PARTICIPANTS

Corporate Participants

Ron Parham – Senior Director-Investor Relations & Corporate Communications, Columbia Sportswear Co.
Gertrude Boyle – Chairman, Columbia Sportswear Co.
Timothy P. Boyle – Chief Executive Officer & Director, Columbia Sportswear Co.
Thomas B. Cusick – Executive Vice President of Finance, Chief Financial Officer & Treasurer, Columbia Sportswear Co.

Other Participants

Robert Drbul – Analyst, Guggenheim Securities LLC
Camilo Lyon – Analyst, Canaccord Genuity, Inc.
Mitch Kummetz – Analyst, B. Riley & Co. LLC
Jonathan R. Komp – Analyst, Robert W. Baird & Co., Inc.
Lindsay Drucker Mann – Analyst, Goldman Sachs & Co.
Andrew S. Burns – Analyst, D. A. Davidson & Co.
Jim Duffy – Analyst, Stifel, Nicolaus & Co., Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Columbia Sportswear four quarter and fiscal year 2016 financial results conference call. [Operator Instructions]

As a reminder this conference is being recorded. It is now my pleasure to introduce your host, Ron Parham, Director of Investor Relations and Corporate Communications. Thank you, Mr. Parham. You may begin.

Ron Parham, Senior Director-Investor Relations & Corporate Communications

All right. Thanks, Bob. Good afternoon and thanks for joining us to discuss Columbia Sportswear Company's record fourth quarter and full year 2016 financial results and our initial 2017 outlook. In addition to the earnings release, we furnished an 8-K containing a detailed CFO commentary explaining our historical results and the assumptions behind our outlook. The CFO commentary is 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. And I will say at the start here, about half of the team is fighting a cold. So apologies in advance if some of the voices are a bit rough.

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

Gertrude Boyle, Chairman

Good afternoon. This conference call will contain forward-looking statements regarding Columbia's business opportunities and anticipated results of operation. 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 on subsequent filing with the SEC. Forward looking statements in this conference call are based on our 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 [ph] demands (2:15) in our expectations. [ph] Thank you (2:18).

Ron Parham, Senior Director-Investor Relations & Corporate Communications

All right. Thanks, Gert. I'd also like to point out that during the call we'll reference constant currency net sales growth which is a non GAAP financial measure. You'll find a reconciliation of constant currency net sales, the net sales as reported under U.S. GAAP, in the supplemental financial tables of the company, our earnings release along with an explanation of managements rationale for including this non-GAAP measure.

Now, I'll turn the call over to Tim.

Timothy P. Boyle, Chief Executive Officer & Director

Thanks, Ron. Welcome, everyone and thanks for joining us this afternoon. 2016 marked Columbia Sportswear Company's third consecutive year of record sales and our second consecutive year of record operating income and record net income. These results were driven by record gross profit margins, up 60 basis points to 46.7% despite 100 basis points of headwinds from foreign currency.

In addition, we improved our operating margin to 10.8% to 10.7% last year. Our third consecutive year of improved profitability during which we've expanded operating margin by a total of 300 basis points, despite significant foreign currency headwinds. Inventory levels are in good shape, ending the year up 3%, comparable to the sales growth implied in our full year 2017 outlook.

In 2016, we generated record cash from operations of $275 million and returned key profitability measures to levels that are in line with our peers.

We are especially proud of these accomplishments because they were achieved despite unique challenges in several of our largest markets, specifically Korea, Russia, and our North American wholesale business where wholesale customers' bankruptcies, and unseasonable weather had a significant impact.

While those markets were challenged, our team in Europe maintained the momentum they created in 2015 to produce a second consecutive year of 20% plus constant currency sales growth and returned our Europe direct business to operating profitability in 2016.

Another bright spot was our global sales through our direct-to-consumer channels which grew more than 10% and represented 37% of global sales in 2016 up from 34% in 2015. Within that, our combined global ecommerce business grew more than 20% to approximately $220 million which represented more than 9% of global sales for the year.

We will soon be bringing our European Columbia and SOREL brand ecommerce businesses in-house to service ten European countries from the prior third party provider. This change will help drive a superior brand connection and consumer experience, and grow sales with an expanded product offering, while leveraging our existing physical distribution infrastructure.

Our outstanding 2016 results demonstrate our ability to navigate a wide variety of market conditions by capitalizing on the strengths of our brand, leveraging our operating platforms and prioritizing our investments to drive continued profitable growth across our diverse global business while maintaining a strong balance sheet.

Our first priority is to invest in our brands. That includes a continual flow of new, innovative products and demand creation initiatives intended to strengthen consumers' emotional connections with our brands.

On the product front during 2016, Columbia's position as a leading outdoor innovator was reinforced by major industry publications and influencers and we're off to another strong start in 2017. At last month's Outdoor Retailer trade show, Columbia's patent pending OutDry Extreme Eco technology received recognition from leading media.

Backpacker Magazine gave it their Editor's Choice Green Award. Men's Health honored the OutDry Extreme Eco down jacket, and Digital Trends highlighted the OutDry Extreme mobile jacket for eco-conscious design and high performance.

In addition, OutDry Extreme Eco won REI's inaugural Root Award created to highlight their pick for the year's most innovative responsibly designed new product.

As a reminder, OutDry Extreme Eco represents the most functional performance raingear with the least impact on the environment. We don't use any PFCs in its construction, we use non-dyed materials, saving 13 gallons of water per garment, and it's made of materials that are byproducts of recycled plastic water bottles.

Our Eco marketing campaign with REI featuring a partnership with hip hop artist Macklemore, drove over 40 million impressions and numerous placements in major publications. Along with our key wholesale partners, we will drive consumer awareness of this innovative technology as we approach the spring and early summer months when raingear sales hit their annual peak.

Underpinning all our marketing efforts behind the Columbia brand, is the Tested Tough brand platform, which is now in its second year of global penetration across the roughly 100 countries where Columbia's products are sold. The Tested Tough campaign's core message, that Columbia helps people enjoy the outdoors longer, is resonating with an expanding range of consumers.

The growth of Tested Tough social engagement metrics continued to outpace our outdoor competitors on Instagram and YouTube and the media impressions resulting from our PR efforts more than doubled in 2016 to an all time high for the Columbia brand.

Over the past year, we've executed several additional marketing initiatives that elevated the Columbia brand in key markets around the globe. Two examples are, the Columbia brand partnership with Manchester United that hit the market in September and Columbia/Montrail serving as the presenting sponsor of The Annual Ultra-Trail du Mont-Blanc or UTMB. In fact, UTMB was a multi-brand event for us with Mountain Hardwear serving as the ultra partner for equipment and OutDry serving as the official technology partner, those two brand associations are playing an important role in elevating our brands globally.

As you might remember, each year Columbia hires two adventurous individuals to travel the world testing Columbia gear in some of the most challenging conditions on the planet and documenting their experiences for social media. Columbia's first Directors of Toughness, Zach Doleac and Lauren Steele, completed their adventures during 2016. Based on the success of that first year, we increased the duration of the job from 6 to 9 months and expanded the applicant pool beyond the U.S. to include Canada and the U.K.

From the nearly 6,000 applicants, Mark Chase, a former professional rugby player from the UK, and Faith Briggs, a runner and documentary filmmaker from Brooklyn, were selected as this year's Directors of Toughness. Mark and Faith began their nine month journey around the globe with a visit to Manchester United's famous football pitch, where they were greeted by legendary Manchester United fullback Denis Irwin.

Denis accompanied Mark and Faith on the first leg of their journey to Iceland, where they put their Columbia gear to the test hiking across glaciers and inside glacial ice caves. That was just the beginning of testing Columbia's newest gear for Mark and Faith.

Although still early in season two, this year's Directors of Toughness campaign has already more than doubled the social media results of season one, driving more than 200 million editorial impressions and millions of views on YouTube, Facebook, and Instagram. Overall, our Directors of Toughness campaign is driving nearly 1 billion annual media impressions.

Last quarter, we announced our plan to deploy enhanced in-store environments with key wholesale partners around the globe. We completed the first wave of installations during the fourth quarter, with current plans to rollout approximately 200 additional sites during 2017.

Finally, I want to highlight Columbia's creative partnership with Disney's Star Wars franchise, in which Columbia was the exclusive designer and distributor of a limited collection of Rogue One inspired apparel. The collection launched in tandem with the movie's debut on December 8, drawing long lines outside of Columbia's branded retail stores across the country, and driving significant traffic increases at our columbia.com eComm site.

The Rogue One project attracted favorable media coverage in The Wall Street Journal, Women'sWearDaily.com, Good Morning America, among many others, resulting in nearly 500 million media impressions.

The variety and breadth of these brand partnerships illustrate the versatility of the Columbia brand. We believe each of these programs, along with many others that we continue to identify and execute, resonate with Columbia consumers and align with consumer trends towards assessable performance outdoor products.

Columbia's 2% global sales growth in 2016 consisted of 4% growth in North America, more than 20% growth in Europe direct markets, high single digit constant currency growth in China, and low single digit constant currency growth in Japan. Offset by double-digit declines in Korea, LAAP distributor markets, and Russia, each of which faced distinct challenges that we've discussed in previous quarters. Our 2017 outlook anticipates mid-single digit constant currency sales growth from the Columbia brand, with all four geographic regions contributing.

SOREL, our second largest brand, remains the most cold-weather-sensitive of our four brands, although we're making steady progress establishing SOREL's spring and fall fashion assortments. SOREL's sales grew 2% in 2016, on top of 26% growth in 2015. Sales declined 1% in the fourth quarter against 14% growth in last year's fourth quarter, primarily due to the late arrival of winter weather, which led to higher cancellations of advance wholesale orders and less than planned DTC sales.

Our SOREL team took an important step towards de-winterizing the business during 2016 with the successful pilot launch of a spring line in partnership with Nordstrom.

Looking ahead to 2017, we're optimistic that SOREL's spring line will be another successful step towards making SOREL a year-round brand.Last month, SOREL began a full scale spring 2017 launch in partnership with wholesale customers representing nearly 800 doors across North America.

Two weeks ago in Park City, SOREL leveraged the popularity of its fall and winter styles to showcase its spring assortment with thousands of A-list celebrities, influential style bloggers, and other attendees who were in town for the annual Sundance Film Festival.

The spring line is beginning to resonate with consumers who already love the SOREL brand and are seeking more opportunities to wear it throughout the year, as well as with consumers who are still just discovering the brand. As SOREL begins to prove its year-round relevance, we will capitalize on its long-term global opportunity.

Despite the challenging North American wholesale backdrop, we expect SOREL to return to healthy low double-digit sales growth in 2017, with the bulk of that growth coming in the second half, led by its lighter weight fall fashion styles, led by the Lea Wedge, Addington, and Out-N-About collections.

The prAna brand grew 12% in 2016 to $140 million, its sixth consecutive year of double-digit growth despite the negative impacts of U.S. wholesale bankruptcies during 2016. During the year, prAna's growth was fueled by the launch of an expanded swimwear line and, as a testament to its dual gender appeal, its men's yoga, fitness and lifestyle business grew faster than its women's business.

Our product team is working hard to increase consumer awareness, enhance in-store brand presentation and deliver more segmented assortments. Overall, we expect another year of low double-digit growth from prAna in 2017.

Earlier this week prAna became aware of a potential cyber security incident involving its eCommerce website prana.com. We immediately launched an investigation and engaged a leading third-party cyber security firm to assist us. Protecting our customers' information is one of our top priorities and we are taking this very seriously.

Until the investigation is completed, it's difficult to characterize the scope or nature of the potential incident, but we are working vigilantly to address this issue. It's important to point out that this potential incident is limited to prAna's separately managed eCommerce site and does not involve any of our other branded websites.

At Mountain Hardwear, our search for a new brand president is nearing conclusion, while our team in Richmond has continued along the strategic path to reposition the brand and reengineer its product direction.

Mountain Hardware's wholesale partners remain confident about the brand based on its heritage and its reputation for superior high altitude performance and have expressed their support for the team strategy and vision to refocus that DNA. We also know the brand retains strong loyalty among its core consumers. We still have a lot of work to do before we can expect the sales trend to reverse. Accordingly, we anticipate modest declines from the Mountain Hardware brand in 2017.

Our strong balance sheet enables us to invest strategically in our brands, our people, and our operations in order to improve our competitive position, diversify our business to become less weather sensitive and manage through business cycles.

Our initial 2017 outlook anticipates global sales growth of approximately 4% with contributions from three of our four brands and all four of our geographic regions. We expect operating income to increase up to 5%, representing operating margin of up to 10.9% and full year 2017 net income to increase up to 4%. You can find more detail on our Q4 and full year results and our initial 2017 financial outlook in Tom's CFO commentary available on our website.

In the context of the current macroeconomic challenges and rapidly changing consumer behavior, we're very pleased with our 2016 performance and our outlook for continued growth in 2017.

Consistent with our focus on relentless improvement, the senior management team and I are engaging a leading consulting firm to assist us in performing a thorough assessment of our operating model.

Our goal is to ensure that our business is aligned and organized to successfully execute our strategic plan. I want to thank the more than 6,000 employees globally for a successful 2016 and for continuing to execute diligently against our strategies in a very challenging environment. We remain confident in our ability to continue to drive sustainable, profitable growth through our powerful brand portfolio.

Before we take your questions, I want to take a moment to proactively address the potential of new protectionist measures coming out of Washington D.C. Over the past several decades, we've created thousands of jobs in the U.S. and elsewhere by designing innovative products that connect active people with their passions.

Notwithstanding political debates, our main focus is the same as it's always been; helping consumers everywhere stay outdoors longer.

When we wade into a swamp it's usually to test our products.

That said, we're highly aware of the impact protectionist measures can have, because unlike most other industries, the apparel and footwear industry has faced double-digit import tariffs in the U.S. and elsewhere since the 1930s, some as high as 67.5%.

Even though we're a relatively small company, in 2016, we were the 49th largest payer of U.S. import duties out of more than 375,000 American importers. Our experience and flexibility have always enabled us to adapt and frankly, excel in this landscape.

With respect to changing trade agreements, we had long anticipated the U.S. withdrawal from the Trans-Pacific Partnership, so we're simply proceeding with business as usual. We have also generally not relied on nor particularly benefited from NAFTA and therefore, do not anticipate any direct impact on our business if that agreement is eventually renegotiated. It's far too early to accurately judge the likelihood or impact of various tax reform proposals that are being floated, but we are actively engaged in monitoring those efforts.

Along with most others in the industry, including a broad range of retailers, we have obvious concerns with federal tax proposals that use the tax code to impose a significant penalty on imports and the consumers who buy them. A border adjustment tax structure would do just that and would be particularly challenging for an industry, which as I said, is already subject to double-digit import taxes.

We're obviously interested in the efforts to simplify the tax code and reduce rates and are hopeful that in the end Congress will not support a border adjustment tax that makes the tax code more complex and uncertain, imposes greater tax expense on companies and consumers, and limits the President's flexibility to negotiate trade issues on a country-by-country and industry-by-industry basis.

We will continue to closely monitor these issues working with industry trade organizations and individually to inform and educate elected officials about the potentially onerous impacts that some of these proposals would have on the country, if enacted.

That concludes my prepared remarks. We're happy to welcome your questions. Operator could you help me with that?

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we'll now be conducting a question-and-answer session. Our first question comes from the line of Bob Drbul with Guggenheim. Please proceed with your question.

<Q – Bob Drbul – Guggenheim Securities LLC>: Hi. Good afternoon, Tim and team.

<A – Tim Boyle – Columbia Sportswear Co.>: Hey, Bob.

<Q – Bob Drbul – Guggenheim Securities LLC>: I guess I got a couple questions for you. One, did you bring the Portland weather to the East Coast this weekend?

<A – Tim Boyle – Columbia Sportswear Co.>: If we had that kind of power, I would have shown up in October.

<Q – Bob Drbul – Guggenheim Securities LLC>: Better late than never though I guess, right. I guess two bigger picture questions for you, Tim. First one is on your outlook for 2017, how much of your order book do you have in hand or the visibility of your order book? And within that outlook, can you just talk about either door count contraction or square footage of your wholesale partners that won't be there in 2017 that were there in 2016. Can you just put a little bit of a framework on that for us?

<A – Tim Boyle – Columbia Sportswear Co.>: Certainly. Well, as you know, we try diligently to guide with the best information we have. We have a high percentage of our order book today visible to us and that gives us confidence to give the guidance we gave today. So, it's in the way north of 85%. So we're confident as to where we're going for the year 2017.

I think I've heard the quote something like 20 million square feet of sporting goods has left the retail landscape in the U.S. and we expect frankly a further contraction and further bankruptcies and consolidation. So the guidance we've given you today contemplates what we see and what we think is likely to happen.

<Q – Bob Drbul – Guggenheim Securities LLC>: Okay. And then the off-price channel, can you just talk about how that materialized for your industry and for the category in the fourth quarter and sort of what you think it looks like in 2017?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, I can only really speak about our interaction with the off-price channel, which has been good but probably slightly lower than in years past. I think that the amount of insulated inventory that's in that channel or being made available to that channel is probably slightly less than prior periods. So the available inventory in that channel is definitely less and the availability from other vendors, I believe, is less as well.

<Q – Bob Drbul – Guggenheim Securities LLC>: Okay.

<A – Tom Cusick – Columbia Sportswear Co.>: Hey Bob, this is Tom. Part of our revenue miss in the fourth quarter was due to the fact that we shipped less to the – less of our excess inventory to the value channel than we've planned just because we couldn't get to our margin targets and we can carry that inventory over and sell it at a better margin though our own outlets this year.

<Q – Bob Drbul – Guggenheim Securities LLC>: Okay. Okay. And then – thanks Tom. And I guess the other question that I have I guess is more on the geography piece of this is when you look at the trends in Korea and I'd say Russia that weighed you down a little bit in 2016. Do you think the assumptions that you are making in 2017 are achievable, conservative? Do you think that there is still some risk in those markets for you that could surprise you as this year progresses?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, yeah, just to add a very high level, again we've – just to reiterate, this is our best view of 2017 that we've given you. I think we've properly accorded for issues in those two markets. But Tom may have something...

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah. I would say as it relates to Russia, Bob, most of that business is all advance order. So that's a fairly predictable revenue equation for us. Korea, we're basically planning flat to last year and that revenue is at what – call it $75 million, $80 million, so not a huge part of our total business but we feel like we've – as we typically do, we've planned this down the middle; not aggressive or conservative, at least as we see the business today.

<Q – Bob Drbul – Guggenheim Securities LLC>: Great. I guess, if I could just ask one last question. Can you just talk about with the square footage going away in sporting goods, can you talk about the business trends with Amazon as a partner and sort of how that's materializing and how big it is today in your outlook on that specific channel?

<A – Tim Boyle – Columbia Sportswear Co.>: Certainly. Well – I mean, we have a good relationship with Amazon really globally. And frankly, it's a place that consumers are going to find merchandise. So our relationship there is good. We think that that channel appears to be growing more rapidly. Frankly, our eCommerce business is growing more rapidly than the rest of the business as well. And my expectation is, it will continue to be that way for some time.

<Q – Bob Drbul – Guggenheim Securities LLC>: Great. Thank you very much.

<A – Tim Boyle – Columbia Sportswear Co.>: Thanks Bob.

Operator: Thank you. Our next question comes from the line of Camilo Lyon with Canaccord Genuity. Please proceed with your question.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Thanks guys. Good afternoon. Tom, I think there was a shift in the quarter. I think there was a shift, actually both in the Latin America, Asia Pacific region as well as in EMEA. Could you just tell us if there was a net benefit or a net detriment to the quarter in the magnitude of those combined shifts?

<A – Tom Cusick – Columbia Sportswear Co.>: In terms of the distributor shipments? Yeah, I don't have those numbers specifically in front of me, but there wasn't a material shift. I think one region went one way; one region went the other way. It wasn't significant to the overall quarter. I would say that the bigger shift was, we had planned about a $30 million shift in the U.S. wholesale business from Q3 to Q4. And about half of that $30 million shift materialized, and the – about half of it was ultimately canceled, given the slow start to winter. So that was a bigger part of really the top-line miss relative to our implied guidance for Q4.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Okay. That's what I was getting at. And was that concentrated in outerwear apparel or in footwear in Columbia or SOREL?

<A – Tom Cusick – Columbia Sportswear Co.>: [indiscernible] (29:55) I don't have those numbers in front of me, but I would say it was much more cold weather outerwear-focused, and maybe to some degree, some of the cold weather footwear product.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Got it. Okay.

<A – Tom Cusick – Columbia Sportswear Co.>: A little bit in the SOREL brand as well.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Okay, great. And then, as you think about, I think, Tim, you mentioned that the – your inventories are in good shape relative to where you expect your guidance to fall out for next year. Can you just comment on – I know you briefly touched about the off-price inventory in the channel, can you comment about just the overall channel inventory and how that fits in?

And I guess what, if anything, that does to how retailers are viewing – in the discussions you're having with them right now – how they're viewing their order book, and are they shifting more of their order book to an at-once business, or are they maintaining the same percentages that they usually maintain from a pre-book to an at-once perspective?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, let me speak to the last part of the question, maybe Tom will get the first part. Basically, for our category of merchandise, which would be outerwear and winter footwear, those bets have to be placed early on. At-once business is virtually an impossibility in terms of producing it in time for delivery during a snow event.

So, our goal is to take our orders from our customers and minimize the risks on weather not showing up, and all together make our guess as to what the weather is going to be. But there is no at-once opportunity, for all intents and purposes, on outerwear or winter footwear.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Okay. And then, I guess, how does the channel overall look from a full price perspective?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah. I think as it relates to the merchandise – winter merchandise that's in stores today is probably lower levels than it has been in prior periods, certainly lower than at the same time last year.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Got it. And then, I guess just I'm curious about the – actually two more questions; curious about the move of taking some of your eCommerce regions in-house. If you could just talk about the timing of that move and any sort of profitability lift that we could expect from that?

<A – Tim Boyle – Columbia Sportswear Co.>: Certainly. Well, in order to kick off our business in Europe on the eCommerce basis, we established a relationship with a third-party that basically managed the order and shipment from their facilities. So we're basically taking that in-house, which means we take back control of the customer. So we have a call center established in Europe where we're going to be speaking directly to customers, as opposed to through a third-party call center.

We'll be able to utilize the existing infrastructure we have, of both – to house the call center and also to house the physical distribution of the products. Those exist in Europe today. And we'll basically be able to offer a larger offering than what we were able to offer through the third-party firm. So we've calculated the enhanced profitability in the announcement that we've given you today for 2017.

But at the end of the day, it's going to mean a better, more brand-enhancing experience for consumers that want to buy products from the company electronically in Europe. And we're expecting that, in addition to the marketing results, that kind of an effort gives us will be superior as well.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Is there no fee as a percent of sales that you recover as a result of taking that business in-house? I mean, there's – I'm assuming there's some sort of profitability mix benefit to this, right?

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah. That's correct.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: [indiscernible] (34:26).

<A – Tom Cusick – Columbia Sportswear Co.>: That's correct, Camilo. We're basically – the current outsourced model is a variable cost model that's arguably fairly expensive. So we'll be able to leverage the fixed cost that's – without incremental fixed cost in our business, and operate this eCommerce business in Europe much more profitably under our ownership.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: And that profitably improvement should hit the P&L back half of the year, or when does that turn on?

<A – Tom Cusick – Columbia Sportswear Co.>: Predominantly, I would say the second half of the year, although we're anticipating to go live mid-first half of this year.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: Got it. Perfect. Okay, perfect. And then just finally from me, I was interested in the commentary around the review of the business bringing outside consultants in. I guess, what prompted the review in the first place and then secondarily, what areas of the business are you – are they or are you focusing on? Is this a supply chain initiative or understanding what the optimal channel mix should be as time goes on over the next three to five-year period or an expense rationalization project? If you could just maybe dig a little deeper into what the expected outcome – [indiscernible] (35:50) for outcome will be and when that implementation will take place? Thank you.

<A – Tim Boyle – Columbia Sportswear Co.>: Sure. Well, we're kicking off this project here in the next 30 days. And we have a very successful business. We've seen constant improvements from the company and our operating models over the last several years and we're focused on continuing to improve the business. We know what our strategic plan shows for us in the future. We want to be a larger, more profitable business serving more customers and specifically, in the wholesale area. And we want to be able to generate more marketing dollars to create demand for the company's products.

We have some processes in the company that I'm sure that are not as efficient as possible and we want to make sure that we have some help in analyzing those processes and making sure that we're using the assets of the company in the most efficient way. So that's how we plan to undertake this project and then we're looking forward to a healthy review of how we operate the business today with improvements in mind.

<Q – Camilo Lyon – Canaccord Genuity, Inc.>: All right guys, thank you. All the best.

<A – Tim Boyle – Columbia Sportswear Co.>: [ph] Thanks, Camilo (37:02).

Operator: Thank you. Our next question comes from the line of Mitch Kummetz with B. Riley. Please proceed with your question.

<Q – Mitch Kummetz – B. Riley & Co. LLC>: Yeah. Thanks. I just want to drill down on the guidance a little bit, particularly your guidance around I think mid-single-digit growth on the U.S. side. So you're looking DTC up mid-teens. I guess my first question there is can you kind of talk about the combination of door growth versus comp?

And then on the wholesale side low-single digits. Tim, you said that about 85% of your order book for Fall is in, I don't know if you'd care to comment on how that looks, if it's sort of up, down, or flat. And then I would imagine under normal weather conditions, Tom, you're looking for maybe a better mix of reorders to cancellations than what you saw in the fourth quarter.

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah that last assumption would be correct. So it's a combination of – if we look at the growth in the U.S. business for 2017, low-single-digit growth for the wholesale channel and mid-teen growth to the direct-to-consumer channel. So when we look at DTC, which is going to drive a lot of our growth in 2017, it's a combination of new stores. We're planning 13 new stores in the U.S. this year and I believe we've got leases signed for all of those stores as of today. We added what – seven stores in 2016. So we'll get some benefit in – or in 2016, we'll get benefit in 2017 for. And then we would expect our eCommerce business to continue to comp double-digit.

<Q – Mitch Kummetz – B. Riley & Co. LLC>: And then on the wholesale side, I mean, can you say what the order book is looking like at this point since you got it largely complete. Again, it sounds like – I think you already confirmed that reorders should be up. Does that mean order book – orders are also up or are they more flattish?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah. No, I wouldn't say that we expect reorders to be up frankly. We've guided based on what we have in front of us in our likely scenarios as we walk through – over the last several years. So we believe we're taking share, but this is a reflection of our current growth with our good customers and expected changes in our customer base based on weak financial performance by some and we're just making sure that we've anticipated all possible financial outcomes for some of our customers.

<A – Tom Cusick – Columbia Sportswear Co.>: And maybe just to clarify, Mitch, so when we look at reorders, we look at reorders net of cancels and we would expect that net reorder cancel rate to be more beneficial in 2017 than 2016 based on a normal weather pattern.

<Q – Mitch Kummetz – B. Riley & Co. LLC>: Got it. And then, Tim, could you just speak to the kind of the environment of some struggling retailers right now. Because you did mention that's contemplated in the guidance. How are you dealing with some of these guys? I mean, there's obviously a lot of reports around Gander and EMS. I mean, are you shipping these guys, are you changing the payment terms? I mean, what are you doing to kind of protect yourselves if they were to go away?

<A – Tom Cusick – Columbia Sportswear Co.>: Well, you know, Mitch, first of all, we wouldn't ever want to comment on a specific customer. But if you look at our record and I might point to our record as it relates specifically to Sports Authority, in terms of how we manage the extension of credit to that particular customer even during their difficult times and what it ended up costing us. I would say, we were in the best quartile of credit extenders. We've been doing this for a long time. We want our customers to thrive and survive and we want to be mindful that if that doesn't happen we need to protect the assets of the company with some significance.

So again, we consider ourselves to be best in class in terms of credit extension and I think we've shown that. So we know how to deal with these various problems. And without getting into specifics, I think we'll do a good job.

<Q – Mitch Kummetz – B. Riley & Co. LLC>: Got it. All right. Thanks guys. Good luck.

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah.

Operator: Thank you. Our next question comes from the line of Jonathan Komp with Robert W. Baird. Please proceed with your question.

<Q – Jon Komp – Robert W. Baird & Co., Inc.>: Yeah, hi. Thank you. Tim, can I ask first just bigger picture question on the Columbia brand. I know it's planned in 2017 for mid-single-digit sales growth and the way you talk about some of the broader wholesale challenges, you talk about it more structurally than short-term in nature. So I just wanted to maybe kind of gauge your thoughts on the longer term growth rate for that brand if you think it's a mid-single-digit grower going forward or if you think there's other opportunities to accelerate, maybe beyond 2017?

<A – Tim Boyle – Columbia Sportswear Co.>: No, I mean we've guided actually on a fairly narrow tactical basis as it relates to 2017. Because for all intents and purposes in the – I don't say the – it's well known to us and we've seen this before. We think there is significant growth in the Columbia brand. And you have to remember that it's not only here in the U.S., but globally. There's significant opportunity for us. We believe and we've talked to investors in the past about the fact that we've been under-investing in demand creation and we know that as we begin to develop more funds for marketing the company's products not only in the U.S. but also globally, and we've become more efficient at it through things like our connection with Disney and Manchester United, et cetera that the company's products will become better known and in higher demand.

So I personally am always disappointed if we aren't growing at high-teens because I think the opportunity for us at that scale is certainly there. So that's my particular personal plan and I believe that if we're not at that level we're under performing.

<Q – Jon Komp – Robert W. Baird & Co., Inc.>: Got it. Okay, maybe switching topics, but the gross margin guidance for 2017, I think it calls for 25 basis points of expansion. I just want to ask in the context, I know the last four years you've pretty meaningfully exceeded that level even despite currency and other pressures, I know it's mentioned a favorable sourcing environment is embedded for 2017. So any perspective on the factors leading to the outlook for this year?

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah, I would say, again a lot of factors go into the gross margin and the gross margin forecast. I would say the biggest driver of the expansion as we see it today is going to be channel mix. With additional benefit from a sourcing environment and we do expect currency to be a slight tailwind as well.

So it's a tough environment. We run a multi-channel business so there's lots of moving parts within the gross margin outlook. And we're comfortable with that 25 basis points of expansion as we sit here today.

<Q – Jon Komp – Robert W. Baird & Co., Inc.>: Is there anything going against you like faster growth for the distributors as a mix impact or something just because I think you mentioned two or three positives and no negative offsets. I'm just wondering why – maybe only 25 basis points of expansion?

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah, we are planning for the distributor business to grow at a much faster clip in 2017 than 2016. So that is a net negative as it relates to margin expansion as that channel is the lowest gross margin channel for the business.

<Q – Jon Komp – Robert W. Baird & Co., Inc.>: Okay, and my last question, if I could. Just curious to get an update as you look at the wholesale versus the direct business and the profitability of those two when you kind of fully allocate the cost structure. I'm curious to hear maybe about the relative profitability of those channels and maybe within the direct eCommerce versus the stores. Any color you could give on that would be helpful?

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah. So I would say, let's set aside allocations for a moment. As we look at those three channels with eComm, our own brick-and-mortar and our wholesale channels, I would say between the wholesale and the eCommerce businesses, they're relatively comparable from an operating margin standpoint and then followed by the stores.

So we really look at those three channels of distribution separately because the dynamics between eComm and brick-and-mortar are quite different in their cost structures. So, at that, as eComm grows at a faster clip than the brick-and-mortar business that will drive operating margin expansion.

<Q – Jon Komp – Robert W. Baird & Co., Inc.>: Okay, very helpful. Thank you.

Operator: Thank you. Our next question comes from the line of Lindsay Drucker Mann with Goldman Sachs. Please proceed with your question.

<Q – Lindsay Mann – Goldman Sachs & Co.>: Thanks. Good afternoon, guys.

<A – Tim Boyle – Columbia Sportswear Co.>: Hi.

<Q – Lindsay Mann – Goldman Sachs & Co.>: Going back to the miss versus your revenue guidance in the fourth quarter, you talked about some of those cancellations, I guess it's about $15 million of shipments you would expected to be push in the fourth quarter that were ultimately canceled and then a decision not to push stuff out into the value channel, were there any other factors that drove the miss?

<A – Tom Cusick – Columbia Sportswear Co.>: Well, that was one part of it. The other part was, the slow start to winter certainly impacted our direct to consumer business in a similar fashion to the wholesale business. So, but the U.S. was the majority of the miss, and fairly evenly split between those two channels of distribution.

<Q – Lindsay Mann – Goldman Sachs & Co.>: Okay, got it. I wanted to ask a little bit more about the shop in shops; thanks for the detail in your script about the 200. I'm not sure if I missed it, but how many did you open in 2016 and for the openings in total that you have planned, can you talk about – can you give us any details on retailer or regions where the openings are happening?

<A – Tim Boyle – Columbia Sportswear Co.>: Certainly. Well, I don't know how many we opened in total in 2016, but in the fourth quarter, we opened about 25. Some of those were in Canada, some in the U.S. And then our plan of a couple of hundred stores, approximately, for 2017, will include a healthy percentage in China, where we're remodeling some of our stores there, as well as here in the U.S. And there may be other parts of the world where there are some small percentage going. But, in general, the bulk will be China and North America.

<Q – Lindsay Mann – Goldman Sachs & Co.>: Did you have any, based on the ones that you opened in Canada and the U.S., do you have any insight you can share on just what that ultimately does to your productivity in the same-store? How it might enhance it?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah, historically, we've had a fairly significant lift. We don't know if we've got enough of an installed base yet today on this new model to be able to talk much about its current impact. But, I know that where we had distributors that are going to be buying these fixtures and installing them, they are fairly excited about the potential, so they are making investments on their own to buy these things, which wouldn't occur if there weren't some high interest and high reliability on the lift coming from these fixtures.

<Q – Lindsay Mann – Goldman Sachs & Co.>: Okay. And then beyond, in wholesale in North America, are there any other distribution wins, any other new doors or new accounts that you're adding in 2017?

<A – Tim Boyle – Columbia Sportswear Co.>: No, not really in the Columbia brand. We're really everywhere we want to be and we just want to be stronger with the stronger players, and that's our plan for 2016 with the Columbia brand. Certainly in SOREL, there is a plan to add more specialty retail stores. Women's especially, to be able to improve that brand as the non-winter product becomes more important. And then prAna, where we'd like to increase the distribution of prAna products slightly in certain specific areas.

<Q – Lindsay Mann – Goldman Sachs & Co.>: Okay. And then last one for me. You talked about pricing a bit in – I don't know if it was your script or the CFO comments. Can you talk about what kind of pricing, and maybe some examples of what you've planned for 2017? And how you think about price gaps and where you ultimately can take them, and maybe just how you're thinking about the pricing contribution to your revenue guidance. Thank you.

<A – Tim Boyle – Columbia Sportswear Co.>: You are talking about costing, Lindsay? [indiscernible] (50:24)

<Q – Lindsay Mann – Goldman Sachs & Co.>: No, maybe pricing to the retailers, or maybe even to consumers.

<A – Tim Boyle – Columbia Sportswear Co.>: So, you're talking about price AUR maybe? Price increases?

<Q – Lindsay Mann – Goldman Sachs & Co.>: AUR.

<A – Tim Boyle – Columbia Sportswear Co.>: Okay. What we've done is again, as a point of differentiation, the company is focused on innovation, and where we have products that are made with components that no one else has, like Omni-Heat Reflective or the OutDry Extreme Eco. Those areas we've, and have, taken slightly higher prices to be able to drive AUR for our customers and for ourselves. So, it's been selective.

<Q – Lindsay Mann – Goldman Sachs & Co.>: Okay. Thanks a lot guys.

Operator: Thank you. Our next question comes from the line of Andrew Burns with D. A. Davidson. Please proceed with your question.

<Q – Andrew Burns – D. A. Davidson & Co.>: Thanks. Good afternoon. Curious if I heard correctly there, I think you said 13 new stores in 2017? Just wondering if you could update us on your view, in terms of the potential for, long-term, the store base, whether it's outlet and full price and whether this ongoing retail traffic decline lends itself to shifting that brick-and-mortar strategy at all. Thanks.

<A – Tim Boyle – Columbia Sportswear Co.>: Right. Well, we have a healthy approach to the brick-and-mortar business. We believe that there are certain areas where the company can get a significant marketing lift, as well as a revenue lift, by opening a retail store there. But we're mindful of the long-term impacts and requirements for long-term leases and how they could, at some point in time, impact the company.

So, we're very judicious about how we're opening those stores, where we are opening them. And I would say investments of some scale, certainly, are being made into the company's eCommerce business because, while we have industry-average conversion rates on our eComm business, that means 95% or 97% of the people who come and visit leave with a great marketing message.

So we're making investments of some scale in that business as well. And frankly, as the environment brick-and-mortar changes, it's just – it's important that we make sure that we always remind our customers and our investors that we're really primarily a wholesale business, and making sure that we make products that are in high demand in our wholesale partners' stores.

<Q – Andrew Burns – D. A. Davidson & Co.>: Great. Thanks. And I was wondering if you could give us an update. You're in the late innings of a multi-year, company-wide ERP upgrade cycle. Are the efficiencies that you hoped for being realized? What's left to be seen in terms of margin improvement from that initiative? Thanks.

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah, Andrew. This is Tom. So, we are in the late innings. We're in China currently. And then we will be making our way to Europe. The intent is to go live in the first half of this year in China, and then we will make our way to Europe, and then ultimately to Japan.

So, we have not given specific metrics relative to payback on this investment. But I think as you can see in our gross margin expansion over the last three, four years clearly this initiative is having a favorable impact on our gross margin and our inventory utilization.

Our inventory turns aren't where we want them to be at 2.4 times. Our goal is to be north of 3 times and we've got some work to do there. But we're not going to do that and sacrifice gross margins. So net-net, this has been a good investment for the business.

<Q – Andrew Burns – D. A. Davidson & Co.>: Great. Thanks and good luck.

Operator: Thank you. The last question we have time for today's caller comes from Jim Duffy with Stifel. Please proceed with your question.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Thanks. Good afternoon.

<A – Tim Boyle – Columbia Sportswear Co.>: Hey, Jim.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: I have a question around channel inventories, you saw some cancellations. It sounds like you're holding back some on populating the off-price channel. Is there any way to put numbers around the relative level of channel inventories versus a year ago?

<A – Tim Boyle – Columbia Sportswear Co.>: Well it's difficult, as you know we're trying to capture market data in this industry where it is very difficult. There's competing companies that are trying to provide this information and they're not always comport with the right data.

What I can say that certainly since the first of the year, the weather has been very significantly winter-ish including today, in the northeast. And so we believe that that channel started with lower inventories, ours and others at the first of the year and since then it's I'm sure done nothing but improved. So it's hard to put a number on it, but we're fairly strong in our belief that the inventory levels are lower this year than last.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Okay. Is it fair to say you're seeing a behavioral change in your channel partners where they're asking you to hold more inventory? Or is it business as usual with the exception of external factors like cancellations in the bankruptcies and so forth?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, I would say that in general as the weaker retailers in this business go away, the remainder have a stronger point of leverage. And we've talked for years about who takes the risk on inventories. And that's certainly been a topic. So yes. But at the end of the day, we've been around this business long enough to know that you have to take a bet on the inventory. And the risks for us have always been outsized by buying too much and taking too much risk. So our customers know that they can't rely on us having inventory for them of any significance should the weather turn and they didn't prepare for it.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Okay. My last question, Tim. I was surprised the SOREL numbers weren't stronger given the momentum it carried into the season and then given the spring launch surprised about the commentary for growth to be weighted to the second half. Can you speak in a little more detail about what you're seeing with the SOREL brand and why it's second half of the year before we'll see a larger gross contribution?

<A – Tim Boyle – Columbia Sportswear Co.>: Certainly. Well, I mean we've been very focused on de-winterizing the brand. And I think we've made great strides, but – it's still a very strong winter brand with heavy emphasis on winter products which are also very expensive. So it's difficult to offset those expensive winter boots with a lightweight spring shoe, but we're working to get that done.

I think frankly when I look at what happened in fourth quarter of this year, the miss as it relates our own DTC's business as well as our customers. They just didn't get the kind of sell-through early in the season that would give them a confidence to keep those orders in the last part. So we've got the right approach to it, in my opinion. We've got it well contained in terms of its inventory positions and I believe there's a big opportunity for us going forward with the brand. If you remember, it's really for all intents and purposes a North America brand and as we get more year-round businesses we think there's significant opportunities internationally.

<A – Tom Cusick – Columbia Sportswear Co.>: And Jim, maybe just one additional point on that. The spring business is still relatively small, but we would expect the relative growth rate for the spring business in the first half to be significantly greater than the fall/winter growth rate just given differences in size of business and the anticipated growth that we've got planned for the spring business for the small brand.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Okay. Thanks. That's helpful. Thanks for your perspective, guys.

<A – Tim Boyle – Columbia Sportswear Co.>: Thanks Jim.

Operator: Thank you. I'd like to turn the floor back to management for closing comments.

Timothy P. Boyle, Chief Executive Officer & Director

Well, I want to thank you all for listening today. And I really appreciate your attention and look forward to talking to you soon.

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