

FINISH LINE (FINL) Fiscal 4Q17 Results: EPS Misses Consensus; Comps Weak

Figure 1. Finish Line 4Q17 Key Metrics

	4Q17	4Q16	YoY Change
Revenues (USD Mil.)	\$557.5	\$559.8	(0.4)%
Gross Margin	29.1%	34.1%	(500) bps
SG&A/Sales	23.1%	24.4%	(130) bps
Operating Margin	3.6%	2.0%	160 bps
Adjusted EPS (USD)	\$0.50	\$0.85	(41)%

Source: Company reports/Fung Global Retail & Technology

- **Finish Line reported fiscal 4Q17 adjusted EPS of \$0.50, missing the consensus estimate of \$0.70. The company reported revenues of \$557.5 million, down 0.4% from 4Q16 and missing the consensus estimate of \$548.1 million.**
- **Comparable sales declined by 4.5% year over year, coming in at the low end of the company's guidance range and missing consensus of (3.7)%.**
- **For FY18 (ending March 3, 2018), Finish Line expects a low-single-digit comp increase and EPS of \$1.12–\$1.23, which would be an improvement of 6%–16% from the prior year. Finish Line's Macy's business is expected to hit the high end of its long-term annual sales goal of \$350 million in FY18, ahead of the planned timeline.**

Fiscal 4Q17 Results

Finish Line reported fiscal 4Q17 revenues of \$557.5 million, down 0.4% from 4Q16 and missing the consensus estimate of \$548.1 million. Adjusted EPS was \$0.50, missing the consensus estimate of \$0.70. Management was disappointed with the results, citing weak traffic, aggressive pricing and slow-moving inventory as the primary factors that negatively influenced performance. Sales in Finish Line's biggest categories, running and basketball, fell short of expectations. Casual athletic products saw strong sales, but they were not big enough to offset the sales losses elsewhere.

Comparable sales declined by 4.5% year over year, coming in at the low end of the company's guidance range and missing the consensus of (3.7)%. Finish Line's Macy's sales increased by 35%. Footwear comps were down by single digits and soft goods comps saw a decline in the high 20% range.

The company has made significant progress in its supply chain, and expects to enjoy benefits from its new warehouses and order management systems. In the quarter, the company saw historically high metrics in 24-hour fulfillment rates, click-and-collect delivery times and store deliveries.

In FY17, Finish Line closed 24 underperforming stores and announced plans to close 15–20 stores in FY18.



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FY17 Results

Finish Line's total sales for the year were \$1.8 billion, up 2.5% year over year. Comps were up 0.3% and the company's Macy's sales increased by nearly 30%.

Outlook

For FY18 (ending March 3, 2018), Finish Line expects a low-single-digit comp increase and EPS of \$1.12–\$1.23, which would be an improvement of 6%–16% from the prior year. An additional calendar week is expected to contribute approximately \$0.06 per share to the company's 4Q18 results.

Finish Line's Macy's business is expected to hit the high end of its long-term annual sales goal of \$350 million in FY18, ahead of the planned timeline. The company announced renovation plans for 40–50 of its locations, including remodeling its space at the Macy's Herald Square flagship store.

In terms of product assortment improvement, Finish Line has planned several new product launches for FY18, including the exclusive offering of the Adidas PureBoost line outside Adidas' own stores.



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