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CORPORATE PARTICIPANTS

Jean Fontana
VF Corporation - ICR, IR

Eric Wiseman
VF Corporation - Chairman, President & CEO

Bob Shearer
VF Corporation - SVP & CFO

Steve Rendle
VF Corporation - VP & Group President, Outdoor & Action Sports Americas

Karl Heinz Salzburger
VF Corporation - VP & Group President, International

Scott Baxter
VF Corporation - VP & Group President, Jeanswear Americas & Imagewear

CONFERENCE CALL PARTICIPANTS

Robert Ohmes
BofA Merrill Lynch - Analyst

Jeff Klinefelter
Piper Jaffray - Analyst

Joseph Parkhill
Morgan Stanley - Analyst

Christian Buss
Credit Suisse - Analyst

John Kernan
Cowen and Company - Analyst

Jim Duffy
Stifel Nicolaus - Analyst

Bob Drbul
Barclays Capital - Analyst

Omar Saad
ISI Group - Analyst

Michael Binetti
UBS - Analyst

Michelle Tan
Goldman Sachs - Analyst

Evren Kopelman
Wells Fargo Securities - Analyst

Mitch Kummetz
Robert W. Baird - Analyst

David Glick
Buckingham Research - Analyst

PRESENTATION

Operator

Good day and welcome, everyone, to the VF Corporation third-quarter fiscal 2011 earnings conference call. Please be aware that today's conference is being recorded.

At this time I would like to turn the conference over to Jean Fontana of ICR. Please go ahead, ma'am.

Jean Fontana - *VF Corporation - ICR, IR*

Good morning, everyone. Thank you for participating in VF Corporation's third-quarter 2011 conference call. By now you should have received today's earnings press release. If not, please call 203-682-8200 and we will send you a copy immediately following the call.

Hosting the call today is Eric Wiseman, Chairman and CEO of VF Corp.

Before we begin, I would like to remind participants that certain statements included in today's remarks and the Q&A session may constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements include management's current expectations, estimates, and projections about business and results of operations and the industries in which VF operates.

Actual results may differ materially from those projected in the forward-looking statements. Important factors that could cause actual results to differ materially from those projected in the forward-looking statements are discussed in the documents filed with the Company and the Securities and Exchange Commission.

I would now like to turn the call over to Eric Wiseman.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Thank you, Jean. Good morning and thanks for joining us. With me today are Bob Shearer, our Chief Financial Officer, and our three Group Presidents -- Karl Heinz Salzburger, Steve Rendle, and Scott Baxter.

We are thrilled with the strong performance delivered in the third quarter. Across our portfolio our brands continue to successfully execute the growth strategies while skillfully navigating through the challenges posed by today's uncertain economic conditions. I have more confidence than ever that the VF business model -- diversified, global, and financially strong -- provides us with a competitive advantage to maximize growth while minimizing risk.

Let's quickly review the highlights of the quarter. Strong organic growth of 16% in revenues and 18% in earnings per share. Double-digit revenue increases in our Outdoor and Action Sports, Imagewear, Sportswear and Contemporary brands coalitions.

Continued growth in our jeans business, both domestically and internationally, despite cost and pricing challenges with Jeanswear margins remaining at very healthy levels. The Timberland acquisition, the largest in VF's history, which added over $160 million to revenues in the quarter and delivered better-than-expected earnings accretion.

Robust growth in two of our primary growth platforms, direct-to-consumer and international, where we enjoyed organic revenue growth at 15% and 29%, respectively. Continued strength in our business in Europe, despite the challenges there, with European revenues growing by 20% in constant dollars during the quarter. Another quarter of outstanding growth in Asia, where revenues rose by 43% and an expansion in operating margin, excluding Timberland, to over 16%.

Of course, the question of the day is given the softening economic conditions here and the challenges in Europe, what are we currently seeing in our business and what are the implications going forward. Now while we are all hearing and reading about a tougher economic environment, we have seen little evidence of a slowdown in our business.

It's true that there are pockets of continued weakness for us. For example, in the UK and parts of southern Europe; here in the US the upper channels of retail distribution are generally faring better than the lower ones, but across the board we are very pleased with how well our businesses have held up.

We have enjoyed three quarters of strong organic growth this year. And in fact, this growth has accelerated since the beginning of the year. Each quarter we have seen top-line organic growth in each of our five coalitions and we are looking forward to another quarter of similarly solid growth in the fourth quarter as well.

Accordingly, you saw this morning that we increased our revenue and earnings guidance for the year. The components of that increase are twofold.

The first is stronger-than-anticipated organic growth. The second is the Timberland acquisition included for the first time in our guidance. Even though it's still in the very early days for our newest brand, we are really encouraged by Timberland's performance this year and have increased our estimate for earnings accretion from Timberland, excluding acquisition expenses, to $0.55 per share from $0.45 per share.

I often get asked by investors, so like what keeps you up at night. Actually I sleep very well because I have tremendous confidence in our leaders and in the strength and long-term potential of our great brands and VF's business model.

Now we are very aware of macroeconomic concerns and recognize that we are unlikely to be immune to a significant economic downturn. But our experience has shown that as consumers become more cautious they gravitate towards brands they know and trust, like ours, and they still spend when they see compelling products at a reasonable price.

However, there is no question that we are monitoring external conditions very closely and we will be prepared to act decisively, if need be, to protect our profitability and keep our brands strong and healthy.

Now, of course, these days no VF earnings call would be complete without some commentary around jeans product cost inflation and pricing. The good news here is that the year appears to be playing out just as we had planned. Another round of price increases in our US jeans business went into effect in the third quarter, and as anticipated, we did begin to see a drop in unit volumes.

But we are tracking right on our plan for mid to high single-digit decline in US jeans unit volume in the second half and only about 4% for the full year. Despite the challenges posed by higher costs and pricing, I am tremendously proud of the fact that our US jeans business will post four quarters of top-line growth this year with profitability remaining at very healthy levels.

So with that as a backdrop I will turn the call over to Bob.

Bob Shearer - *VF Corporation - SVP & CFO*

Thanks, Eric, and I would like to echo Eric's comments. This was a great quarter for VF and its shareholders with continuing momentum across our businesses. We are really proud that based on our guidance today we will be delivering record revenues across nearly every coalition this year.

And our full-year revenue guidance for above 13% organic growth is well ahead of our long-term target of 10% that we communicated back in March, giving us even greater confidence in the long-term growth potential of our great brands.

Now as noted in the release, revenues in the quarter increased 23% with 7 percentage points of the growth coming from the Timberland acquisition, which contributed $163 million to revenues. So organic revenues grew a very healthy 16% this quarter.

Now you will hear more about the results of our largest coalitions from Steve, Scott, and Karl Heinz, but I would like to point out that both Sportswear and Contemporary Brands had strong quarters with double-digit revenue gains and higher operating margins. The Nautica brand is growing its wholesale department store business and retail comps were up 8%, while Kipling continues to report exceptional growth in the US.

Our Contemporary Brands business is also showing good growth with total revenues up 11% in the quarter and growth in the 7 For All Mankind brand, both domestically and internationally.

Okay, now on to gross margin. We have talked a lot about our gross margin expectations this year and continue to be right on track, if not slightly ahead of, the guidance we provided earlier in the year.

You recall that we have consistently stated that the tougher comparisons would be in the second and third quarters of this year. And gross margin did decline in the quarter by 120 basis points, which was the same as that in the second quarter, although we noted last quarter that the gross margin benefited from a 65 basis point gain on a facility closure.

So, on a comparable basis, the third-quarter gross margin comparison was actually better than that of the second quarter. The impact from higher product costs, better price increases on the third-quarter gross margin was 180 basis points. Helping to offset that was a 60 basis point benefit from mix as our higher margin businesses -- Outdoor and Action Sports, International, and Retail -- are becoming a bigger piece of total VF.

Now in terms of the Timberland impact on the numbers, as you know, Timberland enjoys a very healthy gross margin and its gross margin was slightly higher than VF's overall percentage for the quarter. Looking forward, in the fourth quarter you will see more of a benefit from price increases, which will help offset the impact of product cost increases. And a continuously improving mix from our expanding Outdoor and Action Sports, Retail, and International businesses will play an important part in helping fourth-quarter comparisons.

Also, Timberland gross margins are expected to be somewhat higher than overall VF in the fourth quarter. Accordingly, we continue to expect gross margin comparisons in the fourth quarter to improve. Now to be clear, that means the reduction in gross margin in the prior year will be less in the fourth quarter than reported in the second and third quarters.

We are really pleased that this is all playing out pretty much as planned, so we continue to expect less than 100 basis points of gross margin decline for the year. As we have noted in past calls, this decline largely results from gross margin reductions within our US jeans business due to the unprecedented rise in cotton costs and the overall lower cost and selling prices of these products sold in US markets.

And one final point here, you are obviously all aware of the dramatic reduction in cotton prices. The December cost related to the new crop now about $1 a pound. What a difference from the $2-plus levels that we saw earlier this year.

Of course, this is great news to us. The second quarter of 2012 will be the first quarter when our cost of denim purchased will be below the prior year's quarter. That means that it will be late in the second quarter 2012 and into the third quarter when that lower product cost will hit our P&L.

I will tell you this; it gives us great confidence that our decisions around pricing, particularly for our US jeans businesses, have been good ones. Meaning we never have contemplated fully offsetting costs with pricing. These were good, long-term decisions that will benefit our brands for years to come.

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Moving down to SG&A. The ratio of SG&A to revenues was 29.6% in the quarter, down 100 basis points from the 2010 period. That included a negative 50 basis point impact from Timberland, primarily driven by the inclusion of acquisition-related expenses, which is noted in the release for $27 million.

In other words, excluding Timberland, the year-over-year decline in the SG&A ratio would have been 150 basis points.

With respect to these acquisition-related expenses, the good news here is that we have managed to get most of these expenses for 2011 behind us in the third quarter. You will recall our initial credit for these expenses was $0.20 per share in 2011. We now anticipate a slightly higher level of expenses equal to $0.25 per share in 2011.

To date, $0.20 of that has already hit our P&L. That leaves only $0.05 per share falling into the fourth quarter. Despite these higher expenses for 2011, you will note that we increased our full-year 2011 guidance for Timberland by $0.05 per share implying $0.10 per share worth of stronger operating performance. In other words, before expenses.

We do expect some additional acquisition-related expenses in 2012, which we noted at the time when we announced the acquisition in June, and we will have more to say about those when we provide our 2012 guidance.

Specific to the fourth quarter, we expect to see another reduction in the SG&A ratio to revenues, despite a now higher planned marketing spend over the elevated level in the fourth quarter of 2010. This will be true in spite of the fact that the fourth quarter will include a full quarter from Timberland, where the SG&A ratio is higher than VF's, and especially considering the additional acquisition-related expenses as mentioned previously.

On a full-year basis we are still expecting about a full point reduction in the SG&A ratio from the 33.5% reported in 2010 while maintaining our marketing spend at the elevated 2010 level of 5.5% of revenues. And that brings us to the operating income line.

As you saw in the release, the net benefit to third-quarter operating income from Timberland was a $13.5 million, which included the $27 million in expenses. Now, if you did the math, you would see that the operating margin for Timberland in the three-week period, excluding the acquisition expenses, was over 20%.

Our timing on the acquisition was good. September is Timberland's biggest month of the year and their most profitable period. On an apples-to-apples or organic basis, that is excluding Timberland, our operating margin would have increased to 16.1% from 15.9%. Given the pressures on our P&L from higher product costs, we are really pleased with our strong operating margin this quarter.

For the full year, we continue to expect our operating margin to be relatively stable with 2010 levels, including the acquisition-related expenses. So moving down to the bottom line, in terms of earnings per share, we were really pleased with the 21% EPS increase. The 18% growth in organic earnings per share is particularly impressive when you consider current economic conditions. Again, given our long-term organic EPS growth target of 12%, this performance really points to the earnings power of the VF brand portfolio.

Now just to make sure that the components of this quarter's EPS are clear, reported earnings were $2.69 per share, the accretion from Timberland in the quarter was $0.07 per share, so the organic growth of 18% is based on an EPS of $2.62. Included in the $0.07 per share accretion was $0.18 per share in acquisition-related expenses.

Excluding these non-recurring expenses, the earnings accretion from Timberland was $0.25 per share. So our EPS, including Timberland but excluding the acquisition-related expenses, would be $2.87 or an increase of 29% over the prior year $2.22 per share.

Now related to the impact from foreign currency and the release we indicated, the benefit to earnings was $0.10 in the third quarter and $0.14 year-to-date. Considering the somewhat volatile environment, we are holding our euro rate assumption at [130] for the remainder of the year.

For the full year, we now expect reported earnings per share of approximately $7.90. Again, to be clear on what is included here, the Timberland accretion is now expected to be $0.30 per share, better than the $0.25 per share in our original guidance.

So on an organic basis, excluding Timberland, we are now looking at full-year earnings of $7.60 per share, up from our prior guidance of $7.50 per share. That represents organic earnings per share growth of 18% from the $6.46 per share reported in 2010 excluding impairment.

The $0.30 per share in accretion now includes $0.25 of acquisition-related expenses, as I mentioned previously. Excluding these non-recurring expenses, the earnings accretion from Timberland would be $0.55 per share compared to our prior guidance of $0.45 per share. So our EPS, including Timberland but excluding the acquisition-related expenses, would be $8.15 or an increase of 26% over last year's $6.46 per share.

Now in closing a few final points related to our balance sheet and cash flow. We continue to put a lot of focus on inventory management and to date are right on plan. Excluding Timberland inventories rose 19%.

Important to point out that product costs and inventory at the end of the third quarter were up 9% over last year. That implies 10% growth in inventory value from unit volume, which pretty well aligns with our projected revenue growth, net of pricing, for the fourth quarter. The quality of inventory is high and at year-end we expect organic inventories to rise by a mid-teen percentage.

With regard to the financing of the Timberland acquisition, we should be substantially out of the commercial paper market by year-end given our very strong cash generation expected in the fourth quarter. By year-end we expect our debt-to-capital ratio to be just under 30%. Given our strong cash flow, by year-end 2012 we will likely be back to a debt-to-total capital ratio that is comparable to where we were pre the Timberland acquisition.

Speaking of cash flow, we continue to expect another very strong year of cash generated from operations, which should again approximate $1 billion. As we stated last quarter, our guidance does not include any share repurchases this year.

Consensus estimates anticipate our average share count to remain flat year over year, but in fact our average share count for the year, for purposes of calculating diluted earnings per share, will likely increase by 1 million shares to 111.3 million shares. Accordingly, you may want to take that into account as you update your models.

So all-in-all this was a great quarter for us. We closed on a transformative acquisition that is right in our wheel house, and the results to date for Timberland, although for a limited period of time, would support our expectation that this will be an incredible addition to the VF portfolio. And the continued momentum in our core businesses across the board speaks to the payback on our investments behind these brands and the overall strength of our brands with the consumer.

I will look forward to wrapping up the year with you on our February call when we will speak to our expectations for 2012. And now you will hear comments from our three Group Presidents. First up, Steve Rendle.

Steve Rendle - *VF Corporation - VP & Group President, Outdoor & Action Sports Americas*

Good morning. Despite the early hour here on the West Coast, I am thrilled to be here for two reasons. First, because I have the honor of reviewing the strong performance delivered this quarter by our outstanding portfolio of Outdoor and Action Sports brands. And second, because this marks the first quarter for Timberland and SmartWool as part of VF and I have the opportunity to share with you some details on our progress and plans.

I will keep my comments about the third quarter brief, as the performance delivered by our brands in the quarter pretty much speaks for itself and clearly demonstrates our continued strong momentum. Momentum which we have every confidence will continue.

Excluding Timberland, revenues for Outdoor and Action Sports Americas rose a healthy 13% in the quarter, driven by double-digit growth in our two largest brands, The North Face and Vans. Including the Timberland and SmartWool brands, revenues in the Americas were up 21% in the quarter.

In terms of The North Face, last December we laid out a comprehensive plan to double the size of the brand over the next five years which we confirmed again in March during VF's investors day. We are as confident as ever in the strength of this powerful brand.

In the third quarter growth in the Americas was fueled by double-digit increases across the brand's wholesale and direct-to-consumer businesses, including a 61% increase in e-commerce sales. Retail sell-throughs have been strong and we anticipate a strong finish to the year. Looking forward, spring bookings are up 15% globally with double-digit growth, both in the Americas and internationally.

The story is much the same for Vans, and I am looking forward to scheduling an analysts' day next year to better acquaint all of you with this brand's very special story. Vans also delivered double-digit growth in its wholesale and direct-to-consumer businesses. Like The North Face, Vans' e-commerce growth was outstanding, up over 41% in the quarter.

We are making great progress activating the Vans brand in the key Northeast market. As I noted last quarter, we have opened nine stores in the New York metro area with results exceeding our expectations. We also opened our first stand-alone partner store in the Meatpacking District of New York City.

A quick word on our lucy brand where we continue to see positive improvement. Over in the two years revenues have begun growing at double-digit rates, store profitability continues to improve, and our e-commerce growth of 20% for the quarter continues to exceed expectations. Lucy has great potential in the coming years and we are now poised to capture that potential.

In summary, a great quarter and we look forward to wrapping up the year on a very strong note.

Now a few words about Timberland. We have noted already the top- and bottom-line contributions to this quarter's results. We are pleased the momentum we have been seeing building over the past two years is continuing. While today's numbers include only three weeks of Timberland results, for the full third-quarter period Timberland revenues increased over 22% over 2010 levels.

SmartWool is a small but mighty brand with lots of untapped potential. On a third-quarter basis compared to 2010's third quarter, SmartWool achieved revenue growth of 21%.

The last few months have been busy and very productive as we worked closely with our Timberland and SmartWool Associates on the integration plan for these two brands. I am very pleased to say that so far it has been an amazingly productive process with tremendous collaboration across all of our teams.

A big step has been taken with the establishment of Timberland's go-forward leadership team. We have been impressed with the breadth and depth of experience within the brand, which we have now surrounded with the addition of key VF leaders, namely in the roles of President, CFO, and VP of Operations.

On the frontend of the business we have retained key talent and are building plans together to deliver Timberland's growth initiatives, both this year and beyond. We feel very good about the product mentioned in place at Timberland and are impressed with the depth of knowledge and experience that sits within this organization. And we continue to see great potential to improve Timberland's retail operating model, in-store experience, and profitability here in the US, in large part by leveraging our skills and experience with The North Face.

Given VF's strong financial discipline, it should be no surprise that we are hands-down working to align Timberland's financial processes with ours in order to provide better visibility into the business from a planning, forecasting, and an overall business management perspective. On a systems side, we are developing a comprehensive global technology integration plan that will support growth and synergies while minimizing business risk.

And relative to SmartWool, the synergies are already starting with a full SmartWool socks assortment going into the top 23 North Face stores here in the US over the next few weeks. The SmartWool team will also begin working with our North Face peers as we look at how to develop a more comprehensive apparel platform for this strong outdoor specialty brand.

In summary, while we are still very early days, we are tremendously excited about our progress to date and I look forward to sharing details and further progress with you in the future. Now I turn it over to Karl Heinz.

Karl Heinz Salzburger - *VF Corporation - VP & Group President, International*

Thank you, Steve. Our international growth accelerated in the third quarter with strong performance in both Europe and Asia. On an apples-to-apples basis, that is excluding Timberland, revenues in our European business grew 20% in constant dollars, despite the continued economic challenges here, and revenues in Asia grew 43%. And we expect this momentum to continue through the fourth quarter, capping a year of exceptional performance across our EMEA and Asia businesses.

The strength in Europe was broad-based with growth in all three businesses -- Outdoor and Action Sports, Sportswear and Contemporary, and Jeanswear. Our brands continued to achieve outstanding performance in a market facing great uncertainty due to the financial crisis. Our business trends remain steady throughout the quarter and our reorders and forward bookings are strong.

In terms of specific market [ends], conditions continued to be particularly weak in the UK. Having said that, our performance in Europe this year is shaping up to be the strongest I have seen in my 11 years with VF. Our brands are winning and retailers are placing their confidence in brands with proven strength (inaudible).

Of course, as Eric mentioned, we will continue to monitor market conditions very carefully over the coming weeks and months.

We achieved the strongest growth in Outdoor and Action Sports, where revenues excluding Timberland rose 32% in constant dollars during the quarter. Our largest brand, The North Face, grew revenues by over 25%, but our second-largest brand, Vans, achieved revenue growth of over 50%.

Franchising strong reorders running up a double-digit pace. Our direct-to-consumer initiatives have been a key source of growth for us this year and we have accelerated our store openings. We expect to open a total of 18 new stores for North Face in Europe this year and 16 for Vans, an increase from our plans earlier in the year.

Looking forward, as Steve mentioned, global [T&F] pre-season bookings for spring 2012 are up 15% with similar strength in both our Americas and International businesses. For Vans, EMEA pre-spring bookings are strong, up 35%.

Our newest brand, Timberland had about $90 million in revenues here during the partial quarter period. For the full third quarter Timberland's European revenues increased 30% from 2010 levels.

While we have only owned the Timberland brand for a few short weeks, we are quite excited about the opportunities to continue to grow the brand throughout the EMEA region. Timberland has 67 owned and 233 franchised stores across Europe with a very healthy wholesale business.

We are very pleased with what we have seen in Timberland's International business to date. If you really want to experience the Timberland brand excellence, I encourage you visit one of their stores in southern Europe.

Our Sportswear and Contemporary Brands business in EMEA achieved revenue growth of 14% constant dollars in the quarter with double-digit growth in our Napa, Kipling, and Eastpak brands. Revenues of our 7 For All Mankind brand also grew at a healthy rate in the quarter with successful new store openings in major European capitals such as Berlin, Stockholm, and Paris.

Most brands are seeing solid order books for the spring of 2012 season.

But we are also very pleased with the performance of our European jeans business in the quarter where we posted a second consecutive quarter of growth. In fact, revenue growth accelerated slightly in the quarter rising nearly 4% but with just a slight increase in the second quarter and flat results in the first quarter.

Particularly in light of very difficult market conditions across much of Europe, we are very encouraged by the success of our product, marketing, and in-store initiatives in both the Lee and Wrangler brands and expect our momentum to continue in the fourth quarter. And we are seeing stronger growth in our bookings than we have seen in prior seasons.

Turning now to Asia, we remain very optimistic about our growth prospects in this dynamic and growing market. As I mentioned earlier, total revenues in Asia, excluding Timberland, grew 43% in constant dollars with our Jeanswear, The North Face, Vans, and Kipling businesses all growing revenues in excess of 35% in constant dollars during the quarter.

China remains the cornerstone of our growth story with revenues up over 50%, stronger than expected due in part to early shipments of fall bookings. Our brands are connecting strongly with consumers, the result of a great deal of consumer insight work that is helping us understand how to tell our brand stories in ways that resonate with China's consumers.

In India, another rapidly growing market, revenues increased 58% driven by continued growth in our jeans business there. We have maintained an aggressive store opening plan and are on track to expand our Asia store base by [25%] this year with 530 new doors planned in China and 125 in India.

Timberland contributed about $60 million to our revenues in Asia in the quarter. The brand continues to experience strong growth in the region with revenues up over 30% for the full third quarter versus 2010.

We have tremendous growth opportunities ahead of us across both the EMEA and Asia, and we continue to invest in the people and infrastructure [that is necessary] to exploit these opportunities to their fullest potential. And the Timberland acquisition provides us with an additional (inaudible) future growth platform.

With that I hand it over to Scott Baxter.

Scott Baxter - *VF Corporation - VP & Group President, Jeanswear Americas & Imagewear*

Thank you, Karl Heinz. Good morning. I will review our Jeanswear Americas businesses first, which includes our Lee, Wrangler, and Riders by Lee businesses, and then discuss our Imagewear results.

We continue to be very pleased with how well we are navigating through today's market challenges. Despite the drumbeat of concerns surrounding cost and pricing, the fact is that we have grown our domestic jeans top line every quarter this year and are on track to do so again in the fourth quarter. The plans and strategies we put in place and discussed with you at the beginning of the year are working much as we had envisioned, despite some economic weakening in the recent months.

As you saw in the release, domestic Jeanswear revenues rose 2% in the quarter. That growth was fueled by really strong performance in our Wrangler specialty business where revenues grew by more than 15% in the quarter, driven by strength across our core cowboy cut styles, western tops, and women's fashion bottoms. Our direct-to-consumer platform is picking up speed with two Western specialty partner stores up and running and a robust e-commerce traffic.

We also enjoyed another quarter of solid growth from Lee where revenues grew 5%. Our product innovations, including Lee Classic Fit and Premium Select lines, are working and driving continued gains in market share.

We did note that our mass market business declined slightly in the quarter. Of course, we anticipated that the top-line comparisons here would be more challenging in the second half than in the first given the sensitivity to price increases by consumer shopping at mass market stores, and it's true that trends in the channel in general have softened a bit.

The good news is that our Wrangler and Riders brands at mass continue to outperform the competition and gain share. Internationally, we enjoyed double-digit revenue growth in all three major international geographies -- Latin America, Mexico, and Canada.

Now a few additional comments about costs, units, and pricing. The cost of our denim purchases peaked in the third quarter. As Bob noted, the cost of cotton has declined significantly but we won't see this flow into our P&L in the form of lower product costs on a year-over-year basis until the end of the second quarter and the beginning of the third quarter 2012.

In terms of units, as a reminder, while we actually saw jean unit volumes increasing in the first half of the year, we indicated that we expected to see unit volumes decreasing in the second half of this year at a mid to high single-digit rate. As expected, we began to see the unit declines in our US jeans business this quarter, primarily in the mass channel, in conjunction with the most recent round of price increases. This will continue into the fourth quarter as well. Again, in line with our expectations.

For the full year, as Eric noted, unit volumes will be down around 4%. This year has presented many challenges to our US jeans business, but I am very proud of how well our teams have met and overcome those challenges.

Now switching gears, I will focus -- I will close with a few words on our Imagewear results. Despite economic headwinds, our strategies have positioned Imagewear to surpass the $1 billion mark for the first time this year. Relative to the third quarter, we posted a 14% increase in revenues and the growth was balanced with double-digit growth in both our image and licensed sports group business.

In terms of our image or uniform business, the strong growth there is being driven by growth across our protective apparel and industrial sectors. The Bulwark brand of fire protective apparel may not be a household name today, but with the impressive growth we have seen this year it may be soon. And in our licensed sports group business we benefited from a rapid recovery in our NFL business as the season got underway, as well as from our new college program and rapidly growing women's NFL apparel business.

All-in-all, we are extremely pleased with our performance this quarter and look forward to delivering another solid quarter of growth in the fourth quarter as well. Thank you.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Thanks, Scott. So as you have all seen, the diverse VF business model that includes many brands, product categories, and geographies, all supported by an amazingly talented team of associates, continues to perform very well.

With that we will take all your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Robert Ohmes, Bank of America.

Robert Ohmes - *BofA Merrill Lynch - Analyst*

Thanks. Good morning, guys. Just actually two quick questions.

The first question was I just wanted to maybe get a little more color on The North Face's spring bookings of up to 15%. It's a little bit of deceleration from what you were seeing for fall of 2011; is it reflective at all of what you might think the bookings could be like for fall 2012? Just some color on that would be great.

Then the other question was just could you remind us Timberland accretion for 2012 and how that looks now that you are further into owning Timberland? Thanks.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Sure. I will ask Steve Rendle to comment on The North Face 15% bookings increase for spring. Steve, do you want to comment on that?

Steve Rendle - *VF Corporation - VP & Group President, Outdoor & Action Sports Americas*

Sure. Robbie, we are still -- we are right at the back end of our spring booking season and the growth that we have seen here in the Americas has been above our expectations. And as we look to fall 2012, the brand just finished its sales meeting last week and we will hit the road this week. We remain very confident that we will deliver against the type of growth we have seen historically.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Thanks, Steve. Before I turn for the next question over to Bob, Robbie, you know that The North Face is a third and fourth quarter business. And similar to last year, the first part of -- the spring bookings are a much smaller piece of the business. It's a much smaller part of our product categories and generally a lower bookings rate. Bob?

Bob Shearer - *VF Corporation - SVP & CFO*

Sure. Robbie, on the second point, I think it was to remind what 2012 looked from an accretion standpoint for Timberland. What we said was before expenses adding $0.90 a share and net of expenses $0.75 a share.

Now what we also said was that we got a little bit more of the expenses that we anticipated in 2012 actually into 2011. So I guess all-in, Robbie, given the fact that the performance has been a little stronger, right, in terms of our original expectations to date and we have some more of the expenses behind us, we are feeling good about 2012 obviously. So if the expenses were to change from that obviously we would expect more in terms of cost reduction.

So once again, relative to what we played out for 2012, at this point we feel very good about that.

Robert Ohmes - *BofA Merrill Lynch - Analyst*

Terrific. Thanks a lot.

Operator

Jeff Klinefelter, Piper Jaffray.

Jeff Klinefelter - *Piper Jaffray - Analyst*

Thank you. Congratulations, everyone, on a great performance. A couple of questions, Karl Heinz, on the international business.

First of all, for Europe looking at your constant currency growth in Q3 could you just remind us again what that was in Q1 and Q2? And then just curious on composition of the growth, how much pricing advantage are you getting versus your core unit growth wholesale versus retail? A little color of that would be helpful.

Karl Heinz Salzburger - *VF Corporation - VP & Group President, International*

Okay. Thank you, Jeff. Bob, you have to help me I don't remember in my memory what our Q1 and Q2 gross number were in constant dollars. So maybe while I answer the question, your second part, maybe Bob can help me out. I don't remember on memory and eventually I have to come back to you, Jeff, on this one.

We had -- primarily it was -- we said to type of growth, the most important one was unit growth in most of our brands. We were exposed on the jean side on price increases, so there is also a price component.

Now what I would say, Jeff, this is my 11 years with VF, this is one of the rare moments where I have seen virtually all brands which we have in our portfolio which are literally growing, including Lee and Wrangler. So it's a very unique moment.

Some brands are showing faster than others, but the good news is all of them are growing so that is good. And as I said, most of them actually is units and not so much driven by price. We had some price increases on jeans, but again the growth was very healthy.

Bob, do you remember the Q1 and Q2 numbers?

Bob Shearer - *VF Corporation - SVP & CFO*

I am sorry, Karl Heinz, I don't have that in front of me at this point in time.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Jeff, why don't you give Cindy a call after we get off this call and we will get that information to you?

Jeff Klinefelter - *Piper Jaffray - Analyst*

Yes, that is no problem at all. Maybe just one other then, Karl Heinz. In terms of Asia as well, 43% growth; I think you said 25% retail growth or new unit growth this year in terms of doors. Again, outside of that is the balance of that growth really unit driven or are you seeing any sort of pricing advantages in Asia?

Karl Heinz Salzburger - *VF Corporation - VP & Group President, International*

One thing which we do very carefully, Jeff, is we do monitor the performance of our comp stores because Asia and China primarily is all our retail market. So our comp stores are up, so that is the good news.

As we said in the past, we have a relatively low penetration still in those markets in terms of doors, the number of doors. Yes, we do open 25% this year, but if we benchmark ourselves to the two big players in China we are still very, very small and have -- in other words, we still have a good way to go going forward in terms of simply more doors.

Did that answer you?

Operator

Joseph Parkhill, Morgan Stanley.

Joseph Parkhill - *Morgan Stanley - Analyst*

Good morning. I was just wondering if you could talk a little bit more about the pricing in denim and how confident you are that you will be able to keep your pricing the same throughout the end of the year. And then what is the likelihood of keeping those prices next year? Is there a risk that the competition lowers pricing next year?

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

We are going to take it -- thank you, Joseph. We are going to take it market by market and I will answer the latter part of the question first. We will find out and figure that out as we transgress through the rest of the year and next year in the second half.

But I think the single thing that is most important here as you talk about this question is that we did not, from a cost standpoint, the costs that we saw, the increases that we saw in cost, we did not take our pricing up nearly what our costs were up. So we were really thoughtful in how we thought about that going into 2012, even in the latter half of 2011, and put a lot of time into that thinking that we didn't want to do that, we wanted to make sure that we stayed competitive. We are really confident in the pricing strategy that we had for the latter part of 2011 and going into 2012, and we are very hopeful that we will go ahead and hang on to that.

Joseph Parkhill - *Morgan Stanley - Analyst*

Okay, great.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

(multiple speakers) your question?

Joseph Parkhill - *Morgan Stanley - Analyst*

Yes, definitely. And then just quickly, commentary about marketing spend in the fourth quarter. Was that that it's still going to be up year over year, is that correct? And if you are, where are you making those investments?

Bob Shearer - *VF Corporation - SVP & CFO*

It's interesting, when we started the year, I know we talked a lot about that and the reason we did was because our spend was so elevated in the fourth quarter of 2010, you might recall, by $45 million. So just in the fourth quarter alone of 2010, we spent $45 million more than we did in the prior years and the prior-year period.

As we entered the year, what we indicated was, for the fourth quarter, that we thought our marketing spend could actually be down a little bit in the fourth quarter given that, given that we were up against such a -- that big increase in 2010.

But at this point in time, we are spending some more. Again, we have seen such great success relative to our overall marketing spend and the investments that we have been making beyond on our brands. We are convinced that it at least plays a part in terms of the momentum that we are seeing. So at this point in time, we will spend more in the fourth quarter than we did over the high level of last year.

Now, our percent to revenue will be down just a little bit, but not as much as originally planned. So our percent to revenue will be down 30 basis points or so from the elevated level from last year.

Operator

Christian Buss, Credit Suisse.

Christian Buss - *Credit Suisse - Analyst*

Thank you for taking my call. I was wondering if you could provide some color on the Timberland accretion guidance for the fourth quarter. Does that include the incremental debt expense associated with the acquisition?

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

It does.

Christian Buss - *Credit Suisse - Analyst*

Okay, that is very helpful. And then could you talk a bit about your inventory composition, how you feel about the inventory composition?

Bob Shearer - *VF Corporation - SVP & CFO*

Yes, relative to inventory, of course, the question is always not only what we are holding, but also how we stand at retail. And as we look at our inventory levels at retail, we feel that we are in good shape. They are right in line with our growth expectations that we expect to see in the quarter and also relative to those inventories that we hold.

As I said earlier, not only are the unit volumes in line with our expectations for the fourth-quarter growth in the fourth quarter, but also the quality of that inventory is good as well. So it matches up well with what we will be selling in the fourth quarter. So all in all, our inventories are in good shape.

Operator

John Kernan, Cowen.

John Kernan - *Cowen and Company - Analyst*

Hey, guys. Thanks for taking my question. When you acquired Timberland, it sounded like the margin recovery baked in the store was largely SG&A-related. It seems like in Q3 the gross margin on the Timberland side of the business was really strong. Can you talk about the margin recovery and margins in Timberland next year as we try to model that business and your P&L? Is it SG&A and gross margins, more of it just from cost-cutting?

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Well, just a couple points there. Relative to gross margins, the Timberland gross margins have been higher than overall VF. So I mentioned that in my commentary that in the third quarter and fourth quarter as well, that will be the case, a little bit higher than overall VF.

Now having said that, we do see opportunities to improve the gross margins over the coming periods for sure.

In terms of SG&A leverage, you are absolutely right, that is a big piece of the overall opportunity that we have seen. And we pointed out for 2012 that we expected to reduce the SG&A level, most of the SG&A by about $35 million. Still on track to achieve that.

So actually, the gross margins have always been strong at Timberland, remain a little bit above our overall level, and we see opportunity for improvement there. And, yes, relative to SG&A that is an opportunity for us for sure and we will see some reduction there as well. So it really is -- it's both pieces.

John Kernan - *Cowen and Company - Analyst*

Okay, great. That is helpful. Imagewear and Sportswear, I know they are smaller pieces of the mix but they continue to [post up] at least our expectations. Is there any reason to believe that the top-line momentum and the margin momentum that has been in those businesses the past, basically through this year would slow into Q4 or next year?

Scott Baxter - *VF Corporation - VP & Group President, Jeanswear Americas & Imagewear*

Hi, John, how are you? This is Scott. I will answer the Imagewear question and then turn it over to Eric for the Sportswear piece. I have no reason to believe that you will see anything different going forward on the Imagewear top line and bottom line going forward in the fourth quarter.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Yes, and it's the same story for the Nautica business. That business had some model improvements to make in both wholesale and retail platforms. They have been working hard at that and we thought by the end of this year we would begin to see the kind of growth we expect from the business, both in the top and bottom line. And we are seeing it and don't expect that to change.

John Kernan - *Cowen and Company - Analyst*

All right. Great, guys. Thanks.

Operator

Jim Duffy, Stifel Nicolaus.

Jim Duffy - *Stifel Nicolaus - Analyst*

Good morning. Great performance, everyone. A question for Eric or Steve. You have had your eyes on Timberland for some time. Is there anything that you are prepared to say about your strategy for positioning the brand going forward, specifically what is it you will be doing differently?

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Steve, that question is right up your alley.

Steve Rendle - *VF Corporation - VP & Group President, Outdoor & Action Sports Americas*

All right. Good morning, Jim. As we get to know the Timberland brand, our initial impressions are being confirmed. They stand behind the statement that they are the rugged New England outdoor lifestyle brand, and we see just tremendous opportunity to build behind that vision from a product standpoint, specifically in footwear and apparel.

But how do we start to tell that story to the consumer through enhanced marketing messages, but most importantly how do we start to tell that story to the retail stores? Karl Heinz mentioned if you want to see a really high quality Timberland store, you should go to the Southern European markets. We will look to begin to build those stores -- build against those stores here in the Americas market at some point towards the end of next year and really tell and expand that story here.

Jim Duffy - *Stifel Nicolaus - Analyst*

Steve, how does that align with where you see the apparel business for Timberland in the US as you look towards developing that?

Steve Rendle - *VF Corporation - VP & Group President, Outdoor & Action Sports Americas*

The apparel business is a great opportunity. Initially we said that was about a $300 million opportunity that we would build over the next five years. We see great opportunity in taking that leather and canvas story that the Timberland (technical difficulty) so well in their footwear and how do we bring that into apparel and really define what that rugged New England outdoor lifestyle looks like.

We have a very strong apparel business in Europe designed in our London design center, and we look to leverage that and bring that to life here beginning in fall 2012 in our stores. Then do a full scale launch in fall 2013 across wholesale and direct-to-consumer.

Jim Duffy - *Stifel Nicolaus - Analyst*

Great. Thanks so much.

Operator

Bob Drbul, Barclays Capital.

Bob Drbul - *Barclays Capital - Analyst*

Good morning. A couple questions. First, on the Timberland acquisition, Bob, are the cost synergies still the same? I think you had outlined $35 million, has that changed at all?

Then the second question that I have is around the European businesses can you maybe elaborate a little bit more country by country a little deeper in terms of any of the trends that you are seeing differently within the VF brands and also within the recently acquired Timberland businesses?

Bob Shearer - *VF Corporation - SVP & CFO*

Bob, I will start on the -- the $35 million, has it changed was the question and, no, it hasn't changed. As I said earlier, we are confident in our ability to get at the $35 million for next year. Now, again, that is a 2012 number and that number will increase with time, so there are further opportunities beyond that, but that is the number that we identified for 2012.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

And, Bob, I will ask Karl Heinz to think some about your question in Europe. As you know, it's a complex question because of the number of brands that we have and how those brands' strengths appear in different markets in Europe. Karl Heinz, could you make some general comments about what you are seeing there?

Karl Heinz Salzburger - *VF Corporation - VP & Group President, International*

Yes, absolutely. Absolutely, Bob. The good news is that we are growing actually in most of the countries, even in the ones which have a little bit more pressure from the economic situation. We have a great and a winning business model.

We have a portfolio of brands and geographies which we can play with, not only in Asia and Europe but even inside Europe we have Northern, Center, Southern Europe and then the emerging markets which are the markets, the former [communist] market. So we do see sometimes, Bob, some specific brands which might decline, what we do then we accelerate the introduction of others.

I give you an example, Greece. Everybody talks about Greece. Greece is a very small market in our portfolio of market here, but even here year-to-date we are growing. We are down on one jeans brand but we just launched two years ago The North Face so it's growing from a small base but it's growing. And we launched last year Napa that is growing.

So that is the way we do. We play to [sum up] with the portfolio of brands and the geographies inside Europe.

Bob Drbul - *Barclays Capital - Analyst*

Okay, great. Eric, I just have one question for you from the owner of Majestic. Any predictions on the World Series from where we are today?

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Yes, happy to deal with that question. We are predicting a really engaged, competitive, seven-game series during which we sell a whole lot of apparel.

Bob Drbul - *Barclays Capital - Analyst*

Thanks very much.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

You are very welcome.

Operator

Omar Saad, ISI Group.

Omar Saad - *ISI Group - Analyst*

Thanks, guys. Great job this quarter. A couple questions. During the market volatility a month or so ago did you guys see any change in your business trends at retail, especially in the higher end brands where you are maybe touching a more affluent consumer and maybe saw some of those people watching their personal portfolios?

Then to follow-up on Europe, too. I mean plus-20% constant currency is obviously an amazing result given all the headline news that we are seeing out there. Could you talk about -- if you look at how Europe played out for you guys in 2008/2009 there was a little bit more weakness there, especially on the denim side. Is the business structured differently today?

Are North Face and Vans a bigger piece? How should we think about that business differently than what happened a few years ago in Europe for you guys? Thanks.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Sure. Karl Heinz, I will let you think about Omar's second question while I deal with the first.

Omar, in the first couple of weeks in August, when there was a lot of negative press out there, we saw a slight decline in our growth rates. I answered that with those specific words because we didn't see a decline in our business. We saw a business that had been growing in some of our brands as much as 20% in comp store business slow down a little bit. Then it recovered in the end of August and we had a very strong September in those brands.

So I don't know if there were any long-term decision changes made by those shoppers, but there was a slight reaction to that that recovered very, very quickly. And that was our experience this time around.

Karl Heinz, can you talk about the status [of] Europe?

Karl Heinz Salzburger - *VF Corporation - VP & Group President, International*

Yes, absolutely, Omar. You asked the question whether the business is structured differently. So we had three legs in the past, in 2008/2009, which is Jeanswear, Sportswear, and Outdoor and Action, and we still have three legs now. Well, now Timberland is new -- so apples to apples.

What is very different now is the way -- clearly Outdoor is growing much faster than the others, so the weight inside this portfolio is different now compared to the past.

From a geography point of view, clearly our business the biggest markets are the big five businesses -- Germany, UK, Spain, France, and Italy. That has not changed, but the penetration inside these markets is bigger. But the big change is that our portfolio has changed compared to four years ago you mentioned. Jeans is slower and Outdoor and Action Sports is now the dominant piece.

Bob Shearer - *VF Corporation - SVP & CFO*

Omar, the only thing I would add to Karl Heinz is in the last 24 months we have put a much heightened emphasis on the emerging markets of Eastern Europe and Russia. We think there is a much bigger opportunity there, and we are now structured and organized to capture that opportunity.

Karl Heinz Salzburger - *VF Corporation - VP & Group President, International*

And now that I recall, the other leg which is different is our retail presence. We started to push retail initiatives, especially in vans and The North Face and Napa, where we have much more than we had in the past.

Omar Saad - *ISI Group - Analyst*

Understood. Thanks for a much, guys. Good luck, great job.

Operator

Michael Binetti, UBS.

Michael Binetti - *UBS - Analyst*

Morning, guys. Congrats on a great quarter. So a couple questions here.

I think could you tell us what the margins would have been for the Outdoor and Action Sports business if we stripped out Timberland in the quarter? I am assuming that Timberland is lower four-wall margins than the direct-to-consumer business; it shifts the mix in there a little bit so I am curious what it looked like excluding Timberland.

Bob Shearer - *VF Corporation - SVP & CFO*

Excluding Timberland, Michael, the margin was 23.5% in the third quarter.

Michael Binetti - *UBS - Analyst*

Okay. So actually improving on the year-over-year trend?

Bob Shearer - *VF Corporation - SVP & CFO*

Yes, really close to last year.

Michael Binetti - *UBS - Analyst*

Thanks a lot. I think in the past you have told us that about 85% of your fall business for North Face was done on pre-order and the rest is pull from retailers. I think you plan for that.

Can you give a comment on how that is tracking versus plan right now? Are you seeing early in the season the retailers pulling above the planned amounts?

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

I will ask Steve to deal with that question from a US perspective, because I am sure that that comment was made in the context of the US market.

Michael Binetti - *UBS - Analyst*

Okay.

Steve Rendle - *VF Corporation - VP & Group President, Outdoor & Action Sports Americas*

Yes, so our fall business is trending as planned. We have seen very solid sell-throughs, both in our own stores and in our major wholesale channels. Those rates that we have talked about historically we like to have a slightly higher preseason to total shipment.

And that stays in line this year and we are seeing good tracking against moving those preseason orders into the marketplace. We are now coming near that time of season where you start to see the reorders kick in.

Michael Binetti - *UBS - Analyst*

And you have seen some of the reorders start to pick up in line with the plan or above the plan?

Steve Rendle - *VF Corporation - VP & Group President, Outdoor & Action Sports Americas*

We are tracking right as we thought we would be at this time of year.

Michael Binetti - *UBS - Analyst*

Then if I could just -- maybe, Bob, one question really quickly is I think, if I am not mistaken, I think Timberland does some of their own manufacturing, is that right?

Bob Shearer - *VF Corporation - SVP & CFO*

That is correct.

Michael Binetti - *UBS - Analyst*

And I don't think in the past you guys have acquired brands that do much of their own manufacturing. Obviously as a legacy manufacturer you guys have some core competencies there. As you look through the manufacturing operations is that something maybe where you think to yourself this is an area where we could add more to take more costs out for this relative to the brands that we have in the past?

Bob Shearer - *VF Corporation - SVP & CFO*

Actually, it's kind of interesting, Michael, in terms of the opportunities that we see from a gross margin standpoint. From everything we see The Timberland Group they are very, very good at the manufacturing side. Once again from everything we have seen in the limited amount of time is very efficient within the plants.

What we do see is an opportunity more around what we will refer to as the operations side. In other words, managing inventories, much we make, when we make it, how far we get ahead or not. Those are the kind of things where we think we can bring some real disciplines and improve the overall margins.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Then, Michael, actually the question for us about the owned Timberland manufacturing plant is how can we leverage that to enable our footwear business and some of our other brands, like The North Face or Vans? Is there an opportunity to leverage that expertise, because it's in the Caribbean basin, and improve our business model in our own business? And that may be the big opportunity.

Michael Binetti - *UBS - Analyst*

That is a great question. Do you have an answer for that?

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

No. But you get four shots a year at asking me, so we will talk some time later.

Michael Binetti - *UBS - Analyst*

We will.

Operator

Michelle Tan, Goldman Sachs.

Michelle Tan - *Goldman Sachs - Analyst*

Great, thanks. I was wondering, Karl Heinz made the comment earlier about this being kind of a unique period for VF in that all of the businesses, even those that have historically not been high-growth businesses, are putting up these great numbers. The color at the individual business level was helpful, but I was wondering if there is anything that you guys are doing differently at a high level across the portfolio that is driving some of the accelerated growth in some of these businesses that haven't been growth businesses before.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

We are investing more and as you know, one of the things as we look back over the last couple of years is in 2010 we made the decision to increase our brand investment by about $100 million and then we are keeping at this rate this year. And we think that has been incredibly important across our portfolio and across our geographies to our growth.

The other thing with that -- the reason it has been important is it has been effective and the reason it has been effective is because we have done terrific consumer insight work to understand exactly how to reach our consumers, what they are looking for for us, how our brands and messages differentiate. It's easy to spend more money; it's harder to spend it effectively and I think consumer insight work has really guided us.

Michelle Tan - *Goldman Sachs - Analyst*

Great. And that is something that you are even doing in the Imagewear business with the NFL license across the board in terms of the consumer work and some of the efficiencies that you guys have been able to uncover from a branding perspective?

Scott Baxter - *VF Corporation - VP & Group President, Jeanswear Americas & Imagewear*

Sure, Michelle, a couple of things that we have done is we have really taken advantage of the fact that we have got a terrific merchandising team there and have done a really nice job with the male consumer in the past. And over the last two seasons we have really done a very nice job with the team in the female consumer. We have seen the portion of our female consumer business grow dramatically over the last two seasons and we have that plan to continue in the future.

So we are fortunate to have that NFL license and very fortunate to have re-signed that license going forward, too.

Michelle Tan - *Goldman Sachs - Analyst*

Great, that is helpful. Thanks so much, guys. Good luck.

Operator

Evren Kopelman, Wells Fargo.

Evren Kopelman - *Wells Fargo Securities - Analyst*

Thank you. Good morning, guys. Two questions. First on the Timberland. Can you tell us a little bit more about their European business, maybe what are the largest countries, maybe percent of sales from the UK or Southern Europe that are more at risk to see a potential slowdown?

And then the second question is on the US Jeanswear business. As you look into next year and your costs come down, how do you think about the retailers' reaction knowing that they know your costs are coming down in terms of them asking for a lower cost to them as well? How do you think some of those dynamics will play out? Thanks.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Karl Heinz, do you want to provide some -- a little bit of color on the Timberland business in Europe?

Karl Heinz Salzburger - *VF Corporation - VP & Group President, International*

Yes, I can of course. Thank you. Thanks for the question.

Timberland has three main areas in Europe -- what they call a Central Europe which is basically Germany, Austria, Switzerland, the German spoken part; the Northern part which is UK and Scandinavia; and the southern part which is Italy, France, Spain, Greece. The largest market historically has been Italy for a long, long time. Actually, it's the second-largest market after the US. It's always hand-in-hand with Japan so they always had a historical international presence.

The second-largest market in Europe is the UK. So you might answer, you might think the two most troubled markets. But I can tell you the spring bookings Timberland had for Spring 2012 Italy and Southern Europe was still growing, so they show good growth.

We also monitor very carefully the presence of the store that they have, especially in Southern Europe. They have a priority of franchisees stores over owned stores, a big number of franchisees stores, and we monitor that very carefully. So to sum up, three big areas, largest market in Italy, second largest is UK.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Scott, the second question.

Scott Baxter - *VF Corporation - VP & Group President, Jeanswear Americas & Imagewear*

Specifically, as I mentioned a little bit earlier, we really in 2011 as we saw the costs increasing and we saw what was happening with cotton in denim and fabric we were really very thoughtful in our approaches to how we were going to go ahead and position the brands going forward. What we did is we did not pass along all those costs to our retailers and we ate a lot of that going forward.

We had a strategy that we thought would help position our brands going forward with all of our retailers. So we think and we feel very comfortable that we are going to hold on to a lot of that pricing going forward in 2012.

Operator

Mitch Kummetz, Robert Baird.

Mitch Kummetz - *Robert W. Baird - Analyst*

Thank you. First question for Bob. On the gross margin you are saying for the year down less than 100 basis points. The big puts and takes there have been product costs and mix.

When it's all said and done for the year, what do you think the impact from those two items will be? Are you looking at mix kind of a benefit of 100 bps and maybe product costs down like 200? And then as we start to think about next year, any reason to think you won't get the same benefit from mix in 2012 as 2011?

And on the cost side, it sounds like the way cotton is going to flow-through the P&L -- is that sort of net neutral cost in 2012?

Bob Shearer - *VF Corporation - SVP & CFO*

Well, that was a lot in there. I am going to try to touch on all those points, Mitch.

So relative to the full year, yes, what we said was the beginning of the year a little less than 100 basis points. Actually right now it looks like it's a little better than that. In other words, we were kind of guiding to something like 90 basis points and it looks like at the comparison the reduction could be a little bit less than that.

So, relative to mix, your questions on mix, yes, it's about 100 basis points. That is what it is and that is -- we started the year and we said that has been pretty consistent, that is what we have been seeing, and four 2011 it looks like, yes, there is going to be about 100 basis points of improvement coming from mix.

Let's see, you also talked about product costs I believe going into next year. Was that (multiple speakers)

Mitch Kummetz - *Robert W. Baird - Analyst*

Well, let me ask you this. So if mix is plus 100 bps this year any reason to think it couldn't be something similar next year, especially with Timberland full year?

Bob Shearer - *VF Corporation - SVP & CFO*

Well, as we said, when we laid out our five-year plans we indicated that mix would be a significant factor as we went forward and the overall improvement that we projected in terms of gross margin. So these large businesses continue to get larger and continue to grow at a faster pace, so we do expect that there will be some -- that the mix benefit will continue. Whether it's 100 basis points or not is a little hard to say, but it will be significant. Retail is a big component of that as well, so it will continue to be a significant factor as we go forward.

Mitch Kummetz - *Robert W. Baird - Analyst*

Got it. Then if mix is about 100 basis point benefit this year then costs would probably be something, 150 or so drag on this year, and that should dramatically improve next year I would assume, right?

Bob Shearer - *VF Corporation - SVP & CFO*

Yes. We always talk about this cost net of pricing, so cost net of price this year looks to be something like 170 basis points. So if our overall gross margin is down by 70, once again that is 170 cost net of price, it's 100 from mix and that is for the 70.

Mitch Kummetz - *Robert W. Baird - Analyst*

Okay. And then tax and interest expense on the fourth quarter?

Bob Shearer - *VF Corporation - SVP & CFO*

Cash and interest expense. Overall --

Mitch Kummetz - *Robert W. Baird - Analyst*

Tax.

Bob Shearer - *VF Corporation - SVP & CFO*

Oh, tax. Tax in the fourth quarter; let me answer the interest first. The interest in the fourth quarter will be up about $9 million. Obviously it's related to the financing for Timberland.

And by the way, just in terms of filling out the models, as we look to next year on a quarter-by-quarter basis it looks like interest will be up $7 million to $8 million per quarter. So hopefully that helps a little bit.

In terms of our overall tax rate in the fourth quarter, looks like just below 26%.

Mitch Kummetz - *Robert W. Baird - Analyst*

Okay, and then last question. Karl Heinz, consolidated spring backlog for Europe, or pre-books, however you want to talk about it?

Karl Heinz Salzburger - *VF Corporation - VP & Group President, International*

What I mentioned we don't really look at that way, Mitch. We look at brand by brand, but I can say that, as I mentioned in my press release, most of them are actually up, both in Europe and Asia.

Mitch Kummetz - *Robert W. Baird - Analyst*

Okay, great. Thank you. Good luck.

Operator

David Glick, Buckingham Research.

David Glick - *Buckingham Research - Analyst*

Good morning, congratulations on the quarter. Eric, just a question on price elasticity. You gave us some good color on the mass channel. I was just wondering, as you look at your business across your brands, and this is more of a North American question than globally, do you see a correlation as you kind of move up the price point ladder in distribution channels where price elasticity -- certainly have you seen the reaction to price increases more muted as you move up your brand ladder and distribution channels?

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Yes, David, in essence we have. Clearly, the shopper who shops primarily in the lower channels of distribution is the one who has the smallest amount of discretionary income and they are the most cautious and react the most to price increases. The other comment I would make is, as a general rule, where we have new products coming out with no pricing history those products are just judged based on the value they deliver. And a big part of our business across our channels has that.

Differentiated products tend to be able to get higher value. Where everyone, I think, is struggling the most is in carryover products where prices need to go up we are seeing the biggest push back. And that is true in all channels, those three core dynamics are true in all channels. Does that answer your question?

David Glick - *Buckingham Research - Analyst*

Mid-tier though where it is maybe not quite as price sensitive as the mass channel, but it looks like where you have taken a more gradual or moderate price increase strategy relative to your competition it looks like you are gaining share. I just wonder if that is a fairly accurate observation.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

Yes, we have said all throughout the course of the year that looking at our US jeans business we were going to have over 350 basis points of gross margin erosion, and we approached our pricing decisions strategically. We asked ourselves what is the right price point for this product to be at so that it's successful in the channel of distributive that it's in and how does it relate to the other styles that it sits next to.

And as Bob said in his comments, he thinks we have been pretty effective and smart about how we did that this year, which puts us in the path to next year where we have to make the same kinds of decisions as we approach the back half of the year where we know denim prices will be down.

The question there, as Scott mentioned earlier, is how much of the 350 basis points of gross margin erosion do we recover and how much do we reinvest strategically in our brands to continue the success? I have no doubt that our Jeanswear team will be just as effective at that next year as they were the past year.

Operator

That does conclude the question-and-answer session for today. I would like to turn the conference back over to Eric Wiseman for any additional or closing remarks.

Eric Wiseman - *VF Corporation - Chairman, President & CEO*

I just thank you all for your time and interest in our company. We think we have a lot of interesting things going on and our team is really executing well. See you next quarter.

Operator

That concludes today's conference. Ladies and gentlemen, we appreciate everyone's participation today.
