which is a common strategy in mergers and acquisitions to entice the target company's shareholders to sell their shares.

### **3. Merger Performance (Pro Forma Impact)**

**EPS Impact:** The pro forma earnings per share (EPS) for Columbia Sportswear Co shows no change post-merger. Both the target and acquirer have the same EPS of 3.89 in 2024 and 4.28 in 2025. This suggests that the deal is expected to have a neutral impact on the acquirer's earnings, meaning the merger is not expected to significantly change the earnings per share or profitability, at least initially.

**Price-to-Earnings Ratio (P/E):** The P/E ratio for Columbia Sportswear is expected to remain stable. The required P/E ratio to maintain the same share price post-merger is 23.3x for 2024 and 21.2x for 2025, the same as the current ratio for Columbia. This indicates that the market is not expecting significant changes in the valuation or performance of Columbia after the acquisition.

**Net Leverage:** The net leverage ratio is very low at 0.1x (Net Debt / TTM EBITDA), which suggests that the acquiring company is not taking on excessive debt relative to its earnings. This low leverage indicates that the merger is not likely to strain Columbia's financial position.

**4. Financing the Deal:** -The deal utilizes a 4.309% credit facility and other debt instruments. The debt financing is structured with an interest rate of 4.309%, which is relatively low and should help minimize the cost of financing the acquisition.

*5. Enterprise Value (EV) of the acquirer (Columbia) is \$5,299.7 million.*

The equity Value of the acquirer is \$5,251.9 million.

P/E ratio for Columbia in 2024 is 23.3x, indicating a relatively high valuation compared to its earnings.

For the acquiring firm (Columbia), the key benefits are market expansion, synergies, and brand enhancement, while the costs include the premium paid, increased debt, and integration challenges. For the acquired firm (prAna), the benefits include financial gain from the premium price and access to Columbia's resources, while the costs include the potential loss of independence, integration risks, and uncertainty about the future.

## QUESTION 4

### NIKE

- **Environmental Score:** Saw a significant increase from 4.71 in 2020 to 5.94 in 2021, driven by Nike's sustainability efforts like carbon neutrality and sustainable materials. The score remained stable around 5.85-5.90 in 2022 and 2023.
- **Social Score:** Declined from 3.05 in 2020 to 2.83 in 2021, and further to 2.32 in 2022, before recovering slightly to 2.81 in 2023. The decline may be linked to challenges related to labor practices or social responsibility issues.
- **Governance Score:** Stayed the highest and most stable, increasing from 7.23 in 2020 to 7.55 in 2021, then slightly decreasing to 7.47 in 2022 and 7.49 in 2023. This reflects strong governance practices at Nike

Nike's environmental score saw a significant increase from 2020 to 2021, likely due to its commitment to sustainability, such as achieving carbon neutrality and using sustainable materials in products, which boosted its ESG ratings. However, the drop in its social score could be linked to challenges in labor practices, workforce diversity, and social issue management, despite efforts to promote inclusion. Nike's governance score remained high, reflecting effective leadership, transparency, and corporate governance, with minor fluctuations possibly indicating ongoing improvements or responses to shareholder concerns.

## **COLUMBIA SPORTSWEAR**

**Overall ESG Score:** The overall ESG score for Columbia Sportswear improved from 3.17 in 2020 to 3.54 in 2022, with a slight dip to 3.49 in 2023, indicating steady but minor fluctuations in its ESG performance.

**Environmental Score:** The environmental score dropped from 1.60 in 2020 to 1.43 in 2023, showing challenges in meeting sustainability targets despite maintaining stability in previous years.

**Social Score:** The social score steadily improved from 2.68 in 2020 to 3.47 in 2023, reflecting positive progress in social responsibility, including workforce diversity and community engagement.

**Governance Score:** The governance score remained strong, with a minor decrease from 7.29 in 2022 to 7.22 in 2023, indicating stable leadership and corporate governance practices.

Columbia Sportswear's environmental score fluctuated, with a decline in 2023 possibly indicating challenges in meeting sustainability targets. Despite stability in 2021-2022, the lack of improvement suggests a need for more effort in environmental innovation and resource management. The steady increase in the social score from 2020 to 2023 highlights the company's successful focus on labor practices, community engagement, and diversity, reflecting its strong commitment to social responsibility. Columbia's governance score remained stable, demonstrating strong leadership, transparency, and ethical practices, with a slight decrease in 2023 likely due to minor adjustments or shareholder feedback.

## **LULULEMON**

**Overall ESG Score:** Lululemon's overall ESG score increased from 3.74 in 2020 to 4.65 in 2021, peaking at 4.70 in 2022 before slightly decreasing to 4.55 in 2023, indicating solid performance despite minor fluctuations.

**Environmental Score:** The environmental score jumped from 3.48 in 2020 to 6.00 in 2021, reflecting strong sustainability efforts. It remained high at 6.21 in 2022, dropping slightly to 5.94 in 2023, which may signal challenges in sustaining growth in environmental practices.

**Social Score:** The social score remained unchanged at 2.04 from 2020 to 2023, suggesting limited progress or challenges in improving social responsibility and workforce initiatives.

**Governance Score:** Lululemon's governance score gradually increased from 7.06 in 2020 to 7.17 in 2021, peaking at 7.10 in 2022 before dipping slightly to 6.83 in 2023, reflecting strong governance practices with minor adjustments.

Lululemon's environmental score showed significant improvement from 2020 to 2021, reflecting its commitment to sustainability, although the slight decline in 2023 suggests challenges in maintaining progress. The social score remained unchanged, indicating that the company may have placed less emphasis on social responsibility, highlighting potential areas for improvement in employee relations, community outreach, or diversity initiatives. Despite a minor decrease in 2023, Lululemon's governance score remained strong, suggesting effective corporate governance practices, though the fluctuation may signal a need to address emerging governance issues or market conditions.

## **DICKS SPORTING GOODS**

**Overall ESG Score:** Dick's Sporting Goods' ESG score steadily increased from 3.21 in 2020 to 5.02 in 2023, reflecting improvements across all areas.

**Environmental Score:** The environmental score rose from 2.58 in 2020 to 3.57 in 2023, showing a growing commitment to sustainability and eco-friendly practices.

**Social Score:** The social score dramatically increased from 1.68 in 2021 to 4.90 in 2022, highlighting significant progress in social responsibility.

**Governance Score:** The governance score improved from 5.90 in 2020 to 6.79 in 2023, indicating better corporate governance practices.

Dick's Sporting Goods has demonstrated consistent progress in its environmental efforts, with a significant rise in its score from 2020 to 2022, and a gradual increase in 2023, indicating ongoing improvements, though more substantial strides may be needed. The dramatic improvement in the social score from 2021 to 2022 reflects successful efforts in addressing labor relations, community initiatives, and diversity practices, with the high score maintained in 2023. Additionally, the increase in the governance score over the years highlights stronger governance practices, including better corporate transparency, leadership, and shareholder communication, with the consistent rise, especially in 2023, suggesting a continued focus on ethical business practices and good management standards.

## JD SPORTS

**Overall ESG Score:** JD Sports' overall ESG score improved from 2.73 in 2020 to 3.33 in 2021 but decreased to 2.80 in 2022 before rising slightly to 3.06 in 2023.

**Environmental Score:** The environmental score increased from 2.26 in 2020 to 3.95 in 2021, then plateaued at 2.26 from 2022 to 2023, indicating early progress but stagnation afterward.

**Social Score:** The social score remained stable at 1.56 from 2020 through 2023, suggesting limited progress in addressing social issues.

**Governance Score:** The governance score improved steadily, from 5.47 in 2020 to 7.13 in 2023, reflecting enhanced governance practices.

JD Sports made a significant environmental improvement in 2021, but its score remained stagnant in the following years, suggesting the need for enhanced sustainability efforts to maintain progress. The stable social score indicates a lack of significant advancements in areas such as employee welfare, diversity, and community involvement, highlighting an area for potential improvement. On the other hand, the governance score showed notable growth, particularly in 2023, reflecting improvements in leadership, transparency, and accountability, which suggest a strong commitment to corporate governance practices and positively impact the company's overall ESG performance.

## QUESTION 5

Nike's executive compensation for the period ending May 31, 2024, includes an ESG-linked bonus, reflecting their focus on aligning executive pay with sustainability and governance goals. The bonus data was revised on July 26, 2024.

Columbia's executive compensation for 2023 includes an ESG-linked bonus, but no specific payout has been determined, as the bonus estimate is recorded as "0."

Lululemon's executive compensation for 2024 includes an ESG-linked bonus, but no payout has been determined as the bonus estimate is recorded as "0" for the period ending January 28, 2024.

DICK'S Sporting Goods does not have an ESG-linked bonus for the executive compensation period ending December 6, 2024, as indicated by the "FALSE" entry in the data.

## APPENDIX

### NIKE ESG

Builder Editor Examples

Query Editor

```
for(['NKE US Equity']) get(esg_score(dates=range(-4Y, 0Y), fill='NA', per='Y', score_source='BBG', score_type='OVERALL'),
esg_score(dates=range(-4Y, 0Y), fill='NA', per='Y', score_source='BBG', score_type='ENVIRONMENTAL'),
esg_score(dates=range(-4Y, 0Y), fill='NA', per='Y', score_source='BBG', score_type='SOCIAL'),
esg_score(dates=range(-4Y, 0Y), fill='NA', per='Y', score_source='BBG', score_type='GOVERNANCE'))preferences(addCols=all)
```

Dates: Yes IDs: Yes Headers: Yes

All Columns: Yes Transpose: ☐

Preview

	A	B	C	D
1	ID	DATES	esg_score(dat...	esg_score(dat...
2	NKE US Equity	12/31/2020 1...	92.2	4.68
3	NKE US Equity	12/31/2021 1...	97.2	5.09
4	NKE US Equity	12/30/2022 1...	96.9	4.8
5	NKE US Equity	12/29/2023 1...	98.3	5.05
6				
7				
8				

Builder Editor Examples

Securities

fx NKE US Equity

Add a Filter

Fields

fx es\_ (per='Y', fill='NA', dates=ran...)  
es\_ (per='Y', fill='NA', dates=ran...)  
es\_ (per='Y', fill='NA', dates=ran...)  
es\_ (per='Y', fill='NA', dates=ran...)

Add More Fields

Copy Function

Dates: Yes IDs: Yes Headers: Yes All Columns: Yes

Transpose: ☐

Create Cell References for Filter Criteria: ☐

Preview

	A	B	C	D
1	ID	DATES	esg_score(dat...	esg_score(dat...

Builder Editor Examples

Securities

fx NKE US Equity

Add a Filter

Fields

fx esg\_linked\_bonus(Edit Parameters)

Add More Fields

Copy Function

Dates: Yes IDs: Yes Headers: Yes All Columns: Yes

Transpose: ☐

Create Cell References for Filter Criteria: ☐

Preview

	O	P	Q	R
18				
19	ID	DATES	esg_linked_b...	
20	JD/ LN Equity	12/6/2024 12...	0	
21				
22				
23				

Builder Editor Examples

Query Editor

```
for(['NKE US Equity']) get(esg_linked_bonus)
```

Dates: Yes IDs: Yes Headers: Yes All Columns: Yes

Transpose: ☐

Preview

	O	P	Q	R
18				
19	ID	DATES	esg_linked_b...	
20	JD/ LN Equity	12/6/2024 12...	0	
21				
22				
23				
24				
25				

COLUMBIA ESG

Builder Editor Examples

Query Editor

```
for(['COLM US Equity']) get(esg_score(dates=range(-4y, 0y), fill=NA, mode=CACHED, per=Y, score_source=BBG, score_type=OVERALL),  
esg_score(dates=range(-4y, 0y), fill=NA, mode=CACHED, per=Y, score_source=BBG, score_type=ENVIRONMENTAL),  
esg_score(dates=range(-4y, 0y), fill=NA, mode=CACHED, per=Y, score_source=BBG, score_type=SOCIAL),  
esg_score(dates=range(-4y, 0y), fill=NA, mode=CACHED, per=Y, score_source=BBG, score_type=GOVERNANCE),  
esg_linked_bonus(mode=CACHED))preferences(addCols=All)
```

Dates: Yes IDs: Yes Headers: Yes All Columns: Yes Transpose: ☐

Preview

	A	B	C	D
1	ID	DATES	esg_score(dates=range...	esg_score(dates=range...
2	COLM US Equity	12/31/2020 12:00:00 A...	74	3.17
3	COLM US Equity	12/31/2021 12:00:00 A...	88.4	3.36
4	COLM US Equity	12/30/2022 12:00:00 A...	86.5	3.54
5	COLM US Equity	12/29/2023 12:00:00 A...	90.3	3.49
6	COLM US Equity	12/6/2024 12:00:00 AM		
7				
8				
9				

Builder Editor Examples

Securities

fx COLM US Equity

Add a Filter

Fields

fx

```
esg_ (per='Y', fill='NA', dates=range(-4Y, 0Y), score_so...  
esg_ (per='Y', fill='NA', dates=range(-4Y, 0Y), score_so...  
esg_ (per='Y', fill='NA', dates=range(-4Y, 0Y), score_so...  
esg_ (per='Y', fill='NA', dates=range(-4Y, 0Y), score_so...  
esg_linked_bonus(Edit Parameters)
```

Add More Fields

Copy Function

Dates: Yes IDs: Yes Headers: Yes All Columns: Yes Transpose: ☐

Create Cell References for Filter Criteria

Preview

	A	B	C	D
1	ID	DATES	esg_score(dates=rang...	esg_score(dates=rang...
2	COLM US Equity	12/31/2020 12:00:00 ...	74	3.17
3	COLM US Equity	12/31/2021 12:00:00 ...	88.4	3.36

## LULULEMON ESG

Builder Editor Examples

Query Editor

```
for(['LULU US Equity']) get(esg_score(dates=range(-4y, 0y), fill=NA, mode=CACHED, per=Y, score_source=BBG, score_type=OVERALL),  
esg_score(dates=range(-4y, 0y), fill=NA, mode=CACHED, per=Y, score_source=BBG, score_type=ENVIRONMENTAL),  
esg_score(dates=range(-4y, 0y), fill=NA, mode=CACHED, per=Y, score_source=BBG, score_type=SOCIAL),  
esg_score(dates=range(-4y, 0y), fill=NA, mode=CACHED, per=Y, score_source=BBG, score_type=GOVERNANCE),  
esg_linked_bonus(mode=CACHED))preferences(addCols=all)
```

Dates: Yes IDs: Yes Headers: Yes All Columns: Yes Transpose: ☐

Preview

	A	B	C	D
1	ID	DATES	esg_score(dat...	esg_score(dat...
2	LULU US Equity	12/31/2020 1...	83.3	3.74
3	LULU US Equity	12/31/2021 1...	95.9	4.65
4	LULU US Equity	12/30/2022 1...	95.6	4.7
5	LULU US Equity	12/29/2023 1...	96.1	4.55
6	LULU US Equity	12/6/2024 12:...		

Builder Editor Examples

Securities

fx LULU US Equity

Add a Filter

Fields

fx

```
es_ (per='Y', fill='NA', dates=ran...  
es_ (per='Y', fill='NA', dates=ran...  
es_ (per='Y', fill='NA', dates=ran...  
es_ (per='Y', fill='NA', dates=ran...  
esg_linked_bonus(Edit Parameters)
```

Add More Fields

Copy Function

Dates: Yes IDs: Yes Headers: Yes All Columns: Yes Transpose: ☐

Create Cell References for Filter Criteria

Preview

## DICKS ESG





Builder Editor Examples

Securities

fx

▼ Add a Filter

Fields

fx

+ Add More Fields

Copy Function

Dates  IDs  Headers  All Columns

Transpose ☐

☐ Create Cell References for Filter Criteria

Preview

	O	P	Q	R
18				
19	ID	DATES	esg_linked_b...	
20	JD/ LN Equity	12/6/2024 12...	0	
21				
22				
23				

Builder Editor Example

Query Editor

```
for(['DKS US Equity']) get(esg_linked_bonus)
```

Dates  IDs  Headers

All Columns  Transpose ☐

Preview

	O	P	Q	R
18				
19	ID	DATES	esg_linked_b...	
20	JD/ LN Equity	12/6/2024 12...	0	
21				
22				
23				
24				
25				

## JD SPORTS ESG

Builder Editor Examples

Query Editor

```
for(['JD/ LN Equity']) get(esg_score(dates=range(-4y, 0y), fill=NA, mode=CACHED, per=Y, score_source=BBG, score_type=OVERALL), esg_score(dates=range(-4y, 0y), fill=NA, mode=CACHED, per=Y, score_source=BBG, score_type=ENVIRONMENTAL), esg_score(dates=range(-4y, 0y), fill=NA, mode=CACHED, per=Y, score_source=BBG, score_type=SOCIAL), esg_score(dates=range(-4y, 0y), fill=NA, mode=CACHED, per=Y, score_source=BBG, score_type=GOVERNANCE))preferences(addCols=all)
```

Dates  IDs  Headers

All Columns  Transpose ☐

Preview

	A	B	C	D
1	ID	DATES	esg_score(dat...	esg_score(dat...
2	JD/ LN Equity	12/31/2020 1...	62.5	2.73
3	JD/ LN Equity	12/31/2021 1...	87.5	3.33
4	JD/ LN Equity	12/30/2022 1...	78	2.8
5	JD/ LN Equity	12/29/2023 1...	84.8	3.06
6				
7				
8				

Builder Editor Examples

Securities

fx

▼ Add a Filter

Fields

fx

+ Add More Fields

Copy Function

Dates  IDs  Headers  All Columns

Transpose ☐

☐ Create Cell References for Filter Criteria

Preview

	A	B	C	D
1	ID	DATES	esg_score(dat...	esg_score(dat...
2	JD/ LN Equity	12/31/2020 1...	62.5	2.73
3	JD/ LN Equity	12/31/2021 1...	87.5	3.33



# COLUMBIA SPRTWEAR & PRANA

Bloomberg

## Pro Forma Merger Analysis

Help

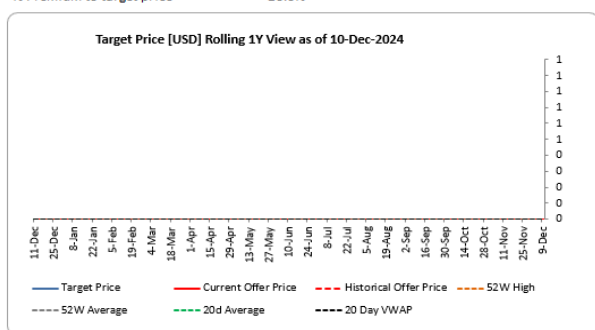
### Charlie Acquires Two

	Target@ Deal Price	Target	Acquirer
Diluted Shares	-	-	57.9
Price [USD]	1.20	1.00	90.65
Equity Value (in M USD)	-	-	5,251.9
Enterprise Value (in M USD)	-	-	5,299.7
PE - Multiple			
CY 2014E			
EV/EBITDA			
CY 2015E			

	Pro Forma Acquirer	Target	Acquirer
Diluted EPS			
CY 2024E [USD]	Acc +0.0%	3.89	0.00
P/E to Achieve Share Price		23.3x	23.3x
Add'l Synergies to break even		-	-
CY 2025E [USD]	Acc +0.0%	4.28	0.00
P/E to Achieve Share Price		21.2x	21.2x
Add'l Synergies to break even		-	-
Net Leverage (Net Debt/TTM EBITDA)	#VALUE!		0.1x
Equity Ownership by Target Holders		0.0%	

Assumptions			
Premium to current Target share price			20.0%
Offer to Target shareholders (in M of USD)			-
	%	Exch. Ratio	Amount [USD]
Cash p. share	-	NA	-
Stock p. share	-	-	-
			0.0
Transaction Value			-
Transaction Funding			-
Tax rate			26.1%
Annual synergies (in M of USD)			-

	1D	1W Avg	20 D Avg	52W High	52W Avg
% Premium to target price	20.0%				



Sensitivity Impact to the Combined EPS								
Acquirer EPS		CY 2014E					* Increment	20%
Premium	10.2%	2.192	2.740	3.425	4.282	5.138	6.165	7.398
	12.8%	3.720	3.720	3.720	3.720	3.720	3.720	3.720
	16.0%	3.720	3.720	3.720	3.720	3.720	3.720	3.720
	20.0%	3.720	3.720	3.720	3.720	3.720	3.720	3.720
	24.0%	3.720	3.720	3.720	3.720	3.720	3.720	3.720
	28.8%	3.720	3.720	3.720	3.720	3.720	3.720	3.720
	34.6%	3.720	3.720	3.720	3.720	3.720	3.720	3.720

## RATIO FORMULAS

$$\text{Total Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

$$\text{Cash Coverage Ratio} = \frac{\text{EBIT} + \text{Depreciation}}{\text{Interest Expense}}$$

Interest Coverage Ratio = Got it from Bloomberg

$$\text{PE Ratio} = \frac{\text{Market Price Per Share}}{\text{Earnings Per Share}}$$

$$\text{Dividend Yield} = \frac{\text{Annual Dividend Per Share}}{\text{Market Price Per Share}}$$

$$\text{M/B Ratio} = \frac{\text{Market Price Per Share}}{\text{Book Value Per Share}}$$

## SOURCES FOR FIRM INFORMATION

[lululemon athletica inc. Announces Third Quarter Fiscal 2024 Results | lululemon](#)

[Nike Stakeholders, CSR & ESG Strategy - Panmore Institute](#)

[Nike \(NYSE:NKE\) Increases Stock Buybacks as Share Price Sinks | Nasdaq](#)

[Corporate Responsibility | Columbia Canada](#)

[Columbia Sportswear Company Reports Third Quarter 2024 Financial Results; Updates Full Year 2024 Financial Outlook :: Columbia Sportswear Company \(COLM\)](#)

[DICK'S Sporting Goods - Official Site - Every Season Starts at DICK'S](#)