

Skechers U.S.A, Inc. (NYSE: SKX)

Footwear & Accessories

Not Very Sketchy

March 12th, 2021

Skechers U.S.A Inc, headquartered in Manhattan Beach, California, was founded in 1992 and specializes in affordable yet stylish footwear and apparel. Skechers sells its products to wholesale distributors, retailers and directly to consumers in over 170 countries.

Thesis

Skechers is the third largest footwear brand in the United States. The Company's current growth strategy is to expand its store network both domestically and internationally, increase e-commerce presence and continue a customer-driven focus on product innovation. Although in an industry expected to grow at a CAGR of 5.5%, an overreliance on retail sales and the ongoing global pandemic creates uncertainty for Skechers performance going into 2021. Therefore, we are issuing a hold rating on Skechers

Drivers

Skechers currently holds 8% of the market share in the Footwear and Accessories Industry. Its recent international expansion in both India and Mexico through strategic acquisitions, the implementation of new e-commerce growth strategies and continued global success will be central drivers for Skechers' growth.

Valuation

Our target share price is \$37.87 based on the EV/EBITDA exit multiple and the perpetuity growth methods from our DCF as well as the P/E and EV/EBITDA multiples from our comps, all weighted at 25%. With this, we initiate a hold rating.

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Equity Research US

Price Target	US\$ 37.87
Rating	Hold
Share Price (Mar, 12 th Close)	US\$ 39.25
Total Return	-3.5%

Key Statistics

52 Week H/L	\$44.50/17.06
Market Capitalization	\$5.8B
Average Daily Trading Volume	1468M
Net Debt	\$2.01B
Enterprise Value	\$6.29B
Net Debt/EBITDA	1.61x
Diluted Shares Outstanding	155.5M
Free Float	98.09%
Dividend Yield	N/A

WestPeak's Forecast

	2020E	2021E	2022E
Revenue	\$5.6B	\$7.9B	\$8.8B
EBITDA	\$1.3B	\$1.4B	\$2.6B
Net Income	\$1.2B	\$1.3B	\$2.4B
EPS	\$8.16	\$9.33	\$23.83
P/E	49.3x	17.3x	14.0x
EV/EBITDA	20.8x	10.2x	8.6x

1-Year Price Performance



Business Overview/Fundamentals

Company Overview

Skechers markets and designs branded lifestyle footwear for children, women and men, and performance footwear for men and women under the Skechers Performance brand name. They also market and design women's and men's Skechers branded lifestyle apparel -- while also licensing the Skechers brand to others for leather goods, eyewear, accessories, and scrub manufacturers, among many others.

Key Product Lines

Lifestyle Brands

Skechers USA: Skechers USA focuses on several shoe categories such as: Dress Casuals, Modern Comfort, Casuals, and Casual Athletic. Skechers focuses on targeting trend-conscious young men and women.

Skechers Sports: Skechers Sports' footwear collection for men and women includes lightweight sport athletic lifestyle products, classic athletic-inspired styles, sports sandals and booties, and retro and fashion. Key points of difference are comfort features such as Skechers Air-Cooled Memory Foam™ insoles, lightweight designs, flexible outsoles, and soft uppers such as bio-engineered mesh, soft knit fabrics and stretchable woven materials.

Skechers Street: Skechers Street focuses on urban streetwear, targeting bold millennials and young women. Implementing the brand's patented Rise Fit technology and contoured barefoot liners.



Various Products from Skechers Lifestyle Brands Source: Skechers

Bob from Skechers: The brand is known for its colourful, playful assortments. These colourful assortments include vibrant patterns such as heart, smiley faces, and cartoon character shoes, as well as bright solid coloured boots targeted towards children. Profits from select footwear are donated to non-profits, which helps bring positive attention to the brand.

Performance Brands

Skechers Performance: Skechers Performance is focused on technical footwear to maximize performance. Key points of difference are the implementation of ultra-lightweight Resalyte and Hyper Burst midsole compounds focusing on responsive feedback and comfort.



Example of Products Sold Underneath Skechers' Performance Brands Source: Skechers

Skechers Kids

The Skechers Kids line has a wide variety of athletic sneakers, comfort footwear, sandals, basketball shoes and more targeted towards a wide range of infants, toddlers, boys' and girls. Skechers Kids focus on "takedown" designs to allow younger consumers to wear the same designs as adults.



Example of Products Sold Underneath Skechers' Kids Source: Skechers

Skechers Work

Designed for men and women, Skechers Work offers a complete line of men's and women's casuals. This includes the likes of field boots, athletic shoes, and hikers, many of which may also include Skechers Memory Foam™. The Skechers Work line also focuses on durable footwear targeted towards men and women working in jobs with certain safety requirements.



Skechers' Work Line featuring Memory Foam™ ideal for working environments Source: Skechers

Segments

Domestic Wholesale Sales

Skechers distributes its footwear through various wholesale channels. These channels include specialty stores, department stores, athletic specialty shoe stores, internet retailers and independent retailers. The largest distribution channels for Skechers are department and retail stores. Account executives and territory managers are compensated based on commission. Vice presidents and national sales managers are compensated by salaries.



Skechers Domestic Wholesale Store Based in Phoenix Arizona Source: Skechers

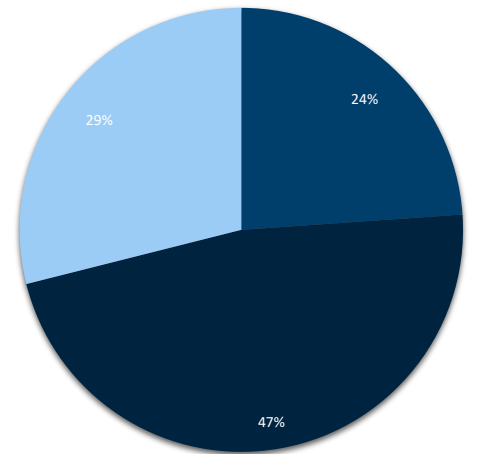
International Wholesale Sales

Products are sold in over 175 countries. There are three main areas of revenue generation outside of the United States: Direct sales to department and specialty retail stores, sales through foreign distributors and royalties from licencing and manufacturing.

Direct-Consumer Sales

Direct to consumers sales take place through ecommerce, concept stores, factory outlets and warehouse outlet stores. E-commerce sales come from the Company's virtual storefronts. Concepts stores serve to showcase only select popular items, typically located in major tourist, metropolitan, or shopping areas. As of the latest 10-K, Skechers owns and operates 107 concept stores, 171 factory outlet stores and 219 warehouse outlet stores in the United States, 199 concept stores, 93 factory outlet stores, and 10 warehouse outlet stores internationally. They currently plan to open 120 to 135 new stores in 2021.

Revenue By Segments



■ Domestic Wholesale Sales ■ International Wholesale Sales ■ Direct-Consumer Sales
Source: Company Filings

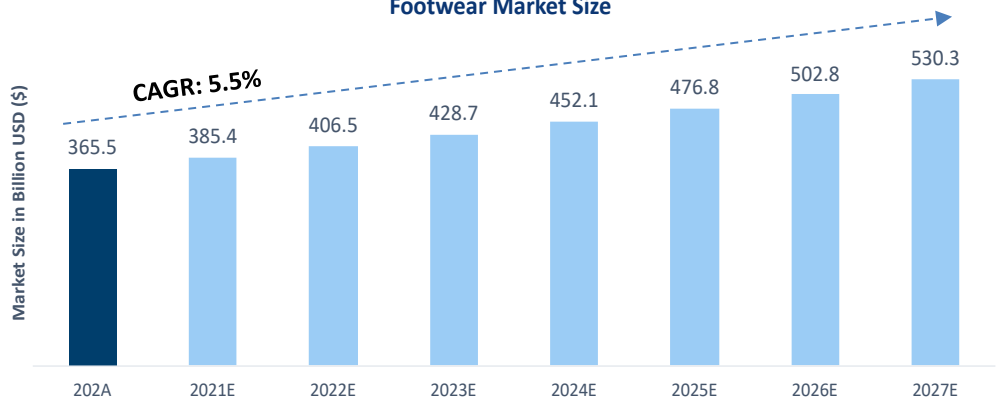
Industry Analysis

Skechers operates under the Footwear and Accessories (F&A) market, a vastly competitive space reliant on identifying changing consumer preferences, technology and market behaviour in order to achieve success.

Global Footwear and Accessories Market

The Footwear and Accessories market is estimated to be worth \$365 billion as of 2020. Revenue is expected to grow at an annual growth rate (CAGR 2021-2025) of 5.5%. Current estimates project the industry to reach \$500 billion by the year 2027. F&A is split into two defining categories: Athletic and Non-Athletic footwear. Currently, Athletic footwear accounts for 15% of total revenue within the industry. The Athletic footwear includes sport, active lifestyle, and athletic footwear. In the past couple of years, individual health and fitness have become an increasing concern among consumers. This, in turn, has created a demand for athletic footwear for all ages. Skechers has been positioning itself with the creation of its performance brand to take advantage of such trends. Non-Athletic footwear includes dress and casual shoes. Skechers covers this market via their Lifestyle Brands and Skechers Work.

Footwear Market Size



Source: Allied Market Research; Statista

Competitive Landscape

The global footwear industry's market share is dominated by household names such as Nike, Adidas, Puma and Reebok. The need for high brand identity and low manufacturing cost to compete on the global front has created high barriers to entry. Skechers has established its brand in 1992 and has consequently created a loyal following ranking second only behind Nike in a brand loyalty report published by Brand Keys. Its established infrastructure overseas in Asia has allowed it to be competitive with pricing and resulted in Skechers to becoming the 3rd largest athletic footwear brand in the United States behind Nike and Adidas.

Company Strategy

Efficiency

Skechers excel at being able to recognize consumer trends in the footwear market and design products that accommodate and anticipate consumer demand. It also can bring these trends to the marketplace faster and more affordably than its competition by having efficient infrastructure, sourcing, and systems in place. By being fast, Skechers can also focus on implementing their unique technologies into their product, such as Safety Toe and Skechers Memory Foam™, ideal for working environments that require safety footwear.

Affordable and High-Quality Footwear

Skechers prioritize their ability to excel in quality control during the manufacturing process by implementing quality control programs designed to ensure finished goods meet required specifications. Dedicating quality control personnel who conduct random inspections on their China and Vietnam distribution and manufacturing centers ensure quality at each stage of production is met. In combination with various co-manufacturing partnerships that allow for economies of scale, Skechers has built a reputation for having high quality, affordable, yet stylish footwear.

Customer Driven Focus on Product Innovation

Skechers focuses on identifying customers' evolving needs while also developing new innovative technology to match. Early this year, consumers increased their focus towards fitness and, as a result, Skechers saw a major increase in demand for sports-wear related apparel items. Skechers was able to capitalize on this momentum by collaborating with The Goodyear Rubber & Tire Company and use Goodyear rubber technology to offer new fitness footwear with increased grip, stability, and durability.

Strong Brand Identity

Skechers has aggressively marketed their brands through comprehensive marketing campaigns for men, women, and children by enlisting numerous celebrities, current and former athletes, as well as influencers to appear in their campaigns. Over the years, this has resulted in a strong global brand recognition that has contributed to their success in the footwear industry.

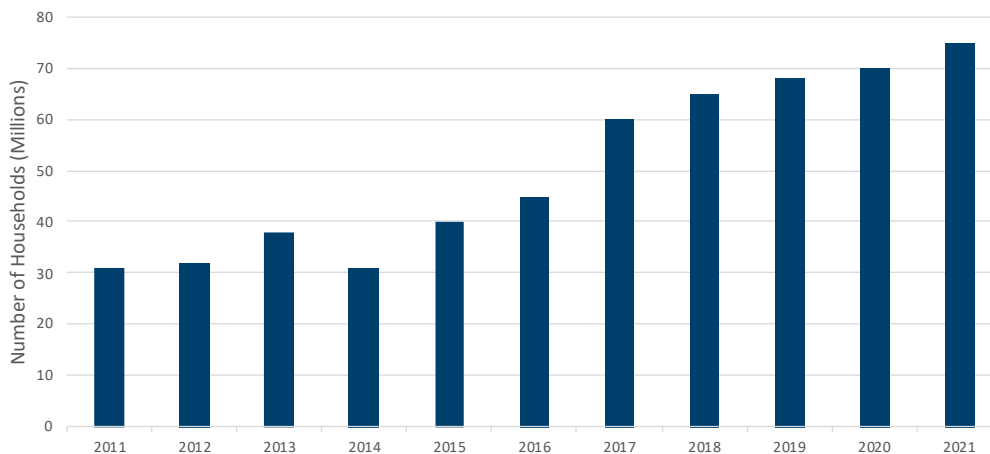
Skechers have prioritized their marketing spend by strategically endorsing/sponsoring athletes and celebrities based on future potential. Their most recent campaign was with artist Camila Cabello in 2018, promoted in Latin America and again used in 2019 after the release of Cabello’s hit song. By betting on future potential, this strategy allows Skechers to sign talent at a quarter of the cost.

Catalysts

International Expansion Through Strategic Acquisitions

In recent years, Skechers has been able to identify rapidly growing market segments and leverage their resources to make strategic acquisitions that aid in their international expansion. This includes India, a country that has a growing middle class the size of the entire United States population. In 2019, Skechers purchased a minority interest in “Skechers India,” an Indian joint venture for \$82.9 million with the focus of expanding their product offering to over 1.3 billion consumers in India. In addition, during the second quarter of 2019, Skechers purchased a 60% Interest in “Skechers Mexico” for a total consideration of \$120.6 million. Through strategic acquisitions Skechers has been able to open 100 exclusive outlets in less than a year. They currently plan to open 400-500 stores in the next five years in both Mexico and India.

Households in India with Disposable Income of \$10,000



Source: Statista; India.gov

E-Commerce Growth

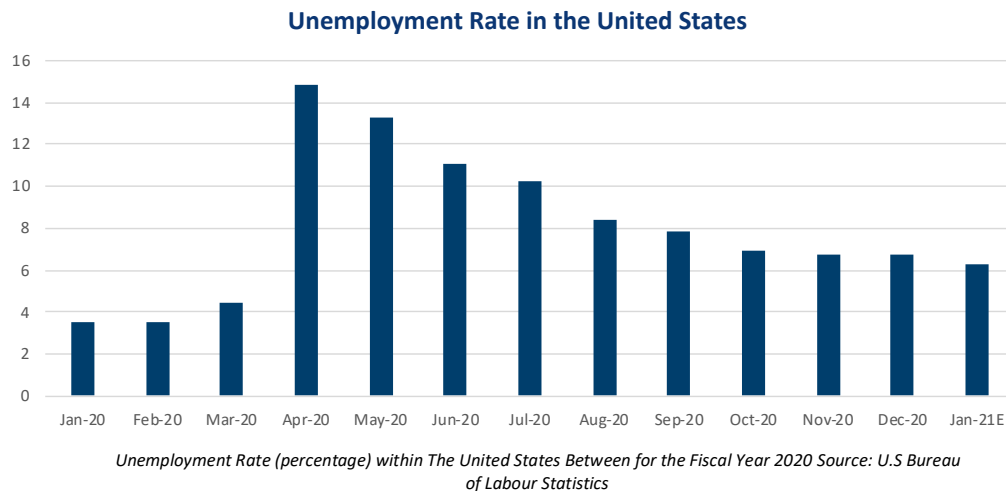
The pandemic introduced an unprecedented problem to Skechers. With retail and wholesale accounting for just over 80% of revenue, the brand was forced to implement new omnichannel strategies, such as a re-launching a beta version of their loyalty program as well as revamping their online platforms to improve user experience and adjust to the altered shopping habits of its customers. In combination with the temporary closure of their retail stores, the third quarter of 2020 has seen Skechers’ domestic e-commerce grow by 172.1%, even as physical stores reopened. Direct-to-consumer gross margins increased by 1.3% to 60.9%, driven by a higher mix of e-commerce sales, which have higher margins.

Increase in Stock Buybacks

On February 6, 2018, Skechers' Board of Directors authorized a Share Repurchase Program with an aggregate budget of \$150 million. While the aggregate repurchase may not exceed \$150 million, the fund can be exercised anytime up until the end of 2021. In 2020, Skechers progressively increased the total number of Class A Common Stock Shares purchased from 14,695 to 28,900. This is an indication that management believes the current market price is undervalued, and it would be reasonable to assume current stock repurchases will continue up until year-end 2021.

Increase in Unemployment

According to the United States Bureau of Labor Statistics, as a result of COVID-19, unemployment has increased dramatically over the past year to a high of 14.8%, and is expected to remain at least 3% higher than the historical average over the upcoming quarters. As a result, almost half of all households' incomes in the US were affected by COVID-19, with 49% of all participants stating their pay was negatively impacted. We speculate this has shifted consumer behaviour to demand more affordable Footwear and Accessories. This assertion is backed up by a recent study published by Allied Market Research stating that affordable pricing and quality designs have become consumers' top concerns when purchasing new footwear. This benefits Skechers as their business model is not only to offer competitively priced products but, unlike other brands that operate at a lower-priced model, at the highest of quality.



Expanding Store Network Both Domestically and Internationally

As of February 5th, 2021, Skechers has reopened nearly all of its worldwide retail stores and continues to focus on expanding its network of stores both international and domestically. Store growth in key international markets have performed better in terms of sales than their domestic counterparts. This can be seen by an increase in store growth in China and France, both of which have grown 23.9% and 18% respectively.

Management Team

Robert Greenberg - Chairman & Chief Executive Officer

Robert Greenberg has been involved in the footwear industry for over 40 years. Greenberg has built Skechers into an approximate \$5.22 billion global brand. He has served as the Chairman of the board and Chief Executive Officer since 1992. In 2020, Greenberg received total cash compensation of \$8,992,076 and total equity compensation of \$3,901,500. Currently, Greenberg owns 0.29% of total shares outstanding.



Michael Greenberg - President & Director

Michael Greenberg has worked in the footwear industry for over 30 years. He has played critical roles from the first Skechers stores lease and the brand's expansion across Asia. Before joining Skechers in 1992, Greenberg worked for LA Gear, a Los Angeles based shoe company and subsidiary of ACI International, for eight years. In 2020, Greenberg received total cash compensation of \$5,952,793 and total equity compensation of \$3,251,250. Michael Greenberg currently owns 0.3% of total shares outstanding.



David Weinberg - Chief Operating Officer

David Weinberg's core responsibilities include planning and directing all aspects of the Company's policies, objectives and initiatives, and developing short and long-term financial and infrastructure strategies to expand Skechers' domestic, international, and e-commerce divisions. Weinberg currently owns 0.33% of total shares outstanding and received \$7,319,689 in total compensation for the fiscal year 2020. Mr. Weinberg has served as Executive Vice President and a member of the Company's Board of Directors since 1988 and Chief Operating Officer since 2006. He also served as Skechers' Chief Financial Officer from 1993 to 2017.



John Vandemore – Chief Financial Officer

John Vandemore is responsible for overseeing the Company's financial affairs. This includes but is not limited to accounting, budget, credit, insurance, tax, and treasury affairs. With more than two decades of business finance experience, Mr. Vandemore has served as EVP and Division CFO of Mattel Inc. and CFO and Treasurer of International Game Technology PLC. John Vandemore currently owns 0.07% of total shares outstanding and received \$2,283,841 in total compensation for the fiscal year 2020.



Shareholder Base, Liquidity, Market Depth

Skechers (NYSE: SKX) has 681 institutional owners 155.5 million shares outstanding. Its largest 9 shareholders are listed in the table below. Insider ownership makes up 1.42% of ownership.

Ownership Breakdown

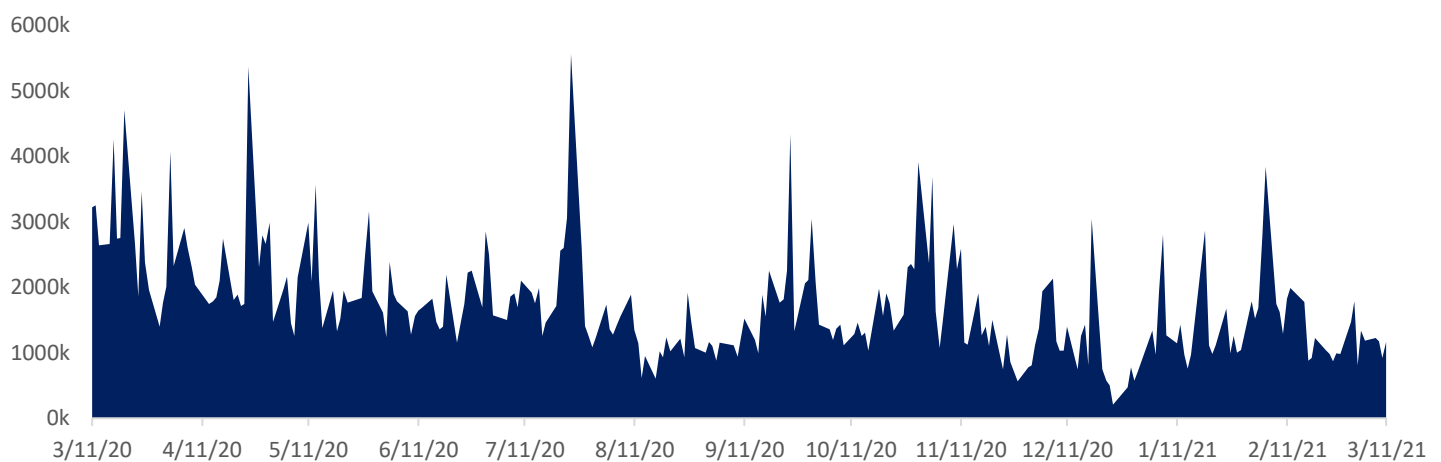
Shareholder	Shares Owned	% Of Shares Outstanding	Insider(Y/N)
FMR LLC	20,337,631	15.0%	N
Blackrock Inc	12,980,896	9.6%	N
Vanguard Group Inc	12,111,871	8.9%	N
ArrowMark Colorado Holdings LLC	8,311,588	6.1%	N
Sun Life Financial Inc	5,665,610	4.2%	N
Marshall Wace	4,889,091	3.6%	N
State Street Corp	4,704,427	3.5%	N
Wellington Management Group LLP	4,065,486	3.0%	N
Southpoint Capital Advisors LP	4,034,000	3.0%	N
Tremblant Capital LP	4,984,728	2.9%	N
Top 10 Shareholders	82,085,328	59.8%	

Source: Yahoo Finance

Liquidity

As of January 11th, 2020, Skechers' year-to-date average daily trading volume was 1,468,736. Skechers has a share turnover ratio of 92.23, which is slightly higher than the industry mean of 78.90. This is an indication of above average liquidity for Skechers stock relative to comparable companies.

1 Year Trading Volume (NYSE: SKX)



Source: Bloomberg

Valuation

Comparable Company Analysis

The companies that have been listed below have a comparable business model. They share similar operating activities, including selling athletic and casual footwear. The majority of end consumer markets are within the United States. However, each company has an international consumer presence.

Adidas AG

Adidas AG is a German multinational corporation, founded and headquartered in Herzogenaurach, Germany, that designs and manufactures shoes, clothing, and accessories. They are the world's second largest footwear brand in the United States before Skechers and after Nike.

Nike

Nike, Inc. is an American multinational corporation that is engaged in the design, development, manufacturing, and worldwide marketing and sales of footwear, apparel, equipment, accessories, and services.

Under Armour, Inc.

Under Armour, Inc. is an American sports equipment Company that manufactures footwear, sports, and casual apparel.

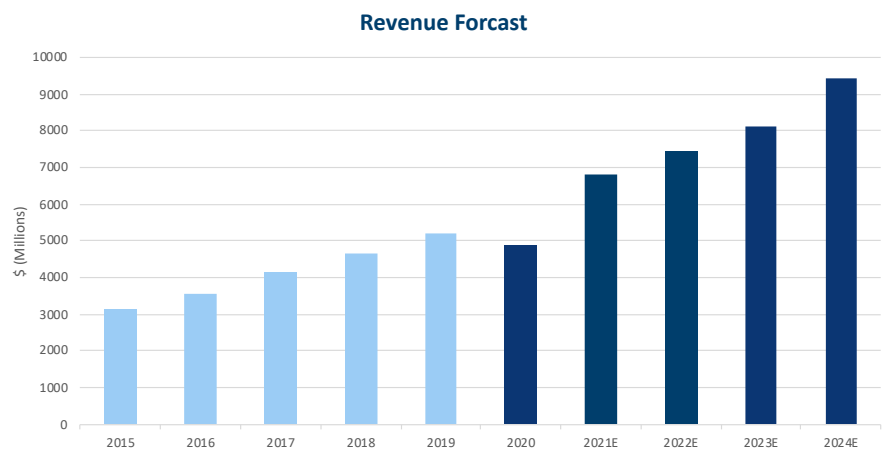
Puma

Puma SE, branded as Puma, is a German multinational corporation that designs and manufactures athletic and casual footwear, apparel and accessories.

Discounted Cash Flow

Revenue

Despite COVID-19, we expect Skechers to increase revenue at an average of 12% over the next two years and taper off as they continue to expand their stores and online presence. Skechers generates the majority of its revenue via domestic and international wholesale. We have driven the upholstery segment's growth through store growth, which includes but is not limited to the total distributor, licenses, and franchisee stores. We expected Skechers to open a net of 180 new stores each year with an average sales per store of \$1.2 million.



Source: Company Filings

Costs

Skechers GOGS have ranged between 52% - 55% of revenue. With the expectation of Skechers expanding to new stores in the upcoming years, they are going to be expanding their product lines and require additional inventory. As such, we have decided to project a slight increase in COGS until their store growth strategy starts to taper off and become more consistent. We have also assumed that SG&A will increase as management has expressed concern regarding COVID-19 related expenses to occur over the next few quarters.

Capital Expenditure

Average Capex as a percentage of beginning PP&E has ranged from 27% - 32%. We believe the Skechers will continue to make acquisitions to improve their international manufacturers' efficiencies. As a result, we have decided to forecast Capex as 30% of beginning PP&E over five years.

Weighted Average Cost of Capital

The Weighted Average Cost of Capital (WACC) was calculated to be 8.6%. The U.S 5-year Treasury Bill used to determine the risk-free rate of 1.2%. As well, a 5-year adjusted beta of 1.3, an expected market return of 9%, an effective tax rate of 17.3% and a pre-tax cost of debt of 1%.

Weighted Price Target

We have chosen to weigh our implied share price based on the EV/EBITDA multiple and the Perpetuity Growth methods from our DCF as well as the P/E and EV/EBITDA multiples from our comps, all weighted at 25%. This results in an implied share price of \$37.87/share.

Recommendation

Skecher has done well to adapt to the pandemic. Its ability to identify consumer trends while introducing new technology will allow it to capitalize on sudden spikes in demand. Skechers is also expanding its store network internationally and domestically through strategic business ventures in key growth markets such as India, Mexico, and China. In addition, Skechers continues to focus on increasing its e-commerce presence by implementing new omnichannel strategies. However, while the Company has reopened nearly all its worldwide retail stores, the COVID-19 pandemic continues to have negative impact on Skecher's operations. Many of the reopened retail stores continue to have temporarily reduced operating hours and lowered foot traffic, which has resulted in fewer sales. While Skechers has seen a 400% spike in e-commerce sales, it still only accounts for less than 20% of total revenue. Its over-reliance on retail sales and the ongoing global pandemic creates uncertainty for Skechers' performance going into 2021. Therefore, we are issuing a **hold** rating on Skechers.

Risks

Over Reliance on Retail

While Skechers has seen strong growth in its e-commerce sales, its overall reliance on retail and wholesale causes for concern; currently, e-commerce accounts for less than 20% of sales. While the Company is focusing on increasing e-commerce sales going into 2021, there is no guarantee that the growth it has seen over the past year is sustainable or is significant enough to offset Skechers' overreliance on retail sales.

Reliant Identifying Trends

Skechers' success relies on their ability to maintain and develop both high-quality and innovative footwear and apparel. Failure to uphold these standards or succeed in predicting future consumer trends can turn one of Skechers' noticeable strengths into a significant risk.

COVID-19 Effect on Retail Stores

With the announcement of the COVID-19 vaccine, there is an assumption that retail stores will gradually start to reopen through the fiscal year 2021. However, this is not guaranteed and there is certainly the inevitable risk that Skechers retail storefronts will remain closed for a longer time than anticipated.

Supplier Concentration

Skechers manufactures 40.6% of its product through its China and Vietnam manufacturing plants for 2019. With most manufacturing taking place in two regions, it poses a significant risk should any political, financial, and unpredicted difficulties permanently disrupt their manufacturing process. Most recently, this can be seen during the year-end of 2020 where operations in China have been significantly affected because of COVID-19.

Exhibit 1: Model Summary

(Figures in mm USD)	FY2015	FY2016	FY2017	FY2018	FY2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Income Statement															
Revenue	3,147.3	3,563.3	4,164.2	4,642.1	5,220.1	1,242.3	729.5	1,300.9	1,300.9	5,015.4	6,729.8	7,631.4	8,533.0	9,434.6	10,336.2
EBITDA	403.3	436.6	465.6	536.7	630.0	84.4	(28.8)	126.1	573.0	754.7	837.8	992.1	1,109.3	1,226.5	1,343.7
Net Income	261.0	285.4	235.1	371.3	427.3	41.2	(55.2)	82.1	513.4	581.5	587.6	722.2	818.2	912.0	1,003.0
Earnings Per Share	\$ 1.50	\$ 1.57	\$ 1.14	\$ 1.92	\$ 2.25	\$ 0.32	\$ (0.44)	\$ 0.41	\$ 3.31	\$ 3.76	\$ 3.79	\$ 4.66	\$ 5.28	\$ 5.88	\$ 6.47
Cash Flow Statement															
Capital Expenditures	(118.1)	(119.5)	(136.0)	(143.0)	(236.1)	(74.9)	(74.8)	(63.6)	(65.3)	(278.5)	(280.9)	(302.0)	(335.6)	(372.9)	(414.4)
Acquisitions	(0.6)	-	(0.2)	-	(100.7)	(43.8)	43.8	-	-	-	-	-	-	-	-
Divestitures	(8.4)	(3.8)	(2.3)	(446.1)	5.5	42.4	(136.4)	93.9	-	-	-	-	-	-	-
Dividend Payment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dividend Per Share	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dividend Payout to Earnings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dividend Payout to Core FCF	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dividend Yield	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Balance Sheet															
Current Assets	1,569.5	1,827.8	2,105.0	2,472.1	2,819.6	3,147.5	2,958.9	3,309.3	3,905.2	3,905.2	4,394.0	5,118.6	5,927.8	6,816.7	7,781.4
Non-Current Assets	476.9	565.9	630.1	756.1	2,073.4	2,164.6	2,271.3	2,325.8	2,351.5	2,351.5	2,462.2	2,574.2	2,698.7	2,837.1	2,990.9
Assets	2,046.4	2,393.7	2,735.1	3,228.3	4,892.9	5,312.1	5,230.1	5,635.1	6,256.7	6,256.7	6,856.1	7,692.8	8,626.5	9,653.8	10,772.3
Current Liabilities	577.0	621.7	597.3	850.2	1,238.2	1,043.0	1,076.8	1,260.4	1,368.6	1,368.6	1,380.5	1,495.0	1,610.4	1,725.8	1,841.2
Non-Current Liabilities	94.7	86.4	189.5	188.8	1,118.6	1,763.6	1,894.1	1,809.8	1,809.8	1,809.8	1,809.8	1,809.8	1,809.8	1,809.8	1,809.8
Liabilities	671.7	708.2	786.9	1,039.0	2,356.8	2,806.6	2,970.9	3,070.3	3,178.5	3,178.5	3,190.3	3,304.9	3,420.3	3,535.7	3,651.1
Shareholders' Equity	1,327.6	1,603.6	1,829.1	2,035.2	2,314.9	2,347.8	2,224.9	2,402.4	2,915.8	2,915.8	3,503.4	4,225.5	5,043.8	5,955.7	6,958.8
Cash	507.0	718.5	736.4	872.2	824.9	1,075.8	1,174.2	1,217.9	1,905.1	1,905.1	1,097.3	2,189.8	2,674.4	3,238.8	3,878.9
Debt															
Net Debt	(507.0)	(718.5)	(736.4)	(872.2)	(824.9)	(1,075.8)	(1,174.2)	(1,217.9)	(1,905.1)	(1,905.1)	(1,097.3)	(2,189.8)	(2,674.4)	(3,238.8)	(3,878.9)
Minority Interests	48.2	81.9	119.1	154.3	221.4	240.7	212.4	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7
Debt/EBITDA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Operating Metrics															
Return on Equity (ROE)															
Return on Assets (ROA)															
Return on Invested Capital (ROIC)															
Valuation Metrics															
Stock Price (High)	\$ 53.43	\$ 34.06	\$ 34.06	\$ 42.45	\$ 44.20	\$ 30.37	\$ 36.99	\$ 39.07	\$ 39.25	\$ 39.25	\$ 39.25	\$ 39.25	\$ 39.25	\$ 39.25	\$ 39.25
Stock Price (Low)	\$ 18.58	\$ 29.96	\$ 24.89	\$ 38.45	\$ 23.19	\$ 21.02	\$ 29.01	\$ 34.57	\$ 39.25	\$ 21.02	\$ 39.25	\$ 39.25	\$ 39.25	\$ 39.25	\$ 39.25
Stock Price (Average)	\$ 36.01	\$ 32.01	\$ 29.48	\$ 40.45	\$ 33.70	\$ 25.70	\$ 33.00	\$ 36.82	\$ 39.25	\$ 30.14	\$ 39.25	\$ 39.25	\$ 39.25	\$ 39.25	\$ 39.25
Diluted Shares Outstanding (Average)	154.2	155.1	156.5	156.5	154.2	154.7	154.1	155.0	155.0	154.7	155.0	155.0	155.0	155.0	155.0
Market Capitalization (Average)	5,552.0	4,964.2	4,613.5	6,328.4	5,194.1	3,973.8	5,086.6	5,706.4	6,083.0	4,661.5	6,083.0	6,083.0	6,083.0	6,083.0	6,083.0
Enterprise Value (Average)	5,093.2	4,327.6	3,996.2	5,610.5	4,590.7	3,138.7	4,124.8	4,727.2	4,416.6	2,995.1	5,224.4	4,131.8	3,647.3	3,082.9	2,442.8
P/E	23.9 x	20.4 x	25.7 x	21.0 x	15.0 x					8.0 x	10.4 x	8.4 x	7.4 x	6.7 x	6.1 x
EV/EBITDA	12.6 x	9.9 x	8.6 x	10.5 x	7.3 x					4.0 x	6.2 x	4.2 x	3.3 x	2.5 x	1.8 x
FCF Yield to Market Capitalization	3.8%	4.9%	3.9%	5.3%	5.9%					8.0%	7.3%	9.1%	10.2%	11.2%	12.2%
FCF Yield to Enterprise Value	4.2%	5.6%	4.5%	5.9%	6.6%					12.4%	8.4%	13.3%	16.9%	22.1%	30.4%
Free Cash Flow															
EBIT	350.8	370.5	382.9	437.8	518.4	44.8	(61.0)	92.1	533.4	609.4	667.6	802.2	898.2	992.0	1,083.0
Tax Expense	(72.5)	(74.1)	(149.2)	(60.6)	(88.8)	(7.4)	4.3	(15.0)	(92.4)	(105.6)	(115.7)	(139.0)	(155.7)	(171.9)	(187.7)
D&A	52.4	66.1	82.8	99.0	111.5	39.6	32.2	34.0	39.6	145.3	170.2	189.9	211.1	234.5	260.7
Capital Expenditures	(118.1)	(119.5)	(136.0)	(143.0)	(236.1)	(74.9)	(74.8)	(63.6)	(65.3)	(278.5)	(280.9)	(302.0)	(335.6)	(372.9)	(414.4)
Changes in NWC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unlevered Free Cash Flow	212.7	243.0	180.5	333.1	305.1	2.1	(99.2)	47.6	415.3	370.6	441.2	551.1	618.1	681.7	741.6
Valuation Summary															
Current Price	\$ 39.25														
Target Price	\$ 37.87														
Total Return	-3.5%														
Recommendation	HOLD														
DCF Valuation															
Perpetuity Growth Implied Price	\$ 43.73														
Exit Multiple Implied Price	\$ 30.33														
Comps Valuation															
Comps - EV/EBITDA Implied Price	\$ 34.01														
Comps - P/E Implied Price	\$ 43.40														

Exhibit 2: Discounted Cash Flow

(Figures in mm USD)	FY2015	FY2016	FY2017	FY2018	FY2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
WACC Calculations															
Cost of Equity															
Risk-free rate	1.2%														
Expected market return	9.0%														
Market Risk Premium	7.8%														
Beta	1.30														
Cost of Equity	11.3%														
Cost of Debt															
Pre-tax cost of debt	1.0%														
Effective tax rate	17.3%														
Cost of Debt	0.8%														
WACC															
Market value of equity	6,083.0														
Market value of debt	2,013.4														
Total Capitalization	8,096.3														
Cost of equity	11.3%														
Cost of debt	0.8%														
WACC	8.7%														
Free Cash Flow															
EBIT	350.8	370.5	382.9	437.8	518.4	44.8	(61.0)	92.1	533.4	609.4	667.6	802.2	898.2	992.0	1,083.0
Less: Tax expense	(72.5)	(74.1)	(149.2)	(60.6)	(88.8)	(7.4)	4.3	(15.0)	(92.4)	(105.6)	(115.7)	(139.0)	(155.7)	(171.9)	(187.7)
Add: Depreciation and amortization	52.4	66.1	82.8	99.0	111.5	39.6	32.2	34.0	39.6	145.3	170.2	189.9	211.1	234.5	260.7
Less: Capital expenditures	(118.1)	(119.5)	(136.0)	(143.0)	(236.1)	(74.9)	(74.8)	(63.6)	(65.3)	(278.5)	(280.9)	(302.0)	(335.6)	(372.9)	(414.4)
Less: Change in net working capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unlevered Free Cash Flow	212.7	243.0	180.5	333.1	305.1	2.1	(99.2)	47.6	415.3	370.6	441.2	551.1	618.1	681.7	741.6
Discount factor									0.25	0.25	1.25	2.25	3.25	4.25	5.25
Present Value of Unlevered Free Cash Flow									406.7	362.9	397.5	456.7	471.2	478.1	478.4
Discounted Cash Flow Valuations															
Perpetuity Growth Method															
Perpetuity Growth Rate	2.0%														
PV sum of unlevered FCF	1,512.4														
Terminal value	7,277.8														
Enterprise Value	8,790.2														
Add: Cash	-														
Less: Debt	2,013.4														
Less: Other EV adjustments	-														
Equity Value	6,776.8														
Shares outstanding	155.0														
Implied Share Price	\$ 43.73														
Current Price	\$ 39.25														
Implied Price	\$ 43.73														
Total Return	11.4%														
Exit Multiple Method															
Terminal EV/EBITDA Multiple	6.0 x														
PV sum of unlevered FCF	1,512.4														
Terminal value	5,201.58														
Enterprise Value	6,714.0														
Add: Cash	-														
Less: Debt	2,013.4														
Less: Other EV adjustments	-														
Equity Value	4,700.6														
Shares outstanding	155.0														
Implied Share Price	\$ 30.33														
Current Price	\$ 39.25														
Implied Price	\$ 30.33														
Total Return	-22.7%														
WACC Sensitivity Analysis															
Perpetuity Growth Rate		WACC													
		9.00%	8.50%	8.00%	7.50%	7.00%									
	1.00%	\$ 35.08	\$ 38.84	\$ 43.13	\$ 48.11	\$ 53.92									
	1.50%	\$ 37.85	\$ 42.06	\$ 46.93	\$ 52.62	\$ 59.35									
	2.00%	\$ 41.00	\$ 45.77	\$ 51.35	\$ 57.95	\$ 65.88									
2.50%	\$ 44.65	\$ 50.11	\$ 56.58	\$ 64.35	\$ 73.86										
3.00%	\$ 48.90	\$ 55.24	\$ 62.85	\$ 72.17	\$ 83.83										
Terminal EV/EBITDA Multiple		WACC													
		9.00%	8.50%	8.00%	7.50%	7.00%									
	8.0 x	\$ 40.77	\$ 42.04	\$ 43.35	\$ 44.69	\$ 46.07									
	9.0 x	\$ 46.29	\$ 47.69	\$ 49.14	\$ 50.62	\$ 52.15									
	10.0 x	\$ 51.80	\$ 53.34	\$ 54.93	\$ 56.56	\$ 58.23									
	11.0 x	\$ 57.32	\$ 58.99	\$ 60.71	\$ 62.49	\$ 64.31									
12.0 x	\$ 62.83	\$ 64.64	\$ 66.50	\$ 68.42	\$ 70.39										

Exhibit 3: Comparable Companies Analysis

(Figures in mm USD)

Company	Ticker	Equity Value	Enterprise Value	EV/EBITDA Multiple			P/E Multiple		
				2020A EV/EBITDA	2021E EV/EBITDA	2022E EV/EBITDA	2020A P/E	2021E P/E	2022E P/E
Adidas AG	(EXTRA: ADS)	69,170.4	73,091.9	32.8 x	17.55	15.44	135.9 x	33.4 x	27.5 x
Nike, Inc	(NYSE: NKE)	231,824.3	232,817.3	34.5 x	28.31	24.58	49.3 x	38.2 x	32.3 x
Under Armour, Inc	(NYSE: UAA)	8,175.5	9,336.9	293.7 x	29.64	22.28	38.3 x	138.3 x	59.9 x
Puma	(EXTRA:PUM)	15,980.3	16,774.7	30.2 x	17.86	14.49	166.9 x	45.5 x	33.6 x
Skechers (SKX)	(NYSE: SKX)	5,870.6	6,483.0	21.0 x	10.3 x	8.7 x	49.8 x	17.5 x	14.2 x
Median					17.9 x	18.9 x		33.4 x	32.3 x
Mean					9.3 x	7.7 x		20.0 x	15.3 x
High					29.6 x	24.6 x		138.3 x	59.9 x
Low					17.5 x	14.5 x		33.4 x	27.5 x
				EV/EBITDA Implied Price			P/E Implied Price		
Median				\$	68.67	\$ 87.17	\$	72.48	\$ 86.24
Mean				\$	34.01	\$ 33.15	\$	43.40	\$ 40.93
High				\$	116.57	\$ 114.78	\$	300.13	\$ 160.02
Low				\$	67.41	\$ 66.05	\$	72.48	\$ 73.31

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