ECCO SKO A/S

A PRIVATE COMPANY VALUATION

MASTER'S THESIS

MARTIN JOLLER

SUPERVISED BY:
JENS MARCUS-MØLLER

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1. Executive summary

The primary objective of this thesis is to estimate the market equity value of ECCO Sko A/S in the event of an initial public offering (IPO) or an equity sale to a publicly listed company by performing comprehensive and prudent analyses of strategic, financial and comparative elements.

Founded in 1963, ECCO Sko A/S is a global manufacturer, wholesaler and retailer of footwear products and related accessories. The Group is headquartered in Bredebro, Denmark, and employs 18 500 people as of 31 December 2013. As the company's vision is to be the best shoe company in the world, it follows a unique business model in which the aim is to control the whole value chain from leather tanning to product sales. Over the past 10 years, ECCO has experienced impressive growth by more than doubling its revenues while remaining consistently profitable.

The external macroeconomic, industry dependent and industry independent factors influencing ECCO were identified by performing PESTEL, six forces framework and VRIO analysis, respectively. The results revealed the most important strategic drivers affecting the company's performance, such as economic growth and expenditure levels in footwear industry, and thus their implications for the future.

For valuation purposes, as ECCO's and its peer group companies' financial statements were reformulated to reflect their core operational performance, it effectively provided a robust basis for profitability and growth analysis. The identified companies in ECCO's peer group were Crocs, Deckers, Geox, Wolverine and Tod's, and their data was analysed 8 years into the past. Compared to its peers, it became evident that ECCO's return on invested capital is mainly driven by its ability to earn high NOPLAT margin, which compensates for its low invested capital turnover rate due to heavy investments in its value chain. Coupled with the fact that the company is relatively highly leveraged, the financial gearing effect greatly enhances its returns to equity investors. Additionally, ECCO's high sustainable growth rates indicate that the company is a growth business, although its elevating dividend payments suggest that lesser part is being reinvested in the company.

As the sales-driven approach is used to develop the pro forma reformulated financial statements, the forecasted revenue of the company incorporates the main strategic drivers identified in the strategic analysis part. The assessment of forecast assumptions revealed that ECCO's financial drivers will remain relatively on the same levels compared to the historical 10 year averages.

Since ECCO is a private company, its equity value was estimated iteratively by discounted cash flow method (DCF) using a weighted average cost of capital (WACC) of 7,13%-7,16%. Additionally, the accompanying sensitivity analysis revealed that a 25 basis point change in WACC and long-term growth rate of the company's free cash flows resulted in an equity value range of 10 105 829-13 117 732 thousand DKK, with the mean value of 11 611 780 thousand DKK. In order to determine whether the company's forecasted free cash flows were plausible, ECCO's equity value was also estimated by using the relative valuation method. The industry's median multiples of EV/EBITDA and EV/EBIT implied that ECCO's equity value is overvalued by discounted cash flow method, whereas the multiples of Tod's, a company with similar characteristics to ECCO, confirmed the equity value range estimated by using free cash flows.

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3. Introduction

3.1. Motivation

The main motivation of this choice of topic is to develop a high degree of proficiency in business valuation techniques by applying and further exploring the theoretical knowledge acquired through master's studies. With this in mind, a private company valuation is not only more challenging compared to a publicly listed company, but it also reveals information that is not readily available in the market.

As the main criteria I set for the choice of company were transparency, maturity and global reach, ECCO was a definite choice. Of course the focus on footwear industry was attractive, but what interested me the most was ECCO's relatively unique business model and its performance compared to the wide-spread outsourcing model in the industry.

3.2. Problem formulation

The primary objective of this thesis is to determine the fair market value of ECCO Sko A/S' equity, which will be based on comprehensive and prudent analyses of strategic, financial and comparative elements. The main motive of this valuation is to form a basis for the company to engage in an initial public offering (IPO) or sale of an equity stake to a publicly traded firm. Therefore, the problem statement will be covered with the following research question:

"What is the market equity value of ECCO Sko A/S in the event of an initial public offering (IPO) or an equity sale to a publicly listed company as of 30 April 2014?"

In addition, there are specific sub-questions identified with the purpose of providing guidance, support and a basis for answering the primary research question. Table 1 below categorises these secondary questions by the main themes of this thesis.

Table 1 - Sub-questions by main themes

Strategic analysis	Financial analysis	Pro forma financial statements	Cost of capital and valuation
What are the main external factors influencing the footwear industry?	How does reformulation of financial statements impact ECCO's operating performance?	How will the findings from strategic and financial analysis impact ECCO's forecasted performance?	What is the appropriate discount rate, i.e. the WACC, that represents the opportunity costs for all investors?
What are the main industry dependent and independent factors that drive the competitiveness in footwear industry?	What are the profitability drivers for ECCO and its peers?	Are the forecasted key financial drivers achievable?	What is ECCO's estimated equity value determined by iterative discounted cash flow valuation?
How do the industry dependent, industry independent, and external factors impact ECCO's performance?	At what pace can ECCO grow while preserving its financial risk?		How sensitive is the estimated market equity value to marginal changes in main inputs?
			What are the implications of relative valuation on ECCO's estimated equity value and its range variations compared to competitors?

Source: Independent analysis

3.3. Scope and delimitation

In order to develop a rational focus to the thesis, it is important to outline the scope and delimitation, which serve as parameters under which the study operates.

The objective of this thesis is to determine ECCO Sko A/S' fair market equity value, which has an aim to serve as a basis for further research for interested parties upon interest. The target group of this research are the owners of the company, who have the option to engage in an IPO, or publicly listed companies that are interested in acquiring the subject company.

It is within the scope of this study to investigate the subject company and its peer group at a consolidated level, including all the strategic business units (SBU's) and subsidiaries that contribute to their business undertakings. In like manner, all the geographical regions associated with business' activities are included in the paper.

This paper relies solely on public information, i.e. secondary data, and assumes the assumption of going concern, which in turn excludes the scenario for liquidation of the company in the foreseeable future. Furthermore, the focus is on market data when determining the cost of capital and valuation variables for the company.

Upon engaging in an IPO or a sale to a publicly listed company, it is assumed that the proceeds are paid out to the owners, thus there will be no adjustments made in the forecasted financial statements. In addition, issues of control distribution and potential synergies from the change of ownership are excluded from this paper.

The latest financial data about the subject company and its peers is presented as of 31 December 2013, whereas their historical performance and development will be analysed up to 10 years into the past. In general, the latter principle applies to other relevant historical data as well, except for few variables that require longer observation period. As the thesis applies market data from the first half of 2014, the valuation of the subject company is performed as of 30 April 2014, thereby making the information published after this date irrelevant.

This paper applies the theories and models most favoured by investment practitioners, and also assumes that the reader is broadly familiar with the frameworks. The main data analysis methods applied are briefly evaluated and criticised in the theoretical framework section in methodology part.

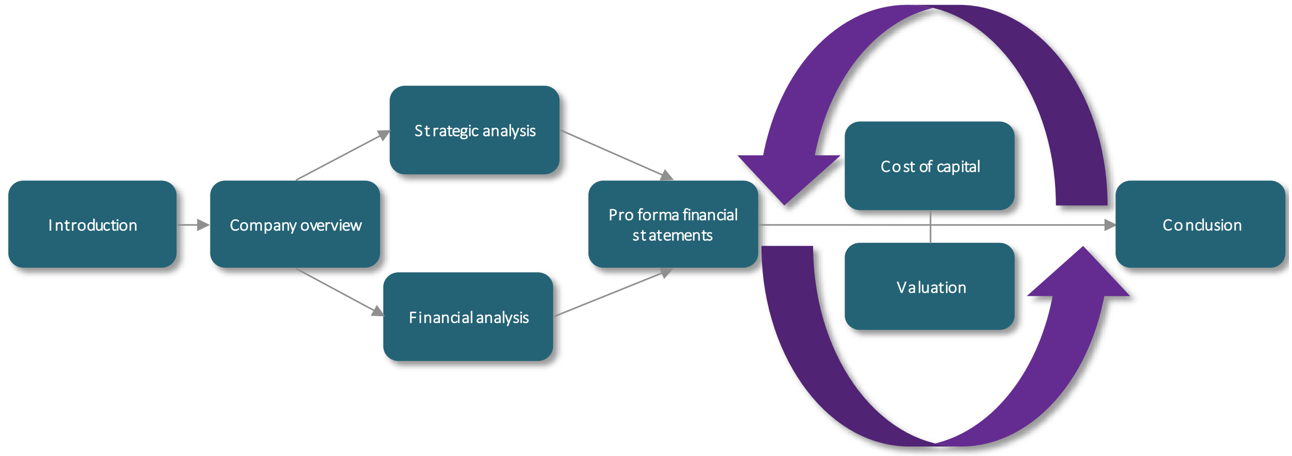
Lastly, it is important to note that further delimitations will be introduced later in the paper if necessary.

3.4. Methodology

3.4.1 Structure

This paper is structured into eight main sections as seen in Figure 1. The first section of the thesis introduces the purpose, scope and delimitation, and applied methodology of the study, whereas the subsequent part gives an overview of ECCO's history, management structure, and business operations. The focus in strategic analysis section is to identify the implications of external environment, industry dependent and independent factors to the subject company's performance and competitiveness. The financial analysis part, on the other hand, reorganises ECCO's and its peer groups financial statements to reflect robust comparable operational performance. Additionally, the comprehensive profitability and growth analysis will decompose the variables driving performance in order to identify the financial value drivers. In the subsequent section, pro forma financial statements will be prepared based on the results from strategic and financial analysis, and the value drivers will also be tested against the historical performance. In the next part, the variables of ECCO's cost of capital will be identified, but the applicable weighted average cost of capital will be determined iteratively in valuation section. The valuation part incorporates all the relevant results from previous sections, and estimates ECCO's market equity value by applying iterative discounted cash flow and relative valuation. Lastly, the final section highlights and summarises the findings of this study.

Figure 1 – Thesis structure



Source: Independent analysis

3.4.2 Research design

Research design expresses both the structure of the research problem – the framework, organisation, or configuration of the relationships among variables of a study – and the plan of investigation used to obtain empirical evidence on those relationships. (Kerlinger, 1986)

As the aim of this thesis is to identify the characteristics associated with the subject, and to discover the connections among different variables, the purpose of this study is descriptive. (Cooper & Schindler, 2013) Furthermore, the paper is classified as a cross-sectional study, because the time dimension represents a snapshot of one point in time that is in accordance with the criteria set in scope and delimitation.

In answering the research question in a proper manner, the topical scope of the paper is designed as a case study. (Yin, 1994) defines a case study as an empirical enquiry that investigates a phenomenon within real-life context, and relies on multiple sources of evidence. This single-case study has a focus on estimating ECCO's market equity value by engaging in a comprehensive theoretical and empirical investigation based on both qualitative and quantitative research. The data is approached by deductive reasoning in which the inputs are processed and logically linked to reach conclusions.

3.4.3 Data collection and presentation

As the scope of this thesis is to determine the fair equity value of ECCO Sko A/S as a basis for a potential IPO or a sale to a publicly listed company, only secondary data from publicly available sources will be used in the process. This choice is also true due to data unavailability and lack of available resources. Upon further interest, primary data should be used in more comprehensive due diligence investigation.

The applied secondary data is composed of both qualitative and quantitative parts of research, which includes annual reports, company, market and industry reports, scientific articles and papers, press releases, presentations and other secondary sources. The main sources of theoretical and valuation related methods are mostly based on the literature provided by (Damodaran; Koller, Goedhart, & Wessels, 2010; Petersen & Plenborg, 2012). Moreover, the primary statistical and market related information is obtained from (Bloomberg; Euromonitor; MarketLine, 2013).

The data will be presented in tables, figures and in other pictorial forms, whereas the integer part of numbers presented are separated by decimal comma from the fractional part of the number. In addition, numbers and percentages expressed in brackets represent negative values, whereas dash represents a value of nil.

3.4.4 Reliability and validity

It is important that all the data and theories applied in this thesis would be valid and reliable. In other words, the inputs used in this report need to be from valid sources, and supply consistent results.

Regarding ECCO and its peer group companies, one of the primary information sources that are used in this thesis are their respective annual reports, company presentations and press releases. Uniquely, as ECCO is a private company, there is lack of information about some of its specific financial accounts and business operations, and there is also no relevant analysts' coverage. Consequently, it is required that several assumptions and estimations are needed to be made. At the same time, acknowledging the probabilities for errors, this thesis takes a conservative approach in evaluating and applying the comparative data from valid and reliable sources in a critical manner. As the annual reports used in this thesis are approved by auditors without any remarks, the accounting data and disclosures provided by the companies is expected to be valid and reliable.

In addition, the theoretical foundation of this paper is based on academic literature from well-recognised sources, which is believed to be relevant and valid. Despite the independent nature of other databases and articles used in this study, the issue of subjectivity is tackled with the above mentioned conservative approach in order to assure high quality and reliable results.

It is important to note that even though there are differences between IFRS and US GAAP accounting standards, this paper assumes them to be not material in comparative analysis.

3.4.5 Theoretical framework

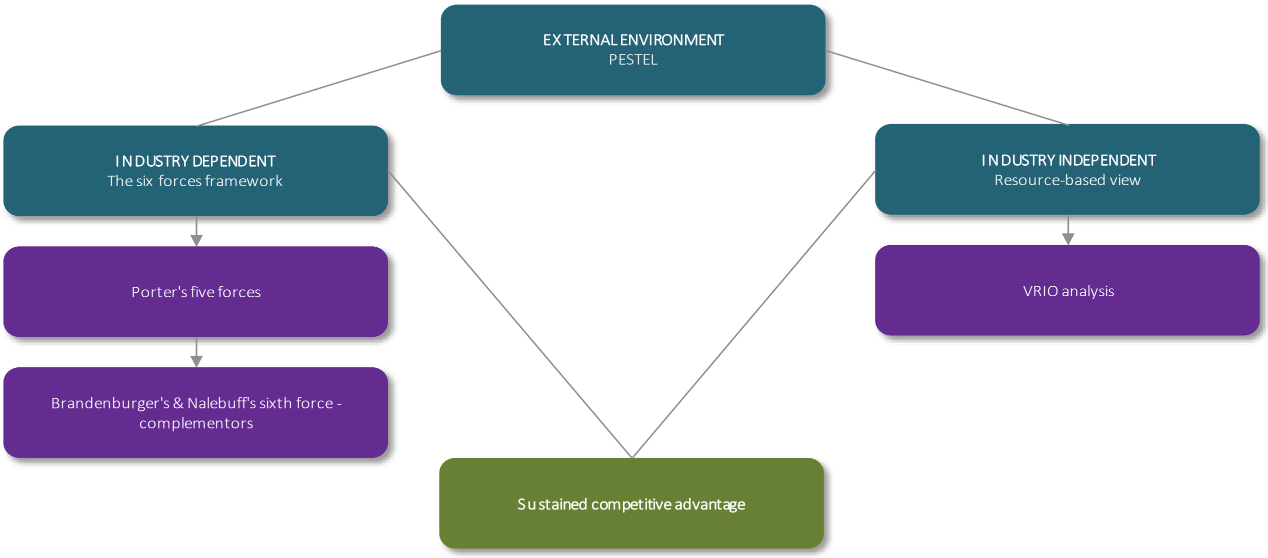
The theoretical framework section introduces, defines and justifies the main theories applied in this thesis. This part is divided into two subsections: theory relating to strategic analysis, and valuation theory.

3.4.5.1 Strategic theory

In business valuation, a comprehensive strategic analysis serves as a foundation in adequately projecting a company's cash flows and future status in general. Therefore, it is of utmost importance that the external and industry-specific factors, as well the strategic key drivers would be identified and their implications examined.

Figure 2 graphs the main components and their connection within the strategic framework of this thesis. The core of the framework consists of extensive analysis of external environment, and both industry dependent and independent factors that drive and influence a company's competitive position.

Figure 2 – Strategic framework



Source: Independent analysis

In the following, the models applied in the framework will be discussed in detail.

3.4.5.1.1 PESTEL analysis

This framework provides a comprehensive list of influences on the possible success or failure of particular strategies. PESTEL stands for Political, Economic, Social, Technological, Environmental and Legal. (Johnson, Scholes, & Whittington, 2008) More specifically, PESTEL analysis provides a wide overview of the key macro-environment drivers that have or may have an impact on company's cash flow potential and risk profile.

The main motivation behind applying PESTEL framework is that it enables to find out the current external factors affecting the organisation, to identify the external factors that may be a subject to change in the future, and to exploit the changes or defend against them better than competitors would do. (Strategic Management Insight, 2013a)

As the model's aim is to identify the key drivers for change, it is important to point out that the list of external factors is not exhaustive.

3.4.5.1.2 Six forces framework

In 1979, Harvard Business Review published an article „How Competitive Forces Shape Strategy", which was written by Michael E. Porter. (Porter, 2008) In this paper, the distinguished economist proposes a revolutionary model for industry analysis known as the Porter's five forces framework. The framework is composed of five main forces that influence the competition and attractiveness of an industry: threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitutes and competitive rivalry. Despite the framework's excellent applicability in assessing the structure and competition in a specified industry, it also has its critique and limitations.

Firstly, as the model assumes a classic perfect market, the resulting insights become less meaningful as an industry is more regulated. (TheManager, 2001)

Secondly, Porter's five forces model assumes relatively static market structures, whereas nowadays, the markets can be characterised as dynamic and rapidly changing. The improved developments in technology, new market entries by start-ups and other industries may completely reshape business models and conducts. (TheManager, 2001) As the aim of the model is to assess industry dependent influences on sustained competitive advantage of a company, this thesis carefully seeks to incorporate the market dynamics by investigating whether the competitive advantage of a company is truly sustainable or simply temporary.

Lastly, another limitation of the model is that it is revolved around competition, and it excludes the opportunities from cooperation and strategic alliances, which enhance the competitive advantage and add value.

In order to tackle the latter limitation, Adam M. Brandenburger's and Barry J. Nalebuff's extension of complementors will be added to the Porter's five forces. (Brandenburger & Nalebuff, 1995) Complementors as a variable effectively makes the six forces framework relatively more robust by including beneficial opportunities from cooperation into the analysis.

3.4.5.1.3 VRIO analysis

In determining the sustained competitive advantage of a company, it is not feasible to exclude the industry independent components from the strategic analysis. Therefore, these elements will be examined with the focusing on the resource-based view, in which the competitive advantage and superior performance of a company will be explained by the distinctiveness of its capabilities. (Johnson et al., 2008)

There are several models and theories that are applicable in the analysis of a company's internal environment, such as VRIO analysis, Porter's value chain analysis, and BCG matrix. However, the last two strategic models are out of the scope of this thesis, because they require substantial detailed information about an organisation's business units and processes, which unfortunately is not available in full.

Given the theme of this thesis, VRIO analysis is an excellent fit in examining and analysing the internal resources of a company. The framework was proposed in 1995 by Barney J. B. in his article "Looking Inside for Competitive Advantage" as an improvement to its previous analysis model VRIN, which the author published in his work "Firm Resources and Sustained Competitive Advantage" in 1991. (Barney, 1995; Strategic Management Insight, 2013b) Moreover, VRIO stands for four important questions that are concerned with the competitive potential of a company's resource or capability: Value, Rarity, Imitability and Organisation. According to the theory, the satisfaction of all four criteria assures sustained competitive advantage for a company. Similarly to Porter's five forces, VRIO concept has its limitations and important points to be kept in mind.

Firstly, as for most strategic theories, VRIO framework applies to a static environment, whereas, as explained in previous section, the business reality these days can be described as dynamic. Therefore, as for six forces model, the sustained part of competitive advantage will be thoroughly examined.

Secondly, there is very little attention to depreciating resource value, which may have negative effects on the strategic business units. As the durability of resources in the market varies considerably by the increasing changes in technology, the useful life-spans of most resources tend to shorten, although reputation as a resource appears to depreciate relatively slower. (Grant, 1991)

Interestingly, (Akio, 2005) argues that the competitive advantage may arise from the imperfections in the factors markets. More specifically, as companies and owners have different expectations concerning the future value of resources and capabilities, it is up to the entrepreneurs to determine how they are able to generate value in ways that others cannot anticipate. Therefore, different perceptions may be the basis of a competitive advantage.

In spite of the model's limitations and questionable applicability to the real world, it still serves as a useful tool for gaining insight into a company's resource base, which in turn helps to identify the drivers steering the company forward.

3.4.5.2 Valuation theory

(Petersen & Plenborg, 2012) describe that there are four general types of valuation approaches: present value, relative valuation, liquidation, and contingent claim valuation. The first two methods will be used in this study due to their applicability in the context and favourability by investment specialists. In the following, the relevant valuation related theories will be explained in detail.

3.4.5.2.1 Capital asset pricing model (CAPM)

In order to calculate the weighted average cost of capital for a specific company, it is also necessary to estimate its cost of equity. To do so, the research and literature provides several models, such as CAPM, Fama-French three-factor model and arbitrage pricing theory model. The main difference of these models is how they define risk, for example, CAPM defines risk as a stock's sensitivity to the stock market, whereas the Fama-French uses a stock's sensitivity to three portfolios: the stock market, portfolio based on firm size, and a portfolio based on book-to-market ratios. (Koller et al., 2010) As the CAPM is most preferred by investment practitioners, it will also be applied in this thesis. Additionally, the model will be modified to count for the empirical observations that companies of smaller size are associated with greater risk.

(Berk & DeMarzo, 2011) identify the three main assumptions underlying CAPM:

1. Investors can buy and sell all securities at competitive market prices and can borrow and lend at the risk-free interest rate.
2. Investors hold only efficient portfolios of traded securities – portfolios that yield the maximum expected return for a given level of volatility.
3. Investors have homogeneous expectations regarding the volatilities, correlations, and expected returns of securities.

Despite the problems and criticism of CAPM being too unrealistic for investors in the real world, it is assumed that the model's underlying assumptions hold.

3.4.5.2.2 Present value approach to valuation

The main part of the valuation is performed by discounted cash flow (DCF) method, which is a present value approach in which the intrinsic value of a company is determined by its estimated cash flows and a discount rate that indicates its risks and time value of money. The applied enterprise value approach in discounted cash flow valuation will be explained in more detail in the valuation part.

One of the main advantages of using the DCF method is that not only does it estimate the closest thing to a company's intrinsic value, but it is also based on free cash flows that are trustworthy measures of performance. On the contrary, the method is only as good as its underlying assumptions, and it may be very sensitive to certain variables used in the estimation. Therefore, the comprehensive strategic and financial analysis are the cornerstones of building robust pro forma statements that allow for best estimated valuation results.

A private company valuation in which the market value of equity is initially unknown, exposes the report to fundamental problem. Namely, in order to determine the market equity value, it is necessary to know the market debt to equity ratio and WACC, and to calculate WACC, it is necessary to know firm and equity value. (Larkin, 2011) Therefore, the DCF method will be applied through iterative procedure in which the circularity is corrected. The detailed description of the method will be explained in valuation part.

3.4.5.2.3 Relative valuation

The main purpose of comparative valuation is to gain an understanding of what drives value in a specific industry, and to complement and explain the results from DCF valuation. Relative valuation is performed by using valuation multiples that are expressions of market value relative to key variables that are assumed to relate to that value. (Suozzo, Cooper, Sutherland, & Deng, 2001) There two types of multiples, enterprise and equity multiples, however, this thesis applies only enterprise multiples, because they express the value of an entire company. The detailed description of multiples used will be specified in the valuation part of the study.

As valuation is a subjective matter, the multiples valuation provides a robust framework for making judgements concerning value. Additionally, they are very simple to use and provide relevant information on how players in the market perceive value. On the other hand, the simplicity of multiples also means that many value drivers are combined into one measure, encouraging erroneous interpretations. (Suozzo et al., 2001) Also, as nowadays businesses are dynamic and ever-evolving, relative valuation only captures a snapshot of a point in time.

A careful and well-reasoned comparative analysis between seemingly identical companies may still result in different multiples. The main reasons why multiples may vary are due to the differences in value drivers and accounting standards, fluctuations in cash flow or profit, and mispricing. (Suozzo et al., 2001)

4. Company overview

4.1. Brief introduction

ECCO Sko A/S is a global manufacturer, wholesaler and retailer of footwear products and related accessories. The company's product portfolio is divided into ladies', men's, kids', sports and golf shoes, and accessories segment. The Group is headquartered in Bredebro, Denmark, and employs 18 500 people as of 31 December 2013. (*ECCO's Annual Report 2013*)

What is unique about ECCO compared to its peers is that the company controls its whole value chain operations, and produces most of its products in-house. In other words, they tan leather at their own tanneries, and manufacture shoes at their own factories. In 2013, only 13% of ECCO's total shoe requirements were outsourced from external suppliers. (*ECCO's Annual Report 2013*)

Moreover, ECCO's main values are based on quality and innovation. As they follow a differentiation business strategy, they aim to manufacture shoes with the highest quality. Control and flexibility in their operations enable them to achieve competitive advantage over their competitors. Their vision is to be the best shoe company in the world.

Table 2 provides an overview of ECCO's main historical financial accounts. Evidently, the company has grown substantially over the past 10 years by doubling its revenues and asset base while remaining consistently profitable.

Table 2 - Key financial highlights

DKK '000	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Income statement										
Net revenue	3 393 693	3 830 546	4 470 403	5 219 525	5 374 142	5 041 200	6 111 148	7 088 826	8 061 236	8 436 096
EBITDA	447 972	628 879	937 822	1 041 971	1 033 467	768 307	994 720	1 276 606	1 512 381	1 643 580
Depreciation & amortisation	(180 937)	(205 039)	(178 360)	(208 943)	(206 396)	(272 383)	(341 973)	(329 871)	(306 429)	(277 139)
EBIT	267 035	423 840	759 462	833 028	827 071	495 924	652 747	946 735	1 205 952	1 366 441
Group profit	163 558	225 034	500 060	561 410	573 869	345 357	475 613	653 190	819 026	933 880
Net profit	150 661	225 731	489 472	537 578	527 399	299 237	409 978	554 635	683 672	793 654
Balance sheet										
Total assets	2 945 179	3 285 358	3 650 680	4 215 209	4 397 050	4 182 148	4 650 020	5 146 855	5 671 734	5 762 813
Cash & cash equivalents	*348 033*	*659 048*	*662 655*	*506 863*	*489 975*	*675 049*	*685 152*	*645 284*	*523 651*	*409 524*
Total liabilities	1 854 276	1 912 250	1 864 088	2 068 569	1 820 884	1 597 489	1 889 188	1 961 207	2 289 566	2 046 957
Interest-bearing debt	*1 503 223*	*1 537 947*	*1 388 455*	*1 423 268*	*1 262 311*	*960 048*	*905 115*	*845 275*	*1 012 060*	*828 239*
Shareholders' equity	1 034 026	1 285 750	1 729 513	2 073 447	2 473 419	2 431 839	2 586 961	2 931 289	3 121 885	3 443 618
Cash flow statement										
CF from operating activities	272 973	515 078	427 374	263 610	788 592	984 524	700 151	669 684	795 509	790 947
CF from investing activities	(212 811)	(201 678)	(234 809)	(305 055)	(482 718)	(222 925)	(236 732)	(338 596)	(593 639)	(340 758)
CF from financing activities	(392)	(2 385)	(188 958)	(114 347)	(322 762)	(576 525)	(453 316)	(370 956)	(323 503)	(564 245)
Total cash flow	**59 770**	**311 015**	**3 607**	**(155 792)**	**(16 888)**	**185 074**	**10 103**	**(39 868)**	**(121 633)**	**(114 056)**

Source: ECCO's annual reports 2004-2013, Independent analysis

4.2. Heritage, history and milestones

In 2013, ECCO celebrated its 50th anniversary. The company has come a long way since it was founded by Karl and Birte Toosbuy in 1963. Prior to buying their own shoe factory in Bredebro, Karl was working as the head of production at Nordsko shoe factory in Copenhagen. As a result of Karl's active role in promoting ECCO's brand and designs, the company started exporting shoes to Norway, Finland and Sweden.

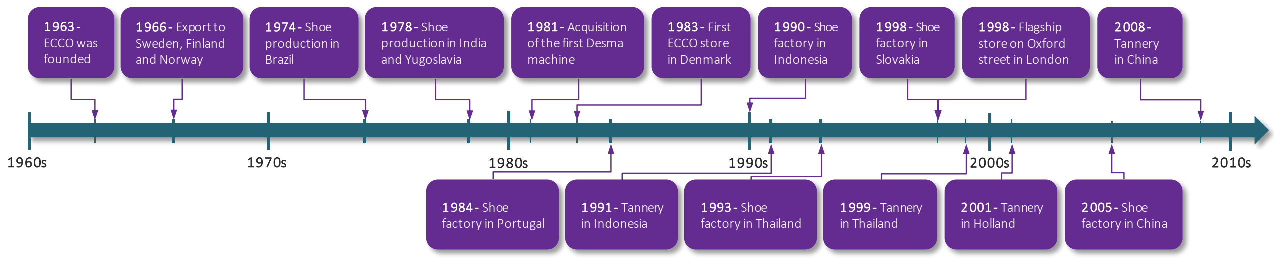
The 1970s introduced increased production and operational expansion at ECCO by the opening of its first foreign production facility in Brazil in 1974, followed by new production facilities in India and Yugoslavia in 1978. As the founding family put great emphasis on high quality and exceptional designs, it led the company towards vertical integration of its operations.

In 1981, ECCO purchased its first Desma machine, which enabled the company to use "direct injection" technology. Compared to its competitors, the technology advancement gave ECCO substantial competitive advantage. Shortly after, the shoe producer took an important step in increasing its presence in the market by opening its first store in Denmark. Due to capacity constraints in Danish factory and cost efficiency opportunities, ECCO decided to open its first shoe production plant in Portugal in 1984. By the end of 80s, the company was already testing its designs to enter the US market.

In the 90s, ECCO greatly increased its manufacturing base by setting up factories in Indonesia, Thailand and Slovakia, in 1990, 1993 and 1998 respectively. Additionally, new tanneries were built in Indonesia and Thailand in 1991 and 1999. This was done mainly to control and assure the high quality of production inputs. What is more, the company's flagship store was opened on Oxford Street in London.

In the beginning of 2000s, Karl Toosbuy focused the company's attention towards China. Not only did the country provide possibilities for cost optimization, but also served as a stepping stone to the vast emerging Chinese market. With this in mind, ECCO set up shoe factory and tannery in China, in 2005 and 2008 respectively. Equally important, the company expanded its product category by adding sport shoes in 2001 and golf shoes 2003.

Figure 3 – ECCO's historical milestones



Source: ECCO's annual reports 2012-2013, Business Insights, *Independent analysis*

4.3. Ownership structure

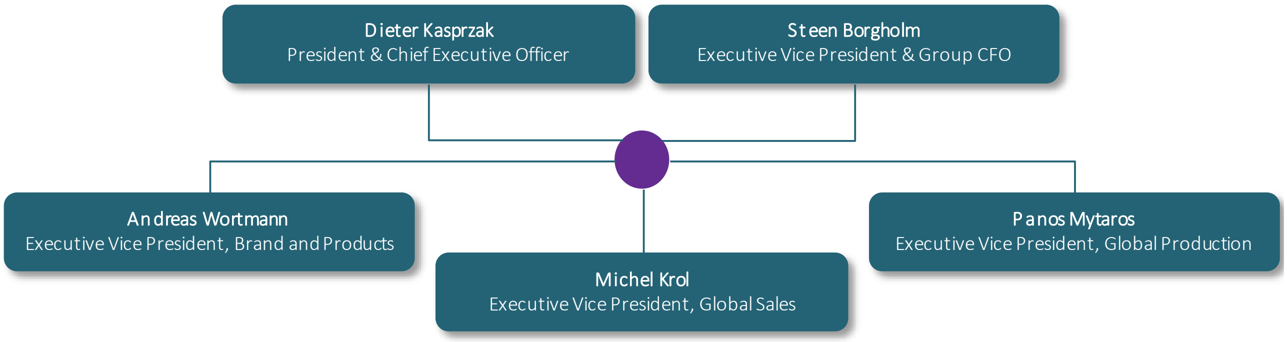
As Karl Toosbuy founded ECCO half a century ago, he was determined that the company would own its production operations and control its destiny. To this day, it is a private family business, owned wholly by the Toosbuy family.

4.4. Overview of the management

ECCO Sko A/S is governed by two-tier system, where the managing and supervisory board coexist.

Managing board is making the most important decisions about the company's strategy, major acquisitions, disposals etc. Most commonly, board members make decisions collectively, and their voting is democratic. (Thomsen & Conyon, 2012) In addition, the board members are responsible for risk management, including strategic and operational risks.

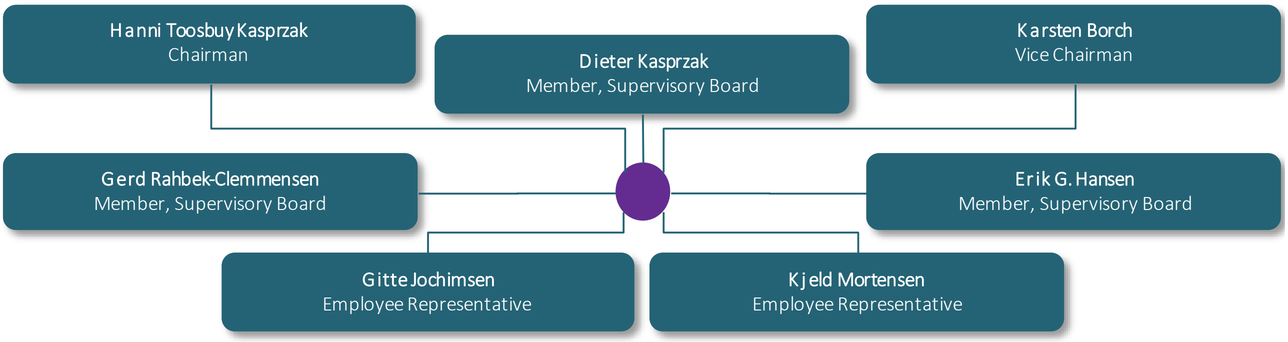
Figure 4 – ECCO's managing board



Source: ECCO's annual report 2013, Independent analysis

Supervisory board at ECCO consists of individuals that are representing and promoting their interests through the governance of the firm. These individuals are mostly shareholders and stakeholders of the company.

Figure 5 – ECCO's supervisory board



Source: ECCO's annual report 2013, Independent analysis

4.5. Group legal structure

ECCO Sko A/S, as a global shoemaker, has numerous sales and production subsidiaries in all the corners of the world: Europe, Middle East and Africa, Americas, Asia-Pacific. The full Group legal structure can be seen in Appendix 1.

4.6. Business overview

4.6.1 Brands and products

ECCO's products are mainly produced from high quality leather, and by following their principle hallmarks of style, quality and comfort. The company produces diverse portfolio of products, including casual and outdoor shoes for ladies, men, kids, and also specialised shoes for sports and golf enthusiasts. They design collections for two seasons – spring/summer, and autumn/winter. In the latest addition, they also manufacture various leather accessories to complement their core business.

4.6.1.1 Ladies'

The ladies shoe market can be regarded as the largest segment for business opportunities, but also the most complex to succeed in. As seen in Figure 6, ECCO's collection offers four types of shoes to female customers: flat shoes, heels, sandals and boots.

Figure 6 – ECCO's variety of ladies' shoes

Source: www.ecco.com, Independent analysis

4.6.1.2 Men's

As a strong pillar in ECCO's product portfolio, men's shoe segment continues to consolidate the company's strong performance and expansion. Similarly to ladies collection, ECCO offers a wide range of men's shoes in three categories: shoes, sandals and boots. These categories are displayed in Figure 7 below.

Figure 7 – ECCO's variety of men's shoes

Source: www.ecco.com, Independent analysis

4.6.1.3 Kids'

As Figure 8 indicates, the kids' division at ECCO offers casual and outdoor shoes, and also sandals for boys, girls and infants.

Figure 8 – ECCO's variety of kid's shoes

Source: www.ecco.com, Independent analysis

4.6.1.4 Sports

ECCO's sports category is targeted towards both men and women, who are passionate in running, playing golf, hiking, or outdoor activities in general. The examples of shoes can be seen below.

Figure 9 – ECCO's variety of sports shoes

Source: www.ecco.com, Independent analysis

4.6.1.5 Accessories

The accessories division at ECCO has grown significantly over the past few years, and also enhanced its variety of products offered. In this division, ECCO offers its customers bags, belts and wallets made from their premium leather. Together with the main products from this category, they also supply the market with other different shoe accessories, such as socks, shoe soles and laces, and cleaning, caring and protecting products.

4.6.2 Processes and operations

The global trend in the shoe industry is increasingly leaning towards the outsourcing manufacturing model. ECCO on the other hand, is moving against the mainstream by strengthening its global vertical integration. The company controls and owns its value chain operations, including tanneries, shoe factories, distribution and sourcing centres.

4.6.2.1 ECCO's value chain

4.6.2.1.1 Raw materials

ECCO's value chain operations begin with the purchase of necessary inputs for leather tanning – animal rawhides. This step is important, because leather constitutes as key material in their shoe uppers production. Rawhides of cattle, goats and sheep are mainly imported from Germany, France, Denmark and Finland. (Nielsen, Pedersen, & Pyndt, 2008)

4.6.2.2 Tanning

Owning and controlling its own tanneries serves the purpose of ensuring and committing to the high quality of its products, and minimising the lead times of its overall production. The company has total of four tanneries around the world, in the Netherlands, Thailand, China and Indonesia, where as ECCO Netherlands is the global head office for leather production.

There are several strategic stages in their tannery operations: full-scale, prototype, laboratory and ramp-up production of leather, whereas the full-scale processing of leather takes place in Thailand and Indonesia. (Nielsen et al., 2008). The definitions of these strategic phases can be seen in Appendix 2.

4.6.2.3 Manufacturing

For a global company active in footwear industry, it is of utmost importance to be able to adapt to the rapidly changing trends, and increasing competition, which forces them to seek measures of cost reduction.

Consequently, ECCO has set up their labour intensive operations in countries, where they can benefit from lower costs of production. They have a total of five factories – three in Asia (Indonesia, Thailand, China), and two in Europe (Portugal, Slovakia).

These factories follow similar strategic phases in their manufacturing operations as tanneries do, with the addition of benchmarking production.

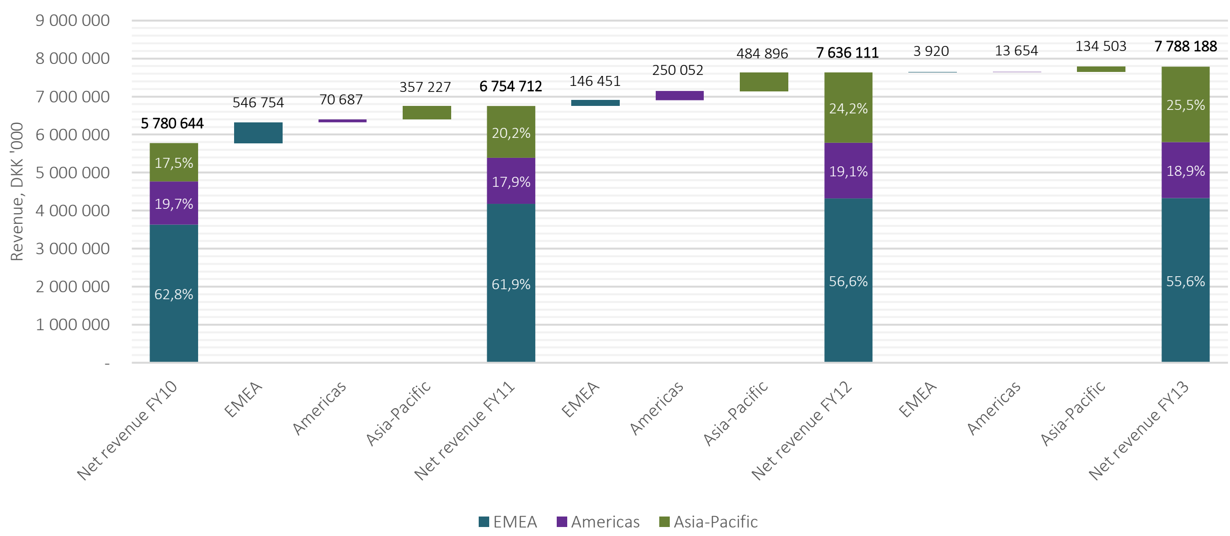
ECCO's production technology is the main feature that differentiates them from their competitors. The core element in their manufacturing process is called „direct injection" technology. In this process, they use capital intensive machinery to attach shoe uppers to the shoe sole under very high pressure. (Nielsen et al., 2008) Later, manual labour is used to sew the uppers and put a finishing touch to the shoes before they are shipped from the factory.

4.6.2.4 Markets and distribution

As the company is currently present in 87 markets, they have organised their sales activities into three regions: Americas, Europe, Middle East and Africa, and Asia-Pacific.

ECCO distributes products to its customers via wholesale, retail, e-commerce and m-commerce channels, and outlets. The company has more 15 000 selling points around the world - their shoes and accessories are sold in shops, shop-in-shops, concessions, shop points, and multi-branded shops. (*ECCO's Annual Report 2013*)

Figure 10 - ECCO's revenue development across regions



Source: www.ecco.com, Independent analysis

Figure 10 graphs the revenue development of ECCO in three regions from 2010 to 2013. It is important to note that the revenues include only the sale of shoes and accessories, and exclude the revenues from other products and services. The numbers top of the columns show sales results for the financial years and also sales increases by regions for given years. The percentages in the column reflect each region's share of sales from total sales. Although the company's revenues have positively increased over the years, the figure clearly indicates that Asia-Pacific region has been leading the growth in the revenue development.

4.6.2.5 Sourcing

The company's global office for sourcing is located in Dongguan, China. The main purpose of the sourcing office is to purchase shoes from external manufacturers. ECCO mostly outsources shoes that have thin soles, because they are unable to fully utilise their „direct injection" technology. Furthermore, the unit in China also handles purchases from key materials and machine suppliers.

4.6.2.6 Research and development

The design and product development processes are mainly done at the company's headquarters in Bredebro, Denmark, but as the Group's communications and operations have become highly integrated, ECCO has relocated several research and development activities to production facilities in order to benefit from the on-site practical aspects.

4.6.2.7 Training

In order to train skilful specialists and promote lifelong learning, ECCO has set up three in-house academies that offer specialised courses in shoe making, leather tanning and retail activities.

5. Strategic analysis

5.1. PESTEL analysis

The aim of the following part of the thesis is to identify the main macroeconomic factors that impact ECCO's cash flow, and assess their effect on the company's future performance. The factors analysed in this section are political and legal, economic, socio-cultural, technological, and environmental.

5.1.1 Political and legal

5.1.1.1 Income tax

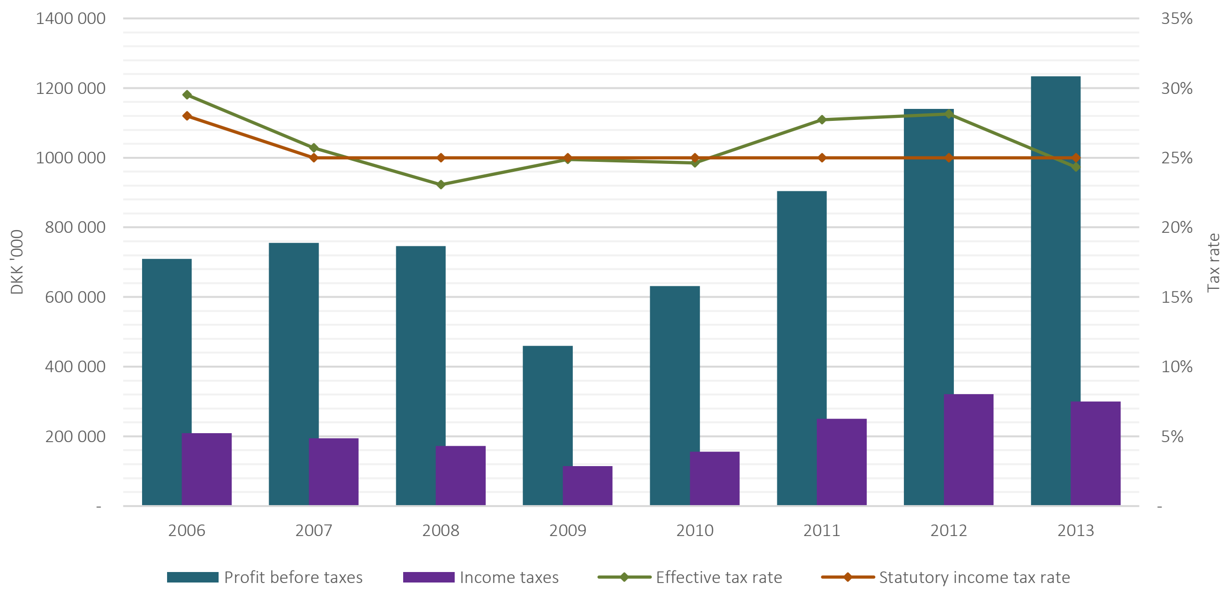
Taxation, especially income tax, has strong implications on business performance. As a result, large multinational corporations are active in tax avoidance schemes by using tools such as transfer pricing and tax havens in order to increase their profitability.

ECCO Sko A/S and the Danish subsidiaries are encompassed by the Danish regulations regarding mandatory joint taxation. (*ECCO's Annual Report 2013*) In addition, the losses occurred in one Danish company can be set off against taxable income in another Danish company under joint taxation.

Danish tax climate is becoming more favourable and attractive for Danish businesses, because the country has approved several tax reforms. Most importantly, the current corporate tax rate of 24,5% will be gradually reduced to 23,5% in 2015F and to 22,0% by 2016F. (KPMG, 2014)

Figure 11 below depicts ECCO's historical profit before taxes (EBT), income tax expense, effective tax rate, and Danish statutory income tax rate. The graph clearly states that the company's effective tax rate and the country's official rate follow the same trend. The minor fluctuations in the effective rate can be explained by the difference in estimated and actual taxes paid. Moreover, this future decrease in income tax rate benefits ECCO substantially. For example in year 2013, if tax rate of 22,0% would be applied, the company would have increased its Group profit by 28,8 million DKK.

Figure 11 - ECCO's historical EBT, income taxes, effective tax rate and Danish income tax rate



Source: ECCO's annual reports 2006-2013, KPMG, Ministry of Foreign Affairs of Denmark, *Independent analysis*

5.1.1.2 Geopolitical risks

The ongoing protests and conflicts in several regions of the world have negative effect on ECCO's sales, and disrupt trade in general. The main regions of concern for the company are Russia, Thailand and Egypt.

Firstly, in August 2008, Russia shocked the world with its brutal and bold move by invading Georgia. Similarly, in the beginning of 2014, they have entered Ukraine, and occupied a region called Crimea. Vladimir Putin, the leader of Russian Federation, justifies its actions by claiming to protect the human rights of its citizens. (BBC News, 2014) In addition, they have readied their armies near Ukraine borders, and further increased tensions in Kiev. As the western world greatly disagrees with the actions of Russia, they are introducing several sanctions and bans that directly affect trade and the flow of money. The ongoing conflict is far from settled, and as it can escalate quickly, it may put more pressure on economies that are depending on Russian trade. For ECCO, these Western sanctions can have a negative effect on the company's sales, trade costs, and lead times. In the worst case of scenario, Russia may also retaliate counter-sanctions such as freezing foreign assets, imposing trade restrictions etc.

Secondly, the political crisis in Egypt and Thailand add extra complications and costs to business conduct. Measures such as street protests, occupation of government offices and other general disruptions intervene the effectiveness and efficiency of business activities.

5.1.2 Economic

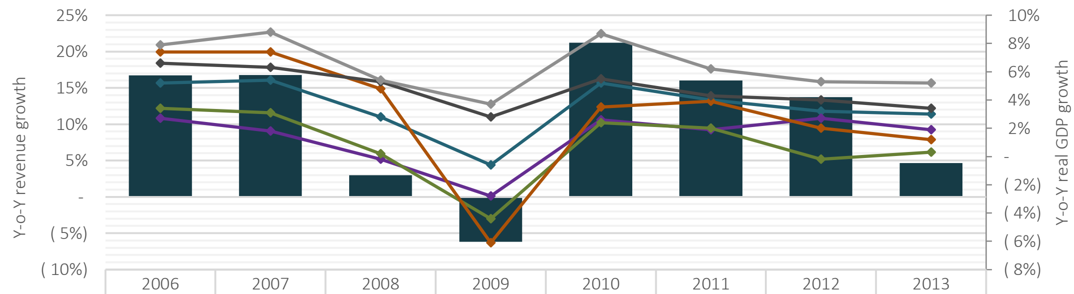
5.1.2.1 GDP's effect on demand

GDP is an excellent measure that indicates a country's or region's size of business activity. It can be defined as the monetary value of all the finished goods and services produced within a country's borders in a specific time period. (Blanchard, 2008) In analysing the macroeconomic effects influencing ECCO's cash flows, it is necessary to focus on the true economic growth over the years. The most accurate measure for that is the real GDP growth rate, which is adjusted for inflation.

ECCO's products can be classified as non-durable goods, because their expected lifespan is three years or less. According to economic theory, durable goods are more exposed to fluctuations in business cycles than non-durables, because they are usually highly priced items that require consumer confidence in the economy upon purchase. Intuitively, I argue that ECCO's footwear products and accessories are more correlated with economic activity than other general non-durables with lower price range, because the company targets consumers in premium segment.

Figure 12 shows ECCO's year-over-year revenue growth from 2006 to 2013 as columns, in comparison to the real GDP growth in the regions the company is active in. The graph reveals that the shoemaker's revenues are positively related to real GDP growth, and this becomes especially evident in years 2008-2009, when economic crisis affected its sales growth significantly. In other years, ECCO has been able to exponentially increase its revenue compared to economic growth in the world, but this is mainly due to expansion in business operations, facilities and capacities.

Figure 12 - ECCO's historical revenue growth and real GDP growth

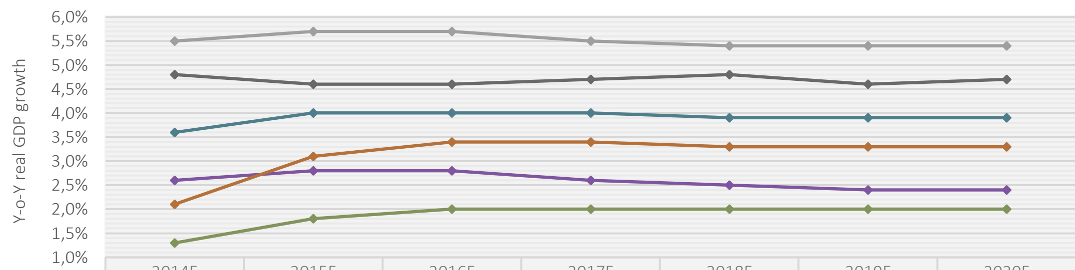


	2006	2007	2008	2009	2010	2011	2012	2013
Y-o-Y revenue growth	16,7%	16,8%	3,0%	(6,2%)	21,2%	16,0%	13,7%	4,7%
World	5,2%	5,4%	2,8%	(0,6%)	5,2%	4,0%	3,2%	3,0%
North America	2,7%	1,8%	(0,2%)	(2,8%)	2,6%	1,9%	2,7%	1,9%
Western Europe	3,4%	3,1%	0,2%	(4,4%)	2,4%	2,0%	(0,2%)	0,3%
Eastern Europe	7,4%	7,4%	4,8%	(6,1%)	3,5%	3,9%	2,0%	1,2%
Middle East and Africa	6,6%	6,3%	5,3%	2,8%	5,5%	4,3%	4,0%	3,4%
Asia-Pacific	7,9%	8,8%	5,4%	3,7%	8,7%	6,2%	5,3%	5,2%

Source: ECCO's annual reports 2006-2013, Euromonitor, Independent analysis

In order to prepare detailed and accurate pro forma statements and to forecast the company's future growth, it is very important to project economic outlooks for regions of interest. Figure 13 portrays the forecasted real GDP growth rates of ECCO's business regions. Comparatively to the company's fastest growing region Asia-Pacific, the forecasted data also suggests this region to lead the world's economic growth. The second driving economy in the company's business region is forecasted to be the Middle East and African region.

Figure 13 - Forecasted real GDP growth



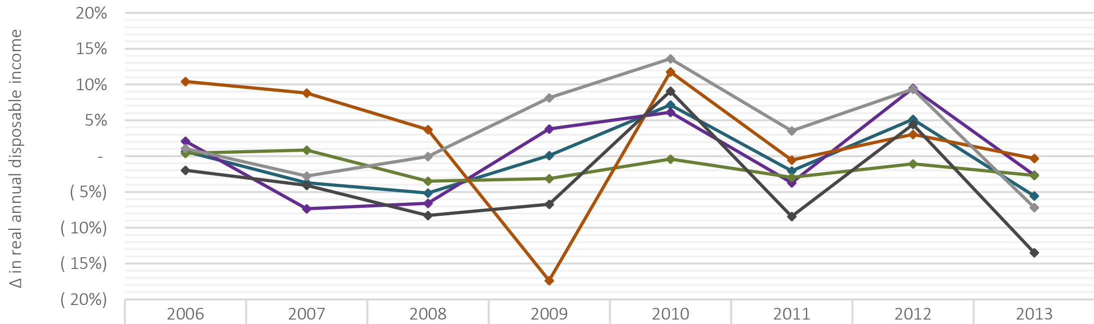
	2014F	2015F	2016F	2017F	2018F	2019F	2020F
World	3,6%	4,0%	4,0%	4,0%	3,9%	3,9%	3,9%
North America	2,6%	2,8%	2,8%	2,6%	2,5%	2,4%	2,4%
Western Europe	1,3%	1,8%	2,0%	2,0%	2,0%	2,0%	2,0%
Eastern Europe	2,1%	3,1%	3,4%	3,4%	3,3%	3,3%	3,3%
Middle East and Africa	4,8%	4,6%	4,6%	4,7%	4,8%	4,6%	4,7%
Asia-Pacific	5,5%	5,7%	5,7%	5,5%	5,4%	5,4%	5,4%

Source: ECCO's annual reports 2006-2013, Euromonitor, Independent analysis

5.1.2.2 Changes in real disposable income

Disposable income is the income that remains after consumers have received transfers from the government and paid their taxes. (Blanchard, 2008) To put it differently, individuals use this income to pay for their living expenses, and to contribute to their savings and investments. This is an excellent factor to consider when analysing the purchasing power of consumers, because the total pool of their funds determines their choices, including which footwear products they buy. In order to put matters into perspective, Figure 14 plots the changes in real annual disposable incomes in the main regions of the world. As the real changes in incomes include the effect of inflation, it gives a precise notion of changes in consumers' living standards. Over eight years, the average change in real annual disposable income has been slightly positive in Western Europe, whereas Eastern Europe and Asia-Pacific have experienced higher rates of average increases, 2,4% and 3,2% respectively. Other regions, and the world in general, have had decrease in real incomes over the past years.

Figure 14 - Changes in real annual disposable income across regions

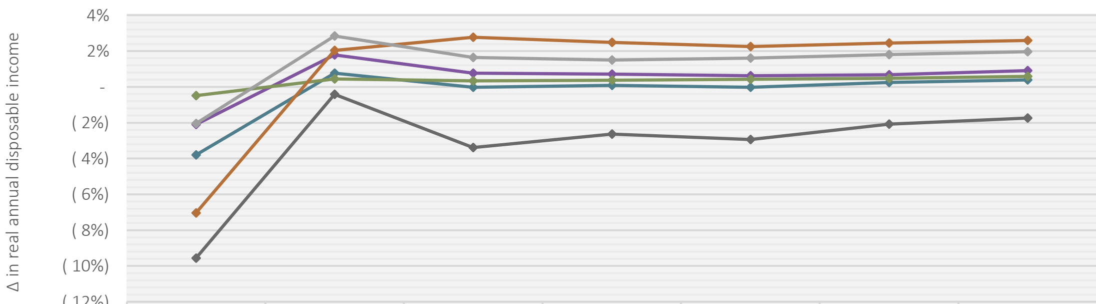


	2006	2007	2008	2009	2010	2011	2012	2013
World	0,7%	(3,7%)	(5,1%)	0,1%	7,1%	(2,1%)	5,1%	(5,6%)
North America	2,1%	(7,3%)	(6,6%)	3,8%	6,1%	(3,7%)	9,5%	(2,6%)
Western Europe	0,4%	0,8%	(3,5%)	(3,1%)	(0,4%)	(3,0%)	(1,1%)	(2,7%)
Eastern Europe	10,4%	8,8%	3,7%	(17,4%)	11,8%	(0,6%)	3,1%	(0,3%)
Middle East and Africa	(2,0%)	(4,1%)	(8,3%)	(6,7%)	9,1%	(8,4%)	4,4%	(13,5%)
Asia-Pacific	1,0%	(2,8%)	(0,1%)	8,1%	13,6%	3,5%	9,4%	(7,2%)

Source: Euromonitor, Independent analysis

Figure 15 below gives an indication concerning the forecasted levels of living standards in the future. It is forecasted that the change in real disposable income in the world will stabilise, and remain neutral. Middle East and Africa, however, is the only region in the list that is forecasted to experience further decrease in purchasing power.

Figure 15 - Forecasted changes in real disposable income across regions



	2014F	2015F	2016F	2017F	2018F	2019F	2020F
World	(3,8%)	0,8%	(0,0%)	0,1%	(0,0%)	0,2%	0,4%
North America	(2,1%)	1,8%	0,8%	0,7%	0,6%	0,7%	0,9%
Western Europe	(0,5%)	0,4%	0,3%	0,4%	0,4%	0,5%	0,6%
Eastern Europe	(7,0%)	2,0%	2,8%	2,5%	2,3%	2,4%	2,6%
Middle East and Africa	(9,6%)	(0,4%)	(3,4%)	(2,6%)	(2,9%)	(2,1%)	(1,7%)
Asia-Pacific	(2,0%)	2,8%	1,6%	1,5%	1,6%	1,8%	2,0%

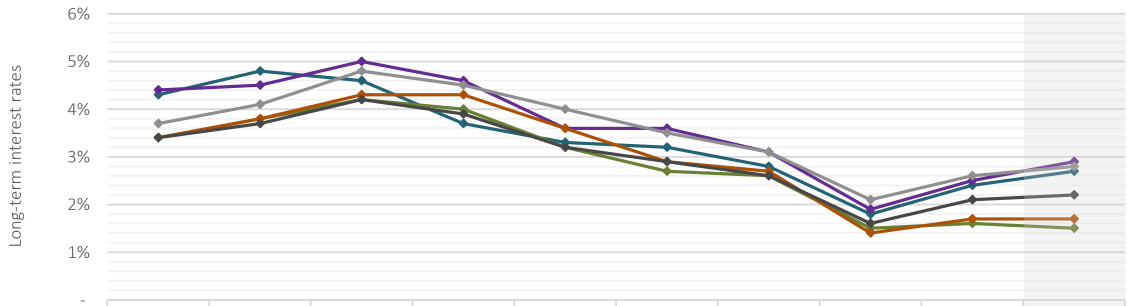
Source: Euromonitor, Independent analysis

5.1.2.3 Rising interest rates

Interest rates affect the economy by influencing stock prices and bond interest rates, consumer and business spending, inflation, and recessions. (Investopedia, 2014) Regards to companies, the lower the interest rates, the more willing they are to take on new loans and expand credit lines in order to increase investments.

Figure 16 graphs the long-term interest rate development and forecast in USA, UK, Germany, Denmark, Sweden and Norway. These rates show the secondary market yield of a 10 year government bond in these countries. As nowadays economy has become highly interconnected, all the yields follow the same trend. Interest rates have decreased since the economic downturn in 2008, resulting from the leading governments' actions of quantitative easing and money printing in order to boost the economy. In the light of economic healing, as unemployment rate is falling and inflation is under control, many sources (The Sidney Morning Herald, 2014) believe that interest rates have hit rock bottom, and start to increase already in the end of 2014. (CNBC, 2014; Telegraph, 2014)

Figure 16 - Long -term interest rates



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014F
USA	4,3%	4,8%	4,6%	3,7%	3,3%	3,2%	2,8%	1,8%	2,4%	2,7%
United Kingdom	4,4%	4,5%	5,0%	4,6%	3,6%	3,6%	3,1%	1,9%	2,5%	2,9%
Germany	3,4%	3,8%	4,2%	4,0%	3,2%	2,7%	2,6%	1,5%	1,6%	1,5%
Denmark	3,4%	3,8%	4,3%	4,3%	3,6%	2,9%	2,7%	1,4%	1,7%	1,7%
Sweden	3,4%	3,7%	4,2%	3,9%	3,2%	2,9%	2,6%	1,6%	2,1%	2,2%
Norway	3,7%	4,1%	4,8%	4,5%	4,0%	3,5%	3,1%	2,1%	2,6%	2,8%

Source: Euromonitor, Independent analysis

As of 31 December 2013, ECCO's interest-bearing debt amounted up to 828 239 thousand DKK, and interest expenses were 44 036 thousand DKK. Thus, the company debt's effective interest rate for the fiscal year was 5,32%. The forecasted growth in interest rates affects the shoe maker's earnings substantially. Namely, leaving the capital structure of the company unchanged, profit before taxes would be affected by 8 282 390 DKK in case of 1 percentage difference in the effective interest rate.

In fact, 72% of the company's total interest-bearing debt has fixed interest rate. This part represents 89% of ECCO's long-term interest-bearing debt, which makes its position favourable towards interest rate risks, because the interest rates are forecasted to rise in the future. In addition, the Group also active in interest rate swaps for hedging purposes.

5.1.3 Socio-cultural

5.1.3.1 Social classes and lifestyle

In order to analyse income segments and determine the socioeconomic classes of ECCO's key markets, Social Classes ABCDE method will be introduced.

To begin with, there are three conditions that apply to all of the five social classes. Firstly, individuals represented in the statistics are aged from 15 and over. Secondly, the total population is based on the de Jure definition, meaning that individuals are counted on the basis of the place of residence. Thirdly, as the social classes are distinguished by relative levels to average annual gross income, then annual gross income can be defined as income before taxes and other social security contributions.

Figure 17 - Social classes in North America

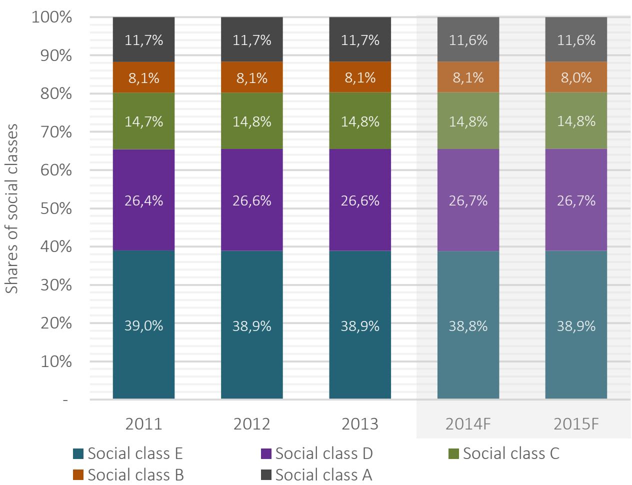


Figure 18 - Social classes in Western Europe

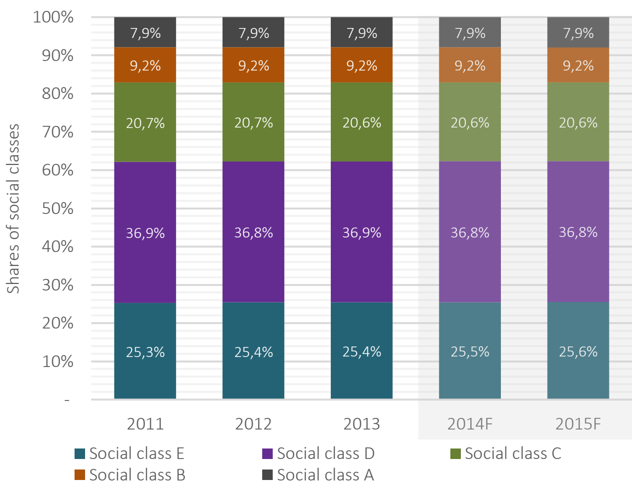
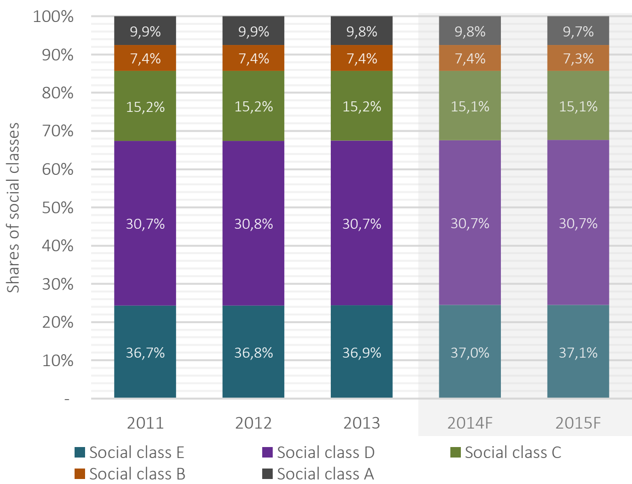


Figure 19 - Social classes in Eastern Europe

Figure 20 - Social classes in Asia-Pacific



Social Class A – Gross income over 200% of an average gross income.
Social Class B – Gross income between 150%-200% of an average gross income.
Social Class C – Gross income between 100%-150% of an average gross income.
Social Class D – Gross income between 50 %-100% of an average gross income.
Social Class E – Gross income less than 50% of an average gross income.

Source: Euromonitor, Independent analysis

Figures 17-20 graph the relative shares of the above mentioned classes in North America, Western Europe, Eastern Europe and Asia-Pacific. These columns reveal two important notions concerning inequality of incomes and their development throughout the years. Surprisingly, individuals representing classes E and D, comprise more than 60% of total individuals in all the regions. In other words, these people are earning less than average gross income compared to other classes. In addition, it is important to mention that the outliers, the top earners of populations, cause the distribution of gross incomes to be skewed upwards, resulting in a somewhat higher average. Equally important, as the historical and forecasted values suggest, the share class proportions are not subject to significant changes in short-term time horizon. The latter is coupled with the fact that the development of the classes indicates minor increase in income inequality, favouring upper levels of society.

In relation to ECCO, these income classes help to determine the target market for the company's products. As ECCO is a company that puts great focus on high quality and design, the prices of its products also reflect their cost and commitment. In classifying their target social groups, classes A, B and C are the company's primary target group. This is because these social classes earn above the average gross incomes to afford premium ECCO shoes and accessories. Generally speaking, these three classes comprise 32-38% from the total population. Point often overlooked is that Western Europe, and especially North America, have significantly increased their personal debt and dependence on credit over the last decades. These features allow the social class D to spend above its means, and become a potential customer group of ECCO's products.

5.1.3.2 Trends and buying habits

For marketers and managers in general, trends and buying habits are very important topics to follow and analyse, because they reveal the needs, preferences and capabilities of consumers.

Table 3 shows the historical and forecasted footwear expenditure across key regions of the world. Moreover, it also displays two important indicators related to the growth of footwear products – year-over-year growth, and footwear expenditure's share of total consumer expenditure. Historically, all the main regions of interest have contributed to the increase in world's footwear expenditure, and they are forecasted to keep growing at a stable rate. As the total worldwide expenditure has been increasing over the years, footwear's share from total expenditure has been rather stable in the past, and is forecasted to remain so in the future. Eastern Europe has the largest share of footwear expenditure from total expenditure, followed by Middle East and Africa, and Asia-Pacific.

Table 3 - Historical and forecasted footwear expenditure across regions

€ million, Y-o-Y FX rates	2011	2012	2013	2014F	2015F	2016F	2017F	2018F	2019F	2020F
World										
Footwear expenditure	265 503	297 090	299 863	304 866	326 770	345 996	366 130	387 201	410 120	435 437
Y-o-Y growth	5,9%	11,9%	0,9%	1,7%	7,2%	5,9%	5,8%	5,8%	5,9%	6,2%
Share of total expenditure	0,9%	0,9%	0,9%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%
North America										
Footwear expenditure	48 771	55 501	54 542	54 173	56 567	58 382	60 322	62 328	64 450	66 820
Y-o-Y growth	(0,1%)	13,8%	(1,7%)	(0,7%)	4,4%	3,2%	3,3%	3,3%	3,4%	3,7%
Share of total expenditure	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%
Western Europe										
Footwear expenditure	68 792	69 782	69 465	70 671	73 139	75 648	78 437	81 420	84 584	87 992
Y-o-Y growth	(0,3%)	1,4%	(0,5%)	1,7%	3,5%	3,4%	3,7%	3,8%	3,9%	4,0%
Share of total expenditure	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%	0,9%
Eastern Europe										
Footwear expenditure	24 201	27 410	28 526	27 179	28 765	30 565	32 325	34 109	36 044	38 130
Y-o-Y growth	8,9%	13,3%	4,1%	(4,7%)	5,8%	6,3%	5,8%	5,5%	5,7%	5,8%
Share of total expenditure	1,7%	1,8%	1,8%	1,7%	1,7%	1,7%	1,7%	1,7%	1,7%	1,7%
Middle East and Africa										
Footwear expenditure	17 917	21 149	21 253	21 971	24 416	26 199	28 038	30 099	32 375	34 946
Y-o-Y growth	4,7%	18,0%	0,5%	3,4%	11,1%	7,3%	7,0%	7,4%	7,6%	7,9%
Share of total expenditure	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%	1,3%
Asia-Pacific										
Footwear expenditure	72 808	86 550	90 163	95 762	106 326	115 949	126 036	136 517	147 951	160 639
Y-o-Y growth	14,8%	18,9%	4,2%	6,2%	11,0%	9,1%	8,7%	8,3%	8,4%	8,6%
Share of total expenditure	1,0%	1,1%	1,1%	1,2%	1,2%	1,2%	1,3%	1,3%	1,3%	1,3%

Source: Euromonitor, Independent analysis

There are numerous drivers that increase the expenditure in footwear products:

- Positive relation to population growth.
- Increase in GDP growth, disposable income and inflation.
- Rapidly changing trends drive the purchase of brand new products.
- Increasing competition, customer awareness and advances in technology enable customers to match their needs on a timely manner.

In addition, the main factors behind the differences in footwear expenditure's share of total expenditures are regions climate variations, and also variances in levels of living standard and purchasing power. Intuitively, in the latter factor, higher purchasing power introduces the relative fall of expenditure in necessities such as apparels and footwear, and increases the share of other goods, gadgets and accessories.

Although ECCO's industry of interest is forecasted to lose share of total expenditure in Europe and North America, the company will still benefit from increased overall expenditure due to the drivers mentioned earlier. On the whole, the socio-cultural expenditure patterns predict positive macroeconomic effects on companies active in footwear industry.

5.1.4 Technological

5.1.4.1 Production of goods and services

Since 1981, ECCO has used the machines with „direct injection" technology in order to attach shoe uppers to the shoe sole. Over the past decades, this specific technology has undergone numerous innovations and enhancements, and as the process of producing a shoe involves a high number of tasks, ECCO has been relatively successful in utilising and optimising it. By doing this, they have maintained a competitive advantage compared to its peers.

During the last decade, the technological landscape has undergone revolutionary changes that enable new manufacturing methods. Namely, 3D design software and printing technology allow the designer to model realistic and interactive products instantly, and enable the creation of an actual tangible model in a matter of hours. Table 4 summarises the pros and cons of current level of 3D technology compared to conventional manufacturing methods.

Table 4 - Pros and cons of current level of 3D technology in footwear manufacturing

Pros	Cons
Reduced cost and time, and increased functionality in creating shoe sole molds. Under conventional methods, each mold is only good for one shoe size, and also expensive and time consuming to create.	There are limited available materials for inputs.
Enables designers to create complex, fully rotational designs cost and time efficiently.	Insufficient knowledge in software usage and foregoing of traditional skills of sketching and rendering may limit creativity.
3D software enables wear-testing feature that identifies potential weak spots of the shoes before the actual model is made.	Due to the layer-by-layer technique in 3D printing, the parts created are currently weaker than traditionally manufactured parts. In other words, it's strength is asymmetrical.
A gateway to stimulating local footwear production, and considerable way to reduce shipping costs.	3D software and printing requires high capital expenditures, and is complicated to operate.

Source: Sneaker Report, *Independent analysis*

In the medium- to long-term, these new technological advancements can introduce game changing opportunities to footwear manufacturing companies. In the future, when the benefits of 3D technology outweigh the traditional manufacturing practices, revolutionary transformations may occur, such as the movement of production facilities from low labour cost to high-skilled workforce countries, substantial reduction of production times and costs, and the decrease of footwear prices in general.

5.1.4.2 Distribution and communication

The last decade has had a significant impact on the way companies market their products and services. These advancements in information technology have made it possible for them to gain sales volume at lower costs, but also increased their customers' bargaining power and available substitutes.

Firstly, the development of e-commerce channels has created completely new ways of distributing goods and services. Currently, the main channels for reaching customers in e-commerce are business-to-consumer and business-to-business transactions, where companies use online websites and marketplaces to market their products and services. In addition, m-commerce i.e. reaching consumers through mobile devices is becoming an important component of e-commerce strategy. As consumers are becoming more dependent on smart devices, successful businesses are increasingly focusing on maximising the shopping experience of its audience by enabling features such as online content browsing, mobile payments, and even QR code references. Not only do these innovative solutions provide consumers wider range of possibilities and increased awareness, but also help companies to offer lower prices without compromising the quality of their offerings.

Second important factor that has had a significant impact on consumer awareness and public opinion is social media. Social media and internet in general have introduced cautiousness and considered purchasing to the market, where consumers take upon themselves to carry out their research, take active role in product development and promotion, and contribute to public feedback, reviews and ratings. (Euromonitor International, 2012)

Table 5 describes the historical and forecasted development of retail values, shares of internet retailing, and percentage of internet users in the main markets ECCO is active in. As the numbers below indicate, the increase in the percentage of people using internet has a positive effect on internet retailing, and which also consolidates the technological analysis above.

Table 5 - Retail values and internet penetration by region

€ million	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
World										
Retail value excl. sales tax	8 266 624	9 217 930	9 534 969	10 517 256	10 539 796	11 087 715	11 746 165	12 485 394	13 278 030	14 135 231
Share of internet retailing	*2,6%*	*3,0%*	*3,5%*	*4,0%*	*4,6%*	*5,1%*	*5,7%*	*6,3%*	*6,9%*	*7,4%*
Internet penetration	25,7%	29,3%	32,4%	35,3%	37,5%	39,5%	41,5%	43,2%	44,7%	46,1%
North America										
Retail value excl. sales tax	2 021 246	2 187 114	2 149 098	2 392 807	2 388 432	2 460 036	2 576 437	2 702 756	2 828 755	2 961 315
Share of internet retailing	*4,2%*	*4,8%*	*5,3%*	*6,0%*	*6,8%*	*7,5%*	*8,3%*	*9,1%*	*9,9%*	*10,7%*
Internet penetration	71,9%	74,6%	78,4%	81,6%	82,5%	83,7%	85,3%	86,7%	87,9%	88,8%
Western Europe										
Retail value excl. sales tax	2 345 322	2 414 259	2 430 628	2 489 013	2 486 609	2 524 346	2 593 260	2 674 923	2 763 563	2 860 431
Share of internet retailing	*3,1%*	*3,6%*	*4,2%*	*4,8%*	*5,4%*	*6,0%*	*6,6%*	*7,3%*	*7,9%*	*8,4%*
Internet penetration	65,8%	69,1%	71,6%	73,5%	75,4%	77,1%	78,7%	79,9%	81,1%	82,1%
Eastern Europe										
Retail value excl. sales tax	486 024	556 317	598 445	657 484	689 479	738 696	807 435	880 361	957 042	1 036 687
Share of internet retailing	*1,7%*	*1,9%*	*2,2%*	*2,6%*	*3,0%*	*3,4%*	*3,9%*	*4,2%*	*4,5%*	*4,7%*
Internet penetration	36,0%	44,5%	49,5%	53,5%	57,0%	60,0%	62,6%	65,1%	67,2%	69,2%
Middle East and Africa										
Retail value excl. sales tax	455 742	532 733	555 532	632 597	675 795	759 711	828 064	909 968	1 000 623	1 105 602
Share of internet retailing	*0,3%*	*0,3%*	*0,3%*	*0,3%*	*0,4%*	*0,4%*	*0,5%*	*0,5%*	*0,6%*	*0,7%*
Internet penetration	11,8%	14,9%	18,4%	20,9%	22,8%	24,5%	26,0%	27,4%	28,6%	29,8%
Asia-Pacific										
Retail value excl. sales tax	2 249 664	2 645 620	2 868 873	3 301 568	3 264 994	3 520 383	3 801 583	4 116 434	4 461 719	4 835 024
Share of internet retailing	*1,8%*	*2,2%*	*2,9%*	*3,7%*	*4,3%*	*5,1%*	*5,8%*	*6,6%*	*7,2%*	*7,8%*
Internet penetration	18,9%	22,5%	25,3%	28,2%	30,4%	32,7%	34,8%	36,7%	38,4%	39,9%

Source: Euromonitor, Independent analysis

In the future, it is extremely important for ECCO to keep up to date with these technological innovations in order to sustain its market position and profitability, because not only will it enhance their market presence, but also increases brand awareness and customer satisfaction.

5.1.5 Environmental

5.1.5.1 Climate

All the people and businesses in the world are exposed to major adverse events caused by natural processes on Earth, such as earthquakes, tsunamis and floods.

In July 2011, Thailand was hit by a severe flooding, which was triggered by the landfall of tropical storm Nock-ten and heavy monsoon rains. Soon, these raging waters spread throughout the country, and affected the lives of more than 12 million people and 8 000 factories. In October, ECCO's shoe factory and tannery at Ayutthaya suffered the catastrophic consequences of flooding, where most of their employees lost their homes and belongings. Overnight, 35% of ECCO's global production was damaged due to the disaster, and they had to find alternative ways to keep production going. (*ECCO's Annual Report 2011*) To counter this disaster, they temporarily rented new facilities in close proximity to the old factory, increased production in their other factories, and increased outsourcing capacities. The production at the original factory was restarted in March 2012. Despite of this unfortunate event, they were able to impress the market by increasing their revenue almost 14% in 2012.

ECCO has undertaken various measures to reduce the impact of climate changes and natural disasters to its business. Firstly, they have limited each factory's capacity to no more than 20% of the company's total production. Secondly, they have contacts and agreements with external factories to engage in outsourcing activities if necessary. All in all, ECCO's sales capacity may be hedged against these unpredictable events, but the company's profitability is still exposed.

5.1.5.2 Pollution, recycling and waste management

During the last decades, environmental factors such as pollution, recycling and waste management have come to the forefront of people and companies alike. This is mainly because of the scarcity of raw materials, and increasing pollution on Earth. It is important to realise that becoming an environment friendly business has a positive effect on its performance. Nowadays consumers are increasingly demanding a product that is sourced ethically towards society and environment.

Figures 21 and 22 graph the energy consumption at ECCO's shoe factories and tanneries, in mega joules per pair and per square feet respectively. Energy consumption in shoe factories has decreased yearly due to optimised processes and efficient use of resources. The consumption in tanneries, on the other hand, has been fluctuating, especially in 2011, because it is highly dependent upon the mix of production types and volumes.

Figure 21 - Energy consumption in shoemaking

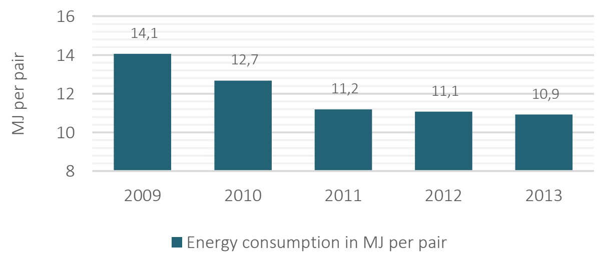
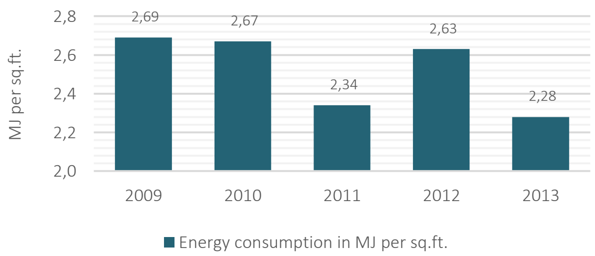


Figure 22 - Energy consumption in tanneries



Source: ECCO's annual report 2013, Independent analysis

As Figures 23 and 24 confirm, the level of waste residual in the company's facilities over the years has been rather stable. As shown below, ECCO has significantly improved its waste management by consolidating separate parts of production to one site, engaging in more effective sorting of waste and selling it to its partners for other uses.

Figure 23 - Waste and recycling in shoemaking

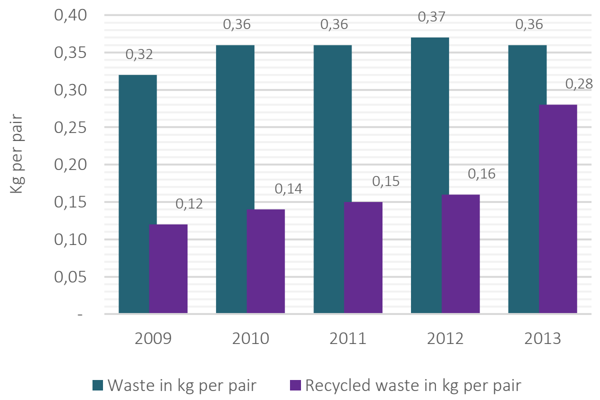
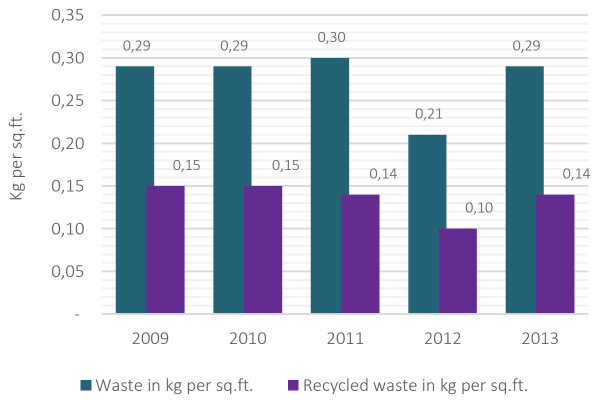


Figure 24 - Waste and recycling in tanneries



Source: ECCO's annual report 2013, Independent analysis

In conclusion, ECCO's efforts in energy savings and efficient waste management greatly contribute to their endeavour towards being a truly sustainable company, which in turn will attract more customers, and increase their respect and loyalty.

5.1.6 Section summary

As ECCO is pursuant to Danish tax regulations, the country's government has approved to cut the corporate tax rate from 24,5% in 2014F to 23,5% in 2015F, and eventually to 22,0% by 2016F. This decrease in the statutory tax rate will enhance the company's profits substantially.

For ECCO, Russian, Thai and Egyptian markets impose several geopolitical risks that can have severe negative effects on their sales and lead times. This is especially evident for the Russian market due to its tensions with Ukraine and the established sanctions by European Union and other countries.

Despite the fact that the company's revenue growth is in positive relation with the real GDP growth, its sales have historically shown higher gain than the economic growth in the world.

The overall outlook of the forecasted real GDP growth is expected to stay positive and stable with Asia-Pacific and Middle East and African region driving the economic expansion.

The change in real disposable income, an indicator explaining changes in living standards and purchasing power, is forecasted to increase in Eastern Europe and decrease in Middle East and Africa, whereas the changes in incomes are expected to be stable and neutral for the world as a whole.

As the interest rates have been decreasing since the financial crisis in 2008 with the aim to boost the economy, many analysts believe they will start increasing again in the second half of year 2014 due to healthy levels of unemployment and controlled inflation.

The Social classes ABCDE model identified that ECCO's premium products are mainly targeted towards groups A, B and C that comprise about 32-38% of the population and whose gross income is at least 100% of an average gross income. Additionally, in regions where personal debt levels are high, group D is considered partly a target group of the company's products.

As the total worldwide footwear expenditure has had a healthy increase over the years and its share from total expenditure has been rather stable, it is also forecasted to remain so in the future. Eastern Europe has the largest share of footwear expenditure from total expenditure, followed by Middle East and Africa, and Asia-Pacific, whereas the largest growth in footwear expenditure is expected in Asia-Pacific and Middle East and Africa.

In medium- to long-term, 3D design software and printing technology can introduce revolutionary changes that re-shape nowadays footwear manufacturing methods.

The continuing increase in share of internet retailing, importance of social media and internet penetration in general not only make it possible for companies to gain sales volumes at lower costs, but also increase the bargaining power of customers and available substitutes. Therefore, it is important to keep up to date with these developments in information technology and e-commerce channels.

In order to limit the exposure of climate changes and natural disasters to its performance, ECCO has limited each factory's capacity to no more than 20% of the company's total production.

Over the years, ECCO has successfully been striving towards being a truly sustainable company by decreasing its energy consumption per product and increasing its recycling rates.

5.2. Six forces framework

In this section of the thesis, the six forces framework serves as an important tool in understanding the main competitive forces and cooperation opportunities in the footwear industry. Next to macroeconomic and company specific factors, the valuation of ECCO also requires deep industry insight in which the underlying causes and barriers of profitability are revealed. In this case, the analysis takes the perspective of an incumbent in the industry, a footwear company such as ECCO.

In the following, the main competitive forces and cooperation opportunities, proposed by Michael E. Porter, Adam M. Brandenburger and Barry J. Nalebuff respectively, will be examined.

5.2.1 Industry definition

An industry can be defined as a group of firms producing the same principal product or service. (Johnson et al., 2008) Often industries consist of several different levels, segments and converged activities, which may not be relatively comparable. Therefore, for the subsequent industry structure analysis, it is important to define the boundaries of the industry and characteristics of the players in the market.

To begin with, in the centre of the six forces framework are companies that are operating in the footwear industry. This includes firms that are engaged in retail or wholesale activities, and are representing a shoe brand. In like manner, the analysis involves the full product range and both business strategies: in-house production and outsourcing. In contrast, companies that are merely independent footwear manufacturers and are not representing any specific brands, are regarded as suppliers in the industry analysis. Geographically, there are no exceptions or restrictions applied.

5.2.2 Threat of new entrants

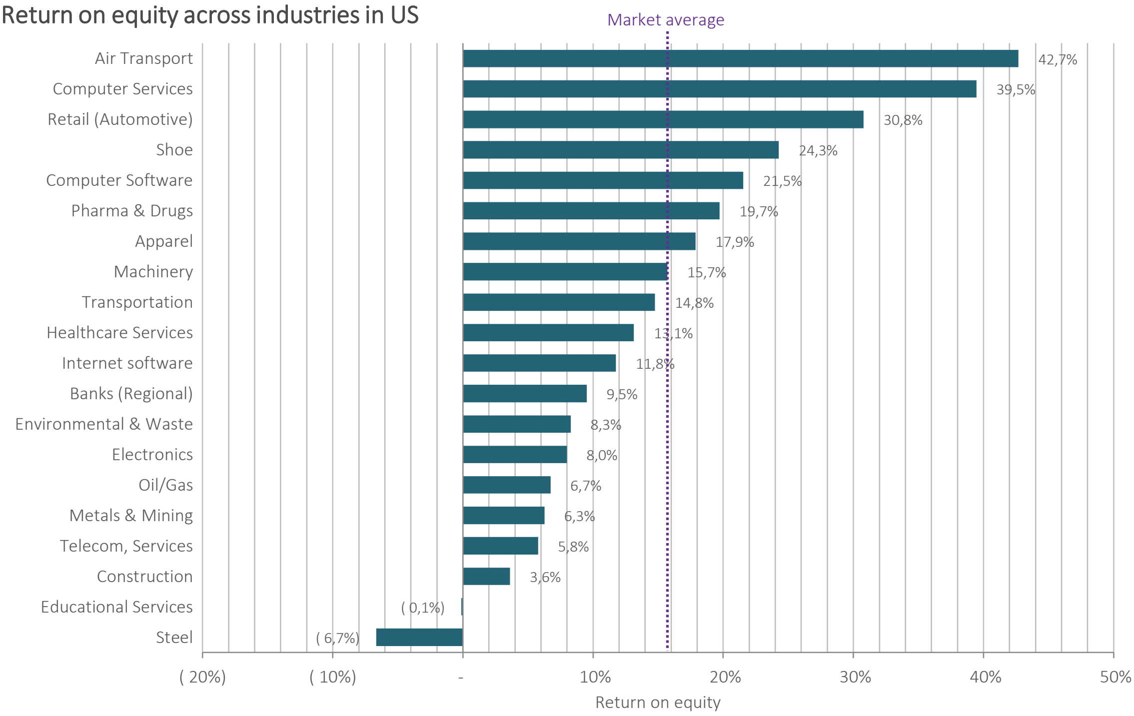
New entrants to an industry bring new capacity and desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete. (Porter, 2008) As new entrants limit the profitability potential of an industry, (Porter, 2008) argues, that it is the threat of entry, not necessarily the actual entry that holds down profitability.

This threat is directly dependent on the current or potential profitability of an industry, and on the present entry barriers for challengers. In the following, footwear industry's profitability and the main entry barriers will be discussed.

5.2.2.1 Industry profitability

Excluding the barriers to entry, industry profitability is one of the main drivers of attractiveness to new entrants. Therefore, industries that generate above normal profits induce new competition, which in turn decreases the overall profitability as the number of players in the market increases.

Figure 25 - Return on equity across industries in US



Source: Damodaran, S&P Capital IQ, Bloomberg, Independent analysis

Figure 25 puts the footwear industry's profitability into perspective with other selected industries in the US. As the selected industries on the graph are not exhaustive, the market average profitability is also included for comparability. The industry profitability is measured by return of equity (ROE) as of January 2014, which can be estimated by dividing the net income by the book value of equity. This measure is an excellent indicator of a corporation's profitability as it reveals how much profit a company generates with the capital that its shareholders have invested. (Investopedia, 2014) The graph clearly indicates that the ROE in footwear industry is significantly higher than the market average, which means that it is relatively more attractive to potential entrants. The latter statement is further consolidated by ECCO's ROE of 25,1% in 2013. It is important to note that ECCO's ROE calculation is based on original financial statements, and is calculated as profit before minority interests divided by shareholders' equity including minority interest. This way, the metric will reflect the performance of a consolidated company. (The Finatics Blog, 2010) Also, as seen later in competitive rivalry analysis, the historical and forecasted growth of the size of the footwear market is expanding progressively, indicating that the expected retaliation of incumbents in the market will be reduced, because newcomers are able to gain market share from the growing market.

5.2.2.2 Capital requirements and economies of scale

The need to invest large financial resources in order to compete can deter new entries to the market. (Porter, 2008) In footwear industry, the level of capital investments is highly dependent on the strategy that new competition pursues. If the newcomer decides in favour of outsourcing strategy, the investment to enter the market will be relatively lower as there is no need to purchase production supplies and machinery, and there is a large number of manufacturers supplying the market. Although, if the entrant chooses similar business model as ECCO has adopted, it incurs large capital investments that greatly heighten the barrier to entry. It is important to note that if the industry returns are attractive and capital markets are efficient, the new entrants are likely to find funding for their undertakings.

For new players in the market, economies of scale wields a significant role in cost reduction, increased profitability and in the likelihood of market entry entirely. For outsourcing and in-house production strategies, the supply-side economies of scale provide the incumbents obvious cost advantage. Incumbents such as ECCO have lower costs per unit due to their large volumes, whereas other large established companies that follow outsourcing strategy enjoy the benefit of purchasing in bulk and the pooling of certain operations. There are also demand-side benefits of scale for the well-established incumbents in the market. These benefits arise from the network effects, in which the buyer's willingness to pay for a company's product increases with the number of other buyers who also patronize the company. (Porter, 2008) Not only do these effects of economies of scale deter the entry of new competition, but also make it difficult for them to expand in size considerably.

5.2.2.3 Access to suppliers and distribution

As the world is becoming more globalised and interconnected, the entry barriers to access suppliers and distributors are gradually lowering.

For example, developing countries in Asia actively seek foreign investments in order to develop their industries and to exploit the comparative advantage they have over more developed countries. (IBISWorld, 2010) These opportunities encourage the newcomers to set up their production facilities in an environment, where they can access cheap labour and use the market as a stepping stone to compete with the incumbent multinationals. For outsourcing opportunities, there is a large number of low cost manufacturers present in the market, making it relatively easy for new players to establish their operations. (MarketLine, 2013)

Similar trend of lightening barriers is taking place between distribution channels, in which there is an increasing share of sales in e-commerce channels in contrast to conventional stores. As the space in stores and outlets is limited, the advanced solutions in internet technology enable new competition to access customers around the world with minimum costs. Be that as it may, a company selling its products only online will have several disadvantages compared to a company that provides its customers a more tangible experience. Another option for newcomers is to establish their own distribution channels by selling their products on their website or setting up a shop. In the latter option, brand awareness and larger capital investments are required.

5.2.2.4 Other barriers

In contrast to the barriers discussed above, there are also important exogenous factors that may limit the entry of potential competition.

Firstly, important barriers to consider are the incumbent's advantages that are independent of their size. These barriers come in the form of product differentiation, the use of superior technology, which results in higher quality and efficiency, brand recognition and experience in the industry. For example, not only has ECCO accumulated invaluable operational experience over half a century, but also established a strong brand awareness around the world.

Secondly, taxes, legislation and government policies may impose obstacles that make the entry unattractive. In case of footwear industry, there are no industry specific taxation regulations except tariffs, which vary among countries. At the same time, the main regulated areas are environmental and anti-dumping laws. (IBISWorld, 2010)

5.2.3 Bargaining power of suppliers

Suppliers supply the organisations with what is required to produce the product or service, and include labour and sources of finance. (Johnson et al., 2008) The more powerful the suppliers are, the more likely that they will engage in activities, which increase their value by charging higher prices, and also shift costs to subsequent participants in the product's value chain by limiting the quality of their outputs. In an industry with powerful suppliers, the profitability suffers, because other players in the market are unable to pass on cost increases in its own prices. (Porter, 2008)

In footwear industry, depending on the business model of a company, the suppliers may be the providers of raw materials or outsourced manufacturers. In ECCO's case, as the company controls most of its value chain, the power of suppliers is greatly reduced. In the following analysis, topics that are important to the industry as a whole will be discussed.

Nowadays, most of the successful footwear companies source their manufacturing processes in low cost locations, especially in Asia. According to (APICCAPS, 2012), Asia contributed 87% of total footwear production in 2011, in which China's and India's share was 60,5% and 10,4%, respectively. The Asian-Pacific industrial cluster significantly lowers the power of suppliers, because there is a large pool of competitors available that are able to produce differentiated products. For ECCO, despite the fact that they produce most of their products in-house, it is possible to increase their share of outsourced products while keeping their negotiation leverage over the suppliers.

The switching costs for footwear companies are relatively low due to the highly fragmented supplier market. This is especially true for companies that are mostly dependent on raw materials, such as ECCO. On the other hand, companies that outsource most of their production, face larger switching costs, because the start of a new cooperation with manufacturers requires time and extra resources for compatibility issues and product testing.

For suppliers that act as outsourced manufacturers, there is a possibility for them to integrate forward by switching from supply side to manufacturing, wholesale and retail operations. This, however, is extremely difficult without an established brand and distribution network. For this reason, forward integration is rare among suppliers. (MarketLine, 2013)

5.2.4 Bargaining power of buyers

The consumers in the footwear market have various demands regarding the quality and price of the products, and also opportunities to shop around in order to find the best fit for their needs. The extent to which they can establish their demands and negotiate leverage in their favour, defines their power in the market. Profitability in an industry declines as buyers gain power by which they force down prices, demand higher quality, which in turn increases costs for the suppliers, resulting in an overall increase in the competition among other industry participants. In ECCO's terms, buyers are not only end consumers, but also retailers, who are intermediate customers serving the end users.

In the following, the main factors determining the power of buyers in the footwear market will be discussed.

Firstly, the buyers in the market, both end users and retailers, are not concentrated. This means that the number of buyers is high, which in turn reduces their ability to pressure the providers of products for discounts. Similarly, the purchase volumes are relatively low, in most cases even for retailers, because they usually offer a variety of brands.

Secondly, as the customers of ECCO, and of other similar companies, belong in the medium to high income group, their price sensitivity is relatively lower compared to other buyers in the market, because the cost of the product represents a smaller fraction of their total expenditures, resulting in a lower bargaining power. (Porter, 2008)

Thirdly, as a consequence of large variety of footwear products that serve different functions and needs, the market is highly differentiated. (MarketLine, 2013) This not only increases the available products for consumers, but also consolidates the suppliers' power by enabling them to expose their products to a wider range of buyers.

Lastly, in contrast to previous arguments, the low switching cost of buyers in the footwear market increases their power relative to providers of goods.

5.2.5 Threat of substitutes

Substitutes are products or services that offer a similar benefit to an industry's products or services, but by a different process. (Johnson et al., 2008) These substitutes not only limit the profitability in normal economic periods, but also reduce the earnings potential in times of growth. In other words, the higher is the threat, the lower will the industry's profitability potential be.

The threat of substitution may not necessarily originate from a different industry as it can also set in from industry's downstream production processes or indirectly. In case of footwear products, substitutes from other industries and downstream processes are unlikely, because they serve the needs of end consumers and are regarded as basic necessities.

At the same time, in ECCO's perspective, there are few significant threats within footwear industry that are mostly dependent on the overall economic situation. These threats are products from lower price categories, different segments and counterfeit products.

As ECCO is producing quality footwear products in medium-high price range, it is exposed to the threat that other footwear companies may offer similar products more cheaply. Although, this risk can be partly mitigated by ensuring a superior price performance ratio that will create customer value.

Equally important, there is also a threat of better price performance products across footwear segments. In this case, for example, sports shoes can be substitutes to more traditional footwear types by not only providing the same quality, but also being more practical. (MarketLine, 2013)

Lastly, the counterfeit products in the market have a significant impact on the sales of footwear companies, because the fake products not only sell under the market prices, but also reflect high resemblance in design and quality compared to the original ones. This is especially true in Asia-Pacific region in which the amount of counterfeit products sold is larger than genuine products, according to (Chadha & Husband, 2007) Be that as it may, being copied is also an indicator of success. (Chadha & Husband, 2007) claim that the very existence of counterfeit products helps to advertise the genuine, spread its usage and increase consumers' appetite for luxury.

With these threats in mind, it is important to note that ECCO's target group customers are preferring quality, and are financially capable of affording the company's products. It is relevant, because when there is a downturn in the economy, their propensity to substitute becomes high, whereas the consumers who favour cheaper alternatives initially, may only switch to more expensive products in the case of increased income and living standard.

5.2.6 Complementors

As the earlier analysis and discussion of Porter's Five Forces yielded an understanding how potential entrants, suppliers, customers and substitute products may threaten the profitability of a company, it is also important to gain insight how firms can grasp beneficial opportunities from cooperation. (Brandenburger & Nalebuff, 1995) propose complementors as an additional force that enhances the sustainable competitive advantage of a company by adding value to products and services. By including this variable, the six forces model of industry analysis effectively accounts for both competition and cooperation.

In the following, the footwear industry's opportunities and influential connections to the apparel industry will be discussed.

5.2.6.1 Opportunities

For footwear companies such as ECCO, there are several opportunities for product differentiation, added value and enhanced customer experience. Firstly, most of the shoe companies nowadays engage in the sale of other complementary products besides shoes, such as shoe soles, laces, socks, and other clean and care products. With minimal effort, these products are branded and sold along with shoes in order to consolidate revenues and profits. Secondly, the rapid development in technology in the 21st century promises revolutionary changes in the ways we live our lives. As an illustration, Nike has introduced Nike+ concept, which allows its users to track their running activities by installing a chip in their shoes and using a tracking device, such as iPhone, to monitor their performance. (Nike, 2014) The most compelling evidence of this technological shift is apparent from Apple's actions, in which the company has been granted a patent for chip-equipped smart shoes, in the beginning of 2013. (TechRadar, 2013) These smart shoes will be equipped with shoe wear-out sensor, body-bar sensing system, and many other features. Another example is a Kenyan inventor's shoe chip that charges phones. The electricity is generated when the user walks, and the phone is charged through a thin extension cable that runs from the shoe to the pocket. (HumanIPO, 2012) By undertaking joint ventures and forming strategic alliances with these pioneers of technology, companies are able to expose their products to a wider range of customers while enhancing their competitive advantage. It should also be noted that attractive opportunities may also serve as threats to incumbents in the market.

5.2.6.2 Connection to apparel industry

Footwear and apparel industries are mostly viewed as separate industries, although they often overlap as their customer demand profiles are similar. Both these industries serve two kinds of consumers: the practical consumer, who prefers sensible and affordable outfits, and the fashion-conscious consumer, who attempts to dress according to the current season's trends. (Nguyen, 2004)

The fashion changes in the clothing industry create instability and volatility not only among apparel companies, but also for footwear firms. These fluctuations in fashion are very difficult to predict, and they can make footwear styles out of date and lead to poor sales. (IBISWorld, 2010) As there is constant pressure from fashion, shoe companies are also pushed to shorten their cycles of operational processes.

5.2.7 Competitive rivalry

Competitive rivals, organisations with similar products and services aimed at the same customer group, are all subjects to the implications of competitive forces discussed in previous sections. (Johnson et al., 2008)

In order to gain a better understanding of the level of competition in the footwear market, it is important to analyse the factors that directly limit the profitability of the industry. With this in mind, it is also necessary to determine the intensity and basis on which the companies compete. (Porter, 2008)

5.2.7.1 Industry growth

Industry growth rates have significant influences on competition in the market by revealing whether rivals are able to grow with the market, or their growth has to be at the expense of a competitor.

Figure 26 graphs the 3 year historical and 5 year forecasted development of the footwear market. Evidently, CAGR of 4,7% indicates that the industry is predicted to experience a healthy growth over the years, which in turn implies that the players in the market are able to pursue growth opportunities with only minor implications to their profitability. In addition, Figure 27 displays the main segments in footwear market, in which women's footwear has a dominating position. In the forecast period, these segment shares are estimated to remain the same.

Figure 26 - Footwear market size and growth

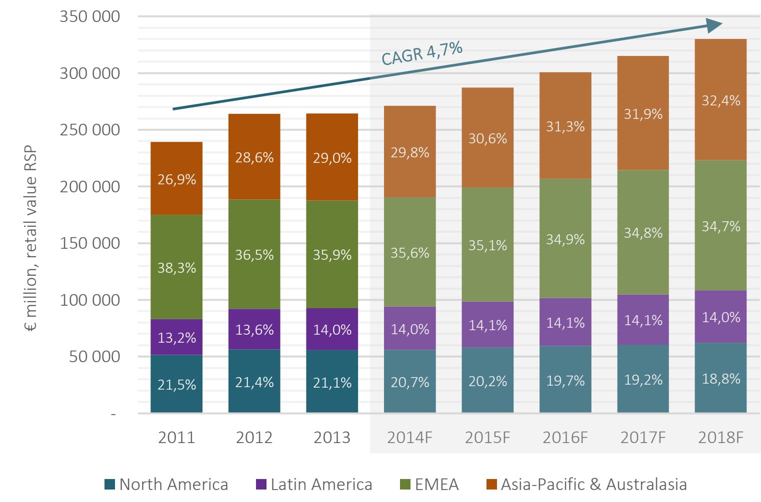
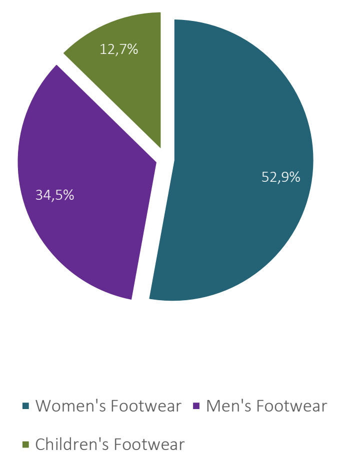


Figure 27 - Footwear market by segments in 2013



Source: Euromonitor, Independent analysis

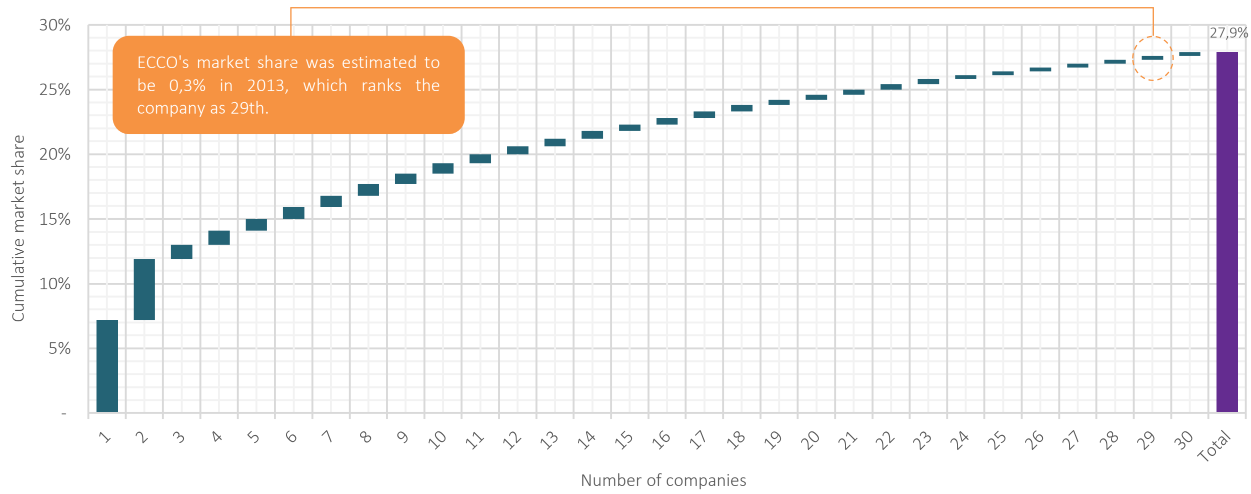
5.2.7.2 Industry concentration

In an industry structure, where there are numerous competitors roughly equal in size, a more competitive environment exists due to attempts to gain market dominance. On the other hand, industries with one or two dominant companies tend to be relatively less competitive, because smaller players are seemingly reluctant to challenge larger companies, and often focus on niche markets. (Johnson et al., 2008)

Figure 28 provides an informative illustration of the concentration in footwear industry in 2013. As seen from the graph, 30 largest organisations controlled 27,9% of the market in 2013. At the same time, Nike was the market leader with 7,2%, followed by Adidas with 4,7% of the market share, whereas ECCO was positioned 29th with 0,3% share. The concentration ratios for top 4 and 8 firms are 14,1% and 17,7%, respectively.

In spite of Nike's and Adidas' dominant market positions, the low concentration ratios indicate that the footwear industry is fragmented and competitive.

Figure 28 - Footwear industry's concentration in 2013



Source: Euromonitor, Independent analysis

5.2.7.3 Fixed costs and exit barriers

Footwear companies that outsource their production operations have lower fixed costs and exit barriers compared to the companies that decide to engage in manufacturing themselves. Under the outsourcing model, smaller firms can easily co-exist and exit the market due to low capital investments.

ECCO and companies with similar business model, on the other hand, have invested large amounts of capital in their facilities and operations, resulting in a relatively higher fixed costs to marginal costs relation. This puts the companies under pressure to cut their prices below their average costs in order to steal incremental customers, while still making contributions to cover fixed costs. (Porter, 2008) Large investments also have implications on exit barriers, due to their illiquid nature, by forcing businesses to have a long-term commitment in their venture.

5.2.7.4 Differentiation

Rivalry is especially destructive to profitability if it's solely dependent on price, because this type of competition transfers profits directly from an industry to its customers. (Porter, 2008) For the most part, competition in footwear industry can be characterised by other dimensions than price, such as brand image, design and other product features. Thus, profitability is less likely to be affected by potential price wars among competitors.

5.2.8 Section summary

The threat of new entrants in the footwear industry can be regarded as strong. Together with the industry's attractive profitability, the entry of new competition requires relatively low capital investments, and has good access to low cost suppliers and distribution. However, there are still important incumbent advantages present, such as the superior use of technology, brand recognition and experience.

The power of suppliers is moderate in the industry as a whole, but weak in ECCO's case, because of the company's independency from suppliers is relatively high compared to its competitors. The Asian-Pacific industrial cluster and low switching costs of footwear companies greatly reduce the suppliers' power, however, there is a possibility for them to integrate forward, but it is extremely difficult without an established brand name and distribution network.

The bargaining power of buyers in the footwear market is considered to be moderate. Their power is mainly reduced by the low concentration in the market, the nature of footwear products as basic necessities, and relatively low price sensitivity, which is especially true for ECCO's target group. In contrast, the users low switching costs increase their bargaining power relative to providers of footwear products.

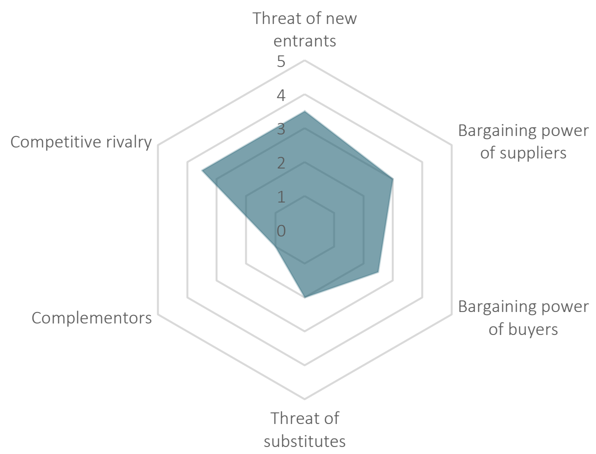
It can be concluded that the threat of substitutes in the industry is weak, because of substitutes from other industries and downstream processes are unlikely. At the same time, there are few threats within the footwear industry, such as products from different price range, footwear segment and counterfeit market.

As the complementors in footwear market, such as complementary products, technological enhancements and links to apparel industry, provide opportunities for cooperation and added value for customers, their current attractiveness does not incentivise the potential competition to challenge incumbents, therefore the threat can be regarded as weak.

Lastly, the competitive rivalry in the market can be described as strong, because of the forecasted healthy industry size growth, low concentration ratios, and relatively low fixed costs and exit barriers.

All in all, Figure 29 illustrates the threat level of the forces discussed in this section, on a scale 1-5, in which number 5 refers to the highest threat.

Figure 29 - The strength of forces driving the competition in footwear industry



Source: Independent analysis

5.3. VRIO analysis

Up to the present time, the focus of this thesis has been the impact and effect of macroeconomic and industry-specific factors to ECCO's shoemaking business. In order to develop an understanding of the company's industry independent drivers and capabilities, it is important to concentrate on the resource-based view.

In doing so, VRIO framework is an excellent tool in examining the internal competencies and competitive advantage of a company. It stands for four characteristics that determine the competitive potential of a resource or a capability: Value, Rarity, Imitability and Organisation. Moreover, tangible and intangible, and also organisational capabilities are the main types of resources evaluated in VRIO analysis.

In the following pages, ECCO's internal resources will be examined and its core competencies identified.

5.3.1 Financial resources

To begin with, there are three main competitive financial resources that determine a company's current financial health and potential growth possibilities: the level of cash holdings, borrowing capacity, and cash flow.

According to (Bloomberg; Damodaran; S&P Capital IQ) latest data analysis in January 2014, the footwear companies in the US and Europe had cash to total assets, book debt to equity and interest coverage ratio median values of 12,7%, 0,47 and 19,2 respectively. ECCO's corresponding values, on the other hand, were 7,1%, 0,22 and 31,0 as of 31 December 2013.

Firstly, although ECCO's cash holdings are valuable, the below peer group median value of 7,1% indicates that the financial resource is not rare. Secondly, as a company's capital structure and capability to maintain debt add to its ability to attract new funds for expansion and growth, ECCO's debt levels display the company as relatively lowly leveraged and less risky, which in turn indicates that this feature is both valuable and rare. In addition, as equity has higher cost than debt, it is also costly to imitate similar capital structure. Thirdly, the Danish footwear company has had strong and stable operating cash flows over the years, which is valuable, rare and costly to imitate, because it is particularly hard for existing competition and new entrants to achieve such a strong financial environment.

Along with its global presence and recognised brand, ECCO is in a favourable position to capture value from its core financial competencies.

5.3.2 Production, supply chain management (SCM) and distribution

At the present time, most footwear companies that attempt to increase their competitiveness by cost reductions, have moved their production facilities or outsourcing contracting towards Asia-Pacific. This value-driven strategy is also true for ECCO as it has enabled the company to gain access to cheaper labour, raw materials, and large growing Asian market, but as we live in an era of intense global competition, the move to Asia has become more of a key issue of survival rather than a rare occasion.

Nowadays, most of the companies active in footwear industry favour the outsourcing strategy instead of in-house production. ECCO on the other hand, is leaning towards the latter strategy by controlling its vertical integration operations such as tanneries, factories, distribution and sourcing centres. Despite the fact that both strategies are valuable, in-house production model is relatively rare and very costly to imitate. Namely, it requires large capital investments and extensive expertise to integrate backwards. In addition, ECCO's ability to capture value from its vertically integrated operations and supply chain is clearly evident from its relatively higher margins and profitability.

In like manner, ECCO's presence in 87 markets and it's more than 15 000 selling points around the world are noteworthy achievements that reflect the proper organisation of activities.

5.3.3 Technology and quality assurance

As ECCO is one of the few major footwear companies that owns and controls its whole shoemaking process, the company's most valuable core competencies are within its value chain and applied technology.

Their quality-driven approach begins with the purchase of premium raw hides, which are then tanned through several stages in order to enhance and control the quality of the leather. Next, with the use of their unique "direct injection" technology, they are able to manufacture high quality shoes with minimum lead times. Due to their full commitment to quality, ECCO has achieved a clear competitive advantage in the market, and is able to earn premium margins.

At the same time, as the technology section in PESTEL analysis revealed, 3D technology with its revolutionary opportunities may obsolete ECCO's technological advantage. Despite the presence of this threat, it is expected not to influence the company's position in the market in the short run, but rather in the medium- to long-run.

Human capital and innovation

In the light of ECCO's success in the shoemaking business, their development in human capital and constant focus on innovation have enabled them to secure a highly skilled workforce and optimised operational processes.

In 1961, Theodore Schultz proposed the term "Human Capital" in his article "Investment in Human Capital", in which he claimed that quality and productivity of employees can be improved by investing in them. (Schultz, 1961) Evidently, ECCO has not only been able to enhance its stock of competencies and knowledge through family heritage, but also by training their workforce and enabling them the necessary benefits. For example, ECCO has set up in-house academies for specialised training, and they also promote lean manufacturing philosophy, in which their employees are encouraged to propose improvements.

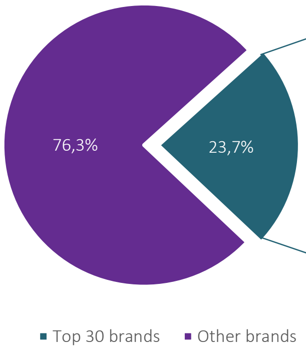
This bundle of accumulated human capital and improvements by innovations over half a century most definitely serve as a competitive advantage for ECCO, especially as its operations span is much wider relative to most of its competitors.

5.3.4 Brand and reputation

Over the past decades, the development in marketing and communication capabilities has been remarkable. Notably, companies are able to promote their brands globally via numerous channels, in which success depends largely on strategy, content, financial resources, and ambition. These marketing efforts, over time, evolve into reputation, which is one of the main driving forces in attracting consumers.

Based on the data from (Euromonitor), Figure 30 ranks the global share of footwear brands in 2013. Similarly to the industry concentration discussion in six forces analysis, it is estimated that ECCO was ranked as the 26th largest brand in footwear industry in 2013. Comparatively, the cumulative brand share of the top 30 is less than the industry concentration, because many multinational organisations represent several different brands.

Figure 30 - Global ranking and market share of footwear brands in 2013



Nike	6,7%	Belle	0,4%
Adidas	3,7%	Havaianas	0,4%
Puma	0,9%	Jones New York	0,4%
Clarks	0,9%	Bata	0,4%
Reebok	0,9%	Centrobuv	0,4%
Deichmann	0,8%	Daphne	0,3%
Asics	0,7%	Steve Madden	0,3%
Skechers	0,7%	Andrea	0,3%
Payless	0,6%	Brown Shoe	0,3%
Converse	0,5%	Hush Puppies	0,3%
Timberland	0,5%	ECCO	0,3%
Mizuno	0,5%	Aldo	0,3%
Ugg	0,5%	Hamm & Reno	0,3%
Grendene	0,5%	Zara	0,3%
New Balance	0,4%	Geox	0,2%

Source: Euromonitor, Independent analysis

Additionally, various awards and accolades play a significant role in increasing brand awareness and shaping the reputation of a company. On the positive side, ECCO has been awarded with numerous honours and prizes over the years, for example in 2013, the company was awarded as the best shoe manufacturer of the year by German shoe industry. (ECCO, 2014)

In spite of ECCO's valuable and renowned brand name, it appears that there are numerous trademarks with similar rarity.

5.3.5 Section summary

For the most part, ECCO can be regarded as a role model for the footwear industry by its operational efficiencies, above normal profitability, and genuine passion for shoes. These invaluable characteristics are the reflections of the company's resources that are shaped and managed with great effort.

Table 6 briefly summarises the main resources of ECCO in VRIO analysis, and also indicates their implications on competition and profitability. As a result of the analysis, it can be concluded that the company's strong financial health, globally integrated value chain operations, advanced technology, and devotion to quality and innovation are its core competencies. The economic theory states that when a company's resource is valuable, rare, costly to imitate and organised properly, it should secure a sustained competitive advantage over other competitors. In valuation perspective, I would argue that the satisfaction of all criteria in VRIO analysis assures the competitive advantage and above normal profits temporarily. In fact, the fast pace of technology advancement and globalisation in the 21st century is not only an issue of imitability, but also revolutionary inventions of alternative methods that transform most sustained solutions into temporary advantages.

Table 6 - Summary of VRIO analysis

Resource	Valuable?	Rare?	Costly to imitate?	Organised properly?	Competitive implications	Implications to profitability
Financial resources	Yes	Yes	Yes	Yes	Temporary advantage	Temporarily above normal
Production, SCM and distribution	Yes	Yes	Yes	Yes	Temporary advantage	Temporarily above normal
Technology and quality	Yes	Yes	Yes	Yes	Temporary advantage	Temporarily above normal
Human capital and innovation	Yes	Yes	Yes	Yes	Temporary advantage	Temporarily above normal
Brand and reputation	Yes	No	No	No	Parity	Normal

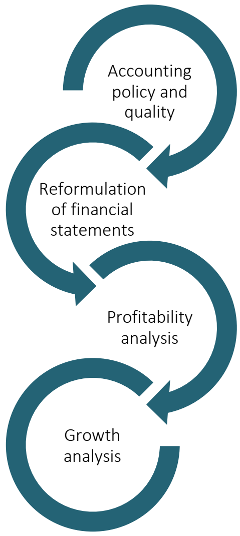
Source: Independent analysis

6. Financial analysis

An essential part of ECCO's fundamental valuation process is the financial statement analysis in which the assessment of past performance will provide invaluable insights in determining the company's future performance.

The main objectives in the financial analysis are to assure the consistency of accounting policies and standards over time, the reformulation of financial statements to reflect the operating performance, and the assessment of profitability, growth, liquidity and solvency. In addition, using the results comparatively in cross-sectional analysis will provide indications concerning the relative performance of a company.

Figure 31 – Structure of financial analysis



Source: Independent analysis

The framework for financial analysis is illustrated in Figure 31, where discussion on accounting standards and quality will lead to the methodology of reformulation of the financial statements, followed by a thorough analysis of profitability, which will not only identify the drivers of profitability, but also helps to understand the solvency of a company. In general, the time frame for assessment is 8 years into the past, with an exception of 10 years in case which ECCO's performance is not benchmarked.

6.1. Criteria for peer group companies

In order to benchmark ECCO against its peer group, it is important that all the companies in comparison have their core operations in the same segment. The main identified comparable competitors for ECCO are Crocs, Deckers, Geox, Wolverine and Tod's. While some of these companies also manufacture and market apparel, their main revenue stream still originates from the sale of footwear products. Another important factor, which favours the choice of the mentioned companies is that they are listed on a stock exchange, therefore, their data is publicly available.

6.2. Trend and common-size analysis

In financial evaluation, trend and common-size analysis are excellent tools to explain the reasons for the results in profitability and growth analysis. By their nature, they indicate trends and relative sizes of financial accounts to a base account, thereby, identifying the drivers of overall change.

Trend and common-size analysis is performed on income statements and balance sheets, both on ECCO and its competitors. Whereas the trend analysis indicates each financial account's trend from a base year, the common-size analysis reflects the accounts as relative values based on an anchor value. This anchor value on the income statement is revenue, and invested capital on the balance sheet. Both analysis for the companies can be seen Appendices 8-9, 14-17, 39-48, 69-88.

6.3. Accounting policies and quality

A significant requirement in analysing a company's financial statements is that it uses the same accounting policies over time. Additionally, it is also important to address the issue of comparability across companies that use different accounting standards in their reporting.

The following section discusses ECCO's accounting policies, quality, and comparability to companies that use IFRS and US GAAP reporting standards.

6.3.1 Accounting policies

ECCO's financial statements are presented in accordance with the Danish Financial Statements Act (Danish GAAP). Under Danish accounting standard, the companies are divided into four classes depending on their size: A, B, C and D. As the size of the company increases, so do the restrictions and obligations. (European Commission, 2011) ECCO is classified under Class C companies that includes the country's largest private companies.

As the scope of the project states that the historical data extends 10 years into the past, the company's accounting policies remain consistent with some minor changes over the years. Firstly, the accounting policy concerning consolidated goodwill was adjusted in 2009. The maximum expected useful economic life of the asset was changed from 20 years to 10 years. Secondly, the cost of fixed assets limit that is expensed in the income statement has increased from 10 000 to 12 000 DKK over the period.

These minor changes in accounting policies are assumed to have no material impact on ECCO's earnings, if anything, they take on a more conservative approach.

6.3.2 Accounting quality

(Penman, 2010) defines earnings quality as the degree to which current earnings serve as an indicator of future earnings. By his definition, recurring accounting items are seen as high quality, and special items are characterised as low quality. (Petersen & Plenborg, 2012)

At this instant, it is out of the scope of this project to fully assess the accounting quality of the company. KPMG Denmark's, ECCO's independent auditors, opinion is that the company's financial statements give a true and fair view of its financial position over the years. Therefore, it is assumed that the earnings quality of ECCO is high.

6.3.3 Danish GAAP and IFRS

The financial statements reported under Danish Financial Statements Act put great emphasis on the prudence principle in representing a company's financial position. Danish GAAP is based on a mixture of fair values, historic cost approach and other principles known from IAS and IFRS. (RSMplus)

The main differences between Danish GAAP and IFRS applicable to ECCO are:

- Goodwill and other intangible assets must be amortized over a fixed period of time of maximum 20 years according to Danish GAAP. (RSMplus)
- Investment property can only be measured at market value in accordance with Danish GAAP if the company owning the property exercises "investments" as its main business activity. (RSMplus)
- According to Danish GAAP Inventory can be measured at replacement cost if higher than direct cost. (RSMplus)

Under IFRS, maximum period of time that goodwill and other intangible assets can be amortised is 10 years, and inventory is comprised of production and/or acquisition costs. (KPMG, 2010) As ECCO complies with both these distinctive requirement, it can be concluded that the company is directly comparable to other listed companies reporting under IFRS standard.

6.3.4 Peer group companies

In the upcoming analysis of profitability, some companies report their financial statements under US GAAP. It is to be acknowledged that there are fundamental differences between the two major accounting standards – IFRS and US GAAP. As US GAAP is considered as rule-based, IFRS on the other hand, is principle based. (Petersen & Plenborg, 2012) The main significant differences between the standards can be seen in Appendix 3.

As the elimination of the differences between IFRS and US GAAP is a cumbersome task due to lack of data and numerous complicated estimates made by the management, it is assumed that the companies under those standards are relative comparable in profitability analysis.

6.4. Reformulation of financial statements

As the traditional financial statements are not organised for robust analysis of operating performance, it is necessary to reformulate them into three categories: operating, non-operating, and financial.

The reorganisation of statements reveals the key inputs for assessing a company's core operational performance, such as NOPLAT, invested capital, net working capital, and net interest-bearing debt. These values will later be applied in profitability analysis, pro forma statements and valuation of the company.

6.4.1 Reformulation of income statement

The foremost important purpose of reformulating a company's income statement is to determine its net operating profit less adjusted taxes (NOPLAT). It is the profit that is generated from core operations, and it excludes the incomes and expenses from non-operating assets and financing items. Therefore, it is the profit that is available to all investors in the company. (Koller et al., 2010) The original and reformulated income statements of ECCO can be seen in Appendices 4 and 7, respectively.

The following sections below discuss the main reorganisations and classifications made in reformulating the income statement.

6.4.1.1 Capitalisation of rental and lease expenses

If a company decides to lease its assets, it will have artificially low operating profits, because rental expenses include interest expense. On the other hand, the company will also have artificially high capital productivity, because the assets do not appear on its balance sheet. The net effect of these two variables is an artificial boost in ROIC, because the reduction in operating profit by rental expense is typically smaller than the reduction in invested capital. (Koller et al., 2010)

For ECCO, rental and lease expenses are categorised under other external costs in their income statement, seen in Appendix 4 and 7. Firstly, in order to capitalise these expenses, it is necessary to estimate the value of leased assets. The following equation is used in determining the value of ECCO's leased assets:

Equation 1 – Value estimation of leased assets

$$Asset\ value_{t-1} = \frac{Rental\ expense_t}{R_d + \frac{1}{Asset\ life}}$$

Source: Koller et al. (2010)

Equation 1 incorporates rental expense, the cost of secure debt and estimated asset life for estimation. The cost of debt is estimated by using AA-rated bonds' credit spread and risk-free rate. (Koller et al., 2010) The high grade bond rating assumes that the properties which the expenses are capitalised for, are pledged as collateral. The relevant credit spread and cost of secured debt calculation are further discussed in cost of capital part, and can be seen in Appendix 106 and 107. In order to estimate asset life variable, ECCO's property, plant and equipment is divided by its annual depreciation. (Lim, Mann, & Mihov, 2003)

In order to estimate the capitalised asset value for year 2013, it is necessary to make few assumptions for year 2014F that are in accordance with the reasoning provided in the pro forma financial statements section. For year 2013, it is assumed that the asset life in year 2014F is the 10 year historical median value of 5,5, and rental expense is the 10 year historical median percentage value of (12,3%) of rental and lease payments to revenues. Using the latter method, not only does it provide an asset value estimation, but also the corresponding rental and lease interest payments and depreciation values. The calculations can be seen in Appendix 6.

Next, to arrive at NOPLAT generated from core operations, it is important to make adjustments to ECCO's income statement. Firstly, the company's rental and lease payments are removed from operating expenses. Secondly, rental and lease depreciation originating from the capitalisation process is also deducted, and the interest payments for the capitalised assets are categorised under financial items.

6.4.1.2 Depreciation, amortisation and EBIT

As depreciation and amortisation are capitalised and lose economic value over time, they are included as operating expenses in NOPLAT calculation. As described in the previous section, an additional entry is made to adjust EBIT – lease depreciation deduction. Furthermore, EBIT is also adjusted for rental and lease payments that were originally expensed.

6.4.1.3 Operating and financial tax

As the reported taxes in the original income statement are calculated after interest expense, they are a function of capital structure. In order to keep NOPLAT purely operational, it is required that the effect of interest expense is removed from taxes. (Koller et al., 2010)

The operating taxes are calculated by adding back the tax shield caused by interest expense to the originally reported taxes. The rate used to calculate tax shield is the effective tax rate for the company. This action has an effect of reflecting the company as an all-equity and purely operating organisation. The tax calculations can be seen in Appendix 5.

6.4.2 Reformulation of balance sheet

As ECCO's original balance sheet, seen in Appendix 10, is set up as a mixture of operating and non-operating items, as well as sources of financing, it is necessary to reorganise them into respective groups. By reformulating the balance sheet, the capital used for operations and financing provided for funding will be more accurate. Moreover, this enables the correct calculation of the company's invested capital, net interest-bearing debt and net working capital. The reformulated balance sheet of ECCO can be seen in Appendices 12-13.

The following sections will discuss the rationale behind the reorganisation of balance sheet into operating, non-operating and financial items.

6.4.2.1 Operational balance sheet

The operating fixed assets consist of all of the items under intangible assets, and property, plant and equipment, because they are the core of operations at ECCO. The total operating fixed assets are adjusted by the capitalised lease asset values that were calculated previously in order to be in accordance with the rental expense and depreciation adjustment in the income statement.

The main categories under operating current assets are operating cash, inventories and receivables. As ECCO's cash and cash equivalents is divided into cash and marketable securities, cash will be further split into operating and excess cash. (Petersen & Plenborg, 2012) argue that if the cash position remains stable across time, it should be treated as excess cash. Furthermore, (Koller et al., 2010) proposes that any cash holdings over 2,0% of sales should be considered as excess cash. In fact, the company's cash position has been rather volatile over the years, and in 2013, its cash holdings amounted up to 4,9% from total sales. In determining the operating cash amount, the former and latter arguments are applied. More specifically, cash that amounts up to 2,0% of total sales is categorised under operating cash, and the remainder is treated as excess cash. The calculation of operating and excess cash can be seen in Appendix 11.

All entries under inventories and receivables are considered as operating current assets, except receivables from affiliated companies. The latter entry is classified as interest-bearing and part of financing activities.

In order for the reorganised financial statements to be in compliance, there are no non-operational items on the reformulated balance sheet.

The company's operational short-term liabilities consist of trade payables, other payables, income taxes and deferred income. In relation to the original balance sheet, payables to affiliated companies have been treated as a financing activity.

There are no operational long-term liabilities for ECCO, as the company's deferred tax is classified as part of equity, and its outstanding debt is treated as interest-bearing liability.

6.4.2.2 Financial balance sheet

On this side of the balance sheet, the main categories are equity, interest-bearing assets and liabilities.

Firstly, equity consists of paid-in capital such as share capital, as well as retained earnings that are the funds investors have reinvested in the company. In addition, deferred taxes are also equity equivalents that rise because of non-cash adjustments to retained earnings. They arise from differences in how the company and the government account for taxes. (Koller et al., 2010) Another equity equivalent entry is minority interest that is treated as a financing cash flow similar to dividends. (Koller et al., 2010)

Under ECCO's interest-bearing assets are excess cash, receivables from affiliated companies, and marketable securities. All of these assets are assumed to have gains in the means of interest.

The company's debt obligations and payables to affiliated companies are categorised under interest-bearing liabilities. In addition, the capitalised operational lease value is also treated as a financing item in order to correspond to the lease value under operating assets.

6.4.2.3 Peer group companies

In the subsequent profitability analysis, the reformulated statements of peer group companies follow the same methodology applied to ECCO's financial statements. With this in mind, there are few additional financial statement entries in which their classification needs to be discussed.

In the income statements, restructuring charges and asset impairments are classified as operational, because they reflect a company's adjustments to changing market conditions. (Petersen & Plenborg, 2012) Furthermore, foreign currency translations are considered as financial items.

In principle, the method for capitalisation of rental and lease expenses is similar to what is applied for ECCO, but only with few exceptions. The estimated values in year 2014F for asset value in year 2013 are based on 7 year historical median values, and the necessary revenue estimate for year 2014F is determined also by the 7 year historical median growth rate. The relevant cost of debt is discussed in cost of capital part, and seen in Appendix 106 and 107.

In the balance sheets, pension assets and liabilities are categorised as financial items under interest-bearing assets and liabilities respectively. As a company promises future retirement benefits for its employees, it sets aside investments to fund these obligations. (Koller et al., 2010) As a result, these investments are interest-bearing. Similarly, derivative financial instruments are classified as financial items, because they are tied to hedging of financial risks. (Petersen & Plenborg, 2012)

6.5. Profitability analysis

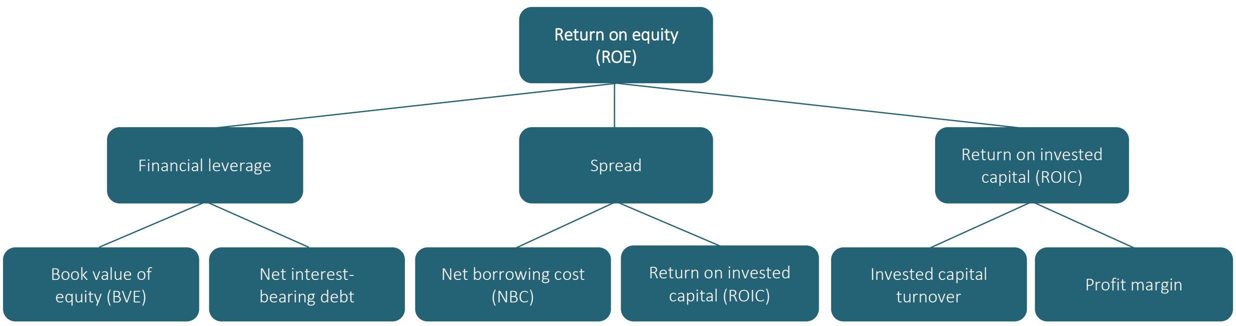
In financial analysis, profitability is one of the key areas of interest in determining the financial value drivers of a company. Not only does a profitable company create value for its shareholders, but also consolidates its relationships with suppliers and customers. The most common profitability measure to shareholders is return on equity (ROE), which measures owners' accounting return on their investments in a company. (Petersen & Plenborg, 2012) However, ROE can provide misleading information to investors, because of its exposure to financial leverage. In other words, companies can increase ROE by increasing their borrowings, thereby decreasing shareholders' equity, and also increasing the risk for investors. To counter this issue, it is necessary to decompose ROE into components. In addition, by decomposing ECCO's ROE, it is also important to benchmark the company's performance against its peer group companies in order to determine the industry's target group overall averages, upon which ECCO's performance levels become comparable.

The following section will introduce the Du Pont framework in which ROE will be decomposed into variables of return on invested capital (ROIC), financial leverage and spread, based on the reformulated financial statements.

6.5.1 Du Pont framework

Du Pont model is an excellent tool to break down return on equity into three key elements. Not only does this analysis enable deeper insight into ECCO's profitability drivers, but also helps to understand the sources of returns of its peer group and the industry in general. Figure 32 summarises the Du Pont framework by decomposing ROE into variables.

Figure 32 – Du Pont framework



Source: Petersen & Plenborg (2012), Independent analysis

In addition, the relationship between return of equity and its decomposed variables can be expressed as:

Equation 2 – Decomposition of ROE

$$ROE = ROIC + (ROIC - NBC) \times \frac{NIBD}{BVE}$$

Source: Petersen & Plenborg (2012)

6.5.1.1 Return on invested capital (ROIC)

In Du Pont framework, ROIC measures the operating profitability of a company. In valuation context, not only does a higher return lead to higher company value, but also enables cheaper financing. (Petersen & Plenborg, 2012) ROIC after tax measured as a percentage is expressed as follows:

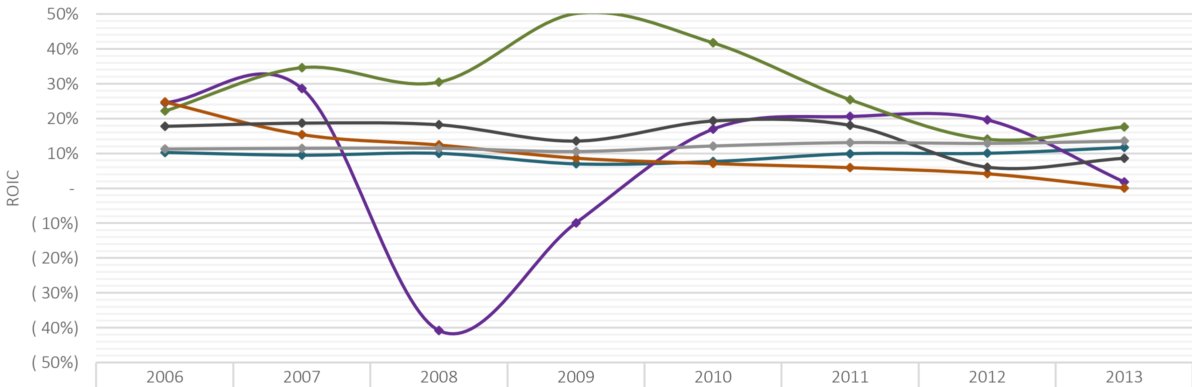
Equation 3 – Return on invested capital

$$ROIC = \frac{Net\ operating\ profit\ less\ adjusted\ taxes\ (NOPLAT)}{Invested\ capital}$$

Source: Petersen & Plenborg (2012)

Based on reformulated financial statements, Figure 33 graphs the 8 year historical ROIC of ECCO and its peer group companies. Over the years, ECCO has demonstrated stable and sound returns on its operations, whereas Crocs and Geox have experienced a sharp decline in ROIC in recent years due to their increasing cost levels and debt. This becomes especially clear from the trend and common-size analysis of the companies in Appendices 39-48, 69-88. Deckers, Wolverine and Tod's on the other hand, have performed exceptionally throughout the years, having an 8 year average ROIC of 29,5%, 15,0% and 12,0%, respectively.

Figure 33 - ROIC of ECCO and its peer group companies



	2006	2007	2008	2009	2010	2011	2012	2013
ECCO	10,3%	9,5%	10,0%	7,0%	7,7%	9,9%	10,0%	11,7%
Crocs	24,5%	28,6%	(40,8%)	(9,9%)	17,0%	20,6%	19,6%	1,8%
Deckers	22,2%	34,6%	30,5%	50,1%	41,7%	25,4%	14,1%	17,6%
Geox	24,7%	15,4%	12,4%	8,6%	7,1%	5,9%	4,2%	0,0%
Wolverine	17,8%	18,7%	18,2%	13,5%	19,3%	18,1%	6,1%	8,6%
Tod's	11,3%	11,5%	11,5%	10,5%	12,1%	13,1%	12,9%	13,5%

Source: Annual reports of ECCO, Crocs, Deckers, Geox, Wolverine, Tod's 2006-2013, Independent analysis

In order to develop further understanding of profitability drivers within ECCO and its competitors, it is necessary to decompose ROIC into profit margin after tax and invested capital turnover rate. This is important, because ROIC alone is unable to explain whether company's performance is driven by better revenue and expense relation or higher capital utilisation. (Petersen & Plenborg, 2012) An alternative equation for expressing ROIC is the following:

Equation 4 – Alternative expression of ROIC

$$ROIC = Net\ operating\ profit\ less\ adjusted\ taxes\ (NOPLAT) \times Invested\ capital\ turnover$$

Source: Petersen & Plenborg (2012)

6.5.1.1.1 Profit margin

The profit margin explains the relationship between revenues and expenses, and indicates how much profit is a company able to earn per unit of revenue. The equation for the profit margin can be expressed as:

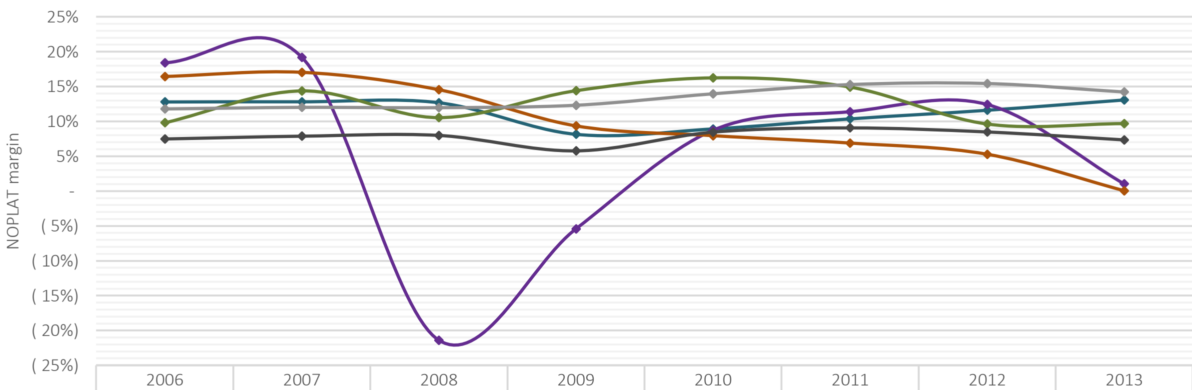
Equation 5 – Profit margin

$$Profit\ margin = \frac{NOPLAT}{Net\ revenue}$$

Source: Petersen & Plenborg

Figure 34 depicts the NOPLAT margin of ECCO and its peer group companies. The graph clearly indicates that ECCO is amongst the most profitable companies within its peer group, based on NOPLAT margin. In addition, the data also indicates that over the past 8 years, ECCO has generated an average of 11,3% of operating profit margin, an excess of 1,3% from the total observed average margins. In comparison to ROIC calculations, the operating margins of Crocs' and Geox's performance also indicate lower profitability due to their increasing shares of cost of sales and administrative expenses, evident from common-size analysis in Appendices 39 and 41.

Figure 34 - NOPLAT margin of ECCO and its peer group companies



	2006	2007	2008	2009	2010	2011	2012	2013
ECCO	12,8%	12,8%	12,7%	8,1%	8,9%	10,4%	11,6%	13,1%
Crocs	18,4%	19,2%	(21,4%)	(5,4%)	8,7%	11,4%	12,4%	1,0%
Deckers	9,8%	14,4%	10,5%	14,4%	16,2%	14,9%	9,6%	9,7%
Geox	16,4%	17,0%	14,5%	9,4%	8,0%	6,9%	5,3%	0,1%
Wolverine	7,5%	7,9%	8,0%	5,8%	8,5%	9,1%	8,5%	7,3%
Tod's	11,8%	12,0%	12,0%	12,3%	14,0%	15,3%	15,4%	14,2%

Source: Annual reports of ECCO, Crocs, Deckers, Geox, Wolverine, Tod's 2006-2013, Independent analysis

6.5.1.1.2 Invested capital turnover

The turnover rate expresses a company's ability to utilise invested capital. (Petersen & Plenborg, 2012) In other words, it indicates how many units of sales per year is generated per unit of invested capital. The turnover rate formula for invested capital is as follows:

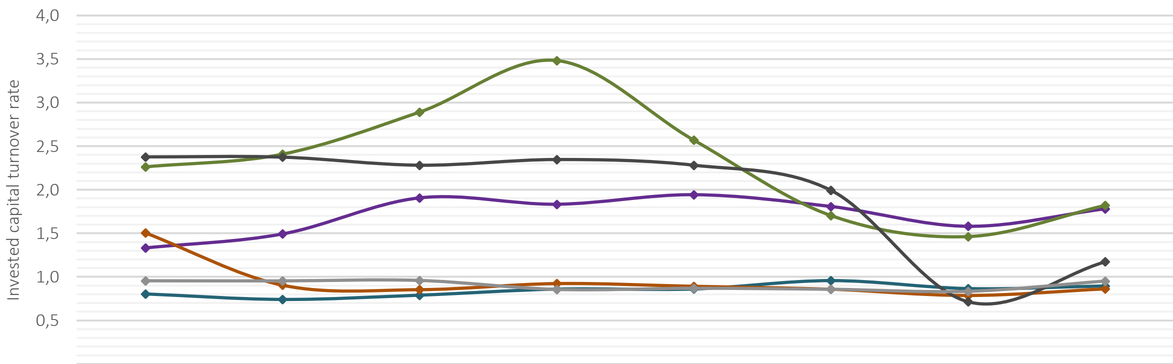
Equation 6 – Turnover rate of invested capital

$$Turnover\ rate\ of\ invested\ capital = \frac{Net\ revenue}{Invested\ capital}$$

Source: Petesen & Plenborg (2012)

As seen from Figure 35, the invested capital turnover rate varies between companies. Important to realise, is that these differences are set due to variations in their business models. Over the years, ECCO has had the lowest turnover rates, because the company has mobilised relatively larger amount of capital to its operations by investing in its own tanning, manufacturing and distribution facilities. For example, in 2013, ECCO had an invested capital turnover of 0,90, which means that its capital is tied up 402 days (assuming 360 days in a year), or each Danish krone that the company has invested in its operations, generates a 0,90 kroner sale. Similar to ECCO, Tod's and Geox also manufacture their own products and have large investments in factories and facilities. Crocs, Deckers and Wolverine on the other hand, are focusing on the strategy of outsourcing their production, hence the higher turnover rate of their invested capital.

Figure 35 - Invested capital turnover of ECCO and its peer group companies



	2006	2007	2008	2009	2010	2011	2012	2013
ECCO	0,80	0,74	0,79	0,86	0,86	0,96	0,87	0,90
Crocs	1,33	1,49	1,91	1,83	1,94	1,81	1,58	1,78
Deckers	2,26	2,41	2,89	3,48	2,57	1,70	1,46	1,82
Geox	1,50	0,90	0,85	0,92	0,89	0,86	0,79	0,86
Wolverine	2,38	2,37	2,28	2,35	2,28	1,99	0,71	1,17
Tod's	0,95	0,95	0,96	0,86	0,87	0,86	0,83	0,95

Source: Annual reports of ECCO, Crocs, Deckers, Geox, Wolverine, Tod's 2006-2013, Independent analysis

6.5.1.2 Financial gearing effect, leverage and spread

Second part of Du Pont's model consists of the effect of financial gearing, which can be decomposed into subcomponents that reflect a company's capital structure and borrowing costs.

Firstly, in order to determine the impact of financial leverage on profitability, it is necessary to calculate the net borrowing cost (NBC). In addition, it is important to note that NBC will be affected by the differences between deposit and lending rates, and other financial items are included in financial income and expenses. (Petersen & Plenborg, 2012) NBC can be defined as:

Equation 7 – Net borrowing cost

$$Net\ borrowing\ cost\ (NBC) = \frac{Net\ financial\ expenses\ after\ tax}{Net\ interest - bearing\ debt\ (NIBD)}$$

Source: Petersen & Plenborg (2012)

Deducting NBC from ROIC results in a variable called the spread, which indicates whether further increase in financial leverage will increase ROE. For instance, if the spread is positive, increase in financial leverage will lead to an increase in ROE.

Another key variable, financial leverage, describes a company's capital structure, and can be calculated as:

Equation 8 – Financial leverage

$$Financial\ leverage = \frac{Net\ interest - bearing\ debt\ (NIBD)}{Book\ value\ of\ equity\ (BVE)}$$

Source: Petersen & Plenborg (2012)

The two variables above enable the calculation of the financial gearing effect, which expresses the effect of financial leverage on profitability. The financial gearing effect can be calculated as:

Equation 9 – Financial gearing effect

$$Financial\ gearing\ effect = (ROIC - NBC) \times \frac{NIBD}{BVE}$$

Source: Petersen & Plenborg (2012)

Table 7 shows the financial gearing effect and relevant variables for ECCO and its competitors. Although on average, ECCO has had the highest financial leverage throughout the years, its positive spread indicates that the company could even further enhance its profitability to shareholders by increasing debt. Evidently, Crocs, Deckers and Geox seem to struggle with their low spread, which implies a negative financial gearing effect.

Table 7 - Financial gearing effect, leverage and spread of ECCO and its peer group

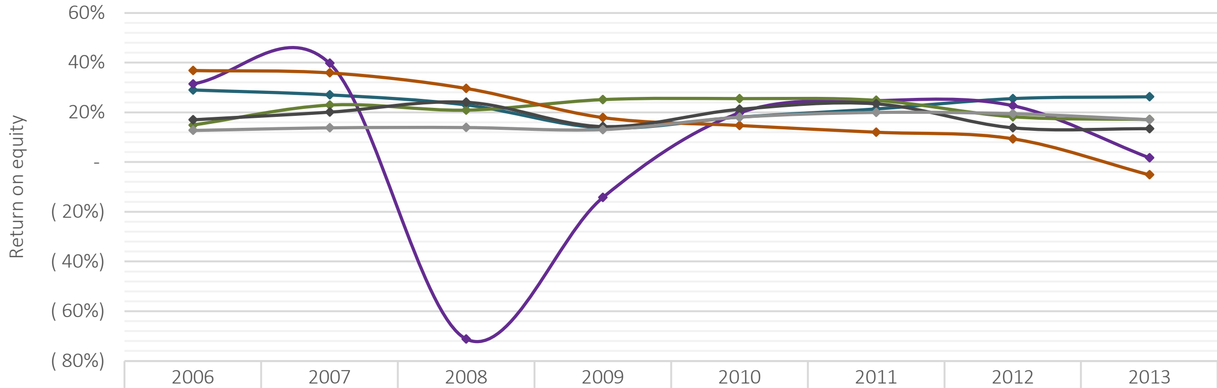
	2006	2007	2008	2009	2010	2011	2012	2013
Spread								
ECCO	8,4%	7,3%	7,5%	5,1%	6,1%	8,0%	8,1%	8,8%
Crocs	23,1%	33,3%	(64,7%)	(13,0%)	15,1%	19,3%	13,4%	(1,3%)
Deckers	21,0%	32,8%	29,4%	50,2%	42,6%	90,7%	11,3%	(152,1%)
Geox	22,4%	13,8%	10,6%	7,0%	5,4%	4,2%	2,9%	(2,8%)
Wolverine	31,8%	15,1%	17,0%	9,0%	17,3%	15,6%	4,6%	4,1%
Tod's	9,1%	10,1%	9,8%	8,7%	11,6%	12,2%	11,4%	11,2%
Financial leverage								
ECCO	2,22	2,39	1,72	1,33	1,70	1,42	1,90	1,65
Crocs	0,30	0,33	0,47	0,33	0,18	0,21	0,23	0,09
Deckers	(0,35)	(0,36)	(0,33)	(0,50)	(0,38)	(0,01)	0,37	0,00
Geox	0,54	1,48	1,62	1,33	1,40	1,45	1,79	1,88
Wolverine	(0,02)	0,09	0,34	0,08	0,11	0,34	1,68	1,16
Tod's	0,16	0,23	0,25	0,29	0,51	0,56	0,57	0,31
Financial gearing effect								
ECCO	18,7%	17,5%	13,0%	6,8%	10,4%	11,4%	15,5%	14,5%
Crocs	6,9%	11,1%	(30,4%)	(4,4%)	2,8%	4,1%	3,0%	(0,1%)
Deckers	(7,3%)	(11,7%)	(9,6%)	(25,0%)	(16,2%)	(0,6%)	4,1%	(0,5%)
Geox	12,1%	20,4%	17,2%	9,2%	7,6%	6,1%	5,2%	(5,2%)
Wolverine	(0,8%)	1,4%	5,8%	0,7%	1,9%	5,4%	7,7%	4,8%
Tod's	1,4%	2,3%	2,4%	2,5%	5,9%	6,8%	6,6%	3,5%

Source: Annual reports of ECCO, Crocs, Deckers, Geox, Wolverine, Tod's 2006-2013, Independent analysis

6.5.1.3 Return on equity

All things considered, understanding the decomposition of variables and their implications, the return on equity can be computed for ECCO and its competitors. As seen from Figure 36, ECCO has earned relatively superior returns to its shareholders, whereas Crocs' and Geox's returns have deteriorated in 2013. Similar to ECCO, Deckers, Wolverine and Tod's have also had stable and satisfactory returns over the years.

Figure 36 - Return on equity of ECCO and its peer group companies



	2006	2007	2008	2009	2010	2011	2012	2013
ECCO	29,0%	27,0%	23,0%	13,8%	18,1%	21,4%	25,5%	26,2%
Crocs	31,4%	39,7%	(71,2%)	(14,3%)	19,7%	24,7%	22,7%	1,7%
Deckers	14,9%	22,9%	20,9%	25,1%	25,5%	24,8%	18,2%	17,1%
Geox	36,8%	35,8%	29,6%	17,9%	14,7%	12,0%	9,4%	(5,2%)
Wolverine	17,0%	20,1%	24,0%	14,3%	21,2%	23,4%	13,8%	13,4%
Tod's	12,7%	13,8%	13,9%	13,1%	18,0%	20,0%	19,4%	17,0%

Source: Annual reports of ECCO, Crocs, Deckers, Geox, Wolverine, Tod's 2006-2013, Independent analysis

6.6. Growth analysis

Growth can be considered one of the main driving factors behind a company's successful development and value creation. Not only does it provide meaningful information about the past, but also helps to recognise future growth possibilities. By all means, growth has a clear positive effect on the main stakeholders of a company, such as shareholders, lender, suppliers and employees.

The following sections will analyse ECCO's sustainable growth rate in relation to its competitors, and also other important performance measures and accounting items.

6.6.1 Sustainable growth rate

Sustainable growth rate is a useful measure that indicates at what pace a company can grow its revenues while preserving its financial risk. (Petersen & Plenborg, 2012) In addition, the information about historical growth rates serve an important purpose in the valuation context, where it is necessary to determine ECCO's future revenue growth rate. Similarly to Du Pont's return on equity formula in profitability analysis, the sustainable growth rate can be calculated by adding the effect of a company's dividend policy. The equation can be expressed as:

Equation 10 – Sustainable growth rate

$$Sustainable\ growth\ rate\ (g) = \left[ROIC + (ROIC - NBC) \times \frac{NIBD}{Equity}\right] \times (1 - Payout\ ratio\ (PO))$$

Source: Petersen & Plenborg (2012)

Table 8 illustrates the historical sustainable growth rates for ECCO and its competitors. Compared to ROE calculations, the table clearly indicates that ECCO's large dividend payments decrease its sustainable growth rate. Nevertheless, the company's comparatively high growth rate also indicates that a significant part of its profits are still reinvested. As seen from Appendix 89, Geox and Tod's have had the highest payout ratios, which have had a negative effect on their growth rates. This is especially evident for Geox, whose payout ratio was 82,7% and 155,0% in 2011 and 2012, respectively.

Table 8 - Sustainable growth rate of ECCO and its peer group

	2006	2007	2008	2009	2010	2011	2012	2013
ECCO	**26,9%**	**19,9%**	**16,4%**	**1,1%**	**3,1%**	**11,3%**	**12,2%**	**16,8%**
Crocs	31,4%	39,7%	(71,2%)	(14,3%)	19,7%	24,7%	22,7%	1,7%
Deckers	14,9%	22,9%	20,9%	25,1%	25,5%	24,8%	18,2%	17,1%
Geox	22,1%	17,7%	14,0%	4,0%	2,9%	2,1%	(5,1%)	(5,2%)
Wolverine	13,6%	16,0%	18,7%	9,3%	16,9%	19,1%	9,7%	10,2%
Tod's	6,9%	7,0%	7,5%	7,2%	(7,3%)	10,9%	9,2%	6,5%

Source: Annual reports of ECCO, Crocs, Deckers, Geox, Wolverine, Tod's 2006-2013, Independent analysis

6.6.2 Growth in other accounting items and performance measures

The growth rates of a company over the years indicate its ability to expand its operations and increase profitability. If applicable, compound annual growth rate (CAGR) is a useful measure that helps to smooth out returns by eliminating volatility. Moreover, other practical growth measures are averages and medians, whereas the latter relieves the effect of outliers in the growth volatility.

It is important to note that the growth rates reflect a company's ability to perform, economic conditions and industry's characteristics. This can be seen in Table 9, which indicates that ECCO's growth rates significantly declined during the financial crisis in 2009. ECCO's positive sustainable growth rate and its historical revenue development suggest that the company is a growth business. This fact is further consolidated by looking at the positive development of its NOPLAT, net profit, invested capital and equity.

Table 9 - Growth of ECCO's performance measures and accounting items

	2005	2006	2007	2008	2009	2010	2011	2012	2013	*Average*	*Median*	*CAGR*
Revenue	12,9%	16,7%	16,8%	3,0%	(6,2%)	21,2%	16,0%	13,7%	4,7%	*11,0%*	*13,7%*	*9,5%*
NOPLAT	23,7%	91,2%	17,0%	1,9%	(39,7%)	32,7%	34,8%	27,3%	18,0%	*23,0%*	*23,7%*	*16,4%*
Net profit	49,8%	116,8%	9,8%	(1,9%)	(43,3%)	37,0%	35,3%	23,3%	16,1%	*27,0%*	*23,3%*	*18,1%*
Invested capital	5,0%	19,5%	26,8%	(3,4%)	(13,8%)	21,1%	4,3%	25,8%	1,1%	*9,6%*	*5,0%*	*7,8%*
Equity	34,1%	31,4%	20,5%	20,2%	0,6%	4,8%	16,2%	4,9%	10,9%	*16,0%*	*16,2%*	*13,8%*

Source: ECCO's annual reports 2004-2013, Independent analysis

6.7. Section summary

In spite of minor conservative changes in its accounting policies, ECCO has consistently presented its financial statements in accordance with the Danish Financial Statements Act (Danish GAAP) over the period of interest. The company's accounting quality is assumed to be high as its independent auditors express a positive opinion concerning their statements.

ECCO's and its closest peers' traditional financial statements have been reformulated in order to understand their operating performance. The reorganisation has revealed several important inputs for further analysis, such as NOPLAT, invested capital, net working capital, and net interest-bearing debt.

On the whole, the decomposition of return on equity of ECCO and its peer group companies have revealed important information concerning the drivers of their profitability.

Firstly, it becomes evident that ECCO's ROIC is mainly driven by the company's ability to earn high NOPLAT margin, which compensates for its low turnover rates due to heavy investments in its supply chain. At the same time, its high NOPLAT margin is a result of the company's ability to effectively control costs by keeping them stable, which becomes evident from the common-size analysis seen in Appendix 8.

Secondly, although ECCO is relatively highly leveraged compared to its peer group, the financial gearing effect greatly enhances the company's returns on its equity investors. In addition, its positive spread also indicates that even further increase in the debt level would benefit shareholders.

In summary, ECCO's return on equity on average is substantially higher than its competitors, especially in the past three years. This result is mainly driven by the company's positive financial gearing effect.

Growth analysis provides meaningful information concerning the company's historical performance, which in turn, helps to understand the future growth possibilities. ECCO's high sustainable growth rates and other increasing performance measures indicate that ECCO is a growth business, although its elevating dividend payments suggest that lesser part is being reinvested in the company.

7. Pro forma financial statements

In developing pro forma reformulated income statement, reformulated balance sheet and cash flow statement, the sales-driven approach is used. The articulated statements also encompass most important findings from strategic and financial analysis part.

The forecasted values are based on historical median values, because they eliminate outliers from the analysis. Furthermore, 10 year historical median values are preferred, although 5 year median values are applied as well if the relevant numbers indicate changed levels of ratios or trend tendencies. The length of the forecast period is 7 years. The full forecast assumptions behind pro forma reformulated income statement and balance sheet can be seen in Appendix 96 and 100, respectively. Additionally, the pro forma reformulated income statement and balance sheet can be seen in Appendices 97 and 101-102, respectively.

7.1. Pro forma reformulated income statement

7.1.1 Revenue forecast

Important to realise, the future revenue growth of a company is one of the main indicators of market growth and successfulness to deliver products to the market. For the most part, as this thesis applies the sales-driven forecasting approach, which links the level of activities to expenses and investments of a company, it is especially important to incorporate all the identified drivers accurately in order to build the best estimated revenue forecast. Moreover, the top-down forecasting approach is used in which the focus is on market size, economic growth and changing consumer preferences. It is crucial to put great effort into estimating the future revenues as accurately as possible, because the errors will be carried throughout the articulated statements.

Table 10 graphs ECCO's revenue development over the years by different segments and geographies. Evidently, as the company has shown impressive growth in revenues over the years, the percentage share of shoes and accessories, and other products, have been fluctuating around the mean and median historical values. Therefore, due to large number of samples, the percentage share of other products and services will be assumed fixed as 10 year historical median value of 5,3% in the forecast period. Furthermore, the category of other products and services is not classified under any region's revenues, but instead it is added to the aggregate values of forecasted revenues. The revenue by geography, on the other hand, will be a subject to change by the drivers and influential forces identified in the strategic analysis.

Table 10 - ECCO's historical revenue by segment and geography

DKK '000	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	*Median*
Net revenue	3 393 693	3 830 546	4 470 403	5 219 525	5 374 142	5 041 200	6 111 148	7 088 826	8 061 236	8 436 096	
% change	*7,1%*	*12,9%*	*16,7%*	*16,8%*	*3,0%*	*(6,2%)*	*21,2%*	*16,0%*	*13,7%*	*4,7%*	*13,3%*
Revenue by segment											
Shoes and accessories	3 132 004	3 527 334	4 200 789	4 952 937	5 129 113	4 846 352	5 780 644	6 754 712	7 636 111	7 788 188	
% change	*9,0%*	*12,6%*	*19,1%*	*17,9%*	*3,6%*	*(5,5%)*	*19,3%*	*16,9%*	*13,0%*	*2,0%*	*12,8%*
% share	*92,3%*	*92,1%*	*94,0%*	*94,9%*	*95,4%*	*96,1%*	*94,6%*	*95,3%*	*94,7%*	*92,3%*	***94,7%***
Other products and services	261 689	303 212	269 614	266 588	245 029	194 848	330 504	334 114	425 125	647 908	
% change	*(11,8%)*	*15,9%*	*(11,1%)*	*(1,1%)*	*(8,1%)*	*(20,5%)*	*69,6%*	*1,1%*	*27,2%*	*52,4%*	*(0,0%)*
% share	*7,7%*	*7,9%*	*6,0%*	*5,1%*	*4,6%*	*3,9%*	*5,4%*	*4,7%*	*5,3%*	*7,7%*	***5,3%***
Revenue by geography											
EMEA	2 101 613	2 356 923	2 704 379	3 291 817	3 502 584	3 202 405	3 631 894	4 178 048	4 324 499	4 328 419	
% change	*8,8%*	*12,1%*	*14,7%*	*21,7%*	*6,4%*	*(8,6%)*	*13,4%*	*15,0%*	*3,5%*	*0,1%*	*10,5%*
North America	855 024	948 970	1 150 579	1 173 168	1 020 123	928 681	1 139 397	1 210 084	1 460 136	1 473 790	
% change	*7,5%*	*11,0%*	*21,2%*	*2,0%*	*(13,0%)*	*(9,0%)*	*22,7%*	*6,2%*	*20,7%*	*0,9%*	*6,8%*
Asia-Pacific	175 367	221 441	345 831	487 952	606 406	715 266	1 009 353	1 366 580	1 851 476	1 985 979	
% change	*21,2%*	*26,3%*	*56,2%*	*41,1%*	*24,3%*	*18,0%*	*41,1%*	*35,4%*	*35,5%*	*7,3%*	*30,8%*

Source: ECCO's annual reports 2004-2013, Independent analysis

As ECCO divides its market into three categories: EMEA, North America and Asia-Pacific, these regions will be the basis of the company's revenue forecast. Furthermore, the revenue forecast consists of two main components: base revenue forecast by four main economic and market drivers, and additional implications from strategic analysis. The four base components driving ECCO's revenue growth are real GDP growth, change in real disposable income, footwear expenditure growth, and the market size growth of the footwear industry.

In the following, these indicators will be explained and examined in respect to ECCO's revenue development by geography in order to determine the base revenue forecast for the company.

7.1.1.1 Base revenue forecast by main economic and market drivers

In this section, ECCO's historical revenue relation to the main economic and market drivers by region will be examined in order to estimate the base sales growth in the future. To do this, the growth in the company's revenues is directly compared to the changes in the market. The base revenue growth by region is determined by the real GDP growth, the change in real disposable income, the change in expenditure in the footwear market, and the growth of the industry as a whole.

An important indicator used in the analysis is the growth factor, which is an elasticity measure calculated as a ratio of change in revenue to a percentage change in the driver. By examining the historical values of these growth factors, it is possible to determine their normalised relation to the company's revenue development. For example, a growth factor of 2 in real GDP growth indicates that 1 percent growth in GDP leads to a 2 percent increase in revenues. The four base drivers carry equal weight of 25 percent in their contribution towards ECCO's future revenue computation. Moreover, 8 year median values are used in the historical analysis of the growth factor, because they are less influenced by outliers.

7.1.1.1.1 EMEA region

Appendix 90 points out the historical revenue development in relation to the main economic and market drivers of ECCO EMEA region. The historical median values of the base variables indicate that the real GDP growth is the main driver of the company's revenue growth, whereas the change in real disposable income has the lowest impact.

In relation to ECCO EMEA future revenue growth, Table 11 effectively displays the main forecasted base drivers and their historical growth factor median values. In 2014F, the increase in revenues in EMEA region is expected to be only one percent due to the negative change in real disposable income. However, from 2015F onward, the economy and growth in the market are forecasted to normalise, resulting in a stable and healthy revenue growth. Due to data limitations in the footwear market size growth from 2019F and onward, the conservative forecasted growth is expected to be 4 percent in 2019F, and 3 percent in 2020F.

Table 11 - ECCO EMEA base revenue growth forecast by main economic and market drivers

DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
ECCO EMEA	4 370 938	4 669 900	4 967 531	5 290 987	5 634 933	5 999 704	6 375 929
% change	*1,0%*	*6,8%*	*6,4%*	*6,5%*	*6,5%*	*6,5%*	*6,3%*
Average real GDP growth	2,7%	3,2%	3,3%	3,4%	3,4%	3,3%	3,3%
Growth factor	*2,94*	*2,94*	*2,94*	*2,94*	*2,94*	*2,94*	*2,94*
Average Δ in real disposable income	(5,7%)	0,7%	(0,1%)	0,1%	(0,1%)	0,3%	0,5%
Growth factor	*1,30*	*1,30*	*1,30*	*1,30*	*1,30*	*1,30*	*1,30*
Footwear expenditure growth	0,5%	5,4%	4,8%	4,8%	4,9%	5,1%	5,3%
Growth factor	*1,90*	*1,90*	*1,90*	*1,90*	*1,90*	*1,90*	*1,90*
Footwear market size growth	1,5%	4,4%	4,3%	4,4%	4,4%	4,0%	3,0%
Growth factor	*1,55*	*1,55*	*1,55*	*1,55*	*1,55*	*1,55*	*1,55*

Source: ECCO's annual reports 2004-2013, Independent analysis

7.1.1.1.2 North American region

Appendix 91 demonstrates that the revenue development in ECCO North America has been growing steadily despite the strong impact of the financial crisis in 2008-2009. Evidently, the revenue growth in the northern continent is highly dependent on the economic growth measured by real GDP growth, and less by other drivers.

Similarly to ECCO EMEA, as Table 12 indicates, the decline in real disposable income drives down the revenue growth in North America in 2014F. Although the company's revenue in the forecast period is expected to increase relatively less than in EMEA region, it is still showing a solid growth. Due to data limitations in the footwear market size growth from 2019F and onward, the conservative forecasted growth is expected to be 2 percent in 2019F, and 1 percent in 2020F.

Table 12 - ECCO North America base revenue growth forecast by main economic and market drivers

DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
ECCO North America	1 521 349	1 613 643	1 700 442	1 784 573	1 875 353	1 962 856	2 056 194
% change	*3,2%*	*6,1%*	*5,4%*	*4,9%*	*5,1%*	*4,7%*	*4,8%*
Real GDP growth	2,6%	2,8%	2,8%	2,6%	2,5%	2,4%	2,4%
Growth factor	*5,46*	*5,46*	*5,46*	*5,46*	*5,46*	*5,46*	*5,46*
Δ in real disposable income	(2,1%)	1,8%	0,8%	0,7%	0,6%	0,7%	0,9%
Growth factor	*0,86*	*0,86*	*0,86*	*0,86*	*0,86*	*0,86*	*0,86*
Footwear expenditure growth	(0,7%)	4,4%	3,2%	3,3%	3,3%	3,4%	3,7%
Growth factor	*0,55*	*0,55*	*0,55*	*0,55*	*0,55*	*0,55*	*0,55*
Footwear market size growth	0,6%	3,2%	2,5%	2,0%	2,8%	2,0%	1,0%
Growth factor	*1,55*	*1,55*	*1,55*	*1,55*	*1,55*	*1,55*	*1,55*

Source: ECCO's annual reports 2004-2013, Independent analysis

7.1.1.1.3 Asia-Pacific region

As Appendix 92 indicates, ECCO Asia-Pacific has shown the most impressive growth in the company's revenues over the years. This growth is a direct result of the exceptional expansion of the Asian economies and the high growth level of footwear expenditure, which in turn leads to a significant growth in the footwear market size in general. Moreover, as the median values indicate, all four base drivers seem to have a strong influence on ECCO's future revenue growth in Asia-Pacific.

With attention to the future revenues from Asia-Pacific region, Table 13 shows the impressive growth of economic and market drivers, which also have a significant effect on ECCO's forecasted revenues. Additionally, the base forecast indicates that by 2020F, Asia-Pacific will be the company's largest market. Due to data limitations in the footwear market size growth from 2019F and onward, the conservative forecasted growth is expected to be 6 percent in 2019F, and 5 percent in 2020F.

Table 13 - ECCO Asia-Pacific base revenue growth forecast by main economic and market drivers

DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
ECCO Asia-Pacific	2 273 931	2 832 828	3 415 378	4 095 566	4 890 155	5 816 904	6 871 564
% change	*14,5%*	*24,6%*	*20,6%*	*19,9%*	*19,4%*	*19,0%*	*18,1%*
Real GDP growth	5,5%	5,7%	5,7%	5,5%	5,4%	5,4%	5,4%
Growth factor	*4,79*	*4,79*	*4,79*	*4,79*	*4,79*	*4,79*	*4,79*
Δ in real disposable income	(2,0%)	2,8%	1,6%	1,5%	1,6%	1,8%	2,0%
Growth factor	*2,62*	*2,62*	*2,62*	*2,62*	*2,62*	*2,62*	*2,62*
Footwear expenditure growth	6,2%	11,0%	9,1%	8,7%	8,3%	8,4%	8,6%
Growth factor	*2,40*	*2,40*	*2,40*	*2,40*	*2,40*	*2,40*	*2,40*
Footwear market size growth	5,3%	8,9%	6,9%	6,8%	6,6%	6,0%	5,0%
Growth factor	*4,19*	*4,19*	*4,19*	*4,19*	*4,19*	*4,19*	*4,19*

Source: ECCO's annual reports 2004-2013, Independent analysis

7.1.1.2 Other strategic implications

In the light of ECCO's base revenue forecast estimated in the previous section, there are also other strategic factors that influence the company's revenue development in the future. These implications were identified in the macroeconomic, industry-specific and company-specific parts of analysis.

7.1.1.2.1 Geopolitical risks

As identified in crisis and conflicts section in PESTEL analysis earlier, there are high geopolitical risks associated with Russian, Ukrainian, Thai and Egyptian markets.

Firstly, the effects of Russian-Ukrainian conflict, which also has impact on other markets in the Europe, are expected to peak in 2015F. Therefore, ECCO EMEA revenue growth is affected negatively by 50 basis points in 2014F, by 150 basis points in 2015F, by 100 basis points in 2016F, and by 50 basis points in 2017F.

Secondly, the tensions in Thailand and Egypt are expected to have marginal impact on ECCO Asia-Pacific revenues. As a result, the region's revenue growth is adjusted downwards by 25 basis points in 2014F, and by 10 basis points in 2015F.

7.1.1.2.2 Social classes

The social classes and lifestyle analysis in PESTEL framework revealed important information concerning the classification of social classes by income in ECCO's main regions of operations. As the company's main customer target group lies within classes A, B and C in the social classes ABCDE model, there will be some implications to its revenues due to the changes in equality of earnings.

Firstly, EMEA region is forecasted to have stable and fixed proportions in the social classes, which in turn implies that there will be no significant changes to revenues in this region.

Secondly, the inequality in North America and Asia-Pacific region is expected to increase, and affect ECCO's revenue negatively starting from 2015F. Although the changes in the social classes are not that severe, they are still forecasted to have 25 and 50 basis point impact during the whole forecast period, in North America and Asia-Pacific respectively.

7.1.1.2.3 Six forces framework

To begin with, the six forces analysis yielded that the threat of entry and competitive rivalry in footwear industry is rather strong, whereas the other forces have lesser impact on industry profitability and incumbents' competitive position. Therefore, the overall threat level in the industry is expected to have a negative effect of 100 basis points on overall revenues of ECCO during the whole forecast period.

7.1.1.2.4 VRIO analysis

As ECCO has several resources that satisfy the VRIO criteria, the company enjoys temporary competitive advantage and above normal profits. However, as a conservative measure, these implications are expected to consolidate the company's current position, and have no positive or negative implications on ECCO's future revenues.

7.1.1.3 Summary

Table 14 summarises ECCO's revenue forecast by regions and segments. More specifically, the revenue from shoes and accessories is the sum of all geographical revenues, which are also adjusted for strategic implications. The revenue from other products and services is derived from the historical median values of ECCO's segment share proportions determined earlier.

Table 14 - Summary of ECCO's revenue forecast

DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Net revenue	8 572 942	9 452 514	10 356 379	11 392 850	12 584 166	13 911 493	15 366 771
% change	*1,6%*	*10,3%*	*9,6%*	*10,0%*	*10,5%*	*10,5%*	*10,5%*
Revenue by segment							
Shoes and accessories	8 115 065	8 947 660	9 803 250	10 784 363	11 912 051	13 168 486	14 546 039
% share	*94,7%*	*94,7%*	*94,7%*	*94,7%*	*94,7%*	*94,7%*	*94,7%*
Other products and services	457 877	504 855	553 130	608 487	672 115	743 007	820 732
% share	*5,3%*	*5,3%*	*5,3%*	*5,3%*	*5,3%*	*5,3%*	*5,3%*
Revenue by geography							
EMEA	4 326 221	4 535 302	4 756 994	5 020 810	5 324 749	5 646 609	5 977 488
% change	*(0,1%)*	*4,8%*	*4,9%*	*5,5%*	*6,1%*	*6,0%*	*5,9%*
North America	1 514 913	1 600 320	1 679 660	1 755 829	1 838 048	1 916 539	2 000 249
% change	*2,8%*	*5,6%*	*5,0%*	*4,5%*	*4,7%*	*4,3%*	*4,4%*
Asia-Pacific	2 273 931	2 812 038	3 366 596	4 007 724	4 749 254	5 605 338	6 568 301
% change	*13,5%*	*23,7%*	*19,7%*	*19,0%*	*18,5%*	*18,0%*	*17,2%*

Source: Independent analysis

7.1.2 Change in inventories and costs of raw materials

As seen in common-size analysis in Appendix 8, the ratio of change in inventories of finished products and working progress, and costs of raw materials and consumables to revenues has been relatively stable over the years. Thus, in order to forecast these financial drivers, their 10 year median percentage values of revenues are applied, 1,0% and (41,4%) respectively.

7.1.3 Other external costs

The other external costs category consists of rental and lease payments, and other costs. As the common-size analysis in Appendix 8 indicates, the lease payments relation to revenue has been slightly fluctuating over the past decade, but their percentage share of revenues has been around the mean value. Therefore, the 10 year median percentage value of (12,3%) of revenues will be used in the forecast period for rental and lease payments.

The applied level of other costs relation to revenues, however, is (8,7%), which is the 10 year median percentage value. The latter value is only used in 2014F, after which it is expected to gradually decline down to (8.1%). This reduction in other costs in the future consolidates on the findings in PESTEL analysis in which the rising share of internet retailing drives down marketing costs, and ECCO's efforts in recycling and waste management help to improve the company's margins.

7.1.4 Staff costs

Similarly to other operating expenses, (Koller et al., 2010) also suggest to base the forecasts of staff costs on revenues. Historically, the common-size analysis of ECCO in Appendix 8 shows that ECCO's salaries and pension costs have a steady relation to revenues. For this reason, their 10 year median percentage values of revenues are applied. These values are (19,4%) and (0,7%) for salaries and pensions respectively. However, for other social security costs, the 5 year median percentage value of (1,7) is used due to trend characteristics, which indicates higher costs in recent 5 years.

7.1.5 Amortisation and depreciation

Generally speaking, there are three options how to forecast depreciation: as a percentage of revenues, as a percentage of property, plant and equipment (PPE), or based on detailed depreciation schedules. (Koller et al., 2010) argue that if a company's capital expenditures are smooth over time, both first two method can be used. As the cash flow statement in Appendix 18 suggests, ECCO's investments in tangible assets have been relatively stable over time with few fluctuations, the depreciation as a percentage of PPE method will be applied. The 10 year median percentage value of PPE is (18,1%), also seen in Table 15, which summarises the company's historical depreciation relation to PPE.

Table 15 - Historical depreciation relation to PPE

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	*10y median*
Depreciation to PPE	(18,1%)	(20,4%)	(16,3%)	(17,5%)	(14,0%)	(19,5%)	(25,2%)	(23,5%)	(18,0%)	(17,2%)	*(18,1%)*

Source: ECCO's annual reports 2004-2013, Independent analysis

Amortisation, however, will be forecasted by using the percentage to revenue ratio, because it's relation to ECCO's revenues have been relatively steady over the years. The applied 10 year median percentage value of revenues is (0,3%) for amortisation.

7.1.6 Capitalisation of rental and lease payments

As seen in Appendix 93, the main variables in forecasting the capitalisation of rental and lease payments are cost of debt and asset life. At this instant, the cost of debt is assumed to be fixed during the whole forecast period. Similarly, the applied asset life of ECCO's tangible resources is 5,5 years, which is the 10 year historical median value. In order to estimate the asset value for year 2020F, it is necessary to make few assumptions. Namely, the conservative assumption is made that the long-term revenue growth rate in 2021F is 2,0% from which the rental and lease payment value is derived by using previously determined median historical relation to revenues. Finally, historical median asset life and current secured debt rate is applied to arrive at the estimated asset value.

7.1.7 Financial items

ECCO's financial items consist of rental and lease interest payments, financial income and financial expenses. The forecast of capitalised lease payments in the previous section revealed the rental and lease interest payments for the future. Although it is very important to identify the assets and liabilities that generate the inflow and outflow of other financial items, it is not possible due to lack of data. For this reason, it is appropriate to examine the relation of total financial expenses to the company's revenues. As for the past 10 years ECCO's total financial items have been between (3,0%) and (1,5%) of revenues, the 10 year median value of (2,4%) will be applied in the forecast period. The company's net financial expenses are calculated by using deductive reasoning in which the value is the difference between total financial items and rental and lease interest payments. In spite of evidence concerning the rising interest rates from PESTEL analysis, it is expected that there will be no material impact on ECCO's future interest expenses. This assumption is based on the facts that the company's effective interest rate is well above the current available rate, and most of its debt is long-term with fixed interest rate. In other words, the spread between its current and available interest rate can serve as a counter effect to the rising rates in the future, because ECCO is potentially able to refinance their current long-term debt with lower interest.

7.1.8 Tax calculations

To begin with, the company's future tax payments are a function of operating taxes, which are based on the forecasted statutory tax rate of Denmark, because ECCO's historical tax payments have been in line with the country's corporate tax rate. The future operating taxes are derived by multiplying the statutory tax rate with ECCO's adjusted EBIT. Financial tax payments, however, are a product of the statutory tax rate and total financial items. The forecasted tax payments can be seen in Appendix 94.

7.1.9 Minority interests

Over the past 5 years, minority interest as a share of group's profit has been rather stable. Therefore, the 5 year median value of (15,0%) will be applied in determining their future value. The forecasted minority interest calculation can be seen in Appendix 95.

7.2. Pro forma reformulated balance sheet

7.2.1 Operational balance sheet

7.2.1.1 Property, plant and equipment

ECCO's PPE will be forecasted as a percentage of revenues, because these assets are strongly tied to the level of sales. In the forecast, 5 year median percentage value of 19,7% is used instead of 10 year value of 21,9%, because the historical numbers indicate a declining trend of the PPE to revenue ratio.

7.2.1.2 Intangible assets

To be consistent with earlier arguments and trend level issues, the 5 year median percentage value of 0,5% will be applied to forecast intangible assets as a percentage of revenues.

7.2.1.3 Inventories and receivables

Even though inventories and receivables are mostly tied to input prices and their future values can be estimated as percentages of cost of goods sold, it is useful to simplify their forecast by estimating their values as percentages of revenues, because there are no significant price and cost per unit deviations expected. (Koller et al., 2010) Therefore, due to the changing trend level of inventories and receivables as percentages of revenues, their 5 year median percentage values will be used, 20,9% and 20,2% respectively.

7.2.1.4 Operating cash

As discussed in the financial analysis part under the reformulation of financial statements, operating cash is determined as 2,0% of revenues. Therefore, this value is expected to be 2,0% of revenues during the whole forecast period.

7.2.1.5 Short-term liabilities

At this instant, ECCO's short-term liabilities will be aggregated and forecasted as a percentage of revenues. Over the past 5 years, their relation to revenues has been rather stable, therefore, 5 year median percentage value of 15,7% will be applied.

7.2.2 Financial balance sheet

7.2.2.1 Share capital

For simplicity reasons, the common stock of the company is expected to remain constant during the whole forecast period.

7.2.2.2 Retained earnings

To begin with, (Koller et al., 2010) suggests the principle of clean surplus accounting in determining the value for retained earnings:

Equation 11 – Retained earnings

$$Retained\ earnings_{t+1} = Retained\ earnings_t + Net\ income_{t+1} - Dividends_{t+1}$$

Source: Koller et al. (2010), Independent analysis

In forecasting ECCO's retained earnings, it is important to determine the future dividend payout ratios, which directly affect the company's reinvested funds. As the firm has been consistent in paying out its proposed dividends, the expected dividend payment in 2014F is 559 500 DKK. In the following years, a dividend payout ratio of 0,52 is assumed, which is the 5 year historical median value. In addition, ECCO's retained earnings are affected by several other adjustments and translations, which have a historical 10 year median value of (1,5%) as a percentage share of retained earnings. Therefore, the clean surplus retained earnings are adjusted by these changes in the forecast period. ECCO's historical calculation of retained earnings can be seen in Appendix 98, and the forecasted retained earnings in Appendix 99.

7.2.2.3 Other equity equivalents

For simplicity, these equity equivalent articles are balancing items that are determined by the differences in invested capital in operational and financial balance sheet.

7.2.2.4 Interest-bearing assets

The company's excess cash is forecasted to be between 5,6%-7,6% of invested capital, which serves as a balancing item in determining net interest-bearing debt. Other interest-bearing assets, on the other hand, are expected to be 0,8% of invested capital, which is the corresponding value of a historical 5 year median percentage value.

7.2.2.5 Interest-bearing debt

Interest-bearing liabilities consist of capitalised operational leases, and short- and long-term debt. The values for capitalised operational leases have been determined earlier, whereas ECCO's short- and long-term debt level is expected to be 11,4% of invested capital, which is the 5 year median percentage value.

7.2.2.6 Net interest-bearing debt

In the forecast period, net interest-bearing debt is expected to be the 5 year median percentage value of 62,2% of invested capital. This is due to the fact that the company's capital structure has shown signs of normalisation in the past 5 years.

7.3. Pro forma cash flow statement

The pro forma cash flow statement in Table 16 is composed of articulated values from pro forma reformulated income statement and balance sheet.

Table 16 - Pro forma cash flow statement of ECCO

DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Operating cash flow							
NOPLAT	918 925	1 033 324	1 162 789	1 288 469	1 433 110	1 595 021	1 763 146
Depreciation and amortisation	(328 816)	(362 552)	(397 220)	(436 974)	(482 667)	(533 577)	(589 394)
Δ in net working capital	(151 018)	240 188	246 822	283 033	325 317	362 458	397 398
Total operating cash flow	**1 398 759**	**1 155 688**	**1 313 187**	**1 442 410**	**1 590 460**	**1 766 139**	**1 955 142**
Capital expenditures	(470 019)	(539 842)	(579 407)	(645 889)	(722 794)	(801 118)	(882 726)
Free cash flow to firm (FCFF)	**928 740**	**615 845**	**733 780**	**796 521**	**867 667**	**965 021**	**1 072 416**

Source: Independent analysis

It is important to note that depreciation and amortisation, and capital expenditures also include intangible assets, because they are treated as capital expenses, which will create earnings not only in current period, but also over the future periods as well.

The forecasted capital expenditures for ECCO are calculated by adding the depreciation and amortisation values from pro forma income statement to the difference in PPE and intangible assets. The calculations can be seen in Appendix 103.

7.4. Summarising assessment of forecast assumptions

As the pro forma financial statements are completed, it is important to assess whether the estimated key financial drivers are achievable.

Table 17 points out the values for ECCO's main drivers for the past three years, their 10 year medians and averages, and also their forecasted estimates. In general, the forecasted numbers in Table 17 reflect conservative expectations for the future as the estimated financial value drivers are in the same range with average and median values. The main positive impact for ROE and profitability margins over the forecast period are the gradually declining corporate tax rate in Denmark, and other external costs in marketing, recycling and waste management. Furthermore, the projected revenue growth seems to be in level with the estimated sustainable growth rate, which means that ECCO does not need raise additional funding for its operations and the company is not turning down returns for its shareholders.

Table 17 - Assessment of forecast assumptions

	2011	2012	2013	10 year average	10 year median	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Revenue growth	16,0%	13,7%	4,7%	10,6%	13,3%	1,6%	10,3%	9,6%	10,0%	10,5%	10,5%	10,5%
EBIT margin	13,4%	15,0%	16,2%	13,2%	14,2%	13,0%	13,1%	13,2%	13,3%	13,4%	13,5%	13,6%
Profit margin	7,8%	8,5%	9,4%	8,0%	8,2%	7,6%	7,7%	7,9%	8,0%	8,1%	8,1%	8,1%
ROE	21,4%	25,5%	26,2%	21,8%	22,2%	20,2%	20,8%	21,3%	21,4%	21,6%	21,8%	22,8%
ROIC	*9,9%*	*10,0%*	*11,7%*	*8,8%*	*9,7%*	*9,2%*	*9,4%*	*9,7%*	*9,7%*	*9,8%*	*9,9%*	*10,3%*
Financial gearing effect	*11,4%*	*15,5%*	*14,5%*	*13,0%*	*12,2%*	*11,0%*	*11,3%*	*11,6%*	*11,7%*	*11,8%*	*11,9%*	*12,5%*
Sustainable growth rate	11,3%	12,2%	16,8%	13,7%	14,5%	2,7%	9,9%	10,1%	10,2%	10,3%	10,4%	10,9%

Source: Independent analysis

8. Cost of capital

In estimating ECCO's fair equiry value by discounted cash flow (DCF) method, it is important to identify the appropriate discount rate that represents the opportunity costs of all investors. With this in mind, the weighted average cost of capital (WACC), as seen in Equation 12, effectively takes into account the cost of equity, the after-tax cost of debt and the company's target capital structure. (Koller et al., 2010)

Equation 12 – Weighted average cost of capital

$$WACC = \frac{NIBD}{EV} \times r_d \times (1-t) + \frac{E}{EV} \times r_e$$

Source: Petersen & Plenborg (2012)

The following sections will discuss and identify the necessary inputs used in WACC calculation.

8.1. Cost of equity

Generally speaking, there are several methods to calculate the cost of equity for a company such as Capital Asset Pricing Model (CAPM), Three-Factor Fama-French Model, Single-Stage Discounted Cash Flow etc. Although CAPM method is most favoured by investment specialists, this thesis applies the modified CAPM method to determine the cost of equity for ECCO. In modified CAPM model, as investors need to be compensated for time value of money and risk, the cost of equity consists of risk-free rate, beta, market risk premium, size premium and company-specific risk factor. Firstly, the modified model is built on the results of many empirical studies that find the realised total returns on smaller companies to be substantially greater over a long period of time compared to what the pure CAPM would have predicted. (Grabowski & Pratt, 2014) Secondly, the pure CAPM assumes that the systematic risk is based on the notion that all the investors in the market hold a perfectly diversified portfolio of risky assets, whereas the modified version incorporates risk factors that have not yet been captured by the equity risk premium as modified by beta. (Grabowski & Pratt, 2014)

Equation 13 below explains the relation of these variables in which the expected return of equity equals the risk-free rate plus the equity's beta times the market risk premium, plus risk premium for small size and company risk factor. (Grabowski & Pratt, 2014)

Equation 13 – Cost of equity by modified CAPM

$$E(R_i) = r_f + \beta \times (rp_m) + rp_s \pm rp_c$$

Source: Grabowski & Pratt (2014)

The following sub-sections discuss the determination of cost of equity variables pointed out in Equation 13. It is important to note that the company-specific premium is assumed to be zero, because its calculation is highly subjective. In summary, the cost of equity will be determined in the iteration process of determining the market equity value of ECCO, because size premium is directly associated with the market capitalisation of the company.

8.1.1 Risk-free rate

8.1.1.1 Risk-free rate applicable to ECCO

The risk-free interest rate expresses how much an investor can earn without incurring any risk. In most cases, a government bond is used as a proxy for the risk-free rate. (Petersen & Plenborg, 2012)

Ideally, each cash flow should be discounted using a government bond with the same maturity, but in reality, very few practitioners discount each cash flow using a matched maturity. For simplicity, the most common approach is applied – a single yield to maturity government bond that best matches the entire cash flow stream being valued. (Koller et al., 2010)

As there are several government bonds to choose from, the 10-year zero-coupon government bonds are preferred. This is mostly, because their maturity is better established and the reinvestment risk is avoided compared to alternative bonds. (Petersen & Plenborg, 2012) Government's bond yield must be denominated in the same currency as the company's underlying cash flows, because in this way, inflation will be modelled consistently between cash flow and the discount rate. (Koller et al., 2010)

As ECCO's cash flows are denominated in Danish kroner, the Danish government's 10-year zero-coupon bond yield will be used as the risk-free rate. As of 30.04.2014, the yield was 1,54%. (Investing, 2014)

8.1.1.2 Peer group companies

For the purpose of comparative comparison under financial and profitability analysis, it is also important determine the risk-free rates of ECCO's peer group companies. The companies fall into two categories: US based, and Europe based.

Firstly, Crocs, Deckers and Wolverine World Wide are based in the US, and their cash flow is denominated in US dollars. Therefore, the risk-free rate applicable to these companies is the yield of a 10-year zero-coupon government bond of United States, which was 2,66% as of 30.04.2014. (Investing, 2014)

Secondly, Geox and Tod's are located in Europe, and their cash flows are denominated in euros. Although both of the companies are headquartered in Italy, (Koller et al., 2010) argues that European companies should be valued by using the 10-year German government bond, because they have higher liquidity and lower credit risk than other European bonds. The yield of this bond was 1,47% as of 30.04.2014. (Investing, 2014)

8.1.2 Beta estimation

In accordance with CAPM theory, a stock's expected return is driven by beta, which measures how much the stock and entire market move together. (Koller et al., 2010) This is true due to one of the fundamental principles of the theory, which assumes that investors pay only for the risk that cannot be diversified, i.e. the systematic risk.

In most cases, a company's levered equity beta is estimated by regressing the company's stock return against the market's return with the following formula (Koller et al., 2010):

Equation 14 – Regression of raw beta

$$R_i = \alpha + \beta \times R_m + \varepsilon$$

Source: Koller et al. (2010)

The outcome of this regression, levered equity beta, measures the co-variation between the company-specific returns and the market portfolio's stock returns. (Petersen & Plenborg, 2012) The implications of the beta measure are the following:

- β = 0 Risk-free investment
- β < 1 Equity investment with comparatively less systematic risk
- β > 1 Equity investment with comparatively higher systematic risk
- β = 1 Equity investment with equal systematic risk as the market

However in ECCO's case, there are evident beta measurement problems since it is a private company with no price observations. Therefore, it is necessary to use alternative methods in measuring the systematic risk of the company. An appropriate method to estimate a beta for ECCO is from comparable companies in the same industry. To begin with, it is first necessary to identify comparable listed companies, and then to find their respective betas and leverage in order to determine their unlevered beta.

Based on the data from Bloomberg, Appendix 104 shows the relevant information concerning ECCO's peer group companies. The unlevered beta for these companies is calculated by using the simplified formula in which the beta of debt is assumed zero, and the capital structure remains constant:

Equation 15 – Equity beta

$$\beta_e = \beta_u \times (1 + \frac{D}{E})$$

Source: Koller et al. (2010)

As there are many standards of beta measurement practices, this thesis applies the method used by Bloomberg in which the betas are measured by using two years of weekly historical data. Furthermore, the adjusted beta is smoothed by the following formula, which relieves extreme observations toward the overall average:

Equation 16 – Adjusted beta

$$Adjusted\ beta = 0{,}33 + 0{,}67 \times Raw\ beta$$

Source: Koller et al. (2010)

In order to estimate the company's levered unleveraged equity beta, it is necessary to determine its applicable debt to equity ratio. In doing so, (Damodaran) suggests that industry's average market debt to equity or management's targeted debt ratio should be used. As the target debt ratio is currently not available, the average debt ratio of ECCO's peer group companies' will be applied. The respective values for the median unlevered beta and the average debt to equity ratio are 0,63 and 0,33, which can also be seen in Appendix 104. As a result, by substituting these values into Equation 15, the formula returns a value of 0,84, which will be applied as the leveraged beta of ECCO.

8.1.3 Market risk premium

As an important variable in cost of equity calculation in modified CAPM model, the market risk premium is the difference between the market's expected return and the return of a risk-free investment. As (Petersen & Plenborg, 2012) explains, there are two main ways to determine the market risk premium: ex-post and ex-ante approach. In ex-post approach, the focus is on the historical differences between the returns of stock market and risk-free investments, and the mean of these variations is expected to serve as an indicator for the future. Ex-ante approach, on the other hand, attempts to estimate the future premium by relying on earnings forecasts stated by investment professionals.

This thesis applies the ex-post method, which is also the most commonly used approach in practice. More specifically, the determination of the market risk premium is based on the work of Aswath Damodaran, a respected professor and researcher in the field of corporate finance and equity valuation. He proposes a basic equation to determine the risk premium in any equity market:

Equation 17 – Equity risk premium

$$Equity\ risk\ premium = Base\ premium\ for\ mature\ equity\ market + Country\ premium$$

Source: Damodaran (2013)

In his proposition, he assumes that the US equity market is a mature market, because it has sufficiently long history of returns, and large and well-diversified equity market. The country risk, however, reflects the additional risk an investor has to bear by investing in a specific market.

In determining the base premium for the US market, he examines the returns of S&P 500 index and treasury bonds. The general notion is, as (Koller et al., 2010) suggests, to use the longest time period available in order to reduce the estimation error. To be consistent with the latter argument, Damodaran has analysed the returns of two distinct time periods by using the geometric averages, and found that the average market premium for period 1926-2000 was 5,59%, and 4,20% for 1928-2012. (Damodaran, 2013) Therefore, as of 1 January 2014, he suggests using 5,00% as the forward looking base premium for mature equity market. (Damodaran)

In order to find the country risk for a specific country, Damodaran uses the local currency sovereign ratings from Moody's, and estimates the default spread over risk-free government bond rate. (Damodaran) As Denmark has the highest Moody's sovereign rating of Aaa similar to the US, there will be no country risk premium applied.

In addition, (Fernandez, Linares, & Acin, 2014) performed a comprehensive international survey in summer 2014, where they asked professors, analysts and business managers their applied market risk premiums. The median result of the survey for Denmark indicated a 5,00% market risk premium, which is also consistent with Damodaran's suggestions.

In conclusion, the applied market risk premium in ECCO's cost of equity calculation is 5,00%.

8.1.4 Size premium

The size effect is based on the empirical observations that companies of smaller size are associated with greater risk and, therefore, have a greater cost of capital. (Grabowski & Pratt, 2014) The risk characteristics of smaller companies may differ from larger companies due to several reasons, for example, smaller companies may have less resources to adjust to competition or avoid distress during the crisis, and have fewer analysts following them, which restricts the information available to the public. (Grabowski & Pratt, 2014)

This thesis applies the size premium suggested by (Duff & Phelps, 2012), which is measured by market capitalisation. An important criteria for the analysis is that it uses CRSP return data and S&P Compustat database, and excludes start-up companies and companies with high financial risk. They determine the size of the premium by comparing the realised excess returns to the returns that CAPM would have estimated. In addition, (Duff & Phelps, 2012) smooth out the raw size premiums by various regression techniques due to the scattered nature of their findings.

Appendix 105 summarises their findings of smoothed size premiums for companies with different market capitalisations. As the applicable size premium for ECCO requires market equity value, it will be determined in the iteration process in valuation section.

8.2. Cost of debt

The following section examines the expected return that is required by ECCO's creditors. This cost of debt contributes to the company's overall cost of capital, i.e. WACC. As the interest expense on debt is tax deductible, the after-tax cost of debt is generally calculated as seen in Equation 18. The following part is divided into ECCO's cost of unsecured debt, secured debt and cost of secured debt of ECCO's peer group companies.

Equation 18 – Cost of debt estimation

$$r_d = (r_f + r_s) \times (1 - t)$$

Source: Petersen & Plenborg (2012)

8.2.1 ECCO's cost of unsecured debt

In ECCO's case, unsecured debt refers to the company's short- and long-term debt obligations that are provided by financial institutions without any collateral requirements, such as loans and credit facilities.

Equation 18 above indicates that the required rate of return on debt consists of risk-free rate, credit spread, and corporate tax rate. The credit spread is the premium over risk-free rate that credit institutions require when providing credit to companies. The size of the spread has a negative relationship with credit rating, i.e. when the rating decreases, the premium increases. In the previous analysis, the risk-free rate and corporate tax rate have been determined, therefore, leaving the spread to be solved.

As private firms, such as ECCO, usually do not have access to public debt markets, their debt has no rating from large credit rating agencies. This requires the company's credit rating or cost of debt to be estimated.

One option to determine the cost of debt of a private company is to estimate its credit spread by using credit ratings assigned to rated companies based on their liquidity and solvency ratios, such as seen in Appendix 106. However, it can be argued that this approach may underestimate the real cost of debt, because financial institutions perceive private companies as more risky, and charge higher premiums compared to public companies.

Another option is to determine the cost of unsecured debt of a private company by using its book debt and interest expense values. In this case, the interest rate on the borrowings can be used as cost of debt. As this method reflects the real cost of a company's debt, the effective interest rate in 2013 is applied in this thesis. Furthermore, it is assumed that the rate indicates the optimal rate at which the company can currently borrow.

Finally, ECCO's effective pre-tax unsecured cost of debt in 2013 was 5,32%.

8.2.2 ECCO's cost of secured debt

As discussed in reformulation of financial statements part, the company's cost of secured debt is used to capitalise the rental and lease payments, because that part of debt is assumed to be secured by collateral.

In determining ECCO's cost of secured debt, the first option from previous section is applied in which the relevant risk-free rate is added to the credit spread with credit rating of AA from Appendix 106, as suggested in the reformulation of financial statements part. This method results in a pre-tax secured debt cost of 2,24%. After applying the company's effective tax rate, we arrive at an after-tax cost of secured debt of 1,70%, seen in Appendix 107.

8.2.3 Cost of secure debt of peer group companies

In order for ECCO and its peer group companies to be comparable in the financial and profitability analysis, their secured cost of debt must also be calculated. The calculations follow similar methodology with minor differences in variables determination.

Firstly, unlike ECCO's smooth effective tax rate relation to Denmark's statutory tax rate, the peer group companies' relation to their jurisdictional tax rate has been rather volatile historically. Therefore, their 3 year average value will be applied, as seen in Appendix 107.

Secondly, the risk-free rate is assigned depending on the company's location and cash flow's origin. Further information about different risk-free rates can be seen in risk-free section in cost of capital part and Appendix 107.

8.2.4 Weighted average cost of debt

Together with the costs of unsecured and secured debt identified in the previous sections, and debt values from pro forma reformulated balance sheet in Appendix 102, it is possible to calculate ECCO's weighted average cost of debt. As seen in Table 18, the determined cost of debt is increasing over the years due to the decline in Denmark's statutory tax rate and the change in unsecured debt's share of total debt.

Table 18 - ECCO's weighted average cost of debt

DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Secured debt	5 887 262	6 450 211	7 095 751	7 837 732	8 664 424	9 570 808	9 762 224
Pre-tax interest rate, %	*2,24%*	*2,24%*	*2,24%*	*2,24%*	*2,24%*	*2,24%*	*2,24%*
% share of total debt	*83,80%*	*83,77%*	*83,79%*	*83,81%*	*83,82%*	*83,81%*	*83,36%*
Unsecured debt	1 137 778	1 249 818	1 372 615	1 513 625	1 672 714	1 848 287	1 949 096
Pre-tax interest rate, %	*5,32%*	*5,32%*	*5,32%*	*5,32%*	*5,32%*	*5,32%*	*5,32%*
% share of total debt	*16,20%*	*16,23%*	*16,21%*	*16,19%*	*16,18%*	*16,19%*	*16,64%*
Weighted average pre-tax cost of debt, %	2,74%	2,74%	2,74%	2,74%	2,74%	2,74%	2,75%
Statutory tax rate	24,50%	23,50%	22,00%	22,00%	22,00%	22,00%	22,00%
Weighted average after-tax cost of debt, %	2,07%	2,10%	2,14%	2,14%	2,14%	2,14%	2,15%

Source: Independent analysis

8.3. Capital structure

In order to complete the estimation of WACC, it is necessary to determine the weights for ECCO's equity and interest-bearing debt as a share of enterprise value. To do so, the capital structure of a company must reflect market values or the management's targeted long-term structure, because book values represent a sunk cost, not the true values that the management could use to repay the company's debt and repurchase its shares. (Koller et al., 2010)

Although for private companies, such as ECCO, there are no market-based values available. One possibility to tackle this problem would be to find an applicable optimal capital structure based on comparable publicly traded companies. This, however, requires the existence of companies that are truly similar to ECCO in its business and supply chain operations. I would argue that this is not the best method to apply due to ECCO's unique approach to shoemaking. At the same time, a more favourable possibility is to determine the company's capital structure through DCF iteratively in which iterations are made until the estimated value of equity mirrors the value of equity used in the calculation of the capital structure in WACC.

Consequently, the WACC calculation will be completed in the company's discounted cash flow valuation part.

9. Valuation

The purpose of this chapter is to estimate ECCO's market equity value by applying the relevant results from previous analyses. The first part takes a fundamental approach to estimate the intrinsic value of the company iteratively, and to test its sensitivity to main inputs. The other part of the valuation, however, is concerned with the determination of ECCO's equity value by market multiples, and with the explanation of the discrepancy between the estimated market values.

9.1. Discounted cash flow valuation

In discounted cash flow valuation, the value of a company is determined by the present value of future free cash flows. (Petersen & Plenborg, 2012) The applied two-stage discounted cash flow model can be seen in Equation 19.

Equation 19 – Enterprise value

$$Enterprise\ value = \sum_{t=0}^{n} \frac{FCFF_t}{(1+WACC)^t} + \frac{FCFF_{n+1}}{WACC - g} \times \frac{1}{(1+WACC)^n}$$

Source: Petersen & Plenborg (2012)

The enterprise value model assumes that the free cash flow to firm, WACC and perpetuity growth rate are the only variables affecting a company's market value. As the formula above results in an enterprise value of a company, it is necessary to deduct the market value of debt from it to arrive at the market value of equity.

9.1.1 Iterative discounted cash flow valuation

As the main goal of this thesis is to estimate the market value of ECCO's equity, the indirect method of computing the present value of expected future cash flows is applied. This involves the discounting of free cash flows by the weighted average cost of capital, and subtracting the value of debt from the enterprise value. It is important to note that the book value of net interest-bearing debt is used as value of debt due to the unavailability of relevant information. This implies that the credit risk of the company's debt is ignored. Surprisingly, this method is exposed to a fundamental problem in regards to private company valuation. Namely, the cost of capital depends on the financial structure, which in turn depends on the market value of equity that requires cost of capital as an input. (Capinski, 2005) This loop can be solved by iterative procedure in which the estimated value of equity equals the value of equity determined by the discounted cash flow valuation.

The iteration procedure can be described by the following equations:

Equations 20-23 – Discounted cash flow valuation formulas

$$\boldsymbol{E.20}\ EV = \frac{FCFF_1}{(1+WACC)^1} + \frac{FCFF_n}{(1+WACC)^n} + \frac{\frac{FCFF_n}{(WACC-g)}}{(1+WACC)^n}$$

$$\boldsymbol{E.21}\ WACC = r_d \times w_d + r_e \times (1 - w_d)$$

$$\boldsymbol{E.22}\ E = EV - D$$

$$\boldsymbol{E.23}\ D = w_d \times EV$$

Source: Larkin (2011)

To apply the iterative method, it is necessary to substitute E. 23 into E. 21 for w_d, E. 21 into E. 20 for WACC, and E. 22 into E. 20 for EV. (Larkin, 2011) At first try, the iteration procedure values the firm using equations

E. 20-E. 23 by applying the book value of equity to determine the relevant weights. Next, it is necessary to compare the equity value calculated by using E. 20-E. 23 and estimated weights to the initial estimation of equity value. The process is repeated until the estimated value of equity converges with the calculated equity value. As seen in Appendix 108, it took 24 attempts for the estimated equity value of 11 467 585 thousand DKK to converge with the free cash flow equity value.

As the market value of ECCO's equity is determined, Table 19 provides a more comprehensive overview of the inputs used. Firstly, an important variable used in the iteration process is the size premium, which is determined by the equity value and the data provided by (Duff & Phelps, 2012) in Appendix 105. Secondly, the long-term free cash flow growth rate is 2,0%, which is a conservative value in line with the average historical inflation rate in developed countries. And thirdly, as explained earlier, the net interest-bearing debt is assumed to be the book value of debt, seen in Appendix 13.

Table 19 - Discounted cash flow valuation of ECCO

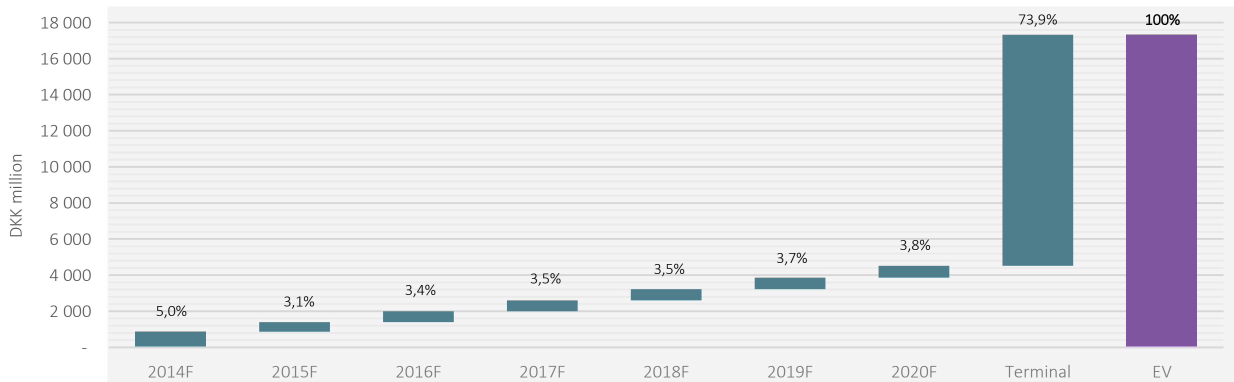
DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Free cash flow to firm (FCFF)	928 740	615 845	733 780	796 521	867 667	965 021	1 072 416
Cost of equity, r_e	9,72%	9,72%	9,72%	9,72%	9,72%	9,72%	9,72%
Risk-free rate, r_f	*1,54%*	*1,54%*	*1,54%*	*1,54%*	*1,54%*	*1,54%*	*1,54%*
Beta	*0,84*	*0,84*	*0,84*	*0,84*	*0,84*	*0,84*	*0,84*
Market risk premium, r_m	*5,00%*	*5,00%*	*5,00%*	*5,00%*	*5,00%*	*5,00%*	*5,00%*
Size premium, r_s	*3,97%*	*3,97%*	*3,97%*	*3,97%*	*3,97%*	*3,97%*	*3,97%*
After-tax cost of debt, r_d	2,07%	2,10%	2,14%	2,14%	2,14%	2,14%	2,15%
Debt to equity	0,51	0,51	0,51	0,51	0,51	0,51	0,51
WACC	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%
Discounted free cash flow	866 909	536 479	596 377	604 143	614 160	637 457	660 933
Long-term FCFF growth rate	2,00%						
Terminal value	20 786 568						
Discounted terminal value	12 810 828						
Enterprise value	17 327 286						
NIBD	5 859 702						
Equity value	11 467 585						

Source: Independent analysis

9.1.2 Sensitivity analysis

As the iterative discounted cash flow valuation revealed the market value of ECCO's equity, Figure 37 shows the company's the enterprise value distribution of present values.

Figure 37 - ECCO's enterprise value distribution of present values



Source: Independent analysis

Figure 37 clearly indicates that ECCO's enterprise value consists of 73,9% of the company's estimated discounted terminal value. The graph give a clear notion that the value of the company is sensitive to the key inputs used in determining the terminal value. Therefore, it is necessary to test the sensitivity of value drivers' impact on ECCO's market equity value, which will reveal the valuation range, when the inputs are uncertain.

Table 20 shows ECCO's market equity value as WACC and perpetuity growth rate change up to 100 basis points. For simplicity, the variability of the size premium is assumed to be fixed in WACC calculation. As both key inputs have significant impact on equity value, the change in WACC seems to have greater sensitivity. By using 25 basis points as valuation bounds, the market equity value range can be determined as 10 105 829-13 117 732 thousand DKK.

Table 20 - Sensitivity analysis of WACC and long-term growth rate on ECCO's market equity value

DKK '000	Δ in WACC								
Δ in perpetuity growth rate	(1,00%)	(0,75%)	(0,50%)	(0,25%)	-	0,25%	0,50%	0,75%	1,00%
1,00%	21 166 551	19 146 929	17 403 831	15 884 196	14 547 720	13 363 242	12 306 286	11 357 365	10 500 768
0,75%	19 528 313	17 755 642	16 210 264	14 851 183	13 646 704	12 571 931	11 607 043	10 736 059	9 945 953
0,50%	18 113 929	16 542 306	15 160 182	13 935 314	12 842 380	11 861 216	10 975 567	10 172 184	9 440 157
0,25%	16 880 450	15 474 833	14 229 180	13 117 732	12 119 977	11 219 380	10 402 462	9 658 128	8 977 159
-	15 795 255	14 528 412	13 398 088	12 383 420	**11 467 585**	10 636 872	9 879 992	9 187 569	8 551 747
(0,25%)	14 833 121	13 683 555	12 651 644	11 720 274	10 875 497	10 105 829	9 401 731	8 755 210	8 159 522
(0,50%)	13 974 238	12 924 747	11 977 540	11 118 426	10 335 721	9 619 721	8 962 294	8 356 580	7 796 748
(0,75%)	13 202 833	12 239 479	11 365 748	10 569 752	9 841 619	9 173 074	8 557 139	7 987 881	7 460 226
(1,00%)	12 506 189	11 617 554	10 808 009	10 067 505	9 387 627	8 761 272	8 182 405	7 645 864	7 147 208

Source: Independent analysis

Additionally, in respect to fundamental values, a 100 basis point sensitivity of NOPLAT to ECCO's market equity value is 278 970 thousand DKK.

9.2. Relative valuation

As the discounted cash flow analysis estimated the market value of ECCO's equity based on the forecasts of its performance, the relative valuation method prices the company's equity by using the market multiples of its peer group. The purpose of multiples analysis is to determine whether the forecasted free cash flows are plausible, and to explain the discrepancies between the subject company's performance and its competitors.

(Koller et al., 2010) emphasises three main requirements for useful comparable multiples analysis: using the right multiple, calculating and comparing the multiples in a consistent manner, and using the right peer group.

The main multiples used in this thesis are EV/EBITDA and EV/EBIT, seen in Appendix 104. These multiples are not only the most popular among investment specialists, but also reflect different criteria and assumptions in their application. For example, EV/EBIT assumes that the expected tax rate is identical across companies, and EV/EBITDA supposes that the expected depreciation rate remains the same, in addition to the expectation in EV/EBIT. (Petersen & Plenborg, 2012) EV/Sales, which is also measured in Appendix 104, will not be applied, because it assumes all the previous arguments, and expects similar growth rates and returns on incremental capital among peers. (Koller et al., 2010) Furthermore, (Koller et al., 2010) identifies that the widely reported P/E multiple has two major flaws. Namely, it is affected by the company's capital structure, and includes non-operating items and also one-time gains and losses that can affect earnings. Therefore, the P/E multiple is not applied in this thesis.

Next, it is important that the multiples are calculated in a consistent manner, and are forward-looking to be consistent with the principles of valuation. The multiples are calculated as this year's estimate and next year's estimate, year 2014F and 2015F respectively.

Finally, the relative valuation should be performed with the multiples from peers in the same industry as the subject company. As the production methodology, distribution, and research and development varies among companies in the footwear industry, the median values of multiples will be applied in the valuation process. These median values can be seen in Appendix 104 that provides a list of publicly traded companies in BICS subgroup of footwear and related apparel. Additionally, Tod's multiples values will be used to value ECCO in another perspective, because the companies are very similar in their characteristics. Both of the companies strive for complete control of their production processes, are relatively similar in size and based in Europe.

Table 21 summarises the relative valuation results for ECCO's market equity value by using EV/EBITDA and EV/EBIT median and Tod's multiples. Interestingly, according to the outcome, the median industry multiples imply that ECCO's equity is overvalued by DCF valuation, whereas the comparison to the company's true comparable, Tod's, indicates the same equity value range as determined by intrinsic value. These value ranges differ due to the differences in the main four factors that drive the multiples. The factors are company's growth rate, its ROIC, operating tax level and cost of capital. (Koller et al., 2010) The growth rate of a company and return on invested capital are positively related to equity value, whereas tax rate and WACC are negatively. Considering the latter arguments, the profitability analysis of ECCO's peer group clearly explains why ECCO is overvalued by the median multiples of the industry. The company's historically strong ROIC level and impressive growth rates drive ECCO's equity value positively, while its high financial leverage ensures lower WACC compared to its peers. In addition, the value is further increased by the decrease in Denmark statutory tax rate.

Table 21 - ECCO's market equity values by relative valuation

	EV/This Year Est EBITDA	EV/Next Yr Est EBITDA	EV/This Year Est EBIT	EV/Next Yr Est EBIT
Median	10,21	9,34	13,24	11,51
Tod's	12,28	11,69	14,94	14,32
DKK '000	EBITDA 2014F	EBITDA 2015F	EBIT 2014F	EBIT 2015F
ECCO's pro forma values	1 446 060	1 603 877	1 117 244	1 241 324
EV using median	14 757 859	14 974 619	14 786 898	14 286 465
EV using Tod's	17 759 267	18 753 480	16 693 896	17 779 596
NIBD	5 859 702	5 859 702	5 859 702	5 859 702
Equity value using median	**8 898 157**	**9 114 917**	**8 927 196**	**8 426 764**
Equity value using Tod's	**11 899 565**	**12 893 778**	**10 834 194**	**11 919 895**

Source: Independent analysis

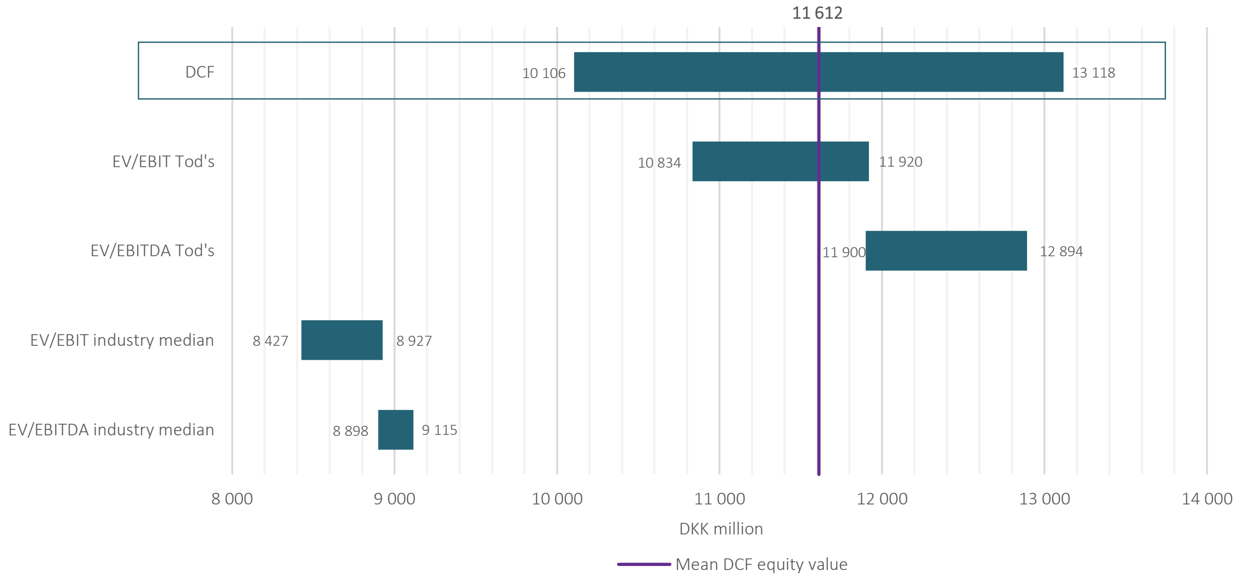
9.3. Valuation summary

To begin with, the iterative procedure of discounting ECCO's free cash flows enabled to determine the company's market value of equity of 11 468 million DKK, that also incorporated the relevant results from strategic analysis, financial analysis, and cost of capital parts. Additionally, the accompanying sensitivity analysis not only revealed ECCO's present value distribution, but also provided the equity value range with 25 basis point sensitivity in respect to WACC and long-term growth rate, seen in Figure 38.

As the relative valuation by industry median EV/EBITDA and EV/EBIT multiples yielded that ECCO's equity is overvalued by the iterative DCF valuation, they provided a useful check and confirmation to the results in profitability analysis. Namely, the company's above average performance and favourable driver values for market multiples indicate that ECCO should trade at higher multiples. The latter conclusion is further consolidated by applying Tod's multiples, which indicate an equity value range within the estimated value range of discounted cash flow valuation.

Figure 38 summarises the valuation results for ECCO's market value of equity by indicating value ranges for different methods. Most importantly, the discounted cash flow valuation for ECCO's equity ranges from 10 105 829-13 117 732 thousand DKK, with the mean value of 11 611 780 thousand DKK.

Figure 38 - Summary of ECCO's market equity value by DCF and relative valuation



Source: Independent analysis

10. Conclusion

As the primary objective of this thesis is to estimate the market equity value of ECCO Sko A/S in the event of an initial public offering (IPO) or an equity sale to a publicly listed company, the paper is divided into interconnected sections in which the core findings contribute to answering the main research question.

The introductory part of ECCO did not only investigate the company's heritage and history, unique business model, and product portfolio, but also identified its revenue development across regions. With this in mind, the recent trends indicate that the share of ECCO's revenues is increasingly originating from Asia-Pacific region, whereas the share of revenues from EMEA and North America are rather declining and stagnant, respectively. These findings effectively indicate the company's exposure to the given markets in the future.

The external macroeconomic analysis identified several factors influencing ECCO directly and indirectly. With this in mind, the company's performance is mainly driven by economic growth, and the expenditure in footwear industry, which in turn drives the size of the total market. Firstly, the overall outlook of the forecasted real GDP growth is positive, which also indicates potential growth possibilities for ECCO since its sales have historically shown higher gain compared to the economic growth in the world. Secondly, the expected overall change in real disposable income is estimated to be relatively stable and neutral in the future. In addition, as the total footwear expenditure has shown strong growth in the past, it is also expected to continue on the same path with Asia-Pacific and Middle East and Africa driving the expansion. At the same time, Danish government's approval of gradual decrease in corporate tax rate to 22,0% by 2016F has a strong positive impact on ECCO's profits in the future. In like manner, the continuing increase in share of internet retailing and penetration enables the company to gain sales volumes at lower costs and reduce its marketing costs. In contrast, there are also threats rising from geopolitical risks and advancements in technology. The tensions in Russia, Ukraine, Thailand and Egypt may have negative effects on ECCO's sales in the short- to medium-run, whereas the 3D design software and printing technology may put a cap on its revenue growth in the medium- to long-run. Equally important, the social classes ABCDE model identified that the company's products are mainly targeted towards 32-38% of the population.

The industry dependent forces that shape the competition in footwear sector were effectively determined by the six forces framework. As it became evident, one of the strongest force driving the competition is the threat of new entrants due to footwear industry's attractive profitability, relatively low capital requirements, and good access to low cost suppliers and distribution. Likewise, the competitive rivalry in the industry is regarded as strong, because of the forecasted industry size growth, low concentration ratios, and relatively low fixed costs and exit barriers. At the same time, the bargaining power of suppliers and buyers is considered moderate due to ECCO's relatively high independence from suppliers, and its target group's low price sensitivity. Finally, the threat of substitutes and effect of complementors is regarded as weak due to insufficient availability of attractive substitute products and added value opportunities.

As a result of resource-based view towards ECCO's operations, it can be concluded that the company's strong financial health, globally integrated value chain operations, advance technology, and devotion to quality and innovation are its core competences. In valuation perspective, the impact of these findings is regarded as temporary due to nowadays dynamic and rapidly changing markets.

In spite of minor conservative changes in its accounting policies, ECCO has consistently presented its financial statements in accordance with the Danish Financial Statements Act (Danish GAAP) over the period of interest. Therefore, the company's accounting quality is assumed to be high as its independent auditors express a positive opinion concerning their statements. With this in mind, ECCO's and its closest peers' traditional financial statements were reformulated to reflect their core operating performance, and to reveal important measures such as NOPLAT, invested capital, net working capital, and net interest-bearing debt. In addition, the reformulated financial statements enabled the decomposition of return on equity of ECCO and its peer group companies into drivers of profitability. Compared to its peers, it became evident that ECCO's return on invested capital is mainly driven by its ability to earn high NOPLAT margin, which compensates for its low invested capital turnover rate due to heavy investments in its value chain. Coupled with the fact that the company is relatively highly leveraged, the financial gearing effect greatly enhances its returns to equity investors. Additionally, ECCO's high sustainable growth rates indicate that the company is a growth business, although its elevating dividend payments suggest that lesser part is being reinvested in the company.

As the sales-driven approach is used to develop the pro forma reformulated financial statements, the forecasted revenue of the company incorporates the main strategic drivers identified in the strategic analysis part. The assessment of forecast assumptions reflects conservative expectations for the future as the estimated financial value drivers are in the same range with the historical average and median values. The main positive impacts for ROE and profitability margins over the forecast period are the gradually declining corporate tax rate in Denmark, and other external costs in marketing, recycling and waste management. Furthermore, the projected revenue growth seems to be in level with the estimated sustainable growth rate, which means that ECCO does not need raise additional funding for its operations and the company is not turning down returns for its shareholders.

The company's cost of capital is determined by the weighted average cost of capital in which it is composed of cost of equity, cost of debt, and capital structure. The cost of equity is estimated by modified CAPM, whereas the cost of debt consists of unsecured and secured debt. ECCO's cost of equity is estimated to be 9,72%, but its after-tax cost of debt is between 2,07-2,15% due to changes in the tax rate. The weighted average cost of capital and capital structure are determined in the iterative process of discounted cash flow valuation.

Since ECCO is a private company, its equity value was estimated iteratively by discounted cash flow method (DCF) using a weighted average cost of capital (WACC) of 7,13%-7,16%. The iterative method is involved with solving the loop in which the cost of capital depends on the financial structure, which in turn depends on the market value of equity that requires cost of capital as an input. Additionally, the accompanying sensitivity analysis revealed that a 25 basis point change in WACC and long-term growth rate of the company's free cash flows resulted in an equity value range of 10 105 829-13 117 732 thousand DKK, with the mean value of 11 611 780 thousand DKK. In order to determine whether the company's forecasted free cash flows were plausible, ECCO's equity value was also estimated by using the relative valuation method. The industry's median multiples of EV/EBITDA and EV/EBIT implied that ECCO's equity value is overvalued by discounted cash flow method, whereas the multiples of Tod's, a company with similar characteristics to ECCO, confirmed the equity value range estimated by using free cash flows.

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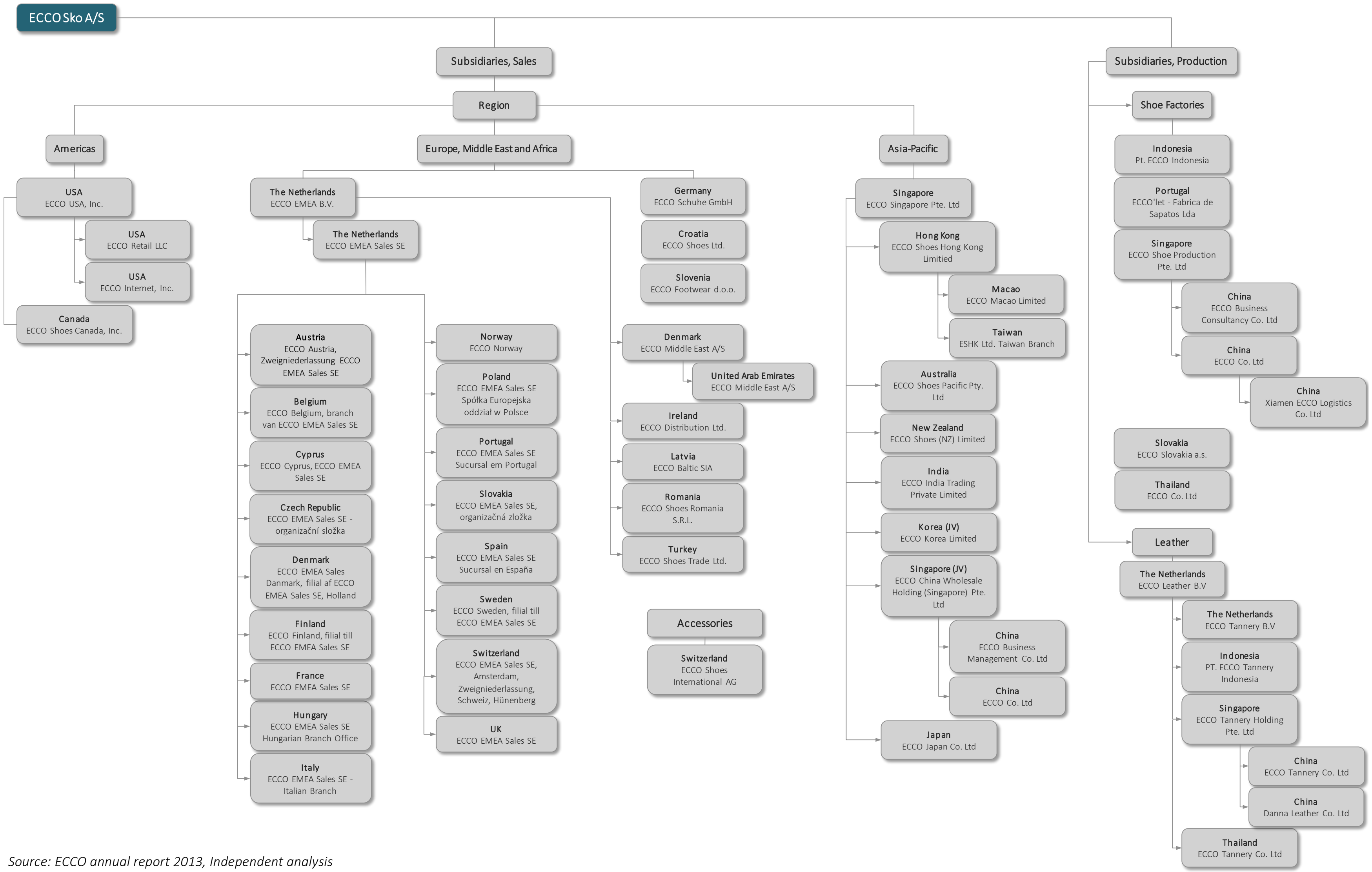
12. Appendices

12.1. Appendix 1 – ECCO's Group legal structure



Source: ECCO annual report 2013, Independent analysis

12.2. Appendix 2 – Definitions of ECCO's strategic phases of production

Strategic phase	Definition
Full-scale	To uphold demand, quality and operational reliability, and still produce high volumes.
Benchmarking	Stroves to retain knowledge and competencies in terms of opportunities for improvements and production cost structure.
Ramp-up	Encompasses the set-up for the production system at large, such as running an assembly system based on new technology.
Prototype and laboratory	Research and development of new products.

Source: ECCO A/S – Global Value Chain Management (2008), Independent analysis

12.3. Appendix 3 – Significant differences between US GAAP and IFRS

Subject	US GAAP	IFRS
Financial periods required	Generally, comparative financial statements are presented; however, a single year may be presented in certain circumstances. Public companies must follow SEC rules, which typically requre balance sheets for the two most recent years, while all other statements must cover the three-year period ended on the balance sheet date.	Comparative information must be disclosed with respect to the previous period for all amounts reported in the current period's financial statements.
Layout of balance sheet and income statement	No general requirement within US GAAP to prepare the balance sheet and income statement in accordance with a specific layout; however, public companies must follow the detailed requirements in Regulation S-X.	IFRS does not prescribe a standard layout, but includes a list of minimum line items. These minimum line items are less prescriptive than the requirements in Regulation S-X.
Balance sheet - presentation of debt as current versus non-current	Debt for which there has been a covenant violation may be presented as non-current if a lender agreement to walve the right to demand repayment for more than one year exists before the financial statements are issued or available to be issued.	Debt associated with a covenant violation must be presented as current unless the lender agreement was reached prior to the balance sheet date.
Balance sheet - classification of deferred tax assets and liabilities	Current or non-current classification, generally based on the nature of the related asset or liability, is required.	All amounts classified as non-current in the balance sheet.
Income statement - classification of expenses	No general requirement within US GAAP to classify income statement items by function or nature. However, SEC registrants are generally required to present expenses based on function.	Entities may present expenses based on either function or nature. However, if function is selected, certain disclosures about the nature of expenses must be included in the notes.
Income statement - extraordinary items criteria	Restricted to items that are both unusual and infrequent.	Prohibited.
Income statement - discontinued operations criteria	Discontinued operations classification is for components held for sale or disposed of, provided that there will not be significant continuing cash flows or involvment with the disposed component.	Discountinued operations classification is for components held for sale or disposed of that are either a separate major line of business or geographical are or a subsidiary acquired exclusively with an intention to resell.
Disclosure of performance measures	No general requirements within US GAAP that address the presentation of specific performance measures. SEC regulations define certain key measures and require the presentation of certain heading and subtotals. Additionally, public companies are prohibited from disclosing non-GAAP measures in the financial statements and accompanying notes.	Certain traditional concepts such as "operating profit" are not defined; therefore, diversity in practice exists regarding line items, headings and subtotals presented on the income statement. IFRS permits the presentation of additional line items, headings and subtotals in the statement of comprehensive income when such presentation is relevant to an understanding of the entity's financial performance.
Third balance sheet	Not required.	A third balance sheet is required as of the beginning of the earliest comparative period when there is a retrospective application of a new accounting policy, or a retrospective restatement or reclassifications that have a material effect on the balances of the third balance sheet. Related notes to the third balance sheet are not required.

Source: (EY, 2012), Independent analysis

12.4. Appendix 4 – Income statement of ECCO

Appendix 4 - Income statement of ECCO										
DKK '000	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net revenue	**3 393 693**	**3 830 546**	**4 470 403**	**5 219 525**	**5 374 142**	**5 041 200**	**6 111 148**	**7 088 826**	**8 061 236**	**8 436 096**
Change in inventories of finished products and work in progress	(81 957)	43 083	12 328	323 313	51 529	(252 463)	17 473	138 515	210 371	114 712
Costs of raw materials and consumables	(1 346 339)	(1 625 267)	(1 706 354)	(2 368 545)	(2 171 584)	(1 718 903)	(2 529 332)	(2 937 517)	(3 541 872)	(3 603 322)
Other external costs	(713 786)	(769 850)	(918 559)	(1 123 746)	(1 132 674)	(1 165 306)	(1 262 485)	(1 446 555)	(1 508 449)	(1 483 361)
Staff costs	(803 639)	(849 633)	(919 996)	(1 008 576)	(1 087 946)	(1 136 221)	(1 342 084)	(1 566 663)	(1 708 905)	(1 820 546)
Amortisation and depreciation	(180 937)	(205 039)	(178 360)	(208 943)	(206 396)	(272 383)	(341 973)	(329 871)	(306 429)	(277 139)
Profit before financials	**267 035**	**423 840**	**759 462**	**833 028**	**827 071**	**495 924**	**652 747**	**946 735**	**1 205 952**	**1 366 441**
Financial income	32 256	40 754	96 408	174 828	130 653	132 684	193 329	158 180	257 573	107 588
Financial expenses	(92 850)	(115 048)	(146 387)	(252 132)	(211 873)	(168 945)	(215 040)	(201 124)	(323 656)	(239 839)
Profit before tax	**206 441**	**349 546**	**709 483**	**755 724**	**745 851**	**459 663**	**631 036**	**903 791**	**1 139 869**	**1 234 190**
Income taxes	(42 883)	(124 512)	(209 423)	(194 314)	(171 982)	(114 306)	(155 423)	(250 601)	(320 843)	(300 310)
Group profit	**163 558**	**225 034**	**500 060**	**561 410**	**573 869**	**345 357**	**475 613**	**653 190**	**819 026**	**933 880**
Minority interests	(12 897)	697	(10 588)	(23 832)	(46 470)	(46 120)	(65 635)	(98 555)	(135 354)	(140 226)
Profit for the year	**150 661**	**225 731**	**489 472**	**537 578**	**527 399**	**299 237**	**409 978**	**554 635**	**683 672**	**793 654**
Proposed allocation of profit in Parent Company:										
Revaluation reserve for undistributed profit in subsidiaries	120 720	5 446	(8 540)	89 614	149 152	66 957	98 171	55 263	122 967	297 042
Retained earnings	(59)	185 285	356 012	296 964	102 247	(107 720)	49 807	141 372	274 705	(62 888)
Proposed dividend	30 000	35 000	142 000	151 000	276 000	340 000	262 000	358 000	286 000	559 500

Source: ECCO's annual reports 2004-2013, Independent analysis

12.5. Appendix 5 – ECCO's tax calculations

Appendix 5 - ECCO's tax calculations										
DKK '000	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Taxes paid	(42 883)	(124 512)	(209 423)	(194 314)	(171 982)	(114 306)	(155 423)	(250 601)	(320 843)	(300 310)
Operating tax	(63 328)	(165 377)	(239 285)	(231 404)	(204 112)	(135 837)	(178 018)	(281 671)	(366 071)	(354 531)
Financial tax	(20 445)	(40 865)	(29 862)	(37 090)	(32 130)	(21 531)	(22 595)	(31 070)	(45 228)	(54 221)
Effective tax rate	20,8%	35,6%	29,5%	25,7%	23,1%	24,9%	24,6%	27,7%	28,1%	24,3%

Source: ECCO's annual reports 2004-2013, Independent analysis

12.6. Appendix 6 – ECCO's capitalisation of rental and lease payments

Appendix 6 - ECCO's capitalisation of rental and lease payments										
Cost of debt (R_d)	1,70%									
DKK '000	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Asset life, years	5,5	4,9	6,1	5,7	7,2	5,1	4,0	4,3	5,5	5,8
Rental and lease payments	(411 389)	(492 096)	(429 194)	(578 861)	(618 729)	(725 399)	(799 309)	(1 038 545)	(803 879)	(1 052 949)
Asset value	2 229 890	2 383 056	3 017 392	3 946 272	3 426 077	2 966 335	4 127 926	4 073 813	5 576 285	5 339 442
Rental and lease depreciation	(373 560)	(451 668)	(378 005)	(511 914)	(560 607)	(675 076)	(729 280)	(969 434)	(709 279)	(962 367)
Rental and lease interest	(37 829)	(40 428)	(51 189)	(66 947)	(58 122)	(50 323)	(70 029)	(69 111)	(94 600)	(90 582)

Source: ECCO's annual reports 2004-2013, Independent analysis

12.7. Appendix 7 – Reformulated income statement of ECCO

Appendix 7 - Reformulated income statement of ECCO										
DKK '000	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating items										
Net revenue	**3 393 693**	**3 830 546**	**4 470 403**	**5 219 525**	**5 374 142**	**5 041 200**	**6 111 148**	**7 088 826**	**8 061 236**	**8 436 096**
Shoes and accessories	*3 132 004*	*3 527 334*	*4 200 789*	*4 952 937*	*5 129 113*	*4 846 352*	*5 780 644*	*6 754 712*	*7 636 111*	*7 788 188*
Other products and services	*261 689*	*303 212*	*269 614*	*266 588*	*245 029*	*194 848*	*330 504*	*334 114*	*425 125*	*647 908*
Change in inventories of finished products and work in progress	(81 957)	43 083	12 328	323 313	51 529	(252 463)	17 473	138 515	210 371	114 712
Costs of raw materials and consumables	(1 346 339)	(1 625 267)	(1 706 354)	(2 368 545)	(2 171 584)	(1 718 903)	(2 529 332)	(2 937 517)	(3 541 872)	(3 603 322)
Other external costs	(713 786)	(769 850)	(918 559)	(1 123 746)	(1 132 674)	(1 165 306)	(1 262 485)	(1 446 555)	(1 508 449)	(1 483 361)
Rental and lease payments	*(411 389)*	*(492 096)*	*(429 194)*	*(578 861)*	*(618 729)*	*(725 399)*	*(799 309)*	*(1 038 545)*	*(803 879)*	*(1 052 949)*
Other costs	*(302 397)*	*(277 754)*	*(489 365)*	*(544 885)*	*(513 945)*	*(439 907)*	*(463 176)*	*(408 010)*	*(704 570)*	*(430 412)*
Staff costs	(803 639)	(849 633)	(919 996)	(1 008 576)	(1 087 946)	(1 136 221)	(1 342 084)	(1 566 663)	(1 708 905)	(1 820 546)
Salaries	*(723 127)*	*(770 325)*	*(835 549)*	*(908 069)*	*(969 555)*	*(1 010 866)*	*(1 202 742)*	*(1 385 894)*	*(1 515 869)*	*(1 617 932)*
Pensions	*(27 230)*	*(22 433)*	*(28 757)*	*(26 609)*	*(33 837)*	*(33 808)*	*(40 475)*	*(59 744)*	*(58 370)*	*(54 376)*
Other social security costs	*(53 282)*	*(56 875)*	*(55 690)*	*(73 898)*	*(84 554)*	*(91 547)*	*(98 867)*	*(121 025)*	*(134 666)*	*(148 238)*
EBITDA	**447 972**	**628 879**	**937 822**	**1 041 971**	**1 033 467**	**768 307**	**994 720**	**1 276 606**	**1 512 381**	**1 643 580**
Amortisation and depreciation	(180 937)	(205 039)	(178 360)	(208 943)	(206 396)	(272 383)	(341 973)	(329 871)	(306 429)	(277 139)
Depreciation	*(171 415)*	*(193 970)*	*(164 349)*	*(193 319)*	*(193 798)*	*(258 823)*	*(321 624)*	*(304 693)*	*(285 935)*	*(266 702)*
Land and buildings	*(28 783)*	*(32 928)*	*(30 887)*	*(45 642)*	*(42 508)*	*(47 351)*	*(62 032)*	*(75 467)*	*(83 633)*	*(33 742)*
Plant and machinery	*(63 561)*	*(80 065)*	*(60 868)*	*(76 405)*	*(62 912)*	*(77 648)*	*(105 375)*	*(89 971)*	*(85 712)*	*(107 476)*
Fixtures and fittings, tools and equipment	*(79 071)*	*(80 977)*	*(72 594)*	*(71 272)*	*(88 378)*	*(133 824)*	*(154 217)*	*(139 255)*	*(116 590)*	*(125 485)*
Amortisation	*(9 522)*	*(11 069)*	*(14 011)*	*(15 624)*	*(12 598)*	*(13 560)*	*(20 349)*	*(25 178)*	*(20 494)*	*(10 437)*
EBIT	**267 035**	**423 840**	**759 462**	**833 028**	**827 071**	**495 924**	**652 747**	**946 735**	**1 205 952**	**1 366 441**
Adjustments:										
Rental and lease payments	*411 389*	*492 096*	*429 194*	*578 861*	*618 729*	*725 399*	*799 309*	*1 038 545*	*803 879*	*1 052 949*
Lease depreciation	*(373 560)*	*(451 668)*	*(378 005)*	*(511 914)*	*(560 607)*	*(675 076)*	*(729 280)*	*(969 434)*	*(709 279)*	*(962 367)*
Adjusted EBIT	**304 864**	**464 268**	**810 651**	**899 975**	**885 193**	**546 247**	**722 776**	**1 015 846**	**1 300 552**	**1 457 022**
Operating tax	(63 328)	(165 377)	(239 285)	(231 404)	(204 112)	(135 837)	(178 018)	(281 671)	(366 071)	(354 531)
NOPLAT	**241 536**	**298 891**	**571 366**	**668 571**	**681 081**	**410 410**	**544 757**	**734 175**	**934 481**	**1 102 492**
Reconciliation with net income										
Special and non-operating items	-	-	-	-	-	-	-	-	-	-
Financial items										
Rental and lease interest	(37 829)	(40 428)	(51 189)	(66 947)	(58 122)	(50 323)	(70 029)	(69 111)	(94 600)	(90 582)
Financial income	32 256	40 754	96 408	174 828	130 653	132 684	193 329	158 180	257 573	107 588
Financial expenses	(92 850)	(115 048)	(146 387)	(252 132)	(211 873)	(168 945)	(215 040)	(201 124)	(323 656)	(239 839)
Total financial items	**(98 423)**	**(114 722)**	**(101 168)**	**(144 251)**	**(139 342)**	**(86 584)**	**(91 740)**	**(112 055)**	**(160 683)**	**(222 833)**
Financial tax	20 445	40 865	29 862	37 090	32 130	21 531	22 595	31 070	45 228	54 221
Minority interest	(12 897)	697	(10 588)	(23 832)	(46 470)	(46 120)	(65 635)	(98 555)	(135 354)	(140 226)
Profit for the year	**150 661**	**225 731**	**489 472**	**537 578**	**527 399**	**299 237**	**409 978**	**554 635**	**683 672**	**793 654**

Source: ECCO's annual reports 2004-2013, Independent analysis

12.8. Appendix 8 – Common-size analysis of reformulated income statement of ECCO

Appendix 8 - Common-size analysis of reformulated income statement of ECCO										
As percentage of revenue	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net revenue	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
Shoes and accessories	*92,3%*	*92,1%*	*94,0%*	*94,9%*	*95,4%*	*96,1%*	*94,6%*	*95,3%*	*94,7%*	*92,3%*
Other products and services	*7,7%*	*7,9%*	*6,0%*	*5,1%*	*4,6%*	*3,9%*	*5,4%*	*4,7%*	*5,3%*	*7,7%*
Change in inventories of finished products and work in progress	(2,4%)	1,1%	0,3%	6,2%	1,0%	(5,0%)	0,3%	2,0%	2,6%	1,4%
Costs of raw materials and consumables	(39,7%)	(42,4%)	(38,2%)	(45,4%)	(40,4%)	(34,1%)	(41,4%)	(41,4%)	(43,9%)	(42,7%)
Other external costs	(21,0%)	(20,1%)	(20,5%)	(21,5%)	(21,1%)	(23,1%)	(20,7%)	(20,4%)	(18,7%)	(17,6%)
Rental and lease payments	*(12,1%)*	*(12,8%)*	*(9,6%)*	*(11,1%)*	*(11,5%)*	*(14,4%)*	*(13,1%)*	*(14,7%)*	*(10,0%)*	*(12,5%)*
Other costs	*(8,9%)*	*(7,3%)*	*(10,9%)*	*(10,4%)*	*(9,6%)*	*(8,7%)*	*(7,6%)*	*(5,8%)*	*(8,7%)*	*(5,1%)*
Staff costs	(23,7%)	(22,2%)	(20,6%)	(19,3%)	(20,2%)	(22,5%)	(22,0%)	(22,1%)	(21,2%)	(21,6%)
Salaries	*(21,3%)*	*(20,1%)*	*(18,7%)*	*(17,4%)*	*(18,0%)*	*(20,1%)*	*(19,7%)*	*(19,6%)*	*(18,8%)*	*(19,2%)*
Pensions	*(0,8%)*	*(0,6%)*	*(0,6%)*	*(0,5%)*	*(0,6%)*	*(0,7%)*	*(0,7%)*	*(0,8%)*	*(0,7%)*	*(0,6%)*
Other social security costs	*(1,6%)*	*(1,5%)*	*(1,2%)*	*(1,4%)*	*(1,6%)*	*(1,8%)*	*(1,6%)*	*(1,7%)*	*(1,7%)*	*(1,8%)*
EBITDA	**13,2%**	**16,4%**	**21,0%**	**20,0%**	**19,2%**	**15,2%**	**16,3%**	**18,0%**	**18,8%**	**19,5%**
Amortisation and depreciation	(5,3%)	(5,4%)	(4,0%)	(4,0%)	(3,8%)	(5,4%)	(5,6%)	(4,7%)	(3,8%)	(3,3%)
Depreciation	*(5,1%)*	*(5,1%)*	*(3,7%)*	*(3,7%)*	*(3,6%)*	*(5,1%)*	*(5,3%)*	*(4,3%)*	*(3,5%)*	*(3,2%)*
Land and buildings	*(0,8%)*	*(0,9%)*	*(0,7%)*	*(0,9%)*	*(0,8%)*	*(0,9%)*	*(1,0%)*	*(1,1%)*	*(1,0%)*	*(0,4%)*
Plant and machinery	*(1,9%)*	*(2,1%)*	*(1,4%)*	*(1,5%)*	*(1,2%)*	*(1,5%)*	*(1,7%)*	*(1,3%)*	*(1,1%)*	*(1,3%)*
Fixtures and fittings, tools and equipment	*(2,3%)*	*(2,1%)*	*(1,6%)*	*(1,4%)*	*(1,6%)*	*(2,7%)*	*(2,5%)*	*(2,0%)*	*(1,4%)*	*(1,5%)*
Amortisation	*(0,3%)*	*(0,3%)*	*(0,3%)*	*(0,3%)*	*(0,2%)*	*(0,3%)*	*(0,3%)*	*(0,4%)*	*(0,3%)*	*(0,1%)*
EBIT	**7,9%**	**11,1%**	**17,0%**	**16,0%**	**15,4%**	**9,8%**	**10,7%**	**13,4%**	**15,0%**	**16,2%**
Adjustments:										
Rental and lease payments	*12,1%*	*12,8%*	*9,6%*	*11,1%*	*11,5%*	*14,4%*	*13,1%*	*14,7%*	*10,0%*	*12,5%*
Lease depreciation	*(11,0%)*	*(11,8%)*	*(8,5%)*	*(9,8%)*	*(10,4%)*	*(13,4%)*	*(11,9%)*	*(13,7%)*	*(8,8%)*	*(11,4%)*
Adjusted EBIT	**9,0%**	**12,1%**	**18,1%**	**17,2%**	**16,5%**	**10,8%**	**11,8%**	**14,3%**	**16,1%**	**17,3%**
Operating tax	(1,9%)	(4,3%)	(5,4%)	(4,4%)	(3,8%)	(2,7%)	(2,9%)	(4,0%)	(4,5%)	(4,2%)
NOPLAT	**7,1%**	**7,8%**	**12,8%**	**12,8%**	**12,7%**	**8,1%**	**8,9%**	**10,4%**	**11,6%**	**13,1%**

Source: ECCO's annual reports 2004-2013, Independent analysis

12.9. Appendix 9 – Trend analysis of reformulated income statement of ECCO

Appendix 9 - Trend analysis of reformulated income statement of ECCO										
Base year = 100	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net revenue	**100**	**113**	**130**	**146**	**149**	**143**	**164**	**180**	**194**	**199**
Shoes and accessories	*100*	*113*	*132*	*150*	*153*	*148*	*167*	*184*	*197*	*199*
Other products and services	*100*	*116*	*105*	*104*	*96*	*75*	*145*	*146*	*173*	*225*
Change in inventories of finished products and work in progress	100	253	181	2 704	2 620	2 030	2 137	2 829	2 881	2 836
Costs of raw materials and consumables	100	121	126	165	156	135	183	199	219	221
Other external costs	100	108	127	150	150	153	162	176	180	179
Rental and lease payments	*100*	*120*	*107*	*142*	*149*	*166*	*176*	*206*	*183*	*214*
Other costs	*100*	*92*	*168*	*179*	*174*	*159*	*165*	*153*	*225*	*186*
Staff costs	100	106	114	124	132	136	154	171	180	186
Salaries	*100*	*107*	*115*	*124*	*130*	*135*	*154*	*169*	*178*	*185*
Pensions	*100*	*82*	*111*	*103*	*130*	*130*	*150*	*198*	*195*	*188*
Other social security costs	*100*	*107*	*105*	*137*	*152*	*160*	*168*	*190*	*202*	*212*
EBITDA	**100**	**140**	**190**	**201**	**200**	**174**	**204**	**232**	**250**	**259**
Amortisation and depreciation	100	113	100	117	116	148	174	170	163	154
Depreciation	*100*	*113*	*98*	*116*	*116*	*149*	*174*	*168*	*162*	*155*
Land and buildings	*100*	*114*	*108*	*156*	*149*	*161*	*192*	*213*	*224*	*164*
Plant and machinery	*100*	*126*	*102*	*128*	*110*	*133*	*169*	*154*	*150*	*175*
Fixtures and fittings, tools and equipment	*100*	*102*	*92*	*90*	*114*	*166*	*181*	*171*	*155*	*163*
Amortisation	*100*	*116*	*143*	*154*	*135*	*143*	*193*	*216*	*198*	*149*
EBIT	**100**	**159**	**238**	**248**	**247**	**207**	**238**	**284**	**311**	**324**
Adjustments:										
Rental and lease payments	*100*	*120*	*107*	*142*	*149*	*166*	*176*	*206*	*183*	*214*
Lease depreciation	*100*	*121*	*105*	*140*	*150*	*170*	*178*	*211*	*184*	*220*
Adjusted EBIT	**100**	**152**	**227**	**238**	**236**	**198**	**230**	**271**	**299**	**311**
Operating tax	100	261	306	303	291	257	288	347	377	373
NOPLAT	**100**	**124**	**215**	**232**	**234**	**194**	**227**	**262**	**289**	**307**

Source: ECCO's annual reports 2004-2013, Independent analysis

12.10. Appendix 10 – Balance sheet of ECCO

Appendix 10 - Balance sheet of ECCO										
DKK '000	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
FIXED ASSETS										
Intangible rights	51 856	62 611	52 345	43 902	37 405	39 144	38 371	34 763	30 088	34 950
Total intangible assets	**51 856**	**62 611**	**52 345**	**43 902**	**37 405**	**39 144**	**38 371**	**34 763**	**30 088**	**34 950**
Land and buildings	468 069	487 922	490 375	527 252	643 443	631 520	663 401	644 860	783 110	870 925
Plant and machinery	209 456	208 396	212 046	245 944	301 721	248 600	226 939	225 233	402 697	341 810
Other fixtures and fittings, tools and equipment	222 114	206 341	230 121	244 945	358 713	378 465	275 800	227 127	266 438	270 888
Property, plant and equipment in process	48 766	49 495	74 883	87 317	82 141	70 320	107 641	201 416	133 079	68 222
Total property, plant and equipment	**948 405**	**952 154**	**1 007 425**	**1 105 458**	**1 386 018**	**1 328 905**	**1 273 781**	**1 298 636**	**1 585 324**	**1 551 844**
Deferred tax	112 336	60 541	61 533	68 467	78 845	73 419	129 395	126 910	172 173	161 278
Total long-term financial assets	**112 336**	**60 541**	**61 533**	**68 467**	**78 845**	**73 419**	**129 395**	**126 910**	**172 173**	**161 278**
TOTAL FIXED ASSETS	1 112 597	1 075 306	1 121 303	1 217 827	1 502 268	1 441 468	1 441 547	1 460 309	1 787 585	1 748 072
CURRENT ASSETS										
Raw materials and consumables	171 520	188 492	266 893	371 467	260 228	190 746	250 014	334 444	322 342	355 536
Work in progress	59 064	42 395	45 927	33 210	27 457	18 476	29 951	32 204	41 867	26 640
Finished products and commercial products	659 472	737 663	879 297	1 199 254	1 213 699	970 218	976 216	1 112 478	1 313 186	1 442 943
Total inventories	**890 056**	**968 550**	**1 192 117**	**1 603 931**	**1 501 384**	**1 179 440**	**1 256 181**	**1 479 126**	**1 677 395**	**1 825 119**
Trade receivables	416 659	411 714	477 089	632 166	656 367	670 477	979 294	1 087 214	1 121 800	1 191 310
Receivables from affiliated companies	-	-	-	-	-	-	-	69 026	121 129	78 681
Other receivables	125 548	114 338	154 756	196 593	163 954	102 446	234 335	309 555	334 672	320 221
Income taxes	-	-	-	-	14 537	52 465	-	-	39 082	112 706
Prepayments	52 286	56 402	42 760	57 829	68 565	60 803	53 511	96 341	66 420	77 181
Total receivables	**594 493**	**582 454**	**674 605**	**886 588**	**903 423**	**886 191**	**1 267 140**	**1 562 136**	**1 683 103**	**1 780 098**
Securities	**3 608**	**4 852**	**8 526**	**24 016**	**19 795**	**27 408**	**32 771**	**34 401**	**34 973**	**201**
Cash	**344 425**	**654 196**	**654 129**	**482 847**	**470 180**	**647 641**	**652 381**	**610 883**	**488 678**	**409 323**
TOTAL CURRENT ASSETS	1 832 582	2 210 052	2 529 377	2 997 382	2 894 782	2 740 680	3 208 473	3 686 546	3 884 149	4 014 741
TOTAL ASSETS	2 945 179	3 285 358	3 650 680	4 215 209	4 397 050	4 182 148	4 650 020	5 146 855	5 671 734	5 762 813
EQUITY AND LIABILITIES										
Share capital	5 500	5 500	5 500	5 500	5 500	5 500	5 500	4 950	4 950	4 946
Retained earnings	1 028 526	1 280 250	1 724 013	2 067 947	2 467 919	2 426 339	2 581 461	2 926 339	3 116 935	3 438 672
Total equity	**1 034 026**	**1 285 750**	**1 729 513**	**2 073 447**	**2 473 419**	**2 431 839**	**2 586 961**	**2 931 289**	**3 121 885**	**3 443 618**
Minority interests	**44 338**	**38 829**	**43 796**	**57 409**	**86 266**	**132 990**	**147 035**	**208 681**	**200 427**	**230 954**
Provisions	**12 539**	**48 529**	**13 283**	**15 784**	**16 481**	**19 830**	**26 836**	**45 678**	**59 856**	**41 284**
Deferred tax	-	-	-	-	-	-	-	-	-	4 021
Credit institutions	954 107	1 162 789	1 012 879	684 085	306 384	430 887	463 143	514 510	693 240	644 492
Total long-term debt	**954 107**	**1 162 789**	**1 012 879**	**684 085**	**306 384**	**430 887**	**463 143**	**514 510**	**693 240**	**648 513**
Short-term part of long-term debt	126 176	134 953	173 918	219 574	345 622	136 951	101 752	75 629	59 861	89 639
Credit institutions	422 940	240 205	201 658	519 609	610 305	392 210	340 220	255 136	258 959	94 108
Trade payables	131 102	176 511	181 987	236 586	221 540	281 518	417 294	511 338	523 404	522 401
Payables to affiliated companies	-	-	-	-	-	-	-	1 107	1 628	11 503
Income taxes	21 417	25 400	44 884	17 775	-	-	70 687	29 847	106 967	171 580
Other payables	153 253	128 378	178 458	322 104	257 076	305 701	415 834	454 301	468 020	202 972
Deferred income	45 281	44 014	70 304	68 836	79 957	50 222	80 258	119 339	177 487	306 240
Total short-term debt	**900 169**	**749 461**	**851 209**	**1 384 484**	**1 514 500**	**1 166 602**	**1 426 045**	**1 446 697**	**1 596 326**	**1 398 444**
Total debt	**1 854 276**	**1 912 250**	**1 864 088**	**2 068 569**	**1 820 884**	**1 597 489**	**1 889 188**	**1 961 207**	**2 289 566**	**2 046 957**
TOTAL EQUITY AND LIABILITIES	2 945 179	3 285 358	3 650 680	4 215 209	4 397 050	4 182 148	4 650 020	5 146 855	5 671 734	5 762 813

Source: ECCO's annual reports 2004-2013, Independent analysis

12.11. Appendix 11 – ECCO's operating cash calculations

Appendix 11 - ECCO's operating cash calculations

DKK '000	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating cash % of total sales	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Total cash	344 425	654 196	654 129	482 847	470 180	647 641	652 381	610 883	488 678	409 323
Operating cash	*67 874*	*76 611*	*89 408*	*104 391*	*107 483*	*100 824*	*122 223*	*141 777*	*161 225*	*168 722*
Excess cash	*276 551*	*577 585*	*564 721*	*378 457*	*362 697*	*546 817*	*530 158*	*469 106*	*327 453*	*240 601*

Source: ECCO's annual reports 2004-2013, Independent analysis

12.12. Appendix 12 – Reformulated operational balance sheet of ECCO

Appendix 12 - Reformulated operational balance sheet of ECCO

DKK '000	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS										
Operating fixed assets										
Intangible rights	51 856	62 611	52 345	43 902	37 405	39 144	38 371	34 763	30 088	34 950
Total intangible assets	51 856	62 611	52 345	43 902	37 405	39 144	38 371	34 763	30 088	34 950
Land and buildings	468 069	487 922	490 375	527 252	643 443	631 520	663 401	644 860	783 110	870 925
Plant and machinery	209 456	208 396	212 046	245 944	301 721	248 600	226 939	225 233	402 697	341 810
Other fixtures and fittings, tools and equipment	222 114	206 341	230 121	244 945	358 713	378 465	275 800	227 127	266 438	270 888
PPE in process	48 766	49 495	74 883	87 317	82 141	70 320	107 641	201 416	133 079	68 222
Total PPE	948 405	952 154	1 007 425	1 105 458	1 386 018	1 328 905	1 273 781	1 298 636	1 585 324	1 551 844
Capitalised operational lease	2 229 890	2 383 056	3 017 392	3 946 272	3 426 077	2 966 335	4 127 926	4 073 813	5 576 285	5 339 442
Total adjusted PPE	3 178 295	3 335 210	4 024 817	5 051 730	4 812 095	4 295 240	5 401 707	5 372 449	7 161 609	6 891 286
Total operating fixed assets	1 000 261	1 014 765	1 059 770	1 149 360	1 423 423	1 368 049	1 312 152	1 333 399	1 615 412	1 586 794
Total adjusted operating fixed assets	3 230 151	3 397 821	4 077 162	5 095 632	4 849 500	4 334 384	5 440 078	5 407 212	7 191 697	6 926 236
Operating current assets										
Operating cash	67 874	76 611	89 408	104 391	107 483	100 824	122 223	141 777	161 225	168 722
Raw materials and consumables	171 520	188 492	266 893	371 467	260 228	190 746	250 014	334 444	322 342	355 536
Work in progress	59 064	42 395	45 927	33 210	27 457	18 476	29 951	32 204	41 867	26 640
Finished products and commercial products	659 472	737 663	879 297	1 199 254	1 213 699	970 218	976 216	1 112 478	1 313 186	1 442 943
Total inventories	890 056	968 550	1 192 117	1 603 931	1 501 384	1 179 440	1 256 181	1 479 126	1 677 395	1 825 119
Trade receivables	416 659	411 714	477 089	632 166	656 367	670 477	979 294	1 087 214	1 121 800	1 191 310
Other receivables	125 548	114 338	154 756	196 593	163 954	102 446	234 335	309 555	334 672	320 221
Income taxes	-	-	-	-	14 537	52 465	-	-	39 082	112 706
Prepayments	52 286	56 402	42 760	57 829	68 565	60 803	53 511	96 341	66 420	77 181
Total receivables	594 493	582 454	674 605	886 588	903 423	886 191	1 267 140	1 493 110	1 561 974	1 701 417
Total operating current assets	1 552 423	1 627 615	1 956 130	2 594 910	2 512 290	2 166 455	2 645 544	3 114 013	3 400 594	3 695 258
Total operating assets	2 552 684	2 642 380	3 015 900	3 744 270	3 935 713	3 534 504	3 957 696	4 447 412	5 016 006	5 282 052
Total adjusted operating assets	4 782 574	5 025 436	6 033 292	7 690 542	7 361 790	6 500 839	8 085 622	8 521 224	10 592 291	10 621 494
LIABILITIES										
Total operating long-term liabilities	-	-	-	-	-	-	-	-	-	-
Trade payables	131 102	176 511	181 987	236 586	221 540	281 518	417 294	511 338	523 404	522 401
Income taxes	21 417	25 400	44 884	17 775	-	-	70 687	29 847	106 967	171 580
Other payables	153 253	128 378	178 458	322 104	257 076	305 701	415 834	454 301	468 020	202 972
Deferred income	45 281	44 014	70 304	68 836	79 957	50 222	80 258	119 339	177 487	306 240
Total operating short-term liabilities	351 053	374 303	475 633	645 301	558 573	637 441	984 073	1 114 825	1 275 878	1 203 194
Total operating liabilities	351 053	374 303	475 633	645 301	558 573	637 441	984 073	1 114 825	1 275 878	1 203 194
Operating net working capital	1 201 370	1 253 312	1 480 497	1 949 609	1 953 717	1 529 014	1 661 471	1 999 188	2 124 716	2 492 064
Δ in operating net working capital	*28 478*	*51 942*	*227 185*	*469 111*	*4 108*	*(424 703)*	*132 457*	*337 717*	*125 528*	*367 349*
Invested capital	4 431 521	4 651 133	5 557 659	7 045 241	6 803 217	5 863 398	7 101 549	7 406 399	9 316 413	9 418 301

Source: ECCO's annual reports 2004-2013, Independent analysis

12.13. Appendix 13 – Reformulated financial balance sheet of ECCO

Appendix 13 - Reformulated financial balance sheet of ECCO										
DKK '000	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY										
Paid-in equity										
Share capital	5 500	5 500	5 500	5 500	5 500	5 500	5 500	4 950	4 950	4 946
Total paid-in equity	5 500	5 500	5 500	5 500	5 500	5 500	5 500	4 950	4 950	4 946
Retained earnings	1 028 526	1 280 250	1 724 013	2 067 947	2 467 919	2 426 339	2 581 461	2 926 339	3 116 935	3 438 672
Deferred tax	(112 336)	(60 541)	(61 533)	(68 467)	(78 845)	(73 419)	(129 395)	(126 910)	(172 173)	(157 257)
Minority interests	44 338	38 829	43 796	57 409	86 266	132 990	147 035	208 681	200 427	230 954
Provisions	12 539	48 529	13 283	15 784	16 481	19 830	26 836	45 678	59 856	41 284
Total equity	978 567	1 312 567	1 725 059	2 078 173	2 497 321	2 511 240	2 631 437	3 058 738	3 209 995	3 558 599
Excess cash	276 551	577 585	564 721	378 457	362 697	546 817	530 158	469 106	327 453	240 601
Receivables from affiliated companies (Short-term)	-	-	-	-	-	-	-	69 026	121 129	78 681
Securities (Short-term)	3 608	4 852	8 526	24 016	19 795	27 408	32 771	34 401	34 973	201
Total interest-bearing assets	280 159	582 437	573 247	402 473	382 492	574 225	562 929	572 533	483 555	319 483
Capitalised operational lease	2 229 890	2 383 056	3 017 392	3 946 272	3 426 077	2 966 335	4 127 926	4 073 813	5 576 285	5 339 442
Credit institutions (Long-term)	954 107	1 162 789	1 012 879	684 085	306 384	430 887	463 143	514 510	693 240	644 492
Short-term part of long-term debt (Short-term)	126 176	134 953	173 918	219 574	345 622	136 951	101 752	75 629	59 861	89 639
Credit institutions (Short-term)	422 940	240 205	201 658	519 609	610 305	392 210	340 220	255 136	258 959	94 108
Payables to affiliated companies (Short-term)	-	-	-	-	-	-	-	1 107	1 628	11 503
Total interest-bearing liabilities	3 733 113	3 921 003	4 405 847	5 369 540	4 688 388	3 926 383	5 033 041	4 920 195	6 589 973	6 179 185
Net interest-bearing debt	3 452 954	3 338 566	3 832 600	4 967 068	4 305 896	3 352 158	4 470 112	4 347 661	6 106 418	5 859 702
Invested capital	4 431 521	4 651 133	5 557 659	7 045 241	6 803 217	5 863 398	7 101 549	7 406 399	9 316 413	9 418 301

Source: ECCO's annual reports 2004-2013, Independent analysis

12.14. Appendix 14 – Common-size analysis of reformulated operational balance sheet of ECCO

Appendix 14 - Common-size analysis of reformulated operational balance sheet of ECCO										
As percentage of invested capital	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS										
Operating fixed assets										
Intangible rights	1,2%	1,3%	0,9%	0,6%	0,5%	0,7%	0,5%	0,5%	0,3%	0,4%
Total intangible assets	1,2%	1,3%	0,9%	0,6%	0,5%	0,7%	0,5%	0,5%	0,3%	0,4%
Land and buildings	10,6%	10,5%	8,8%	7,5%	9,5%	10,8%	9,3%	8,7%	8,4%	9,2%
Plant and machinery	4,7%	4,5%	3,8%	3,5%	4,4%	4,2%	3,2%	3,0%	4,3%	3,6%
Other fixtures and fittings, tools and equipment	5,0%	4,4%	4,1%	3,5%	5,3%	6,5%	3,9%	3,1%	2,9%	2,9%
PPE in process	1,1%	1,1%	1,3%	1,2%	1,2%	1,2%	1,5%	2,7%	1,4%	0,7%
Total PPE	21,4%	20,5%	18,1%	15,7%	20,4%	22,7%	17,9%	17,5%	17,0%	16,5%
Capitalised operational lease	50,3%	51,2%	54,3%	56,0%	50,4%	50,6%	58,1%	55,0%	59,9%	56,7%
Total adjusted PPE	71,7%	71,7%	72,4%	71,7%	70,7%	73,3%	76,1%	72,5%	76,9%	73,2%
Total operating fixed assets	22,6%	21,8%	19,1%	16,3%	20,9%	23,3%	18,5%	18,0%	17,3%	16,8%
Total adjusted operating fixed assets	72,9%	73,1%	73,4%	72,3%	71,3%	73,9%	76,6%	73,0%	77,2%	73,5%
Operating current assets										
Operating cash	1,5%	1,6%	1,6%	1,5%	1,6%	1,7%	1,7%	1,9%	1,7%	1,8%
Raw materials and consumables	3,9%	4,1%	4,8%	5,3%	3,8%	3,3%	3,5%	4,5%	3,5%	3,8%
Work in progress	1,3%	0,9%	0,8%	0,5%	0,4%	0,3%	0,4%	0,4%	0,4%	0,3%
Finished products and commercial products	14,9%	15,9%	15,8%	17,0%	17,8%	16,5%	13,7%	15,0%	14,1%	15,3%
Total inventories	20,1%	20,8%	21,4%	22,8%	22,1%	20,1%	17,7%	20,0%	18,0%	19,4%
Trade receivables	9,4%	8,9%	8,6%	9,0%	9,6%	11,4%	13,8%	14,7%	12,0%	12,6%
Other receivables	2,8%	2,5%	2,8%	2,8%	2,4%	1,7%	3,3%	4,2%	3,6%	3,4%
Income taxes	-	-	-	-	0,2%	0,9%	-	-	0,4%	1,2%
Prepayments	1,2%	1,2%	0,8%	0,8%	1,0%	1,0%	0,8%	1,3%	0,7%	0,8%
Total receivables	13,4%	12,5%	12,1%	12,6%	13,3%	15,1%	17,8%	20,2%	16,8%	18,1%
Total operating current assets	35,0%	35,0%	35,2%	36,8%	36,9%	36,9%	37,3%	42,0%	36,5%	39,2%
Total operating assets	57,6%	56,8%	54,3%	53,1%	57,9%	60,3%	55,7%	60,0%	53,8%	56,1%
Total adjusted operating assets	107,9%	108,0%	108,6%	109,2%	108,2%	110,9%	113,9%	115,1%	113,7%	112,8%
LIABILITIES										
Total operating long-term liabilities	-	-	-	-	-	-	-	-	-	-
Trade payables	3,0%	3,8%	3,3%	3,4%	3,3%	4,8%	5,9%	6,9%	5,6%	5,5%
Income taxes	0,5%	0,5%	0,8%	0,3%	-	-	1,0%	0,4%	1,1%	1,8%
Other payables	3,5%	2,8%	3,2%	4,6%	3,8%	5,2%	5,9%	6,1%	5,0%	2,2%
Deferred income	1,0%	0,9%	1,3%	1,0%	1,2%	0,9%	1,1%	1,6%	1,9%	3,3%
Total operating short-term liabilities	7,9%	8,0%	8,6%	9,2%	8,2%	10,9%	13,9%	15,1%	13,7%	12,8%
Total operating liabilities	7,9%	8,0%	8,6%	9,2%	8,2%	10,9%	13,9%	15,1%	13,7%	12,8%
Operating net working capital	27,1%	26,9%	26,6%	27,7%	28,7%	26,1%	23,4%	27,0%	22,8%	26,5%
Δ in operating net working capital	*0,6%*	*1,1%*	*4,1%*	*6,7%*	*0,1%*	*(7,2%)*	*1,9%*	*4,6%*	*1,3%*	*3,9%*
Invested capital	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: ECCO's annual reports 2004-2013, Independent analysis

12.15. Appendix 15 – Common-size analysis of reformulated financial balance sheet of ECCO

Appendix 15 - Common-size analysis of reformulated financial balance sheet of ECCO										
As percentage of invested capital	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY										
Paid-in equity										
Share capital	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%
Total paid-in equity	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%
Retained earnings	23,2%	27,5%	31,0%	29,4%	36,3%	41,4%	36,4%	39,5%	33,5%	36,5%
Deferred tax	(2,5%)	(1,3%)	(1,1%)	(1,0%)	(1,2%)	(1,3%)	(1,8%)	(1,7%)	(1,8%)	(1,7%)
Minority interests	1,0%	0,8%	0,8%	0,8%	1,3%	2,3%	2,1%	2,8%	2,2%	2,5%
Provisions	0,3%	1,0%	0,2%	0,2%	0,2%	0,3%	0,4%	0,6%	0,6%	0,4%
Total equity	22,1%	28,2%	31,0%	29,5%	36,7%	42,8%	37,1%	41,3%	34,5%	37,8%
Excess cash	6,2%	12,4%	10,2%	5,4%	5,3%	9,3%	7,5%	6,3%	3,5%	2,6%
Receivables from affiliated companies (Short-term)	-	-	-	-	-	-	-	0,9%	1,3%	0,8%
Securities (Short-term)	0,1%	0,1%	0,2%	0,3%	0,3%	0,5%	0,5%	0,5%	0,4%	0,0%
Total interest-bearing assets	6,3%	12,5%	10,3%	5,7%	5,6%	9,8%	7,9%	7,7%	5,2%	3,4%
Capitalised operational lease	50,3%	51,2%	54,3%	56,0%	50,4%	50,6%	58,1%	55,0%	59,9%	56,7%
Credit institutions (Long-term)	21,5%	25,0%	18,2%	9,7%	4,5%	7,3%	6,5%	6,9%	7,4%	6,8%
Short-term part of long-term debt (Short-term)	2,8%	2,9%	3,1%	3,1%	5,1%	2,3%	1,4%	1,0%	0,6%	1,0%
Credit institutions (Short-term)	9,5%	5,2%	3,6%	7,4%	9,0%	6,7%	4,8%	3,4%	2,8%	1,0%
Payables to affiliated companies (Short-term)	-	-	-	-	-	-	-	0,0%	0,0%	0,1%
Total interest-bearing liabilities	84,2%	84,3%	79,3%	76,2%	68,9%	67,0%	70,9%	66,4%	70,7%	65,6%
Net interest-bearing debt	77,9%	71,8%	69,0%	70,5%	63,3%	57,2%	62,9%	58,7%	65,5%	62,2%
Invested capital	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: ECCO's annual reports 2004-2013, Independent analysis

12.16. Appendix 16 – Trend analysis of reformulated operational balance sheet of ECCO

Appendix 16 - Trend analysis of reformulated operational balance sheet of ECCO										
Base year = 100	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS										
Operating fixed assets										
Intangible rights	100	121	104	88	73	78	76	67	53	69
Total intangible assets	100	121	104	88	73	78	76	67	53	69
Land and buildings	100	104	105	112	134	132	137	135	156	167
Plant and machinery	100	99	101	117	140	122	114	113	192	177
Other fixtures and fittings, tools and equipment	100	93	104	111	157	163	136	118	135	137
PPE in process	100	101	153	169	163	149	202	289	255	207
Total PPE	100	100	106	116	141	137	133	135	157	155
Capitalised operational lease	100	107	133	164	151	138	177	176	212	208
Total adjusted PPE	100	105	126	151	146	136	161	161	194	190
Total operating fixed assets	100	101	106	114	138	134	130	132	153	151
Total adjusted operating fixed assets	100	105	125	150	145	135	160	160	193	189
Operating current assets										
Operating cash	100	113	130	146	149	143	164	180	194	199
Raw materials and consumables	100	110	151	191	161	134	165	199	195	206
Work in progress	100	72	80	52	35	2	64	72	102	66
Finished products and commercial products	100	112	131	167	169	149	149	163	181	191
Total inventories	100	109	132	166	160	139	145	163	176	185
Trade receivables	100	99	115	147	151	153	199	210	213	220
Other receivables	100	91	126	153	137	99	228	260	268	264
Income taxes	-	-	-	-	100	361	-	-	100	288
Prepayments	100	108	84	119	137	126	114	194	163	179
Total receivables	100	98	114	145	147	145	188	206	211	220
Total operating current assets	100	105	125	158	154	141	163	181	190	198
Total operating assets	100	104	118	142	147	137	149	161	174	179
Total adjusted operating assets	100	105	125	153	148	137	161	166	191	191
LIABILITIES										
Total operating long-term liabilities	-	-	-	-	-	-	-	-	-	-
Trade payables	100	135	138	168	161	188	237	259	262	261
Income taxes	100	119	195	135	-	-	100	42	301	361
Other payables	100	84	123	203	183	202	238	247	250	194
Deferred income	100	97	157	155	171	134	194	242	291	364
Total operating short-term liabilities	100	107	134	169	156	170	224	238	252	246
Total operating liabilities	100	107	134	169	156	170	224	238	252	246
Operating net working capital	100	104	122	154	154	133	141	162	168	185
Δ in operating net working capital	*100*	*182*	*520*	*626*	*527*	*(9 910)*	*(9 779)*	*(9 624)*	*(9 687)*	*(9 494)*
Invested capital	100	105	124	151	148	134	155	159	185	186

Source: ECCO's annual reports 2004-2013, Independent analysis

12.17. Appendix 17 – Trend analysis of reformulated financial balance sheet of ECCO

Appendix 17 - Trend analysis of reformulated financial balance sheet of ECCO										
Base year = 100	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY										
Paid-in equity										
Share capital	100	100	100	100	100	100	100	90	90	90
Total paid-in equity	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**90**	**90**	**90**
Retained earnings	**100**	**124**	**159**	**179**	**198**	**197**	**203**	**216**	**223**	**233**
Deferred tax	**100**	**146**	**144**	**133**	**118**	**125**	**49**	**51**	**15**	**24**
Minority interests	**100**	**88**	**100**	**131**	**182**	**236**	**246**	**288**	**284**	**300**
Provisions	**100**	**387**	**314**	**333**	**338**	**358**	**393**	**464**	**495**	**464**
Total equity	**100**	**134**	**166**	**186**	**206**	**207**	**212**	**228**	**233**	**244**
Excess cash	100	209	207	174	169	220	217	206	175	149
Receivables from affiliated companies (Short-term)	-	-	-	-	-	-	-	100	175	140
Securities (Short-term)	100	134	210	392	374	413	432	437	439	340
Total interest-bearing assets	**100**	**208**	**206**	**177**	**172**	**222**	**220**	**221**	**206**	**172**
Capitalised operational lease	100	107	133	164	151	138	177	176	212	208
Credit institutions (Long-term)	100	122	109	77	21	62	69	81	115	108
Short-term part of long-term debt (Short-term)	100	107	136	162	219	159	133	108	87	137
Credit institutions (Short-term)	100	57	41	198	216	180	167	142	143	80
Payables to affiliated companies (Short-term)	-	-	-	-	-	-	-	100	147	754
Total interest-bearing liabilities	**100**	**105**	**117**	**139**	**127**	**110**	**139**	**136**	**170**	**164**
Net interest-bearing debt	**100**	**97**	**111**	**141**	**128**	**106**	**139**	**136**	**177**	**173**
Invested capital	**100**	**105**	**124**	**151**	**148**	**134**	**155**	**159**	**185**	**186**

Source: ECCO's annual reports 2004-2013, Independent analysis

12.18. Appendix 18 – Cash flow statement of ECCO

Appendix 18 - Cash flow statement of ECCO										
DKK '000	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Cash flow from operating activities										
Profit before tax	206 441	349 546	709 483	755 724	745 851	459 663	631 036	903 791	1 139 869	1 234 190
Adjustment for non-cash operating items:										
Amortisation and depreciation	180 937	205 039	178 360	208 943	206 396	272 383	341 973	329 871	306 429	277 139
Exchange rate adjustments	(42 456)	40 425	(420)	(48 181)	19 024	(60 035)	42 602	61 517	(141 198)	(92 049)
Pension adjustments	-	-	-	-	-	-	-	-	-	(16 546)
Tax adjustments	(975)	2 926	2 665	(992)	(2 334)	3 891	2 016	(3 599)	34 252	12 316
Working capital adjustments:										
(Increase)/decrease in inventories	42 238	(78 494)	(223 567)	(411 814)	102 547	321 944	(76 741)	(222 945)	(198 269)	(147 947)
(Increase)/decrease in receivables	(100 741)	12 039	(92 151)	(211 983)	(2 298)	55 160	(433 414)	(294 996)	(81 885)	(23 596)
(Increase)/decrease in payables	(21 475)	45 409	5 476	54 599	(15 046)	59 978	135 776	95 151	12 587	8 952
(Increase)/decrease in other payables	35 960	(26 142)	76 370	142 178	(53 907)	18 890	140 169	77 548	71 866	(136 212)
(Increase)/decrease in provisions	5 384	35 990	(35 246)	2 501	697	3 349	7 006	18 842	14 178	(18 568)
Income taxes paid	(32 340)	(71 660)	(193 596)	(227 365)	(212 338)	(150 699)	(90 272)	(295 496)	(362 320)	(306 733)
Total cash flow from operating activities	**272 973**	**515 078**	**427 374**	**263 610**	**788 592**	**984 524**	**700 151**	**669 684**	**795 509**	**790 947**
Cash flow from investing activities										
Payments to invest in fixed assets:										
Intangible assets	(12 323)	(18 293)	(5 446)	(8 437)	(5 610)	(15 585)	(18 360)	(22 575)	(15 710)	(15 517)
Tangible assets	(200 488)	(183 385)	(229 363)	(296 618)	(477 108)	(207 340)	(218 372)	(316 021)	(577 929)	(325 241)
Total cash flow from investing activities	**(212 811)**	**(201 678)**	**(234 809)**	**(305 055)**	**(482 718)**	**(222 925)**	**(236 732)**	**(338 596)**	**(593 639)**	**(340 758)**
Cash flow from financing activities										
Minority interests	8 335	(7 109)	(4 466)	(7 160)	(10 805)	1 738	(58 383)	(49 116)	(132 288)	(94 541)
(Repayment of)/proceeds from new long-term de	58 372	208 682	(149 910)	(328 794)	(377 701)	124 503	32 256	51 367	178 730	(48 654)
Increase/(decrease) in short-term debt	(44 099)	(173 958)	418	363 607	216 744	(426 766)	(87 189)	(111 207)	(11 945)	(135 026)
Dividend paid	(23 000)	(30 000)	(35 000)	(142 000)	(151 000)	(276 000)	(340 000)	(262 000)	(358 000)	(286 024)
Total cash flow from financing activities	**(392)**	**(2 385)**	**(188 958)**	**(114 347)**	**(322 762)**	**(576 525)**	**(453 316)**	**(370 956)**	**(323 503)**	**(564 245)**
Cash flow from operating, investing and financial activities	**59 770**	**311 015**	**3 607**	**(155 792)**	**(16 888)**	**185 074**	**10 103**	**(39 868)**	**(121 633)**	**(114 056)**
Cash and cash equivalents at beginning of year	288 263	348 033	659 048	662 655	506 863	489 975	675 049	685 152	645 284	523 580
Cash and cash equivalents at year-end	**348 033**	**659 048**	**662 655**	**506 863**	**489 975**	**675 049**	**685 152**	**645 284**	**523 651**	**409 524**
Breakdown of cash and cash equivalents:										
Securities	3 608	4 852	8 526	24 016	19 795	27 408	32 771	34 401	34 973	201
Cash	344 425	654 196	654 129	482 847	470 180	647 641	652 381	610 883	488 678	409 323
Total cash and cash equivalents	**348 033**	**659 048**	**662 655**	**506 863**	**489 975**	**675 049**	**685 152**	**645 284**	**523 651**	**409 524**

Source: ECCO's annual reports 2004-2013, Independent analysis

12.19. Appendix 19 – Income statement of Crocs

Appendix 19 - Income statement of Crocs								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
Revenues	**354 728**	**847 350**	**721 589**	**645 767**	**789 695**	**1 000 903**	**1 123 301**	**1 192 680**
Cost of sales	(154 158)	(349 701)	(486 722)	(337 720)	(364 631)	(464 493)	(515 324)	(569 482)
Restructuring charges	-	-	(901)	(7 086)	(1 300)	-	-	-
Gross profit	**200 570**	**497 649**	**233 966**	**300 961**	**423 764**	**536 410**	**607 977**	**623 198**
Selling, general and administrative expenses	(105 224)	(268 978)	(341 518)	(311 592)	(342 961)	(404 803)	(460 393)	(549 154)
Foreign currency translation (losses) gains	-	10 055	(25 438)	665	-	-	-	-
Restructuring charges	-	-	(7 664)	(7 623)	(2 539)	-	-	-
Goodwill impairment	-	-	(23 867)	-	-	-	-	-
Asset impairment charges	-	-	(21 917)	(26 085)	(141)	(528)	(1 410)	(10 949)
Charitable contributions expense	-	(959)	(1 844)	(7 510)	-	-	-	-
Operating profit	**95 346**	**237 767**	**(188 282)**	**(51 184)**	**78 123**	**131 079**	**146 174**	**63 095**
Foreign currency translation (losses) gains	-	-	-	-	2 325	4 886	(2 500)	(4 678)
Interest income	-	-	-	-	-	957	1 697	2 432
Interest expense	(567)	(438)	(1 793)	(1 495)	(657)	(853)	(837)	(1 016)
Gain on charitable contribution	-	-	-	3 163	-	-	-	-
Other income, net	1 847	2 997	565	895	1 001	621	1 014	126
Earnings before income taxes	**96 626**	**240 326**	**(189 510)**	**(48 621)**	**80 792**	**136 690**	**145 548**	**59 959**
Income tax expense	(32 209)	(72 098)	4 434	6 543	(13 066)	(23 902)	(14 205)	(49 539)
Net income	**64 417**	**168 228**	**(185 076)**	**(42 078)**	**67 726**	**112 788**	**131 343**	**10 420**

Source: Crocs' annual reports 2006-2013, Independent analysis

12.20. Appendix 20 – Income statement of Deckers

Appendix 20 - Income statement of Deckers								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
Net sales	**304 423**	**448 929**	**689 445**	**813 177**	**1 000 989**	**1 377 283**	**1 414 398**	**1 556 618**
Cost of sales	(163 692)	(241 458)	(384 127)	(442 087)	(498 051)	(698 288)	(782 244)	(820 135)
Gross profit	**140 731**	**207 471**	**305 318**	**371 090**	**502 938**	**678 995**	**632 154**	**736 483**
Selling, general and administrative expenses	(73 989)	(101 918)	(152 574)	(189 843)	(253 850)	(394 157)	(445 206)	(528 586)
Impairment loss	(15 300)	-	(35 825)	-	-	-	-	-
Operating profit	**51 442**	**105 553**	**116 919**	**181 247**	**249 088**	**284 838**	**186 948**	**207 897**
Interest income	2 432	4 855	3 190	1 010	234	180	217	60
Interest expense	(350)	(768)	142	875	(566)	(249)	(3 840)	(3 079)
Other income/expenses	(172)	399	251	91	1 353	493	793	679
Earnings before income taxes	**53 352**	**110 039**	**120 502**	**183 223**	**250 109**	**285 262**	**184 118**	**205 557**
Income taxes	(22 743)	(43 602)	(46 631)	(66 304)	(89 732)	(83 404)	(55 104)	(59 868)
Net income before minority interest	**30 609**	**66 437**	**73 871**	**116 919**	**160 377**	**201 858**	**129 014**	**145 689**
Minority interest	-	-	77	(133)	(2 142)	(2 806)	-	-
Net income	**30 609**	**66 437**	**73 948**	**116 786**	**158 235**	**199 052**	**129 014**	**145 689**

Source: Deckers' annual reports 2006-2013, Independent analysis

12.21. Appendix 21 – Income statement of Geox

Appendix 21 - Income statement of Geox								
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
Net sales	**612 258**	**770 162**	**892 513**	**865 010**	**850 076**	**887 272**	**807 615**	**754 191**
Cost of sales	(302 018)	(358 314)	(424 461)	(426 957)	(435 146)	(478 140)	(419 522)	(402 701)
Gross profit	**310 240**	**411 848**	**468 052**	**438 053**	**414 930**	**409 132**	**388 093**	**351 490**
Selling and distribution costs	(30 882)	(36 692)	(43 248)	(42 409)	(44 730)	(45 581)	(43 379)	(46 634)
General and administrative expenses	(94 195)	(133 432)	(185 442)	(214 731)	(228 977)	(234 702)	(251 907)	(281 960)
Advertising and promotion	(50 257)	(62 003)	(66 061)	(46 216)	(47 420)	(45 935)	(45 777)	(38 750)
Special items	-	-	-	(5 306)	(396)	(582)	(24 425)	(14 054)
Net asset impairment	-	-	(1 955)	(12 363)	-	-	(2 640)	(4 725)
EBIT	**134 906**	**179 721**	**171 346**	**117 028**	**93 407**	**82 332**	**19 965**	**(34 633)**
Interest income	3 694	4 987	3 213	2 894	1 817	2 544	4 703	3 844
Interest expense	(4 393)	(5 419)	(7 606)	(6 989)	(4 554)	(7 645)	(7 720)	(7 748)
Exchange differences	(293)	(934)	96	(59)	(431)	715	766	58
Profit before taxes	**133 914**	**178 355**	**167 049**	**112 874**	**90 239**	**77 946**	**17 714**	**(38 479)**
Income tax	(36 652)	(55 377)	(48 875)	(46 168)	(32 236)	(27 959)	(7 675)	8 730
Net profit	**97 262**	**122 978**	**118 174**	**66 706**	**58 003**	**49 987**	**10 039**	**(29 749)**

Source: Geox's annual reports 2006-2013, Independent analysis

12.22. Appendix 22 – Income statement of Wolverine

Appendix 22 - Income statement of Wolverine								
$ million	2006	2007	2008	2009	2010	2011	2012	2013
Revenue	**1 141,9**	**1 199,0**	**1 220,6**	**1 101,1**	**1 248,5**	**1 409,1**	**1 640,8**	**2 691,1**
Cost of goods sold	(700,3)	(727,0)	(734,5)	(663,5)	(754,5)	(852,3)	(1 008,1)	(1 619,0)
Acquisition related costs	-	-	-	-	-	-	(4,5)	-
Restructuring costs	-	-	-	(5,9)	(1,4)	-	-	(7,6)
Gross profit	**441,5**	**471,9**	**486,0**	**431,7**	**492,6**	**556,8**	**628,2**	**1 064,5**
Selling, general and administrative expenses	(318,2)	(333,2)	(345,2)	(316,4)	(347,5)	(386,6)	(482,0)	(830,7)
Acquisition-related costs	-	-	-	-	-	-	(32,5)	(41,5)
Restructuring costs	-	-	-	(29,7)	(2,8)	-	-	-
Operating profit	**123,3**	**138,8**	**140,8**	**85,6**	**142,2**	**170,2**	**113,7**	**192,3**
Interest expense	(3,0)	(2,5)	(2,9)	(0,5)	(0,6)	(1,4)	(14,6)	(52,0)
Interest income	3,2	3,1	1,8	0,4	0,2	0,4	0,6	-
Acquisition-related interest expense	-	-	-	-	-	-	(5,2)	-
Debt extinguishment costs	-	-	-	-	-	-	-	(13,1)
Other expenses	(1,2)	(0,9)	0,8	0,2	1,4	(0,3)	(0,3)	0,5
Earnings before income taxes	**122,3**	**138,6**	**140,6**	**85,7**	**143,2**	**168,9**	**94,2**	**127,7**
Income taxes	(38,6)	(45,7)	(44,8)	(23,8)	(38,8)	(45,6)	(13,4)	(26,7)
Net income before minority interest	**83,6**	**92,9**	**95,8**	**61,9**	**104,5**	**123,3**	**80,8**	**101,0**
Minority interest	-	-	-	-	-	-	(0,1)	(0,6)
Net income	**83,6**	**92,9**	**95,8**	**61,9**	**104,5**	**123,3**	**80,7**	**100,4**

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.23. Appendix 23 – Income statement of Tod's

Appendix 23 - Income statement of Tod's								
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
Revenue	**582 229**	**670 054**	**722 325**	**728 589**	**806 358**	**909 632**	**985 192**	**983 120**
Change in inventories of work in process and finished goods	35 751	30 296	20 542	(48 111)	952	31 798	33 456	16 549
Cost of raw materials, supplies, and material for consumption	(170 867)	(187 103)	(180 308)	(145 998)	(178 829)	(224 662)	(282 779)	(267 948)
Cost of services	(180 274)	(213 991)	(237 097)	(201 343)	(238 514)	(265 993)	(226 049)	(211 761)
Costs of use of third party assets	(32 898)	(38 660)	(44 473)	(51 377)	(58 714)	(64 671)	(85 747)	(101 778)
Operating lease payments	*(31 000)*	*(35 800)*	*(41 500)*	*(48 600)*	*(55 100)*	*(59 300)*	*(77 100)*	*(89 800)*
Other costs	*(1 898)*	*(2 860)*	*(2 973)*	*(2 777)*	*(3 614)*	*(5 371)*	*(8 647)*	*(11 978)*
Costs of labour	(80 409)	(89 327)	(104 597)	(107 340)	(117 751)	(126 840)	(143 004)	(151 665)
Other operating charges	(16 058)	(18 296)	(20 760)	(15 767)	(20 443)	(26 847)	(30 902)	(30 200)
EBITDA	**137 474**	**152 973**	**155 632**	**158 653**	**193 059**	**232 417**	**250 167**	**236 317**
Amortisation	(4 740)	(5 141)	(6 611)	(7 242)	(7 599)	(9 957)	(8 935)	(8 889)
Depreciation	(18 639)	(20 423)	(22 509)	(23 237)	(24 476)	(25 845)	(29 154)	(30 395)
Other adjustments	-	(494)	242	(562)	-	(86)	(246)	-
Provisions	(356)	(383)	(725)	(1 164)	(1 040)	(1 899)	(2 995)	(3 878)
EBIT	**113 739**	**126 532**	**126 029**	**126 448**	**159 944**	**194 630**	**208 837**	**193 155**
Financial income	9 701	9 948	22 541	14 256	19 371	18 522	18 174	18 201
Financial charges	(10 264)	(9 811)	(23 179)	(14 159)	(15 963)	(16 266)	(19 294)	(20 184)
Interest expense	*(580)*	*(670)*	*(784)*	*(650)*	*(668)*	*(1 621)*	*(1 475)*	*(1 059)*
Other expenses	*(9 684)*	*(9 141)*	*(22 395)*	*(13 509)*	*(15 295)*	*(14 645)*	*(17 819)*	*(19 125)*
Profit before taxes	**113 176**	**126 669**	**125 391**	**126 545**	**163 352**	**196 886**	**207 717**	**191 172**
Income taxes	(46 360)	(47 943)	(41 498)	(40 405)	(52 566)	(61 198)	(61 980)	(57 172)
Net profit for the year	**66 816**	**78 726**	**83 893**	**86 140**	**110 786**	**135 688**	**145 737**	**134 000**
Minority interest	(704)	(1 394)	(1 139)	(472)	(1 710)	(691)	(276)	(220)
Net profit for the Group	**66 112**	**77 332**	**82 754**	**85 668**	**109 076**	**134 997**	**145 461**	**133 780**

Source: Tod's annual reports 2006-2013, Independent analysis

12.24. Appendix 24 – Crocs' tax calculations

Appendix 24 - Crocs' tax calculations								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
Taxes paid	(32 209)	(72 098)	4 434	6 543	(13 066)	(23 902)	(14 205)	(49 539)
Operating tax	(32 644)	(69 299)	3 743	6 116	(13 292)	(24 159)	(15 090)	(58 003)
Financial tax	(435)	2 799	(691)	(427)	(226)	(257)	(885)	(8 464)
Effective tax rate	33,3%	30,0%	2,3%	13,5%	16,2%	17,5%	9,8%	82,6%

Source: Crocs' annual reports 2006-2013, Independent analysis

12.25. Appendix 25 – Deckers' tax calculations

Appendix 25 - Deckers' tax calculations								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
Taxes paid	(22 743)	(43 602)	(46 631)	(66 304)	(89 732)	(83 404)	(55 104)	(59 868)
Operating tax	(22 148)	(42 346)	(45 846)	(66 392)	(90 949)	(84 877)	(58 135)	(61 924)
Financial tax	595	1 256	785	(88)	(1 217)	(1 473)	(3 031)	(2 056)
Effective tax rate	42,6%	39,6%	38,7%	36,2%	35,9%	29,2%	29,9%	29,1%

Source: Deckers' annual reports 2006-2013, Independent analysis

12.26. Appendix 26 – Geox's tax calculations

Appendix 26 - Geox's tax calculations								
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
Taxes paid	(36 652)	(55 377)	(48 875)	(46 168)	(32 236)	(27 959)	(7 675)	8 730
Operating tax	(37 930)	(59 083)	(53 675)	(52 333)	(37 341)	(33 868)	(13 967)	11 711
Financial tax	(1 278)	(3 706)	(4 800)	(6 165)	(5 105)	(5 909)	(6 292)	2 981
Effective tax rate	27,4%	31,0%	29,3%	40,9%	35,7%	35,9%	43,3%	(22,7%)

Source: Geox's annual reports 2006-2013, Independent analysis

12.27. Appendix 27 – Wolverine's tax calculations

Appendix 27 - Wolverine's tax calculations								
$ million	2006	2007	2008	2009	2010	2011	2012	2013
Taxes paid	(38,6)	(45,7)	(44,8)	(23,8)	(38,8)	(45,6)	(13,4)	(26,7)
Operating tax	(39,4)	(46,4)	(45,5)	(24,4)	(39,2)	(47,2)	(16,9)	(41,3)
Financial tax	(0,8)	(0,7)	(0,8)	(0,6)	(0,4)	(1,6)	(3,5)	(14,6)
Effective tax rate	31,6%	33,0%	31,8%	27,8%	27,1%	27,0%	14,2%	20,9%

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.28. Appendix 28 – Tod's tax calculations

Appendix 28 - Tod's tax calculations								
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
Taxes paid	(46 360)	(47 943)	(41 498)	(40 405)	(52 566)	(61 198)	(61 980)	(57 172)
Operating tax	(47 609)	(49 004)	(42 747)	(42 084)	(53 389)	(62 697)	(64 657)	(59 622)
Financial tax	(1 249)	(1 061)	(1 249)	(1 679)	(823)	(1 499)	(2 677)	(2 450)
Effective tax rate	41,0%	37,8%	33,1%	31,9%	32,2%	31,1%	29,8%	29,9%

Source: Tod's annual reports 2006-2013, Independent analysis

12.29. Appendix 29 – Crocs' capitalisation of rental and lease payments

Appendix 29 - Crocs' capitalisation of rental and lease payments								
Cost of debt (R_d)	2,13%							
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
Asset life, years	5,6	5,2	3,1	2,4	2,4	2,5	3,6	3,6
Rental and lease payments	(8 300)	(26 000)	(52 700)	(59 600)	(67 300)	(81 741)	(100 571)	(119 253)
Asset value	121 464	154 352	135 735	152 049	191 173	332 843	396 612	334 107
Rental and lease depreciation	(5 716)	(22 716)	(49 812)	(56 365)	(63 233)	(74 659)	(92 133)	(112 145)
Rental and lease interest	(2 584)	(3 284)	(2 888)	(3 235)	(4 067)	(7 082)	(8 438)	(7 108)

Source: Crocs' annual reports 2006-2013, Independent analysis

12.30. Appendix 30 – Deckers' capitalisation of rental and lease payments

Appendix 30 - Deckers' capitalisation of rental and lease payments								
Cost of debt (R_d)	2,37%							
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
Asset life	3,0	4,3	5,7	4,9	5,0	6,6	5,6	5,8
Rental and lease payments	(3 776)	(5 509)	(11 096)	(14 854)	(21 047)	(32 730)	(46 636)	(60 189)
Asset value	21 668	55 585	65 605	93 725	186 259	230 595	307 992	199 212
Rental and lease depreciation	(3 263)	(4 192)	(9 542)	(12 634)	(16 634)	(27 267)	(39 340)	(55 470)
Rental and lease interest	(513)	(1 317)	(1 554)	(2 220)	(4 413)	(5 463)	(7 296)	(4 719)

Source: Deckers' annual reports 2006-2013, Independent analysis

12.31. Appendix 31 – Geox's capitalisation of rental and lease payments

Appendix 31 - Geox's capitalisation of rental and lease payments								
Cost of debt (R_d)	1,76%							
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
Asset life	5,5	8,3	17,0	14,3	11,1	11,0	10,5	9,1
Rental and lease payments	(20 002)	(28 844)	(45 882)	(60 014)	(66 879)	(68 301)	(77 137)	(88 784)
Asset value	208 605	599 842	687 246	619 683	631 257	685 961	696 356	527 312
Rental and lease depreciation	(16 326)	(18 274)	(33 772)	(49 095)	(55 756)	(56 214)	(64 867)	(79 492)
Rental and lease interest	(3 676)	(10 570)	(12 110)	(10 919)	(11 123)	(12 087)	(12 270)	(9 292)

Source: Geox's annual reports 2006-2013, Independent analysis

12.32. Appendix 32 – Wolverine's capitalisation of rental and lease payments

Appendix 32 - Wolverine's capitalisation of rental and lease payments								
Cost of debt (R_d)	2,66%							
$ million	2006	2007	2008	2009	2010	2011	2012	2013
Asset life	4,2	4,2	4,6	4,6	5,1	5,3	7,1	4,0
Rental and lease payments	(13,9)	(14,7)	(18,3)	(19,2)	(18,9)	(20,1)	(29,4)	(55,9)
Asset value	55,7	75,5	79,3	85,4	92,9	174,8	202,9	190,3
Rental and lease depreciation	(12,5)	(12,7)	(16,1)	(16,9)	(16,4)	(15,4)	(24,0)	(50,8)
Rental and lease interest	(1,5)	(2,0)	(2,1)	(2,3)	(2,5)	(4,7)	(5,4)	(5,1)

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.33. Appendix 33 – Tod's capitalisation of rental and lease payments

Appendix 33 - Tod's capitalisation of rental and lease payments								
Cost of debt (R_d)	1,51%							
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
Asset life	5,5	4,9	5,0	4,6	7,1	7,4	6,7	6,3
Rental and lease payments	(31 000)	(35 800)	(41 500)	(48 600)	(55 100)	(59 300)	(77 100)	(89 800)
Asset value	164 272	194 281	207 208	353 839	394 146	467 675	518 614	410 188
Rental and lease depreciation	(28 513)	(32 859)	(38 363)	(43 244)	(49 134)	(52 221)	(69 250)	(83 591)
Rental and lease interest	(2 487)	(2 941)	(3 137)	(5 356)	(5 966)	(7 079)	(7 850)	(6 209)

Source: Tod's annual reports 2006-2013, Independent analysis

12.34. Appendix 34 – Reformulated income statement of Crocs

Appendix 34 - Reformulated income statement of Crocs								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
Revenues	354 728	847 350	721 589	645 767	789 695	1 000 903	1 123 301	1 192 680
Cost of sales	(154 158)	(349 701)	(486 722)	(337 720)	(364 631)	(464 493)	(515 324)	(569 482)
Restructuring charges	-	-	(901)	(7 086)	(1 300)	-	-	-
Gross profit	200 570	497 649	233 966	300 961	423 764	536 410	607 977	623 198
Selling, general and administrative expenses	(105 224)	(268 978)	(341 518)	(311 592)	(342 961)	(404 803)	(460 393)	(549 154)
Rental and lease payments	*(8 300)*	*(26 000)*	*(52 700)*	*(59 600)*	*(67 300)*	*(81 741)*	*(100 571)*	*(119 253)*
Other expenses	*(96 924)*	*(242 978)*	*(288 818)*	*(251 992)*	*(275 661)*	*(323 062)*	*(359 822)*	*(429 901)*
Restructuring charges	-	-	(7 664)	(7 623)	(2 539)	-	-	-
Goodwill impairment	-	-	(23 867)	-	-	-	-	-
Asset impairment charges	-	-	(21 917)	(26 085)	(141)	(528)	(1 410)	(10 949)
EBIT	95 346	228 671	(161 000)	(44 339)	78 123	131 079	146 174	63 095
Adjustments:								
Rental and lease payments	*8 300*	*26 000*	*52 700*	*59 600*	*67 300*	*81 741*	*100 571*	*119 253*
Lease depreciation	*(5 716)*	*(22 716)*	*(49 812)*	*(56 365)*	*(63 233)*	*(74 659)*	*(92 133)*	*(112 145)*
Adjusted EBIT	97 930	231 955	(158 112)	(41 104)	82 190	138 161	154 612	70 203
Operating tax	(32 644)	(69 299)	3 743	6 116	(13 292)	(24 159)	(15 090)	(58 003)
NOPLAT	65 286	162 656	(154 370)	(34 988)	68 898	114 001	139 523	12 200
Reconciliation with net income								
Special and non-operating items								
Net charitable contributions	-	(959)	(1 844)	(4 347)	-	-	-	-
Total special and non-operating items	-	(959)	(1 844)	(4 347)	-	-	-	-
Financial items								
Rental and lease interest	(2 584)	(3 284)	(2 888)	(3 235)	(4 067)	(7 082)	(8 438)	(7 108)
Net foreign currency translation	-	10 055	(25 438)	665	2 325	4 886	(2 500)	(4 678)
Interest income	-	-	-	-	-	957	1 697	2 432
Interest expense	(567)	(438)	(1 793)	(1 495)	(657)	(853)	(837)	(1 016)
Other income, net	1 847	2 997	565	895	1 001	621	1 014	126
Total financial items	(1 304)	9 330	(29 554)	(3 170)	(1 398)	(1 471)	(9 064)	(10 244)
Financial tax	435	(2 799)	691	427	226	257	885	8 464
Net income	64 417	168 228	(185 076)	(42 078)	67 726	112 788	131 343	10 420

Source: Crocs' annual reports 2006-2013, Independent analysis

12.35. Appendix 35 – Reformulated income statement of Deckers

Appendix 35 - Reformulated income statement of Deckers								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
Net sales	**304 423**	**448 929**	**689 445**	**813 177**	**1 000 989**	**1 377 283**	**1 414 398**	**1 556 618**
Cost of sales	(163 692)	(241 458)	(384 127)	(442 087)	(498 051)	(698 288)	(782 244)	(820 135)
Gross profit	**140 731**	**207 471**	**305 318**	**371 090**	**502 938**	**678 995**	**632 154**	**736 483**
Selling, general and administrative expenses	(73 989)	(101 918)	(152 574)	(189 843)	(253 850)	(394 157)	(445 206)	(528 586)
Rental and lease payments	*(3 776)*	*(5 509)*	*(11 096)*	*(14 854)*	*(21 047)*	*(32 730)*	*(46 636)*	*(60 189)*
Other expenses	*(70 213)*	*(96 409)*	*(141 478)*	*(174 989)*	*(232 803)*	*(361 427)*	*(398 570)*	*(468 397)*
Impairment loss	(15 300)	-	(35 825)	-	-	-	-	-
EBIT	**51 442**	**105 553**	**116 919**	**181 247**	**249 088**	**284 838**	**186 948**	**207 897**
Adjustments:								
Rental and lease payments	*3 776*	*5 509*	*11 096*	*14 854*	*21 047*	*32 730*	*46 636*	*60 189*
Lease depreciation	*(3 263)*	*(4 192)*	*(9 542)*	*(12 634)*	*(16 634)*	*(27 267)*	*(39 340)*	*(55 470)*
Adjusted EBIT	**51 955**	**106 870**	**118 473**	**183 467**	**253 501**	**290 301**	**194 244**	**212 616**
Operating tax	(22 148)	(42 346)	(45 846)	(66 392)	(90 949)	(84 877)	(58 135)	(61 924)
NOPLAT	**29 808**	**64 524**	**72 627**	**117 075**	**162 552**	**205 424**	**136 110**	**150 692**
Reconciliation with net income								
Special and non-operating items	-	-	-	-	-	-	-	-
Financial items								
Rental and lease interest	(513)	(1 317)	(1 554)	(2 220)	(4 413)	(5 463)	(7 296)	(4 719)
Interest income	2 432	4 855	3 190	1 010	234	180	217	60
Interest expense	(350)	(768)	142	875	(566)	(249)	(3 840)	(3 079)
Other income/expenses	(172)	399	251	91	1 353	493	793	679
Total financial items	**1 397**	**3 169**	**2 029**	**(244)**	**(3 392)**	**(5 039)**	**(10 126)**	**(7 059)**
Financial tax	(595)	(1 256)	(785)	88	1 217	1 473	3 031	2 056
Minority interest	-	-	77	(133)	(2 142)	(2 806)	-	-
Net income	**30 609**	**66 437**	**73 948**	**116 786**	**158 235**	**199 052**	**129 014**	**145 689**

Source: Deckers' annual reports 2006-2013, Independent analysis

12.36. Appendix 36 – Reformulated income statement of Geox

Appendix 36 - Reformulated income statement of Geox								
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
Net sales	**612 258**	**770 162**	**892 513**	**865 010**	**850 076**	**887 272**	**807 615**	**754 191**
Cost of sales	(302 018)	(358 314)	(424 461)	(426 957)	(435 146)	(478 140)	(419 522)	(402 701)
Gross profit	**310 240**	**411 848**	**468 052**	**438 053**	**414 930**	**409 132**	**388 093**	**351 490**
Selling and distribution costs	(30 882)	(36 692)	(43 248)	(42 409)	(44 730)	(45 581)	(43 379)	(46 634)
General and administrative expenses	(94 195)	(133 432)	(185 442)	(214 731)	(228 977)	(234 702)	(251 907)	(281 960)
Rental and lease payments	*(20 002)*	*(28 844)*	*(45 882)*	*(60 014)*	*(66 879)*	*(68 301)*	*(77 137)*	*(88 784)*
Other expenses	*(74 193)*	*(104 588)*	*(139 560)*	*(154 717)*	*(162 098)*	*(166 401)*	*(174 770)*	*(193 176)*
Advertising and promotion	(50 257)	(62 003)	(66 061)	(46 216)	(47 420)	(45 935)	(45 777)	(38 750)
Net asset impairment	-	-	(1 955)	(12 363)	-	-	(2 640)	(4 725)
EBIT	**134 906**	**179 721**	**171 346**	**122 334**	**93 803**	**82 914**	**44 390**	**(20 579)**
Adjustments:								
Rental and lease payments	*20 002*	*28 844*	*45 882*	*60 014*	*66 879*	*68 301*	*77 137*	*88 784*
Lease depreciation	*(16 326)*	*(18 274)*	*(33 772)*	*(49 095)*	*(55 756)*	*(56 214)*	*(64 867)*	*(79 492)*
Adjusted EBIT	**138 582**	**190 291**	**183 456**	**133 253**	**104 926**	**95 001**	**56 660**	**(11 287)**
Operating tax	(37 930)	(59 083)	(53 675)	(52 333)	(37 341)	(33 868)	(13 967)	11 711
NOPLAT	**100 652**	**131 208**	**129 780**	**80 920**	**67 585**	**61 133**	**42 694**	**423**
Reconciliation with net income								
Special and non-operating items								
Special items	-	-	-	(5 306)	(396)	(582)	(24 425)	(14 054)
Total special and non-operating items	**-**	**-**	**-**	**(5 306)**	**(396)**	**(582)**	**(24 425)**	**(14 054)**
Financial items								
Rental and lease interest	(3 676)	(10 570)	(12 110)	(10 919)	(11 123)	(12 087)	(12 270)	(9 292)
Interest income	3 694	4 987	3 213	2 894	1 817	2 544	4 703	3 844
Interest expense	(4 393)	(5 419)	(7 606)	(6 989)	(4 554)	(7 645)	(7 720)	(7 748)
Exchange differences	(293)	(934)	96	(59)	(431)	715	766	58
Total financial items	**(4 668)**	**(11 936)**	**(16 407)**	**(15 073)**	**(14 291)**	**(16 473)**	**(14 521)**	**(13 138)**
Financial tax	1 278	3 706	4 800	6 165	5 105	5 909	6 292	(2 981)
Net income	**97 262**	**122 978**	**118 174**	**66 706**	**58 003**	**49 987**	**10 039**	**(29 749)**

Source: Geox's annual reports 2006-2013, Independent analysis

12.37. Appendix 37 – Reformulated income statement of Wolverine

Appendix 37 - Reformulated income statement of Wolverine								
$ million	2006	2007	2008	2009	2010	2011	2012	2013
Revenue	**1 141,9**	**1 199,0**	**1 220,6**	**1 101,1**	**1 248,5**	**1 409,1**	**1 640,8**	**2 691,1**
Cost of goods sold	(700,3)	(727,0)	(734,5)	(663,5)	(754,5)	(852,3)	(1 008,1)	(1 619,0)
Restructuring costs	-	-	-	(5,9)	(1,4)	-	-	(7,6)
Gross profit	**441,5**	**471,9**	**486,0**	**431,7**	**492,6**	**556,8**	**632,7**	**1 064,5**
Selling, general and administrative expenses	(318,2)	(333,2)	(345,2)	(316,4)	(347,5)	(386,6)	(482,0)	(830,7)
Operating lease payments	*(13,9)*	*(14,7)*	*(18,3)*	*(19,2)*	*(18,9)*	*(20,1)*	*(29,4)*	*(55,9)*
Other expenses	*(304,3)*	*(318,5)*	*(326,9)*	*(297,2)*	*(328,6)*	*(366,5)*	*(452,6)*	*(774,8)*
Restructuring costs	-	-	-	(29,7)	(2,8)	-	-	-
EBIT	**123,3**	**138,8**	**140,8**	**85,6**	**142,2**	**170,2**	**150,7**	**233,8**
Adjustments:								
Rental and lease payments	*13,9*	*14,7*	*18,3*	*19,2*	*18,9*	*20,1*	*29,4*	*55,9*
Lease depreciation	*(12,5)*	*(12,7)*	*(16,1)*	*(16,9)*	*(16,4)*	*(15,4)*	*(24,0)*	*(50,8)*
Adjusted EBIT	**124,8**	**140,8**	**142,9**	**87,9**	**144,7**	**174,9**	**156,1**	**238,9**
Operating tax	(39,4)	(46,4)	(45,5)	(24,4)	(39,2)	(47,2)	(16,9)	(41,3)
NOPLAT	**85,3**	**94,4**	**97,4**	**63,5**	**105,6**	**127,6**	**139,2**	**197,6**
Reconciliation with net income								
Special and non-operating items								
Acquisition-related costs	-	-	-	-	-	-	(37,0)	(41,5)
Total special and non-operating items	**-**	**-**	**-**	**-**	**-**	**-**	**(37,0)**	**(41,5)**
Financial items								
Rental and lease interest	(1,5)	(2,0)	(2,1)	(2,3)	(2,5)	(4,7)	(5,4)	(5,1)
Interest expense	(3,0)	(2,5)	(2,9)	(0,5)	(0,6)	(1,4)	(14,6)	(52,0)
Interest income	3,2	3,1	1,8	0,4	0,2	0,4	0,6	-
Acquisition-related interest expense	-	-	-	-	-	-	(5,2)	-
Debt extinguishment costs	-	-	-	-	-	-	-	(13,1)
Other expenses	(1,2)	(0,9)	0,8	0,2	1,4	(0,3)	(0,3)	0,5
Total financial items	**(2,5)**	**(2,2)**	**(2,4)**	**(2,2)**	**(1,5)**	**(6,0)**	**(24,9)**	**(69,7)**
Financial tax	0,8	0,7	0,8	0,6	0,4	1,6	3,5	14,6
Minority interest	-	-	-	-	-	-	(0,1)	(0,6)
Net income	**83,6**	**92,9**	**95,8**	**61,9**	**104,5**	**123,3**	**80,7**	**100,4**

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.38. Appendix 38 – Reformulated income statement of Tod's

Appendix 38 - Reformulated income statement of Tod's								
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
Revenue	**582 229**	**670 054**	**722 325**	**728 589**	**806 358**	**909 632**	**985 192**	**983 120**
Change in inventories of work in process and finished goods	35 751	30 296	20 542	(48 111)	952	31 798	33 456	16 549
Cost of raw materials, supplies, and material for consumption	(170 867)	(187 103)	(180 308)	(145 998)	(178 829)	(224 662)	(282 779)	(267 948)
Cost of services	(180 274)	(213 991)	(237 097)	(201 343)	(238 514)	(265 993)	(226 049)	(211 761)
Costs of use of third party assets	(32 898)	(38 660)	(44 473)	(51 377)	(58 714)	(64 671)	(85 747)	(101 778)
Operating lease payments	*(31 000)*	*(35 800)*	*(41 500)*	*(48 600)*	*(55 100)*	*(59 300)*	*(77 100)*	*(89 800)*
Other costs	*(1 898)*	*(2 860)*	*(2 973)*	*(2 777)*	*(3 614)*	*(5 371)*	*(8 647)*	*(11 978)*
Costs of labour	(80 409)	(89 327)	(104 597)	(107 340)	(117 751)	(126 840)	(143 004)	(151 665)
Other operating charges	(16 058)	(18 296)	(20 760)	(15 767)	(20 443)	(26 847)	(30 902)	(30 200)
EBITDA	**137 474**	**152 973**	**155 632**	**158 653**	**193 059**	**232 417**	**250 167**	**236 317**
Amortisation	(4 740)	(5 141)	(6 611)	(7 242)	(7 599)	(9 957)	(8 935)	(8 889)
Depreciation	(18 639)	(20 423)	(22 509)	(23 237)	(24 476)	(25 845)	(29 154)	(30 395)
Other adjustments	-	(494)	242	(562)	-	(86)	(246)	-
Provisions	(356)	(383)	(725)	(1 164)	(1 040)	(1 899)	(2 995)	(3 878)
EBIT	**113 739**	**126 532**	**126 029**	**126 448**	**159 944**	**194 630**	**208 837**	**193 155**
Adjustments:								
Rental and lease payments	*31 000*	*35 800*	*41 500*	*48 600*	*55 100*	*59 300*	*77 100*	*89 800*
Lease depreciation	*(28 513)*	*(32 859)*	*(38 363)*	*(43 244)*	*(49 134)*	*(52 221)*	*(69 250)*	*(83 591)*
Adjusted EBIT	**116 226**	**129 473**	**129 166**	**131 804**	**165 910**	**201 709**	**216 687**	**199 364**
Operating tax	(47 609)	(49 004)	(42 747)	(42 084)	(53 389)	(62 697)	(64 657)	(59 622)
NOPLAT	**68 616**	**80 469**	**86 418**	**89 720**	**112 521**	**139 012**	**152 031**	**139 742**
Reconciliation with net income								
Total special and non-operating items	-	-	-	-	-	-	-	-
Financial items								
Rental and lease interest	(2 487)	(2 941)	(3 137)	(5 356)	(5 966)	(7 079)	(7 850)	(6 209)
Financial income	9 701	9 948	22 541	14 256	19 371	18 522	18 174	18 201
Financial charges	(10 264)	(9 811)	(23 179)	(14 159)	(15 963)	(16 266)	(19 294)	(20 184)
Interest expense	*(580)*	*(670)*	*(784)*	*(650)*	*(668)*	*(1 621)*	*(1 475)*	*(1 059)*
Other expenses	*(9 684)*	*(9 141)*	*(22 395)*	*(13 509)*	*(15 295)*	*(14 645)*	*(17 819)*	*(19 125)*
Total financial items	**(3 050)**	**(2 804)**	**(3 775)**	**(5 259)**	**(2 558)**	**(4 823)**	**(8 970)**	**(8 192)**
Financial tax	1 249	1 061	1 249	1 679	823	1 499	2 677	2 450
Minority interest	(704)	(1 394)	(1 139)	(472)	(1 710)	(691)	(276)	(220)
Net income	**66 112**	**77 332**	**82 754**	**85 668**	**109 076**	**134 997**	**145 461**	**133 780**

Source: Tod's annual reports 2006-2013, Independent analysis

12.39. Appendix 39 – Common-size analysis of reformulated income statement of Crocs

Appendix 39 - Common-size analysis of reformulated income statement of Crocs								
As percentage of revenue	2006	2007	2008	2009	2010	2011	2012	2013
Revenues	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
Cost of sales	(43,5%)	(41,3%)	(67,5%)	(52,3%)	(46,2%)	(46,4%)	(45,9%)	(47,7%)
Restructuring charges	-	-	(0,1%)	(1,1%)	(0,2%)	-	-	-
Gross profit	**56,5%**	**58,7%**	**32,4%**	**46,6%**	**53,7%**	**53,6%**	**54,1%**	**52,3%**
Selling, general and administrative expenses	(29,7%)	(31,7%)	(47,3%)	(48,3%)	(43,4%)	(40,4%)	(41,0%)	(46,0%)
Rental and lease payments	*(2,3%)*	*(3,1%)*	*(7,3%)*	*(9,2%)*	*(8,5%)*	*(8,2%)*	*(9,0%)*	*(10,0%)*
Other expenses	*(27,3%)*	*(28,7%)*	*(40,0%)*	*(39,0%)*	*(34,9%)*	*(32,3%)*	*(32,0%)*	*(36,0%)*
Restructuring charges	-	-	(1,1%)	(1,2%)	(0,3%)	-	-	-
Goodwill impairment	-	-	(3,3%)	-	-	-	-	-
Asset impairment charges	-	-	(3,0%)	(4,0%)	(0,0%)	(0,1%)	(0,1%)	(0,9%)
EBIT	**26,9%**	**27,0%**	**(22,3%)**	**(6,9%)**	**9,9%**	**13,1%**	**13,0%**	**5,3%**
Adjustments:								
Rental and lease payments	*2,3%*	*3,1%*	*7,3%*	*9,2%*	*8,5%*	*8,2%*	*9,0%*	*10,0%*
Lease depreciation	*(1,6%)*	*(2,7%)*	*(6,9%)*	*(8,7%)*	*(8,0%)*	*(7,5%)*	*(8,2%)*	*(9,4%)*
Adjusted EBIT	**27,6%**	**27,4%**	**(21,9%)**	**(6,4%)**	**10,4%**	**13,8%**	**13,8%**	**5,9%**
Operating tax	(9,2%)	(8,2%)	0,5%	0,9%	(1,7%)	(2,4%)	(1,3%)	(4,9%)
NOPLAT	**18,4%**	**19,2%**	**(21,4%)**	**(5,4%)**	**8,7%**	**11,4%**	**12,4%**	**1,0%**

Source: Crocs' annual reports 2006-2013, Independent analysis

12.40. Appendix 40 – Common-size analysis of reformulated income statement of Deckers

Appendix 40 - Common-size analysis of reformulated income statement of Deckers								
As percentage of revenue	2006	2007	2008	2009	2010	2011	2012	2013
Net sales	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
Cost of sales	(53,8%)	(53,8%)	(55,7%)	(54,4%)	(49,8%)	(50,7%)	(55,3%)	(52,7%)
Gross profit	**46,2%**	**46,2%**	**44,3%**	**45,6%**	**50,2%**	**49,3%**	**44,7%**	**47,3%**
Selling, general and administrative expenses	(24,3%)	(22,7%)	(22,1%)	(23,3%)	(25,4%)	(28,6%)	(31,5%)	(34,0%)
Rental and lease payments	*(1,2%)*	*(1,2%)*	*(1,6%)*	*(1,8%)*	*(2,1%)*	*(2,4%)*	*(3,3%)*	*(3,9%)*
Other expenses	*(23,1%)*	*(21,5%)*	*(20,5%)*	*(21,5%)*	*(23,3%)*	*(26,2%)*	*(28,2%)*	*(30,1%)*
Impairment loss	(5,0%)	-	(5,2%)	-	-	-	-	-
EBIT	**16,9%**	**23,5%**	**17,0%**	**22,3%**	**24,9%**	**20,7%**	**13,2%**	**13,4%**
Adjustments:								
Rental and lease payments	*1,2%*	*1,2%*	*1,6%*	*1,8%*	*2,1%*	*2,4%*	*3,3%*	*3,9%*
Lease depreciation	*(1,1%)*	*(0,9%)*	*(1,4%)*	*(1,6%)*	*(1,7%)*	*(2,0%)*	*(2,8%)*	*(3,6%)*
Adjusted EBIT	**17,1%**	**23,8%**	**17,2%**	**22,6%**	**25,3%**	**21,1%**	**13,7%**	**13,7%**
Operating tax	(7,3%)	(9,4%)	(6,6%)	(8,2%)	(9,1%)	(6,2%)	(4,1%)	(4,0%)
NOPLAT	**9,8%**	**14,4%**	**10,5%**	**14,4%**	**16,2%**	**14,9%**	**9,6%**	**9,7%**

Source: Deckers' annual reports 2006-2013, Independent analysis

12.41. Appendix 41 – Common-size analysis of reformulated income statement of Geox

Appendix 41 - Common-size analysis of reformulated income statement of Geox								
As percentage of revenue	2006	2007	2008	2009	2010	2011	2012	2013
Net sales	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
Cost of sales	(49,3%)	(46,5%)	(47,6%)	(49,4%)	(51,2%)	(53,9%)	(51,9%)	(53,4%)
Gross profit	**50,7%**	**53,5%**	**52,4%**	**50,6%**	**48,8%**	**46,1%**	**48,1%**	**46,6%**
Selling and distribution costs	(5,0%)	(4,8%)	(4,8%)	(4,9%)	(5,3%)	(5,1%)	(5,4%)	(6,2%)
General and administrative expenses	(15,4%)	(17,3%)	(20,8%)	(24,8%)	(26,9%)	(26,5%)	(31,2%)	(37,4%)
Rental and lease payments	*(3,3%)*	*(3,7%)*	*(5,1%)*	*(6,9%)*	*(7,9%)*	*(7,7%)*	*(9,6%)*	*(11,8%)*
Other expenses	*(12,1%)*	*(13,6%)*	*(15,6%)*	*(17,9%)*	*(19,1%)*	*(18,8%)*	*(21,6%)*	*(25,6%)*
Advertising and promotion	(8,2%)	(8,1%)	(7,4%)	(5,3%)	(5,6%)	(5,2%)	(5,7%)	(5,1%)
Net asset impairment	-	-	(0,2%)	(1,4%)	-	-	(0,3%)	(0,6%)
EBIT	**22,0%**	**23,3%**	**19,2%**	**14,1%**	**11,0%**	**9,3%**	**5,5%**	**(2,7%)**
Adjustments:								
Rental and lease payments	*3,3%*	*3,7%*	*5,1%*	*6,9%*	*7,9%*	*7,7%*	*9,6%*	*11,8%*
Lease depreciation	*(2,7%)*	*(2,4%)*	*(3,8%)*	*(5,7%)*	*(6,6%)*	*(6,3%)*	*(8,0%)*	*(10,5%)*
Adjusted EBIT	**22,6%**	**24,7%**	**20,6%**	**15,4%**	**12,3%**	**10,7%**	**7,0%**	**(1,5%)**
Operating tax	(6,2%)	(7,7%)	(6,0%)	(6,1%)	(4,4%)	(3,8%)	(1,7%)	1,6%
NOPLAT	**16,4%**	**17,0%**	**14,5%**	**9,4%**	**8,0%**	**6,9%**	**5,3%**	**0,1%**

Source: Geox's annual reports 2006-2013, Independent analysis

12.42. Appendix 42 – Common-size analysis of reformulated income statement of Wolverine

Appendix 42 - Common-size analysis of reformulated income statement of Wolverine								
As percentage of revenue	2006	2007	2008	2009	2010	2011	2012	2013
Revenue	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
Cost of goods sold	(61,3%)	(60,6%)	(60,2%)	(60,3%)	(60,4%)	(60,5%)	(61,4%)	(60,2%)
Restructuring costs	-	-	-	(0,5%)	(0,1%)	-	-	(0,3%)
Gross profit	**38,7%**	**39,4%**	**39,8%**	**39,2%**	**39,5%**	**39,5%**	**38,6%**	**39,6%**
Selling, general and administrative expenses	(27,9%)	(27,8%)	(28,3%)	(28,7%)	(27,8%)	(27,4%)	(29,4%)	(30,9%)
Operating lease payments	*(1,2%)*	*(1,2%)*	*(1,5%)*	*(1,7%)*	*(1,5%)*	*(1,4%)*	*(1,8%)*	*(2,1%)*
Other expenses	*(26,6%)*	*(26,6%)*	*(26,8%)*	*(27,0%)*	*(26,3%)*	*(26,0%)*	*(27,6%)*	*(28,8%)*
Restructuring costs	-	-	-	(2,7%)	(0,2%)	-	-	-
EBIT	**10,8%**	**11,6%**	**11,5%**	**7,8%**	**11,4%**	**12,1%**	**9,2%**	**8,7%**
Adjustments:								
Rental and lease payments	*1,2%*	*1,2%*	*1,5%*	*1,7%*	*1,5%*	*1,4%*	*1,8%*	*2,1%*
Lease depreciation	*(1,1%)*	*(1,1%)*	*(1,3%)*	*(1,5%)*	*(1,3%)*	*(1,1%)*	*(1,5%)*	*(1,9%)*
Adjusted EBIT	**10,9%**	**11,7%**	**11,7%**	**8,0%**	**11,6%**	**12,4%**	**9,5%**	**8,9%**
Operating tax	(3,5%)	(3,9%)	(3,7%)	(2,2%)	(3,1%)	(3,4%)	(1,0%)	(1,5%)
NOPLAT	**7,5%**	**7,9%**	**8,0%**	**5,8%**	**8,5%**	**9,1%**	**8,5%**	**7,3%**

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.43. Appendix 43 – Common-size analysis of reformulated income statement of Tod's

Appendix 43 - Common-size analysis of reformulated income statement of Tod's								
As percentage of revenue	2006	2007	2008	2009	2010	2011	2012	2013
Revenue	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
Change in inventories of work in process and finished goods	6,1%	4,5%	2,8%	(6,6%)	0,1%	3,5%	3,4%	1,7%
Cost of raw materials, supplies, and material for consumption	(29,3%)	(27,9%)	(25,0%)	(20,0%)	(22,2%)	(24,7%)	(28,7%)	(27,3%)
Cost of services	(31,0%)	(31,9%)	(32,8%)	(27,6%)	(29,6%)	(29,2%)	(22,9%)	(21,5%)
Costs of use of third party assets	(5,7%)	(5,8%)	(6,2%)	(7,1%)	(7,3%)	(7,1%)	(8,7%)	(10,4%)
Operating lease payments	*(5,3%)*	*(5,3%)*	*(5,7%)*	*(6,7%)*	*(6,8%)*	*(6,5%)*	*(7,8%)*	*(9,1%)*
Other costs	*(0,3%)*	*(0,4%)*	*(0,4%)*	*(0,4%)*	*(0,4%)*	*(0,6%)*	*(0,9%)*	*(1,2%)*
Costs of labour	(13,8%)	(13,3%)	(14,5%)	(14,7%)	(14,6%)	(13,9%)	(14,5%)	(15,4%)
Other operating charges	(2,8%)	(2,7%)	(2,9%)	(2,2%)	(2,5%)	(3,0%)	(3,1%)	(3,1%)
EBITDA	**23,6%**	**22,8%**	**21,5%**	**21,8%**	**23,9%**	**25,6%**	**25,4%**	**24,0%**
Amortisation	(0,8%)	(0,8%)	(0,9%)	(1,0%)	(0,9%)	(1,1%)	(0,9%)	(0,9%)
Depreciation	(3,2%)	(3,0%)	(3,1%)	(3,2%)	(3,0%)	(2,8%)	(3,0%)	(3,1%)
Other adjustments	-	(0,1%)	0,0%	(0,1%)	-	(0,0%)	(0,0%)	-
Provisions	(0,1%)	(0,1%)	(0,1%)	(0,2%)	(0,1%)	(0,2%)	(0,3%)	(0,4%)
EBIT	**19,5%**	**18,9%**	**17,4%**	**17,4%**	**19,8%**	**21,4%**	**21,2%**	**19,6%**
Adjustments:								
Rental and lease payments	*5,3%*	*5,3%*	*5,7%*	*6,7%*	*6,8%*	*6,5%*	*7,8%*	*9,1%*
Lease depreciation	*(4,9%)*	*(4,9%)*	*(5,3%)*	*(5,9%)*	*(6,1%)*	*(5,7%)*	*(7,0%)*	*(8,5%)*
Adjusted EBIT	**20,0%**	**19,3%**	**17,9%**	**18,1%**	**20,6%**	**22,2%**	**22,0%**	**20,3%**
Operating tax	(8,2%)	(7,3%)	(5,9%)	(5,8%)	(6,6%)	(6,9%)	(6,6%)	(6,1%)
NOPLAT	**11,8%**	**12,0%**	**12,0%**	**12,3%**	**14,0%**	**15,3%**	**15,4%**	**14,2%**

Source: Tod's annual reports 2006-2013, Independent analysis

12.44. Appendix 44 – Trend analysis of reformulated income statement of Crocs

Appendix 44 - Trend analysis of reformulated income statement of Crocs								
Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
Revenues	**100**	**239**	**224**	**214**	**236**	**263**	**275**	**281**
Cost of sales	100	227	266	235	243	271	282	292
Restructuring charges	-	-	100	786	705	-	-	-
Gross profit	**100**	**248**	**195**	**224**	**265**	**291**	**304**	**307**
Selling, general and administrative expenses	100	256	283	274	284	302	316	335
Rental and lease payments	*100*	*313*	*416*	*429*	*442*	*463*	*486*	*505*
Other expenses	*100*	*251*	*270*	*257*	*266*	*283*	*295*	*314*
Restructuring charges	-	-	100	99	33	-	-	-
Goodwill impairment	-	-	100	-	-	-	-	-
Asset impairment charges	-	-	100	119	20	294	461	1 138
EBIT	**100**	**240**	**69**	**142**	**418**	**486**	**497**	**441**
Adjustments:								
Rental and lease payments	*100*	*313*	*416*	*429*	*442*	*463*	*486*	*505*
Lease depreciation	*100*	*397*	*517*	*530*	*542*	*560*	*584*	*605*
Adjusted EBIT	**100**	**237**	**69**	**143**	**443**	**511**	**523**	**468**
Operating tax	100	212	107	170	(147)	(65)	(103)	182
NOPLAT	**100**	**249**	**54**	**132**	**428**	**494**	**516**	**425**

Source: Crocs' annual reports 2006-2013, Independent analysis

12.45. Appendix 45 – Trend analysis of reformulated income statement of Deckers

Appendix 45 - Trend analysis of reformulated income statement of Deckers								
Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
Net sales	**100**	**147**	**201**	**219**	**242**	**280**	**282**	**292**
Cost of sales	100	148	207	222	234	275	287	291
Gross profit	**100**	**147**	**195**	**216**	**252**	**287**	**280**	**296**
Selling, general and administrative expenses	100	138	187	212	246	301	314	333
Rental and lease payments	*100*	*146*	*247*	*281*	*323*	*378*	*421*	*450*
Other expenses	*100*	*137*	*184*	*208*	*241*	*296*	*306*	*324*
Impairment loss	100	-	100	-	-	-	-	-
EBIT	**100**	**205**	**216**	**271**	**308**	**323**	**288**	**300**
Adjustments:								
Rental and lease payments	*100*	*146*	*247*	*281*	*323*	*378*	*421*	*450*
Lease depreciation	*100*	*128*	*256*	*289*	*320*	*384*	*428*	*469*
Adjusted EBIT	**100**	**206**	**217**	**271**	**310**	**324**	**291**	**300**
Operating tax	100	191	199	244	281	275	243	250
NOPLAT	**100**	**216**	**229**	**290**	**329**	**355**	**322**	**332**

Source: Deckers' annual reports 2006-2013, Independent analysis

12.46. Appendix 46 – Trend analysis of reformulated income statement of Geox

Appendix 46 - Trend analysis of reformulated income statement of Geox								
Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
Net sales	**100**	**126**	**142**	**139**	**137**	**141**	**132**	**126**
Cost of sales	100	119	137	138	140	149	137	133
Gross profit	**100**	**133**	**146**	**140**	**135**	**133**	**128**	**119**
Selling and distribution costs	100	119	137	135	140	142	137	145
General and administrative expenses	100	142	181	196	203	206	213	225
Rental and lease payments	*100*	*144*	*203*	*234*	*246*	*248*	*261*	*276*
Other expenses	*100*	*141*	*174*	*185*	*190*	*193*	*198*	*208*
Advertising and promotion	100	123	130	100	102	99	99	84
Net asset impairment	-	-	100	632	-	-	100	179
EBIT	**100**	**133**	**129**	**100**	**77**	**65**	**19**	**(128)**
Adjustments:								
Rental and lease payments	*100*	*144*	*203*	*234*	*246*	*248*	*261*	*276*
Lease depreciation	*100*	*112*	*197*	*242*	*256*	*256*	*272*	*294*
Adjusted EBIT	**100**	**137**	**134**	**106**	**85**	**76**	**35**	**(85)**
Operating tax	100	156	147	144	115	106	47	(136)
NOPLAT	**100**	**130**	**129**	**92**	**75**	**66**	**35**	**(64)**

Source: Geox's annual reports 2006-2013, Independent analysis

12.47. Appendix 47 – Trend analysis of reformulated income statement of Wolverine

Appendix 47 - Trend analysis of reformulated income statement of Wolverine								
Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
Revenue	**100**	**105**	**107**	**97**	**110**	**123**	**140**	**204**
Cost of goods sold	100	104	105	95	109	122	140	201
Restructuring costs	-	-	-	100	24	-	-	100
Gross profit	**100**	**107**	**110**	**99**	**113**	**126**	**139**	**208**
Selling, general and administrative expenses	100	105	108	100	110	121	146	218
Operating lease payments	*100*	*105*	*130*	*135*	*133*	*140*	*186*	*276*
Other expenses	*100*	*105*	*107*	*98*	*109*	*120*	*144*	*215*
Restructuring costs	-	-	-	100	10	-	-	-
EBIT	**100**	**113**	**114**	**75**	**141**	**161**	**149**	**204**
Adjustments:								
Rental and lease payments	*100*	*105*	*130*	*135*	*133*	*140*	*186*	*276*
Lease depreciation	*100*	*102*	*129*	*134*	*131*	*125*	*180*	*292*
Adjusted EBIT	**100**	**113**	**114**	**76**	**141**	**161**	**151**	**204**
Operating tax	100	118	116	69	130	150	86	230
NOPLAT	**100**	**111**	**114**	**79**	**145**	**166**	**175**	**217**

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.48. Appendix 48 – Trend analysis of reformulated income statement of Tod's

Appendix 48 - Trend analysis of reformulated income statement of Tod's								
Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
Revenue	**100**	**115**	**123**	**124**	**134**	**147**	**156**	**155**
Change in inventories of work in process and finished goods	100	85	53	(282)	(180)	3 060	3 066	3 015
Cost of raw materials, supplies, and material for consumption	100	110	106	87	109	135	161	156
Cost of services	100	119	130	114	133	144	129	123
Costs of use of third party assets	100	118	133	148	162	173	205	224
Operating lease payments	*100*	*115*	*131*	*149*	*162*	*170*	*200*	*216*
Other costs	*100*	*151*	*155*	*148*	*178*	*227*	*288*	*326*
Costs of labour	100	111	128	131	141	148	161	167
Other operating charges	100	114	127	103	133	164	179	177
EBITDA	**100**	**111**	**113**	**115**	**137**	**157**	**165**	**159**
Amortisation	100	108	137	147	152	183	172	172
Depreciation	100	110	120	123	128	134	147	151
Other adjustments	-	100	(49)	(381)	-	100	286	-
Provisions	100	108	197	257	247	329	387	417
EBIT	**100**	**111**	**111**	**111**	**138**	**159**	**167**	**159**
Adjustments:								
Rental and lease payments	*100*	*115*	*131*	*149*	*162*	*170*	*200*	*216*
Lease depreciation	*100*	*115*	*132*	*145*	*158*	*165*	*197*	*218*
Adjusted EBIT	**100**	**111**	**111**	**113**	**139**	**161**	**168**	**160**
Operating tax	100	103	90	89	115	133	136	128
NOPLAT	**100**	**117**	**125**	**128**	**154**	**177**	**187**	**179**

Source: Tod's annual reports 2006-2013, Independent analysis

12.49. Appendix 49 – Balance sheet of Crocs

Appendix 49 - Balance sheet of Crocs								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Current assets								
Cash and cash equivalents	67 871	36 635	51 665	77 343	145 583	257 587	294 348	317 144
Accounts receivable	65 588	152 919	35 305	50 458	64 260	84 760	92 278	104 405
Inventories	86 210	248 391	143 205	93 329	121 155	129 627	164 804	162 341
Deferred tax assets, net	3 690	12 140	11 364	7 358	15 888	7 047	6 284	4 440
Income tax receivable	-	-	24 417	8 611	9 062	5 828	5 613	10 630
Other receivables	-	-	4 642	16 140	11 637	20 295	24 821	11 942
Prepaid income taxes	4 715	-	-	-	-	-	-	-
Prepaid expenses and other	9 617	17 865	8 773	14 015	13 429	20 199	24 967	29 175
Total current assets	237 691	467 950	279 371	267 254	381 014	525 343	613 115	640 077
Non-current assets								
Property and equipment, net	34 849	88 184	95 892	71 084	70 014	67 684	82 241	86 971
Goodwill	11 552	23 759	-	-	-	-	-	-
Intangible assets, net	12 210	31 634	40 892	35 984	45 461	48 641	59 931	74 822
Deferred tax assets, net	1 280	8 051	21 231	18 479	34 711	30 375	34 112	19 628
Other assets	1 875	7 847	18 613	16 937	18 281	23 410	40 239	53 661
Total non-current assets	61 766	159 475	176 628	142 484	168 467	170 110	216 523	235 082
TOTAL ASSETS	299 457	627 425	455 999	409 738	549 481	695 453	829 638	875 159
LIABILITIES								
Current Liabilities								
Accounts payable	43 794	82 979	35 137	23 434	35 669	66 517	63 976	57 450
Accrued expenses and other	31 109	57 246	50 076	53 580	59 488	76 506	81 371	97 111
Accrued restructuring charges	-	-	1 439	2 616	-	-	-	-
Deferred tax liabilities, net	-	265	30	9	17 620	2 889	2 405	11 199
Income taxes payable	12 465	19 851	24 420	6 377	23 084	8 273	8 147	15 992
Current portion of long-term borrowings	541	7 107	22 431	640	1 901	1 118	2 039	5 176
Total current liabilities	87 909	167 448	133 533	86 656	137 762	155 303	157 938	186 928
Non-current liabilities								
Deferred tax liabilities	1 688	1 858	2 917	2 192	-	-	-	-
Long-term income tax payable	-	-	-	27 890	29 861	41 665	36 343	36 616
Long-term borrowings	116	9	-	-	-	-	4 596	11 670
Other liabilities	1 486	13 997	32 386	5 380	5 752	6 705	13 361	15 201
Total non-current liabilities	3 290	15 864	35 303	35 462	35 613	48 370	54 300	63 487
TOTAL LIABILITIES	91 199	183 312	168 836	122 118	173 375	203 673	212 238	250 415
EQUITY								
Common shares	79	83	84	85	88	90	91	92
Treasury stock	-	(25 022)	(25 022)	(25 260)	(22 008)	(19 759)	(44 214)	(55 964)
Additional paid-in capital	131 794	211 936	232 037	266 472	277 293	293 959	307 823	321 532
Deferred compensation	(5 702)	(2 402)	(246)	-	-	-	-	-
Retained earnings	81 081	249 309	64 233	22 155	89 881	202 669	334 012	344 432
Accumulated other income	1 006	10 209	16 077	24 168	30 852	14 821	19 688	14 652
TOTAL EQUITY	208 258	444 113	287 163	287 620	376 106	491 780	617 400	624 744
TOTAL LIABILITIES AND EQUITY	299 457	627 425	455 999	409 738	549 481	695 453	829 638	875 159

Source: Crocs' annual reports 2006-2013, Independent analysis

12.50. Appendix 50 – Balance sheet of Deckers

Appendix 50 - Balance sheet of Deckers								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Current assets								
Cash and cash equivalents	34 255	54 525	176 804	315 862	445 226	263 606	110 247	237 125
Short-term investments	64 637	113 567	17 976	26 120	-	-	-	-
Accounts receivable	49 571	72 209	108 129	76 427	116 663	193 375	190 756	184 013
Inventories	32 375	51 776	92 740	85 356	124 995	253 270	300 173	260 791
Prepaid expenses	2 199	3 526	3 991	7 510	7 928	8 697	14 092	14 980
Other current assets	-	-	-	-	8 918	84 540	59 028	112 514
Deferred tax assets	4 386	5 964	13 324	9 712	12 002	14 414	17 290	19 881
Total current assets	187 423	301 567	412 964	520 987	715 732	817 902	691 586	829 304
Non-current assets								
Property and equipment	7 770	10 579	28 318	35 442	47 737	90 257	125 370	174 066
Intangible assets	54 399	54 131	24 034	23 940	24 918	214 494	224 690	222 003
Deferred tax assets	327	2 682	17 447	16 704	15 121	13 223	13 372	15 751
Other assets	54	1 073	958	1 970	5 486	10 320	13 046	18 605
Total non-current assets	62 550	68 465	70 757	78 056	93 262	328 294	376 478	430 425
TOTAL ASSETS	249 973	370 032	483 721	599 043	808 994	1 146 196	1 068 064	1 259 729
LIABILITIES AND EQUITY								
Current liabilities								
Short-term borrowings	-	-	-	-	-	-	33 000	9 728
Accounts payable	21 053	36 221	42 960	47 331	67 073	110 853	133 457	151 037
Accrued payroll	6 735	12 170	14 996	20 869	35 109	32 594	15 896	35 725
Other accrued expenses	4 214	5 459	12 676	12 985	17 515	57 744	43 858	45 301
Income taxes payable	7 561	17 544	24 577	19 685	25 166	30 888	25 067	49 453
VAT payable	-	-	-	-	-	-	15 739	29 274
Total current liabilities	39 563	71 394	95 209	100 870	144 863	232 079	267 017	320 518
Non-current liabilities								
Long-term liabilities	-	-	3 847	6 269	8 456	72 687	62 246	51 092
Deferred tax	-	-	-	-	-	-	-	-
Total non-current liabilities	-	-	3 847	6 269	8 456	72 687	62 246	51 092
Equity								
Common stock	126	130	131	387	386	387	344	346
Additional paid-in capital	81 761	103 659	115 214	125 173	137 989	144 684	139 046	143 916
Retained earnings	128 130	194 567	268 515	365 304	513 459	692 595	600 811	746 500
Accumulated comprehensive losses	393	282	392	494	1 153	(1 730)	(1 400)	(2 643)
Minority interest	-	-	413	546	2 688	5 494	-	-
Total equity	210 410	298 638	384 665	491 904	655 675	841 430	738 801	888 119
TOTAL LIABILITIES AND EQUITY	249 973	370 032	483 721	599 043	808 994	1 146 196	1 068 064	1 259 729

Source: Deckers' annual reports 2006-2013, Independent analysis

12.51. Appendix 51 – Balance sheet of Geox

Appendix 51 - Balance sheet of Geox								
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Non-current assets								
Intangible assets	38 057	47 322	78 231	74 651	68 621	67 222	67 827	64 023
Property, plant and equipment	32 070	43 191	78 020	71 516	67 306	63 658	68 090	65 291
Deferred tax assets	12 466	13 914	26 503	26 076	28 864	24 975	34 349	51 249
Non-current financial assets	856	1 975	1 229	1 047	1 215	1 287	1 351	1 611
Other non-current assets	5 006	7 426	11 023	16 947	16 229	17 873	18 695	18 253
Total non-current assets	88 455	113 828	195 006	190 237	182 235	175 015	190 312	200 427
Current assets								
Inventories	130 997	187 059	226 405	152 387	172 085	196 610	209 249	281 907
Accounts receivable	84 159	107 997	124 594	128 803	124 525	154 171	145 450	100 837
Other non-financial current assets	20 108	19 492	23 321	24 042	25 818	21 801	35 303	32 072
Current financial assets	112	637	17 414	4 402	4 046	16 305	2 366	1 019
Cash and cash equivalents	84 926	119 618	68 672	107 470	114 200	84 794	63 867	46 991
Total current assets	320 302	434 803	460 406	417 104	440 674	473 681	456 235	462 826
TOTAL ASSETS	408 757	548 631	655 412	607 341	622 909	648 696	646 547	663 253
LIABILITIES AND EQUITY								
Equity								
Share capital	25 884	25 884	25 920	25 921	25 921	25 921	25 921	25 921
Reserves	153 495	208 142	281 693	336 124	342 377	370 520	366 876	359 257
Net profit	97 262	122 978	118 174	66 706	58 003	49 987	10 039	(29 749)
Total equity	276 641	357 004	425 787	428 751	426 301	446 428	402 836	355 429
Non-current liabilities								
Employee severence indemnities	3 349	2 834	3 299	2 509	2 372	2 119	2 406	2 379
Provisions for liabilities and charges	2 294	2 457	3 915	7 256	8 091	8 061	9 848	5 849
Long-term loans	1 829	1 185	1 145	749	554	358	161	62
Other long-term payables	1 219	1 887	5 122	2 316	2 291	2 249	2 145	2 164
Total non-current liabilities	8 691	8 363	13 481	12 830	13 308	12 787	14 560	10 454
Current liabilities								
Accounts payable	96 860	127 559	149 206	121 725	117 822	133 013	162 606	169 098
Other non-financial current liabilities	14 669	16 240	21 718	26 023	28 891	33 314	42 229	42 063
Taxes payable	6 002	25 214	17 246	8 428	9 814	11 818	11 039	8 424
Current financial liabilities	2 638	9 278	1 709	3 269	20 284	3 763	5 941	10 816
Bank borrowings	3 256	4 973	26 265	6 315	6 489	7 573	7 336	66 969
Total current liabilities	123 425	183 264	216 144	165 760	183 300	189 481	229 151	297 370
TOTAL LIABILITIES AND EQUITY	408 757	548 631	655 412	607 341	622 909	648 696	646 547	663 253

Source: Geox's annual reports 2006-2013, Independent analysis

12.52. Appendix 52 – Balance sheet of Wolverine

Appendix 52 - Balance sheet of Wolverine								
$ million	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Current assets								
Cash and cash equivalents	124,7	76,1	89,5	160,4	150,4	140,0	171,4	214,2
Accounts receivable	152,6	179,9	167,9	163,8	196,5	220,0	353,6	398,1
Inventories	184,3	165,9	196,8	158,1	208,7	231,7	466,2	428,2
Deferred income taxes	8,3	11,9	8,1	12,5	13,2	9,8	28,0	29,1
Prepaid expenses and other assets	15,4	11,9	11,5	12,9	11,4	33,0	55,7	48,4
Total current assets	485,3	445,6	473,8	507,7	580,1	634,5	1 074,9	1 118,0
Non-current assets								
Intangible assets	47,3	48,5	41,6	56,2	55,5	57,4	1 293,2	1 262,5
Property, plant and equipment	88,0	85,4	85,8	74,0	74,4	78,5	149,7	151,9
Pension assets	10,2	17,8	-	-	-	-	-	-
Deferred income taxes	3,7	3,9	23,3	35,1	37,6	42,3	0,9	3,4
Deferred financing costs	-	-	-	-	-	-	38,9	22,0
Other non-current assets	36,6	37,2	40,3	39,2	39,0	38,9	56,8	64,4
Total non-current assets	185,8	192,7	190,9	204,4	206,4	217,2	1 539,5	1 504,2
TOTAL ASSETS	671,1	638,4	664,8	712,1	786,6	851,7	2 614,4	2 622,2
LIABILITIES AND EQUITY								
Current liabilities								
Accounts payable	47,4	51,6	45,3	42,3	64,1	57,1	160,9	135,2
Accrued salaries and wages	19,3	20,7	22,7	20,8	26,8	22,6	36,4	41,5
Income taxes	6,4	3,9	1,8	14,6	2,7	2,8	-	-
Other taxes	4,4	5,9	4,3	4,5	6,6	8,1	-	-
Restructuring reserve	-	-	-	5,9	1,3	0,3	-	-
Other accrued liabilities	32,7	32,1	29,5	37,9	37,0	44,0	91,3	99,3
Accrued pension liabilities	-	4,8	28,1	2,0	2,0	2,2	-	-
Current maturities of long-term debt	10,7	10,7	0,0	0,5	0,5	0,5	30,7	53,3
Revolving credit agreement	-	-	59,5	-	-	11,0	-	-
Total current liabilities	120,9	129,6	191,3	128,6	141,2	148,7	319,3	329,3
Non-current liabilities								
Long-term debt	10,7	-	-	1,1	0,5	-	1 219,3	1 096,7
Accrued pension liabilities	22,7	20,9	34,8	84,1	83,7	103,8	165,5	74,2
Deferred income taxes	-	-	-	-	-	-	240,5	253,9
Other liabilities	12,1	9,1	8,8	16,2	17,3	20,5	26,1	26,7
Total non-current liabilities	45,6	30,0	43,5	101,4	101,5	124,3	1 651,4	1 451,5
Equity								
Common stock	60,5	61,1	61,7	62,8	64,0	65,0	98,7	100,8
Additional paid-in capital	31,3	47,8	64,7	81,0	108,3	138,6	-	5,0
Retained earnings	519,8	591,7	666,0	706,4	789,7	889,8	633,4	743,1
Accumulated other losses	3,9	22,3	(42,8)	(42,8)	(41,1)	(71,0)	(87,5)	(9,2)
Unearned compensation	-	-	-	-	-	-	-	-
Cost of shares in treasury	(111,0)	(244,1)	(319,6)	(325,4)	(376,9)	(443,7)	(2,2)	(2,1)
Minority interest	-	-	-	-	-	-	1,3	3,8
Total equity	504,6	478,8	429,9	482,0	543,9	578,7	643,7	841,4
TOTAL LIABILITIES AND EQUITY	671,1	638,4	664,8	712,1	786,6	851,7	2 614,4	2 622,2

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.53. Appendix 53 – Balance sheet of Tod's

Appendix 53 - Balance sheet of Tod's

€ '000	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Non-current assets								
Intangible assets	180 063	198 536	196 247	191 460	189 083	202 005	198 440	196 340
Property,plant and equipment	102 742	100 708	113 412	105 907	174 103	190 999	194 722	192 353
Real estate investments	60	56	53	49	46	42	39	36
Equity investments	20	20	20	20	20	20	20	20
Deferred tax assets	17 245	12 146	18 435	22 472	32 027	39 603	45 427	49 568
Other non-current assets	4 158	4 531	6 188	7 579	7 789	9 661	13 403	15 362
Total non-current assets	304 288	315 997	334 355	327 487	403 068	442 330	452 051	453 679
Current assets								
Inventories	183 656	218 731	242 076	196 051	203 136	236 631	265 389	282 348
Trade receivables	85 328	108 410	108 386	107 999	119 560	150 011	129 734	94 326
Tax receivables	5 815	2 670	1 612	2 215	3 856	12 839	15 519	9 050
Derivative financial instruments	1 219	3 763	3 927	594	2 084	1 320	5 370	4 430
Other current assets	18 260	18 671	12 697	9 006	12 263	13 488	36 551	34 793
Cash	111 335	95 753	101 276	204 009	171 729	187 756	168 329	228 178
Total current assets	405 613	447 998	469 974	519 874	512 628	602 045	620 892	653 125
Assets held for sale	1 081	1 021	-	-	-	-	-	-
TOTAL ASSETS	710 982	765 016	804 329	847 361	915 696	1 044 375	1 072 943	1 106 804
LIABILITIES AND EQUITY								
Equity								
Share capital	60 804	60 962	60 962	61 219	61 219	61 219	61 219	61 219
Capital reserves	210 638	215 938	213 983	214 055	214 055	214 055	214 055	214 055
Hedging reserve	(1 406)	(4 245)	(9 780)	(5 333)	(4 263)	(4 851)	1 235	(10 902)
Retained earnings	183 705	211 704	249 743	299 042	231 451	277 742	335 322	397 304
Profit for the period	66 112	77 332	82 754	85 668	109 076	134 997	145 461	133 780
Share capital and reserves to minority interest	2 365	3 673	3 790	4 810	5 193	4 934	5 519	5 428
Profit/loss attributable to minority interest	704	1 394	1 139	472	1 710	691	276	220
Total equity	522 922	566 758	602 591	659 933	618 441	688 787	763 087	801 104
Non-current liabilities								
Provisions for risks	403	434	501	825	1 369	1 914	2 969	3 651
Deferred tax liabilities	20 516	17 581	20 289	22 369	27 722	30 902	32 261	35 254
Reserve for employee severance	11 789	10 571	10 875	10 960	11 419	11 565	12 030	11 134
Bank borrowings	11 716	10 234	8 340	6 819	42 805	41 408	32 023	21 087
Other non-current liabilities	-	3 000	-	-	-	19 584	20 169	18 835
Total non-current liabilities	44 424	41 820	40 005	40 973	83 315	105 373	99 452	89 961
Current liabilities								
Trade payables	104 778	118 688	113 114	103 921	130 008	159 876	139 236	152 619
Tax payables	14 265	7 594	5 907	4 170	20 064	16 454	7 590	-
Derivative financial instruments	518	759	4 059	693	2 333	6 957	1 704	1 876
Other current liabilities	14 998	17 404	18 548	17 670	29 106	31 329	29 309	35 278
Bank borrowings	9 046	11 978	20 105	20 001	32 429	35 599	32 565	25 966
Total current liabilities	143 605	156 423	161 733	146 455	213 940	250 215	210 404	215 739
Liabilities held for sale	31	15	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY	710 982	765 016	804 329	847 361	915 696	1 044 375	1 072 943	1 106 804

Source: Tod's annual reports 2006-2013, Independent analysis

12.54. Appendix 54 – Crocs' operating cash calculations

Appendix 54 - Crocs' operating cash calculations								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
Operating cash % of total sales	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Total cash	**67 871**	**36 635**	**51 665**	**77 343**	**145 583**	**257 587**	**294 348**	**317 144**
Operating cash	*7 095*	*16 947*	*14 432*	*12 915*	*15 794*	*20 018*	*22 466*	*23 854*
Excess cash	*60 776*	*19 688*	*37 233*	*64 428*	*129 789*	*237 569*	*271 882*	*293 290*

Source: Crocs' annual reports 2006-2013, Independent analysis

12.55. Appendix 55 – Deckers' operating cash calculations

Appendix 55 - Deckers' operating cash calculations								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
Operating cash % of total sales	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Total cash	**34 255**	**54 525**	**176 804**	**315 862**	**445 226**	**263 606**	**110 247**	**237 125**
Operating cash	*6 088*	*8 979*	*13 789*	*16 264*	*20 020*	*27 546*	*28 288*	*31 132*
Excess cash	*28 167*	*45 546*	*163 015*	*299 598*	*425 206*	*236 060*	*81 959*	*205 993*

Source: Deckers' annual reports 2006-2013, Independent analysis

12.56. Appendix 56 – Geox's operating cash calculations

Appendix 56 - Geox's operating cash calculations								
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
Operating cash % of total sales	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Total cash	**84 926**	**119 618**	**68 672**	**107 470**	**114 200**	**84 794**	**63 867**	**46 991**
Operating cash	*12 245*	*15 403*	*17 850*	*17 300*	*17 002*	*17 745*	*16 152*	*15 084*
Excess cash	*72 681*	*104 215*	*50 822*	*90 170*	*97 198*	*67 049*	*47 715*	*31 907*

Source: Geox's annual reports 2006-2013, Independent analysis

12.57. Appendix 57 – Wolverine's operating cash calculations

Appendix 57 - Wolverine's operating cash calculations								
$ million	2006	2007	2008	2009	2010	2011	2012	2013
Operating cash % of total sales	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Total cash	**124,7**	**76,1**	**89,5**	**160,4**	**150,4**	**140,0**	**171,4**	**214,2**
Operating cash	*22,8*	*24,0*	*24,4*	*22,0*	*25,0*	*28,2*	*32,8*	*53,8*
Excess cash	*101,8*	*52,1*	*65,1*	*138,4*	*125,4*	*111,8*	*138,6*	*160,4*

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.58. Appendix 58 – Tod's operating cash calculations

Appendix 58 - Tod's operating cash calculations								
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
Operating cash % of total sales	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Total cash	**111 335**	**95 753**	**101 276**	**204 009**	**171 729**	**187 756**	**168 329**	**228 178**
Operating cash	*11 645*	*13 401*	*14 447*	*14 572*	*16 127*	*18 193*	*19 704*	*19 662*
Excess cash	*99 690*	*82 352*	*86 830*	*189 437*	*155 602*	*169 563*	*148 625*	*208 516*

Source: Tod's annual reports 2006-2013, Independent analysis

12.59. Appendix 59 – Reformulated operational balance sheet of Crocs

Appendix 59 - Reformulated operational balance sheet of Crocs								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Property and equipment	34 849	88 184	95 892	71 084	70 014	67 684	82 241	86 971
Intangible assets	23 762	55 393	40 892	35 984	45 461	48 641	59 931	74 822
Other assets	1 875	7 847	18 613	16 937	18 281	23 410	40 239	53 661
Total operating non-current assets	60 486	151 424	155 397	124 005	133 756	139 735	182 411	215 454
Capitalised operational lease	121 464	154 352	135 735	152 049	191 173	332 843	396 612	334 107
Total adjusted operating non-current assets	181 950	305 776	291 132	276 054	324 929	472 578	579 023	549 561
Operating current assets								
Operating cash	7 095	16 947	14 432	12 915	15 794	20 018	22 466	23 854
Accounts receivable	65 588	152 919	35 305	50 458	64 260	84 760	92 278	104 405
Inventories	86 210	248 391	143 205	93 329	121 155	129 627	164 804	162 341
Income tax receivable	-	-	24 417	8 611	9 062	5 828	5 613	10 630
Other receivables	-	-	4 642	16 140	11 637	20 295	24 821	11 942
Prepaid income taxes	4 715	-	-	-	-	-	-	-
Prepaid expenses and other	9 617	17 865	8 773	14 015	13 429	20 199	24 967	29 175
Total operating current assets	173 225	436 122	230 774	195 468	235 337	280 727	334 949	342 347
Total operating assets	233 711	587 546	386 171	319 473	369 093	420 462	517 360	557 801
Total adjusted operating assets	355 175	741 898	521 906	471 522	560 266	753 305	913 972	891 907
LIABILITIES								
Operating non-current liabilities								
Long-term income tax payable	-	-	-	27 890	29 861	41 665	36 343	36 616
Other liabilities	1 486	13 997	32 386	5 380	5 752	6 705	13 361	15 201
Total operating non-current liabilities	1 486	13 997	32 386	33 270	35 613	48 370	49 704	51 817
Operating current liabilities								
Accounts payable	43 794	82 979	35 137	23 434	35 669	66 517	63 976	57 450
Accrued expenses and other	31 109	57 246	50 076	53 580	59 488	76 506	81 371	97 111
Accrued restructuring charges	-	-	1 439	2 616	-	-	-	-
Income taxes payable	12 465	19 851	24 420	6 377	23 084	8 273	8 147	15 992
Total operating current liabilities	87 368	160 076	111 072	86 007	118 241	151 296	153 494	170 553
Total operating liabilities	88 854	174 073	143 458	119 277	153 854	199 666	203 198	222 370
Operating net working capital	85 857	276 046	119 702	109 461	117 096	129 431	181 455	171 794
Δ in operating net working capital	*71 762*	*190 189*	*(156 344)*	*(10 240)*	*7 635*	*12 335*	*52 024*	*(9 661)*
Invested capital	266 321	567 825	378 448	352 245	406 412	553 639	710 774	669 537

Source: Crocs' annual reports 2006-2013, Independent analysis

12.60. Appendix 60 – Reformulated financial balance sheet of Crocs

Appendix 60 - Reformulated financial balance sheet of Crocs								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Common shares	79	83	84	85	88	90	91	92
Treasury stock	-	(25 022)	(25 022)	(25 260)	(22 008)	(19 759)	(44 214)	(55 964)
Additional paid-in capital	131 794	211 936	232 037	266 472	277 293	293 959	307 823	321 532
Total paid-in equity	131 873	186 997	207 099	241 297	255 373	274 290	263 700	265 660
Deferred tax	(3 282)	(18 068)	(29 648)	(23 636)	(32 979)	(34 533)	(37 991)	(12 869)
Deferred compensation	(5 702)	(2 402)	(246)	-	-	-	-	-
Retained earnings	81 081	249 309	64 233	22 155	89 881	202 669	334 012	344 432
Accumulated other income	1 006	10 209	16 077	24 168	30 852	14 821	19 688	14 652
Total equity	204 976	426 045	257 515	263 984	343 127	457 247	579 409	611 875
Interest-bearing assets								
Excess cash	60 776	19 688	37 233	64 428	129 789	237 569	271 882	293 290
Total interest-bearing assets	60 776	19 688	37 233	64 428	129 789	237 569	271 882	293 290
Interest-bearing liabilities								
Capitalised operational lease	121 464	154 352	135 735	152 049	191 173	332 843	396 612	334 107
Current portion of long-term borrowings	541	7 107	22 431	640	1 901	1 118	2 039	5 176
Long-term borrowings	116	9	-	-	-	-	4 596	11 670
Total interest-bearing liabilities	122 121	161 468	158 166	152 689	193 074	333 961	403 247	350 953
Net interest-bearing debt	61 345	141 780	120 933	88 261	63 285	96 392	131 365	57 662
Invested capital	266 321	567 825	378 448	352 245	406 412	553 639	710 774	669 537

Source: Crocs' annual reports 2006-2013, Independent analysis

12.61. Appendix 61 – Reformulated operational balance sheet of Deckers

Appendix 61 - Reformulated operational balance sheet of Deckers								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Property and equipment	7 770	10 579	28 318	35 442	47 737	90 257	125 370	174 066
Intangible assets	54 399	54 131	24 034	23 940	24 918	214 494	224 690	222 003
Other assets	54	1 073	958	1 970	5 486	10 320	13 046	18 605
Total operating non-current assets	62 223	65 783	53 310	61 352	78 141	315 071	363 106	414 674
Capitalised operational lease	21 668	55 585	65 605	93 725	186 259	230 595	307 992	199 212
Total adjusted operating non-current assets	83 891	121 368	118 915	155 077	264 400	545 666	671 098	613 886
Operating current assets								
Operating cash	6 088	8 979	13 789	16 264	20 020	27 546	28 288	31 132
Accounts receivable	49 571	72 209	108 129	76 427	116 663	193 375	190 756	184 013
Inventories	32 375	51 776	92 740	85 356	124 995	253 270	300 173	260 791
Prepaid expenses	2 199	3 526	3 991	7 510	7 928	8 697	14 092	14 980
Other current assets	-	-	-	-	8 918	84 540	59 028	112 514
Total operating current assets	90 233	136 490	218 649	185 557	278 524	567 428	592 337	603 430
Total operating assets	152 456	202 273	271 959	246 909	356 665	882 499	955 443	1 018 104
Total adjusted operating assets	174 125	257 858	337 564	340 633	542 924	1 113 094	1 263 435	1 217 317
LIABILITIES								
Operating non-current liabilities								
Long-term liabilities	-	-	3 847	6 269	8 456	72 687	62 246	51 092
Total operating non-current liabilities	-	-	3 847	6 269	8 456	72 687	62 246	51 092
Operating current liabilities								
Accounts payable	21 053	36 221	42 960	47 331	67 073	110 853	133 457	151 037
Accrued payroll	6 735	12 170	14 996	20 869	35 109	32 594	15 896	35 725
Other accrued expenses	4 214	5 459	12 676	12 985	17 515	57 744	43 858	45 301
Income taxes payable	7 561	17 544	24 577	19 685	25 166	30 888	25 067	49 453
VAT payable	-	-	-	-	-	-	15 739	29 274
Total operating current liabilities	39 563	71 394	95 209	100 870	144 863	232 079	234 017	310 790
Total operating liabilities	39 563	71 394	99 056	107 139	153 319	304 766	296 263	361 882
Operating net working capital	50 670	65 096	123 440	84 687	133 661	335 349	358 320	292 640
Δ in operating net working capital	*642*	*14 425*	*58 344*	*(38 753)*	*48 974*	*201 688*	*22 971*	*(65 680)*
Invested capital	134 562	186 464	238 508	233 494	389 605	808 328	967 172	855 435

Source: Deckers' annual reports 2006-2013, Independent analysis

12.62. Appendix 62 – Reformulated financial balance sheet of Deckers

Appendix 62 - Reformulated financial balance sheet of Deckers								
$ '000	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Common stock	126	130	131	387	386	387	344	346
Additional paid-in capital	81 761	103 659	115 214	125 173	137 989	144 684	139 046	143 916
Total paid-in equity	81 887	103 789	115 345	125 560	138 375	145 071	139 390	144 262
Deferred tax	(4 713)	(8 646)	(30 771)	(26 416)	(27 123)	(27 637)	(30 662)	(35 632)
Retained earnings	128 130	194 567	268 515	365 304	513 459	692 595	600 811	746 500
Accumulated comprehensive losses	393	282	392	494	1 153	(1 730)	(1 400)	(2 643)
Minority interest	-	-	413	546	2 688	5 494	-	-
Total equity	205 697	289 992	353 894	465 488	628 552	813 793	708 139	852 487
Interest-bearing assets								
Excess cash	28 167	45 546	163 015	299 598	425 206	236 060	81 959	205 993
Short-term investments	64 637	113 567	17 976	26 120	-	-	-	-
Total interest-bearing assets	92 804	159 113	180 991	325 718	425 206	236 060	81 959	205 993
Interest-bearing liabilities								
Capitalised operational lease	21 668	55 585	65 605	93 725	186 259	230 595	307 992	199 212
Short-term borrowings	-	-	-	-	-	-	33 000	9 728
Total interest-bearing liabilities	21 668	55 585	65 605	93 725	186 259	230 595	340 992	208 940
Net interest-bearing debt	(71 135)	(103 528)	(115 386)	(231 994)	(238 947)	(5 465)	259 033	2 948
Invested capital	134 562	186 464	238 508	233 494	389 605	808 328	967 172	855 435

Source: Deckers' annual reports 2006-2013, Independent analysis

12.63. Appendix 63 – Reformulated operational balance sheet of Geox

Appendix 63 - Reformulated operational balance sheet of Geox								
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Intangible assets	38 057	47 322	78 231	74 651	68 621	67 222	67 827	64 023
Property, plant and equipment	32 070	43 191	78 020	71 516	67 306	63 658	68 090	65 291
Other non-current assets	5 006	7 426	11 023	16 947	16 229	17 873	18 695	18 253
Total operating non-current assets	75 133	97 939	167 274	163 114	152 156	148 753	154 612	147 567
Capitalised operational lease	208 605	599 842	687 246	619 683	631 257	685 961	696 356	527 312
Total adjusted operating non-current assets	283 738	697 781	854 520	782 797	783 413	834 714	850 968	674 879
Operating current assets								
Operating cash	12 245	15 403	17 850	17 300	17 002	17 745	16 152	15 084
Inventories	130 997	187 059	226 405	152 387	172 085	196 610	209 249	281 907
Accounts receivable	84 159	107 997	124 594	128 803	124 525	154 171	145 450	100 837
Other non-financial current assets	20 108	19 492	23 321	24 042	25 818	21 801	35 303	32 072
Total operating current assets	247 509	329 951	392 170	322 532	339 430	390 327	406 154	429 900
Total operating assets	322 642	427 890	559 444	485 646	491 586	539 080	560 766	577 467
Total adjusted operating assets	531 247	1 027 732	1 246 691	1 105 329	1 122 843	1 225 042	1 257 123	1 104 779
LIABILITIES								
Operating non-current liabilities								
Employee severence indemnities	3 349	2 834	3 299	2 509	2 372	2 119	2 406	2 379
Provisions for liabilities and charges	2 294	2 457	3 915	7 256	8 091	8 061	9 848	5 849
Other long-term payables	1 219	1 887	5 122	2 316	2 291	2 249	2 145	2 164
Total operating non-current liabilities	6 862	7 178	12 336	12 081	12 754	12 429	14 399	10 392
Operating current liabilities								
Accounts payable	96 860	127 559	149 206	121 725	117 822	133 013	162 606	169 098
Other non-financial current liabilities	14 669	16 240	21 718	26 023	28 891	33 314	42 229	42 063
Taxes payable	6 002	25 214	17 246	8 428	9 814	11 818	11 039	8 424
Total operating current liabilities	117 531	169 013	188 170	156 176	156 527	178 145	215 874	219 585
Total operating liabilities	124 393	176 191	200 506	168 257	169 281	190 574	230 273	229 977
Operating net working capital	129 978	160 938	204 000	166 356	182 903	212 182	190 280	210 315
Δ in operating net working capital	*38 846*	*30 960*	*43 062*	*(37 644)*	*16 546*	*29 280*	*(21 902)*	*20 035*
Invested capital	406 854	851 541	1 046 185	937 072	953 562	1 034 468	1 026 850	874 802

Source: Geox's annual reports 2006-2013, Independent analysis

12.64. Appendix 64 – Reformulated financial balance sheet of Geox

Appendix 64 - Reformulated financial balance sheet of Geox								
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Share capital	25 884	25 884	25 920	25 921	25 921	25 921	25 921	25 921
Total paid-in equity	**25 884**	**25 884**	**25 920**	**25 921**	**25 921**	**25 921**	**25 921**	**25 921**
Deferred tax	(12 466)	(13 914)	(26 503)	(26 076)	(28 864)	(24 975)	(34 349)	(51 249)
Reserves	153 495	208 142	281 693	336 124	342 377	370 520	366 876	359 257
Net profit	97 262	122 978	118 174	66 706	58 003	49 987	10 039	(29 749)
Total equity	**264 175**	**343 090**	**399 284**	**402 675**	**397 437**	**421 453**	**368 487**	**304 180**
Interest-bearing assets								
Excess cash	72 681	104 215	50 822	90 170	97 198	67 049	47 715	31 907
Non-current financial assets	856	1 975	1 229	1 047	1 215	1 287	1 351	1 611
Current financial assets	112	637	17 414	4 402	4 046	16 305	2 366	1 019
Total interest-bearing assets	**73 649**	**106 827**	**69 465**	**95 619**	**102 459**	**84 641**	**51 432**	**34 537**
Interest-bearing liabilities								
Capitalised operational lease	208 605	599 842	687 246	619 683	631 257	685 961	696 356	527 312
Current financial liabilities	2 638	9 278	1 709	3 269	20 284	3 763	5 941	10 816
Bank borrowings	3 256	4 973	26 265	6 315	6 489	7 573	7 336	66 969
Long-term loans	1 829	1 185	1 145	749	554	358	161	62
Total interest-bearing liabilities	**216 328**	**615 278**	**716 365**	**630 016**	**658 584**	**697 655**	**709 794**	**605 159**
Net interest-bearing debt	**142 679**	**508 451**	**646 901**	**534 397**	**556 125**	**613 015**	**658 363**	**570 622**
Invested capital	**406 854**	**851 541**	**1 046 185**	**937 072**	**953 562**	**1 034 468**	**1 026 850**	**874 802**

Source: Geox's annual reports 2006-2013, Independent analysis

12.65. Appendix 65 – Reformulated operational balance sheet of Wolverine

Appendix 65 - Reformulated operational balance sheet of Wolverine								
$ million	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Intangible assets	47,3	48,5	41,6	56,2	55,5	57,4	1 293,2	1 262,5
Property, plant and equipment	88,0	85,4	85,8	74,0	74,4	78,5	149,7	151,9
Other non-current assets	36,6	37,2	40,3	39,2	39,0	38,9	56,8	64,4
Total operating non-current assets	171,8	171,1	167,6	169,3	168,8	174,8	1 499,7	1 478,8
Capitalised operational lease	55,7	75,5	79,3	85,4	92,9	174,8	202,9	190,3
Total adjusted operating non-current assets	227,6	246,6	246,9	254,7	261,7	349,6	1 702,6	1 669,1
Operating current assets								
Operating cash	22,8	24,0	24,4	22,0	25,0	28,2	32,8	53,8
Accounts receivable	152,6	179,9	167,9	163,8	196,5	220,0	353,6	398,1
Inventories	184,3	165,9	196,8	158,1	208,7	231,7	466,2	428,2
Prepaid expenses and other assets	15,4	11,9	11,5	12,9	11,4	33,0	55,7	48,4
Total operating current assets	375,1	381,6	400,6	356,8	441,5	512,9	908,3	928,5
Total operating assets	547,0	552,7	568,2	526,1	610,3	687,7	2 408,0	2 407,3
Total adjusted operating assets	602,7	628,2	647,5	611,4	703,2	862,4	2 610,9	2 597,6
LIABILITIES								
Operating non-current liabilities								
Other liabilities	12,1	9,1	8,8	16,2	17,3	20,5	26,1	26,7
Total operating non-current liabilities	12,1	9,1	8,8	16,2	17,3	20,5	26,1	26,7
Operating current liabilities								
Accounts payable	47,4	51,6	45,3	42,3	64,1	57,1	160,9	135,2
Accrued salaries and wages	19,3	20,7	22,7	20,8	26,8	22,6	36,4	41,5
Income taxes	6,4	3,9	1,8	14,6	2,7	2,8	-	-
Other taxes	4,4	5,9	4,3	4,5	6,6	8,1	-	-
Restructuring reserve	-	-	-	5,9	1,3	0,3	-	-
Other accrued liabilities	32,7	32,1	29,5	37,9	37,0	44,0	91,3	99,3
Total operating current liabilities	110,2	114,1	103,7	126,0	138,6	135,0	288,6	276,0
Total operating liabilities	122,3	123,2	112,4	142,3	155,9	155,5	314,7	302,7
Operating net working capital	265,0	267,5	296,9	230,8	302,9	377,9	619,7	652,5
Δ in operating net working capital	*6,7*	*2,6*	*29,4*	*(66,2)*	*72,1*	*75,0*	*241,9*	*32,8*
Invested capital	480,4	505,0	535,1	469,2	547,2	706,9	2 296,2	2 294,9

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.66. Appendix 66 – Reformulated financial balance sheet of Wolverine

Appendix 66 - Reformulated financial balance sheet of Wolverine								
$ million	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Common stock	60,5	61,1	61,7	62,8	64,0	65,0	98,7	100,8
Additional paid-in capital	31,3	47,8	64,7	81,0	108,3	138,6	-	5,0
Total paid-in equity	91,8	108,9	126,4	143,8	172,3	203,6	98,7	105,8
Deferred tax	(12,1)	(15,8)	(31,4)	(47,6)	(50,8)	(52,2)	211,6	221,4
Retained earnings	519,8	591,7	666,0	706,4	789,7	889,8	633,4	743,1
Accumulated other losses	3,9	22,3	(42,8)	(42,8)	(41,1)	(71,0)	(87,5)	(9,2)
Unearned compensation	-	-	-	-	-	-	-	-
Cost of shares in treasury	(111,0)	(244,1)	(319,6)	(325,4)	(376,9)	(443,7)	(2,2)	(2,1)
Minority interest	-	-	-	-	-	-	1,3	3,8
Total equity	492,5	463,0	398,5	434,5	493,1	526,5	855,3	1 062,8
Interest-bearing assets								
Excess cash	101,8	52,1	65,1	138,4	125,4	111,8	138,6	160,4
Pension assets	10,2	17,8	-	-	-	-	-	-
Deferred financing costs	-	-	-	-	-	-	38,9	22,0
Total interest-bearing assets	112,1	69,9	65,1	138,4	125,4	111,8	177,5	182,4
Interest-bearing liabilities								
Capitalised operational lease	55,7	75,5	79,3	85,4	92,9	174,8	202,9	190,3
Long-term debt	10,7	-	-	1,1	0,5	-	1 219,3	1 096,7
Current maturities of long-term debt	10,7	10,7	0,0	0,5	0,5	0,5	30,7	53,3
Revolving credit agreement	-	-	59,5	-	-	11,0	-	-
Accrued pension liabilities	22,7	25,7	62,9	86,2	85,7	106,0	165,5	74,2
Total interest-bearing liabilities	100,0	111,9	201,7	173,2	179,6	292,2	1 618,4	1 414,5
Net interest-bearing debt	(12,1)	42,0	136,6	34,7	54,2	180,4	1 440,9	1 232,1
Invested capital	480,4	505,0	535,1	469,2	547,2	706,9	2 296,2	2 294,9

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.67. Appendix 67 – Reformulated operational balance sheet of Tod's

Appendix 67 - Reformulated operational balance sheet of Tod's								
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Intangible assets	180 063	198 536	196 247	191 460	189 083	202 005	198 440	196 340
Property,plant and equipment	102 742	100 708	113 412	105 907	174 103	190 999	194 722	192 353
Other non-current assets	4 158	4 531	6 188	7 579	7 789	9 661	13 403	15 362
Total operating non-current assets	286 963	303 775	315 847	304 946	370 975	402 665	406 565	404 055
Capitalised operational lease	164 272	194 281	207 208	353 839	394 146	467 675	518 614	410 188
Total adjusted operating non-current assets	451 235	498 056	523 055	658 785	765 121	870 340	925 179	814 243
Operating current assets								
Operating cash	11 645	13 401	14 447	14 572	16 127	18 193	19 704	19 662
Inventories	183 656	218 731	242 076	196 051	203 136	236 631	265 389	282 348
Trade receivables	85 328	108 410	108 386	107 999	119 560	150 011	129 734	94 326
Tax receivables	5 815	2 670	1 612	2 215	3 856	12 839	15 519	9 050
Other current assets	18 260	18 671	12 697	9 006	12 263	13 488	36 551	34 793
Total operating current assets	304 704	361 883	379 218	329 843	354 942	431 162	466 897	440 179
Total operating assets	591 667	665 658	695 065	634 789	725 917	833 827	873 462	844 234
Total adjusted operating assets	755 939	859 939	902 273	988 628	1 120 063	1 301 501	1 392 076	1 254 423
LIABILITIES								
Operating non-current liabilities								
Provisions for risks	403	434	501	825	1 369	1 914	2 969	3 651
Reserve for employee severance	11 789	10 571	10 875	10 960	11 419	11 565	12 030	11 134
Other non-current liabilities	-	3 000	-	-	-	19 584	20 169	18 835
Total operating non-current liabilities	12 192	14 005	11 376	11 785	12 788	33 063	35 168	33 620
Operating current liabilities								
Trade payables	104 778	118 688	113 114	103 921	130 008	159 876	139 236	152 619
Tax payables	14 265	7 594	5 907	4 170	20 064	16 454	7 590	-
Other current liabilities	14 998	17 404	18 548	17 670	29 106	31 329	29 309	35 278
Total operating current liabilities	134 041	143 686	137 569	125 761	179 178	207 659	176 135	187 897
Total operating liabilities	146 233	157 691	148 945	137 546	191 966	240 722	211 303	221 517
Operating net working capital	170 663	218 197	241 649	204 082	175 764	223 503	290 762	252 282
Δ in operating net working capital	*52 147*	*47 535*	*23 451*	*(37 567)*	*(28 318)*	*47 738*	*67 259*	*(38 479)*
Invested capital	609 706	702 248	753 328	851 082	928 097	1 060 779	1 180 773	1 032 906

Source: Tod's annual reports 2006-2013, Independent analysis

12.68. Appendix 68 – Reformulated financial balance sheet of Tod's

Appendix 68 - Reformulated financial balance sheet of Tod's								
€ '000	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Share capital	60 804	60 962	60 962	61 219	61 219	61 219	61 219	61 219
Total paid-in equity	60 804	60 962	60 962	61 219	61 219	61 219	61 219	61 219
Deferred tax	3 271	5 435	1 854	(103)	(4 305)	(8 701)	(13 166)	(14 314)
Capital reserves	210 638	215 938	213 983	214 055	214 055	214 055	214 055	214 055
Hedging reserve	(1 406)	(4 245)	(9 780)	(5 333)	(4 263)	(4 851)	1 235	(10 902)
Retained earnings	183 705	211 704	249 743	299 042	231 451	277 742	335 322	397 304
Profit for the period	66 112	77 332	82 754	85 668	109 076	134 997	145 461	133 780
Share capital and reserves to minority interest	2 365	3 673	3 790	4 810	5 193	4 934	5 519	5 428
Profit/loss attributable to minority interest	704	1 394	1 139	472	1 710	691	276	220
Total equity	526 193	572 193	604 445	659 830	614 136	680 086	749 921	786 790
Interest-bearing assets								
Excess cash	99 690	82 352	86 830	189 437	155 602	169 563	148 625	208 516
Real estate investments	60	56	53	49	46	42	39	36
Equity investments	20	20	20	20	20	20	20	20
Derivative financial instruments	1 219	3 763	3 927	594	2 084	1 320	5 370	4 430
Assets held for sale	1 081	1 021	-	-	-	-	-	-
Total interest-bearing assets	102 070	87 212	90 830	190 100	157 752	170 945	154 054	213 002
Interest-bearing liabilities								
Capitalised operational lease	164 272	194 281	207 208	353 839	394 146	467 675	518 614	410 188
Long-term bank borrowings	11 716	10 234	8 340	6 819	42 805	41 408	32 023	21 087
Short-term bank borrowings	9 046	11 978	20 105	20 001	32 429	35 599	32 565	25 966
Derivative financial instruments	518	759	4 059	693	2 333	6 957	1 704	1 876
Liabilities held for sale	31	15	-	-	-	-	-	-
Total interest-bearing liabilities	185 583	217 267	239 712	381 352	471 713	551 639	584 906	459 117
Net interest-bearing debt	83 513	130 055	148 883	191 252	313 961	380 693	430 852	246 116
Invested capital	609 706	702 248	753 328	851 082	928 097	1 060 779	1 180 773	1 032 906

Source: Tod's annual reports 2006-2013, Independent analysis

12.69. Appendix 69 – Common-size analysis of reformulated operational balance sheet of Crocs

Appendix 69 - Common-size analysis of reformulated operational balance sheet of Crocs								
As percentage of invested capital	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Property and equipment	13,1%	15,5%	25,3%	20,2%	17,2%	12,2%	11,6%	13,0%
Intangible assets	8,9%	9,8%	10,8%	10,2%	11,2%	8,8%	8,4%	11,2%
Other assets	0,7%	1,4%	4,9%	4,8%	4,5%	4,2%	5,7%	8,0%
Total operating non-current assets	22,7%	26,7%	41,1%	35,2%	32,9%	25,2%	25,7%	32,2%
Capitalised operational lease	45,6%	27,2%	35,9%	43,2%	47,0%	60,1%	55,8%	49,9%
Total adjusted operating non-current assets	68,3%	53,9%	76,9%	78,4%	80,0%	85,4%	81,5%	82,1%
Operating current assets								
Operating cash	2,7%	3,0%	3,8%	3,7%	3,9%	3,6%	3,2%	3,6%
Accounts receivable	24,6%	26,9%	9,3%	14,3%	15,8%	15,3%	13,0%	15,6%
Inventories	32,4%	43,7%	37,8%	26,5%	29,8%	23,4%	23,2%	24,2%
Income tax receivable	-	-	6,5%	2,4%	2,2%	1,1%	0,8%	1,6%
Other receivables	-	-	1,2%	4,6%	2,9%	3,7%	3,5%	1,8%
Prepaid income taxes	1,8%	-	-	-	-	-	-	-
Prepaid expenses and other	3,6%	3,1%	2,3%	4,0%	3,3%	3,6%	3,5%	4,4%
Total operating current assets	65,0%	76,8%	61,0%	55,5%	57,9%	50,7%	47,1%	51,1%
Total operating assets	87,8%	103,5%	102,0%	90,7%	90,8%	75,9%	72,8%	83,3%
Total adjusted operating assets	133,4%	130,7%	137,9%	133,9%	137,9%	136,1%	128,6%	133,2%
LIABILITIES								
Operating non-current liabilities								
Long-term income tax payable	-	-	-	7,9%	7,3%	7,5%	5,1%	5,5%
Other liabilities	0,6%	2,5%	8,6%	1,5%	1,4%	1,2%	1,9%	2,3%
Total operating non-current liabilities	0,6%	2,5%	8,6%	9,4%	8,8%	8,7%	7,0%	7,7%
Operating current liabilities								
Accounts payable	16,4%	14,6%	9,3%	6,7%	8,8%	12,0%	9,0%	8,6%
Accrued expenses and other	11,7%	10,1%	13,2%	15,2%	14,6%	13,8%	11,4%	14,5%
Accrued restructuring charges	-	-	0,4%	0,7%	-	-	-	-
Income taxes payable	4,7%	3,5%	6,5%	1,8%	5,7%	1,5%	1,1%	2,4%
Total operating current liabilities	32,8%	28,2%	29,3%	24,4%	29,1%	27,3%	21,6%	25,5%
Total operating liabilities	33,4%	30,7%	37,9%	33,9%	37,9%	36,1%	28,6%	33,2%
Operating net working capital	32,2%	48,6%	31,6%	31,1%	28,8%	23,4%	25,5%	25,7%
Δ in operating net working capital	*26,9%*	*33,5%*	*(41,3%)*	*(2,9%)*	*1,9%*	*2,2%*	*7,3%*	*(1,4%)*
Invested capital	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: Crocs' annual reports 2006-2013, Independent analysis

12.70. Appendix 70 – Common-size analysis of reformulated financial balance sheet of Crocs

Appendix 70 - Common-size analysis of reformulated financial balance sheet of Crocs								
As percentage of invested capital	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Common shares	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Treasury stock	-	(4,4%)	(6,6%)	(7,2%)	(5,4%)	(3,6%)	(6,2%)	(8,4%)
Additional paid-in capital	49,5%	37,3%	61,3%	75,6%	68,2%	53,1%	43,3%	48,0%
Total paid-in equity	**49,5%**	**32,9%**	**54,7%**	**68,5%**	**62,8%**	**49,5%**	**37,1%**	**39,7%**
Deferred tax	(1,2%)	(3,2%)	(7,8%)	(6,7%)	(8,1%)	(6,2%)	(5,3%)	(1,9%)
Deferred compensation	(2,1%)	(0,4%)	(0,1%)	-	-	-	-	-
Retained earnings	30,4%	43,9%	17,0%	6,3%	22,1%	36,6%	47,0%	51,4%
Accumulated other income	0,4%	1,8%	4,2%	6,9%	7,6%	2,7%	2,8%	2,2%
Total equity	**77,0%**	**75,0%**	**68,0%**	**74,9%**	**84,4%**	**82,6%**	**81,5%**	**91,4%**
Interest-bearing assets								
Excess cash	22,8%	3,5%	9,8%	18,3%	31,9%	42,9%	38,3%	43,8%
Total interest-bearing assets	**22,8%**	**3,5%**	**9,8%**	**18,3%**	**31,9%**	**42,9%**	**38,3%**	**43,8%**
Interest-bearing liabilities								
Capitalised operational lease	45,6%	27,2%	35,9%	43,2%	47,0%	60,1%	55,8%	49,9%
Current portion of long-term borrowings	0,2%	1,3%	5,9%	0,2%	0,5%	0,2%	0,3%	0,8%
Long-term borrowings	0,0%	0,0%	-	-	-	-	0,6%	1,7%
Total interest-bearing liabilities	**45,9%**	**28,4%**	**41,8%**	**43,3%**	**47,5%**	**60,3%**	**56,7%**	**52,4%**
Net interest-bearing debt	**23,0%**	**25,0%**	**32,0%**	**25,1%**	**15,6%**	**17,4%**	**18,5%**	**8,6%**
Invested capital	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: Crocs' annual reports 2006-2013, Independent analysis

12.71. Appendix 71 – Common-size analysis of reformulated operational balance sheet of Deckers

Appendix 71 - Common-size analysis of reformulated operational balance sheet of Deckers								
As percentage of invested capital	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Property and equipment	5,8%	5,7%	11,9%	15,2%	12,3%	11,2%	13,0%	20,3%
Intangible assets	40,4%	29,0%	10,1%	10,3%	6,4%	26,5%	23,2%	26,0%
Other assets	0,0%	0,6%	0,4%	0,8%	1,4%	1,3%	1,3%	2,2%
Total operating non-current assets	46,2%	35,3%	22,4%	26,3%	20,1%	39,0%	37,5%	48,5%
Capitalised operational lease	16,1%	29,8%	27,5%	40,1%	47,8%	28,5%	31,8%	23,3%
Total adjusted operating non-current assets	62,3%	65,1%	49,9%	66,4%	67,9%	67,5%	69,4%	71,8%
Operating current assets								
Operating cash	4,5%	4,8%	5,8%	7,0%	5,1%	3,4%	2,9%	3,6%
Accounts receivable	36,8%	38,7%	45,3%	32,7%	29,9%	23,9%	19,7%	21,5%
Inventories	24,1%	27,8%	38,9%	36,6%	32,1%	31,3%	31,0%	30,5%
Prepaid expenses	1,6%	1,9%	1,7%	3,2%	2,0%	1,1%	1,5%	1,8%
Other current assets	-	-	-	-	2,3%	10,5%	6,1%	13,2%
Total operating current assets	67,1%	73,2%	91,7%	79,5%	71,5%	70,2%	61,2%	70,5%
Total operating assets	113,3%	108,5%	114,0%	105,7%	91,5%	109,2%	98,8%	119,0%
Total adjusted operating assets	129,4%	138,3%	141,5%	145,9%	139,4%	137,7%	130,6%	142,3%
LIABILITIES								
Operating non-current liabilities								
Long-term liabilities	-	-	1,6%	2,7%	2,2%	9,0%	6,4%	6,0%
Total operating non-current liabilities	-	-	1,6%	2,7%	2,2%	9,0%	6,4%	6,0%
Operating current liabilities								
Accounts payable	15,6%	19,4%	18,0%	20,3%	17,2%	13,7%	13,8%	17,7%
Accrued payroll	5,0%	6,5%	6,3%	8,9%	9,0%	4,0%	1,6%	4,2%
Other accrued expenses	3,1%	2,9%	5,3%	5,6%	4,5%	7,1%	4,5%	5,3%
Income taxes payable	5,6%	9,4%	10,3%	8,4%	6,5%	3,8%	2,6%	5,8%
VAT payable	-	-	-	-	-	-	1,6%	3,4%
Total operating current liabilities	29,4%	38,3%	39,9%	43,2%	37,2%	28,7%	24,2%	36,3%
Total operating liabilities	29,4%	38,3%	41,5%	45,9%	39,4%	37,7%	30,6%	42,3%
Operating net working capital	37,7%	34,9%	51,8%	36,3%	34,3%	41,5%	37,0%	34,2%
Δ in operating net working capital	*0,5%*	*7,7%*	*24,5%*	*(16,6%)*	*12,6%*	*25,0%*	*2,4%*	*(7,7%)*
Invested capital	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: Deckers' annual reports 2006-2013, Independent analysis

12.72. Appendix 72 – Common-size analysis of reformulated financial balance sheet of Deckers

Appendix 72 - Common-size analysis of reformulated financial balance sheet of Deckers								
As percentage of invested capital	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Common stock	0,1%	0,1%	0,1%	0,2%	0,1%	0,0%	0,0%	0,0%
Additional paid-in capital	60,8%	55,6%	48,3%	53,6%	35,4%	17,9%	14,4%	16,8%
Total paid-in equity	**60,9%**	**55,7%**	**48,4%**	**53,8%**	**35,5%**	**17,9%**	**14,4%**	**16,9%**
Deferred tax	(3,5%)	(4,6%)	(12,9%)	(11,3%)	(7,0%)	(3,4%)	(3,2%)	(4,2%)
Retained earnings	95,2%	104,3%	112,6%	156,5%	131,8%	85,7%	62,1%	87,3%
Accumulated comprehensive losses	0,3%	0,2%	0,2%	0,2%	0,3%	(0,2%)	(0,1%)	(0,3%)
Minority interest	-	-	0,2%	0,2%	0,7%	0,7%	-	-
Total equity	**152,9%**	**155,5%**	**148,4%**	**199,4%**	**161,3%**	**100,7%**	**73,2%**	**99,7%**
Interest-bearing assets								
Excess cash	20,9%	24,4%	68,3%	128,3%	109,1%	29,2%	8,5%	24,1%
Short-term investments	48,0%	60,9%	7,5%	11,2%	-	-	-	-
Total interest-bearing assets	**69,0%**	**85,3%**	**75,9%**	**139,5%**	**109,1%**	**29,2%**	**8,5%**	**24,1%**
Interest-bearing liabilities								
Capitalised operational lease	16,1%	29,8%	27,5%	40,1%	47,8%	28,5%	31,8%	23,3%
Short-term borrowings	-	-	-	-	-	-	3,4%	1,1%
Total interest-bearing liabilities	**16,1%**	**29,8%**	**27,5%**	**40,1%**	**47,8%**	**28,5%**	**35,3%**	**24,4%**
Net interest-bearing debt	**(52,9%)**	**(55,5%)**	**(48,4%)**	**(99,4%)**	**(61,3%)**	**(0,7%)**	**26,8%**	**0,3%**
Invested capital	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: Deckers' annual reports 2006-2013, Independent analysis

12.73. Appendix 73 – Common-size analysis of reformulated operational balance sheet of Geox

Appendix 73 - Common-size analysis of reformulated operational balance sheet of Geox								
As percentage of invested capital	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Intangible assets	9,4%	5,6%	7,5%	8,0%	7,2%	6,5%	6,6%	7,3%
Property, plant and equipment	7,9%	5,1%	7,5%	7,6%	7,1%	6,2%	6,6%	7,5%
Other non-current assets	1,2%	0,9%	1,1%	1,8%	1,7%	1,7%	1,8%	2,1%
Total operating non-current assets	18,5%	11,5%	16,0%	17,4%	16,0%	14,4%	15,1%	16,9%
Capitalised operational lease	51,3%	70,4%	65,7%	66,1%	66,2%	66,3%	67,8%	60,3%
Total adjusted operating non-current assets	69,7%	81,9%	81,7%	83,5%	82,2%	80,7%	82,9%	77,1%
Operating current assets								
Operating cash	3,0%	1,8%	1,7%	1,8%	1,8%	1,7%	1,6%	1,7%
Inventories	32,2%	22,0%	21,6%	16,3%	18,0%	19,0%	20,4%	32,2%
Accounts receivable	20,7%	12,7%	11,9%	13,7%	13,1%	14,9%	14,2%	11,5%
Other non-financial current assets	4,9%	2,3%	2,2%	2,6%	2,7%	2,1%	3,4%	3,7%
Total operating current assets	60,8%	38,7%	37,5%	34,4%	35,6%	37,7%	39,6%	49,1%
Total operating assets	79,3%	50,2%	53,5%	51,8%	51,6%	52,1%	54,6%	66,0%
Total adjusted operating assets	130,6%	120,7%	119,2%	118,0%	117,8%	118,4%	122,4%	126,3%
LIABILITIES								
Operating non-current liabilities								
Employee severence indemnities	0,8%	0,3%	0,3%	0,3%	0,2%	0,2%	0,2%	0,3%
Provisions for liabilities and charges	0,6%	0,3%	0,4%	0,8%	0,8%	0,8%	1,0%	0,7%
Other long-term payables	0,3%	0,2%	0,5%	0,2%	0,2%	0,2%	0,2%	0,2%
Total operating non-current liabilities	1,7%	0,8%	1,2%	1,3%	1,3%	1,2%	1,4%	1,2%
Operating current liabilities								
Accounts payable	23,8%	15,0%	14,3%	13,0%	12,4%	12,9%	15,8%	19,3%
Other non-financial current liabilities	3,6%	1,9%	2,1%	2,8%	3,0%	3,2%	4,1%	4,8%
Taxes payable	1,5%	3,0%	1,6%	0,9%	1,0%	1,1%	1,1%	1,0%
Total operating current liabilities	28,9%	19,8%	18,0%	16,7%	16,4%	17,2%	21,0%	25,1%
Total operating liabilities	30,6%	20,7%	19,2%	18,0%	17,8%	18,4%	22,4%	26,3%
Operating net working capital	31,9%	18,9%	19,5%	17,8%	19,2%	20,5%	18,5%	24,0%
Δ in operating net working capital	*9,5%*	*3,6%*	*4,1%*	*(4,0%)*	*1,7%*	*2,8%*	*(2,1%)*	*2,3%*
Invested capital	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: Geox's annual reports 2006-2013, Independent analysis

12.74. Appendix 74 – Common-size analysis of reformulated financial balance sheet of Geox

Appendix 74 - Common-size analysis of reformulated financial balance sheet of Geox								
As percentage of invested capital	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Share capital	6,4%	3,0%	2,5%	2,8%	2,7%	2,5%	2,5%	3,0%
Total paid-in equity	**6,4%**	**3,0%**	**2,5%**	**2,8%**	**2,7%**	**2,5%**	**2,5%**	**3,0%**
Deferred tax	(3,1%)	(1,6%)	(2,5%)	(2,8%)	(3,0%)	(2,4%)	(3,3%)	(5,9%)
Reserves	37,7%	24,4%	26,9%	35,9%	35,9%	35,8%	35,7%	41,1%
Net profit	23,9%	14,4%	11,3%	7,1%	6,1%	4,8%	1,0%	(3,4%)
Total equity	**64,9%**	**40,3%**	**38,2%**	**43,0%**	**41,7%**	**40,7%**	**35,9%**	**34,8%**
Interest-bearing assets								
Excess cash	17,9%	12,2%	4,9%	9,6%	10,2%	6,5%	4,6%	3,6%
Non-current financial assets	0,2%	0,2%	0,1%	0,1%	0,1%	0,1%	0,1%	0,2%
Current financial assets	0,0%	0,1%	1,7%	0,5%	0,4%	1,6%	0,2%	0,1%
Total interest-bearing assets	**18,1%**	**12,5%**	**6,6%**	**10,2%**	**10,7%**	**8,2%**	**5,0%**	**3,9%**
Interest-bearing liabilities								
Capitalised operational lease	51,3%	70,4%	65,7%	66,1%	66,2%	66,3%	67,8%	60,3%
Current financial liabilities	0,6%	1,1%	0,2%	0,3%	2,1%	0,4%	0,6%	1,2%
Bank borrowings	0,8%	0,6%	2,5%	0,7%	0,7%	0,7%	0,7%	7,7%
Long-term loans	0,4%	0,1%	0,1%	0,1%	0,1%	0,0%	0,0%	0,0%
Total interest-bearing liabilities	**53,2%**	**72,3%**	**68,5%**	**67,2%**	**69,1%**	**67,4%**	**69,1%**	**69,2%**
Net interest-bearing debt	**35,1%**	**59,7%**	**61,8%**	**57,0%**	**58,3%**	**59,3%**	**64,1%**	**65,2%**
Invested capital	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: Geox's annual reports 2006-2013, Independent analysis

12.75. Appendix 75 – Common-size analysis of reformulated operational balance sheet of Wolverine

Appendix 75 - Common-size analysis of reformulated operational balance sheet of Wolverine								
As percentage of invested capital	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Intangible assets	9,8%	9,6%	7,8%	12,0%	10,1%	8,1%	56,3%	55,0%
Property, plant and equipment	18,3%	16,9%	16,0%	15,8%	13,6%	11,1%	6,5%	6,6%
Other non-current assets	7,6%	7,4%	7,5%	8,3%	7,1%	5,5%	2,5%	2,8%
Total operating non-current assets	35,8%	33,9%	31,3%	36,1%	30,9%	24,7%	65,3%	64,4%
Capitalised operational lease	11,6%	14,9%	14,8%	18,2%	17,0%	24,7%	8,8%	8,3%
Total adjusted operating non-current assets	47,4%	48,8%	46,1%	54,3%	47,8%	49,4%	74,1%	72,7%
Operating current assets								
Operating cash	4,8%	4,7%	4,6%	4,7%	4,6%	4,0%	1,4%	2,3%
Accounts receivable	31,8%	35,6%	31,4%	34,9%	35,9%	31,1%	15,4%	17,3%
Inventories	38,4%	32,8%	36,8%	33,7%	38,1%	32,8%	20,3%	18,7%
Prepaid expenses and other assets	3,2%	2,3%	2,1%	2,8%	2,1%	4,7%	2,4%	2,1%
Total operating current assets	78,1%	75,6%	74,9%	76,0%	80,7%	72,5%	39,6%	40,5%
Total operating assets	113,9%	109,4%	106,2%	112,1%	111,5%	97,3%	104,9%	104,9%
Total adjusted operating assets	125,5%	124,4%	121,0%	130,3%	128,5%	122,0%	113,7%	113,2%
LIABILITIES								
Operating non-current liabilities	-	-	-	-	-	-	-	-
Other liabilities	2,5%	1,8%	1,6%	3,5%	3,2%	2,9%	1,1%	1,2%
Total operating non-current liabilities	2,5%	1,8%	1,6%	3,5%	3,2%	2,9%	1,1%	1,2%
Operating current liabilities								
Accounts payable	9,9%	10,2%	8,5%	9,0%	11,7%	8,1%	7,0%	5,9%
Accrued salaries and wages	4,0%	4,1%	4,2%	4,4%	4,9%	3,2%	1,6%	1,8%
Income taxes	1,3%	0,8%	0,3%	3,1%	0,5%	0,4%	-	-
Other taxes	0,9%	1,2%	0,8%	1,0%	1,2%	1,1%	-	-
Restructuring reserve	-	-	-	1,3%	0,2%	0,0%	-	-
Other accrued liabilities	6,8%	6,4%	5,5%	8,1%	6,8%	6,2%	4,0%	4,3%
Total operating current liabilities	22,9%	22,6%	19,4%	26,9%	25,3%	19,1%	12,6%	12,0%
Total operating liabilities	25,5%	24,4%	21,0%	30,3%	28,5%	22,0%	13,7%	13,2%
Operating net working capital	55,2%	53,0%	55,5%	49,2%	55,3%	53,5%	27,0%	28,4%
Δ in operating net working capital	*1,4%*	*0,5%*	*5,5%*	*(14,1%)*	*13,2%*	*10,6%*	*10,5%*	*1,4%*
Invested capital	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.76. Appendix 76 – Common-size analysis of reformulated financial balance sheet of Wolverine

Appendix 76 - Common-size analysis of reformulated financial balance sheet of Wolverine								
As percentage of invested capital	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Common stock	12,6%	12,1%	11,5%	13,4%	11,7%	9,2%	4,3%	4,4%
Additional paid-in capital	6,5%	9,5%	12,1%	17,3%	19,8%	19,6%	-	0,2%
Total paid-in equity	**19,1%**	**21,6%**	**23,6%**	**30,6%**	**31,5%**	**28,8%**	**4,3%**	**4,6%**
Deferred tax	(2,5%)	(3,1%)	(5,9%)	(10,1%)	(9,3%)	(7,4%)	9,2%	9,6%
Retained earnings	108,2%	117,2%	124,5%	150,6%	144,3%	125,9%	27,6%	32,4%
Accumulated other losses	0,8%	4,4%	(8,0%)	(9,1%)	(7,5%)	(10,0%)	(3,8%)	(0,4%)
Unearned compensation	-	-	-	-	-	-	-	-
Cost of shares in treasury	(23,1%)	(48,3%)	(59,7%)	(69,3%)	(68,9%)	(62,8%)	(0,1%)	(0,1%)
Minority interest	-	-	-	-	-	-	0,1%	0,2%
Total equity	**102,5%**	**91,7%**	**74,5%**	**92,6%**	**90,1%**	**74,5%**	**37,2%**	**46,3%**
Interest-bearing assets								
Excess cash	21,2%	10,3%	12,2%	29,5%	22,9%	15,8%	6,0%	7,0%
Pension assets	2,1%	3,5%	-	-	-	-	-	-
Deferred financing costs	-	-	-	-	-	-	1,7%	1,0%
Total interest-bearing assets	**23,3%**	**13,8%**	**12,2%**	**29,5%**	**22,9%**	**15,8%**	**7,7%**	**7,9%**
Interest-bearing liabilities								
Capitalised operational lease	11,6%	14,9%	14,8%	18,2%	17,0%	24,7%	8,8%	8,3%
Long-term debt	2,2%	-	-	0,2%	0,1%	-	53,1%	47,8%
Current maturities of long-term debt	2,2%	2,1%	0,0%	0,1%	0,1%	0,1%	1,3%	2,3%
Revolving credit agreement	-	-	11,1%	-	-	1,6%	-	-
Accrued pension liabilities	4,7%	5,1%	11,8%	18,4%	15,7%	15,0%	7,2%	3,2%
Total interest-bearing liabilities	**20,8%**	**22,2%**	**37,7%**	**36,9%**	**32,8%**	**41,3%**	**70,5%**	**61,6%**
Net interest-bearing debt	**(2,5%)**	**8,3%**	**25,5%**	**7,4%**	**9,9%**	**25,5%**	**62,8%**	**53,7%**
Invested capital	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.77. Appendix 77 – Common-size analysis of reformulated operational balance sheet of Tod's

Appendix 77 - Common-size analysis of reformulated operational balance sheet of Tod's								
As percentage of invested capital	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Intangible assets	29,5%	28,3%	26,1%	22,5%	20,4%	19,0%	16,8%	19,0%
Property,plant and equipment	16,9%	14,3%	15,1%	12,4%	18,8%	18,0%	16,5%	18,6%
Other non-current assets	0,7%	0,6%	0,8%	0,9%	0,8%	0,9%	1,1%	1,5%
Total operating non-current assets	47,1%	43,3%	41,9%	35,8%	40,0%	38,0%	34,4%	39,1%
Capitalised operational lease	26,9%	27,7%	27,5%	41,6%	42,5%	44,1%	43,9%	39,7%
Total adjusted operating non-current assets	74,0%	70,9%	69,4%	77,4%	82,4%	82,0%	78,4%	78,8%
Operating current assets								
Operating cash	1,9%	1,9%	1,9%	1,7%	1,7%	1,7%	1,7%	1,9%
Inventories	30,1%	31,1%	32,1%	23,0%	21,9%	22,3%	22,5%	27,3%
Trade receivables	14,0%	15,4%	14,4%	12,7%	12,9%	14,1%	11,0%	9,1%
Tax receivables	1,0%	0,4%	0,2%	0,3%	0,4%	1,2%	1,3%	0,9%
Other current assets	3,0%	2,7%	1,7%	1,1%	1,3%	1,3%	3,1%	3,4%
Total operating current assets	50,0%	51,5%	50,3%	38,8%	38,2%	40,6%	39,5%	42,6%
Total operating assets	97,0%	94,8%	92,3%	74,6%	78,2%	78,6%	74,0%	81,7%
Total adjusted operating assets	124,0%	122,5%	119,8%	116,2%	120,7%	122,7%	117,9%	121,4%
LIABILITIES								
Operating non-current liabilities								
Provisions for risks	0,1%	0,1%	0,1%	0,1%	0,1%	0,2%	0,3%	0,4%
Reserve for employee severance	1,9%	1,5%	1,4%	1,3%	1,2%	1,1%	1,0%	1,1%
Other non-current liabilities	-	0,4%	-	-	-	1,8%	1,7%	1,8%
Total operating non-current liabilities	2,0%	2,0%	1,5%	1,4%	1,4%	3,1%	3,0%	3,3%
Operating current liabilities								
Trade payables	17,2%	16,9%	15,0%	12,2%	14,0%	15,1%	11,8%	14,8%
Tax payables	2,3%	1,1%	0,8%	0,5%	2,2%	1,6%	0,6%	-
Other current liabilities	2,5%	2,5%	2,5%	2,1%	3,1%	3,0%	2,5%	3,4%
Total operating current liabilities	22,0%	20,5%	18,3%	14,8%	19,3%	19,6%	14,9%	18,2%
Total operating liabilities	24,0%	22,5%	19,8%	16,2%	20,7%	22,7%	17,9%	21,4%
Operating net working capital	28,0%	31,1%	32,1%	24,0%	18,9%	21,1%	24,6%	24,4%
Δ in operating net working capital	*8,6%*	*6,8%*	*3,1%*	*(4,4%)*	*(3,1%)*	*4,5%*	*5,7%*	*(3,7%)*
Invested capital	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: Tod's annual reports 2006-2013, Independent analysis

12.78. Appendix 78 – Common-size analysis of reformulated financial balance sheet of Tod's

Appendix 78 - Common-size analysis of reformulated financial balance sheet of Tod's								
As percentage of invested capital	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Share capital	10,0%	8,7%	8,1%	7,2%	6,6%	5,8%	5,2%	5,9%
Total paid-in equity	10,0%	8,7%	8,1%	7,2%	6,6%	5,8%	5,2%	5,9%
Deferred tax	0,5%	0,8%	0,2%	(0,0%)	(0,5%)	(0,8%)	(1,1%)	(1,4%)
Capital reserves	34,5%	30,7%	28,4%	25,2%	23,1%	20,2%	18,1%	20,7%
Hedging reserve	(0,2%)	(0,6%)	(1,3%)	(0,6%)	(0,5%)	(0,5%)	0,1%	(1,1%)
Retained earnings	30,1%	30,1%	33,2%	35,1%	24,9%	26,2%	28,4%	38,5%
Profit for the period	10,8%	11,0%	11,0%	10,1%	11,8%	12,7%	12,3%	13,0%
Share capital and reserves to minority interest	0,4%	0,5%	0,5%	0,6%	0,6%	0,5%	0,5%	0,5%
Profit/loss attributable to minority interest	0,1%	0,2%	0,2%	0,1%	0,2%	0,1%	0,0%	0,0%
Total equity	86,3%	81,5%	80,2%	77,5%	66,2%	64,1%	63,5%	76,2%
Interest-bearing assets								
Excess cash	16,4%	11,7%	11,5%	22,3%	16,8%	16,0%	12,6%	20,2%
Real estate investments	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Equity investments	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Derivative financial instruments	0,2%	0,5%	0,5%	0,1%	0,2%	0,1%	0,5%	0,4%
Assets held for sale	0,2%	0,1%	-	-	-	-	-	-
Total interest-bearing assets	16,7%	12,4%	12,1%	22,3%	17,0%	16,1%	13,0%	20,6%
Interest-bearing liabilities								
Capitalised operational lease	26,9%	27,7%	27,5%	41,6%	42,5%	44,1%	43,9%	39,7%
Long-term bank borrowings	1,9%	1,5%	1,1%	0,8%	4,6%	3,9%	2,7%	2,0%
Short-term bank borrowings	1,5%	1,7%	2,7%	2,4%	3,5%	3,4%	2,8%	2,5%
Derivative financial instruments	0,1%	0,1%	0,5%	0,1%	0,3%	0,7%	0,1%	0,2%
Liabilities held for sale	0,0%	0,0%	-	-	-	-	-	-
Total interest-bearing liabilities	30,4%	30,9%	31,8%	44,8%	50,8%	52,0%	49,5%	44,4%
Net interest-bearing debt	13,7%	18,5%	19,8%	22,5%	33,8%	35,9%	36,5%	23,8%
Invested capital	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: Tod's annual reports 2006-2013, Independent analysis

12.79. Appendix 79 – Trend analysis of reformulated operational balance sheet of Crocs

Appendix 79 - Trend analysis of reformulated operational balance sheet of Crocs								
Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Property and equipment	100	253	262	236	234	231	253	258
Intangible assets	100	233	207	195	221	228	251	276
Other assets	100	419	556	547	555	583	655	688
Total operating non-current assets	100	250	253	233	241	245	276	294
Capitalised operational lease	100	127	115	127	153	227	246	230
Total adjusted operating non-current assets	100	168	163	158	176	221	244	239
Operating current assets								
Operating cash	100	239	224	214	236	263	275	281
Accounts receivable	100	233	156	199	227	258	267	280
Inventories	100	288	246	211	241	248	275	273
Income tax receivable	-	-	100	35	41	5	1	91
Other receivables	-	-	100	348	320	394	416	365
Prepaid income taxes	100	-	-	-	-	-	-	-
Prepaid expenses and other	100	186	135	195	190	241	264	281
Total operating current assets	100	252	205	189	210	229	248	251
Total operating assets	100	251	217	200	215	229	252	260
Total adjusted operating assets	100	209	179	170	188	223	244	242
LIABILITIES								
Operating non-current liabilities								
Long-term income tax payable	-	-	-	100	107	147	134	135
Other liabilities	100	942	1 073	990	997	1 013	1 113	1 126
Total operating non-current liabilities	100	942	1 073	1 076	1 083	1 119	1 122	1 126
Operating current liabilities								
Accounts payable	100	189	132	99	151	237	233	223
Accrued expenses and other	100	184	171	178	190	218	224	244
Accrued restructuring charges	-	-	100	182	-	-	-	-
Income taxes payable	100	159	182	108	370	306	305	401
Total operating current liabilities	100	183	153	130	168	195	197	208
Total operating liabilities	100	196	178	161	190	220	222	231
Operating net working capital	100	322	265	256	263	274	314	309
Δ in operating net working capital	*100*	*265*	*83*	*176*	*351*	*412*	*734*	*616*
Invested capital	100	213	180	173	188	225	253	247

Source: Crocs' annual reports 2006-2013, Independent analysis

12.80. Appendix 80 – Trend analysis of reformulated financial balance sheet of Crocs

Appendix 80 - Trend analysis of reformulated financial balance sheet of Crocs								
Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Common shares	100	105	106	107	111	113	114	115
Treasury stock	-	100	100	99	112	122	(2)	(28)
Additional paid-in capital	100	161	170	185	189	195	200	204
Total paid-in equity	**100**	**142**	**153**	**169**	**175**	**182**	**178**	**179**
Deferred tax	100	(351)	(415)	(394)	(434)	(439)	(449)	(382)
Deferred compensation	100	158	248	-	-	-	-	-
Retained earnings	100	307	233	168	473	599	664	667
Accumulated other income	100	1 015	1 072	1 123	1 150	1 098	1 131	1 106
Total equity	**100**	**208**	**168**	**171**	**201**	**234**	**261**	**266**
Interest-bearing assets								
Excess cash	100	32	122	195	296	379	393	401
Total interest-bearing assets	**100**	**32**	**122**	**195**	**296**	**379**	**393**	**401**
Interest-bearing liabilities								
Capitalised operational lease	100	127	115	127	153	227	246	230
Current portion of long-term borrowings	100	1 314	1 529	1 432	1 629	1 588	1 670	1 824
Long-term borrowings	100	8	-	-	-	-	100	254
Total interest-bearing liabilities	**100**	**132**	**130**	**127**	**153**	**226**	**247**	**234**
Net interest-bearing debt	**100**	**231**	**216**	**189**	**161**	**213**	**250**	**194**
Invested capital	**100**	**213**	**180**	**173**	**188**	**225**	**253**	**247**

Source: Crocs' annual reports 2006-2013, Independent analysis

12.81. Appendix 81 – Trend analysis of reformulated operational balance sheet of Deckers

Appendix 81 - Trend analysis of reformulated operational balance sheet of Deckers								
Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Property and equipment	100	136	304	329	364	453	492	530
Intangible assets	100	100	44	44	48	808	813	812
Other assets	100	1 987	1 976	2 082	2 260	2 349	2 375	2 418
Total operating non-current assets	100	106	87	102	129	432	448	462
Capitalised operational lease	100	257	275	317	416	440	474	438
Total adjusted operating non-current assets	100	145	143	173	244	350	373	364
Operating current assets								
Operating cash	100	147	201	219	242	280	282	292
Accounts receivable	100	146	195	166	219	284	283	280
Inventories	100	160	239	231	278	380	399	386
Prepaid expenses	100	160	174	262	267	277	339	345
Other current assets	-	-	-	-	100	948	918	1 008
Total operating current assets	100	151	211	196	246	350	355	356
Total operating assets	100	133	167	158	202	350	358	365
Total adjusted operating assets	100	148	179	180	239	344	358	354
LIABILITIES								
Operating non-current liabilities								
Long-term liabilities	-	-	100	163	198	957	943	925
Total operating non-current liabilities	-	-	100	163	198	957	943	925
Operating current liabilities								
Accounts payable	100	172	191	201	243	308	328	341
Accrued payroll	100	181	204	243	311	304	253	378
Other accrued expenses	100	130	262	264	299	529	505	508
Income taxes payable	100	232	272	252	280	303	284	381
VAT payable	-	-	-	-	-	-	100	186
Total operating current liabilities	100	180	214	220	263	324	324	357
Total operating liabilities	100	180	219	227	270	369	366	389
Operating net working capital	100	128	218	187	245	395	402	384
Δ in operating net working capital	*100*	*2 246*	*2 550*	*2 384*	*2 610*	*2 922*	*2 834*	*2 448*
Invested capital	100	139	166	164	231	339	358	347

Source: Deckers' annual reports 2006-2013, Independent analysis

12.82. Appendix 82 – Trend analysis of reformulated financial balance sheet of Deckers

Appendix 82 - Trend analysis of reformulated financial balance sheet of Deckers

Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Common stock	100	103	104	299	299	299	288	289
Additional paid-in capital	100	127	138	147	157	162	158	161
Total paid-in equity	**100**	**127**	**138**	**147**	**157**	**162**	**158**	**161**
Deferred tax	100	17	(239)	(225)	(228)	(230)	(241)	(257)
Retained earnings	100	152	190	226	266	301	288	312
Accumulated comprehensive losses	100	72	111	137	270	20	39	(50)
Minority interest	-	-	100	132	525	629	-	-
Total equity	**100**	**141**	**163**	**195**	**230**	**259**	**246**	**266**
Interest-bearing assets								
Excess cash	100	162	420	503	545	501	436	587
Short-term investments	100	176	92	137	-	-	-	-
Total interest-bearing assets	**100**	**171**	**185**	**265**	**296**	**251**	**186**	**337**
Interest-bearing liabilities								
Capitalised operational lease	100	257	275	317	416	440	474	438
Short-term borrowings	-	-	-	-	-	-	100	29
Total interest-bearing liabilities	**100**	**257**	**275**	**317**	**416**	**440**	**488**	**449**
Net interest-bearing debt	**100**	**54**	**43**	**(58)**	**(61)**	**37**	**4 877**	**4 778**
Invested capital	**100**	**139**	**166**	**164**	**231**	**339**	**358**	**347**

Source: Deckers' annual reports 2006-2013, Independent analysis

12.83. Appendix 83 – Trend analysis of reformulated operational balance sheet of Geox

Appendix 83 - Trend analysis of reformulated operational balance sheet of Geox								
Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Intangible assets	100	124	190	185	177	175	176	170
Property, plant and equipment	100	135	215	207	201	196	203	199
Other non-current assets	100	148	197	251	246	256	261	259
Total operating non-current assets	100	130	201	199	192	190	194	189
Capitalised operational lease	100	288	302	292	294	303	304	280
Total adjusted operating non-current assets	100	246	268	260	260	267	269	248
Operating current assets								
Operating cash	100	126	142	139	137	141	132	126
Inventories	100	143	164	131	144	158	165	199
Accounts receivable	100	128	144	147	144	168	162	131
Other non-financial current assets	100	97	117	120	127	112	173	164
Total operating current assets	100	133	152	134	140	155	159	165
Total operating assets	100	133	163	150	151	161	165	168
Total adjusted operating assets	100	193	215	203	205	214	217	205
LIABILITIES								
Operating non-current liabilities								
Employee severence indemnities	100	85	101	77	72	61	75	73
Provisions for liabilities and charges	100	107	166	252	263	263	285	244
Other long-term payables	100	155	326	271	270	269	264	265
Total operating non-current liabilities	100	105	176	174	180	177	193	165
Operating current liabilities								
Accounts payable	100	132	149	130	127	140	162	166
Other non-financial current liabilities	100	111	144	164	175	191	217	217
Taxes payable	100	420	388	337	354	374	368	344
Total operating current liabilities	100	144	155	138	138	152	173	175
Total operating liabilities	100	142	155	139	140	153	173	173
Operating net working capital	100	124	151	132	142	158	148	158
Δ in operating net working capital	*100*	*80*	*119*	*(69)*	*75*	*152*	*(23)*	*169*
Invested capital	100	209	232	222	223	232	231	216

Source: Geox's annual reports 2006-2013, Independent analysis

12.84. Appendix 84 – Trend analysis of reformulated financial balance sheet of Geox

Appendix 84 - Trend analysis of reformulated financial balance sheet of Geox								
Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Share capital	100	100	100	100	100	100	100	100
Total paid-in equity	100	100	100	100	100	100	100	100
Deferred tax	100	88	(2)	(0)	(11)	2	(35)	(84)
Reserves	100	136	171	190	192	200	199	197
Net profit	100	126	123	79	66	52	(28)	(424)
Total equity	100	130	146	147	146	152	139	122
Interest-bearing assets								
Excess cash	100	143	92	170	177	146	118	84
Non-current financial assets	100	231	193	178	194	200	205	224
Current financial assets	100	569	3 203	3 128	3 120	3 423	3 337	3 280
Total interest-bearing assets	100	145	110	148	155	137	98	65
Interest-bearing liabilities								
Capitalised operational lease	100	288	302	292	294	303	304	280
Current financial liabilities	100	352	270	361	882	800	858	940
Bank borrowings	100	153	581	505	508	524	521	1 334
Long-term loans	100	65	61	27	1	(35)	(90)	(151)
Total interest-bearing liabilities	100	284	301	289	293	299	301	286
Net interest-bearing debt	100	356	384	366	370	380	388	375
Invested capital	100	209	232	222	223	232	231	216

Source: Geox's annual reports 2006-2013, Independent analysis

12.85. Appendix 85 – Trend analysis of reformulated operational balance sheet of Wolverine

Appendix 85 - Trend analysis of reformulated operational balance sheet of Wolverine								
Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Intangible assets	100	103	88	123	122	126	2 279	2 276
Property, plant and equipment	100	97	98	84	84	90	181	182
Other non-current assets	100	102	110	107	107	107	153	166
Total operating non-current assets	100	100	98	99	98	102	860	858
Capitalised operational lease	100	135	140	148	157	245	261	255
Total adjusted operating non-current assets	100	108	108	112	114	148	535	533
Operating current assets								
Operating cash	100	105	107	97	110	123	140	204
Accounts receivable	100	118	111	109	129	141	201	214
Inventories	100	90	109	89	121	132	233	225
Prepaid expenses and other assets	100	77	74	86	74	264	333	320
Total operating current assets	100	102	107	96	120	136	213	215
Total operating assets	100	101	104	96	112	125	375	375
Total adjusted operating assets	100	104	107	102	117	139	342	342
LIABILITIES								
Operating non-current liabilities								
Other liabilities	100	75	71	157	163	182	209	211
Total operating non-current liabilities	100	75	71	157	163	182	209	211
Operating current liabilities								
Accounts payable	100	109	97	90	142	131	312	296
Accrued salaries and wages	100	107	117	109	138	122	183	197
Income taxes	100	61	7	713	631	634	-	-
Other taxes	100	133	106	111	157	180	-	-
Restructuring reserve	-	-	-	100	22	(53)	-	-
Other accrued liabilities	100	98	90	119	116	135	243	251
Total operating current liabilities	100	104	94	116	126	123	237	233
Total operating liabilities	100	101	92	119	128	128	230	226
Operating net working capital	100	101	112	90	121	146	210	215
Δ in operating net working capital	*100*	*38*	*1 081*	*756*	*965*	*969*	*1 192*	*1 105*
Invested capital	100	105	111	99	115	145	369	369

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.86. Appendix 86 – Trend analysis of reformulated financial balance sheet of Wolverine

Appendix 86 - Trend analysis of reformulated financial balance sheet of Wolverine

Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Common stock	100	101	102	104	106	107	159	161
Additional paid-in capital	100	152	188	213	247	275	-	100
Total paid-in equity	**100**	**119**	**135**	**148**	**168**	**186**	**135**	**142**
Deferred tax	100	69	(30)	(81)	(88)	(91)	415	420
Retained earnings	100	114	126	132	144	157	128	145
Accumulated other losses	100	568	275	275	279	207	183	273
Unearned compensation	-	-	-	-	-	-	-	-
Cost of shares in treasury	100	(20)	(51)	(53)	(68)	(86)	13	18
Minority interest	-	-	-	-	-	-	100	292
Total equity	**100**	**94**	**80**	**89**	**103**	**109**	**172**	**196**
Interest-bearing assets								
Excess cash	100	51	76	189	179	169	192	208
Pension assets	100	173	-	-	-	-	-	-
Deferred financing costs	-	-	-	-	-	-	100	57
Total interest-bearing assets	**100**	**62**	**56**	**168**	**159**	**148**	**207**	**209**
Interest-bearing liabilities								
Capitalised operational lease	100	135	140	148	157	245	261	255
Long-term debt	100	-	-	100	48	-	100	90
Current maturities of long-term debt	100	100	0	10 660	10 656	10 656	16 517	16 591
Revolving credit agreement	-	-	100	-	-	100	-	-
Accrued pension liabilities	100	113	258	295	294	318	374	319
Total interest-bearing liabilities	**100**	**112**	**192**	**178**	**182**	**244**	**698**	**686**
Net interest-bearing debt	**100**	**547**	**772**	**698**	**754**	**987**	**1 685**	**1 671**
Invested capital	**100**	**105**	**111**	**99**	**115**	**145**	**369**	**369**

Source: Wolverine's annual reports 2006-2013, Independent analysis

12.87. Appendix 87 – Trend analysis of reformulated operational balance sheet of Tod's

Appendix 87 - Trend analysis of reformulated operational balance sheet of Tod's								
Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Operating non-current assets								
Intangible assets	100	110	109	107	105	112	110	109
Property,plant and equipment	100	98	111	104	168	178	180	179
Other non-current assets	100	109	146	168	171	195	234	248
Total operating non-current assets	100	106	110	106	128	137	138	137
Capitalised operational lease	100	118	125	196	207	226	237	216
Total adjusted operating non-current assets	100	110	115	141	157	171	178	166
Operating current assets								
Operating cash	100	115	123	124	134	147	156	155
Inventories	100	119	130	111	114	131	143	149
Trade receivables	100	127	127	127	137	163	149	122
Tax receivables	100	46	6	44	118	351	372	330
Other current assets	100	102	70	41	77	87	258	254
Total operating current assets	100	119	124	111	118	140	148	142
Total operating assets	100	113	117	108	123	137	142	139
Total adjusted operating assets	100	114	119	128	142	158	165	155
LIABILITIES								
Operating non-current liabilities								
Provisions for risks	100	108	123	188	254	294	349	372
Reserve for employee severance	100	90	93	93	98	99	103	95
Other non-current liabilities	-	100	-	-	-	100	103	96
Total operating non-current liabilities	100	115	96	100	108	267	273	269
Operating current liabilities								
Trade payables	100	113	109	100	126	149	136	145
Tax payables	100	53	31	2	383	365	311	-
Other current liabilities	100	116	123	118	183	190	184	204
Total operating current liabilities	100	107	103	94	137	153	138	144
Total operating liabilities	100	108	102	95	134	160	147	152
Operating net working capital	100	128	139	123	109	136	166	153
Δ in operating net working capital	*100*	*91*	*40*	*(220)*	*(195)*	*74*	*114*	*(43)*
Invested capital	100	115	122	135	144	159	170	158

Source: Tod's annual reports 2006-2013, Independent analysis

12.88. Appendix 88 – Trend analysis of reformulated financial balance sheet of Tod's

Appendix 88 - Trend analysis of reformulated financial balance sheet of Tod's								
Base year = 100	2006	2007	2008	2009	2010	2011	2012	2013
EQUITY								
Paid-in equity								
Share capital	100	100	100	101	101	101	101	101
Total paid-in equity	100	100	100	101	101	101	101	101
Deferred tax	100	166	100	(5)	(4 085)	(4 187)	(4 238)	(4 247)
Capital reserves	100	103	102	102	102	102	102	102
Hedging reserve	100	(102)	(232)	(187)	(167)	(181)	(55)	(1 038)
Retained earnings	100	115	133	153	130	150	171	190
Profit for the period	100	117	124	128	155	179	186	178
Share capital and reserves to minority interest	100	155	158	185	193	188	200	199
Profit/loss attributable to minority interest	100	198	180	121	383	324	264	244
Total equity	100	109	114	124	117	127	138	143
Interest-bearing assets								
Excess cash	100	83	88	206	188	197	185	225
Real estate investments	100	93	88	80	74	66	58	51
Equity investments	100	100	100	100	100	100	100	100
Derivative financial instruments	100	309	313	228	479	442	749	732
Assets held for sale	100	94	-	-	-	-	-	-
Total interest-bearing assets	100	85	90	199	182	190	180	219
Interest-bearing liabilities								
Capitalised operational lease	100	118	125	196	207	226	237	216
Long-term bank borrowings	100	87	69	51	578	575	552	518
Short-term bank borrowings	100	132	200	200	262	272	263	243
Derivative financial instruments	100	147	581	498	735	933	858	868
Liabilities held for sale	100	48	-	-	-	-	-	-
Total interest-bearing liabilities	100	117	127	186	210	227	233	212
Net interest-bearing debt	100	156	170	199	263	284	297	254
Invested capital	100	115	122	135	144	159	170	158

Source: Tod's annual reports 2006-2013, Independent analysis

12.89. Appendix 89 – Payout ratios of ECCO and its peer group

Appendix 89 - Payout ratios of ECCO and its peer group								
	2006	2007	2008	2009	2010	2011	2012	2013
ECCO	0,07	0,26	0,29	0,92	0,83	0,47	0,52	0,36
Crocs	0,00	-	-	-	-	-	-	-
Deckers	-	-	-	-	-	-	-	-
Geox	0,40	0,51	0,53	0,78	0,80	0,83	1,55	-
Wolverine	0,20	0,20	0,22	0,35	0,20	0,18	0,29	0,24
Tod's	0,46	0,49	0,46	0,45	1,40	0,45	0,53	0,62

Source: Annual reports of ECCO, Crocs, Deckers, Geox, Wolverine, Tod's 2006-2013, Independent analysis

12.90. Appendix 90 – ECCO EMEA historical revenue relation to main economic and market drivers

Appendix 90 - ECCO EMEA historical revenue relation to main economic and market drivers									
DKK '000	2006	2007	2008	2009	2010	2011	2012	2013	*Median*
ECCO EMEA	2 704 379	3 291 817	3 502 584	3 202 405	3 631 894	4 178 048	4 324 499	4 328 419	
% change	*14,7%*	*21,7%*	*6,4%*	*(8,6%)*	*13,4%*	*15,0%*	*3,5%*	*0,1%*	***9,9%***
Average real GDP growth	5,8%	5,6%	3,4%	(2,6%)	3,8%	3,4%	1,9%	1,6%	
Growth factor	*2,54*	*3,88*	*1,86*	*3,34*	*3,53*	*4,42*	*1,81*	*0,06*	***2,94***
Average Δ in real disposable income	2,9%	1,9%	(2,7%)	(9,1%)	6,8%	(4,0%)	2,1%	(5,5%)	
Growth factor	*5,02*	*11,71*	*(2,37)*	*0,94*	*1,97*	*(3,77)*	*1,65*	*(0,02)*	***1,30***
Footwear expenditure growth	6,0%	5,1%	1,5%	(8,3%)	10,0%	2,4%	6,7%	0,8%	
Growth factor	*2,45*	*4,24*	*4,31*	*1,04*	*1,35*	*6,30*	*0,52*	*0,12*	***1,90***
Footwear market size growth	4,4%	4,6%	(0,0%)	(5,7%)	8,4%	1,4%	4,9%	(1,3%)	
Growth factor	*3,34*	*4,76*	*(138,49)*	*1,49*	*1,61*	*10,87*	*0,72*	*(0,07)*	***1,55***

Source: ECCO's annual reports 2004-2013, Independent analysis

12.91. Appendix 91 – ECCO North America historical revenue relation to main economic and market drivers

Appendix 91 - ECCO North America historical revenue relation to main economic and market drivers									
DKK '000	2006	2007	2008	2009	2010	2011	2012	2013	*Median*
ECCO North America	1 150 579	1 173 168	1 020 123	928 681	1 139 397	1 210 084	1 460 136	1 473 790	
% change	*21,2%*	*2,0%*	*(13,0%)*	*(9,0%)*	*22,7%*	*6,2%*	*20,7%*	*0,9%*	***4,1%***
Real GDP growth	2,7%	1,8%	(0,2%)	(2,8%)	2,6%	1,9%	2,7%	1,9%	
Growth factor	*7,87*	*1,09*	*65,23*	*3,20*	*8,73*	*3,27*	*7,65*	*0,49*	***5,46***
Δ in real disposable income	2,1%	(7,3%)	(6,6%)	3,8%	6,1%	(3,7%)	9,5%	(2,6%)	
Growth factor	*10,05*	*(0,27)*	*1,98*	*(2,37)*	*3,71*	*(1,67)*	*2,18*	*(0,35)*	***0,86***
Footwear expenditure growth	6,6%	(5,0%)	(6,5%)	0,8%	11,1%	(0,1%)	13,8%	(1,7%)	
Growth factor	*3,22*	*(0,39)*	*2,02*	*(11,68)*	*2,04*	*(50,41)*	*1,50*	*(0,54)*	***0,55***
Footwear market size growth	8,6%	(7,1%)	(10,5%)	1,2%	12,2%	1,5%	9,4%	(1,1%)	
Growth factor	*2,48*	*(0,28)*	*1,24*	*(7,32)*	*1,86*	*4,10*	*2,19*	*(0,86)*	***1,55***

Source: ECCO's annual reports 2004-2013, Independent analysis

12.92. Appendix 92 – ECCO Asia-Pacific historical revenue relation to main economic and market drivers

Appendix 92 - ECCO Asia-Pacific historical revenue relation to main economic and market drivers									
DKK '000	2006	2007	2008	2009	2010	2011	2012	2013	*Median*
ECCO Asia-Pacific	345 831	487 952	606 406	715 266	1 009 353	1 366 580	1 851 476	1 985 979	
% change	*56,2%*	*41,1%*	*24,3%*	*18,0%*	*41,1%*	*35,4%*	*35,5%*	*7,3%*	***35,4%***
Real GDP growth	7,9%	8,8%	5,4%	3,7%	8,7%	6,2%	5,3%	5,2%	
Growth factor	*7,11*	*4,67*	*4,50*	*4,85*	*4,73*	*5,71*	*6,69*	*1,40*	***4,79***
Δ in real disposable income	1,0%	(2,8%)	(0,1%)	8,1%	13,6%	3,5%	9,4%	(7,2%)	
Growth factor	*53,51*	*(14,84)*	*(476,46)*	*2,20*	*3,03*	*10,07*	*3,79*	*(1,01)*	***2,62***
Footwear expenditure growth	10,8%	10,6%	6,9%	15,4%	17,1%	14,8%	18,9%	4,2%	
Growth factor	*5,22*	*3,86*	*3,54*	*1,17*	*2,41*	*2,39*	*1,88*	*1,74*	***2,40***
Footwear market size growth	8,1%	2,2%	3,0%	9,8%	17,9%	9,4%	17,2%	1,6%	
Growth factor	*6,91*	*18,45*	*8,22*	*1,82*	*2,30*	*3,77*	*2,06*	*4,61*	***4,19***

Source: ECCO's annual reports 2004-2013, Independent analysis

12.93. Appendix 93 – Forecasted capitalisation of rental and lease payments of ECCO

Appendix 93 - Forecasted capitalisation of rental and lease payments of ECCO							
Cost of debt (Rd)	1,70%						
DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Asset life	5,5	5,5	5,5	5,5	5,5	5,5	5,5
Rental and lease payments	(1 054 628)	(1 162 831)	(1 274 023)	(1 401 528)	(1 548 081)	(1 711 367)	(1 890 392)
Asset value	5 887 262	6 450 211	7 095 751	7 837 732	8 664 424	9 570 808	9 762 224
Rental and lease depreciation	(954 753)	(1 053 406)	(1 153 646)	(1 268 563)	(1 401 092)	(1 549 001)	(1 724 780)
Rental and lease interest	(99 875)	(109 426)	(120 377)	(132 964)	(146 989)	(162 365)	(165 613)

Source: Independent analysis

12.94. Appendix 94 – Forecasted tax calculations of ECCO

Appendix 94 - Forecasted tax calculations of ECCO							
DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Taxes paid	(247 198)	(263 493)	(272 648)	(302 560)	(336 993)	(375 570)	(415 216)
Operating tax	(298 194)	(317 426)	(327 966)	(363 414)	(404 211)	(449 878)	(497 298)
Financial tax	(50 996)	(53 933)	(55 318)	(60 855)	(67 218)	(74 308)	(82 081)
Statutory tax rate	24,5%	23,5%	22,0%	22,0%	22,0%	22,0%	22,0%

Source: Independent analysis

12.95. Appendix 95 – Forecasted minority interest calculation of ECCO

Appendix 95 - Forecasted minority interest calculation of ECCO							
DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
NOPLAT	918 925	1 033 324	1 162 789	1 288 469	1 433 110	1 595 021	1 763 146
Total financial items	(208 146)	(229 502)	(251 447)	(276 612)	(305 537)	(337 763)	(373 097)
Financial tax	50 996	53 933	55 318	60 855	67 218	74 308	82 081
Group profit	761 775	857 755	966 660	1 072 712	1 194 792	1 331 565	1 472 131
Minority interest	(114 383)	(128 795)	(145 148)	(161 072)	(179 402)	(199 940)	(221 046)

Source: Independent analysis

12.96. Appendix 96 – Forecast assumptions of ECCO's pro forma reformulated income statement

Appendix 96 - Forecast assumptions of ECCO's pro forma reformulated income statement							
As percentage of revenue	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Net revenue	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Shoes and accessories	*94,7%*	*94,7%*	*94,7%*	*94,7%*	*94,7%*	*94,7%*	*94,7%*
Other products and services	*5,3%*	*5,3%*	*5,3%*	*5,3%*	*5,3%*	*5,3%*	*5,3%*
Change in inventories of finished products and work in progress	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%
Costs of raw materials and consumables	(41,4%)	(41,4%)	(41,4%)	(41,4%)	(41,4%)	(41,4%)	(41,4%)
Other external costs	(21,0%)	(20,9%)	(20,8%)	(20,7%)	(20,6%)	(20,5%)	(20,4%)
Rental and lease payments	*(12,3%)*	*(12,3%)*	*(12,3%)*	*(12,3%)*	*(12,3%)*	*(12,3%)*	*(12,3%)*
Other costs	*(8,7%)*	*(8,6%)*	*(8,5%)*	*(8,4%)*	*(8,3%)*	*(8,2%)*	*(8,1%)*
Staff costs	(21,7%)	(21,7%)	(21,7%)	(21,7%)	(21,7%)	(21,7%)	(21,7%)
Salaries	*(19,4%)*	*(19,4%)*	*(19,4%)*	*(19,4%)*	*(19,4%)*	*(19,4%)*	*(19,4%)*
Pensions	*(0,7%)*	*(0,7%)*	*(0,7%)*	*(0,7%)*	*(0,7%)*	*(0,7%)*	*(0,7%)*
Other social security costs	*(1,7%)*	*(1,7%)*	*(1,7%)*	*(1,7%)*	*(1,7%)*	*(1,7%)*	*(1,7%)*
EBITDA	16,9%	17,0%	17,1%	17,2%	17,3%	17,4%	17,5%
Amortisation and depreciation	(3,8%)	(3,8%)	(3,8%)	(3,8%)	(3,8%)	(3,8%)	(3,8%)
Depreciation as % of PPE	*(18,1%)*	*(18,1%)*	*(18,1%)*	*(18,1%)*	*(18,1%)*	*(18,1%)*	*(18,1%)*
Amortisation	*(0,3%)*	*(0,3%)*	*(0,3%)*	*(0,3%)*	*(0,3%)*	*(0,3%)*	*(0,3%)*
EBIT	13,0%	13,1%	13,2%	13,3%	13,4%	13,5%	13,6%
Adjustments:							
Rental and lease payments	*12,3%*	*12,3%*	*12,3%*	*12,3%*	*12,3%*	*12,3%*	*12,3%*
Lease depreciation	*(11,1%)*	*(11,1%)*	*(11,1%)*	*(11,1%)*	*(11,1%)*	*(11,1%)*	*(11,2%)*
Adjusted EBIT	14,2%	14,3%	14,4%	14,5%	14,6%	14,7%	14,7%
Operating tax as % of adjusted EBIT	(24,5%)	(23,5%)	(22,0%)	(22,0%)	(22,0%)	(22,0%)	(22,0%)
NOPLAT	10,7%	10,9%	11,2%	11,3%	11,4%	11,5%	11,5%
Financial items							
Rental and lease interest	(1,2%)	(1,2%)	(1,2%)	(1,2%)	(1,2%)	(1,2%)	(1,1%)
Net financial expenses	(1,3%)	(1,3%)	(1,3%)	(1,3%)	(1,3%)	(1,3%)	(1,4%)
Total financial items	(2,4%)	(2,4%)	(2,4%)	(2,4%)	(2,4%)	(2,4%)	(2,4%)
Financial tax	0,6%	0,6%	0,5%	0,5%	0,5%	0,5%	0,5%
Minority interest as % of Group profit	(15,0%)	(15,0%)	(15,0%)	(15,0%)	(15,0%)	(15,0%)	(15,0%)
Profit for the year	7,6%	7,7%	7,9%	8,0%	8,1%	8,1%	8,1%

Source: Independent analysis

12.97. Appendix 97 – Pro forma reformulated income statement of ECCO

Appendix 97 - Pro forma reformulated income statement of ECCO							
DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Net revenue	8 572 942	9 452 514	10 356 379	11 392 850	12 584 166	13 911 493	15 366 771
Shoes and accessories	*8 115 065*	*8 947 660*	*9 803 250*	*10 784 363*	*11 912 051*	*13 168 486*	*14 546 039*
Other products and services	*457 877*	*504 855*	*553 130*	*608 487*	*672 115*	*743 007*	*820 732*
Change in inventories of finished products and work in progress	89 311	98 474	107 890	118 688	131 099	144 927	160 088
Costs of raw materials and consumables	(3 550 378)	(3 914 641)	(4 288 966)	(4 718 207)	(5 211 576)	(5 761 272)	(6 363 957)
Other external costs	(1 803 323)	(1 978 888)	(2 157 757)	(2 362 313)	(2 596 749)	(2 856 732)	(3 140 207)
Rental and lease payments	*(1 054 628)*	*(1 162 831)*	*(1 274 023)*	*(1 401 528)*	*(1 548 081)*	*(1 711 367)*	*(1 890 392)*
Other costs	*(748 695)*	*(816 057)*	*(883 734)*	*(960 785)*	*(1 048 667)*	*(1 145 365)*	*(1 249 815)*
Staff costs	(1 862 493)	(2 053 582)	(2 249 949)	(2 475 125)	(2 733 941)	(3 022 306)	(3 338 469)
Salaries	*(1 660 111)*	*(1 830 436)*	*(2 005 466)*	*(2 206 173)*	*(2 436 866)*	*(2 693 897)*	*(2 975 705)*
Pensions	*(56 019)*	*(61 766)*	*(67 673)*	*(74 445)*	*(82 230)*	*(90 903)*	*(100 412)*
Other social security costs	*(146 363)*	*(161 379)*	*(176 811)*	*(194 506)*	*(214 845)*	*(237 506)*	*(262 351)*
EBITDA	1 446 060	1 603 877	1 767 598	1 955 893	2 172 999	2 416 110	2 684 225
Amortisation and depreciation	(328 816)	(362 552)	(397 220)	(436 974)	(482 667)	(533 577)	(589 394)
Depreciation	*(304 403)*	*(335 634)*	*(367 728)*	*(404 530)*	*(446 831)*	*(493 961)*	*(545 634)*
Amortisation	*(24 413)*	*(26 918)*	*(29 492)*	*(32 444)*	*(35 836)*	*(39 616)*	*(43 760)*
EBIT	1 117 244	1 241 324	1 370 378	1 518 919	1 690 332	1 882 533	2 094 831
Adjustments:							
Rental and lease payments	*1 054 628*	*1 162 831*	*1 274 023*	*1 401 528*	*1 548 081*	*1 711 367*	*1 890 392*
Lease depreciation	*(954 753)*	*(1 053 406)*	*(1 153 646)*	*(1 268 563)*	*(1 401 092)*	*(1 549 001)*	*(1 724 780)*
Adjusted EBIT	1 217 119	1 350 750	1 490 755	1 651 883	1 837 321	2 044 898	2 260 444
Operating tax	(298 194)	(317 426)	(327 966)	(363 414)	(404 211)	(449 878)	(497 298)
NOPLAT	918 925	1 033 324	1 162 789	1 288 469	1 433 110	1 595 021	1 763 146
Financial items							
Rental and lease interest	(99 875)	(109 426)	(120 377)	(132 964)	(146 989)	(162 365)	(165 613)
Financial expenses	(108 271)	(120 076)	(131 070)	(143 648)	(158 548)	(175 398)	(207 484)
Total financial items	(208 146)	(229 502)	(251 447)	(276 612)	(305 537)	(337 763)	(373 097)
Financial tax	50 996	53 933	55 318	60 855	67 218	74 308	82 081
Minority interest	(114 383)	(128 795)	(145 148)	(161 072)	(179 402)	(199 940)	(221 046)
Profit for the year	647 391	728 960	821 513	911 640	1 015 389	1 131 626	1 251 085

Source: Independent analysis

12.98. Appendix 98 – Historical calculation of retained earnings of ECCO

Appendix 98 - Historical calculation of retained earnings of ECCO										
DKK '000	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Prior year retained earnings	945 516	1 028 526	1 280 250	1 724 013	2 067 947	2 467 919	2 426 339	2 581 461	2 926 339	3 116 519
Profit for the year	150 661	225 731	489 472	537 578	527 399	299 237	409 978	554 635	683 672	793 654
Dividend payment	(23 000)	(30 000)	(35 000)	(142 000)	(151 000)	(276 000)	(340 000)	(262 000)	(358 000)	(286 024)
Payout ratio	*0,15*	*0,13*	*0,07*	*0,26*	*0,29*	*0,92*	*0,83*	*0,47*	*0,52*	*0,36*
Retained earnings	1 073 177	1 224 257	1 734 722	2 119 591	2 444 346	2 491 156	2 496 317	2 874 096	3 252 011	3 624 150
Adjustments	(44 651)	55 993	(10 709)	(51 644)	23 573	(64 817)	85 144	52 243	(135 076)	(185 478)
% share of retained earnings	*(4,2%)*	*4,6%*	*(0,6%)*	*(2,4%)*	*1,0%*	*(2,6%)*	*3,4%*	*1,8%*	*(4,2%)*	*(5,1%)*
Adjusted retained earnings	1 028 526	1 280 250	1 724 013	2 067 947	2 467 919	2 426 339	2 581 461	2 926 339	3 116 935	3 438 672

Source: ECCO's annual reports 2004-2013, Independent analysis

12.99. Appendix 99 – Forecasted retained earnings of ECCO

Appendix 99 - Forecasted retained earnings of ECCO							
DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Prior year retained earnings	3 438 672	3 472 716	3 761 633	4 089 554	4 454 745	4 863 027	5 319 599
Profit for the year	647 391	728 960	821 513	911 640	1 015 389	1 131 626	1 251 085
Dividend payment	(559 500)	(381 715)	(430 179)	(477 374)	(531 701)	(592 568)	(655 122)
Payout ratio	*0,86*	*0,52*	*0,52*	*0,52*	*0,52*	*0,52*	*0,52*
Retained earnings	3 526 563	3 819 961	4 152 966	4 523 820	4 938 433	5 402 085	5 915 562
Adjustments	(53 848)	(58 328)	(63 412)	(69 075)	(75 406)	(82 486)	(90 326)
% share of retained earnings	*(1,5%)*	*(1,5%)*	*(1,5%)*	*(1,5%)*	*(1,5%)*	*(1,5%)*	*(1,5%)*
Adjusted retained earnings	3 472 716	3 761 633	4 089 554	4 454 745	4 863 027	5 319 599	5 825 237

Source: Independent analysis

12.100. Appendix 100 – Forecast assumptions of ECCO's pro forma reformulated balance sheet

Appendix 100 - Forecast assumptions of ECCO's pro forma reformulated balance sheet							
	2014F	2015F	2016F	2017F	2018F	2019F	2020F
ASSETS							
Operating fixed assets							
Intangible assets as % of revenue	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%
Property, plant and equipment as % of revenue	19,7%	19,7%	19,7%	19,7%	19,7%	19,7%	19,7%
Capitalised operational lease as % of revenue	68,7%	68,2%	68,5%	68,8%	68,9%	68,8%	63,5%
Operating current assets							
Operating cash as % of revenue	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Inventories as % of revenue	20,9%	20,9%	20,9%	20,9%	20,9%	20,9%	20,9%
Receivables as % of revenue	20,2%	20,2%	20,2%	20,2%	20,2%	20,2%	20,2%
LIABILITIES							
Operating short-term liabilities as % of revenue	15,7%	15,7%	15,7%	15,7%	15,7%	15,7%	15,7%
EQUITY							
Paid-in equity							
Share capital, DKK '000	4 946	4 946	4 946	4 946	4 946	4 946	4 946
Retained earnings							
Payout ratio	0,86	0,52	0,52	0,52	0,52	0,52	0,52
Adjustments as % share of retained earnings	(1,5%)	(1,5%)	(1,5%)	(1,5%)	(1,5%)	(1,5%)	(1,5%)
Other equity equivalents as % of invested capital	2,9%	3,3%	3,7%	4,1%	4,5%	4,9%	3,6%
Interest-bearing assets							
Excess cash as % of invested capital	7,5%	7,4%	7,4%	7,5%	7,6%	7,5%	5,6%
Other interest-bearing assets as % of invested capital	0,8%	0,8%	0,8%	0,8%	0,8%	0,8%	0,8%
Interest-bearing liabilities							
Capitalised operational lease as % of revenue	68,7%	68,2%	68,5%	68,8%	68,9%	68,8%	63,5%
Short- and long-term debt as % of invested capital	11,4%	11,4%	11,4%	11,4%	11,4%	11,4%	11,4%
Net interest-bearing debt as % of invested capital	62,2%	62,2%	62,2%	62,2%	62,2%	62,2%	62,2%

Source: Independent analysis

12.101. Appendix 101 – Pro forma reformulated operational balance sheet of ECCO

Appendix 101 - Pro forma reformulated operational balance sheet of ECCO							
DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
ASSETS							
Operating fixed assets							
Intangible assets	42 041	46 354	50 787	55 870	61 712	68 221	75 357
Property, plant and equipment	1 685 956	1 858 933	2 036 687	2 240 520	2 474 804	2 735 836	3 022 032
Capitalised operational lease	5 887 262	6 450 211	7 095 751	7 837 732	8 664 424	9 570 808	9 762 224
Total adjusted property, plant, and equipment	7 573 218	8 309 144	9 132 438	10 078 252	11 139 228	12 306 644	12 784 256
Total operating fixed assets	1 727 997	1 905 287	2 087 474	2 296 389	2 536 516	2 804 057	3 097 389
Total adjusted operating fixed assets	7 615 259	8 355 499	9 183 225	10 134 121	11 200 940	12 374 865	12 859 613
Operating current assets							
Operating cash	171 459	189 050	207 128	227 857	251 683	278 230	307 335
Inventories	1 788 796	1 972 324	2 160 921	2 377 186	2 625 762	2 902 716	3 206 369
Receivables	1 729 017	1 906 411	2 088 706	2 297 744	2 538 012	2 805 711	3 099 216
Total operating current assets	3 689 271	4 067 785	4 456 754	4 902 787	5 415 457	5 986 658	6 612 920
Total operating assets	5 417 268	5 973 073	6 544 228	7 199 177	7 951 973	8 790 715	9 710 310
Total adjusted operating assets	11 304 530	12 423 284	13 639 979	15 036 909	16 616 397	18 361 523	19 472 534
LIABILITIES							
Total operating long-term liabilities	-	-	-	-	-	-	-
Total operating short-term liabilities	1 348 225	1 486 551	1 628 697	1 791 698	1 979 050	2 187 792	2 416 657
Total operating liabilities	1 348 225	1 486 551	1 628 697	1 791 698	1 979 050	2 187 792	2 416 657
Operating net working capital	2 341 047	2 581 235	2 828 057	3 111 090	3 436 407	3 798 865	4 196 264
Δ in operating net working capital	*(151 018)*	*240 188*	*246 822*	*283 033*	*325 317*	*362 458*	*397 398*
Invested capital	9 956 305	10 936 733	12 011 282	13 245 211	14 637 347	16 173 730	17 055 877

Source: Independent analysis

12.102. Appendix 102 – Pro forma reformulated financial balance sheet of ECCO

Appendix 102 - Pro forma reformulated financial balance sheet of ECCO							
DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
EQUITY							
Paid-in equity							
Share capital	4 946	4 946	4 946	4 946	4 946	4 946	4 946
Total paid-in equity	4 946	4 946	4 946	4 946	4 946	4 946	4 946
Retained earnings	3 472 716	3 761 633	4 089 554	4 454 745	4 863 027	5 319 599	5 825 237
Other equity equivalents	284 216	365 743	443 828	544 863	662 584	786 517	614 189
Total equity	3 761 878	4 132 322	4 538 328	5 004 554	5 530 557	6 111 062	6 444 371
Interest-bearing assets							
Excess cash	747 224	804 018	894 812	999 766	1 107 755	1 220 966	956 965
Other interest-bearing assets	83 388	91 600	100 599	110 934	122 594	135 461	142 850
Total interest-bearing assets	830 612	895 618	995 412	1 110 700	1 230 348	1 356 427	1 099 815
Interest-bearing liabilities							
Capitalised operational lease	5 887 262	6 450 211	7 095 751	7 837 732	8 664 424	9 570 808	9 762 224
Short- and long-term debt	1 137 778	1 249 818	1 372 615	1 513 625	1 672 714	1 848 287	1 949 096
Total interest-bearing liabilities	7 025 040	7 700 030	8 468 366	9 351 357	10 337 138	11 419 095	11 711 321
Net interest-bearing debt	6 194 427	6 804 412	7 472 954	8 240 657	9 106 790	10 062 668	10 611 505
Invested capital	9 956 305	10 936 733	12 011 282	13 245 211	14 637 347	16 173 730	17 055 877

Source: Independent analysis

12.103. Appendix 103 – Forecasted capital expenditures of ECCO

Appendix 103 - Forecasted capital expenditures of ECCO							
DKK '000	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Current PPE and intangible assets	1 727 997	1 905 287	2 087 474	2 296 389	2 536 516	2 804 057	3 097 389
Previous PPE and intangible assets	1 586 794	1 727 997	1 905 287	2 087 474	2 296 389	2 536 516	2 804 057
Depreciation and amortisation	(328 816)	(362 552)	(397 220)	(436 974)	(482 667)	(533 577)	(589 394)
Capital expenditures	**(470 019)**	**(539 842)**	**(579 407)**	**(645 889)**	**(722 794)**	**(801 118)**	**(882 726)**

Source: Independent analysis

12.104. Appendix 104 – Market information of ECCO's peer group companies as of 11 March 2014

Ticker	Name	Country	Current Market Cap	CCY	EV/This Year Est EBITDA	EV/Next Yr Est EBITDA	EV/This Year Est EBIT	EV/Next Yr Est EBIT	EV/This Year Est Sales	EV/Next Yr Est Sales	Est P/E Current Year	Est P/E Next Year	Adjusted Beta	D/E ratio	Unlevered Beta
1836	STELLA INTERNATIONAL	HK	15 029 660 140	HKD	10,97	9,76	13,99	12,32	1,16	1,09	16,47	14,09	0,63	-	0,63
8429	JINLI GROUP HOLDINGS	CI	12 933 104 400	TWD	7,33	6,28	N/A	N/A	2,04	1,78	13,31	11,58	N/A	-	N/A
ALPA4	ALPARGATAS SA - PREF	BZ	4 986 276 855	BRL	9,81	8,43	12,46	10,65	1,38	1,17	15,83	12,72	0,59	0,18	0,50
APEXF	APEX FOOTWEAR LTD	BW	6 179 625 000	BDT	4,96	4,11	6,03	4,92	0,56	0,49	18,16	12,90	N/A	1,52	N/A
BATA	BATA INDIA LTD	IN	70 979 333 965	INR	17,47	14,34	21,08	16,96	2,83	2,42	28,49	23,08	0,59	-	0,59
CROX	CROCS INC	US	1 349 452 150	USD	8,65	6,95	15,17	10,13	0,84	0,81	27,17	17,70	1,34	0,01	1,32
DECK	DECKERS OUTDOOR	US	2 634 972 877	USD	10,21	8,91	12,67	11,23	1,63	1,50	16,68	14,38	0,84	0,04	0,80
FORUS	FORUS SA	CL	612 545 683 100	CLP	10,87	9,93	N/A	N/A	2,56	2,32	15,63	14,72	0,82	0,04	0,79
GEO	GEOX SPA	IT	881 304 925	EUR	20,81	12,56	34,88	28,38	1,13	1,04	N/A	51,58	0,84	0,03	0,81
ICON	ICONIX BRAND GROUP	US	1 999 541 076	USD	11,77	11,02	12,18	11,79	7,25	6,95	15,92	14,37	1,07	1,30	0,47
RCKY	ROCKY BRANDS INC	US	102 692 185	USD	7,02	N/A	N/A	N/A	0,51	0,49	11,64	9,98	0,69	0,19	0,58
SHOO	STEVEN MADDEN LTD	US	2 509 885 220	USD	9,54	8,59	10,17	9,17	1,58	1,47	17,51	15,54	0,87	-	0,87
SKX	SKECHERS USA	US	1 841 581 055	USD	8,73	7,20	10,88	7,83	0,79	0,72	20,07	15,18	1,39	0,13	1,23
TOD	TOD'S SPA	IT	3 051 757 280	EUR	12,28	11,69	14,94	14,32	2,99	2,90	22,07	20,94	0,65	0,11	0,59
WWW	WOLVERINE WORLD WIDE	US	2 763 384 651	USD	11,07	9,99	13,80	12,27	1,32	1,25	17,32	15,22	0,82	1,37	0,35
Average					**10,77**	**9,27**	**14,85**	**12,50**	**1,91**	**1,76**	**18,30**	**17,60**	**0,86**	**0,33**	**0,73**
Median					**10,21**	**9,34**	**13,24**	**11,51**	**1,38**	**1,25**	**17,00**	**14,72**	**0,82**	**0,04**	**0,63**

Source: Bloomberg

12.105. Appendix 105 – Smoothed size premium by market capitalisation

Appendix 105 - Smoothed size premium by market capitalisation

Company rank by size	Average market value, million $	Average market value, DKK '000*	Smoothed premium over CAPM
1	127 157	685 541 534	(1,12%)
2	38 311	206 546 094	0,35%
3	24 863	134 043 892	0,87%
4	17 734	95 609 314	1,29%
5	13 103	70 642 204	1,66%
6	10 404	56 091 085	1,94%
7	8 605	46 392 137	2,17%
8	6 837	36 860 318	2,45%
9	5 515	29 733 020	2,71%
10	4 563	24 600 502	2,94%
11	3 876	20 896 679	3,14%
12	3 313	17 861 377	3,33%
13	2 918	15 731 813	3,49%
14	2 555	13 774 772	3,65%
15	2 289	12 340 686	3,78%
16	1 960	10 566 948	3,97%
17	1 680	9 057 384	4,16%
18	1 419	7 650 255	4,37%
19	1 187	6 399 473	4,59%
20	992	5 348 170	4,80%
21	804	4 334 605	5,06%
22	612	3 299 476	5,39%
23	424	2 285 911	5,84%
24	280	1 509 564	6,35%
25	95	512 174	7,67%

** Applied USD/DKK rate of 5,3913 as of 30.04.2014.*

Source: Duff & Phelps (2012)

12.106. Appendix 106 – Credit spread for all rated companies in US

Appendix 106 - Credit spread for all rated companies in US

Rating	Spread
Aaa/AAA	0,40%
Aa2/AA	0,70%
A1/A+	0,85%
A2/A	1,00%
A3/A-	1,30%
Baa2/BBB	2,00%
Ba1/BB+	3,00%
Ba2/BB	4,00%
B1/B+	5,50%
B2/B	6,50%
B3/B-	7,25%
Caa/CCC	8,75%
Ca2/CC	9,50%
C2/C	10,50%
D2/D	12,00%

Source: Damodaran (January 2014)

12.107. Appendix 107 – ECCO's and its peer group companies' cost of secured debt calculation

ECCO's cost of secured debt	2013
Rating	Aa2/AA
Credit spread (r_s)	0,70%
Risk-free rate (r_f)	1,54%
Pre-tax cost of debt	2,24%
Corporate tax rate	24,33%
After-tax cost of debt (r_d)	**1,70%**

Crocs' cost of secured debt	2013
Rating	Aa2/AA
Credit spread (r_s)	0,70%
Risk-free rate (r_f)	2,66%
Pre-tax cost of debt	3,36%
Corporate tax rate*	36,62%
After-tax cost of debt (r_d)	**2,13%**

** 3 year average value*

Deckers' cost of secured debt	2013
Rating	Aa2/AA
Credit spread (r_s)	0,70%
Risk-free rate (r_f)	2,66%
Pre-tax cost of debt	3,36%
Corporate tax rate*	29,43%
After-tax cost of debt (r_d)	**2,37%**

** 3 year average value*

Geox's cost of secured debt	2013
Rating	Aa2/AA
Credit spread (r_s)	0,70%
Risk-free rate (r_f)	1,47%
Pre-tax cost of debt	2,17%
Corporate tax rate*	18,84%
After-tax cost of debt (r_d)	**1,76%**

** 3 year average value*

Wolverine's cost of secured debt	2013
Rating	Aa2/AA
Credit spread (r_s)	0,70%
Risk-free rate (r_f)	2,66%
Pre-tax cost of debt	3,36%
Corporate tax rate*	20,71%
After-tax cost of debt (r_d)	**2,66%**

** 3 year average value*

Tod's cost of secured debt	2013
Rating	Aa2/AA
Credit spread (r_s)	0,70%
Risk-free rate (r_f)	1,47%
Pre-tax cost of debt	2,17%
Corporate tax rate*	30,28%
After-tax cost of debt (r_d)	**1,51%**

** 3 year average value*

Source: Damodaran (January 2014), Independent analysis

12.108. Appendix 108 – Iterative discounted cash flow valuation of ECCO

Appendix 108 - Iterative discounted cash flow valuation of ECCO

Estimation				WACC							Output				
Attempt	Estimated equity value	NIBD	Estimated EV	2014F	2015F	2016F	2017F	2018F	2019F	2020F	CF discounted	Terminal discounted	EV	FCFF equity value	Difference
1	3 558 599	5 859 702	9 418 301	5,50%	5,51%	5,54%	5,54%	5,54%	5,54%	5,55%	4 795 764	20 731 039	25 526 803	19 667 101	16 108 502
2	19 667 101	5 859 702	25 526 803	7,47%	7,48%	7,49%	7,49%	7,49%	7,49%	7,49%	4 462 397	11 785 953	16 248 350	10 388 648	(9 278 453)
3	10 388 648	5 859 702	16 248 350	7,08%	7,09%	7,11%	7,11%	7,11%	7,11%	7,11%	4 524 526	12 973 635	17 498 160	11 638 459	1 249 811
4	11 638 459	5 859 702	17 498 160	7,16%	7,17%	7,18%	7,18%	7,18%	7,18%	7,18%	4 512 330	12 728 232	17 240 562	11 380 860	(257 599)
5	11 380 860	5 859 702	17 240 562	7,12%	7,13%	7,14%	7,14%	7,14%	7,14%	7,15%	4 518 586	12 853 704	17 372 291	11 512 589	131 729
6	11 512 589	5 859 702	17 372 291	7,14%	7,15%	7,16%	7,16%	7,16%	7,16%	7,17%	4 515 362	12 788 835	17 304 197	11 444 496	(68 093)
7	11 444 496	5 859 702	17 304 197	7,13%	7,14%	7,15%	7,15%	7,15%	7,15%	7,16%	4 517 022	12 822 180	17 339 202	11 479 500	35 005
8	11 479 500	5 859 702	17 339 202	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 167	12 804 989	17 321 156	11 461 454	(18 046)
9	11 461 454	5 859 702	17 321 156	7,13%	7,14%	7,15%	7,15%	7,15%	7,15%	7,16%	4 516 608	12 813 838	17 330 446	11 470 744	9 290
10	11 470 744	5 859 702	17 330 446	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 381	12 809 279	17 325 660	11 465 958	(4 786)
11	11 465 958	5 859 702	17 325 660	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 498	12 811 627	17 328 124	11 468 423	2 465
12	11 468 423	5 859 702	17 328 124	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 437	12 810 418	17 326 855	11 467 153	(1 269)
13	11 467 153	5 859 702	17 326 855	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 468	12 811 040	17 327 509	11 467 807	654
14	11 467 807	5 859 702	17 327 509	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 452	12 810 720	17 327 172	11 467 470	(337)
15	11 467 470	5 859 702	17 327 172	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 461	12 810 885	17 327 345	11 467 644	173
16	11 467 644	5 859 702	17 327 345	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 456	12 810 800	17 327 256	11 467 554	(89)
17	11 467 554	5 859 702	17 327 256	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 459	12 810 843	17 327 302	11 467 600	46
18	11 467 600	5 859 702	17 327 302	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 458	12 810 821	17 327 278	11 467 577	(24)
19	11 467 577	5 859 702	17 327 278	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 458	12 810 833	17 327 291	11 467 589	12
20	11 467 589	5 859 702	17 327 291	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 458	12 810 827	17 327 284	11 467 583	(6)
21	11 467 583	5 859 702	17 327 284	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 458	12 810 830	17 327 288	11 467 586	3
22	11 467 586	5 859 702	17 327 288	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 458	12 810 828	17 327 286	11 467 584	(2)
23	11 467 584	5 859 702	17 327 286	7,13%	7,14%	7,16%	7,16%	7,16%	7,16%	7,16%	4 516 458	12 810 829	17 327 287	11 467 585	1
24	**11 467 585**	**5 859 702**	**17 327 287**	**7,13%**	**7,14%**	**7,16%**	**7,16%**	**7,16%**	**7,16%**	**7,16%**	**4 516 458**	**12 810 828**	**17 327 286**	**11 467 585**	-

Source: Independent analysis