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COLUMBIA SPORTSWEAR COMPANY

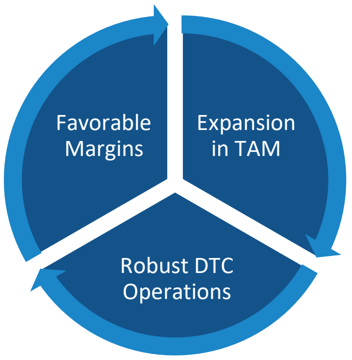
DATE:	Dec. 31, 2022
TICKER:	COLM
EXCHANGE:	NYSE
INDUSTRY:	Active Outdoor Apparel
GICS SECTOR:	Apparel & Accessories
CURRENT PRICE:	$87.58
TARGET PRICE:	$125.72
MARGIN OF SAFETY:	43.5%
RECOMMENDATION:	BUY

Figure 1: Valuation Summary

Snapshot	
Market Value (m)	$5,880
Shares Outstanding (m)	62.1
Current Share Price	$87.58
52-Week High	$101.64
52-Week Low	$65.02
Beta	1.06
12-Month Target Price	$125.72
Annual Dividend	$1.20
Upside Potential	43.5%

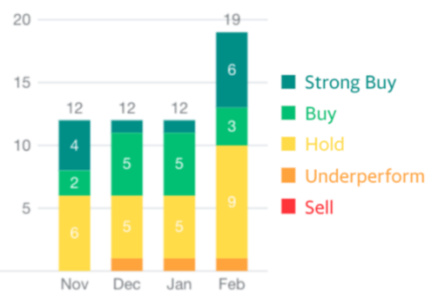
Source: Team Consensus

Figure 2: Investment Thesis



Source: Team Consensus

Figure 3: Analyst Recommendations



Source: Yahoo Finance

BRIEF

Columbia Sportswear Company (COLM) is a major player in the outdoor apparel, footwear, and related equipment industries, specializing in activewear and sportswear. COLM's global brand recognition in these industries is supported by its strong financials, which paves the way for further expansion into emerging markets and consolidation of market share.

INVESTMENT SUMMARY

We issue a BUY recommendation for COLM with a one-year target price of $125.72, offering a 43.5% upside to its December 31, 2022, $87.58 closing price. Our analysis utilizes a Discounted Cash Flow (DCF) model (and is confirmed by Monte Carlo, Relative Valuation, and Historical Valuation models) that is based on COLM's favorable margins, expansion in its total addressable market (TAM) from changing consumer trends, and robust direct-to-consumer (DTC) operations (Figure 1).

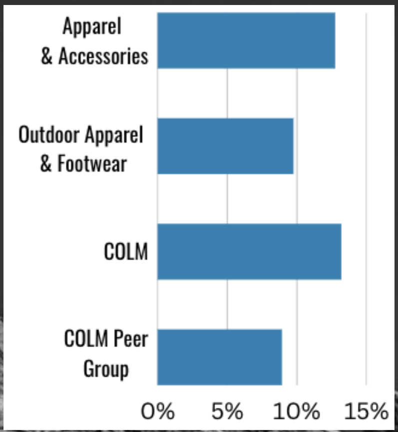
Favorable Margins

COLM's various brands and conservative balance sheet allowed the company to focus on growth in 2021, which paid off by increasing revenue by 25.0%. This grew an additional 10.8% YoY in 2022. This outperformance relative to its peer group was rewarded through its stable stock price performance as investors flocked to companies with fortified balance sheets in 2022 (Figure 4). CEO Tim Boyle expects gross margin expansion of 60 bps to approximately 50% in 2023, representing very strong margins, especially when considering the anticipated recessionary environment. While margins have been strong, an economic downturn has put some pressures on COLM in the past year. Gross margins were down 180bps at 50.4%, and operating margin was at 13.3%. However, there are tailwinds expected in 2023 as DTC margins will be driven up by reduced outbound freight costs and wholesale margins will be driven up by a higher proportion of full price vs off-price sales.

Expansion in Total Addressable Market

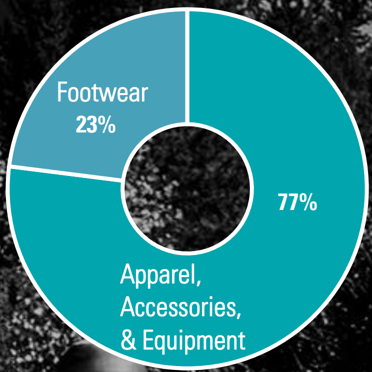
We expect COLM's market share in the outdoor apparel market to grow by 25% by 2025. With an increase in outdoor participation, we believe that the industry will not only thrive, but COLM will capture more market share relative to its competitors given its unique value proposition. With rapidly increasing innovation, investors will be drawn towards COLM's revolutionary tech wear. The outdoor apparel industry is estimated to grow at a CAGR of 5.3% from 2021 to 2026, we believe that this is a conservative expectation given the changes in consumer preferences and the pivot towards more sustainable, higher end clothing brands. COLM's collective brands will assist in diversifying revenue streams for the company as a whole and increase the overall total addressable market within the outdoor apparel industry.

Figure 4: 10-Year Average Net Profit Margin Comparison



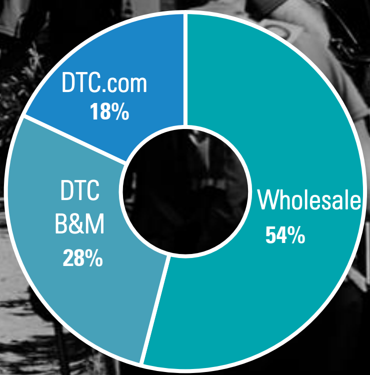
Source: Bloomberg

Figure 5: Product Category



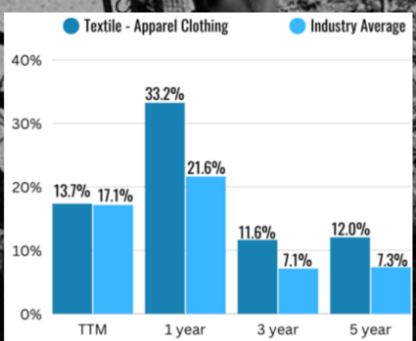
Source: COLM 10-K

Figure 6: Distribution Channel Contribution to Revenue



Source: COLM 10-K

Figure 7: Industry Growth: COLM is Beating the Industry



Source: Bloomberg

Robust Direct-to-Consumer Operations

Robust growth in the DTC segment of COLM of 33.5% will provide additional stability for the company and investors in the stock. Its 33.5% DTC growth rate last year is comparable to Nike's DTC growth from 2011-2020. This growth enabled Nike to demand a significant premium from the market, boosting its stock price. We firmly believe this is a secular trend of DTC business in this sector that will become the platform on which further innovation builds on. Consumers want a relationship with the brands they buy, and the growth in DTC business at Nike and COLM support this. COLM has had considerable DTC growth in the past several years and is expected to continue growing as a revenue segment over the next five years. It's also rapidly expanding its DTC e-commerce channels, particularly in LAAP regions. Shopping is an experience, and companies that are able to replicate this unique digital and traditional retail experience will continue to dominate in this industry.

BUSINESS DESCRIPTION

Columbia Sportswear Company specializes in active outdoor lifestyle garments and footwear including but not limited to hiking, running, climbing, snowboarding, skiing, hunting, fishing, camping, yoga, and water sports. It operates in 90 countries, and partners with over 13,000 retailers. It has a market cap of $5.75 billion and is headquartered in Portland, Oregon.

History & Management

Founded in 1938, COLM has been a leader in outdoor activewear and lifestyle-wear with its apparel offerings, and its expansion into equipment and footwear in 2000. It has made several acquisitions between 2000 and 2014, creating four key brands under the Columbia Sportswear umbrella which has resulted in significant growth and an increase in market capitalization of 1,136.8% since 1998. Key members of COLM's management team include Tim Boyle who has served as CEO since 1988, Jim Swanson (CFO) who has served since 2017 in the role but joined Columbia Sportswear in 2003, Lisa Kulok (EVP) who oversees supply chain operations, and Skip Potter (EVP) who is the Chief Digital Information Officer.

Products

COLM is divided into two segments – Apparel, Accessories, and Equipment (consisting of outdoor, activewear, yoga apparel, and related gear) and Footwear (Figure 5). COLM offers a wide variety of products across these segments, targeting consumers in every activity base from skiing, hiking, yoga, climbing, and camping, to general athleisure-wear. Its apparel segment contains OMNI-heat and OUTdry active technology, which gives them a competitive advantage against its peers in a saturated market.

Customer Base & Distribution Channels

COLM's largest customer base comes from its wholesale contractors, followed by its DTC brick-and-mortar (B&M) and DTC e-commerce segment (Figure 6). The company uses short-term contracts with ordering flexibility on an order-by-order basis. Direct-to-consumer sales contribute the remainder of revenue for COLM, and they are actively working to grow this segment. Its largest geographic market is the United States, Latin America & Asia Pacific (LAAP), Europe (EMEA), and Canada (Figure 19). It has focused its geographic expansion in LAAP regions.

Business Strategy

COLM's business strategy is split into three goals: 1) inspire the next generation through consumer engagement and brand experiences (with a large focus on social media footprint), 2) create iconic product (through its innovative categories including OMNI-Freeze, OMNI-Shade, OMNI-heat, and OUTDry which differentiates them from competitors), and 3) unlock the marketplace of the future (developing a strong e-commerce network and new digital storefronts including through TikTok, as well as elevating the general COLM shopping experience through new partnerships). Through this, it aims to continue consolidating market share and expanding its position in the industry.

Figure 8: Sustainability Pillars

Human
Improve human capital via increasing employee access to education and training

Social
Creation of services that constitute framework of our society

Economic
COLM aims to use assets efficiently to maintain profitability

Environmental
COLM aims to improve human welfare through reducing the use of natural capital

Source: Forbes

Figure 9: Relative ESG

ESG Leader	
	Supply Chain Management
	Data Security & Privacy
	Executive Compensation
	Audit
ESG Average	
	Board Composition
	Shareholder Rights
ESG Laggard	
	Emissions Management
	Board Diversity

Source: ISS ESG Report

ENVIRONMENTAL, SOCIAL, GOVERNANCE

Appendix 6 summarizes COLM's environmental, social, and governance (ESG) performance and rankings.

Environmental

COLM focuses on four pillars of sustainability (Figure 8). The company has an emission reduction target of reducing Scope 3 manufacturing emissions by 30% by 2030 relative to its 2019 baseline. Emissions were reduced by 12% from 2019 to 2020 as a result of a 36% increase in renewable energy use. Over 30% of COLM's qualifying manufacturers have begun investing in coal-alternative energy sources such as natural gas and renewable energy. COLM uses the Higg Facilities Environmental Module (FEM), a third-party tool that measures and standardizes the environmental impacts of factory operations, in an effort to better track each facility's progress towards reducing negative environmental impacts. The company improved its Higg FEM score by 4% from 2020 in part through its partnerships with the Carbon Leadership Program and Clean by Design. The improvement in Higg FEM score is representative of COLM's improvements in its energy use, water efficiency, environmental management systems, and wastewater management.

In an effort to ensure its products are safe for the consumer, all of COLM's leather suppliers are certified by the Leather Working Group, and the company plans to minimize the environmental impact of its products. Mountain Hard Wear's Remake program reduces waste from products returned to its warranty department by either repairing them or using the materials in a new product and sending it back to the original customer The prAna brand uses organic cotton in all of its products and 100% recycled cardboard in its shipping boxes. It also removed all plastic from its packaging and has an extensive recycling program for polyester, wool, and tissue paper.

Issues with COLM's sustainability efforts include a lack of reputable certifications supporting sustainable business practices, overuse of unsustainable plastic-based materials in its apparel, limited transparency with the public concerning its environmental data, and lack of an apparel recycling program beyond its prAna brand.

Social

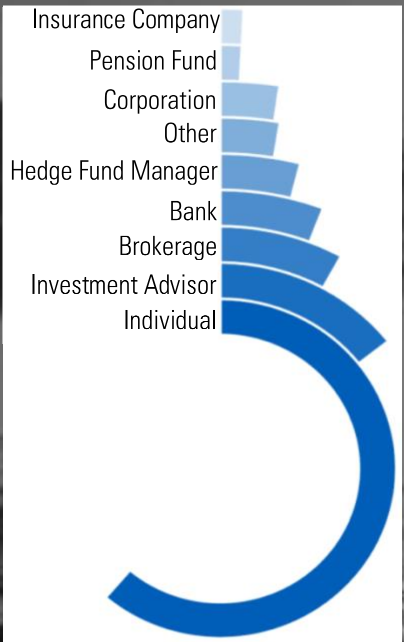
COLM is committed to various positive social causes, including a commitment to diversity, equity, and inclusion (DEI), ethical compliance, and employee health and wellbeing. COLM has internal DEI talent committees dedicated to improving diversity in hiring processes and promoting inclusive cultures. It also has created several employee resource groups to further its commitment to DEI, including employee-run programs such as the Women's Leadership Initiative, Coalition of Asian and Pacific Islander Employees, the Pride Group, and the Vamos Unidos group. Each of these groups also have local community partners to bring COLM's dedication to inclusion and equity to its community. In addition to this, 75% of COLM's finished goods factory labor force is women. Employees are given 16 paid volunteer hours and up to $1,000/year as a donation match to improve community involvement amongst employees.

To support employees' safety and wellbeing, COLM introduced community vaccine clinics, COVID-19 educational events, Catastrophic Paid Leave, and a mobile application for employees supporting mental health. Many employees continued to receive pay during factory shutdowns throughout the pandemic as a result of COLM's Employee Assistance Program. Finally, COLM promotes ethical compliance through a streamlined confidential reporting system as well as annual meetings to assess and improve guidelines. The firm requires continued employee training and supplier adherence to COLM's Injury and Illness Program.

COLM emphasizes its commitment to having a socially responsible supply chain by rating each of its suppliers based on the standards set by the international Labor Organization and Fair Labor Association. It also includes a map of all suppliers on its website to promote supply chain transparency.

There are however some factors negatively affecting COLM's social causes, including a lack of diversity and inclusion within the executive team, mishandling of union protests, and political lobbying efforts. Currently only 35% of COLM's executive team is a member of a minority group, a

Figure 10: Shareholder Ownership



Source: Bloomberg

Figure 11: Highest Growth Regions

Source: Technavio

Figure 12: CEO Compensation

Source: Proxy Statements

Figure 13: Top Institutional Holders

Atlanta Capital Management	5.62%
Vanguard Group	4.88%
Blackrock, Inc.	4.81%
J.P. Morgan	2.25%

Source: Bloomberg

figure that COLM has sought to improve on but is still a work in progress. Additionally, during the pandemic workers in a Portland warehouse sought to form a union with Teamsters but were allegedly retaliated against with union-busting consultants who spread misinformation and retaliatory firings.

Governance

COLM's ISS governance QualityScore of 3 shows low overall risk in Columbia's governance, representing strong compliance and ethics procedures as well as a low-risk board structure.

Audit & Risk Tolerance. Its 7/10 ISS Audit QualityScore represents significant risk in its audit and risk tolerance. Positive factors include COLM having Deloitte & Touche as independent auditors for COLM's financial statements, and its various auditing and risk tolerance policies in place to mitigate risk and improve its ISS QualityScore. However, the most negative factor is its Chair of the Audit Committee, who lacks recent experience with auditing and serves on the board of directors, posing a potential conflict of interest between the general interest of the board and the audit committee.

Board of Directors. Its 3/10 ISS QualityScore indicates very low governance risks associated with COLM's directors. While COLM introduces some risk by having the CEO and Board Chair held by the same person (Timothy Boyle), they use a lead independence director to mitigate this agency risk. 89% of its directors are independent, and two of its directors hold positions at external companies.

Shareholder Structure. Its 2/10 ISS QualityScore represents a very low shareholder risk (Figure 10). This is supported by COLM's annual director vote, 1-share-1-vote policy, and requiring a majority vote for passing proposals. COLM does not offer preferred stock, so all shareholders have equal voting rights and access to the dividend that it pays.

INDUSTRY OVERVIEW

COLM operates within the outdoor apparel and footwear industries. The outdoor apparel industry was valued at $33.03 billion as of 2021 and is expected to grow by $4.40 billion from 2021 to 2026, at a CAGR of 5.3%. There are a vast number of companies that offer their products within the industry, most operating through a mix of company-owned stores, e-commerce, and wholesale distributors. Some of the larger players include Columbia Sportswear Company, VF Corporation, Nike, Lululemon, and Under Armour.

Key Drivers & Success Factors

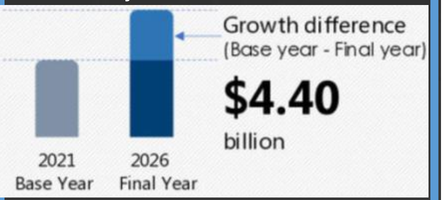
Main industry drivers include technological innovation aimed at increasing accessibility of outdoor gear and making it more reliable in a wider range of terrains. Consumer preferences and trends help to prop up industry growth as well, as they demand higher quality products at different price points. Global total consumer spending on clothing and footwear is forecasted to be at $2 trillion dollars by 2026, with projected market growth to be at $4.40 billion (Figure 14). The industry's highest growth rates come from the US and China, with the overall region growing the fastest being LAAP (Figure 11). We predict that this region will continue to drive industry growth in the next five-years, as many companies in the industry are focusing their promotional activity heavily on this region. While there are a few risks with government regulation coming out of China, we believe they are minimal.

Headwinds and Tailwinds

Innovative Technology. The outdoor apparel industry is driven by consumer demand trends that vary over time. Technological innovations around the market from notable players will often encourage increasing consumer demand and bring investor excitement back into the market. With this being said, the pressure for companies to develop "tech wear" can be extremely high which promotes a continuously innovative environment. This means competitors are focused on not only developing tech but doing so in an affordable, sustainable way to gain an edge in the market and provide the best possible product to consumers

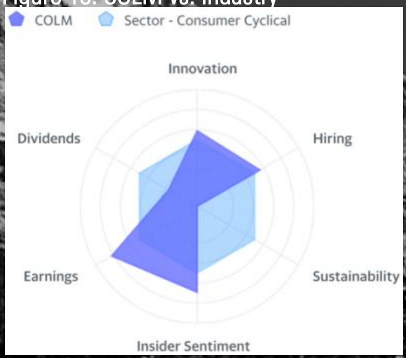
Changes in consumer preferences. Many companies in the industry will likely utilize changing consumer preferences to gain market share and increase customer retention. 7.1 million more Americans participated in outdoor recreation in 2020 than the prior year, and 53% of Americans ages

Figure 14: Global Outdoor Apparel Market Projected Growth



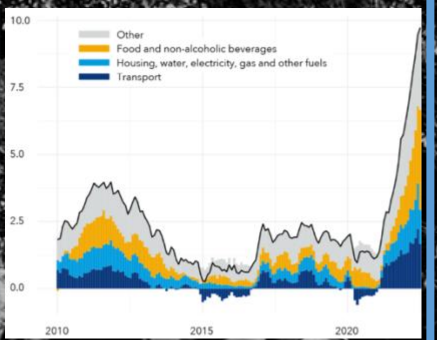
Source: Technavio

Figure 15: COLM vs. Industry



Source: Yahoo Finance

Figure 16: Inflation Drivers



Source: IMF

Figure 17: Overseas Revenue Comparison

Company	Countries	Overseas Revenue
COLM	90	34.0%
VFC	37	49.8%
JOUT	80	13.0%
NKE	170	64.0%

Source: Company 10-Ks

Figure 18: Outdoor Apparel Market Growth Rate by Region

Source: Mordor Intelligence

6 and over participated in outdoor recreation at least once, which is the highest participation ever recorded. This means an increasing TAM for outdoor apparel companies. With increasing outdoor participation, there will likely be an influx in individuals looking for outdoor apparel.

Macroeconomic factors. Companies within the outdoor apparel industry exist in a highly competitive landscape. Clothing manufacturers are vulnerable to rising prices of raw materials and shipping costs. As the macro environment begins to change and we see a period of economic contraction, there is often an inability to curtail expenses to make up for lack of revenue. During these periods, a decrease in consumer discretionary income can have a significant effect on sub-industries like outdoor apparel. We can look at the COVID-19 induced recession in 2020, where from February 2020 to April 2020 we saw retail sales down 20%, clothing and accessory stores down 89%, and the personal savings rate up 33%. With the expectation of another recession in the near future and rising inflation (Figure 16), outdoor apparel companies will likely see a drop in revenue. Further, when we look at the 2008 recession, apparel retailers were subject to slower inventory turnover, tighter cash flows, and decreasing top line revenue. From November 2007 to November 2008, U.S Department Store sales declined 13.3% and specialty apparel retailer sales declined 10.4%. During a recessionary period, the apparel industry is often more exposed to diminishing consumer spending and international trade. Apparel imports decreased by 3.3% in 2008 and 12% in 2009 (as a lagging effect of the 2008 recession). These import decreases have a significant effect on industries that are reliant on inventory stability like outdoor apparel.

Channel Profitability. In the past year apparel manufacturers have experienced sgross margin contraction as a result of reduced channel profitability. This remains a headwind in the coming year, although lessoned from 2022. DTC margins have been driven down by higher promotional activity, especially when compared with 2021's promotional environment, as well as increased outbound freight costs (Appendix 2). While these costs are projected to normalize in the coming year, they still pose a headwind for companies in this industry. Wholesale margins have been driven down as well by a higher proportion of off-price vs full-price sales for many companies, with lower margins on the off-price sales.

COMPETITIVE POSITIONING

Comparables Selection

We constructed distinct peer groups for COLM's two product groups using management and analyst-selected peers as well as overlapping operating subindustries, target markets, and parallel product portfolios. The closest outdoor apparel, footwear, and equipment competitors are VF Corporation (VFC, outdoor clothing, footwear, and related equipment offerings), Nike (NKE, global sports apparel and footwear), Johnson Outdoors (JOUT, outdoor equipment), and Deckers (DECK, footwear brand primarily with some apparel and accessory distribution).

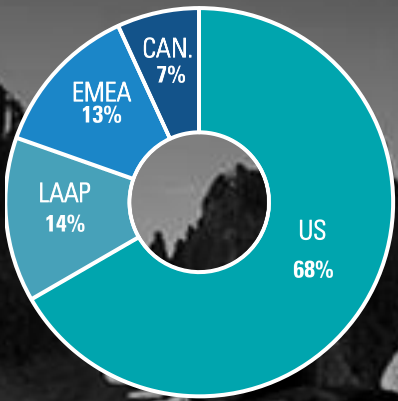
Market Dynamics

COLM operates in the $76.4 billion TAM outdoor apparel, footwear, and related equipment market. The market has experienced growth at 6.4% CAGR between 2019-2022, primarily due to an increase in popularity of outdoor activities during the pandemic. COLM is on track to outpace the projected industry CAGR of 6.4% over the next 5 years with its own CAGR of 7.84%. COLM's overall market share is estimated to be 4.35%.

The outdoor apparel market is valued at $33 billion and expected to grow at a CAGR of 5.3% between 2021 and 2026, although it is highly fragmented with several large and smaller players who specialize in niche apparel products. COLM holds a 23% global market share in the outdoor apparel market. Its closest competitor (VFC) is smaller at 11.26% global market share, in part because COLM is seen by reviewers as more innovative and reputable for high-performance outdoor apparel and gear. The outdoor apparel market growth is driven by the increasing participation in outdoor activities during the pandemic, as well as the increasing traction of fitness apps on smartphones and tablets. The total global footwear market is valued at $38.94 billion and expected to reach a valuation of $82.62 billion by 2032 at a CAGR of 7.1% during that time period. The outdoor footwear market is highly competitive, with styles that can quickly dominate the market for a time then fall into obscurity. COLM has slowly gained traction within this market, but it is still highly unrealized amongst its investors as SOREL works on designing a recognizable footwear style. COLM has a significant way to go before it reaches a footwear market share that is comparable to competitors.

The outdoors equipment market was valued at $4.45 billion in 2021 with a projected CAGR of 7.64% between the 2023-2030 period. COLM has invested heavily in its technology within this industry, giving it a competitive advantage over its larger peers. Its biggest competitors within this industry are smaller, private companies that are distinct from geographic region to region.

Figure 19: Geographic Revenue Breakdown



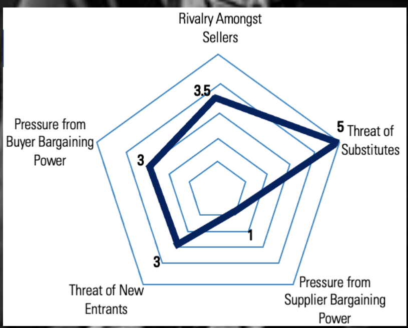
Source: Investor Presentation

Geographic Footprint

Figure 20: Geographic Market Share Comparison

COLM operates in many countries around the globe which exposes it to unique market opportunities and risks. The United States makes up the majority of COLM's sales, with Latin America and Asia Pacific (LAAP) following close in second, Europe, Middle East, and Africa (EMEA) making up the next portion of sales and Canada making up just under 10% of sales (Figure 19). COLM is focusing heavily on its net sales in LAAP, pushing e-commerce channels in China, Japan, and Korea to accelerate sales growth. COLM has several established wholesale partners globally, helping to diversify its customer base and giving it key advantages over local competitors when driving growth.

Figure 21: Porter's 5 Forces Analysis



Source: Team Consensus

Porter's Analysis

COLM's bargaining power from buyers is extremely high as it exists in a consumer discretionary sector. Buyers are faced with a large variety of choices for their sportswear clothing and gear needs, so COLM must constantly be evolving and innovating in order to maintain market share. Whilst buyer bargaining power is high, supplier power is low. COLM maintains a diverse supply chain, keeping supplier power low. There is a large threat of substitutes for its products, as consumer preferences change quickly and within the apparel industry there are a range of products at different price points. Due to the threat of substitutes, rivalry amongst sellers is also high, especially as household discretionary budgets feel the downward pressure from interest rates (Appendix 5).

Figure 22: Acquisitions

Acquisition	Transaction Value	TV/EBITDA
prAna	$190 million	37.32x
Mountain Hardware	$36 million	71.44x
Sorel	$8 million	N/A

Source: Bloomberg

Acquisitions

Since 2000, COLM has acquired a few companies at the disclosed amount of $234 million (Figure 22). The outdoor apparel, equipment, and footwear is a heavily saturated market with both public and private companies, making attractive acquisitions difficult to attain. Its most successful acquisition to date has been its acquisition of SOREL, as it aims to transition further into the footwear market which has grown at a rapid pace in the last several years. Footwear is a key priority for COLM moving forward, as it aims to create a global style that will strengthen its footwear unit. It has had some unsuccessful acquisitions in recent years as well, most notably its acquisition of prAna for $190 million. However, COLM is currently doing a full reset of its prAna brand, and in Q4 2022 the company recorded an asset impairment charge of $35.6 million reflecting a loss of value in this brand.

Figure 23: Capital Investment Strategy

Source: Investor Presentation

Technology

Figure 24: Geographic Market Share Comparison

Source: COLM Investor Presentation

Columbia's competitive advantage in the outdoor apparel space is its Omni-Heat technology. It is a thermal reflective technology that reflects and retains the warmth the body generates, enabling customers to use their gear at any temperature. It provides a technological advantage over VFC and AMEAS, which is a key driver in supporting its successful apparel sales over these brands. However, COLM lags behind its competitors in its footwear technology, particularly DECK which has several globally recognized styles for a range of terrains and settings. COLM's SOREL brand is currently in the process of innovating and designing new footwear technologies to better compete in the global footwear market and has seen some success with recent design innovations including its Mutant Ridge Boot and the PEG footwear.

COLM is also focusing its technology on its channels, adding a new TikTok e-commerce platform to enhance sales in China, and improving its digital channels globally to accelerate sales growth and reduce reliance on wholesale partners.

FINANCIAL ANALYSIS

Revenue & Profitability

Columbia's ability to quickly grow its DTC business, while its wholesale business has kept up with overall industry growth trends, has provided investors with a reason to invest. Revenue growth was high in 2021, driven primarily by DTC segment growth of 33.48% YoY, which lifted total revenue growth YOY to 24.98% for 2021. Total revenue was dragged down by growth in Columbia's wholesale business as it came in at 18.3% for 2021. While DTC has put downward pressure on gross margins in 2022 due to its large, fixed cost structure, we expect DTC to continue to lift total revenue growth YoY to 10% for 2022. The share of total revenue by the two segments, DTC and wholesale has become increasingly diversified. This mitigates top line growth risk. Over the next three years we believe two things will happen: DTC will continue to push down gross margins, due to its fixed cost structure, and will also continue to outgrow Columbia's wholesale business. Since 2016, except for 2018, the share of total revenue has moved closer to 50/50 consistently YoY. Gross margin for 2022 was down to 49.4%, while operating margin is up to 38.0%. COLM maintains zero long-term debt, but their current ratio has fallen from 3.4x to 2.9x in 2022. Its wholesale and DTC segments are both experiencing stable revenue growth and profitability (Figure 6), even as consumer discretionary spending decreases in anticipation of a recessionary environment. Its asset impairment charge for prAna of $35.6 million was a temporary hit to profitability in 2022, and we do not foresee this occurring again.

Shareholder Compensation

COLM has continued to put increasing emphasis toward shareholder return. It has paid a dividend since 2006 at an average yearly growth of 19.4% and a five-year average payout ratio of 24.6%. There was a temporary cut in its dividend in 2020 due to the effect COVID-19 had on consumer discretionary companies and its ability to generate profit. However, COLM is very confident regarding future earnings, COLM is targeting EPS of $7.35 to $7.95 for the full year 2025, during this period it expects annual total shareholder return of 13%-17%. This increase in EPS will likely be reflected in its dividend payout. Historically, COLM has had a relatively low payout ratio in comparison to other companies in the industry. This is because it has expressed focus on delivering shareholder return through its aggressive share repurchase program as well. In April of 2022, COLM's board approved a $500 million increase to the company's share repurchase authorization. COLM repurchased $286.9 million of common stock during 2022 (Figure 27).

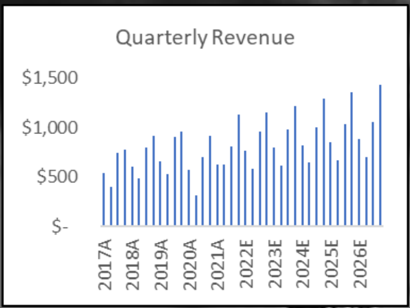
Leverage & Liquidity

COLM has a current ratio of 3.1x for 2021, representing a strong liquidity position ranking higher than 76% of peers within the apparel & accessories industry (Figure 28). COLM's financial position with regards to liquidity and balance sheet has consistently been stronger than its peers due to its conservative bookkeeping, which has also kept it stable in market downturns. Compared to peers in the past three years, COLM has seen only minor performance decreases, compared to significant downturns from some of its key competitors.

DuPont

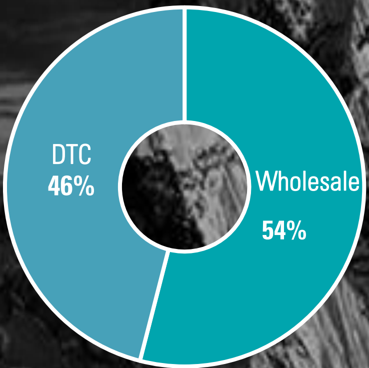
Return on assets for Columbia Sportswear was 10.1% for fiscal year 2022 vs 8.5% for its aggregate peer group. Inside this peer group are similar brands such as, but not limited to: Capri Holdings Ltd, Carter's Inc, G-III Apparel Group Ltd, Gildan Activewear Inc. Hanes brands Inc, Oxford Industries Inc, PVH Corp, Ralph Lauren Corp, Under Armour Inc, VF Corp, Vince Holding Corp, etc. COLM's return on Equity (ROE) of 16.1% in 2022 is lacking relative to its competitors with a 21% ROE but outpaced its peers' return of capital (ROC) of 2.5% with a ROC of 13.5% for COLM.

Figure 25: Quarterly Revenue Projections ($millions)



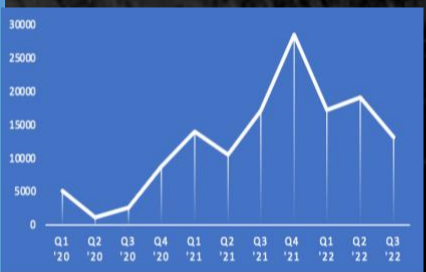
Source: Team Consensus

Figure 26: Wholesale vs DTC Revenue Share



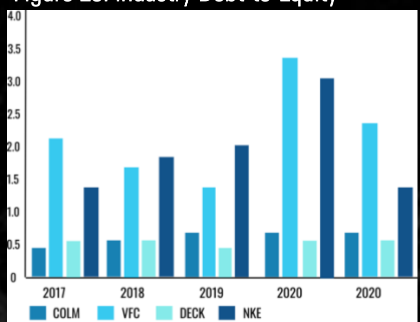
Source: COLM 10-K

Figure 27: Share Buybacks ($ thousands)



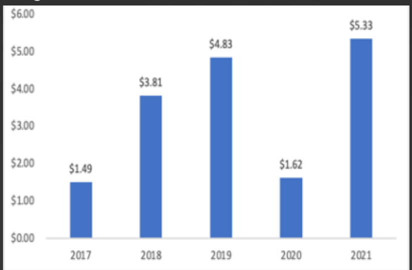
Source: COLM 10-K

Figure 28: Industry Debt-to-Equity



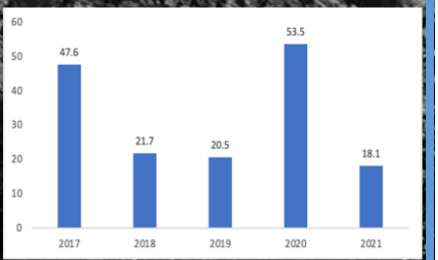
Source: COLM 10-K

Figure 29: COLM Annual EPS



Source: COLM 10-K

Figure 31: COLM Historical P/E

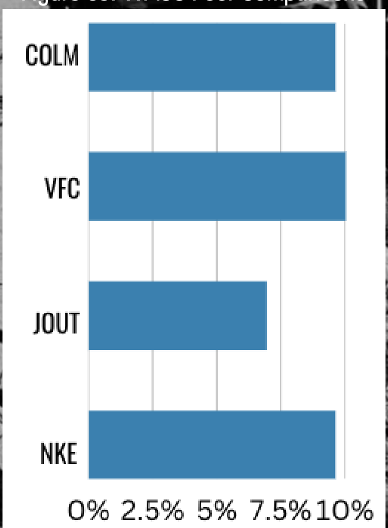


Source: Bloomberg

Figure 32: Earnings Comparison: COLM Beating Market

Source: COLM 10-K

Figure 33: WACC Peer Comparisons

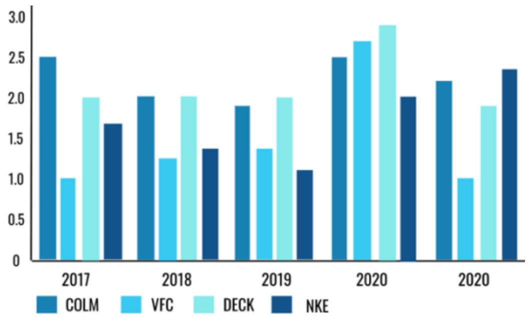


Source: COLM 10-K

COLM vs. Peers in a Recessionary Environment

We have concluded that uncertain market conditions and the looming threat of a recession is a major potential headwind for the outdoor apparel industry. Apparel companies for the most part have elastic demand, where demand is dependent on macroeconomic factors. We believe COLM is better positioned for a recession than direct competitors in the industry for a few significant reasons; it has favorable liquidity ratios, a low debt burden, and stable cash reserves. COLM currently has a cash position of $430 million and while this is a 44% decrease from 2021, this is due to an increasing emphasis on delivering value to shareholders through buybacks and increasing inventories for the future. We believe that COLM is well positioned in terms of liquidity, we can look at its quick ratio (Figure 30) to see that even with a high inventory, COLM would be able to extinguish its liabilities soundly. In the event of a recession, this instant liquidity is valuable. We also look at COLM's debt burden when analyzing its relative positioning in the market. As of Q3 2022, COLM has zero long-term debt and $310 million of capital lease obligations, and stockholders' equity of $1,936 million, giving us a debt-to-equity ratio of 0.21. We believe this low debt burden will be a driver for growth in a post-recession economy as competitors will be focused on paying off their debts and improving their financial ratios while COLM will be well positioned to return to normality at a faster rate.

Figure 30: Industry Quick Ratio



Source: Bloomberg

VALUATION

We issue a BUY recommendation on COLM with a 12-month target price of $125.72, representing a 43.5% upside from its 12/31/22 $87.58 closing price. Our recommendation is based on a Discounted Cash Flow (DCF) model, incorporating COLM's fortified balance sheet, continued acquisitions, and expanding margins. We then run our DCF model through scenario and sensitivity analyses to assess the input variability impact on the implied price and confirm our valuations via the relative and historical models. The resulting upside beats S&P 500 analysts' consensus target price of $120 for 2023 and is supported by our industry outlook and growth catalysts.

Discounted Cash Flow

WACC. We made the following assumptions in our Capital Asset Pricing Model to arrive at our 9.6% WACC. These assumptions are provided in Figure 34. In addition, Figure 33 compares WACC components with COLM's peer group averages. COLM's WACC is less than its main competitors NKE, VFC, and DECK, but more than JOUT. Our DCF valuation uses PGM with a 3.0% terminal growth rate and 9.6% WACC (Appendix 19).

Figure 34: WACC Components

Assumptions	Value	Explanation
Beta	1.06	5-year correlation between COLM and S&P 500 index.
Equity Risk Premium	5.94%	Based on country default spread, mature market premium, and relative equity market volatility.
Risk-Free Rate	3.60%	Average yield on long-term U.S. Treasury securities.
Cost of Equity	9.9%	Calculated from CAPM assumptions.
WACC	9.6%	Calculated from CAPM and WACC assumptions

Source: Team Consensus

The income statement is forecasted using a five-year linear regression model (Figure 35). The terminal tax rate of 22.48% is based on the average effective tax rate during the three quarters of 2022. Our DCF valuation uses the PGM method with a 3.0% terminal growth rate and 9.6% WACC (Appendix 19). We are projecting FY2023E to experience revenue growth at 5.0% as we predict downward pressures and a recessionary environment to decrease revenue growth, but stabilization by Q4 2023 (Appendix 11). We then project revenue growth to steadily increase and reach the median three-year YoY growth of 8.5% by 2026. We are steadily increasing our projections for a variety of reasons, including inflation normalizing at 4.5% 23, freight-out costs decreasing, and order cancellations decreasing. Figure 35 shows the five-year historical CAGRs for each quarter. The yellow section considers the past five years of growth and is skewed downwards from decreased sales during COVID-19. The red section considers COLM's five-year growth before COVID-19 from 2014 to 2019. We assume that another event like COVID-19 will not occur in the foreseeable future, which makes the linear regression analysis in the red section more valuable as a five-year baseline CAGR.

Figure 35: Historical Linear Regression

	2017-2022 CAGR	2022-2026 CAGR	2014-2019 CAGR (Excl. COVID)	2022-2026 CAGR (Excl. COVID)
Quarter 1	6.97%	3.76%	9.09%	5.39%
Quarter 2	7.69%	5.12%	10.20%	5.99%
Quarter 3	5.04%	2.48%	6.09%	3.53%
Quarter 4	8.55%	5.75%	7.12%	4.79%
Total Revenue	7.03%	4.33%	7.70%	4.79%

Source: Team Consensus

Sensitivity Analysis

We performed a basic sensitivity analysis to analyze changes in our valuation from fluctuations in WACC and terminal growth rate (Appendix 20). Variations in terminal growth rate from 2.0% to 4.0% had a larger impact on the valuation than changes in WACC from 9.0% to 11.0%. In addition, we used a line-by-line sensitivity model to analyze the impact of changes in key financial statement items on our valuation (Appendix 20). Changes in COGS and total operating expenses had the largest impact while current liabilities and revenue had the smallest.

Scenario Analysis

While our current DCF model represents our base case scenario, our bear case projections differ significantly. Our bear case starts out with 0% revenue growth for 2023 and 2024, then gradually resumes growth at 7% YoY growth by 2026. With growing cost pressures driven higher by inflation, we believe in this scenario COLM will see a reduction in gross and net margins across all brands and see a negative change in net working capital. This will put pressure on a now cash strapped COLM to raise greater operating margins and free cash flow which is now pushed down by contracting margins. This bear case scenario resulted in an intrinsic value of $115.20 for our DCF model. While we don't believe COLM will experience non-existent growth in the coming years, we were pleased to see a 31.5% MOS for this bear case scenario.

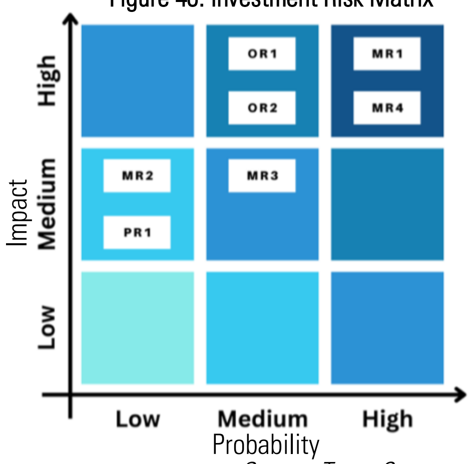
Historical Model

We used a historical model to analyze past performance and how COLM's financial metrics have changed over time. Our historical model utilized P/E and EV/EBITDA at 40% and 60% respectively to produce a fair value for the company. We took an average of each metric given the high and low price of the stock during a 5-year period then multiplied the average by the estimated 2022 value of the corresponding ratio. This model gave us an intrinsic value of $114.99, supporting our Buy thesis. Appendix 22 shows our historical model.

Relative Model

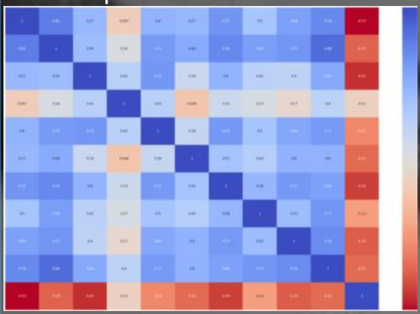
We used a relative model to analyze peer financial metrics against COLM's. Our relative model utilized P/E and EV/EBITDA at 40% and 60% respectively, and took into consideration VFC, DECK, NKE, and JOUT at 30%, 10%, 10%, and 50% comparatively. This model gave us an intrinsic value of $135.26, strongly supporting our Buy thesis. Appendix 21 shows our relative model.

Figure 40: Investment Risk Matrix



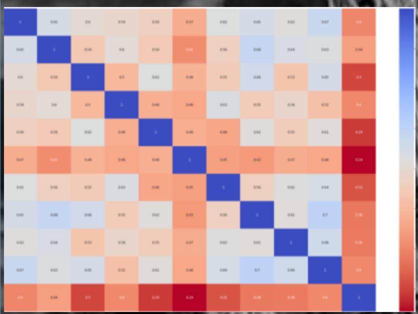
Source: Team Consensus

Figure 36: One-year Correlation Heat Map



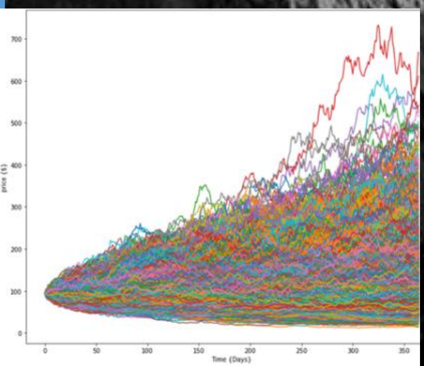
Source: Bloomberg

Figure 37: Three-year Correlation Heat Map



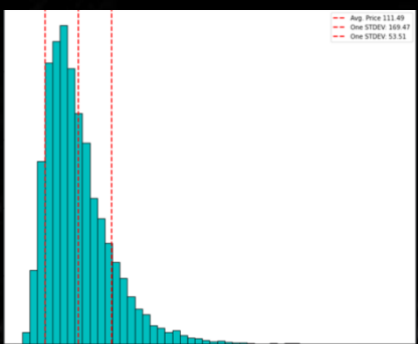
Source: Bloomberg

Figure 38: Brownian Price Path



Source: Team Consensus

Figure 39: Brownian Distribution



Source: Team Consensus

Figure 41: Summary of Key Risks and Mitigation Measures

Risks	Mitigation
Business and operational risks	
Distribution risk	Prioritization of customer loyalty
	Extension of customer contract length
Acquisition integration risk	Monitoring of acquisition success
	Internal teams dedicated to successful integrations of brands
Market risks	
Changing consumer preferences risk	Testing new products continuously
	Continuous monitoring of consumer demand
Technological advancement risk	Heavily invests in R&D to remain ahead of competitors
Volatility within supply chain risk	Regularly monitors supply chain
	Maintains diverse network of suppliers
Inflationary risk	Already reflected in our WACC
	Global inflation predicted to stabilize at 4.5% by Q4, 2023
Political risks	
Chinese regulation risk	Diversification into other LAAP areas to soften the blow of possible revenue loss from China

Source: COLM 10-K

INVESTMENT RISKS

While there are a variety of major macroeconomic concerns that could impact COLM's top line, our valuation could also be impacted by the following factors (Figure 40).

Operational Risks

OR1: Distribution risk (MODERATE probability, HIGH impact). COLM does not currently have long-term contracts with wholesale customers, or independent distributors. COLM has annual contracts which contain minimum purchase requirements, but distributors are not obligated to continue their relationship with COLM in these contracts. Sales in wholesale channels are conducted via an order-to-order basis and are subject to cancellation and rescheduling prior to shipment of orders. **Valuation Impact:** Our model assumes that higher order and contract cancellations would contribute to decreasing realized revenues by 10%, which lowers our valuation by –1.83%. **Mitigation:** COLM lessens the impact of order and contract cancellations by prioritizing customer loyalty and extending customer contract
length.

OR2: Integration Risk (MODERATE probability, HIGH impact). COLM has experienced issues with integrating acquisitions in the past, specifically with the prAna and Mountain Hardware brands which have experienced stagnant sales and growth. **Valuation Impact:** Our model assumes that acquisitions contribute additional revenue growth within 18 months and failed acquisition incur additional costs. Decreased realized revenues from acquisitions by 10% and increased total operating expenses by 5% lowers our valuation by 15.4%. **Mitigation:** COLM lessens the impact of unsuccessful integration by monitoring acquisition success and having teams dedicated to the successful integration of brands.

Market Risks

MR1: Changing consumer preferences (HIGH probability, HIGH impact). Consumer preferences rapidly change, which could make it difficult for COLM to respond quickly due to product development and production lead times. **Valuation Impact:** Incorrectly predicting consumer preferences leads to decreased revenues of 10% and increased COGS of 2%. This decreases our valuation by 19.1%. **Mitigation:** COLM lessens the impact of changing consumer preferences by testing new products continuously and studying consumer demand in substitute industries.

MR2: Technological Advancement in Apparel & Gear (LOW probability, MODERATE impact). Competitor technological advancements could suppress apparel and gear sales. **Valuation Impact:** 10% decrease in apparel and equipment sales produces a –0.9% valuation downside. **Mitigation:** COLM invests heavily in R&D to remain ahead of competitors in technological innovation (i.e., its OMNI-heat and OUTdry technology).

MR3: Volatility in Supply Chains (MODERATE probability, MODERATE impact). Volatility in the supply and price of raw materials could cause adverse effects on revenues, margins, and future incomes. **Valuation Impact:** A delay within the supply chain of 30 days causing an increase in cancellations of 15%, resulting in lost revenue that lowers our valuation by 2.7%. **Mitigation:** COLM regularly monitors its supply chain and vendors and maintains a diverse network of suppliers.

MR4: Inflation (HIGH probability, HIGH impact). Increasing costs in wool, cotton, and other raw materials (the IMF expects 6.6% 2023 global inflation) may shrink COLM's gross margins. **Valuation Impact:** A 1% increase in WACC creates a –8.8% downside. **Mitigation:** The 2023 global inflation of 6.6% (IMF) is reflected in our already conservative 9.6% WACC. Additionally, the Federal Reserve and many banking analysts predict inflation to stabilize at 4.5% by Q4 2023.

Political Risks

PR1: Chinese Regulation (LOW probability, MODERATE impact). COLM's second highest geographic region contributing to revenue is LAAP, so restrictions or regulations within the Chinese marketplace could have an impact on these sales and result in shrinking global sales. Its new TikTok e-store could also suffer if it experiences opposition in China. **Valuation Impact:** A 10% decrease in Chinese sales lowers our valuation by –0.5%. **Mitigation:** COLM can diversify in other LAAP areas, softening the blow of possible revenue loss from China.

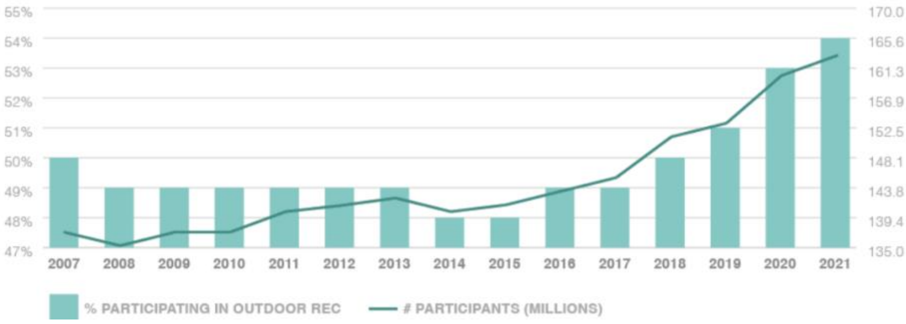
Appendix Map

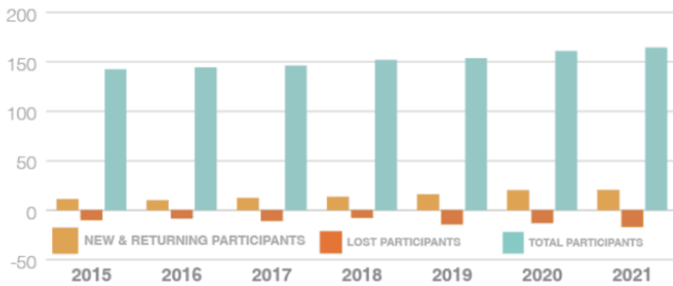
1. Industry Drivers

Outdoor Participation Growth

Outdoor participation has continued to increase throughout the last five years, due in part from the COVID-19 pandemic, but was increasing before that as well. In the US, 48% of the population regularly engages in outdoor activities, with the most popular activity being running, followed closely by fishing, hiking, bicycling, and then camping. While the pandemic helped participation to skyrocket, with hiking participation alone increases at 171% YoY, it has remained elevated and growing at a steady rate.

Post-pandemic we have seen some lost participation down from the height of the pandemic, but 2021 data indicates that the participation has retained momentum in 2021, and that outdoor recreation is "sticky".





Source: Outdoor Foundation

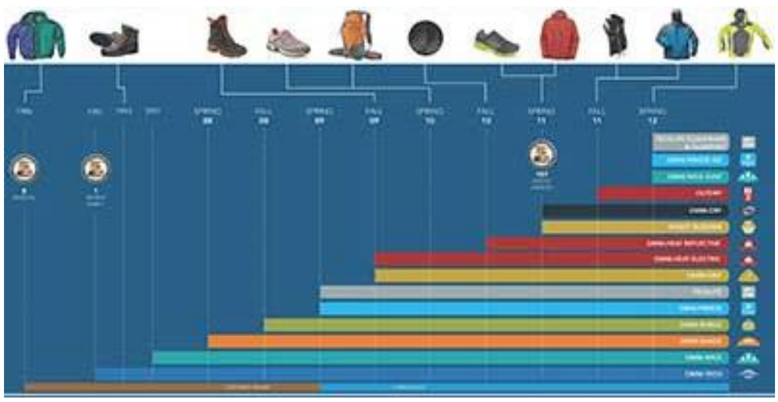
Source: Trading Economics

Commodity Pricing

Cotton futures are currently trading around $86/lb, down from May 2022 highs of $158.02/lb. The USDA outlook report forecasts a projection for world cotton production of 115.4 million bales in 2023. As the price of cotton continues to fall, apparel manufacturers will experience lowered COGS and increased margins.

Advancements in Clothing Technology

The incorporation of technology in outdoor apparel is giving rise to new product lines and expanding market growth. Manufacturers are introducing technology to control temperature and pressure, enhancing the muscle power or the wearer and improving oxygen supply. Technology is also being used to manage moisture content and set the temperature. These incorporations allow for more consumers to pursue outdoor activities with ease and are driving the industry to new heights.



Source: Business Journal

2. Freight Rates

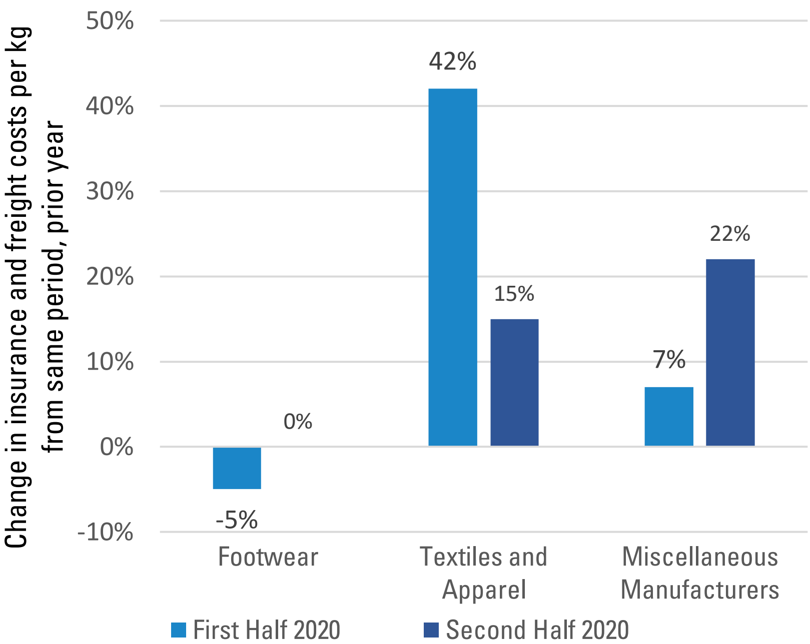
Global Shipping Rates

Beginning in early 2020, the COVID-19 pandemic led to a record number of canceled maritime and air shipments. With a decrease in demand for imports due to the pandemic, and an increase in health containment policies, there were countless delays that caused a disruption in freight shipment. From February 2020 to September 2021, the FBX index increased nearly 8x from $1,300 a container to $11,000 a container. Freight costs are traditionally volatile and procyclical which means they rise during economic booms and fall during recessions. Regardless of traditional volatility, the confluence of supply/demand volatility during this period and policies implemented as a result of COVID-19 led to a massive increase in freight shipment rates.

Global Freight Rates from 2020-2021

Source: Freightos Baltic Index

Freight Costs/kg during the COVID-19 Pandemic



Source: HIS Markit, Global Trade Atlas Database

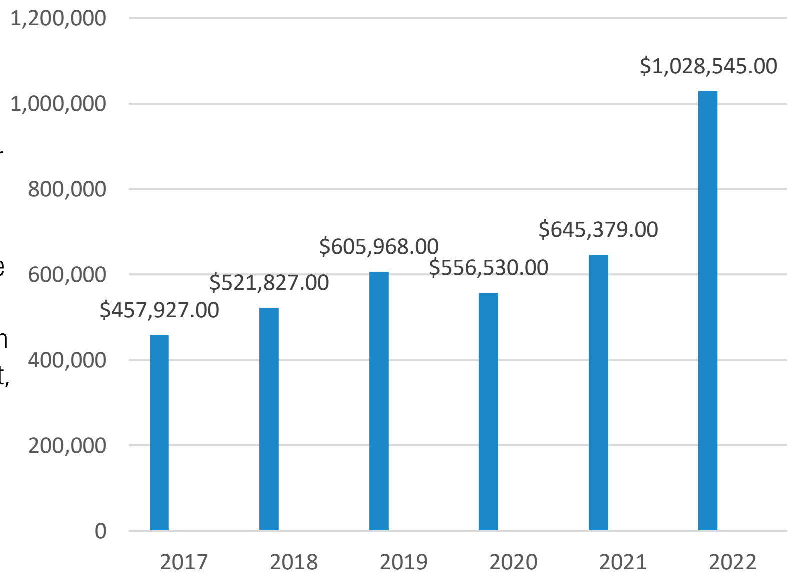
Rising Freight Rates Effect on COLM

During August 2021, COLM CEO Tim Boyle noted 'pandemic related supply chain disruptions and higher ocean freight costs' as one of the main points of concern for the remainder of the year. These freight costs exceeded the expectations of COLM as the amount of port congestion in Southeast Asia was unprecedented. This led COLM to revising its end of year outlook by forecasting $40 million worth of incremental freight ocean costs. Boyle questioned the integrity of the organizations driving these prices higher, claiming they are engaging in monopolistic practices. The apparel industry is affected by rising freight costs. When compared to other products, textiles and apparel see the highest change in freight costs during periods of rising freight rates. While COLM was significantly impacted by these rising rates, its ability to stray away from taking out debt, keeping a large amount of inventory on hand, and maintaining a robust cash position helped COLM keep from being dependent on global imports.

Today's Freight-In Environment

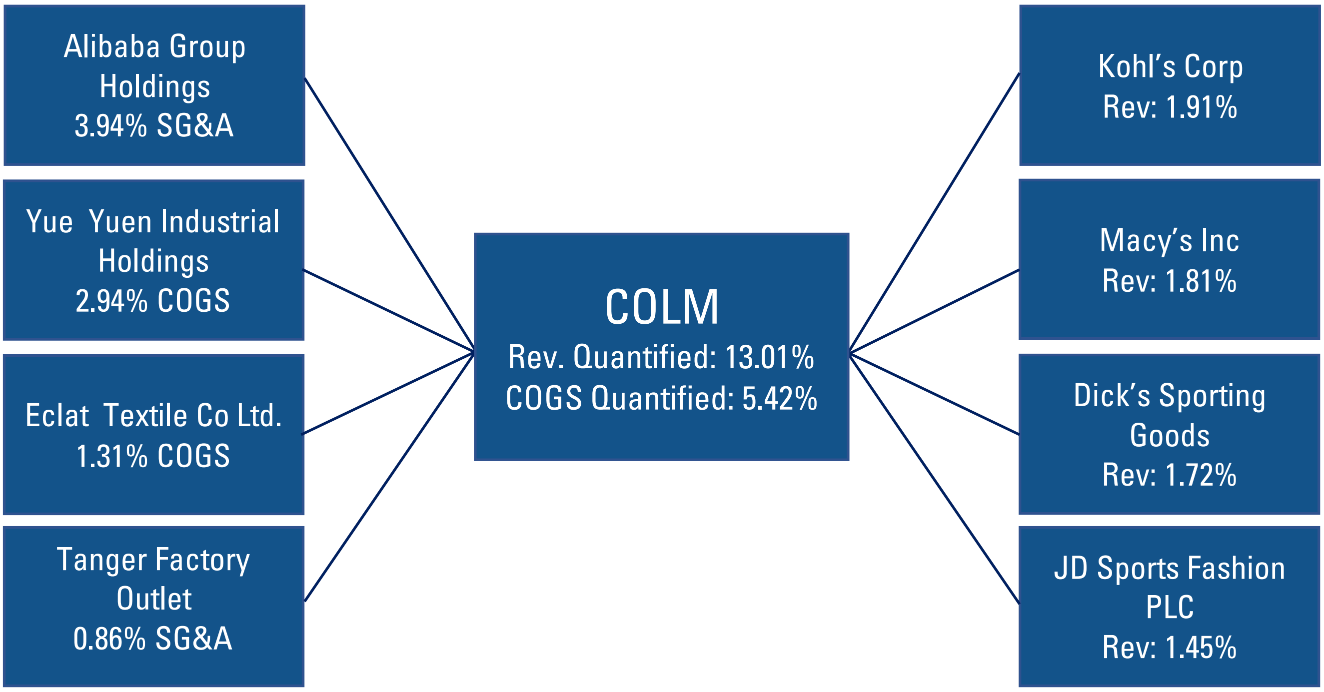
As freight rates have dipped back down to pre-COVID-19 levels ($2,062 per 40' container), it will be significantly more reasonable for COLM and other apparel companies to begin importing at a higher rate to increase its inventories. COLM has taken advantage of these lowered freight rates by substantially increasing its inventories while rates are low and taking advantage of the current macro-economy. During 2022, COLM increased its inventories by 59.4% in anticipation of increased demand for its products. Due to its strong balance sheet, COLM can afford to hold onto inventory and strategically choose when to sell its products or engage in promotional offerings.

Freight Rates from 2017-2022



Source: COLM 10-K

3. COLM's Supply Chain



4. SWOT Analysis

S — STRENGTHS

Diversified distribution network consisting of wholesale and direct-to-consumer channels.

Strong innovation efforts enhancing product differentiation.

A high liquidity position enables COLM to maintain strong margins compared to peers.

W — WEAKNESSES

Dependence on the US markets can hurt COLM (66% of total revenue), and makes it susceptible to US market trends and regulations.

A weak promotional environment for COLM hurts brand awareness in global markets, particularly compared to private companies.

O — OPPORTUNITIES

Strong projected footwear industry growth gives COLM a strong upside potential for its Sorel brand.

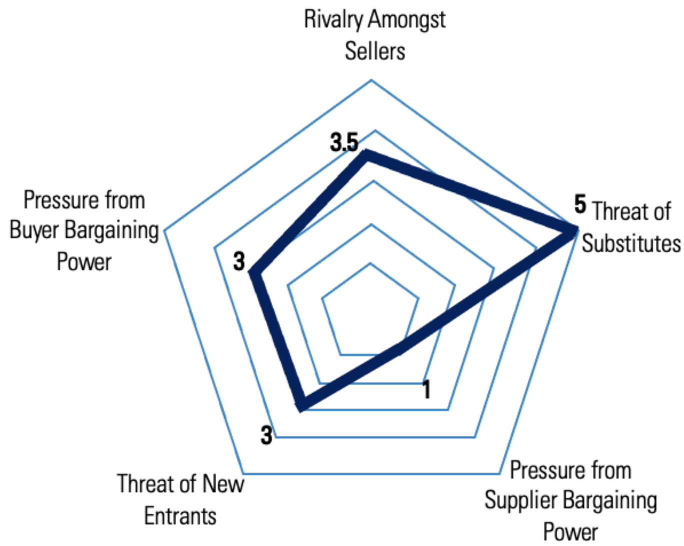
Growing e-commerce markets in LAAP reduces reliance on wholesale distribution channels - particularly in China.

T — THREATS

The outdoor apparel market is very saturated, causing significant competition in US and EMEA markets.

Consumer preferences change frequently, which can impact net sales with little warning.

5. Porter's 5 Forces



RIVALRY AMONGST SELLERS – 3.5

- COLM has positioned itself as a premium manufacturer and retailer of sportswear clothing, gear, and accessories
- The competitive industry of apparel manufacturing inside the consumer cyclical sector is home to approximately 40 firms that are publicly traded
- Rivalry in the industry is becoming increasingly competitive, as households' discretionary budget is feeling the downward pressure from interest rates, and slower economic growth
- These forces work together to create unfavorable market conditions for COLM regarding its peers

THREAT OF SUBSTITUTES - 5

- There are many pieces of clothing, gear, and accessories that can substitute for the styles and products COLM offers its customer base
- Since COLM is offering a normal good, we fear that the threat of substitutes increases every day as the threat of recession looms
- These substitutes can be produced quickly and use lower-quality materials than COLM traditionally uses
- These factors are reinforcing our high rating for the for the risk of substitutes

THREAT OF NEW ENTRANTS - 3

- New competitors, with inferior products, can easily set up a website and begin to compete with COLM and its DTC business
- However, despite the growth within its DTC business, COLM's wholesale business still contributes over half of COLM's revenue. The wholesale business has slower but steady growth.
- Relationships with distributors are the driving force behind this steady business, and we estimate that COLM is insulated from new entrants eroding its wholesale business because of its relationship with distributors and customers, who have a cult-like following of the brand

BARGAINING POWER OF SUPPLIERS - 1

- COLM uses a carousel wheel of suppliers to produce and manufacture its products. If one of these suppliers make advances to raise its prices or increase the time it takes to produce COLM's needed production inputs, it is our belief that COLM can bring its manufacturing needs elsewhere
- Since there is little proprietary information being transferred from COLM to its suppliers when producer these inputs, we believe COLM is insulated from the risk of patent and trademark infringement
- In addition to this benefit, the ability to move manufacturing from one supplier to another to produce premium sportswear clothing and gear gives COLM the bargaining power it needs to keep downward pressure on costs

BARGAINING POWER OF BUYERS - 5

- Buyers are faced with a large variety of choices for their sportswear clothing and gear needs; thus, we have recognized this as a significant risk for COLM.
- The apparel and gear industry is very competitive, with several similar products on the market at a wide range of prices that give buyers high bargaining power and forces retailers to either lower their prices or establish themselves as a premium brand.

6. ESG Scorecard

Category	Score	Upper Limit	Relative to Industry
Environmental	1.60		Above Median
Supply Chain Mgmt.	3.20	7.52	Leading
Emissions Mgmt.	0.00	3.00	Lagging
Social	2.89		Above Median
Supply Chain Mgmt.	4.52	7.52	Leading
Data Security & Privacy	3.00	3.00	Above Median
Product Quality Mgmt.	3.00	3.00	Leading
Marketing & Labeling	0.00	3.00	Lagging
Governance	7.01		Leading
Board Composition	5.92		Below Median
Director Roles	6.72	10.00	Below Median
Diversity	3.55	10.00	Lagging
Independence	8.17	10.00	Leading
Executive Compensation	8.15		Leading
Director Voting	8.88	10.00	Above Median
Shareholder Rights	4.23	10.00	Lagging
Audit	9.03		Leading
External Auditor	8.12	10.00	Above Median
Audit Outcome	10.00	10.00	Leading

7. Peer Comparison

Market Cap	2018	2019	2020	2021	2022
VFC	$29.40B	$34.38B	$21.03B	$31.31B	$22.11B
NKE	$114.85B	$120.96B	$153.30B	$215.33B	$186.71B
DECK	$2.86B	$4.28B	$3.75B	$9.22B	$7.39B
JOUT	$929.81M	$586.57M	$825.84M	$1.07B	$522.95M
COLM	$5.74B	$6.77B	$5.79B	$6.35B	$5.69B
ROE %					
VFC	21.82%	30.53%	16.24%	13.54%	12.68%
NKE	15.71%	45.78%	47.14%	34.34%	43.04%
DECK	11.93%	27.70%	26.54%	28.67%	30.08%
JOUT	16.23%	15.76%	15.70%	19.45%	12.30%
COLM	6.94%	17.61%	14.74%	9.27%	19.39%
TTM Net Income					
VFC	$0.55B	$1.26B	$0.68B	$0.41B	$1.39B
NKE	$1.08B	$4.18B	$4.32B	$3.43B	$6.12B
DECK	$0.12B	$0.26B	$0.28B	$0.38B	$0.45B
JOUT	$0.04B	$0.04B	$0.05B	$0.08B	$0.06B
COLM	$0.11B	$0.30B	$0.26B	$0.16B	$0.37B
Operating margin %					
VFC	12.54%	8.85%	6.48%	6.58%	12.40%
NKE	12.31%	12.40%	12.55%	10.87%	15.21%
DECK	11.67%	16.20%	15.85%	19.81%	17.93%
JOUT	10.90%	11.73%	12.00%	13.64%	11.19%
COLM	10.84%	13.32%	10.32%	8.19%	14.21%

8. Executive Committee

Name	Position	Tenure (Years)	Education	Work Experience	Compensation	Ownership
Timothy Boyle	Chairman	45.08	University of Oregon	N/A	$4.75m	37.91%
Jim Swanson	Exec VP & CFO	5.58	UCLA & University of Chicago	Freightliner Corporation	$1.88m	0.0084%
Peter Bragdon	Exec VP	18.58	Stanford, Yale	Stoel Rives, LLP	$1.74m	0.033%
Franco Fogliato	Exec VP, Global Omni-Channel	2.00	Open University	Billabong Group	$1.61m	N/A
Skip Potter	Exec VP & CIO	1.83	Stanford	Nike, Inc., Capital One	$1.85m	0.00087%
Andrew Burns	Director of Investor Relations	4.67	University of Colorado		N/A	N/A
Lisa Kulok	Exec VP & Chief Supply Chain Officer	7.75	N/A	Nike, Inc.	N/A	0.0032%

9. Board of Directors

Name	Position	Tenure (Years)	Age	Director Since	Independent	Shares Held	Other Positions Held
Timothy Boyle	Chairman	45.08	74	1978		37.91%	CEO, Columbia Sportswear
Andy Bryant	Independent Director	17.75	72	2006		0.066%	Advisor, NovaSignal Corporation
Kevin Mansell	Independent Director	3.92	69	2019		0.0057%	Independent Director, Fossil Group, Inc.
Walter Klenz	Director	1.08	77	2022		0.015%	Director, Leisure Company
Sabrina Simmons	Independent Director	4.33	59	2019		0.0067%	Independent Director, MOLOCO, e.l.f. Beauty
Stephen Babson	Independent Director	20.58	72	2003		0.24%	MD at DVSM
Malia Wasson	Independent Director	7.92	63	2015		0.012%	Director, Northwest Natural Holding Group
John Culver	Independent Director	2.08	62	2021		0.0042%	COO, Starbucks Corp.
Ronald Nelson	Independent Director	11.75	79	2012		0.023%	N/A
Christiana Shi	Director	0.58	62	2022		N/A	Founder & Principal, Lovejoy Advisors, LLC

10. Subcommittees

Director Name	Audit Committee	Compensation Committee	Corporate Governance Committee
Tim Boyle			
Stephen Babson		Chair	
Andy Bryant	Member		Chair
John Culver		Member	
Walter Klenz		Member	
Kevin Mansell	Member		Chair
Ronald Nelson	Member		
Sabrina Simmons		Member	Member
Malia Wasson	Chair		Member

✓ Member ✓ Chair

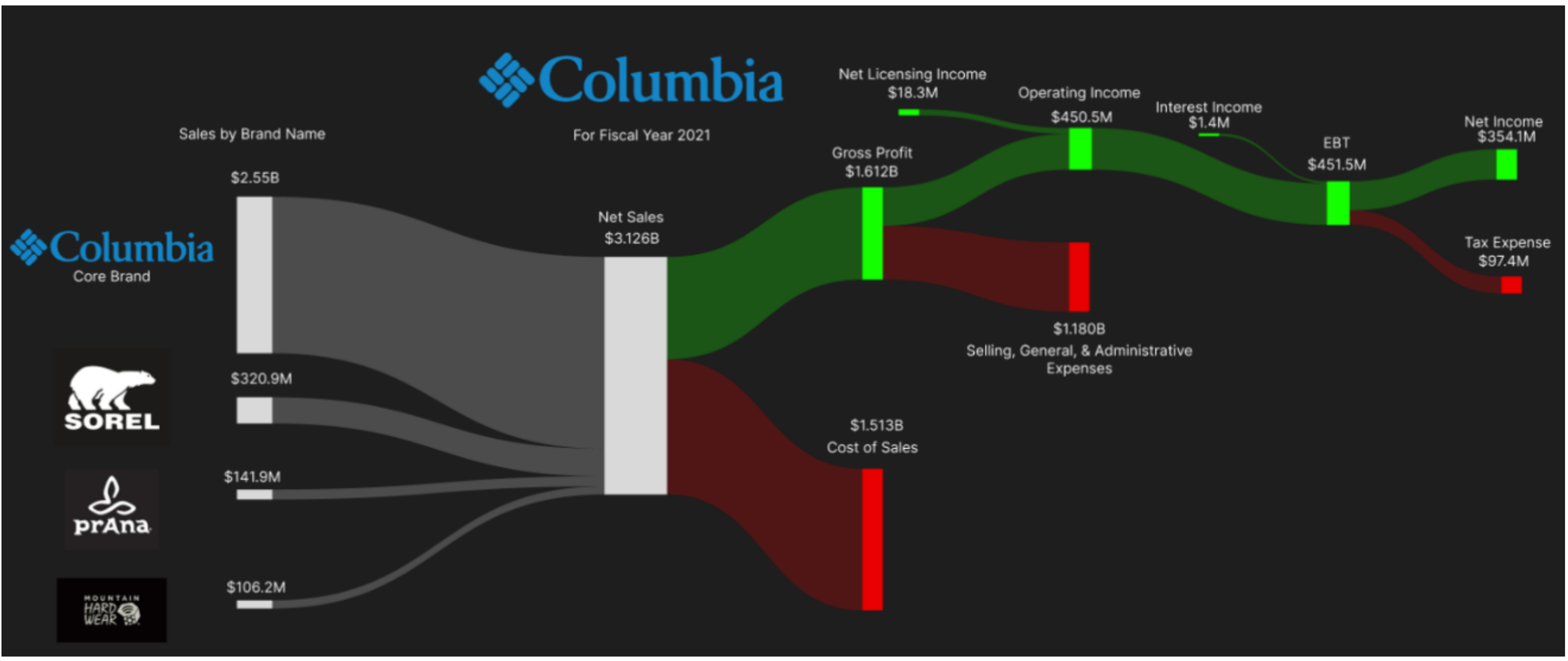
11. Base Case Income Statement

	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Revenue	$ 2,466,105	$ 2,802,326	$ 3,042,478	$ 2,501,554	$ 3,126,402	$ 3,464,152	$ 3,637,360	$ 3,891,975	$ 4,203,333	$ 4,560,616
Cost of Goods and Services Sold	1,306,143	1,415,978	1,526,808	1,277,665	1,513,947	1,753,074	1,760,482	1,883,716	2,034,413	2,207,338
Gross Profit	**1,159,962**	**1,386,348**	**1,515,670**	**1,223,889**	**1,612,455**	**1,711,078**	**1,876,878**	**2,008,259**	**2,168,920**	**2,353,278**
Selling, general and administrative expenses	910,894	1,051,152	1,136,186	1,098,948	1,180,323	1,304,394	1,309,449	1,362,191	1,429,133	1,505,003
Impairment of goodwill and intangible assets	-	-	-	-	-	35,600	-	-	-	-
Net Licensing Income	(13,901)	(15,786)	(15,487)	(12,108)	(18,372)	(22,020)	(23,279)	(24,909)	(26,901)	(29,188)
Total Operating Expenses	896,993	1,035,366	1,120,699	1,086,840	1,161,951	1,317,974	1,286,170	1,337,283	1,402,232	1,475,815
Income from operations (EBIT)	**262,969**	**350,982**	**394,971**	**137,049**	**450,504**	**393,104**	**590,707**	**670,976**	**766,688**	**877,463**
Interest income, net	4,086	9,876	8,302	435	1,380	2,713	2,910	3,114	3,363	3,648
Other Nonoperating Income (Expense)	(321)	(141)	2,156	2,039	(373)	1,593	(1,819)	(1,168)	(420)	456
Income before income tax (EBT)	**266,734**	**360,717**	**405,429**	**139,523**	**451,511**	**397,410**	**591,798**	**672,922**	**769,630**	**881,567**
Income Tax Expense (Benefit)	154,419	85,769	74,940	31,510	97,403	85,970	128,021	145,570	166,491	190,706
Effective Tax Rate	57.9%	23.8%	18.5%	22.6%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%
Net Income (Loss)	**112,315**	**274,948**	**330,489**	**108,013**	**354,108**	**311,440**	**463,777**	**527,352**	**603,139**	**690,861**

12. Income Statement Common Size

	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost of Goods and Services Sold	53.0%	50.5%	50.2%	51.1%	48.4%	50.6%	48.4%	48.4%	48.4%	48.4%
Gross Profit	**47.0%**	**49.5%**	**49.8%**	**48.9%**	**51.6%**	**49.4%**	**51.6%**	**51.6%**	**51.6%**	**51.6%**
Selling, general and administrative expenses	36.9%	37.5%	37.3%	43.9%	37.8%	37.7%	36.0%	35.0%	34.0%	33.0%
Impairment of goodwill and intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%
Net Licensing Income	-0.6%	-0.6%	-0.5%	-0.5%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%
Total Operating Expenses	36.4%	36.9%	36.8%	43.4%	37.2%	38.0%	35.4%	34.4%	33.4%	32.4%
Income from operations (EBIT)	**10.7%**	**12.5%**	**13.0%**	**5.5%**	**14.4%**	**11.3%**	**16.2%**	**17.2%**	**18.2%**	**19.2%**
Interest income, net	0.2%	0.4%	0.3%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
Other Nonoperating Income (Expense)	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%
Income before income tax (EBT)	**10.8%**	**12.9%**	**13.3%**	**5.6%**	**14.4%**	**11.5%**	**16.3%**	**17.3%**	**18.3%**	**19.3%**
Income Tax Expense (Benefit)	6.3%	3.1%	2.5%	1.3%	3.1%	2.5%	3.5%	3.7%	4.0%	4.2%
Effective Tax Rate	57.9%	23.8%	18.5%	22.6%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%
Net Income (Loss)	**4.6%**	**9.8%**	**10.9%**	**4.3%**	**11.3%**	**9.0%**	**12.8%**	**13.5%**	**14.3%**	**15.1%**

13. Income Statement Visualization



14. Base Case Balance Sheet

	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Current Assets										
Cash and Cash Equivalents, at Carrying Value	$ 673,166	$ 451,795	$ 686,009	$ 790,725	$ 763,404	$ 430,241	$ 661,457	$ 618,367	$ 570,022	$ 616,615
Short-term Investments	94,983	262,802	1,668	1,224	131,145	722	44,364	58,744	34,610	45,906
Accounts Receivable, Current	364,862	449,382	488,233	452,945	487,803	547,561	496,103	510,489	518,051	508,214
Inventories	457,927	521,827	605,968	556,530	645,379	1,028,545	743,485	805,803	859,278	802,855
Prepaid Expense and Other Assets, Current	58,559	79,500	93,868	54,197	86,306	129,872	90,125	102,101	107,366	99,864
Total current assets	1,649,497	1,765,306	1,875,746	1,855,621	2,114,037	2,136,941	2,035,533	2,095,504	2,089,326	2,073,454
Noncurrent Assets										
Property, Plant and Equipment, Net	281,394	291,596	346,651	309,792	291,088	291,214	297,365	293,222	293,934	294,840
Operating Lease, Right-of-Use Asset	-	-	394,501	339,244	330,928	324,409	331,527	328,955	328,297	329,593
Intangible Assets, Net (Excluding Goodwill)	129,555	126,575	123,595	103,558	101,908	81,558	95,675	93,047	90,093	92,938
Goodwill	68,594	68,594	68,594	68,594	68,594	51,694	62,961	61,083	58,579	60,874
Deferred Tax Assets, Net, Noncurrent	56,804	78,155	78,849	96,126	92,121	94,162	94,136	93,473	93,924	93,844
Other Assets, Noncurrent	27,058	38,495	43,655	63,636	68,452	71,568	67,885	69,302	69,585	68,924
Total assets	2,212,902	2,368,721	2,931,591	2,836,571	3,067,128	3,051,546	2,985,082	3,034,585	3,023,738	3,014,468
Current Liabilities										
Accounts payable	252,301	274,435	255,372	206,697	283,349	322,472	270,839	292,220	295,177	286,079
Accrued Liabilities, Current	182,228	275,684	295,723	257,278	316,485	328,759	300,841	315,362	314,987	310,396
Operating Lease, Liability, Current	-	-	64,019	65,466	67,429	68,685	67,193	67,769	67,882	67,615
Accrued Income Taxes, Current	19,107	22,763	15,801	23,181	13,127	18,802	18,370	16,766	17,979	17,705
Total current liabilties	453,636	572,882	630,915	552,622	680,390	738,718	657,243	692,117	696,026	681,796
Noncurrent Liabilities										
Operating Lease, Liability, Noncurrent	-	-	371,507	353,181	317,666	310,625	327,157	318,483	318,755	321,465
Other Liabilities, Noncurrent	48,735	45,214	24,934	42,870	35,279	33,020	37,056	35,118	35,065	35,747
Income taxes payable	58,104	50,791	48,427	49,922	44,541	33,251	42,571	40,121	38,648	40,447
Total liabilities	560,643	678,408	1,082,144	1,003,800	1,077,876	1,115,757	1,065,811	1,086,481	1,089,350	1,080,547
Shareholders' Equity										
Retained earnings	1,585,009	1,677,920	1,848,935	1,811,800	1,993,628	1,846,570	1,883,999	1,908,066	1,879,545	1,890,537
Accumulated Other Comprehensive Income (Loss)	(8,887)	(4,063)	(4,425)	806	(4,376)	(37,570)	(13,713)	(18,553)	(23,279)	(18,515)
Total Columbia Sportswear Company shareholders'	1,652,259	1,690,313	1,849,447	1,832,771	1,989,252	1,935,789	1,919,271	1,948,104	1,934,388	1,933,921
Total liabilities and equity	2,212,902	2,368,721	2,931,591	2,836,571	3,067,128	3,051,546	2,985,082	3,034,585	3,023,738	3,014,468

15. Balance Sheet Common Size

	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Current Assets										
Cash and Cash Equivalents, at Carrying Value	30.4%	19.1%	23.4%	27.9%	24.9%	14.1%	22.2%	20.4%	18.9%	20.5%
Short-term Investments	4.3%	11.1%	0.1%	0.0%	4.3%	0.0%	1.5%	1.9%	1.1%	1.5%
Accounts Receivable, after Allowance for Credit Loss, Current	16.5%	19.0%	16.7%	16.0%	15.9%	17.9%	16.6%	16.8%	17.1%	16.9%
Inventories	20.7%	22.0%	20.7%	19.6%	21.0%	33.7%	24.9%	26.6%	28.4%	26.6%
Prepaid Expense and Other Assets, Current	2.6%	3.4%	3.2%	1.9%	2.8%	4.3%	3.0%	3.4%	3.6%	3.3%
Total current assets	74.5%	74.5%	64.0%	65.4%	68.9%	70.0%	68.2%	69.1%	69.1%	68.8%
Noncurrent Assets										
Property, Plant and Equipment, Net	12.7%	12.3%	11.8%	10.9%	9.5%	9.5%	10.0%	9.7%	9.7%	9.8%
Operating Lease, Right-of-Use Asset	0.0%	0.0%	13.5%	12.0%	10.8%	10.6%	11.1%	10.8%	10.9%	10.9%
Intangible Assets, Net (Excluding Goodwill)	5.9%	5.3%	4.2%	3.7%	3.3%	2.7%	3.2%	3.1%	3.0%	3.1%
Goodwill	3.1%	2.9%	2.3%	2.4%	2.2%	1.7%	1.7%	1.7%	1.7%	1.7%
Deferred Tax Assets, Net, Noncurrent	2.6%	3.3%	2.7%	3.4%	3.0%	3.1%	3.2%	3.1%	3.1%	3.1%
Other Assets, Noncurrent	1.2%	1.6%	1.5%	2.2%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Current Liabilities										
Accounts payable	11.4%	11.6%	8.7%	7.3%	9.2%	10.6%	9.1%	9.6%	9.8%	9.5%
Accrued Liabilities, Current	8.2%	11.6%	10.1%	9.1%	10.3%	10.8%	10.1%	10.4%	10.4%	10.3%
Operating Lease, Liability, Current	0.0%	0.0%	2.2%	2.3%	2.2%	2.3%	2.3%	2.2%	2.2%	2.2%
Accrued Income Taxes, Current	0.9%	1.0%	0.5%	0.8%	0.4%	0.6%	0.6%	0.6%	0.6%	0.6%
Total current liabilties	20.5%	24.2%	21.5%	19.5%	22.2%	24.2%	22.0%	22.8%	23.0%	22.6%
Noncurrent Liabilities										
Operating Lease, Liability, Noncurrent	0.0%	0.0%	12.7%	12.5%	10.4%	10.2%	11.0%	10.5%	10.5%	10.7%
Other Liabilities, Noncurrent	2.2%	1.9%	0.9%	1.5%	1.2%	1.1%	1.2%	1.2%	1.2%	1.2%
Income taxes payable	2.6%	2.1%	1.7%	1.8%	1.5%	1.1%	1.4%	1.3%	1.3%	1.3%
Total liabilities	25.3%	28.6%	36.9%	35.4%	35.1%	36.6%	35.7%	35.8%	36.0%	35.8%
Shareholders' Equity										
Retained earnings	71.6%	70.8%	63.1%	63.9%	65.0%	60.5%	63.1%	62.9%	62.2%	62.7%
Accumulated Other Comprehensive Income (Loss), Net of Tax	-0.4%	-0.2%	-0.2%	0.0%	-0.1%	-1.2%	-0.5%	-0.6%	-0.8%	-0.6%
Total Columbia Sportswear Company shareholders' equity	74.7%	71.4%	63.1%	64.6%	64.9%	63.4%	64.3%	64.2%	64.0%	64.2%
Total liabilities and equity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

16. Base Case Cash Flow Statement

	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Cash flows from operating activities										
Net Income (Loss)	$112,315	$274,948	$330,489	$108,013	$354,108	$311,440	$257,854	$307,801	$292,365	$286,006
Adjustments to reconcile net income to cash provided by operating activities	-	-	-	-	-	-	-	-	-	-
Depreciation, Amortization And Non-Cash Lease Expense	59,945	58,230	121,725	146,601	115,571	117,399	126,524	119,831	121,251	122,535
Provision for uncollectible accounts receivable	-	-	(108)	19,156	(10,758)	(2,044)	2,118	(3,561)	(1,162)	(869)
Gain (Loss) on Disposition of Assets	1,927	4,208	5,442	31,342	1,233	38,194	23,590	21,006	27,596	24,064
Deferred income taxes	44,851	1,462	(1,808)	(11,263)	(9,798)	(8,118)	(9,726)	(9,214)	(9,019)	(9,320)
Stock-based compensation	11,286	14,291	17,832	17,778	19,126	21,021	19,308	19,818	20,049	19,725
Changes in operating assets and liabilities	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Accounts Receivable	(24,197)	(25,601)	(37,429)	22,885	(31,622)	(64,495)	(24,411)	(40,176)	(43,027)	(35,871)
Increase (Decrease) in Inventories	46,662	(94,716)	(84,058)	64,884	(100,261)	(399,851)	(145,076)	(215,063)	(253,330)	(204,490)
Increase (Decrease) in Prepaid Expense and Other Assets	(19,241)	(9,771)	(15,068)	33,712	(24,858)	(25,749)	(5,632)	(18,746)	(16,709)	(13,696)
Increase (Decrease) in Other Noncurrent Assets	931	(12,421)	(3,547)	(21,224)	1,231	(2,475)	(7,489)	(2,911)	(4,292)	(4,897)
Increase (Decrease) in Accounts Payable	30,568	19,384	(10,419)	(49,275)	75,513	40,429	22,222	46,055	36,235	34,837
Increase (Decrease) in Accrued Liabilities	11,581	66,900	18,863	(52,115)	66,457	20,683	11,675	32,938	21,765	22,126
Increase (Decrease) in Income Taxes Payable	58,702	(3,958)	(9,402)	9,082	(15,248)	(5,871)	(4,012)	(8,377)	(6,087)	(6,159)
Increase (Decrease) in Other Operating Assets and Liabilities	-	-	(54,197)	(52,112)	(85,176)	(62,749)	(66,679)	(71,535)	(66,988)	(68,400)
Increase (Decrease) in Other Noncurrent Liabilities	5,798	(3,387)	7,137	8,613	(1,112)	(3,055)	1,482	(895)	(823)	(79)
Net cash provided by operating activities	341,128	289,569	285,452	276,077	354,406	(25,241)	201,747	176,971	117,826	165,515
Cash flows from investing activities										
Payments to Acquire Short-term Investments	(130,993)	(518,755)	(136,257)	(35,044)	(130,191)	(44,876)	(70,037)	(81,701)	(65,538)	(72,425)
Proceeds from Sale, Maturity and Collection of Short-term Investments	36,282	352,127	400,501	36,631	1,184	176,083	71,299	82,855	110,079	88,078
Capital expenditures	(53,352)	(65,622)	(123,516)	(28,758)	(34,744)	(59,467)	(40,990)	(45,067)	(48,508)	(44,855)
Proceeds from sale of property, plant, and equipment	279	19	-	-	-	-	-	-	-	-
Net cash used in investing activities	(147,784)	(232,231)	140,728	(27,171)	(163,751)	72,740	(39,394)	(43,468)	(3,374)	(28,745)

17. Base Case Discounted Cash Flow

Free Cash Flows	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Sales	$ 2,466,105	$ 2,802,326	$ 3,042,478	$ 2,501,554	$ 3,126,402	$ 3,464,152	$ 3,637,360	$ 3,891,975	$ 4,203,333	$ 4,560,616
EBIT	262,969	350,982	394,971	137,049	450,504	393,104	590,707	670,976	766,688	877,463
EBITDA	322,914	409,212	516,696	283,650	566,075	510,503	714,014	802,914	909,181	1,032,067
Non-Cash Working Capital	427,712	477,827	557,154	511,050	539,098	967,260	1,327,678	1,298,408	1,402,281	1,521,474
Δ Non-Cash Working Capital		50,115	79,327	(46,104)	28,048	428,162	360,418	(29,271)	103,873	119,194
Cash From Operations	170,675	275,643	364,362	298,803	440,841	(2,698)	225,810	687,035	639,454	723,056
Capital Expenditures	53,352	65,622	123,516	28,758	34,744	(58,467)	(61,471)	(65,774)	(71,036)	(77,074)
Unlevered Free Cash Flow (FCFF)	224,027	341,265	487,878	327,561	475,585	(61,165)	164,339	621,261	568,418	645,981
PV of FCFF						(59,775)	146,501	505,190	421,627	437,081
Growth Rate						-113%	-369%	278%	-9%	14%

18. Cost of Capital

Capital Structure		
MV of Equity	95.2 %	6,369,199
Preferred Shares	0.0 %	-
BV of Debt	4.8 %	324,409
Operating Leases	4.8 %	324,409
Long-term debt	0.0 %	-

CAPM Assumptions	mrkt
Beta	1.06
Equity Risk Premium	5.9 %
Risk Free Rate for Local Currency	3.60 %

WACC Assumptions	CAPM
Cost of Equity	9.9 %
Cost of Preferred Shares	0.0 %
Cost of Debt	5.0 %
Credit Rating	
Default Spread	1.4 %
LT Credit Yield	5.0 %
Cost of Capital	9.6%

19. DCF Valuation

Valuation	PGM	EV/EBITDA	EV/Sales
∑ of PV of Future Cash Flows	1,450,624	1,450,624	1,450,624
Terminal Tax Rate	21.6 %	21.6 %	21.6 %
Terminal Growth Rate	3.0 %	5.0 %	0.6 %
Exit Multiple	n/a	14.1 x	1.6 x
PV of Terminal Value	6,792,780	9,861,567	4,894,050
Enterprise Value	8,243,405	11,312,192	6,344,674
+ C&CE	430,241	430,241	430,241
+ Investments & Other	722	722	722
- Debt	324,409	324,409	324,409
- Minority Interests		-	-
- Preferred Shares	-	-	-
Equity Value	8,349,959	11,418,746	6,451,228
Shares Outstanding (Diluted)	66,415	66,415	66,415
Intrinsic Value Per Share	125.72	171.93	97.14

20. Sensitivity Analysis

	Terminal Growth Rate					
		2.0 %	2.5 %	**3.0 %**	3.5 %	4.0 %
	8.5 %	132.07	141.64	152.95	166.51	183.09
	9.0 %	122.11	130.18	139.61	150.74	164.11
WACC	**9.6 %**	111.45	118.09	**125.72**	134.61	145.07
	10.0 %	105.92	111.87	118.67	126.51	135.66
	15.0 %	62.56	64.46	66.52	68.76	71.20

	SG&A Expense 5yr CAGR					
		4.0 %	4.5 %	**5.0 %**	5.5 %	6.0 %
	8.5 %	165.94	159.44	152.95	145.88	138.82
	9.0 %	151.50	145.55	139.61	133.15	126.68
WACC	**9.6 %**	136.47	131.10	**125.72**	119.89	114.05
	10.0 %	128.82	123.75	118.67	113.14	107.62
	10.5 %	119.77	115.03	110.30	105.15	100.01

	Revenue 5yr CAGR					
		6.8 %	7.3 %	**7.8 %**	8.3 %	8.8 %
	8.5 %	150.70	151.83	152.95	153.93	155.02
	9.0 %	137.59	138.60	139.61	140.00	141.47
WACC	**9.6 %**	123.94	124.84	**125.72**	126.50	127.27
	10.0 %	117.00	117.84	118.67	119.39	120.20
	10.5 %	108.78	109.54	110.30	110.96	111.70

The sensitivity analysis was performed by changing our WACC assumption from 8.5% to 10.5% relative to changes in terminal growth rate, total revenue, and SG&A expenses. Fluctuations in the terminal growth rate had an exponential effect on the intrinsic value with greater changes occurring at 4.0%. Altering the 5-year CAGR of total revenue forecasts from 6.8% to 8.3% had a minimal impact on the intrinsic value. We tested a range of forecasted 5-year CAGRs from 4.0% to 6.0% on SG&A and found that these expenses have a significant impact on intrinsic value.

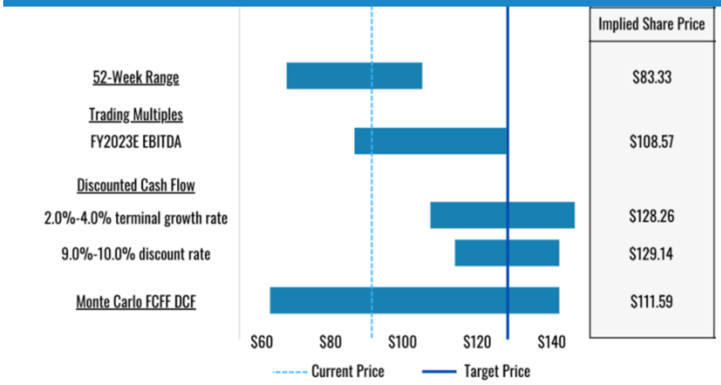
21. Relative Model

Relative Model											
Ticker	COLM	VFC	DECK	JOUT	NKE	Multiple	Value	Discounted	MoS	Weight
P/E (ttm)	17.5 x	27.8 x	25.7 x	15.3 x	31.2 x	21.7 x	101.72	99.34	13.43 %	40.0 %
P/S (ttm)	1.7 x	1.0 x	3.4 x	0.9 x	3.7 x	1.5 x	76.15	74.37	(15.08)%	
P/BV (mrq)	3.2 x	3.8 x	7.3 x	1.4 x	10.8 x	3.6 x	124.88	121.96	39.26 %	
PEG (5 yr expected)		1.62			3.59	0.8 x	(396.25)	(386.99)	(541.87)%	
EV/EBITDA (ttm)	10.6 x	18.0 x	17.9 x	8.4 x	89.6 x	20.3 x	162.75	159.21	81.79 %	60.0 %
EV/Sales (ttm)	1.8 x	1.5 x	3.2 x	0.8 x	12.8 x	2.5 x	135.74	132.81	51.64 %	
Custom Ratio						0.0 x	-	-	(100.00)%	
Weight		30.0 %	10.0 %	50.0 %	10.0 %	Intrinsic Value Per Share		135.26	54.44 %	100.0 %

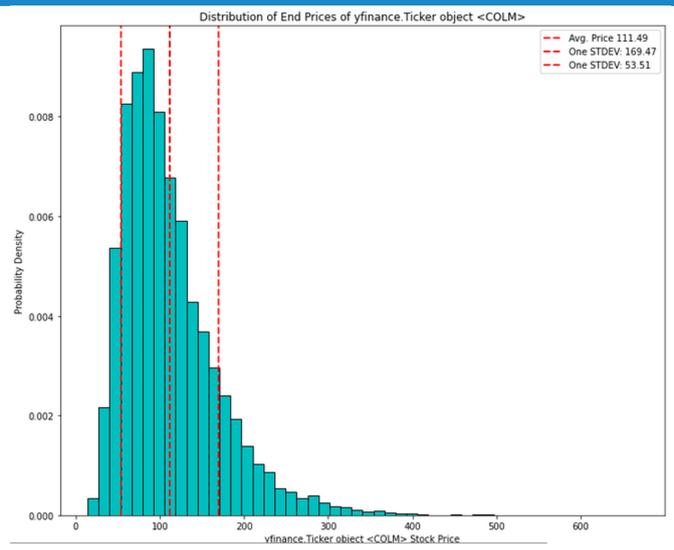
22. Historical Model

Used in Average?	Yes	Yes				
Average Period	3 Years	5 Years	Value	Discounted	MoS	Weight
P/S	2.04	1.95	110.08	107.51	12.11 %	
P/E	27.95	28.12	139.14	135.89	41.70 %	40.0 %
P/B	3.11	3.02	111.13	108.54	13.18 %	
EV/EBITDA	11.93	11.83	103.48	101.06	5.38 %	60.0 %
EV/Sales	1.78	1.72	103.30	100.88	5.19 %	
			Intrinsic Value Per Share	114.99	19.91 %	100.0 %

23. Valuation Football Field



24. Monte Carlo Simulation



For our Monte Carlo stock price simulation, we visualize the uncertainty that is inherent to any publicly traded stock. Our process first started with historical data from the past year of COLM stock daily close prices. We then computed the standard deviation of the stock's movements and built a normal distribution around the average daily price movements and its standard deviations. From here we ran the simulation 10,000 times, plotting the stock price and its daily fluctuations each time. These simulation runs at the end of the prediction range (1-year) formed a normal distribution where we found the upper and lower bounds for our standard deviation range. From this analysis and review of the new possible return distribution, we are 68% confident COLM stock price will be between $53.51 and $169.47, representing a downside of (42%) and an upside of 82%.