Foot Locker, Inc.

Introduction

The one-year return for the S&P500 is 10.55%; its price hit an all-time high this summer. Meanwhile, the SPDR S&P Retail ETF (NYSEARCA: XRT) returned an annual figure of -4.75%, and Foot Locker (NYSE: FL) -9.60%. At first glance, it appears as if the market as a whole is blazing but left behind Foot Locker (amongst other companies). But this didn't make much sense to me. The S&P500 aggregate EPS fell from $23.22 per share to $21.72 per share in the last year. At the same time, Foot Locker grew its revenue by 3.6%, grew its adjusted net income by 24%[1], and increased annual dividends to $1.10 per share. In midst of one of the longest bull markets in history, I wanted to investigate Foot Locker further and determine why, despite improvement in several metrics, it's down when the market is up.

Foot Locker is an American specialty athletic retailer that primarily sells premium athletic footwear, including brands such as Nike, Adidas, Under Armor, Puma, and Converse. It has more than 3,000 stores in 23 countries in North America, EMEA, and Asia. The company has two primary business segments: athletic stores (brick-and-mortar) and direct-to-customer (online). Its online segment notably has a 5-year CAGR of 15%.

It is a stable and growing FCF-generating business. This is a retailer with an adjusted unlevered free cash flow margin of 10%, that generates 18% return on assets, and a history of growing dividends and share buyback programs[2].

Industry Trends and Strategic Positioning

Traditional retailers are facing a rather tough environment, to put it mildly. Heavy pricing competition, seemingly permanent markdowns and discounts, high cost pressures from rising wages in manufacturing countries, and lower barriers of entry due to the presence of online retailers all create an intensely competitive environment. The ephemeral fads and fashion trends require that businesses stay agile and flexible or risk being left in the dust. It's no wonder investors are so eager to ditch their retail stocks and chase the exciting FANG[3] stocks.

But some segments in the industry fared better than others. I believe one such segment is one in which Foot Locker operates: premium athletic footwear. The footwear segment grown faster than the growth of the apparel; its success has been driven primarily by athletic wear and accessories[4]. Consumers are likely to replace footwear more often and typically stay loyal to their brands. There are several substitutes for athletic footwear, but you likely won't be playing tennis in boots or sandals.

Moreover, premium sneakers have a cultural and fashion aspect that supports its perceived value. Some sneakers are designed for the purpose of athletic performance, others…well, "*let's face it, the majority of [these] shoes are not used for performance"* (Ken Hicks, Q4 2013 earnings call). I believe this is an important factor that should go into evaluating companies in the industry, but may either be misunderstood by some investors, or branded as a factor that's too flimsy to go into valuation.

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[1] Excluded the effect of a one-off litigation charge. Net income grew by 4% without adjustment.
[2] All figures are reported after adjusting for operating leases as capital leases.
[3] Facebook, Amazon, Netflix, Google
[4] MarketLine Research in US Footwear, May 2015

The products Foot Locker sells not only have high perceived values, but **stable** ones as well. Even during the 2007-2009 financial crisis, a period of low consumer spending and confidence, Foot Locker continued to keep ASPs strong and growing (due to limited resources, I relied on earnings conference calls to determine ASP trends). Some examples:

- "Our average footwear selling prices in the U.S. increased mid-single digits, enhanced by a lower markdown rate and mix shift toward selling a greater percentage of high-priced footwear." – Matt Serra, Q1 2008 earnings call
- "*On average selling prices, they increased mid-single digits in both footwear and apparel during the third quarter.*" – Matt Serra, Q3 2008 earnings call
- *"Our average footwear selling prices in the US increased double digits versus last year."* – Matt Serra, Q4 2008 earnings call
- *"Our average unit prices are up low- to mid- single digits by division."* – Matt Serra, Q2 2009 earnings call
- *"[On higher ASPs] it's a combination of less markdowns and selling more premium shoes and some higher prices on some shoes."* – Ken Hicks, Q2 2011 earnings call
- *"ASPs continued strong, as they have been all year."* – Lauren Peters, Q4 2014 earnings call

Despite selling primarily luxurious products, the company maintained a 4-5% EBITDA margin and positive cash flows (both free cash flows and cash flows from operations) throughout the crisis. As for most sellers of premium products, however, Foot Locker performs best during periods of economic booms.

Competitors

The following companies are the most direct competitors to Foot Locker:

- Dick's Sporting Goods, Inc. (NYSE: DKS)
- ~~Sports Authority~~ (recently bankrupted private company, absorbed by Dick's Sporting Goods)
- Sport Chek (private company)
- DSW Inc. (NYSE: DSW)
- Deckers Outdoor Corp (NYSE: DECK)
- Caleres (NYSE: CAL)
- Genesco Inc. (NYSE: GCO)

For the purpose of having a comprehensive list of comparables, these companies are also deemed having similar business structures and dynamics.

- The Gap, Inc. (NYSE:GPS)
- Ross Stores, Inc. (NASDAQ:ROST)
- American Eagle Outfitters (NYSE:AEO)
- Abercrombie & Fitch Co. (NYSE:ANF)
- Crocs, Inc. (NASDAQ:CROX)
- Deckers Outdoor Corp. (NYSE: DECK)

There are also "competitors" that Foot Locker directly cooperates – its suppliers. I opted to exclude these companies from my multiples analysis. These include companies such as:

- Nike Inc. (NYSE: NKE)
- adidas AG (ETR: ADS)
- Timberlands, Vans (NYSE: VFC)
- Under Armour Inc. (NYSE: UA)

Valuation

Foot Locker has three key drivers in its valuation:

- **Margins**. The footwear industry is projected to see only low-single digit growth rates, so valuation primarily hinges on how effectively Foot Locker manages its cost. Sensitivities in **Appendix I** demonstrate that a modest 2.50% increase in my cost of sales and SG&A estimates each year reduces Foot Locker's value by approximately 25%.

  Foot Locker's margins have drastically improved over the past decade(s).

  Figure 1. Gross, EBIT, Net and FCF Margins

Margins	FY 2005	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Gross margin:	30.5%	30.0%	31.9%	32.9%	32.8%	33.2%	33.8%
EBIT margin:	7.3%	5.2%	7.8%	9.9%	10.2%	11.3%	12.6%
Net margin:	4.8%	3.3%	4.9%	6.4%	6.6%	7.3%	8.6%
FCF margin:	2.2%	4.5%	6.1%	4.1%	5.0%	7.3%	8.3%*

  *Excluded effect of a one-off litigation charge. Net margin is 7.3% otherwise.

  These margin improvements were accompanied by an average revenue growth of 8%; I believe this demonstrates management's ability to cut costs and focus on efficiency. I project that margins will continue to improve, supported by continued investment in improving turnover and reducing markdowns, strong and stable ASPs, and management's ability to tighten slack in its operations.

- **Revenue growth.** As long as Foot Locker maintains or expands its market share in the footwear industry, it can essentially "piggy-back" off the natural growth of the industry. The industry grew a 5-year CAGR of 3.2%. During the same period, Foot Locker grew a CAGR of 8.0%. Third-party industry reports predict that the industry will grow at an average annual rate of 4% the next five years[5], and some argue that the athletic footwear segment is primed to grow faster.

  Foot Locker have a few key drivers for revenue growth:

  1. Continued growth in its online retail, which has shown a 5-year CAGR of 15.1%. In FY2015, online sales were 12.7% of total sales. Not only can online retail provide convenience to existing loyal customers, but it can also reach new customers who don't live near a Foot Locker. Although online retail is extremely competitive – it only takes a click away to jump to competitors – I believe Foot Locker delivers a quality value proposition in offering an attractive and wholesome selection of products.

  2. Capture additional sales through cross-selling opportunities. Performance in apparel sales have been disappointing as the company transitions from selling cheap and generic apparel to apparel with a premium bent, creating a consistent message for the brand. The management plans for penetration and profitability in premium apparel.

  3. Capturing market share in other segments. Foot Locker highlights these segments as its priority for future growth: expanding leading position in kids' segment, continued growth in its European operations, and delivering growth in women's segment.

[5] Plunkett Analytics, 2015.

➢ **Returning Value to Shareholders**. Along with a history of increasing dividend payments, Foot Locker has consistently approved share repurchase programs that support the stock's price level.

Figure 2. Foot Locker's History of Returning Cash to Shareholders

Returning Cash via	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Dividend payments:	$ 93	$ 101	$ 109	$ 118	$ 127	$ 139
Dividend / share:	0.60	0.66	0.72	0.80	0.88	1.00
Share repurchase program*:	83	133	200	200	333	333

*Assuming straight-line purchases (e.g. a 3-year $1Bn share repurchase program was approved during FY2014)
$ in millions except per share data

Baseline Assumptions

- Sales growth CAGR from FY2016 to FY2023: 4.1%
- Sales in FY2020: $9.2Bn (vs. management's guidance of $10Bn)
- U.S. sales per gross square footage in FY2020: $652M / sq. ft. (vs. management's guidance of $600M / sq. ft.)
- EBIT margin in FY2020: 14.3% (vs. management's guidance of 12.5%)
- Net margin in FY2020: 9.2% (vs. management's guidance of 8.5%)
- Recorded an additional one-year litigation charge of $120 in FY2016
- Adjusted for operating leases to capital leases, for all companies
- Equity risk premium of 5.16%, sourced from Damodaran's database
- Levered beta of 0.82; unlevered beta of 0.62 – calculated from industry averages
- WACC of 4.92% based on Foot Locker's targeted capital structure
- Terminal growth rate of 0%
- Effective tax rate of 35.47% (in line with historical tax rates)

While the margins I assume seem optimistic compared to management's guidance, it is somewhat balanced out by my more pessimistic view on the sales growth Foot Locker is able to achieve. Management's net margin of 8.5% on $10Bn sales gives a net income of $850M; my numbers give $852M. Rather than changing around my initial assumptions (I found management's guidance after forecasting their statements), I estimated the value of the company using management's guidance in a later section.

To summarize my baseline assumption, I believe Foot Locker will continue doing what it's been doing for the past decade – growing revenues, expanding margins, creating value – but at a slower pace. **Figure 3** highlights some of the key projections for the explicit forecast period. FYI: a fiscal year ends on the last Saturday of the January of the next calendar year (e.g. FY2015 ends January 30, 2016).

I estimate Foot Locker's current value given this scenario at **$108** (+63% upside), with a range of $87 to $134. This range is calculated by varying the discount rate and terminal growth rate – two factors I find the most uncertain in my projections. The large range of estimates come from the terminal value contributing to a significant portion of the valuation.

Figure 3. Projections for Explicit Forecast Period, Baseline Scenario

	FY 2015	*FY 2016*	*FY 2017*	*FY 2018*	*FY 2019*	*FY 2020*	*FY 2021*	*FY 2022*	*FY 2023*
Sales:									
U.S. sales:	$ 5,305	$ 5,626	$ 5,938	$ 6,237	$ 6,552	$ 6,849	$ 7,159	$ 7,412	$ 7,635
Intl sales:	2,107	2,160	2,214	2,270	2,327	2,386	2,446	2,507	2,570
Total:	7,412	7,786	8,152	8,507	8,879	9,234	9,605	9,919	10,206
Operating income:	837	893	1,094	1,158	1,253	1,322	1,423	1,489	1,553
EBIT margin:	*11.3%*	*11.5%*	*13.4%*	*13.6%*	*14.1%*	*14.3%*	*14.8%*	*15.0%*	*15.2%*
Net income:	541	577	705	747	808	852	917	960	1,001
Net margin:	*7.3%*	*7.4%*	*8.7%*	*8.8%*	*9.1%*	*9.2%*	*9.5%*	*9.7%*	*9.8%*
Unlevered FCF:	516	316	687	528	761	658	837	798	888
UFCF margin:	*7.0%*	*4.1%*	*8.4%*	*6.2%*	*8.6%*	*7.1%*	*8.7%*	*8.0%*	*8.7%*

Bear Case

The bear case assumes a heavy recession, but to a lesser magnitude than that of 2007-2009's, and a slump in economic confidence and consumer spending. As a result, gross square footage growth in both the US and international segments do not grow but rather contract as a result of closing down unprofitable spaces. Sales per gross square footage also contract significantly as customers substitute to cheaper footwear alternatives. The economy will most likely recover after a few years, and Foot Locker will try to grow to gain lost ground. In total, revenue averages an annual growth of 1.0% during the explicit forecast period. Considering that Foot Locker's average annual growth rate of revenue was 0.85% from FY2006 to FY2013, I believe is a reasonable estimate.

Margins also dip significantly, as management attempts to reel in spending and costs. I assume a 5% increase in projected cost of sales and SG&A (relative to my baseline assumptions). I believe this is a realistic assumption – management will be attempting to reel in spending, and the growing impact of their e-commerce operations helps prevent costs from ballooning. Moreover, inventory turnover also slows, as the company's ASP holds well but sales declines.

Otherwise, assumptions about discount rate, terminal growth rate, and equity risk premium remain constant. It's hard to envision a scenario in which interest rates (and thus, discount rates) spike significantly during a recession. More likely than not, our economy will see further easing measures. But rather than to forecast these factors I opted rather to keep these assumptions unchanged.

This gives an estimated value of **$41** (-37% upside), with a range of $32 - $53.

Bull Case

The bull case assumes stronger than expected consumer spending, higher GDP growth leading to greater disposable income, thus a shift of consumer preferences into higher quality products. I also assume that this increased growth will more likely be demonstrated in online sales, thus reducing margins.

This scenario gives an estimated value of **$136** (+106%), with a range of $110 - $168.

Management's Guidance

Using management's guidance of $10Bn of revenues, $600M / sq. ft. of sales per gross square footage, an EBIT margin of 12.5%, and net margin of 8.5%, I estimate the value of the company to be worth **$96** (+45%), with a range of $87 - $134.

Figure 4. Summary of Estimates of Intrinsic Value

Estimates of Value	Low	Base	High
Bear case:	$ 31.95	$ 41.31	$ 52.94
Base case:	87.22	105.79	133.55
Bull case:	110.47	135.96	167.96
Management's guidance:	77.19	95.81	119.16

Probabilities

Below, I post a series of tables illustrating the expected price given a certain set of probabilities of scenarios. Yes, it is a rather crude and simple method, but still effectively demonstrates my value estimates compared to the market's pricing.

Figure 5. Expected Price for Reasonably Optimistic Estimates

Estimates of Value		Probability	Base Estimate	P-adj. Price
Bear case:		20%	$ 41.31	$ 8.26
Base case:		70%	105.79	74.05
Bull case:		10%	135.96	13.60
Expected price:	**$ 95.91**	% Upside:	**45.32%**	

Figure 6. Expected Price for a Pessimistic Outlook

Estimates of Value		Probability	Base Estimate	P-adj. Price
Bear case:		50%	$ 41.31	$ 20.65
Base case:		50%	105.79	52.89
Bull case:		0%	135.96	-
Expected price:	**$ 73.55**	% Upside:	**11.44%**	

Figure 7. Expected Price for a Likely Recession

Estimates of Value		Probability	Base Estimate	P-adj. Price
Bear case:		60%	$ 41.31	$ 24.78
Base case:		40%	105.79	42.31
Bull case:		0%	135.96	-
Expected price:	**$ 67.10**	% Upside:	**1.67%**	

Figure 8. Expected Price for a Non-Volatile Outlook

Estimates of Value		Probability	Base Estimate	P-adj. Price
Bear case:		10%	$ 41.31	$ 4.13
Base case:		80%	105.79	84.63
Bull case:		10%	135.96	13.60
Expected price:	**$ 102.36**	% Upside:	**55.08%**	

Pricing

In this section, I attempt to examine Foot Locker's current multiples compared to other companies to compare Foot Locker's pricing compared to the industry average.

At first glance, FL seems overvalued compared to its peers. Its EV/LTM EBITDA, EV/LTM Sales, and EV/LTM Total Square Footage are all higher than the average of its competitors, although its P/E ratio is slightly below the average.

To further get a sense of what the market is pricing for future growth, I used IBES projected revenues, EBITDA, and net income for competitors, while using my baseline projections for Foot Locker, to calculate future multiples.

Figure 9. Median and Selected Companies' EV/EBITDA and P/E Multiples

	EV/EBITDA				P/E			
Selected Multiples	**LTM**	**FY 2016**	**FY 2017**	**FY 2018**	**LTM**	**FY 2016**	**FY 2017**	**FY 2018**
DKS	12.6 x	13.6 x	11.6 x	11.0 x	20.8 x	19.9 x	16.8 x	15.3 x
DSW	9.4 x	10.6 x	9.8 x	9.6 x	19.5 x	17.8 x	16.1 x	16.8 x
CAL	8.7 x	13.8 x	12.6 x	11.7 x	13.5 x	12.6 x	11.3 x	10.4 x
GCO	7.7 x	16.7 x	15.2 x	13.0 x	12.0 x	12.5 x	11.2 x	9.7 x
Median	**8.7 x**	**13.7 x**	**12.4 x**	**11.7 x**	**17.8 x**	**16.4 x**	**14.9 x**	**13.7 x**
FL	**10.1 x**	**11.1 x**	**9.3 x**	**8.8 x**	**16.7 x**	**15.9 x**	**13.0 x**	**12.3 x**

Appendix III for comprehensive list of companies and multiples.

While most multiples continue to tell the same story – its EV/Projected Sales are still higher than average, and P/E are still lower – its EV/Future EBITDA goes from being over the industry average to under. Is this a signal of mispricing?

Multiples vary for four primary reasons: 1. Differences in quality of business, 2. Accounting differences, 3. Fluctuations in cash flows, or 4. Mispricing. By taking EBITDA after adjusting for operating leases for all companies, and adjusting EV for non-core income and pensions, #2 can reasonably be ruled out. #3 can be ruled out too – cash flows are somewhat cyclical in this sector, but not to an exaggerated degree. Using forecasted profits also minimalizes this effect.

So we're left with either reason #1 or #4. Supposing the multiple varies due to a difference in quality of business would imply the market assuming that Foot Locker is comparatively a higher quality business right now, but not so a year, two years, and three years from now. Examples include quality of management, branding, strategic positioning, investment opportunities, etc. Although a plausible reason, I'm skeptical that Foot Locker's quality of business would deteriorate this dramatically in relation to its competitors. I find reason #4 – mispricing – to be a much more reasonable explanation. Compare FL's multiples to DSW, for instance. FL considers itself strategically placed in a premium segment of the industry, DSW in the value, low-end segment of the industry. LTM EV/EBITDA supports this narrative. Yet by FY 2017, FL's EV/EBITDA is lower than that of DSW.

Keep in mind this is just one multiple. Lower P/E multiples may not mean much as capital structure differs significantly in the industry. EV/Projected Sales still signal FL being valued at a premium. Nevertheless, the inconsistency in EV/EBITDA multiples may hint at possible mispricing.

Management and Corporate Governance

The company's executives are strongly incentivized to implement strategies towards long-term success. Salary only consists 13%-22% of an executive's pay, annual bonuses at 17%-21%, and the remaining compensation comes from long-term incentives. Management has shown a consistent ability to meet these objectives, as well as an ability to keep their strategy coherent and consistent. For instance, despite the fad of retailers setting up locations in China to capture growing consumer spending after 2010, Foot Locker continued to focus on growing and improving its European and Canadian operations.

The CEO, Richard Johnson, only recently started his role as CEO, but has been part of Foot Locker's operations since 2003. Ken Hicks, former CEO, remains chairman of the board and still holds the largest number of Foot Locker shares out of all its directors.

I believe the combination of good internal corporate governance, compensation structure, and a history of meeting performance objectives speaks volume about the quality of this company's management.

Figure 10. Planned and Realized Objectives by Foot Locker's Management

	2009	Original 5-Year Plan Objective	2014	Current Long-Term Objective
Sales (billions)	$4.9	$6.0	$7.2	$7.5
Sales Per Gross Square Foot	$333	$400	$490	$500
Earnings Before Interest and Taxes %	2.8%	8.0%	11.4%	11.0%
Net Income %	1.8%	5.0%	7.3%	7.0%
Return on Invested Capital	5.3%	10.0%	15.0%	14.0%

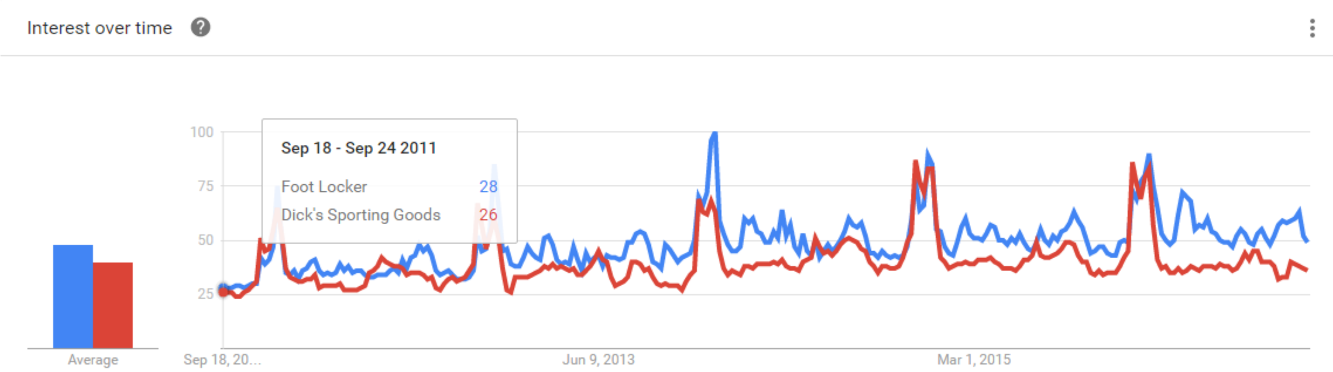
Footnote:
Our original objectives were established in early 2010 and replaced by the current long-term objectives in early 2012.

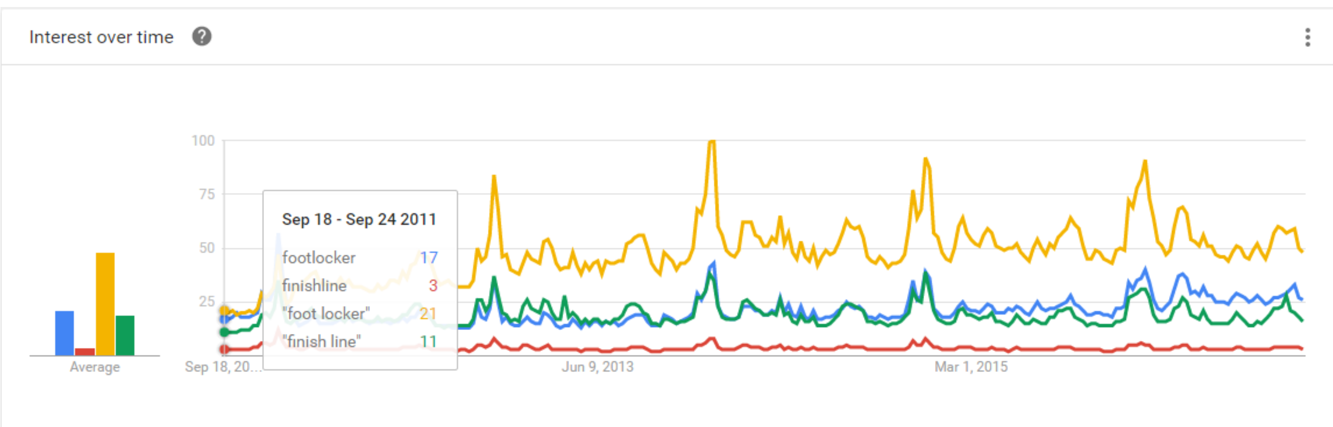
From Foot Locker's 2015 Investor Day Presentation

Risks

I'd like to elaborate a bit on the intense competition Foot Locker faces. Not only does Foot Locker face numerous indirect competitors (low-end footwear retailers, non-athletic footwear retailers, etc.), it also faces several direct competitors as well. The recent bankruptcy of Sports Authority demonstrates the peril of being a laggard in the industry (as an aside, Dick's Sporting Goods bought its assets in bankruptcy court). **Figure 11**, a graph of web-user's interest in Foot Locker versus its primary competitors further exemplify this intense competition (I would've liked to find more precise data such as web-clicks, but due to limited resources resorted to Google Analytics).

Figure 11. FL vs. DKS, FINL, Interest Over Time





The intense rivalry poses a significant risk, and may start a war of attrition between companies in the industry, resulting in higher SG&A expenses, or lost market share, or both.

Positioned as a seller of mostly luxurious goods, the company also faces risks during an economic downturn. I argue that this is mitigated by proven stable ASPs and an ability to weather severe slumps in consumer spending, but the risk should nevertheless weigh on valuation.

Lastly, should the growth of its e-commerce operations stall, it will face significant headwinds in continuing to grow its operations successfully.

Investment Thesis

I originally looked at Foot Locker to answer the following question: despite growing its operations successfully, why did FL experience a -9.6% drop in its stock price? I cannot definitively answer the question, but I think the combination of missing earnings for two consecutive quarters, an unfavorable litigation outcome, and being potentially mispriced may contribute to its underperformance.

Although the industry Foot Locker operates in is incredibly competitive, I believe the company is positioned strongly in a niche part of the industry that will continue to grow down the line. Other factors, such as excellent corporate governance structure and a history of meeting long-term objectives further add to my belief that Foot Locker is a competitive and attractive company.

Taking this into account, I believe the temporary underperformance creates a rather attractive buying opportunity.

I approached estimating the company's intrinsic value by assuming continuity in its strategy. For instance, I did not assume further mergers and acquisitions, expansion to new regions, introduction of new products, and the likes. In attempting to keep my assumptions as realistic and conservative as possible, I believe that **Figure 5** best demonstrates the intrinsic value of the company. I further believe the company has a good margin of safety. **Figure 7** demonstrates that the prevailing price per share reflects what I think to be the expected price if one believes a recession is more likely than not.

Therefore, I believe Foot Locker is a **strong buy** with a price target of **$96**. I have no time horizon for this, but I believe the stock price will begin to trend upwards as the market begins to realize the high level of free cash flows and returns this company is able to generate. Further increase in dividend payouts or share repurchases will continue to support the price and help its convergence to intrinsic value.

Disclaimer

As of the publication date of this report, I own shares of this company and stand to realize gains in the event that the price of the stock increases. Investors should conduct independent due diligence on any security discussed before making any investment decision.

Some More Figures

Figure 12. Stock Snapshot

Price (03/09/2016):	$66.00
Market Cap:	$9163 M
52-Week Range:	$50.90 - $77.25
30-Day Average Volume:	2,190,835
Dividend Yield:	1.67%
Diluted EPS:	$3.84
P/E:	16.7

Figure 13. Historic Profitability and Leverage Ratios, Adjusted for Operating Leases

Historic Ratios	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Return on equity:	*N/A*	13.45%	17.70%	17.61%	20.83%	21.43%
Dupont analysis:						
Tax burden:	*N/A*	63.91%	65.40%	64.71%	64.28%	64.64%
Interest burden:	*N/A*	99.54%	99.51%	99.85%	100.50%	100.00%
Operating income margin:	*N/A*	7.77%	9.87%	10.21%	11.26%	11.29%
Asset turnover:	*N/A*	1.89	1.93	1.90	2.02	2.02
Leverage ratio:	*N/A*	1.44	1.43	1.41	1.42	1.46
Return on invested capital:	*N/A*	15.08%	16.12%	14.92%	17.71%	15.41%
Unlevered FCF margin, adjusted:	9.1%	10.5%	7.5%	8.2%	11.3%	10.0%
Total debt-to-equity, adjusted:	1.07	1.06	1.08	1.15	1.18	1.41
Interest coverage ratio, adjusted:	0.93	1.24	1.46	1.44	1.70	1.65

Figure 14. Sensitivity Table of Terminal FCF Growth Rate vs. Discount Rate and Implied Share Price (Baseline Scenario)

		Terminal FCF Growth Rate:				
		(1.0%)	(0.5%)	-	0.5%	1.0%
Discount Rate (WACC):	4.0%	$ 99.85	$ 110.04	$ 122.77	$ 139.14	$ 160.96
	4.5%	88.79	96.89	106.79	119.16	135.07
	5.0%	79.57	86.14	94.01	103.64	115.67
	5.5%	71.79	77.19	83.57	91.23	100.59
	6.0%	65.12	69.62	74.88	81.08	88.53

Appendices

Appendix I. Sensitivity – Cost of Sales vs. SG&A Adjustments and Implied Share Price (Baseline Assumption)

		Cost of Sales				
		(5.0%)	(2.5%)	-	2.5%	5.0%
Selling, General, and Admin Expenses	(5.0%)	$ 162.65	$ 139.50	$ 116.35	$ 93.19	$ 70.04
	(2.5%)	158.36	135.21	112.06	88.90	65.75
	-	154.07	130.92	107.77	84.61	61.45
	2.5%	149.78	126.63	103.48	80.32	57.13
	5.0%	145.49	122.34	99.19	76.03	52.80

Appendix II. List of Comparable Companies and Operating Statistics

Operating Statistics		Capitalization		Current Operating Statistics			
Name	Ticker	Equity Value	Enterprise Value	LTM Revenue	LTM EBITDA	LTM Net Income	Total Square Footage
							(in thousands)
Dicks Sporting Good Inc.	DKS	$ 6,747.7	$ 10,263.5	$ 7,510.9	$ 817.5	$ 324.5	37,067
DSW Inc.	DSW	2,045.1	2,768.6	2,677.8	294.5	104.9	9,805
The Gap, Inc.	GPS	9,593.7	18,213.7	15,531.0	2,114.7	714.0	37,800
Ross Stores, Inc.	ROST	25,066.8	26,468.7	12,090.8	2,035.6	1,026.1	41,356
Genesco Inc.	GCO	1,031.9	2,278.5	3,010.4	294.0	85.7	4,817
Caleres Inc.	CAL	1,084.2	1,946.5	2,559.9	222.5	80.3	6,909
American Eagle Outfitters	AEO	3,380.4	4,534.8	3,596.9	581.1	237.9	6,599
Abercrombie & Fitch Co.	ANF	1,150.8	2,841.7	3,494.7	398.7	60.2	7,209
Crocs, Inc.	CROX	643.8	775.4	1,085.7	564.2	(68.5)	454
Deckers Outdoor Corp	DECK	2,064.7	2,441.4	1,835.8	219.5	115.9	21,384
Maximum:		$ 25,066.8	$ 26,468.7	$ 15,531.0	$ 2,114.7	$ 1,026.1	$ 41,355.6
75th percentile:		5,905.9	8,831.3	6,532.4	758.4	302.8	33,146.6
Median:		**2,054.9**	**2,805.1**	**3,252.6**	**481.4**	**110.4**	**8,507.0**
25th percentile:		1,100.9	2,319.3	2,589.4	294.1	81.7	6,676.6
Minimum:		643.8	775.4	1,085.7	219.5	(68.5)	453.8
Footlocker	**FL**	**$ 9,162.5**	**$ 11,632.5**	**$ 7,483.0**	**$ 1,156.9**	**$ 548.0**	**12,918**

Appendix III. List of Comparable Companies and Valuation Multiples

Valuation Statistics		Capitalization		Enterprise Value / EBITDA				Enterprise Value / Sales				P/E Multiple				Enterprise Value / Total Square Footage
Name	Ticker	Equity Value	Enterprise Value	LTM	01/30/2017	01/30/2018	01/30/2019	LTM	01/30/2017	01/30/2018	01/30/2019	LTM	01/30/2017	01/30/2018	01/30/2019	LTM
Dicks Sporting Good Inc.	DKS	$ 6,747.7	$10,263.5	12.6 x	13.6 x	11.6 x	11.0 x	1.4 x	1.3 x	1.2 x	1.1 x	20.8 x	19.9 x	16.8 x	15.3 x	0.3 x
DSW Inc.	DSW	2,045.1	2,768.6	9.4 x	10.6 x	9.8 x	9.6 x	1.0 x	1.0 x	1.0 x	0.9 x	19.5 x	17.8 x	16.1 x	16.8 x	0.3 x
The Gap, Inc.	GPS	9,593.7	18,213.7	8.6 x	13.6 x	13.2 x	13.1 x	1.2 x	1.2 x	1.2 x	1.2 x	13.4 x	12.6 x	11.9 x	11.7 x	0.5 x
Ross Stores, Inc.	ROST	25,066.8	26,468.7	13.0 x	15.1 x	13.9 x	12.9 x	2.2 x	2.1 x	2.0 x	1.8 x	24.4 x	23.1 x	21.3 x	19.6 x	0.6 x
Genesco Inc.	GCO	1,031.9	2,278.5	7.7 x	16.7 x	15.2 x	13.0 x	0.8 x	0.8 x	0.8 x	0.7 x	12.0 x	12.5 x	11.2 x	9.7 x	0.5 x
Caleres Inc.	CAL	1,084.2	1,946.5	8.7 x	13.8 x	12.6 x	11.7 x	0.8 x	0.8 x	0.7 x	0.7 x	13.5 x	12.6 x	11.3 x	10.4 x	0.3 x
American Eagle Outfitters	AEO	3,380.4	4,534.8	7.8 x	12.1 x	11.2 x	11.3 x	1.3 x	1.2 x	1.2 x	1.2 x	14.2 x	14.2 x	13.2 x	13.7 x	0.7 x
Abercrombie & Fitch Co.	ANF	1,150.8	2,841.7	7.1 x	35.7 x	26.7 x	22.4 x	0.8 x	0.8 x	0.8 x	0.8 x	19.1 x	33.5 x	21.2 x	15.6 x	0.4 x
Crocs, Inc.	CROX	643.8	775.4	1.4 x	16.5 x	12.2 x	N/A	0.7 x	0.7 x	0.7 x	N/A	NM	21.6 x	18.9 x	N/A	1.7 x
Deckers Outdoor Corp	DECK	2,064.7	2,441.4	11.1 x	12.7 x	11.6 x	11.4 x	1.3 x	1.3 x	1.3 x	1.2 x	17.8 x	15.0 x	13.6 x	13.6 x	0.1 x
Maximum:		$25,066.8	$26,468.7	13.0 x	35.7 x	26.7 x	22.4 x	2.2 x	2.1 x	2.0 x	1.8 x	24.4 x	33.5 x	21.3 x	19.6 x	1.7 x
75th percentile:		5,905.9	8,831.3	10.7 x	16.1 x	13.8 x	13.0 x	1.3 x	1.3 x	1.2 x	1.2 x	19.5 x	21.2 x	18.4 x	15.6 x	0.6 x
Median:		**2,054.9**	**2,805.1**	**8.7 x**	**13.7 x**	**12.4 x**	**11.7 x**	**1.1 x**	**1.1 x**	**1.1 x**	**1.1 x**	**17.8 x**	**16.4 x**	**14.9 x**	**13.7 x**	**0.4 x**
25th percentile:		1,100.9	2,319.3	7.8 x	12.9 x	11.6 x	11.3 x	0.8 x	0.8 x	0.8 x	0.8 x	13.5 x	13.0 x	12.2 x	11.7 x	0.3 x
Minimum:		643.8	775.4	1.4 x	10.6 x	9.8 x	9.6 x	0.7 x	0.7 x	0.7 x	0.7 x	12.0 x	12.5 x	11.2 x	9.7 x	0.1 x
Footlocker	**FL**	**$ 9,162.5**	**$11,632.5**	**10.1 x**	**11.1 x**	**9.3 x**	**8.8 x**	**1.6 x**	**1.5 x**	**1.4 x**	**1.4 x**	**16.7 x**	**15.9 x**	**13.0 x**	**12.3 x**	**0.9 x**

Appendix IV. Bear Case Simplified Stats

Bear Case	FY 2015	*FY 2016*	*FY 2017*	*FY 2018*	*FY 2019*	*FY 2020*	*FY 2021*	*FY 2022*	*FY 2023*
Sales:									
U.S. sales:	$ 5,305	$ 5,410	$ 5,505	$ 5,587	$ 5,670	$ 5,740	$5,811	$5,855	$5,884
Intl sales:	2,107	2,112	2,117	2,123	2,128	2,133	2,138	2,144	2,149
Total:	7,412	7,523	7,622	7,709	7,798	7,873	7,950	7,998	8,032
Operating income:	837	539	700	724	774	798	847	869	890
EBIT margin:	*11.3%*	*7.2%*	*9.2%*	*9.4%*	*9.9%*	*10.1%*	*10.7%*	*10.9%*	*11.1%*
Net income:	541	348	452	467	499	514	546	560	573
Net margin:	*7.3%*	*4.6%*	*5.9%*	*6.1%*	*6.4%*	*6.5%*	*6.9%*	*7.0%*	*7.1%*
Unlevered FCF:	516	70	484	268	467	385	444	507	395
UFCF margin:	*7.0%*	*0.9%*	*6.3%*	*3.5%*	*6.0%*	*4.9%*	*5.6%*	*6.3%*	*4.9%*

Appendix V. Bull Case Simplified Stats

Bull Case	FY 2015	*FY 2016*	*FY 2017*	*FY 2018*	*FY 2019*	*FY 2020*	*FY 2021*	*FY 2022*	*FY 2023*
Sales:									
U.S. sales:	$ 5,305	$ 5,788	$ 6,272	$ 6,748	$ 7,260	$ 7,756	$8,285	$8,725	$9,122
Intl sales:	2,107	2,187	2,269	2,355	2,444	2,537	2,633	2,733	2,836
Total:	7,412	7,975	8,541	9,103	9,704	10,293	10,918	11,458	11,958
Operating income:	837	986	1,218	1,316	1,451	1,559	1,708	1,815	1,918
EBIT margin:	*11.3%*	*12.4%*	*14.3%*	*14.5%*	*15.0%*	*15.2%*	*15.6%*	*15.8%*	*16.0%*
Net income:	541	636	786	849	936	1,006	1,101	1,170	1,236
Net margin:	*7.3%*	*8.0%*	*9.2%*	*9.3%*	*9.6%*	*9.8%*	*10.1%*	*10.2%*	*10.3%*
Unlevered FCF:	516	355	760	600	874	779	1,000	977	1,102
UFCF margin:	*7.0%*	*4.5%*	*8.9%*	*6.6%*	*9.0%*	*7.6%*	*9.2%*	*8.5%*	*9.2%*

Appendix VI. Management's Case Simplified Stats

Management's Case	FY 2015	*FY 2016*	*FY 2017*	*FY 2018*	*FY 2019*	*FY 2020*	*FY 2021*	*FY 2022*	*FY 2023*
Sales:									
U.S. sales:	$ 5,305	$ 5,760	$ 6,210	$ 6,649	$ 7,118	$ 7,567	$ 8,044	$ 8,429	$ 8,768
Intl sales:	2,107	2,176	2,247	2,321	2,397	2,475	2,556	2,640	2,726
Total:	7,412	7,936	8,457	8,969	9,515	10,042	10,600	11,068	11,494
Operating income:	837	778	991	1,070	1,183	1,269	1,394	1,478	1,558
EBIT margin:	*11.3%*	*9.8%*	*11.7%*	*11.9%*	*12.4%*	*12.6%*	*13.2%*	*13.4%*	*13.6%*
Net income:	541	502	640	690	763	819	899	953	1,004
Net margin:	*7.3%*	*6.3%*	*7.6%*	*7.7%*	*8.0%*	*8.2%*	*8.5%*	*8.6%*	*8.7%*
Unlevered FCF:	516	186	649	431	702	619	765	824	803
UFCF margin:	*7.0%*	*2.3%*	*7.7%*	*4.8%*	*7.4%*	*6.2%*	*7.2%*	*7.4%*	*7.0%*

Appendix VII. WACC Calculation

Discounted Cash Flow (DCF) - Assumptions

Risk-free rate:	1.60%
Equity risk premium:	5.16%
Spread on debt:	3.25%
Pre-tax cost of debt:	4.85%
Cost of preferred:	-

31

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Comparable Companies - Unlevered Beta Calculations

Name	Ticker	Levered Beta	Debt	%Debt	Preferred	%Pref	Equity	%Equity	Tax Rate	Unlevered Beta
	DKS									
Dicks Sporting Good Inc.	DKS	0.83	$3,628.1	35.0%	$ -	0.0%	$ 6,747.7	65.0%	37.8%	0.62
DSW Inc.	DSW	0.61	822.0	28.7%	-	0.0%	2,045.1	71.3%	38.7%	0.49
The Gap, Inc.	GPS	1.17	10,301.0	51.8%	-	0.0%	9,593.7	48.2%	37.5%	0.70
Ross Stores, Inc.	ROST	0.84	3,646.7	12.7%	-	0.0%	25,066.8	87.3%	37.5%	0.77
Genesco Inc.	GCO	1.1	1,277.2	55.3%	1.1	0.0%	1,031.9	44.7%	37.1%	0.62
Caleres Inc.	CAL	0.89	1,010.4	48.2%	-	0.0%	1,084.2	51.8%	29.5%	0.54
American Eagle Outfitters	AEO	0.72	1,402.4	29.3%	-	0.0%	3,380.4	70.7%	40.0%	0.58
Abercrombie & Fitch Co.	ANF	1.32	2,176.7	65.4%	-	0.0%	1,150.8	34.6%	40.0%	0.62
Deckers Outdoor Corp	DECK	0.9	579.0	21.9%	-	0.0%	2,064.7	78.1%	22.1%	0.74
Crocs, Inc.	CROX	0.57	300.8	31.8%	-	0.0%	643.8	68.2%	20.6%	0.42
Median:		0.87	$1,339.8	33.4%	$ -	0.0%	$ 2,054.9	66.6%	37.5%	0.62
Footlocker:	FL	0.63	$3,467.0	27.5%	$ -	0.0%	$ 9,162.5	72.5%	35.5%	0.51

Comparable Companies - Levered Beta and WACC Calculations

	Ticker	Unlevered Beta	Debt	%Debt	Preferred	%Pref	Equity	%Equity	Tax Rate	Levered Beta
Current capital structure:	FL	0.62	$3,467.0	27.5%	$ -	0.0%	$ 9,162.5	72.5%	35.5%	0.77
"Optimal" capital structure:	FL	0.62	4,218.9	33.4%	-	0.0%	8,410.6	66.6%	35.5%	0.82

Cost of equity, based on comparables, current capital structure:	5.57%
Cost of equity, based on comparables, optimal capital structure:	5.82%
Cost of equity based on historical beta:	4.85%
WACC, based on comparables, current capital structure:	4.90%
WACC, based on comparables, optimal capital structure:	4.92%
WACC based on historical beta:	4.38%

Appendix VIII. Base Case Complete Income Statement

		Historic						Projected							
Consolidated Income Statement	*Units*	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	*FY 2016*	*FY 2017*	*FY 2018*	*FY 2019*	*FY 2020*	*FY 2021*	*FY 2022*	*FY 2023*
Sales:															
United States:	*$m*	$ 3,568	$ 3,959	$ 4,495	$ 4,567	$ 4,976	$ 5,305	$ 5,626	$ 5,938	$ 6,237	$ 6,552	$ 6,849	$ 7,159	$ 7,412	$ 7,635
International:	*$m*	1,481	1,664	1,687	1,938	2,175	2,107	2,160	2,214	2,270	2,327	2,386	2,446	2,507	2,570
Total sales:	*$m*	5,049	5,623	6,182	6,505	7,151	7,412	7,786	8,152	8,507	8,879	9,234	9,605	9,919	10,206
Cost of sales:	*$m*	3,533	3,827	4,148	4,372	4,777	4,907	5,139	5,364	5,598	5,816	6,048	6,262	6,467	6,654
Gross profit:	*$m*	1,516	1,796	2,034	2,133	2,374	2,505	2,647	2,788	2,909	3,063	3,186	3,342	3,452	3,552
Gross margin:	*%*	*30.0%*	*31.9%*	*32.9%*	*32.8%*	*33.2%*	*33.8%*	*34.0%*	*34.2%*	*34.2%*	*34.5%*	*34.5%*	*34.8%*	*34.8%*	*34.8%*
Selling, general, and administrative expenses:	*$m*	1,138	1,244	1,294	1,334	1,426	1,415	1,479	1,532	1,582	1,633	1,680	1,728	1,765	1,795
Depreciation and amortization:	*$m*	106	110	118	133	139	148	155	163	170	177	184	192	198	204
Litigation, impairment, and other charges:	*$m*	10	5	12	2	4	105	120	-	-	-	-	-	-	-
Operating income:	*$m*	262	437	610	664	805	837	893	1,094	1,158	1,253	1,322	1,423	1,489	1,553
EBIT margin:	*%*	*5.2%*	*7.8%*	*9.9%*	*10.2%*	*11.3%*	*11.3%*	*11.5%*	*13.4%*	*13.6%*	*14.1%*	*14.3%*	*14.8%*	*15.0%*	*15.2%*
Interest expense, net:	*$m*	9	6	5	5	5	4	4	5	5	5	5	6	6	7
Other income:	*$m*	(4)	(4)	(2)	(4)	(9)	(4)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Pre-tax income:	*$m*	257	435	607	663	809	837	894	1,093	1,158	1,252	1,321	1,421	1,488	1,550
Provision for income taxes:	*$m*	88	157	210	234	289	296	317	388	411	444	469	504	528	550
Net income:	*$m*	169	278	397	429	520	541	577	705	747	808	852	917	960	1,001
Net margin:	*%*	*3.3%*	*4.9%*	*6.4%*	*6.6%*	*7.3%*	*7.3%*	*7.4%*	*8.7%*	*8.8%*	*9.1%*	*9.2%*	*9.5%*	*9.7%*	*9.8%*

Appendix IX. Base Case FCF Projections

Unlevered Free Cash Flow Projections	Units	Historic FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Projected FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Sales:	$m	$ 5,049	$ 5,623	$ 6,182	$ 6,505	$ 7,151	$ 7,412	$ 7,786	$ 8,152	$ 8,507	$ 8,879	$ 9,234	$ 9,605	$ 9,919	$ 10,206
Annual sales growth rate:	*%*	*N/A*	*11.4%*	*9.9%*	*5.2%*	*9.9%*	*3.6%*	*5.0%*	*4.7%*	*4.4%*	*4.4%*	*4.0%*	*4.0%*	*3.3%*	*2.9%*
Operating income (EBIT):	$m	262	437	610	664	805	837	893	1,094	1,158	1,253	1,322	1,423	1,489	1,553
EBIT margin:	*%*	*5.2%*	*7.8%*	*9.9%*	*10.2%*	*11.3%*	*11.3%*	*11.5%*	*13.4%*	*13.6%*	*14.1%*	*14.3%*	*14.8%*	*15.0%*	*15.2%*
Less: taxes, excluding effects of interest:	$m	93	155	216	235	286	297	317	388	411	444	469	505	528	551
Net operating profit after taxes (NOPAT):	$m	**169**	**282**	**394**	**429**	**519**	**540**	**576**	**706**	**747**	**809**	**853**	**918**	**961**	**1,002**
Adjustments for non-cash charges:															
Non-cash impairment charges:	$m	10	5	12	-	4	5	6	5	4	4	3	2	1	-
Depreciation and amortization:	$m	106	110	118	133	139	148	155	163	170	177	184	192	198	204
Deferred income taxes:	$m	84	29	20	19	20	(6)	-	-	-	-	-	-	-	-
Share-based compensation expense:	$m	13	18	20	25	24	22	23	24	24	25	26	27	27	28
Excess tax benefits on share-based compensation:	$m	1	5	9	(8)	(12)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)
Gain on sale of real estate:	$m	-	-	-	-	(4)	-	-	-	-	-	-	-	-	-
Qualified pension plan contributions:	$m	(32)	(28)	(26)	(2)	(6)	(4)	(22)	(21)	(21)	(20)	(18)	(17)	(16)	(14)
Total adjustments for non-cash charges:	$m	**182**	**139**	**153**	**167**	**165**	**130**	**127**	**135**	**143**	**152**	**160**	**168**	**175**	**182**
Changes in operating assets & liabilities:	$m														
Change in merchandise inventories:	$m	(19)	(17)	(91)	(20)	(81)	(49)	(102)	6	(110)	16	(116)	27	(111)	37
Change in accounts payable:	$m	7	19	57	(48)	51	(17)	40	14	28	(17)	62	(53)	95	(90)
Change in accrued and other liabilities:	$m	35	38	(4)	(10)	33	-	(29)	65	(28)	62	(26)	59	(27)	57
Change in income tax receivables and payables:	$m	(33)	24	(34)	-	-	-	-	-	-	-	-	-	-	-
Change in other, net:	$m	(15)	16	(62)	12	24	140	(65)	3	(0)	3	(0)	3	(1)	3
Net change in working capital:	$m	**(25)**	**80**	**(134)**	**(66)**	**27**	**74**	**(156)**	**88**	**(110)**	**64**	**(81)**	**36**	**(44)**	**6**
Less: capital expenditures:	$m	(97)	(152)	(163)	(206)	(190)	(228)	(231)	(242)	(252)	(263)	(274)	(285)	(294)	(303)
Annual unlevered free cash flows:	$m	**229**	**349**	**250**	**324**	**521**	**516**	**316**	**687**	**528**	**761**	**658**	**837**	**798**	**888**

Appendix X. Base Case DCF Output

PV of terminal value:		12,946
Sum of PV of free cash flows:		4,375
Implied enterprise value:	**$**	**17,321**
Plus: cash and cash equivalents:		1,062
Less: total debt and capital leases:		(129)
Less: preferred stock:		-
Less: unfunded pension obligations:		(65)
Less: adjustment for operating lease		(3,338)
Implied equity value:		14,851
Diluted shares outstanding:		137.8
Implied share price from DCF:	$	107.77
Premium (discount) to current:		63.3%

Appendix XI. Sensitivities

Sensitivity - U.S. sales / gross sq. ft. vs. international sales / gross sq. ft. and implied share price from DCF analysis:

		US Sales / Gross Square Foot								
		(200.0%)	(150.0%)	(100.0%)	(50.0%)	-	50.0%	100.0%	150.0%	200.0%
International Sales / Gross Square Foot	(200.0%)	$ 73.46	$ 79.19	$ 85.97	$ 93.89	$ 103.06	$ 113.58	$ 125.56	$ 139.14	$ 154.45
	(150.0%)	74.54	80.27	87.05	94.97	104.14	114.66	126.64	140.22	155.53
	(100.0%)	75.68	81.42	88.20	96.12	105.28	115.80	127.78	141.36	156.67
	(50.0%)	76.89	82.62	89.40	97.33	106.49	117.01	128.99	142.57	157.88
	-	78.17	83.90	90.68	98.60	107.77	118.28	130.27	143.85	159.16
	50.0%	79.51	85.24	92.02	99.94	109.11	119.63	131.61	145.19	160.50
	100.0%	80.93	86.66	93.44	101.36	110.52	121.04	133.03	146.61	161.92
	150.0%	82.42	88.15	94.93	102.85	112.01	122.53	134.52	148.10	163.41
	200.0%	83.98	89.71	96.49	104.42	113.58	124.10	136.08	149.66	164.97

Sensitivity - U.S. square footage growth vs. international square footage growth and implied share price from DCF analysis:

		US Square Footage Growth								
		(200.0%)	(150.0%)	(100.0%)	(50.0%)	-	50.0%	100.0%	150.0%	200.0%
International Square Footage Growth	(200.0%)	$ 94.53	$ 96.89	$ 99.34	$ 101.87	$ 104.50	$ 107.22	$ 110.03	$ 112.93	$ 115.94
	(150.0%)	95.30	97.66	100.11	102.65	105.27	107.99	110.80	113.71	116.71
	(100.0%)	96.10	98.46	100.91	103.45	106.07	108.79	111.60	114.51	117.51
	(50.0%)	96.93	99.29	101.74	104.28	106.90	109.62	112.43	115.34	118.34
	-	97.79	100.16	102.60	105.14	107.77	110.48	113.29	116.20	119.21
	50.0%	98.68	101.05	103.50	106.03	108.66	111.38	114.19	117.09	120.10
	100.0%	99.61	101.97	104.42	106.96	109.58	112.30	115.11	118.02	121.02
	150.0%	100.57	102.93	105.38	107.91	110.54	113.26	116.07	118.97	121.98
	200.0%	101.56	103.92	106.37	108.90	111.53	114.25	117.06	119.96	122.97

Sensitivity - Cost of sales v.s. SG&A and implied share price from DCF analysis (wider range):

		Cost of Sales								
		(10.0%)	(7.5%)	(5.0%)	(2.5%)	-	2.5%	5.0%	7.5%	10.0%
Selling, General, and Administrative Expenses	(10.0%)	$ 217.53	$ 194.38	$ 171.23	$ 148.08	$ 124.93	$ 101.77	$ 78.62	$ 55.41	$ 32.01
	(7.5%)	213.24	190.09	166.94	143.79	120.64	97.48	74.33	51.08	27.65
	(5.0%)	208.95	185.80	162.65	139.50	116.35	93.19	70.04	46.76	23.30
	(2.5%)	204.66	181.51	158.36	135.21	112.06	88.90	65.75	42.44	18.91
	-	200.37	177.22	154.07	130.92	107.77	84.61	61.45	38.09	14.53
	2.5%	196.08	172.93	149.78	126.63	103.48	80.32	57.13	33.73	10.13
	5.0%	191.79	168.64	145.49	122.34	99.19	76.03	52.80	29.38	5.71
	7.5%	187.50	164.35	141.20	118.05	94.90	71.74	48.48	25.02	1.30
	10.0%	183.21	160.06	136.91	113.76	90.61	67.45	44.15	20.65	(3.11)

Sensitivity - Terminal FCF Margin vs Growth Rate and Implied Share Price From DCF Analysis (wider range):

		Terminal FCF Growth Rate								
		(2.0%)	(1.5%)	(1.0%)	(0.5%)	-	0.5%	1.0%	1.5%	2.0%
Terminal FCF Margin	4.0%	$ 41.90	$ 44.40	$ 47.33	$ 50.80	$ 54.98	$ 60.09	$ 66.49	$ 74.72	$ 85.77
	5.0%	49.95	53.08	56.74	61.08	66.27	72.61	80.58	90.86	104.67
	6.0%	57.99	61.75	66.12	71.28	77.49	85.11	94.66	107.01	123.58
	7.0%	66.02	70.37	75.45	81.47	88.72	97.60	108.75	123.16	142.49
	8.0%	74.00	78.97	84.78	91.67	99.95	110.10	122.84	139.30	161.40
	9.0%	81.98	87.58	94.12	101.86	111.17	122.60	136.93	155.45	180.30
	10.0%	89.97	96.18	103.45	112.05	122.40	135.09	151.02	171.59	199.21
	11.0%	97.95	104.79	112.78	122.24	133.63	147.59	165.11	187.74	218.12
	12.0%	105.94	113.39	122.11	132.43	144.85	160.08	179.19	203.89	237.03