

LEVEL 7 ASSESSMENT SPECIFICATION

Student name:	Chan Gi Wing Constance	Student ID number:	2133979
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Executive Summary

Under Armour Inc., which is a global famous sports equipment brand, always aimed to enhance athletes performance with their unique fabric technology on apparel products.

After launching their 1000th retail store in APAC region, Under Armour has mentioned that they see the potential of this region and believe the sales growth rate would increase annually.

In this report, the financial status of Under Armour will be analysed and compared with other two competitors from the same industry, which are Adidas and Puma, to define the performance and the positioning of Under Armour in the market.

Also the corporate governance of Under Armour has been analysed in this report. As e-commerce is very common nowadays, cybersecurity is important for Under Armour if they would like to continue develop in this aspect. Therefore, the suggestion for corporate governance is to add a new committee or rearrange current committee members for cybersecurity risk management.

Moreover, there is a new project suggested to Under Armour for expanding their product line. Since they are working on and launched “Project Rock” series indoor training apparel and footwear products, Under Armour could also consider about launching their indoor training equipment. The financing and capital management for this project is also analysed, and financing method is suggested in this report.

At last, a Gantt Project Chart with suggested projects and items are listed with schedules of the upcoming financial year, for exploring more business opportunities while setting policies to secure shareholders’ confidence in Under Armour.

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1. Introduction

Under Armour was founded in 1996 by Kevin Plank in America, and went public in November 2005, while having their very first Brand House retail store opened in 2007 (Under Armour, 2022a). After these years, Under Armour is one of the most globally well-known brands and manufacturers of sports equipment, apparel and footwear today. The competitors of Under Armour are: Nike, Adidas, Puma etc., which are having groups of loyal but also price sensitive customers for each of them.

From the latest annual report, the revenue was increased by 27% in 2021 (Under Armour, 2022a). This result would be expected that public has overcome the impacts of living style and economic environment due to COVID-19.

1.1 Background of Under Armour

Since the beginning of this brand, Under Armour has put a lot of effort and resources to investigate developing unique textile materials for their clothing products. As a football player in university, Kevin always got annoyed and frustrated with his wet shirt full with his sweat, which would affect players' performance. Therefore, in the second year of Under Armour was founded, the two fabric materials collections with unique technology have been released, they are HEATGEAR® and COLDGEAR®. Both of these materials could dry up fast, and keep the body stay cool (HEATGEAR®) or warm (COLDGEAR®).

HEATGEAR® and COLDGEAR® were designed to deal with the extreme environment condition of different sports activities, athletes may choose the apparel between them base on the environment temperature. For example, if the athletes are a proficient of ice skating, normally the trainings and competitions would be hosted under a freezing outdoor environment, then COLDGEAR® collection will be suitable for them.

With these collections, Under Armour had a great start of their sports apparel business.

1.2 Current Business of Under Armour

Nowadays, Under Armour has become one of the famous brand of sports equipment in the world, and their market shares are increasing year by year. In 2015, Under Armour has held 4% of market share and became the second most market share in North America sportswear market, which has replaced Adidas. The number one brand in North America sportswear market is Nike.

During global pandemic, Under Armour didn't stop investing to expend their business opportunities, they have crossover collection brandings with celebrities, Stephen Curry (famous NBA player) for basketball equipments brand (Thomas, 2020) and Dwayne Johnson (as known as "The Rock") for indoor gym training collection (Dosh, 2020) in 2020.



Figure 1.1: NBA star Stephen Curry with Curry Brand apparel

Source: NBC News, 2020



Figure 1.2: Dwayne “The Rock” Johnson in Project Rock apparel

Source: Forbes, 2020

For apparel products, Under Armour has continually researched and developed out their innovative fabric technologies, which expands their product lines for fulfilling different demands of athletes. The collections are: COLDGEAR® Reactor, HEATGEAR®, UA-ISO-Chill®, UA RUSH™, UA SMARTFORM™ and UA STORM™ with three primary fit types (Under Armour, 2022a).

For footwear products, with the advanced cushioning technology, Under Armour’s unique cushioning platforms have functions as improved ground feel, enhanced responsiveness and lightweight (Under Armour, 2022a). These could help to enhance the performance of players.

For accessories products, Under Armour was selling gloves, bags and headwear products as sports accessories parts. Due to COVID-19, public needs to wear face masks all the time, even they are playing sports, no matter indoor or out door activities, so Under Armour has launched their sports mask with their advanced fabrication technology, to remain the players’

high performance level and limited the uncomfortable caused by wearing face mask during trainings (Under Armour, 2022a).

According to the latest annual report of Under Armour, the net revenue has been increased by 27% to 5.8 billions US dollar, 68% of them was come from the sales of sports apparel, 22% from footwear and 8% from accessories (Under Armour, 2022a).

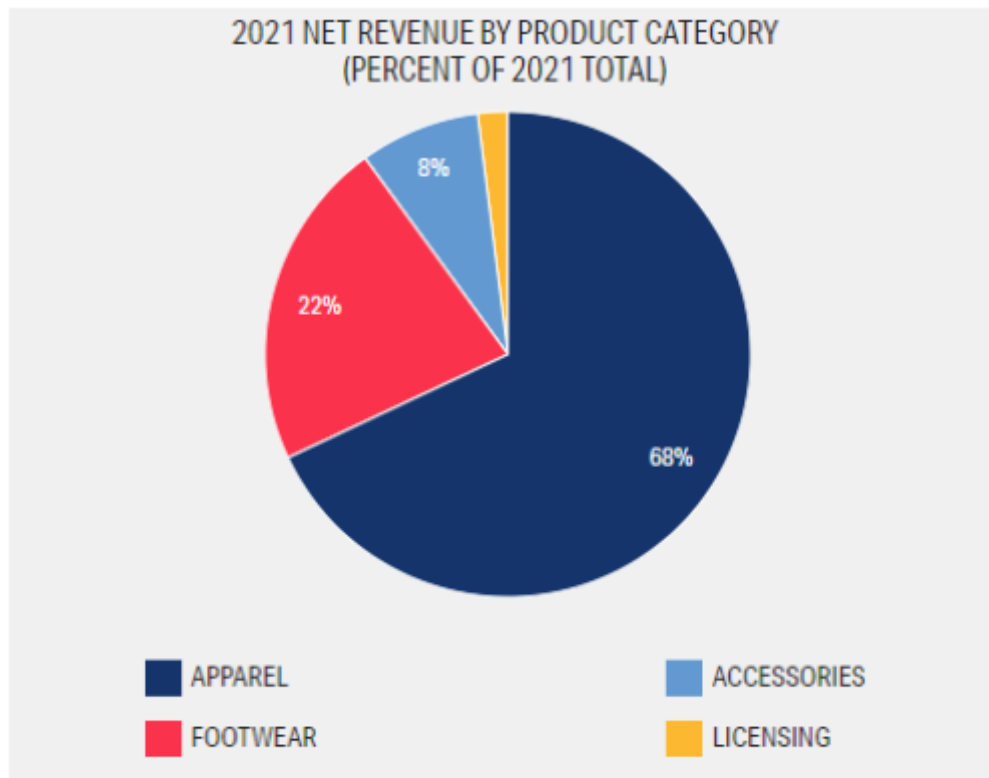


Figure 1.3: Under Armour 2021 Net Revenue by Product Category

Source: Under Armour, Inc., 2022

1.3 International Market of Under Armour

Moreover, as a globally famous brand, Under Armour has continue invested on building retail stores all over the world. Compare with the 2020, the net revenue from Asia Pacific (APAC) region has been increased by 18.5% to 212 million US dollar (Under Armour, 2022a). With these numbers, Under Armour sees the potential of development in this market, Patrik Frisk (former CEO of Under Armour) has mentioned that Under Armour was planning to have their

1000th store open in APAC region. Refer to 2021 annual report, 67% of the net revenue was from North America, 15% was from Europe, Middle East & Africa, 15% was from APAC, and 3% was from Latin America.

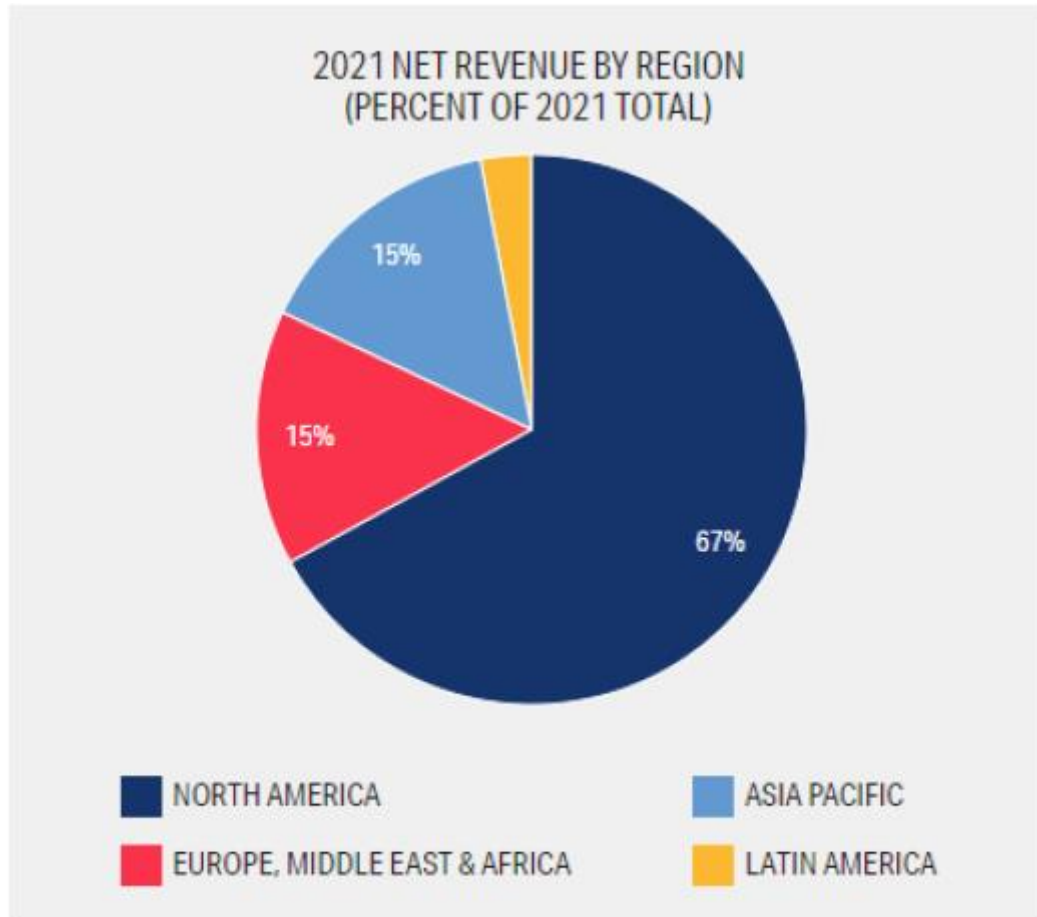


Figure 1.4: Under Armour 2021 Net Revenue by Region

Source: Under Armour, Inc., 2022

During 2020, many cities and suburbs were locked down due to the pandemic, this caused a huge impact to the economy. People couldn't travel out and stayed in, employees couldn't go to work, factories closed down, which caused a large amount of retail stores closure.

Under Armour has launched and well developed their e-commerce platform for North America market, as more than half of their revenue came from North America, during the global pandemic (Under Armour, 2021a). With the success of applying the e-commerce platform in North America region, Under Armour has applied it in all other regions in 2021, except in Latin America which they only have Mexico with direct-to-consumer channels and

the other countries with distributing products through independent distributors (Under Armour, 2022a).

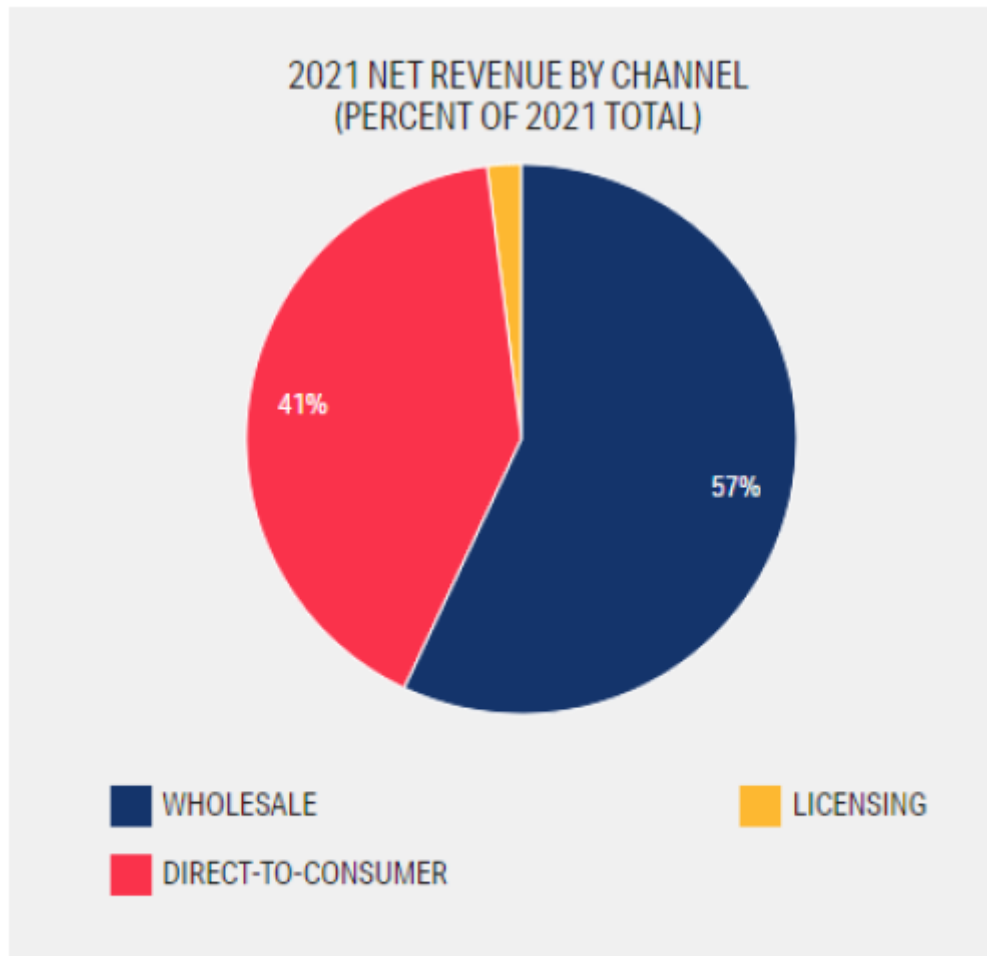


Figure 1.5: Under Armour 2021 Net Revenue by Channel

Source: Under Armour, Inc., 2022

According to the 2021 annual report, Under Armour has 57% of sales were through wholesale channel (national or regional sporting goods chains, department store chains, independent and specialty retailers etc.), 41% were through direct-to-consumer channel (Under Armour Brand and Factory House stores and e-commerce website) and 2% were from licensing (Under Armour, 2022a).

2. Financial Analysis

In this chapter, the financial statements (2019 to 2021) of Under Armour will be analysed and compared with other two competitors in the same industry, which are Adidas and Puma. Since the currency that Under Armour used in their consolidated balance sheets and statements of operations is USD, Adidas and Puma are using EUR, the exchange rate was researched while doing the analysis.

According to USD/EUR rate on 28 Aug 2022, 1 USD = 1 EUR (see appendix), this rate will be applied in this report.

2.1 Altman's Z-Score analysis

Usually, we need to calculate a lot of financial ratios based on bunches of annual reports to determine the operational and financial efficiency of a company. For financial analysis, it will take lots of time to do so since comparing with the other companies in the same industry would give a more complete picture to the viewers, so we have to go back and forth the calculations few times to get the results. Altman's Z-score model could save up some time with using the same formular, and able to foresee if the company will be into bankruptcy in 2 – 3 years in advanced (Anjum, 2012).

Company	Under Armour (in Million USD)			Adidas (in Million EUR)			Puma (in Million EUR)		
Financial Year	2021	2020	2019	2021	2020	2019	2021	2020	2019
Net current assets	1886.12	1809.70	1280.20	4979.00	3327	2180.00	1325.30	740.20	922.30
Total assets	4991.4	5030.63	4843.53	22137.00	21053.00	20680	5728.30	4684.10	4378.20
Retained earnings	980.22	614.67	1176.22	7259.00	6733.00	6555	2245.40	1961.80	1900.90
EBIT	486.29	613.44	236.77	1986.00	751.00	2660.00	557.10	209.20	440.20
Stock Price	21.19 (Class A) 18.04 (Class C)	17.30 (Class A) 14.88 (Class C)	21.40 (Class A) 19.18 (Class C)	253.20	297.90	289.80	107.50	92.28	68.35
Number of stock	223100987 (Class A + B) ¹ 253161064 (Class C)	223053686 (Class A + B) ¹ 231953667 (Class C)	222739680 (Class A + B) ¹ 229027730 (Class C)	191594855	19506606	195969387	149605600	149583859	149547801
Total liabilities	2902.4	3354.64	2693.44	14298.00	14962.00	13622.00	3449.80	2920.20	2457.90
Sales	5683.47	4474.67	5267.13	21234.00	19844.00	23640.00	6805.40	5234.40	5502.20

Note 1: Assumed Class B stock price is same as Class A, as only stock price of Class A and C have been published, and Class B is convertible common stock

Table 2.1: Key factors from consolidated balance sheets

Construct by author

The reason that Under Armour has a negative value for EBIT, is because they had approved

the restructuring plan. It was designed to rebalance the company's cost base to further improve profitability and cash flow generation (Under Armour, 2021).

Company	Under Armour			Adidas			Puma		
Financial Year	2021	2020	2019	2021	2020	2019	2021	2020	2019
A	0.38	0.36	0.26	0.22	0.16	0.11	0.23	0.16	0.21
B	0.20	0.12	0.24	0.33	0.32	0.32	0.39	0.42	0.43
C	0.10	-0.12	0.05	0.09	0.04	0.13	0.10	0.04	0.10
D	3.20	2.18	3.40	3.39	4.05	4.17	4.66	4.73	4.16
E	1.14	0.89	1.09	0.96	0.94	1.14	1.19	1.12	1.26
Z Score	4.11	2.40	3.95	4.02	4.12	4.64	5.13	4.88	4.94

Table 2.2: Altman's Z-Score of Under Armour, Adidas and Puma (2019 – 2021)

Construct by author

Hauschild (2013) notes that if Z-score is lower than 1.8, which means the company has high probability of bankruptcy. The Z-score between 1.8 and 2.9 is called as Zone of Uncertainty, or the grey area, the company needs more observation to be defined. If Z-score is higher than 2.9, which means the company has low probability of bankruptcy.

By that, we can see all three companies have their Z-score over 2.9 from the 2021 annual reports with the latest financial figures, and Puma has the highest Z-score. Therefore, these companies have low probability of bankruptcy and their financial is stable.

2.2 Liquidity Ratios

Liquidity Ratios are used to analyse if the company has enough current assets, such as receivables from customers, raw materials and inventories of products, to pay off the current liabilities immediately (Saleem & Rehman, 2011). Those company with higher Liquidity Ratios means they have enough cash and current accounts position, which able to cover their short-term liabilities (Best, 2022).

Company	Under Armour			Adidas			Puma		
Financial Year	2021	2020	2019	2021	2020	2019	2021	2020	2019
Current Ratio	2.30	2.28	1.90	1.56	1.38	1.25	1.61	1.40	1.59
Quick Ratio	1.74	1.65	1.27	1.11	0.88	0.78	0.92	0.79	0.88
Cash Ratio	1.15	1.07	0.55	0.43	0.45	0.25	0.35	0.35	0.33

Table 2.3: Liquidity Ratios of Under Armour, Adidas and Puma

Construct by author

Current Ratio:

If the company has a smaller current ratio, which means they have fewer current assets to cover the current liabilities (Husna and Satria, 2019). However, that doesn't mean the company has a higher current ratio is better, just pointed out that this company didn't utilise their assets to develop their business and invest on other projects.

From the above table, Under Armour has the highest current ratio, their current assets could pay off their current liabilities 2.30 times. With this ratio, Under Armour have enough current assets to start new projects and investments.

Quick Ratio:

Since the inventory value may not turn into cash in a short period and it is in a low certainty level, we exclude inventory value in the calculation to see if the company still able to cover the short-term liabilities (Wijaya and Sedana, 2020).

There may contain tolerance on predicting how long would it take for the customers to purchase the goods, so quick ratio is another import number to ensure the stability of organisation's financial status.

Comparing with Adidas and Puma, Under Armour still have the highest quick ratio, which means they are able to cover their current liabilities even ignored the inventory values.

Cash Ratio:

Cash ratio is used to measure the company's actual ability to pay off their short-term liabilities with their existing cash or cash equivalents (Siregar & Nasution, 2021).

For Adidas and Puma, their cash ratios are below 1, which means their existing cash could not cover their current liabilities. On the contrary, Under Armour has cash ratio as 1.15, their financial status is more comfortable to start new projects or investments than the other two companies.

2.3 Leverage Ratios

Leverage Ratios are used to determine the dependency of a company on debts, and indicate if they are using debt or equity to finance the company's assets and daily operations (Wallstreetmojo, 2022).

Company	Under Armour			Adidas			Puma		
Financial Year	2021	2020	2019	2021	2020	2019	2021	2020	2019
Total Debt Ratio	0.58	0.67	0.56	0.65	0.68	0.66	0.60	0.62	0.56
Debt/Equity	1.39	2.00	1.25	1.82	2.15	1.93	1.51	1.66	1.28
Long Term Debt Ratio	0.32	0.60	0.28	0.68	0.83	0.69	0.19	0.15	0.16
Equity Multiplier	2.39	3.00	2.25	2.82	3.15	2.93	2.51	2.66	2.28

Table 2.4: Leverage Ratios of Under Armour, Adidas and Puma

Construct by author

Total Debt Ratio:

Total debt ratio is used to determine how many debts were being part of the company's assets, lower value of total debt ratio would be better (Yahya and Hidayat, 2020).

According to the calculation, these three companies have similar total debt ratio, Adidas has slightly higher ratio than the other two companies.

Debt-Equity Ratio:

Debt-Equity Ratio is used to reflect how many debts and equities that the company has applied to finance its assets (Dita and Murtaqi, 2014). With higher value, the company is using more leverage and has a weaker equity position. From the above table, Under Armour has the least Debt-Equity Ratio than the other competitors with 1.39, which means they have a stronger equity position with using less leverage than Adidas and Puma.

Long Term Debt Ratio:

Similar to the Debt-Equity ratio, but Long Term Debt Ratio was only focusing on calculating the proportion of long term debts, such as those loans from the financial instrument which will have to pay interest, and total equities of a company (Carbon Collective, 2021).

Based on the results in the table, Puma has the lowest Long Term Debt Ratio as below 0.20, which may have fewer financial risks. Under Armour has 0.32 and Adidas has the most, 0.68 in 2021.

Equity Multiplier:

Equity multiplier is used to measure the proportion of company's total assets value and the shareholders' equities. Lower value of equity multiplier means the company has less rely on debts to finance their assets (Ganti, 2022). Usually, equity multiplier could be used for comparing with the company's historical records, or the other competitors in the same industry. From the above table, we can see that Under Armour has the least equity multiplier as 2.39 in these three companies.

In 2020, all three companies had higher leverage ratios than 2019, this may relate to COVID-19 and the global economic environment was impacted during that time.

2.4 Coverage Ratios

Coverage ratios is to analyse the company will be able to pay the interest with have the earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) (Dothan, 2016).

Company	Under Armour			Adidas			Puma		
Financial Year	2021	2020	2019	2021	2020	2019	2021	2020	2019
Times Interest Earned	10.96	-12.98	11.15	14.82	4.29	26.06	13.05	4.87	19.48
Total debt/fixed asset ratio	4.78	5.09	3.40	6.34	6.66	5.72	3.17	2.72	2.33
Cash Coverage	14.16	-9.49	19.92	23.40	12.12	37.98	20.21	11.70	30.38

Table 2.5: Coverage Ratios of Under Armour, Adidas and Puma

Construct by author

Times Interest Earned & Cash Coverage:

If both of these ratios are high, it means this company has greater ability to pay the interest expense with the corporate income. As mentioned, Under Armour had restructuring plan in 2020, so the EBIT and EBITDA value was calculated as negative figures. Therefore, it should be ignored. Overall, Adidas has the highest ratio and Under Armour has the lowest in 2021.

Total Debt / Fixed Asset Ratio:

Fixed asset includes properties and equipment own by the company, which are long term tangible assets. Company could use them to generate incomes (Kenton, 2022).

Therefore, similar to Total Debt Ratio, this formula is to reflect how many debts were being part of company's fixed asset.

In results, Adidas has the highest value of this ratio. As calculated, all three companies have the similar total debt ratio value, but Adidas has the higher total debt / fixed asset, so they may have a higher financial risk than the others.

2.5 Inventory, Receivables and Creditors' Ratios, Operating

Period and Cash Period

Company	Under Armour			Adidas			Puma		
Financial Year	2021	2020	2019	2021	2020	2019	2021	2020	2019
Inventory Turnover	3.48	2.58	3.13	2.61	2.10	2.78	2.38	2.44	2.54
Days' Sales in Inventory	105 days	141 days	116 days	140 days	174 days	131 days	154 days	150 days	144 days
Receivables Turnover	9.99	8.49	7.43	9.76	10.17	9.01	8.03	8.43	8.99
Average Collection Period	37 days	43 days	49 days	37 days	36 days	41 days	45 days	43 days	41 days
Creditors' ratio	79 days	91 days	81 days	80 days	95 days	87 days	121 days	124 days	109 days
Operation period	141 days	184 days	166 days	177 days	210 days	172 days	199 days	193 days	184 days
Cash period	62 days	93 days	85 days	97 days	115 days	85 days	78 days	69 days	75 days
Total Asset Turnover	1.14	0.89	1.09	0.96	0.94	1.14	1.19	1.12	1.26

Table 2.6: Inventory, Receivables and Creditors' Ratios, Operating Period and Cash Period
Construct by Author

Inventory Turnover & Days' Sales in Inventory:

Inventory Turnover measures the number of times that the products were sold and replaced during the financial year. Therefore, the value of sales and inventory should be proportional.

If the inventory turnover value is low, which means inventory increased but the sales number didn't increase, then the company should improve their inventory management (Amanda, 2019).

Easier to understand about inventory turnover of a company, we would convert the ratio to days, to measure how many days (on average) it takes to sell the inventory.

For Adidas Puma, it takes 140 days and 154 days separately to sell their inventory in 2021, and the numbers are increasing year by year. On the other hands, Under Armour has decreased

the ratio from 116 days in 2019 to 105 days in 2021, and this numbers do make sense since 68% of Under Armour's net revenue were from selling apparel products, which usually change by seasons, so the inventory turnover ratio should be close to 4. Although the ratio was increased to 141 days due to pandemic in 2020, Under Armour is having a better inventory management than Puma and Adidas, which may able to shorten their days' sales in inventory in the coming years.

Receivables Turnover & Average Collection Period:

This ratio reflects the proportion relationship of net sales and receivables, the higher of this ratio means the company would able to collect the payment from their customers more often during the year (Amanda, 2019).

Same as Days' Sales in Inventory, Average Collection Period is also converting the ratio of receivables turnover to days, to see how long it takes the company to collect the account receivable.

All three companies have similar receivables turnover ratio, it takes more than a month to collect their account receivable, which is reasonable as they have many affiliated companies and distributors in different regions, this may take more time to gather and collect the payments.

Creditors' Ration:

Creditors' Ratio measures the average of time it takes for a company paying their creditors, this ratio usually to compare with the other companies or the average in the industry. When the ratio higher, it means the company needs more time to settle their debts, which would also affecting the credit of this company (Marimuthu, 2012).

From the table, Under Armour and Adidas have the similar creditors' ratio as 79 days and 80 days separately in 2021. However, Puma needs to take 121 days to settle their debts, which shows that Puma may have a weaker financial condition in the industry.

Operating Period & Cash Period:

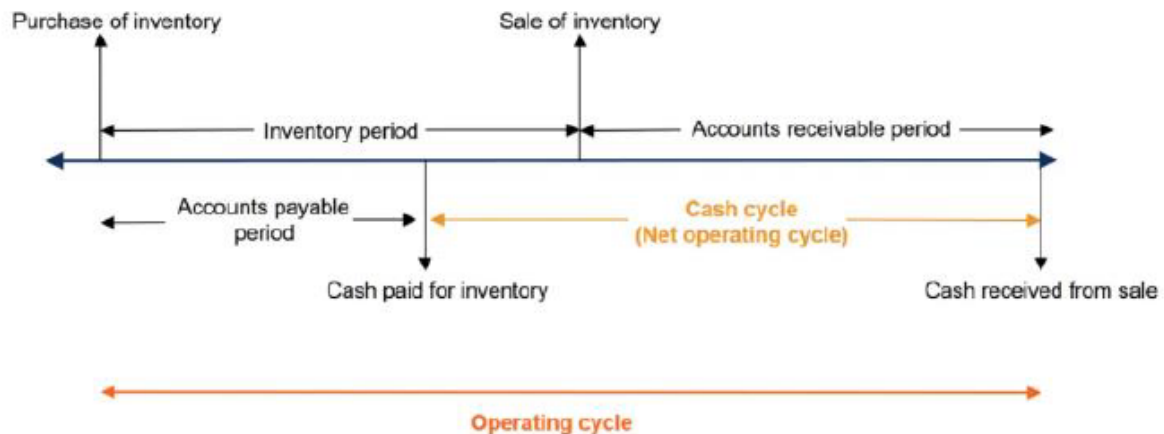


Figure 2.1: Operating Period and Cash Period

Source: Corporate Finance Institute

Operating Period is measuring the days from the receiving the materials/inventory until collecting the cash from the sales of goods, and the Cash Period is measuring the time that the company needs to take between after settle the payments for inventory and collecting the cash from the sales (Corporate Finance Institute, 2022).

According to the analysis, Puma has the longest operating period but Adidas has the longest cash period in 2021. Therefore, Puma should speed up their sales of inventory and Adidas should reduce the time needed to collect the cash from sales.

Total Asset Turnover:

This ratio is measuring and reflecting how well did the company utilise their assets to generate sales. If the company has higher total asset turnover ratio, it means this company has well managed their own assets to generate revenues, which could have earned more profit than the other competitors (Sunjoko and Arilyn, 2016).

From the above table, only Adidas has Total Asset Turnover ratio less than 1. With the most fixed assets, Under Armour was expected to have the highest ratio, however they just have the similar value with Puma. Under Armour should improve their management of their existing assets to generate more revenues.

2.6 Profitability Measures

Computing Profitability Ratios could be used to defined if the company's financial status is healthy or not, by that we can compare with the other companies in the same industry and the company its own historical records as well (Hofstrand, 2009).

Company	Under Armour			Adidas			Puma		
Financial Year	2021	2020	2019	2021	2020	2019	2021	2020	2019
Gross Profit Margin	50.35%	48.27%	46.90%	50.70%	53.57%	52.00%	47.87%	46.96%	48.82%
Net Profit Margin	6.34%	-12.27%	1.75%	10.16%	2.23%	8.36%	5.54%	2.35%	5.62%
EBITDA Margin	11.04%	-10.02%	8.03%	14.76%	10.69%	16.39%	12.68%	9.61%	12.48%
Return on Assets (ROA after tax)	7.21%	-10.92%	1.90%	9.75%	2.10%	9.56%	6.58%	2.63%	7.06%
Return on Equity (ROE after tax)	17.24%	-32.77%	4.29%	27.54%	6.62%	28.01%	16.54%	6.98%	16.09%

Table 2.7: Profitability Measures of Under Armour, Adidas and Puma

Construct by author

As mentioned earlier, Under Armour had approved the restructuring plan in 2020, with the restructuring and impairment charges as around 600 million USD (Under Armour, 2021b).

Therefore, these ratios of Under Armour should be ignored and not to compare with the others.

Gross Profit Margin:

Gross Profit Margin is used for measuring the profit that the company would remain after deducted the cost of goods sold. Higher percentage would be better because it means the company has lower relative costs of selling their products (Nariswari and Nugraha, 2020).

In 2021, Under Armour has similar gross profit margin as Adidas with over 50%, and comparing to their own previous result, Under Armour is increasing their gross profit margin annually.

Net Profit Margin:

Net Profit Margin is measuring the profit of sales that the company would remain after deducting with their total expenses and costs. Same as Gross Profit Margin, higher percentage would represent a better profit that this company has earned through the year (Nariswari and

Nugraha, 2020).

Adidas has the most net profit margin out of these three companies, which means they remain the most profit after paying all the expenses and costs of sales. Under Armour has increased their net profit margin from 1.90% in 2019 to 6.34% in 2021, which is a huge improvement, they have potential to earn similar net profit margin as Adidas in the next year.

EBITDA Margin:

EBITDA Margin is also known as cash flow margin, EBITDA is a better metric than EBIT since depreciation and amortisation are non-cash expenses. So using EBITDA Margin would be able to measure the company's cash earnings (Becker-Blease et al. 2010).

Under Armour has increased their EBITDA Margin from 8.03% in 2019 to 11.04% in 2021.

Although Adidas is the one who earned the most EBITDA Margin in 2021, the trend is decreasing. Under Armour and Puma has more potential on increasing their EBITDA Margin in the coming years with the trend.

Return on Assets (ROA) after tax & Return on Equity (ROE) after tax:

ROA reflects how the company would generate revenue from their total assets, to measure the profitability of them (Klingenberg, 2013). On the other hand, ROE reflects how the company would generate revenue from their total equity, since a number of inventories decreased would not affect the equity directly (Klingenberg, 2013).

If ignored the data from 2020 (global pandemic impacted the sales in this industry), both Adidas and Puma just have similar percentage in 2021 and 2019. Surprisingly, Under Armour has huge improvements on ROA and ROE, this may also relate to their restructuring plan in 2020.

2.7 Market Value Measures

Market Value is reflecting the value of a company according to the stock market (Seth, 2021).

Company	Under Armour			Adidas			Puma		
Financial Year	2021	2020	2019	2021	2020	2019	2021	2020	2019
Market Capitalization	9294.54 (in Million USD)	7310.30 (in Million USD)	9159.38 (in Million USD)	48511.82 (in Million EUR)	58110.18 (in Million EUR)	56791.93 (in Million EUR)	16082.60 (in Million EUR)	13803.60 (in Million EUR)	10221.59 (in Million EUR)
PE Ratio	12.89	6.65	49.68	22.48	131.17	28.73	42.68	112.13	33.08
Market to book ratio	2.22	2.18	2.13	6.19	8.68	8.05	7.06	7.83	5.32
Business Nature	Global well-known sports equipment company, manufactures sports and casual apparel, footwear and accessories								

Table 2.8: Market Value Measures of Under Armour, Adidas and Puma
Construct by author

Market Capitalization:

According to the above table, Under Armour is having the least market capitalization in these three companies.

PE Ratio:

PE ratio is commonly used to compare the common stock price in the same industry and predict the future returns for investors reference (McWilliams, 1966).

After calculations, Under Armour has a lower PE ratio than Adidas and Puma, which means the investors would invest USD 12.89 per every USD 1 of earnings.

Market-to-book Ratio:

This ratio is used to compare the market value and the book value of the company, and lower of this ratio means it could provide a higher margin of safety (Seth, 2021).

Usually, this ratio should be slightly over 1, but for those large scale's organisations, as they have higher market value, it is normal to have a higher market-to-book ratio.

Under Armour has the least market-to-book ratio in these companies, and seems common to have a larger ratio in this industry.

Credit rating (from highest to lowest):

Adidas – A+ (Standard & Poors)

Under Armour – BB (Standard & Poors)

Puma – B1 (Moody's) = B+ (Standard & Poors) (See Appendix 1)

3. Corporate Governance

Corporate Governance is a system providing the direction to a company with internal control and risk management by boards of directors, to protect the interest of shareholders (John and Senbet, 1998). It also aims to improve the efficiency and risk management that can develop and generate success for the company (ICAEW, 2022).

The following sub-chapters will be studying about Under Armour's governance system and their risk management.

3.1 Corporate Governance System

The members of Board of Directors were elected by shareholders, and the Chief Executive Officer and other members of executive management of Under Armour were selected by the Board of Directors (Under Armour, 2022b). There is total 9 members, except Kevin Plank, the founder of Under Armour, the other 8 members are independent directors from other different companies.

There will be four board meetings annually, one in each quarter. The main purpose of these meetings is to review the following company's matters:

- (i) strategic plans, with analysing the principal current and future risk exposures
- (ii) strategic objectives
- (iii) business and financial performance for the prior year, including a review of the achievement of previous strategic objectives
- (iv) ensure the company's projects and actions are compliant with applicable law and listing standards

The following list is the Board of Directors members and the committee structure:

COMMITTEE COMPOSITION				
	I	Independent Director		Chairperson
	★	Chairman of the Board		Member
	M	Management		
	AUDIT COMMITTEE	HUMAN CAPITAL AND COMPENSATION COMMITTEE	CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE	FINANCE AND CAPITAL PLANNING COMMITTEE
Kevin A. Plank	★			
Douglas E. Coltharp	I			
Jerri L. DeVard	I			
Mohamed El-Erian	I			
David W. Gibbs	I			
Karen W. Katz	I			
Westley Moore	I			
Eric T. Olson	I			
Harvey L. Sanders	I			

Figure 3.1: Committee Composition of Under Armour
Source: Under Armour Inc., 2022

The committee members have been divided into four groups: audit, human capital & compensation, corporate governance & sustainability and Finance & Capital Planning. As mentioned, these members are independent directors (separate with the management team) with different experience from other companies, so their objective comments and points of view would help Under Armour to grow comprehensively.

LEADERSHIP

FILTER BY Board of Direct...

Kevin A. Plank

Executive Chairman and Brand Chief

Douglas E. Coltharp

Executive Vice President and Chief Financial Officer, Encompass Health Corporation

Jerri L. DeVard

Former Executive Vice President, Chief Customer Officer of Office Depot, Inc.

Mohamed El-Erian

Former Chief Executive Officer and Co-Chief Investment Officer of PIMCO

David W. Gibbs

Chief Executive Officer of Yum! Brands, Inc.

Karen W. Katz

Former President and Chief Executive Officer, Neiman Marcus Group LTD LLC

Westley Moore

Former Chief Executive Officer of the Robin Hood Foundation

Eric T. Olson

Admiral U.S. Navy (Retired) and former Commander, U.S. Special Operations Command

Harvey L. Sanders

Former Chief Executive Officer and Chairman, Nautica Enterprises, Inc.

Figure 3.2: Board of Directors of Under Armour
Source: Under Armour Inc., 2022

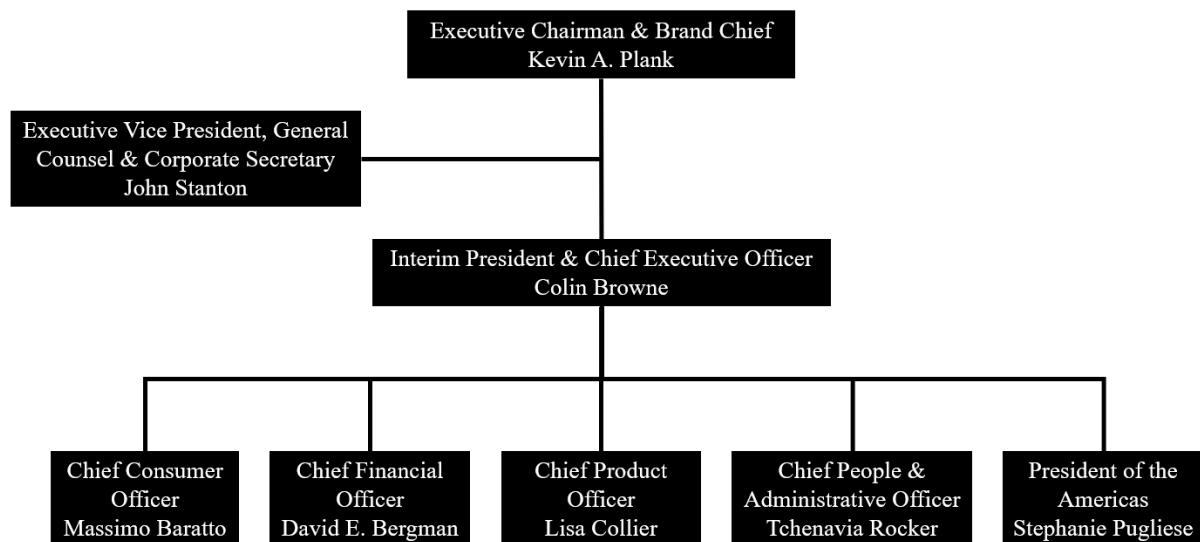


Figure 3.3: Executive Officers of Under Armour
Construct by author

Note: Colin Browne is the new CEO of Under Armour since June 2022.

Beneficial Owner	Class A and Class B Stock		Class C Stock		Percentage of Voting Power(3)
	Beneficially Owned Shares(1)	Percentage of Shares of Class Outstanding(2)	Beneficially Owned Shares(1)	Percentage of Shares of Class Outstanding	
Kevin A. Plank (4)(5)	34,742,229	15.6%	33,857,645	13.2%	64.7%
Patrik Frisk (6)	14,000	*	639,714	*	*
Douglas E. Coltharp (7)(8)	98,914	*	99,279	*	*
Jerri L. DeVard (7)	1,200	*	0	*	*
Mohamed A. El-Erian (7)	11,650	*	3,675	*	*
David W. Gibbs (7)	0	*	0	*	*
Karen W. Katz (7)(9)	2,000	*	2,014	*	*
Westley Moore (7)	0	*	0	*	*
Eric T. Olson (7)	0	*	0	*	*
Harvey L. Sanders (7)	174,000	*	175,235	*	*
David Bergman (10)	26,835	*	189,640	*	*
Colin Browne (11)	0	*	180,803	*	*
Stephanie Pugliese (12)	0	*	92,504	*	*
All Executive Officers and Directors as a Group (7)(13)	35,111,627	15.6%	35,590,192	13.9%	64.7%
5% Stockholders					
BlackRock, Inc. (14)	11,176,582	5.0%			2.1%
The Vanguard Group (15)	19,894,614	8.9%			3.7%

* Less than 1% of the shares.

Table 3.1: Beneficial Owners of Under Armour
Source: Under Armour Inc., 2022

As Kevin Plank has the most shares, his voting power is very strong in the board. Therefore, he has control over the board of directors.

3.2 Code of Conduct

Under Armour also disclosed their Code of Conduct, which mainly for their new employees, to the public. From this, we could see Under Armour respect their employees all equally no

matter which position they were at, and encourage them to speak up if they found out any issues about discrimination, harassment, workplace safety and environment (Under Armour, 2019). This act could prevent the negative news reported out before the internal management settle the issues, which would improve their public images and secure investors' confidence.

3.3 Suggestions for improvement

There are two suggestions for Under Armour base on above analysis:

1. As Under Armour has launched their e-commerce platform in 2020, this is the great to explore more business opportunities globally in a fast speed. However, cybersecurity will be the challenge of Under Armour if they would invest and develop more on e-commerce. Currently, the audit committee is responsible to cybersecurity risk management, but not with those directors who have experience on digital and e-commerce (Under Armour, 2022c). I would recommend that Under Armour should add one more group in Board of Directors, for having cybersecurity risk management. As this is the trend of global business, Under Armour should have this group of experts to give our advices to their Chief Information Security Officer and foresees the related risks of different strategies.
2. Under Armour should improve their credit rating in the coming years, as BB rating is below investment-grade and also referred to high-yield or junk. If Under Armour could improve to BBB as the bottom tire of investment grade, it would be more flexible for Under Armour to consider launching new projects.
3. Since ROA is lower than competitor, the board of directors should consider to review and analyse the profitability of Under Armour's assets, especially the fixed assets, if the management team has utilised the total assets for generating revenue or not. This would strengthen shareholders' confidence in the company.

4. Investment Project Appraisal

Assumed Under Armour is going to launch a new 15 years project of OEM indoor training equipment and sells on e-commerce platform, as public has a habit of working out at home during COVID-19. This may a continue product line of “Project Rock”, which is selling indoor training apparel, footwear and accessories products since 2020.

4.1 Project items basic information

For this project, storage, decoration cost, delivery method and the development cost of the app on smartphone will be assumed as the initial cost.

Storing cost		-797.4 in 1000 USD	(1000 sq meter, China, 20 years), RMB44.3 per sq m, RMB1 = USD0.15 (rate as 21 Aug 2022)
Decoration		-50 in 1000 USD	
Truck		-40 in 1000 USD	(3 ton van trucks X 3, around USD 12,000per each)
App cost		-40 in 1000 USD	(App development cost in 2022, \$40 per hour)
Initial cost		-927.40 in 1000 USD	
Growth		11.5%	(Under Armour 2021 accessories growth rate)
inflation rate		8.34%	(USA Jan - Jul 2022 average)
EBITDA		11%	(Under Armour 2021)
Storing cost	Depreciation	10 years	
Decoration	Period	5 years	
Truck	Depreciation	5 years	
App cost	Depreciation	5 years	

Table 4.1: Information of new indoor training equipment project items
Construct by author

4.2 The first year calculation of sales

The sales was assumed as 1% of the total sales of accessories sales of Under Armour in 2021.

Total Sales		4618.94 in 1000 USD	(1% of total accessories sales in 2021)
Direct Sales		100%	(Through e-commerce)

Table 4.2: The first year calculation of sales
Construct by author

4.3 Computing Tax Cost

Yr		1	2	3	4	5
EBITDA	11%	508.1	566.5	631.7	704.3	785.3
Storing cost	(10 years <u>Depr</u>)	79.74	79.74	79.74	79.74	79.74
Decoration	(5 years <u>Depr</u>)	10	10	10	10	10
Truck	(5 years <u>Depr</u>)	8	8	8	8	8
App cost	(5 years <u>Depr</u>)	8	8	8	8	8
Total Depr		105.74	105.74	105.74	105.74	105.74
EBIT		402.3	460.8	525.9	598.6	679.6
Tax	33.4%	134.2	153.7	175.4	199.7	226.7

Table 4.3: Computing Tax Cost (in 1000 USD)
Construct by author

4.4 Cash flow calculation

Year		1	2	3	4	5
EBITDA		508.1	566.5	631.7	704.3	785.3
Expenditure 1	cash period	-151.9	-169.3	-188.8	-210.5	-234.7
Expenditure 2	Storing cost	-79.7	-88.9	-99.1	-110.5	-123.2
Expenditure 3	Decoration	-10.0	-10.0	-10.0	-10.0	-10.0
Expenditure 4	Truck	-8.0	-8.9	-9.9	-11.1	-12.4
Expenditure 5	App cost	-8.0	-8.0	-8.0	-8.0	-8.0
Tax		-134.2	-153.7	-175.4	-199.7	-226.7
Cashflow		116.3	127.7	140.3	154.5	170.3

Table 4.4: Cash flow calculation (in 1000 USD)
Construct by author

Note 1: Calculation of working capital of the first year = Total sales*12/365 =

$$4618.94 * 12 / 365 = -151.85$$

Calculation of working capital after the first year = working capital of previous year*(1+Sales Growth Rate)

Note 2: Assumed the storage space and needs of trucks will increase every year upon to the increase of sales

Note 3: Assumed decoration for the warehouse (shelves) will be paying annually, about USD

50000/5 years = USD 10000 per year

Note 4: Assumed building the app would have signed the contract with agreed an exact price and paying annually, about USD 40000/5 years = USD 8000 per year

Note 5: After 5 years, the growth of cashflow will be calculated with the inflation rate of America (see Appendix 5)

4.5 Calculation of NPV, PBP, IRR, PI and ARR

Method 1 NPV	957.48			
Method 2 PBP	6 years		2 months	
Method 3 IRR	17.8%			
Method 4 PI	2.04			
Method 5 ARR	65.6%			

Table 4.5: NPV, PBP, IRR, PI and ARR calculation (in 1000 USD)
Construct by author

For the calculation details, please see Appendix 6.

From the analysis and calculation, the NPV value is positive and the pay back period is 6 years and 2 months, which means investing in this project would have positive return. With this project, Under Armour would have a chance to explore a new product line and focus developing indoor training market in the future.

4.6 New Project Analysis

The reason of the ARR is high as 65.6% is because the sales growth rate of Under Armour's accessories product was 11.5% in 2021, and the inflation rate in US is very high in 2022 (see Appendix 5). After calculating the average inflation rate of US from January to July 2022, the assumption of the growth as 8.34%, which caused the ARR higher.

With the total NPV 957.5 thousand US dollar, IRR as 17.8% and Profitability Index as 2.04, this project is worth to be invested.

5. Financing and capital management

As the initial cost of the proposed project is 927.4 thousand US dollar, the following financing methods could be considered to collect or gain capital for the project.

5.1 Financing methods for analysing

- i) According to the 2021 annual report of Under Armour, they have cash and cash equivalents as 1.67 billion US dollars (around 33% of total assets) and retained earnings as 980 million US dollars. As Under Armour has the highest cash ratio upon all three companies (refer to Chapter 2), they are able to payoff the initial cost in cash easily.
- ii) With 607 million US dollars of fixed assets, Under Armour could consider about applying mortgages from the bank for capital for new projects. Although it may increase the total debt ratio, but comparing to the other competitors, Under Armour is having the least total debt ratio, so this may consider an option for Under Armour to collect the capital.
- iii) Selling assets is one of the options for Under Armour for collecting the capital, but usually this is for those projects which has a huge amount of initial cost. Therefore, this is not the best method for Under Armour to apply on this project.

After reviewing the above methods, the most straight forward and affordable financing method of collecting the capital for the new project of is cash payments, since Under Armour has more than enough cash for this project.

6. Conclusion and Recommendation

Overall, Under Armour is financially healthy and it has potential in growing business in APAC region base on the sales growth that has shown on the annual report. With the financial analysis in chapter 2, although Under Armour has the least sales number upon three companies, they have the highest liquidity ratios. If they would apply them properly to develop the business and implant suitable strategies to the market in the coming year, sure will increase their revenue and expand their retail store network in all regions.

Under Armour also has a good corporate governance system with most of the board of directors' members are independent directors with maintaining an appropriate level of transparent to their shareholders, to secure their confidence in Under Armour.

6.1 Suggestions to Under Armour

Project Tracker	Q1 2023			Q2 2023			Q3 2023			Q4 2023		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
OEM indoor training equipment project												
Find the supplier of manufacturing products	Phase 1			Phase 2		Launch						
Find the location of warehouses		Phase 1	Phase 2	Launch								
Decoration				Phase 1	Phase 2	Launch						
Confirm the delivery route /logistic method				Phase 1	Phase 2	Launch						
Find the supplier for building app				Phase 1	Phase 2	Launch						
Trucks for delivery to customers						Phase 1	Launch					
Adding Cybersecurity Committee												
Survey to get the voting results from shareholders		Phase 1	Phase 2	Launch								
Find experts of cybersecurity and invite to board						Phase 1	Phase 2		Launch			
Election by Shareholders											Phase 1	Launch
Localisation of the retail stores				Phase 1	Phase 2	Launch						
Improve credit rating	Phase 1				Phase 2						Launch	

Table 6.1:Gantt Project Chart
Construct by author

These are some suggested projects and items that Under Armour may proceed in the coming year, which would improve their revenue and brand images.

For the OEM indoor training equipment project,

Find the supplier of manufacturing products: Phase 1 – confirm and sign agreement with supplier, Phase 2 – first production, Launch - the products are ready to be launch

Find the location of warehouses: Phase 1 – sourcing the places, Phase 2 – confirm and settle

payment, Launch – Under Armour own the warehouses

Decoration: Phase 1 – confirm designs with the supplier, Phase 2 – start decoration, Launch – warehouses ready to be used

Confirm the delivery route /logistic method: Phase 1 – confirm and get the update logistic information from current suppliers, Phase 2 – discuss and confirm the arrangement with suppliers, Launch – all procedures and arrangements are settled with suppliers

Find the supplier for building app: Phase 1 – confirm and settle payment, Phase 2 – base on current e-commerce app, build up a new category / new page, Launch – ready for customers

Trucks for delivery to customers: Phase 1 – purchase trucks, Launch – trucks are ready for delivery goods

For Adding Cybersecurity Committee in the Board of Directors

Survey to get the voting results from shareholders: Phase 1 – create survey, Phase 2 – voting period of shareholders, Launch – gather and summarise the result

Find experts of cybersecurity and invite to board: Phase 1 – approach potential and suitable person, Phase 2 – Introduce nominee to shareholders and the board of directors, Launch – Inform shareholders about election

Election by Shareholders: Phase 1 – election, Launch – gather and summarise the result

Localisation of the retail stores

Phase 1 – market research, Phase 2 – Marketing department propose marketing strategies, Launch - implantation of strategies plans

Improve credit rating

Phase 1 – set up plannings to shorten the time for paying debts, Phase 2 – implantation and monitoring the finance conditions, Launch – review the result

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Appendix

Appendix 1: Credit Rating Scale

Credit ratings

MOODY's	S&P	
Aaa	AAA	Prime
Aa1	AA +	
Aa2	AA	High-grade
Aa3	AA -	
A1	A +	
A2	A	Upper-medium grade
A3	A-	
Baa1	BBB +	
Baa2	BBB	Lower-medium grade
Baa3	BBB -	
Ba1	BB+	"Junk"
Ba2	BB	Non-investment grade
Ba3	BB-	
B1	B+	
B2	B	Highly speculative
B3	B-	
Caa	CCC	Extremely Speculative
C	D	In Default/Recovery

Source: Investopedia

<https://www.investopedia.com/terms/b/ba2-bb.asp> (Accessed: 21 August 2022)

Appendix 2: Monthly rental of warehouses in China reference

Average monthly rental of warehouses in China 2014-2019

Published by [Yihan Ma](#), Feb 16, 2022

 In 2019, the average monthly rent of a warehouse space in China amounted to 44.3 yuan per square meter. The demand of warehouses has been increasing in China, consistently driving the rental prices up.

Source: Statista

<https://www.statista.com/statistics/1034064/china-average-monthly-rent-of-warehouses/>

(Accessed: 23 August 2022)

Appendix 3: Van Cargo Truck price reference



China Best Price Jmc 4X2 Van Box Cargo Truck

Reference FOB Price ⓘ

US \$10,000-20,000 / Piece | 1 Piece (Min. Order)

Transmission Type:	Manual
Emission Standard:	Euro 5
Power:	Diesel
Load Capacity:	1-10t
Drive Wheel:	4×2
Shape:	Single Bridge

Customization: Available | [Customized Request](#)

♥ Favorites |  Share     

Source: Made-in-China

<https://runlitruckcn.en.made-in-china.com/product/IyhxzVOoQjcd/China-China-Best-Price-Jmc-4X2-Van-Box-Cargo-Truck.html> (Accessed: 22 August 2022)

Appendix 4: App building cost reference

How Much Does It Cost to Develop an App in 2022? Cost Breakdown

How much does it cost to make an app for your business? It is the first question you should ask while you start determining app development cost in 2022.

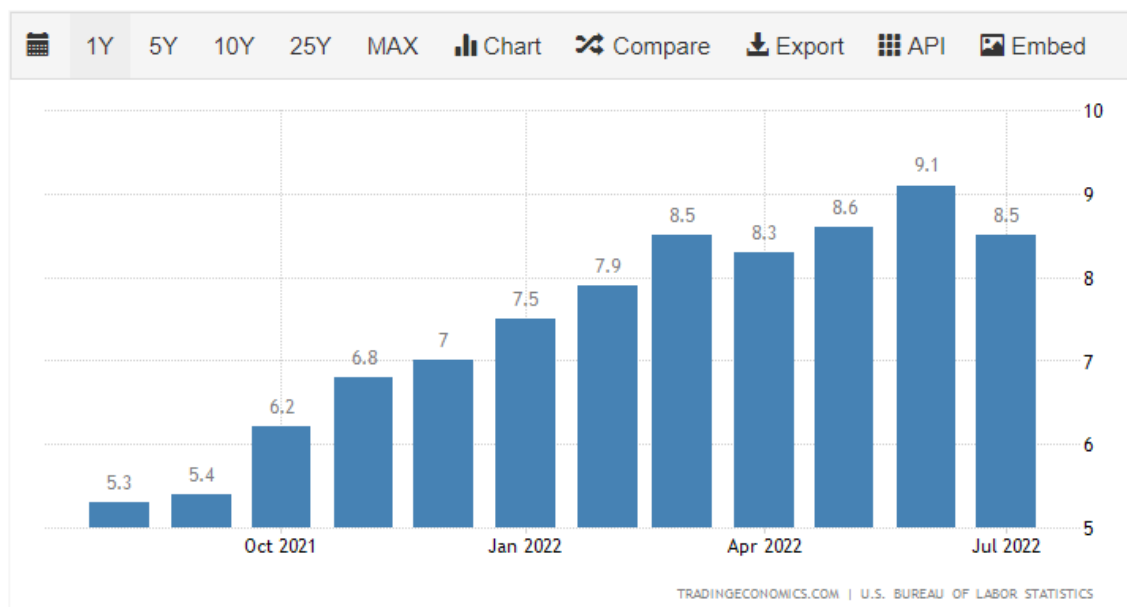
Many factors influence the price, depending on the complexity of the app development, at 40\$ per hour, the average cost will be:

- Simple App Development Cost – \$40,000 to \$60,000
- Average App Development Cost – \$60,000 to \$150,000
- Complex App Development Cost – from \$300,000

Source: SPD LOAD

<https://spdload.com/blog/app-development-cost/> (Accessed: 23 August 2022)

Appendix 5: inflation rate of US in 2022



Source: Trading Economics

<https://tradingeconomics.com/united-states/inflation-cpi> (Accessed on 21 August 2022)

Appendix 6: Calculation of NPV, PBP, IRR, PI and ARR for new project.

Yr	Cashflow in/(out)	PV of cashflow	CUM Cashflow		Profit		ROA	7.0%
0	(917.40)	(917.40)	(917.40)				Growth rate	8.34%
1	117.6	110	(800)		269.5			
2	129.0	113	(671)		308.4			
3	141.7	116	(529)		351.8			
4	155.8	119	(373)		400.2			
5	171.6	122	(202)		454.2			
6	185.9	124	(16)		492.1			
7	201.4	125	186		533.1			
8	218.2	127	404		577.6			
9	236.4	129	640		625.7			
10	256.1	130	896		677.9			
11	277.5	132	1,174		734.5			
12	300.7	133	1,475		795.7			
13	325.7	135	1,800		862.1			
14	352.9	137	2,153		934.0			
15	382.3	139	2,536		1,011.9			
Method 1 NPV	973.12	973.12						
Method 2 PBP	6 years			1 months				
Method 3 IRR	18.0%							
Method 4 PI	2.06							
Method 5 ARR	65.6%							

Appendix 7:

Formula sheet:

Altman's Z-score model formula for public manufacturing business:

$$Z = 1.2A + 1.4B + 3.3C + 0.6D + 0.999E$$

While,

$$A = \text{Working Capital} / \text{Total Assets}$$

$$B = \text{Retained Earnings} / \text{Total Assets}$$

$$C = \text{Earnings Before Interest \& Tax} / \text{Total Assets}$$

$$D = \text{Market Value of Equity} / \text{Total Liabilities}$$

$$E = \text{Sales} / \text{Total Assets}$$

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

$$\text{Quick Ratio} = (\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$$

$$\text{Cash Ratio} = \text{Cash} / \text{Current Liabilities}$$

$$\text{Total Debt Ratio} = \text{Total Liabilities} / \text{Total Assets}$$

$$\text{Debt-Equity Ratio} = \text{Total Liabilities} / \text{Total Equities}$$

$$\text{Long Term Debt Ratio} = \text{Long Term Liabilities} / \text{Total Equities}$$

$$\text{Equity Multiplier} = \text{Total Assets} / \text{Total Equities} = 1 + \text{Debt-Equity ratio}$$

$$\text{Times Interest Earned} = \text{EBIT} / \text{Interest}$$

$$\text{Cash Coverage} = \text{EBITDA} / \text{Interest}$$

$$\text{Total Debt / Fixed Asset Ratio} = \text{Total Liabilities} / \text{Fixed Asset}$$

$$\text{Inventory Turnover} = \text{Cost of Goods Sold} / \text{Inventory}$$

$$\text{Days' Sales in Inventory} = 365 / \text{Inventory Turnover}$$

$$\text{Receivables Turnover} = \text{Sales} / \text{Accounts Receivable}$$

$$\text{Average Collection Period} = 365 / \text{Receivables Turnover}$$

$$\text{Creditors' Ration} = (\text{Closing Trade Creditors} / \text{Cost of Goods Sold}) \times 365$$

Operating Period = Days' Sales in Inventory + Average Collection Period

Cash Period = Operating period – Creditors' Ratio

Total Asset Turnover = Sales / Total Assets

Gross Profit Margin = (Sales – Cost of Goods Sold) / Sales

Net Profit Margin = Net Income after tax / Sales

EBITDA Margin = EBITDA / Sales

Return on Assets (ROA) after tax = Net Income after Tax / Total Assets

Return on Equity (ROE) after tax = Net Income after Tax / Total Equity

Market Capitalization = Current Market Price (per share) X Total outstanding shares

PE Ratio = Price per share / Earnings per share

Market-to-book ratio = market value per share / book value per share

Appendix 8: Under Armour 2021 consolidated financial report

Under Armour, Inc. and Subsidiaries

Consolidated Balance Sheets (In thousands, except share data)

	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 1,669,453	\$ 1,517,361
Accounts receivable, net (Note 3)	569,014	527,340
Inventories	811,410	895,974
Prepaid expenses and other current assets, net	286,422	282,300
Total current assets	3,336,299	3,222,975
Property and equipment, net (Note 4)	607,226	658,678
Operating lease right-of-use assets	448,364	536,660
Goodwill (Note 6)	495,215	502,214
Intangible assets, net (Note 7)	11,010	13,295
Deferred income taxes (Note 17)	17,812	23,930
Other long term assets	75,470	72,876
Total assets	\$ 4,991,396	\$ 5,030,628
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 613,307	\$ 575,954
Accrued expenses	460,165	378,859
Customer refund liabilities (Note 11)	164,294	203,399
Operating lease liabilities (Note 5)	138,664	162,561
Other current liabilities	73,746	92,503
Total current liabilities	1,450,176	1,413,276
Long term debt, net of current maturities (Note 8)	662,531	1,003,556
Operating lease liabilities, non-current (Note 5)	703,111	839,414
Other long term liabilities	86,584	98,389
Total liabilities	2,902,402	3,354,635
Stockholders' equity (Note 10)		
Class A Common Stock, \$0.0003 1/3 par value; 400,000,000 shares authorized as of December 31, 2021 and December 31, 2020; 188,650,987 shares issued and outstanding as of December 31, 2021 (December 31, 2020: 188,603,686)	63	62
Class B Convertible Common Stock, \$0.0003 1/3 par value; 34,450,000 shares authorized, issued and outstanding as of December 31, 2021 and December 31, 2020	11	11
Class C Common Stock, \$0.0003 1/3 par value; 400,000,000 shares authorized as of December 31, 2021 and December 31, 2020; 253,161,064 shares issued and outstanding as of December 31, 2021 (December 31, 2020: 231,953,667)	84	77
Additional paid-in capital	1,108,613	1,061,173
Retained earnings	1,027,833	673,855
Accumulated other comprehensive (income) loss	(47,610)	(59,185)
Total stockholders' equity	2,088,994	1,675,993
Total liabilities and stockholders' equity	\$ 4,991,396	\$ 5,030,628

Commitments and Contingencies (Note 9)

Related Party Transactions (Note 20)

Subsequent Event (Note 21)

Under Armour, Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except per share amounts)

	Year Ended December 31,		
	2021	2020	2019
Net revenues	\$ 5,683,466	\$ 4,474,667	\$ 5,267,132
Cost of goods sold	2,821,967	2,314,572	2,796,599
Gross profit	2,861,499	2,160,095	2,470,533
Selling, general and administrative expenses	2,334,691	2,171,934	2,233,763
Restructuring and impairment charges	40,518	601,599	—
Income (loss) from operations	486,290	(613,438)	236,770
Interest income (expense), net	(44,300)	(47,259)	(21,240)
Other income (expense), net	(51,113)	168,153	(5,688)
Income (loss) before income taxes	390,877	(492,544)	209,842
Income tax expense (benefit)	32,072	49,387	70,024
Income (loss) from equity method investments	1,255	(7,246)	(47,679)
Net income (loss)	\$ 360,060	\$ (549,177)	\$ 92,139
Basic net income (loss) per share of Class A, B and C common stock	\$ 0.77	\$ (1.21)	\$ 0.20
Diluted net income (loss) per share of Class A, B and C common stock	\$ 0.77	\$ (1.21)	\$ 0.20
Weighted average common shares outstanding Class A, B and C common stock			
Basic	465,504	454,089	450,964
Diluted	468,644	454,089	454,274

See accompanying notes.

Under Armour, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)

	Year Ended December 31,		
	2021	2020	2019
Net income (loss)	\$ 360,060	\$ (549,177)	\$ 92,139
Other comprehensive income (loss):			
Foreign currency translation adjustment	(6,552)	(5,060)	10,754
Unrealized gain (loss) on cash flow hedges, net of tax benefit (expense) of \$(5,725), \$1,791 and \$7,798 for the years ended December 31, 2021, 2020 and 2019, respectively.	18,603	(18,075)	(21,646)
Gain (loss) on intra-entity foreign currency transactions	(476)	14,715	(886)
Total other comprehensive income (loss)	11,575	(8,420)	(11,778)
Comprehensive income (loss)	\$ 371,635	\$ (557,597)	\$ 80,361

See accompanying notes.

Under Armour, Inc. and Subsidiaries`
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities			
Net income (loss)	\$ 360,060	\$ (549,177)	\$ 92,139
Adjustments to reconcile net income (loss) to net cash used in operating activities			
Depreciation and amortization	141,144	164,984	186,425
Unrealized foreign currency exchange rate gain (loss)	18,877	(9,295)	(2,073)
Loss on extinguishment of senior convertible notes	58,526	—	—
Loss on disposal of property and equipment	4,468	3,740	4,640
Gain on sale of the MyFitnessPal platform	—	(179,318)	—
Non-cash restructuring and impairment charges	26,938	470,543	39,000
Amortization of bond premium	16,891	12,070	254
Stock-based compensation	43,794	42,070	49,618
Deferred income taxes	(2,642)	43,992	38,132
Changes in reserves and allowances	(25,766)	10,347	(26,096)
Changes in operating assets and liabilities:			
Accounts receivable	(31,153)	167,614	(45,450)
Inventories	93,287	15,306	149,519
Prepaid expenses and other assets	10,224	18,603	24,334
Other non-current assets	79,782	(259,735)	19,966
Accounts payable	26,027	(40,673)	59,458
Accrued expenses and other liabilities	(114,794)	318,532	(18,987)
Customer refund liability	(38,861)	(19,250)	(80,710)
Income taxes payable and receivable	(1,973)	2,511	18,862
Net cash provided by (used in) operating activities	664,829	212,864	509,031