

WESTPEAK RESEARCH ASSOCIATION

Urban Outfitters, Inc. (NASDAQ: URBN)

Consumer Goods – Clothing and Accessories

Urban Outfitters Out of the Game?

March 02, 2020

Urban Outfitters, Inc. ("URBN") is a portfolio of global consumer brands focused on providing fashion apparel, accessories, and home and lifestyle products. It is comprised of the brands: Urban Outfitters, Anthropologie, Free People, BHLDN, Terrain, Menus & Venues, and Nuuly.

Thesis – Potential for Growth Already Priced In

Despite the company's ability to stay ahead of competition, much of the company's expected growth has already been priced in by investors with URBN trading at higher multiples relative to their competitors. Thus, we believe there is limited room for significant upside even with their potential growth opportunities.

Drivers – Global Expansion & Technology

Moving forward, Urban Outfitters, Inc. intends to direct its growth initiatives towards global expansion and digital sales. We think that seamless integration to the global and digital market will allow the company to increase their consumer base and ultimately achieve better performance.

Valuation

The company has a current share price of \$23.02. Through an 80% and 20% weighting of Comparable Company Analysis (Comps) and Discounted Cash Flow (DCF) respectively, we arrived at a target share price of \$26.02. The retail and wholesale industry are highly competitive; thus, the company's prices and fundamentals must be able to compete with their competitor's, resulting in a higher Comps weighting. Since the current share price and targeted price do not differ in high discrepancies, we initiate a **HOLD** rating on Urban Outfitters, Inc.

Analyst: Szarrii Lim, BCom. '23
contact@westpeakresearch.com

Equity Research US

Price Target	USD\$ 26.02
Rating	Hold
Share Price (Mar. 2 Close)	USD\$ 23.02
Total Return	13.0%

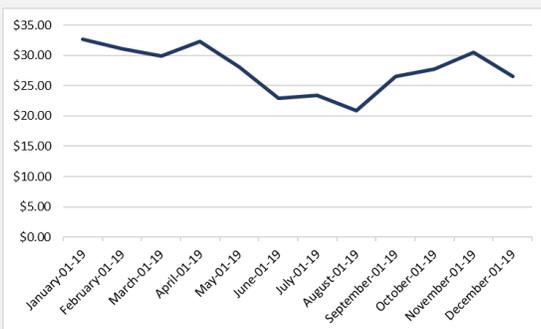
Key Statistics

52 Week H/L	\$34.83/\$19.63
Market Capitalization	\$2.3B
Average Daily Trading Volume	\$2.5M
Net Debt	\$100M
Enterprise Value	\$260M
Net Debt/EBITDA	3.5x
Diluted Shares Outstanding	\$33M
Free Float	139%
Dividend Yield	N/A

WestPeak's Forecast

	2020E	2021E	2022E
Revenue	\$3829M	\$4096M	\$4120B
EBITDA	\$346M	\$410M	\$412M
Net Income	\$178M	\$212M	\$212M
EPS	\$1.78	\$2.12	\$2.12
P/E	15.7x	13.2x	13.2x
EV/EBITDA	11.0x	8.8x	8.3x

1-Year Price Performance



Business Overview/Fundamentals

Company Overview

Urban Outfitters, Inc. (“URBN”) is a multinational retail corporation specialising in apparel, accessories, and home and lifestyle items. The company currently operates under three main segments: Retail, Wholesale, and Subscription. Its Retail segment consists of Anthropologie, Free People, Terrain, and Urban Outfitters brands, along with its Food and Beverage division. On the other hand, its wholesale segment consists of Free People, Anthropologie, and Urban Outfitters brands that sell to retail and specialty stores worldwide. Just last July 2019, URBN also launched its new monthly women’s apparel subscription rental service, Nuuly, which completes the company’s Subscription segment.

Retail

The company’s Retail segment consists of consumer products and services that are sold directly to customers through a fully integrated omni-channel marketing strategy, which includes stores, websites, mobile applications, catalogs, customer contact centres and franchised or third-party operated stores and digital businesses. We believe that having a diverse set of brands is considered a strength for the company,

1. Anthropologie Group

Anthropologie Group consists of Anthropologie, BHLDN, and Terrain Brands. Anthropologie features casual apparel and lifestyle items for contemporary women aged 28 to 45; BHLDN, a curated collection of wedding elements; and Terrain, outdoor living products designed for those interested in the outdoor gardening experience.

2. Free People

Free People focuses its product offering on consumer merchandise that appeal to young contemporary women aged 25 to 30. It provides a mix of casual women’s apparel, intimates, activewear, shoes, accessories, home decorations, and beauty and wellness items. Aside from its numerous stores in North America and franchisee-owned store in Israel, the company plans to open additional Free People stores specifically in Europe to increase the brand’s international presence.

3. Urban Outfitters

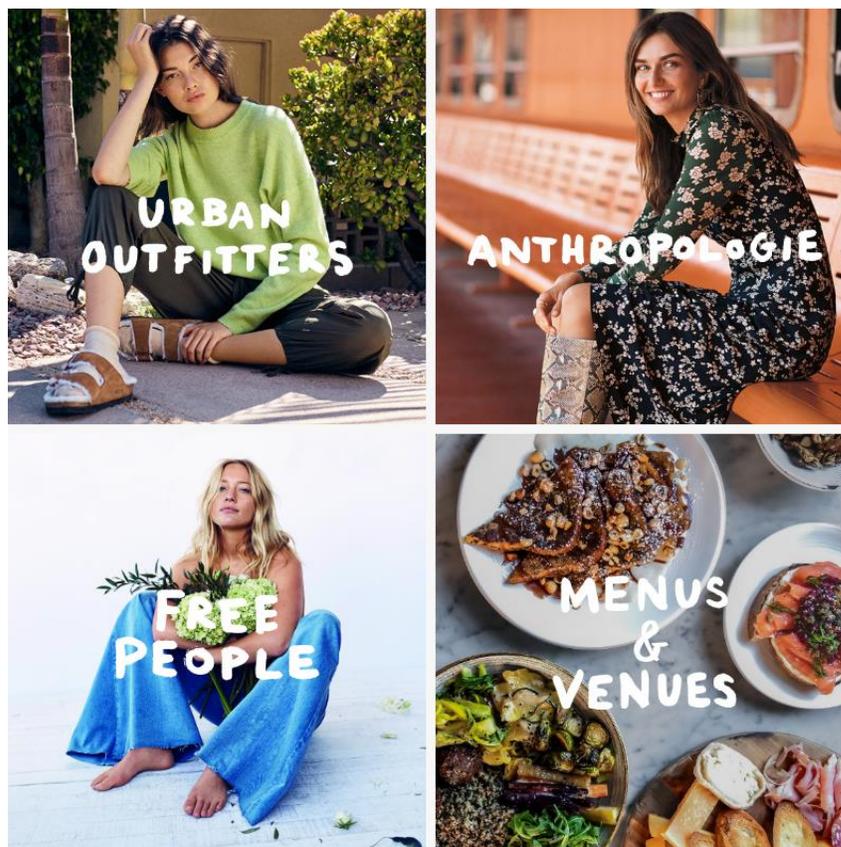
Urban Outfitters offers a trendier merchandise mix and compelling store environment focussed more on young adults aged 18 to 28. A large portion of Urban Outfitters merchandise is exclusive to Urban Outfitters, these include products designed internally and in collaboration with third-party brands.

4. Menus & Venues

Menus & Venues is the food and beverage division of URBN, which owns and operates Amis Trattoria, Bar Amis, Pizzeria Vetri, Terrain Cafe & Events, and Shop 543. This division started operating in 2008, and since then it has

been underperforming in terms of sales and brand exposure. We think that the near discontinuation of the brand would not be a surprise, given its low sales growth and revenue contribution.

Exhibit 1. Company Brands



Source: Company Website

Wholesale

The company's Wholesale segment designs, develops, and distributes products from the Free People, Anthropologie, and Urban Outfitters brands to approximately 2,200 department and specialty stores worldwide third-party digital businesses, and the company's Retail segment. While this division was established in the 3rd quarter of fiscal 2019, its net sales accounted for approximately 9.0% of consolidated net sales for the nine months ended October 31, 2019, which accounts for a 63% growth from the year before. Although the division, established in the 3rd quarter of fiscal 2019, accounts for only approximately 9.0% of consolidated net sales for the nine months ended October 31, 2019, its 63% increase from last year's numbers prove for greater potential growth.

Subscription

The company's Subscription segment was formed on July 30, 2019, when its monthly women's apparel subscription rental service was launched. Nuuly subscribers can select from a wide assortment of apparel from company-owned brands, third-party labels, and vintage pieces all inclusive with a monthly payment of \$88. They are able to purchase the product they

rent or swap it into a new one the following month. For the nine months ended October 31, 2019, Nuuly accounted for less than 1.0% of the company's consolidated net sales. However, because of the recent integration of the company's subscription segment, high profit margins are not entirely expected. We accounted for forecasted growth in this segment when calculating our implied share price due to the company's outperformance in reaching subscriber goals and positive feedback in the consumer market.

Exhibit 2. Nuuly Renting Process

Nuuly 101
Once you've subscribed, this is what it's like to Nuuly.

Choose Your 6
Four tops and the same dress in two sizes? Six pairs of jeans? One of everything? It's your call.

Wear Them On Repeat
They're all yours for the next month. Don't worry about laundry or repairs—it's included in the plan.

Buy, Return + Refill
If you fall in love with something, buy it. Send back the rest by your billing date and repeat.

PLAN + PRICING

Subscribe to the Future
Pick any 6 Items you like each month, we'll do everything else.

1 NUULY / MONTH **6** ITEMS / NUULY **\$88** / MONTH

- Exclusive brands - unique styles
- Free 2-day shipping - returns
- Buy what you love
- No late fees or damage fees
- Laundry - dry cleaning included
- Pause or cancel any time

[Join Now](#)

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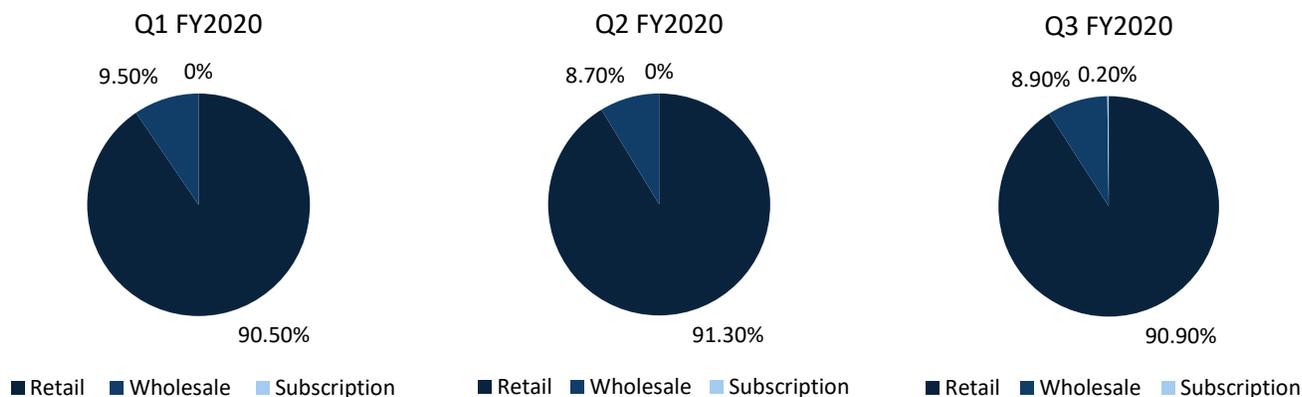
Source: Company website

Revenue Breakdown

Segment Basis

The company's Retail segment accounts for the most net sales, followed by the Wholesale segment and Subscription segment respectively. Historically, the Retail segment has always generated majority of the company's revenue.

Exhibit 3. Revenue Sales by Segment (in mm USD)



Source: Investor Presentations

Brand Basis

The four brands that comprise the portfolio of URBN are: Anthropologie Group, Free People, Urban Outfitters, and Menus & Venues. All, excluding the food and beverage division, participate in the company’s retail and wholesale segment. With their net sales from both segments combined, the company realizes the greatest amount of revenue with the Anthropologie Group brands, followed closely by the Urban Outfitters brand. We believe that positive performance of Anthropologie is due to high acceptance of its fall assortment by the consumer market; however, this may pose a risk seeing the volatility and shifting of consumer taste and preferences.

Anthropologie

For the nine months ended October 31, 2019, the Group’s North American Retail segment net sales accounted for approximately 38.9% of consolidated net sales.

Free People

For the nine months ended October 31, 2019, Free People’s North American Retail segment accounted for approximately 12.5% of consolidated net sales.

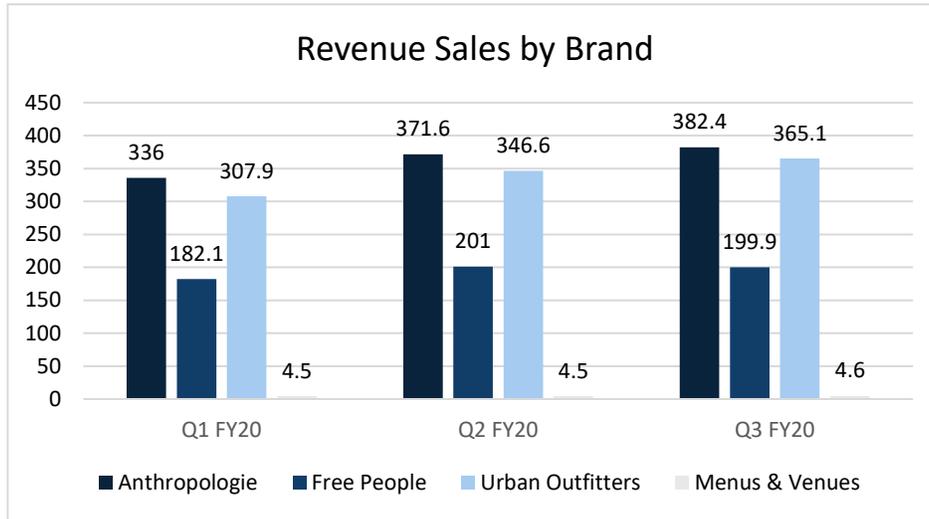
Urban Outfitters

Its North American Retail segment net sales accounted for approximately 29.4% of consolidated net sales for the nine months ended October 31, 2019.

Menus & Venues

The division net sales accounted for less than 1.0% of consolidated net sales for the nine months ended October 31, 2019.

Exhibit 4. Revenue Sales by Brand (mm USD)

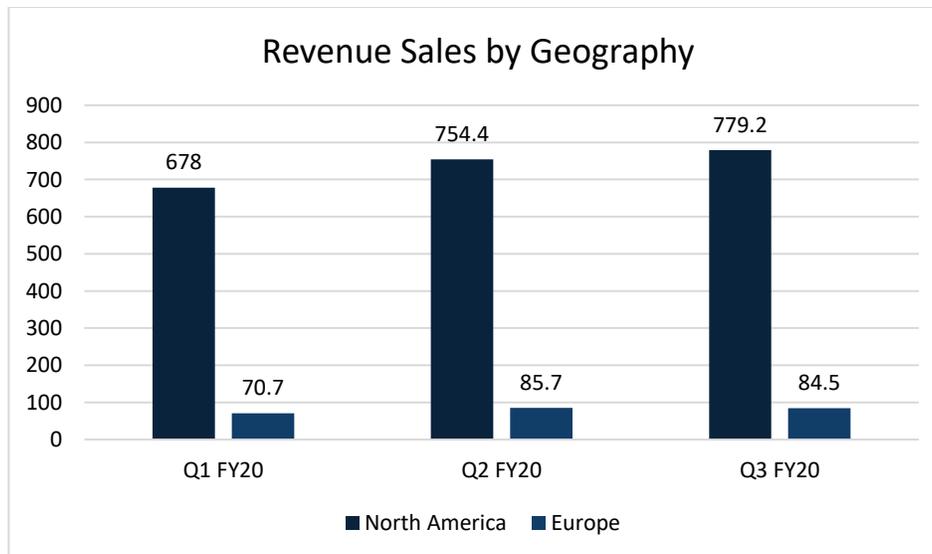


Source: Investor Presentations

Geography Basis

URBN has 561 stores in North America, 73 in Europe, and 7 franchisee-owned stores in Israel and United Arab Emirates. Consequently, the company acquires the most revenue from North America. However, recent plans suggest the company is looking to grow their expansion into Europe, as existing European stores have been showing relatively positive performance as compared to last year sales.

Exhibit 5. Revenue Sales by Geography (in mm USD)



Source: Investor Presentations

Company Strategy

Expansion in Europe

Global expansion remains one of the company's main objectives. The company plans on opening a new European Home Office and 7 more European retail locations in Q4 of FY2020. EU performance in the third quarter of FY20 was challenging due to the underperformance of stores in central London, which was possibly negatively impacted by political headwinds of the Brexit issue. However, the company is convinced that the European market has potential to grow, seeing that European sales of the Urban Outfitters brand received positive 'comps' in the last reported quarter.

We believe that URBN's decision to expand into Europe, although risky, poses a great opportunity because first, the general European fashion style matches products sold by URBN brands; and second, increased expansion into Asia, on the other hand, is not believed to yield better results as Asian countries hold a much more complex fashion style and a whole different seasonal fashion, which may affect the sale of many of their products.

Enhanced E-Commerce Segment & Digital Channel Growth

The company stays true to its omni-channel marketing strategy to this day, that is: integrating physical stores, websites, mobile applications, catalogs, and customer contact centers to provide a seamless approach to customers' brand experience. Its financial statements show a large increase in projected capital expenditures for FY2020, with most of it attributing to fulfillment. This spending is allocated for enhancing the company's digital channel, which includes a more elevated mobile experience, enhanced personalization program, new pay methods, and varied assortment and sizes. Additionally, the launch of Nuuly, the company's online subscription rental service, was successful and the company was able to its anticipated target number of approximately 50,000 subscribers (within 12 months of operation), yielding a revenue-run rate of around 50mm USD at the period's close. More importantly, customer feedback and satisfaction has been shown to be overwhelmingly positive for the period's end.

We believe that continued growth in the company's digital channel efforts will allow for increased customer base, as products are now more accessible to a larger online audience. However, as the company's efforts achieve slower than expected revenue translation, we believe that expenses will continue to rise as the company familiarizes itself with integration into e-commerce and digital sales.

Industry Analysis

Competition

The retail industry is highly competitive, consisting of larger competitors with greater financial assets and well-established reputations. Urban Outfitters, Inc., despite having a long operating history in the industry, faces the challenge of outperforming several brands that consist of similar product offerings and cater to the same market segment. The company's main publicly traded competitors are Nordstrom Inc., Abercrombie & Fitch, Zumiez Inc., and Aritzia Inc. As consumers within the company and competitors' demographics, we recognize the close similarity between product offerings and prices. Although URBN is one of the few companies that features a more diverse product line, with brands

that sell home furniture and wedding elements, its retail clothing section faces the challenge of creating a strong competitive standpoint that differentiates them from other retailers.

Shift to E-Commerce

The concept of brick-and-mortar stores are continuing to decline with the rise and development of e-commerce and use of technology in generating digital sales. According to the US Census Bureau, 7,567 retail stores closed as of July 31, 2019, compared to the 5,524 for all of 2018. Although online retail shopping is getting increasingly popular among today's generation of consumers, we believe that rumours of brick-and-mortar stores are dead are greatly exaggerated. The US Department of Commerce reports that although e-commerce sales increased by 16% from 2016 to 2017, physical retail sales increased as well at a much slower rate of 2%. And while majority of millennials and those in generation X prefer online shopping, 59% of baby boomers and 72% of seniors still prefer the traditional in-store retail shopping experience. Consumers are expected to never fully abandon brick-and-mortar stores, they do, however, move towards more accessible digital channels as a convenient online alternative. Customers appreciate having the convenience of online shopping and the option of seeking the customer service of a local neighbourhood shop. Urban Outfitters, Inc. is hedging against the move away from brick-and-mortar stores by placing more importance on their omni-channel marketing strategy. Furthermore, the company's newly-launched online subscription rental service, Nuuly, benefits from online sales.

Consumer Spending

Clothing and accessories are listed as consumer discretionary goods, goods that are non-essential to consumers but desirable if income allows for. Consequently, there are several factors that may affect consumer spending in the retail and wholesale segment. A recession, for example, may lead to unemployment and less income, thus resulting in reduced consumer spending on discretionary goods and services.

Product Accuracy & Macro Fashion Trends

In the retail industry, two types of trends may occur: micro and macro. Micro trends bubble up and disappear after a period of months, while macro trends happen slowly and hang around for a long time. Because the industry is reliant on the idea of a fashion customer on the lookout for new trends to drive sales, demand for products increase as company's are able to shift their product offerings to cater to these trends. In URBN's 2018 Annual Shareholder Meeting, it was reported that changing the fashion silhouette was a factor that brings positive 'comps'. While micro trends may be more about fabrication, prints, and colour, keeping up with macro fashion trends means changes on proportion and silhouette, as stated by Hayne, URBN's CEO. The company is noticing a demise in the "skinny jeans" icon, a trend that stayed in the market a few years too many to some, and now shifts to a new pant shape— high-waisted, wide-legged, slightly "A" frame, and much more generous in movement. Indeed, Q4 FY2018 shows positive store comps attributed to early calls on the emerging trend of a new pant shape and better alignment with the company's customers' tastes.

Exhibit 6. Change of Product Focus

Changing Fashion Silhouette



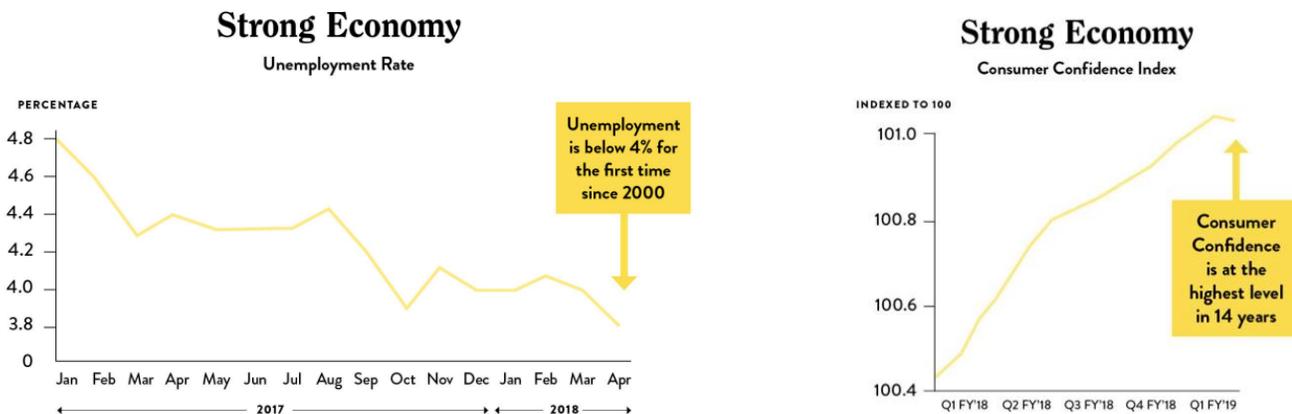
Source: Urban Outfitters Investor Presentations

Catalysts

Strong Economy

A strong economy yields lower unemployment rate, which then results in a higher consumer confidence index. On the other hand, a recession brings greater unemployment, less income, and lower consumer spending. Exhibit 7 below shows that in Q1 FY2019, unemployment rate was below 4% for the first time since 2000, which resulted in the highest level of Consumer Confidence Index in 14 years.

Exhibit 7. Economy Indicators



Source: Urban Outfitters Investor Presentations

Acquisition of Brands

URBN's reported financials show high M&A, indicating a high possibility of future acquisitions. The company has already acquired the Vetri Family pizza chain for its food and beverage division in 2008, and is currently operating a wide variety of retail, e-commerce, and food and beverage brands. A future acquisition of a competing brand is a possible catalyst for increased growth in market share; however, a large premium may sometimes be required for the acquisition to occur, which in return pushes down the share price.

Subscription Segment Revenue

The company's financials have only accounted for Q3 FY2020 revenue from their rental clothing subscription service revenue, Nuuly. If their growth initiatives of increased importance in the fulfillment of their digital sales channel and e-commerce division is successful, we believe this could place a significant change in the company's share price.

Management Team

Richard A. Hayne – Chief Executive Officer (CEO), Chairman of the Board

Hayne is from Pennsylvania and studied anthropology at Lehigh University. He co-founded Urban Outfitters, Inc. in 1970 with former wife, Judy Wicks, with only \$4,000. The two divorced a year later and his current wife, Margaret Hayne, joined Urban Outfitters in August 1982 and now remains Chief Creative Officer. Hayne has been Chairman of the Board and President since the company's incorporation in 1976; and became the company's CEO in 2012, taking the spot of former CEO Glen Senk who left to run New York-based jeweler and watchmaker David Yurman. Having co-founded the company, we believe that Hayne continues to prove his extensive knowledge and skill in handling and managing the business. He took the company public in 1993; and together with his wife, owns roughly a quarter of the company. He dropped out of the Forbes 400 list in 2015, but still ranks #1818 on the current edition of Forbes Billionaires of 2019.

In 2003, Hayne, however, did donate money to re-election campaign of then-Senator Rick Santorum of Pennsylvania, known to be an open advocate of homophobia. Although we believe that Hayne does not hold the same homophobic views as Santorum, as the company features LGBTQ merchandise and products, his political stand with candidates that promote such controversial topics may have led to a decrease in customer base and loyalty.

Frank J. Conforti – Chief Financing Officer (CFO)

Conforti graduated Moravian College with a Bachelor of Science in Accounting. He began his career in KPMG in 1998 where we held various audit roles. He also worked with AlliedBarton Security Services, LLC, for five years. In March 2007, Frank joined URBN as Director of Finance and SEC Reporting. He was subsequently promoted to Controller, Chief Accounting Officer, and now stands as the current Chief Financial Officer.

Management Conclusion

Seeing that company first went public in 1993, at stocks for \$1.55 we believe that the qualifications, skillsets, and relevant experiences of management give them the ability to lead Urban Outfitters to achieve its long-term goals.

However, it is safe to point out that the company was called out in a 2017 business review written by Kali Hays for an “insular, non-diverse board.” Azeez Hayne, Richard’s nephew and Margaret Hayne, Richard’s wife both hold high positions in senior management. The company, we note, did act upon this and diversified their board of directors in terms of gender. Coming from one female director, the board now has three active and capable female directors, whilst still having three Hayne family employees in the business.

Shareholder Base, Liquidity, Market Depth

Shareholder Base

Urban Outfitters, Inc. has 98.0mm of basic shares outstanding with 83.64% of shares held by institutions and 39.82% of shares held by all insiders. Majority of its shareholder base is held by institutions, with 138.99% of free float being held by institutional investors. Institutional investors are able to hold more than 100% of shares outstanding due to the short interest on the stock, causing there to be multiple claims of ownership. The company currently has a short interest ratio of 4.73 days to cover. Listed below is the company’s Top Institutional Holders.

Exhibit 8. Top Institutional Holders

Shareholder (Name)	Shares Held (mm)	Shares Outstanding (%)	Last Filing Date (Date)
FMR, LLC	9.86	10.06%	29-Sep-19
Blackrock Inc.	6.32	6.45%	29-Sep-19
Vanguard Group, Inc. (The)	5.60	5.72%	29-Sep-19
Shapiro Capital Management Company, Inc.	5.12	5.23%	29-Sep-19
Dimensional Fund Advisors LP	4.81	4.90%	29-Sep-19
Turtle Creek Asset Management Inc.	3.33	3.40%	29-Sep-19
Massachusetts Financial Services Co.	2.67	2.73%	29-Sep-19
State Street Corporation	2.23	2.28%	29-Sep-19
AQR Capital Management, LLC	2.09	2.13%	29-Sep-19
Lord Abbett & Co.	1.97	2.01%	29-Sep-19

Source: Yahoo Finance

Valuation

Discounted Cash Flow Assumptions

Number of Stores (Opening and Closing)

We based the number of store openings and store closings based on managements' decision and projected numbers for FY2020. They predicted 28 store openings and 14 store closings. Since global expansion still remains one of the main objectives of Urban Outfitters, Inc., we predicted 24 store openings and 12 store closings after FY2020.

Revenue Assumptions

We based revenue assumptions on sales per average store, which is estimated by following the historical trend of \$1.60 per store found in the company's previously reported segmented revenue breakdown. Although we recognize the company's future initiatives to grow revenue, we believe that much of this is already priced into the financials. **Selling, General and Administrative Expenses (SG&A Margin)**

As stated in the company's latest earnings call transcript, they plan to increase SG&A by 6% in the next quarter. Following this, we estimated SG&A to grow from 22.0% of revenue to 25.7% of revenue in Q4 of FY2020. Following this trend, we predict that SG&A will roughly stay the same throughout the years, as the company does not plan to introduce any new big projects for the upcoming years.

Effective Tax Rate

For our effective tax rate of 25.0%, we used management's projected effective tax rate for Q4 of FY2020.

Weighted Average Cost of Capital (WACC)

Our weighted average cost of capital (WACC) is calculated to be 6.2%. We used a risk-free rate of 1.5%, a beta of 0.78 listed on Bloomberg, an expected market return of 8.3%, and effective tax rate of 25.0%, and a pre-tax cost of debt of 7.0%.

Exit Multiple

We used an EV/EBITDA exit multiple of 10.0x. This multiple is based on the mean trading multiple of the company's industry-comparable companies.

Comparable Company Analysis

To choose comparable company set and create a relative valuation, we considered fashion retailers that were relatively close to the market size of Urban Outfitters, Inc. and had similar product offerings. The analysed comparable company price is \$25.28.

Nordstrom, Inc. (NYSE: JWN)

Nordstrom, Inc. is a chain of luxury department stores headquarter in Seattle, Washington. The company offers fashion apparel, designer handbags, footwear, and beauty and wellness.

Abercrombie & Fitch Co. (NYSE: ANF)

Abercrombie & Fitch Co. is an American casual clothing retailer with two offshoot brands: Hollister Co. and Abercrombie Kids. The company operates around 1,049 stores across all three brands.

Zumiez Inc. (NASDAQ: ZUMZ)

Zumiez Inc. is an American specialty retailer of apparel, footwear, accessories, and hardgoods targeted to attract young men and women. It specifically markets apparel for action sports, particularly skateboarding.

Aritzia Inc. (TSX: ATZ)

Aritzia Inc. is a Canada-based women's fashion brand that operates various retail stores across Canada and United States.

Recommendation

Given our assumptions and understanding of the company's fundamentals and efforts, at the vulnerable position of the company due to the fierce competition in the industry and changing consumer tastes, we believe that the market has valued the company fairly. The company acknowledges their low gross profit margin for the last reported quarter and made several plans to fix them. Urban Outfitters has immensely increased its capex for FY2020, with majority of it going into fulfillment spending. Moving forward from its past underperformance, we anticipate that their ongoing initiatives of global expansion and digital sales have high potential for growth and positive payoff. Outside influences, such as the political headwinds of Brexit, may have negatively impacted net sales in Europe, causing a low revenue growth in that geographic area. Additionally, based on economic indicators such as a slower GDP growth and higher unemployment rate, 2020 US economy will experience a subdued economic growth, although a recession is highly unlikely. These prove the likeliness and uncertainty of external factors in the success of the company's growth initiatives. We remain cautious of the company's future success in Europe, e-commerce, and in their supposed China expansion, which may be greatly affected by the Coronavirus outbreak. Given the company's initiatives and better outlook on outside influences, we believe that Urban Outfitters presents a huge potential for growth and success. Despite expectation for growth, much of the growth has already been priced in by the market and there remains little room for an upside. Therefore, based on an 80% and 20% weighting of our Comparable Company Analysis and Discounted Cash Flow (DCF) respectively, we initiate a **HOLD** rating on Urban Outfitters, Inc. at a target price of \$26.02.

Risks

Shifts in Consumer Taste and Preferences

In most fashion retail brands, shifts in consumer tastes and preferences exists as a relatively large risk to the company. As consumer tastes develop and fashion trends start to change, so must retailers. Failure to attract the interest of consumers and adapt to fashion trends can lead to a fall in revenue and sales.

Foreign Currency Exchange Risk

Majority of the company's third-party manufacturers located in China, Hong Kong, or Taiwan are paid in local currency, which poses foreign exchange risks. Furthermore, conversion rate from USD to the local currency of other countries in which URBN products are being sold (Canada, Europe, Israel, and United Arab Emirates) may significantly affect the value of sales and revenue. Establishing business in these countries also leaves the company open to foreign exchange rate volatility and shifting market rates.

Supply Chain Risks

Products offered by URBN Brands are diversified and range from clothing apparel, wedding gowns, gardening supplies, home decorations, to beauty line products. Due to the wide range of products and assortment, managing the company's supply poses a potential risk for the company. Several layers in the supply chain, especially with the implementation of digital sales, can possibly affect the flow of products to the end consumer.

Appendix 1: Model Summary

		Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24	Jan-25	
		FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	
<i>(Figures in mm USD)</i>													
Income Statement													
Revenue		3,323.1	3,445.1	3,545.8	3,616.0	3,950.6	3,828.6	4,096.0	4,120.2	4,183.2	4,246.2	4,309.2	
EBITDA		503.5	496.3	473.9	388.3	499.3	345.9	409.6	412.0	418.3	424.6	430.9	
Net Income		232.4	224.5	218.1	108.3	298.0	178.3	212.1	212.2	214.1	216.0	217.7	
Earnings Per Share		\$ 1.68	\$ 1.78	\$ 1.86	\$ 0.96	\$ 2.72	\$ 1.78	\$ 2.11	\$ 2.12	\$ 2.13	\$ 2.15	\$ 2.17	
Cash Flow Statement													
Capital Expenditures		(229.8)	(135.0)	(143.7)	(83.8)	(114.9)	(249.9)	(161.0)	(163.8)	(168.2)	(172.8)	(177.5)	
Acquisitions		-	-	(15.3)	-	-	-	-	-	-	-	-	
Divestitures		-	-	-	-	-	-	-	-	-	-	-	
Dividend Payment		-	-	-	-	-	-	-	-	-	-	-	
Dividend Per Share		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Dividend Payout to Earnings		-	-	-	-	-	-	-	-	-	-	-	
Dividend Payout to Core FCF		-	-	-	-	-	-	-	-	-	-	-	
Dividend Yield		-	-	-	-	-	-	-	-	-	-	-	
Balance Sheet													
Current Assets		809.1	834.4	881.4	978.8	1,202.8	1,033.8	1,225.9	1,411.5	1,605.5	1,800.6	1,996.7	
Non-Current Assets		1,079.6	998.9	1,021.2	974.0	957.8	2,254.6	2,280.3	2,306.4	2,333.3	2,360.9	2,389.2	
Assets		1,888.7	1,833.3	1,902.6	1,952.8	2,160.5	3,288.4	3,506.2	3,717.9	3,938.8	4,161.5	4,385.9	
Current Liabilities		353.7	329.2	352.9	360.2	386.6	649.1	654.9	654.4	661.1	667.8	674.6	
Non-Current Liabilities		207.0	366.8	236.6	291.7	284.8	1,179.7	1,179.7	1,179.7	1,179.7	1,179.7	1,179.7	
Liabilities		560.8	696.1	589.6	651.9	671.4	1,828.8	1,834.5	1,834.0	1,840.8	1,847.5	1,854.3	
Shareholders' Equity		1,328.0	1,137.2	1,313.1	1,300.9	1,489.1	1,459.6	1,671.7	1,883.9	2,098.0	2,314.0	2,531.7	
Cash		154.6	265.3	248.1	282.2	358.3	164.7	387.7	573.9	757.7	942.6	1,128.6	
Debt		207.0	366.8	236.6	291.7	284.8	1,179.7	1,179.7	1,179.7	1,179.7	1,179.7	1,179.7	
Net Debt		52.5	101.6	(11.5)	9.4	(73.5)	1,015.0	792.0	605.7	422.0	237.0	51.1	
Minority Interests		-	-	-	-	-	-	-	-	-	-	-	
Debt/EBITDA		0.1 x	0.2 x	n/a	0.0 x	n/a	2.9 x	1.9 x	1.5 x	1.0 x	0.6 x	0.1 x	
Operating Metrics													
Return on Equity (ROE)		17.5%	19.7%	16.6%	8.3%	20.0%	12.2%	12.7%	11.3%	10.2%	9.3%	8.6%	
Return on Assets (ROA)		12.3%	12.2%	11.5%	5.5%	13.8%	5.4%	6.0%	5.7%	5.4%	5.2%	5.0%	
Return on Invested Capital (ROIC)		19.6%	20.6%	19.0%	9.4%	23.5%	14.8%	17.9%	17.6%	17.3%	17.0%	16.7%	
Valuation Metrics													
Stock Price (High)		\$ 45.65	\$ 35.85	\$ 35.06	\$ 46.48	\$ 30.85	\$ 23.02	\$ 23.02	\$ 23.02	\$ 23.02	\$ 23.02	\$ 23.02	
Stock Price (Low)		\$ 22.75	\$ 22.88	\$ 17.99	\$ 33.20	\$ 22.47	\$ 23.02	\$ 23.02	\$ 23.02	\$ 23.02	\$ 23.02	\$ 23.02	
Stock Price (Average)		\$ 34.20	\$ 29.36	\$ 26.53	\$ 39.84	\$ 26.66	\$ 23.02	\$ 23.02	\$ 23.02	\$ 23.02	\$ 23.02	\$ 23.02	
Diluted Shares Outstanding (Average)		138.4	126.1	117.3	112.8	109.6	100.3	100.3	100.3	100.3	100.3	100.3	
Market Capitalization (Average)		4,731.6	3,703.4	3,110.6	4,492.9	2,920.9	2,309.2	2,309.2	2,309.2	2,309.2	2,309.2	2,309.2	
Enterprise Value (Average)		4,784.0	3,805.0	3,099.0	4,502.4	2,847.4	3,324.2	3,101.3	2,915.0	2,731.2	2,546.3	2,360.3	
P/E		20.4 x	16.5 x	14.3 x	41.5 x	9.8 x	13.0 x	10.9 x	10.9 x	10.8 x	10.7 x	10.6 x	
EV/EBITDA		9.5 x	7.7 x	6.5 x	11.6 x	5.7 x	9.6 x	7.6 x	7.1 x	6.5 x	6.0 x	5.5 x	
FCF Yield to Market Capitalization		1.7%	6.7%	8.1%	4.0%	10.7%	-9.9%	8.8%	7.2%	7.1%	7.1%	7.2%	
FCF Yield to Enterprise Value		1.7%	6.5%	8.1%	4.0%	11.0%	-6.9%	6.5%	5.7%	6.0%	6.5%	7.0%	
Free Cash Flow													
EBIT		365.4	353.6	338.5	259.9	381.3	230.5	274.3	274.4	277.0	279.4	281.8	
Tax Expense		(131.0)	(125.5)	(120.0)	(153.1)	(87.6)	(69.2)	(82.3)	(82.3)	(83.1)	(83.8)	(84.5)	
D&A		138.1	142.7	135.3	128.4	118.0	115.4	135.3	137.6	141.3	145.2	149.1	
Capital Expenditures		(229.8)	(135.0)	(143.7)	(83.8)	(114.9)	(249.9)	(161.0)	(163.8)	(168.2)	(172.8)	(177.5)	
Changes in NWC		(62.1)	12.8	40.3	28.1	16.9	(256.0)	36.6	0.3	(3.5)	(3.5)	(3.5)	
Unlevered Free Cash Flow		80.6	248.6	250.5	179.5	313.7	(229.1)	202.9	166.2	163.6	164.6	165.5	
Valuation Summary													
Current Price		\$ 23.02											
Target Price		\$ 26.02											
Total Return		13.0%											
Recommendation		HOLD											
DCF Valuation													
Perpetuity Growth Implied Price		\$ 26.39											
Exit Multiple Implied Price		\$ 28.73											
Comps Valuation													
Comps - EV/EBITDA Implied Price		\$ 25.38											
Comps - P/E Implied Price		\$ 40.04											

Appendix 2: Discounted Cash Flow Analysis

	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Apr-19	Jul-19	Oct-19	Jan-20	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24	Jan-25
(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	1.5%														
Expected market return	8.3%														
Market Risk Premium	6.8%														
Beta	0.78														
Cost of Equity	6.8%														
Cost of Debt															
Pre-tax cost of debt	7.0%														
Effective tax rate	30.0%														
Cost of Debt	4.9%														
WACC															
Market value of equity	2,270.4														
Market value of debt	1,179.7														
Total Capitalization	3,450.1														
Cost of equity	6.8%														
Cost of debt	4.9%														
WACC	6.2%														
Free Cash Flow															
EBIT	365.4	353.6	338.5	259.9	381.3	40.0	78.1	75.3	37.2	230.5	274.3	274.4	277.0	279.4	281.8
Less: Tax expense	(131.0)	(125.5)	(120.0)	(153.1)	(87.6)	(10.1)	(21.2)	(20.2)	(11.2)	(69.2)	(82.3)	(82.3)	(83.1)	(83.8)	(84.5)
Add: Depreciation and amortization	138.1	142.7	135.3	128.4	118.0	27.8	27.6	28.2	31.8	115.4	135.3	137.6	141.3	145.2	149.1
Less: Capital expenditures	(229.8)	(135.0)	(143.7)	(83.8)	(114.9)	(37.7)	(78.7)	(54.7)	(78.8)	(249.9)	(161.0)	(163.8)	(168.2)	(172.8)	(177.5)
Less: Change in net working capital	(62.1)	12.8	40.3	28.1	16.9	(91.4)	(103.0)	(76.4)	(256.0)	36.6	0.3	(3.5)	(3.5)	(3.5)	(3.5)
Unlevered Free Cash Flow	80.6	248.6	250.5	179.5	313.7	(71.4)	(97.3)	(47.8)	(21.0)	(229.1)	202.9	166.2	163.6	164.6	165.5
Discount factor						-	-	-	0.25	0.25	1.25	2.25	3.25	4.25	5.25
Present Value of Unlevered Free Cash Flow						-	-	-	(20.7)	(20.7)	191.7	145.3	134.6	127.6	120.8
Discounted Cash Flow Valuations															
Perpetuity Growth Method				Exit Multiple Method				WACC							
Perpetuity Growth Rate	2.0%	Terminal EV/EBITDA Multiple		10.0 x		Perpetuity Growth Rate		WACC							
PV sum of unlevered FCF	699.3	PV sum of unlevered FCF		699.3		1.00%		\$ 16.38	\$ 18.81	\$ 21.72	\$ 25.28	\$ 29.73			
Terminal value	2,916.4	Terminal value		3,147.1		1.50%		\$ 18.17	\$ 21.01	\$ 24.48	\$ 28.82	\$ 34.40			
Enterprise Value	3,615.8	Enterprise Value		3,846.4		2.00%		\$ 20.33	\$ 23.71	\$ 27.94	\$ 33.37	\$ 40.62			
Add: Cash	167.1	Add: Cash		167.1		2.50%		\$ 22.96	\$ 27.08	\$ 32.38	\$ 39.44	\$ 49.33			
Less: Debt	1,179.7	Less: Debt		1,179.7		3.00%		\$ 26.24	\$ 31.41	\$ 38.30	\$ 47.94	\$ 62.40			
Less: Other EV adjustments	-	Less: Other EV adjustments		-											
Equity Value	2,603.2	Equity Value		2,833.8											
Shares outstanding	98.6	Shares outstanding		98.6											
Implied Share Price	\$ 26.39	Implied Share Price		\$ 28.73											
Current Price	\$ 23.02	Current Price		\$ 23.02											
Implied Price	\$ 26.39	Implied Price		\$ 28.73											
Total Return	14.7%	Total Return		24.8%											

Appendix 3: Comparable Company Analysis

Comparable Company Analysis											
(Figures in mm USD)				EV/EBITDA Multiple			P/E Multiple				
Company	Ticker	Equity Value	Enterprise Value	2018A	2019E	2020E	2018A P/E	2019E P/E	2020E P/E		
				EV/EBITDA	EV/EBITDA	EV/EBITDA					
Nordstrom, Inc.	(NYSE: JWN)	6,352.3	10,677.3	7.3 x	7.0 x	7.1 x	14.3 x	11.9 x	12.0 x		
Abercrombie & Fitch	(NYSE: ANF)	1,085.8	2,435.0	8.3 x	9.1 x	10.1 x	15.2 x	14.4 x	23.4 x		
Zumiez Inc.	(NASDAQ: ZUM)	891.1	1,179.4	12.2 x	11.9 x	12.1 x	19.0 x	15.6 x	16.0 x		
Aritzia Inc.	(TSX: ATZ)	2,109.9	2,533.5	20.1 x	12.2 x	13.1 x	38.2 x	27.5 x	29.5 x		
Urban Outfitters, Inc.	(NASDAQ: URE)	2,408.8	4,023.5	9.6 x	9.8 x	9.8 x	12.6 x	10.5 x	11.2 x		
Median					10.5 x	11.1 x		15.0 x	19.7 x		
Mean					10.1 x	10.6 x		17.3 x	20.2 x		
High					12.2 x	13.1 x		27.5 x	29.5 x		
Low					7.0 x	7.1 x		11.9 x	12.0 x		
				EV/EBITDA Implied Price			P/E Implied Price				
Median				\$	27.22	\$	29.62	\$	34.61	\$	42.90
Mean				\$	25.38	\$	27.59	\$	40.04	\$	44.07
High				\$	34.32	\$	38.03	\$	63.44	\$	64.41
Low				\$	12.74	\$	13.09	\$	27.48	\$	26.09

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Szarrii Lim
Analyst

WestPeak Research Association
contact@westpeakresearch.com