



Position Close Update: Knoll Inc. (KNL)

Knoll Inc. (KNL: \$20/share) – Closing Long Position – down 17% vs. S&P up 15%

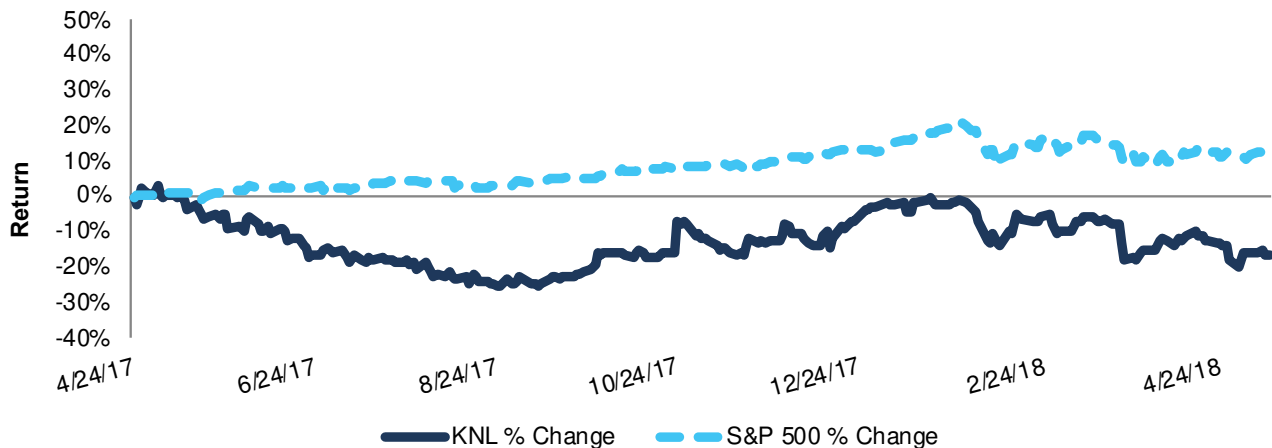
Knoll Inc. was originally selected as a [Long Idea on 4/24/17](#) and [reiterated](#) on 8/31/17. At the time of the initial report, the stock received a Very Attractive rating. Our investment thesis highlighted strong after-tax operating profit (NOPAT) growth, a rising return on invested capital (ROIC), industry leading margins, and positive industry trends.

During the 385-day holding period, KNL underperformed as a long position, falling 17% compared to a 15% gain for the S&P 500. KNL was downgraded to Neutral on 8/10/17. At the time, we felt that the poor performance of the stock was tied more to peers' comments regarding the uncertain economy, rather than a change in fundamentals. However, KNL was again downgraded to Unattractive on 5/11/18. While the stock still has a <1 year [growth appreciation period](#), its fundamentals have deteriorated. KNL's ROIC fell from 11% in 2016 to 6% TTM while its NOPAT margin fell from 8% to 6% over the same time.

The decline in fundamentals, along with a weakening competitive position (KNL no longer earns the highest ROIC among competitors) lead us to close this position.

Figure 1: KNL vs. S&P 500 – Price Return

KNL Performance During Holding Period



Sources: New Constructs, LLC and company filings

Note: Gain/Decline performance analysis excludes transaction costs and dividends.

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Disclosure: David Trainer, Kyle Guske II, and Sam McBride receive no compensation to write about any specific stock, style, or theme.

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