

PIPE Recommendation for ON Holdings

Analysts:

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Background



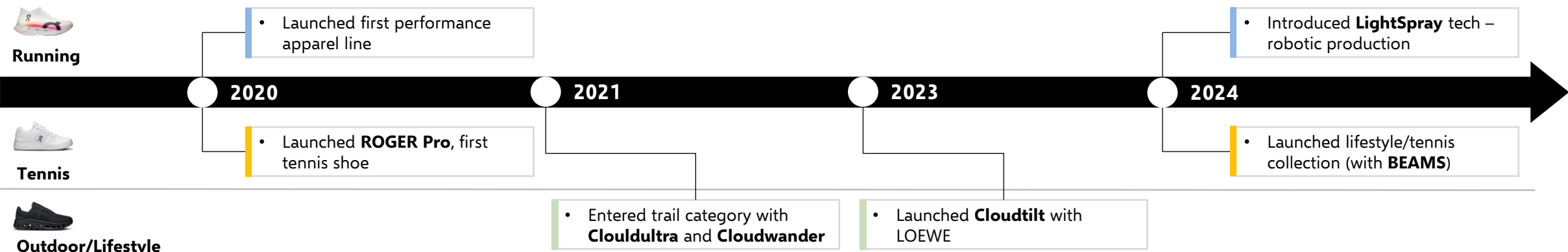
Company Overview

ON is a high-growth performance brand leveraging technology to disrupt the athletic footwear market

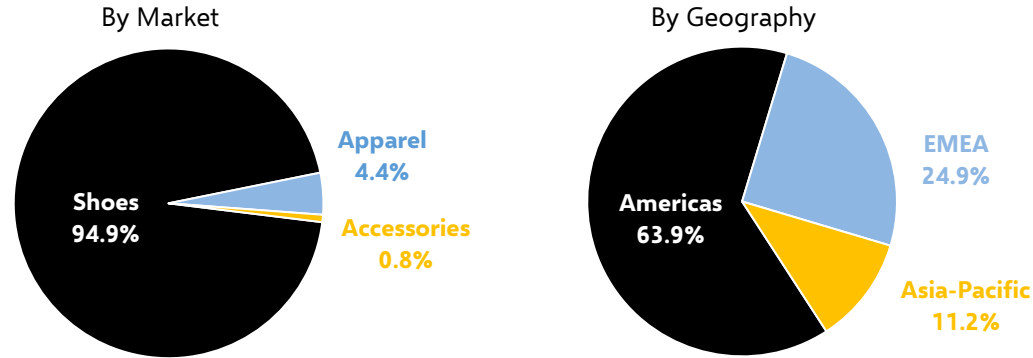
Company and Management Overview

- Founded in 2010, On Holding AG ("**ON**") is a performance sportswear company renowned for its CloudTec® and Speedboard® technology.
- ON designs and markets premium footwear, apparel and accessories for high-performance running, outdoor, tennis and all-day use, targeting both athletes and lifestyle consumers.
- Headquartered in Zurich, Switzerland, the company distributes its products globally through both DTC and wholesale channels in key cities across Europe, North America and APAC.

Product Pillars and Rollout



Revenue Mix¹



Sources: Company Filings
Notes (1) Revenue for FY2024

Business Overview

ON is led by a board of visionary leaders and aligned dual share structure that strengthens their growth story

Management Overview: ON is led by cross-disciplined visionaries ...



Martin Hoffmann
CEO
Joined ON in 2013 as CFO and led IPO in 2021. Promoted Co-CEO in 2021 before sole CEO in 2025



Olivier Bernhard
Co-Founder
Former professional triathlete and Ironman champion. Leads product innovation (CloudTec)



David Allemann
Co-Founder
Leads product creation, design, marketing and DTC. Previously in advertising and strategy consulting.



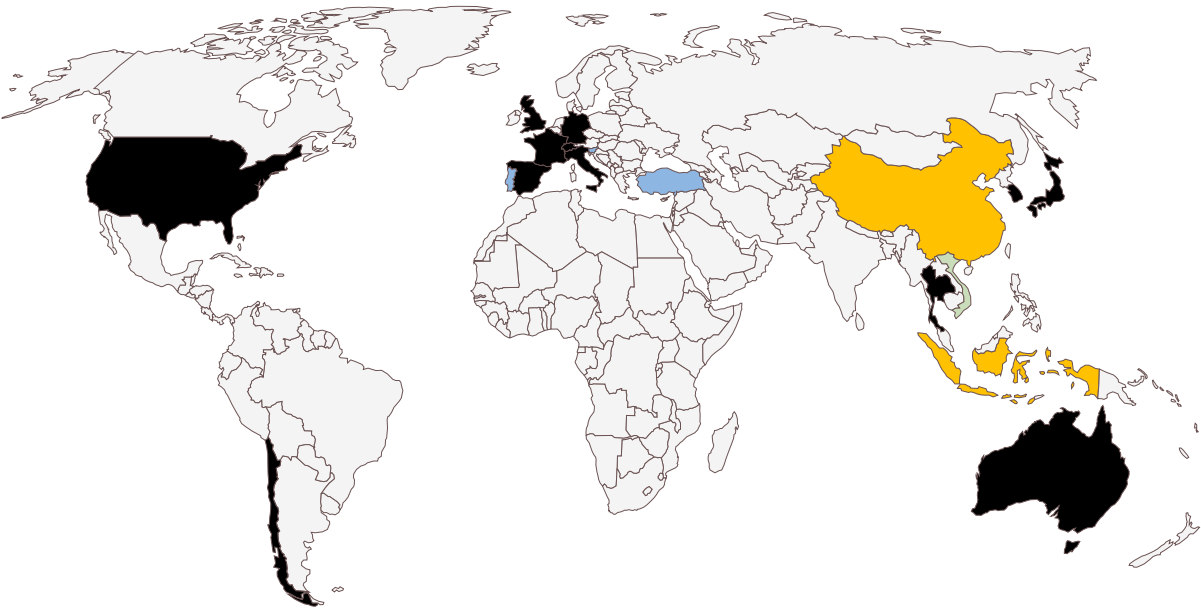
Caspar Coppetti
Co-Founder
Leads branding and strategy, global sales. 2016 HSG Founder of the Year

... guided by “Dream On” vision for brand elevation

Elevate	- Strengthen ON core business, grow market share in running - Boost brand awareness in communities - Improve sustainability impact
Expand	- Accelerate geographic expansion and multi-channel distribution - Grow retail presence and footprint - Invest in flagship stores (existing ~ 50)
Establish	- Enter new select product adjacencies (training, tennis) - Partner with athletes and influencers supporting brand ethos

Sources: Company filings
Notes: (1) China – apparel manufacturing, Indonesia – footwear manufacturing

Global Presence



Legend

Store Presence only	Store and Manufacturing ¹
Footwear Manufacturing	
Apparel Manufacturing	

Industry Overview

ON commands a scalable growth engine combining premium margins and operational discipline

Robust growth and margin health is sustained through cost discipline

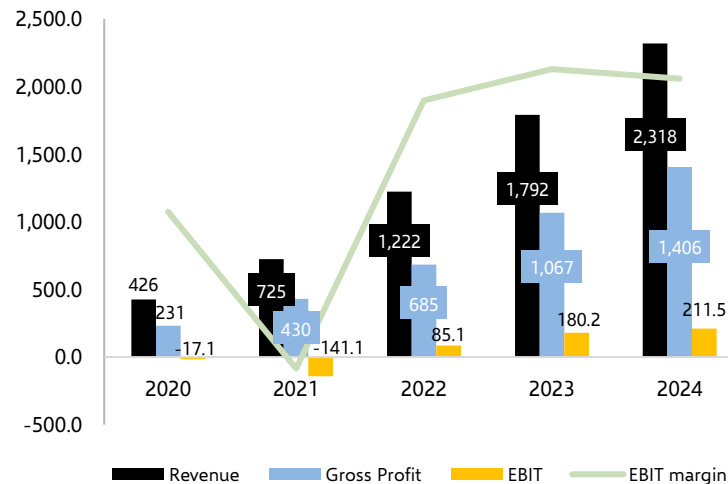
Variable Costs (~40% revenue)

- Includes manufacturing and materials, freight and logistics, wholesale commissions
- Automation and Outsourcing: Lightspray and 3rd-party manufacturing reduce per unit-costs without burden
- Optimized Logistics: Supply chain normalization and automated warehouses lower freight and fulfilment

Fixed Costs (~ 52% revenue)

- Marketing and sponsorships, R&D, corporate and administration costs
- Front-loaded brand: Marketing and innovation build long-term equity without scaling
- Emerging G&A efficiency: Corporate overhead flattening as revenue grows, unlocking operating leverage

Exceptional margins are fuelled by premium pricing and DTC focus



Category	DTC	Wholesale
Revenue per shoe	\$165	\$82.50
COGS	\$49.50	\$49.50
Variable SG&A	\$16.50	\$5.78
Gross margin	60%	33%
Operating profit	\$99	\$27.23

✓

Unit Economics: Premium pricing generates high margins per unit sold

✓

High Gross Margin vs Peers: Beats DECK (57.7%), AMER (55.4%), NIKE (41.9%)

✓

Channel Leverage: As DTC mix increases, ON's blended gross margin expands without cost cuts

✓

Modest SG&A: ON's disciplined fulfillment allows for operating leverage

Sources: Company filings, Reuters, Bloomberg, Statista

Porter's 5 Forces

1 Threat of New Entrants: Moderate

- Contract manufacturing and digital marketing lowers barrier to build footwear brand. Scaling to ON's level requires R&D and distribution networks

2 Bargaining Power of Suppliers: High

- ON relies on concentrated suppliers in Vietnam, Turkey and Indonesia, risking exposure to capacity constraints, and supply chain risks

3 Bargaining Power of Buyers: High

- Wholesalers control retail traffic and can readily shift shelf space between ON and competitors
- DTC consumers exhibit low switching costs and can easily shift to alternative competitor brands

4 Threat of New Substitutes: Moderate

- Athleisure and lifestyle brands overlap heightens threat towards ON's lifestyle product lineup
- Performance runners are less likely to switch due to ON's superior technical products and differentiation

5 Competitive Rivalry: High

- ON's single digit global shares requires differentiation and marketing intensity to continually expand

Industry Overview

Upmarket athleisure and performance industry dynamics and ON's strategic differentiation provide strong tailwinds

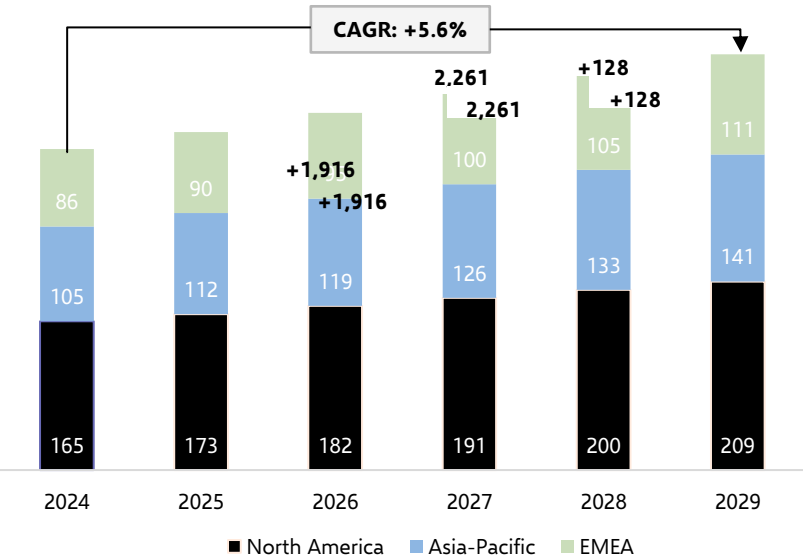
Key peer comparisons

Category and Brand		Description
Mass Market Footwear		▪ US-based leader in footwear, apparel and equipment across all major sports. Offers mass-market and lifestyle products.
		▪ German-based sportswear brand in footwear, apparel and equipment. Broad performance and lifestyle portfolio.
		▪ Japan-based performance brand for footwear, apparel across technical sports. Owns Onitsuka Tiger for lifestyle segment.
		▪ US-based athletic footwear, apparel company across various sports. Broad lifestyle and technical product portfolio.
Specialty/ Upmarket Athletics		▪ US-based premium outdoor apparel and gear company. Product focus on technical sports (climbing, hiking, surf and snow).
		▪ (Owned by Deckers) French, US-based performance running brand. Competitor in performance running, comfort lifestyle product lines.
		▪ French outdoor sports brand for footwear, apparel and gear. Product focus on technical sports (hiking, ski, trail).
		▪ Canadian athleisure leader in premium apparel. Product portfolio focus on yoga, training and run-centric gear.
		▪ (Owned by Amer Sports) Canadian premium outdoor apparel company. Product focus on mountaineering and alpine sports.

Sources: Nike, ASICS, Deckers, Patagonia, Saloman, Lululemon, New Balance and Amer Sports company websites and filings; McKinsey

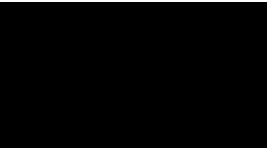
Structural growth in TAM across ON's key regions ...

Global athleisure TAM size



... albeit near-term supply and demand challenges

- **Consumer Spending Pressure:** Tightening discretionary spending amid inflationary pressure dampen ON's topline outlook
- **Channel Transitioning:** Wholesale margin compression with DTC requiring high marketing spend, critical to strike balance
- **Supply-Chain risks:** Rising costs and tariff uncertainty on ON's manufacturing markets threaten cost discipline and margin health



Theses & Investment Rationale

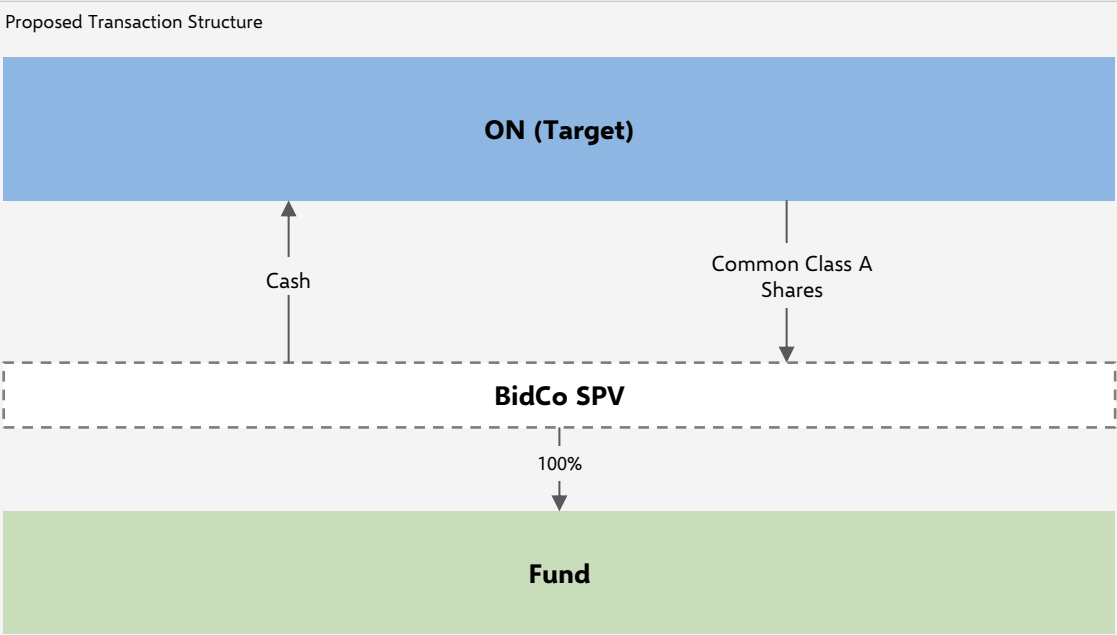
Investment Summary

ON’s unwavering growth story renders it a compelling investment opportunity

Following theses support a minority investment in ON ...

Setup: Company Growth Levers	Mix of ON’s apparel push and expansion in fastest growing APAC market to provide significant upside in the near-mid term. We see a supply chain opportunity despite risks around tariff risks, FX in ON’s tech innovations and automation in manufacturing
Thesis 1: Transition into full-fledged premium sportswear brand	
Thesis 2: Expansion in APAC to unlock tremendous untapped growth potential	
Thesis 3: High-tech automation optimizing ON’s value chain	

... structured as a PIPE transaction by direct purchase of class A shares



Based on the above theses posited, the team recommends taking a minority, non-controlling stake via **PIPE** of UFPT common stock. We forecast a 12m upside of **+27.3%** to US\$285.20.

Thesis 1A: Transitioning Into A Full Sportswear Brand

ON's transition into a full premium sportswear brand to capitalise the growing global market

Global premium sportswear poised to grow at 8.5% CAGR from 2024 to 2030 ...

Driver	ON's value-add and strategy
 Rising fitness adoption	Tech-driven , high-performance products, combined with sport-specific lines like running and tennis, position it well to capture customers seeking quality and innovation
 Athleisure market	Clean and minimalist designs, including the dedicated "All Day" line, for versatile performance-to-lifestyle wear. Its fresh, non-legacy appeal draws consumers seeking a modern alternative to mass market brands like Nike and Adidas.
 Endorsements & status symbol	Premium positioning through selective wholesale in high-end retailers and flagship DTC stores, creating exclusivity. ON also leverages high profile ambassadors like Zendaya and Roger Federer to reinforce its aspirational image
 Sustainable production	Strong sustainability appeal, using innovations like CleanCloud® polyester, which cuts carbon emissions by 20% versus virgin polyester

Sources: Company Filings, Grand View Research

... with ON well-positioned to capture through its DTC experience



- ✓ Upmarket store interior design in high footfall areas of major cities
- ✓ Personalised one-to-one service from product specialists

Thesis 1B: Transitioning Into A Full Sportswear Brand

Expansion into new product verticals will unlock new revenue streams and life margin

Premium products and rising sales volume will drive revenue growth

Premium positioning and new apparel products will lift ON's ASP

Sales volume is expected to increase with extension of apparel wear

- **Larger basket sizes:** "Head-to-toe" apparel sets encourage consumers to buy multiple items per purchase
- **Cross-selling beyond shoes:** Expanding into apparel increases total spend per customer
- **New customer segments:** Apparel appeals to consumers who don't buy shoes (e.g., yoga enthusiasts)

Apparel currently comprises only 4.4% of ON's revenue, reflecting a less developed line compared to shoes. Existing product lines will help shorten the ramp-up for broader rollout and marketing, supporting faster revenue growth.

4.4%
Apparel as % of revenue

94.9%
Footwear as % of revenue

55%
Apparel gross margin

50%
Footwear gross margin

Expanding apparel lines will potentially improve margins

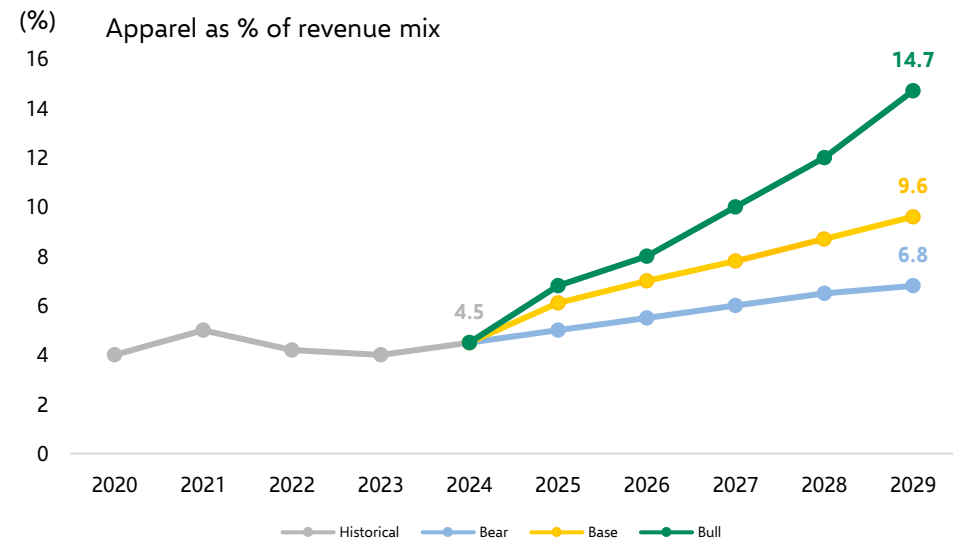
Premium apparel expansion has the potential to match or slightly improve overall gross margins, especially via the DTC channel.

- Footwear has estimated gross margins of about ~50%
- Apparel has estimated gross margins of about 55%, potentially higher due to premium pricing and relatively lower COGS

However, costs are also expected to rise due to R&D, design, and prototyping for new apparel lines

Comparison of footwear and apparel segment pricing

		
Category	Footwear	Apparel
Median price point	CHF 144	CHF 130
Range price	CHF 120-300	CHF 60-250+
Segment audience	Upmarket	Mid-Upmarket



Sources: Company filings, NYU Stern, Team Anlaysia
Notes: (1) Revenue for FY2024

Thesis 2: Expansion into APAC

ON's unwavering growth story renders it a compelling investment opportunity

Commentary

ON's revenue concentration in Americas is gradually declining. Management is aware and has identified APAC as the company's most promising region in sales growth, delivering +117.5% YoY growth from 2023 to 2024. In channel mix terms, APAC also offers the largest diversification momentum from 4% to 11% from 2022 to 2024 driven by China (both DTC and wholesale).

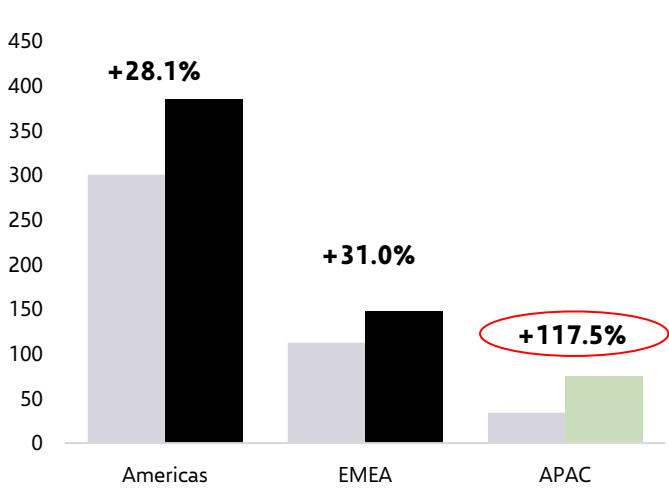
APAC's rapidly burgeoning middle class is driving discretionary purchasing power and demand for premium sportswear. By the next decade, APAC is projected to take half of the global consumption growth (~ USD 10tn). As the most populous region, APAC is emerging as the primary driver for luxury wear growth, with sales poised to rise 21% in the next 5 years.

Global premium sportswear leaders have recently entered SEA, validating premium demand and presenting an attractive entry opportunity given the lack of saturation, e.g. Lululemon in Thailand (CentralWorld, 2023) Alo Yoga in Singapore (Marina Bay Sands, 2025) and HOKA (Deckers) in Singapore store (ION, 2024).

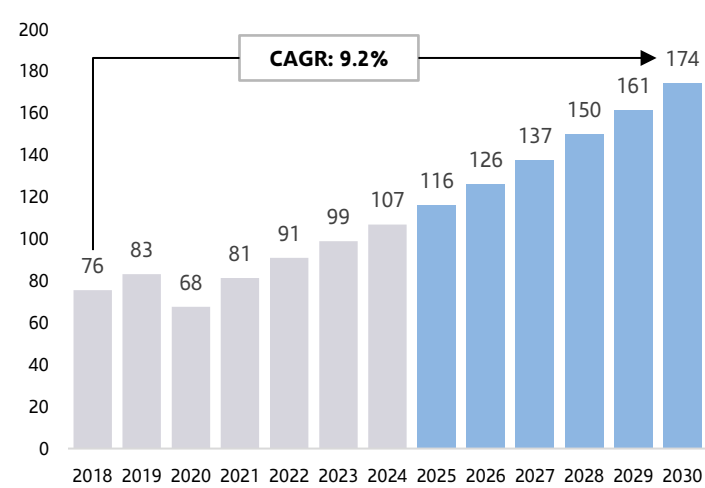
ON also adopts a thoughtful 5-pronged approach to market entry. Evaluated market potential via pop-ups, before establishing stores in data-confirmed high-affinity cities then expanding retail footprint once brand awareness solidifies, and using stores as experiences hubs to deepen loyalty.

Sources: Company Filings, Grand View Research
Notes: (1) For 2023 and 2024 in USD millions (2) APAC premium sportswear market growth in USD billion

ON's sales growth per region¹



APAC's ballooning sportswear market²



Opportunity in Southeast Asia as an emerging market

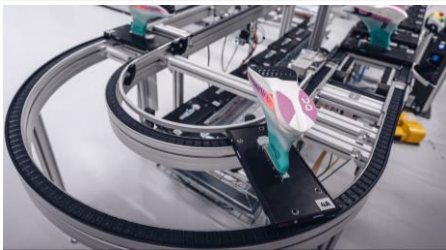


Store Count					Total
ON Holdings	1	-	1	1	3
Lululemon	9	4	-	1	14
Alo Yoga	1	1	3	3	8
Hoka (Deckers)	3	3	13	3	22

Thesis 3: Automating the Value Chain

ON's LightSpray technology and logistics automation will optimize its end-to-end value chain and improve COGS

LightSpray™ tech and warehouse automation will redefine ON's production



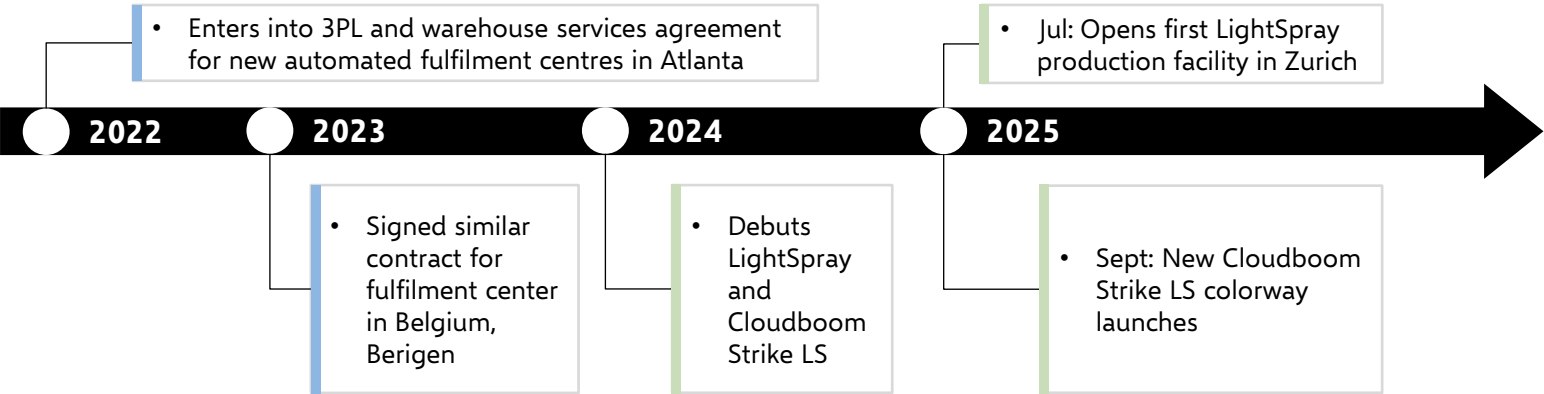
LightSpray™ is a fully automated single-step process for a one-piece shoe upper (robot fuses 1.5km of filament onto midsole), reducing manual labour needs as well

- Reduces 200 assembly steps to 3 minutes per shoe
- Up to 75% reduction in CO2 emissions
- Used to produce ON's lightest racing shoe yet, The Cloudboom Strike LS, at just 170g

Athletes Hellen Obri and Sutume Asefa Kebede have set new records and claimed new titles using these shoes

Automation aimed at lowering handling costs

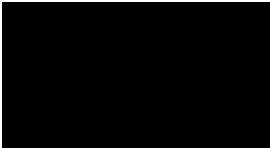
- ON entered into third party logistics and warehouse services agreements (in 2022 & 2023) for new, highly-automated fulfilment centres in and Belgium (Beringen) and Atlanta, to support multi-channel growth in North America and Europe



Sources: Company fillings
Notes: (1) Revenue for FY2024

Value Chain analysis





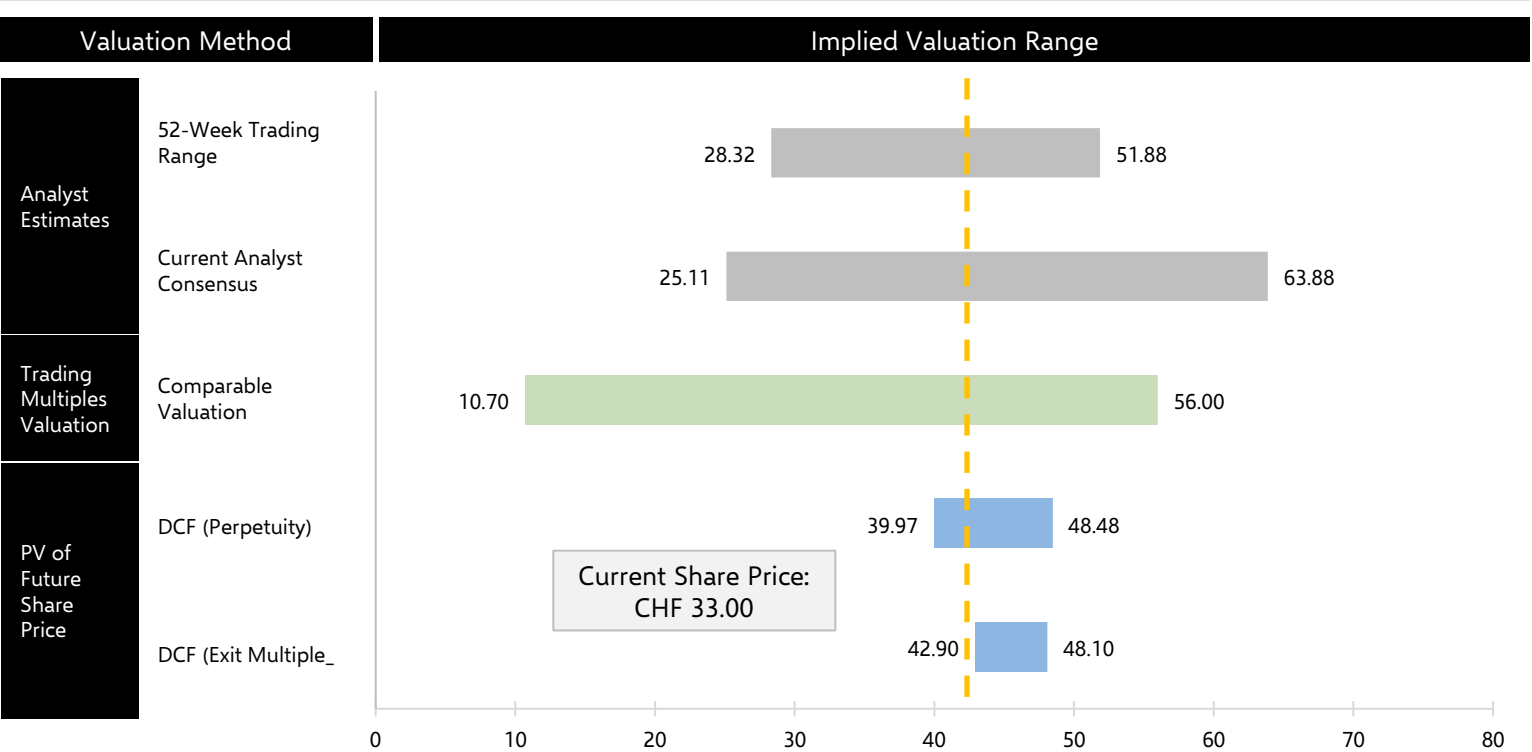
Valuation



Valuation Summary

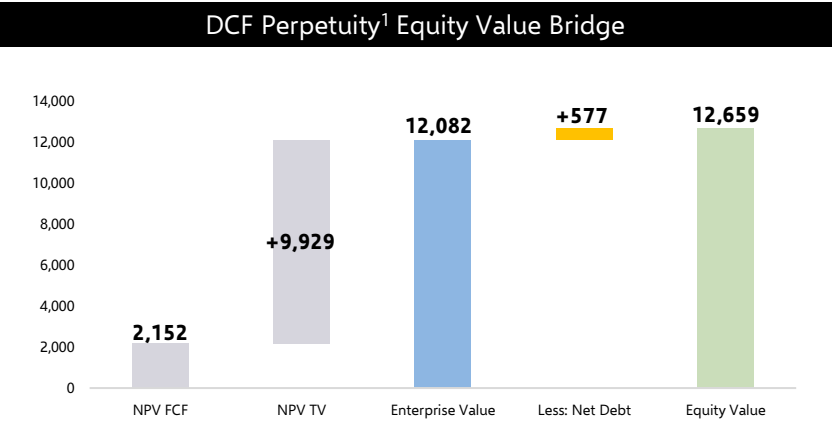
5Y holding period with target price of CHF 42.06
representing a 29% upside from current price of CHF 33.00

Football Field



Valuation Summary

Analysis	Price (CHF)	Weight
DCF Model (Combined Average)	44.9	70%
Comparable Valuation	33.4	20%
Analyst Consensus	44.5	10%
Weighted Average	42.56	100%



Sources: Team Analysis

DCF Valuation

Our DCF supports upside optionality under conservative modeling assumptions

Profit and Loss, Cash Flow Summary

	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Revenue	1,222.1	1,792.1	2,318.3	3,040.3	3,888.4	4,914.0	6,108.8	7,449.2
% growth		13.1%	26.1%	13.6%	12.1%	12.2%	12.3%	12.4%
Gross Profit	231.1	430.2	684.9	1,067.3	1,405.7	1,852.6	2,381.1	3,023.8
% margin	56.0%	59.6%	60.6%	60.9%	61.2%	61.5%	61.8%	62.1%
EBITDA	131.5	245.2	316.1	505.0	691.2	922.1	1,207.1	316.1
% margin	10.8%	13.7%	13.6%	16.6%	17.8%	18.8%	19.8%	20.6%
EBIT	85.1	180.3	211.5	332.5	448.5	596.3	778.0	993.3
% margin	7.0%	10.1%	9.1%	10.9%	11.5%	12.1%	12.7%	13.3%
Unlevered Taxes	(12.42)	(26.32)	(30.88)	(48.54)	(65.49)	(87.06)	(113.58)	(145.03)
NOPAT¹	72.7	154.0	180.6	283.9	383.0	509.2	664.4	848.3
Add: Depreciation	46.4	64.9	104.6	172.5	242.7	325.8	429.2	543.4
Less: CAPEX	(60.3)	(42.8)	(60.5)	(96.8)	(123.8)	(122.8)	(152.7)	(186.2)
Less: Changes in working capital	(271.7)	(37.0)	(2.6)	(113.6)	(119.8)	(145.3)	(155.3)	(167.4)
Unlevered Free Cash Flow	(212.9)	139.1	222.1	246.1	382.1	566.9	785.6	1,038.1
% growth		165.3%	59.7%	10.8%	55.3%	48.3%	38.6%	32.1%

Sensitivity Analysis

		WACC				
		8.92%	9.42%	9.92%	10.42%	10.92%
Exit Multiple	9.9x	43.9x	43.0x	42.1x	41.3x	40.5x
	10.4x	45.6x	44.7x	43.8x	42.9x	42.0x
	10.9x	47.4x	46.4x	45.4x	44.5x	43.6x
	11.4x	49.1x	48.1x	47.1x	46.1x	45.2x
	11.9x	50.8x	49.8x	48.8x	47.8x	46.8x
		WACC				
		8.92%	9.42%	9.92%	10.42%	10.92%
TGR	2.90%	49.7x	45.6x	42.2x	39.2x	36.6x
	3.05%	50.7x	46.5x	43.0x	39.9x	37.2x
	3.20%	51.9x	47.5x	43.8x	40.5x	37.8x
	3.35%	53.1x	48.5x	44.6x	41.3x	38.4x
	3.50%	54.3x	49.5x	45.5x	42.0x	39.0x

Sources: Team Analysis, Damodaran, CNBC US 10 Year Treasury Yield, Company fillings
Notes: (1) Net Operating Profit before Tax

DCF Valuation

Peer-derived multiples indicate relative undervaluation for On, creating an attractive entry point for investment

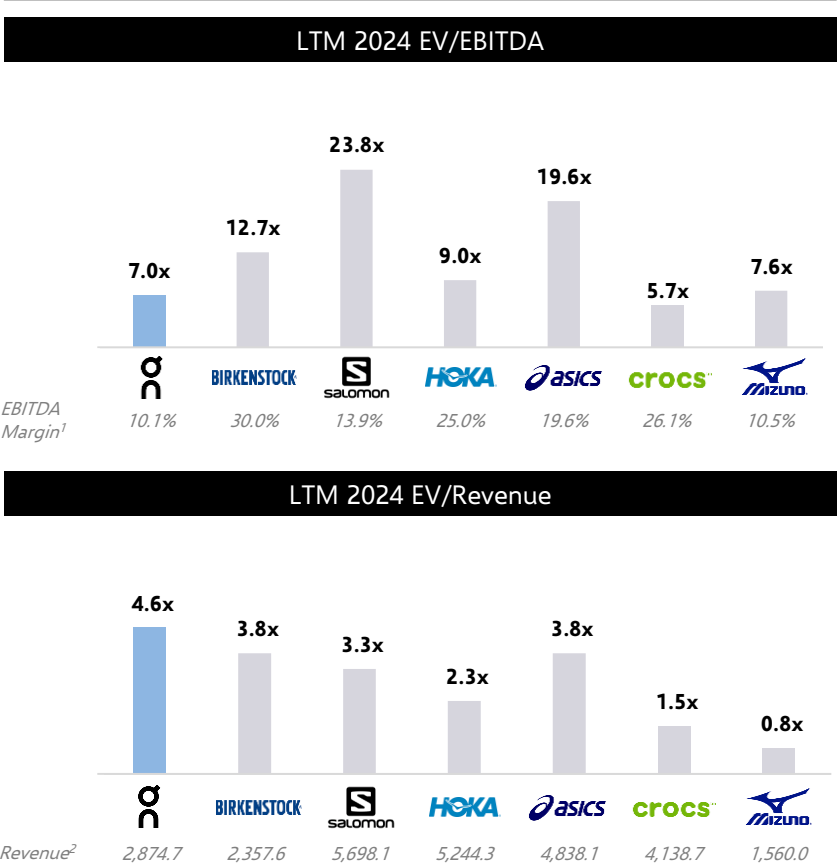
Comparable Company Analysis Summary

Group	Metric	Derived Multiples			
		LTM EV/Rev	LTM EV/EBITDA	LTM EV/EBIT	Forward P/E
Peer Set	Minimum	0.8x	5.7x	6.1x	8.0x
	25th Percentile	1.7x	7.9x	8.9x	13.8x
	Median	2.8x	10.9x	12.0x	15.9x
	Mean	2.6x	13.1x	15.3x	19.7x
	75th Percentile	3.7x	17.9x	21.0x	26.8x
	Maximum	3.8x	23.8x	30.0x	35.1x
ON Holdings	-	4.6x	7.0x	10.8x	30.13x

Peer Comps Selection:

Selected direct competitors in premium segment and predominantly footwear product portfolio, with DTC and wholesale mix to mirror ON’s business model. Excluded mega-caps sport brands (Nike, Adidas) to avoid multiple distortion.

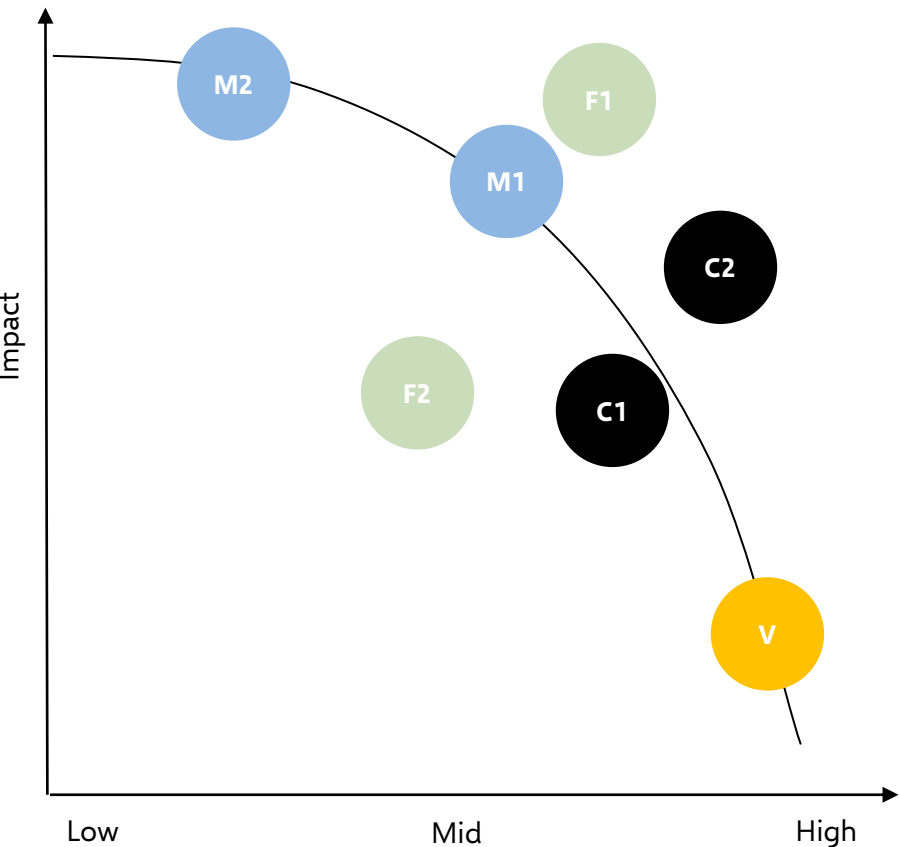
Relative Valuation and Peer Set Multiples



Sources: CapIQ, Team Analysis
Notes: (1) 2024 Financials (2) 2024 Revenue

Managing key risks to protect the case for a minority investment

Risk Matrix



Sources: Company Filings, Euromonitor's On Report, Team Analysis

Risk and Mitigations, Catalysts Description

F	• F1 : U.S. ON faces structural risk from incumbents like Nike, Adidas, Puma with strong consumer loyalty. • F2 : Supply chain carries implementation risk and potential delays.	• Focus on niche, high-growth categories (running, tennis, training) rather than competing head-on in mass markets. • Diversify production base beyond Vietnam and Indonesia; increase automation (e.g., <i>LightSpray</i> technology)
M	• M1 : ON sits in consumer discretionary; demand is highly sensitive to economic slowdowns or FX fluctuations. • M2 : High production reliance on Vietnam and Indonesia → exposed to trade tariffs, geopolitical tensions	• Maintain premium pricing power and lean cost structure to protect margins; use FX hedging • Build multi-country supplier network and flexible sourcing to shift production
V	▪ V: ON's Valuation is highly sensitive to WACC, terminal growth rate, exit multiple assumptions. Small changes to discount rate (+/- 0.5%), growth rate (+/- 0.1%) and exit multiple (+/- 0.5) can distort implied share price	• WACC: Constantly monitor for macro drivers (tax rate, Equity Risk Premium, Country Risk Premium etc.) • Terminal growth rate, Exit multiple : Conduct deeper market research to deduce more accurate assumptions
C	▪ C1: Regular shoe and apparel launches will fuel momentum: Cloudboom Strike LS, Winter collection, ROGER Pro 2, Cloudpulse Training etc. ▪ C2: Rollout of LightSpray and automated warehouses in Atlanta and Belgium to be operational by Dec 2025 and 2Q 2026.	• Regular launches of innovative products and categories sustain brand heat and create demand, driving continuous sales growth ▪ With rollout already underway, this will translate into efficiency gains in the coming years as the technology scales

