Greetings, and welcome to the Columbia Sportswear Company First Quarter 2017 Financial Results Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Ron Parham, Senior Director of Investor Relations and Corporate Communications. Thank you, Mr. Parham. You may begin.

Ronald A. Parham, Columbia Sportswear Company - Senior Director of IR and Corporate Communications

All right. Thanks, Bob. Good afternoon, and thanks for joining us to discuss Columbia Sportswear Company's record first quarter results and updated 2017 outlook. In addition to the earnings release, we furnished an 8-K containing a detailed CFO commentary explaining our results and the assumptions behind our full year outlook. The CFO commentary is also available on our Investor Relations website.

With me today on the call are Chairman of the Board, Gert Boyle; Chief Executive Officer, Tim Boyle; President and Chief Operating Officer, Bryan Timm; Executive Vice President of Finance and Chief Financial Officer, Tom Cusick; and Executive Vice President and Chief Administrative Officer, Peter Bragdon.

Gert will start us off, covering the safe harbor reminder.

Gertrude Boyle, Columbia Sportswear Company - Chairman of the Board

Thank you. This conference call will contain forward-looking statements regarding Columbia's business opportunities and anticipated result of operations. Please bear in mind that forward-looking information is subject to many risks and uncertainties, and actual results may differ materially from what is projected. Many of these risks and uncertainties are described in Columbia's annual report on Form 10-K and subsequent filing with the SEC. Forward-looking statements in this conference call are based on current expectations and beliefs, and we do not undertake any duty to update any of the forward-looking statements after the date of this conference call to conform the forward-looking statements to actual results or to change in our expectations.

Ronald A. Parham, Columbia Sportswear Company - Senior Director of IR and Corporate Communications

Thanks, Gert. I'll also to point out that during the call, we may reference constant currency net sales growth, which is a non-GAAP financial measure. A reconciliation of constant currency net sales to net sales as reported under U.S. GAAP can be found in the supplemental financial tables accompanying our press release, along with management's rationale for including this non-GAAP measure. Following our prepared remarks, as our operator indicated, we'll host a Q&A period, during which we'll limit each caller to 1 question and a follow-up so that we can get everyone in by the end of the hour.

I'll turn the call over to Tim.

Timothy P. Boyle, Columbia Sportswear Company - CEO and Director

Thanks, Ron. Welcome, everyone, and thanks for joining us this afternoon. Our record first quarter results represent a good start to 2017 against an environment that presents many challenges, especially in U.S. wholesale channels, where several more of our customers announced store closures, bankruptcies, or plans to restructure or liquidate. Despite these headwinds in the U.S., we believe global consumers will continue to be drawn to strong innovative brands. While each of our brands is affected to varying degrees by these structural changes, our strategies for addressing them are consistent, and include: partnering with strong wholesale customers and distributors in each geographic region, who are also committed to our brands and our growth strategies; segmenting our assortments and managing inventory carefully to maintain a healthy market, reducing the need for in-season
results from SOREL's wholesale customers are very encouraging, and we're excited about continuing to dewinterize SOREL's

The SOREL brand grew 50% in the historically small first quarter, including the successful launch of its expanded spring season assortment, featuring sandals and lightweight low-profile shoes that carry the unique SOREL-designed DNA. Early sell-through results from SOREL's wholesale customers are very encouraging, and we're excited about continuing to dewinterize SOREL's

These strategies are fueled by our strong balance sheet, which enables us to invest strategic in our brands, our people and our operations to drive growth, improve our competitive position, diversify to become less weather-sensitive, and drive greater return on invested capital. Our first quarter results and our outlook for the full year illustrate the power of our multibrand, multichannel diversified global business model.

Our Europe-direct business continued to produce outstanding sales growth during the first quarter, hosting another strong quarter of mid-teens growth, led by the Columbia brand. This growth was spread across our largest markets and included double-digit growth in our wholesale, brick-and-mortar and e-commerce channels.

On March 1, we successfully launched our in-house European Columbia and SOREL brand e-commerce business in 10 countries, transitioning from a previous third-party arrangement that had been in place since 2011. As we've emphasized before, e-commerce represents not only a strong sales and profit channel for us, but a very effective marketing vehicle that's able to deliver strong brand messages to millions of consumers. This transition represents an important component of the multichannel business we've built in our Europe-direct markets, positioning us to drive profitable growth across wholesale, brick-and-mortar and e-commerce channels, while leveraging the capabilities of our distribution facility in Cambrai, France.

Turning to our EMEA distributor business, advanced orders came in higher for the spring 2017 season, led by renewed growth in our Russian distributor. However, this delivery cadence of those increased orders shifted forward, benefiting the fourth quarter of 2016, resulting in a reported decline in the current quarter. We were pleased to see our spring business with our Russian distributor return to double-digit growth, and they are also planning double-digit growth with Columbia in fall 2017. Our long-term relationship is expanding to include installation of our newest Columbia brand, shop-in-shop fixtures in several of their stores in key markets in 2017.

The LAAP region grew 16% during the first quarter, reflecting increased spring advance orders, accentuated by favorable timing shift. Our China joint venture was the second largest contributor to first quarter LAAP growth, posting a low double-digit increase. The growth was driven by accelerated shipments to wholesale customers ahead of the ERP system go-live schedule to take place during Q2 and by increased direct-to-consumer sales. On a constant currency basis, sales in China increased at a high teen percentage rate.

Japan also contributed double-digit growth to the LAAP region, led by double-digit sales increases in its brick-and-mortar stores and e-commerce channels. Our business in Korea declined at a mid-single-digit rate during the first quarter, similar to the rate of decline that our updated outlook assumes for the full year. Escalated geopolitical tensions have recently caused a noticeable decline in tourism, adding more pressure to an already fragile consumer environment in Korea.

In the U.S., we're up against very difficult comparisons to last year's first quarter when extended cold weather drove 18% growth in our U.S. business, including even stronger performance by our e-commerce channel. While we are pleased with the low single-digit increase in our direct-to-consumer sales during the quarter, it did not fully offset a mid-single-digit decline in the wholesale channel resulting in a combined decline of 1% in our U.S. business. The low single-digit increase in U.S. direct-to-consumer sales was led by our outlet stores, partially offset by our e-commerce business, which was unable to match last year's weather-aided surge in demand.

On the U.S. wholesale front, the mid-single-digit decline was primarily a function of a handful of significant customers who closed doors, entered bankruptcy or are in the process of liquidating. By our account, roughly 800 doors that previously carried our brands have or are in the process of closing. Importantly, factoring out those store reductions, the balance of our U.S. wholesale business grew modestly.

As a result, fall 2017 advance orders from our U.S. wholesale customers came in below where we anticipated, leading to the 1% reduction in our full year expectations of sales compared with our February outlook.

Looking at the quarter from a global brand perspective, the Columbia brand grew 3%. Our spring Tested Tough marketing campaign centers on rainwear and our market-leading Performance Fishing Gear collection. PFG is more than just a component of our larger sportswear offering, it represents a $120 million franchise in the USA alone and over $130 million globally. PFG helps to differentiate and diversify the Columbia brand, compared with many of its core outdoor competitors. Our strength in PFG is one of the many ways that the Columbia brand has established year-round relevance with wholesale customers and consumers.

Columbia's year-round demand creation efforts also feature our 2017 Directors of Toughness, Mark Chase and Faith Briggs, who continue to put Columbia gear to the test in some of the most challenging conditions on the planet and share their adventure on social media channels.

On our last call in February, we told you that Season 2 of our Directors of Toughness campaign was off to great start, and it's only gotten better. Our most recent information shows that combined video views across YouTube, Facebook and Instagram have already quadrupled last year's totals and the campaign has driven more than 80 million impressions on Columbia's social channels alone.

The Directors of Toughness campaign is just one of the many social media marketing initiatives that are driving increased global exposure for the Columbia brand. Last month, we also launched the short film on the Ultra-Trail du Mont-Blanc, UTMB, trail running race sponsored by Columbia/Montrail. That has already attracted 1 million video views and generated nearly 30 million impressions. This poised to a strong momentum behind our brand and the Columbia/Montrail collections across the globe.

To help differentiate and clearly convey the Columbia brand at point-of-sale, our demand creation efforts also include rolling out updated Columbia-branded in-store environments in partnership with our leading wholesale customers and independent distributors, as well as in our own brick-and-mortar stores in the U.S., China, Canada, Europe, Japan and Korea. Our current plan calls for more than 300 such installations in 2017, with approximately 200 of those planned for the third quarter.

The SOREL brand grew 50% in the historically small first quarter, including the successful launch of its expanded spring season assortment, featuring sandals and lightweight low-profile shoes that carry the unique SOREL-designed DNA. Early sell-through results from SOREL's wholesale customers are very encouraging, and we're excited about continuing to dewinterize SOREL's
At prAna, a 7% sales decline was primarily a function of the challenging U.S. wholesale market, partially offset by growth in DTC sales. During the first quarter, women's and men's pants and swim lines were prAna's strongest performers for both its wholesale and direct-to-consumer channels. The prAna team is focused on expanding the brand's business with U.S. key sporting goods and specialty wholesale customers, while also working to improve its brick-and-mortar and e-commerce businesses.

At Mountain Hardware, the big news was our appointment of industry veteran Joe Vernachio in early April as the new brand president. Joe shares our vision of the brand's potential and has begun working with his team to execute our strategy to reinvigorate the brand around its rich heritage as a leading alpine climbing brand. We're encouraged to have Joe on board to lead the brand's rebuilding efforts from its headquarters in Richmond, California. Mountain Hardware sales increased 10% during the first quarter, driven by increased closeout sales to U.S. wholesale customers and through our own DTC channels. We continue to expect Mountain Hardware to post high single-digit sales decline for the full year.

Looking ahead to the balance of 2017, we're maintaining our full year outlook for up to 4% growth in net income and EPS, despite a slight reduction in our sales growth expectations from 4% to 3% since we issued our initial outlook in February. The slight reduction in top line expectations primarily reflects the incremental bankruptcies, liquidations and store closures that we've become aware of as well as a more cautious posture adopted by our U.S. wholesale customers since February. You can find more detail in our Q1 results and updated 2017 financial outlook in Tom's CFO commentary available on our website.

Over the past decade, we have successfully transformed the company into a multibrand, multichannel business. In order to build on our current momentum, we've engaged a leading consulting firm to help us explore where we can further improve by better organizing and aligning our resources against the most promising growth opportunities around the world. We believe that strong brands, a strong balance sheet and efficient operations are a powerful combination in any consumer environment, especially the one that we're experiencing today in the U.S. We see multiple growth opportunities by brand, region and channel, and intend to use all of our competitive weapons to pursue them. We're very confident in our ability to fuel growth across our brand portfolio, expand gross margins, increase demand creation and enhance our profitability over the long term. That concludes my prepared remarks.

Operator, could you help us field some questions?

QUESTIONS AND ANSWERS

Answer – Operator: (Operator Instructions) Our first question comes from the line of Bob Drbul with Guggenheim Securities.

Answer – Robert Scott Drbul: Tim, I was wondering if you could just elaborate a little bit about the change in revenue, the retailer response, and do you think that, that's a competitive issue? Or do you think most of your peers have felt that same amount of pressure or just reduction over the last few months in terms of orders? And then second question is essentially as you look at your DTC business, the components of it and the plan over the remaining quarters, can you just talk about how you have that planned more on a comp store sales basis and profits in the guidance that you've provided, the updated guidance today?

Answer – Timothy P. Boyle: Certainly. Well, as we said during the scripted comments, we've lost about 800 doors that sell Columbia products in the U.S. And the remaining customers have become stronger in many cases, but cautious in terms of how they're approaching, specifically, winter merchandise. So I don't think we're -- in fact, I know we're gaining market share across our customer base in the U.S. But while our retailers are cautious, they've all seen traffic reductions and diminished traffic -- foot traffic in their stores, and they're all taking a very cautious approach to the business, as are we. We keep a very strong thumb on our customer base to know how they are performing and we're not -- we want to make sure that we don't promise growth that would require us to make bold and maybe inappropriate credit extension decisions in terms of how we go forward on the wholesale business. So we're being cautious. We're being strongly supportive of our strong customers using our balance sheet. But we don't want to be having to make crazy decisions as it relates to credit extension. As it relates to DTC, I mean, as you I remember, we're not a retail business; we're primarily a wholesale business. And so we don't report the typical metrics that a retailer would promote -- would provide, but we do feel comfortable that we've got the metrics in place to be able to fulfill the guidance that we gave you today.

Answer – Thomas B. Cusick: And Bob, this is Tom. Maybe just to add a little more color. The U.S. DTC business is planned to drive a majority of our growth this year. If you break that business down between e-commerce and our brick-and-mortar business, we're planning the e-commerce growth rate at a lower rate this year than we did last. We added 7 -- on the brick-and-mortar side, we added 7 stores to the business last year. We're planning for 13 this year. We've got all but one of those leases signed. And when you look at just the breakdown of that brick-and-mortar business, the new store growth is outpacing the comp store contribution to growth in a significant way, like 3:1. So hopefully, that provides some color on level of conservativeness or aggressiveness, however you perceive it relative to our DTC projections.

Answer – Operator: Our next question comes from the line of Camilo Lyon with Canaccord Genuity.

Answer – Camilo R. Lyon: Just going back to the U.S. wholesale piece. As you've gotten more information, more color about the closures that are unfolding, are you seeing any of that consumer demand flow to the remaining stronger partners in the channel? And if you could just speak to which channels you're feeling that the biggest brunt of that caution.

Answer – Timothy P. Boyle: Certainly. Well, we have a quite broad business in the U.S., with customers running the gamut from specialty stores all the way to department stores and other retailers who sell apparel, especially winter apparel. And I would say that most of the customers are slightly cautious about how winter has dealt them the business cards for the last couple of years as well as the reduced traffic that they're seeing, foot traffic in the stores and competition from online retailers, et cetera. So I think, in general, the cautious manner is sort of spread across all these points of sales.

Answer – Camilo R. Lyon: Okay. So it's more of a function of how the prior winters have preceded versus incremental door closures. I'm just trying to isolate what's the biggest change here from 90 days ago.

Answer – Timothy P. Boyle: Well, I would say the expectation, frankly, that we have that we were going to have more customers in business versus 90 days ago. So we've had some bankruptcies announced that weren't contemplated in our business plan for this year. And so that's been the primary reason. So I would say that's the primary, but there is caution from brick-and-mortar retailers in terms of how their traffic patterns are being impacted by online retailers of all types of products.

Answer – Camilo R. Lyon: And then just a follow up on that point on the bankruptcies. Are there others that you are anticipating...
Answer – Timothy P. Boyle: Well, we don't want to specifically target anyone of our customers, but we also don’t want to be in a position where we have to make crazy credit decisions because we've told you that we're going to be irresponsible. So we feel that we do a great job of extending credit. We want to make sure that we continue that reputation.

Answer – Operator: Our next question comes from the line of Lindsay Drucker Mann with Goldman Sachs.

Answer – Lindsay Drucker Mann: I wanted to start with just 2 quick kind of housekeeping questions. The first is, how much did the timing shift, I think you called out in China, impact revenue? And the second is whether you can tell us how much shifting e-commerce in-house. I think you said that was for -- in EMEA. How -- what kind of revenue or profit impact that might have?

Answer – Thomas B. Cusick: Yes, I would say -- Lindsay, this is Tom. On a combined basis, we’re talking a mid-single-digit millions of dollar type of number combined for those 2 businesses in the quarter.

Answer – Lindsay Drucker Mann: That was the impact of the timing shift ahead of ERP?

Answer – Thomas B. Cusick: In the ERP for -- in China, yes. And did you also have a question with regard to the e-comm coming in-house in Europe?

Answer – Lindsay Drucker Mann: Yes. So maybe could you separate those, Tom?

Answer – Thomas B. Cusick: Yes, that was in our plan. So that really didn't have any significant impact on top line or earnings relative to our plan 90 days ago.

Answer – Timothy P. Boyle: Yes, Lindsay, just to follow on Tom's comments. The -- simply as it relates to EMEA e-comm business coming in-house, I mean, we have an enormous investment in infrastructure in Europe, and this will allow us to leverage that. The prior third-party facility had taken a high commission rate, and we couldn't utilize our own distribution center nor the call center space that we have in Strasbourg. So this gives us really an opportunity to leverage the business. And then, as we’ve said many times before, we believe e-comm is a tremendous asset for the business as it relates to not only providing revenue and profitability, but also great marketing messages for those visitors that come and look at the site and get a great marketing message and then hopefully buy the product somewhere else or at another time. So I think e-comm over the long term in Europe will be a very strong asset for the company.

Answer – Lindsay Drucker Mann: Got it. And then just shifting over to inventories. Exiting 2015 with the disappointing weather, there were some inventory imbalances and you guys had some product that you were holding on your balance sheet. It's nice to see inventories come down year-over-year, but I know there's probably some noise in the base. So I was wondering if you could talk, first of all, about maybe characterizing your inventory position today. And then, secondly, as we look to the back half of the year, now that you're dealing with a weaker wholesale orders than what you had planned, how are you thinking about managing inventories to keep product clean, to keep the positioning clean exiting the 2017 winter season? In other words, should we be thinking about accelerated markdowns kind of earlier in the season since you've probably ordered ahead of what end demand might look like?

Answer – Thomas B. Cusick: Lindsay, this is Tom. I'll start with this and then I'll let Tim talk about the liquidations side of the equation as it relates to the second half. But looking at inventories, down 3% exiting March. We're expecting inventory to comp down in Q2 and Q3 of this year. We bought relatively light for the fall. Our turns aren't where we want them to be, at 2.4x. So we've got inventory, to the extent more demand comes then we've got planned, to service some of that demand. But relatively speaking, our inventories are in a pretty good shape relative to where they've been at this time a year or 2 ago.

Answer – Timothy P. Boyle: Yes, Lindsay, and if you remember coming out of 2016, we carried our inventories over to utilizing our factory outlet business. That gives us a much higher yield, frankly, than we would get in the off-price channel, especially last year where the off-price channel was much more fully blocked than they are this year. But we get 0 return, for all intents and purposes, on our cash. So we'd rather have the asset -- I mean, inventory to allow us to keep the stores full. So when we look at 2017, and let's assume we have a normal weather to even, hopefully the possibility of a better weather year, we may not have a significantly higher top line, but our gross margin yield on the inventory will be much higher.

Answer – Lindsay Drucker Mann: But I guess, just to clarify. So then under normal weather, would that then imply that your wholesale sales in the U.S. are ahead of what your guidance is? Because as of last quarter, you were looking for wholesale revenues up low single, now you're looking for them down mid-single. That's a pretty big change and that's, I guess, what my question is about. Should we be thinking about excess inventory exiting this winter since you probably bought to higher demand. Are you saying that under a normal weather, we should do better than that down mid-singles?

Answer – Timothy P. Boyle: No, I think you'll see our inventories comp down in June and September. So we bought relatively tight and we're buying every couple of weeks so as the forecast compressed, we were adjusting our buy plan throughout the quarter.

Answer – Operator: Our next question comes from the line of Susan Anderson with FBR.


Question – Susan Kay Anderson: Maybe just to give some more color on the footwear business, some nice growth there. It looks like SOREL has some good growth. Was a lot of that coming mainly from U.S. in the SOREL brand? Or also, international, maybe if you could just parcel that out.

Answer – Thomas B. Cusick: Yes, it was a combination. I mean, SOREL, we pointed out because the focus really is to try and dewinterize that brand as much as possible. So we had a successful, really, launch for all intents and purposes on our spring business. And we wanted to make sure that we emphasize the importance there. But we also had closeout inventory that flowed through the quarter for SOREL, and then we had good solid performance through our international business on the Columbia side.

Question – Susan Kay Anderson: Got it. So you saw a pretty good response from the new SOREL spring footwear line then?

Answer – Thomas B. Cusick: Yes. I mean, it's -- for a brand that, just a few years ago, was considered a men's workwear brand, winter clothing only -- for winter use only. It's been quite dramatic in terms of how we've -- the SOREL team has been able to really
convert that into a very fashionable women's footwear line. It's been successful in the spring.

**Question — Susan Kay Anderson:** Got it. And then on the price increases that you guys mentioned, is that still just related to international and just trying to offset FX there, or you're also taking some select price increases in the U.S.?

**Answer — Timothy P. Boyle:** I would say that's probably more heavily weighted to the international businesses. And then there's another component there that's really a function of average unit retail growing at a faster rate than average unit cost. So when you look at the aggregate product mix that there is that component as well.

**Answer — Operator:** Our next question comes from the line of Mitch Kummertz with B. Riley.

**Analyst:** Mitchel John Kummertz, B. Riley & Co., LLC, Research Division - Senior Analyst

**Question — Mitchel John Kummertz:** Tom, first question. I may have missed this in your CFO commentary that you guys put out, but are you updating your 2017 sales guidance by brand?

**Answer — Thomas B. Cusick:** Was that in my commentary?

**Question — Mitchel John Kummertz:** Well, I didn't see it in the commentary. I know that when you guys reported the fourth quarter, you gave sales guidance by region and brand. And I didn't see anything by brand this time around. I was wondering if something has changed.

**Answer — Thomas B. Cusick:** Yes. Mitch it's actually in there.

**Question — Mitchel John Kummertz:** What is -- okay, I'm sorry. And then on the -- on your -- I think in the past, you guys -- you have talked in particular about kind of assuming normal weather. I'm guessing that's still holds. When you think about that from a kind of reorder/cancellation standpoint, I would guess that 2016 was unfavorable. Like what kind of pickup is assumed there if we have normal weather? I mean, is there any way you can kind of quantify that in terms of a percentage or a dollar, just to give us kind of a gauge as to kind of what you're looking for?

**Answer — Thomas B. Cusick:** So I'll answer your first question first and then come back to your second question. So your assumption is correct that the net cancel actualized for fall '16 was unfavorable to normal times and that our '17 plan contemplates normal winter weather patterns. So we're planning a lower net cancel this year than what actually actualized in 2016. And then in terms of quantifying what that upside is, that's pretty difficult to do. I would ask you to go back and look at what Q4 results look like in prior periods relative to our outlooks dating back to 2011 and even '12.

**Answer — Operator:** Our next question comes from the line of Jon Komp with Robert W. Baird.

**Analyst:** Jonathan Robert Komp, Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst

**Question — Jonathan Robert Komp:** I want to ask about the SG&A outlook, and I think implied in the guidance is lower SG&A dollar growth in the back half. I think, previously, you'd pointed to more deleverage in the first half than the second half, but it was more tied to the revenue growth. And now revenue growth is assumed similar for both the first half and second half. So could you just talk about maybe the cadence of the SG&A growth? And then relatedly on the review of the business, clearly, you must think there's some opportunity there. And with the review having started, could you just maybe give a little more detail on what's being looked at and maybe time line on when you think there might be some results?

**Answer — Thomas B. Cusick:** Yes. So I'll take the first part of that. As it relates to the first half, back half SG&A cadence, I'd say we'll continue to manage the cost side of the equation very diligently. So that's factored in. And then we've got slightly more currency translation benefit in the second half than we do in the first half, just based on currency assumptions and where those costs are incurred around the world.

**Answer — Timothy P. Boyle:** Yes. And then just, Jon, to finish up on that, just based on the discussion about our project we have ongoing. The company, by almost any measure, is enormously successful and has built a very, very strong balance sheet. And we believe that we've got terrific opportunities behind -- in front of us really for every brand we -- that we currently own. And the intention is to make sure that we're structured properly to be able to take advantage of what we know is available to us. So we have legacy costs built out through the business that need to be observed and rightsized and then put that money towards increased demand creation as well as increased profitability. So we're not far enough into it to be able to give you any kind of delineated numbers, but clearly, we believe there's significant opportunity for the company on the go-forward basis.

**Answer — Thomas B. Cusick:** And maybe just to be clear on that. So there's no cost or benefits that are included in our outlook associated with any of those activities.

**Answer — Operator:** Our next question comes from the line of Jay Sole with Morgan Stanley.

**Answer — Jay Daniel Sole:** Great. Can you talk about, as you look into second half of the year, what's coming from a product standpoint, that has you excited? Is there any new technologies, like an Omniheat or a Turbo Down that's coming, or any new other platforms that you'll be bringing to retail?

**Answer — Timothy P. Boyle:** Are you talking about fall '17, right? So after rewind, because we're in the process of beginning to sell fall '18, so we're -- I have to rewind. But yes, basically, I would say the leading candidate for exciting potential lift is how we've expanded the use of our OutDry Extreme technology into multiple kinds of products, including handwear, gloves and footwear. And it's really a revolutionary product that -- it was noted in recent edition of Outside Magazine. It was one of the top 40 products ever made in the last 40 years. We were right up there with duct tape and Swiss Army knives. So we're excited about it. And that's, I think, going to be probably the leading new innovation that's going to be spread across our product lines. It may not be the highest single volume item, but it's certainly going to separate us from our competitors in terms of how to stay warm, dry, cool and protected.

**Answer — Jay Daniel Sole:** Okay, great. And then maybe if I can ask about the rewards program. I just -- maybe it's just on social media, I see more of it. But can you just talk about what percentage of customers are on the program right now? And what kind of growth you've seen in the rewards program over the last stretch of time?
Answer – Timothy P. Boyle: Right. The rewards program is a loyalty program for customers who visit our sites and are repeat purchasers. And again, we don't consider ourselves to be a retailer, so we don't report on the typical measurement points that a retailer would tell investors. But I can tell you it's been successful and we think there's more opportunity there for us.

Answer – Operator: Our next question comes from the line of Laurent Vasilesescu with Macquarie.

Analyst: Laurent Andre Vasilesescu, Macquarie Research - Consumer Analyst

Question – Laurent Andre Vasilesescu: In the CFO commentary, it outlines that annual sales will be more heavily weighted to the fall season. So factoring this comment, the first quarter revenue result of 4% and the full year guide of 3% growth, is it fair to assume that the second quarter revenues could be flat to slightly up 1%?

Answer – Thomas B. Cusick: Yes, we're trying to stay away from specific quarterly guidance, but we are planning for the Q2 revenue to be positive.

Answer – Timothy P. Boyle: And Q2 is our, seasonally, our lowest volume quarter of the year, representing 15% or 16% of sales and our distributor shipments straddle from mid-June to mid-July. So they straddle that quarter and can impact growth rates one way or the other in that Q2. But as we see the quarter today, we're planning for growth in the second quarter.

Question – Laurent Andre Vasilesescu: Okay, very helpful. And then as a follow-up, it sounds like the majority of your global revenue growth will come from the U.S. DTC business this year. With less visibility in DTC business, as opposed to wholesale business, what gives you the confidence that the U.S. DTC business will grow low double-digits year-over-year, outlined in the CFO commentary, versus the first quarter mid-single-digit growth you saw in this channel?

Answer – Timothy P. Boyle: Well, as we said the company has a collection of very powerful brands that are in demand by consumers. And so we want to make sure that those are available to consumers wherever they shop. Our preference [roughly] would be to have that product sold through our wholesale partners. And as we said, the bulk of it is. But the demand will be there, we believe, based on the comprehensive marketing plans that we've laid for the balance of the year and the strength of the brands themselves.

Answer – Thomas B. Cusick: Laurent, this is Tom. In Q1 '17, we're comping against what I believe is a high teen U.S. DTC growth rate in the first quarter of 2016. So it's clearly the most difficult comparison quarter we're going to have this year.

Answer – Operator: Our next question comes from the line of Christian Buss with Crédit Suisse.

Analyst: Christian Roland Buss, Crédit Suisse AG, Research Division - United States Research Analyst on Apparel, Footwear and Softlines

Question – Christian Roland Buss: Yes. I was wondering if you could talk a little bit big picture about how you're thinking about the evolution of your business in light of the challenges that some of your brick-and-mortar partners are seeing. What's the solution to that challenge over the long term?

Answer – Timothy P. Boyle: Okay. I missed one word out of your question, so I think you're asking is how do we expect the business over the long term to change?

Question – Christian Roland Buss: Looking, specifically, at the brick-and-mortar partners that you currently have and the challenges that they're facing, what's the response to that to allow you to grow in a healthy way?

Answer – Timothy P. Boyle: Well, clearly, the reduction in the total number of doors in the U.S. -- and by the way, I think this is -- our discussions here have been primarily talking about the U.S. businesses. We don't see the kind of dramatic changes in other geographies. But speaking specifically in the U.S., which, by many measures, have been over stored. The stronger retailers, brick-and-mortar retailers, who have strong balance sheets and run great operations are going to be reaping the rewards of the reduced competition, frankly. So there will be competition for brick-and-mortar stores by online retailers, but the bulk of our strong brick-and-mortar stores also have, if not, launched plans, then plans to be -- become stronger in the e-comm business. So I'm convinced that the strong retailers are going to be thriving in the U.S., but they'll also have to make sure that they adapt to the changing consumer demand.

Question – Christian Roland Buss: Can I ask a follow-up question about Mountain Hardwear? Could you give us some understanding of what the time line is for changes within that business, given the leadership change?

Answer – Timothy P. Boyle: Sure. Well, as we said Joe Vernachio, who's really an industry veteran. He's worked in the outdoor businesses in very large companies as well as small, more niched companies. He's laid out a time line that we've discussed, and basically approved, which is going to take some period of time. It's not an overnight change. We have to win back dealers who have been disappointed with the company's product, not with the brand's reputation, but with the company's products over the last several seasons. So that will take some time. But frankly, I'm expecting a real change as soon as fall 2018, in terms of the product offering, now whether or not we get uptick from our dealers and whether we convince them right away that will be to be seen, but I know the line will improve by fall '18.

Answer – Operator: Our next question comes from the line of Andrew Burns with D.A. Davidson.

Analyst: Andrew Shuler Burns, D.A. Davidson & Co., Research Division - VP and Senior Research Analyst

Question – Andrew Shuler Burns: If you look at the updated guidance by region and brand, a couple of questions. PrAna seems to be the one with the large -- the brand with the largest downtick in growth guidance. Is that just a function of what doors are closing within the wholesale partners? Or is there anything brand-specific related to that revision? And then the EMEA outlook actually improved. Is that what you've seen so far this year or did the order book perhaps come in a bit ahead? What was the fundamental driver there?

Answer – Timothy P. Boyle: Well, yes, speaking specifically about PrAna, if you remember, that it's primarily a U.S.A. business and was much more impacted than the other brands by the store closures. So as it relates to Q1, that was the biggest single impact. When you're asking about the EMEA, are you talking about PrAna EMEA or Columbia?
The region total growth guidance went from low single. I think, this time, it looks like it's mid-single.

Yes, Europe-direct business, frankly, is one of the shining stars for the company. As you might remember, the company struggled there over the past several years. And our team there, led by Franco Fogliato and his folks there, have really been diligent about the control of the costs, about expanding the distribution of the product to large focused retailers. And I think, together with the increase in our e-commerce reach and breadth, because we're doing it ourselves, will allow us to really start to begin to get that business fully formatted. We still have a long ways to go to get it to average of the business profitability, but there is a distinct path forward that we're working on.

Our next question comes from the line of John Kernan with Cowen and Company.

Yes, so we're really not guiding beyond 2017. I think if you look at our recent historical CapEx spend over the last few years that, that's probably a pretty good indicator based on how we're thinking about the future sitting here today.

Our next question comes from the line of Christopher Svezia with Wedbush.

I think you basically have it right. Let me just speak to the channel inventories. I think they're improved over this period in 2016. We've had -- we had a poor weather year prior to Christmas. But I think since Christmas as we all know, it's been tough weather for those who needed winter boots. It was good if you're selling winter boots. And so our customers I think are much cleaner. And we've also had less liquidation activity in the -- by manufacturers to the off-price channels. So I think, if I characterize the channel being all the way from existing retailers that sell this kind of merchandise -- weather-sensitive merchandise to the off-price channel, I think everybody is in better shape than they were last year at this time. And I would say, looking forward, retailers were very cautious in terms of how they approach these weather-sensitive categories of merchandise. So that was also a drag on our order book. So I would expect that, assuming we get typical cancel rates and typical reorder rates, which tend to basically balance themselves out, they really will be a function of how early the weather shows up for the balance of the year.

Our next question comes from the line of Andrew Shuler Burns with Cowen and Company.

Yes, so we've got a couple of things going on in Korea, frankly. The outdoor business, in general, which was enormously strong and became the world's -- outdoor brands all moved to Korea simultaneously it seemed, overexpended quite dramatically. And then that kind of business became less popular. Those kinds of products, especially heavy insulated products became less popular, and then we have the issue with the neighbor to the north impacting consumer mood there. We have the issue of the political stabilization of the ruling government there as well as Chinese prohibition of tourism travel to South Korea. So there's a number of things going on there. Virtually, all of them are outside our control. So it's a strong economy, and -- but we just have to make sure that -- this is another reason for having a strong balance sheet. When you have issues like this that are outside of the company's control. At least, we have a balance sheet to be able to keep us in the business.
and be a survivor.

**Answer – Operator:** We have a follow-up question coming from Lindsay Drucker Mann with Goldman Sachs.

**Answer – Lindsay Drucker Mann:** I wanted to ask on, historically, you have been opportunistic with M&A, and given some of the dislocation in the market more recently, I was curious how you were thinking about the pipeline of deals and what your approach is going forward?

**Answer – Timothy P. Boyle:** Well, thanks, Lindsay. I wanted to make sure we answered all the questions. I wasn't sure that we got everyone of you. So -- well, as you know, we never really comment on M&A activity. And I guess, I would answer the standard method that we have made acquisitions in the past. We believe that the least risk, highest return for the company is to continue to improve what we already have and focus on continuous improvement, all of it, the consultant study that we have ongoing in the business today. That having been said, we have a balance sheet, you get phone calls. And so I guess, I would leave it at that.

**Answer – Lindsay Drucker Mann:** How would you rate the pipeline today versus a year or 2 ago?

**Answer – Timothy P. Boyle:** Well, I guess, the way I'd answer that is to say, we've never considered ourselves to be an acquisitive company. We've made acquisitions. But companies in our space that suggested that's what they do have not made any acquisitions. So I guess, that's how I'd answer that.

**Answer – Operator:** (Operator Instructions) There are no further questions at this time. I'd like to turn the floor back to management for closing comments.

**Answer – Timothy P. Boyle:** Well, great. Well, thank you all for listening in. We appreciate it, and we look forward to talking to you in about 90 days.

**Answer – Operator:** This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.