

## — PARTICIPANTS

### Corporate Participants

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**Ron Parham** – Senior Director-Investor Relations, Columbia Sportswear Co.

**Gertrude Boyle** – Chairman, Columbia Sportswear Co.

**Timothy P. Boyle** – President & Chief Executive Officer, Columbia Sportswear Co.

**Thomas B. Cusick** – Chief Financial Officer & Senior Vice President, Columbia Sportswear Co.

**Bryan L. Timm** – Chief Operating Officer & Executive Vice President, Columbia Sportswear Co.

### Other Participants

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**Robert S. Drbul** – Analyst, Nomura Securities International, Inc.

**Lindsay Drucker Mann** – Analyst, Goldman Sachs & Co.

**Camilo R. Lyon** – Analyst, Canaccord Genuity, Inc.

**Andrew S. Burns** – Analyst, D.A. Davidson & Co.

**Laurent Vasilescu** – Analyst, Macquarie Capital (USA), Inc.

**Christian Roland Buss** – Analyst, Credit Suisse Securities (USA) LLC (Broker)

**Rafe Jason Jadrosich** – Analyst, Bank of America Merrill Lynch

**Chris Svezia** – Analyst, Susquehanna Financial Group LLLP

## — MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Columbia Sportswear Third Quarter 2014 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to turn the conference over to Mr. Ron Parham, Senior Director of Investor Relations for Columbia Sportswear. Thank you, Mr. Parham. You may begin.

### Ron Parham, Senior Director-Investor Relations

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All right, thanks, Manny. Good afternoon and thanks everyone for joining us to discuss our third quarter financial results and our updated full year 2014 financial outlook, which we announced earlier this afternoon. In keeping with our standard practice, shortly after the press release crossed the wire, we furnished an 8-K containing a detailed CFO commentary, discussing the quarterly results and the assumptions behind our upward revised 2014 outlook. We also posted the CFO commentary to our Investor Relations website.

With me today, to discuss the news and answer your questions are Chairman of the board, Gert Boyle; President and CEO, Tim Boyle; Senior Vice President and Chief Financial Officer, Tom Cusick; Executive Vice President and Chief Operating Officer, Bryan Timm; and Senior Vice President and General Counsel, Peter Bragdon.

I'll ask Gert to cover the Safe Harbor language.

**Gertrude Boyle, Chairman**

Good afternoon. This conference call will contain forward-looking statements regarding Columbia's business opportunities and anticipated results of operations. 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, 2013, and subsequent filings with the SEC.

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

**Ron Parham, Senior Director-Investor Relations**

All right. Thanks, Gert. I'll turn the call over to Tim.

**Timothy P. Boyle, President & Chief Executive Officer**

Thanks, Ron. Welcome everyone. Thanks for joining us this afternoon. We're thrilled with our third quarter results and confident that the momentum they reflect will continue throughout the fourth quarter of 2014, assuming seasonal weather prevails. In fact, as I will share in more detail later, we see good momentum carrying into 2015.

But first let's talk about this outstanding third quarter. Net sales increased 29% to a record \$675 million with growth coming from all four regions. We generated 14% organic growth globally, concentrated in the Columbia and Sorel brands excluding incremental sales from our new China joint venture and the newly acquired prAna brand. More than half of the organic growth came from the U.S., where net sales excluding prAna increased 17%. U.S. wholesale and direct-to-consumer channels expanded at a similar rate.

Canada net sales increased 34%, which when paired with the organic U.S. growth excluding prAna equates to a combined 19% organic growth rate across North America. Our European wholesale business posted high single-digit growth during the third quarter and has grown nearly 10% year-to-date. Our European management team is focused on making Columbia and Sorel more relevant to European consumers and more valuable and profitable for our largest European wholesale customers. As a result of those efforts, we expect continued Europe direct sales growth in 2015, based on a strong spring 2015 order book.

At the same time, our Euro team is managing operating expenses very carefully in order to improve profitability in the region, which has been our most challenged for several years. The high single-digit growth in third quarter European wholesale net sales was largely offset by a timing shift into the second quarter of shipments to our EMEA distributors, resulting in net sales growth of 1% for the combined EMEA region.

In the Latin America, Asia-Pacific region, third quarter net sales grew 72% and are up 42% year-to-date, reflecting incremental sales from our China JV and small year-over-year variances in Korea, Japan and our LAAP distributor business.

As we noted last quarter, our business and the general Korean outdoor market are experiencing significant challenges, while in the midst of a market wide reset. Accordingly, our updated 2014 outlook incorporates lower expectations for Korea. We're working closely with our Asian leadership

team to adapt to these evolving business challenges. Korea is an important market for our brands and we are committed to being successful in that market, which has been a source of significant profitable growth over the past decade.

Looking at our momentum from a global brand perspective, in Columbia apparel, we are seeing strong demand for Columbia fleece, rainwear, softshell, windwear and insulated jackets, including our new TurboDown styles launched in late September. In the Southeastern United States and in Central and South America, our PFG line continues to be in demand year-round as a leading lifestyle brand that appeals to a wide spectrum of consumers. This broad demand illustrates how Columbia's many categories of apparel serve the year-round needs of consumers in diverse geographies, climates, and seasons.

The Columbia Footwear teams globally have been focused on growing sales profitably while reducing the brand's seasonality and dependence on cold weather boots. The main pillar of that strategy involves expanding the Columbia brand's relevance within the trail category, which is the largest category in the outdoor footwear market and accounts for more than half of all outdoor footwear sales. Continuing a trend that began last year, Columbia trail footwear is producing solid sell-throughs in North America, Europe and in key distributor markets.

Combined, Columbia brand apparel and footwear sales grew 29% in the third quarter and are up 24% year-to-date. We're very pleased with the growth posture of the Columbia brand as we enter the holiday season and look forward to extending the momentum into 2015.

Sales of the Sorel brand increased 23% in the third quarter and are up 18% year-to-date. Our strategy with the Sorel brand is consistent with that of our entire brand portfolio - to grow sales profitably while reducing seasonality and dependence on cold weather.

In 2013, Sorel introduced its first assortment of lightweight fall styles, which performed well during their inaugural season. For fall of 2014, Sorel introduced a more extensive assortment of lightweight styles and increased its global demand creation investments. Consumers are responding enthusiastically so far this fall generating rapid sell-through at key upscale department stores and fashion boutiques as well as through our own e-commerce channel.

Coincidentally, today marks the opening of Sorel's first branded retail store, a seasonal pop-up shop located at 345 West 14th Street in New York's Meatpacking District, a prime shopping neighborhood for the fashion forward female consumers who are discovering and embracing the Sorel brand. Executing effectively against Sorel's brand strategies is helping to broaden the brand's access points, while maintaining a strong connection to its winter heritage.

Encouragingly, early sell-throughs across North America wholesale channels is validating the strategies that we've committed to for the past several years, delivering meaningful innovation, performance and compelling styling through our products, while increasing our investments in demand creation and our own direct-to-the-consumer platform. When we succeed in bringing all of these elements together in ways that are relevant to each brand's target consumer, the results are powerful.

The third quarter marked the prAna brand's first full quarter as a member of our brand portfolio. On a pro-forma basis prAna's third quarter net sales of \$28 million, grew 19% over last year's third quarter. The prAna brand represents another way in which we are gradually broadening the year-round relevance of our brand portfolio and attracting new socially conscious consumers. prAna has established a unique active lifestyle brand position that has attracted a strong following among women, while expanding its appeal to men, who currently represent a rapidly growing portion of the business.

prAna has a solid record of growth in the U.S. and represents a tremendous growth opportunity in diverse international markets. We're very excited about the potential of the prAna brand and look forward to keeping you informed of its progress.

Turning to the Mountain Hardwear brand, as foretold by lower advanced fall 2014 wholesale orders, Mountain Hardwear net sales fell 24%, reflecting declines in the U.S. and Korea. Although, Mountain Hardwear's fourth-quarter sales will likely show continued year-over-year declines, we're encouraged that the brand's advance orders for spring 2015 are strong in North America and Europe.

You've heard us speak about positioning our portfolio of brands and managing the operations of the company to generate sustainable profitable growth, and that's exactly what we're beginning to deliver.

Each of our major brands is either delivering growth in 2014 or is poised to deliver growth in 2015, while gross margin and operating expense ratios are also improving. The company's gross margin improved 100 basis points during the third quarter and has expanded 160 basis points during the first nine months of 2014.

Our updated outlook anticipates full-year 2014 gross margins will improve 130 basis points over 2013, recognizing the difficult comparisons against last year's fourth quarter in which our gross margins increased 330 basis points. Our operating expense ratio is also showing improvement, especially when viewed on an organic basis, excluding incremental expenses of the China JV and prAna.

Third quarter organic SG&A increased 12% compared with 14% organic sales growth. Year-to-date we've leveraged 10% organic sales growth with organic spending levels that have increased only 9%. As a result, third quarter operating income increased 28% to \$98 million and year-to-date operating income of \$117 million is up 47% over the first nine months of 2013. Our updated full year 2014 outlook anticipates net sales of \$2.06 billion, representing sales growth of 22%, including organic growth of 10%.

Projected 2014 net income of approximately \$127 million or \$1.80 per share equates to a 35% increase over last year. Within that outlook, our projected 2014 operating margin of 8.7%, represents 90 basis points of operating leverage over 2013.

It's important to note that we're achieving this leverage while increasing our global investments in demand creation, expanding our direct-to-consumer platform and making significant ongoing investments in our global ERP systems and supply chain processes.

One of our strategic objectives is to fund increased demand creation investments for gross margin expansion. That margin expansion will be achieved, in part, through more efficient supply chain processes. And we're beginning to do that.

We are reinvesting a portion of our projected 2014 gross margin expansion, by increasing global demand creation investments to 5.4% of sales, from 4.6% in 2013, representing an additional \$34 million.

Our expanding U.S. direct-to-consumer platform serves as another avenue to increase consumer demand for our brands through brick-and-mortar stores and e-commerce sites as well as to better manage inventories through a network of outlet stores.

We are evolving our branded retail store strategy with new differentiated store formats, centered around our Performance Fishing Gear collection, the Sorel brand, as well as broader Columbia brand assortments. During the fourth quarter, we'll be opening six of these new branded stores.

Three will be Columbia classic stores with one in New York and two in Chicago, two will be PFG stores, including one that opened today in the Avalon Mall in Alpharetta, Georgia with a second to follow in November at the Southlake Town Centre in Dallas, Texas. And, as I mentioned earlier, our first Sorel store opened today in New York's Meatpacking District.

We believe each of these new branded store formats will serve as a strong addition to our demand creation efforts while serving as laboratories for us to learn about each brand's target consumer and translate that understanding into better in-store presentations within our own stores, but more importantly for our wholesale customers.

On the e-comm front, we recently upgraded the platform on which all 58 of our North American and European e-commerce sites operate, greatly enhancing the consumer experience and driving improved conversion while streamlining site management. While we intend to remain primarily a wholesale-focused business, we believe that learning to be a good brick-and-mortar and online retailer is one of the best ways for us to become a better partner to our wholesale customers.

Before I conclude, I want to recognize the two newest additions to our senior leadership team. Steve Woodside, who joined Columbia in a newly created role of Vice President of Global Manufacturing with leadership responsibility expanding the company's sourcing, production and quality assurance network for apparel, footwear, accessories and equipment.

We also recently welcomed Stu Redsun to the newly created position of Chief Marketing Officer, responsible for developing compelling global marketing programs for the Columbia, Sorel and Montrail brands.

In summary, we have many reasons to be pleased with the momentum behind each of our brands, as we enter the final quarter of 2014 and conclude a very successful year.

Let me recap and remind you what the company has achieved over the past 12 months, and where we are going with our expanded portfolio of brands.

We completed two significant transactions adding a joint venture in China and acquiring the prAna brand, providing over \$210 million of incremental net sales in 2014 and representing significant future sales and earnings potentials.

We have positioned our brands, products and organization to surpass the \$2 billion mark.

We continued our successful seasonal extensions of Sorel and demonstrated we have a major differentiated footwear brand that is attracting new customers and has very significant growth opportunities ahead of it.

Within the broader success of the Columbia brand, we're quietly and effectively growing our premium PFG sub-brand into a significant business that brings in over \$100 million in annual net sales. We're beginning to rollout PFG-themed retail stores to drive further growth.

We're building a profitable direct-to-consumer platform, while simultaneously strengthening our wholesale business and our brand portfolio.

We significantly improved our operational excellence with a smooth ERP platform implementation in North America.

And lastly, we've continued to attract seasoned industry leadership talent to help us leverage this momentum as we cross the \$2 billion mark and beyond.

Looking ahead to 2015, we currently expect to produce a second consecutive year of double-digit net sales growth and further operating margin expansion. Our long-term goal continues to be a return to above average operating margins.

You can find more detail on our Q3 results and our updated 2014 outlook in Tom Cusick's, CFO commentary, which is available on our website.

That concludes my prepared remarks. We welcome your questions. Operator, can you help us with that?

**QUESTION AND ANSWER SECTION**

Operator: Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Our first question is from Bob Drbul of Nomura. Please go ahead.

**<Q – Bob Drbul – Nomura Securities International, Inc.>**: Hi. Good afternoon.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Hey Bob.

**<Q – Bob Drbul – Nomura Securities International, Inc.>**: Tim, I guess the first question that I have is, all the discussion around 2015 is very encouraging. Can you just talk to your confidence level at this point in time, even before we finish the fourth quarter, and sort of like, when you look at the year out, what's the percentage visibility that you could tell us that you have as you look forward versus what you had in years past?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Certainly. Well, as you know from a historical perspective, this would be the quarter when we announced results of our spring backlog, and since we now have a more robust and important direct-to-consumer business backlog is less meaningful, however, it does give us significant direction, and so obviously based on what we have on the books for spring 2015, we're very encouraged and we're just concluding our global sales reviews and meetings with customers discussing 2015 and we are enormously encouraged by those meetings and the results of the product development work that's gone into the 2015 line. So I'm very encouraged with the information I have and then of course we've had very solid North American sales results during this fall of 2014, so we're very encouraged.

**<Q – Bob Drbul – Nomura Securities International, Inc.>**: Okay. And then, within this year's results, I think you mentioned that like the wholesale business has been up a similar rate as the direct-to-consumer. Is that implying double-digit comps in your direct-to-consumer business? And in the 2015 numbers, how does – like what's the assumption on your direct-to-consumer business incorporated in your outlook?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Well, as you know, we're focused on being a wholesale business and we just have to make sure you understand the results today we really focused Q3. But Tom may have some more additional comments.

**<A – Tom Cusick – Columbia Sportswear Co.>**: Yeah, Bob, the double-digit growth rates for both the wholesale and direct-to-consumer business that Tim alluded to was the U.S. business and specifically related to Q3.

**<Q – Bob Drbul – Nomura Securities International, Inc.>**: Okay. And Tom, when you consider the 2015 outlook that you gave – the preliminary 2015 outlook, can you just talk through some of the assumptions in the direct-to-consumer incorporated in that piece of the business?

**<A – Tom Cusick – Columbia Sportswear Co.>**: Yeah. We're really not intending to get into any specifics with regard to 2015 today, but we're anticipating growth from both the wholesale and the direct consumer business to contribute to that double-digit growth rate.

**<Q – Bob Drbul – Nomura Securities International, Inc.>**: Got it. And then Tim, just a question on – you're increasing the demand creation spend. Can you just give us some feedback on the early ads that you put out there on the TurboDown and if you feel like that's been money well spent and how we should think about that going forward?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Yeah. I think, our TurboDown launch has been very successful. We've had great results in almost every place that's been placed. And we put some money behind significant TV campaigns on the product. My expectation is that, with the

beginning of Stuart Redsun's tenure as our Chief Marketing Officer, we'll probably look at all the ways that we – and all the levers that we have to create demand for the brand. And we may do more or less of those kinds of things based on his analysis. But my expectation is that the efficiency of the brand spend on both – on the Columbia, Sorel, Montrail brands will be much more focused. And it may in fact include even a different kind of creative.

But we're very excited to have him start and become much more focused on that part of the business because we believe that the other components, the product development and design areas and the infrastructure portions, which have been the focus of our SAP installation are well in hand. And now, we can really start concentrating on creating a significant demand for the company's products, which consumers are already embracing.

**<Q – Bob Drbul – Nomura Securities International, Inc.>**: Okay. Great. Thank you very much. Good luck.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Thanks.

Operator: Thank you. The next question is from Lindsay Drucker Mann of Goldman Sachs. Please go ahead.

**<Q – Lindsay Drucker Mann – Goldman Sachs & Co.>**: Thanks. Good afternoon, everyone. I wanted to just follow-up on the 2015 outlook. As it relates to the fall orders or at least some of the talk around that, I know that, it's still pretty early days. But can you talk about is the encouraging signs you're seeing a function of, do you think that retailers are ready to grow the category even more that perhaps, though they thought they might be ordering for a normal winter season this year, they were a little bit lean and so there is perhaps even more to go or do you think that this is a function of taking market share and maybe you could speak specifically to how retailers are handling their private label, cold weather gear, whether they're deemphasizing that and that's an opportunity for you? Thanks.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Certainly. Well, we haven't written one fall order yet. So, what we have is preliminary views of the company's products really on a global basis. So, it's not just centered in the U.S. And what I think we're seeing is a refocus on the Columbia brand from our most important retailers, our confidence in the company's ability to create differentiated products and to promote them to consumers, so that we have significant demand for the product and then, really just the performance of the brand in the fall period in 2014.

We had great selling already and frankly we have virtually no weather anywhere in the world. So, this is an extrapolation of our meetings with our best customers, our views of what's happening today and in spring 2015 and I think that the brand is making a more significant comeback just based on its historical importance to various customers and in the products that they're seeing and being offered for fall 2015.

**<Q – Lindsay Drucker Mann – Goldman Sachs & Co.>**: Great. And if I could just ask two quick follow-ups? First, can you give us a little bit more color on what you're seeing in Europe? That's a market that's been called out as being problematic for some? And second, maybe if there is any more detail you can give whether it's nominal cost savings or other sort of efficiency metrics we should look at specific to ERP and some of the supply chain programs that you're implementing that will be helpful? Thanks.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Certainly. Well, we've been pretty clear I hope that our problems in our Europe direct business, while we would love to blame on the economy or the weather or something else, it really had been in many ways a function of our own shortcoming. So, we believe that the team that we have in place today led by Franco Fogliato has its focus on the right markets in Europe and the right actions that need to happen in order to get the brand

recharged there. We've seen a significant uplift in our spring order book there and focus on investments with the largest customers in Europe to bring us back. So, we have a high degree of confidence in Franco's ability and his strategic view of the business.

In terms of efficiencies generated by the ERP, remember this is going to be a multiyear installation. We've just concluded North America and we have ahead of us Europe and our other international markets to be converted on to the SAP system, but what we've uncovered is inherent inefficiencies in the way we've done business in the past. And while we can't necessarily point to the SAP system alone, the process of going through the global business transformation and looking at the various ways we do business has really uncovered a number of areas where the company can be more efficient. And I guess, if I point to certain items, it would probably be watching the inventory turn rates, which we think can be better and have improved, and that would be at least one measure of how we're using the ERP system to improve the business.

Operator: Thank you. The next question is from Camilo Lyon of Canaccord Genuity. Please go ahead.

**<Q – Camilo Lyon – Canaccord Genuity, Inc.>**: Thanks. Good afternoon, guys. How are you doing? So, I had a couple questions as well. First I wanted to talk about the inventory position in your cold weather category Sorel and apparel, obviously there has been a lot of discussion by you as well as some of your competitors on good sell-in. And it seems like there has been a fast-forwarding of deliveries into the wholesale channel to prevent against out-of-stocks. I just wanted to get your thoughts on how you're positioned from an at-once perspective, should there be this demand sell-through, do you have inventory on hand to meet incremental at-once orders and/or incremental sales through your DTC channel?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Well, yes, we've been at this for quite some time, call it, maybe north of 40 years in terms of selling cold weather apparel and footwear, maybe a little less than that. But we believe we have the right amount of inventory to provide us with the sales forecast that we've given you and we believe we've done the right thing in terms of building inventories for weather incidents. But we don't have a lot left over. So if we have cold winter again this year, which we're hopeful of, you'll see a change in gross margin for the fourth quarter but not much change in the top line. So, our retailers know fairly well that the risk of inventory for them is their responsibility and our focus is on having the right amount of inventory for what we believe will happen and not much more than that.

**<Q – Camilo Lyon – Canaccord Genuity, Inc.>**: Great. And just have two quick follow-ups. Number one, if you could just update us on just the China market and how that's performing? I know that there's been, kind of, this continual inventory work down across the industry in the outdoor category. And then lastly, on prAna, how you think about taking the brand internationally? That's obviously a very nascent opportunity. And what channels are you thinking about going, are you going to go direct into those markets that you want to attack first or would you go via distributors?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Certainly. Well, as it relates to China, it's a very important market and our expectations going into that joint venture with the Swire group was that the heady days would not likely continue forever and we've seen some reduction in that overall outdoor market across China. We're very fortunate that we have a very established partner in the Swire group that they've been doing business in China since the 1700s. They've seen various kinds of business times of good and bad times. So we feel we're well positioned there, but I think others have noted that the business is not as robust as it once was. We think we have the right approach on that market and it will be over time a very important long-term part of our business.

As it relates to prAna, we've had significant meetings with distributors around the world, and we're really focusing on several places in South America as well as some places in the Middle East to

kick off our distribution outside the U.S. And the expectation is that the prAna business would be distributed by our independent distributor base ahead of any time that we would head into any kind of subsidiary.

**<Q – Camilo Lyon – Canaccord Genuity, Inc.>**: Got it. Thanks very much and all the best into the holiday season.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Thank you.

Operator: Thank you. The next question is from Andrew Burns of D.A. Davidson. Please go ahead.

**<Q – Andrew Burns – D.A. Davidson & Co.>**: Good afternoon. Congratulations on strong quarter and outlook.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Thanks, Andrew.

**<Q – Andrew Burns – D.A. Davidson & Co.>**: You touched on Columbia footwear, it seems like there is a lot of momentum there. Can you talk about the performance by region, sort of U.S. versus Europe? And then a little more color on the trail opportunity that you highlighted. What are you doing to better address that category? What's the current market share? What's the aspirational target? Thank you.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Certainly. Well, those of you who have followed the company for a while have heard me talk about the underlying opportunity with footwear. In fact, that it should be our largest product category and we haven't come to fruition on that projection. But we certainly are growing and we're growing in an area where the business is quite significant and much longer term business than just the cold weather business. So in the U.S., frankly, we're just seeing continued expansion of the brand's products in trail and that would be across all geographies across the U.S. And just a continued uptake in that category of merchandise.

In Europe that product category is actually leading now our growth in Europe. We've had a significant uptake by several very large retailers in Europe with certain trail style, which hits the Columbia sweet spot, which is it's very comfortable, durable and has a great feature set for the price. So it's been a strong product and, in fact, it's now leading some of our discussions with our local retailers here in the U.S.

So the expectation is that the continued trail expansion will lead us. Not to say that we don't have great success with the Sorel brand, which is right now mostly winter with an expansion into fall. We're very excited about footwear. We think there's terrific opportunity. So if I missed part of your question, you'll have to remind me, but I think I covered most of it, hopefully.

**<Q – Andrew Burns – D.A. Davidson & Co.>**: Thanks. Was wondering if any sort of market share targets or...

**<A – Tim Boyle – Columbia Sportswear Co.>**: Yes. Well, Columbia is certainly in the top 10 global outdoor footwear suppliers, and we think everybody above us has got some room to give, so we believe that in some of those cases we've taken market share, especially probably in Europe. But we're still so small in the scheme of things that there's probably nobody that's noticing we're taking share from them, but certainly the opportunity exists for us to continue to expand that business quite substantially.

**<Q – Andrew Burns – D.A. Davidson & Co.>**: Thanks. And heading into this season in outerwear, you repositioned some price points, softshell, waterproof, breathable, I think are a few different categories. Retailers were very excited about the changes. Didn't know if you had any early sell-

through data, whether it's through your retailer feedback or anything in your direct to point to the success of that new strategy.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Well, yes, where we've engineered the products to hit those certain price points, those have been among the bestsellers for the company. That's not to say that, as an example, in our TurboDown launch, in our own direct business, the best-selling items were the most expensive. But really, we focused most of our time on 2014 fall in engineering those specific garments to hit price points that we know consumers expect to find Columbia products.

**<Q – Andrew Burns – D.A. Davidson & Co.>**: Thank you. Good luck.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Thanks.

Operator: Thank you. The next question is from Laurent Vasilescu of Macquarie. Please go ahead.

**<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>**: Thank you. Good afternoon. I have a few questions on sourcing. With the understanding that two-thirds of your non-footwear assortment is made in China and Vietnam and I think virtually all your footwear is made in those two markets, can you tell us how you're thinking about sourcing longer term as those two markets are increasingly more expensive in terms of labor? And how much is labor cost impacting your gross margin for FY 2014?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Yes, I am going to ask Bryan to spend a little bit of time on that. That's his areas of expertise.

**<A – Bryan Timm – Columbia Sportswear Co.>**: Yes. So, on the sourcing front, I would just say, in 2015 I would call the environment relatively stable. As you mentioned, we do produce a lot of our footwear as well as our apparel in both Vietnam and China, respectively. Overall, we have some raw material costs on the apparel side that we're seeing a little bit of reductions. I would say certainly with cotton recently, oil prices down to near \$80 a barrel, those are helping us out a little bit with respect to certain fabrics.

On the footwear side, you probably heard from many of our competitors, leather prices continue to increase, and that is certainly something that's more of a headwind versus tailwind. Labor prices, we've been able to keep somewhat constant for the most part, but we do have some increases expected as it relates to 2015. And I guess just to wrap it up overall, I would say slight tailwind as we look to 2015 in total and that's both the spring and fall seasons. But again, that could change a little bit as we go through the next couple months.

**<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>**: Great. Thank you.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Yes. I just might want to make an additional comment. We've been pretty clear that for us to be considered really successful, we need to grow our operating income and also growing our gross profit margin and marketing. So sourcing costs alone are not going to be where we focus our time. It's really an equation that includes design, how we build the products, where specifically in the world we build those products to get best duty advantage. So we consider ourselves to be quite good in sourcing, but it's not the only component of how we're going to grow the business and the gross margin.

**<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>**: Great. That's very helpful. And then on the geographic front, in the CFO commentary it was mentioned that you're seeing some geopolitical uncertainty in Russia and obviously that's the case with everybody. But can you possibly tell us how much Russia is a percent of EMEA? And then I was a little bit surprised to see

that China was also mentioned. I was curious to know if China is still guided to \$155 million for FY 2014. Could you possibly tell us where China could be for next year?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Sure. Let me just talk a little bit about Russia, and we don't really disclose that business specifics, but I can tell you that we have the great good fortune to be with one of the strongest retailers in Russia of almost any commodity in the Sportmaster Group that distributes our products in Russia. We've been through much more difficult times, politically and economically, with Sportmaster. And we consider that to be one of our biggest strengths is our connection with those folks.

We've had good selling to-date. We believe that the market is strong for our products there. The brand is among the most well-known consumer products, almost of any type. And, yes, we feel we're at the right place with that business. And our current plans for 2014 include our view of what will happen in Russia. And as you heard from our ebullience about 2015 spring, I believe, we've correctly anticipated that business there as well. So we like Russia and we're happy with what's happening with our business there today. So...

**<A – Tom Cusick – Columbia Sportswear Co.>**: And Laurent, this is Tom. On China, yes, we're still planning that business in the mid-\$150 million range for the year and the same profitability that we've had target for the last six months or so. So nothing has changed for 2014.

**<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>**: Okay, great. Thank you very much. And if I may, just one more question. On Mountain Hardwear, should we assume that it's around \$120 million mark for this year and should we model out return to growth for the full year of next year?

**<A – Tom Cusick – Columbia Sportswear Co.>**: Yes. Just a little north of \$120 million for 2014 and as it relates to 2015 we're really not ready to get into any specifics for really any of the brands at this point. We're really right in the middle of our 2015 budgeting cycle. So that's a little premature, at this point. But we'll have more to say on our call in February.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Yes. We have some visibility of the global order book and that seems to be encouraging and we think we've got the right team there to focus on those issues, which are facing that brand and we're excited about the possibilities.

**<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>**: Thank you very much. Best of luck.

Operator: Thank you. The next question is from Christian Buss of Credit Suisse. Please go ahead.

**<Q – Christian Buss – Credit Suisse Securities (USA) LLC (Broker)>**: Yes. Hi. I was wondering if you could talk a little bit about how your thoughts about full price retail are evolving. What percentage of the mix is retail right now? Where do you think that might go? And could you give me some of the benchmarks along the way as you think about developing that full price strategy?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Yes. Let me talk a little bit about the strategy and maybe I'll ask Tom to give you some color on the numbers. Well, as you heard during the comment, we're going to be making investments in some specific full price stores this year to really help us understand the impact of doing great retail in certain specific markets on certain portions of the line. So that would include, obviously, the Sorel-branded store, which we're opening in the Meatpacking District today and our PFG store concept, which is going to open today in Alpharetta, Georgia.

We're going to learn a lot more about our business opportunities there by studying these stores, and we'll have a measured amount of these open in the next couple of months as we've discussed. And we'll know more about how the brand performs at full price when it's displayed properly and in

the right environment. The goal for the company, as I've said earlier, is to raise our gross profit margin, which means we have to have the products right, we have to have the display properly and we have to have the confidence that we can advise our wholesale partners to put them in the right places in their stores and with the right help from us in terms of merchandising aids. So we're still learning, but we have a high degree of optimism that the brand is going to go well, especially based on our experience in our e-comm business, which is mostly full price.

**<A – Tom Cusick – Columbia Sportswear Co.>**: And Christian on the numbers front, as we look at our direct-to-consumer business globally, it will represent about 34% of our total business in 2014, which is virtually the same as last year, and we've not really broken down how that breaks down by region or channel, historically.

**<Q – Christian Buss – Credit Suisse Securities (USA) LLC (Broker)>**: And then if I could ask a follow-up on the e-commerce side, you're one of the few vendors that's come out with a loyalty program for your e-commerce platform, could you provide some perspective on how that rollout has gone, what some of the learnings have been there?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Certainly. Well, we've offered that loyalty program throughout our direct-to-consumer business, including e-comm for several years, and like most of these programs, the loyal members of our Columbia Greater Rewards Program have a much higher purchasing power and share of basket than the regular consumer. I would criticize us for not being as – utilizing that as fully as we should. Again, we're not retailers per se. We're a wholesale operation and we're learning retail more and I think we can do more with that loyalty program. But it's been fairly significant in terms of energizing consumers. But we can do better with that.

**<Q – Christian Buss – Credit Suisse Securities (USA) LLC (Broker)>**: That's helpful. Thank you very much and best of luck.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Thanks.

**<A – Tom Cusick – Columbia Sportswear Co.>**: Thanks.

Operator: Thank you. [Operator Instructions] And the next question is from Rafe Jadrosich of Merrill Lynch. Please go ahead.

**<Q – Rafe Jadrosich – Bank of America Merrill Lynch>**: Hi. Good afternoon. Thanks for taking my question.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Yes.

**<Q – Rafe Jadrosich – Bank of America Merrill Lynch>**: So for the back half of this year, the U.S. wholesale channel benefited a lot from the clean channel and a lot of restocking of outerwear. Can you kind of talk about some of the opportunities that you are seeing with your wholesale partners in 2015 and then maybe over the next several years. What are sort of the key drivers there and then where do you see opportunity?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Certainly, well. Yeah, you're right, the channel is very clean and so it was almost a fresh start for everybody in that business, including ourselves, when we're proposed to the consumer by our wholesale partners. So, we can – we have visibility to around 80% of our retailers' weekly selling, so we have a measurement for ourselves. We don't see our competitors, but we can extrapolate based on what we've seen, just how well we're doing, and believe that we're definitely moving in the right direction with our wholesale partners.

Yeah, we'd love to see it be snowing most places in the world, the day after Labor Day, but we have to wait for those kinds of catalysts on the weather to make the business really rock. But, so far

we've been very excited about what we've seen and we believe that that portends a much stronger fall 2015 order book, although as I said, we haven't gotten one order yet. But, I think, we're making – we're returning ourselves to the point of significant differentiation against our competitors and that's been terrific.

**<Q – Rafe Jadrosich – Bank of America Merrill Lynch>**: Are there specific channels where you see more growth, I think yesterday at their Analyst Day Kohl's had highlighted you as a brand that they wanted to grow?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Well, we've been a great vendor at Kohl's for many, many years, maybe north of 10 years and, so we're thrilled that they are going to be spending more time on our brand. We've always felt that a consumer had to really hunt for our brand in Kohl's and we think that together we can take advantage of the wellness trend that they and we see as it relates to how the business is moving forward there. As you know, we have our brands products are segmented and we believe that we've invested the time and effort in products that can do well at sporting goods channel, as well as adapting some of those technologies to work very well for the Kohl's consumer, which doesn't require the kind of high-tech feature set that consumers at a sporting goods operation would require. So, we're pretty excited about really all of our businesses in all the segments.

**<Q – Rafe Jadrosich – Bank of America Merrill Lynch>**: And, the last question just on in terms of the operating margins longer-term, you talked about getting to mid-teens eventually. Can you sort of give a little color around maybe some investments that you've made that you could leverage going forward, and then maybe what portion of your SG&A is fixed and as you kind of grow your revenue here, you'll start to see some leverage? Thank you.

**<A – Tom Cusick – Columbia Sportswear Co.>**: Yeah, this is Tom. I would say, as it relates to operating margin expansion, the direct versus fixed cost components of our business model that can be pretty judgmental, but I think it's safe to say that over half of our cost base is essentially fixed. So, with double digit growth going forward, we would certainly look to leverage our SG&A base. And as it relates to talking specifically about expansion by year looking out, we're really not prepared to do that here today.

**<Q – Rafe Jadrosich – Bank of America Merrill Lynch>**: All right. Great. Thank you.

Operator: Thank you. The next question is from Chris Svezia of Susquehanna. Please go ahead.

**<Q – Chris Svezia – Susquehanna Financial Group LLLP>**: Good afternoon, everyone, and thanks for taking my questions. Nice job. Just first on the order, just the visibility into 2015, two questions. One, any color between, I guess, international versus domestic? Whether you feel better about the growth rates one versus the other?

And the second part question to that is, I guess it's fair to say that you can quantify order visibility for the first half based on the spring order book, but it's more kind of qualitative as it pertains to the second half of 2015 given the fact you haven't gotten an order yet, is that a fair way to think about?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Yeah. Well, I'll ask Tom to maybe comment on our typical split on the first half, second half volume, which – so again, we haven't written one order for fall, we have a very – we have good visibility on our spring order book and obviously the direct-to-consumer business, which is important, is estimated, but that will come as well. But the domestic versus the international business and frankly we've probably had greater – our expectations are for greater throughout European direct business today, just based on its weak performance historically, but we have growth globally that we think we're excited about.

**<A – Tom Cusick – Columbia Sportswear Co.>**: Yeah. In the first half-second half split, generally I mean, historically our business has been 35% – a third to 35% first half, two-thirds back half, I would say with the addition of China and prAna, that may shift slightly to a little bit more first half, and in 2015, we'll get five months of prAna business that we didn't have a year ago.

**<Q – Chris Svezia – Susquehanna Financial Group LLLP>**: Okay. And then just I guess remind me, when does that order book for fall really begin to firm up, does that really come towards the end of March or just try to give some color on that?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Yeah, we start writing orders in the next few weeks and we have 85% to 90% of the book done by the end of January. And then orders continue to come in later.

**<Q – Chris Svezia – Susquehanna Financial Group LLLP>**: Okay. Question just on PFG. I was wondering, maybe if you can talk about, just how we think about that business or that segment, I think, you called out a \$100 million, I guess that's what it'll do, potentially this year. Just – and I vaguely remember you making some comments about growing internationally, particular in Europe, talking about some footwear growth and just sort of how we think about, is this a double-digit growth segment of the business as we move forward, just add a little color about that if you could?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Certainly. Well, it's really a sportswear line that's built on the importance of technical live fishing gear for saltwater. So it's by its very nature, designed to be very successful in the southern part of United States, Central America, South America. And that's where we've continued to grow very rapidly. It does have a footwear component, which we really kicked off last spring and we've got a larger percentage of that business in the 2015 spring line. So internationally, we've done well in Central and South America. Our footwear line – excuse me, our PFG launch in Europe was I would say modest. We're introducing [indiscernible] (53:46) of apparel products in Europe to basically consumers that don't have the kind of background that folks in the American South and Southeast have.

But we're convinced that the business has got significant opportunities there and we've been excited so far with the products that we've sold there.

**<Q – Chris Svezia – Susquehanna Financial Group LLLP>**: Okay. And then just the last question I have is, just fourth quarter assumes the gross margin is down, and I guess that's just a function of the comparison, I guess can you paint a picture whereby it could be up or predicated I guess on DTC and how that performs, is that really the catalyst that could change that?

**<A – Tim Boyle – Columbia Sportswear Co.>**: Yeah, actually I think. The Q4 margin the implied expansion, I think, is up and up close to 70 basis points year-over-year.

**<Q – Chris Svezia – Susquehanna Financial Group LLLP>**: Okay.

**<A – Tim Boyle – Columbia Sportswear Co.>**: And that's really a function of, really the China and prAna businesses having higher gross margins than the corporate average, and then higher – a higher percentage of wholesale business and a lower percentage of lower gross margin international distributor business. So it's really a function of mix even going up against the tough comp from last year.

**<Q – Chris Svezia – Susquehanna Financial Group LLLP>**: I see. Okay. Got it. All right. Well, thank you very much, and all the best.

**<A – Tim Boyle – Columbia Sportswear Co.>**: Okay. Thanks.

Operator: Thank you. I would now like to turn the floor back over to management for any additional or closing remarks.

**Timothy P. Boyle, President & Chief Executive Officer**

Well, thank you all for listening in today. We are very excited about the results we reported today, and we are focused on building this business back to very significant, highly profitable business, and look forward to your continued following. Thanks.

Operator: Thank you. Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time, and thank you for your participation.

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