

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

VFC - Q1 2016 VF Corp Earnings Call

EVENT DATE/TIME: APRIL 29, 2016 / 12:30PM GMT

## OVERVIEW:

Co. reported 1Q16 currency-neutral revenues of \$2.8b and reported EPS of \$0.61.  
Expects 2016 revenues to be up single-digits.



## CORPORATE PARTICIPANTS

**Lance Allega** *VF Corporation - IR*

**Eric Wiseman** *VF Corporation - Chairman & CEO*

**Steve Rendle** *VF Corporation - President & COO*

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

**Scott Roe** *VF Corporation - CFO*

## CONFERENCE CALL PARTICIPANTS

**Michael Binetti** *UBS - Analyst*

**Bob Drbul** *Nomura Securities Intl - Analyst*

**Matthew Boss** *JPMorgan - Analyst*

**Lindsay Drucker Mann** *Goldman Sachs - Analyst*

**Laurent Vasilescu** *Macquarie Research Equities - Analyst*

**Kate McShane** *Citigroup - Analyst*

**Jim Duffy** *Stifel Nicolaus - Analyst*

**David Glick** *Buckingham Research Group - Analyst*

**Camilo Lyon** *Cannacord Genuity - Analyst*

**Sam Poser** *Sterne, Agee & Leach - Analyst*

**Ed Yruma** *KeyBanc Capital Markets - Analyst*

## PRESENTATION

### Operator

Welcome to the VF Corporation first-quarter 2016 earnings conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Lance Allega, Head of IR. Please, go ahead.

---

**Lance Allega** - *VF Corporation - IR*

Thank you, operator. Good morning, everyone. Thanks for joining us today to discuss VF's first-quarter 2016 results.

I would like to remind everyone that participants on this call will be making forward-looking statements. These statements are based on current expectations and are subject to certain uncertainties that could cause actual results to differ materially. These uncertainties are detailed in documents filed regularly with the SEC.

I'd also like to remind everyone unless otherwise noted amounts that our participants refer to on today's call will be predominantly in currency neutral terms, which we define in the press release that was issued at 6:55 Eastern this morning. We chose to use currency neutral amounts as the lead number in our discussions because we feel it more accurately represents true operational performance and underlying results of our business and brands.

You may also hear us refer to reported amounts, which are in accordance with US GAAP. These amounts include the impact of foreign currency exchange rates. Reconciliations of GAAP measures to currency neutral amounts can be found in the supplemental financial information included



within the press release which identify and quantify all excluded items. On today's call, you may also hear us reference to Damn Daniel, which is most certainly not meant as profanity but instead a nod to a video that two California high school kids put together with great reverence for the Vans brand.

Joining us on today's call will be: VF's Chairman and CEO, Eric Wiseman; President and COO, Steve Rendle; President of our International business, Karl Heinz Salzburger; and our CFO, Scott Roe. Following our prepared remarks, we'll open the call for questions and ask that you please limit yourself to two questions per caller. Thanks. Eric?

---

**Eric Wiseman - VF Corporation - Chairman & CEO**

Thanks, Lance. Good morning, everyone. Thank you for joining us for our first-quarter 2016 earnings call. At VF, delivering consistent long-term value to shareholders by creating sustainable, profitable growth for our brands is at the heart of what we do every business day. To do this, we leverage our business model which consists of powerful brands, powerful platforms, a healthy balance sheet and a uniquely talented team.

This foundation enables us to continually and successfully benefit from our key growth drivers, which include driving best-in-class product innovation, providing exceptional consumer engagement, and leveraging our operational expertise to manage the growth potential for our brands and for our shareholders. We challenge ourselves and each other to operate our business with nothing less than excellence across our brands and channels. We do that in a responsible way.

Long-term consistent achievement is what's made VF an industry leader and what will enable us to remain successful for years to come. In the first quarter, we delivered results that were right in line with our expectations and yes, our first-quarter performance puts us right on track to meet our goals for 2016.

On a currency neutral basis, revenue was up 2% driven by 4% growth from our outdoor and action sports coalition with strong growth from The North Face and as expected moderate growth in Vans and Timberland. Likewise, Jeanswear was up 4%, with both Wrangler and Lee posting increases during the quarter.

In terms of our fastest growing brand this quarter, or should I say brands, it's a tie between The North Face and Kipling, each with 8% currency neutral growth. Kudos to the teams at The North Face and Kipling who delivered for us in the quarter.

The real strength in the quarter came from our direct-to-consumer business which was up 8% and included a low single-digit comp. What this tells us is that our brands and products are resonating strongly with consumers who are happy to show their approval by buying. However, our wholesale business is still navigating through the inventory carryover from what was a challenging fourth quarter at retail in general.

Our international sales were up 4% overall, with Europe up 2%, Asia up 6% and our non-US Americas region growing 12%. On a reported basis, gross margin was down about 80 basis points for the quarter. We continued to see a benefit from pricing, lower product cost and a favorable sales mix shift but as expected, this was more than offset by negative impact from changes in foreign currency. That said, we continue to expect that we will expand gross margin for the year. This speaks to our portfolio's overall brand strength and supply chain excellence.

For the quarter, currency neutral earnings per share were in line with last year. Despite a flat start to the year for the bottom line, we continue to expect that EPS will increase 11% on a currency neutral basis in 2016. Looking ahead, our brands remain strong. We continue to execute well. We are taking the necessary steps to ensure that our portfolio is optimally positioned for growth and to enhance shareholder value during the long term.

Now before I turn it over to Steve, I will remind you of what I said on our last call with respect to being active portfolio managers with an increased focus on ensuring our business is optimally positioned. To that end, we recently announced that we're exploring strategic alternatives for our licensed sports group within our Imagewear coalition. That process is ongoing. We will be sure to update you when we have something to report.

Steve?

**Steve Rendle** - *VF Corporation - President & COO*

Thanks, Eric. Starting with our outdoor and action sports coalition, currency neutral revenue was up 4% in the first quarter driven by a low teen increase in D2C and flat wholesale results. Sluggish traffic and the hangover from the warmer than normal weather once again influenced our cold weather brands. That said, overall, we are pleased with how the quarter played out for the coalition.

Let's take a look at VF's three largest outdoor and action sports brands. Globally, first-quarter revenue for The North Face was up 8% with strong mid teen growth in D2C and low single-digit growth in wholesale. In the Americas region, revenue was up at a low single-digit rate with a low teen increase in D2C including strong e-commerce results. On the wholesale side, sales were down at a mid single-digit rate as retailers continued to manage through inventories remaining from the difficult fourth quarter of last year.

Within the quarter, there was a tale of two cities. With the cold start in the first half of the quarter, we saw success in our top 10 outerwear styles, which as a group, was up mid single-digits. In the second half when the weather turned wet and spring-like, we saw strength in our Rainwear business led by FuseForm styles and the Venture jacket. Other warm weather categories trended nicely as well, in particular our Mountain Athletics Training collection and Women's Business, which continues to build momentum.

Overall, the strength of these categories demonstrates our ability to achieve increased spring relevancy with consumers. During the quarter, The North Face launched the second installment of its Made in the USA apparel line called, The Backyard Project. This collection is completely designed, sourced and produced in the United States. This uniquely local, relevant product driven by targeted media coverage has generated significant exposure. Although, it's off a small base, we're really scaling up production to nearly 15 times in only the second year. Now to KH.

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

Good morning, everyone. I'm very happy to report The North Face European business was up almost 20%, with more than 25% growth in D2C and a mid-teen increase in our wholesale business. We saw strength in ThermoBall as well as Ultra footwear. During the quarter, we launched our Mountain Athletics collection across Europe supported by a strong media buy. We are ahead of our expectations.

Really important to point out that this growth was widespread from double-digit growth in D2C and wholesale to double-digit growth in the UK, Italy, France, Spain and the Nordic region. In Asia, first-quarter revenue increased at the high single-digit rate, driven by double-digit growth in the wholesale business and a mid single-digit increase in D2C. We launched fast hiking products featuring the super lightweight FuseForm waterproof jacket as well as the circular knit functional t-shirt and the 2-in-1 athletic pant.

We believe this fast hiking initiatives will strengthen our relationship with current consumers, attract new ones and overall further establish our leadership position in the outdoor industry. Overall, globally, we are pleased with our start to the year especially in Europe to following the order book is in line with our full-year expectations. We feel good about our inventory levels. We are energized by the continuous evolution of our product pipeline.

Now, Vans.

**Steve Rendle** - *VF Corporation - President & COO*

Vans' global revenue was up 2% in the first quarter with a near 20% increase in D2C offset by a high single-digit decline in the wholesale business. It's important to note that these results are in line with what we expected in February, a direct result of our choice to strategically reduce wholesale shipments on certain classic style predominantly in Europe, as we manage retailer receipts to match otherwise healthy consumer demand.

As we've indicated previously, this should be a short-term work-through, it's not a brand, product or consumer issue and accordingly, we expect growth to normalize in the second half for Vans. Now, before we discuss specific regions, I do want to congratulate Vans on their 50th anniversary



and thank the entire Vans family for five decades of an off the wall ethos that defines youth culture. On March 16, the brand kicked off a worldwide celebration to mark this Golden event.

Vans utilized multiple global advertising tactics including promotional events and communication platforms, backed by a new visual campaign with a fresh creative look that explains the brand's 50-year journey and the meaning of living off the wall. 75,000 people around the world attended 10 House of Vans events featuring music, art, action sports and creative workshops. Of course, Vans launched a number of products including a gold pack of classics footwear and a range of apparel. Social media exploded with Vans 50th rising to the top as a trending topic on Instagram, Twitter and Snapchat.

Now back to the geographies. In the Americas, in line with our expectations, revenue was up at a high single-digit rate with an impressive near 20% increase in D2C, including over 30% growth in e-commerce. This was offset by a slight decline in wholesale results.

During the quarter, we launched our most innovative pro skate shoe ever, the AV Rapidweld Pro. This shoe was co-created with Vans pro skater and Thrasher Magazine's skater of the year, Anthony Van Engelen. Using the Vans heritage inspired lace-up low top, the shoe's engineered for advanced performance using innovative construction methods to improve comfort, increase flexibility, and reduce overall weight.

Of course, how can we not mention Daniel, as in Damn Daniel. As in Damn, Daniel, which as you can imagine due to have a strong impact on the sales of white Vans, which saw 100% sell-through in both detail, D2C and wholesale channels. The national media attention the brand received is a wild demonstration of how creative expression, youth culture and loyalty can conspire to cause a phenomenon. Well done, Daniel, well done. We also announced that Vans has renewed its title sponsorship at the US Open of Surfing in Huntington Beach, California through 2018, one of the most preeminent action sports events in the country.

---

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

Vans revenue was down in Europe at the low teen rate with a mid teen increase in D2C, being offset by a high teen decline in wholesale. It is important to note that this result was in line with our expectations. To give more color on this, on our last call, we spoke about the proactive steps we're taking to manage through elevated inventory of the authentic style, which is part of the classic collection. To be clear, this is really isolated to the authentic style.

In fact, two of the styles in the classic collection old school and Sk8-Hi were up strongly in the quarter. The anniversary celebrations across Europe including major events in London, Paris, Milan and Berlin drove strong momentum in D2C and our e-commerce business. In summary, progress is being made but there is no change to the expectation that this will take a couple of more quarters in Europe for the wholesale business to normalize back to growth.

In Asia, Vans revenue was up at the low double-digit rate driven by 25% D2C growth and a mid single-digit increase in our wholesale business. Our Chinese New Year product, Monkey pack, achieve strong sell-through in our D2C channel. The market anniversary House of Vans events were held in Hong Kong, Seoul, Malaysia, and Shanghai. Special mention is a breakthrough e-commerce collaboration with China's Tmall, creating a Vans super brand day for our anniversary, an event that attracted more than 1 million unique visitors.

Now on to Timberland.

---

**Steve Rendle** - VF Corporation - President & COO

Timberland global revenue was up 3% on a currency neutral basis, with low single-digit growth in both D2C and wholesale. In the Americas, revenue was up in mid single-digits with wholesale up high single-digits and D2C down low double-digits. Reduced consumer traffic and mild weather impacted the brand's outlet based D2C business in the US.

Product wise, boots continue to be the main driver in footwear. Our women's business remains quite strong with sales up nearly 50%.

Another stand-out has been the men's Killington collection, featuring our SensorFlex comfort system. Even better, the Oxford style was number one, confirming that Timberland has increasingly greater permission to play in the warmer, drier months.

On the marketing front, we continue to connect with our outdoor lifestyle or consumer. Our spring media campaign showcases Timberland's unique combination of function and style by pairing up the Britton Hill boot collection with our Mount Davis waxed-canvas jackets. Strong demand for both collections continues to reinforce Timberland as a relevant brand for spring, both inside and outside the city.

While we continue to see pressure in our industrial Timberland Pro business, one highlight is our Boondock boot collection, which caters to the construction market. This collection was up more than 40% versus last year driven by the successful, When Your Feet Hurt, Your Work Suffers campaign.

---

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

Timberland's European first-quarter revenue was up mid single-digits driven by strength in the D2C business. We are very proud to report that our order book for the SensorFlex platform reach 1 million pairs for the first time. It is now the leading family both in D2C and wholesale channels. We're also pleased to share that our investment in men's apparel is paying off, with double-digit growth in sell-through in our new spring collection.

To support the great results with our SensorFlex product, we launched a new campaign featuring the Killington, which perfectly captures all-day comfort demanded by the casual sport lifestyle consumer. Our Asia revenue was down slightly primarily from weakness in Hong Kong. Mainland China and Korea saw a strong growth. Japan was relatively flat.

In China, where we are just getting started with this brand. We launched our new footwear [focused on performance] and early results are very encouraging. We're pleased to report that our Korean flagship store won silver at a 2016 association for retail environment design awards, a prestigious global award for retail innovation and design.

Now to Jeanswear.

---

**Steve Rendle** - *VF Corporation - President & COO*

In the first quarter, our global Jeanswear business was up 4% on a currency neutral basis with balanced growth across all brands and all regions. This marks the sixth consecutive quarter of mid single-digit growth for our Jeanswear coalition, so a big congratulations to the team. In the Americas region, Jeanswear revenue was up at a mid single-digit rate driven by the same increase in both the Wrangler and Lee brands.

At Wrangler, our mass business remains strong with a mid single-digit increase in revenue that marks the eighth consecutive quarter of growth for that business. These results were driven by innovation platforms extending into our seasonal businesses. Wrangler Advanced Comfort, flat-front shorts with a four-way flex technology and writers by Lee Heavenly Touched capris, each saw meaningful increases in the channel.

In contrast and similar to results in the fourth quarter, we saw further declines in Wrangler's Western specialty business, where challenges in oil and gas exploration continue to negatively impact that business. From a product perspective, we shipped our Cool Vantage innovation product in the Western platform and launched our Wrangler Ultimate Riding jean, Cool Vantage for Women. This breakthrough sweat controlled technology works five times faster and pools moisture outside the garment, which helps the consumer stay cool and dry even on the warmest days.

We also successfully launched our Wrangler out of wear business, these products are a prime examples of how we have identified and are meeting unmet consumer needs. We continue to see solid growth from its existing business and distribution expansion. During the quarter, we saw a balanced growth in men's and women's seasonal products in our mid tier and department store channels, driven by especially strong growth in items made with performance fabrications. We saw more than 100% growth in Lee men's casual bottoms driven by the expansion of our Extreme Comfort Pant. So good momentum starting to build in this business. KH?

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

In Europe, currency neutral revenue for the Jeanswear coalition was up at low single-digit rate, driven by Lee. The brand had an excellent quarter and showed high single-digit growth with positive [stays] coming from all product categories and channels. For Wrangler, revenue was down slightly in the quarter, which strengthened our e-commerce and D2C businesses offset by declines in our wholesale business.

During the quarter, we've received a very positive response to our active Rider jean which balances comfort and style. In Asia, our Jeanswear business was up mid single-digits with similar growth in Lee and Wrangler. Lee's growth was driven by strength in e-commerce, partially offset by softness in Hong Kong.

Lee China launched the first-ever Chinese New Year advertising campaign on one-on-one plus to capture the holiday season. This was a key business driver during the quarter.

Now to Imagewear.

**Steve Rendle** - *VF Corporation - President & COO*

First-quarter Imagewear revenue was down 4% with flat result in our LSG business and a high single-digit decline in the Workwear business, which continued to be impacted by weakness in the energy related sectors. In LSG, our baseball performance saw a meaningful increase in Cool Base replica jersey sales. Our innovative Flex Base uniforms, which uses a patented design to maximize player flexibility and movement debuted with all 30 teams during spring training. Also, the My Team My Colors marketing campaign featuring a player from every MLB team is really resonating.

On the Workwear side, positive Red Kap sales were offset by Bulwark as the brand remained very challenged by slower oil and gas exploration, with rig counts at historic lows. Given that, we will now begin to lap this decline. We do expect the Workwear business to stabilize in the second half of the year.

Our Sportswear business was down 13% in the quarter because of traffic declines in both wholesale and D2C. Revenue at Nautica was down 14% due to ongoing challenges in the channel, and our strategic decision to license the women's sleepwear and men's underwear businesses worth about 6 point in the quarter, our decision to close unprofitable stores, and the reduction in wholesale selling to improve future profitability. Kipling's North America business was down 8% due to slower tourist traffic in D2C including our outlets.

Kipling's global business was up 8% driven by strength in both wholesale and D2C in Europe and Asia Pacific. Revenue in the contemporary brands coalition declined 15% during the quarter with weakness in both wholesale and D2C businesses. This sector remains challenging as softness and increased promotional activity continues in women's contemporary apparel. We remain focused on product innovation and differentiation and consumer connections.

With that, I will turn it over to Scott.

**Scott Roe** - *VF Corporation - CFO*

Thanks, Steve. Our first-quarter results were in line with expectations. Despite the uneven retail environment we see across the industry, VF's diversity, operational discipline and strong connection with consumers continues to give us great flexibility to deliver on our financial commitments. First-quarter currency neutral revenue was up 2% to \$2.8 billion and included growth in seven of our ten largest brands.

By coalition, outdoor and action sports and Jeanswear when combined were more than 80% of the quarter's revenue, with each growing 4% on a currency neutral basis. This was offset by a 4% decline in Imagewear, and ongoing weakness in sportswear and contemporary brands. By channel, direct-to-consumer revenue was up 8% including low double-digit growth in our outdoor action sports business and weaker than expected sportswear and contemporary brand results.

Currency neutral wholesale revenue was down 1% reflecting the expected right-sizing of retail inventories we spoke about on the February call. By region, the Americas, EMEA, and Asia Pacific businesses each posted gains in the quarter. Gross margin was down to 80 basis points to 48.2% benefit from pricing, lower product costs and favorable mix shift were more than offset by FX and inventory management actions particularly in sportswear and contemporary brands.

In line with our expectations, SG&A as a percentage of revenue was delever by 130 basis points as we continue to invest in our key growth priorities including D2C, product innovation, and demand creation. First-quarter operating margin was 11.8%, which included 90 basis points of negative impact from currency. On a comp basis, keep in mind, that last year's first quarter included a one-time gain on sale of a VF outlet location.

Clicking down into profitability by coalition, we see that reported outdoor action sports operating income was down 13%. Operating margin was 13.9%, a decrease of 230 basis points compared with last year's first quarter. More than half of that operating margin decrease was due to foreign currency changes as the majority of the coalition's business in the first quarter was outside of the US. Operating income in Jeanswear was up 4% in the quarter, with operating margin up 40 basis points to 19.3% driven by benefits from cost controls and favorable FX.

The strength in Jeanswear continues globally. We are very pleased with this, our sixth consecutive quarter of mid single-digit revenue growth. Imagewear profit was up slightly and operating margin was up 80 basis points due to favorable mix of business and changes in FX.

In Sportswear, operating income was down more than 60% and the story remains the same. Challenging department store and D2C conditions along with the strategies we are employing to improve future profitability are impacting current results. Finally, contemporary brands saw more than a 50% drop in profitability as the sector remains challenging.

So carrying all this to the bottom line, our reporting earnings per share was \$0.61 in the first quarter. On a currency neutral basis, EPS was in line with last year's same period. Also to note, we elected to early adopt recent accounting rules related to the tax treatment of equity compensation, a change which yielded about \$0.03 of benefit in the current quarter.

Regarding our balance sheet, inventories were up 9% of which about half is cold weather product that we are carrying forward to fill demand in the back half of the year. So all in all, a very similar story to the fourth quarter.

During the first quarter we bought 11.3 million shares of our own stock for \$714 million. There are about 19 million shares remaining under the current authorization more than enough to accommodate our intent to repurchase about \$1 billion of shares in 2016.

Turning now to outlook, there is no change to the full-year targets that we detailed on our February call. Revenue up single-digits gross margin up 50 basis points reaching 48.8%, operating margin at 14.4%, and currency neutral EPS up 11% or up 5% on a reported basis against 2015's adjusted EPS of \$3.08.

So, how should you think about the cadence for the first half and the full year? All in, we're expecting first half revenue to be flat on a reported basis or up at a low single-digit percentage rate currency neutral. Based on what we said in February, reported first half EPS should be \$0.95, which is down at a low double-digit rate or down low single-digits currency neutral. This reflects continued weakness in sportswear and contemporary and our continued investment in our strategic growth drivers, which pressures earnings given the relatively lower first half revenues.

Recall that the second quarter of 2015 benefited from a lower tax rate related primarily to the settlement of prior year's tax audits worth about \$0.02 in EPS. We continue to expect currency neutral revenue growth in the second half of 2016 to be up at a high single-digit percentage rate with the strongest performance coming in the fourth quarter. Finally, we expect second half reported EPS to increase at a mid teen percentage rate or up high teens on a currency neutral basis.

In closing, as I stated earlier, our business model provides the operating flexibility necessary to deliver topline growth and profitability despite an uneven retail environment. Our entire team remains steadfastly focused on our strategic growth drivers including product innovation, consumer engagement and D2C expansion. This focus coupled with a healthy balance sheet, powerful brands, a strong operating platform and exceptional execution capabilities give us the confidence to maintain our 2016 outlook and to deliver on our long-term financial targets.



Now, with that, we turn it back over to the operator and open up the call for questions.

---

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Michael Binetti, UBS.

---

### Michael Binetti - UBS - Analyst

Good morning. Congrats, I know it was a tough quarter out there. So I just want to clarify one thing that we're getting questions on this morning on the wet -- on the cold weather inventory, this really just sounds like it's pack away and some of the Hero items like Denali on The North Face side that we really see year after year again. So you chose just not to mark it down and you'll be ordering the same thing again for next fall. I'm assuming that bolsters your confidence you will be able to sell that product without marking it down much in the second half. Am I thinking about that correctly?

---

### Eric Wiseman - VF Corporation - Chairman & CEO

You got it exactly right, Michael. It's exact -- really the story is what we said in February, right? It's -- the inventory quality is good. We see demand for that in the second half. Now, just as a reminder, we will see that through the first half, right? So there will be the same story in the second quarter. Then by the second half, we expect that to normalize.

---

### Michael Binetti - UBS - Analyst

Okay, that makes sense listening to it. Okay. As you guys -- since you spoke last quarter about, we will look at this position, is this necessary. Then we saw something with the licensed sports group come across. I know you don't want to go into too much detail, but when we see an announcement like that, obviously there's some strategic things that we can think about that would make your algorithm look better.

If you sold a business like that, that might be lower growth rate or a lower margin. But are there other strategic overtones we should think about? Is this building a cash balance to do something? Or would you say that those -- that would just go -- if there's like a cash lump sum that came in from something like that? Just think about it for share repurchases until the time of an acquisition. Anything like that to think about?

---

### Eric Wiseman - VF Corporation - Chairman & CEO

Michael, it is Eric. That's a great question. Unfortunately, I can't deal with it as directly as you would like. When I said that we are actively managing portfolios, what you should read is that we've looked across our portfolio for potential divestiture. We looked across the landscape for potential acquisitions. We are trying to get to make progress on both. Whether or not we do, remains to be seen. But we are active and we had to disclose the LSG thing because we license the brands that we sell through LSG. So we needed to include our partners in the discussion early. Once we have included four or five partners, we felt the only fair thing to do was to make a public statement about it. We don't normally do that for divestitures obviously, but that one was the right thing to do.

---

### Michael Binetti - UBS - Analyst

Okay. Thanks a lot. That helps us understand it. Thanks a lot.



**Operator**

Bob Drbul, Nomura.

---

**Bob Drbul** - *Nomura Securities Intl - Analyst*

Good morning, guys. I just wondered if you could talk a little bit just about trends at Vans? Sort of what you're seeing in the category. I was wondering if you could spend a little bit of time, just on the fall order books, how they've materialized? If there's been any change one way or the other over the last few months.

---

**Steve Rendle** - *VF Corporation - President & COO*

Hi, Bob, this is Steve. I will take this question for you. Our Vans business is really strong. In fact, our -- this quarter came in as expected. I think why we are so confident in our business -- if you look at our global DTC results, we were up 20%. That is huge for a business like this. Why we're so confident is really three things. Our new products, I talked about the AV Rapidweld Pro but also innovations in our authentic collections, classic collections. We continue to see great growth in our Sk8-Hi and old-school group of products are really resonating with consumers.

This quarter, we ramped up demand creation and we saw a really great impact of the 50th anniversary promotional cadence as well as the events that went along with that. I think we continue to see significant digital connectivity with this brand and its loyal consumer base. Things like Damn Daniel just don't happen by accident. That years of building a loyal consumer base and having them really come to life and tell our story through their own words is very, very powerful.

Then the success of our DTC model, as I mentioned at the beginning. There is one drag on our brand, it's EMEA. We talked about that last quarter. It's really wholesale inventory as we get that right-sized. But I think our DTC business there in Europe was up mid teens. Our e-commerce business was up 30%. So, again, another great example of a brand resonating with consumer and working through some channel partner issues, which we've talked about being right-sized by the second half.

I would be remiss if I didn't say our Asia business continues to grow very, very strong, up low double-digits with DTC trending plus 25. They are connecting with their consumer, growing that loyal consumer base. Again, Tmall, Vans super brand day that doesn't happen with many brands. That really speaks to the power of this brand and the recognition of our Tmall partnership that this brand is good for them as well.

On the fall order books, our fall order books are right in line with the plans that we've guided to for the year. In the past, we've been pretty open that we really don't break those down. But I can tell you with confidence that we are right in line with the plans that we guided to in February.

---

**Bob Drbul** - *Nomura Securities Intl - Analyst*

Thanks very much. Good luck.

---

**Steve Rendle** - *VF Corporation - President & COO*

Thanks, Bob.

---

**Operator**

Matthew Boss, JPMorgan.

---

**Matthew Boss** - *JPMorgan - Analyst*

Eric, higher level, I'm curious what you're seeing out there today with the consumer. It seems like apparel pretty much saw a clear slowdown in August for pretty much everyone out there. But then it seems like we hit a more recent soft patch here in the second half of March. Any forward indicators you guys are watching that might just provide some thoughts on overall consumer demand? Then multi-year, anything that you are seeing that might change your high single-digit revenue and low double-digit earnings growth opportunity longer term?

---

**Eric Wiseman** - *VF Corporation - Chairman & CEO*

Yes. So, I will start with your last question. No, we don't see anything that changes the trajectory of our organic growth rates in either revenue or earnings. But clearly, it's not easy out there right now. The truth is, if I look back several years, I can't remember a time that it was. So it's not easy out there, consumers are being very thoughtful about how they engage in apparel and footwear. The good news is, when they think about it, strong authentic brands that offer a decent price value equation are what they are drawn to. We've got a portfolio of those. So we think this environment is good for us to the extent that we were very competitive in that environment.

The interesting thing going on right now is around the retailers that we sell to, who are demonstrating very conservative behavior around buying. That's why you see this big disconnect right now between our direct-to-consumer numbers, which are quite frankly very strong, and our wholesale numbers which are quite frankly weak. It's part an inventory build and part with consumers moving to a buy now, wear now, consumers are buying closer to their need, as are retailers. So that's changing the cadence of our bookings.

Fortunately, with our supply chain excellence, we're going to be able to respond to that demand when it comes. We are pretty confident about that. I can't predict what the future is going to be with consumers, but I can predict that we're going to be able to deliver the kind the numbers we put forward in our plans.

---

**Matthew Boss** - *JPMorgan - Analyst*

Great. Then just a follow-up, on distribution -- you kind of touched on this, a lot is made of the capacity across apparel today. You guys do have less exposure across the mid tier department stores, but any channel out there where you guys are changing your go-to-market or distribution strategy? Then just any thoughts on Amazon becoming a larger player in apparel. Is it somebody that you'd deal with today? Do you see yourself in that channel in a larger capacity?

---

**Eric Wiseman** - *VF Corporation - Chairman & CEO*

Let's do Amazon first. We do deal with Amazon today. I'm going to let Karl Heinz comment on it first. Karl Heinz, go ahead.

---

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

Amazon is a great partner of ours in Europe. We do business with them since -- a few years. On most categories, we do apply product segmentation with them. It's actually a good customer we work with well.

---

**Steve Rendle** - *VF Corporation - President & COO*

Amazon is a good customer here in the US as well as the Zappos business, which has been part of Amazon for quite a while. Clearly, a strong and growing retailer that our businesses have a good partnership with. Your question on distribution channels really don't see us changing our approach or our tone with any of the specific channels that our brands work with. We are thoughtful in how we approach channel partners. We are thoughtful

---



in how we segment our products and work with individual retailers on making sure that their assortments are compelling and appropriate for the consumer that we know are walking in that door.

---

**Eric Wiseman** - *VF Corporation - Chairman & CEO*

Just the tale of the tape for perspective, less than 8% of our business is in department stores as we define them. That would be about half in mid tier, half in traditional department stores.

---

**Matthew Boss** - *JPMorgan - Analyst*

Great, best of luck guys.

---

**Eric Wiseman** - *VF Corporation - Chairman & CEO*

Thanks.

---

**Operator**

Lindsay Drucker Mann, Goldman Sachs.

---

**Lindsay Drucker Mann** - *Goldman Sachs - Analyst*

Thanks. Good morning, everyone. Just to maybe follow on a little bit on the question of department stores, outside of cold weather product, could you talk about how you are seeing inventory levels in mid tier and as you described traditional department stores? Then my second question is, could you give us a little bit more detail on the Vans direct-to-consumer, the composition of the stores, how many of them in North America full price versus outlet? Just kind of help us understand what your strategy is for Vans stores going forward? Thanks.

---

**Steve Rendle** - *VF Corporation - President & COO*

Lindsay, on the department stores, specifically mid tier inventory levels, can't really comment on what our wholesale partner's inventory levels are. I can talk about ours. We're feeling very good with our businesses that participate there, both mid tier and in the department store channel. I referenced our Nautica business, really thinking strategically about the amount of product and the frequency of the flow of that product to improve turn and drive better margin. So good thoughtful work there as always, but we are confident in where we are from an inventory standpoint. On the composition of the DTC store counts for Vans.

---

**Lance Allega** - *VF Corporation - IR*

I will jump in a little bit, Lindsay. It's about globally right now is about 560 around the world. I think it's about 75% or so is in North America. So over 400. About I think about one-third globally is an outlet type percentage. So that's rough.

---

**Lindsay Drucker Mann** - *Goldman Sachs - Analyst*

The strategy there going forward for stores?

---



**Scott Roe** - VF Corporation - CFO

We see our stores as a real key component for how we connect with our consumers. A little over half of our revenue comes from our DTC both brick-and-mortar and e-commerce. E-commerce being the fastest growing channel. We talked about our geographic expansion strategy here in the US as we have come along the southern tier of the country, up the East Coast.

Now, we've tipped towards the Midwest and will continue to see opportunities to open stores here, opportunities to open stores in Europe and Asia continue to be significant. We will use this as a strategic connection point to our consumer and be able to tell those authentic stories, represent our products in the most compelling way and obviously drive good profitable revenue.

---

**Lindsay Drucker Mann** - Goldman Sachs - Analyst

Great, thanks.

---

**Steve Rendle** - VF Corporation - President & COO

The only thing to add to that maybe that in Asia, this brand is growing very rapidly. It has been embraced by the Chinese and recently the Korean consumers. We launched Vans in Korea in 2014. So we're just getting started. So as we think about it as regional expansion, which includes the region of the Midwestern part of the United States which is the last region we're getting to here. It certainly includes Korea and China and other markets that we have great opportunity in.

---

**Operator**

Laurent Vasilescu, Macquarie.

---

**Laurent Vasilescu** - Macquarie Research Equities - Analyst

Good morning. Thanks for taking my question. Question on Imagewear. Imagewear yielded a 14.6% operating margin last year. I was curious, should we assume the LSG generated 10% operating margin? Then you had about \$350 million of Imagewear assets on the balance sheet for December, can you give us a breakdown of those assets for LSG versus Workwear? Then any color on the SG&A would be great.

---

**Eric Wiseman** - VF Corporation - Chairman & CEO

Yes, Laurent, we really can't break that down. We haven't given any detail below the coalition level. We are not going to do that in this forum.

---

**Laurent Vasilescu** - Macquarie Research Equities - Analyst

Okay. Then maybe following up on Lindsay's question on Vans. I think during the 2012 Investor Day you talked about just getting over 500 stores. Then you also talked about 1,200 stores globally for 2016. Can you give us an update on that number? Then can you also remind us of how much is your core classic category at Vans. Should we assume a 50 percentage rate? Any color on the size of that category by geography would also be great.

---

**Steve Rendle** - VF Corporation - President & COO

Laurent, so I will fill in the blanks here on the DTC. I think Lance said it well. We're at 560 stores today. We see opportunities to continue to add the stores on an annual basis across each of our regions, really is a strategic connection point for the brand. On the percent the classics makeup of the total Vans business, we really don't break that out. It's obviously a very important part. What's exciting is how our brand has built on the power of



that franchise bringing in new innovations with new lightweight cup sole options, innovating in sole cushioning, innovating with the Skate Pro Series kind of building off of that entire series. So important, I think the real story here is the continued methodical expansion of new styles, new franchises, while obviously staying very focused on maintaining that classic piece.

---

**Laurent Vasilescu** - *Macquarie Research Equities - Analyst*

Thank you. Best of luck.

---

**Operator**

Kate McShane, Citi.

---

**Kate McShane** - *Citigroup - Analyst*

Good morning. Thanks for taking my questions. My first question is around some of the changes at the sporting goods retailers just with a few of the bankruptcies that have been announced. I wondered if it provided an opportunity for The North Face specifically from a DTC standpoint? How you were possibly marketing that for the back half of the year?

---

**Scott Roe** - *VF Corporation - CFO*

So Kate, Scott here. Maybe I will first talk about -- give a little perspective on that The bankruptcies, of course, we're not going to comment on any one particular account, but we're still watching to see how this develops. I think there's a lot of uncertainty right now on what the ultimate outcome is. We -- in the long term, this is probably a net positive for us and for our brands. There could be some turmoil in the short term. As it relates to the year too -- in the first quarter -- we have seen some impact in the first quarter. We have taken what we can see for the balance of the year.

No year evolves exactly as you expect. When you look at bankruptcies, individually, it's not significant to VF. We talked about the accounting change in the first quarter which is a positive. We've got puts and takes which are developing. For VF in total given the fact that we are sitting in the first quarter, we've got 80% of the year to go. We don't see that as fundamentally changing our outlook for the full year.

---

**Steve Rendle** - *VF Corporation - President & COO*

Kate, to build on your question around The North Face opportunity, I would say, what we see going on in the sporting goods channel, we have multiple brands in this channel with those partners. I think we see positives not with our own DTC, as a single point, but we see it with our wholesale partners.

We have multiple channel partners across each of these different sectors willing to invest with us and present our brands in the most compelling ways both from a product and the experiences. So though it's -- could be short-term disruptive. It's unfortunate for the partners that are going through this. I think it will probably be net positive and an opportunity for us to double down with our existing wholesale partners as well as turn up the volume on our DTC stores.

---

**Kate McShane** - *Citigroup - Analyst*

Okay, that's helpful. Thank you. Then, Scott, I just had a question around the gross margin. I know there was lower product costs and mix and higher prices contributing to the positive side of gross margin expansion. Can you prioritize which was the bigger contributor? How you are thinking about pricing again going into the back half of the year on your product?



**Scott Roe** - *VF Corporation - CFO*

Sure. So we did have some price in the first quarter. The way you should think about that, we were down 80 basis points, about 100 basis points negative from that FX. We -- mix and rate were roughly balanced to get the other 20 basis points. As we look to the balance of the year, we will see price as one of the components for gross margin. Our 50 basis point increase guidance for the full year, that assumes that price cost essentially offset FX. What falls through is that mix benefit that we've been talking about for so long, right? That's our model and we see that for the balance of the year.

---

**Kate McShane** - *Citigroup - Analyst*

Thank you.

---

**Eric Wiseman** - *VF Corporation - Chairman & CEO*

Thanks, Kate.

---

**Operator**

Jim Duffy, Stifel.

---

**Jim Duffy** - *Stifel Nicolaus - Analyst*

Thanks. Good morning. A couple questions. First, for Karl Heinz, the European North Face business saw a strong reversal of trend from the second half of 2015, particularly in wholesale. Is there anything unique with respect to timing of shipments or anything behind that?

---

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

As we mentioned, Jim, in the script, we're in a very healthy moment with The North Face. We do well in many categories, as we said. We do well in many geographies in actually most of Europe. We do well also in -- by channel. So we expect the strong year. It's not related to quarter shipments.

---

**Jim Duffy** - *Stifel Nicolaus - Analyst*

Very good. Thanks. Then the second question maybe for Steve, if I am not mistaken, Vans commentary this quarter had some additional nuance. The message was consistent on the European business, but there was some suggestion that you are proactively managing wholesale inventories in North America. Can you talk a little bit about that? Is that concentrated in any particular channel?

---

**Steve Rendle** - *VF Corporation - President & COO*

Yes. Good question, Jim. I would say it's -- the issue that we're working through that brought that slight decline in our wholesale shipment is isolated to a few key partners. It's absolutely will be done by the first half and normalize as we move into the second half. So it's not a worrisome moment for us, in fact, that's why I spoke so boldly about our DTC growth globally as well as here in the Americas. It's just a great indicator of the strength of this brand and our opportunity to work with wholesale partners to get their assortments lined up so we can see that growth accelerate.

---

**Jim Duffy** - *Stifel Nicolaus - Analyst*

Great. Thanks for that.

---

**Lance Allega** - *VF Corporation - IR*

Thanks, Jim.

---

**Operator**

(Operator Instructions)

David Glick, Buckingham Research Group.

---

**David Glick** - *Buckingham Research Group - Analyst*

Thank you. Two quick questions. On the outdoor and action sports margins, they have been down for several quarters in a row, obviously FX being a big part of that, a few inventory issues that you called out. Can you kind of talk us through how you see the margins recovering? Do you assume as your sales growth potentially accelerates here, as implied in your guidance, that the outdoor and action sports margins will continue their -- continue their -- continue to recover and improve from the 2014 level. Thanks.

---

**Scott Roe** - *VF Corporation - CFO*

Yes, David, Scott here. So, a couple of factors. Remember in the first half, really in outdoor and action sports, you nailed one of the issues which is FX. We said that's about half of the rate impact in the first quarter. The other thing that's going on is, we are long-term focused. We are investing -- continue to invest in our strategic priorities. A lot of that happens in that outdoor and action sports area. So as we look at those investments through the first half, coupled with the fact that for the reasons we've already detailed our revenue growth is relatively low, that pressures earnings through the first half.

Now, that turns in the second half as we see the leverage and the growth returning to more normal levels. As it relates to gross margin too, we do have pricing actions throughout the year. In addition, there are some cost benefits, particularly in leather which will be benefiting the coalition as the year goes on from a gross margin standpoint.

---

**David Glick** - *Buckingham Research Group - Analyst*

Great. One quick follow-up, if I could. It looks like the second quarter plan may have been tweaked down slightly from your original guidance. Is that related to the Vans issue that you just referred? Is that the primary reason -- it's a slight change, a couple pennies, but just wanted to get the color on that thanks.

---

**Scott Roe** - *VF Corporation - CFO*

Yes really, I guess I can't speak to your model, but from our standpoint really there is no change in the first half. A little bit better in the first quarter, a little bit lower in the second quarter, but from a first-half standpoint, we see it right where we saw it before.

---

**David Glick** - *Buckingham Research Group - Analyst*

Okay. Thank you very much.



---

**Lance Allega** - *VF Corporation - IR*

Thanks, David.

---

**Operator**

Camilo Lyon, Canaccord Genuity.

---

**Camilo Lyon** - *Cannacord Genuity - Analyst*

Thanks. Good morning, gentlemen. Eric, you made a comment earlier on about the consumers behavior about being more driven by buy now, wear now. Does that confer that your DTC channel will be the channel that could drive outside in the back half? If you could just comment on how you're building inventories with respect to your wholesale general versus your DTC to potentially meet that demand, given the more cautionary commentary and actions by your wholesale partners?

---

**Eric Wiseman** - *VF Corporation - Chairman & CEO*

Sure, I can comment. I think you're seeing one of the strategic reasons we have a direct-to-consumer channel, which is we're able to adjust our inventories within our stores very, very quickly. Because it's all our inventory. I think that's one of the reasons that our DTC business was up 8% in the first quarter versus our wholesale business, which was up low single-digits. We are able to react for our wholesale partners, at the same speed. But we can't comment about all the inventory they have in their stores.

They buy based on what they see consumers wanting, with the reality of what their current inventory situation is. Not just in our brands but across the total operation. So they have an -- we have an advantage quite frankly in that, because all the inventory in The North Face Company is North Face inventory So we can move it back and forth and in and out of our stores. It just makes us a little bit more nimble. I think that's one reason we are seeing growth. It's just a different business model. I forgot the second half of your questions, was it on wholesale inventory?

---

**Camilo Lyon** - *Cannacord Genuity - Analyst*

Yes. Just how the wholesale inventory plan differs from your retail inventory plan. I'm assuming that is not going to be a lot of incremental inventory build for the wholesale channel?

---

**Eric Wiseman** - *VF Corporation - Chairman & CEO*

Yes, it's a different model because they come and place orders with us to buy for fall or for holiday well in advance. We flow that into them when they need it. There is not a wholesale inventory model. Every wholesale partner we have has their own way of doing business. So it's really impossible for me to answer that more specifically because we deal with very different models with very different retailers.

---

**Camilo Lyon** - *Cannacord Genuity - Analyst*

But one clarification, we're not building inventory on the hopes of at once, right? So we're not getting ahead from an inventory standpoint for the second half?

**Lance Allega** - *VF Corporation - IR*

No, I would build on Eric's comment, if you looked across the enterprise. Our Jeanswear team especially here in the United States mass specifically, they operate like a retailer with a big, very professional retailer. We're watching daily sell-throughs working with our partner on daily /weekly fill-ins, which is very similar to how we would operate with our own DTC.

Compare and contrast that to a more specialty driven partner -- our sales associates are working probably more weekly, monthly with our partners and looking at sell-through and working fill-ins, so it really varies across the spectrum. It varies across the globe, but I would tell you that our DTC expertise, really does cover how we think about our business with our wholesale partners and how we think about floor sets, flow, frequency of delivery, to drive the very best sell-through and margin for our partners.

---

**Camilo Lyon** - *Cannacord Genuity - Analyst*

Great. Thanks for the detail. My second question is going back to low decker Vans and what's going on in Europe. I think, the comment was that there's probably another couple quarters of expectations around the channel inventory being reduced. If you could just drill down a little bit more into what's actually happening. I think there was a comment made that there wasn't a brand issue, that there's just -- could you just talk about the trends that are driving some of the softness in Europe?

Whether there is excess inventory by a competitor that's just clogging the channel in the wholesale piece. Because clearly the DTC component is healthy. So if you could just talk a little bit about either the category or some trends away from the category or within the category that are driving that overall softness?

---

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

Yes, Karl Heinz here. As I mentioned in the script, we believe we have strong elements to believe this is not a brand issue, but it is a category issue. We mentioned DTC was up. DTC gives us the possibility to merchandise in very short times, the product offering. What I did not mention in the script but is very relevant, our reorders were up close to 10% in Q1, which really shows that we don't have a brand issue but we have a product issue. Now, the good news is the product issue is related to a few styles, which are relevant in the collection, that's why need a little bit more time. But we actually expect the situation to improve in the second half in a significant way.

---

**Camilo Lyon** - *Cannacord Genuity - Analyst*

So again, is that to read that there's a trend shift away from this -- those core styles?

---

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

No. No, no, no, we have many elements of other products we see on the brand which are really doing well. Many categories in many styles. It is related to a few specific styles which especially in a few areas which are a bit larger markets, UK is a good example, are under pressure in terms of sell-through. But even in our own stores in the UK, where we have a better and a faster possibility to merchandise, we see very good results.

---

**Lance Allega** - *VF Corporation - IR*

Maybe I can add just a little bit of color to support KH. Within classics is our authentic's group, in a few markets, specific retailers, good partners, our inventories got a little bit ahead of sales and that's what were working through right now. Within classics, are also some very powerful franchises, Sk8-Hi, Old School that are selling though at very rates. It's really limited to the authentic portion of the classic in a few markets and very strong rates. It's really limited to the authentic's portion of the classics in a few markets with a few key partners. As we work through that inventory, strategically with these partners, we see returning to growth in the second half.



**Camilo Lyon** - *Cannacord Genuity - Analyst*

That is being exacerbated by other competitors also suffering from similar sort of results, right?

---

**Lance Allega** - *VF Corporation - IR*

Yes, certainly. Absolutely.

---

**Camilo Lyon** - *Cannacord Genuity - Analyst*

Thanks. Perfect. Thank you for the details. Good luck, gentlemen.

---

**Lance Allega** - *VF Corporation - IR*

Thank you.

---

**Operator**

Sam Poser, Sterne Agee.

---

**Sam Poser** - *Sterne, Agee & Leach - Analyst*

Thank you for taking my question. I just want to go back to the buy now, wear now thing -- issue. In the summer time, I mean it used to be that I guess the people used to take markdowns in July and now they've extended that. But with back-to-school and everything that could work. But it's getting much more complicated in Christmas time, in the holidays and in the winter because the traffic drops off so hard like right after Christmas, though it could stay cold and as it did get a little colder this year. So how are you changing the way you sort of manage that scenario especially around November through February?

---

**Eric Wiseman** - *VF Corporation - Chairman & CEO*

A lot of it. Sam, we have learned -- if I go back 12 years, we didn't have any full-price retail stores. A lot that we learned from having our own retail stores which is a \$3.3 billion business for us now, we've learned how to read daily sales and get stuff into the stores. Our stores are other people stores. The top of that, we run the Company with around 100 days worth of inventory. That's a forward-looking assessment of inventory. So any day during the year, we've got kind of the next 100 days worth of inventory sitting on the shelves in some capacity in our warehouses. So we have the inventory.

The question is, how do we read it and get it out. This hasn't been a change that happened like a light switch change, it is evolving slowly every year with retailers wanted to manage their stores more efficiently. That means with less inventory. Rather than placing -- placing all their orders well in advance of the season. They are placing some of their orders in advance of the season and asking us to be able to respond. We are able to do that. Steve, do you want to add anything to that?

---

**Steve Rendle** - *VF Corporation - President & COO*

Yes, Sam, I would add to Eric's comment. I think the consumer in this -- we can call it buy now wear now, or consumers just being very thoughtful and very prescriptive of what they want when. It's in our responsibility to really think about the frequency of flow of new products. Historically, you



know our businesses well or these industries well, it's a two to four season model. I think to really win with the consumer, who I believe, call me the eternal optimist, is very incented to purchase.

But you have to put very interesting offers in front of them, new products with very compelling stories. If we do that on a more frequent basis, like a real retailer would, thinking through a monthly flow lens, our brands with the strength of their connection with that consumer and our ability to drive these new innovative products, especially going forward with our innovation centers. I think we're particularly well positioned and situated here to grow in this changing dynamic that all of us have to contend with.

---

**Sam Poser** - *Sterne, Agee & Leach - Analyst*

Thank you. Then one -- just a follow-up on the margins and the outdoor and action sports coalition, can you give us a little more detailed breakdown on the -- it's FX, offset by the better pricing and cost -- but the higher prices and cost. But what about the promotional activity, what you had to do to maybe help out the some of your accounts and so on. Where does I guess the markdown issue from the warm winter come into play in the margin there?

---

**Eric Wiseman** - *VF Corporation - Chairman & CEO*

You may remember, Sam, our fourth quarter, we took pretty aggressive actions to get a lot of that behind us. I won't say there was no action in the first quarter, but it was not significant from our margin standpoint.

---

**Sam Poser** - *Sterne, Agee & Leach - Analyst*

Thank you very much.

---

**Lance Allega** - *VF Corporation - IR*

Thanks, Sam.

---

**Operator**

Edward Yruma, KeyBanc.

---

**Ed Yruma** - *KeyBanc Capital Markets - Analyst*

Thanks for squeezing me in. Two quick ones. First on e-com obviously you guys have had a very impressive growth rate for a number of quarters here. As you think about overall investment levels, I know you replatformed some of your brands last year. Anything you're contemplating to maintain this level of growth. Then there's a follow-up on tax. I know there was a slight adjustment this quarter. Was that contemplated when you guided and are there any forward implications to that tax change. Thank you.

---

**Steve Rendle** - *VF Corporation - President & COO*

I'll take the e-commerce question and then I will pass the tax happily to Scott. (laughter) On e-commerce, you have heard us talk the last few calls about our investments around our one commerce platform specifically in our digital capability common platform with a very specific set of capabilities that we were able to utilize and leverage across our brand platform. We will continue to invest behind this important area.

It's a powerful tool to deliver content, that experiential aspect of our connected to our consumer, and I think we've been able to marry nicely the commerce component and make that a real seamless interaction for our consumers as they interact with us on our website. So see that as a very important growth opportunity in the future. We've got some very exciting innovation projects that you will see come live into the second half of the year tied to our digital platform with a few of our brands. As this is a really important exciting area of growth.

---

**Scott Roe** - *VF Corporation - CFO*

As it relates to the tax issue, we said in the comments and I think I said earlier, it's \$0.03 in the quarter. We expect that to be the majority of the benefit, although there will be some for the balance of the year. The reason it's first quarter focused is because in our equity comp cycle that's when our grants mature. That's where the majority of the activity is historically.

That's what we based it on. I would also ask you to just remember the other comment I made, and that is that while, yes, we did have a benefit from this tax in the first quarter and that would benefit the full year, on the other hand, we've absorbed the impact of bankruptcies in the first quarter and through the balance of the year.

We talked about our sportswear CBC business being a little bit weaker through the first quarter. When you add all that up, given the fact that we are one quarter into the year with about 80% of our revenue and profit to go, none of these items are individually significant to V. In total, it's really not material to our outlook. So that's why the way we're looking at it our outlook is unchanged. We reiterated what we said 60 days ago.

---

**Ed Yruma** - *KeyBanc Capital Markets - Analyst*

Great. Thanks so much.

---

**Operator**

That concludes our question-and-answer session for today. Mr. Wiseman, I would like to turn the conference back to you for any additional or closing remarks.

---

**Eric Wiseman** - *VF Corporation - Chairman & CEO*

Sure, thank you all for your time and attention this morning. As we've said, here during this call, the first quarter came in pretty much exactly as we planned, which changed since February as we've got better visibility into the back half of the year because borrows have begun to shore up and that's coming in, do exactly as we thought it was and our outlook for the year is unchanged. So we'll continue to execute as well as we do around here and talk to you in July. Thanks so much. Bye-bye.

---

**Operator**

This concludes our conference for today. Thank you for your participation. You may now disconnect.

---



**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2016, Thomson Reuters. All Rights Reserved.