

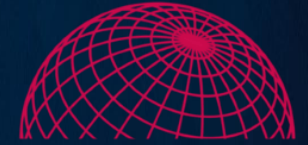
Deckers is Driving Profitability in a Crowded Market

deckers
OUTDOOR CORPORATION



While Nike and other giants lead the footwear market, there is another brand catching up

- ★ Deckers is securing a unique and powerful position in the highly competitive footwear market
- ★ Deckers' profit margin is nearly double that of Nike! Can you believe that?



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz

INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

Let's take a look at how Deckers is achieving these exceptional margins and growth



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or investment advice.



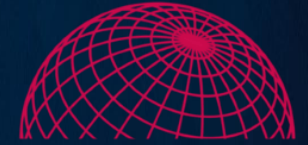
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Welcome to this Valuation Master Class case study!

- ★ My name is Andrew Stotz, and for over 30 years, I've helped thousands of finance professionals master company valuation in months, not years



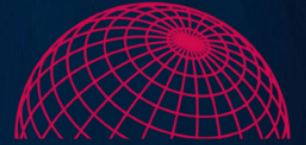
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In this video, you're gonna learn

- ★ Discover how Deckers drives success by leveraging its robust brand portfolio
- ★ Analyze the effectiveness of Deckers' competitive advantage
- ★ Evaluate Deckers' potential using my **Global Stock Tracker**



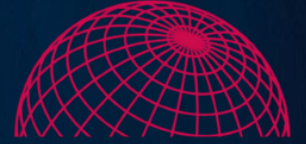
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Remember to...

- ★ ...click the link in the description to get this presentation and my Global Stock Tracker of the top 500 companies for free!



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Deckers Is Thriving With High Margins In A Crowded Market



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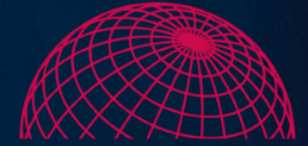
- 🌐 What is the company's story?
- 🌐 What is its competitive strategy?
- 🌐 Does that strategy lead to a competitive advantage?
- 🌐 What does the valuation look like?

Deckers is a leading player in the global footwear industry, competing alongside giants



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or investment advice.

Sources: Tycoonstory



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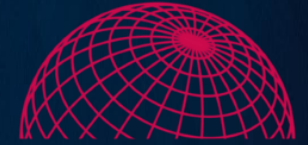
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 Like Nike, Adidas and Puma

Deckers Outdoor Corporation is an American footwear and apparel company

- ★ Its products include footwear, apparel, and accessories for various activities like outdoor adventures, casual wear, and performance sports
- ★ While Nike and Adidas focus on sportswear, Deckers emphasizes lifestyle and performance footwear, targeting a broader target market



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Decker's portfolio includes globally recognized brands such as UGG, Hoka and Teva



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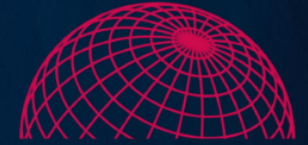
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46% of their revenue comes from the Hoka brand, a favorite among runners



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Sources: Deckers.com



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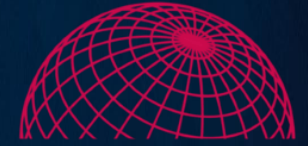
- They are lightweight with maximum cushioning, making them popular among long-distance runners

45% comes from the UGG brand, known for casual luxury, blending style with functionality



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Sources: Deckers.com



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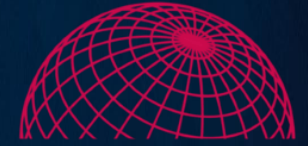
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Remaining 8% comes from Teva, Sanuk and other brands



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Fun fact: The word Sanuk means “fun” in Thai

- ★ The brand was named Sanuk because Decker’s wanted the name to reflect the playful, laid-back, and enjoyable lifestyle that the footwear embodies



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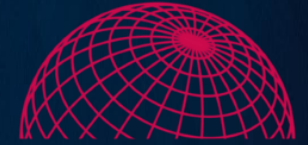
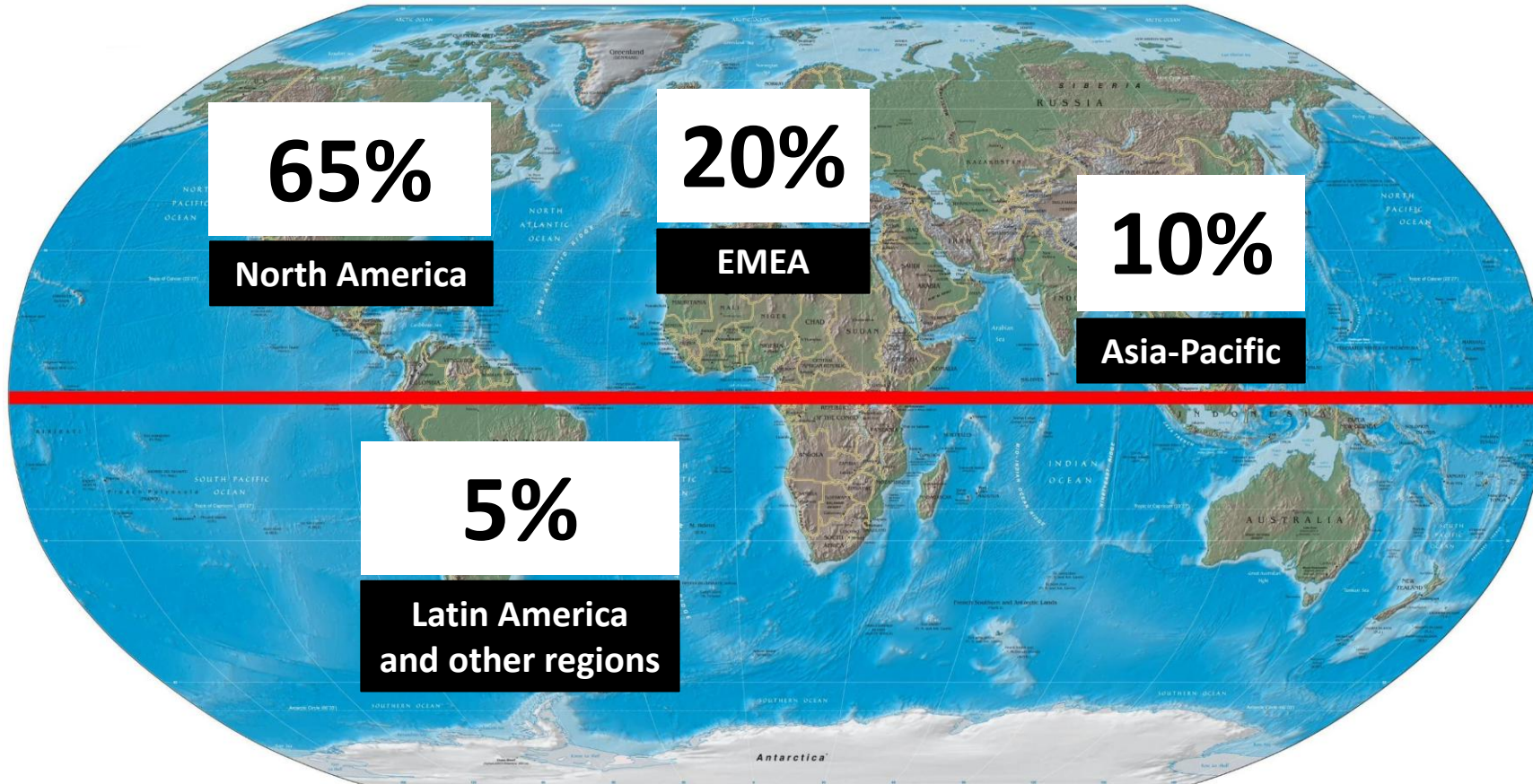
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North America is Deckers' largest market, with strong consumer bases for Hoka and UGG



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- What is the company's story?
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Deckers Outdoor Corp. - US - Founded 1973

Automotive Industry, 4,200 employees, US\$4.3bn revenue

Main segments/products/divisions

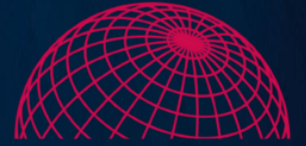
- UGG
- Hoka
- Teva, Sanuk and Koolaburra

Its competitive advantage

Competitive advantage through strong brand equity, premium pricing, and a diversified product portfolio across multiple footwear segments

How it achieved its competitive advantage

Achieved by investing in brand control, limited distribution strategies, continuous product innovation, premium material use, and successful marketing campaigns



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Deckers has built a strong brand portfolio, each targeting different consumer needs

FASHION LIFESTYLE GROUP



PERFORMANCE LIFESTYLE GROUP



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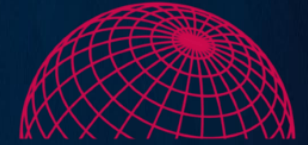
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Each brand has a distinct positioning, reducing dependency on a single product category

- ★ Rather than competing head-to-head with giants like Nike or Adidas in mass-market sportswear, Deckers dominates specific high-growth niches like sheepskin footwear
- ★ Hoka is one of the fastest-growing running shoe brands, focusing on comfort and performance
- ★ Teva leads the outdoor sandal market, a category that many competitors overlook



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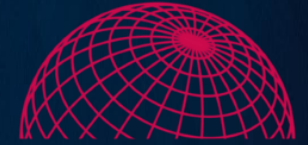
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By controlling distribution, Deckers ensures brand exclusivity and premium positioning

- ★ Deckers prioritizes premium retail partners to align with its brand positioning
- ★ Revenue largely comes from its own stores and websites, ensuring control over pricing and customer experience
- ★ The company restricts distribution in specific markets to prevent overexposure and ensure brand value is preserved



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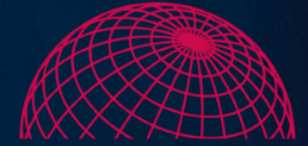
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The premium nature of UGG allows for significant markup, as customers value the brand



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Sources: Deckers.com



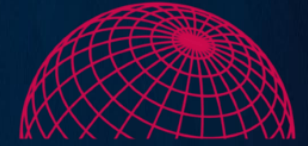
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Deckers boosts brand identity and demand through storytelling and influencers

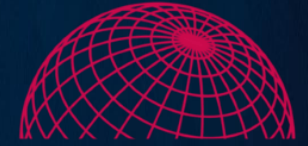
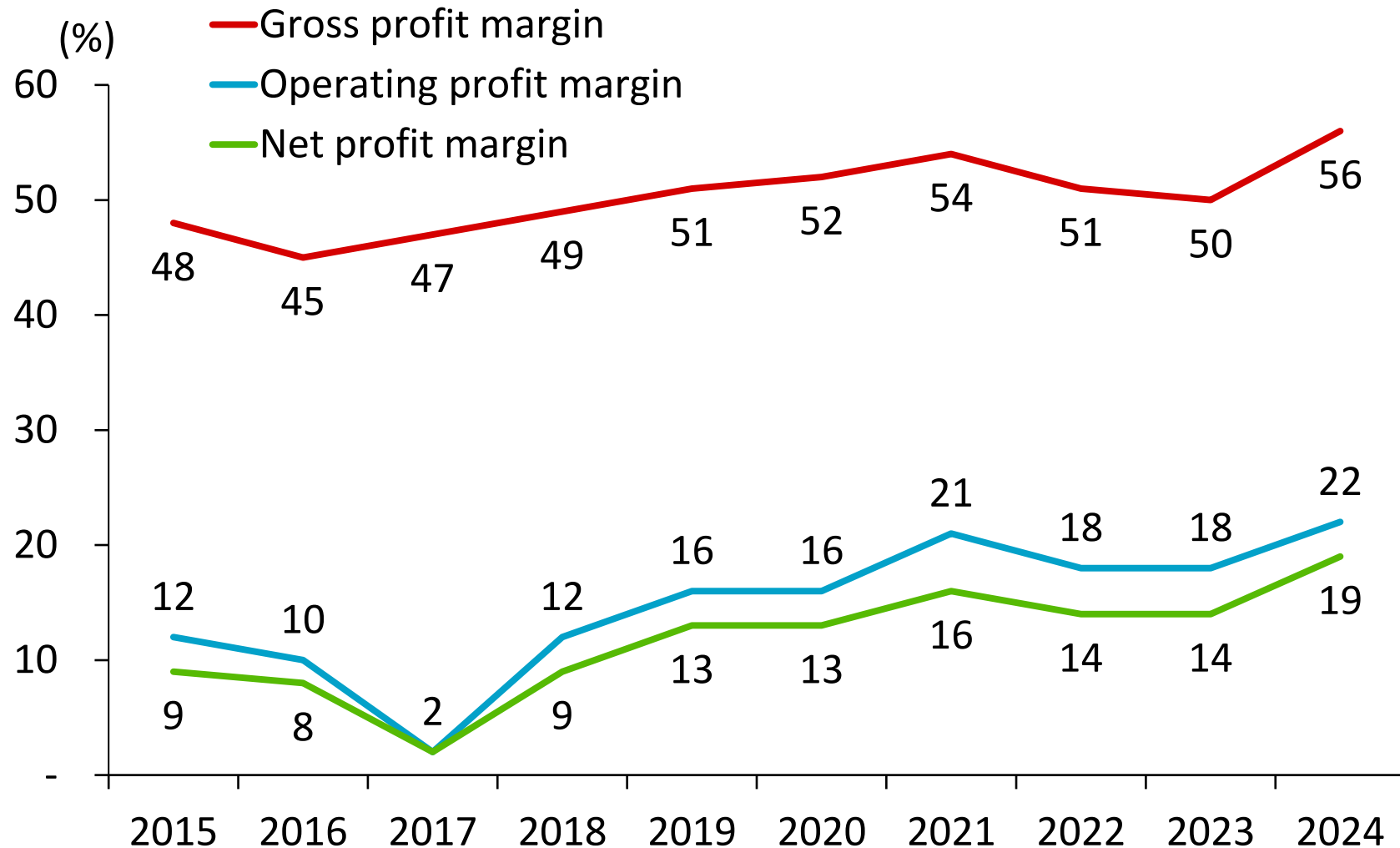


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Deckers shows resilient financial performance with a high average gross profit margin of 50%



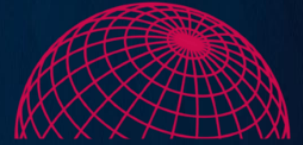
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Recap: What is its competitive strategy?

- Deckers' success lies in its diversified portfolio of premium brands and innovation
- The proof is its sustained 50% gross profit margin



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- What is the company's story?
- What is its competitive strategy?
- **Does that strategy lead to a competitive advantage?**
- What does the valuation look like?

I use my **World Class Benchmarking** scorecard to measure if a company has a **competitive advantage**



I developed this scorecard 10 years ago; here's how we construct it

- ★ My team gathers the yearly and quarterly financial data of 26,000 companies worldwide
- ★ We then calculate each company's **Profitable Growth** score
 - Which is a composite measure of both profitability and growth



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I developed this scorecard 10 years ago; here's how we construct it

- ★ After that, we rank the company relative to sector peers of similar size
 - A decile ranking of 1 or 2 is financially world class, while 10 is the worst
- ★ We assess the company's performance over the prior four years and the past 12 months (PTM)



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**Is the company
financially
world class?**

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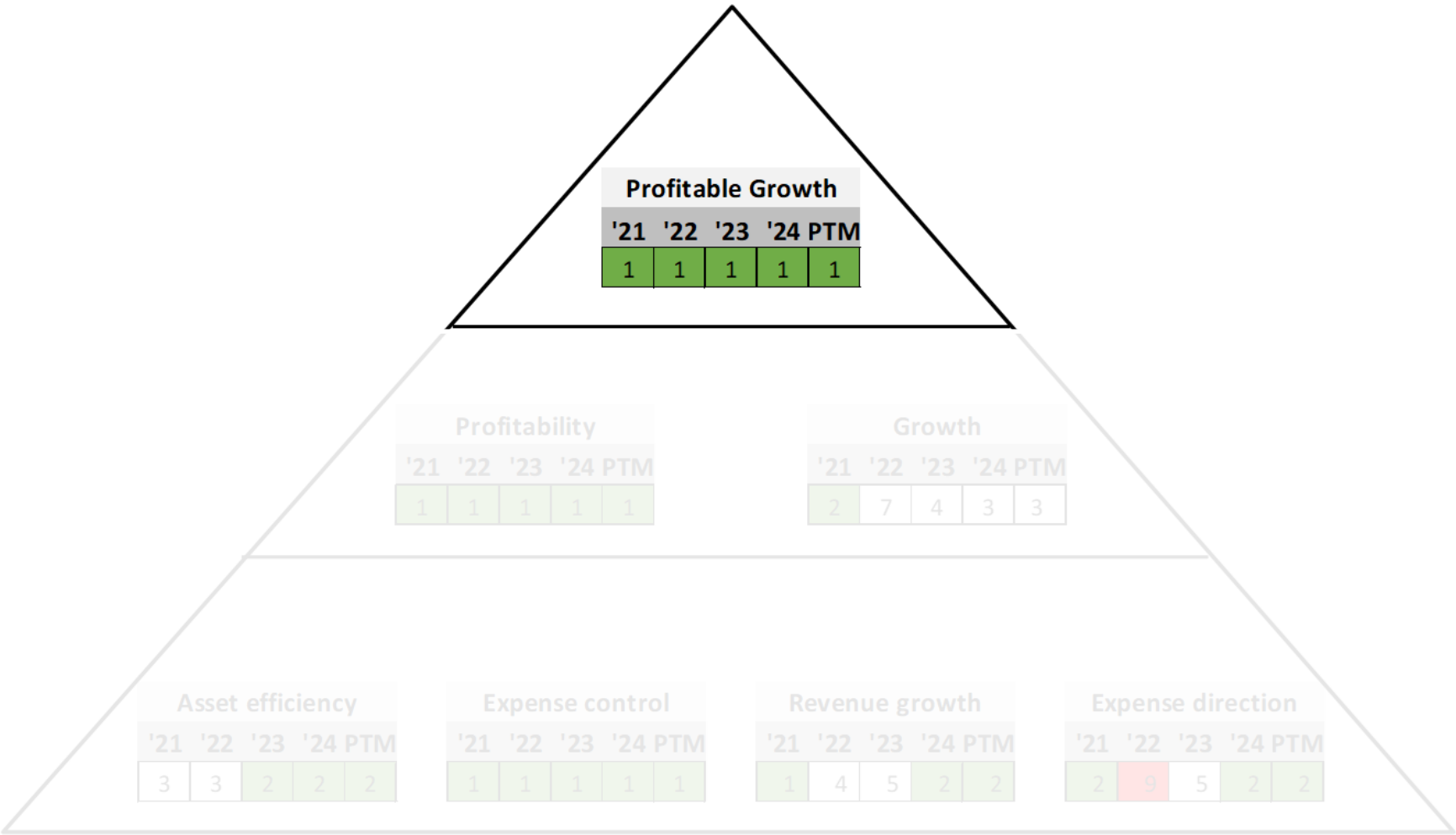


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Deckers: A. Stotz Profitable Growth



Benchmarked against 920 large Cons. Disc. companies worldwide.

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Sources: A. Stotz Investment Research. Notes: 1 = top ranking and 10 = worst. Most recent year's data is based on the past 12 months (PTM) of published data.



CASE STUDY

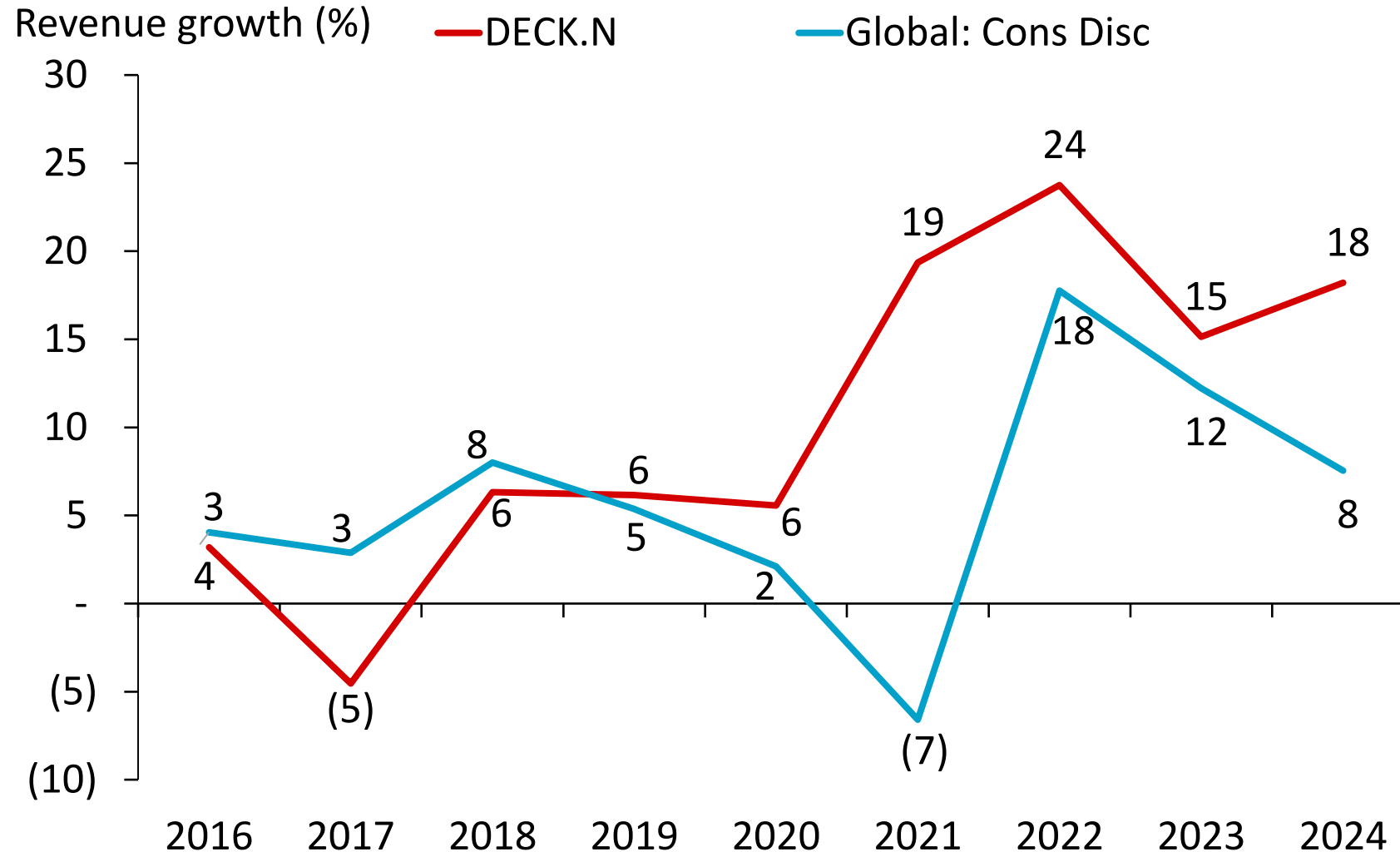
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by *A. Stotz* INVESTMENT RESEARCH

Andrew Stotz, PhD, CFA



Revenue growth CAGR from 2016 to 2024 is 11%, 5 ppts higher than the global sector average

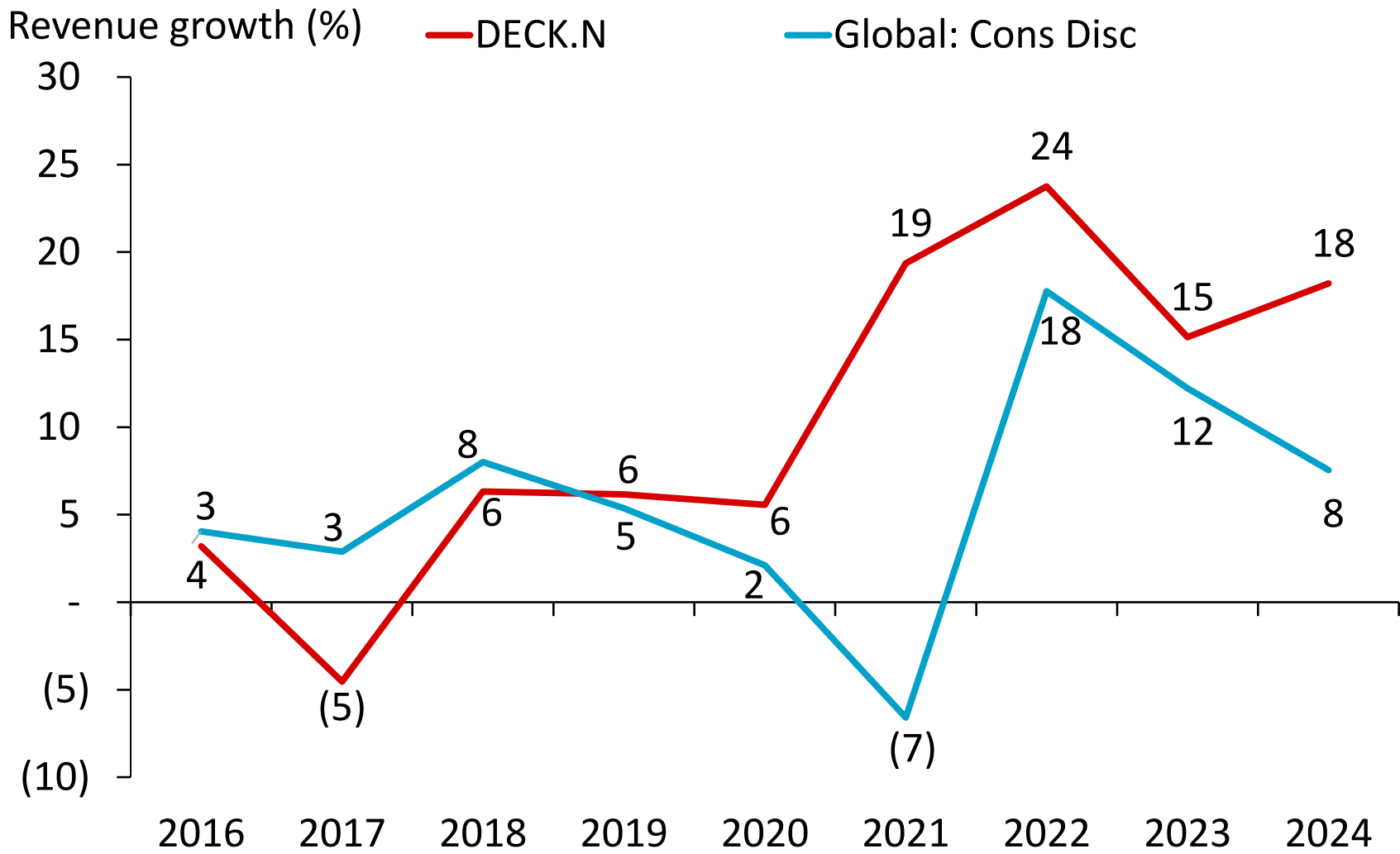


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Deckers outperformed during COVID due to a rise in demand for comfortable footwear



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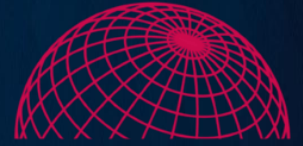
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Recap: Does its strategy lead to a competitive advantage?

- Yes
- Deckers has shown consistent profitable growth according to our scorecard



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Deckers Is Thriving With High Margins In A Crowded Market



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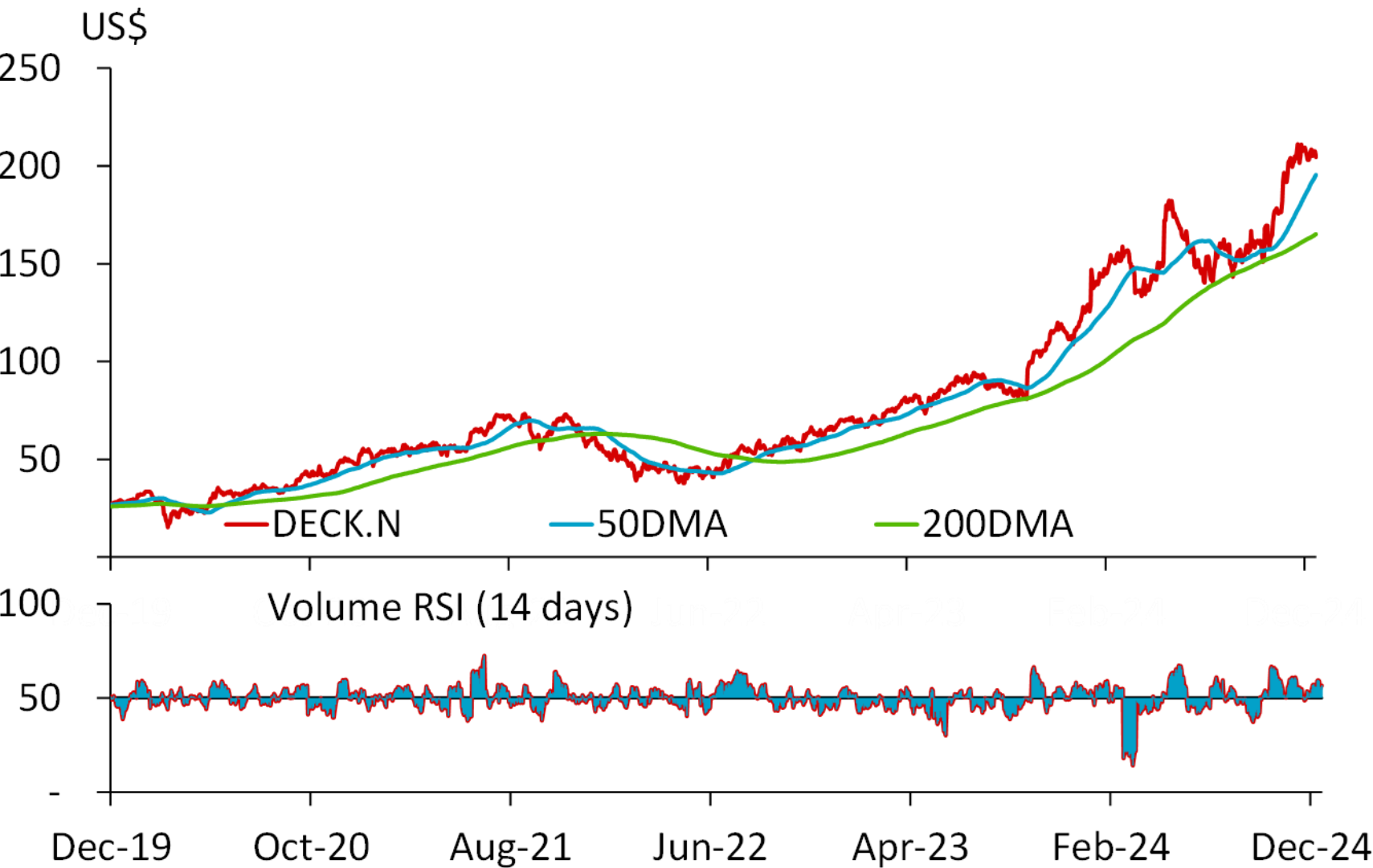
A. Stoltz

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- What is the company's story?
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- Does that strategy lead to a competitive advantage?
- **What does the valuation look like?**

The stock price has been on a strong upward trend since 2023



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Sources: A. Stotz Investment Research, Refinitiv



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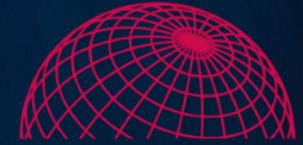
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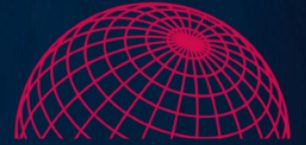


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Let's apply my **Global
Stock Tracker** to assess the
attractiveness of the
company



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Global Stock Tracker - Fundamentals



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A. Stotz FVMR Methodology - Cons. Disc.: Cons. Servs.

Company	Mcap US\$bn	Fund. (%)		Valuation (x)		Momo (% chg)		Risk (x)	
		NPM	ROA	PE	PB	EPS	Price*	NDE	Beta*
Cons. Disc.: Cons. Dura. & Apparel	1,502	15.8	11.9	33.4	7.6	14.5	14.2	0.3	0.5
LVMH Moet Hennessy Louis Vuitton SE	365	16	10	24	5	(13)	15	0	0
Hermes International SCA	282	31	22	58	17	13	24	(1)	1
Sony Group Corp	128	9	3	17	2	29	19	0	0
Christian Dior SE	122	7	4	19	5	(12)	13	4	0
Nike Inc	108	10	13	22	8	(5)	(10)	(0)	0
Compagnie Financiere Richemont SA	99	6	3	69	5	(16)	31	(0)	0
Midea Group Co Ltd	78	9	8	15	3	13	0	0	0
Adidas AG	46	2	2	99	8	310	9	1	1
Lululemon Athletica Inc	45	17	27	26	12	76	25	(0)	1
Garmin Ltd	42	25	18	28	6	45	31	(0)	1
Gree Electric Appliances Inc of Zhuhai	34	16	8	8	2	7	(5)	(0)	0
Haier Smart Home Co Ltd	34	7	7	13	2	15	(12)	0	0
Deckers Outdoor Corp	33	19	28	37	15	47	34	(1)	1
Kering SA	32	11	5	14	2	(39)	7	1	0
ANTA Sports Products Ltd	30	20	15	16	4	44	(4)	(0)	1
NVR Inc	26	16	25	16	6	3	(14)	(0)	1

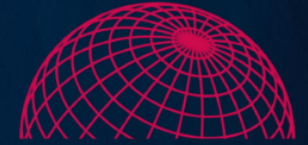
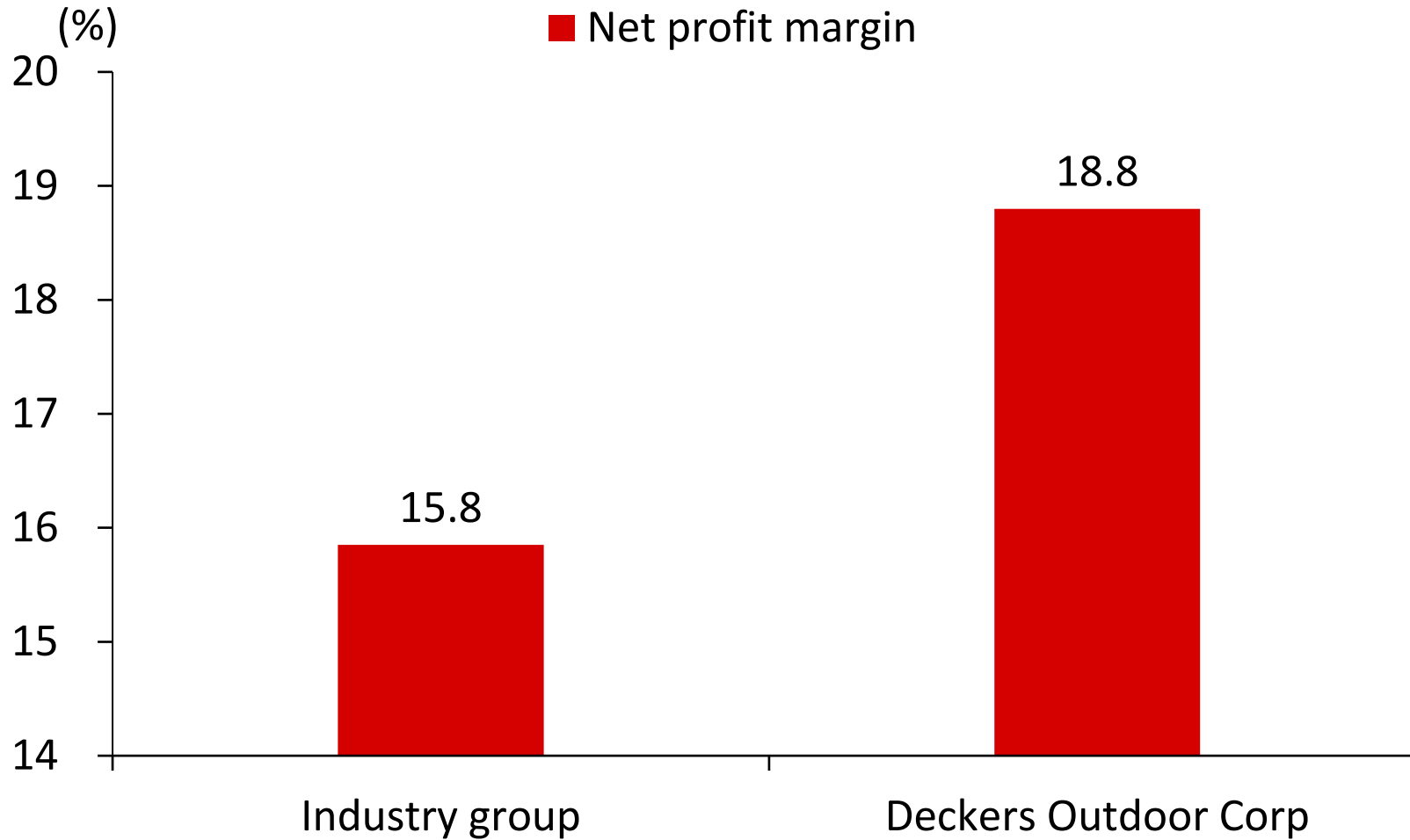
*Price change and beta over the past three months as of 21 January 2025

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Above average profit margin



CASE STUDY

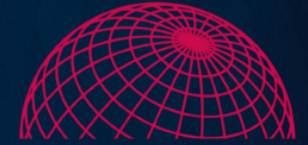
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Deckers' net profit margin was significantly higher than Nike and Adidas

	Deckers	Nike	Adidas
US\$bn	2023	2023	2023
Revenue	4.3	51.4	23
Net profit	0.8	4.9	1.3
NPM (%)	19	10	6

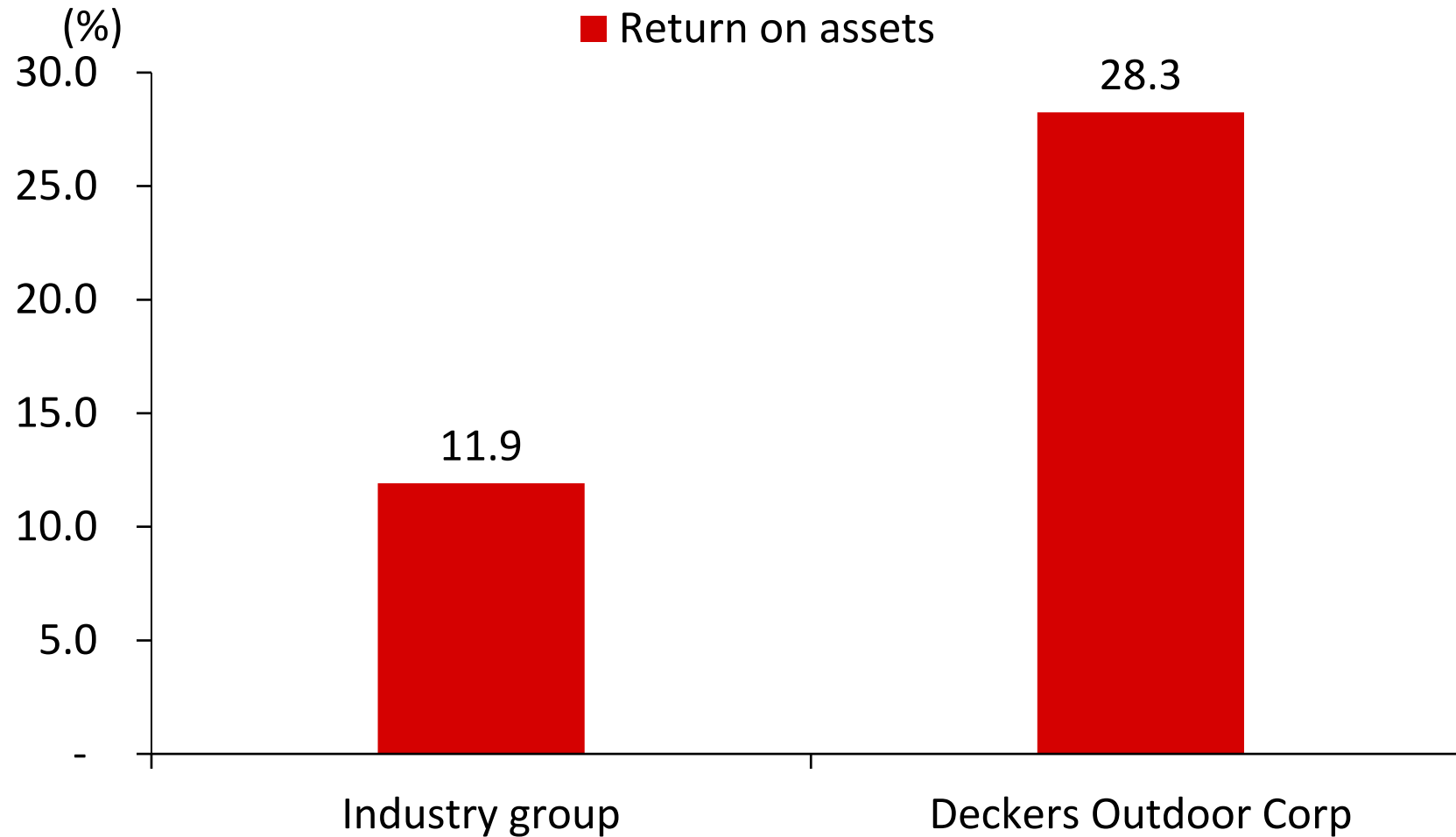


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ROA is significantly higher than the Industry, reflecting efficient asset utilization



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Global Stock Tracker - Valuation



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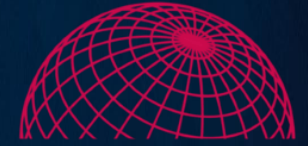
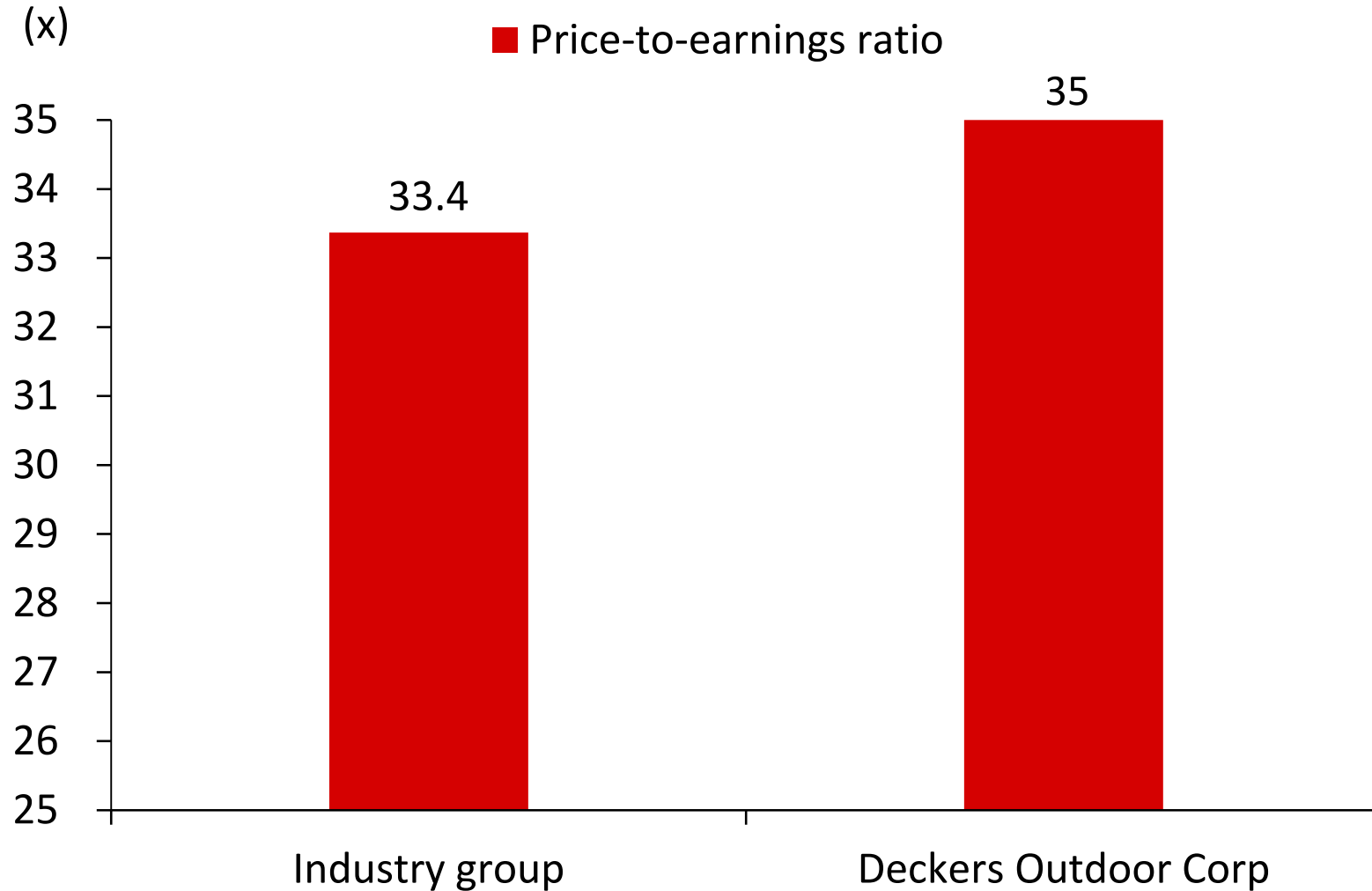
*Price change and beta over the past three months as of 21 January 2025

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A higher PE ratio indicates that investors anticipate future growth

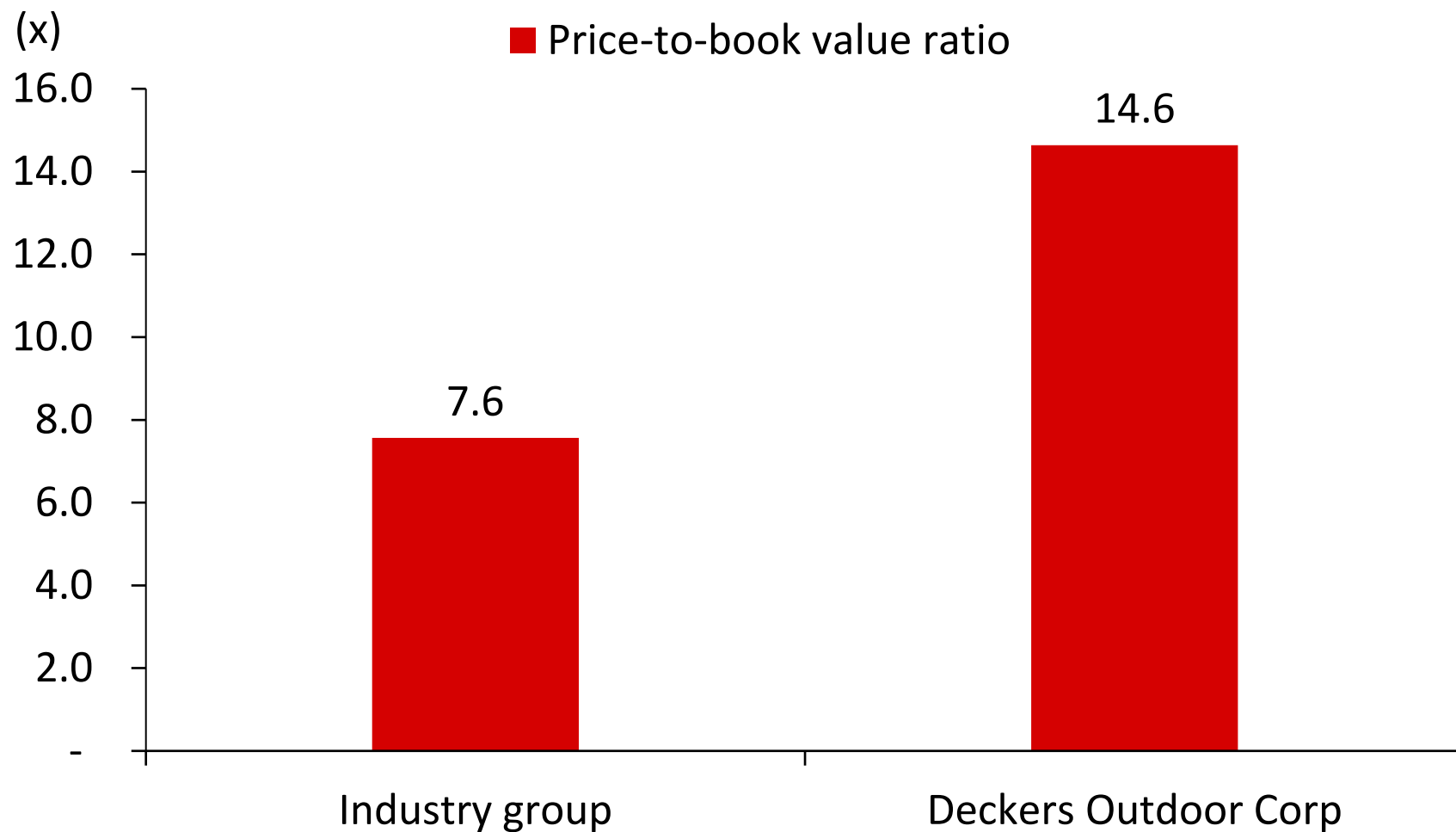


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PB ratio is double the industry average



Global Stock Tracker - Momentum



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LVMH Moet Hennessy Louis Vuitton SE	365	16	10	24	5	(13)	15	0	0
Hermes International SCA	282	31	22	58	17	13	24	(1)	1
Sony Group Corp	128	9	3	17	2	29	19	0	0
Christian Dior SE	122	7	4	19	5	(12)	13	4	0
Nike Inc	108	10	13	22	8	(5)	(10)	(0)	0
Compagnie Financiere Richemont SA	99	6	3	69	5	(16)	31	(0)	0
Midea Group Co Ltd	78	9	8	15	3	13	0	0	0
Adidas AG	46	2	2	99	8	310	9	1	1
Lululemon Athletica Inc	45	17	27	26	12	76	25	(0)	1
Garmin Ltd	42	25	18	28	6	45	31	(0)	1
Gree Electric Appliances Inc of Zhuhai	34	16	8	8	2	7	(5)	(0)	0
Haier Smart Home Co Ltd	34	7	7	13	2	15	(12)	0	0
Deckers Outdoor Corp	33	19	28	37	15	47	34	(1)	1
Kering SA	32	11	5	14	2	(39)	7	1	0
ANTA Sports Products Ltd	30	20	15	16	4	44	(4)	(0)	1
NVR Inc	26	16	25	16	6	3	(14)	(0)	1

*Price change and beta over the past three months as of 21 January 2025

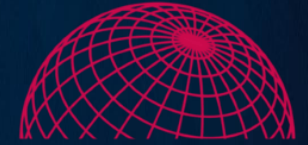
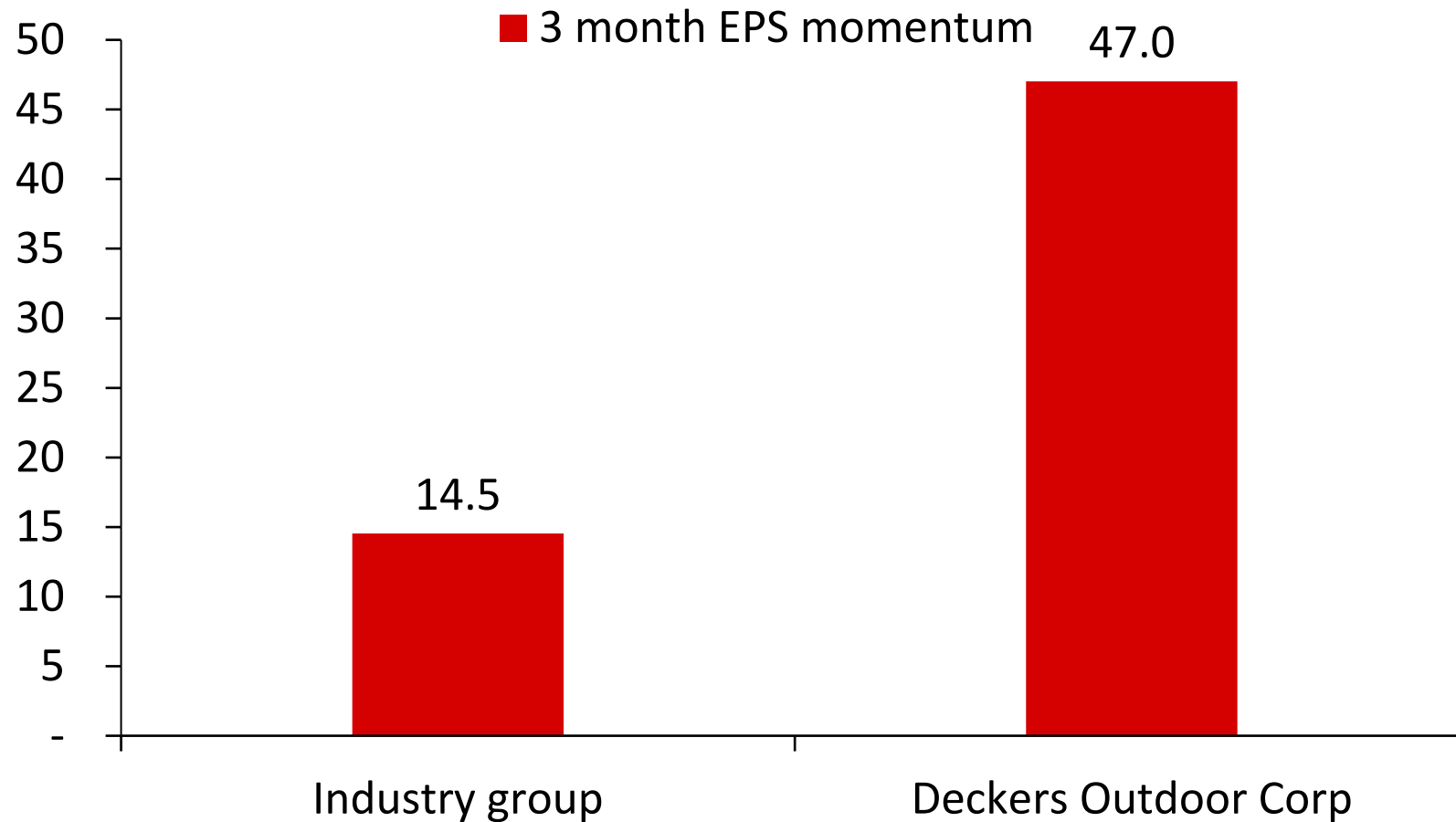
**This is not a recommendation
or investment advice.**

Sources: A. Stotz Investment Research LSEG., Refinitiv

The scorecard ranking should not be seen as investment advice, do your own research.

Strong earnings momentum

(Quarter-on-quarter % change)

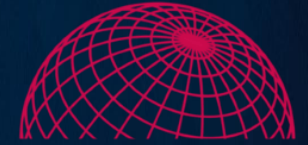
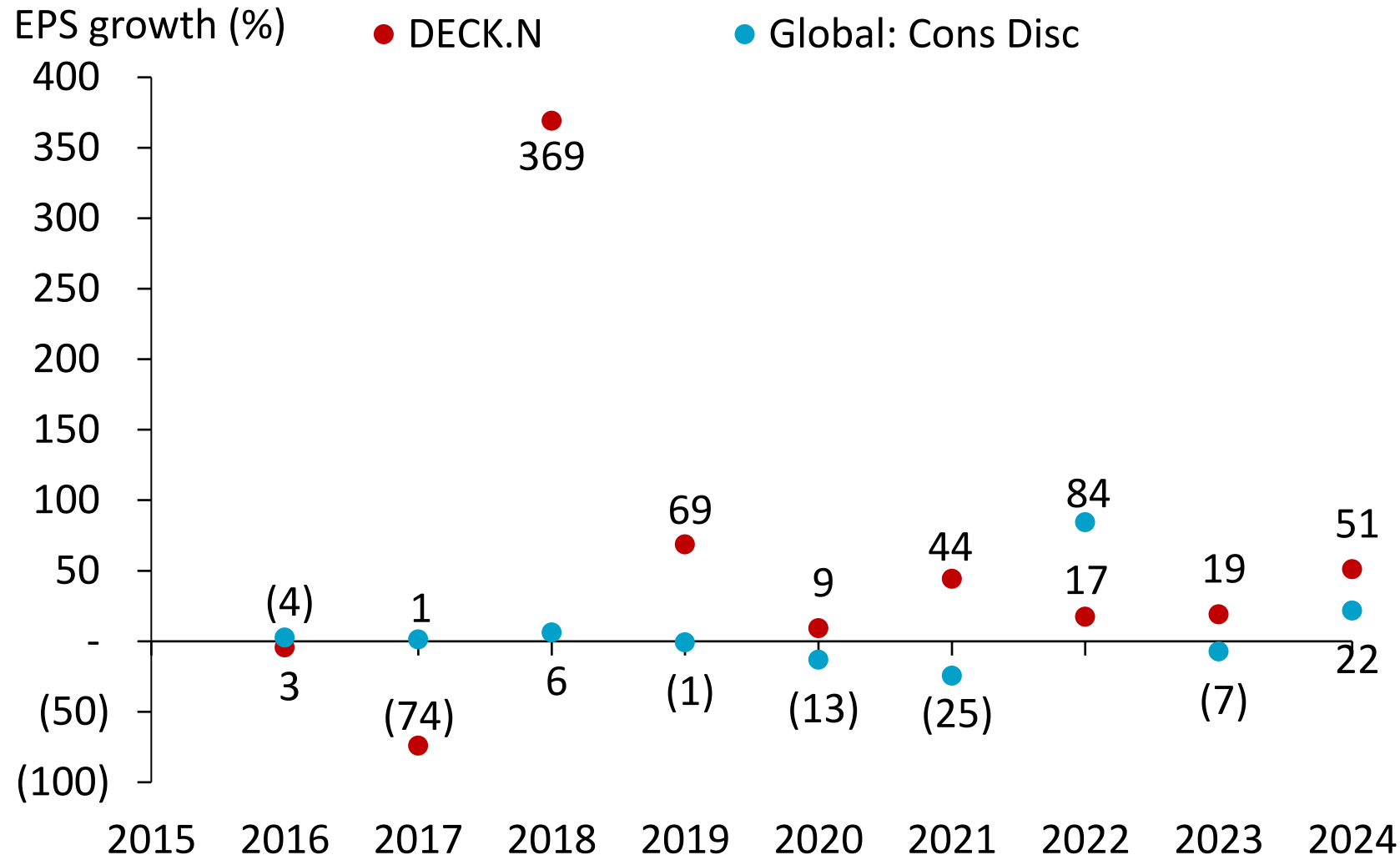


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EPS growth has been consistently higher than the global sector average



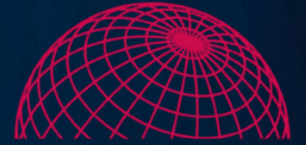
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Deckers Outdoor Corp. Q1 FY25 Summary

- ★ Revenue up by 22%, driven by HOKA and UGG growth
- ★ Net Income up by 82%, reflecting strong demand
- ★ EPS up by 87%, exceeding analyst expectations
- ★ Free Cash Flow up 107% YoY, boosting financial flexibility
- ★ CEO emphasizes D2C and international market expansion

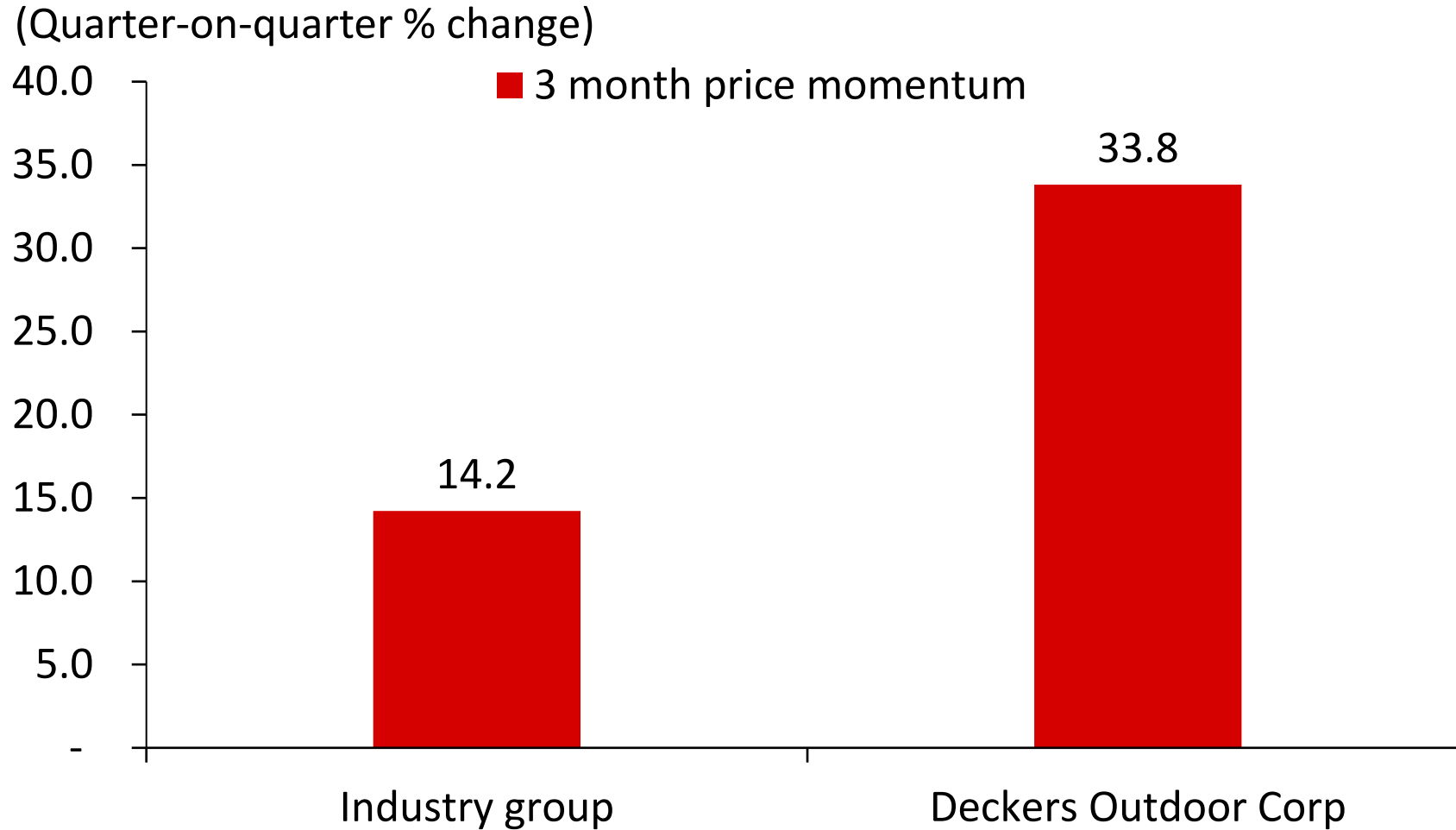


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Strong stock price momentum reflects investor confidence



Global Stock Tracker - Risk



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A. Stotz FVMR Methodology - Cons. Disc.: Cons. Servs.

Company	Mcap US\$bn	Fund. (%)		Valuation (x)		Momo (% chg)		Risk (x)	
		NPM	ROA	PE	PB	EPS	Price*	NDE	Beta*
Cons. Disc.: Cons. Dura. & Apparel	1,502	15.8	11.9	33.4	7.6	14.5	14.2	0.3	0.5
LVMH Moet Hennessy Louis Vuitton SE	365	16	10	24	5	(13)	15	0	0
Hermes International SCA	282	31	22	58	17	13	24	(1)	1
Sony Group Corp	128	9	3	17	2	29	19	0	0
Christian Dior SE	122	7	4	19	5	(12)	13	4	0
Nike Inc	108	10	13	22	8	(5)	(10)	(0)	0
Compagnie Financiere Richemont SA	99	6	3	69	5	(16)	31	(0)	0
Midea Group Co Ltd	78	9	8	15	3	13	0	0	0
Adidas AG	46	2	2	99	8	310	9	1	1
Lululemon Athletica Inc	45	17	27	26	12	76	25	(0)	1
Garmin Ltd	42	25	18	28	6	45	31	(0)	1
Gree Electric Appliances Inc of Zhuhai	34	16	8	8	2	7	(5)	(0)	0
Haier Smart Home Co Ltd	34	7	7	13	2	15	(12)	0	0
Deckers Outdoor Corp	33	19	28	37	15	47	34	(1)	1
Kering SA	32	11	5	14	2	(39)	7	1	0
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NVR Inc	26	16	25	16	6	3	(14)	(0)	1

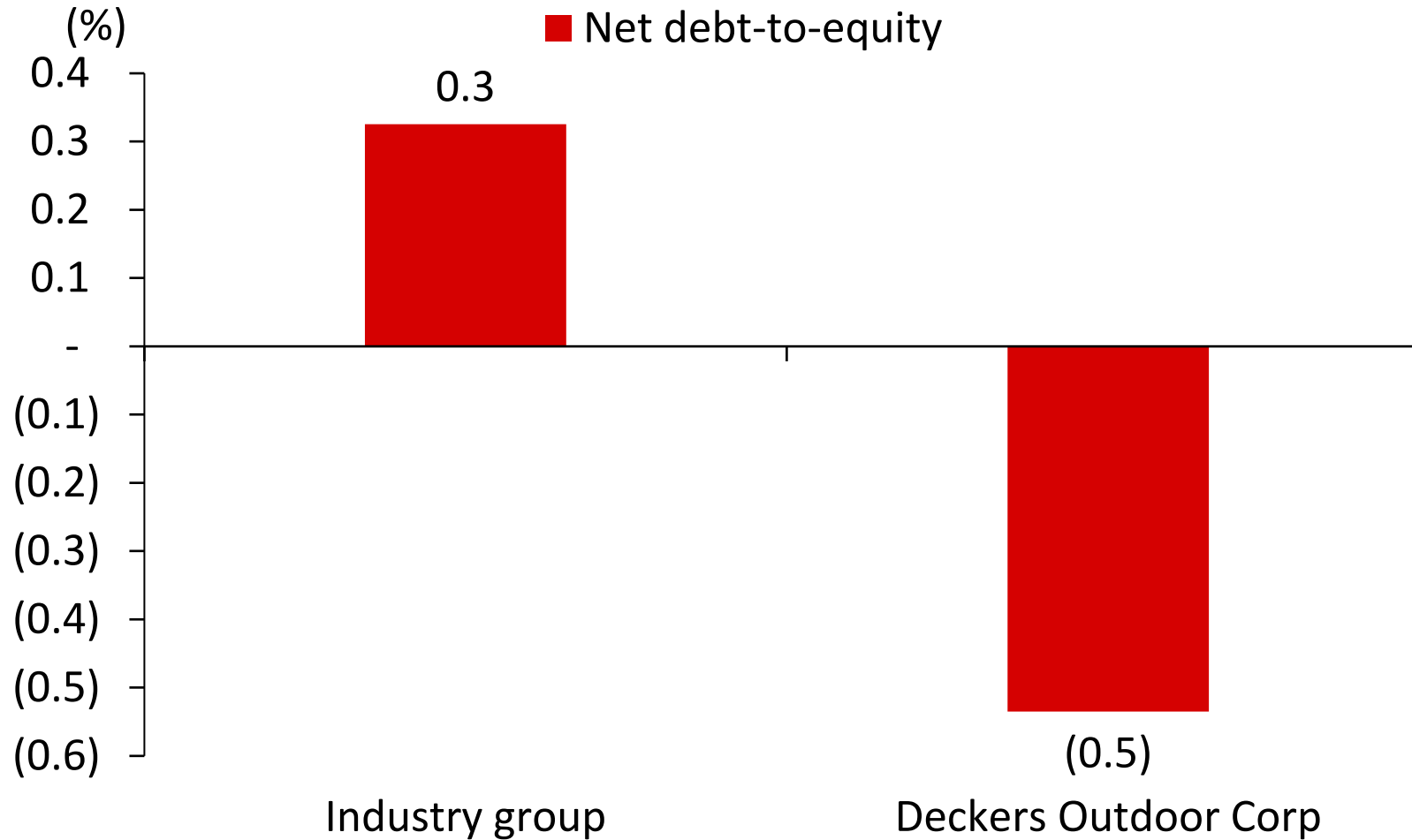
*Price change and beta over the past three months as of 21 January 2025

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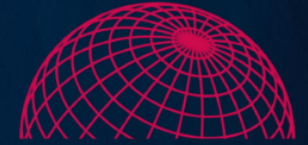
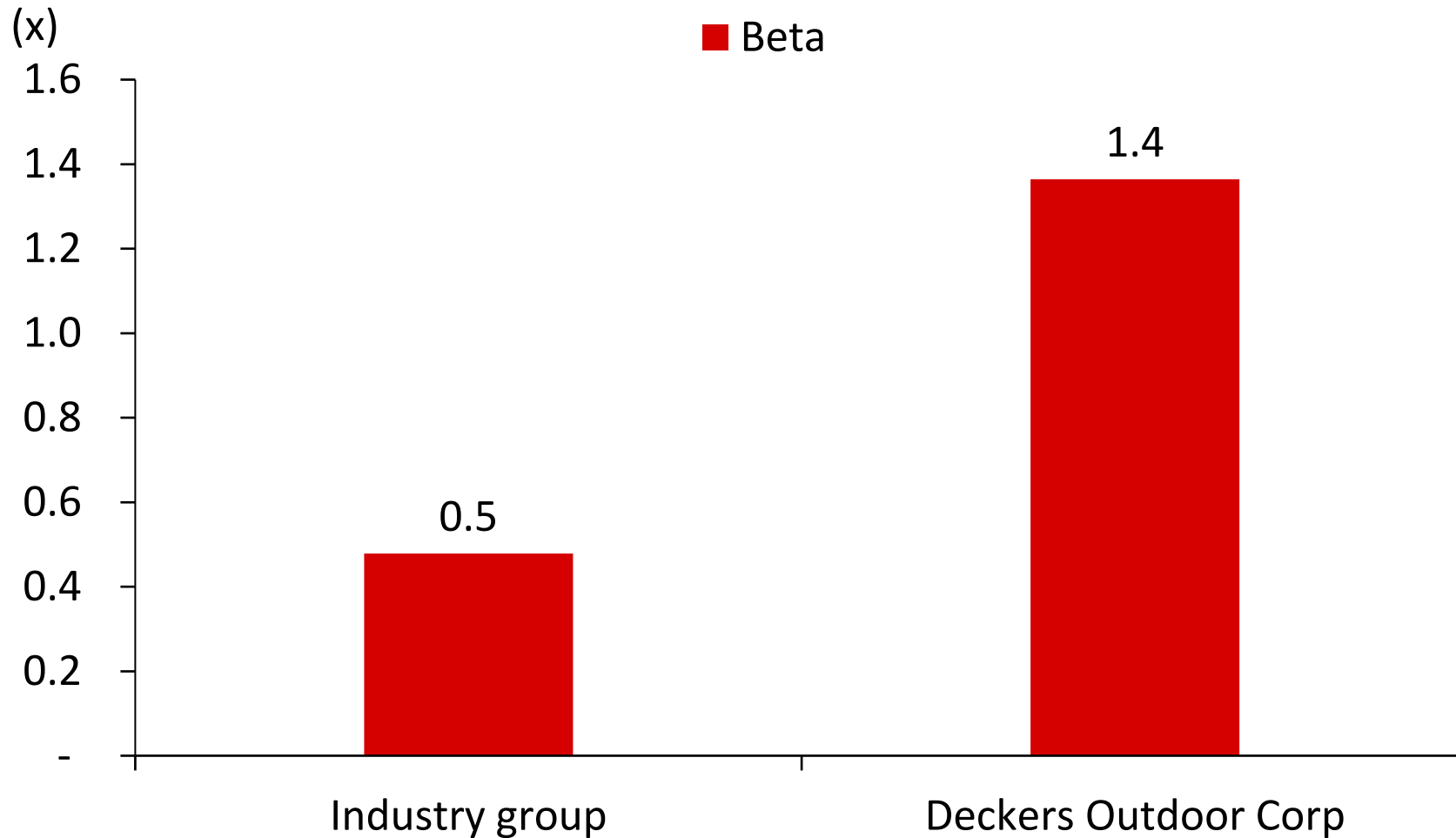
Sources: A. Stotz Investment Research LSEG., Refinitiv

The scorecard ranking should not be seen as investment advice, do your own research.

US\$1.2bn in cash and US\$259m in debt, meaning only 7% of assets are financed by debt



A higher beta suggests more volatility, further compounded by smaller market cap



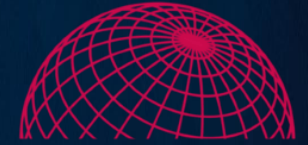
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Deckers is Driving Profitability in a Crowded Market

deckers
OUTDOOR CORPORATION



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