Under Armour Inc. is a multi-channel retailer and marketer of sports apparel and has set the terms of its initial public offering at between $7.50 and $9.50 per share which could net the company has much as $90.2 million in new working capital. They are best known for the tight fitting undergarments athletes wear under their uniforms. Under Amour sells sports apparel to college athletes, professional athletes and to the public. They have annual e-commerce sales of $8.5 million and will use the proceeds to pay down debt. The initial public offering (IPO) was underwritten by Goldman Sachs, CIBC World Markets and Wachovia Securities and included 9.5 million shares (Bahchevanska, Y. 2005).

Under Amour operates three e-commerce sites, its own network of four outlet stores, and sells products through a network of more than 8,000 retailers. The success of several IPO's of specialty apparel makers and retailers in the past year, gave industry analysts more confidence that investors would have a strong appetite for Under Armour. Under Armour's revenue grew from $5.3 million in 2000 to $242.2 million 2005. Under Armour does not have a large outside equity partner, such as a venture capital firm or private equity fund. Plank and his brother control more than 50 percent of the company's stock, and various insiders control about 30 percent more. The only outside equity player in Under Armour is Rosewood Capital, a San Francisco venture capital firm that owns just under 10 percent (Bahchevanska, 2005). Its growth has been financed largely by the owner's (Plank) credit card, then small-business loans, and in recent years by bank loans. In 2004, Under Amour had an 80 percent market share in the "performance apparel" segment of the sportswear industry.

Under Armour, Inc. completed a successful IPO on November 18, 2005 of 12,124,000 shares of its Class A common stock. Of those shares, 9,500,000 were sold by the company, and 2,624,000 were sold by existing shareholders. The IPO price range was originally, set at $7.50 to $9.50 and then raised on to $10.00 to $12.00 (Sjostrom 2005). The stock was ultimately priced above the range at $13.00 per share. As an investor I would have purchased the company's stock at the offering price because I have high expectations for this company. The stock opened for the first time at $31 on November 18, 2005 before settling back at $25.30 by the end of trading that day.

Under Amour definitely benefited by going public, but I am not sure if it was absolutely necessary. As I did more research, I found that the proceeds were going to pay off debt and help with new innovative products. Going public has helped improved their financial and continue to exceed. Later this year Under Amour plans to introduce a football cleat and they have already opened a European office. It benefited Under Amour because when they started trading, investors were hungry for high growth companies.

References

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