



Overall Rating	Undervalued by 62.9%	
Valuation Models (in order of importance)	Analyst Consensus: \$17.00 (USD)	
	Comparables: \$13.34 (USD)	
	Adjusted Book Value: \$14.59 (USD)	
Valuation Methods	This company is:	
Cash Flow:	Undervalued on a Cash Flow Valuation	
Comparable Company:	Undervalued on a Comparable Valuation	
Asset:	Undervalued on an Asset Valuation	

Information

My name is Michael El-khoury, I am a Student at the University of New Brunswick, majoring in Finance and I am just starting an internship here at StockCalc for the summer. One of my tasks is to do reports on companies using StockCalc's useful tool and external resources.

This Stock is	Technically		
Fundamentally	Buy	Hold	Sell
Under Valued	Buy the Stock	Buy or Wait on Technical	Wait on Technical
Fairly Valued	Buy or Wait on Fundamental	Wait on Both Indicators for Direction	Sell or Wait on Technical
Over Valued	Wait on Fundamental	Sell or Wait on Fundamental	Sell the Stock

Company Overview (LCUT:NAS USD)

Price	8.59
Range	8.52 - 9.18
52 week	7.80 - 13.50
Open	8.76
Vol / Avg.	13406/39728
Mkt cap	179.72M
P/E	23.22
Div/yield	0.17/0.02
EPS	-0.09
Shares	20.92M
Beta	1.12

Drivers of Retail Sector

Drivers that impact the retail sector rely on many factors, one of the bigger ones would be the economic condition. If the economy is at its peak there is a correlation with consumer spending, where they decide to spend their money on non-essential products but when the economy weakens we see consumers save money instead spending which generally impacts the retail sectors such as Lifetime Brands Inc. Interest rate also play as a factor, especially for LCUT. If interest rates were to drop during a weaken economy, this would turnaround the economy, boost consumer confidence, lower unemployment rates and increase the housing demand. The increase in housing demand would positively impact LCUT sales, as they are one of the biggest providers of branded kitchenware, tableware and products you would find in a home.

Company Description

Lifetime Brands Inc is a U.S. based company which designs, sources and sells branded kitchenware, tableware and other products used in the home and markets its products under brands such as Farberware, KitchenAid, Cuisine de France, and others. The company markets and sells its products principally on a wholesale basis to retailers. It also markets and sells a limited selection of its products directly to consumers through its Pfaltzgraff, Mikasa, Fred, and Friends, Built NY, and Lifetime Sterling. Its products include kitchen tools, gadgets, cutlery, dinnerware and glassware. The segments of the company are the U.S. and International. It derives a majority of the revenue from the U.S. segment which includes the domestic operations of the company's business.

Company Latest News

On March 2nd, 2018, Lifetime Brands Inc completed their acquisition of Filament Brands, the take-over will benefit LCUT grow in scale by including three new leading brands to their portfolio, new product segments, new channel of customers, experienced management and increase their profitability. As of May 9th, LUCT released their 2019 first quarter results. Results showed a net sales of \$149.90 million, which is an increase of 26.8% from previous 2018 quarter. Also their consolidated EBITA of \$6.1 million compared to a negative 0.5 millions

Economic Standing/Forecast

The condition of USA economy is at a good position, overall steady GDP of between 2-3%, unemployment rate at 3.8% , and inflation down to 1.8% from 2%. Even though we have healthy economic indicators, some economist predict a recession in the next 6-12 months, to prepare there has been predictions that the fed will cut rates during the June 18-19th meeting if the fed does not cut rates then, it will most likely happen in the fall. The current fed rate is at 2.5% and expected to drop to 2.12%. A drop in rates will give the economy another push to remain on the patch it is and also give consumers confidence to spend, witch will ultimately boost the consumer discretionary sector. Another factor to look at for the case of Lifetime Brands Inc., is the current housing market, if there's a boost in housing market we can see a boost in cash flow for LCUT. The current housing prices in the USA rose at its slowest pace in the past 6 years showing a slight decrease in demand and with a potential upcoming recession we won't see much increase in the housing market.

Valuation Details



We have up to 6 valuation points for each company. Details are at the bottom of the report

Recommendation

My recommendation for Lifetime Brands Inc. is a **BUY**. I looked at the provided information from StockCalc, LCUT is fundamentally undervalued noted in the valuation detail section on a basis of analyst data, comparable approach and adjusted to book value, deriving a \$15.38 weighted valuation. Taking a deeper look into the retail sector drivers, economic conditions/forecast and Lifetime Brands Inc itself, I have determine my buy decision. If the fed dropped the rates, this would drive consumer spending, increase a boost in housing and also with the acquisition of Filaments brands, I see LCUT to grow and stock value will reach its current intrinsic value.

Discounted Cash Flow and Sensitivity Analysis for LCUT:NAS

Using a discounted cash flow model we generated an intrinsic value of \$18.67 (USD) for LCUT:NAS

Sensitivity Analysis

(showing how changes in the input variables impact the DCF calculation)

LCUT:NAS	Current Values	Valuation If Dropped *		Valuation If Raised *	
Calculated Value:	\$18.67	1%	5%	1%	5%
WACC (or Ke)	5.61	\$25.10		\$14.39	
Terminal Growth Rate	0.60	\$14.76		\$24.54	
Tax Rate	0.27	\$20.73		\$16.61	
Cash Flow	48,695,963	\$17.01		\$20.33	
Capital Expenditures	-5,701,600	\$18.49		\$18.85	
Long Term Debt	140,625,000	\$19.01		\$18.34	

* Changes are absolute: ex WACC from 8% to 7%

Comparables Model

Using similar companies and price based ratios we generated a valuation of \$9.52 (USD) for LCUT:NAS. We also generated a valuation of \$14.51 (USD) using other metrics and comparables. The comparable companies were and Hooker Furniture (HOFT:NAS).

Company LCUT:NAS	End Date Value	Price Based on Comps	Adjustment Factor (%)
Earnings/Share	\$0.37 (USD)	\$2.89 (USD)	8.8
Book Value/Share	\$13.21 (USD)	\$15.60 (USD)	-72.9
Sales/Share	\$36.04 (USD)	\$16.39 (USD)	-64.5
Cash Flow/Share	\$1.18 (USD)	\$22.98 (USD)	-34.4
EBITDA/Share	\$2.05 (USD)	\$11.32 (USD)	0.0

LCUT:NAS	Ratios Used	Average Values	HOFT:NAS
23.22	PE Ratio	7.80	7.80
0.65	PB Ratio	1.18	1.18
0.24	PS Ratio	0.45	0.45
7.28	PCF Ratio	32.17	32.17
8.43	EV to EBITDA	5.53	5.53

Multiples

Using a multiples approach we generated a valuation of \$13.22 (USD) for LCUT:NAS

Company LCUT:NAS	End Date Value	Price Based on Comps	Adjustment Factor
Earnings/Share	\$0.37 (USD)	\$8.48 (USD)	0
Book Value/Share	\$13.21 (USD)	\$14.50 (USD)	0
Sales/Share	\$36.04 (USD)	\$12.89 (USD)	0
Cash Flow/Share	\$1.18 (USD)	\$10.87 (USD)	0
EBITDA/Share	\$2.05 (USD)	\$19.37 (USD)	0

Ratios	Ratio Average
PE Ratio	22.92
PB Ratio	1.10
PS Ratio	0.36
PCF Ratio	9.21
EV to EBITDA	9.46

Adjusted Book Value versus Historical Price to Book

The average the Price to Book ratio for LCUT:NAS for the last 10 years was 1.10. We ran the Adjusted Book Value for LCUT:NAS and generated a book value of \$13.31 (USD). By multiplying these we get an adjusted valuation of \$14.59 (USD)

Analyst Data

In the Stockcalc database there are 1 analysts that provide a valuation for LCUT:NAS. The 1 analysts have a consensus valuation for LCUT:NAS for 2019 of \$17.00 (USD).

Analyst Recommendation					
Buy	Hold	Sell	Rating (of 5)	Guidance	As Of
0	0	0			2019-6-6

Current Price: 8.59 USD

Analyst Consensus		
USD Millions	2019	2020
Mean EPS	0.72	1.35
# EPS Analysts	1	1
Mean Revenue	753.90	784.00
# Revenue Analysts	1	1
Mean Target Price	17.00	
Mean Cash Flow	0.91	1.89
Mean EBITDA		
Mean Net Income	15.60	29.50
Mean Debt Outstanding		
Mean Tax Rate	28.10	27.50
Mean Growth Rate	15.00	
Mean Capital Expenditure		

Explanation of Valuation Models

We have up to 6 valuation points for each company in the database.

The Discounted Cash Flow (DCF) valuation is a cash flow model where cash flow projections are discounted back to the present to calculate value per share. DCF is a common valuation technique especially for companies undergoing irregular cash flows such as resource companies (mining, forestry, oil and gas) going through price cycles or smaller companies about to generate cash flow (junior exploration companies, junior pharma, technology firms...).

The Price Comparables valuation is the result of valuing the company we are looking at on the basis of ratios from selected comparable companies: Price to Earnings, Price to Book, Price to Sales, Price to Cash Flow, Enterprise Value (EV) to EBITDA. Each of these ratios for the selected comparable companies are averaged and multiplied by the values for the company we are interested in to calculate a value per share for our selected company.

We have included the Other Comparables as a way to value companies that cannot be valued using Earnings based ratios. This technique is very useful for companies still experiencing negative cash flows such as mining exploration firms. We use Cash/Share, Book Value/Share, MarketCap, 1 Year Return, NetPPE as the ratios here. Each of these ratios for the selected comparable companies are averaged and multiplied by the values for the company we are interested in to calculate a value per share for our selected company.

Multiples are similar to Price comparables where we look at current or historic ratios for the company in question to assess what it should be worth today based on those historic ratios. We use the same 5 ratios as in the price comparables and value the company with its historic averages.

With Adjusted Book Value (ABV) we calculate the book value per share for the company based on its balance sheet and multiply that book value per share by its historical price to book ratio to calculate a value per share.

If we have Analyst coverage for the company we use the consensus target price here.

Notice to User

This Report was generated using the tools available on [StockCalc.com](https://stockcalc.com). Patchell Brook Equity Analytics Inc. emphasizes that the user assumes all risks associated with the use of this report or the Stockcalc website including, but not limited to, all terms and conditions mentioned in the legal [disclaimer](#).

The contents of this report and the Stockcalc website are provided on an "as is" or "as available" basis with all faults and may not be current in all cases. The information in this report or on the website is subject to continuous change and Patchell Brook Equity Analytics Inc. assumes no responsibility to update or amend such information or that the information will be current. Patchell Brook Equity Analytics Inc. does not claim that all information, calculations or opinions presented in this report or on its website are true, reliable, or complete. Accordingly, you should not rely on any of the information as authoritative or as a substitute for the exercise of your own skill and judgment in making an investment or other decision. Any information, data, opinions, calculations or recommendations provided by third parties through links to other websites or otherwise made available through this report or website are solely those of the third party and not of Patchell Brook Equity Analytics Inc. Please refer to the Terms of Use on stockcalc.com for further information. To access all of the tools on Stockcalc, including more detailed valuation reports and the models used to generate these valuations, please subscribe for a free 30 day trial of Stockcalc [here](#).