



BOOT BARN[®]

LONG Recommendation

Current Share Price: **\$156.1**

Target Share Price: **\$234.2**

Upside: 50.0% IRR to 2031: 13.3%

Date: 11 December 2024

By: August Jörding, Emil Sköldberg, Fredrik Sölveld

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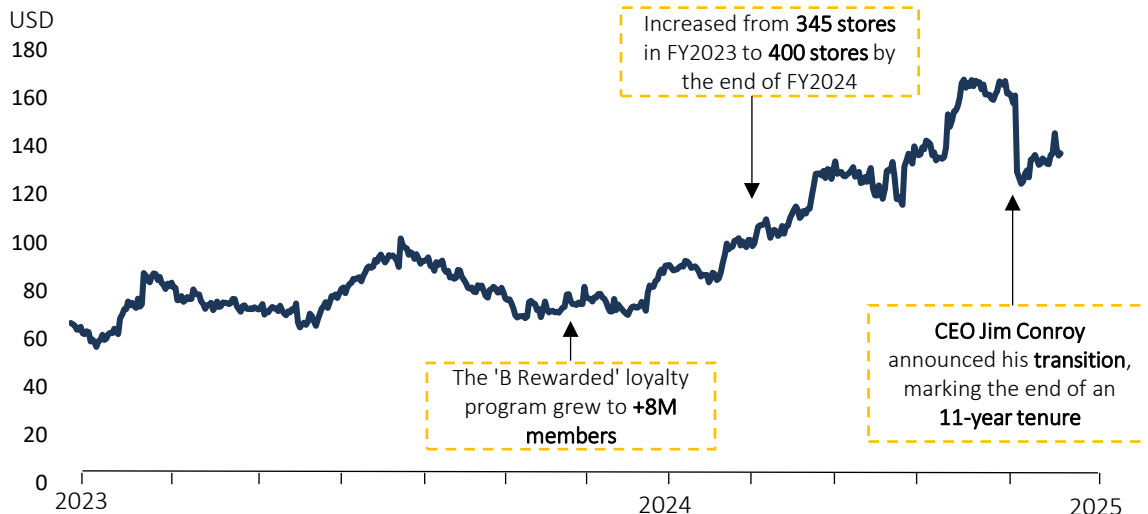
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A High-Growth Retailer Positioned for 20% EPS Growth at an Attractive Valuation

Share Price Performance



Investment Thesis

1

A Consolidator in a Fragmented Industry

- BOOT is the #1 player in the fragmented Western wear market.
- With a ~\$40B TAM and a 5% market share, BOOT has substantial runway for growth.
- Positioned to consolidate the market with 15%+ annual unit growth from 2025 to 2030.

2

Growth Backed by Strong Unit Economics

- New stores achieve ~60% cash-on-cash ROI
- All current stores positively contribute to EBITDA, underscoring operational efficiency.
- Efficient capital deployment with 50.7% average incremental ROIC projected for 2025-2030.

3

Defendable and Expanding Margins

- BOOT is leveraging market outperformance to strengthen supplier negotiations.
- Gross margins are expected to expand by +200bps, reaching ~40% by FY2030.
- Growth driven by exclusive brand penetration, full-price sales, and improved buying power.

Key facts

- Boot Barn (BOOT) or (“the company”), founded in 1978, has grown to become the largest Western and workwear retailer in the U.S., operating 446 stores across 46 states, far surpassing its closest competitor, Cavender’s, which has 99 stores.
- BOOT boasts a loyal customer base of 8.4M members, achieved while reducing advertising costs.
- Private label brands account for ~38% of sales, with plans to expand to 50%, driving margin improvement.
- 70% of customers are recurring (mainly workers), 90% of sales are at full price, and clearance inventory remains minimal at 3%, reflecting disciplined inventory management.

Financials

Share Price:	\$156.1
MCAP:	\$4.7B
EV:	\$5.3B
LTM EV/EBITDA:	15.3x
Net Debt/EBITDA:	0.1x
LTM ROIC:	26.8%

Insider Ownership/ Main Shareholders

Insider Ownership

Management ownership	1.1%
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Main Shareholders

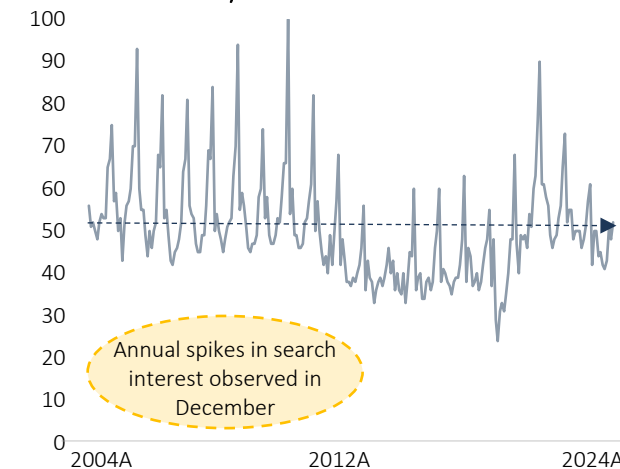
Blackrock Inc	15.6%
Vanguard Group	10.9%
Capital Group	4.4%

Why does the opportunity exist?

Viewing new customer demographics as a short-term trend ignores the steady demand for western wear since the 1980s. With Boot Barn holding 10% of its core TAM, this underscores a long-term opportunity rather than a temporary spike.

Underestimation of BOOT strong unit economics and compounding ROIC, which drive a \$700M FCF potential post-2030, supported by over \$2B in cumulative FCF from 2025-2030, enabling further growth or shareholder returns through dividends and buybacks.

Steady Interest in Western Wear



Sources: Boot Barn Company Filings, Bloomberg

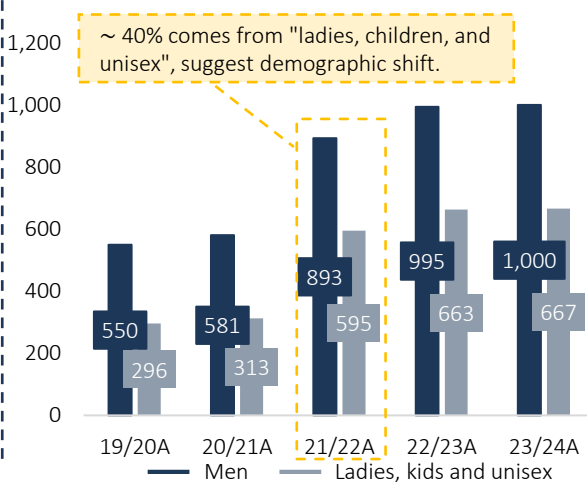


BOOT: The Market Leading Western Wear Retailer

Company Overview

- BOOT is the leading retailer in Western wear, holding a **5% share of the \$40 billion Western wear market**
- Historically, BOOT grew through organic growth and acquisitions, rebranding chains under its name. **Since 2020, its growth has been fully organic**, with plans to continue this strategy moving forward.
- BOOT's customers** span diverse demographics, with steady growth among **women and younger individuals**, expanding beyond its traditional base of older, primarily male customers.

MUSD **Revenue Breakdown by Demographic Segments**



Income Breakdown

Footwear

- 47% of Net sales (L12)**. Includes western and work boots for ranchers, rodeo fans, and workers



Apparel

- 36% of Net sales (L12)**. The segment covers jeans, shirts, and outerwear clothing or practical workwear



Hats, Accessories & Other

- 17% of Net sales (L12)**. Includes cowboy hats, belts, and other items that complement outfits



The distribution of these segments has remained consistent over the last 5 years.

Within the three above segments, **BOOT differentiates** itself from other retailers by operating **12 exclusive brands**. These privately owned labels, which offer the highest margins, contribute **37.7% of total sales (L12)** and have achieved a 12% CAGR since 2020.

Income Overview

Summary Financial Metrics

Revenue

- Last 5 year CAGR: **18%**
- Last 4 years CAGR: **6%** (Excluding 20/21A)

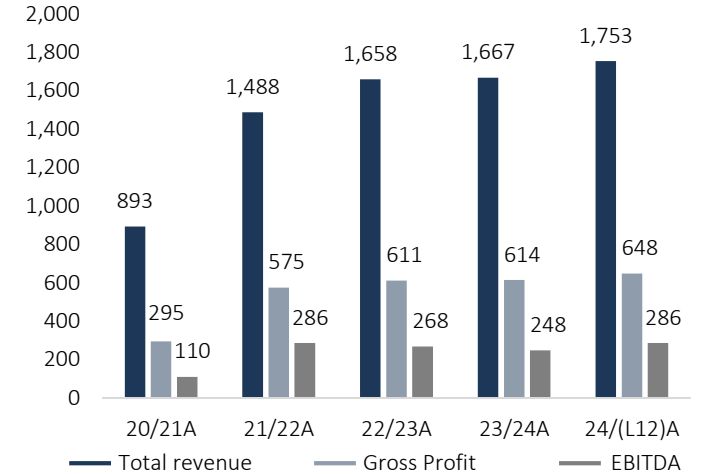
Gross Margin

- Last 12 moths: **37%**
- Last 5 Years Average: **36%**

EBITDA Margin

- Last 12 moths: **17%**
- Last 5 Years Average: **14%**

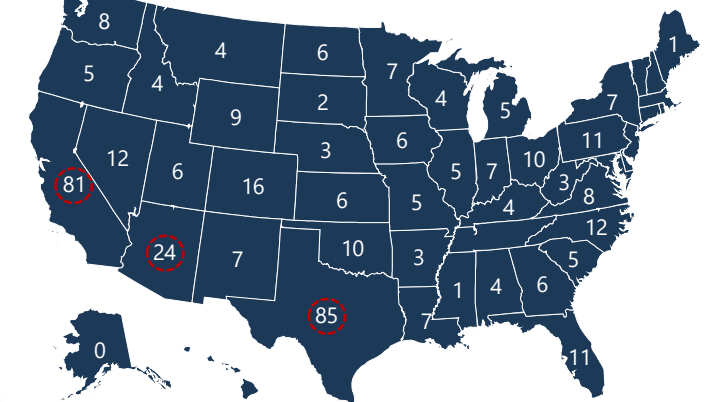
MUSD



Stores Overview

- With a **13% CAGR** over the last 5 years BOOT has expanded to **446 stores across 46 states**.
- New stores become profitable within **12-18 months** of opening. With all existing stores currently profitable.
- Location Variety:** The stores operate in both urban and rural areas, serving customers from freestanding locations or strip malls.
- Sales are primarily in stores:** Net sales from e-commerce have fluctuated between **8-10% over the last five years**.

Store Count by State



Red circle icon: Largest Markets

Sources: Boot Barn Company Filings, Bloomberg

A Highly Fragmented Market

Industry overview

- **Western Wear Industry:** Highly fragmented with a **TAM of \$40 billion**, increasing from **\$20 billion in 2014**.
- **Core and Historical Customers:** Traditionally, the primary audience consisted of male ranchers, agricultural workers, and rodeo enthusiasts. The core market currently representing a **TAM of \$5 billion**.
- **New and emerging Demographics:** Larger representation in TV, movies, and popular culture, has attracted more younger and female demographics to the market, this new market represents a **TAM of \$15 a billion**

Future Market Outlook

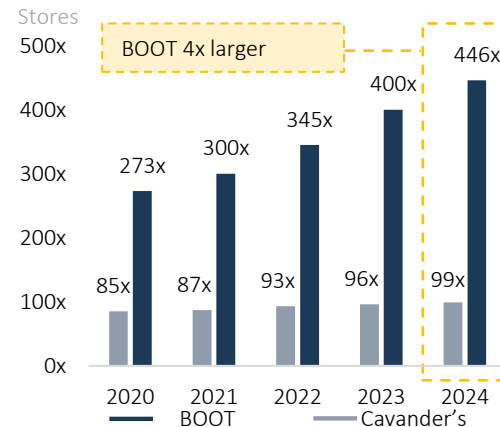
5.1% Estimated underlying market growth in "Western Wear" CAGR until 2030

5.9% Estimated underlying market growth in kid's segment of "Western Wear" CAGR until 2031

4.5% Estimated underlying market growth in women's segment of "Western Wear" CAGR until 2028

Competition within the market

- **One large competitor:** The mid-range retailing price market has two key players, BOOT and Cavender's, within a competitive landscape of approximately 7000 stores nationwide.
- **Smaller, Localized Competitors:** Many smaller competitors operate locally, often limited to 1-5 stores within a single state.
- **Discount Retailer Presence:** Large discount retailers such as Walmart, Target, eBay, and AliExpress provide Western-inspired themes but generally do not offer branded or premium-quality goods.



Senior Director, Wholesale E-commerce, Levi Strauss & Co

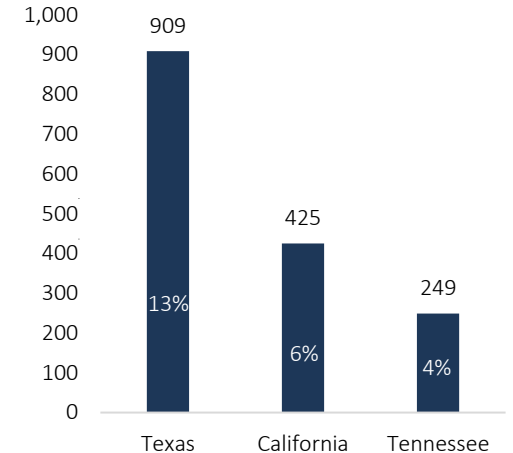
"But I think Sheplers (a BOOT subsidiary) is probably their closest competition. Cavender's is another one that we sell to. But I don't see either one of those guys being huge competition to Boot Barn's expansion."

Sources: Boot Barn Company Filings, Bloomberg

Retailing Ariat - A Measure of Competitive Landscape

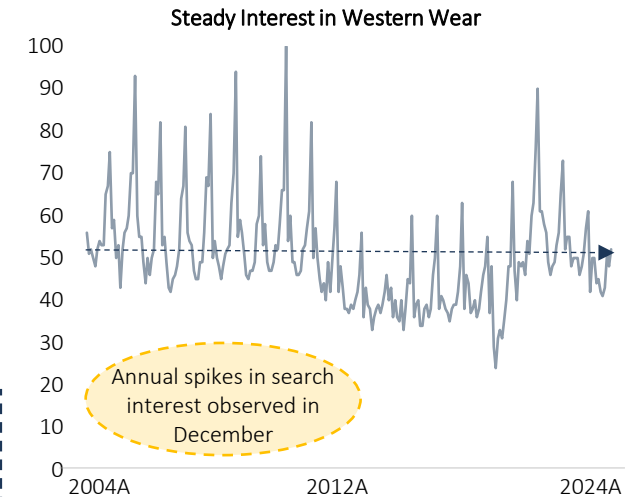
- Ariat is one of the largest Western wear brands, with **approximately 7,071 retail locations as of 2024**, and can be seen as an indication of the competitive landscape for Western retailers.
- The number of stores selling the Ariat brand is a valuable indicator for analyzing the competitive landscape. Since Ariat is BOOT's second-best-selling brand after its own, companies that retail Ariat can be considered direct competitors.
- The number of stores selling Ariat-branded clothing has grown at a **CAGR of 4.3% since 2022**, matching overall industry growth. Texas, California, and Tennessee represent the largest share of Ariat's retail stores, with all other states contributing **<3% of the total store count**.

States with Highest Number of Ariat Retail Stores



Steady Interest in Western Wear

- ↑ According to Google Search Trends, interest in "cowboy boots" and "cowboy hats" has shown a **consistent increase** since 2020.
- ↑ The music genre "country" has experienced an estimated **25% CAGR increase** in listeners between 2018 and 2024.
- ↑ Rodeo, a sport/cultural event inspired by cowboy traditions, has seen viewership **increase 64% YoY**, reaching an estimated **11 million views** in 2023.



Thesis 1 – A Consolidator in a Fragmented Industry



Proven Expansion Strategy Unlocks Potential in a \$40B Fragmented Market

Historical

- **Shift to Organic Growth Strategy (2020 Onward):** In 2020, BOOT transitioned its growth approach from acquisitions to organic expansion, achieving a CAGR of 13%.
- **BOOT's Market Outperformance:** BOOT has grown significantly faster than both its closest competitor and the overall market. While the market for Ariat-branded retail stores (4.3% CAGR) and closest competitor Cavander's (3.2% CAGR) has grown, BOOT has grown faster (15.7% CAGR), gaining market shares.

Quotation from Former BOOT Manager

"Well, now they make the investment, you open a brand new location, you feel like you're walking into an established store that's been around for a while."



BOOT combines strong growth with profitability. By focusing on organic expansion, the company maintains scale advantages and standardized store formats. Moving forward, BOOT will continue capturing market share while sustaining financial health.

BOOT's Growth Plan

- 1 **Store Expansion:** BOOT leverages e-commerce data to identify high-potential ZIP codes, enabling the selection of new store locations. With **4x greater website traffic** than its closest competitor, the company is set for precise placement for future stores.
- 2 **Store Investment:** BOOT invests approximately **\$1.5 million per new store**, including leasing 8,000–12,000 square feet together with launching tailored local marketing campaigns such as community outreach, and grand opening events.
- 3 **Store Return:** New stores achieve, on average, a **60% cash-on-cash return**. After **13 months**, stores stabilize and become **fully comparable** to the existing store base.
- 4 **Store Allocation:** Fully comparable stores generate approximately **1.3 MUSD in EBITDA** annually per store. A significant portion of this profit is allocated towards expansion of new store locations.

BOOT's Competitive Edge

First Mover

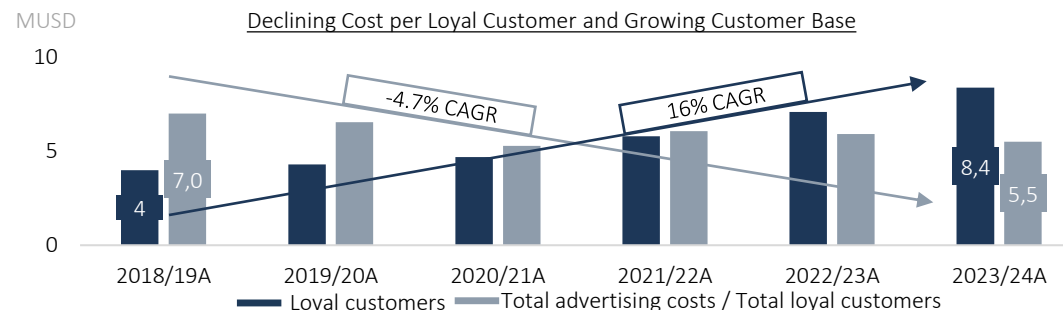
With significantly higher financial resources than competitors: BOOT can expand its reach to newly emerging demographics

Adaptation

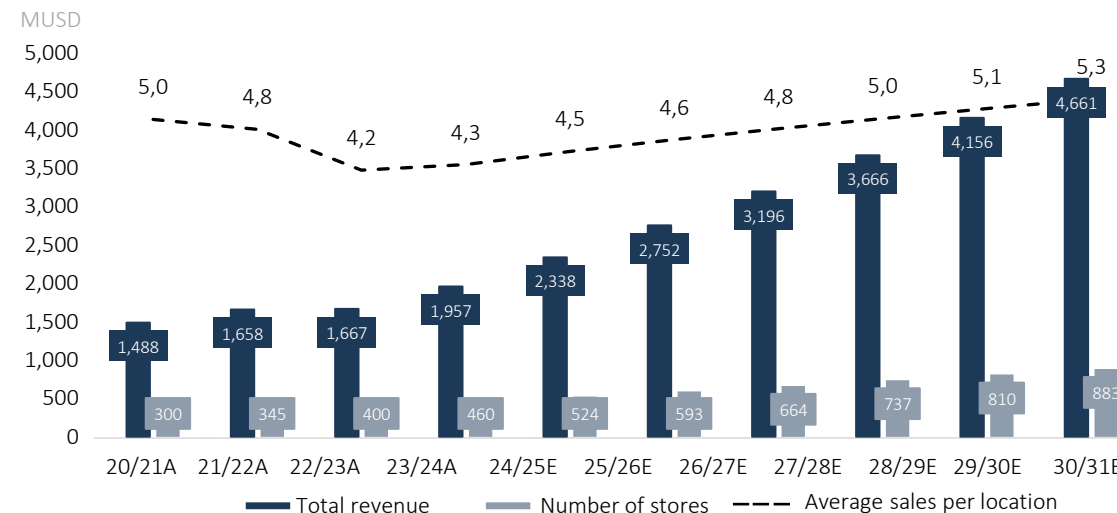
Targeting new demographics: BOOT is adapting its strategy to attract emerging customer groups in the market

Scale Customer Base

Customer acquisition costs decrease: Despite rising marketing expenses, BOOT's cost per loyal customer continues to drop



Store Count and Sales Performance Per Location Moving Forward



Sources: Boot Barn Company Filings, Bloomberg



Thesis 2 – Growth Backed by Strong Unit Economics

Value Creating Store Growth Driving Value and Boosting Future ROIC

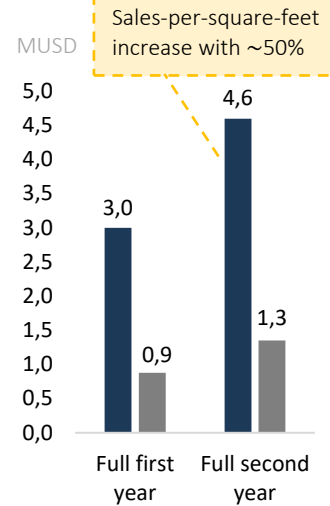
Boosting Cash Flow Through Comparable Store Growth

Year 1

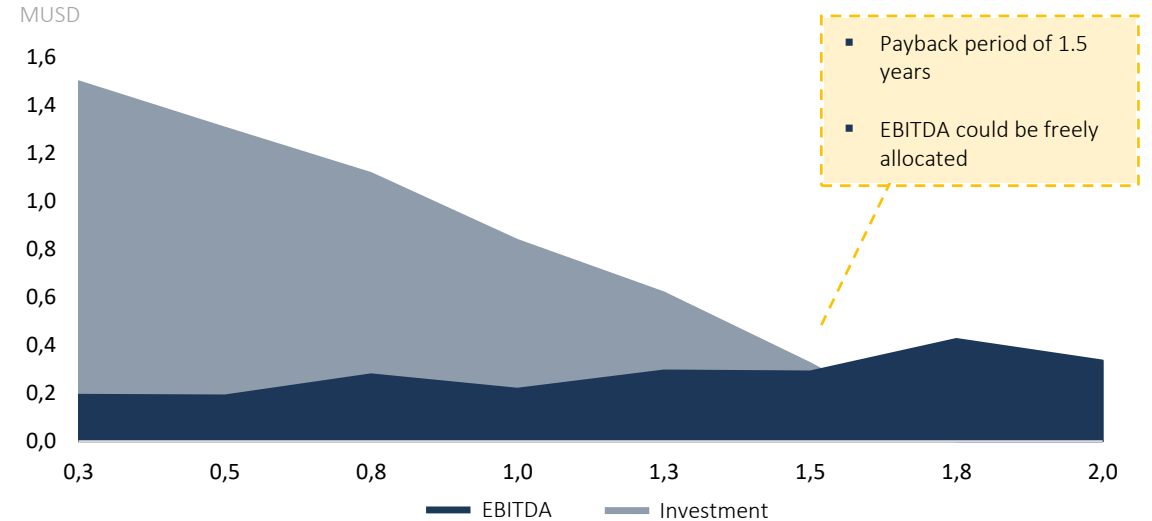
- Classification: **New store**
- Total investment: 1.5 MUSD
- Total Sales: 3 MUSD
- EBITDA: 0.88 MUSD
- Left to Payback: 0.62 MUSD
- Sales Square Feet: 0.25K

Year 2

- Classification: **Comparable Store**
- Total investment: 1.5 MUSD
- Total Sales: 4.6 MUSD
- EBITDA: 1.3 MUSD
- Left to Payback: 0 MUSD
- Sales Square Feet: 0.39K



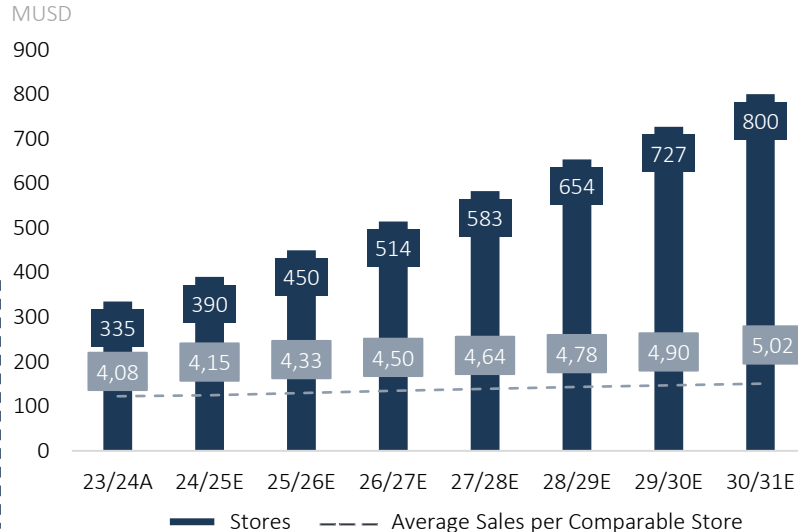
Payback Period of 1.5 years on New Stores



Comparable Stores Grow with Enhanced Unit Economics

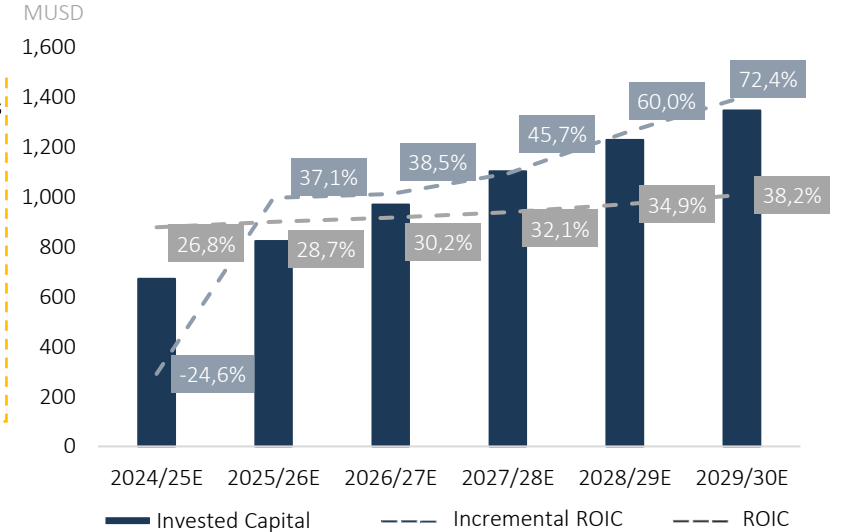
A comparable store is a store that has been in operation for more than 13 months due to improved operational efficiencies, established loyalty, and brand presence in the local market.

As the number of comparable stores increases and their unit of economics continues to improve, they contribute to overall revenue growth and profitability.



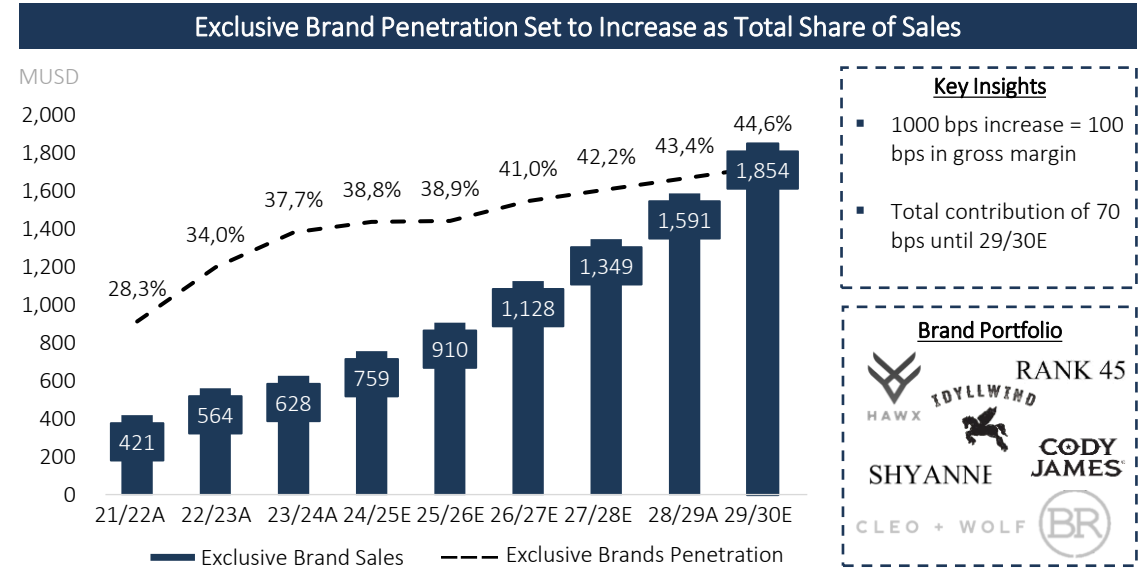
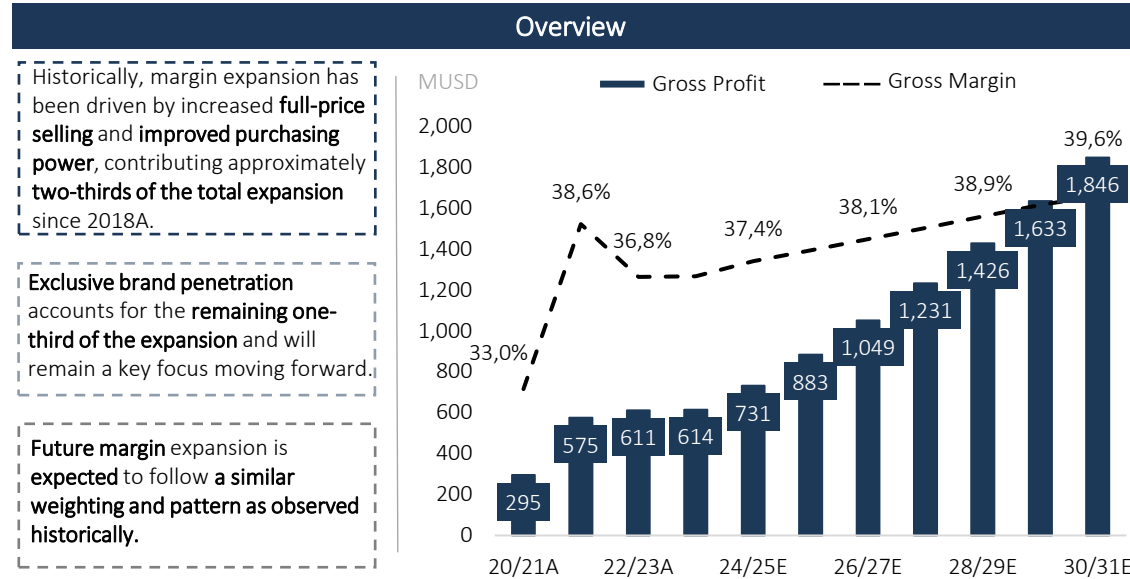
Value-creating Store Investments Fueling High Returns

BOOT's strategy **prioritizes capital efficiency** in expanding and optimizing stores, estimated for steady incremental ROIC growth. This approach strengthens overall ROIC, while positioning the company for success in a fragmented retail market.



Sources: Boot Barn Company Filings, Bloomberg

Buying Power, Full Price Selling, and Exclusive Brands



Outpacing Market Enhances Leverage Against Suppliers

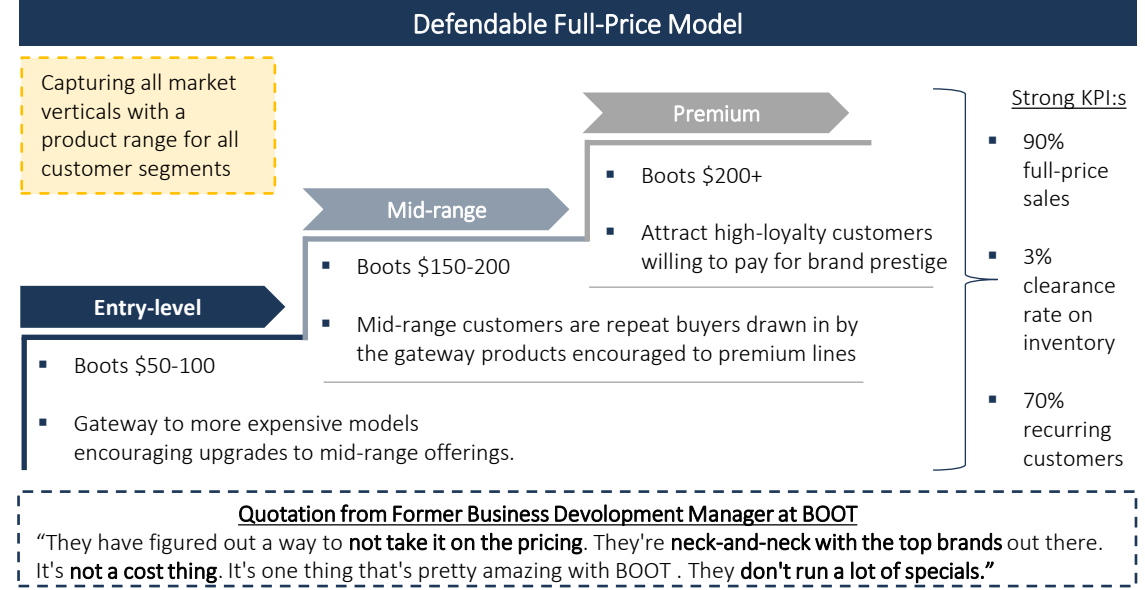
Brand	Retail Stores 23/24	Store CAGR 2022	BOOT of stores 23/24A	BOOT of stores 29/30E
Justin	3170	7.7%	13%	16%
ARIAT	7071	4.3%	6%	9%
carhartt	3587	7.3%	12%	15%

Quotation Annual Report 2023/24A

“In many cases, we are **one of the largest accounts of our suppliers** and have become important as **the largest specialty retailer of western and work wear in the U.S.**”

Quotation from Former Business Development Manager at BOOT

“From the work side, I can tell you, my industry people that I'm friends with, they don't like BOOT. But doesn't necessarily mean they don't have BOOT. I guess it's not easy to do in business with them, **but they have to have them.**”



Sources: Boot Barn Company Filings, Bloomberg

BOOT: A Cash Flow Powerhouse Driving Shareholder Value

DCF-Valuation Implies a 50.0% Upside

DCF Assumptions

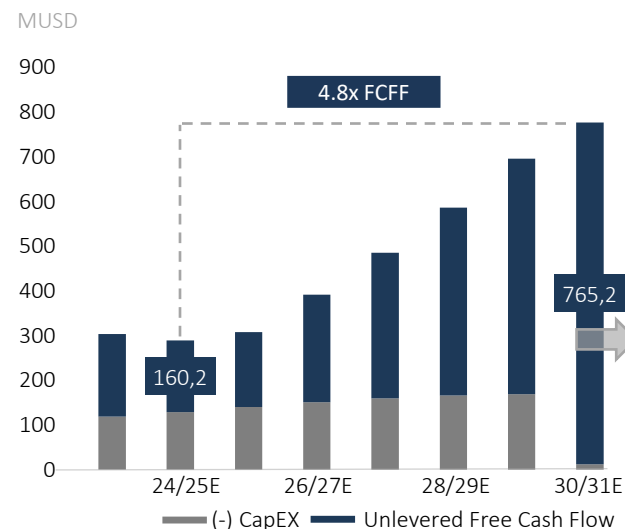
Tax rate	25.5%
WACC	10.4%
Terminal EV/EBITDA	11.6x
Shares Outstanding	30.3
EV	7071.6
Net debt	12.5
Current price	156.1
Target price	234.2
Upside	50.0%

- The DCF analysis is based on projected free cash flows over a 7-year period.
- Capital expenditures per store are assumed to be \$2M, growing at 3% year over year.
- The terminal value is derived using a 2.5% perpetuity growth rate, reflecting long-term economic growth, and cross-validated with a comparable EV/EBITDA multiple of 11.6x.
- The valuation suggests a potential upside of +50.0%, indicating that the stock is currently undervalued.

TGR	WACC				
234.2	9.4%	9.9%	10.4%	10.9%	11.4%
1.5%	232.6	222.7	214.0	206.2	199.1
2.0%	244.6	233.4	223.5	214.7	206.8
2.5%	258.4	245.5	234.2	224.3	215.4
3.0%	274.4	259.4	246.4	235.0	225.0
3.5%	293.0	275.4	260.3	247.2	235.8

- Optimizing** the capital structure by increasing leverage, given Boot Barn's currently low debt, could reduce the cost of capital and enhance shareholder returns.

BOOT is Expected to Generate Over \$600M in FCF Post-2030



Ramp-up phase involves **\$1.B investment** to open 500 stores from 2023-2030, transitioning into a cash cow generating **\$700M+ in annual FCF post-2030**, supported by **\$2B+ cumulative FCF from 2025-2030**, enabling **growth or returns** via dividends and buybacks

The **significant drop** in CAPEX projected for 2030E reflects the **slowdown** in new store openings, aligning with our **terminal growth rate of 2.5%**, supported by BOOT's historical and **anticipated same-store sales growth of 3-5%**.

Valuation Supported by Superior Growth at a Discount to Industry Peers

S&P Composite 1500 Specialty Retail industry

	P/E 25e'	Earnings growth 25-26e'
Specialty Retail	21.7x	8.3%
BOOT	20.6x	22.8%

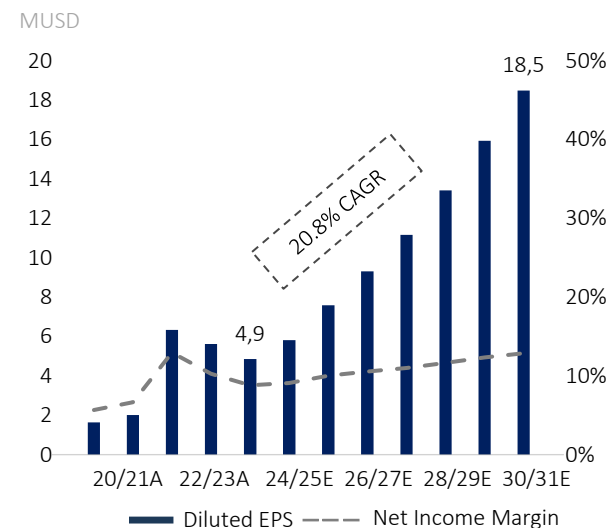
- The S&P Composite 1500 Specialty Retail industry is trading at 21.7x 2025E earnings, compared to BOOT's 20.6x, despite BOOT delivering significantly higher earnings growth of 22.8% versus the industry's 8.3%.

Comparable Specialty Retailers with High Growth

	P/E 25e'	EPS growth 25-28e'
Five below	20.9x	15.7%
Burlington Stores	37.2x	23.1%
Ollie's Bargain Outlet	32.0x	16.1%
Tractor Supply	24.7x	10.0%
AVG	28.7x	16.2%
BOOT	20.6x	20.8%

- BOOT trades at 20.6x 2025E EPS, below the peer average of 28.7x, despite a strong 20.8% EPS growth profile until 2028E, comparable to higher-valued peers like Burlington (37.2x) and Ollie's (32.0x)

20%+ EPS Growth profile Earnings per Share Valued at 11.5x 2028E P/E



- BOOT's 20%+ EPS growth profile from 2025-2030, driven by store expansion, strong unit economics, and operational efficiencies, highlights its robust growth potential.
- Currently trading at 11.5x 2028E P/E and 8.4x 2028E EV/EBITDA, the stock represents an attractive valuation relative to its compelling growth trajectory

BOOT's Current Valuation

P/E 25e'	P/E 28e'	P/E 30e'
20.6x	11.5x	8.4x
EV/EBITDA 25e'	EV/EBITDA 28e'	EV/EBITDA 30e'
13.1x	8.8x	5.5x

Sources: Boot Barn Company Filings, Bloomberg

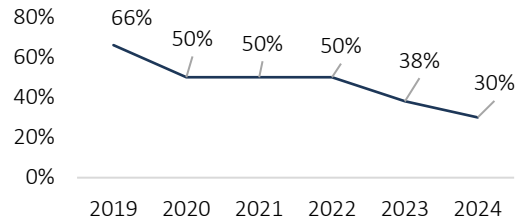
Manageable Risks with Lucrative Opportunities

1. Potential tariffs impact production in China and Mexico

BOOT faces challenges from the potential of increased tariff, however, the company remains resilient and adaptable.

- **Reduced Reliance on China:** BOOT has reduced its sourcing from China, dropping from over two-thirds in 2019 to around 30% as of Q2 2024/25.
- **Potential Impact of Mexican Tariffs:** With approximately 70% of BOOT's products made in Mexico, higher tariffs on Mexican imports would affect the company negatively.
- **Unexpected Potential Advantage:** Many competitors rely heavily on sourcing from China, potentially giving BOOT's exclusive brand a price advantage due to its diversified sourcing strategy.

Exclusive Brand Production in China (%)



Quotation: CEO Jim Conroy

"We could actually construct an argument that it makes us more competitive because we're the biggest player. We have exclusive brands that are our margin drivers, et cetera. So it's something we're watching and being cognizant of, but I don't think it's really keeping us awake at night, either"

3. Execution Risk as CEO step down

BOOT is well-positioned to sustain its growth

Interim CEO will maintain the company's vision

Former CEO Jim Conroy's natural career path

- Conroy's strategic plans and vision have already been adopted, and are firmly in place moving forward.
- With 20 years in the apparel industry, including 6 at BOOT, and a management team averaging 10 years at BOOT, the organization is well-positioned for this transition.
- At mid-50s, with \$75 million compensation and Ross Stores' scale, this move reflects a logical career progression rather than instability at BOOT.

Quotation: Senior Director Wholesale E-commerce & Clubs/Off Price at Levi Strauss & Co (Supplier)

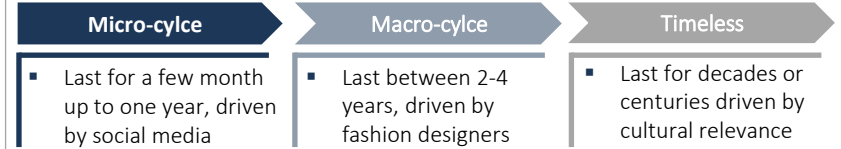
"I deal with their management. I think their management team is sharp. I think they understand who they are. I think a lot of times as a retailer, people go after things that they are. I think they've kind of honed in and **stayed true to who they are, their niche.**"

2. Moderation in Western Wear Trend Growth

Key Insights Trends

- Moderation in demand for western wear could impact BOOT negatively.
- As we seen a stable demand from new customer demographics for 5 years, it indicates timeless trend.
- As BOOT grows in size, the possibility to penetrate smaller cities grows, hedging against decrease from less loyal customers.

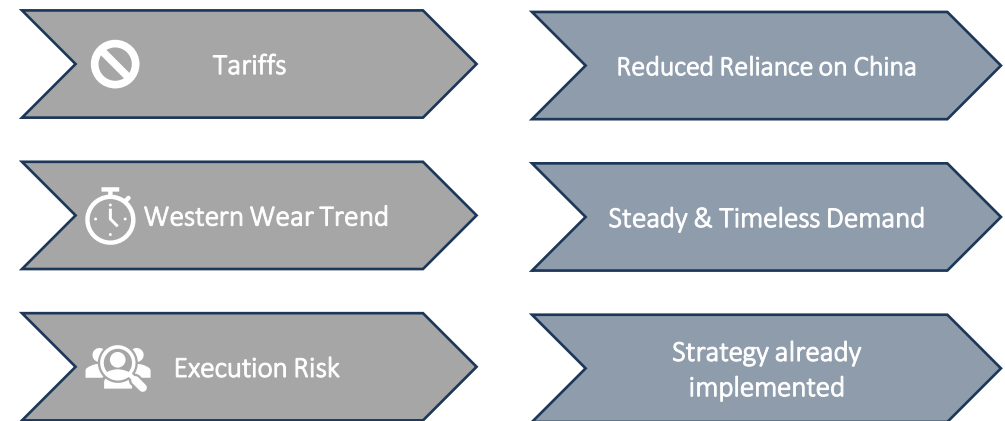
Fashion Trend Cycle



New customer demographics been addressable since 2019, a "trend" of 5 years, indicating the demand is long-term

Consistent underlying western wear demand since 1980:s, with Boot Barn currently having 10% of TAM in core market.

Summary: Risk & Mitigation



A Management with Experienced Management with Personal Stake in the Business

CEO Transition



Years at BOOT: 12
 Next Role: Moving to Ross Stores an off-price retailer offering apparel, footwear, accessories
 Ownership: 77,949 (\$12,168,292)

Jim Conroy - *Outgoing CEO*



Years at BOOT: 6
 Background: Formerly the Chief Digital Officer at BOOT, with 20 years in the apparel industry.
 Ownership 20,487 (\$3,197,636)

John Hazen - *Interim CEO*

Incentive plan for management



Performance-Based Rewards: Management's incentives are directly tied to specific, measurable goals that drive the company's growth.

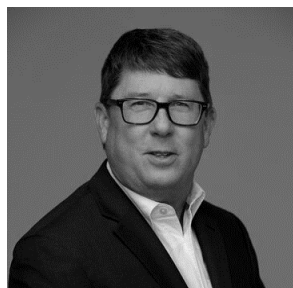
- **Objective Criteria:** Targets are grounded in tangible metrics such as return on equity (ROE), return on capital, return on investment (ROI), stockholder return, market capitalization, and economic value added, ensuring a results-focused approach.
- **Market Share Enhancement:** Improving or maintaining market share is a strategic priority, requiring consistent competitive positioning over the long term.
- **Financial Incentives:** Participants can earn up to \$2,500,000 annually by achieving or exceeding established performance benchmarks

Other Key Executives



Years at BOOT: 10
 Background: Spent 12 years at EY as an auditor; later served as VP at semiconductor firm Mindspeed Technologies
 Ownership: 24,033 (\$3,751,772)

Jim Watkins - *CFO*



Years at BOOT: 31
 Background: Joined BOOT in 1993 and has since served in a variety of roles, being the VP of Buying and Merchandising between 2004-2014.
 Ownership: 12,949 (\$2,021,396)

Michael A. Love - *CRO*



Years at BOOT: 10
 Background: Previously VP of Stores, VP of Marketing and Merchandise Planning, and other external roles in merchandise planning and allocation.
 Ownership: 12,352 (\$1,927,818)

Laurie Grijalva - *CMO*



Years at BOOT: 14
 Background: Over 30 years of experience in the retail industry, leadership roles at Warner Bros, Studio Stores, The Children's Place.
 Ownership: 32,924 (\$5,141,846)

Peter Starrett - *Chairman*

Sources: Boot Barn Company Filings, Bloomberg





BOOT BARN[®]
