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UNDER ARMOUR'S VALUATION AND STRATEGIC MERGER WITH LI NING

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Abstract:

This work evaluates the potential merger between Li Ning and Under Armour, two sportswear companies. The DCF valuation method reveals upside potential for the shares of these two companies, with Li Ning showing a 12.85% upside and Under Armour an 8.39% upside. The proposed merger highlights significant value creation, with synergies boosting the combined market capitalization by 12.61%, reaching 13.1 billion USD. By merging Under Armour's established presence in North America with Li Ning's growing dominance in China, the combined entity is positioned to compete more effectively against industry leaders Nike and Adidas in the global sportswear market.

Keywords: Valuation, Merger, Synergies, Expansion, Enterprise Value

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Introduction

In this analysis, the potential for a merger of equals between two sportswear companies, Li Ning and Under Armour, was evaluated. Whereas Under Armour primarily operates in North America, Li Ning's operations are in China, so a merger would enable both companies to expand geographically, access new customers, and compete with industry giants like Nike and Adidas. To assess the merger's feasibility and potential, we conducted a valuation analysis of the stand-alone companies, which formed the basis for the valuation of the new merged entity. The project comprises four main parts: a literature review and methodology section, where theoretical concepts and valuation methodology are presented; a stand-alone valuation of Li Ning; a stand-alone valuation of Under Armour; and, finally, a valuation of the merged entity. The stand-alone valuations of Li Ning and Under Armour reveal notable upside potential, with Li Ning showing a 12.85% upside and Under Armour an 8.39% upside. The proposed merger offers significant value creation, with synergies increasing the combined market capitalization by 12.61%, reaching 13.1 billion USD. Based on these findings, we recommend proceeding with the merger.

Literature Review and Methodology

Before delving into the valuations of the stand-alone companies and the merged entity, we will first provide an overview of the theoretical frameworks and methodologies employed in the valuation process.

Cross-border valuation: In a cross-border valuation, it is necessary to select the appropriate currency, tax rate, and discount rates. In this case, Li Ning operates in China and Under Armour in the US, so we determined that the most suitable option would be to list the merged entity on the US stock exchange market, due to its more favorable and stable regulatory environment and greater visibility for international growth. So, the new tax rate applied is the US tax rate, and all discount rates need to align with the currency of the cash flows, in USD. To perform currency conversions, we applied the interest rate parity (IRP) (Madura 2020, 220-222) - **Formula 1**:

$$E(S_{t+1}) = S_t \times \left(\frac{1 + R_{f,n}}{1 + R_{h,n}}\right)^n$$

Where: $E(S_{t+1})$ is the expected exchange rate at time t+1; S_t is the current exchange rate at time t; $R_{h,n}$ is the interest rate in the home country for the n-year period; $R_{f,n}$ is the interest rate in the foreign country for the n-year period; n is the number of periods into the future.

It's important to note that adjustment factors (k_n) were incorporated into the previous formula - $E(S_{t+1}) \times k_n$ - to account for the forward premium puzzle, which suggests that the IRP fails to accurately predict exchange rates. This implies that currencies with high interest rates don't depreciate as much as predicted by the IRP, or they may even appreciate (Hansen and Hodrick, 1983). The k_n was computed using historical deviations between actual exchange rates and predictions based on the IRP. By using historical deviations, the adjustment factors account for market expectations and inefficiencies, risk premiums, bank interventions, among other factors.

Discounted Cash Flows (DCF): For the valuations, we will primarily use the DCF model. This approach estimates the enterprise value of the firm by computing the present value of the unlevered free cash flows, which are available to pay its investors - both equity holders and debtholders (Berk 2017, 322). The unlevered free cash flows were computed using **Formula 2**:

$$Unlevered\ Free\ Cash\ Flows\ (UFCF) = (Core\ EBIT) - Taxes + D\&A\ expenses$$
$$-Capex - \Delta\ NWC - \Delta\ Other\ operating\ assets\ and\ liabilities$$

Having the UFCF, their present value is obtained by discounting them by the Weighted Average Cost of Capital (WACC). Finally, the terminal value of the firm is added to achieve the firm´s enterprise value, and is computed using **Formula 3** (Berk 2017, 323):

$$Terminal\ Value\ (TV) = \frac{UFCF_{n+1}}{WACC - g}$$

Where: $UFCF_{n+1}$ = Unlevered Free Cash Flow for year n+1; $WACC$ = Weighted Average Cost of Capital; g = terminal growth rate of UFCF

Weighted Average Cost of Capital: The weighted average cost of capital (WACC) will be used to discount the unlevered core free cash flows and the corresponding terminal value. It is calculated using **Formula 4** (Brealey 2017, 221):

$$WACC = \left(\frac{E}{D+E}\right) \times r_e + \left(\frac{D}{D+E}\right) \times r_d \times (1-t)$$

Where: r_e is the cost of equity; r_d is the cost of debt; E is the market value of equity; D is the market value of net debt; t is the tax rate

When a target D/E ratio is not provided by the company, the existing capital structure can be used if it falls within the range of the comparables. If it does not, the median value of the comparables serves as a representation of the target capital structure (Rosenbaum 2013, 125-126). The cost of debt (r_d) and the cost of equity (r_e) were derived using the Capital Asset Pricing Model (CAPM) (Berk 2017, 440-445) – **Formula 5 and 6**:

$$r_d = r_f + \beta_d * MRP \qquad\qquad r_e = r_f + \beta_e * MRP$$

Both the risk-free rate (r_f) and the market risk premium (MRP) were obtained in the same currency as the cash flows. Notably, the risk-free rate is based on the rate available at the valuation date, while the MRP corresponds to the historical average of excess returns over the market portfolio (Damodaran). The debt beta (β_d) is derived based on the company's credit rating (synthetic or real), while the equity beta (β_e) is obtained by performing a regression analysis of the company's excess stock returns against the market stock returns (Berk 2017, 448-449). The resulting equity beta is then unlevered (β_u) based on the current net debt-to-equity (D/E) ratio and re-levered using the target D/E ratio, as shown in **Formula 7**:

$$\beta_e = \beta_u * \left(1 + (1 - tax\,rate) \times target\frac{D}{E}\right)$$

Terminal Growth Rate: To calculate the terminal growth rate (g) for the terminal value, we used **Formula 8**: Return on New Invested Capital (RONIC) × Reinvestment Rate (RR). This formula can only be applied after the company's cash flows stabilize. Additionally, this rate must be lower than the growth rate of the economy in the country where the company operates, as no single company can grow faster than the economy indefinitely. This corresponds to the US growth rate for Under Armour and the Hong Kong growth rate for Li Ning.

Multiples Valuation Approach: The second method used is the multiples valuation approach, which consists of estimating the firm's value using the market values of comparable firms - companies that share the same characteristics. Bloomberg offers a set of comparable firms for each company, ensuring an accurate selection of peer companies. The multiples used in this valuation are the forward price-to-earnings (P/E) and enterprise value-to-EBITDA (EV/EBITDA) multiples. In valuations, forward multiples are preferred, as we are concerned with future rather than historical performance. The median multiple is calculated from the list of comparable firms and used to estimate the company's enterprise value (Berk 2017, 326-327).

Mergers and Acquisition (M&A): Mergers and acquisitions remain the preferred approach among all the competitive options available for companies to grow and prosper in the dynamic and constantly changing global business landscape (M. DePamphilis, 2023). This is because mergers aim to achieve so-called synergies, including strategic, operational, and financial synergies, such as operational efficiencies, strengthening market position and competitive ability, and combining the portfolios of both companies. This translates into the formula 1+1=3, meaning that the value of the company resulting from the merger is worth more than the sum of its individual values. Additionally, these mergers will be fundamental to a long-term growth strategy and to maximizing shareholder value.

Under Armour's Valuation

Company Description

Under Armour is an American sportswear company specializing in high-performance athletic apparel, footwear, and accessories. Founded by Kevin A. Plank in 1996 and headquartered in Baltimore, the company was built on the pillars of performance, innovation, and authenticity. It has become the fifth-largest sportswear brand globally - $5.86 billion in revenue in 2023 (Statista). Currently, the company is valued at $3.97 billion and operates across North America, Europe, the Middle East, Asia-Pacific, and Latin America. Its core market remains North America, which accounted for nearly 70.0% of revenues over the past five years, and reaches customers through three main channels: wholesale, direct-to-consumer, and licensing. The company´s commitment to innovation, evident in the incorporation of proprietary technology into UA's apparel lines, including HeatGear, ColdGear, and CoolSwitch, enhances brand development and allows the company to sell products at prices higher than the industry average. Additionally, Under Armour has built its current brand awareness through investments in numerous partnerships and sponsorships worldwide. Celebrities such as Dwayne "The Rock" Johnson, the most-followed American man on Instagram (Forbes 2024), and athletes like Stephen Curry ($215 million sponsorship deal including an equity stake (CNBC)) have shaped how consumers engage with these alliances. More importantly, it had a licensing agreement with NFL, which includes contracts with Super Bowl-winning quarterback Tom Brady, further solidifying its market position and visibility. The company went public in November 2005 through an IPO, raising $157 million at $13.0 per share. It has three classes of common stock outstanding: Class A (UAA) and Class C (UA), traded publicly on the NYSE, while Class B shares are privately held (Gainy). Focused on reinvestment, Under Armour has not declared any dividends recently (2021–2024) and intends to maintain this approach, prioritizing the reinvestment of retained earnings into core operations to drive long-term growth.

Performance Analysis

Analyzing the company's financial statements is critical to identifying potential risks and assessing financial strength. From 2017 to 2019, Under Armour experienced steady but modest growth, increasing from $4,989 million in 2017 to $5,267 million in 2019. However, the COVID-19 pandemic impacted 2020 performance, with store closures and supply chain disruptions leading to a decrease in EBITDA margin from 8.0% to 3.3%. This was mainly due to a decline in apparel sales by 16.9% and footwear sales by 14.0%. While wholesale revenue fell by 24.8%, DTC increased by 2.3%, sustained by e-commerce growth to 47.0% of DTC revenues (compared to 7.0% in 2019). That year's EBIT margin stood at 0.3%.

In 2021, Under Armour began recovering from the pandemic by improving sales quality, especially within North America, reducing promotional activities, managing supply against demand, exiting undifferentiated retail, and maintaining controlled liquidation sales within the wholesale channel. As a result, revenues increased by 27.0%, driven by growth in apparel and footwear, which represent 90.0% of net revenues. The EBITDA margin improved from 3.3% to 11.8%, and the EBIT margin recovered from -0.3% to 9.3%. This recovery aligns with the sportswear industry's growth of 21.3% (McKinsey 2022).

In 2022, Under Armour faced challenges due to an increase in operating costs, which grew almost three times faster than net revenues - 5.9% and 2.2%, respectively. This resulted in decreases in both EBITDA and EBIT margins, to 8.6% and 4.5%, respectively. The increase in operating costs in sportswear companies was related to significant price increases for manufacturing inputs, freight, and labor, as well as the U.S. economy's inflation—the highest inflation recorded in more than 40 years. This impacted supply chains, retailers, and consumer purchase intent, consequently resulting in a weaker economy that year (McKinsey 2022).

Regarding its global market strategy, Under Armour focused on the Eastern and Asian markets, with the EMEA region's share of total revenues increasing by 8.8% and the Asia-Pacific region’s by 6.3% from 2017 to 2022. In contrast, North America's share declined by 15.2%. This regional diversification opens new growth avenues. Under Armour also worked on operational efficiency and demonstrated its commitment to adapting its business model to changing market dynamics, expanding its DTC segment share by 5.2% while reducing its wholesale segment by the same amount.

A change in the current ratio from 2.0 in 2019 to 2.1 in 2023, along with a quick ratio of 1.4 in 2023, demonstrates strong short-term liability coverage, indicating that the company does not need to rely on inventories to meet its obligations. The cash ratio ranged between 0.3 and 1.2, standing at 0.7 in 2023. Although this ratio is healthy, a value below 1 suggests potential difficulties in satisfying current obligations without relying on accounts receivable or inventory. Solvency ratios indicate that, since 2018, the company has been financing its operations with a leverage ratio of 33.2%, which reflects low risk and a small likelihood of default. The debt-to-assets ratio stands at 16.8%, and the autonomy ratio is 43.1%. Additionally, Under Armour's cash conversion cycle improved significantly, declining from 129 days in 2017 to 93 days in 2023, representing a decrease of 27.9%.

Value Drivers and Forecasts

To make an accurate valuation, we first needed to reformulate the financial statements for our historical analysis to gain a clear understanding of Under Armour's core, non-core business, and financial structure. Given that Under Armour changed its fiscal year-end from March to December 31 in 2022, historical data required adjustment for future comparisons. For example, the new 2023 fiscal year will combine results from Q4 2023 (January to March), Q1 2024 (April to June), Q2 2024 (July to September), and Q3 2024 (October to December) to align with a December fiscal year-end.

Revenue Forecast: We started by forecasting revenues, a crucial step in cash flow projections, as it serves as the basis for projecting several financial metrics. Under Armour's revenues were broken down by distribution channel and further divided by geographical region according to their percentage contribution to total sales. The only exceptions were e-commerce and corporate other revenues, for which no division is disclosed. The projections for revenues are divided into two main periods: an expansion period of six years, during which Under Armour expects to implement its growth strategy related to pricing strategies, internationalization, an increase in e-commerce sales, and a corresponding increase in DTC contribution towards total revenues. This period will be followed by a stabilization period, during which the company matures and, consequently, experiences a stabilization of its growth rates.

Physical Stores: Figures for the number of stores, brand stores, and factory stores, divided between North America and international regions (EMEA, Latin America, and Asia-Pacific), were obtained from the company's annual reports. From these values, it is clear that Under Armour has a strong focus on its internationalization strategy. Over the past 7 years, while the store count in North America increased from 181 stores to 200 stores, a modest growth of 10.5%, the international store count surged by 110%, rising from 114 to 240 stores. This difference stems from two distinct regional strategies: in North America, Under Armour's focus is on closing inefficient stores to improve profitability, while in international regions, the strategy is to expand store count, particularly factory outlets, which grew from 57 to 173 (203.5%). The shift toward factory outlets is a strategic choice to clear out old inventories and collections, thereby maintaining Under Armour's price integrity in other distribution channels. For the North America region, and considering the already closed inefficient stores during previous growth plans, the company is now focused on improving efficiency. For this reason, factory and brand stores are projected to increase by a conservative 1.3% and 1.6%, respectively, in 2024, with gradual decreases in the growth rate until stabilizing at 1% in 2030. Therefore, the total number of stores in North America will increase from 203, in 2024, to 224, in 203,3 (CAGR of 1.13%). In the international context, the company has more growth opportunities, especially in Asia-Pacific and EMEA. For this reason, higher growth than in North America is expected in both factory and brand stores, with projected growth of 6.2% and 5.4%, respectively, for 2024. Similarly, growth rates will slowly decrease until stabilizing at 1% in 2030. This translates into an expansion of international stores from 254 in 2024 to 314 in 2033 (CAGR of 2.71%), and a total store increase from 457 stores to 537 (CAGR of 2.02%), representing a 17.5% growth.

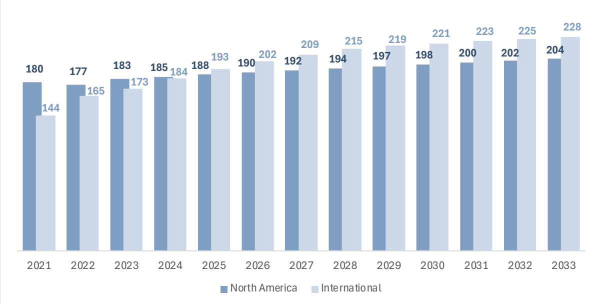


Exhibit 18: Evolution of Factory Houses (2021 - 2033)

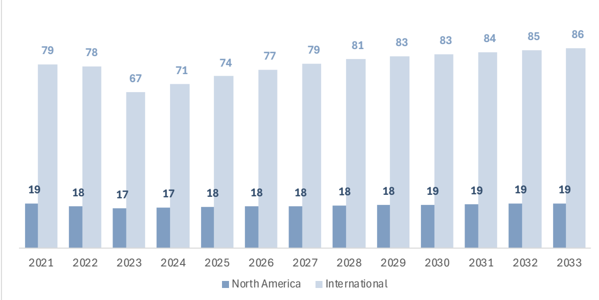


Exhibit 19: Evolution of Brand Houses (2021 - 2033)

<u>Revenue per Physical Store:</u> When it comes to revenue per physical store, Under Armour is focused on improving profitability. Over the last three years, the company has seen a decrease in revenue per store, largely due to the sale of lower-margin products. To address this, their current strategy emphasizes a strong focus on core products, meaning products that are most profitable for the firm, and on supply efficiency. Therefore, we projected that this strategy will increase revenue per store in North America by 3.6%, and in international markets by 5.1%. Once again, these growth rates will gradually decrease until reaching their stabilization point at 1.0% by 2030. In total, revenue per store in North America will rise from $4.8 million in 2023 to $5.2 million in 2033 (CAGR of 1.9%). Similarly, international markets will register an expansion from $2.1 million in 2023 to $2.7 million in 2033 (CAGR of 2.4%).

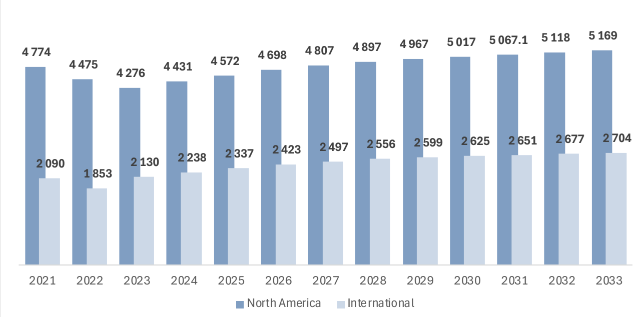
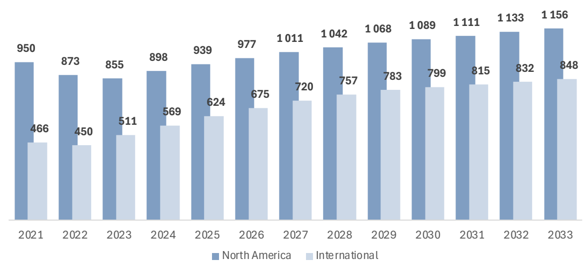


Exhibit 20: Evolution of Sales per Store (in USD'000)

In conclusion, direct-to-consumer revenues (excluding e-commerce) were obtained by multiplying revenue per store by the respective number of stores. In total, DTC revenues will increase from $1,366 million in 2023 to $2,004 million in 2033. Together with e-commerce sales, DTC channel revenues will move even closer to achieving the company's long-term objective of representing almost half of total sales, accounting for 42.9% of net revenues. This is part of their DTC strategy to enhance its premium brand image, mirroring initiatives by competitors like Adidas, which aims for DTC to represent half of total sales by 2025.

Exhibit 21: Evolution of Sales from Direct Operations (in million USD)

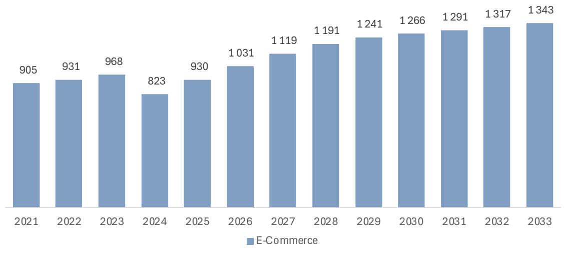


E-commerce Sales: Over the last three years, e-commerce accounted for an average of 41.0% of direct-to-consumer revenues, representing a significant boost in digital sales from 7.0% of DTC in 2019 to 47.0% in 2020. This increase was a result of the company's ongoing efforts in its digitalization strategy, driven by the pandemic and the desire to reduce costs associated with third-party distribution. In the words of former CEO Stephanie Linnartz, Under Armour's digital strategy includes supporting and expanding its e-commerce platform with the ultimate goal of making ua.com and the Shop App the premium face of the brand. She also noted that these websites are the company's biggest storefronts (Digital Commerce 360).

For the future of e-commerce, Under Armour's goal is to be less reliant on promotions, which, in the short term, will impact e-commerce sales, projected to decline by 15.0% in the following year. This results in a total decline in their share of DTC revenues by 5.6%, from 41.5% to 35.9%. After that year, considering the long-term plan to optimize and then increase e-commerce sales, revenues from the e-commerce channel are expected to grow by 13.0% in 2025, with gradual decreases until stabilizing in 2030 at 2.0%. Overall, e-commerce revenues are projected to expand from $968 million in 2023 to $1,343 million in 2033 (CAGR of 3.3%).

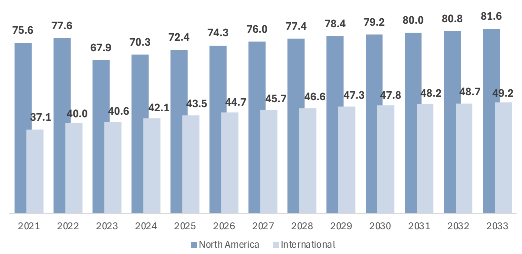
During their expansion years (2024-2030), a CAGR of 7.4% will be achieved, closely aligning with e-commerce market expectations, where apparel and footwear (88% of the company's total revenues) are expected to achieve a CAGR of 8.05% (Mordor Intelligence) and 6.8% (SkyRequest), respectively, by 2030.

Exhibit 22: Evolution of E-Commerce Sales (in million USD)



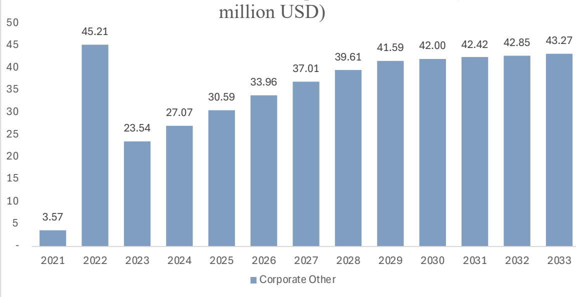
License revenue: Primarily consisting of fees paid to Under Armour by licensees in exchange for the use of its trademarks on their products, license values by region allow us to compute the change in value and percentage of license revenues in each region. Taking into consideration the 29.5% impact of the Japanese license on total license revenues and Under Armour's efforts to increase brand engagement, such as their loyalty program "UA Rewards" and hiring former Adidas executive Eric Liedtke for brand strategy, we are assuming an increase in license revenues. More specifically, we project a growth of 3.4% in North America, 5.1% in EMEA, 2.5% in Asia-Pacific, and 1.7% in Latin America, all stabilizing at 1.0% from 2031 to 2033. The weight of license revenues represents a constant 1.7% of total net revenues.

Exhibit 23: Evolution of License Revenues (in million USD)



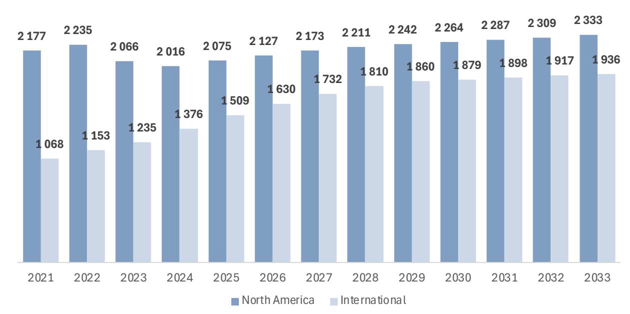
Corporate Other: Corporate other revenues primarily include operating results related to the MapMyFitness digital platform, which includes MapMyRun® and MapMyRide® (collectively "MMR"). This makes the company highly dependent on the development of these platforms and the future possibility of their sale. In fact, in 2020, when Under Armour sold one of its older platforms, MyFitnessPal, corporate revenues dropped by 97.4%, demonstrating how volatile these types of revenues can be. After the sale of this platform, corporate other revenues now account for only 0.6% of total net revenues. That being said, and assuming no possibility of selling any of these apps in the near future, corporate other revenues are expected to increase due to growing public engagement with fitness platforms and the development of the MMR platform. This will result in an initial optimistic growth of 15.0%, which will stabilize at the end of 2030 at 1.0%, with gradual decreases leading up to that point. Overall, corporate other revenues will increase from $23.5 million in 2023 to $43.3 million in 2033. In contrast to this increase, their share percentage in sales will stabilize at 0.6% of total net revenues.

Exhibit 24: Evolution of Corporate Other Sales (in million USD)



Wholesale: Under Armour has fewer wholesalers than key competitors like Adidas, Nike, and Puma. Similar to other sportswear companies, these competitors are reducing their reliance on wholesale revenues by increasing the portion of revenues coming from the DTC channel. Under Armour's strategy aligns with this trend. For that reason, the company aims to increase wholesale revenues, as there is still potential for growth, but will prioritize DTC revenues. Therefore, in regions where Under Armour has significant growth potential in terms of wholesale revenues (EMEA and Asia-Pacific), revenues are projected to increase by 12.5% and 12.2%, respectively, during the first forecast year. In the remaining regions, North America and Latin America, where Under Armour already has a strong presence among wholesalers, revenue growth will be more limited. In Latin America, due to challenges such as job creation and economic growth, we assume that revenues will stabilize and not change much (2.9%). In North America, characterized by increasing competition and pressure, we expect a decrease of 2.4% during 2024, with a gradual increase starting in 2025. All growth rates will stabilize at 1.0% by 2030.

Exhibit 25: Evolution Wholesale Sales (in million USD)



Costs of Goods Sold: Historically, Under Armour's gross margin has been sensitive to changes in pricing strategies, with the company increasing its gross margin by a remarkable 4.4% (from 48.4% in 2018 to 52.8% in 2021) due to fewer promotional products in their wholesale segment and factory houses. However, over the last three years, this value has decreased to 48.6%, as a result of rising material prices in production and a pricing strategy that became more reliant on promotions, which proved to be unsustainable.

For the future, and as mentioned in revenue forecasts, Under Armour will change its pricing strategy by lowering the promotions on their DTC channel (factory houses). Additionally, the company intends to achieve a 25% SKU reduction over the next 18 months, with the objective of focusing on core, higher margin products and reducing costs associated with a broad product range (mainly production and storage costs). These initiatives will drive gross margin up, starting in 2024 where we projected gross margin to improve by 0.9%, until 49.5%. After that, gross margin will see constant small improvements of 0.3% annually, until stabilizing by the end of 2030, with a gross margin of 51.0%. This improvement reflects better inventory control, optimized production process and a pricing strategy less dependent on promotions. Together, these factors allow revenue growth to offset cost increases, improving profitability.

Selling, General and Administrative Expenses: Over the last three years, Under Armour's SG&A expenses as a percentage of sales have remained almost stable at 41%. In fact, these expenses tend to be quite stable, ranging from 40.9% to 42.3% over the last 7 years. The only exception was 2020, when these expenses spiked to an extraordinary 48.4% of sales. This one-time increase was mainly attributed to higher marketing and advertising costs associated with the expansion of their e-commerce channel, which were necessary to respond to the COVID-19 pandemic. Operational adjustments due to COVID-19, as well as restructuring and litigation expenses, also contributed to this increase during that year. In 2024, the company projects SG&A expenses to increase due to litigation expenses, with a projected rate of 42.6% of sales.

In the following years, SG&A expenses are expected to decrease until reaching their historical average of 41.0% by 2030. As occurred in 2020, 2027 and 2028 will be exception years when SG&A expenses rise to 42.3% of sales due to the impact of the USA Football partnership. Additionally, the 2028 Summer Olympics in Los Angeles will lead to further investments in brand marketing and sports sponsorships, aimed at achieving higher brand visibility and a stronger global position.

With our forecasted operating costs, we conclude that Core EBITDA will increase from 445 million USD in 2023 to 779 million USD in 2033 (CAGR of 5.8%).

Exhibit 26: Costs Margins (in % of Sales)

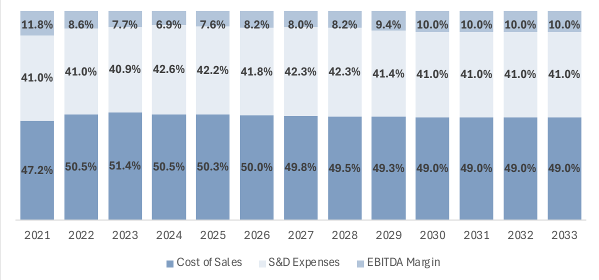
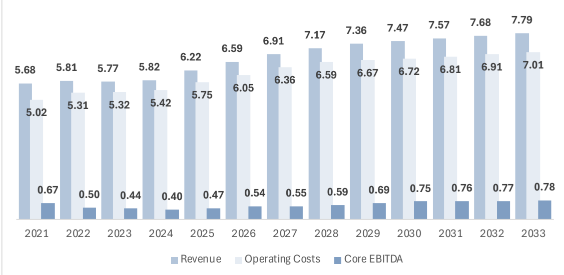
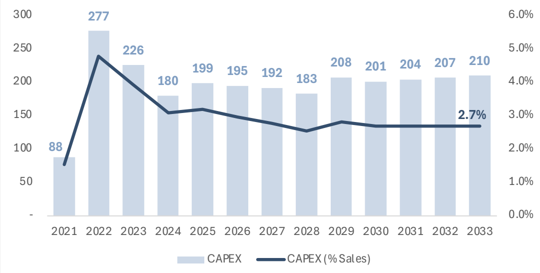


Exhibit 27: Core EBITDA calculation (in billion USD)



Capital Expenditure: It includes both the investment in Property, Plant, and Equipment (PPE) and the corresponding depreciation expenses. PPE is projected based on the percentage of sales, as an increase in sales typically leads to higher infrastructure needs. For 2024, this value is expected to remain stable at 12.4% of sales. After that year, the percentage will slowly decrease to 10.7% of sales, driven by the company's strategic focus on SKU reduction (a 25% reduction over the next 18 months), the closure of the Rialto distribution channel, and operational efficiencies. The long-term strategy of allocating 2-5% of revenue to capex will continue, ensuring sustained growth. Depreciation expenses related to PPE were projected based on their average percentage of PPE.

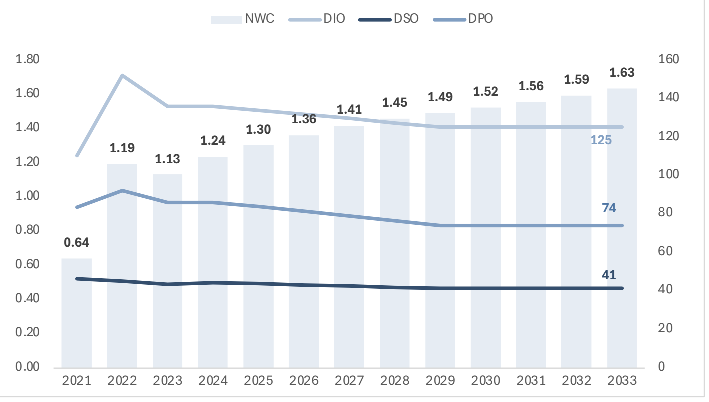
Exhibit 28: CAPEX Evolution (in million USD and % Sales)



Working Capital Management: Under Armour's capacity to manage its working capital is another critical determinant of value creation. The cash conversion cycle is essential, as it represents the length of time between when the firm pays cash to purchase the initial inventory and when it receives cash from the sale of the output produced from that inventory. Under Armour has announced a restructuring plan for the company that will continue until 2026, with the objective of enhancing supply chain operations and business efficiency. It includes the decision to phase out one of its primary distribution centers in Rialto, CA, by March 2026. This plan will inevitably affect working capital levels, resulting from changes in DIO, DPO, and DSO over the next 5 years.

Therefore, Under Armour's DIO, DPO, and DSO will closely align with those of peer companies (Nike, Lululemon, V.F. Corp, Adidas, Puma), which were used as a benchmark for this projection. That being said, gradual decreases will occur until 2030, with the goal of achieving a DSO of 41 days, DIO of 125 days, and DPO of 74 days. The decrease in DSO and DIO reflects Under Armour's efforts to reduce accounts receivable and inventory levels through its restructuring plan and enhanced credit policies. However, a lower DPO will require Under Armour to pay suppliers more promptly, which could strengthen supplier relationships and, over time, lead to reduced accounts payable. Accounts receivables, inventories, and accounts payable were forecasted using these values, while other net working capital metrics were projected based on their average percentage of sales. Ultimately, this leads to an improvement in NWC from 1,129 million USD in 2023 to 1,632 million USD in 2033 (CAGR of 3.7%).

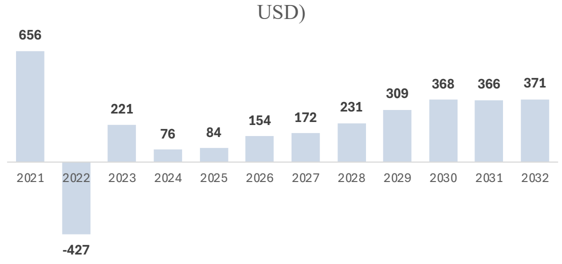
Exhibit 29: Evolution of NWC (in billion USD) and CCC (in days)



Discounted Cash Flows (DCF)

For Under Armour's valuation, we applied the DCF method to estimate the company's intrinsic value by discounting its future unlevered free cash flows at the WACC and adding the present value of its terminal value. The analysis period includes a forecast from 2024 to 2033, followed by a perpetuity period. With all of Under Armour's figures projected until 2033, we constructed the statement of cash flows, deriving unlevered free cash flows from core operations (Formula 2) to apply in the DCF valuation.

Exhibit 30: Operating FCF Evolution (in million USD)



Weighted Average Cost of Capital (WACC): The main input of a DCF valuation is the WACC, the discount rate used to bring unlevered free cash flows to their present value. This measure is critical, as a higher WACC means higher risk, which decreases the valuation. To compute WACC (Formula 4), we have included the following metrics:

<u>Capital Structure:</u> Knowing that Under Armour intends to slightly increase its capital structure in the future and that the company does not publish any information regarding its future target net debt-to-equity ratio, the median value from its competitors of 45.5%, according to Bloomberg, was assigned as Under Armour's target debt-to-equity ratio.

<u>Cost of Equity:</u> Determined using the CAPM (Formula 6), with inputs including the risk-free rate, the market risk premium, and the equity beta. For the risk-free rate, the 10-year US Government bond yield of 3.66% was used. The market risk premium stands at 4.60% and was retrieved from Damodaran's table of market risk premiums, reflecting the historical excess returns of the US market over the 10-year risk-free rate. The last component, the equity beta, was calculated using a regression analysis between the daily closing prices of Under Armour's stock and the market performance of the S&P 500 ETF Index. We chose to use the S&P 500

ETF as the market index, as the majority of Under Armour's investors, including Vanguard, BlackRock, BDT Capital Partners, and even founder Kevin A. Plank, are based in North America. For the equity beta we obtained a value of 1.09. Considering the R-squared of 71.21%, which signifies that the model captures a significant proportion of the variability in the data, and the P-value of 0 for the beta coefficient, which confirms the statistical significance of the predictor, the regression model demonstrates strong reliability. Then, we unlevered the equity beta obtained in the regression analysis using the company's current net debt-to-equity ratio of 25.20% and re-levered it using the target net debt-to-equity ratio of 45.5% (the median market net debt-to-equity from Bloomberg's list of UA peers) (Formula 7). With all the input values, we reached a cost of equity of 9.34%.

<u>Cost of Debt:</u> The cost of debt is determined using the risk-free rate, market risk premium, and debt beta as inputs. We began by using the already known risk-free rate and market risk premium from the previous calculation – 3.66% and 4.60%, respectively. Then, with Under Armour's debt rating of BB-, we were able to find a debt beta of 0.17, derived from the table of debt betas (Schaefer and Strebulaev, 2009). This resulted in a final cost of debt of 4.44%.

With all components estimated, Under Armour's weighted average cost of capital stands at 7.52%. The table below summarizes all the calculations for the components of the WACC.

Exhibit 31: Calculation of cost of debt, cost of equity and WACC

Rd Calculation	
S&P rating	BB-
risk-free rate	3.66%
Bd	0.17
Market Risk Premium	4.60%
Rd	**4.44%**

Re Calculation	
risk-free rate	3.66%
Be	1.24
Market Risk Premium	4.60%
Re	**9.34%**

WACC Calculation	
Target Net Debt/Equity	45.5%
D/V	31.29%
E/V	68.71%
Cost of equity	9.34%
Cost of debt	4.44%
Tax Rate	21%
WACC	7.52%

Terminal Growth Rate/ Terminal Value: Based on our forecast, Under Armour will fully stabilize by 2033. After this year, the company will grow in perpetuity at the terminal growth rate (g). This metric is derived by multiplying the terminal Core Return on New Invested Capital (RONIC) by the Core Reinvestment Rate (RR), which stands at 1.5%. This terminal growth rate was used to compute the firm's terminal value (Formula 3) and is lower than the country's economic growth rate, reflecting the US economic growth rate of 2.5% (World Bank Group).

DCF conclusion: Given the expectation that Under Armour will maintain a stable capital structure from 2024 onward, we proceed to discount the core unlevered free cash flows at the WACC of 7.52%. Then, we added the non-operating items of 106 million USD and subtracted net financial debt of 710 million USD. These last two metrics are in book value, as we believe they are a good proxy for their market value. This leads to an equity value of 4,079 million USD, a share price of $9.38 as of December 31, 2024, indicating an upside potential of 8.39%.

Sensitivity Analysis

The results obtained in the analysis are dependent on the main assumptions that were made. Therefore, we decided to conduct a sensitivity analysis on key elements of the valuation model: the weighted average cost of capital (WACC) and the terminal growth rate (g). The first step in the sensitivity analysis is to test how the WACC is affected by the equity beta. With a 95% confidence level from my regression analysis, Under Armour's equity beta ranges between 1.05 and 1.12. This will result in a WACC changing between 7.40% and 7.64%, which is the range to be tested in the share price sensitivity. The terminal growth rate (g) will be tested from 1.09% to 1.99%. This metric highly influences the valuation, as it has a direct impact on the terminal value, which accounts for the majority of the company's value.

Exhibit 32: WACC Sensitivity Analysis

Beta Levered	1.057	1.064	1.070	1.077	1.083	1.090	1.097	1.103	1.110	1.117	1.123
Beta Unlevered	0.881	0.887	0.892	0.898	0.903	0.909	0.914	0.920	0.926	0.931	0.937
Beta Relevered	1.198	1.206	1.213	1.221	1.228	1.236	1.243	1.251	1.258	1.266	1.273
Re	9.17%	9.21%	9.24%	9.28%	9.31%	9.34%	9.38%	9.41%	9.45%	9.48%	9.52%
WACC	7.40%	7.42%	7.45%	7.47%	7.49%	7.52%	7.54%	7.57%	7.59%	7.61%	7.64%

The results from the sensitivity analysis are in the table below, where it is observable how Under Armour's share price would react when these two inputs change simultaneously. In the worst-case scenario, with a g of 1.09% (-0.4%) and a WACC of 7.64% (+0.12%), the share price would stand at $8.66, representing an upside potential of 0.1%. On the other hand, the best-case scenario occurs with a WACC of 7.40% (-0.12%) and g = 1.99% (+0.5%), leading to a share price of $10.39 (upside potential of 20.1%).

Exhibit 33: Under Armour's Share Price Sensitivity (WACC and g variation)

		WACC									
		7.40%	7.43%	7.46%	7.49%	7.52%	7.54%	7.57%	7.59%	7.61%	7.64%
Terminal Growth Rate	1.09%	9.10	9.05	8.99	8.93	8.88	8.83	8.79	8.74	8.70	8.66
	1.19%	9.23	9.17	9.11	9.05	9.00	8.95	8.90	8.86	8.82	8.77
	1.29%	9.36	9.30	9.24	9.18	9.12	9.07	9.03	8.98	8.93	8.89
	1.39%	9.49	9.43	9.37	9.31	9.25	9.20	9.15	9.10	9.06	9.01
	1.49%	9.63	9.56	9.50	9.44	**9.38**	9.33	9.28	9.23	9.18	9.13
	1.59%	9.77	9.70	9.64	9.58	9.51	9.46	9.41	9.36	9.31	9.26
	1.69%	9.92	9.85	9.78	9.72	9.65	9.60	9.55	9.50	9.45	9.40
	1.79%	10.07	10.00	9.93	9.86	9.80	9.74	9.69	9.64	9.59	9.53
	1.89%	10.23	10.16	10.09	10.02	9.95	9.89	9.84	9.78	9.73	9.68
	1.99%	10.39	10.32	10.25	10.17	10.10	10.05	9.99	9.93	9.88	9.83

Multiples Valuation

To make our analysis more accurate, a multiples valuation was performed, as it provides a comprehensive understanding of a company's value and, as opposed to a DCF valuation, mitigates risks from individual assumptions. In this approach, we started by selecting Under Armour’s peers based on Bloomberg’s list of comparables, which include Nike, Adidas, Puma, Lululemon, and V.F. Corporation. For our valuation multiples, the forward EV/EBITDA and P/E multiples were used. From the median multiples of the comparable firms, we obtained a forward EV/EBITDA multiple of 19.47 and a P/E multiple of 29.06, leading to a share price of $11.87 and $6.60, respectively (average $9.23), representing an upside potential of 6.74%.

Exhibit 34: Multiples Valuation Results

	Base Case
Forward EV/EBITDA Multiple	19.47
Forward P/E Multiple	29.06
Under Armour's EV/EBITDA Valuation	11.87
Under Armour's P/E Valuation	6.60
Under Armour's Valuation	**9.23**

Conclusion

The DCF and multiples valuation methods both indicate that Under Armour’s shares are undervalued. The DCF analysis gives a target price of $9.38 with an upside of 8.39%, while in the multiples valuation, the shares are valued at $9.23, showing an upside of 6.74%. These valuations, along with all the information referred to and explained in the present report, including sensitivity analysis and Under Armour’s strategic long-term restructuring initiatives, allow us to conclude that the company's future objectives are aligned with future sustainable growth.

Merger Valuation

In the sports apparel and athletic wear industries, M&A activity has been fueled by growing consumer demand for performance-oriented fashion, athleisure, and sportswear, all of which are supported by the increasing global interest in health and fitness. Historically, companies like Nike, Adidas, and Under Armour have dominated this space, but regional players such as Li Ning have also been growing rapidly, especially in China. Mergers in this space often aim to create synergies in distribution networks, production capacity, and brand positioning, thereby enhancing the competitive edge against entrenched industry leaders.

For the specific case of Under Armour and Li Ning, a merger would create an opportunity to leverage multiple synergies, such as economies of scale as the primary financial benefit. Both companies would have more bargaining power with suppliers and reduced production costs through the combined manufacturing scale. Additionally, the merged entity could benefit from enhanced global distribution networks, greater brand influence, and stronger negotiation power with retailers, particularly in the North American and Asian markets. Under Armour's established presence in North America, combined with Li Ning's growing dominance in China, would allow the merged company to challenge Nike and Adidas more effectively for the largest share of the sportswear market. Therefore, they would compete against the major players in the global sportswear market, with Nike leading at around 16.4% of the market share globally and Adidas holding approximately 9% (Front Office Sports).

Valuation Without Synergies

Initially, in this merger analysis, we will conduct a valuation without taking synergies into account, which will give us the value of the merged company based on the sum of the performances of the two companies. This valuation, excluding synergies, will, in turn, serve as a basis for clearly understanding the incremental value created by synergies.

The first step is to convert all statements into the same currency - Formula 1 - as Li Ning reports in RMB and Under Armour in USD. We chose USD as the base currency for the merger, given that the new company will be registered on the US stock exchange, and investors for the merged company are well-diversified. Therefore, for comparison and accuracy purposes, we have converted all the data in Li Ning's financial statements from RMB to USD, using the projected exchange rates, including adjustment factors k_n to account for the forward premium puzzle. The 2025 adjustment factor (k_1) was calculated as the average deviation from the 1-year exchange rate predictions based on Interest Rate Parity. Historical data from the last 24 months was used, as this was the only time period during the last 15 years when a depreciation of the USD was anticipated by the IRP. This resulted in an adjustment factor of 1.063, demonstrating how the IRP tends to underestimate exchange rate values. For the following years, k is projected to increase by 0.005 annually, as the adjustment factor rises with longer time horizons (Hansen and Hodrick 1983). The table below summarizes the calculations:

Exhibit 35: Projected Exchange Rates (USD/RMB)

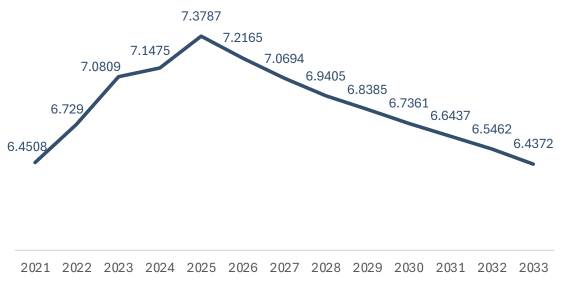


Exhibit 36: Forecasted Exchange Rates (from RMB to USD)

USD/RMB	2025	2026	2027	2028	2029	2030	2031	2032	2033
Exchange Rate (IRP)	6.942	6.758	6.589	6.439	6.315	6.192	6.079	5.963	5.837
Adjustment FPP	1.063	1.068	1.073	1.078	1.083	1.088	1.093	1.098	1.103
Adjusted Exchange Rate	7.379	7.217	7.069	6.941	6.838	6.736	6.644	6.546	6.437

With all the stand-alone valuations completed and financial statements converted into USD, we were able to compute the merged company value without synergies. We did this by summing each element of the individual valuations: the present value of the free cash flows of each company, the non-operating items, and the financial debt. Using these values, we determined the equity value of 11.66 billion USD by adding the PV of FCF to the non-operating items and subtracting the net financial debt. Finally, we divided the merged equity by the total number of outstanding shares, resulting in a share price of 3.86 USD per share.

Exhibit 37: Valuation Merged Company Withouth Synergies

USD '000 (Except Share Price)	Li Ning	Under Armour	Merged Company
PV of FCF	5 679 258	4 894 744	10 574 002
Non Operating Items	491 844	(105 792)	386 052
Total Enterprise Value	6 171 102	4 788 952	10 960 054
Net Financial Debt	(1 413 537)	710 363	(703 174)
Total Equity	7 584 639	4 078 589	11 663 228
# of Outstanding Shares	2 586 000	435 000	3 021 000
Share Price	**2.93**	**9.38**	**3.86**

Valuation With Synergies

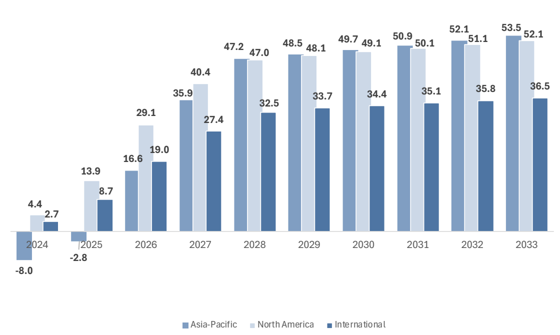
By combining the financial statements of Under Armour and Li Ning, we were able to project the expected synergies for the new merged company.

Revenue Synergies: Li Ning and Under Armour have distinct sales divisions based on geography and distribution channels. Starting with geography, Li Ning operates only in China, whereas Under Armour has a presence in North America, Asia-Pacific, Latin America, and EMEA. For this reason, the merged company will include Under Armour's divisions, with Li Ning’s China operations integrated into the Asia-Pacific region. Regarding distribution channels, the merged entity will have five main categories: direct-to-consumer, e-commerce, wholesale, license revenues, and corporate other. The first two categories include sales from both Li Ning and Under Armour, while the latter three categories are associated with Under Armour. With these divisions established, synergies can now be calculated. However, it is important to note that revenue synergies are often harder to project and take longer to realize. In fact, according to research by McKinsey, revenue synergies are fully realized only five years after the merger (in this case, 2028).

<u>Directly Operated Stores:</u> The direct-to-consumer category was divided into the number of stores and revenue per store. There are two main types of stores: brand stores, which include both franchised and directly operated stores from Li Ning and Under Armour, and factory stores, which are unique to Under Armour and sell collections at a discounted price. When

examining the number of stores, both brand and factory stores are expected to decrease in the Asia-Pacific region in a merger situation, due to overlapping physical stores in China from both companies. By doing this, the merged entity can optimize the store network and locations. Therefore, the store count growth rate is expected to decrease by 0.50% in the Asia-Pacific region starting in 2024. In contrast, the store count in the US and international markets is anticipated to rise, as Li Ning does not have physical locations in these regions, with peak increases in the growth rates of 1.00% and 2.00%, respectively. Regarding revenue per store, synergies will be realized mainly due to an increased offering of products in each store, as well as higher prices, primarily in Asia-Pacific. Therefore, revenue per store synergies are forecasted to achieve a peak increase in the growth rate of 0.75% in Asia-Pacific and 0.5% in the rest of the world.

Exhibit 38: Change in Directly Operated Revenues (in million USD)



Wholesale and License Revenues: Regarding wholesale and license revenues, the merged entity will be better positioned to compete in international markets outside the main scope of operations, China and the US. For this reason, while in the US and Asia-Pacific the wholesale and license revenue growth rates will increase by 0.25%, in international markets they will increase by a maximum of 0.5%, with all synergies fully realized by the end of the fifth year.

Exhibit 39: Change in Wholesale Revenues (in million USD)

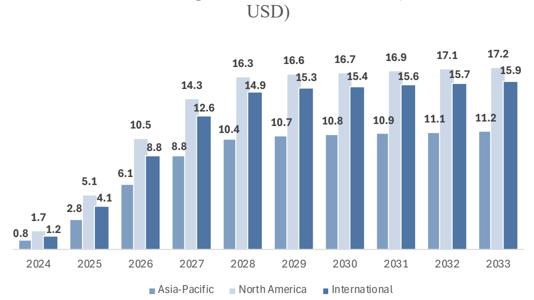
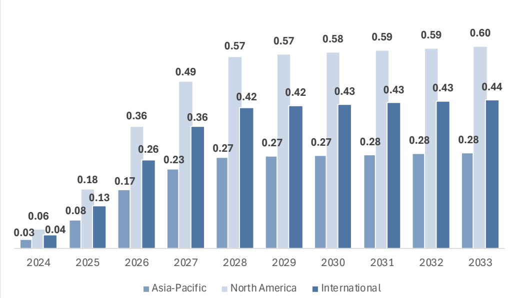
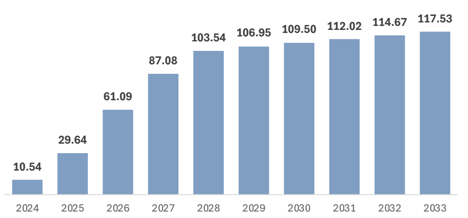


Exhibit 40: Change in License Revenues (in million USD)



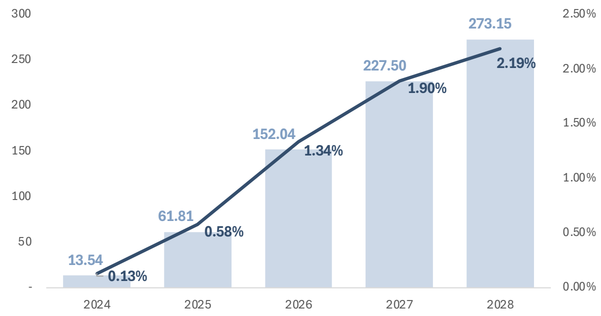
E-Commerce: Both Li Ning and Under Armour have a strong focus on the e-commerce channel. However, Li Ning's online presence is significantly less developed than Under Armour's. For this reason, the merged entity has a substantial synergy opportunity, as Li Ning can leverage Under Armour's digital platforms and presence to improve online sales. As a result, projected synergies are expected to materialize immediately after the merger, with the e-commerce growth rate increasing by 0.5%. This growth rate is projected to reach 1.25% in 2026 and then decrease after that year, with all synergies fully realized five years after the merger, by 2028.

Exhibit 41: Change in E-Commerce Revenues (in million USD)



Overall, the merged entity is projected to achieve revenue synergies starting in 2024 at a modest value of 0.13% of total merged revenues. This reflects a balance between the decline in store count in the Asia-Pacific region and the increase in sales from other channels. Over time, these synergies are expected to increase and achieve 100% realization by 2028 (the fifth year), with a value of 2.19% of the merged revenues. This projection aligns with an article provided by the Boston Consulting Group, which states that international companies can generate significant revenues ranging from 1% to 3% of the merger's combined sales.

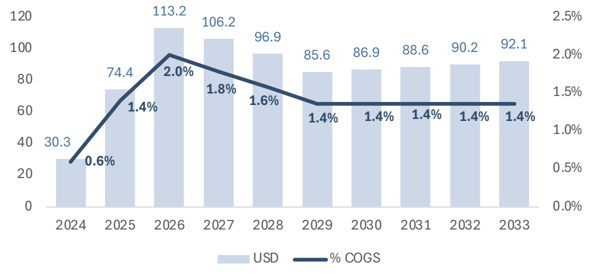
Exhibit 42: Total Revenue Synergies (in million USD and % of Merged Revenues)



Costs Synergies: Both Li Ning and Under Armour have focused in recent years on strategies aimed at improving operational efficiency and increasing gross margin. Cost synergies will deliver improvements starting in the first year after the merger. According to research by McKinsey, cost synergies take less time to fully realize than revenue synergies, with the average peak being reached three years after the merger (in this case, 2026). For this reason, we projected cost synergies to be realized at 30% in the first year, 70% in the second year, and 100% in the third year.

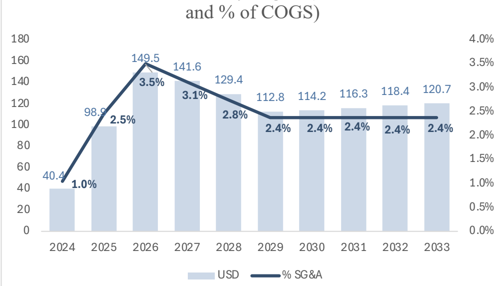
The total value of COGS synergies will be a 2.00% reduction in costs, which will translate into an increase in gross margin of 1.00%. This value is explained by operational improvements such as enhanced economies of scale and improved supplier negotiations due to the increased power of the combined company, allowing it to purchase raw materials and components at a lower price per unit. Additionally, the combined facilities and workforce in the Asia and North America regions allow the merged company to balance cost savings with brand quality. Specifically, Under Armour will move entry-level product production to Asia while maintaining premium product lines in North America, and Li Ning will leverage Under Armour's innovative product lines, moving its high-end lines to North America, which is known for its high-quality production, in contrast to China. In the first year, a 0.60% reduction in COGS is projected, followed by a reduction of 1.40% and 2.00% in the second and third years. However, it is nearly impossible for the merged company to maintain full synergies realization at 100%, so our projections stabilize by 2029 at 68% realization (1.40% cost reduction), which translates into a gross margin increase of 0.67%.

Exhibit 43: COGS Synergies (in million USD and % of COGS)



Similarly, SG&A expenses will experience synergies totaling a 3.50% reduction in costs, leading to a 1.32% decrease in SG&A as a percentage of sales. This is possible as the two companies will combine technologies, branding, supply chain, and R&D by consolidating overlapping business functions, such as marketing, distribution, and administration. This will enable the merged company to combine resources more efficiently, reducing SG&A expenses in relation to sales. In the first year, this is projected to translate

Exhibit 44: SG&A Synergies (in million USD and % of COGS)



into a 1.05% reduction in SG&A expenses, followed by a reduction of 2.45% and 3.50% in the second and third years. Once again, it is nearly impossible for the company to maintain full synergies at 100% realization, so our projections stabilize at 68% realization (2.38% cost reduction), which translates into a 0.88% decrease in SG&A as a percentage of sales.

All operating cost synergies were forecast based on a Deloitte study, *"Unlocking the Full Potential of M&A: What It Takes to Be a Value Creation Champion."* This study helps us understand the importance of synergies as a percentage of operating costs to maximize the value of merged companies. The study reveals that 47% of mergers result in total cost synergies ranging from 1% to 5%. In our case, the total cost synergies will peak at 2.60% in the third year after the merger and stabilize at 1.80%. This new cost structure allows the merged company to improve the EBITDA margin by the end of 2033, increasing from 14.3% to 15.8%.

Exhibit 45: Total Costs Synergies (in million USD and % of Costs)

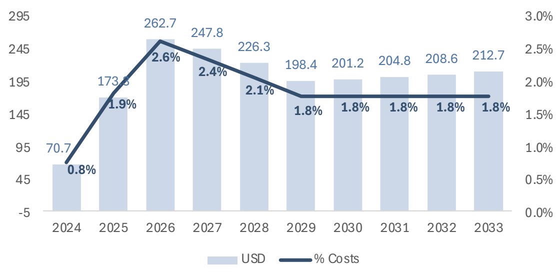
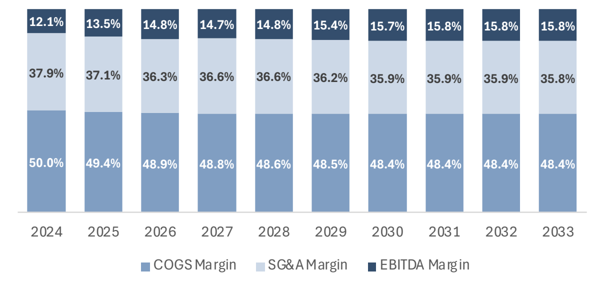


Exhibit 46: New Margins for Merged Company

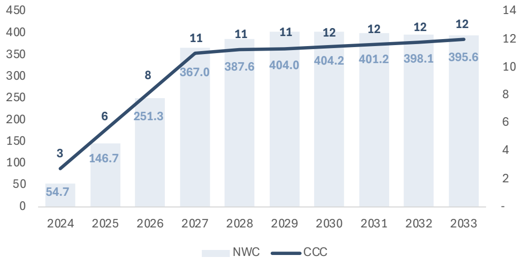


Restructuring and Integration Costs: Restructuring and integration costs occur in every merger, so the valuation needs to account for them, as they affect the value of synergies. These costs include asset consolidation or relocation, costs for layoffs, legal expenses, compensation plans, employee relocation expenses, technology alignment, and harmonization of cultures, among others. According to EY research, these types of costs can range from 1% to 7% of the merged company's value. As Li Ning and Under Armour operate in different regions, they have significant differences in terms of values, culture, brand positioning, and distribution networks. Therefore, aligning these differences will require considerable effort and cost, leading our projection for restructuring and integration costs to be at the high end of that range, approximately 7%.

Working Capital Synergies: With this merger, there will be changes to one of the most important measures of operational efficiency within the sportswear industry: the Cash Conversion Cycle (CCC). This includes the duration that inventory remains within the business, the time taken to collect receivables, and the time taken to pay payables. As we already discussed in the stand-alone valuations, Li Ning and Under Armour present different cash conversion cycles. In the last two years, Li Ning had an average CCC of around 36 days, while Under Armour's was 99 days. As we can see, Li Ning has a significant competitive advantage in relation to its peers, with low inventories and accounts receivables due to strong cash flows, while Under Armour's working capital management aligns closely with competitors. For that reason, the merged company will also benefit from better capital management than its peers. Therefore, we projected the cash conversion cycle by accounting for both the historical performance and the industry average.

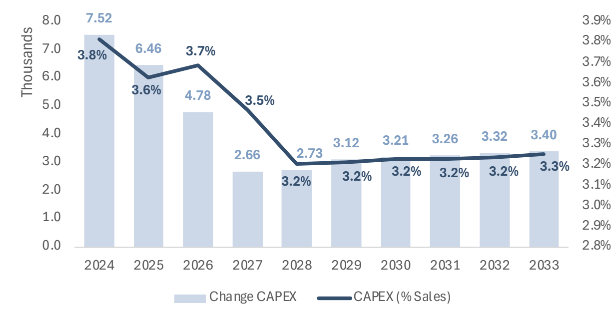
The industry's average cash conversion cycle was developed through an in-depth analysis based on industry leaders in North America, such as Nike, Lululemon, and V.F. Corporation, and in Asia, including Anta Sports, Xtep, and 361 Degrees. The results from this competitors' analysis indicate an average DIO of 116 days, DSO of 57 days, and DPO of 74 days. When looking at historical performance from the last five years in a merger situation, we obtain a DIO of 111 days, DSO of 34 days, and DPO of 77 days. Since the merged historical cash conversion cycle is significantly below the industry average, a merger will likely result in a midpoint adjustment. DIO will shift due to challenges in unifying inventory management systems, aligning supply chains, and integrating operational processes, moving from 109 days in 2024 to 113 days in 2027. DSO is expected to increase from 36 days in 2024 to 45 days in 2027, as they will need to adapt the credit strategies of the merged company, which can lead to more flexible payment terms in order to guarantee and attract long-term commercial relationships, especially in a competitive market like North America. In terms of DPO, the merger is expected to increase the relative negotiating power of the new entity through the ability to negotiate for longer credit terms with suppliers, particularly in the Asian market, shifting from 70 days in 2024 to 75 days in 2030. With all these projected values, accounts receivable, payables, and inventories were calculated using the projected DIO, DSO, and DPO figures.

Exhibit 47: NWC Synergies (in million USD)
CCC change (in days)



CAPEX: In a merger, changes in property, plant and equipment also tend to occur. In this case, and as we discussed in the previous section on revenue synergies, the value of PPE will be lower than if the companies did not merge. This is mainly due to a reduction in the number of stores that were projected to exist, as both companies can take advantage of each other's stores due to overlapping locations in the Asia-Pacific region. For that reason, the new property, plant, and equipment value was projected based on the reduction in the total number of stores, by calculating the value of PPE for each store before any synergies, and then multiplying this value by the new number of stores in order to achieve the new PPE value for the merged entity. This resulted in the biggest synergy value of -0.39% for the change in PPE in 2024. This synergy value increases until achieving a positive value of 0.03% in 2028, due to growth in international regions. It is also important to note that, because of this change in PPE value, the depreciation expenses regarding PPE will also undergo corresponding changes according to its percentage of PPE.

Exhibit 48: Change in CAPEX (in million USD) and CAPEX as % if Sales



Financial Synergies: There are many types of financial synergies. In the case of a merger between Under Armour and Li Ning, we identified tax synergies as well as synergies related to debt capacity, cost of debt, and the corresponding weighted average cost of capital (WACC). As previously discussed, the merged company will be listed in the US market, meaning the marginal tax rate will be 21%, which will benefit the merged entity. Debt capacity will also change. According to Damodaran, when two companies merge, their overall debt capacity increases. Therefore, we projected a net debt-to-equity ratio at the average industry level of 48.76% (Damodaran). Consequently, the year after the merger, the overall debt will increase to 15% of sales, with gradual increases until reaching 20% of sales by 2029. Additionally, as previously mentioned, Li Ning will be incorporated into a US company, which will lead to a more diversified investor base and reduce Li Ning's risk premium from 5.48% (Hong Kong MRP) to 4.60% (US MRP).

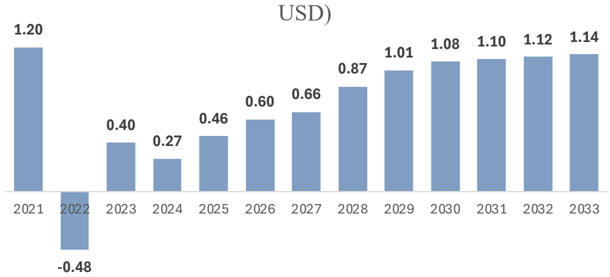
Exhibit 49: Summary Table of Synergies (Base Case)

Synergies (Base Case)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues Increase	0.13%	0.58%	1.34%	1.90%	2.19%	0.00%	0.00%	0.00%	0.00%	0.00%
Gross Margin Reduction	0.17%	1.40%	2.00%	1.79%	1.57%	1.36%	1.36%	1.36%	1.36%	1.36%
SG&A Margin Reduction	1.05%	2.45%	3.50%	3.13%	2.75%	2.38%	2.38%	2.38%	2.38%	2.38%
Decrease in PPE	-0.46%	-0.28%	-0.10%	0.04%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%
New DSO	35.77	39.03	42.07	45.16	45.16	45.16	45.16	45.16	45.16	45.16
New DPO	69.77	71.81	73.57	75.38	75.38	75.38	75.38	75.38	75.38	75.38
New DIO	109.43	111.21	112.21	113.35	113.35	113.35	113.35	113.35	113.35	113.35
New Tax Rate	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Debt Increase (in % Sales)	8.20%	9.12%	10.19%	11.24%	12.26%	13.26%	13.29%	13.32%	13.35%	13.39%

Discounted Cash Flows (DCF)

By incorporating all synergy values, we were able to update the financial statements for the merged company to fully reflect these adjustments. It is important to note that revenue synergies impact not only the sales figures but also influence other metrics that depend on or are projected based on sales. With the financial statements reflecting synergies, the statement of cash flows was prepared. The unlevered free cash flows from core

Exhibit 50: Operating FCF Evolution (in billion USD)



operations (Formula 2) are then discounted to present value using the Weighted Average Cost of Capital (WACC).

Weighted Average Cost of Capital: As with the stand-alone valuations of Li Ning and Under Armour, the WACC for the merged entity (Formula 4) will incorporate the risk of both Li Ning and Under Armour and will be used to discount the core unlevered free cash flows.

Capital Structure: Regarding the new capital structure of the merged company, as previously discussed in the context of financial synergies, the targeted net debt-to-equity will be increased to 48.76%, aligning with the industry average (Damodaran).

Cost of Equity (Re): One more time, the cost of equity was derived using the CAPM model - Formula 6. Since this valuation of the merged firm is performed in USD, both the risk-free rate and the market risk premium need to be extracted in the same currency. Therefore, for the risk-free rate, the 10-year US Government Bond yield of 3.66% was used, along with Damodaran's US market risk premium of 4.60%, representing a historical average. To calculate the equity beta for the merged company, we used the weighted average of the unlevered betas of each of the individual companies (Damodaran). The weights represent the enterprise value of each company in relation to the total enterprise value of the merged entity.

$$\text{Beta mergerd} = \text{EV}_1/(\text{EV}_1 + \text{EV}_2) \times \beta_1 + \text{EV}_2/(\text{EV}_1 + \text{EV}_2) \times \beta_2$$

Using this formula, we obtained an unlevered beta for the merged entity of 1.21, which was re-levered using the projected target net debt-to-equity ratio of 48.76% and the new tax rate of 21%, leading to an equity beta of 1.67.

Exhibit 51: Merged Equity Beta Calculation

Company	Enterprise Value (USD)	% of EV	Unlevered Beta	Target D/E	Tax Rate	Equity Beta
Li Ning	6 171 102	56.31%	1.434	-28%	25%	1.135
Under Armour	4 788 952	43.69%	0.909	46%	21%	1.236
Merged Company	**10 960 054**	**100%**	**1.205**	**48.76%**	**21%**	**1.669**

With the values of the risk-free rate, market risk premium, and equity beta, we arrived at a total cost of equity of 11.34%.

Cost of Debt (Rd): Estimating the new cost of debt for the merged entity is challenging, as the exact yield to maturity on future debt issued is uncertain. For this reason, we decided to implement Damodaran's approach in the calculation of the cost of debt, using Formula 5. Again, the risk-free rate corresponds to the 10-year US Government Bond yield of 3.66%, and the market risk premium is the excess returns of the US market over the risk-free rate of 4.60%, retrieved from Damodaran's table of historical data by country. The debt beta was derived from the table of debt betas (Schaefer and Strebulaev, 2009) according to the company's debt rating. Since the new company's debt rating is unknown, a synthetic rating was derived using Damodaran's approach of assigning a synthetic rating to the firm based on its interest coverage ratio. With a synthetic rating of Aaa/AAA, the debt beta was found to be 0.05. Therefore, the total cost of debt calculated was 3.89%.

Having estimated all the components, we calculated the merged entity's WACC at 8.63%. The table below summarizes all the calculations for the WACC components.

Exhibit 52: Calculation of cost of debt, cost of equity and WACC

Rd Calculation	
Interest Coverage Ratio	12.78
Debt Rating	Aaa/AAA
risk-free rate	3.66%
Bd	0.05
Market Risk Premium	4.60%
Rd	**3.89%**

Re Calculation	
risk-free rate	3.66%
Be	1.67
Market Risk Premium	4.60%
Re	**11.34%**

WACC Calculation	
Target D/E	48.76%
D/EV	32.78%
E/EV	67.22%
Re	11.34%
Rd	3.89%
Tax Rate	21%
WACC	**8.63%**

Terminal Growth Rate/ Terminal Value: The merged company is projected to stabilize by the end of 2023, meaning that it will grow perpetually after that year at the terminal growth rate. It is calculated as Core RONIC x Core RR, resulting in 2.3%, below the US economy's growth rate of 2.5% (World Bank Group). This rate is used to compute the merger's terminal value - Formula 3.

DCF Results: Using the WACC, we computed the present value of the unlevered cash flows from core operations, achieving an enterprise value of 13,327 million USD. The non-operating items of 386 million USD and restructuring and integration costs were included. After subtracting net financial debt (193 million USD), we reached total equity of 13,134 million USD. Assuming the new number of shares remains the same as agreed by both companies, the share price for the merged entity stands at $4.35. This represents an increase in the merger value of 12.61%, which demonstrates how profitable this potential merger could be.

Sensitivity Analysis

A sensitivity analysis was conducted on the main assumptions of the valuation to evaluate how they affect the results of the valuation and the present value added by synergies in percentage terms. These assumptions are the WACC and terminal growth rate. As with the stand-alone valuations, the 95% confidence level of the equity betas was used to calculate the range of possible betas for the merged entity and test their impact on the WACC. The beta for the merged entity falls within the range [1.184, 1.225], resulting in a WACC between [8.54%, 8.71%]. The impact of the cost of debt on the WACC was also tested through variations in bond ratings from A and above to CCC, which lead to different debt betas and a range for the cost of debt between [3.89%, 5.09%], and consequently, a WACC range from 8.63% to 8.94%. Therefore, the total WACC range to be tested falls between [8.54%, 8.94%].

Exhibit 53: WACC Sensitivity Analysis

Beta Unlevered	1.225	1.221	1.217	1.213	1.209	1.205	1.201	1.197	1.193	1.188	1.184
Beta Relevered	1.697	1.691	1.686	1.680	1.674	1.669	1.663	1.658	1.652	1.646	1.641
Re	11.46%	11.44%	11.41%	11.39%	11.36%	11.34%	11.31%	11.28%	11.26%	11.23%	11.21%
WACC	8.71%	8.70%	8.68%	8.66%	8.64%	8.63%	8.61%	8.59%	8.57%	8.56%	8.54%

Bond Rating	A and above	BBB	BB	B	CCC
Bd	0.05	0.10	0.17	0.26	0.31
Rd	3.89%	4.12%	4.44%	4.86%	5.09%
WACC	8.63%	8.69%	8.77%	8.88%	8.94%

The terminal growth rate will be tested from 1.94% to 2.84%, as this metric has a huge impact on the valuation through the terminal value, which accounts for the majority of the company's value. By varying both the WACC and terminal growth rate, the percentage of synergies ranges from 3.04% to 20.96%, showing the potential for value creation in this merger, despite the fact that the value of the company is sensitive to both of these valuation assumptions.

Exhibit 54: Merged Company Synergies' Sensitivity (WACC and g variation)

		WACC									
Terminal Growth Rate		8.54%	8.58%	8.63%	8.67%	8.72%	8.76%	8.80%	8.85%	8.89%	8.94%
	1.94%	9.67%	8.90%	8.15%	7.39%	6.64%	5.90%	5.17%	4.45%	3.74%	3.04%
	2.04%	10.77%	9.98%	9.21%	8.44%	7.67%	6.92%	6.17%	5.44%	4.71%	3.99%
	2.14%	11.90%	11.10%	10.31%	9.52%	8.73%	7.96%	7.20%	6.45%	5.70%	4.97%
	2.24%	13.07%	12.25%	11.44%	10.63%	9.83%	9.04%	8.26%	7.49%	6.73%	5.98%
	2.34%	14.28%	13.44%	12.61%	11.78%	10.96%	10.15%	9.35%	8.56%	7.78%	7.02%
	2.44%	15.53%	14.67%	13.82%	12.96%	12.12%	11.29%	10.47%	9.67%	8.87%	8.09%
	2.54%	16.82%	15.94%	15.06%	14.19%	13.32%	12.47%	11.64%	10.81%	9.99%	9.19%
	2.64%	18.16%	17.25%	16.35%	15.45%	14.57%	13.69%	12.84%	11.99%	11.15%	10.33%
	2.74%	19.53%	18.60%	17.68%	16.76%	15.85%	14.96%	14.07%	13.21%	12.35%	11.51%
	2.84%	20.96%	20.00%	19.06%	18.11%	17.18%	16.26%	15.35%	14.46%	13.58%	12.72%

Scenario Analysis

The scenario analysis is a vital complement to the sensitivity analysis, as it allows us to evaluate potential outcomes of the merger by considering different synergy scenarios. This way, we can better assess the merger's potential impact on value creation. In addition to the base-case scenario, which was discussed previously, we added two more scenarios: a worst-case and a best-case scenario.

In the best-case scenario, synergies are more favorable to the value of the merged entity and represent an optimistic view. In this scenario, the company's sales are higher, as the company's revenue per store increases, along with the store count and growth rate for the wholesale, license, and e-commerce channels, each translating to a 15% increase for these individual elements. Similarly, cost reduction as a percentage of total costs is 15% higher, and the timing of cost synergies realization accelerates, with the peak being achieved in the second year of the merger (distributed as 70% and 100%). These synergies will stabilize at 75% of realization, compared to 68% in the base-case scenario. Property, Plant, and Equipment will increase proportionally to the new number of stores added in this optimistic scenario. Finally, improvements in the cash conversion cycle are expected, positively impacting cash flows. The average holding period and average collection period decrease by 5%, as inventory is sold and sales are collected more quickly. Meanwhile, the average payable period increases by 5%, allowing the company to delay payment to suppliers.

Contrarily, in the worst-case scenario, synergies are less favorable and decrease the value of the merged company. Sales synergies will be lower in revenue per store, store count increase synergies, and growth rate synergies for the other channels, all decreasing by 15%. Cost reduction synergies are also 15% lower, along with a slower synergy realization, with its peak in the fourth year (20%, 50%, 80% and 100%) and a stabilization at 60%. Property, Plant, and Equipment will decrease in the same proportion as the decrease in the number of stores. Finally, unlike the best-case scenario, cash flows are reduced, with a 5% increase in the average holding and collection periods and a 5% decrease in the average payable period.

With the characteristics of a more optimistic scenario, an enterprise value of 13,975 million USD is achieved, representing a synergy realization of 18.17%. Conversely, in the worst-case scenario, the enterprise value stands at 12,582 million USD, representing synergies of 6.22%. These scenarios highlight a final valuation with synergies ranging between 6.22% and 18.17%, reinforcing the merger's potential for value creation. The table below summarizes each scenario's synergy levels and the corresponding enterprise value obtained.

Exhibit 55: Summary Table of Synergies (Best Case and Worst Case)

Best	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues Increase	0.20%	0.75%	1.64%	2.28%	2.62%	0.00%	0.00%	0.00%	0.00%	0.00%
Gross Margin Reduction	1.28%	2.30%	1.83%	1.66%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
SG&A Margin Reduction	2.82%	4.03%	3.69%	3.35%	3.01%	3.01%	3.01%	3.01%	3.01%	3.01%
Decrease in PPE	-0.39%	-0.23%	-0.07%	0.05%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
New DSO	35.15	38.70	42.90	42.90	42.90	42.90	42.90	42.90	42.90	42.90
New DPO	70.44	74.35	79.15	79.15	79.15	79.15	79.15	79.15	79.15	79.15
New DIO	107.70	107.98	107.68	107.68	107.68	107.68	107.68	107.68	107.68	107.68

Worst	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues Increase	0.07%	0.42%	1.04%	1.52%	1.76%	0.00%	0.00%	0.00%	0.00%	0.00%
Gross Margin Reduction	0.34%	0.85%	1.36%	1.70%	1.48%	1.26%	1.04%	1.04%	1.04%	1.04%
SG&A Margin Reduction	0.60%	1.49%	2.38%	2.98%	2.59%	2.21%	1.82%	1.82%	1.82%	1.82%
Decrease in PPE	-0.54%	-0.33%	-0.13%	0.04%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%
New DSO	35.59	38.68	41.54	44.45	47.42	47.42	47.42	47.42	47.42	47.42
New DPO	68.64	69.56	70.18	70.87	71.61	71.61	71.61	71.61	71.61	71.61
New DIO	110.31	112.98	114.86	116.87	119.01	119.01	119.01	119.01	119.01	119.01

Deal Structure

The merger between Li Ning and Under Armour is structured as a merger of equals. In this type of merger, rather than focusing on the value of the consideration to be received by a target company's shareholders, as in an acquisition, the constituent companies are valued on a relative basis to determine the percentage of the combined company to be owned by each company's equity holders (Cooley M&A). That said, we conclude that for each share of Li Ning and Under Armour, the shareholders will receive 0.67 and 2.16 shares of the merged company, respectively. In the context of the business structure of the merger between Under Armour and Li Ning, the meeting with the shareholders will be a key milestone for the formal approval of the transaction and the definition of various operational aspects, requiring at least a 50.1% majority vote. The shareholder vote will address, among other points, the division of control of the new entity, the name of the combined company, and the governance structure, including the formation of the board of directors and the allocation of executive positions. This meeting will also provide an opportunity to discuss the cultural and operational integration of the two brands, a crucial aspect for the success of the merger (Rosenbaum 2013, 279-280).

Conclusion

Based on the analyses, including the valuations of both companies as well as the merged company with and without considering synergies, we conclude that this merger demonstrates potential for value creation. This is justified by comparing the combined value of the standalone companies with the value of both companies when synergies are taken into account, showing an increase in value of 12.61%. This positions the new company with a market capitalization of 13.1 billion USD compared to 11.7 billion USD, representing an absolute value growth of 1.5 billion USD. However, the merger must be evaluated within the context of Trump's protectionist policies, which pose significant risks to the apparel and footwear industry, given its heavy reliance on imports. Tariffs ranging from 10%-20% universally and 60% specifically on Chinese goods (Fashion Dive) could increase product prices, reduce consumer spending, and result in economic losses across the sector, which are estimated at $16-$18 billion in apparel and $4-$8 billion in footwear as consumer spending contracts (Just Style). These factors may heighten the vulnerability of the merged entity and necessitate adjustments to valuations to account for elevated costs and risks. Despite these challenges, scenario and sensitivity analyses reaffirm the potential for value creation, contingent on careful management of the external risks, being our recommendation to proceed with this merger.

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Appendix

Under Armour's Income Statement (USD)

In thousands ($)	Historical						
	2017	2018	2019	2020	2021	2022	2023
Core Business							
Total net revenues	**4 989 244**	**5 193 185**	**5 267 132**	**4 474 667**	**5 683 466**	**5 805 668**	**5 768 730**
% Change		4,1%	1,4%	-15,0%	27,0%	2,2%	-0,6%
Operating Costs	**(4 664 852)**	**(4 855 553)**	**(4 846 962)**	**(4 325 106)**	**(5 015 458)**	**(5 309 199)**	**(5 323 849)**
Cost of sales (withouth Depreciation)	(2 573 530)	(2 679 314)	(2 619 299)	(2 160 172)	(2 682 767)	(2 929 031)	(2 963 468)
% of Total Sales	51,6%	51,6%	49,7%	48,3%	47,2%	50,5%	51,4%
Gross margin	48,4%	48,4%	50,3%	51,7%	52,8%	49,5%	48,6%
SG&A (withouth Amortization)	(2 091 322)	(2 176 239)	(2 227 663)	(2 164 934)	(2 332 691)	(2 380 168)	(2 360 381)
% of Total Sales	41,9%	41,9%	42,3%	48,4%	41,0%	41,0%	40,9%
Core and Recurrent EBITDA	**324 392**	**337 632**	**420 170**	**149 561**	**668 008**	**496 469**	**444 881**
Depreciation PP&E	(164 300)	(173 400)	(177 300)	(154 400)	(139 200)	(229 037)	(167 446)
% of Total PP&E	18,5%	21,0%	22,4%	23,4%	22,9%	34,9%	23,4%
Amortization of intangible assets	(8 200)	(6 100)	(6 100)	(7 000)	(2 000)	(8 162)	(5 967)
% of Total Intangible Assets	17,4%	14,6%	16,8%	52,7%	18,2%	88,7%	74,6%
Depreciation and amortization	(172 500)	(179 500)	(183 400)	(161 400)	(141 200)	(237 199)	(173 413)
Core and Recurrent EBIT	**151 892**	**158 132**	**236 770**	**(11 839)**	**526 808**	**259 270**	**271 468**
Statutory Taxes	(53 162)	(33 208)	(49 722)	2 486	(110 630)	(54 447)	(57 008)
%Taxes	35,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%
Tax Adjustments	(6 409)	(12 060)	(22 560)	(172 194)	45 820	(10 196)	165 434
Core Result	**92 321**	**112 864**	**164 488**	**(181 547)**	**461 998**	**194 628**	**379 894**
Non-Core							
Restructuring and impairment charges	(124 049)	(183 149)	-	(601 599)	(40 518)	(56 674)	-
% of Total Sales	2,5%	3,5%	0,0%	13,4%	0,7%	1,0%	0,0%
Other income (expense), net	(3 614)	(9 203)	(5 688)	168 153	(51 113)	27 249	26 302
% of Total Sales	-0,1%	-0,2%	-0,1%	3,8%	-0,9%	0,5%	0,5%
Non-Core EBIT	**(127 663)**	**(192 352)**	**(5 688)**	**(433 446)**	**(91 631)**	**(29 425)**	**26 302**
Statutory Taxes	44 682	40 394	1 194	91 024	19 243	6 179	(5 523)
%Taxes	35,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%
Tax Adjustments	(35 150)	18 377	(3 397)	19 373	4 194	(76)	5 588
Income (loss) from equity method investments	-	934	(47 679)	(7 246)	1 255	(1 002)	(359)
% of Total Sales	0,00%	0,02%	-0,91%	-0,16%	0,02%	-0,02%	-0,01%
Foreign currency translation adjustment	23 357	(18 535)	10 754	(5 060)	(6 552)	(757)	(41)
% of Total Sales	0,47%	-0,36%	0,20%	-0,11%	-0,12%	-0,01%	0,00%
Unrealized gain (loss) on cash flow hedges	(16 624)	22 800	(21 646)	(18 075)	18 603	1 863	(2 664)
% of Total Sales	-0,3%	0,4%	-0,4%	-0,4%	0,3%	0,0%	0,0%
Gain (loss) on intra-entity foreign currency transactions	7 199	(5 041)	(886)	14 715	(476)	(14 399)	(11 195)
% of Total Sales	0,14%	-0,10%	-0,02%	0,33%	-0,01%	-0,25%	-0,19%
Non-Core Result	**(104 199)**	**(133 423)**	**(67 348)**	**(338 715)**	**(55 364)**	**(37 617)**	**12 107**
Financing Result							
Interest income (expense), net	(34 538)	(33 568)	(21 240)	(47 259)	(44 300)	(17 329)	(3 861)
% Of Debt		-4,2%	-2,9%	-8,0%	-4,4%	-2,6%	-0,6%
Finnancial EBT	**(34 538)**	**(33 568)**	**(21 240)**	**(47 259)**	**(44 300)**	**(17 329)**	**(3 861)**
Statutory Taxes	12 088	7 049	4 460	9 924	9 303	3 639	811
%Taxes	35,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%
Financial Result	**(22 450)**	**(26 519)**	**(16 780)**	**(37 335)**	**(34 997)**	**(13 690)**	**(3 050)**
Total comprehensive income	**(34 328)**	**(47 078)**	**80 361**	**(557 597)**	**371 637**	**143 321**	**388 951**

In thousands ($)	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Core Business										
Total net revenues	**5 821 488**	**6 223 629**	**6 592 452**	**6 913 684**	**7 173 796**	**7 361 069**	**7 465 784**	**7 572 171**	**7 680 258**	**7 790 075**
% Change	0,9%	6,9%	5,9%	4,9%	3,8%	2,6%	1,4%	1,4%	1,4%	1,4%
Operating Costs	**(5 418 252)**	**(5 752 499)**	**(6 050 991)**	**(6 363 608)**	**(6 585 090)**	**(6 672 318)**	**(6 719 206)**	**(6 814 954)**	**(6 912 232)**	**(7 011 067)**
Cost of sales (withouth Depreciation)	(2 939 852)	(3 127 374)	(3 296 226)	(3 439 558)	(3 551 029)	(3 625 326)	(3 658 234)	(3 710 364)	(3 763 326)	(3 817 137)
% of Total Sales	50,5%	50,3%	50,0%	49,8%	49,5%	49,3%	49,0%	49,0%	49,0%	49,0%
Gross margin	49,5%	49,8%	50,0%	50,3%	50,5%	50,8%	51,0%	51,0%	51,0%	51,0%
SG&A (withouth Amortization)	(2 478 400,20)	(2 625 125,61)	(2 754 764,95)	(2 924 050,07)	(3 034 061,03)	(3 046 991,37)	(3 060 971,58)	(3 104 590,04)	(3 148 905,64)	(3 193 930,59)
% of Total Sales	42,6%	42,2%	41,8%	42,3%	42,3%	41,4%	41,0%	41,0%	41,0%	41,0%
Core and Recurrent EBITDA	**403 236**	**471 130**	**541 461**	**550 076**	**588 706**	**688 751**	**746 578**	**757 217**	**768 026**	**779 007**
Depreciation PP&E	(171 852)	(177 056)	(180 486)	(182 697)	(182 740)	(187 510)	(190 177)	(192 887)	(195 641)	(198 438)
% of Total PP&E	23,8%	23,8%	23,8%	23,8%	23,8%	23,8%	23,8%	23,8%	23,8%	23,8%
Amortization of intangible assets	(6 593)	(7 049)	(7 467)	(7 830)	(8 125)	(8 337)	(8 456)	(8 576)	(8 699)	(8 823)
% of Total Intangible Assets	81,6%	81,6%	81,6%	81,6%	81,6%	81,6%	81,6%	81,6%	81,6%	81,6%
Depreciation and amortization	(178 446)	(184 105)	(187 953)	(190 528)	(190 865)	(195 847)	(198 633)	(201 464)	(204 339)	(207 261)
Core and Recurrent EBIT	**224 791**	**287 025**	**353 508**	**359 548**	**397 841**	**492 904**	**547 945**	**555 753**	**563 686**	**571 746**
Statutory Taxes	(47 206,06)	(60 275,19)	(74 236,64)	(75 505,15)	(83 546,70)	(103 509,85)	(115 068,52)	(116 708,23)	(118 374,15)	(120 066,73)
%Taxes	21,0%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Tax Adjustments	(13 676)	(13 676)	(13 676)	(13 676)	(13 676)	(13 676)	(13 676)	(13 676)	(13 676)	(13 676)
Core Result	**163 908**	**213 073**	**265 595**	**270 367**	**300 618**	**375 718**	**419 200**	**425 369**	**431 636**	**438 003**
Non-Core										
Restructuring and impairment charges	(78 000)	(59 500)	(12 500)	-	-	-	-	-	-	-
% of Total Sales	1,3%	1,0%	0,2%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other income (expense), net	28 493,81	30 462,12	32 267,36	33 839,66	35 112,80	36 029,42	36 541,96	37 062,68	37 591,72	38 129,23
% of Total Sales	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%
Non-Core EBIT	**(49 506)**	**(29 038)**	**19 767**	**33 840**	**35 113**	**36 029**	**36 542**	**37 063**	**37 592**	**38 129**
Statutory Taxes	(10 396,30)	(6 097,95)	4 151,14	7 106,33	7 373,69	7 566,18	7 673,81	7 783,16	7 894,26	8 007,14
%Taxes	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%
Tax Adjustments	1273	1273	1273	1273	1273	1273	1273	1273	1273	1273
Income (loss) from equity method investments	(2 377,12)	(2 541,33)	(2 691,94)	(2 823,11)	(2 929,32)	(3 005,79)	(3 048,55)	(3 091,99)	(3 136,13)	(3 180,97)
% of Total Sales	-0,04%	-0,04%	-0,04%	-0,04%	-0,04%	-0,04%	-0,04%	-0,04%	-0,04%	-0,04%
Foreign currency translation adjustment	(441,59)	(472,10)	(500,07)	(524,44)	(544,17)	(558,38)	(566,32)	(574,39)	(582,59)	(590,92)
% of Total Sales	-0,01%	-0,01%	-0,01%	-0,01%	-0,01%	-0,01%	-0,01%	-0,01%	-0,01%	-0,01%
Unrealized gain (loss) on cash flow hedges	(3 291,98)	(3 519,39)	(3 727,95)	(3 909,60)	(4 056,69)	(4 162,59)	(4 221,81)	(4 281,97)	(4 343,09)	(4 405,19)
% of Total Sales	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%	-0,1%
Gain (loss) on intra-entity foreign currency transactions	(758,53)	(810,92)	(858,98)	(900,84)	(934,73)	(959,13)	(972,77)	(986,64)	(1 000,72)	(1 015,03)
% of Total Sales	-0,01%	-0,01%	-0,01%	-0,01%	-0,01%	-0,01%	-0,01%	-0,01%	-0,01%	-0,01%
Non-Core Result	**(65 499)**	**(41 207)**	**17 412**	**34 061**	**35 294**	**36 182**	**36 679**	**37 184**	**37 696**	**38 217**
Financing Result										
Interest income (expense), net	(17 289)	(18 484)	(19 579)	(20 533)	(21 306)	(21 862)	(22 173)	(22 489)	(22 810)	(23 136)
% Of Debt	-2,5%	-2,5%	-2,5%	-2,5%	-2,5%	-2,5%	-2,5%	-2,5%	-2,5%	-2,5%
Finnancial EBT	**(17 289)**	**(18 484)**	**(19 579)**	**(20 533)**	**(21 306)**	**(21 862)**	**(22 173)**	**(22 489)**	**(22 810)**	**(23 136)**
Statutory Taxes	3 631	3 882	4 112	4 312	4 474	4 591	4 656	4 723	4 790	4 859
%Taxes	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%
Financial Result	**(13 659)**	**(14 602)**	**(15 467)**	**(16 221)**	**(16 831)**	**(17 271)**	**(17 517)**	**(17 766)**	**(18 020)**	**(18 277)**
Total comprehensive income	**84 751**	**157 264**	**267 540**	**288 206**	**319 081**	**394 629**	**438 363**	**444 786**	**451 312**	**457 943**

Under Armour's Balance Sheet (USD)

In thousands ($)	Historical						
	2017	2018	2019	2020	2021	2022	2023
Core Invested Capital							
Operating Cash	249 462	259 659	263 357	223 733	284 173	290 283	288 437
% of Total Sales	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Accounts receivable, net	609 670	652 546	708 714	527 340	569 014	700 544	691 546
DSO	45	46	49	37	46	45	43
Inventories	1 158 548	1 019 496	892 258	895 974	811 410	1 217 780	1 104 027
DIO	164	139	124	151	110	152	136
Prepaid expenses and other current assets	256 978	364 183	313 165	282 300	286 422	348 734	287 153
% of Total Sales	5,2%	7,0%	5,9%	6,3%	5,0%	6,0%	5,0%
Total current operating assets	**2 274 658**	**2 295 884**	**2 177 494**	**1 929 347**	**1 951 019**	**2 557 341**	**2 371 163**
Property and equipment, net	885 774	826 868	792 148	658 678	607 226	655 612	714 183
% of Total Sales	17,8%	15,9%	15,0%	14,7%	10,7%	11,3%	12,4%
Operating lease right-of-use assets	-	-	591 931	536 660	448 364	482 947	456 201
% of Total Sales	0,0%	0,0%	11,2%	12,0%	7,9%	8,3%	7,9%
Goodwill	555 674	546 494	550 178	502 214	495 215	479 975	481 573
Intangible assets, net	46 995	41 793	36 345	13 295	11 010	9 198	8 002
% of Total Sales	0,9%	0,8%	0,7%	0,3%	0,2%	0,2%	0,1%
Deferred income taxes	82 801	112 420	82 379	23 930	17 812	20 237	210 600
% of Total Sales	1,7%	2,2%	1,6%	0,5%	0,3%	0,3%	3,7%
Total non-current operating assets	**1 571 244**	**1 527 575**	**2 052 981**	**1 734 777**	**1 579 627**	**1 647 969**	**1 870 559**
Total Operating assets	**3 845 902**	**3 823 459**	**4 230 475**	**3 664 124**	**3 530 646**	**4 205 310**	**4 241 722**
Accounts payable	(561 108)	(560 884)	(618 194)	(575 954)	(613 307)	(738 740)	(699 431)
DPO	80	76	86	97	83	92	86
Accrued expenses	(296 841)	(340 415)	(374 694)	(378 859)	(460 165)	(388 159)	(322 780)
% of Total Sales	5,9%	6,6%	7,1%	8,5%	8,1%	6,7%	5,6%
Customer refund liabilities	-	(301 421)	(219 424)	(203 399)	(164 294)	(172 190)	(160 786)
% of Total Sales	0,0%	5,8%	4,2%	4,5%	2,9%	3,0%	2,8%
Other current liabilities	(50 426)	(88 257)	(83 797)	(92 503)	(73 746)	(65 730)	(58 841)
% of Total Sales	1,0%	1,7%	1,6%	2,1%	1,3%	1,1%	1,0%
Total operating liabilities	**(908 375)**	**(1 290 977)**	**(1 296 109)**	**(1 250 715)**	**(1 311 512)**	**(1 364 819)**	**(1 241 838)**
Total Core Invested Capital	**2 937 527**	**2 532 482**	**2 934 366**	**2 413 409**	**2 219 134**	**2 840 491**	**2 999 884**
NWC	**1 366 283**	**1 004 907**	**881 385**	**678 632**	**639 507**	**1 192 522**	**1 129 325**
Non-Core Invested Capital							
Other long-term assets	97 444	123 819	88 341	72 876	75 470	62 982	51 131
% of Total Sales	2,0%	2,4%	1,7%	1,6%	1,3%	1,1%	0,9%
Other long-term liabilities	(162 304)	(208 340)	(98 113)	(98 389)	(86 584)	(111 589)	(155 964)
% of Total Sales	3,3%	4,0%	1,9%	2,2%	1,5%	1,9%	2,7%
Total Non-Core Invested Capital	**(64 860)**	**(84 521)**	**(9 772)**	**(25 513)**	**(11 114)**	**(48 607)**	**(104 833)**
Total Invested Capital	**2 872 667**	**2 447 961**	**2 924 594**	**2 387 896**	**2 208 020**	**2 791 884**	**2 895 051**
Financial							
Excess of Cash	(63 021)	(297 744)	(524 715)	(1 293 628)	(1 385 280)	(559 263)	(751 654)
% of Total Sales	-1,3%	-5,7%	-10,0%	-28,9%	-24,4%	-9,6%	-13,0%
Revolving credit facility, current	125 000	-	-	-	-	-	-
% of Total Sales	-2,5%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Operating lease liabilities	-	-	125 900	162 561	138 664	137 310	143 425
% of Total Sales	0,0%	0,0%	-2,4%	-3,6%	-2,4%	-2,4%	-2,5%
Long-term and Short-term debt	792 046	728 834	592 687	1 003 556	662 531	673 930	676 043
% of Total Sales	-15,9%	-14,0%	-11,3%	-22,4%	-11,7%	-11,6%	-11,7%
Operating lease liabilities, non-current	-	-	580 635	839 414	703 111	707 905	654 216
% of Total Sales	0,0%	0,0%	-11,0%	-18,8%	-12,4%	-12,2%	-11,3%
Net Financial Debt	**854 025**	**431 090**	**774 507**	**711 903**	**119 026**	**959 882**	**722 031**
	-	-	-	-	-	-	-
Total stockholders' equity	**2 018 642**	**2 016 871**	**2 150 087**	**1 675 993**	**2 088 994**	**1 832 002**	**2 173 020**
Total sources of Funds	**2 872 667**	**2 447 961**	**2 924 594**	**2 387 896**	**2 208 020**	**2 791 884**	**2 895 051**

In thousands ($)	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Core Invested Capital										
Operating Cash	302 858	318 001	333 901	350 596	368 126	386 532	405 859	426 152	447 460	469 833
% of Total Sales	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Accounts receivable, net	708 611	746 541	779 109	804 831	822 408	830 843	842 662	854 670	866 870	879 265
DSO	44	44	43	42	42	41	41	41	41	41
Inventories	1 095 229	1 146 652	1 189 129	1 220 559	1 239 181	1 243 735	1 255 025	1 272 909	1 291 079	1 309 539
DIO	136	134	132	130	127	125	125	125	125	125
Prepaid expenses and other current assets	329 247	351 991	372 851	391 019	405 730	416 321	422 244	428 261	434 374	440 585
% of Total Sales	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%
Total current operating assets	**2 435 945**	**2 563 185**	**2 674 990**	**2 767 005**	**2 835 445**	**2 877 432**	**2 925 790**	**2 981 992**	**3 039 782**	**3 099 221**
Property and equipment, net	721 865	743 724	758 132	767 419	767 596	787 634	798 839	810 222	821 788	833 538
% of Total Sales	12,4%	12,0%	11,5%	11,1%	10,7%	10,7%	10,7%	10,7%	10,7%	10,7%
Operating lease right-of-use assets	428 485	454 917	478 523	503 245	520 760	527 658	531 366	538 938	546 631	554 447
% of Total Sales	7,9%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Goodwill	481 573	481 573	481 573	481 573	481 573	481 573	481 573	481 573	481 573	481 573
Intangible assets, net	8 075	8 633	9 145	9 590	9 951	10 211	10 356	10 504	10 654	10 806
% of Total Sales	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%
Deferred income taxes	212 526	227 207	240 672	252 399	261 895	268 732	272 555	276 439	280 384	284 394
% of Total Sales	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%	3,7%
Total non-current operating assets	**1 852 523**	**1 916 054**	**1 968 044**	**2 014 226**	**2 041 775**	**2 075 808**	**2 094 689**	**2 117 676**	**2 141 030**	**2 164 758**
Total Operating assets	**4 288 468**	**4 479 239**	**4 643 034**	**4 781 231**	**4 877 220**	**4 953 240**	**5 020 479**	**5 099 667**	**5 180 811**	**5 263 979**
Accounts payable	(653 297)	(676 937)	(694 415)	(704 461)	(706 426)	(698 414)	(704 557)	(714 597)	(724 797)	(735 161)
DPO	86	84	81	79	77	74	74	74	74	74
Accrued expenses	(325 732)	(348 233)	(368 870)	(386 844)	(401 398)	(411 877)	(417 736)	(423 689)	(429 736)	(435 881)
% of Total Sales	5,6%	5,6%	5,6%	5,6%	5,6%	5,6%	5,6%	5,6%	5,6%	5,6%
Customer refund liabilities	(162 256)	(173 465)	(183 745)	(192 698)	(199 948)	(205 168)	(208 086)	(211 051)	(214 064)	(217 125)
% of Total Sales	2,8%	2,8%	2,8%	2,8%	2,8%	2,8%	2,8%	2,8%	2,8%	2,8%
Other current liabilities	(59 379)	(63 481)	(67 243)	(70 520)	(73 173)	(75 083)	(76 151)	(77 236)	(78 339)	(79 459)
% of Total Sales	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%
Total operating liabilities	**(1 200 665)**	**(1 262 116)**	**(1 314 272)**	**(1 354 523)**	**(1 380 945)**	**(1 390 541)**	**(1 406 530)**	**(1 426 573)**	**(1 446 936)**	**(1 467 626)**
Total Core Invested Capital	**3 087 804**	**3 217 123**	**3 328 761**	**3 426 708**	**3 496 275**	**3 562 699**	**3 613 948**	**3 673 094**	**3 733 875**	**3 796 353**
NWC	**1 235 281**	**1 301 069**	**1 360 718**	**1 412 481**	**1 454 500**	**1 486 891**	**1 519 260**	**1 555 418**	**1 592 845**	**1 631 596**
Non-Core Invested Capital										
Other long-term assets	51 599	55 163	58 432	61 279	63 585	65 245	66 173	67 116	68 074	69 047
% of Total Sales	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%
Other long-term liabilities	(157 390)	(168 263)	(178 234)	(186 919)	(193 952)	(199 015)	(201 846)	(204 722)	(207 644)	(210 613)
% of Total Sales	2,7%	2,7%	2,7%	2,7%	2,7%	2,7%	2,7%	2,7%	2,7%	2,7%
Total Non-Core Invested Capital	**(105 792)**	**(113 100)**	**(119 802)**	**(125 640)**	**(130 367)**	**(133 770)**	**(135 673)**	**(137 606)**	**(139 570)**	**(141 566)**
Total Invested Capital	**2 982 012**	**3 104 024**	**3 208 959**	**3 301 068**	**3 365 908**	**3 428 929**	**3 478 276**	**3 535 488**	**3 594 305**	**3 654 787**
Financial										
Excess of Cash	(758 528)	(810 926)	(858 983)	(900 839)	(934 731)	(959 132)	(972 776)	(986 638)	(1 000 722)	(1 015 030)
% of Total Sales	-13,0%	-13,0%	-13,0%	-13,0%	-13,0%	-13,0%	-13,0%	-13,0%	-13,0%	-13,0%
Revolving credit facility, current	-	-	-	-	-	-	-	-	-	-
% of Total Sales	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Operating lease liabilities	126 466	96 066	75 225	171 891	178 358	183 015	185 618	188 263	190 950	193 681
% of Total Sales	-2,5%	-2,5%	-2,5%	-2,5%	-2,5%	-2,5%	-2,5%	-2,5%	-2,5%	-2,5%
Long-term and Short-term debt	682 226	729 353	772 576	810 221	840 704	862 651	874 922	887 390	900 057	912 926
% of Total Sales	-11,7%	-11,7%	-11,7%	-11,7%	-11,7%	-11,7%	-11,7%	-11,7%	-11,7%	-11,7%
Operating lease liabilities, non-current	660 199	705 805	747 632	784 062	813 561	834 799	846 674	858 739	870 997	883 451
% of Total Sales	-11,3%	-11,3%	-11,3%	-11,3%	-11,3%	-11,3%	-11,3%	-11,3%	-11,3%	-11,3%
Net Financial Debt	**710 363**	**720 298**	**736 450**	**865 336**	**897 893**	**921 332**	**934 439**	**947 754**	**961 283**	**975 028**
Total stockholders' equity	**2 271 649**	**2 383 726**	**2 472 509**	**2 435 732**	**2 468 016**	**2 507 597**	**2 543 837**	**2 587 733**	**2 633 022**	**2 679 760**
Total sources of Funds	**2 982 012**	**3 104 024**	**3 208 959**	**3 301 068**	**3 365 908**	**3 428 929**	**3 478 276**	**3 535 488**	**3 594 305**	**3 654 787**

Under Armour’s Statement of Cash Flows (USD)

In thousands ($)	Historical						
	2017	2018	2019	2020	2021	2022	2023
Operating							
Core EBIT	151 892	158 132	236 770	(11 839)	526 808	259 270	271 468
Income Taxes	(59 571)	(45 268)	(72 282)	(169 708)	(64 810)	(64 642)	108 426
NOPLAT	**92 321**	**112 864**	**164 488**	**(181 547)**	**461 998**	**194 628**	**379 894**
Depreciation	164 300	173 400	177 300	154 400	139 200	229 037	167 446
Amortization	8 200	6 100	6 100	7 000	2 000	8 162	5 967
Gross Free Cash Flow	**264 821**	**292 364**	**347 888**	**(20 147)**	**603 198**	**431 826**	**553 307**
CAPEX		(114 494)	(142 580)	(20 930)	(87 748)	(277 423)	(226 017)
Δ NWC		361 376	123 523	202 752	39 125	(553 015)	63 198
Δ Other Operating Assets and Liabilities		(21 337)	(566 226)	177 734	101 698	(28 118)	(169 986)
Operating Free Cash Flow	**264 821**	**517 909**	**(237 395)**	**339 409**	**656 273**	**(426 729)**	**220 502**
Non Operating							
Non Operating EBIT	(127 663)	(192 352)	(5 688)	(433 446)	(91 631)	(29 425)	26 302
Income Taxes	9 532	58 771	(2 203)	110 397	23 437	6 103	64
Non Operating NOPLAT	**(118 131)**	**(133 581)**	**(7 891)**	**(323 049)**	**(68 194)**	**(23 322)**	**26 366**
Δ Other Operating Assets		(26 375)	35 478	15 465	(2 594)	12 488	11 851
Δ Other Operating Liabilities		46 036	(110 227)	276	(11 805)	25 005	44 375
Other Comprehensive Income/Loss	13 932	(776)	(11 778)	(8 420)	11 575	(13 293)	(13 900)
Income (loss) from equity method investments		934	(47 679)	(7 246)	1 255	(1 002)	(359)
Non Operating Unlevered FCF	**(104 199)**	**(113 762)**	**(142 097)**	**(322 974)**	**(69 763)**	**(124)**	**68 333**
Total Unlevered Free Cash Flows	**160 622**	**404 147**	**(379 492)**	**16 435**	**586 510**	**(426 853)**	**288 835**
Financing							
Interest income (expense), net	(34 538)	(33 568)	(21 240)	(47 259)	(44 300)	(17 329)	(3 861)
Tax Shileds	12 088	7 049	4 460	9 924	9 303	3 639	811
Δ Debt		(422 935)	343 416	(62 603)	(592 877)	840 856	(237 852)
Δ Equity		45 307	52 855	83 503	41 364	(400 313)	(47 933)
Financing Cash Flow	**(22 450)**	**(404 147)**	**379 492**	**(16 435)**	**(586 510)**	**426 853**	**(288 835)**

In thousands ($)	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating										
Core EBIT	224 791	287 025	353 508	359 548	397 841	492 904	547 945	555 753	563 686	571 746
Income Taxes	(60 882)	(73 952)	(87 913)	(89 181)	(97 223)	(117 186)	(128 745)	(130 385)	(132 050)	(133 743)
NOPLAT	**163 908**	**213 073**	**265 595**	**270 367**	**300 618**	**375 718**	**419 200**	**425 369**	**431 636**	**438 003**
Depreciation	171 852	177 056	180 486	182 697	182 740	187 510	190 177	192 887	195 641	198 438
Amortization	6 593	7 049	7 467	7 830	8 125	8 337	8 456	8 576	8 699	8 823
Gross Free Cash Flow	**342 354**	**397 178**	**453 548**	**460 895**	**491 483**	**571 565**	**617 834**	**626 833**	**635 975**	**645 264**
CAPEX	(179 534)	(198 915)	(194 895)	(191 984)	(182 917)	(207 548)	(201 382)	(204 271)	(207 206)	(210 189)
Δ NWC	(105 956)	(65 789)	(59 648)	(51 764)	(42 018)	(32 391)	(32 368)	(36 159)	(37 427)	(38 750)
Δ Other Operating Assets and Liabilities	19 124	(48 721)	(45 048)	(44 726)	(35 497)	(22 332)	(16 132)	(20 180)	(20 487)	(20 800)
Operating Free Cash Flow	**75 988**	**83 754**	**153 957**	**172 421**	**231 051**	**309 294**	**367 951**	**366 223**	**370 855**	**375 525**
Non Operating										
Non Operating EBIT	(49 506)	(29 038)	19 767	33 840	35 113	36 029	36 542	37 063	37 592	38 129
Income Taxes	(9 124)	(4 825)	5 424	8 379	8 646	8 839	8 946	9 056	9 167	9 280
Non Operating NOPLAT	**(58 630)**	**(33 863)**	**25 191**	**42 219**	**43 759**	**44 868**	**45 488**	**46 118**	**46 759**	**47 409**
Δ Other Operating Assets	(468)	(3 564)	(3 269)	(2 847)	(2 305)	(1 660)	(928)	(943)	(958)	(973)
Δ Other Operating Liabilities	1 426	10 872	9 972	8 685	7 032	5 063	2 831	2 876	2 922	2 969
Other Comprehensive Income/Loss	(4 492)	(4 802)	(5 087)	(5 335)	(5 536)	(5 680)	(5 761)	(5 843)	(5 926)	(6 011)
Income (loss) from equity method investments	(2 377)	(2 541)	(2 692)	(2 823)	(2 929)	(3 006)	(3 049)	(3 092)	(3 136)	(3 181)
Non Operating Unlevered FCF	**(64 540)**	**(33 899)**	**24 115**	**39 898**	**40 021**	**39 586**	**38 582**	**39 117**	**39 660**	**40 213**
Total Unlevered Free Cash Flows	**11 448**	**49 855**	**178 072**	**212 319**	**271 072**	**348 879**	**406 533**	**405 340**	**410 515**	**415 738**
Financing										
Interest income (expense), net	(17 289)	(18 484)	(19 579)	(20 533)	(21 306)	(21 862)	(22 173)	(22 489)	(22 810)	(23 136)
Tax Shileds	3 631	3 882	4 112	4 312	4 474	4 591	4 656	4 723	4 790	4 859
Δ Debt	(11 667)	9 935	16 152	128 886	32 556	23 440	13 106	13 316	13 528	13 745
Δ Equity	13 878	(45 187)	(178 756)	(324 984)	(286 797)	(355 048)	(402 123)	(400 890)	(406 024)	(411 205)
Financing Cash Flow	**(11 448)**	**(49 855)**	**(178 072)**	**(212 319)**	**(271 072)**	**(348 879)**	**(406 533)**	**(405 340)**	**(410 515)**	**(415 738)**

Under Armour's Financial Overview

	Historical						
	2017	2018	2019	2020	2021	2022	2023
Profitability From Operations							
Core Gross Margin	51,71%	51,75%	53,64%	55,17%	55,25%	53,49%	51,53%
Core EBITDA Margin	6,50%	6,50%	7,98%	3,34%	11,75%	8,55%	7,71%
Core EBIT Margin	3,04%	3,04%	4,50%	-0,26%	9,27%	4,47%	4,71%
Core Operational Margin	1,85%	2,17%	3,12%	-4,06%	8,13%	3,35%	6,59%
Capital Structure Ratios							
Net Debt-to-Equity	42,31%	21,37%	36,02%	42,48%	5,70%	52,40%	33,23%
Net Debt-to-EBITDA	434,11%	296,73%	186,86%	-250,77%	20,65%	205,52%	153,24%
Net Debt / Invested Capital	29,73%	17,61%	26,48%	29,81%	5,39%	34,38%	24,94%
Solvency Ratio							
Financial Autonomy Ratio	50,39%	47,51%	44,39%	33,32%	41,85%	37,95%	43,08%
Equity/Liabilities	101,56%	90,52%	79,83%	49,96%	71,97%	61,16%	75,68%
Debt/Assets	21,66%	10,92%	17,93%	19,05%	3,30%	22,49%	16,82%
Return and Efficiency Ratios							
Core ROIC		3,8%	6,5%	-6,2%	19,1%	8,8%	13,4%
Core RONIC			-12,7%	-86,1%	-123,5%	137,6%	29,8%
Core RR		-358,9%	244,3%	287,0%	-42,1%	319,3%	42,0%
Core g			**-31,1%**	**-247,1%**	**51,9%**	**439,4%**	**12,5%**
ROIC		-0,7%	6,4%	-17,3%	16,5%	7,8%	14,6%
RONIC			-41,7%	-138,7%	-167,4%	123,7%	40,2%
RR		2050,1%	304,4%	106,4%	-45,7%	340,8%	25,4%
g			**-127,1%**	**-147,5%**	**76,5%**	**421,6%**	**10,2%**
Cash Flow Management							
Average holding period	164,32	138,88	124,34	151,39	110,40	151,75	135,98
Average payable period	79,58	76,41	86,15	97,32	83,44	92,06	86,15
Average collection period	44,60	45,86	49,11	36,54	46,41	44,99	43,48
Cash conversion cycle	**129,34**	**108,34**	**87,30**	**90,62**	**73,37**	**104,69**	**93,31**
Liquidity Ratios							
Current ratio	2,20	1,97	1,90	2,28	2,30	2,07	2,13
Quick ratio	1,11	1,20	1,27	1,65	1,74	1,26	1,38
Cash Ratio	0,29	0,42	0,55	1,07	1,15	0,57	0,71

	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Profitability From Operations										
Core Gross Margin	52,45%	52,59%	52,74%	52,89%	53,05%	53,30%	53,55%	53,55%	53,55%	53,55%
Core EBITDA Margin	6,93%	7,57%	8,21%	7,96%	8,21%	9,36%	10,00%	10,00%	10,00%	10,00%
Core EBIT Margin	3,86%	4,61%	5,36%	5,20%	5,55%	6,70%	7,34%	7,34%	7,34%	7,34%
Core Operational Margin	2,82%	3,42%	4,03%	3,91%	4,19%	5,10%	5,61%	5,62%	5,62%	5,62%
Capital Structure Ratios										
Net Debt-to-Equity	31,27%	30,22%	29,79%	35,53%	36,38%	36,74%	36,73%	36,62%	36,51%	36,38%
Net Debt-to-EBITDA	200,82%	162,93%	131,22%	148,20%	143,93%	127,12%	119,32%	119,32%	119,32%	119,32%
Net Debt / Invested Capital	23,82%	23,21%	22,95%	26,21%	26,68%	26,87%	26,86%	26,81%	26,74%	26,68%
Solvency Ratio										
Financial Autonomy Ratio	52,34%	52,57%	52,59%	50,30%	49,95%	49,97%	50,01%	50,08%	50,16%	50,25%
Equity/Liabilities	80,36%	80,49%	80,07%	73,64%	72,43%	72,26%	72,36%	72,57%	72,80%	73,05%
Debt/Assets	16,37%	15,89%	15,66%	17,87%	18,17%	18,36%	18,37%	18,34%	18,31%	18,28%
Return and Efficiency Ratios										
Core ROIC	5,5%	6,9%	8,3%	8,1%	8,8%	10,7%	11,8%	11,8%	11,8%	11,7%
Core RONIC	-135,5%	55,9%	40,6%	4,3%	30,9%	108,0%	65,5%	12,0%	10,6%	10,5%
Core RR	53,6%	60,7%	42,0%	36,2%	23,1%	17,7%	12,2%	13,9%	14,1%	14,3%
Core g	**-72,7%**	**33,9%**	**17,1%**	**1,5%**	**7,1%**	**19,1%**	**8,0%**	**1,7%**	**1,5%**	**1,5%**
ROIC	3,6%	6,0%	9,4%	9,7%	10,4%	12,5%	13,6%	13,6%	13,5%	13,5%
RONIC	-291,7%	85,0%	91,4%	20,8%	34,5%	117,5%	70,0%	13,8%	12,1%	11,9%
RR	82,6%	68,1%	36,1%	29,5%	18,8%	15,0%	10,6%	12,1%	12,3%	12,5%
g	**-241,0%**	**57,9%**	**33,0%**	**6,1%**	**6,5%**	**17,6%**	**7,4%**	**1,7%**	**1,5%**	**1,5%**
Cash Flow Management										
Average holding period	135,98	133,83	131,68	129,52	127,37	125,22	125,22	125,22	125,22	125,22
Average payable period	86,15	83,75	81,35	78,95	76,55	74,15	74,15	74,15	74,15	74,15
Average collection period	44,43	43,78	43,14	42,49	41,20	41,20	41,20	41,20	41,20	41,20
Cash conversion cycle	**94,26**	**93,86**	**93,46**	**93,06**	**92,02**	**92,27**	**92,27**	**92,27**	**92,27**	**92,27**

Under Armour's Beta Regression Analysis

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0,843841246
R Square	71,21%
Adjusted R Square	0,711897776
Standard Error	0,028477129
Observations	1693

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	3,39131138	3,39131138	4181,915441	0
Residual	1691	1,37131121	0,00081095		
Total	1692	4,76262259			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	0,001331072	0,0006924	1,92240562	0,054722564	-2,69774E-05	0,00268912	-2,69774E-05	0,00268912
Beta	1,090072159	0,01685651	64,6677311	0	1,057010345	1,12313397	1,057010345	1,12313397

Merged Company's Income Statement (USD)

USD'000	Historical						
	2017	2018	2019	2020	2021	2022	2023
Core and Recurrent Business							
Revenue	**6 302 555**	**6 783 577**	**7 274 866**	**6 568 606**	**9 182 610**	**9 640 321**	**9 666 326**
% change		7.6%	7.2%	-9.7%	39.8%	5.0%	0.3%
Operating Costs	**(5 863 935)**	**(6 280 406)**	**(6 532 559)**	**(6 007 289)**	**(7 611 235)**	**(8 330 276)**	**(8 533 943)**
Cost of sales (withouth Depreciation)	(3 264 383)	(3 499 519)	(3 616 948)	(3 195 204)	(4 292 066)	(4 865 310)	(4 925 063)
% of Total Sales	51.8%	51.6%	49.7%	48.6%	46.7%	50.5%	51.0%
Selling , distribution and administrative expenses (withouth D&A)	(2 601 178)	(2 783 637)	(2 917 386)	(2 807 672)	(3 321 600)	(3 468 580)	(3 611 654)
% of Total Sales	41.3%	41.0%	40.1%	42.7%	36.2%	36.0%	37.4%
Reversal of expected credit loss allowance for financial assets - net	1 626	2 750	1 774	(4 413)	2 431	3 614	2 773
% of Total Sales	0.03%	0.04%	0.02%	-0.07%	0.03%	0.04%	0.03%
Core and Recurrent EBITDA	**438 620**	**503 170**	**742 307**	**561 316**	**1 571 375**	**1 310 046**	**1 132 383**
Depreciation	(211 959)	(228 331)	(290 255)	(294 404)	(302 055)	(428 714)	(418 441)
From PPE	(211 959)	(228 331)	(238 081)	(231 730)	(230 564)	(337 846)	(310 863)
% of PPE	21.0%	24.0%	25.3%	28.5%	26.8%	29.7%	24.0%
From RUA	-	-	(52 174)	(62 674)	(71 491)	(90 867)	(107 578)
% of RUA	0.0%	0.0%	7.1%	9.1%	10.9%	11.6%	14.1%
Ammortization	(15 268)	(13 420)	(11 987)	(13 100)	(8 335)	(15 495)	(13 797)
% of LUR, IA	15.8%	15.2%	16.0%	20.1%	12.8%	23.8%	22.6%
Core and Recurrent EBIT	**211 393**	**261 420**	**440 066**	**253 811**	**1 260 985**	**865 838**	**700 145**
Statutory Taxes	(68 037)	(59 030)	(100 546)	(63 926)	(294 174)	(206 089)	(164 178)
Tax Rate (21%)	32.2%	22.6%	22.8%	25.2%	23.3%	23.8%	23.4%
Tax Adjustments	11 556	(254)	(18 280)	(160 673)	37 975	(14 873)	178 174
Core and Recurrent Result	**154 911**	**202 137**	**321 240**	**29 211**	**1 004 786**	**644 876**	**714 141**
Non-Core and Core But Non Recurrent Business							
Other income and other gains - net	2 844	5 103	14 408	220 566	10 949	146 905	100 257
% of Investment Properties	0.0%	0.0%	83.4%	1321.9%	3.8%	54.9%	45.5%
Share of profit of investments accounted for using the equity methoc	10 923	9 628	49 720	12 092	24 683	29 894	53 379
% of Investments accounted for using the equity method	10.7%	8.7%	32.5%	7.6%	12.6%	14.7%	23.5%
Restructuring and impairment charges	(124 049)	(183 149)	-	(601 599)	(40 518)	(56 674)	-
% of Total Sales	2.0%	2.7%	0.0%	9.2%	0.4%	0.6%	0.0%
Non-Core and Core but Non-Recurrent EBT	**(110 282)**	**(168 418)**	**64 127**	**(368 941)**	**(4 887)**	**120 125**	**153 636**
Statutory Taxes	40 337	34 410	(16 259)	74 897	(2 444)	(31 208)	(37 357)
Tax Rate (21%)	36.6%	20.4%	25.4%	20.3%	-50.0%	26.0%	24.3%
Tax Adjustments	(35 125)	21 259	9 454	22 675	12 086	7 721	19 502
Changes in the fair value of equity investments at fair value	-	497	(47 679)	(7 246)	1 255	(1 002)	(359)
Currency translation differences	22 787	(18 335)	11 136	(8 721)	(6 949)	(2 002)	(348)
Unrealized gain (loss) on cash flow hedges, net of tax benefit (expense)	(16 624)	22 800	(21 646)	(18 075)	18 603	1 863	(2 664)
Gain (loss) on intra-entity foreign currency transactions	7 199	(5 041)	(886)	14 715	(476)	(14 399)	(11 195)
Non-Core and Core but Non-Recurrent Result	**(91 708)**	**(112 828)**	**(1 753)**	**(290 696)**	**17 188**	**81 097**	**121 216**
Financing Result							
Finance income	(28 089)	(30 031)	(17 060)	(42 239)	(21 807)	49 211	66 830
% Debt	3.1%	4.1%	1.2%	2.0%	1.3%	-2.7%	-3.6%
Finance expenses	(3 779)	(2 098)	(8 541)	(9 595)	(17 433)	(17 917)	(25 625)
% Debt	0.4%	0.3%	0.6%	0.4%	1.0%	1.0%	1.4%
Finnancial EBT	**(31 868)**	**(32 129)**	**(25 602)**	**(51 835)**	**(39 240)**	**31 294**	**41 205**
Statutory Taxes	11 421	6 690	5 551	11 068	8 038	(8 517)	(10 456)
Tax Rate (21%)	35.8%	20.8%	21.7%	21.4%	20.5%	27.2%	25.4%
Tax Adjustments	(1 412)	(2 959)	(1 680)	(12 999)	2 234	(2 757)	(27 384)
Financial Result	**(21 859)**	**(28 398)**	**(21 731)**	**(53 766)**	**(28 968)**	**20 021**	**3 366**
Total comprehensive income	**41 344**	**60 911**	**297 756**	**(315 250)**	**993 006**	**745 994**	**838 723**

USD'000	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Core and Recurrent Business										
Revenue	**10 044 770**	**10 670 481**	**11 496 551**	**12 204 882**	**12 745 496**	**13 075 711**	**13 326 205**	**13 574 804**	**13 834 263**	**14 111 753**
% change	3.9%	6.2%	7.7%	6.2%	4.4%	2.6%	1.9%	1.9%	1.9%	2.0%
Operating Costs	**(8 832 296)**	**(9 229 662)**	**(9 793 801)**	**(10 416 581)**	**(10 864 024)**	**(11 067 880)**	**(11 228 029)**	**(11 434 287)**	**(11 649 266)**	**(11 878 613)**
Cost of sales (withouth Depreciation)	(5 026 129)	(5 271 884)	(5 618 898)	(5 949 933)	(6 197 616)	(6 341 850)	(6 444 458)	(6 564 699)	(6 690 194)	(6 824 414)
% of Total Sales	50.0%	49.4%	48.9%	48.8%	48.6%	48.5%	48.4%	48.4%	48.4%	48.4%
Selling , distribution and administrative expenses (withouth D&A)	(3 809 167)	(3 960 917)	(4 178 330)	(4 470 320)	(4 670 260)	(4 729 980)	(4 787 624)	(4 873 741)	(4 963 330)	(5 058 575)
% of Total Sales	37.9%	37.1%	36.3%	36.6%	36.6%	36.2%	35.9%	35.9%	35.9%	35.8%
Reversal of expected credit loss allowance for financial assets - net	3 000	3 138	3 427	3 672	3 853	3 951	4 053	4 152	4 258	4 376
% of Total Sales	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Core and Recurrent EBITDA	**1 212 473**	**1 440 819**	**1 702 749**	**1 788 301**	**1 881 473**	**2 007 832**	**2 098 176**	**2 140 517**	**2 184 998**	**2 233 139**
Depreciation	(453 418)	(467 471)	(493 247)	(514 146)	(527 182)	(537 736)	(549 449)	(560 974)	(573 121)	(586 342)
From PPE	(343 071)	(352 015)	(367 186)	(379 077)	(385 445)	(392 377)	(400 341)	(408 213)	(416 467)	(425 369)
% of PPE	25.7%	25.7%	25.7%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%
From RUA	(110 347)	(115 455)	(126 061)	(135 069)	(141 737)	(145 358)	(149 107)	(152 761)	(156 654)	(160 973)
% of RUA	14.5%	14.3%	14.6%	14.7%	14.8%	14.9%	15.0%	15.1%	15.2%	15.3%
Ammortization	(15 372)	(16 266)	(17 585)	(18 714)	(19 567)	(20 072)	(20 492)	(20 906)	(21 340)	(21 811)
% of LUR, IA	22.8%	23.0%	22.8%	22.7%	22.6%	22.6%	22.6%	22.5%	22.4%	22.3%
Core and Recurrent EBIT	**743 684**	**957 082**	**1 191 917**	**1 255 441**	**1 334 724**	**1 450 024**	**1 528 236**	**1 558 637**	**1 590 536**	**1 624 986**
Statutory Taxes	(156 174)	(200 987)	(250 303)	(263 643)	(280 292)	(304 505)	(320 930)	(327 314)	(334 013)	(341 247)
Tax Rate (21%)	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Tax Adjustments	(45 857)	(45 857)	(45 857)	(45 857)	(45 857)	(45 857)	(45 857)	(45 857)	(45 857)	(45 857)
Core and Recurrent Result	**541 653**	**710 238**	**895 757**	**945 941**	**1 008 574**	**1 099 661**	**1 161 449**	**1 185 466**	**1 210 666**	**1 237 882**
Non-Core and Core But Non Recurrent Business										
Other income and other gains - net	91 426	85 002	83 767	83 906	85 148	87 320	89 132	90 918	92 795	94 829
% of Investment Properties	48.4%	51.9%	54.2%	55.8%	56.7%	56.7%	56.4%	56.2%	56.0%	55.7%
Share of profit of investments accounted for using the equity methoc	42 296	45 545	51 768	58 745	66 515	75 045	84 690	95 455	107 691	121 742
% of Investments accounted for using the equity method	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%
Restructuring and impairment charges	(78 000)	(59 500)	(12 500)	-	-	-	-	-	-	-
% of Total Sales	0.8%	0.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-Core and Core but Non-Recurrent EBT	**55 722**	**71 047**	**123 035**	**142 651**	**151 663**	**162 364**	**173 822**	**186 373**	**200 485**	**216 571**
Statutory Taxes	(11 702)	(14 920)	(25 837)	(29 957)	(31 849)	(34 097)	(36 503)	(39 138)	(42 102)	(45 480)
Tax Rate (21%)	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Tax Adjustments	10 689	10 394	10 599	10 793	10 970	11 114	11 264	11 403	11 554	11 728
Changes in the fair value of equity investments at fair value	(2 377)	(2 541)	(2 692)	(2 823)	(2 929)	(3 006)	(3 049)	(3 092)	(3 136)	(3 181)
Currency translation differences	(1 053)	(1 065)	(1 106)	(1 143)	(1 174)	(1 198)	(1 215)	(1 233)	(1 251)	(1 270)
Unrealized gain (loss) on cash flow hedges, net of tax benefit (expense)	(3 292)	(3 519)	(3 728)	(3 910)	(4 057)	(4 163)	(4 222)	(4 282)	(4 343)	(4 405)
Gain (loss) on intra-entity foreign currency transactions	(759)	(811)	(859)	(901)	(935)	(959)	(973)	(987)	(1 001)	(1 015)
Non-Core and Core but Non-Recurrent Result	**47 229**	**58 585**	**99 412**	**114 710**	**121 689**	**130 057**	**139 125**	**149 044**	**160 207**	**172 948**
Financing Result										
Finance income	88 745	95 823	110 108	121 086	131 818	139 527	143 859	148 049	152 565	157 675
% Debt	-3.3%	-3.3%	-3.4%	-3.3%	-3.4%	-3.3%	-3.4%	-3.4%	-3.5%	-3.5%
Finance expenses	(35 765)	(38 906)	(44 414)	(48 625)	(52 812)	(55 910)	(57 469)	(58 984)	(60 607)	(62 425)
% Debt	1.3%	1.3%	1.4%	1.3%	1.3%	1.3%	1.4%	1.4%	1.4%	1.4%
Finnancial EBT	**52 980**	**56 917**	**65 694**	**72 461**	**79 005**	**83 617**	**86 390**	**89 065**	**91 958**	**95 250**
Statutory Taxes	(11 126)	(11 953)	(13 796)	(15 217)	(16 591)	(17 560)	(18 142)	(18 704)	(19 311)	(20 002)
Tax Rate (21%)	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Tax Adjustments	(9 236)	(8 946)	(9 147)	(9 338)	(9 511)	(9 653)	(9 800)	(9 936)	(10 084)	(10 255)
Financial Result	**32 618**	**36 018**	**42 751**	**47 906**	**52 903**	**56 404**	**58 448**	**60 425**	**62 563**	**64 992**
Total comprehensive income	**621 500**	**804 840**	**1 037 919**	**1 108 558**	**1 183 166**	**1 286 123**	**1 359 022**	**1 394 935**	**1 433 436**	**1 475 822**

Merged Company's Balance Sheet (USD)

USD'000	Historical						
	2017	2018	2019	2020	2021	2022	2023
Core Invested Capital							
Operating Cash	315 128	339 179	363 743	328 430	459 131	482 016	483 316
% of Total Sales	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Accounts receivable, net	778 095	793 096	808 105	622 760	708 974	852 178	861 797
Average Collection Period	45	43	41	35	28	32	33
Inventories	1 321 720	1 207 080	1 095 969	1 090 861	1 086 229	1 578 612	1 456 130
Average Holding Period	148	126	111	125	92	118	108
Prepaid expenses and other current assets	256 978	441 129	377 351	357 457	405 884	472 315	405 524
% of Total Sales	4.1%	6.5%	5.2%	5.4%	4.4%	4.9%	4.2%
Total current operating assets	**2 671 921**	**2 780 484**	**2 645 169**	**2 399 508**	**2 660 218**	**3 385 122**	**3 206 768**
Property and equipment, net	1 009 823	952 467	942 492	812 940	859 270	1 136 302	1 296 587
% change		-5.7%	-1.0%	-13.7%	5.7%	32.2%	14.1%
Operating lease right-of-use assets	-	-	733 999	691 056	654 969	783 471	764 644
% of Total Sales	0.0%	0.0%	10.1%	10.5%	7.1%	8.1%	7.9%
Goodwill	555 674	546 494	550 178	502 214	495 215	479 975	481 573
Intangible assets, net	85 170	77 187	64 321	40 923	40 104	41 482	39 194
% of Total Sales	1.4%	1.1%	0.9%	0.6%	0.4%	0.4%	0.4%
Deferred income taxes	117 481	148 590	144 873	109 477	127 500	123 284	323 716
% of Total Sales	1.9%	2.2%	2.0%	1.7%	1.4%	1.3%	3.3%
Land use rights	11 246	11 211	10 456	24 098	25 203	23 597	21 841
% of Total Sales	0.2%	0.2%	0.1%	0.4%	0.3%	0.2%	0.2%
Other assets	-	20 047	12	20 063	120 222	42 756	28 679
% of Total Sales	0.0%	0.3%	0.0%	0.3%	1.3%	0.4%	0.3%
Total non-current operating assets	**1 779 393**	**1 755 996**	**2 446 331**	**2 200 771**	**2 322 483**	**2 630 867**	**2 956 234**
Total Operating assets	**4 451 315**	**4 536 480**	**5 091 500**	**4 600 279**	**4 982 702**	**6 015 988**	**6 163 002**
Accounts payable	(730 581)	(732 364)	(813 357)	(753 691)	(861 227)	(974 202)	(952 195)
Average Payable Period	82	76	82	86	73	73	71
Accrued expenses	(296 841)	(340 415)	(374 694)	(378 859)	(460 165)	(388 159)	(322 780)
% of Total Sales	4.7%	5.0%	5.2%	5.8%	5.0%	4.0%	3.3%
Customer refund liabilities	-	(301 421)	(219 424)	(203 399)	(164 294)	(172 190)	(160 786)
% of Total Sales	0.0%	4.4%	3.0%	3.1%	1.8%	1.8%	1.7%
Other current liabilities	(192 896)	(316 705)	(445 537)	(501 909)	(759 026)	(652 942)	(602 096)
% of Total Sales	3.1%	4.7%	6.1%	7.6%	8.3%	6.8%	6.2%
Current income tax liabilities	(2 966)	(20 327)	(76 813)	(85 725)	(202 731)	(154 153)	(129 261)
% of Taxes	5.3%	34.3%	64.6%	38.2%	79.1%	69.8%	-923.6%
Total current operating liabilities	**(1 223 284)**	**(1 711 233)**	**(1 929 825)**	**(1 923 582)**	**(2 447 443)**	**(2 341 646)**	**(2 167 117)**
License fees payable	(5 802)	(4 171)	(3 558)	(3 389)	(3 255)	(2 308)	(1 212)
% of Total Sales	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%
Deferred income tax liabilities	(2 712)	(5 255)	(6 514)	(14 881)	(66 174)	(77 089)	(88 581)
% of Taxes	1.3%	2.3%	2.2%	5.1%	21.9%	18.0%	21.2%
Total operating non-current liabilities	**(8 514)**	**(9 426)**	**(10 073)**	**(18 269)**	**(69 428)**	**(79 397)**	**(89 793)**
Total Operating Liabilities	**(1 231 798)**	**(1 720 659)**	**(1 939 898)**	**(1 941 851)**	**(2 516 871)**	**(2 421 043)**	**(2 256 910)**
Total Core Invested Capital	**3 219 517**	**2 815 821**	**3 151 603**	**2 658 428**	**2 465 831**	**3 594 945**	**3 906 092**
NWC	**1 448 637**	**1 069 251**	**715 344**	**475 926**	**212 776**	**1 043 475**	**1 039 650**
Non-Core Invested Capital							
Other long-term assets	97 444	123 819	88 341	72 876	75 470	62 982	51 131
% of Total Sales	1.5%	1.8%	1.2%	1.1%	0.8%	0.7%	0.5%
Investment Properties	-	-	17 266	16 685	286 793	267 830	220 375
% change	0.0%	0.0%	0.0%	-3.4%	1618.8%	-6.6%	-17.7%
Available-for-sale financial assets	2 072	-	-	-	-	-	-
Investments accounted for using the equity method	101 980	110 228	152 989	159 485	196 421	203 508	226 892
% change	0.0%	8.1%	38.8%	4.2%	23.2%	3.6%	11.5%
Other receivables	65 314	21 222	22 320	28 086	41 480	52 995	58 265
% of Leases	0.0%	0.0%	2.7%	2.4%	4.0%	4.6%	5.0%
Restricted bank deposits	107	30	163	157	164	144	114
% of Leases	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other long-term liabilities	(162 304)	(208 340)	(98 113)	(98 389)	(86 584)	(111 589)	(155 964)
% of Total Sales	2.6%	3.1%	1.3%	1.5%	0.9%	1.2%	1.6%
Deferred income	(8 411)	(8 122)	(7 791)	(9 333)	(9 691)	(9 748)	(10 110)
% change	0.0%	-3.4%	-4.1%	19.8%	3.8%	0.6%	3.7%
Total Non-Core Invested Capital	**96 202**	**38 838**	**175 176**	**169 568**	**504 053**	**466 122**	**390 704**
Total Invested Capital	**3 315 719**	**2 854 659**	**3 326 778**	**2 827 995**	**2 969 883**	**4 061 067**	**4 296 796**
Financial							
Excess of Cash	(371 672)	(773 761)	(1 287 293)	(2 229 897)	(3 496 070)	(1 464 605)	(1 325 586)
% of Total Sales	5.9%	11.4%	17.7%	33.9%	38.1%	15.2%	13.7%
Long-Term Bank Deposits	-	-	-	(36 929)	(517 041)	(1 638 177)	(1 276 270)
% of Total Sales	0.0%	0.0%	0.0%	0.6%	5.6%	17.0%	13.2%
Short-term bank deposits	-	-	-	-	(62 141)	(95 605)	(493 396)
% of Total Sales	0.0%	0.0%	0.0%	0.0%	0.7%	1.0%	5.1%
Investments accounted at fair value through profit or loss	-	-	-	-	(26 302)	(25 947)	(60 471)
% change	0.0%	0.0%	0.0%	0.0%	0.0%	-1.4%	133.1%
Revolving credit facility, current	125 000	-	-	-	-	-	-
% of Total Sales	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating lease liabilities	-	-	835 995	1 153 989	1 046 935	1 163 489	1 156 628
% of Total Sales	0.0%	0.0%	11.5%	17.6%	11.4%	12.1%	12.0%
Long-term and Short-term debt	792 046	728 834	592 687	1 003 556	662 531	673 930	676 043
% of Total Sales	12.6%	10.7%	8.1%	15.3%	7.2%	7.0%	7.0%
Derivative financial instruments	826	2 160	4 022	2 714	1 429	-	-
Net Financial Debt	**546 200**	**(42 767)**	**145 410**	**(106 567)**	**(2 390 659)**	**(1 386 915)**	**(1 323 052)**
Total stockholders' equity	**2 769 518**	**2 897 426**	**3 181 368**	**2 934 563**	**5 360 543**	**5 447 982**	**5 619 848**
Total sources of Funds	**3 315 719**	**2 854 659**	**3 326 778**	**2 827 995**	**2 969 883**	**4 061 067**	**4 296 796**

USD'000	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Core Invested Capital										
Operating Cash	502 238	533 524	574 828	610 244	637 275	653 786	666 310	678 740	691 713	705 588
% of Total Sales	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Accounts receivable, net	984 338	1 141 085	1 325 071	1 510 108	1 576 998	1 617 856	1 648 849	1 679 609	1 711 711	1 746 045
Average Collection Period	36	39	42	45	45	45	45	45	45	45
Inventories	1 513 865	1 619 685	1 739 386	1 846 220	1 913 448	1 953 617	1 985 157	2 022 123	2 060 708	2 101 983
Average Holding Period	109	111	112	113	113	113	113	113	113	113
Prepaid expenses and other current assets	457 715	487 993	524 103	555 153	579 058	594 111	604 528	614 933	625 713	637 086
% of Total Sales	4.6%	4.6%	4.6%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Total current operating assets	**3 458 157**	**3 782 287**	**4 163 388**	**4 521 725**	**4 706 780**	**4 819 370**	**4 904 845**	**4 995 405**	**5 089 846**	**5 190 702**
Property and equipment, net	1 336 480	1 371 469	1 427 936	1 472 032	1 494 960	1 522 745	1 552 967	1 582 881	1 614 195	1 647 864
% change	3.1%	2.6%	4.1%	3.1%	1.6%	1.9%	2.0%	1.9%	2.0%	2.1%
Operating lease right-of-use assets	761 043	804 918	864 194	919 163	958 584	976 564	991 651	1 010 403	1 029 997	1 050 997
% of Total Sales	7.6%	7.5%	7.5%	7.5%	7.5%	7.5%	7.4%	7.4%	7.4%	7.4%
Goodwill	481 573	481 573	481 573	481 573	481 573	481 573	481 573	481 573	481 573	481 573
Intangible assets, net	42 698	44 898	48 809	52 140	54 627	56 030	57 354	58 652	60 026	61 537
% of Total Sales	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Deferred income taxes	335 400	356 793	383 942	407 245	425 090	436 117	444 199	452 237	460 605	469 510
% of Total Sales	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Land use rights	24 781	25 928	28 310	30 333	31 830	32 644	33 485	34 306	35 180	36 150
% of Total Sales	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%
Other assets	39 010	40 816	44 565	47 750	50 107	51 387	52 713	54 004	55 381	56 907
% of Total Sales	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Total non-current operating assets	**3 020 985**	**3 126 396**	**3 279 328**	**3 410 236**	**3 496 771**	**3 557 060**	**3 613 941**	**3 674 057**	**3 736 957**	**3 804 540**
Total Operating assets	**6 479 141**	**6 908 682**	**7 442 716**	**7 931 961**	**8 203 551**	**8 376 430**	**8 518 786**	**8 669 461**	**8 826 802**	**8 995 242**
Accounts payable	(960 716)	(1 037 240)	(1 132 523)	(1 228 810)	(1 279 963)	(1 309 751)	(1 330 942)	(1 355 775)	(1 381 693)	(1 409 413)
Average Payable Period	70	72	74	75	75	75	75	75	75	75
Accrued expenses	(326 172)	(350 262)	(373 814)	(394 192)	(410 189)	(420 925)	(426 927)	(433 026)	(439 223)	(445 517)
% of Total Sales	3.2%	3.3%	3.3%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Customer refund liabilities	(162 475)	(174 476)	(186 207)	(196 358)	(204 327)	(209 675)	(212 665)	(215 703)	(218 789)	(221 925)
% of Total Sales	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Other current liabilities	(675 997)	(708 932)	(772 483)	(826 530)	(866 699)	(888 891)	(910 931)	(932 460)	(955 341)	(980 620)
% of Total Sales	6.7%	6.6%	6.7%	6.8%	6.8%	6.8%	6.8%	6.9%	6.9%	6.9%
Current income tax liabilities	(148 451)	(174 520)	(205 687)	(222 681)	(234 762)	(240 792)	(245 182)	(250 637)	(256 437)	(262 855)
% of Taxes	73.5%	70.7%	69.5%	71.9%	72.0%	68.7%	66.8%	67.2%	67.5%	67.9%
Total current operating liabilities	**(2 273 811)**	**(2 445 430)**	**(2 670 714)**	**(2 868 571)**	**(2 995 941)**	**(3 070 034)**	**(3 126 648)**	**(3 187 601)**	**(3 251 483)**	**(3 320 330)**
License fees payable	(1 311)	(1 371)	(1 497)	(1 604)	(1 684)	(1 727)	(1 771)	(1 814)	(1 861)	(1 912)
% of Total Sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred income tax liabilities	(29 187)	(37 783)	(48 821)	(54 611)	(61 325)	(68 969)	(72 488)	(74 007)	(75 621)	(77 403)
% of Taxes	14.4%	15.3%	16.5%	17.6%	18.8%	19.7%	19.8%	19.8%	19.9%	20.0%
Total operating non-current liabilities	**(30 498)**	**(39 154)**	**(50 319)**	**(56 215)**	**(63 009)**	**(70 695)**	**(74 259)**	**(75 821)**	**(77 481)**	**(79 315)**
Total Operating Liabilities	**(2 304 309)**	**(2 484 585)**	**(2 721 033)**	**(2 924 786)**	**(3 058 949)**	**(3 140 729)**	**(3 200 907)**	**(3 263 422)**	**(3 328 964)**	**(3 399 645)**
Total Core Invested Capital	**4 174 832**	**4 424 097**	**4 721 683**	**5 007 174**	**5 144 601**	**5 235 701**	**5 317 879**	**5 406 039**	**5 497 838**	**5 595 597**
NWC	**1 184 345**	**1 336 856**	**1 492 674**	**1 653 154**	**1 710 839**	**1 749 336**	**1 778 197**	**1 807 804**	**1 838 363**	**1 870 373**
Non-Core Invested Capital										
Other long-term assets	51 668	55 484	59 215	62 443	64 977	66 678	67 629	68 595	69 576	70 574
% of Total Sales	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Investment Properties	189 034	163 825	154 694	150 387	150 295	154 064	157 968	161 768	165 817	170 313
% change	-14.2%	-13.3%	-5.6%	-2.8%	-0.1%	2.5%	2.5%	2.4%	2.5%	2.7%
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
Investments accounted for using the equity method	249 872	269 065	305 825	347 043	392 948	443 338	500 319	563 915	636 199	719 208
% change	10.1%	7.7%	13.7%	13.5%	13.2%	12.8%	12.9%	12.7%	12.8%	13.0%
Other receivables	63 832	66 787	72 923	78 134	81 991	84 086	86 254	88 368	90 620	93 118
% of Leases	5.4%	5.5%	5.7%	5.4%	5.4%	5.4%	5.5%	5.5%	5.5%	5.6%
Restricted bank deposits	123	129	141	151	158	162	166	170	175	180
% of Leases	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other long-term liabilities	(157 603)	(169 243)	(180 623)	(190 469)	(198 199)	(203 386)	(206 287)	(209 234)	(212 228)	(215 269)
% of Total Sales	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%
Deferred income	(10 931)	(11 556)	(12 896)	(14 368)	(15 972)	(17 692)	(19 602)	(21 692)	(24 026)	(26 667)
% change	8.1%	5.7%	11.6%	11.4%	11.2%	10.8%	10.8%	10.7%	10.8%	11.0%
Total Non-Core Invested Capital	**385 996**	**374 491**	**399 278**	**433 321**	**476 198**	**527 249**	**586 448**	**651 891**	**726 133**	**811 456**
Total Invested Capital	**4 560 828**	**4 798 588**	**5 120 961**	**5 440 495**	**5 620 799**	**5 762 950**	**5 904 327**	**6 057 930**	**6 223 971**	**6 407 053**
Financial										
Excess of Cash	(1 104 925)	(1 173 753)	(1 264 621)	(1 342 537)	(1 402 005)	(1 438 328)	(1 465 883)	(1 493 228)	(1 521 769)	(1 552 293)
% of Total Sales	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Long-Term Bank Deposits	(1 004 477)	(1 067 048)	(1 149 655)	(1 220 488)	(1 274 550)	(1 307 571)	(1 332 621)	(1 357 480)	(1 383 426)	(1 411 175)
% of Total Sales	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Short-term bank deposits	(319 364)	(334 150)	(364 845)	(390 916)	(410 213)	(420 695)	(431 545)	(442 121)	(453 388)	(465 888)
% of Total Sales	3.2%	3.1%	3.2%	3.2%	3.2%	3.2%	3.2%	3.3%	3.3%	3.3%
Investments accounted at fair value through profit or loss	(61 106)	(60 256)	(62 596)	(64 794)	(66 789)	(68 464)	(70 199)	(71 887)	(73 687)	(75 685)
% change	1.0%	-1.4%	3.9%	3.5%	3.1%	2.5%	2.5%	2.4%	2.5%	2.7%
Revolving credit facility, current	-	-	-	-	-	-	-	-	-	-
% of Total Sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating lease liabilities	1 175 988	1 212 779	1 277 438	1 449 361	1 512 352	1 551 624	1 579 649	1 607 578	1 636 588	1 667 339
% of Total Sales	11.7%	11.4%	11.1%	11.9%	11.9%	11.9%	11.9%	11.8%	11.8%	11.8%
Long-term and Short-term debt	1 506 715	1 707 277	1 954 414	2 196 879	2 421 644	2 615 142	2 665 241	2 714 961	2 766 853	2 822 351
% of Total Sales	15.0%	16.0%	17.0%	18.0%	19.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Net Financial Debt	**192 832**	**284 849**	**390 135**	**627 504**	**780 441**	**931 709**	**944 643**	**957 822**	**971 171**	**984 649**
Total stockholders' equity	**4 367 996**	**4 513 739**	**4 730 826**	**4 812 991**	**4 840 359**	**4 831 241**	**4 959 684**	**5 100 108**	**5 252 801**	**5 422 404**
Total sources of Funds	**4 560 828**	**4 798 588**	**5 120 961**	**5 440 495**	**5 620 799**	**5 762 950**	**5 904 327**	**6 057 930**	**6 223 971**	**6 407 053**

Merged Company's Statement of Cash Flows (USD)

USD'000	Historical						
	2017	2018	2019	2020	2021	2022	2023
Operating							
Core EBIT	211 393	261 420	440 066	253 811	1 260 985	865 838	700 145
Income Taxes	(56 482)	(59 283)	(118 825)	(224 600)	(256 199)	(220 962)	13 996
NOPLAT	**154 911**	**202 137**	**321 240**	**29 211**	**1 004 786**	**644 876**	**714 141**
Depreciation	211 959	228 331	290 255	294 404	302 055	428 714	418 441
From PPE	211 959	228 331	238 081	231 730	230 564	337 846	310 863
From RUA	-	-	52 174	62 674	71 491	90 867	107 578
Amortization	15 268	13 420	11 987	13 100	8 335	15 495	13 797
Gross Free Cash Flow	**382 138**	**443 887**	**623 482**	**336 716**	**1 315 176**	**1 089 084**	**1 146 379**
CAPEX		(170 975)	(228 105)	(102 179)	(276 894)	(614 878)	(471 148)
Δ NWC		379 386	353 906	239 418	263 151	(830 699)	3 825
Δ Other Operating Assets and Liabilities		(46 466)	(763 824)	48 431	(104 049)	(127 745)	(276 062)
Operating Free Cash Flow	**382 138**	**605 833**	**(14 541)**	**522 386**	**1 197 383**	**(484 238)**	**402 994**
Non Operating							
Non Operating EBIT	(110 282)	(168 418)	64 127	(368 941)	(4 887)	120 125	153 636
Income Taxes	5 211	55 670	(6 806)	97 572	9 642	(23 487)	(17 854)
Non Operating NOPLAT	**(105 071)**	**(112 748)**	**57 322**	**(271 369)**	**4 756**	**96 638**	**135 781**
Δ Other Operating Assets		11 617	(25 780)	3 790	(323 039)	12 870	30 681
Δ Other Operating Liabilities		45 747	(110 558)	1 818	(11 446)	25 061	44 737
Other Comprehensive Income/Loss	13 362	(576)	(11 396)	(12 081)	11 178	(14 539)	(14 207)
Income (loss) from equity method investments	-	497	(47 679)	(7 246)	1 255	(1 002)	(359)
Non Operating Unlevered FCF	**(91 708)**	**(55 464)**	**(138 091)**	**(285 088)**	**(317 297)**	**119 028**	**196 634**
Total Unlevered Free Cash Flows	**290 430**	**550 369**	**(152 632)**	**237 299**	**880 086**	**(365 210)**	**599 628**
Financing							
Interest income (expense), net	(31 868)	(32 129)	(25 602)	(51 835)	(39 240)	31 294	41 205
Tax Shileds	10 009	3 731	3 871	(1 931)	10 272	(11 273)	(37 839)
Δ Debt		(588 967)	188 177	(251 977)	#########	1 003 745	63 863
Δ Equity		66 997	(13 814)	68 445	1 432 974	(658 555)	(666 857)
Financing Cash Flow	**(21 859)**	**(550 369)**	**152 632**	**(237 299)**	**(880 086)**	**365 210**	**(599 628)**

USD'000	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating										
Core EBIT	743 684	957 082	1 191 917	1 255 441	1 334 724	1 450 024	1 528 236	1 558 637	1 590 536	1 624 986
Income Taxes	(202 031)	(246 845)	(296 160)	(309 500)	(326 149)	(350 362)	(366 787)	(373 171)	(379 870)	(387 104)
NOPLAT	**541 653**	**710 238**	**895 757**	**945 941**	**1 008 574**	**1 099 661**	**1 161 449**	**1 185 466**	**1 210 666**	**1 237 882**
Depreciation	453 418	467 471	493 247	514 146	527 182	537 736	549 449	560 974	573 121	586 342
From PPE	343 071	352 015	367 186	379 077	385 445	392 377	400 341	408 213	416 467	425 369
From RUA	110 347	115 455	126 061	135 069	141 737	145 358	149 107	152 761	156 654	160 973
Amortization	15 372	16 266	17 585	18 714	19 567	20 072	20 492	20 906	21 340	21 811
Gross Free Cash Flow	**1 010 443**	**1 193 974**	**1 406 589**	**1 478 801**	**1 555 323**	**1 657 469**	**1 731 389**	**1 767 346**	**1 805 128**	**1 846 035**
CAPEX	(382 964)	(387 004)	(423 653)	(423 173)	(408 372)	(420 163)	(430 563)	(438 128)	(447 780)	(459 038)
Δ NWC	(144 695)	(152 511)	(155 818)	(160 480)	(57 685)	(38 497)	(28 861)	(29 607)	(30 559)	(32 010)
Δ Other Operating Assets and Liabilities	(209 871)	(193 486)	(228 947)	(234 698)	(218 118)	(190 247)	(192 696)	(202 305)	(207 922)	(214 864)
Operating Free Cash Flow	**272 913**	**460 973**	**598 171**	**660 450**	**871 147**	**1 008 562**	**1 079 270**	**1 097 306**	**1 118 867**	**1 140 123**
Non Operating										
Non Operating EBIT	55 722	71 047	123 035	142 651	151 663	162 364	173 822	186 373	200 485	216 571
Income Taxes	(1 013)	(4 526)	(15 238)	(19 164)	(20 880)	(22 982)	(25 239)	(27 735)	(30 548)	(33 752)
Non Operating NOPLAT	**54 710**	**66 521**	**107 796**	**123 487**	**130 784**	**139 382**	**148 583**	**158 638**	**169 937**	**182 819**
Δ Other Operating Assets	2 248	(761)	(37 507)	(45 361)	(52 211)	(57 958)	(64 009)	(70 480)	(79 571)	(91 005)
Δ Other Operating Liabilities	2 460	12 266	12 719	11 318	9 334	6 907	4 811	5 036	5 329	5 682
Other Comprehensive Income/Loss	(5 104)	(5 395)	(5 693)	(5 953)	(6 166)	(6 320)	(6 410)	(6 501)	(6 594)	(6 690)
Income (loss) from equity method investments	(2 377)	(2 541)	(2 692)	(2 823)	(2 929)	(3 006)	(3 049)	(3 092)	(3 136)	(3 181)
Non Operating Unlevered FCF	**51 937**	**70 089**	**74 624**	**80 668**	**78 811**	**79 006**	**79 926**	**83 601**	**85 965**	**87 624**
Total Unlevered Free Cash Flows	**324 849**	**531 062**	**672 796**	**741 118**	**949 959**	**1 087 568**	**1 159 197**	**1 180 907**	**1 204 832**	**1 227 747**
Financing										
Interest income (expense), net	52 980	56 917	65 694	72 461	79 005	83 617	86 390	89 065	91 958	95 250
Tax Shileds	(20 362)	(20 899)	(22 943)	(24 555)	(26 102)	(27 213)	(27 942)	(28 640)	(29 395)	(30 257)
Δ Debt	1 515 884	92 017	105 286	237 369	152 937	151 268	12 934	13 179	13 349	13 479
Δ Equity	(1 873 352)	(659 097)	(820 832)	(1 026 393)	(1 155 798)	(1 295 240)	(1 230 579)	(1 254 511)	(1 280 744)	(1 306 218)
Financing Cash Flow	**(324 849)**	**(531 062)**	**(672 796)**	**(741 118)**	**(949 959)**	**(1 087 568)**	**(1 159 197)**	**(1 180 907)**	**(1 204 832)**	**(1 227 747)**