

19-Oct-2018

VF Corp. (VFC)

Q2 2019 Earnings Call

CORPORATE PARTICIPANTS

Joe Alkire

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

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

OTHER PARTICIPANTS

Alexandra Walvis

Analyst, Goldman Sachs & Co. LLC

James Vincent Duffy

Analyst, Stifel, Nicolaus & Co., Inc.

Robert Drbul

Analyst, Guggenheim Securities LLC

Erinn E. Murphy

Analyst, Piper Jaffray & Co.

Michael Binetti

Analyst, Credit Suisse Securities (USA) LLC

Matthew Robert Boss

Analyst, JPMorgan Securities LLC

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Camilo Lyon

Analyst, Canaccord Genuity, Inc.

Jonathan R. Komp

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

John Kernan

Analyst, Cowen & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the VF Corporation's Second Quarter 2019 Earnings Call. At this time all participants are in a listen only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder this conference is being recorded.

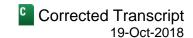
I would now like to turn the conference over to your host, Mr. Joe Alkire, Vice President of Investor Relations for VF Corporation. Thank you. You may begin.

Joe Alkire

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

Good morning and welcome to VF Corporation's second quarter fiscal 2019 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 on an adjusted basis which we define in the press release that was issued this morning. We use adjusted 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 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 first quarter of fiscal 2019, the company completed the sale of its Nautica brand business. During the first quarter of fiscal 2018, 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 and completed the sale of the assets of the JanSport brand collegiate business in the fourth quarter of 2017.

Accordingly, the company has included the operating results of these businesses in discontinued operations through their respective dates of sale. 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, President and Chief Executive Officer, Steve Rendle and Chief Financial Officer Scott Roe. Following our prepared remarks, we'll open the call for guestions. Steve?

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Thank you, Joe, and good morning, everyone. VF's second quarter results were strong, fueled by the continued acceleration in our core brands and platforms. Our focus and investment in support of our 2021 strategy is driving accelerated growth and value creation across key pillars of our portfolio.

Over the past few months, geopolitical and macroeconomic events have caused increased volatility in the marketplace. I'd like to take a moment and address how a few of these events are shaping how we think about our business and our consumers.

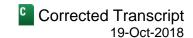
First, as it relates to the current trade climate between the U.S. and China, we are closely monitoring the situation and are actively involved in scenario planning. For context, about 11% of VF's total cost of goods sold come directly to the U.S. from China.

By leveraging our global supply chain, we have positioned ourselves to address any additional changes in the overall trade environment with China and we have the ability to reposition our global sourcing footprint in the near to mid-term to mitigate the potential negative impact of additional tariffs should they materialize.

Second with regard to the recent trade agreement between the U.S., Mexico and Canada, we are pleased with the outcome. For VF, we've retained the most significant benefits we've enjoyed through NAFTA, and the impact to our business is expected to be minimal.

And finally, this week one of our U.S. customers filed for bankruptcy. As a reminder, the 2021 financial targets we laid out at our Investor Day in Boston contemplated ongoing industry consolidation and customer bankruptcies in the U.S. market. So, while the customer bankruptcies pressure our results in the short-term, there is no impact to the long-term growth outlook for any of our brands.

Regarding the consumer; above average GDP growth, low unemployment and multi-year highs in consumer sentiment are driving strong results in the U.S. market. In China, consumer spending in footwear and apparel remains solid, thus far unfazed by geopolitical rhetoric.



And while the performance of our European business has been slightly more volatile the past few months, due in part to unusual weather patterns across the continent, we have not seen a meaningful change in the trajectory of our business.

Let's review a few highlights from our second quarter. Revenue increase 6% on an organic basis or 7% excluding the impact of FX, as our growth engines continue to fuel our results. Our big three brands grew at a combined rate of 11%, with our Vans brand delivering another exceptional quarter up 26%.

Vans revenue growth was strong across all regions, channels and product categories. And importantly, growth also remains well diversified. Last month Vans hosted an Investor Day at the brand's headquarters in Southern California, where brand leaders outlined a path to \$5 billion of revenue by 2023, representing a five-year CAGR between 10% and 12%. Vans performance will continue to be a key driver of our commitment to deliver top quartile TSR.

Momentum in The North Face brand continues to accelerate with 5% growth or 7% excluding the impact of FX. DTC was strong across all regions and our digital business delivered over 35% growth.

Strong performance in accessories, seasonal and lifestyle products drove the brand's results. This fall, The North Face unveiled the Retro Nuptse Jacket in vest collection, a water resistant, 700-fill down, enhanced replica of the original 1996 version. The launch was supported as a key pillar of our new explorer's campaign and was highlighted in our first ever Urban brand experience, was sold out in minutes.

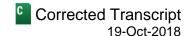
The North Face's reenergized product engine is beginning to drive consumer demand as the brand explores innovative ways to connect and engage with consumers. Based on our increased confidence and visibility into the second half, we now expect revenue growth for The North Face to be between 7% and 8%. As a reminder, our updated outlook for The North Face includes a one point headwind from FX versus our initial outlook of 6% to 8% growth for the brand in April.

Now looking at total VF on an organic basis; international increased 4%, or 7% excluding the impact of FX. China increased 12%, or 15% constant currency. Direct-to-consumer increased 13% with more than 30% growth in digital, and our Work segment increased 5%, driven by balanced growth across nearly all brands.

So now, halfway through the year, we are executing well on our plan and making a significant progress against our 2021 strategy. As a result of our strong performance in the quarter, and our increased confidence in the full-year, we are raising our revenue and earnings growth outlook for fiscal 2019. And Scott will cover the details later in the call.

I'd like to take a moment and update you on our recent portfolio actions. In August, we announced a significant milestone in VF's storied history, our intention to separate VF into two companies via a spin-off of our Jeans business. Since the announcement almost two months ago, our management team, board of directors and external advisors have been working diligently toward a target separation date at the end of April 2019. We are pleased with our progress and remain on track with our timeline. We will have more specific details to share with you over the coming months.

In September, we announced the new location for VF's global headquarters in Denver's, Lower Downtown district. We're excited to co-locate select VF corporate leaders with our Outdoor brands in the Rocky Mountains. We look forward to moving into our new building in fall of 2019.



Earlier this month, we entered into a definitive agreement to sell the Reef brand to the Rockport Group. The transaction is expected to close at the end of October. I'd like to personally thank the Reef employees for their hard work and dedication to VF throughout the years. The Rockport Group is the appropriate partner to shepherd the Reef brand through its next phase of growth and success.

And finally, the integration processes for Icebreaker, Altra and Williamson-Dickie remain on track. While still early, we are even more optimistic about the long-term growth opportunity for these high-quality assets. This is an extraordinarily exciting time at VF.

The actions we're taking continue to advance our journey toward becoming a purpose-led performance-driven organization, focused on, and committed to delivering superior returns to shareholders. We are delivering on our commitments and remain sharply focused on the foundation we're setting to position VF for sustainable, long-term growth and value creation.

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

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Thanks, Steve, and good morning, everyone. Our results for the second quarter were strong and our confidence is high as we enter the fall holiday season. We are executing well against our strategic growth plan. Momentum continues to build across our core growth engines and platforms and our portfolio is well positioned to deliver sustainable long-term growth and top quartile value creation.

Now let's review our second quarter performance in more detail. Total revenue increase 15% or 6% organically with balanced growth across our core brands and platforms; excluding the impact of acquisitions, D2C increased 13% led by more than 30% growth in digital and double-digit brick-and-mortar growth. And that's despite fewer stores compared to a year ago.

Wholesale increased 3% organically led by continued strength in international and our digital wholesale partners. On a regional basis, excluding the impact of acquisitions, growth was balanced with both U.S. and international up 7% constant currency. Europe remains solid delivering mid-single-digit growth, while Asia-Pacific increased 7% including 15% growth in China, excluding the impact of FX.

Our non-U.S. Americas business also performed well in the quarter with 12% growth organically on a constant currency basis. Our big three brands collectively increased 11%, led by 26% growth in Vans and 7% growth at The North Face, excluding the impact of FX.

Revenue growth in our big three brands was balanced globally, with 20% growth in D2C and high-single-digit growth in wholesale. Results for Timberland were muted for the quarter. However, we have visibility to improved performance in the second half of this year and we remain confident in our long-term aspirations for the brand.

Our Work portfolio delivered another strong quarter with revenue up 5%, excluding the impact of a customer bankruptcy, Bulwark and Wrangler RIGGS, each grew double-digits and our Timberland PRO and Red Kap businesses increased at a high single-digit rate. And on a pro forma basis, Dickies had another strong quarter with revenue growth of 11%.



As expected, our Jeans business had a difficult quarter, compounded by the impact of a customer bankruptcy contributing to a decline of 7%. It's important to note, this quarter's results have no impact on our long-term growth and TSR algorithm for this business.

As Steve mentioned, the 2021 financial targets we laid out at our Investor Day in Boston contemplated ongoing industry consolidation and customer bankruptcies in the U.S. market. While we anticipated these events in our 2021 plan, it was hard to predict when they would occur. Thus, while we've reduced our current year outlook, there is nothing that we see today that fundamentally changes our view of Wrangler or Lee over the long-term.

Moving down the P&L, gross margin was 50.2% in line with last year, despite a 70-basis-point negative impact from acquisitions. On an organic basis, gross margin increased 70 basis points, driven primarily by mix as our largest and most profitable brands and platforms continue to be our fastest growing.

SG&A as a percentage of revenue declined 50 basis points to 32.6%, including continued investments in our strategic priorities. The acceleration of revenue growth coupled with our ongoing discipline and focus on cost management is beginning to drive meaningful leverage and will be a catalyst for earnings growth over the next several years. EPS increased 19% or 13% organically to \$1.43 per share.

Given our strong results for the second quarter and our increased confidence and visibility into the second half, we are raising our full-year fiscal 2019 outlook as follows: Revenue is now expected to be, at least, \$13.7 billion, reflecting growth of, at least, 11%.

Our updated outlook includes a more than \$100 million impact from expected divestitures of the Reef, Van Moer businesses as well as the impact of customer bankruptcy. Our updated outlook now includes 7% to 8% growth at The North Face and 18% to 19% growth at Vans. Following this through by segment and channel, Outdoor is now anticipated to increase 7% to 8% and Active is now expected to increase 14% to 15%.

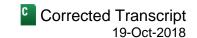
From a channel perspective, we now expect D2C to increase 12% to 14% for the full-year with more than 30% growth in digital. We now expect Lee to decrease between 3% and 4% and our Jeans segment to decline approximately 1% to 2% in light of the previously-mentioned bankruptcy. There is no change to our Wrangler outlook of a 1% increase this year.

And finally, we are confirming our mid-single digit organic growth outlook for Work and our international outlook of 12% to 13% growth. We still expect gross margin to be 51%. And now, we expect operating margin to increase 80 basis points to about 13.5% due to slightly stronger SG&A leverage.

Our outlook for adjusted earnings per share has increased to \$3.65, reflecting 16% growth and this includes the impact of selling Reef, Van Moer and bankruptcies. Cash flow from operations is now expected to approximate \$1.8 billion with our CapEx forecast unchanged at about \$275 million.

We remain committed to returning cash to shareholders and our dividend and share repurchase program are key components of our diversified value creation model. Based on our performance and the confidence we have in the cash generation of both RemainCo and NewCo, our board of directors approved an 11% increase in our quarterly dividend to \$0.51 per share. This marks the 46th consecutive year that we've increased our annual dividend.

So, to wrap it up, we are pleased with the performance through the first half of this year. We have again raised our full-year outlook and we look forward to building on our momentum in the second half. We are sharply



focused on executing against our strategic growth plan and positioning our portfolio for sustainable long-term growth and top-quartile value creation.

And with that, I'll turn the call back to the operator and open the call for your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we'll be conducting a question-and-answer session [Operator Instructions] To allow for as many questions as possible this morning, we ask that you please keep to one question and one follow-up each.

Our first question comes from the line of Alexandra Walvis with Goldman Sachs. Please proceed with your question.

Alexandra Walvis

Analyst, Goldman Sachs & Co. LLC

Good morning, guys and thanks for the question. I had a question on the Work business, specifically Williamson-Dickie. You've now had that asset for a year and you've posted solid growth and some improvements in profitability there. I was wondering how the strategy there had progressed versus the original plan, and how we should expect that to change as we go into year two and beyond?

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

Yeah, this is Steve. I'll start answering your question. So yes, we are a year into our Williamson-Dickie acquisition and integration. We are on track with the integration objectives and the synergies that we saw as part of our diligence. There's a lot that we've learned about this great brand.

We knew that it was a strong consumer-focused brand as we went through our diligence process. But what we're finding is that it's anchored so well in the Work category, specifically here in the U.S. But as we've worked with management and begun to understand the consumer response to this brand, we're seeing a much stronger work-lifestyle component anchored in Asia and Europe that we see being able to bring back across the globe.

So very much on track, remain extremely confident about the impact that this brand can have within our integrated market approach for workwear, but even further elevating itself as a strong consumer lifestyle brand anchored in the Work category.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

And let me just add on, just make a broader acquisition comment; but I think it's in the prepared remarks. We said, we expect \$0.14 contribution from acquisitions, about \$0.10 of which will be from the Williamson-Dickie acquisition. And so that's a little bit better than what we had originally said. We're seeing that the synergies, now that we've gotten in, are indeed playing out and maybe a little quicker than we originally anticipated. So, all good on the financial side as well.

Alexandra Walvis

Analyst, Goldman Sachs & Co. LLC

Great. That's very clear. Thank you. And then our second question was on the Jeans business. You explained that much of the weakness in this business this quarter was driven by a bankruptcy. I was wondering if there is anything you can share with us on perhaps point-of-sale trends at your retail partners, how would the brand have been – or the brands have been performing ex the impact of the bankruptcy. Is there anything that you can share with us for example on how those brands are resonating with consumers?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Yes. Let me start just with the numbers side of your question. This is Scott. So, a little bit of perspective. First of all, our Jeans business grew 2% in the first quarter. And when you consider the Wrangler RIGGS business which we report in the Work segment, it really grew 3%, if you think about what will be NewCo going forward.

If you exclude the impact of the bankruptcy which you mentioned in your question, that means through the first half we're down a little more than 1%, maybe 1.5%. We expect in the second half, again, ex the impact of bankruptcy, to be up by about the same amount. So, you're talking flat for the year.

And really bridging back to Steve's opening comments, as we thought forward in our Boston plan and as we've thought through, the NewCo and the spin and the modeling that we've done, we've expected some bad things to happen in this market in terms of bankruptcies, consolidations.

So, what you should take away is, while, yeah, this quarter there's noise in this quarter, but when you zoom out a click and look at the big picture, we're in fundamentally the same place that we thought we were and we really – this has no impact on how we view these businesses going forward.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

And I would just add to that. If you, kind of, dial back to our time in Boston together, and our leader Tom walked everybody through the work that we are currently underway on, to really bring these brands together from a global perspective, to move them beyond being incredibly strong channel players in particular segments, but elevating them to be true lifestyle brands.

And the work that's being done is probably most [indiscernible] (21:05) down the path is at Wrangler. And that's where the underlying business continues to be strong. We see strength in our western business, in the new modern component, the Outdoor segment that's new and growing very nicely, the Wrangler RIGGS section that's committed to the Outdoor or the Work consumer, extremely well.

But some really good validation points for us is, the double-digit growth that we see in our own dot-com, and then in the North America digital wholesale up over 30% for the quarter. So, these brands are resonating very well with the consumer. We're navigating a changing market dynamic. And I think, what I'd ask is just the confidence that doing the – we're doing the work to position these brands for very good long-term success.

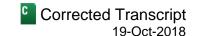
Alexandra Walvis

Analyst, Goldman Sachs & Co. LLC

Thank you.



Operator : Thank you. Our next question comes from the line of Jim Duffy from Stifel. Please proceed with your question.	
James Vincent Duffy Analyst, Stifel, Nicolaus & Co., Inc.)
Thank you. Good morning, guys.	
Steven E. Rendle Chairman, President & Chief Executive Officer, VF Corp. Hi, Jim.	1
James Vincent Duffy Analyst, Stifel, Nicolaus & Co., Inc.)
Prepared remarks did well to address all the common questions. Thanks for that.	
Steven E. Rendle Chairman, President & Chief Executive Officer, VF Corp.	1
Good to hear.	
James Vincent Duffy Analyst, Stifel, Nicolaus & Co., Inc.)
Big picture question on The North Face and then a question on the numbers. For The North Face, the European revenues have been very strong, even against double-digit constant currency growth a year ago, presumably a reflection of some of Arne's groundwork. Can you talk about positioning of the brand in Europe? Some of the factors contributing to that break out growth? And how that can translate to other markets?	
Steven E. Rendle Chairman, President & Chief Executive Officer, VF Corp.	1
Sure, Jim. Yeah, I think the brand is absolutely anchored in that core Mountain Sports category and very committed to making sure that that foundation is strong and that we're bringing the right level of new product innovation and marketing pull through in those key wholesale partners as well as our own store.	
Where we've seen really nice growth, and we've talked about this previously, is more of that mountain lifestyle component, the more contemporary logoed sportswear pieces that are taking their influence from that Mountain Sports category, the influence that that's having on Urban Exploration component of the line.	
And what we've seen in Europe is a brand that's moved beyond just an outerwear and equipment resource, but truly a brand that can deliver lifestyle apparel while being very anchored in that Outdoor Mountain Sports category. And that's exactly what you see taking place in Asia and more importantly what we just saw this quarter here in the United States marketplace, where we saw strong sell-through of daypacks, really good lifestyle sportswear, logo wear trending extremely well, strong retail sell-throughs, setting the brand up for a really strong fall season where now you come into the wheelhouse of that technical outerwear.	r
James Vincent Duffy Analyst, Stifel, Nicolaus & Co., Inc.)



Great. Thanks for that. And then Scott, a lot of moving parts in the business that's likely to continue, with that some extraordinary items. Can you just give us a perspective on the criteria you use for defining something as extraordinary just so we can have that in our mind on a go-forward basis?

Scott A. Roe Chief Financial Officer & Vice President, VF Corp. Sure, Jim. I think pretty straightforward really, right? Non-recurring isolated things related to either a specific initiative like the relocation of our offices to Denver, or sale of assets, transactions that we're going through and the separation then of Jeans. So, as you can imagine there is a lot of fees, costs, et cetera that are incremental to the business, that come in when you have these type activities that are non-recurring in nature. So, our goal, I think, fairly straightforward is to try to give a picture of what is the ongoing underlying profitability of the business excluding these non-recurring items. So, I think in the prepared materials you had a pretty good – both in the press release, there's a table and also, we've given you some more detail around that. I think it's pretty straightforward and you'll see in the SEC filings, we'll give you a little bit more on that. I think it will be pretty straightforward. James Vincent Duffy Analyst, Stifel, Nicolaus & Co., Inc. Very good. Thank you. Steven E. Rendle Chairman, President & Chief Executive Officer, VF Corp. Thanks, Jim. 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 Hi, guys, good morning.

Good morning.

Scott A. Roe

Hey, Bob.

Steven E. Rendle

Robert Drbul
Analyst, Guggenheim Securities LLC

I was wondering if you could spend a little time on the Timberland, just in terms of the second half visibility that you spoke to what you're seeing in the business. And I guess just, what gives you the confidence in terms of the turn of the business in the second half of the year for you?

Chairman, President & Chief Executive Officer, VF Corp.

Chief Financial Officer & Vice President, VF Corp

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Hey, Bob, this is Steve. We remain very confident in our Timberland brand. And I think what's giving us that confidence is the work that we're doing to diversify the offer beyond just the Classics collection of the core boots. We're seeing momentum in our women's business, continued success in apparel, and most importantly success in our non-Classics footwear both men's and women's. The PRO category continues to do extremely well and that sets a really strong technical halo for that boots business. So, really confident as we look across the product categories.

The work we've done in Asia over the last 12 months, the marketing that we're doing with our Teeboolang marketing campaign has shown really strong results and really good selling in our China marketplace.

And I guess the last point would be the work that we're doing to build the strong product foundation, the integrated marketplace, merchandising strategy that will allow us to have that diversified approach here in the U.S. market where we've got the most work to do, lot of confidence about as we look at that mid-single-digit growth profile on a long-term basis.

Robert Drbul

Analyst, Guggenheim Securities LLC

Great. And I guess just the second question follow-up would be, on the European business, when you look at – there's definitely some disparity between The North Face, Vans and Timberland, I guess. And just on the Vans piece of it, can you just talk to what you're seeing in the European market there? Is there a weather impact on Vans? Or I'm just trying to understand that 8% number a little bit better?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Is your question really why it's lower than it was in the previous quarter?

Robert Drbul

Analyst, Guggenheim Securities LLC

Yes, I mean – just I mean, I guess, generally just when you look at Europe across the multiple brands, that one is a little bit lower than the other two big ones.

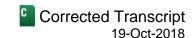
Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

So I'm not sure, I'll try to address your question. So, the thing to remember about Vans in Europe is first of all 9% is in line with the long-term growth rate of that brand; a great result. Remember what's going on there. The group – and we talked a lot about this in the Investor Day, is really about making sure that we don't get over torqued in any one particular part of our business. And what we're seeing there is some rationing frankly of some of the product as we ensure that not one style or one category gets too much out of balance.

But remember, we're still growing double-digits in this brand, right in line with the long-range growth plan. And I think the takeaway you should have is this is solid sustainable growth that we can build on over the long-term.

As you think about Europe generally, Steve said it in the prepared remarks. There's some noise. The weather's been a bit strange there. There's some timing of shipments. But if you look through all that, our Europe business



has remained consistent and strong. We don't really see any change in condition. It's not exactly been easy over the last couple years and we read the same things you do but we haven't seen a material change in the condition of our business in Europe so far.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Bob I would just reinforce. What you see is just really strong disciplined approach to how the brand is coming to life across wholesale partners in support of our D2C. And it's an important part of that 18% to 19% growth that we've given outlook for the balance – or for this full year.

Robert Drbul

Analyst, Guggenheim Securities LLC

Great. Thank you very much.

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.

Great. Thanks, good morning. Steve, I guess a question for you on tariffs. You hit a lot of helpful context upfront. But when you think about the scenario planning, I think it's probably fair to assume the entire industry is doing the same just in case there are another batch of tariffs. Are you seeing any price increases in some of China's neighbouring countries thus far as people are moving out of China? And then how are factories in China treating their vendors? Are they trying to make any concessions to keep business on the ground there?

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Sure. A great question. To-date, Erinn we have not seen any price increases as our supply chain team looks to manage our global sourcing footprint. It doesn't mean to say that there couldn't be. I think as we work so well with our group of vendors across each of our businesses, we're able to really level set production by country based on where the most favorable tariff situation is for each of those inbound sets of goods.

We've not seen anything per se going on in China that would give us any concern that we're not going to be treated well or we're going to be treated better. Again, I just think this comes through the strength of our relationships. And we've been working to reduce our exposure to China for many, many years. And where you see us now at 11% for our U.S. imports, we can lever that down if need be, or we can maintain it. It's really paying very close attention to everything that each one of us reads in the news every day and the work that we're doing in Washington with our partners there.

Erinn E. Murphy

Analyst, Piper Jaffray & Co.

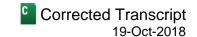
Okay. That's helpful. Thank you. And then, just on the demand side of China. You talk about the market still being relatively strong. It did decelerate though, just from the first quarter. I think it was – organic growth was 31%, moved down to 15%. I recognize Jeans is a lot softer there. But just curious if you're seeing any other, kind of, brand callouts in terms of the deceleration Q1 to Q2? And then, any thoughts on how you're approaching Singles' Day in that market? Thank you.

Scott A. Roe Chief Financial Officer & Vice President, VF Corp. So, I'll take the first part. Really Erinn, no change. There's some timing quarter-to-quarter, but we don't see any change in trajectory in the China business overall. Steven E. Rendle Chairman, President & Chief Executive Officer, VF Corp. Right. And then Singles' Day, obviously a very important day of selling there. Our teams are very attentive. I think we've learned a lot over the last few years to be very thoughtful around what products are assorted there, making sure that we're supporting it with the proper marketing, but not letting that get too far ahead of us and recognizing that we have a full-year opportunity to speak to our consumers and not just one single day. Erinn E. Murphy Analyst, Piper Jaffray & Co. Okay. And then, so Scott just to clarify though, on the decel you said there's some timing. Is the way to think about, kind of, underlying run rate of China as we get into the back half is just kind of the average of the first half? Is that how we should think about it? Scott A. Roe Chief Financial Officer & Vice President, VF Corp. Yes. Exactly right. Erinn E. Murphy Analyst, Piper Jaffray & Co. Thank you, guys. Steven E. Rendle Chairman, President & Chief Executive Officer, VF Corp. Thanks, Erinn. 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 Hey, guys. Thanks for taking our questions here. Let me... Scott A. Roe Chief Financial Officer & Vice President, VF Corp Hi, Michael.

Scott, let me ask you on the gross margin for a minute. I think there's more noise here than meets the eye. And I just wanted to ask, how much is the softer international revenue growth rate on a reported basis? And then, plus

Analyst, Credit Suisse Securities (USA) LLC

Michael Binetti



the bankruptcies and Dickies, how much of those hurt the gross margin in this quarter? And then you look out to 3Q, how those change?

I guess, said differently, the core algorithm I think you gave for the five-year was 40 to 50 basis points. First half in total was up 35 basis points. Guidance implies about 30 basis points for the back half. That's below the algorithm, but on an organic basis you're up 70 basis points this quarter, so, above the algorithm and you have the Dickies impact rolling off next quarter. I'm just trying to think why that wouldn't accelerate more.

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

Wow, okay. So, let me try, Michael. So, let me attack it a little bit differently and see if I answer your question.

Michael Binetti
Analyst, Credit Suisse Securities (USA) LLC

Sure. Thank you.

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

So, if you look at Q2, the mix is about 60 basis points, a little better than what we've said over time. And rate has been a bit favorable and that's true through the first half, right? But remember what we've said there, cost is a little favorable in the first half, turns a little unfavorable in the second half, and for the year it's not a material impact. So, you'll see a little bit of that first half second half dynamic on the cost side.

Mix moderates a bit in the second half as well and some of the reasons for that we've talked about. You think about the Vans, we are full-year 18-ish. 18% to 19% growth implies that in the second half the growth moderates. Again, we know that both from a D2C standpoint and just the absolute margins of Vans that has an impact on the mix.

And then lastly, acquisitions in the first half, we start lapping WD. So, for example, in the second quarter acquisitions was negative 70 bps. As you now get into the second half, acquisitions are essentially a push, actually modestly accretive as you start getting into that lap as Altra and Icebreaker have margins that are at or above VF average.

So, again big picture, you have your mix moderating a bit in the second half for the reasons that we talked about that's implied in the guidance. You have your rate going from a little bit of a tailwind to a little bit of a headwind in the second half. But remember the big picture there, pricing overall is moderating that, you have a little bit of timing quarter-to-quarter. And then acquisitions for the full year, about 20 bps, essentially all in the first half of the year because as we start lapping in the second half you don't see that impact.

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

I don't know if that got you there Michael but hope...

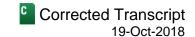
Michael Binetti
Analyst, Credit Suisse Securities (USA) LLC

Yeah. You almost sounded like you were ready for me there.



Scott A. Roe Chief Financial Officer & Vice President, VF Corp. Yeah. It's almost like we've practiced this stuff, right?	7
Michael Binetti Analyst, Credit Suisse Securities (USA) LLC)
Well done. Can I just ask one other? I don't know if Mr. Baxter is hanging around, but I just can't think that Jeans demand in Europe really dropped 18% in the quarter out of nowhere. Is there – I don't know if there's anything strategic going on, now that you're looking ahead to that being a separate company or maybe you could help us put some context around what went on with Jeans in Europe in the quarter?	
Steven E. Rendle Chairman, President & Chief Executive Officer, VF Corp.	4
Right. So, Scott is not here, but I know he would love to be, for sure. So, what's going on in Europe, certainly Scott mentioned a little bit of the weather impact. And it's not like we've ever talked about warm weather, but our denim business in Europe is primarily or predominantly long bottoms. And as we've come through this warm cycle, though we come in with good seasonal assortments this year, it was probably even stronger need to be well set up with those stronger spring summer assortments than where we've historically seen a lot of strength.	•
But I would tell you, there's no change to our long-term fundamental view for this business. And I think it's important to remember that Europe is less than 15% of our total Jeanswear business. We do see consolidation of some key accounts. We closed some doors as we focus on quality within our retail environments. But really, no change to our long-term fundamental view for Jeanswear or for our ability to compete well in Europe.	of
Michael Binetti Analyst, Credit Suisse Securities (USA) LLC)
Okay. Thanks a lot, guys.	
Scott A. Roe Chief Financial Officer & Vice President, VF Corp. Thanks, Michael.	7
Operator: Thank you. Our next question comes from the line of Matthew Boss with JPMorgan. Please proceed with your question.	
Matthew Robert Boss Analyst, JPMorgan Securities LLC)
Great, and congrats on a nice quarter.	
Scott A. Roe Chief Financial Officer & Vice President, VF Corp. Thanks, Matt.	7

Matthew Robert Boss
Analyst, JPMorgan Securities LLC



If we drill down on the expense front, I guess what's driving the earlier than expected inflection to SG&A leverage in the front half? Any change to your back half leverage outlook and just multi-year plan?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Yeah. I mean the honest or the quickest answer to that is that revenue has been a little better in the first half, right? And that coupled with discipline on the expense side has driven a little more leverage. And that leverage you see is falling through to the full year, and one of the reasons why we've taken our guidance up for the full-year over the last two quarters.

But it's also important to remember that we've said that, while we're committed to delivering our earnings, we're also looking opportunistically at where we can invest to further our strategic priorities and also set ourselves up for consistent growth in the future.

So, we have continued to invest. You shouldn't take from this that we're getting leverage because we're walking away from investment and our strategic priorities. That's not true. But as we see acceleration of top-line and that drives leverage, sure some of that's going to come through from a profitability standpoint.

I mean, we're looking at mid-teens profit, based on this implied guidance and that's right in line with what we said in Boston. And we're committed to that and we will continue to deliver it. What you have seen though, Matt is an inflection point, right? Remember I am going to take you back to Boston, we talked about as the top-line was accelerating through the first part of our plan, we said we're going to start investing in those key growth driving, we're now hitting that point where we're seeing both the virtuous cycle of revenue increasing and while we are not reducing our expenses, they are not growing at the pace of the revenue increase and that means leverage and that leverage is driving the kind of margin expansion – operating margin expansion that we expected in our long range plan.

Matthew Robert Boss

Analyst, JPMorgan Securities LLC

Q

Okay. And then just to follow-up on Vans. So, I guess with the exception of tougher compares in the back-half guide, I guess, are you seeing any organic signs of slowing at all in your wholesale order books? Or should we think of this more so embedded moderation in your DTC business in the back half that potentially could prove conservative if things ended up a little bit better?

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.



Right. So, as expected I think we talked about, that we would start to see some moderation in the growth rates. So, I'm not sure that you could really refer to plus 26% is a moderate growth rate. The brand continues to move along the same path that we talked about in the offices recently.

The retail trends remain really strong. I think we've been pretty consistent that we're in unchartered territory here and it's really hard to call. Common sense would tell you that it might moderate, but I'd tell you, at this point we just haven't seen evidence of that. And that's what's given us confidence to raise our outlook to plus 18%, 19% for the year.

Matthew Robert Boss

Analyst, JPMorgan Securities LLC



Great. Best of luck guys.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

A

Thank you.

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.

C

Good morning. And thanks for taking my question. It looks like you raised annual revenue guidance by about \$100 million. With that it incorporates a number of factors. Can we assume Reef is \$150 million business, how big is Van Moer? And then what's the incremental FX headwind since 90 days ago? And then lastly, sorry, what's the actual dollar impact from the recent customer bankruptcy?

Scott A. Roe

Α

Chief Financial Officer & Vice President, VF Corp.

You got me, Laurent. So, where do I start? So we've talked about 70 to 80 basis points of FX in the last call. We said that's about 100 basis points. You can do the math and figure that's, I don't know, another \$30 million or so of currency headwind that is, I guess, overcome with this raise in guidance.

We said about a point collectively for the dispositions and the bankruptcy. I'm not going to get real granular on the bankruptcy, but we've shaped this a year ago. We said it was less than \$100 million. You can assume it's continued to decline. So, I'll just leave it at that. It's well less than \$100 million.

And then the other side of that, you said what's Reef? It's about \$150 million annually. But, of course, we have roughly half of that or so, a little more I guess in this year so far. So hopefully, that gets you, kind of, close to there.

But I guess, maybe what's underneath that question, just to reiterate the point is, we raised our guidance top and bottom-line and absorbed a lot of impacts, right, with a disposition of Reef, Van Moer, the currency headwinds. And despite all that, we still raised significantly top and bottom-line. So, hopefully that was evident.

Laurent Vasilescu

Analyst, Macquarie Capital (USA), Inc.

Very helpful. Thank you, Scott. And then inventories, they were up 22% or 17% on an organic basis. What's the inventory growth coming from by brand or by region? And how should we think about that number relative to the third quarter's top-line growth?

Scott A. Roe

Δ

Chief Financial Officer & Vice President, VF Corp.

Yeah, just to clarify, though, you're still lapping acquisitions. So, the organic is 5%, which is pretty much in line with what we see. That's supporting the forward guidance that we see, so – or stated differently, there's nothing in our inventory that gives us any pause. It's really – now that we're lapping WD, you'll start to see those – even the

absolute nominal inventory growth will be much smaller, because, frankly, Altra and Icebreaker just aren't that large in the scheme of total VF. Laurent Vasilescu Analyst, Macquarie Capital (USA), Inc. Very helpful. Thank you very much. Scott A. Roe Chief Financial Officer & Vice President, VF Corp. Thanks, Laurent. Operator: Thank you. Our next question comes from the line of Camilo Lyon with Canaccord Genuity. Please proceed with your question. Camilo Lyon Analyst, Canaccord Genuity, Inc. Thanks. Good morning, guys. How are you? Scott A. Roe Chief Financial Officer & Vice President, VF Corp. Good. Camilo Lvon Analyst, Canaccord Genuity, Inc. I wanted to – just digging a little deeper on North Face. I think in the slides, it talks about a shift in timing of some of the deliveries, both in the Americas and then in the APAC region. Could you just talk about how you're seeing the health of the channel unfold and how - you already talked about the increased product innovation, how that's

being received well in different parts of the world. Can you just drill down and articulate how that's unfolding here in the U.S. market? And how you expect that to play out for the season? And then I've got follow-ups.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Yeah. Camilo, I'll start, just to clarify that timing. So, retail calendars of some of our biggest customers have shifted. That coupled with the general trend of demand and shipments generally moving to the right. We've seen some shift between two quarters, moving a little bit later. So, we'll see relatively higher growth next quarter in The North Face as that shift impacted the current quarter.

So, all we're saying is, when you normalize for that, we see even greater strength looking forward. And as you know, this is a pre-book business largely on the wholesale side. We have really – at this point, really good visibility to the order book.

And that coupled with the actions over the last couple of years that we've been talking about around cleaning the inventory marketplace, et cetera. So, we're coming into this season in a historically relatively clean environment. That coupled with our visibility to the early performance and the order book that we see gives us the confidence to raise for the year.

Camilo Lyon

Analyst, Canaccord Genuity, Inc.

Got it.

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

All right. And then Camilo, things going on in Asia, I would probably pull you up a click and just look holistically across for globe for The North Face. I mean, it's been a very methodical process to reposition this brand to its rightful place, anchoring first to Mountain Sports, which gives the brand permission to come to life in Urban Exploration.

The things that you see in the marketplace right now, the campaign around the icons, starting with the Mountain Jacket last month, the Nuptse Jacket this month, and really celebrating the storied history of this powerful brand, taking a very, kind of, new fresh approach in it's demand creation, starting first with the Walls Are Meant for Climbing, very inclusive and really celebrating the diversity of the Outdoor marketplace, and anchoring that invitation to explore through the lens of The North Face point of view.

So, really strong focus on product. As we've talked about the demand creation now coming in line to support the season's initiatives. And what's really positive is the marketplace across here in the U.S., Europe and Asia is clean, allowing us the opportunity to get these new assortments, these new seasonally relevant assortments into retail and using that new energy of the product to elevate the brand and really return this brand to its rightful leadership position.

Camilo Lyon
Analyst, Canaccord Genuity, Inc.

Got it. Thanks for that. And then my follow-up had to do with the 50 basis points of incremental strategic investments in the quarter. You've done this in the past. It's worked out well. I was hoping to get some color on where did this incremental 20-so million go into, what brands did it go to? What form? Was it digital? Was it innovation?

And maybe if you could go back to the last time you did this, I think it was last year, when did you see the effect of that, the benefits of that materialize? And I would assume that this is – these are investments that will lead to the continued growth in over the next 12 to 18 months. Is that the right way to think about these investments and how they play out?

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

Yeah. I would think of it more as a flywheel. We laid out the – and declared I think pretty specifically what those areas we were going to invest in and we're continuing to invest in. And when I say opportunistically things like demand creation. There are times when we want to lean in a little heavier based on what we see as an opportunity, but there's areas of investment that really aren't changed.

Digital, holistically, analytics, insights, our D2C broadly in terms of capabilities and brick-and-mortar, as well as in the digital and how those work together. I mean, these are the areas where we're focusing our investment. So, I wouldn't say what we're doing now is just a specific finite amount of time for the payback. We're looking at this as developing, consistent, defendable points of difference over a period of time. And we will sustain that investment

at a certain level. My comments again on opportunistic, typically are more around specific initiatives where we see an opportunity to really lean in and accelerate.

Camilo Lyon

Analyst, Canaccord Genuity, Inc.

Was that specific to one or a small handful of brands?

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

I didn't make that distinction. But I think, consistently with the way that we've talked. I mean, typically you're going to see a disproportionate amount of investment in our largest franchises as well as China, which we've declared as one of our strategic priorities.

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

But Camilo I'd add, the platform investments, the true enablers that sit in the backbone of our model are there for all of our brands to be able to leverage. You might see us initiate some of the work. For example, our loyalty program, the work that Vans and North Face are doing, certainly they are the tip of the spear. But this work is done from a broader based foundation for the entire portfolio to benefit from.

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

And just trying to add back, it's a great point that Steve makes, and that's one of the reasons we see leverage, right? So as we can invest, it would be hard for anyone of these brands individually to be able to afford these, kinds of, investments, but by doing it on a VF level as a platform, then we can get leverage of those investments across the broader portfolio.

Camilo Lyon Analyst, Canaccord Genuity, Inc.

Got it. Sounds great. Good luck guys.

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

Thanks, Camilo.

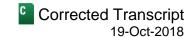
Analyst, Robert W. Baird & Co., Inc.

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

proceed with your question.

Jonathan R. Komp

Hi. Thank you. Scott, I wanted to first just clarify if I could, on the acquisition benefit this year, I think you said \$0.14 to earnings. If I could clarify that, and maybe just ask what's behind that thinking in the second half? I think you already delivered \$0.12 in the first two quarters, so any additional perspective there?



Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

What's your point? I'm not sure what you mean by that. Now remember we're not – the first half is non-comp. So, of course you're going to have the majority of that incremental benefit in the first half. So yes, you're right, it says a couple pennies for the balance of the year, is our expectation. But that is largely – well, it's all Altra and Icebreaker, which are less profitable relative to total VF, right?

Jonathan R. Komp

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

And since we don't fully know the seasonality of these businesses all that well, the \$0.08 in Q2 was there anything unique in that figure?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

No.

Jonathan R. Komp

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

Okay.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Remember there's two things going on, right? You're delivering just the non-comp earnings and then underneath that you've got the synergies that are being delivered over the next, predominantly over the next couple of years. So, there's really two things going on which are driving those earnings. So, another way of saying, why did we take up our acquisition contribution from one quarter ago, we're seeing some of those synergies a little earlier than we anticipated.

Jonathan R. Komp

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

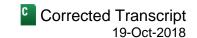
Got it. That's helpful. I wanted to ask a broader question then on going back to North Face, and really stemming from the newer disclosures around the Outdoor versus Active segments. And if I look more on a trailing 12-month basis, the Outdoor segment margin is quite a bit below Active, and I think in the low-teens in terms of the margin rate for the Outdoor.

Just wanted to ask, I assume North Face and Timberland have contributed to, kind of, a lower margin than we may have expected previously. And I wanted to get some thoughts on the outlook there and your ability to become more profitable, especially at The North Face going forward.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Yes. So, there is no doubt, we can and will be more profitable in this segment, first of all. I'll just put a little historical context here. If you go back a couple years, as we've really focused on quality of sales, cleaning up the marketplace, reducing the discounting on off-price we've locked some volume. We have not seen the, kind of, leverage we've typically seen and we've also been investing in the future of these businesses. So, if you think



about where they are now compared to historic, and what we see as the future capability, we see a lot of room to run here over time.

The other thing I would say is The North Face, within that, is relatively more advanced, right? And it is more profitable and contributing more. Think about Timberland, as we said consistently, couple of years behind in terms of its evolution.

So, as you look forward, I would think of this category continuing to grow both from top-line and leverage, as well as margin expansion. And you should think about The North Face being slightly ahead of Timberland in terms of its profitability evolution.

Jonathan R. Komp

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

Understood. It's helpful. Thank you.

Operator: Thank you. Our next question comes from the line of John Kernan with Cowen and Company. Please proceed with your question.

John Kernan

Analyst, Cowen & Co. LLC

Good morning, guys. Thanks for taking my question. My question is already answered. Just wanted to go back to Vans and what your outlook is for specific franchises within Vans as we, kind of, go through the back half of the year. Old Skool has obviously had fairly incredible growth. I know it's only 25% of sales. But when you look at the franchises within Vans, where do you expect the most growth to come from that's embedded in the outlook for the back half? Thank you.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Yeah. So, maybe I'll start with that. You're right. Old Skool is about, actually less than 25% of the total franchise. And if you go back to the – probably the best way to answer that would be to refer you back to the Investor Day materials, where I think we unpacked that reasonably well, talking about the different franchises.

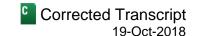
But I'll give you – the short answer to that is, we see broad-based growth and we always within this brand see certain franchises that are trending a little higher than others. But over time that's, kind of, the point, right? It's not just one thing.

There's a product life cycle management which shows as one, is relatively stronger within where you're moderating in other areas and overtime we've seen this engine continue to consistently deliver. For example, apparel which is only about 20% of the entire Vans is growing at a rate faster than the total brand growth, right? So, you should think of this as being very broad-based and not really driven by just one franchise.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

And I think, specifically, in the footwear area, as you come into this time of year, this is where you'll see that MTE collection that we spoke about, more of the water resistant, more winterized versions of not just Classics, but you also see the Altra series continue to grow in its importance and scale.



And then I thought the brand did really good job talking about their whole focus on newness and being able to cycle new ideas through their D2C platform to find those next big levers of growth. Everything that they laid out really is just – they'll be very methodical and maintain the rigor to keep that discipline in place.

John Kernan

Analyst, Cowen & Co. LLC

That's excellent. Thanks. And then my final question, just to keep it within the Active segment. Just on the outlook for operating margin within that segment as we go through the back half of the year. It's obviously up very significantly in the first half of this year on the top-line growth. How should we think about that profitability in that segment as we head into the back half of the year?

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Yeah, really the impact there is mostly Vans, which is the largest property within that. And as we said, our guidance implies moderation in the second half. So, you should assume that profit will moderate in the second half in that category as well, still growing but not quite as fast as the first half.

John Kernan

Analyst, Cowen & Co. LLC

That's great. Thanks, guys. Best of luck.

Scott A. Roe

Chief Financial Officer & Vice President, VF Corp.

Thank you.

Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Thank you.

Operator: Thank you. Thank you, ladies and gentlemen. We have come to the end of our time allowed for questions. I'd like to turn the floor back to Mr. Rendle for any further comments.

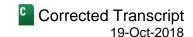
Steven E. Rendle

Chairman, President & Chief Executive Officer, VF Corp.

Great, thank you. I hope you can take away from the call here; we're really pleased with our performance through the first half of this fiscal year. Continued strength of our Active businesses and the building momentum across Outdoor and Work segment is giving us confidence that we will deliver on our improved outlook for the balance of this year.

I'd leave you with that we are sharply focused on executing against our strategic growth plan and positioning our portfolio of powerful brands for sustainable, long-term growth and strong value creation. So, thank you for giving us time today. We look forward to talking to you in a couple of months.

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



Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANCIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2018 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.