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- Retail & Consumer Brands
- Retailing/Specialty Stores: Specialty Retail
- Retailing/Specialty Stores: Luxury Brands

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Diverse Sourcing Summit Highlights Coming Transformation

The Cowen Insight

We attended the Sourcing Journal Summit in NYC hosted by Ed Hertzman, CEO Hertzman Media, and Cowen hosted a dinner with industry participants from Flex, Change Capital and others that discussed industry pain and pivot points, including social commerce, data analytics, tech innovation, nextgen sourcing and trade regulation. Successfully aligning with emerging trends - Adidas, NKE, VFC, PVH.

Top Ten Takeaways - Industry Transformation Will Accelerate

1) Social commerce explosion - brand engagement must be continuous and multifaceted. 2) Indie brands gaining ground, providing newness and unique POV. 3) Scarcity model and on-demand rising - days of endless racks of inventory and mass market are numbered. 4) Influencers are gaining millions of followers and a powerful voice, leading to collaborations for even wider awareness. 5) Consumer dictates trend now over brands. 6) Six week supply chain vs. nine month legacy model which de-risks inventory - a shift to on-demand and fully customizable product. 7) Digitally native brands and concepts lead the future (e.g Fanatics, Supreme, Bonobos, Warby Parker, etc). 8) Outsiders (Flex) are transforming the old merchant culture model with a new hybrid fashion and tech model. 9) NAFTA departure could create supply chain headwinds for retail. 10) Short "Experiential retail" and go long "Speed". Investing in restaurants, hair salons, yoga classes, carousels and other gimmicks to improve traffic without addressing inventory speed will likely continue to lose to Amazon, Off-Price, social commerce and digital concepts.

Indie Brands Winning With The Scarcity Model - Pull Vs. Push

According to Nielsen, more than \$20B is expected to shift from big established brands towards indie brands. Today's consumer, especially Millennials and Gen Z who are expected to benefit from a sizable wealth transfer from Baby Boomers in the coming decades, are spending less on retail. Those retailers that increasingly stand out in this shrinking pie are adept at running a scarcity model via distribution and inventory, focusing on differentiated, customized product with well defined value. Barriers of entry have never been lower for an indie brand or influencer such as Supreme, Cupcakes and Cashmere, Into The Gloss and The Blonde Salad (10MM followers) to catch a product and/or influence cycle through the use of social media and social commerce, initially bypassing the brick and mortar constraints that big established brands are grappling with on a mass scale. NKE, VFC and ADS.GR are prime examples of established brands moving to transform their distribution and supply chain models, incorporating key cities as influencers and segmenting distribution towards DTC while refining wholesale distribution. We view the department store model, DKS, FINL and other wholesale channel concepts as being heavily disrupted by these trends. UAA also at risk given heavy exposure to DKS and KSS and current promotional strategy.

Respond And React Fashion Overtaking Legacy Of Stack-It-High Inventory

The consumer has now assumed control over trend rather than the retailer, driven by what they see and experience on social media, and they want it immediately, as

per Robert D'Loren, Chairman and CEO of Xcel Brands. Off-price and fast fashion retail, particularly Zara (Inditex) are successful business models, by and large, due to their 52 seasons of new product every week of the year. For a vertically integrated brand, speed in product is everything and multiple touch points are critical as the brand's follower "experiences a brand not the channel." This notion was supported by Robert Sinclair, President of Li & Fung who describes a lean and fast organization that focuses on innovation, speed and digitization. Sinclair contends that the Millennial and Gen Z consumers are continuously connected, time starved, demanding and make less than their Boomer counterparts at the same age. As a result, this population segment is "extremely conscientious" about what they pay for which is driving a "re-rationalization of distribution channels," a rising speed to commerce and greater sustainability and mission around the brand itself. For example, HBI recently announced acquiring Alternative Apparel, a \$60MM transaction for a lifestyle brand with \$70MM in annual revenues that has a socially responsible mission.

FLExing Muscle - The Apparel + Technology Hybrid Future

Mike Dennison, President of Flex's Consumer Technologies Group, gave a compelling presentation on how traditional apparel and footwear manufacturing methods (40 years worth) are being re-thought with technological innovation. This marriage of technology and consumer, a crucial developing trend, is yielding new methods of design and production that are faster, closer to the source, and more sustainable. Flex is partnered with NKE in its manufacturing revolution efforts, developing a 1MM square foot plant in Mexico with two distribution centers on site, currently producing 15MM-20MM pairs/five different SKUs of sneakers for N. America. Future prospects to scale this effort are substantial and could get NKE's turnaround from design-to-shelf down to weeks from months using lasers and high automation which is reducing the number of shoe components. Margin upside for NKE will likely come from scaling this technology to 50MM-100MM pairs annually. We expect to hear more of the exciting developments for NKE's manufacturing revolution at its upcoming Investor Day on 10/25 in OR which we previewed here ([Link](#))

Innovation Getting On-Shoring Ever Closer To The Source

The supply chain battle is continually evolving as evidenced by the comments from the sourcing trends panel. Mark Rose, SVP of Global Sourcing & Production at AEO (Outperform-Oliver Chen) commented that the company has been investing behind becoming faster and more flexible and that some of its supply chain for certain products is down to a 21 day turnaround. For example, Rose highlighted AEO's "Don't Ask Why" brand which has achieved design-to-store in four weeks. Liz Hershfield, Chief Supply Chain Officer for Bonobos highlighted the need to not stay "steady state" and continually innovate. Hershfield reiterated that shortening lead times needs the right supply chain partners. Bill McRaith, Chief Supply Chain Officer at PVH indicated that the company is making certain goods in the U.S. and that it has a team dedicated to working on robotics, presumably to increase automation, efficiency and speed in its manufacturing. McRaith sees real opportunity to shorten lead time from six-to-nine month calendars to six weeks through on-shoring where possible and eliminating or streamlining the "dead space in the end-to-end production calendar."

Moving Towards A Six-Week Lead Time Cycle

Steve Lamar, EVP of the American Apparel & Footwear Association (AAFA), a global trade organization, supports the notion that goods produced in the future will incorporate an increasing percentage of technology, particularly in design and manufacturing. Manufacturing in the U.S. over the past decade reflects rising innovation and entrepreneurship. The folks at XRC labs, an innovation accelerator in retail and consumer goods, see an "everything on demand" future which means a localized supply chain. XRC Labs founder Pano Anthos and Peter Santora, Chief Commercial Officer of Softwear Automation shared a number of examples where

technical innovation is driving advancement in retail/consumer: 1) Amazon's (AMZN \$997, Outperform-John Blackledge) recent acquisition of Body Labs which uses AI and imaging for a virtual fit; 2) Nimbly, an on-demand 3D-knitting platform, making products in less than one hour, and Ziel who makes sustainable, on-demand activewear in the U.S.; 3) FLEX's Mexico plant to mass customize NKE shoes; and 4) Adidas's new cut and sew factory in Arkansas for t-shirts and the Georgia Speedfactory that goes live this October.

Digitally Native Brands Will Continue To Ramp

Digitally native brands are the next generation for apparel per Bonobos CEO Andy Dunn who participated at the Summit via video. This segment is currently a small corner of the vast apparel landscape but is the future of how brands will get built. Bonobos, now a subsidiary of WMT (Outperform-Oliver Chen), has been in operation for ten years and is internet and eCommerce driven, supported by "guide shops" which don't carry inventory for sale in-store. While still early days, Dunn sees digitally native brands ramping in penetration and exposure which will eventually even out distribution.

A Challenging Time For U.S. Apparel Trade Relations - Duties On Imports Could Increase

The panelists on U.S. apparel trade and tariffs highlighted the heightened tension and confusion circulating around existing U.S. trade regulation, particularly as it relates to NAFTA, TPP-11, AGOA, QIZ and CBTPA. Chief concerns among several of the panelists are 1) the potential for the U.S. to "walk away from trade agreements;" 2) U.S. losing "credibility" as a global trading partner; 3) U.S. losing bargaining power globally; and 4) prospects for current and future U.S. manufacturing being undermined and potential for industry job losses. TPP-11 is the successor proposed trade agreement to the Trans Pacific Partnership (TPP) which the U.S. withdrew from under the current administration and now reflects 11 global economies and excludes the U.S. Gail Strickler, President of Global Trade at Brookfield Associates, sees potential for the TPP-11 agreement happening, perhaps even by year-end 2017, given Japan's involvement and due to a few of the controversial elements of TPP being left off of the revised agreement.

Figure 1 Retail And Consumer Brands Valuations

Retail and Consumer Brands																			Five Year Min/Max				
Company	Ticker	Rating	Price	Cap. \$MMs	P/E		P/E (FY1)		EV/EBITDA		EV/EBITDA (NTM)		EV/Sales		EV/Sales (NTM)		Dividend			P/E		EV/Sales	
					FY1	FY2	3 Yr Avg	5 Yr Avg	FY1	FY2	3 yr Avg	5 Yr Avg	FY1	FY2	3 yr Avg	5 Yr Avg	Yield	YTD	52 wk	Min.	Max	Min.	Max
Nike	NKE	2	\$52.30	\$85,328	23x	20x	26x	25x	15.4x	13.8x	16.3x	15.1x	2.3x	2.2x	2.6x	2.4x	1.3%	4%	2%	19x	33x	1.6x	3.5x
adidas	ADSGn.DE	1	€ 190.50	€ 39,856	29x	24x	26x	23x	16.6x	14.2x	13.2x	11.7x	1.9x	1.7x	1.3x	1.2x	1.0%	28%	22%	19x	37x	0.9x	2.0x
VF Corp.	VFC	2	\$65.07	\$25,613	22x	19x	20x	20x	14.8x	13.7x	13.1x	12.7x	2.4x	2.2x	2.2x	2.1x	2.4%	25%	23%	16x	33x	1.7x	2.9x
PVH Corp	PVH	1	\$124.36	\$9,629	16x	14x	15x	16x	10.7x	9.8x	10.0x	10.2x	1.4x	1.4x	1.4x	1.4x	0.1%	38%	12%	11x	76x	1.1x	2.2x
Hanesbrands	HBI	2	\$23.21	\$8,460	12x	11x	15x	16x	11.4x	10.9x	12.6x	11.8x	1.9x	1.9x	2.1x	1.9x	1.9%	10%	(4%)	14x	35x	1.1x	2.8x
Lululemon*	LULU	1	\$59.72	\$8,085	25x	22x	30x	31x	13.1x	11.7x	15.8x	16.2x	2.9x	2.6x	3.4x	4.0x	0.0%	(8%)	2%	22x	48x	2.5x	8.5x
Under Armour	UAA	2	\$16.33	\$7,201	44x	37x	67x	62x	17.7x	15.7x	18.3x	16.1x	1.5x	1.4x	2.2x	2.0x	-	(44%)	(58%)	21x	63x	1.3x	5.7x
Michael Kors*	KORS	2	\$49.13	\$7,449	13x	13x	12x	18x	8.1x	8.2x	6.7x	9.6x	1.7x	1.7x	1.8x	2.8x	-	14%	(2%)	8x	60x	1.1x	7.3x
Ralph Lauren Corp	RL	2	\$85.33	\$6,934	16x	16x	17x	18x	7.0x	6.9x	8.2x	8.8x	1.0x	1.0x	1.2x	1.5x	2.3%	(4%)	(12%)	16x	47x	0.8x	2.2x
Gildan Activewear	GIL	NR	\$31.39	\$7,046	19x	17x	19x	19x	13.2x	12.4x	13.2x	13.2x	2.8x	2.6x	2.7x	2.7x	1.0%	25%	17%	9x	33x	2.2x	3.6x
Carter's	CRI	2	\$93.24	\$4,460	17x	15x	19x	20x	9.5x	8.9x	10.4x	10.3x	1.5x	1.4x	1.6x	1.5x	1.4%	9%	10%	16x	29x	1.3x	2.0x
Columbia Sportswear	COLM	2	\$60.65	\$4,230	22x	20x	23x	23x	11.1x	10.3x	11.4x	11.2x	1.5x	1.4x	1.5x	1.3x	1.1%	5%	1%	18x	36x	0.9x	2.1x
Skechers	SKX	1	\$25.09	\$3,975	16x	13x	18x	20x	7.8x	6.2x	8.8x	8.5x	0.8x	0.7x	1.2x	1.0x	-	2%	10%	12x	111x	0.4x	2.9x
Decker's	DECK	NR	\$65.93	\$2,110	16x	14x	14x	15x	7.8x	7.1x	7.6x	7.9x	1.0x	1.0x	1.1x	1.1x	-	19%	15%	6x	393x	0.6x	2.1x
G-III Apparel Group	GIII	2	\$26.02	\$1,269	19x	13x	20x	18x	9.6x	7.8x	9.3x	9.1x	0.6x	0.6x	0.8x	0.8x	-	(12%)	(7%)	13x	42x	0.5x	1.4x
GUSS?	GES	2	\$16.31	\$1,358	28x	22x	24x	21x	7.5x	6.6x	5.6x	5.9x	0.5x	0.4x	0.5x	0.6x	5.5%	42%	26%	10x	151x	0.3x	1.0x
S&P 500 Composite	.SPX		\$2,561		20x	18x	18x	17x									16%	22%					
*covered by Oliver Chen			Mean	\$13,938	21x	18x	23x	23x	11.3x	10.3x	11.3x	11.1x	1.6x	1.5x	1.7x	1.8x	1.6%	10%	4%	14.4x	76.6x	1.1x	3.3x
			Median	\$7,124	19x	16x	19x	20x	10.9x	10.1x	10.9x	10.7x	1.5x	1.4x	1.5x	1.5x	1.3%	10%	6%	15.2x	44.2x	1.1x	2.5x
			Cap. Weighted Avg.		23x	20x	24x	23x	14.1x	12.7x	13.8x	13.1x	2.1x	1.9x	2.1x	2.0x	1.2%	11%	7%	17.2x	44.1x	1.4x	3.3x

1=Outperform; 2=Market Perform; 3=Underperform; and NR=Not Rated. Source: Cowen and Company; Company reports: Thomson pricing as of 10/18/17

Figure 2 Specialty Retail Valuations

Specialty Retail																					Five Year Min/Max			
Company	Ticker	Rating	Price	Cap.	P/E		P/E (FY1)		EV/EBITDA		EV/EBITDA (FY1)		EV/Sales		EV/Sales (FY1)		Dividend	YTD	B2_wk	P/E	EV/Sales			
					FY1	FY2	3_Yr_Avg	5_Yr_Avg	FY1	FY2	3_Yr_Avg	5_Yr_Avg	FY1	FY2	3_Yr_Avg	5_Yr_Avg	Yield			Min.	Max.	Min.	Max.	
Footwear/Sporting Goods																								
Dick's Sporting Goods	DKS	2	\$26.03	\$2,847	9x	9x	15x	17x	3.9x	3.9x	6.6x	7.1x	0.3x	0.3x	0.7x	0.8x	2.3%	(50%)	(54%)	9x	24x	0.4x	1.2x	
Foot Locker	FL	2	€ 31.18	€ 3,866	8x	8x	14x	14x	3.1x	3.2x	6.6x	6.4x	0.4x	0.4x	1.0x	0.9x	3.4%	(55%)	(53%)	7x	19x	0.4x	1.3x	
The Finish Line	FINL	2	\$9.99	\$402	19x	17x	14x	14x	3.4x	3.3x	5.0x	5.2x	0.2x	0.2x	0.4x	0.5x	4.0%	(46%)	(51%)	8x	40x	0.1x	0.8x	
DSW	DSW	NR	\$19.61	\$1,576	13x	12x	16x	18x	4.7x	4.5x	6.4x	7.1x	0.5x	0.5x	0.7x	0.9x	4.1%	(11%)	(3%)	12x	28x	0.4x	1.6x	
Hibbetts	HIBB	NR	\$13.45	\$276	10x	11x	13x	16x	3.3x	3.4x	5.9x	7.3x	0.2x	0.2x	0.8x	1.0x	-	(64%)	(67%)	5x	24x	0.2x	2.0x	
Specialty																								
L Brands*	LB	2	\$42.12	\$11,956	13x	13x	20x	19x	7.2x	7.0x	9.8x	9.4x	1.3x	1.3x	2.0x	1.9x	5.7%	(34%)	(39%)	10x	28x	1.2x	2.8x	
Gap Inc.*	GPS	2	\$26.66	\$10,455	13x	13x	13x	13x	5.2x	5.2x	5.4x	5.9x	0.6x	0.6x	0.7x	0.9x	3.5%	22%	5%	8x	20x	0.5x	1.3x	
Lululemon*	LULU	1	\$59.72	\$8,085	25x	22x	30x	31x	13.1x	11.7x	15.0x	15.4x	2.9x	2.6x	3.3x	3.8x	0.0%	-8%	2%	22x	48x	2.5x	8.5x	
Ulta Salon*	ULTA	1	\$198.37	\$12,186	24x	20x	35x	33x	11.2x	9.6x	13.8x	13.0x	2.0x	1.8x	2.4x	2.3x	0.0%	-22%	-23%	27x	48x	1.9x	3.8x	
Urban Outfitters	URBN	NR	\$23.77	\$2,611	17x	15x	16x	18x	5.7x	5.5x	6.3x	7.2x	0.6x	0.6x	0.9x	1.2x	-	-17%	-29%	10x	32x	0.5x	2.2x	
The Children's Place	PLCE	NR	\$104.95	\$1,851	14x	13x	18x	17x	6.9x	6.5x	6.4x	5.9x	0.9x	0.9x	0.7x	0.6x	0.8%	5%	43%	15x	30x	0.5x	1.1x	
American Eagle	AEO	1	\$12.97	\$2,296	11x	11x	15x	16x	4.5x	4.3x	5.3x	5.4x	0.6x	0.6x	0.7x	0.7x	3.9%	-12%	-23%	11x	100x	0.5x	1.1x	
Luxury/Accessories																								
Coach*	COH	1	\$39.47	\$11,215	17x	15x	19x	17x	7.7x	7.1x	9.0x	8.7x	1.7x	1.6x	2.1x	2.3x	3.4%	15%	14%	10x	31x	1.7x	3.2x	
Michael Kors*	KORS	2	\$49.13	\$7,449	13x	13x	12x	18x	8.1x	8.2x	6.6x	9.3x	1.7x	1.7x	1.8x	2.7x	-	14%	(2%)	8x	60x	1.1x	7.3x	
Ralph Lauren	RL	2	\$85.33	\$6,934	16x	16x	17x	18x	7.0x	6.9x	7.9x	8.5x	1.0x	1.0x	1.2x	1.5x	2.3%	(4%)	(12%)	16x	47x	0.8x	2.2x	
Signet*	SIG	2	\$61.45	\$3,715	9x	8x	15x	16x	5.9x	5.9x	9.1x	8.7x	0.8x	0.8x	1.4x	1.4x	1.6%	(34%)	(23%)	7x	32x	0.8x	2.5x	
Tiffany*	TIF	1	\$94.42	\$11,756	24x	22x	21x	21x	11.9x	11.1x	10.1x	10.3x	2.9x	2.8x	2.5x	2.5x	1.9%	24%	32%	17x	76x	2.0x	3.4x	
Discounters																								
TJX Companies*	TJX	1	\$71.30	\$45,366	18x	17x	21x	20x	9.3x	8.9x	10.4x	9.8x	1.2x	1.2x	1.4x	1.4x	1.4%	(4%)	(1%)	18x	24x	1.2x	1.7x	
Ross Stores*	ROST	1	\$63.32	\$24,416	20x	18x	21x	19x	10.2x	9.7x	10.6x	9.7x	1.7x	1.6x	1.7x	1.5x	0.9%	(3%)	1%	16x	26x	1.2x	2.1x	
Burlington Stores	BURL	1	\$89.32	\$6,161	21x	19x	24x	24x	10.9x	9.8x	10.5x	10.1x	1.2x	1.1x	1.1x	1.0x	-	5%	17%	23x	68x	0.7x	1.4x	
Broadlines																								
Wal-Mart*	WMT	1	\$86.22	\$257,557	20x	19x	16x	16x	9.0x	8.9x	8.1x	8.0x	0.6x	0.6x	0.6x	0.6x	2.3%	27%	29%	12x	19x	0.5x	0.7x	
Costco*	COST	1	\$157.55	\$68,881	25x	22x	27x	25x	11.9x	11.0x	12.6x	11.8x	0.5x	0.5x	0.5x	0.5x	0.9%	3%	11%	23x	33x	0.4x	0.6x	
Target*	TGT	2	\$60.03	\$32,790	13x	14x	16x	16x	6.5x	6.6x	7.4x	7.4x	0.6x	0.6x	0.7x	0.7x	3.9%	(14%)	(8%)	11x	22x	0.6x	0.9x	
Department Stores																								
Macy's*	M	2	\$20.15	\$6,137	6x	8x	11x	12x	4.1x	4.6x	6.0x	6.0x	0.5x	0.5x	0.8x	0.8x	7.4%	(41%)	(40%)	9x	17x	0.5x	1.0x	
Nordstrom's*	JWN	1	\$42.01	\$6,984	14x	14x	17x	16x	5.5x	5.4x	7.2x	7.2x	0.6x	0.6x	0.8x	0.9x	3.5%	(10%)	(19%)	12x	30x	0.6x	1.4x	
Kohl's*	KSS	2	\$43.63	\$7,355	12x	12x	12x	12x	5.0x	5.1x	5.4x	5.5x	0.6x	0.6x	0.7x	0.7x	4.6%	(8%)	5%	10x	19x	0.5x	1.0x	
JCPenney*	JCP	2	\$3.53	\$1,097	8x	9x	144x	143x	4.8x	5.1x	8.0x	187.8x	0.4x	0.4x	0.5x	0.5x	-	(58%)	(60%)	1473x	1931x	0.4x	0.6x	
Dillard's	DDS	NR	\$51.19	\$1,486	14x	14x	12x	12x	4.6x	4.8x	5.2x	5.4x	0.3x	0.4x	0.5x	0.6x	0.5%	(18%)	(12%)	8x	18x	0.3x	0.9x	
Hardlines																								
Best Buy	BBY	NR	\$55.46	\$16,593	14x	13x	13x	13x	5.5x	5.6x	4.8x	4.6x	0.4x	0.4x	0.3x	0.3x	1.9%	32%	44%	4x	16x	0.2x	0.4x	
Bed Bath & Beyond	BBBY	NR	\$21.13	\$3,027	7x	8x	10x	12x	3.8x	4.2x	5.7x	6.2x	0.3x	0.3x	0.7x	0.9x	1.8%	(47%)	(47%)	5x	17x	0.4x	1.4x	
Sally Beauty*	SBH	1	\$17.75	\$2,332	10x	9x	16x	16x	6.6x	6.6x	8.9x	9.2x	1.0x	1.0x	1.4x	1.5x	0.0%	(33%)	(32%)	11x	23x	1.1x	1.9x	
Ulta*	ULTA	1	\$198.37	\$12,186	24x	20x	35x	33x	11.2x	9.6x	13.8x	13.0x	2.0x	1.8x	2.4x	2.3x	0.0%	(22%)	(23%)	27x	48x	1.9x	3.8x	
Sporting Good Manufacturers																								
Callaway Golf Co.	ELY	2	\$14.26	\$1,346	32x	28x	NM	NM	14.6x	12.9x	15.1x	13.9x	1.3x	1.2x	1.0x	0.9x	0.3%	30%	35%	5x	65x	0.5x	1.4x	
Acushnet Holdings Corp	GOLF	NR	\$18.10	\$1,348	15x	15x	20x	20x	8.3x	7.9x	9.0x	9.0x	1.2x	1.1x	1.3x	1.3x	-	(7%)	-	14x	37x	1.1x	1.6x	
S&P 500 Composite																								
			\$2,581		20x	18x	18x	17x																
*covered by Oliver Chen																								
					Mean	18x	14x	22x	22x	6.9x	6.7x	8.1x	13.8x	1.0x	0.9x	1.2x	1.3x	2.4%	(15%)	(19%)	58x	94x	0.8x	2.1x
					Median	14x	13x	16x	17x	6.2x	6.2x	7.3x	7.7x	0.8x	0.6x	0.8x	0.9x	2.3%	(12%)	(12%)	11x	29x	0.5x	1.4x
					Cap. Weighted Avg.	19x	18x	18x	18x	6.9x	6.6x	8.0x	9.1x	0.9x	0.8x	0.9x	0.9x	2.1%	9%	12%	17x	30x	0.7x	1.4x

1=Outperform; 2=Market Perform; 3=Underperform; and NR=Not Rated. Source: Cowen and Company; Company reports: Thomson pricing as of 10/18/17

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Ticker	Rating	Price*	Price Target	Ticker	Rating	Price*	Price Target
ADS.GR	Outperform	€190.79	€226.00	ELY	Market Perform	\$14.26	\$14.00
CRI	Market Perform	93.24	\$92.00	COLM	Market Perform	60.65	\$58.00
DKS	Market Perform	26.03	\$28.00	FIT	Market Perform	\$6.35	\$6.00
FL	Market Perform	\$31.18	\$37.00	GIII	Market Perform	\$26.02	\$30.00
GES	Market Perform	\$16.31	\$14.00	HBI	Market Perform	\$23.21	\$22.00
ICON	Market Perform	\$5.05	\$9.00	NKE	Market Perform	\$52.30	\$50.00
PVH	Outperform	\$124.36	\$145.00	SKX	Outperform	\$25.09	\$35.00
FINL	Market Perform	\$9.99	\$10.00	UAA	Market Perform	\$16.33	\$18.00
VFC	Market Perform	\$65.07	\$67.00	BURL	Outperform	\$89.32	\$105.00
RL	Market Perform	\$85.33	\$89.00	SQBG	Market Perform	\$2.77	\$6.00

*As of 10/18/2017

Valuation Methodology And Risks

Valuation Methodology

Retail & Consumer Brands:

Our valuation methodology is primarily based on Price-to-Earnings (P/E), supplemented by, in some cases, Enterprise Value to EBITDA (EV/EBITDA) and Price-to-Free Cash Flow (P/FCF) ratios and DCF analysis. We may also use Enterprise Value to Revenue (EV/Revs) for companies operating at depressed levels of profitability. In some cases we use probability-weighted, scenario-based decision trees as a basis for devising our price targets. We incorporate the company's and its peers' historical and current valuation multiples, as well as our analysis of future growth rates, company-specific risks, return on invested capital, and other inputs from our research when devising our valuation multiples and the probabilities we assign to different scenarios when developing our price targets.

Retailing/Specialty Stores:

Our valuation methodology is primarily based on Price-to-Earnings (P/E), followed by Enterprise Value to EBITDA (EV/EBITDA), Price-to-Free Cash Flow (P/FCF) ratios, and DCF analysis. We may also use Enterprise Value to Revenue (EV/Revs) for companies operating at depressed levels of profitability. In some cases we use probability weighted, scenario-based decision trees as a basis for devising our price targets. We incorporate the company's and its peers' historical and current valuation multiples, as well as our analysis of future growth rates, company-specific risks, return on invested capital, and other inputs from our research when devising our valuation multiples and the probabilities we assign to different scenarios when developing our price targets.

Investment Risks

Retail & Consumer Brands:

Risks to the companies in our sector include risks and uncertainties associated with the global economic environment and consumer spending, as well as competition within consumer and fashion products industries and fluctuating consumer demand trends, which can create variability in sales and margins. Increases in the prices of raw materials, rent, freight, labor, tariffs, or manufacturers' inability to produce goods on time or to specifications may negatively impact results. Execution flaws and the departure of certain key executives may negatively affect performance and financial results. Legal, regulatory, political, currency, and economic risks, as well as challenges to maintain favorable brand recognition, loyalty, and reputation for quality, may affect the ability to conduct business in both domestic and international markets.

Retailing/Specialty Stores:

Risks to the companies in our sector include risks and uncertainties associated with the global economic environment and consumer spending, as well as general competition within the consumer and fashion products industries and fluctuating consumer demand trends, which can create variability in sales and margins. Increases in the prices of raw materials, rent, freight, labor, tariffs, or manufacturers' inability to produce goods on time or to specifications may negatively impact results. Execution flaws and the departure of certain key executives may negatively affect performance and financial results. Legal, regulatory, political, currency, and economic risks, as well as challenges to maintain favorable brand recognition, loyalty, and reputation for quality, may affect the ability to conduct business in both domestic and international markets.

Addendum

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