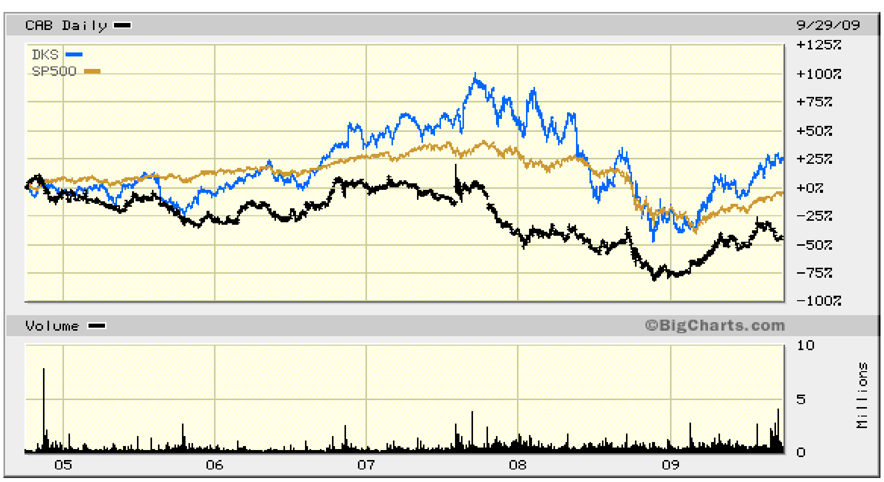
Cabela's Inc. (CAB) 9/29/09

CAB operates as a retailer of sporting goods including; hunting, fishing, camping, and apparel. CAB operates retail stores, catalogue sales, and internet sales. CAB is segmented into three business divisions; Direct (internet, catalogue) which produced 48% of 2007 revenue, Retail (store locations) which produced 44%, and Financial Services with 7%. CAB was founded in 1961 and headquartered in Sidney, Nebraska.

Current Price	$13.58
52 Week High	$17.73
52 Week Low	$4.18
One Yr Target	$14.00
Market Cap (in billions)	$0.91
P/E (Trailing)	12.39
P/E(1 Yr Forward)	11.32
P/E/G	1.02
ROA	3.08%
ROE	8.12%
EPS	$1.10
Beta	1.54
Annualized Dividend	$0.00
Dividend Yield	0.00%
Analyst Consensus	3.00
Debt to Equity	1.73



Annual EPS

2005	$1.10	
2006	$1.29	17.27%
2007	$1.31	1.55%
2008	$1.14	-12.98%
2009E	$1.10	-3.86%

Annual Revenue (in millions)

2005	$1,799.66	
2006	$2,063.52	14.66%
2007	$2,349.60	13.86%
2008	$2,552.72	8.64%

Annual Net Income (in millions)

2005	$72.57	
2006	$85.78	18.20%
2007	$87.88	2.45%
2008	$76.40	-13.06%

Free Cash Flows (in millions)

2005	-$122.10	
2006	-$124.28	-1.79%
2007	-$303.81	-144.46%
2008	$63.81	121.00%

Required Rate of Return

13.48%

Dividend Growth Model

Present Value of 2014 Price	n/a
Holding Period Return (5 years)	n/a

Expected Annualized Return Model

Present Value of 2014 Price	$13.89
Holding Period Return (5 years)	0.54%

Residual Income Model

Intrinsic Stock Price	$35.72

Analysis

Positives

Decent financial ratios, but nice to see a P/E/G around 1

Nice ability by company to drive revenues through a down economy

Stock price is undervalued according to the RI valuation model

Negatives

Unfavorable outlook by most analysts

Free Cash Flows are not consistent with Net Income, a sign of accounting trickery

EAR valuation model doesn't clear the required rate of return

Financial Statements

Balance Sheet is very strong, and Equity has been increasing over past 4 years

Income Statement has good Revenue numbers, but inconsistent EPS and Net Income numbers

Cash Flows are volatile but are positive for the most recent year

Industry Analysis

One of the largest companies in its industry

Better than average financial ratios compared with competitors

Difficult to accurately compare with others, because direct competitors are private

Summary

CAB's financial ratios are nothing special, but it is good to see a PEG ratio around 1 because it is rare these days. Its Revenue numbers from the Income Statement are good, but it could be a bad sign that Net Income and Free Cash Flows differ substantially over several years. Other financial statements are good, especially the Balance Sheet. The applicable valuation models are split, but the RI model has the stock price as significantly undervalued. What's really appealing about CAB is its opportunities for expansion. Annual reports show that the company is looking to expand more into the Southeast and West regions of the US, and have acquired competitors in Canada. CAB is also well positioned with its strong private label goods which have a higher profit margin for the company. With this outlook of potential growth, good financial statements, and an undervalued RI model, CAB earns a **buy** rating.