
MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Columbia Sportswear First Quarter 2011 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Ron Parham, Senior Director of Investor Relations and Corporate Communications for Columbia Sportswear. Thank you, Mr. Parham. You may begin.

Ron Parham, Senior Director of Investor Relations and Corporate Communications

All right. Thanks, Bob. Good afternoon and thanks everybody for joining us on today's call. Earlier this afternoon, we announced our first quarter financial results, a record fall wholesale backlog and record fall backlog increase, a 10% increase in our quarterly dividend, and our outlook for the second year and full year of 2011.

With me today to discuss those topics and answer your questions are President and CEO, Tim Boyle; Senior Vice President of Finance, Chief Financial Officer and Treasurer, Tom Cusick; Executive Vice President and Chief Operating Officer, Bryan Timm; and Senior Vice President and General Counsel, Peter Bragdon.

Before we get started, Columbia Chairman, Gert Boyle, has an important reminder.

Gertrude Boyle, Chairwoman of the Board

Good afternoon.

This conference call will contain forward-looking statements regarding Columbia's business opportunities and anticipated results of operation. Please bear in mind that forward-looking information is subject to many risks and uncertainties, and actual results may differ materially from what is projected. Many of these risks and uncertainties are described in Columbia's Annual Report on Form 10-K for the year ending December 31, 2010 and subsequent filing with the SEC.

Forward-looking statements in this conference call are based on our current expectations and beliefs, and we do not undertake any duty to update any of the forward-looking statements after the date of this conference call to conform the forward-looking statement to actual results, or to change in our expectations.

Ron Parham, Senior Director of Investor Relations and Corporate Communications

All right. Thanks, Gert. Before I turn the call over to Tim, I just have one last housekeeping note for those listeners who may be new to our quarterly protocol. We've arranged this to give more time for questions on our conference call. We posted detailed financial commentary to our Investor Relations website shortly after the issuance of our quarterly earnings release at about 4:00 PM Eastern Time. We also furnished this commentary on Form 8-K together with our earnings release and we encourage you to access and review those detailed disclosures to assist you in formulating your questions before future conference calls.

So, with that, I will turn it over to Tim.

Timothy P. Boyle, President and Chief Executive Officer

Thanks, Ron. Welcome, everyone, and thanks for joining us this afternoon. The strong first quarter results and record fall wholesale backlog we announced today clearly indicate that the innovations, enhanced designs and compelling marketing messages behind each of our major brands are resonating with consumers and costumers around the world.

We are very pleased with our first quarter earnings growth of 38% on sales growth of 11% on gains from each of our four major brands and product categories. First quarter operating margins improved by 120 basis points over last year's first quarter and the Board approved an increase in the quarterly dividend by 10% to \$0.22 a share from \$0.20 per share.

I encourage you to refer to our earnings release and CFO commentary for a thorough analysis of our first quarter results. I am going to focus most of my prepared remarks today on our record fall wholesale backlog, which was up 19% on top of last fall's 19% increase and also grew by a record \$135.5 million. This fall's 19% wholesale backlog increase reflects growth in all four of our major brands, product categories and geographic regions and is encouraging for several reasons that go beyond its magnitude.

First, the 19% backlog increase is more balanced across our major brands, with Columbia posting double-digit backlog growth and Sorel backlog expanding over 80%. Mountain Hardwear, Montrail also posted backlog increases of mid single digits and more than 70%, respectively.

Second, the increase is more balanced across geographic regions. The U.S. region posted low double-digit percentage growth while the EMEA region is up over 50%, driven both by the Columbia and the Sorel brands. In addition the LAAP region is up more than 30% including growth from Japan. Although the tragic events that took place in Japan last month have caused us to temper our outlook, we continue to expect growth from this region in 2011.

Third, the backlog increase includes a much larger contribution from footwear, which rose more than 50% and accounted for the majority of the global backlog increase. The Sorel brand continues to be the primary driver here, up 80%, while Columbia footwear backlog is up a healthy 19%.

Fourth, the backlog increase contains significant growth in brand enhancing specialty and sporting goods channels in every geographic region. Within the fall 2011 backlog, specialty and sporting goods channel have grown to be our largest channel in the U.S. for the first time in the past decade.

Specialty and sporting goods customers around the world continue to embrace our innovative technologies and particularly our Omni-Heat technology anniversaried its very successful fall 2010 launch by more than doubling in the fall 2011 backlog, driven by expansion in specialty and sporting goods channels in every geographic region. Included in that growth is our new Columbia Omni-Heat base layer program, which will be available at thousands of points of distribution in it's inaugural season this fall. We consider our Omni-Heat suite of technologies to be key to our future and have maintained a selective distribution strategy.

Finally in addition to the strong customer demand reflected in the backlog we see further evidence of increasing brand strength and consumer demand in the results of our direct to consume business. In the U.S., first quarter 2011 direct to consumer sales grew more than 40% over the first quarter of 2010 with equal contributions of growth from brick-and-mortar and eCommerce.

Last week we announced plans to expand our eCommerce business to Canada and up to eight European countries including the U.K., Germany, France, Italy, the Netherlands, Belgium, Austria and Spain.

Turning to the operational side of the business, we have made many adjustments to our supply chain processes in an effort to position the company to deliver these strong 2011 orders without incurring such a high level of airfreight in the second half.

The anticipated lower airfreight costs have been factored into our revised full year outlook. There remain many moving parts in the equation including actual factory performance as well as transportation capacities, rates and surcharges, which are subject to change.

I'll conclude my remarks with some comments on our Japan business in the aftermath of the March 11 earthquake and tsunami. First I want to commend our team in Japan led by Massimo Lazzari, who has been president of our Japan subsidiary since February the 1st, and outgoing President, Toshio Sano. They and their entire team have demonstrated a high level of professionalism, acting quickly to ensure the safety of all employees and working tirelessly to keep our business functioning.

In 2010, Japan represented a high single-digit percentage for annual global net sales and a low double-digit percentage of our annual operating profit. And we expect it to contribute similarly in 2011.

Our full year outlook factors in the March impact and assumes above normal fall order cancellations in Japan, as we get closer to the season. We remain optimistic that Japan will gradually recover and continue to be an important market for our brands in the years ahead.

Our 2011 outlook anticipates 14% to 16% sales growth and a 50 to 70 basis point expansion of operating margins. We are focused on generating incremental operating leverage and returning to more competitively profitable levels over the next several years, while continuing to invest in our business to drive and support growth.

That concludes my prepared remarks. If you have not already done so, we urge you to take time after the conclusion of today's conference call to review the detailed CFO financial commentary that we furnished earlier today on Form 8-K, and that is also available in the IR section of our website.

So, operator, we'd now like to ask for questions. Can you help us?

QUESTION AND ANSWER SECTION

Operator: Yes. Thank you. We will now be conducting the question-and-answer session. [Operator Instructions] Our first question comes from the line of Kate McShane with Citi Investment Research. Please proceed with your question.

<Q – Kate McShane>: Thank you. Good afternoon and congratulations on great quarter and great backlog numbers.

<A – Timothy P. Boyle>: Thanks Kate.

<Q – Kate McShane>: I have a couple of questions. First in regards to Omni-Heat, I wondered if you could maybe highlight some of the changes that you made to the product for fall 2011 versus what you sold in fall 2010. And what did wholesalers respond best to of these changes and will we see it in additional doors this fall?

<A – Timothy P. Boyle>: Certainly. Well, probably the most significant change we made in Omni-Heat on the reflective side – remember this Omni-Heat is a suite of technologies, so it includes reflective, thermal insulation and electric. So probably the most significant from a revenue standpoint was that we added this base layer category with reflective technology and that was extremely well received. It was extremely – the breadth of uptake by our customers was very significant and that's going to be a big part of our future.

I would say secondarily, we added the electric components to apparel where we – and previously only had that in footwear. And so that was another significant uptake in terms of dealer acceptance, but we had to limit the availability because of the nature of the – the newness of the products and the way we're building them. So we didn't have as many of those products available, thus even though we were taking up – well, we didn't create a lot of revenue with those. Those are going to be very significant products in the future for us.

In terms of wholesaler distribution, frankly, we limited it in the same ways that we limited the distribution in fall 2010. So it's really exclusively in specialty and sporting good stores.

<Q – Kate McShane>: Okay, great. That's really helpful. And then, I thought you said, Tim, on the call that footwear contributed mostly to the global increase in backlog. Can you just confirm that's what you said?

<A – Timothy P. Boyle>: Yeah. I think we – what we meant to say and hopefully this came across is that, that was the largest contributor to the fall backlog, was our footwear growth.

<Q – Kate McShane>: Okay. And then, just as a follow-up to that, then so for the Omni-Heat product internationally, then how did that contribute to the overall – to the international part of the backlog number.

<A – Timothy P. Boyle>: Well, yeah, I would say, as it relates specifically to Europe and for those who have been following the company for quite some time, Europe has been a challenge for us. And I would say if there was one thing that helped us to turn Europe around, it was Omni-Heat both in footwear and apparel, but more specifically in apparel.

<Q – Kate McShane>: Okay. And then my very last question is on inventory, and was wondering if you could break that 36% increase into buckets?

<A – Thomas B. Cusick>: Sure Kate, this is Tom. So of the roughly \$80 million in inventory growth almost half of that is the fall '10 carryover, most of which we will designate for our outlet huts in the back half of this year and then roughly another quarter of the growth relates to spring '11 inventory

just given the growth of our spring business. And then the remainder is really the existing retail inventory and currency increased the inventory change by roughly \$7 million as well.

<Q – Kate McShane>: Okay. Thanks very much.

Operator: Thank you. Our next question comes from the line of Robby Ohmes with Banc of America Merrill Lynch. Please proceed with your question.

<Q – Robert Ohmes>: Oh, thanks. Good afternoon everybody.

<A – Timothy P. Boyle>: Hey Robby.

<Q – Robert Ohmes>: Couple of quick questions, one of them is can you just remind us on the SG&A pressures from the ERP implementation et cetera, when do you guys expect to return to leveraging SG&A? Could it happen as early as 2012? That would be my first question.

<A – Timothy P. Boyle>: Sure, Robby let me start and I know Tom's going to be able to chime in here as well. So you and other investors who have been following the company historically realize that we're basically coming out of a period of tremendous pressure not only on the profitability of the company but our products and the brand really had a tremendous amount of pressure.

So over the last several years we've made very significant investments in innovation to support the brands, all the brands including Columbia, Sorel, Mountain Hardware and Montrail, and really to get our marketing efforts up to par. So those investments have been people and products, and really they have been the support of the growth the business has seen.

So we are now turning to infrastructure investments to help us lever those significant efforts that we've made in the product and market standpoint to give us profitable leverage growth. And that, as we said, those investments in the infrastructure that you mentioned are going to be muting our operating margin, which we would have seen higher leverage this year.

So we're setting ourselves up for basically harvesting profitability through [audio gap] (16:13) going to be a big part of our future. But frankly, we cannot make less light of the cost disciplines that are going to be required in the future of the business.

So we have a lot of confidence in the business going forward. I think you'll see that in the increase in the dividend you saw, the balance sheet – we're really setting ourselves up for very, very good business in the future. And we know we need to be not just on average with our peers in terms of operating margin but superior to those.

So I mean those are one of the general – some of the general remarks I wanted to make on that subject. And, maybe, Tom can talk a little bit specifically.

<A – Thomas B. Cusick>: Sure, Tim. Robby, as we look at 2011 and the 50 basis points of SG&A leverage that we anticipate currently, the major driver there is the investment we're making in IT and infrastructure. And as we look forward from here into 2012, we would expect to continue to leverage the retail investments and the internalization of sales organization investments in 2012 as we will do in '11; at least that's our current outlook. And then in 2012 we would expect that the IT and infrastructure investments we're making this year will be less deleveraging as those investments plateau, so to speak, in absolute dollar terms.

<Q – Robert Ohmes>: So, net/net you guys think you can get SG&A ratio down in 2012 versus 2011?

<A – **Thomas B. Cusick**>: With a reasonable amount of growth, that would be our expectation, yes.

<Q – **Robert Ohmes**>: Okay, that's great. That's really helpful. The other question I had was, I love that comment that sporting goods and specialty are the largest percent of the business, can you give us an update on what's going on in that other area of the business, Belk and Kohl's, et cetera? Are you shrinking there or status quo or you know what's the future there? Thanks.

<A – **Timothy P. Boyle**>: Certainly Robby. So those customers are historically great customers of ours, and we really appreciate the opportunity for our brand to be distributed in those markets to their very focused customers. As the business changes and technologies become a bigger part of our business that requires more communications and direct marketing on the specific communications, those customers have more difficulty with that because of their format. So I don't want to say that they're less important, but their volumes are less a component of our growth than they have been in the past.

<Q – **Robert Ohmes**>: Got it. Thanks very much, Tim.

<A – **Timothy P. Boyle**>: You bet, Robby.

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

<Q – **Robert Drbul**>: Hi, good afternoon.

<A – **Timothy P. Boyle**>: Hey, Bob.

<A>: Hi, Bob

<Q – **Robert Drbul**>: Gert, It was great to hear you on the call.

<A – **Gertrude Boyle**>: Thank you.

<Q – **Robert Drbul**>: I guess I just have a couple of questions for you and I'm not sure – I jumped on a little late, so I apologize if any of these have really been asked Tim. But couple of questions that I have for you. Essentially, when you look closely at the flow through on the sell through, the operating margin discussion, would you expect – when you look at the margin of what you're selling is – would you expect additional flow though in terms of where you are in the business? And in the – and if this has been gone over you can say you've gone over it, and the gross margin side of it, the airfreight contribution, is there a rough from last year, what the issues were from that perspective? How much of this, the 100 basis points is essentially not having major airfreight from last year?

<A – **Thomas B. Cusick**>: Bob, this is Tom. I would say, a large component of the 100 basis points of gross margin expansion we're anticipating this year is due to reduced airfreight.

<A – **Timothy P. Boyle**>: Yeah, I think, we – Bob, not to get ahead of your questions but we've noticed and we've talked significantly about the companies and the industry really now being in an inflationary period of time. So we realize that over the next several years we're going to have to be able to raise our gross profit margin, raise our revenues and constrain our spending to get ourselves to a position of profitability on par with our peers and ahead of our peers as well as growing the marketing – the funds that we have for marketing develop. So it's a keen focus for us and we're spending lots and lots of time on this issue.

<Q – Robert Drbul>: Okay. And then Tim with the backlog numbers and the Omni-Heat strong response, can you talk about any floor space gains that you secured or more stable, steady year around type space with any major partners?

<A – Timothy P. Boyle>: Well Bob there's not really any one particular partner we can talk specifically to, but we have had significant sales gains especially in this base layer category where we were non-existent and we've gone to top 10 supplier in the U.S. and in Europe where there's a very significant base layer business by our competitors we've replaced some of the biggest names in the business.

So that's an area where we're really gaining traction and frankly the year around visibility of that portion of the business will really be helpful to us. But I would say we had gains in every major sporting goods operation and specialty store operation that we've targeted this year and that would include Europe as well as here in the U.S. and North America.

<Q – Robert Drbul>: Great. Thank you very much.

<A – Timothy P. Boyle>: Thanks Bob.

Operator: Thank you. Our next question comes from the line of Michelle Tan with Goldman Sachs. Please proceed with your question.

<Q – Michelle Tan>: Great, thanks, hey guys. I was wondering if you could talk and sorry I also jumped on a little late, so if I missed this in the prepared remarks I apologize in advance, but when you look at the Sorel business maybe you could help us think about the ultimate sizing of that opportunity, what do you look to as a benchmark? And when you look at the kind of growth you're seeing there, how much of that growth is coming from just expanding the reach in terms of distribution and retail partners versus the sell-through of the business in existing partners?

<A – Timothy P. Boyle>: Great. Well, first of all, talking about the opportunity, we always try and look to other businesses in the same sector. And I think the people at Deckers Corp. with their UGGs (sic) [UGG] brand are north of \$800 million. So we think there's lots of opportunity for us.

Obviously, we're not anywhere near that number. But we look to that brand as a bellwether in that particular marketplace. And so it's been very significant as a target for us, and we intend to work hard to get some of that business.

On the makeup of the book – and we've done a lot of work on this – I think I want to say we opened approximately 1,000 new customers globally for the Sorel brand. So in addition to having expansion with our great and significant customers in the U.S. and Europe, we opened a lot of new customers. And all those customers are primarily specialty footwear stores.

So it appears and we're very focused on keeping this brand very special and keenly focused on the female consumer, but it's really resonating with us. So we're very excited about the opportunities there.

<Q – Michelle Tan>: Great. And then how many customers does that bring to you with this 1,000 new customers that you've opened?

<A – Timothy P. Boyle>: I would say, globally, we have maybe 4,000 or 5,000 customers, in that range. I better confirm that and get back to you. But it's significant.

<Q – Michelle Tan>: Okay. Great. And then just following up on, I think, Robby's question earlier about the mass channel. I'm just curious, as you think about the evolution of the brand long-term back towards something that has more of a technical and performance component and you know

the breadth of the product, how do you think about that mass channel evolving? I know right now you're not – the effort is really behind the specialty, but is the long-term thought process to just keep the mass channel as it is, more basic products, potentially see it shrink over time or is there an expectation of elevating the mass channel product eventually as well?

<A – Timothy P. Boyle>: Well, I think about – again, when I talked earlier about the company's history and maybe the over-focus on that channel, which was really debilitating to our company's product lines and the investments we made in technologies. As we attempt to grow the revenues, the margin and the focus of the business on more technologically focused products, we may not be able to be as important in that channel as we have been, primarily because of the margin pressures in that channel, frankly. So our focus is going to be on channels where we can have a higher gross profit margin and – because the technologies are so in many ways complex that we're selling that we have to have an environment where we can really offer a lot of information as well as the products that we sell.

Not taking anything away from those customers that have historically really supported the business and there may be an opportunity for those customers in the future within our suite of customers, but the focus will be on channels of distribution where we can raise our gross profit margin.

<Q – Michelle Tan>: Great, and any sense you can give us of the gross profit margin that you've realized in the mass channel relative to what you see out of sporting goods and specialty?

<A – Timothy P. Boyle>: Yeah. I don't think we've parsed it in that way, frankly.

<Q – Michelle Tan>: Okay. Fair enough. Thanks very much guys and good luck.

<A – Timothy P. Boyle>: Thanks, Michelle.

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Ken Stumphauzer with Sterne, Agee. Please proceed with your question.

<Q – Ken Stumphauzer>: Guys, thank you for taking my questions. Tom, related to SG&A, you spoke about what drove the increase overall, but I'm curious to know from the last time you gave guidance you're now expecting it to deleverage versus leverage, even though sales growth is accelerating from initial expectations. So what caused the variance there?

<A – Thomas B. Cusick>: Yeah. It's really a function of regional sales mix as well as channel mix and product mix within those channels. So it's more a function of revenue than absolute dollar growth in SG&A. And we've also – there is also a currency component there. And Japan has had a slight effect as well.

<Q – Ken Stumphauzer>: Okay. And then as far as the inventory goes, you alluded to half of the increase being related to the carryover product from winter. I'm just curious to know what specifically that's related to. I felt like you guys entered 4Q with a relatively lean position. You had sales certainly above expectation so was that intentional or what precisely caused that?

<A – Thomas B. Cusick>: Yeah. That was really a function of our fall '10 buy and the mix of what we bought and what we got orders for and what ultimately sold through. So this was known exiting the year, and we made a conscious decision late in 2010 to carry this product over as opposed to clearing it through the value channel in Q1.

<Q – Ken Stumphauzer>: Was any of that product Omni-Heat or was that strictly related to legacy product [ph] if you will (29:25)?

<A – Thomas B. Cusick>: There's some Omni-Heat in that mix but not a lot.

<Q – Ken Stumphauzer>: Okay. And then just two other questions as far as backlog growth goes, can you maybe help us think about kind of underlying that growth number, how much of that is units versus ASP and then secondly how much of that is related to Omni-Heat versus legacy product?

<A – Thomas B. Cusick>: I would say there is a bigger growth rate in the average wholesale price as compared to unit growth, so I would say price drove growth more so than units.

<Q – Ken Stumphauzer>: Okay. And then related to Omni-Heat versus legacy?

<A – Thomas B. Cusick>: Omni-Heat's a large component of that growth.

<Q – Ken Stumphauzer>: Okay. And then just one last question more technical in nature but the change in the tax rate, what is that related to?

<A – Thomas B. Cusick>: You're speaking to the 27%, just under 27% that we realized for full year '10 versus the 27% for '11, which period?

<Q – Ken Stumphauzer>: 1Q came in below what you guided to and then the full year is now below what you were initially guiding to.

<A – Thomas B. Cusick>: Yes, really it's a function back to really not knowing 90 days ago where the mix of income would come from, as that shifts geographically that's going to have obviously an effect on the tax rate.

<Q – Ken Stumphauzer>: Okay. Thanks, guys. Best of luck.

<A – Thomas B. Cusick>: Okay, thank you.

<A – Timothy P. Boyle>: Thank you.

Operator: Thank you. Our next question comes from the line of Claire Gallacher with Capstone Investments. Please proceed with your question.

<Q – Claire Gallacher>: Great. Thank you. Just one quick question on your input costs. I assume at this point that you are facing the same kinds of cost pressures as most of the competitors. So I was just curious, if you're raising your prices on your legacy products – I know your ASPs are going up from your mix shift to Omni-Heat, but what are you doing with your core legacy products that are typically lower price points?

<A – Bryan L. Timm>: So this is Bryan. Maybe, just a couple comments. First, let me start by just mentioning or reminding everybody that as it relates to some of our input cost pressure in the fall '11 book of business, we were able to see that, capture that, and in some cases reflect some of those increases in our pricing. And any effects on our fall '11 book of business would have been included in the guidance that you heard from Tom earlier.

Looking out towards spring '12 against maybe the same kind of similar carryover type products from spring '11, we're certainly seeing some pressure. That pressure comes from cotton, synthetics and all oil-related type items, which would include mostly on the footwear side – rubber included.

So we are seeing, I would say, from a percentage standpoint, some of those percentages are double-digit that relates to apparel and I would say kind of high-single digits on the footwear side. And I'm specifically commenting in regards to your question in terms of kind of like products or more of those carryover styles.

So, again, I think it's a little early to say exactly how that's going to affect us on our prices. As you heard from Tim in his comments, we're going to – we're committed to expanding the company's profitability and we'll look to do what we need to do to protect the company's margin.

<Q – Claire Gallacher>: Okay, great. That's all I have got. Thanks so much.

<A – Timothy P. Boyle>: Thanks.

Operator: Thank you. Our next question comes from the line of Eric Tracy with FBR. Please proceed with your question.

<Q – Eric Tracy>: Hey, guys. Thanks. And I will add my congrats on a great quarter.

<A – Timothy P. Boyle>: Thanks.

<A – Thomas B. Cusick>: Thanks, Eric.

<Q – Eric Tracy>: If I could follow-up on that last, just in terms of the price increases, is that double digit price increase for apparel, and up high single-digits for footwear, is that net of your sort of an impact on unit volumes? And just sort of trying to get a sense of how you're thinking about elasticity and what's embedded in that guidance?

<A – Bryan L. Timm>: No, my comments are really just around – again, if you take like-for-like products from spring '11 to spring '12, we are seeing on average in that kind of double digit area with respect to apparel, and high singles with respect to footwear. So, again, it's – we haven't yet begun issuing purchase orders for that spring line. We will start to do so, obviously, next month. And right now we are seeing some cost pressures. So over the next couple of months we need to really get in line in terms of what the full effects for next year are.

<Q – Eric Tracy>: But I guess in terms of the price increases that are going through for fall even on a like-for-like product, just maybe trying to get a sense of how you guys are thinking about potential impact on unit volumes or are you saying even with those prices, you're not expecting an impact on unit volume?

<A – Timothy P. Boyle>: No, no, we really don't know. So we've managed the order book and the purchases to be roughly in line as we always do. But I think the jury's still out on how consumers will react to more expensive product. I mean frankly for us the focus has been on these more technological, innovative products that the consumer can't readily compare to other brands. So we think there is an opportunity for us to be very successful, but we really don't know yet what the impact to the consumer is going to be.

<Q – Eric Tracy>: Okay. And then maybe just to follow-up on the base layer piece, it certainly seems like that is potential a huge opportunity. Can you speak to from a sort of profitability perspective the margins on that business relative to be it the core Omni-Heat outerwear or even maybe relative to the core business in general, what those look like?

<A – Timothy P. Boyle>: Yeah. We typically don't break out the gross margins by a category that would be that granular. But I can tell you that we're very pleased with them. It gives us the opportunity frankly to install some fixturing systems into our retail stores and those stores of our customers to help support the sales. So I think we're going to be very pleased with it. And as we get further along and it becomes a bigger piece of the business we'll be better at giving you more detail.

<Q – Eric Tracy>: And lastly, just on that Tim, I would imagine that business is largely incremental in terms of – as opposed to cannibalizing some of the core Columbia product?

<A – Timothy P. Boyle>: No, that's true. Typically, our winter products would include outerwear and accessories and winter footwear, and this a totally new category that frankly we've not been successful with in the past and this is the first real roaring success we've had in this category.

<Q – Eric Tracy>: Okay, great. Thanks guys. Best of luck.

<A – Timothy P. Boyle>: Thank you.

Operator: Thank you. [Operator Instructions] We do have a follow up question coming from the line of Ken Stumphauzer with Sterne, Agee. Please proceed with your question.

<A>: Ken, are you there?

Operator: Ken, your line is live.

<Q – Ken Stumphauzer>: Sorry guys, sorry about that. As far as the ERP implementation goes I was just wondering if you guys can update us how far along are you are in process, how things are going so far and then how you're going about mitigating risk because this is – substantially in the past this has proven to be a problem area for companies in your sector.

<A – Bryan L. Timm>: Sure, this is Bryan. So just a couple brief comments. We're currently right in the middle of our global blueprinting. And that's really where obviously a system like SAP that we're putting in is obviously very robust and the blueprinting process really gives us a chance to really think about how we want to operate the business given that robust system and then we'll follow into the configuration stage.

So we definitely captured the cost to the business this year. And in terms of risks as Tim Boyle says frequently we've got to plan the plan and make sure that all parties involved in the project are moving the same direction and risks are something that we certainly consider and we're definitely well aware of the risks of projects like this and it's effects on the business.

<Q – Ken Stumphauzer>: Typically the risk would manifest itself when you guys were actually going live with the system, correct?

<A – Bryan L. Timm>: That is correct, but, having said that though, a lot of the root causes of some of those problems start with a lack of planning and doing the proper business plan and how you're going to use the system.

<Q – Ken Stumphauzer>: And when would you guys be going live with the system?

<A – Bryan L. Timm>: I think it's a little early to tell. Like I said we're still in our blueprinting process. So there is a couple stages that happen subsequent to that to really get before we go live, and that would be live with potentially one of our subsidiaries as opposed to the going live in North America, for instance.

<Q – Ken Stumphauzer>: Okay, and then just one last question. Where do you guys stand at, right now as far as retail stores? And are you planning to open any more as the year progresses?

<A – Thomas B. Cusick>: Hi, Ken. This is Tom. So we plan to add a small handful of stores in the back half of the year. That would be late Q3, early Q4, and those would be factory outlets here in the U.S. We operated two additional stores this year as compared to the first quarter of a year ago. We had 40 outlets and 8 branded stores in Q1 of this year, and we'll add three more outlets later in the year.

<Q – Ken Stumphauzer>: Okay. Thanks, again, guys. Best of luck.

<A – Thomas B. Cusick>: All right.

<A – Timothy P. Boyle>: Thanks.

Operator: Thank you. There are no further questions at this time. I would like to turn the call back over to management for closing comments.

Timothy P. Boyle, President and Chief Executive Officer

All right. We want to thank you all for joining in and we look forward to talking to you in July about our results of the next quarter. Thank you very much.

Ron Parham, Senior Director of Investor Relations and Corporate Communications

Goodbye.

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