Retail ELEVATOR PITCH

Presented by Hedgeye Retail Sector

Deckers Outdoor Corporation

Ticker	DECK		2023A	2024E	2025E	2026E	2027E
Price	$559	Hedgeye EPS	$ 19.37	$ 25.53	$ 29.43	$ 32.94	$ 36.21
Market Cap	14.61 bn	Street EPS		$ 22.57	$ 25.98	$ 31.04	$ 32.09
Enterprise Value	13.67 bn	Variance		13%	13%	6%	13%
Short Interest	1.8%	P/E		21.9x	19.0x	17.0x	15.4x
Net Debt/EBITDA		Target P/E		25.0x	24.0x	23.0x	22.0x
Sell Side Target	$613	Implied Price		$ 638	$ 706	$ 758	$ 797
Return to SS TGT	10%	Price Variance %		14%	26%	35%	42%

HEDGEYE EDGE | Beatable Estimates

We took DECK from our Best Idea Long list down to our Long Bias list after the stock doubled since making our call, and the gap between our estimates and the Street narrowed dramatically. But we still think this name is headed higher. We underwrite $40 in EPS by (Mar) FY28, which is good for a stock over $800. The company doesn't get the credit it deserves, but we think that DECK is the best managed footwear company behind Nike. Management is extremely good at stratifying its product -- ensuring that only certain SKUs are available at specific points of distribution. This mitigates discounting, and keeps its brands hot and relevant. People were calling for the death of Ugg 15 years ago, and it's still just as relevant today as when the brand first blasted onto the scene. But now, the classic Ugg boot is 15% of cash flow instead of 90%, as DECK successfully extended the brand and stratified into new categories and product lines. It's taking a page out of the Ugg playbook with HOKA, which can easily double in size on a global scale from here.

NEAR-TERM (TREND) | Accelerating On The Margin

The product innovation at UGG is in a big upcycle, lots of new product to attract new and repeat customers. HOKA growth stayed flat from the prior quarter, both +27% YY -- a healthy and manageable rate. DECK made it clear it plans to invest in marketing for HOKA to increase awareness, especially int'l, and grow DTC. The growth in both DTC in general and HOKA will take GM% higher -- we think towards the mid-50s. We like to see that management is increasing the SG&A line; the company is investing in marketing and brand awareness, growth internationally, and initiatives that will help expand gross margins. The company had an implied guide down of about 4% from prior guidance, even after beating the quarter. This is ultimately a sandbag. The company is planning for new UGG and HOKA launches in both Q3 and Q4. The company is also planning on divesting Sanuk -- a rounding error to the P&L. Co should also sell Teva -- another distraction.

KEY RISKS TO THE CALL | ONON Blowing Up

The 'monkey math' with valuation is to give HOKA an ONON multiple, and slap a 6x EBITDA multiple on Ugg. We don't argue with that, but it's become consensus. And we think ONON is ripe for a blow-up -- probably around the same time Nike launches a major running platform ahead of the 2024 Olympics. That event is likely to take DECK lower.

COMPANY DESCRIPTION

DECK operates in the casual lifestyle and performance footwear space--offering UGG, HOKA, Teva, Sanuk, and other brand shoes through DTC and wholesale. At its core, HOKA represents an incredible growth opportunity while Ugg is the cash cow. Its other brands are irrelevant in our opinion.

KEY MODELING ASSUMPTIONS

	2023A	2024E	2025E	2026E	2027E
Revenue	$ 3,627	$ 4,287	$ 4,698	$ 5,120	$ 5,490
YY % Change		18.2%	9.6%	9.0%	7.2%
Gross Margin %	50.3%	52.0%	53.0%	52.5%	52.0%
EBIT Margin %	18.0%	19.1%	19.9%	20.0%	20.0%
EBITDA	$ 728	$ 917	$ 1,040	$ 1,131	$ 1,217
Net Debt	$ (982)	$ (1,044)	$ (1,384)	$ (1,525)	$ (1,609)
Net Debt/EBITDA					
FCF/Share	$ 17.10	$ 17.29	$ 27.29	$ 30.15	$ 33.16