



MDP

# *Million Dollar Portfolio*

## Watch List Stock #1:



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**Under Armour Inc. (NYSE:UA)**

*A Motley Fool Stock Advisor featured recommendation*

## From the desk of Matt Argersinger, Advisor, *Million Dollar Portfolio*



**Dear fellow Fool,**

I don't mean to brag, but I simply couldn't be more excited about my newest job here at The Motley Fool...

**And I can't even tell you how much I am looking forward to having ambitious, hardworking Fools like you helping me celebrate this important new role over the coming weeks.**

You see, for the past eight years, I have had the distinct privilege of working right alongside some of the smartest, savviest, and most successful financial minds I've ever come across (and I say that as someone who cut his teeth in this industry by crunching numbers and building models at the US Bureau of Economic Analysis)...

Of course, I'm talking about Fool investing legends you're no doubt already very familiar with, including...

## **David Gardner:**

My personal investment mentor, as well as The Motley Fool co-founder and chief “rule breaker” who’s led members like you to four 10+ baggers, one 15+ bagger, and seven 20+ baggers and whose average pick for *Motley Fool Stock Advisor* is up 230% (despite the fact the S&P 500 has only climbed 55% over the same period).



## **Joe Magyer:**

The longtime Fool and former lead advisor of our *Motley Fool Inside Value* service – which The Hulbert Financial Digest called out as the No. 1 performing investment newsletter in the entire world between 2008 and 2013 after it delivered Fools like you annualized gains of 17.8% per year over that period!



## **Tom Gardner:**

The Motley Fool co-founder and CEO whose average *Motley Fool Stock Advisor* recommendation is beating the S&P 500 by 28% and who, along with his brother David, has led our members to 138 stocks that have more than doubled in value.



Not to mention Motley Fool Chief Investment Officer Andy Cross... dividend and income investing guru James Early... and resident options and hedging expert Jeff Fischer, among many others.

And now, after nearly a decade of getting to fine-tune my own investment approach based on what I’ve learned from all these exceptionally gifted investors,

I've been tasked with a unique challenge and given a truly once-in-a-lifetime opportunity...

Namely, I have been asked to head up The Motley Fool's flagship real-money portfolio service, *Motley Fool Million Dollar Portfolio* — which means it will be my job to “poach” **the best-of-the-best investment ideas from across The Motley Fool universe** and then combine them into **a well-diversified yet easy-to-replicate real-money portfolio** that Fools who need a little bit more “hands on” financial guidance can easily match trade by trade in just minutes per month (*not a bad gig for someone who loves to invest, right?*).

As the name suggests, **this portfolio is fully backed by \$1 million of The Motley Fool's own money** (actually, thanks to some great stock picks from the investors I just mentioned as well as lots of long hours put in by my colleagues on the *MDP* team, this portfolio is now worth over \$1.5 million — ***despite being launched just prior to one of the biggest market meltdowns in history***).

But make no mistake, because all of *Million Dollar Portfolio's* guidance is expressed in percentage terms rather than dollar terms, **you don't need \$1 million — or anywhere near it — to benefit from this time-saving, stress-reducing service.**

What's more, as I mentioned earlier, because I'd love nothing more than for you to help my team and me usher in the next chapter of *Million Dollar Portfolio's* storied history, I am making it possible for you to get the full story on a handful of top Motley Fool stock picks that are currently on our MDP “watch list” — **absolutely free of charge, with no strings attached.**

In total, you'll get a full rundown — including an in-depth research report and follow-up advisor roundtable — on **five different stocks**, one from each of our

specialized stock-picking services (*Stock Advisor, Rule Breakers, Hidden Gems, Income Investor, and Inside Value*)...

Better yet, after hearing everything my team and I have to say about these companies and seeing how we methodically boil the hundreds of Fool-recommended stocks out there down to a manageable, historically profitable, and well-diversified portfolio you easily can replicate on your own in just minutes per month...

We'll give you the chance to test-drive *Million Dollar Portfolio* — which gives you access to our actual *Million Dollar Portfolio* as well as all five of the award-winning investment idea services that we draw from — **with absolutely no risk or obligation for up to an entire year at a special, limited-time discount price** (more details to come — so please keep an eye out!)

That way, you'll be able to claim a front-row seat to watch as my team and I decide which of the five “watch list” stocks we will officially add to our *Million Dollar Portfolio* on Wednesday, May 13.

Plus, you'll be able to enjoy the immense confidence and convenience that comes with knowing precisely **which** Motley Fool recommended stocks to buy and sell, **when**, and **at what price** — all without having to risk even a single dime.

This is all part of our ongoing commitment here at The Motley Fool to help *empower* the individual investor (something you rarely — if ever — encounter in the financial advice industry!) and my team and I are extremely proud to be offering it to you.

But before we get too far ahead of ourselves, I invite you first to enjoy, evaluate, and profit from everything my team and I will be putting together for you —with our compliments— over the next few weeks.

We thank you for your interest in *Million Dollar Portfolio* and look forward to helping you grow the money you have into the wealth and financial security you want.

Foolish best,

A handwritten signature in black ink that reads "Matt Argersinger". The signature is fluid and cursive, with a prominent "M" and "A".

Matt Argersinger

Advisor

*Motley Fool Million Dollar Portfolio*



UNDER ARMOUR.

# Under Armour Inc. (NYSE:UA)



**MOST RECENT FOOL RECOMMENDATION:**

*Stock Advisor*, September 2013

(also recommended in: *Hidden Gems* and *Rule Breakers* and a *Supernova Odyssey*

1 real-money holding)

**HEADQUARTERS:**

Baltimore, MD

**CASH / DEBT:**

\$593.2 million / \$284.8 million

**WEBSITE:**

[www.underarmour.com](http://www.underarmour.com)

**THREE-YEAR REVENUE  
GROWTH RATE:**

28%

**MARKET CAP.:**

\$17.5 billion

## Why We Like It:

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- Under Armour continues to take market share as it recently vaulted past Adidas to take the No. 2 spot in the U.S. sportswear market behind industry giant Nike.
- Driven leadership in founder and CEO Kevin Plank will continue to lead this company to new heights.
- Recent acquisitions of digital properties MyFitnessPal and Endomondo show that management is forward-thinking and ready to take advantage of major long-term trends in mobile and connectivity.

## A Foolish Introduction

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It may be hard to believe after this year's Super Bowl, but blue chip quarterback Tom Brady was really nothing more than an overlooked "small cap" when he started out in the NFL.

In fact, after being chosen by the New England Patriots in the sixth round of the NFL draft, it was unimaginable just how profound of an impact he would have on the team – but once he got his chance, he took it and has never looked back.

In what is widely considered to be the most important position in football – quarterback – Brady possesses all of the traits of a champion: physical ability, mental acuity, natural leadership and an undying passion for the game. Add it up, and it's really no wonder he has four Super Bowl rings today.

Here in *Million Dollar Portfolio*, we hold all of the companies we consider buying to very high standards and insist that they meet at *least three* of our [six traits of good companies](#). But when we find companies that *convincingly meet all six* traits,



we know we've found the stock market equivalent of a Tom Brady opportunity. And **Under Armour (NYSE: UA)** is certainly one of those special companies (not to mention, it actually sponsors Brady!).

Currently there are eight active recommendations for Under Armour in our Foolish services (including *Stock Advisor*, *Rule Breakers*, *Hidden Gems*, and *Supernova*), and all eight of these positions are handily beating the market (with six of them outperforming the S&P 500 by ***triple-digit percentages!***).

Given that kind of run-up, you might think that it's simply too late to buy Under Armour. But as you'll see in the [Million Dollar Portfolio allocation and strategy guide](#) we've posted in our *MDP Exchange* for you, we're all about "watering our flowers" (adding to winners) and "trimming the weeds" over time.

Of course, past performance doesn't predict future returns, but it can give us some clues to how much growth potential we can expect out of a business. And despite the fact that Under Armour shares are already up almost 1,200% since going public in late 2005, we believe it still has a long way to go – which is why we recently opened a small 1% position within *Million Dollar Portfolio* and why we're leaving it on our watch list and waiting for an opportunity to buy even more.

But to get some sense of why you might want to add it to your own personal watch list or even get invested alongside us, just stick with us for the next few moments as we take a closer look at Under Armour.

## **The Business at a Glance**

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There's nothing complicated about what Under Armour does: It sells sporting goods, apparel and equipment for men, women and children for every season

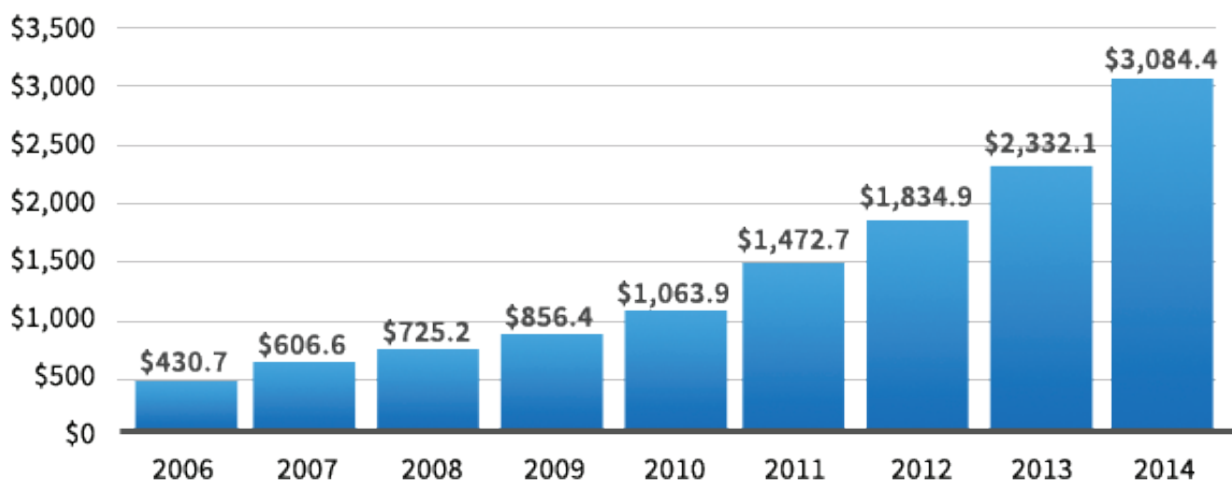
of the year with lines like HEATGEAR, COLDGEAR and yes, ALLSEASON GEAR. It also carries a broad line of footwear offerings for sports from football to running to golf, as well as accessories like headwear, gloves and bags. Consumers can find their offerings from retailers like **Dick's Sporting Goods** (NYSE: DKS) as well as the company's own direct channels including factory stores, brand stores and of course, the good old Internet.



## Why Under Armour Is Such a Compelling Opportunity

What started in 1995 as an effort to “make the world’s greatest football undershirt” has morphed into a \$17 billion business that brought in more than \$3 billion in revenue just last year. And the scary part (for the competition anyway) is that it still looks like it’s only getting started. For instance, just look at the company’s sales growth since going public in late 2005:

### UNDER ARMOUR REVENUE (MM)



But we believe there is plenty of growth yet to be had for Under Armour. Here are just a few of the reasons why:



- Footwear currently accounts for less than 15% of Under Armour's overall sales – but management expects shoes to one day **drive more revenue than the company's clothing line.**
- Under Armour's women's business is still less than half the size of its men's business – but management is working hard to **make its women's business just as large as its men's.**
- International sales make up less than 10% of overall business – yet the company expects **sales outside of the United States to eventually represent half of total sales.**



What's more, the global sporting goods and apparel market itself is quite large and growing modestly (currently, it's a \$36 billion/year industry in the United States alone, according to IBISWorld). And when you think about all of the opportunities that exist in this industry *worldwide*, you'll get some sense of why we think that \$36 billion is just the tip of the iceberg.

But a massive market opportunity is only one of the many reasons we're so intrigued by this up-and-coming company. Here's another...

## Under Armour's "Humble and Hungry" Leadership

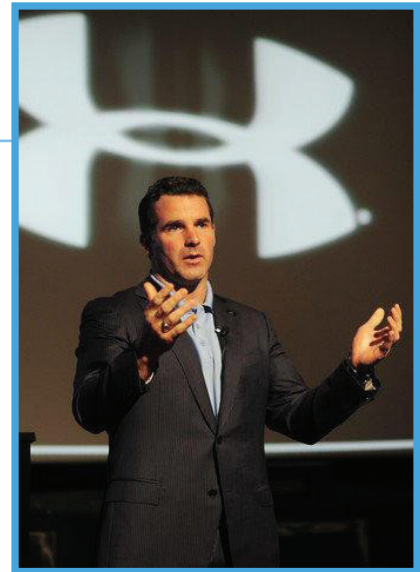
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Under Armour founder and CEO Kevin Plank is an entrepreneur, plain and simple – and much like Tom Brady, this blue chip business mogul also started out as a “small cap.”

From the odd jobs through school parking cars and selling T-shirts at Grateful Dead concerts to the flower delivery service that he actually ran from his apartment at the University of Maryland (Cupid's Valentine Rose Delivery), the man is undeniably a go-getter. And once he gets an idea in his head, you can bet it's only a matter of time before he figures out how make it happen.

For instance, back in 1995 at age 23, Plank took \$17,000 from his on-campus flower business, had 500 shirts made, and then set out to change the game forever.

Initially, Plank took these shirts and began handing them out to his high school and college teammates, sending them to players all around the country to get the word out, and to get an opinion. Plank smartly realized that he could use the University of Maryland as a database of sorts, and thanks to the college's membership in the Atlantic Coast Conference, he was able to get contact info for virtually every equipment manager in the conference and send prototypes to their athletes.



It wasn't long (actually only 18 months into the business) until he reached the point of going broke – which he remembers as his worst moment in business. Ironically, it was at this same time that he got a check from Georgia Tech for \$3,800 that made him realize that this business really had a shot. This despite-all-odds confidence is still with him today and has played an integral part in his development as a businessman and innovator.

Plank believes in mottos as tools for inspiration and Under Armour has more than a few of them. The number one motto according to Plank is **“humble and hungry.”**



You see, Plank is a real believer in respecting the competition, and he always wants to make sure that through this respect, his employees (and he) always stay hungry to do more – and to do ***better***.

Another saying Plank favors is ***“walk with a purpose.”*** In other words, know what you are doing, where you are going and how you are going to get there. Being prepared is the best way to reach your goals. As for Plank himself, his purpose is simple. His dream is to build **the world's number one performance athletic brand** – and at the rate he's going, we're confident he will have no problem getting there.

## A Quick Word About Financials and Valuation

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The old saying “You get what you pay for” seems rather fitting where Under Armour shares are concerned.

Shares have never really looked like a bargain. However, when we consider what the company has done to date along with the opportunities that still exist, this optimism is completely warranted; Under Armour is truly a quality business and its share price reflects this reality.

The company has a healthy \$308 million in net cash on its balance sheet and generates plenty of free cash flow, which allows management to continue to invest in the business as they see fit.

Granted, with shares at 85 times trailing earnings and 74 times full-year 2015 estimates there is the potential “valuation risk” at play here, and one way we like to approach situations like this here in *MDP* is to open a small position with the full intention of adding opportunistically over time.

The bottom line is when we find a quality business such as Under Armour that keys in on all six of our traits of a good company, we don't want to let valuation necessarily prevent us from owning shares. Which is why we recently allocated 1% of our *Million Dollar Portfolio* funds to this company, and why we're keeping it on our watch list in anticipation of an opportunity when we can buy even more.

## Risks and When We'd Sell

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Ironically, the biggest long-term risk to Under Armour today is Kevin Plank himself. He's the reason for the company's massive success — yet without him at this crucial stage in the company's life, we don't know that just anyone could step in and resume its long-term strategy.

Under Armour has a dual-share class system which puts control of the company firmly in Plank's hands, with 66.9% of the voting interest. This is not news, and we are perfectly happy to hitch our wagon to Plank's star, since we believe that this growth story will play out for many, many years to come.

However, because Under Armour's greatest asset is its brand, any potential hits to that brand are always a concern. Of course, Plank will continue to pursue signing big-name athletes, but any meltdowns of Tiger Woods-like proportions can tarnish its image. This is part and parcel of the business, though, as these big-name athletes give the brand valuable exposure and credibility. We'll just have to hope Plank continues signing the Tom Bradys and Jordan Spieths of the world.

Any high-profile equipment issues can also hurt the brand. Most of us remember the speedskating "Suitgate" from the 2014 Winter Olympics. But what was born a controversy for Under Armour turned into an opportunity, as Plank and his team handled the situation with the diplomacy and equanimity we love to see from management. The end result? It seemed the suits weren't the problem, and US Speedskating renewed its deal with Under Armour as its official outfitter for eight more years. Talk about making the best of a bad situation!

## The Million Dollar Bottom Line

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Under Armour has been one of the greatest American success stories of our time and driven leadership, quality products and a powerful brand have been the keys to the company's success to date.

While some may believe that the growth story is over and competition is too fierce to make an investment today worth shareholders' while, we couldn't disagree more. We see plenty of opportunities to come for Under Armour and believe it can serve as a wonderful long-term holding for Foolish investors.

That's why we recently opened a small position within *Million Dollar Portfolio* and why we're seriously considering adding to this position when we select one of our five featured watch list stocks to buy on Wednesday, May 13.

## Take the Next Step With *MDP*

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We hope you enjoyed the first of our *Million Dollar Portfolio* watch list reports, and that it gives you some idea of the kind of opportunities we are pursuing here in *Million Dollar Portfolio*, as well as the caliber of research and guidance you can expect as a member.

In the coming days, we'll be sending you several more in-depth stock reports highlighting current *MDP* watch list candidates from each of The Motley Fool's





more specialized investment idea services, including *Motley Fool Hidden Gems*, *Inside Value*, *Income Investor*, and *Rule Breakers*.

We'll also be providing you with more insights on how we invest and the importance of proper portfolio management. And we'll even be giving you the chance to test-drive our *MDP* service — which gives you an all-access pass to our actual *Million Dollar Portfolio* as well as all five of The Motley Fool's award-winning, specialty investment idea services we draw from — with no risk or obligation for up to an entire year at a very special, limited-time discount price.

So please keep an eye on your inbox for our latest updates and you're chance to take advantage of all the hard work our team is doing here in *MDP* with no risk or obligation for up to an entire year!

NUMBERS AS OF APRIL 7, 2015.  
THE MOTLEY FOOL OWNS SHARES OF UNDER ARMOUR.