Brooks Case Competition – Spring 2018

Under Armour, Inc.: How the Mighty Have Fallen

I. The Situation

On Tuesday, February 13, 2018, Rachel Adams, a hedge fund manager for Brooks Associates, Inc. was analyzing the fourth quarter earnings announcement by Under Armour (UAA) that was just made before the stock market opening. Adams kept a keen eye on Under Armour ever since the company's stock dropped by more than 23% (from $16.47 to $12.52) at the end of October 2017 when its third quarter earnings was released. It was announced then that North America sales had declined by 12% and management had slashed the company's revenue and profit projections for 2017. Even before this Q3 surprise, Under Armour stock was one of the poorest performing stocks in 2017, losing almost half of its value (-45.1%) while the S&P 500 index had gained 14.1% since the beginning of the year.

Adams suspected that Under Armour's restructuring efforts would take some time. However, with the right mix of new products and a refocusing of its global strategy, Adams believed that Under Armour might be able to replicate what Adidas had achieved since 2015. Adidas' stock rose over 220% from $34.33 on January 1, 2015 to $109.85 on February 12, 2018 while Under Armour's stock fell from $32.74 to $13.81 (-56.4%) during the same period. Much of Adidas' success was due to efforts that focused more on basic items like running, basketball, its everyday sportswear lines, and its strong soccer product line. Adidas also doubled down on improving its European and North American sales by improving product design and relocating some of its manufacturing centers from Asia to Europe/U.S. in order to cut the time it takes for products to go from the design stage to retail outlets.

The fund that Adams managed for Brooks Associates recently had over $50 million in cash, after selling some of its early investments in technology stocks. For example, Brooks Associates had previously invested in a struggling Netflix, which then was transforming from a DVD rental business to a more streaming-oriented one. Consequently, Brooks Associates benefited when subscriber growth returned to Netflix when it became the de facto streaming site. Hence, Adams wondered if Under Armour could similarly recapture some of its earlier growth by improving its lackluster new product launches, reenergizing its brand, and expanding aggressively into the athleisure market, popularized by Lululemon Athletica Inc.

Adams, therefore, realized how important it was for Under Armour to realign its business product lines with changing consumer tastes and reset its branding strategy to reverse its fortune. However, Adams wanted to investigate the financial performance of Under Armour and its competitors before making the final investment decision. In addition, Adams wanted to understand the impact from recent changes in the retail landscape, including the bankruptcies of Under Armour's two major retail outlets: Sports Authority and Sport Chalet. Then, Adams would be able to reasonably estimate Under Armour's intrinsic value and determine whether it is a good idea to invest in the struggling company.

II. Athletic Apparel and Footwear Industry

The athletic apparel and footwear markets are already mature, but growth rates in apparel are slower than growth rates in footwear. Footwear also has higher gross profit margins than apparel. Nike and Adidas have been more successful recently than Under Armour in part because they have a greater percentage of total sales in footwear (v. apparel). Nike has 60% of revenue from footwear and Adidas has 50%, with Under Armour only at 21%. For both athletic apparel and footwear, there are also seasonality effects, with much stronger sales recorded in the second half of the year (as the holiday season approaches) than in the first half.

There has been consolidation in the athletic apparel industry recently, which is a trend that is almost certain to continue. Companies most impacted by this trend are retail sporting goods stores like Dick's, Cabela's, and Hibbett, along with suppliers Nike, Adidas, and Under Armour. Adidas has enjoyed enormous success in the U.S. sports apparel and footwear markets since 2014, though, which has disrupted the industry overall. With Amazon.com now entering the athletic apparel market, where barriers to entry are smaller than for footwear, this only intensifies the competition level in the already tight athletic apparel industry.

It is currently very difficult for athletic apparel stores to increase or even defend their gross profit margin levels. These stores are dominated by variable costs that are tied to very expensive marketing and sponsorship campaigns, for which Nike and Adidas have much greater budgets than Under Armour. Branded athletic apparel companies typically have high P/E ratios, though, due to relatively stable revenue growth rates and high profit margins. Since Under Armour has seen dramatic declines recently in both of these measures, but continues to trade at a high P/E, this has put downward pressure on its stock price and future investor outlook.

As for specific segments of the athletic apparel market, the women's/girl's share is largest at around 60%, with men's/boy's at 33%, and small children/infant at 7%. However, the growth rate is currently higher for men's than for women's. Sales at U.S. sporting-goods stores have been slow recently for outdoor, hiking, and hunting-related products. There has also been a declining trend in athleisure apparel (clothing that is both comfortable and fashionable), which had driven Under Armour growth since 2013. With footwear, especially for running shoes, this trend has gone in the opposite direction; more specifically, there has been a shift from performance-enhancing shoes to those with a more casual, comfortable, and fashionable feel.

The recent retail trend showing the move away from brick-and-mortar stores to online distribution has had an enormous adverse impact on Under Armour's distribution channels. This phenomenon is especially noticeable at large department stores within U.S. malls, which are also losing ground to specialty apparel stores and non-branded general stores. Along with the altered shopping habits of customers, the rate of change in fashion trends has been high, so that retailers must either keep up or risk their core product offerings becoming obsolete.

To pare down bulging inventories, and to compete with lower-cost online retailers, many in the athletic apparel industry have had to utilize deep discounts from full-price levels. This has hurt Under Armour in the U.S., where competitive pricing pressure is particularly strong and Under Armour's brand image is perhaps weakening (so that customers will no longer pay full price). Within the apparel industry, clearance sales for firms that have gone bankrupt have eroded sales figures and profit margins of the survivors even further.

Compared to Nike and Adidas, Under Armour is more vulnerable to these trends. Making matters worse, Under Armour's EV / EBITDA ratio (= 18), as of late 2017, was currently higher than Nike (17) or Adidas (13). This ratio is one method to value a business, where EV = Enterprise valuation and EBITDA = earnings before interest, tax, depreciation, and amortization. The higher the ratio, the more likely a company is overvalued relative to its peers. For Under Armour, this lofty multiple will continue to be under pressure amid the company's ongoing restructuring plans.

III. Behind the Fall of Industry Titan: Under Armour

Since going public in 2005, Under Armour has earned the label of 'growth machine' from financial analysts. Founded by Kevin Plank, in the comforts of his grandmother's basement in 1996, Under Armour has historically promised a lot, talked a big game, and largely delivered on its promises. Based out of Baltimore, Maryland, it has focused on cultivating key relationships with sporting goods stores like Dick's, Cabela's, and the late Sports Authority to sell its athletic apparel merchandise.

Its performance between 2010 and 2015 was exemplary, as the stock price rallied from 3.64 in early 2010 to its peak level of 51.85 in late September 2015. Even more impressively, they had exceeded consensus earnings estimates for 20 quarters straight, and had the well-known accomplishment of having exceeded 20% growth in revenues for 26 consecutive quarters (through late 2016).

Under Armour has mostly been dependent on the North American market for its success, but has recently been increasing its focus abroad. In 2017, about 20% of its sales are international, up from 15% in 2016. This is mostly viewed as a positive, since international revenue growth has been 55% in 2017 compared to less than 6% domestically. Typically, international sales have higher gross profit margins and operating profits than U.S. sales due to less discounting and lower tax rates.

Unfortunately, Under Armour's small successes overseas have not been enough to make up for troubles at home. Competitors Nike (55% of sales are non-U.S.) and Adidas (82%) have been more able to weather downturns in the U.S. market because they have a significant head start and presence abroad versus Under Armour.

Consumer confidence levels were high throughout the world in 2017. While this had surprisingly little effect on athletic apparel sales in the U.S., it did positively impact such revenues in Europe and Asia. In Europe, Italy and Spain have recently enjoyed especially high consumer confidence levels, which has led to revenue growth, although Spain is now trending downward. In Asia, the increased disposable incomes of the middle class in emerging markets like China are a huge growth opportunity for apparel retailers, while Japan remains essential, as it is often the trendsetter in affecting sales within other Asian countries.

Initial Wave of Bad News (Early 2017)

However, by early 2017, Under Armour's stock price had dipped below $30 per share, as they were finally unable to sustain the momentum they had built up over the years. By the end of January 2017, an avalanche of disappointing news led the market to (almost) instantaneously re-evaluate Under Armour and its future prospects for both continued growth and profitability.

The earnings report for 4Q16 came in well below expectations, with earnings only at 23 cents per share, which was the first decrease relative to the previous year in many years. The 20%-growth-in-revenue streak was also in danger, with growth just above the cutoff at 20.3% (down from 22% the previous quarter). Gross margin, at 48% one year earlier, had also fallen below 45%. On January 31 alone, the stock price for Under Armour fell 23% upon this wave of negative news, even worse than the 13% drop observed the previous quarter (when 3Q16 earnings were released). These two one-day drops were the worst for Under Armour in 7 years.

Even prior to January 31, the stock was 40% off its peak, and had fallen 28% in 2016, which was a decent year overall in the market. Short sellers, who benefit from falling prices, now loved Under Armour, which had suddenly become one of the most heavily shorted stocks in the S&P 500. They may have been attracted to Under Armour's lofty P/E ratio of 44, well above competitors Nike (21) and Lululemon Athletica (26), which indicated how overvalued Under Armour's stock had become (even at the early-2017 deflated price points).

Moreover, the downward trends were expected to continue later in 2017 and probably worsen. For example, analysts now expected revenue growth to soon fall to 12% for the remainder of 2017 and all of 2018, about half of what the expected growth rate was prior to this wave of bad news coming out. Operating income was forecasted to fall by $100 million.

Inventories had been amassed at alarming rates, up 20-25% from one year earlier, as the demand for Under Armour products had suddenly fallen short of the supply. DSO (Days of Sales Outstanding) had also been trending up since late 2015, indicating lengthier lags for Under Armour to get paid after realizing sales. The rating agencies took notice as well, with S&P lowering the rating on Under Armour debt securities from BB+ (low-investment-grade) to BBB- (junk status), and Moody's lowering their future credit outlook for Under Armour to negative.

<u>From Bad to Worse (Later in 2017)</u>

Three months later, in late April, when 1Q17 earnings were released, the outlook on Under Armour continued to deteriorate. Now, earnings were negative, at -4 cents per share, and down 50% (when annualized) from what they were forecasted to be one year earlier. The revenue growth rate of 5.6% was even worse than the previous forecast of 12%. On a YTD basis, the stock price had lost one-third of its value amid a strong bull market, and ranked dead last among all 500 stocks in the S&P 500 index based upon return performance; it was down 65-70% from its 2015 peak. Only 22% of financial analysts rated Under Armour as a 'buy,' despite the new bargain-basement price point, which was the lowest observed proportion recommending Under Armour stock since 2010.

Six months later, in late October, Under Armour announced that revenues (based on their 3Q17 earnings report) were no longer growing at all, and would in fact decline for the first time since their IPO in 2005. Future forecasts for revenue growth were also adjusted downward, as the stock lost an additional 24% of its value on October 31, 2017 alone. CEO Kevin Plank admitted in a conference call that Under Armour had been too 'braggish' in the past, and now needed to 'reset' itself, especially with respect to its core North American markets.

By November 1, the stock was down 57% YTD in 2017 to $12.52 (and by November 3 had closed at $11.61) before beginning a cautious but inconsistent upward climb to a level of $13.75 (just before 4Q17 earnings were released earlier this week). Profits were off 58% from 1 year earlier, and 3Q17 sales in the North American region were off 12%. Overall, 2017 will have 0-5% revenue growth and an operating income in the $0-$10 million range. By year's end, $5 billion of market value was lost. Meanwhile, both competitor Nike's stock and the DJIA in general had increased 25% in 2017, with the S&P 500 up nearly 20% for the year.

IV. Under Armour's Turnaround Strategy

Under Armour Founder Kevin Plank reiterated throughout 2017 that refocus was needed. On August 1, an official restructuring plan was unveiled, which included layoffs for 300 Under Armour employees. An estimated $110-$130 million in restructuring charges would be incurred, including up to $70 million in cash for leases and $60 million in inventory and intangible impairments on the accounting statement. In the years ahead, possibly by 2021 when many of Under Armour's debt securities mature, there could even be a breach of debt agreements leading to default.

Many Under Armour critics thought Plank would rather focus on various side businesses rather than face the music at Under Armour. Such side businesses included the opening of a boutique hotel, whiskey distillery, and a multi-million dollar real estate development, all in the Baltimore area. Plank was also derided for openly supporting Donald Trump's Presidency, something that Under Armour celebrity brand reps did not appreciate. Such stars included Stephen Curry of the Golden State Warriors, ballerina Misty Copeland, and rapper A$AP Rocky.

Also during the summer, Plank hired Patrik Frisk to be Under Amour's new President and COO. Frisk would be taking over many of the duties formerly assumed by both Kip Fulks (on leave) and Plank himself. Frisk is rumored to be pondering further leadership changes in the months ahead, even though CEO Plank has not officially stated he is leaving the helm. The following key personnel have either departed Under Armour or are on indefinite leave in 2017:

- Co-Founder, Kip Fulks
- CFO, Chip Molloy
- President of Sports Fashion, Ben Pruess
- Chief Marketing Officer, Andrew Donkin
- Head of Footwear, Peter Ruppe
- Head of Women's / Youth Segments, Pamela Catlett

Under Armour's Product Strategy

Going forward, Under Armour planned to increase its focus on footwear relative to athletic apparel. Recently, apparel generated 67% of sales with footwear only at 21%. They would also shift focus on equipment that enhances athletic performance to that which is more lifestyle-oriented. They would stop making wearable fitness trackers like their Health Band, Scale, and Heart Rate Devices, and instead seek to improve this software via their suite of Apps. Under Armour already eliminated their Under Armour Sportswear line as a stand-alone segment, and instead integrated this into other product areas like running, basketball, and women's. They might soon exit the tennis market, and might pull out of the outdoor market, which included hiking and hunting, all due to lagging sales.

A potential exit from these noncore segments could cost Under Armour $400 million in lost revenue per year. Their Connected Fitness and Latin American segments were also underperforming, together totaling -$93 million in operating income for 2017. However, these would likely remain in the product portfolio for long-term strategic planning purposes. Their basketball and running sneaker line, co-branded with Stephen Curry of the NBA's Golden State Warriors, also had lackluster success. However, Under Armour might need to increase celebrity tie-ins and the sponsorship of sports teams in order to continue competing with Nike and Adidas.

<u>Under Armour's Distribution Strategy</u>

For some time, Under Armour's vision was to grow from a $5 billion brand to a $10 billion brand. However, they needed to keep spending in order to grow this quickly. They already invested heavily in e-commerce, as their sales strategy continued to shift from a wholesale model to the direct-to-consumer approach, as their rivals have already done.

Under Armour also increased expenditures on direct e-mail marketing, which led to increased online sales, but largely cannibalized its in-store sales. This had actually been more harmful than good, since online sales tend to be more heavily discounted and promotion-oriented than in-store sales. In fact, in the three years since they began direct e-mail marketing, there had been a clear inverse relationship observed between the extent of these marketing efforts and total gross profit margin performance.

In 2017 and going forward in 2018, Under Armour will likely not be able to reduce expenses fast enough to match corresponding reductions in revenues. This is paradoxical, because to gain market share from Nike and Adidas, they must either compete on price (and offer heavier discounting) or increase their marketing and promotional budget exponentially.

The 2016 liquidation of Sports Authority also hurt Under Armour, leaving a void that they subsequently attempted to fill by contracting with mid-tier stores like Kohl's and DSW. However, these new arrangements were not welcome news to Under Armour's biggest client, Dick's Sporting Goods, which represents 10% of all Under Armour sales. Since Kohl's has been offering Under Armour products at lower prices than Dick's, sales of Under Armour products at Dick's have since declined sharply. In response, Dick's began allocating less in-store shelf space to Under Armour products and more to their own private label lines instead.

Under Armour does have a small presence in high-end department stores (for both athletic apparel and shoes) like Nordstrom and Macy's. They also rely on celebrities like rapper A$AP Rocky to design some of their higher-end models. However, they currently do not have enough of a presence in these markets relative to their competitors who have both deeper pockets and a longer history of cultivating such relationships.

V. The Decision

When Under Armour announced their fourth quarter and 2017 annual earnings early Tuesday morning February 13, 2018, initial market reactions were quite positive, to say the least, mostly because the earnings report came in better than expected, and possibly indicated a trend reversal. Under Armour's fourth quarter revenue increased by 5% to $1.4 billion, mainly due to strong sales growth from all of its international territories (up 45% in EMEA (Europe, Middle East and Africa), up 56% in Asia-Pacific, and up 36% in Latin America). For the whole year, the company's revenue increased by 3% to $5 billion.

Not everything, however, turned out to be favorable. Under Armour's North American revenue was down 4% for the quarter with gross margin dropping by 1.5% to 43.2%. Moreover, its SG&A expenses increased by 40.5% to $0.6 billion and reached 43.3% of total revenue. Consequently, the company incurred operating losses of $37 million for the fourth quarter, while net losses amounted to $88 million, which included $36 million in restructuring charges. Despite the poor profitability figures, the company's stock price jumped immediately from $14.24 to $16.06 (up 12.8% upon the earnings announcement) when the markets opened Tuesday. Two days later, when the markets closed on Thursday, February 15, it was up further to $18.41, an increase of 29.3% in just 3 days. At the same time, the stock price was still down by more than 60% from $49.67 in July 2015.

Adams noted that many analysts remained quite bearish for Under Armour's outlook in the long-run, and actually saw the sizeable jump in Under Armour's stock to be a good opportunity to cash out to recover from earlier losses. However, Under Armour's management was more optimistic, and promised further positive changes in revenues and profits in years ahead, once restructuring plans and write-offs take effect. Although Adams understood the reasons behind management's optimism, she began wondering whether the company was truly out of the woods. She wondered if its downward path might continue once competitors including Nike, Adidas and Lululemon Athletica renew their efforts to take more international sales away from Under Armour. She decided to start her analysis by evaluating rapidly changing conditions in the athletic retail market.

<u>Questions/Issues of Emphasis for Oral Presentation and Written Report:</u>

Instructions: You are REQUIRED to answer all questions. Your responses to these questions should be included in both your written report and oral presentation.

1) Analyze Under Armour's historical financial statements.

Conduct a retrospective financial statement analysis that incorporates both the given balance sheet and income statement information in the supporting tables.

2) Evaluate Under Armour's current turnaround strategies and recommend possible alternative courses of action to improve its fortune.

First, assess Under Armour's past strategic decisions that led to its (temporary?) downfall. Then, critically analyze its management's recent turnaround efforts. Make sure to include a qualitative discussion of competitors' future responses/actions that may have a substantial impact on the success of Under Armour's turnaround strategy.

3) Estimate the intrinsic value of Under Armour stock by incorporating your recommendation from (2). You may use either (i) FCF analysis or (ii) a relative valuation based on market multiples.

For the FCF analysis, make sure to include proper estimates for the company's WACC and future pro forma financial statements based on your assumptions. For the relative valuation using market multiples, include at least three different multiple measures (e.g. price-to-earnings, price-to-cash flow, price-to-sales per share, etc.) by incorporating the industry peer group data to provide the basis for your recommendation.

4) Based on your answers to 1), 2), and 3) above, what is your overall conclusion for the future outlook of Under Armour, both considering the wave of negative news released from late 2016 through late 2017 and the more positive news that has come out within the last few days?

Exhibit 1. Under Armour – Income Statement ($ millions)

FY	2011	2012	2013	2014	2015	2016
Sales	**1,472.7**	**1,834.9**	**2,332.1**	**3,084.4**	**3,963.3**	**4,825.3**
Cost of Sales	727.1	915.8	1,147.1	1,508.6	1,970.7	2,454.0
Gross Profit	745.5	919.1	1,185.0	1,575.8	1,992.6	2,371.3
SG&A	548.6	668.4	867.5	1,149.8	1,476.8	1,793.1
EBITDA	197.0	250.7	317.5	426.1	515.8	578.2
Depreciation	35.6	42.0	49.9	72.1	101.0	143.7
EBIT	161.4	208.7	267.6	354.0	414.8	434.5
Interest Expense	3.9	5.2	3.0	5.5	14.8	26.7
Nonoperating Income (Expense)	-2.0	0.0	-1.1	-6.2	-7.1	-2.5
Special Items	1.4	0.0	-2.5	0.0	-6.3	-17.0
Pretax Income	156.9	203.4	261.0	342.2	386.7	388.3
Total Taxes	59.9	74.7	98.7	134.2	154.1	131.3
Net Income	**96.9**	**128.8**	**162.3**	**208.0**	**232.6**	**257.0**

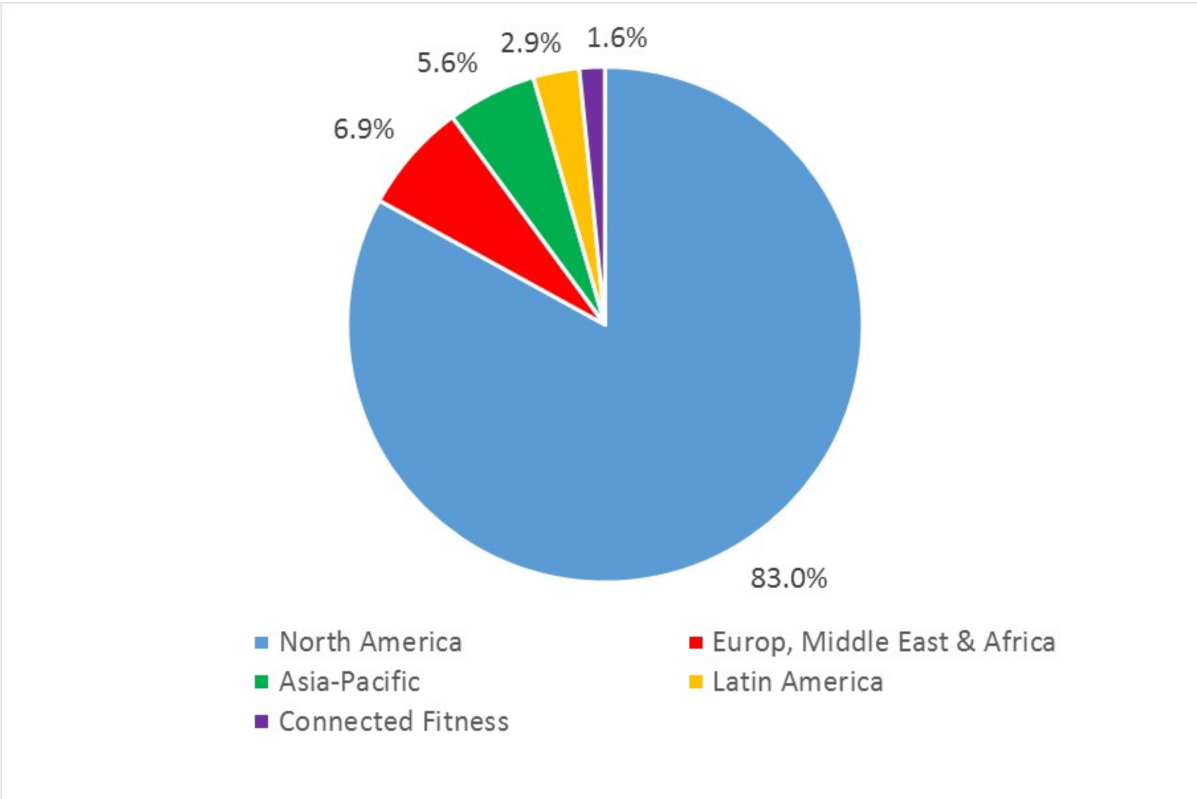
Source: Company Reports

Exhibit 2. Under Armour– Balance Sheet ($ millions except for share values)

FY	2011	2012	2013	2014	2015	2016
Cash	175.4	341.8	347.5	593.2	129.9	250.5
Receivables	134.0	175.5	210.0	279.8	433.6	622.7
Bad Debt Reserve	2.9	1.8	1.4	1.3	1.3	1.8
Inventory	324.4	319.3	469.0	536.7	783.0	917.5
Total Current Assets	689.7	903.6	1,128.8	1,549.4	1,498.8	1,965.2
PP&E	159.1	180.9	224.0	305.6	538.5	804.2
Intangibles	5.5	4.5	146.3	149.5	660.9	627.9
Deferred Charges	0.0	0.0	0.0	0.0	0.0	0.0
Equity Investments	0.0	0.0	0.0	0.0	0.0	0.0
Other Investments	14.4	14.6	15.2	13.4	12.0	11.7
Total Assets	**919.2**	**1,157.1**	**1,577.7**	**2,095.1**	**2,868.9**	**3,644.3**
Debt - Current Portion	6.9	9.1	5.0	29.0	42.0	27.0
Notes Payable	0.0	0.0	100.0	0.0	0.0	0.0
Accounts Payable	100.5	143.7	165.5	210.4	200.5	409.7
Taxes Payable	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	183.6	252.2	426.6	421.6	478.8	685.8
Total Long Term Debt	70.8	52.8	48.0	255.3	627.0	790.4
Deferred LT Taxes	0.0	0.0	0.0	0.0	0.9	0.8
Total Liabilities	**282.8**	**340.2**	**524.4**	**744.8**	**1,200.7**	**1,613.4**
Preferred Stock - Total	0.0	0.0	0.0	0.0	0.0	0.0
Common Equity	636.4	816.9	1,053.4	1,350.3	1,668.2	2,030.9
Total Stockholders' Equity	**636.4**	**816.9**	**1,053.4**	**1,350.3**	**1,668.2**	**2,030.9**
Common Shares Outstanding	414.0	419.0	423.3	427.8	432.2	438.4
Stock Price - FY Close	9.0	12.1	21.8	34.0	40.3	29.0
Cash Dividends	0.0	0.0	0.0	0.0	0.0	2.9

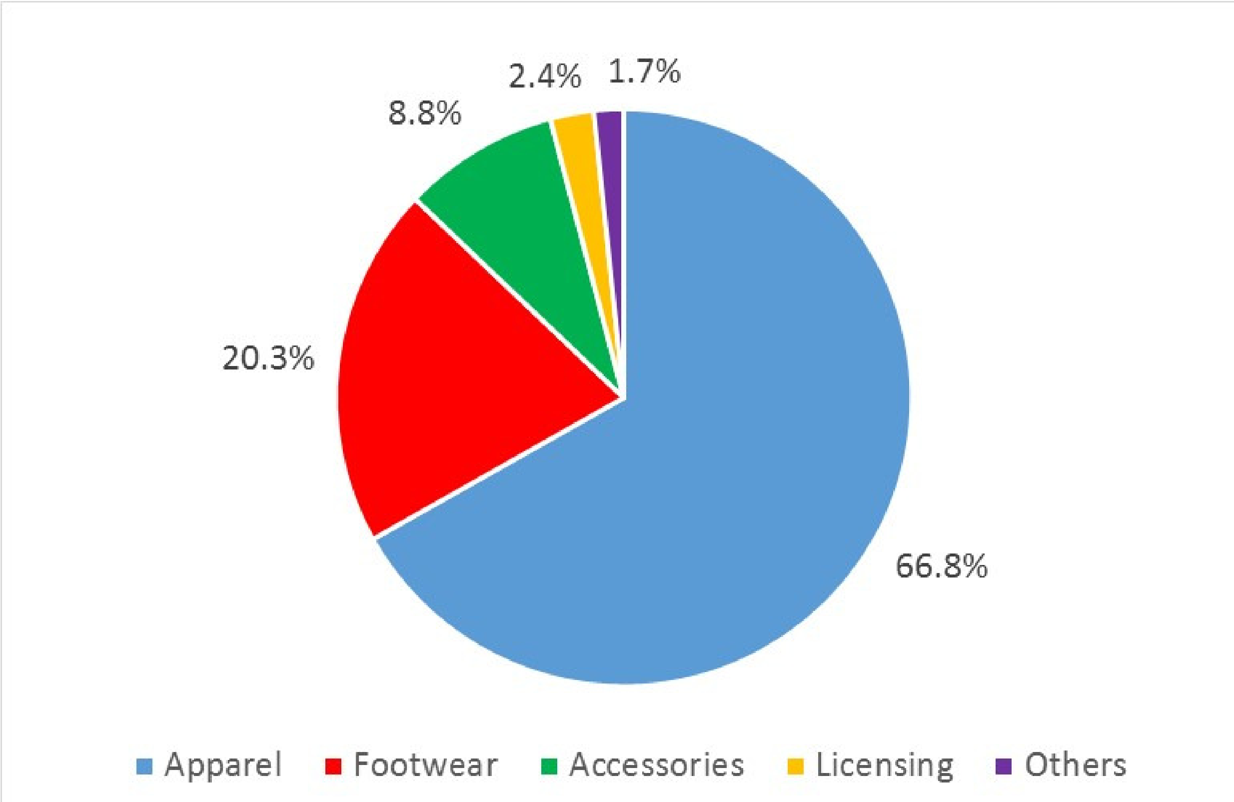
Source: Company Reports

Exhibit 3-A. Under Armour Sales Breakdown By Region (Q3 2017)



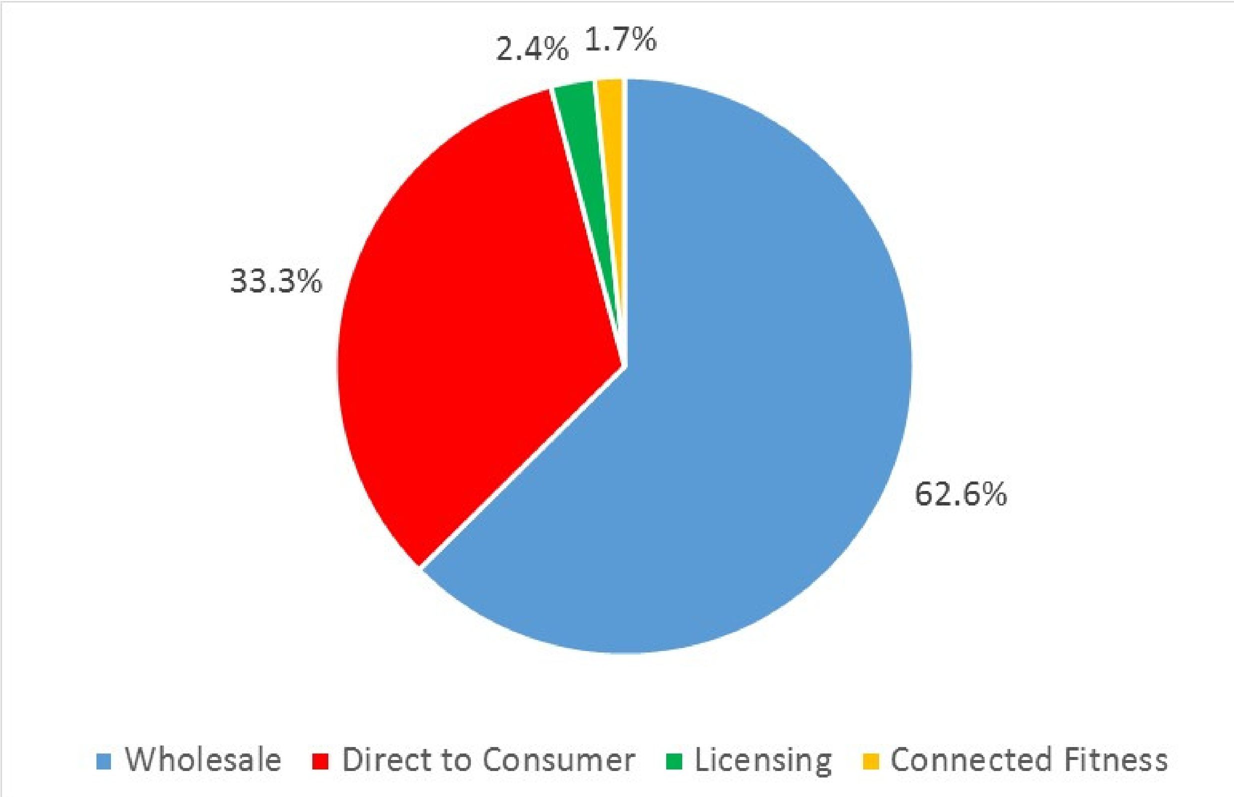
Source: Company Reports

Exhibit 3-B. Under ArmourSales Breakdown by Category (Q3 2017)



Source: Company Reports

Exhibit 3-C. Under ArmourSales Breakdown by Distribution Channel (Q3 2017)



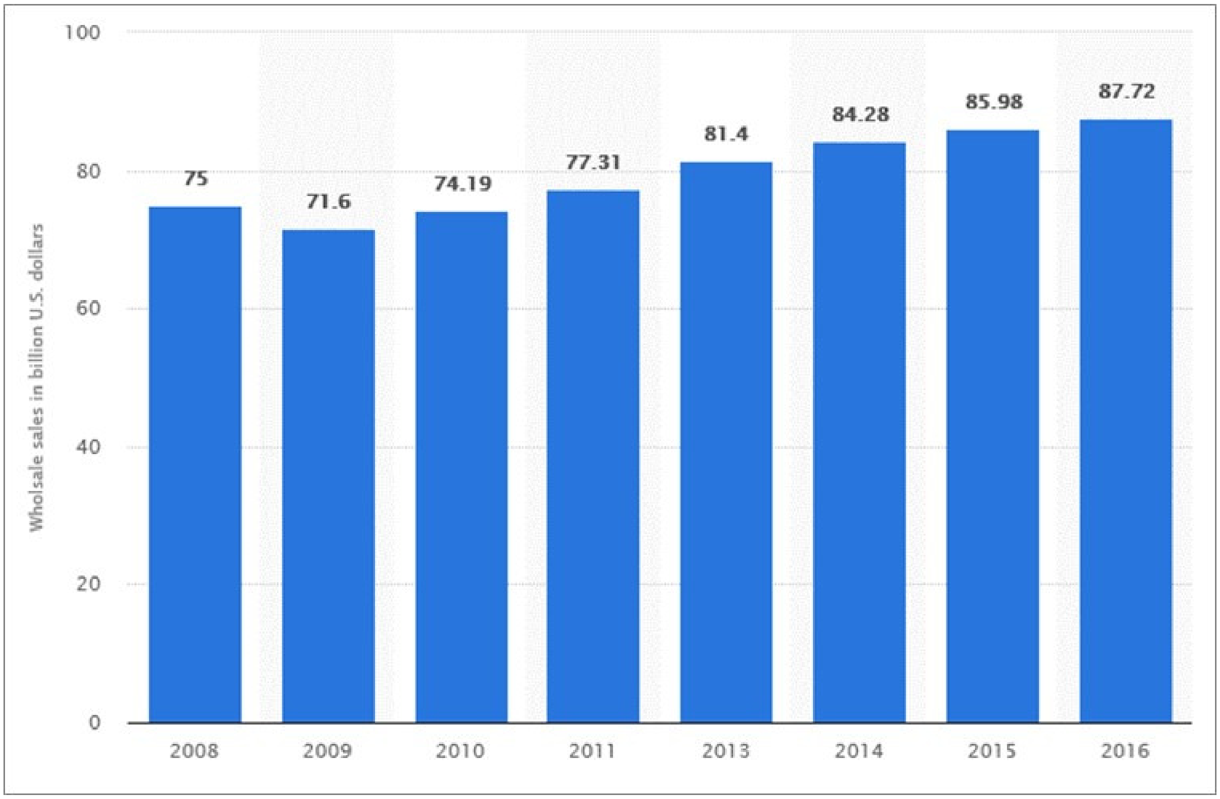
Source: Company Reports

Exhibit 4. Under Armour – Quarterly Income Statement ($ millions)

FY	Q3-2016	Q4-2016	Q1-2017	Q2-2017	Q3-2017
Sales	**1,471.6**	**1,305.3**	**1,117.3**	**1,088.2**	**1,405.6**
Cost of Goods Sold	735.3	682.2	570.9	547.6	760.3
Gross Profit	736.3	623.1	546.4	540.6	645.4
SG&A Expenses	498.0	427.3	497.9	503.0	498.2
EBITDA	238.3	195.8	48.5	37.6	147.2
Depreciation	37.6	39.4	41.0	42.4	45.1
EBIT	200.6	156.4	7.5	(4.8)	62.2
Interest Expense	8.2	8.0	7.8	7.8	9.6
Non-Operating Income/Expense	(0.8)	(1.7)	2.6	(2.9)	(1.1)
Special Items	(1.3)	7.5	-	-	-
Pretax Income	190.3	154.2	2.3	(15.5)	51.5
Total Income Taxes	62.1	51.0	4.6	(3.2)	(2.7)
Net Income	**128.2**	**103.2**	**(2.3)**	**(12.3)**	**54.2**

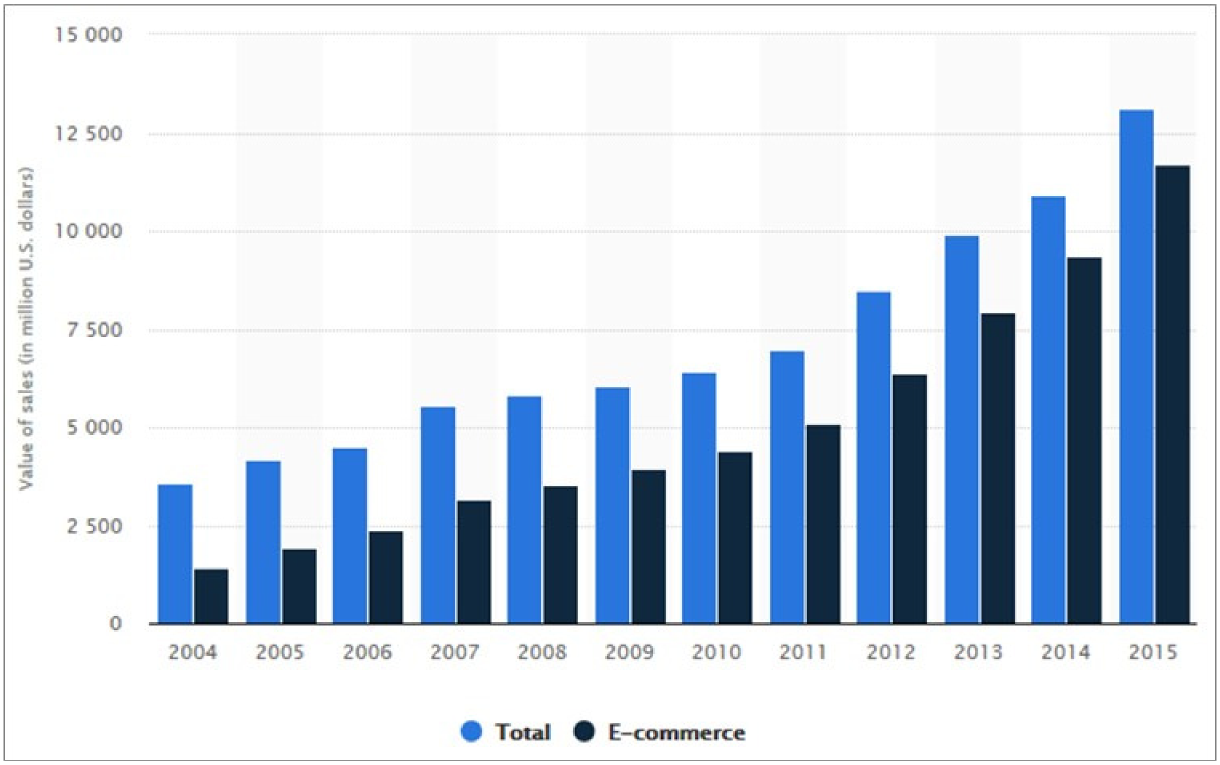
Source: Company Reports

Exhibit 5. Manufacturers (wholesale) sales sports products industry in the U.S. from 2008 to 2016 ($ billions)



Source: Statista

Exhibit 6. U.S. online and mail-order sales of sporting goods from 2003 to 2015 ($ millions)



Source: Statista

Exhibit 7. Under Armour Stock Performance vs. S&P 500

Data Source: Yahoo! Finance

Exhibit 8. Competitors' Data ($ millions except for share values)

	Nike, Inc.			Skechers USA Inc.		
FY	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
Sales	**30,601.0**	**32,376.0**	**34,350.0**	**2,386.7**	**3,159.1**	**3,577.2**
Cost of Sales	15,928.0	16,756.0	18,332.0	1,258.1	1,670.9	1,862.6
Gross Profit	14,673.0	15,620.0	16,018.0	1,128.6	1,488.2	1,714.6
SG&A	9,892.0	10,469.0	10,563.0	871.2	1,084.4	1,278.0
EBITDA	4,781.0	5,151.0	5,455.0	257.4	403.8	436.6
Depreciation	606.0	649.0	706.0	48.3	53.0	66.1
EBIT	4,175.0	4,502.0	4,749.0	209.1	350.8	370.5
Interest Expense	34.0	31.0	86.0	12.5	10.7	6.3
Nonoperating Income (Expense)	64.0	152.0	223.0	-5.2	-6.6	-4.8
Special Items	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	4,205.0	4,623.0	4,886.0	191.4	333.5	359.5
Total Taxes	932.0	863.0	646.0	39.2	72.4	74.1
Net Income	**3,273.0**	**3,760.0**	**4,240.0**	**138.8**	**231.9**	**243.5**
FY	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
Cash	5,924.0	5,457.0	6,179.0	466.7	508.0	718.5
Receivables	3,508.0	3,241.0	3,677.0	288.6	362.6	346.0
Bad Debt Reserve	1.5	0.8	0.5	1.9	1.6	1.6
Inventory	4,337.0	4,838.0	5,055.0	453.8	620.2	700.5
Total Current Assets	15,976.0	15,025.0	16,061.0	1,285.0	1,570.5	1,827.8
PP&E	3,011.0	3,520.0	3,989.0	373.2	435.9	494.5
Intangibles	412.0	412.0	422.0	1.6	0.0	0.0
Total Assets	**21,600.0**	**21,396.0**	**23,259.0**	**1,674.9**	**2,047.4**	**2,393.7**
Debt - Current Portion	109.0	51.0	6.0	101.4	15.7	1.8
Notes Payable	74.0	1.0	325.0	1.8	0.1	6.1
Accounts Payable	2,131.0	2,191.0	2,048.0	352.8	474.0	520.4
Taxes Payable	71.0	85.0	84.0	0.0	0.0	0.0
Total Current Liabilities	6,334.0	5,358.0	5,474.0	505.7	577.0	621.7
Total Long Term Debt	1,082.0	2,018.0	3,471.0	15.1	68.9	67.2
Deferred LT Taxes	0.0	0.0	0.0	0.0	0.0	0.4
Total Liabilities	**8,893.0**	**9,138.0**	**10,852.0**	**540.8**	**671.7**	**708.2**
Preferred Stock - Total	0.0	0.0	0.0	0.0	0.0	0.0
Common Equity	12,707.0	12,258.0	12,407.0	1,075.2	1,327.6	1,603.6
Total Stockholders' Equity	**12,707.0**	**12,258.0**	**12,407.0**	**1,075.2**	**1,327.6**	**1,603.6**
Common Shares Outstanding	1,714.0	1,682.0	1,643.0	152.3	153.6	154.9
Stock Price - FY Close	50.8	55.2	53.0	18.4	30.2	24.6
Cash Dividends	931.0	1,053.0	1,159.0	0.0	0.0	0.0

	Columbia Sportware Co.			Lululemon Athletica Inc.		
FY	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
Sales	**2,107.5**	**2,334.4**	**2,387.3**	**1,797.2**	**2,060.5**	**2,344.4**
Cost of Sales	1,140.8	1,251.7	1,265.9	824.7	990.0	1,057.1
Gross Profit	966.7	1,082.7	1,121.4	972.5	1,070.5	1,287.3
SG&A	710.5	776.5	804.9	538.1	628.1	778.5
EBITDA	256.2	306.2	316.5	434.4	442.5	508.8
Depreciation	54.0	56.5	60.0	58.4	73.4	87.7
EBIT	202.2	249.7	256.5	376.0	369.1	421.2
Interest Expense	1.1	1.1	1.0	0.0	0.0	0.0
Nonoperating Income (Expense)	0.7	-1.3	1.4	7.1	-0.6	1.6
Special Items	-3.4	0.0	0.0	0.0	0.0	0.0
Pretax Income	198.5	247.3	256.9	383.1	368.5	422.7
Total Taxes	56.7	67.5	58.5	144.1	102.4	119.3
Net Income	**137.2**	**174.3**	**191.9**	**239.0**	**266.0**	**303.4**

FY	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
Cash	440.8	370.4	551.9	664.5	501.5	734.8
Receivables	344.4	372.0	333.7	13.7	13.1	9.2
Bad Debt Reserve	2.5	2.6	2.5	0.0	0.0	0.0
Inventory	384.6	473.6	488.0	208.1	284.0	298.4
Total Current Assets	1,266.0	1,249.4	1,412.0	951.0	917.0	1,162.7
PP&E	291.6	291.7	279.6	296.0	349.6	423.5
Intangibles	212.3	207.2	202.0	26.2	24.8	24.6
Total Assets	**1,792.2**	**1,846.2**	**2,013.9**	**1,296.2**	**1,314.1**	**1,657.5**
Debt - Current Portion	0.0	0.0	0.0	0.0	0.0	0.0
Notes Payable	0.0	1.9	0.0	0.0	0.0	0.0
Accounts Payable	214.3	217.2	215.0	9.3	10.4	24.8
Taxes Payable	14.4	5.0	5.6	20.1	37.7	30.3
Total Current Liabilities	373.1	366.1	362.9	159.9	225.5	241.4
Total Long Term Debt	15.7	15.0	14.1	0.0	0.0	0.0
Deferred LT Taxes	3.3	0.2	0.1	3.6	10.8	7.3
Total Liabilities	**437.0**	**430.3**	**432.4**	**206.6**	**286.6**	**297.6**
Preferred Stock - Total	0.0	0.0	0.0	0.0	0.0	0.0
Common Equity	1,343.6	1,399.8	1,560.8	1,089.6	1,027.5	1,360.0
Total Stockholders' Equity	**1,343.6**	**1,399.8**	**1,560.8**	**1,089.6**	**1,027.5**	**1,360.0**
Common Shares Outstanding	69.8	69.3	69.9	141.9	137.3	137.1
Stock Price - FY Close	44.5	48.8	58.3	66.2	62.1	67.5
Cash Dividends	39.8	43.5	48.1	0.0	0.0	0.0

Data Source: Company Reports