

RESEARCH DEPARTMENT

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

Ticker	Price 12/31/18	MTD Δ
NKE.N	\$ 73.34	-1.3%
AEO.N	\$ 18.98	-7.6%
COLM.O	\$ 84.43	-7.9%
LULU.O	\$ 121.40	-8.3%
ELY.N	\$ 15.28	-10.7%
TIF.N	\$ 79.12	-11.5%
KORS.N	\$ 37.18	-13.3%
TPR.N	\$ 33.81	-13.3%
SKX.N	\$ 23.16	-15.2%
UAA.N	\$ 17.52	-26.0%
GOOS.N	\$ 41.78	-35.1%

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The retail radar: Strongest holiday sales in 6 years

Although it is a tough year for certain retailers (over 13 mega-retailers filed Chapter 11 this year), retail is having the best holiday season in 6 years for both stores and online shopping.

What's happening?

- **US holiday season retail sales grew 5.1% to 850bn. (upside: ▲ for LULU and NKE).** According to Mastercard SpendingPulse, online shopping gained 19.1% compared to 2017. Total apparel grew at 7.9% YoY, strongest since 2010, as well as home improvement grew at 9% YoY. Department stores decline 1.3% partly due to store closings, while department stores' online sales grew 10.2%.
- **Amazon claims record-breaking holiday season by items sold (upside: ▲ for AMZN).** The actual number has not been disclosed by AMZN yet. From its recent earnings report, Amazon's projected minimal growth in its Q4'18 guidance, sending stock plunging after earnings.
- **Since 2011, Under Armour has opened the most mall stores while Sears closed the most (upside: ▲ for UAA):**

Retailer	Decline, 2011-2016	Retailer	Increase, 2011-2016
Sears	-130	Under Armour	39
JCPenney	-101	H&M	30
Macy's	-89	Michael Kors	28
Dillard's	-63	Kate Spade	27
Belk	-26	American Eagle	25
Target	-22	The North Face	21
Best Buy	-22	Dick's Sporting Goods	19
Bed, Bath & Beyond	-22	Nike	19
Kohl's	-20	Adidas	17
Burlington	-19	Armani Outlet	14

- **Chairman Lampert bids on Sears to prevent liquidation (upside: ▲ for SHLDQ).** On 12.28.18, Sears Chairman Lampert submitted the last-minute bid of \$4.4bn to relieve Sears from liquidation through his Hedge Fund affiliate, Transform Holdco. The offer includes \$1.3 bn financing from committed investment banks.
- **LULU partners with Penguin Random House for book selling (upside: ▲ for LULU).** On 12.26.18, LULU announced to collaborate with Penguin Random House to sell books in LULU's HUB at NYC's Flatiron building. We think the action will further transform LULU from a sole apparel company to a fully integrated lifestyle retailer.
- **Michael Kors announced name changing.** On 12.31.18, KORS announced to change its name to Capri and its ticker to CPRI from KORS to bolster its luxury brand including Versace.

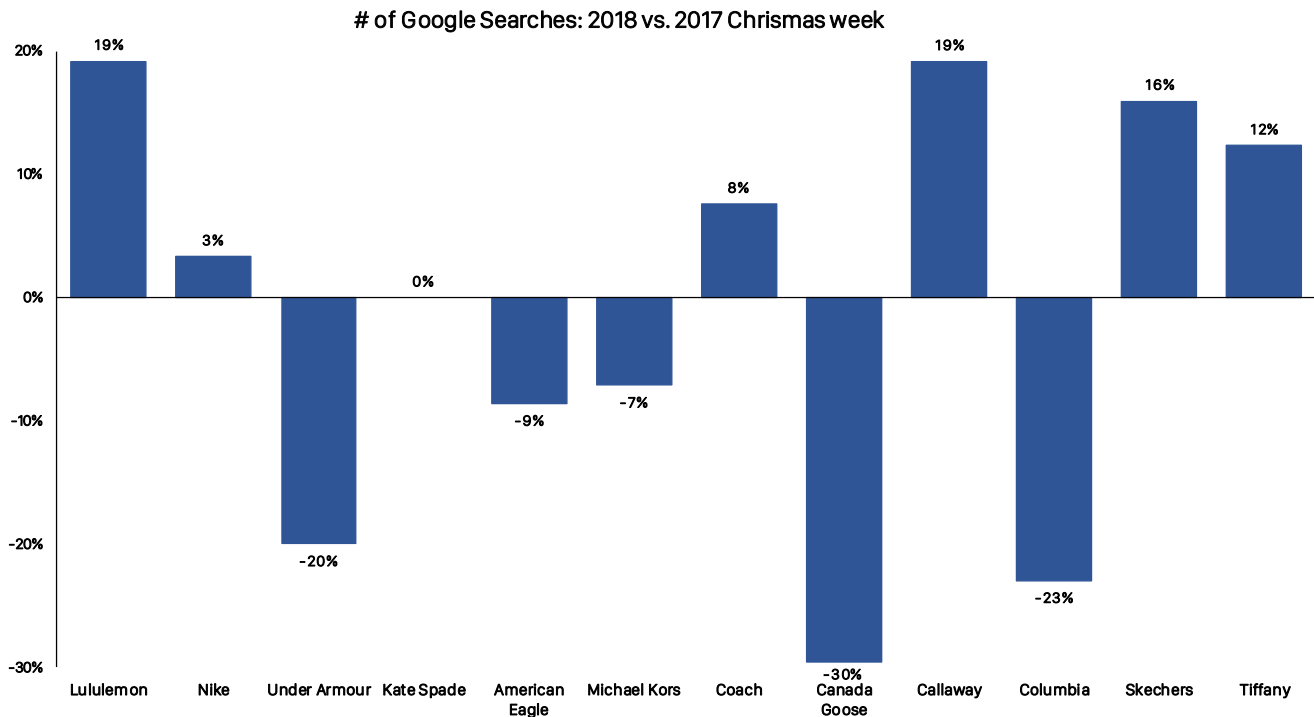
What's coming up?

Date	Ticker	Company Name	Event	Location	Note
1/2/19	KORS	Michael Kors	Name Changing become effective	NYSE	From Michael Kors to Capri Holdings
1/14/19	NA	NA	ICR Conference	Orlando, FL	Global Investment conference

Market Perspective:

- **We tracked this year's Christmas Week google search by retail brands vs. last year (Exhibit 1).** Due to google trend, Lululemon and Callaway searches are up 19% and 19% YoY while searches for Canada Goose and Columbia Sportswear are down 30% and 23% YoY, respectively.
- **We added a table to summarize bankrupt retailers in 2018 (Exhibit 2).** 2018 is a tough year for retailers. Over 13 retailers filed Chapter 11 for bankrupt, including famous retail chain Sears, David Bridal, Mattress Firms, Nine West and the Walking Company.
- **We added the U.S. CPI table (Exhibit 9).** November CPI is 2.4% for all urban consumers, flat MoM. On LTM basis, all items CPI increases 2.2% prior to seasonal adjustment.
- **Short Interest (Exhibit 6):** The latest short interest data with an 12/14/18 settlement was released on 12/26/18. Short interest, when compared with the 11/30/18 settlement data is down 1.45% and 2.72% for AEO and UAA, respectively, and up 0.51% for GOOS.
- **Stock Performance (Exhibit 3-5).** Over the past month, retail index underperformed the S&P 500, led by GOOS down 35.1% WoW and UAA down 26.0% as of market close on 12/31/18.

Exhibit 1: We tracked this year's Christmas Week google search by retail brands vs. last year. Due to google trend, Lululemon and Callaway searches are up 19% and 19% YoY while searches for Canada Goose and Columbia Sportswear are down 30% and 23% YoY, respectively.



Source: Google Trends, Grandation

Exhibit 2: Summary of retailers went bankruptcy in 2018. In 2018, over 13 retailers filed Chapter 11 for bankrupt, including famous retail chain Sears, David Bridal, Mattress Firms, Nine West and the Walking Company.

Date Announced	Company	Ticker	Filing	Proceeds
11/19/2018	David Bridal	N/A	Chapter 11	Reduce \$400mn debt from lenders
10/15/2018	Sears	SHLDQ	Chapter 11	Fail to make a \$134mn debt repayment
10/5/2018	Mattress Firm	N/A	Chapter 11	Restructure in 45-60 days
8/6/2018	National Stores	N/A	Chapter 11	close 74 of its 344 stores
8/3/2018	Gumps	N/A	Chapter 11	close
8/2/2018	Bookstone	N/A	Chapter 11	acquired by Quaker Oats
5/14/2018	Rockport	N/A	Chapter 11	acquired by PE firm Charlesbank Capital
4/6/2018	Nine West	N/A	Chapter 11	acquired by Authentic Brands Group
3/19/2018	Claire's	N/A	Chapter 11	eliminate debt
2/5/2018	Bon-Ton Stores	BONTQ	Chapter 11	execute a turnaournd plan
1/17/2018	Kiko USA	N/A	Chapter 11	close 24 of its 29 stores in the U.S.
1/9/2018	A'gaci	N/A	Chapter 11	Restructure
3/26/2018	The Walking Company	N/A	Chapter 11	Reach agreement on \$60mn equity investment

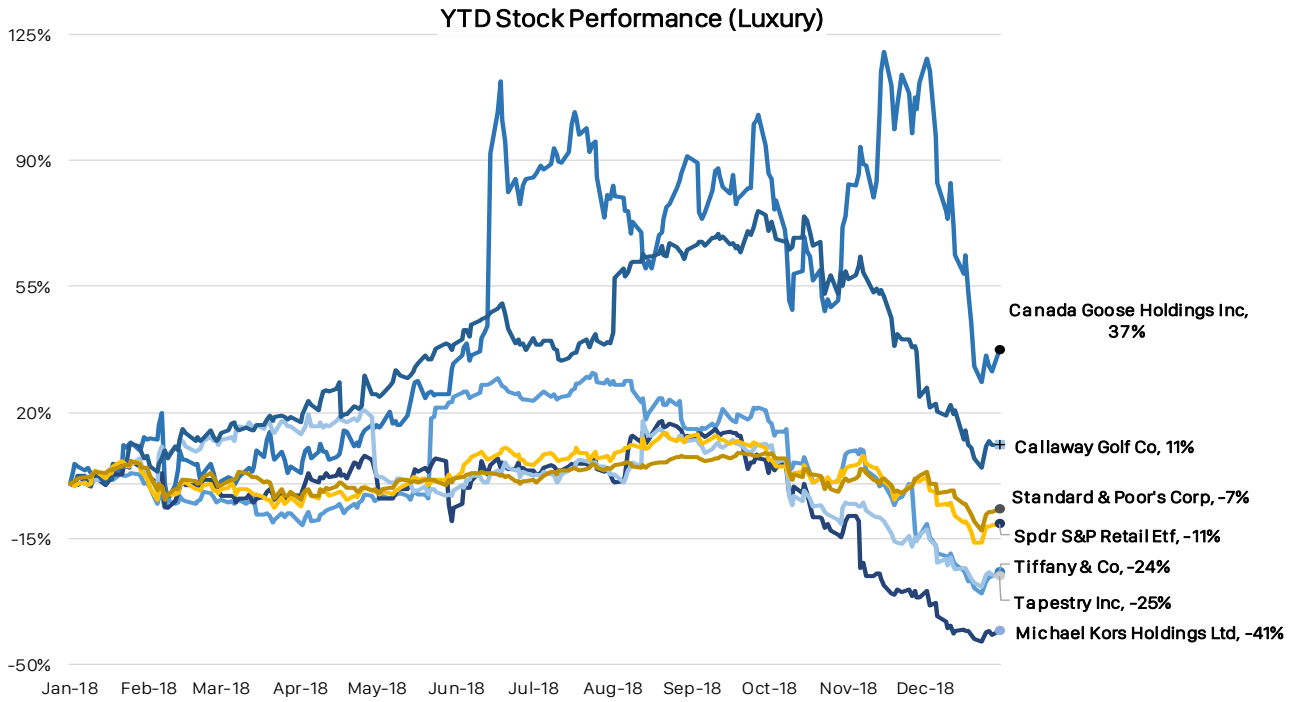
Source: Company Profile, Grandation

Exhibit 3: Stock Performance-----Over the past month, retail index underperformed the S&P 500, led by GOOS down 35.1% WoW and UAA down 26.0% as of market close on 12/31/18.

Ticker	Stock Performance	Price 12.31.18	Market Cap (\$ bn)	WTD Δ	MTD Δ	YTD Δ
xrt	Spdr S&P Retail Etf	40.76	0.51	0.6%	-11.6%	-9.3%
.SPX	Standard & Poor's Corp	2485.74	NA	0.8%	-9.2%	-6.2%
Company						
nke.n	Nike Inc	74.14	117.74	1.1%	-1.3%	18.5%
aeo.n	American Eagle Outfitters Inc	19.33	3.41	1.8%	-7.6%	2.8%
colm.o	Columbia Sportswear Co	84.43	5.83	-0.4%	-7.9%	17.0%
lulu.o	Lululemon Athletica Inc	121.40	16.07	0.2%	-8.3%	54.7%
ely.n	Callaway Golf Co	15.3	1.45	0.1%	-10.7%	9.8%
tif.n	Tiffany & Co	80.51	9.81	1.8%	-11.5%	-22.5%
kors.n	Michael Kors Holdings Ltd	37.92	5.70	2.0%	-13.3%	-39.8%
tpr.n	Tapestry Inc	33.75	9.78	-0.2%	-13.3%	-23.7%
skx.n	Skechers USA Inc	22.89	3.62	-1.2%	-15.2%	-39.5%
uaa.n	Under Armour Inc	17.67	7.58	0.9%	-26.0%	22.5%
goos.n	Canada Goose Holdings Inc	43.72	4.59	4.6%	-35.1%	38.5%

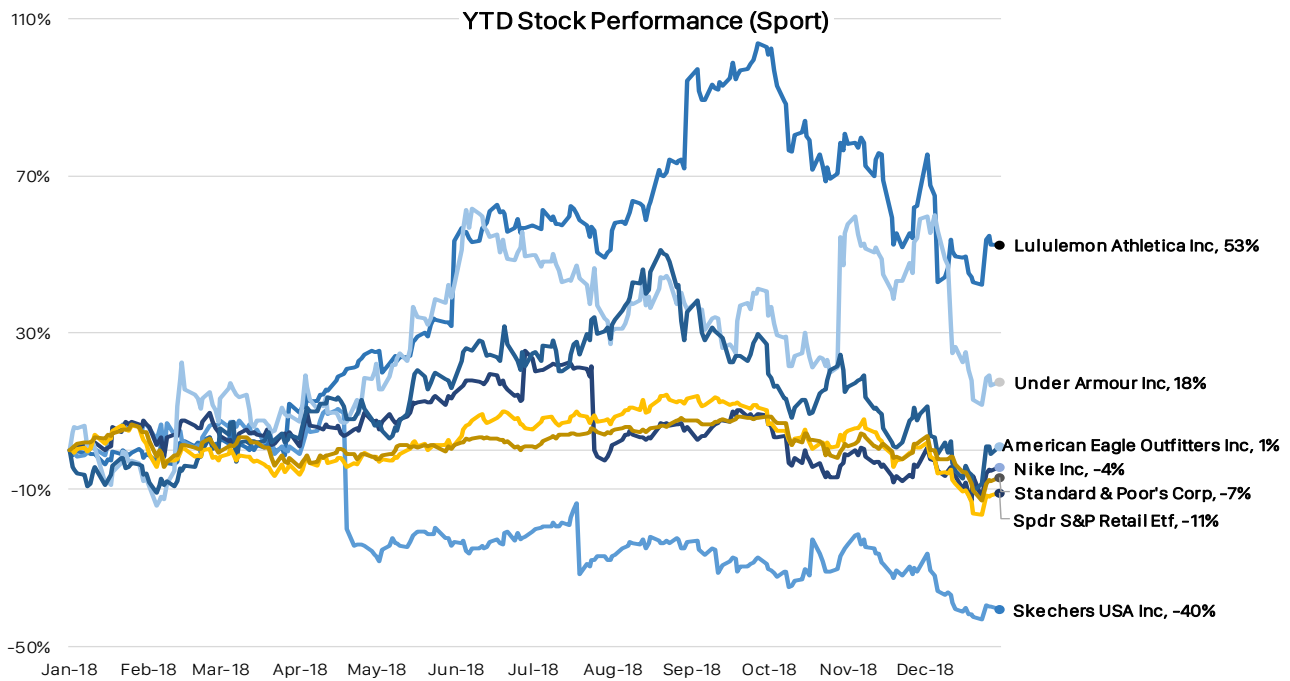
Source: Thomson Reuters, Grandation

Exhibit 4: Selected luxury retailers YTD value derive far from S&P 500 and Retail ETF. GOOS is up 37% YTD, while KORS is down 41% YTD.



Source: Thomson Reuters, Grandation

Exhibit 5: Selected sport retailers YTD value derive far from S&P 500 and Retail ETF. LULU is up 53% YTD, while SKX is down 40% YTD.



Source: Thomson Reuters, Grandation

Exhibit 6: Short Interest Tracker----the latest short interest data with an 12/14/18 settlement was released on 12/26/18. Short interest, when compared with the 11/30/18 settlement data is down 1.45% and 2.72% for AEO and UAA, respectively, and up 0.51% for GOOS.

Ticker	Company	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)
nke.n	Nike Inc	2,067,462	10,405,976	1.53	1,588,108,352	1,258,076,061	98.8%	0.83%	-0.09%
aeo.n	American Eagle Outfitters Inc	1,143,379	16,786,719	3.20	176,432,192	166,447,884	94.3%	10.09%	-1.45%
colm.o	Columbia Sportswear Co	326,795	908,880	2.74	69,005,295	31,032,906	41.8%	2.93%	0.09%
lulu.o	Lululemon Athletica Inc	2,435,934	5,821,920	2.16	132,403,995	104,555,615	85.3%	5.57%	0.23%
ely.n	Callaway Golf Co	311,614	6,780,640	4.99	94,502,035	88,402,082	93.4%	7.67%	-1.04%
tif.n	Tiffany & Co	432,313	6,399,300	2.63	121,897,160	120,756,968	99.0%	5.30%	0.15%
kors.n	Michael Kors Holdings Ltd	730,473	5,143,699	1.27	150,232,617	143,273,590	95.4%	3.59%	0.21%
tpr.n	Tapestry Inc	972,121	5,429,063	1.30	289,795,992	289,296,354	99.8%	1.88%	0.40%
skx.n	Skechers USA Inc	583,416	12,159,410	5.40	158,043,570	130,681,657	97.6%	9.30%	0.05%
uaa.n	Under Armour Inc	1,415,840	31,635,893	5.38	448,366,397	186,979,508	99.6%	16.92%	-2.72%
goos.n	Canada Goose Holdings Inc	414,945	4,835,499	2.11	109,675,380	48,013,799	84.5%	10.07%	0.51%

Source: Thomson Reuters, Grandation

Exhibit 7: 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	N/A	Beat	Beat
AEO	American Eagles	12/11/2018	Miss	N/A	Miss	Flat

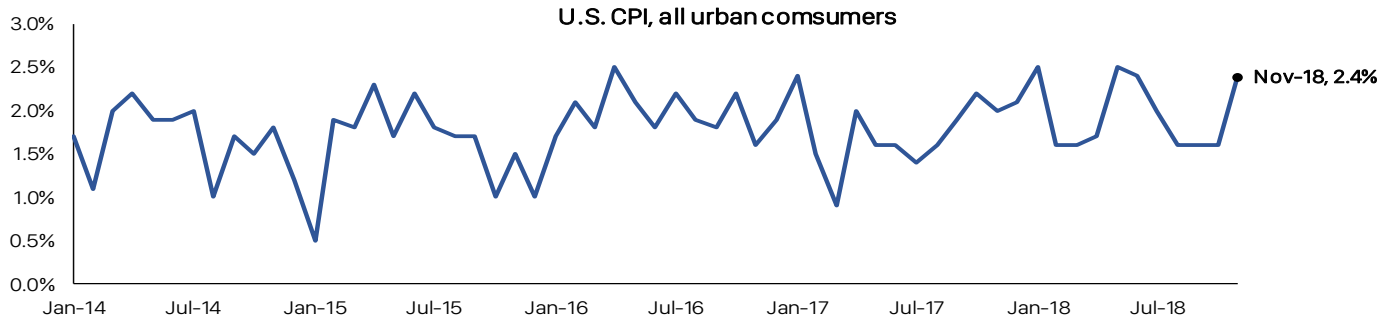
Source: Company Profile, Grandation

Exhibit 8: Valuation/Comp Sheet.

Ticker	Company	Market Cap (\$bn)	Price 12/30/18	YTD Δ		MTD Δ		Revenue Growth		EPS		FCF Yield FY1	EV /Sales FY1	EV /EBITDA FY1	PE		PEG FY1	ROIC	Div. Yield
				This yr /Last yr	Next yr /this yr	FY0	FY1	FY0	FY1	LTM	FY0				FY1				
NKE.N	Nike Inc	116.47	73.34	18.5%	-1.3%	7.9%	7.5%	2.64	3.14	3.2%	3.0x	19.6x	28.9x	27.8x	23.4x	2.0x	29.6%	1.2%	
AEO.N	American Eagle Outfitter	3.35	18.98	2.8%	-7.6%	6.4%	6.1%	1.47	1.61	8.0%	0.7x	5.9x	12.2x	12.9x	11.8x	1.0x	21.4%	2.9%	
COLM.O	Columbia Sportswear Co	5.83	84.43	17.0%	-7.9%	10.0%	8.2%	3.62	4.07	3.1%	2.0x	14.0x	37.1x	23.3x	20.8x	2.0x	15.3%	1.1%	
LULU.O	Lululemon Athletica Inc	16.07	121.40	54.7%	-8.3%	22.6%	13.5%	3.70	4.35	2.6%	4.7x	18.9x	36.5x	32.8x	27.9x	1.3x	31.3%	NA	
ELY.N	Callaway Golf Co	1.44	15.28	9.8%	-10.7%	18.1%	4.6%	1.06	1.12	8.2%	1.1x	9.1x	12.3x	14.5x	13.7x	NA	16.4%	0.3%	
TIF.N	Tiffany & Co	9.64	79.12	-22.5%	-11.5%	8.2%	4.5%	4.77	5.20	3.1%	2.2x	9.6x	17.1x	16.6x	15.2x	1.5x	14.6%	2.8%	
KORS.N	Michael Kors Holdings Lt	5.59	37.18	-39.8%	-13.3%	8.5%	20.5%	5.02	5.13	11.9%	1.2x	5.3x	9.5x	7.4x	7.2x	1.2x	33.4%	NA	
TPR.N	Tapestry Inc	9.8	33.81	-23.7%	-13.3%	4.9%	5.2%	2.79	3.10	8.4%	1.8x	7.7x	13.9x	12.1x	10.9x	1.2x	16.0%	4.0%	
SKX.N	Skechers USA Inc	3.66	23.16	-39.5%	-15.2%	11.9%	9.6%	1.85	1.99	6.1%	0.6x	5.8x	13.0x	12.5x	11.6x	NA	14.8%	NA	
UAA.N	Under Armour Inc	7.51	17.52	22.5%	-26.0%	4.1%	4.0%	0.22	0.33	1.6%	1.6x	23.8x	NA	80.2x	53.2x	2.0x	2.7%	NA	
GOOS.N	Canada Goose Holdings I	4.59	41.78	38.5%	-35.1%	38.0%	25.3%	1.31	1.67	NA	8.0x	28.4x	64.6x	42.3x	32.9x	1.6x	22.1%	NA	

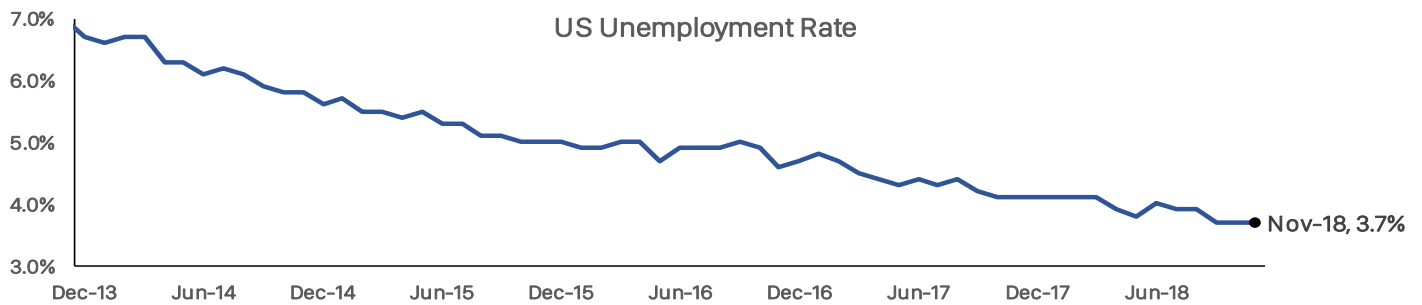
Source: Thomson Reuters, Grandation

Exhibit 9: We added the U.S. CPI table. November CPI is 2.4% for all urban consumers, flat MoM. On LTM basis, all items CPI increases 2.2% prior to seasonal adjustment.



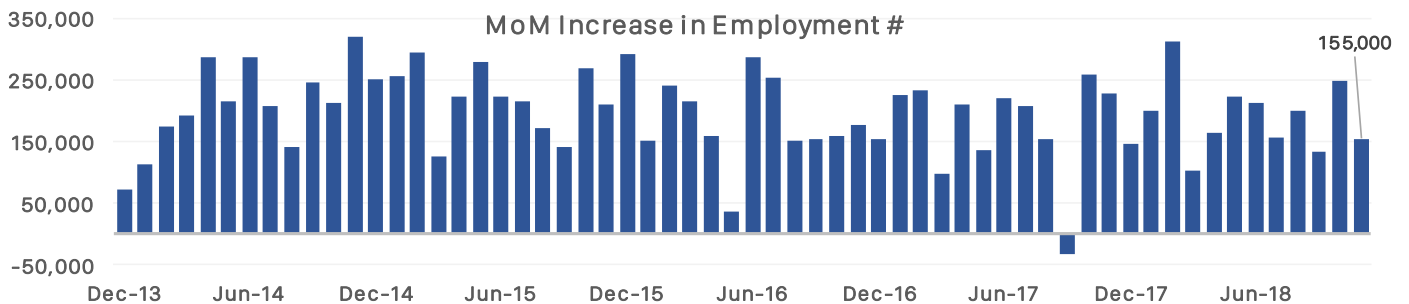
Source: Thomson Reuters, Grandation

Exhibit 10: No updates this time. 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.



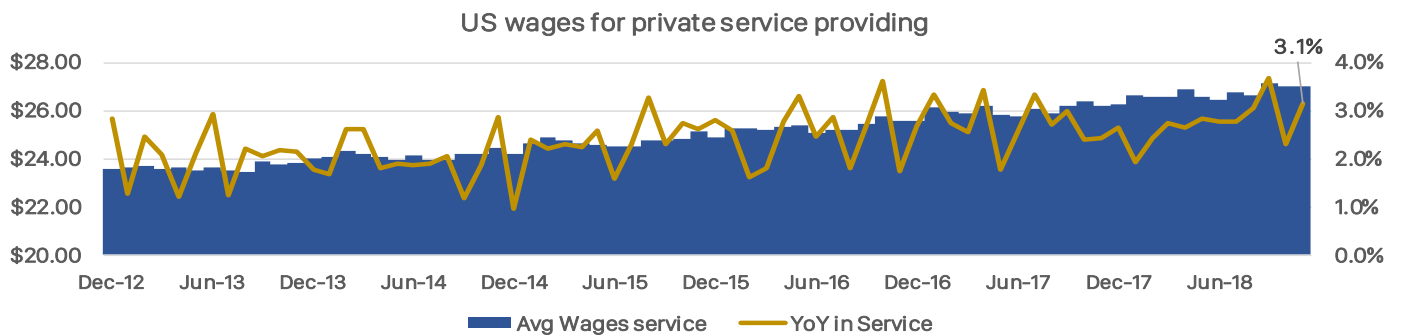
Source: Bureau of Labor Statistics, Grandation

Exhibit 11: Total nonfarm payroll employment increased by 155,000 in November.



Source: Bureau of Labor Statistics, Grandation

Exhibit 12: 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