

## **Introduction**

Lululemon Athletica is a retailer of athletic apparel that utilizes its strong brand recognition and reputation to promote sales. The company generates revenue primarily through the sale of athletic apparel and accessories in 491 company-operated stores and online (direct to consumer). They also generate revenue through sales in outlets, temporary locations, wholesale accounts, warehouses, and license and supply arrangements. 63.2% of revenue comes from company-operated stores, 28.6% from direct to consumer sales, and other net revenue accounts for 8.2% of total revenue. Lululemon is positioned as a high end athletic brand competing with brands such as Nike Inc, Adidas AG, and Under Armour Inc. I think we should invest in Lululemon because of its strong brand recognition, customer loyalty, and growth prospects in menswear and international markets, with a potential upside of 32%.

The retail industry is one that is constantly evolving, and it is projected to grow at a rate near 2% each year. There are three major trends in the retail industry, 1) the idea of brands providing a sense of culture, 2) making shopping an experience, and 3) increasing e-commerce integration with stores. Lululemon is currently capitalizing on all of these trends.

The idea of retail brands having unique cultures is evident in Lululemon, which presents itself as a community for individuals seeking a healthy, balanced life. They promote this not only through their products but also through their advertisements and general image as a company that supports individual growth. Lululemon's unique brand recognition provides it with significant pricing power. Its most popular product, women's leggings, sells for an average of \$90, while the average cost of non-branded women's leggings is only \$20. Customers willingly pay this high price due to their awareness of the Lululemon brand and the perception that Lululemon products are of a superior quality and style to those of other brands. They are aware that they will pay a consistent, high price for the product, and they continue to do so, despite the fact that Lululemon does not typically offer discounts of more than 20-30% on their products, while other competitors frequently offer discounts of at least 40%.

Lululemon is also creating experiential stores which are equipped with yoga studios, gyms, meditation centers, and healthy restaurants, along with their traditional retail store. They have already opened 2 experiential locations, and Maureen Erickson, VP of experiential retail at Lululemon, estimates that 10% of Lululemon locations could become experiential stores in the near future. The launch of experiential stores supports Lululemon's ability to capitalize on the retail trend of making shopping an experience. The new stores place a strong emphasis on Lululemon's already strong image of a healthy lifestyle, community-centered brand. Experiential stores promote the community aspect of the Lululemon brand, which ultimately promotes the brand recognition and subsequent pricing power of the company as well as increases profitability. Individuals who shop at experiential locations become part of the Lululemon community through their elevated experience within the unique store. This allows Lululemon to continue to use its brand to charge higher prices for their products. Because the company's primary form of advertising utilizes brand ambassadors from within this community, Lululemon

can continue to decrease its advertising costs through the creation of additional experiential stores. The stores build up the Lululemon community, which in turn promotes the ability of Lululemon to use community-centered, inexpensive, advertising techniques such as brand ambassadors and social media campaigns. As a result, Lululemon will be able to spend less on advertising than competitors such as Nike who spend at least 8% of their sales revenue on advertising through high profile, expensive celebrity endorsements and television campaigns.

E-commerce drives the retail industry, as many customers are opting to buy products through more convenient online channels than through physical stores. Lululemon has a strong e-commerce presence already, and it is continuing to grow at a rate of 30% each year. This will be a crucial aspect in keeping Lululemon a strong, growing company. The retail industry, as part of the consumer discretionary sector of the economy, is prone to fluctuations as a result of economic downturns and individuals' financial circumstances. Currently, the Covid-19 crisis is harming retailers through the uncertainty of the situation coupled with the mandated closures of brick and mortar stores. These factors will temporarily lower the ability of many retailers to earn favorable revenues. Fortunately, Lululemon has developed a strong online presence already, which will provide it with some protection from the effects of closing physical locations in the short term. Overall, its e-commerce presence will be beneficial in maintaining a consistent stream of revenue in both the short and long term.

### **Investment thesis:**

1. Lululemon is a dominant player in the high-end athletic apparel industry and will remain there into the future due to its strong brand recognition and revenue growth.
  - a. Lululemon's brand recognition and customer following are evident, which will allow the company to continue to charge high prices for their products and increase margins while maintaining customer loyalty.
  - b. Lululemon positions itself as a company that provides high quality products which are worth paying a price over four times more than average.
  - c. Revenue growth has increased at a rate of 20% each year due to Lululemon's ability to open an average of 15 new stores each year and increase e-commerce sales at a rate of 30% yearly.
2. Lululemon has opportunities to grow in the menswear, international, and experiential store categories.
  - a. Historically, Lululemon has concentrated on women's athletic apparel, but they are currently expanding into men's apparel as well. Revenue from menswear increased 34% during fiscal year 2019, and the company is continuing to develop this market further.
  - b. Lululemon is expanding into international markets such as China, Japan, and Malaysia. International market revenue increased 32% during fiscal year 2019, and management hopes to quadruple Lululemon's \$360 million international

revenue within five years. Lululemon has opened 51 new stores during fiscal 2019, 32 of which were outside of North America. This stark contrast with many other competitors and retailers who are forced to close more and more locations each year further emphasizes Lululemon's growth potential.

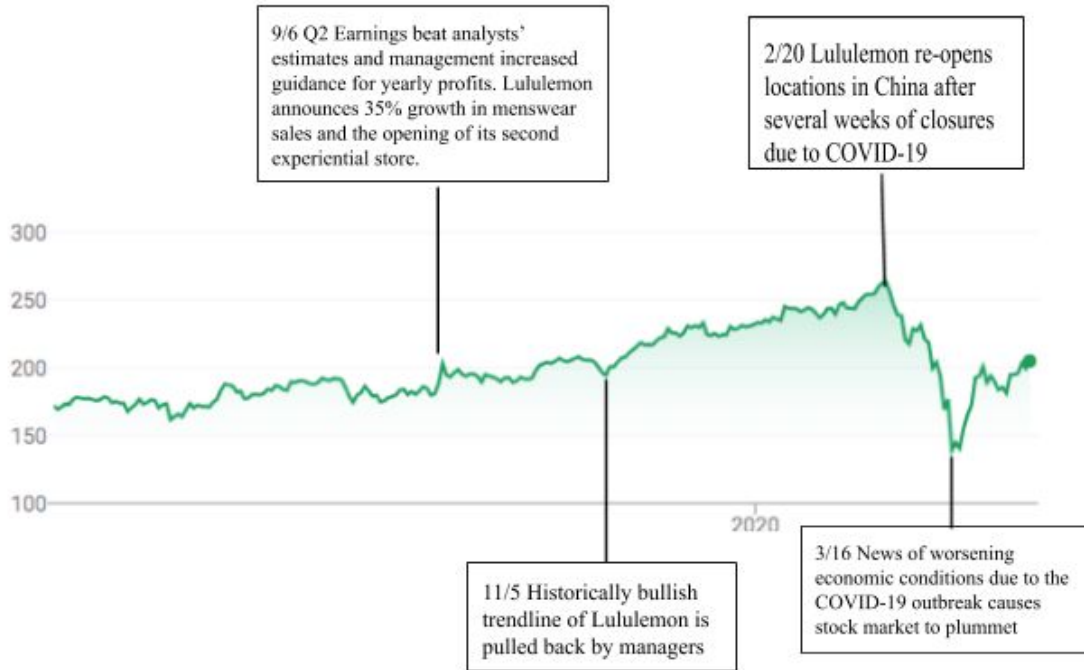
- c. Growth in the experiential store category of Lululemon's business will be helpful in continuing the company's brand loyalty and therefore profitability. Experiential stores align with the trends in retail of creating stores that provide an experience to shoppers, and this will assure that Lululemon remains a place where customers continue to spend money on their products. This also allows Lululemon to continue building its community and broadening advertising channels in an inexpensive way, through members of their own community, ultimately providing benefits to Lululemon's bottom line.

### **Risk Factors**

- Investing in the consumer discretionary sector of the market has several risks, as economic changes can severely alter the demand for such products. An economic downturn can present severe losses for businesses who provide nonessential goods. However, Lululemon is resistant to these changes in economic stability in the short term, due to its strong presence in the athletic apparel market, its strong brand loyalty, and its continuous growth throughout its history. Further, holding Lululemon stock for 3-5 years presents enough time for the industry to overcome any short term losses that resulted from economic downturns and provide excellent returns.
- There is a possibility that consumer shopping preferences can be severely altered, and that Lululemon would not be able to keep up with changing styles and preferences in their customers, therefore leading to decreased profitability. This is possible due to the dynamic nature of the fashion industry, which can affect individuals' preferences in their athletic apparel, leading to costly storage of excess inventory and losses on products that cannot be sold when they go out of style. It is unlikely that this would occur for Lululemon's brand, as it is seen as a leader in the athletic fashion industry, and it has sectors dedicated to developing new fashions and technology. Lululemon must continuously innovate its products and styles in order to avoid falling behind trends and risk losing customers.
- Lululemon's fabrics and manufacturing techniques are not patented. This gives competitors the opportunity to imitate Lululemon's unique style and superior product quality and sell these similar products for a discounted price. This can significantly harm Lululemon's revenue as customers may be lost to companies that provide more affordable products, thus leading to decreased earnings and increased storage costs and losses on unsold products. This is unlikely, however, as customers are drawn to the Lululemon brand nearly as much as they are to the quality products of the company, and

it is likely that most customers will remain loyal to or seek out the Lululemon brand when possible, despite the presence of competitors who offer a similar product.

### Stock Graph



### Comparable Companies Analysis

The companies in the comparable companies analysis of Lululemon represent companies that are similar to the target company in terms of the primary industry in which they operate (retail and more specifically athletic apparel), as well as their key statistics. However, the comparable companies analysis does not provide an entirely accurate depiction of Lululemon’s valuation, as it is a relative valuation of the company, and Lululemon’s intrinsic valuation is necessary to provide more insight into the potential growth of the company.

**Lululemon Athletica (LULU)**  
*Football Field*

	Low	Range	High	Implied	Weight
Discounted Cash Flow	\$176.01	\$157.95	\$333.95	\$262.88	0.7
Comps EV/EBITDA	\$84.31	22.65	\$106.96	\$104.38	0.05
Comps EV/EBIT	\$113.72	27.82	\$141.54	\$121.36	0.1
Comps EV/Sales	\$56.30	34.48	\$90.78	\$85.90	0.05
Comps EV/FCF	\$94.75	\$72.13	\$166.88	\$101.22	0.1
52-week Range	\$128.88	137.32	\$266.20		

<b>Current Price</b>	198.44
Estimated Upside	9%
<b>Combined Target Price</b>	\$215.79
This is your Estimated Stock Price ^^	

Discounted Cash Flow	\$333.95
EV/EBITDA (T/M)	\$106.96
EV/EBIT (T/M)	\$141.54
EV/Sales (T/M)	\$90.78
EV/FCF (T/M)	\$166.88
52 week range	\$128.88 - \$266.20

## Lululemon Athletica (LULU)

### Comparable Companies Analysis

	Market Cap (\$B)	EV/Sales TTM	EV/EBITDA TTM	EV/EBIT TTM	EV/FCF TTM	P/B	P/E	D/E	Beta	Unlevered Beta
Lululemon Athletica	\$ 27.07	5.91x	22.39x	28.75x	66.73x	13.43x	37.22x	0.310	0.85	0.691
Nike Inc.	\$ 105.45	3.42	24.49	26.50	40.92	14.34	30.07	0.690	0.86	0.569
Adidas AG	\$ 40.92	2.54	11.91	15.45	55.80	5.91	28.24	0.230	0.75	0.641
Under Armour Inc.	\$ 4.11	2.70	12.23	19.53	12.65	1.79	40.57	0.550	0.79	0.561
TJX Companies Inc.	\$ 51.99	1.57	7.93	15.26	23.97	10.11	17.92	1.690	0.79	0.351
H&M AB	\$ 19.49	1.46	9.42	16.57	22.30	3.61	22.80	0.970	0.99	0.576
Mean (weighted)	\$ 44.39	2.34x	13.20x	18.66x	31.13x	7.15x	27.92x	0.83x	0.84x	0.54x
Median (weighted)	\$ 40.92	2.54x	11.91x	16.57x	23.97x	5.91x	28.24x			
Assumed Low	\$ 19.49	1.57x	9.42x	15.45x	22.30x	3.61x	22.80x			
Assumed High	\$ 51.99	2.70x	12.23x	19.53x	40.92x	10.11x	30.07x			

Sources: SEC Filings, Yahoo Finance

(millions)	EV/Sales TTM	EV/EBITDA TTM	EV/EBIT TTM	EV/FCF TTM	P/B	P/E
Multiple	2.54x	11.91x	16.57x	23.97x	5.91x	28.24x
TTM Financial Metric	3,979,000,000.00	1,051,000,000.00	889,000,000.00	505,000,000.00	1,952,218,000.00	3.71
Enterprise Value	10,106,660,000.00	12,517,410,000.00	14,730,730,000.00	12,104,546,253.96	11,537,608,380.00	
Less: Total Debt						
Plus: Cash & Cash Equivalents	1,093,505,000.00	1,093,505,000.00	1,093,505,000.00	1,093,505,000.00	1,093,505,000.00	
Implied Equity Value	11,200,165,000.00	13,610,915,000.00	15,824,235,000.00	13,198,051,253.96	12,631,113,380.00	
Shares Outstanding	130,393,000.00	130,393,000.00	130,393,000.00	130,393,000.00	130,393,000.00	
Implied Share Price	\$85.90	\$104.38	\$121.36	\$101.22	\$96.87	\$104.75
25th Percentile	\$56.30	\$84.31	\$113.72	\$94.75	\$62.43	84.571383
75th Percentile	\$90.78	\$106.96	\$141.54	\$166.88	\$159.75	\$111.54

## Discounted Cash Flow Analysis

Assumptions for revenue growth are based on historical growth rates, which have been consistently in the double digit range. Although this is much larger than the average growth rate of the retail industry, it is reasonable that this growth will continue due to the consistent growth of Lululemon in the past and the consistent growth and increasing popularity of the athletic apparel industry.

## Lululemon Athletica (LULU)

### Revenue Forecasting

	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Net Revenue	\$2,060,523,000.0	2,344,392,000	2,649,181,000	3,288,319,000	3,979,296,000	\$4,773,040,380.0	\$5,697,328,226.4	\$6,821,424,391.1
%Δ	-	13.8%	13.0%	24.1%	21.0%	19.9%	19.4%	19.7%
Company Operated Store	1,516,323,000.0	1,704,357,000.0	1,837,065,000.0	2,126,363,000.0	2,501,067,000.0	2,901,237,720.0	3,336,423,378.0	3,836,886,884.7
% of Revenue	73.6%	72.7%	69.3%	64.7%	62.9%	60.8%	58.6%	56.2%
YoY Growth	-	12.4%	7.8%	15.7%	17.6%	16.0%	15.0%	15.0%
Direct to Consumer Sales	401,525,000.0	453,287,000.0	577,590,000.0	858,856,000.0	1,137,822,000.0	1,490,546,820.0	1,937,710,866.0	2,519,024,125.8
% of Revenue	19.5%	19.3%	21.8%	26.1%	28.6%	31.2%	34.0%	36.9%
YoY Growth	-	12.9%	27.4%	48.7%	32.5%	31.0%	30.0%	30.0%
Other Revenue	142,675,000.0	186,748,000.0	234,526,000.0	303,100,000.0	340,407,000.0	381,255,840.0	423,193,982.4	465,513,380.6
% of Revenue	6.9%	8.0%	8.9%	9.2%	8.6%	8.0%	7.4%	6.8%
YoY Growth	-	30.9%	25.6%	29.2%	12.3%	12.0%	11.0%	10.0%
Net Sales	\$ 2,060,523,000.00	\$ 2,344,392,000.00	\$ 2,649,181,000.00	\$ 3,288,319,000.00	\$ 3,979,296,000.00	\$ 4,773,040,380.00	\$ 5,697,328,226.40	\$ 6,821,424,391.14
% growth	-	13.8%	13.0%	24.1%	21.0%	19.9%	19.4%	19.7%

Sources:

SEC Filings (Forms 10-K, 10-Q, 8-K)

Company Guidance from Investor Presentations / Conference Calls



Lululemon's Gross Margin has increased in the past, which along with the company's potential to continue raising prices, indicates a 0.5% step. Lululemon's management is currently working towards decreasing its Selling, General, and Administrative costs, which will allow the company to reduce its SG&A by an estimated 0.25% each year, and it does not now, nor does it historically have significant operating expenses from other activities. Lululemon does not pay dividends, and the company does not anticipate doing so in the foreseeable future, allowing the dividends expense step to remain at 0. Days Sales Outstanding and Days Payable are also likely to remain constant. Depreciation and Amortization costs historically increased by a small amount each year, leading to the assumption of a 0.15% step value. Lululemon's Capital Expenditures are typically related to store openings. Due to its historic increase each year as well as Lululemon's ability to continue opening new locations, Capital Expenditures can be projected to increase 0.1% each year.

## Lululemon Athletica (LULU)

Operating Model (\$mm, fiscal year ending Dec. 31)

### Income Statement

	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Net Sales (\$mm)	2,344,392,000.0	2,649,181,000.0	3,288,319,000.0	3,979,296,000.0	4,773,040,380.0	5,697,328,226.4	6,821,424,391.1
Cost of Goods Sold	1,144,775,000.0	1,250,391,000.0	1,472,032,000.0	1,755,910,000.0	2082293610	2457038142	2907710384
Gross Margin	1,199,617,000.0	1,398,790,000.0	1,816,287,000.0	2,223,386,000.0	2690746770	3,240,290,084.0	3,913,714,007.0
SG&A	778,465,000.0	904,264,000.0	1,110,451,000.0	1,334,276,000.0	1588489490	1,881,853,357.9	2,236,093,859.3
Other Operating Expenses	-	38,525,000.0	-	-	0	-	-
Operating Expenses	778,465,000.0	942,789,000.0	1,110,451,000.0	1,334,276,000.0	1,588,489,490.3	1,881,853,357.9	2,236,093,859.3
EBITDA	421,152,000.0	456,001,000.0	705,836,000.0	889,110,000.0	1102257280	1,358,436,726.2	1,677,620,147.7
D&A	87,697,000.0	108,235,000.0	122,484,000.0	161,933,000.0	201393100.3	248,938,384.6	308,286,645.8
EBIT	333,455,000.0	347,766,000.0	583,352,000.0	727,177,000.0	900,864,179.8	1,109,498,341.6	1,369,333,501.9
Other expense (income)	(1,577,000.0)	(3,997,000.0)	(9,414,000.0)	(8,283,000.0)	(7,231,333.3)	(8,309,444.4)	(7,941,259.3)
Interest expense	-	-	-	-	31,750,000.0	31,750,000.0	31,750,000.0
EBT (Pre-Tax Income)	335,032,000.0	351,763,000.0	592,766,000.0	735,460,000.0	876,345,513.2	1,086,057,786.0	1,345,524,761.2
Tax Expense (Forecast future @ 21.0%)	119,348,000.0	201,336,000.0	231,449,000.0	251,797,000.0	227,849,833.42	282375024.4	349836437.9
Net Income	215,684,000.0	150,427,000.0	361,317,000.0	483,663,000.0	648,495,679.7	803,682,761.7	995,688,323.3
Income attributable to NCI	-	-	-	-	-	-	-
Net Income attributable to CS	215,684,000.0	150,427,000.0	361,317,000.0	483,663,000.0	648,495,679.7	803,682,761.7	995,688,323.3
Shares Outstanding	137,086,000.0	135,988,000.0	133,413,000.0	130,393,000.0	130,393,000.0	130,393,000.0	130,393,000.0
Operating EPS	\$1.57	\$1.11	\$2.71	\$3.71	\$4.97	\$6.16	\$7.64
Dividends	-	-	-	-	-	-	-

### Margin and Expense Analysis

	Historical				Estimates			Step
	2016A	2017A	2018A	2019A	2020E	2021E	2022E	
Gross Margin (% of Net Sales)	51.17%	52.80%	55.23%	55.87%	56.37%	56.87%	57.37%	0.50%
SG&A (% of Net Sales)	33.21%	34.13%	33.77%	33.53%	33.28%	33.03%	32.78%	-0.25%
Other Operating Expenses (% of Net Sales)	0.00%	1.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Expenses (% of Net Sales)	33.21%	35.59%	33.77%	33.53%	33.28%	33.03%	32.78%	-0.25%
Dividends (% of Net Income)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Days Sales Outstanding	143.24%	264.16%	446.43%	368.91%	368.91%	368.91%	368.91%	0.00%
Days Payable	4486.24%	3147.18%	5478.72%	7244.79%	7244.79%	7244.79%	7244.79%	0.00%
D&A (% of Net Sales)	3.74%	4.09%	3.72%	4.07%	4.22%	4.37%	4.52%	0.15%
CapEx (% of Net Sales)	6.38%	5.96%	6.87%	7.11%	7.21%	7.31%	7.41%	0.10%

### Balance Sheet

	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Cash and Equivalents	734,846,000.0	990,501,000.0	881,320,000.0	1,093,505,000.0	1,311,624,850.0	1,565,617,864.0	1,874,517,924.0
Accounts Receivable	9,200,000.0	19,173,000.0	40,219,000.0	40,219,000.0	48,241,425.4	57,583,261.9	68,944,574.0
Other Current Assets	418,691,000.0	426,608,000.0	507,743,000.0	674,214,000.0	808,698,485.0	965,301,011.2	1,155,757,155.0
<b>Current Assets</b>	<b>1,162,737,000.0</b>	<b>1,436,282,000.0</b>	<b>1,429,282,000.0</b>	<b>1,807,938,000.0</b>	<b>2,168,564,760.8</b>	<b>2,588,502,136.8</b>	<b>3,099,219,653.6</b>
Accounts Payables & Accruals	140,705,000.0	107,814,000.0	220,955,000.0	348,526,000.0	413,309,032.1	487,691,097.8	577,143,856.7
Unearned Revenue	70,454,000.0	82,668,000.0	99,412,000.0	120,413,000.0	1,444,316,058.8	1,724,004,406.6	2,064,154,502.2
Current Portion of Debt	-	-	-	-	-	-	-
Other Current Liabilities	30,290,000.0	102,116,000.0	180,110,000.0	151,479,000.0	181,694,295.6	216,878,961.1	259,669,866.6
<b>Current Liabilities</b>	<b>241,449,000.0</b>	<b>292,598,000.0</b>	<b>500,477,000.0</b>	<b>620,418,000.0</b>	<b>739,434,933.5</b>	<b>876,970,499.6</b>	<b>1,043,228,993.5</b>
Long Term Debt	-	-	-	-	-	-	-
Other Liabilities	56,119,000.0	60,657,000.0	81,911,000.0	5,596,000.0	5,596,000.0	5,596,000.0	5,596,000.0
<b>Noncurrent Liabilities</b>	<b>56,119,000.0</b>	<b>60,657,000.0</b>	<b>81,911,000.0</b>	<b>5,596,000.0</b>	<b>5,596,000.0</b>	<b>5,596,000.0</b>	<b>5,596,000.0</b>
<b>Total Liabilities</b>	<b>297,568,000.0</b>	<b>353,255,000.0</b>	<b>582,388,000.0</b>	<b>626,014,000.0</b>	<b>745,030,933.5</b>	<b>882,566,499.6</b>	<b>1,048,824,993.5</b>
<b>Total Equity</b>	<b>1,359,973,000.0</b>	<b>1,596,960,000.0</b>	<b>1,445,975,000.0</b>	<b>1,952,218,000.0</b>	<b>1,952,218,000.0</b>	<b>1,952,218,000.0</b>	<b>1,952,218,000.0</b>
Net Working Capital	921,288,000.0	1,143,684,000.0	928,805,000.0	1,187,520,000.0	1,429,129,827.3	1,711,531,637.2	2,055,990,660.2
Change in Net Working Capital	N/A	222,396,000.0	(214,879,000.0)	258,715,000.0	241,609,827.3	282,401,809.9	344,459,022.9
Capital Expenditures	149,511,000.0	157,864,000.0	225,807,000.0	283,048,000.0	344,280,212.9	416,646,580.4	505,673,348.1

Lululemon does not have its own long term debt, so the numbers presented in the debt schedule are estimations provided by the debt schedules of comparable companies. Lululemon's position as a strong, profitable, and growing company with little debt provides it with the ability to receive a moderate interest rate if it were to take on debt in the future.

The estimation for Lululemon's terminal growth rate is based on the observed, exceptional growth of the company in previous years, which indicates that it will continue to grow at a significant but sustainable rate in the future.

## Debt Profile

Long Term Debt	Outstanding	Coupon Rate
Senior Note Due 2021	100,000,000.00	2.5%
Senior Note Due 2022	200,000,000.00	3.5%
Senior Note Due 2023	100,000,000.00	2.3%
Senior Note Due 2028	500,000,000.00	4.0%
Credit Agreement		
Advances under Revolving Credit Facility	1,800,000.00	
Term Loan Facilities	-	
Other Notes Payable	-	
Capital Lease Obligations	611,464,000.00	
Less: Current Liabilities	-	
<b>Total Long Term Debt (Sum)</b>	<b>1,513,264,000.00</b>	
Total Long Term Debt (Balance Sheet)	-	
<i>Check</i>	<i>(1,513,264,000.00)</i>	
Cost of Debt		0.035277778

## Lululemon Athletica (LULU)

### Discounted Cash Flow Analysis

	Historical			CAGR	Projected			CAGR
	2017	2018	2019	(2017-2019)	2020	2021	2022	(2020-2022)
<b>Sales</b>	2,649,181,000	3,288,319,000	3,979,296,000	22.56%	4,773,040,380	5,697,328,226	6,821,424,391	19.55%
% growth	-	24.1%	21.0%		19.9%	19.4%	19.7%	
Cost of Goods Sold	1250391000	1472032000	1755910000		2082293610	2457038142	2907710384	
<b>Gross Profit</b>	1,398,790,000	1,816,287,000	2,223,386,000	26.08%	2,690,746,770	3,240,290,084	3,913,714,007	20.60%
% margin	53%	55%	56%		56%	57%	57%	
Operating Expenses	942,789,000	1,110,451,000	1,334,276,000		1,588,489,490	1,881,853,358	2,236,093,859	
<b>EBITDA</b>	456,001,000	705,836,000	889,110,000	39.64%	1,102,257,280	1,358,436,726	1,677,620,148	23.37%
% margin	17%	21%	22%		23%	24%	25%	
Depreciation & Amortization	108,235,000	122,484,000	161,933,000		201,393,100	248,938,385	308,286,646	
<b>EBIT</b>	347,766,000	583,352,000	727,177,000	44.60%	900,864,180	1,109,498,342	1,369,333,502	23.29%
% margin	13%	18%	18%		19%	19%	20%	
Tax Expense	201,336,000	231,449,000	251,797,000		227,849,833	282,375,024	349,836,438	
<b>Net Operating Profit After Tax (NOPAT)</b>	146,430,000	351,903,000	475,380,000	80.18%	673,014,346	827,123,317	1,019,497,064	23.08%
Plus: Depreciation & Amortization	108,235,000	122,484,000	161,933,000		201,393,100	248,938,385	308,286,646	
Less: Capital Expenditures	157864000	225807000	283048000		344,280,213	416,646,580	505,673,348	
Less: Increase / Decrease in Net Working Capital	222396000	-214879000	258715000		241,609,827	282,401,810	344,459,023	
<b>Unlevered Free Cash Flow</b>	<b>-\$125,595,000</b>	<b>\$463,459,000</b>	<b>\$95,550,000</b>	#NUM!	<b>\$288,517,407</b>	<b>\$377,013,312</b>	<b>\$477,651,339</b>	0.28667686
WACC	3.58%				3.58%	3.58%	3.58%	
Discount Period					0.5	1.5	2.5	
Discount Factor					0.982549388	0.95	0.92	
<b>Present Value of Free Cash Flow</b>	<b>-\$125,595,000</b>	<b>\$463,459,000</b>	<b>\$95,550,000</b>		<b>#####</b>	<b>\$357,618,397.89</b>	<b>\$437,404,198.41</b>	



**Enterprise Value - Terminal Multiple Method**

Cumulative Present Value of FCF	\$1,078,505,197.60
Terminal Value	
Terminal Year EBIT [Financial Metric]	\$1,369,333,502
Exit Multiple	16.57x
Terminal Value	22,689,856,126.44
Discount Factor	0.92
PV of Terminal Value	20,777,997,517.66
% of Enterprise Value	95.07%
Enterprise Value	<b>\$21,856,502,715.26</b>

**Calculation of Implied Share Price**

Enterprise Value	\$21,856,502,715.26
Less: Total Debt	-
Less: Preferred Securities	-
Less: Noncontrolling Interest	-
Plus: Cash & Cash Equivalents	1,093,505,000.00
Implied Equity Value	<b>\$22,950,007,715.26</b>
Shares Outstanding	130,393,000.00
Implied Share Price	<b>\$176.01</b>

**Enterprise Value - Gordon Growth Method**

Cumulative Present Value of FCF	\$1,078,505,197.60
Terminal Value	
Terminal Year FCF	\$477,651,338.76
Terminal Growth	2.50%
Terminal Value	45179853938
Discount Factor	0.92
PV of Terminal Value	41,372,976,882.31
% of Enterprise Value	97.46%
Enterprise Value	<b>\$42,451,482,079.91</b>

**Calculation of Implied Share Price**

Enterprise Value	\$42,451,482,079.91
Less: Total Debt	-
Less: Preferred Securities	-
Less: Noncontrolling Interest	-
Plus: Cash & Cash Equivalents	1,093,505,000.00
Implied Equity Value	<b>\$43,544,987,079.91</b>
Shares Outstanding	130,393,000.00
Implied Share Price	<b>\$333.95</b>

Current Share Price	\$ 198.44
Terminal Multiple Method Weight	45%
Gordon Growth Method Weight	55%
Implied Share Price	\$262.88
Upside / Downside	<b>32.5%</b>