

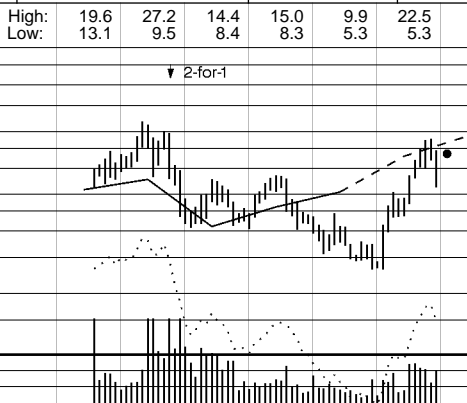
# OAKLEY INC. NYSE-OO

RECENT PRICE **19.00** P/E RATIO **24.1** (Trailing: 27.9 Median: 19.6) RELATIVE P/E RATIO **1.53** DIV'D YLD **Nil**

**VALUE LINE**

**TIMELINESS 1** Raised 7/28/00  
**SAFETY 3** Raised 11/3/00  
**TECHNICAL 2** Lowered 1/5/01  
**BETA .75** (1.00 = Market)

**LEGENDS**  
 --- 18.5 x "Cash Flow" p sh  
 .... Relative Price Strength  
 2-for-1 split 10/96  
 Options: Yes  
 Shaded area indicates recession



**2003-05 PROJECTIONS**

|      | Price | Gain    | Ann'l Total Return |
|------|-------|---------|--------------------|
| High | 45    | (+135%) | 24%                |
| Low  | 30    | (+60%)  | 12%                |

**Insider Decisions**

|         | M | A | M | J | J | A | S | O | N |
|---------|---|---|---|---|---|---|---|---|---|
| to Buy  | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 0 | 0 | 0 | 2 | 2 | 2 | 3 | 1 |
| to Sell | 0 | 0 | 0 | 0 | 2 | 3 | 2 | 3 | 1 |

**Institutional Decisions**

|           | 1Q2000 | 2Q2000 | 3Q2000 |
|-----------|--------|--------|--------|
| to Buy    | 29     | 45     | 64     |
| to Sell   | 20     | 17     | 22     |
| Hlds(000) | 15033  | 15406  | 19972  |

Percent **15.0**  
 shares **10.0**  
 traded **5.0**

In August 1995, Oakley completed its initial public offering. The company sold 6,600,000 shares of its common stock for \$11.50 per share. This transaction raised net proceeds of approximately \$69.1 million.

**CAPITAL STRUCTURE as of 9/30/00**

Tot. Debt \$28.8 mill. Due in 5 Yrs \$19.6 mill.  
 LT Debt \$17.4 mill. LT Interest \$ 1.3 mill.  
 (8% of Cap'l)

Leases, Uncapitalized \$1.2 mill.

Pension Liability None

Pfd Stock None

Common Stock 69,380,025 shares as of 11/10/00  
 (92% of Cap'l)

Market Cap: \$1.3 billion (Mid Cap)

**CURRENT POSITION**

|                  | 1998 | 1999 | 9/30/00 |
|------------------|------|------|---------|
| Cash Assets      | 4.5  | 5.5  | 8.3     |
| Receivables      | 33.8 | 39.1 | 58.7    |
| Inventory (FIFO) | 35.6 | 35.0 | 63.4    |
| Other            | 12.8 | 19.1 | 21.6    |
| Current Assets   | 86.7 | 98.7 | 152.0   |
| Accts Payable    | 12.6 | 16.6 | 18.1    |
| Debt Due         | 14.8 | 6.5  | 11.4    |
| Other            | 13.7 | 16.4 | 32.4    |
| Current Liab.    | 41.1 | 39.5 | 61.9    |

**ANNUAL RATES**

|                 | Past 10 Yrs. | Past 5 Yrs. | Est'd '97-'99 to '03-'05 |
|-----------------|--------------|-------------|--------------------------|
| change (per sh) |              |             |                          |
| Sales           | --           | --          | 20.5%                    |
| "Cash Flow"     | --           | --          | 24.5%                    |
| Earnings        | --           | --          | 29.5%                    |
| Dividends       | --           | --          | Nil                      |
| Book Value      | --           | --          | 24.5%                    |

**QUARTERLY SALES (\$ mill.)**

| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|-----------|--------|--------|--------|--------|-----------|
| 1997      | 34.4   | 55.2   | 59.4   | 45.0   | 194.0     |
| 1998      | 41.0   | 70.0   | 67.2   | 53.7   | 231.9     |
| 1999      | 48.7   | 72.0   | 70.8   | 66.4   | 257.9     |
| 2000      | 63.1   | 100.0  | 107.0  | 79.9   | 350       |
| 2001      | 80.0   | 125    | 130    | 90.0   | 425       |

**EARNINGS PER SHARE A**

| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|-----------|--------|--------|--------|--------|-----------|
| 1997      | .01    | .12    | .10    | .05    | .28       |
| 1998      | .02    | .16    | .12    | .04    | .34       |
| 1999      | .02    | .15    | .15    | .08    | .40       |
| 2000      | .08    | .27    | .25    | .12    | .72       |
| 2001      | .10    | .32    | .29    | .14    | .85       |

**QUARTERLY DIVIDENDS PAID**

| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|-----------|--------|--------|--------|--------|-----------|
| 1997      |        |        |        |        |           |
| 1998      |        |        |        |        |           |
| 1999      |        |        |        |        |           |
| 2000      |        |        |        |        |           |
| 2001      |        |        |        |        |           |

NO COMMON DIVIDENDS BEING PAID

|                         | 1990 | 1991 | 1992 | 1993 | 1994 | 1995  | 1996  | 1997  | 1998  | 1999  | 2000  | 2001  |                         | © VALUE LINE PUB., INC. 03-05 |
|-------------------------|------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------------------------|-------------------------------|
| Sales per sh            | --   | --   | --   | --   | --   | 2.42  | 3.08  | 2.75  | 3.28  | 3.68  | 5.05  | 6.20  | Sales per sh            | 10.00                         |
| "Cash Flow" per sh      | --   | --   | --   | --   | --   | .69   | .77   | .46   | .47   | .65   | 1.00  | 1.25  | "Cash Flow" per sh      | 2.10                          |
| Earnings per sh A       | --   | --   | --   | --   | --   | .59   | .64   | .28   | .34   | .40   | .72   | .85   | Earnings per sh A       | 1.60                          |
| Div'ds Decl'd per sh    | --   | --   | --   | --   | --   | --    | --    | --    | --    | --    | --    | Nil   | Div'ds Decl'd per sh    | Nil                           |
| Cap'l Spending per sh   | --   | --   | --   | --   | --   | .46   | .54   | .62   | .41   | .29   | .35   | .40   | Cap'l Spending per sh   | 4.40                          |
| Book Value per sh B     | --   | --   | --   | --   | --   | 1.14  | 1.71  | 1.94  | 2.29  | 2.55  | 3.30  | 4.75  | Book Value per sh B     | 8.40                          |
| Common Shs Outst'g C    | --   | --   | --   | --   | --   | 71.52 | 70.96 | 70.66 | 70.66 | 70.03 | 69.50 | 68.50 | Common Shs Outst'g C    | 68.50                         |
| Avg Ann'l P/E Ratio     | --   | --   | --   | --   | --   | 26.9  | 29.0  | 37.7  | 33.7  | 33.6  | 18.2  |       | Avg Ann'l P/E Ratio     | 23.0                          |
| Relative P/E Ratio      | --   | --   | --   | --   | --   | 1.80  | 1.82  | 2.17  | 1.75  | 1.78  | 1.20  |       | Relative P/E Ratio      | 1.55                          |
| Avg Ann'l Div'd Yield   | --   | --   | --   | --   | --   | --    | --    | --    | --    | --    | --    |       | Avg Ann'l Div'd Yield   | Nil                           |
| Sales (\$mill)          | --   | --   | --   | --   | --   | 172.8 | 218.6 | 194.0 | 231.9 | 257.9 | 350   | 425   | Sales (\$mill)          | 685                           |
| Operating Margin        | --   | --   | --   | --   | --   | 32.3% | 37.9% | 23.7% | 21.7% | 24.8% | 28.5% | 29.0% | Operating Margin        | 30.0%                         |
| Depreciation (\$mill)   | --   | --   | --   | --   | --   | 7.4   | 9.0   | 13.0  | 9.0   | 19.2  | 20.0  | 25.0  | Depreciation (\$mill)   | 30.0                          |
| Net Profit (\$mill)     | --   | --   | --   | --   | --   | 42.1  | 46.0  | 19.6  | 24.1  | 26.5  | 50.0  | 62.0  | Net Profit (\$mill)     | 115                           |
| Income Tax Rate         | --   | --   | --   | --   | --   | 12.8% | 38.4% | 38.4% | 38.4% | 38.0% | 35.0% | 35.0% | Income Tax Rate         | 35.0%                         |
| Net Profit Margin       | --   | --   | --   | --   | --   | 24.3% | 21.0% | 10.1% | 10.4% | 10.4% | 14.5% | 14.5% | Net Profit Margin       | 17.0%                         |
| Working Cap'l (\$mill)  | --   | --   | --   | --   | --   | 39.2  | 36.1  | 41.7  | 45.6  | 59.2  | 80.0  | 75.0  | Working Cap'l (\$mill)  | 50.0                          |
| Long-Term Debt (\$mill) | --   | --   | --   | --   | --   | --    | --    | 20.9  | 19.4  | 20.4  | 20.0  | Nil   | Long-Term Debt (\$mill) | Nil                           |
| Shr. Equity (\$mill)    | --   | --   | --   | --   | --   | 81.7  | 121.4 | 137.0 | 162.0 | 177.8 | 230   | 325   | Shr. Equity (\$mill)    | 575                           |
| Return on Total Cap'l   | --   | --   | --   | --   | --   | 51.5% | 37.9% | 12.8% | 13.9% | 13.9% | 20.5% | 19.0% | Return on Total Cap'l   | 20.0%                         |
| Return on Shr. Equity   | --   | --   | --   | --   | --   | 51.5% | 37.9% | 14.3% | 14.9% | 14.7% | 21.5% | 19.0% | Return on Shr. Equity   | 20.0%                         |
| Retained to Com Eq      | --   | --   | --   | --   | --   | 51.5% | 37.7% | 14.3% | 14.9% | 14.7% | 21.5% | 19.0% | Retained to Com Eq      | 20.0%                         |
| All Div'ds to Net Prof  | --   | --   | --   | --   | --   | --    | 1%    | --    | --    | --    | --    | Nil   | All Div'ds to Net Prof  | Nil                           |

**BUSINESS:** Oakley, Inc. is an innovation-driven designer and manufacturer of sunglasses and goggles. Oakley focuses on optical inventions for sports applications, and its products are worn by a variety of athletes, such as skiers, cyclists, runners, golfers, surfers, baseball players, and motocross riders. Oakley's products also include apparel and a new line of athletic shoes made in the United States, as well as luxury wristwatches. The company distributes its products in more than 70 countries. Has about 930 employees. Officers and directors own 64.3% of common; Crabbe Huson, 7.8%; Parnell Revocable Trust, 5.4% (6/00 proxy). Chief Executive Officer: Link Newcomb, Inc.: WA. Address: 1 Icon, Foothill Ranch, CA 92610. Telephone: 949-951-0991. Internet: www.oakley.com.

**Oakley likely ended 2000 in good fashion.** We believe sales and earnings rose 35% and 80%, respectively, to \$350 million and \$0.72 a share. However, based on strong demand for sunglasses products and the rollout of new footwear, apparel, and watches, we believe there is a possibility Oakley exceeded our fourth-quarter sales and earnings estimates. Much of this upside potential comes from renewed sales growth at the Sunglass Hut, Oakley's top eyewear distributor. Also, a significant rise in advertising expense (about \$8 million to \$10.5 million) has increased brand awareness. As a result of the successful print campaign, management has added another \$8 million to its advertising budget this year. This should help spark interest in Oakley's new 2001 product offerings. **New product offerings this year augur well for Oakley's top and bottom lines.** The company plans to roll out a smaller version of the *Minute*, OO's best-selling sunglass model. Also, a new *X Metal/O Matter* hybrid product should fill the \$150-\$180 price point nicely. Management is also ready to launch its prescription-only line of frames and lenses in the

spring. Too, the introduction of sandals and cross trainers to the footwear line, and mountain-biking attire to the apparel segment this spring (typically Oakley's best quarter) should help boost sales and earnings through the summer season. All told, we estimate both the top and bottom lines to increase 18%-20% this year.

**Cash flow remains solid.** Oakley likely finished 2000 with approximately \$10 million in cash on the books. This is nearly double the 1999 amount. This year, we expect the amount to increase further as net cash flow after capital expenditures is likely to reach nearly \$60 million. OO will probably use this excess cash flow to pay down debt and to repurchase shares.

**Oakley shares are ranked to outperform the broader market averages over the next six to 12 months.** And the solid sales and earnings growth we project out to 2003-2005 provides above-average capital-appreciation potential over that time frame. However, the stock's low scores for Price Stability and Growth Persistence should not be overlooked when considering this issue.

*Justin T. Sebastiano February 2, 2001*

|  |   |  |                              |    |
|--|---|--|------------------------------|----|
| (A) Diluted earnings. Next earnings report due in mid-Feb. | (B) Includes intangibles. In '99: \$12.4 million, about \$0.18/share. | (C) In millions; adjusted for stock split. | Company's Financial Strength | B+ |
|  |   |  | Stock's Price Stability      | 25 |
|  |   |  | Price Growth Persistence     | 30 |
|  |   |  | Earnings Predictability      | 40 |