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## Columbia's a Good Sport

<http://www.fool.com/news/mft/2005/mft05012822.htm>

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While the warmer-than-expected weather may be a boon to some of us, the motto for **Columbia Sportswear** ([Nasdaq: COLM](#)) may well be "Let it snow, let it snow, let it snow." Though the company did well in its [fourth quarter](#) -- sales grew by more than 17% in the quarter (15% when you strip out currency gains) and income was up over 22%, management hinted that results could have been even better if the weather had cooperated.

Expectations of better outerwear sales was also a major reason the company ended the year with over \$165 million in inventory, 30% more than last year. While seeing inventory growing twice as fast as sales might cause some alarm, context is important.

Columbia made a bet on colder winter weather that didn't quite materialize as it had hoped. With some of that inventory buildup also due to a strong outlook for spring (and still down about \$30 million from September), investors needn't worry (yet) about this metric.

Selling a mix of popular outerwear, sportswear, and footwear, Columbia has more than doubled its revenue since 1999. Over that same period, the stock has gone one better and more than tripled. The company has also pitched in on this front, purchasing \$7.9 million worth of stock and actually lowering shares outstanding (remember that many share-repurchase programs do little more than keep pace with options-related dilution). It has roughly \$152 million left under its authorizations and a cash pile of \$290.2 million.

With mid-teens revenue growth, improving double-digit margins, and strong returns on both assets and equity, Columbia seems to have the makings of a high-quality growth stock. While it continued to grow throughout 2004, the stock went nowhere fast. Now trading at under 17 times trailing earnings and about 18 times EV/SFCF (that's [structural free cash flow](#), or owner earnings), the stock seems to be priced a few ticks above a reasonable forward growth rate.

Though Columbia has an excellent track record, high inventory levels at the company and among retailers could be a drag on growth until that inventory works through the channel. If that happens and the stock gets marked down, Columbia could be a fashionable addition to a growth stock portfolio. After all, who doesn't like a sale?

*Fool contributor [Stephen Simpson](#), CFA, has no financial interest in any companies mentioned, and moved to the South precisely so he wouldn't need Columbia's warm winter gear.*