

# WESTPEAK RESEARCH ASSOCIATION

## Dillard's, Inc. (NYSE: DDS)

Consumer Discretionary - Retail

### The Illusionist

March 11, 2022

*Dillard's, Inc. ("Dillard's" or the "Company") is an American department store chain that offers men, women, and children a variety of upscale fashion apparel, accessories, cosmetics, and home furnishing goods. Currently, Dillard's, Inc. operates department stores across 29 states, primarily in the Southwest, Southeast, and Midwest regions of the United States.*

#### Thesis

A 53% decline in US department store locations since the industry's 2012 peak indicates that if e-commerce and supercentres cannot reach an equilibrium with retail department stores, Dillard's will experience constant downward price pressure. Additionally, the Company has fallen behind in developing its e-commerce platform, maintaining customer awareness, and has progressively overlapped with discount retailers. Therefore, despite Dillard's current share price and performance, we doubt the Company's ability to drive post-pandemic sales growth.

#### Drivers

Strict inventory management, per capita disposable income, and increased profit margins have served as key revenue drivers for Dillard's, driving the firm's short-term growth. However, the Company's weak consumer awareness and low levels of e-commerce development will hinder its ability to remain relevant as both become essential drivers for all department stores in the future.

#### Valuation

Our target share price of **\$162.93**, with a positive return of **65.5%**, is based on the Perpetuity Growth Multiple from our DCF weighted at 60%, Exit Multiple from our DCF weighted at 30%, and both EV/EBITDA and P/E Multiple from our Company Comparables Analysis weighted at 5%. We initiate a **Sell** rating on Dillard's, Inc.

Analyst: Terence Cheung, BCom. '25  
contact@westpeakresearch.com

Equity Research	US
Price Target	USD\$ 162.93
Rating	Sell
Share Price (Mar. 11 Close)	USD\$ 269.73
Total Return	65.5%

Key Statistics	
52 Week H/L	\$416.71/\$83.6
Market Capitalization	\$5.17B
Average Daily Trading Volume	266.9K
Net Debt	\$(253.7M)
Enterprise Value	\$5.16B
Net Debt/EBITDA	0.46x
Diluted Shares Outstanding	22.7M
Free Float	31.72%
Dividend Yield	0.3%

WestPeak's Forecast			
	2021E	2022E	2023E
Revenue	\$6.13B	\$6.16B	\$5.9B
EBITDA	\$1.27B	\$0.95B	\$0.76B
Net Income	\$0.85B	\$0.7B	\$0.54B
EPS	\$40.91	\$34.87	\$27.08
P/E	4.2x	7.7x	10x
EV/EBITDA	2.8x	5.3x	4.5x

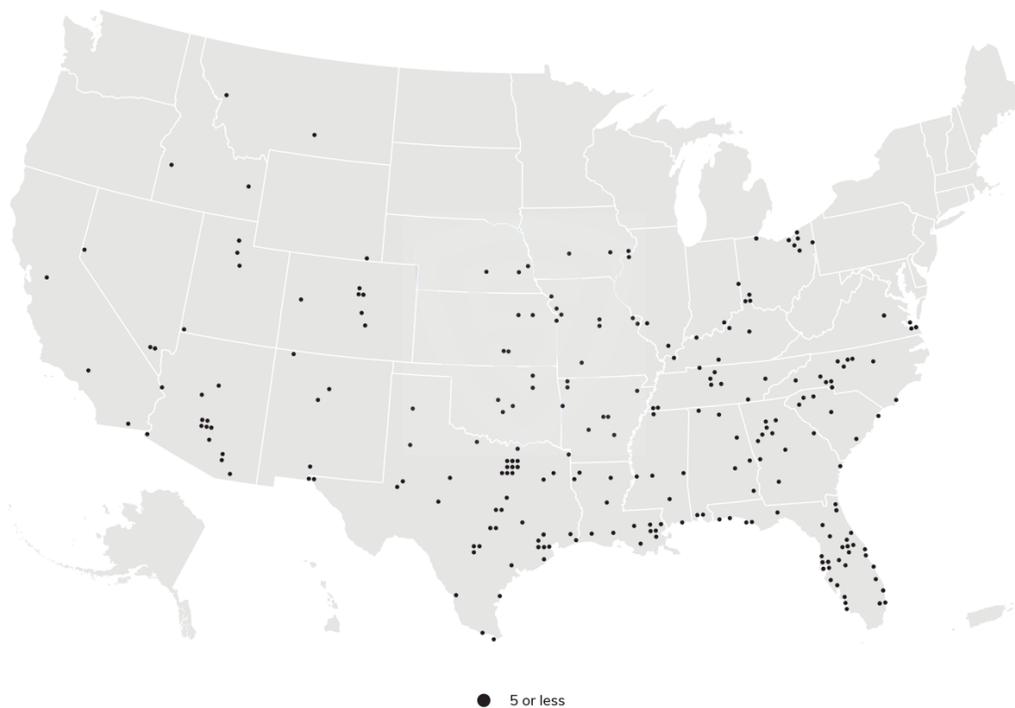


## Business Overview/Fundamentals

### Company Overview

Dillard's, Inc. is headquartered in Little Rock, Arkansas, and is considered one of the largest department store chains in the United States. It operates with two distinct segments: Retail and Construction. The Company specializes in retail by providing men, women, and children with a wide variety of merchandise, including fashion apparel, accessories, cosmetics, and home furnishing goods. Simultaneously, the Company also operates a general contracting construction firm, CDI Contractors LLC, that builds and remodels real estate projects for other businesses. Since the founding of Dillard's in 1938, the Company has grown to operate an internet store, 280 retail locations, and 30 clearance centres across 29 states, primarily in the Southwest, Southeast, and Midwest regions of the United States.

**Exhibit 1: Dillard's, Inc. US Store Locations (Each Grid Point Covers a 10-mile radius)**



Key Details			
Ranking In The Amount of Locations	1st	2nd	3rd
State	Texas	Florida	Arizona
Amount	57 Locations (20%)	42 Locations (15%)	16 Locations (5%)
Total	27 States and Territories Without any Dillard's Locations		

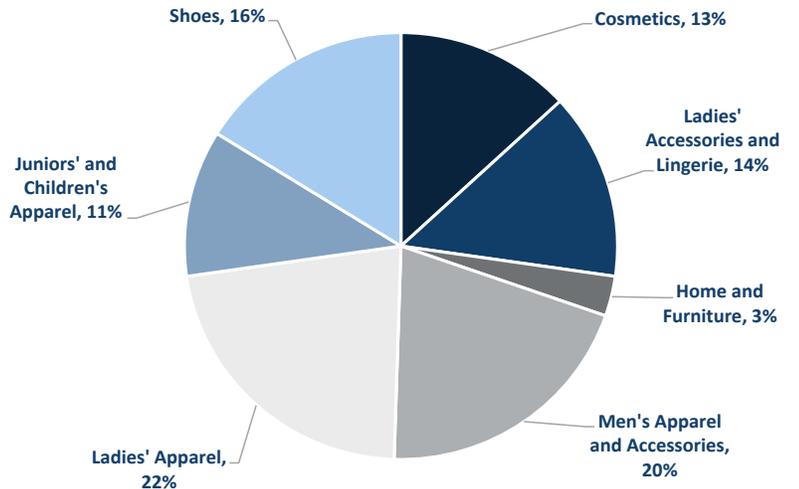
Source: ScrapeHero

## Segments of Operation

### Retail

Dillard's retail segment is categorized into seven reportable product groups: Cosmetics, Ladies' Apparel, Ladies' Accessories and Lingerie, Juniors' and Children's Apparel, Men's Apparel and Accessories, Shoes, and Home and Furniture. The Company's largest product categories are Ladies' Apparel and Men's Apparel and Accessories, as they each account for approximately 20% of Dillard's total revenue. Additionally, consumers can purchase from 52 exclusive merchandise brands. Popular selections include Alex Marie, Daniel Cremieux, Gianni Bini, Roundtree & Yorke, and Van Winkle & Co. Most of Dillard's stores are situated in suburban malls and open-air centres while also offering unique services on their e-commerce platform.

**Total Revenue by Product Category**  
FY2022 Q3



Source: Company Filings

### Construction

Apart from the retail segment, Dillard's operates a general contracting construction company that it acquired in 2008 called CDI Contractors LLC. Since the acquisition of CDI, most of the business segment has focused on constructing and remodelling a diversified selection of real estate projects. Projects included building the headquarters of Bank OZK, renovating the University of Arkansas Randal Tyson Track Centre, and constructing or remodelling every Dillard's retail department store. Overall, the construction segment only provided around a mere 1% of total revenue and is not a focus of the Company at this time.

## Industry Analysis

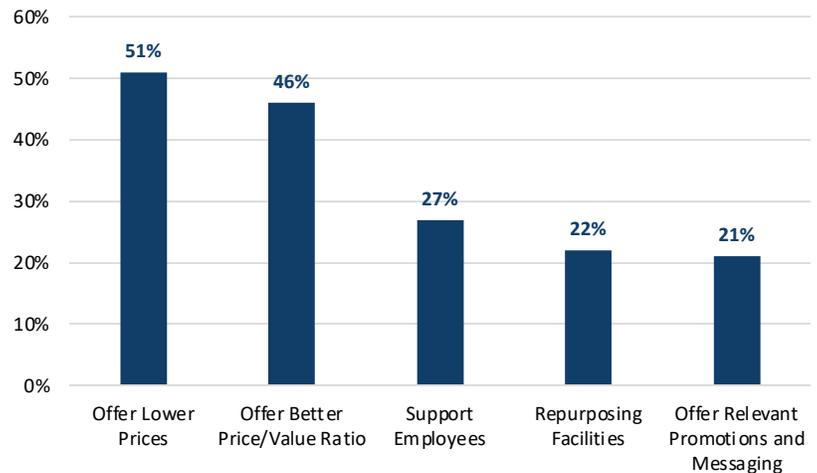
### Overview

Dillard's, Inc. operates in the US Department Stores industry (NAICS 45211), worth \$111.3 billion as of July 2021. Unfortunately, the industry has reached the decline stage of its life cycle, which has resulted in long-term contraction over the past five years. Two notable trends that have accelerated its decline can be derived from the COVID-19 pandemic increasing the influence of e-commerce competition and the growing trend of major firms transitioning their facilities into the Warehouse Clubs and Supercentres industry (NAICS 45291).

## The New "Normal" in Consumer Decision Making

Throughout the COVID-19 pandemic, consumers have changed how they conduct purchasing decisions. Contrary to popular belief, during the uncertainty of the pandemic, rather than continuing to buy from familiarized brands, around 46% of consumers in the US bought goods from firms that were novel to them. Competitive pricing and inventory availability were essential factors that contributed to this trend. Long-term growth potential was also seen in firms that adopted social responsibility initiatives such as supporting their employees, namely Lululemon, a competitor of Dillard's, Inc. The company responded to the COVID-19 pandemic by establishing a \$2 million financial assistance fund to support brand ambassadors who owned a fitness studio. As a result, it strengthened their overall brand image and value in the industry. The pandemic served as a steppingstone in having this shift become a part of "normal" consumer decision making. Therefore, it will remain prevalent in the current and future state of the industry where firms such as Dillard's must adapt towards it to maintain the Company's relevance among its customers.

### Top 5 Reasons for Switching Brands/Retailers during the Pandemic As of August 2020

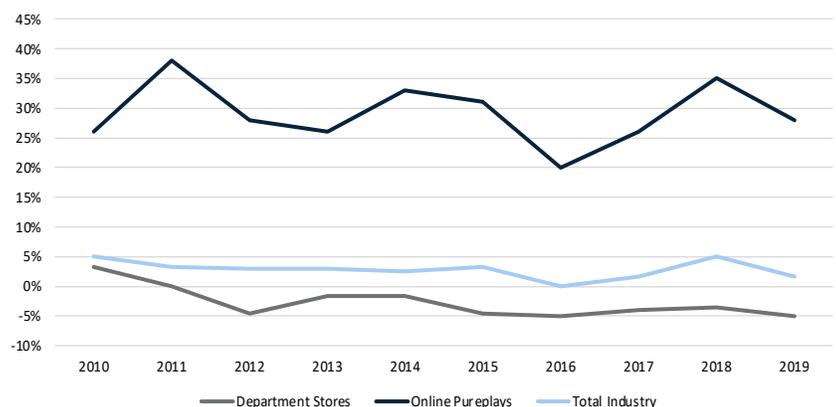


Source: Periscope by McKinsey

## E-Commerce Competition

Over the past five years, the Department Stores industry in the US has experienced an annualized increase of 6.4% in the number of businesses conducted online where shoppers diverted their purchasing efforts toward the E-Commerce and Online Auctions industry rather than established brick and mortar locations. Furthermore, online pureplay retailer sales have expanded at a 30% CAGR over the last decade (UBS Evidence Lab), significantly outperforming industry growth and siphoning market share away from traditional retail operations. An important reason can be due to online businesses incurring lower overhead expenses, which allows them to be highly competitive in terms of price by providing cheaper costs to consumers while undercutting the prices of department store operators. According to UBS estimates, 41% of consumers in 2021 mentioned that they are very likely or somewhat likely to shop apparel, footwear, and accessories through a digital platform compared to 31% in 2018. As a result, department stores experience lower revenue levels and are forced to decrease profit

### Apparel and Footwear Growth by Channel % YoY 2010 - 2019



Source: UBS Evidence Lab

margins by lowering prices, increasing promotional activity, and investing in marketing campaigns. This is reflected by industry profits only accounting for a mere 3.2% of revenue. Department store operators must be cautious as several firms have operated at a loss, such as Transform Holdco LLC declaring bankruptcy in 2018 due to the nature of e-commerce competition.

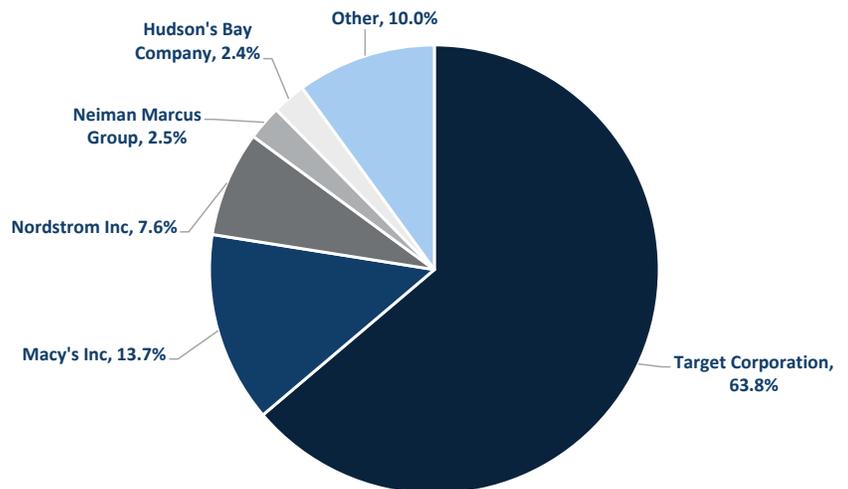
## Warehouse Clubs and Supercenter Conversion

Industry revenue for the US Department Stores industry and the number of establishments decreased at an annualized rate of 8% and 4.3%, respectively, between 2016 and 2021. This trend is attributable to companies converting their facilities into warehouse clubs and supercentres by offering grocery items in their product lines. A notable example can be seen when Walmart exited the industry due to the company generating more than half of its revenue through grocery sales. Over the past several years, this changing dynamic has become increasingly prevalent as firms cater to consumers shifting their preferences toward discount retailers, like supercentres, as they are a one-stop, low price shop for many of their needs. Unfortunately, this siphons away industry revenue as significant firms continue to transition traditional establishments out of the industry. If this trend maintains its current momentum, IBISWorld forecasts a -4.3% and -4% growth rate for revenue and the number of establishments for the US Department Stores industry, respectively, between 2021 – 2026. Similar to competition deriving from online-based businesses, industry operators are expected to experience additional downward price pressure as competition derives from discount retailers.

## Competitive Landscape

The concentration ratio of the US Department Stores industry indicates an oligopolistic market structure as the top four companies account for nearly 88.6% of market share in 2021, with most firms holding 5.0% to 20.0% of total industry revenue. Over the past five years, significant merger and acquisition activity, expansion of product offerings, and discount store offerings have caused market share concentration to increase. Furthermore, forecasts indicate that financial burdens from the COVID-19 pandemic and shifting consumer preferences will increase market share concentration through 2026. It continues to force several key players to transition into the e-commerce or Warehouse Clubs and Supercentres industry. An increase in firms entering both sectors will increase competition for Dillard's as firms leverage e-commerce and discount pricing strategies.

**Major Players**  
As of July 2021



Source: IBISWorld

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## Barriers to Entry

High and medium natural barriers to entry help maintain the industry's concentration ratio. Firstly, several players have achieved economies of scale and as a result, can negotiate favorable contracts with suppliers and vendors. In 2021, supply purchasing accounted for 60.7% of industry revenue yet companies, such as Walmart and Target, benefit from cost savings achieved through bulk purchasing. Therefore, substantial amounts of capital are required for any entity wishing to operate in the industry. Moreover, standard necessities of a department store require substantial investments as well, such as rent expenses in high traffic and accessible areas, salary costs, and marketing campaigns. Next, reputation can discourage new entrants as it is universally known that customers tend to gravitate towards brands that they have familiarized themselves with and have already been established for decades. Take for example, Nordstrom Inc. The company's world-renowned customer service policy has allowed it to achieve high levels of consumer popularity and loyalty. Entrants without this amount of reputation, customer service, or experience will struggle to develop a sustainable customer base. Finally, distribution networks are proven to be barriers to entry because existing operators gain a competitive advantage through the connections they have formed with vendors, ultimately creating a difficult environment for new firms to set up a favorable supply chain.

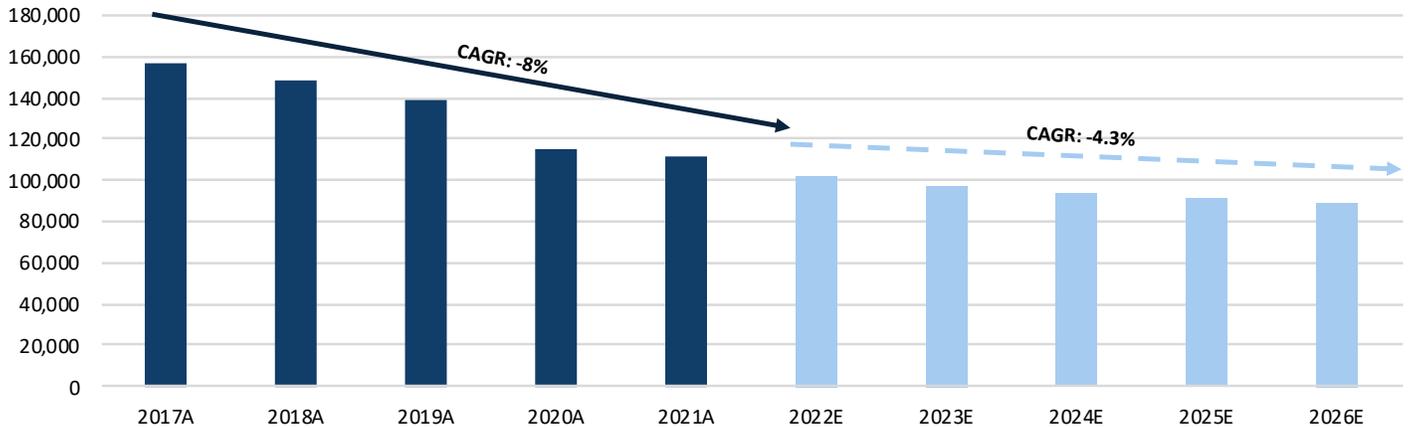
## Outlook

The US Department Stores industry is forecasted to continue its long-term contraction through 2026. As previously mentioned, the industry has lost consumers to the rapid digitalization of retail. E-commerce platforms are convenient channels for shopping and can entice consumers with relatively low prices and achieve significant overhead cost savings. Additionally, future technological improvements such as websites making it easier for individuals to compare prices, faster internet connection speeds, and advanced online payment security will further increase consumer preferences for online purchases over brick-and-mortar stores. IBISWorld anticipates that the percentage of online-based retailers will grow at an annualized rate of 3.5% through 2026.

Moreover, key industry retailers are projected to continue to exit the industry as they expand their discount store segment by offering groceries. By 2026, industry establishments will decrease at an annualized rate of 4.1% to 5,137 locations compared to the 6,349 locations in 2021. Furthermore, employment is expected to follow suit, dropping at an annualized rate of 4.6% to 550,661 employees compared to the 696,880 employees in 2021. This trend is likely to continue into the near future as operators contend with the long-term effects of the pandemic while striving to cater to consumers shifting their preferences to convenient discount retailers. However, as the economy recovers from COVID-19, conditions for increased consumer demand are expected as disposable income per capita is forecasted to increase at an annualized rate of 2.7% through 2026. This steady climb will serve as a miniature aid to the industry as department stores traditionally depend on consumer spending and disposable income levels. Nevertheless, with future improvements in technology that can enhance shopping experiences on online platforms and the ever-growing consumer preference for one-stop, low price shops, it is anticipated that e-commerce and discount retailers will continue to capture market share.

**US Department Stores Industry Performance (\$M)**

2017 - 2026



Source: IBISWorld

**Corporate Strategy**

**Emphasize Further Expansion of Exclusive Brand Merchandise**

Dillard's, Inc. has stated in their 2020 annual report that they have made significant investments into expanding their exclusive brand merchandise portfolio and are planning to continue to do so. The Company recognizes that its exclusive brand merchandise selections benefit both Dillard's and its customers. Dillard's customers receive fashionable and high-quality products, while the private label merchandise program allows the Company to achieve its standards and utilize it as a point of differentiation from other retailers. Additionally, launching a new product line has proven an extremely beneficial marketing strategy for the Company (e.g., the launch of Nicola Bathie for Antonio Melani on September 28, 2021). The collection was orientated around the themes of romantic silhouettes and flounced hemlines. Although Dillard's recorded positive feedback from its key markets and heightened consumer attention, brand awareness remains relatively lower than the Company's competitors. This indicates that its marketing campaigns have short rather than long-lasting impacts on its consumer base. As the expansion of Dillard's private label merchandise becomes a key strategy, we doubt it will allow the Company to remain relevant among consumers.



*Nicola Bathie for Antonio Melani*

**Increase The Number and Use of Private Label Credit Cards**

In alliance with Wells Fargo Bank, Dillard's, Inc. offers its consumers private label credit cards. Consumers who open an account are rewarded with discounts on future purchases, provided private shopping, direct mail catalogs, special deals, and advance notice of sale events. Furthermore, the cards ultimately build customer loyalty, encourage repeat purchases,

and generate opportunities for upselling, which adds incremental revenue. Although Dillard's has consistently advertised the benefits of the Company's private label credit cards, income from the alliance has decreased from \$105.4 million in 2015 to \$91.2 million in 2019. This potentially indicates that consumers are merely not interested in Dillard's products even when the Company is offering special incentives. Therefore, we believe that increasing the usage of private label credit cards will not expand Dillard's consumer base nor increase revenue.

## Catalysts

### Anchor Store at University Place in Orem, Utah

Management has announced that Dillard's will open a new anchor store (160,000 square feet) at University Place in Orem, Utah, in the Spring of 2022. The retail center is currently shifting from being just a regional shopping mall into a modern 112-acre urban mixed-use gathering hub. The mall will include the elements of residential units, including apartments, townhomes, and condos within walking distance from entertainment and retail services. Contrary to the beneficial aspects of University Place, we believe that it will provide marginal value to Dillard's due to the Company's low brand awareness and inability to create lasting impressions on consumers. If Dillard's new anchor store cannot provide a standard return in revenue, it will quickly become a hindrance to the Company's retail segment as cash is wastefully spent on the location's SG&A and Capital expenses. In return, it amplifies the absence of Dillard's investment in e-commerce development.



Source: University Place Orem, Utah

### The War between Russia and Ukraine

During the month of February 2022, consumers from around the world have paid significantly more for goods and services due to the war between Russia and Ukraine. According to the Bureau of Labor Statistics, inflation from the conflict has caused the Consumer Price Index (CPI) to rise by 7.9% in February compared to last year — the fastest annual jump since 1982. Similarly, the energy index rose by 3.5% for the largest monthly rise since October and the food price index jumped 1% month over month in February compared to January's 0.9% rise. Even with the core CPI excluding food and energy prices, it still accelerated by 6.4% in February. As a result, March 2022 will serve as a catalyst for Dillard's as expectations are signaling that inflation can rise to 10 – 15% during this month as Russia shows no indication in retracting its forces from Ukraine. This will detrimentally impact Dillard's as the continuation in the increase of prices will encourage consumers to

become even more price-sensitive, therefore, the Company will need to provide better prices to avoid substantial market share losses. It will most likely result with Dillard's decreasing most of its substantial gross margins, which will hamper stock performance as one of its key drivers is eliminated.

### Consumer Price Index 2010 - 2022



Source: Bureau of Labor Statistics

## Management Team

### William T. Dillard II — Chief Executive Officer

William Dillard II, who holds an MBA from Harvard University, has been the Chairman at Dillard's, Inc. since 2002. He has developed an unmatched knowledge of the industry and the Company's operations. Before assuming his role as CEO, he served as a Director of LiveRamp Holdings, Inc (formerly known as Acxiom Holdings) and an Independent Director of Barnes & Nobles, Inc. Mr. Dillard has also received a plethora of business awards, including the Arkansas Business Hall of Fame.



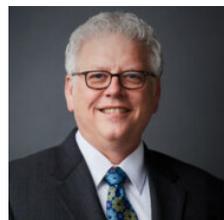
### Alex Dillard — President

Alex Dillard has served as the President of Dillard's, Inc. since 1988 and has been a Board member since 1975. Currently, he leads one of the largest merchandising portions of the Company. The Board benefits from Mr. Dillard's 45 years of experience in the Department Stores industry and his understanding of the unique characteristics of merchandising in many different geographic regions of the country. This guides Dillard's, Inc. in executing decisions that meet the needs of different customer bases.



### Phillip R. Watts — Co-Principal Financial Officer & Principal Accounting Officer

Phillip Watts has upheld the role of Co-Principal Financial Officer and Principal Accounting Officer at Dillard's, Inc. since 2015 and has served as Vice President of Tax at Dillard's Inc. from 2002 to 2015. Before joining the Company in 1994, he served in the tax department of Wal-Mart Stores, Inc. Mr. Watts received his Bachelor of Arts in Accounting from Ouachita Baptist University in 1984 and is a member of the American Institute of Certified Public Accountants.



## Management Compensation

Based on Company guidance, the core elements of Dillard's compensation program are to align each executive's compensation with the firm's short-term and long-term performance, promote a pay-for-performance culture, and provide incentives to attract, retain and motivate essential executives who are crucial to the Company's long-term success. As of April 2021, 94% of Management's compensation structure consists of salary and non-qualified deferred compensation while 6% consists of stock awards and all other compensation.

Management Compensation Structure as of April 2021						
Name	Principal Position	Salary	Stock Awards	Nonqualified Deferred Compensation	All Other Compensation	Total Compensation
William Dillard, II	Chief Executive Officer	\$ 1,070,000	\$ 54,658	\$ 1,718,634	\$ 92,239	\$ 2,935,531
Alex Dillard	President	\$ 1,070,000	\$ 63,053	\$ 2,215,069	\$ 144,297	\$ 3,492,419
Mike Dillard	Vice President	\$ 765,000	\$ 44,823	\$ 1,099,321	\$ 74,330	\$ 1,983,474
Drue Matheny	Vice President	\$ 765,000	\$ 44,823	\$ 1,301,821	\$ 54,802	\$ 2,166,446
Chris B. Johnson	Co - Principal Financial Officer	\$ 550,000	\$ 31,973	\$ 288,135	\$ 82,608	\$ 952,716
Phillip R. Watts	Co - Principal Financial Officer & Principal Accounting Officer	\$ 550,000	\$ 31,973	\$ 379,404	\$ 63,621	\$ 1,024,998
<b>Total</b>		<b>\$ 4,770,000</b>	<b>\$ 271,303</b>	<b>\$ 7,002,384</b>	<b>\$ 511,897</b>	<b>\$ 12,555,584</b>

Source: Thomson ONE

## Investment Theses

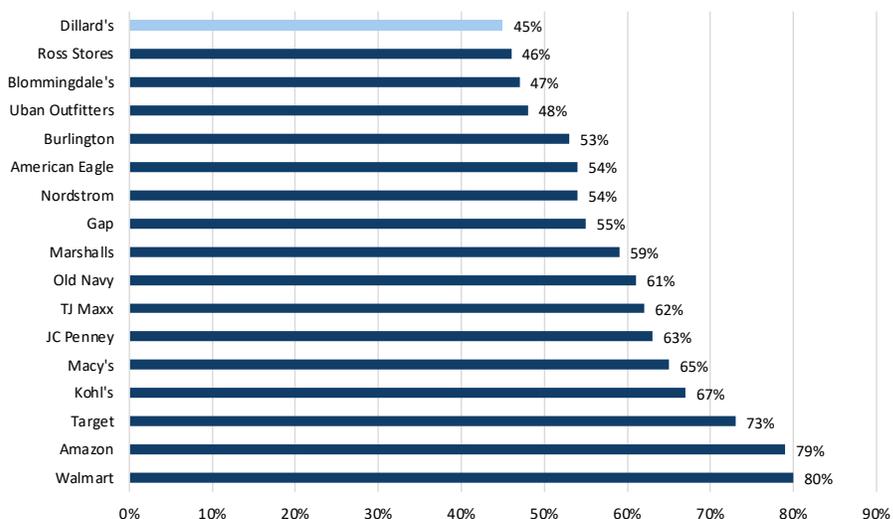
### Market View

The market is applauding Dillard's, Inc. for being able to flourish during the economy's rebound from COVID-19 as the Company has consistently exceeded earnings expectations throughout the first three quarters of fiscal year 2022, resulting with DDS increasing by an astronomical amount of 321.39% in the past year. From this, sentiment around DDS continues to grow with analysts believing that the Company has long-term growth potential due to the momentum it has gained. However, questions have risen regarding Dillard's commitment towards CDI Contractors LLC. Instead of Dillard's investing capital into improving the overall Company, such as developing marketing strategies that can increase consumer awareness, the firm continues to invest capital towards CDI Contractors LLC, which isn't related with the Company's primary specialization of being a department store. Additionally, it provides a mere 1% of Dillard's total revenue, which indicates the inefficiency and lack of rationale behind this decision. From an investor's perspective, this begs the question of whether the firm has the ability and understanding to sustain and drive post-pandemic growth in a declining and an already highly competitive industry.

## Investment Thesis 1: Low Consumer Awareness

Similar to many department stores, Dillard's retail and e-commerce platforms flourish with high consumer traffic. Unfortunately, the Company's limited retail presence in regions of the Northeast, Northwest, and upper Midwest of the US has proven detrimental. Consumer awareness regarding Dillard's, Inc. is lower than the industry average of 53% and its retail competitors, such as Nordstrom and Macy's. There is a lower probability of consumers recognizing Dillard's as a destination to buy fashion apparel, cosmetics, footwear, and accessories. This also indicates that the Company's marketing efforts have low impact and low retention rates among its target demographics. Walmart leads with 80% awareness, while Amazon came in second with 79%. Both firms are likely benefiting from consumers' ongoing shift to online and discount channels — areas in which Dillard's is falling behind on. According to UBS estimates, consumer awareness for Dillard's has fallen over the last three years from 53% in 2018 to 45% in 2021. If the Company cannot strategically improve consumer awareness, the Company will experience a long-term contraction in revenue performance.

**Percentage of People on Whether They Have Heard of a Retailer**



Source: UBS Evidence Lab

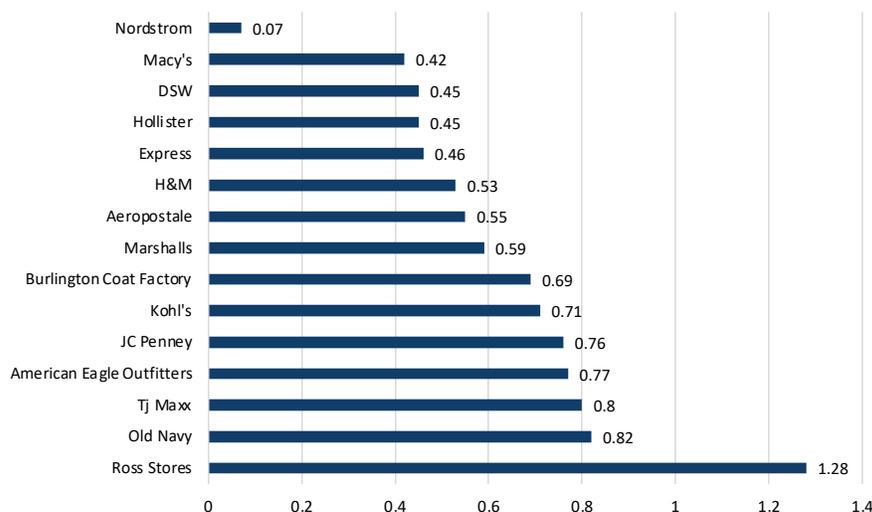
## Investment Thesis 2: Lack of E-Commerce Development

The Company's store count has gradually declined over the past 20 years, from 342 locations in 1999 to 280 sites in 2021, due to secular trends of consumers shifting to online and discount retail channels, which is expected to continue. This will inevitably decrease total revenue from the Company's retail operations. Although Dillard's e-commerce platform has barely mitigated against it, it is very doubtful that it will be able to make up for the continuation of declining store sales. The history of Dillard's capital expenditures indicates that it under invests in its digital platform and prioritizes store remodeling and new openings, seen in the Company owning 90% of its retail store square footage and 100% of its corporate headquarters, distribution, and fulfillment facilities. Meanwhile, competitors have increasingly developed their e-commerce platforms to compete with online-based firms. Although Dillard's does not disclose how much sales derived from its e-commerce store, several reports indicate that it can range from 5% to 17% for FY2022, while its competitors have online sales accounting for above 30% of total revenue. Additionally, tangent with Dillard's low consumer awareness, a mere 1% of consumers considered the Company as one of the department stores that they shop online with the most, which is relatively lower than competitors. Overall, total revenue, along with its share price, will decrease if Dillard's continues to fall behind on developing its e-commerce platform while its stores falter to industry trends.

## Investment Thesis 3: Overlap with Reputable Discount Retailers

An area of concern regarding Dillard's, Inc. is the overlap with reputable discount retailers as the US Discount Department Stores industry is expected to grow at an annualized rate of 1.3%. As a result, an increase in overlap is expected and ultimately increases the possibility of Dillard's experiencing substantial decreases in consumer traffic as they become more interested in shopping at other nearby retailers that are more reputable or offer lower prices. Two of Dillard's three most extensive overlaps – Ross Stores and TJ Maxx – are discount retailers with higher consumer awareness levels. Consequently, the overlap with Ross Stores has increased 5% year over year, and many other competitors are expected to increase as well as they establish new locations. Overlaps could become exponentially disruptive to Dillard's position in the industry when considering the Company's lack of consumer awareness and e-commerce development.

### Number of Stores Within a 10 Minute Drive from a Dillard's Location



Source: UBS Evidence Lab

## Shareholder Base, Liquidity, Market Depth

### Shareholder Base

Dillard's, Inc. currently has 16,627,015 shares outstanding. Insiders own 30.66% of the shares, while institutions own 73.69%. The portion of nearly a third held by insiders indicates an increase in the chances that Management conducts decisions that align with the Company's and shareholders' best interests. A table below provides the top ten shareholders of Dillard's, Inc.

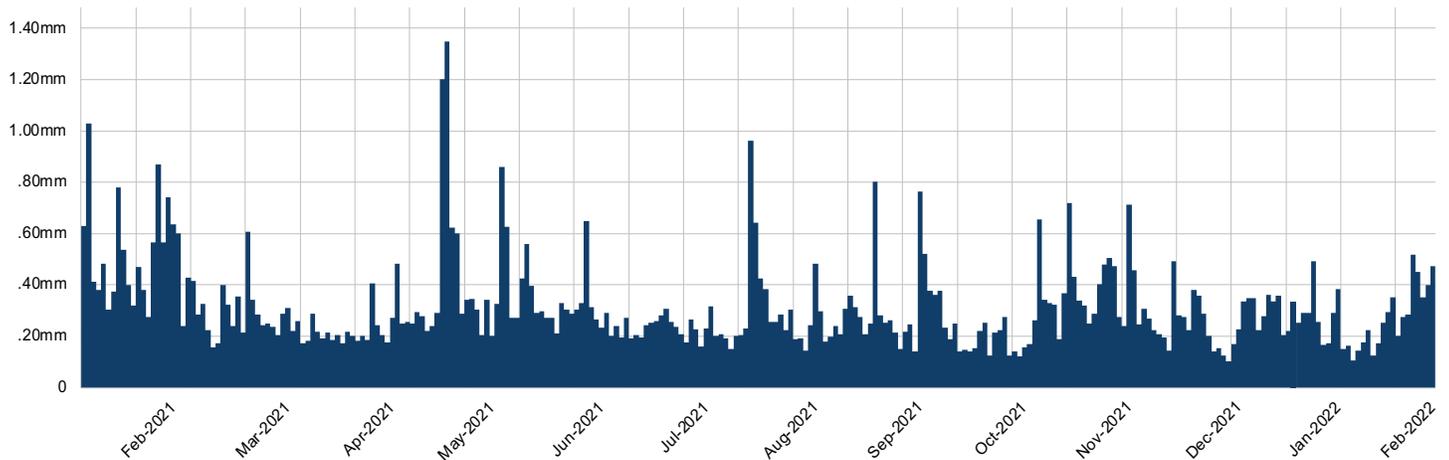
Top 10 Shareholders as of December 2021				
Shareholder	Shares Owned	% of Shares Outstanding	Insider? (Y/N)	Filing Date
Newport Trust Company	5,750,556	34.59%	N	30-Sep-21
Dimensional Fund Advisors, L.P.	1,316,316	7.92%	N	30-Sep-21
Dillard (Alexander)	1,178,158	7.09%	Y	22-Nov-21
Weschler (R. Ted)	1,081,000	6.50%	N	29-Sep-20
Dillard (William T. III)	944,776	5.68%	Y	17-Dec-21
The Vanguard Group, Inc.	577,018	3.47%	N	30-Sep-21
Dillard Mike	538,004	3.24%	Y	22-Nov-21
Matheny (Drue)	456,368	2.74%	Y	22-Nov-21
BlackRock Institutional Trust Company, N.A.	348,548	2.10%	N	30-Sep-21
Norges Bank Investment Management (NBIM)	263,515	1.58%	N	30-Jun-20
<b>Total</b>	<b>12,454,259</b>	<b>75%</b>		

Source: Thomson ONE

## Liquidity

Dillard's, Inc. has an average trading volume of 362,858 shares year to date. During the 52 weeks ended January 29, 2022, the Company had purchased \$561.1 million (approximately 3.2 million shares), demonstrating that Dillard's had additional cash on hand and was returning excess cash flow. As mentioned before, as of August 13, 2020, the Company owned 90% of its retail store square footage and 100% of its corporate headquarters, distribution, and fulfillment facilities. This would lower their interest expense, which would, ceteris paribus, increase cash flows. Overall, shareholders should not face liquidity problems when exiting their positions.

### Dillard's, Inc (NYSE:DDS) 1 Year Trading Volume



Source: S&P Capital IQ

## Valuation

### Discounted Cash Flow Analysis Assumptions

Although Dillard's, Inc. can be categorized into either the retail or construction segment, we orientated our valuation around its retail segment as construction only accounts for a mere 1% of the Company's total revenue. Moreover, we assume that most of the economy will return to normal throughout FY2023.

### Revenue

Our revenue forecasts for Dillard's are heavily based on the Company's ability to maintain its competitive position within the US Department Stores industry. We expect Dillard's brick and mortar sales to fall at a quarterly rate of -3% throughout the four quarters of FY2023 and an annualized rate of -4% during FY2024 – 2027. This is due to consumers shifting towards digital and discount retail platforms, which are two areas that Dillard's is increasingly falling behind. Additionally, the Company has low consumer awareness and overlaps with off-price competitors, which accelerate consumers being siphoned away.

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### **SG&A Costs**

Regarding costs, selling, general, and administrative expenses appealed to us the most. We believe that Dillard's will exponentially increase marketing campaign investments to retain consumers who have leaned towards e-commerce and discount retailers as primary shopping channels. Moreover, as the economy opens, it will be mandated for Dillard's to hire more staff and employees to maintain customer loyalty. Statistics have shown that in 2021 alone, 53% of Americans are willing to cut retail spending by half if they experience poor or mediocre customer service. Throughout FY2023, we forecasted a 1% increase in SG&A expenses every quarter and an annualized increase of 3% throughout FY2024 – 2027.

### **Capital Expenditures (CAPEX)**

Considering that Management has not discussed improving the Company's e-commerce platform, we believe that Dillard's capital expenditures will strictly be reserved for remodelling or launching new retail locations. As of Dillard's Q3 FY2022 filing, only one location will be built during Spring 2022, and we assume that the Company will not continue to construct new stores afterward as we forecast brick and mortar sales to decline. Therefore, a CAPEX as % of beginning P&E of 140% was forecasted for Q1 FY2023.

### **Weighted Average Cost of Capital (WACC)**

We calculated the weighted average cost of capital to be 11.5%. This is derived from two essential factors: the cost of equity and debt. In determining the cost of equity, we determined the risk-free rate of 1.5% by using the US 10-Year Treasury Bill, an expected market return of 10% based on historical averages of the S&P 500, and a beta multiple of 1.26 from Bloomberg, which lead to a cost of equity of 12.2%. In determining the cost of debt, a pre-tax cost of debt of 1.5% was attained based on the interest rate of Dillard's long-term debt and an effective tax rate of 24.6% based on Dillard's income tax. Overall, this led to a cost of debt of 1.8%.

### **Dividend Policy**

Based on Management's comment in the Company's Q3 FY2022 earnings call, Dillard's declared a special dividend of \$15 per share on the Company's Class A and Class B Common Stock due to record financial performances. Considering this statement, we anticipate dividends to be \$12 per share during FY2023 and \$10 per share from FY2024 and beyond as the Company's financial condition diminishes.

## **Comparable Company Analysis**

For our comparable company analysis, we have chosen other publicly traded companies based on similar business models and were either direct or indirect competitors of Dillard's, Inc. Our research returned an EV/EBITDA and P/E implied share price of \$443.48 and \$484.51, respectively. Description of companies were sourced from Bloomberg.

### **Ralph Lauren Corporation (NYSE: RL)**

Ralph Lauren Corporation designs, markets, and distributes men's, women's, and children's apparel, accessories, fragrances, and home furnishings. The Company's products are sold under a wide range of brands, and Ralph Lauren's operations include wholesale, retail, and licensing.

**Tapestry, Inc. (NYSE: TPR)**

Tapestry, Inc. designs and markets clothes and accessories. The Company offers handbags, leather goods, footwear, fragrance, jewelry, outerwear, ready-to-wear, scarves, sunwear, travel accessories, and watches. Tapestry serves customers in the United States.

**Kohl's Corporation (NYSE: KSS)**

Kohl's Corporation operates a chain of family-oriented department stores. The Company's stores feature apparel, footwear, and accessories for women, men, and children, soft home products such as sheets and pillows, and housewares targeted middle-income customers. Kohl's also offers online shopping as well as offers store credits.

**American Eagle Outfitters Inc. (NYSE: AEO)**

American Eagle Outfitters, Inc. retails men's and women's casual apparel, footwear, outerwear, and accessories. The Company's products include jeans, khakis, t-shirts, and other similar clothing. American Eagle operates in the United States.

**PVH Corp. (NYSE: PVH)**

PVH Corp. designs, sources, manufactures, and markets men's, women's, and children's apparel and footwear. The Company sells its products wholesale through department store chains and directly to consumers through retail stores. PVH offers attire that includes dress shirts, sportswear, neckwear, and footwear.

**Urban Outfitters, Inc. (Nasdaq: URBN)**

Urban Outfitters, Inc. operates retail stores and direct response, including a catalog and websites. Urban Outfitters and Anthropologie retail concepts sell fashion apparel, accessories, and household and gift merchandise. Urban also designs and markets young women's casual wear, which it provides to the Company's retail operations and sells to retailers worldwide.

**Macy's Inc. (NYSE: M)**

Macy's, Inc. operates department stores in the United States, and the Company also operates direct mail catalog and electronic commerce subsidiaries. Macy's retail stores sell a wide range of merchandise, including apparel and accessories for men, women, and children, cosmetics, home furnishings, and other consumer goods.

**Nordstrom, Inc. (NYSE: M)**

Nordstrom, Inc. is a fashion retailer of apparel, shoes, and accessories for men, women, and children. The Company operates through multiple retail channels, discount stores, boutiques, catalogs, and the Internet. Nordstrom also offers, through a subsidiary, private label card credit, and debit cards.

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## Recommendation

### Sell

Although the share price of DDS has immensely improved throughout the last year, we believe that Dillard's, Inc. is overvalued by the market as we anticipate the Company's inability to maintain and drive post-pandemic revenue growth. Dillard's is operating in a declining industry while experiencing continuous price pressure from e-commerce platforms and discount retailers. Additionally, Dillard's, in a sense, has and will slowly fade away from consumers as it has low levels of consumer awareness relative to its competitors, its e-commerce presence and development are stagnant, and we anticipate consumers to shop at discount retailers that are nearby (overlap) to existing Dillard's locations. Overall, our valuation of Dillard's is highly based on its ability to adapt and remain relevant in the US Department Stores industry instead of comparing it to its competitors.

Our implied share price weighting is as follows:

- A 60% weighting on the Perpetuity Growth DCF Method, which projects a \$124.78 share price.
- A 30% weighting on the Exit Multiple Implied Price DCF Method, which projects a \$138.86 share price.
- A 5% weighting on the EV/EBITDA Implied Price Method, which projects a \$443.48 share price.
- A 5% weighting on the P/E Implied Price Method, which projects a \$484.51 share price.

This concludes us with a target price of **\$162.93** with a positive return of **65.5%**.

## Risks

### Strong ESGs

A majority of the goods that Dillard's sells originate from overseas manufacturers, therefore the Company mandates its vendors to maintain a certain standard of integrity whether it's through production, legal, or ethical. Firstly, Dillard's Inc. has embraced the International Labor Organization Declaration on Fundamental Principles and Rights at Work. To enforce this declaration, the Company periodically assesses its supplier base for any externalities that contradict with the Company's values and standards, such as human trafficking and slavery in the supply chain. In FY2020, Dillard's Inc. assessed 246 factories, with 729 non-compliance incidents in 2019 compared to the 835 noncompliance incidents in 2018. Secondly, with Dillard's providing goods that contain tin and/or gold (3TG), the Company has established several standards in which their mineral suppliers must comply with. For instance, suppliers must have an already implemented strategy to mitigate possible risks during mining operations. As of 2020, Dillard's commitment and advocacy towards their minerals policy has led to 100% of their smelters and refiners complying to ethical and sustainable standards. Finally, the Company has committed to lowering its carbon footprint by mandating all Company owned buildings to have an energy management system that enables them to monitor and control energy consumption. Simultaneously, Dillard's Inc. has partnered with ControlIQ to have them analyze real time data from the EMS to guide the Company on how they can operate at the most sustainable level with the lowest possible cost. During 2014 – 2019, electricity consumption fell from 761 mm kWh to 667 mm kWh (12% reduction). With the Company's efforts of striving towards being an ethical business, Dillard's Inc. has received an ESG

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rating of 18.6, which categorizes them as low risk. This can greatly increase foot traffic across the Company's retail and e-commerce channels as consumer preferences shift towards companies that embrace sustainable practices. In return, Dillard's may experience revenue growth and possibly beat expectations despite its flaws.

## Market share Opportunity

As mentioned before, the US Department Stores industry decreased at an annualized rate of 8% between 2016 – 2021. This is attributable to distressed players converting their facilities into warehouse clubs and supercentres or shifting towards e-commerce. For instance, Walmart. However, with the exit from competitors expected to continue as IBISWorld forecasts a -4.3% growth rate for the US Department Stores industry between 2022 – 2026, this represents market share opportunities for Dillard's. Although this portion of market share is likely to end up with discount retailers or e-commerce businesses, there is a possibility that if Dillard's value proposition is appealing enough for customers, the Company can efficiently capture market share.

## Inventory Management

As the economy recovers from the pandemic, US department stores have been basking in this year's rebound as the fashion apparel sector experiences increased consumer demand. However, firms haven't seen much improvement over their pre-pandemic performances except for Dillard's, Inc. This derives from the Company's ability to tightly manage inventory to increase retail gross margins as the economy recovers. In Q3 2021, the Company recorded \$1.5 billion in retail sales — up 47% year over year and a 9% increase compared to Q3 2019. Furthermore, retail gross margins soared to an astonishing height of 46.7% within the same period compared to the 34.5% in 2019. With the Company streamlining inventory management, Dillard's has consistently exceeded earnings expectations throughout the first three quarters of fiscal year 2022, resulting with DDS increasing by an astronomical amount of 321.39% in the past year. If Dillard's can continue its current level of profitability through inventory management, we believe that the Company can create another surge in share price when earnings are announced.

## Appendix 1: Model Summary

	Jan-17	Jan-18	Jan-19	Jan-20	Jan-21	Apr-21	Jul-21	Oct-21	Jan-22	Jan-22	Jan-23	Jan-24	Jan-25	Jan-26	Jan-27
(Figures in mm USD)	FY2017	FY2018	FY2019	FY2020	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Income Statement</b>															
Revenue	6,418.0	6,422.7	6,503.3	6,343.2	4,433.2	1,357.5	1,601.4	1,511.9	1,659.8	6,130.7	6,159.4	5,898.1	5,646.9	5,408.5	5,181.9
EBITDA	570.0	502.8	492.0	389.8	130.5	241.7	303.3	317.5	408.3	1,270.8	947.6	760.8	542.1	335.3	134.7
Net Income	169.2	221.3	170.3	111.1	(71.7)	158.2	185.7	197.3	308.9	850.1	700.9	544.4	377.5	207.6	71.2
Earnings Per Share	\$ 4.93	\$ 7.51	\$ 6.23	\$ 4.38	\$ (3.16)	\$ 7.25	\$ 8.81	\$ 9.82	\$ 15.37	\$ 40.91	\$ 34.87	\$ 27.08	\$ 18.78	\$ 10.33	\$ 3.54
<b>Cash Flow Statement</b>															
Capital Expenditures	(104.8)	(130.5)	(137.1)	(103.4)	(60.5)	(16.9)	(24.4)	(38.5)	-	(79.7)	0.2	-	-	-	-
Acquisitions	1.2	11.7	2.0	30.6	1.5	29.3	0.0	0.0	0.0	29.3	0.0	0.0	0.0	0.0	0.0
Divestitures	1.5	5.1	3.5	2.4	10.3	1.8	1.1	1.0	0.5	4.3	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)
Dividend Payment	(3.3)	(90.5)	(162.1)	(1.0)	(1.2)	(0.2)	(0.2)	(0.2)	(3.0)	(3.5)	(9.6)	(8.0)	(8.0)	(8.0)	(8.0)
Dividend Per Share	\$ 0.28	\$ 0.34	\$ 0.40	\$ 0.50	\$ 0.60	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.60	\$ 0.48	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
Dividend Payout to Earnings	1.9%	40.9%	95.2%	0.9%	-1.7%	0.1%	0.1%	0.1%	1.0%	0.4%	1.4%	1.5%	2.1%	3.9%	11.3%
Dividend Payout to Core FCF	0.7%	18.9%	30.4%	0.2%	0.6%	0.1%	0.1%	0.1%	1.0%	0.3%	1.4%	1.5%	2.1%	3.9%	11.3%
Dividend Yield	0.4%	0.5%	0.6%	0.8%	1.0%	0.2%	0.1%	0.1%	0.1%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%
<b>Balance Sheet</b>															
Current Assets	1,837.9	1,729.9	1,770.5	1,848.1	1,661.9	2,108.8	2,005.8	2,376.8	2,227.3	2,227.3	3,092.6	3,969.5	4,301.0	4,474.5	4,486.9
Non-Current Assets	2,050.2	1,943.3	1,660.8	1,582.2	1,430.6	1,398.8	1,377.7	1,363.4	1,362.9	1,362.9	1,364.6	1,363.2	1,366.5	1,358.8	1,376.7
Assets	3,888.1	3,673.2	3,431.4	3,430.3	3,092.5	3,507.7	3,383.5	3,740.2	3,590.2	3,590.2	4,457.2	5,332.7	5,667.4	5,833.3	5,863.7
Current Liabilities	976.5	1,039.7	933.5	930.8	772.9	1,089.0	894.0	1,297.4	841.5	841.5	1,017.2	1,356.4	1,321.7	1,288.0	1,255.3
Non-Current Liabilities	1,194.2	925.3	819.5	876.2	878.6	880.9	879.9	878.6	878.6	878.6	878.6	878.6	878.6	878.6	878.6
Liabilities	2,170.7	1,965.0	1,753.0	1,807.0	1,651.5	1,970.0	1,773.9	2,176.0	1,720.1	1,720.1	1,895.8	2,235.0	2,200.3	2,166.6	2,133.9
Shareholders' Equity	1,717.4	1,708.2	1,678.4	1,623.3	1,441.0	1,537.7	1,609.6	1,564.2	1,870.1	1,870.1	2,561.4	3,097.7	3,467.1	3,666.7	3,729.8
Cash	347.0	187.0	123.5	277.1	360.3	615.9	669.5	619.7	335.1	335.1	764.8	2,393.6	2,766.1	2,979.6	3,030.8
Debt	613.3	526.4	365.6	365.7	365.8	365.9	365.9	366.0	366.0	366.0	366.0	366.0	366.0	366.0	366.0
Net Debt	266.3	339.3	242.1	88.6	5.5	(250.0)	(303.6)	(253.7)	30.9	30.9	(398.8)	(2,027.6)	(2,400.1)	(2,613.6)	(2,664.8)
Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	0.5 x	0.7 x	0.5 x	0.2 x	0.0 x	-	-	-	-	0.0 x	n/a	n/a	n/a	n/a	n/a
<b>Operating Metrics</b>															
Return on Equity (ROE)	9.9%	13.0%	10.1%	6.8%	-5.0%	-	-	-	-	45.5%	27.4%	17.6%	10.9%	5.7%	1.9%
Return on Assets (ROA)	4.4%	6.0%	5.0%	3.2%	-2.3%	-	-	-	-	23.7%	15.7%	10.2%	6.7%	3.6%	1.2%
Return on Invested Capital (ROIC)	6.8%	9.5%	7.8%	4.9%	-4.7%	-	-	-	-	37.5%	23.6%	15.5%	9.6%	4.9%	1.5%
<b>Valuation Metrics</b>															
Stock Price (High)	\$ 87.74	\$ 82.91	\$ 90.13	\$ 74.24	\$ 99.88	\$ 96.76	\$ 179.67	\$ 224.86	\$ 269.73	\$ 269.73	\$ 269.73	\$ 269.73	\$ 269.73	\$ 269.73	\$ 269.73
Stock Price (Low)	\$ 53.55	\$ 43.29	\$ 52.23	\$ 50.51	\$ 21.23	\$ 74.12	\$ 93.07	\$ 157.86	\$ 269.73	\$ 74.12	\$ 269.73	\$ 269.73	\$ 269.73	\$ 269.73	\$ 269.73
Stock Price (Average)	\$ 70.65	\$ 63.10	\$ 71.18	\$ 62.38	\$ 60.56	\$ 85.44	\$ 136.37	\$ 191.36	\$ 269.73	\$ 171.93	\$ 269.73	\$ 269.73	\$ 269.73	\$ 269.73	\$ 269.73
Diluted Shares Outstanding (Average)	34.3	29.5	27.3	25.4	22.7	21.8	21.1	20.1	20.1	20.8	20.1	20.1	20.1	20.1	20.1
Market Capitalization (Average)	2,423.7	1,860.6	1,944.1	1,582.1	1,374.4	1,865.8	2,874.5	3,846.3	5,421.6	3,572.4	5,421.6	5,421.6	5,421.6	5,421.6	5,421.6
Enterprise Value (Average)	2,690.0	2,200.0	2,186.1	1,670.7	1,379.9	1,615.7	2,571.0	3,592.6	5,452.4	3,603.3	5,022.8	3,394.0	3,021.4	2,807.9	2,756.8
P/E	14.3 x	8.4 x	11.4 x	14.2 x	n/a	-	-	-	-	4.2 x	7.7 x	10.0 x	14.4 x	26.1 x	76.2 x
EV/EBITDA	4.7 x	4.4 x	4.4 x	4.3 x	10.6 x	-	-	-	-	2.8 x	5.3 x	4.5 x	5.6 x	8.4 x	20.5 x
FCF Yield to Market Capitalization	20.9%	16.4%	14.8%	20.1%	19.2%	-	-	-	-	10.7%	8.4%	30.8%	7.7%	5.1%	1.7%
FCF Yield to Enterprise Value	18.9%	13.9%	13.2%	19.1%	19.1%	-	-	-	-	10.6%	9.1%	49.3%	13.8%	9.8%	3.3%
<b>Free Cash Flow</b>															
EBIT	326.3	271.2	268.2	167.5	(82.9)	195.3	253.2	267.3	408.3	1,124.1	947.0	756.9	542.9	325.1	150.2
Tax Expense	(88.5)	7.8	(37.7)	(22.8)	81.8	(45.2)	(54.7)	(57.3)	(100.4)	(276.5)	(233.0)	(186.2)	(133.6)	(80.0)	(37.0)
D&A	243.7	231.6	223.8	222.3	213.4	46.4	50.0	50.2	-	146.7	0.6	3.9	(0.8)	10.2	(15.5)
Capital Expenditures	(104.8)	(130.5)	(137.1)	(103.4)	(60.5)	(16.9)	(24.4)	(38.5)	-	(79.7)	0.2	-	-	-	-
Changes in NWC	130.4	(74.6)	(29.2)	55.0	112.1	117.0	(46.7)	(12.8)	(591.5)	(534.0)	(256.8)	1,097.5	8.1	18.9	(7.0)
Unlevered Free Cash Flow	507.1	305.5	288.0	318.6	263.9	296.6	177.5	208.9	(283.6)	380.6	458.0	1,672.1	416.7	274.3	90.8
<b>Valuation Summary</b>															
Current Price	\$ 269.73														
Target Price	\$ 162.93														
Total Return	65.5%														
Recommendation	SELL														
<b>DCF Valuation</b>															
Perpetuity Growth Implied Price	\$ 124.78														
Exit Multiple Implied Price	\$ 138.86														
<b>Comps Valuation</b>															
Comps - EV/EBITDA Implied Price	\$ 443.48														
Comps - P/E Implied Price	\$ 484.51														

## Appendix 2: Discounted Cash Flow Analysis

	Jan-17	Jan-18	Jan-19	Jan-20	Jan-21	Apr-21	Jul-21	Oct-21	Jan-22	Jan-22	Jan-23	Jan-24	Jan-25	Jan-26	Jan-27
(Figures in mm USD)	FY2017	FY2018	FY2019	FY2020	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
<b>WACC Calculations</b>															
<b>Cost of Equity</b>															
Risk-free rate	1.5%														
Expected market return	10.0%														
Market Risk Premium	8.5%														
Beta	1.26														
<b>Cost of Equity</b>	<b>12.2%</b>														
<b>Cost of Debt</b>															
Pre-tax cost of debt	1.5%														
Debt Adjustment Factor	1.62														
Effective tax rate	24.6%														
<b>Cost of Debt</b>	<b>1.8%</b>														
<b>WACC</b>															
Market value of equity	5,421.6														
Market value of debt	395.3														
<b>Total Capitalization</b>	<b>5,816.9</b>														
Cost of equity	12.2%														
Cost of debt	1.8%														
<b>WACC</b>	<b>11.5%</b>														
<b>Free Cash Flow</b>															
EBIT	326.3	271.2	268.2	167.5	(82.9)	195.3	253.2	267.3	408.3	1,124.1	947.0	756.9	542.9	325.1	150.2
Less: Tax expense	(88.5)	7.8	(37.7)	(22.8)	81.8	(45.2)	(54.7)	(57.3)	(100.4)	(276.5)	(233.0)	(186.2)	(133.6)	(80.0)	(37.0)
Add: Depreciation and amortization	243.7	231.6	223.8	222.3	213.4	46.4	50.0	50.2	-	146.7	0.6	3.9	(0.8)	10.2	(15.5)
Less: Capital expenditures	(104.8)	(130.5)	(137.1)	(103.4)	(60.5)	(16.9)	(24.4)	(38.5)	-	(79.7)	0.2	-	-	-	-
Less: Change in net working capital	130.4	(74.6)	(29.2)	55.0	112.1	117.0	(46.7)	(12.8)	(591.5)	(534.0)	(256.8)	1,097.5	8.1	18.9	(7.0)
<b>Unlevered Free Cash Flow</b>	<b>507.1</b>	<b>305.5</b>	<b>288.0</b>	<b>318.6</b>	<b>263.9</b>	<b>296.6</b>	<b>177.5</b>	<b>208.9</b>	<b>(283.6)</b>	<b>380.6</b>	<b>458.0</b>	<b>1,672.1</b>	<b>416.7</b>	<b>274.3</b>	<b>90.8</b>
Discount factor	-	-	-	-	-	-	-	-	0.25	0.25	1.25	2.25	3.25	4.25	5.25
<b>Present Value of Unlevered Free Cash Flow</b>	-	-	-	-	-	-	-	-	<b>(276.0)</b>	<b>(276.0)</b>	<b>424.5</b>	<b>1,308.6</b>	<b>292.4</b>	<b>172.6</b>	<b>51.3</b>
<b>Discounted Cash Flow Valuations</b>															
<b>Perpetuity Growth Method</b>															
Perpetuity Growth Rate	-4.3%														
PV sum of unlevered FCF	1,973.4														
Terminal value	310.3														
<b>Enterprise Value</b>	<b>2,283.7</b>														
Add: Cash	619.7														
Less: Debt	395.3														
Less: Other EV adjustments	-														
<b>Equity Value</b>	<b>2,508.2</b>														
Shares outstanding	20.1														
<b>Implied Share Price</b>	<b>\$ 124.78</b>														
Current Price	\$ 269.73														
<b>Implied Price</b>	<b>\$ 124.78</b>														
<b>Total Return</b>	<b>-53.7%</b>														
<b>Exit Multiple Method</b>															
Terminal EV/EBITDA Multiple	7.8 x														
PV sum of unlevered FCF	1,973.4														
Terminal value	593.1359095														
<b>Enterprise Value</b>	<b>2,566.6</b>														
Add: Cash	619.7														
Less: Debt	395.3														
Less: Other EV adjustments	-														
<b>Equity Value</b>	<b>2,791.0</b>														
Shares outstanding	20.1														
<b>Implied Share Price</b>	<b>\$ 138.86</b>														
Current Price	\$ 269.73														
<b>Implied Price</b>	<b>\$ 138.86</b>														
<b>Total Return</b>	<b>-48.5%</b>														
<b>WACC Sensitivity Analysis</b>															
		WACC													
		12.50%	12.00%	11.50%	11.00%	10.50%									
Perpetuity Growth Rate	-5.30%	\$ 120.08	\$ 121.88	\$ 123.75	\$ 125.70	\$ 127.73									
	-4.80%	\$ 120.52	\$ 122.36	\$ 124.27	\$ 126.26	\$ 128.34									
	-4.30%	\$ 120.99	\$ 122.87	\$ 124.83	\$ 126.86	\$ 129.00									
	-3.80%	\$ 121.49	\$ 123.41	\$ 125.41	\$ 127.50	\$ 129.69									
	-3.30%	\$ 122.02	\$ 123.99	\$ 126.04	\$ 128.19	\$ 130.44									
		WACC													
		12.50%	12.00%	11.50%	11.00%	10.50%									
Terminal EV/EBITDA Multiple	5.8 x	\$ 128.07	\$ 129.68	\$ 131.32	\$ 133.00	\$ 134.71									
	6.8 x	\$ 131.68	\$ 133.38	\$ 135.11	\$ 136.88	\$ 138.68									
	7.8 x	\$ 135.29	\$ 137.07	\$ 138.89	\$ 140.75	\$ 142.65									
	8.8 x	\$ 138.91	\$ 140.77	\$ 142.68	\$ 144.63	\$ 146.62									
	9.8 x	\$ 142.52	\$ 144.47	\$ 146.46	\$ 148.50	\$ 150.59									



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