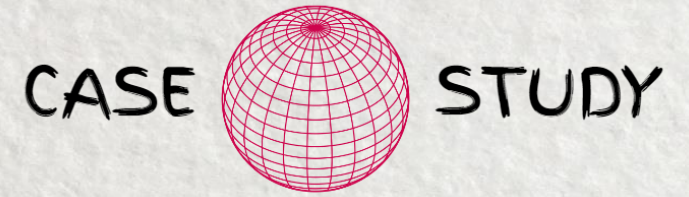


What's interesting
about Under Armour is
that its **share price has
dropped by 50%** over
the past 6 months



VALUATION MASTER CLASS

by
A. Stoltz INVESTMENT
RESEARCH



Valuation Master Class



But before we start
remember this information
is for **learning purposes**
only.

It is **NOT** investment
advice or a recommendation.



Ask
Ajarn
Andrew



Wall Street is fed up with Under Armour, Nike and Adidas



By [Nathaniel Meyersohn](#), CNN Business

Updated 1832 GMT (0232 HKT) May 6, 2022

Under Armour shares tank after surprise loss, profit warning

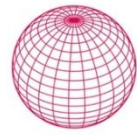
By Reuters

May 6, 2022 | 11:43am | Updated

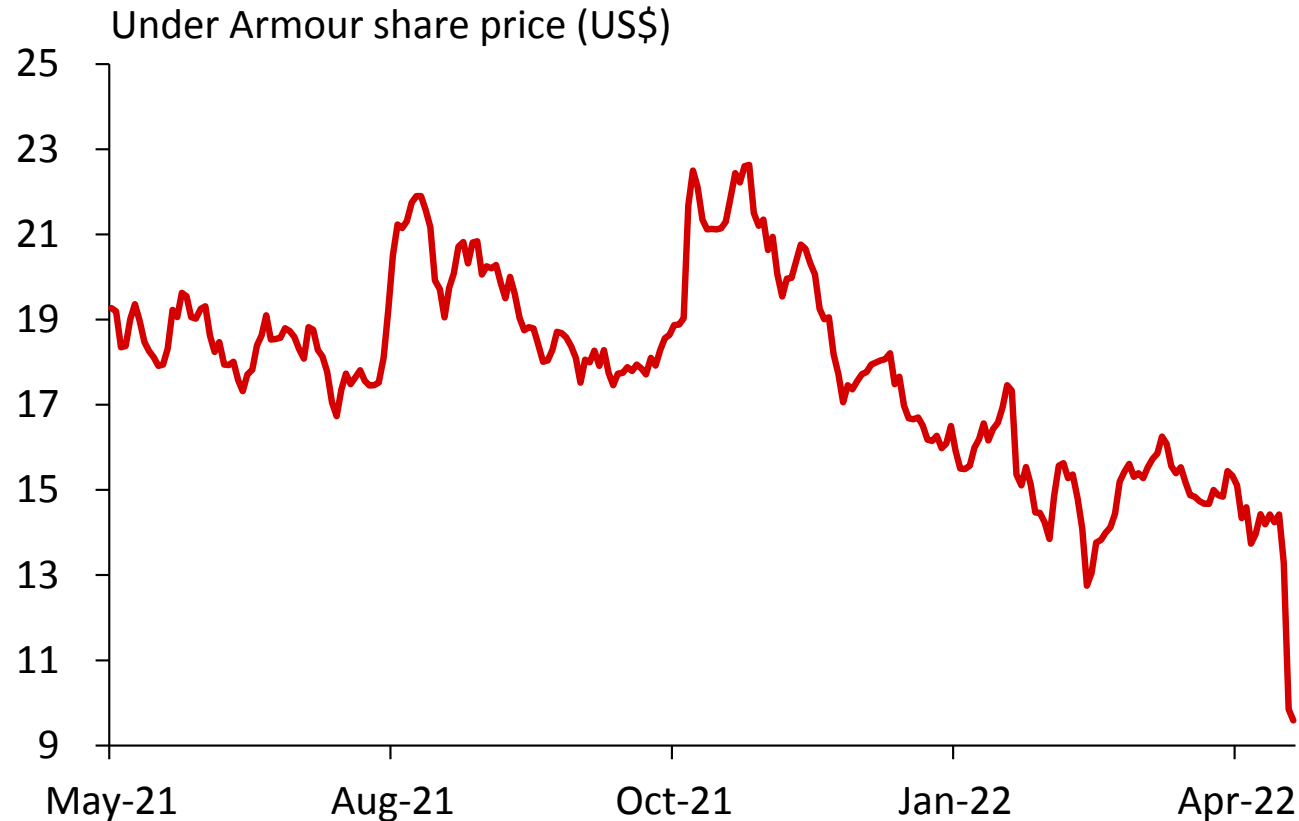
Under Armour, Adidas Reel From China Lockdowns

[Investing.com](#) | [Stock Markets](#) | May 06, 2022 08:29AM ET

Investors lower profit outlook and punish share price

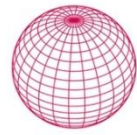


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- ★ Within 1 day, UA's share price plummeted by 25%
 - At about US\$10 it is now 53% below its 12-month high
- ★ What sparked the fall?
 - Under Armour reported an unexpected quarterly loss of US\$60m

Under Armour has been involved in several scandals



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- Misleading investors with overoptimistic sales targets to meet analysts forecast in 2015
- Dubious accounting practices and fraud allegations

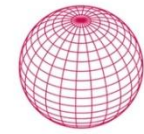


- Company expensed strip club visits of employees

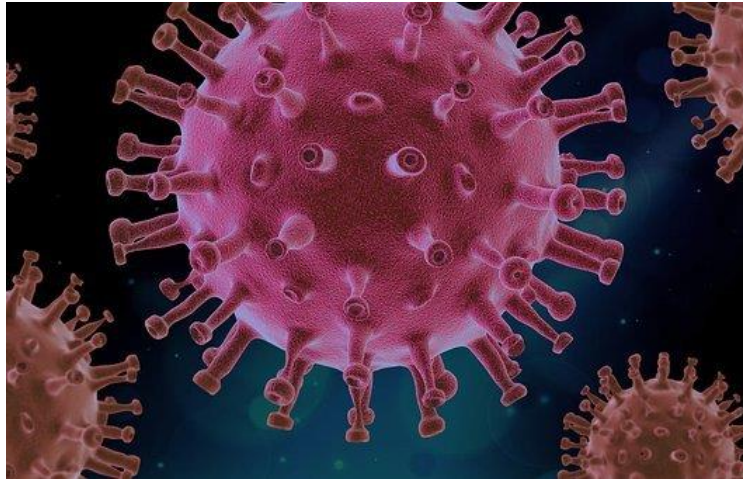


- Failed acquisitions led to a waste of money

Strategy shift under new CEO hampered by external shocks



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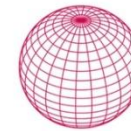


- During 2020, the company recorded almost US\$600m in loss



- Ongoing COVID lockdowns in China expose the vulnerability of UA's supply chains
- More than 38% of its raw materials come from China and Taiwan
- Around 67% of its production is in Asia, mainly China

Long way to close gap with competitors



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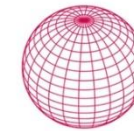


5-yr average

Revenue CAGR	3.3	1.8	6.8
Gross margin	47.1	49.4	44.1
EBIT margin	3.9	9.2	12.3
Net margin	(1.2)	5.8	9.5
Asset turnover	115	130	149
Assets/equity	2.7	2.6	2.7
ROE	(2.4)	21.0	37.0
ROIC	13.6	25.5	46.0

- ★ Under Armour still hasn't gotten its SG&A under control, and it continues to be a drag on operating margin
- ★ SG&A has been consistently over 40% of revenue
 - UA's restructuring plan has not yet borne fruit

How did consensus assess Under Armour before earnings results?



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Recommendation	Jan-22	Feb-22	Mar-22	Current
Strong buy	7	8	8	8
Buy	11	10	10	10
Hold	11	11	11	11
Sell	1	1	1	1
Strong sell	1	-	-	-
Average score	2.3	2.2	2.2	2.2

Price target	Jan-22	Feb-22	Mar-22	Current
Median	28	25	25	19
Mean	29	27	26	19

- ★ Analysts were equally divided between BUY and HOLD
- ★ In the past few months, analysts constantly reduced their price targets
 - Further downward adjustments are likely after the latest earnings results announcement