Consumer Discretionary, Durables

Johnson Outdoors Inc.

Recommendation: Buy				
Current Price	**$101.17**	---	Ticker	JOUT
1 Year Bear	$118	*17%*	Sh. Out. (M)	10.0
1 Year Base	**$135**	***33%***	M.Cap. ($M)	0.98
1 Year Bull	$158	*56%*	EV ($M)	998.44

Price History

	5Y	3Y	2Y	LTM	YTD	3M	1M
Return	160.5%	58.2%	27.5%	1.8%	-8.7%	-7.2%	-9.1%

Financials

	2017	2018	2019	2020	2021	2022F	2023F
Sales($Thou)	**490.6**	**544.3**	**562.3**	**575.3**	**751.6**	**901.9**	**996.7**
Gr. %	13.1%	10.9%	3.3%	2.3%	30.6%	20.0%	10.5%
v. Cons.	-	-	-	-	-	18.3%	1.4%
Industry	4.3%	-1.4%	4.1%	-1.4%	15.3%	14.6%	7.2%
EPS	**$3.39**	**$4.04**	**$5.09**	**$5.14**	**$7.90**	**$10.36**	**$12.60**
Gr. %	88.9%	18.8%	1.5%	0.8%	53.7%	18.3%	1.4%
v. Cons.	-	-	-	-	-	**-8.6%**	**13.9%**
Industry	85.1%	-37.3%	-37.6%	-148.3%	42.2%	6.3%	40.8%

Ratios

	2017	2018	2019	2020	2021	2022F	2023F
NPM	**7.2%**	**7.5%**	**9.1%**	**9.3%**	**11.1%**	**11.3%**	**11.0%**
Industry	10.5%	9.9%	8.6%	7.5%	7.8%		
ROE	15.6%	15.6%	17.0%	15.7%	19.9%	15.8%	17.5%
Industry	19.2%	21.6%	12.1%	11.1%	11.9%		
ROA	10.6%	10.9%	12.4%	11.2%	13.7%	12.5%	11.9%
Industry	9.0%	9.1%	7.3%	6.9%	7.3%		
A T/O	1.45	1.45	1.35	1.21	1.23	1.25	1.30
A/E	1.47	1.44	1.38	1.30	1.33	1.35	1.38

Valuation

	2017	2018	2019	2020	2021	2022F	2023F
P/E	27.9	24.1	19.1	19.6	12.2	13.0	11.5
Industry	26.3	22.0	22.5	42.4	19.1	16.7	15.4
P/S	2.00	1.80	1.74	1.60	1.50	1.29	1.22
P/B	3.01	3.29	1.79	2.27	2.50		
P/CF	15.7	14.4	12.8	14.1	19.1		
EV/EBITA	10.6	10.2	5.2	7.5	6.9		
D/P	10.5%	11.6%	11.5%	13.1%	11.3%		

Summary

I recommend a buy rating with a target of $135. JOUT has an opportunity for significant earnings growth, from improving efficiency and increasing margins. However, I believe the market priced in the majority of these opportunities before the stock declined starting in April, as JOUT's growth slowed as the economy fully reopened. While the stock could fall if it misses estimates, I believe it is the right time to buy this stock now as it is undervalued based on the three- stage DCF model.

Key Drivers

- Sustainable Innovation: Johnson Outdoors spent 4.14% of total net sales in 2020 on research and development to create new products
- JOUT operates in a highly competitive market and has successfully launched new products to boost sales in the past
- Market Growth: JOUT has tried to expand its products globally, but it seems to be hurting it more than helping. The firm has potential to grow profits significantly if its international efforts are successful.
- Trends in the Economy: Consumer confidence is correlated with the stock, and it has recently moderated.

Valuation

Using a relative valuation approach, Johnson Outdoors appears to be undervalued in comparison to the outdoor leisure industry. DCF analysis implies that the stock is worth $138. A combination of the approaches suggests that JOUT is undervalued, as the stock's value is about $135 and the shares trade at $101.17.

Risks

- Global tariffs continue to be unpredictable, increasing JOUT's cost of goods
- The firm is highly influenced by economic conditions

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Company Overview

Johnson Outdoors Inc. (JOUT-US) is a manufacturer and marketer of seasonal, outdoor recreation products. The headquarters are located in Racine, WI. The company designs many of the world's best-known outdoor recreation brands across four segments include fishing, camping, watercraft recreation, diving, and other. The firm has brand specific stores located throughout the United States and in several other countries including Spain, Italy, Indonesia, China, Germany, France, Belgium, Australia, and more. For over a decade, its new products have represented a third or more of the total company revenue. JOUT sells its products through online retailers, the company's websites, and through various store locations. JOUT's reputation for creating value that goes beyond just creating great products but also creating the ultimate experience for outdoor enthusiasts has resulted in a portfolio of market-winning brands. The firm has attained leading market positions due to its continuous innovation, excellence, quality, and the performance of products.

The fishing segment makes up 75.6% of sales and has grown 6.7% annually since 2016.

However, growth slowed in 2019 before picking up in 2020.

Johnson Outdoors generates its revenue from making and selling outdoor recreational products across four main segments:

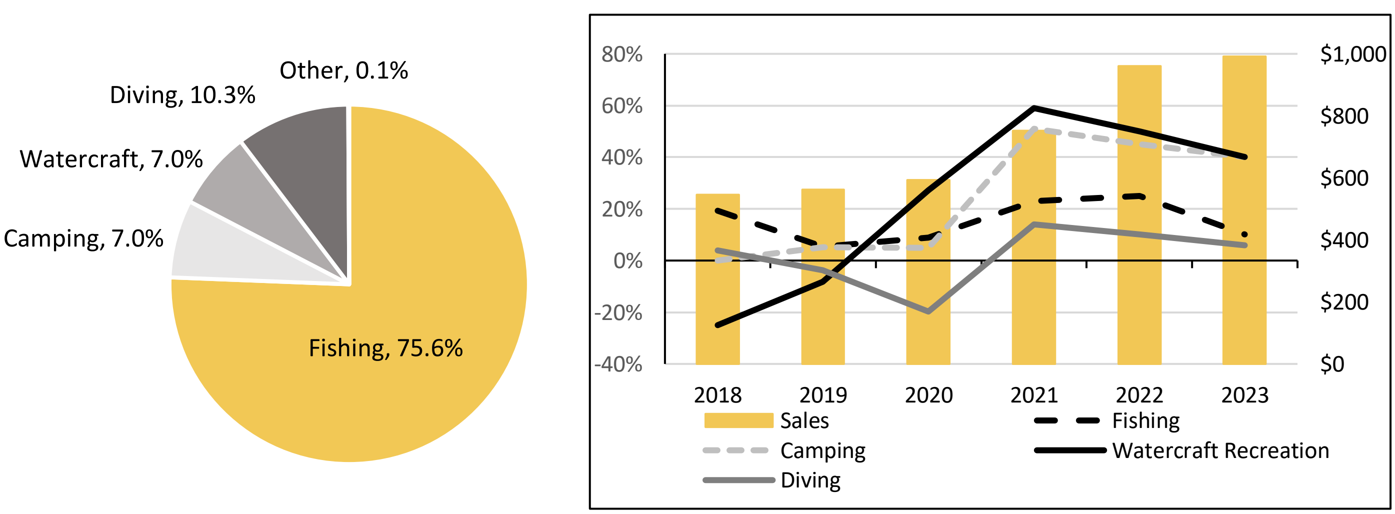
1) **Fishing**: This segment makes up 75.6% of sales. Since 2016, this segment has grown 6.7% compounded annually. Some key brands include *Minn Kota* electric motors, *Humminbird* sonar/GPS equipment, and *Cannon* down-riggers.

2) **Diving**: This includes the marketing and manufacturing of underwater diving products which sells and distributes under to SCUBAPRO brand name. The annual growth rate for diving is (1.8%) since 2016.

3) **Watercraft Recreation**: This segment of the company designs and markets several canoes and kayaks under Ocean Kayaks and Old Town brand names and had a (2.9%) compound annual growth rate since 2016.

4) **Camping**: Eureka! consumer, commercial and military tents, and recreational camping products along with Jetboil portable outdoor cooking systems are some key brands. It grew at a 0.8% annual rate since 2016.

Figures 1 & 2: Revenue by segment in 2020 (left) and revenue history (in thousands) since 2016 (right)



Source: Company reports

Business/Industry Drivers

Though several factors may contribute to Johnson Outdoors's future success, the following are the most important business drivers:

1) Sustainable Innovation
2) Competitor Awareness
3) Market Growth (different countries)
4) Trends in the Economy

Sustainable Innovation

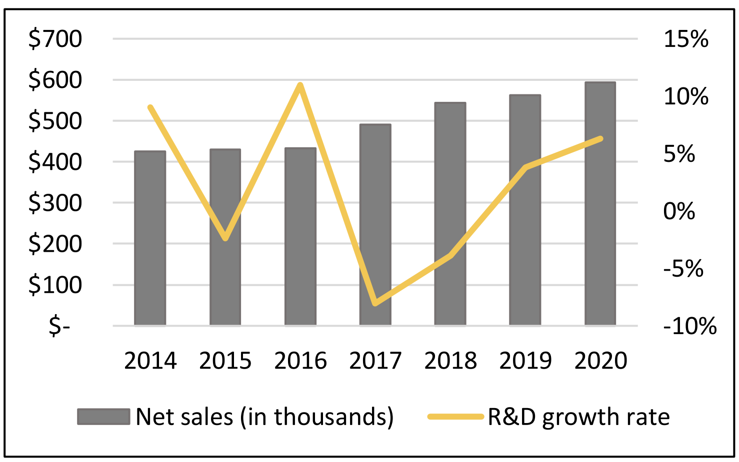
Being in a competitive market, it is crucial for JOUT to keep up with rapidly changing consumer preferences

Johnson Outdoors relies on its ability to create, design, and market new products. The company's value and culture support innovation in all areas, promoting and leveraging the best practices within all subsidiaries to advance its strategic vision. Outdoor recreation is a very competitive market, with quick changing demand. Rapidly changing consumer preferences makes it very difficult to know how long consumer demand for certain products will last or what new products will actually be successful. Failure to identify trends and develop new products on a timely basis could significantly reduce sales and profitability. Because of this, JOUT commits significant resources to new product research and development in each of its business segments.

JOUT's fishing segment is a leader in innovation and makes up 75.6% pf total revenue.

In 2020, Johnson Outdoors spent 4.14% of total net sales on research and development to create new products, and 20.5% on marketing. Previously, Figure 3 showed slowed sales in 2019 for three of the company's segments. This could have been largely driven by the decrease in R&D during 2017.

Figures 3: R&D growth with net sales (left)



For its fishing segment, JOUT combines consumer insights with technology innovations to reimagine and redefine its consumers ultimate fishing experience which includes trolling motors and underwater imaging.

One of the newest innovations for the fishing segments included a Bluetooth Trolling Motor.

Minn Kota Terrova Bow Mount Bluetooth Trolling Motor with i-Pilot US2 and Foot Pedal

$1,599.99 - $2,149.99

As for diving, the brand has been continuously committed to inspiring divers worldwide with innovations like the full color Galileo G2 wrist-mount computer in 2017, and the industry's first "green" wetsuit in 2018.

An innovative diving product from 2017 includes a full color wrist-mount computer.

Scubapro G2 Dive Computer, Transmitter & Heart Rate Monitor

$1,520.00

The camping segment had a turn of the century when Jetboil launched a stove that revolutionized outdoor cooking in 2001. Its brand's FluxRing technology has impressive boil times and drives new innovations as well, including the Jetboil Genesis which was released in 2016.

The Jetboil stove for outdoor cooking revolutionized the industry.

Jetboil 1.5 L Ceramic FluxRing Cooking Pot

$64.95

Jetboil Genesis 2-Burner Backpacking Stove Cooking System

$379.95

Watercraft Recreation has continuing innovations including the use of fiberglass in the 1960s and rotomolded plastic composites in the 1970s. Its brand Old Town® began making kayaks, launching the breakthrough Predator series in 2013. The fishing kayak segment continues to grow with innovations like the Old Town® Topwater pedal-powered fishing kayak.

JOUT's Old Town brand continues to release high quality kayaks, including some that are pedal powered.

Old town Predator 13

$1449.99

Old Town Topwater 106 PDL Fishing Kyak

$1,999.99

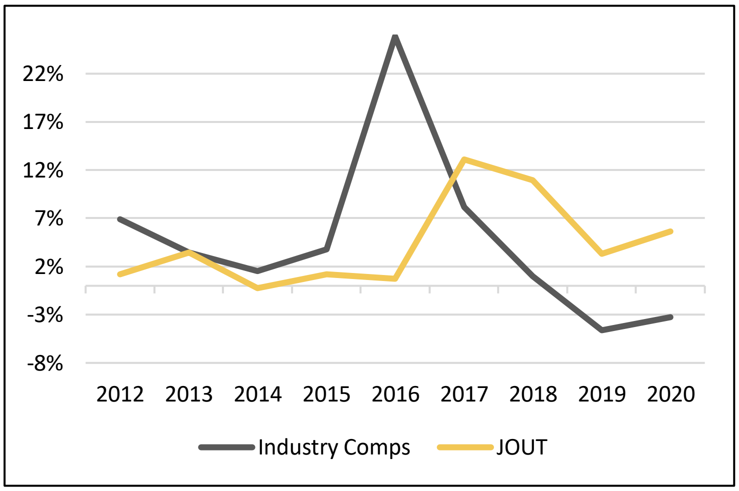
JOUT must be strategic to stay on top in the competitive markets.

Competitor Awareness

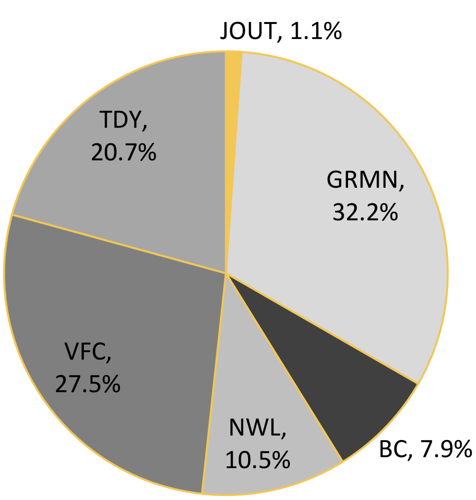
Johnson Outdoors is an outdoor leisure company which operates in highly competitive markets. Not only does it compete with large domestic companies, but also foreign brands. Several of these competitors have longer operating histories with stronger brand recognition and much larger financial, technical, and marketing resources. JOUT must be very convincing with its marketing and providing unique features to its products. Firms in the industry also compete on price, JOUT constantly competes against competitors for shelf space at retailers. Brunswick, Navico, Garmin, Confluence Outdoor, and Aqua Lung, other producers of outdoor recreation products sell to many of the same retail customers.

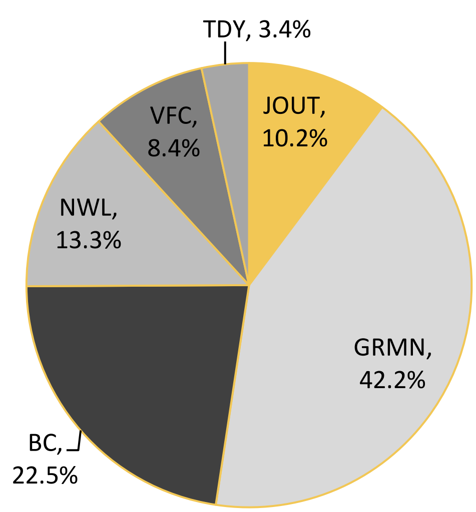
By branding itself as consumer friendly and providing superior products of the highest quality, JOUT has created a moat in this competitive sector. Figure 4 shows Johnson Outdoors's sales growth in comparison to some of its top industry competitors. As you can see the firm has outperformed its competitors since 2017 and grew sales in 2019 to 2020 when competitor's sales declined.

Figure 4: JOUT annual sales growth (%) vs. Industry comps



Figures 5 and 6: Industry concentration by market cap (left) vs. sales (right)





Source: FactSet, Analyst Computations

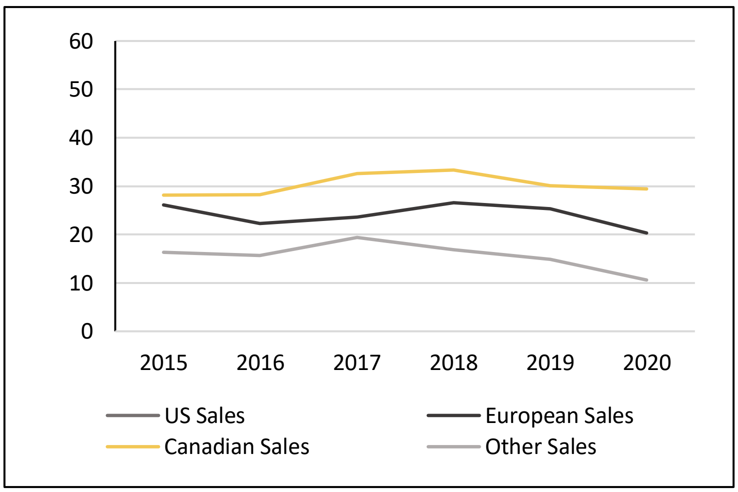
As shown in the above two figures, JOUT has a very small market cap (1.1%) compared to all of its competitors, but it has 10.2% of the sales, which is a decent sized chunk of the industry. Given its smaller market cap versus peers, this implies it has lower growth, higher risk, and/or lower profit margins. Later, in the valuation section (figure 25), I'll show that margins and long-term growth are at the median while beta is average, so it appears the stock is undervalued.

Market Growth

JOUT sells in multiple countries, through many retailers, and various distributors.

JOUT primarily markets to the United States, but since 2016 has grown its product internationally. Although, sales have been stagnant at just above $90 million since 2018. Fishing brands and related accessories are sold across the globe, with most sales coming from North America, including the US and Canada, through large outdoor specialty retailers, such as Bass Pro Shops and Cabela's, other large retail store chains, distributors that service independent marine, sporting goods and internet dealers, and original equipment manufacturers (OEM) of boat brands such as Tracker, Skeeter and Ranger. The company also sells direct to consumers via its Minn Kota, Humminbird, and Cannon websites. Markets outside of North America are accessed through a network of international distributors.

Figure 7: JOUT Annual sales by country ($)

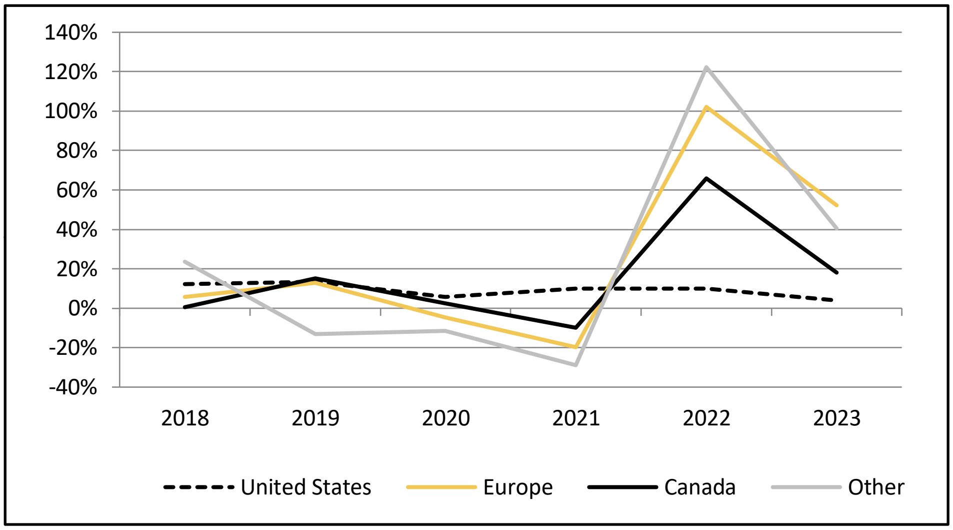


Source: Company Reports

Recently, risk has risen for international business as many countries in the European Union, as well as several other countries in the Organization for Economic Cooperation and Development, are actively considering changes to existing tax laws. Certain proposals could include recommendations that could increase JOUT's tax obligations in many countries. Although the company has presence in some international markets, it does not appear to be a top priority for JOUT at this time.

Combined net sales for Europe, Canada, and the Pacific Basin were $93,478, $93,056, and $90,554.

Figure 8: Sales growth each year domestic vs. international (%)



COVID-19 caused JOUT to implement strict restrictions causing it to temporarily close operations

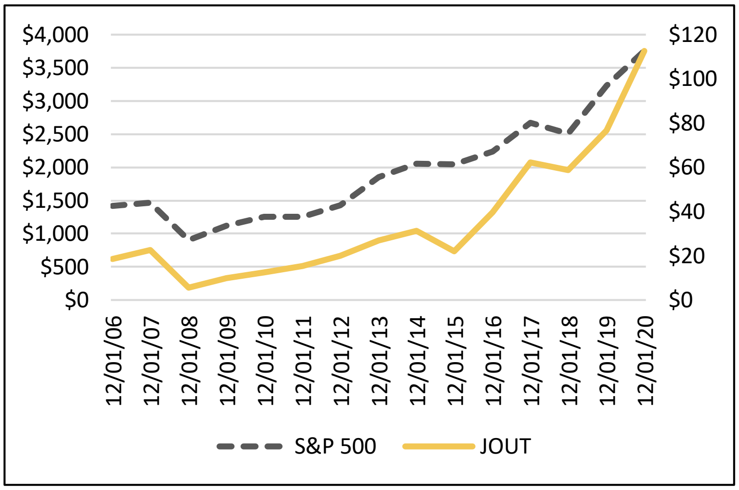
During the 2020-21 fiscal periods, COVID-19 has a positive impact due to increased participation in outdoor activities.

Trends in the Economy

JOUT's operations are exposed to several economic risks. It is especially susceptible to risks associated with pandemics, epidemics, and other health emergencies, such as the recent outbreak of COVID-19. Outbreaks such as these have resulted, and can continue to result, in governments around the world implementing stringent or restrictive measures to help control the spread of the virus, including quarantines, "shelter in place" and "stay at home" orders, travel restrictions, business curtailments, school closures, and other measures. In response to these measures, JOUT temporarily closed its manufacturing locations and warehouses for a portion of its 2020 fiscal year, for the protections of their own employees. The firm resumed business and production at the end of the 2020 fiscal year under appropriate safety protocols, but the period of suspended operations had a large impact on the pace of sales and operating profits between fiscal quarters.

However, as disclosed in its public filings, during the latter half of fiscal 2020, the firm saw favorable impact of COVID-19 on its results due to increased participation in fishing, camping and watercraft recreation and related demand for its products, largely driven by the consumer's desire to engage in socially distant and safe activities in the great outdoors. Sales rose from $594 million in the year ended September 2020 to $753 million this year. Consensus expects sales to be $762 million in the year that just ended, and I expect sales to be slightly lower at $752 million.

Figure 9: JOUT price vs. S&P 500

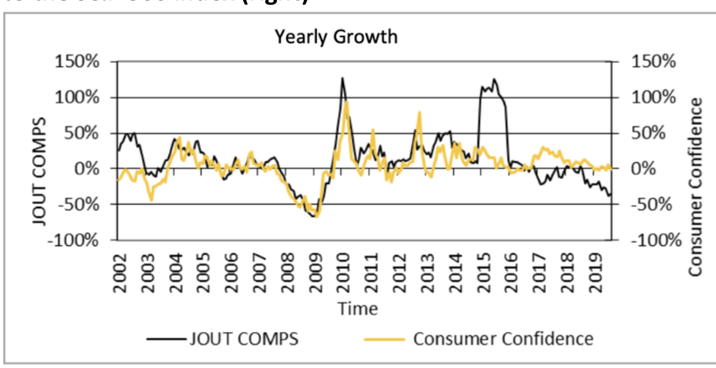


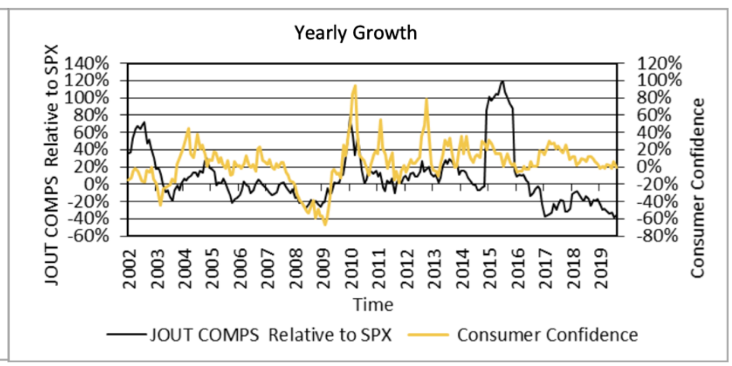
Source: Company Reports

Economic conditions highly effect the consumer discretionary sector.

JOUT's revenues are affected by economic conditions and consumer confidence worldwide, but especially in the United States and Europe. In times of economic uncertainty, its consumers tend to defer expenditures for discretionary items, which affects demand for its products. Figure 10 shows that the stock is somewhat positively correlated with change in consumer confidence. Figure 11 illustrates how the stock underperforms with the market when consumer confidence declines, and vice versa. JOUT focuses on highly costly leisure activities. Perhaps when economic conditions are weak people are less likely to invest in JOUT's more costly outdoor equipment and instead invest in less expensive activities.

Figures 10 and 11: Consumer confidence compared to JOUT comps (left); consumer confidence compared to JOUT comps relative to the S&P 500 index (right)





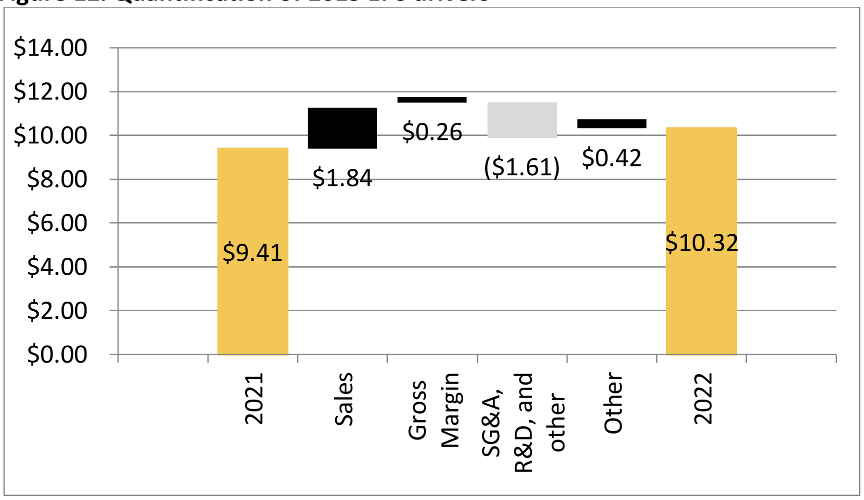
Source: Bloomberg, IMCP

Financial Analysis

Sales should add $1.84 per share to 2022 EPS which is expected to grow by 9.7%

I expect EPS to increase by 9.7% from $9.41 to 10.32 in the 2022 fiscal year. Increasing sales in the United States and the expansion of its business segments should bring earnings up to $1.84 per share. With this, I also expect the gross margin to grow and add $0.26 per share. SG&A to sales is expected to increase causing EPS fall by $1.61. Lastly, I anticipate an increase of $0.42 per share of other, which is driven mostly by the decrease in tax rate.

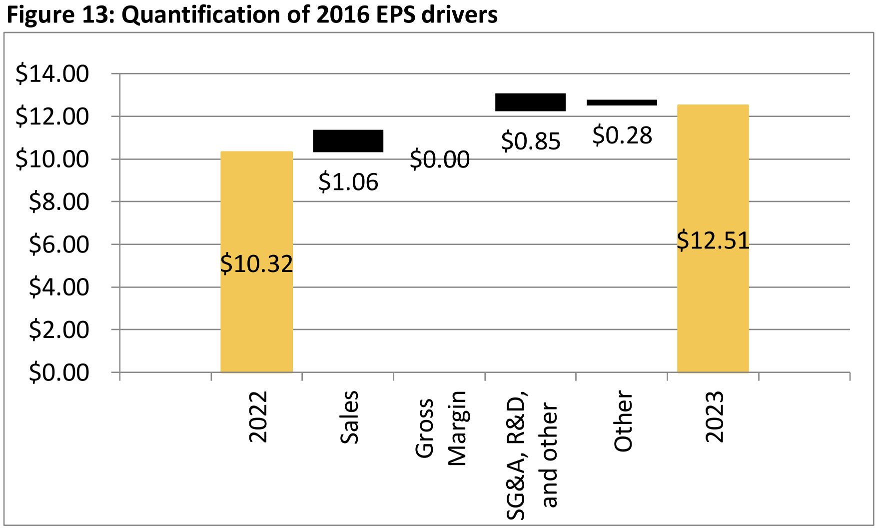
Figure 12: Quantification of 2015 EPS drivers



Source: Company Reports, IMCP

I expect 2023 EPS to increase $10.32 to $12.51. I predict sales to increase by at least 20% in 2022, boosting EPS by $1.06. I forecast gross margin to stay the same, therefore keeping EPS at the same rate. With this, there will be a decrease in SG&A to sales contributing $0.85 per share. With share buybacks rising, this will add another $0.28 onto EPS.

Figure 13: Quantification of 2016 EPS drivers



I am much more optimistic than consensus estimates for 2021 and 2022, particularly in the first two quarters. I anticipate stronger growth in 2021 driven primarily by JOUT's expanding markets and segments. The market must believe that the jump of sales JOUT's experienced is one time due to extra spending on recreational outdoor activities. My estimates suggest that people's lifestyles are changing and this is becoming permanent.

I am $2.86 more optimistic than consensus for 2022 EPS and $4.06 more optimistic in 2023

Figure 14: EPS and YoY growth estimates by quarter

	FY 2022	FY 2023
Revenue - Estimate	$901,981	$996,689
YoY Growth	20.0%	10.5%
Revenue - Consensus	$749,500	$759,700
YoY Growth	18.3%	1.4%
EPS - Estimate	10.36	12.60
YoY Growth	10.1%	21.6%
EPS - Consesus	7.50	8.54
YoY Growth	-8.6%	13.9%

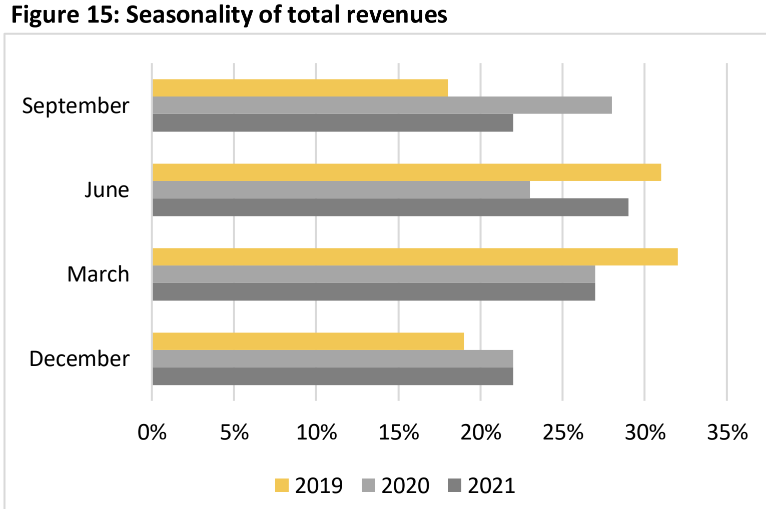
Source: Factset, IMCP

Revenues

Johnson Outdoors's revenue has been steadily rising since 2011. In 2021, its growth rate was higher than any previous years by almost 30%. I expect that growth will continue to reflect this year's number. The pandemic has made people more eager to get outdoors and practice new hobbies including fishing, camping, and watersports. Because most of these activities depend on favorable weather conditions, it is important to note, most of JOUT's sales have come from the first and second quarters (in 2021 this was 60% of revenue).

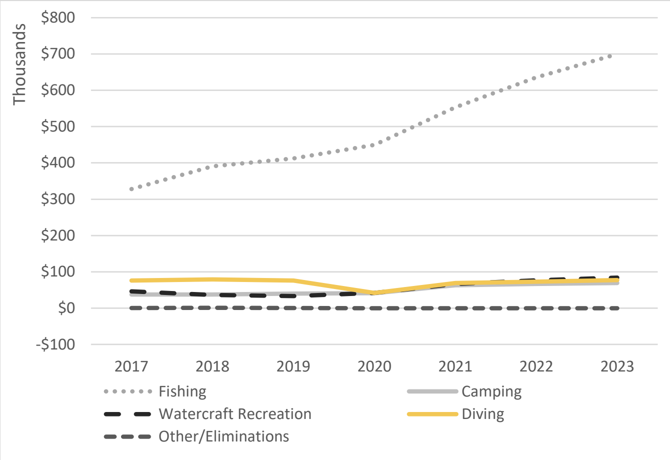
Recovering from the pandemic, I expect JOUT's revenue to continue growing.

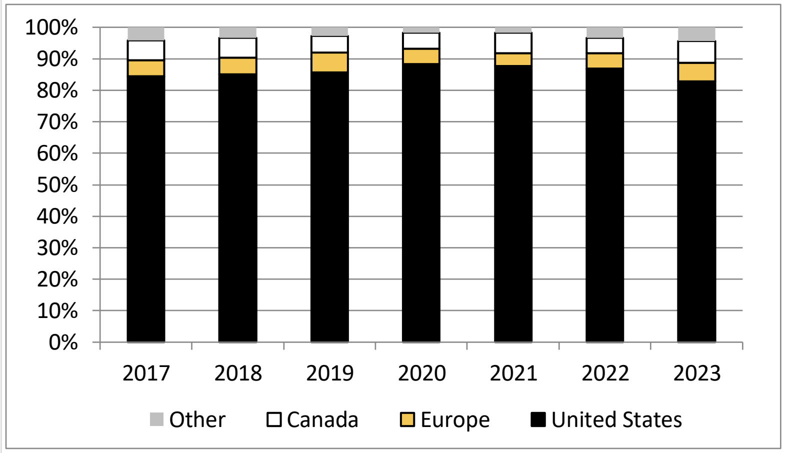
Figure 15: Seasonality of total revenues



International store revenue has begun to grow again in 2021. Canadian sales grew by 66% since 2020, and now contributes to 6.5% of JOUT's overall revenue. I anticipate that within the next few years, the company will continue to focus on growing international sales and grow its market in Europe significantly.

Figure 16 and 17: Johnson Outdoors's segment revenues (left); Geographical revenue Growth Rates (right)



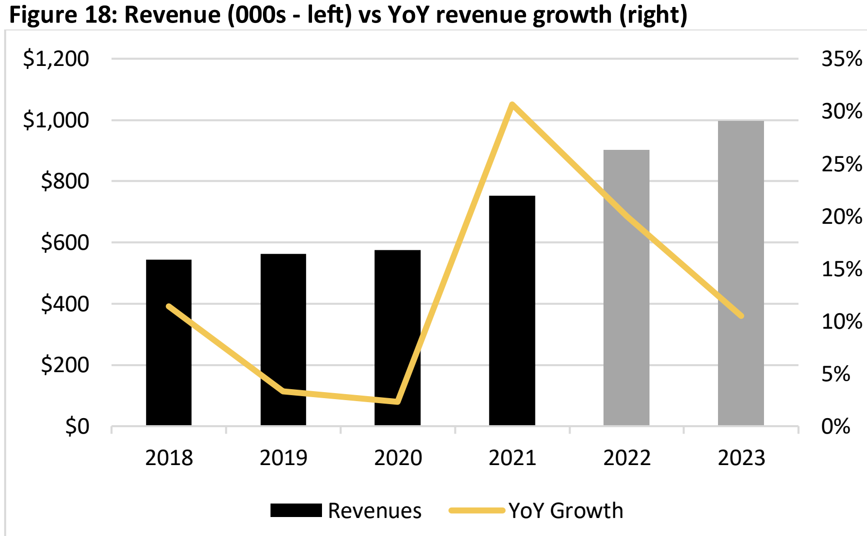


Source: Company Reports, IMCP

JOUT has constantly grown its fishing segment revenue. With this, it's contributing capital towards improving technology in each of its segments. I expected these trends to continue in FY 2022 and 2023. I estimate that fishing will eventually make up 75% of overall sales and watercraft recreation to make up almost 11% in 2022.

I expect JOUT's fishing to continue growing and growing as a percentage of sales.

Figure 18: Revenue (000s - left) vs YoY revenue growth (right)



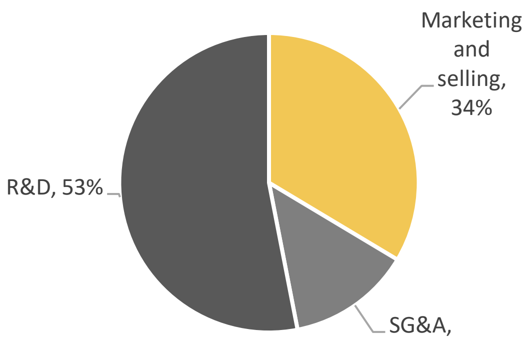
Source: Company Reports

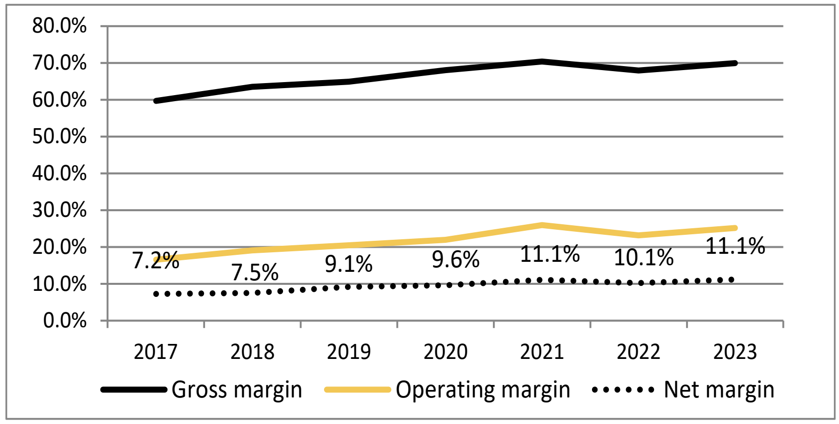
Operating Income and Margins

Tariffs have been a driver for the decrease in operating margin over the past few years.

Operating expenses are composed primarily of selling, general and administrative expenses. The company breaks out salaries, wages, and benefits from SG&A, and accrued warranties is also a contributor to AG&A. U.S. tariffs on Chinese goods and components impacted fiscal 2021 operating profit by approximately $12 million or 1.6% of sales. The firm continues to pursue possibilities to mitigate the impact of these tariffs on their future revenues.

Figures 19 and 20: Composition of operating expenses (left) and Gross, operating, and net margin 2017- E2023 (right)





Source: Company Reports

Besides the tariffs, I expect a steady operating margin mostly due to R&D.

Despite these tariffs, net margin rose from 9.6% to 11.1% in 2021. Net margin could also be down from where it has potential to be due to spending on R&D for leading innovations, but by focusing on innovative technology, high quality of products, and effective marketing, the company has achieved huge market share gains. Moving to the future years, I expect to see continued growth in R&D and steady gross and operating margin.

Figure 21: JOUT operating margins, 2020 – 2023E

	2020	2021	2022E	2023E
Sales	$575,336	$751,651	$901,981	$996,689
Direct costs	$310,343	$417,526	$497,894	$550,172
Net income	$55,233	$83,381	$91,488	$110,896
Gross margin	*9.6%*	*11.1%*	*10.1%*	*11.1%*
Operating Expenses				
Marketing and selling	$121,517	$141,059	$169,502	$202,910
Growth	*0.0%*	*16.1%*	*20.2%*	*19.7%*
SG&A	$47,785	$56,083	$69,709	$72,835
Growth	*12.2%*	*17.4%*	*24.3%*	*4.5%*
R&D	$24,621	$25,700	$29,579	$31,235
Growth	*12.3%*	*4.4%*	*15.1%*	*5.6%*
Operating income	$71,070	$111,283	$135,297	$139,536
Operating margin	*12.4%*	*14.8%*	*15.0%*	*14.0%*

Source: Company Reports

Return on Equity

I expect to ROE to stay at a steady rate due to the steady rate of asset turnover.

ROE has gone up by almost 5% since 2018. Profit margins significantly increased to 14.8% in 2021 from 12.4% in 2020, and I predict that to come down to 14.0% in 2023. Asset turns declined in 2020 but has started to recover from the COVID-19 pandemic. ROE dropped during the pandemic, but has recovered in 2021, and I predict that it will stay at a steady percentage around 18%. DuPont analysis for JOUT reveals that ROE is driven mostly by profit margins. Besides 2020's pandemic, with the drop in asset turns dragging ROE down.

Figure 22: ROE breakdown, 2018 – 2021E

5-stage DuPont	2018	2019	2020	2021	2022E	2023E
EBIT / sales	11.6%	11.3%	12.4%	14.8%	13.0%	14.0%
Sales / avg assets	1.45	1.35	1.17	1.23	1.23	1.16
EBT / EBIT	99.7%	99.7%	99.8%	99.9%	99.9%	99.9%
Net income /EBT	64.7%	80.8%	77.9%	75.0%	78.1%	79.6%
ROA	10.9%	12.4%	11.2%	13.7%	12.5%	13.0%
Avg assets / avg equity	1.44	1.38	1.40	1.46	1.45	1.41
ROE	**15.6%**	**17.0%**	**15.7%**	**19.9%**	**18.1%**	**18.3%**

Source: Company Reports

Free Cash Flow

As shown in Figure 22, Johnson Outdoors's free cash flow has been volatile over the last few years. This year, NOPAT grew by 55.4%. Although I do not think it will grow by this much in 2022, I expect it will still jump up by 9.1%, and eventually hit over $100 million in 2023. With the expansion on its markets and possible expansion to international areas, I expect NFA to continue growing at a steady rate into 2022 and 2023. I expect FCFF and FCFE to fully recover in 2022 back to pre-COVID rates, as we have seen its partial recovery this year.

Figure 23: Free cash flow calculations

Free Cash Flow	2017	2018	2019	2020	2021	2022E	2023E
NOPAT	$32,318	$35,495	$48,639	$52,564	$81,703	$89,116	$108,838
Growth		*9.8%*	*37.0%*	*8.1%*	*55.4%*	*9.1%*	*22.1%*
NWC*	85,144	88,377	75,641	120,838	177,082	189,443	209,335
Net fixed assets	112,810	110,242	113,916	157,488	183,023	214,757	226,520
Total net operating capital*	$197,954	$198,619	$189,557	$278,326	$360,105	$404,201	$435,855
Growth		*0.3%*	*-4.6%*	*46.8%*	*29.4%*	*12.2%*	*7.8%*
- Change in NWC*		3,233	(12,736)	45,197	56,244	12,361	19,892
- Change in NFA		(2,568)	3,674	43,572	25,535	31,734	11,763
FCFF*		$34,830	$57,701	-$36,205	-$76	$45,020	$77,184
Growth			*65.7%*	*-162.7%*	*-99.8%*	*-59696.1%*	*71.4%*
- After-tax interest expense	537	114	131	106	106	128	143
FCFE**		34716	57570	-36311	-182	$44,892	$77,041
Growth			*-222.1%*	*-235.0%*	*-103.8%*	*-252.7%*	*-110.1%*
FCFF per share		$4.01	$6.57	($4.10)	($0.01)	$5.08	$8.71
Growth			*64.0%*	*-162.5%*	*-99.8%*	*-59696.1%*	*71.4%*
FCFE per share		$3.99	$6.56	($4.12)	($0.02)	$5.06	$8.69
Growth			*64.1%*	*-162.8%*	*-99.5%*	*-24766.0%*	*71.6%*

* NWC excludes cash
** No adjustment is made for debt

Source: Company Reports, IMCP

Valuation

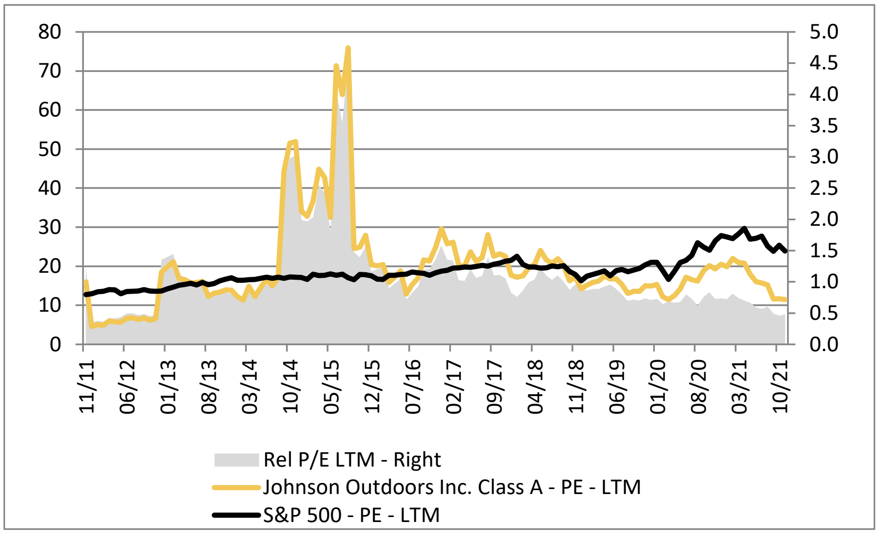
JOUT was valued using multiples and a 3-stage discounting cash flow model. Based on earnings multiples, the stock is very cheap and is worth $165 for the end of 2022; however, due to the volatility of JOUT's earnings the past few years, as well as the effect of recent nonrecurring expenses, this metric may be unreliable. Relative valuation shows JOUT to be significantly undervalued based on its fundamentals versus those of its peers in the outdoor leisure industry. A detailed DCF analysis values JOUT at $138. I give this value a bit more weight because it incorporates assumptions that reflect JOUT's innovation and expansion to new markets. As a result of these valuations, I value the stock at $135.

Trading History

JOUT's P/E has fallen relative to the S&P 500 since 2015. According to the market, JOUT's best growth rate is behind them. The firm's TTM P/E is at 11.3 while its current NTM P/E is at 13.1 compared to its five-year average of 19.5. I expect the P/E to rise in 2022 but stay below the 5-year average in 2021. The P/E is down because investors must believe the bump in EPS from boost in recreation spending during Covid is temporary. I believe it reflects a change in lifestyle and expect further growth in 2022 and 2023.

JOUT's P/E has fallen below the market, but I expect the P/E to reach market levels again.

Figure 24: JOUT NTM P/E relative to S&P 500



Source: Company Reports, IMCP

Using a 13.1 NTM P/E in 2021, JOUT should trade at $165 by the end of this year and into 2023:

- Price = P/E x EPS = 13.1 x $12.60 = $165

Relative Valuation

JOUT is trading at a discounted price relative to its peers with a TTM P/E of 11.9 compared to the industry average of around 20. Analysts expect the EPS of JOUT to fall 8.6% in 2022. JOUT's P/B (2.7) is much lower than the industry average of 4.0, but the firm's ROE is lower (16.6% vs. 22.7%). Its P/S (1.30) is lower than industry average of 2.62 which may mean JOUT is heavily undervalued.

Figure 25: JOUT Comparable Companies

		Current	Market	Price Change						Earnings Growth							LT Debt/	S&P	LTM Dividend	
Ticker	**Name**	**Price**	**Value**	**1 day**	**1 Mo**	**3 Mo**	**6 Mo**	**52 Wk**	**YTD**	**LTG**	**NTM**	**2020**	**2021**	**2022**	**2023**	**Beta**	**Equity**	**Rating**	**Yield**	**Payout**
JOUT	JOHNSON OUTDOORS INC -CL A	$97.80	$980	(4.9)	(12.4)	(11.8)	(21.2)	2.1	(13.2)	11.0	-9.2%	35.1%	50.1%	-8.6%	13.9%	0.88	9.6%	B	0.89%	11.3%
GRMN	GARMIN LTD	$134.69	$25,904	(1.0)	(5.9)	(21.3)	(7.0)	13.2	12.6	6.8	-0.8%	15.5%	12.5%	8.5%	5.3%	0.96	1.2%		1.92%	43.7%
BC	BRUNSWICK CORP	$95.93	$7,396	(0.0)	(5.6)	(2.0)	(0.8)	30.1	25.8		18.9%	17.1%	61.1%	12.9%	9.5%	1.65	100.3%	B	1.36%	16.2%
NWL	NEWELL BRANDS INC	$22.26	$9,469	(0.3)	(8.2)	(11.1)	(20.6)	8.5	4.9	4.8	24.7%	5.3%	-3.9%	9.3%	1.6%	1.03	131.2%	B+	4.29%	65.2%
VFC	VF CORP	$74.79	$29,376	(1.6)	(2.5)	4.2	(8.9)	(13.7)	(12.4)	34.1	9.3%	-2.4%	-42.9%	64.8%	10.3%	1.46	162.0%	A-	2.73%	63.0%
TDY	TELEDYNE TECHNOLOGIES INC	$432.54	$20,180	(0.7)	(2.7)	1.0	2.0	11.6	10.3	18.9	67.9%	-1.0%	55.1%	6.7%	1.2%	1.07	61.6%	B	0.00%	0.0%
Average			$15,551	(1.4)	(6.2)	(6.8)	(9.4)	8.6	4.7	15.1	18.5%	11.6%	22.0%	15.6%	7.0%	1.17	77.7%		1.86%	33.2%
Median			$14,825	(0.8)	(5.7)	(6.6)	(7.9)	10.1	7.6	11.0	14.1%	10.4%	31.3%	8.9%	7.4%	1.05	81.0%		1.64%	29.9%
SPX	S&P 500 INDEX	$4,669		(0.9)	(0.3)	4.5	9.9	27.4	24.3			2.7%	-15.3%	46.5%	9.6%					

		2022		P/E							2021	2021				EV/	P/CF	Sales Growth		Book
Ticker	**Website**	**ROE**	**P/B**	**2019**	**2020**	**2021**	**TTM**	**NTM**	**2022**	**2023**	**NPM**	**P/S**	**NM**	**OM**	**ROIC**	**EBIT**	**Current**	**NTM**	**STM**	**Equity**
JOUT	http://www.johnsonoutdoors.com	16.6%	2.17	14.5	14.0	13.8	11.9	13.1	13.0	11.5	10.9%	1.30	11.1%	14.8%	18.2%	8.3		1.4%		$45.16
GRMN	http://www.garmin.com	20.6%	4.42	14.2	19.0	20.7	23.0	23.2	21.5	20.4	22.4%	5.23	23.7%	25.2%	19.0%	20.2	22.8	4.6%	7.9%	$30.44
BC	http://www.brunswick.com	38.4%	4.00	10.7	11.8	9.6	12.9	10.8	10.4	9.5	10.9%	1.28	8.6%	12.4%	15.2%	12.1	9.6	13.7%	3.3%	$23.98
NWL	http://www.newellbrands.com	19.7%	2.34	10.9	10.7	12.3	15.8	12.7	11.8	11.7	7.0%	0.91	-8.2%	9.6%	-7.6%	15.7	8.5	-0.8%	1.0%	$9.53
VFC	http://www.vfc.com	29.7%	8.16	22.7	34.5	52.2	24.0	22.0	27.5	24.9	5.7%	2.60	3.8%	7.8%	4.2%	51.4	18.4	13.8%	8.6%	$9.16
TDY	http://www.teledyne.com	11.1%	2.72	19.3	32.6	23.7	43.3	25.8	24.6	24.3	16.7%	4.39	13.1%	14.8%	10.5%	33.3	20.9	35.8%		$158.97
Average		22.7%	3.97	15.4	20.4	22.0	21.8	17.9	18.1	17.0	12.3%	2.62	8.7%	14.1%	9.9%	23.5	16.0	11.4%	5.2%	
Median		20.2%	3.36	14.4	16.5	17.2	19.4	17.5	17.3	16.0	10.9%	1.95	9.9%	13.6%	12.9%	18.0	18.4	9.1%	5.6%	
spx	S&P 500 INDEX			15.8	19.8	27.0			23.1	21.1										

Source: Company Reports, IMCP

A more thorough analysis of P/S and NPM is shown in figure 25. The calculated R-squared of the regression indicates that over 71% of a sampled firm's P/S is explained by its net profit margin. JOUT's P/S is lower than average, and NPM is slightly lower than average. There is an opportunity for JOUT to increase its NPM by increasing operating efficiencies, however, I do expect an improvement in margins for 2022 and 2023.

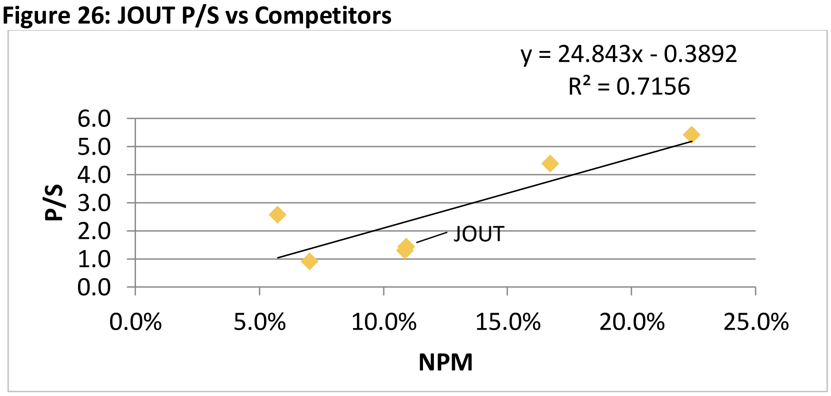
- Estimated P/S = Estimated 2022 NPM (10.21%) x 24.843 - 0.3892 = $2.14

- Target Price = Estimated P/S x 2022E sales per share ($69) = $147.66

Based on this information, JOUT appears to be undervalued. The estimated price at the end of the 2022 FY is $147.66. Discounting back to the present at a 9.2% cost of equity leads to a target price of $135.10 using this metric. Currently the stock trades at $101.17.

JOUT is undervalued according to the NPM to P/S valuation framework.

Figure 26: JOUT P/S vs Competitors



Source: Company Reports, IMCP

For a final comparison, I created a composite ranking of several valuation and fundamental metrics. Since the variables have different scales, each was converted to a percentile before calculating the composite score. Long-term growth rate and NTM EPS growth rates were weighted 25% each, and 50% weighting went to 2020 net profit margin. This was compared to a composite of 25% TTM P/E 25% NTM P/E, and

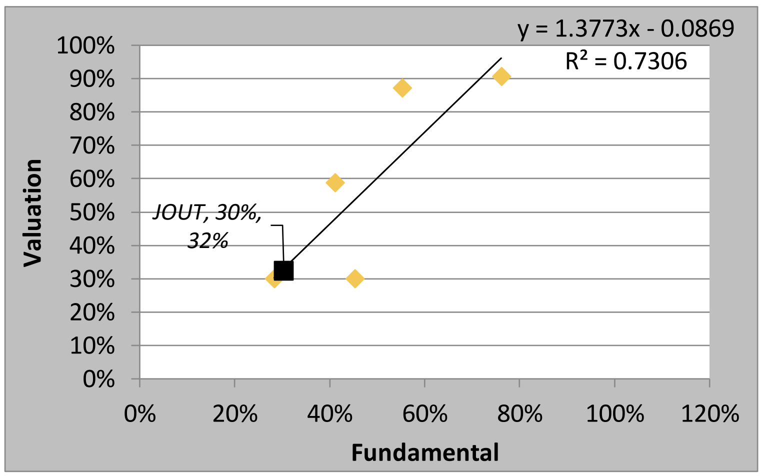
50% P/S. The regression line had an R-squared of 0.73. One can see that JOUT is on the line, so it is fairly valued based on its fundamentals.

Figure 27: Composite valuation, % of range

				Fundamental			Valuation		
			Weight	25.0%	25.0%	50.0%	25.0%	25.0%	50.0%
				Earnings Growth		2021	P/E		
Ticker	Name	Fund	Value	LTG	NTM	NPM	TTM	NTM	P/S
JOUT	JOHNSON OUTDOORS INC -CL A	29%	32%	32%	-14%	49%	27%	51%	25%
GRMN	GARMIN LTD	55%	86%	20%	-1%	100%	53%	90%	100%
BC	BRUNSWICK CORP	45%	30%	57%	28%	48%	30%	42%	24%
NWL	NEWELL BRANDS INC	28%	30%	14%	36%	31%	37%	49%	17%
VFC	VF CORP	41%	60%	100%	14%	26%	56%	85%	50%
TDY	TELEDYNE TECHNOLOGIES INC	76%	92%	55%	100%	75%	100%	100%	84%

Source: IMCP

Figure 28: Composite relative valuation



Source: IMCP

<u>Discounted Cash Flow Analysis</u>

A three-stage discounted cash flow model was also used to value JOUT.

For the purpose of this analysis, the company's cost of equity was calculated to be 9.2% using the Capital Asset Pricing Model. The underlying assumptions used in calculating this rate are as follows:

- The risk-free rate, as represented by the ten-year Treasury bond yield, is 1.90%.
- The 5-year beta is 0.88, and I believe the future is bright given trends in leisure activities.
- A long-term market rate of return of 10% was assumed, since historically, the market has generated an annual return of about 10%.

Given the above assumptions, the cost of equity is 9.2% (1.90 + .90 (10.0 –1.90)).

Stage One - The model's first stage simply discounts fiscal years 2022 and 2023 free cash flow to equity (FCFE). These per share cash flows are forecasted to be $5.80 and $8.75 respectively. Discounting these cash flows, using the cost of equity calculated above, results in a value of $11.99 per share. Thus, stage one of this discounted cash flow analysis contributes $11.99 to value.

Stage Two - Stage two of the model focuses on fiscal years 2024 to 2028. During this period, FCFE is calculated based on revenue growth, NOPAT margin, and capital growth assumptions. The resulting cash flows are then discounted using the company's 9.2% cost of equity. I assume 15% sales growth in 2024, rising to 30% through 2028. The ratio of NWC to sales will remain at 2024 levels, and NFA turnover will remain constant around 4.4. Also, the NOPAT margin growth is expected to fall in 2025 from 10.0% to 6.0% in 2028. Current margins of 10.9% reflect a cyclical peak. Finally, after-tax interest is expected to rise at the same pace as sales.

Figure 29: FCFE and discounted FCFE, 2022 – 2028

	2022	2023	2024	2025	2026	2027	2028
FCFE	$5.08	$8.75	$21.02	$5.75	$8.01	$5.73	($2.78)
Discounted FCFE	$4.65	$7.34	$16.14	$4.05	$5.16	$3.38	($1.50)

Source: IMCP

Added together, these discounted cash flows total $27.23.

Stage Three – Net income for the years 2022-2028 is calculated based upon the same margin and growth assumptions used to determine FCFE in stage two. EPS is expected to grow from $10.36 in 2022 to $12.60 in 2023, and then drop in 2024 to $10.40, but then continue to grow throughout 2028 to $18.36.

Figure 30: EPS estimates for 2022 – 2028

	2022	2023	2024	2025	2026	2027	2028
EPS	$10.36	$12.60	$10.40	$16.64	$17.97	$16.48	$18.36

Source: IMCP

Stage three of the model requires an assumption regarding the company's terminal price-to-earnings ratio. As sales growth slows from 20% in 2022 to 10.5% in 2023, and as margins fall slightly, I expect P/E ratio to remain lower and trade at a discount from peers. JOUT's current discount (11.9 TTM P/E vs. 17.9 for the industry) is understandable. A low P/E also reflects investors continued doubt that high growth is permanent. Thus, my robust sales growth estimates are somewhat offset by a low P/E.

Given the assumed terminal earnings per share of $18.36 and a price to earnings ratio of 10, a terminal value of $183.62 per share is calculated. Using the 9.2% cost of equity, this number is discounted back to a present value of $99.23.

Total Present Value – given the above assumptions and utilizing a three stage discounted cash flow model, an intrinsic value of $138.45 is calculated ($11.99 + $27.23 + $99.23). Given JOUT's current price of $101, this model indicates that the stock is very undervalued.

<u>Scenario Analysis</u>

Johnson Outdoors is difficult to value with certainty because it has a relatively small market cap in its industry, consumer preferences are constantly changing, and the firm is expanding to new markets. With this, the CEO Helen Johnson has a long tenure which could very likely lead the company to success just as much as it could lead to failure. To quantify these scenarios, a bull and bear case is provided. The bear value is $XX and bullish case is $YY.

Figure 31: DCF Target Price Scenario analysis

Base Case Expectations	2022	2023	2024	2025	2026	2027	2028
Beta	0.90						
Sales Growth	20.0%	10.5%	15.0%	28.0%	20.0%	18.0%	30.0%
NOPAT / S	9.9%	10.9%	8.0%	10.0%	9.0%	7.0%	6.0%
S / NFA (EOY)	4.20	4.40	4.40	4.40	4.40	4.40	4.40
Terminal Year P/E	10.00						
Bear Case Expectations	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Beta	1.20						
Sales Growth	20.0%	10.0%	14.5%	27.0%	17.0%	17.0%	28.0%
NOPAT / S	9.5%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
S / NFA (EOY)	4.20	4.10	4.10	4.10	4.10	4.10	4.10
Terminal Year P/E	8						
Bull Case Expectations	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Beta	1.00						
Sales Growth	20.0%	11.5%	16.0%	29.5%	21.0%	19.0%	31.0%
NOPAT / S	10.0%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
S / NFA (EOY)	4.20	4.60	4.60	4.60	4.60	4.60	4.60
Terminal Year P/E	12.0						

Source: IMCP

Figure 32: Values at beginning of fiscal 2022

Base Case Expectations	
P/E	10
Target Price	$138.45
Bear Case Expectations	
P/E	8
Target Price	$118.61
Bull Case Expectations	
P/E	12
Target Price	$158.30

Source: IMCP

Business Risks

Although I have many reasons to be optimistic about Johnson Outdoors, there are also several risks that the company faces.

Operational Risk Factors:

The company's profitability depends on its ability to create products that appeal to consumers. Failure to develop these products can reduce net sales. Along with this, there is risk of confidential information getting out, like trade secrets, and having attention diverted away from the business. Failure in technology may also lead to a loss of information and impair JOUT's competitive position in the market.

Regulatory Risk Factors:

Changes in global tariffs, or the impact of them could significantly impact the business in a detrimental way and in an unpredictable manner. Along with this, there are also threats of the changes in current tax laws globally in which JOUT operates in. Different environmental, and safety rights could also affect the firm negatively.

Market and Economic Risk Factors:

The COVID-19 pandemic along with any other pandemic, epidemic, or public health emergency has resulted and continues to impact operations, supply chain and multiple other factors of JOUT's business. The coronavirus pandemic resulted in JOUT's facilities closing during the 2020 FY. It is still difficult to say how this factor will affect the business in the future. Along with this, highly competitive markets are also a risk for the firm. Price competition and fighting for shelf space could cause the business much financial stress.

Other General Risk:

Cyber security vulnerabilities for the company could potential expose JOUT's networks. Along with this, natural disasters are always unpredictable, which in this market has a huge impact on business. Other catastrophic events beyond the firm's control can have a negative impact on business.

Coronavirus Boost is Temporary:

The Covid pandemic led to increased purchases of recreational items. These expenditures are non-recurring in nature. If the trend to outdoor activities is temporary, then JOUT's sales in the future years may have been pulled forward to the present. My DCF valuation assumes sales growth is robust the next seven years.

Appendix 1: Porter's 5 Forces

Threat of New Entrants – Very High

JOUT has a lot of competition that includes large, established companies which have launched similar products directly competing with JOUT's brands. Some of these larger companies have a lot more resources and hold a larger share of the market which negatively affects Johnson Outdoors. With strong moats, these stronger brands have more access to capital than JOUT.

Threat of Substitutes – High

Being a leisure company, Johnson Outdoors's brands are discretionary expenses, and they qualify as higher end and more expensive. In this heavily competitive environment, it is easy for consumers to switch between brands, so Johnson Outdoors is disadvantaged.

Supplier Power - Moderate

Suppliers do not have a lot of bargaining power. There is a large pool of suppliers to choose from so switching suppliers' costs next to nothing.

Buyer Power – High

Consumers of leisure products tend to have a high degree of power over retailers. There are many substitutes at similar prices so it's easy to switch between brands. Consumers are willing to wait to get the right price because the products are not a necessity.

Intensity of Competition – Very High

Operating in a highly competitive market, Johnson Outdoors faces many domestic and international brands that conduct similar businesses. More established companies have a wider range of consumers, capabilities, and brand recognition. JOUT has a lot of pressure for new product launches and products that consumers with be attracted to in order to stay on top of its competition.

Appendix 2: SWOT Analysis

Strengths	Weaknesses
Innovative Products Reliable Brands Little Debt	Economic Sensitivity Expensive Products Low Brand Recognition
Opportunities	**Threats**
Market Exansion Accquisitions Global Markets	Innovation Deficiency International Tariffs Market Trends

Appendix 3: Income Statement

Income Statement							
Items	**Sep-17**	**Sep-18**	**Sep-19**	**Sep-20**	**Sep-21**	**Sep-22**	**Sep-23**
Sales	$488,565	$544,268	$562,299	$575,336	$751,651	$901,981	$996,689
Direct costs	312,103	333,328	320,439	325,580	417,526	497,894	550,172
Gross Margin	176,462	210,940	241,860	249,756	334,125	404,088	446,517
SG&A, R&D, D&A, and other	153,568	165,349	178,839	185,982	222,842	286,830	306,980
EBIT	22,894	45,591	63,021	63,774	111,283	117,258	139,536
Interest	727	757	203	172	145	168	183
EBT	22,167	44,834	62,818	63,602	111,138	117,089	139,354
Taxes	10,154	13,053	27,437	15,094	29,541	28,101	30,658
Income	12,013	31,781	35,381	48,508	81,597	88,988	108,696
Other	(1,488)	(3,376)	(5,288)	(2,905)	(1,784)	(2,500)	(2,200)
Net income	13,501	35,157	40,669	51,413	83,381	91,488	110,896
Basic Shares	9,839.0	9,887.0	9,942.0	9,994.0	8,864.0	8,834.0	8,804.0
Fully Diluted Shares	9,855.0	9,920.0	9,996.0	10,021.0	10,021.0	9,991.0	9,961.0
EPS	$1.37	$3.56	$4.09	$5.14	$9.41	$10.36	$12.60
EPS Fully Diluted	$1.37	$3.54	$4.07	$5.13	$8.32	$9.16	$11.13
DPS	$0.10	$0.14	$0.14	$0.17	$0.24	$0.03	$0.05
Growth Statistics							
Sales		*11.4%*	*3.3%*	*2.3%*	*30.6%*	*20.0%*	*10.5%*
Direct Costs		*6.8%*	*-3.9%*	*1.6%*	*28.2%*	*19.2%*	*10.5%*
Gross Margin		*19.5%*	*14.7%*	*3.3%*	*33.8%*	*20.9%*	*10.5%*
SG&A, R&D, and other		*7.7%*	*8.2%*	*4.0%*	*19.8%*	*28.7%*	*7.0%*
EBIT		*99.1%*	*38.2%*	*1.2%*	*74.5%*	*5.4%*	*19.0%*
Interest		*4.1%*	*-73.2%*	*-15.3%*	*-15.7%*	*16.0%*	*8.7%*
EBT		*102.3%*	*40.1%*	*1.2%*	*74.7%*	*5.4%*	*19.0%*
Taxes		*28.6%*	*110.2%*	*-45.0%*	*95.7%*	*-4.9%*	*9.1%*
Continuing income		*164.6%*	*11.3%*	*37.1%*	*68.2%*	*9.1%*	*22.1%*
Other		*126.9%*	*56.6%*	*-45.1%*	*-38.6%*	*40.1%*	*-12.0%*
Net income		*160.4%*	*15.7%*	*26.4%*	*62.2%*	*9.7%*	*21.2%*
Basic Shares		*0.5%*	*0.6%*	*0.5%*	*-11.3%*	*-0.3%*	*-0.3%*
EPS		*159.1%*	*15.0%*	*25.8%*	*82.9%*	*10.1%*	*21.6%*
EPS Fully Diluted		*158.7%*	*14.8%*	*26.1%*	*62.2%*	*10.1%*	*21.6%*
DPS		*39.3%*	*0.4%*	*21.1%*	*39.3%*	*-85.7%*	*41.5%*
Common Size							
Sales	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*
Direct Costs	*63.9%*	*61.2%*	*57.0%*	*56.6%*	*55.5%*	*55.2%*	*55.2%*
Gross Margin	*36.1%*	*38.8%*	*43.0%*	*43.4%*	*44.5%*	*44.8%*	*44.8%*
SG&A, R&D, and other	*31.4%*	*30.4%*	*31.8%*	*32.3%*	*29.6%*	*31.8%*	*30.8%*
EBIT	*4.7%*	*8.4%*	*11.2%*	*11.1%*	*14.8%*	*13.0%*	*14.0%*
Interest	*0.1%*	*0.1%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
EBT	*4.5%*	*8.2%*	*11.2%*	*11.1%*	*14.8%*	*13.0%*	*14.0%*
Taxes	*2.1%*	*2.4%*	*4.9%*	*2.6%*	*3.9%*	*3.1%*	*3.1%*
Continuing income	*2.5%*	*5.8%*	*6.3%*	*8.4%*	*10.9%*	*9.9%*	*10.9%*
Other	*-0.3%*	*-0.6%*	*-0.9%*	*-0.5%*	*-0.2%*	*-0.3%*	*-0.2%*
Net income	*2.8%*	*6.5%*	*7.2%*	*8.9%*	*11.1%*	*10.1%*	*11.1%*

Appendix 4: Balance Sheets

Balance Sheet (in thousands)							
Items	**Sep-17**	**Sep-18**	**Sep-19**	**Sep-20**	**Sep-21**	**Sep-22**	**Sep-23**
Cash	63,810	121,877	172,382	212,437	240,448	294,540	383,359
Operating assets ex cash	130,432	135,103	114,308	176,101	250,816	276,082	305,070
Operating assets	194,242	256,980	286,690	388,538	491,264	570,622	688,429
Operating liabilities	45,288	46,726	38,667	55,263	73,734	86,638	95,735
NOWC	148,954	210,254	248,023	333,275	417,530	483,983	592,694
NOWC ex cash (NWC)	85,144	88,377	75,641	120,838	177,082	189,443	209,335
NFA	112,810	110,242	113,916	157,488	183,023	214,757	226,520
Invested capital	*$261,764*	*$320,496*	*$361,939*	*$490,763*	*$600,553*	*$698,741*	*$819,214*
Marketable securities	46,607	28,714	35,838	-	-	-	2,000
Total assets	*$353,659*	*$395,936*	*$436,444*	*$546,026*	*$674,287*	*$785,379*	*$916,949*
S-T and L-T debt and financing	$49,478	$49,718	$70,871	$109,131	$138,765	$148,765	$163,765
Other liabilities	15,889	20,295	2,372	3,532	3,283	3,283	3,283
Debt/equity-like securities	-	-	-	-	-	-	-
Equity	243,004	279,197	324,534	378,100	458,505	546,693	654,166
Total supplied capital	*$308,371*	*$349,210*	*$397,777*	*$490,763*	*$600,553*	*$698,741*	*$821,214*
Total liabilities and equity	*$353,659*	*$395,936*	*$436,444*	*$546,026*	*$674,287*	*$785,379*	*$916,949*
Growth Statistics							
Cash		*91.0%*	*41.4%*	*23.2%*	*13.2%*	*22.5%*	*30.2%*
Operating assets ex cash		*3.6%*	*-15.4%*	*54.1%*	*42.4%*	*10.1%*	*10.5%*
Operating assets		*32.3%*	*11.6%*	*35.5%*	*26.4%*	*16.2%*	*20.6%*
Operating liabilities		*3.2%*	*-17.2%*	*42.9%*	*33.4%*	*17.5%*	*10.5%*
NOWC		*41.2%*	*18.0%*	*34.4%*	*25.3%*	*15.9%*	*22.5%*
NOWC ex cash (NWC)		*3.8%*	*-14.4%*	*59.8%*	*46.5%*	*7.0%*	*10.5%*
NFA		*-2.3%*	*3.3%*	*38.2%*	*16.2%*	*17.3%*	*5.5%*
Invested capital		*22.4%*	*12.9%*	*35.6%*	*22.4%*	*16.3%*	*17.2%*
Marketable securities		*-38.4%*	*24.8%*	*-100.0%*			
Total assets		*12.0%*	*10.2%*	*25.1%*	*23.5%*	*16.5%*	*16.8%*
Short-term and long-term debt		*0.5%*	*42.5%*	*54.0%*	*27.2%*	*7.2%*	*10.1%*
Other liabilities		*27.7%*	*-88.3%*	*48.9%*	*-7.0%*	*0.0%*	*0.0%*
Debt/equity-like securities							
Equity		*14.9%*	*16.2%*	*16.5%*	*21.3%*	*19.2%*	*19.7%*
Total supplied capital		*13.2%*	*13.9%*	*23.4%*	*22.4%*	*16.3%*	*17.5%*
Total liabilities and equity		*12.0%*	*10.2%*	*25.1%*	*23.5%*	*16.5%*	*16.8%*

Appendix 5: Sales Forecast

Sales (in thousands)						**BaseCase**	
Sales	488,565	$544,268	562,299	$575,336	751,651	852,095	$930,392
Growth		*11.4%*	*3.3%*	*2.3%*	*30.6%*	*13.4%*	*9.2%*
Fishing	327,796	390,679	412,121	449,878	553,000	635,950	699,545
Growth		*19.2%*	*5.5%*	*9.2%*	*22.9%*	*15.0%*	*10.0%*
% of sales	*67.1%*	*71.8%*	*73.3%*	*78.2%*	*73.6%*	*74.6%*	*75.2%*
Camping	37,887	37,732	40,379	41,592	62,921	66,696	69,364
Growth		*-0.4%*	*7.0%*	*3.0%*	*51.3%*	*6.0%*	*4.0%*
% of sales	*7.8%*	*6.9%*	*7.2%*	*7.2%*	*8.4%*	*2.0%*	*7.5%*
Watercraft Recreation	46,126	36,120	33,405	41,857	66,603	76,593	84,253
Growth		*-21.7%*	*-7.5%*	*25.3%*	*59.1%*	*15.0%*	*10.0%*
% of sales	*9.4%*	*6.6%*	*5.9%*	*7.3%*	*8.9%*	*9.0%*	*6.0%*
Diving	76,080	78,907	76,279	42,000	69,447	72,919	77,295
Growth		*3.7%*	*-3.3%*	*-44.9%*	*65.4%*	*5.0%*	*6.0%*
% of sales	*15.6%*	*14.5%*	*13.6%*	*7.3%*	*9.2%*	*8.6%*	*8.3%*
Other/Corporate	676	830	115	9	(320)	(64)	(64)
Growth		*22.8%*	*-86.1%*	*-92.2%*	*-3655.6%*	*-80.0%*	*0.0%*
% of sales	*0.1%*	*0.2%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Total	89.3%	91.0%	97.4%	101.4%	98.3%	103.5%	102.5%
United States	384,348	435,930	482,326	525,204	659,330	766,886	790,834
Growth		*13.4%*	*10.6%*	*8.9%*	*25.5%*	*16.3%*	*3.1%*
% of sales	*78.7%*	*80.1%*	*85.8%*	*91.3%*	*87.7%*	*90.0%*	*85.0%*
Europe	23,538	26,576	35,114	28,880	30,509	42,605	55,824
Growth		*12.9%*	*32.1%*	*-17.8%*	*5.6%*	*39.6%*	*31.0%*
% of sales	*4.8%*	*4.9%*	*6.2%*	*5.0%*	*4.1%*	*5.0%*	*6.0%*
Canada	28,292	32,551	30,039	29,512	48,867	42,605	65,127
Growth		*15.1%*	*-7.7%*	*-1.8%*	*65.6%*	*-12.8%*	*52.9%*
% of sales	*5.8%*	*6.0%*	*5.3%*	*5.1%*	*6.5%*	*5.0%*	*7.0%*
Other	19,396	16,849	14,940	10,613	12,945	29,823	41,868
Growth		*-13.1%*	*-11.3%*	*-29.0%*	*22.0%*	*130.4%*	*40.4%*
% of sales	*4.0%*	*3.1%*	*2.7%*	*1.8%*	*1.7%*	*3.5%*	*4.5%*

Appendix 6: Ratios

Ratios							
Items	**Sep-17**	**Sep-18**	**Sep-19**	**Sep-20**	**Sep-21**	**Sep-22**	**Sep-23**
Profitability							
Gross margin	36.1%	38.8%	43.0%	43.4%	44.5%	44.8%	44.8%
Operating (EBIT) margin	4.7%	8.4%	11.2%	11.1%	14.8%	13.0%	14.0%
Net profit margin	2.8%	6.5%	7.2%	8.9%	11.1%	10.1%	11.1%
Activity							
NFA (gross) turnover		4.88	5.02	4.24	4.41	4.54	4.52
Total asset turnover		1.45	1.35	1.17	1.23	1.24	1.17
Liquidity							
Op asset / op liab	4.29	5.50	7.41	7.03	6.66	6.59	7.19
NOWC Percent of sales		33.0%	40.8%	50.5%	49.9%	50.0%	54.0%
Solvency							
Debt to assets	14.0%	12.6%	16.2%	20.0%	20.6%	18.9%	17.9%
Debt to equity	20.4%	17.8%	21.8%	28.9%	30.3%	27.2%	25.0%
Other liab to assets	4.5%	5.1%	0.5%	0.6%	0.5%	0.4%	0.4%
Total debt to assets	18.5%	17.7%	16.8%	20.6%	21.1%	19.4%	18.2%
Total liabilities to assets	31.3%	29.5%	25.6%	30.8%	32.0%	30.4%	28.7%
Debt to EBIT	2.16	1.09	1.12	1.71	1.25	1.27	1.17
EBIT/interest	31.49	60.23	310.45	370.78	767.47	697.20	763.30
Debt to total net op capital	18.9%	15.5%	19.6%	22.2%	23.1%	21.3%	20.0%
ROIC							
NOPAT to sales	2.5%	5.9%	6.3%	8.5%	10.9%	9.9%	10.9%
Sales to NWC		6.27	6.86	5.86	5.05	4.92	5.00
Sales to NFA		4.88	5.02	4.24	4.41	4.54	4.52
Sales to IC ex cash		2.74	2.90	2.46	2.35	2.36	2.37
Total ROIC ex cash		16.3%	18.3%	20.8%	25.6%	23.3%	25.9%
NOPAT to sales	2.5%	5.9%	6.3%	8.5%	10.9%	9.9%	10.9%
Sales to NOWC		3.03	2.45	1.98	2.00	2.00	1.85
Sales to NFA		4.88	5.02	4.24	4.41	4.54	4.52
Sales to IC		1.87	1.65	1.35	1.38	1.39	1.31
Total ROIC		11.1%	10.4%	11.4%	15.0%	13.7%	14.3%
NOPAT to sales	2.5%	5.9%	6.3%	8.5%	10.9%	9.9%	10.9%
Sales to EOY NWC	5.74	6.16	7.43	4.76	4.24	4.76	4.76
Sales to EOY NFA	4.33	4.94	4.94	3.65	4.11	4.20	4.40
Sales to EOY IC ex cash	2.47	2.74	2.97	2.07	2.09	2.23	2.29
Total ROIC using EOY IC ex cash	6.3%	16.3%	18.7%	17.5%	22.7%	22.0%	25.0%
NOPAT to sales	2.5%	5.9%	6.3%	8.5%	10.9%	9.9%	10.9%
Sales to EOY NOWC	3.28	2.59	2.27	1.73	1.80	1.86	1.68
Sales to EOY NFA	4.33	4.94	4.94	3.65	4.11	4.20	4.40
Sales to EOY IC	1.87	1.70	1.55	1.17	1.25	1.29	1.22
Total ROIC using EOY IC	4.7%	10.1%	9.8%	9.9%	13.6%	12.8%	13.3%
ROE							
5-stage							
EBIT / sales		8.4%	11.2%	11.1%	14.8%	13.0%	14.0%
Sales / avg assets		1.45	1.35	1.17	1.23	1.24	1.17
EBT / EBIT		98.3%	99.7%	99.7%	99.9%	99.9%	99.9%
Net income /EBT		78.4%	64.7%	80.8%	75.0%	78.1%	79.6%
ROA		9.4%	9.8%	10.5%	13.7%	12.5%	13.0%
Avg assets / avg equity		1.44	1.38	1.40	1.46	1.45	1.42
ROE		13.5%	13.5%	14.6%	19.9%	18.2%	18.5%
3-stage							
Net income / sales		6.5%	7.2%	8.9%	11.1%	10.1%	11.1%
Sales / avg assets		1.45	1.35	1.17	1.23	1.24	1.17
ROA		9.4%	9.8%	10.5%	13.7%	12.5%	13.0%
Avg assets / avg equity		1.44	1.38	1.40	1.46	1.45	1.42
ROE		13.5%	13.5%	14.6%	19.9%	18.2%	18.5%
Payout Ratio		3.9%	3.4%	3.3%	2.5%	0.3%	0.4%
Retention Ratio		96.1%	96.6%	96.7%	97.5%	99.7%	99.6%
Sustainable Growth Rate		12.9%	13.0%	14.2%	19.4%	18.1%	18.4%

Appendix 7: 3 Stage DCF Model

		First Stage			Second Stage				
Year ending January		2021	2022	2023	2024	2025	2026	2027	2028
Sales Growth		*30.6%*	*20.0%*	*10.5%*	*15.0%*	*28.0%*	*20.0%*	*18.0%*	*30.0%*
NOPAT / S		*10.9%*	*9.9%*	*10.9%*	*8.0%*	*10.0%*	*9.0%*	*7.0%*	*6.0%*
S / NWC		*4.24*	*4.76*	*4.76*	*14.00*	*14.00*	*14.00*	*14.00*	*14.00*
S / NFA (EOY)		*4.11*	*4.20*	*4.40*	*4.40*	*4.40*	*4.40*	*4.40*	*4.40*
S / IC (EOY)		*2.09*	*2.23*	*2.29*	*3.35*	*3.35*	*3.35*	*3.35*	*3.35*
ROIC (EOY)		*22.7%*	*22.0%*	*25.0%*	*26.8%*	*33.5%*	*30.1%*	*23.4%*	*20.1%*
ROIC (BOY)			*24.7%*	*26.9%*	*21.0%*	*42.9%*	*36.2%*	*27.7%*	*26.1%*
Share Growth		*-11.3%*	*-0.3%*	*-0.3%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Sales	$575,336	$751,651	$901,981	$996,689	$1,146,193	$1,467,127	$1,760,552	$2,077,451	$2,700,687
NOPAT	$48,639	$81,703	$89,116	$108,838	$91,695	$146,713	$158,450	$145,422	$162,041
Growth		*68.0%*	*9.1%*	*22.1%*	*-15.8%*	*60.0%*	*8.0%*	*-8.2%*	*11.4%*
- Change in NWC		56244	12361	19892	-127464	22924	20959	22636	44517
NWC EOY	*120838*	*177082*	*189443*	*209335*	*81871*	*104795*	*125754*	*148389*	*192906*
Growth NWC		*46.5%*	*7.0%*	*10.5%*	*-60.9%*	*28.0%*	*20.0%*	*18.0%*	*30.0%*
- Chg NFA		25535	31734	11763	33978	72940	66688	72023	141644
NFA EOY	*157,488*	*183,023*	*214,757*	*226,520*	*260,498*	*333,438*	*400,125*	*472,148*	*613,792*
Growth NFA		*16.2%*	*17.3%*	*5.5%*	*15.0%*	*28.0%*	*20.0%*	*18.0%*	*30.0%*
Total inv in op cap		81779	44096	31654	-93486	95863	87647	94658	186161
Total net op cap		360105	404201	435855	342369	438233	525879	620537	806699
FCFF		($76)	$45,020	$77,184	$185,181	$50,849	$70,803	$50,763	($24,120)
% of sales		*0.0%*	*5.0%*	*7.7%*	*16.2%*	*3.5%*	*4.0%*	*2.4%*	*-0.9%*
Growth			*-59696.1%*	*71.4%*	*139.9%*	*-72.5%*	*39.2%*	*-28.3%*	*-147.5%*
- Interest (1-tax rate)		106	128	143	164	210	252	297	386
Growth		*-18.8%*	*20.1%*	*11.6%*	*15.0%*	*28.0%*	*20.0%*	*18.0%*	*30.0%*
FCFE w/o debt		($182)	$44,892	$77,041	$185,017	$50,639	$70,551	$50,466	($24,506)
% of sales		*0.0%*	*5.0%*	*7.7%*	*16.1%*	*3.5%*	*4.0%*	*2.4%*	*-0.9%*
Growth			*-24766.0%*	*71.6%*	*140.2%*	*-72.6%*	*39.3%*	*-28.5%*	*-148.6%*
/ No Shares	9994.0	8864.0	8834.0	8804.0	8,804.0	8,804.0	8,804.0	8,804.0	8,804.0
FCFE		($0.02)	$5.08	$8.75	$21.02	$5.75	$8.01	$5.73	($2.78)
Growth			*-24849.8%*	*72.2%*	*140.2%*	*-72.6%*	*39.3%*	*-28.5%*	*-148.6%*
* Discount factor			0.92	0.84	0.77	0.70	0.64	0.59	0.54
Discounted FCFE			$4.65	$7.34	$16.14	$4.05	$5.16	$3.38	($1.50)
Terminal value P/E									
Net income		$83,381	$91,488	$110,896	$91,531	$146,503	$158,198	$145,124	$161,655
% of sales		*11.1%*	*10.1%*	*11.1%*	*8.0%*	*10.0%*	*9.0%*	*7.0%*	*6.0%*
EPS		$9.41	$10.36	$12.60	$10.40	$16.64	$17.97	$16.48	$18.36
Growth		*82.9%*	*10.1%*	*21.6%*	*-17.5%*	*60.1%*	*8.0%*	*-8.3%*	*11.4%*
Terminal P/E									10.00
* Terminal EPS									$18.36
Terminal value									$183.62
* Discount factor									0.54
Discounted terminal value									$99.23

First stage	$11.99	Present value of first 2 year cash flow
Second stage	$27.23	Present value of year 3-7 cash flow
Third stage	$99.23	Present value of terminal value P/E
Value (P/E)	**$138.45**	