

11/23/25

**Team Number: 2** 

Students: Alex Ariker, Alex Cox, Abigail Mills



### **Investment Summary**

Proposal

Investment Recommendation

- ❖ BUY Under Armour Inc. UA 7.25% 2030 Sr. notes due 7/15/30 (B1/BB-/BB-) trading at \$98.263—7.71% YTW and 406bps OAS
- Target spread: 350bps, base-case 3-yr annualized return: 7.2%

Rationale

Turnaround from SKU
Rationalization & Full
Price Pass Through

- 25% SKU rationalization and more sales at full-price leads to gross margin stabilization by FYE26
  - 65bp increase YoY in 1Q26
- Supply chain price decreases and lower holding costs from product mix simplification

Equity Buffer, Hefty Cash Position, and Revolver Availability

- Strong liquidity and no near-term debt maturities give management runway to execute turnaround plan
- Under Armour's 20.9% net debt LTV provides further flexibility

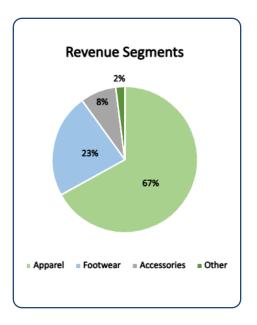


# **Company Overview**



#### **Situation Overview**

- Under Armour is a global performance brand offering premium technology-driven athletic apparel, footwear, and accessories
- Under Armour has experienced recent business turbulence, CEO turnover, decreasing revenue, and loss of market share
- Revenues fell from \$5.9bn in FYE23 to \$5.2bn for FYE 3/31/25
- 2025 restructuring plan focuses on cost base to improve cash flow generation and profitability











# Under Armour operates with a modestly leveraged capital structure and large cash position, with leverage currently elevated due to recent EBITDA decline

- ❖ Most recent debt issuance was \$400mm 7.25% 2030 Unsecured Notes to partially refinance \$600mm 3.25% 2026 Unsecured Notes on 6/17/2025
- ❖ Capital to refinance notes already placed into an irrevocable trust; \$200mm funded from RCF

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Coupon	Maturity	Price	YTW	OAS	Ratings	Outs. (\$mm)	xLTM EBITDAR	LΤV
S + 200	6/17/30					200		
						200	0.4x	7%
3.25%	6/15/26	99.19	4.72%	101	B1/BB-/B+	600		
7.25%	6/15/30	98.28	7.71%	406	B1/BB-/BB-	400		
						1,200	2.6x	42%
						687		
oilities						1,887	4.1x	65%
						396		
						1,491	3.2x	52%
		·				1,793	3.0x	48%
						3,703	6.2x	100%
	S + 200 3.25% 7.25%	S + 200     6/17/30       3.25%     6/15/26       7.25%     6/15/30	S + 200     6/17/30       3.25%     6/15/26     99.19       7.25%     6/15/30     98.28	S + 200     6/17/30       3.25%     6/15/26     99.19     4.72%       7.25%     6/15/30     98.28     7.71%	S + 200     6/17/30       3.25%     6/15/26     99.19     4.72%     101       7.25%     6/15/30     98.28     7.71%     406	3.25%       6/15/26       99.19       4.72%       101       B1/BB-/B+         7.25%       6/15/30       98.28       7.71%       406       B1/BB-/BB-	S + 200       6/17/30       200         3.25%       6/15/26       99.19       4.72%       101       B1/BB-/B+       600         7.25%       6/15/30       98.28       7.71%       406       B1/BB-/BB-       400         1,200         687         50lities       1,887         396       1,491         1,793	S + 200       6/17/30       200         200       0.4x         3.25%       6/15/26       99.19       4.72%       101       B1/BB-/B+       600         7.25%       6/15/30       98.28       7.71%       406       B1/BB-/BB-       400         1,200       2.6x         687       687         1,887       4.1x         396       1,491       3.2x         1,793       3.0x

Pricing as of 11/21/25



# **Pro Forma Capitalization After Defeasance**

3/31/2027

								3/31/2027	
PF Lease Adj. Capitalization	Coupon	Maturity	Price	YTW	OAS	Ratings	Outs. (\$mm)	xPF EBITDAR	LTV
\$1,100mm RCF	S + 200	6/17/30					200		
Total First Lien Debt							200	0.4x	
2030 Sr. Unsec Notes	7.25%	6/15/30	98.28	7.71%	406	B1/BB-/NR	400		
Total Debt							600	1.3x	33.1%
Operating Lease Liabilities							687		
<b>Total Debt &amp; Operating Lease Lia</b>	bilities						1,287	2.8x	45.5%
Cash and Equivalents							427		
Net Debt							860	1.9x	20.9%
Equity Market Cap	·		·				1,793	3.9x	67.6%
Enterprise Value							2,653	5.7x	100.0%

Pricing as of 11/21/25

❖ Reflects August 2025 \$400mm bond issuance and \$200mm revolver draw to refinance 2026 maturity



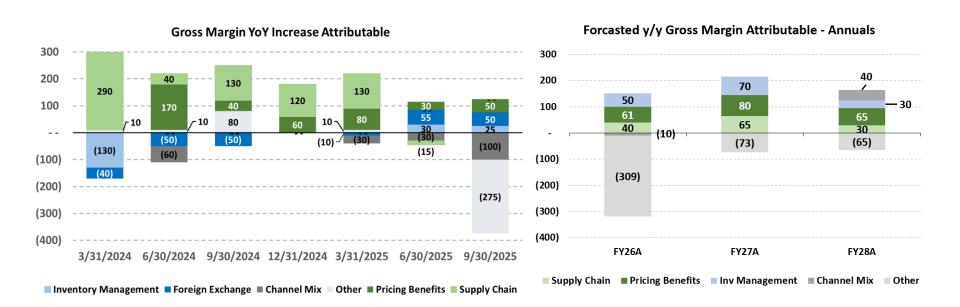
# **Investment Thesis**



# Thesis #1: Reduced product complexity and emphasis on fullprice sell-through increasing gross margins

Simplifying SKUs and Increasing Full Price
Pass Through

- ❖ LTM gross margin of 47.4% vs 46.1% in FY24; 130bp increase
- Gains from:
  - Restructuring plan to reduce SKUs by 25%; Material use down by 30% in 1Q26
  - Focus on selling to consumers at full prices; no longer at discount retailers like Kohl's



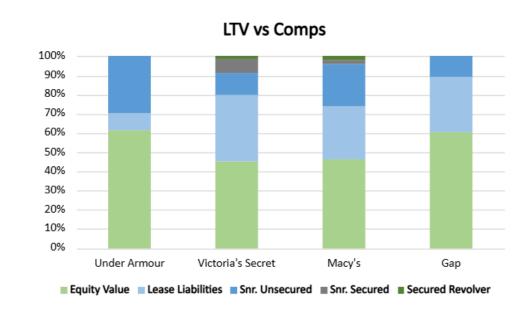


# Thesis #2: Robust Liquidity Profile with Strong Cash Position and Substantial Equity Cushion

Strong Liquidity with Large Cash Position

- ❖ \$854mm available on \$1.1B unsecured credit facility
- ❖ \$396mm pro forma cash balance after refinancing 2026 notes
- PF leverage of 1.60x vs. 3.25x RCF leverage covenant
- LTV vs higher rated comps supports potential ratings upgrade

	PF FY26 Refi
Liquidity (\$mm)	
Cash and Equivalents	396
Available Cash	396
ABL Revolver Size	1100
Less: Borrowings	(200)
Less: Letters of Credit	(46)
Revolver Capacity	854
Total Liquidity	1366





# **Valuation**



### 350bps Target Spread over 3 years; Annualized Return of 7.22%

**Bear** – Widens 50bps to 455bps for a **6.68% annualized return** 

Base – Tightens 56bps to 350bps for a 7.22% annualized return

Bull – Tightens 80bps to 326bps (closer to where VSCO trades) for a 7.33% annualized return

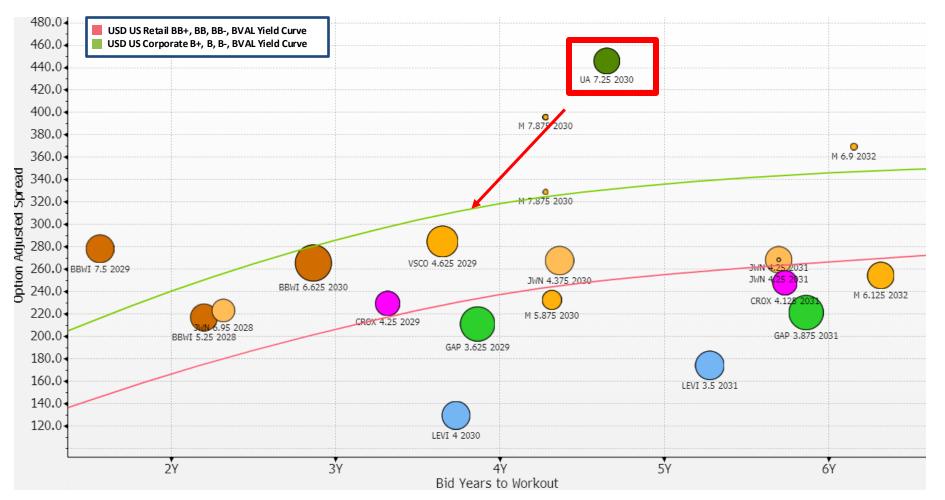
	Moody's	S&P	Base	Bear	Bull
Upgrade Trigger	<ul> <li>Sustain leverage ratio &lt;3.5x</li> <li>Successful execution</li> <li>Lease adjusted operating performance in MSD</li> </ul>	<ul> <li>Sustain leverage &lt;3.0x</li> <li>Sales &amp; profitability improve</li> <li>Brand rebuilding</li> </ul>	<b>√</b>	×	✓
Downgrade Trigger	<ul> <li>Leverage increases &gt;4.0x</li> <li>Aggressive share repurchases</li> <li>Lower than expected FCF</li> <li>Significant revolver usage</li> </ul>	<ul> <li>Leverage increases &gt;3.0x</li> <li>Unable to execute brand reset, restructuring, pricing</li> <li>Aggressive financial policy</li> </ul>	×	<b>√</b>	×

Retail	Bond	Coupon	Maturity	YTW	OAS	Total Lev	Net Lev	Rating
UA 7 ¼ Snr. Unsecured Notes due 07/15/30	UA 7 ¼ 7/30	7.25%	July 2030	7.71%	406	2.8x	1.9x	B1/BB-/NR
Comparables								
Macy's Inc.	M Sr. Unsecured	5.88%	Mar 2030	7.43%	386	2.7x	2.3x	Ba2/BB+/BBB-
Nordstrom Inc.	JWM 1L Secured	4.38%	Apr 2030	5.99%	240	1.0x	0.4x	Ba2/BB+/BB+
Bath & Body Works Inc.	BBWI Sr. Unsecured	6.63%	Oct 2030	6.23%	233	2.9x	2.7x	Ba2/BB+/NR
Gap, Inc.	GAP Sr. Unsecured	3.63%	Oct 2029	5.24%	167	1.9x	1.2x	Ba3/BB/NR
Victoria's Secret & Co	VSCO Sr. Unsecured	4.63%	Jul 2029	6.02%	250	2.6x	2.4x	B1/BB-/NR
Indices								
Bloomberg HY Index		6.56%	5 Years	6.95%	305	NA	NA	
Bloomberg HY Retail Index		6.86%	5 Years	7.55%	343	NA	NA	



Relative value: Under Armour's solid balance sheet and anticipated improvement in key metrics should lead to tighter spreads, approaching those of VSCO

#### **UA vs Single-B Curve & Double-B Retailer Curve**



Source: Bloomberg 12



# **Under Armour's Turnaround Strategy Drives Deleveraging**

#### **Key Assumptions:**

	Bear	Base	Bull
•	(0.3%) 3-yr revenue CAGR	❖ 2.0% 3-yr revenue CAGR	❖ 2.9% 3-yr revenue CAGR
•	Restructuring lags expectations and gross margins stagnate 46%	Restructuring succeeds and sustain gross margins at 48%	Restructuring exceeds guidance and gross margins climbs to 49%
•	Additional \$200mm RCF draw for working capital needs in FY26	No additional RCF borrowing	No additional RCF borrowing

Model (\$mm)	FYE 3/31		Bear			Base			Bull	
	2025A	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	5,164	4,826	4,737	4,793	4,898	5,012	5,204	5,031	5,192	5,492
% YoY Change	(9.4%)	(6.6%)	(1.8%)	1.2%	(5.2%)	2.3%	3.8%	(2.6%)	3.2%	5.8%
EBITDA	62	227	130	128	227	313	430	228	411	542
% YoY Change	(85.2%)	268.2%	(42.5%)	(2.1%)	268.9%	37.9%	37.3%	270.1%	80.6%	31.8%
% Margin	1.2%	4.7%	2.7%	2.7%	4.6%	6.2%	8.3%	4.5%	7.9%	9.9%
EBITDAR	314	479	382	380	479	565	682	480	663	794
FCF	(228)	(98)	(3)	34	(36)	66	178	(15)	125	244
Leverage Ratios										
Debt	1,304	600	800	800	600	600	600	600	600	600
Less: Unrestricted Cash	(501)	(345)	(482)	(456)	(407)	(428)	(560)	(428)	(507)	(706)
Net Debt	803	255	318	344	193	172	40	172	93	(106)
Lease Adj. Debt	1,880	1,287	1,487	1,487	1,287	1,287	1,287	1,287	1,287	1,287
EBITDA / Interest	10.1x	5.2x	2.4x	2.4x	5.3x	7.5x	10.3x	5.3x	9.9x	13.0x
(EBITDA - Capex) / Interest	(17.5x)	1.9x	(0.8x)	(0.8x)	1.9x	3.4x	6.2x	1.9x	5.8x	8.9x
FCF / Debt	(17.5%)	(16.3%)	(0.4%)	4.2%	(6.0%)	11.0%	29.6%	(2.5%)	20.8%	40.7%
Gross Leverage	9.8x	2.6x	6.1x	6.3x	2.6x	1.9x	1.4x	2.6x	1.5x	1.1x
Net Leverage	1.6x	1.1x	2.4x	2.7x	0.9x	0.6x	0.1x	0.8x	0.2x	(0.2x)
Lease Adj. Leverage	6.0x	2.7x	3.9x	3.9x	2.7x	2.3x	1.9x	2.7x	1.9x	1.6x



# **Risks and Mitigants**

Risks	Mitigants
Restructuring Execution	Consistent YoY gross margin expansion—up 261bps since FY23—reflects growing operational momentum
Tariffs	Diversified global sourcing base: 30% Vietnam, 20% Jordan, 15% Indonesia, 30% diversified. Management expects tariff impact will be limited to \$100mm
Share Buybacks	Management has repurchased an average of \$96mm of stock annually over the past 3 years
	Large cash position and strong balance sheet should offset any potential risk from increases in buybacks



### **Investment Summary**

#### **Investment Recommendation**

- **Buy Under Armour Inc.** UA 7.25% 2030 Sr. notes
- ❖ Target spread: 350bps, base-case 3-yr total annualized target total return: 7.2%

Turnaround from SKU
Rationalization & Full
Price Pass Through

Equity Buffer, Hefty Cash Position, and Revolver Availability



# **Appendix**



### Management Team



CEO: Kevin Plank, 52

- Founded UA in 1996
- Rejoined as CEO in 2024 after stepping down in 2020



CFO: Dave Bergman, 52

- ❖ Joined UA in 2004 as director of internal audit
- 2017
- Prior to UA, auditor at Arthur Anderson and EY



CSCO: Shawn Curran, 61

- ❖ Joined UA in 2023 as chief supply chain officer
  - as COO of GAP inc. And Old Navy



CPO: Yassine Saidi, 47

- ❖ Joined UA in 2024 as chief product officer
- ❖ Promoted to CFO in ❖ Previous experience ❖ Previous experience as founder of AGENC-Y and other at PUMA and **Adidas**

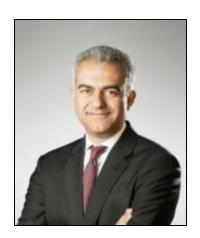
Source: UA website



### **Change in CFO**



February 2026



Incoming CFO: Reza Taleghani, 53

Joined UA in 2004 as director of internal audit

**Current CFO:** 

Dave Bergman, 52

- Promoted to CFO in 2017
- Will remain with company through Q1 of FY27 to help with transition

- EVP and CFO at of Samsonite Group S.A. since 2018
- Served at President and CFO at Brightstar Corp prior
- Over 15 years at J.P. Morgan

Source: UA website 18



# **Valuation Comps Breakdown**

\$mms	Macy's Inc.	Nordstrom Inc.	Gap, Inc.	Victoria's Secret & Co.	Under Armour, Inc.	Bath & Body Works Inc.
	macys	NORDSTROM	GAP	8	UNDER ARMOUR	Bath Body Works
Issuer Rating	Ba1/BB+	Ba2/BB	Ba3/BB+	Ba3/BB-	Ba3/BB-	Ba2/BB+
Outlook	s/s	S/S	S/P	S/S	N/S/NR	S/S
Revenue	22,702	15,016	15,166	6,265	5,115	7,371
EBITDA	1,738	1,457	1,662	536	462	1,545
EBITDAR	2,131	1,748	2,916	1,113	677	1,963
EBITDA Margin %	7.7%	9.7%	11.0%	8.6%	9.0%	21.0%
FCF	970	751	769	242	(322)	783
FCF/Gross Debt	33.4%	22.3%	51.3%	27.3%	-53.6%	16.8%
FCF/Net Debt	46.8%	32.1%	-110.8%	27.3%	-157.7%	18.3%
Gross Debt	2,900	3,375	1,500	1,075	600	4,650
Net Debt	2,071	2,340	(694)	887	204	4,286
Lease Adj. Debt	5,785	1,665	5,601	2,897	1,287	5,756
Gross Leverage	1.7x	2.3x	0.9x	2.0x	1.3x	3.0x
Net Leverage	1.2x	1.6x	-0.4x	1.7x	0.4x	2.8x
Lease Adj. Gross Leverage	2.7x	1.0x	1.9x	2.6x	2.8x	2.9x
Lease Adj. Net Leverage	2.3x	0.4x	1.2x	2.4x	1.9x	2.7x

<sup>\*</sup>UA Leverage is PF of Defeasance



# **Valuation Comps Breakdown**

\$mms	Nike Inc.	Adidas AG	Puma SE	Under Armour, Inc.
		adidas	PUMA	UNDER ARMOUR
Issuer Rating	A2/A+	A3/A	NR/NR	B1/BB-
Outlook	s/s	s/s	NR/NR	N/S
Revenue	46,440	24,700	8,263	5,115
EBITDA	4,197	3,165	1,009	462
EBITDAR	5,292	3,305	1,057	677
EBITDA Margin %	9.0%	12.8%	12.2%	9.0%
FCF	3,009	2,323	282	(322)
FCF/Gross Debt	27.2%	42.7%	10.4%	-53.6%
FCF/Net Debt	121.0%	62.0%	11.5%	-157.7%
Gross Debt	11,061	5,446	2,713	600
Net Debt	2,486	3,747	2,448	204
Lease Adj. Debt	14,113	8,548	3,944	1,287
Gross Leverage	2.6x	1.7x	2.7x	1.3x
Net Leverage	0.6x	1.2x	2.4x	0.4x
Lease Adj. Gross Leverage	2.7x	2.6x	3.7x	2.8x
Lease Adj. Net Leverage	1.0x	2.1x	3.5x	1.9x

\*UA Leverage is PF of Deteasance



### **Model Forecast Assumptions**

Under Armour Financials (\$mm)	FY23A	FY24A	FY25A	LTM	FY26E	FY27E	FY28E
Apparel YoY revenue change	0.8%	(2.1%)	(8.9%)	(4.7%)	(2.4%)	3.0%	4.1%
Footwear YoY revenue change	15.1%	(4.9%)	(12.8%)	(13.9%)	(14.1%)	(1.0%)	3.0%
Accessories YoY revenue change	(11.6%)	(0.7%)	1.3%	3.0%	(0.6%)	3.0%	3.3%
Licenses YoY revenue change	3.7%	(4.7%)	(15.0%)	(2.4%)	8.0%	5.0%	5.3%
Net revenue YoY change	3.9%	(3.4%)	(9.4%)	(9.3%)	(5.2%)	2.3%	3.8%
Gross Margin %	44.8%	46.1%	47.9%	47.4%	46.9%	47.7%	48.7%
SG&A % of revenue	40.3%	42.1%	50.4%	46.7%	45.6%	45.0%	44.0%
Adj. EBITDA Margin %	7.4%	7.3%	1.2%	4.2%	4.6%	6.2%	8.3%
Adj. EBITDA YoY change	(37.8%)	(4.7%)	(85.2%)	76.0%	268.9%	37.9%	37.3%

#### **Guidance and Assumptions**

- Management expects max tariff impact of \$100mm in FY26
- SKU rationalization and full-price sales begin to offset margin loss from tariffs and declining revenue in FY26 and contributes positively to gross margins by FY27
- Cash restructuring charges of \$30mm spent in FY26, finishing the "2025 Restructuring Plan"



# **Income Statement and FCF**

Under Armour Financials (\$mm)	FY23A	FY24A	FY25A	LTM	FY26E	FY27E	FY28E
Full Year Ended	3/31	3/31	3/31	9/30	3/31	3/31	3/31
Operating Summary							
Apparel	3,871	3,789	3,451	3,430	3,368	3,469	3,612
Footwear	1,455	1,384	1,206	1,113	1,036	1,026	1,057
Accessories	409	406	411	415	408	421	435
License Revenues	117	111	95	101	102	107	113
Corporate Other	51	12	1	(10)	(17)	(11)	(11)
Net Revenues	5,903	5,702	5,164	5,049	4,898	5,012	5,204
Cost of Goods Sold	(3,259)	(3,072)	(2,690)	(2,656)	(2,599)	(2,621)	(2,670)
SG&A	(2,380)	(2,401)	(2,602)	(2,357)	(2,233)	(2,255)	(2,290)
EBIT	264	230	(127)	36	66	135	245
D&A	135	143	136	126	111	129	136
Stock-based Compensation	37	43	53	50	51	49	49
Adj. EBITDA	436	415	62	212	227	313	430
Cash Flow Summary							
A II EDITOA	426	445		242	227	242	420
Adj. EBITDA	436	415	62	212	227	313	430
Less: Capex	(158)	(150)	(169)	(133)	(146)	(172)	(172)
Less: Cash Taxes	109	(30)	3	(17)	(2)	(16)	(39)
Simple FCF	386	235	(104)	62	79	125	219
Less: Increase (Decrease) W/C	(443)	(79)	(37)	(21)	(32)	0	18
Unlevered FCF	(57)	156	(142)	41	47	126	237
FCF (CFO Comes)	(100)	204	(220)	(45)	(25)	cc	170
FCF (CFO - CapEx)	(198)	204	(228)	(45)	(36)	66	178



# **Model Output: Credit Metrics**

Under Armour Financials (\$mm)	2023A	2024A	2025A	9/30/25	2026E	2027E	2028E
Gross Debt	681	681	600	1,200	1,200	600	600
Less: Unrestricted Cash	(711)	(859)	(501)	(396)	(407)	(428)	(560)
Net Debt	(30)	(178)	99	804	793	172	40
Lease Adj. Debt	1,521	1,443	1,299	1,900	1,900	1,300	1,300
Net Lease Adj. Debt	810	584	798	1,504	1,493	873	740
EBITDA	436	415	62	212	227	313	430
EBITDAR	655	649	314	464	479	565	682
EBITDA / Interest	34.0x	(1,549.8x)	10.1x	11.0x	5.3x	7.5x	10.3x
(EBITDA - Capex) / Interest	21.7x	(988.8x)	(17.5x)	4.1x	1.9x	3.4x	6.2x
FCF / Debt	(29.1%)	29.9%	(38.0%)	(3.7%)	(3.0%)	11.0%	29.6%
EBITDAR / Interest	51.1x	(2,420.7x)	51.3x	24.0x	11.1x	13.6x	16.4x
(EBITDAR - Capex) / Interest	(12.3x)	558.5x	(27.5x)	(6.8x)	(3.4x)	(4.1x)	(4.1x)
FCF / Adj. Debt	(13.0%)	14.1%	(17.5%)	(2.4%)	(1.9%)	5.1%	13.7%
Gross Leverage	1.6x	1.6x	9.8x	5.7x	5.3x	1.9x	1.4x
Lease Adjusted Leverage	2.3x	2.2x	4.1x	4.1x	4.0x	2.3x	1.9x
Net Leverage	(0.1x)	(0.4x)	1.6x	3.8x	3.5x	0.6x	0.1x