

Michael Hyde

On Holding, AG

ONON | \$42.50

Buy | Target Price: \$81.00

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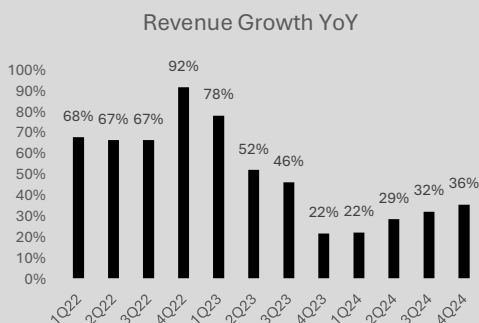
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Company Statistics

Market Capitalization (B) \$13.76
52-Week Range \$29.84 – 64.05

Revenue Growth History



1 Year Price History



Active footwear disruptor continues its high growth trajectory

Our view: We recommend a BUY with an \$81 target stock price for ONON. 2024 was another very strong year with ONON posting an impressive 29.4% revenue growth, 60.6% gross margin, and 16.7% EBITDA margin. Guidance is equally strong with the company forecasting 27% revenue growth, gross margin of 60.5% and EDITDA Margin of 17-17.5%.

Our **investment thesis** has 3 main elements: **Significant growth potential:** At \$2.6B in sales, ONON has very strong momentum and ample room to grow. In 2024Q4, it saw sales growth of 31% in EMEA, 28% in the Americas and 117% in Asia-Pacific, all while delivering at 62% gross profit margin. Future product launches, e.g. spray-on shoes, and the newly launched apparel business will provide further engines for growth. Finally, ONON's 43% growth in its DTC sales channel is especially impressive as it demonstrates its rapidly growing brand awareness. **Product innovation with differentiated technologies:** ONON's Cloudtech, Speedboard, and Lightspray are patented technologies. Most notably, Cloudtech is a unique cushioning system that absorbs impact and reduces strain, both key differentiators for the brand. ONON has had success in recent product launches, with Cloudsurfer Next and Cloudsurfer 6 being well received, enabling price increases and margin expansion. **Strong premium brand positioning:** ONON has built a strong

"Swiss engineered" premium brand position, while capitalizing on tailwinds of health/wellness, sustainability, and casualization. In addition, its partnership with celebrities like Roger Federer, Zendaya, the Swiss Olympic team, as well as various marathon and track and field events, have further reinforced premium pricing.

Valuation: We have set a target price of \$81 per share, representing 91% upside on the current value of \$42.50. The **base case assumptions** are: a 5-year sales CAGR of 22%, starting at 29% for 2025 and reaching 15% by 2030, a slight EBITDA margin expansion from 17% to 17.5%, and an EBITDA multiple of 17.6x to forecast past the explicit projections. Even our **bear case scenario** generates a price target of \$66 per share.

Risks and Mitigants: ONON is exposed to recession and tariff risks. We believe their premium positioning will give them more insulation from recessionary forces versus competitors. Additionally, ONON manufactures primarily in Vietnam which presents significant tariff risk; however, it appears that US-Vietnam trade talks are progressing.

Variant View: The market is generally bullish on ONON with an average price target of \$65. We believe there is even more upside due to its strong foundations, distinctive technology, and premium brand positioning. With its relatively low market share, it has a long runway until it reaches maturity. For these reasons we believe it will continue to drive shareholder returns and outperform street expectations.