Retail ELEVATOR PITCH

Presented by Hedgeye Retail Sector **SHORT** **Deckers Outdoor Corporation**

Ticker	DECK		2023A	2024E	2025E	2026E	2027E
Price	$773	Hedgeye EPS	$ 19.37	$ 28.14	$ 27.59	$ 28.31	$ 28.47
Market Cap	19.89 bn	Street EPS		$ 26.38	$ 30.16	$ 35.11	$ 39.30
Enterprise Value	19.41 bn	Variance		7%	-9%	-19%	-28%
Short Interest	4.3%	P/E		27.5x	28.0x	27.3x	27.1x
Net Debt/EBITDA		Target P/E		25.0x	20.0x	15.0x	15.0x
Sell Side Target	$797	Implied Price		$ 704	$ 552	$ 425	$ 427
Return to SS Tgt	27%	Price Variance %		-9%	-29%	-45%	-45%

HEDGEYE EDGE | HOKA (which carries the multiple) Likely To Decelerate Sharply

After being long DECK (and right) from $250-$650, we went short in late 2023. We're convinced the running competitive landscape will intensify meaningfully in 2024. No one will pay for Ugg in DECK's valuation, even though the brand has been healthy. On the flip side HOKA is slowing on the margin; albeit on a big growth base. we think that Nike is going to attack the running category with a vengeance in 2024 -- likely with a major platform launch around April/May ahead of the Olympics. It's not just Nike, but Asics, Adidas, Saucony, Brooks, etc... They're going after HOKA's 'fat cushioning' jugular. Someone's going to lose share, and most brands are likely to step up discounting due to excess product in the channel. This stock is still overwhelmingly loved, and hits new highs every day. But the HOKA stub trades at 25x EBITDA, which should get smoked as growth slows, margins erode, inventories bloat, and negative revisions come in hot.

NEAR-TERM (TREND) | Can It Really Get Any Better Than This?

HOKA growth continued to slow this Q to +22%, with UGG slowing to +15%. The company put up impressive GM growth in the quarter of 580bps, with the majority of that coming from UGG price increases and minimal promos in UGG and HOKA. Even the company said that the GM improvements its seen are not sustainable; it has increasing freight cost pressure, promos won't remain at this low level, FX rates are variable, and it won't be consistently implementing price increases. We're seeing the two main brands start to slow in both wholesale and DTC channels, and while Q4 comps are easier than Q3, company guidance implies continued deceleration.

KEY RISKS TO THE CALL | DECK Is A Quality Company

Behind Nike, DECK is the second best-managed footwear company out there. We don't think management will flood the market with product -- but it can do nothing about all the supply growth from competitors, or outsized R&D/Marketing spend by comps. The balance sheet is strong with big capacity to repo on a collapse.

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. HOKA represents an incredible growth opportunity while the other brands offer strength and stability to the value of the company.

KEY MODELING ASSUMPTIONS

	2023A	2024E	2025E	2026E	2027E
Revenue	$ 3,627	$ 4,203	$ 4,390	$ 4,620	$ 4,832
YY % Change		15.9%	4.5%	5.2%	4.6%
Gross Margin %	50.3%	54.6%	52.9%	51.7%	53.5%
EBIT Margin %	18.0%	21.1%	19.7%	19.2%	18.5%
EBITDA	$ 728	$ 982	$ 966	$ 990	$ 1,008
Net Debt	$ (982)	$ (1,514)	$ (1,909)	$ (2,331)	$ (2,911)
Net Debt/EBITDA	-1.3x	-1.5x	-2.0x	-2.4x	-2.9x
FCF/Share	$ 29.63	$ 24.90	$ 24.75	$ 29.46	$ 28.05