

Wellness Sector Initiation

An Apple a Day



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Research Analysts

Kaumil S. Gajrawala, Managing Director

kaumil.gajrawala@credit-suisse.com

+1 212 325 3227

Theo C. Brito, Vice President

theo.brito@credit-suisse.com

+1 212 325 4637

Pallavi Bakshi, Vice President

pallavi.bakshi@credit-suisse.com

+1 212 538 8434

Keith Devas, Associate

keith.devas@credit-suisse.com

+1 212 325 2686



Executive Summary

An Apple a Day

- The Credit Suisse Consumer Staples team is adding coverage of **Wellness**. This is a different, 'all in one' model for supporting investors vs. the rest of the Street.
- Accompanying company-specific initiation reports:
 - PTON: Beauty in the Eye of the Bikeholder; Initiate at Outperform
 - YETI: Fishing into High Tide; Initiate at Outperform
 - SMPL: Journey to Create a Functional Foods Powerhouse; Initiate at Neutral
 - CELH: A Well Conditioned Contender Sprinting to Disrupt Energy Drinks; Initiate at Neutral
- **Wellness is an umbrella for healthy living**, across a variety of sub-sectors. The impetus for the development of healthy living products and technology are long-term trends supporting 'better-for-you' eating and drinking, more focus on movement and exercise, and mental and physical personal/self care.
- Four long-term trends support Wellness growth: (1) aging populations, (2) reversing unhealthy lifestyle effects, (3) proactive health choices, and (4) younger generations spending more.
- Credit Suisse estimates the Global Wellness economy is valued at **\$5.8 trillion** in 2021. From 2018 to 2024, the Wellness economy could grow 7.1 % annually, with many sub-segments growing quite a bit faster.
- Approx. **800 M&A deals** occurred in the Health and Wellness sector between 2016 and 2020, making the space increasingly important for investors.

Sources: 2018 Global Wellness Institute Estimates, SDR Ventures.

Team Background



Kaumil S. Gajrawala
Managing Director

22 years of experience with 18 years covering Consumer

Buy-side, Sell-side experience

Has covered internet, cable/satellite

Several years II ranked; Runner Up in 2020 for Consumer Staples

Initiated on Consumer Staples at CS in March 2019



Theo C. Brito
Vice President

15 years experience covering Consumer

Three-quarters sell-side, one-quarter buy-side

Initiated on Consumer Staples at CS in March 2019

MBA, Kellogg '04



Pallavi Bakshi
Vice President

5 years experience covering Consumer

3 years covering Softlines & Apparel at CS; initiated on the space at CS in March 2018

Initiated on Consumer Staples at CS in March 2019



Keith Devas
Associate

Joined CS Consumer Staples team in Sept 2020

Prior experience in Risk consulting

MBA, Cornell '20

Adding Wellness Coverage with Four New Stocks

Fitness, Outdoor Living, Functional Food/Bev

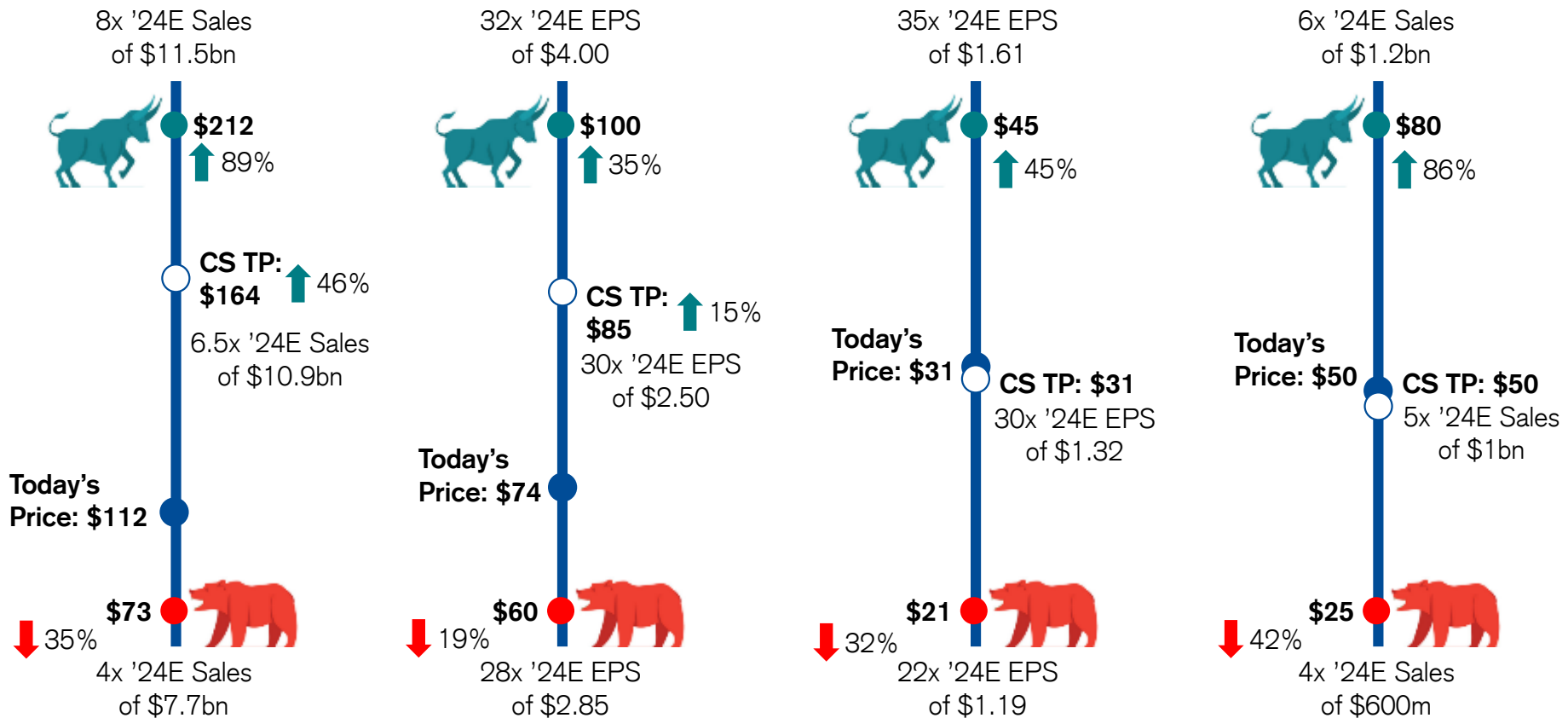
Fitness	PTON	Rating: OUTPERFORM	Beauty in the Eye of the Bikeholder
	Peloton Interactive, Inc. \$37.2bn Market Cap *TOP PICK*	Target: \$164 Today: \$112 Return: 46%	Manufacturer of equipment and subscription fitness content. An expanding market, compelling user economics, vertically integrated model make this a unique concept in an emerging category.
Outdoor Living	YETI	Rating: OUTPERFORM	Fishing into High Tide
	Yeti Holdings \$6.4bn Market Cap	Target: \$85 Today: \$74 Return: 15%	Manufacturer of recreational coolers, mugs, and household items catering to healthy lifestyles. Scale benefits accrue past the \$1bn revenue mark, leading to an acceleration in growth.
Functional Food/Bev	SMPL	Rating: NEUTRAL	Journey to Create a Functional Foods Powerhouse
	Simply Good Foods Co. \$3.1bn Market Cap	Target: \$31 Today: \$31 Return: 0%	Packaged foods co. which owns the Atkins and Quest brands. Protein tailwinds support the portfolio, especially newly acquired Quest. HSD revenue & teens EPS growth at a fair price.
Functional Bev	CELH	Rating: NEUTRAL	Sprinting to Disrupt Energy Drinks
	Celsius Holdings \$3.4bn Market Cap	Target: \$50 Today: \$50 Return: 1%	Energy drinks co. in the performance energy space. Substantial potential to succeed in the US and grow share from 1% to 4%, a level at which the market is fairly valuing shares.



Sources: PitchBook Data, Inc., Credit Suisse estimates, FactSet.

CS Wellness Coverage Valuation

Where We Stand



Sources: PitchBook Data, Inc.; Credit Suisse research.

Credit Suisse Wellness Coverage

13 Stocks Under Coverage, Accelerating Expansion

US Wellness - CS Coverage

		Price 4/1/21	Value (\$m) Equity Firm		CS Analyst	CS Rating	CS Target Price Implied Return	
Fitness								
Peloton Interactive	PTON	\$112	37,231	35,740	Kaumil Gajrawala	OUTPERFORM	\$164	46%
Specialty Hardware								
Garmin	GRMN	\$133	24,796	23,045	Robert Spingarn	NEUTRAL	\$129	(3%)
Outdoor Living								
VF	VFC	\$79	31,838	35,283	Michael Binetti	OUTPERFORM	\$105	32%
YETI Holdings	YETI	\$74	6,430	6,355	Kaumil Gajrawala	OUTPERFORM	\$85	15%
Sports Apparel								
Lululemon Athletica	LULU	\$301	42,863	43,155	Michael Binetti	OUTPERFORM	\$430	43%
NIKE	NKE	\$133	217,156	217,478	Michael Binetti	OUTPERFORM	\$176	33%
Under Armour	UAA	\$22	9,241	9,718	Michael Binetti	NEUTRAL	\$23	5%
Functional Food and Beverage								
Bellring Brands	BRBR	\$24	3,366	3,998	Kaumil Gajrawala	NEUTRAL	\$24	(1%)
Beyond Meat	BYND	\$131	8,658	8,538	Robert Moskow	NEUTRAL	\$120	(9%)
Celsius	CELH	\$50	3,364	3,322	Kaumil Gajrawala	NEUTRAL	\$50	1%
Simply Good Foods	SMPL	\$31	3,138	3,646	Kaumil Gajrawala	NEUTRAL	\$31	0%
Vital Farms	VITL	\$22	920	823	Robert Moskow	NEUTRAL	\$24	9%
Personal Care								
Hims & Hers Health	HIMS	\$14	2,454	2,454	Jailendra Singh	NEUTRAL	\$16	18%

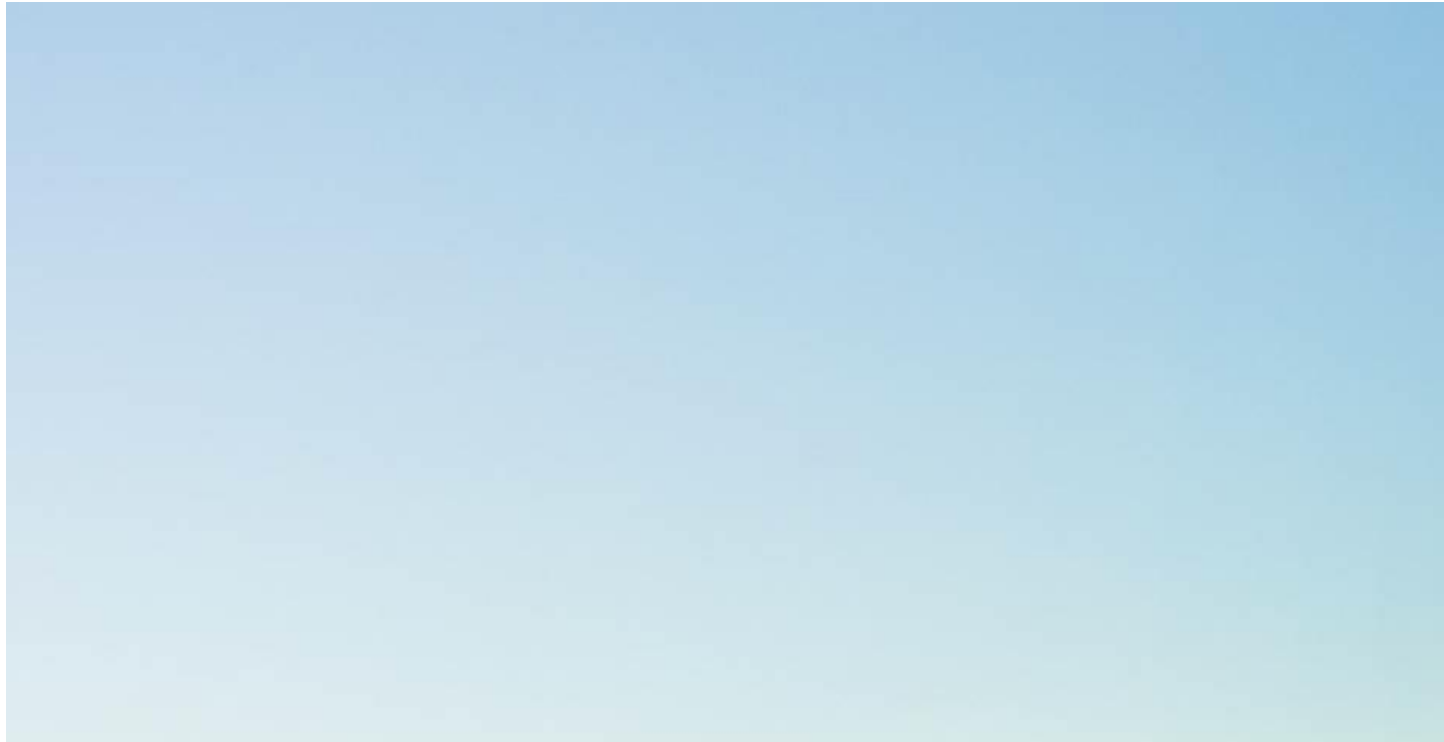
Source: Credit Suisse research.

		Price	Value (\$m)		Fundamentals (FY2)		Multiple (FY2)			Leverage		Div
		4/1/21	Equity	Firm	Rev	EBIT Margin	EPS	EBITDA	Sales	D/V	EBITDA	Yield
Fitness												
Nautilus	NLS	\$16	500	441	6%*	12%	8x	4x	0.6x	0%	0.0x	—
Planet Fitness	PLNT	\$79	6,796	8,237	22%	36%	41x	23x	10.0x	17%	12.7x	—
Peloton Interactive	PTON	\$112	37,231	35,740	32%	5%	144x	53x	5.3x	0%	0.0x	—
Specialty Hardware												
GoPro	GPRO	\$12	2,092	2,044	2%	12%	14x	10x	1.4x	0%	0.0x	—
Garmin	GRMN	\$133	24,796	23,045	8%	25%	22x	17x	4.6x	0%	0.0x	1.9%
Outdoor Living												
Brunswick	BC	\$97	7,650	8,071	6%	14%	13x	8x	1.5x	6%	0.7x	1.1%
Columbia Sportswear	COLM	\$105	7,339	6,966	7%	13%	22x	14x	2.1x	0%	0.0x	0.2%
Deckers Outdoor	DECK	\$331	9,582	8,691	11%	19%	22x	15x	3.1x	0%	0.0x	—
Duluth Holdings	DLTH	\$16	518	705	4%*	6%	17x	9x	0.9x	27%	3.6x	—
Callaway Golf	ELY	\$27	5,163	5,692	24%	9%	172x	16x	3.0x	9%	3.8x	0.1%
Acushnet Holdings	GOLF	\$42	3,209	3,480	1%*	12%	22x	13x	1.9x	7%	1.2x	1.5%
Johnson Outdoors	JOUT	\$146	1,398	1,242	2%*	10%*	18x	14x	1.7x	0%	0.0x	0.5%
Polaris	PII	\$135	8,534	9,418	5%	10%	14x	8x	1.1x	10%	1.2x	1.9%
VF	VFC	\$79	31,838	35,283	17%	13%	26x	19x	3.1x	11%	3.0x	2.4%
Vista Outdoor	VSTO	\$32	1,851	2,189	1%	10%	11x	7x	0.9x	26%	2.1x	—
Wolverine World Wide	WWW	\$38	3,366	3,917	4%	12%	16x	12x	1.6x	14%	4.2x	1.0%
YETI Holdings	YETI	\$74	6,430	6,355	10%	21%	28x	18x	4.3x	0%	0.0x	—
Sports Apparel												
Lululemon Athletica	LULU	\$301	42,863	43,155	21%	22%	47x	29x	7.6x	0%	0.0x	—
NIKE	NKE	\$133	217,156	217,478	11%	15%	34x	25x	4.3x	2%	0.6x	0.8%
SKECHERS USA	SKX	\$42	6,796	7,783	9%	10%	17x	11x	1.3x	10%	2.6x	—
Under Armour	UAA	\$22	9,241	9,718	5%	5%	64x	24x	2.0x	5%	3.3x	—
Functional Food and Beverage												
Bellring Brands	BRBR	\$24	3,366	3,998	9%	17%	25x	130x	3.3x	16%	3.5x	—
Beyond Meat	BYND	\$131	8,658	8,538	39%	1%	741x	130x	9.4x	0%	0.0x	—
Celsius	CELH	\$50	3,364	3,322	45%	8%	170x	78x	12.1x	0%	0.0x	—
National Beverage	FIZZ	\$48	4,609	4,491	5%	21%	26x	18x	4.1x	0%	0.0x	—
Hain Celestial Group	HAIR	\$44	4,610	4,941	1%	11%	28x	17x	2.4x	7%	1.6x	—
Herbalife Nutrition	HLF	\$45	5,510	7,133	4%*	13%	9x	8x	1.3x	23%	2.2x	—
Laird Superfood	LSF	\$38	331	265	22%*	-10%		0x	3.9x	0%	0.0x	—
Medifast	MED-USA	\$222	2,666	2,502	5%*	14%	17x	11x	1.8x	0%	0.0x	2.0%
Simply Good Foods	SMPL	\$31	3,138	3,646	7%	18%	25x	18x	3.5x	14%	3.4x	—
Vital Farms	VITL	\$22	920	823	27%	1%		43x	2.2x	0%	0.0x	—
WW International	WW	\$32	2,134	3,584	6%	22%	14x	9x	2.4x	40%	4.7x	—
Personal Care												
Hims & Hers Health	HIMS	\$14	2,454	2,454	16%	-17%	0x	0x	10.0x	0%	0.0x	—
Jamieson Wellness	JWEL-TSE	\$38	1,544	1,717	3%*	20%	26x	15x	3.6x	10%	2.1x	1.3%

Source: FactSet, Asterisk marks companies with only FY1 consensus estimates.

Wellness Sector Initiation

Credit Suisse Approach



Credit Suisse Approach to Wellness

A Different Model

Traditional Sell-Side Model	CS Approach
Wellness coverage spread out across firm, across sector	Wellness investments considered holistically
Inefficient structure for investors to play the Wellness theme	“One-Stop Shop” for everything Wellness
Difficult to compare companies across the Wellness space	Highlight best opportunities in Wellness
Focus on industry trends over Wellness trends	Keeping the pulse on macro Wellness trends
Wellness industry contacts may be limited	Wellness industry contacts across several verticals

Source: Credit Suisse research.

Why Use a Different Model?

Old-World Cos. “News” Are Often Wellness Related...

In the news

Coca-Cola launches Topo Chico Twist of Tangerine

Michelob Ultra streams workouts while helping personal trainers

Will Monster Reign with its new performance energy drink?

Pampers New Line Of Pure Diapers Includes A Plant-Based Liner

Church & Dwight acquires Zicam brand's parent in \$530M deal

Lululemon Buys Mirror, an At-Home Fitness Startup, for \$500 Million

Yoga pants maker moves beyond apparel roots with deal for home workout tech

Lower growth

Higher Growth

Packaged Foods



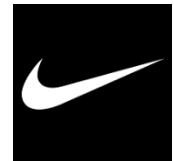
Household & Personal Care



Beverages



Fitness



Sources: PitchBook Data, Inc., Credit Suisse research.

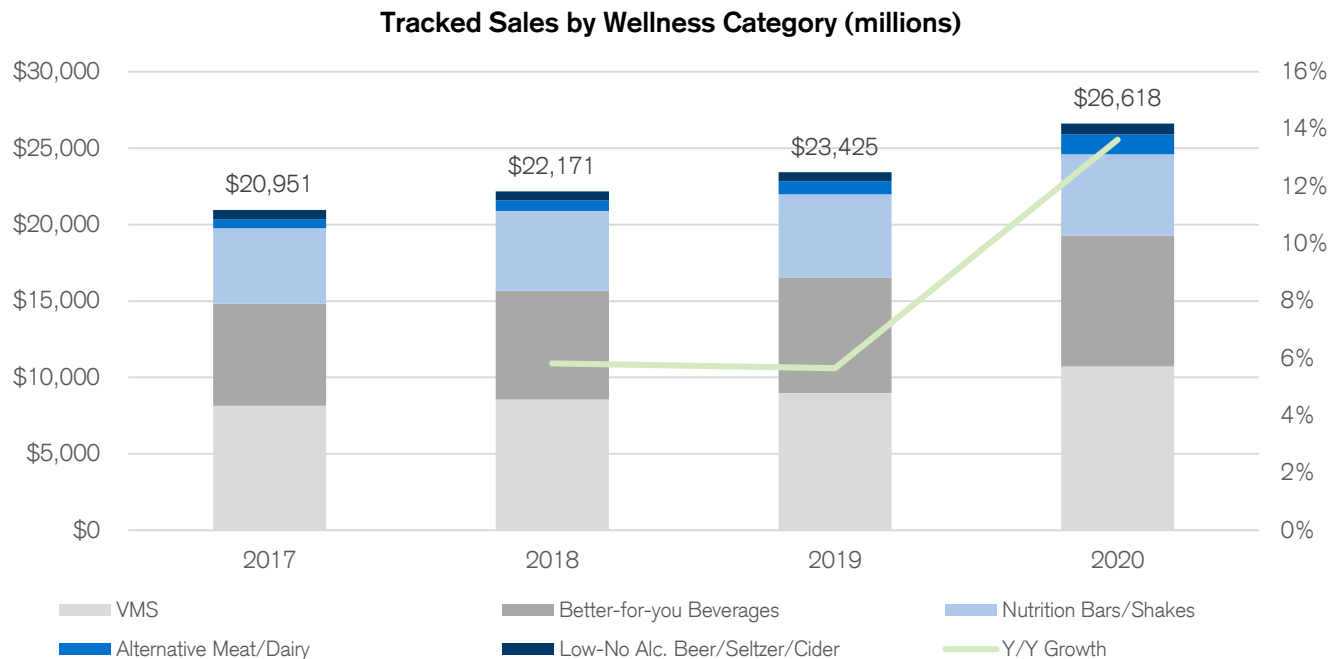
Why Use a Different Model?

...As They Seek New-World Growth

“There is no doubt **consumers have made health and wellness a priority**. The best evidence of that trend is the growth of the gummy vitamin category” – Matthew Farrell, CEO Church and Dwight, Oct 2020

“The whole notion of giving consumers a choice when it comes to **plant-based alternatives is going to be a key theme going forward**” – Mark Schneider, CEO Nestle, July 2019

“We want to get to **20% of volume by 2025 from non-alcoholic/low-alcohol beers**” – Carlos Brito, CEO ABInBev, Feb 2020



Source: Nielsen.

Why Use a Different Model?

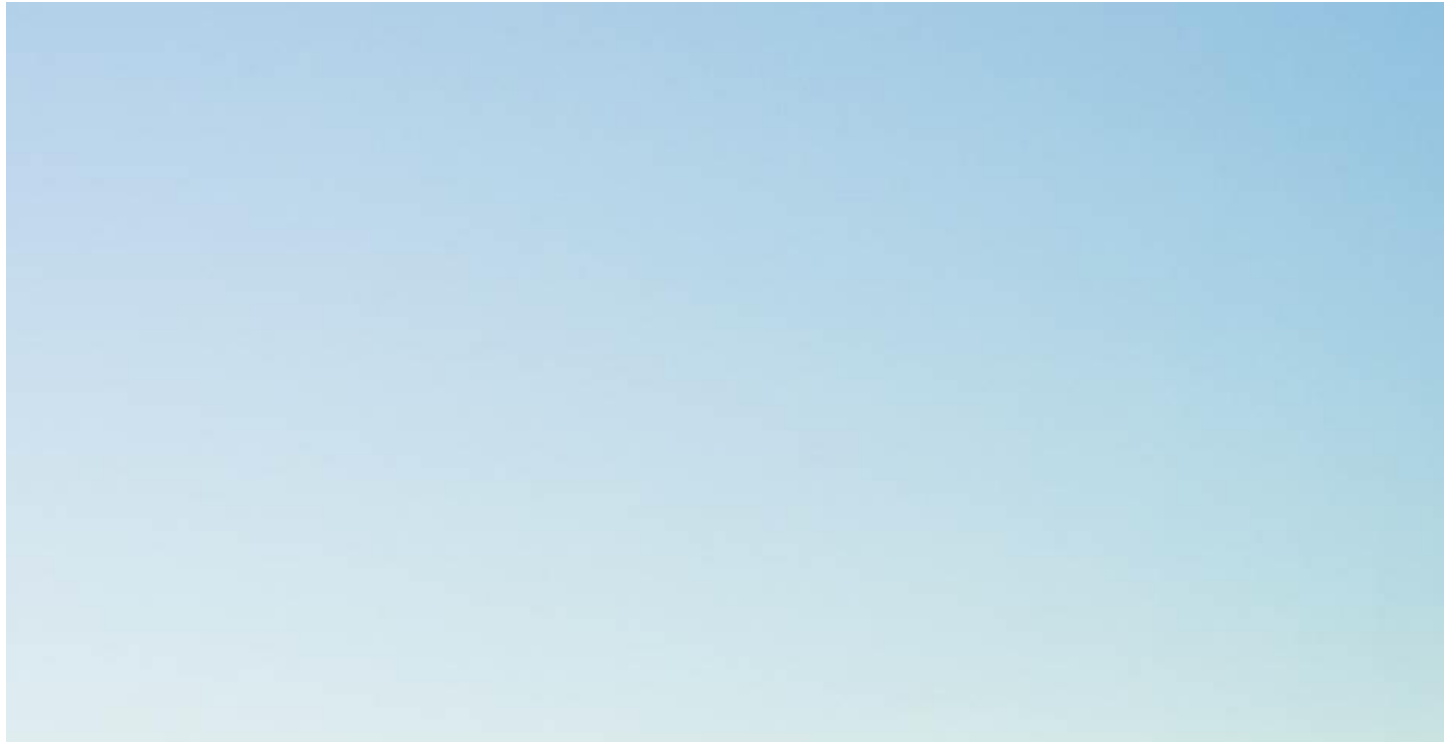
Approaching Wellness Companies Holistically Means Adding Proprietary Value *Across* Verticals

<p><u>Packaged Foods</u></p>  	<p><u>Household & Personal Care</u></p>  	<p><u>Beverages</u></p>  	<p><u>Fitness</u></p>  
		<p><u>Wellness</u></p> 	
			

Sources: PitchBook Data, Inc., Credit Suisse research.

Wellness Sector Initiation

Defining Wellness



Defining Wellness

An Umbrella for Healthy Living

Wellness is an umbrella for healthy living, across a variety of sub-sectors. The impetus for the development of healthy living products and technology are the long-term trends supporting 'better-for-you' eating and drinking, more focus on movement and exercise, and mental and physical personal/self care.

Wellness uptake has made inroads...



47% of Americans choose virtual workouts once a week (Mindbody)



49% of U.S. citizens own a wearable fitness device (PwC)



Those aged 55+ compose 25% of health club members (IHRSA)



61% of respondents in a recent report* now value health and wellness more than ever due to the COVID pandemic

...but significant runway remains.



Only 56% of consumers believe their health is excellent or very good (Food Insights)



63% of Americans have a BMI score that is above normal (Food Insights)



65% of consumers claim they're seeking functional benefits in food and drinks (Kerry)



72% of Gen Z say managing mental health has become their most important health and wellness concern (Deloitte Global Millennial Survey).

Sources: Mindbody Business, Global Wellness Summit, *Balance UK COVID-19 Wellness Impact Report.

Defining Wellness

Consumer Evolution: “Addition” over “Subtraction”

Beverages



From removing
“unhealthy”...



...to inserting
“healthy”



Food



From less sugar,
carbs, fat...



...to plant-based,
high-protein, organic



VMS



From medicinal
properties...



...to benefit of
‘greens’



Fitness



From low-tech,
individual
workouts...



...to high-tech,
connected
communities



Sources: Getty Images, Credit Suisse research.

Data Informs Our Approach

Wellness Industry Quick Facts



Market Size & Growth

We estimate the Global Wellness economy is valued at **\$5.8 trillion** in 2021. From 2015 to 2024, the Wellness economy could grow 4.7% annually, nearly twice as fast as global economic growth¹.



M&A Activity

Approx. **800 M&A deals** in the Health and Wellness sector between 2016 and 2020²



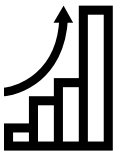
Consumer Interest/Trends

- **77% of people say wellness is very or extremely important to them³**
- 73% of people see wellness as an essential part to a brand's strategy³
- 80% of people want to improve their wellness³
- 50% of people globally expect to increase their focus on physical & mental wellbeing in 2021⁴

Sources: 1 – 2018 Global Wellness Institute Estimates; 2 – SDR Ventures; 3 – 2020 Ogilvy Mind the Gap; 4 – 2021 Global Wellbeing Index, Lululemon; Credit Suisse estimates.

Global Wellness Economy

Market Today = \$5.8t, Growing at a 7.1% CAGR



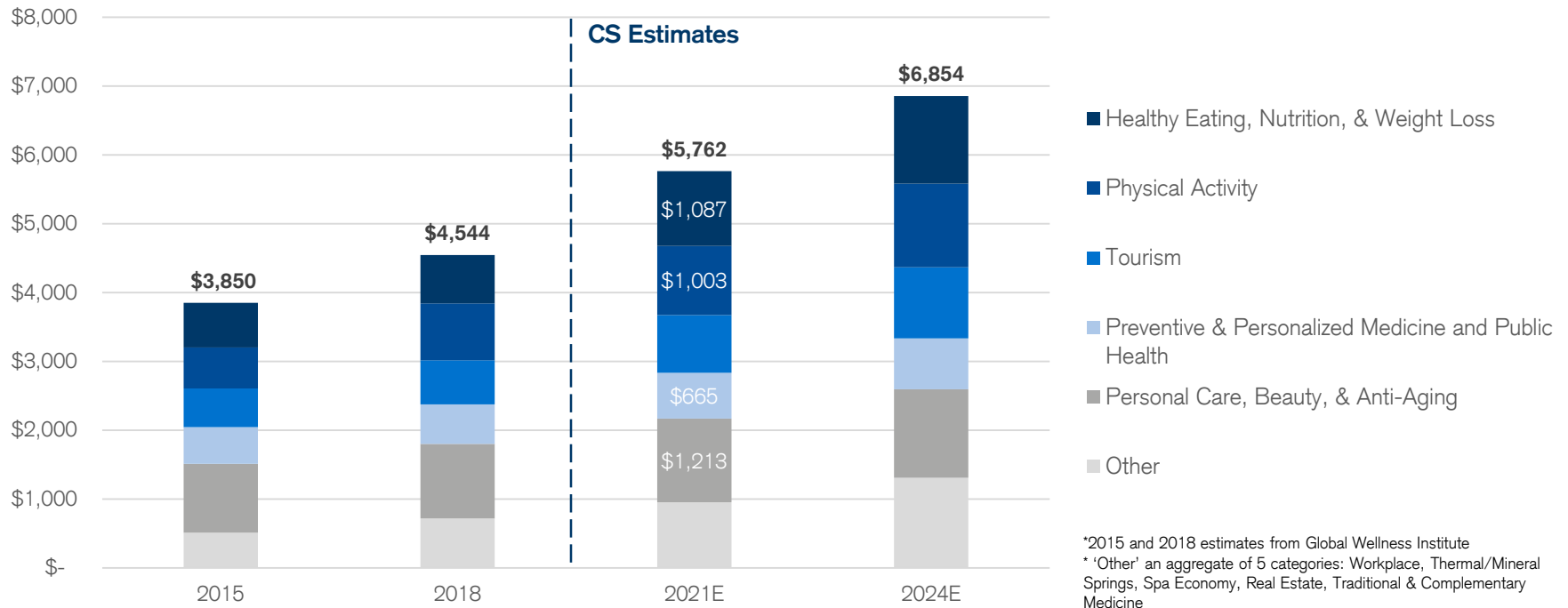
\$4.5 trillion Wellness Economy estimate in '18

We estimate a **\$5.8 trillion** market in '21...

and **\$6.8 trillion** by '24

Implying a **7.1% 6yr CAGR**

Credit Suisse Global Wellness Market Size



Sources: Global Wellness Institute, Credit Suisse estimates.

Investment Opportunities

Relentless Pace Across Size and Scope



IPOs



BYND



BRBR



PTON



CSPR



VITL



HIMS

M&A



GOOGL acq. FIT
for \$2.1b



PEP acq. Muscle Milk
for \$465m



NESN acq. Vital
Proteins



KO acq. fairlife



LULU acq. Mirror
for \$500m



Unilever



UNLV acq.
SmartyPants Vitamins

Notable Funding



HPC & VMS



Mental Health App



Plant-based Meat



Plant-based Protein



Wearable Tracker



Connected Fitness

2019

2020

2021

Sources: Public announcements, PitchBook Data, Inc.

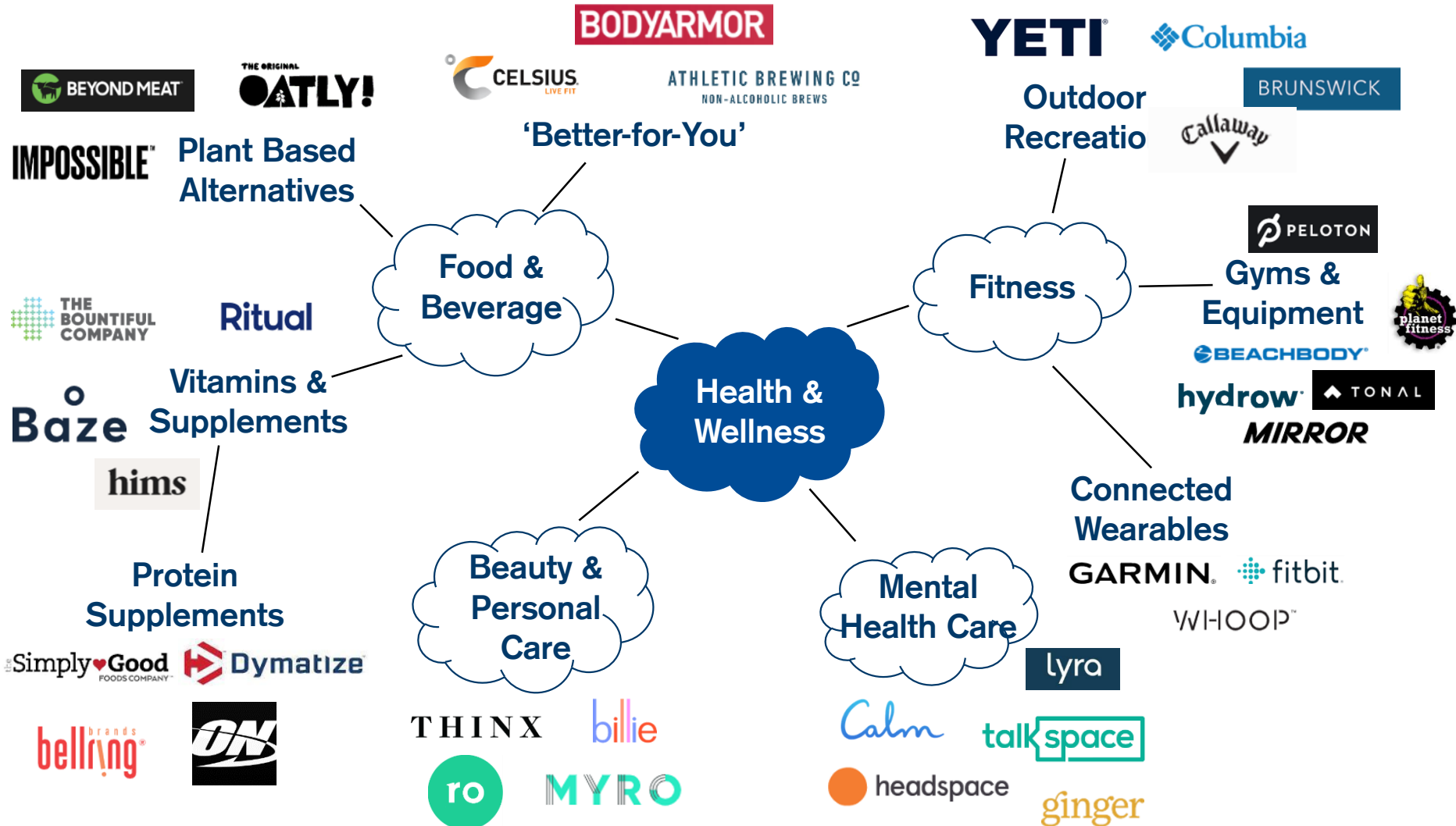
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Market Brand Map of Wellness

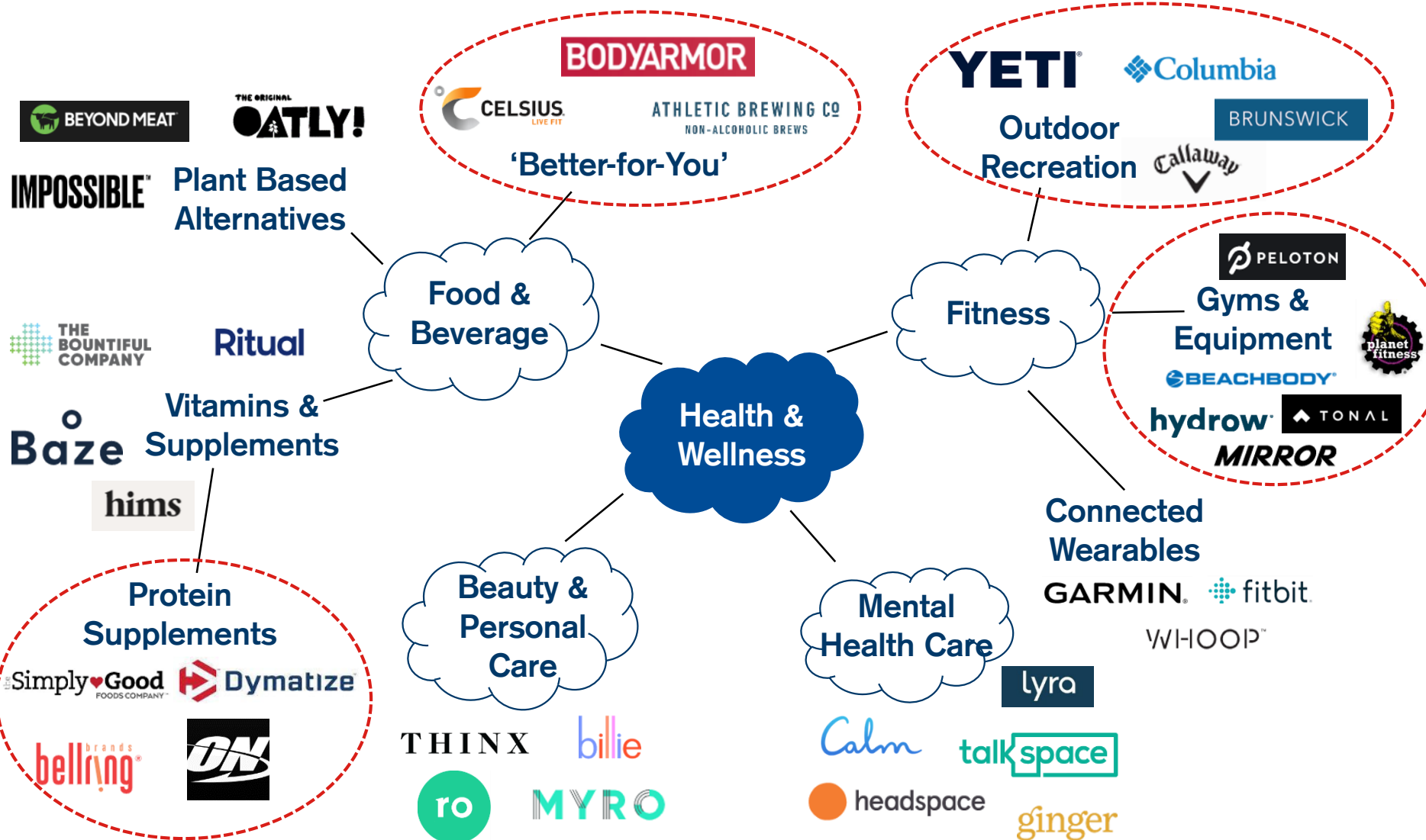
Sprawling Space Across Publics and Privates



Source: PitchBook Data, Inc.

Market Brand Map of Wellness

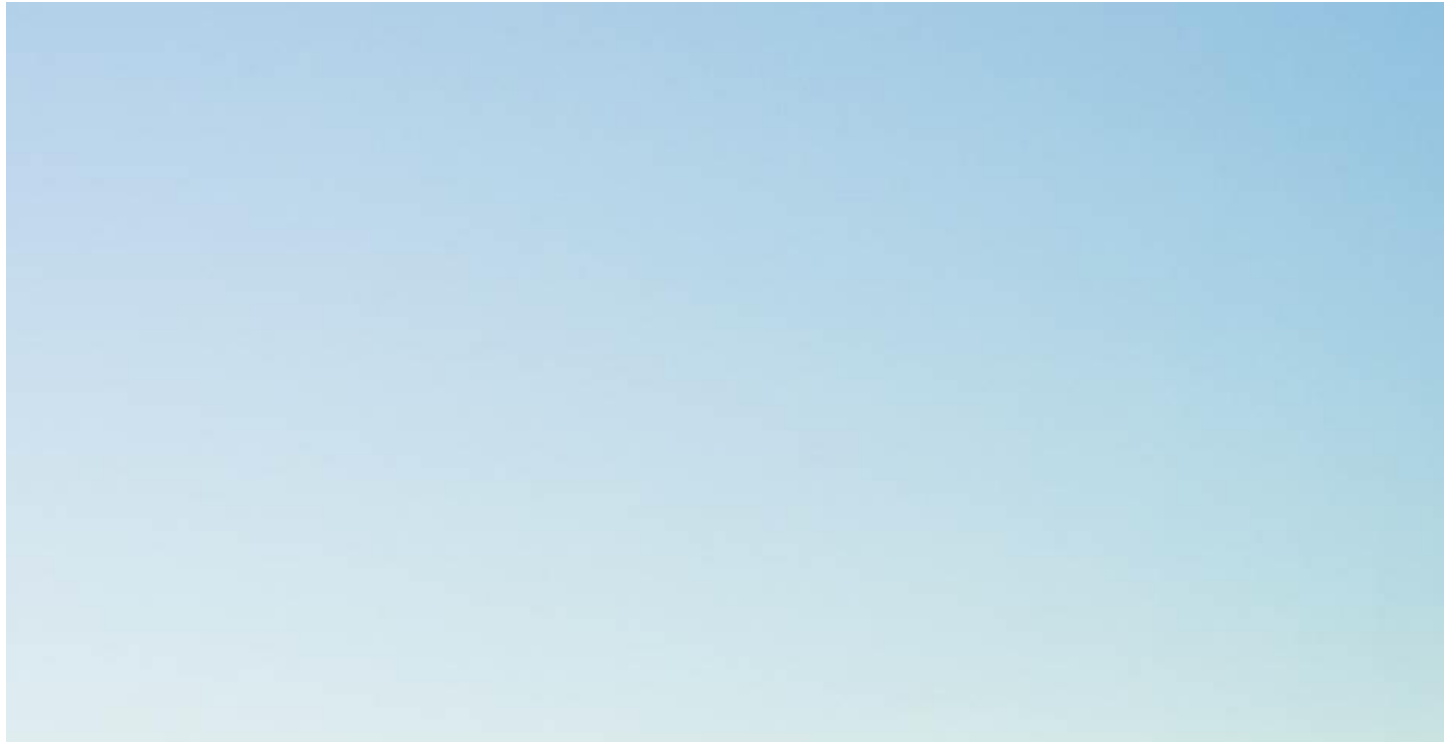
Sprawling Space Across Publics and Privates



Source: PitchBook Data, Inc.

Wellness Sector Initiation

Long-Term Trends

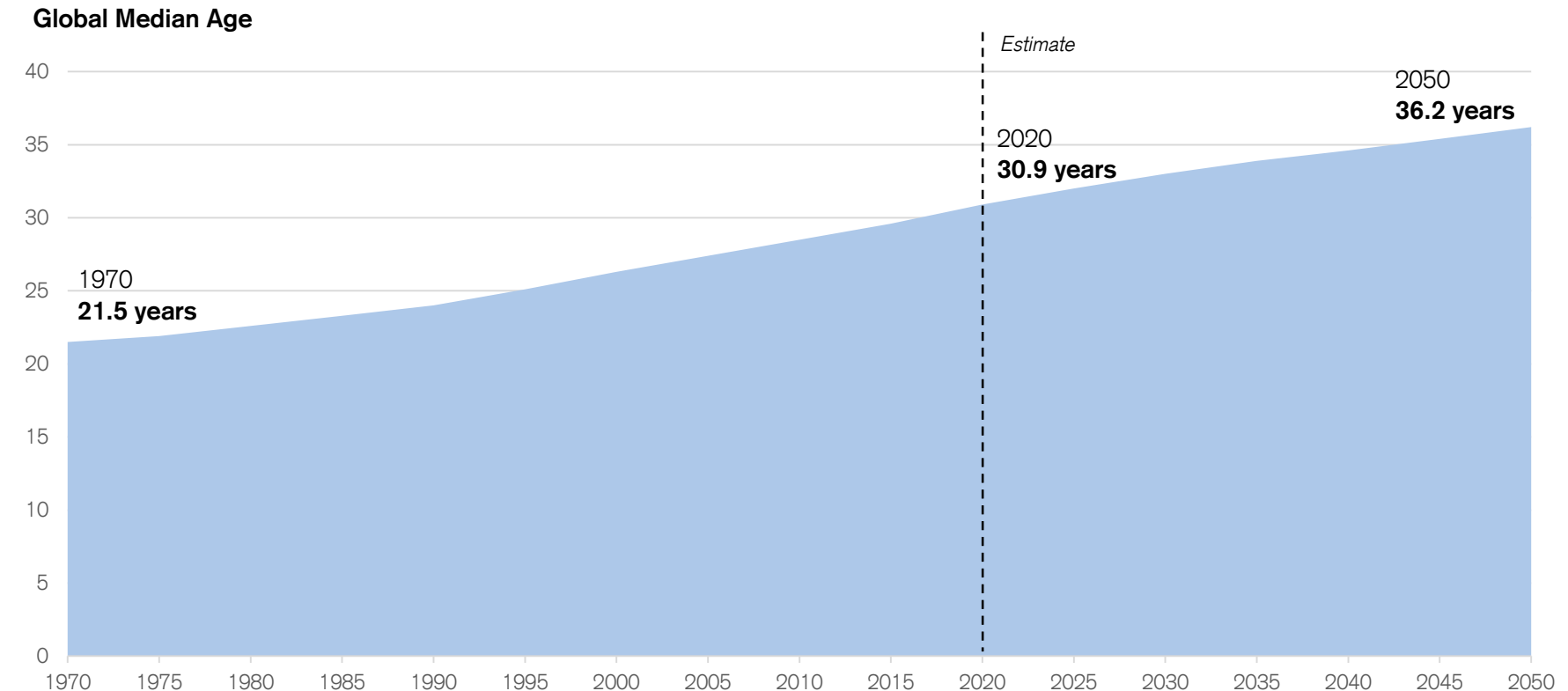


Four Long-Term Trends Support Wellness Growth



1) Aging Population

The World Health Organization (WHO) predicts the **60yr+ population will nearly double by 2050** from 12 percent to 22 percent. As the global median age rises, we think an older demographic will put a premium on health and wellness and influence purchase habits.

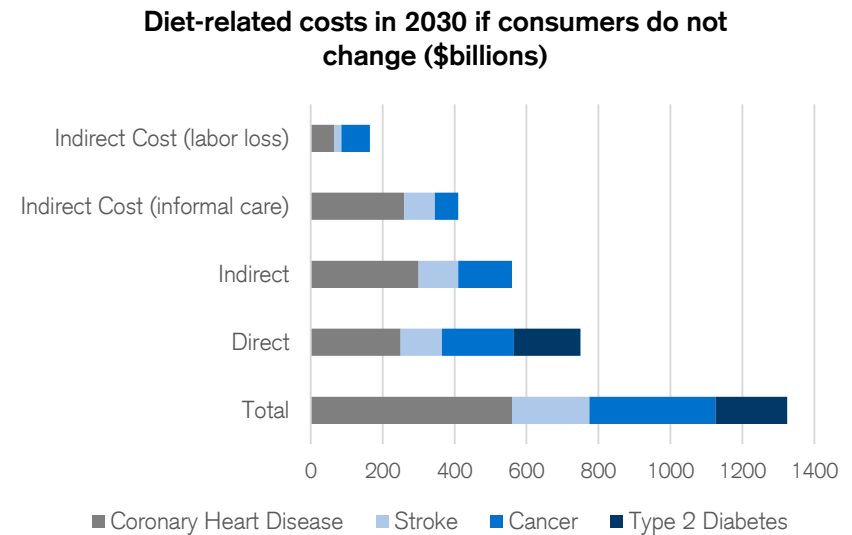
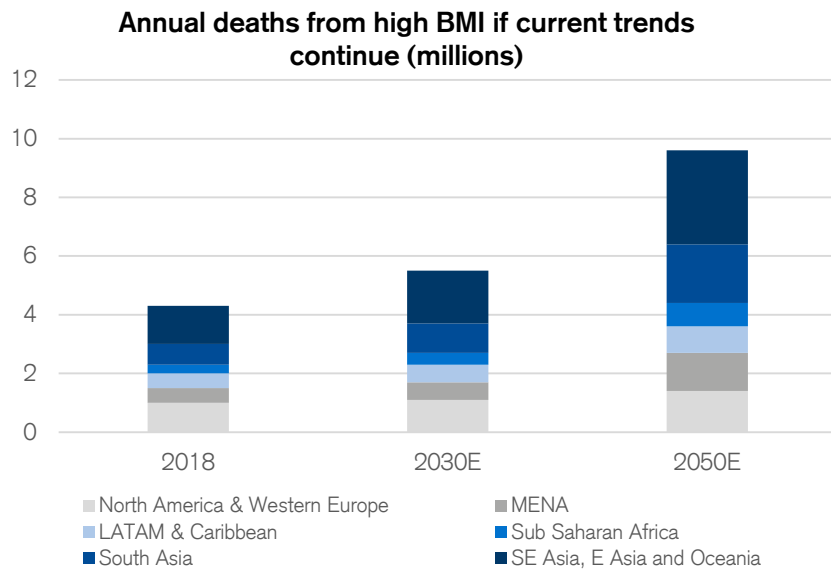


Four Long-Term Trends Support Wellness Growth

2) Reversing Unhealthy Lifestyle Effects



Unhealthy lifestyles lead to negative outcomes. If current trends persist, consumers will face high costs and countries will see rising death tolls. We believe consumers and governments are increasingly aware of this and will begin to incorporate aspects of health and wellness to stem the tide.



Sources: University of Washington, 2020 Food and Agriculture Organization of the UN.

Four Long-Term Trends Support Wellness Growth

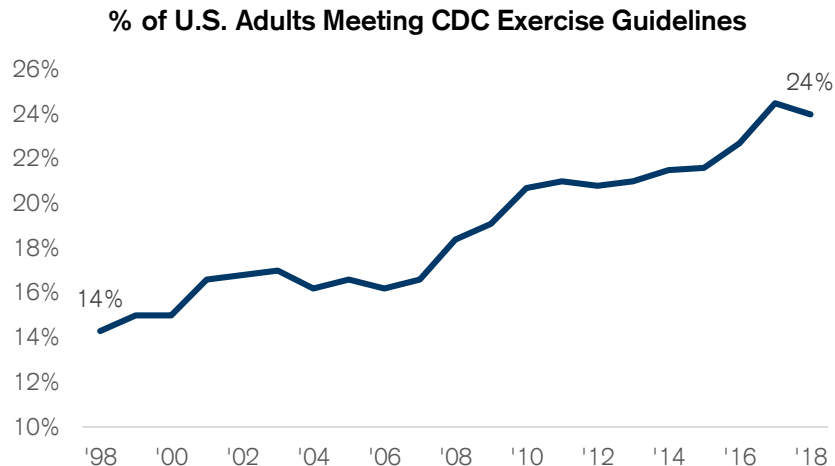
3) Proactive Lifestyle Choices



Consumers are pursuing **proactive** lifestyle choices that tilt toward health and wellness.

1. More Exercise

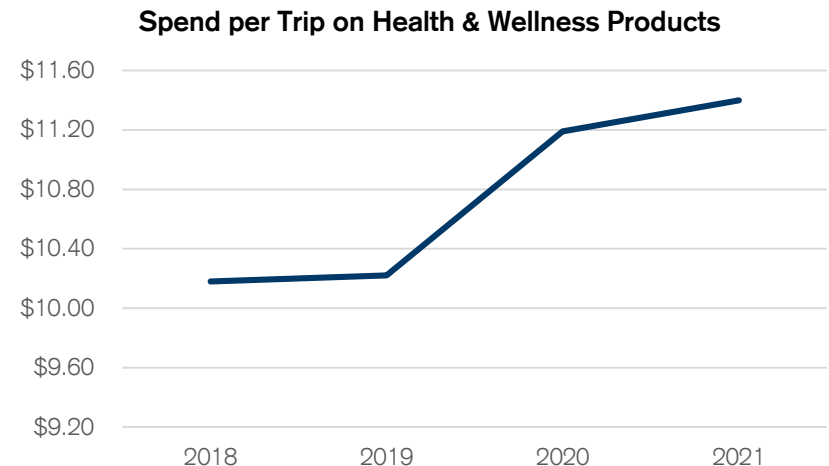
Over two decades, more U.S. adults have met both CDC guidelines for exercise (aerobic & muscle strengthening).



Source: CDC.

2. Spend on 'Better-for-you' Food/Beverages

Spend per trip on health and wellness products has increased in the last three years. Early 2021 data indicate this trend is continuing.



Source: Numerator, Custom 'Health & Wellness' product category.

Four Long-Term Trends Support Wellness Growth

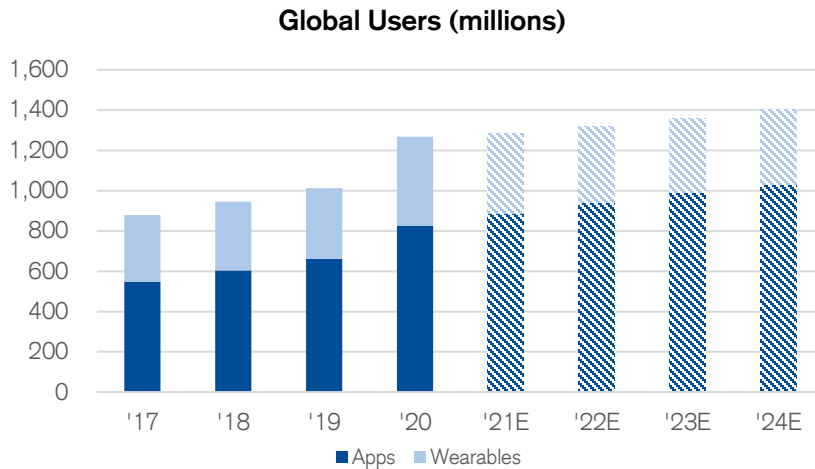
3) Proactive Lifestyle Choices



Consumers are pursuing **proactive** lifestyle choices that tilt toward health and wellness.

3. Adoption of Health & Fitness Tech

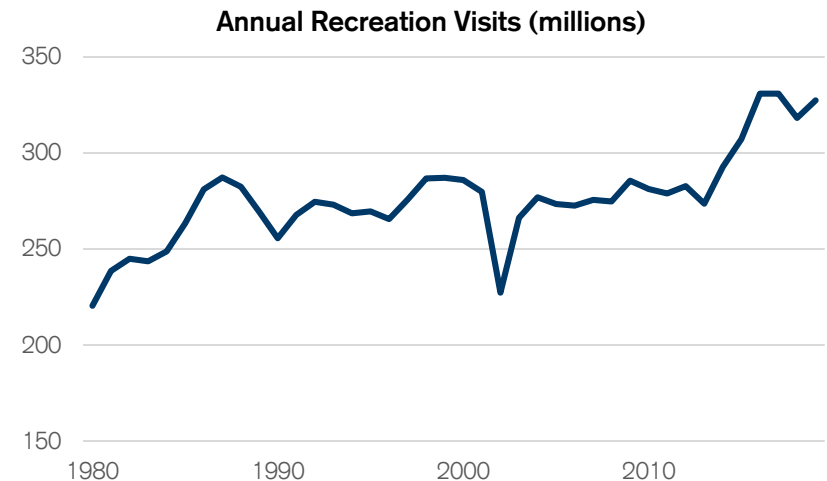
Global users of health- or fitness-related apps and wearables have increased, reaching over 830m in 2020.



Source: Statista.

4. U.S. Park Visits

Over the last four decades, annual visits to U.S. parks have steadily climbed, with nearly 330m in 2019



Source: National Park Service.

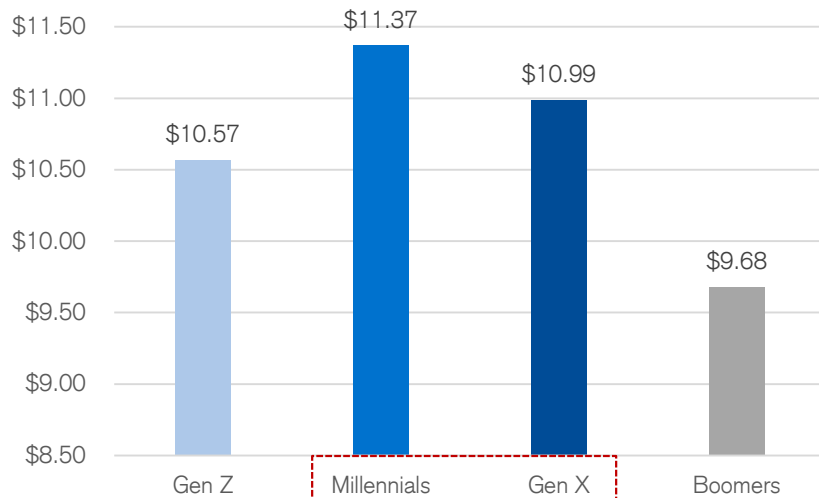
Four Long-Term Trends Support Wellness Growth

4) Younger Generations Spending More

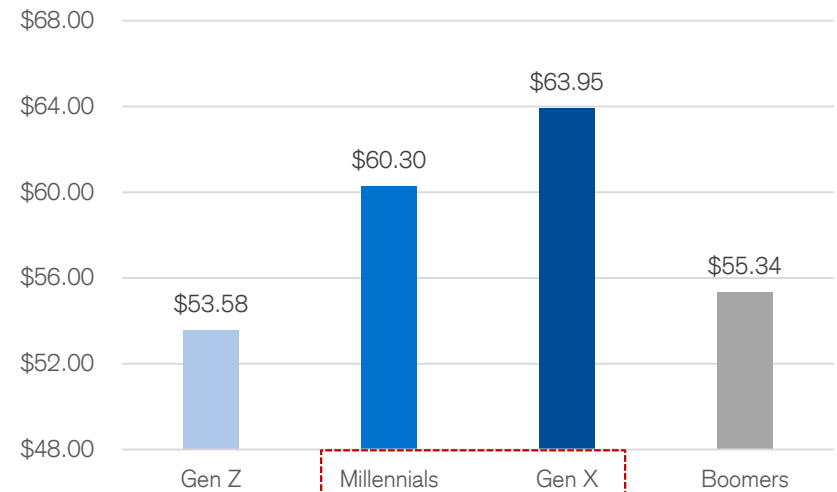


Younger generations spend more per trip and tend to have a greater average basket when looking at health and wellness products.

Spend per Trip on Health + Wellness



Avg. Basket Spend on Health + Wellness



Source: Numerator, Health & Wellness custom category includes vitamins/minerals, protein products, non-dairy milk alternatives, etc.

Future Wellness Disruption

Investors May Not Yet Be Contemplating...

Consumables...	Fitness...	And Beyond...
New ingredients: Superfoods entering mainstream diets	Influencers: Marketing heft of fitness community largely untapped	Mental health: Celebrated rather than stigmatized
VMS delivery systems: Evolution past vitamins, gummies, powders	Fitness tech meets VR: Scaled, virtual competitions	Connection to Earth: Organics, non-GMO mainstreamed
Plant-based everything: From oats, almonds, soy to lab-grown meat	Fitness tech mainstreamed: Circular feedback loop of vitals/performance	Corporates: Incentivizing wellness efforts by employees to lower costs
Meal plans: Healthy on-demand food delivery services replacing cooking	Fitness tech for all ages: Gamification of Fitness	Rise of B-Corps: Appetite for mission-based brands and companies
"Smart" Apparel: Blurring the lines between wearables and fashion	Positivity and inclusiveness: Focus on fitness over weight	Capital markets: Favor Wellness company ratings, supporting growth

Source: Credit Suisse research.

A Note on COVID-19

Proactive vs. Reactive Approach to Health

The global pandemic has re-shaped how wellness is consumed. Vitamins, at-home/virtual fitness, tech-based mental wellness, and outdoor recreation are all beneficiaries. Investor interest in digital and at-home wellness will accordingly grow.

Sudden shifts in consumer's approach to wellness

Consumers spend/month on VMS increased 10-15% since March 2020

The 10 top mental wellness apps were downloaded 10mn times in April 2020

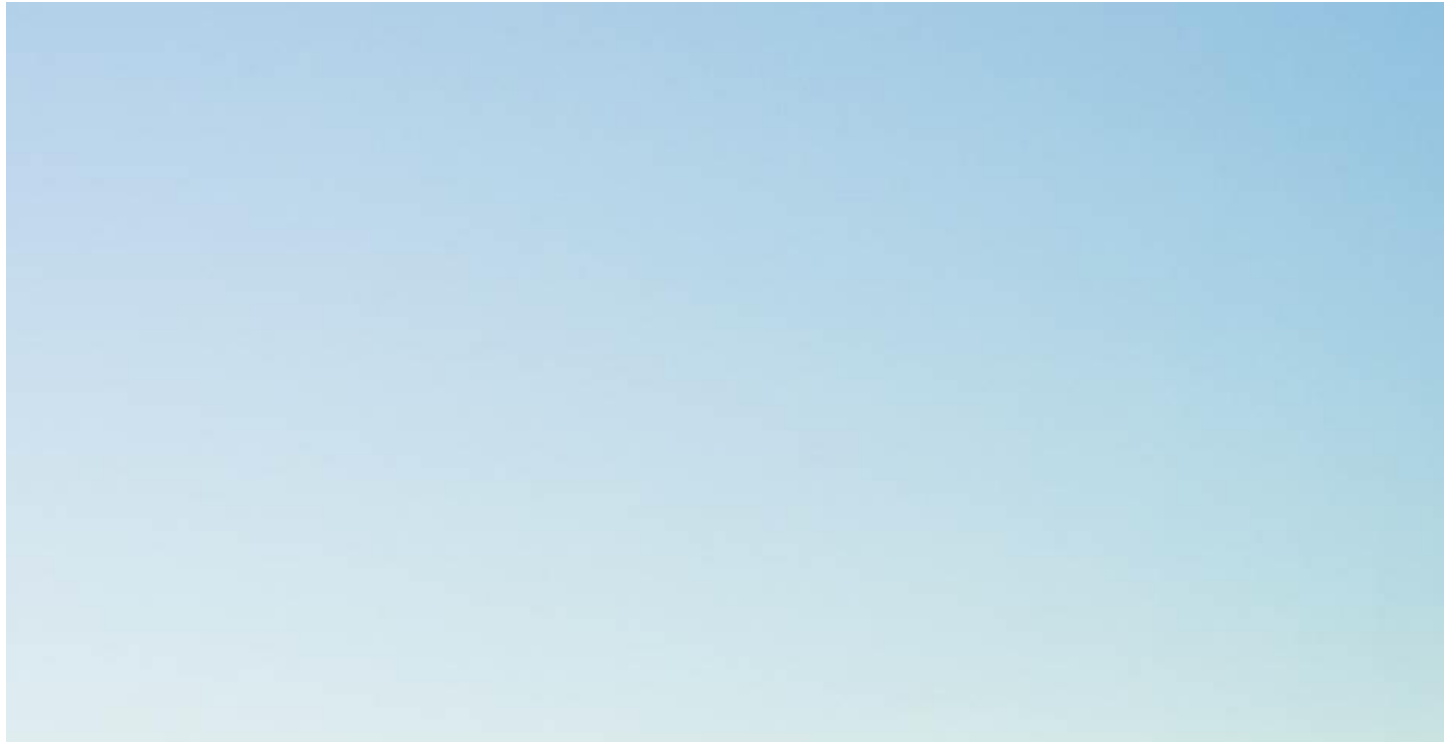
Consumer adoption of telehealth grew from 11% to 46% in 2020 (McKinsey)

Visits to Grand Teton National Park were up 32% in December 2020

Sources: CB Insights, US Chamber of Commerce, SensorTower, Casper Times, LEK/Civis Analytics COVID Consumer Insights Survey.

Wellness Sector Initiation

ESG

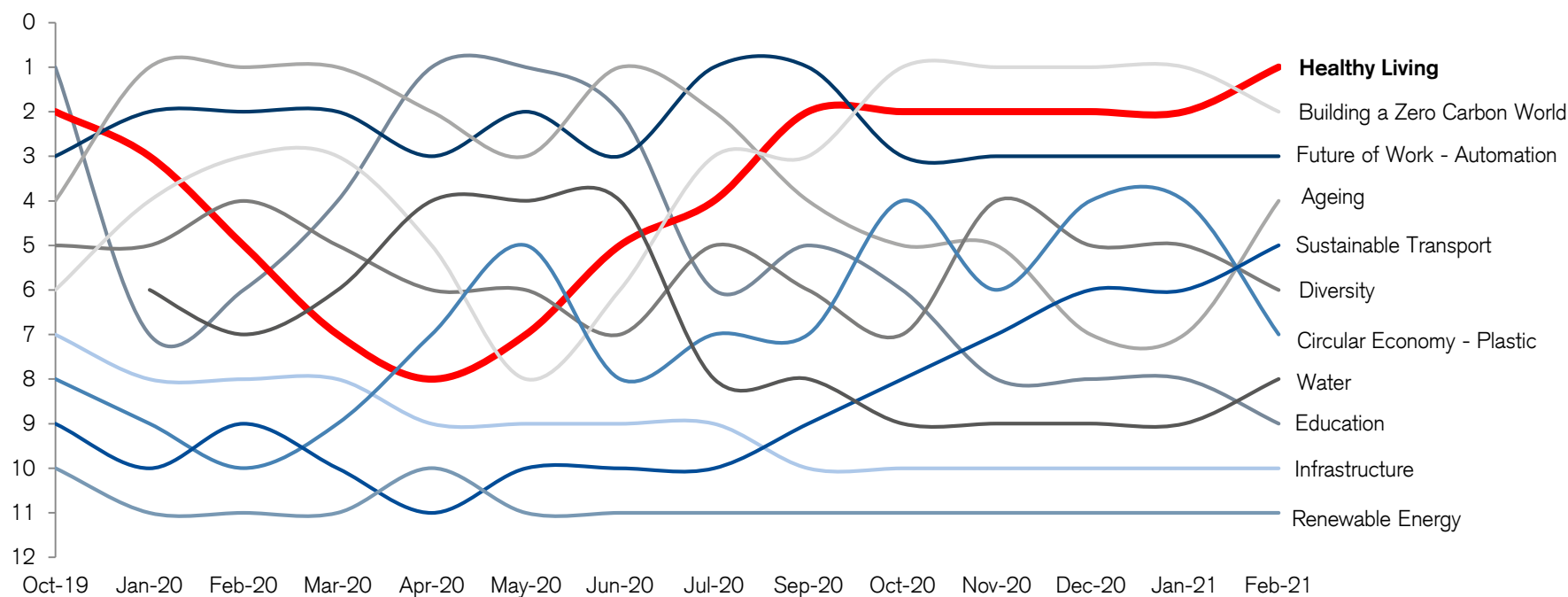


Wellness Goes Hand-in-Hand with ESG Investing

Healthy Living Is the Best Ranked

The CS ESG team identified 11 broad themes tied to the UN Sustainable Development Goals.

Healthy Living, which includes sectors such as Fitness, Healthy Food/Beverage, Sportswear, etc., is now top ranked in terms of attractiveness of investment opportunities¹.



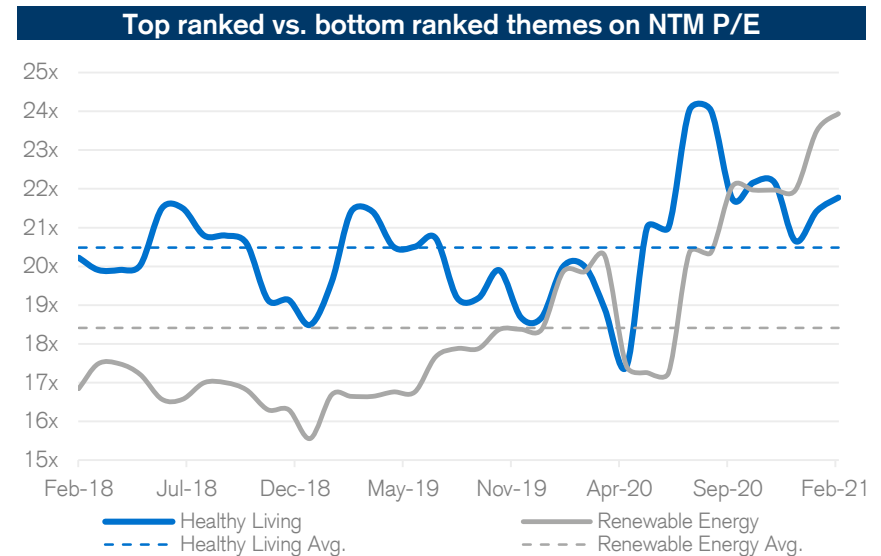
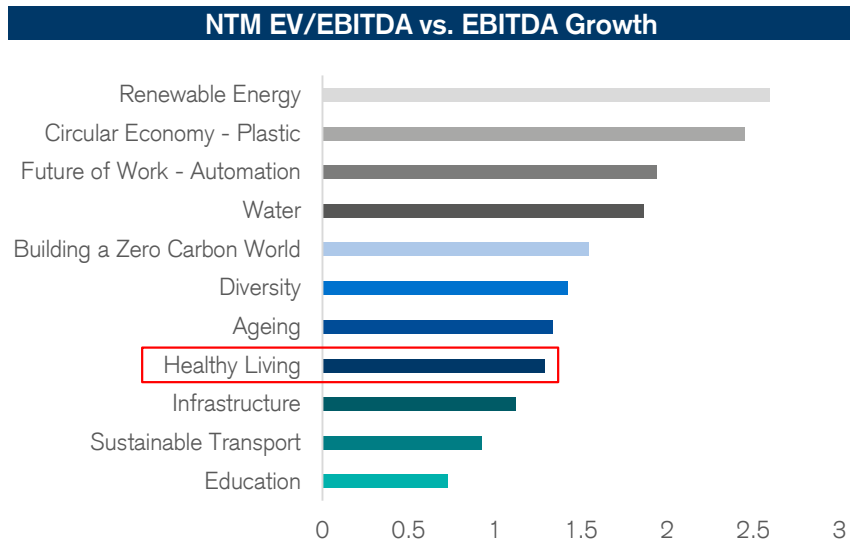
Source: ¹CS quantitative ESG investment process.

Wellness & ESG Investing

Healthy Living Valuation at a Glance

Healthy Living looks attractive from both an NTM EV/EBITDA and P/E perspective when compared to other CS Sustainable Themes.

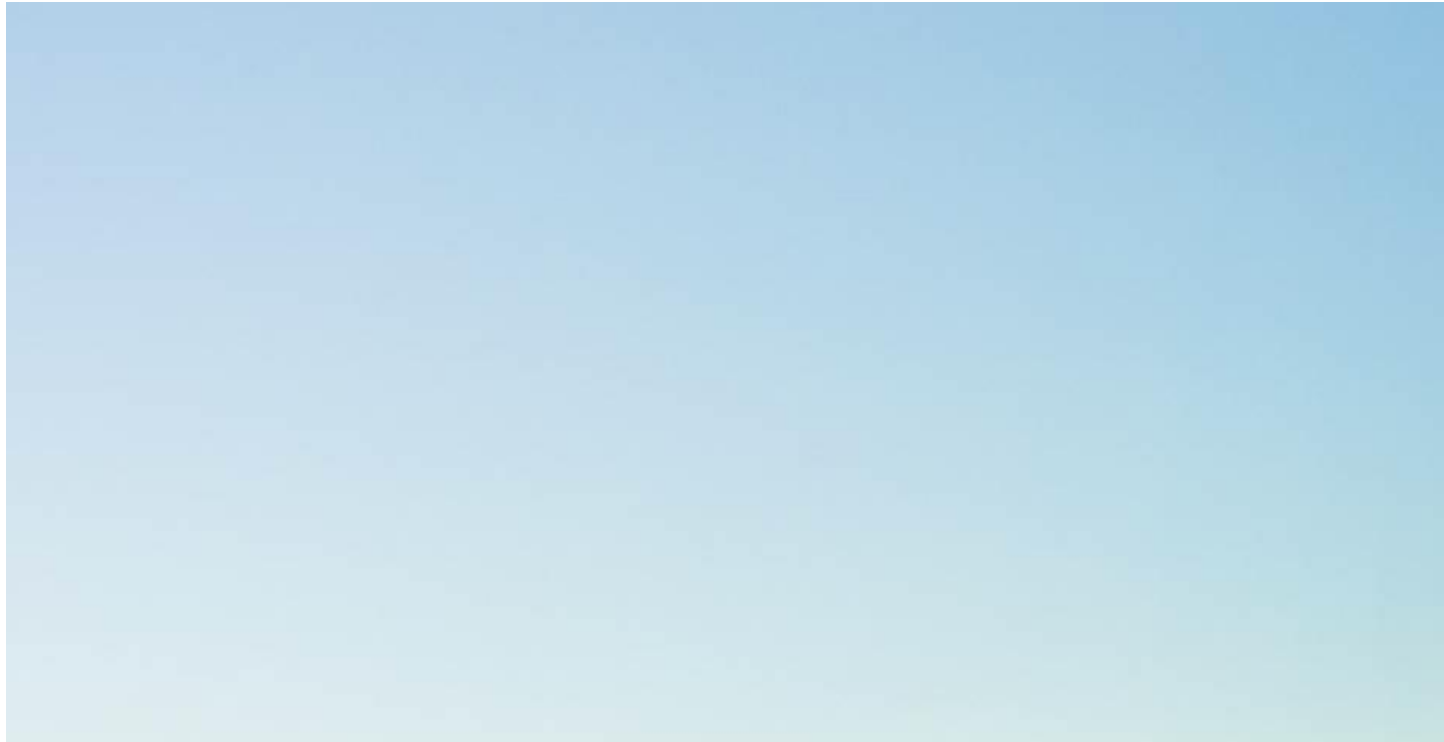
Bottom-ranked Renewable Energy has rerated strongly.



Source: Credit Suisse ESG Research.

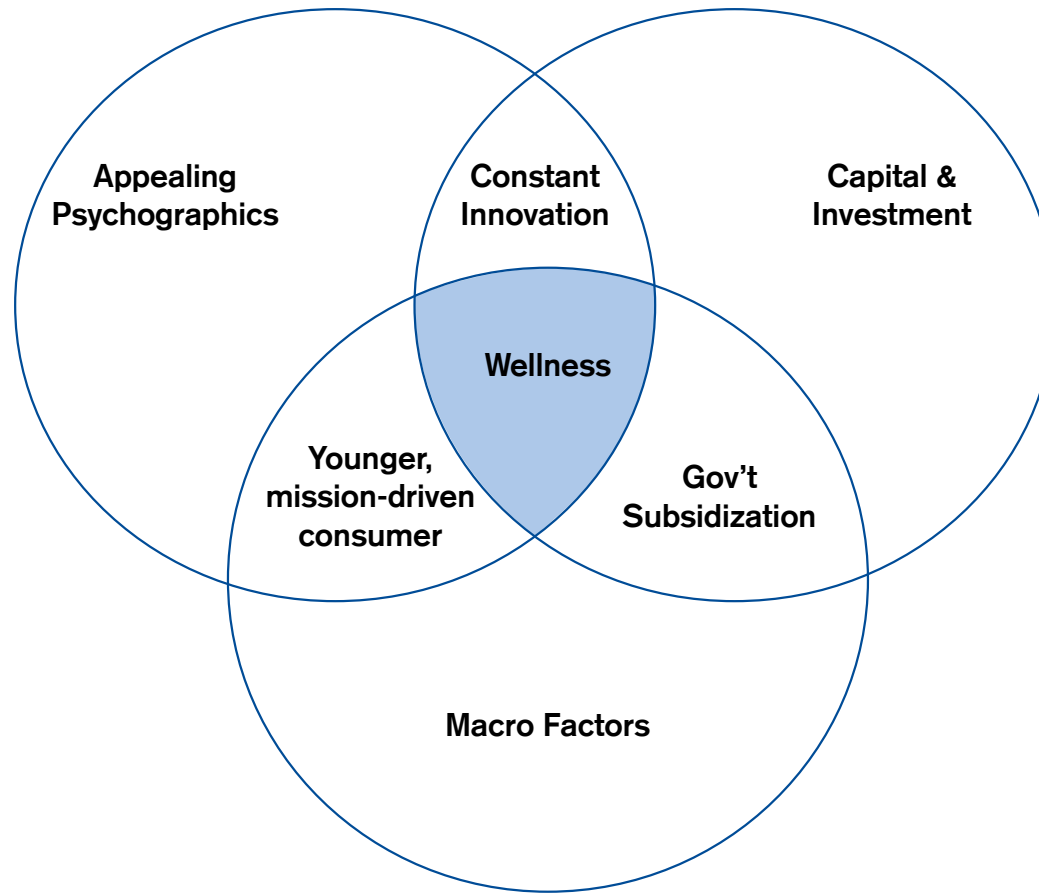
Wellness Sector Initiation

Valuing Wellness



Valuing Wellness

Profound Opportunity: Nearly All Companies have Wind at their Back



Source: Credit Suisse research.

Valuing Wellness

TAM > Market Share; Several Well Resourced Entrants can Accelerate Category Growth

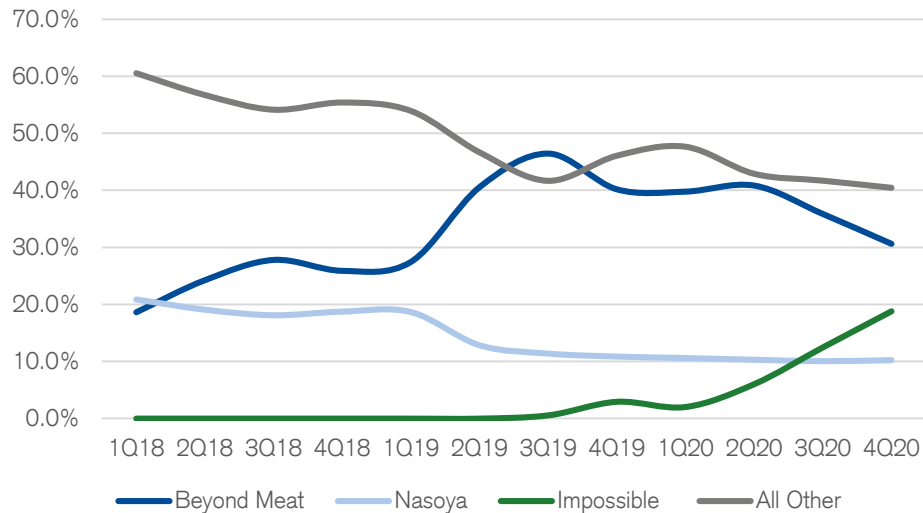
Multiple Entrants Can Quickly Take Share...

Beyond Meat & Impossible

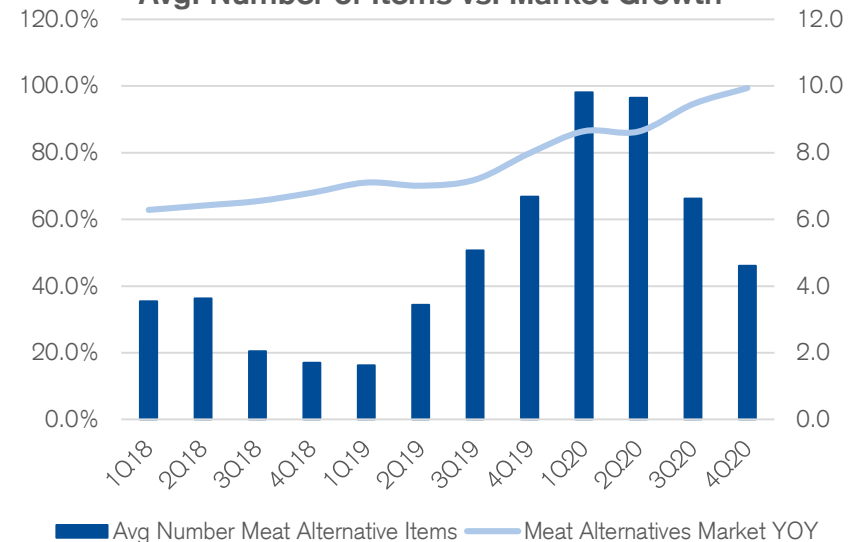
...Together Growing the Market Even Faster

Beyond Meat & Impossible

Dollar Share of Alternative Meat (Tracked)



Avg. Number of Items vs. Market Growth



Sources: Nielsen data.

Valuing Wellness

Business Models Vary But All Rely on Disruption...

Beverages

High-velocity, capital-light business dominated by duopoly



Functional Beverages



Food

High-velocity, capital-intensive business with extreme competition



"Plant-Based" Everything



VMS

Fragmented, regulatory requirements, low brand loyalty



A Vitamin Refresh



Fitness

Highly discretionary, elevated price points, channel agnostic



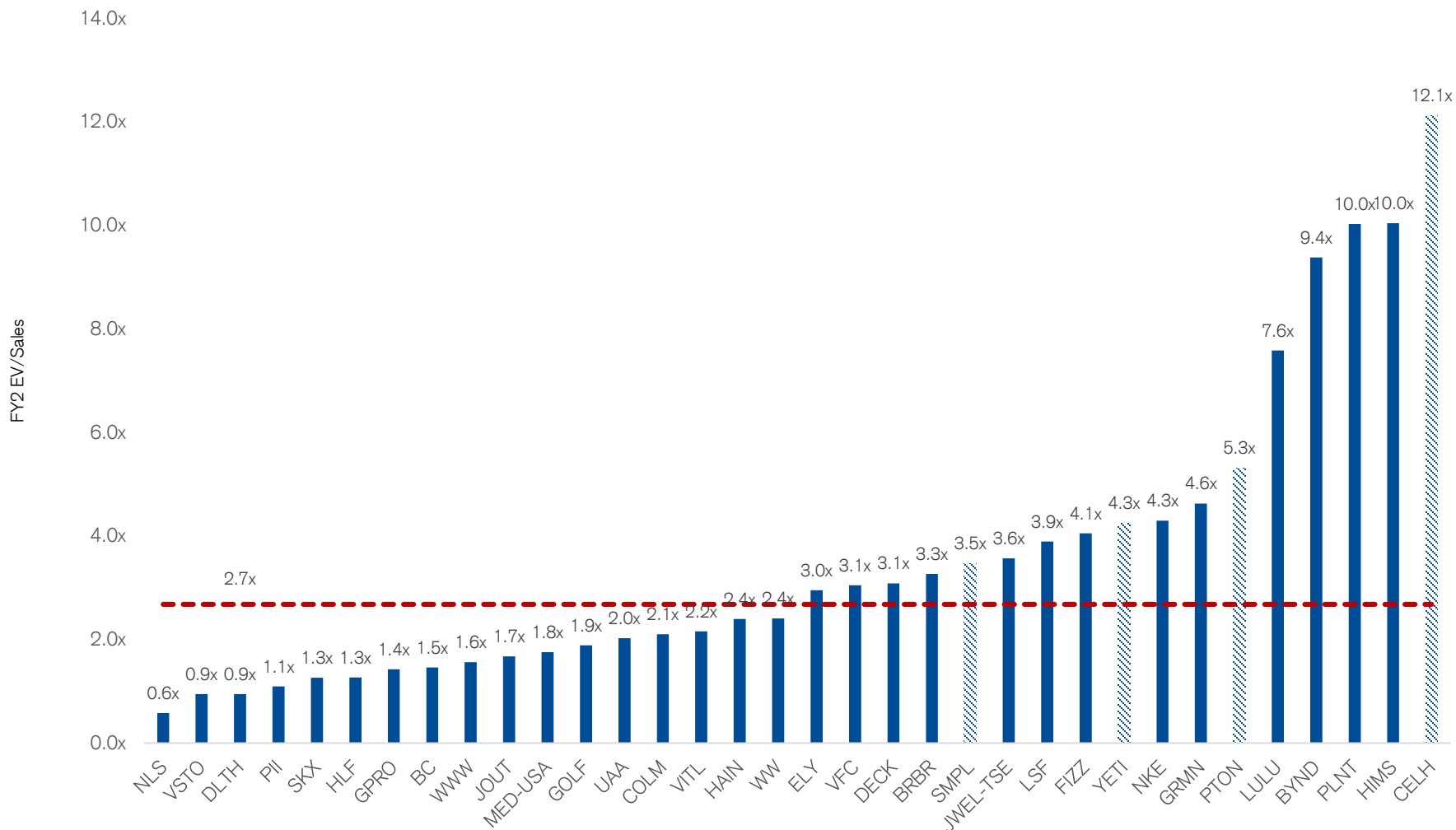
Personalized tech + Fitness communities



Sources: Getty Images, Credit Suisse research.

Valuing Wellness

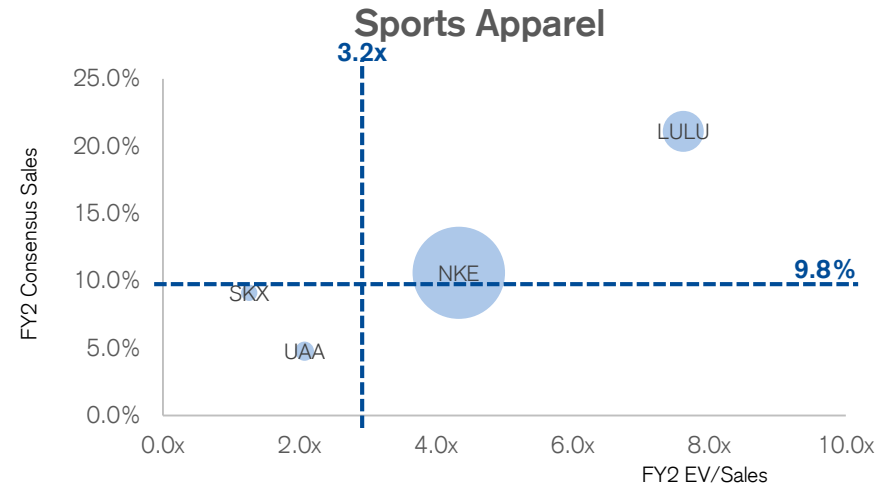
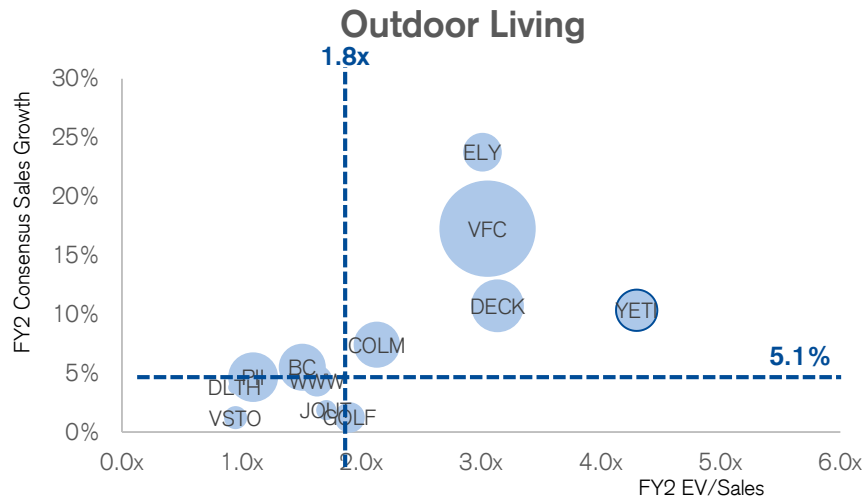
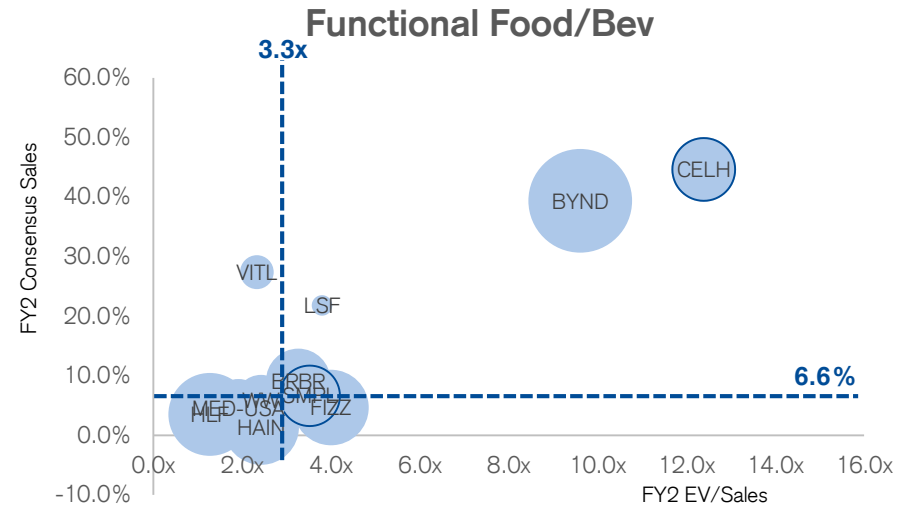
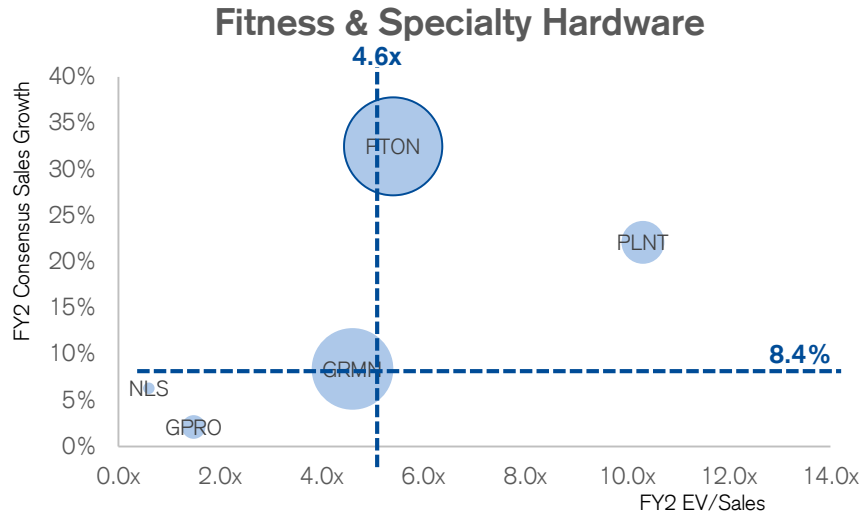
...Driving us to use EV/Sales for valuation



Sources: FactSet estimates.

Valuing Wellness

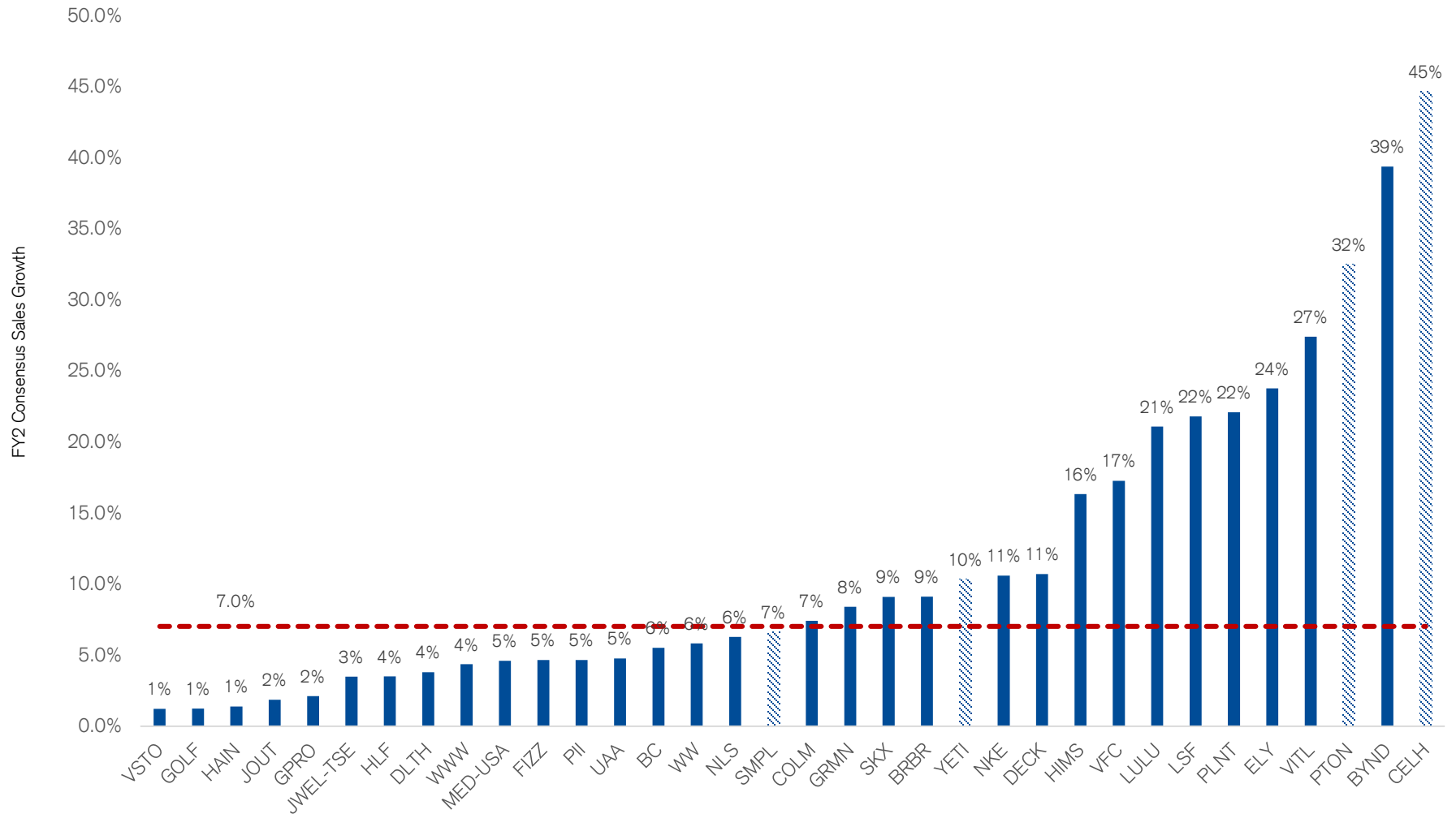
By Category, EV/Sales Medians Differ



Sources: FactSet estimates.

Valuing Wellness

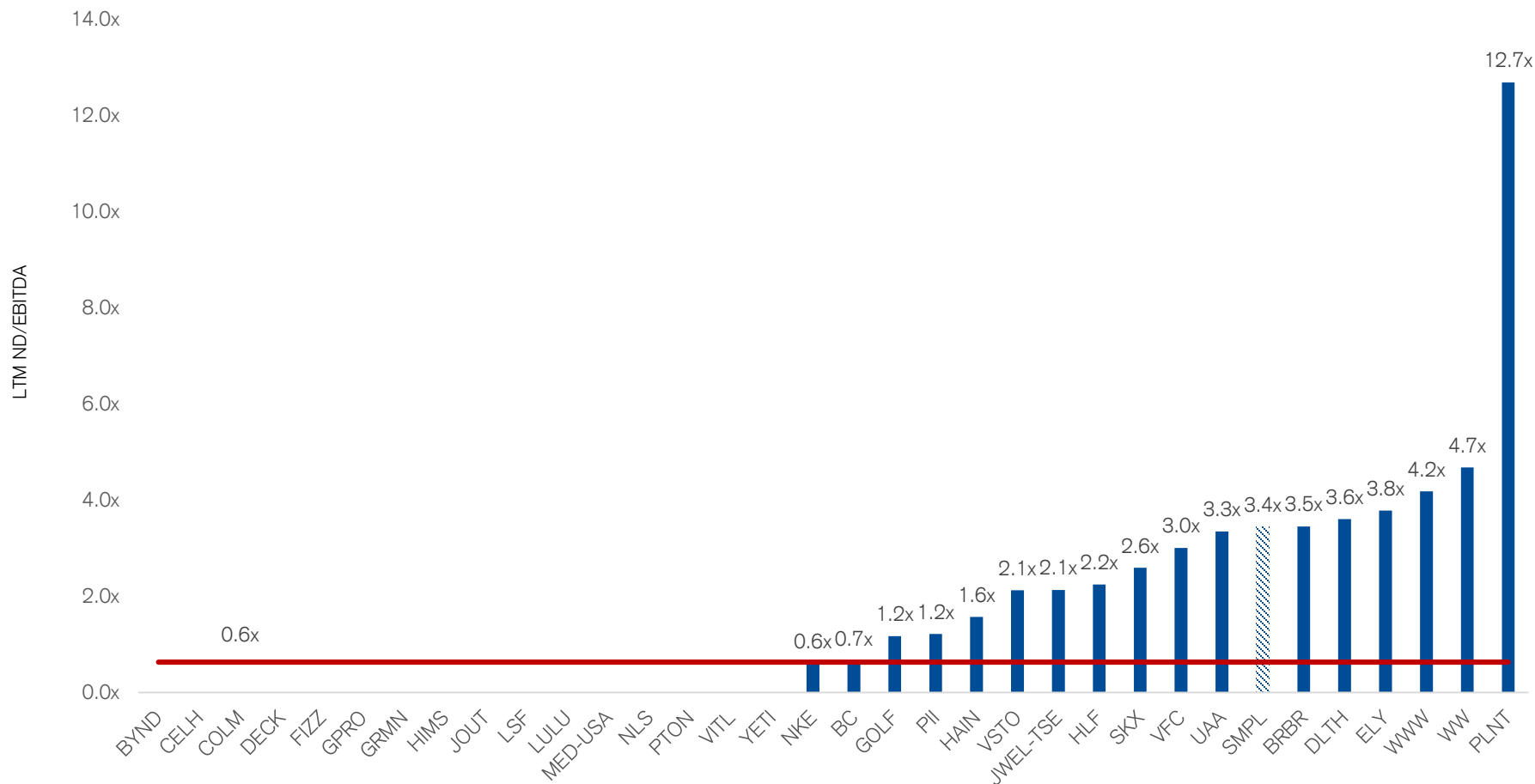
Sales Growth can be Substantial, but Requires Capital



Sources: FactSet estimates.

Valuing Wellness

...So Balance Sheets Matter

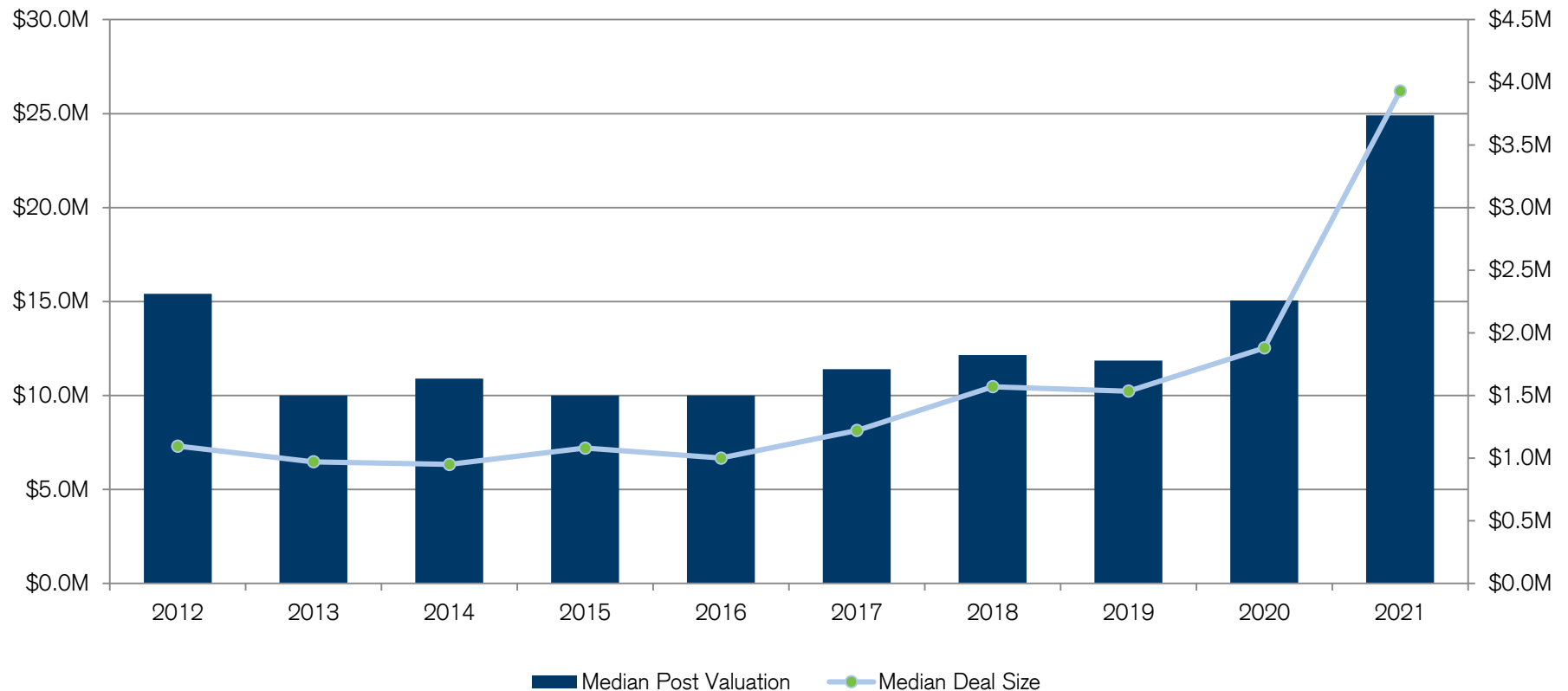


Sources: FactSet estimates. PLNT LTM EBITDA severely impacted by COVID closures.

Valuing Wellness

... And So Does Access to Capital

The Lifestyles of Health and Sustainability (LOHAS) & Wellness Sector has seen increased funding activity. In the first quarter of 2021, median post-valuation and deal size has shot up.

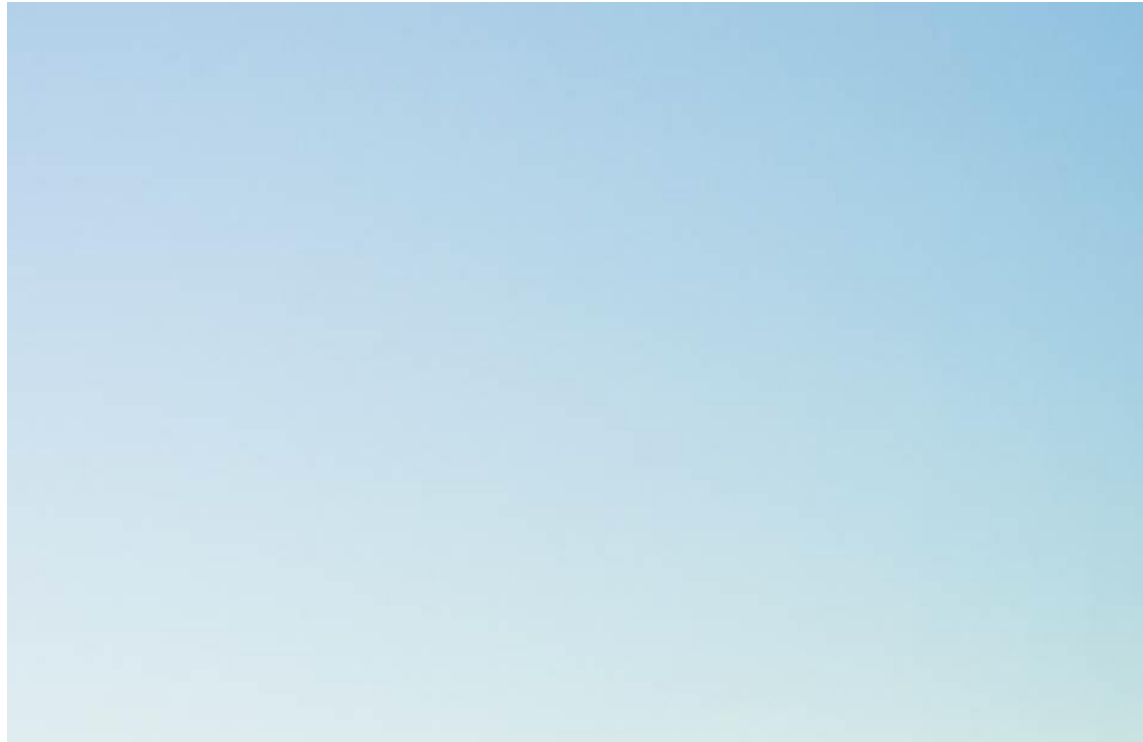


Source: According to PitchBook, private capital market data provider; PitchBook definition of LOHAS and Wellness.

Wellness Sector Initiation

Industry Deep Dives

- **Fitness**
- **Outdoor Recreation**
- **Convenient Nutrition**
- **'Better-for-you' Beverages**



Fitness



Long-Term Tailwinds

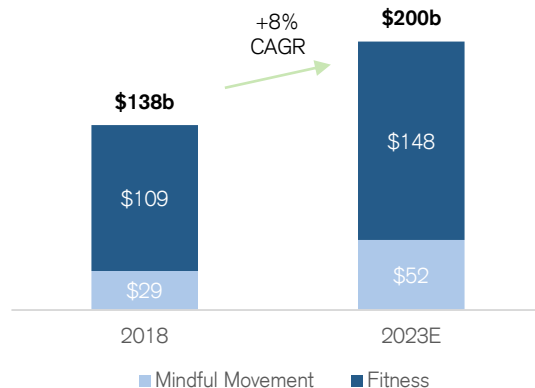
3 Megatrends Fueling Connected Fitness Demand

Exercise

Higher participation rates, global growth

Over the last two decades, the proportion of U.S. adults meeting CDC physical activity guidelines has steadily increased (24% in 2018). Globally, the fitness and mindful movement market is estimated to reach \$200b by 2023.

Fitness + Mindful Movement Growth



Community

Demand for small-format, class workouts

Demand for class workouts at boutique studios has outpaced big-box gyms, with 42% of U.S. consumers holding a boutique studio membership in 2018 (IHRSA). Consumers are looking for an experiential workout that can be shared with peers.

Boutiques See Unit Expansion

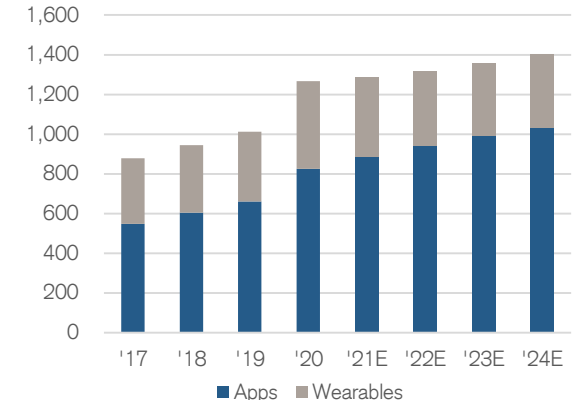


Fitness Tech

Rise of wearables & fitness apps

Tech-enabled fitness solutions have gained traction among consumers, enabling better measurement and tracking of health and fitness goals. Global users of apps and wearables estimated to top 1b in 2024.

More Fitness Tech Users Expected



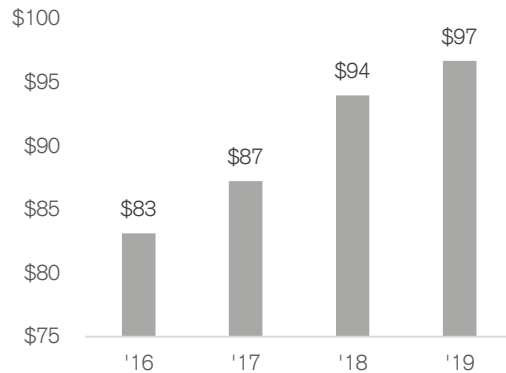
Sources: 1: Global Wellness Institute, 2: Franchise Disclosure Documents, 3: Statista.

Market Size

An Emerging Category within the Fitness Industry

Connected Fitness (equipment + content) is a relatively new category. Three distinct data points offer a rough benchmark of market size with upside potential as the category continues to evolve.

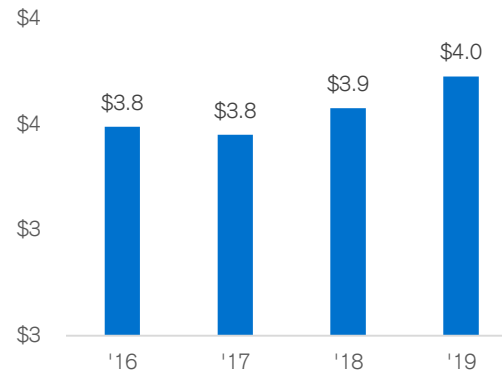
1. Global Health/Fitness Club Revenue (billions)



Users

Customers interested in Connected Fitness are likely to include current fitness club members. In 2019, over 184m gym members worldwide supported a \$97b market.

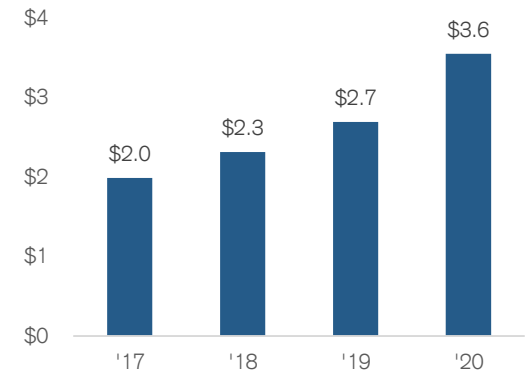
2. U.S. Consumer Exercise Equipment Wholesale Sales (billions)



Equipment

Wholesale sales for consumer exercise equipment in the U.S. (largest fitness market by revenue) offer a glimpse into the sizable home fitness market.

3. Global Fitness App Revenue (billions)



Digital Fitness Content

Exercising with a mobile app and/or content has gained popularity, with users paying over \$3.5b for fitness apps in 2020

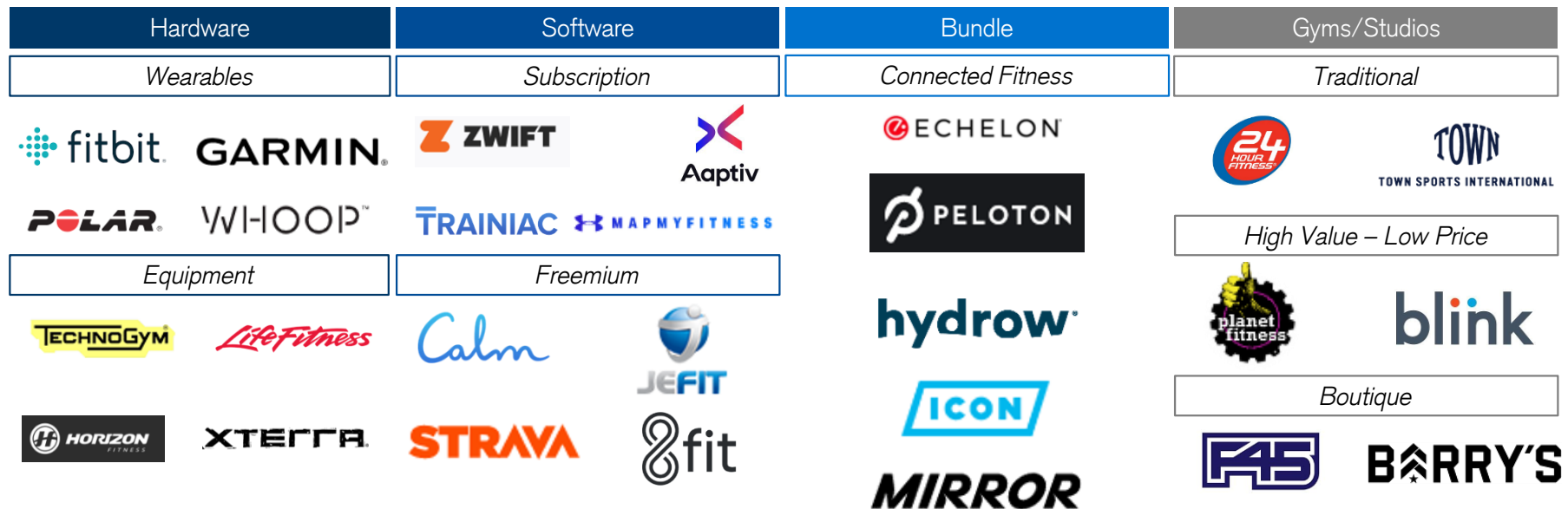
Sources: 1: IHRSA, 2-3: Statista.

Fitness Market Map

Fragmented Industry Supports Multiple Operators

The fitness industry consists of various companies offering either a single solution or a complete exercise bundle (hardware + content). Many consumers will likely incorporate **more than one** solution from the categories below into their exercise routines.

While market share is likely to fluctuate, companies that grab a spot in a customer's initial consideration set and closely manage customer experience will be successful. In our view, the TAM is sufficient for several companies.



Source: PitchBook Data, Inc., Select company logos. For full market map, see slide 59.

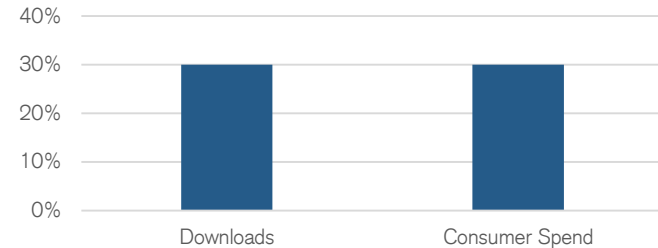
Systemic Growth Drivers

Focus on Fitness Continues, Different Forms Emerge

Near Term

Subscription Fitness Uptake Continues: Fitness applications remain popular, with more users opting for digital solutions to guide and supplement their workouts. In the U.S. (the largest fitness market by revenue), downloads and consumer spend were up +20% in 2020.

Worldwide Y/Y Growth in Health & Fitness Apps (2020)

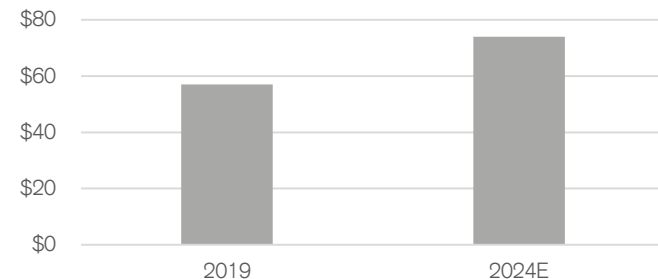


Source: App Annie – State of Mobile Report.

Medium Term

Workplace Wellness & Hospitality Incentivizes Physical Activity: Corporate programs and the hospitality industry are encouraging people to pursue health and wellness goals via discounts/stipends or improved access to gyms/studios.

Global Workplace Wellness Market (billions)



Source: Grandview Research.

Long Term

Innovation Expands Market: The fitness industry has been slow to innovate, with significant developments (i.e., wearables, apps, etc.) only coming to market in recent years. Technology should continue to drive further improvements and create entirely new verticals.



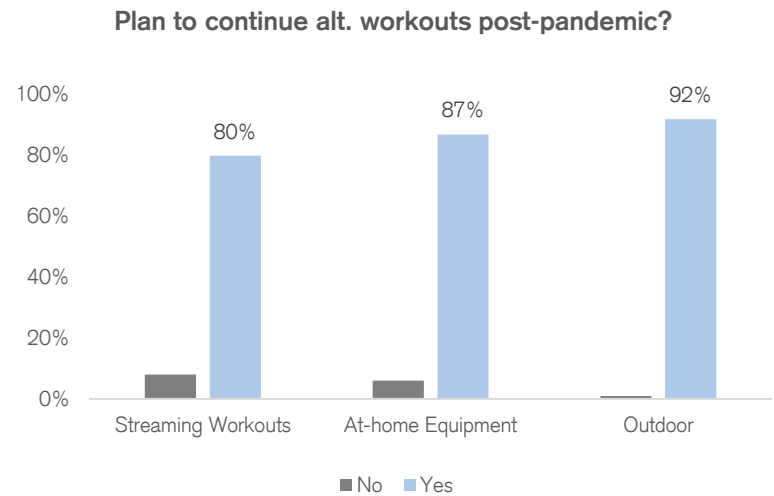
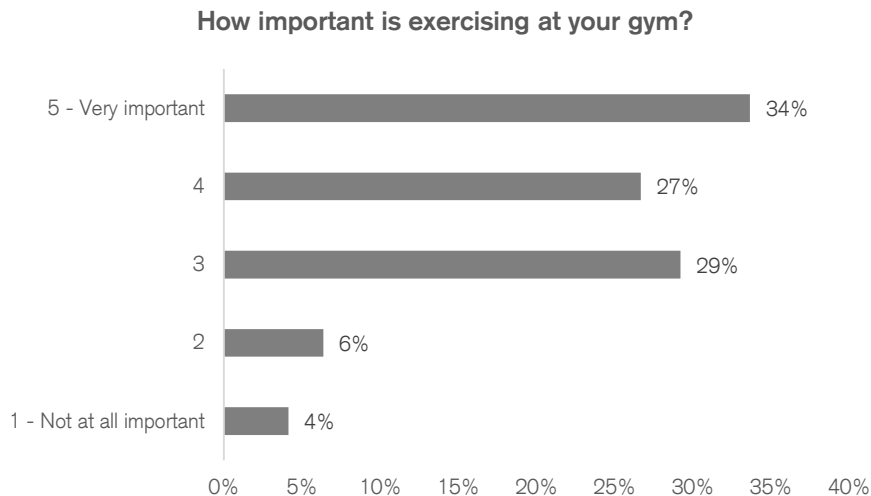
Source: Getty images.

Future of Fitness

CS Fitness Survey Offers a View

We conducted a survey in December 2020 to better understand fitness habits and how they might have changed due to the COVID-19 pandemic. Key takeaways confirm the staying power of trends driving overall industry growth.

1. Future of Fitness Looks Hybrid: In-gym exercise is important; however, the overwhelming majority plans to continue alternative workouts post-pandemic.



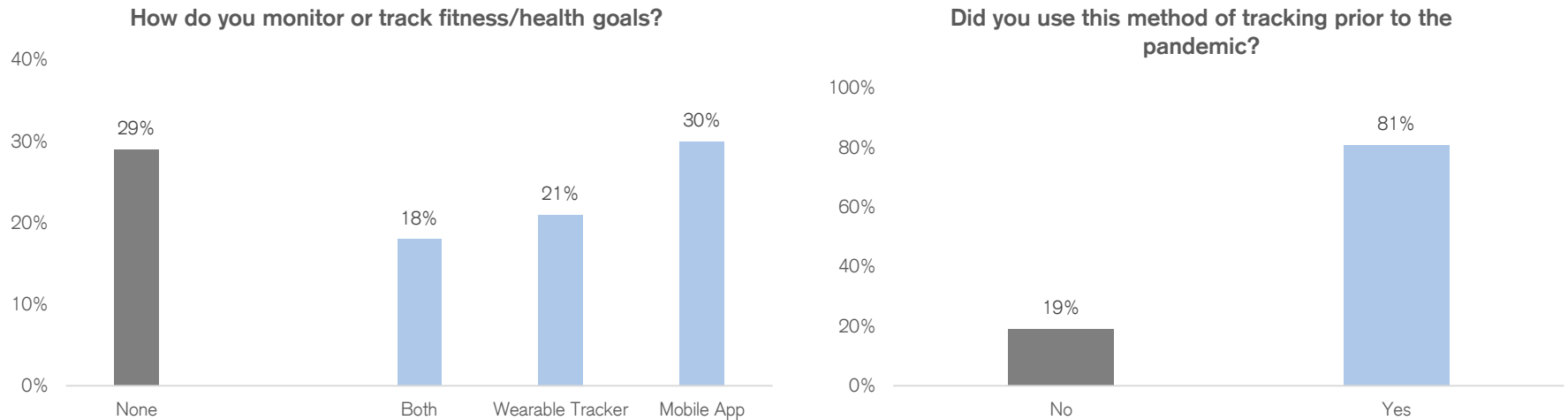
Source: Credit Suisse 2020 Fitness Survey.

Future of Fitness

CS Fitness Survey Offers a View

We conducted a survey in December 2020 to better understand fitness habits and how they might have changed due to the COVID-19 pandemic. Key takeaways confirm the staying power of trends driving overall industry growth.

2. Fitness Tech Is Popular, but This Is Not a New Development: Tech solutions are being used to track and monitor health/fitness goals, with the majority using these methods pre-pandemic.



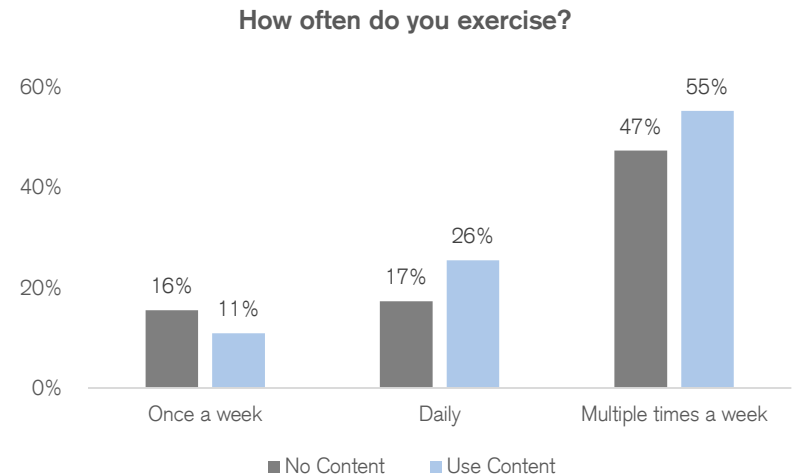
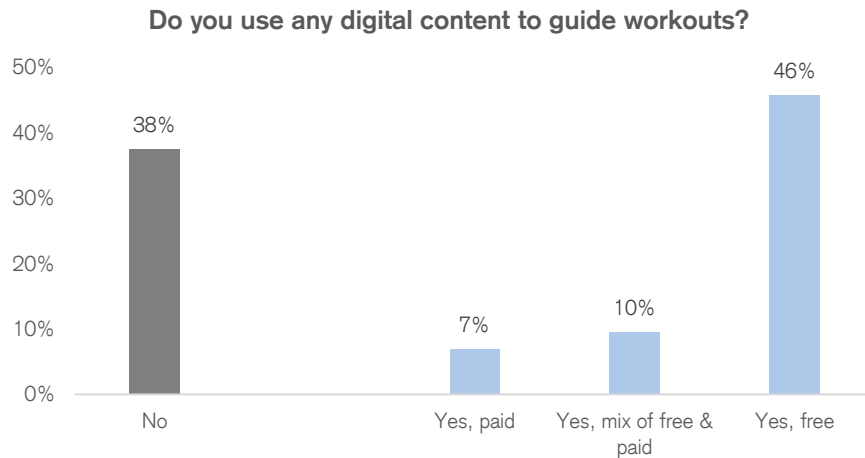
Source: Credit Suisse 2020 Fitness Survey.

Future of Fitness

CS Fitness Survey Offers a View

We conducted a survey in December 2020 to better understand fitness habits and how they might have changed due to the COVID-19 pandemic. Key takeaways confirm the staying power of trends driving overall industry growth.

3. Fitness Content Is Widely Used; Content Users Tend to Exercise More: Content has a role in many users' exercise routines; These users report exercising more frequently.



Source: Credit Suisse 2020 Fitness Survey.

Fitness

Market Activity Involves Equipment and Software

IPOs

huami

ZEPP

PELOTON

PTON

M&A

Alphabet



fitbit

GOOGL acq. FIT for
\$2.1b



MIRROR

LULU acq. Mirror for
\$500m



PRECOR

PTON acq. Precor for
\$420m

Notable Funding

Calm

Mental Health App

OURA

Wearable Tracker



headspace

Mental Health App

hydrow

Connected Fitness



ECHELON

Connected Fitness

TONAL

Connected Fitness

2018

2019

2020

Sources: PitchBook Data, Inc

Peloton Interactive, Inc.

Beauty in the Eye of the Bikeholder

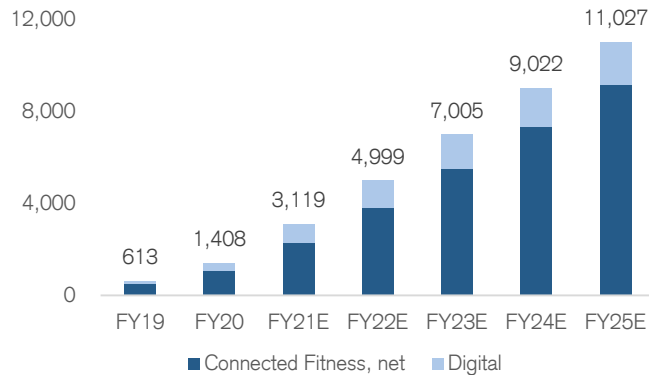
- With its IPO in 2019, Peloton is a leader in the connected fitness category, a membership model that marries high-tech exercise equipment with a monthly subscription to fitness content (i.e., instructor-led classes).
- Peloton at Forefront of 3 Megatrends, Supported by a Sizeable and Growing Market:** Peloton's products & content allow customers to tap into elements of three megatrends driving industry growth (more exercise, class workouts, and fitness tech). A large TAM (75m est. in 2020 for current markets) vs. Peloton's 2.3m subscribers shows plenty of runway, and we think the market size has grown.
- Innovation Fuels Growth, Suppresses Churn:** Driven by content, Peloton is transforming its narrow and largely domestic cycle/treadmill business into a full exercise offering, while expanding globally. Expanding and improving content further expands the TAM. Equipment gross margin, low churn (0.6% in FY20) and high subscription margins (64%) support robust customer lifetime value estimates (4.6x LTV/CAC).
- Heightened Competition, Investments Add Separation:** Connected fitness category growth rates invite competition, Peloton has leveraged its access to capital by investing heavily across the value chain (manufacturing, software, logistics, etc.) and via M&A (3 deals in three years). This is hard to replicate. With a clean balance sheet and over \$2b in cash on hand, the company should continue playing offense
- [Link to our company report: PTON](#)

Peloton Interactive (PTON)			
CS Rating:	OUTPERFORM		
CS Target Price:	\$164		
Today's Price:	\$112		
Return:	46%		
Brokers:	Buy	24	89%
	Hold	1	4%
	Sell	2	7%
Valuation			
Market Cap:	\$33.0bn		
EV:	\$31.3bn		
EV/S ('22):	5.6x		
EV/EBITDA ('22):	56.9x		
CS Ests.	2021e	2022e	2023e
Sales	4,098	5,885	7,600
YOY%	124%	44%	29%
Products	121%	35%	23%
Subscription	137%	75%	48%
Adj. EBITDA	334	645	1,028
Margin	8.1%	11.0%	13.5%
YOY%	183%	94%	59%
Adj. EBITDA (Street)	323	556	872
EPS (CS)	\$0.34	\$0.73	\$1.38
YOY%		115%	89%

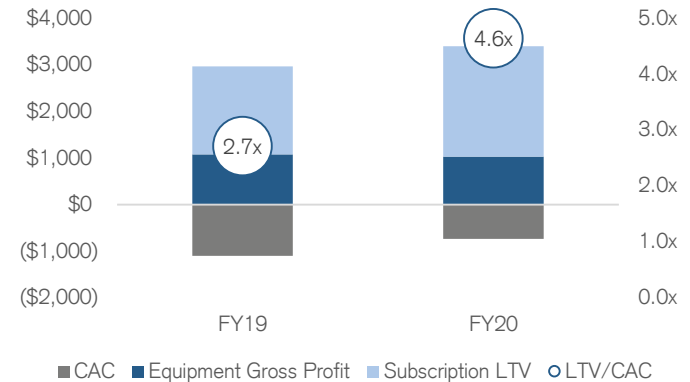
Sources: Credit Suisse estimates, FactSet consensus.

Peloton Interactive: Key Charts

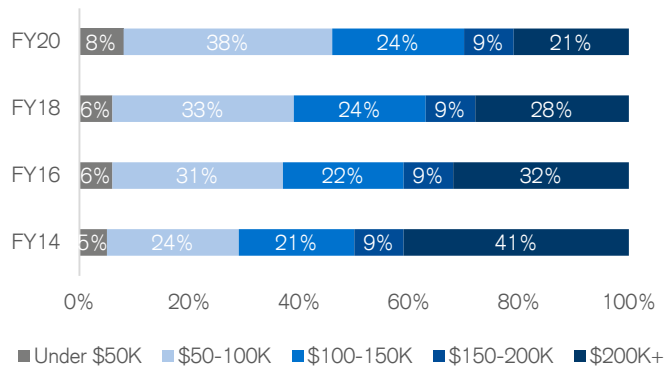
1) Peloton Captures Growth, Continues to Attract Customers; Total Subs Est. 11m by FY25



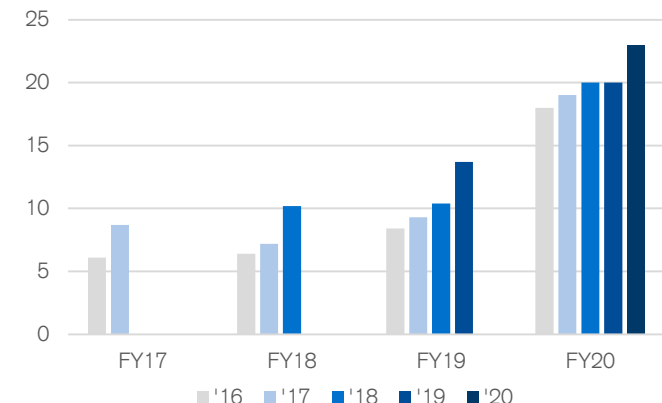
2) Hardware + Subscription Business Model Underpins Attractive User Economics; 4.6x LTV/CAC in FY20



3) Peloton Broadens Appeal; Customer Base Becoming More Diverse (% of Peloton Bike Customers by Income Bracket)



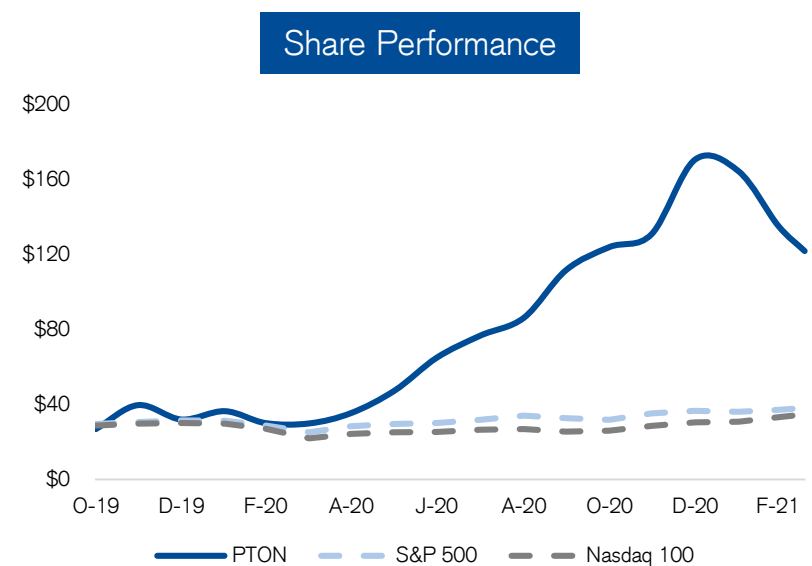
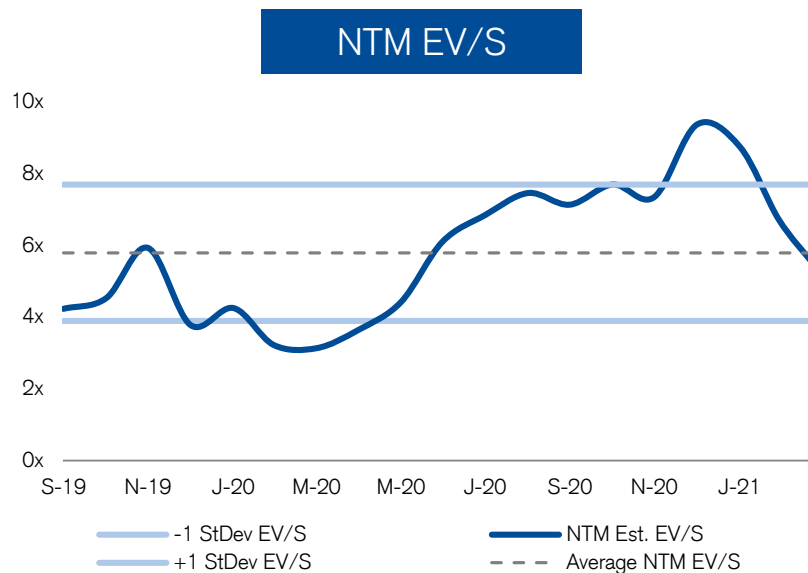
4) Peloton's Earliest Members Increasingly Engaged; Avg. Connected Fitness Workouts/Month by Cohort



Sources: Global Wellness Institute, Company data, Credit Suisse estimates.

PTON Valuation

- **We value shares at \$164 based on a 6.5x NTM EV/S multiple on our FY25 revenue estimate of \$10.9b**, discounted back to FY22 (June '22) at 8%. We use this discount rate across our entire Wellness universe. We rate the stock as Outperform due to our belief that high connected fitness growth rates will continue, with Peloton an ultimate beneficiary.
- Our multiple is based on a blended range of hardware and subscription peers with a premium given expected growth rates.
- Peers include hardware and subscription companies such as AAPL, ROKU, SPOT, NFLX, GRMN, and NLS.



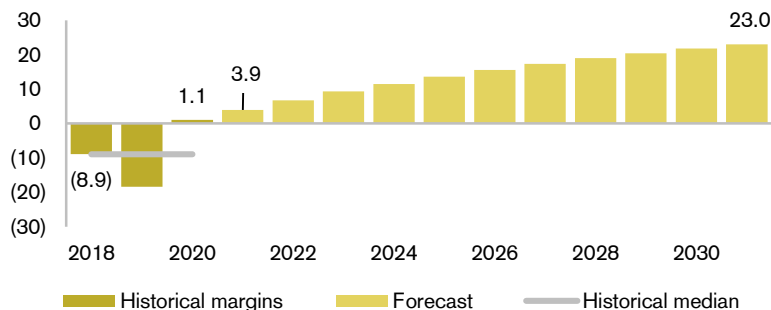
Sources: FactSet, Share performance indexed to PTON Sept. 2019 IPO.

HOLT® “What’s Priced In?” Analysis for PTON

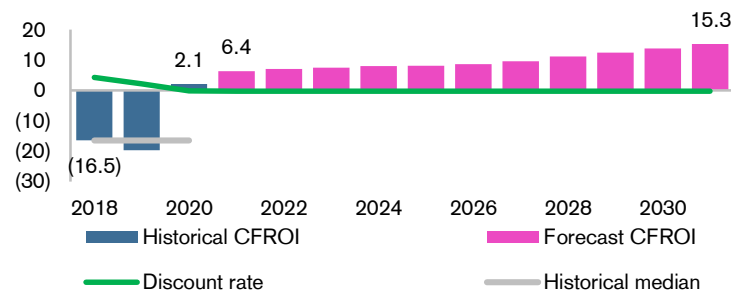
To justify today’s valuation, HOLT DCF implies 11.9% LT growth for PTON vs. our CAGR of 14.9%

Returns on capital and drivers implied by our forecasts and current valuation

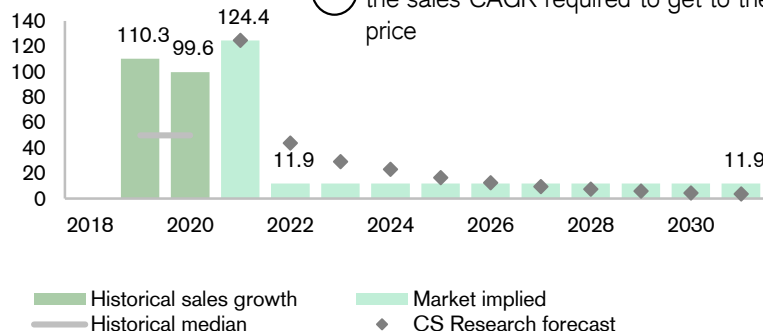
EBITDA Margin (%) ⁽¹⁾ 2021-2031 based on CS Research



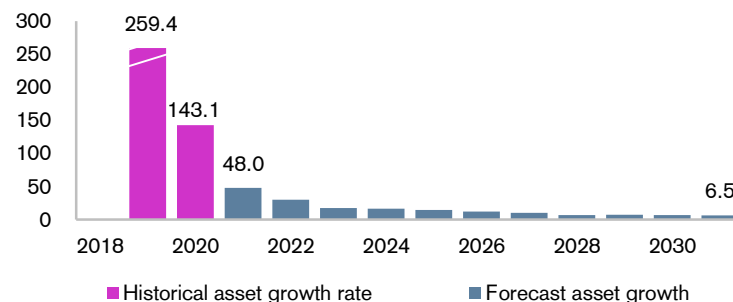
CFROI (%)



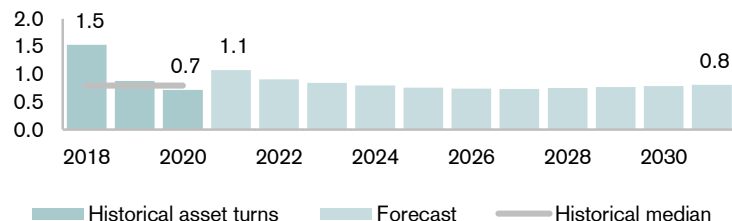
Sales Growth (%) ⁽²⁾ 2021 based on CS Research; then solved for the sales CAGR required to get to the current price



Asset Growth (%)



Asset Turns (x): Sales/ Invested Capital



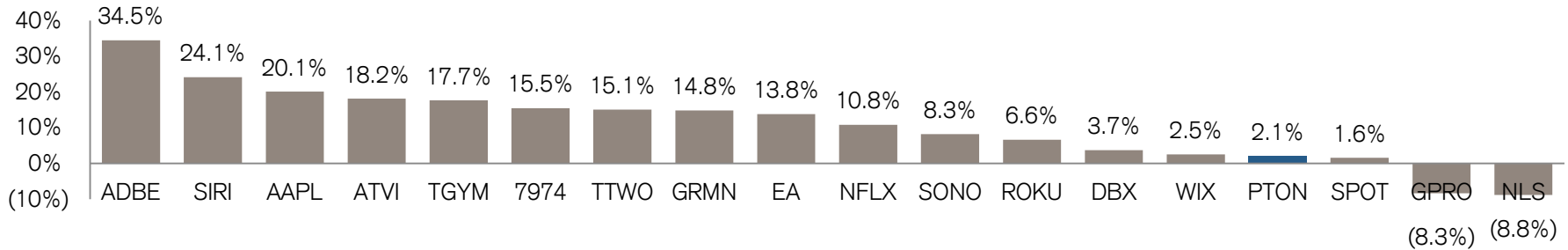
Assumptions and methodology

- Analysis based on CS Research projections and HOLT DCF
- EBITDA margins: 2021-2031 based on CS Research
- Sales growth: 2021 based on CS Research then solved for the LT sales CAGR required to get to the current price
- After the 10-year explicit forecast, the HOLT methodology calculates the terminal value by fading returns on capital and growth towards cost of capital and GDP growth respectively

HOLT Benchmarking

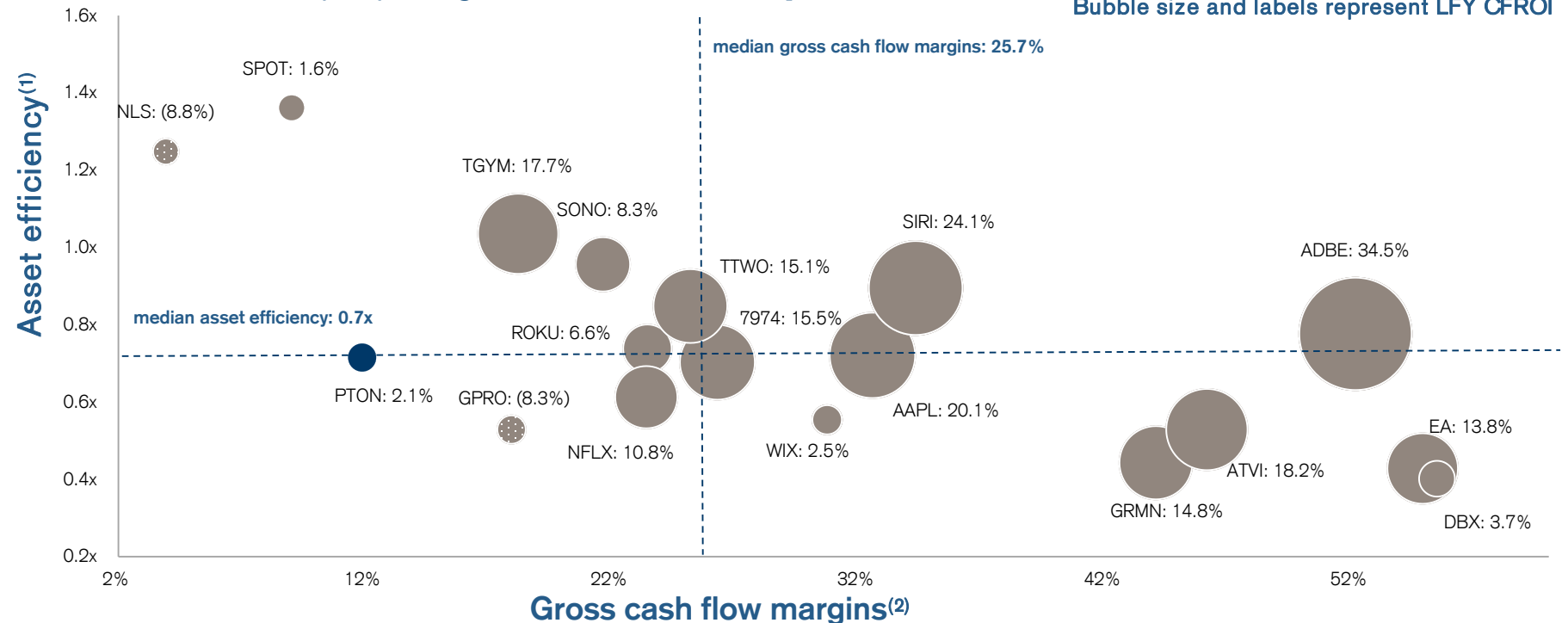
As an early-stage co, PTON's returns on capital are lower than those of most peers

Returns on capital (CFROI): LFY



Drivers of returns (LFY): margins and asset efficiency

Bubble size and labels represent LFY CFROI



Source: HOLT.

(1) Asset Efficiency: Sales/Invested Capital, which includes gross PP&E, net working capital with cash, capitalized leases, capitalized R&D and excludes goodwill.

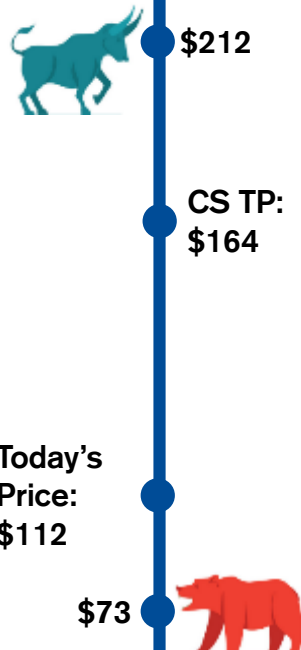
(2) Gross cash flow is a proxy for post-tax EBITDA adjusted for rent and R&D expenses.

Bull/Bear Cases

Cont'd Growth Tailwinds vs. Revert to 'Fitness Normal'

Bull Case

- **\$212 Blue Sky = 89% potential upside**
- We assume Peloton's high-growth phase continues. Faster-than-anticipated product, content, and market expansion are met with similar levels of success seen in the U.S. Competition fails to pose a meaningful threat, with Peloton capturing more of the connected fitness category market share. This suggests FY2025 Sales of \$11.5b.
- On an 8x EV/S multiple discounted to FY22 at 8%.



Bear Case

- **\$73 Grey Sky = (35%) potential downside**
- We assume revenue growth will quickly decelerate to mid-teens in the near term. New initiatives (products, content, release into other markets) fail to meet expectations. Significant competition from other connected fitness competitors and in-person gyms/studios work to erode subscriber growth. This suggests FY2025 Sales of \$7.7b
- On a 4x EV/S multiple discounted to FY22 at 8%.

Risks

- **Slow Sub Growth, Rising Churn:** The long-term value formula begins to break down as subscriber growth slows and existing customers begin to leave the platform at a higher rate.
- **Supply Chain Issues:** Manufacturing and logistics troubles could result in extended order-to-delivery windows, forcing customers to pursue other connected fitness offerings.
- **Litigation:** Frequent intellectual property disputes with competitors could result in an adverse ruling for the company and prevent the use of certain product and/or software features.

Source: Credit Suisse research.

Comp Set

Peers Across Hardware, B2C Subscription

Peloton Interactive, Inc. Comps

1-Apr-21

	Stock	LTM%	Div%	Market Cap		EV/Sales			Sales Growth		
				Shrs	USD	FY1	FY2	FY3	FY1	FY2	FY3
Peloton Interactive	\$112	287%	0.0%	295	33,011	7.7x	5.7x	4.4x	125%	34%	29%
Hardware-Software Bundle											
Apple	\$123	109%	0.7%	16,788	2,064,936	5.9x	5.7x	5.4x	21%	4%	5%
Roku	\$332	292%	0.0%	128	42,623	16.4x	11.8x	8.6x	44%	39%	38%
Nintendo	\$569	53%	3.0%	119	67,769	3.5x	3.7x	3.8x	29%	-5%	-2%
Median		109%				5.9x	5.7x	5.4x	29%	4%	5%
B2C Subscription											
Dropbox	\$12	54%	0.0%	402	11,012	5.2x	4.8x	4.5x	10%	9%	7%
Wix com	\$293	220%	0.0%	56	16,433	12.3x	9.8x	8.2x	30%	25%	20%
Spotify Technology	\$273	125%	0.0%	187	51,177	4.3x	3.6x	3.0x	18%	19%	18%
Sirius XM	\$6	36%	0.9%	4,140	25,958	4.1x	3.9x	3.6x	5%	5%	7%
Netflix	\$539	48%	0.0%	443	238,906	8.3x	7.2x	6.2x	20%	16%	15%
Median		54%				5.2x	4.8x	4.5x	18%	16%	15%
Content Creators											
Electronic Arts	\$138	44%	0.5%	288	39,681	5.6x	5.3x	4.9x	17%	5%	8%
Activision Blizzard	\$96	71%	0.5%	775	74,020	8.1x	7.2x	6.8x	1%	13%	6%
Take-Two Interactive	\$180	58%	0.0%	115	20,749	5.2x	5.1x	3.9x	14%	2%	30%
Median		58%				5.6x	5.3x	4.9x	14%	5%	8%
Equipment & Speciality Hardware											
Garmin	\$133	91%	1.8%	192	25,385	4.9x	4.5x	4.2x	10%	8%	9%
Nautilus	\$133	477%	0.0%	30	495	0.7x	0.6x		7%	13%	-100%
Technogym	\$16	65%	2.2%	201	2,384	3.3x	2.8x	2.5x	21%	17%	15%
Sonos	\$10	385%	0.0%	120	4,665	2.6x	2.4x	2.1x	18%	10%	14%
GoPro	\$39	392%	0.0%	152	1,877	1.7x	1.5x	1.6x	22%	9%	-4%
Median		385%				2.6x	2.4x	2.3x	18%	10%	9%

Source: FactSet.

Market Map

Fitness

	Wearables				Exercise Equipment		
Hardware	COROS™	FOSSIL GROUP	GARMIN®	HUAWEI	KEISER®	FITPLAN	SOLE FITNESS
	fitbit.	lifelife group	MOOV™	MOTIV	LifeFitness	TECHNOGYM	XTERRA
	POLAR®	striv	SUUNTO	WHOOP™			
Software	Subscription				Freemium		
	Aaptiv	CALIBER	DAILY BURN A BETTER FIT	EASTNINE	Calm	myfitnesspal	FREE LECTICS
	MAPMYFITNESS	fitbod	ZWIFT	headspace	JEFIT	FITON	STRAVA
Bundle	TRAINIAC	Pilates Anytime	ROCKETBODY		GAIN FITNESS	runtastic	MOVEWITH SWÖRKIT
	Hardware + Software						
	Apple Fitness+	CLMBR	ECHELON	myx fitness	TONAL	hydrow	FIGHT CAMP
Gyms/Studios	NAUTILUS inc.	PELOTON	MIRROR	TEMPO	VERSA CLIMBER .COM	ICON	
	Traditional		High Value – Low Price		Boutique		
	24 HOUR FITNESS	EQUINOX	EQUINOX FITNESS CLUBS	EXOS.	ANYTIME FITNESS	blink FITNESS	CRUNCH
	LA FITNESS	LIFETIME	TOWN SPORTS INTERNATIONAL	planet fitness	Youfit HEALTH CLUBS	SNAP FITNESS-24-7	BARRY'S BOOTCAMP
	GOLD'S GYM	SPORT FITNESS					barre3
							corepower YOGA
							CrossFit
							pure barre
							the bar method
							SOULCYCLE
							ROW HOUSE

Sources: Select company logos from Pitchbook, Credit Suisse research.

Outdoor Recreation



Long-Term Tailwinds

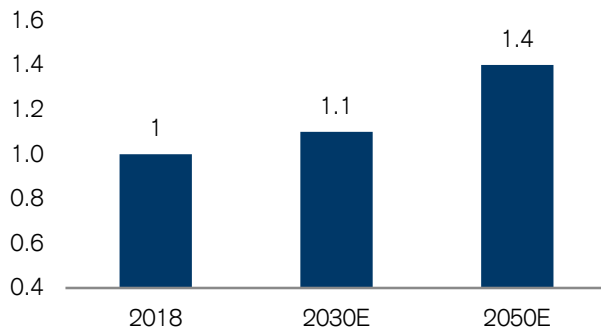
Healthy Living an Essential

Rise in Obesity Rates

Reversing Unhealthy BMIs

An increasingly large number of people are considered to be overweight or obese. This will lead to rising healthcare costs if trends do not change. Achieving a healthier lifestyle involves multiple sectors, including Healthy Food, Sportswear, Gym & Equipment manufacturers.

Annual Deaths from High BMI (mn)
North America + W Europe



Sources: UN data, CDC data, Credit Suisse research.

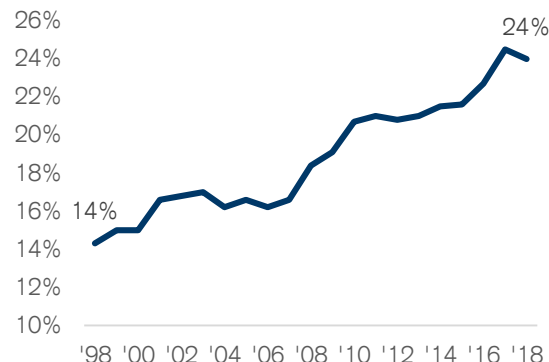
Outdoor Activity

More Exercise

A growing trend before the pandemic, over the past two decades, more U.S. adults have met CDC guidelines for exercise.

During the pandemic, the Outdoor Industry Association showed activities like running, hiking, cycling, bird watching, and camping rose.

% of U.S. Adults Meeting CDC Exercise Guidelines

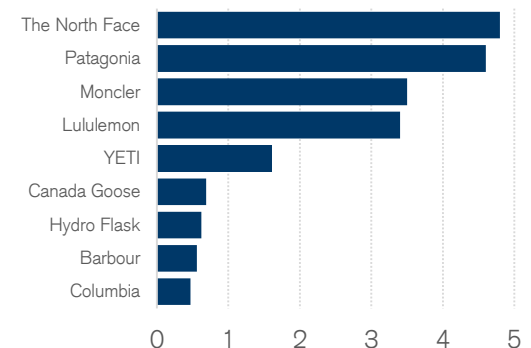


Environmental Mission

Products Catering to Outdoor Enthusiasts

Brands creating high-quality, durable products that also serve the mission of the “outdoor enthusiast” have grown their followings (and sales) in recent decades. YETI follows in the tracks of The North Face, Patagonia, Moncler, Canada Goose, Columbia, and Barbour.

Social Media Presence
(Insta followers in millions)

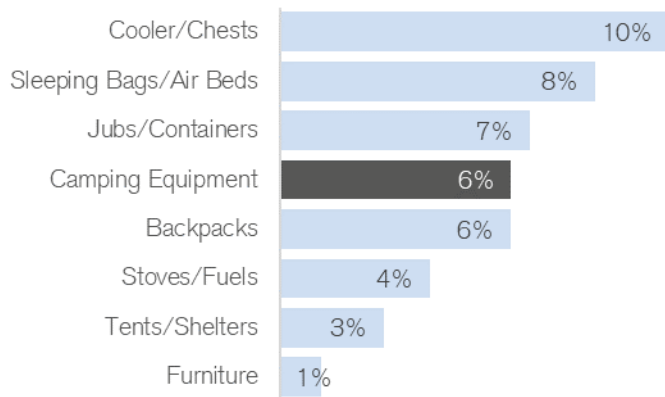


Market Size ~\$180bn (2016), Growing at a 9% CAGR

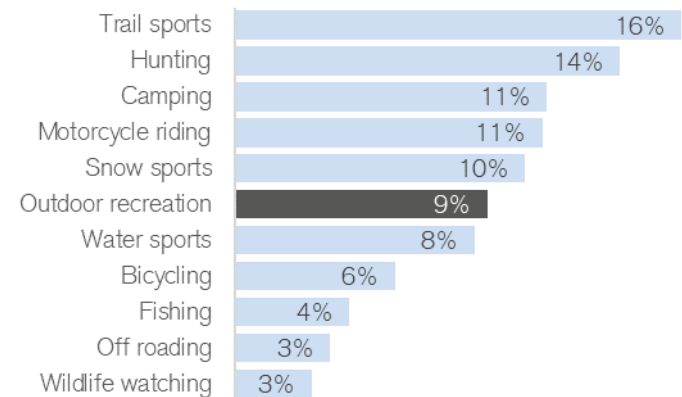
Amount Americans Spent in Outdoor Recreation

- Outdoor activity was a growing trend before the pandemic, with camping equipment sales growing 6% annually from 2013 to 2018 (Sports & Fitness Industry Association). Due to COVID, participation in outdoor activities has increased further. We think this shift will continue.
- Sales of camping equipment grew by more than 25% in 3Q20, according to the NPD Group. Golf equipment and bicycles sales grew 75% and over 50% in the same period, respectively.
- Given a broad set of use cases, it is difficult to precisely estimate YETI's total addressable market. Given a stream of innovation through product improvements, forms, sizes, colorways, and use occasions, the addressable market for its products has expanded across multiple activities.

Wholesale Camping Equipment Sales in the US Grew at 6% CAGR from 2013 to 2019



Americans Spent ~\$185bn in Outdoor Recreation Gears & Accessories in 2019, a 9% CAGR vs. 2011



Sources: Sports Fitness Industry Association, Outdoor Industry Association, Credit Suisse research.

Systemic Growth Drivers

Increasing Awareness Across Multiple Fronts

Near Term

Increase Brand Awareness: Fragmented category spanning thousands of SKUs. Most brands are regionally strong, with few able to scale nationwide.

Capitalize on COVID Interest: Expect retailers to add to their existing outdoor products selection, greater uptake of eCommerce sales, and consumer interest in new categories.

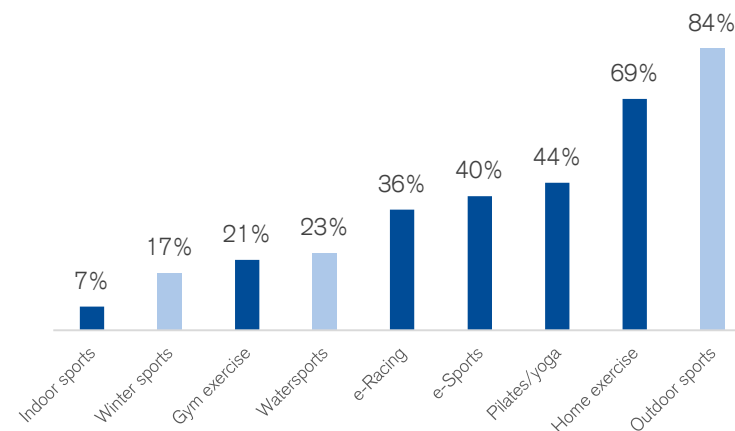
Medium Term

Expand Internationally: The U.S. is the largest international market, followed by Japan and Germany. There remains significant runway to expand per capita consumption globally.

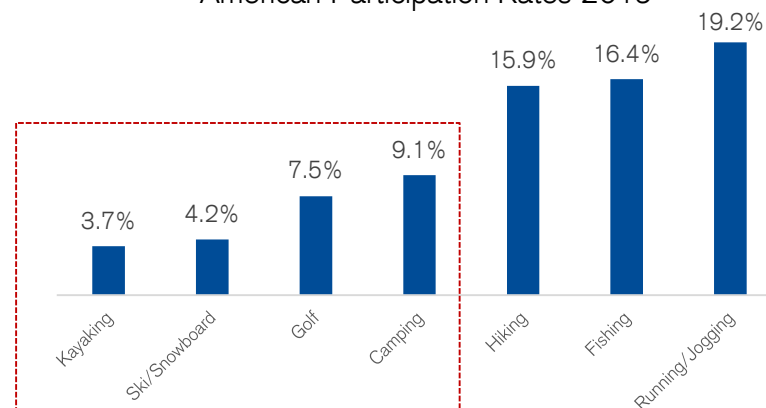
Long Term

Increase Penetration of Branded Sports: While rates of outdoor activities are increasing, branded sports participation remains low (4% of Americans ski/snowboard, 7.5% play on a golf course) vs. non-branded activities like running.

COVID Accelerated Focus on Outdoor Living
Expected increase in participation in '21 vs. pre-COVID



Lower Penetration for Popular Branded Sports
American Participation Rates 2019



Sources: McKinsey Sporting Goods 2021 Report, 2019 Outdoor Foundation Participation Report.

Outdoor Activity

COVID Could Kick Off Further Market Activity

IPOs

ACUSHNET HOLDINGS CORP.

GOLF

YETI

YETI

Academy
SPORTS+OUTDOORS

ASO

M&A



HELE acq. Hydroflask
for \$209m



Anta, Tencent & others
acq. AMEAS for \$.5.5b



CTC acq. Helly Hansen
for CAD 985m

GBL



GBL acq. Canyon
Bicycles for EUR 800m

Notable Funding

Outdoor Voices

Outdoor apparel



Mobile outdoor/hunting map



Campground review app

Outdoorsy

Online RV rental



Outdoor sports products

STRAVA

Outdoor activity app

2016

2018

2020

Sources: Pitchbook Data, Inc.

YETI Holdings

Fishing into High Tide

- Yeti designs and sells premium, functional products for an active and outdoor lifestyle. The company generates \$1bn in annual revenue primarily in the U.S. (94%), with 90% of sales from coolers and drinkware.
- **Established Brand Benefitting from Healthy Lifestyles:** Healthy living is an important theme globally. Outdoor recreation was rising before the pandemic, up HSD% in the decade through 2016. Due to COVID, participation increased further, with sales of camping equipment, bicycles, etc. up strong DD% last year.
- **Growth Potential of 10-15% CAGR Next 3-5 Years:** We believe YETI has the scale to invest in the business to drive sustained top-line growth in the near future. We assess the opportunity across three pillars:
 - US business revolves around coolers and drinkware. Yet the brand is underpenetrated in large parts of the country. *Up to +10% CAGR.*
 - International contributes 6% of total sales. We estimate YETI's foreign sales could more than double by 2023 and quadruple by 2025. *Extra +5% CAGR.*
 - New categories could add as much as high-single-digit extra growth to YETI's algorithm. *As much as +MSD% CAGR upside.*
- **Modest Margin Progress from Here:** Operating margin reached 21% in 2020, up 6pp from 2018, driven by cost improvements and channel mix. These benefits are likely to continue as the company improves its 'should cost' models to lower manufacturing costs, grows its direct-to-consumer business ahead of wholesale, and achieves greater economies of scale. However, we note operating margin is already at the high end of peers—Lululemon earns 22% on sales.
- [Link to our company report: YETI](#)

YETI Holdings (YETI)

Rating: **OUTPERFORM**

Target Price: **\$85**

Today's Price: \$74

Return: 15%

Brokers:	Buy	10	71%
	Hold	4	29%
	Sell	0	0%

Valuation

Market Cap: **\$6.4bn**

EV: \$6.4bn

P/E ('22): 29.3x

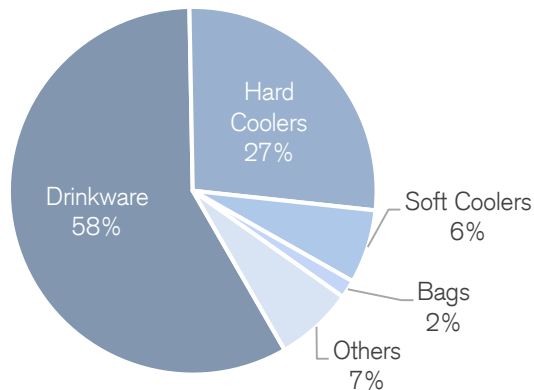
EV/EBITDA ('22): 18.2x

CS Ests.	2021e	2022e	2023e
Sales	1,280	1,485	1,717
YOY%	17%	16%	16%
Wholesale	13%	5%	5%
DTC	21%	25%	23%
EBITDA	290	341	397
Margin	22.7%	23.0%	23.1%
YOY%	13%	18%	16%
EPS (CS)	\$2.17	\$2.56	\$3.00
YOY%	16%	18%	17%
EPS (Street)	\$2.14	\$2.51	\$2.85

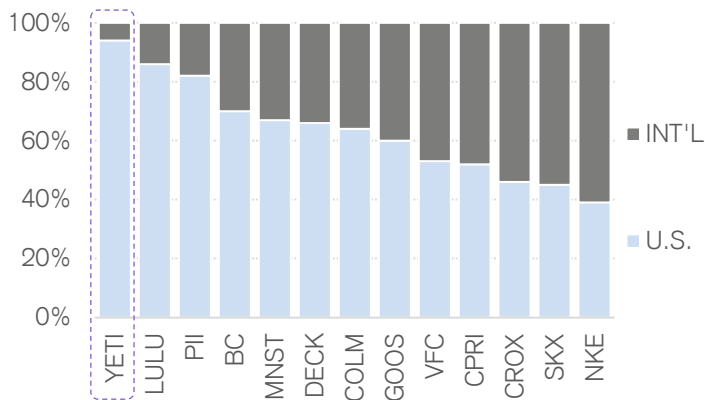
Sources: Credit Suisse estimates. Factset consensus.

YETI Holdings: Key Charts

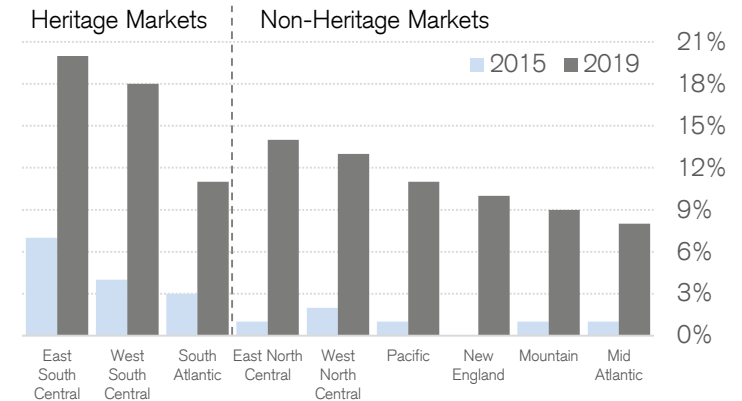
1) YETI is a \$1bn business primarily in the U.S. (94% of sales) with a relatively narrow product range



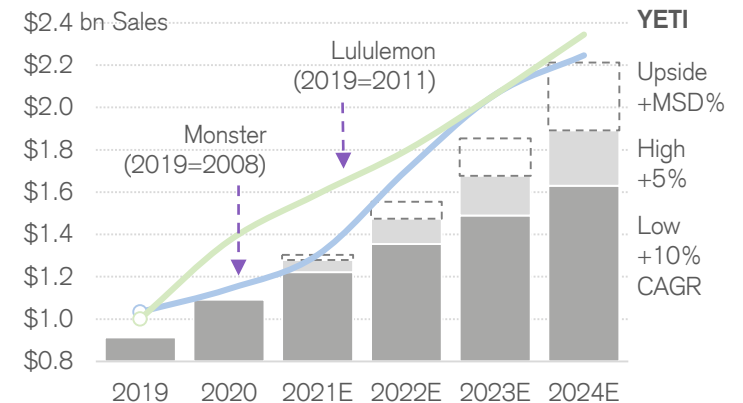
3) Int'l trajectory nascent, but opportunity could be significant over time



2) The company remains underpenetrated with low brand awareness in many parts of the US



4) We see upside to YETI's 10-15% algorithm, giving co. scale to invest in new product categories

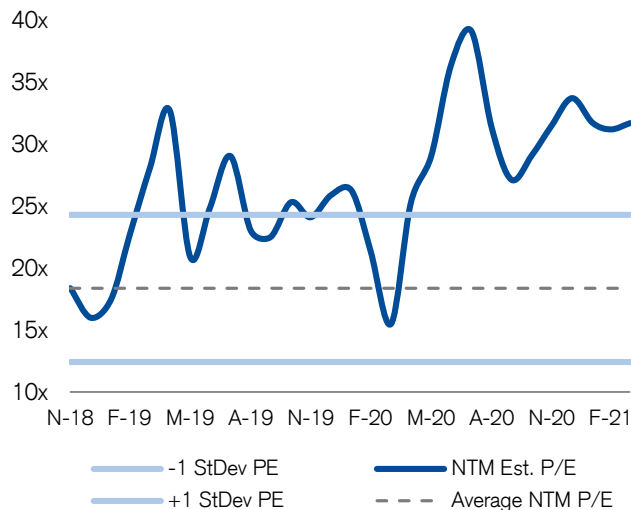


Sources: Company data, Credit Suisse estimates.

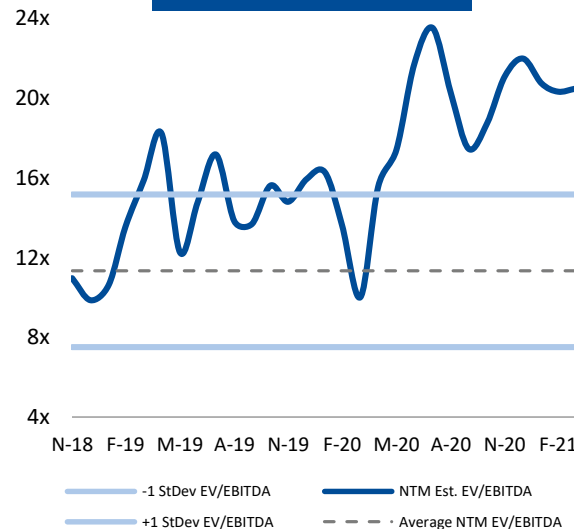
YETI Valuation

- **We value shares at \$85 based on a 30x NTM P/E multiple on our 2024 EPS estimate of \$2.50**, discounted back to 2021 at 8%. We use this discount rate across our entire Staples universe. We rate the stock as Outperform due to our belief that share performance will be better than the peer set.
- Our multiple is based on a blended range of Recreational Products and Apparel/Footwear comparables. We believe this range is appropriate as shares should trade at a premium to the median of peers (23x NTM P/E).
- Peers include Acushnet Holdings (GOLF), Brunswick (BC), Canada Goose (GOOS), Columbia Sportswear (COLM), Lululemon Athletica (LULU), and VF Corp (VFC).

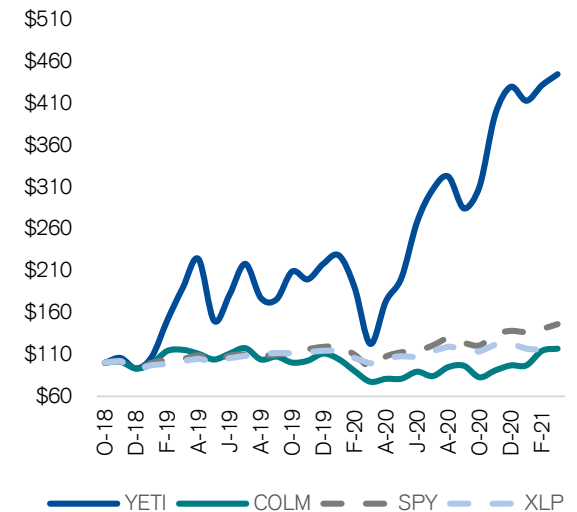
NTM P/E



NTM EV/EBITDA



Share Performance



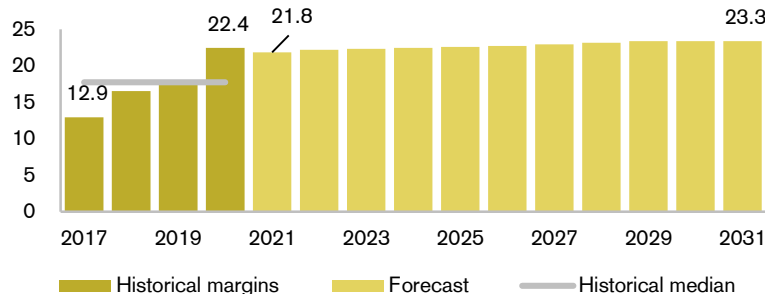
Sources: FactSet, Share performance indexed to YETI IPO listing in Oct 2018.

HOLT “What’s Priced In?” Analysis for YETI

To justify today’s valuation, HOLT DCF implies 6.9% LT growth for YETI vs. our CAGR of 12.3%

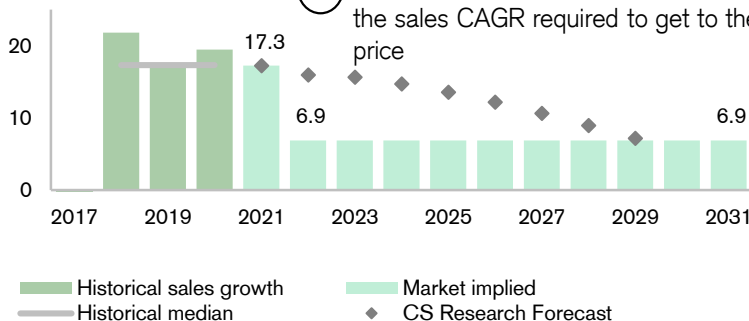
EBITDA Margin (%)

① 2021-2029 based on CS Research, then assumed constant

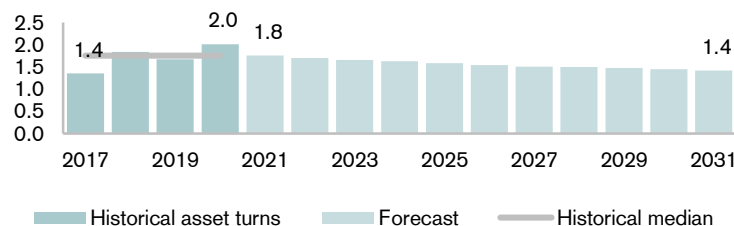


Sales Growth (%)

② 2021 based on CS Research; then solved for the sales CAGR required to get to the current price

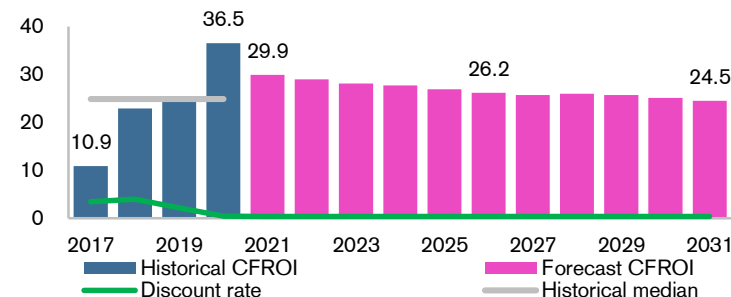


Asset Turns (x): Sales/ Invested Capital

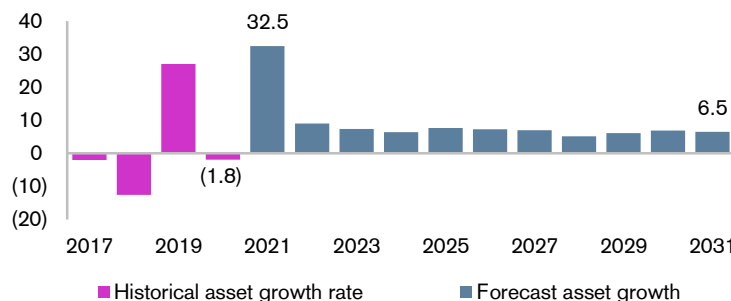


Returns on capital and drivers implied by our forecasts and current valuation

CFROI (%)



Asset Growth (%)



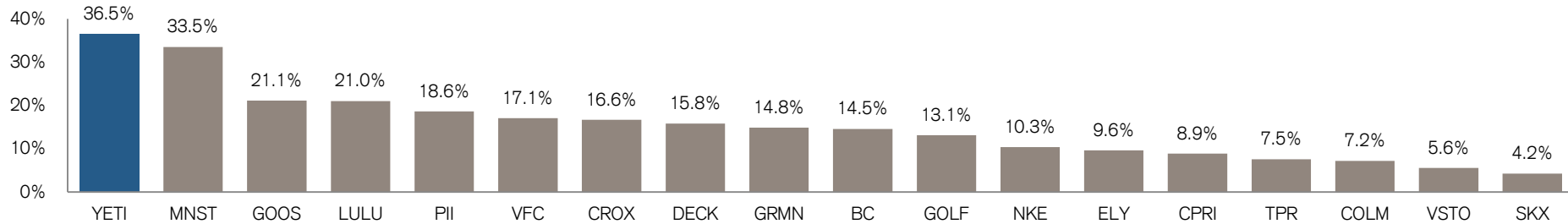
Assumptions and methodology

- Analysis based on CS Research projections and HOLT DCF
- EBITDA margins: 2021-2029 based on CS Research, then assumed constant
- Sales growth: 2021 based on CS Research then solved for the LT sales CAGR required to get to the current price
- After the 10-year explicit forecast, the HOLT methodology calculates the terminal value by fading returns on capital and growth towards cost of capital and GDP growth respectively

HOLT Benchmarking

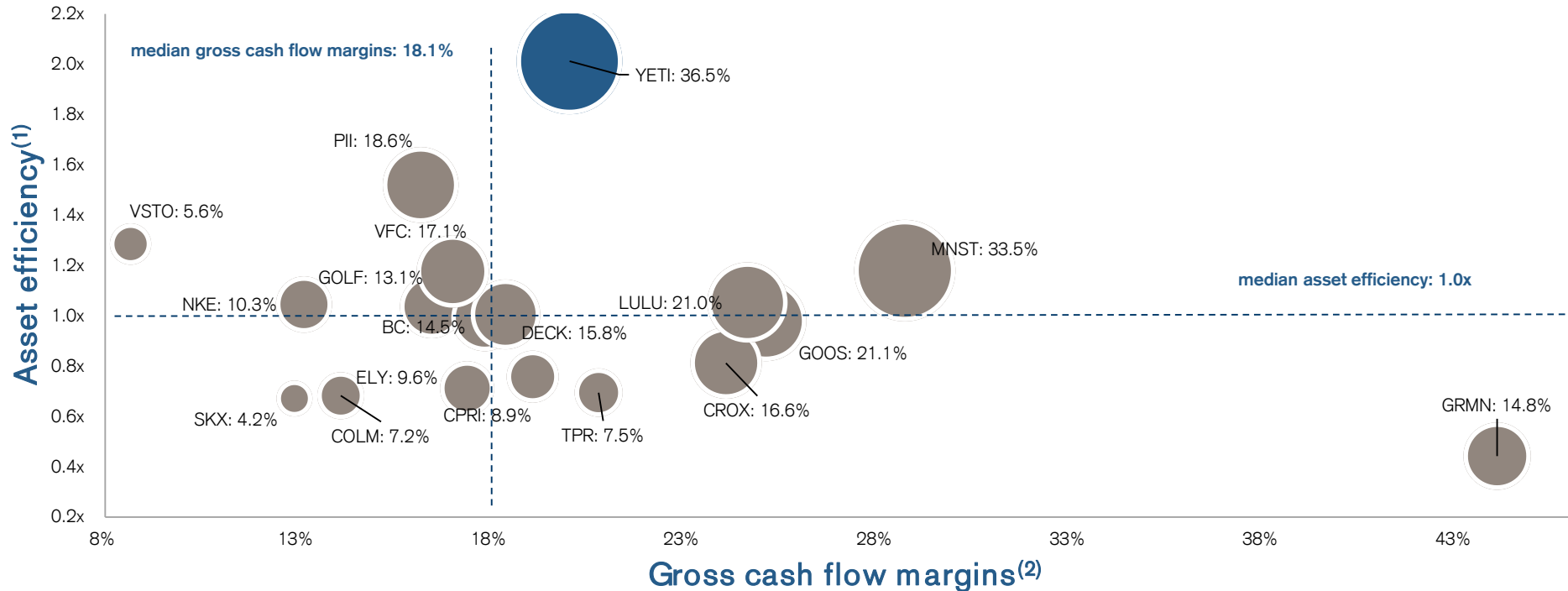
YETI has the highest returns on capital among its peer group, driven by best-in-class asset efficiency combined with above-median margins.

Returns on capital (CFROI): LFY



Drivers of returns (LFY): margins and asset efficiency

Bubble size and labels represent LFY CFROI



Comp Set

Peers Across Apparel/Footwear and Recreational

Apparel/Footwear & Recreational Products Comps

		Price 4/1/21	Value Equity	Firm	Fundamentals (FY2)			Multiple (NTM)		
					Rev	EBIT	ROIC	EPS	EBITDA	Capital
Acushnet Holdings	GOLF	\$42	3,142	3,413	3%	12%	12%	24x	13x	2.6x
Brunswick	BC	\$97	7,438	7,859	5%	14%	30%	14x	9x	3.9x
Callaway Golf	ELY	\$27	4,981	5,510	1%	5%	10%	41x	23x	4.5x
Canada Goose Holdings	GOOS	\$40	4,386	5,666	23%	22%	18%	31x	17x	6.5x
Capri Holdings	CPRI	\$49	7,541	10,895	18%	14%	9%	14x	12x	1.7x
Columbia Sportswear	COLM	\$105	7,059	6,686	7%	13%	22%	25x	15x	4.6x
Crocs	CROX	\$80	5,178	5,414	8%	19%	76%	20x	15x	14.0x
Deckers Outdoor	DECK	\$331	9,235	8,343	11%	19%	48%	23x	15x	10.0x
Garmin	GRMN	\$133	26,042	24,291	8%	25%	29%	25x	19x	6.4x
Lululemon Athletica	LULU	\$301	38,992	38,640	16%	21%	45%	44x	27x	16.7x
Monster Beverage	MNST	\$91	49,582	47,538	11%	35%	50%	33x	24x	15.1x
NIKE	NKE	\$133	213,626	213,948	11%	15%	43%	35x	26x	14.3x
Polaris	PII	\$135	8,345	9,229	5%	10%	30%	15x	9x	4.5x
SKECHERS USA	SKX	\$42	6,624	7,611	9%	10%	14%	20x	12x	2.2x
Tapestry	TPR	\$41	11,764	13,925	5%	18%	15%	15x	11x	2.4x
VF	VFC	\$79	32,077	35,523	17%	13%	16%	27x	19x	4.4x
Vista Outdoor	VSTO	\$32	1,898	2,235	1%	10%	17%	12x	7x	2.0x
Median					8%	14%	22%	24x	15x	4.5x
YETI Holdings	YETI	\$74	6,352	6,277	10%	21%	100%	33x	21x	27.8x

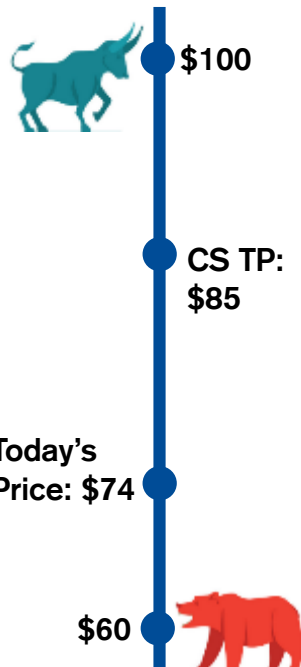
Source: FactSet.

Bull/Bear Cases

Category Growth Tailwinds vs. Market Saturation

Bull Case

- **\$100 Blue Sky = 35% potential upside**
- We assume YETI delivers an accelerated top-line CAGR of +20-25% based upon continued successful innovation of existing products, further broadening of its customer base, entry into new categories, and deeper geographical expansion in the U.S. and international. This is supported by incremental levels of spending. This suggests a 2024 EPS of \$4.00.
- On a 32x P/E Blue Sky multiple discounted to 2021 at 8%.



Bear Case

- **\$60 Grey Sky = (19%) potential downside**
- We assume YETI's top-line growth decelerates to below the algorithm toward +MSD% due to initial market saturation for high-priced coolers and drinkware, slower expansion overseas, and limited success extending product lines and entering new categories. Benefits from cost improvements and leverage drop to the bottom line as reinvestment moderates. This suggests a 2024 EPS of \$2.85.
- On a 28x P/E Grey Sky multiple discounted to 2021 at 8%.

Risks

- **Narrow Product Offering Could Be Subject to Early Market Saturation:** We estimate over 90% of YETI's revenues come from coolers and drinkware. If YETI were unable to expand its customer base and use occasion for its coolers and drinkware, the company could face early market saturation.
- **Unsuccessful New Category Entry Could Limit Growth Potential:** Expanding beyond coolers and drinkware is key to YETI developing into a more established and long-lasting business. Otherwise, growth potential could be limited.
- **International Expansion Could Fail to Gain Traction:** International in '20 was 6% of total company. If YETI were unable to develop in new markets, it could make the company overly dependent on the U.S. consumer and limit growth potential.

Source: Credit Suisse research.

Convenient Nutrition



Long-Term Tailwinds

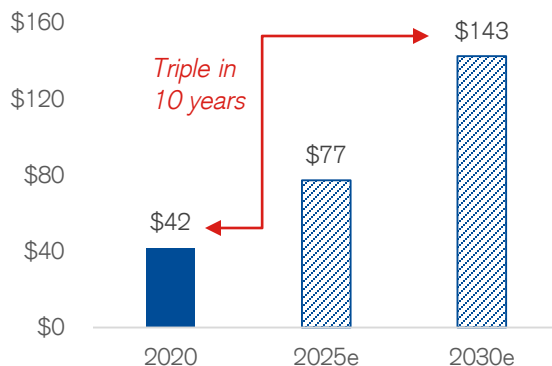
3 Megatrends Powering Convenient Nutrition Uptake

Functionality

Providing Benefits Beyond Nutrition

The U.S. functional food/beverage market reached an estimated \$42bn in 2020. CS estimates this market is growing at a low-teens CAGR. It could surpass \$50bn by 2022 and could reach \$143bn by the end of the decade.

CS Functional Food/Bev Market Size Estimates (Billions)¹



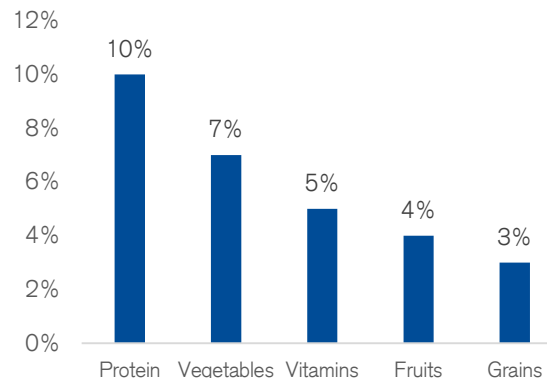
Sources: 1: Statista, 2: IFIC Survey 2018, 3: Mondelez State of Snacking Report 2020.

Additive Macronutrients

Increased Protein Consumption

Increased consumption of protein, at the expense of salt, sugar, and fat, is a natural consequence of the health & wellness megatrend. Better communication of health claims beyond muscle health has broadened category interest.

Consumers Rate Protein as the Top Nutrient for Health Issues²

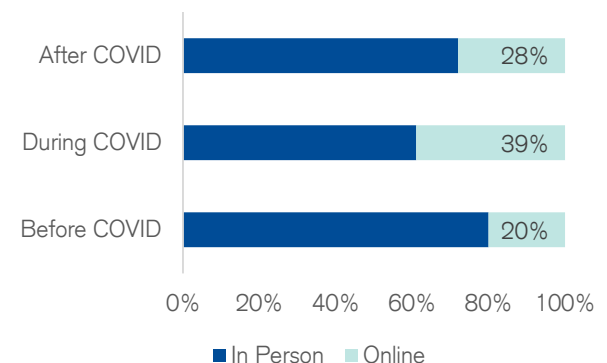


Convenience

Rise of Snacking, On-the-Go Meals, eCom

As food culture moves away from three sit-down meals to multiple eating experiences, younger consumers are increasingly seeking out snacks between meals or preparation of simple meals. Buying snacks online increased during the pandemic.

Snack Shopping Online vs. In Person³



Market Size of \$16bn, Growing at a 9% CAGR

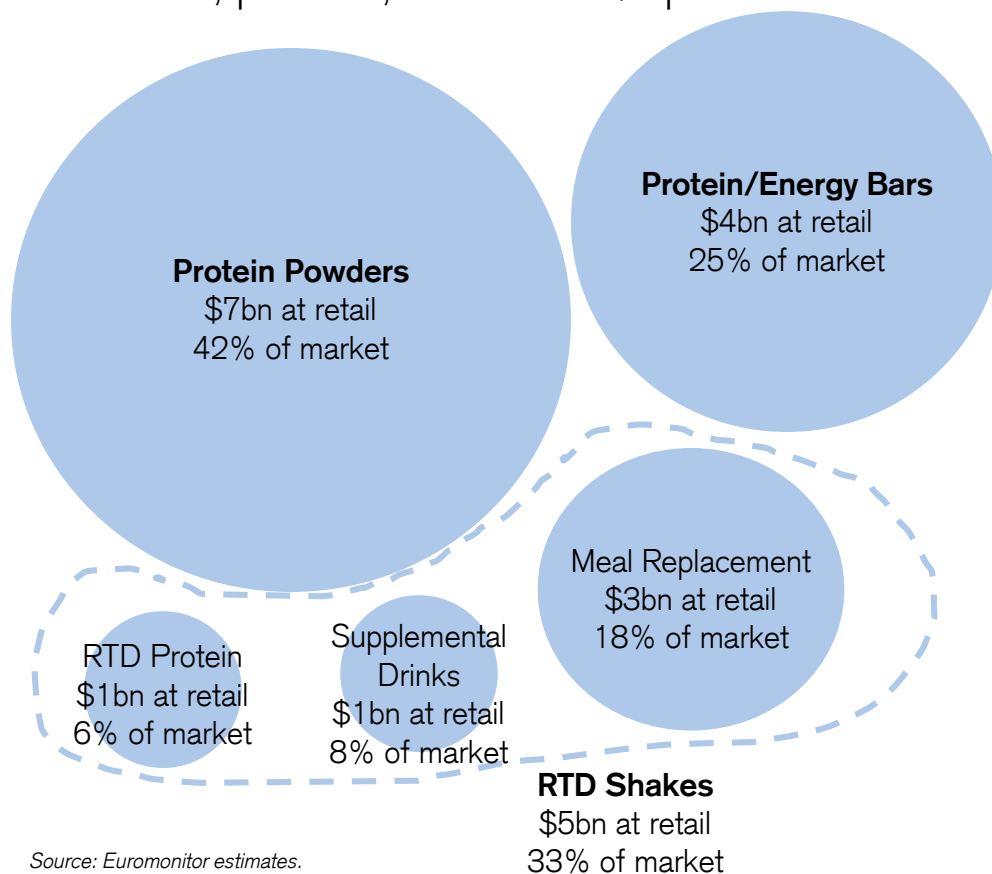
An Attractive Sub Category within Packaged Foods

US Convenient Nutrition

2020 Retail Market Size = \$16bn

Growing at a 9% 5yr CAGR ex-COVID

Bars, powders, RTDs all 10%-plus



Source: Euromonitor estimates.

Category boundaries are blurred

Positioning across multiple value propositions

Protein Powder: The largest sub-category, growing at an 11% CAGR over the last five years. Typically made from whey, soy, egg, or plant-based proteins, these products can be mixed with food to add a minimum of 20g of protein per serving. Major channels include Specialty retail, eCommerce (Amazon), and Drug channels.

Protein Bars: Energy and snack packaged foods high in protein and nutritionally fortified. Positioned around sports, fitness, or workouts. Category was growing at a low-double-digit CAGR, with soft demand throughout COVID due to mobility restrictions and limited gym openings.

RTD Shakes combines **Supplemental Nutrition Drinks** (geriatric nutrition), **Meal Replacement** (weight loss or medical purposes), and **Protein RTD** (dairy beverages containing 15-30g of protein). Growing at a weighted average 9% CAGR over the last five years, it is the most specialized and least developed of the convenient nutrition sub categories. *Share leaders include Ensure (13%), Atkins (13%), and Premier Protein (10%), with all other players below 10%.*

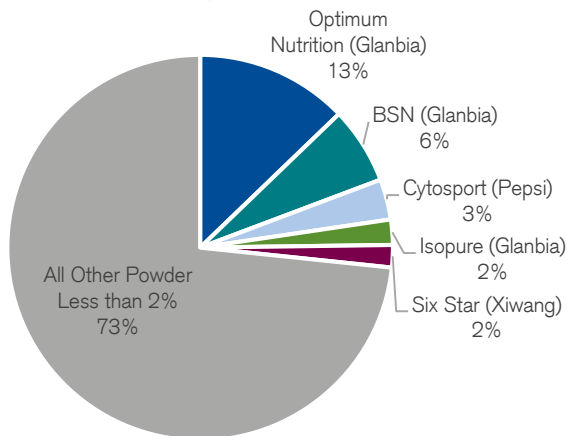
2020 Market Share

Fragmented Categories; Few Multinational Leaders

Protein Powders

42% of market

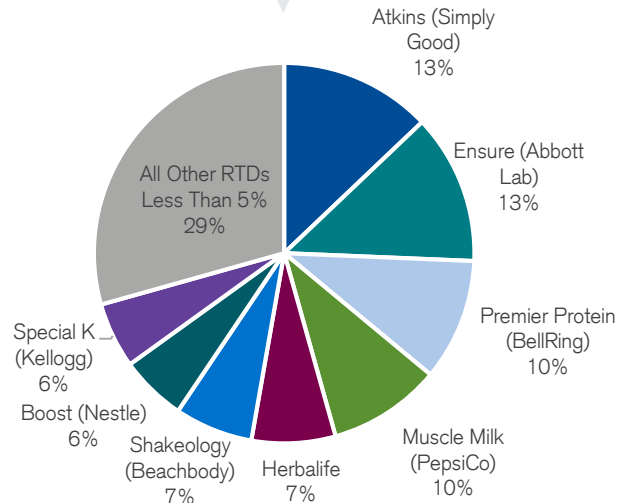
Share Leader:
Glanbia (21%)



RTD Protein Shakes

33% of market

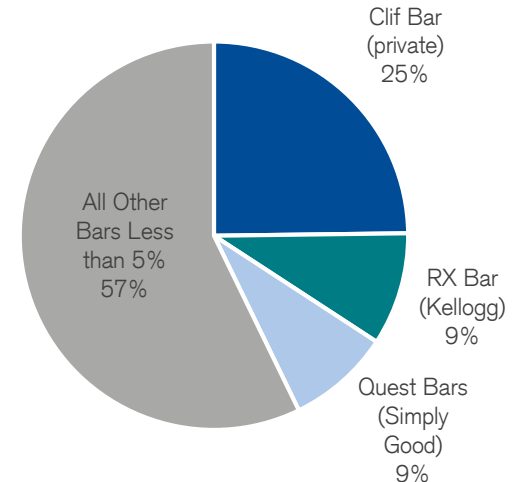
Share Leaders:
Simply Good Foods (13%)
Abbott Labs (13%)



Protein/Energy Bars

25% of market

Share Leader:
Clif Bar (25%)



Source: Euromonitor estimates for 2020 RSP market share.

Systemic Growth Drivers

Gains from Legacy Packaged Foods Substantial

Near Term

Growing Household Penetration: Protein nutrition categories well below rest of Snacking although often have higher repeat rates (loyalty)

Shelf Space Allocation, Distribution Gains: Expanding SKUs should replace legacy low-growth packaged foods categories and bring products to new channels

Pricing: Convenient nutrition can carry premium pricing

eCommerce/Amazon: Digitally native brands growing triple digits online

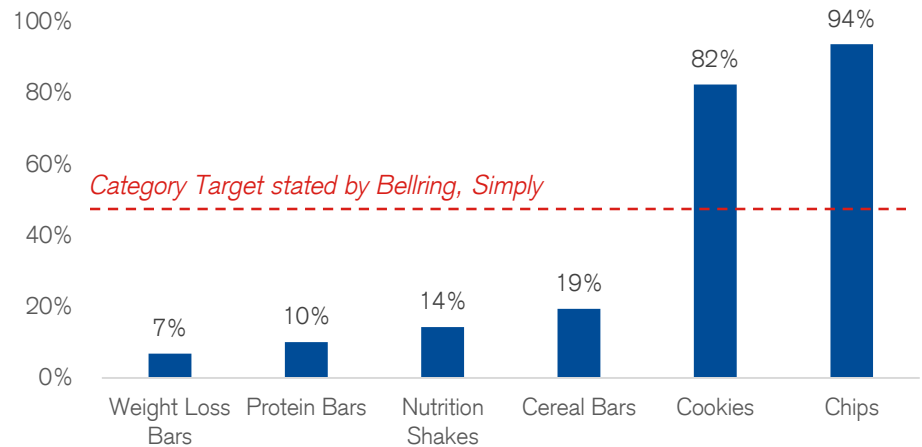
Medium Term

Placement outside of Pharmacy: Merchandising placement into Bars/Cereal aisle would drive higher traffic over current location

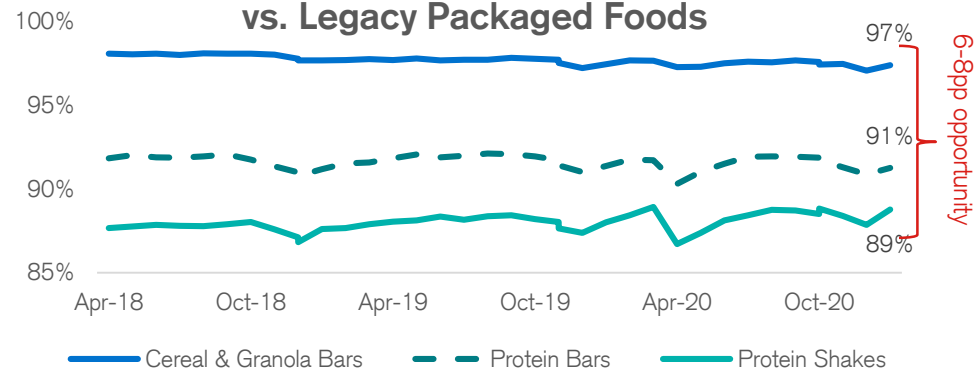
Long Term

Geographic Expansion: Major suppliers largely US/Canada based; entry into Western Europe and rest of Americas could be substantial

Household Penetration by Category (Jan 2020)



Distribution (ACV%) of Protein Segments vs. Legacy Packaged Foods



Sources: Numerator, Nielsen.

Convenient Nutrition

Market Activity Revolving Across Bars, RTD Protein

IPOs

the Simply Good
FOODS COMPANY™

SMPL

bellring

BRBR

M&A

Kellogg's

PEPSICO

the Simply Good
FOODS COMPANY™

The Coca-Cola Company

Nestlé

MARS

RXBAR

MUSCLE
MILK

QUEST
NUTRITION®

fairlife
believe in better milk™

VITAL PROTEINS®

KIND

K acq. RXBar for
\$600mn

PEP acq. Muscle Milk
for \$465m

SMPL acq. Quest
Nutrition for \$1bn

KO acq. fairlife High
Protein Milk

NESN acq. Majority
stake in Vital Proteins

Mars acq. KIND for
reported \$5bn

Notable Funding

KULI KULI

FULFIL
VITAMIN & PROTEIN BAR

whole
The Truth

OHI
SUPERFOOD BAR

FIT
JOY

IQBAR.

Superfood bar maker

Protein bar maker

Protein bar maker

Superfood bar maker

Nutrition bar maker

Nutrition bar maker

2017

2018

2019

2020

Sources: PitchBook Data, Inc.

The Simply Good Foods Company

Journey to Create a Functional Food Powerhouse

- IPO in 2017 as Conyers Park Acquisition Corp. merged with NCP-ATK Holdings ('Atkins'). Its two brands: (1) Atkins (60% of sales), a weight-management bars and shakes business; and (2) Quest (40% of sales), a protein bars business.
- **Atkins Is an Iconic Brand...** The Atkins brand is a by-word for 'low-carb dieting.' It has a 95% share of the weight management bars segment, a flat to declining segment of Convenient Nutrition.
- **...Which We View as Largely Matured:** The Atkins diet lost popularity vs. protein-forward diets; over 50% of Atkin's consumers are 50 years and older. We believe Atkins is a mature brand (HH pen of 5% nearly at Weight Management's 7%), with few extension opportunities.
- **Quest Is the Brand of the Future...** Acquired in '19 for \$1bn, Quest's attractions include: (1) a younger consumer base, with 23% of consumers under 34yrs old; (2) 50% of consumption as 'snacking', a growing user occasion; (3) products contain 15g of protein; and (4) eCommerce is 20% of sales (Amazon). We think Quest helps Simply to grow ahead of the category.
- **...With the Right Positioning for Today's H&W Consumer:** In tracked channels, a +20% CAGR ('18-'20), gaining share in the competitive protein bars category. Quest can grow distribution (80% ACV vs. category 90%) and penetration (only 1/2 the HH pen of CLIF and 1/3 that of protein bars category).
 - Opportunity in protein chips/cookies, a market 5x bars with no major entrants: today, snacks contribute \$29mn in revenue. Gaining 1% share of the Snacks market could = \$180mn in revenue and \$0.17 in EPS (+23%).
- [Link to our company report: SMPL](#)

Simply Good Foods (SMPL)

Rating:	NEUTRAL		
Target Price:	\$31		
Today's Price:	\$31		
Return:	0%		
Brokers:	Buy	8	62%
	Hold	4	31%
	Sell	1	8%

Valuation

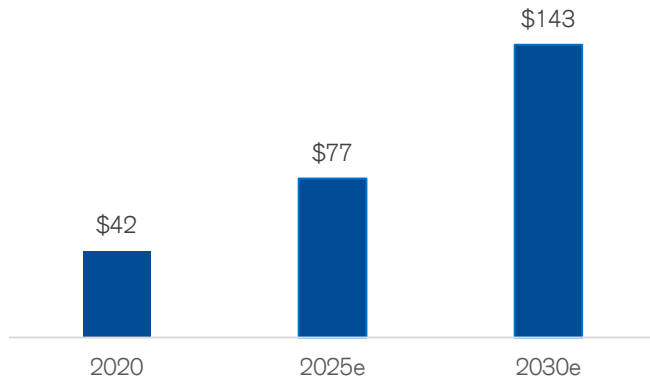
Market Cap:	\$3.bn
EV:	\$3.4bn
P/E ('22):	26.3x
EV/EBITDA ('22):	16.8x

CS Ests.	2021e	2022e	2023e
Sales	939	1,019	1,086
YOY%	15%	9%	7%
Atkins	2%	6%	4%
Quest	39%	12%	10%
Adj. EBITDA	180	196	210
Margin	19.2%	19.3%	19.3%
YOY%	17%	9%	7%
EPS (CS)	\$0.96	\$1.09	\$1.21
YOY%	29%	14%	11%
EPS (Street)	\$1.05	\$1.18	\$1.32

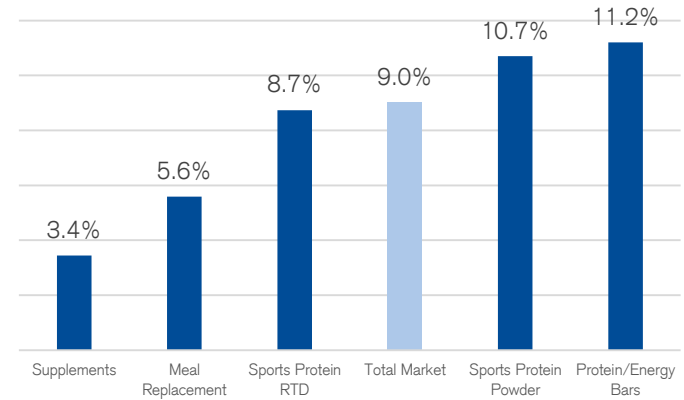
Source: Credit Suisse estimates. Note, Credit Suisse SMPL EPS does not remove non Cash items.

Simply Good Foods: Key Charts

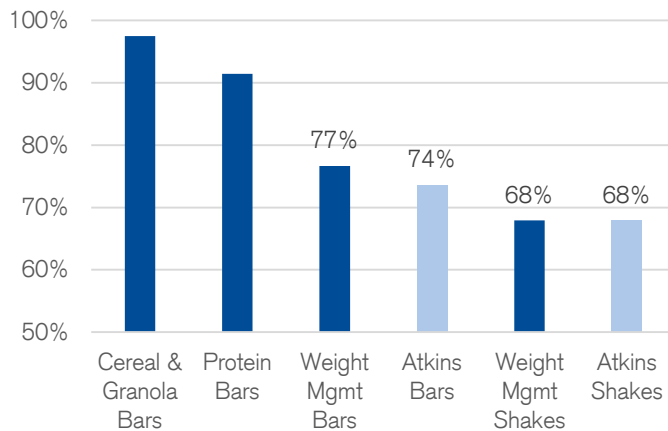
1) Health megatrends – Functional Food/Bev is a \$40bn market today



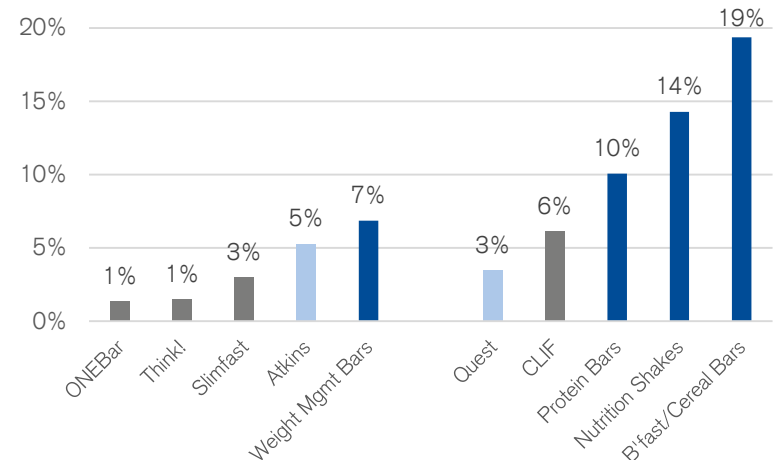
2) The convenient nutrition market will grow at a high-single-digit 5yr sales CAGR



3) Atkins bars/shakes are nearing their distribution ceiling (%ACV in tracked channels)



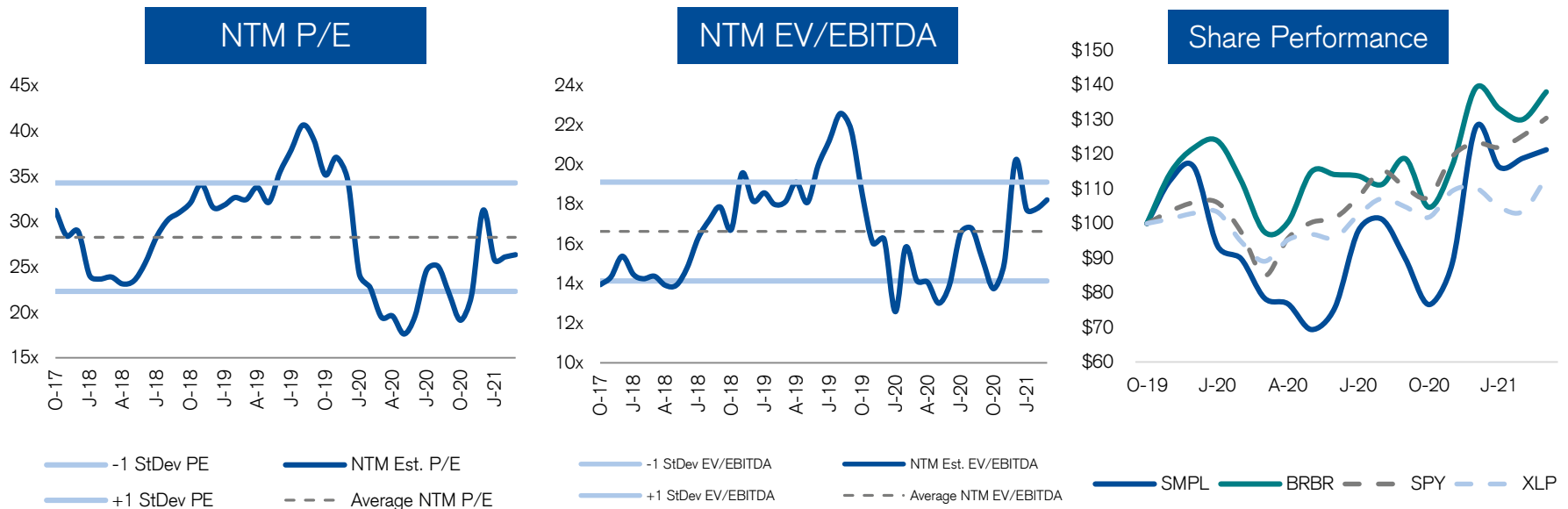
4) Quest's household penetration runway is significant relative to peers and other categories



Sources: 1) Statista, 2) Euromonitor, 3) Nielsen, 4) Numerator.

SMPL Valuation

- **We value shares at \$31 based on a 30x NTM P/E multiple on our 2024 EPS estimate of \$1.32**, discounted back to 2021 at 8%. We use this discount rate across our entire Staples universe. We rate the stock as Neutral due to our belief that share performance will be in line with the peer set.
- Our multiple is based on a blended range of high-growth Staples, Health & Wellness, and Snacking peers. We believe this range is appropriate, as shares should trade at a premium to traditional Packaged Foods due to the higher category growth rate of the convenient nutrition category.
- Peers include BellRing Brands (BRBR), Monster Beverage (MNST), WW International (WW), and PepsiCo (PEP).

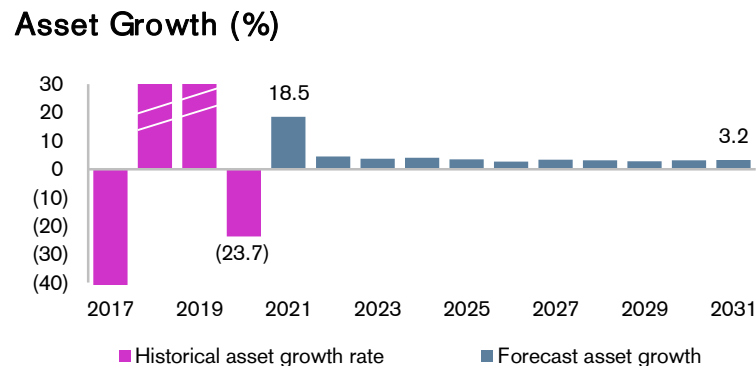
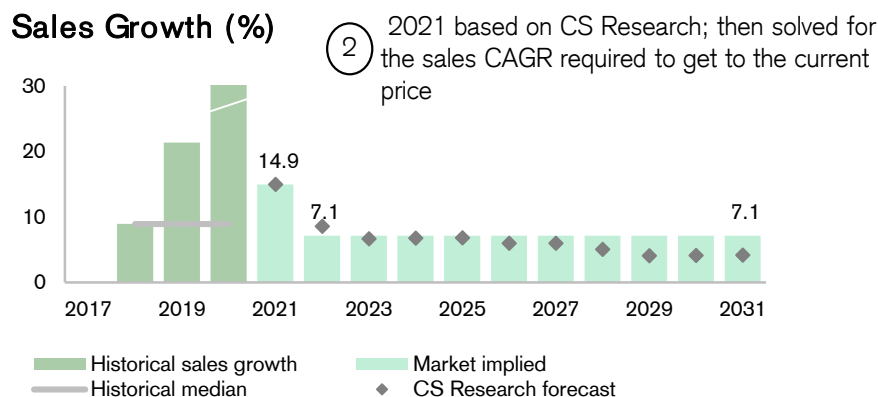
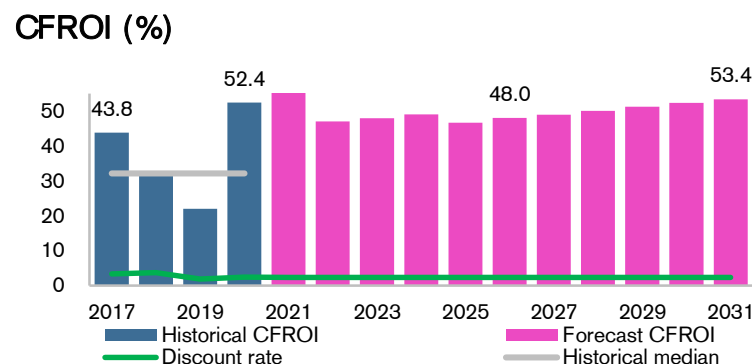
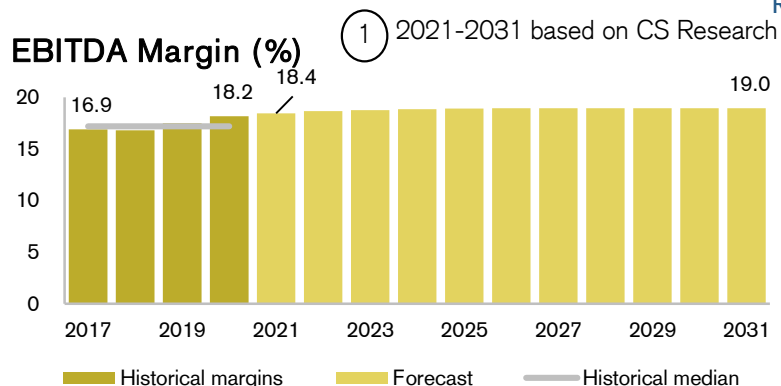


Source: FactSet. Share performance indexed to BRBR IPO listing in Nov 2019.

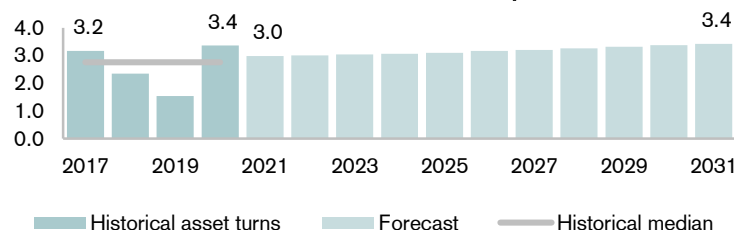
HOLT “What’s Priced In?” Analysis for SMPL

To justify today’s valuation, HOLT DCF implies 7.1% LT growth for SMPL vs. our CAGR of 5.8%

Returns on capital and drivers implied by our forecasts and current valuation



Asset Turns (x): Sales/ Invested Capital



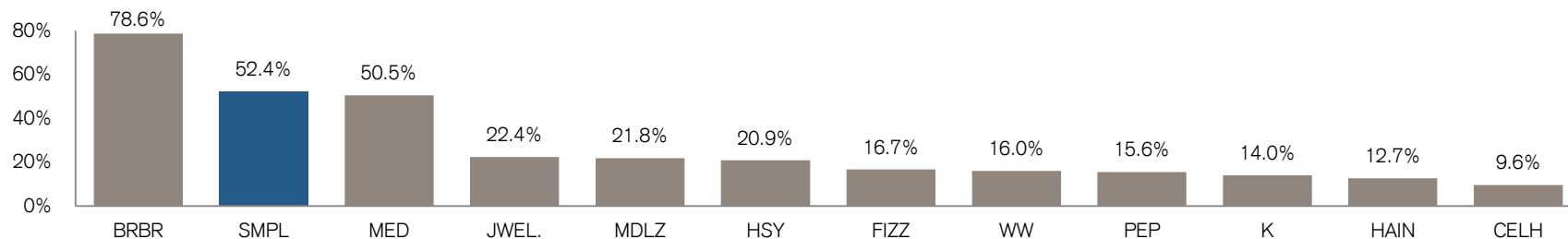
Assumptions and methodology

- Analysis based on CS Research projections and HOLT DCF
- EBITDA margins: 2021-2031 based on CS Research
- Sales growth: 2021 based on CS Research then solved for the LT sales CAGR required to get to the current price
- After the 10-year explicit forecast, the HOLT methodology calculates the terminal value by fading returns on capital and growth towards cost of capital and GDP growth respectively

HOLT Benchmarking

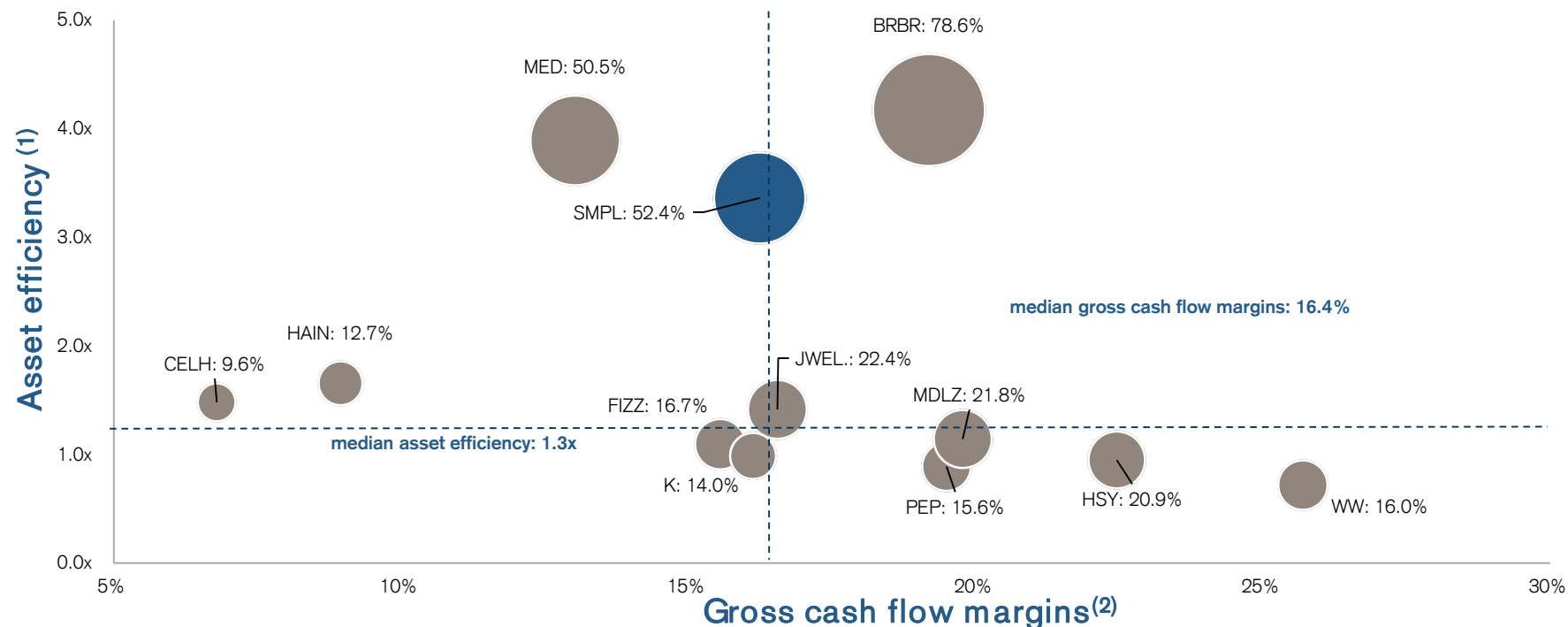
SMPL's returns on capital are higher than most of its peer group, driven by stronger asset efficiency

Returns on capital (CFROI): LFY



Drivers of returns (LFY): margins and asset efficiency

Bubble size and labels represent LFY CFROI



Source: HOLT.

(1) Asset Efficiency: Sales/Invested Capital, which includes gross PP&E, net working capital with cash, capitalized leases, capitalized R&D and excludes goodwill.

(2) Gross cash flow is a proxy for post-tax EBITDA adjusted for rent and R&D expenses.

(3) Sales of UTZ are 0, thus GCF margins cannot be derived, hence excluded from representation.

Comp Set

Peers Across High-Growth Food/Bev, H&W, Snacking

Simply Good Foods Comps

1-Apr-21

	Stock	LTM%	Div%	Market Cap		P/E			EV / EBITDA			Sales Growth			Return on Capital		
				Shrs	USD	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3	OPM	Turn	ROIC
Simply Good Foods	\$31	75%	0.0%	96	2,963	29x	26x	24x	19.4x	18.0x	16.9x	13%	6%	7%	18%	0.5x	6%
High Growth US Food/Bev (Large)																	
Monster Beverage	\$91	77%	0.0%	528	48,251	34x	30x	26x	24x	22x	20x	14%	10%	11%	35%	1.7x	46%
Beyond Meat	\$131	103%	0.0%	63	8,269	-379x	769x	157x	454x	135x	79x	40%	47%	32%	-4%	2.3x	-9%
Bellring Brands	\$24	41%	0.0%	40	3,400	31x	25x	20x	27x	24x	21x	12%	10%	9%	16%	2.1x	28%
Freshpet	\$159	171%	0.0%	43	6,876	376x	177x	118x	108x	73x	49x	35%	31%	28%	5%	1.4x	6%
Boston Beer	\$1,185	234%	0.0%	12	14,433	52x	40x	33x	29x	22x	17x	41%	25%	21%	16%	2.5x	30%
Constellation Brands	\$230	69%	1.3%	192	43,991	24x	22x	19x	16x	16x	14x	2%	-1%	7%	33%	0.5x	12%
Median		77%				32x	35x	30x	28x	23x	21x	25%	17%	16%	16%		20%
Health & Wellness(SMID)																	
Hain Celestial Group	\$44	71%	0.0%	100	4,424	32x	28x	22x	19x	17x	15x	-2%	-1%	3%	10%	1.1x	8%
Celsius	\$50	1256%	0.0%	73	3,597	551x	198x	111x	189x	91x	54x	37%	41%	49%	4%	2.9x	10%
GURU Organic Energy	\$16		0.0%	29	378		-113x	-464x	-63x	-97x	-852x		48%	29%	-24%	NA	NA
Laird Superfood	\$38		0.0%	9	335	-24x	-59x		-23x	-78x			48%	-100%	-34%	3.1x	-106%
Jamieson Wellness	\$38	45%	1.3%	40	1,191	29x	26x		17x	15x		8%	7%	-100%	20%	0.8x	13%
Medifast	\$222	279%	2.6%	12	2,617	20x	18x		13x	12x		27%	9%	-100%	14%		
National Beverage	\$48	137%	0.0%	93	4,482	26x	25x	24x	18x	17x	16x	7%	5%	5%	21%	4.7x	76%
WW International	\$32	127%	0.0%	69	2,194	17x	14x	13x	10x	9x	9x	0%	6%	6%	21%	1.3x	20%
Median		132%				26x	22x	22x	15x	14x	15x	7%	8%	4%	12%		11%
Convenience/ Snacking																	
PepsiCo	\$141	21%	2.9%	1,380	194,973	23x	22x	20x	16x	15x	14x	7%	5%	4%	15%	1.3x	16%
Mondelez Intl	\$58	21%	2.2%	1,412	82,524	20x	19x	18x	16x	15x	14x	6%	3%	3%	17%	0.6x	8%
Hershey	\$159	21%	2.0%	207	32,890	24x	22x	21x	17x	16x	16x	3%	2%	2%	23%	1.3x	24%
UTZ Brands	\$25	149%	0.8%	76	1,912	35x	30x	25x	19x	17x	17x		4%	3%	14%	0.5x	5%
Median		21%				23x	22x	21x	16x	15x	14x	6%	4%	3%	16%		12%

Source: FactSet.

Bull/Bear Cases

Category Growth Tailwinds vs. Protein Reversals

Bull Case

- **\$45 Blue Sky = 42% potential upside**
- We assume consistent double-digit revenue growth of 11-13% on volume growth, increasing distribution, and new product introductions. We would expect the convenient nutrition category to be growing high-single digits, at least. Margin expansion of 25bp annually would take the EBIT margin to 17%. Faster-than-expected debt paydown would limit below-the-line deleverage. This suggests a 2024 EPS of \$1.61.
- On a 35x P/E multiple (median of high-growth U.S. Staples comps) discounted to 2021 at 8%.



Bear Case

- **\$21 Grey Sky = (34%) potential downside**
- We assume revenue deceleration to 4% (low end of long-term guidance range and low end of category growth). This could be due to continued consumer dislocation, shifts in consumer sentiment toward protein. Prolonged input headwinds and negative mix-shift would weigh on margin within the range of 15-16%. Below-the-line pressure from interest expense could further erode earnings power. This suggests a 2024 EPS of \$1.19.
- On a 22x P/E multiple (low-end of H&W comps and in-line with Snacking/Convenience) discounted to 2021 at 8%.

Risks

- **Integrating Quest:** Simply's first acquisition. The biz combo requires combining co-packing suppliers, merging distribution centers, eliminating back-office and supply chain overlaps, and scaling up R&D and media spend.
- **Inputs Inflation Volatility Impact to Costs:** Dry whey and soybeans prices are up 30% in the last three months and ~40% YOY. Accounts for 8-10% of COGS. NT supply chain disruption or demand spikes could add margin pressure.
- **COVID Disruption to Consumption, Trade Patterns, Supply Chain:** May affect demand for product as quarantines or other government restrictions on movement can cause erratic consumer purchasing behavior.

Source: Credit Suisse research.

‘Better-for-You’ Beverages



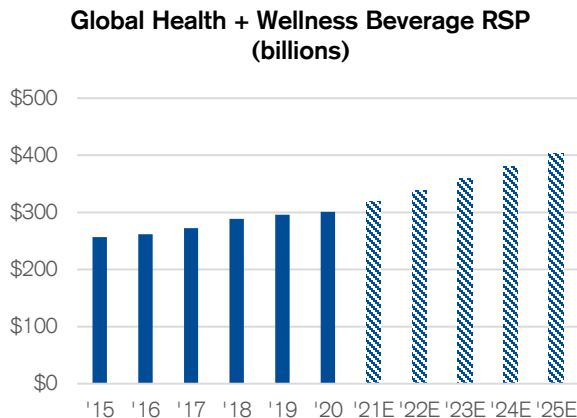
Long-Term Tailwinds

Same Customer, New Approach to Beverages

Health & Wellness Beverages

Growing Global Market

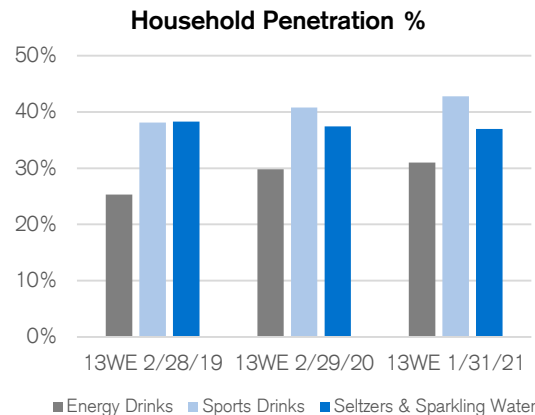
Pursuing a healthy lifestyle includes consuming 'better-for-you' food and beverages. In 2015, the global market size (RSP) for healthy beverages exceeded \$200b and was estimated to top \$400b by 2025.



Rising Household Penetration

Mainstream Appeal

In the last three years, beverage categories such as energy, sports, and water have seen increasing household penetration rates. Heightened consumer interest indicates these categories have begun to reach a broader customer group.



Evolving Consumer Preferences

Indicators of Future Demand

Consumer preferences have evolved from simply wanting greater transparency from food and drinks (i.e., ingredients). Survey responses indicate that customers are already seeking food and beverages that fulfill a specific purpose (e.g., hydration, energy, nutrition, etc.)

- 65% of consumers look for function in what they eat and drink
- 75% of consumers will pay extra for clean-label ingredients
- 24% of consumers say they eat or drink products that contain probiotics

Sources: Euromonitor, Numerator, Evergi Dec 2020 Survey, Ingredient Communications, BevIndustry.

Market Size of \$67.6bn, Estimated to Grow at 4% CAGR

A Evolving Segment Within Beverages

US Health + Wellness Beverages
2020 Retail Market Size = \$67.6bn
To grow at a 4% 5yr CAGR '20-'25

Sub-categories are not mutually exclusive
Companies can be part of some/all buckets

Organic: The smallest sub-category represents beverages produced, stored, processed, handled and marketed in accordance with regional guidelines (i.e., USDA)

'Better-for-You': Beverages where less healthy ingredients have been actively reduced (e.g., sugar, salt, carbs).

Naturally Healthy: Beverages that naturally contain a substance that improves health and wellbeing (e.g., soy drinks, juices, mineral water, teas, etc.)

Fortified/Functional: Beverages that have ingredients and/or nutrients specifically added that hold a health claim

Health + Wellness Beverages
\$67.6bn at retail

Organic

\$1.6bn at retail
2% of market

'Better-for-You'

\$12bn at retail
18% of market

Naturally Healthy
\$20.3bn at retail
30% of market

Fortified/Functional
\$33.7bn at retail
50% of market

Source: Euromonitor Estimates.

2020 Market Share

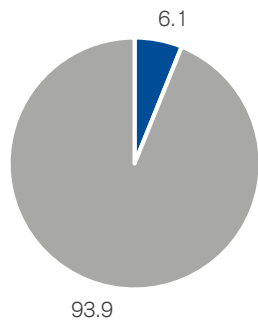
Large Bev Companies Involved; Opportunity Remains

Organic
\$1.6bn at retail
2% of market

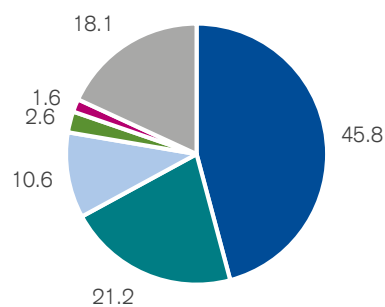
'Better-for-You'
\$12bn at retail
18% of market

Naturally Healthy
\$20.3bn at retail
30% of market

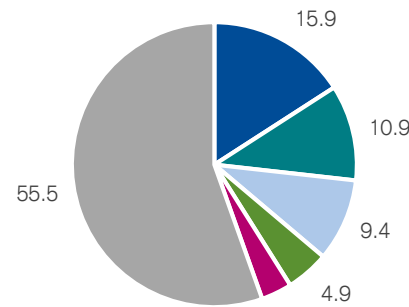
Fortified/Functional
\$33.7bn at retail
50% of market



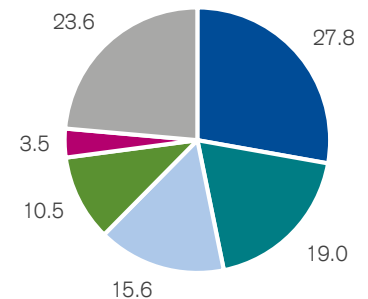
■ Nestle ■ Others



■ KO ■ PEP ■ KDP
■ KHC ■ UNLV ■ Others



■ Nestle ■ KO ■ PEP
■ Primo Water ■ Wonderful Co ■ Others



■ PEP ■ MNST ■ Red Bull ■ KO ■ Bang ■ Others

Source: Euromonitor.

Systemic Growth Drivers

Category Reframing & Innovation Support Gains

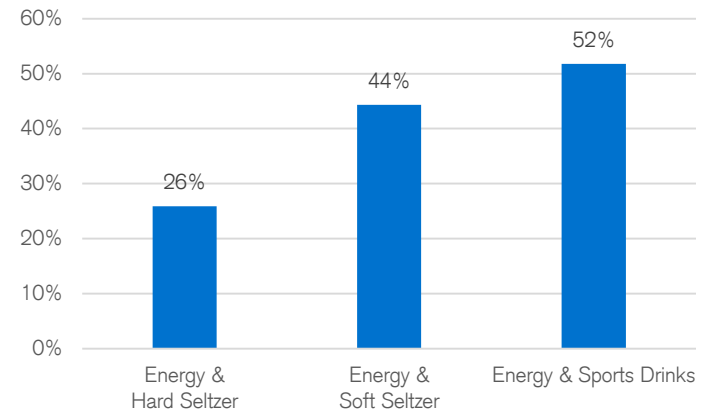
Near Term

Growing Household Penetration: A focus on wellness should continue to drive increasing household penetration rates across healthy beverage categories.

Pricing: Beverages with specific ingredients and/or health and wellness claims can carry premium pricing.

eCommerce/Amazon: Brands without major distribution agreements are growing triple digits online.

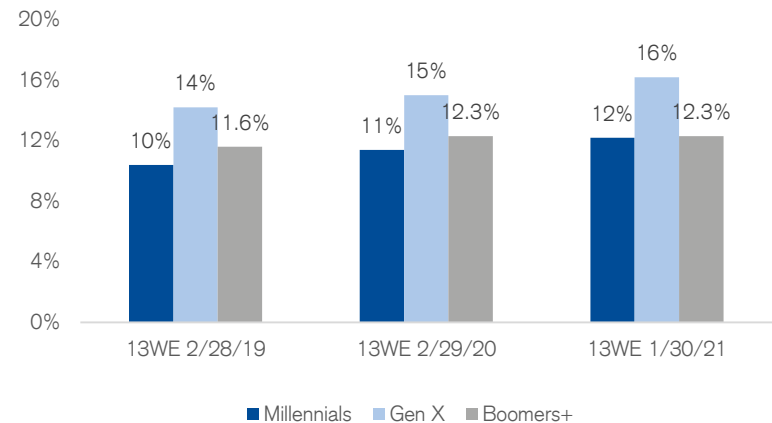
Buyer Overlap



Medium Term

Niche Turns Mainstream: Higher rates of adoption across age groups highlight a structural shift in how health and wellness beverage categories are viewed.

Sports Drinks Household Penetration by Age Group



Long Term

Innovation: Existing categories are transformed into 'better-for-you'. New ingredients create novel products (e.g., plant-based beverages).

Source: Numerator

'Better-for-You' Beverages

Active M&A, Funding but Few Scale to Reach IPO

IPOs

bellring[®] brands
BRBR

GURU
GURU.CA

M&A



KEVITA

PEP acq. Kevita for
\$260m



bai

KDP acq. Bai for
\$1.7b



RUNA

Vita Coco acq. Runa
Amt. undisc.



core

KDP acq. Core for
\$525m



PEP acq. Rockstar
Energy for \$3.8b



Nestlé acq.
Essentia water

Funding



Acai Bev



Herbal Mate

JUST WATER

Bottled water

hint

Zero sugar water

zevia

Zero sugar CSD



Plant-based protein bev

2016

2018

2020

Source: Pitchbook.

Celsius Holdings

Sprinting to Disrupt Energy Drinks

- Celsius markets and distributes energy drinks primarily in the US, Scandinavia, and China. 2020 revenues were \$131m (+74% Y/Y) and EBITDA \$15m (12% margin). It holds about 1% share of the \$18bn U.S. energy drinks market.
- **Celsius' U.S. Growth Potential—Mid-Single-Digit Share by '23:** We expect share gains to be driven by expanded distribution, including new doors and SKUs, and improved velocity, as the company benefits from converting retail customers from wholesale to DSD distribution.
 - **Progress in Distribution Is Not Reflected in Today's Numbers:** Over the past two years, Celsius has added more than 100 new direct-store-delivery partners in the U.S. (from about 50 in 2019), with availability now in ~85% of major metropolitan areas (as Celsius fills the void in ABI houses).
 - **DSD Conversion to Yield Additional Gains:** As new DSD partners have joined the system, Celsius has been converting existing customers from wholesale distribution to DSD. This conversion has resulted in an incremental 40% sales lift on top of the 30% same-store growth in existing accounts, according to the company.
- **Margin Opportunity—Mid-teens% EBITDA over Next 3-5 Years:** Celsius earned a 12% EBITDA margin in 2020. Gross margin is already at a good level, though we expect a decline in 2021 due to costs associated with the importation of aluminum cans and higher freight expenses. SG&A expenses, however, appear high, even for a company this size and in this stage of growth. We believe there is opportunity as revenues expand and scale benefits kick in.
- [Link to our company report: CELH](#)

Celsius Holdings (CELH)			
Rating:	NEUTRAL		
Target Price:	\$50		
Today's Price:	\$50		
Return:	1%		
Brokers:	Buy	2	67%
	Hold	1	33%
	Sell	0	0%

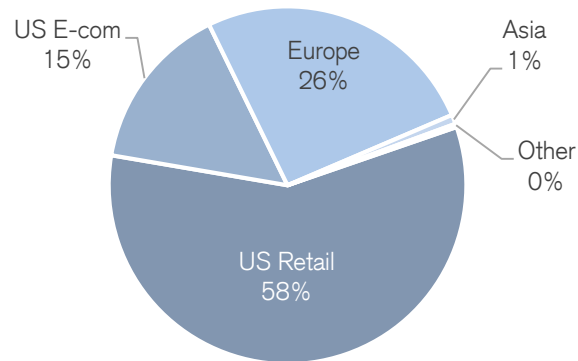
Valuation	
Market Cap:	\$3.6bn
EV:	\$3.6bn
EV/S ('22):	14.3x
EV/EBITDA ('22):	91.7x

CS Ests.	2021e	2022e	2023e
Sales	247	442	729
YOY%	89%	79%	65%
N America	116%	91%	71%
Europe	15%	15%	15%
Asia	3%	66%	27%
Other	30%	20%	20%
Adj. EBITDA	26	53	98
Margin	10.6%	12.0%	13.4%
YOY%	69%	104%	83%
EPS (CS)	\$0.15	\$0.33	\$0.65
YOY%	25%	121%	97%
EPS (Street)	\$0.09	\$0.25	\$0.45

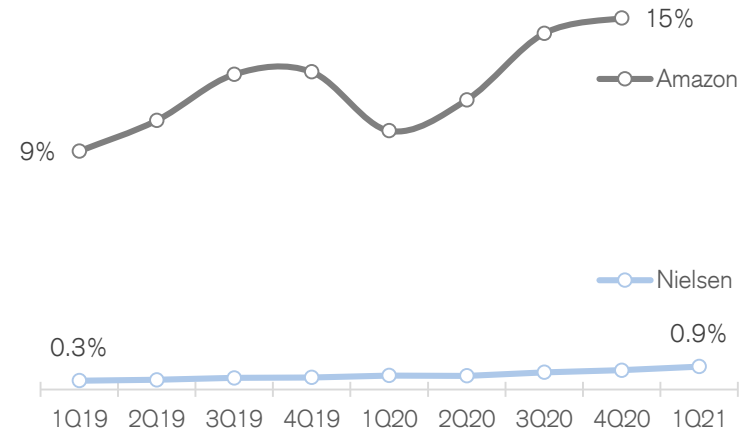
Source: Credit Suisse research estimates.

Celsius Holdings: Key Charts

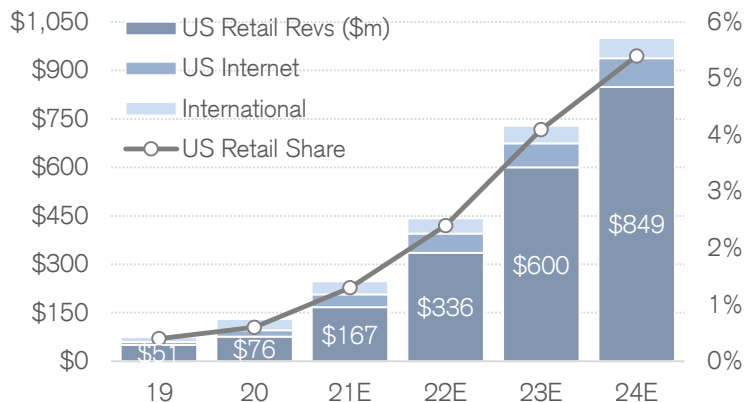
1) Celsius revenue breakdown (2020: \$131mn)



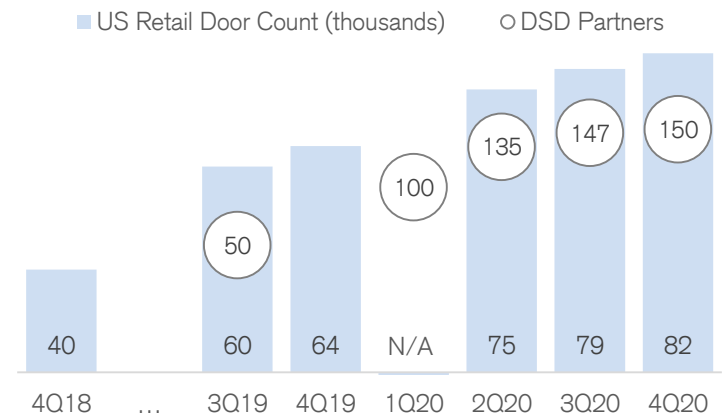
2) Celsius U.S. market share by channel



3) We forecast Celsius global sales to reach \$1bn by 2024, capturing a MSD% share of the U.S. energy drinks market



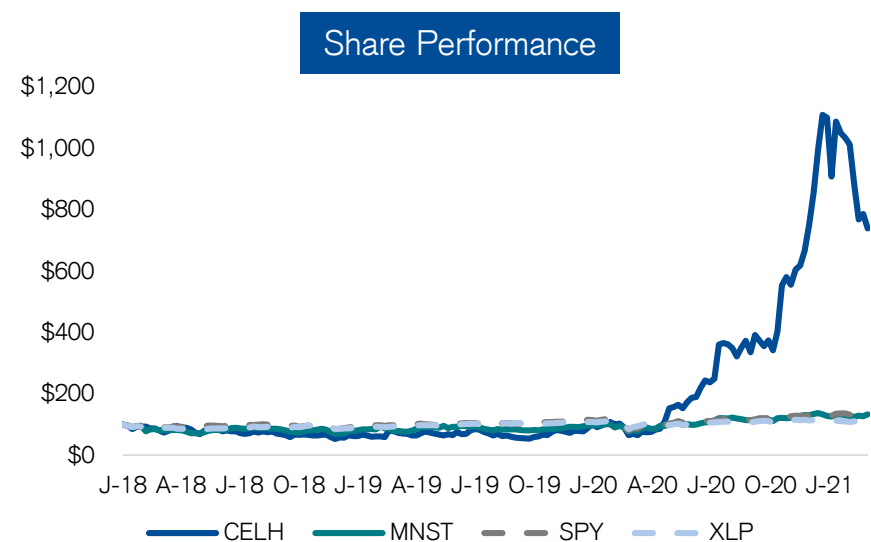
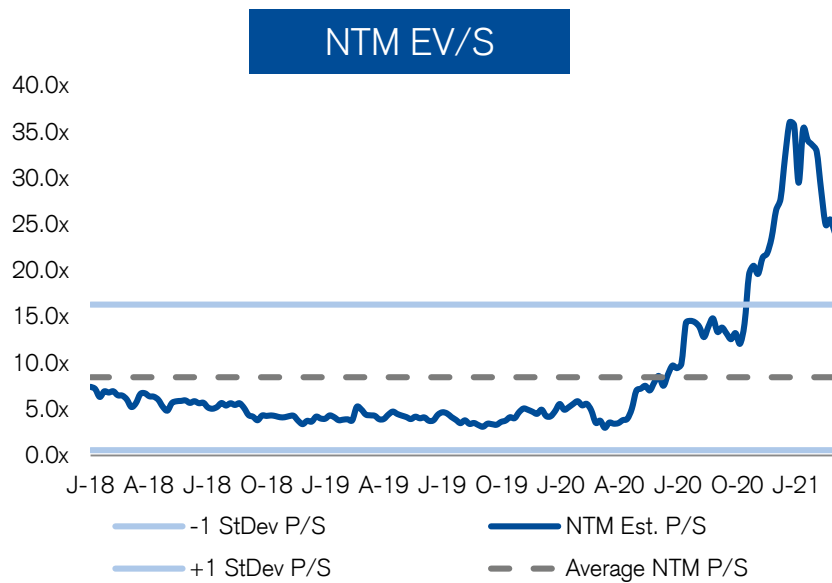
4) Celsius' progress in expanding U.S. distribution



Sources: Company data, Nielsen, Credit Suisse research.

CELH Valuation

- **We value shares at \$50 based on a 5x EV/Sales multiple on our 2024 sales estimate of \$1bn**, discounted back to 2021 at 8%. We use this discount rate across our entire Staples universe. We rate the stock as Neutral due to our belief that share performance will be in line the peer set.
- Our multiple is based on a median of consumer companies with expected double-digit FY3 top-line growth as well as health and wellness Food and Beverage companies.
- Peers include more established firms such as LULU, SAM, MNST, and WW as well as early-stage ones such as PTON, BYND, VITL, and CHWY.

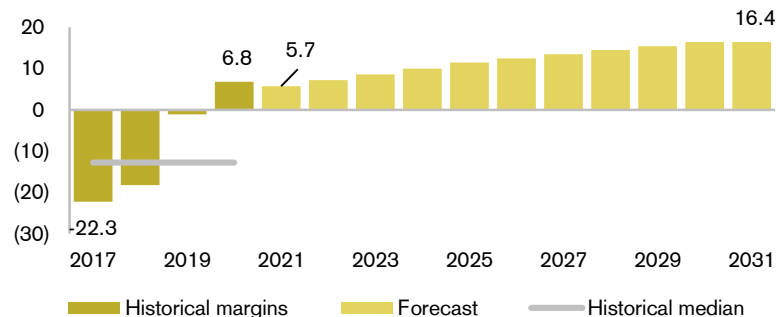


Source: FactSet. Share performance indexed to Jan 2018.

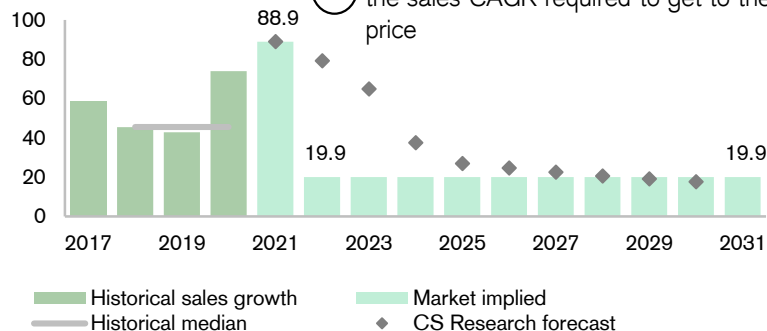
HOLT “What’s Priced In?” Analysis for CELH

To justify today’s valuation, HOLT DCF implies 16.8% LT growth for CELH vs. our CAGR of 25.5%.

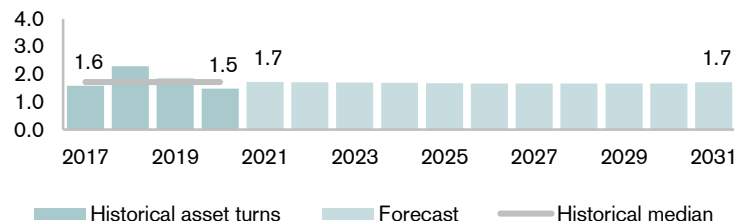
EBITDA Margin (%) (1) 2021-2030 based on CS Research, then assumed constant



Sales Growth (%) (2) 2021 based on CS Research; then solved for the sales CAGR required to get to the current price

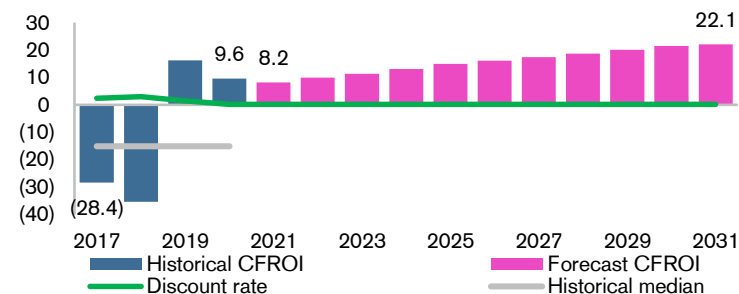


Asset Turns (x): Sales/ Invested Capital

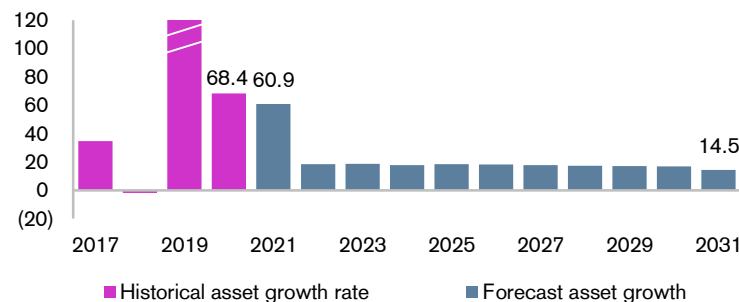


Returns on capital and drivers implied by our forecasts and current valuation

CFROI (%)



Asset Growth (%)



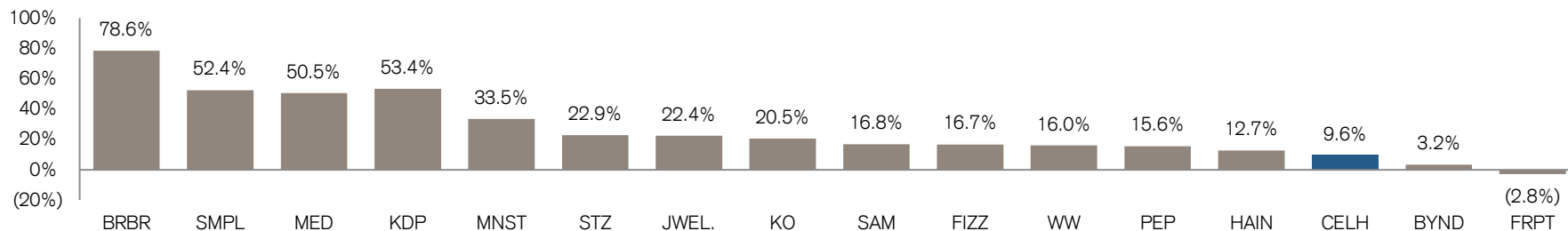
Assumptions and methodology

- Analysis based on CS Research projections and HOLT DCF
- EBITDA margins: 2021-2030 based on CS Research, then assumed constant
- Sales growth: 2021 based on CS Research then solved for the LT sales CAGR required to get to the current price
- After the 10-year explicit forecast, the HOLT methodology calculates the terminal value by fading returns on capital and growth towards cost of capital and GDP growth respectively

HOLT Benchmarking

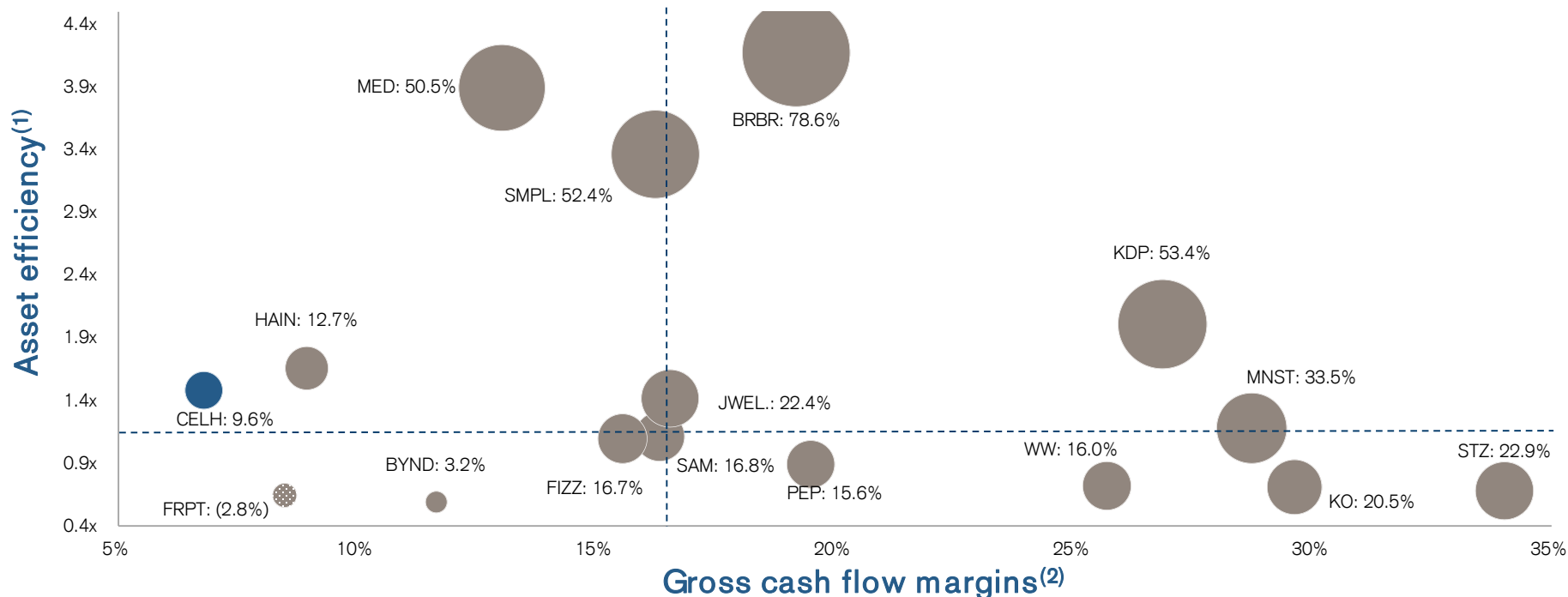
CELH has one of the lowest returns on capital in its peer group, driven by low margins. However, it has above peer median asset efficiency.

Returns on capital (CFROI): LFY



Drivers of returns (LFY): margins and asset efficiency

Bubble size and labels represent LFY CFROI



Source: HOLT.

(1) Asset Efficiency: Sales/Invested Capital, which includes gross PP&E, net working capital with cash, capitalized leases, capitalized R&D and excludes goodwill.

(2) Gross cash flow is a proxy for post-tax EBITDA adjusted for rent and R&D expenses.

Comp Set

Peers Across Double-Digit Growth Consumer, H&W

Celsius Holdings Comps

1-Apr-21

	Stock	LTM%	Div%	Market Cap		EV / EBITDA			Price/Sales			Sales Growth		
				Shrs	USD	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3
Celsius	\$50	1239%	0.0%	73	3,597	189x	91x	54x	20.1x	14.3x	9.6x	37%	41%	49%

Double-Digit Growth Consumer

Beyond Meat	\$131	103%	0.0%	63	8,269	454x	135x	79x	14.5x	9.9x	7.5x	40%	47%	32%
Chewy	\$83	120%	0.0%	415	34,346	182x	98x	59x	3.9x	3.2x	2.7x	24%	20%	18%
Casper Sleep	\$7	78%	0.0%	41	294	-15x	29x	11x	0.5x	0.4x	0.4x	19%	16%	14%
Fevertree Drinks	\$21	85%	0.7%	117	3,419	36x	29x	25x	8.5x	7.4x	6.6x	16%	15%	12%
Five Below	\$196	210%	0.0%	56	10,948	29x	24x	20x	4.1x	3.5x	3.0x	35%	20%	17%
Freshpet	\$159	172%	0.0%	43	6,876	108x	73x	49x	16.0x	12.2x	9.5x	35%	31%	28%
Canada Goose Holdings	\$40	119%	0.0%	110	4,453	38x	22x	18x	8.3x	6.3x	5.5x	-6%	32%	15%
Lululemon Athletica	\$301	64%	0.0%	130	39,237	28x	23x	20x	7.0x	5.9x	5.2x	28%	17%	15%
Monster Beverage	\$91	77%	0.0%	528	48,251	24x	22x	20x	9.2x	8.4x	7.5x	14%	10%	11%
Peloton Interactive	\$112	289%	0.0%	295	33,011	98x	58x	37x	8.0x	6.0x	4.6x	125%	34%	29%
Revolve Group	\$45	439%	0.0%	72	3,248	41x	30x	26x	4.7x	4.0x	3.5x	18%	19%	16%
Boston Beer	\$1,185	233%	0.0%	12	14,433	29x	22x	17x	5.9x	4.7x	3.9x	41%	25%	21%
Vital Farms	\$22		0.0%	40	869	112x	48x	22x	3.5x	2.7x	2.1x	78%	27%	28%
Median		119%				37.3x	28.8x	22.5x	7.0x	5.9x	4.6x	28%	20%	17%

Health & Wellness Food/Bev

Bellring Brands	\$24	41%	0.0%	40	3,500	18x	16x	15x	0.9x	0.8x	0.7x	12%	10%	9%
Beyond Meat	\$131	103%	0.0%	63	8,269	454x	135x	79x	14.5x	9.9x	7.5x	40%	47%	32%
National Beverage	\$48	138%	0.0%	93	4,482	18x	17x	16x	4.2x	4.0x	3.8x	7%	5%	5%
GURU Organic Energy	\$16	724%	0.0%	29	378	-63x	-97x	-852x	16.3x	11.0x	8.5x	32%	48%	29%
Hain Celestial Group	\$44	72%	0.0%	100	4,424	19x	17x	15x	2.2x	2.2x	2.1x	-2%	-1%	3%
Jamieson Wellness	\$38	45%	1.3%	40	1,191	17x	15x		3.5x	3.2x		8%	7%	
Laird Superfood	\$38		0.0%	9	335	-23x	-78x		7.9x	5.3x		63%	48%	
Medifast	\$222	281%	2.6%	12	2,617	13x	12x		2.2x	2.0x		27%	9%	
Simply Good Foods	\$31	76%	0.0%	96	2,963	19x	18x	17x	3.2x	3.0x	2.8x	13%	6%	7%
Vital Farms	\$22		0.0%	40	869	112x	48x	22x	3.5x	2.7x	2.1x	78%	27%	28%
WW International	\$32	126%	0.0%	69	2,194	10x	9x	9x	1.6x	1.5x	1.4x	0%	6%	6%
Median		126%				17.0x	15.3x	15.7x	3.5x	3.0x	2.5x	13%	7%	6%

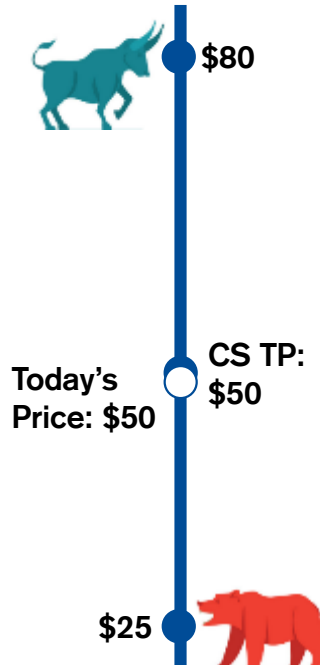
Source: FactSet.

Bull/Bear Cases

Category Growth Tailwinds vs. Distribution Halted

Bull Case

- **\$80 Blue Sky = 59% potential upside**
- Celsius sustains an approximate 70% top-line CAGR for the next three years in the US, as the company benefits from broader and deeper distribution reach associated with a strong national partnership. International operations remain steady. Margin economics improve from scale benefits.
- Based on a 6x EV/Sales multiple (above the median of high-growth Consumer comps) on our '24 Blue Sky Sales estimate of \$1.2bn discounted to 2021 at 8%.



Bear Case

- **\$25 Grey Sky = (50%) potential downside**
- We assume revenue growth slows meaningfully post-2022 back down to a teen range, possibly due to the company adding fewer new doors/SKUs and realizing less benefits from DSD conversion. Depresses potential for improved economies of scale. International operations slowdown could become a further distraction.
- Based on a 4x EV/Sales multiple (below the median of high-growth Consumer comps) on our '24 Grey Sky sales estimate of \$600mn discounted to 2021 at 8%.

Risks

- **Distribution Gains Fail to Materialize, Preventing Further Growth:** If Celsius does not experience a corresponding acceleration in volume and sales within a certain time frame, other distribution partners and key accounts may be hesitant to offer shelf space, hampering the company's growth outlook.
- **Increased Competition in Energy Drinks:** Pressure from better-capitalized companies (Monster, Red Bull) in the form of price discounting could put Celsius' growth and profitability at risk.
- **Regulatory Risk:** If the FDA formally establishes guidelines for health claims made by functional energy beverage makers, the company could face additional costs to comply with such regulations or be forced to reformulate its product.

Team Contact Info



Kaumil S. Gajrawala
Managing Director

Kaumil.Gajrawala@credit-Suisse.com

+1 212-325-3227



Theo C. Brito
Vice President

theo.brito@credit-suisse.com

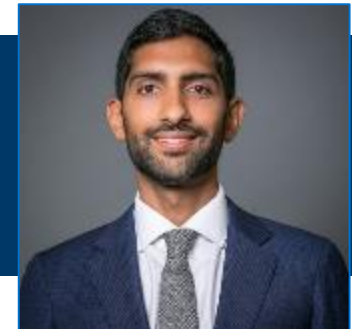
+1 212 325 4637



Pallavi Bakshi
Vice President

pallavi.bakshi@credit-suisse.com

+1 212 538 8434



Keith Devas
Associate

keith.devas@credit-suisse.com

+1 212 325 2686

Please reach out to be added to our distribution list

Disclosures

Valuation Methodology and Risks

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Celsius Holdings (CELH.N)

Method: Our \$50 target price, which helps drive our Neutral rating, is based on 5x our 2024 sales of \$1bn, discounted to 2021 at an 8% rate. The multiple is based on the median of consumer companies with expected double-digit topline growth. The peer group includes more established firms such as Lululemon and Boston Beer, as well as early-stage ones such as Peloton and Beyond Meat.

Risk: Risks to our \$50 target price and Neutral rating include: 1) Distribution gains fail to materialize, in particular the increased velocities from DSD conversion, thus hampering Celsius' growth outlook. 2) Heightened competition from more established and better-capitalized companies such as Monster and Red Bull making inroads into the performance/fitness energy segment. 3) Increased regulatory risk by the FDA around Celsius' health claims, or new evidence that contradicts those claims, could result in added costs, product reformulation, and/or loss of customers. 4) Celsius relies disproportionately on one single customer—Amazon—which comprises 15% of its sales. 5) Acquisition of European distributor Func Food out of bankruptcy in 2019 for \$27m has had limited contribution to Celsius' international growth so far. 6) Licensing agreement with Qileng could limit Celsius' upside in the important China market.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Peloton Interactive, Inc. (PTON.OQ)

Method: Our \$164 target price, which drives our Outperform rating, is based on 6.5x EV/IS multiple on our 2025E sales estimate of \$10.9b discounted back to FY2022 at 8%.

Risk: Risks to our \$164 target price and Outperform rating include slowing demand, elevated churn, supply chain difficulties, and adverse litigation judgments.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Simply Good Foods Co. (SMPL.OQ)

Method: Our \$31 target price, which helps drive our Neutral rating, is based on a 30x NTM P/E multiple on our 2024 EPS estimate of \$1.32 discounted back to 2021 at 8%. Our comparable multiple range includes Health & Wellness, High Growth Consumer, and Snacking peers.

Risk: Risks to our \$31 target price and Neutral rating include integration progress for Quest, inputs inflation, COVID disruption to consumption, trade patterns and supply chain, increasing number of competitive entrants, and elevated leverage adding cash flow risk.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Yeti Holdings (YETI.N)

Method: Our \$85 target price, which helps drive our Outperform rating, is based on 30x our 2024e EPS of \$3.50 discounted at 8%. The multiple reflects our expectation of mid- to high-teens% topline growth through 2023 and return on capital in excess of 50%, both of which are above the median of US recreational products and apparel/footwear peers. The group is trading at 23x forward earnings based upon median topline growth of 8% and ROIC of 22%.

Risk: Risks to our \$85 target price and Outperform rating include: 1) YETI's narrow product offering comprised primarily of coolers and drinkware—durable products with long useful life serving a relatively niche consumer base—could be subject to early market saturation. 2) Unsuccessful expansion into new categories beyond coolers and drinkware could limit YETI's growth potential. 3) International is only 6% of YETI's sales, and if the company is unable to develop its brand overseas it could make it overly dependent on the US consumer. 4) YETI's margins are at the high-end of peers, but in order to finance expansion into new markets and categories, the company may require increased levels of investments, thus putting pressure on margins. 5) YETI's narrow product portfolio has allowed the company to maintain a tight and loyal customer base. Expanding into more (and potentially unrelated) product categories could dilute its brand and make it less appealing to its core users.

Companies Mentioned (Price as of 01-Apr-2021)

Celsius Holdings (CELH.N, \$49.51, NEUTRAL[V], TP \$50.0)
Peloton Interactive, Inc. (PTON.OQ, \$112.09, OUTPERFORM[V], TP \$164.0)
Simply Good Foods Co. (SMPL.OQ, \$30.95, NEUTRAL[V], TP \$31.0)
Yeti Holdings (YETI.N, \$73.78, OUTPERFORM[V], TP \$85.0)

Disclosure Appendix

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Restricted	2%	

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