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VF Corp. (VFC)

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the VF Corporation Transition Period 2018 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, Investor Relations. Thank you, you may begin.

Joe Alkire

Vice President, IR and Financial Planning & Analysis, VF Corp.

Good morning, and welcome to VF Corporation's transition period 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 define 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 the sale was completed on April 30, 2018. Accordingly, the company has classified the assets and liabilities of the Nautica brand business as held-for-sale and included the operating 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 plan to exit the licensing business, which comprises the LSG and JanSport brand collegiate businesses.

Accordingly, the company has removed the assets and liabilities of the licensing business and included the operating results of this business in discontinued operations for all periods presented. Unless otherwise noted, results present on today's call are based on continuing operations.

Joining me on today's call will be VF's Chairman, President 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 transition period earnings call. VF's results for the period were stronger than we expected as the broad-based growth acceleration that began in the second half of 2017 continued.

Our core growth engines are driving strong global momentum as we begin to enter the acceleration phase of our 2021 growth plan. It is early in our journey and we continue to deliver on our commitments and remain sharply focused on the foundation we're setting to position VF for sustainable, long-term growth and value creation.

Taking a look at our results for the quarter. Revenue increased 17% to \$3 billion or an 8% on an organic basis. Our big three brands grew at a combined rate of 18% with our Vans brand delivering another record quarter up 39% with strength across all regions, channels and franchises.

Momentum in The North Face continues to build with 7% growth and on our organic basis, international increased 8% led by 12% growth in Europe. Direct-to-consumer increased 24%, with more than 40% growth in digital, and our Workwear business increased 4%, with Williamson-Dickie up 11% on a pro forma basis.

Our fundamentals remain strong as gross margin, a key driver of our value creation model, improved 160 basis points on an organic basis to 51.9%, a record for VF.

And finally, adjusted EPS increased 22% to \$0.67 slightly ahead of the outlook we provided in February. Reshaping our portfolio remains our top priority and we are committed to optimizing our portfolio to align with our financial aspirations. As you know, during the quarter, we made further progress on this front.

On Monday, we announced the completion of the sale of our Nautica brand to Authentic Brands Group, but I could personally thank the Nautica employees for their hard work and dedication to VF throughout the years.

In March, we announced the acquisition of Altra, a technical, high growth and award-winning footwear brand. This addition brings to VF a capability that when applied across VF's outdoor, D2C and international platforms, will serve as a catalyst for growth.

And lastly, in early April, we formally welcomed Icebreaker to the VF family. This acquisition amplifies VF's natural fiber capabilities, which will be leveraged across multiple brands in the portfolio and provide yet another catalyst for growth. Icebreaker also marks VF's first purpose-led acquisition.

One of the most important and exciting elements of our business transformation is our work to become a purpose-driven company. It was the title of this year's Annual Report and we see purpose as a tremendous unlock that will fuel growth for VF and our brands around the world.

It will help us attract and retain the industry's best talent, it will provide clarity to our decisions and actions, and it will galvanize our associates around a shared purpose and enable us to serve as a powerful force for good in the world. It's no longer enough to just focus on what we do. It's equally important to consider both how and why we do it.

As we look ahead to fiscal 2019, we plan to deliver on our commitment as a top-quartile value creator. Key areas of focus for the coming year include reshaping and optimizing our portfolio and while M&A will continue to be a top priority, we are intensely focused on protecting and enabling the explosive growth in Vans, shepherding the positive momentum of The North Face, while focusing on re-energizing growth in Timberland North America.

Continuing our consumer-centric transformation [indiscernible] (06:32) particular focus on increasing speed-to-market, and streamlining our product portfolios for greater marketplace agility. And we will distort resources against our D2C platform and our digital transformation, prioritizing capabilities that will enable us to best serve consumers through digitally-enabled transactions.

And finally, as we work to increase our metabolic rate, we will begin to create a culture of lean operational excellence to unlock investment capacity and fund our strategic growth initiatives.

VF is on a transformational journey, one that is guided by a thoughtful strategy and our diverse group of talented associates around the globe. We're making changes to reposition and strengthen our business, get us closer to our consumers, encourage greater collaboration, and position us to win, and we will continue writing another successful chapter in the history of VF.

So with that, let's take a deeper look at the performance for the quarter. Beginning with The North Face brand, global revenue increased 7%, driven by 19% growth in our direct-to-consumer business, including more than 30% growth in digital. As expected, wholesale declined slightly, as we continue to focus on reducing inventory at retail and improving the mix of first quality sales.

By region, revenue in the Americas increased 3%, driven by a 11% growth in direct-to-consumer, including more than 20% growth in digital. As expected, wholesale declined at a mid-single-digit rate.

From a product perspective, growth in the quarter was driven by outerwear, including the Apex Flex franchise that entered its second year. The brand's lifestyle and accessories product also performed well across all channels of distribution.

We're seeing strong momentum in our women's business in the first season after the integration of the Lucy product engine into The North Face. We see this as a strong growth catalyst for the run train category globally.

Earlier this month, TNF launched the Move Mountain's spring campaign, the brand's first campaign dedicated to women. At the heart of the campaign is a celebration of women role models, who are pushing the boundaries of exploration, including our own North Face athlete team with Hilaree Nelson, Margo Hayes and Ashima Shiraishi as well as new ambassadors like women's empowerment advocate and actress, America Ferrera and NASA scientist, Tiera Fletcher.

In Europe, the brand's strong momentum continued with revenue growth up 19% with balanced performance across all channels. Wholesale revenue increased 15%, driven by deepening strategic partnerships in their region and strong sell-through. Direct-to-consumer increased nearly 30%, including more than 50% growth in digital.

Turning to product. Iconic outerwear continues to drive demand, including our Nuptse and Mountain jacket with seasonal material and color offerings, adding incremental momentum to a proven set of styles.

As expected, Asia declined 5%. Direct-to-consumer increased over 50% in the region. With our China investments now behind us, we expect high single-digit growth for The North Face brand in Asia in fiscal 2019.

Globally, we continue to expect 6% to 8% growth for The North Face brand in fiscal 2019, including mid-single-digit growth in the Americas. And in terms of shaping, growth will be slightly tilted to the second half as we expect mid-single-digit growth in the first half of the fiscal year.

Now to Vans. The brand had another record quarter and the performance of the brand globally is nothing short of outstanding. Revenue increased 39% with broad-based growth across all regions, channels and product categories.

Revenue in the Americas increased 44%. Europe increased 36%. And Asia Pacific increased 24%. Our wholesale business increased more than 30% and our direct-to-consumer businesses increased nearly 50%, including more than 75% growth in digital, and over 40% total comp growth supported by our customs platform, which tripled in the quarter.

Turning to the product. Classic footwear increased more than 50% with strength in the Old Skool and Slip-On styles with particular momentum in checkerboard designs, as we head into the summer months.

Now to answer a question likely on your mind. Old Skool is clearly an important franchise, but it's just not one thing in this brand. In fact, 75% of sales in the quarter came from franchises and categories other than Old Skool.

For example, apparel and accessories increased over 35%. Progression footwear increased 30% with growth from our new signature Pro Skate, the CHIMA PRO 2, designed and built with Australia's finest skateboarder, Chima Ferguson. This franchise includes lightweight durability and new cushioning technology, which drove a 90% increase over last year.

Looking at apparel, the brand launched the new Versa Hoodie with strong sell-through globally. The innovative highly-functional hoodie at a \$95 price point showcases an evolution of style, comfort and skateboarding must-haves all-in-one.

Vans' commitment to deep consumer connectivity continues to drive excitement for the brand. During the quarter, Vans launched the Vans Family Loyalty program in the U.S., which allows members to access exclusive designs, experiences and earn and redeem points from purchases.

In the first six weeks, more than 1 million brand fans joined, surpassing our expectations. For fiscal 2019, the diversity of Vans growth and the team's not just one thing mentality, will continue to sustain our strong momentum.

Retail inventory levels are in great shape and we remain disciplined with respect to inventory management, merchandising and assortment planning. Vans long track record of consistent performance gives us high confidence the brand will deliver 12% to 13% growth in fiscal 2019, including 20% growth in the first half.

Switching to Timberland. As expected, global revenue declined 1%. Direct-to-consumer increased 12%, including 45% growth in digital, offset by a high single-digit decline in wholesale. In-line with expectations, Timberland brand revenue in the Americas decreased 7%, with high single-digit growth in direct-to-consumer offset by a low double-digit decline in wholesale.

Our non-Classics footwear increased at a mid-single-digit rate as our diversification strategy continues to progress. However, these gains were offset by a decline in our core Classics footwear business.

Men's apparel, a key strategic growth driver increased more than 20% with strength in outerwear, and momentum in our Timberland PRO business continued with mid-single-digit growth.

In Europe, Timberland brand revenue increased 4%, driven by a 20% increase in direct-to-consumer, including over 85% growth in digital. Wholesale declined at a low-single digit rate, primarily as a result of shipment timing.

Our locally-designed product continues to drive demand, highlighted by our new women's collection, Berlin Park, which increased at a high-single digit rate.

In men's footwear, casual and sport lifestyle collections, including the new FlyRoam Go, drove growth in the quarter supported by a strong marketing campaign across the region. Men's apparel also performed well with strength in outerwear, which completely sold out in our digital channel.

Timberland's Asia business increased 2%, more than 40% growth in China, partially offset by softness in Japan. High-single digit growth in our direct-to-consumer business, including more than 60% growth in digital was partially offset by a decline in wholesale, most notably in Japan.

Timberland Asia's latest apparel collaboration with Tokyo-based Monkey Time drove significant brand heat, selling out in Korea in the first 30 minutes. On a global basis, we expect Timberland brand revenue to increase 2% to 4% in fiscal 2019, driven by high-single digit growth internationally.

In North America, we are focused on our diversification initiatives as well as re-energizing growth in our core footwear franchises. The brand remains strong globally, and we are confident in our ability to deliver on our strategy.

Moving to the Wrangler brand, global revenue increased 1% with revenue in the Americas up 1%, Europe up 2% and Asia down 7%, driven primarily by ongoing challenges in India.

Looking at the Americas, revenue growth was driven by core men's denim, which increased at a mid-single digit rate, as well as strong growth from our outdoor collection. Digital wholesale and direct-to-consumer continued to be key growth areas for the brand, increasing 75% and nearly 15%, respectively.

During the quarter, Wrangler continued to elevate the brand and extended to new channels with its women's line making progress with upper-tier retailers. The success of Wrangler in these important new channels is validation of the brand's ability to extend beyond its core distribution.

Now to the Lee brand, global revenue declined 11% as 14% growth in direct-to-consumer was offset by a low-teen decline in wholesale. The Americas business declined 13% due in part to shipment timing. Adjusted for shipment timing, mid-single digit growth in the men's business was more than offset by a decline in women's.

The Europe business was down slightly as high-single digit growth in D2C was offset by a low-single digit decline in wholesale. In Asia, revenue declined 11% as growth in direct-to-consumer was offset by a decline in wholesale due in part to ongoing challenges in India. Looking to fiscal 2019, we expect Jeanswear revenue to be relatively flat as we work to stabilize the business and improve profitability.

Now turning to Workwear, revenue increased 4% on an organic basis, driven by a double-digit growth in Wrangler RIGGS, 9% growth in Bulwark and 6% growth in Timberland PRO. On a pro forma basis, Williamson-Dickie also had a strong quarter with 11% growth, driven by strength in lifestyle, international and direct-to-consumer.

We expect mid-single digit growth from our Workwear businesses on an organic basis in fiscal 2019, driven by continued strength in Timberland PRO, Bulwark and Wrangler RIGGS. On a pro forma basis, the Dickies brand is expected to increase at a mid-single digit rate, with double-digit growth in lifestyle, international and D2C.

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

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Thanks, Steve. The broad-based growth acceleration that began in the second half of 2017 continued into the transition period. Our performance for the quarter as well as our growth outlook for fiscal 2019 is stronger than we expected 90 days ago, and clearly demonstrates that the investments made in our strategic priorities over the past year are beginning to yield returns.

Our core growth engines are driving strong global momentum as we begin to enter the acceleration phase of our 2021 growth plan. Our business is strong and getting stronger, and our intense focus on fundamentals and quality growth as well as recent portfolio moves give us even more confidence in our ability to continue to deliver top-quartile shareholder value.

So, let's dive into the results of the quarter. Revenue increased 17% or 8% organically to \$3 billion, which was about \$100 million above the outlook we provided in February. Revenue from our big three brands increased 18% on a combined basis, led by 39% growth at Vans and 7% growth at The North Face.

The growth of Vans remains strong and well-diversified across regions, channels and product categories. In fact, every channel in every region grew more than 20%. We are also pleased with the progress in The North Face brand as the initiatives and investments to accelerate global growth are beginning to manifest.

Momentum continued in our Workwear business with mid-single-digit growth on an organic basis. Williamson-Dickie, again, achieved double-digit growth on a pro-forma basis, led by strong performance in international, lifestyle and direct-to-consumer. Total international grew 16%, or 8% organically, led by 12% growth in Europe.

Now, let me zoom and a click and give you some highlights about Europe. This represents the third consecutive quarter of double-digit growth with continued strength across all major countries.

Our big three brands increased more than 20% on a combined basis across Europe and D2C was up over 20% with more than 55% growth in digital. Wholesale increased 9%, highlighted by 15% growth at our key strategic accounts. So, congratulations to our European team for their continued success.

China increased 11%, or 1% on an organic basis. We've made significant progress in China working with our retail partners over the past two quarters. With these investments now behind us, we expect high-teen growth in China for fiscal 2019.

Our direct-to-consumer business increased 29%, or 24% on an organic basis, led by more than 40% growth in digital and 18% brick-and-mortar comps.

Our D2C strength is broad-based with more than 20% growth in both the U.S. and international and double-digit growth in each of our big three brands globally. Even more impressive when you consider that the organic store count was down 3% compared to last year.

Wholesale revenue increased 12%, or 1% on an organic basis, driven primarily by continued strength in Europe and our digital wholesale accounts globally.

Gross margin increased 50 basis points to 50.8%. Excluding the impact of Williamson-Dickie, gross margin increased 160 basis points to 51.9% as our ongoing mix benefit and focus on quality growth continues to drive strong performance.

SG&A as a percentage of revenue increased 120 basis points to 39.9% as investments in our strategic priorities continued to fuel growth. On an organic basis, our demand creation investment alone increased more than 20% or 50 basis points versus the prior-year. The remainder of the SG&A increase was focused on the D2C platform, particularly digital.

Adjusted operating margin declined 80 basis points to 10.8%. Excluding the impact of Williamson-Dickie, operating margin was 11.2%. And to wrap up the P&L, adjusted EPS increased 22% to \$0.67, including \$0.03 contribution from Williamson-Dickie acquisition, slightly ahead of the outlook we provided in February.

Turning to the balance sheet. Inventory increased 17%, or less than 2% on an organic basis. We repurchased \$250 million of stock, primarily to offset equity dilution for the coming fiscal year. And while our leverage ratios are currently elevated due to the timing of recent portfolio activity and share repurchases, given our strong cash flow outlook as well as proceeds from the Nautica sale, we expect leverage to return to more normalized levels in the coming months.

So moving now to the outlook for fiscal 2019, we expect revenue to range from \$13.45 billion to \$13.55 billion, representing growth of about 9% to 10%. On an organic basis, our outlook reflects about 5% growth. We currently do not expect FX to have a material impact on the 2019 outlook.

By coalition, we expect 8% to 10% growth in Outdoor/Action Sports or 6% to 8% growth organically. We expect more than 35% growth in Imagewear, or low-single-digit growth on an organic basis. We expect the organic Workwear business to increase at a mid-single-digit rate, and we expect relatively flat revenue in Jeanswear.

International revenue is expected to increase 13% to 15%, or 8% to 10% on an organic basis, with high-single-digit growth in Europe, low-double-digit growth in Asia and mid-single-digit growth in the non-U.S. Americas. Our organic D2C business is expected to increase 8% to 10% with more than 25% growth in digital.

Gross margin is expected to approximate 51%, primarily driven by mix, including about 20 basis point to 30 basis point negative impact from the Williamson-Dickie acquisition.

Operating margin is expected to approximate 13.2%, which implies modest SG&A leverage despite continued investments behind our strategic priorities. Our tax rate is expected to approximate 17%, and we expect adjusted EPS in the range of \$3.48 to \$3.53, representing between 11% and 13% growth.

So wrapping up our outlook, we expect cash from operations to exceed \$1.6 billion. We have high confidence in our fiscal 2019 outlook as we accelerate into the next growth horizon.

We have global momentum and we are investing behind our strategic priorities to continue to fuel sustainable growth. We will continue to reshape our portfolio and our diversified value creation model will continue to deliver top-quartile returns for our shareholders.

So now, I'll turn it back to the operator and we'll open the call for 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 and one follow-up and re-queue for any additional. [Operator Instructions] One moment, please, while we pose for questions.

Our first question comes from the line of Omar Saad with Evercore. Please proceed with your question.

Omar Saad

Analyst, Evercore ISI

Q

Thanks. Good morning. Very nice quarter, guys. Congratulations.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

Thanks, Omar.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Thanks, Omar.

Omar Saad

Analyst, Evercore ISI

Q

Thank you. I wanted to ask the first question about the D2C numbers you threw out there, Scott. Obviously, the sales were great in the 20s organic with stores down, driven by digital. What are you guys really doing there to activate it? And it seems like you're seeing a real inflection and given the lack of store growth underneath the revenues, should we start thinking about profitability in the D2C channel globally inflecting as well? Thanks.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Yeah, well absolutely profitability has been improving over time in D2C and we see that really accelerating. Omar, this goes back a couple years. We started talking about reducing the number of openings, focusing more intently on productivity, and this is not just in one area, it's in a myriad of areas.

We named a head of our D2C initiatives within our company who is leading this effort, Scott Baxter. And it's really a culmination of a lot of effort over a long period of time that has ended up in this result.

The other thing is on the real estate side, we've been more aggressive at closing underperforming stores and getting more selective about where we open new stores. That with some insights in analytics to better site those stores, we're really seeing we're making better decisions and that's paying off. And Steve, I think the brand side is even more important, right?

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

Omar, I would just add to Scott's point on productivity, we really focused on service and that in-store experience. Starting first with the in-store merchandising, really focusing on the product, the stories, but really paying a lot more attention to the level of service. The people that our consumers interact with and elevating our stores is really that most premier expression of just not our product, but what our brands stand for from an experience standpoint.

And it's really paying off. You clearly see it at Vans, but you see it's coming to life across all of our brands; North Face, Timberland, it's a very important aspect of our integrated marketplace strategy.

Omar Saad

Analyst, Evercore ISI

Q

And then just a quick follow-up. In terms of the digital component of the D2C growth, what are you doing there to activate such strength there? Is that primarily Vans or is it across the brand as well?

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

Certainly Vans is a key component, but it's across all of our brands. We had very strong results in our European business and we see really strong growth in Asia as well. But it's really elevating experience. It's paying attention to the aspects of that digital environment to reduce friction and improve really search and the storytelling.

We've recently added a Chief Digital Officer. Velia comes to us from Fidelity Financials and as she starts to get her feet on the ground will help us really tease out that end-to-end digital strategy, just not the e-commerce site but all aspects of how we think about using digital to elevate our skills and get closer to our consumer. We're a year into this commitment and we're really starting to see it take hold and pay dividend.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Omar, just building on that too. A couple of numbers, while Vans was impressive in the digital area, if you look at our digital growth, excluding Vans, was over 27%. And our long-term growth target is 25%, so you can see this is broad-based.

Just another reminder as well, this is our most profitable channel. So, I really like to see when our most profitable channel is our fastest growing. That's obviously virtuous for the P&L as well.

Omar Saad

Analyst, Evercore ISI

Q

Appreciate the insight, guys. Thanks.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

Thanks, Omar.

Operator: Thank you. Our next question comes from the line of Michael Binetti with Credit Suisse. Please proceed with your question.

Michael Binetti

Analyst, Credit Suisse Securities (USA) LLC

Q

Hey, guys. Good morning, and great quarter. Thanks for taking our questions here. Let me just ask you quickly for the models, I think we have to talk about Vans most of the day. But on North Face, can you tell us how much – is there any way to put a number on how much you're pulling back?

You mentioned an offset was clearing through off-price sales you're trying to pullback in the quarter. How much has that been impacting the revenue the last few quarters and can you tell us where out over the next few quarters that would start to diminish?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Yes. So, it's varied over time. I mean, this has been a long-standing series of actions and even some of that knocks on into next year as we think about the marketplace, cleaning up some of the marketplace activity that I think Steve talked about 90 days ago, but in the transition quarter itself, it was a point or two impact in this quarter.

Michael Binetti

Analyst, Credit Suisse Securities (USA) LLC

Q

Okay. One or two in the quarter. And obviously, most of the discussion swirling around Vans at the growth rate tier, so maybe we could just talk a little bit more about how you think about your visibility in the longevity of the growth there. I know you tried to help some color earlier in the conversation, but I guess the hard question is, as you look out a year and you're lapping 30s and 40s, how will Vans be growing?

And then I know we don't get much details on this on a brand basis, but how much is Vans contributing to the operating margins of the company at this point? Aside from mix, is there an inflection in the margins as the growth shows up the way it has in the last few quarters?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Yes, I'll start on that. Sure, Vans is positive to the operating margin and it contributes both in gross margin and operating margin, but it's not just one thing across VF, too, right? If you look at our most profitable part of our business, international is more profitable than domestic and our Europe strength is broad-based, right?

Every one of our brands grew and we're seeing substantial growth at very attractive operating margins and even more important very attractive after-tax margins, so from an EPS standpoint. So yes, Vans is attractive, but it's not a complete outlier when you look at the rest of the business, but it is accretive.

The forward view, first of all, we're already comping pretty big numbers and I think I said last quarter, this is fairly the hardest thing for us to close of the factor that you said, right? We're seeing pretty amazing growth.

Now don't forget we're seeing growth broad-based across the company, it's just even more accelerated in Vans. So, as we look forward and the comps get harder, we have assumed some moderation. It's implied in our guidance in the back half. Frankly, so far, we haven't seen that moderation occur.

Michael Binetti

Analyst, Credit Suisse Securities (USA) LLC

Thanks, guys.

Q

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Thank you, Mike.

A

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

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Good morning, and thanks for taking my question. I wanted to follow-up on last year's Investor Day. You've been very active on reshaping the portfolio. Can you provide an update on what inning you're in with the reshaping effort? And I think it was called out the strong free cash flow generation should decline the leverage ratio for 2018. What leverage ratio are you targeting for the fiscal year?

Q

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Yeah, maybe I'll start with the easy part. We've given our credit rating and where we've targeted two times EBITDA is, where we want to be and we'll be in that neighborhood by the end of the year, plus or minus. It looks like we're on a pretty good track to get there.

A

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

And Laurent, on the reshaping of the portfolio, certainly you've seen us be active on the divestitures with our LSG business, prior to that CBC, and most recently, Nautica. That's really being thoughtful around who's the best owner and how can we shape our portfolio in line with our financial aspirations?

A

The addition of WD is absolutely paying off. That integration is going well, and we're right on track, if not slightly ahead of the plans that we have from a full contribution.

Icebreaker just coming into the family, we are really excited about their potential. They're right now planned to grow double-digits in their first year in our portfolio. And on top of that, the influence that they will have on shaping a natural fiber platform that we'll be able to scale across our VF enterprise, really playing into our purpose-led mantra will be very, very impactful.

And we're anxious to have Altra join. They're continuing to grow at exceptional rates, and we see them having significant impact not only as a stand-alone brand, but how they'll be able to help influence some of the things going on within our North Face business.

We'll continue to be very thoughtful and purposeful in our acquisitions, be it brands or capabilities. We're seeing it pay dividends in the early months here, and we know exactly where we want to take it in the future.

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Very helpful.

Q

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

And just to comment as you think about our long-range modeling, I know, Laurent, you're trying to model this in the longer-term. A couple things to keep in mind, some of the moves we've made, we would say have probably de-risked our forward look and give us more confidence as we think about hitting our long-term objectives. And we know that given the assets we have today, we have a plan right now that gives us what we would say is a top-quartile TSR performance.

So, while we remain interested in acquisitions, you should also think that we don't need acquisitions in order to deliver this kind of performance. In fact, we'd say that's upside, right?

The only reason we would make that decision is we believe that it's accretive to the plans that we've put out, and at least from our perspective, those plans are pretty solid. And with each of these moves, we gain more confidence in our ability to achieve them.

A

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Very helpful. And I wanted to follow-up on the gross margin guide of 51% for the year. Can you talk about the various moving pieces, whether that's FX, commodities, DTC or Williamson-Dickie? And how should we think about the evolution of the quarters relative to the annual guide?

Q

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Yeah, so I'll start with your gross margin. So, if you look at the organic business, we expect that mix that we've seen for years to be there, and we're saying in that 50 basis point kind of range.

When you think of all the other factors organically, that being price, cost, FX, et cetera, we see that as essentially a push. So organically, about 50 basis points largely driven by mix.

And then from an acquisition standpoint, again, largely due to Williamson-Dickie and then you've got Altra and Icebreaker, which are relatively smaller and have less impact, you've got about a 20 basis point negative impact. So that 50 basis point mix is mitigated by about 20 basis points of mix relative to the non-comp and it gets you to that 30 basis point or 51% gross margin for next year.

As you think about the evolution, how to model it, at least from a top line standpoint, we're slightly front-loaded, although not a lot, in our first half, second half.

Again, don't forget, we're on the new fiscal calendar and the shift a little bit. And then from a profitability standpoint, we see that more in the second half of the year, we'll see relatively stronger earnings growth in the second half.

A

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Very helpful. Best of luck.

Q

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Thanks, Laurent.

A

Operator: Thank you. Our next question comes from the line of Jamie Merriman with AllianceBernstein. Please proceed with your question.

Jamie Merriman

Analyst, AllianceBernstein L.P.

Good morning. Thank you. You talked a few times on the call about the strength and the success of the European business, so I was just wondering if you can talk about what strategies you think are seeing particular success there, and if there's any learnings you can take from that to North America or the Americas in particular?

Q

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Sure. This is Steve. So, our European business, this is just a – the way we're structured in Europe provides us a really unique way to share best practices and ideas across all of our businesses, and I think that's one of our key strengths in how that team really looks at their overall marketplace and how we utilize that collaboration to drive our brands with key retail partners, but also how we're able to leverage that scale and expertise across our own D2C.

A

Yeah, these brands are all deeply connected on a global basis, with their global team members, but our teams there have just a very strong and personal understanding of their individual consumer. They're driving products, in some cases from global ranges, but also creating products that are unique and special to that European market, and our model allows for that and actually supports and encourages it, by being able to satisfy that consumer in how we tailor our messages both in our marketing online but in our stores. That team just has a unique way of working together to drive that consistent growth that we're getting.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Yeah, and just to build on that, the model itself. If you think about the brands that individually operating in a region like Europe, and that's just one example. You could say the same for Asia or other geographies.

A

The relative friction of growing a business with that common model and those efficiencies that Steve just mentioned is really low. So, when you have growth like Vans as seen today right now, for example, the ability to chase that, feed it, have the infrastructure in place and getting leverage on those expenses, that's a powerful weapon.

I would also, of course, CFO, I'm going to talk about the profitability side of that. So there's efficiency in that model, and then also the ability to organize from a tax efficiency standpoint also.

So the combination of all those things together, operational advantages that Steve talked about, the leverage on the model in the back end, coupled with the tax benefit makes it a really powerful weapon for us.

Jamie Merriman

Analyst, AllianceBernstein L.P.

Q

And then as a follow-up, so is there a way to apply some of those things to other parts of the business? Or is this – you said that's unique, but is there a learning you can take to the other region?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Absolutely. In fact, in the prior calls, we've talked specifically. I'll use The North Face, as an example. We've seen exceptional growth. Our return to growth beginning about seven quarters, eight quarters ago, and last year, we made management changes within our North Face businesses. We brought our Head of Europe to be our Global President here in Alameda, California. And why we did that was to bring the disciplines, the skills, and actually some of the learnings from the turnaround that we had in Europe to be able to apply it to our Americas business, but also how to take those learnings and apply it globally.

Thoughtful, integrated marketplace management, the segmentation of customers, tiering products, bringing in some of the more lifestyle outdoor pieces that had been created in our European market, proven, tested. We brought those in and starting to see really good growth within our Urban and lifestyle collections. Just really kind of grabbing those best practices and sharing them by movement of management.

We've talked about Timberland and how we've seen the diversification strategy from a product standpoint in Europe pay very good dividends and assured that we're getting this consistent quarter-after-quarter growth.

We've brought that same diversification mentality into our U.S. market, as well as Asia, and we're starting to see growth with some of the new collections; the FlyRoam, the SensorFlex. They're small today compared to our Classics, but we're starting to see good results, and that's learnings coming straight out of our European platform to help energize the business here in the United States.

Jamie Merriman

Analyst, AllianceBernstein L.P.

Q

Great. Thank you.

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 first had a question on the model. You guys had, obviously, very strong sales growth. We're still not seeing the leverage in the model, so I was curious, if you could just unpack some of the investments you've made in this step quarter.

And then, what gives you confidence that you're now in a position to kind of pivot as we get into fiscal 2019 to see that SG&A leverage?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Yeah, so a couple things. The story here, Erinn, is really unchanged, if you even want to go all the way back to Boston and when we laid out our intent and the things that we're investing in.

So our investments around our strategic priorities and those are – on our website we laid them out very consistent with digital D2C being some of the most significant in the technology around that and those continue.

And what we said is, if you think about the shape of our P&L evolution that we increased our investments a year ago, we said we would maintain those investments, but the pace of increase would moderate, i.e., be less than sales as you move through the model, and the sales curve would accelerate as you continue to move through that five-year period.

So that's exactly what we're seeing. Maybe we're a little ahead on the top line side. So, obviously as you moderate your investments and you see the acceleration on the top line, you're going to see that leverage. That's implied in our 2019 guidance and that will accelerate as you move through that horizon.

I think the other thing that gives us confidence in addition to the top line is also the gross margin, right? So, as you see our gross margin continue to come through, that's a key linchpin of this whole financial model. And the combination of seeing the acceleration and the payoff of those investments which, again, you're seeing evidence of that right now on the top line plus that gross margin collectively is given us that confidence.

Now, of course, we can moderate these investments. It's our choice, and we're only going to – we're not investing just because we said we would. We're looking very carefully at where those investments are paying off and where they are, we're leaning in.

In some cases, we don't always make great choices and some of these initiatives, we test and learn and fail and we course-correct. So, this is a dynamic process underneath. The general direction is unchanged, but beneath that there's a tremendous amount of activity to try to find those points of difference that will give us sustainable growth over the long-term.

Erinn E. Murphy

Analyst, Piper Jaffray & Co.

Q

Got it. And then just within Jeans, I would love to talk a little bit more about the Lee business. It was down 11% globally. I guess what needs to change there to see a more steady rate of growth?

And then I guess on the margin side for the overall Jeanswear business, I know you're reworking to kind of restructure the cost basis. When do we start to see or I guess how should the operating margin opportunity kind of shape over the next couple of years? Thanks.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Maybe I'll start with the margin at the end. So, what we're prioritizing the margin expansion. If you look at the decline over the last couple years, couple of hundred basis points in margin, about two-thirds of that has been through deleverage, so that's good news, from our standpoint, because that's, we know what to do there and it's addressable.

We've already started some of those actions. Some of the investments that you've seen around restructuring are in place and this is something we'll look at over the next couple of years.

I would caution though this is not an immediate kind of impact and you should think of a couple-year horizon as you think about getting after some of that margin expansion.

And the other side is part of that equation is the top line and what you will see and what we have said in our guidance is that the business is stabilizing, so our guidance is about flat.

Our Wrangler business has been relatively stronger. We've seen a little bit more pressure in Lee, particularly on the women's side. What we're seeing as we look forward is indications that we're gaining programs doing relatively better in the mid-tier, seeing evidence that some of the initiatives are starting to pay off, but fundamentally Jeans has not changed.

If you go back and the story that we've been talking about for the last 12 months is still in place. Quarter-by-quarter, we're going to see some variability. We said visibility in the short-term is a little hard to predict, but if you zoom out and click and look over a longer perspective, we've got great brand franchises, we're the low-cost producer, and we're seeing evidence that we're stabilizing this business to create a more solid foundation.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

And, Erinn, I would add, for the quarter, there was quite an impact on timing of shipments, which we have line of sight to see how that will come back next quarter. We've talked for the last year about the strength of our men's business, specifically in the mid-tier, and it continues to do extremely well here with some of the key innovations that they've brought both in denim and some of the different bottoms.

Our women's business has been a source of challenge, specifically in mid-tier. We are beginning to see returns to growth with some of our key programs that we've placed in the last quarter, quarter-and-a-half, giving us confidence in what the new management team at Lee is doing to reenergize that aspect of the business.

We continue to have some challenges in the women's mass business. We have line of sight to how to bring that back into control. To Scott's point, to stabilize, while we also are paying a lot of attention to profitability and how to begin to get that business back to the growth that we've seen historically.

Erinn E. Murphy

Analyst, Piper Jaffray & Co.

Q

Thank you.

Operator: Thank you. Our next question comes from the line of Sam Poser with Susquehanna. Please proceed with your question.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

Hello, Sam?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

We can't hear you, Sam.

Operator: Sam, is your line on mute?

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Sorry. Can you hear me? Sorry.

Q

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Now, we got you.

A

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Can you hear me? Okay.

Q

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Yeah, now we do.

A

Sam Poser

Analyst, Susquehanna Financial Group LLLP

Apologies then. Thank you for taking my question. I just wanted to know, could you talk about potential synergies between Jeanswear, Workwear, Williamson-Dickie maybe behind the scenes or getting brands into different retailers, sort of leveraging relationships between those guys? Can you give us any color if there's anything there?

Q

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Absolutely, Sam. We do see synergies. And, in fact, that reports into our Group President, Curt Holtz. Those businesses are grouped together. They share a lot of similar customers, also similar models. We get a lot of synergies on the back end in manufacturing, where we're able to really leverage that skill and capability. And not only just the manufacturing side, but on the materials. So, great synergies and leverage that we're able to apply there and all the other back-end support systems from HR, systems, and finance.

A

There's another interesting synergy beyond Jeanswear, but our Dickies' business has and we're seeing a real growing strength in the lifestyle areas. Not just in China or Asia and Europe, where the business has been strong, but we're starting to see it wake up and trend even more so here in the United States, and there's synergies there with our Vans business in really tapping into that creative self-expression element of Vans and how to bring that to life for that consumer. And our Dickies' team is excited to be able to share best practices and, where possible, relationships to drive the brand in that category as well.

Sam Poser

Analyst, Susquehanna Financial Group LLLP

And two other things. How many of those synergies are sort of built into the guidance, on both sides of what you discussed? And then, on a different note, can you give – Timberland North America has been struggling. Where are we on the evolution there to where you need to be? Thank you.

Q

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

So I'll talk about the first, what's built in. So as you look at the acquisitions that we've made in total, we said there's about \$0.10 worth of EPS, and about \$0.07 of that relates to Dickies, and the remainder will be Altra and Icebreaker.

Now, if you look at the cumulative effect with two quarters behind us and then the two quarter non-comp ahead, that would imply that we're a little bit ahead from what we originally said on the Dickies' synergies. We've gotten after those a little bit earlier and a little better top line, particularly in that lifestyle piece that Steve mentioned, which, I think, we've said it in our prepared remarks in Asia alone is, on a relatively small basis is up substantially year-on-year.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

So, on your Timberland question, Sam, we've been pretty upfront with you on where this business is. We're working diligently on the diversification. There's been a high dependency on the Classics business. And though we see that as a very, very important long-term franchise, we have opportunities there to evolve that aesthetic and bring the consumer along with some new thinking in how that design comes to life across the Classic category, but it's very key for us to get the diversification into SensorFlex, FlyRoam, the apparel category.

One of the key tools for us to do that, Sam, is D2C. When we're able to really move our business in Europe due to the significant footprint of direct-to-consumer stores that we have where we're able to really position our brand, we don't have that footprint here in the United States. We're testing and proving models that we'll be able to use to be able to extend our brand storytelling to help the U.S. consumer move beyond that historical Classic interest that they have. We're bringing in new skills and capabilities to that team to help think about the merchandising, the integrated marketplace and to be able to reenergize the growth here.

We still have conviction and confidence in the longer-term plan that we laid out in Boston. The work here in the U.S. is on its way and we're confident in the team's ability to get that done. It will just take time as we – we depend on the wholesale channel to move with us. And it's, as you know, difficult to be able to move wholesale compared to the less friction you have within your own D2C environment.

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.

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

Peter Clement McGoldrick

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Hi. This is Peter McGoldrick on for Jim. Thanks for taking my question. I was curious about the growth rate in China for the quarter, the 1% constant currency organic. And the high-teens expectation for 2019, could you call out the puts and takes for the slowdown and then the drivers of the reacceleration?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Yeah, this is Scott. First of all, so this is exactly as we planned and been talking about. We talked about working with our retail partners. We started that last quarter and actually it even goes beyond that and this is really the end of that.

Just for reference, I think in my prepared remarks, I talked about high-teen growth in China for 2019, so that shows you, you can bookend this and this is behind us.

Although, we're – either somewhat evergreen activities in terms of working on partner productivity as it relates to the actions that we had in place, we're at the end of those, so that's really what impacted the quarter.

Obviously, there's two aspects of that. As you're cleaning up, there are some stale inventory as well as reducing your shipments in and that's an activity that started quarters ago and is really setting us up for a stronger foundation for growth as we look forward.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

And, Peter, I would add, as we've really modulated the sell-in and allowing the market to right-size itself in helping some of our key partners move through the excesses, we've brought new disciplines. This is really a great example of where we are becoming more consumer-centric and retail-focused in our skills and capabilities.

Kevin Bailey, our leader of our Asia business is a retailer by background and really bringing those disciplines to how we think even to our wholesale model of being able to really concentrate on sell-through. And making sure you've got the right assortments, the right flow, and the right experiential marketing to keep the interest level high and continue to pull the consumers into not only our own environments, but into our partner environments.

And with a cleaner marketplace, we're now able to place these new fresh assortments. And in Asia, Urban Exploration category for North Face, more broad-based for Vans, and the same strategy in Europe being used in Timberland. With that sell-through retail mentality, our teams are becoming much more proactive managers of that retail floor space.

Peter Clement McGoldrick

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thank you. And then just within Jeanswear, are those growth rates that we're seeing across the Wrangler and Lee brands representative of also the denim products specifically or is there any difference across categories within the brands?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

We mentioned in Wrangler that, for the quarter, we saw our men's denim up mid single-digits as the brand was up 1% here in North America, so we're seeing good growth in our men's denim both in Wrangler and Lee, and we're seeing some softness in our women's business.

But what's also encouraging is our brand, especially Wrangler, extends into new distribution channels. Our Modern Series that was launched last year is really taking learnings from our European platform.

We're seeing new placements in new upscale specialty distribution as well as better department stores, seeing good sell-through, confidence to build off of this as we come into the fall. But we're also seeing extensions into new categories, new usages like outdoor in our Wrangler brand doing extremely well too.

Peter Clement McGoldrick

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thank you.

Operator: Thank you. Our next question comes from the line of Bob Drbul with Guggenheim Securities. Please proceed with your question.

Robert Drbul

Analyst, Guggenheim Securities LLC

Q

Hi. Good morning. I was wondering, if you could just talk to your digital wholesale business a little bit? I'd love to hear an update on the Amazon relationship, how North Face is doing there?

And also, just within the walmart.com and the Walmart digital business, how your brands are performing there, and just where you see the growth opportunities going forward by brands. And has Vans decided, will they start to selling in Amazon? Is that anywhere on the docket here as well? Thanks very much.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Those are a lot of questions, Bob. I'll start with Amazon. We've really increased our attention and interaction with the Amazon team, not just as an individual brand, but we've brought a key account team together focused on really learning Amazon and learning how to really utilize that platform as part of our integrated marketplace choice.

We've spent last year specifically with North Face working collaboratively to clean up the marketplace, and as we do that, allowing us to put better targeted assortments onto that platform and also beginning to work with them on how to assure traffic is moving in a proper way to drive sales.

So, I would tell you our relationship is improving. Our commitment to a key account team sitting in Seattle to really work from a One VF point of view, we think will be a real positive. That really is playing off of something we've already done in Europe, where there's a key account team working there.

On that, Bob, I'd tell you, we've got a lot of experience specifically in Europe with partners like Zalando, where we really have learned how to partner with these new unique selling environments, how to utilize them to tell our stories, and we're bringing that knowledge back here to work with Amazon.

Walmart, a really key partner. We support the work that they're doing to expand their platform, and we continue to work collaboratively with them on how to bring additional brands within our portfolio into their environment to not only help our partners' business grow, but also help us access our consumers shopping in that environment. And then your last question was...

Robert Drbul

Analyst, Guggenheim Securities LLC

Vans and Amazon.

Q

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Vans and Amazon. That's a brand-by-brand decision, Bob, and at this point, our Vans business has not decided to move on to that platform on either a 1P or a 3P, but they're part of the One VF conversation, learning, along with our other businesses, specifically on how to utilize that in the future in their integrated marketplace strategy.

I will tell you part of the Amazon platform, Zappos, all of our brands are there. So, you could argue that Vans is within the Amazon environment, but it's there selling Zappos directly.

A

Robert Drbul

Analyst, Guggenheim Securities LLC

Great. Thank you very much.

Q

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Thanks, Bob.

A

Operator: Thank you. Our final question comes from the line of Dana Telsey with Telsey Advisory Group. Please proceed with your question.

Dana Lauren Telsey

Analyst, Telsey Advisory Group LLC

Good morning, everyone. As you think about pricing, how are you thinking about the average unit cost inputs by brands through the balance of the year? Is there any changes or adjustments that we should be thinking about?

And then digital media, given its prominence, what are the costs for you, and does it vary by brand? What changes are you seeing there? Thank you.

Q

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Good morning, Dana.

A

Dana Lauren Telsey

Analyst, Telsey Advisory Group LLC

Hi.

Q

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

This is Scott. I'll take the first part. So input costs, there's a lot recently with stronger dollar and some of the movements in a few commodities like cotton and others.

A

Yeah, there is some input cost pressure, but when we look at pricing which is in that historical kind of 1% range that we've seen over the last several years, we see that pricing is really offsetting input costs.

So from a margin standpoint for us at least, today, we see that as not really a big factor. We'll have to watch it, see what happens in a strengthening dollar environment that could drive commodities higher, but so far we really haven't seen a big impact. Labor pressures also are generally up, although not at an amount that's significant enough to make a material difference to us at this point.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

A

And then, Dana, on your digital media cost question, to be honest with you, I don't have that level of detail. I've not heard of any changing costs that would be guiding any different decisions. This is an important part of our media mix and how we connect with our consumers.

I will tell you that the use of consumer data in the analytics capability to be more purposeful and directed with our messaging is growing. You heard us talk about the investments in shifts within Vans and the rise of the use of their consumer file in just a very short order of getting a million consumers signed up and active.

The digital platform and how we interact there is very, very important. I do think there's probably a cost-per-click increase. I'm not sure if it's meaningful enough to modify any of our decisions, but I think it's more about how we can be more one-to-one in the use of our information than the broader long-term media platform we've all become accustomed to.

Dana Lauren Telsey

Analyst, Telsey Advisory Group LLC

Q

Thank you.

Operator: Thank you. There are no further questions at this time. 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.

Well, thank you, everybody. Really appreciate you spending the time with us this morning. I'd love to reinforce a couple points. We are moving now into the acceleration phase of our 2021 plan.

We're very confident in the growth drivers we laid out in Boston. The strength of our Vans business we see continuing. The momentum returning to The North Face gives us confidence against the commitments we've made there. And the work that we're doing to reenergize Timberland, you can see the sequential set of actions bringing the portfolio up to the high single-digit growth commitments that we made to you all in Boston.

We are very committed to continue our transformation to become a more consumer-centric enterprise and we're excited to unlock the power of both being purpose-led and performance-driven as we create value for our shareholders, our employees, partners and ultimately our consumers. So again, thank you for joining us today.

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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