

OUTDOOR &
ACTION SPORTS

NAPAPIJRI

Founded: 1987

lucy

Founded: 1999

Wrangler®

Europe
South America

RUSTLER®

Founded: 1965



Founded: 1971

VANS
"OFF THE WALL"

Founded: 1966

JANSPORT

Founded: 1967



Founded: 1975

Lee

North America
Founded: 1889



ROCK & REPUBLIC

Founded: 2002



Founded: 1937

Smartwool

Founded: 1994



Founded: 1966

VF Corporation



Founded: 1984

Wrangler

Founded: 1947

Asia Pacific
Europe
South America



Founded: 1923

Wrangler
WORKWEAR

Founded: 2013

Timberland®

Founded: 1973



Founded: 1952

Wrangler

Western

RIDERS
BY
Lee

Founded: 1949



Founded: 1976

NAUTICA

Founded: 1983

kipling

Founded: 1987

Esam, Luis, Maria, Maryam, Rich

Money Making Melting Pot



Background

Ticker: VFC

Stock Price: \$87.16

Market Cap: \$28.6 B

Revenue: \$13.8 B

Headquarters: Greensboro, North Carolina

V.F. Corporation is one of the world's largest apparel, footwear, and accessories company with more than 30 brands

History

1899

Establishment

Established in Pennsylvania as the Reading Glove and Mitten Manufacturing Company by John Barbey and investors.

1910s

Renamed

Renamed “Schuylkill Silk Manufacturing.” Named lingerie line “Vanity Fair.” Then renamed to Vanity Fair Silk Mills, Inc.

1950s

Public

They renamed to Vanity Fair Mills and went public.

1960s

Renamed VFC

Acquired H.D. Lee Company and renamed to VF Corporation to reflect its increasingly diverse product line.

1970s

Dividends

VF offers first dividend.

History

1980s

Wrangler

Purchase of Blue Bell Holding Company Inc. for \$762M & acquired Wrangler, Rustler, Jantzen, JanSport, and Red Kap.

1990s

Bulwark

Acquired Bulwark brand.

2000s

North Face

Acquired The North Face, Eastpak, Nautica, Vans, Kipling, Napapijri, Reef, All Mankind, Lucy, Eagle Creek, Ella Moss, Splendid. Stopped Intimates.

2010s

Timberland

Acquired Timberland, Williamson-Dickie's brands, Icebreaker, Altra. 2014: Revenues top \$12.3B.

2010s

Divesting

In the 2010s, VF got rid of its Licensed Sports Group business, Contemporary Brands businesses, and Nautica.

**OUTDOOR &
ACTION SPORTS**



Founded: 1987



Founded: 1999



Europe
South America



Founded: 1965



Founded: 1971



Founded: 1966



Founded: 1967



Founded: 1975



North America
Founded: 1889



Founded: 2002



Founded: 1937



Founded: 1966



Founded: 1994

JEANSWEAR



Asia Pacific
Europe
South America

IMAGEWEAR



Founded: 2013



Founded: 1973



Founded: 1984



Founded: 1947



Founded: 1923

SPORTSWEAR



Founded: 1987



Founded: 1952



Western



Founded: 1949



Founded: 1976



Founded: 1983

Recent News



Q3'19: Business Highlights

+25%

Vans

+14%

The North
Face

\$3.9B

Revenue

Q3'19: Financial Highlights

16.6%

Adjusted
Operating
Margin

52.2%

Adjusted Gross
Margin

\$1.31

Adjusted EPS -
Diluted

Business Strategy

VF strategically evaluates and re-evaluates the value and performance of its underlying brands in order to maximize growth, efficiency, and build a good reputation.

Acquisitions/Divestures

- Diverse brands (over 30)
- Seeks to add value to the business by purchasing/acquiring brands that have the potential to perform well over the long term.
- Divests or sells brands that are underperforming or showing signs of a significant future hurdle, often due to changing trends.

Marketing Strategy

- Specialty Stores
- Department Stores
- National Chains
- Mass Merchants
- Direct-to-Consumer
- Advertisements (TV, online)

A person is rappelling down a steep, reddish-brown rock face. They are wearing a green t-shirt, patterned shorts, and a harness. The background shows a clear sky and distant mountains. A semi-transparent horizontal band is overlaid across the middle of the image.

Business Segments

Money Making Melting Pot



Outdoor & Action Sports



Imagewear



Jeanswear



Money Making Melting Pot

Outdoor and Action Sports



"OFF THE WALL!"



Jeanswear

Wrangler®

Lee®

Largest jean brands in the world by market share

Revenue in this segment declined 5% in the past year

Declining margins

Plans to spinoff or sell

Clear example of how VF does business (sell weak brands, acquire better ones)

Imagewear



Branded Product Breakdown

Vans – performance/casual footwear and apparel

The North Face – performance based apparel, sportswear, and footwear

Timberland – outdoor, adventure-inspired lifestyle footwear, apparel & accessories

Kipling – handbags, luggage, backpacks and accessories

Napapijri – outdoor-inspired casual apparel and accessories

Smartwool – wool socks, apparel, and accessories

Jansport – backpacks and accessories

Eastpak – backpacks, travel bags, and luggage

The Reef – surf-inspired sandals, swimwear, casual apparel

Eagle Creek – adventure travel gear (luggage, backpacks, and accessories)

Lee and Wrangler – denim, apparel, accessories and footwear

Williamson-Dickie – outerwear and uniform services/work apparel

Red Kap – work apparel and footwear

Bulwark/Workrite – flame resistant and protective apparel

Supply Chain Management

UNITS 511 MILLION PRODUCED PER YEAR	OWNED MANUFACTURING 30 INTERNAL MANUFACTURING FACILITIES
DEDICATED 29,000 VF SUPPLY CHAIN ASSOCIATES	LOGISTICS 46 DISTRIBUTION CENTERS

- Obtains customer data to place product orders
- Independent contractors
- Inventory replacement technologies

Management



Steven E. Rendel

Chairman & CEO

- Been with VF since 1999
- “We’re selling a story, a lifestyle.”
- Believes that consumers move quickly and VF must adapt just as quickly.
- Believes strategic M&A is the key to future growth.



Scott Roe

VP & CFO

- Been with VF since 1996
- Previously Chief Accounting Officer and CFO of apparel businesses
- “It doesn’t just matter *what* you make in terms of profitability, it’s *how* you make it.”



Kevin Bailey

President of Vans

- Been with VF since 2004
- “The world’s oldest teenager.”
- Believes that Vans has a history rooted in many aspects of popular culture, specifically the influence that skateboarding has had on music and the arts.
- “The brand has always been about something bigger than sneakers. It was about creative expression.”

Economic Moat

- Brand power resulting in premium pricing
- Cultural Visibility (Vans in particular)
- Management strategy (cut the dead weight loose, acquire gems in the dirt)
- Potential to grow moat even more with Workwear acquisitions



Strengths



Strengths

- VF's diverse portfolio of more than 30 brands meets consumer needs across a broad spectrum of activities and lifestyle. Their ability to connect with consumers, as diverse as their brand portfolio, creates a unique platform for sustainable, long-term growth.
- Their world class supply chain, including owned manufacturing facilities, coupled with advanced vendor managed inventory and retail floor space management programs with many of their major retailer customers, gives VF a competitive advantage

Strengths

- VF Corp receives periodic point of sale information from their customers. Then they ship products based on that customer data to ensure their selling floors are appropriately with products that match customers' needs.
- Their system capabilities allow VF Corp to analyze their retail customers' sales, demographic and geographic data to develop products.
- Another advantage that VF Corp has is their ability to offer rapid delivery of products in a broad range of sizes. This enables customer orders to be filled within 24 hours of receipt.



Weaknesses

Weaknesses

- It has no cost advantage over competitors, since it manufactures much of its clothing through the same independent contractors as others.
- From 2013-2017 VF was not able to acquire a new company. This is not such a bad thing because they only want to buy companies that have a long term advantage.
- VF Corp's Jeanswear business segment is becoming less effective.
- The apparel and footwear industries are highly competitive, VF'S success depends on their ability to gauge trends and consumer preferences.



Growth Opportunities

- Reshape the company's portfolio of brands
- Focusing more on the direct-to-consumer business
- Transform their model to exceed consumers' needs
- “Distort” Asia – especially China

Risk Factors

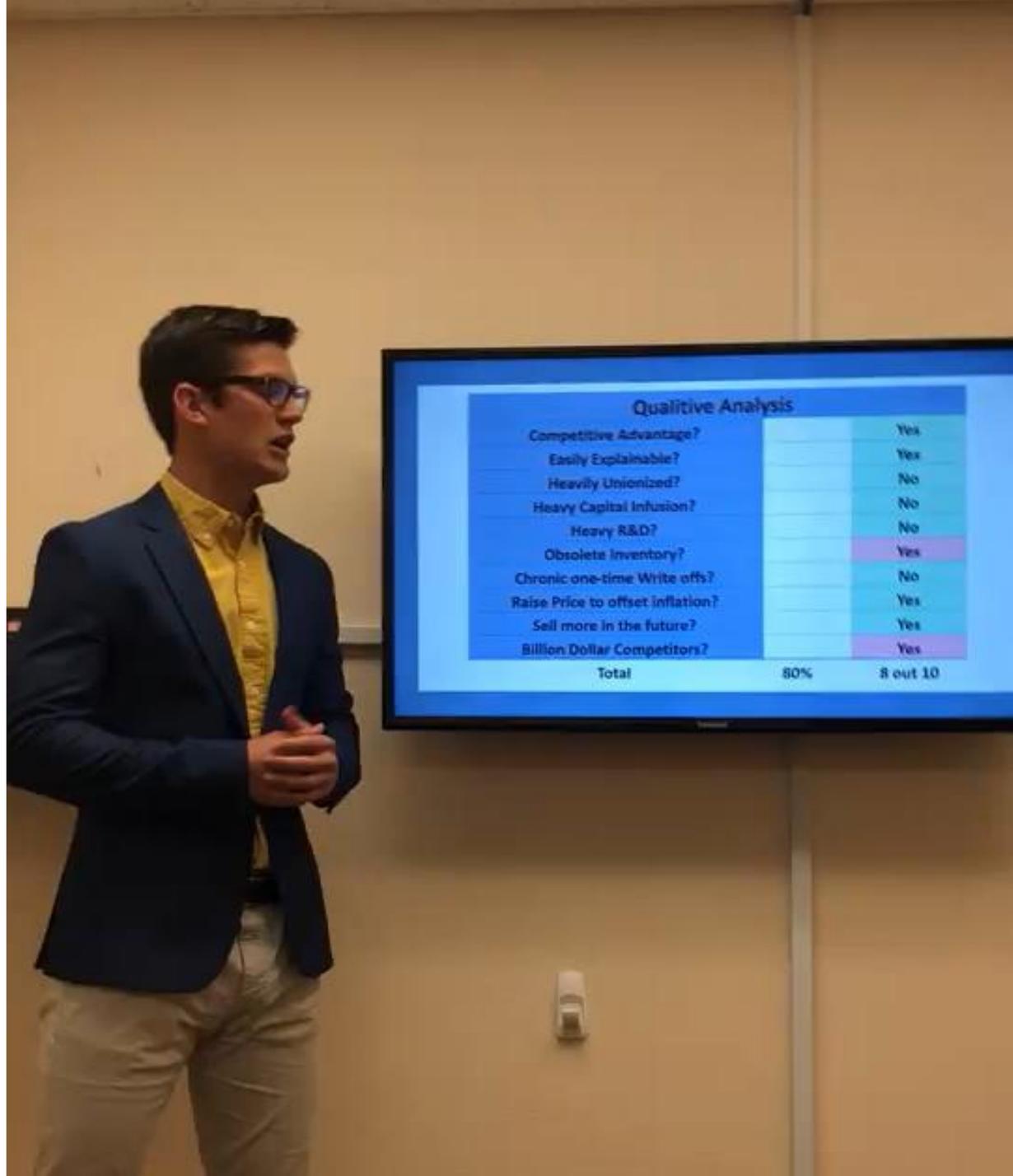
- The apparel and footwear industries are highly competitive
- Maintain the image of the brands
- Foreign & International presence could affect currency exchange rate fluctuations and tax rate
- Acquisitions sizes and their timing
- Retail store closure





Interpretations of Financial Statements





Qualitative Analysis		
Competitive Advantage?		Yes
Easily Explainable?		Yes
Heavily Unionized?		No
Heavy Capital Infusion?		No
Heavy R&D?		No
Obsolete Inventory?		Yes
Chronic one-time Write offs?		No
Raise Price to offset inflation?		Yes
Sell more in the future?		Yes
Billion Dollar Competitors?		Yes
Total	80%	8 out 10

Competitive Analysis



DuPont Historical

	NPM	TAT	FLM	ROE
2017	10.20%	1.2	2.68	32.77%
2016	10.90%	1.14	1.97	24.49%
2015	10.70%	1.13	1.79	21.64%
2014	11.00%	1.18	1.75	22.69%
2013	10.70%	1.15	1.7	20.89%

DuPont Industry

	NPM	TAT	FLM	ROE
VF Corporation	10.20%	1.2	2.68	32.77%
Ralph Lauren	9.00%	1.05	1.78	16.79%
PVH	6.03%	0.78	2.15	10.10%
Amazon	4.33%	1.43	3.73	23.13%

Industry Breakdown			 <small>PHILLIPS-VAN HEUSEN CORPORATION</small>	
Market Cap (Mil)	\$28,600	\$8,500	\$7,900	\$779,000
Revenue (Mil)	\$13,850	\$6,200	\$9,590	\$232,887
P/E	18.4	15.5	10.5	81.08
P/S	2.49	1.49	1.37	31.55
ROE	32.77%	16.79%	10.10%	23.10%
ROA	13.34%	7.19%	4.69%	6.85%
EV/EBIT	20.47	15.64	22.79	58.05
Operating Margin	16.70%	16%	13.30%	12%
Net Margin	11%	9%	7.70%	4.30%

VFC vs Amazon



Core part of VF's strategy is reviewing the portfolio of brands, and their connection to consumer and consumer culture.



Amazon is a large *customer* for VF Corp, VF is a manufacturer as well as a retailer.



Brands such as Vans and North Face are rooted in facets of consumer culture, such as action sports and outdoor activities. (Communities)

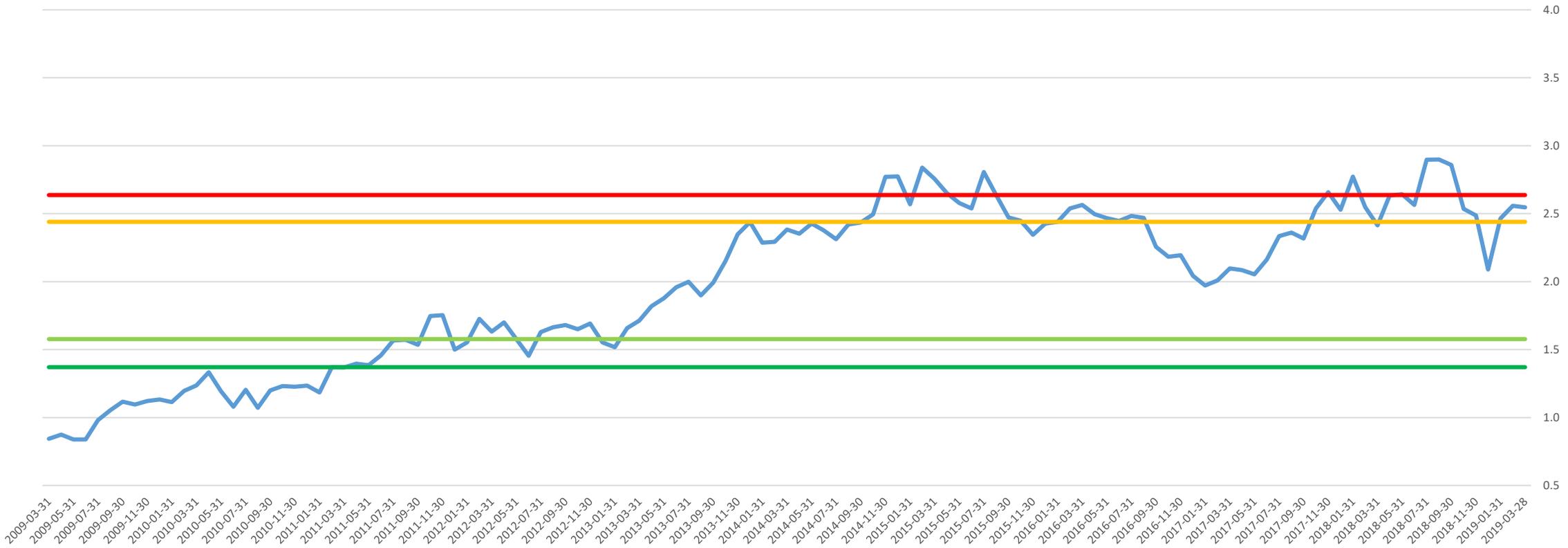


Chief Digital Officer within VF Corp

Value Bands



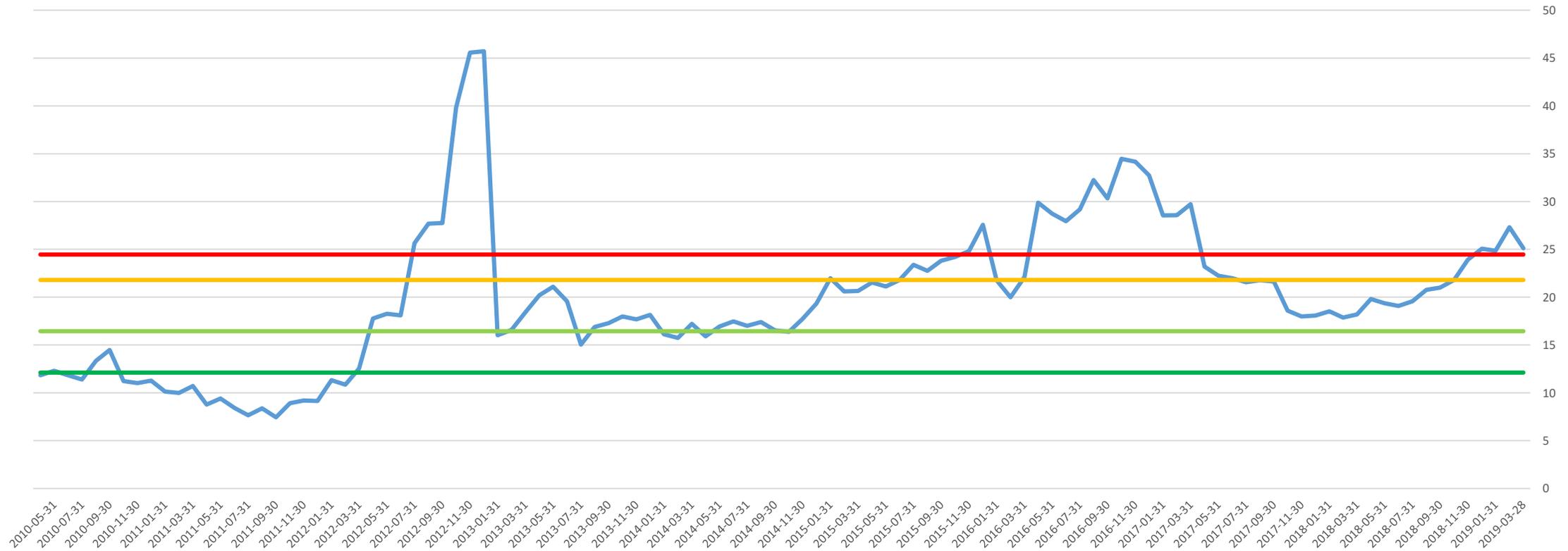
Price/Sales



Money Making Melting Pot



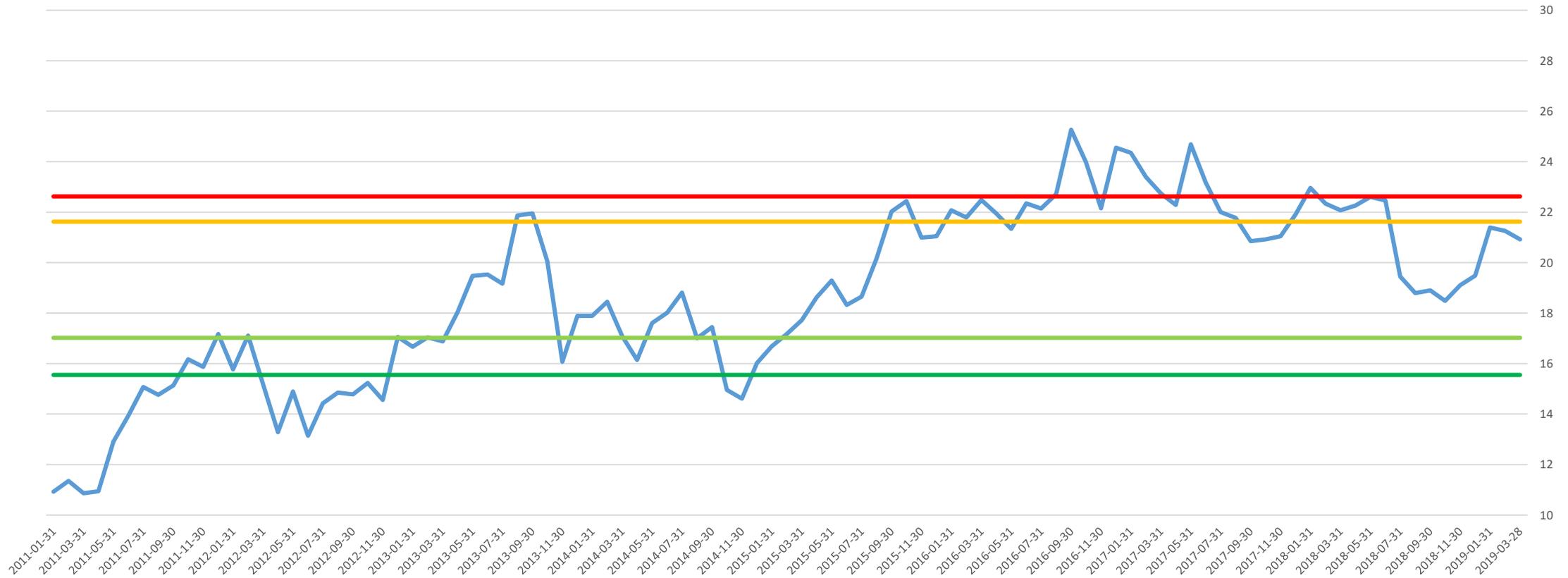
Price/Owner's Earnings



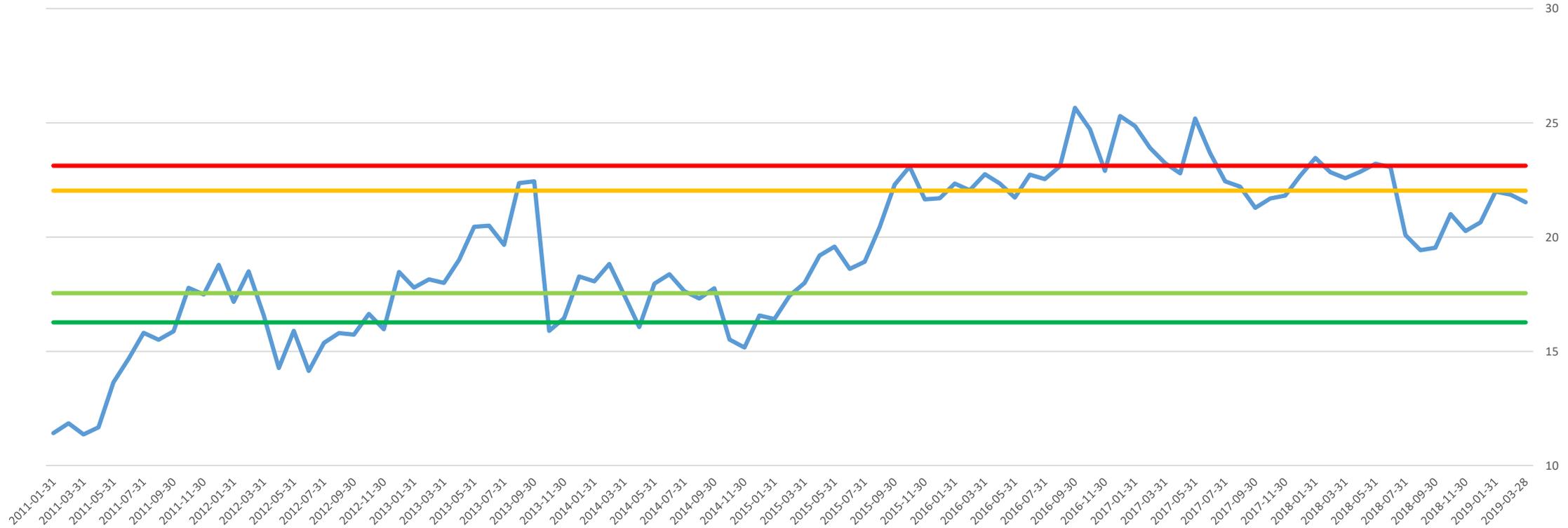
Money Making Melting Pot



Price/Earnings less Cash



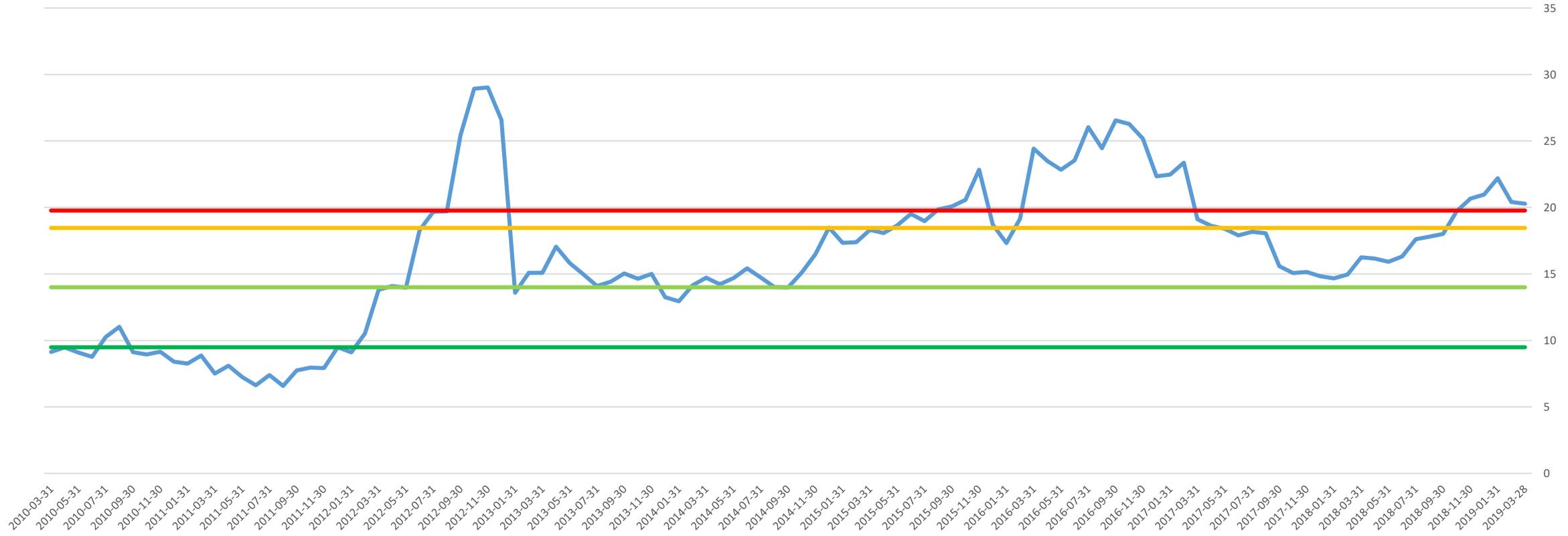
Price/Earnings



Money Making Melting Pot



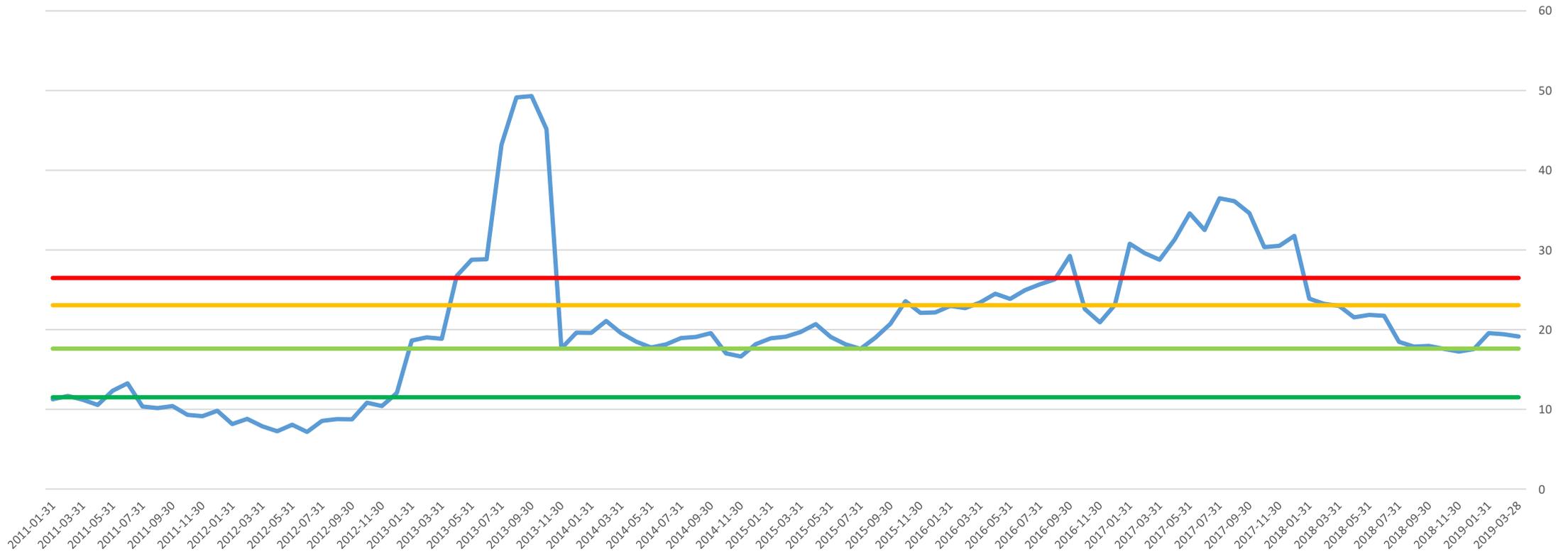
Price/Cash Flow



Money Making Melting Pot



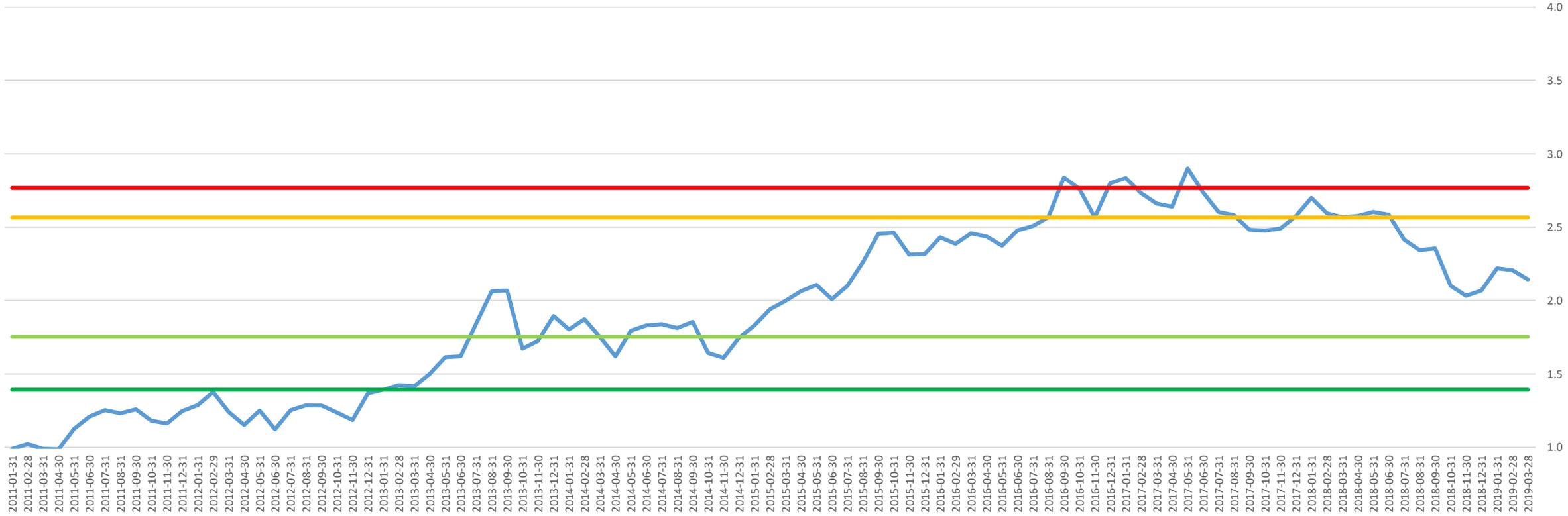
Price/Free Cash Flow



Money Making Melting Pot



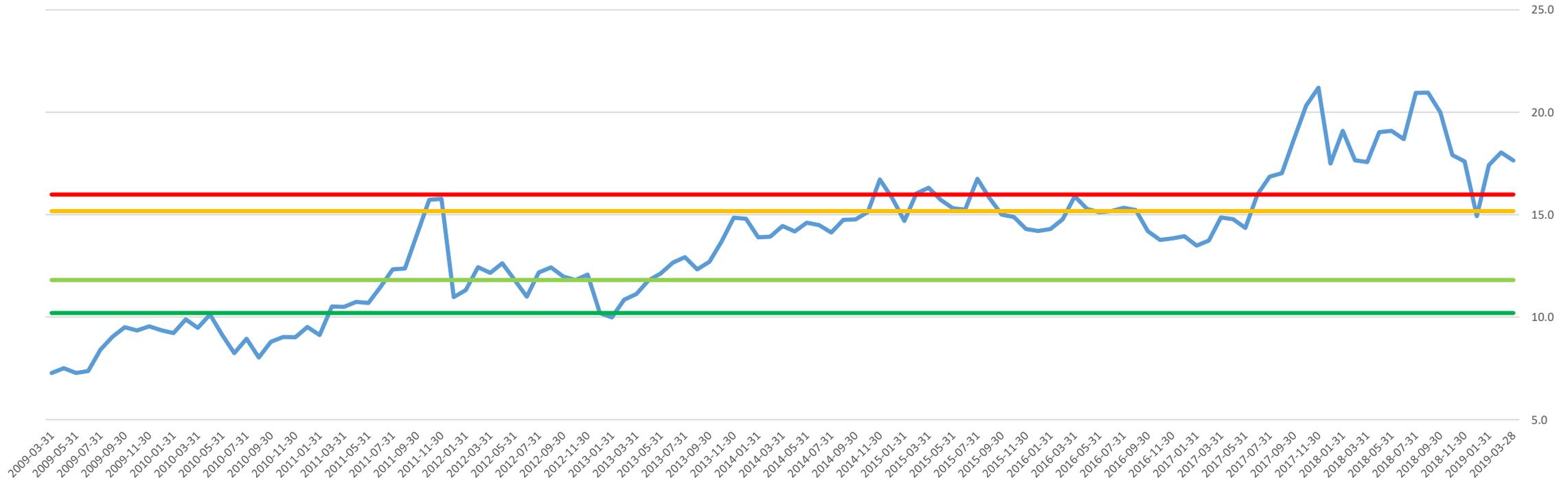
Enterprise Value/Revenue



Money Making Melting Pot



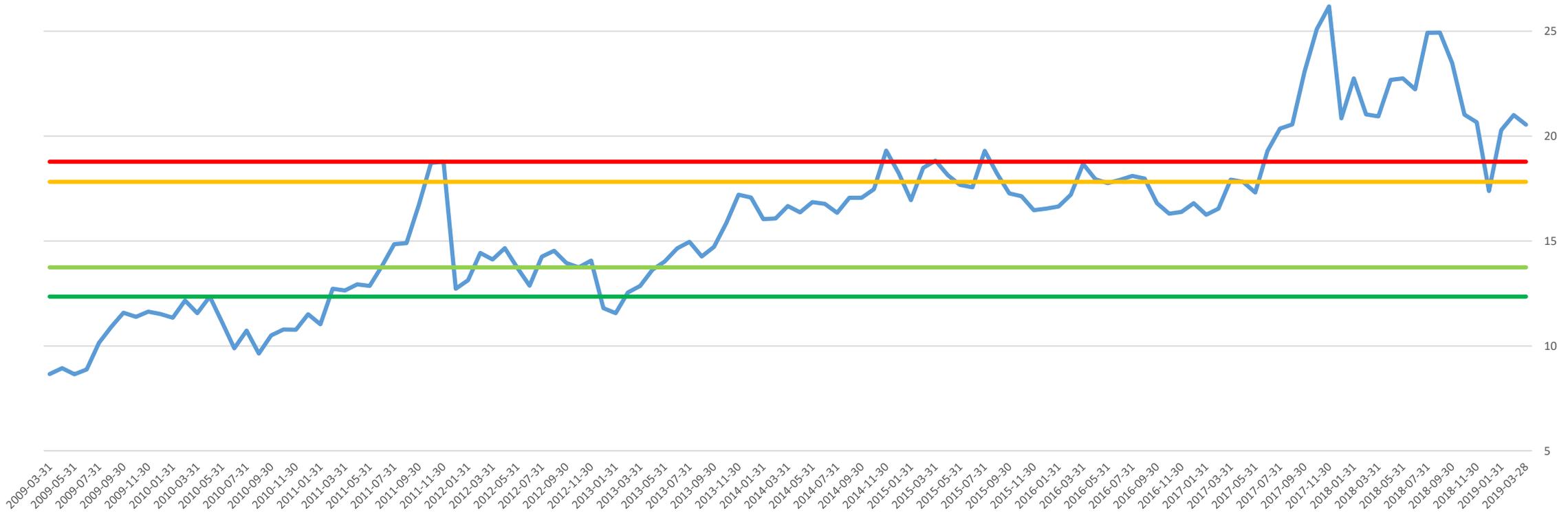
Enterprise Value/EBITDA



Money Making Melting Pot



Enterprise Value/EBIT



Money Making Melting Pot





**Discounted
Cash Flow**



Our Default

Earnings Per Share  : \$ 4.00

Growth Rate In the Next  : 10 Years: 10.0 %

Terminal Growth Rate  : 4 %

Years of Terminal Growth  : 10

Discount Rate  : 10 %

Business Predictability  :  



DCF Reverse DCF 

Fair Value  : **69.76**

Tangible Book Value  : \$ 1.24
 Add to Fair Value

Growth Value  : 40

Terminal Value  : 29.76

Stock Price: \$ 85.01

Margin Of Safety: **-22%**



Bearish Scenario

Earnings Per Share  : \$ 4.00

Growth Rate In the Next  : 10 Years: 7.50 %

Terminal Growth Rate  : 4 %

Years of Terminal Growth  : 10

Discount Rate  : 10 %

Business Predictability  : 



DCF Reverse DCF 

Fair Value  : 58.98

Tangible Book Value  : \$ 1.24
 Add to Fair Value

Growth Value  : 35.33

Terminal Value  : 23.65

Stock Price: \$ 85.01

Margin Of Safety: **-44%**



Bullish Scenario

Earnings Per Share ? : \$ 4.00

Growth Rate In the Next ? : 10 Years: 12.5 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 9.5 %

Business Predictability ? : ★★★★★ ?

Save Parameters



DCF Reverse DCF **NEW**

Fair Value ? : 86.46

Tangible Book Value ? : \$ 1.24
 Add to Fair Value

Growth Value ? : 46.55

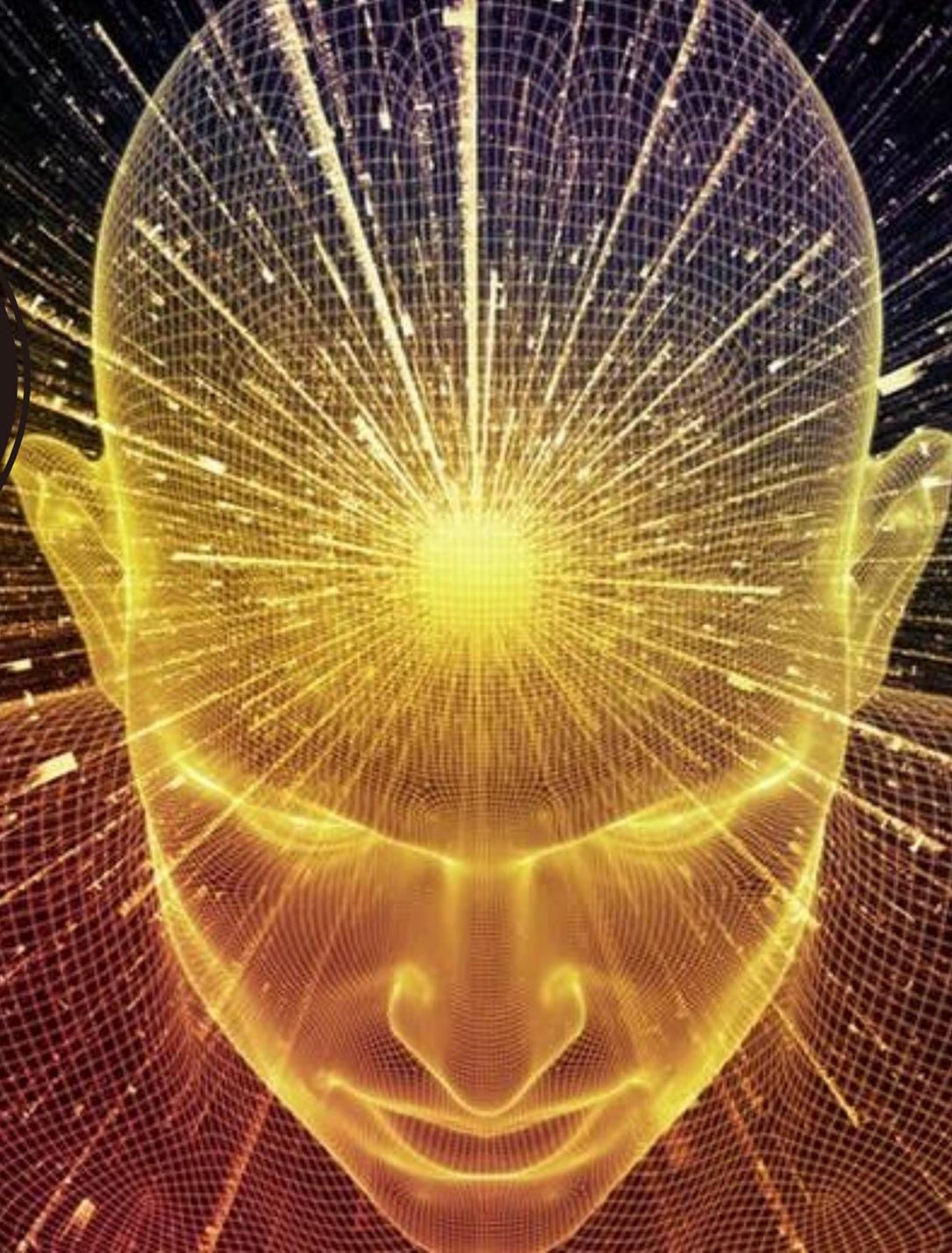
Terminal Value ? : 39.91

Stock Price: \$ 85.01

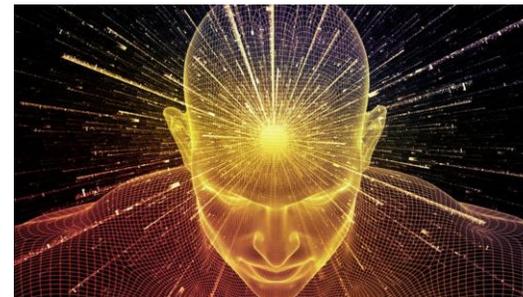
Margin Of Safety: **2%**



**“Conscious”
Investor**



10 year



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EPS	1.35	1.03	1.30	2.00	2.43	2.71	2.38	2.85	2.78	2.97	4.00
SPS	17.36	16.37	17.75	21.39	24.42	25.67	28.14	28.74	28.75	29.69	

HGROWTH	STAAGR (STABILITY)
11.74%	81.78%
7.56%	93.22%

6 Year



	2013	2014	2015	2016	2017	2018
EPS	2.71	2.38	2.85	2.78	2.97	4.00
SPS	25.67	28.14	28.74	28.75	29.69	

HGROWTH	STAEGR (Stability)
3.68%	95.36%
3.87%	98.25%

4 year



	2015	2016	2017	2018
EPS	2.85	2.78	2.97	4.00
SPS	28.74	28.75	29.69	

HGROWTH	STAEGR (Stability)
6.57%	96.74%
1.61%	99.69%



Intraportfolio Valuations

Price/Sales

P/S	#
CHRW	0.72
PII	0.86
OMC	1.08
DG	1.14
TSCO	1.28
UHAL	1.82
VFC	2.04
ROST	2.23
BRK.B	2.34
PEP	2.40
ULTA	2.46
DIS	2.77
QCOM	2.89

P/S	#
NXPI	3.32
SBUX	3.32
NKE	3.43
ORCL	4.97
CNI	4.98
UNP	5.00
GOOG	5.45
MSFT	7.16
MA	13.74

Price/Earnings

P/E	#
NXPI	12.21
PII	13.05
OMC	13.18
DIS	13.23
QCOM	13.66
ORCL	15.85
CNI	16.82
CHRW	17.67
UNP	18.56
UHAL	18.65
DG	18.69
VFC	18.96
PEP	19.23

P/E	#
TSCO	19.27
BRK.B	19.99
ROST	21.63
GOOG	23.03
SBUX	25.36
ULTA	25.55
MSFT	26.53
MA	30.70
NKE	32.45

Price/Book

P/B	#
CHRW	6.82
CNI	4.14
DG	4.52
DIS	3.38
GOOG	3.90
MA	18.36
MSFT	9.55
NKE	12.70
NXPI	2.97
OMC	5.66
ORCL	4.34
PEP	12.71
PII	5.16

P/B	#
ROST	10.38
TSCO	6.733
UHAL	1.78
ULTA	8.43
UNP	6.67
VFC	6.27
BRK.B	19.99

Price/Free Cash Flow

P/FCF	#
NXPI	6.70
UHAL	7.54
PII	8.63
DIS	10.43
QCOM	10.47
OMC	10.56
CNI	12.85
UNP	13.64
ORCL	13.74
TSCO	14.15
DG	14.20
PEP	14.65
CHRW	15.29

P/FCF	#
VFC	15.50
ULTA	17.41
ROST	17.64
GOOG	18.02
MA	18.36
SBUX	19.11
MSFT	19.50
BRK.B	21.78
NKE	36.40

In Conclusion...

- VFC has provided market-beating returns for investors over the past decade by focusing on the consumer
- Products are embedded within the culture, and various aspects of it, such as outdoor activities and skateboarding
- Strong management and almost value-investing like management of the portfolio of brands allows VF to focus on its best ideas
- Multiple avenues of getting the product to the consumer (using Amazon instead of competing with it) also strengthen competitive advantage

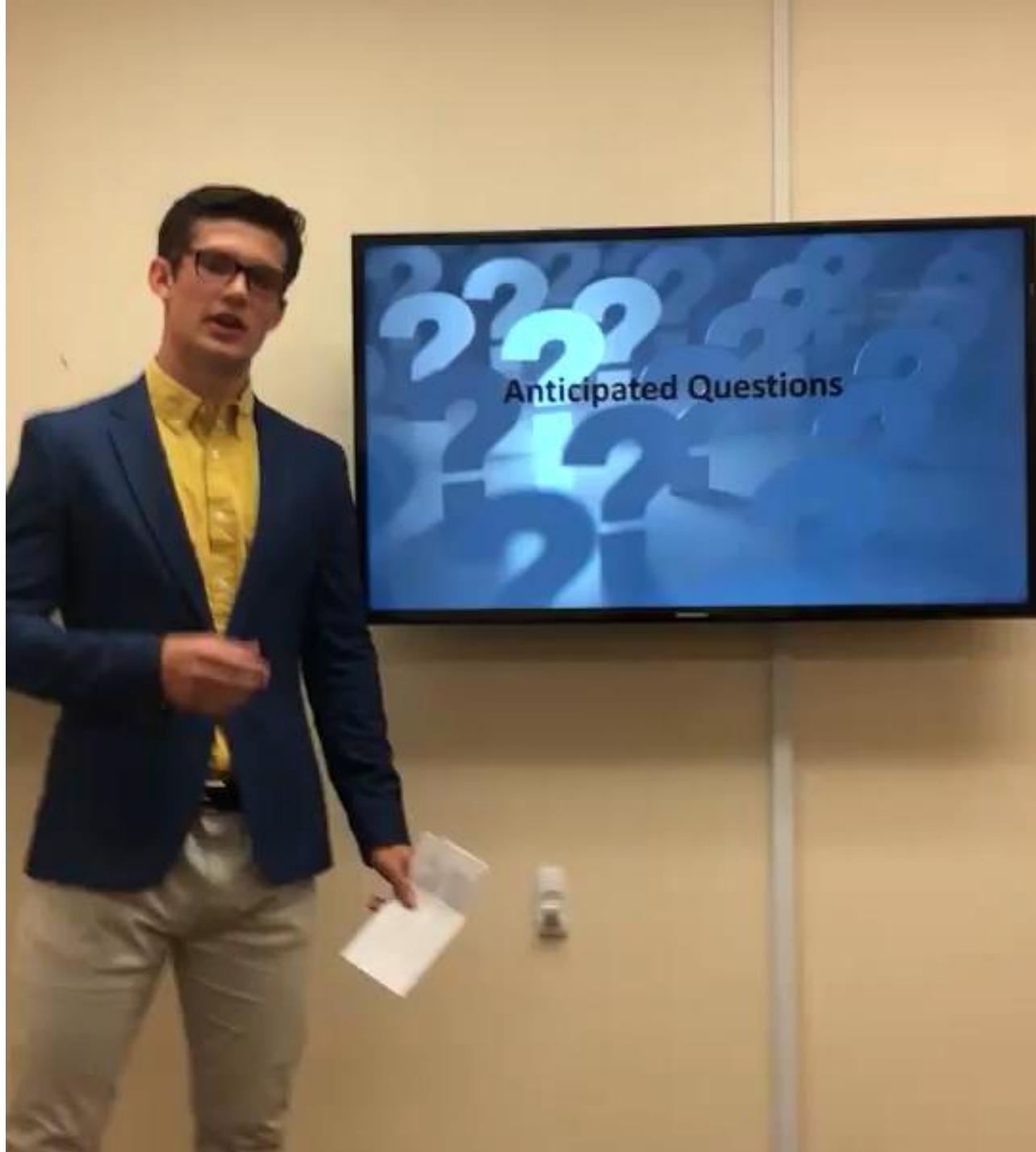
Recommendation

- Based off of
 - DCF: \$63.07
 - P/E (50th): \$60.34
 - P/S (50th): \$70.70
 - Morningstar FV: \$74
 - EV/EBIT (50th): \$83.84
 - Average comes out to be \$70.33

Write a PUT at \$75 strike
(August 16 expiration)

Premium of \$2.30

Effective Entry = \$72.70



Questions?



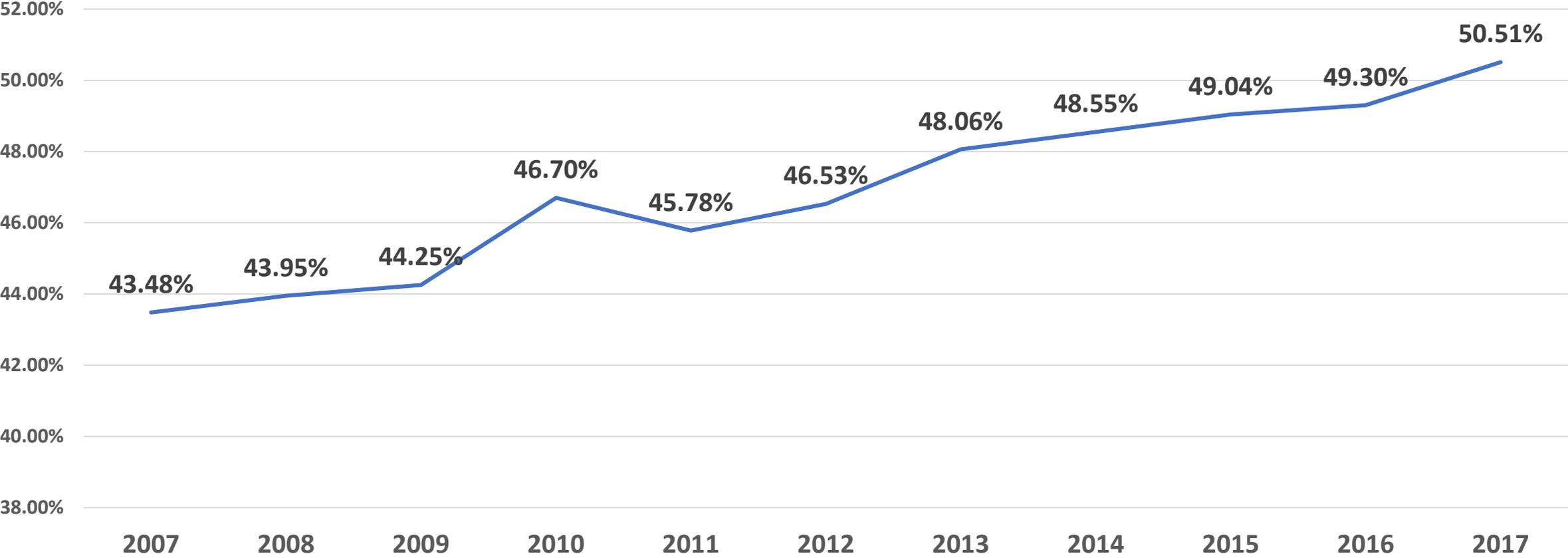


Interpretations of Financial Statements



50.51%

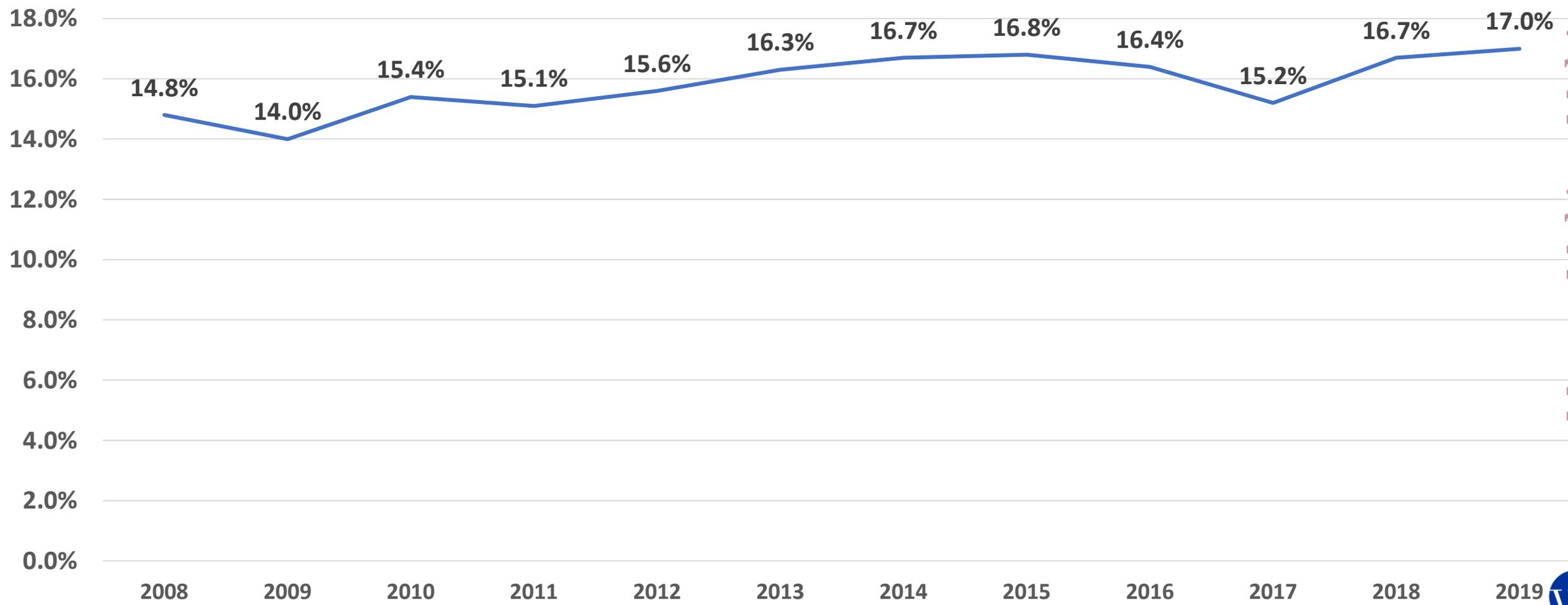
Gross Profit Margin



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Operating Margin



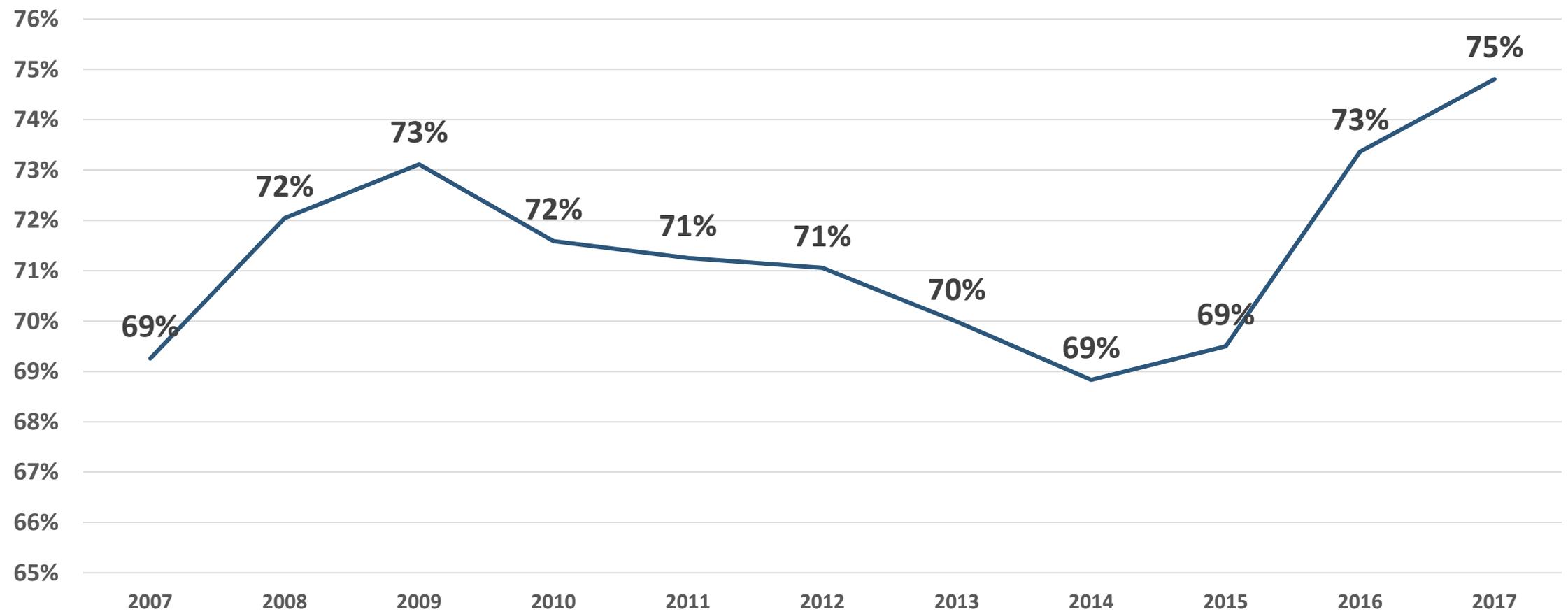
17%

Money Making Melting Pot



75%

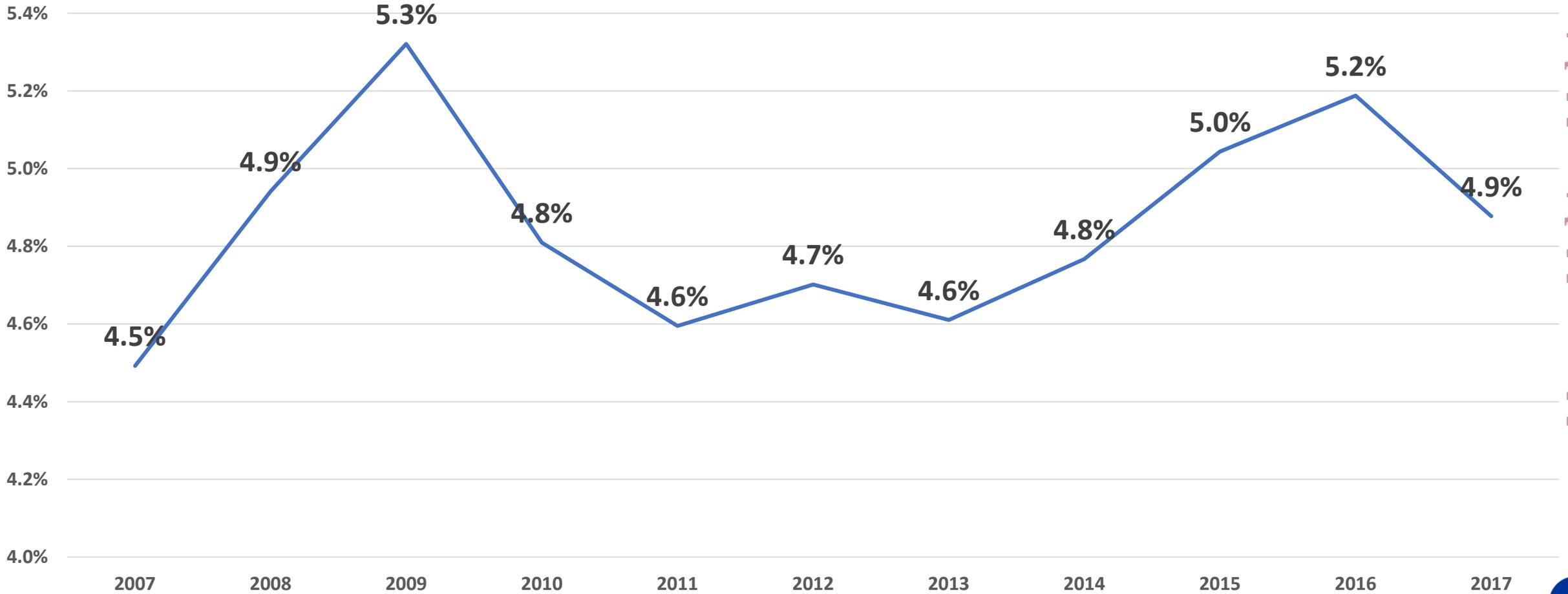
Selling, General and Administrative



Money Making Melting Pot



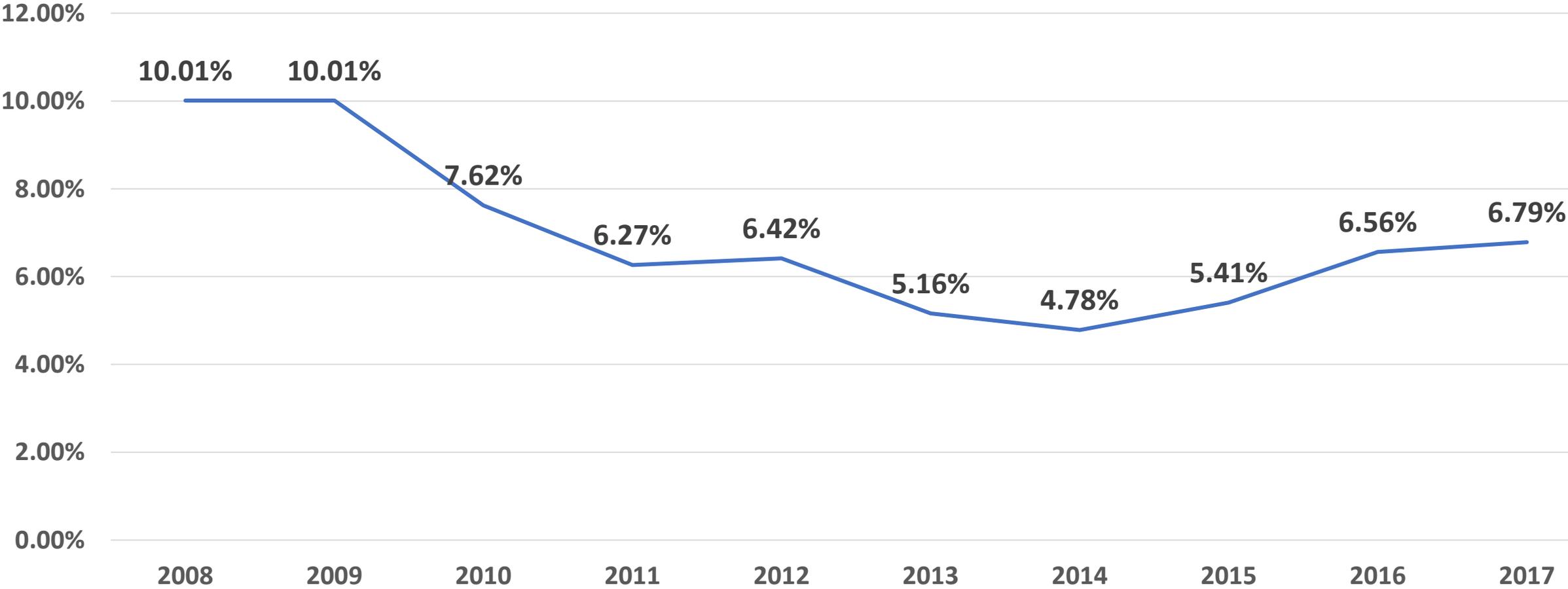
Depreciation to Gross Profit



4.9%



Interest of Operating Profit

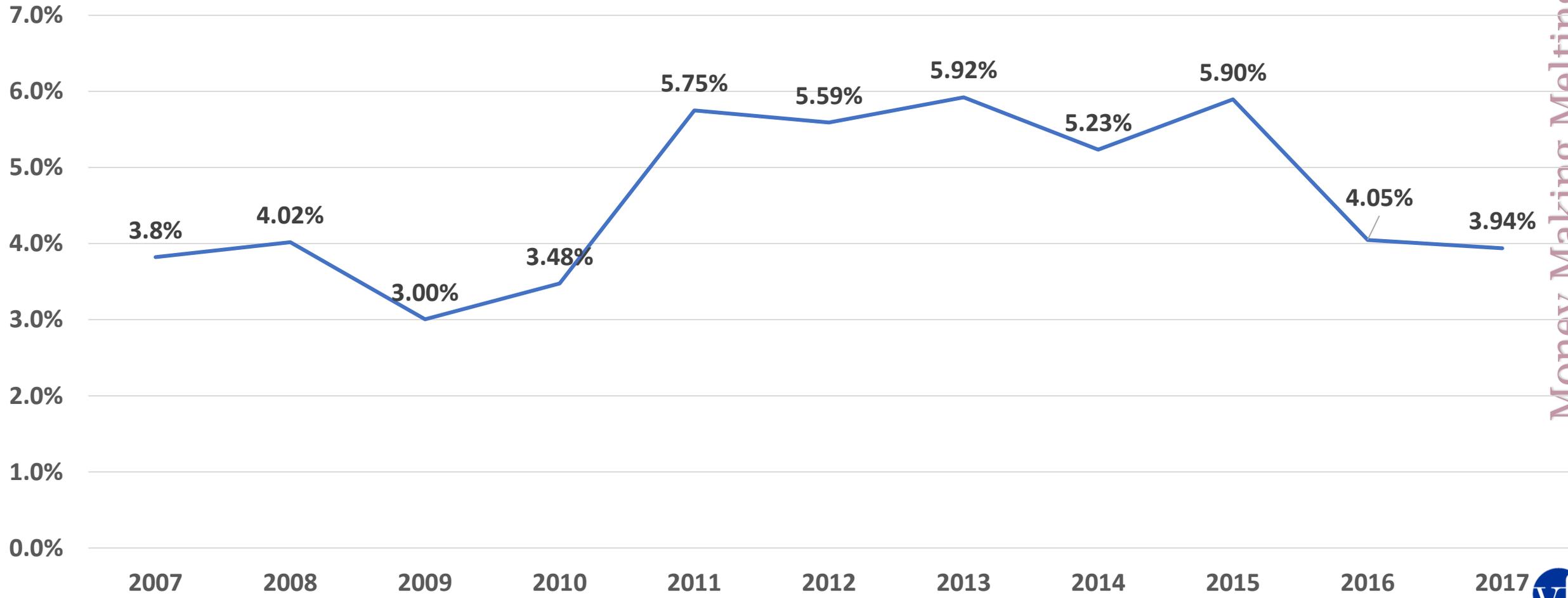


6.79%

Money Making Melting Pot



Capital Expenditure of Gross Profit

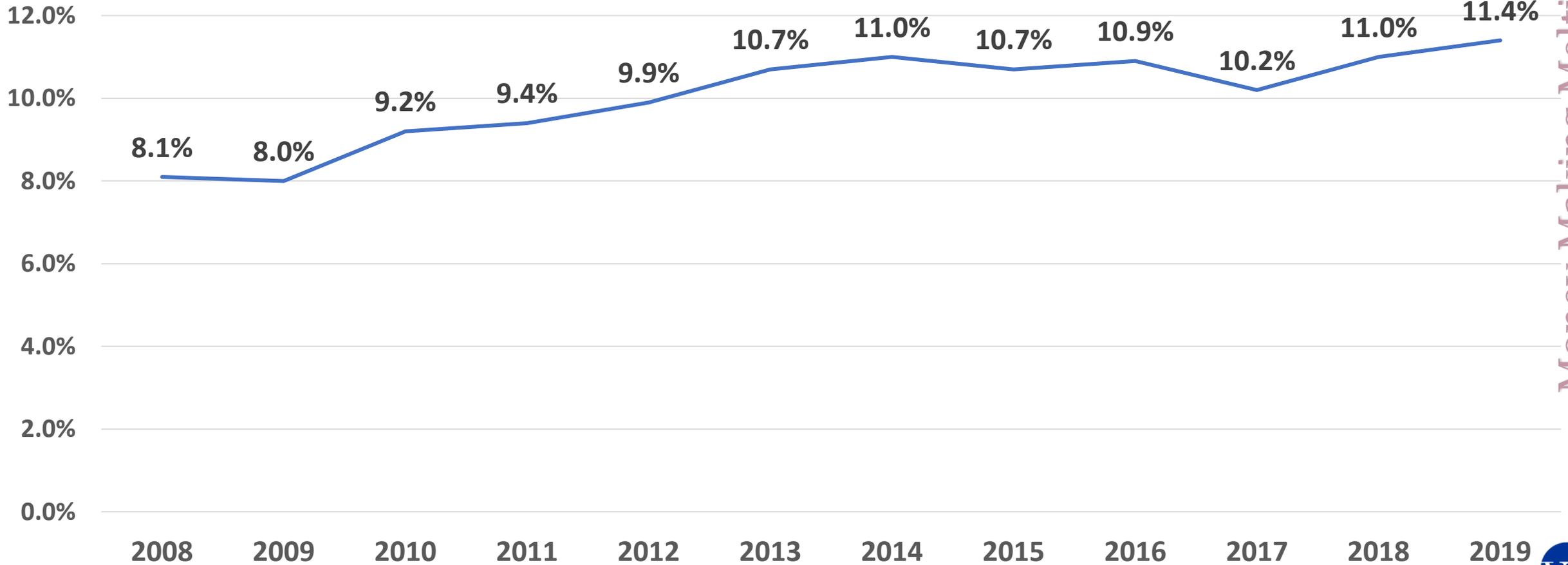


3.94%

Money Making Melting Pot



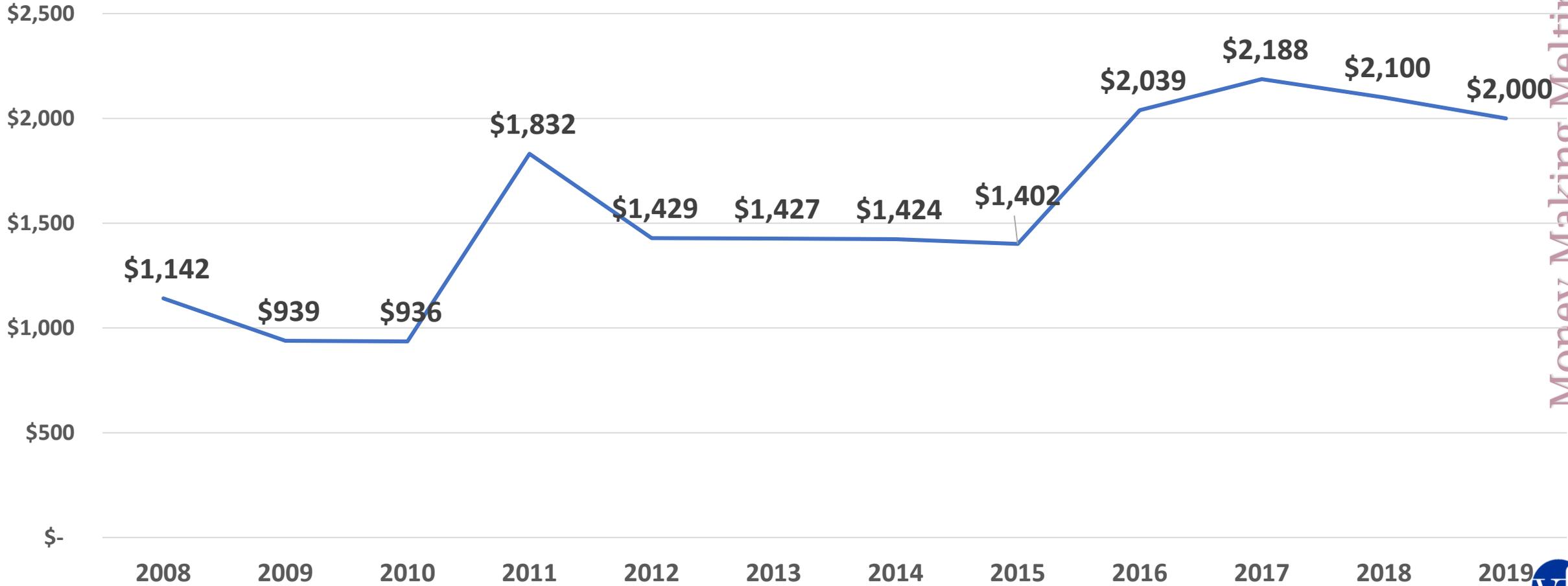
Net Profit Margin



Money Making Melting Pot



Long Term Debt

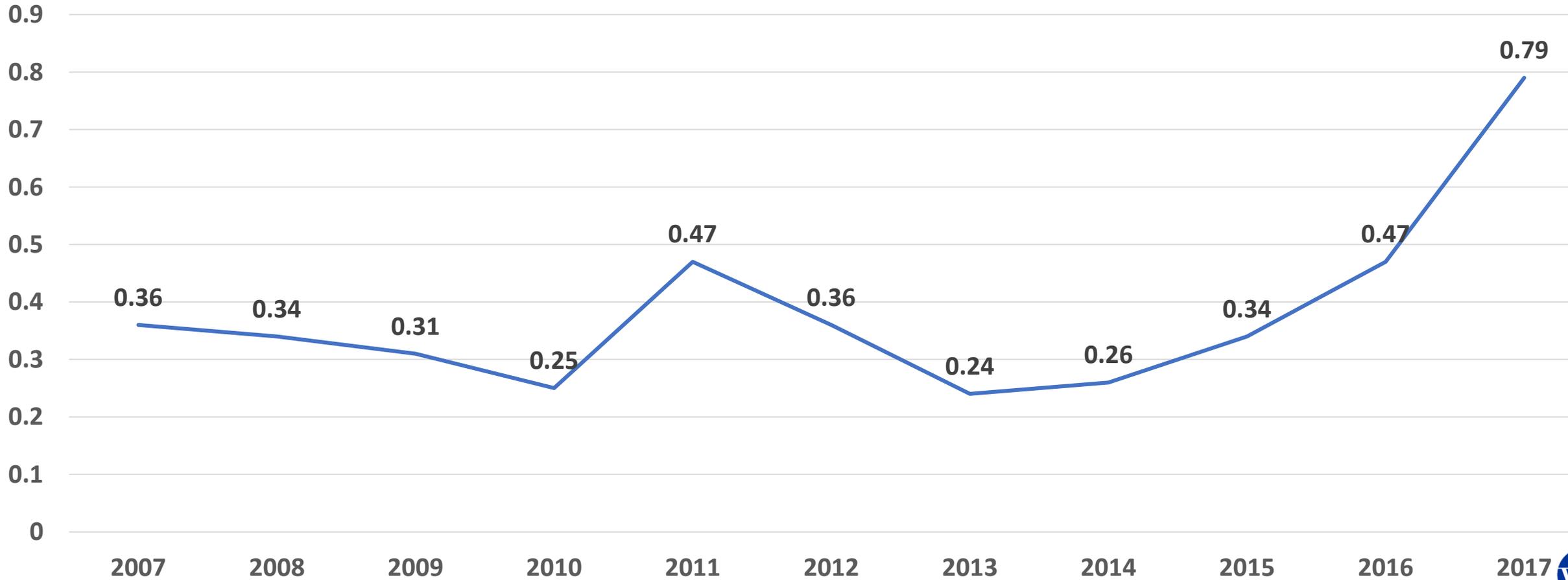


2.61

Money Making Melting Pot



Debt to Equity Ratio

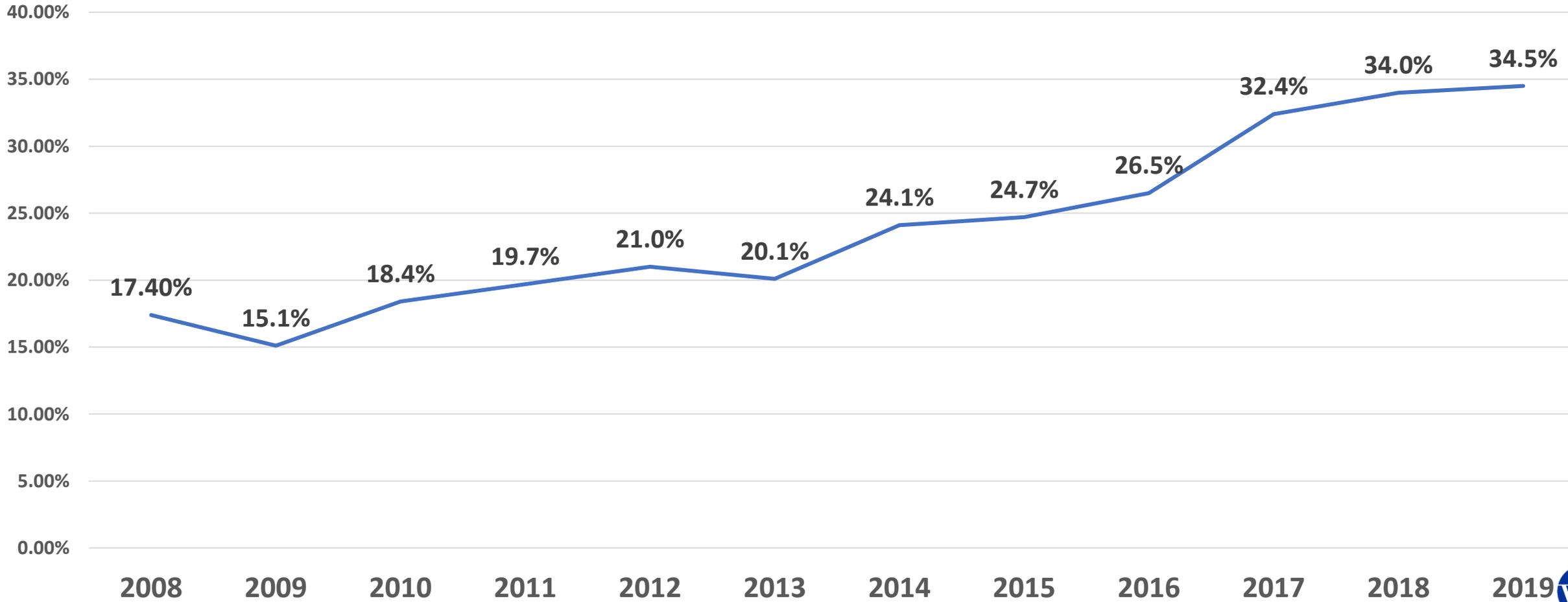


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34.5%

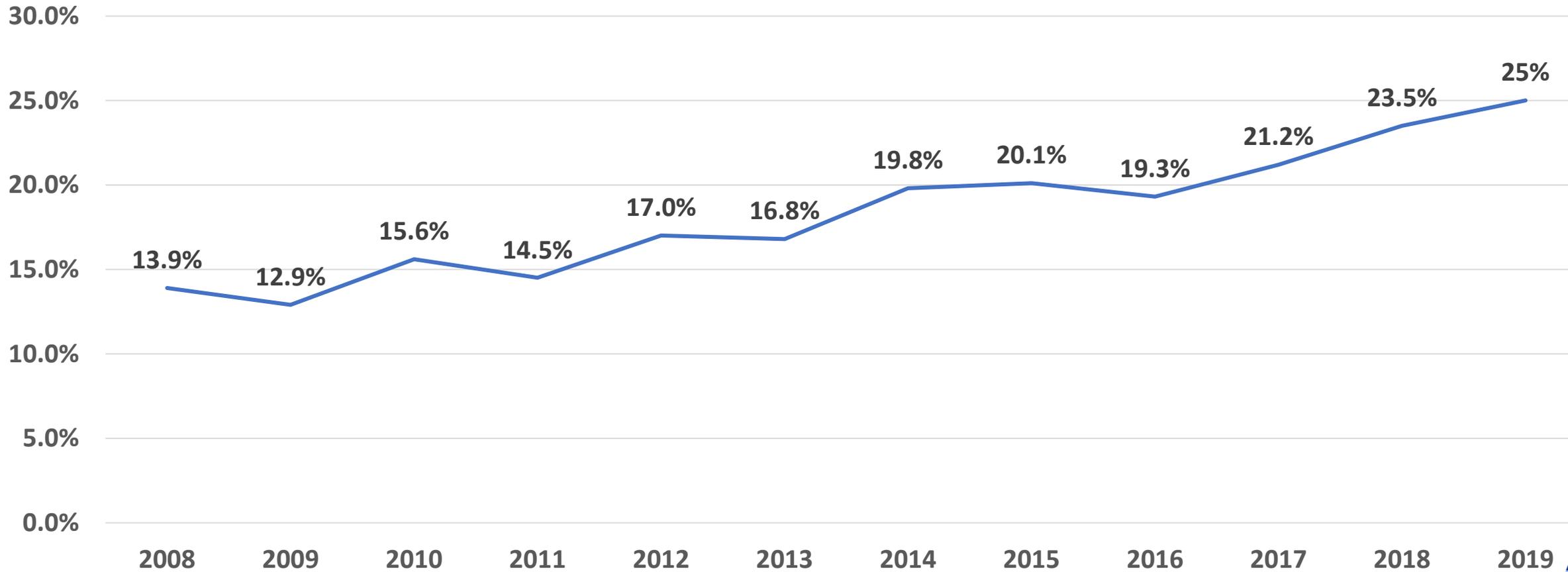
Return on Equity



Money Making Melting Pot



Return on Asset

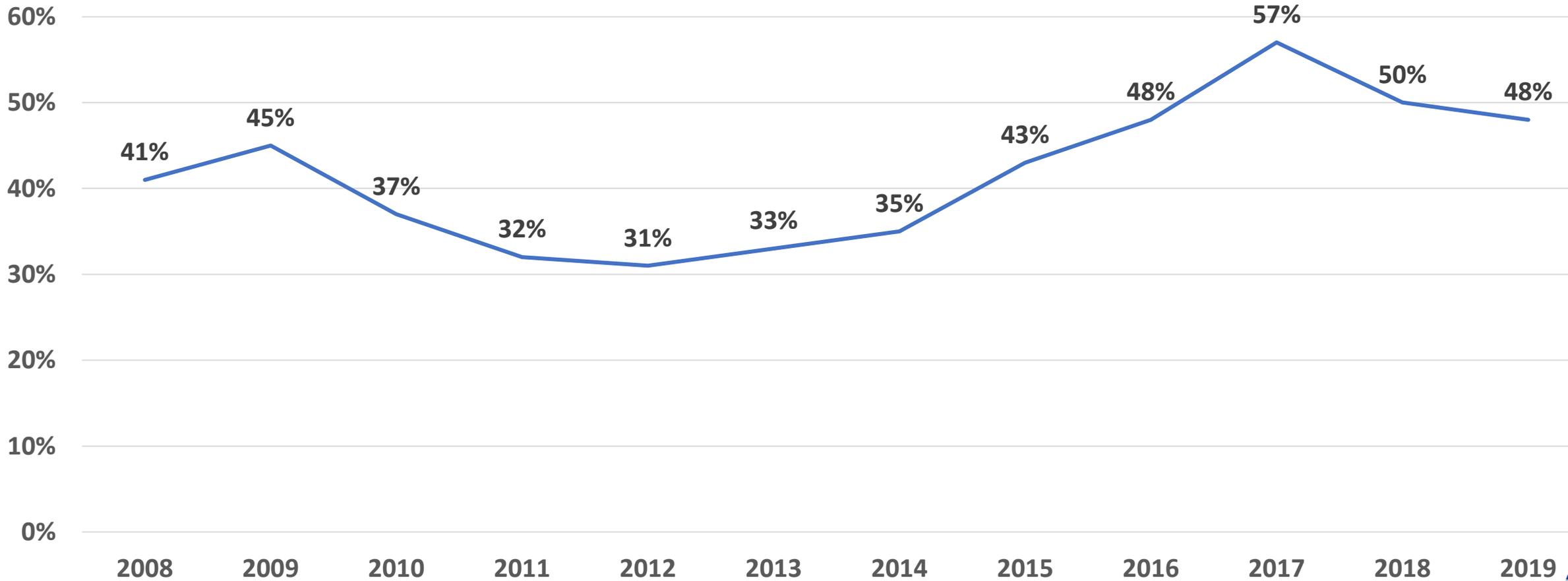


25%

Money Making Melting Pot



Dividend Payout Ratio



48%

A man in a dark suit and tie is pointing his right index finger towards the center of the image. The background is a dark blue digital interface featuring a world map on the left, a bar chart on the right, and various data visualization elements like line graphs and pie charts. The overall aesthetic is professional and tech-oriented.

PREFERRED STOCK

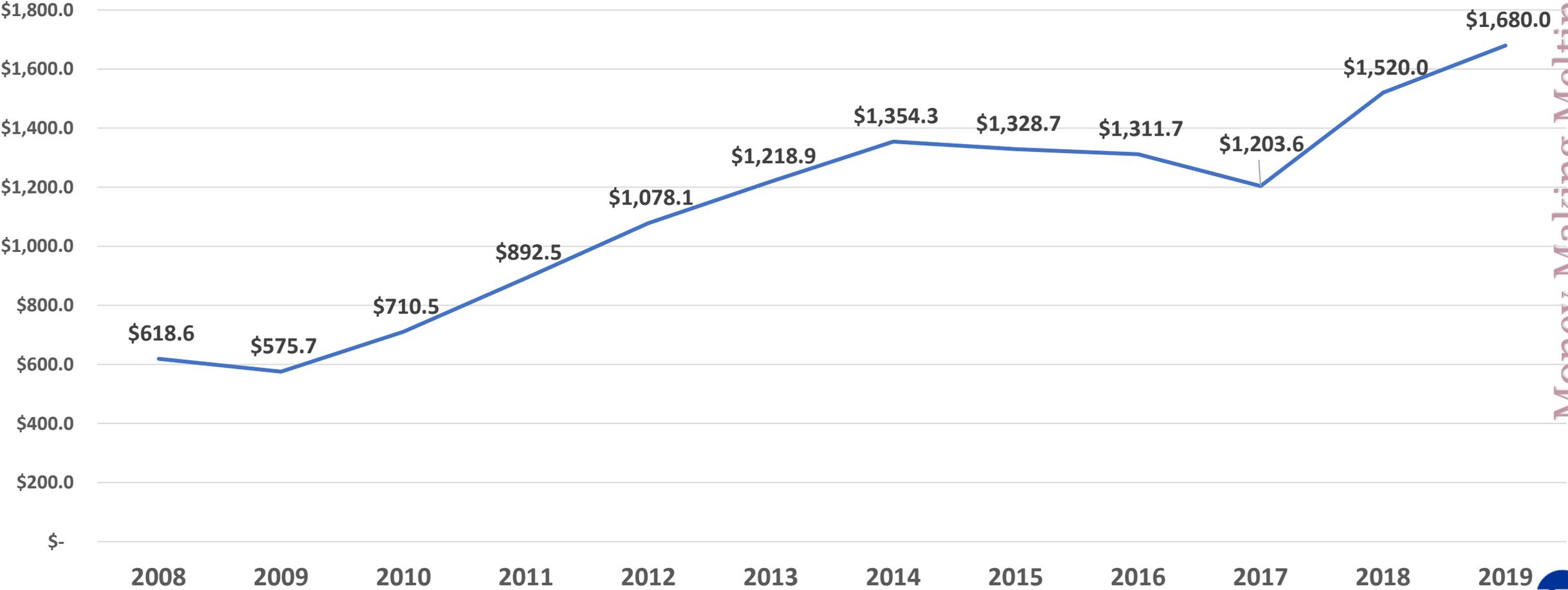
**NO
Preferred
Stock**



NET EARNINGS TREND **UP**

UP

Net Earnings

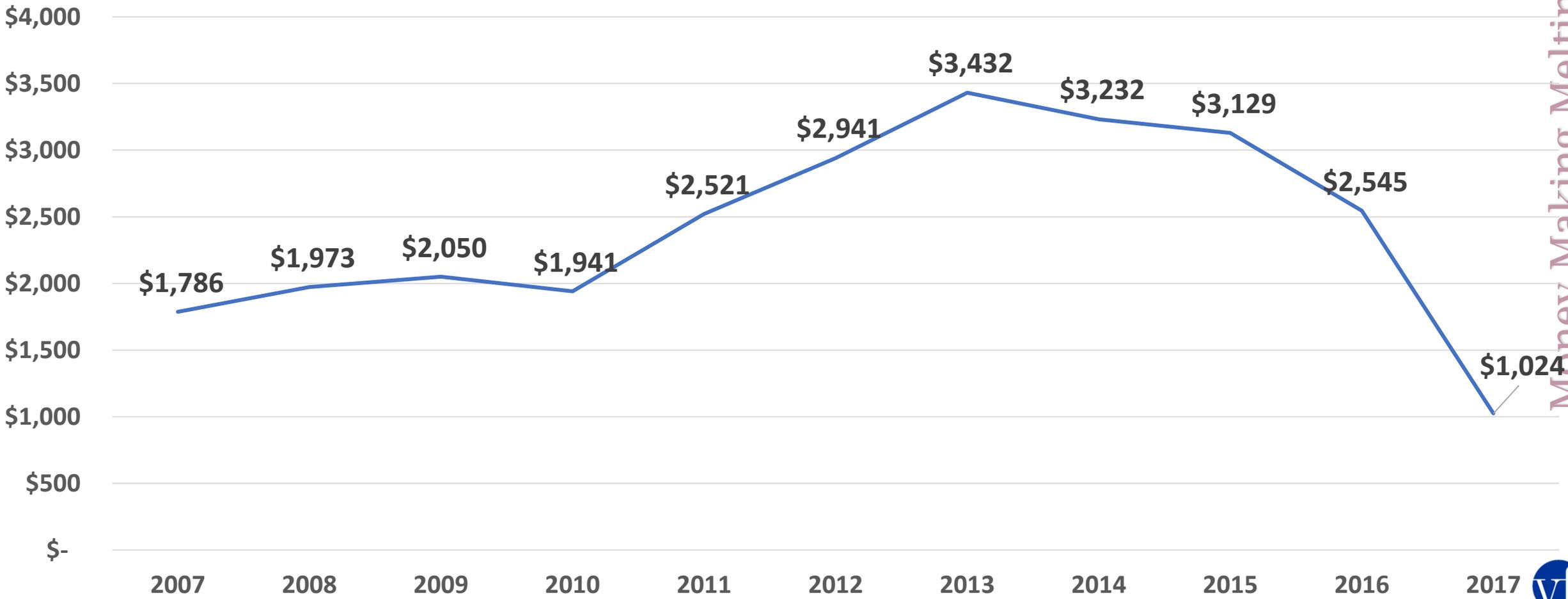


Money Making Melting Pot



Declining Trend

Retained Earnings



Money Making Melting Pot



Qualitative Analysis

Competitive Advantage?		Yes
Easily Explainable?		Yes
Heavily Unionized?		No
Heavy Capital Infusion?		No
Heavy R&D?		No
Obsolete Inventory?		Yes
Chronic one-time Write offs?		No
Raise Price to offset inflation?		Yes
Sell more in the future?		Yes
Billion Dollar Competitors?		Yes

Total

80%

8 out 10



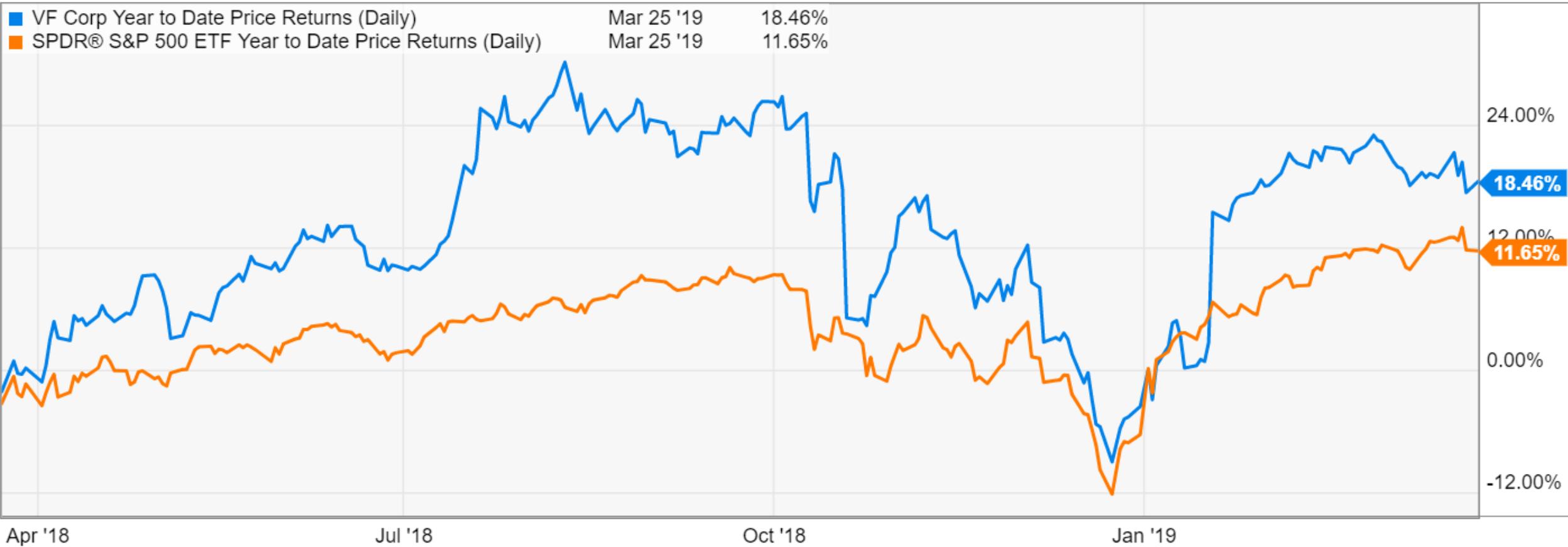
Stock Performance



10 Years Stock Performance

Money

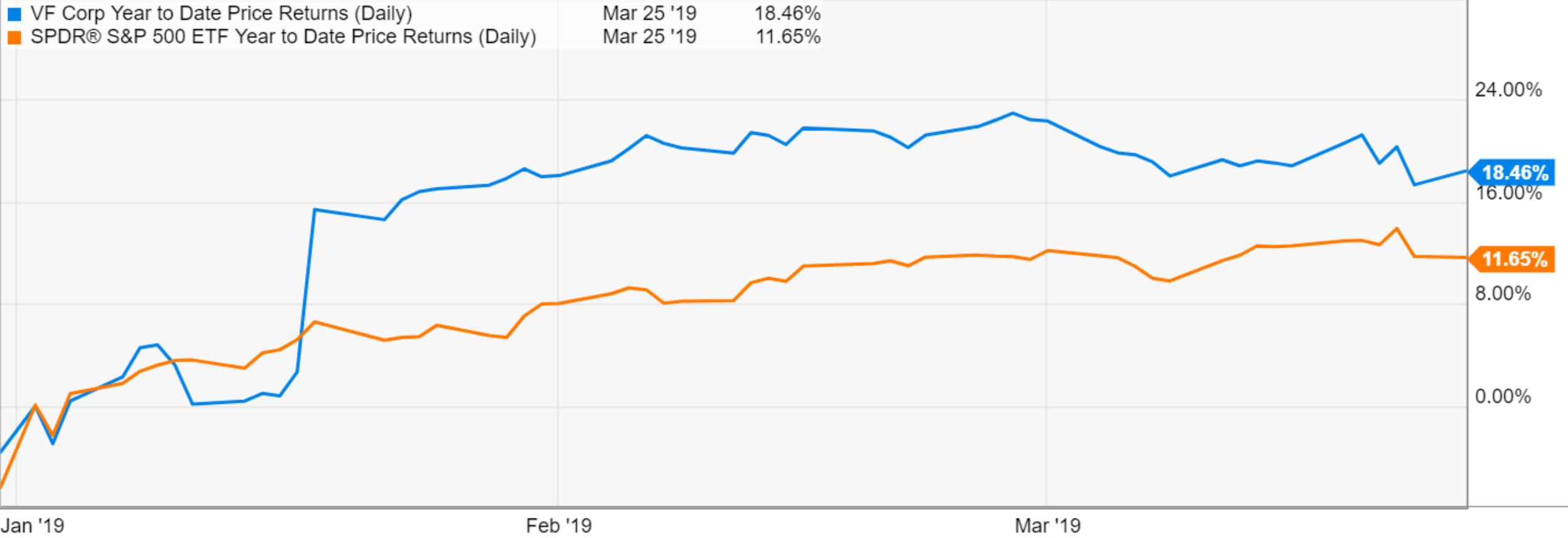




1 Year Stock Performance

Money





YTD Stock Performance

Money



❑ Morning Star forecasts

- ❑ VF has managed its portfolio of brands well and delivered consistent returns to shareholders. The company has achieved annualized total shareholder returns of approximately 17% over the past 15 years, well above the comparable figure for the S&P 500 index of less than 10%. VF has outperformed the market and peers over a long period of time as it has acquired and built brands while selling weaker brands.
- ❑ Morning Star believes that VF will generate more than \$9 billion in free cash flow over the next five years and return most of it to shareholders in dividends and stock buybacks.
- ❑ The company did not, however, repurchase any stock in the first half of fiscal 2019. We believe this was a prudent decision as VF's stock price reached all-time highs.



Anticipated Questions

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1. What differentiates VF Corp from their competitors?

Anticipated Questions

2. VF's Jeanswear segment has become less effective, what will management do to correct this?

Anticipated Questions

3. Do you think amazon possesses a treat to VF Corp's sales? Why would people want to go and buy at VF Corp's stores rather than shop on Amazon?