

# Mossberg's Investor Digest

## Best Idea Profile:

Jos. A. Bank Clothiers (NASDAQ:JOSB)

### DESCRIPTION: C

Headquartered in Hampstead, Maryland; Jos. A. Bank Clothiers, Inc. is a nationwide designer, manufacturer, and retailer of men's tailored and casual clothing. The Company sells substantially all of its products exclusively under the Jos. A. Bank label through its 506 retail stores, which include 12 outlet, and factory stores and 14 franchise stores. The Company's stores are located throughout 42 states in the U.S. Jos. A. Bank's products are targeted at the male career professional and emphasize the Jos. A. Bank brand of high quality tailored and casual clothing. The Company sources substantially all of its merchandise from suppliers using the Jos. A. Bank designs and specifications.

### KEY INVESTMENT CONSIDERATIONS:

**Multi-Channel Approach** – The Company operates its three sales channels (stores, internet and catalogue) as an integrated business. These three channels are leveraged and promoted together for brand awareness and marketing. As a customer convenience, customers may purchase, return or exchange in a store all products that are offered in the catalog and through the Internet. This model has proven very successful since being adopted in 1999.

**Balanced Product Mix** – Jos A. Bank has a diversified sales mix. For FY2010 54% of the company's revenues were from the tailored category with 46% coming from sportswear/furnishings.

**Growth** – The Company's revenue has grown from \$194MM in 1999 to \$858MM in 2010. Management is planning to expand locations from 518 stores to 650-675 stores in the near future.

**Profitability** – The Company has a strong record of profitability and has increased earnings in 36 of the past 37 quarters (20 straight quarters). The Company had net income of \$86M in FY2010 which represented a 21% increase on a year-over-year basis. EPS increased from \$2.56 to \$3.08 over the same period.

**Gross Margins** – Gross Margins were 64% for the company's Q1FY2012. Jos. A. Bank has delivered gross margins of over 64% since FY2004.

**Same Store Sales** – The Company has experienced 9 consecutive quarters of increases in same store sales.

**Factory Outlet Stores** – Management tested a new format for 10 factory stores in FY2010. The Company intends to convert 7 outlet stores to factory stores in the near future and open 10-12 additional factory stores in FY2011.

**Internet Initiatives** – A new company website was introduced in the fall of 2010 along with a new "Big and Tall" site. Direct sales increased 24% in FY2011. Jos. A. Bank is using paid search to generate additional traffic on the site.

**Strong Financials** – With \$271 million in cash and no debt the company is in a very strong financial position.

### VALUATION:

Jos. A. Bank is a quality growth idea in the retail sector. Investors have overreacted to weak comps that were seasonally affected. The Company currently trades at 13x FY2012 estimates and just 11.6x next year's estimate. This is a very low price for an established growth company. A P/E multiple in the mid teens should be justified given the companies historic and future returns, which would provide 30%+ upside from current levels.

#### (Jos. A Bank Clothiers: JOSB)

Investment Data (as of 6/10/11)

<b>Recent Price</b>	<b>\$45.32</b>
52-Week Range	\$35.01 - \$57.14
Fiscal Year End	January
Dividend	NA
Yield	NA
Shares Outstanding	27.6MM
Average Trading Volume (3 mos)	523k
Market Capitalization	\$1.3B
Cash	\$252MM
Long Term Debt	NA
Enterprise Value (EV)	\$1B
BV/ Share	\$18.14MM
TTM Revenue	\$873MM
P/ Revenue	1.5x
TTM EPS	\$3.15
P/ EPS	14x
TTM EBITDA	\$171MM
EV/ EBITDA	6x