



INVEST/STAY CONNECTED

INITIAL REPORT July 25, 2023

LAST UPDATED July 25, 2023

UNDER ARMOUR, INC.

Common shares \$7.86 Buy: Price Target \$9.00

Under Armour: ([UAA](#)) is a well-known clothing company that produces sports apparel. Sports apparel refers to clothes that are worn during physical activities and comprise somewhere around 12% of worldwide apparel sales. Sports apparel growth projections, over the next 5 or 10 years, are around 5-6% per year, double that of normal apparel due to positive trends in health and fitness. UAA products are divided into 3 categories with the following percentages: footwear 25%, clothing 73%, and licensing at 2%. Sales are generated from the following channels: wholesale customers 59%, Under Armour retail stores 20% and Under Armour web stores at 18%. UAA is the fourth largest domestic sportswear company after Nike, Adidas and Lululemon.

UAA's fiscal year ends on March 31 and in the last fiscal year operations were challenged, as were most retailers, due to supply chain, freight, product costs and product mix. Fiscal 2023 revenues were up 3%, but the gross margins declined by 4.7% of total sales. As of March, inventory was up 44% year over year, with half of the \$366 million increase considered "pack and hold to service designated future demand". The outlook for fiscal 24 is not expected to improve immediately with 0% revenue growth and only a slight .25-.75% improvement in gross margins predicted by management.

There is strong potential for the brand and the operational challenges are dissipating. The question is: can UAA return to growth? New CEO Stephanie Linnartz has outlined 3 strategic priorities, brand, product and North America with an increase in Capital expenditures planned. UAA experienced the same problems that we have seen across the retail sector over the last 18 months, and we consider the company to be a turnaround story that unfolds into 2025.

Our buy and price target of \$9 are based on 12.4 X projected 2025 fiscal year EPS and the healthy balance sheet. Investors are being enticed with a 70% discount from the 2 year high of \$27. Also, we feel that UAA has possibilities beyond these numbers if CEO Linnartz can navigate the company and reignite the brand.

Fiscal 2024 PROJECTIONS MM

Revenue	6,022
Gross Profit	2,710
Operating Income	284
EBITDA	454
Capex	260
Revenue Growth	2%
EPS	.48
P.E Ratio	16.3
Capitalized Expense	260
Cash Flow After Capex	131

Fiscal 2025 PROJECTIONS MM

EBITDA	600
EPS	.73
P.E. Ratio	10.7
EV/EBITDA	5.9
Revenue Growth	7%
Cash Flow Yield Vs. Equity	14.0%

Recent UAA Earnings



Monthly chart 2021 to present

SMART YIELD

Income Fund

BROXTON CAPITAL ADVISORS UAA Inc. as of 3/31/2023

Tuesday, July 25, 2023

share price \$7.80

PROJECTIONS IN MM fiscal yr 2024 2025 2026

Income Statement

Revenue	6,022	6,443	6,894
Gross Profit	2,710	2,964	3,171
Operating Income	284	430	511
Pre-Tax Income	284	430	511
Net Income	221	336	399
EPS	0.48	0.73	0.86
Revenue growth	2.0%	7.0%	7.0%
EBITDA	454	600	681
Interest	13	13	13
Capitalized Expense	260	260	260
Cash Flow	391	506	569
Net Cash Flow (post capex)	131	246	309
net cash flow sum	131	377	686

Valuations

Cash Flow Yield Vs. Equity	10.9%	14.0%	15.8%
EV/EBITDA	7.8	5.9	5.2
P.E Ratio	16.3	10.7	9.0
Enterprise Value	3,556		
Net Total Debt	-44		
Equity Market Cap	3,600	3,600	3,600

Debt Ratios

EBITDA/Interest Coverage ratio	34.9	46.2	52.4
Debt/EBITDA	1.5	1.1	1.0

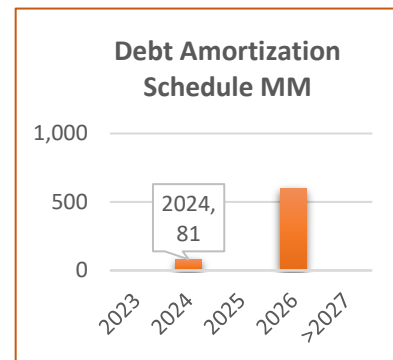
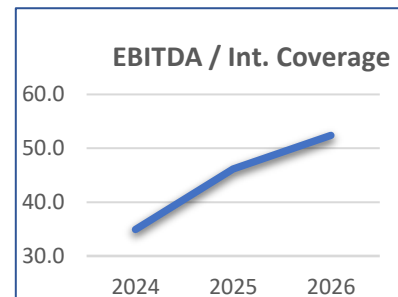
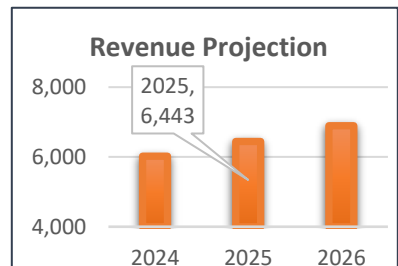
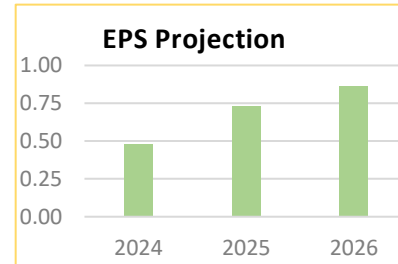
Liquidity Sep. 30 2022

Cash	712
Borrowing Availability est.	1,100
Total Current Assets	2,960
Total Current Liabilities	1,357
Current Ratio	218%

Debt

Borrowings	668
Total	668

NOTES:



Disclosures

Previous reports are available upon request. Smart Yield Fund targets a mix of different security classes that contain the risk of loss. Investors should carefully consider the Fund's investment objectives and risk factors before investing. Investing involves risk, including possible loss of principal. Investors should consider the loss of principle and targeted returns are not guaranteed. Individual investors in Smart Yield are generally required to be accredited investors. Smart Yield is a fund operated through individual accounts creating the composite. Smart Yield Fund is a new product with an inception date of September 30, 2020, and as such does not have historical data. Asset Mix Projections on page 2 and 6, Smart Yield Portfolio Metrics on page 5 are estimated or targets of the fund. Asset class mix and targets may change based on the direction of the managers. Portfolio allocation projected annual return and beta assumption for each asset class on pages 7-10 are estimated. Beta for the fund and each asset class is estimated versus the S&P 500. The average beta for the entire fund is projected to be .32. Beta is a measure of the fund's volatility in relation to S&P 500 Index. This index has a beta of 1.0. The fund targets a total gross return before fees and expenses of 9.24%. The fund projects a blended return based on income securities and capital gains. Smart Yield attempts to continuously improve the value of investment portfolios by investing in corporate bonds, convertible bonds, other types of bonds (investment grade and sub-investment grade, [which may also have limited liquidity]), dividend paying equities, non-dividend paying equities, ETFs, including leveraged ETFs, and other securities. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. All securities types mentioned in this brochure have the risk of loss. Long term strategies purchase securities which are underpriced according to our appraisal methodologies. Broxton uses regression analysis to obtain an average appraisal value for an individual company and places a priority on the securities of companies with improving financial performance and or additional catalysts that provide for increases in earnings and valuation. We use financial modeling, technical analysis, proprietary and third-party research. Smart Yield does not have any capitalization (market size), sector or industry allocation mandates. Asset class allocation percentages may be changed without notice. Broxton deploys technical analysis and momentum as indicators of movement for shorter term strategies, that may not involve deep fundamental analysis. Shorting (selling and then buying) of securities can be used for hedging and as a long term or short-term strategy. 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Also, from time-to-time we may also discuss and display, charts, graphs, formulas which are not intended to be used by themselves to determine which securities to buy or sell, or when to buy or sell them. Such charts and graphs offer limited information and should not be used on their own to make investment decisions.

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