



Market Update

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Regan Enderle, Sherry Hu
Executive Committee Members

- **U.S. Non-Farm Payrolls Increased Above Estimates in September**
 - U.S. non-farm payrolls increased by 336,000, above consensus analyst estimates of 170,000
 - Average hourly earnings increased 4.2% year-over-year, compared to projections of 4.3%
 - The leisure and hospitality sectors led job growth, followed by government and healthcare
 - Inflation fears led to futures markets pricing in a 43% probability of a rate hike this year
- **Netflix Plans to Raise Prices After Hollywood Writers Strike Ends**
 - The Writers Guild of America ended its strike and began voting on contracts with studios
 - Netflix is one of the studios undergoing contract negotiations over writer and actor wages
 - Netflix increased prices across all its plans last year while rolling out an ad-supported plan
 - Earlier this year, Netflix began charging an extra \$7.99/month to control account-sharing
- **The World Bank Cuts Growth Forecasts for the Economy in Asia**
 - For 2024, the World Bank expects Asia and the Pacific to grow 4.5% vs. 4.8% previously
 - Growth risks include government, corporate and household debt levels limiting investment
 - Elevated debt levels could lead to higher interest rates and borrowing costs for businesses
 - The World Bank attributed the cut to the significant increases in government debt, as well as rapid jumps in corporate debt levels across regions such as China, Thailand and Vietnam

COMPANY OF THE WEEK: BIRKENSTOCK (NYSE: BIRK)

■ **Birkenstock Undergoes an Underwhelming IPO**

BIRKENSTOCK®

- Birkenstock opened at \$41 per share, raising \$1.5bn at \$8.6bn valuation
- The opening price is below the IPO price of \$46 and the target price of \$44 - \$49 per share
- The stock closed at \$40.20 on Wednesday, down 12.61% from the opening price, which marks the weakest NYSE debut for a company valued over \$1bn over the past two years
- The company plans to use the IPO proceeds to pay down debt, as disclosed in its filings

■ **A Trend Towards Casual Dressing Drives Growth at Birkenstock**

- Birkenstock is a family-owned German footwear company that specializes in simple sandals
- Birkenstock's expertise in comfort and functional design has coincided with trends toward casual dressing that have helped maintain its high popularity among the younger generation
- The company reported a 21% revenue increase year-over-year in the third quarter of 2023, showing strength against a difficult demand environment for non-essential consumer goods

■ **L Catterton Will Continue to Own a Majority Stake in Birkenstock**

- Birkenstock is currently backed by L Catterton, which bought Birkenstock at just a \$4.4bn valuation in 2021 and continues to own an 83% stake in the company even after the IPO
- L Catterton is a private equity firm with \$33bn AUM focused on investing in companies with "emotional connectivity" to their customers and can be iconic and enduring brands

DEAL OF THE WEEK: CISCO ACQUIRES SPLUNK

- **Cisco Systems Acquires Splunk Technologies in a \$28.1bn Deal**
 - Cisco is an American-based corporation that sells products used in computer networking
 - Splunk is an American company that sells software for analyzing machine-generated data
 - The transaction is set at a purchase price of \$157 per share representing a 31% premium and a 7x EV/revenue multiple and will be funded through a combination of cash and debt
- **Cisco Aims to Expand its Presence in the Cybersecurity Industry**
 - Cisco looks to capitalize on Splunk's strong growth, seen in its earnings growth of 79% year-over-year due to increased demand for AI in real-time analytics and cybersecurity
 - Cisco plans to leverage the sale of Splunk's cybersecurity software to shift from router and networking equipment into software, which generates greater recurring revenue streams
 - The deal brings Splunk's AI and data management capabilities with Cisco's network data
- **Splunk Aims to Expand Internationally and Improve Profitability**
 - Cisco's international reach will allow Splunk to begin expansion into international markets
 - Splunk recently gained activist investor intervention from American hedge fund Starboard Value due to its strong top-line growth but difficulty generating profit and free cash flow



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