

Company: Skechers USA Inc	Ticker: SKX	Current Price: \$ 20.80	Industry: Consumer Cyclical	Sub Industry: Footwear and Accessories
Target Price: \$24.29	Trailing P/E: 12.18	Beta: 1.012	Market Cap: \$ 3297.8	
Stop Loss: \$21.86	Forward P/E: 12.38	Credit Rating:	Avg Vol (3 M): 3,269,469	
52 Week High/ Low: \$34.27-\$18.81	EPS: 1.72	Rating Outlook:	Dividend Yield: NA	

Company Background:

Skechers USA., Inc. designs and markets branded contemporary casual, active and rugged footwear for men, women and children. Wholesale customers include department and specialty stores. Owns 390 retail stores in the US and 127 internationally. Reportable segments include: domestic wholesale, retail and e-commerce. The company has about 9,200 employees.

Industry Outlook:

Despite recent gains in employment numbers and incomes, consumers remain cautious. Many retailers that cater to them are struggling. Department stores have been closing location and outlets don't appear to be benefitting. Also, there have been several bankruptcy filings among specialty players, with one high profile liquidation (Sports Authority). These companies are hopeful that the transition from the back-to-school selling season to cooler weather and holiday period will lift spirits. That may be aided by new products. Of necessity, all major shoe brands are investing heavily in e-commerce and that is proving lucrative for them. The decline in share prices recently have brought forth some long term investment opportunities.

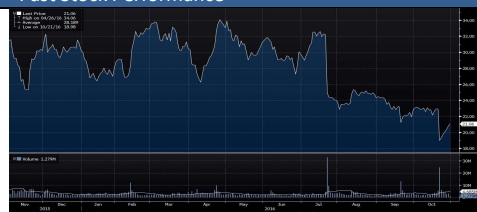
Investment Thesis:

- Skechers focus on retail operations has been wise with distributors and joint ventures aggressively pushing retail.
- China business is growing even faster and the business is kicking off in India with Skechers sitting on a sizable cash balance as it looks at expansion.
- The stock is trading at a discount with good fundamentals and concrete future plans which will reward long term investing.

Investment Risks:

- Bloated industry inventory pipeline heading into the back-to-school selling season.
- Potential decline in the wholesale business.
- Unfavorable currency exchange rates are currently problematic.
- Mediocre retail sales, a specialty store accounts declared bankruptcy over the summer and department stores have been closing down in various locations.

Past Stock Performance



(Millions)	2017	2018	2019	2020	2021
Free Cash Flow	133.87	145.02	157.10	170.18	175.29
Terminal Value					2959.78
Total Flows	133.87	145.02	157.10	170.18	3135.07
PV of Flows	112.47	111.67	110.88	110.10	1859.08
Current Shares Outstanding		133.32			
Enterprise Value		2.82B			
Equity Value		130.24			
Current outstanding debt		74.50			

Financial Performance:

	2012	2013	2014	2015	Est 2016	Est 2017
Revenue	1560.3	1846.4	2377.6	3147.3	3530.1	3824.3
EBIT	23.1	95.8	211.4	356.73	369.5	382.5
EBITDA	65.6	139.1	259.7	409.7	439.7	462.3
NET INCOME	10.20	55.90	140.30	235.70	253.20	270.70
Revenue Growth %	-3%	18%	29%	32%	12%	8%
EBITDA %	4%	8%	11%	13%	12%	12%
Total Debt/Equity	15.42	13.12	10.43	6.15		
EPS	0.07	0.36	0.91	1.5	1.67	1.79
PE Ratio	91.02	30.04	20.1	19.81		
Current Ratio	3.21	3.27	2.54	2.72	12.47	11.61
ROCE	1.1	6.07	13.84	19.3		
ROA	0.73	3.99	9.00	12.46		
DPS	0.00	0.00	0.00	0.00	0.00	0.00
FCF	-55.9	57.7	107	114.1	123.57	133.87

Discounted Cash Flow

	2010-15	2016-20
Avg Revenue growth	9.42%	8%
Cost of Debt	1.9%	
Tax Rate		20%
Cost of Equity		9.2%
WACC		9.1%
Perpetuity growth rate		3.00%
Avg EBITDA Margin		12.59%
Avg Operating Income		12.26
Average Debt/Equity		11.54

Analyst Opinion

Buy:4	Hold: 5
	Rating
Morning Star	3.0
Value Line	Timeliness:5

Relative Valuation

	Skechers	Deckers	Steve Madden	Crocs	Industry Avg.
P/E	12.08	13.89	17.92	NA	19.60
P/B	2.07	1.82	2.98	2.28	5.0
Price/Sales	0.92	0.92	1.39	0.51	1.89
EPS	0.11	4.34	0.70	-0.81	1.14
Operating Margin	11.3%	8.0%	12.1%	-4.7%	11.6%
Debt / Equity	4.67	32.42	0.00	2.11	116.51
Market Cap	3.30B	1.74B	2.09B	574.65M	1.51B
Net Income Growth	16.09%	-10.80%	8.92%	-160.25%	14.40%
FCF TTM	70.0b	5.8b	3.0b	-3.1	10.0b
Sales Growth	17.61%	0.49%	2.19%	-2.78%	0.92%
Price/Cash Flow	17.26	38.91	16.73	NA	19.72
EBITDA Growth	24.51%	-25.49%	10.35%	-80.13%	-5.90%
PEG Ratio	0.79	3.98	1.42	NA	1.43

Total Return

	Skechers	Steve Madden	Survey Average
1 year	-48.8	-5.6	17.7
3 years	120.8	-3.7	23.7
5 years	389.7	72.2	108.1
Projected 2019-2021	24-11	14-2	

CSR Characteristics

	SKX	Industry
ISS Governance Quick Score	9.00	5.29
ESG Disclosure:	13.22	10.94
Social Disclosure Score	8.77	11.40
Environmental Disclosure Score	NA	18.22

