

WESTPEAK RESEARCH ASSOCIATION

Zumiez Inc. (NASDAQ: ZUMZ)

Consumer Discretionary – Specialty Retail

Zumiez, Zuming into the Future

February 14, 2020

Zumiez Inc. (Zumiez) is a specialty retailer focusing on apparel, footwear and accessories in the active skateboard, snowboard and streetstyle culture. It delivers its products through three brands: Zumiez, Blue Tomato, and Fast Times. Zumiez Inc. currently operates 707 stores in United States, Canada, Australia and Europe; most of its stores are located in the United States.

Thesis - Competitive Market and Foreign Expansions

Zumiez operates in the highly competitive apparel and accessories industry, where ecommerce is a constant disrupter. With little growth opportunities in the United States and Canada, the company has relocated its attention to international expansions through its subsidiaries with success. However, with the perpetual threat of strong competitors and a declining industry, we advise investors to be cautious of these negative factors.

Driver - Disposable Income and Omnichannel Retail

With disposable income generally increasing for consumers, companies may see an increase in spending in the apparel and accessories industry. Paired with a shift to ecommerce for convenience and efficiency, this may be favourable for Zumiez as the company further develops its omnichannel retail strategy.

Valuation

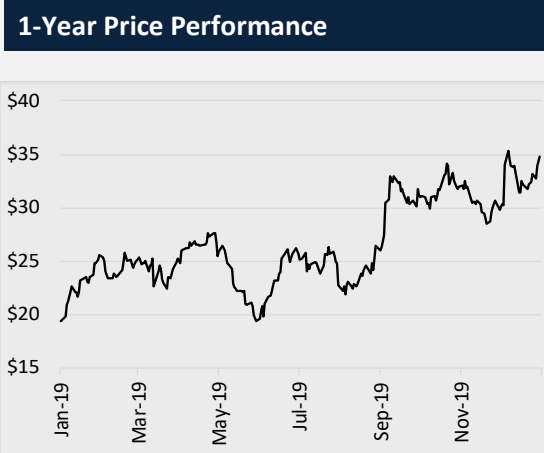
At its current price of \$32.61, we believe the price reflects the stock's fair value. After using a discounted cash flow analysis and a comparable company analysis, weighed at 50% each, we have determined a target price of \$36, which provides a 10.40% upside for Zumiez. With the target price we determined, we initiate a **Hold** rating on Zumiez Inc.

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Equity Research	U.S
Price Target	USD\$ 36.00
Rating	Hold
Share Price (Feb. 14 Close)	USD 32.61
Total Return	10.40%

Key Statistics	
52 Week H/L	\$35.68/\$18.38
Market Capitalization	\$841M
Average Daily Trading Volume	0.55M
Net Debt	\$100M
Enterprise Value	\$1.0B
Net Debt/EBITDA	1.7x
Diluted Shares Outstanding	25M
Free Float	82.5%
Dividend Yield	n/a

WestPeak's Forecast			
	2019E	2020E	2021E
Revenue	\$1.03B	\$1.09B	\$1.13B
EBITDA	\$60M	\$76M	\$79M
Net Income	\$45M	\$56M	\$58M
EPS	\$1.78	\$2.20	\$2.27
P/E	14.8x	15.4x	14.9x
EV/EBITDA	10.7x	10.2x	9.1x

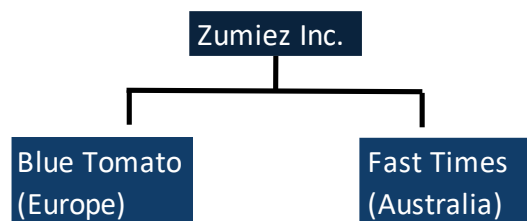


Business Overview/Fundamentals

Zumiez is a specialty retailer that focuses on apparel, footwear, accessories and other goods for young men and women. The retailer is known for its streetwear influence and its focus on action sports, such as skate and snowboard culture. It currently operates in the United States, Canada, Europe and Australia with 83.2%, 5.6%, 10.3%, 0.8% of total fiscal 2018 revenue respectively.

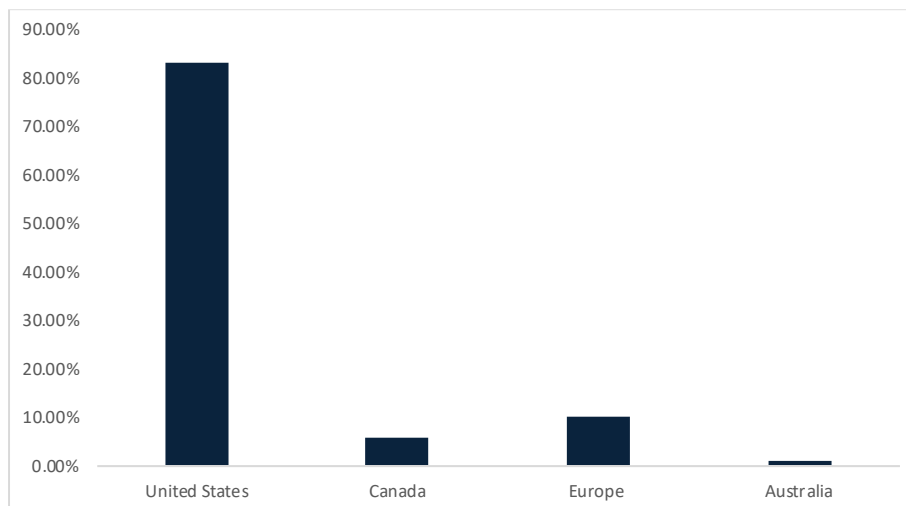
Zumiez Inc. operates under Zumiez, Blue Tomato and Fast Times. Blue Tomato and Fast Times are acquisitions made by Zumiez Inc. during fiscal 2012 and fiscal 2016 respectively, in efforts to expand globally. Blue Tomato is a leading European specialty retailer of apparel, footwear and accessories while Fast Times is an Australian retailer of skateboards, apparel, footwear and related goods. Zumiez Inc. and its wholly owned subsidiaries also operates their respective ecommerce platforms that are integrated into their physical store experience.

Exhibit 1: Zumiez and its wholly owned subsidiaries with locations



Source: Zumiez 10K Forms

Exhibit 2: Revenue breakdown by geographic location



Source: Capital IQ

Product Mix

Zumiez sells a mix of products from external brands and private label brands. While the external brands can be found at other retailers, the private label brands are exclusive to Zumiez and attributed to 13.1% of net sales in fiscal year 2018. Zumiez also prides itself in having a large variety of product selection for its customers and does not rely on any single third-party brand for revenue. Its products are selected to maintain an appealing brand image to consumers with the unique lifestyles that Zumiez embraces, mainly in the skateboard, snowboard and street style fashion. Zumiez thrives to incorporate the lifestyle of streetstyle and action sports into its stores and products and retains consumers through that method.

Company Strategy

Zumiez has specified its growth strategy to be in three main areas: a) Generating more sales from existing channels, b) Enhancing brand awareness through marketing efforts, and c) Opening and/or acquiring new store locations.

Generating Sales from Existing Channels

As omni-channel retailing becomes more popular, companies are no longer focusing on attracting the customer to the store; instead there is a focus of bringing the store to the customers. Omni-channel retailers focus on utilizing multiple distribution channels to increase sales and generate more profit. [In a study of 46,000 shoppers by Harvard Business Review](#), it is shown that omni-channel shoppers is a growing segment of shoppers and they tend to spend more; omni-channel shoppers spent 4% more in stores and 10% more online when compared to shoppers who only used a single channel.

Zumiez has seen positive results from its latest shift to omni-channel retailing through its growing comparable sales relative to Zumiez's previous quarters. When comparing fiscal 2018 to fiscal 2017, Zumiez's net sales increased 5.6%, which is slightly below with the average net sales growth rate of our comparable set at 5.9%. However, Zumiez is continuing its focus on integration of its physical stores and ecommerce platform, ensuring that there is a wide variety of product selection and efficient delivery to customers. We believe Zumiez's focus on adapting to new technology and utilizing omni-channel retailing will allow the company to effectively compete with its competitors and increase net sales.

Enhancing Brand Awareness

In the past, Zumiez has promoted and sponsored marketing events that are catered to the lifestyles of their consumers. By participating in snowboard and skateboard related events, Zumiez can effectively increase brand awareness within consumers that are likely to purchase from Zumiez. Zumiez is also utilizing its loyalty program (STASH) to retain current customers and increase consumer engagement. Deferred revenue from the loyalty program has increased from \$1.6 million in fiscal 2017 to \$2.1 million in fiscal 2018, which could be an indicator that more consumers are purchasing from Zumiez at bigger quantities, therefore accumulating more rewards. With effective marketing, Zumiez can establish itself as a leader in the skateboard and snowboard related retail sector and capture more market share internationally.

Exhibit 3: An example of a Zumiez sponsored event

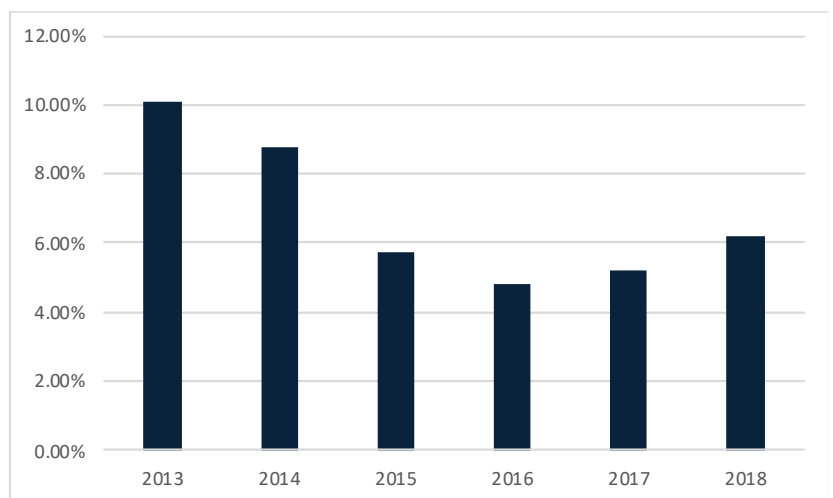


Source: Zumiez.com

Opening and/or Acquiring New Stores

During the past few years, Zumiez has been continuously opening or acquiring new stores in North America and globally in Europe and Australia. In fiscal 2019, Zumiez plans to open 13 new stores and expand in new and existing markets. Management believes that there are growth opportunities in Europe and Australia and will be concentrating on store openings in those locations. Since Zumiez acquired Blue Tomato and Fast Times, and if executed well, Zumiez will be able to capture more of the international market and increase revenue. Zumiez's management has estimated the capital expenditure for fiscal year 2019 to be around \$21 million to \$23 million to support new store openings and renovating existing stores, along with improving its ecommerce platform. Although the capital expenditure can affect profitability for Zumiez overall, we believe these costs can be partially offsetted by the evidence of growing operational margins as the company recovers from its decreased margins from previous acquisitions and deleveraging fixed costs. As seen below, Zumiez's operational margins took a hit from 2013, but has been steadily recovering since 2016.

Exhibit 4: Operating margins trend since 2013



Source: Zumiez 10K Forms

Industry Analysis

Retail - Men and Women's Apparel

The Men's Apparel industry has been on the decline since 2014 at an annual rate of 2.3%. According to IBISWorld reports, the industry is expected to continue its decline at a faster rate, around 3.2% annually for the next 5 years. This decline is largely due to the disruption of ecommerce as more consumers has transitioned to utilizing the internet to fulfill their needs. Although disposable income has been relatively high in the past 5 years, brick and mortar store sales are unable to offset the negative effects of ecommerce competition.

Zumiez's strategy has an emphasis on in-store experience and creating an attractive store culture for its consumers. This may be threatened by ecommerce growth and rapidly shifting consumer preferences. However, as Zumiez continues its effort to integrate its physical stores with online ecommerce, Zumiez may be able to minimize this threat with its omnichannel retail strategy.

Retail - Ecommerce

The ecommerce industry is at the peak of its growth stage and currently has a 2019 annual revenue of \$546.1B in the United States. From 2014 to 2019, the industry experienced a 14.1% annual growth rate and based on projections by IBISWorld industry report, the ecommerce industry is expected to grow at 10% for the next 5 years to reach an annual revenue of \$881.1B by 2024. With the rapid spread of internet, more consumers are relying on ecommerce for time efficiency and convenience, this has contributed to the large disruption in the profitability of brick and mortar stores.

The largest player in the industry is Amazon.com Inc, who currently captures around 21.2% of the total industry. However, the industry is becoming increasingly competitive as barriers to entry are low and face price competition. For Zumiez, the over-saturated market can act as a threat to consumer retention rates, but it also provides an opportunity for growth. With Zumiez's current strategy of unifying its brick and mortar stores with ecommerce, we believe the company is efficiently establishing a physical relationship with its consumers while fulfilling the convenient aspect that consumers seek.

Environmental and Social Awareness

According to McKinsey, younger consumers are [becoming more aware](#) of the social and environmental impact that their apparel are associated with, whether that is fair wages or contribution to global warming. Fast fashion companies, or companies that mass produce clothing at low cost, have come under scrutiny by the public eye. It is estimated that by 2020, 40% of global consumers are Gen Z, or younger consumers, therefore it is critical that companies are able to make the necessary changes in their business to cater towards the values and desires of the newer generation. As older consumers also adapt this shift in values, corporate social responsibility is now a corporate issue that all business need to be aware of.

With Zumiez, this may mean increasing transparency of suppliers and manufacturers to remain attractive to consumers. Zumiez have not addressed this issue publically; this could be an area of concern for younger consumers who may deter from the company due to this issue.

Catalysts

Tarrifs and Trade Policies

As of December 2019, [Phase One of the US-China trade deal is under discussion and signing](#). However, there are still uncertainty regarding the specific details in the implementation. The trade deal included some tariff relief, which could be a fortunate sign for Zumiez as the firm sources most of their products from foreign manufacturers. Tariffs and trade policies, including the US-China trade policies will greatly affect how well Zumiez will be able to price their products competitively. In addition, there may be operational challenges regarding manufacturing and distribution if Zumiez is forced to locate alternative suppliers from other foreign countries.

Future Acquisition and Expansion

As outlined in Zumiez's growth strategy, they wish to expand global operations through store openings and acquisitions. By having physical presence in foreign areas such as Australia and Europe can allow Zumiez to capture more of the global market share and drive sales.

While this could boost revenue and share price, it also depends heavily on Zumiez's ability to adapt to the different cultures associated with different geographic locations. Failure to adapt to different consumer preference will cause Zumiez to lose out of foreign market share and could heavily affect operational efficiency.

Exhibit 4: Zumiez's Store Openings and Closures in Past 5 Years

Fiscal Year	Stores Opened	Stores Acquired	Stores Closed	Total Number of Stores at End
2018	13	0	4	707
2017	19	0	6	698
2016	28	5	6	685
2015	57	0	2	658
2014	56	0	4	603

Source: Zumiez 10K Forms

Management Team

Richard M. Brooks, CEO

Brooks has served as the CEO since 2000 and is also holding a Director position. Previously, he held the role as the CFO of Zumiez Inc. from 1989 to 1992. At owning 11.9% of shares outstanding, Brooks is currently on the largest shareholders of the company, which may be an indicator that his values and interest is aligned with the shareholders.

Brooks received \$2.1 million in compensation for fiscal year 2018, with around \$1.4 million being part of a non-equity incentive plan, which compensates based on growth targets in net sales, product margins and operating profits.

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Christopher C. Work, CFO

Work is the current CFO of Zumiez Inc. and has served in the position since 2012. Prior to his CFO position, he served as Vice President, Controller since 2007. Work comes from an accounting background as he was employed at Ernest & Young LLP from 2002 to 2007 and is a Certified Public Accountant in Washington state. Work owns 0.3% of Zumiez's outstanding shares.

Around 36.6% of Work's compensation in fiscal year 2018 was from the non-equity incentive plan for Zumiez's named executive officers, which is based on performance and growth targets.

Troy R. Brown

Brown has served as the President North America since 2017; he has previously been with Zumiez since 2007, when he held the position of Director of Ecommerce. From 2008 to 2012, he served as Senior Vice President of Ecommerce, until he was promoted to be the Executive Vice President of Ecommerce and Omni-Channel. Prior to his experiences at Zumiez, he also held various executive positions at Expedia, Eddie Bauer, Nautica Inc and ZCMI.

Around 20.8% of Brown's compensation is linked to the non-equity incentive plan, which is based on Brown's performance.

Management Conclusion

With management's extensive experiences with Zumiez and other retailers, we believe that management is knowledgeable and qualified to lead Zumiez to long-term growth and implement its growth strategies. In addition, management's non-equity incentive compensation plan represents a significant portion of their respective compensation, which could be an indicator that management is aligned with shareholders' interest and is committed to meeting growth targets.

Shareholder Base, Liquidity, Market Depth

Shareholder Base

As of December 9th, 2019, there are currently 25,802,906 outstanding shares of common stock. Around 87.2% of the shares are held by institutional investors and 19.43% of shares are owned by insiders. Most of the insider shares are owned the CEO, Richard M. Brooks, which may be an indication of confidence in company performance. Most of the shareholder base is made up of the institutional investors, as 108.23% of the free float is held by these investors.

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Exhibit 5: Top 10 Shareholder Base

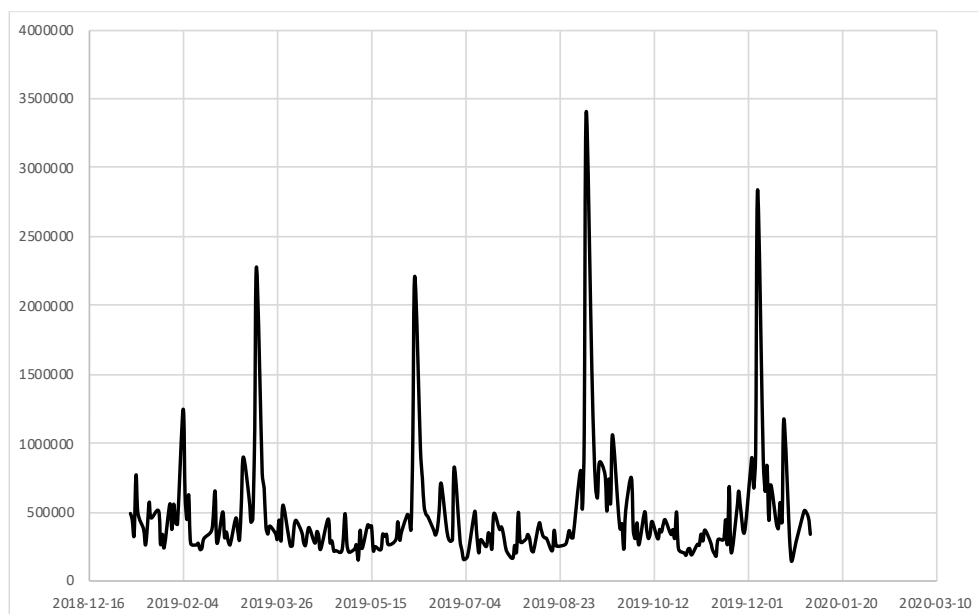
Shareholder (Name)	Shares Owned (Equities)	% of CSO (%)	Market Value (USD mm)	Insider? (Yes/No)
BlackRock, Inc. (NYSE: BLK)	3,232,326	12.527	109.3	No
Brooks Jr., Richard M. (CEO & Director)	2,653,024	10.282	89.8	Yes
The Vanguard Group, Inc.	2,428,248	9.411	82.1	No
Dimensional Fund Advisors LP.	2,159,479	8.369	73.1	No
Campion, Thomas D. (Co-Founder & Chairman)	1,536,747	5.956	52	Yes
Massachusetts Financial Services Company	1,064,773	4.127	36	No
State Street Global Advisors, Inc	647,529	2.51	21.9	No
J.P. Morgan Asset Management, Inc.	572,165	2.217	19.4	No
Thrivent Investment Management, Inc.	538,823	2.088	18.2	No
Maverick Capital, Ltd.	520,932	2.019	17.6	No
Top 10 Shareholders	15,354,046	59.506	519.4	

Source: Capital IQ

Liquidity

The average trading volume from the past year (Dec 26, 2018 to Dec 26, 2019) is 449,655 shares. We believe the liquidity risk for Zumiez is not significant. Earnings releases greatly impact the trading volumes, as shown below.

Exhibit 6: TTM Daily Trading Volume



Source: Yahoo Finance

Valuation

Discounted Cash Flow Assumptions

Revenue: Revenue was projected based on geographic locations, as we believe the growth rates differ largely between segments.

U.S. and Canada Revenue: Zumiez's long-term presence in the United States along with its saturated market led us to believe that revenue growth will gradually slow down until it is slightly above the level of inflation after fiscal year 2021.

Europe Revenue: Operating under Blue Tomato, Zumiez has shifted its focus to Europe and Australian growth by opening new stores and capturing more of the market. Therefore, we predict that Zumiez will see significant European revenue growth that will slow down to near inflation level at around 2024.

Australia Revenue: In Australia, Zumiez operates under Fast Times, which it acquired in fiscal year 2016. We believe Zumiez has tremendous growth opportunities in the Australian market since there is a less saturated market. Therefore, we predict Australian revenue growth to be the highest out of all other segments and gradually decrease into the future.

COGS and SG&A: With COGS and SG&A as percentages of revenue, we are predicting that COGS will remain constant at 66% and 27%, respectively. These numbers are based on historical averages and we do not expect any significant changes in these costs in the future.

CAPEX: We estimated quarterly capital expenditure at 18% of beginning P&G for the remaining quarter of the fiscal year 2019 and entirety of 2020. This is slightly higher than the 2018 annual CAPEX as management has mentioned plans of remodeling and opening new stores, in which more CAPEX will be needed.

Depreciation and Amortization: A straight-line depreciation method was used in our model, with an estimated useful life of 4.7 years. This is calculated as the average useful life from the three latest quarters and we assume that this rate remains constant for forecasting purposes.

Effective Tax Rate: The effective tax rate is the company's statutory tax rate at 30%.

WACC: The weighted average cost of capital and calculated to be 8.4%. This is calculated using a risk-free rate of 1.47%, based on the yield-to-maturity of the 5-year United States treasury bill, a beta of 1.07 as listed on Bloomberg, and an expected market return of 8%. We also used a pre-tax cost of debt at 4.6% with an effective tax rate of 30%.

Terminal Multiple: Beyond our 5-year projections, we used a terminal EV/EBITDA of 10.9x. This is slightly higher than the 2018 actual EV/EBITDA and is aligned with the average multiple based on the comparable companies.

Comparable Company Analysis Set

For our comparable company analysis, we have chosen other publically traded companies that are similar in market capitalization and similar in business operations as Zumiez Inc. Most of these companies are retailers of apparel, footwear and accessories, and operate internationally, like Zumiez.

Children's Place Inc (NASDAQ: PLCE)

Children's Place is a specialty retailer of children's apparel and accessories. They operate under the following brand names: Children's Place, Place and Baby Place.

Urban Outfitters Inc (NASDAQ: URBN)

Urban Outfitters is a lifestyle retailer of trendy apparel, accessories and other lifestyle/home goods. They operate internationally and is known for their abilities to keep up with fashion trends.

American Eagle Outfitters (NYSE: AEO)

American Eagle is a lifestyle retailer of apparel and accessories for men and women. They operate under the names American Eagle and Aerie.

Boot Barn Holdings (NYSE: BOOT)

Boot Barn is a specialty retailer that focus on apparel, shoes and accessories with a focus on Western and work-related style.

Abercrombie & Fitch (NYSE: ANF)

Abercrombie & Fitch is a lifestyle retailer for men, women and kids. Their products include apparel and accessories with a focus on casual style. It operates under the following names: Abercrombie & Fitch, Hollister and Abercrombie Kids.

Guess? Inc (NYSE: GES)

Guess? is a lifestyle retailer of apparel, footwear and accessories for women, men and kids. Guess? Distributes its products directly to consumers and through wholesalers.

Genesco Inc. (NYSE: GCO)

Genesco Inc. is a specialty retailer of footwear apparel and accessories. They currently operate under four brands: Journeys Group, Schuh Group, Johnston & Murphy Group, and Licensed Brands.

Recommendation

We believe that Zumiez's efforts to diversify and enter new markets has put the company in a good financial position, although future economic conditions remain a significant concern for the future. Zumiez's latest growth strategy has proven to provide improvements in terms of profitability, and we expect the market expansion into Australia and Europe will continue to grow revenue and net income. Based on our discounted cash flow analysis and comparable company analysis, we believe the company is valued fairly and we initiate a **Hold** rating on Zumiez Inc. If Zumiez is successful in capturing a significant amount of market share in Australia and Europe, then we would expect to see the valuation for Zumiez to increase accordingly.

Risks

Macroeconomic Risks

With the uncertainty and potential downturn of the global economy, it may negatively affect the overall spending in the consumer discretionary goods sector, which will decrease sales for Zumiez. In addition, with most of Zumiez's products being produced outside of the United States, Zumiez is susceptible to foreign policies and trade policies. The CEO, Richard Brooks has estimated just over 40% of Zumiez's products is manufactured in China, which can be impacted by the following phases of the United States and China trade deal. If there are any unideal trade agreements for the United States, inventory purchase cost may be increased and consequently, increases in supply costs will affect Zumiez's pricing strategy and ability to maintain a consumer base.

Allocation of Resources

As part of their growth strategy, Zumiez remains to focus attention on opening new stores in existing and new markets. Europe and Australia are seen as huge growth opportunities and most efforts will be concentrated there. However, this could create issues regarding allocating resources efficiently to all of its existing and developing stores. Neglecting its existing store could lead to losing market share in existing markets such as the United States. Most of Zumiez's sales are generated from the United States, around 84% from the last quarter, therefore, a decrease in American sales could have a large effect on the profitability of the overall company. In addition, Zumiez is relying on its strong United States stores to create profit and support its developing foreign stores, therefore maintaining adequate resource distribution is crucial for the growth strategy.

Increasing Pressure from Competitors

The apparel, footwear and accessories retailers are a saturated market with plenty of competitors. One risk that Zumiez's faces is the pressure to keep up with trends and consumer preferences. Consumer preferences often change rapidly and drastically, therefore Zumiez will need to have adequate supply chain management to fulfill the desires of the consumers. If failed to do so, Zumiez will lose consumers' trust and credibility, which will severely affect sales and net income in the future. With pressure from competitors, this forces Zumiez to keep its prices as low as possible, which decreases its margins. In the case, brand loyalty will be crucial for Zumiez to maintain consumers, as mentioned earlier.

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Appendix 1: Model Summary

	Feb-15	Feb-16	Feb-17	Feb-18	Feb-19	May-19	Aug-19	Nov-19	Feb-20	Feb-20	Feb-21	Feb-22	Feb-23	Feb-24	Feb-25
(Figures in mm USD)	FY2014	FY2015	FY2016	FY2017	FY2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Income Statement															
Revenue	811.6	804.2	836.3	927.4	978.6	212.9	228.4	264.0	323.8	1,029.2	1,087.0	1,129.2	1,167.2	1,201.5	1,227.3
EBITDA	71.6	46.2	39.7	48.8	61.1	1.0	11.7	24.3	22.7	59.6	76.1	79.0	81.7	84.1	85.9
Net Income	43.2	28.8	25.9	26.8	45.2	0.8	9.0	19.2	16.3	45.3	56.1	57.9	59.9	59.6	63.1
Earnings Per Share	\$ 1.47	\$ 1.04	\$ 1.04	\$ 1.08	\$ 1.79	\$ 0.03	\$ 0.36	\$ 0.75	\$ 0.64	\$ 1.78	\$ 2.20	\$ 2.27	\$ 2.34	\$ 2.33	\$ 2.47
Cash Flow Statement															
Capital Expenditures	(35.8)	(34.8)	(20.4)	(24.1)	(21.0)	(3.3)	(5.0)	(5.6)	(5.2)	(19.1)	(20.3)	(16.6)	(15.5)	(14.6)	(13.6)
Acquisitions	-	-	(5.4)	-	-	-	-	-	-	-	-	-	-	-	-
Divestitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Per Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dividend Payout to Earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Payout to Core FCF	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Yield	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance Sheet															
Current Assets	279.8	198.9	211.4	279.2	327.2	328.6	373.1	389.6	421.6	421.6	487.5	532.5	602.1	670.7	741.7
Non-Current Assets	213.9	215.8	215.3	220.3	207.0	506.1	509.1	505.5	504.5	504.5	500.8	493.9	487.4	481.3	475.6
Assets	493.7	414.7	426.7	499.5	534.2	834.7	882.3	895.0	926.1	926.1	988.3	1,026.4	1,089.5	1,151.9	1,217.2
Current Liabilities	81.4	69.1	73.6	99.2	93.1	144.0	181.1	177.3	192.1	192.1	198.2	178.4	181.5	184.3	186.5
Non-Current Liabilities	52.7	48.6	46.0	44.3	40.6	296.8	296.9	290.9	290.9	290.9	290.9	290.9	290.9	290.9	290.9
Liabilities	134.2	117.7	119.6	143.6	133.7	440.8	478.1	468.2	482.9	482.9	489.0	469.2	472.4	475.2	477.3
Shareholders' Equity	359.5	297.0	307.1	355.9	400.5	394.0	404.2	426.8	443.1	443.1	499.3	557.2	617.1	676.7	739.9
Cash	20.9	43.2	20.2	24.0	52.4	60.6	63.8	31.9	34.5	34.5	86.7	146.4	206.8	270.4	333.5
Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Debt	(20.9)	(43.2)	(20.2)	(24.0)	(52.4)	(60.6)	(63.8)	(31.9)	(34.5)	(34.5)	(86.7)	(146.4)	(206.8)	(270.4)	(333.5)
Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	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)	\$ 41.81	\$ 40.64	\$ 26.55	\$ 24.45	\$ 32.70	\$ 27.74	\$ 20.29	\$ 34.11	\$ 33.83	\$ 34.11	\$ 33.83	\$ 33.83	\$ 33.83	\$ 33.83	\$ 33.83
Stock Price (Low)	\$ 20.68	\$ 11.53	\$ 13.50	\$ 11.43	\$ 17.57	\$ 23.36	\$ 18.67	\$ 28.81	\$ 33.83	\$ 18.67	\$ 33.83	\$ 33.83	\$ 33.83	\$ 33.83	\$ 33.83
Stock Price (Average)	\$ 31.25	\$ 26.09	\$ 20.03	\$ 17.94	\$ 25.14	\$ 25.55	\$ 19.48	\$ 31.46	\$ 33.83	\$ 26.39	\$ 33.83	\$ 33.83	\$ 33.83	\$ 33.83	\$ 33.83
Diluted Shares Outstanding (Average)	29.3	27.7	24.9	24.9	25.2	25.4	25.4	25.6	25.6	25.5	25.6	25.6	25.6	25.6	25.6
Market Capitalization (Average)	915.1	721.9	498.8	446.3	633.7	647.7	494.8	804.1	864.7	672.1	864.7	864.7	864.7	864.7	864.7
Enterprise Value (Average)	894.2	678.7	478.5	422.3	581.3	587.1	431.0	772.2	830.2	637.6	778.0	718.3	657.9	594.3	531.2
P/E	21.2 x	25.1 x	19.3 x	16.7 x	14.0 x					14.8 x	15.4 x	14.9 x	14.4 x	14.5 x	13.7 x
EV/EBITDA	12.5 x	14.7 x	12.0 x	8.7 x	9.5 x					10.7 x	10.2 x	9.1 x	8.1 x	7.1 x	6.2 x
FCF Yield to Market Capitalization	2.0%	1.2%	4.8%	7.0%	5.8%					-4.9%	5.7%	6.6%	6.7%	7.3%	6.9%
FCF Yield to Enterprise Value	2.0%	1.3%	5.0%	7.4%	6.3%					-5.1%	6.3%	8.0%	8.8%	10.6%	11.3%
Free Cash Flow															
EBIT	71.6	46.2	39.7	48.8	61.1	1.0	11.7	24.3	22.7	59.6	76.1	79.0	81.7	84.1	85.9
Tax Expense	(28.5)	(17.1)	(14.3)	(21.6)	(17.1)	(1.2)	(4.0)	(7.3)	(6.8)	(17.9)	(22.8)	(23.7)	(24.5)	(25.2)	(25.8)
D&A	-	30.4	27.9	27.3	27.3	6.3	6.3	6.3	6.1	24.9	24.0	23.5	22.0	20.7	19.4
Capital Expenditures	(35.8)	(34.8)	(20.4)	(24.1)	(21.0)	(3.3)	(5.0)	(5.6)	(5.2)	(19.1)	(20.3)	(16.6)	(15.5)	(14.6)	(13.6)
Changes in NWC	10.9	(16.2)	(8.9)	0.8	(13.6)	(13.7)	(5.7)	(46.2)	(14.7)	(80.4)	(7.6)	(5.1)	(6.1)	(2.1)	(5.8)
Unlevered Free Cash Flow	18.3	8.5	24.0	31.2	36.7	(11.0)	3.2	(28.5)	2.1	(32.8)	49.3	57.1	57.6	62.9	60.1

Appendix 2: DCF Analysis

	Feb-15	Feb-16	Feb-17	Feb-18	Feb-19	May-19	Aug-19	Nov-19	Feb-20	Feb-20	Feb-21	Feb-22	Feb-23	Feb-24	Feb-25
(Figures in mm USD)	FY2014	FY2015	FY2016	FY2017	FY2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
WACC Calculations															
Cost of Equity															
Risk-free rate	1.5%														
Expected market return	8.0%														
Market Risk Premium	6.5%														
Beta	1.07														
Cost of Equity	8.4%														
Cost of Debt															
Pre-tax cost of debt	4.6%														
Effective tax rate	30.0%														
Cost of Debt	3.2%														
WACC															
Market value of equity	864.7														
Market value of debt	347.1														
Total Capitalization	1,211.8														
Cost of equity	8.4%														
Cost of debt	3.2%														
WACC	6.9%														
Free Cash Flow															
EBIT	71.6	46.2	39.7	48.8	61.1	1.0	11.7	24.3	22.7	59.6	76.1	79.0	81.7	84.1	85.9
Less: Tax expense	(28.5)	(17.1)	(14.3)	(21.6)	(17.1)	(1.2)	(4.0)	(7.3)	(6.8)	(17.9)	(22.8)	(23.7)	(24.5)	(25.2)	(25.8)
Add: Depreciation and amortization	-	30.4	27.9	27.3	27.3	6.3	6.3	6.3	6.1	24.9	24.0	23.5	22.0	20.7	19.4
Less: Capital expenditures	(35.8)	(34.8)	(20.4)	(24.1)	(21.0)	(3.3)	(5.0)	(5.6)	(5.2)	(19.1)	(20.3)	(16.6)	(15.5)	(14.6)	(13.6)
Less: Change in net working capital	10.9	(16.2)	(8.9)	0.8	(13.6)	(13.7)	(5.7)	(46.2)	(14.7)	(80.4)	(7.6)	(5.1)	(6.1)	(2.1)	(5.8)
Unlevered Free Cash Flow	18.3	8.5	24.0	31.2	36.7	(11.0)	3.2	(28.5)	2.1	(32.8)	49.3	57.1	57.6	62.9	60.1
Discount factor						-	-	0.25	0.50	0.50	1.50	2.50	3.50	4.50	5.50
Present Value of Unlevered Free Cash Flow						-	-	(28.0)	2.1	(26.0)	46.9	48.3	45.6	46.5	41.6
Discounted Cash Flow Valuations															
Perpetuity Growth Method															
Perpetuity Growth Rate	2.0%														
PV sum of unlevered FCF	203.0														
Terminal value	859.812														
Enterprise Value	1,062.9														
Add: Cash	178.6														
Less: Debt	347.1														
Less: Other EV adjustments	-														
Equity Value	894.356														
Shares outstanding	25.6														
Implied Share Price	\$ 34.99														
Current Price	\$ 33.83														
Implied Price	\$ 34.99														
Total Return	3.4%														
Exit Multiple Method															
Terminal EV/EBITDA Multiple	10.9 x														
PV sum of unlevered FCF	203.0														
Terminal value	794.2														
Enterprise Value	997.3														
Add: Cash	178.6														
Less: Debt	347.1														
Less: Other EV adjustments	-														
Equity Value	828.8														
Shares outstanding	25.6														
Implied Share Price	\$ 32.43														
Current Price	\$ 33.83														
Implied Price	\$ 32.43														
Total Return	-4.2%														
WACC Sensitivity Analysis															
Perpetuity Growth Rate	WACC														
		9.40%	8.90%	8.40%	7.90%	7.40%									
	1.00%	\$ 18.07	\$ 19.76	\$ 21.68	\$ 23.89	\$ 26.44									
	1.50%	\$ 19.17	\$ 21.04	\$ 23.19	\$ 25.67	\$ 28.58									
	2.00%	\$ 20.42	\$ 22.51	\$ 24.93	\$ 27.76	\$ 31.11									
2.50%	\$ 21.85	\$ 24.20	\$ 26.96	\$ 30.23	\$ 34.16										
3.00%	\$ 23.50	\$ 26.19	\$ 29.37	\$ 33.20	\$ 37.91										
Terminal EV/EBITDA Multiple	WACC														
		9.40%	8.90%	8.40%	7.90%	7.40%									
	9.0 x	\$ 23.33	\$ 24.03	\$ 24.75	\$ 25.49	\$ 26.25									
	10.0 x	\$ 25.84	\$ 26.60	\$ 27.39	\$ 28.20	\$ 29.03									
	11.0 x	\$ 28.35	\$ 29.18	\$ 30.03	\$ 30.91	\$ 31.81									
	12.0 x	\$ 30.86	\$ 31.76	\$ 32.68	\$ 33.62	\$ 34.60									
13.0 x	\$ 33.38	\$ 34.33	\$ 35.32	\$ 36.33	\$ 37.38										

Appendix 3: Comparable Company Analysis

(Figures in mm USD)

Company	Ticker	Share Price	Diluted Shares Outstanding	Equity Value	Enterprise Value	EV/EBITDA Multiple			P/E Multiple		
						2018A EV/EBITDA	2019E EV/EBITDA	2020E EV/EBITDA	2018A P/E	2019E P/E	2020E P/E
Children's Place Inc	(NASDAQ: PLCE)	\$ 62.79	15.5	976.1	1,550.2	8.3 x	8.7 x	7.9 x	10.4 x	12.3 x	10.1 x
Urban Outfitters Inc	(NASDAQ: URBN)	\$ 27.69	98.6	2,731.0	3,723.2	7.4 x	9.1 x	8.6 x	10.2 x	12.7 x	11.6 x
American Eagle Outfitters	(NYSE: AEO)	\$ 14.80	168.7	2,496.7	3,882.1	7.6 x	7.9 x	7.7 x	10.1 x	10.1 x	10.1 x
Boot Barn Holdings	(NYSE: BOOT)	\$ 43.06	28.6	1,229.8	1,592.8	19.1 x	15.4 x	13.4 x	31.9 x	24.3 x	20.6 x
Abercrombie & Fitch	(NYSE: ANF)	\$ 17.09	62.8	1,072.4	2,431.3	7.7 x	10.2 x	8.4 x	15.8 x	25.5 x	13.9 x
Guess? Inc	(NYSE: GES)	\$ 21.95	81.6	1,790.9	2,952.1	16.4 x	13.5 x	12.5 x	137.2 x	16.1 x	13.1 x
Genesco Inc	(NYSE: GCO)	\$ 48.47	14.7	712.5	1,546.2	11.2 x	11.3 x	11.0 x	18.4 x	11.3 x	16.9 x
Zumiez	(XCH: TCK)	\$ 33.83	25.6	864.7	1,033.2	11.5 x	10.0 x	9.3 x	18.9 x	13.9 x	13.2 x
Median							10.2 x	8.6 x		12.7 x	13.1 x
Mean							10.9 x	9.9 x		16.1 x	13.8 x
High							15.4 x	13.4 x		25.5 x	20.6 x
Low							7.9 x	7.7 x		10.1 x	10.1 x
						EV/EBITDA Implied Price		P/E Implied Price			
Median						\$ 34.73	\$ 30.82	\$ 30.99	\$ 33.45		
Mean						\$ 37.48	\$ 36.70	\$ 39.19	\$ 35.22		
High						\$ 55.81	\$ 51.93	\$ 62.24	\$ 52.74		
Low						\$ 25.48	\$ 26.97	\$ 24.73	\$ 25.95		