

# WESTPEAK RESEARCH ASSOCIATION

## The Michaels Companies, Inc (NASDAQ: MIK)

Consumer Cyclical – Specialty Retail, Fabric Craft & Sewing

### Crafting a Brighter Future

February 12, 2021

*The Michaels Companies Inc. is the largest arts and crafts specialty retailer in North America. Its corporate headquarters are located in Irving, Texas. The company owns over 1250 retail stores across the United States and Canada and 15 private label brands.*

#### Thesis

Michaels has been implementing many changes, including improving its retail store customer experience and significantly expanding its e-commerce offerings. We believe the market's forward perception of Michaels is distorted by its dismal past performance and a negative outlook for the fabric and craft & sewing supplies industry post-COVID. The new management team's solid forward strategy and recent performance highlights the company's turnaround story. With growing revenues and an established e-commerce channel that is becoming a sizeable part of its revenue mix, we believe Michaels will move to trade more in-line with its peers.

#### Drivers

Michaels is a leader in the fabric, crafts & sewing supplies industry where per capita disposable income and consumer leisure time are a main drivers, as supplies are typically purchased for leisure and hobby purposes. The industry is in the decline stage of its life cycle due to e-commerce pressures and a saturated product market. Moving forward, further e-commerce penetration and capitalizing on industry consolidation will drive company growth despite industry headwinds.

#### Valuation

We arrived at a valuation of Michaels by using a Discounted Cash Flow Analysis and a Comparable Company Analysis. By weighting both methods equally at 50%, we have determined a target price of \$20.62. We recommend a **BUY** rating on MIK with a total expected return of 32.3%.

Analyst: Cathie Ji, BCom. '22  
contact@westpeakresearch.com

#### Equity Research US

Price Target	USD\$20.62
Rating	Buy
Share Price (Feb. 12 Close)	USD\$15.59
Total Return	32.3%

#### Key Statistics

52 Week H/L	\$17.90/\$1.00
Market Capitalization	\$2309.1M
Average Daily Trading Volume	3.89M
Net Debt	\$2500.4M
Enterprise Value	\$3950.3M
Net Debt/EBITDA	8.3x
Diluted Shares Outstanding	147.7M
Free Float	56.5%
Dividend Yield	N/A

#### WestPeak's Forecast

	2020E	2021E	2022E
Revenue	\$4900M	\$5383M	\$5548M
EBITDA	\$376M	\$694M	\$716M
Net Income	\$145M	\$356M	\$363M
EPS	\$1.07	\$2.32	\$2.46
P/E	14.6x	6.7x	6.3x
EV/EBITDA	10.5x	5.7x	5.5x

#### 1-Year Price Performance

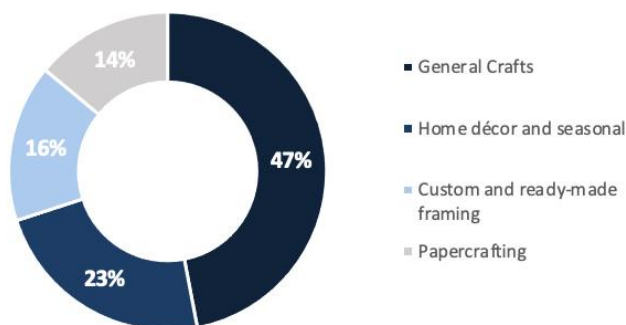


## Business Overview/Fundamentals

### Company Overview

The Michaels Companies Inc. is the largest arts and crafts specialty retailer in North America. The company sells a variety of products, which it categorizes into the sales categories of general crafts, home décor and seasonal, custom and ready-made framing, and papercrafting. The first Michaels store opened in 1973 in Dallas, Texas, founded by Michael J. Dupey. Over the next decade, the company acquired many craft and hobby stores in local and regional markets. Its IPO was in June 2014 on the NASDAQ with the symbol MIK, where they raised around \$472 million.

**Sales by Product Category, FY 2019**



Source: Michaels Annual Report

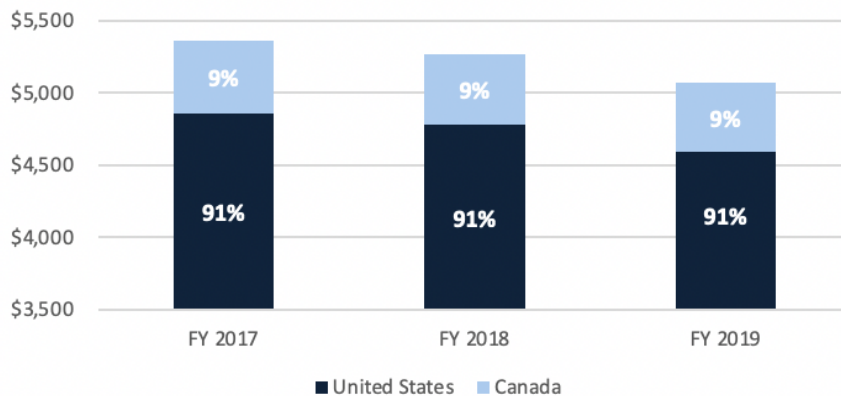
### Segments

Michaels has determined its reportable segments to be Michaels-U.S. and Michaels-Canada in fiscal 2019. For reporting purposes, the Michaels-U.S. and Michaels-Canada operating segments were combined into one reporting segment after meeting the aggregation criteria set forth in ASC 280.

#### Michaels-U.S. and Michaels-Canada

Michaels operates 1274 retail stores in the United States and Canada. Over the past three years, net sales by country have stayed proportionally stable with Michaels-U.S. and Michaels-Canada contributing to 91% and 9% of net sales respectively. Michaels' product sales consist of its own private label brands, making up approximately 60% of sales in fiscal 2019, as well as third-party brands. Michaels also conducts businesses through e-commerce platforms such as its Michaels.com and Canada.Michaels.com websites and Michaels app.

**Net Sales by Country**  
(in millions)



Source: Michaels Annual Report

## Company Strategy

Recently appointed CEO Ashley Buchanan and his new executive team have outlined a plan to revitalize the business, presented to investors in Michaels' third quarter of 2020. The core pillar of Michaels' forward-looking strategy is to reconnect with its "Core Maker" target customer through 1) improving its retail presence and 2) strengthening its e-commerce and omni-channel capabilities. Management also aims to implement programs and restructure its product mix to attract Makers who own small businesses and will purchase supplies in bulk.

### Improving Retail Presence

For Michaels, the focus on improving its brick-and-mortar experience includes redesigning its in-store presentation and establishing a more efficient supply chain. This is a direct response to poor retail performance in 2019, with 9000 store closings and comparable stores sales falling 2.2% due to lower customer traffic. Recent surveys of its target customer, the "Core Makers", produced clear results pointing towards a disappointing customer shopping experience.

Mid-2020, Michaels introduced two brick-and-mortar concept stores in Texas. These redesigned stores feature "trend hubs" allowing customers to touch and feel displayed products as well as dedicated spaces for customers to use the craft supplies free of charge. Sales results have yet to be released, however, these concept stores qualitatively address many of the customer pain points identified in Michaels' 2020 customer surveys, such as complaints of a dingy, stressful, and cramped shopping experience. Having revamped brick and mortar stores may benefit Michaels in the long run, differentiating itself from pure e-commerce alternatives and enticing creative customers to shop in-person.



Photo Source: Business Wire

Michaels' lack of supply chain execution in the past has resulted in delayed inventory rollout and missed sales opportunities, contributing to its past decline in comparable store sales. The management team has prioritized the optimization of its supply chain processes for fiscal 2020, and its progress includes launching a new inventory management planning system and intentionally placing a larger focus on seasonal planning. In Q3 of fiscal 2020, this focus helped drive a 16.3% comparable stores growth. If Michaels can continue to demonstrate improvements in managing the 2020 holiday season through Q4 earnings, we believe these improvements will be successful in maintaining long-term comparable store sales.

---

## Strengthening E-Commerce and Omnichannel Capabilities

Michaels first launched its US e-commerce website in May 2014 and its Canadian e-commerce website in September 2019, offering a “Buy Online Pick Up in Store” (BOPIS) service. E-commerce sales were initially disappointing, and Michael’s overall online presence was minimal, with e-commerce representing less than 5% of its total revenues. This was largely due to slow delivery times and outdated product offerings on its website. The COVID-19 pandemic pushed the management team to move faster in strengthening its e-commerce offerings. In a 45-day pivot period, the team rolled out a curbside pickup service, same-day delivery service, and mobile purchasing capabilities. As a result, Michaels experienced a 353% increase in its e-commerce growth in 2020. Currently, its e-commerce sales make up 10% of its total revenues.

According to management guidance, Michaels plans to increase e-commerce sales penetration to make up 15% of total revenues. It aims to do so through creating a frictionless customer experience, streamlining existing BOPIS and same-day delivery features by connecting them to its mobile app to drastically improve customer convenience. The rising share of e-commerce sales in the company’s revenue mix will drive a majority of the company’s long-term sales growth and is key to protecting Michaels’ market share from e-commerce competitors.

## Business-to-Business Customer Expansion

Moving forward, Michaels aims to target two special segments of its Core Makers named Sellers and Star Makers. Sellers and Star Makers are defined as small business owners who sell handmade products and require supplies in bulk. According to the management team, Sellers, aspiring Sellers, and Star Makers make up approximately 60% of Core Makers.

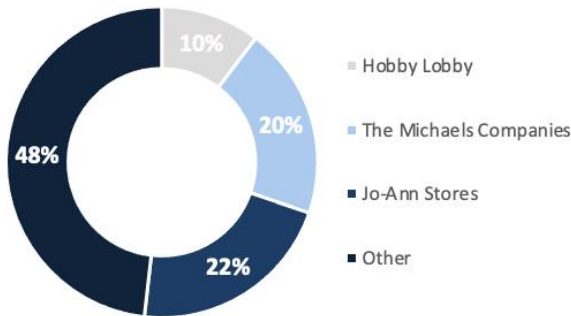
The company has developed a series of initiatives to satisfy the needs of these entrepreneurial customers. In Q3, it launched Michaels Pro to allow for the sale of bulk items at cheaper prices. To accommodate for this, the company expanded its product mix to include more bulk items across a wide range of categories – Paint & Art Supplies, Canvas, Frames, Jewelry, Beads, Yarn, General Crafts, Floral Making Supplies, and Party/Celebration Supplies. Michaels will also be creating platforms for these small business owners to promote its brand and products, as well as host virtual/in-person classes in the future. The tailored focus towards increasing customer retention of entrepreneurial customers is encouraging. Michaels’ previous total addressable market (TAM) was \$78 billion, now, the company places its TAM at \$100 billion by offering business services. Furthermore, management data states Sellers purchase 58% of their supplies in bulk and Star Makers create more than 80 bulk projects per year. This customer segment will drive significant revenue and has the potential to be a steadier revenue stream in the long run.

## Industry Analysis

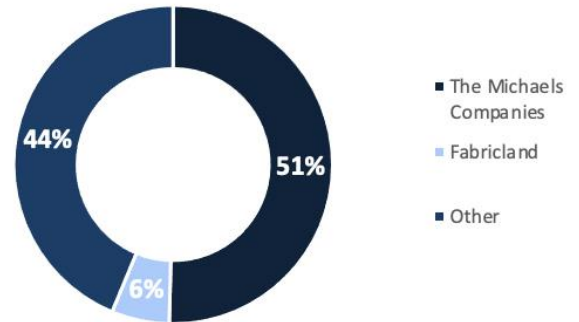
### Overview

Michaels Companies, Inc. is the market leader in the fabric, craft & sewing supplies (FC&S) industry with a market share of 20% in the United States and 51% in Canada. The industry is relatively concentrated with a small number of large market players, the remaining revenue fragmented among small-scale, local operators. Due to competitors and substitutes, Michaels is also affected heavily by the e-commerce industry.

**Market Share of US Fabric, Craft & Sewing Supplies Stores in 2020**



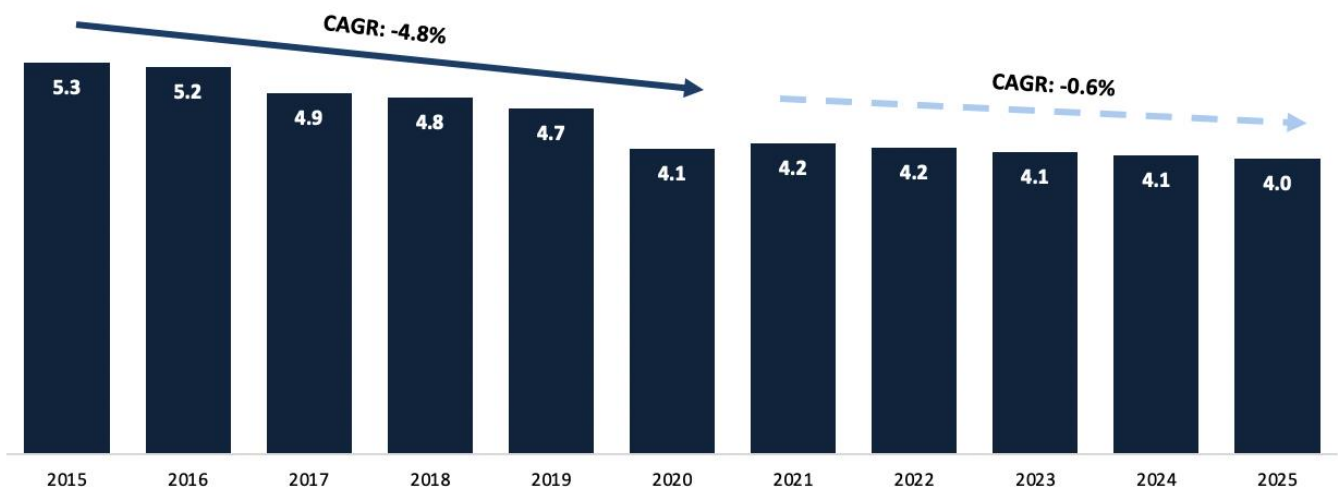
**Market Share of Canadian Fabric, Craft & Sewing Supplies Stores in 2020**



Source: IBISworld

In 2020, the FC&S industry had a value of \$3.6 billion in the United States and \$574 million in Canada. Industry revenue has declined by an average of 4.8% year over year in 2015-2020. Overall, this revenue contraction is driven primarily by increased competition from online retailers in the e-commerce space. The number of small-scale enterprises in the industry has also been declining as they are driven out of business or as major players, such as Michaels, have been consolidating their market share through acquisitions. This will likely strengthen profitability, at least for major players, thus mitigating any greater declines in revenue. As a result, the industry is projected to decline at a 0.6% CAGR in North America.

**North American FC&S Industry Performance**  
(Revenue in US\$ Billions)



Source: IBISworld



---

## E-commerce Competition

Sales in the FC&S industry, traditionally dominated by retail establishments, have contracted due to rising e-commerce competition. The e-commerce industry has experienced a growth of 16.5% CAGR from 2015-2020 and is projected to grow at an 8.80% CAGR from 2020-2025. Online retailers such as Amazon.com and Alibaba.com are advantageous to customers because of their convenience and broad range of product offerings. This is paired with their ability to reduce prices due to lower overhead and administration costs. Ultimately, these factors have successfully enabled e-commerce enterprises to capture a growing share of demand for arts and crafts products, which has been a primary driver of the traditional FC&S industry's revenue contraction. External e-commerce competition will remain a threat to this industry as more and more people adopt online shopping as their preferred way of purchasing certain goods and services. Michaels has correctly identified this threat by dramatically increasing its omnichannel offerings in fiscal 2020 and increasing e-commerce share of revenues from 5% in fiscal 2019 to 10% in the first two quarters of fiscal 2020. However, we still believe the industry's retail stores hold an advantage by allowing customers to touch and feel products to assess quality and texture before purchasing. This is largely due to the detail-oriented nature of creative projects. In this context, the ability to tangibly select correct products will, in theory, help to reduce buyer's remorse and avoid the hassle of returns. Strengthening this channel to engage customers and address their pain points will partially mitigate pressures from online retailers.

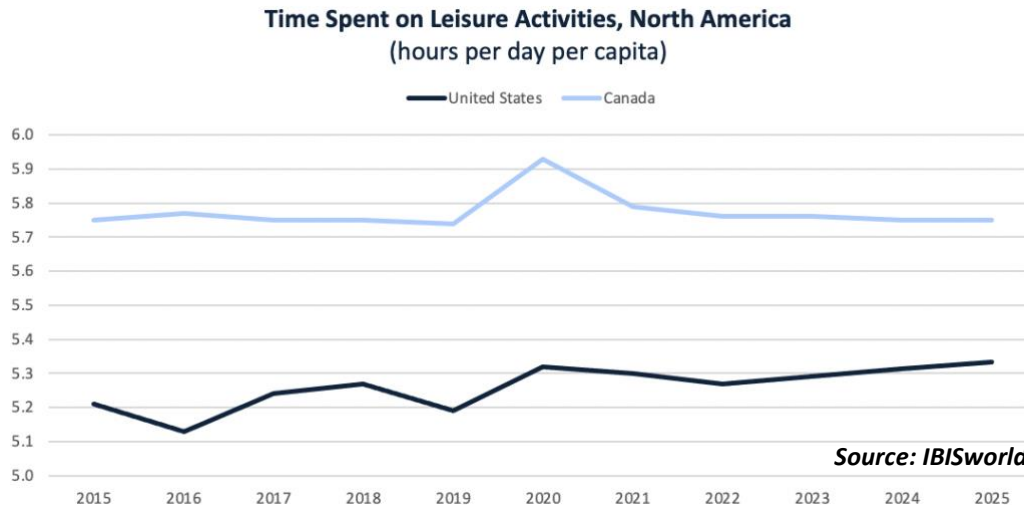
## Industry Consolidation

Despite external pressures from e-commerce and an overall industry decline, we expect some major players, including Michaels, to improve their performance over the next five years. The increasing price-based competition will favour companies that are able to reduce operating costs, mainly through economies of scale. As a result, it is likely that smaller-scale companies in the industry will break down under competitive pressures, both from large e-commerce players and leaders within the FC&S industry. The decline in the number of industry companies will contribute to the decline of the industry at large, reducing the attractiveness of investing in its players. On the other hand, we are optimistic that this will bring forward further acquisition opportunities in the near future, allowing Michaels to boost market share. Michaels may also be able to increase profitability if it continues to effectively leverage economies of scale and use it to optimize operating processes.

## Stagnating Product Demand

Two key drivers of the FC&S industry are per capita disposable income and consumer leisure time. A large majority of customers in the FC&S industry are households, estimated at 95.6% of the market, with the remainder consisting of retailers, wholesalers, and schools. Households purchase these products for leisure activities, when they participate in arts and crafts activities or knit. Therefore, demand and total spending will have a very high positive correlation with the level of per capita disposable income and trends in time spent doing leisure activities. Due to the Coronavirus pandemic, per capita disposable income slightly declined. Overall, this factor displays a low level of volatility as most individuals are able to tap into savings accounts and alternative income streams (e.g., government payouts) to maintain their lifestyles in the short-term. However, time spent on leisure in 2020 increased significantly by 2.4% due to high unemployment, in relation to an overall average increase from 2015-2020 at 0.6%. Over the next five years, US and Canada consumer leisure time is expected to significantly drop from 2020 levels, then increase at an annualized rate of 0.4%, a slight increase due to the

number of baby boomers retiring and the median age of the North American population increasing. These drivers will likely increase demand for hobby supplies.



We believe the demand for FC&S products is also positively driven by the recent growing popularity of the do-it-yourself trend among millennials and Gen Z individuals. However, many investors speculate that the recent surge in demand in 2020 was due to an increased number of creative projects stemming from the COVID-19 pandemic and government stay at home orders. In the future, demand increases in this age category are likely to be suppressed by decreasing at-home leisure time as COVID restrictions ease and as the unemployment rate decreases with economic recovery. Furthermore, the industry has a very saturated product market. There has been no dramatic introduction of new products in recent years, despite slight cosmetic changes and improvements. The fact that no significant R&D is expected in the near future and e-commerce alternatives providing cheaper substitutes will likely offset any potential increases in demand from the factors above, resulting in product demand staying stagnant over the next 5 years.

## Management Team

### Ashley Buchanan – President, Chief Executive Officer

Mr. Ashley Buchanan is the President and Chief Executive Officer of The Michaels Companies Inc. He joined as CEO and as a member of the Board of Directors effective January 6, 2020. Prior to Michaels, Mr. Buchanan was the Chief Merchandising Officer for Walmart U.S. e-commerce, overseeing Walmart’s extensive product assortment on e-commerce sites and with the responsibility of introducing an omnichannel approach to Walmart’s strategy. His team members at Walmart speak of his ability to redefine customer experiences and drive innovative growth, a positive signal to the future success of his planned omnichannel initiatives for Michaels. Mr. Buchanan served as chief merchant at Sam’s Club before his time at Walmart, an American membership-only warehouse club and



a division of Walmart, Inc. since February 2017. His past experiences also included a variety of positions in finance at Dell after spending five years at Accenture.

Mr. Buchanan's base salary is set at \$1,200,000 USD. Starting in 2021, he will be eligible to receive an annual bonus and take part in Michaels' annual long-term incentive program. After his appointment as CEO, he received a reallocation reimbursement, one-time equity grants of options and restricted stock units, and a signing bonus. Mr. Buchanan's bonus is contingent on overall company performance, measured by an annual EBIT threshold determined by the Compensation Committee and approved by the company's Board of Directors.

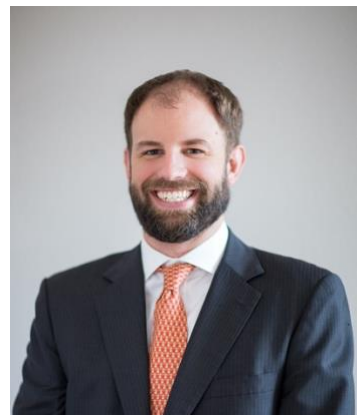
### Melanie Berman – Executive Vice President, Chief Human Resources Officer

Melanie Berman was named Executive Vice President and Chief Human Resources Officer (EVP – CHRO) in May 2020. At Michaels, she is responsible for compensation and benefits, talent management, team member development, communications, and diversity and inclusion. Prior to Michaels, Ms. Berman was the Vice President – Human Resources at Anthem, Inc. Over the course of her career, she has held numerous human resource leadership positions including Chief Human Resources Officer at Baker Corp, CHRO at Global Power Equipment Group, and VP – HR at Novartis Alcon. Ms. Berman holds a master's degree in Industrial and Organizational Psychology from Baruch College in New York City and a bachelor's degree in Psychology from the University of Albany.



### Michael Diamond – Executive Vice President, Chief Financial Officer

Michael Diamond was named the Executive Vice President, Chief Financial Officer in September 2020. Mr. Diamond has 15 years of experience in executive financial leadership. Prior to joining Michaels, he most recently served as the Chief Financial Officer for Pizza Hut U.S. Mr. Diamond held several leadership positions at Pizza Hut, including Chief Financial Officer for the European market and Chief Growth Officer for the European and United Kingdom market. He joined Pizza Hut from prior experience at the Boston Consulting Group, Svoboda Capital Partners, and Merrill Lynch & Co. Mr. Diamond has a Master of Business Administration from Harvard Business School and a bachelor's degree in Finance from the University of Notre Dame.



### J. Robert Koch – Executive Vice President, Stores and Development

J. Robert Koch has held the Executive Vice President – Stores and Development position since May 2019. Mr. Koch was promoted to Executive Vice President of Business Development at Office Depot, Inc. from his previous role as Senior Vice President of Real Estate, prior to accepting an executive position at Michaels. He has experience in a variety of leadership positions related to Finance and Operations in his 20 years with Office Depot, holding Senior Vice President positions in Merchandising, Real Estate, Construction, and Strategy. Mr. Koch joined Office Depot from prior experience at Blockbuster Entertainment.



## Management Team Summary

The total compensation for Michaels' named executive officers consists of three components: base salary, annual cash incentive bonuses, and long-term equity-based incentive compensation awards. The compensation strategy aims to reward executive officers' exceptional performance and ability to drive long-term growth, which we believe shows a strong alignment with shareholder interests. After reviewing each executive's experience on an individual level, we conclude that CEO Ashley Buchanan's new management team is competent and well-structured. The management team has succeeded so far in creating a solid retail and ecommerce strategy, delivering strong fiscal 2020 Q3 results. Overall, the team appears to be equipped and motivated to handle the execution of their immediate and long-term initiatives, despite industry headwinds.

## Investment Thesis:

### Market View

The market's view of Michaels is tainted from receiving disappointing earnings results for most of fiscal 2018 and 2019 as well as an overall pessimistic industry outlook. Rising pressures from e-commerce retailers, an immediate decline in average leisure time spent in North America, and an already saturated product market contribute to industry headwinds. Michaels has seen a growth in earnings so far in fiscal 2020 despite facing temporary store closures from COVID-19 lockdown restrictions. This is largely due to a combination of management strategic initiatives and heightened product demand from increased stay-at-home creative projects during the COVID-19 lockdown. Despite positive results, investors are skeptical of how sustainable the company's growth will be post-pandemic, especially when operating in a declining industry.

### Thesis 1: Company Turnarounds and Growth Strategy

Michaels has surpassed quarterly earnings per share estimates twice since the replacement of its management team in fiscal 2020. The new CEO, Ashley Buchanan, brings critical customer experience and e-commerce strategy expertise to a company that has historically failed to meet customer expectations and capitalize on a growing e-commerce trend. Improved retail operational systems and new e-commerce offerings were quickly implemented to capitalize on the increased online shopping demand due to COVID-19. The results of management's diligent execution will be reflected in the short term through the company's upcoming fiscal 2020 earnings. Michaels still currently trades at a discount in comparison to its peers and its historical EV/EBITDA perspective. We believe this will change in the next few months as investors realize the positive impact of management's growth strategy to improving Michael's top-line growth.

### Thesis 2: Market Share Consolidation

Michaels operates in an industry labelled to be in the declining stage of its life cycle. One factor that may prove positive to Michaels' growth is the expectation of a decline in the number of industry operators, as businesses close down from competitive pressures. This gives rise to further opportunity for large players, mainly Michaels, to gain market share. This was exemplified in early 2020 as A.C. Moore, US arts and crafts chain, officially closed all of its stores. Michaels acquired intangible assets from A.C. Moore at the end of its fiscal 2019 reporting period, with plans to replace 40 A.C. Moore locations

with Michaels brick and mortar stores. This expansion has not been executed yet, most likely due to COVID-19 complications. We expect these new store openings to occur in fiscal 2021-2022, enabling Michaels to expand its physical presence. Overall, we believe Michaels will have future opportunities to attract a larger portion of the industry's existing customer base as its size and growth strategy puts the company in a position to outperform other retailers in the market.

### Thesis 3: Increased E-Commerce Penetration

In the past year, Michaels' new management team has displayed their focus and dedication to strengthening the company's e-commerce sales channel. We believe management's goals to make e-commerce sales a more significant portion of revenues moving forward is a step in the right direction. Consumer shopping habits as a whole have evolved as a consequence to the COVID-19 pandemic, with online shopping becoming the new norm. Further e-commerce penetration also acts to partially alleviate the pressures from online competitors, the main contributing force to the forecasted decline in the FC&S industry. Now, Michaels is able to offer both the convenience of shopping at home and an immersive retail experience to allow its creative customers to shop as they please, which we expect will increase customer retention. In the long-term, we believe the company's new focus on e-commerce penetration will allow it to effectively compete with online retailers and differentiate it from traditional brick and mortar competitors in the FC&S industry.

## Valuation

### Discounted Cash Flow Assumptions

#### Revenue Assumptions

We used a price-quantity analysis to project revenue for the next five years. Michaels has reported annual revenue declines of 1.7% and 3.8% in fiscal 2018 and fiscal 2019 respectively. Due to the impacts of COVID-19 in Q1 of 2020, we expect an overall annual decline of 3.4% in fiscal 2020 revenue. This will be contrasted by a 9.8% revenue growth in 2021, and a 2.5% year over year growth in the next five years. Revenue growth will primarily be driven by an increase in comparable store sales complemented by a small increase in retail store openings.

#### Average Revenue per Store

In the short-term, the average revenue per company-operated store was calculated to be approximately \$3.85M in fiscal 2020 compared to \$4.01M in fiscal 2019. This shows a decrease of 5.0%, mainly due to the COVID-19 pandemic, requiring temporary closures of brick and mortar stores due to government lockdown measures. Michaels has re-opened all stores by Q3 of 2020 and implemented new supply-chain and customer experience initiatives, resulting in an increase of comparable store sales of 22.2% compared to Q2. The company has also focused on enhancing its e-commerce sales channel, experiencing a 253% growth in e-commerce in 2020. Further enhancing its retail store experience and driving e-commerce sales will continue to be emphasized in the future. Therefore, the average revenue per company-operated store is forecasted to be \$4.21M in fiscal 2021, an increase of 9.5%, growing 1.5% year over year for the next five years.

#### Store Count

---

Management stated in Michaels' fiscal 2019 report that their goals for 2020 were to open 45 new brick and mortar stores, with 40 of these locations replacing A.C. Moore closures. Looking back, they only opened 5 new stores the past year. This is largely due to unplanned adjustments in company strategy required during the COVID-19 pandemic. When analyzing management strategy for fiscal 2021, it appears that Michaels does not aim to grow its store count as drastically as it had once set out to achieve. There is a renewed focus on increasing foot traffic in current retail stores and improving omnichannel experiences throughout. Thus, we have chosen to assume that Michaels will only be opening 20 new store locations between fiscal 2021 and 2022, choosing to instead relocate 20 of its original stores to more strategic A.C. Moore locations. From 2022, we estimate their store growth to increase year-over-year, to resemble their past figures.

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

We calculated a weighted average cost of capital (WACC) of 10.2%. We used a cost of equity at 20.2% and a levered beta value of 1.97 taken from Bloomberg. The cost of debt used was 0.98%, the risk-free rate 0.5% and the market risk premium 10%, also taken from the Bloomberg database. By using our DCF, placing an equal weighting on the perpetuity growth method and exit multiple method, we have arrived at a share price of approximately \$20.27.

### **Comparable Company Analysis**

For our comparable analysis, we chose well-established companies in the specialty retail industry that operate primarily in North America and are relatively close to the market size of Michaels.

#### **Bed Bath and Beyond**

Bed Bath and Beyond operates stores in North America that sell a variety of products, including bed linens, bath items, general home furnishings, and consumables. Its product assortment consists of many private brands, such as Bed Bath & Beyond, Christmas Tree Shops, Harmon, buybuy BABY, and Cost Plus World Market.

#### **At Home Group**

At Home Group Inc. provides a range of products including furniture, home and holiday accessories, bedding, kitchen & bath products, home organization products, garden and outdoor décor, and window treatments.

#### **Williams Sonoma**

Williams Sonoma is a large-scale multi-channel retailer that sells kitchen-wares and home furnishings. It operates through five segments: Williams Sonoma, Pottery Barn, Pottery Barn Kids and Teen, West Elm, and its international franchise operations, Rejuvenation and Mark and Graham.

#### **Dick's Sporting Goods**

Dick's Sporting Goods, Inc. operates mainly in the eastern United States and sells an assortment of authentic sports equipment, apparel, footwear, and accessories. Its subsidiaries include Field & Stream and Golf Galaxy.

#### **Tractor Supply**

---

Tractor Supply is a US retail chain focused on the “rural lifestyle”. Retail stores are operated under the names Tractor Supply Company, Del’s Feed & Farm Supply, and Petsense. Its merchandise selection consists of livestock and pet products; hardware, truck, towing, and tool products; lawn and garden equipment; and agricultural and rural products. It offers brands such as 4health, JobSmart, Bit & Bridle, Paws & Claws, Blue Mountain, Dumor, Equistages, and Royal Wing.

## Recommendation - Buy

The new management team at Michaels Companies Inc. has managed to turn their company around through developing and implementing many changes. They have placed a renewed focus on enhancing customer experience in retail stores as well as expanding Michaels’ omnichannel offerings. We anticipate a sustainable steady growth in Michaels’ top-line revenue post-COVID driven by its e-commerce improvements. Furthermore, the fabric, crafts & sewing supplies industry will be consolidating even further as smaller-scaled companies drop out due to increased price competition from Michaels and e-commerce alternatives. This gives Michaels an opportunity to gain even more market share, being the current market leader in both the US and Canada.

At the moment, Michaels is undervalued as many of the company’s strategic initiatives have only been recently implemented, with its results yet to be seen. Based on an equal weighting of our discounted cash flow analysis and our comparable companies’ analysis, we determined a target share price of \$20.62 for Michaels. This represents an implied upside of 32.3% from the current share price of \$15.59. We recommend a **BUY** rating on Michaels.

## Catalysts

### Earnings Report

Michaels’ latest Q3 fiscal 2020 earnings release surpassed analysts’ expectations, increasing share prices by 6.2% in pre-market trading. Its earnings per share surpassed estimates by 45.8%, the third time it has surpassed EPS estimates in the last four quarters. Despite positive results, investors are wary of the Michaels’ future. Many investors attribute Michaels’ growth in Q3 to be driven largely by the COVID-19 pandemic and increased product demand due to an increase in at-home leisure time (and increased at-home creative projects) from various North American lockdown measures. There are concerns that its success will taper off post-pandemic. We believe Michaels’ new e-commerce strategy will sustain its growth despite these concerns, differentiating them from other brick and mortar competitors in the industry. This is expected to also generate incremental improvements in margins as e-commerce becomes a larger part of the company’s revenue mix and once COVID-related expenses roll-off.

Michaels is expected to issue its Q4 and fiscal year 2020 earnings results on March 16<sup>th</sup>, 2021. Due to the nature of the business being highly seasonal, results are heavily weighted towards the third and fourth quarters. Performance in the fourth quarter in the past has comprised up to 50% of the company’s operating profits, making the next earnings release critical for the company’s 2020 results. In the first two weeks of 2021, Michaels has experienced increased trading volumes. The positive sentiment can be attributed to two factors: 1) Ashley Buchanan purchasing shares on January 6, signalling to investors positive earnings results, and 2) JP Morgan & Chase raising its target price on Michaels to \$17.00 from \$14.00. Recent surges in trading activity have since then tapered off, with the bulk of Michaels’ potential share price left unrealized

for the time being. We expect to see Michaels' earnings to surpass expectations once more in Q4 and a subsequent rise in share prices to reflect the positive change.

## Announcements of Competitor Acquisitions

The FC&S industry is expected to consolidate even further in the coming years, as smaller business operators are likely to go out of business due to competitive pressures. Larger retail chains are not immune to this grim fate as demonstrated by A.C. Moore, American arts and crafts retail chain with 145 stores, closing down shop at the end of 2019. Such retailers do not have the scale or the infrastructure to reduce prices and offer separate e-commerce channels. Those that have a relatively significant amount of retail store locations, convenient distribution centres/warehouse facilities, or intellectual property assets become ideal acquisition targets for Michaels. Based on management guidance in Q3 of FY2020, opportunistic M&A is one of Michaels' key priorities moving forward. News about Michaels acquiring its direct competitors or related businesses can be seen as a positive indicator to investors that Michaels has the means to expand and is gaining market share.

## Shareholder Base, Liquidity, Market Depth

### Liquidity

Michael's average daily trading volume was 5.06M in 2020, indicating solid liquidity. The spikes in daily volume throughout the year coincide with the company's quarterly earnings reports release dates.

One-Year Average Daily Trading Volume



Source: Nasdaq.com

### Shareholder Summary



There are currently 147.6M shares outstanding and institutional ownership of Michaels makes up 121.7%. The largest shareholders are Bain Capital Investors LLC (35.76% of total shares outstanding), BlackRock, Inc (10.09%) and FMR LLC (7.41%), totalling more than 53% ownership. As a result, these funds and their affiliates will have the ability to strongly influence management decisions and there is a risk that they may have interests that differ from those of other shareholders.

Shareholders	Shares Owned	% Outstanding Shares	Filing Date
<i>(Name)</i>	<i>(mm shares)</i>	<i>(%)</i>	<i>(Date)</i>
Bain Capital Investors LLC	52.8	35.76	30-Sep-20
BlackRock Inc	14.9	10.09	30-Apr-20
FMR LLC	10.9	7.41	30-Nov-20
Blackstone Group Inc	10.4	7.04	30-Sep-20
Contrarius Investment Management Ltd	9.5	6.43	30-Sep-20
Vanguard Group Inc	7.5	5.09	30-Sep-20
T Rowe Price Group Inc	6.9	4.66	30-Sep-20
GoldenTree Asset Management LLC	4.2	2.85	30-Sep-20
State Street Corp	2.8	1.89	30-Sep-20
Dimensional Fund Advisors LP	2.7	1.83	30-Sep-20
<b>Top 10 Identified Shareholders</b>	<b>122.6</b>	<b>83.05</b>	

Source: Bloomberg

## Risks

### Economic Uncertainty

Michaels sells arts and crafts supplies, discretionary items that mainly target the do-it-yourself home decorator. These products are highly susceptible to economic downturns and the decreases in discretionary income experienced by consumers during these periods. Economic conditions themselves are uncertain and difficult to predict, making it difficult to accurately forecast yearly revenue growth for Michaels.

### Significant Debt

Michaels currently holds a total of \$2.48B of outstanding debt under senior notes and credit facilities maturing in 2027. A large sum of \$\$ in senior notes and credit facilities mature in 2027. The company faces a high default risk if it is unable to satisfy its debt obligations. This poses additional risks, including an increase in vulnerability to general economic conditions and exposure to interest rate risks. Michaels will also face limitations to its company operations and strategy, including limitations on potential strategic acquisitions, potential to obtain additional financing, and usage of cash flow for strategic initiatives.

### Matching Customer Demand

Customer demands and preferences for certain products used in creative activities fluctuate greatly over time, mainly influenced by seasonal changes and major public holidays. Michaels' success will depend on its ability to anticipate these changing demands and ensure its inventory stock effectively reflects its anticipations in a timely manner. If there are misjudgements, the company will be forced to take on significant inventory markdowns or experience inventory shortages and face the opportunity cost of lost sales.

### Specialty Retail and E-Commerce Competition

Competition from e-commerce competitors could result in increasing pressure to reduce prices, reducing Michaels' market share in the process. Michaels competes with other specialty retailers, including Hobby Lobby Stores, Inc. and Jo-Ann Stores Inc., along with other smaller-scaled retailers. It also competes with e-commerce retailers such as Amazon.com, Inc., and other platforms allowing customers to readily search and compare prices of various products.

### Appendix 1: Model Summary

---

Summary Page															
	Feb-16	Feb-17	Feb-18	Feb-19	Feb-20	May-20	Aug-20	Nov-20	Feb-21	Feb-21	Feb-22	Feb-23	Feb-24	Feb-25	Feb-26
(Figures in mm USD)	FY2015	FY2016	FY2017	FY2018	FY2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Income Statement</b>															
Revenue	4,912.8	5,197.3	5,362.0	5,271.9	5,072.0	799.9	1,148.2	1,406.2	1,546.2	4,900.5	5,383.0	5,548.8	5,684.1	5,826.6	5,972.2
EBITDA	720.6	715.3	735.4	563.6	515.0	(60.7)	53.3	199.0	184.0	375.5	694.4	715.8	733.2	751.6	770.4
Net Income	362.9	378.2	390.5	319.5	272.6	(63.5)	(7.8)	111.1	118.7	158.6	349.4	369.5	381.8	394.8	408.0
Earnings Per Share	\$ 1.73	\$ 1.83	\$ 2.10	\$ 1.86	\$ 1.78	\$ (0.43)	\$ (0.05)	\$ 0.74	\$ 0.79	\$ 1.07	\$ 2.32	\$ 2.46	\$ 2.54	\$ 2.63	\$ 2.72
<b>Cash Flow Statement</b>															
Capital Expenditures	(123.9)	(114.5)	(127.8)	(145.4)	(120.5)	(21.9)	(24.6)	(33.1)	(28.8)	(108.3)	(102.9)	(120.0)	(122.0)	(124.1)	(126.2)
Acquisitions	-	(151.1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Divestitures	(5.0)	(1.3)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Payment	(0.5)	(0.4)	(0.4)	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Per Share	\$ -	\$ 0.00	\$ 0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dividend Payout to Earnings	0.1%	0.1%	0.1%	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Payout to Core FCF	0.1%	0.1%	0.1%	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Yield	-	0.0%	0.0%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance Sheet</b>															
Current Assets	1,507.7	1,542.8	1,677.0	1,515.5	1,599.8	2,112.4	1,764.6	2,116.4	2,252.3	2,252.3	2,862.2	3,274.5	3,689.9	4,120.3	4,564.8
Non-Current Assets	523.6	604.8	623.2	612.8	2,238.3	2,195.2	2,158.8	2,146.9	2,145.8	2,145.8	2,131.3	2,138.1	2,145.0	2,151.9	2,159.1
Assets	2,031.3	2,147.6	2,300.2	2,128.3	3,838.1	4,307.6	3,923.3	4,263.3	4,398.0	4,398.0	4,993.5	5,412.6	5,834.9	6,272.3	6,723.8
Current Liabilities	912.9	1,024.2	957.9	932.6	1,196.4	1,764.5	1,379.2	1,734.5	1,750.5	1,750.5	1,996.6	2,046.2	2,086.6	2,129.3	2,172.8
Non-Current Liabilities	2,842.5	2,821.8	2,851.8	2,822.0	4,088.2	4,058.5	4,054.0	3,918.8	3,918.8	3,918.8	3,918.8	3,918.8	3,918.8	3,918.8	3,918.8
Liabilities	3,755.4	3,846.1	3,809.7	3,754.5	5,284.6	5,823.0	5,433.2	5,653.3	5,669.2	5,669.2	5,915.3	5,964.9	6,005.4	6,048.0	6,091.5
Shareholders' Equity	(1,724.1)	(1,698.4)	(1,509.5)	(1,626.2)	(1,446.5)	(1,515.4)	(1,509.9)	(1,389.9)	(1,271.2)	(1,271.2)	(921.8)	(552.3)	(170.5)	224.3	632.3
Cash	409.4	298.8	425.9	245.9	410.0	926.8	651.1	852.0	776.8	776.8	1,092.1	1,449.9	1,820.8	2,204.4	2,601.0
Debt	2,769.8	2,754.3	2,726.7	2,705.9	2,669.4	3,264.0	2,658.5	2,500.4	2,500.4	2,500.4	2,500.4	2,500.4	2,500.4	2,500.4	2,500.4
Net Debt	2,360.5	2,455.5	2,300.8	2,460.0	2,259.4	2,337.1	2,007.4	1,648.4	1,723.6	1,723.6	1,408.3	1,050.5	679.6	296.0	(100.6)
Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	3.3 x	3.4 x	3.1 x	4.4 x	4.4 x	n/a	37.7 x	8.3 x	9.4 x	4.6 x	2.0 x	1.5 x	0.9 x	0.4 x	n/a
<b>Operating Metrics</b>															
Return on Equity (ROE)	-21.0%	-22.3%	-25.9%	-19.6%	-18.8%	-	-	-	-	-12.5%	-37.9%	-66.9%	-223.9%	176.0%	64.5%
Return on Assets (ROA)	17.9%	17.6%	17.0%	15.0%	7.1%	-	-	-	-	3.6%	7.0%	6.8%	6.5%	6.3%	6.1%
Return on Invested Capital (ROIC)	57.0%	50.0%	49.4%	38.3%	33.5%	-	-	-	-	35.1%	71.8%	74.2%	75.0%	75.9%	76.7%
<b>Valuation Metrics</b>															
Stock Price (High)	\$ 30.00	\$ 31.37	\$ 31.37	\$ 31.37	\$ 31.37	\$ 4.29	\$ 7.21	\$ 10.49	\$ 15.59	\$ 15.59	\$ 15.59	\$ 15.59	\$ 15.59	\$ 15.59	\$ 15.59
Stock Price (Low)	\$ 14.51	\$ 14.51	\$ 14.51	\$ 12.48	\$ 5.00	\$ 1.63	\$ 3.14	\$ 7.66	\$ 15.59	\$ 1.63	\$ 15.59	\$ 15.59	\$ 15.59	\$ 15.59	\$ 15.59
Stock Price (Average)	\$ 22.26	\$ 22.94	\$ 22.94	\$ 21.93	\$ 18.19	\$ 2.96	\$ 5.18	\$ 9.08	\$ 15.59	\$ 8.61	\$ 15.59	\$ 15.59	\$ 15.59	\$ 15.59	\$ 15.59
Diluted Shares Outstanding (Average)	209.3	206.4	185.6	171.4	153.2	146.9	147.3	150.3	150.3	148.7	150.3	150.3	150.3	150.3	150.3
Market Capitalization (Average)	4,659.0	4,733.8	4,256.9	3,757.5	2,786.0	434.7	762.3	1,363.9	2,343.1	1,280.2	2,343.1	2,343.1	2,343.1	2,343.1	2,343.1
Enterprise Value (Average)	7,019.4	7,189.3	6,557.7	6,217.5	5,045.4	2,771.8	2,769.7	3,012.3	4,066.7	3,003.8	3,751.3	3,393.5	3,022.6	2,639.1	2,242.5
P/E	12.8 x	12.5 x	10.9 x	11.8 x	10.2 x	-	-	-	-	8.1 x	6.7 x	6.3 x	6.1 x	5.9 x	5.7 x
EV/EBITDA	9.7 x	10.1 x	8.9 x	11.0 x	9.8 x	-	-	-	-	8.0 x	5.4 x	4.7 x	4.1 x	3.5 x	2.9 x
FCF Yield to Market Capitalization	8.3%	9.4%	8.8%	4.7%	-0.5%	-	-	-	-	27.0%	14.6%	16.2%	16.7%	17.1%	17.6%
FCF Yield to Enterprise Value	5.5%	6.2%	5.7%	2.8%	-0.3%	-	-	-	-	11.5%	9.1%	11.2%	12.9%	15.2%	18.4%
<b>Free Cash Flow</b>															
EBIT	720.6	715.3	735.4	563.6	515.0	(60.7)	53.3	199.0	184.0	375.5	577.1	602.6	618.1	634.6	651.4
Tax Expense	(209.2)	(203.6)	(215.2)	(97.5)	(85.8)	32.4	(22.9)	(28.3)	(64.4)	(131.4)	(202.0)	(210.9)	(216.3)	(222.1)	(228.0)
D&A	-	-	-	-	-	-	-	-	29.9	125.3	117.3	113.2	115.1	117.1	119.1
Capital Expenditures	(123.9)	(114.5)	(127.8)	(145.4)	(120.5)	(21.9)	(24.6)	(33.1)	(28.8)	(108.3)	(102.9)	(120.0)	(122.0)	(124.1)	(126.2)
Changes in NWC	0.4	45.7	(19.0)	(145.3)	(322.3)	(112.6)	242.4	149.3	(195.1)	83.9	(48.5)	(4.9)	(4.0)	(4.2)	(4.3)
Unlevered Free Cash Flow	387.9	443.0	373.3	175.4	(13.5)	(162.8)	248.1	286.9	(74.3)	345.0	341.0	380.0	390.9	401.2	411.9
<b>Valuation Summary</b>															
Current Price	\$ 15.59														
Target Price	\$ 20.62														
Total Return	32.3%														
Recommendation	BUY														
<b>DCF Valuation</b>															
Perpetuity Growth Implied Price	\$ 17.52														
Exit Multiple Implied Price	\$ 23.02														
<b>Comps Valuation</b>															
Comps - EV/EBITDA Implied Price	\$ 28.74														
Comps - P/E Implied Price	\$ 27.39														

## Appendix 2: Discounted Cash Flow Analysis

## Discounted Cash Flow Analysis

	Feb-16	Feb-17	Feb-18	Feb-19	Feb-20	May-20	Aug-20	Nov-20	Feb-21	Feb-21	Feb-22	Feb-23	Feb-24	Feb-25	Feb-26
(Figures in mm USD)	FY2015	FY2016	FY2017	FY2018	FY2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
<b>WACC Calculations</b>															
<b>Cost of Equity</b>															
Risk-free rate	0.5%														
Expected market return	10.5%														
Market Risk Premium	10.0%														
Beta	1.97														
<b>Cost of Equity</b>	<b>20.2%</b>														
<b>Cost of Debt</b>															
Pre-tax cost of debt	1.5%														
Effective tax rate	35.0%														
<b>Cost of Debt</b>	<b>0.98%</b>														
<b>WACC</b>															
Market value of equity	2,301.9														
Market value of debt	2,500.4														
<b>Total Capitalization</b>	<b>4,802.3</b>														
Cost of equity	20.2%														
Cost of debt	1.0%														
<b>WACC</b>	<b>10.2%</b>														
<b>Free Cash Flow</b>															
EBIT	720.6	715.3	735.4	563.6	515.0	(60.7)	53.3	199.0	184.0	375.5	577.1	602.6	618.1	634.6	651.4
Less: Tax expense	(209.2)	(203.6)	(215.2)	(97.5)	(85.8)	32.4	(22.9)	(28.3)	(64.4)	(131.4)	(202.0)	(210.9)	(216.3)	(222.1)	(228.0)
Add: Depreciation and amortization	-	-	-	-	-	-	-	-	29.9	125.3	117.3	113.2	115.1	117.1	119.1
Less: Capital expenditures	(123.9)	(114.5)	(127.8)	(145.4)	(120.5)	(21.9)	(24.6)	(33.1)	(28.8)	(108.3)	(102.9)	(120.0)	(122.0)	(124.1)	(126.2)
Less: Change in net working capital	0.4	45.7	(19.0)	(145.3)	(322.3)	(112.6)	242.4	149.3	(195.1)	83.9	(48.5)	(4.9)	(4.0)	(4.2)	(4.3)
<b>Unlevered Free Cash Flow</b>	<b>387.9</b>	<b>443.0</b>	<b>373.3</b>	<b>175.4</b>	<b>(13.5)</b>	<b>(162.8)</b>	<b>248.1</b>	<b>286.9</b>	<b>(74.3)</b>	<b>345.0</b>	<b>341.0</b>	<b>380.0</b>	<b>390.9</b>	<b>401.2</b>	<b>411.9</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>(72.6)</b>	<b>(72.6)</b>	<b>313.5</b>	<b>305.5</b>	<b>285.2</b>	<b>265.6</b>	<b>247.5</b>

### Discounted Cash Flow Valuations


Perpetuity Growth Method	
<b>Perpetuity Growth Rate</b>	<b>1.5%</b>
PV sum of unlevered FCF	1,344.7
Terminal value	2,890.8
<b>Enterprise Value</b>	<b>4,235.5</b>
Add: Cash	852.0
Less: Debt	2,500.4
Less: Other EV adjustments	-
<b>Equity Value</b>	<b>2,587.1</b>
Shares outstanding	147.7
<b>Implied Share Price</b>	<b>\$ 17.52</b>
Current Price	\$ 15.59
<b>Implied Price</b>	<b>\$ 17.52</b>
<b>Total Return</b>	<b>12.4%</b>

Exit Multiple Method	
<b>Terminal EV/EBITDA Multiple</b>	<b>8.0 x</b>
PV sum of unlevered FCF	1,344.7
Terminal value	3703.061
<b>Enterprise Value</b>	<b>5,047.7</b>
Add: Cash	852.0
Less: Debt	2,500.4
Less: Other EV adjustments	-
<b>Equity Value</b>	<b>3,399.3</b>
Shares outstanding	147.7
<b>Implied Share Price</b>	<b>\$ 23.02</b>
Current Price	\$ 15.59
<b>Implied Price</b>	<b>\$ 23.02</b>
<b>Total Return</b>	<b>47.7%</b>

Perpetuity Growth Rate	WACC				
	11.20%	10.70%	10.20%	9.70%	9.20%
0.50%	\$ 12.69	\$ 13.93	\$ 15.30	\$ 16.82	\$ 18.51
1.00%	\$ 13.50	\$ 14.85	\$ 16.33	\$ 18.00	\$ 19.86
1.50%	\$ 14.40	\$ 15.86	\$ 17.49	\$ 19.31	\$ 21.38
2.00%	\$ 15.40	\$ 16.99	\$ 18.78	\$ 20.81	\$ 23.11
2.50%	\$ 16.51	\$ 18.26	\$ 20.24	\$ 22.50	\$ 25.10

Terminal EV/EBITDA Multiple	WACC				
	11.20%	10.70%	10.20%	9.70%	9.20%
6.0 x	\$ 15.61	\$ 16.17	\$ 16.74	\$ 17.33	\$ 17.93
7.0 x	\$ 18.60	\$ 19.23	\$ 19.88	\$ 20.54	\$ 21.22
8.0 x	\$ 21.59	\$ 22.29	\$ 23.01	\$ 23.75	\$ 24.51
9.0 x	\$ 24.58	\$ 25.35	\$ 26.14	\$ 26.96	\$ 27.79
10.0 x	\$ 27.57	\$ 28.41	\$ 29.28	\$ 30.17	\$ 31.08

### Appendix 3: Comparable Company Analysis

 <b>Comparable Company Analysis</b>										
<i>(Figures in mm USD)</i>										
Company	Ticker	Equity Value	Enterprise Value	EV/EBITDA Multiple			P/E Multiple			
				LTM EV/EBITDA	2021E EV/EBITDA	2022E EV/EBITDA	LTM P/E	2021E P/E	2022E P/E	
Bed Bath and Beyond	(NASDAQ: BBBY)	2,327.4	3,979.4	4.8 x	nmf	7.7 x	n/a	n/a	15.5 x	
Best Buy	(NYSE: BBY)	28,828.8	27,875.8	8.9 x	7.9 x	8.2 x	15.7 x	13.8 x	14.1 x	
At Home Group	(NYSE: HOME)	1,277.2	2,950.3	7.9 x	9.6 x	nmf	10.1 x	8.7 x	12.4 x	
Williams Sonoma	(NYSE: WSM)	8,523.3	9,293.9	9.3 x	8.5 x	8.9 x	15.3 x	12.9 x	14.0 x	
Dick's Sporting Goods	(NYSE:DKS)	6,208.5	8,248.6	7.5 x	8.0 x	8.5 x	13.0 x	11.7 x	12.6 x	
<b>The Michaels Companies Inc</b>	<b>(NASDAQ: MIK)</b>	<b>2,301.9</b>	<b>3,950.3</b>	<b>10.5 x</b>	<b>5.7 x</b>	<b>5.5 x</b>	<b>14.6 x</b>	<b>6.7 x</b>	<b>6.3 x</b>	
<b>Median</b>				<b>7.9 x</b>	<b>8.2 x</b>	<b>8.3 x</b>	<b>14.1 x</b>	<b>12.3 x</b>	<b>13.3 x</b>	
<b>Mean</b>				<b>7.7 x</b>	<b>8.5 x</b>	<b>8.3 x</b>	<b>13.5 x</b>	<b>11.8 x</b>	<b>13.3 x</b>	
<b>High</b>				<b>9.3 x</b>	<b>9.6 x</b>	<b>8.9 x</b>	<b>15.7 x</b>	<b>13.8 x</b>	<b>15.5 x</b>	
<b>Low</b>				<b>4.8 x</b>	<b>7.9 x</b>	<b>7.7 x</b>	<b>10.1 x</b>	<b>8.7 x</b>	<b>12.4 x</b>	
				EV/EBITDA Implied Price			P/E Implied Price			
Median				\$ 8.88	\$ 27.58	\$ 29.26	\$ 15.08	\$ 28.56	\$ 32.73	
<b>Mean</b>				<b>\$ 8.30</b>	<b>\$ 28.74</b>	<b>\$ 29.21</b>	<b>\$ 14.43</b>	<b>\$ 27.39</b>	<b>\$ 32.61</b>	
High				\$ 12.37	\$ 33.99	\$ 32.16	\$ 16.75	\$ 32.18	\$ 38.17	
Low				\$ 0.98	\$ 25.78	\$ 26.17	\$ 10.82	\$ 20.27	\$ 30.42	



## Legal Disclaimer

The content, opinions, estimates, and projections contained in this report are those of WestPeak Research Association (known as “WestPeak” or “WestPeak Research”) and its directors, analysts, and affiliates and are subject to change without notice. The content, opinions, estimates, and projections on this report may not have been updated directly by WestPeak and its directors, analysts, and affiliates and may also have been altered or without your or our knowledge. WestPeak and its directors, analysts, and affiliates, without exception, do not accept any liability for factual, typographical, and grammatical errors, omissions, or content in this report. WestPeak and its directors, analysts, and affiliates do not accept any liability for damages arising from the use of or reliance on any of the content, opinions, estimates, and projections on this report. WestPeak and its directors, analysts, and affiliates endeavor to ensure that the content, opinions, estimates, and projections have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. Information may be available to WestPeak and its directors, analysts, and affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This report is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. WestPeak and its directors, analysts, and affiliates may have a personal long or short position in any of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that WestPeak and its directors, analysts, and affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The reader, by the viewing of and use of the content, opinions, estimates, and projections contained in this report is assumed by WestPeak and its directors, analysts, and affiliates to have fully read, understood, and unconditionally agreed to all the terms and conditions set forth in this legal disclaimer.

Cathie Ji

Analyst

WestPeak Research Association

[contact@westpeakresearch.com](mailto:contact@westpeakresearch.com)