

FINAL TRANSCRIPT

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VFC - Q1 2011 VF Corp Earnings Conference Call

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PRESENTATION

Operator

Good day, everyone, and welcome to the VF Corporation first quarter fiscal 2011 earnings conference call. Please be aware that today's conference is being recorded. At this time, I would like to turn the conference to Jean Fontana. Please go ahead, ma'am.



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Jean Fontana - ICR - IR

Thank you. Good morning, everyone. Thank you for participating in VF Corporation's first quarter 2011 conference call. By now you should have received today's earnings press release. If not, please call 203-682-8200 and we will send you a copy immediately following the call. Hosting the call today is Eric Wiseman, Chairman and CEO of VF. Before we begin I would like to remind participants that certain statements included in today's remarks and the Q&A session may constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements are not guarantees and actual results may differ materially from those expressed or implied in the forward-looking statements. Important factors that could cause actual results, collaborations or financial conditions of the Company to differ are discussed in the documents filed with the Company and the SEC. I would now like to turn the call over to Eric Wiseman.

Eric Wiseman - VF Corporation - President, CEO

Thanks, Jean. And good morning and thanks, everyone, for joining us today. For the 80 or so of you on the line who have made VFs stellar performance a priority versus the royal first kiss, we appreciate your interest. With me today are Bob Shearer, our Chief Financial Officer, and our three group Presidents, Karl Heinz Salzburger, Steve Rendle and Scott Baxter. And Karl Heinz and Steve are joining us today by phone. As you saw in this morning's release, we are off to a very strong start to the year and we expect this momentum to continue as we progress through 2011. The brand investments we made in 2010 and continue to make in 2011 to fuel growth in our highest growth, highest profit businesses, will allow us to achieve growth this year well above the 7% reported last year and in line with the five-year target of 10% that we announced last month.

To recap the highlights of our first quarter results, revenues were up 12%, with higher revenues and operating income achieved by every VF coalition. International business rose 20%, with strong growth in all regions, including Europe, Mexico, Latin America and Canada and exceptionally strong growth in Asia. Our revenue growth in the quarter was also very well balanced across our wholesale and direct to consumer businesses, which were up 12% and 10% respectively. Earnings per share rose 25%. And that increase was helped by \$0.11 per share in special items. But even without these items, earnings per share were up a very strong 20%. And our gross margin remained at very healthy levels, despite the pressures of higher product costs.

We were especially pleased by the growth in our international business in the quarter. To recap the growth rates in key markets, Asia in total rose 52%, with China up 56% and India rising by over 80%. Europe revenues grew 12%, with double digit growth in our outdoor and action sports and our sportswear and contemporary businesses. Revenues in Latin America grew 41%, driven by strong growth in our outdoor and action sports and jeanswear businesses. And in both Mexico and Canada jeanswear revenues were up over 20%. You will recall that our full year guidance for international growth this year was 15%. And based on the growth achieved to date there may be some upside to that target. You may have noted yesterday's release announcing our new partnership with Kohl's as the exclusive retailer for the Rock and Republic brand, which we acquired earlier this month.

This marks the first partnership for VF's recently formed retail license brand group. The brand will launch across Kohl's stores and Kohls.com in spring 2012, with VF designing and manufacturing jeanswear and other bottoms for men and women. We're very excited about this new opportunity, which will benefit our jeanswear top and bottom lines next year. Finally, before I comment on our full year guidance, I recognize that there remains intense interest around the topic of product costs, pricings and margins, so a few comments before I turn the call over to Bob. In our last call back in February, we indicated first, that VF's gross margin was expected to decline by less than 100 basis points this year and that operating margin should be about stable with 2010 levels. Second, the gross margin pressure would be greatest in our domestic jeanswear business, where product costs are expected to rise at a mid-teen percentage rate this year.

Third, that this pressure will be offset by profitability improvements in our European jeans business and strong momentum in our highly profitable Asian market, so that total operating income for our jeanswear business will be about flat with 2010. Two months later, we are still comfortable with these assumptions. We recognize that it is still early in the year and that our P&L has yet to reflect the full amount of higher product costs. We're also cognizant that price increases are just beginning to take effect

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at retail, that there is more to come, and that it is still largely unknown just how consumers will respond to the additional price increases that go into effect later in the year. We are, however, very pleased by the fact that the initial price increases taken in our domestic jeanswear business have gone smoothly and have had less impact on unit volumes than we anticipated.

We continue to believe that great brands that offer innovative products with compelling value will win in this environment and we're fortunate that VF has an abundance of such brands in our portfolio. Regarding our full year outlook, we now expect revenue growth of approximately 10%, up from our prior guidance of 8% to 9%. And we expect earnings per share of approximately \$7.25 compared to our prior expectation of \$7.00 to \$7.10. We continue to expect another very strong year of cash from operations of \$1 billion. In summary, VF's formula for success continues to produce outstanding results. That formula includes the combination of powerful brands, supported by targeted investments to drive profitable growth, rapidly-expanding international and direct to consumer platforms, and new tools and processes designed to spur even greater innovation across VF. With all of that as a backdrop, let's hear more details from Bob Shearer.

Bob Shearer - VF Corporation - SVP & CFO

Thanks, Eric. As Eric noted, we were especially pleased by the fact that all coalitions achieved impressive growth in both revenues and operating income in the quarter, setting the stage for what is sure to be another very strong year for VF. Now, related to our key growth drivers, our international business grew by 20% in the quarter, driven by very strong growth across Europe, as well as in Asia, and in fact, the international businesses represented nearly 60% of our total revenue gains in the quarter. And our direct to consumer businesses grew by 10% in the quarter, including new store and comp store growth, as well as an extending e-commerce platform. We remain on track to grow our direct to consumer revenues by a mid-teen percentage on a full year basis, as we accelerate new store openings and see comp store gains.

Also of note, both of these growth platforms improved their operating margin by about 100 basis points during the quarter. Now, in terms of gross margin, we pointed out in the release the increase to a record 47.2%, up from 46.7% in the 2010 period. Now, there were, however, some unusual items in both periods. In the 2010 quarter, gross margin reflected a 60 basis point negative impact, mostly from actions taken to reduce product cost, specifically the closing of a plant in Poland. By contrast the 2011 period included a one-time 40 basis point benefit from a change in inventory accounting. At the beginning of the year we changed our method of accounting for a portion of inventories that had been valued on the LIFO method to FIFO, so that now we're consistent across (inaudible).

So on an apples-to-apples basis, gross margin in the current quarter was down slightly by 50 basis points, due to of course higher product costs that were not fully offset with pricing adjustments. Now in the area of gross margin, we are tracking right on our plan that we laid out in our last earnings call. In fact, nearly every one of our businesses was in line with or exceeded our plan for gross margin in the first quarter. Accordingly, we're tracking against our full year guidance of less than a 100 basis point reduction in gross margin. Looking forward, as we discussed in February, the most difficult comparisons for gross margin will be the second and third quarters. The impact will be less in the fourth quarter, considering the more favorable pricing and mix impacts in that quarter. Now, our product costs for the year 2011 are now fully locked in.

As we said in February, the business with the most significant impact from product cost increases, specifically related to cotton costs, is our US jeans business. Pricing increases there have been implemented and consumer response to these increases has been as planned, if not a bit better than planned. This gives us confidence that we have taken a responsible approach to planning the impact of higher product costs for our US jeans businesses. SG&A in the quarter was 33.2% of revenues, down 80 basis points from a 34% reported in the last year's first quarter. As anticipated, the decrease reflects leverage on the SG&A line from strong revenue growth. The line in the SG&A ratio is in spite of a 18% increase in our marketing and year-over-year, as a significant increase in our marketing spend in 2010 mostly occurred in the latter half of the year.

In February, we said the SG&A ratio for the full year would be a full point below 2010 levels and we're on track to achieve this target. At the same time, we will continue to maintain a very healthy level of marketing investment behind our brand as a



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percent of revenues. We've said we intend to keep our marketing spend close to the 5.5% level of 2010. Our operating margin reached 14% in the quarter. For the full year, we expect -- we continue to expect that our operating margin will be relatively stable with 2010. At 21.9%, our tax rate was slightly lower than the prior year's rate. Both periods included favorable settlements or credits. On a full year basis, we continue to expect our tax rate to approximate 25%. And that brings us to the bottom line. A 25% increase in earnings per share, as Eric mentioned, the comparison includes a combined impact of \$0.11 per share from the change in inventory accounting and the favorable tax item.

On an apples-to-apples comparison, quarter to quarter earnings per share rose by an impressive 20%. Now, a couple of comments related to our improved guidance for the year 2011. We moved our top line growth to 10%, our earnings per share to \$7.25 and we continue to expect that we will generate another \$1 billion in cash from operations. While foreign currency rates were relatively neutral to our top and bottom lines in the first quarter, the strengthening Euro versus the dollar has caused us to re-evaluate Euro versus dollar rate used for the remainder of 2011. Accordingly, our revised guidance reflects a Euro to dollar rate of \$1.35 for the remainder of the year versus our original projection of \$1.30. This change, along with other currency movements, helped our revenue growth by about \$90 million, benefits earnings per share by about \$0.10.

Now, I would also like to comment on quarterly earnings comparisons. Our upcoming quarter, our second quarter, will reflect the most challenged earnings comparison of the year. Now, here is why. First, this is our seasonally lowest quarter of the year from a revenue standpoint. Now, that's important, because while revenues are at their lowest level of the year, the increase in our SG&A spending quarter to quarter will be highest in the 2011 second quarter. Now, the reason for this spending increase results from several areas. First, SG&A spending in the second quarter will include a number of costs for specific projects that will not occur in other quarters. A primary factor here is a significantly higher spend against technology projects, including the conversion to a new infrastructure partner and a new system implementation in Asia.

These projects are necessary to support our future growth plans, and as I previously mentioned, in 2011 more of the marketing increase will fall into the first half than the second half, considering that nearly half of the \$100 million incremental marketing spend in 2010 fell into the fourth quarter. The bottom line, the reduction in gross margin percentage in the second quarter, coupled with these increases in SG&A spending in a quarter when revenues represent the lowest level of the year, add up to a tougher earnings comparison for the second quarter. Now, to be clear, this is just as contemplated in our plan. There is no change whatsoever in our anticipated annual earnings flow, but we thought it useful to make you aware of how the year will lay out as we point to \$7.25 earnings per share for the year. I also wanted to touch on a few balance sheet items.

The increase in inventories includes an impact from higher product costs, buying some goods earlier to secure lower costs, currency translation rates, as well as higher unit volumes to support revenue growth. Inventory days computed on a forward-looking basis are only up slightly year-over-year. In addition, as previously outlined, we expect cash generation to approximate \$1 billion for the year. We continue to aggressively pursue acquisition opportunities. And there are no share buyback assumptions assumed in our 2011 guidance. So we're right on track with our plans for the year. Our brands continue to win in a challenged economic environment. We believe we've planned responsibly. Considering that consumer response to pricing increases remain somewhat unknown, we're confident that 2011 will be another great year for VF and our shareholders. Now you will hear comments from our three group presidents. First up, Steve Rendle.

Steve Rendle - VF Corp - Group President, Outdoor & Action Sports Americas

Thank you, Bob. As noted in the press release, revenues in our Outdoor and Actions Group America's business increased 12% from the first quarter, driven primarily by continued strong growth in The North Face and Vans brands. Reef also delivered exceptional performance in the quarter, with revenues in the Americas up 21%. The North Face continues to benefit from the growth drivers that we've outlined to you in the past, which include delivering superior and innovative technical products, extending the brand to new consumer categories, providing an exceptional brand experience in our direct to consumer platform, both in store and online, and driving outdoor participation initiatives. And we're benefiting from the increased levels of marketing investment, which are driving increases in consumer loyalty and brand awareness, as well as revenues.



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For example, our sponsorship and large media buy around the Winter X Games had significant contribution to the strong retail sell-throughs we experienced in the first quarter. During the quarter, The North Face saw very healthy growth in both its wholesale and direct to consumer businesses. Comp store sales in the quarter rose over 10%, while our e-commerce revenues were up 30%. We are confident in our ability to continue the momentum with fall bookings for our North America wholesale business up 16%.

Turning to Vans. Here too, we continue to see the benefits of higher marketing investments. Both our wholesale and direct to consumer businesses achieved strong revenue gains in the quarter, with an increase in comp store sales and e-com revenues up over 18%.

We're looking forward to activating the brand in the New York City Metro area and expect to have nine owned stores in the area by the end of the second quarter, with our first partner store opening in the third quarter. Last year, we acquired the Vans business in Mexico from a distributor and we're pleased with the significant growth we're seeing there as well. For 2011 we continue to focus on driving this brand forward with three key initiatives, which include -- one, staying connected to youth culture with action sports, music and art; two, looking to expand our successful direct to consumer platform in markets where we remain underpenetrated; and three, working closely with our counterparts in Europe and Asia to explode our growth internationally. A few words on some of our other brands in the Americas. Reef is seeing a nice turnaround on the top line, with strong growth stemming from its core sandals and footwear business. Our investments in fixture programs have been well received by our retail partners and consumers alike.

We're looking forward to the launch of Reef's new e-commerce site in the second quarter, which will strengthen the connection between the brand and its core consumers. JanSport is also seeing good momentum, with revenues in the Americas up 7% in the quarter. The product, price points, and distribution have all been elevated with very good results. We're also expecting a good year for our Lucy brand, as we refine best practices around product, marketing, new systems and solidify our brand strategy framework. This brand has tremendous potential and we will execute it in the right way for profitable long-term growth. In summary, we're confident that our growth plans for 2011 and in the 13% compounded annual growth rate we discussed recently during our investor day meeting. We have a long runway for growth across all brands and the resources to make that growth happen in the months and years to come. That wraps up my comments. We will hear from Karl Heinz Salzburger on our EMEA and Asia businesses.

Karl Heinz Salzburger - *VF Corporation - Group President, International*

Thank you, Steve. As noted by Eric in his opening, we did indeed enjoy very strong first quarter results. Total international revenues increased 20% in the quarter, with double digit gains in Europe and Asia. In Europe, our largest market, revenues rose 12%. Our growth was led by outdoor and action sports, where revenues rose by over 20%, it's driven by double digit comp store sales gains at both The North Face and Vans full price stores. We expect the momentum in these two brands to continue. For both brands, forward bookings are up over 25% and we have aggressive plans to increase the number of owned stores this year. Our sportswear and contemporary business in Europe comprised of our Napapijri, 7 For All Mankind, and Eastpak, grew 10% in the quarter, with growth across all brands.

Here, too, we are looking forward to continued strong performance, with especially strong forward bookings across our Napapijri, Kipling and Eastpak brands. Our European jeans business was flat in the quarter, but we are seeing positive reorders and forward bookings are up for both Lee and Wrangler. Our work to re-energize product design and to support both brands with increased marketing investments is paying off. We believe we've turned the corner our European jeans business and are looking forward to a positive year.

Turning now to Asia, revenue here was 52%, with 30% plus growth across our jeanswear, The North Face, Vans and Kipling businesses. You will recall that Asia is our most profitable market, with very strong operating margins. In India, the growth in our jeanswear business continues to be explosive, with revenues up over 80% in the quarter. For those who may be wondering,



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our business in Japan at present is quite small and so there has been -- so there has not been a material impact on our sales from the devastating events there.

This year we plan to expand our store base in Asia by 25%, focusing on prime locations, concentrating on The North Face, Vans and 7 For All Mankind brands. We have aggressive store opening plans in both China and India, where we are looking forward to the launch of Vans this quarter. With this initiative in place, we are clearly on track to deliver the 25% increase in revenues targeted for 2011. At our investor day last month, we outlined our plans to grow our Asia business to \$1.3 billion over the next five years, representing a CAGR of 28%. We are extremely pleased with our momentum, which has been fueled by very healthy levels of marketing investment across our brands. We continue to strengthen our team and our infrastructure to support our long-term growth targets and look forward to delivering exceptional top and bottom line growth in 2011 and beyond. I'll now turn the call over to Scott Baxter to review our jeanswear and Imagewear results.

Scott Baxter - VF Corporation - Group President, Jeanswear Americas & Imagewear

Good morning. I will start by covering our jeanswear Americas business, which includes our Lee, Wrangler and Riders by Lee businesses. We had a solid start to the year with momentum building throughout the quarter. As you saw in the release, domestic revenues were up 5% and we achieved strong gains in Latin America, Canada and Mexico, each of which generated growth in excess of 20%. We are pleased that we saw growth in each of our businesses, Mass Market, Lee and Western specialty. Once again we achieved market share gains in both our Lee and Wrangler brands, boosted by the intense focus around product innovation that we talked about during our March investor day meeting. At Lee, we saw strong performance in our products that we've introduced over the past 12 months, such as the Lee brand, Premium Select and Classic Fit series in mid-tier stores.

Our Lee e-commerce business also was growing strongly and was up over 30% in the first quarter. In our mass business, we continue to reinforce and strengthen the Wrangler and Riders by Lee brand with our comfort, quality and value messaging, which is resonating well with our core customers. We're focused on expanding our women's businesses, as we regain floor space in missy and casual, leveraging the success of our new program, such as the Riders by Lee Classic Fit. Innovation is also the story behind the strengthening momentum in our Western specialty business, where revenues increased 10% in the quarter. Our premium performance cowboy cut program is generating double digit sell-throughs, with new finishes in the pipeline to be launched in the fourth quarter.

Last year we opened our first Wrangler store in Denver, which is serving as a learning lab, and enabling us to capitalize on the brand's authenticity. This quarter we are testing a partnership concept store, with a second slated to open later this year. As Eric and Bob mentioned, we're encouraged by the results of our efforts to navigate through this very difficult period of rising product costs. We took some initial price increases in February and preliminary indications are that the consumer push-back is less than we had planned. We believe this is a testament to the tremendous brand equity we have built in our brands and our efforts to connect consumers with the outstanding quality, value and product innovation they offer. In summary, through product innovation and strategic investments in marketing, we are poised to continue to gain market share across our Wrangler, Lee and Riders by Lee brands.

We have programs in place with our key retail partners to drive these gains. We have strong momentum in our direct to consumer initiatives, including e-commerce and new retail formats. And looking forward into 2012, we're anticipating a successful partnership with Kohl's in the launch of the Rock and Republic brand. I would like to wrap up with our Imagewear coalition. As you saw in the press release, we had an excellent quarter with double digit increases in both revenue and operating income. Revenue rose 12% in the first quarter, with strong gains in both our image, for uniform, and License Sports Group businesses. Operating income rose 62% with operating margin increasing almost 5 points to 15%. The momentum that began last year in our image business is clearly continuing this year, with revenues up 14% and growth across nearly all channels and brands.

Most notably, our fire resistant apparel business, under the Bulwark brand, was up significantly in the quarter, with gains coming from products designed for workers in the oil and gas industry. Our industrial laundry business is also showing good growth.



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We continue to benefit from our strong relationships with our big customers and a superior service model that is allowing us to quickly capitalize on replenishment opportunities. While there has been some modest improvement in the unemployment rate, it has yet to translate into a meaningful pickup in overall uniform demand, so our gains clearly point to strong market share gains. Our License Sports Group, or LSG, business revenue increased over 9%, with exceptional growth in our NFL business due to a strong post-season team mix and good growth in our MLB business.

We've put a lot of emphasis lately on new and re-designed products for women, fueling double digit growth in our women's license sports business across all channels. Given our product mix in both our image and LSG businesses, we're not immune to the inflation and product costs. To help mitigate margin pressure, we've taken some initial price increases in our LSG business, which have met with minimal resistance and are planning a mid-year price increase in our image business. In summary, we're very encouraged by the strong start to the year and look forward to continuing the momentum. Eric?

Eric Wiseman - VF Corporation - President, CEO

Thanks, Scott. And before we turn the call over to your questions, I wanted to make you aware of an event that took place late Wednesday afternoon. As you may know, devastating storms swept through much of the southeastern US, causing substantial damage. A VF jeanswear distribution center in Hackleburg, Alabama, it was jeanswear's smallest distribution center, but it was completely destroyed by a tornado and tragically, we have confirmed one fatality. Our thoughts and prayers go out to that associate's family, friends and co-workers, and to the entire Hackleburg community. We have a team of VF associates on the ground there right now working hard to assess the situation and determine the appropriate next steps for helping our colleagues and working on our plan for business recovery.

Of course, our focus at this point is the welfare of our people. But I realize that you may be wondering what this means to our business. At this time, we do not foresee any material financial impact on the year from this most unfortunate situation, though it will put some additional pressure on our second quarter results due to the loss of inventory. As this is very new news and we have not completed our recovery plan, that additional pressure means additional to the second quarter comments made earlier by Bob. With that, we will turn the call over to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Kate McShane of Citi.

Oliver Chen - Citigroup - Analyst

Hi, it is Oliver Chen for Kate McShane. We had a question regarding product costs. We know your plans are locked down through the fall season, but when is the next kind of guidepost for us to see the lockdown for spring 2012? And also, regarding the 40 basis points in the inventory accounting change, should we continue to see a quarterly benefit throughout the year of that magnitude?

Bob Shearer - VF Corporation - SVP & CFO

Let me start with the first question, Oliver. Relative to the cost side, you're absolutely right. We're locked in at this point in time for the full year. Now, what that means is as we've bought -- we have all of our buys through the third quarter, because what we buy in the fourth quarter, of course, will flow into 2012. So that's how that works. Relative to cotton, where all of the activity is, relative to cotton, we're actually not going to see a lot of change until the new crops come in, which is in the fall. So what

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that might mean is that as we look into 2012, the costs that we've been seeing in the latter part of 2011 will likely continue at least into the first quarter. Once again, until the new crop comes in, and until the costs surrounding that crop are in fact known. I'm sure that you're aware that the cost of cotton has seen some reduction here of late. I think there are a number of factors that are impacting that, but obviously, that is a good sign for all of us. The second point was on the 40 basis points. No, that really is mostly a first quarter issue. And no, we won't see -- we won't really see any benefit from that in the latter quarters.

Oliver Chen - Citigroup - Analyst

And our last question is on inventory. Is there a time frame for which we should see this to grow more in line with sales? Do you expect this trend to continue, as it did in the first quarter, over the next -- in the near-term?

Bob Shearer - VF Corporation - SVP & CFO

As I said in my comments, the days were up a couple days actually by the end of the year, we expect our days to be below the prior year. So as we go throughout the upcoming quarters, we will see a little better relationship in the growth of inventories versus revenues.

Oliver Chen - Citigroup - Analyst

Thank you.

Bob Shearer - VF Corporation - SVP & CFO

You're welcome.

Operator

Michael Binetti of UBS.

Michael Binetti - UBS - Analyst

Congrats on a nice quarter.

Bob Shearer - VF Corporation - SVP & CFO

Thanks, Michael.

Michael Binetti - UBS - Analyst

Could you help me clarify how much FX impact was in the previous guidance of \$7.00 to \$7.10.

Bob Shearer - VF Corporation - SVP & CFO

Almost none. It was neutral.

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Michael Binetti - UBS - Analyst

So the incremental \$0.10 is 2Q through 4Q?

Bob Shearer - VF Corporation - SVP & CFO

That's correct.

Michael Binetti - UBS - Analyst

And just to be clear, you're guiding at \$1.35 Euro even though it is at \$1.49 this morning, I think, so it seems a little light, I just want to make sure we're all on the same page there.

Bob Shearer - VF Corporation - SVP & CFO

Yes, that's right. We may be a little cautious there. I mean we are based on today's rate for sure. And you're absolutely right, the numbers that we have in -- the numbers in our guidance are at \$1.35. Not contemplating the \$1.48 kind of number.

Michael Binetti - UBS - Analyst

And if I just -- I guess my last question would be if I just look down the divisional P&Ls here, one thing that strikes me is the comparisons on the Outdoor and Action Sports division through the year, and I'm just kind of wondering how you're thinking about where the divisional margin -- any updated thoughts you have on where the divisional margin looks for the outdoor and action sports this year, versus what we talked about last time we talked to you.

Eric Wiseman - VF Corporation - President, CEO

Considering the strength of the first quarter?

Michael Binetti - UBS - Analyst

Yes.

Bob Shearer - VF Corporation - SVP & CFO

We are off to a really strong year, Michael, you're right, in that area. And yes, it will be a little bit stronger than we previously planned and part of that is from volume and part of that is also from mix. One of the business in our protective area, which provides us with very strong margins, has been especially strong. So as that business continues to grow and strengthen, it is going to help our margin somewhat.

Michael Binetti - UBS - Analyst

Okay. Was that comment, was that -- I was actually asking specifically to the Outdoor and Action Sports division.

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Bob Shearer - VF Corporation - SVP & CFO

Oh, the outdoor and action sports? I'm sorry. On outdoor and action sports, what we're saying is that we still expect to be at about the 20% number on a full year basis. Okay? So the first quarter was off just a little bit. The first quarter resulted from the higher marketing spend coming into the quarter. On a full year basis, even in our five-year plans, we laid out a 20% operating margin. We expect to be right at about 20% on a full year and that's what we committed to earlier in the year.

Michael Binetti - UBS - Analyst

Thanks.

Bob Shearer - VF Corporation - SVP & CFO

And Michael, one other point I did want to make and I want to make sure this is clear. You asked about the \$0.10 is that looking forward. Actually because of the rate in the first quarter, we did pick up about \$0.04 versus our plan. So I want to make that clear. So really, as we look out over the next three quarters it is another \$0.06.

Michael Binetti - UBS - Analyst

Okay. Thanks. That's how the \$0.10 plays out. Thank you. Thank you.

Operator

Jim Duffy of Stifel Nicolaus.

Jim Duffy - Stifel Nicolaus - Analyst

I have a question for Scott. Scott, could you comment on what you're seeing from competitor pricing in the US jeanswear landscape?

Scott Baxter - VF Corporation - Group President, Jeanswear Americas & Imagewear

Well, certainly, you saw the pricing that came out beginning of the year and then you saw that we took our increase, a small one at the beginning of the year and we have some planned for the summer. We haven't seen much of a change from what the competitors did in the first quarter. We haven't seen anything since then. And that is really where it stands right now.

Jim Duffy - Stifel Nicolaus - Analyst

Can you be a little more specific, maybe, on what the competitors did in the first quarter and what your response was? Or not response, but your pricing change was?

Scott Baxter - VF Corporation - Group President, Jeanswear Americas & Imagewear

The Levi's was higher. And certainly we saw that in the first quarter. And we've had some market share gains in the mid-tier segment because of that.



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Jim Duffy - *Stifel Nicolaus - Analyst*

Okay. That's helpful. And then Eric or Steve, if you mentioned this I missed it. Can you comment on the fall order book for The North Face, how that shaped up for the year?

Eric Wiseman - *VF Corporation - President, CEO*

Steve, can you handle that?

Steve Rendle - *VF Corp - Group President, Outdoor & Action Sports Americas*

Sure. Jim, we saw solid gains in our Americas business. Our order book in the Americas for North Face was up 16%.

Jim Duffy - *Stifel Nicolaus - Analyst*

Okay. And on a global basis?

Steve Rendle - *VF Corp - Group President, Outdoor & Action Sports Americas*

Slightly better than that.

Jim Duffy - *Stifel Nicolaus - Analyst*

Great. And then, Bob, nice growth in the royalty income. What is behind that?

Bob Shearer - *VF Corporation - SVP & CFO*

Royalties not an area that we normally get a lot of questions on, Jim. You know that most of the royalty income comes from our Nautica business. Some from jeanswear as well. So it is kind of -- it is really spread across the board. No one piece stands out.

Jim Duffy - *Stifel Nicolaus - Analyst*

Okay. That's great. I will leave it at that and circle back with you guys after the fact. Thank you.

Eric Wiseman - *VF Corporation - President, CEO*

Thanks, Jim.

Operator

Jeff Klinefelter of Piper Jaffray.

Jeff Klinefelter - *Piper Jaffray & Co. - Analyst*

One general question maybe for Eric and Bob in terms of the international business. Strong growth, both Europe and Asia, I think, on top of a strong year last year that seemed to exceed kind of initial expectations. Given the first quarter performance,

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how have your thoughts changed for the international business for the year? Are you anticipating even better growth for the balance of the year than you had modeled at the beginning of the year? And then more specifically, maybe for Karl Heinz if he's on the call, would be with respect to India and Asia, just curious on the pricing between the two markets? Would you expect -- I know India is small now but growing quickly, would you expect it to have the same op margin contribution of Asia going forward.

Bob Shearer - VF Corporation - SVP & CFO

Jeff, I will take the first part of that and Karl Heinz, you can deal with the second part. We had 20% rise in our international revenues for the quarter. Our target for the year is 15%. I said in my comments there maybe some upside to that. And the way we're thinking about that, obviously, is, look, it's very early in the year. We have most of the year ahead of us for all the obvious reasons. We're really pleased with momentum we have going into the first quarter, but it is not our biggest quarter. So there could be a little bit of upside there. That is for sure. We have some of that reflected in the increase in revenue that we made around -- for the Company, taking our revenue growth from 8% to 9%, up to 10%. And we're hopeful that it all comes together as the year moves forward. So that is the first part of that. Karl Heinz, can you answer the second part of that question?

Karl Heinz Salzburger - VF Corporation - Group President, International

Yes, clearly, the question was on the profitability in India. Jeff, in India, we just started a few years ago. It is a relatively small business today. It is about \$100 million. It is fast growing. The profitability of the margins are not yet there at this moment where the other margins are in Asia, because we just started a couple of years ago. Over time, we expect them to grow. Clearly, whether they reach the margins we have in the other big markets, like in China, Asia, at this moment it's early to say, but we expect them to grow over time.

Jeff Klinefelter - Piper Jaffray & Co. - Analyst

And Karl Heinz, just to clarify, I meant in India what we hear is that a lot of the brands out of necessity need to be priced a little bit more modestly and so I was just curious on pricing relative -- between Asia and [and India and how that would eventually play into profitability.

Karl Heinz Salzburger - VF Corporation - Group President, International

That is true, Jeff. The gross margins we have in India are a little bit lower than in the rest of Asia, which they mirror the competitive situation there. It is a little bit more price aggressive market and we are in line with the market. At the same time, our SG&A structure is also lower than in the rest. So, as I said before, the profitability at the moment is lower than in the rest of Asia, but over time we expect that to raise.

Bob Shearer - VF Corporation - SVP & CFO

And Jeff, I would add to Karl Heinz' comment that we're five years in. Not quite five years in to our business in India. And five years into our business in China we were still losing money. Our Indian business, based on the success the team there is having, has turned that corner last year. We're in the green there and we have great momentum. We expect India pretty quickly to get to our operating margin targets that we have for our total business, which are 15% of our target. But I will tell you, we will make the right investments there to make sure we lay the ground work to get that done right. Our focus there is getting the platform laid out right now.

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Eric Wiseman - VF Corporation - President, CEO

Yes, the comparison to the rest of Asia, as you know, being so profitable for us, our India operating margins actually are very respectable today, but when we compare them to the rest of Asia, particularly in China where they're so much stronger, again, it is a tougher comparison, but we're very pleased with the returns that we get on our India business today.

Jeff Klinefelter - Piper Jaffray & Co. - Analyst

And Bob, just to clarify on that guidance, I know there were questions about this, this morning. But if you back off your incremental special items \$0.11, your FX \$0.10, from \$7.25, looking at about a \$7.04. Is that apples-to-apples comparison with your \$7.00 to \$7.10 guidance last quarter?

Bob Shearer - VF Corporation - SVP & CFO

Yes, it is. That is what that is, yes.

Jeff Klinefelter - Piper Jaffray & Co. - Analyst

Okay. So you took up your revenue growth slightly. You're essentially in the same range for bottom line computation.

Bob Shearer - VF Corporation - SVP & CFO

That's exactly right. And I mean you can tell by the comments that we've all been making, it is just -- it is early in the year. We're trying to take a relatively cautious view at this point in time. As I said earlier, relative to the pricing and consumer response to pricing in the latter half of the year, we just think that it is a good idea right now, prudent idea right now just to be a little more cautious.

Jeff Klinefelter - Piper Jaffray & Co. - Analyst

Thank you. Good luck.

Bob Shearer - VF Corporation - SVP & CFO

Thanks, Jeff.

Operator

Robert Drbul of Barclay's capital.

Bob Drbul - Barclays Capital - Analyst

I got a couple of questions. The questions that I have are on the NFL business. Can you talk about what you're assuming in the business in your guidance and how you guys are planning and executing it? And if one were looking for a Cameron Heyward jersey, when would that be showing up at retail in some of your distribution channels?



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Scott Baxter - VF Corporation - Group President, Jeanswear Americas & Imagewear

Bob, this is Scott, and all good questions. Right now, you know as much as we do, because you know the meetings have been confidential. And we were very, very pleased to see over the last 24 hours that the NFL and the PA are now all back to work today, as everyone has seen. They have resumed regular football operations throughout the NFL today. And they held the draft last night. We were encouraged by that. So right now, as of today, we are planning on a normal year. And we will adjust accordingly relative to any news that comes out as the year progresses, but as of today, we're pleased with what we've seen, hopefully the negotiations continue and thrilled that football operations are back around the United States today.

Bob Drbul - Barclays Capital - Analyst

And the jersey?

Scott Baxter - VF Corporation - Group President, Jeanswear Americas & Imagewear

And the jerseys, well, that's an interesting question. We do not do the jerseys. We are the authentic on-field provider for major league baseball for the jerseys. We are the fan wear provider for the NFL. So you can buy the team logos and what have you, but the name and numbered jersey rights do not lie with us in the NFL. They do in MLB.

Eric Wiseman - VF Corporation - President, CEO

We are making up a Duffy jersey for him stumping Bob this morning, which will be available later online.

Bob Drbul - Barclays Capital - Analyst

All right. That's it for me on the questions. Thanks very much.

Scott Baxter - VF Corporation - Group President, Jeanswear Americas & Imagewear

Thanks, Bob.

Operator

Michelle Tan of Goldman Sachs.

Michelle Tan - Goldman Sachs - Analyst

I was wondering if you could talk a little bit more about the international jeanswear business. It seems like it is on a pretty positive trajectory and I was wondering how much of that is coming from incremental distribution and some of the growth in markets like India versus just better sell-through and product turn-around.

Eric Wiseman - VF Corporation - President, CEO

Karl Heinz, I think that is a question for you.

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Karl Heinz Salzburger - VF Corporation - Group President, International

Yes, thanks. Michelle, it has two legs, one is Europe, one is Asia. We see positive feedback on both markets. Clearly, Asia is much stronger. We mentioned before, India was up 80%. That is predominantly two jeans brands, Lee and Wrangler. At the same time, we see very strong increase in China. It is going with better comp store numbers. But at the same time, we benefit from expanded distribution in Asia and in India -- I mean in China than India. In Europe, we saw a flat quarter, but at the same time, we just got our fall bookings. Both are up on Lee and Wrangler and we believe we have finally turned a stone, as to say, also in Europe.

Michelle Tan - Goldman Sachs - Analyst

And then on the outdoor business, it seems like most of the big brands did significantly or did better than the total, I should say. Can you talk about what is dragging that down? It looks like it might be the JanSport, Eastpak. Anything going on there that we should be aware of?

Eric Wiseman - VF Corporation - President, CEO

Steve, you can comment to that?

Steve Rendle - VF Corp - Group President, Outdoor & Action Sports Americas

From an Americas point of view, all of our businesses performed very nicely in the quarter. Absolutely, The North Face and Vans are the primary drivers due to their scale. But all businesses saw nice growth through the full quarter.

Eric Wiseman - VF Corporation - President, CEO

So it may be an international add-up. And I'm not sure that we're prepared for that.

Michelle Tan - Goldman Sachs - Analyst

And then my last one is just on the jeanswear business, anything you can give us more specifically on pricing and unit reaction, so to clarify the point on seeing a positive response to the initial price increases. Any magnitudes that you can share?

Scott Baxter - VF Corporation - Group President, Jeanswear Americas & Imagewear

This is Scott. I was going to say currently, we're going to remain where we said in our prior guidance, where we said mid-single digit percentage decline in unison. We're comfortable with that going forward.

Eric Wiseman - VF Corporation - President, CEO

Michelle, maybe a couple other points. So clearly in the first half the pricing increases, and we're mostly talking about our US jeans, the pricing increases are significantly lower than the second half. On a full year basis, as we said in our last call, on a full year basis, we planned our US jeans business on like for like items, in other words continuing programs that we have in units down mid-single digit kind of percentage reduction. Now we have some programs that will come in to help that. Now, in the second half, there will be an additional pricing adjustment for those businesses.

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So once again, much less in the first half than the second half. Our comments were around so far, I mean, we've talked a lot over the last several calls about how we approach that in terms of consumer response and ultimate takeout at retail and all of those kinds of things and what we're seeing is based on all the work that we did and how we developed our plan, that at this point in time we're right on track. And even a little better in terms of the takeout at retail within our jeans business. So we're really pleased by that. It makes us believe that we're on the right track relative to the same kind of work that we did around the second half and pricing adjustments and also the consumer response to that.

Michelle Tan - *Goldman Sachs - Analyst*

Okay. Great. Thanks, guys. Good luck.

Eric Wiseman - *VF Corporation - President, CEO*

Thanks, Michelle.

Operator

Evren Kopelman of Wells Fargo Securities.

Evren Kopelman - *Wells Fargo Securities - Analyst*

A question on Walmart's decision to expand the square footage they allocate to apparel. Do you think that -- how does that impact you? Are they increasing denim in your brands? And then the second question is, can you tell us in the jeans wear coalition, what percent is domestic of sales and what kind of growth do you expect there this year? Thanks.

Eric Wiseman - *VF Corporation - President, CEO*

I can't comment specifically on Walmart's strategies. I mean that is theirs to talk about. Obviously, they allocate space in their stores as they deem appropriate for their future. We are a big and important part of their apparel business. And we fight for space one rack at a time with them, like everybody else. Our team has consistently done a good job at that and we're expecting a really strong year at Walmart this year. That is really all I can say. I can't comment on the strategy. Scott, Bob?

Bob Shearer - *VF Corporation - SVP & CFO*

Evren, were you asking for our total global jeanswear business, the percent that is done in the US? Is that what you were asking?

Evren Kopelman - *Wells Fargo Securities - Analyst*

Yes, I was just curious what kind of -- how large is the US business.

Bob Shearer - *VF Corporation - SVP & CFO*

It is about two-thirds of the total. The other third is made up of our business in Europe, as well as in Asia.

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Evren Kopelman - Wells Fargo Securities - Analyst

And what kind of growth do you expect in the US for jeanswear this year?

Bob Shearer - VF Corporation - SVP & CFO

At the beginning of the year we talked about mid to a little better than mid-single digit kind of growth on a full year basis.

Evren Kopelman - Wells Fargo Securities - Analyst

For the whole coalition, right?

Bob Shearer - VF Corporation - SVP & CFO

No that's for jeans for US.

Evren Kopelman - Wells Fargo Securities - Analyst

For US. Okay. And the two-thirds is US not all of America.

Bob Shearer - VF Corporation - SVP & CFO

Two thirds is US. That's right. Now, I need to tell you, maybe Karl Heinz would want to mention this as well, but in our business outside of the US, the growth there has been stronger. For example in our first quarter, in Asia our jeans business growth in Asia alone, actually in China alone was about 50%. So again, we're seeing really, really strong growth on a global basis and particularly in Asia and as well as in India. So that growth is -- it has a lot to do with when we talk about our overall jeans business and Eric mentioned on a full year basis that despite the challenges that cotton presents for us, and particularly in our US business, that we expect our operating dollars, our operating income on a full year basis to be about flat year-over-year.

Eric Wiseman - VF Corporation - President, CEO

This will get to the point of VF's business model and why we think we're advantaged and we do have brands that can go globally and successful operating platforms globally. And it gives us a lot of flexibility, as we weather challenges in one region or in one product category to continue to deliver successful results for our shareholders, as we've just got a lot of options for where to invest to deliver great results.

Evren Kopelman - Wells Fargo Securities - Analyst

Great, thank you.

Eric Wiseman - VF Corporation - President, CEO

Thank you.

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Operator

Robby Ohmes of Bank of America Merrill Lynch.

Robby Ohmes - BofA Merrill Lynch - Analyst

I apologize if I missed this. Did you guys give out or can you give out the Vans North America growth and what the expectation is for Vans North America for this year and what the driver is? And then second question, totally different question, I was hoping, Eric, you could maybe talk more about the Rock and Republic deal and maybe is there any impact on your Lee business or is it going to be very differentiated? And also is this the first time that you've done a deal like this where you would actually be, I guess, manufacturing the product, but not actually designing it? And maybe you could maybe flush out what is going on there and where -- what this could lead you into going forward. And then the final question for Bob is, there has been a lot of comments on the second quarter. Can you give us any more sort of range there? Could the second quarter earnings be down year-over-year? Just something to help us all be in the right range of where we should be. Thanks.

Eric Wiseman - VF Corporation - President, CEO

Sure, Robby. Let me start with the Rock and Republic question and this is obviously brand new news. Something we're really excited about. We are obviously, as a business, most of our business is around our wholesale model of national brands, but as a partner to our retailers, our job is to add value and in this instance we have a partner, Kohl's, who is very interested in building private and exclusive brands and interested in doing that with us if we could help them accomplish something where we had a core competency. And there was also a white space for them. And in the contemporary space around the Rock and Republic brand, we have identified -- they have identified a white space that we're going to partner with them on.

It's going to be a slightly different model than some other exclusive brand models in that since we have a core competency around denim, we're going to be designing and sourcing their manufacturing, all of the bottoms, the men's and women's bottoms. So -- because we're good at that and they obviously realize that. So that is going to be a wholesale business for us. In addition to that, we will be partnering with them on the marketing and total look of the brand, but they will be executing the other product categories. So that is a little different twist on this model from what others have done. We think one that is good for us and hopefully good for making this brand successful. We will not have any products at retail until 2012. That is why I said in my comments that it should be a positive impact on jeanswear's top and bottom lines next year. Trying to remember what else you asked about it.

Robby Ohmes - BofA Merrill Lynch - Analyst

No, I just -- thank you. I think you were clarifying, I was confused, I thought that they were designing the jeanswear and you were just manufacturing it, but it sounds like you will be the creative end on the jeanswear piece of Rock and Republic still as well.

Eric Wiseman - VF Corporation - President, CEO

That's correct. It is going to be -- everything we do on this brand is going to be a collaboration with our retail partner at Kohl's. But we are going to -- we, through our Lee business, actually, they will be doing the product work around the Rock and Republic jeans business. You also asked how will this affect Lee, I think, was one of your questions and we don't think this customer is the same consumer who shops for Lee. So we think it complements Lee in Kohl's and will help VF Corporation have a greater share of Kohl's denim business and be a better partner. With that I will go over to Bob on the Vans question.

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Bob Shearer - VF Corporation - SVP & CFO

On the Vans question, Robby, on a global basis in the quarter the Vans business just continued to show its strength that is showed throughout the last several years, actually. It was up 20% on a global basis. Quite strong.

Robby Ohmes - BofA Merrill Lynch - Analyst

Yes and my question was what is the North American piece of that, because my assumption is that Asia for Vans might be up in the future.

Bob Shearer - VF Corporation - SVP & CFO

Yes, you're absolutely right, Asia as well as the European business for Vans has been very, very strong. I believe on the US side it was somewhere in the low to mid-teens kind of range. So again, it remains very strong. So it really is. It is hitting on all cylinders and across the board. Your other question was maybe a little more color, I guess, on the second quarter. No, we don't expect earnings to decline. Now, having said that, I will say that we're still sorting through the impact of the lost distribution center that Eric mentioned earlier, but no, our expectation is not to see an earnings decline. However, our operating margin could be down a little bit. Again, a little more color on that. Part of our plan on the annual basis, as you well know, is to reduce the relationship of SG&A to revenues by about 100 basis points.

So in other words what we said was that we expected our gross margins to be down by about that amount. We would make that up based on strong growth and leverage in our SG&A area, meaning that our SG&A expenses won't increase as fast as revenues over the year, thus reducing the relationship of SG&A to revenues. In the second quarter, we won't see that level of leverage. That is really what it comes down to. And the reason we won't is because of the additional expenses that just happened to fall into this -- that just happened to fall into the second quarter. Again, we knew about that early in the year. We knew that this would be a period when expenses would -- the biggest increase of the year, as we said, quarter to quarter, which is our smallest quarter, overall. So it points out that it really is unusual from that standpoint.

We just didn't have a lot of choice in terms of when some of these expenses fall, like the activity in the technology area. These are things that we just need to do to put us in the right position going forward. And based on timing of the way the year falls and way the strength of our third and fourth quarters, we needed to get these things done in the second quarter and that's why you're seeing the expense increase So that is what is taking place. We won't see the leverage that we will see throughout the rest of the year on the SG&A line. The relationship might be down a little bit. The relationship to revenues of SG&A could be down just a little or improved just a little bit, but clearly not to that 100 basis points improvement that we expect to see on a [full year] basis. Hope that helps.

Robby Ohmes - BofA Merrill Lynch - Analyst

Yes, very helpful. Thanks a lot.

Eric Wiseman - VF Corporation - President, CEO

Thanks, Robbie.

Operator

Ken Stumphauzer with Sterne Agee.

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Ken Stumphauzer - *Sterne, Agee & Leach, Inc. - Analyst*

Bob, just real quick. Can you give us an idea of the puts and takes on gross margin in the quarter on an adjusted basis with it being down 50 basis points?

Bob Shearer - *VF Corporation - SVP & CFO*

Yes, I can. The cost net of price is the way I will give that to you. It was about 120 basis points. And that was offset by a mixed benefit of about 70 basis points. The mix meaning high revenues, higher revenues, in our highest margin businesses.

Ken Stumphauzer - *Sterne, Agee & Leach, Inc. - Analyst*

And that, the mix component of it should be constant, correct? For the duration of the year?

Bob Shearer - *VF Corporation - SVP & CFO*

Yes, actually, it will be. And even maybe a little better than that, because when you look at retail, retail is part of that mix. It is partly a driver of that mix benefit with its much higher gross margins. When we get to the fourth quarter, which is such a big quarter for us in terms of our overall retail business, it improves in the fourth quarter. It strengthens in the fourth quarter. But yes, you're right, Ken, that is not something that deviates a lot quarter to quarter.

Ken Stumphauzer - *Sterne, Agee & Leach, Inc. - Analyst*

And then secondly, you guys spent a lot of time discussing elasticity in the jeanswear division, I'm curious to know whether you guys have any reads into the other divisions, whether you've seen that, whether it be via backlog or initial price increases for spring '12 or excuse me, '11.

Eric Wiseman - *VF Corporation - President, CEO*

We have talked, this is Eric, about the jeanswear business. The only other example we have, and again, it is very early days on this pricing situation, is in our sportswear business, where we did take some modest price increases earlier in the year and we have had good unit and dollar growth. But I will caution, and it is not because we don't want to talk about it, it is that we're looking at magnitude. The magnitude is very much back half weighted and we have a lot to see about how consumers respond to higher prices. And I know you know this, but it is not just cotton prices, it is how consumers respond to inflation in their lives.

Ken Stumphauzer - *Sterne, Agee & Leach, Inc. - Analyst*

Sure. And then just one last question. Kind of a follow-up on the Rock and Republic acquisition and the subsequent positioning. It is obviously a considerable focus on exclusive brands in the department store channels. So I'm curious to know is that an increasingly relevant area for acquisitions for you guys right now, looking at potentially doing exclusive deals?

Eric Wiseman - *VF Corporation - President, CEO*

Well, what we've acknowledged is what you've observed, is that this is becoming a part of the retailer's playbook and as we are a partner to the retailers, we want to define what role this kind of exclusive brand thing has in the VF model and we're going to learn that by starting with Rock and Republic and we will see what happens from there. If this is a great thing for VF shareholders,



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we will do more of it. And if it is not, we wouldn't. And then we are moving forward now with our first test and thrilled to be doing so.

Ken Stumphauzer - *Sterne, Agee & Leach, Inc. - Analyst*

Thanks again, guys. Best of luck.

Eric Wiseman - *VF Corporation - President, CEO*

Thanks, Ken.

Operator

John Kernan of Cowen.

John Kernan - *Cowen and Company - Analyst*

So I guess, Bob, you gave us some interesting commentary back when you had the analyst day in March that some of the cotton mills were trying to lock in prices and since then cotton has come down a pretty significant amount. Has there been any change in their behavior towards you guys when you've been buying from them? Do you have any incremental data from them we could maybe hang our hat on.

Bob Shearer - *VF Corporation - SVP & CFO*

Not a lot of change. I'll tell you right now, John, it is somewhat of a waiting period here until the next crop comes in. We're hearing a couple of things. We're hearing that actually some cotton that was purchased in China is actually starting to come back. So we're seeing some signs like that. The reduction in price right now doesn't surprise us so much, I guess, the result of some of the things that we're hearing just relative to overall demand and particularly the buys in China and those kinds of things. So, but we saw a decline before and the price went back up. Again, until the crops come in, until the volume is known, the yields and all that kind of thing, I just think we're going to see a little volatility here, but not a lot of really solid evidence until a little closer to the fall.

John Kernan - *Cowen and Company - Analyst*

And then in terms of, I guess, share repurchases, you still have a pretty significant share authorization. I know you are favoring acquisitions, but do you think if nothing gets done on the acquisition side, that you could potentially ramp that as the course of the year goes on or are you going to try to build cash on the balance sheet for potential acquisitions?

Bob Shearer - *VF Corporation - SVP & CFO*

No, we could adjust that. I said that right now, there is nothing included in the numbers relative to the buyback. I asked you to keep in mind that last year we heaved up on the buyback. We bought back 5 million shares last year, so we carry that right into the year. But, no, as the year goes on, just as you said, priority remains on the acquisition front. We will adjust. And it is very possible, yes, that we could be back in the market buying back some shares a little later in the year.

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John Kernan - Cowen and Company - Analyst

You may have given this, I may have missed it, the Vans bookings for the fall. Did you put it -- is there a number there, a global and North America?

Eric Wiseman - VF Corporation - President, CEO

Steve did you talk about a North American Vans booking number for fall? I don't recall.

Steve Rendle - VF Corp - Group President, Outdoor & Action Sports Americas

No, no, we did not Eric.

Eric Wiseman - VF Corporation - President, CEO

Thanks. I'm not sure we have that, John.

John Kernan - Cowen and Company - Analyst

Okay. No problem. Thanks, guys.

Eric Wiseman - VF Corporation - President, CEO

Thank you, John. I think we have time for one more question.

Operator

Andrew Burns of D.A. Davidson.

Andrew Burns - D.A. Davidson & Co. - Analyst

Two quick questions for you. First, just in terms of Vans, just from recent store visits and my opinion of Vans apparel has never looked better. Can you comment on the momentum of Vans on the apparel side?

Eric Wiseman - VF Corporation - President, CEO

Steve, do you want to comment on that?

Steve Rendle - VF Corp - Group President, Outdoor & Action Sports Americas

Sure. I'm not sure what stores you were visiting. They were some of the core specialty retailers that the business works with. We're really happy with how that team is really looking at and interpreting the trends in that surf and skate channel. Our core skate and surf business continues to grow nicely, as does our larger format retailer business. So it is really the focus of that product team in the offices in [here] California and looking at those different channels.



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Eric Wiseman - VF Corporation - President, CEO

When we acquired Vans, gosh, seven years ago, I guess, now almost seven years ago, one of the core opportunities we identified was to enable the apparel potential of the brand and that team there is just getting -- you're right, your observation is right. They have consistently getting better at it and that apparel business continues to perform better and better and better every year and becoming a bigger part of their business and they have way surpassed the expectations we had of them seven years ago when we first acquired the business.

Andrew Burns - D.A. Davidson & Co. - Analyst

Great. Thanks. And then a point of clarification. Just in terms of SG&A for the second quarter, are you saying that SG&A will grow in absolute dollars from the first quarter? Or did the growth rate is going to be higher than the first quarter growth rate?

Bob Shearer - VF Corporation - SVP & CFO

What I am saying is that the dollars, the dollars of growth, right, will be the highest for the entire year. For any quarter in the year, the dollars of growth and, yes, that obviously implies that the dollars of growth versus what we saw in the first quarter, quarter over quarter, will be higher.

Andrew Burns - D.A. Davidson & Co. - Analyst

Great. Thank you.

Bob Shearer - VF Corporation - SVP & CFO

Sure.

Eric Wiseman - VF Corporation - President, CEO

And thank you. That concludes the Q&A session. I want to thank all of you for your interest in our Company. We're thrilled with this strong start to the year and with our ability to increase our outlook for the year. We're confident in what we can get done this year. It is right in line with the five year targets that we established and we will report back in the second quarter of how much more progress we've made. Thank you so much.

Operator

That does conclude today's conference. Thank you all for your participation.



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