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VFC - Q2 2016 VF Corp Earnings Call

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OVERVIEW:

Co. reported 2Q16 currency-neutral revenues of \$2.4b and reported EPS of \$0.35. Expects 2016 revenue to grow 3-4% and reported EPS to be \$3.20. Expects 2H16 revenue to grow about 5%. Expects 4Q16 revenue to grow high-single-digit and expects 3Q16 revenue to grow low-single-digit.



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PRESENTATION

Operator

Good day, everyone, and welcome to the VF Corporation's second-quarter 2016 earnings call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Lance Allega, VP of IR. Please go ahead, sir.

Lance Allega - VF Corporation - VP of IR

Thank you, good morning. Welcome to VF's second quarter 2016 results. I'd like to remind everyone that participants on today's call make 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.

Unless otherwise noted, the amounts that our participants refer to on today's call will be predominantly in currency-neutral terms, which we've defined in the press release that was issued at 6:55 a.m. Eastern time this morning. We use currency-neutral amounts as lead numbers in our discussion because we feel it more accurately represents the true operational performance and underlying results of our businesses and brands.

You may also here us refer to reported amounts, which are in accordance with US GAAP. These amounts include the impact from foreign currency exchange rates. Reconciliations of GAAP measures' currency-neutral amounts can be found in the supplemental financial information included with the press release, which identify and quantify excluded items.

On June 30, we announced an agreement to sell our contemporary brands business, which includes the 7 For All Mankind, Splendid, and Ella Moss brands. Appropriately, we have classified the assets and liabilities of these businesses as held for sale, and therefore have moved their results into discontinued operations.



Therefore, unless otherwise noted, results presented on today's call are based on continuing operations. Removing this business from the mix impacts the P&L for both 2015 and 2016, and we have furnished a full-year 2015 P&L, which designates the impacts. There's more detail in the press release we issued this morning.

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 the prepared remarks we'll open the call for questions, and ask that you 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 second-quarter 2016 earnings call.

All global companies operate in diverse and complicated environments. In over both the short and long term, VF has been very consistent in our ability to effectively manage our business under a variety of conditions. We are a Company with many capabilities, many opportunities, and great confidence in our ability to execute.

This doesn't happen by luck or accident, but comes from experience, judgment, and a track record of consistency. Our consistency is built on an unparalleled focus on our consumers, optimizing product and retail innovation, and superior financial discipline, which together push our operational capabilities to even greater levels. This complements our obsession with a total performance-based approach to shareholder return.

The second quarter, although our smallest by revenue and profit, is exactly the quarter where consistency plays a critical role in supporting any year at VF, and this year is no exception. I am pleased to report that our second-quarter results were a little better than our expectations, and that our first half of 2016 came in as promised. The fact that this came in as promised gives us great confidence in our ability to deliver on our outlook for the full year. Let's dig down a little bit.

Revenue for the outdoor and action sports coalition was up 2%, driven by a 6% increase in vans, and 2% growth in The North Face. This was tempered by a 7% decline in Timberland, which was softer than we expected; but overall the coalition was in line with where we thought we would be 90 days ago.

Jeanswear posted its seventh consecutive quarter of mid-single-digit growth, with revenue up 6%, and balanced in both brands and in all regions, a truly impressive performance by our Jeanswear team. Our Imagewear Coalition, which grew 3%, featured our fastest-growing business and brand of the quarter, with a mid-teen increase in our licensed sports group, driven by nearly 30% growth from our Majestic brand. Congratulations to the dedicated team in that business who clearly delivered for us in the quarter.

To round it out, our sportswear business saw revenue decline 19%, a result driven by a very challenging US department store and outlet environment. Though we expect this environment to remain challenging, we expect this business to modestly improve in the balance of the year.

In February, we said that we intended to take a focused and proactive look at the composition of our portfolio to ensure that we are well-positioned to maximize growth and return to shareholders. During the quarter, we announced that VF had signed an agreement to sell our Contemporary Brands business, which includes 7 for All Mankind, Splendid and Ella Moss to Delta Galil Industries.

This announcement demonstrates that our work as active folio managers is progressing. While it's certainly hard to part with people we've come to know, respect, and like, we have every confidence that this talented and passionate group is on the best path for long-term success.

You're also aware that we're exploring strategic alternatives for our LSG business within the Imagewear Coalition. This process is ongoing, and we'll update you when we have something more to report. Now back to some highlights.

Our second quarter direct-to-consumer business was up 7%, including mid-teen international growth and a low-single-digit increase in the US. This growth was balanced. In fact, on a global basis nine of our ten largest brands saw revenue increases. Our e-commerce business continued



strong momentum, as well, with revenue up nearly 30%. In line with expectations, our wholesale business was flat globally, as many partners continue working through inventory from last winter, and a sluggish first half of 2016, trends we expect to continue into our third quarter.

Our international sales were up 7% overall, with Europe up 3%, Asia up 6%, and our non-US Americas region growing 20%. Gross margin on a reported basis improved slightly to 48.1%, and reported earnings per share was \$0.35, so \$0.01 better than our original outlook, but in line to support our full-year EPS expectation of 5% growth.

Looking into the second half of 2016, with 60% of our revenue and 70% of our earnings still ahead of us, we have resolute confidence in our ability to deliver on our full-year outlook. To address head on what some have called out as concerns, I would tell you that yes, we do in fact have wholesale orders in hand, and B2C additions in both brick and click to support this expected growth.

Yes, our wholesale order book is more fourth-quarter weighted than in 2015; yes, retailers do have a cautious outlook on winter, and that too is baked in. Finally, yes, our outlook is fourth-quarter heavy. Yet we are up against what is by far our weakest comparison of the year, which I will remind you was down 1% in 2015, so math's on our side, as well.

That said, you can expect to see VF continue to drive brand energy through product innovation and closer connections with our consumers. We will continue to leverage the power of our portfolio to deliver long-term improvements in gross margin, drive SG&A productivity, and improve overall profitability to maximize shareholder returns. It's what you have come to expect from VF, and what we expect from ourselves.

Over to Steve.

Steve Rendle - VF Corporation - President & COO

Thanks, Eric. Starting with the outdoor and action sports coalition, revenue was up 2% in the second quarter, driven by a low-double-digit increase in D2C, and a low-single-digit decrease in wholesale. This result was about what we expected 90 days ago. Keep in mind, the second quarter is outdoor and action sports' smallest quarter of the year, both from a revenue and earnings perspective. In total, we checked the box.

Now let's take a look at VF's largest brands. Globally, second-quarter revenue for The North Face was up 2%, driven by more than 20% growth in D2C, which was offset by a high-single-digit decline in wholesale. In the Americas region, revenue was up at a low-single-digit rate, with more than 20% growth in D2C, which included strong e-commerce results. On the wholesale side, revenue was down at a high-single-digit rate, due to bankruptcies and an order book that is planned later in the year, which will naturally shift the majority of growth to the fourth quarter.

During the second quarter, warmer-weather categories including sportswear product and accessories saw significant momentum, and were up 40% and 60%, respectively. In men's fleece sales doubled, driven by a strategic shift to broaden our assortment of technical styles. In women's, newer silhouettes like the Tomales Bay jacket are also seeing strong response.

We're very proud that Outside Magazine featured several North Face products in their summer buyer's guide, including our Favero 70 Pack, which won Outside Magazine's Gear of the Year Award. This demonstrates that our continued focus to broaden our spring-summer assortment is working.

We're also supporting our spring-summer relevancy through consumer experiences like our Endurance Challenge series of trail races, which drew over 13,000 attendees across events this past spring; and community workouts that we sponsor twice a week in San Francisco, Boston, Chicago, New York, and DC.

In April, The North Face relocated its Palo Alto, California, store and significantly elevated the retail experience through highly curated merchandising and digital storytelling. Through innovative interior sky windows, information is displayed about North Face's global athlete team, weather forecasts, topographic maps, and community information.

During the opening weekend, North Face Virtual Reality was featured, which is an immersive 360-degree 3-D video and audio experience that virtually drops viewers into outdoor landscapes such as Moab, Yosemite, and Nepal, an innovative example and a living lab that represents how we're starting to transform consumer experiences in our own retail stores, and one of many that we plan to scale in the upcoming months.

Now to KH.

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

Good morning, everyone. The North Face European business had another strong quarter, with revenues up at the low-teen rate, driven by more than 25% growth in D2C, and a mid-single-digit increase in our wholesale business. The growth was balanced and broad-based, too, with double-digit increases in the UK, Germany, Benelux, Italy, and Spain.

A great product highlight was our footwear business, which grew more than 20%. This was supported by marketing campaigns and product styles to help build on the momentum the team has been working on. Our Mountain Athletics collection across Europe had a successful start to the year, with over 60% sell-through in wholesale, and a 60% increase in D2C.

In Asia, second-quarter revenue was down at the mid-teen rate, which was about in line with our expectations. This result was driven by low-double-digit growth in D2C, including more than 35% growth in the e-commerce business. This was offset by weak wholesale results, due in part to timing of shipments. We expect the region to continue sequential improvement, and return to growth in the fourth quarter.

During the quarter we launched our Water Adventure series which features sustainable product, including waterproof jackets and bags. In April we launched our outdoor training category, which features durable, breathable materials maximized for running and training outdoors. To drive visibility in China and Hong Kong, we continue to host free outside group workout sessions, led by experienced trainers. Social engagement around this effort has already seen more than 16 million social impressions.

Globally, the first half of 2016 finished well for The North Face, and we are right on track to reach our full-year expectations of mid-single-digit growth. Now on to Vans.

Steve Rendle - *VF Corporation - President & COO*

Vans global revenue was up 6% in the second quarter, with a mid-teen increase in D2C, and flat wholesale results. With nice sequential improvement from the first quarter, regional, product, and channel performances were in line with our plan.

Looking at regions, in the Americas revenue was up at a high-single-digit rate, with a low-double-digit increase in D2C, including over 25% growth in e-commerce, and a mid-single-digit increase in wholesale. During the quarter, Vans showed the strength of its diverse classics offerings, specifically the Skate High and Old Skool side-stripe styles, driving strong momentum, with meaningful increases in women's sell-through. This success bodes well as we look at scaling a number of new silhouettes in the coming seasons.

During the quarter, Vans launched another exciting collaboration with Nintendo, celebrating their iconic video game heritage, including an extensive collection of footwear, apparel, and accessories, featuring Nintendo's extensive cast of iconic characters. The social media reception to this collaboration has been phenomenal, and is performing well against expectations -- which is no easy feat, given it's up against a massive Disney launch at last year's second quarter.

With Vans kicking off its 50th anniversary year on March 16, the spring was packed with events across the country. In May, we continued our programming at The House of Vans in New York, which included music, creative workshops, and documentary screenings.

In June, the Vans warped tour kicked off its 22nd year, bringing music, Vans culture, and fans together for more than 40 stops around the country. Tomorrow, the US Open of Surfing kicks off in Huntington Beach, where the world's elite in surfing, skateboard, and BMX reach for the podium. As



a complete immersion into Vans culture, this Festival-wide celebration of action sports, creative expression, and youth culture is about as core as it gets.

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

Vans revenue in Europe was down at the high-single-digit rate, the low-double-digit increase in D2C offset by a mid-teen decline in wholesale. These results were on track with what we expected 90 days ago, as the business continues to manage through elevated inventory. With a slight decline in Vans Europe expected in Q3, we continue to make progress, and expect the business will return to growth in the fourth quarter.

In Europe, Old Skool and Skate High were also very successful, strengthened by high-impact window executions at retail. Nintendo was also a success in Europe, as we integrated the launch with in-store activations, House of Vans launch event, and wholesale-specific programs. Notably, on the first day of the Nintendo launch, e-commerce had its best sales day ever.

In Asia, Vans revenue was up mid-teens, driven by more than 30% D2C growth, and a mid-single-digit increase in our wholesale business. E-commerce definitely played a significant role in these results by nearly doubling its business. Similar to the Americas and Europe, Nintendo was a hit, with more than 50% sell-through in the first four weeks, and e-commerce sell-through of more than 70%, driven by impressive brand activations at key stores, including our retail lab in Korea. Very pleased with these results.

With the first half behind us and the momentum building for Vans globally, there are no changes to our full-year outlook for high-single-digit growth.

Now on to Timberland.

Steve Rendle - *VF Corporation - President & COO*

Timberland global revenue was down 7%, with a low-single-digit increase in D2C, offset by a low-double-digit decline in wholesale sales. While these results were for the most part in line with our expectations for the brand's smallest quarter, as we enter the second half of the year we have seen higher than anticipated inventory levels, particularly in our Americas business, and anticipate a more challenging sales environment

Accordingly, we're electing to take a more conservative view for the balance of 2016, as this product works through the channel. Similar to the context for Vans Europe, we are confident that this is a short-term inventory imbalance versus a brand issue, and we're tempering sell-in for a quarter or two to allow inventory to normalize.

Timberland continues to out-perform its competition, including market-share gains. The brand health metrics that we track, including awareness, conversion, and sell-through, remain strong. In fact, sell-through rates are healthy, which gives us great confidence that this will be a short term, normalizing some times in the fourth quarter.

Taking a look at the Americas, revenue was down at a high-teen rate, with wholesale business down 20%, and D2C down at a mid-single-digit rate. Keep in mind that three-quarters of Timberland's D2C business in the Americas is outlet based, which as you know is a channel that has seen reduced traffic. Notable in the mix, however, was a 25% increase in e-commerce, so solid online growth.

Product-wise, men's boots continue to be relevant, with strong sell-through in wholesale. Our distinctive Timberland Boot Company collection, driven by a new micro-site launch, saw a nice pick-up in the quarter, a solid validation of the brand's reach given the collection's premium price points.

On the women's side of the business, we continue to be very encouraged by the progress Timberland is making. Families like the Amherst and Newport Bay drove D2C women's casual comps up nearly 30% in full price, and 50% in e-commerce. Contributing to this momentum, we launched

our biggest spring effort ever through a partnership with Marie Claire, a program that ran across digital, print, and in-store, driving digital engagement up over 80% versus last year.

Finally, with oil rig counts reaching an all-time low in May, the entire work wear category, including our Industrial Pro business, remains under significant pressure.

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

Revenue in Europe was up at the high-single-digit rate for the quarter, driven by low-teen D2C growth. A huge contributor to this came from our e-commerce channel, where the main transition to VF's global digital platform enabling faster, closer consumer engagement, and more effective handling of the site. The [hozel] channel increased, as well, by a mid-single-digit rate.

Looking at product, after a very successful SensorFlex campaign, we drove traffic through summer heritage collections in men's and women's boat shoes. With our new advertising campaign in digital and traditional media, we doubled our consumer reach, and executed a seamless campaign in more than 600 store windows.

In apparel, we continued our improvement of the product in terms of fit, fabric, and style, and did see very nice progress with our spring 2016 collections, driving low-double-digit growth in the quarter. Strong progress there.

Similar, Asia revenue was down high-single digits, primarily from weakness in traffic and spending in Hong Kong and Japan, the largest market in the region. E-commerce was a large driver for the quarter, with more than 50% growth, including apparel, which was up more than 60% in China. In June, we opened a new Workshop retail store in Shanghai, and we have seen strong early results.

We're taking a prudent approach to the second half, and we now expect low-single-digit global revenue growth for Timberland in 2016. Now to Jeanswear.

Steve Rendle - *VF Corporation - President & COO*

In the second quarter our global Jeanswear business was up 6%, with strong growth across both Wrangler and Lee. This marks the seventh consecutive quarter of mid-single-digit growth for the Jeanswear coalition. Once again, hats off to the global team.

In the Americas region, Jeanswear revenues were up at a mid-single-digit rate, driven by a mid-single-digit increase for Wrangler, and a low-double-digit increase for Lee. Wrangler's mass business remains strong, with a high-single-digit increase that marks the ninth consecutive quarter of growth for that business. The story there remains the same, a strong collaborative retail partnership, with the mutual goal of bringing innovation and value to consumers.

Our innovation story is stronger than ever. Wrangler Advanced Comfort outdoor performance shorts and Riders by Lee denim shorts and capris each saw meaningful increases in the channel. In contrast, and a trend we've spoken about over the past few quarters, our western specialty business was down, as the oil and gas exploration communities continue to be hard hit.

Lee saw excellent consumer response to the new innovative Extreme Comfort men's casual pant that has led to market share expansion and wholesale growth through new shelf space, as well as expanded distribution. In a nod to the ultimate blend of elegance and performance, American ballet star Misty Copeland is pictured wearing Lee Dream jeans in the August issue of Cosmopolitan magazine. We saw very strong retail sales of Lee's seasonal products, including shorts and capris, especially once the weather turned warmer in May.



Karl Heinz Salzburger - VF Corporation - President of International Business

In Europe, revenue for the Jeanswear Coalition was up at the high-single-digit rate, driven by a mid-teen increase for Lee, and a mid-single-digit increase for Wrangler. Lee showed great success in the quarter, driven by positive results across all categories. A couple of highlights include continuing double-digit trends in our top 10 accounts, our At Once business, and a strong start for our new Scarlet for women and Ryder for men products.

Wrangler saw strength in both the wholesale and e-commerce businesses. During the quarter we launched an out-of-home marketing campaign across Poland, Germany, and Italy that boosted region sell-through for our fall 2016 products.

In Asia, Jeanswear revenue was up at low-single-digit rates, with a mid-single-digit increase in Lee, moderated by a slight decline in the Wrangler business. Lee's online sales more than doubled, helped significantly by the Jade Fusion 2.0 launch. Jade Fusion also led to outstanding digital metrics, and achieved a record-high social engagement of almost 2 million followers in key Chinese markets. For the full year globally, there's no change to the expectation of mid-single-digit revenue growth in Jeanswear.

Now to Imagewear.

Steve Rendle - VF Corporation - President & COO

Second-quarter Imagewear revenue was up 3%, with our LSG business up mid-teens, offset by a mid-single-digit decline in the Workwear business, which similar to Timberland and Wrangler, continued to be impacted by weakness in the energy-related sector. In LSG, Major League Baseball jersey demand was strong, aided by continued success of the Cool Base replica jersey, as well as the addition of three new teams in the Japanese professional league. In the NBA, the Cavaliers' championship delivered strong results for the licensed portfolio.

On the Workwear side, while we continue to see consistent strength in Red Cap's Automotive Shop Gear line, it should be no surprise that with oil rig counts at historic lows, both Red Cap and Bulwark sales were down in the quarter. Given that, we will begin to lap this decline in the second half, and we do expect this business to return to modest growth in the fourth quarter. For the full year, globally there is no change to the expectation that Imagewear revenue will be up at a low-single-digit rate.

Our sportswear business was down 19% in the quarter, due to traffic declines in both wholesale and D2C. Revenue at Nautica was down 20%, due to the same challenges we've seen in the past few quarters, including heavy discounting and promotional environments in the US department store channel, our strategic decision to license the women's sleepwear and men's underwear business, and traffic declines at outlet, where we've closed seven stores this year.

Kipling's North America business was down 16%, also due to challenging category and channel performance. Kipling's global business was up 3%, driven by strength in both wholesale and D2C in Europe and Asia-Pacific. Accordingly, we are now expecting a low-double-digit decline in revenues for the full year for our sportswear coalition.

With that, I will turn it over to Scott.

Scott Roe - VF Corporation - CFO

Thanks, Steve. On our last call, I spoke about VF's diverse business model and our consistent operational discipline. This discipline provides us with exceptional flexibility to deliver our financial commitments.

As you know, this quarter produced some additional noise into the mix of our year, including the announcement of an agreement to divest our Contemporary Brands Coalition, greater visibility into bankruptcies, short-term challenges for Timberland, and ongoing weakness in our sportswear business. Yet, even amid all this noise, we have multiple levers at our disposal that enable us to deliver another year of earnings growth and shareholder value.

Let's review our results. In the second quarter, currency-neutral revenue increased 1% to \$2.4 billion. By coalition, Outdoor and Action Sports was up 2%, which is in line with expectations. Jeanswear continued its run with a 6% increase, and Imagewear grew 3%. Partially offsetting this growth was a 19% decline in Sportswear, which continues to face very challenging conditions.

By channel, direct-to-consumer revenue was up 7%, with low-double-digit growth in our Outdoor Action Sports business being tempered by a mid-teen decrease in our Sportswear coalition. Currency-neutral wholesale revenue was flat in the quarter.

By region, the Americas was up 1%, Europe up 3%, Asia up 6%. Internationally, that is outside of the US, our business was up 7% in the quarter. Gross margin was up slightly versus last year at 48.1%, as benefits from pricing, lower product costs and mix were offset by FX and inventory management efforts.

In line with expectations, SG&A as a percentage of revenues increased 50 basis points, as we continue to invest in key growth priorities, including D2C and product innovation. Our second-quarter operating margin was down 40 basis points to 8.6%, which included 40 basis points of negative impact from currency.

Clicking down into profitability by coalition, on a reported basis we see that Outdoor and Action Sports' operating income was down 9%, and operating margin was 8.7%, a decrease of 100 basis points compared to last year's second quarter. Continued investment in D2C, product design, innovation, and demand creation pressured first-half earnings in light of the tougher first-half revenue comparisons, coupled with negative impact from FX in 2016. We expect this to normalize in the second half when profitability returns to historic levels.

Operating income in Jeanswear was up 4% in the quarter, with operating margin up 10 basis points to 17.3%, including the negative impact of FX. The strength in Jeanswear continues globally, and we are very pleased with this, our seventh consecutive quarter of mid-single-digit revenue growth.

Imagewear profit was up 3%, and operating margin up 10 basis points to 14.3%, due to strength in LSG, offset by weakness on the Workwear side of the business. Finally, in Sportswear, operating income was down significantly, and the story there remains the same -- challenging department store and D2C conditions with traffic and category weakness.

Carrying all this to the bottom line, our reported earnings per share was \$0.35 in the second quarter, slightly ahead of where we thought we would be 90 days ago, and overall where we thought we would be halfway through this year. Keep in mind, this result includes a \$0.06 head wind due to changes in net tax discretely compared to last year.

Regarding our balance sheet, inventories were up 6%, of which half remains that same cold-weather carry-over product we've spoken about on our last two calls. Our inventory is in line with our second-half growth projections.

During the quarter we bought back 1.9 million shares of VF stock for \$120 million, bringing our year-to-date total to \$834 million, tracking well against the \$1 billion target we set in February.

Turning now to outlook, which like the rest of our results today are based on continuing operations, we now expect full-year revenues to increase 3% to 4%, down from the previous mid-single-digit expectation. If you take a step back to gain perspective, this change is really about two main factors.

First, we now expect the Outdoor Action Sports coalition to grow at a mid-single-digit rate for the full year, down from the previous high-single-digit outlook. This is due to bankruptcy in the Sporting Goods and Action Sports channel, and a revised outlook for Timberland based on -- primarily on challenges in the Americas business. However these elements, while short-lived in nature, do put enough pressure on the year for us to take Timberland's global outlook to a low-single-digit growth, versus the previous high-single-digit increase.

The second factor is a lower outlook for our sportswear business. For reasons previously discussed, we have updated our full-year expectations to a low-double-digit decline versus the previous expectation of slight decline. Gross margin is expected to improve by 50 basis points, reaching



48.7%. Keep in mind, the Contemporary business carried a higher than VF average gross margin. So, when adjusted for this in continuing operations, 2015's gross margin is 10 basis points lower at 48.2%.

Operating margin is expected to reach 14.5%, which includes about 60 basis points of FX, right around 15% for the full year, excluding currency. Note that while the exclusion of Contemporary Brands hurt gross margin, it helps operating margin.

With respect to tax rate, our outlook for the full year is now about 21%, versus the previous about 23%. Due to a beneficial shift in mix, new policies related to the treatment of equity comp and longer-term improvements we're making in our global tax structure.

At the bottom line, reported earnings per share is expected to increase 5% to \$3.20, up 11% currency-neutral compared to EPS from continuing operations of \$3.04 in 2015. Even after adjusting for Contemporary, we've maintained the same growth rate we targeted in February.

For the second half of the year, we expect revenue growth to be up about 5%, with a low-single-digit increase in the third quarter, followed by a high-single-digit increase in the fourth quarter. With respect to earnings cadence, we expect second-half reported EPS to increase at a low-teen percentage rate, with a high single-digit increase in the third quarter, and a mid-to-high teen increase in the fourth quarter, our easiest comparison of the year.

To recap the changes to our 2016 outlook, revenue should grow 3% to 4%, down a bit due to bankruptcies, Timberland, and sportswear impacts. Gross margin expansion remains the same, and we took out \$0.03 from the bottom line, based on what Contemporary Brands would have directly contributed this year.

Flexibility, operational excellence, strong cash flow and balance sheet, and strategic financial management --from any angle, our model allows us to transcend short-term challenges, and consistently deliver total shareholder return. More importantly, it enables us to continue investing in our business, and aggressively manage inventories for the long term without sacrificing shareholder returns along the way. We believe this combination uniquely positions us to accelerate growth and profitability when the overall environment returns to greater strength.

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

QUESTIONS AND ANSWERS

Operator

Thank you, sir.

(Operator Instructions)

Our first question comes from Michael Binetti with UBS.

Michael Binetti - UBS - Analyst

Hi, good morning, guys. Thanks for all the detail today, very helpful. I want to ask one quick Vans question, then I had a bigger-picture question. On Vans, that was better than we thought in the second quarter given some of the trends you guys have been talking about pretty consistently, that it was going to be a back-half story.

The guidance for the year was always partly based on things that were not in your direct control. There's some inventory from competitors out there and in the US. In some of the data sources we see, we see other brands making big pushes on market share. Can you talk to us about the second half, and how you guys think about the competitive landscape for Vans, and how much you baked that into the thinking for the improvement there?

Steve Rendle - VF Corporation - President & COO

Michael, this is Steve. I'll start with the Americas, and K.H. maybe will want to add some things from an Asia standpoint. We called the year at high single-digits, and we're pretty much tracking right on plan, seeing great strength in our D2C, most notably e-commerce, and then good solid performance in wholesale.

Second half, really don't see changing dramatically. The strength of the brand continues. We talked about the power of our Classics collection with side stripes really performing extremely well, and we've got new innovations with Classic whites -- our Iso program, and then our Pro Classics, where we've brought some real performance attributes into the skate platform. We think we'll just continue to drive us towards the guidance that we put forward at the beginning of the year of up high-single digits.

Karl Heinz Salzburger - VF Corporation - President of International Business

Michael, I think some color on the international side, starting with Asia. Asia is really doing well, as you heard me saying. It's doing well in D2C and wholesale, which gives us great confidence. No really big change. It's doing well in most Asian markets, actually.

Europe is a different picture. We reported that widely last time Q1 was our worst quarter. Q2 is negative but better. We gradually plan to improve this going back to positive numbers in Q4. What gives us strong confidence also in Europe is our D2C numbers which are positive, that shows that the brand resonates well with consumers.

Steve Rendle - VF Corporation - President & COO

Michael, I would add real quick, we aren't seeing any changes in our wholesale orders due to competitors. Clearly, there is some competitors out there doing much better than they have historically, but from a Vans standpoint and our connection to our consumer, we stay right on track.

Michael Binetti - UBS - Analyst

Okay, that's helpful. Thanks a lot. Stepping back, you guys have always done a great job summarizing the big corporate goals for investors, and for all the employees at the firm to focus on. It's been a while since we got the big goal of the long-term algorithm of 8% organic revenue growth and 13% EPS growth.

We've seen two headlines from you guys on dispositions this year. The end markets are in a different place than where they were when we first got the algorithm in 2013. Would you mind helping us comment on how you think about those goals today, and whether absent an acquisition, how much more aggressive you could be with transforming the portfolio towards the highest-performing businesses?

Eric Wiseman - VF Corporation - Chairman & CEO

Sure Michael, Eric. I will take that question. Our organic growth rate goals remain intact. Clearly, this year we're off to a slower start given all of the implications of last winter and the inventory hangover that we faced in the first half of this year. But when you step back and look at our organic growth rate, internationally we were up 7%. That tells us that against that 8% organic growth rate goal outside of the US, we're pretty much on track.

The most confidence-inspiring part of this for me is that in our direct-to-consumer business globally, we were up 7%. Being up 7% in our stores tells us that consumers are buying from us at the kind of growth rate that we have built into our long-term vision. Unfortunately, that's only about 27% of our business. Our wholesale business is not experiencing that; but that's not to say that our wholesale business, the consumer take-out from our wholesalers, isn't strong. What it says is that they have a lot of inventory and they're buying very cautiously.



Our wholesale business is a reflection of what we are shipping to them this quarter for sale next quarter, and not a reflection of consumer engagement. We still think we have brand portfolio and the -- we're doing the right things with our brands to engage consumers at a near-8% growth rate, even this year, which is clearly a pretty challenging year around the world.

Obviously the shape of VF is going to change. It's much easier and easier to manage the timing of selling something than it is buying the right thing. We're actively managing our portfolio, working equally hard on both divestitures and on acquisitions. The timing of one is more predictable than the other, but we are committed to both.

Michael Binetti - *UBS - Analyst*

Thanks a lot, guys.

Eric Wiseman - *VF Corporation - Chairman & CEO*

Thanks.

Operator

Matthew Boss, JPMorgan.

Matthew Boss - *JPMorgan - Analyst*

Thanks. Switching gears over to Timberland, by classification, where exactly are you seeing the inventory imbalance, whether it's footwear or apparel? What gives you the confidence that this is a near-term issue and not something larger?

Steve Rendle - *VF Corporation - President & COO*

This is Steve. I'll start this question. The inventory imbalance that we talked about is primarily an Americas issue, and we see it primarily in our boots category. It really started to see this at the beginning of early Q2, both in our wholesale and pro business. It's truly a short-term inventory balance, because what we see is just a little bit of inventory sitting in our channels coming out of last fourth quarter. Similar to our Vans Europe business, it's not a product or brand issue.

We feel really good about our brand metrics, as I mentioned in my comments. We see just over the next quarter or two getting that inventory to normalize. Why we're so confident about that is we've seen really good rates of sale through the first half that continue into the second half. That e-commerce growth rate of plus 25% continues to give us confidence around our ability to connect with the consumer, and represent our brand in a really positive way.

We see returning to growth in the second half, low single-digit, mid-single-digit, despite we're coming up against a Q3 in 2015 where we grew over 40%. I would tell you, to frame up why we are positive is the brand continues strong. The sell-through rates are good. We just carried a little bit more inventory in the channels out of the second half of 2015 into first half. It is normalizing now, and we will be clear as we come into Q3, Q4.

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

Yes, Matthew, maybe giving some international color, starting with Europe. You heard me saying Europe is really strong. We're doing well in all channels in wholesale and D2C. We have a new digital platform. We do well in most European countries, but we also do well in many categories of products. It's a really good story there.



Asia is a little bit different picture. We had planned a softer first semester, and planned a stronger second semester. Remember, Q2 is our weakest quarter, as well. Numbers are a little bit misleading. It's specifically related to Hong Kong and Japan, but we expect Timberland going back to growth in Q3 and Q4.

Matthew Boss - *JPMorgan - Analyst*

Great. Then just a follow-up on the larger-picture model. As we think about the margin profile on a multi-year basis, has there been any change -- it sounds like not for this year -- but any change to the 50 basis points a year annual gross margin? It sounds like driven primarily by mix. That's unchanged from the past. As we think about SG&A as a percentage of sales beyond this year, any reason to not think about that as more flattish going forward?

Eric Wiseman - *VF Corporation - Chairman & CEO*

Yes. Matthew, the first question is really no change at all in our outlook for a continued margin expansion. That's really driven by mix. Even this year, 50 basis points is what we have talked about for the full year. That's really driven by that mix. We see no reason why that won't continue.

As it relates to SG&A, we really haven't talked longer-term beyond this year. As you can see, we are investing in SG&A this year. Again, that's really we think a strength of our model to be able to deliver EPS growth, and at the same time invest in D2C innovation products, those key strategic drivers that are going to set us up for growth in the future.

Matthew Boss - *JPMorgan - Analyst*

Great. Best of luck.

Eric Wiseman - *VF Corporation - Chairman & CEO*

Thank you.

Operator

Laurent Vasilescu, Macquarie.

Laurent Vasilescu - *Macquarie Research Equities - Analyst*

Good morning and thank you very much for taking my questions. I was hoping to follow up on your top-line guidance for the year. Does it incorporate an expectation for normal winter our colder than normal winter? Also, I think there were some comments in the prepared remarks that retailers are cautious regarding this winter. Is that a function of too much inventory, or just weakness in the consumer?

Eric Wiseman - *VF Corporation - Chairman & CEO*

Yes, I'll start that, and maybe the guys will jump in. In general, while we're considering this a normal winter from our standpoint, it's worth noting that our wholesale partners have taken a very conservative view of the year. Maybe some of these imbalances that historically would have just been tolerated, we now see much more aggressive action from a retail standpoint, thus some of the issues that we've seen from our wholesale shipment side.



Steve Rendle - *VF Corporation - President & COO*

I think just to follow that, the caution in our wholesale retail community, we called that at the beginning of the year. We spoke a lot about how that's baked into our guidance. What gives us real confidence about the power of our brands is the performance of our D2C, growing high single-digits this quarter, and the strength of our e-commerce platform growing significantly. As we expand our e-commerce platform to all of our largest brands, it's now moving internationally. Again, it's a continued strength of how our brands are coming to life for our brands.

Laurent Vasilescu - *Macquarie Research Equities - Analyst*

Great. I wanted to follow up on the Outdoor and Action Sports double-digit increase in direct to consumer, versus Sportswear mid-teen decline. Can you provide a bit more color on how store comps performed in these two coalitions for the quarter, and your expectations for comps for the balance of the year?

Eric Wiseman - *VF Corporation - Chairman & CEO*

Yes, our Outdoor and Action Sports D2C performance, as I mentioned as e-commerce we're seeing great strength there. Our store comps, which we don't talk directly about our brands specifically. We saw those in the flat to up to slightly, which is pretty consistent with what you hear across the board.

Contrast that was Sportswear. Over three quarters, while the majority of our Sportswear retail footprint is outlet, and the outlet channel as a broad comment has seen a pretty significant impact in traffic due to the higher promotional activity going on across the majority of retail here in the United States. Our Sportswear team has been specifically impacted, just due to the heavy weighting of that outlet mix.

Laurent Vasilescu - *Macquarie Research Equities - Analyst*

Thank you. Best of luck.

Operator

Lindsay Drucker Mann, Goldman Sachs.

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Thanks for taking my question. I wanted to ask about the excess inventory, the inventory growth year over year. You've called out about half of that as cold-weather carry-over product. Is that product you're going to be redirecting to your outlet stores or your website, or how are you going to work through that excess that's still on your balance sheet?

Eric Wiseman - *VF Corporation - Chairman & CEO*

No, Lindsay, that is good inventory that will go. We have orders against it. That's first-quality good inventory. As we said, we've been watching this now or talking about this for a couple quarters. We had two options. We could have disposed of it and re-bought it. We saw the demand coming in the back half of the year. We chose to hold that inventory, and we see demand against it. It's good quality inventory.

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Okay, great. Maybe you guys could give some perspective on whether you saw any shift in consumer behavior in the UK or Europe post some of the negative events in those markets, whether it's Brexit or some of the attacks?



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

I guess you heard me saying, Lindsay, we grew Europe 3%. Most of the brands are doing okay. In this environment, you're right. There's a lot going on. Specifically to Brexit, we have to see what is going to happen. Negotiations have started, so it's a long-term view. All in all, actually we are doing pretty well. Our D2C numbers are strong in Europe, so that shows that our brands resonate well with consumers.

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Great. Last one, could you talk about how your business to off-price has trended?

Steve Rendle - *VF Corporation - President & COO*

From a US standpoint, we're pretty much normal percentage to totals as we look at this year. Nothing dramatically different whatsoever.

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Okay, thanks very much.

Operator

Omar Saad, Evercore ISI.

Omar Saad - *Evercore ISI - Analyst*

Yes, thanks. Good morning. I wanted to see if you guys could maybe dive in a little bit deeper on the e-commerce business digital initiative. I know it has been growing nicely. I think you guys are maybe a little bit lower penetration than the broader soft goods market place -- what you're doing there? If you also have any thoughts around working with any new partners on the digital side, perhaps getting access to Amazon and their broad customer base. Is that something that you're thinking about?

Steve Rendle - *VF Corporation - President & COO*

Here within the US business, I'll walk you through that. Our e-commerce business obviously has been and continues to be a big emphasis of ours. We've put a lot of energy into building our VF platform that now all of our big brands as well as additional brands are coming on to, and we're expanding that into our European market place, where our large global brands are able to really maximize the power of that content, and then transact regionally in a very specific way.

We have a digital lab that sits out in our San Francisco campus that is very connected to a lot of the fast-moving digital trends that we're constantly mining and bringing into that VF platform. As we look at wholesale partners that we can work with, there's a whole host of really strong pure-plays in each of our businesses. There's the larger multi-national partners that we have great business with, and then clearly, Amazon is a good partner for many of our brands, and one that we would continue to work with strategically as it fits into each one of our brand strategies.

Scott Roe - VF Corporation - CFO

Omar, Scott here. Just cleaning up, too, maybe at the heart of your question, we're less than 5%, our e-comm overall. We see a lot of opportunity there. It's high margin, our most profitable format. We've talked about, in our long-range plans, mid-20% growth rate, which is what we're seeing this year. We see a lot of runway on our e-comm.

Eric Wiseman - VF Corporation - Chairman & CEO

Omar, this is Eric. One of the ways we're getting at that is through -- we've been talking about this some over the last 18 months. We've built a new digital and e-commerce technology engine that we're rolling out across the world, one brand and one country at a time. I think in the last 14 months we've done 24 installations, and we still have room to grow.

Every time we put a brand up on this website -- or I'm sorry, on this technology tool -- in a market, our e-commerce business gets better. To give you some context for how far we are, The North Face in Europe went live on Wednesday. We still have a lot of work to do and a lot of opportunity. You're right, we are under-developed, and we see that as a huge opportunity for us. We know we have the right tool now. We're just rolling it out across the world, and improving our ability to work with it.

Omar Saad - Evercore ISI - Analyst

Excellent, that's helpful. Then if I could just ask if there's anything new on the M&A front, Eric, that you want to add?

Eric Wiseman - VF Corporation - Chairman & CEO

Thank you for asking, but no. Sorry, I'm not trying to be cute, but we would never discuss any processes that we are part of, or not, during a call. Thank you.

Omar Saad - Evercore ISI - Analyst

Thanks.

Eric Wiseman - VF Corporation - Chairman & CEO

Our next question comes from Camilo Lyon with Canaccord Genuity.

Camilo Lyon - Canaccord Genuity - Analyst

Good morning, guys. Thanks for taking the question. The other side of the e-commerce question is the wholesale question. Obviously there's been some challenges in the department stores. The debate now is are these structural challenges or are they cyclical ones? The traffic trends you're seeing in the channel and the growth in your e-commerce partners in your own businesses, does that fundamentally alter how you view your growth prospects in the wholesale channel over the longer-term and how do you think about that?

Eric Wiseman - VF Corporation - Chairman & CEO

No. Look, we've been around long enough the world constantly is shifting between different channels and structures. To put some context on it, because VF has changed now our composition with the exit from the -- I guess potential exit from the Contemporary Brands business. Department stores now represent about 3% of our revenue. Mid-tier represents about 4% of our revenue. We're much more weighted towards specialty and sporting goods.

But having said that, in all channels, with our department store partners, we're working very hard to make sure we get more than our fair share of their big revenue number. There's still a lot of apparel and footwear sold, and we're trying to be a great partner and get more than our fair share. We do that across -- of course, with all of our customers. It does go from year to year. There's different centers of concentration. But I know there's concern about our exposure. That's why I tried to give some context to the size of the business.

Camilo Lyon - *Canaccord Genuity - Analyst*

That's great. Can you -- Eric, would you care to share a little bit more detail on the coalitions in those exposures?

Eric Wiseman - *VF Corporation - Chairman & CEO*

I can't do that, even if I wanted to, off the top of my head. I just don't have that information, I'm sorry. They're all -- each has a different model, and we're a global Company with lots of brands. Scott wants to weigh in.

Scott Roe - *VF Corporation - CFO*

I was just going to say we really haven't disclosed that level of detail. We give you the overall percentages.

Camilo Lyon - *Canaccord Genuity - Analyst*

Okay, fair enough. Another question is on The North Face. Of late or in the past year or so, year or two, there have been some other entrants into the category at some higher price points. I'm curious to get your take on where do you see the opportunities to grow The North Face brand, whether it's on a price point perspective, if you have an ability to raise part of your premium offering within The North Face, or if you see other opportunities to expand where you're currently -- the base of consumers that you're currently speaking to?

Eric Wiseman - *VF Corporation - Chairman & CEO*

Sure. The North Face continues to be the number one outdoor brand on a global basis by a long shot. You heard us talk at the beginning of the year, the team has recently gone through resetting the business around four specific consumer usage occasions, or four new business units.

Mountain Sports, which is that most technical expression of the brand, the Mountain Culture, which is more the lifestyle aspect that would come out of that core mountain and into the city. We've got our Mountain Athletics or training category, which is a fast-growing, very significant opportunity for both apparel and footwear.

Then we have a new category that's coming out of our Asia business called Urban Exploration, marrying up with what's already a good city expression of the brand here and in Europe, but bringing a really interesting Asian flair coming out of Japan and China that our team in Asia's been leading that will allow the brand to come at that city market in a slightly different perspective.

We have the ability to sell higher price points, and you absolutely will see us do that through these four new business units. But what you also see is real thoughtful line segmentation covering those key price points in those key categories for those channel partners that we do business with across the globe.

Camilo Lyon - *Canaccord Genuity - Analyst*

Great. Is that something that we can expect to see this season, or is that more of a fall 2017 expression?

Eric Wiseman - *VF Corporation - Chairman & CEO*

You'll start to see it come to life in Fall 2016, but it will really come to live in 2017. If you happen to be in San Francisco any time soon, our Palo Alto store, which I mentioned in my comments, as well as our Post Street store, has just been re-merchandised around these four brand territories. Really, it's a beautiful experiential expression of the brand.

Camilo Lyon - *Canaccord Genuity - Analyst*

Great. Good luck, guys. All the best in the back half.

Operator

Kate McShane, Citi.

Kate McShane - *Citigroup - Analyst*

Hi, thanks. Good morning.

Eric Wiseman - *VF Corporation - Chairman & CEO*

Hi, Kate.

Kate McShane - *Citigroup - Analyst*

I had a question about cotton. We've noticed over the last week or so that cotton costs have gone up. I know it's only a week move or a couple of week move, but can you remind us the timing of when you lock in your commodity costs? Is this something that you're watching and do you think it's sustainable, and how we should think about it on gross margins going forward?

Scott Roe - *VF Corporation - CFO*

Yes Kate, Scott here. First of all as it relates to 2016, at this point we're committed. Any movements that you see now are going to be in the future. We're generally two to three quarters out by the time it rolls into our results. What you see now would be a 2017 impact

Kate McShane - *Citigroup - Analyst*

Right, okay. Do you have any view on cotton for the next six months? Is this something that is potentially sustainable, this increased cost, or is it -- are you watching it?

Scott Roe - *VF Corporation - CFO*

Well, of course we're watching it all the time, but we don't -- we're not in the prognostication business as it relates to cotton. What we do is we lock in within the time of our lead times. That allows us then to price and react accordingly. But in terms of trying to predict which way it's going, we haven't been very good at that over time I don't know who -- anybody that is.

Kate McShane - Citigroup - Analyst

Okay. My second question was just about the re-allocation of resources now that the Contemporary business has been sold and is going to close. How should we think about any kind of acceleration of potential investments or re-allocation of resources as we get maybe into Q4 from this asset disposal?

Eric Wiseman - VF Corporation - Chairman & CEO

Are you talking about capital or expense, was your question?

Kate McShane - Citigroup - Analyst

Both, if possible.

Eric Wiseman - VF Corporation - Chairman & CEO

I'm glad I opened it up to both, thank you. (laughter) That's probably a good question to ask, a better question to ask after we have gotten closure on the strategic review we are doing at LSG. That's a big business, and they affect our economic model.

Scott mentioned that Contemporary has a little bit -- our gross margin will be a little bit weaker without it, but our operating margin will be a little bit higher. LSG would have another effect on it. We are obviously looking at the shape of the P&L, what it might be after this review is complete. We might be able to answer that letter later.

Having said that, our economic P&L model will look different, and we're trying to put ourselves in a position to accelerate the growth, organic growth rate in our core brands. The two businesses that we're talking about selling, we'll do that by math, because they have not grown at the kind of rate that the rest of the business grows at consistently.

From a capital standpoint, we're going to keep that powder dry until to see how much capital we have, but our priorities remain the same. First is acquisitions. Down the road we're looking at dividends and share buy-back. But our priority is acquisitions.

Kate McShane - Citigroup - Analyst

Okay, thank you. Thank you, Kate.

Operator

Dana Telsey, Telsey Advisory Group.

Dana Telsey - Telsey Advisory Group - Analyst

Good morning, everyone. As you think about pricing in back half of the year with new product categories, and given the fact that it is more fourth-quarter heavy, what should we be looking to for each of the brands? Is there some new product, is there some new marketing initiative that we should be looking to for fourth quarter and potentially into next year as top-line drivers? Thank you.



Eric Wiseman - VF Corporation - Chairman & CEO

Yes, Dana. As it relates to price, we do have price. It will be a little back-half loaded. We have talked about the FX impacts over the last couple years. We do have price, which more than offsets that FX in the back half.

Dana Telsey - Telsey Advisory Group - Analyst

Got it. Then anything new on the product offering, whether it's from Timberland or Vans or North Face that we should be watching for with marketing to drive that business?

Eric Wiseman - VF Corporation - Chairman & CEO

Well, our Vans business, as it celebrates its 50th anniversary, has been doing some really creative things, certainly with the Nintendo collaboration. You will see some new ideas coming into the market place end of this month and early next month that I will leave for you to discover. It's not something I really want to talk about here on the call.

But in the case of The North Face, we'll be really anchoring ourselves in these new brand territories I have talked about, driving our Summit Series collection, which continues to evolve after its re-launch last year on a global basis, and also driving Mountain Athletics and footwear.

In the case of Timberland, we will continue to drive our boots. The boot trend is still alive and well, and we have got some great offerings, along with our SensorFlex platform that has been in place now for three years, and continues to gain momentum and grab share, not only here, but mostly how we see it in our international markets.

Dana Telsey - Telsey Advisory Group - Analyst

Thank you.

Operator

Jim Duffy, Stifel.

Jim Duffy - Stifel Nicolaus - Analyst

Thanks. Good morning, everyone.

Eric Wiseman - VF Corporation - Chairman & CEO

Good morning, Jim.

Jim Duffy - Stifel Nicolaus - Analyst

I'm particularly interested in commentary around channel inventories. You mentioned imbalances with Timberland and Vans Europe. Are there other notable pockets of imbalance? In contrast, what are the categories where you have healthier channel inventory positions, and at this stage seems better set to perform in the second half?



Steve Rendle - *VF Corporation - President & COO*

Hi, Jim, this is Steve. The imbalance from a Timberland standpoint is as I mentioned, boots. It's across the dealer distribution that the brands work with. It really is inventory that's been carried out of fourth quarter last year. As they work through it, with the strong sell-throughs we see in the first half, we will return to growth in the second half.

Otherwise, we don't see inventory issues, other than what we've called out at the beginning of the year. Caution in the specialty outdoor, reflecting The North Face order book. The rest of our business is sitting in a really strong place. With our new, innovative products, we'll have great opportunities to be placed, and be put in front of consumers.

Jim Duffy - *Stifel Nicolaus - Analyst*

Very good. Eric, I'm sorry to do this, but with respect to acquisitions, I recognize it's a situation of preparedness meeting opportunity. We know you're prepared. Has it just been a matter of pricing that's holding things back, or are you not seeing properties available that fit the strategy?

Eric Wiseman - *VF Corporation - Chairman & CEO*

I would say that there's two -- it's a complicated answer, because we're very active.

Jim Duffy - *Stifel Nicolaus - Analyst*

I'm sure, yes.

Eric Wiseman - *VF Corporation - Chairman & CEO*

The two biggest categories would be some of the properties that we're not -- that we're most interested in aren't available now, and some that we're interested in are not available at a price that we think is prudent to pay.

Jim Duffy - *Stifel Nicolaus - Analyst*

Fair enough. That does seem prudent. Thank you.

Operator

That concludes today's question-and-answer session. I would like to turn the conference back over to Eric Wiseman for any additional or closing remarks.

Eric Wiseman - *VF Corporation - Chairman & CEO*

Sure. Thank you all for your interest in our Company. It's been an interesting year for us. In the first half, as I said earlier, consumer engagement and purchasing of our brands in our stores and online is right in line with our long-term organic growth goals. That gives us great confidence that our brands are strong and our teams are executing well. Unfortunately, our wholesale business growth is off. That's following a very weak winter last year, and all the implications of that on inventory in the channel. But that will get solved with time.

With that, I will just say that we are very confident about our outlook for the second half. We have good visibility and strong execution skills, and we look forward to giving you guys another update in 90 days. Thanks so much.

Operator

That concludes today's presentation. Thank you for your participation. You may now disconnect.

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