

# Michael Kors Holdings Ltd KORS

**Last Close**  
16 Aug 2017  
44.03

**Fair Value<sup>Q</sup>**  
17 Aug 2017 02:00 UTC  
50.78

**Market Cap**  
16 Aug 2017  
6,675.4 Mil

**Sector**  
Consumer Cyclical

**Industry**  
Apparel Manufacturing

**Country of Domicile**  
VGB Virgin Islands (British)

There is no one analyst in which a Quantitative Fair Value Estimate and Quantitative Star Rating are attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative fair value. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>

## Company Profile

Michael Kors Holdings Ltd is a designer, marketer, distributor and retailer of women's apparel and accessories and men's apparel. The Company's business consists of retail, wholesale and licensing segments.

## Quantitative Scores

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	Narrow	87	90	88
Valuation	Undervalued	61	61	38
Quantitative Uncertainty High		71	66	90
Financial Health	Moderate	66	57	62



Source: Morningstar Equity Research

## Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	0.87	0.98	0.91	0.83
Price/Earnings	13.5	29.6	19.2	14.1
Forward P/E	11.8	—	15.7	-1.5
Price/Cash Flow	8.0	32.0	10.9	8.0
Price/Free Cash Flow	9.4	93.0	18.1	9.6
Trailing Dividend Yield %	—	—	2.10	4.39
Price/Book	4.2	9.9	1.8	1.3
Price/Sales	1.6	4.4	1.0	1.2

## Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	31.8	42.6	11.6	13.7
Return on Assets %	20.8	33.7	5.0	4.7
Revenue/Employee (K)	325.4	359.2	548.5	198.4

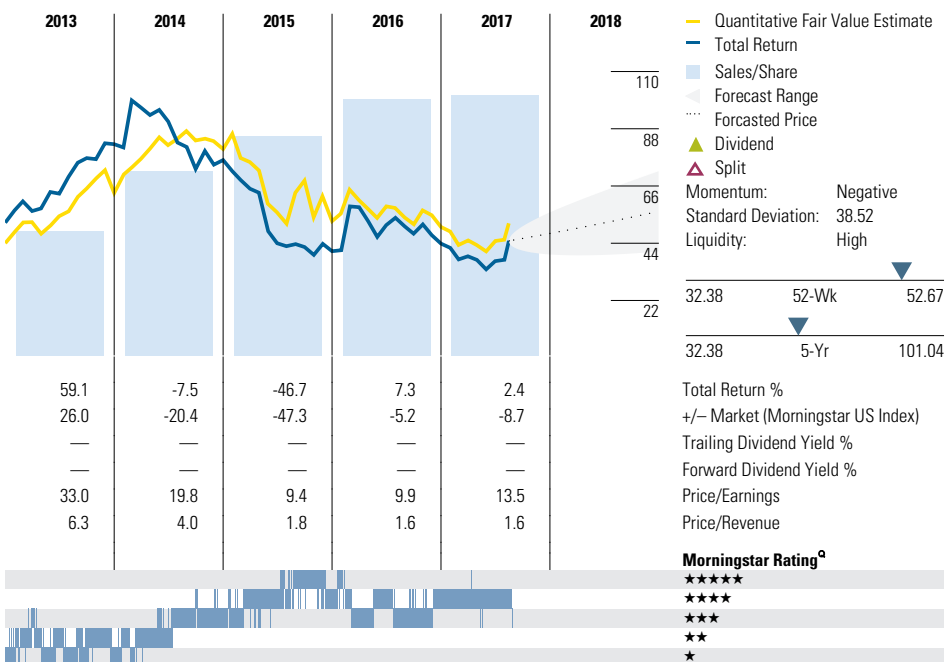
## Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.6	0.7	0.6	0.6
Solvency Score	—	—	493.5	530.0
Assets/Equity	1.5	1.3	1.8	1.4
Long-Term Debt/Equity	0.0	—	0.2	0.1

## Growth Per Share

	1-Year	3-Year	5-Year	10-Year
Revenue %	-4.6	10.7	28.1	—
Operating Income %	-41.3	-11.9	22.7	—
Earnings %	-25.9	0.7	33.4	—
Dividends %	—	—	—	—
Book Value %	-9.6	5.0	34.0	—
Stock Total Return %	-11.8	-17.4	-2.3	—

## Price vs. Quantitative Fair Value

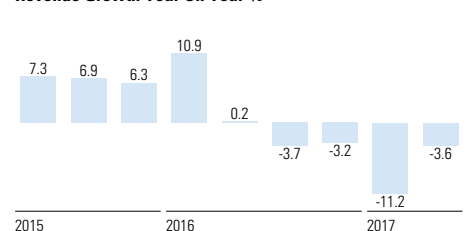


	2013	2014	2015	2016	2017	TTM	Financials (Fiscal Year in Mil)
Revenue	2,182	3,311	4,371	4,712	4,494	4,458	Revenue
% Change	67.5	51.8	32.0	7.8	-4.6	-0.8	% Change
Operating Income	630	1,008	1,257	1,175	690	652	Operating Income
% Change	154.4	60.0	24.7	-6.5	-41.3	-5.4	% Change
Net Income	398	661	881	839	553	531	Net Income
Operating Cash Flow	356	632	858	1,228	1,028	899	Operating Cash Flow
Capital Spending	-130	-214	-385	-381	-170	-138	Capital Spending
Free Cash Flow	226	418	472	848	858	761	Free Cash Flow
% Sales	10.4	12.6	10.8	18.0	19.1	17.1	% Sales
EPS	1.97	3.22	4.28	4.44	3.29	3.26	EPS
% Change	152.6	63.5	32.9	3.7	-25.9	-0.9	% Change
Free Cash Flow/Share	0.69	1.74	2.32	3.76	5.33	5.10	Free Cash Flow/Share
Dividends/Share	—	—	—	—	—	—	Dividends/Share
Book Value/Share	4.59	7.95	10.78	11.01	11.40	10.51	Book Value/Share
Shares Outstanding (K)	200,274	203,883	201,029	179,407	162,436	151,611	Shares Outstanding (K)
Return on Equity %	52.9	46.4	43.5	39.6	30.8	31.8	Return on Equity %
Return on Assets %	40.5	37.7	35.9	31.9	22.2	20.8	Return on Assets %
Net Margin %	18.2	20.0	20.2	17.8	12.3	11.9	Net Margin %
Asset Turnover	2.22	1.89	1.78	1.79	1.81	1.75	Asset Turnover
Financial Leverage	1.2	1.2	1.2	1.3	1.5	1.5	Financial Leverage
Gross Margin %	59.9	60.9	60.6	59.4	59.2	59.3	Gross Margin %
Operating Margin %	28.9	30.5	28.8	24.9	15.4	14.6	Operating Margin %
Long-Term Debt	—	—	—	2	0	—	Long-Term Debt
Total Equity	1,047	1,806	2,241	1,996	1,593	1,581	Total Equity
Fixed Asset Turns	10.6	11.2	9.6	7.1	6.7	6.4	Fixed Asset Turns

## Quarterly Revenue & EPS

	Revenue (Mil)	Jun	Sep	Dec	Mar	Total
2017	987.9	1,088.2	1,352.8	1,064.8	4,493.7	
2016	986.0	1,130.0	1,397.5	1,198.7	4,712.1	
2015	919.2	1,056.6	1,314.7	1,081.0	4,371.5	
2014	640.9	740.3	1,012.2	917.5	3,310.8	
Earnings Per Share (I)						
2017	0.83	0.95	1.64	-0.12	3.29	
2016	0.87	1.01	1.59	0.99	4.44	
2015	0.91	1.00	1.48	0.90	4.28	
2014	0.61	0.71	1.11	0.78	3.22	

## Revenue Growth Year On Year %



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Morningstar's quantitative equity ratings consist of: (i) Quantitative Fair Value Estimate, (ii) Quantitative Star Rating, (iii) Quantitative Uncertainty, (iv) Quantitative Economic Moat, and (v) Quantitative Financial Health (collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar", "we", "our") calculates Quantitative Ratings for companies whether or not it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

i. **Quantitative Fair Value Estimate:** Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the Quantitative Fair Value Estimate using a statistical model derived from the Fair Value Estimate Morningstar's equity analysts assign to companies. Please go to <http://global.morningstar.com/equitydisclosures> for information about Fair Value Estimate Morningstar's equity analysts assign to companies.

ii. **Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

**Narrow** – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.

**Wide** – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.

**None** – assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

iii. **Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair Value Estimate, current market price, and the Quantitative Uncertainty Rating. The rating is expressed as One-Star, Two-Star, Three-Star, Four-Star, and Five-Star.

**One-Star** – the stock is overvalued with a reasonable margin of safety.

*Log (Quant FVE/Price) < -1\*Quantitative Uncertainty*

**Two-Star** – the stock is somewhat overvalued.

*Log (Quant FVE/Price) between (-1\*Quantitative Uncertainty, -0.5\*Quantitative Uncertainty)*

**Three-Star** – the stock is approximately fairly valued.

*Log (Quant FVE/Price) between (-0.5\*Quantitative Uncertainty, 0.5\*Quantitative Uncertainty)*

**Four-Star** – the stock is somewhat undervalued.

*Log (Quant FVE/Price) between (0.5\*Quantitative Uncertainty, 1\*Quantitative Uncertainty)*

**Five-Star** – the stock is undervalued with a reasonable margin of safety.

*Log (Quant FVE/Price) > 1\*Quantitative Uncertainty*

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**Low** – the interquartile range for possible fair values is less than 10%

**Medium** – the interquartile range for possible fair values is less than 15% but greater than 10%

**High** – the interquartile range for possible fair values is less than 35% but greater than 15%

**Very High** – the interquartile range for possible fair values is less than 80% but greater than 35%

**Extreme** – the interquartile range for possible fair values is greater than 80%

v. **Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

**Weak** – assigned when Quantitative Financial Health < 0.2

**Moderate** – assigned when Quantitative Financial Health is between 0.2 and 0.7

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**Fairly Valued – Last Price** is in line with Morningstar's quantitative fair value estimate.

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This Report **has not been made available** to the issuer of the security prior to publication.

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