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Drue is a Junior Finance student at LMU. He is currently interning for The Kroenke Group Commercial RE and plans to pursue a career in the real estate industry.

**Recommendation:** This report analyzes Birkenstock Holding (BIRK) using an exit multiple method and current company data. When this report was conducted, BIRK was trading at **\$51.43**. Executing our valuation of BIRK helped us determine a 2026 target price of **\$78.60**, which grants an expected annualized return of **19.2%**. We recommend that investors by Birkenstock shares with a long term plan because of their product diversification success, owned retail store & DTC growth, and effective APAC region penetration & growth.

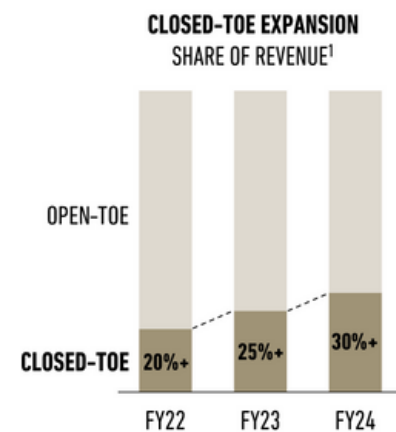
### **Business Description/Industry Overview:**

Birkenstock Holding plc (BIRK) is a German footwear company known for its high-quality, comfort-focused designs. Founded in 1774, it has expanded beyond sandals into closed-toe shoes, retail stores, and global markets while maintaining its heritage craftsmanship and sustainability focus. Operates in business-to-business and direct-to-consumer markets. Manufacture 100% of products in-house. IPO'd October 11, 2023, at \$43. Trends in comfort-first fashion, sustainability, and luxury-casual crossovers drive the global footwear industry. Consumers are increasingly prioritizing ergonomic designs and high-quality materials, fueling demand for brands like Birkenstock. Growth is also supported by direct-to-consumer expansion and rising demand in emerging markets, particularly in Asia-Pacific region.

### **Investment Thesis:**

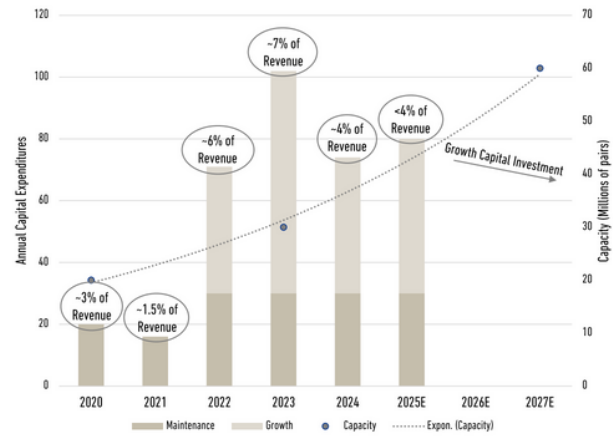
#### **I: Product Diversification**

- The closed-toe shoe sector is experiencing strong growth, outpacing overall footwear sales. Birkenstock's closed-toe styles now represent a larger share of revenue, driven by demand for clogs, lace-ups, and boots. This trend is fueled by seasonal preferences, the rise of comfort-driven fashion, and strong online and international sales, particularly in the Americas.
- Closed-toe silhouettes experienced remarkable growth, increasing their share of business by 600 basis points (6%) and growing at over twice the rate of the overall group. These shoes accounted for well over half of the quarter's revenue during the peak winter season, with 12 of the top 20 selling silhouettes being closed-toe, including an equal split of six clog and six traditional lace-up styles. In the Americas, strong demand for clogs drove closed-toe shoes to represent nearly two-thirds of revenue, while in the EMEA region, the online segment saw 16 of the top 20 selling styles closed-toe, including seven boots. Additionally, lace-up shoes and boots in EMEA rose over 50%, increasing their share by 300 basis points (3%), ultimately positioning closed-toe shoes as the second strongest category in the region



## II: Vertical Integration & Capital Investment

- Birkenstock’s owned retail stores are expanding, with plans to grow from 71 to nearly 100 locations by 2025. Direct-to-consumer (DTC) sales rose 10%, outpacing B2B growth. Increased store presence and online sales drive brand control, higher margins, and stronger customer engagement.
- Birkenstock’s unique value creation lies in its fully owned supply chain, strategic capital deployment, and high-margin direct-to-consumer expansion — enabling scalable, resilient, and profitable growth.
- End-to-End Vertical Integration: Full control of sourcing and production in Germany and Portugal ensures premium quality, minimizes supply chain risk, and supports ethical, sustainable practices.
- Smart Capital Investment: €180M+ invested from FY22–FY24 to double capacity by FY27, with further automation and labor expansion enabling scale without margin erosion.
- DTC-Led Growth: Direct-to-consumer sales have grown from 34% to 40% of revenue (FY21–FY24), enhancing brand control, customer retention, and price realization (~90%+ at full price), all while maintaining minimal marketing spend (~90% of customers acquired via unpaid channels).



## III: APAC Region Growth

- APAC revenue grew 47% YoY, now 13% of total sales. Expansion includes new owned stores and mono-brand partner locations, especially in China. Growth remains strong, driven by brand awareness, direct-to-consumer expansion, and deeper market penetration.
- APAC represents a massive untapped white space for Birkenstock — with the brand’s proven model, iconic products, and premium positioning primed for scaled penetration.
- Vast Total Addressable Market (TAM): Every human being is a potential customer — APAC's growing middle class and health-conscious consumer base align perfectly with Birkenstock’s purpose-driven brand and wellness lifestyle.
- Brand Strength & Consumer Pull: High word-of-mouth exposure (~60% globally) and loyal fanbase model (avg. 3.6 pairs per U.S. consumer) provide a strong foundation for organic brand growth in new territories.
- DTC & Retail Fleet Expansion Strategy: Birkenstock is replicating its successful owned retail rollout in APAC to control brand touchpoints, maximize full-price realization, and focus on high ASP (average selling price) categories.

