



Burlington Stores, Inc.
NYSE: BURL

BY:

SUMANTRA CHATTOPADHYAY,
STEVEN COHEN,
ANDERS MYHRE,
EMILY WINTERS

Overview - Buy



BACKGROUND



COMPETITIVE ANALYSIS



RECOMMENDATION

Background

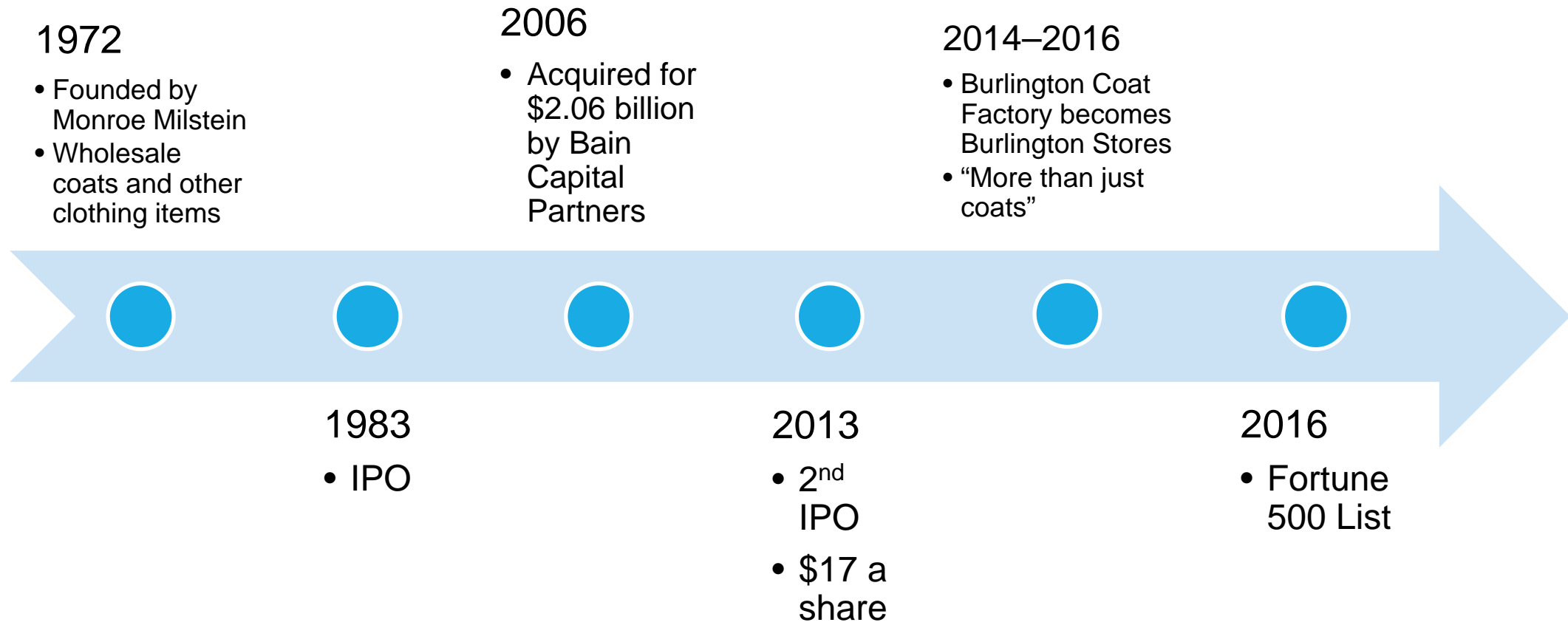


Target Price vs. Actual Trading Price

Target Price: \$267.56 Trading at \$225.57 (as of 12/12/19)



Company History



Industry Overview

- Discount Department Store Industry
- Sells consumer goods at discounted prices

Revenue
\$97.7bn

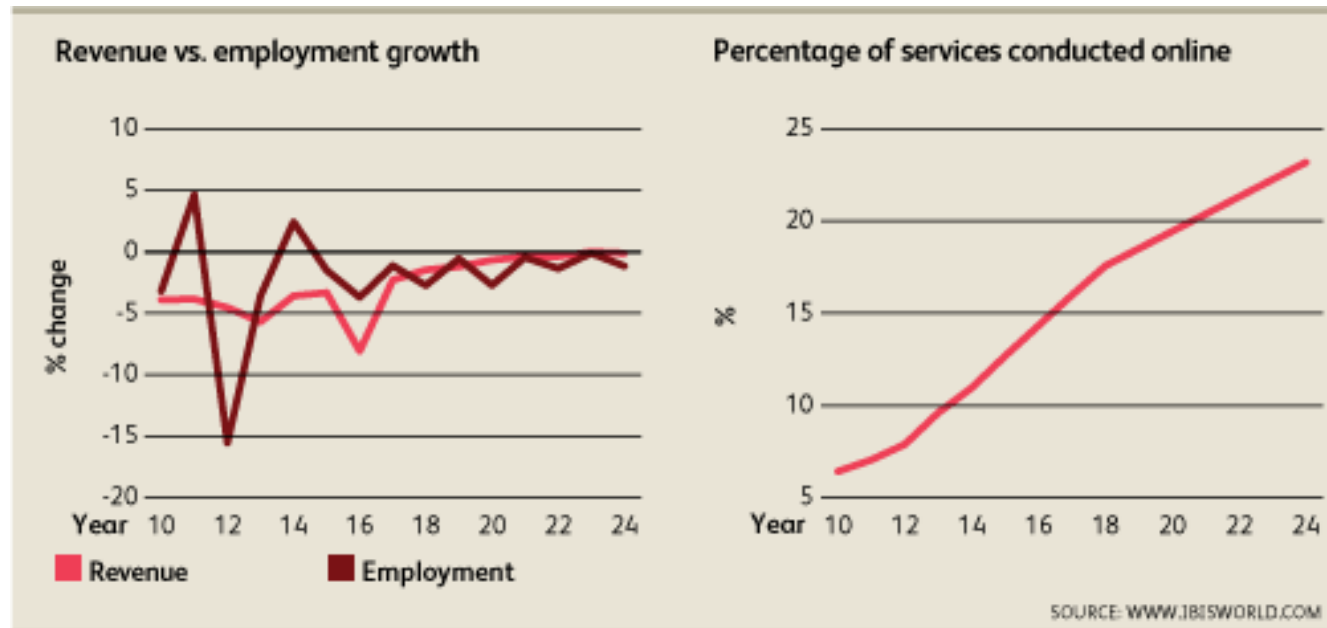
Profit
\$4.2bn

Annual Growth 13–18
-3.8%

Wages
\$11.7bn

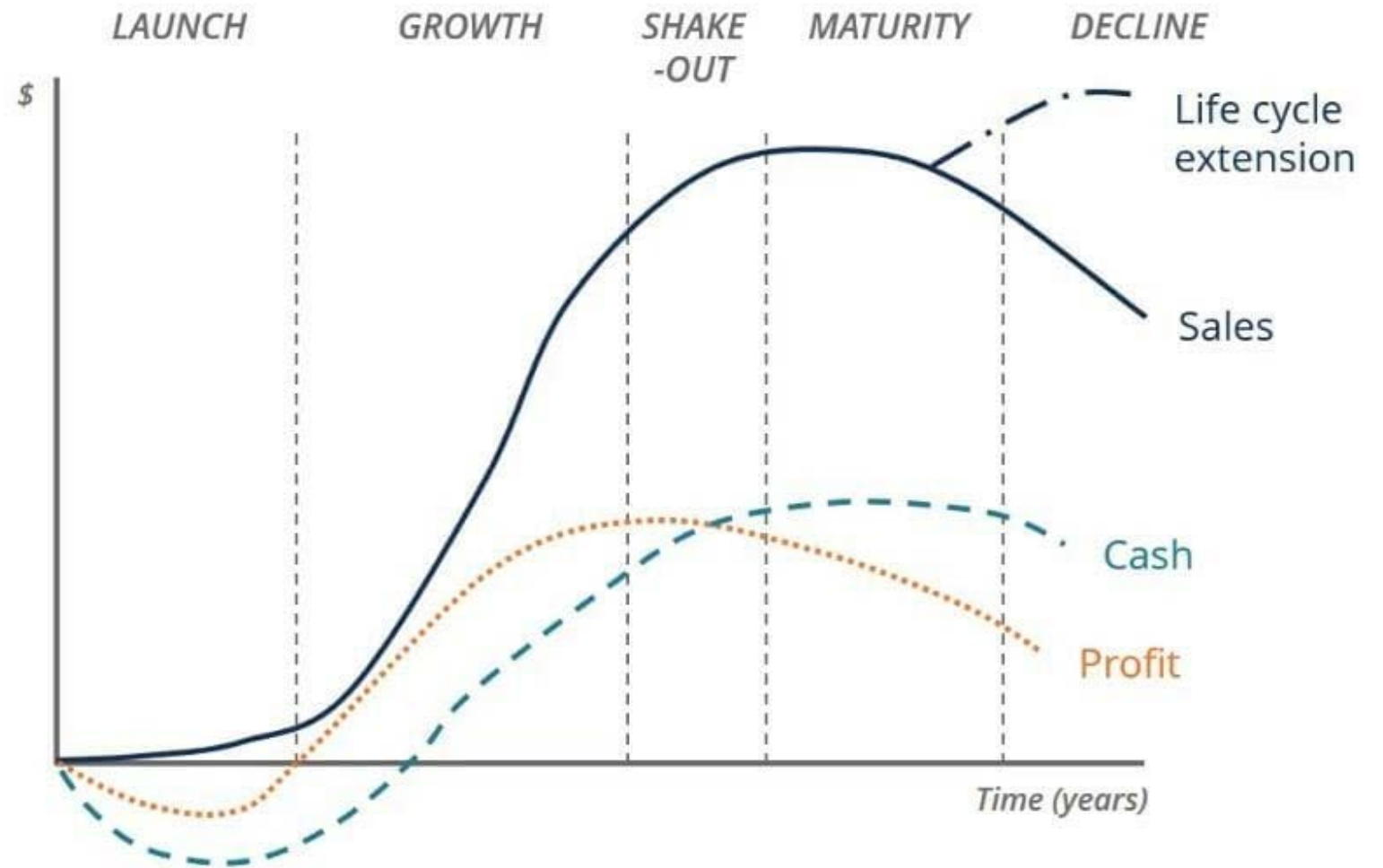
Annual Growth 18–23
-0.5%

Businesses
11



Business Life Cycle

- Mature stage
- Yet, has plans to expand to “1,000 stores over the long-term”



Business Model

Off-price department store retailer

- Diversified Product Line
- Every Day Low Price (EDLP) Model
- 5,000 vendors



Macro Trends and Company Positioning

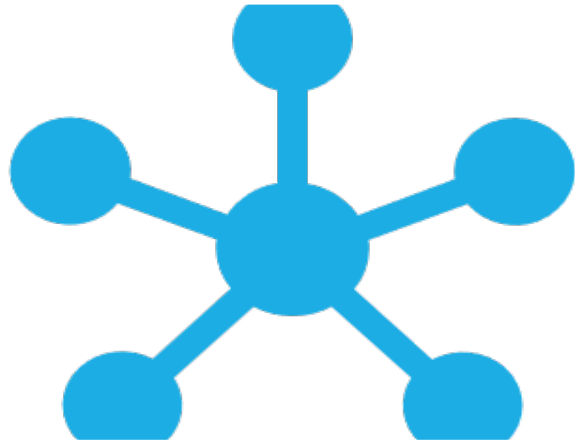


Online Sales

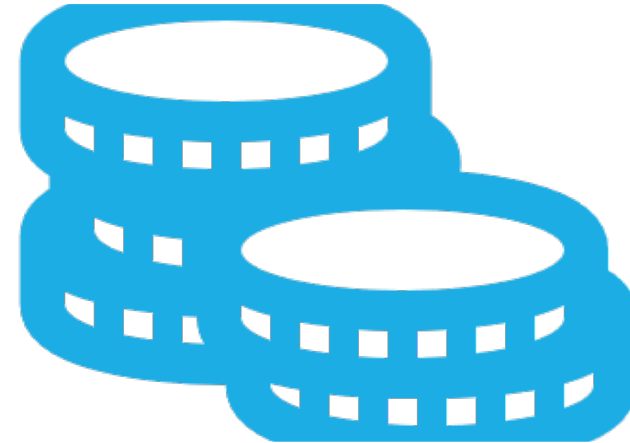


Flexible Supply Chains

Economic Moat

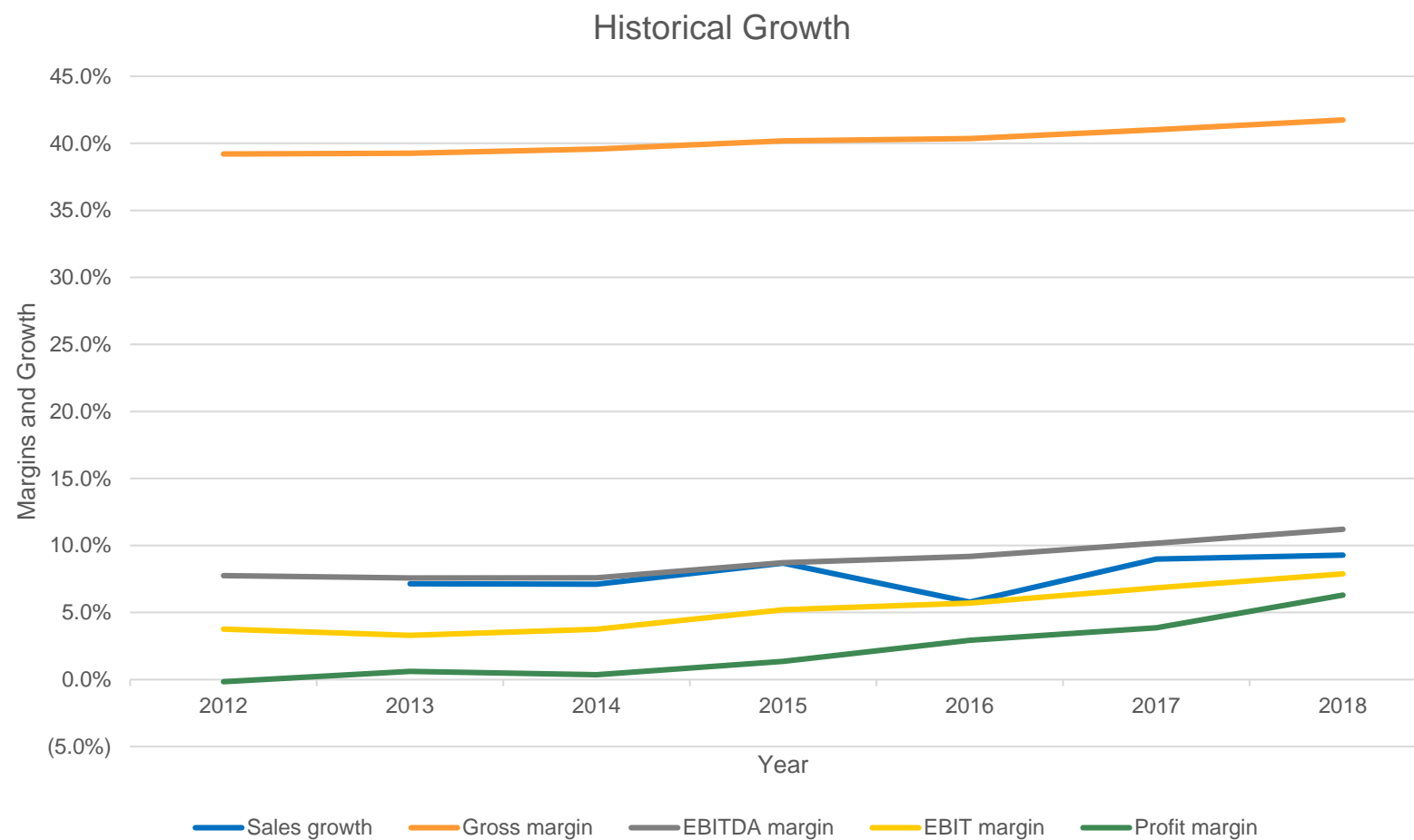


Network
Effect



Cost
Advantage

Historical Growth



The background of the slide is a photograph of a large, modern building with a glass facade, illuminated from within at dusk. The sky is a deep blue with scattered clouds. The building's interior lights are visible through the glass panels, showing a multi-story structure with various rooms and corridors. The overall atmosphere is professional and modern.

Competitive Analysis

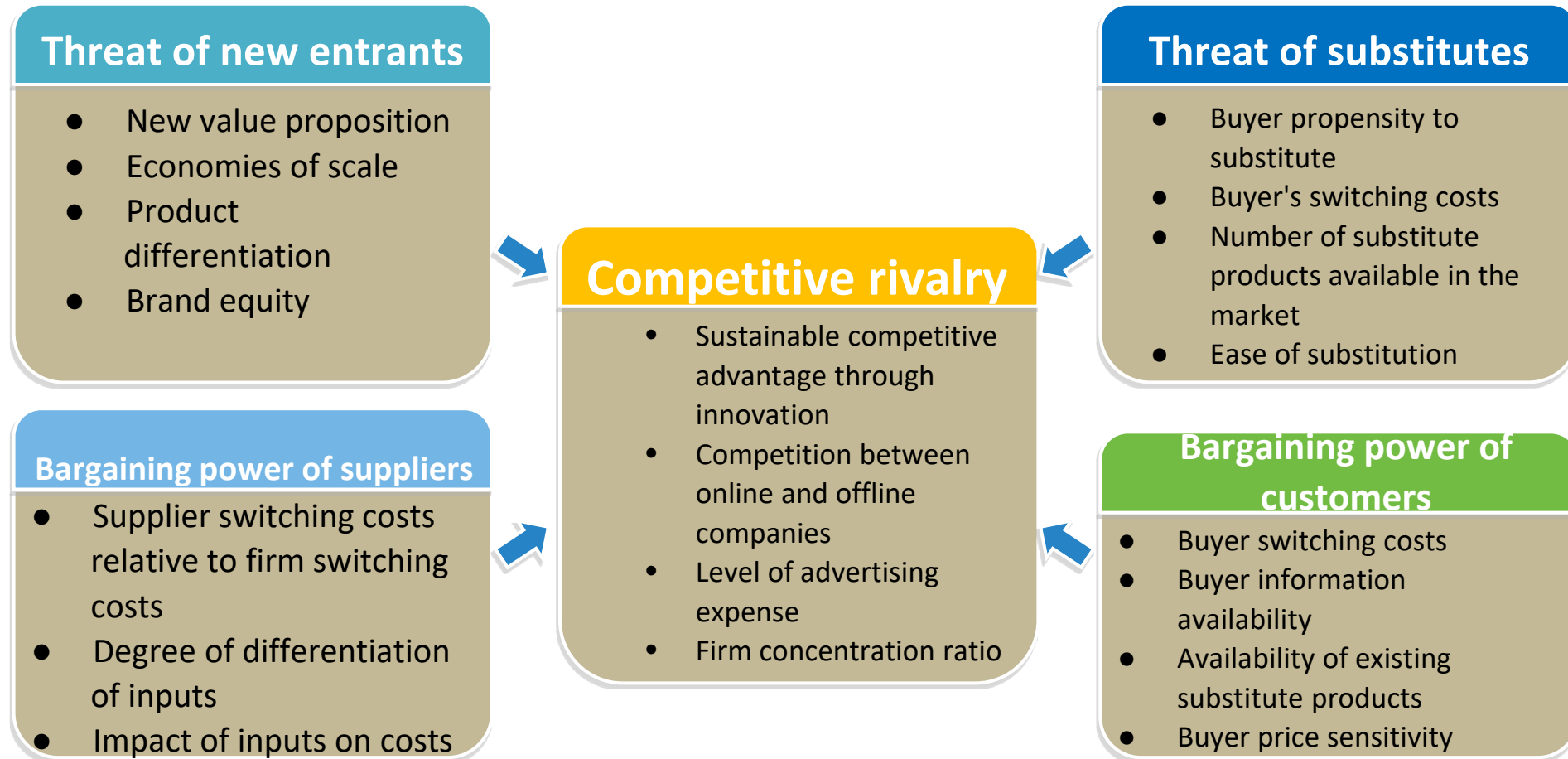
Major Players in the Industry



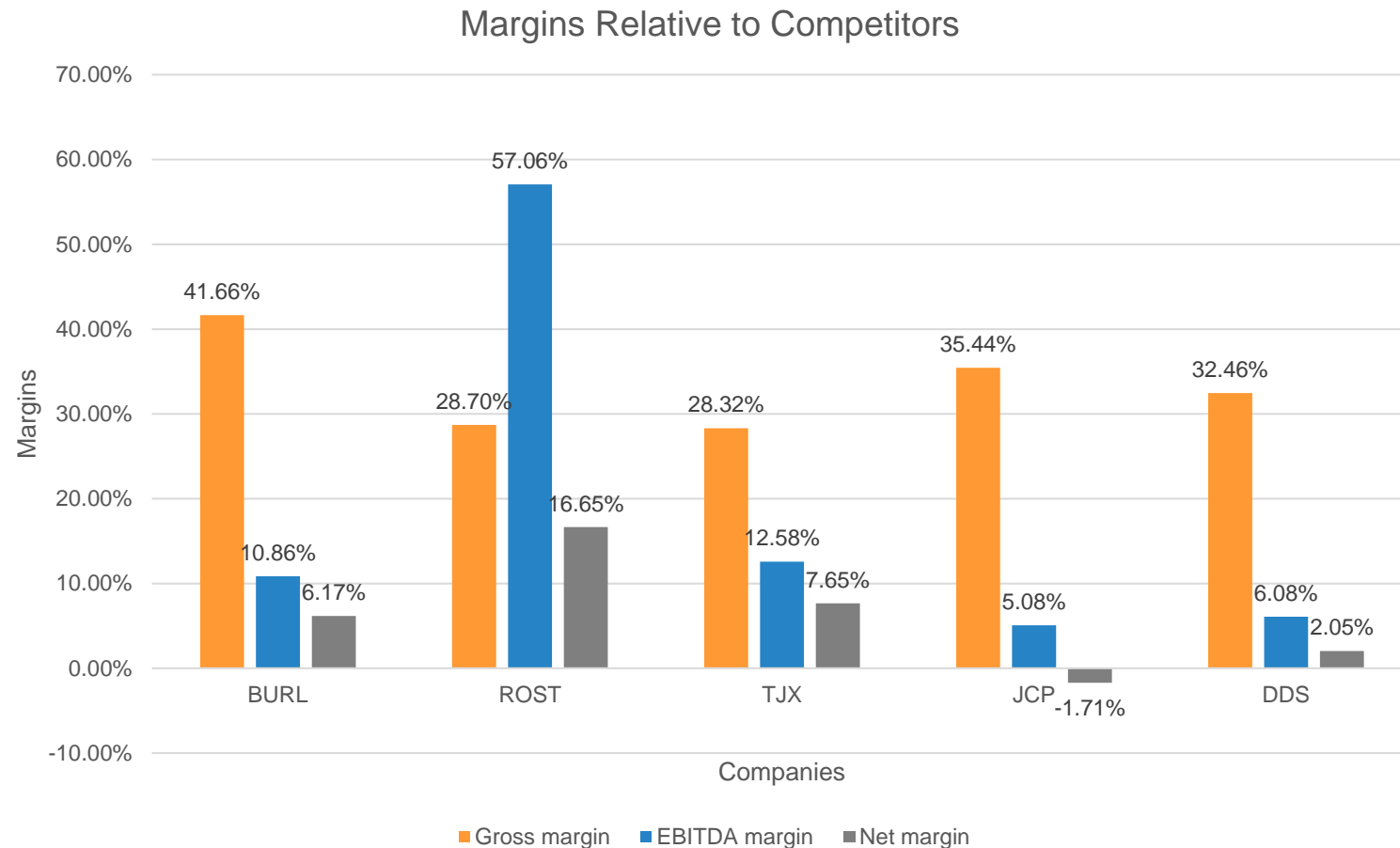
SWOT Analysis

		HELPFUL To achieving the objective	HARMFUL To achieving the objective
INTERNAL Attributes of the organization	INTERNAL	STRENGTHS <ul style="list-style-type: none"> ● Emergence in new markets ● Variety of vendors ● Skilled and knowledgeable workforce ● High working capital ratio 	WEAKNESSES <ul style="list-style-type: none"> ● Negative brand perception ● Lack of aesthetics in stores ● Lack of growth in pre-tax profit margin ● Few dividends paid to investors
	EXTERNAL Attributes of the environment	OPPORTUNITIES <ul style="list-style-type: none"> ● Appeal to younger generation via technology ● Change company reputation ● Investment in new clothing sections ● Redesigned layout 	THREATS <ul style="list-style-type: none"> ● Unlikely event during peak season ● Government pressures ● Operations worldwide ● Competitor innovations ● Ecommerce

Porters' 5 Forces



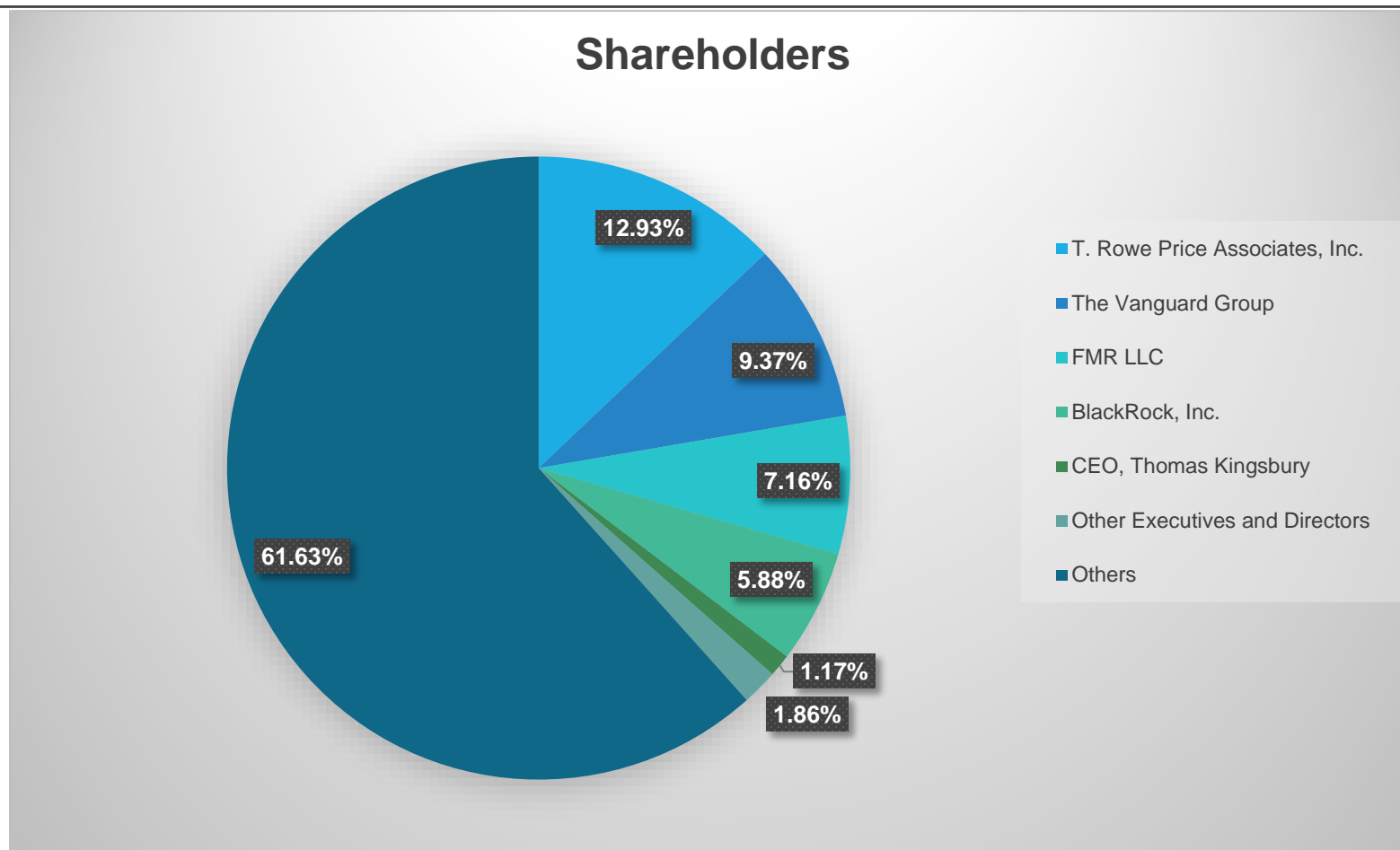
Margins Relative to Competition



The background of the slide is a photograph of a large, modern building with a glass facade, illuminated from within at dusk. The sky is a deep blue with scattered clouds. The building's interior lights are visible through the glass panels, showing a multi-level structure with various rooms and corridors. The word "Recommendation" is overlaid on the left side of the image in a large, white, sans-serif font, with a thin blue horizontal line underneath it.

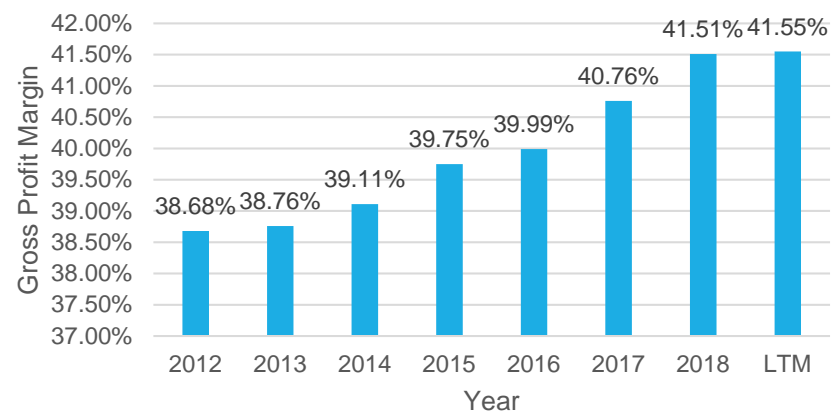
Recommendation

Major Shareholders

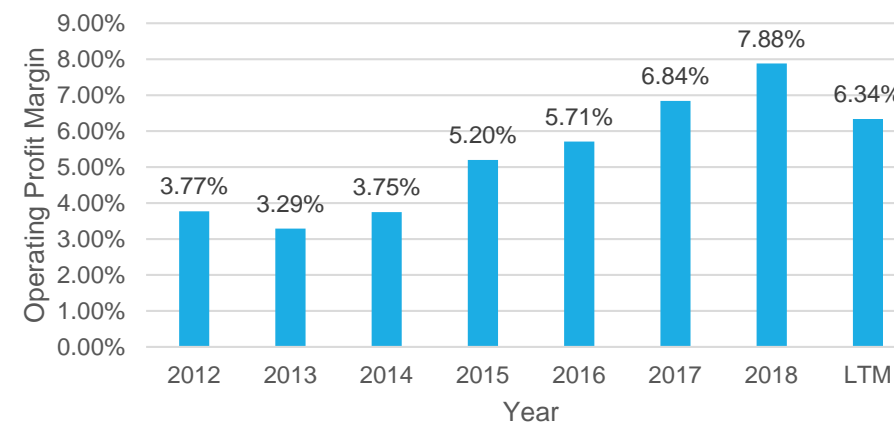


Margins Analysis

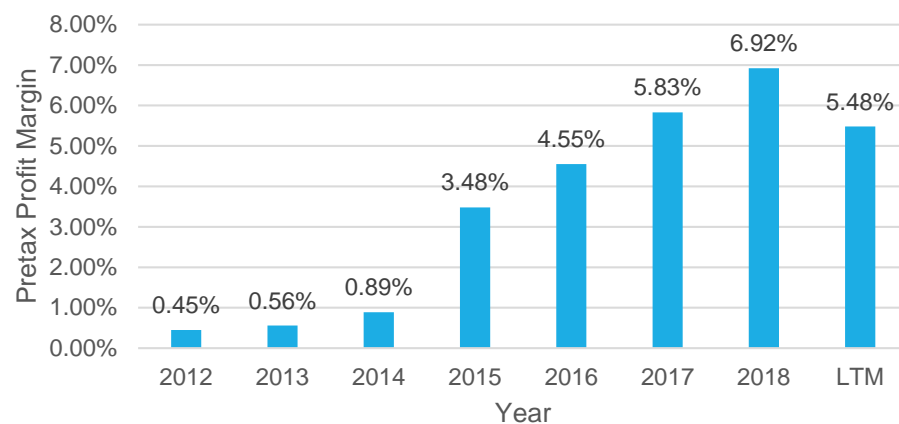
Gross Profit Margins



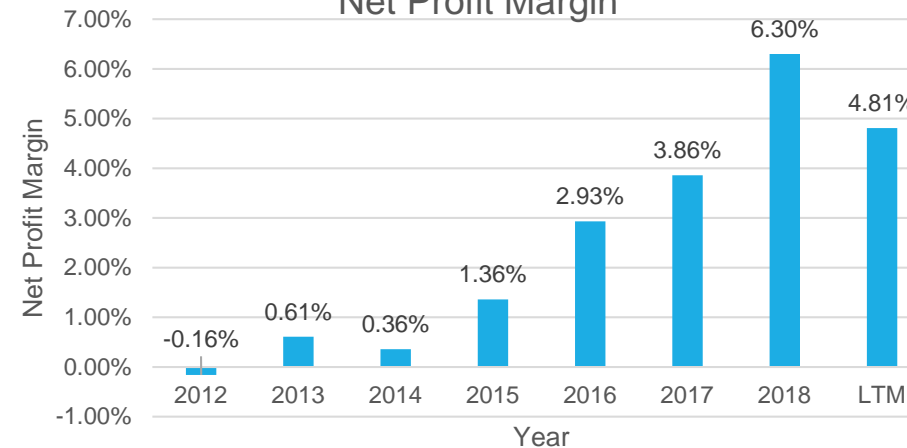
Operating Profit Margins



Pretax Profit Margin



Net Profit Margin



Working Capital Analysis

Net Operating Working Capital (NOWC) =

(Cash + Accounts Recivable + Inventories) – (Accounts Payable + Accrued Expenses)

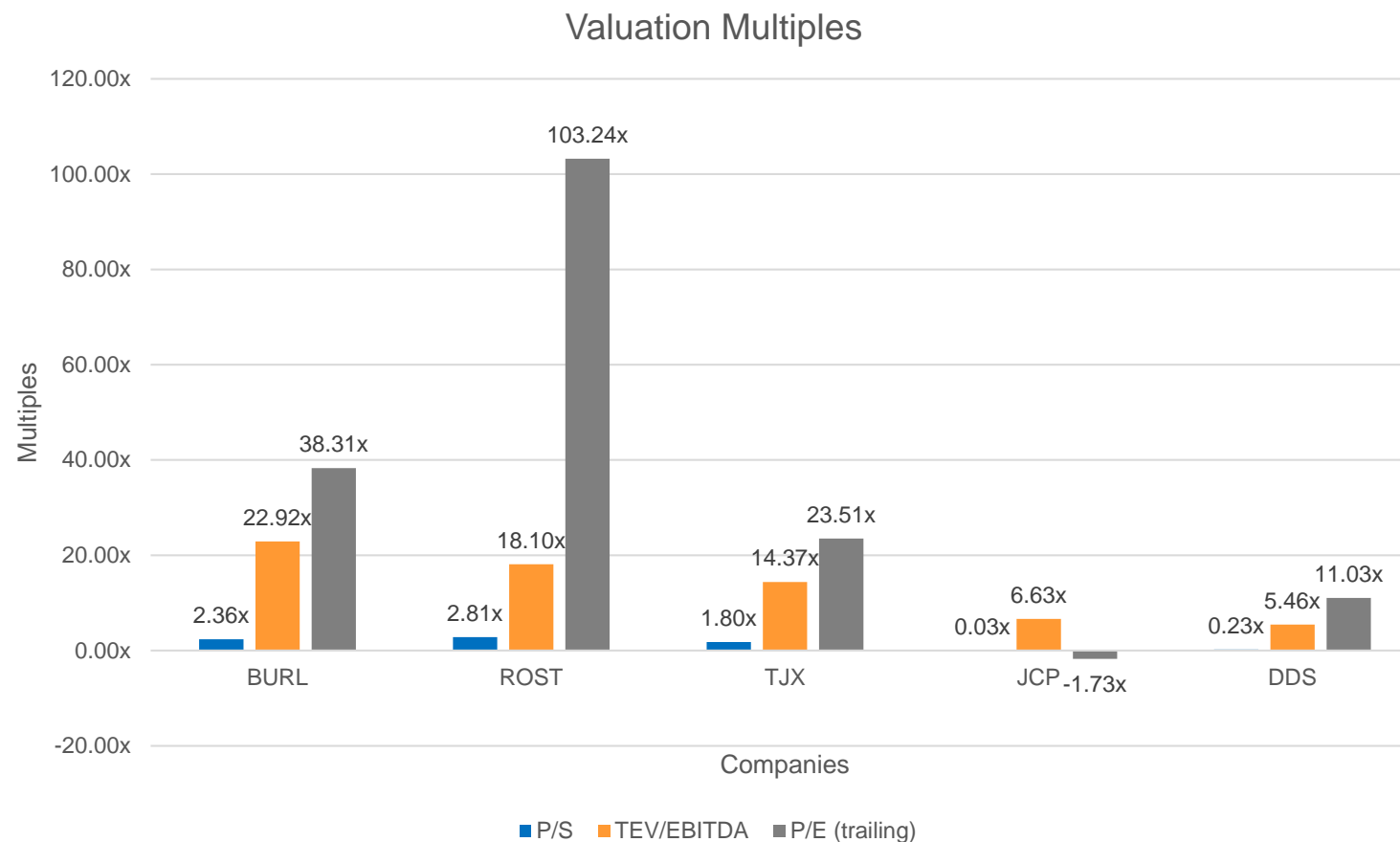
= (112,274 + 58,752 + 954,183) – (848,561 + 47,258)

= \$229,390 million

Working Capital Turnover Ratio Formula = $\frac{\text{Turnover (Net Sales)}}{\text{Working Capital}}$

= $\frac{6,643,051}{229,390} = 28.96$

Relative Valuation



Absolute Valuation

WACC Calculation		
Cost of equity		
Risk-free rate		2.32%
Adjusted beta	0.22	
EMRP	5.32%	
Cost of equity	3.49%	
Cost of debt		
Pre-tax cost of debt	3.95%	
Tax rate	21.00%	
Post-tax cost of debt	3.12%	
WACC		3.42%

Implied share price	
Enterprise value	18,647,561
Debt	1,082,951
Cash	97,207
NCI	--
Associate Investments	--
Equity value	17,661,817
NOSH	66,011
Implied share price	\$267.56
Current price (previous market close)	\$ 225.57
(Discount) / premium	(15.69%)

Risks to Thesis

- Expansion continues → more middle-class workers choose to indulge in a luxury retail experience
- No mobile app for customers to shop on
- Business Insider → dark, unorganized, and difficult to navigate
 - Macy's, JCP, & Target's store redesign plans



Catalysts for Thesis

- Vendor Counts
- Localized Assortments
- Diversifying Product Offerings



Final Recommendation

BUY

