

Michael Kors Holdings Ltd KORS

Last Close
19 Jan 2018
65.86

Fair Value^Q
22 Jan 2018 02:00 UTC
51.22

Market Cap
19 Jan 2018
10,015.9 Mil

Sector
Consumer Cyclical

Industry
Apparel Manufacturing

Country of Domicile
VGB Virgin Islands (British)

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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	92	92	94
Valuation	Overvalued	5	3	4
Quantitative Uncertainty High		93	92	100
Financial Health	Moderate	67	59	61



Source: Morningstar Equity Research

Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	1.29	0.97	1.03	1.04
Price/Earnings	18.2	19.0	20.2	22.9
Forward P/E	15.9	—	16.2	14.7
Price/Cash Flow	10.4	19.2	11.5	10.8
Price/Free Cash Flow	11.9	31.2	19.7	17.7
Trailing Dividend Yield %	—	—	1.95	3.23
Price/Book	5.5	7.0	2.0	1.5
Price/Sales	2.3	3.5	1.1	2.1

Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	32.9	42.6	11.7	8.5
Return on Assets %	21.7	33.7	5.3	5.0
Revenue/Employee (K)	329.6	359.2	556.1	176.6

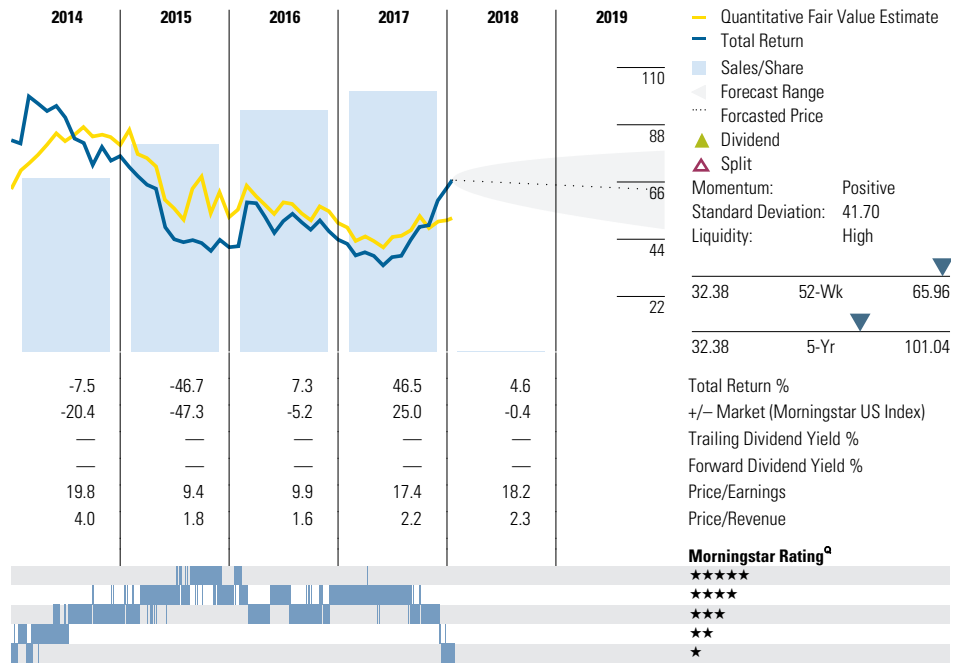
Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.6	0.7	0.6	0.6
Solvency Score	—	—	494.6	538.3
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 %	56.7	-0.6	3.9	—

Price vs. Quantitative Fair Value

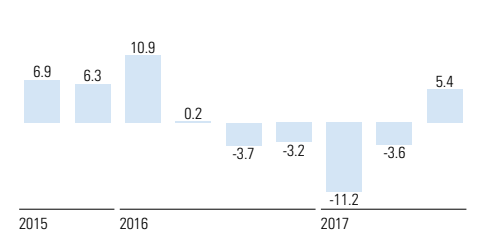


	2013	2014	2015	2016	2017	TTM	Financials (Fiscal Year in Mil)
Revenue	2,182	3,311	4,371	4,712	4,494	4,517	Revenue
% Change	67.5	51.8	32.0	7.8	-4.6	0.5	% Change
Operating Income	630	1,008	1,257	1,175	690	648	Operating Income
% Change	154.4	60.0	24.7	-6.5	-41.3	-6.1	% Change
Net Income	398	661	881	839	553	573	Net Income
Operating Cash Flow	356	632	858	1,228	1,028	1,009	Operating Cash Flow
Capital Spending	-130	-214	-385	-381	-170	-123	Capital Spending
Free Cash Flow	226	418	472	848	858	886	Free Cash Flow
% Sales	10.4	12.6	10.8	18.0	19.1	19.6	% Sales
EPS	1.97	3.22	4.28	4.44	3.29	3.62	EPS
% Change	152.6	63.5	32.9	3.7	-25.9	10.0	% Change
Free Cash Flow/Share	0.69	1.74	2.32	3.76	5.33	5.55	Free Cash Flow/Share
Dividends/Share	—	—	—	—	—	—	Dividends/Share
Book Value/Share	4.59	7.95	10.78	11.01	11.40	11.87	Book Value/Share
Shares Outstanding (K)	203,883	201,029	179,407	162,436	152,079	152,079	Shares Outstanding (K)
Return on Equity %	52.9	46.4	43.5	39.6	30.8	32.9	Return on Equity %
Return on Assets %	40.5	37.7	35.9	31.9	22.2	21.7	Return on Assets %
Net Margin %	18.2	20.0	20.2	17.8	12.3	12.7	Net Margin %
Asset Turnover	2.22	1.89	1.78	1.79	1.81	1.71	Asset Turnover
Financial Leverage	1.2	1.2	1.2	1.3	1.5	1.4	Financial Leverage
Gross Margin %	59.9	60.9	60.6	59.4	59.2	59.6	Gross Margin %
Operating Margin %	28.9	30.5	28.8	24.9	15.4	14.3	Operating Margin %
Long-Term Debt	—	—	—	2	0	—	Long-Term Debt
Total Equity	1,047	1,806	2,241	1,996	1,593	1,805	Total Equity
Fixed Asset Turns	10.6	11.2	9.6	7.1	6.7	6.6	Fixed Asset Turns

Quarterly Revenue & EPS

	Jun	Sep	Dec	Mar	Total
Revenue (Mil)	987.9	1,088.2	1,352.8	1,064.8	4,493.7
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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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

Strong – assigned when Quantitative Financial Health > 0.7

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ii. **Quantitative Valuation** – Using the below terms, intended to denote the relationship between the security's **Last Price** and Morningstar's quantitative fair value estimate for that security.

Undervalued – Last Price is below Morningstar's quantitative fair value estimate.

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