CHOICE EQUITIES
CAPITAL MANAGEMENT

September 26, 2019

**INVESTMENT THESIS**

At Home Group (HOME; $9.39) is an everyday low-price home décor retailer. Tariffs, one-time costs to support growth, retail hatred and weather are all factors that, in the last twelve months, have heavily penalized the stock. After a nearly 90% peak-to-trough decline since July 2018, we believe the dust has now settled. We think At Home at $9 is a compelling opportunity to buy into the rare brick and mortar retailer that is still early in its growth cycle and is available at a reasonable price. The company is set up to continue growing stores, earnings and revenue, with same store sales growth expected to resume their positive trend next year. Additional upside exists as margins begin to normalize after working through various one-time growth investments, tariffs and markdowns. Recent prices offer investors an opportunity to earn multiples on their investment over a multiyear time horizon.

**REASON FOR OPPORTUNITY**

Little more than a year ago, At Home was regarded as a high-quality growth stock with a successful and differentiated approach to brick and mortar retailing. But the last year has been a brutal one. First growth investments, then tariffs and thereafter subsequently softening comp trends all culminated in a perfect storm of sorts leading growth investors to abandon the stock. With retail under a never-ending cloud of mostly justified pessimism and investors still deciphering a murky macroeconomic backdrop, the growth to value investor base handoff has been a painful one for the company. As the items contributing to shares' massive 90% decline over the past year make for a long list, we'll summarize the most important points here. They are:

*One-time growth investments* – Late last summer the company announced a ~$17M investment into the company's second distribution center. The investment will satisfy the company's logistics needs from 200 to 350 stores but also carries an upfront hit of ~100 bps hit to both gross and operating margins. Investors appear to have been caught off guard by the timing of the announcement which also threw the company off its growth algorithm that called for consistent mid 20s percentage earnings growth.

*Tariff headwinds* – Investors have struggled to understand the magnitude and severity of tariffs across the retail landscape, as well as the players' varying responses to them. At Home currently sources ~45% of its goods from China. Like other retailers it is working to mitigate these headwinds' impact on earnings through a combination of supply chain cost-outs, value engineering of products, negotiations with vendor partners and targeted price increases. Unlike most other retailers, At Home is a fast follower in fashion trends and sells goods at a value price point beneath their major competitors. Accordingly, the company wanted to see peers' initial efforts at raising price, before selectively raising their own to maintain their value pricing advantage. Regardless, this approach, and management's prior guarded communication of it, was not initially met with enthusiasm.

*Comp softness* – In 1Q FY2020 the company reported their first negative comp at -.8%, breaking their string of 20 quarters with positive comps. Despite continuing to outperform the category, the company has not proven to be immune from weak trends in furniture sales, which began seeing negative year-over-year growth rates last winter for the first time in many years due to softening durable goods spending in part from rising interest rates. Perhaps making matters worse, weather was cited as a culprit, leading to greater than expected markdowns in their seasonal patio and garden categories. While we typically agree that "the weather" is a weak excuse for a comp miss, in this case we believe claims have some legitimacy given NOAA has stated Jan through May of 2019 was the wettest five month period in 125 years[1]. Even so, the emergence of negative comps to a growth concept that also carries leverage has had a major negative impact on sentiment.

*Exiting PE sponsors and associated leverage overhang* – At Home's background as a private equity portfolio company has left it with a few legacy trademarks their public peers do not carry. Prior to their IPO the company carried five turns of leverage. This was reduced to ~3.5x with proceeds from the IPO where it has remained since coming public. A consistent

[1] https://www.ncei.noaa.gov/news/national-climate-201905

offering of secondaries for exiting PE sponsors have also followed, with the most recent in August 2018 coming with an option grant to management for shares with a $38 strike to help align management incentives with new shareholders. This large one-time spike in SBC expense negatively impacted operating margin in the quarter by nearly 360 bps. And finally, though it is unrelated to their PE ownership, we note this spring's implementation of FASB standard 2016-02 which required companies to put operating leases on the balance sheet amplified pre-existing leverage ratios meaning the company screens as more expensive on an EV basis than it did just a few months before.

All in all, the above factors net to create an atrocious trend in GAAP financials. Comps have gone negative while operating margin has compressed some 400 bps over the last twelve months. Recently, the company downshifted their growth algorithm which called for high-teens unit growth netting to mid-20s EPS growth to ~10% unit growth and mid-teens earnings growth. FY21 EPS estimates which one year ago pointed to $1.89 in earnings, now cluster at $.79. It seems fair to say the recent shift in trajectory has caused a rotation in the shareholder base.

**VARIANT PERCEPTION**

While the optics on a trailing twelve-month basis are particularly weak for At Home, a broader analysis that incorporates their entire body of work as a public company reveals a successful and differentiated retail concept. We believe temporary unfavorable trends have combined with misunderstood elements of the At Home story and caused investors to question the viability of the company's business model. Specifically, we think many investors have critical misunderstandings around their *value proposition* as a low-cost provider, *cash flow profile* given high growth spending, *differentiated box offering* attendant with metrics that don't necessarily look like those of other retail concepts and *tariffs* and the company's seemingly delayed response in addressing them. Accordingly, we believe management's recent course correction and downshift in near term unit growth targets presents an attractive buying opportunity much like we have seen in other growth retailers in prior periods of comp softness. At recent prices, investors are paying little for a company with a successful concept that has an opportunity to triple their store base and approach our long-term fair value estimate in the $40s.

**THE BUSINESS**

*What it is* - At Home is a unique value-based retailer in the home décor space. They are a fast follower of trends who wins on breadth and price in furniture and home décor categories that are characterized by low brand loyalty. Their low-priced assortment is further supported by a low-cost model, with low rent and SG&A per square foot. Their product categories include: Outdoor, Holiday Décor, Textiles and Rugs, Furniture and Decorative Accents. The boxes average ~110,000 square feet and are typically located in "B" locations, primarily strip centers. Each store holds around 50,000 SKUs. In line with their "everyday low price" strategy, around 80% of sales of their products occur at full price. 70% of At Home's products are private label or unbranded and are designed specifically for the company. On the pricing front, At Home is very competitive. Prices of similar goods are typically cheaper than Wayfair, Amazon, Target and even Walmart.

*Typical customer* - The customer is primarily female, age 46 or older, 60% of whom are married. 30% of the customers are younger than 34, up from just 5% five years ago. The average basket is $65, with an average cost of $15 cost per item. On average, the mix of goods sold is ~50/50 home décor and furniture items.

*Market dynamics* – The home décor space is still relatively fragmented, with Wal-Mart only commanding an 11% market share. Online-only players, today, have less than 10% market share. Retailers, as a rule, compete on four factors: price, quality, selection and convenience. At Home is focused on winning on two of these: price and selection. Consumers have shown a willingness to give up convenience (i.e. free delivery, etc.) in exchange for lots of stuff at great prices. Furthermore, with home décor, customers want to touch and feel the products. In the case of At Home, customers are able to see an incredibly wide variety of products at highly attractive prices. There is no other home décor retailer, to our knowledge, that competes this way. Though online is a secular share taker, most especially from full priced stores, many value offerings have successfully bucked this trend. For instance, Home Goods (owned by TJX) does not have an online offering.

*Corporate history* – The company was founded in 1979 as Garden Ridge located outside San Antonio. In 2004, Garden Ridge filed for Chapter 11 bankruptcy. Around 2010, CEO Lee Bird assembled a team and capital and unsuccessfully tried to acquire the company out of bankruptcy. In 2011, private equity firms AEA and CV Starr Investments acquired Garden

Ridge. They then appointed Lee Bird as the CEO. One of his major initiatives was to rebrand the company under the At Home brand which occurred in 2015. In 2016, AEA and Starr brought the company public at $15 a share. Since then, there have been a series of secondary offerings, at anywhere from $24 to $33 per share. From our research, while AEA continues to be a shareholder, Starr is no longer involved and has recently distributed their remaining shares to LPs. This may partly explain the severe selling pressure over the past few months.

**INVESTMENT CONSIDERATIONS**

*Unique and differentiated value proposition* – At Home touts an "every day low price" model combined with an incredibly broad selection of 50,000+ SKUs. At Home is a value player and aims to be lower than all its competitors (both online and brick and mortar), frequently by 15-20% or more. The average basket size of $65 makes shopping at At Home accessible to all, and 50% of sales are from returning customers. The company's real estate, merchandising and product sourcing strategies are all geared around delivering a large breadth of fashionable items to consumers at an attractive price point.

*Box economics* – At Home's 110k sq. ft. boxes average around $7M in sales. Store level EBITDA margins have historically been in the 26% range. Each store carries around $1.8-$2M in inventory, with inventory turning about 2.3-2.5x on average. At Home's returns on new store investment are very attractive. The company typically opens stores in recently exited big boxes with an ~80/20 mix of second-generation boxes to new ground-up builds. For new builds, management cites a build out cost of between $3 and $4M, net of any sale-leaseback proceeds. After incorporating some maintenance capex, the payback period for new stores is a little more than 2 years, or a 35%+ return. Stores, historically, reach maturity very quickly, with sales in the first year reaching 70% of maturity. This steep maturation curve explains why the model is built not so much on comps, but instead on new store openings and filling in white space.

*Tariffs* – Tariffs are an obvious issue for any retailer in the United States. Approximately 45% of At Home's merchandise comes from China. There has been some level of confusion surrounding At Home's ability to mitigate tariffs. As a price sensitive player in the value chain, they are less likely to lead with price increases than certain of their peers may be. But with participants starting to adjust to their new realities, we are now starting to see some retailers target price increases to offset tariffs. At Home has clearly stated they will do the same. For FY20, we expect 25 bps of the 200-300 bps estimate in gross margin compression to come from tariffs. Outside of price increases, the company will continue to negotiate discounts with vendors, continue to value engineer where possible and shift sourcing outside of China. Direct sourcing is another lever the company will use to protect gross margins, as they have stated intentions to move this to 30% of sourcing from 10% currently.

*Balance sheet and cash flow generation* – Since the IPO in 2016, At Home has not generated any headline free cash flow. Instead cash flow after maintenance capex has been spent growing the store count. The balance sheet today has two pieces of debt: a $276M revolver and a $336M term loan. The revolver is an asset-based facility tied to inventory and used to fund working capital. The term loan matures in June 2022 and is priced at/around L+400. From our numbers, after backing out new store capex, At Home generates between $55M to $75M of free cash flow after interest expense. We anticipate they will generate headline FCF in Fiscal 2021, ended January 2021. Over time, their growth algorithm calls for a leverage ratio at or below 2.5x, a figure that looks achievable.

*Recent Trends* – Year-over-year sales trends in the furniture and home furnishing subset of retail sales from the US Census have been positive for nearly every month since 2010. This changed late last year, with October 2018 through June 2019 showing a year over year decline for 8 of 9 consecutive months. We suspect the decline can be attributed in part to rising interest rates. While we don't believe that At Home is a "macro bet" per se, it is instructive to examine their performance versus the category, where we see most participants experienced softening trends.

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | 3.0% | 2.6% | 4.0% | 2.8% | 3.0% | 1.9% | 2.2% | 3.0% | 0.3% | 4.3% | 5.7% | 6.2% |
| 2018 | 3.3% | 3.2% | 3.2% | 6.3% | 3.9% | 3.4% | 3.8% | 2.5% | 2.8% | 0.2% | -1.0% | -1.2% |
| 2019 | -1.7% | -1.1% | -0.2% | -1.5% | 0.2% | -0.3% | -0.2% | 0.1% | | | | |

*Real Estate Strategy* – At Home is particularly strong in site selection. They use Buxton software to score thousands of potential sites for future boxes around the United States. This standing analysis and consistent need for new space makes them a desirable partner for landlords as they are one of few credit-worthy tenants who can quickly take down an 80k+ square foot box and actually make money. As a result, At Home has been able to negotiate favorable lease terms typically in the $5-6 / sq. ft. range given landlords preference for this scaled buyer versus the potentially suboptimal outcome that involves parceling out these big boxes into several smaller units. At Home approaches box development from two angles: outright operating leases with landlords, and a buy and build strategy followed by a sale/leaseback transaction with triple-net lease institutional investors. As of the end of the most recent quarter, we estimate that At Home still owned at least 7 properties that were sale-leaseback-eligible.

*Growing brand awareness* - Marketing spend has begun to ramp, growing from 0% of sales in 2013 to 3% in FY19. Unaided brand awareness is still quite low at 17% vs peers at 40%+. Successful marketing and increased brand awareness should drive same store sales in the long-term range of 1-2%. As store count grows to 300 and beyond, the company should begin to generate meaningful leverage on this line item as national advertising becomes increasingly effective as we have seen in other growth concepts.

*M&A* – While there were rumors of a buy-out earlier this year, we believe that is no longer on the table. Rumored buyers included strategics such as Kohls, as well as financial buyers like Hellman and Friedman. While it's a possibility, it is not part of the investment thesis.

*Incentive comp* – Performance-based compensation comes in the form of stock options and restricted stock and is tied to two metrics: adjusted EBITDA and comparable sales. Target comp growth in the performance plan is 3.5%, well above what the long-term algorithm implies at 1-2% per year. We also note that multiple insiders recently bought meaningful shares of stock at recent depressed levels.

**GROWTH PROSPECTS**

Growth for At Home should come from a few factors: store growth, moderate comp growth and margin normalization all of which should drive FCF.

*Store growth* - The company ended the most recent quarter with 208 stores and have mapped out a path to 600. The company recently adjusted its growth algorithm which targets 10% store growth for the foreseeable future. They began in Texas with Garden Ridge in the 1980s, and are now beginning to grow up the west coast in California, Oregon and Washington.

*Comp growth* – The slated growth algorithm at the company has called for lowish 1-2% comps. The $40M we expect they'll spend this fiscal year on marketing should continue to improve their brand awareness, driving comp growth. In the near term, the company has easy compares on the horizon which will be aided with normalizing weather patterns. Additionally, an increased focus on comp performance from a slower store opening schedule and lessening cannibalization of existing stores will also support a return to positive same store sales growth.

*BOPIS* – The company is still very early in their omnichannel/e-commerce development. While their product mix is viewable by customers online, At Home does not currently offer an e-commerce option. The company has recently begun testing a BOPIS initiative, and expects a roll-out across the store base at some point in the next year or two. Formers we have spoken with suggest this is a meaningful opportunity to drive comps and average unit volumes, although it remains to be seen as it is still relatively early days.

*Margin normalization* – Gross margins since the IPO have been in the 32-33% range. For this fiscal year, gross margins are expected to come in around 29% - 200 to 300 bps below historical levels. There are a few drivers here. The first is a new distribution center in Pennsylvania. We believe the gross margin hit from the DC is around 100 basis points as the costs to run the DC come primarily through the COGS line. As the store count grows, margins should normalize as they leverage these essentially fixed costs. We are modeling in a 25 bps improvement per year on this fixed costs leverage. The second is markdowns as the company overordered seasonal items relative to weak demand this year. From our conversations with management, we believe the gross margin hit from mark downs is between 75 and 100 bps. We assume a range of outcomes in our various scenarios below, but longer term, we believe these lower margin sales will not be permanent. The last component of gross margin compression is freight and various fixed cost deleverage. Again, per conversation with management, we believe these two areas account for 90 bps of decline. In our base case, we assume gross margins improve 75 bps per year and eventually approach a more normalized rate of 32%.

*Debt pay-down* – At Home is currently levered 3.4x debt to adj EBITDA on a TTM basis. After readjusting their growth algorithm on the Q220 conference call, the company is now anticipating their leverage ratio to come down to the 2.5x range in the next 3 years. As this leverage ratio comes down, value should accrue to equity holders, all while the company grows through new store builds.

**VALUATION**

At Home has 10 analysts covering the name. Sentiment towards the name has shifted over the past few months, from nearly 100% of analysts "buy" rated earlier this, to a 50/50 split between buy and hold/sell. Relative to a basket of high growth and "legacy" home décor peers, At Home is quite cheap on an earnings basis. Prior to the recent hiccups, At Home was compared to high growth peers like Ollie's, Floor and Décor and Five Below. We think they still deserve to be comped to these high growth, high ROIC concepts.

| | Price | Mkt Cap | TTM EV/EBITDA | PE FY1 | PE FY2 | Sales Growth FY1 |
|---|---|---|---|---|---|---|
| RH | $170.43 | 3,183 | 12.5 | 15.8 | 14.0 | 7.4% |
| OLLI | $61.20 | 3,892 | 27.6 | 31.2 | 26.7 | 14.8% |
| WSM | $65.48 | 5,109 | 6.7 | 13.8 | 13.3 | 3.4% |
| FND | $48.79 | 4,860 | 13.8 | 44.0 | 35.7 | 20.7% |
| BOOT | $36.14 | 1,029 | 13.5 | 21.7 | 18.1 | 11.0% |
| **HOME** | **$9.32** | **597** | **13.4** | **13.7** | **11.9** | **18.4%** |

**PROSPECTIVE RETURNS**

We have a few scenarios for how to think about the prospective returns for At Home. First is the base case. Here, we assume the company successfully executes on its recently restated growth algorithm. We also assume the earnings multiple expands and the market gives them some credit for future growth. In the bull case, we assume a successful return to comp growth and model in 2.5% growth with attendant fixed cost leverage. The bear case assumes continued negative comp growth and a continued flattish margin profile.

| Case | Description | FY21 Assumptions | FY22 Assumptions |
|---|---|---|---|
| Bull | 10% store growth with higher comps and higher multiple as store growth expetations increase; margins normalize quicker than our base case | 2.5% SSS growth due to easier comps in FY20, 100 bps lift in GM, greater SG&A leverage, adj EBITDA margin up ~200bps | 2.5% SSS from BOPIS/better marketing; EBITDA margin continues to normalize with history, climbs 90 bps due to GM/fixed cost leverage; multiple closer to growthier peers |

| | FY 2020 E | FY 2021 E | FY 2022 E |
|---|---|---|---|
| Sales | $1,358.5 | $1,517.5 | $1,693.0 |
| *growth* | *16.5%* | *11.7%* | *11.6%* |
| *SSS* | *-0.5%* | 2.5% | 2.5% |
| Adj EBITDA | $153.9 | $199.7 | $238.7 |
| *margin* | *11.3%* | *13.2%* | *14.1%* |
| *growth* | *22.1%* | *29.8%* | *19.5%* |
| EPS | $0.69 | $1.17 | $1.52 |
| *growth* | *nm* | *69.3%* | *30.0%* |

| EBITDA X | TEV | Target Price | Return |
|---|---|---|---|
| 6.0x | $1,432.1 | $12.6 | 39% |
| 8.0x | $1,909.5 | $19.8 | 120% |
| 10.0x | $2,386.9 | $27.0 | 200% |

| PE | EPS | Target Price | Return |
|---|---|---|---|
| 16.0x | $1.52 | $24.33 | 170% |
| 18.0x | $1.52 | $27.38 | 204% |
| 20.0x | $1.52 | $30.42 | 238% |
| 22.0x | $1.52 | $33.46 | 272% |
| 24.0x | $1.52 | $36.50 | 306% |

| Case | Description | FY21 Assumptions | FY22 Assumptions |
|---|---|---|---|
| Base | 10% store growth, moderate normalization in margins, 1.5% comp next two years. Ends FY22 with 257 stores | 1.5% SSS growth with slight EBITDA margin expansion through SG&A; 75bps lift in GM as company leverages new DC and fewer markdowns | 1.5% SSS growth, 10% store growth, continued GM improvements. Net debt constant as co focuses on FCF generation |

| | FY 2020 E | FY 2021 E | FY 2022 E |
|---|---|---|---|
| Sales | $1,358.5 | $1,503.9 | $1,664.1 |
| *growth* | *16.5%* | *10.7%* | *10.6%* |
| *SSS* | *-0.5%* | *1.5%* | *1.5%* |
| Adj EBITDA | $153.9 | $179.8 | $210.9 |
| *margin* | *11.3%* | *12.0%* | *12.7%* |
| *growth* | *22.1%* | *16.8%* | *17.3%* |
| EPS | $0.69 | $0.94 | $1.20 |
| *growth* | *nm* | *35.6%* | *27.8%* |

| EBITDA X | TEV | Target Price | Return |
|---|---|---|---|
| 6.0x | $1,265.6 | $10.0 | 11% |
| 8.0x | $1,687.5 | $16.4 | 82% |
| 10.0x | $2,109.3 | $22.8 | 154% |

| PE | EPS | Target Price | Return |
|---|---|---|---|
| 12.0x | $1.20 | $14.37 | 60% |
| 14.0x | $1.20 | $16.76 | 86% |
| 16.0x | $1.20 | $19.15 | 113% |
| 18.0x | $1.20 | $21.55 | 139% |
| 20.0x | $1.20 | $23.94 | 166% |

| Case | Description | FY21 Assumptions | FY22 Assumptions |
|---|---|---|---|
| Bear | Continued 10% store growth, but comps stay at -1% for next two years. Margins stay at or around FY20 levels | -1% SSS, gross margins stay at FY20 levels, continued 10% store growth, lower new store productivity | -1% SSS, continued margin pressure, lower multiple due to negative SSS, yet still growing earnings and EBITDA from store growth |

| | FY 2020 E | FY 2021 E | FY 2022 E |
|---|---|---|---|
| Sales | $1,358.5 | $1,463.6 | $1,579.6 |
| *growth* | *16.5%* | *7.7%* | *7.9%* |
| *SSS* | *-0.5%* | *-1.0%* | *-1.0%* |
| Adj EBITDA | $153.9 | $169.5 | $188.2 |
| *margin* | *11.3%* | *11.6%* | *11.9%* |
| *growth* | *22.1%* | *10.1%* | *11.1%* |
| EPS | $0.69 | $0.82 | $0.93 |
| *growth* | *nm* | *18.2%* | *14.2%* |

| EBITDA X | TEV | Target Price | Return |
|---|---|---|---|
| 4.0x | $753.0 | $2.3 | -75% |
| 6.0x | $1,129.5 | $8.0 | -11% |
| 8.0x | $1,506.0 | $13.7 | 52% |

| PE | EPS | Target Price | Return |
|---|---|---|---|
| 6.0x | $0.93 | $5.59 | -38% |
| 8.0x | $0.93 | $7.46 | -17% |
| 10.0x | $0.93 | $9.32 | 4% |
| 12.0x | $0.93 | $11.19 | 24% |
| 14.0x | $0.93 | $13.05 | 45% |

*Fiscal year ended Jan 30

**BLUE SKY SCENARIO**

Along with outlining various near-term (i.e. 2-3 year) scenarios above, we also think it's illustrative to outline what the blue-sky scenario is with At Home. That is, what is this business worth if they actually hit their 600-store target? At their current growth rate target of 10% per year new store growth, we believe it's conceivable they hit this target sometime in the 2030 time frame. To get there, they'll have to plow FCF into new stores. So, the second driver of our blue-sky scenario is how do they manage to fund new store growth while keeping leverage in check. Again, the new algorithm calls for gross debt to EBITDA to be sub-2.5x by FY23. Under conservative assumptions, we find this to be a very achievable goal. We don't believe they will continue to keep leverage at (a still elevated) 2.5x post-FY23. In fact, we believe they can grow the stores at a 10% clip and have zero net debt by FY28. Over time, we assume EBITDA margins approach the historical norm of 18% in the later years. And at maturity, we believe the company can generate upwards of $385M in unlevered free cash flow in FY30. We capitalize this at 17x FCF, or around a 6% unlevered free cash flow yield. Discounted back to the present with a 10% discount rate gets us to a present value of $1.9B. Add in the explicit cash flows after growth capex between now and then, and the present value today is around $40 per share. We of course fully recognize the issues surrounding this approach but believe it instructive to consider the long term upside case for the stock.

**RISKS**

- Balance sheet is currently levered 3.4x on a TTM basis (Debt to EBITDA), with stated goal of 2.5x by FY23
- General cyclicality with any consumer discretionary business
- Inventory turns are lower than peers, which could lead to excessive markdowns and other issues
- Trade war escalates and tariffs actually increase beyond 25%
- Inability to cost effectively source outside of China

**CATALYSTS**

- Future earnings reports, with a particular focus on same store sales
- Easier comps in FY21 as HOME laps wettest period in recorded US history
- Credit upgrade as they begin to pay down debt and generate FCF from a GAAP perspective
- Successful execution of BOPIS and deliver-from-store programs over time
- Sentiment shifts amongst the analyst community as the company executes, leading to upgrades

(Continued…)

**APPENDIX – BOOT BARN CASE STUDY**

From our research, there are plenty of examples of retail concepts that at some point in their growth cycle encounter same store sale weakness or declines attributable to company or industry specific factors. This often leads to temporary stock price underperformance and moderations in the company's pace of new store openings. Though Chipotle (CMG) and Restoration Hardware (RH) come to mind, Boot Barn (BOOT) is one that stands out for its similarities to At Home.

Boot Barn came public in 2014 at $14 per share. The company had a history, prior to coming public, of double digit comps quarter after quarter. Leading up to the IPO, the stated goal of the IPO was to grow stores and pay down debt. The company highlighted a store count potential of nearly 500 locations – more than 3x its 150 stores at the time of IPO. Same store sales hit a temporary rough patch in 2016 due to weakness in the oil patch, with shares bottoming at around $6 in early 2016. Like At Home, Boot Barn was opening new stores with strong cash/cash returns, had low but improving brand awareness through effective marketing and was paying down residual debt from its former private equity sponsors. From the lows, shares of Boot Barn are up over 400% as the company continues to execute on its strategy. While not identical, we think the set up with At Home certainly rhymes.

| FYE | 3/15 | 3/16 | 3/17 | 3/18 | 3/19 | 3/20E |
|---|---|---|---|---|---|---|
| Store Count YE | 169 | 208 | 219 | 226 | 240 | 261 |
| *growth* | | 23.1% | 5.3% | 3.2% | 6.2% | 8.7% |
| *Comp growth* | 7.3% | 0.0% | 0.3% | 5.2% | 10.0% | 6.1% |
| Sales | 402.7 | 569.0 | 629.8 | 677.9 | 776.9 | 862.6 |
| *growth* | 16.4% | 41.3% | 10.7% | 7.6% | 14.6% | 11.0% |
| EBITDA | 48.2 | 59.3 | 56.6 | 63.7 | 84.6 | 101.3 |
| *growth* | 26.8% | 23.0% | -4.5% | 12.5% | 32.8% | 19.7% |
| EPS | 0.76 | 0.69 | 0.55 | 0.78 | 1.35 | 1.67 |
| *growth* | 52.0% | -9.2% | -20.3% | 41.8% | 73.1% | 23.5% |