

RESEARCH DEPARTMENT

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Companies mentioned in this report
(price as 12/12/18 market close)

Ticker	Price 12/12/18	MTD Δ
LULU.O	\$ 122.65	-7.5%
COLM.O	\$ 87.74	-3.9%
UAA.N	\$ 19.81	-21.4%
SKX.N	\$ 24.25	-12.9%
TIF.N	\$ 85.94	-8.0%
NKE.N	\$ 74.32	-2.9%
KORS.N	\$ 38.83	-14.3%
TPR.N	\$ 36.04	-10.5%
ULTA.N	\$ 255.26	-14.3%
YETI.N	\$ 13.90	-22.5%
GOOS.N	\$ 58.41	-18.8%
ELY.N	\$ 16.84	-3.8%
AEO.N	\$ 19.59	-11.4%

VOLUME 2, ISSUE 1

What's happening?

- **AEO released Q3'18 results.** On 12.12.18, AEO released revenue miss and EPS miss Q3'18 results as well as a lower-than-expected Q4'18 guidance.
- **LULU released Q3'18 results.** On 12.6.18, LULU released revenue beat and EPS beat Q3'18 results as well as an inline Q4'18 guidance.
- **ULTA released Q3'18 results.** On 12.6.18, ULTA released GM miss and EPS miss Q3'18 results as well as an inline Q4'18 guidance.
- **AMER Sports is acquired by ANTA and its partners.** On 12.7.18, ANTA released an update on acquisition of AMER Sports. Upon completion, ANTA and its partners will take over 90% of AMER's shares, dividing as ANTA SPV 57.95%, FV Partners 15.77%, LULU's founder, Chip Wilson, 20.65% and Tencent 5.63%. The offer is based on EUR 40/share, representing 39% stock premium on the date of announcement, to a total value of EUR 4.6bn. A further update is expected to be released on Dec 20, 2018.
- **ELY to acquire Jack Wolfskin of Germany for EUR 418mn (~USD 476mn).** The offering price is equivalent to 12 times of Jack's 2018 EBITDA. The deal is expected to close in Q1'19 upon the financing term approval by BofA Merrill Lynch and JP Morgan.
- **UA to host an investor day on 12.12.18 to discuss company's new 5-year-plan.** The new guidance was disappointed. The stock was down 10%, and many analysts lowered their price target.
- **TPR's CFO Kevin Wills resigns.** His last day in TPR will be Feb 8, 2019.
- **NKE extends Heidi O'Neill's leadership role.** Heidi O'Neill's role extends to NKE's physical retail stores and NIKE.com given Heidi O'Neill's remarkable experience in NKE Direct.

- **COLM announced John Soh as Vice President and General Manager of China.** The COLM management thinks John Soh's extensive experience in China's footwear industry is a great asset for COLM.
- **COLM announced Peter Ruppe as Vice President of Footwear.** The COLM management thinks Ruppe is the true leader to meet company's expansion goals. Ruppe joined COLM from Under Armour.

Retail Market Perspective:

- **U.S. Market: holiday is coming, and weather is cooling.** During this holiday season, we expect 4-5% YoY growth given hourly earnings growth at 3.1% YoY and low unemployment rate at 3.7%. According to Weather Trends International, cooler weather is expected in November and December this year. Thus, outwears start to show a strong selling signal on both high-end and off-price with 8% and 13% YoY, respectively. Particularly, younger generation appreciates more on product innovation and technology; thus, we think this created good opportunity for LULU, COLM and GOOS.
- **China Market: The nerve was eased from China's tightened tourism policy and enforced boarder check.** The consumer confidence indicator shows soften in Q3'18 but stopped dropping down in Q4'18 in domestic China. It offsets the concern on cut of Chinese tourism international spending on luxury goods. We think this is a good signal for TIF, TPR and KORS.

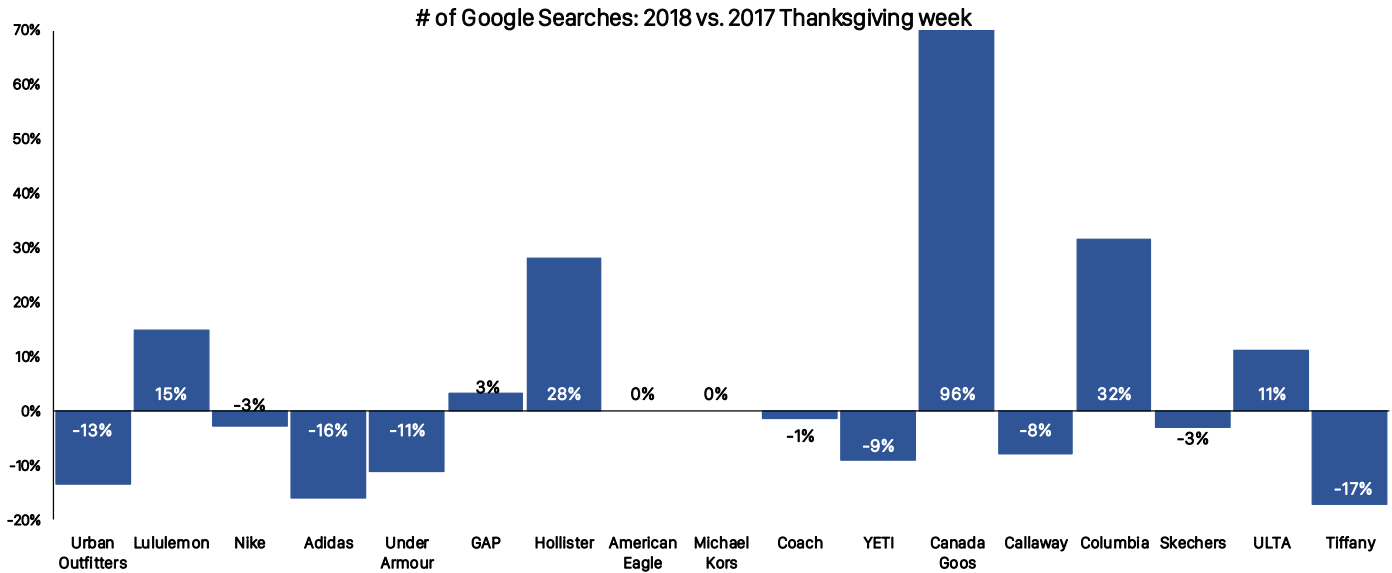
Data Tracker:

- **Online traffic:** We tracked this year's Thanksgiving week (including Black Friday but excluding Cyber Monday) google search by retail brands vs. last year. Due to the upcoming cold weather, GOOS and COLM searches are up 96% and 32% YoY while searches for Adidas and Under Armour are down 16% and 11% YoY, respectively. See Exhibit 1
- **US Macro Economics:**
 - **Unemployment rate:** in November 2018, the unemployment rate reached to the new low at 3.7%, down 10.8% YoY, flat MoM.
 - **New jobs:** Total nonfarm payroll employment increased by 155,000 in November.
 - **Hourly earnings:** Hourly wages are up 2.3% MoM in service-providing sector and up 5.5% MoM in clothing-service in October.
- **Consumer confidence indicator**
 - **US:** YTD, the US consumer confidence indicator is remains flat.
 - **China:** YTD, the Chinese consumer confidence indicator is down 1.44% to 103 from 104.5 in January.
- **Short interest tracker:** The latest short interest data with an 11/15/18 settlement was released on 11/27/18. Short interest, when compared with the 11/15/18 settlement data, is up 19.63% for UAA and up 11.52% for AEO.
- **Stock Performance:** Over the past week, the retail index underperformed S&P 500, led by UAA down 20.0% and YETI down 15.5% as of 12/13/18 market close.

What's coming up?

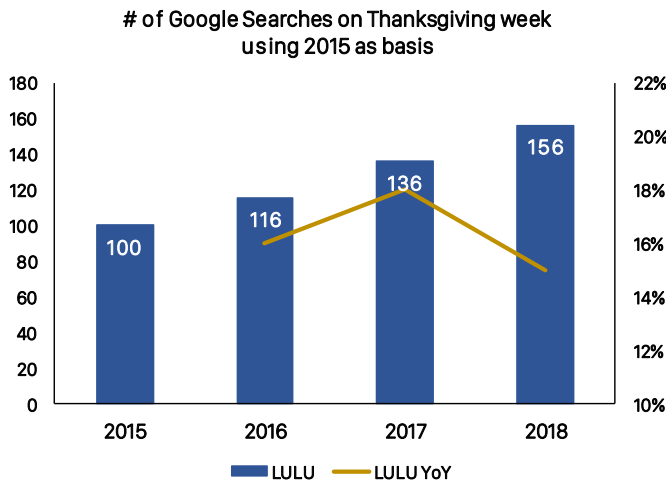
Date	Ticker	Company Name	Event	Location
12/20/18	NKE	Nike	Q2'19 Earnings Release	Oregon, US
12/20/18	ANTA	Anta Sport	Update on AMER Sports	Hong Kong, China

Exhibit 1: We tracked this year's Thanksgiving week (including Black Friday but excluding Cyber Monday) google search by retail brands vs. last year. Due to the upcoming cold weather, GOOS and COLM searches are up 96% and 32% YoY while searches for Adidas and Under Armour are down 16% and 11% YoY, respectively.



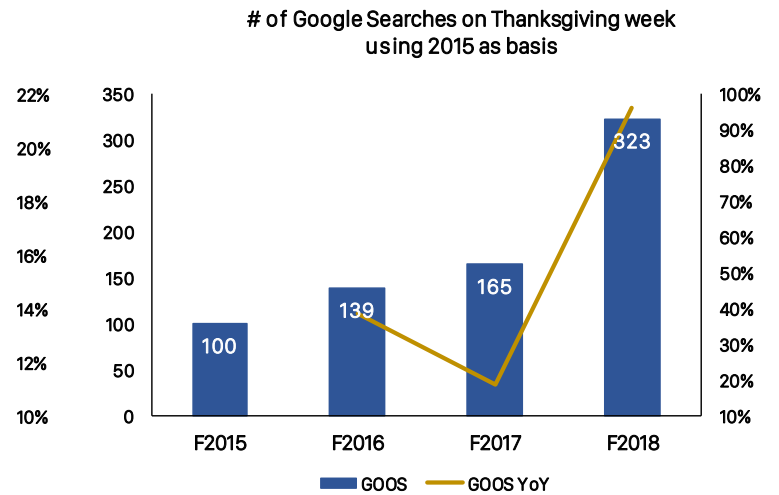
Source: Google Trends, Grandation

Exhibit 2: LULU' Thanksgiving search has grown gradually from 2015 to 2018.



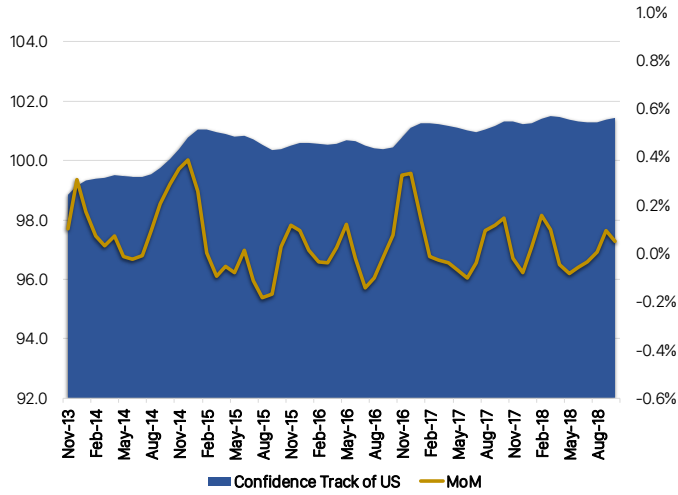
Source: Google Trends, Grandation

Exhibit 3: In 2018, GOOS's Thanksgiving week search has increased 96% YoY.



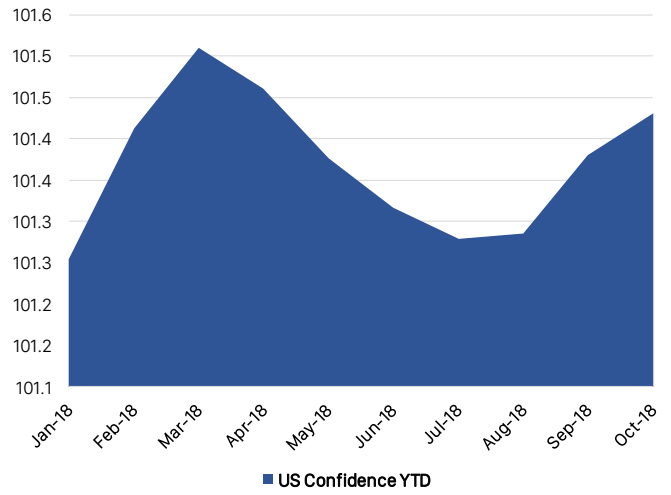
Source: Google Trends, Grandation

Exhibit 4: The US consumer confidence indicator has gradually grown over the past 5 years.



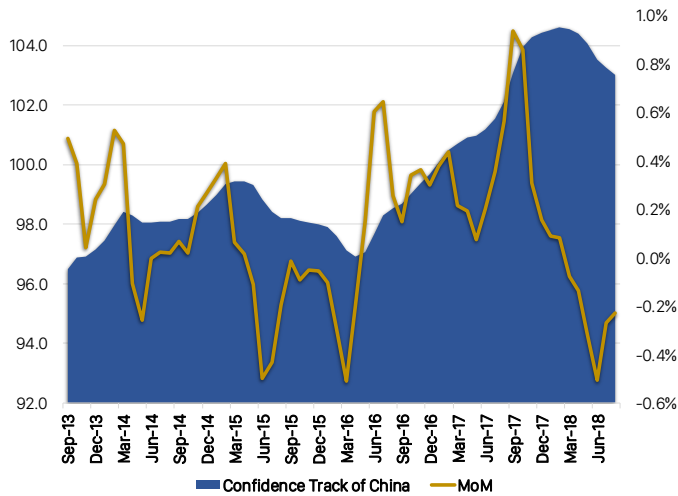
Source: Federal Reserve Economic Data, Grandation

Exhibit 5: YTD, the US consumer confidence indicator has remained flat.



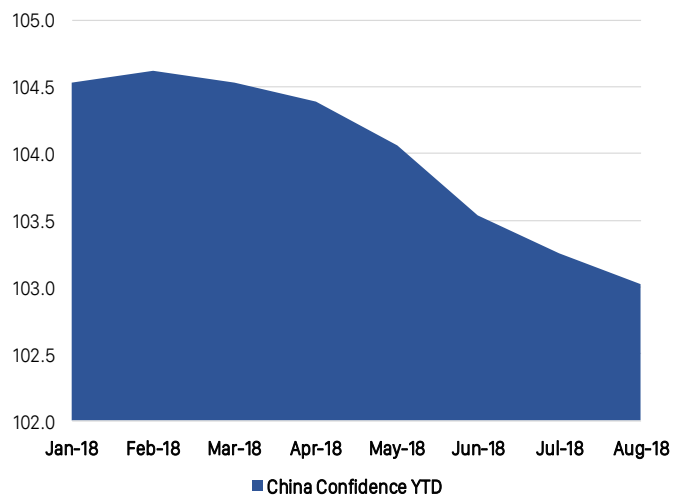
Source: Federal Reserve Economic Data, Grandation

Exhibit 6: The overall Chinese consumer confidence indicator has increased in the past 5 years.



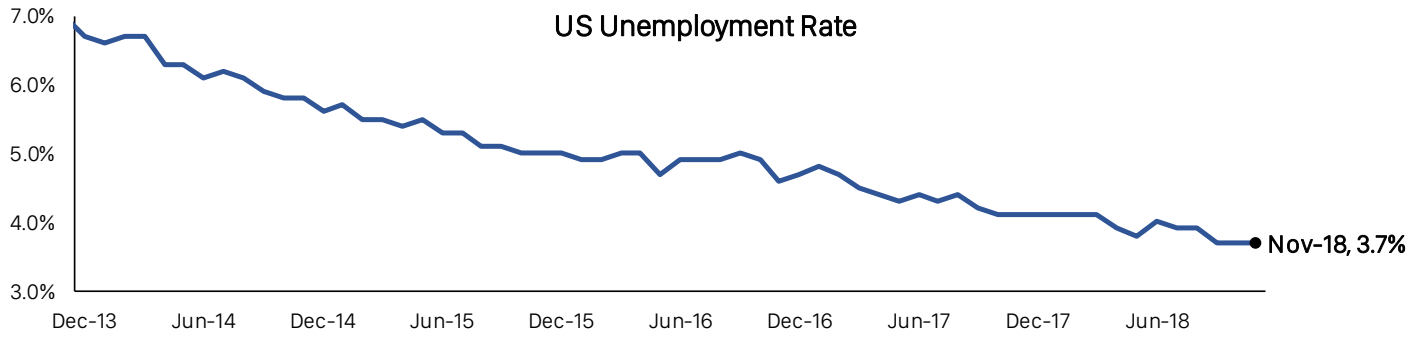
Source: Federal Reserve Economic Data, Grandation

Exhibit 7: YTD, the Chinese consumer confidence is down 1.44% to 103 in August from 104.5 in January.



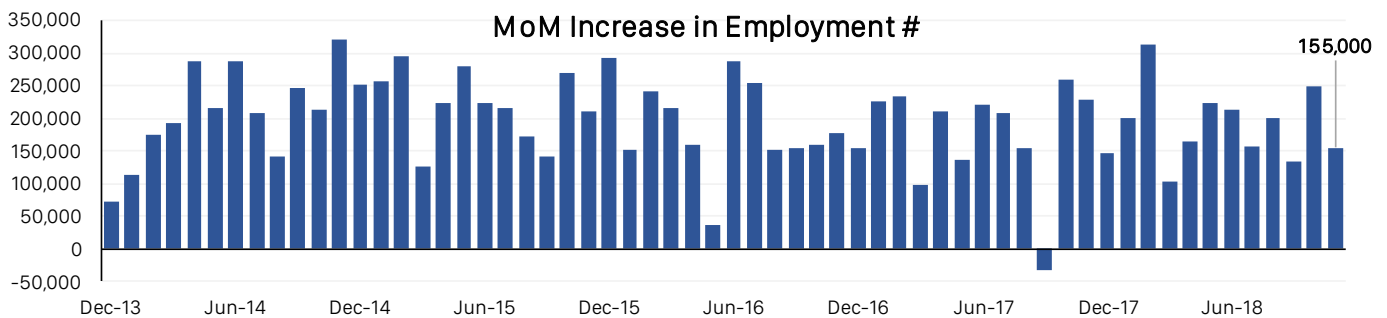
Source: Federal Reserve Economic Data, Grandation

Exhibit 8: in November 2018, the unemployment rate of United States reached to new low in the last 5 years at 3.7%, down 10.8% YoY, flat MoM.



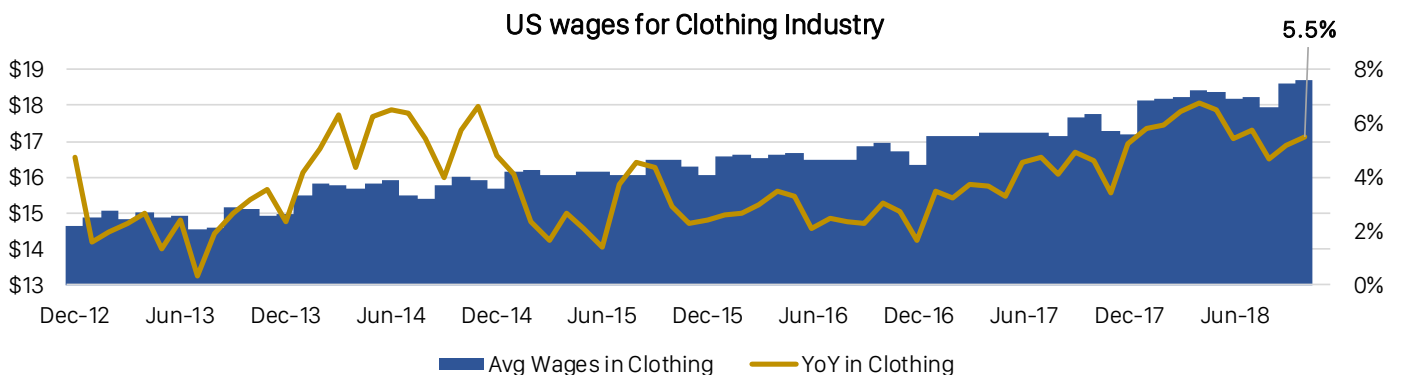
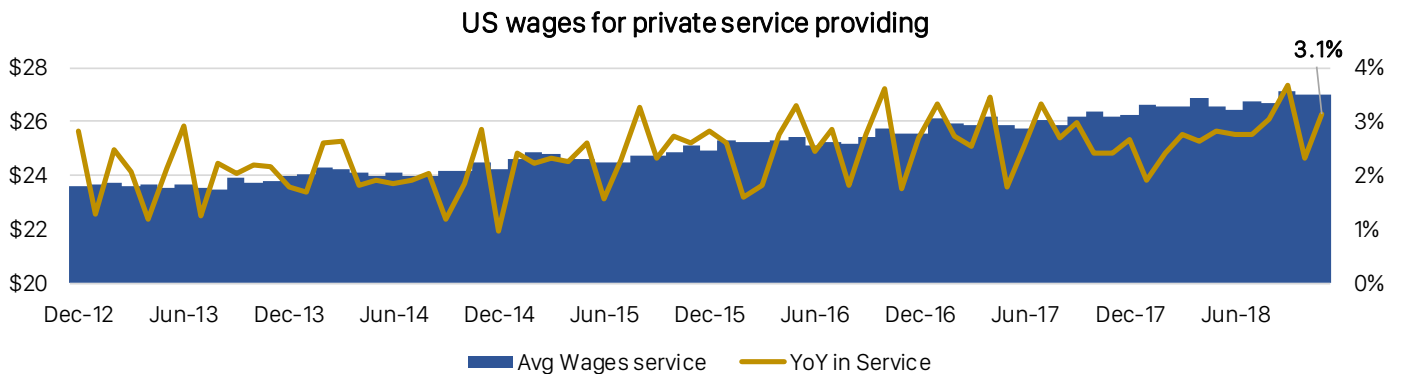
Source: Bureau of Labor Statistics, Grandation

Exhibit 9: Total nonfarm payroll employment increased by 155,000 in November.



Source: Bureau of Labor Statistics, Grandation

Exhibit 10: Hourly wage are up 2.3% MoM in service-providing in general and up 5.5% in clothing for Oct'18.



Source: Bureau of Labor Statistics, Grandation

Exhibit 11: AEO released disappointing earnings on 12/11/18 while most of the companies delivered health earnings in Q3'18.

Ticker	Company Name	Earnings Release	Sales	GM	EBIT	EPS
SKX	Skechers	10/18/2018	Miss	Miss	Beat	Beat
ELY	Callaway	10/24/2018	Beat	Beat	Beat	Beat
COLM	Columbia	10/25/2018	Miss	Beat	Beat	Beat
TPR	Tapestry	10/30/2018	Beat	Beat	Miss	Beat
UA	Under Armour	10/30/2018	Beat	Beat	Beat	Beat
KORS	Michael Kors	11/7/2018	Miss	Beat	Beat	Beat
GOOS	Canada Goose	11/14/2018	Beat	Beat	Beat	Beat
TIF	Tiffany	11/28/2018	Miss	Beat	Miss	Flat
YETI	YETI	11/29/2018	Beat	Beat	Miss	Beat
ULTA	Ulta Beauty	12/6/2018	Beat	Miss	Miss	Beat
LULU	Lululemon	12/6/2018	Beat	Beat	Beat	Beat
AEO	American Eagles	12/11/2018	Miss	N/A	Miss	Flat

Exhibit 12: The latest short interest data with an 11/15/18 settlement was released on 11/27/18.

Ticker	3mon avg daily volume	Short Interest	Days To Cover	Company Shares	Free Float	% of Free Float	Short interest /Float	Short interest /Float vs. Prior (% change)
TIF.N	423,017	6,221,856	2.99	121,897,160	120,756,968	99.05	5.15%	1.39%
NKE	7,723,910	11,593,859	1.65	1,588,108,352	1,258,076,061	98.82	0.92%	-0.01%
KORS.K	3,138,447	4,838,141	1.31	150,232,617	143,262,590	95.36	3.38%	0.25%
TPR	3,639,716	4,274,190	1.06	289,795,992	289,296,354	99.81	1.48%	-0.67%
YETI.K	NULL	2,612,287	1.49	84,196,079	74,965,359	89.02	3.48%	1.46%
LULU.O	2,131,409	5,584,258	2.86	132,403,995	104,555,340	85.26	5.34%	0.36%
UAA	5,712,354	36,712,514	6.08	448,366,397	186,979,508	99.59	19.63%	-0.32%
GOOS.TO	454,730	561,359	1.21	109,675,380	48,013,799	84.50	1.17%	0.05%
ELY	1,326,905	7,703,998	5.35	94,502,035	88,402,082	93.44	8.71%	0.69%
COLM.O	292,671	881,218	2.65	69,005,295	31,032,906	41.84	2.84%	1.02%
AEO	4,620,478	19,300,013	4.39	177,365,947	167,366,655	94.37	11.53%	0.16%
SKX	2,758,477	12,090,992	4.39	158,043,570	130,681,657	97.61	9.25%	0.08%
ULTA.O	1,066,259	2,863,777	2.68	59,312,145	56,208,550	94.77	5.09%	0.03%

Exhibit 13: Over the past week, retail index underperformed the S&P 500, led by UAA down 20% WoW and YETI down 15.5% as of market close on 12/13/18

Ticker	Name	Price	Market		WTD	MTD	YTD
			Cap (\$bn)				
.SPX	Standard & Poor's Corp	2651.07	NA		0.7%	-4.0%	-0.9%
XRT	Spdr S&P Retail Etf	43.69	NA		-1.8%	-8.3%	-5.9%
Company							
AEO.N	American Eagle Outfitters Inc	19.59	3.47		-2.2%	-11.4%	-1.3%
COLM.O	Columbia Sportswear Co	87.74	6.05		-4.3%	-7.4%	17.6%
ELY.N	Callaway Golf Co	16.84	1.59		-0.7%	-3.8%	18.3%
GOOS.N	Canada Goose Holdings Inc	58.41	6.39		-6.4%	-18.8%	73.3%
KORS.N	Michael Kors Holdings Ltd	38.83	5.83		-7.4%	-14.3%	-40.4%
LULU.O	Lululemon Athletica Inc	122.65	16.24		5.6%	-9.3%	52.9%
NKE.N	Nike Inc	74.32	118.03		-0.6%	-2.9%	16.6%
SKX.N	Skechers USA Inc	24.25	3.83		-4.4%	-12.9%	-37.9%
TIF.N	Tiffany & Co	85.94	10.48		-2.6%	-8.0%	-19.4%
TPR.N	Tapestry Inc	36.04	10.44		-1.4%	-10.5%	-21.3%
UAA.N	Under Armour Inc	19.81	8.70		-20.0%	-21.4%	30.1%
ULTA.N	Ulta Beauty Inc	255.26	15.13		-1.0%	-15.6%	0.0%
YETI.N	Yeti Holdings Inc	13.90	1.17		-15.5%	-22.5%	0.0%

Exhibit 14: YTD, most sportswear brands (Except Skechers) outperformed the S&P and Spdr retail ETF.

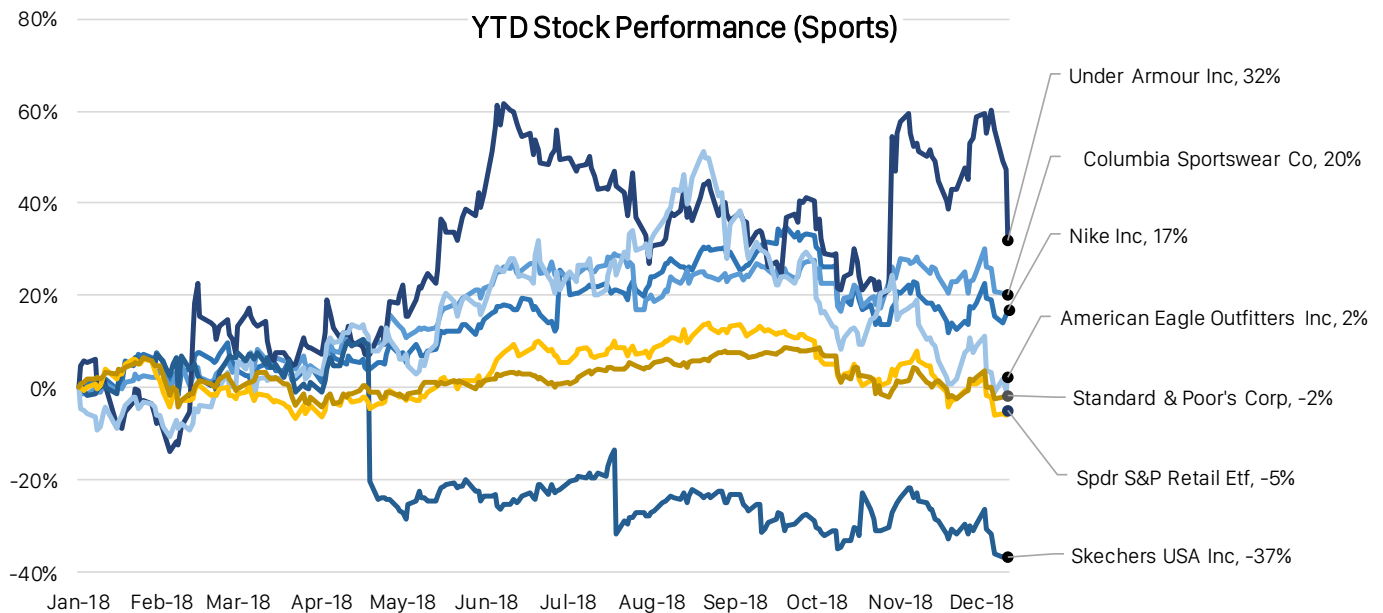


Exhibit 15: YTD, the USD has appreciated against the CNY, CAD and JPY but depreciated against EUR and GBP.

Currency	12/13/18	12/6/18	WoW Δ	YTD Δ	YoY Δ
USD/EUR	0.880	0.879	0.1%	5.7%	4.1%
USD/JPY	113.620	112.660	0.9%	0.9%	1.0%
USD/CNY	6.880	6.882	0.0%	5.7%	4.0%
USD/GBP	0.790	0.782	1.0%	6.7%	6.0%
USD/CAD	1.335	1.338	-0.2%	6.4%	4.2%
USD/INR	71.520	70.840	1.0%	12.3%	11.0%

Exhibit 16: EUR vs. USD depreciated 0.1% WoW to 0.88.

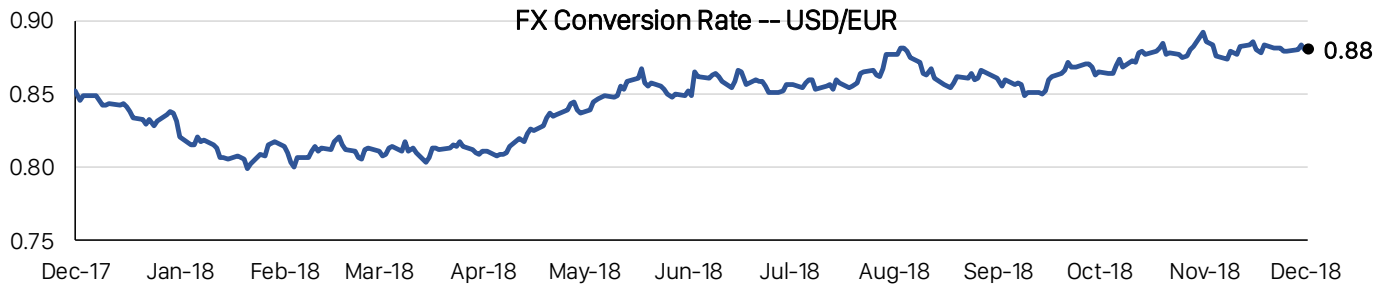


Exhibit 17: WoW, CNY vs. USD is flat WoW at 6.88.

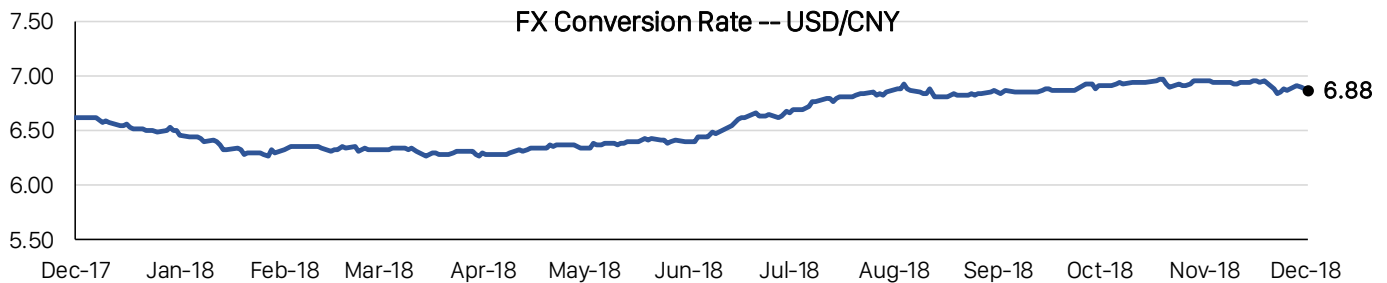


Exhibit 18: CAD vs. USD appreciated 0.2% WoW to 1.34.

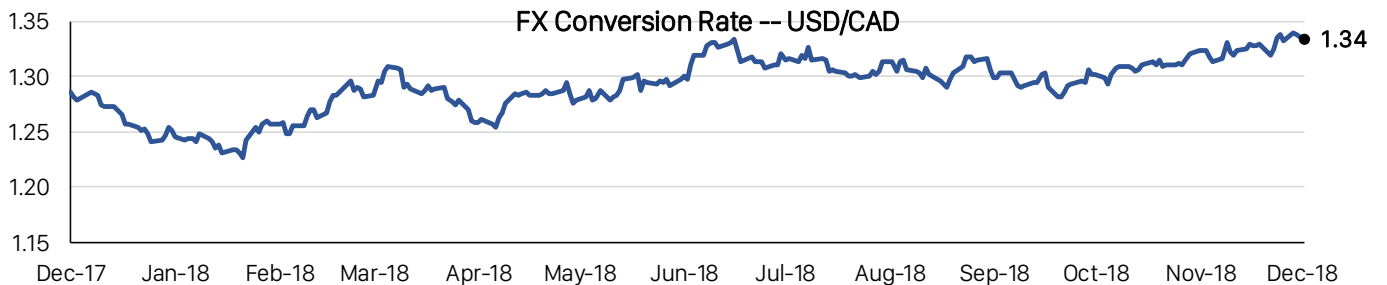


Exhibit 19: GBP vs. USD depreciated 1.0% WoW to 0.79.

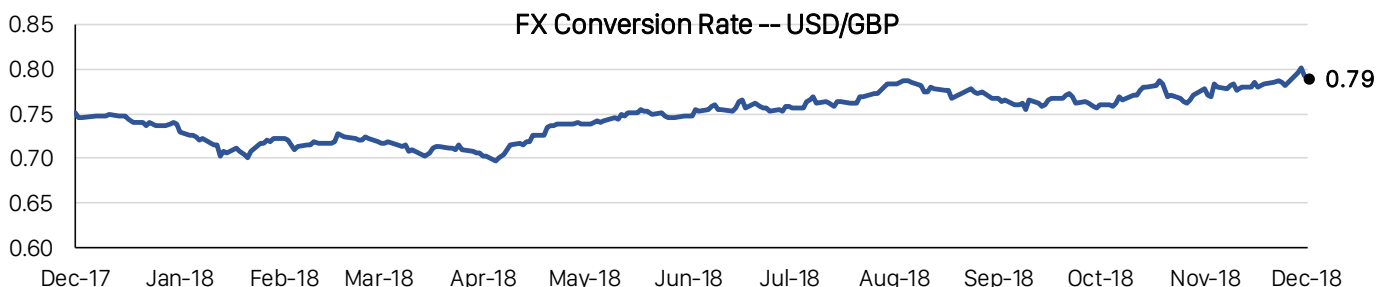


Exhibit 20: Valuation/Comp Sheet

Ticker	Company	Market Cap (\$bn)	Price 12/13/18	YTD Δ	MTD Δ	Revenue Growth		EPS		FCF Yield	EV /Sales	EV /EBITDA	PE			PEG	ROIC	Div. Yield
						This yr /Last yr	Next yr /this yr	FY0	FY1				FY1	FY1	LTM			
LULU.O	Lululemon Ath	16.24	122.65	56.1%	-7.5%	22.6%	13.4%	3.69	4.34	2.6%	5.2x	19.1x	36.8x	33.2x	28.3x	1.5x	31.3%	NULL
COLM.O	Columbia Spor	6.05	87.74	22.1%	-3.9%	10.0%	8.2%	3.62	4.07	3.0%	2.1x	14.6x	38.7x	24.3x	21.6x	2.1x	15.3%	1.1%
UAA.N	Under Armour	8.7	19.81	30.1%	-21.4%	4.2%	4.8%	0.22	0.35	2.0%	2.1x	27.3x	NULL	89.3x	57.2x	2.6x	2.7%	NULL
SKX.N	Skechers USA	3.83	24.25	-37.9%	-12.9%	11.9%	9.3%	1.85	2.00	5.9%	0.7x	6.1x	13.8x	13.1x	12.1x	NULL	14.8%	NULL
TIF.N	Tiffany & Co	10.48	85.94	-19.4%	-8.0%	8.3%	4.5%	4.78	5.22	2.9%	2.4x	10.4x	18.3x	18.0x	16.5x	1.6x	14.6%	2.6%
NKE.N	Nike Inc	118.03	74.32	16.6%	-2.9%	7.6%	7.4%	2.65	3.14	2.9%	3.0x	19.7x	29.6x	28.0x	23.7x	2.0x	28.4%	1.2%
KORS.N	Michael Kors F	5.83	38.83	-40.4%	-14.3%	8.4%	2.8%	5.03	5.28	12.2%	1.3x	5.5x	9.8x	7.7x	7.4x	1.2x	33.4%	NULL
TPR.N	Tapestry Inc	10.44	36.04	-21.3%	-10.5%	4.9%	5.1%	2.79	3.10	8.1%	1.9x	8.2x	14.8x	12.9x	11.6x	1.3x	16.0%	3.7%
ULTA.N	Ulta Beauty In	15.13	255.26	NULL	-14.3%	13.9%	11.9%	10.89	12.75	3.8%	2.2x	13.0x	22.5x	23.4x	20.0x	1.2x	34.7%	NULL
YETI.N	Yeti Holdings ll	1.17	13.90	NULL	-22.5%	NaN	11.9%	0.81	0.93	10.2%	2.0x	10.7x	31.7x	17.1x	15.0x	0.4x	NaN	NULL
GOOS.N	Canada Goose	6.39	58.41	73.3%	-18.8%	38.0%	25.3%	1.31	1.67	NaN	10.2x	36.1x	79.0x	59.1x	46.1x	1.9x	22.1%	NULL
ELY.N	Callaway Golf (1.59	16.84	18.3%	-3.8%	18.1%	3.8%	1.06	1.12	7.6%	1.2x	10.0x	13.5x	15.9x	15.1x	NULL	16.4%	0.2%
AEO.N	American Eagl	3.47	19.59	-1.3%	-11.4%	6.3%	5.5%	1.47	1.61	8.3%	0.8x	6.1x	14.0x	13.3x	12.1x	1.0x	21.5%	2.8%