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VF Corp. (VFC)

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the VF Corporation fourth quarter 2017 earnings conference call. At this time all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host Mr. Joe Alkire, Vice President of Investor Relations. Thank you. You may begin.

Joe Alkire

VP-Investor Relations and Financial Planning & Analysis, VF Corp.

Good morning and welcome to VF Corporation's fourth quarter 2017 earnings call. Participants on today's call will make forward-looking statements. These statements are based on current expectations and are subject to uncertainties that could cause actual results to differ materially. These uncertainties are detailed in documents filed regularly with the SEC. Unless otherwise noted, amounts referred to on today's call will be in adjusted and currency neutral terms, which we defined in the press release that was issued this morning. We use adjusted and currency neutral amounts as lead numbers in our discussion, because we believe they more accurately represent the true operational performance and underlying results of our business.

You may also hear us refer to reported amounts, which are in accordance with U.S. GAAP. Reconciliations of GAAP measures to adjusted and currency neutral amounts can be found in the supplemental financial tables included in the press release, which identify and quantify all excluded items and provide management's view of why this information is useful to investors.

During the fourth quarter of 2017, the company reached the decision to sell its Nautica brand business and determined that it met the held-for-sale and discontinued operations accounting criteria. Accordingly, the company has classified the assets and liabilities of the Nautica brand business as held-for-sale and included the results of this business in discontinued operations for all periods presented.

During the second quarter of 2017, the company completed the sale of its Licensed Sports Group, or LSG, business. In conjunction with the LSG divestiture, VF executed its plans to exit the licensing business, which comprises the LSG and JanSport brand collegiate businesses. During the third quarter 2016, the company completed the sale of its Contemporary Brands businesses. Accordingly, the company has removed the assets and liabilities of the licensing and Contemporary Brands businesses, and included the operating results of these businesses in discontinued operations for all periods presented. Unless otherwise noted, results presented on today's call are based on continuing operations.

Joining me on today's call will be VF's Chairman and Chief Executive Officer, Steve Rendle, and Chief Financial Officer, Scott Roe. Following our prepared remarks, we'll open the call for questions. Steve?

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Thanks, Joe, and good morning, everyone, and welcome to our fourth quarter 2017 earnings call. Before we get started, I'd like to address the announcement this morning that we've reached the decision to sell the Nautica brand. While we do not yet have a definitive agreement, we are actively engaged with several parties and will update you as conditions warrant. I'd like to thank the Nautica employees for their hard work and dedication as we proceed through this process, and I'm eager for the Nautica organization to move into its next phase of growth and success.

2017 was a transformational year for VF, highlighted by both moves, top quartile value creation, and meaningful progress towards becoming a purpose-led, agile, and consumer and retail-centric organization. In 2017, revenue increased to 7% to \$11.8 billion, or 4% on an organic basis. Our big three brands grew at a combined rate of 8%. And on an organic basis, international increased 9%, led by strength in Europe and China, direct-to-consumer increased 15%, with 30% growth in digital, and our Workwear business increased 7%.

Our fundamentals remain strong, as gross margin, a key driver of our value creation model, improved 160 basis points to 50.5%, a record for VF. Adjusted EPS increased 7% to \$2.98, including about \$100 million of incremental investment to drive our strategy and accelerate growth. And finally, VF delivered a 43% total return to shareholders, including cash returns of \$1.9 billion through dividends and share repurchases.

As I reflect back on my first year as CEO, I'm reminded of the commitments we made one year ago. We committed to investing in digital and as a result, we delivered owned and wholesale digital growth of more than 25%, which accounted for 55% of our total growth. We committed to distort investments toward our international platform and as a result, we delivered 9% growth, with international now representing more than 40% of total revenue.

We committed to focus on Workwear and as a result, we consolidated our work brands into a single global platform and acquired Williamson-Dickie. We committed to being active brand portfolio managers and as a result, we sold LSG and are in the process of selling Nautica, and we've acquired Williamson-Dickie and reached an agreement to buy Icebreaker.

And finally, we committed to being a more consumer and retail-centric organization and as a result, we grew D2C 15%, including 12% comp growth, and now D2C represents more than 30% of total revenue. And we directed a majority of the \$100 million incremental investment at capabilities that enable our consumer-centric strategy.

As we enter 2018, we will build on our early momentum and deliver on our commitment as value creators, responsible corporate citizens, and good stewards of our planet. Our top priorities for the coming year include protecting and enabling the explosive growth in Vans, while reenergizing growth in our Timberland and North Face brands specifically here in North America; successfully integrating Williamson-Dickie and Icebreaker into VF; accelerate our consumer-centric transformation work, with a particular focus on increasing speed-to-market; and we'll drive operational efficiency and create capacity for growth to fund our strategic growth initiatives.

To support the execution of our strategy and better enable the growth of our large global brands, we have realigned the roles of our Group Presidents and redirected our leadership talents at our most important objectives. Going forward, each Group President will be responsible for a single geographic region and have one global brand reporting to them.

Reshaping the portfolio is the number one choice in our strategy and we were very active in 2017. Our commitment to active portfolio management is how we position ourselves to deliver top quartile returns, with an evolving portfolio of powerful brands that are strategically advantaged to win. The decisions we are making cement VF's position as a value creation company. Reshaping the portfolio will remain a top priority in 2018.

I'd like to take a moment and recognize VF's associates around the globe. The pace of change in our industry is happening at an accelerated rate. To compete and win, our vision is to increase the metabolic rate of the entire organization and become more agile, nimble, and effective in the way we work. Our transformation agenda is in its early phases, but our associates have responded in typical VF fashion. Our success is not possible without the commitment and determination of our talented leadership teams globally. I offer a sincere thank you and I know we're all excited to build on our momentum and drive even stronger results. So with that, let's take a look at the fourth quarter performance.

Beginning with The North Face brand, global revenue increased 6%, including a 3 percentage point benefit from the order book timing shift discussed during our prior calls. Wholesale revenue increased 4% and our direct-to-consumer business increased 8%, including 14% growth in digital. While the growth in The North Face was below our outlook, we accelerated the timing of several initiatives to improve the quality of sales and reposition the brand back to its rightful place as the premium global outdoor lifestyle brand.

During the quarter, less promotional activity, foundational investments in China to improve the marketplace and position ourselves for accelerated growth, as well as aggressive efforts to clear Amazon of unauthorized dealers, impacted results. These actions continued to improve the positioning of the brand in the marketplace and are showing up in stronger margins for both us and our partners.

In 2017, The North Face team made significant progress against our strategic growth plan, and reported numbers clearly don't tell the whole story. To put context around the underlying performance of the brand and the progress being made, excluding lower off-price sales, the impact of cleaning up the Amazon environment, and the investments made in China, fourth quarter revenue growth was 8% when normalized for the order book timing shift.

By region, revenue in the Americas declined 1%, as growth in direct-to-consumer, and particularly digital, was offset by a decline in wholesale due to the factors just mentioned. The fall 2017 release of the new Summit Series

reflects The North Face brand's commitment to building the very best technical product in the world. The new range is specifically designed for athletes through a design theory of fast, light, essential, and was so impactful, it inspired the world's leading alpinist, David Lama, to join our brand. The L5 Proprius Jacket and the L2 Proprius Fleece Hoodie are prime examples of this theory and became the core athlete choices of the latest TNF expedition to Antarctica.

The attention to this category will create a positive halo for the brand and influence design for the broader North Face assortment. The brand also saw Urban Exploration business expand nicely, with collaborations with Pendleton, Timberland, Vans, and Supreme, coupled with strong sell-through from its new Cryos Collection and the addition of the Asia designed Black Series Collection, which helped advance this important strategic brand extension.

In Europe, the brand's strong momentum continued with revenue growth of 32%, marking the eighth consecutive quarter of double-digit growth in the region. Wholesale revenue increased over 40%, led by deepening strategic partnerships in the region. Direct-to-consumer increased a mid-teen rate, including almost 30% growth in digital.

The iconic Nuptse Jacket celebrated its 25th anniversary, supported by a Nuptse Forever campaign, which drove excitement in the Urban Exploration territory and buzz across Europe with 75% growth. Asia increased 8% in the quarter, including the negative impact of the foundational investments in China discussed previously. Direct-to-consumer revenue increased 30%, driven by digital, which offset a decline in wholesale, as we aggressively managed inventory in the marketplace.

2018 is off to a strong start for The North Face and we're pleased with the progress being made to elevate the brand. It is early, but we are executing our strategy and even more confident in our 2021 growth targets. As we look to fiscal 2019, we expect growth for The North Face to be in line with the 6% to 8% range we laid out at our Investor Day.

Now to Vans, 2017 was remarkable year for our largest and fastest growing brand, highlighted by broad-based global momentum. Congratulations to the Vans team around the world for delivering record results. The brand has become the global icon of creative expression for youth culture.

Revenue for the fourth quarter increased 35%, with strength across all regions, channels, and product franchises. Revenue in the Americas increased 38%, Europe increased 31%, and Asia Pacific grew 21%. Our wholesale and direct-to-consumer businesses, both increased more than 30%, including more than 50% growth in digital. A special call-out to the Vans North America direct-to-consumer team, which became VF's first \$1 billion regional D2C platform. The Vans North America D2C performance was incredible, with nearly 30% growth and a total comp above 20%, a job well done.

Looking at product, the diversity of Vans' growth and the teams' Not Just One Thing mentality will sustain our strong momentum as we move into fiscal 2019. For the quarter, Classic footwear increased more than 25%, with continued strength in Old Skool and Slip-On styles. Progression footwear increased more than 20%, as the new UltraRange, All Weather MTE, and Pro franchises continued to perform well. The brand also delivered double-digit growth across apparel, and accessories. And our customs platform, a great example of creative expression, increased almost 200% in the quarter.

The Vans brand is stronger than it has ever been. Retail inventory levels are in great shape and we remain disciplined with respect to inventory management, merchandising, and assortment planning. We're investing heavily to continue to fuel Vans' explosive growth. While the comps next year will be difficult, disciplined execution

and a long track record of consistent performance give us confidence the Vans brand will deliver double-digit growth in fiscal 2019.

Switching to Timberland, as expected, global revenue increased 8%, including a 5 percentage point benefit from the same order book timing shift that impacted The North Face brand. Wholesale increased 6% and direct-to-consumer increased 10%, including more than 30% growth in digital.

In line with expectations, Timberland brand revenue in the Americas increased 5%. However, revenue declined 1% when normalized for the order book timing shift. Our diversification strategy continues to evolve, as strength from non-classic footwear and apparel, both of which increased at a mid-single-digit rate, offset by softness in our core Classic business.

The performance of our SensorFlex and Aerocore platforms was particularly strong, increasing almost 50% in the quarter, and our Timberland PRO business continued to generate double-digit growth, with strength from our Powertrain Sport franchise.

In Europe, Timberland brand revenue increased 14%, including a 2 percentage point benefit from the order book timing shift. Our wholesale and direct-to-consumer businesses both increased at double-digit rate, including more than 30% growth in digital. Our locally designed product continues to drive demand, highlighted by our new women's collection, Courmayeur Valley, and Venice Park, which increased at double-digit rates. In men's, we had strong success with our Radford campaign and our Goose Eye Waterproof Parka collection.

Timberland's Asia business increased 3%, with more than 50% growth in China, which was partially offset by softness in Japan. High-teen growth in our direct-to-consumer business, driven by almost 80% growth in digital, was offset by a decline in wholesale. The Ultimate Winter Boot with a SensorFlex outsole performed well in the region.

Timberland's performance in 2017, while not at the level we've come to expect from this powerful lifestyle brand, was in line with our expectations. We are thoughtfully executing against the strategy we laid out at our Investor Day. And as we move into fiscal 2019, we will begin to step our way into more sustainable and diversified growth. Over the past year, we've made significant investments and announced several organizational changes within the global Timberland brand, designed to foster more global connectivity and speed to market, drafting off the strong momentum we have in Europe and China.

Moving to the Wrangler brand, as expected, global revenue increased 2%, with balanced growth across wholesale and direct-to-consumer. Revenue in the Americas increased 2% and our business in Europe grew 4%. Asia declined 7% due to ongoing weakness in India. While the destocking by our key customer is largely behind us and the initiatives put in place are showing early signs of success, visibility in the U.S. Jeanswear business remains low, and we continue to expect quarter-to-quarter variability.

That said, we were pleased with the improvement in performance during the holiday period. And as we look to fiscal 2019, growth in profitability for the Wrangler brand in the U.S. should continue to improve. Our strategy to elevate the brand and extend more deeply into new channels, such as department stores and specialty retail, continues to gain traction with core and new consumers. From a digital perspective, we're seeing strength across our digital wholesale partners as well as our own wrangler.com business, which increased double digits.

Looking at product, collaborations with designers such as Peter Max are creating upper tier distribution opportunities, and consumers have responded well to new innovations, such as Wrangler Performance Series

and Wrangler Outdoor, and our Wrangler Retro line continues to drive meaningful growth in these strategic brand extensions.

Now to the Lee brand, global revenue declined 1%, as 11% growth in direct-to-consumer was offset by a low single-digit decline in wholesale. The Lee Americas business was about flat, with high single-digit growth in men's driven by continued success of our Extreme Comfort Khakis and Extreme Motion denim products was offset by softness in women's. We are encouraged by the improvement we're beginning to see in our women's business. As we enter 2018, continued momentum in men's as well as product innovation and expanded distribution in women's should drive improved results for the Lee Americas business this year.

Lee Europe was up 4%, with balanced growth across wholesale and direct-to-consumer. The Sherpa Rider Jacket performed particularly well in the quarter. In Asia, revenue declined 5%, as mid-teen growth in direct-to-consumer was offset by a mid-teen decline in wholesale, due in part to ongoing challenges in India. In China, the new Magma Fusion and Black Label collections delivered strong results.

Now turning to Workwear, revenue increased 9% on an organic basis, marking the third consecutive quarter of at least high single-digit growth. Timberland PRO, Bulwark, and Wrangler RIGGS achieved double-digit growth, and Red Kap continued to accelerate as sector fundamentals improved.

On a pro forma basis, Williamson-Dickie also had a strong quarter with 13% growth, driven by strength in lifestyle, international, and direct-to-consumer. It's been nearly five months since we acquired Williamson-Dickie, and the integration process has gone exceptionally well. Our integration and leadership teams have worked tirelessly over the past few months, and I couldn't be more pleased with our progress. I am confident that the creation of our Workwear platform and the acquisition of Williamson-Dickie will drive significant value for VF shareholders in the years to come.

And with that, I'll turn it over to Scott.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Thanks, Steve.

First of all, for those of you on the phone updating your models, our sincere apology for what we've done to you, acquisitions, dispositions, year-end change. We talked about increasing our metabolic rate, and nowhere do you see that more than in the results that we see right now.

It's been almost one year since we laid out a strategic plan at our Investor Day. As we reflect on the 2017 results, one year into our five-year plan, we know a few things to be true. First, 2017 has been a transformational year for VF, highlighted by top quartile value creation for our shareholders. Second, we've seen notable acceleration in Vans Europe and D2C, which allowed us to accelerate investments while delivering our commitments to shareholders. Lastly, while not all businesses are as far along in the journey as others, we're encouraged by our overall progress. In fact, we're slightly ahead of where we expected to be at this point in time, and that gives us confidence we're on the right path.

Before diving into the numbers, let's review a few items that influenced our reported fourth quarter and full-year results. First, during the fourth quarter we reached the decision to sell the Nautica brand and determined it met the held-for-sale and discontinued operations accounting criteria. Accordingly, the results of this business have been classified as discontinued operations and prior periods have been adjusted. We provided an income

statement in the press release issued this morning excluding Nautica, so you can see the full impact on our results and on the outlook we provided last October. As a result of this decision, global Kipling results will now be reported within Outdoor & Action Sports coalition.

Second, as a result of recent U.S. tax legislation, we recorded a \$466 million provisional net charge in the fourth quarter, which negatively impacted our fourth quarter EPS results by \$1.16. The provisional charge comprises an approximate \$500 million transition tax payable over the next eight years for historical earnings generated offshore, partially offset by other items, including a favorable revaluation of net deferred assets as a result of the lower U.S. federal tax rate.

Third, we incurred approximately \$16 million of pre-tax acquisition-related expenses associated with the Williamson-Dickie and Icebreaker transactions. These expenses negatively impacted fourth quarter EPS by about \$0.03. So, with that out of the way, let's review our fourth quarter and full-year performance. My comments going forward will focus on adjusted results excluding the items just mentioned.

Our fourth quarter results were strong, as momentum continues to build across our core growth engines. Revenue increased 18% to \$3.6 billion, well ahead of the outlook we provided last October. Excluding the impact of the Williamson-Dickie acquisition, organic revenue increased 10%, including an approximate 2 percentage point benefit from the order book timing shift we discussed during prior calls.

Revenue for our big three brands increased 15% on a combined basis, led by 35% growth in Vans. The performance of Vans globally has been incredible, and we're investing heavily behind our explosive growth to fuel continued momentum. And just to address a question likely on your mind regarding the sustainability of Vans growth, based on our current visibility, we expect high-teen growth from Vans through the first half of this year.

Our Workwear business increased 9% on an organic basis, as sector fundamentals improve and we further establish our work platform capabilities and connectivity. On a pro forma basis, Williamson-Dickie had a strong quarter, with 13% growth compared to the prior year, driven by particular strength in international and direct-to-consumer.

Total international growth accelerated 15% on an organic basis, led by 20% growth in Europe. And to once again highlight the broad-based strength we're seeing across our Europe business, our big three brands increased more than 20% on a combined basis. Wholesale increased more than 20%. Direct-to-consumer increased more than 14%, including more than 25% growth in digital. And, we again achieved double-digit growth across every major market in Europe.

China remained strong, as revenue increased 10% on an organic basis, driven by continued strength in Vans, direct-to-consumer, and digital. Our direct-to-consumer business increased 16% on an organic basis, led by 25% growth in digital. Our Outdoor & Action Sports and international businesses increased at a high-teen rate. With a mid-teen total comp and a low double-digit comp in our brick-and-mortar stores, our focus and investment on elevating our direct-to-consumer platform and connecting more deeply with consumers continues to generate high returns.

Wholesale revenue increased 6% on an organic basis, including a 3 percentage point benefit from the order book timing shift. International wholesale remained strong, increasing at a low double-digit rate, and our digital wholesale accounts increased more than 20%.

Now, as a reminder, our direct-to-consumer and digital wholesale businesses account for about 85% of our 2021 growth plan. So it's very encouraging to see the strong performance and momentum across key pillars of our strategy.

We remain intensely focused on fundamentals and quality growth, as evidenced by continued strength in our gross margin. Gross margin was 51.6% in the fourth quarter, up 70 basis points from the prior year. Excluding the Williamson-Dickie acquisition, gross margin increased 140 basis points to 52.4%. Gross margin was stronger than we expected as a result of more favorable mix and better full price sell-through, a direct result of our heightened focus on quality growth and inventory management. Gross margin expansion continues to be a significant value driver for us, providing the flexibility and opportunity to invest in our strategic growth initiatives.

SG&A as a percentage of revenue was up 250 basis points to 38%, which is above the outlook we provided last October. However, in light of our stronger-than-expected revenue and gross margin performance, we reinvested an additional \$35 million back into the business to drive growth into 2018 and beyond.

And just to breakdown our SG&A a bit further, the majority of our increase was driven by investments in direct-to-consumer, demand and product creation, and innovation. In fact, on an organic basis, our demand creation investment increased more than 20% during the fourth quarter, and you're beginning to see the return on that investment. When coupled with higher incentive compensation compared to a weaker performance a year ago, we've accounted for the majority of the change in SG&A.

Relative to the initial outlook we provided last February, we invested about \$100 million in 2017. These investments are focused on the core tenets of our strategy, direct-to-consumer, demand and product creation, design and innovation, insights and analytics, supply chain agility, talent and technology. We are transforming VF into a more digitally-enabled consumer and retail-centric organization. While this clearly comes at a cost in the short term, we are confident in our ability to accelerate growth and meet or exceed our long-term financial commitments laid out at our Investor Day.

Fourth quarter adjusted operating margin declined 180 basis points to 13.6%, including a 30 basis point negative impact from changes in FX. Excluding the Williamson-Dickie acquisition, adjusted operating margin was 14.1%.

So to wrap up the P&L, adjusted EPS increased 13% to \$1.01, \$0.06 above the outlook we provided last October, including \$0.06 of additional investment.

Turning to our balance sheet, inventory increased 20%, including the impact of Williamson-Dickie. On an organic basis, inventory increased 3%. Our strong cash generation allowed us to quickly reduce leverage at the end of 2017, and our leverage ratio should decline further through the first half of 2018. Our balance sheet has capacity for additional M&A and it remains a top priority.

So to briefly highlight the full year, revenue increased 7% to \$11.8 billion, or 4% on an organic basis. Our growth engines continued to accelerate throughout 2017 and finished the year with strong momentum. The big three brands increased at a combined rate of 8%. On an organic basis, international increased 9%, direct-to-consumer increased 15%, with 30% growth in digital, and Workwear increased 7%.

Our intense focus on fundamentals and quality growth led to 180 basis point improvement in gross margin on an organic basis to 50.7%. Adjusted EPS increased 7% to \$2.98, or 6% on an organic basis, in line with the high-end of the initial range we provided last February, despite an incremental \$0.19 of investment. We made meaningful

progress reshaping the portfolio, returned almost \$1.9 billion of cash to shareholders through share repurchases and dividends, and generated a 43% total shareholder return. That's top quartile in the S&P 500.

So due to a change in our fiscal year-end, our approach to forward-outlook is a little different this year. Our outlook for the three-month transition quarter ending March 2018 is as follows. Revenue is expected to approximate \$2.9 billion, up 16%, including about a \$200 million contribution from Williamson-Dickie. On an organic basis, revenue is expected to increase at a high single-digit rate, due in part to changes in FX. Adjusted EPS is expected to approximate \$0.65, up 27%, including about \$0.02 contribution from Williamson-Dickie. On an organic basis, we expect adjusted earnings per share to increase more than 20%, due in part to changes in FX.

Now, while we will not provide a detailed outlook for fiscal 2019 until our April call, let me provide a few preliminary comments relative to how we see the year shaping up. Revenue is expected to be up more than \$13.2 billion, representing high-single-digit growth. This includes the expected contributions from Icebreaker and Williamson-Dickie. Adjusted EPS is expected to be approximately \$3.45, representing low double-digit growth. This also includes the expected contributions from Icebreaker and Williamson-Dickie.

So in closing, we have strong momentum and our confidence is high. Our growth is accelerating and our core growth engines are delivering double-digit growth. Our fundamentals are strong, and we are aggressively investing in our largest and most profitable growth opportunities. We will use our early success to build on our momentum and continue to transform VF. We will continue to reshape and evolve our portfolio to deliver top quartile returns to shareholders. We look forward to updating you on our progress and on the next chapter of VF's value-creation journey.

And with that, I'll turn it back to the operator and we'll take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now be conducting a question-and-answer session. In the interest of time, we ask that you please limit yourself to one question, one follow-up, and re-queue for any additional. [Operator Instructions] Our first question comes from the line of Chethan Mallela with Barclays. Please proceed with your question.

Chethan Bhaskaran Mallela

Analyst, Barclays Capital, Inc.

Q

Hi. Good morning. So I wanted to ask about the Jeanswear business. I think you've cited margin pressure as relating, at least in part, to launching more innovation at a time when pricing in the channel is more difficult. So can you maybe provide a sense of how you're thinking about the timeframe for margins to start to stabilize and maybe rebuild, and if that's contingent on future pricing? Thank you.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Yeah, sure. This is Scott. I'll take that. Let me just set some context that – of what we said coming into the year. You know that our largest customer was going through a strategic repositioning of their floor and we did talk about putting some innovation – putting some make into the product without taking price, and that was a decision we made to try to defend our very large position in that retailer, and indications from NPD reports and others who are in that key male business that that has indeed been the case.

But that, frankly, is not the largest contributor to our operating margin decline this year. It's really more from a deleveraging standpoint. As you think about gross margins going forward, there is always pricing pressures in that channel, but as the low-cost producer, we feel confident in our ability to maintain our gross margins.

And from a cost rationalization standpoint, as we deleveraged a little bit, the team at Jeanswear is on it. They have plans in place, and I think you can appreciate we're not going to go into much detail on that, but we do see a path forward to restore profitability to Jeanswear over the long run. And as we look into next year, we expect to see improvements in operating margin.

Chethan Bhaskaran Mallela

Analyst, Barclays Capital, Inc.

Q

Great. And then just a quick follow-up on Nautica and the announcement this morning. I know you have a relatively new management team in place there and the performance in recent quarters had appeared to be starting to turn a little more positively. So can you maybe elaborate on the thought process behind the decision to sell and why this business might be a better strategic fit for someone else? And then also, your priorities for the proceeds from the sale.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

Great. So this is Steve. I'll start, and Scott can finish. I would first start by saying, we could not be more proud of the management team that's in place at Nautica. Yes, we put some people in place early last year, but there was a good core team there as well. But we focused intensely on improving productivity, specifically in our retail outlet channel, and the team did just fantastic work building that foundation and shoring up profitability. They continue to look at driving product and go-to-market strategies to reignite growth.

What brought us to this point of divesting of Nautica, we've talked a lot about the three lenses that we look at for our M&A activity. There's a strategic lens, there's a financial lens, and are we the right owner lens. And as we've looked continuously, this is not a one-and-done type action. This is something we're doing on a very proactive, very regular basis, evaluating all brands within our portfolio.

But specific to Nautica, we came to a point where it didn't necessarily hit all of our strategic touch points financially. It was not in line with driving our financial aspirations, and we came to a point where we thought perhaps it would be a better owner that could unlock the value that this brand holds. So really hats off to our team putting us in a position where we can enter into the sale process and feel confident in driving a good result.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

I'll follow up. I think there was a question on the use of proceeds and how we were thinking about that. So coming off the acquisition of WD and the upcoming Icebreaker, our first priority has been to deleverage the balance sheet and get our credit metrics back in line, and that will be our priority in the short term. I think it's worth noting, though, as I said in my prepared remarks, we have seen a significant improvement around those metrics already, and we have a lot of capacity and we expect to be back in line as we get through 2018.

Chethan Bhaskaran Mallela

Analyst, Barclays Capital, Inc.

Q

Perfect, thanks so much.

Operator: Thank you. Our next question comes from the line of Jim Duffy with Stifel. Please proceed with your question.

James Vincent Duffy
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thank you, good morning.

Steven E. Rendle
Chairman, President & Chief Executive Officer, VF Corp.

A

Good morning, Jim.

James Vincent Duffy
Analyst, Stifel, Nicolaus & Co., Inc.

Q

I have a high-level question and then a question on the preliminary fiscal 2019 outlook. So now that you're into the five-year plan, results from your direct-to-consumer and international have been particularly strong, and in aggregate, maybe the U.S. wholesale a little bit lighter than you had expected. Add in some acquisitions, subtract some divestitures, and the mix shift is really evolving more quickly than you had foreshadowed. Scott, can you maybe help us with an updated picture of the U.S. wholesale as a percent of the global revenue mix as we enter fiscal 2019?

Scott A. Roe
Chief Financial Officer & Vice President, VF Corp.

A

So I don't have that at the top of my head, but I guess you're right on your general comments. We are evolving the portfolio quicker, and you're seeing the impact on gross margin and growth rate. I guess I'd say as it relates to our long-range targets, we won't change them until we change them. At some point, we'll come back and give an update. I guess you're starting to see the payoff of what we said we were going to do in terms of where our priorities are, where we're trying to reshape the portfolio, in what direction, away from – if you think of that bell curve from a distribution standpoint, continuing to minimize some of the more disruptive parts of the market and focus on the top and the bottom, and we're seeing progress there. And also you're seeing it in our gross margins from a mix standpoint. So acknowledging that we're ahead of where we said we would be, at some point we'll come forward, but we're not prepared to clean that up at this point.

And, Jim, we'll follow up offline specifically on your question on wholesale. I just don't have that at the top of my head.

James Vincent Duffy
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Fair enough, and then a question on the fiscal 2019 outlook. Recognizing that's a preliminary view, it does seem the underlying assumptions for organic growth are very modest embedded in that. Can you unpack that a little bit please? And I'm thinking about FX and the contribution of the acquisitions.

Scott A. Roe
Chief Financial Officer & Vice President, VF Corp.

A

So I guess what I would say is the momentum that we see coming out of 2017 through the stub and into 2019 is essentially intact. It's right in line with what we guided for our 2021 plan. Yes, we are going to see some benefit

from currency. It looks like at this point there are a couple points maybe of benefit from FX. But from our standpoint, the other thing is, you think about Vans, we talked about where we came out of 2017 with our Vans growth rate. We gave you some shaping. I'd like to say we're going to continue to grow at that rate forever. That's probably unrealistic. But we do see continued momentum in Vans, even if a little – not quite as strong as what we saw in 2017. So that's part of what you're seeing as you look forward into 2019.

James Vincent Duffy
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Okay, thank you.

Steven E. Rendle
Chairman, President & Chief Executive Officer, VF Corp.

A

Thanks, Jim.

Operator: Thank you. Our next question comes from the line of Erinn Murphy with Piper Jaffray. Please proceed with your question.

Erinn E. Murphy
Analyst, Piper Jaffray & Co.

Q

Great, thanks. Good morning. I guess I had a question, Steve, for you on The North Face business. It came in, obviously, a little bit weaker than we all thought. You outlined three specific impacts to the growth. Can you elaborate a little bit more on the Amazon piece in particular? I'm curious what you're learning about from your 3P test step brand there. And then, also I think you gave a preliminary 6% to 8% North Face growth for fiscal 2019. Just curious what's underpinning the confidence in that estimate. Is it where the order books are trending? Just any help around how you think about the shape of that growth into next year.

Steven E. Rendle
Chairman, President & Chief Executive Officer, VF Corp.

A

Great. So let me first, Erinn, just say, we are very confident about our North Face business. We entered last year – we were pretty open and honest with you all with where we saw our brand in its journey and in the work that needed to be done. And there has been significant work going on internal in that business, specifically around product creation, demand creation, evolving our D2C and digital platforms. But also a big part is how we've looked at really shoring up and strengthening the brand in the work that we've done on Amazon, the work we pulled back on off-price, and some of the actions we're taking in Asia, are all about rebuilding that strong foundation that this brand has become accustomed to operating on.

Specific to Amazon, great partner, we're about five months into what we kind of titled a test of working with them directly. We have a dedicated key account leader and team now here in the United States, really mirroring what we've done in our European platform. But really investing the time and resources to understand Amazon better, help them understand us as a provider and a brand, and then collaboratively going out to clean up the unauthorized dealers, which a tremendous amount of work went into that this fall. I would like to tell you we're done. I don't think you're ever done, as you're constantly policing that environment, but I would tell you, we have a good partner that's very committed to working with us in a collaborative way to bring our brand to life in this aspect of our distribution.

I'll tell you what's giving us confidence about the 6% to 8% really are some of the product proof points that you see coming through. I mentioned in my prepared remarks around Summit Series. We've seen just a complete re-

ignition of energy in the specialty channel, in our own D2C. We've seen it across the globe, and the impact that the focus on Summit Series and very specific ideas around design, innovation specific to performance, but really unlocking design that people are attracted to, color stories, and performance features that we see having a direct impact on the balance of the line as we've really shored up the pinnacle.

The Urban Exploration piece that was so strong in Asia, a big part of our results in Europe are driven around the Urban Exploration, particularly the Black Series. Our early reads here in the United States are equally strong. The interest in collaborations with the brand is another proof point. But just as we go out and launch marketing campaigns, the online digital piece and the connections that we're getting with consumers, all of that kind of adds up to us confidently stating 6% to 8% growth rate for next year.

Erinn E. Murphy

Analyst, Piper Jaffray & Co.

Q

Got it. And if I can just ask a clarification for Scott, just on the \$3.45 EPS guide for fiscal 2019, is that constant currency, or does that – or are you including currency in there? Thank you.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

That's all in, Erinn.

Erinn E. Murphy

Analyst, Piper Jaffray & Co.

Q

Okay.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

And just as a reminder, too, Nautica is treated as discontinued operations, so Nautica is not included in that number as well. And from an FX standpoint, just to clarify a comment I made a little earlier, so we do see some FX benefit on the top line in the transition period, in the stub. As you look at fiscal 2019, it really is not much of a factor from a revenue standpoint. So my comments were related to the stub period on the earlier question.

Erinn E. Murphy

Analyst, Piper Jaffray & Co.

Q

Got it. Thank you, guys.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Yeah. Thanks, Erinn.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

Thanks, Erinn.

Operator: Thank you. Our next question comes from Laurent Vasilescu with Macquarie Group. Please proceed with your question.

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Q

Good morning, and thanks for taking my question. Pretty impressive growth in EMEA. Can you parse out what's driving the growth in EMEA? Are there any design and marketing takeaways that can translate to driving growth in the Americas? And then specifically for 2019, any high-level thoughts on how we should think of the U.S. versus abroad results for 2017?

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

Yeah, Laurent, I'll take the EMEA, kind of what's driving that. Scott can unpack the second part of your question. The growth in EMEA is really, it's broad-based. Every one of our businesses is doing extremely well. We have exceptional growth coming from North Face and Vans, but I also would call out the efforts that are going on with our Napapijri business, and really the incubator concept that we've given to that brand to try out new ideas that we are able to then scale across our larger businesses. Some of those are around the creative brand vision work that we're doing and how that's impacting the clarity of design, not just a product, but demand creation.

Our Napapijri business has been growing double digits here for a few quarters and continues to show great strength. But more importantly, it's where we are testing new ideas that are having positive impact as we scale them to the larger brands. So Europe is really broad-based. All of our brands do extremely well. They're focused on key account management, D2C productivity, and really the growth now on the digital area, not only our own platform, but with some of our partners like Zalando, really it's a balanced approach to driving the European growth model.

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Q

Okay, and any high-level thoughts for 2019, fiscal 2019, versus U.S. and international?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

We'll see the U.S. accelerate versus the 2017 rate, as we see some of the recovery and progress being made, that Steve mentioned earlier. But we do see continued strength in Europe. They're really not missing a beat. I always have to point out too, the profitability and efficient tax platform we have in Europe makes, the fact that this business is growing, has momentum, an even bigger weapon for us going forward.

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Q

Okay, great. And then a follow-up question is, in terms of the stub quarter's guidance, I just want to be sure this is excluding Nautica. And should we assume the \$427 million in revenues were evenly split by quarter, and then the same thing for the EPS? And then the last question is, how much are you expecting to spend on Icebreaker?

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

Boy, that was a lot of questions, Laurent.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Wow, okay.

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Q

Sorry, guys.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

So again, I think the first part of that was related to Nautica. So Nautica is excluded from all of our guidance and our actuals, and I think you'll find in the materials that were provided, we restated historical numbers so you can see that. Remind me that you had a weighting question.

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Q

Is it evenly split by quarter, the revenues and the EPS contribution from Nautica?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

More second half weighted due to their D2C business. So again, I think you'll find that offline we could clean that up, but because D2C is a big part of their business, that tends to be a drag to the first part and they see relative better performance in the second half.

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Q

Okay, great. Thank you very much.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

And then a question – yeah, sorry, you asked a question – were you asking around accretion or what was the question relative to?

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Q

Yeah. How much do you expect to spend on Icebreaker? Any high-level thoughts on EPS contribution for the year?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Yeah. So we haven't disclosed the amount on Icebreaker at this point. As you think about the contribution, it's about \$150 million business, which means our total Merino business is in that \$300 million range when you include Smartwool. As you can imagine, in the first year of acquisition from an accretion standpoint, it's going to be minimal, but it will be accretive in year one.

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Q

Thank you very much, and best of luck.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Thanks.

A

Operator: Thank you. Our next question comes from Sam Poser with Susquehanna International Group. Please proceed with your question.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Good morning. I just have a couple of things. One, just to clarify on The North Face and the U.S. wholesale business, this is a matter of cleaning up distribution and I think, Steve, when I saw you in Denver, you mentioned like some of the better guys are starting to come back to you. Is that sort of what it is, that some of your better accounts may have backed off because of the distribution, and now that you're cleaning it up, you expect it to come back the other way?

Q

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

It's a couple of those. I might characterize it slightly differently. Yes, we put a tremendous amount of effort in pulling down the promotional part of the brand that we've seen the last two to three years. That's not only in the wholesale channel through tighter inventory, but also within our own D2C environments, all to really put the brand back onto a much higher quality and we're seeing the results in not only our profitability, but in our partners' profitability.

A

I think it's fair to say that we did have some dealers kind of moderate their assortments with our brand, but I would tell you it was as much what was going on in the broader marketplace, which we were part of, we weren't the only issue within the promotional environment that hit the outdoor industry.

But I would also tell you, and we've been pretty honest about this, is our product offer wasn't necessarily giving those better specialty dealers all of the reasons to invest their open buy with us. We're seeing that turn. I think you saw that energy in Denver, and it takes time to kind of refill that pipeline. But I think that is exactly why we remain confident and are putting that 6 to 8 percentage growth for 2019 out in front of you all today.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

So, Sam, if you just put some numbers around that, it would be 1 to 2 points higher base if you normalized for reductions in off-price, lower promotional activity, the cleanup of Amazon that Steve mentioned in his prepared remarks. So the underlying trend is a bit better. But we're really seeing that payoff in our margins. You see that in our results, and also really focusing on our dealer and customer profitability as well, because that's really the key to the long-term growth for our business.

A

Sam Poser

Analyst, Susquehanna Financial Group LLLP

I've got two-and-a-half things more. One, the Urban Exploration, part of that business is coming to the States. What's the timing there? Two, how do you foresee the tax rate going forward? And three, in your preliminary

Q

guidance for fiscal 2019, is that a situation where the investments remain strong and you expect ongoing gross margin improvement?

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

So, Sam, I'd love to answer that tax question, but I'll let Scott go with that one. I'll take your Urban Exploration. Some of the exciting parts of that line that are coming out of Asia, China, and in Japan are here today. The Black Series is in market and you'll see it continue to grow. And there'll be some really exciting aspects of some of the GOLDWIN line, really leveraging that partnership that you'll see coming into not only in this market, but also the European market, as we really spend time understanding the importance of the Urban Exploration assortment, what are the right offers across the different points, the distribution that that consumer shops in, and leveraging the global product offer, not just Asia, but there are some exciting things are coming out of Europe that we see driving that growth. And there's things coming out of our U.S. team, the Cryos Collection is here, so it's really unlocking that global design talent and tapping into what that consumer is looking for and placing the right product in the right points of distribution.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

All right. I'll take the other parts of your question. So tax rate, maybe I would just make a broader question, because I know it's on a lot of people's mind, tax reform, what does that mean for us? I guess, the first answer is really complicated and a lot of moving parts. But we're comfortable enough to make the provisional – record the provisional amounts that we talked about in the prepared remarks. As it relates to the ongoing rate, one thing to keep in mind is, we already had a pretty attractive rate. Our rate was in the high-teens and really very much benefited from our foreign rate.

So if you look at what tax reform did to us, our domestic earnings are getting a tax benefit from the lower – the 21% rate. Offshore, with the GILTI and BEAT provisions, it actually is a bit of an increase for us. Even though that's recorded on the U.S. side, it's related to foreign earnings. And when you net it all together, it's a very modest benefit. It's almost back to the starting point from our overall business. So it is modestly beneficial, but doesn't move the needle much and really doesn't change anything as it relates to our long-term assumptions.

On the other hand, the access to cash is a big deal. So, because now that 40% of our business is offshore, it's a very profitable business for us, the ability to repatriate that cash just got a lot easier. And for us, going forward, that's going to be a good thing.

As it relates to fiscal 2019 guidance, I think there's a question about how do you think about margins and investments, right? So, obviously, we're not going to give guidance in detail, but a few shaping comments. There's no reason you shouldn't expect gross margin to continue to expand based on those mix benefits that we talked about, that 40 to 50 basis points of mix. You should be able to assume that that's going to continue.

As it relates to investments, the way we think about investments is from a long-term perspective. We laid out our plan in Boston. We said these are the areas that we think are important, that will create a defensible long-term position of advantage for us in a very disruptive marketplace, and we're serious about investing over the long term.

And the way we're thinking about it is the shareholder gets the first bite of the apple. We're going to meet our commitments and we are meeting our commitments according to our long-range plan. On the other hand, where we see opportunities to advance against our investment roadmaps, we'll also take those opportunities. So there is

continued investment that will come, although we said in our long-range plan, the investment will be more front-loaded in that five-year period and will start to be a lesser factor as you go forward. And as the top line increases, you'll start to see more leverage as time goes on.

One other just housekeeping item, don't forget WD. As WD comes in next year, that is dilutive to our gross margin. So my 40 to 50 basis points is really relative to the organic business. There will be some offset due to the mix of WD coming in, as you saw this year. You can assume a similar kind of impact as you annualize the impact for next year.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Q

Thank you very much.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

Thanks, Sam.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Thanks, Sam.

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

Camilo Lyon

Analyst, Canaccord Genuity, Inc.

Q

Thanks. Good morning, guys.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

Hey, Camilo.

Camilo Lyon

Analyst, Canaccord Genuity, Inc.

Q

Scott, if you could, just provide a little bit more color on the Nautica impact to the quarter, because by my math, it's about \$0.03 to what the fourth quarter would have been. And then how does that contextualize for your fiscal 2019 guidance? I'm just trying to figure out what the apples-to-apples comparison is versus – the preliminary FY 2019 guidance versus what I think we have all been looking for modeling.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

So your \$0.03 is about right in the fourth quarter; about \$140 million of revenue. And I've got Joe sitting right next to me here. We're going to clean this up. I think in the restated – since we're going disc-ops, in the restated numbers you can see where we were and where we are now. So the impact of that should be transparent by quarter. We can take that offline if you want to clean that up a little bit. But I think we provided everything you need in order to get the answer by quarter. Joe, you're welcome to add anything to that if you want.

Joe Alkire

VP-Investor Relations and Financial Planning & Analysis, VF Corp.

No, that's right.

A

Camilo Lyon

Analyst, Canaccord Genuity, Inc.

Okay. And then I guess just thinking about the commentary on North Face, the actions taken to improve the positioning of the brand, I think you said it was 1 to 2 points. That was a global number, right, if we exclude all those numbers? So if we were to back that into what the North America growth rate would have been, would you care to comment on what that could've been?

Q

Joe Alkire

VP-Investor Relations and Financial Planning & Analysis, VF Corp.

Camilo, it's Joe. So for The North Face North America business, those impacts primarily reside in North America. So relative to the 1% decline that you see, that number would be up at a mid-single-digit rate.

A

Camilo Lyon

Analyst, Canaccord Genuity, Inc.

Got it, perfect. And my last question, Steve, really goes back to Vans and the exceptional growth that the brand has enjoyed over the last year or so. You talked about protecting the brand. You talked about not letting it overheat. What does that mean to how you're going to manage the brand into the wholesale channel and your DTC, right? Are you going to constrict some of the deliveries into the wholesale channel? Are you going to limit some of the inventory across the channel? Are you going to segment the styles further? How do you plan to maintain a double-digit growth rate, as you alluded to, so that this doesn't roll over, like we've seen other brands do in the not-too-distant past?

Q

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Good question, Camilo. In my prepared comments, I talked about not one thing as part of the Vans strategic approach to their marketplace. And you can see it in where the growth is coming from, from Classics, but also some of the new collections, the UltraRange, the new Mountain series. We see growth in apparel. We see growth in the accessories, but we're also seeing great expansion into the Customs platform. So it's a broad-based – not one thing, but an intense focus on the right amount of newness, the frequency of new drops.

A

But we've said this before, our Vans team is really the benchmark business on how they look at product segmentation across the different consumer touch points that we have to sell into, with our stores being the most premier expression of our brand. They're really evolving how they're looking at using stores and coming up with a mix of formats that play into the specific communities across the globe, but being very thoughtful, and direct partnerships with those wholesale partners, placing the right amount of inventory, being very thoughtful about not having one style over-torque, but really having it be a balanced approach with the right amount of newness to keep the brand moving forward each season. So they are the benchmark business for us. A lot of what our Vans team has learned and does, we move across the entire enterprise.

Camilo Lyon

Analyst, Canaccord Genuity, Inc.

Q

Is it fair to say that you're getting a new consumer into the brand as opposed to your existing consumer that's buying multiple pairs relative to what they had been buying before? And if that is true, you guys do a ton of consumer work in understanding who that consumer is. How do you maintain or how do you dig deeper with that new consumer, if that in fact is what's driving the incremental growth rate?

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

There is for sure a new consumer entering this brand, and our team is focused on that creative expressor and understanding what those touch points are and the things that are important to that consumer, being able to really bring that to life in all of our digital communications within our platform, and then all the different mediums that we have available. We spend a lot of time understanding our consumer, our investments behind data and analytics specifically in the consumer area, being able to evolve our messaging from broad-based to now very individualized conversations, to really make that consumer feel unique and special and being able to offer up what we believe through our data science what that next appropriate item is for them to add to their collection of Vans product.

Camilo Lyon

Analyst, Canaccord Genuity, Inc.

Q

Got it, guys. Thanks very much and good luck.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

Thanks, Camilo.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Thank you.

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

Jonathan R. Komp

Analyst, Robert W. Baird & Co., Inc.

Q

Yeah, hi. I wanted to clarify a couple things about the commentary about the fiscal 2019 outlook. The first thing I know, Scott, you said about \$3.45. I just wanted to clarify the base for that. I think it's in the range of \$3.12, but I wanted to confirm that.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Yes, you're right, \$3.12 is – you're in the zip code.

Jonathan R. Komp

Analyst, Robert W. Baird & Co., Inc.

Q

Okay. My question then is that would be about 11% growth, which I know is in line with your long-term targets, but you will be having the Dickies contribution plus I think maybe some favorable currency margin impacts. So I just wanted to drill down why the underlying growth might be below the long-term target.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

So we'll unpack that, obviously, and give you the details. Currency is actually not a huge impact for the 2019 number. But I would say when you look at the underlying organic growth, you're right. It is right in line with our overall long-term growth plan. And we'll give you more visibility into what exactly the contribution is from Dickies when we come back in April.

I would just point everybody back, remember where we are point in time on this five-year plan, right? We're one year in, and this is a period where we talked about relatively modest growth, which we're tracking a little bit ahead, and that's true both from a top and bottom line. So that really is what's shaping our long-term view. We're taking a long-term view as we think about the evolution of both our earnings profile, as well as the decisions that we're making, and that will give you a pretty good guidepost as you think about what to expect going forward.

Jonathan R. Komp

Analyst, Robert W. Baird & Co., Inc.

Q

Okay. And last clarification just if I could on Dickies. On the fourth quarter itself, I think it attributed or added \$0.04 in earnings. I think you had said \$0.02 coming into the quarter. So was that operating over delivery or was that some sort of tax benefit for the domestic business there? Just trying to clarify what drove that and if it has any implications going forward.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

It's really operating and it says we got it a few things a little quicker than we thought. But from an overall standpoint, gives us a little more confidence in our forward plans, but it's not materially different. They had a good fourth quarter. We said international and their retail actually was very strong in the fourth quarter, and that really drove a lot of it, as well as getting at some costs a little bit earlier.

Jonathan R. Komp

Analyst, Robert W. Baird & Co., Inc.

Q

Okay, great. Thank you.

Operator: Thank you. Ladies and gentlemen, we have reached the end of our question-and-answer session. I would like to turn the call back over to Mr. Steve Rendle for any closing remarks.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Great. Thank you, everybody. Just a quick recap. We're coming off a transformational year for VF, highlighted by our top quartile value creation for our shareholders. We are very encouraged by our progress. I think we've been very open and transparent with where we are and where we intend to drive this enterprise. And today, we're slightly ahead of where we expected to be.

As we move forward, just be reassured that we have an intense focus on our brand portfolio, one, the shape of it, but also helping drive the brands to achieve their maximum potential with our focus around product, demand creation, elevating our D2C and our digital, and leveraging our international platforms to drive growth. We will continue to accelerate our investment around becoming more consumer and retail-centric. We see this as foundational to us evolving as an enterprise specifically for our consumers, where we come to life on our own

D2C and digital platforms, but will also enable us to be an even better wholesale partner to our wholesale trade across the globe. We will continue to be intently focused on operational efficiency and creating capacity for growth, while being very, very attentive delivering to our shareholder commitments.

So thank you for being with us today. We're excited to continue our conversations in the quarters to come.

Operator: Thank you. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation, and have a wonderful day.

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