***Helen of Troy: Equity Report***

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Equity Research Report

Helen of Troy

**Basic Information:**

Helen of Troy Limited is a publicly-traded designer, developer and worldwide marketer of consumer brand-name health and home, housewares, beauty and nutritional supplements products under owned and licensed brands. It is also the parent corporation of OXO International Ltd., Kaz, Inc., Steel Technologies, LLC, Idelle Labs, Ltd, and Healthy Directions, LLC, and others. The Company is headquartered in Hamilton Bermuda, and its U.S. operations are headquartered in El Paso, Texas. The ticker symbol for Helen of Troy is HELE. The primary exchange for which Helen of Troy shares is the NAsdaqGS. Shares are also traded using financial service companies such as e-trade, Scottrade, and Fidelity Investments. Investment management firms such as American Century Companies Inc. have invested in HELE. Helen of Troy primarily operates in the Consumer Durables and Apparel sector, and is a part of the Household Appliances industry. Helen of Troy is currently trading at 89.85 with a Market Cap of 2.45 billion dollars. Our investment recommendation is for the foundation to hold this growing stock. If the price of HELE drops to 80 dollars or below we suggest that the foundation purchases more of this stock. We have listed Helen of Troy with a targeted stock price of 80 dollars.

**Investment Summary**

When taking into account Helen of Troy as being worthy of an investment or not there are a number of recent developments that need to be highlighted. These recent developments have the potential to sway the share price up or down. The company has deployed over $875 million of capital since March 2014, this includes three acquisitions along with various share buybacks. In 2017, Helen of Troy bought back shares worth $75 million. This was included in the May of 2017 plan to buy back 400,000,000 shares over the next three years.

The recent acquisitions of Vick’s, an American over the counter medication producer, and Hydro Flask, a company that produces stainless steel water bottles, have highlighted a bright future in regards to future stock performance. Based on our analysis this future, even with the pairing of their current cash flow, is one in which one can expect continued share growth. This growth will be fueled by a recent strategic offensive in Project Refuel, a plan to reallocate $28,000,000 along with expected profit increase of over $10,000,000.

**Business Description**

Helen of troy is a conglomerate that specializes in global consumer products, offering creative solutions for customers through a strong portfolio of well known and widely used brands. they have built their market positions through new product innovation, product quality and competitive pricing. People around the world use our products every day to help meet their household, health and beauty needs. Helen of Troy is mainly broken down into 4 segments of business; Houseware, Home & Health, Nutrition, and Beauty products. Some of the biggest incomes for Helen of Troy is the Health & Home industry accounting for roughly 40 percent of their revenue. They have increased their investments into this segments in hopes of greater profits in the future. The segment that has been their worst performer has been their beauty segments which they plan to downsize and restructure to focus on their leading brands in that industry. They also intend to increase their investments into the nutrition industry as it is a growing market.

**Management & Governance**

Julien Mininberg is currently the Helen of Troy CEO dating back to 2014, his previous position was as President & Chief Executive Officer by Kaz, Inc, and he received his master's in business administration and undergraduates degree from Yale University. He is joined on the board by directors Krista Berry,and Thurman K. Case, along with chairman Timothy F. Meeker. They all hold a large amount of shares with Mininberg turning some of his shares into $2,433,8559 of equity since April of 2017. Mininberg is currently fifty-two years old and has expressed no desire to step down from his current position in the near future. It is fair to believe that with their recent strategic offensive Mininberg could continue to manage and lead Helen of Troy to a brighter future. However, the majority of the people who are either in an executive position or on the board are over 60 years old which creates a need for future evaluation as to an exit strategy.

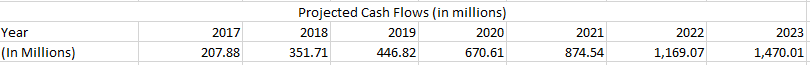
**Industry Overview and Competitive Positioning**

The main competitors that we looked at for Helen of Troy was Proctor and Gamble, Colgate and Palmolive, MMM and Newell Brands. We compared Helen of Troy to its major competitors with revenue. Helen of Troy is the smallest compared to its competitors with 1.5 billion in Revenues. Looking at its competitors Proctor and Gamble have 65.29 billion in revenues while MMM was the second largest with 30.11 billion and Colgate & Palmolive and Newell Brands both had roughly around same with 15 and 13 billion. We then showed the simple moving average of Helen of Troy compared to its competitors. The reason why we looked at this is because the simple moving average is a good tool to quickly identify if a security is in an uptrend or downtrend. Helen of Troy for the three years we looked at were well above the competitors. Now coming to the end of 2017 MMM has caught up and is competing with them heavily.

Using Porter’s Five Forces tool to understand the competitiveness of Helen of Troy. I touched up on competitive rivalry already with Helen of Troys main competitors and how they compare in revenues and simple moving average. Since Helen of Troy is in so many different markets it has many different competitors in each different market. This can be troublesome but it can also be helpful as well. With Helen of Troy entering all of these markets it gives them a chance to expand and get their name out in the world. If one segment is not performing as well as they hoped they can fall back on other segments that are outperforming the market and give them a balance. Entering all these markets makes the threat of new entry or threat of substitution higher because they are in a lot of new markets that gives their competitors an opportunity to undercut their price. What we found interesting is Helen of Troy makes most of their products out of the country. They make products in Mexico or China. If President Trump wants to put a ban or higher tax on imported goods this can hurt the company.

**Valuation:**

For the valuation of this company we used a discounted cash flow model.



We used a discount rate of 11.9% and a growth rate of 2.47% based on the industry.The growth rate is from the 10 year government bond rate in USD. The discount rate was estimated by calculating the Cost of Equity. To calculate the cost of equity we had to come up with a Beta. The Beta was estimated by analysing other companies in the same industry. The beta that was calculated was equal to 1.251. The discount rate, growth rate, and present years cash flow were then used to create our cash flow forecast. We have estimated Helen of Troy’s Cash flows to increase till the year 2023. This is in part due to the current investments Helen of Troy has, i.e. Hydro Flask.

**Financial Analysis:**

Helen of Troy has had tremendous growth in the past 5 years. Since the new CEO has taken over in 2014 the stock has grown from 48 dollars per share up to just over 100 dollars per share. The stock is currently sitting around the 90 dollars and is expected to grow in the future. Expect for the company to continue to beat its performance goals for the quarters and for the stock price to be holding over 100 per share by mid 2018. Expect stock buybacks to continue for the next 4 years until a total of 400 million shares are bought back. Expected to see higher growth in Earning Per Share over the next few years based on the stock buybacks. The company also plans to reallocate 28 million dollars from its weaker brands into its higher profit margin and more well known brands. This should increase the overall profitability of the company and should allow the stock price to exceed expectations.

**Investment Risk**

Some of the biggest investments risks to watch for in Helen of Troy are the NAFTA negotiations currently being held. If the new NAFTA negotiations end with a higher import tax on products coming into the United States, Helen of Troy will be directly affected. Helen Of Troy produces all of its products in Juarez, Mexico and in China. This would increase the cost of their products coming into the United States making them cost more or a loss in Profit Margin. Seeing as the margins are already low for a lot of their products in the beauty and houseware segments, I believe that they would increase their costs. The household industry is highly competitive on price, which means Helen of Troy would likely lose some of their customer base. If NAFTA negotiations go poorly, look to sell Helen of Troy immediately.

Another possible risk for Helen of Troy would be another economic downturn in the United States. Helen of Troy is a lot smaller than most of its competitors meaning it would be the most likely to fail or be bought out in bad economic conditions. The household, beauty, and Nutritional supplement markets affected heavily by economic downturn due to they are not seen as essentials. If the market starts to head into a recession, look to downsize on the amount of shares in Helen of Troy or hold in hopes of being bought out by one of its larger competitors.