

Analysis of Value Investment of Sportswear Industry in the U.S.: A Case Study of Columbia Sportswear Company

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Abstract. Value investment focuses on finding firms whose intrinsic price is lower than their fundamental worth so that investors can gain margin of safety while assuming less risk. This study applies value investment theories and financial analysis to Columbia Sportswear Company, a leading global outdoor apparel producer. This study examines the profitability and expected development of Columbia through the analysis of key its financial statements including balance sheet, income statement and cash flow statement from 2020 to 2024 combined with forecasts through 2027. Market position and competitive landscape are examined together with sportswear industry momentum. The results show that Columbia has significant advantages in technological innovation, sustainable development and global expansion, and possesses good financial stability and development potential. Within an undervalued sportswear sector, Columbia offers good long-term value because cash flow covers capital spending. This paper therefore supports a long horizon investment view for Columbia under the value investment framework. This article holds that, in the face of challenges such as industry homogenization and environmental pressures, enterprises should pursue sustainable development through differentiation strategies and supply chain optimization, thereby enhancing their investment appeal.

Keywords: Value Investment, Financial Analysis, Columbia Sportswear Company.

1. Introduction

Against the backdrop of the rapid development of the global economy, value investment, as a unique way of investment and financial management, has attracted much attention. This approach emphasizes identifying companies with strong fundamentals and undervalued values, prompting investors to conduct comprehensive financial and strategic analyses.

This study addresses this issue by integrating value investment theories and analyzing the data of Colombian Sportswear Company to link the theoretical investment framework with the specific circumstances of actual companies. Although many existing articles emphasize the significance of financial data indicators in guiding investment decisions, there are some gaps between these theories and analyses and reality in specific applications, especially in industries like sportswear, where brand strength, research and development investment and consumer willingness play a crucial role.

This study takes Columbia Sportswear Company as the research object and conducts financial statement analysis from the perspective of value investment. By examining profitability, operational

efficiency, market trends and strategic initiatives, this paper aims to assess the current valuation and long-term investment potential of Colombian companies. The methods include data analysis, industry analysis, as well as risk assessment and future development prediction.

Ultimately, this article aims to conduct a comprehensive investment assessment of the sportswear industry in Colombia and provide insights and suggestions for investors willing to apply the principles of value investment to the sportswear industry.

2. Literature review

2.1. Value investment

Value investing is a special skill that can only be successfully implemented through a concentrated portfolio [1]. The core concept of value investment is "buy below value", that is, buying assets at a price with a margin of safety, reduce risks and increase potential returns. The prerequisite of value investment is to identify those stocks whose intrinsic value is underestimated and those whose intrinsic value is overestimated, and this gives investors the opportunity to profit by buying shares at a discount [2].

Value investing mainly involves selecting stocks that may be traded at a price lower than their actual or book value. Once investors believe that the share price of a company is undervalued, they will buy and hold it for a long time, thereby achieving capital appreciation. During the process of conducting transactions, investors have different understandings of timing because they also have different definitions of value investment. Among value investors, there are often profound and irreconcilable differences in the definition of value investment [3].

2.2. Financial statement

Financial statements use financial terms to present the financial status of a company to the public, which is a written document in which a company reports the results of its business activities to different users of accounting information [4]. The financial statements are made up of three main parts: the balance sheet, the income statement and the cash flow statement. Financial statements help value investors with industry comparisons and trend analysis, because they provide both qualitative and quantitative data [5]. By comparing the financial metrics of other companies, investors can identify potential value investment opportunities in the travel industry.

2.3. Financial indicators

As an important tool to measure the results of economic activities of enterprises, financial performance indicators are widely used in the management of various organizations. These indicators are usually reflected in financial statements. By listing data, they intuitively reflect the profitability, operating efficiency, asset status and market performance of an enterprise in a certain period. These financial performance indicators can also be politically relevant, and local government leaders can use the data to start conversations with people inside and outside government about how well the government is doing fiscally [6].

The financial performance index system is rich and diverse, covering multiple dimensions. Profitability metrics show how much money stays after variable cost. Operating efficiency ratios reveal the quality of asset utilization. Leverage ratios tell whether borrowed money amplifies profit without creating excessive risk. Market multiples, such as price earnings and price to book,

summarize how much the market pays for one unit of profit or net asset. No single indicator tells the whole story, but a mosaic of several figures can inform a fair value estimate.

There are commonly used financial indicators such as Price-to-earnings Ratio, Earnings per Share and Price-earnings Growth Ratio, which help investors assess a company's profitability and the value of its stocks. Price-to-earnings Ratio (P/E) refers to the ratio of the stock Price to Earnings per share and is used to evaluate the valuation level of a company's stock. A high P/E ratio indicate that investors have high expectations for the company's future growth, but it may also suggest that the stock is overvalued. A low P/E ratio may indicate that the stock is undervalued or that the company's current profit growth is slow. Earnings per Share (EPS) is the company's net profit divided by the number of issued shares, reflecting the profit that each share of the company can bring. The higher the EPS, the stronger the company's profitability. Price-earnings Growth Ratio (PEG) is a combination of the P/E ratio and a company's future earnings growth rate, it assesses the value of stocks more comprehensively by considering the growth potential of the company. When PEG equals to 1, the stock price is reasonable, and the P/E ratio matches the future growth rate. When PEG is less than 1, the stock may be undervalued, and the price-earnings ratio is relatively low relative to the company's growth potential. If PEG is larger than 1, the stock may be overvalued, with a high price-earnings ratio but insufficient growth potential. Other key ratios include gross margin, net margin, return on equity, inventory turnover, current ratio and free cash flow yield. By tracing those measures across time an investor detects whether management allocates capital wisely or only grows top line sales at the expense of profitability.

2.4. Financial analysis

After having a basic understanding of the financial statements, the relevant data, the next step to consider is the analysis of the financial statements. Financial statement analysis is a method of making important decisions based on the comparison, judgment and evaluation of specific parts in the balance sheet [7]. Its data is necessary for analyzing organizational activities and is therefore used by the company's management as the basis for making management decisions [8].

Balance sheet analysis focuses on the structure of assets, liabilities and owners' equity of an enterprise, which can give investors insight into the financial condition of the enterprise. Income statement analysis focuses on the profitability of the enterprise, the level of cost control, and the efficiency of the operation. By comparing the profit data of different periods, we can find the profit trend and potential problems of the company. Cash flow statement analysis focuses on the cash flow situation of the enterprise. Through analyzing the operating activities, investment activities and financing activities, we can evaluate the cash flow status and risk tolerance of enterprises.

An orderly analysis proceeds from liquidity through solvency, then profitability and finally value creation. Liquidity ratios like current and quick ratios check whether the firm can pay near term obligations. Solvency measures such as debt to equity and interest coverage judge longer term viability. Profitability ratios combine both operating results and capital structure. Free cash flow, discounted by the cost of capital, yields intrinsic value. The difference between market and intrinsic value defines the margin of safety. Financial statement analysis is a multi-dimensional and comprehensive evaluation process, which provides valuable decision-making information for all stakeholders, and is an indispensable part of enterprise financial management and investment decision-making.

3. Overview of sportswear industry

3.1. Development and evolution

With the development of modern society, people's attention to sports is increasing. The customers who pay attention to health and wellness take sports activities as a lifestyle. Their demand-oriented activities have also increased the demand for functional and fashionable sportswear products, and the investment they are willing to pay is also increasing [9]. The sports apparel industry has an earlier origin, dating back to the end of the 19th century. The early sports clothing was mainly made of natural materials such as cotton and hemp, and the design was simple and practical. In the 20th century, the emergence of synthetic fibers such as nylon and polyester has significantly improved the sports clothing in terms of lightweight, wear-resistant and quick-drying. And in the 21st century, the sportswear industry began to focus on sustainable development, more and more brands have begun to use environmentally friendly materials and promote green production.

3.2. Competitive landscape

The good development of the sporting goods industry has brought competition between related enterprises, and formed a diversified, hierarchical, global competitive pattern.

First, international brands dominate the industry. Legacy firms—exemplified by Nike and Adidas—have historically commanded a disproportionate share of the global sports-apparel market due to their substantial brand equity, considerable research-and-development capacity, far-reaching distribution infrastructures, and precision-targeted marketing strategies. They have a large and loyal consumer base, but also through the continuous introduction of innovative products, sponsored events and signed athletes to further consolidate and expand their market influence.

With the increasingly diversified and personalized consumer demand, the sports apparel market has gradually subdivided into many sub-markets, such as outdoor sports market, leisure sports market, children's sports market, etc. According to the characteristics of different sub-markets, major brands have launched products that meet the needs of target consumers and launched differentiated competition. For example, outdoor-sport products prioritize durability whereas children's sports products require stringent raw-material quality to avoid adverse health effects and must feature visually engaging designs that attract young users while minimizing the risk of injury.

3.3. Profit model

The profits of the sportswear industry mainly come from product sales, brand licensing, event sponsorship and other aspects. Product sales are the most direct and primary way to make profits in the sportswear industry. The company designs, produces and sells all kinds of sportswear to meet consumers' demands in sports and daily life and achieve sales growth. Brand licensing is an important profit supplement for the sportswear industry. By licensing their brands, trademarks or images to other enterprises, sportswear brands can earn licensing fees while expanding their brand influence and market coverage. Event sponsorship is an important means for sportswear brands to enhance their popularity and an essential part of their profit model. By sponsoring major domestic and international sports events, brands can gain extensive exposure and publicity opportunities, shape a professional brand image, and thereby drive the sales of related products.

4. Case study of columbia sportswear company

4.1. Establishment and development

Columbia Sportswear is a global company operating in the apparel and footwear industry. It was founded in the United States in 1938, which is the most important region for the group's revenue [10]. During World War II, Colombian companies won important government contracts to produce waterproof boots for the U.S. Army. This experience not only brought financial support to the company but also laid the foundation for its later growth. In the 21st century, Colombian companies continue to innovate and introduce more high-tech products. At the same time, they also adapt to social development, focus on environmental protection, the use of recyclable materials and production processes, to reduce the impact on the environment.

4.2. Core competitiveness

In the past few decades, Columbia Garment Company has developed from a small family workshop to a leading outdoor clothing brand in the world. Its core competitiveness is mainly reflected in the following aspects.

First, the most important point is technological innovation and product development. Colombia has always taken it as a core driving force, and has continuously carried out research and innovation, such as Omni-Tech waterproof and breathable technology, Omni-Dry quick drying technology, Omni-Heat thermal technology, to meet the needs of different outdoor environments. These technologies not only improve the performance of products but also enhance the competitiveness of Colombian clothing.

Second, Columbia accords strategic priority to cultivating its brand and executing effective marketing initiatives. It enhances brand awareness and influence by sponsoring outdoor sports events and adventure activities as well as collaborating with renowned athletes. This is helpful for customers to form a certain understanding of the brand and develop an aversion to the brands of competitors [11].

As environmental issues have become more serious, Colombian companies have begun to focus on environmental protection and sustainable development. They are committed to using recyclable materials while improving their production processes and reducing their environmental impact. The company has developed a line of clothing made from recycled polyester and launched a "Blue Sign" certification to show that products meet environmental standards.

4.3. Financial analysis

Analyzing Columbia Sportswear Company's financial data from the past five years yields a clear picture of its operational performance. Based on the data analysis in the Table 1, Colombia's gross profit margin has been maintained at a relatively stable level. From 2020 to 2024, although there are ups and downs, the overall stability of about 50%. In 2020, its Price-to-Earnings (P/E) Ratio reached a staggering 53.56, but it has since fallen significantly, to 17.95. This is most likely due to the impact of the epidemic at that time, which led to the instability of the market. In subsequent years, Colombia's P/E Ratio increased overall and reached 21.5 in 2024, representing its increasing competitiveness. In terms of market capitalization, Colombian companies' market capitalization has been mainly declining since 2020. After peaking at \$6.35 billion in 2021, it has been on a downward trend.

Table 1: Financial indicators

	2024	2023	2022	2021	2020
Market Cap	4.80B	4.81B	5.44B	6.35B	5.79B
Market Cap Growth	-0.26%	-11.53%	-14.40%	9.84%	-14.48%
EPS (Basic)	3.83	4.11	4.96	5.37	1.63
EPS (Diluted)	3.82	4.09	4.95	5.33	1.62
EPS Growth	-6.60%	-17.37%	-7.13%	229.01%	-66.46%
Gross Margin	50.20%	49.61%	49.39%	51.58%	48.93%
Operating Margin	8.04%	9.62%	12.38%	14.43%	7.32%
Profit Margin	6.63%	7.21%	8.99%	11.33%	4.32%
PE Ratio	21.5	19.14	17.47	17.95	53.56

In the forecast for the future, Colombian companies have different trends. In Table 2, the 2025-2027 forecast, both Revenue and Earnings Per Share (EPS) show varying degrees of increase. The change in Revenue could increase from -3.4% in 2024 to 4.26% and remain positive in the latter two years. EPS forecasts are similarly optimistic. After three years of negative Growth, the forecast for EPS Growth in 2025 has reached 7.51%, and it can even reach more than 10% in the next two years, making earnings per share reach a maximum of 5.06.

Table 2: The financial forecast

	2025	2026	2027
Revenue	3.51B	3.67B	3.79B
Revenue growth	4.26%	4.47%	3.35%
EPS	4.11	4.57	5.06
EPS growth	7.51%	11.37%	10.71%

4.4. Investment recommendation

To give more relevant investment advice, it is necessary to calculate the return on future investment. When the Share Price is 78.37 and the EPS is equal to 4.6, the forecast return on investment in the next five years is 9.45%. This is a calculation based on the predicted value and is not completely reliable, but it can still be used as an aspect to influence investment decisions.

While there are opportunities, there are also risks. According to Nasdaq's website, the recent decline in the share price of Colombian companies may have an impact on investors' short-term returns. Secondly, Colombia has an Earnings-to-Growth (PEG) Ratio of more than 1, which means that the market may be overvaluing it, and instability factors increase.

5. Challenges and outlook

Benefiting from the popularity of fashion-driven demands and the heating up of sports trends, the sportswear industry has developed rapidly in recent years and has become one of the fastest-growing industries in the global clothing market [12]. However, as the industry gradually matures, the problems it may encounter during its development process are also gradually emerging.

Firstly, many brands have entered the market, resulting in a high degree of product homogeneity, which virtually increases the competitive pressure of enterprises. Next, External factors such as the influence of the international situation may cause problems in the supply of raw materials. Finally, the rapid changes in consumer consumption concepts have also brought new challenges to the sportswear industry, they expect not only more innovation, but also a green production line [13].

In response to the potential problems that the sportswear industry may encounter in the future, enterprises can take measures from the following aspects to achieve long-term profitability and stable development. To cope with product homogenization, enterprises need to focus on the construction of differentiation and enhance the originality and uniqueness of product design. In terms of the supply chain, enterprises need to build a more resilient and flexible global supply chain system. In response to consumers' concerns about environmental protection and sustainable development, sportswear enterprises should incorporate "green transformation" into their core development strategies and enhance the efficiency of resource utilization.

6. Conclusion

This study combines value investment theory with a detailed case on Columbia Sportswear Company. First, between 2020 and 2024 Columbia defended a gross margin near 50% even when global demand dropped. Second, the firm holds a clean balance sheet with net cash which grants flexibility for share buybacks or acquisitions. Third, forecast models expect steady single digit revenue growth and high single digit earnings growth from 2025 to 2027. Under a conservative multiple the present value of those earnings is close to the actual market price, which implies the share is valued yet offers upside if strategic initiatives succeed. The research results show that Columbia Sportswear Company demonstrates stable profitability, good revenue expectations and the continuous growth of stock value. Therefore, it can be concluded that Colombia represents a feasible investment opportunity and can become a long-term value investment target.

This study contributes to value investment analysis by applying financial statement analysis in the context of specific industries and brands. This research fills the existing gap in value investment studies on specific sportswear companies, providing useful insights for academic researchers and practical investors, and offering specific applications of value investment methods for companies.

However, this study also has some limitations. It mainly focuses on publicly available financial data and does not consider the account real-time market shocks or fluctuations in consumer sentiment. Future research can incorporate more dynamic data sources or expand the analysis, including comparative studies of multiple brands in the industry. In this way, subsequent research can improve the accuracy and applicability of investment evaluation.

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